A strategy for growth and continuous improvement

Strategic pillars

We build our strategy on five strategic pillars, enabling us at all times to focus on priorities and react fast and decisively to changes in our operating environment.

Digital Transformation

Driving the digital transformation of the industrial world

A confluence of global market dynamics, digital technologies and changing business models is disrupting industrial markets, and Covid-19 has further exacerbated the situation. The adoption and maturity of digital technology by industrial businesses lag behind those of sectors such as banking and retail.

However, industrial customers are increasingly using digital technology and industrial data to optimise the integrated value chain, exploring new business models and avenues for growth and profitability. This has accelerated growth in demand for industrial software, creating unique opportunities for us. We are constantly increasing the number of solutions available in the Cloud to make digital transformation easier for industrial customers while at the same time we broaden our portfolio to cover more business processes for our customers.

Innovation

Providing a leading software portfolio that delivers operations, engineering and Performance Intelligence

Our relationships with customers and universities have created a culture of open innovation, resulting in many solutions unrivalled in our industry. Our customers acknowledge this, choosing to partner with us into the future. Above all, they choose us for our unique ability to digitise and integrate operations and engineering, helping them achieve new levels of Performance Intelligence that reduces costs and drives efficiency gains.

Our Operations software orchestrates control, maintenance and production planning to safely and efficiently produce finished goods or provide infrastructure for services such as power or water. Our Engineering software is used to define and design elements of process simulation, plant design and construction management, ensuring cost-effective and efficient construction management for critical assets.

Digitising these combined disciplines creates a tremendous amount of process, production and design data that enables additional levels of value creation. Collecting and organising this data into an industrial Digital Twin, where it is refined and infused with AI and analytics, generates new levels of Performance Intelligence. All this is then delivered through our integrated hybrid-Cloud portfolio.

Performance metrics and how we will achieve them

Number of products available in the Cloud

20

FY20: 10

- We will continue to invest heavily in our Cloud transition

Number of new patents awarded in the year

11

FY20: 16

- Extending our portfolio with new AI-infused solutions
- Focus on integration scenarios
- Continue to patent new products and ideas

Commercial Transition

Accelerating the shift to subscription and Cloud, driving increased Annualised Recurring Revenue

Our commercial business model continues to transition to subscription and a Cloud-based Software as a Service (SaaS) model, as measured by Annualised Recurring Revenue (ARR). The subscription model brings commercial and technical flexibility for customers, giving them easy access to our entire portfolio via a single subscription mechanism that scales with use.

As a result, our customers and partners can realise additional value by gaining easy access to more of our portfolio. We can then further monetise more of our portfolio investments, accelerating growth and profitability over the long term.

Expansion & Diversification

Driving growth through a focus on end-market, geography and portfolio area

We continue to improve diversification and business expansion through a focus on three key areas: end-market, geography and portfolio area.

End-market diversification enables expansion in hybrid end-markets (such as Life Sciences, Food and Beverage, and Consumer Packaged Goods) and infrastructure end-markets including data centres, cities, power and renewable energy. This will provide new avenues for growth and enable additional resilience in cyclical and market downturns.

We will continue to increase our geographic coverage in EMEA, APAC and the Americas through additional direct sales, supporting investments and forming additional partnerships.

We are diversifying our portfolio by expanding select areas of engineering and design, planning and operations, Monitoring & Control and Maintenance. Each portfolio area services a diverse mix of end-user customers, owner operators, OEMs, and engineering, procurement and construction (EPC) firms across engineering and operations-focused businesses.

Operational Improvements

Systems, processes, and commercial rigour

We continue to make operational improvements across several functional areas of the business including:

- service and support transformation (to drive increased margin and customer satisfaction);
- improving our gender and ethnic diversity within our teams, in recognition that breadth of experience brings rigour and challenge to existing processes and operations;
- leveraging and applying our experience and technical skills in the area of Cloud development to accelerate OSIsoft's Cloud programme (reducing operating costs);
- portfolio rationalisation and divestments (to shape investment decisions and reduce costs); and
- general process, automation and system-level improvements (to realise general efficiency gains).

