technology1
Making life simple for our community

19 November 2024

Technology One Limited (ASX: TNE)

TechOne profit up 18%: ARR up 20% driven by SaaS+ and UK

BRISBANE, 19 November 2024 – TechnologyOne (ASX: TNE), Australia's largest ERP SaaS company and the world's first SaaS+ company, today announced its financial results for the year ended 30 September 2024. We are pleased to announce our 15th consecutive year of record profit, record revenues, and record SaaS fees.

Highlights for the Year

Profit before tax, up 18% – Beating guidance set in May 2024 of 12%-16% profit growth.

Total Annual Recurring Revenue (ARR), up 20% – Driven by the significant value proposition of our global SaaS ERP solution and our game-changing SaaS+ offering and the UK.

We are the world's first SaaS+ ERP company – We established our visionary SaaS+ offering by combining our mission-critical global SaaS ERP solution and implementation in one single fee, removing the need for traditional, complex, long, risky and expensive consulting implementations to provide faster go-lives and therefore unlocking value for our customers more quickly.

UK sales ARR, up 70% – Our long-term investment in the UK continues to build momentum.

Net Revenue Retention (NRR) of 117%, above the long-term target of 115% – Existing customers continue to expand their use of our global SaaS ERP solution to streamline their operations.

A new long-term target of $1b+ ARR by FY30

With $500m ARR firmly in sight (18 months earlier than the original target date), we have now set our ambitions higher. During our first Investor Day in July 2024, we announced a new long-term target of $1b+ ARR by FY30.

Building the future, enabling us to continue to double in size every five years – With strong results and a strong sales pipeline, we upheld our ambitious R&D investments to enable us to continue to double in size every five years. These include additional investments in the UK, new products and modules, including DxP, App Builder and SaaS+.

Strong balance sheet and strong cashflow generation greater than 100% of NPAT – We delivered strong cashflow generation to NPAT ratio of greater than 100%. With significant cash and investment holdings of $278.7 million and no debt, our balance sheet retains flexibility and strength for further inorganic growth in the future.

Technology One Limited | ABN 84 010 487 180
Level 11, TechnologyOne HQ,
540 Wickham Street, Fortitude Valley QLD 4006
P + 61 7 3167 7300 **W** TechnologyOneCorp.com
Locations: Australia | New Zealand | South Pacific | Asia | United Kingdom

technology1
Making life simple for our community

Acquisition of CourseLoop - post the period end, we completed the acquisition of CourseLoop. A world-leader in curriculum management, this acquisition complements our suite and provides us with great IP. With the addition of CourseLoop's Curriculum Management, TechnologyOne's OneEducation solution has become the world's first SaaS platform to encompass the entire student lifecycle – from course design to graduation – into a single unified ERP solution.

These points are discussed later in more detail.

Results Summary

- Profit Before Tax of $152.9m, up 18%, beating guidance of 12%-16% growth
- Profit After Tax of $118.0m, up 15%
- Total Annual Recurring Revenue (ARR)[1] of $470.2m, up 20%
- On track to surpass $500m ARR by H1 FY25
- Net Revenue Retention (NRR) of 117%, above our long-term target of 115%
- Total Revenue of $515.4m, up 17%
- Revenue from our SaaS and Recurring Business of $466.3m, up 19%
- Expenses of $362.6m, up 16%
- Cash Flow Generation[2] of $119.0m, up 14%
- Cash and Investments of $278.7m, up 25%
- Full Year Dividend of 22.45 cps, up 16%
- R&D investment of $128.0m before capitalisation consistent at 25% of Revenue

[1] ARR represents future contracted annual revenue at year end. This is a non-IFRS financial measure and is unaudited.

[2] Cash Flow Generation is cash flow from operating activities less capitalised development costs, capitalised commission costs and lease payments. This is a non-IFRS financial measure and is unaudited.

Continuing strong performance

TechnologyOne has consistently delivered strong results since listing on the ASX in 1999.

Ed Chung, CEO of TechnologyOne said: "Our ability to deliver these results is due to TechnologyOne's clear vision, strategy, culture and our significant investment in R&D, which has been validated in March 2023 as we entered the ASX 100 index.

"Our ARR growth of 20% and profit growth of 18% is not only driven by the significant value proposition of our global SaaS ERP solution for new and existing customers, it is driven by our game-changing SaaS+ offering and the acceleration of our UK business.

"A year ago, we established our visionary SaaS+ offering, becoming the world's first SaaS+ ERP company, by combining our mission-critical global SaaS ERP solution and implementation in one single fee, removing the need for traditional, complex, long, risky and expensive consulting implementations to provide faster go-lives and therefore unlocking value for our customers more quickly."

