

# 2024 Second Quarter Earnings Review

Tyler Technologies | July 25, 2024



# Statement Regarding Use of Non-GAAP Measures

Tyler Technologies has provided in this presentation financial measures that have not been prepared in accordance with generally accepted accounting principles (GAAP) and are therefore considered non-GAAP financial measures. This information includes non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP earnings per diluted share, EBITDA, adjusted EBITDA, free cash flow, and free cash flow margin. We use these non-GAAP financial measures internally in analyzing our financial results and believe they are useful to investors, as a supplement to GAAP measures, in evaluating Tyler's ongoing operational performance because they provide additional insight in comparing results from period to period. Tyler believes the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures. Non-GAAP financial measures discussed above exclude share-based compensation expense, employer portion of payroll taxes on employee stock transactions, expenses associated with amortization of intangibles arising from business combinations, acquisition-related expenses, and lease restructuring costs and other. Annualized recurring revenues (ARR) is calculated by annualizing the current quarter's recurring revenues from maintenance and subscriptions.

Tyler currently uses a non-GAAP tax rate of 22.0%. This rate is based on Tyler's estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating Tyler's non-GAAP income, as well as significant non-recurring tax adjustments. The non-GAAP tax rate used in future periods will be reviewed periodically to determine whether it remains appropriate in consideration of factors including Tyler's periodic annual effective tax rate calculated in accordance with GAAP, changes resulting from tax legislation, changes in the geographic mix of revenues and expenses, and other factors deemed significant. Due to differences in tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to Tyler's estimated annual tax rate as described above, the estimated tax rate on non-GAAP income may differ from the GAAP tax rate and from Tyler's actual tax liabilities.

Non-GAAP financial measures should be considered in addition to, and not as a substitute for, or superior to, financial information prepared in accordance with GAAP. The non-GAAP measures used by Tyler Technologies may be different from non-GAAP measures used by other companies. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures, which has been provided in the financial statement tables included in this presentation and our earnings press release.

# Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical in nature and typically address future or anticipated events, trends, expectations or beliefs with respect to our financial condition, results of operations or business. Forward-looking statements often contain words such as “believes,” “expects,” “anticipates,” “foresees,” “forecasts,” “estimates,” “plans,” “intends,” “continues,” “may,” “will,” “should,” “projects,” “might,” “could” or other similar words or phrases. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. We believe there is a reasonable basis for our forward-looking statements, but they are inherently subject to risks and uncertainties and actual results could differ materially from the expectations and beliefs reflected in the forward-looking statements.

We presently consider the following to be among the important factors that could cause actual results to differ materially from our expectations and beliefs: (1) changes in the budgets or regulatory environments of our clients, primarily local and state governments, that could negatively impact information technology spending; (2) disruption to our business and harm to our competitive position resulting from cyber-attacks, security vulnerabilities, and software updates; (3) our ability to protect client information from security breaches and provide uninterrupted operations of data centers; (4) our ability to achieve growth or operational synergies through the integration of acquired businesses, while avoiding unanticipated costs and disruptions to existing operations; (5) material portions of our business require the Internet infrastructure to be adequately maintained; (6) our ability to achieve our financial forecasts due to various factors, including project delays by our clients, reductions in transaction size, fewer transactions, delays in delivery of new products or releases or a decline in our renewal rates for service agreements; (7) general economic, political and market conditions, including continued inflation and rising interest rates; (8) technological and market risks associated with the development of new products or services or of new versions of existing or acquired products or services; (9) competition in the industry in which we conduct business and the impact of competition on pricing, client retention and pressure for new products or services; (10) the ability to attract and retain qualified personnel and dealing with rising labor costs, and the loss or retirement of key members of management or other key personnel; and (11) costs of compliance and any failure to comply with government and stock exchange regulations.

These factors and other risks that affect our business are described in our filings with the Securities and Exchange Commission, including the detailed “Risk Factors” contained in our most recent annual report on Form 10-K and quarterly report on Form 10-Q. We expressly disclaim any obligation to publicly update or revise our forward-looking statements.

