Letter to our shareholders

Financial Year 2022

Objective Corporation Limited (ASX:OCL)

OBJECTIVE.COM

From Tony Walls

CEO, Objective Corporation

Fellow shareholders,

As we close out financial year 2022 (FY2022), I reflect that personal and professional lives are finally beginning to return to (the new) normal. I've also been amazed by the unrelenting enthusiasm and tenacity demonstrated by our people to keep delivering outstanding digital government software.

FY2022 was an important year for Objective. From a financial performance perspective, we sailed past $100m revenue for the first time, our annualised recurring revenue (ARR) grew by 15% to over $85m and our profitability grew to $21m, or 30% up on FY2021. Our record investment of $25 million in research and development (R&D) brought major new product innovations to market, we also added additional capabilities through acquisition and we maintained a very robust balance sheet that allows us to pursue to new opportunities.

Like all of the tech sector, we also found ourselves in a war for talent and delays in filling open roles impacted our ability to deliver on our ambitious development program, which then translated to delays in bringing our new products to market. So it is a testament to the grit and tenacity of our teams that both Objective Build and Objective Nexus were launched in late FY2022.

These new products complement and extend our existing product portfolio that continues to present a compelling value proposition, and we welcomed many new customers across every business line.

While these are really solid financial results, our net ARR growth didn't quite meet our expectations. We were undoubtably impacted by difficulty in engaging with customers during periods of lockdown and illness, but we simply didn't execute on some of our plans as expected and we ended the year shy of our 20% net ARR growth target.

HIGHLIGHTS OF FY2022

It's difficult to know where to begin summarising the highlights of FY2022. None is more important or significant than the other and the list is long.

New Zealand Police

I'll begin with the signing of a new customer in New Zealand Police, as this project is the ultimate representation of our Mission in action, *to deliver outstanding software driving stronger communities and nations.*

In May 2022, the New Zealand Police selected Objective for its Arms Information System and Objective RegWorks will manage the registration and licensing of all firearms in New Zealand. Establishing this registry is one of the outcomes of the Royal Commission into the attack on a Christchurch mosque in 2019. We are deeply aware of the significance of this project and proud to be working with the team from New Zealand Police to deliver such important national outcomes for the people of New Zealand.

This was a competitive, multi-phase, tender process that resulted in a 5 year, circa $13 million contract, setting yet another record for the largest RegWorks customer win, so far.

Launch of Objective Build

Still in New Zealand, we were extremely excited to see the fruition of our deep investment in Objective Build, in market and recently live at Central Hawkes Bay District Council. Feedback from both the Council and those working in the construction industry has been overwhelmingly positive.

$14 billion worth of construction applications were processed through our existing platforms of AlphaOne and GoGet, in New Zealand during FY2022; with Objective Build now live, the improvements to the application, approval and inspection process will deliver significant benefits to this important sector of the economy.

The final resolution of the investigation by the New Zealand Commerce Commission into our acquisition of Master Business Systems provides certainty to customers and employees about our future investment in Objective Build and the strategy to push it forward.

Central Hawkes Bay District Council, New Zealand

"Objective Build provides a more seamless process for our customers, it's easier, more intuitive, and faster. And for our staff it makes it more efficient and means we can be more responsive to meet the needs of our customers."

Josh Lloyd
Community, Infrastructure & Development Manager
Central Hawkes Bay District Council
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Launch of Objective Nexus

Changing work practices over the past two years, have brought into sharp relief the importance of staff being able to securely access the information they need, no matter where they're working. This practice is one of the benefits we're delivering to our Content & Process customers with the launch of Objective Nexus – although it wasn't the original impetus. We invested heavily in the development of Objective Nexus over the past two years to ensure our key information and process management solution is delivered entirely as an evergreen cloud solution – aligning our products closely with macro factors guiding public sector IT decisions; streamlining digital services which includes transitioning to cloud, advancing automation of processes and evolving citizen experiences. Gartner discusses these trends in their Worldwide Government IT Spending Forecast and related reports[1] and we are witnessing them play out in our day to day.

