



Q4 and Fiscal 2022 Earnings Review Fiscal 2023 Guidance

February 15, 2023

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 revenues, 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, and free cash flow. 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 write-downs of acquisition-related deferred revenue, 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 asset write-offs. Annualized non-GAAP recurring revenues (ARR) is calculated by annualizing the current quarter's non-GAAP recurring revenues from maintenance and subscriptions.

Tyler currently uses a non-GAAP tax rate of 22.5% for 2022 and 22.0% for 2023. 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) the continuing effects of the COVID-19 pandemic, including its potential effects on the economic environment, our customers and our operations, as well as any changes to federal, state or local government laws, regulations or orders in connection with the pandemic; (2) changes in the budgets or regulatory environments of our clients, primarily local and state governments, that could negatively impact information technology spending; (3) disruption to our business and harm to our competitive position resulting from cyber-attacks and security vulnerabilities; (4) our ability to protect client information from security breaches and provide uninterrupted operations of data centers; (5) our ability to achieve growth or operational synergies through the integration of acquired businesses, while avoiding unanticipated costs and disruptions to existing operations; (6) material portions of our business require the Internet infrastructure to be adequately maintained; (7) 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; (8) general economic, political and market conditions, including inflation and changes in interest rates; (9) technological and market risks associated with the development of new products or services or of new versions of existing or acquired products or services; (10) 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; (11) the ability to attract and retain qualified personnel and dealing with the loss or retirement of key members of management or other key personnel; and (12) costs of compliance and any failure to comply with government and stock exchange regulations.

A detailed discussion of 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.

Tyler Overview

Tyler: A Winning Long-Term Growth Story

Consistent Long-term
Revenue Growth

16%

CAGR

since 2012

Faster EPS Growth

19%

CAGR

since 2012

Massive Opportunity
– Market Leader With
Just

~6%

share

of fragmented
\$35B market

Uniquely positioned to deliver the most comprehensive mission-critical digital solutions in large replacement market, leveraging largest public sector installed base

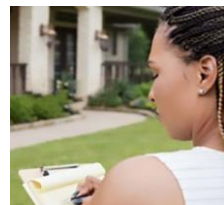
The Leader in Providing Software and Services Solely Focused on the Public Sector

Market
position

Number 1

Recurring
revenues 2022

80%



Revenue Breakdown

ERP /
Financial
33%

Courts &
Justice
14%

Public
Safety
6%

Platform
Technologies
33%

Appraisal &
Tax
6%

Civic
Services
2%

K-12
Schools
4%

Other
2%

Free cash flow to
non-GAAP net income
– avg. last 5 years

1.1X

98%

Gross Customer retention

Executing Long-Term Growth and Cloud-First Strategy

1

Leveraging largest installed base creates unique sales synergies and opportunities to expand TAM across integrated solutions portfolio

2

Cloud-first approach with roadmap to drive long-term recurring revenue, double existing maintenance stream, and expand operating margins

3

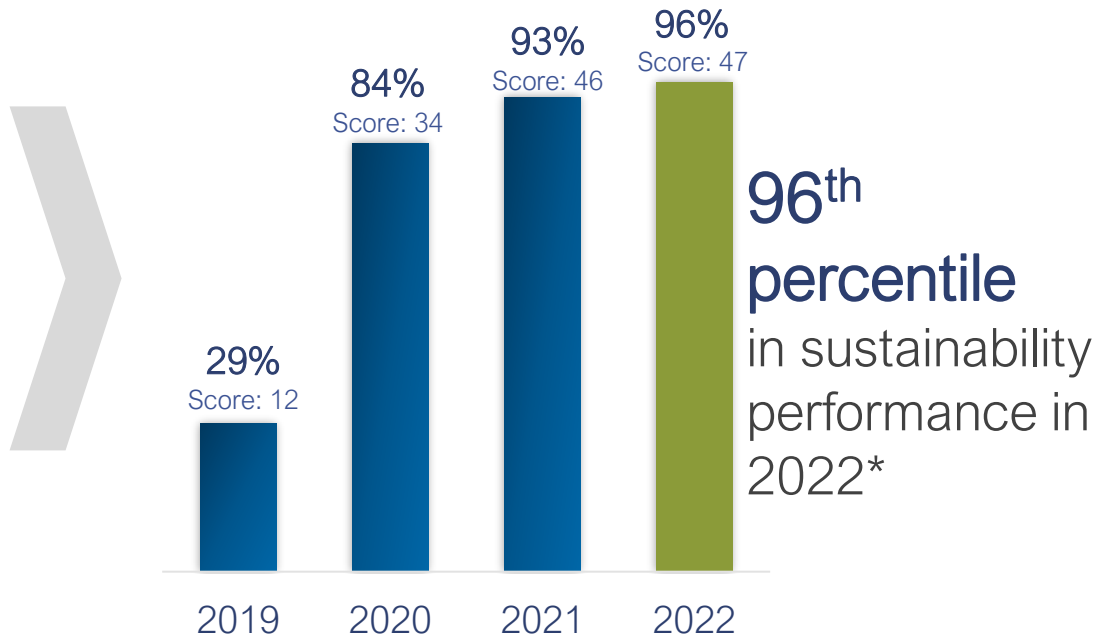
Strategic build or buy acquisition strategy supported by opportunistic share repurchase capital allocation