# The Leader in Software Solutions to the Public Sector

## AT A GLANCE

1

MARKET POSITION

83%

RECURRING REVENUES 2023

16.8%

FREE CASH FLOW MARGIN 2023

98%

GROSS CLIENT RETENTION

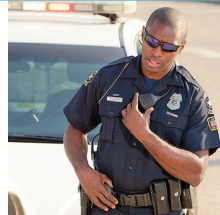
### REVENUE BREAKDOWN \*



ERP / FINANCIAL  
31%



COURTS & JUSTICE  
14%



PUBLIC SAFETY  
6%



PLATFORM TECHNOLOGIES  
31%



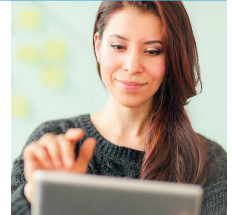
APPRAISAL & TAX  
6%



CIVIC SERVICES  
3%



K-12 SCHOOLS  
7%



OTHER  
2%

\*2023

## Tyler 2030 | Pillars for Growth



Leveraging  
Our Strong  
Client Base



Expanding  
Into New  
Markets



Completing  
Our Cloud  
Transition



Growing  
Our Payments  
Business

**Goals:** Grow revenues, expand margins, and invest in our people & tools

# Q2 2024 Summary

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# Second Quarter Results Exceed Expectations

OUTPERFORMANCE ACROSS KEY METRICS



## Revenues

Total Revenues \$541M, up 7.3%  
(organic growth of 6.5%)  
SaaS Revenues \$156M, up 23.2%  
ARR \$1.80B, up 8.4%



## Non-GAAP Earnings<sup>1</sup>

\$2.40 EPS, up 19.4%



## Non-GAAP Operating Margin<sup>1</sup>

24.5%, up 150 bps

<sup>1</sup> See the reconciliation of GAAP to Non-GAAP measures included in this presentation and in our earnings release.

# Second Quarter Results Exceed Expectations

## KEY HIGHLIGHTS



**Healthy public sector demand,** with elevated sales indicators in RFP and demo trends



**Strong balance sheet –** favorable working capital with free cash flow up significantly at \$48.6 million



Strength in our **transactions** business



**Meaningful wins and growing demand from** AI-powered, data driven acquisitions – CSI, ResourceX, and Automated Field Operations (formerly ARInspect)



Strong **sales synergies and operational performance**



Increased average ARR value associated with **cloud flips**

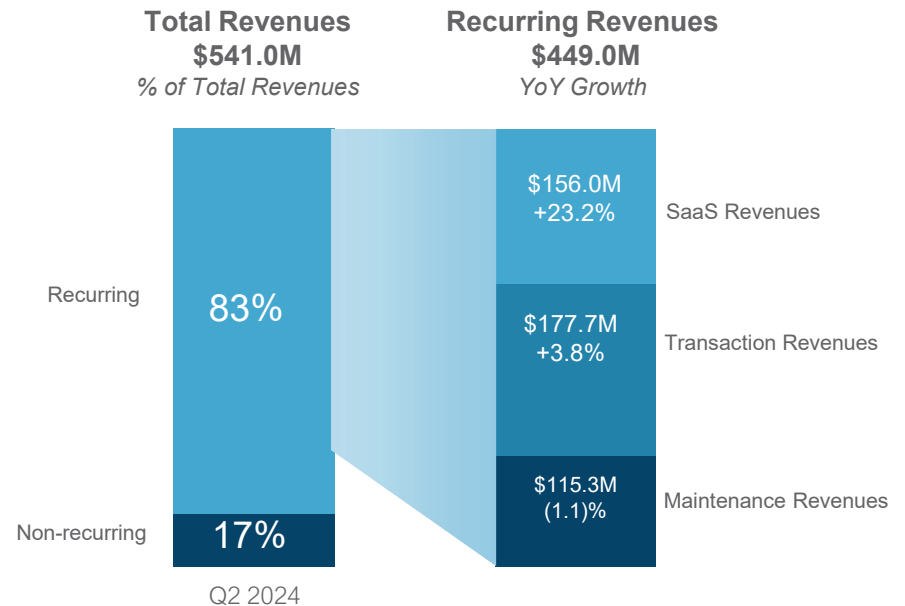


# Strong Recurring Revenue Growth

Recurring revenues up 8.4%, with organic growth of 7.8%

Subscriptions rose 12.1%, with organic growth of 11.8%

- SaaS revenues grew 23.2% (22.5% organic), marking 14<sup>th</sup> consecutive quarter of SaaS growth of 20%+
- Transaction revenues up 3.8%, outperformed plan driven by higher volumes, including e-Filing and new payment services (2Q final quarterly comparison impacted by change from gross to net model last year for payments under a state enterprise agreement)



