

ASX ANNOUNCEMENT

26 August 2020

OBJECTIVE CORPORATION

FINAL RESULTS FY2020

Objective Corporation (ASX:OCL) today announced its final results for the financial year 2020 (FY2020). These results were in line with the Trading Update provided on 15 July 2020.

- Group revenue for Financial Year 2020 (FY2020) grew by 13% to \$70.0 million (FY2019: \$62.1 million); EBITDA grew by 22% to \$17.2 million (FY2019: \$14.1 million)
- Net Profit After Tax (NPAT) increased by 22% to \$11.0 million (FY2019: \$9.1 million)
- Perpetual (upfront) licence fee revenue in FY2020 represented less than 7% of total revenue, demonstrating consistent and continuing progress in transitioning to subscription software contracts.
- Overall recurring revenue increased to 75% of total revenue (FY2019: 70%). Annualised Recurring Revenue (ARR) increased to \$56.6 million at 30 June 2020, an increase of 22% over the balance at 30 June 2019 (\$46.6 million).
- We delivered significant annual recurring revenue growth in all core subscription software products including ECMaaS (101% growth over FY2019); Connect (34% growth over FY2019); Keystone (8% growth over FY2019); Trapeze (51% growth over FY2019) and AlphaOne (49% growth over FY2019).
- In FY2020, the Company invested \$15.7 million in Research and Development (R&D) (FY2019: \$13.2 million) representing 22% of revenue. The company fully expenses all R&D expenditure in the year that it is incurred.
- In November 2019, Objective Corporation acquired Master Business Systems (MBS), a developer of software and services that enables local governments in New Zealand to more efficiently process building consent applications and manage their software environments. The total acquisition consideration for MBS comprised of NZ\$4.0 million in upfront cash consideration and a further payment of NZ\$1.2 million deferred over three years. The last twelve months revenue for MBS to 30 November 2019 totalled NZ\$3.1 million with Annualised Recurring Revenue (ARR) of NZ\$2.5 million as at 30 November 2019.
- Overall operating costs increased by 11% in FY2020 to \$54.6 million (FY2019: \$49.3 million) driven largely by the addition of the cost bases of acquired businesses (partial year contribution of MBS and the full year contribution of Alpha Group, after a partial year contribution in FY2019). Operating costs excluding the impact of acquisitions increased by 3% over FY2019.
- Group operating cash flow in FY2020 was \$29.2 million (169% of EBITDA) in FY2020, an increase of \$5.8 million over FY2019 operating cash flow (\$23.4 million).
- Total cash balance at 30 June 2020 was \$51.0 million. The Group has no external borrowings.
- Directors declared a fully franked dividend of 7.0 cents per share. The Share Buyback remains in place.

¹ AlphaOne FY2019 revenue includes period from 1 July 2018 – 31 March 2019 which was prior to Objective ownership.

REVIEW OF OPERATIONS

Results summary for full year ended	30 Jun 2020 AU \$million	30 Jun 2019 AU \$million	Change (%)
Revenue	70.0	62.1	+ 13 %
EBITDA	17.2	14.1	+ 22 %
Net profit after tax	11.0	9.1	+ 22 %
Cash at balance date	51.0	34.6	+ 48 %
Annualised Recurring Revenue	56.6	46.6	+ 22 %
R & D expense	15.7	13.2	+ 19 %
Earnings per share	11.8 cps	9.8 cps	+ 20 %
Final dividend (100% franked)	7.0 cps	5.0 cps	
Special dividend (unfranked)	-	1.0 cps	

BUSINESS LINE SUMMARY

Results summary for full year ended	30 Jun 2020 AU \$million	30 Jun 2019 AU \$million	Change (%)
Objective Content Solutions			
Sales revenue	50.3	48.0	+ 5 %
Objective Keystone			
Sales revenue	6.8	7.1	- 4 %
Objective Connect			
Sales revenue	4.1	3.1	+ 34 %
Objective Planning Solutions			
Sales revenue	8.4	3.4	+ 148 %

COVID-19

During FY2020, we quickly adapted to the rapidly changing operating landscape in the face of the COVID-19 pandemic, supporting employees and customers whilst still delivering solid financial outcomes.

Utilising Objective's own portfolio of software products, we transitioned our workforce to fully remote working and maintained high levels of productivity across all teams. We successfully supported many customers urgently making similar changes in their organisations, which reinforced the value of their relationship with Objective.