Technology One Limited | ABN 84 010 487 180
Level 11, TechnologyOne HQ,
540 Wickham Street, Fortitude Valley QLD 4006
P + 61 7 3167 7300 **W** TechnologyOneCorp.com
Locations: Australia | New Zealand | South Pacific | Asia | United Kingdom

technology1
Making life simple for our community

Total Annual Recurring Revenue (ARR) up 20%

Adoption of the TechnologyOne global SaaS ERP solution and our SaaS+ offering exceeded our expectations, with customer adoption driving total ARR to $470.2 million, up 20%.

All of our key verticals performed strongly throughout the year, with our Government vertical growing 41%, up $22m and Local Government growing 22%, up $32m.

In Local Government, our team closed over 30 significant deals in FY24. TechnologyOne won a project to transform Penrith Council's core ERP system. Penrith City Council is one of Sydney metropolitan's largest and fastest growing local government areas, managing around 80,000 rateable properties. As a long-time TechnologyOne customer using just some of the OneCouncil functionality, the Council came to market for a best-practice total ERP solution to take them into the 2030s. Their decision to choose TechnologyOne reflects our reputation for delivering robust, future-focused solutions that specifically meet the needs of growing and evolving communities.

We are the world's first SaaS+ ERP company

Having successfully completed our transition to become a 100% SaaS company, we have pivoted to our next major innovation, becoming the world's first SaaS+ company.

SaaS+ is a game changer in the ERP industry. It is the next logical evolution of SaaS where TechnologyOne delivers the entire outcome faster, with minimal risk and with a single annual fee to our customers. SaaS+ delivers faster time to value as we continue to dramatically drive down implementation timeframes, removing the need for traditional, long-drawn-out, risky implementations. Through the 'Power of One', TechnologyOne is the only SaaS ERP provider able to deliver on this compelling proposition as we own all parts of the value chain with deep mission-critical products, industry-specific IP built over 37 years and our highly skilled in-house consulting team.

A traditional implementation of our multinational competitor product undertaken by third-party consulting firms or the big four accounting firms, typically takes thousands of days. During FY24, TechnologyOne set an ambitious goal of delivering ERP in 30 days in the next five years. This goal will totally transform our industry as we deliver what our customers truly need – a solution to streamline their business, not years of traditional, complex and risky consulting implementations. Our OneBase solution presently takes 160 days to implement, and we are hyper-focused on reducing this to 30 days.

Our SaaS+ proposition is resonating with the market. Our shift from traditional new project consulting revenue to SaaS+ revenue will mirror our successful transition from legacy license fees to SaaS revenue, which is now complete. This strategic move enhances our focus on high-quality, recurring revenue.

We are excited about the opportunities these investments will bring to our APAC and UK customers. Importantly, SaaS+ has become the go-to-market approach in the UK.

UK sales ARR, up 70%

We have seen our UK business continue its growth trajectory, with UK sales ARR up 70% to $8.7m and total UK ARR up 31% to $34.7 million. We delivered a profit of $2.9 million, down from a profit of $3.7 million last year; this was expected as we carefully manage our transition to SaaS+, and we have also committed additional investment to ensure future growth. We see significant opportunities in the coming years in this market, which considerably exceeds the size of the APAC market.

We continue to see momentum build in the UK, especially in the Higher Education sector, with the University of Buckingham and the University of Chester both investing in our solutions in FY24.

The University of Chester is a well-established institution with a history dating back to 1839, serving over 15,000 students today. They faced challenges with legacy vendors for Financials and Student Management that offered no clear path to SaaS and needed more investment in improving their products. They saw TechnologyOne's true SaaS solution with full ERP capabilities, defence-in-depth security and more than $125 million R&D investment as the clear path to modernise the university. Furthermore, with our SaaS+ design, the implementation risk to the university has been significantly diminished – a critical factor in the University of Chester choosing to partner with us.

Our ERP offering along with the breadth and depth of functionality that we bring to Local Government and Higher Education markets are unique in the UK and our pipeline is growing strongly. We continue to invest in products, sales, marketing and other functionalities in the UK to accelerate our growth.

Net Revenue Retention (NRR) of 117%, beating long-term target of 115%

In FY24, we delivered Net Revenue Retention of 117%, which is industry-leading in the ERP market and above our long-term target of 115%. This gives us confidence that we will continue to double in size every five years.

It's clear that our products and solutions are resonating with the market. Customers continue to take up more TechnologyOne products and modules as they embrace our enterprise vision and the consequent substantial efficiencies and productivity lift.

