2011 Half Year Results Presentation

Ending March 2011

One Vision. One Vendor. One Experience.

Adrian Di Marco

Executive Chairman

www.TechnologyOneCorp.com

technologyone

business software solutions

TechnologyOne develops, markets, sells, implements and supports a new generation enterprise solution specifically targeted at seven vertical markets:

- Local Government

- Government (State, Central & Federal)

- Education

- Financial Services

- Health, Community Services and Not for Profit

- Utilities

- Managed Services
    - Media/Entertainment
    - Property and Construction
    - Mining and Exploration
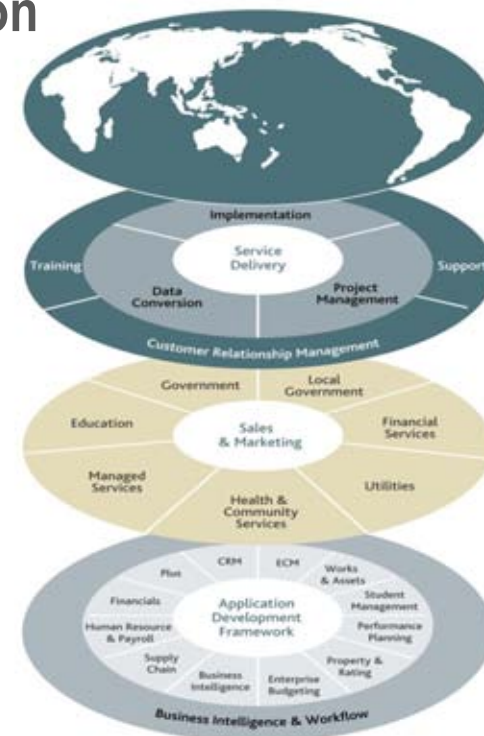
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Our enterprise solution consists of the following products:

- TechnologyOne Financials
- TechnologyOne Asset Management
- TechnologyOne Supply Chain
- TechnologyOne Human Resource & Payroll
- TechnologyOne Corporate Performance Management
  - TechnologyOne Business Intelligence
  - TechnologyOne Budgeting & Forecasting
  - TechnologyOne Performance Planning
- TechnologyOne Enterprise Content Management (ECM)
- TechnologyOne Customer Relationship Management (CRM)
- TechnologyOne Student Management
- TechnologyOne Property & Rating
- ➤ TechnologyOne Mobile Solutions

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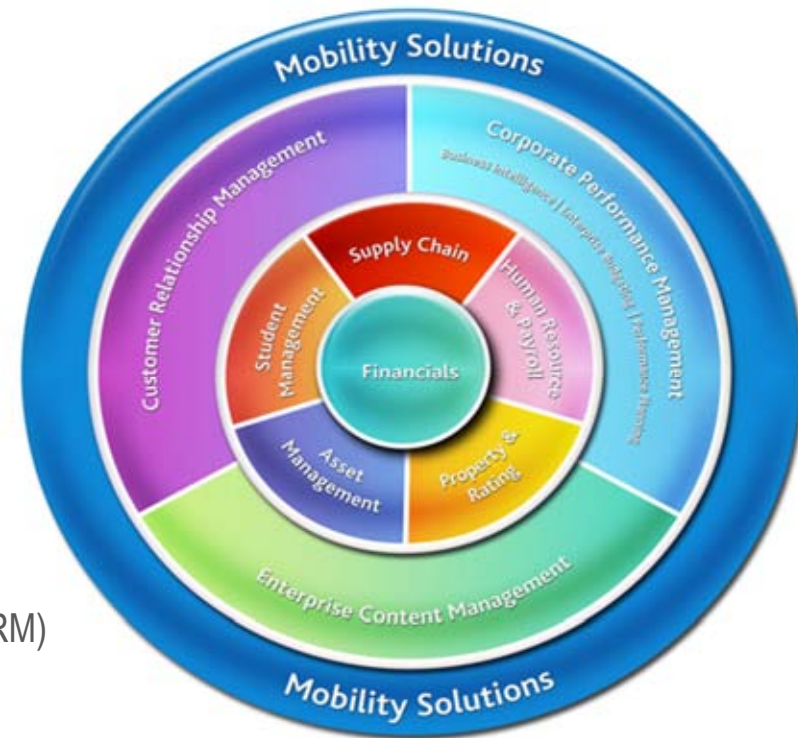
TechnologyOne Overview

- One of Australia's largest software houses, specialising in the research, development and commercialisation of software – invest $32+m in R&D this year

- Offices in Australia, New Zealand, Asia and, more recently, the United Kingdom

- Growing business in the United Kingdom

- Major supplier of enterprise applications in ANZ – 800+ major corporations, government departments and statutory authorities

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TechnologyOne Overview

- Sell 'best practice' preconfigured solutions for our seven vertical markets to reduce time, cost & risk for our customers

- About to commence development of the next generation of our enterprise suite called TechnologyOne C2
  - TechnologyOne Cloud Computing suite
  - 'Built for the cloud on the cloud'

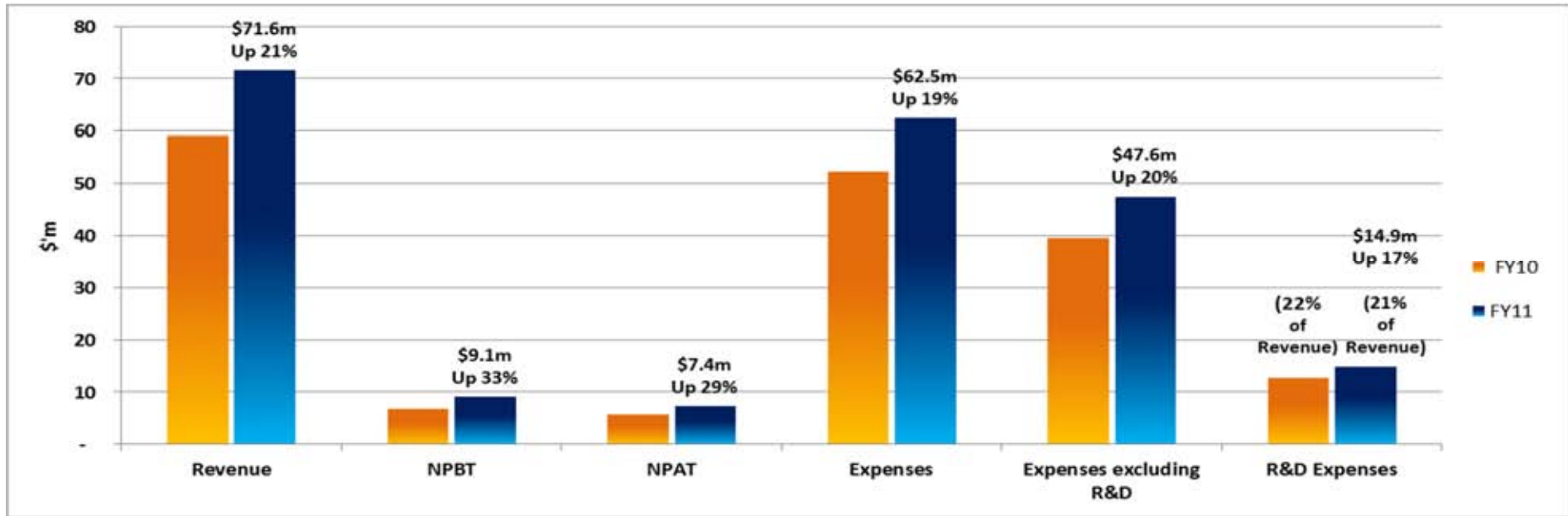- 'Power of One' - 'One Vision, One Vendor, One Experience'

