



technologyone
business software solutions

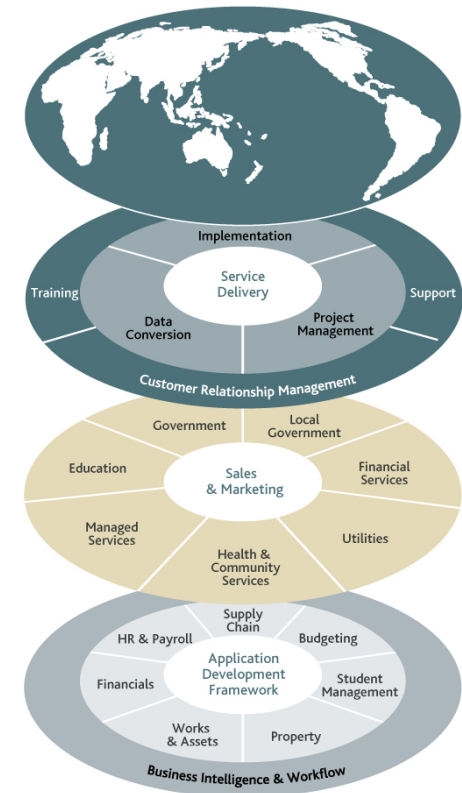
Results Presentation – Dec 2006

TechnologyOne Evolve

■ **Adrian Di Marco**
Executive Chairman

March 2007
www.TechnologyOneCorp.com
Private and Confidential

- TechnologyOne develops, markets, sells, implements and supports a broad range of enterprise applications:
 - TechnologyOne Financials
 - TechnologyOne Supply Chain
 - TechnologyOne HR/Payroll
 - TechnologyOne Works/Assets
 - TechnologyOne Business Intelligence
 - TechnologyOne Student Management
 - TechnologyOne Property & Rating
- Presence in Australia, New Zealand, Asia and more recently United Kingdom
- Major supplier of enterprise applications in ANZ – 600 major customers
- Top ASX publicly listed company
 - One of Australia's largest software houses



- 2007 Half Year Results
 - Summary
 - Analysis
- Significant Achievements Last Six Months
- Outlook
- Our Strategy for Growth

- Record Half Year Revenue \$39.3m, up 24%
- Record Half Year Profit Before Tax \$9.5m, up 31%
- Profit After Tax \$7.3m, up 43%
 - Expect continuing lower tax rate for 12 to 24 months (24% vs 27%)
- Expenses excluding R&D \$23.3m, up 25%
- Company continued to invest in its future
 - R&D \$6.5m, up \$700k, up 11% - represents 17% of Revenue
 - R&D fully expensed as incurred

- Operating Cash Flow of \$5.9m (vs \$7.3m NPAT)
 - Over payment of tax in the period of \$1.7m – refund was not collected before half year end
 - Debt collection remains strong
- Balance sheet strong
 - Cash & Equivalents*: \$20.9m (vs \$24.6m 31/12/05)
 - Impacted by Operating Cashflow due to over-payment of tax above
 - New Office fit-outs (Brisbane, Melbourne, Sydney) approx \$350k (unusual)
 - New accelerated replacement policy on laptops and pc (ongoing for next few years)
 - Debt/Equity: 3% (vs 3% last year)
- Transparency of results – all R&D fully expensed
- Dividend increased to 1.52 cents up 9%
 - Board target payout for full year is 75%

