ASX ANNOUNCEMENT

25 February 2020

OBJECTIVE CORPORATION - FIRST HALF RESULTS FY2020

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 2019, which are in line with the 10 January 2020 trading update.

In first-half financial year 2020 (1HY2020), group revenue grew by 14% to $33.3 million (1HY2019: $29.2 million). The Company grew total Annual Recurring Revenue (ARR) by 28% to $54.1 million, an increase of $11.9 million over the balance at 1HY2019 ($42.2 million).

EBITDA increased by 21% to $6.8 million (1HY2019: $5.6 million). Net profit after tax (NPAT) increased by 17% to $4.3 million (1HY2019: $3.6 million) for the half-ended 31 December 2019. Comparisons of NPAT growth between 1HY2019 and 1HY2020 were impacted by an increase in the effective tax rate from 10% to 18%.

During 1HY2020, the Company continued its successful transition to subscription-based contracts. The proportion of revenue derived from annually recurrent contracts reached 75% of total revenue (71% in 1HY2019), a new milestone for the Company. Strong growth continued in core subscription software products including ECMaaS (54% growth over 1HY2019); Connect (32% growth over 1HY2019); Keystone (14% growth over 1HY2019) and Planning Solutions (158% growth over 1HY2019).

In November 2019, Objective Corporation acquired Master Business Systems (MBS), a developer of software and services that enable 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. Last twelve months revenue for MBS to 30 November 2020 totalled NZ$3.1 million with Annual Recurring Revenue (ARR) of NZ$2.5 million as at 30 November 2019.

Our strategic imperative to deliver outstanding software to customers drives our ongoing commitment to investing in excess of 20% of revenue in Research and Development (R&D). In 1HY2020, the Company's total R&D investment was $7.7 million which represented 23% of revenue and an increase in total investment of 22% over 1HY2019 ($6.3 millon). All R&D expenditure has been fully expensed as it is incurred.

The company's cash balance at 31 December 2019 was $34.0 million, a lift of 16% over 31 December 2018 (1HY2019: $29.3 million), after paying $6.7 million as consideration for the acquisitions of Alpha Group and Master Business Systems and dividends of $5.6 million.

BUSINESS LINE SUMMARY

Revenue summary for half-year ended	31 December 2019	31 December 2018	Change
	AU $million	**AU $million**	
Content Solutions	24.2	22.5	+ 8 %
Objective Keystone	3.3	3.6	- 6 %
Objective Connect	1.9	1.5	+ 32 %
Objective Trapeze	3.5	1.4	+ 147 %

FINANCIAL SUMMARY

Results summary for half-year ended	31 December 2019	31 December 2018	Change
	AU $million	**AU $million**	
Revenue	33.3	29.2	+ 14%
EBITDA	6.8	5.6	+ 21%
Net profit after tax	4.3	3.6	+ 17%
Cash at balance date	34.0	29.3	+ 16%
R & D expense	7.7	6.3	+ 22%
Earnings per share	4.6c	3.9c	+ 18%
No interim dividend was declared			

Mr Tony Walls, CEO, Objective Corporation said: "Objective delivered another pleasing result in 1HY2020, continuing the momentum of previous reporting periods. Our strategic focus on transitioning a greater proportion of our revenue to annual recurring subscription contracts was successfully demonstrated by the significant increase in ARR since 31 December 2018. This growth, delivered by increased subscription sales across all existing products and supplemented by acquisition, further enhances the Company's ability to continue investing in product development and go-to-market opportunities.

"An important milestone during 1HY2020 was being awarded a 12 year, $38 million contract to provide a cloud-hosted ECM-as-a-service (ECMaaS) solution for the City of Gold Coast (CoGC). The contract delivers Objective solutions to 4,000 users council-wide, leveraging numerous products and our unified user experience framework, Objective iQ. The demonstrated confidence in Objective's ability to deliver this complex and mission critical solution is a testament to the quality of the ECMaaS solution that we have developed.

"Supporting the transition to SaaS products across the portfolio are structural changes to our organisation that foster deeper levels of customer intimacy, coordinated service and support offerings across products and an increased cadence of product development delivery. Our go to market strategy focuses on customer success, supporting the subscription lifecycle and growing within customers by applying Objective solutions to new use cases and delivering enhanced value.

"We were delighted to welcome Master Business Systems to the Objective family in November 2019, further deepening our capabilities in the local government market. Our Planning Solutions division has now grown to over 70 staff which provides a critical mass to develop highly innovative products that deliver exceptional value to our local government customers and the communities that they serve.

"Our investment in M&A over the past three years has developed a substantial footprint in local government which we have progressively transitioned to the direct customer relationship model that is one of Objective's key competitive advantages. Our customer footprint of over 500 local government customers provides a significant future growth opportunity as we direct a greater proportion of our R&D efforts to developing market leading solutions for these customers," said Mr Walls.

OUTLOOK

Mr Tony Walls, CEO, Objective Corporation said: "We were pleased with the performance of the business in 1HY2020.

"We have always placed our customers and the communities they serve at the centre of our strategy and this has facilitated a seamless transition to a subscription business whose success demands we meet the challenge of always delighting our customers. Focus on customer success, common user experience, integrated products and aligned go-to-market and post sales services and support are foundational elements to the success of this model, and already exist as an integral part of the culture and values we uphold at Objective.

"Objective's landmark agreement with City of Gold Coast announced in 1HY2020 is an important demonstration of the market acceptance of the subscription software model for large scale Content Solutions implementations. The success of the transition to subscription revenue models has resulted in more than 75% of Objective's total revenue from recurring contracts and 28% growth in the Annual Recurring Revenue balance to $54.1 million.

"In addition to the continued growth in our existing business lines, we have demonstrated disciplined success in pursuing acquisitions that expand our product offering and customer reach. Our management team has developed an efficient framework to identify, assess, execute and rapidly integrate acquisition opportunities, which we will continue to exercise in the market. Following the acquisition of Master Business Systems, the Planning Solutions is truly at a critical scale to provide innovation in the Local Government market. As we further integrate Alpha Group and Master Business Systems we expect the impact to accelerate and we will invest to deliver a market leading solution that provides outstanding outcomes for customers and the community".

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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