Agenda

➢ Results

■ Significant Achievements

■ Outlook for Full Year

■ Long Term Outlook

2011 H1 Results

- ✓ **Net Profit Before Tax $9.1m, up 33%**   **(up $2.2m)**
- ✓ Net Profit After Tax $7.4m, up 29%   (up $1.6m)
- ✓ Revenue $71.6m, up 21%   (up $12.4m)
- ✓ Total Expenses $62.5m, up 19%   (up $10.1m)
- ✓ Expenses excluding R&D $47.6m, up 20%   (up $8m)
- ✓ R&D expenses $14.9m, up 17%   (up $2.2m)
  - ▪ R&D expenses as a % of revenue is 21% (vs. 22% last year)

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Results Highlights

- Continuing demand for our products: 10% increase in licence fees
  - Driven by our Financials, Corporate Performance Management, Property & Rating and Student Management

- Continued significant investments made that impacted our results by $6.8+m, as follows:

  - New solutions group

  - To build our new CRM product

  - To build our new Performance Planning Ci product

  - To build our new ECM Ci product

  - To mature our HR & Payroll product

  - Established a new Mobile Solutions group   (discussed later)

  - Initial work on our new Cloud Computing suite   (discussed later)

- These investments did not contribute this year but will drive growth in the next few years – discussed later

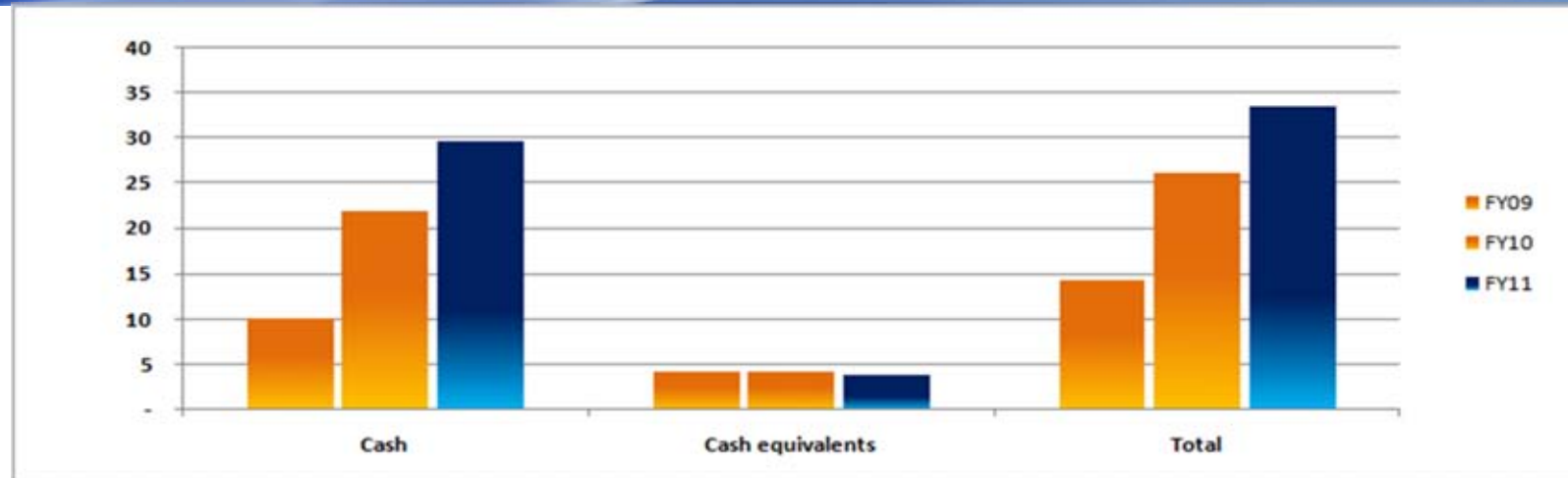One Vision. One Vendor. One Experience.

Results Highlights (continued)

- R&D was 21% of revenue vs historical average of 18% - $2+m additional expense

- New R&D Centre opened in second half of the last financial year (April 2010). This is the first time we have incurred the additional HQ expenses in Half 1, which impacted our results by an additional $1.2m

- Continued to invest in our United Kingdom business, which lost $875k in the half

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Guidance as at AGM

- ✓ Guidance Half 1:   Expenses up 19% Half Year

- ✓ Guidance Full Year: Expenses up 14% Full Year

- ✓ Continuing Profit Growth: On track – discussed later

2011 Half Year Results

✓ Balance sheet strong

- Cash and equivalents*: $33.4m   (vs $26.1m pcp)
- Bank overdraft facility of $7m   (which is not drawn)
- Debt/Equity: 13%   (vs 5% pcp)
- Net Assets are $57.8m   (vs $54.6m pcp)

✓ Operating Cash Flow positive $6.7m   (vs Profit After Tax of $7.4m)

✓ Interest Cover is 42 times

✓ Transparency of results – all R&D fully expensed

*Includes short term investments of $3.8m

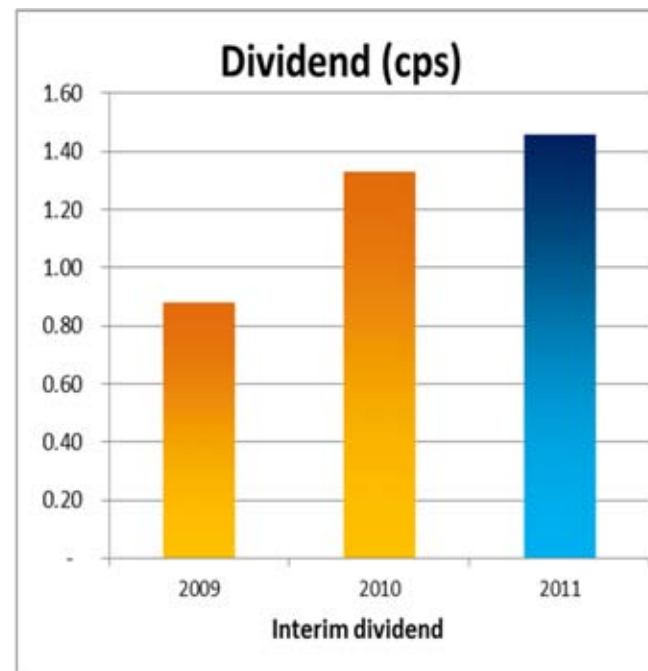One Vision. One Vendor. One Experience.

