

ASX ANNOUNCEMENT

26 August 2021

OBJECTIVE CORPORATION

FINAL RESULTS FY2021

Objective Corporation (ASX:OCL) today announced its final results for the financial year 2021 (FY2021). These results were in line with the Trading Update provided on 9 July 2021.

- Group revenue for Financial Year 2021 (FY2021) grew by 36% to \$95.1 million (FY2020: \$70.0 million); EBITDA grew by 49% to \$25.6 million (FY2020: \$17.2 million).
- Net Profit After Tax (NPAT) increased by 46% to \$16.1 million (FY2020: \$11.0 million).
- The Annualised Recurring Revenue (ARR) balance at 30 June 2021 increased by 31% to \$74.2 million (\$56.6 million at 30 June 2020).
- Our transition to subscription revenue reached a further milestone in FY2021 with more than 95% of software revenue contracted on a subscription basis. Recognised revenue in most key subscription product lines grew strongly: ECMaaS (73%); Connect (30%); Keystone (1%); Trapeze (34%); RegWorks (33%)¹.
- FY2021 represented a record year for Objective's investment in Research and Development (R&D). We invested \$23.1 million in R&D, representing 24% of revenue. In keeping with our long-term accounting policies, no R&D expenditures are capitalised, they are 100% expensed when incurred.
- On 1 July 2020, Objective Corporation acquired Itree Pty Limited for a net cash consideration of \$18.4 million. There is no deferred consideration due. During FY2021, the business was fully integrated into Objective Corporation and Objective RegTech Solutions was established as a line of business (LOB) for segment reporting.
- 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 FY2021 was \$24.7 million.
- Total cash balance at 30 June 2021 was \$48.4 million, an increase of 48% over the balance at 30 June 2020, after adjustment for the acquisition of Itree Pty Limited. The Group has no external borrowings.
- Directors declared a fully franked dividend of 9.0 cents per share.

¹ Change over RegWorks subscription revenue for FY2020, prior to Objective ownership.

REVIEW OF OPERATIONS

Results summary for full year ended	30 Jun 2021 AU \$million	30 Jun 2020 AU \$million	Change (%)
Revenue	95.1	70.0	+ 36 %
Annualised Recurring Revenue	74.2	56.6	+ 31 %
EBITDA	25.6	17.2	+ 49 %
Net profit after tax	16.1	11.0	+ 46 %
R & D Investment (100% expensed)	23.1	15.7	+ 47 %
Cash at balance date	48.4	32.7*	+ 48 %
Earnings per share	17.2 cps	11.8 cps	+ 46 %
Final dividend (100% franked)	9.0 cps	7.0 cps	

* Cash balance at 30 June 2020 was \$51.0 million, net of cash outflow of \$18.4 million for acquisition of Itree Pty Limited on 1 July 2020

BUSINESS LINE SUMMARY

Results summary for full year ended	30 Jun 2021 AU \$million	30 Jun 2020 AU \$million	Change (%)
Content Solutions			
Sales revenue	61.8	54.7	+ 13 %
RegTech Solutions			
Sales revenue	15.3	n/a	n/a
Planning and Building Solutions			
Sales revenue	10.7	8.1	+ 33 %
Keystone			
Sales revenue	7.1	6.8	+ 4 %

COMMENTARY ON OPERATIONS BY PRODUCT LINE

CONTENT SOLUTIONS

In FY2021, revenue in our Content Solutions business increased by 13% to \$61.8 million (FY2020: \$54.7 million). Objective Connect and Objective Redact were incorporated into the Content Solutions lines of business during FY2021 and the comparative results have been adjusted accordingly.

Common themes driving demand throughout FY2021 in the Content Solutions business included: customers' transition to the cloud, customers' continued need to facilitate remote working and ensuring governance extends across the information ecosystem automatically, wherever people work and in the applications of their choice.

We witnessed significant expansion of usage at many existing customer sites for both Objective ECM and Objective Connect. This reflects not only increased demand from organisations' need to support remote working, but also the trust our customers place in Objective and the value we deliver through product innovations released throughout FY2021 in direct response to their needs.