Committed to Responsible, Positive Impact

Environmental, Social and Governance

- Expanded ESG Council with C-Suite members
- Engaged Environmental Task Force and Green Teams
- Active executive Diversity, Equity, and Inclusion (DEI) Council
- 2nd year inclusion in the DJSI* North American Index

✓ *Material areas of notable gain include IT security, privacy protection, and human capital development.*



*Source: Benchmarked in the 96th percentile by the S&P Global Corporate Sustainability Assessment within Software and Diversified IT Services industry peers.

DJSI: Dow Jones Sustainability Index (DJSI) North America,

Q4 2022 Summary

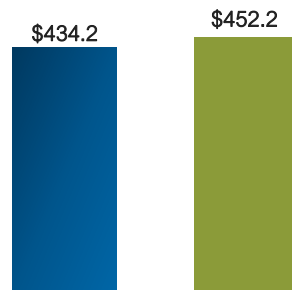
Solid Q4 2022 Finish to an Eventful Year

Strong execution, sales synergies and accelerated SaaS mix shift

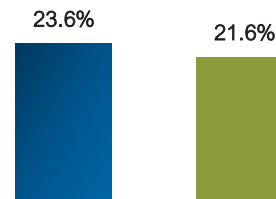
Q4 Summary

- Total GAAP Revenues of \$452.2M **grew 4.3%** with organic* revenue growth of **6.0%**
 - Non-GAAP Total Revenues of \$452.2M, **up 4.2%**
 - Non-GAAP Organic* Revenues up **5.8%**
 - Non-GAAP ARR **grew 7.5%**
- Results reflect expected lower license revenues due to higher SaaS mix
- Strong cross-sell synergies and subscription growth across divisions
- New software contract value mix of **86% SaaS**
- Operating margin pressure related to expected software mix shift, cloud transition bubble costs and higher R&D expense
- Executed strategic Rapid Financial Solutions acquisition, expanding our robust payments capabilities
- Strong TTM bookings growth, **up 9.5%** from Q4 2021
- Free cash flow **increased 20.6%** to \$114.7M
- Reduced long-term debt by \$90M; improved net leverage **to 1.64x proforma EBITDA at year-end**

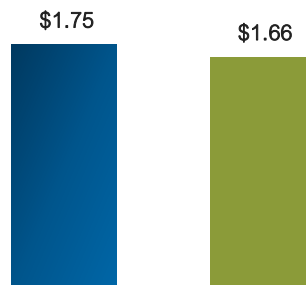
Non-GAAP revenue¹
(\$ millions)



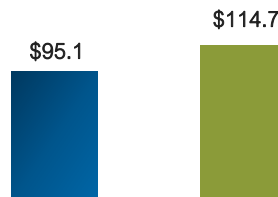
Non-GAAP operating margin¹



Non-GAAP EPS¹



Free Cash Flow
(\$ millions)



■ 2021 ■ 2022

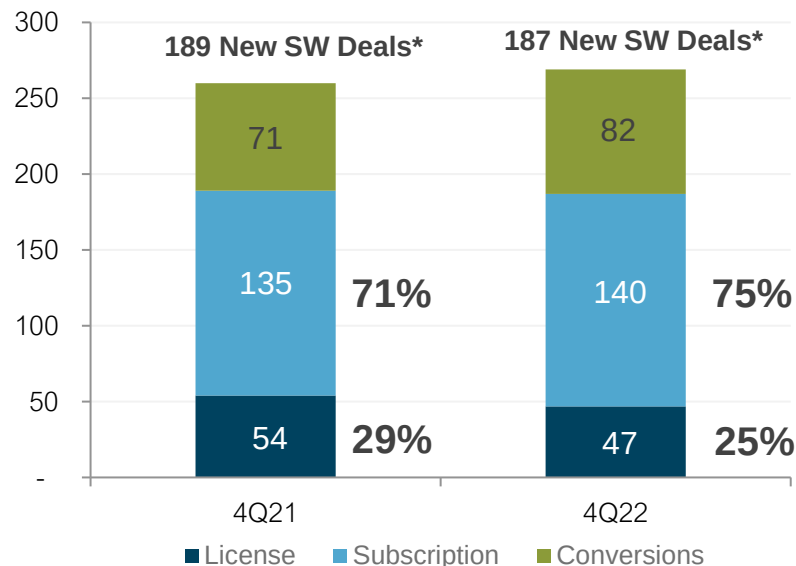
¹ See reconciliation of GAAP to Non-GAAP measures included in this presentation and in our earnings release.

