2024 Third Quarter Earnings Review

Tyler Technologies | October 24, 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 subscriptions and maintenance.

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

TYLER AT A GLANCE

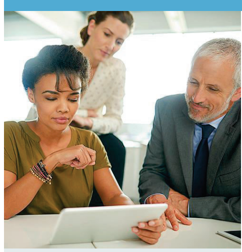
1
MARKET POSITION

84%
RECURRING REVENUES YTD 2024

22.5%
FREE CASH FLOW MARGIN YTD 2024

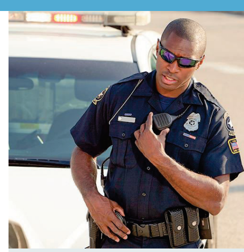
98%
GROSS CLIENT RETENTION

2023 REVENUE BREAKDOWN



ERP / FINANCIAL **31%**

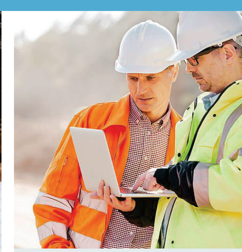
COURTS & JUSTICE **14%**



PUBLIC SAFETY **6%**

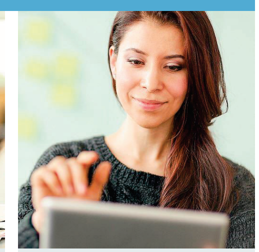
PLATFORM TECHNOLOGIES **31%**

APPRAISAL & TAX **6%**



CIVIC SERVICES **3%**

K-12 SCHOOLS **7%**



OTHER **2%**

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

Q3 2024 Summary

Third Quarter Results Exceed Expectations

OUTPERFORMANCE ACROSS KEY METRICS

Revenues

Total Revenues $543.3M, up 9.8%
(organic growth of 9.4%)
SaaS Revenues $166.6M, up 20.3%
ARR $1.85B, up 12.1%

Non-GAAP Earnings[1]

$2.52 EPS, up 18%

Non-GAAP Operating Margin[1]

25.4%, up 60 bps

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

tyler technologies

Third Quarter Results Exceed Expectations

KEY HIGHLIGHTS

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

Executing go-to-market strategy, driving higher cross-sell and upsell activity

Strength in our **SaaS** and **transactions** business

Strong balance sheet – increased borrowing capacity to $700 million with new revolving credit facility; favorable working capital with **free cash flow up 55.5%,** a new quarterly high

Accelerated SaaS adoption, with **cloud flips increasing** and average flip ARR value up 37%; **TCV of flips up three-fold**

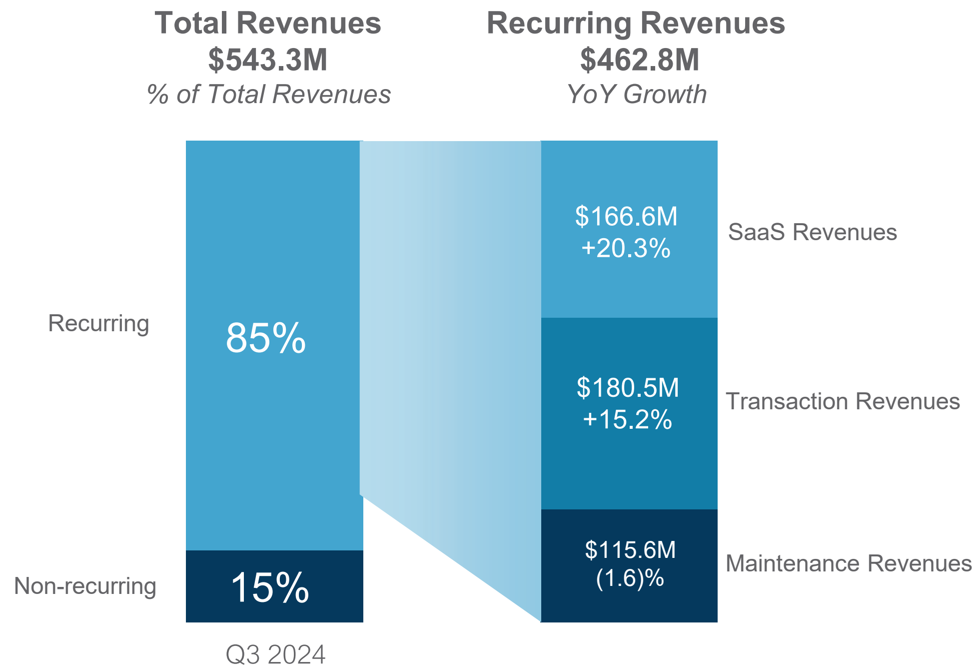
Strong **sales synergies and operational performance**