Objective Connect proved invaluable to customers in their transition to fully remote working, helping them continue to deliver critical services. We witnessed a steep increase in usage within customers world-wide. We continue to invest in the development of this product to ensure the functionality meets the needs of our customers and their communities, while maintaining focus on the security and protection of government information.

In FY2021 we welcomed a number of new customers from all levels of government and related industries; such as defence and intelligence and NGOs. We witnessed a number of state government organisations standardise on Objective ECM, replacing incumbent systems following machinery of government changes where Objective ECM is clearly differentiated and continues to be well positioned following a regular cadence of product innovations released throughout the year.

Adoption of the Objective IQ experience for Objective ECM grew steadily across the customer portfolio, a highlight was the Objective IQ rollout to more than 10,000 users across the Scottish Government.

In late FY2021 we launched Objective ECM 11 which includes enhanced process automation functionality sought by the many customers that utilise workflow in Objective ECM. This now means that ECM 11, delivered via Objective IQ, offers business users more benefits than the desktop version, for example; co-authoring for Microsoft 365 applications, easy visual controls for managers of business processes, enhanced security and a deeply intuitive user experience, designed for every individual throughout an organisation. The Objective IQ experience promotes broad use of the product throughout an organisation, while process automation enhancements promote deeper use.

Steady growth in the number of customers adopting Objective Gov365 continued throughout FY2021, as organisations seek governance for the rapid explosion in the use of Microsoft Teams. We released further enhancements to this product throughout FY2021, including governance for Microsoft SharePoint.

Objective Redact continues to meet the needs of security conscious organisations around the world to protect sensitive information in many varied use cases. Sold through a low-touch digital engagement model, online-only purchases grew throughout FY2021 and we also signed a number of enterprise-scale contracts in the USA, UK and Australia in both government and financial services.

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

REGTECH SOLUTIONS

In FY2021, RegTech Solutions delivered revenue of \$15.3 million (FY2020: n/a), this business line was formed following the acquisition of iTree in July 2020.

iTree's integration into Objective was completed in H1 and the business is now contributing to overall outcomes by extending the Objective brand name into new agencies and creating opportunities for adoption of RegWorks amongst Objective's public sector customers.

With growing awareness amongst regulators that an end-to-end solution encompassing public facing portals, mobile enforcement apps and core back office solutions delivers superior outcomes than CRM or generic case management platform. We welcomed a record number of new Objective RegWorks customers, validating our market position as a purpose-built solution for regulation, safety, compliance and enforcement.

Spanning multiple Australian states and New Zealand, this group of new customers broadened the reach of Objective RegWorks into new areas of regulation including: industrial relations, workers compensation, the environment, health and community care for families and the disabled.

Investment in R&D for Objective RegWorks resulted in a number of innovations delivered throughout the year. The public facing portal adopted the Objective IQ design language and is live at two customers sites: Wage Inspectorate Victoria and New Zealand Ministry of Health. It enables government agencies to offer easy and direct digital engagement with the general public, seamlessly integrating into back-office operations, reporting and audit requirements. The Objective IQ design language was also applied to the RegWorks mobile app, which will further streamline in-field compliance work for customers undertaking checks, infringements and issuing fines.

Another highlight for FY2021, was the renewal of a 5-year, \$18 million contract with Transport for NSW reinforcing the long-term relationship with RegTech Solutions and augmenting the existing relationship that Transport NSW has had with Objective for many years.

Throughout the year, Objective Reach was progressively rolled out to eight state and territory agencies with seven states now live. The NSW Department of Communities and Justice, along with state and territory child protection agencies in every Australian state have implemented Objective Reach in a world-first data search, matching and information sharing solution to protect children and families at risk of abuse.

PLANNING AND BUILDING SOLUTIONS

In FY2021, revenue in the Planning and Building Solutions business increased by 33% to \$10.7 million (FY2020: \$8.1 million).

As of 1 July 2020, the results of Objective Redact products have been removed from the Planning and Building line of business and attributed to Content Solutions. Comparative period figures have been restated on the same basis.

Throughout the second half of FY2021 migration of Objective Trapeze customers to Objective Trapeze Professional, the subscription version of the product that offers significantly greater functionality and value

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

PLANNING AND BUILDING SOLUTIONS (CONTINUED)

to users, accelerated, with 68 customer upgrades performed. The number of Trapeze Professional users now exceeds the number of users on the previous generation, perpetual right to use version.

