

FINANCIAL STRENGTH

In 2016, we continued to see improving win rates and growth in market share driven by individual successes across product suites. Our focus on delivering best-of-breed solutions and services has resulted in strong financial performance, with 16 years of positive net income, and positions us well for what lies ahead.

Tyler's revenues grew 28 percent to \$756 million, with 12 percent organic growth. GAAP net income for the year was \$110 million, or \$2.82 per diluted share, up 69 percent. Non-GAAP net income rose more than 46 percent to \$136 million, or \$3.49 per diluted share. Our non-GAAP operating margin improved 260 basis points to 28 percent. Bookings were the highest in company history at \$880 million, up 32 percent over 2015, \$72 million of which was due to a four-year extension of Tyler's eFileTexas™ agreement. Total backlog

also reached a new high of \$953 million, up 13 percent from 2015. Our cloud business continued to generate interest and exhibit strength, increasing 27 percent over 2015, of which 24 percent was organic. Annual revenue from software licenses and royalties was up more than 25 percent from 2015.

Our balance sheet remains exceptionally strong, with \$70 million in cash and investments and only \$10 million of debt at the end of 2016. Cash provided by operations also reached a new high in 2016 at \$192 million, an increase of 43 percent from 2015. During the year, we paid down \$56 million of net debt, repurchased \$113 million of our common stock, and spent \$18 million on office facilities in Yarmouth and Falmouth, Maine, while investing in product development at an elevated level.

CONTINUED INVESTMENT

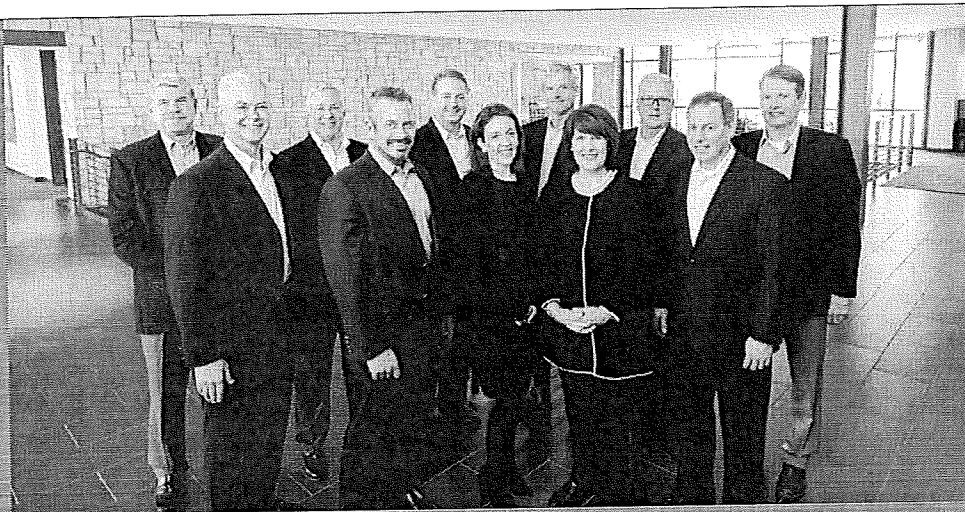
Our management team has always focused on enhancing our stock price and shareholder value through strategic acquisitions and stock repurchases. We are well positioned to continue to expand our market presence by acquiring market leaders, as we did with the acquisition of New World Systems Corporation in late

2015. We made great progress with the integration of New World in 2016, from both an operational and a product perspective, and we are continuing to invest at a high level in Tyler's New World™ public safety products to strengthen our competitive position and broaden our addressable market. In June 2016 we acquired ExecuTime

Software, which provides time and attendance solutions that complement and supplement Tyler's enterprise resource planning (ERP) solutions.