Embracing these trends, existing customers are starting to move to Objective Nexus. The South Australian Fire and Emergency Services Commission (SAFECOM), an existing Objective ECM customer who has a strategy to "modernise their IT systems, reduce their infrastructure footprint and move workloads to the cloud" will shift 500 users to Objective Nexus. Taronga Zoo, a long-term Objective Connect customer, will now implement Objective Nexus to improve records and information management practices, provide users with efficient access and effective use of information while complying with state-based legislation.

This program of work demonstrates that our development strategy is on track and meeting market needs, as is our ability to execute and bring new products to market. It also highlights the value of the relationships we have with our customers – when customers choose additional products from our portfolio to help them meet their evolving goals, we are committed to ensure the trust they place in us is returned in software that delivers outstanding outcomes for them today, and into the future.

Acquisition of Simflofy and launch of Objective 3Sixty

In March 2022 we welcomed North American based software company, Simflofy to our family. Simflofy's technology tames the serious data sprawl prevalent in today's organisations, by connecting their business systems, content management repositories and file stores so that users can find information wherever it is held. And from there, take action on that information. Actions such as finding personally identifiable information (that might need to be redacted or protected), find duplicate documents or records that might need consolidating, classifying or disposal.

We call this Federated Information Governance, and the technology complements and extends our existing Content and Process suite, by accelerating the development of Objective 3Sixty, an alternate approach to the repository centric information management framework we have built around Objective ECM.

Objective 3Sixty is now available in all of our geographic markets and the acquisition also opens up new market opportunities for Objective - a footprint of government, financial services and insurance (FSI) and Fortune 500 organisations in North America via established channel partners. To accelerate the reach of Objective 3Sixty and other Objective products in North America, we will actively seek to strengthen our partners go-to-market whilst also building out our direct engagement capability.

As with all of our acquisitions, we are investing in the business to capture the significant opportunities we see, but with the knowledge that it will take time to fully play out.

[1] Gartner Forecasts Worldwide Government IT Spending to Grow 5% in 2022 – Press Release.

MACRO FACTORS THAT FUEL OUR MARKET

Regulation and transparency, the costs of demonstrating accountability; why outstanding software is critical

Wherever we look, in every country, there seems to be more rules, more laws, more regulatory obligations. As a society, we expect the institutions we place our trust in, not only to behave with integrity, but also to be fully transparent in demonstrating their adherence to these expectations.

We are proud that it is Objective software that is very often chosen to deliver this outcome.

From our very beginnings, our document management systems for Australian government were driven from a need for government agencies to meet recordkeeping legislation; right through to today, where Objective RegWorks is mission-critical in delivering regulation in the community. From our work in Financial Services and Insurance, where Objective Keystone produces the documents that ensure they meet their disclosure obligations, to the future of Objective Build and the role it plays in closing the gap between building applications and a building's final adherence to the building code. This is at the core of what we've always done.

But more than that, where we really help these organisations, is in the efficiency of being transparent. This is the crux of our value proposition. It is incredibly expensive for the government to provide regulatory frameworks, and to police them. It is incredibly expensive for organisations to demonstrate adherence to these regulations. Bringing efficiency to implementing and monitoring these costly obligations is what's driving our development direction here at Objective.

HUB24

"Disclosure documents are critical in ensuring that the product is compliant, and very critical to ensure we have products on market to be able to sell to our consumers. So there is no real option in getting those documents wrong.

The impact Objective Keystone has had to our business has been an absolute game-changer."

Matthew Jose
Head of Product Management
HUB24
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We're doing this in two ways: the applicant experience; whether that's at an individual or organisational level, and then we look at it from the perspective of the government; how can we help make that end-to-end process as efficient as possible? Because as a society, we simply can't afford bigger and bigger governments.

