



Letter to our shareholders

H1 FY2024

Objective Corporation Limited (ASX: OCL)



From Tony Walls

CEO, Objective Corporation

Fellow Shareholders,

I've communicated with you in the past the importance I place on building an enduring business and I am pleased to report that in the first half of financial year 2024 (1HY2024) we've continued to grow our business profitably and the outlook for 2HY2024 is strong.

In the last 5 years, the amount we've invested in innovation is double the amount of the previous 5 years, and it represents 43% of our R&D investment of all time. These are significant numbers and integral to the success of Objective today. This investment has transformed our public sector customers' journey to cloud to deliver the new cloud offerings of Objective Nexus and evolved Objective 3Sixty to complete our content solutions suite, brought Objective Build to life, and modernised Objective RegWorks and readied it for scale.

We are now truly a cloud-first, subscription only company, owning our rightful position in the competitive landscape and differentiated as trusted experts in the markets we operate in. During 1HY2024 we maintained our focus on net ARR growth, and we remain committed to our 15% growth target in ARR for FY2024 whilst also expanding margins.

It is our very talented team that I'd like to acknowledge here on page one; at heart, I'm a software guy and I am truly grateful that I am surrounded by a team of super bright people that share this passion for building, delivering and supporting outstanding, valuable software that people love to use. We are hiring great people to bolster our teams; staff attrition is low and engagement is high. I truly appreciate the dedication and commitment everyone at Objective has shown in delivering a great first half result for all Objective stakeholders.

In building our business we look at it through three lenses:

Growing Demand Through Customer Value

Investing For Life, Building for Forever

Scaling Profitably

I would like to share some insights from each of these perspectives, as they relate to 1HY2024:

GROWING DEMAND THROUGH CUSTOMER VALUE

At Objective, one of the core values we live by is Tenacity. We have been building demand for our solutions in targeted market segments for years. Whilst not always demonstrating significant financial progress in every single reporting period, our tenacious approach to market development continues to build strong momentum across all business lines.

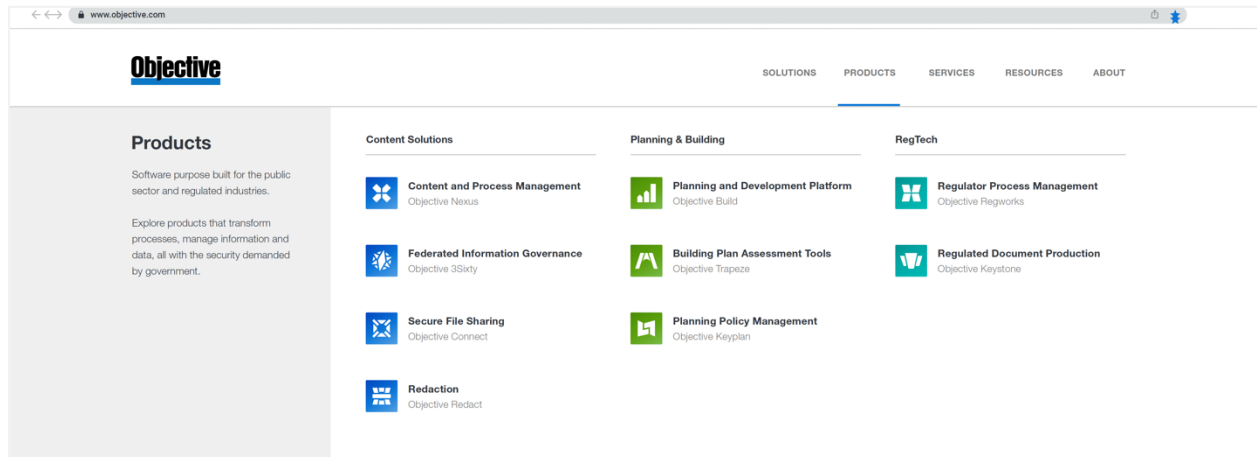
The transition to cloud information governance for our predominantly public sector customers is now a reality. Successful transitions for our early adopters have laid a foundation of referencability for more customers to convert in the second half of the year and beyond, validating not only our technical capabilities for project delivery and migrations, but also proving that cloud information governance can meet the stringent record keeping and document management requirements of government agencies.

Investment is not only about our products, we also invest to grow our customer relationships, nurturing relationships that typically endure for decades. As our portfolio of cloud products expands, so too do the relationships we can have with our customers; they trust us to do more for them. Focusing on Customer Success across our business ensures our customers are getting the most from their Objective solutions today, and we keep them as customers in the future. Finding new ways that we can improve the value that we bring to customers is essential to grow faster, and feedback gained through our close relationships is essential in driving this.

In the second half of FY2024 we will be refining our offering under the Content Solutions portfolio by consolidating a number of existing products and strengthen the alignment and integration of these products under a single information governance offering, Objective Nexus. While some products will still be available for individual subscription: Objective 3Sixty, Objective Connect and Objective Redact, our primary go-to-market emphasis will be on a complete suite of content services, delivered in the cloud. The products will be marketed as a portfolio and we will return to Content Solutions as the name of the business line, due to strong recognition amongst our customers.