# Q2 2024 Strong Performance Across Key Metrics

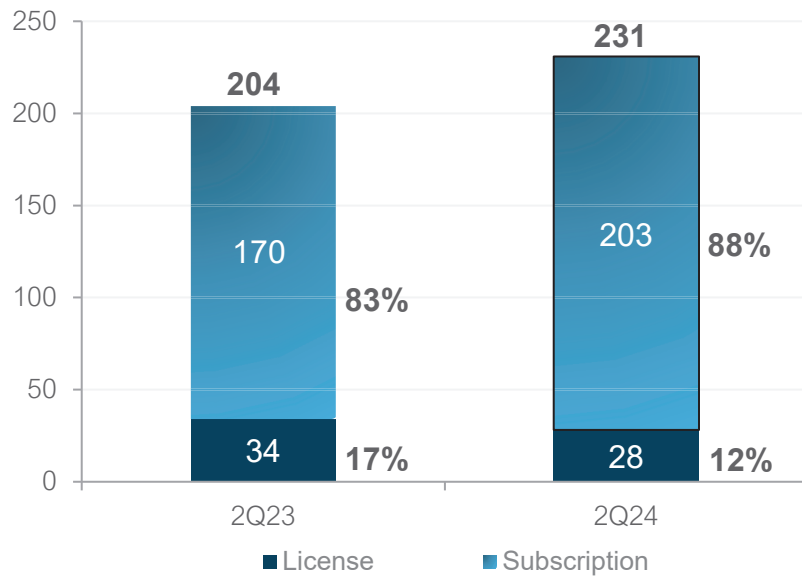
Total Revenues	Recurring Revenues	Diluted EPS <sup>1</sup>		Adjusted EBITDA <sup>1</sup>
<b>\$541.0M</b> +7.3% +6.5% organic	<b>\$449.0M</b> +8.4% +7.8% organic	<b>GAAP</b> <b>\$1.57</b> +36.5%		<b>\$144.0M</b> +14.7%
		<b>Non-GAAP</b> <b>\$2.40</b> +19.4%		
Cash from Operations*	Free Cash Flow* <sup>1</sup>	Gross Margin <sup>1</sup>		Operating Margin <sup>1</sup>
<b>\$64.3M</b>	<b>\$48.6M</b> compared to (\$33.2M)	<b>GAAP</b> <b>44.0%</b> -30 bps		<b>GAAP</b> <b>14.4%</b> +210 bps
	<b>FCF Margin 9.0%</b> compared to (6.6)%	<b>Non-GAAP</b> <b>47.1%</b> -20 bps		<b>Non-GAAP</b> <b>24.5%</b> +150 bps

\*Cash flow was impacted by incremental cash taxes of approximately \$29 million related to IRC Section 174 capitalization rules.

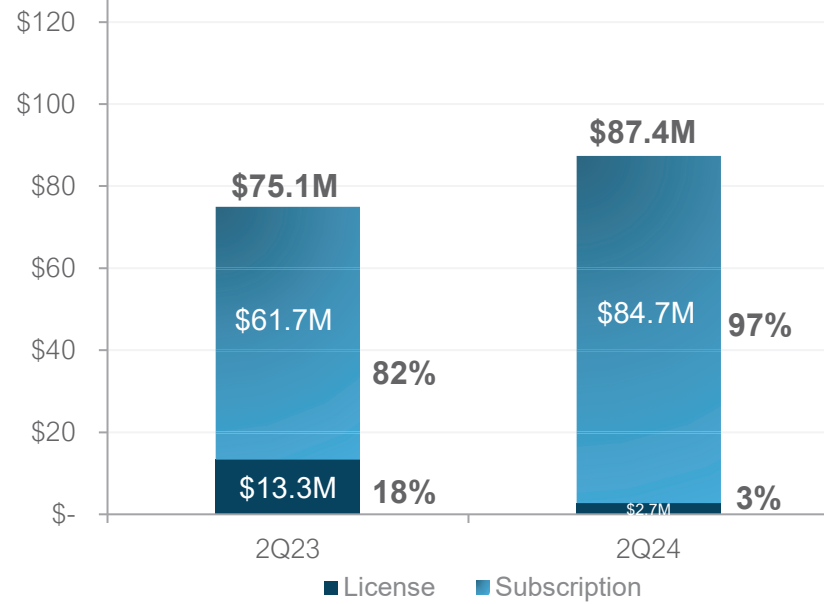
<sup>1</sup> See the reconciliation of GAAP to Non-GAAP measures included in this presentation and in our earnings release.