We focus on signing a new customer with products such as Financials, Property and Rating, or Student Management and then expanding with other products and modules over time. As the only true SaaS ERP vendor in the market, our SaaS customers have all products and modules available at all times and are always on the latest software release. This open licence approach removes the friction from TechnologyOne selling and from our customers taking up new products and modules to streamline their business.

We continue to invest in our products and modules to provide even deeper mission-critical functionality for the markets we serve. In doing so, we increase our team's available whitespace and runway to sell additional value to our existing customers.

Our SaaS customers continue to take up products and modules faster than we had seen for our on-premise customers. The average ARR from our customers has grown from $100,000 in FY12 to almost $400,000 in FY24.

Technology One Limited | ABN 84 010 487 180
Level 11, TechnologyOne HQ,
540 Wickham Street, Fortitude Valley QLD 4006
P + 61 7 3167 7300 **W** TechnologyOneCorp.com
Locations: Australia | New Zealand | South Pacific | Asia | United Kingdom

A new long-term target of $1b+ ARR by FY30

The revenue quality from our latest generation global SaaS ERP solution is exceptionally high, given its recurring contractual nature, combined with our long-term, industry-leading low churn rate of ~1%.

Our ARR stands at 90% of Total Revenue, which means most of our revenue is locked in at the start of the financial year. This positions us well to achieve continuing solid growth in the new year.

Today our total ARR is $470.2 million, up 20%. During the year we upgraded our medium-term target for the second time to now surpass $500 million ARR by H1 FY25 (previously, “we will surpass $500 million ARR by FY25” and before that “we will surpass $500 million ARR by FY26”).

With this target firmly in sight, we have now set our ambitions higher and during our first Investor Day in July 2024, we announced a new long-term target of $1b+ ARR by FY30. Our significant investments for growth including expanded products and modules, acquisitions, the UK, new products such as our Digital Experience Platform (DxP) and App Builder and SaaS+ underpin this.

Building the future, enabling us to continue to double in size every five years

TechnologyOne invested $128 million in R&D this year, up 14% on the previous corresponding period, an investment that underpins our future platforms for growth.

Our R&D program continues to be at the leading edge of our industry as we embrace new technologies, new concepts and new paradigms.

Our R&D team is focused on extending the functionality and capabilities of our global SaaS ERP solution, CiA, which increases the whitespace in the verticals we serve.

We continue to invest in new, exciting ideas and innovations, including SaaS+, App Builder and Digital Experience Platform (DxP) for Local Government and Higher Education. Our sixteenth product, DxP Local Government, was released for general adoption and extends our ERP from traditional back-office users to residents.

These investments in R&D and SaaS+ build our future platforms for growth and enable our ability to continue to double in size every five years. As always, we manage this significant investment within our total cost base, continuing to balance strong profit growth with investment for the future.

Acquisition of CourseLoop

Post the period end, we acquired CourseLoop, a company servicing the higher education sector. This acquisition forms part of our strategic focus to deliver the deepest functionality for the Higher Education market.

With the addition of CourseLoop’s Curriculum Management, TechnologyOne OneEducation has become the world’s first SaaS platform to encompass the entire student lifecycle – from course design to graduation – into a single unified ERP solution.

Integrating a Curriculum Management capability with TechnologyOne’s market-leading Student Management, Timetabling and Scheduling, Human Resource and Payroll, Enterprise

Technology One Limited | ABN 84 010 487 180
Level 11, TechnologyOne HQ,
540 Wickham Street, Fortitude Valley QLD 4006
P + 61 7 3167 7300 **W** TechnologyOneCorp.com
Locations: Australia | New Zealand | South Pacific | Asia | United Kingdom

Asset Management and Financials capabilities will provide, for the first time, full visibility across the entire academic cycle.

Curriculum Management will provide Higher Education institutions with data-driven insights via a single source of truth to create courses that meet market demands, that students want to study, that are financially sustainable and that deliver student success and institutional differentiation.

We are excited about the opportunities this will bring to both our UK and Australian customers in the coming years. The impact on our FY25 group profit will be insignificant, and we expect the acquisition to be EPS accretive in FY26.

Profit Before Tax margin improved to 30%

We generated a Profit Before Tax margin of 30%, compared to 29% in the previous corresponding period. This return to growth in margin includes a negative impact from our careful transition to SaaS+ of $3.0m. Had we not taken this approach, our profit before tax margin would have been approximately 1% better.