**Cash includes short term investments*

2007 Half Year Results

The Power of **One**

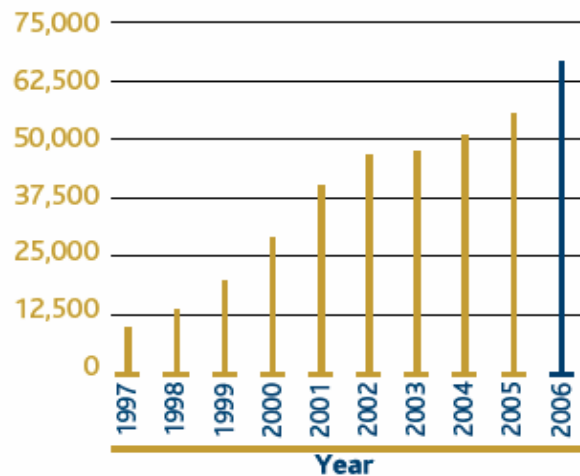
H1 2007 AIFRS v H1 2006 AIFRS - Operating	H1	H1	2007 v 2006	
	2007	2006	Variance	Increase
	\$ (000)	\$ (000)	\$ (000)	%
Revenue (POST 3rd party costs) (excl interest)	37,052	29,686	7,366	25%
Revenue (PRE 3rd party costs) (excl interest)	38,679	31,026	7,653	25%
Expenses (excl R&D, Depn, Forex & Amort)	22,529	18,036	4,493	25%
EBITDAR	16,150	12,990	3,160	24%
R&D	6,501	5,842	659	11%
EBITDA	9,649	7,148	2,501	35%
Depreciation	659	551	108	20%
FOREX	85	(12)	97	794%
EBIT	8,905	6,595	2,310	35%
Net Interest Income	592	633	(41)	(6%)
Profit Before Tax	9,497	7,228	2,269	31%
NPAT Reported	7,287	5,080	2,207	43%
EPS cents Reported	2.45	1.69	0.76	45%
EPS cents Pre Amortisation	2.45	1.69	0.76	45%
Dps cents - standard	1.52	1.40	0.12	9%

Historical 10 year annual compound growth is as follows*:

- Revenue: 23% per annum compound
- R&D: 23% per annum compound
- Net Profit: 25% per annum compound

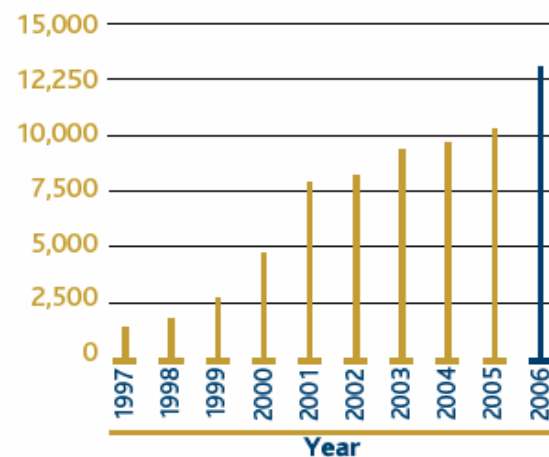
Revenue

\$(000)



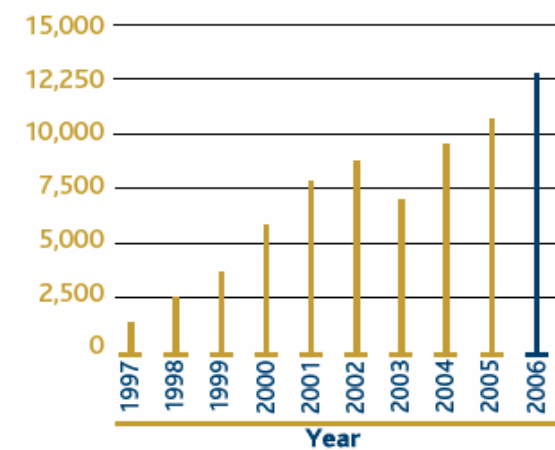
Research and Development

\$(000)



Net Profit after Tax

\$(000)



- Initial licence fees – New customers of \$10.7m, up 56%
- Initial licence fees – Existing customers of \$1.7m, up 30%
- Annual licence fees of \$10.8m, up 14%
- Consulting services of \$9.6m, up 28%
- Project Services revenue of \$4.3m, down 6%
- 50% of our revenues generated from existing clients

2007 Half Year Results – Geographical Analysis

The Power of **One**

- North West region performance satisfactory, profit contribution up 5% (up \$59k)
- Central region performed strongly, profit contribution up 47% (up \$556k)
- Asia Pacific region performed below expectations, profit contribution down 89% (down \$1.15m)
 - Malaysia contributed loss of \$171k
 - New Zealand breakeven in first half – improvement expected in second half
 - PNG whole of government in same period last year
- UK loss of \$700k as expected

- Contracts – some brought forward, others moved out
 - Impact of new AIFRS standard
- Student Management Licences up \$6m (to \$6.1m)
 - As forecasted
 - Second half quieter, as opportunities brought forward
 - Strong pipeline going forward next year
- Property & Rating Licences up \$243k (to \$970k), up 33%
- Financials Licences down \$1,700k (to \$4.52m), down 27%
 - \$1m+ of licence fees slipped into second half
 - Strong second half expected
- Supply Chain and HR/Payroll Licences down slightly
 - Amounts still relatively minor
 - Supply Chain down \$222k (to \$399k), down 36%
 - HR/Payroll down \$39k (to \$386k), down 9%
 - Significant potential in the future for us

