



Q3 2023 Earnings Review

November 2, 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 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 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 and security vulnerabilities; (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 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.

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

AT A GLANCE

The Leader in Software Solutions to the Public Sector

1

MARKET
POSITION

83%

RECURRING
REVENUES 2023 YTD

114%

FREE CASH FLOW TO
NON-GAAP NET INCOME
– AVG. LAST 5 YEARS

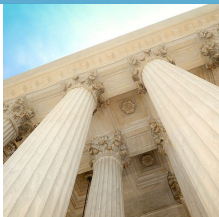
98%

GROSS CLIENT
RETENTION

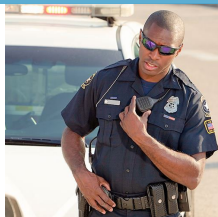
REVENUE BREAKDOWN *



ERP /
FINANCIAL
33%



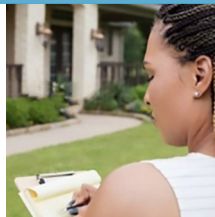
COURTS &
JUSTICE
14%



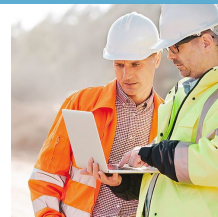
PUBLIC
SAFETY
6%



PLATFORM
TECHNOLOGIES
33%



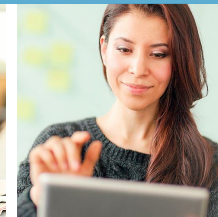
APPRAISAL &
TAX
6%



CIVIC
SERVICES
2%



K-12
SCHOOLS
4%



OTHER
2%

*FY 2022

Q3 2023 Summary

Strong Execution on Key Operational Initiatives

Q3 2023 HIGHLIGHTS



Earnings and cash flow **surpass expectations** with double-digit ARR growth of 11%

Stable public sector demand with strong leading sales activity indicators in RFP pipeline and demo trends

Total revenues of \$494.7 million, up 4.5%, with **organic growth** of 6.0%

- ✓ **11th consecutive quarter of SaaS revenue growth of 20% or more**

- ✓ License revenues declined 47.9% as expected with the shift to SaaS

Operating margins slightly lower but exceeded plan, **remain on track for margin expansion in 2024**

Completed Computer Systems Innovations acquisition, bringing **AI-driven automation and enhanced document processing technology**

Reduced term debt by \$135 million, **lowering net leverage to 1.24x TTM proforma EBITDA**

Note: Organic growth excludes COVID-related revenues of \$11.7 million in 3Q 2022, all of which ended in 2022.

Strong Recurring Revenue Growth

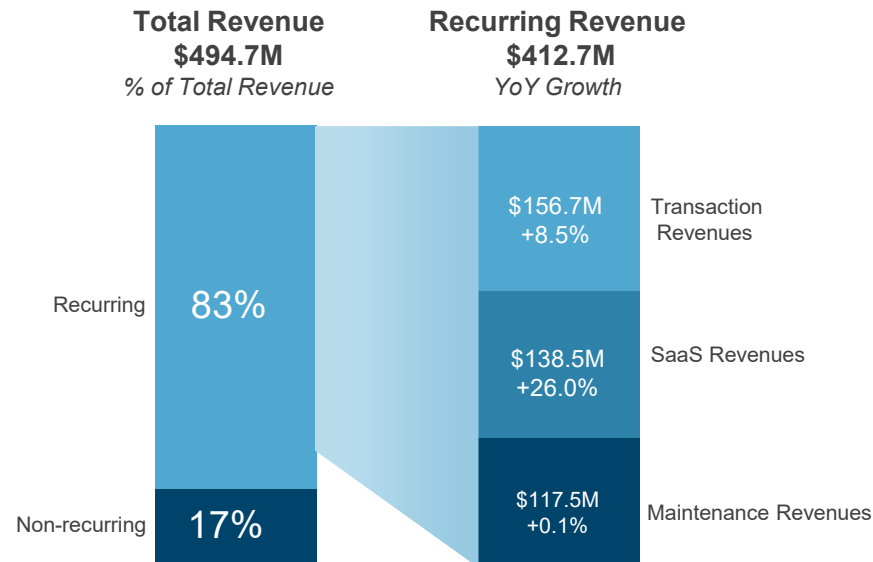
Recurring revenues up 11.0% with organic growth of 9.8%