*Excluding COVID-related revenues

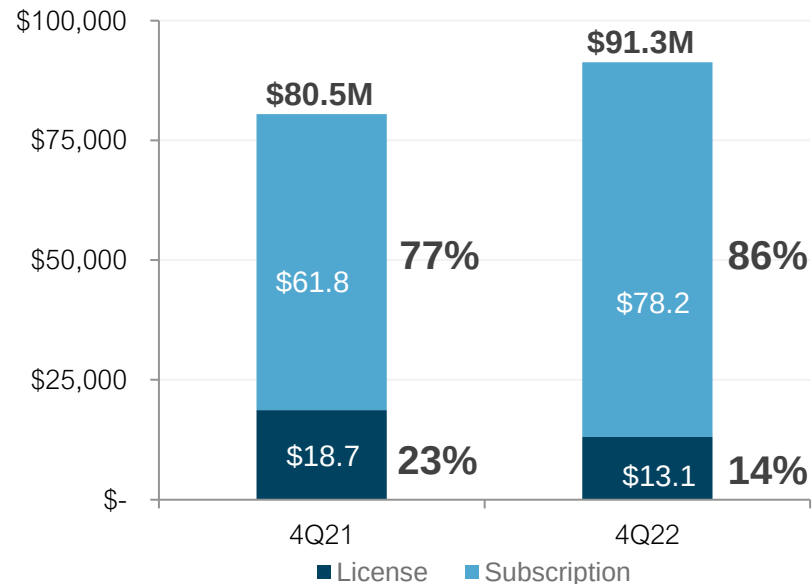
Accelerating Pace of SaaS Adoption

New Software Contract Value – highest subscription mix for a fourth quarter

of New Software Deals



New Software Contract Value



*Excludes on-premises conversions to SaaS

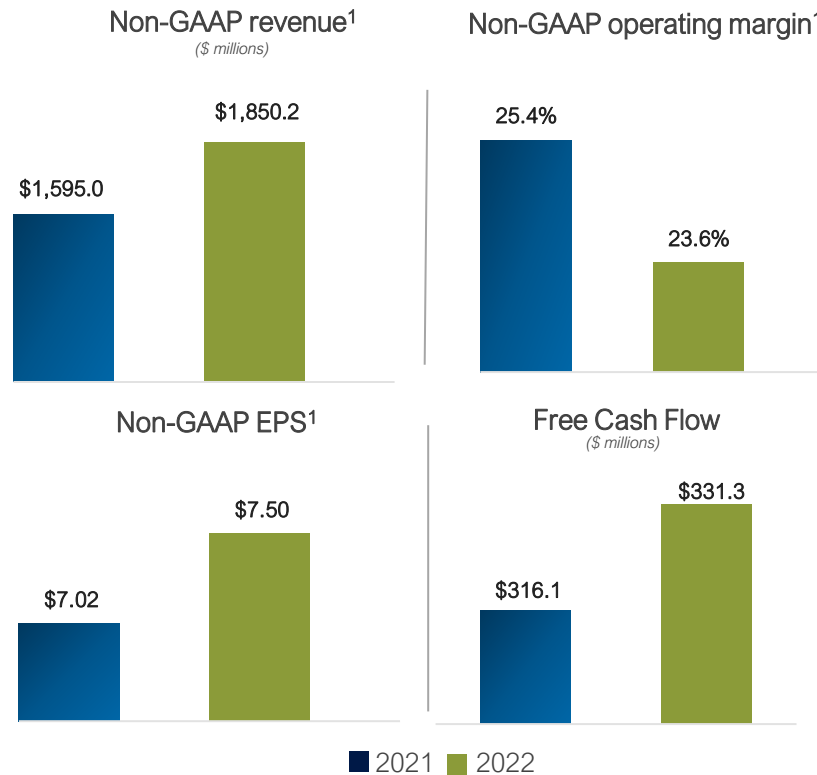
Fiscal 2022 Summary

2022 Marked by Sales Synergies and SaaS Momentum

Active market demand buoyed by healthy public sector budgets

FY 2022 Summary

- Total GAAP Revenues **grew 16.2%**; organic* revenue **growth of 8.2%**
 - Non-GAAP Total revenues **up 16.0%**;
 - Non-GAAP Organic* growth of **8.0%**
- Strategic acquisitions - US eDirect, Quatred and Rapid Financial Solutions - support long-term growth and expand digital government solutions
- NIC, now our Digital Solutions Division, executed several key renewals, expansions and wins
- Launched Digital Solutions go-to-market cross-sell strategy to leverage client base for significant expansion opportunities
- Expected operating margin pressure related to new software mix shift, cloud transition bubble costs, and higher R&D expense
- Strong TTM bookings growth, **up 9.5%** from Q4 2021
- Free cash flow **increased 4.8%** to \$331.3M
- Reduced long-term debt by \$360M; improved net leverage **to 1.64x proforma EBITDA**