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Dividends for this Half Year

- Half 1   FY11   1.46 cps up 10%   (declared)

- Payout of 60%

Note

- We have continuously paid a dividend since we listed in 1999 (through Dot-Com and GFC)

- Compound growth in dividends over last 10 years has been 28% per annum

- The Board will once again consider Capital Management initiatives at full year such as a Special Dividend, if cash reserves remain high, growth continues as is expected and there is no compelling alternative use for the cash reserves.

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2011 Half Year Results

| Half Year 2011 v Half Year 2010	2011 $'000	2010 $'000	Variance $'000	%
Revenue excl interest	**70,938**	**58,695**	**12,243**	**21%**
Expenses (excl R&D, Depn, Forex & Amortisation)	44,476	37,863	7,150	19%
EBITDAR	**26,192**	**20,832**	**5,093**	**24%**
R&D Expenditure	14,916	12,740	1,909	15%
EBITDA	**11,276**	**8,092**	**3,184**	**39%**
Depreciation	2,457	1,435	1,022	71%
Amortisation of Intangibles	142	127	15	12%
Forex Expense (Income)	47	106	-59	-56%
EBIT	**8,630**	**6,424**	**2,206**	**34%**
Net Interest Income	473	428	45	11%
Profit Before Tax	**9,103**	**6,852**	**2,251**	**33%**
Profit After Tax	**7,356**	**5,714**	**1,643**	**29%**

Revenue

Net Profit Before Tax
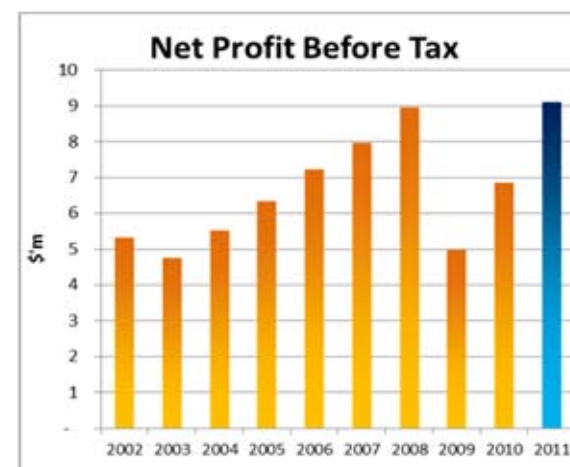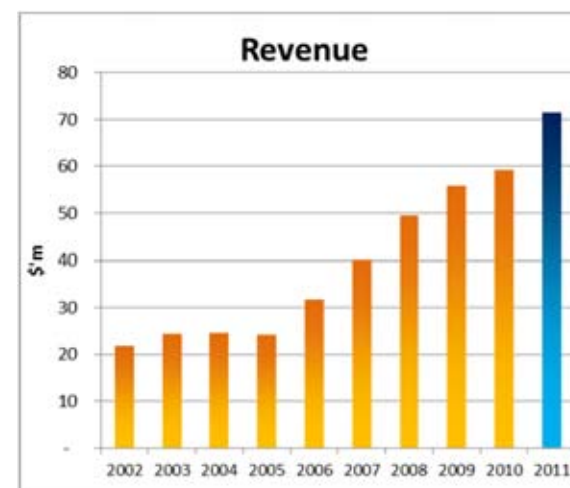
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2011 Half Year Results

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Half Year 2011 v Half Year 2010	2011	2010	Variance	%
EPS cents Reported	**2.49**	**1.90**	**0.59**	**31%**
DPS cents - standard	**1.46**	**1.33**	**0.13**	**10%**
Dividend Payout Ratio	**60%**	**70%**		
EBITDAR Margin	37%	35%		
EBITDA Margin	16%	14%		
Net Profit Before Tax Margin	13%	12%		
Net Profit After Tax Margin	10%	10%		
R&D as Percentage of Total Revenue	**21%**	**22%**		
Net Assets	57,841	54,583	3,416	6%
Cash & Cash Equivalents	33,396	26,074	(7,322)	28%
Net operating cash flows	6,656	9,051	(2,395)	(26%)
Debt/Equity	13%	5%		
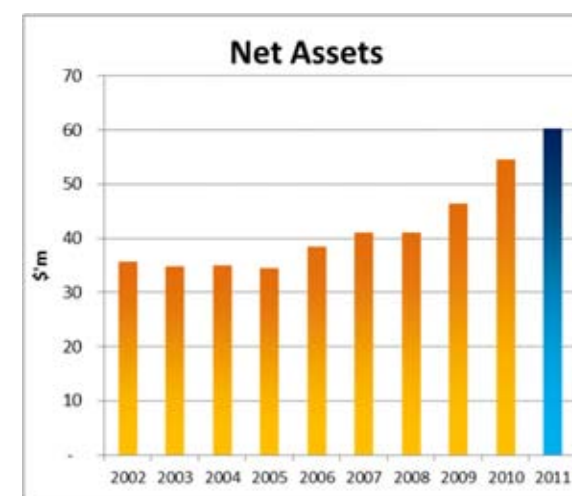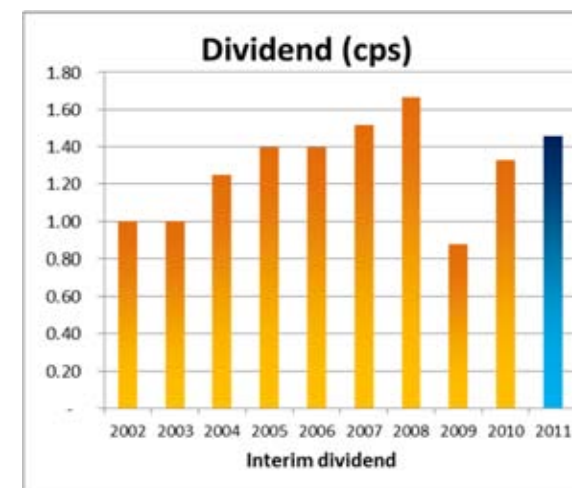
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Average compound growth in Half 1 over the last 10 years
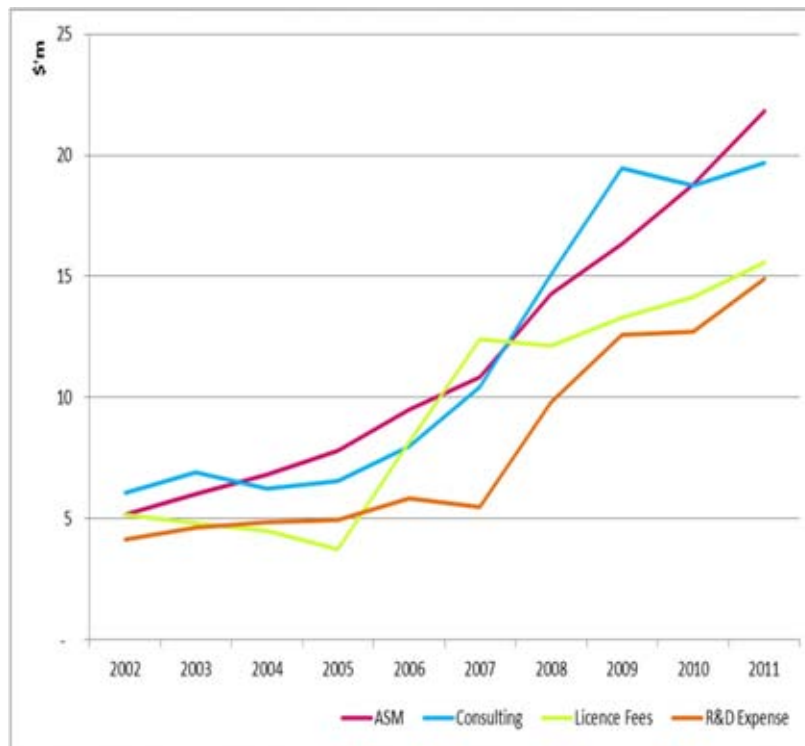
- ➢ Revenue   14% per annum
- ▪ R&D expense   15% per annum
- ▪ Licence Fees   13% per annum
- ▪ Consulting   14% per annum
- ▪ Annual support   17% per annum
- ▪ NPAT   7% per annum
- ▪ NPBT   6% per annum