Strong Recurring Revenue Growth

Recurring revenues **up 12.1% (11.8% organic)**

Subscriptions **rose 17.6% (17.3% organic)**

- SaaS revenues **grew 20.3% (19.7% organic),** marking 15th consecutive quarter of SaaS growth of 20%+
- Transaction revenues outperformed plan with**15.2% growth,** driven by higher volumes and new payment services
- Maintenance revenues **declined 1.6% reflecting the ongoing shift from on-premises license to SaaS**



Q3 2024 Strong Performance Across Key Metrics

Total Revenues	Recurring Revenues	Diluted EPS[1]		Adjusted EBITDA[1]
$543.3M +9.8% +9.4% organic	$462.8M +12.1% +11.8% organic	GAAP Non-GAAP	$1.74 +58.2% $2.52 +17.8%	$152.4M +15.0%

Cash from Operations*	Free Cash Flow*[1]		Gross Margin[1]		Operating Margin[1]	
$263.7M +48.6%	$252.9M +55.5%		GAAP	43.7% -180 bps	GAAP	15.2% +230 bps
	FCF Margin	46.5%	Non-GAAP	46.9% -180 bps	Non-GAAP	25.4% +60 bps

**Cash flow was impacted by incremental cash taxes of approximately $6 million related to IRC Section 174 capitalization rules.*

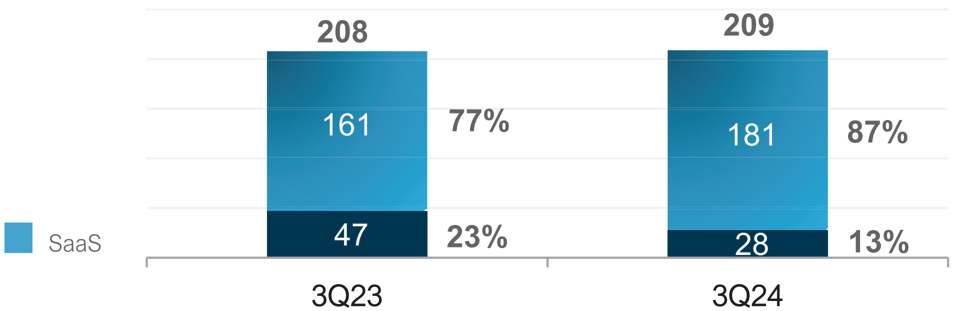
[1] See the reconciliation of GAAP to Non-GAAP measures included in this presentation and in our earnings release.