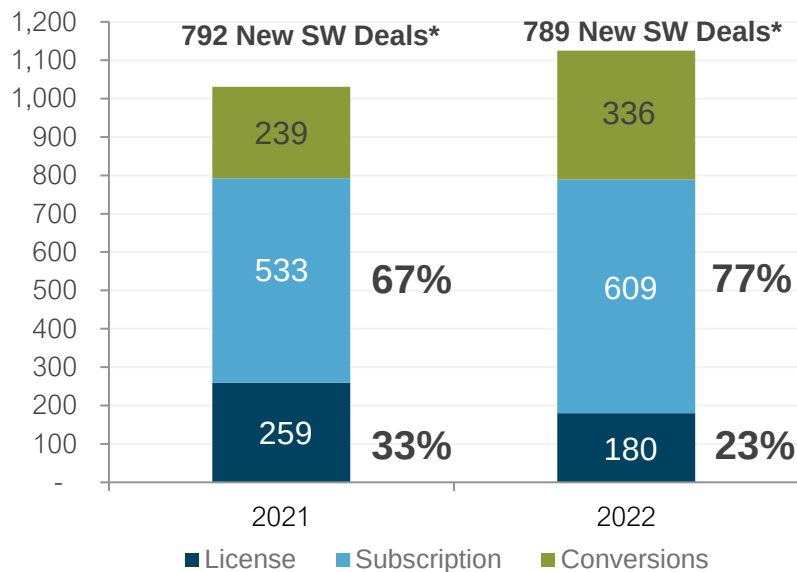
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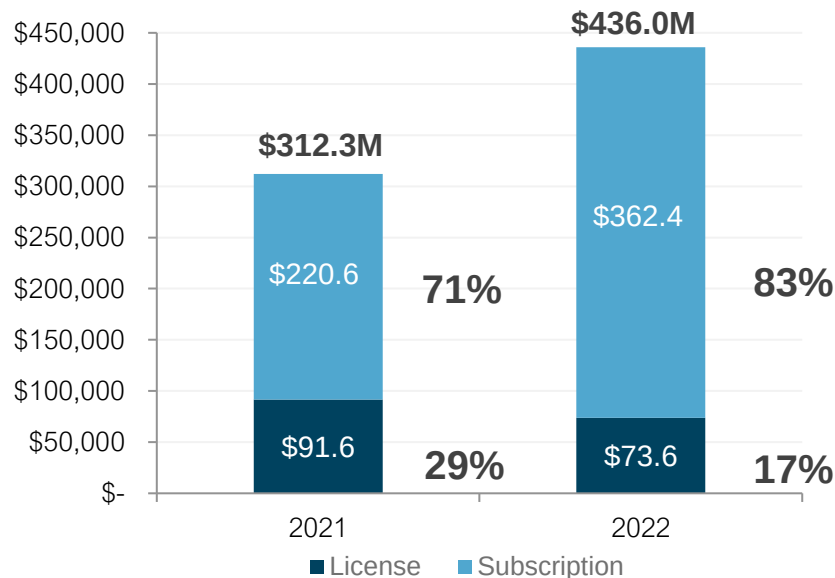
2022 – Accelerated SaaS Adoption

New Software Contract Mix

of New Software Deals



New Software Contract Value



*Excludes on-premises conversions to SaaS

2022 Contract Highlights: Wins, Renewals and Expansions



Wins

Digital Solutions competitive rebid for master enterprise contract with the Colorado Statewide Internet Portal Authority Board (5 years w/five 1-year extension options)

U.S. Department of State for Case Management Platform: \$54M, 5-year SaaS contract

Kansas Department of Revenue: Digital Solutions + Data & Insights Assessment Connect

Arizona Office of the Courts for Enterprise Supervision: 5-year SaaS contract w/ renewals and add-on optionality

State of Oregon Judicial Department for Enterprise Supervision

State of New Jersey 4-year digital motor vehicle titling agreement

License wins: Enterprise Public Safety, Enforcement Mobile, and Data & Insights with Sterns County, Minnesota, and Richland County, Ohio.