We must address this challenge with outstanding software.

Evolving citizen experiences

In my H1FY2022 letter I talked about our plans of taking Objective to the people. This is a trend that continues to fuel demand. Front of mind for most of our public sector customers is how they can deliver citizen experiences that match the experience of other digital services; be that shopping, booking accommodation, banking and more.

> **Wage Inspectorate Victoria**
>
> "We've had hundreds of thousands of people visit our website, use our tools, make reports to us. We've investigated hundreds of matters and we've progressed matters through to court. Objective RegWorks helps us keep delivering these fantastic results for Victorians."
>
> Robert Hortle
> Commissioner
> **Wage Inspectorate Victoria**
> **Watch Video »**

Driving deeper engagement means governments need to meet citizens where they are, usually on their mobile devices; and also give them greater transparency of the government processes they're involved with. This in turn reduces the number of phone calls, complaints and even freedom of information requests to the government agency; all of which are costly to deal with.

A number of products across our suite support the citizen experience, and it's a trend that we expect to increase in the years ahead.

At Wage Inspectorate Victoria, Objective RegWorks powers the regulation and enforcement of new anti-wage theft legislation in Victoria. It provides a RegWorks powered website for people to report unfair employment conditions to the Inspectorate and then the subsequent investigation and management to resolution. The New Zealand Firearms Registry, being established by the New Zealand Police with Objective RegWorks will become the registry for around 2 million firearms in the community, currently only about 75,000 are known to Police.

Objective Build lets architects, builders and residents submit their planning applications directly into our end-to-end solution that will power their applications through their local council; giving all stakeholders transparency of progress throughout the process.

Objective Keystone's community engagement portal enables local governments to capture and respond to community sentiment on strategic plans. In the UK alone, 3 million citizens have interacted with, or responded to a local government document through Objective Keystone.

Looking ahead, we will be giving this capability its own identity; Objective Keyplan, to differentiate it from the Financial Services & Insurance industry's application of Objective Keystone, positioning it specifically for the local government use case that includes a large proportion of community engagement.

> **Bracknell Forest Council, UK**
>
> "Objective Keystone allows us to report in real-time. We can get an instant gauge of public option."
>
> Samantha Wood
> Community Engagement and Equalities Officer
> **Bracknell Forest Council**
> **Watch Video »**

On-Going Public-Sector transition to cloud

Public sector organisations are accelerating their transition of software and infrastructure to cloud environments, whether by mandated strategic initiatives or to gain access to the latest product innovations that are increasingly only offered under this model. We have been on this transition alongside our customers and the new product releases of FY2022, Objective Build and Objective Nexus are both exclusively cloud, software as a service (SaaS) offerings and we continue to direct development effort into cloud offerings across our portfolio.

This macro trend is well documented by industry analysts and also supported by our own market research. During FY2022 we conducted in depth interviews with CIOs of government and regulated organisations, to produce an Insight Paper titled "How CIOs are taming the information sprawl"[2]. 95% of the CIOs we spoke to are either in the cloud, or planning to move to the cloud motivated by benefits such as agility and speed of implementation, cost savings and improved flexibility.

We are always looking for ways we can help customers engage with us, whether for the first time, or to adopt other Objective products. Making software easier to deploy and evergreen reduces barriers to adoption, builds long-term loyalty and creates cross-sell opportunities. We have also been complementing this with changes that streamline customer engagement with digital campaigns, standardising terms of use across products and creating self-serve enablement of training content to ensuring our software is faster and easier to deploy.

The adoption of cloud-based applications also means a change in posture towards information security and managing ever changing threats to customer data. With hybrid work practices here for the long term, balancing the conflicting priorities of information access and security emerged as one of the three key trends in our CIO interviews; 100% of organisations placed security as one of their highest priorities.

