

TechnologyOne reports strong half year profit Provides guidance of strong profit growth for the full year

***Profit up 10% (\$10.3m); Revenue up 13% (\$113.9m); Initial Licence Fees up 30% (\$24.1m);
Annual Contract Value for Cloud Services up 93% (\$19.9m).***

BRISBANE, 23 May 2017 - Australia's largest enterprise software company, TechnologyOne (ASX:TNE) today announced its profit result for the half year ending 31 March 2017.

TechnologyOne posted a half year profit result that exceeded market expectations with Licence Fees up 30 per cent to \$24.1 million, and Profit Before Tax (PBT) up 10 per cent to \$10.3 million.

Excluding the impact of the Evolve customer conference, which is held every 3 years, PBT would have been up 41 per cent.

Financial highlights for Half Year 2017

- Revenue up 13% to \$113.9 million (HY16: \$101 million)
- Profit Before Tax (PBT) up 10% to \$10.3 million (HY16: \$9.4 million)
- Total Expenses up 13% to \$103.6 million (HY16: \$91.5 million)
- R&D up 9% to \$23.6 million (HY16: \$21.8 million)
- Expenses excluding R&D up 15% to \$80 million (HY16: \$69.8 million)
- Operating cash flow of \$2.6 million (HY16: -\$3.3 million)

In light of our strong balance sheet, strong cash flow, and confidence in once again achieving strong profit growth over the full year, the dividend for the half year has been increased by 10 per cent to 2.60 cents per share.

Other highlights by revenue stream

- Initial Licence fees up 30% to \$24.1 million
- Annual Licence fees up 10% to \$47.9 million
- Total Consulting Services is flat with profit down \$4.1 million
- Cloud Services fees up by 93% to \$19.9 million (HY16: \$10.3 million)

Commentary

TechnologyOne Cloud Services fees continued to grow strongly in the half, with Annual Contract Value (ACV) now \$19.9 million (recurring each year) up from \$10.3 million, an increase of 93+ per cent from last year. We now have 199 customers committed to the TechnologyOne Cloud.

We are on track to achieve ACV of \$28 million by financial year end. We expect this strong momentum to continue in the years to come and this business to generate ACV of \$143 million of annual recurring revenue by 2022.

For the first time TechnologyOne Cloud contributed a \$937k profit in the half, compared to a \$922k loss this time last year. This is due to our mass production Software as a Service (SaaS) architecture which is starting to deliver significant economies of scale. The company expects full year profit contribution from the TechnologyOne Cloud to be \$2.5 million.

TechnologyOne Cloud has now been independently audited and recommended to be certified for the Federal Government IRAP security standard, making us the first enterprise SaaS vendor to achieve this high level of security accreditation in Australia which gives us a significant competitive advantage.

An important goal for TechnologyOne was to move away from perpetual licences and to move new business to subscription licences to create a strong longer term annuity business. This half we achieved over 80 per cent of all new business being subscription licences.

TechnologyOne continued to invest heavily in Research and Development for the half year, investing \$23.6 million, an increase of 9 per cent. R&D represents 21 per cent of revenue, outstripping our competitors' average spend of 12 per cent of revenue.

Full year guidance

The company provided guidance for the full year, of continuing profit growth of 10 to 15 per cent.

Further information

This market release should be read in conjunction with the TechnologyOne Investor Presentation and the TechnologyOne Statutory Accounts attached to the Appendix 4D. All documents are available on the ASX Announcement platform.

Results teleconference

TechnologyOne Executive Chairman Adrian Di Marco, Chief Executive Officer Edward Chung and Chief Financial Officer Tony Ristevski will present the results to analysts on a conference call on Tuesday 23rd May at 11am.

- Ends -

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About TechnologyOne

TechnologyOne (ASX:TNE) is Australia's largest enterprise software company and one of Australia's top 200 ASX-listed companies, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,000 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only eight key markets: government, local government, financial services, education, health and community services, asset intensive industries, project intensive industries and corporates. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For 30 years, we have been providing our customers enterprise software that evolves and adapts to new and emerging technologies, allowing them to focus on their business and not technology. Today, our software is available on the TechnologyOne Cloud and across smart mobile devices.