Subscriptions rose 16.1% with organic growth of 14.7%

- SaaS revenues grew 26.0% on an organic basis, exceeding near-term growth expectations
- Transaction revenues up 8.5% with organic growth of 6.0%
- Maintenance revenue flat

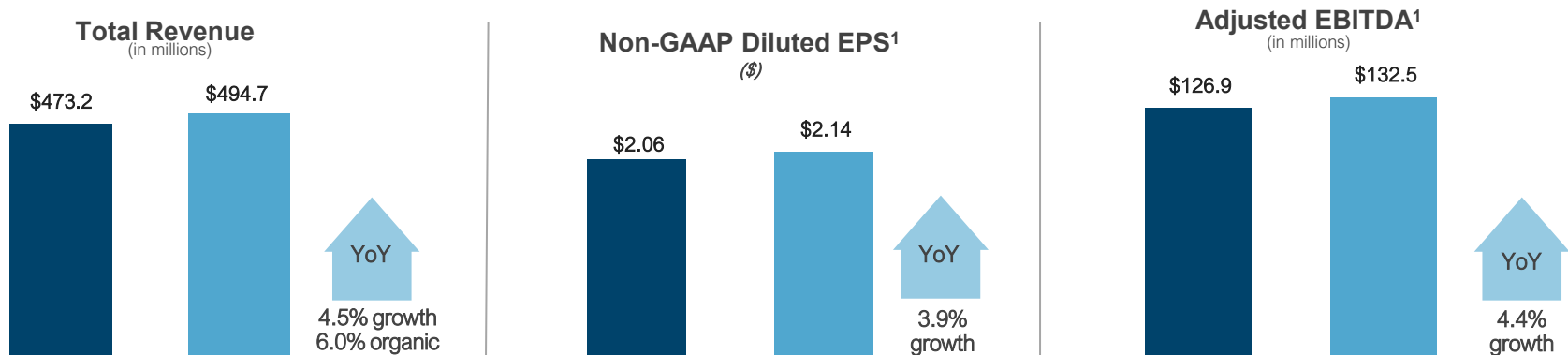
SaaS arrangements represented 80% of new software contract value, compared to 91% in Q3 2022

ARR of \$1.65B increased 11.0%



Note: Organic growth excludes COVID-related revenues of \$11.7 million in 3Q 2022, all of which ended in 2022.

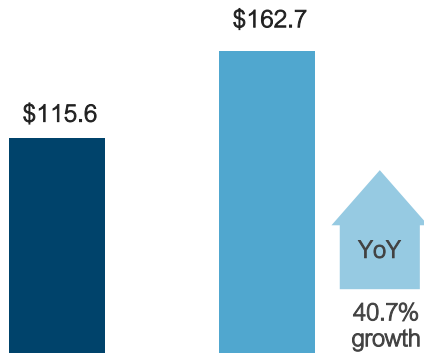
Q3 2023 Strong Performance Across Key Metrics



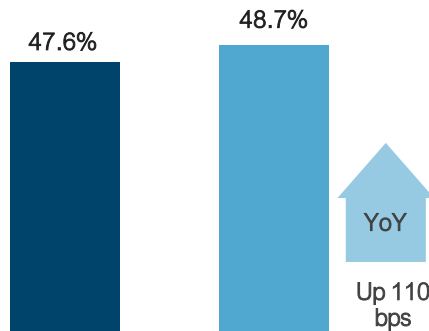
¹ See the reconciliation of GAAP to Non-GAAP measures included in this presentation and in our earnings release.

