24 November 2022

ANNUAL GENERAL MEETING – FY2023 TRADING UPDATE

Ahead of our 2022 Annual General Meeting, Objective Corporation (ASX:OCL) provides the following trading update for financial year 2023 (FY2023).

As outlined in our FY2023 outlook statement, this year we will finally phase out Perpetual Right To Use (PRTU) licencing and additionally we have quarantined the option to purchase PRTU licences to existing (Enterprise Content Management) ECM customers only. Our focus is on driving growth in Annual Recurring Revenue (ARR) and today all other Objective products other than ECM are only licensable on a ARR (subscription) basis, with revenue recognised on a prorated basis over the term.

We have continued to invest to reduce the cost and time to deploy our solutions for customers. We see this as essential to our scale aspirations, particularly with the very strong outlook for Regworks in 2HY2023. Beyond FY2023 we have the option to build service delivery partners to assist with customer implementations, particularly in the UK. Both of these initiatives will deliver greater customer and shareholder value, however we will see declining service delivery revenue in the near term as we drive out these strategies.

With our confidence in the outlook for the business we continue to invest in people. Salary growth in the technology industry has been very robust over the past 18 months, although it has moderated more recently.

Equally, we have enjoyed and benefitted from re-engaging with customers and employees in person. Despite the one-off normalisation in travel costs this has driven, we view this as essential to fostering long term customer relations and sustaining a strong organisational culture.

The result of these licencing and delivery strategies, investments in people and cost normalisation in a post Covid world will be that recognised revenue growth numbers in 1HY2023 and FY2023 results are going to be single-digit rather than the double-digit figures that shareholders have come to expect from us and we expect a slight decrease in operating profit margin for this year. Whilst we could lift reported earnings significantly by changing our R&D captialisation policy, for transparency we remain committed to our policy of 100% expensing and no capitalisation.

Objective remains highly cash generative, and we have already seen our financial security become a key differentiating factor in attracting and retaining high calibre staff. We expect that this will continue through FY2023 and position Objective well for the future. With a current cash balance exceeding $60million and no debt we are in the enviable position of being able to continue to pursue our successful M&A program and we continue our proactive engagement with organisations that would fit strategically with Objective.

The customer demand and fundamentals of our business remain strong. This will put us in a strong position to deliver outstanding headline numbers again from FY2024.

ABOUT OBJECTIVE CORPORATION

We create software to make a difference.

Using Objective software, thousands of public sector organisations are shifting to being completely digital. Where our customers can work from anywhere; with access to information, governance guaranteed, and security assured.

Innovation is our lifeblood. We invest significantly in the ongoing development of our products to deliver outstanding solutions to the public sector and regulated industries.

The result – stronger national and community outcomes, and accountability that builds trust in government.

www.objective.com

FOR FURTHER INFORMATION, PLEASE CONTACT:

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