Australian Shareholders' Association Limited
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Another outstanding year for Tech One

Company/ASX Code	**Technology One / TNE**
AGM time and date	**10am (AEST Brisbane time), Wednesday, 19 February 2025**
Location	Brisbane Convention and Exhibition Centre, Merivale St, South Brisbane
Registry	Link Market Services
Type of meeting	Hybrid
Monitor	Paul Donohue assisted by David Loosemore and Richard Hemphill
Pre-AGM Meeting	Pat O'Sullivan (Chair), Jane Andrews (Director), Cale Bennett (CFO) & Stephen Kennedy (Company Secretary)

Monitor Shareholding: One or more of the individuals involved in the preparation of this voting intention has a shareholding in this company.

1. How we intend to vote

No.	Resolution description	Intention
1	Adoption of Remuneration Report	For
2	Re-election of Director - Pat O'Sullivan Non-Executive Director and Chair	Undecided
3	Election of Director - Paul Robson Non-Executive Director	Undecided
4	Grant of FY25 LTI Options to the CEO	For
5	Change of Constitution	For

2. Summary of Issues and Voting Intentions for AGM

- Performance of the UK division.
- Acquisition of CourseLoop.
- Opportunities for future growth.
- Director workload.

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

Overview

Technology One is a Brisbane based, enterprise software company focussed on a handful of sectors such as local government and higher education. They develop, market, sell, implement and support their own software. This “one stop shop” approach is rare among enterprise software vendors who often rely on third parties.

The company sells its products using a “software as a service” (SaaS) model in which customers access the solution over the Internet rather than having it installed on their own equipment. SaaS customers pay an annual subscription rather than purchasing a perpetual license. This provides reliable, annually recurring revenue (ARR).

The company has further differentiated itself from competitors by introducing an implementation model called Solution as a Service Plus (SaaS+) in which the solution is installed for a fixed price in an agreed timeframe. In contrast, other companies require long, costly implementations either with their own consultants or partners.

Accounts and reports

Highlights from the full year results included

- Profit after tax up 15% to $118m.
- Total ARR up 20% to $470m.
- Expenses up 16% to $382m.
- Full year dividend up 16%.
- Total shareholder return (TSR) of 55%.

Commentary on the results.

- All key vertical markets performed strongly, the company closed over 30 significant deals, and 28 customers went live across the Local Government and Higher Education sectors.
- Existing customers continue to expand their use of Technology One’s products with a net revenue retention rate of 117%.
- ARR from UK operations was up 70% which indicates this division is finally gaining traction. In our pre-AGM meeting, the company attributed this to an increased UK team, missteps by competitors and finally having a fully localised product with UK based reference customers.
- The company is on track to surpass $500m ARR by H1 FY25. This target has been revised a few times with each revision being more aggressive. Originally the target was $500m+ by FY26.
- The increase in expenses can be attributed to employee costs, amortisation of capitalised software development and increased R&D which is 25% of revenue.

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT ($m)	118.0	102.9	88.8	72.7	62.9
UPAT ($m)	118.0	102.9	88.8	72.7	62.9
Share price ($)	23.86	15.51	10.60	11.36	7.94
Dividend (cents)	22.45	19.52	17.02	13.91	12.88
TSR (%)	55	48	-5%	45	12
EPS (cents)	36.24	31.71	27.51	22.64	19.75
CEO total remuneration, Statutory ($m)	3.43	2.52	2.30	1.95	1.77

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Note that Technology One has a year-end date of 30 September. The share price shown above is on that date and has subsequently risen 32% (at the time of writing).

Governance and culture

Technology One has been on a journey of board renewal since the founder, Adrian DiMarco, announced his plans to retire. Two long standing board members, John Mactaggart and Rick Anstey, are leaving the board, resulting in a loss of collective wisdom. To balance this, Paul Robson was recruited. He is an experienced senior executive in the technology sector with an impressive resume.

This year the company published a comprehensive board skills matrix which attributed skill levels to individual directors rather than the collective model they have used previously. ASA welcomes this change which has been one of our focus issues in recent years. This made it easy to confirm that Paul's areas of expertise are well aligned with Rick's which suggests he is a well-considered appointment.