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Average compound growth in Full Year over the last 14 years
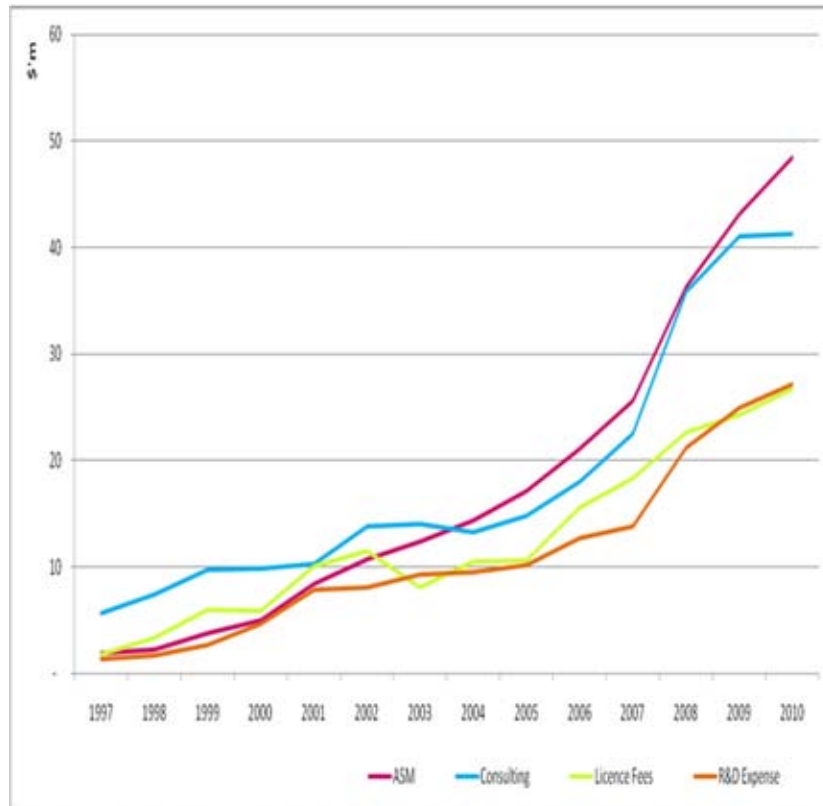
TechnologyOne has been doubling in size, on average every 5 years over the last 14 years

➢ Revenue	14% per annum
▪ R&D expense	17% per annum
▪ Licence Fees	14% per annum
▪ Consulting	7% per annum
▪ Annual support	17% per annum
▪ NPAT	16% per annum
➢ NPBT	15% per annum

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Revenue Stream
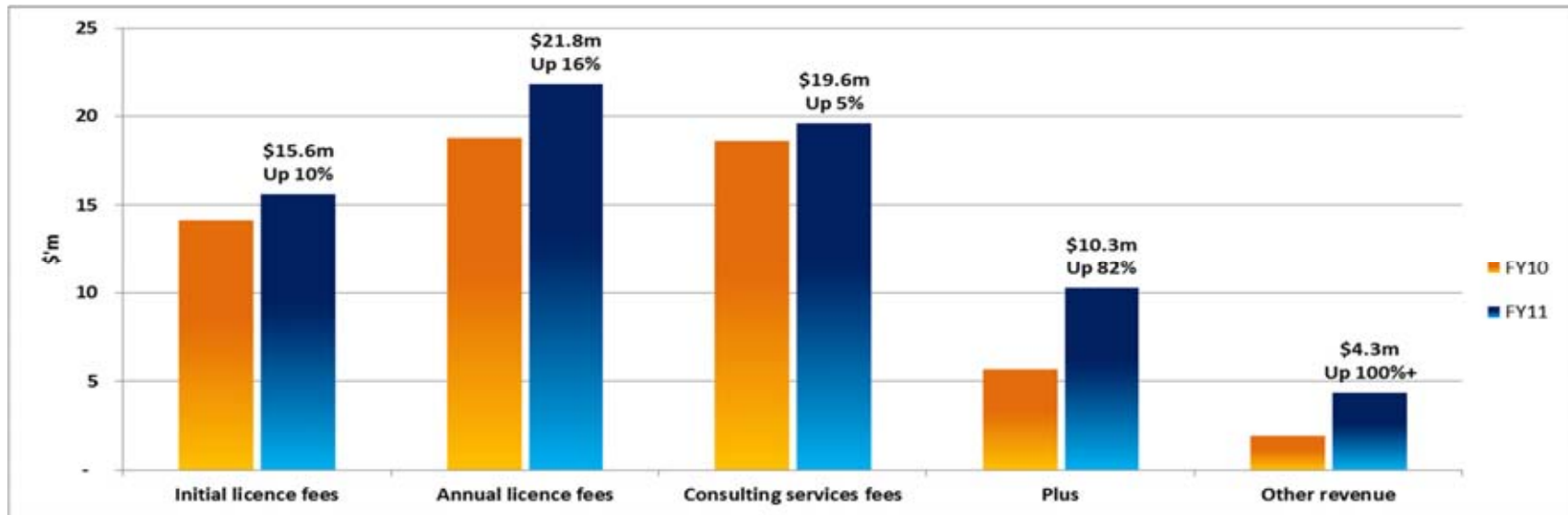
Revenue $71.6m, up 21%   **(up $12.4m)**

- ✓ Initial licence fees $15.6m, up 10%   (up $1.5m)
- ✓ Annual licence fees $21.8m, up 16%   (up $3m)
- ✓ Consulting services fees $19.6m, up 5%   (up $914k)
- ✓ Plus $10.3m, up 82%   (up $4.6m)
- ✓ Other revenue $4.3m, up 100%+   (up $2.3m)
  - ▪ This includes product modifications of $2.5m   (up 100%+ , $1.5m)

Consulting Services (up 5%) impacted by a number of factors not expected to continue next financial year

- New staff and time taken to get them up to speed

Stronger growth in Consulting Services revenue expected in the 2011/2012 financial year:

- Driven by continuing licence fee growth

- Focus on increasing service levels to existing customers by having a dedicated Consulting Team for existing customers

- 'On boarding' new staff quickly and getting them productive – refer TechnologyOne College initiative later

TechnologyOne Plus (up 82%) had a strong first half as a result of:

- New highly experienced General Manager appointed 2 years ago to build this business

- New strategy for Plus to work closely with our product business to provide 'value added services' around our enterprise suite, typically provided by other software companies

  - Resulted in a better outcome for our customers as they now can deal with a single supplier for products, implementation services and now the 'value added' services

TechnologyOne Plus expected to continue to perform strongly over the full financial year

Product - Licence Fee Analysis

Initial licence fees $15.6m, up 10%   **(up $1.5m)**

✓ Student Management licence fees $4.6m, up 18%   (up $708k)

✓ Property & Rating licence fees $844k, up 100%+   (up $629k)

✓ CPM licence fees $4.1m, up 12%   (up $505k)

✓ Asset Management licence fees $851k, up 99%   (up $430k)

✓ Financials and Supply Chain licence fees $3.9m, line ball   (down $33k)

▪ CRM licence fees $95k, down 58%   (down $131k)

▪ Enterprise Content Management licence fees $667k, down 29%   (down $268k)

▪ HR & Payroll licence fees $347k, down 55%   (down $431k)

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- Good pipeline of opportunities continue into the second half

- ECM, CRM and HR & Payroll will improve over the next 12 to 24 months

Geographical Analysis
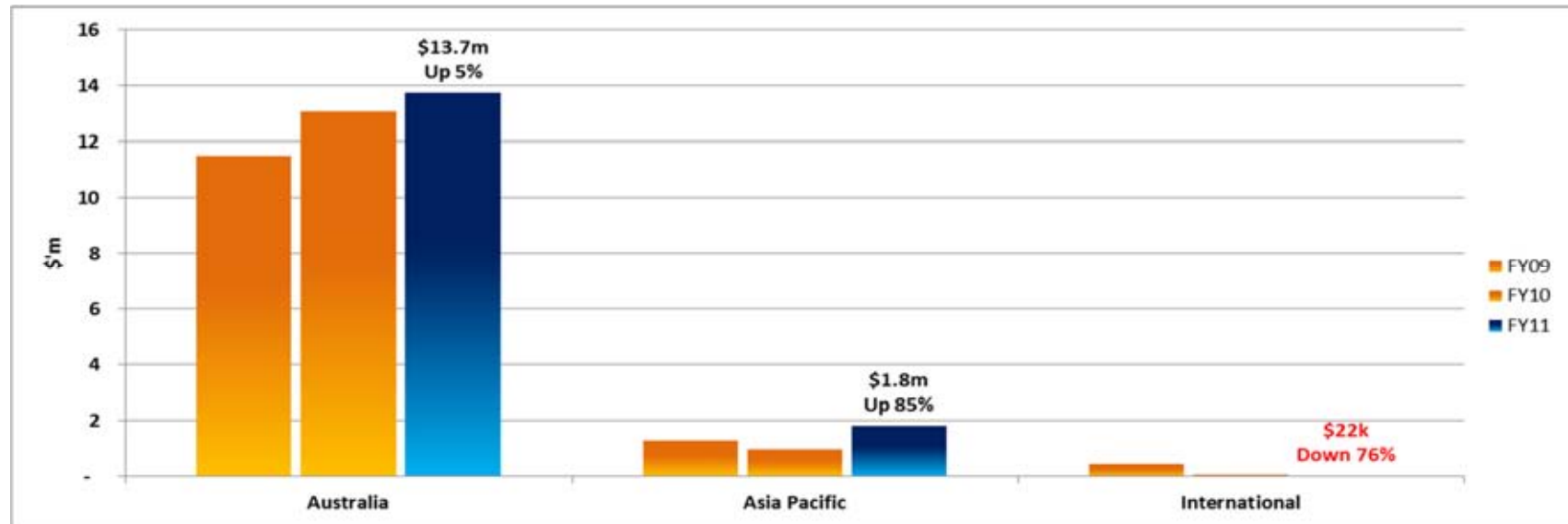
Initial licence fees $15.6m, up 10%   **(up $1.5m)**

- ✓ Australia licence fees $13.7m, up 5%   (up $683k)
- ✓ Asia Pacific licence fees $1.8m, up 85%   (up $843k)
- ▪ International licence fees $22k, <u>down</u> 76%   (<u>down</u> $71k)

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United Kingdom

United Kingdom licence fees down 76% ($71k) to $22k

- **UK loss of $875k (decrease in loss of $261k)**

- Significant impact caused by the GFC
  - Substantially less business
  - Highly competitive
  - Risk averse to a new entrant such as TechnologyOne

- Beach-head now established in UK
  - University of Hertfordshire
  - Scarborough Borough Council
  - Strathclyde Partnership for Transport
  - Royal Liverpool Children's NHS Trust
  - Bravura Solutions (UK) Limited
  - Hereford & Worcester Fire and Rescue Service
  - Institute of Education
  - Carnegie College Scotland

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United Kingdom Changes

➢ New strategy being implemented

- Have now divided UK into 2 regions, to create a greater focus

- New Regional Managers appointed, that have extensive experience in ERP systems in the UK market

- Focus on Business Intelligence

- Investigate a reseller / partner to work with

- Operating Officer assigned to spend significant time in the UK

■ Pipeline is being re-built

■ Recommence winning new business in the coming months and to substantially reduce the loss in the new financial year

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Agenda

✓ Results

➤ Significant Achievements

▪ Outlook for Full Year

▪ Long Term Outlook

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Significant Achievements

➢ TechnologyOne Cloud Computing Suite (C2)

▪ New Offshore R&D Centre

▪ Compelling Customer Experience

▪ R&D

▪ TechOne College

▪ TechOne Solutions

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TechnologyOne C2 Suite

TechnologyOne Cloud Computing Suite (C2)

- Our new generation enterprise system – 'Built on the Cloud for the Cloud'

- Built for mobile computing – wireless laptops, smart phones

- Built for social networking & collaboration eg Facebook

- Built for the iExperience – iPad, iPhone & Touch

➢ Simple & easy migration for our Ci customers to C2

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TechnologyOne C2 Suite

✓ **Appointed Director R&D C2**

- Bring a focus to C2

- Experienced in large scale development with Oracle R&D Labs in Silicon Valley

✓ **Strategy for C2 Finalised**

✓ **Timeline Finalised**

- Architecture, Proof Of Concepts & Project Plans being finalised 2011

- Stage 1: C2 Front End (and use existing Ci back end) – progressively to 2013/2014

- Stage 2: C2 Back End (full rewrite of the back end)   - progressively 2013/2016

- Target - R&D to be approx 18% to 20% of Revenue

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Significant Achievements

✓ TechnologyOne Cloud Computing Suite (C2)

➢ New Offshore R&D Centre

▪ Compelling Customer Experience

▪ R&D

▪ TechnologyOne College

▪ TechnologyOne Solutions

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New R&D Centre in Brisbane up & running with 500+ staff