The impact of COVID-19 on the financial performance of each business line varied and reflected the specific impact of the pandemic response on customers and the communities they serve.

Our delivery teams seamlessly transitioned to delivering projects remotely for all solutions and maintained strong momentum in new customer implementations and upgrades, delivering over 150 go-lives in FY2020. Objective Connect played a central role in the remote working environment for many customers with a sharp increase in adoption during the periods where users' ability to access their usual place of work was restricted. Amongst our Content Solutions products, where the investment required to extend to more users is highest, we experienced some delays in closing sales at year end, but fully expect that these opportunities will continue to progress in FY2021. Our Financial Services and Insurance (FSI) customers relied heavily on Objective Keystone to maintain regulatory compliance over financial year end whilst dedicating all resources possible to assisting their customers through financial hardship brought on by the pandemic. In Planning Solutions, we supported customers in continuing to deliver building consent approvals to their communities and in the early months of the pandemic saw a 50% increase in daily usage across customer sites.

The resilience of Objective's business model in such a challenging operating environment and our ability to react reflects the quality of processes and systems we have in place; our deep understanding of the needs of our customers and most importantly, a commitment and dedication amongst our people to deliver outcomes.

COMMENTARY ON OPERATIONS BY PRODUCT LINE

CONTENT SOLUTIONS

In FY2020, revenue in our Content Solutions business increased by 5% to \$50.3 million (FY2019: \$48.0 million). The financial performance of the Content Solutions product lines continues to reflect Objective's strategic shift to subscription software contracts. The overall growth in revenue was driven by an increase in subscription software revenue of 101%, offset by a decrease in perpetual (upfront) licence fee revenue of 31%.

During FY2020 we welcomed a number of new Content Solutions customers including the Commonwealth Department of Public Prosecutions (CDPP) and Metro Trains Melbourne. We also further extended our relationship with our largest customer, the Australian Department of Defence, securing a new long-term commitment that extends Objective as a mission critical system for more than 100,000 users throughout the Department.

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

CONTENT SOLUTIONS (CONTINUED)

We also reached a significant milestone in late FY2020 as the cloud-based ECM-as-a-Service (ECMaaS) solution for City of Gold Coast went live across 4,000 users. The council-wide ECMaaS solution combines records management, business process automation, collaboration, redaction and integration with the council's existing Local Government Platform.

Delivery of this critical project was maintained throughout the period of restrictions in response to COVID-19 and utilised the technical capabilities of Objective employees from around the globe, all delivered remotely.

During the year we also met other challenges presented in response to the COVID-19 pandemic. Our content solutions customers have been progressively adapting to modern ways of working for many years, including the physical locations where employees work and the resulting increasing number of places where information and records are created and stored. The pace of this change has rapidly accelerated during the COVID-19 pandemic, fuelled by the need to maintain delivery of community services and outcomes.

These changes have necessitated a more rapid transition from a traditional ECM approach to modern records management delivered across all devices. The Objective solution portfolio has been central to many of our customer's ability to rapidly adapt and successfully meet this challenge. Utilising Objective iQ, our content solutions customers have deployed fully digital, scalable and streamlined best practice processes that can be seamlessly adopted regardless of the end-users locations.

Similarly, this pace of change is also reflected in the explosion of the daily users of Microsoft Teams, Microsoft's unified communication and collaboration platform, which grew from approximately 20 million users pre-COVID to over 75 million current daily users. Microsoft Teams is now a location where Objective customers are regularly sharing, collaborating on and discussing documents.

During FY2020, Objective launched Objective Gov365, an innovate product that harmonises governance across the many Microsoft products that Teams utilises and delivers frictionless governance. Through our long-term technology partnership with Microsoft, we had already made significant investment in developing solutions that meet the records compliance needs of public sector customers using Microsoft 365, and were able to rapidly extend that to Microsoft Teams. This product has been launched to overwhelmingly positive customer response across both existing and prospective customers.

OBJECTIVE KEYSTONE

During FY2020, total revenue from our Keystone business decreased by 4% to \$6.8 million (FY2019: \$7.1 million). The overall results reflected an increase in software revenues of 8%, offset by a 48% decrease in services revenue following the successful completion of a major implementation project at Department of Environment, Land, Water and Planning in Victoria. A number of new customer implementations were delivered by our valued channel partners, and our internal service delivery employees were reassigned to other product lines, reflecting a strategic focus for Keystone to software development and marketing.