After the recent changes, all non-executive directors can be considered independent, and the gender balance is 28% female vs 72% male which is in line with the board's target.

Technology One has a strong focus on gender diversity, with women holding 48% of senior roles, compared to an industry average of 25%. The company's representation of women across all roles is 39%. The company partners with organisations such as Women in Technology and Women in Digital to build recognition and attract female talent. They are committed to equal pay opportunities for men and women and conduct an annual gender pay gap analysis to address any potential biases.

The company's culture is enshrined in the "Technology One Way" which emphasises shared values, an entrepreneurial spirit, and innovation. There are many events and programs designed to encourage employee engagement which seem to be having an impact with the Employee Net Promoter Score (eNPS) rising from +34 to +37. Anything over +30 is considered good and the target is +50 by FY26.

Key events

There were some significant events during the year.

- On 1 November 2024, TechnlologyOne acquired CourseLoop for $60m in cash and options. CourseLoop is a market leading curriculum management solution. This plugs a gap in the Higher Education product set.
- The company won the Business Innovation award in the Australian Business Awards 2024 for the SaaS Plus implementation model. This process commits to deliver ERP in 30 days, reducing the time, cost and risk of traditional implementations.
- Technology One was awarded its first patent in its 37-year history, for its approach to security and compliance.

Key board or senior management changes

There were three changes on the board.

- Paul Robson was appointed on 1 July 2024. He is up for election at the AGM.
- John Mactaggart retired at the end of the 2024 AGM on 21 February 2024.
- Rick Anstey will not be standing for re-election at the AGM.

Stuart MacDonald, the Chief Operating Officer (COO), assumed responsibility for directly running the Sales and Marketing functions in the fourth quarter of FY24, due to a temporary vacancy in that role. He was awarded a one-off STI of $300,000 for this effort.

4. Rationale for Voting Intentions

Resolution 1 - Adoption of Remuneration Report (FOR)

Technology One's senior executives and board members do not appear to be excessively remunerated compared to their peers in similar organisations, even after significant executive pay rises during the year.

The structure of the remuneration report is unchanged from last year and is largely in line with ASA guidelines. There are a few things that don't align but these are not significant.

- ASA prefers STI to not exceed the CEO's fixed remuneration (FR). Ed Chung's FR is 29% and his STI is 51%. As mentioned previously, the CEO's FR is a smaller percentage than in other ASX100 companies and the STI is allocated as a proportion of profit rather than a multiple of FR. As profits have surged, so has the STI. We can understand this deviation from the ASA guidelines and record profits skewing the remuneration mix is a good "problem" to have.
- ASA prefers at least 50% of STI to be paid in equity with a minimum 12 month holding period. 100% of Ed's STI is paid as cash with 20% deferred for two years. The CEO already has more than 700k TNE shares with options for another 1.4m. This represents a significant investment in the company, far exceeding ASA's minimum shareholding guideline for the CEO of 1xFR.
- ASA prefers LTI to be assessed over at least four years. Technology One uses a three year period.

None of these are serious enough to prevent us from voting in favour of the Remuneration Report. Refer to Appendix 1 for more details.

Resolution 2 - Re-election of Director - Pat O'Sullivan Non-Executive Director and Chair (UNDECIDED)

Pat O'Sullivan retires by rotation and is seeking re-election. He chairs the Technology One Board, having taken over from founder Adrian Di Marco.

Pat is a chartered accountant and a graduate of the Harvard Business School's Advanced Management Program. Pat's executive career included senior financial roles at Nine Entertainment and Optus. He is currently Chair of Car Group (formerly Carsales) and SiteMinder.

He holds 39,779 TNE shares, worth over a million dollars which is more than three times his annual director's fee.

Pat has been generous with his time, meeting with ASA monitors since he was appointed to the board. He has openly answered all the questions we put to him both before and at the AGM. Our only concern is his workload.