- **Strong result because:**
 - Continuing strong demand for our products (56% increase in Initial Licences)
 - Continued investments as follows:
 - HR/Payroll (R&D loss of \$552k)
 - Supply Chain (R&D loss of \$593k)
 - Malaysia poor performance (loss of \$144k)
 - UK contributed loss of \$700k
 - Central Region performance improved substantially, but still below expectations
 - New Zealand contribution weak in first half – stronger contribution expected in second half
 - Unrealised future potential from UK, Malaysia, HR/Payroll, SupplyChain, Business Intelligence, Works/Assets

- 2007 Half Year Results
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- **Significant Achievements Last Six Months**
- Outlook
- Our Strategy for Growth

- Momentum for Ci series
- Strong New Business
- Research & Development
- New Federated Product Model
- Geographical Expansion

- Strong demand for our products, due to our new Connected Intelligence (Ci) series
- 200+ customers now live on our new generation Ci product
 - All future R&D and support now directed on the Ci platform
 - TechnologyOne Ci offers:
 - One simple, easy to use and common user interface across all products
 - New concepts such as workplaces, roles, alerts, integrated BI, integrated workflow, 'web services' etc.
 - 'One System' – one workplace, one set of alerts, one dataset, one logon, one workflow, one view of all data, one reporting system etc.
 - Deep integration 'out of the box' for our extended product range
 - Framework to leverage continuing commodisation of technology

- All products moving onto Ci platform as follows:
 - Financials – available now
 - Works/Assets – available now
 - Supply Chain – progressively over 2007
 - Student Management – progressively over 2007
 - HR/Payroll – progressively over 2007/early 2008
 - Property & Rating – progressively over 2007/early 2008
 - Puts us in a strong position over the next few years

- Momentum for Ci series
- **Strong New Business**
- Research & Development
- New Federated Product Model
- Geographical Expansion

- Initial licence fees up 56%
 - Signed 39 new contracts in the half
 - TechnologyOne Financials underpinned 95% of new deals
- Performed strongly in our core markets:
 - General Commercial – 23 new customers
 - Local Government – 7 new councils
 - State and Federal Government – 5 new agencies
 - Higher Education – 4 new customers

- Student Management
 - Achieved 'last man standing' status
 - Significant contracts signed:
 - La Trobe University
 - Melbourne University
 - Ramped up this team for continuing strong growth
- HR/Payroll
 - New contracts signed:
 - Beaudesert Shire Council
 - Maryborough Council
 - Logan City Council
 - Focus this half was customer satisfaction and consolidation – not sales
 - Strategy to grow this business – new Federated Product Model

- Property & Local Government
 - New contracts signed:
 - Gold Coast City Council
 - Beaudesert Shire Council
 - Goulburn Murray Water
 - Maryborough Council
 - Gold Coast City Council
 - Liverpool City Council
 - Cardinia Shire Council
 - Market fragmented, competition strong
 - Strategy to grow this business – new Federated Product Model

- New Zealand
 - New contracts signed:
 - Salvation Army
 - New Zealand Racing Board
 - Verkerks
 - Otago University
 - Northland Polytechnic
 - Strong momentum continuing
- Significant improvement in Central region performance
 - New state manager in Victoria
 - Increased focus on ACT – new staff added
 - Increased focus in NSW

Significant Achievements Last Six Months

The Power of **One**

- Momentum for Ci series
- Strong New Business
- **Research & Development**
- New Federated Product Model
- Geographical Expansion

- R&D at 17% of revenue (fully expensed)
- Strategic initiatives going well
- New Business Intelligence product nearing completion
- Proof of concept completed for a new product: Customer Relationship Management (CRM)
- Accelerated development of our Works/Assets product
- Accelerated development of our HR/Payroll product