At Objective, we have always taken our commitment to security very seriously. It is an incredible responsibility cast upon us as a provider to the public sector and regulated industries to manage some of the most sensitive data a nation holds. Investing in this area is the right thing to do. It's a responsibility that everyone who works at Objective understands and commits to as individuals.

Throughout FY2022 we undertook certification for ISO27001 for the whole organisation. While we had individual products accredited in the past, this is a company-wide undertaking and commitment that demonstrates to our customers that we are as committed to the community and national outcomes they deliver, as they are.

[2] https://www.objective.com.au/resources/insight-paper-tame-the-data-sprawl

WHAT THE SECRET TO SUCCESS AT OBJECTIVE?

Objective's success is often described by the numbers, the product logos or the customers that we've nurtured over time. These are all important, but it's more than that. When I'm asked what the secret sauce to Objective's success is, for me, it's threefold.

1. Outstanding People - Outstanding software and customer experiences are critical from a performance perspective, but none of that would happen without our people and the strong values we share amongst the now 450 of us here at Objective. This is the core of the secret sauce. Despite another challenging year for many of us personally, it is the passion and commitment to our Mission that has really driven the success of Objective over the past year, in fact, forever.

I am deeply grateful to each and every member of our team, who contribute their knowledge, expertise, creativity and often humour to keep Objective moving forward. Thank you for your intelligence, dedication, energy and passion; for inspiring each of us to be our #outstanding best, every day.

2. Outstanding Software - It has always been the goal. Software is a game of meritocracy. Organisations are always looking for the IT investments that bring the greatest value, which means for us to succeed, we need to deliver the best products in our market. And in today's environment this is not static, we need to be investing year on year.

At Objective, we set the high jump bar pretty high. We want our products to be market leaders in their segments. Which means we need to fill our teams with talented people who aspire to the same expectations. And to deliver the best outcomes for our customers, we need to truly understand the customer's problem.

3. Outstanding Customer Experience - From the moment of first engagement, through the delivery project and then ongoing support; that end-to-end experience for a customer has to be outstanding. This is how we build the long-term relationships with customers that we've nurtured for 25+ years.

Inside Objective we have many conversations about walking a mile in the customer's shoes; this enables us to focus on what the customer's experience is. What do they need? What are they getting from us? But it doesn't end at conversations. For us to truly understand the customer experience, we hire people with deep industry expertise, people from within the segments we operate; the various levels of government and financial services, and also from within our own industry. The knowledge these people bring, helps us refine our overall strategy, our overall product suite and the solutions we deliver to customers.

Outstanding People. Outstanding Software; Outstanding Customer Experience. This is our North Star.

WHY GROWTH IS SO IMPORTANT FOR AN ENDURING COMPANY

I am often asked about the growth strategy for Objective. Through experience, we've found the combination of both organic growth, where we design and develop our own software, and growth through acquisition is the right balance for us. And we've built capability in both areas.

Organic growth has the benefit of us getting a product exactly as we've imagined it, exactly what our customers are asking for, from Day 1. But it takes time – incubating new products requires design, coding, trial and error, re-design, test and improve. Not only does this take time, it also takes significant investment.

Acquisitions on the other hand, allow us to bypass the learnings and headwinds of the incubation period; to buy expertise and significantly, to buy time.

Unlike many companies, we view acquisitions as a future growth opportunity, not a cost-synergy strategy. We invest to mature and grow. We look for companies that are post incubation and need investment and expertise in go-to-market, or with existing technology that's ready for re-investment to evolve functionality or user experience. We look for latent value and how to best unlock it.

This balanced approach to growth has allowed us to create a company that is enduring.

In market, this provides us with a competitive advantage. Our public sector and financial services industry customers run stringent procurement processes where strength, stability and longevity are valued as highly as functionality, usability and innovation.

Beyond customers, an enduring company that continues to grow is great for our employees. We offer multiple business lines with lots of products and an array of disciplines. We have operations in 5 countries and customers in more than 60! The career development opportunities for our people are super exciting and on offer within the enduring Objective culture.