ASA considers directors need to ensure they have sufficient time to carry out their roles especially at times of crisis whether that crisis is specific to a company or to the broader economy. For this reason, we limit our support to a director sitting on five separate and un-related listed company boards. A chair role is assessed as the equivalent of serving on two boards. Any director who chairs two public companies should, at most, serve only on one additional board.

As the chair of three public companies, Mr O'Sullivan exceeds the ASA guideline for director workload. He has made his views on such guidelines clear to us before and will, no doubt, argue that ASA's benchmark is too low.

To counter that argument, we considered the complexity of the organisations he oversees. Technology One has a market capitalisation in excess of $10b, 1,300 customers and a similar number of employees. It has offices in six countries but is predominately focussed on Australia and the UK. Car Group has a market capitalisation of $15b, it operates five platforms in ten countries and employs over 2,000 people. SiteMinder is much smaller with a market cap of $1.7b. It services 44,500 customers in 150 countries and appears to have less than 500 employees.

All three companies are technology centric so it could be argued that Mr O'Sullivan benefits from some commonality between the organisations. The companies are not exposed to the same level of risk as say a casino or property developer but events such as cyber security incidents or serious HR issues are possible and would require considerable attention from board members. Added to this is the complexity of navigating multiple jurisdictions across many time zones.

Pat appears to have managed his workload well to date but how would he deal with multiple situations all demanding his attention at the same time? We will ask him at the AGM before making a final decision on his re-election.

Resolution 3 - Election of Director – Paul Robson Non-Executive Director (UNDECIDED)

Mr Robson was appointed to the Board on 1 July 2024 and is seeking election. A member of the Australian Institute of Company Directors, Paul holds a Bachelor of Commerce and has completed courses at Harvard Business School. He has an impressive career in technology spanning 30 years with long tenures in senior roles at organisations such as Hewlett-Packard and Adobe.

Paul brings valuable, first hand technology experience which will be especially welcome on the board given that Rick Anstey, the current technology stalwart, is retiring after the AGM.

In the past, Paul has held board roles and advisory positions but now seems to be focussed on his directorship at Technology One and his other role as CEO of the accounting software company MYOB. Both organisations offer SaaS products in the financial realm, so there is some overlap.

It is not unusual for a CEO to take on board positions at other organisations but that might normally be associated with an executive seeking to transition away from the day to day running of a company. Mr Robson has only been the CEO at MYOB since September 2023, so he is still quite fresh in that role.

At the AGM, we will ask him how he manages conflicting demands on his time before making a final decision on his election.

Resolution 4 - Grant of FY25 LTI Options to the CEO (FOR)

This item relates to the CEO, Edward Chung's, long term variable reward for FY25. Because Mr Chung is an Executive Director, shareholder approval is required to grant him securities.

Given that we support the remuneration report, we also support this resolution.

Resolution 5 - Change of Constitution (FOR)

Technology One adopted its previous constitution prior to listing on the ASX, with a minor change made in 2007. Since then, there have been numerous changes to the Corporations Act and market practise which have necessitated amendments to the company's constitution.

Most of the differences between the current and proposed constitution seem benign and are aligned with current market practise. The company asserts that the changes will not have a significant impact on shareholders.

Some changes worth noting include.

- Provisions to buy-back unmarketable parcels, with an opt out clause for shareholders who do not wish to sell.
- The ability to deliver notices electronically.
- The ability to postpone a meeting if disrupted by unruly participants.
- The ability to hold hybrid virtual meetings with shareholder participation, including voting. Note that the changes **do not** enable a virtual only meeting without ASIC approval. That approval would only be granted if warranted by unusual circumstances.

None of the proposed changes significantly reduce shareholders rights so ASA will support the resolution.

Appendix 1 - Remuneration framework detail

Remuneration rationale

Technology One's remuneration framework allows the company to compete for talent both locally and globally against companies such as Oracle, SAP & Workday as well as other Australian and global software companies.

Remuneration components

The remuneration framework is largely unchanged this year. Their key executives participate in a profit share model that it is heavily biased towards variable remuneration. With the bulk of their reward at risk, executive performance is encouraged as underperformance would have a significant negative impact on their remuneration. The elements of the framework are as follows.