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

OBJECTIVE KEYSTONE (CONTINUED)

Objective Keystone has established a leading market position in the Australian Financial Services and Insurance (FSI) market, particularly in relation to the production of Product Disclosure Statements (PDS) for wealth and superannuation managers. Through our direct customer engagement and our channel partners, Mayflower Consulting and Transform Communications, Objective Keystone welcomed a number of new FSI customers in FY2020, including Russell Investments and Mercer. Securing these global organisations as customers provides a strong validation of the Objective Keystone solution and offers opportunities to extend to new use cases throughout those organisations. During 1HY2020 we undertook an exploratory FSI market assessment in the UK but have now refocused our go-to-market efforts on expanding our reach in applications where the document lifecycle has more commonality to existing use cases.

The Public Sector market, at both Local and State Government level, continues to be an important focus for Objective Keystone. Keystone is already used by more than 250 local government customers for the compilation of complex planning documentation and to capture community feedback on the proposed plan. These use cases are common across local government customers in Australia, New Zealand and the UK and in FY2021 we will extend our footprint across these markets. Our Public Sector focus will be accelerated by leveraging the strong relationships that already exist amongst customers of other Objective products, particularly Objective Trapeze.

To support our Public Sector customers, in FY2020 we delivered an enhanced stakeholder engagement portal for local governments. This allows customers to seamlessly embed this functionality in their websites and rapidly collect community feedback on public documents. We will continue to invest in targeted functionality for this sector to retain and grow our existing customer base.

During FY2020, we also invested in the continued evolution of the Keystone user experience to deliver an enhanced experience for both FSI and Public Sector customers. These enhancements draw heavily upon the evolution of Objective IQ, an enhanced user experience for all Objective products launched in FY2019, reimagining how customers engage with Objective Keystone and bringing complete unity in the user experience across all Objective products.

OBJECTIVE CONNECT

As at 30 June 2020, we achieved a significant milestone with Objective Connect reaching \$5m in ARR, meeting our goal of all business lines contributing to profit as we enter the next financial year.

In FY2020, Objective Connect revenue grew to \$4.1 million, a growth of 34% over FY2019 (\$3.1 million). Objective Connect uses a subscription, consumption-based revenue model and the financial performance was driven by an 86% increase in usage over the financial year. This increase was accelerated rapidly by our customers' responses to COVID-19 as they transitioned their employees to remote working and established collaborative, cross-agency working groups to coordinate activities within the communities they serve.

We continued to invest in Objective Connect in FY2020 and through improvements in the product development environment, tripled the number of feature releases compared with FY2019. New functionality was in response to specific customer requirements and further tailor Objective Connect to

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

OBJECTIVE CONNECT (CONTINUED)

the use cases of public sector customers. We also released a new mobile version of Objective Connect to facilitate users moving seamlessly between desktop, tablet and mobile phone versions while maintaining access to critical functionality.

Protection of our customers' information has always been central to Objective Connect and during FY2020 we received additional external validation of the security posture of the product. Objective Connect is now certified to global standards ISO9001 and ISO27001, consistent with the Australian Cyber Security Centre (ACSC) Information Security Manual (ISM) and independently IRAP assessed for Sensitive and Protected data. These security accreditations facilitate deeper engagement with customers who need to share highly sensitive information types outside their organisations. Objective Connect is the only cloud-based workspace collaboration product that has been accredited as offering all of these levels of data protection.

OBJECTIVE PLANNING SOLUTIONS

In FY2020, revenue in our Planning Solutions business increased to \$8.4 million (FY2019: \$3.4 million). The Planning Solutions financial results includes Master Business Systems, Alpha Group, Objective Trapeze and Objective Redact. All software sales in Objective Planning Solutions are made under subscription contracts.

Objective Planning Solutions has been transformed by the acquisition of Master Business Systems and the integration of Alpha Group. Combined with Objective Trapeze, these acquisitions have created a portfolio of market leading solutions for local government to assess and approve building plans. During the past 12 months, more than NZ\$11.5 billion in building applications have been processed through Objective building consenting solutions in New Zealand. Objective is committed to improving community outcomes in such a critical market, not only through more efficient processing of applications but also by minimising the impact on communities of poor building practices through the application of consistent and rigorous building consent and inspection processes.