The effects of this evolution will flow to our other business lines; Planning & Building and RegTech, where we will also tighten the portfolio approach, supporting seamless interoperability of products within families,

building familiarity in the user experience for customers where people will often be gliding from one product capability to another. It also positions us to easily integrate future acquisitions, where there will be natural alignment with our existing product portfolios.



[Sneak peek of the product portfolios on the Objective website to go live in H2FY2024.](#)

INVESTING FOR LIFE, BUILDING FOR FOREVER

In 1HY2024 we invested close to 30% of our software revenue into product innovation, continuing our long-term commitment to building world-class, mission critical government software solutions. Our investment programs are seeded by a vision of building the digital infrastructure for government that will remain relevant for decades to come through continual innovation and improvement. These ambitions are brought to fruition when we are trusted to deliver solutions such as building a national building consenting system, a national firearm register, or the digital governance framework for a national defence force.

Whilst, today's Artificial Intelligence (AI) could be at the peak of its current hype cycle, our customers using Objective Trapeze, Objective Build, Objective RegWorks, and Objective 3Sixty have been benefitting from machine learning and computer vision embedded in their products for some time, years even. Everyone at Objective is geared to be on the lookout for new opportunities to innovate, ultimately delivering long term benefits to customers.

Whilst our vision is long term, we have made meaningful progress more recently in three key focus areas: evolving the Objective Design Language, more deeply integrating our products, and meeting the stringent security requirements of our customers.

Our investment in the Objective Design Language (ODL) continues to deliver a consistent, clear and accessible user experience (UX), built from modular, reusable elements. Investing in ODL ensures that our

solutions are used by more people, adopted more rapidly, and allow customers to engage more deeply with the community. Beyond UX, we're building shared services and sharing development components, code and frameworks across products. This allows us to develop products faster and to share innovations between products.

Given the mission critical nature of our products, particularly in the defence, justice and national security sectors, investing in security will always be a priority. This investment is directed into our products, in training our employees and in the resilience of our corporate environment. Customers rely on our solutions to protect the vast volumes of information in their care and also to ensure the safety, integrity and wellbeing of the communities they serve; for example, protecting the nation from firearm violence at Te Tari Pūreke Firearms Safety Authority in New Zealand, assisting the integrity of elections at the Australian Electoral Commission or responding to an international aid crisis to re-home Ukrainian refugees in Wales. The strength of this demand driver gives us the confidence to constantly invest in our security posture.

Followers of Objective will know that we seek acquisitions of businesses that we can acquire and own forever. These acquisitions need to offer a true strategic alignment to accelerate our long-term programs of product development or customer acquisition. We won't spend our capital in seeking a quick hit on our ARR trajectory, we invest in companies that will sustain our strategy for the long term. Over the past 12 months, we have undertaken analysis of numerous M&A opportunities, some to a very deep level, and we continue to gain deeper market knowledge through our investigations, particularly in North America. The acquisition opportunities we explored over this period did not reach our thresholds in relation to return on invested capital and management capacity. These processes have identified attractive niches where Objective's existing portfolio of products meets the customers' need, and in parallel we will invest in growing those markets organically. Whilst we are still very actively seeking M&A opportunities, in the near-term we are confident that an investment in organic growth will have a substantially greater return on capital, whilst still allowing us to deliver our expected margin expansion over the same period.

SCALING PROFITABLY

Over the past 5 years Objective has undergone a significant transformation as we have transitioned to subscription revenue and focus on ARR. The ARR balance in 1HY2024 is more than double the balance at 1HY2019 and we celebrated a significant milestone in 1HY2024 with 100% of our software revenue now sold on subscription basis.

The transition to a subscription model has driven changes across our organisation, further bringing customer success to the fore as we foster more regular interaction with customers throughout their lifecycle. There has been a significant change in positioning with customers as we focus on developing and delivering evergreen cloud-first SaaS solutions. And whilst the trajectory for our customers is to the cloud, we are leveraging

innovations from our R&D programs across both cloud and on-premise delivery models to ensure that customers understand we are working with them in this transition, not turning off the tap on their current solutions. With our focus on long-term customer success, we believe that happy, referenceable customers are more valuable to us than those forced to a cloud solution.

Whilst growing ARR is our focus, it is important to our flywheel of innovation that we can deliver this growth profitably. The focus on increased profitability is also driven by improved returns on investment in our product development, go-to-market, and corporate support teams.

With our focus on the long-term, we invest consistently in process excellence, allowing us to deliver solutions to our customers faster and at a lower delivery cost. Through this focus, we have prioritised reducing the time to value for customers, resulting in lower services revenue per deployment.

OUTLOOK

The one-off headwinds we experienced in FY2023 are behind us. The war for tech talent has moderated to be focused on only a few specific skill sets and we have been able to better control the growth in expenses. We've rationalised parts of our operations by exiting subscale inherited businesses and contracts that do not align with our long-term strategic direction.

The 1HY24 results reflect the typical seasonality when working with the public sector. As we look to the second half of FY2024 and beyond, I am confident that we have the foundations in place to deliver the full year result our shareholders expect. Strong momentum in each of our business lines is turning the demand we've been tenaciously developing into new customers and new subscriptions.

I look forward to sharing our success with you throughout the remainder of FY2024 and beyond.

As always, thank you for your trust and support.



Tony Walls

CEO, Objective Corporation