Our strong financial performance in 2016 reflects our patience-driven, long-term strategy of investment that has fueled growth and delivered value to our clients, shareholders and employees. Our long-term strategy is to continue to invest in our products at a high level while seeking strategic acquisitions that enhance our offerings and expand our reach. Ultimately, this strategy will facilitate our evolution from a company with multiple, very successful products to a more unified Tyler with integrated suites of complementary products. This will give our clients the unprecedented ability to share data across agencies and jurisdictions, leading to synergistic efficiencies, more informed decision-making, better transparency and improved service to their constituents.





EXPERIENCED LEADERSHIP

One of Tyler's greatest strengths is the depth and experience of our management team. To support Tyler's growth and evolution as a company, we made changes in roles on our senior leadership team, as well as organizational structure changes that will further our move toward more unified and integrated suites of products, and streamlined sales and operations channels. Our five independent divisions were organized into two groups that have affinity and synergy with each other — Enterprise, led by Andy Teed, and Justice, led by Bret Dixon. H. Lynn Moore Jr. was named president, effective January 1, 2017, and I became chairman of the board while continuing as chief executive officer. Lynn has served as a Tyler leader and close executive adviser for many years and, as president, will work with me to continue the management and culture that have made us successful as a company.

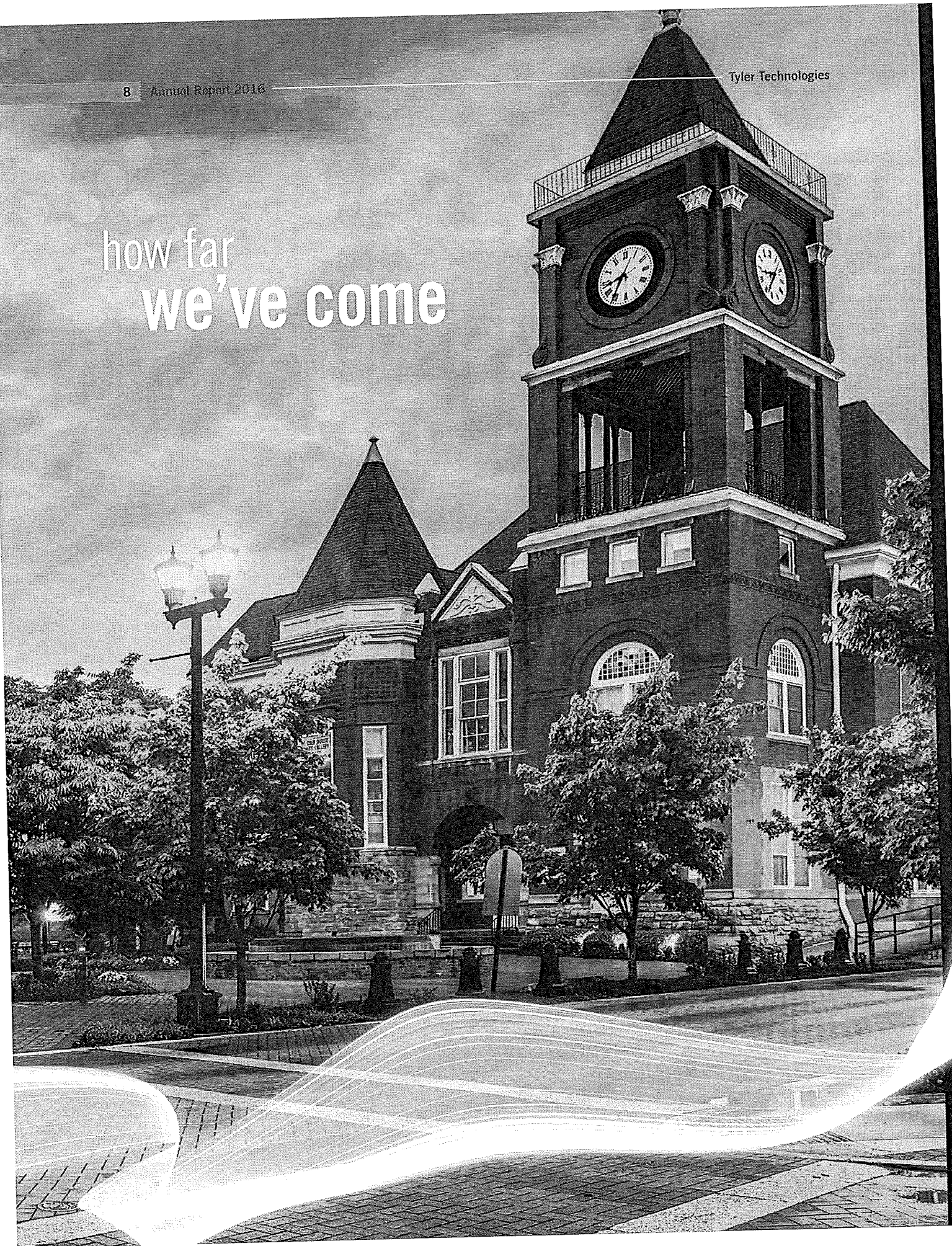
These changes enable us to continue and expand our focus on strategy and