tyler technologies

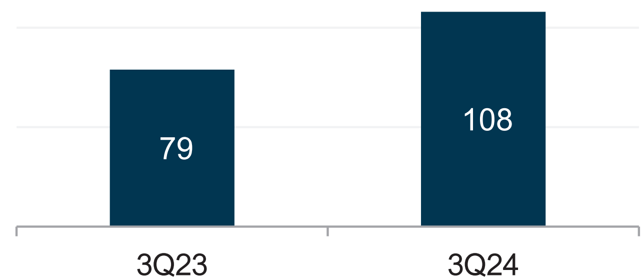
Q3 2024 New Software Business Mix

ACCELERATING SAAS ADOPTION WITH HIGHER CONTRACT VALUE

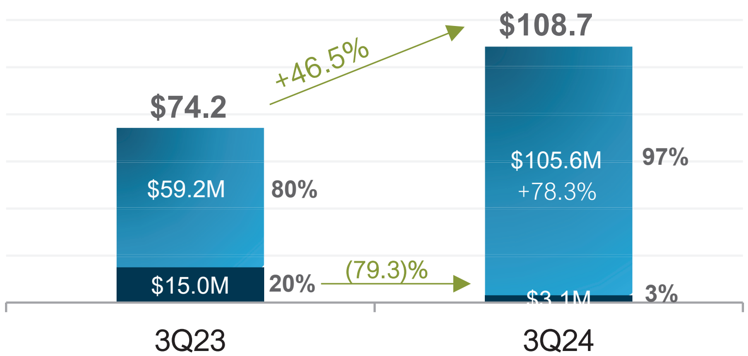
of New Software Deals



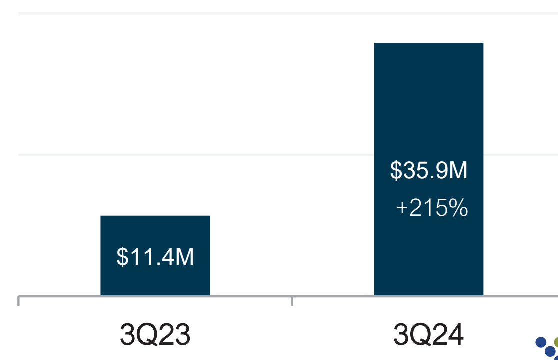
of New Flips



New Software Contract Value



New Flip Contract Value

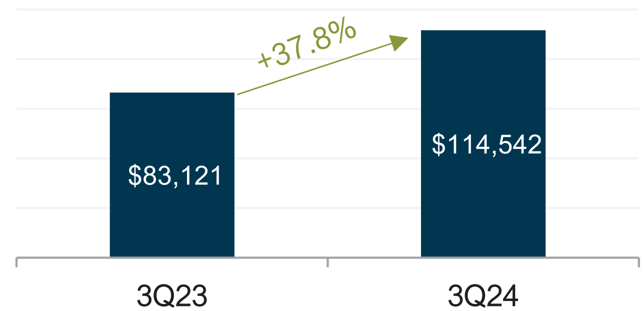


Q3 2024 New ARR

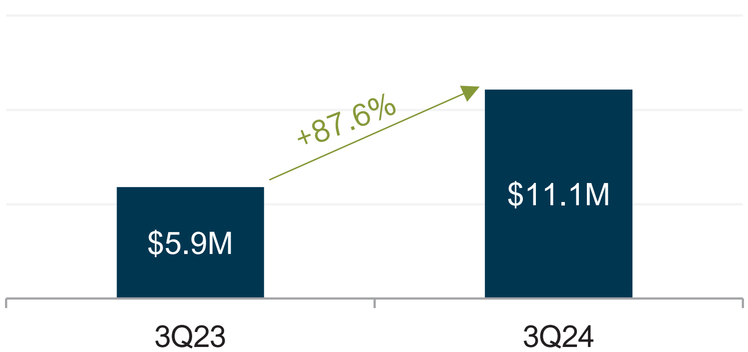
ACCELERATING SAAS ADOPTION WITH HIGHER AVERAGE ARR