State Renewals

Alabama

Colorado

Maine

Mississippi

Oklahoma



State Expansions

Kansas

Kentucky

Texas

Vermont

West Virginia



One Tyler Digital Solutions Cross-Sell Wins*

19 Cross-Sell Transactions worth \$9.5M in TCV

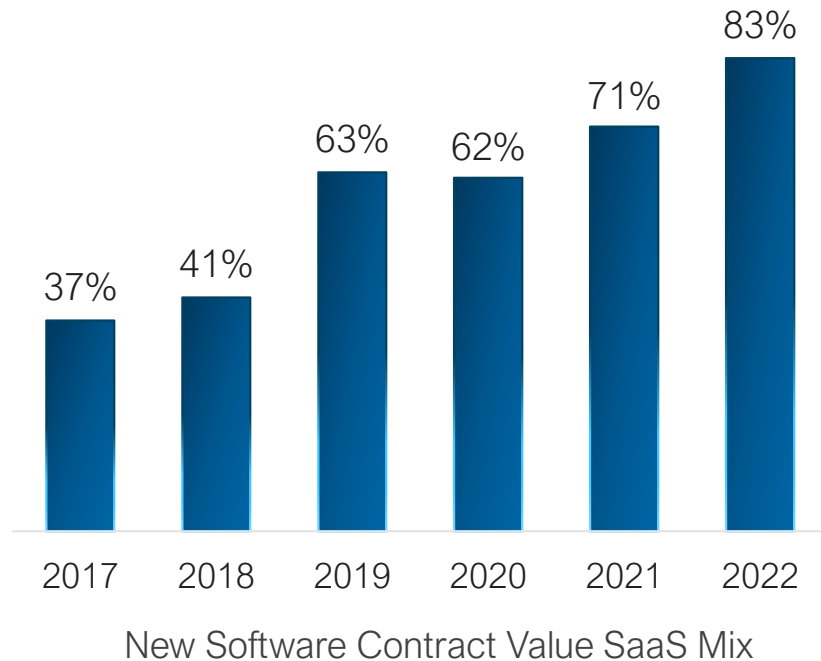
Traditional Tyler products + Digital Solutions = Power of **One Tyler**