innovative development while our strong division leadership continues to focus on efficient performance and outstanding execution of our business operations. We believe continued investment combined with experienced operational leadership will make Tyler even more competitive by allowing us to reach into new markets and strengthen our presence in existing ones. In addition, our integration strategy will help our clients benefit from connected solutions, advancing the way they use technology and helping their communities thrive. We appreciate the support of our shareholders, clients and employees as we execute our mission of empowering people who serve the public.



John S. Marr Jr.
Chairman of the Board and
Chief Executive Officer
March 17, 2017

how far
we've come



1999

At the cusp of the new millennium, Tyler had an opportunity to redefine the way government works at the local level. It focused on an ambitious goal:

"Our mission to make local government more accessible, responsive and efficient through innovative e-government systems and solutions has implications for virtually every individual and every type of business . . . The years ahead will be exciting as we deploy our combined knowledge and technological resources to bring this vision to reality."

— Tyler Technologies 1999 Annual Report

2000

Tyler's 2000 annual report described our early strategy for achieving our goal of becoming the "country's largest company focused solely on providing software and services to the local government market." We've executed on that strategy, acquiring best-of-breed companies and investing in our products to earn more business.

"Three years ago, we targeted for acquisition the premier companies in the highly fragmented local government IT market. These geographically diverse companies offered a variety of products and services, but had several characteristics in common — including strong customer relationships, a reputation for quality and service, and a history of profitable growth. By bringing together these market niche leaders, we built the country's largest company focused solely on providing software and services to the local government market."