The key asset that Objective has gained through these acquisitions is a pool of highly talented employees that have further deepened Objective's technical expertise in the local government market. In late FY2020 we combined all teams into a single location at the in the Planning & Building Solutions Centre of Excellence in Palmerston North. This development lab will facilitate greater cross-team collaboration to accelerate product development and will be an important factor in continuing to attract new local talent.

During FY2020 we saw rapid adoption of Trapeze Professional, which was released in late FY2019. More than 100 councils are now using the latest powerful functionality to improve accuracy and efficiency in assessing development applications. The latest version of Trapeze Professional includes innovations in machine learning and computer vision that power features such as automated plan comparisons and smart document approval stamping. The value that our customers derive from these products is demonstrated by

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

OBJECTIVE PLANNING SOLUTIONS (CONTINUED)

the experiences of the City of West Torrens, where smart stamping reduced the time to finalise a set of plans from half a day to less than 10 minutes, freeing planners to focus on higher value tasks that deliver better outcomes for ratepayers.

Objective Trapeze addresses a business problem that is not limited to the Australia, New Zealand and UK markets, where it is already rapidly becoming the industry standard for digital plan assessment. During FY2021 we will further grow our global customer base through a digital market engagement program, modelled on Objective Redact where over 50% of revenue is derived from North America.

Alpha One and GoGet (the building consent processing solution developed by MBS) added a number of new customers in FY2020, including Kāinga Ora and Matamata-Piako. The lockdown periods enforced in New Zealand in response to the COVID-19 pandemic impacted the number of building consents submitted and the volume-based revenue of these solutions, however we continued to remotely deliver services projects at council sites throughout the lockdown. Alpha One and GoGet take differing approaches to the digital processing of building consents, Alpha One as a cloud-based, checklist system and GoGet as a flexible and modular on-premise solution. We will continue to maintain both products in the New Zealand market and utilise the combined experience and expertise of the research and development teams to develop an end-to-end digital building consent solution with global application.

We note the ongoing investigation into our acquisition of MBS by the NZ Commerce Commission. We continue to try to help them understand the competitive dynamics of the software industry. We respect the role they play, however we do not expect an outcome of the investigation until 2021.

OUTLOOK

Mr Tony Walls, CEO, Objective Corporation said: “In FY2020 we successfully met the challenges we were presented; those that we had expected and those that demanded we change course and address immediately.

“Throughout the ongoing period of adapting to life impacted by COVID-19, our primary concern has always been the wellbeing of our employees and their families. We are pleased to be able to offer a safe, modern, flexible workplace that has ensured stable employment for our valued people and many opportunities as we look to the future.

“In this unprecedented environment, our business delivered a strong financial performance with 13% revenue growth, 22% growth in EBITDA and 22% growth in ARR. The results reflect our uncompromised commitment to transitioning our business to subscription-based revenue models and growing our annual recurring revenue base.

We also maintained focus on our strategic targets, completing the largest acquisition for Objective to date with the Itree team joining our family after the financial year end. Our organisation continues to grow in many ways, reaching over 400 employees, serving over 1,000 customer organisations in 60 countries and extending our product development capabilities across four development labs. This increased scope provides exciting new opportunities for our employees, customers and our shareholders.

OUTLOOK (CONTINUED)

“In FY2021, we expect a material lift in revenue and profitability. We will extend our market reach with increased global digital marketing capacity and invest further in broadening our offerings to every customer. Further we continue to seek opportunities to introduce new, strategically aligned products through acquisition where these can be acquired at reasonable valuations.

“Finally, I would like to thank our valued customers, talented employees and supportive shareholders for their continued commitment to our success. In spite of the dynamics of the Covid-19 environment we relish the challenges of the year ahead.”

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ABOUT OBJECTIVE CORPORATION

Objective Corporation (ASX:OCL) creates information and process governance solutions that are effortless to use and enable organisations to advance their own digital transformation.

Designed for regulated industries, these solutions turn the imperative of compliance, accountability and governance into an opportunity to streamline business processes and deliver the innovative services that customers expect.

With a heritage in Enterprise Content Management (ECM), Objective's expanded solutions extend governance across the spectrum of the modern workplace; underpinning information, processes and collaborative work-spaces.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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