**Cumulative since April 2021 NIC acquisition*

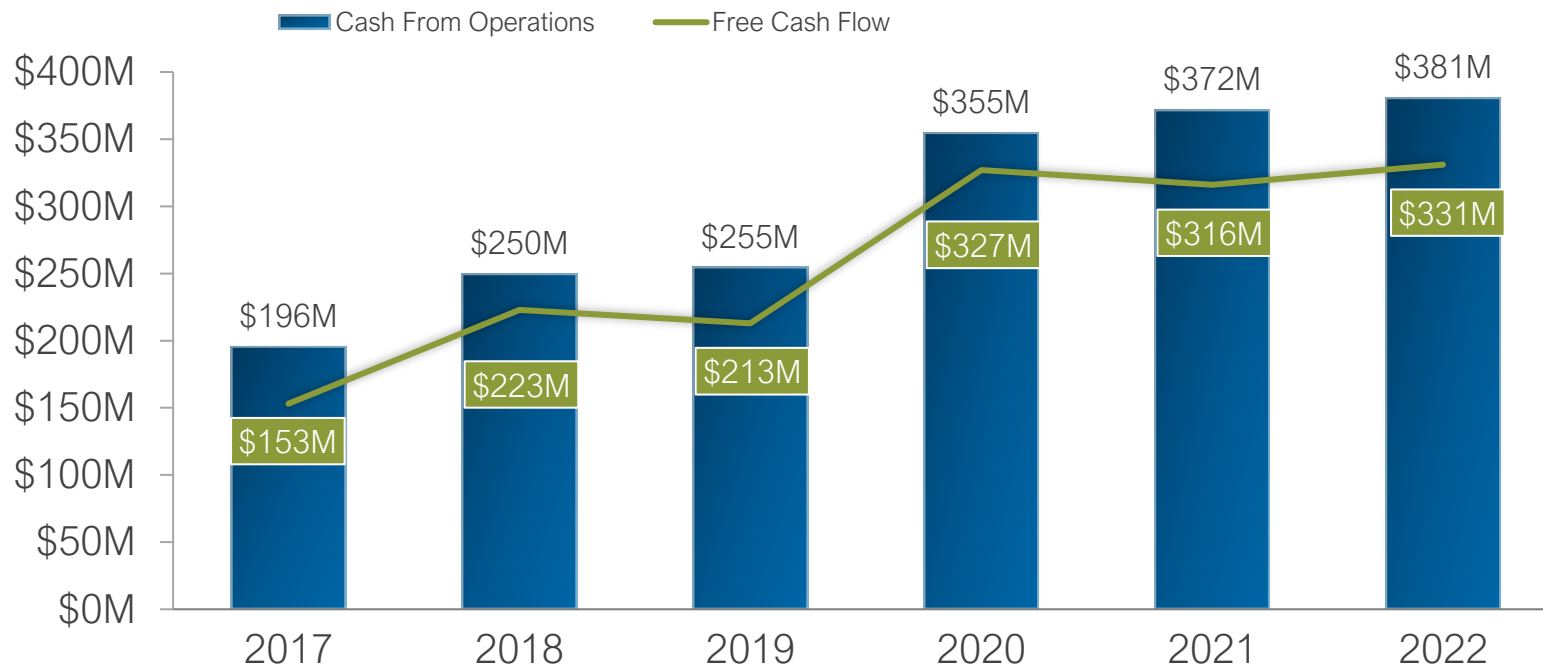
Tyler-Wide Cloud-First Strategy

New Software Contract SaaS Mix Trending Higher and Accelerating

- 2019 shift to cloud-first approach from cloud-agnostic
 - ✓ Executed strategic AWS partnership and collaborative agreement to support and scale next-generation cloud services and applications
 - ✓ Initiated significant development efforts to optimize products for efficient cloud deployment
- Enterprise ERP SaaS-only sales effective Jan. 2022
 - Additional core solutions followed and offered as cloud-only for new client engagements
- Cloud adoption rates vary across product suites, with overall high acceleration in SaaS mix
- On-premises maintenance conversions (flips) steadily increasing

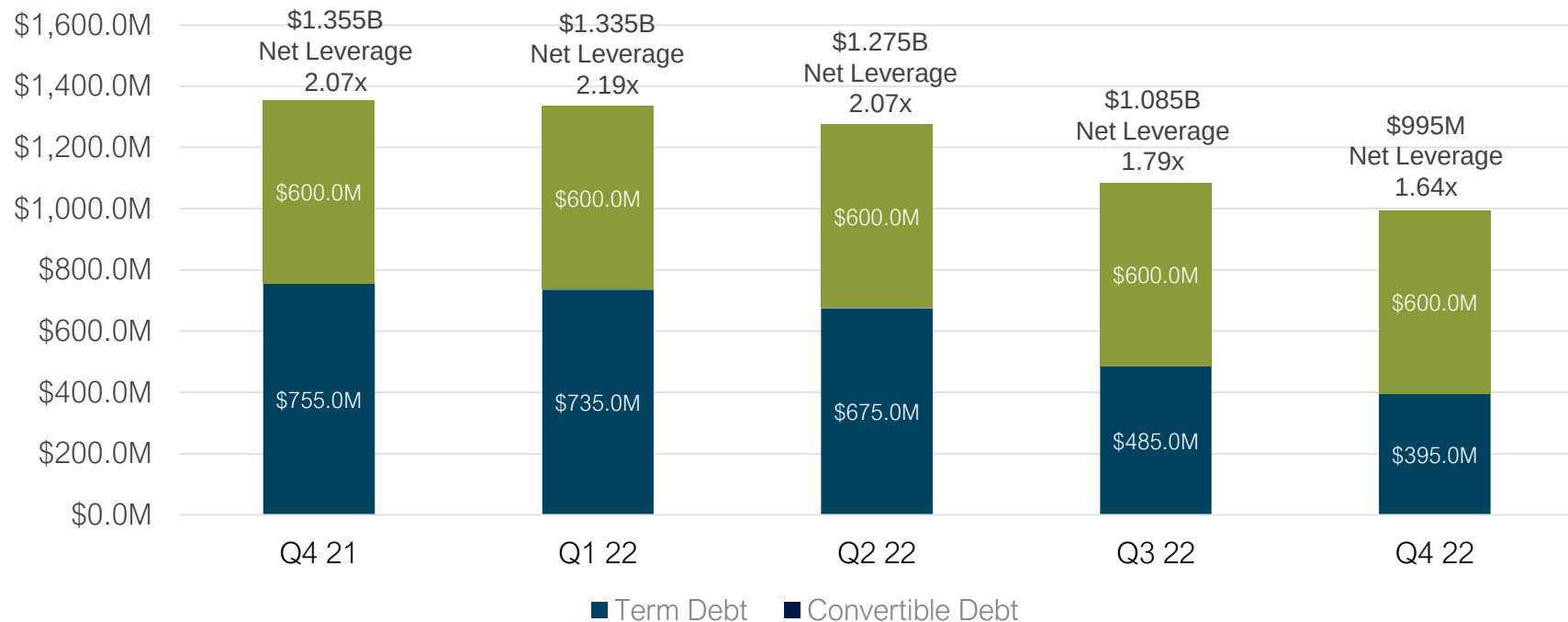


Strong Cash Flow Generation



Strengthened Balance Sheet through Aggressive Deleveraging

1.64x proforma EBITDA at 12/31/22



- Repaid \$90M in Q4
- Repaid \$360M YTD
- Repaid \$755M since NIC acquisition in April 2021

2023 Guidance

2023 Guidance – Pivotal Year

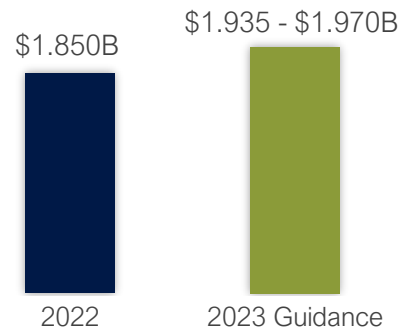
Accelerated SaaS Shift and Continued Cloud Optimization Strategy