# Q2 2024 New Software Business Mix

### # of New Software Deals



### New Software Contract Value



# Notable Wins

## New SaaS deals

- **City of Topeka, KS**
  - Integrated solution suite: Enterprise ERP, Enterprise Permitting & Licensing, and Enterprise Asset Management
  - SaaS contract with \$700K of ARR
- **Idaho State Police**
  - Integrated Enterprise Public Safety Suite
  - Competitive Tier 1 SaaS win
  - Represents Tyler's 6<sup>th</sup> state police agency client
- **Oneida County, NY, Department of Emergency Services**
  - Integrated Enterprise Public Safety suite
  - 64-agency, SaaS contract
- **Richland County, WI**
  - ERP Pro
  - 90-day accelerated sales cycle
  - ARPA-funded SaaS contract

## New SaaS deals

- **Arizona Supreme Court**
  - Enterprise Supervision expansion, adding juvenile probation for all 15 counties
  - Leveraged strong adult probation relationship
- **Phoenix, AZ Municipal Court**
  - Enterprise Justice
  - Highly competitive, leveraged successful Enterprise Supervision execution
  - Five-year SaaS for \$2.25M of ARR
  - Includes five 1-year extension options
- **Hunt County, TX**
  - Enterprise Public Safety upgrade
- **Spotsylvania County, VA**
  - Enforcement Mobile
  - Joins eight of 14 largest Virginia agencies using Tyler's Public Safety applications.

## Large client SaaS flips

- **Fulton County, GA (Atlanta)**
  - \$1.9M ARR
  - Enterprise Justice
  - Includes unified One Tyler client management services
- **City of Tucson, AZ**
  - Enterprise Permitting & Licensing
  - \$600K of ARR
- **Clayton County, GA (metro Atlanta)**
  - Enterprise Assessment & Tax
  - \$436K of ARR
- **City of Duluth, MN**
  - Enterprise Public Safety
  - \$428K of ARR
- **City of St. Charles, MO**
  - ERP Pro
  - \$400K of ARR
- **Columbus City Schools, OH**
  - Traversa Student Transportation
  - \$364K of ARR

# Notable Wins

## Growing cross-sell synergies

- **Cherokee Nation, Oklahoma**
  - Enterprise Public Safety suite + Enterprise Supervision
  - Existing Tyler multi-product client
  - Single-source SaaS contract
- **Florida Department of Corrections**
  - Joint effort across Justice Group
  - Disbursements + Corrections + Digital Solutions, including payments
  - Managing all aspects of money transfer services for correctional facilities
  - Transaction-based contract with est. \$3.8M of ARR
- **Mississippi Department of Health**
  - MyCivic + Digital Solutions, including payments
  - Leveraged our state enterprise agreement
  - SaaS contract