Q3 2023 Strong Performance Across Key Metrics

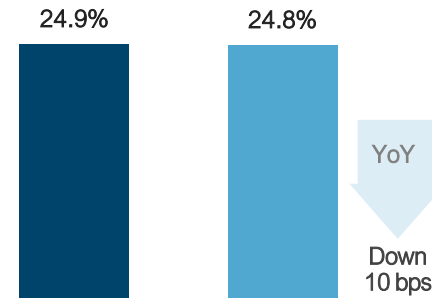
Free Cash Flow¹
(in millions)



Non-GAAP Gross Margin¹



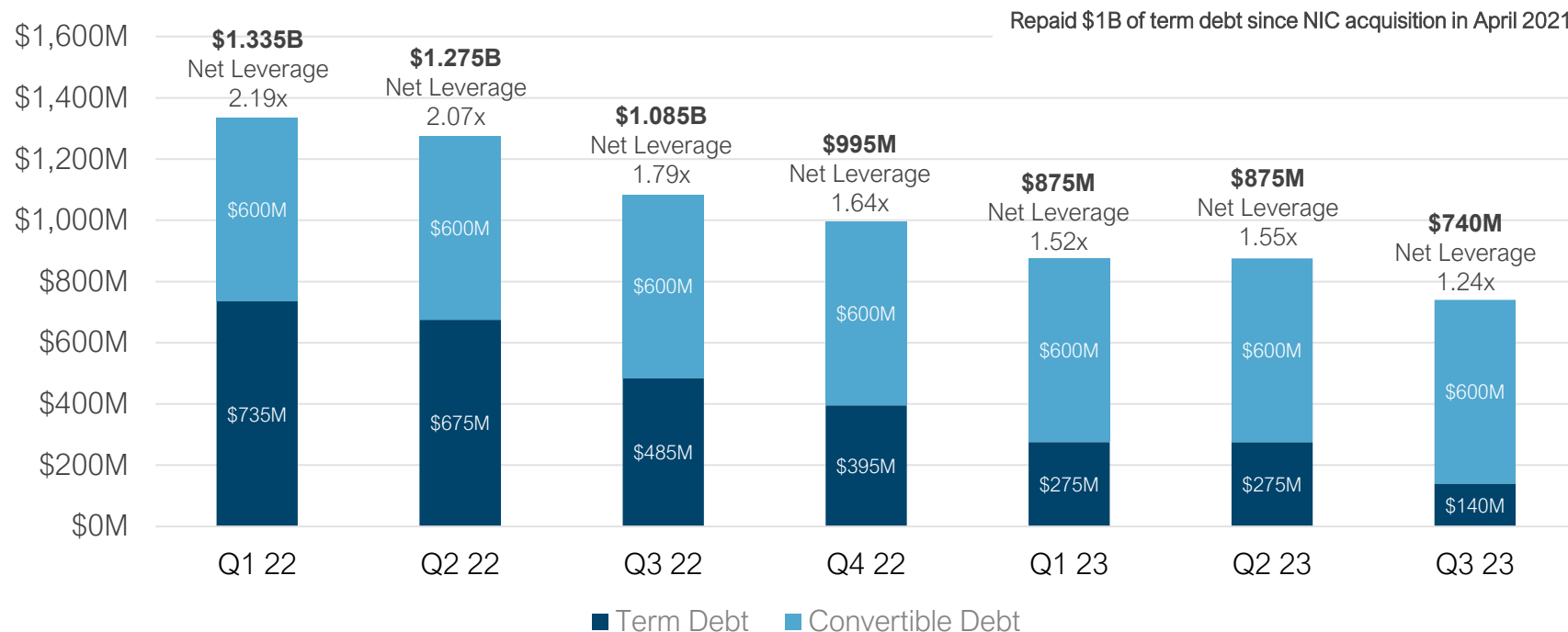
Non-GAAP Operating Margin¹



Free Cash Flow impacted by approximately \$22 million of incremental cash tax payments related to the current status of IRC Section 174 capitalization rules.