Drivers

Guidance midpoint implies organic* growth of approx. 8%

- Revenue range expectations:
 - Subscriptions growth in the mid-teens
 - Professional services decline in the high single digits
 - Excluding COVID revenues, professional services growth in the high single digits
 - License and royalties decline 30% or more
 - Maintenance decline in the low single digits
 - Appraisal Services growth in the high single digits
 - Hardware and other relatively flat
- Revenue impact of \$10.5M related to shift from gross to net model for two state enterprise payments contracts
- Estimated impact on non-GAAP operating margin from SaaS transition “bubble costs” of 130 bps
- Operating margins expected to trough in 2023 with a return to consistent expansion beginning in 2024
- Cash flow will be impacted by higher cash tax payments due to Section 174

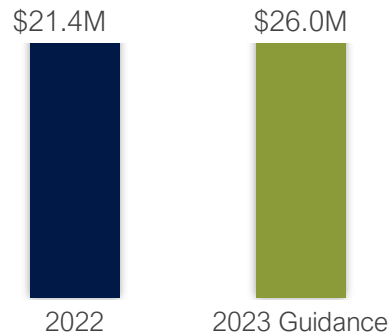
Revenues - Non-GAAP¹



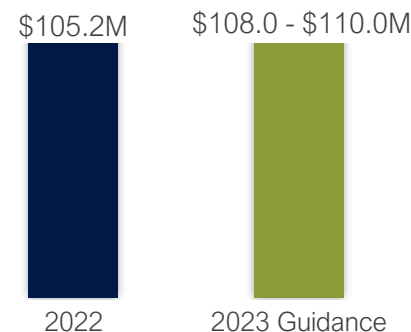
Diluted EPS - Non-GAAP¹



Interest Expense



R&D Expense



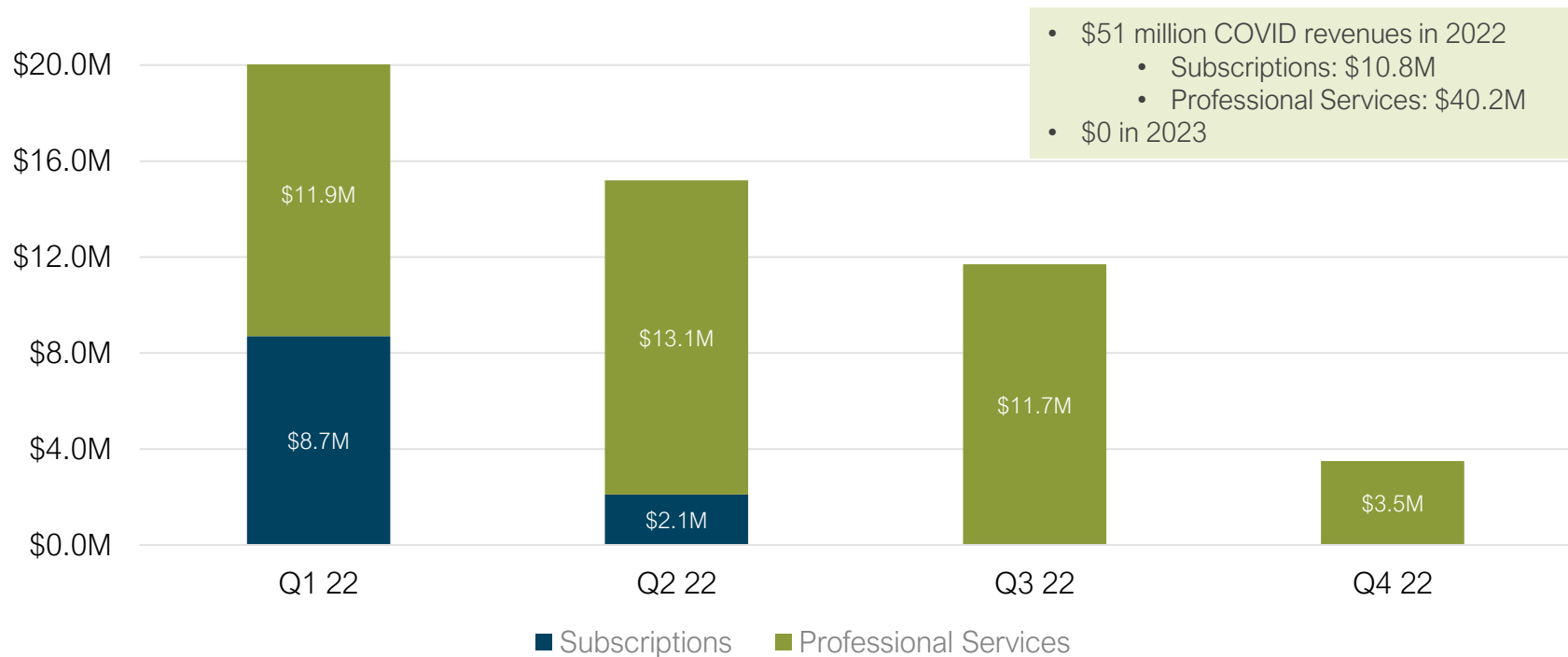
¹ See reconciliation of GAAP to Non-GAAP measures included in this presentation and in our earnings release.

