



Company	Technology One
Code	TNE
Meeting	AGM
Date	25 February 2020
Venue	Brisbane Convention & Exhibition Centre
Monitor	Mike Sackett with Steven Mabb & Alan Stubbs

Number attendees at meeting	71 shareholders plus 25 visitors
Number of holdings represented by ASA	65
Value of proxies	\$5.3m
Number of shares represented by ASA	631,928
Market capitalisation	\$2.6bn
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Director Kevin Blinco, CFO & Company Secretary

Annually Recurring Revenues – the key to success

Last year’s AGM report described the meeting as a “pretty harmonious and upbeat affair”. Little has changed. The purring of satisfied shareholders was evident, interrupted only by ASA’s plea for a greater proportion of uncontested independent members on the Board, which was not well received by some shareholders.

Shareholders have good reason to be content. Technology One has had 10 consecutive years of record profit growth. Its niche is providing enterprise software to not-for-profit organisations in Federal and Local Government, Universities and Health Authorities. The Chairman reported that 73% of Australians live in areas with councils with TNE service contracts. Once contracted, 99% of organisations stick with TNE as their enterprise Software as a Service (SaaS) provider. Hence, annually recurring revenues are a large and increasing share of total revenue, which augurs well for TNE’s future bottom line. Unusually, in recent years growth has been exclusively organic, with no external acquisitions. In 2019 TNE had 435 major enterprise customers, and the Chairman told us that this was targeted to increase to 1,000 by 2022.

Underpinning this growth is the unusually high share (21% or \$60m) of Total Revenue devoted to Research & Development. This has enabled TNE to acquire new large enterprise customers from powerful traditional competitors such as Oracle, SAP and Microsoft. Continuing innovation should help TNE to retain these clients in years to come.

ASA strongly supported the election of one new director, and the re-election of TNE's first female director who had been appointed in 2016. ASA requested that each say a few words, which bore witness to ASA's conviction that they were highly suitable and qualified new directors adding value to the board. Both resolutions passed with close to 99% votes in favour. In separate discussions outside the AGM, both female directors told ASA that they were made to feel welcome on the Board and felt that their contributions were treated with respect.

ASA explained to the AGM why they would be voting against the re-election of one director, described as Independent in the Annual Report, despite having been appointed to the Board over 20 years ago. We applauded the long and valuable service which the director had given in the past but criticised his perceived lack of independence. Almost 11% of votes were cast against this resolution, suggesting that ASA was not alone in its apprehensions.

Finally, ASA voted in favour of the remuneration report along with 97.5% of the votes cast. Executive salaries are relatively modest and heavily incentive-driven, with a focus on Total Shareholder Returns and Earnings per Share. If TNE could be persuaded to extend its three-year time period for awarding Long Term Incentive payments to four years or more, as ASA has suggested for several years now, things would be better still.