We also experienced steady growth in new customers for Objective Trapeze; and following deep customer engagement in the UK, released a number of enhancements specific to the UK market. The number of customers in Australia now exceeds 200 Councils.

Investment in the development of Objective Build increased materially throughout FY2021. Objective Build is the result of years of accumulated knowledge and expertise contributed to Objective through AlphaGroup and Master Business Systems together with close relationships developed with industry; including NZ local authorities and the construction industry. A cloud-based, end-to-end planning and consenting automation platform to manage building approvals that ensures safe, responsible development, and supports an industry that contributes significantly to the economies in which we operate.

We continued to support our AlphaOne and GoGet customers, with numerous enhancements released, new implementations delivered, and new customers acquired for both platforms.

New customers came onto the platforms in FY2021, including Kāinga Ora the agency established to transform housing and urban development throughout New Zealand, including building over 3,000 homes for people in need. Kāinga Ora is also a major customer for Objective ECM and Objective Connect, demonstrating the depth of our relationship.

KEYSTONE

During FY2021, total revenue from our Keystone business increased by 4% to \$7.1 million (FY2020: \$6.8 million).

We sustained a market-leading position in the Australian financial services and insurance industry (FSI) for the production of Product Disclosure Statements (PDS) and extended the use case within customers to produce Target Market Determinations (TMD) as customers prepare to respond to new regulatory obligations being introduced in the industry from October 2021.

We added a number of new FSI customers throughout the year and extended relationships with existing customers, demonstrating Keystone's relevance amongst the largest fund management and financial service institutions in Australia.

In the public sector, Objective Keystone continues to support the statutory planning process at both state and local government levels. We welcomed new customers in the UK, Australia and New Zealand. We released substantial innovation in Geospatial Information System (GIS) integration into the Keystone consultation and engagement portal, delivering the ability to link community consultations with locations.

Other enhancements include content merging capabilities, applicable to both the FSI and Government markets, that automates highly time-consuming and error prone manual processes for customers when combining multiple versions of complex documents.

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

KEYSTONE (CONTINUED)

From FY2022, Objective Keystone will be split into two products: Objective Keystone will continue to be targeted to the FSI market, and Objective KeyPlan will target the public sector. This allows for more targeted products and go-to-market strategies, enabling us to articulate value propositions that reflect the specific use cases in these two distinct markets.

OUTLOOK

Tony Walls, Objective CEO, commented, “We are really pleased with our performance in FY2021 - delivering outstanding outcomes for our customers, and protecting our employees and their families while facing an uncertain operating environment. Our financial results in FY2021 reflect the continued delivery of our strategic plan, with strong growth in recurring revenue and earnings underpinning our highest ever investment in innovation.

“In its first year in the Objective family, our RegTech business made a solid contribution to our overall results. The market opportunity for RegWorks is developing rapidly and was demonstrated by the number of new customer wins during the year; three of which were the largest in RegWorks’ history. These results illustrate the opportunity that arises from combining businesses with deep domain expertise with Objective’s long history of delivering high quality outcomes for over 1,000 public sector organisations.

“In FY2022 we expect the momentum of our business to drive a continued material lift in revenue and profitability.

“Our investment in innovation will deliver important product releases for customers including Objective Build, Objective Nexus, Objective ECM 11 and Objective RegWorks iQ which, in addition to further investment in our existing product suite, will underpin new customer acquisition across all business lines and expansion opportunities for existing customers.

“In addition to these significant organic growth opportunities, we will continue to actively seek acquisitions that offer additional product or market reach capabilities, where these can be acquired at reasonable valuations.

“As always, I would like to thank our valued customers, talented employees and supportive shareholders for their continued commitment to our mutual success.”

ABOUT OBJECTIVE CORPORATION

We create software to make a difference.

Using Objective software, thousands of public sector organisations are developing policies with impact, accelerating processes and delivering innovative services.

We help organisations shift to being completely digital. Where our customers can work from anywhere; with access to information, governance guaranteed, and security assured.

Innovation is our lifeblood. We invest significantly in the ongoing development of our products to deliver outstanding solutions to the public sector and regulated industries.

The result - stronger outcomes for communities and accountability that builds trust in government.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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