New SaaS Total ARR

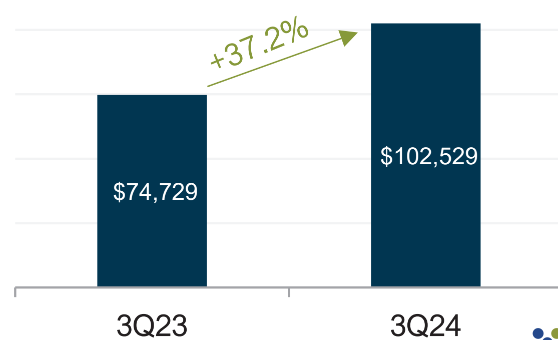
New SaaS Avg ARR



New Flips Total ARR



New Flips Avg ARR



tyler technologies

Notable Wins

ACCELERATING SAAS FLIPS WITH HIGHER AVERAGE ARR

New SaaS deals

- City of St. Petersburg, FL
  - Integrated solution suite: Enterprise ERP Utility Billing, Enterprise Permitting & Licensing, including payments
  - Tier 1 competitive win, 5th largest city in FL
  - 5-year term with $12M TCV
- Six Enterprise Public Safety Competitive Wins
  - Cities of Frisco, Round Rock, and Cibolo, TX
  - St. Louis County, MN
  - Midland, MI
  - Northeast Regional Corrections, MN
- Wyoming Dept. of Transportation
  - Enforcement Mobile e-Crash and e-Citation with Mobile Analytics
  - Leveraged existing state highway patrol relationship
  - Competitive win, $325K of ARR

New SaaS deals

- Kentucky Administrative Office of the Court, KY
  - Enterprise Justice suite, including Court Analytics, e-Filing, and payments
  - Initial six-year term with $35M TCV *($10.6M recorded in bookings and backlog).*
  - Strong references from other courts clients, including North Carolina
  - First six years prepaid using ARPA funds
  - 17th statewide courts client
- Phoenix, AZ Municipal Court
  - Enterprise Justice
  - Three-year SaaS for $9.6M TCV
  - Includes Cooperative Master Purchase Agreement provision designating Tyler as preferred software provider statewide
  - Leveraged strong adult and juvenile probation relationship

Larger SaaS flips

- Cobb County, GA
  - Enterprise Assessment & Tax
  - $812K of ARR
- City of Providence, RI
  - Enterprise Public Safety
  - $622K of ARR
- Burlington County, NJ
  - Enterprise Public Safety
  - $566K ARR
- City of Auburn, WA
  - Enterprise ERP
  - $310K of ARR
- City of Pittsburg, CA
  - Enterprise ERP
  - $290K of ARR

Notable Wins

LEVERAGING UNMATCHED INSTALLED BASE THROUGH STRATEGIC CROSS-SELL

Growing cross-sell synergies

- Texas Office of Courts Administration
  - Texas Connected Justice Cloud Data
  - Integrated Enterprise Justice + Data & Insights
  - Connected Communities digital infrastructure for real-time data access across 2,200 cities
  - Multi-year SaaS, adding $1.5M in ARR
- Illinois Department of Financial and Professional Regulation
  - Application Platform suite + Augmented Field Operations
  - Modernizing 18 different state boards
  - Leveraged Illinois State Enterprise agreement
  - Three-year, $9.2M TCV with seven-year option that adds $12.5M in TCV