This shift from traditional new project consulting revenue to SaaS+ revenue will have similarities to our successfully completed transition from legacy license fees to SaaS revenue. This strategic move over time removes lower quality, one-off traditional consulting revenue and replaces it with high-quality, recurring revenue. A small headwind to our margin growth in the short term will enable a significant tailwind in the long term on profit before tax margin.

Notwithstanding our strategic shift to SaaS+ and the small headwind to our margin growth in the short term, we see group margins continuing to improve to 35%+ in the coming years, driven by the significant economies of scale from our single instance multi-tenanted global SaaS ERP solution.

Investment in people and culture

Our people solve incredibly complex business problems for our customers and have delivered our massively broad and deep global SaaS ERP solution. We compete and win against the world's largest multinational software companies, which have R&D teams with tens of thousands of staff.

We continue to succeed because of our consistent strategy, mission, purpose, core beliefs, values, leadership philosophies and Compelling Customer Experience. Post completion of our 24-month refresh of the TechnologyOne Way and Culture Book, which contains a collection of stories that explain to new starters and remind long-timers what makes TechnologyOne special and how we make the impossible possible; we commenced the creation of Playbooks by department. These Playbooks codified the art and science of each our key disciplines including People Leadership, Sales, Consulting and Research and Development.

During the year, we promoted more than 15 per cent of our people or 220 team members across all areas of our business. We continued our focus on diversity and strategies to increase the number of women across the organisation. Women now hold 48% of senior roles against an industry average of 25%. Our overall representation of women across all roles at TechnologyOne is now 39%.

In the second year of what we believe to be Australia's best Employee Share Plan, which provides one free share for every two shares purchased by our employees, 55% of our current team members have become owners of TechnologyOne to share in the growth of our great company.

To continue to double in size every five years, we invest heavily in our leaders through our Leadership Summit. This year, 111 of our leaders attended the Summits which supported their growth, taught them the TechnologyOne Way and equipped them to lead our teams to make the impossible possible. The first cohort graduated in FY23, a second cohort is graduating this year and a third started in July 2024.

Strong balance sheet and strong cashflow generation greater than 100% of NPAT

TechnologyOne continues to maintain a strong balance sheet with net assets of $379.3 million, up 24% and cash and investments of $278.7 million, up 25%. Cash Flow Generation (CFG) was once again strong at $119.0 million for the full year, versus a Net Profit After Tax of $118.0 million; a CFG to NPAT ratio of 101%. This provides us with significant flexibility and strength for future inorganic growth. High levels of recurring revenue, strong cashflow generation, and a strong new business pipeline provide us with confidence in the future. Consequently, we took time to consider our capital management position in FY24. As such, we have taken steps to implement the following actions.

1. **Dividend Policy Update**: The dividend policy has been revised from a growth target of 8-10% to a payout ratio of 55-65%. This change allows dividend growth to align more closely with net profit after tax growth, while balancing stability, rewarding shareholders, and maintaining capacity to invest for growth.
2. **Equity Management Policy**: A new policy has been established to purchase staff-related equity needs on market instead of issuing new shares. This measure aims to reduce dilution and manage the capital base effectively.
3. **Inorganic growth:** The Acquisition of CourseLoop is an important bolt-on acquisition for our Higher Education solution, which makes our offering deeper and more unique than any other education software provider in the world.

We emphasise our ongoing commitment to capital management initiatives, reflecting a prudent yet strategic approach to investments for growth while maintaining discipline in execution.

Dividend

Considering the company's strong results, our confidence in the future and the significant capacity in our balance sheet to invest in growth and opportunities that may arise, we have announced our final FY24 dividend of 22.45 cents per share, a payout ratio of 62%.

For the full year, our dividend has increased to 22.45 cents per share, up 15% on the prior year consistent with our Net Profit After Tax growth of 15%.

Pat O'Sullivan
Chairman

Edward Chung
Chief Executive Officer

- Ends -

Authorised for release by the CEO and Chairman.

Media Enquiries
Miette Lelievre
PR Manager
M: +61 428 940 628
E: miette_lelievre@technologyonecorp.com

Jen Keighley
Principal Assistant
M: +61 433 394 787
E: jen_keighley@technologyonecorp.com

About TechnologyOne

TechnologyOne (ASX: TNE) is Australia's largest enterprise software company and one of Australia's top 100 ASX-listed companies, with locations across six countries. We provide a global SaaS ERP solution that transforms business and makes life simple for our customers. Our deeply integrated enterprise SaaS solution is available on any device, anywhere and any time and is incredibly easy to use. Over 1,300 leading corporations, government agencies, local councils and universities are powered by our software.

For more than 37 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.

For further information, please visit: TechnologyOneCorp.com