New Offshore R&D Centre being considered to handle our future growth

✓ Need to tap into a new pool of R&D talent outside of Australia

✓ Need to contain costs – operating leverage of offshore R&D staff

✓ Allow R&D in Brisbane to focus on our new and ambitious C2 product suite

✓ Allow us to continue to support Ci (using Offshore R&D)

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Timeline New Offshore R&D Centre

- Research & feasibility study   completed

- Negotiations & Contracts   July 2011

- Establishment & Trial   July 2011 – Jun 2012

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Appointed a Director R&D Ci

- Bring a focus to Ci & Offshore R&D

- Long serving experienced senior manager

Trial will be run over the next 6 to 12 months to prove the new Offshore R&D Centre

- **Reduces the risk & proves the business case**

Significant Achievements

Significant Achievements

- ✓ TechnologyOne Cloud Computing Suite (C2)

- ✓ New Offshore R&D Centre

- ➢ Compelling Customer Experience

- ▪ R&D

- ▪ TechnologyOne College

- ▪ TechnologyOne Solutions

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Compelling Customer Experience (CCE)


Customer retention is critical to our future success

- Complexity of our business has increased substantially over last 10 years

- Our focus is to give our customers a compelling customer experience

- Compelling customer service - you will never hear Sap, Oracle & Microsoft talk about this

- Built our own training program for our staff
  - Compelling Customer Experience program

Compelling Customer Experience (CCE)

Compelling Customer Experience (CCE) Program, roll out to 800+ staff now completed

- Re-engineer our systems and processes to put our customers in the centre of our business

- Open and transparent dealings with our customers

- New attitude & behaviours for our staff...
  - 'I care and I can always do something'
  - Every time I interact with a customer it's an opportunity to deliver a Compelling Customer Experience.

- Customers are now the compass for our staffs' decisions

- Staff empowered to make decisions for customers

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Compelling Customer Experience (CCE)
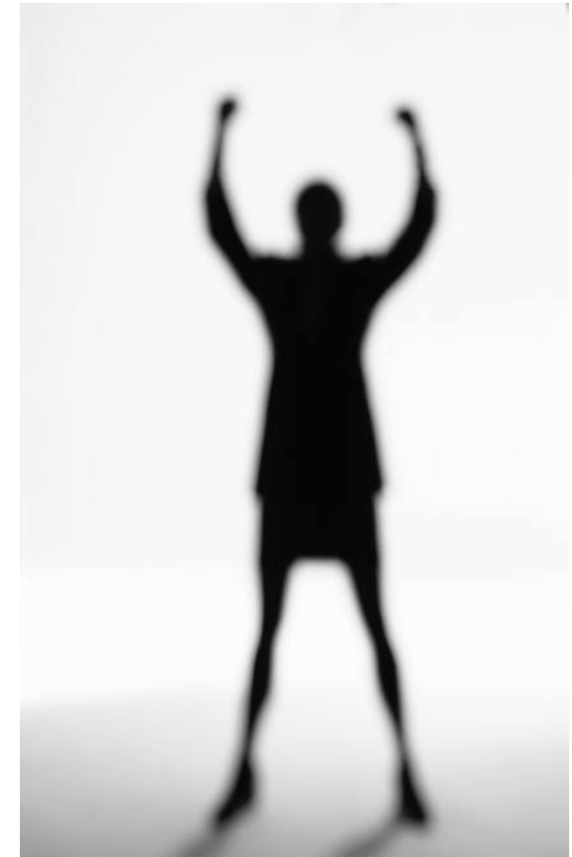
Completed

✓ Developed our own Compelling Customer Experience (CCE) program

✓ Over 50 workshops & 800 staff trained throughout Australia

In Progress

▪ Re-engineering our business systems & processes around the customer

▪ CCE Stage 2 now under development

Significant Achievements

Significant Achievements

- ✓ TechnologyOne Cloud Computing Suite (C2)

- ✓ New Offshore R&D Centre

- ✓ Compelling Customer Experience

- ➢ R&D

- ▪ TechnologyOne College

- ▪ TechnologyOne Solutions

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R&D

R&D investment was 21% of Revenue ($14.9m), above our target of 18% - impacted our results by $2m

➢ Establishment of a new Mobility Group

  • Focus on apps for iPhone, iPad, Smart Mobile Devices

▪ Continued work on our new CRM product

▪ Moving our acquired ECM product to our Ci platform

▪ Stabilisation of our Student product and building dual sector capability for both University and Tafe

▪ Migrating newly acquired Performance Planning to Ci

▪ Continued investment in CPM, HR & Payroll, Asset Management, Property & Rating

➢ Start of our new generation Cloud Computing suite

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Significant Achievements

- ✓ TechnologyOne Cloud Computing Suite (C2)

- ✓ New Offshore R&D Centre

- ✓ Compelling Customer Experience

- ✓ R&D

- ➢ TechnologyOne College

- ▪ TechnologyOne Solutions

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TechnologyOne College

- Aim is to develop and run training courses for both our staff and our customers on a continual, scheduled and consistent basis

- Allow us to 'on board' new staff quickly

- Allow us to continually develop our staff providing them with the skills they need to do their tasks

- Allow our customers to train their staff 'just in time' and maximise the benefits of our products

- Significant challenge given the number of products, solutions, skills and disciplines that need to be catered for

➤ Appointed senior manager with extensive experience to run TechOne College

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Significant Achievements

✓ TechnologyOne Cloud Computing Suite (C2)

✓ New Offshore R&D Centre

✓ Compelling Customer Experience

✓ R&D

✓ TechnologyOne College

➢ TechnologyOne Solutions

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Transition from 'House of products' to 'House of Solutions'

- Build, demonstrate, sell and implement a 'best practice, pre-configured out of the box' solution for our key vertical markets

- Change our approach from 'tell us what you want and we will build it' to 'this is best practice and how do you want to change it?'

Local Government

State/Federal/Central Government

Utilities

Education

Community Services

Health

Financial Services

Managed Services
Including media, entertainment, property and construction.

TechnologyOne Solutions

Significant Benefits

✓ See, touch and feel the solution from the very start of the engagement

✓ Support consultative selling approach

✓ Better and more focused collateral for the sales team

✓ Reduce time, cost, effort and risk for the customer

✓ Improve our efficiencies from marketing, sales, implementation and support

✓ We now understand the market

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TechnologyOne Solutions

Recent wins due to our new Solutions include:

- Corangamite Shire Council

- Hepburn City Council

- City of Port Phillip

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TechnologyOne Solutions

Forecast to be a $3m investment this year

- Operating Officer Solutions & Products

- 15 people - Consultants, Solution Architects, Solution Managers etc…

Funding Model being developed to fund our Solutions in the future

- Trial making the solution a licensable module

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Agenda

- ✓ Results

- ✓ Significant Achievements

- ➢ Outlook for Full Year

- ▪ Long Term Outlook

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Expenses growth biggest challenge in 2011

- Expense growth to be approx 14% in 2011
    - Revised up from 10%
    - Substantial increase in Project Services Revenue over budget (which has associated head count increases)
    - Pressure from our new C2 initiative building
    - Pressure from our new Offshore R&D centre

