

2024 First Quarter Earnings Review

Tyler Technologies | April 25, 2024

© Tyler Technologies 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 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.

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

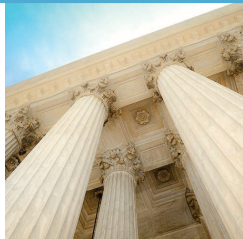
98%

GROSS CLIENT
RETENTION

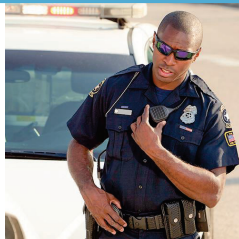
REVENUE BREAKDOWN *



ERP /
FINANCIAL
31%



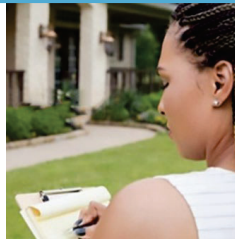
COURTS &
JUSTICE
14%



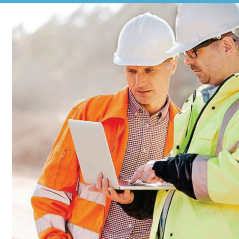
PUBLIC
SAFETY
6%



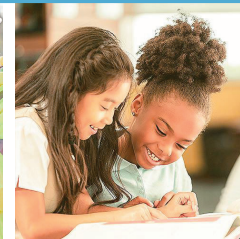
PLATFORM
TECHNOLOGIES
31%



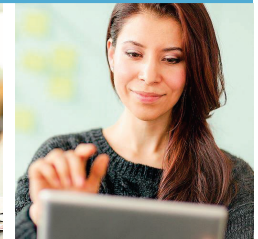
APPRAISAL &
TAX
6%



CIVIC
SERVICES
3%



K-12
SCHOOLS
7%



OTHER
2%

*2023

© Tyler Technologies 2024



Tyler 2030 | Pillars for Growth



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

Q1 2024 Summary

© Tyler Technologies 2024



First Quarter Results Exceed Expectations

OUTPERFORMANCE ACROSS KEY METRICS



Revenues

Total Revenues \$512M, up 8.6%
(organic growth of 7.8%)
SaaS Revenues \$148.8M, up 22%
ARR \$1.72B, up 8.8%



Non-GAAP Earnings¹

\$2.20 EPS, up 25%



Non-GAAP Operating Margin¹

23.8%, up 210 bps

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

First Quarter Results Exceed Expectations

KEY HIGHLIGHTS



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



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



Strength in our **transactions** business



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



Strong **sales synergies and operational performance**



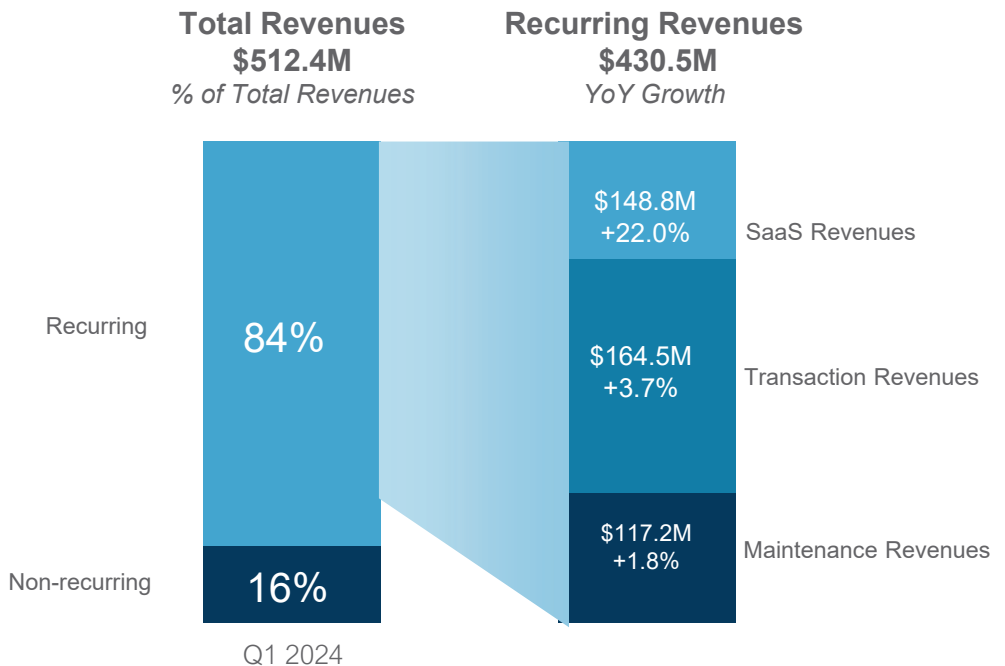
Repaid final \$50 million of term debt – net leverage is 0.79x proforma EBITDA