Growing cross-sell synergies

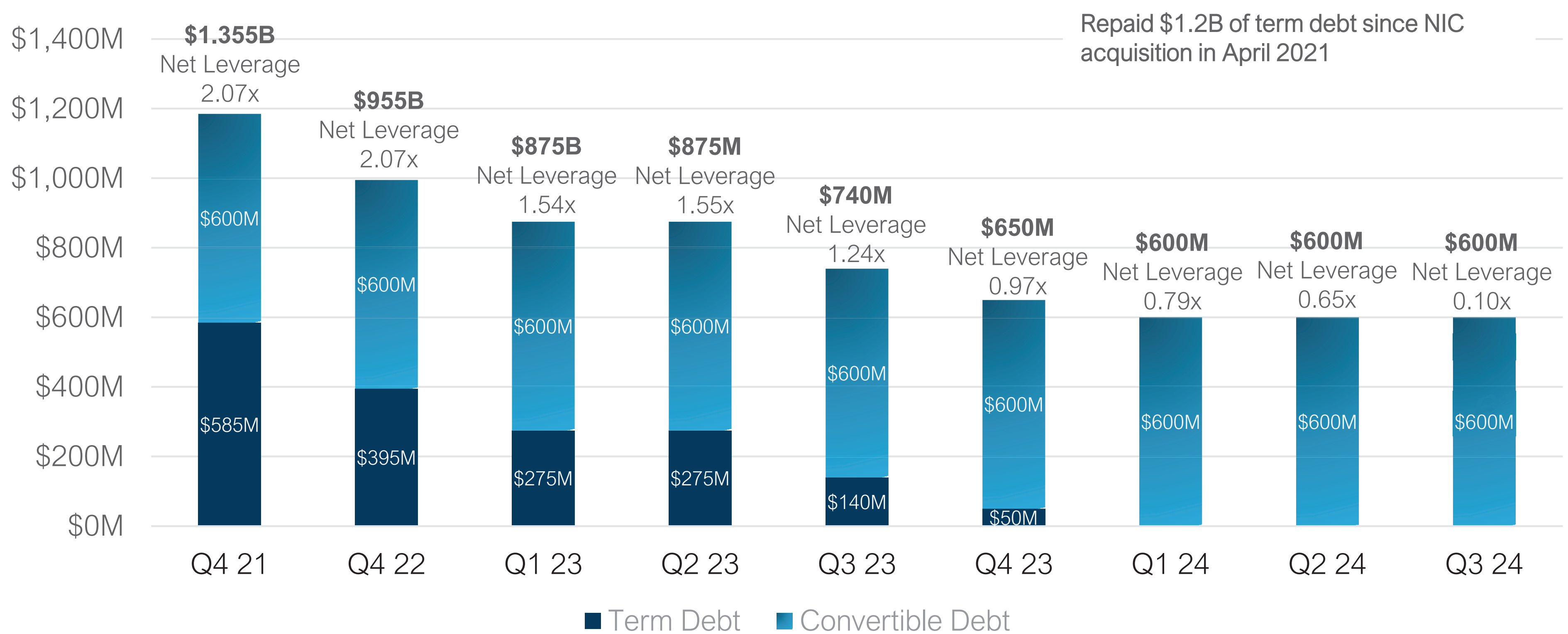
- Riverside County, CA
  - First Enterprise Payments win in CA
  - Existing Tyler Property & Recording client
  - Collaborative effort that expanded to enterprise-wide payment processing for 10+ county agencies
- City of Newton, NC
  - ERP Pro + Payments
  - Modernizing full suite of financials, including utility billing with Tyler's Smart Meter Portal in addition to Tyler Payments
  - SaaS cross-sell and upsell
- City of Fort Collins, CO
  - Municipal Justice + Enterprise Supervision + Payments
  - Strategic win in 4th largest city in CO

State Enterprise activity

- State enterprise renewals & extensions
  - Competitive Rebids:
    - New Jersey – 3-year state enterprise renewal and 1-year payments extension
    - Indiana – 4-year agreement; expanded to include Resident Engagement AI-based identify proofing, using Tyler's Chatbot front-end technology. Joint effort with AI task force and state enterprise team
  - Oklahoma – 1-year extension
  - Virginia – 1-year extension

