



Annual Letter to Shareholders

Financial Year 2024

Objective Corporation Limited (ASX: OCL)



From Tony Walls

CEO, Objective Corporation

Fellow Shareholders,

It is with pleasure I share with you Objective's performance for the Financial Year 2024 (FY2024); a year which marked a significant number of milestones and one where we evolved rapidly to meet the growing opportunities in front of us.

Within an industry where continual change is the standard operating procedure, our unwavering commitment to deliver #outstanding, innovative products and experiences underscores the strength of our business as a high-quality solution provider to our customers, an employer of choice for our people and long-term investment proposition for our shareholders.

As a business, the success we have achieved has given us more fuel to expand the opportunities for modern, digital governments globally and the communities they serve. Internally, we are operating at an increased pace; we're together more regularly as a team, and with customers, driving more valuable interactions and innovation.

In FY2024, our revenue of \$118 million was driven by a record 81% recurring revenue and marked the completion of our transition to a subscription only software business. Again, we invested 30% of our software revenues in research and development (R&D) and at the same time generated a 49% lift in profitability and 78% rise in operating cashflow growth (on a like for like basis). Our low churn, recurring revenue model and ability to manage investment in our cost base gives us strong levers to generate consistently profitable growth over long periods of time.

We achieved a solid Software as a Service (SaaS) Annual Recurring Revenue (ARR) growth rate of 15% in FY2024 and our total ARR grew by 11% to \$105 million. This fell short of our targeted 15% total ARR growth for the year as we were impacted by the late deferral of several expected material opportunities. I will not

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fault our go-to-market teams on customer decision delays that are well outside of their control, and we are too disciplined to accept uneconomic terms to artificially drag revenue forward. With hindsight we could have anticipated the softer economic conditions in New Zealand leading to even softer numbers of building consents in that market, where we have a pure transaction-based revenue model.

As you will see in our detailed results announcement, whilst SaaS growth is very solid, lower margin services revenue has moderated, by design, as we have become more efficient at deployment. This has been great for customers albeit not so good for our headline revenue number, as we passed on material savings to our customers. However, looking to FY2025, project services revenue is likely to grow again, purely as a function of the anticipated SaaS growth rate.

We have a strong conviction that a 15% overall ARR growth target remains the right goal for our business.

FY2024 Highlights

EXPANDING ADDRESSABLE MARKET

During FY2024, we successfully executed against our plan to expand the addressable market for each of our core solutions. We now have multiple, deep market segments where we are the market leader or emerging leader and where this presents a significant organic growth opportunity for us. This is not a happy accident – we have seen the opportunity ahead of us, invested to make it a reality, and have expanded our addressable market through product innovation and into new geographies.

Expanded our addressable market through product innovation

Deeply ingrained in our DNA is our mission to deliver #outstanding software to our customers. Product innovations through FY2024 enabled us to respond to new and emerging challenges faced by our customers, expanding our addressable market across all business lines. Addressing these previously untapped opportunities attracted new customers and drove further investment by existing customers.

- **Objective Nexus.** Existing customers have begun embracing the conversion from Objective ECM to the cloud based Objective Nexus with conversions currently averaging a 2.1x value uplift. The value proposition for customers is compelling and we expect the rate of conversion to increase in FY2025.
- **Objective 3Sixty,** within our Content Solutions suite, enables us to target organisations with non-Objective content management systems and other transactional systems of record. Rather than requiring a sometimes unappealing lift and shift approach, Objective 3Sixty can work with any system to expand governance over information that resides anywhere within an organisation, opening a new market segment for our Content Solutions suite.

- **Objective RegWorks** welcomed new customers across an expanded set of use cases including natural resource regulation and services boards of medical professionals. This demonstrates the success of the investment we have made in improving the configurability of the platform and the ability to more rapidly deploy into customer sites at lower cost. Each new use case deployment significantly expands the addressable customer set for the solution, bolstered by customer references and demonstrating the value it delivers.
- **Objective Build** launched an Inspections capability which rounds out our ability to target the largest metropolitan councils. This provides building inspectors with smart, time-saving capabilities such as geospatial map references, comprehensive checklist records and photographic evidence that enables them to efficiently conduct building specific on-site inspections, critical to ensuring regulation-compliant building practises.
- **Objective Keystone** released functionality specifically targeted to address the growing market for climate related financial disclosure. We targeted this use case as new disclosure regulations came into play in New Zealand and secured a major financial services institution as a foundation customer. This has generated interest from other NZ based companies, and we expect demand to grow as pressure mounts for mandatory climate risk reporting in Australia and other countries. Objective Keystone has established itself as the solution of choice for 17 of the 25 largest Australian superannuation funds.