Strong Recurring Revenue Growth

Recurring revenues up 8.8%, with organic growth of 8.2%

Subscriptions rose 11.7%, with organic growth of 11.4%

- SaaS revenues grew 22.0% (21.3% organic), marking 13th consecutive quarter of SaaS growth of 20%+
- Transaction revenues up 3.7%, impacted by change from gross to net model last year for payments under a state enterprise agreement, but outperformed plan



Q1 2024 Strong Performance Across Key Metrics

Total Revenues \$512.4M +8.6% +7.8% organic	Recurring Revenues \$430.5M +8.8% +8.2% organic	Diluted EPS¹ GAAP \$1.26 +72.6% Non-GAAP \$2.20 +25%	Adjusted EBITDA¹ \$134.6M +19.6%
Cash from Operations* \$71.8M (3.8)%	Free Cash Flow*¹ \$57.2M (10.1)% FCF Margin 11.2% (230) bps	Gross Margin¹ GAAP 43.7% +130 bps Non-GAAP 46.9% +130 bps	Operating Margin¹ GAAP 13.1% +360 bps Non-GAAP 23.8% +210 bps

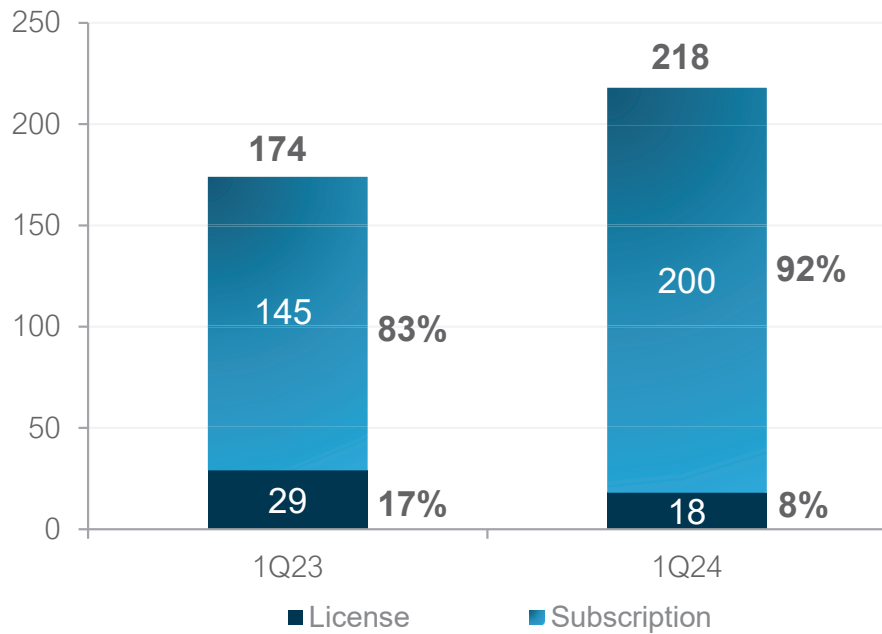
*No impact to cash flow related to IRC Section 174 capitalization rules.