Significant Achievements Last Six Months

The Power of **One**

- Momentum for Ci series
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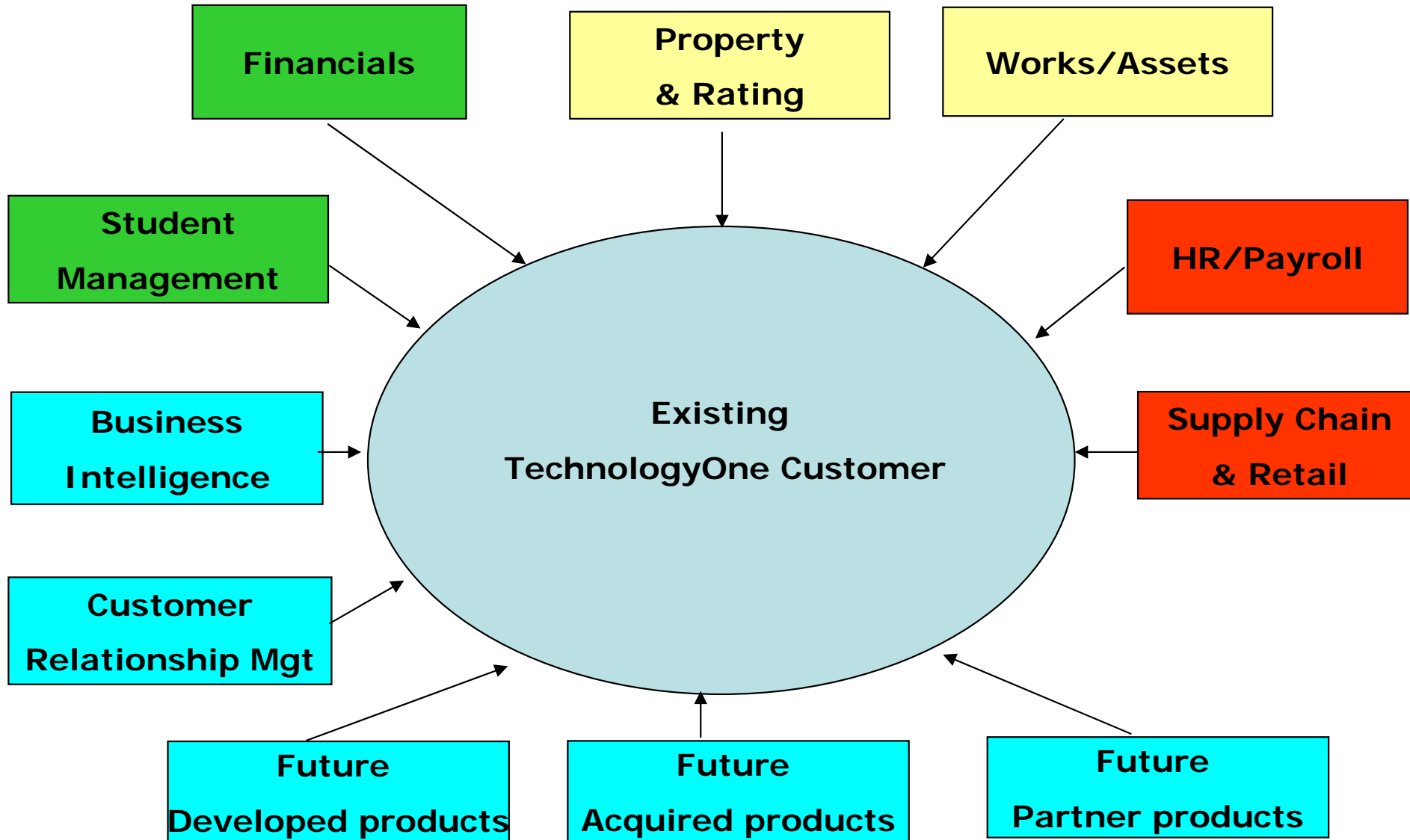
- Extensive pipeline of products now created
 - Financials
 - HR/Payroll
 - Supply Chain/Retail
 - Business Intelligence
 - Works/Assets
 - Property & Rating
 - Student Management
 - Customer Relationship (CRM – early days)
- Only a few products currently driving the company's sales
 - Significant opportunity

- **Challenges**
 - Round out each product to make 'best in class'
 - Move from intensive 'R&D' to marketing, sales and distribution
 - Increase substantially the profit contribution from each product
 - Capitalise on our extensive and growing customer base
 - Add 'more value' to our existing customers
 - Position ourselves to bring more products 'on line'
 - More scalable business model