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

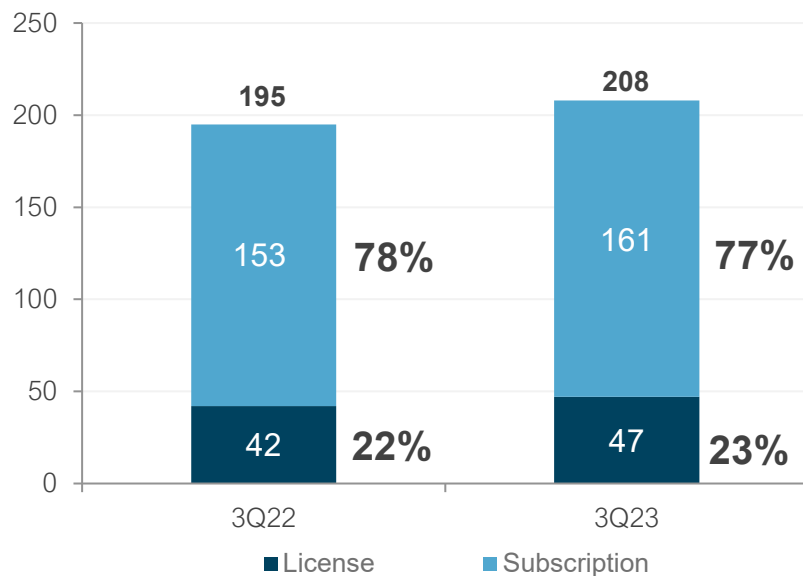
Strengthening Balance Sheet through Aggressive Deleverage



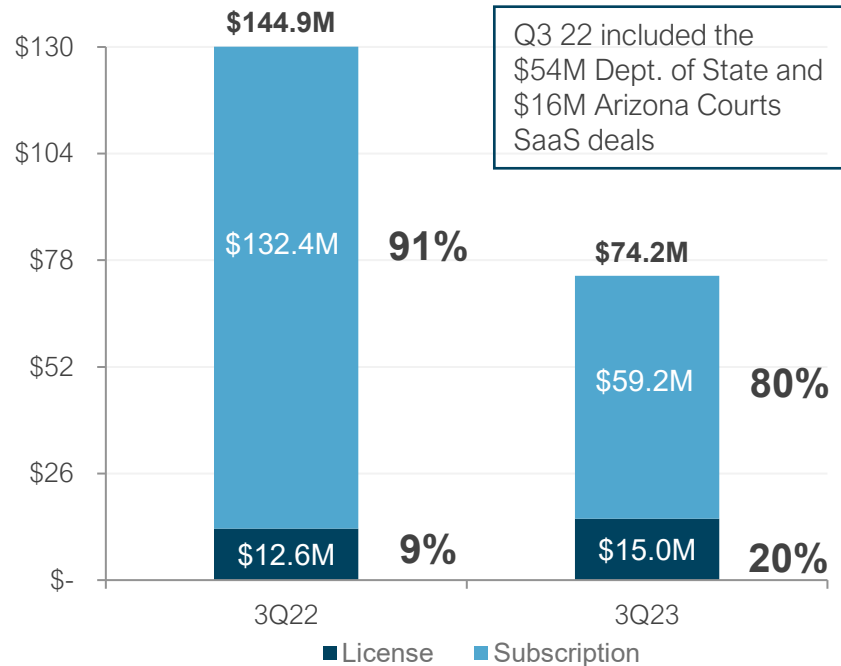
Q3 2023 New Software Business Mix

CONTINUED SAAS ADOPTION

of New Software Deals



New Software Contract Value





Q3 2023 Contract Highlights

NOTABLE WINS

- U.S. National Guard Bureau for turnkey suite of Workforce Case Management applications – License sale for Tyler's Application Platform hosted in our FedRamp-certified private cloud
- Naperville, Illinois, Police Department added Enterprise Public Safety, Enterprise Public Safety Analytics, and Enforcement Mobile integrated solutions – 4th largest city in Illinois
- Collaborative Cross-sell highlights:
 - Under our state enterprise agreement, Utah Department of Corrections added Enterprise Corrections electronic messaging – Digital Solutions and Enterprise Justice
 - Added deals for our Application Platform under our state agreements in Louisiana and Indiana
- Multi-solution wins:
 - Sangamon County, Illinois – Enterprise Assessment & Tax, Enterprise Permitting & Licensing
 - Port Angeles, Washington – Enterprise ERP, Enterprise Permitting & Licensing, Cybersecurity, and Payments
- Competitive SaaS win with Minnesota State Parks for our Recreation Dynamics solution
- Harris County, Texas (Houston), 3rd largest county in the U.S. added juror payments through Tyler Disbursements
- New Jersey signed a one-year extension of our Enterprise Payments Processing agreement
- 79 on-premises migrations to SaaS, including Denver Public Schools (Student Transportation); Collin County, TX (Enterprise ERP); and Muskegon County, MI (Records Management)