WHAT'S AHEAD FOR FY2023

As I observe the economic factors impacting the tech sector more broadly than Objective's performance alone, I get an uncanny sense of déjà vu. If you've followed us over time, you'll know this is not our first rodeo. We made it through the dot.com crash in 2000, the GFC in 2008 and numerous other "pullbacks", "downturns" over the years, with a disciplined approach to financial management, and a focus on growth and profitability. In fact, historically we've performed better in downturns than boom times.

The lynchpin to our success is our people. We are fortunate to have some of the best and brightest minds in the industry working here at Objective.

Living through the turmoil of repeated lockdowns and altered work habits has had an impact on all of us. In recognition of this impact, we've worked hard throughout the year to ensure we are all aligned on Objective's Mission. We've implemented programs to reinforce our values, build stronger connections and attract new talent. Our employee engagement remains very strong, and at its core it's because our people know that their work here makes a difference in the communities that they live in.

Ensuring we have a stable team to deliver on our plans and goals also requires investment in their remuneration, particularly in a competitive talent market. We've increased our investment in our employees; to keep pace with the strength of tech salaries and additional hiring to support our growth plans.

Dept. Communities and Justice, NSW

"Objective Reach is a world-first initiative - it's something that was never achieved, anywhere, internationally or across the nation before. It enables real-time decision-making about risks for children that helps keep them safe."

Briony Foster
Executive District Director, Sydney, South Eastern Sydney and Northern Sydney Districts
Dept. Communities and Justice, NSW
Watch Video »

Over numerous financial years, we've been actively driving our revenue model to subscription-based revenue, so that now, 95% of our software revenue is recurring. This certainty of revenue gives us the confidence to invest for the long term and ensure that we look beyond the current financial year when making decisions on product development, go to market strategy and acquisitions.

Content & Process ARR growth is already looking stronger in FY2023, although we do not expect to see any meaningful ARR growth generated by Objective 3Sixty until the second half. We will prioritise ARR growth over growth in services or perpetual right to use licence revenue. This strategy also drives our product development decisions. We're investing in developing products that can be deployed faster, with less services required at implementation. We know this will subdue services revenue growth in the near term, which is great for customers, and it also makes our business more scalable and more profitable in the future.

All new customers are contracting on subscription models, whether they choose cloud or on-premise deployments, and we expect to end perpetual right to use licences for Objective ECM by June 2023 for all customers.

Across the RegTech portfolio we expect to see ongoing robust growth. We have invested substantially in this business line over the past two years and the revenue and ARR growth has exceeded our expectations.

FY2023 should see our first RegWorks IQ implementations in the UK, which we believe will have strong opportunities in the years ahead.

With the NZCC matter finalised and our first Objective Build customer go live in early July, we have some catch up cricket in Planning and Building in FY2023. I'm super pleased to report that we already have 20 Councils signed up for implementation just 8 weeks into the new financial year. This demand is a testament to the work done by all the Build stakeholders over the past 2 years. #Outstanding. We are also pushing ahead with one of our favourite products in Objective Trapeze. It has become the de facto standard in council planning departments across Australia and New Zealand and will be expanded with additional capabilities in the year ahead.

The focus on profitability and cash generation that is at the centre of our business model means that we start FY2023 with a very strong balance sheet position. We maintain our access to a wide range of capital funding to invest in our existing business and pursue corporate development. As tech valuations temper we're looking for greater impact acquisition opportunities that fit our proven model.

We are sure that revenue and profit will grow in FY2023 but there are a few one-off factors, such tech salary growth, NZCC delays, starting ARR and driving down customer service costs that will be a light headwind. We see these effects as transitory and some may even be mitigated during the year ahead.

We have a resilient growth model, a great team and an outstanding future. As always, we're excited and fully engaged in the opportunities ahead. Thanks again for all your support.

Tony Walls
CEO, Objective Corporation