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

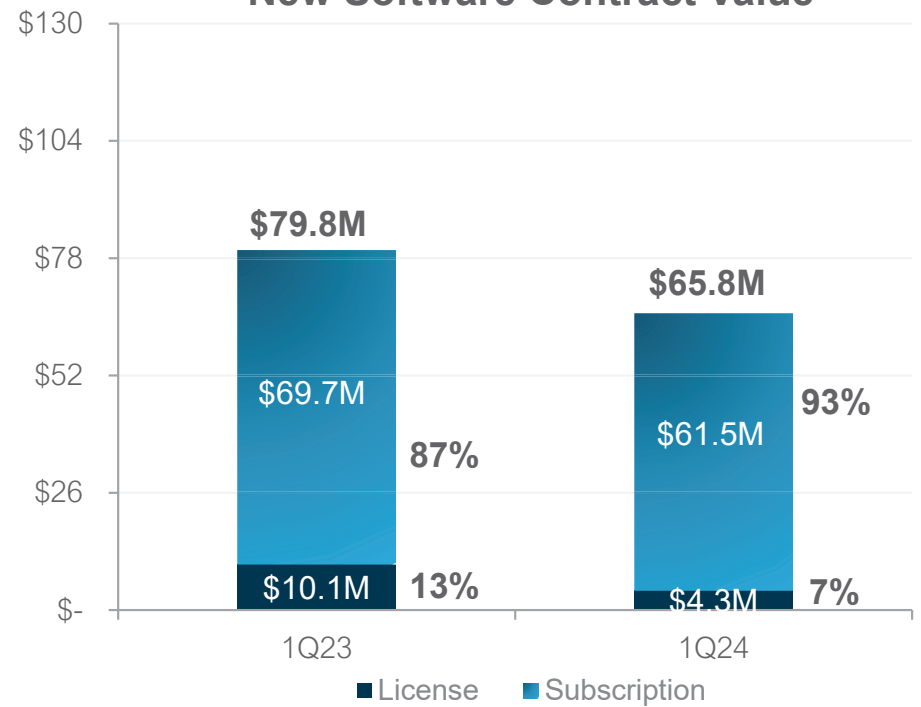
© Tyler Technologies 2024

Q1 2024 New Software Business Mix

of New Software Deals



New Software Contract Value



Notable Wins

Growing cross-sell synergies

- **Ada County, ID**
 - Records Management + ERP Pro, including payments
 - Leveraged our state enterprise agreement
- **City of Juneau, AK**
 - Combined Enterprise Assessment & Tax + Enterprise Permitting & Licensing
 - SaaS contract
- **City of Columbus, GA**
 - Enterprise Public Safety suite + Enterprise ERP
 - Existing Tyler multi-product client
 - On-premises contract

New SaaS deals

- **Palm Beach, FL, and Evanston, IL**
 - Enterprise Public Safety Suite
 - Competitive SaaS wins
- **Albemarle County, VA, and Bucks County Water & Sewer, PA**
 - Enterprise Public SaaS wins
- **Hawaii Department of Natural Resources, and Land Between the Lakes National Recreation Area**
 - Outdoor Recreation wins with multiyear SaaS contracts

SaaS flips

- **Fulton County, GA (Atlanta)**
 - \$1.3M ARR
 - Enterprise Appraisal & Tax SaaS flip
 - Contract executed on an accelerated timeline, with go-live completed within one month
- **Birmingham, AL, and Germantown, TN, Police Departments**
 - Client-driven Public Safety SaaS flips
 - Accelerated go-lives
- **Kansas Judicial Branch Appellate Court**
 - Enterprise Justice SaaS flip
- **Columbia County, GA, and Harnett County, NC**
 - Enterprise ERP SaaS flips