## Meaningful Application Platform wins via AI-powered acquisitions

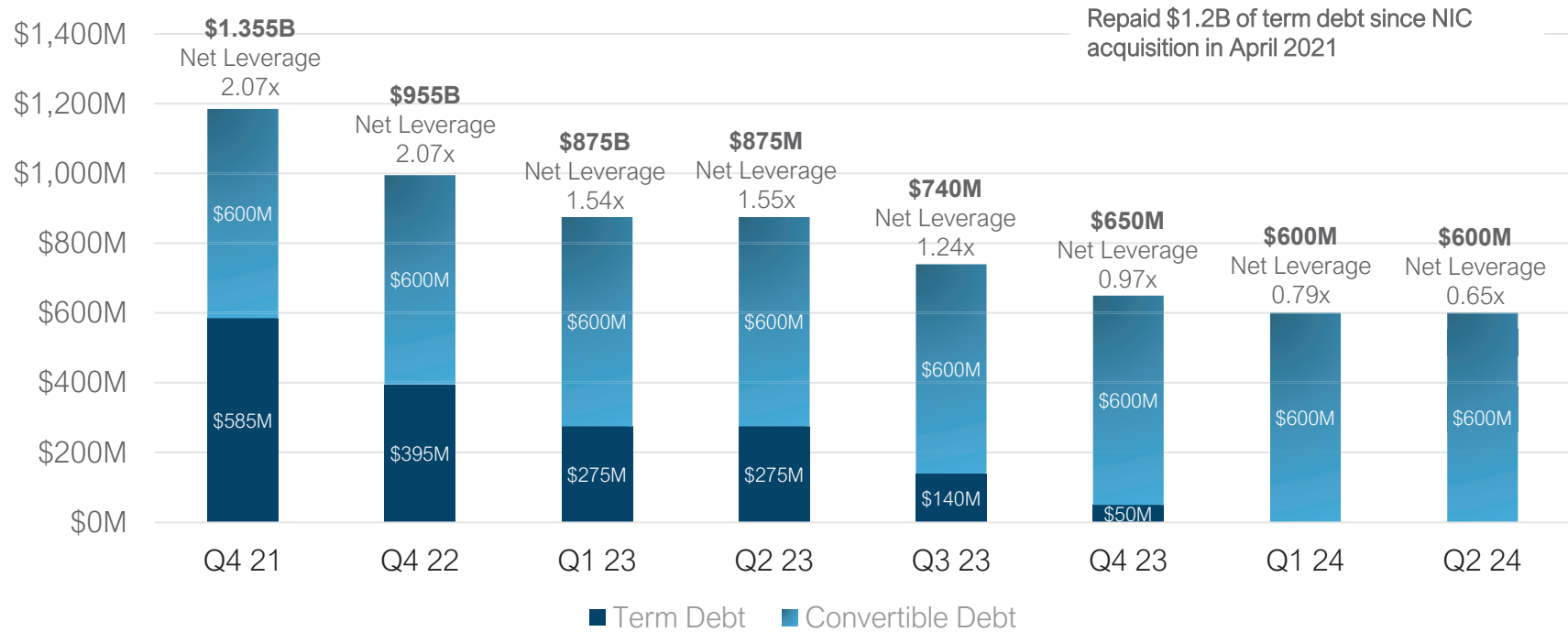
- **CSI**
  - Santa Barbara, CA – Superior court and 1<sup>st</sup> CSI California contract since acquisition.
  - McHenry County, IL – Circuit court solution and 3<sup>rd</sup> CSI product win in Illinois.
  - Combined ~\$700K of ARR
- **Augmented Field Operations, formerly ARInspect**
  - California State Board of Pharmacy
  - Oregon Real Estate Agency state regulatory platform suite SaaS flip
  - Arkansas Department of Labor and Licensing, including payments. Leveraged state enterprise agreement
  - Kentucky Department of Environmental Protection
  - New York Department of Health
  - Combined ~\$700K of ARR
- **Priority-Based Budgeting, formerly ResourceX**
  - Boulder County, CO, and City of Milton, GA add-on
  - \$230K of combined ARR

## State agreement activity

- **Five state enterprise renewals**
  - Hawaii – 2-year extension
  - Kansas – 2-year extension
  - Kentucky – 1-year extension
  - New Jersey – 1-year extension
  - Rhode Island – 3-year single-source award
- **Outdoor & Enterprise Licensing**
  - Illinois – 2-year renewal