2023 Guidance

2023 Guidance

ACCELERATED SAAS SHIFT AND CONTINUED CLOUD TRANSITION PROGRESS

DRIVERS

Guidance midpoint implies organic growth of approx. 7.5%

Revenue range expectations:

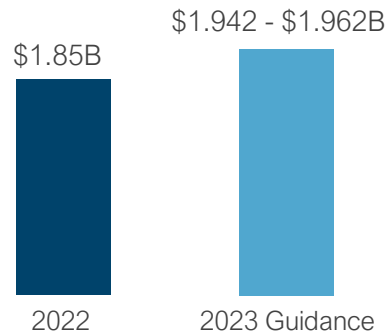
- Subscriptions growth in the mid-teens
- Professional services decline in the mid single digits
 - Excluding COVID revenues, professional services growth in the low-to-mid-single digits
- Licenses and royalties decline over 30%
- Maintenance flat to decline low-single digits
- Hardware and other growth in the low-teens

Revenue impact of \$10.5M related to contract changes including the shift from gross to net model for two state enterprise payments contracts

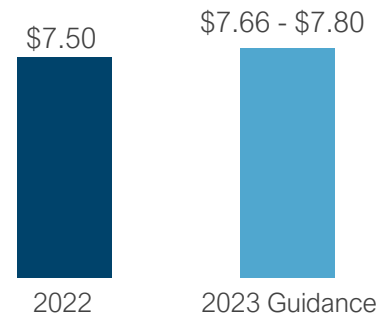
Estimated impact on non-GAAP operating margin from cloud transition 'bubble costs' of 130 bps

Cash flow impacted by \$128M of incremental cash tax payments due to current status of IRC Section 174 capitalization rules