Notable Wins

Early traction with AI-powered acquisitions

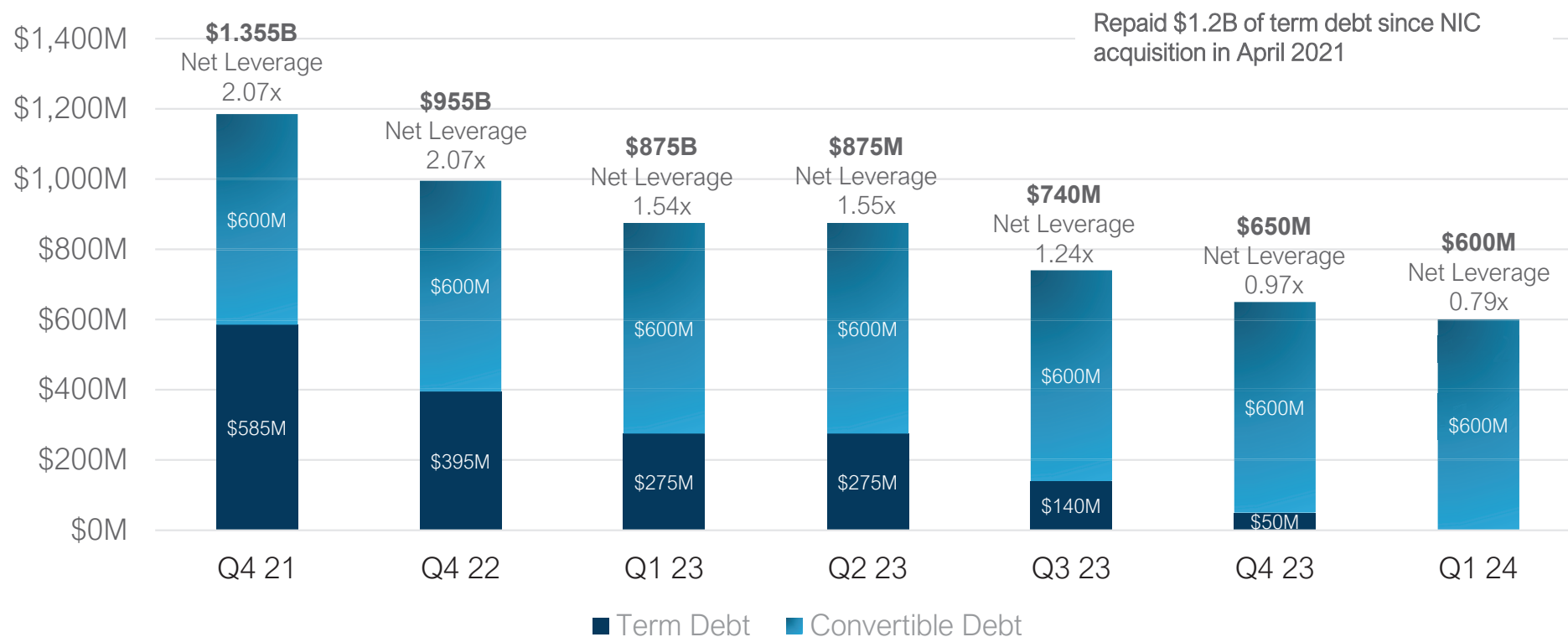
- **CSI**
 - Dallas County, TX - existing Enterprise Justice client
 - Largest CSI product win since acquisition
 - Adding >\$900K of ARR
- **Augmented Field Operations, formerly ARInspect**
 - City of Newark Manhole Inspections
 - New Jersey Department of Environmental Protection contract expansion
 - Demo activity increased 2x over pre-acquisition levels
- **Priority-Based Budgeting, formerly ResourceX**
 - Collier County, FL, and Fort Worth, TX
 - \$600K of combined ARR

State enterprise agreement activity

- **State of Mississippi**
 - New 3-year contract
 - Extends 14-year relationship
- **State of Idaho**
 - 2-year renewal
 - Rebid through the NASPO Citizen Engagement Agreement