# Healthy Balance Sheet with Strong Cash Flow

Under One Times Proforma EBTIDA at 6/30/24



# 2024 Annual Guidance

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# 2024 Annual Guidance

ACCELERATING SAAS SHIFT AND CLOUD TRANSITION PROGRESS

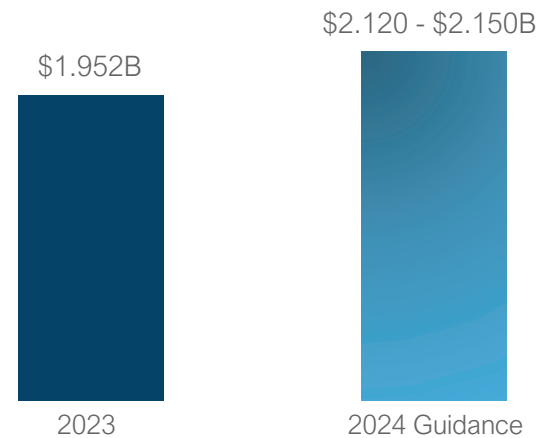
## REVENUE DRIVERS

**Guidance midpoint implies growth of approx. 9.4% (approx. 9% organic)**

Revenue range percentage growth expectations:

- Subscriptions growth in the mid-teens
  - SaaS growth in the low twenties
  - Transaction growth low-double digits
    - Merchant fees up mid-single digits
- Professional services growth in the mid-single digits
- Licenses and royalties down mid-teens
- Maintenance down low single digits
- Hardware and other growth high-single digits

## Total Revenues

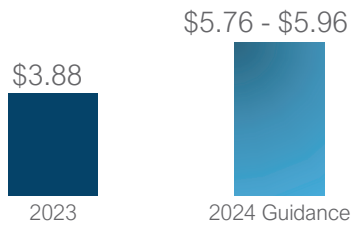


*Most recent 2024 guidance provided on 7/24/24*

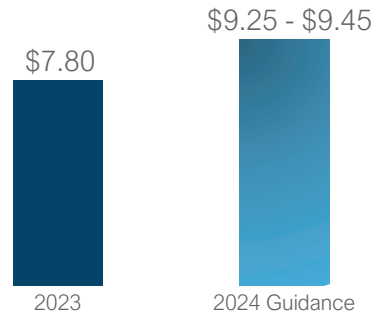


# 2024 Annual Guidance

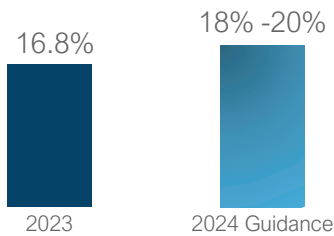
## Diluted EPS - GAAP<sup>1</sup>



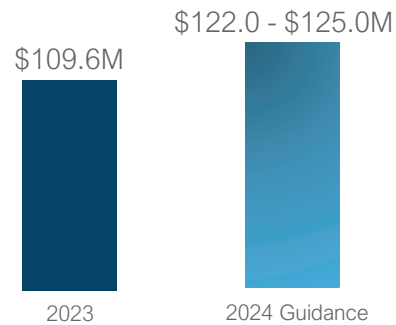
## Diluted EPS - Non-GAAP



## Free Cash Flow Margin



## R&D Expense



GAAP to non-GAAP guidance reconciliation	2024
GAAP diluted earnings per share <sup>(1)</sup>	\$5.76 - \$5.96
Plus:	
Share-based compensation expense	2.85
Amortization of acquired software and other intangibles	2.23
Acquisition-related costs	—
Lease restructuring costs and other	—
Less:	
Income tax impact <sup>(1)</sup>	(1.59)
Non-GAAP diluted earnings per share	\$9.25 - \$9.45
Shares used in computing diluted earnings per share (millions)	43.5
GAAP estimated annual effective tax rate used in computing GAAP diluted earnings per share (1)	15.5%
Non-GAAP estimated annual effective tax rate used in computing Non-GAAP diluted earnings per share	22%

<sup>(1)</sup> GAAP diluted earnings per share may fluctuate due to the impact on our annual effective tax rate of discrete tax items, such as stock incentive awards, future acquisitions, changes in tax legislation, and other transactions.