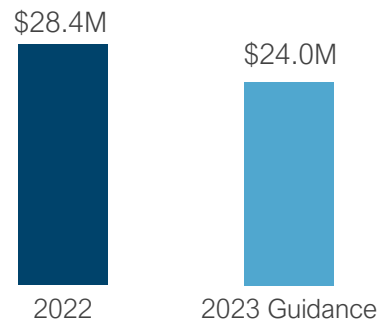
Revenues



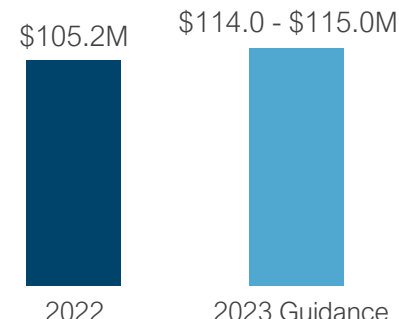
Diluted EPS - Non-GAAP¹



Interest Expense



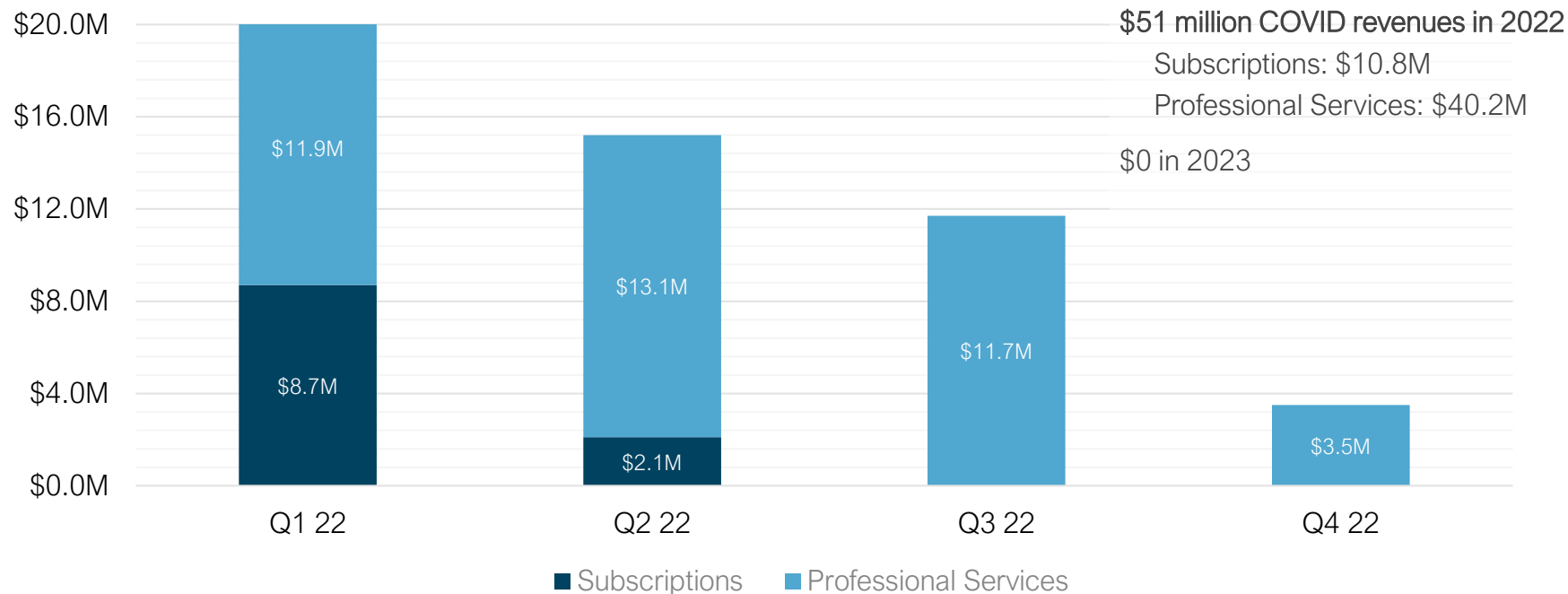
R&D Expense



¹ See reconciliation of GAAP to Non-GAAP measures included in this presentation and in our earnings release.
Note: Organic growth excludes COVID-related revenues in 2022

2023 Guidance

IMPACT OF COVID-RELATED REVENUES – ENDED IN 2022



Note: COVID-related revenues in 2022 are excluded from organic growth calculations

Appendix

Non-GAAP Measures

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

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 \$110 million, amortization of acquired software and intangible assets of approximately \$109 million, acquisition-related costs, lease restructuring and other costs of approximately \$6 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 \$9 million of estimated discrete tax benefits that are included in the GAAP estimated annual effective tax rate.

Non-GAAP Measures

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

	Three months ended September 30,		Nine months ended September 30,	
Reconciliation of non-GAAP gross profit and margin	2023	2022	2023	2022
GAAP gross profit	\$ 225,160	\$ 204,663	\$ 648,174	\$ 590,530
Non-GAAP adjustments:				
Add: Share-based compensation expense included in cost of revenues	6,847	7,181	19,626	20,820
Add: Amortization of acquired software	9,035	13,622	26,879	40,882
Non-GAAP gross profit	<u>\$ 241,042</u>	<u>\$ 225,466</u>	<u>\$ 694,679</u>	<u>\$ 652,232</u>
GAAP gross margin	<u>45.5 %</u>	<u>43.3 %</u>	<u>44.1 %</u>	<u>42.2 %</u>
Non-GAAP gross margin	<u>48.7 %</u>	<u>47.6 %</u>	<u>47.2 %</u>	<u>46.7 %</u>