— Tyler Technologies 2000 Annual Report



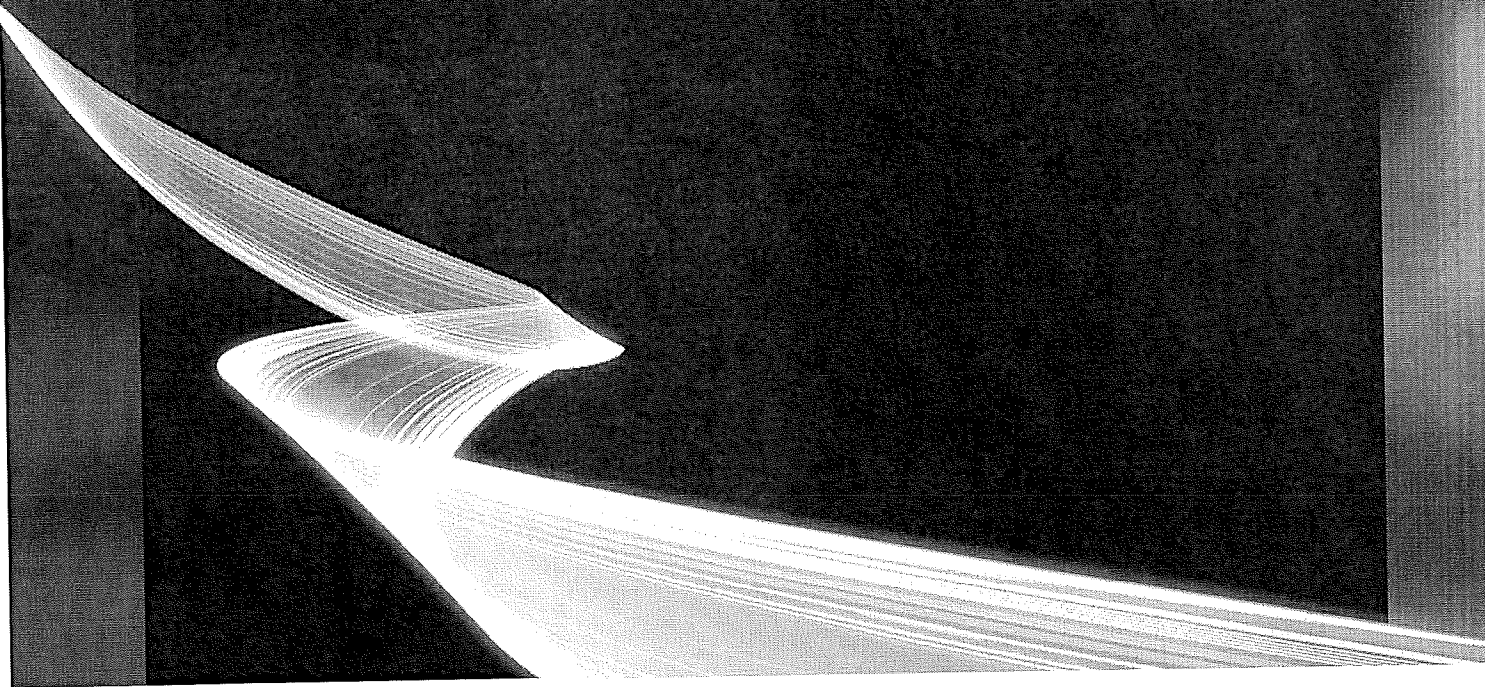
Tyler's employees and shareholders can take pride in having successfully executed the initial objectives of the Tyler strategy and look forward with optimism to the opportunities that lie ahead.



the next horizon

As successful as we have been in achieving our initial objectives, there is still work to do before we fully realize this vision of market leadership for every one of our solutions. To achieve this, we have defined a strategy for continued growth and developed a plan for connecting product suites across vertical solutions.

While we've achieved high win rates and clear leadership positions with many of our products, we cannot expect to continue to achieve our targets for double-digit growth by simply improving Tyler's competitive position. In order to meet our goals, we also need to expand our addressable market within the public sector, both geographically and by expanding our product offerings. While most of that growth will come organically through investing in Tyler's products and services, we also will continue to make strategic acquisitions to enhance and expand our product suites.



EVALUATING AND INTEGRATING ACQUISITIONS

We have historically supplemented our organic growth with targeted strategic acquisitions. In many cases, the acquisitions have brought products, services or technologies that expand and complement our existing offerings. For example, with the acquisition of New World Systems Corporation in 2015 (the largest acquisition in our company's history), we significantly increased Tyler's presence in the public safety software market, a large and growing segment that complements our strength in courts and justice solutions. Acquiring New World accelerated Tyler's ability to integrate public safety and criminal justice applications into an end-to-end solution spanning all phases of criminal justice from dispatch through disposition.

We look for companies with products that currently have market leadership positions, or that have the potential to achieve leadership as a part of Tyler. Our June 2016 acquisition of ExecuTime Software, while on a smaller scale, also fits this description. ExecuTime brought to us a robust time and attendance solution that integrates fully with our ERP and public safety solutions, giving us the opportunity to leverage our sales resources and client base to accelerate its growth. As an example, officials in Baton Rouge, Louisiana, signed an agreement to replace the city's legacy ERP system with **Oracle ERP and ExecuTime™**

paper-oriented processes with digital workflows. In addition, we have completed some acquisitions that represent market consolidation opportunities, with products or services that overlap our current offerings, but have attractive client bases and recurring revenue streams.