Expanding our addressable market into new geographies

In the United Kingdom, we signed our first contract for Objective RegWorks; a \$3.4 million, 6 year contract with the Gambling Commission in Great Britain. This milestone represents the culmination of two years of market development, engaging with UK based regulators and industry bodies to demonstrate the deep domain expertise we bring from our success in the Australian and New Zealand markets, and a strong value proposition in purpose-built software for regulators, compared to generic platform solutions that attempt to address this sector.

Globally, we've been engaging with local planning authorities, to deepen our understanding of the challenges faced in geographies outside of New Zealand. Two common themes emerged: the pressure to respond to growing volumes of assessments within tight timeframes and the level of regulation to be applied to each application. We have worked within the building regulation eco-system over many years to develop a modern, adaptable and secure SaaS solution that addresses this market and we are very excited by the opportunities this presents in many new territories.

Perhaps not entirely new, but equally important, has been our on-going progress with new customers using Objective 3Sixty in The Americas and more recently in the UK. Since Simflof joined our family in 2022, we have made a transformative investment in the technology, and it now forms a strategic component in almost every Content Solutions opportunity globally whether part of our Nexus suite or on a standalone basis.

DELIVERING INNOVATION

In FY2024 we invested a record \$28 million into R&D, 30% of our software revenue. Across leading global SaaS businesses, this level of investment consistently represents the optimum investment level to sustain the growth engine of a company. Beyond a steady release of new capabilities and features to delight our customers, our focus on innovation is underpinned by the measures of customer value and quality. This is how we know we're building and delivering **#outstanding software**.

Artificial Intelligence (AI)

Elements of AI such as machine learning and computer vision have been embedded within Objective products for many years and they continue to evolve with market demand and customer needs. The market acceptance and investment in large language models (LLMs) for business applications is the latest evolution of this adoption cycle and one that Objective, with our heritage in storing, categorising and searching data, is uniquely positioned. For many of our customers, their ability to leverage AI within their organisation is balanced by the reality that they are the custodians of highly sensitive information and operate in regulatory environments where trust is paramount. Our experience of operating within these environments only increases the opportunity ahead of us.

Additional use cases abound for applying more complex and robust AI across our portfolio, and we're excited by the potential it brings to own software development and the benefits it can deliver to customers. This year we will launch new AI capabilities utilising LLMs that can be embedded in any of our products or be used directly by our customers.

Single, Seamless User Experience

The 2024 generation of Objective IQ, an enhanced user experience based on a single, comprehensive design language is being rolled out to all Objective products. Built from a library of components that are reusable across our entire product suite and ready to accelerate the development of future products, it delivers a pixel-perfect, consistent and loveable user experience.

Security Posture

Our customers, who are responsible for managing some of the most confidential, sensitive, private and personal information in the world, place enormous trust in us and we take this trust extremely seriously. Investing in the security of our products and operations protects not only our customers and stakeholders, but also our own business continuity and reputation.

In addition to maintaining all of our existing security credentials, Objective Nexus was assessed and certified to the Australian IRAP compliance framework for information security within the Australian government. It

joins Objective Connect as a certified product and we have more products queued for assessment over the coming year.

Our ongoing investment in security is sacrosanct. We monitor for emerging threats around the clock, ensuring that our products and services remain trusted and reliable for the most critical missions.

A Clear & Consistent Future Strategy

REGULATION IS A GROWTH INDUSTRY

Open any mainstream, business or industry-specific news feed and there will be articles, often pinned to the top of the page, demonstrating the demand for greater government regulation to address emerging threats and challenges, exposés of unethical or illegal actions by organisations we want to trust and incidents of information security threats.

Objective's solutions help the organisations that operate in these regulated environments or are in fact the regulators themselves; efficiently meet the regulatory demands placed upon them by government and society.

Our customers are councils and planning authorities setting the standards for our built environments; the public sector that delivers the services our communities rely upon; they are the institutions that uphold peace, justice and the law; the companies that manage our wealth ethically and responsibly; they are the agencies that protect our national security, our safety, and our livelihoods.

Permanent Demand Drivers

Wherever government exists, so too does the need for our solutions; and that demand is only increasing. Since 2020, Government's role in the community has increased, as demonstrated in Australia by government spend on employee costs, across all levels of government, reaching an average of 10% of GDP per year, representing an increase of \$50 billion per annum.

As government is called upon to regulate more aspects of community life, it faces growing expectations for efficient, effective, and transparent operations, of both the government itself and the industries it regulates. The scrutiny faced by these organisations has never been higher. These factors compel action; to seek solutions that deliver the ability to manage escalating volumes and diversified sources of information, for solutions that help meet growing regulatory requirements, and for solutions that help government at all levels meet community expectations in an efficient manner.