	Three months ended September		Nine months ended September 30,	
Reconciliation of non-GAAP operating income and margin	2023	2022	2023	2022
GAAP operating income	\$ 63,935	\$ 60,913	\$ 170,789	\$ 173,538
Non-GAAP adjustments:				
Add: Share-based compensation expense	26,981	26,912	80,905	77,991
Add: Employer portion of payroll tax related to employee stock transactions	43	86	1,191	1,196
Add: Acquisition-related costs	183	183	255	1,214
Add: Lease restructuring costs and other	3,812	1,159	5,357	1,159
Add: Amortization of acquired software	9,035	13,622	26,879	40,882
Add: Amortization of other intangibles	18,526	14,941	55,300	43,259
Non-GAAP adjustments subtotal	<u>58,580</u>	<u>56,903</u>	<u>169,887</u>	<u>165,701</u>
Non-GAAP operating income	<u>\$ 122,515</u>	<u>\$ 117,816</u>	<u>\$ 340,676</u>	<u>\$ 339,239</u>
GAAP operating margin	<u>12.9 %</u>	<u>12.9 %</u>	<u>11.6 %</u>	<u>12.4 %</u>
Non-GAAP operating margin	<u>24.8 %</u>	<u>24.9 %</u>	<u>23.2 %</u>	<u>24.3 %</u>

	Three months ended September		Nine months ended September 30,	
Reconciliation of non-GAAP net income and earnings per share	2023	2022	2023	2022
GAAP net income	\$ 47,011	\$ 53,233	\$ 127,016	\$ 133,163
Non-GAAP adjustments:				
Add: Total non-GAAP adjustments to operating income	58,580	56,903	169,887	165,701
Less: Tax impact related to non-GAAP adjustments	(13,946)	(22,737)	(44,594)	(51,115)
Non-GAAP net income	<u>\$ 91,645</u>	<u>\$ 87,399</u>	<u>\$ 252,309</u>	<u>\$ 247,749</u>
GAAP earnings per diluted share	<u>\$ 1.10</u>	<u>\$ 1.26</u>	<u>\$ 2.97</u>	<u>\$ 3.14</u>
Non-GAAP earnings per diluted share	<u>\$ 2.14</u>	<u>\$ 2.06</u>	<u>\$ 5.90</u>	<u>\$ 5.84</u>

Non-GAAP Measures

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Detail of share-based compensation expense				
Subscriptions, maintenance, and professional services	\$ 6,847	\$ 7,181	\$ 19,626	\$ 20,820
Sales and marketing expense	2,628	2,206	7,388	6,571
General and administrative expense	17,506	17,525	53,891	50,600
Total share-based compensation expense	<u>\$ 26,981</u>	<u>\$ 26,912</u>	<u>\$ 80,905</u>	<u>\$ 77,991</u>

	Three months ended September		Nine months ended September 30,	
	2023	2022	2023	2022
Reconciliation of EBITDA and adjusted EBITDA				
GAAP net income	\$ 47,011	\$ 53,233	\$ 127,016	\$ 133,163
Amortization of other intangibles	18,526	14,941	55,300	43,259
Depreciation and amortization included in cost of revenues, sales and marketing expense, general and administrative expense, and research and development expense	17,420	22,646	55,199	67,262
Interest expense	6,640	9,257	19,879	20,276
Income tax provision (benefit)	11,903	(1,447)	26,570	20,811
EBITDA	\$ 101,500	\$ 98,630	\$ 283,964	\$ 284,771
Share-based compensation expense	26,981	26,912	80,905	77,991
Acquisition-related costs	183	183	255	1,214
Lease restructuring costs and other asset write-offs	3,812	1,159	5,357	1,159
Adjusted EBITDA	<u>\$ 132,476</u>	<u>\$ 126,884</u>	<u>\$ 370,481</u>	<u>\$ 365,135</u>

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Reconciliation of free cash flow				
Net cash provided by operating activities	\$ 177,496	\$ 129,378	\$ 233,021	\$ 259,598
Less: additions to property and equipment	(6,136)	(4,684)	(12,506)	(17,441)
Less: capitalized software development	(8,694)	(9,094)	(27,447)	(25,557)
Free cash flow	<u>\$ 162,666</u>	<u>\$ 115,600</u>	<u>\$ 193,068</u>	<u>\$ 216,600</u>

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tyler
technologies