Healthy Balance Sheet with Strong Cash Flow

Under One Times Proforma EBTIDA at 9/30/24



2024 Annual Guidance

2024 Annual Guidance

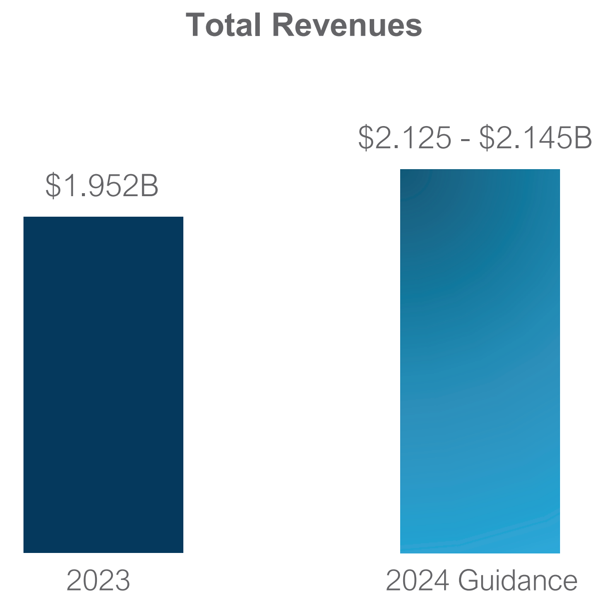
EXECUTING LONG-TERM GROWTH AND CLOUD-FIRST STRATEGY

REVENUE DRIVERS

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

Revenue range percentage growth expectations:

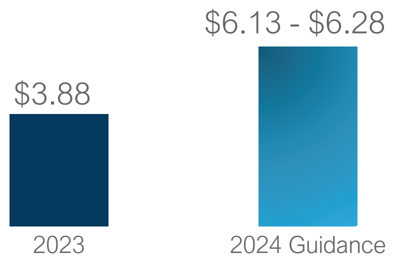
- Subscriptions growth in the mid-teens
  - SaaS growth in the low twenties
  - Transaction growth low-double digits
    - Merchant fees up mid-single digits
- Professional services growth in the mid-single digits
- Licenses and royalties down high twenties
- Maintenance down low single digits
- Hardware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



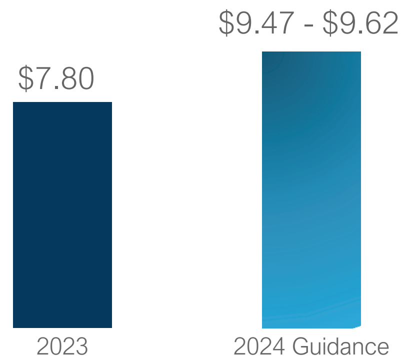
Most recent 2024 guidance provided on 10/23/24

2024 Annual Guidance

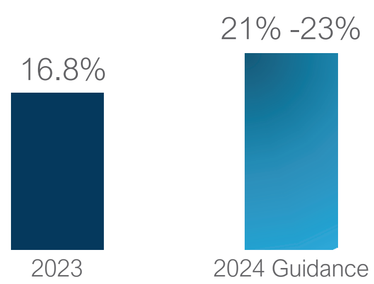
Diluted EPS - GAAP[1]



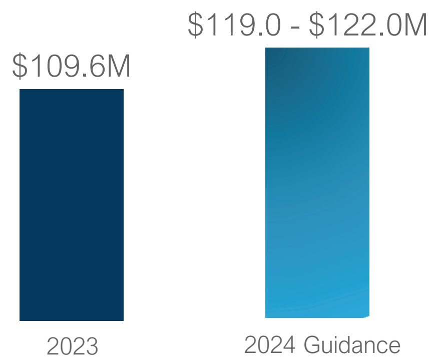
Diluted EPS - Non-GAAP



Free Cash Flow Margin



R&D Expense



GAAP to non-GAAP guidance reconciliation	**2024**
GAAP diluted earnings per share [(1)]	$6.13 - $6.28
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 [(1)]	(1.74)
Non-GAAP diluted earnings per share	$9.47 - $9.62
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)	13.5%
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 10/23/24