Cumulative Expense Growth

Outlook for Full Year
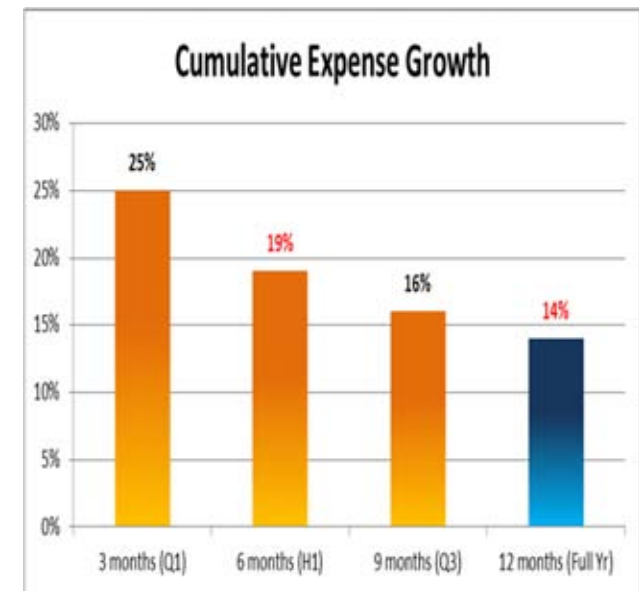
- **Continuing growth in Revenue & Licence Fees**

  - Strong committed annual licence fees revenue in June and July

  - Good pipeline of opportunities in second half

- **We expect profit growth of 10% to 15% for the full year**

  - Assumes continuing contract momentum is maintained which is expected

Outlook for Full Year

Challenge - Maintain expense growth to 14% in 2011 year

- Our new products: Mobile Solutions and CRM

- Continuing to support our existing Ci products

- TechnologyOne Cloud Computing suite (C2)

- Initiatives - Solutions Group, Compelling Customer experience

- New Offshore R&D centre

- Increase in Sales & Marketing costs and salaries generally

- United Kingdom – market remains challenging, and further exacerbated because TechnologyOne is a new entrant

- Round off existing products – ECM, HR & Payroll, Asset Management

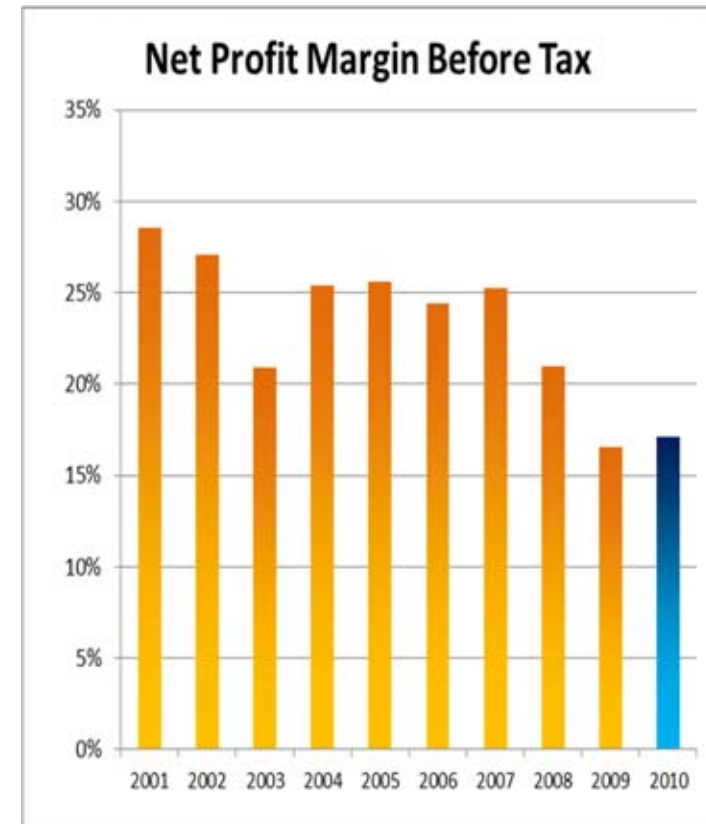One Vision. One Vendor. One Experience.

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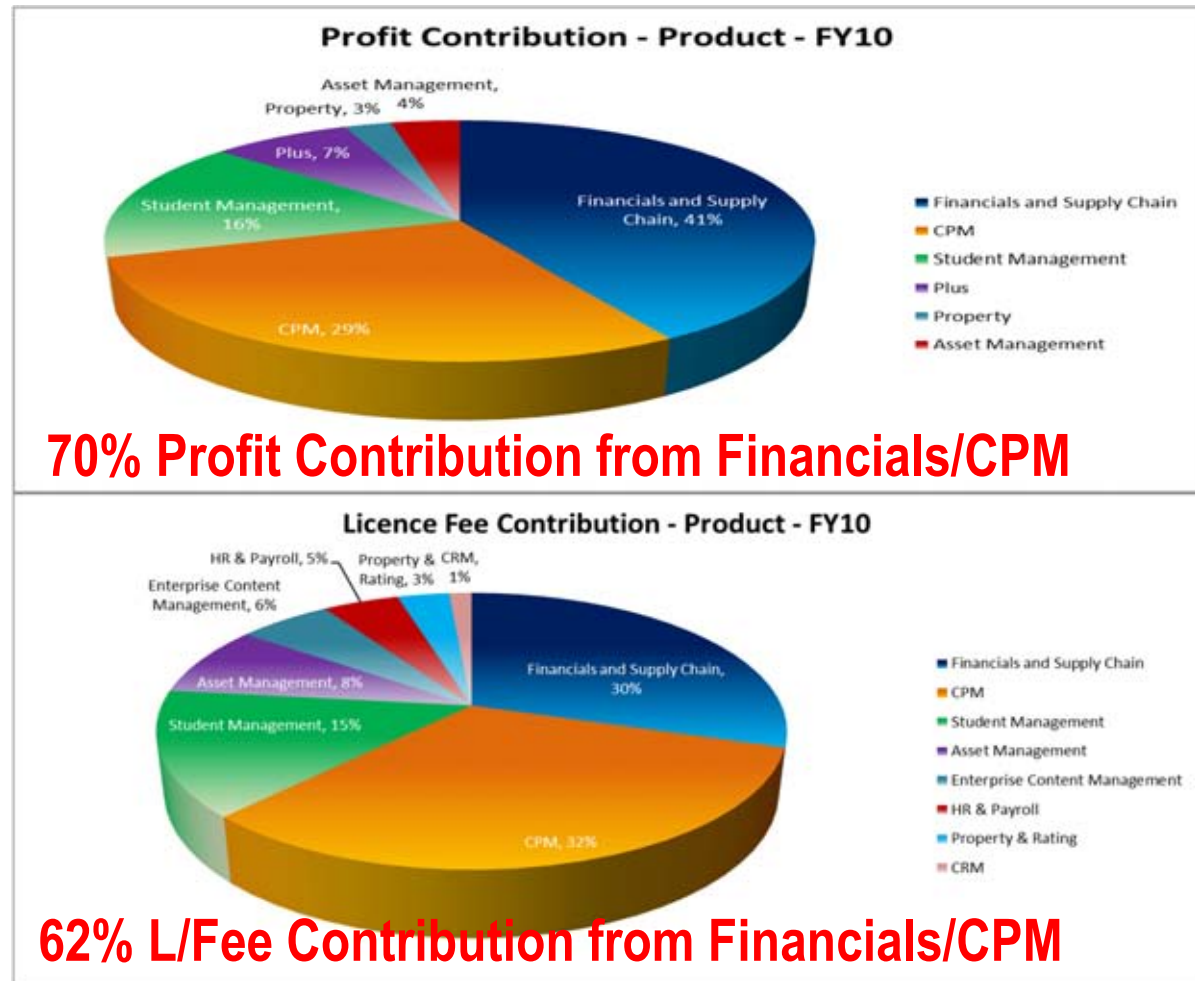
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Improved Profit Margin

