



Software as a Service continues to grow

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| Company/ASX Code | TechnologyOne/TNE |
| AGM date | Tuesday 25 February 2020 |
| Time and location | 10.30am (AEST); Brisbane Convention & Exhibition Centre, Merivale St |
| Registry | Link |
| Webcast | No |
| Poll or show of hands | Poll on all items |
| Monitor | Mike Sackett assisted by Steven Mabb and Alan Stubbs |
| Pre AGM Meeting? | Yes with CFO and Company Secretary |

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| Item 1 | Consideration of accounts and reports |
| ASA Vote | No vote required |

Summary of ASA Position

TechnologyOne (TNE) describes itself as “the only vendor that develops, sells, implements, supports and runs a fully integrated suite of enterprise software solutions”. It focuses on serving not-for-profit organisations such as Federal and Local Government, Higher Education and Health & Community Services in Australia and the Pacific. Efforts continue to be made to establish a foothold in the large UK market. To date these have not shown a profit.

Current Executive Chairman Adrian Di Marco, aged 62, founded the company in 1987. At the end of the 2019 financial year (FY19) he held 7.3% of the 318 million issued shares. Current director and fellow company founder, John Mactaggart had an 11% shareholding in the company at the end of FY19. While ASA acknowledges that TNE has been a remarkably successful company to date, we consider only three of the eight current directors to be genuinely independent. By comparison TNE regard six directors, including Ron McLean, who stands for re-election at the AGM, as being independent.

Since 2016, TNE have appointed three uncontested independent board members, two of whom stand for election/re-election at the AGM. ASA welcomes the recent moves towards board renewal, particularly the inclusion of two well qualified women.

To its credit TNE continues to invest significantly in Research & Development on new and emerging technologies, including cloud-based technologies, artificial intelligence and machine learning. R&D in 2019 amounted to \$60 million, equivalent to 21% of revenue.

By any standard TNE has been a consistently high performing company over the past 15 years. Total revenue, net profit before tax (NPBT) and Earnings per Share have all increased 12% compound annually in that period. Annually recurring revenue now comprises 71% of total

revenue and grew by 16% in 2019. Total shareholder returns have reflected this performance, such that TNE has been one of the best performing ASX companies over the past decade.

Summary

| (As at FYE) | 2019 | 2018 | 2017 | 2016 | 2015 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| NPAT (\$m) | 58.5 | 47.7 | 44.5 | 41.3 | 35.8 |
| UPAT (\$m) | 58.5 | 47.7 | 44.5 | 41.3 | 35.8 |
| Share price (\$) | 7.18 | 5.58 | 5.02 | 5.94 | 3.84 |
| Dividend (cents) | 11.93 | 11.02 | 10.20 | 9.45 | 8.78 |
| TSR (%) | 30.9 | 13.6 | -14.1 | 57.8 | 24.2 |
| EPS (cents) | 18.4 | 15.1 | 14.2 | 13.3 | 11.6 |
| CEO total remuneration, actual (\$m) | 1.61 | 1.40 | 1.15 | 1.47 | 1.35 |

For 2019, the CEO's total actual remuneration was 18 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

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| Resolution 1 | Election of Cliff Rosenberg as a Non-Executive Director |
| ASA Vote | For |

Summary of ASA Position

Cliff Rosenberg was appointed to the Board immediately after the last AGM. He is appropriately experienced and qualified, currently holding directorships in Afterpay Touch Group, Nearmap and A2B Australia. He is a truly independent director, and in his first year has acquired a TNE shareholding equivalent to almost two times his annual director fees.

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| Resolution 2 | Re-election of Ron McLean as a Non-Executive Director |
| ASA Vote | Against |

Summary of ASA Position

Ron McLean has had a long and positive association with TNE. He first joined the Board in 1992 as a Non-Executive Director. He was appointed as General Manager in 1994, Chief Operating Officer in 1999 (when he re-joined the Board) and was promoted to Chief Executive Officer of Operations in 2003. He retired as CEO the following year but continued as a Non-Executive Director. He has therefore served in that role continuously for over 20 years, ceasing to be independent in the eyes of ASA.

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| Resolution 3 | Re-election of Jane Andrews as Non-Executive Director |
| ASA Vote | For |

Summary of ASA Position

Jane Andrews is a well-qualified and experienced director. She first joined the TNE Board in February 2016 when she became the company's first female director. Her shareholding in TNE is valued at a little over two times her annual director fees.

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| Resolution 4 | Adoption of the Remuneration Report |
| ASA Vote | For |

Summary of ASA Position

| CEO rem. framework | Target* \$m | % of Total | Max. Opportunity \$m | % of Total |
|--------------------|-------------|------------|----------------------|------------|
| Fixed Remuneration | 0.528 | 33% | 0.528 | n/a |
| STI - Cash | 0.623 | 39% | uncapped | n/a |
| STI - Equity | 0 | 0% | 0 | n/a |
| LTI | 0.455 | 28% | 0.491 | n/a |
| Total | 1.606 | 100.0% | n/a | n/a |

Actual executive remuneration is clearly disclosed in the Annual Report. The primary objective of TNE's executive remuneration is said to be to align rewards with shareholder interests and business strategy, while ensuring that high calibre executives are attracted and retained. Executive remuneration is relatively modest, growing in 2019 at 14% compared with NPBT growth of 15%. The short-term incentive (STI) plan is exclusively based on NPBT. The value of the STI is calculated on a percentage of NPBT determined at the outset of an executive's contract. It is uncapped to encourage over-achievement. TNE's business model, with a large and increasing revenue share accruing on an annually-recurring basis, gives rise to strong linkage between current performance and long-term revenue flows – hence the company's focus on the STI component of salary.

The long-term incentive (LTI) plan resulted in 72% of at-risk share purchase options vesting for executives. This relatively low vesting rate reflected challenging LTI targets, which assist in incentivising executives to achieve superior company performance. From FY19 onwards LTI targets are measured against relative (to an undisclosed peer group) Total Shareholder Return and to Earnings per Share growth. Regrettably TNE continue to assess LTI performance over a three-year period, compared with the four years plus which some other companies have adopted. TNE's CEO has a shareholding equivalent to almost 10 times his annual fixed remuneration, a more than satisfactory quantum of "skin in the game." Individual Director fees increased by only 1.0% in 2019.

The individuals involved in the preparation of this voting intention have shareholdings in this company.

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