Appendix

Non-GAAP Measures

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

Reconciliation of non-GAAP gross profit and margin	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
GAAP gross profit	$ 237,460	$ 225,160	$ 698,942	$ 648,174
Non-GAAP adjustments:				
Add: Share-based compensation expense included in cost of revenues	7,972	6,847	22,982	19,626
Add: Amortization of acquired software	9,244	9,035	27,723	26,879
Non-GAAP gross profit	$ 254,676	$ 241,042	$ 749,647	$ 694,679
GAAP gross margin	43.7 %	45.5 %	43.8 %	44.1 %
Non-GAAP gross margin	46.9 %	48.7 %	47.0 %	47.2 %

Reconciliation of non-GAAP operating income and margin	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
GAAP operating income	$ 82,827	$ 63,935	$ 227,840	$ 170,789
Non-GAAP adjustments:				
Add: Share-based compensation expense	31,187	26,981	88,460	80,905
Add: Employer portion of payroll tax related to employee stock transactions	625	43	2,303	1,191
Add: Acquisition-related costs	—	183	29	255
Add: Lease restructuring costs and other	35	3,812	(124)	5,357
Add: Amortization of acquired software	9,244	9,035	27,723	26,879
Add: Amortization of other intangibles	13,850	18,526	45,813	55,300
Non-GAAP adjustments subtotal	54,941	58,580	164,204	169,887
Non-GAAP operating income	$ 137,768	$ 122,515	$ 392,044	$ 340,676
GAAP operating margin	15.2 %	12.9 %	14.3 %	11.6 %
Non-GAAP operating margin	25.4 %	24.8 %	24.6 %	23.2 %

Reconciliation of non-GAAP net income and earnings per share	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
GAAP net income	$ 75,897	$ 47,011	$ 197,805	$ 127,016
Non-GAAP adjustments:				
Add: Total non-GAAP adjustments to operating income	54,941	58,580	164,204	169,887
Less: Income tax impact	(20,829)	(13,946)	(53,438)	(44,594)
Non-GAAP net income	$ 110,009	$ 91,645	$ 308,571	$ 252,309
GAAP earnings per diluted share	$ 1.74	$ 1.10	$ 4.56	$ 2.97
Non-GAAP earnings per diluted share	$ 2.52	$ 2.14	$ 7.11	$ 5.90

Non-GAAP Measures

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

Detail of share-based compensation expense	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Subscriptions, maintenance, and professional services	$ 7,972	$ 6,847	$ 22,982	$ 19,626
Sales and marketing expense	3,259	2,628	9,383	7,388
General and administrative expense	19,956	17,506	56,095	53,891
Total share-based compensation expense	$ 31,187	$ 26,981	$ 88,460	$ 80,905

Reconciliation of EBITDA and adjusted EBITDA	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
GAAP net income	$ 75,897	$ 47,011	$ 197,805	$ 127,016
Amortization of other intangibles	13,850	18,526	45,813	55,300
Depreciation and amortization included in cost of revenues, sales and marketing expense, general and administrative expense, and research and development expense	20,007	17,420	60,728	55,199
Interest expense	1,235	6,640	4,672	19,879
Income tax provision	10,199	11,903	33,595	26,570
EBITDA	$ 121,188	$ 101,500	$ 342,613	$ 283,964
Share-based compensation expense	31,187	26,981	88,460	80,905
Acquisition-related costs	—	183	29	255
Lease restructuring costs and other asset write-offs	35	3,812	(124)	5,357
Adjusted EBITDA	$ 152,410	$ 132,476	$ 430,978	$ 370,481

Reconciliation of free cash flow	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net cash provided by operating activities	$ 263,716	$ 177,496	$ 399,859	$ 233,021
Less: additions to property and equipment	(2,884)	(6,136)	(16,734)	(12,506)
Less: investment in software development	(7,919)	(8,694)	(24,412)	(27,447)
Free cash flow	$ 252,913	$ 162,666	$ 358,713	$ 193,068
Free cash flow margin	46.5 %	32.9 %	22.5 %	13.1 %

Empowering people who serve the public®

tyler technologies

tylertech.com