As we discussed at the beginning of the year, we made significant investments in the New World public safety organization and products to integrate them into the family of Tyler justice solutions and position us to expand our presence in the public safety market. Some of those planned investments involved strengthening the organizational infrastructure to support our growth objectives, including adding resources to client support, development and sales teams. We're pleased with the progress we made in 2016, while New World provided a contribution to earnings that exceeded our plan for the year.

We expect to continue to invest in our public safety products at a high level in accordance with our long-term plan to significantly improve win rates and gain market share in that space. Among those efforts include accelerating development of advanced features and functionality, as well as scaling our solutions for larger clients. We believe these investments could expand our public safety addressable market by a factor of four and lead to increased win rates.

ANALYZING OPPORTUNITIES



OVER THE COURSE OF 2016

we put considerable effort into an extensive white-space analysis of the public sector software space to further our long-term goal of being a leading provider of most, if not all, of the essential applications for local governments. We're evaluating our current product offerings and their market positions, and, in those areas where we are not currently a market leader, mapping the path to leadership. At the same time, we're analyzing spaces adjacent to our current solutions and other areas of the public sector software market that we don't currently serve, identifying connections to our existing offerings, sizing the markets and studying the competitive landscape. This analysis is an ongoing effort, and it will enable us to prioritize strategic investments in a thoughtful and objective manner, shaping both our merger and acquisition strategy and our internal development priorities.

Underlying our commitment to making these investments in acquisitions and internal product development is our confidence in the ability of our people to execute at the highest levels. We know how to build industry-leading products, how to be responsive to clients, and how to strategically address the marketplace with a successful sales approach. Our track record shows that Tyler can invest in companies and products with confidence that they will be successful in the marketplace and drive additional growth over time.

FINANCIAL OVERVIEW



Our balance sheet continues to be extremely strong, and our cash flows from operations for the year rose 43 percent.

We are well-poised to continue making significant product development investments aimed at further strengthening our leadership positions and driving new long-term growth opportunities.

NO.

24

Ranking on Forbes
"Most Innovative
Growth Companies"
list in 2016

21

Consecutive Quarters
Double-Digit Revenue Growth

24

Consecutive Quarters
Revenue Growth

+28% OVER 2015
TOTAL REVENUES (in millions)

2012	\$363.3
2013	\$416.6
2014	\$493.1
2015	\$591.0
2016	\$756.0

RECURRING REVENUE (in millions)



30%
Increase Over 2015

BACKLOG (in millions)



13%
Increase Over 2015

QUARTERLY GROWTH



NON GAAP NET INCOME

\$135.8 M +47% from 2015

or \$3.49 per diluted share

GAAP NET INCOME

\$109.9 M +69% from 2015

or \$2.82 per diluted share



 **+13%**

Compound annual total growth
in revenues 2002-2016

 **+11%**

Compound annual organic growth
in revenues 2002-2016

 **+32%**

Maintenance: Fastest growing
revenue stream In 2016

ANNUAL EARNINGS

PER SHARE

EVOLVING OUR PRODUCTS

Investment in deepening, uniting and extending our core products has proven to be a winning strategy that enables us to compete favorably against a wide range of competitors. We believe our financial strength and long-term commitment to the public sector software market, which are reflected in our consistent investments, continue to set us apart from many of our competitors. We also continue to add value for our clients with initiatives like our evergreen perpetual licensing model and EverGuide™, Tyler's continuous improvement

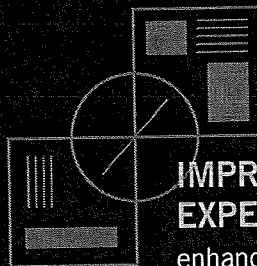
initiative that ensures our clients have the latest product releases, as well as the training and resources they need. With a singular focus on the public sector, coupled with what we believe is the largest base of local government clients in the nation, we use client feedback to understand users' pain points. This guides our efforts to enhance products and improve the user experience so our clients can accomplish their goals more quickly and efficiently.