Remaining Term Debt Retired With Strong Cash Flow

Under One Times Proforma EBTIDA at 3/31/24



2024 Annual Guidance

© Tyler Technologies 2024



2024 Annual Guidance

ACCELERATING SAAS SHIFT AND CLOUD TRANSITION PROGRESS

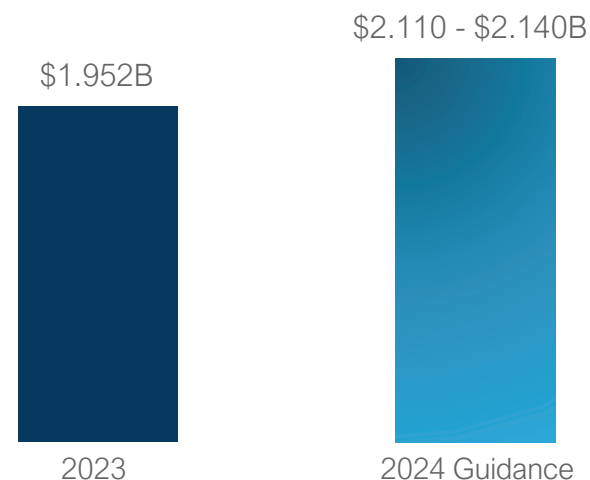
REVENUE DRIVERS

Guidance midpoint implies organic growth of approx. 8.5% (approx. 9% excluding merchant fees)

Revenue range percentage growth expectations:

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

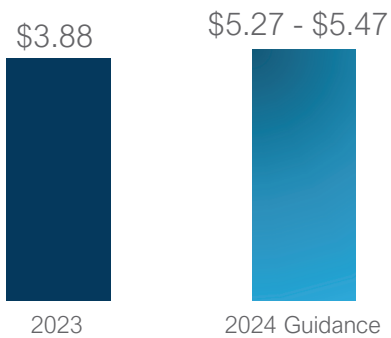
Total Revenues



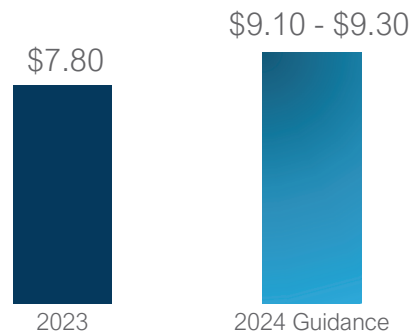
Most recent 2024 guidance provided on 4/24/24

2024 Annual Guidance

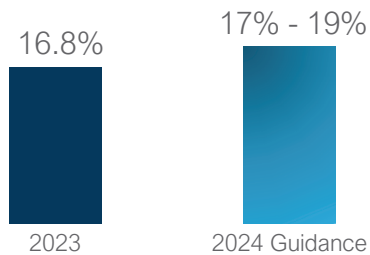
Diluted EPS - GAAP⁽¹⁾



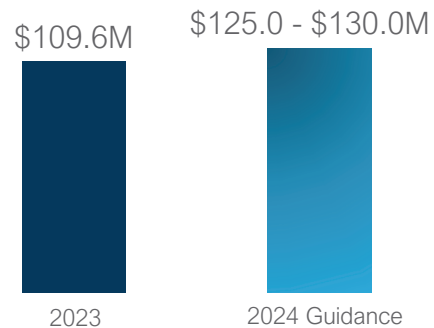
Diluted EPS - Non-GAAP



Free Cash Flow Margin



R&D Expense



GAAP to non-GAAP guidance reconciliation	2024
GAAP diluted earnings per share ⁽¹⁾	\$5.27 - \$5.47
Plus:	
Share-based compensation expense	2.83
Amortization of acquired software and other intangibles	2.28
Acquisition-related costs	—
Lease restructuring costs and other	(0.01)
Less:	
Income tax impact ⁽¹⁾	(1.27)
Non-GAAP diluted earnings per share	\$9.10 - \$9.30
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⁾	20%
Non-GAAP estimated annual effective tax rate used in computing Non-GAAP diluted earnings per share	22%

⁽¹⁾ 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 4/24/24

2024 Annual Guidance

Quarterly Cadence Drivers

Revenue Guidance: \$2.110 - \$2.140B

- Slightly weighted toward second half 2024: ~49% 1H vs ~51% 2H
 - SaaS revenues grow sequentially throughout the year
 - Transaction revenues grow sequentially in Q1 and Q2, with smaller sequential growth from Q2 to Q3, and decline in Q4 due to normal seasonal patterns
 - Year-over-year, transaction revenues expected to grow in the low single-digits in 1H due to the gross to net change in a state enterprise payments agreement
 - Expect 2H growth in the low to mid-teens

