Objective

ASX ANNOUNCEMENT

28 August 2019

OBJECTIVE CORPORATION

FINAL RESULTS FY2019

Objective Corporation (ASX:OCL) today announced its final results for the financial year 2019 (FY2019). These results were in line with the Trading Update provided on 15 July 2019.

- Group revenue for Financial Year 2019 (FY2019) was $62.0 million (FY2018: $63.1 million) and EBITDA was $14.1 million (FY2018: not comparable). Whilst revenue was flat in FY2019 compared with FY2018, the prior year included a material contribution from a large consulting project that concluded prior to FY2019. These revenues were replaced in FY2019 with higher margin software revenue, driving improved profitability for the business.

- Net profit after tax (NPAT) increased by 23% to $9.1 million (FY2018: $7.4 million).

- Recurring revenue grew by 13% over FY2018 to 70% of total revenue in FY2019. Annual Recurring Revenue (ARR) increased to $46.6 million at 30 June 2019, an increase of 15% over the balance at 30 June 2018 ($40.5 million).

- In FY2019, the Company invested $13.2 million in Research and Development (R&D) (FY2018: $13.1 million) representing 21% of revenue. The company fully expenses all R&D expenditure in the year that it is incurred.

- In April 2019, Objective Corporation acquired Alpha Group the developer of Alpha One, a cloud based digital building development consent software solution based in Palmerston North, New Zealand. The total acquisition consideration for Alpha One comprised of NZ$3.0 million in cash and 200,000 shares in Objective Corporation. Annualised FY19 revenue for Alpha Group totalled NZ$3.0 million with ARR of NZ$2.0 million as at 30 June 2019.

- The business delivered operating cash flow of $23.4 million (166% of EBITDA) in FY2019, an increase of $12.1 million over FY2018 operating cash flow ($11.3 million). Operating cash flow in FY2019 included the collection of $4.6 million in relation to the large consulting project that concluded prior to FY2019.

- The cash balance at 30 June 2019 was $34.6 million, an increase of $13.1m over 30 June 2018. As at 27 August 2019, the cash balance is $45.1 million. The Group has no external borrowings.

- Directors declared a fully franked dividend of 5.0 cents per share and an unfranked Special Dividend of 1.0 cent per share. The Share Buyback remains in place.

REVIEW OF OPERATIONS

Results summary for full year ended	30 Jun 2019 AU $million	30 Jun 2018 AU $million	Change (%)
Revenue	62.1	63.1	- 2%
EBITDA	14.1	n/a	n/a
Net profit after tax	9.1	7.4	+ 23%
Cash at balance date	34.6	21.5	+ 61%
R & D expense	13.2	13.1	+ 1%
Earnings per share	9.8 cps	8.0 cps	+ 23%
Final dividend (100% franked)	5.0 cps	5.0 cps	
Special dividend (unfranked)	1.0 cps	-	

BUSINESS LINE SUMMARY

Results summary for full year ended	30 Jun 2019 AU $million	30 Jun 2018 AU $million	Change (%)
Objective Content Solutions			
Sales revenue	48.0	51.1	- 6 %
Objective Keystone			
Sales revenue	7.1	6.6	+ 8 %
Objective Connect			
Sales revenue	3.1	2.4	+ 27 %
Objective Planning Solutions			
Sales revenue	3.3	2.4	+ 37 %

COMMENTARY ON OPERATIONS BY PRODUCT LINE

CONTENT SOLUTIONS

In FY2019, revenue in our Content Solutions business decreased by 6% to $48.0m (FY2018: $51.1m). Our focus on higher margin software revenues delivered revenue growth in new licence sales of 18% over FY2018 and growth in ECaaS revenue of 23% over FY2018. Prior period revenue comparisons were impacted by the material contribution from a large consulting project in FY2018 that was not repeated during FY2019.

During FY2019 we experienced strong demand for the new software. This strong validation from existing customers is testament to the quality of Objective's current product releases; their ability to support modern ways of working; and our on-going dedication to understanding and delivering on our customer's needs.

Utilising Objective iQ, our content solutions products empower our customers to transform traditionally paper-based and inefficient digital methods into highly scalable and streamlined best practice processes. Objective products are becoming more embedded in business processes at all levels of customer organisations as the workflows developed internally by our customers and standardised in best practice products as Industry Solutions drive engagement throughout customer organisations. The latest releases of Objective Content Solutions software are instrumental in moving content management from a recordkeeping function to an all of business productivity capability that delivers significant value for customers.