Most recent 2024 guidance provided on 7/24/24

# Appendix

## Non-GAAP Measures

THE TABLE RECONCILES THE NON-GAAP MEASURES USED IN THIS PRESENTATION

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>Reconciliation of non-GAAP gross profit and margin</b>				
GAAP gross profit	\$ 237,816	\$ 223,177	\$ 461,482	\$ 423,014
Non-GAAP adjustments:				
Add: Share-based compensation expense included in cost of revenues	7,620	6,437	15,010	12,779
Add: Amortization of acquired software	9,240	8,924	18,479	17,844
Non-GAAP gross profit	\$ 254,676	\$ 238,538	\$ 494,971	\$ 453,637
GAAP gross margin	44.0 %	44.3 %	43.8 %	43.3 %
Non-GAAP gross margin	47.1 %	47.3 %	47.0 %	46.5 %

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>Reconciliation of non-GAAP operating income and margin</b>				
GAAP operating income	\$ 78,035	\$ 61,874	\$ 145,013	\$ 106,854
Non-GAAP adjustments:				
Add: Share-based compensation expense	30,407	26,028	57,273	53,924
Add: Employer portion of payroll tax related to employee stock transactions	873	669	1,678	1,148
Add: Acquisition-related costs	2	50	29	72
Add: Lease restructuring costs and other	167	—	(159)	1,545
Add: Amortization of acquired software	9,240	8,924	18,479	17,844
Add: Amortization of other intangibles	13,845	18,366	31,963	36,774
Non-GAAP adjustments subtotal	54,534	54,037	109,263	111,307
Non-GAAP operating income	\$ 132,569	\$ 115,911	\$ 254,276	\$ 218,161
GAAP operating margin	14.4 %	12.3 %	13.8 %	10.9 %
Non-GAAP operating margin	24.5 %	23.0 %	24.1 %	22.3 %

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>Reconciliation of non-GAAP net income and earnings per share</b>				
GAAP net income	\$ 67,738	\$ 49,130	\$ 121,908	\$ 80,005
Non-GAAP adjustments:				
Add: Total non-GAAP adjustments to operating income	54,534	54,037	109,263	111,307
Less: Income tax impact	(18,377)	(17,237)	(32,609)	(30,648)
Non-GAAP net income	\$ 103,895	\$ 85,930	\$ 198,562	\$ 160,664
GAAP earnings per diluted share	\$ 1.57	\$ 1.15	\$ 2.82	\$ 1.87
Non-GAAP earnings per diluted share	\$ 2.40	\$ 2.01	\$ 4.59	\$ 3.76

## Non-GAAP Measures

THE TABLE RECONCILES THE NON-GAAP MEASURES USED IN THIS PRESENTATION

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Detail of share-based compensation expense				
Subscriptions, maintenance, and professional services	\$ 7,620	\$ 6,437	\$ 15,010	\$ 12,779
Sales and marketing expense	3,141	2,367	6,124	4,760
General and administrative expense	19,646	17,224	36,139	36,385
Total share-based compensation expense	\$ 30,407	\$ 26,028	\$ 57,273	\$ 53,924

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Reconciliation of EBITDA and adjusted EBITDA				
GAAP net income	\$ 67,738	\$ 49,130	\$ 121,908	\$ 80,005
Amortization of other intangibles	13,845	18,366	31,963	36,774
Depreciation and amortization included in cost of revenues, sales and marketing expense, general and administrative expense, and research and development expense	19,620	19,359	40,721	39,124
Interest expense	1,253	5,566	3,437	11,894
Income tax provision	10,927	7,000	23,396	14,667
EBITDA	\$ 113,383	\$ 99,421	\$ 221,425	\$ 182,464
Share-based compensation expense	30,407	26,028	57,273	53,924
Acquisition-related costs	2	50	29	72
Lease restructuring costs and other asset write-offs	167	—	(159)	1,545
Adjusted EBITDA	\$ 143,959	\$ 125,499	\$ 278,568	\$ 238,005

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Reconciliation of free cash flow				
Net cash provided by operating activities	\$ 64,304	\$ (19,184)	\$ 136,143	\$ 55,525
Less: additions to property and equipment	(6,568)	(4,350)	(13,850)	(6,370)
Less: investment in software development	(9,107)	(9,674)	(16,493)	(18,753)
Free cash flow	\$ 48,629	\$ (33,208)	\$ 105,800	\$ 30,402
Free cash flow margin	9.0 %	(6.6)%	10.0 %	3.1 %

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