- **Fixed remuneration (FR).** This is the base salary plus superannuation. This component is quite low compared to other ASX-listed technology companies.
- **Short Term Incentive (STI).** At the start of their employment contract, each KMP is allocated a percentage of the company’s Net Profit Before Tax which is paid as a STI. Although the percentage is fixed, if company profit grows over time the size of the STI will increase accordingly.

  In other businesses, not having other STI hurdles might be a cause for concern as it could encourage short-term thinking or risk taking. However, with a SaaS model, with its relatively fixed cost base, today’s sales turn into this year’s earnings plus ongoing ARR which provides long term shareholder value. STI is uncapped on the upside.
- **Deferred STI.** An additional amount, equal to 25% of the STI, is deferred for two years. If an executive resigns within this period, they forfeit any deferred STI.
- **Long Term Incentive (LTI).** LTI is typically 75% to 100% of FR. LTI only vests if performance targets are met over three years. There are two hurdles, Relative TSR (25%) and EPS growth (75%). Relative TSR is measured against the ASX All Technology Index (XTX). Executives can take their LTI as options, equity performance rights or a combination of both.

Alignment with ASA remuneration guidelines

The remuneration report is largely aligned with the ASA guidelines with some exceptions.

- ASA prefers STI to not exceed the CEO’s FR. Ed Chung’s FR is 29% and his STI is 51%. As mentioned previously, the CEO’s FR is a smaller percentage than in other ASX100 companies and the STI is based on profit. As profits have surged, so has the STI. We can understand this deviation from the ASA guidelines and record profits skewing the remuneration mix is a good “problem” to have.
- ASA prefers at least 50% of STI to be paid in equity with a minimum 12 month holding period. 100% of Ed’s STI is paid as cash with 20% deferred for two years. The CEO already

has more than 700k TNE shares with options for another 1.4m. This represents a significant investment in the company.

- ASA prefers LTI to be assessed over at least four years. Technology One uses a three year period.

Notes on the FY24 executive remuneration outcomes

There was no change to the remuneration framework for continuing key executives in FY24, but the amounts paid were revised upwards.

Independent benchmarking suggested the CEO and COO total remuneration was too low compared to their peers at comparable organisations. Consequently, the CEO was given a rise in total compensation of just over $1m or 44% with the COO getting an additional $300k or 18%. Ed Chung (CEO) chose to take the increase as 30% FR and 70% long term incentive. Stuart MacDonald (COO) took his increase as 100% LTI.

This increased CEO total remuneration from $2.525m in 2023 to $3.431m in 2024. With COO remuneration rising from $1.741m to $2.373m. Some key elements of the CEO's remuneration are shown below.

CEO remuneration framework for FY24	**Target % of Total**	**Statutory % of Total**	**Statutory $m**
Fixed Remuneration (FR)	33%	29%	0.829
Short Term Incentive (STI) - Cash	27%	42%	1.227
Short Term Incentive (STI) - Deferred	7%	9%	0.266
Short Term Incentive (STI) - Equity	0%	0%	0
Long Term Incentive (LTI)	33%	20%	0.582
Total	100%	100%	3.431

- The target amounts in the table above are the amounts that were envisaged in the design of the remuneration plan.
- In Technology One's case an "Executive Net Profit Before Tax" percentage is set at the outset of the CEO's contract. This determines STI which increases in value over the years as the company's profits increase.
- Actual amounts are rounded up.

Notes on the FY24 board remuneration outcomes

Observations this year include.

- This year, director fees increased 6% which is more than inflation for the period. The Independent Chair's fee increased from $300,000 to $318,000. Non Executive Director fees increased from $175,000 to $185,500. The fee for Committee Chairs increased from $27,500 to $29,150.
- Independent remuneration benchmarking available to the ASA suggests the new fees are not excessive for a company with a $10b market capitalisation.
- All Director's hold shares in Technology One worth at least one year's fees except for the most recent board member, Paul Robson. Under Technology One's rules and ASA's guidelines, Paul has three years to reach the minimum shareholding.