ALIGNED TO A COMMON STRATEGIC PLAN

In preparation for FY2025 we adjusted our approach to our strategic planning process, providing greater linkage from all levels of the organisation to the mission that drives us. This has further clarified our operating playbook, giving us greater focus on the driving initiatives of each line of business, and greater clarity to each of our 450 employees about what they can do to make a difference.

While our planning process has evolved, the guiding principles central to our strategy remain unchanged, they are the ambitions that have guided our thinking and decisions to build Objective into a global software company that surpassed the ARR milestone of \$100 million this financial year; with more than 2000 customers in 60 countries and 450 staff in 14 locations including five development labs.

The analysis we've undertaken this year to articulate and document our strategy, means we know that these ambitions will deliver highly valued outcomes to our customers, differentiate us in the markets we target, and ensure a financially sustainable model for growth.

Our Ambitions

- **Unparalleled Domain Expertise** – we are not just another software vendor; we are experts in our field and trusted advisors. We build our teams with people from our target market, who understand the issues that our customers face, and results in very deep customer engagement. In turn, this translates into highly targeted and differentiated solutions and roadmaps for our products, that we have the utmost confidence in.
- **Number 1 in our Markets** – software is a game of meritocracy, and we target market segments where we can be the leader. This leadership generates strong network effects amongst customers that channels industry-led thinking into product innovation, fosters peer-to-peer relationships for sharing new use cases, and improving processes, along with a greater propensity to provide strong reference-based successful customer outcomes.
- **Profitable Growth** – our flywheel of innovation is based on our ability to continue to invest in our people, our technology, our customers, and our growth. To do this, we need to not only grow our business but to ensure that we operate a business model that allows us to expand profitably. We balance revenue growth and profit margin to reliably deliver strong profitability and free cashflow - this allows us the freedom to continuously re-invest.

NEW APPROACHES TO DELIVERING RESULTS

To reach our goals for FY2025 and deliver on our strategic plan, we took the magnifying glass to existing practices and implemented changes where we needed to continue to deliver outstanding results.

New People

Throughout FY2024 we actively placed new people in leadership roles, injecting a new energy and new dynamic to the organisation. Some were internal promotions, proving the success of our leadership development programs, and others came from market scans that uncovered a wealth of talent in the job seeker market that we leveraged to bolster our team.

New Approaches

- **Team Structures** – we have made changes to teams across the business to better deliver against our priorities. We've applied playbooks from our Content Solutions business to Regulatory Solutions to prepare them to scale rapidly. We've refined sales team structures in all business lines to increase focus on new customer acquisition and we've implemented changes to the Planning & Building team to increase focus on solutions for new markets.
- **Go to Market** – we have adopted new approaches in our marketing efforts to increase the quality and velocity of opportunities through our pipeline. We have increased the investment in customer success teams for all products to ensure that our customers derive greater value from their solutions, raising the expected lifetime value of each new customer win.
- **Local Government, a complete market approach** – Objective has always had a strong market presence in local government and local government is becoming an increasingly important factor in the resolution of important societal issues globally, particularly in addressing housing shortages. For FY2025 we have restructured our go-to-market approach to bring consistency to our messaging and sharpen our value proposition to local government. Headed by an experienced, dedicated leadership team, we are positioned to meet the demand emerging from this sector and address new opportunities with a holistic suite of solutions that span the breadth of Objective.

Further Outlook

We are excited by the opportunity ahead of us in FY2025 and beyond. We remain confident that our overall ARR growth target of 15% is the right goal for us, and that our business model assures the growth achieved will drive an increased level of profitability.

Our strong balance sheet and cash flow generation gives us significant flexibility to pursue organic and inorganic opportunities that meet our return on capital criteria. Achieving a sensible return on invested capital continues to be a challenging goal in a Private Equity fuelled tech market, particularly the US. During the past year, we investigated a significant number of acquisition opportunities across the US, the UK, and Australia. We completed detailed due diligence on several companies without concluding a transaction. The quest for the right opportunities for the intelligent deployment of capital continues.

Equally, investing in organic growth with very modest capital demands, continues to deliver results. Our innovation led strategy has driven significant organic growth in our addressable market both in terms of use cases for Objective solutions and the geographic regions in which we can demonstrate them. Each line of business is a leader in its own market segment and we harbour strong growth ambitions that our employees are deeply committed to deliver.

In conclusion, I would like to deeply and sincerely thank our incredible team of dedicated people. On a daily basis they apply their amazing talents to deliver #outstanding outcomes for our customers.

As always, thank you for your trust and support.



Tony Walls

CEO, Objective Corporation