*Excluding COVID-related revenues

Most recent 2023 guidance provided on 2/15/23

2023 Guidance

Impact of Non-Recurring COVID-Related Revenue – ended in 2022



Most recent 2023 guidance provided on 2/15/23.

Appendix

Non-GAAP Measures

The following table reconciles the GAAP to Non-GAAP Financial measures used in this presentation

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
<u>Reconciliation of non-GAAP revenues</u>				
GAAP total revenues	\$ 452,220	\$ 433,537	\$ 1,850,204	\$ 1,592,287
Non-GAAP adjustments:				
Write-down and adjustments to acquisition-related deferred revenue	-	639	-	2,678
Non-GAAP total revenues	<u>\$ 452,220</u>	<u>\$ 434,176</u>	<u>\$ 1,850,204</u>	<u>\$ 1,594,965</u>
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
<u>Reconciliation of non-GAAP Operating income and margin</u>				
GAAP operating profit	\$ 40,709	\$ 48,052	\$ 214,247	\$ 180,735
Non-GAAP adjustments:				
Write-down and adjustments to acquisition-related deferred revenue	-	639	-	2,678
Share-based compensation	24,994	24,366	102,985	104,726
Employer portion of payroll tax related to employee stock transactions	378	1,876	1,571	3,437
Acquisition-related costs	757	777	1,971	23,495
Lease restructuring costs and other asset write-offs	1,623	-	2,782	-
Amortization of acquired software	11,310	12,918	52,192	45,601
Amortization of customer and trade name intangibles	18,104	13,834	61,363	44,849
Non-GAAP adjustments subtotal	<u>57,166</u>	<u>54,410</u>	<u>222,864</u>	<u>224,786</u>
Non-GAAP operating income	<u>\$ 97,875</u>	<u>\$ 102,462</u>	<u>\$ 437,111</u>	<u>\$ 405,521</u>
GAAP operating margin	<u>9.0%</u>	<u>11.1%</u>	<u>11.6%</u>	<u>11.4%</u>
Non-GAAP operating margin	<u>21.6%</u>	<u>23.6%</u>	<u>23.6%</u>	<u>25.4%</u>

Non-GAAP Measures

The following table reconciles the GAAP to Non-GAAP Financial measures used in this presentation

Reconciliation of non-GAAP net income and earnings per share

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
GAAP net income	\$ 31,077	\$ 54,782	\$ 164,240	\$ 161,458
Non-GAAP adjustments:				
Add: Total non-GAAP adjustments to operating income	57,166	54,410	222,864	224,786
Add: Acquisition-related costs in interest expense	-	-	-	6,407
Less: Tax impact related to non-GAAP adjustments	(17,884)	(34,887)	(68,999)	(96,119)
Non-GAAP net income	<u>\$ 70,359</u>	<u>\$ 74,305</u>	<u>\$ 318,105</u>	<u>\$ 296,532</u>
GAAP earnings per share	<u>\$ 0.73</u>	<u>\$ 1.29</u>	<u>\$ 3.87</u>	<u>\$ 3.82</u>
Non-GAAP earnings per share	<u>\$ 1.66</u>	<u>\$ 1.75</u>	<u>\$ 7.50</u>	<u>\$ 7.02</u>

Reconciliation of free cash flow

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 121,857	\$ 115,010	\$ 381,455	\$ 371,753
Less: additions to property and equipment	(5,088)	(13,149)	(22,529)	(33,919)
Less: investments in software	(2,065)	(6,727)	(27,622)	(21,693)
Free cash flow	<u>\$ 114,704</u>	<u>\$ 95,134</u>	<u>\$ 331,304</u>	<u>\$ 316,141</u>

GAAP to Non-GAAP Guidance Reconciliation

GAAP to Non-GAAP guidance reconciliation

Non-GAAP diluted earnings per share excludes the estimated full year impact of share-based compensation expense and employer portion of payroll tax related to employee stock transactions of approximately \$99 million, and amortization of acquired software and intangible assets of approximately \$91 million. Additionally, the non-GAAP tax rate of 22.0% is estimated periodically as described on slide 2 under "Non-GAAP Financial Measures" and excludes approximately \$1 million of estimated discrete tax benefits that are included in the GAAP estimated annual effective tax rate.

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