Over a number of years, we have been actively simplifying and reducing the cost of the upgrade path for Content Solutions customers, by focusing on developing more efficient technology and professional services practices that simplify the transition to new versions of software. This strategy ensures our customers get the maximum value from their investment, benefit from the full impact of the latest technology updates and integrations and the ease of a re-imagined user experience. As at 30 June 2019, 87% of Content Solutions customers have committed to Objective 10, our most recent generational release, and over 30% have committed to version 10.5 or later which offers the full benefit of Objective iQ. Reducing the complexity of upgrade engagements does create an offsetting impact in the value of services work related to delivering upgrade projects for Objective customers however it represents much better value for our customers, leading to long term loyalty and greater adoption of the solutions. We have focused our services delivery on recurring managed service engagements where our customers utilise our deep product and process knowledge to realise the on-going benefit of an actively managed environment.

During FY2019, we further extended our unified user experience framework, Objective iQ, to the full product suite. Objective iQ is central to our strategy of facilitating the dissemination of governance throughout our customer organisations as a by-product of better business processes. The simplicity of the Objective iQ user experience, delivered consistently across desktop, mobile and tablets allows customers to spread usage of their current products across a larger number of users and to more easily integrate other Objective solutions to apply to new use cases.

Research and development in FY2019 focused on delivering additional functionality related to document collaboration and co-authoring, significant user experience enhancements, enhanced security features and native integration with Microsoft Office 365. These enhancements are targeted at delighting all users that access Objective products every day and allowing them to complete business critical, time sensitive processes more efficiently whilst still retaining full document governance. We also further deepened our engineering effort with Micro Focus to enhance the quality of the integration of Objective Perform and Micro Focus Content Manager and better tailor it to Micro Focus Content Manager customer usage patterns. The Micro Focus global customer base of Electronic Document and Records Management Systems (EDRMS) customers are increasingly able to

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

CONTENT SOLUTIONS (CONTINUED)

seamlessly utilise Objective products for the automation of business-critical processes within their organisations whilst retaining the Micro Focus Content Manager repository.

During FY2019 we continued to invest in the development of Industry Solutions, including the release of Ministerials 3.0 which automates the process of preparing, reviewing and approving ministerial statements for representatives in state and federal governments. Many of our customers are well progressed on a journey of digital transformation and are utilising Objective solutions to implement best practice software solutions for high value processes. Drawing upon our deep industry expertise and working collaboratively with our customers, we have also invested in Objective OpenGov (for handling of Freedom of Information requests).

OBJECTIVE KEYSTONE

During FY2019, revenue in our Keystone business increased by 8% to $7.1m (FY2018: $6.6m). The overall results were driven by an increase in software revenues of 21%, offset by an 18% decrease in services revenue following the completion of a number of significant implementation projects.

The value proposition for Keystone in Financial Services & Insurance (FSI) market is well established amongst the largest financial institutions in Australia in relation to fund management documentation. In FY2019 we continued to win new customers in the investment management, superannuation and portfolio management industries and saw increased usage from existing customers. The success of Keystone in transforming the production process for regulated documents is driving the adoption of the software across other use cases within each customer organisation. Leveraging demonstrated capabilities in the Australian market, we commenced marketing in the UK FSI market in late FY2019.

To further enhance the offering for FSI customers in FY2019, research and development activities for Objective Keystone focused on delivering improved user experience and further functionality that enhances the ability for users to manage a portfolio of documents and identify changes over multiple documents, as well as extending the number of document types that can be produced using Objective Keystone.

The performance of Objective Keystone in the public-sector market, which we cover in Australia, New Zealand and the UK, continued to improve in FY2019. Keystone is used by over 250 local government customers for the compilation of complex planning documentation and seeking community feedback on the proposed plan. During FY2019, with assistance from the Queensland Government Innovation and Improvement Fund, Objective invested in significant improvements in stakeholder engagement capabilities to enhance the value for local government customers.

The use case for Objective Keystone has also extended further into state government departments where there is a requirement for the rapid production of complex documentation with multiple collaborators. The Victorian Department of Environment, Land, Water and Planning extended the use of Keystone for the production and maintenance of state-wide planning regulations as a fully managed solution and we also welcomed a NSW state government department using Objective Keystone for the production of Cabinet papers. This broadens the addressable market for Objective Keystone into a market where Objective already has well-established customer relationships and a deep understanding of customers governance environments.

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

OBJECTIVE CONNECT

Objective Connect revenue grew to $3.1m in FY2019, a growth over FY2018 of 27% (FY2018: $2.4m). In line with the strong growth in revenue, we continued to invest in the development of the product offering and the go-to-market team in Australia and the UK.

For public sector entities where information governance is critical, Objective Connect provides the ultimate protection for their information when they need to share and collaborate on documents within the organisation and with external stakeholders. The solution is clearly differentiated from generic file sync and share tools that are designed for individuals coming together to collaborate on a single document. Objective Connect facilitates and supports cross agency processes by controlling the distribution and receipt of content and information between an agency and their trusted partner networks.