Diluted Non-GAAP EPS Guidance: \$9.10 - \$9.30¹

- Weighted more heavily in second half 2024: ~47% - 48% in 1H vs ~52% - 53% in 2H
- Sequential growth in Q2 and Q3, relatively even in Q3 and Q4

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

Most recent 2024 guidance provided on 4/24/24

Appendix

Non-GAAP Measures

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

	Three months ended March 31,	
Reconciliation of non-GAAP gross profit and margin	2024	2023
GAAP gross profit	\$ 223,666	\$ 199,837
Non-GAAP adjustments:		
Add: Share-based compensation expense included in cost of revenues	7,390	6,342
Add: Amortization of acquired software	9,239	8,920
Non-GAAP gross profit	\$ 240,295	\$ 215,099
GAAP gross margin	43.7 %	42.4 %
Non-GAAP gross margin	46.9 %	45.6 %

	Three months ended March 31,	
Reconciliation of non-GAAP operating income and margin	2024	2023
GAAP operating income	\$ 66,978	\$ 44,980
Non-GAAP adjustments:		
Add: Share-based compensation expense	26,866	27,896
Add: Employer portion of payroll tax related to employee stock transactions	805	479
Add: Acquisition-related costs	27	22
Add: Lease restructuring costs and other	(326)	1,545
Add: Amortization of acquired software	9,239	8,920
Add: Amortization of other intangibles	18,118	18,407
Non-GAAP adjustments subtotal	54,729	57,269
Non-GAAP operating income	\$ 121,707	\$ 102,249
GAAP operating margin	13.1 %	9.5 %
Non-GAAP operating margin	23.8 %	21.7 %

	Three months ended March 31,	
Reconciliation of non-GAAP net income and earnings per share	2024	2023
GAAP net income	\$ 54,170	\$ 30,875
Non-GAAP adjustments:		
Add: Total non-GAAP adjustments to operating income	54,729	57,269
Less: Income tax impact	(14,232)	(13,411)
Non-GAAP net income	\$ 94,667	\$ 74,733
GAAP earnings per diluted share	\$ 1.26	\$ 0.73
Non-GAAP earnings per diluted share	\$ 2.20	\$ 1.76

Non-GAAP Measures

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

Detail of share-based compensation expense	Three months ended March 31,	
	2024	2023
Subscriptions, maintenance, and professional services	\$ 7,390	\$ 6,342
Sales and marketing expense	2,983	2,393
General and administrative expense	16,493	19,161
Total share-based compensation expense	<u>\$ 26,866</u>	<u>\$ 27,896</u>

Reconciliation of EBITDA and adjusted EBITDA	Three months ended March 31,	
	2024	2023
GAAP net income	\$ 54,170	\$ 30,875
Amortization of other intangibles	18,118	18,407
Depreciation and amortization included in cost of revenues, sales and marketing expense, general and administrative expense, and research and development expense	21,101	18,420
Interest expense	2,184	7,673
Income tax provision	12,469	7,667
EBITDA	<u>\$ 108,042</u>	<u>\$ 83,042</u>
Share-based compensation expense	26,866	27,896
Acquisition-related costs	27	22
Lease restructuring costs and other asset write-offs	(326)	1,545
Adjusted EBITDA	<u>\$ 134,609</u>	<u>\$ 112,505</u>

Reconciliation of free cash flow	Three months ended March 31,	
	2024	2023
Net cash provided by operating activities	\$ 71,839	\$ 74,709
Less: additions to property and equipment	(7,282)	(2,020)
Less: investment in software development	(7,386)	(9,079)
Free cash flow	<u>\$ 57,171</u>	<u>\$ 63,610</u>
Free cash flow margin	<u>11.2 %</u>	<u>13.5 %</u>

Empowering people who serve the public[®]



tyler
technologies

© Tyler Technologies 2024

tylertech.com