- Profit margin has contracted over the last 10 years as we have:
  - Expanded our product range
  - Invested in Ci
  - Extended our management structure
  - Invested in Solutions, the UK, New R&D centre

- Profit margin now stabilised

- Focus is to substantially improve margins over next 5 years

Net Profit Margin Before Tax

Year	Margin
2001	~28.5%
2002	~27%
2003	~21%
2004	~25.5%
2005	~25.5%
2006	~24.5%
2007	~25.5%
2008	~21%
2009	~16.5%
2010	~17%

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Improved Product Contribution

- Opportunity to substantially grow the contribution to profit by other products over the next 5 years:
  - ECM
  - Property & Rating
  - Asset Management
  - HR & Payroll
  - CRM

- Operating leverage of the new Off Shore R&D centre

Profit Contribution - Product - FY10

Asset Management, 4%
Property, 3%
Plus, 7%
Student Management, 16%
Financials and Supply Chain, 41%
CPM, 29%

- Financials and Supply Chain
- CPM
- Student Management
- Plus
- Property
- Asset Management

70% Profit Contribution from Financials/CPM

Licence Fee Contribution - Product - FY10

HR & Payroll, 5%
Enterprise Content Management, 6%
Property & Rating, 3%
CRM, 1%
Asset Management, 8%
Student Management, 15%
Financials and Supply Chain, 30%
CPM, 32%

- Financials and Supply Chain
- CPM
- Student Management
- Asset Management
- Enterprise Content Management
- HR & Payroll
- Property & Rating
- CRM

62% L/Fee Contribution from Financials/CPM

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Improved Regional Contribution

- Opportunity to substantially grow licence fees over next 5 years as follows:
  - UK – we have invested heavily over the last few years
  - NSW
  - New Zealand

Long Term Outlook

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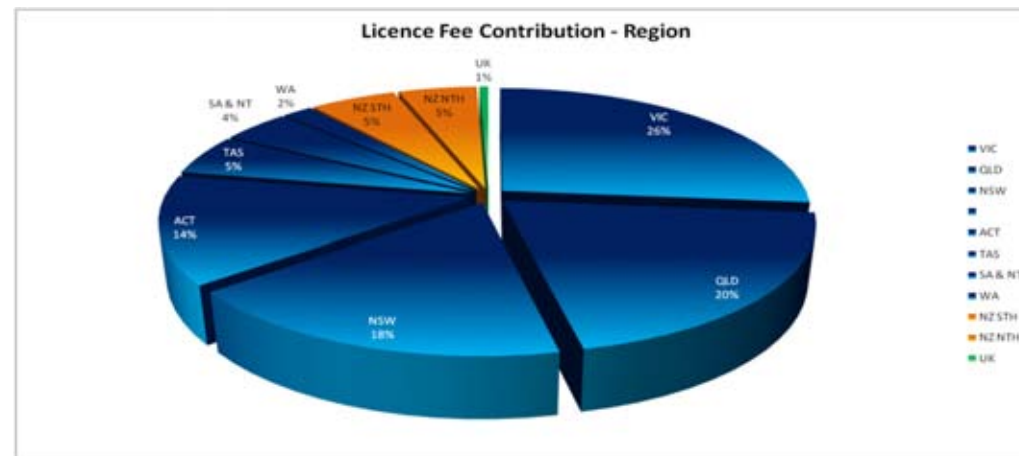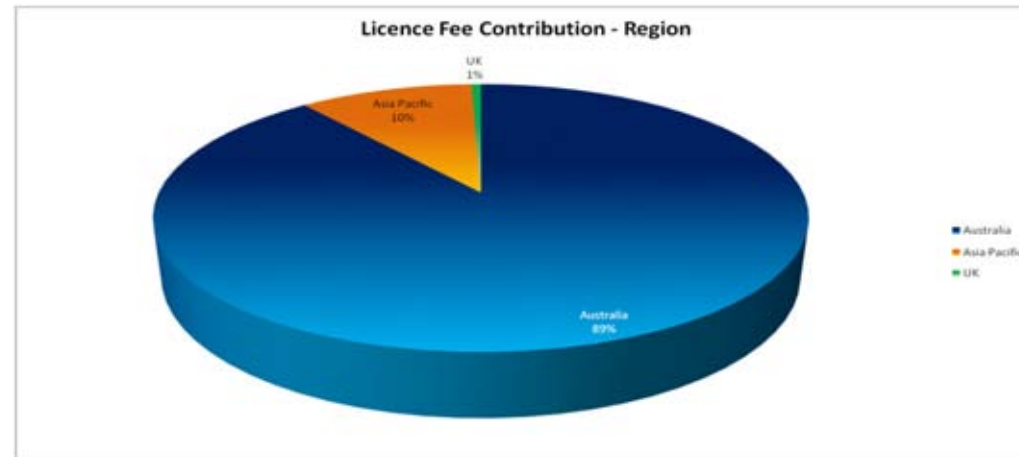
Completed

✓ Power of One – unique approach to build, market, sell, implement and support our products

✓ Enterprise Suite – one of a few companies globally with an enterprise solution

✓ Aggressive R&D Program – expand our product range (20+% of revenue)

✓ Connected Intelligence – our new generation enterprise solution

✓ Vertical Markets Focus – focus on seven key markets and our deep industry knowledge

✓ Acquisitions – expand our product range and our customer base

✓ Our Large Customer Base – opportunities to cross sell our expanding product range

Long Term Outlook

In Progress

✓ Pipeline of Products – at various stages of maturity, which we will continue to harvest in future years, as immature products move from loss making to profitability

✓ Geographical Expansion – United Kingdom has significant longer term growth

✓ Pre-configured Solutions – reduce time, effort, risk and increase penetration in our markets

✓ Our Compelling Customer Experience program

✓ New Offshore R&D centre – provide access to additional talent & operating leverage

✓ TechnologyOne Cloud Computing – position us as a continuing leader in innovation & technology

✓ Improving profit margin

2011 Half Year Results Presentation

Ending March 2011

One Vision. One Vendor. One Experience.

Adrian Di Marco

Executive Chairman

www.TechnologyOneCorp.com

Commercial in confidence   May 2011 - Final Version

technology**one**

business software solutions