- **Approach: New Federated Product Model**

New Federated Product Model

The Power of **One**

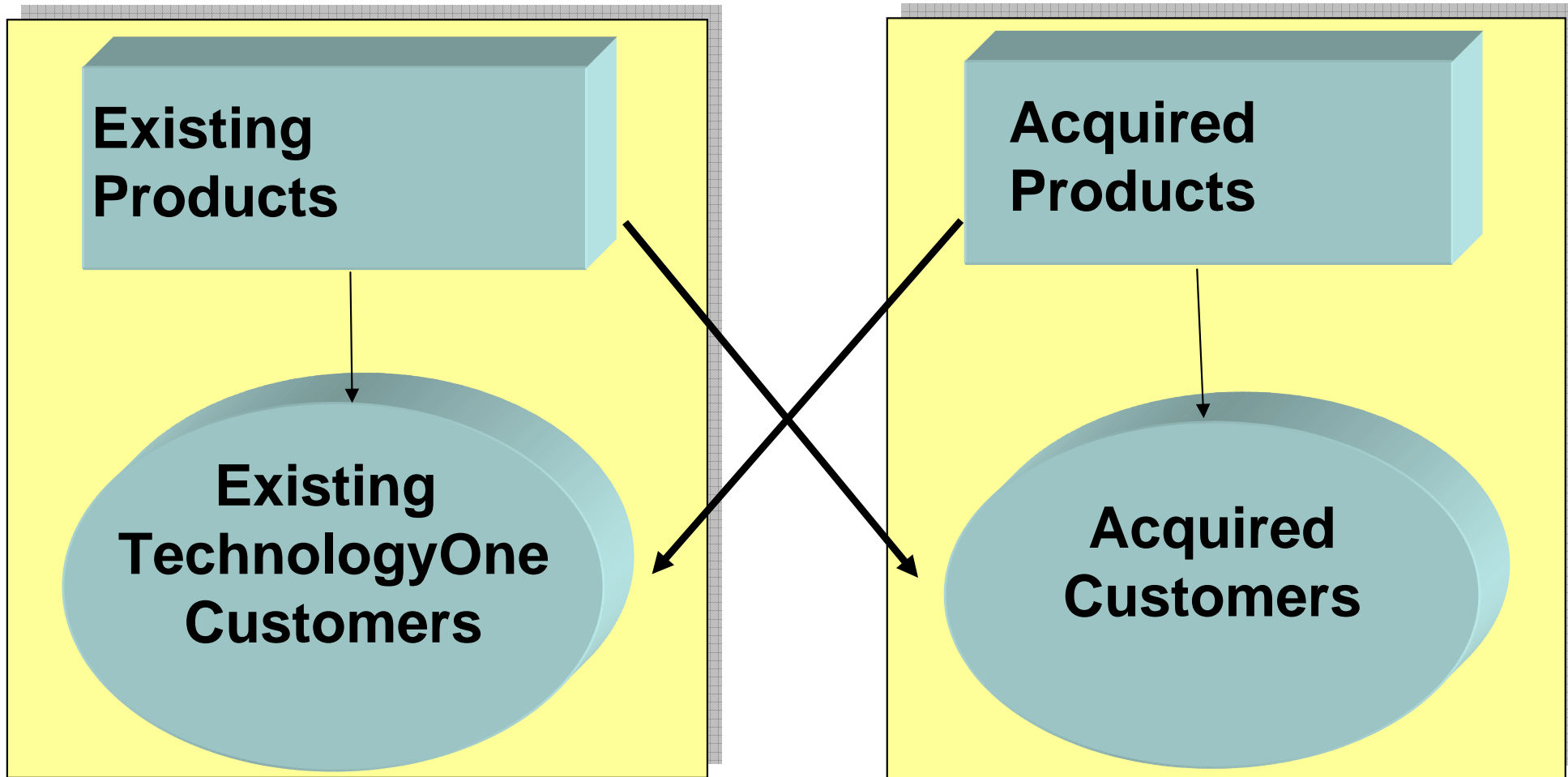


- Creation of separate 'product lines' driven as individual business units
- Dedicated to 'market leadership' in functionality and service for each product
- Dedicated product/industry specialists by product
- Specific KPIs and targets by product
- Engage with our customers by product in a 'focused' and appropriate manner

- General Managers for each product line to drive 'best in class' with an integrated strategy of R&D, Marketing, Sales, Implementation and Support
 - GM Student Management/Higher Education (appointed previously)
 - GM Property and Local Government (appointed this half)
 - GM HR/Payroll (appointed this half)
 - GM Financials/Business Intelligence (to appoint 2nd half)
- Product roadmaps developed, in conjunction with our customers and industry groups