Objective Connect has been developed specifically for the public sector and product releases during FY2019 further enhanced the applicability of the product to specific public sector use cases. This included numerous feature releases such as courtroom ready workspace records and improved collaboration tools, a relaunched mobile app experience and a strengthening of the security framework within Objective Connect, including the transfer of all customer data to Protected Data Centres in each local market.

Objective Connect is a repository agnostic content collaboration tool and utilising this framework Objective has worked closely with Micro Focus to deeply integrate Objective Connect with Micro Focus Content Manager. This engineering partnership was complemented by joint market development events where Objective Connect was presented as the default secure, online collaboration tool for users of Micro Focus Content Manager.

OBJECTIVE PLANNING SOLUTIONS

Objective Planning Solutions revenue grew to $3.3m in FY2019, a growth over FY2018 of 37% (FY2018: $2.4m).

Since acquiring Onstream Systems in 2016, Objective has made a significant investment in the Trapeze solution. Trapeze Professional was released in late FY2019 and represents a major new product release of the software, incorporating numerous functionality enhancements and improvements to the user experience for planners in local government. These enhancements will facilitate improved accuracy and efficiency of the development application process and assist councils to deliver better outcomes, more efficiently for ratepayers and other stakeholders.

During FY2019 we transitioned our go-to-market model for Trapeze from the indirect go-to-market model that we inherited, to a direct sales relationship with our customers. Through this change, Objective has onboarded over 150 additional direct customers in the Australian market, adding to our existing Trapeze customer base in New Zealand and the UK. We are actively working with these customers to better understand their existing processes and use cases in order to deliver future product enhancements. Our customer relationships are also enhanced by a deepening technical and sales relationship with Microsoft. Trapeze Professional has been featured within the Microsoft Technology centres and the software has been tailored to deliver a unique and outstanding user experiences on newly released Microsoft Media Surface hardware.

During FY2019 we welcomed Alpha Group customers and employees to Objective. The developers of online building consent system Alpha One, based in Palmerston North, New Zealand. Due to the alignment between the use cases and target markets for Alpha One and Objective Trapeze, the revenues for Alpha One have been included in the Planning Solutions business line. The businesses will be more closely integrated following the

COMMENTARY ON OPERATIONS BY PRODUCT LINE (CONTINUED)

OBJECTIVE PLANNING SOLUTIONS (CONTINUED)

consolidation of both teams into the new Objective Planning Solutions Centre of Excellence in Palmerston North which will come online at the end of 2019.

The Trapeze business line results also include the contribution of Objective Redact. Relaunched in March 2018, Objective Redact has been established as a world class solution for efficient and irreversible redaction of sensitive documents. The fully automated customer onboarding process, supported by digital marketing campaigns, has grown sales globally with over 75% of revenue generated outside of Australia & New Zealand and 50% of revenues being derived from North America. Objective will continue to invest in the Objective Redact product, including further enhancements of the user experience and deeper integration with EDRMS to deliver specific business process outcomes to customers.

OUTLOOK

Mr Tony Walls, CEO, Objective Corporation said: "Objective delivered a very solid and pleasing result. While revenue remained flat, we delivered margin expansion, material growth in ARR, enhancements across our suite of products, welcomed new customers and assisted existing customers evolve and expand their solutions.

"The increasing proportion of subscription revenue provides significantly greater predictability around future revenue and earnings, allowing us to better plan and manage our resources. During FY2020 we will continue to utilise the strong cash flows generated by the business to invest in our existing product portfolio, as well as introduce new products through acquisitions where strategically aligned.

"The high quality of Objective's management team, complemented by our investment in internal systems and processes, allows us to successfully manage a number of business lines and products at different stages of development. We have demonstrated the capabilities and maturity to invest in businesses, both internally developed and acquired, in a way that allows them to realise their potential in target markets. During FY2020 we will seek additional opportunities to acquire companies that meet our disciplined financial and target customer metrics where these acquisitions can accelerate our product development roadmap or customer reach.

"Our expanding range of solutions all sharing the Objective iQ interface and the depth of our customer relationships provides numerous opportunities to grow revenues within our existing customer base. The alignment of user experience for Objective products has allowed our go-to-market strategy to be re-shaped to take all solutions to target customers through a unified point of contact, supported by product specialists. This will allow Objective to further leverage the long-term relationships that we have built with our customers to extend their adoption of a portfolio of Objective products.

"We enter FY2020 in a strong position and expect material growth in revenue and profitability; with all business units to be contributing to profit by close of FY2020.

"We have a simple but powerful purpose of Bringing Governance and Better Business to the organisations our communities depend upon. This is made possible by our loyal customers, staff, and shareholders. The Board and management of Objective would like to thank all of our stakeholders 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:

Ben Tregoning – Chief Financial Officer
Objective Corporation
Email: media@objective.com
Ph: +61 2 9955 2288