In addition to making improvements to our product release cycles, we continue to add features and functionality to applications and drive consistency across multiple products. The 2016 release of Tyler's Odyssey Case Manager™ is one such example, incorporating new technology and delivering it in an evolutionary way. Odyssey® 2016 provides major technology platform upgrades in a way that minimizes disruption to client operations, and does it as part of their evergreen upgrade.

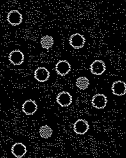
THREE KEYS TO THE FUTURE

One of Tyler's biggest challenges in providing end-to-end solutions for the public sector is navigating the inherent complexity of solutions that span multiple departments and multiple jurisdictions, each with its own individual missions and goals. We understand the budget challenges of local government, and consult with our clients to plan significant, yet manageable, advances in technology while accommodating the realities of integrating myriad independent systems of various ages and sophistication.

Many of our technology initiatives in 2016 focused on establishing the framework for the next phase of Tyler's evolution. We are integrating applications in a way that allows the user to share data smoothly through a workflow or chain of events across departments. The question becomes, how do we deliver best-in-class solutions for each stage of the end-to-end process in a way that offers efficiency, transparency and longevity?



IMPROVING THE USER EXPERIENCE The first key is to enhance and improve core products by adding features that improve the user experience. On the front end of applications, this includes improving the user interface and unifying the look and feel of all of Tyler's applications.



DATA SHARING The second key is to build infrastructure to allow Tyler products to communicate with each other and improve data sharing. Historically, public sector software systems have generally been siloed, without the ability to access data across agencies. Complex integrations must be built between applications in order to connect products within a suite and across jurisdictional boundaries. To accomplish this degree of integrated communication, we are developing technologies that allow our applications to talk to one another and enable data flow across boundaries, along with a

WE ARE INTEGRATING APPLICATIONS IN A WAY THAT ALLOWS THE USER TO SHARE DATA SMOOTHLY THROUGH A WORKFLOW OR CHAIN OF EVENTS ACROSS DEPARTMENTS.

common workflow engine that helps orchestrate the flow of approvals, notifications and tasks according to the client's business process. For instance, a new building permit in our EnerGov™ application could automatically trigger a workflow that alerts a taxing authority to revalue the property, allowing the client to uncover hidden revenue.

This ability to share, aggregate, search and analyze data across jurisdictions will also be instrumental in helping our clients be more resourceful, accurate and responsive with information. With our ERP financial solutions in the Enterprise Group, Tyler clients could compare key performance indicators for their departments or organizations against organizations of similar size in their region, or even across the country, to help them make more informed financial decisions. In the Justice Group, Tyler DataXchange™ aggregates information across multiple jurisdictions and gives law enforcement and justice officials

the ability to share offender records, outstanding warrants and similar data via mobile applications that can help them apprehend and bring criminals to justice.



COMMON FOUNDATION

A third key is to create a shared foundation of services that provides core capabilities across all Tyler applications. Just as an interstate highway allows cars to travel unimpeded between states, our common foundation will allow data to flow unimpeded within and between jurisdictions, eliminating complexity while unlocking capability.

One initiative to better support integration is to create a model for single sign-on for constituents. Whether that constituent is a city employee, a vendor or a citizen, the idea is to create one constituent portal framework. Users will be able to log in to the Tyler portal once to access all the data they need

to interact with any community department from a single user interface and single website.

These features will begin to roll out in 2017 in applications like EnerGov, Munis® and Incode®. Because of Tyler's best-in-class products, excellent customer service and our clients' confidence in the products they are currently using, we are seeing more clients interested in deploying multiple Tyler products across solution areas. This allows them to take advantage of the efficiencies created by an integrated process, the insights and workflows generated by the data, and the responsiveness and transparency available to their constituents. With our planned development initiatives, our clients will be able to realize value from Tyler that will further distinguish us from competitors.