- Next 6 to 12 months the revenue drivers for the company will be:
 - Financials (continuing)
 - Student Management/Higher Education (continuing)
- Next 12 to 24 months the revenue drivers for the company will also include:
 - Property/Local Government (growing)
 - HR/Payroll (growing)
 - Business Intelligence (new)
- Next 24+ months the revenue drivers for the company will also include:
 - Works/ Assets (growing)
 - CRM
 - Supply Chain/Retail

- Provides us with a powerful 'model' to undertake strategic acquisitions and partnerships that will deliver significant revenue growth



‘Greater than the sum of the parts’

Significant Achievements Last Six Months

The Power of **One**

- Momentum for Ci series
- Strong New Business
- Research & Development
- New Federated Product Model
- **Geographical Expansion**

- Geographical expansion continued to gain momentum
- United Kingdom
 - First site live in the UK: Allco Finance Group
 - Good pipeline developing
 - Feedback to-date very positive
 - Incumbent players taking an aggressive stance towards us
- Malaysia
 - New management team in place
 - New strategy in place – use of partners

- Pipeline of geographical opportunities
 - Existing territories
 - Developing territories
 - Future territories

- Australia & New Zealand
- Capitalise on existing pipeline of products
- New Federated Product Model roll out has begun to increase penetration of our existing products
- Continuing growth in these markets, particularly:
 - New Zealand, Victoria, NSW & ACT

Geographical Expansion: Developing Territories

- United Kingdom & Asia
- Controlled roll out of products – financials only initially
- Country Managers driving the business
- Once ‘beach head’ created – roll out further products

Geographical Expansion: Future Territories

The Power of **One**

- USA, China or India
- On hold for next 2 years

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- Financials
 - Enterprise market confusion continues delaying replacement cycle from 7 to 10 years
 - Opportunities continue to emerge in 'tier one' space
 - Good pipeline of opportunities going forward
- Higher Education/Student Management
 - 3 major players
 - Consolidation in progress
 - TechnologyOne solution well regarded
 - Tier one universities selecting our solution
 - Strong pipeline of opportunities over the next 3+ years in Australia
 - Opportunities in New Zealand & UK

■ Local Government

- 3 major players
- Consolidation inevitable
- Well positioned: Ci series, 'One System' initiative, new Works/Assets
- New Federated Product Model 'missing piece'
- Strong pipeline of opportunities appearing in the next few years

■ HR/Payroll

- Highly fragmented market – many 'old legacy' systems
- Consolidation inevitable
- Move from 'best of breed' to 'enterprise solutions'
- Well positioned: Ci series, 'One System' initiative
- New Federated Product Model 'missing piece'
- Strong pipeline of opportunities to appear in the next few years

- **Business Intelligence (BI)**
 - New product for TechnologyOne
 - Leverage ‘commoditisation’ of BI technology
 - Compelling business proposition for our customers
 - Fully integrated
 - Works ‘out of the box’
 - TechnologyOne data aware

- Australia & New Zealand
 - Conditions remain good
- Asia
 - Challenge: our focus is Malaysia which is a small market
- United Kingdom
 - United Kingdom 3+ times size of Australian market, with substantial opportunities
 - First product is Financials – same competitors as Australia
 - Product well received – issue creating ‘beach head’
 - Once ‘beach head’ created other products to follow

- On track to meet guidance – profit growth 15% to 20%
 - Note: contract wins bought forward in the first half
- Short term
 - Strong pipeline of opportunities in current geographies
 - Continuing improvement in NSW & ACT
 - Continuing growth in New Zealand
- Medium term – focus on building significant revenues for:
 - Property/Local Government
 - HR/Payroll
 - Business Intelligence
 - Works/Assets

- Long term opportunities:
 - CRM
 - Supply Chain/Retail
 - Acquisitions and partnerships driven by new Federated Product Model
 - United Kingdom – financials, followed by other products

- **Challenges**
 - Staff acquisition and retainment
 - R&D forecast to remain at 17% of revenue
 - UK losses contain at \$1m
 - Malaysia to breakeven
 - Managing costs in line with revenue growth
 - New systems to handle scaling of our business
 - Expand the senior management team
 - Complete 'Ci' series of product
 - Investment in new geographies