ASX ANNOUNCEMENT

28 February 2018

OBJECTIVE CORPORATION - FIRST HALF RESULTS FY2018

Objective Corporation (ASX: OCL), a specialist provider of content, collaboration and process management solutions, today announced its financial results for the half year 31 December 2017.

23% Growth in EBITDA

$8.9 million Operating Cash Flow

$20.5 million Cash Balance

In first-half financial year 2018 (1HY2018), group revenue grew by 10% to $33.3 million (1HY2017: $30.3 million), EBITDA increased by 23% to $5.8 million (1HY2017: $4.7 million).

Net profit after tax (NPAT) increased by 10% to $4.1 million (1HY2017: $3.7 million) for the half-ended 31 December 2017. NPAT growth was moderated by both an increase in depreciation and amortisation expense, predominately arising from the fit out of our new global headquarters in North Sydney, and an increase in the effective tax rate from 18.4% to 21.5%.

Our drive to deliver outstanding software to our customers is at the core of our strategy and underpins the increased investment in research and development in the period. Total R&D expenditure grew to $6.6 million (1HY18: $6.2 million) representing 20% of revenue. All R&D expenditure was expensed.

Strong cash flow generation in our business was a highlight of 1HY2018, with net operating cash flow representing 153% of EBITDA. Our cash balance at 31 December 2017 was $20.5 million, an increase of $9.8 million over 31 December 2016 and $3.6 million over 30 June 2017. The Company has no external borrowings.

FINANCIAL SUMMARY

Results summary for full year ended	31 December 2017	31 December 2016	Change
	AU $million	**AU $million**	
Revenue	33.3	30.3	+ 10%
EBITDA	5.8	4.7	+ 23%
Net profit after tax	4.1	3.7	+ 10%
Cash at balance date	20.5	10.7	+ 91%
R & D expense	6.6	6.2	+ 6%
Earnings per share	4.5	4.1	+ 10%
No interim dividend was declared			

We continued to transition a greater proportion of our income to subscription-based contracts and our Annual Recurring Revenue (ARR) rose by $2.1 million compared to 1HY2017. Recurring revenues represented 57% of total revenues. Our strategic focus on increasing recurring revenue streams has moderated our reported revenue growth but provides increasing visibility over our future financial performance. Across our subscription software products, Objective ECM as a Service, Objective Keystone Financial Services and Insurance (FSI) and Objective Connect all increased revenue by greater than 50%.

Mr Tony Walls, CEO, Objective Corporation said: “The first half of FY2018 represented another significant step forward for Objective as we maintained our momentum in product innovation and service delivery whilst also achieving strong growth in financial performance.

“We won new customers in all targeted markets and across all lines of business. Our focus on delivering value for the users of our software drove new customer acquisition, as well as continued growth in earnings from existing customers.

“The investment we made in user experience will drive increased adoption and broaden the use cases of existing Objective solutions in our customers organisations, as well as facilitate frictionless adoption of complementary Objective products. Our customers’ needs remain the core mission of everything we do as an organisation. We continually strive to create truly outstanding software and the demonstration of these latest innovations at our annual customer conference, Collaborate, was a highlight of 1HY2018. Customer reaction at this event was immediate and overwhelmingly positive, the feedback we have received as these and other customers adopt our latest software has been no less emphatic.”

BUSINESS LINE SUMMARY

Objective’s solution portfolio is growing and the company is increasingly focused and measured around business lines. Financial performance by business line is summarised below:

Results summary for the half-year ended	31 December 2017	31 December 2016	Change
	AU $million	**AU $million**	
Objective ECM			
Sales revenue	28.0	25.0	+ 12%
Operating profit	8.0	5.9	+ 34%
Objective Keystone			
Sales revenue	2.8	2.8	-
Operating profit	(1.0)	(0.2)	Large
Objective Connect			
Sales revenue	1.1	0.7	+ 54%
Operating profit	(0.8)	(1.3)	+ 39%
Objective Trapeze			
Sales revenue	1.2	1.6	- 25%
Operating profit	(0.3)	0.3	Large

OUTLOOK

Mr Tony Walls, CEO, Objective Corporation said: "1HY2018 was very solid result for the Company with EBITDA lifting by 23%. Despite some temporary headwinds in the first half, the significant opportunity which we see across our lines of business continues to justify ongoing investment and we see a clear path to bringing each to profitability.

"We maintain a positive outlook for 2HY2018 as we see strong engagement with Objective products from both existing and prospective customers. Our focus on developing repository agnostic solutions that meet specific customer needs in the public sector has materially expanded the addressable customer base for our products and our go-to-market strategy continues to extend our reach, both domestically and internationally," said Mr Walls.

Consistent with prior half-years, an interim dividend was not declared. The Company expects to declare a dividend with the full-year financial results.

The Board and management of Objective would like to thank our loyal customers, staff and shareholders for their ongoing contribution and commitment to the Company.

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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