

ASX ANNOUNCEMENT

15 July 2020

TRADING UPDATE – FINANCIAL YEAR 2020

Objective Corporation (ASX:OCL) provides the following trading update for financial year 2020 (FY2020), based on unaudited management accounts as at June 30, 2020.

Headline results for FY2020 are:

A\$m	FY2020	FY2019	Change
Revenue	70.0	62.0	+ 13%
EBITDA	17.2	14.1	+ 22%
NPAT	11.0	9.1	+ 22%
Operating Cash Flow	28.5	23.4	+ 22%
R&D Spend (100% expensed)	15.7	13.3	+ 18%
Cash Balance	51.0	34.6	+ 48%
Annual Recurring Revenue (ARR)	56.6	46.6	+ 21%
Recurring Revenue (% of total revenue)	75%	70%	

During FY2020, we continued our drive to subscription revenue, resulting in Annual Recurring Revenue (ARR) growth of 21% and increasing recurring revenue to 75% of total revenue.

Recognised revenue in key subscription product lines grew strongly: ECMaaS (101%); Connect (34%); Trapeze (51%); Keystone (8%) and Alpha One (49%)¹.

EBITDA and NPAT both increased by 22%, demonstrating the strong operating leverage of the business, underpinned by the high proportion of recurring revenue.

Cash flow from operations was \$28.5m, representing 166% of EBITDA and closing cash balance was \$51.0m. On 1 July 2020, Objective acquired government RegTech specialist iTree for a net cash consideration of \$18.5m. There are no deferred consideration payments to be made under the iTree purchase agreement.

As per our strategic plan, perpetual right to use (upfront licence) fees continued to decline as a percentage of revenue, representing only 6.6% of total revenues in FY2020 (11.2% in FY2019).

Significant investment in innovation remains at the heart of our business model. We invested \$15.7m in Research & Development (R&D), representing 22% of revenue. In keeping with our long-term accounting policies, no R&D expenditures are capitalised. They are 100% expensed when incurred.

¹ Change over Alpha One revenue for FY2019 including period from 1 July 2018 – 31 March 2019, prior to Objective ownership.

FY2021 OUTLOOK

Tony Walls, Objective CEO, commented, “Objective’s financial results in FY2020 are a pleasing continuation of the strong performance of recent years. We again delivered significant growth in all financial measures including ARR, NPAT and operating cash flow. The results demonstrate our uncompromised commitment to transitioning our business to subscription-based revenue models and growing our annual recurring revenue base. 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 FY2021.

“The foundation of predictable, high-quality revenue streams has facilitated growth in two strategic imperatives; it has enabled us to continue to invest in innovation across our product portfolio and it has funded the acquisition of complementary market-leading software developed by Master Business Systems and iTree. We are extremely pleased to be able to offer our customers a broad suite of outstanding solutions that support the flexible working arrangements required for the continued delivery of critical services to the community from any device and from any location.

“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. We will 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.”

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:

Ben Tregoning – CFO / Company Secretary
Objective Corporation
Email: investors@objective.com
Ph: +61 2 9955 2288