Strong growth in Annualised Recurring Revenue[1]

£704.8m

FY20: £648.9m

- Growing the number of SaaS-based solutions

1. On a pro forma constant currency basis.

Recurring revenue as a proportion of total revenue

67.9%

FY20: 62.2%

- Driving our Sales teams to deliver more rental and subscription sales contracts

Revenue from cyclical markets post-acquisition

50%

Pre-acquisition: 60%

- The integration of OSIsoft will lead to new solutions, allowing us to address a larger market
- Growing faster in non-cyclical markets with focus on sustainability
- Acquisition of OSIsoft will lead to increased presence in industries to which we had limited access in the past

Females in the workforce

26.5%

FY20: 25.8%

- Several programmes for D&I have been started (for details see pages 34 to 35)
- We will be launching our first ethnicity pay gap report in FY22

Adjusted EBIT margin

27.6%

FY20: 26.0%

- Limit cost control to inflation and targeted, strategic investments
- Focus on high margin revenue growth

How we measure our progress

Our KPIs measure performance against our strategy and highlight progress towards longer-term goals.

Financial measures

Our financial KPIs are centred around growing our revenues and improving our revenue mix, improving earnings growth for our shareholders, and generating sustainable cash flows. For further commentary see the Finance Review on pages 48 to 53.

Total revenue growth[1]

(1.6)%

(FY20: 8.8%)

Performance

FY21	(1.6)%
FY20	8.8%
FY19	57.6%
FY18	n/a

Why it is important to us

Revenue is a measure of our business growth.

What has happened during the year

Revenue declined as a result of disruption caused by the Covid-19 pandemic. Strengthening GBP negatively impacted revenue, offset by £17.4 million contributed by OSIsoft since acquisition. Revenue growth on an organic constant currency basis was 0.1%.

Pro forma[4] organic constant currency revenue growth was 2.2%, driven by improved OSIsoft performance year-on-year.

How it aligns to strategic pillars

Link to remuneration

Recurring revenue is included as a metric within the Group bonus scheme.

Total revenue growth is also a performance element within the Group's LTIP schemes.

Adjusted EBIT margin

27.6%

(FY20: 26.0%)

Performance

FY21	27.6%
FY20	26.0%
FY19	22.9%
FY18	22.2%

Why it is important to us

Adjusted EBIT margin is a measure of our profitability and the efficiency of our operations.

What has happened during the year

Adjusted EBIT margin increased as a result of tighter cost control and reduced travel due to Covid-19.

Pro forma[4] adjusted EBIT margin was 29.7% (FY20: 27.0%), driven by a combination of cost savings arising due to Covid-19 and OSIsoft revenue growth.

How it aligns to strategic pillars

Link to remuneration

Adjusted EBIT margin is not a direct target within any remuneration package. However, adjusted EBIT is a performance element within the Group bonus scheme.

Non-financial measures

Our non-financial KPIs track our transition to a Cloud business, our commitment to D&I, and us giving back to wider communities.

AVEVA Action for Good days

469

(FY20: 1,536)

Performance

FY21	469
FY20	1,536
FY19	44
FY18	0

Why it is important to us

We are committed to donating 1% of net profits each year to charitable causes through AVEVA Action for Good, either through paid time off for our employees to spend on charitable activities, or direct donation.

What has happened during the year

As a result of Covid-19 and lockdowns being in place globally, the opportunities for our employees to take paid days off for charitable activities have been reduced. This will be offset by an increase in charitable donations.

How it aligns to strategic pillars

Link to remuneration

An increase in the number of AVEVA Action for Good days was a personal objective for the CEO in FY21.

Women as a percentage of all new hires[3]

34.3%

(FY20: 30.8%)

Performance

FY21	34.3%
FY20	30.8%
FY19	33.0%
FY18	n/a

Why it is important to us

We are committed to encouraging and supporting women in all areas of our business. We aim to increase the proportion of women in our workforce every year.

What has happened during the year

26.5% of our employees are women as at 31 March 2021. This is up from 25.8% in FY20.

How it aligns to strategic pillars

Link to remuneration

D&I was a personal objective for the CEO in FY21.

Growth in adjusted diluted EPS[2]

(6.3)%

(FY20: 24.9%)

FY21	(6.3)%
FY20	24.9%
FY19	21.3%
FY18	5.9%

Adjusted diluted EPS is a measure of shareholder earnings growth, and is important as the Group aims to maintain a progressive dividend policy.

Adjusted diluted EPS declined principally as a result of an increase in issued ordinary shares following the November 2020 rights issue, offsetting an increase in adjusted EBIT year-on-year.

Pro forma[4] adjusted diluted EPS was 105.3p (FY20: 94.1p), an increase of 11.9%. This was caused by a year-on-year increase in adjusted profit.

Adjusted diluted EPS is a performance element within the Group's LTIP schemes.

Recurring revenue as a proportion of total revenue

67.9%

(FY20: 62.2%)

FY21	67.9%
FY20	62.2%
FY19	53.8%
FY18	42.4%

Recurring revenue is revenue earned from customers for the provision of goods over a contractual term, where future contract renewal is required for ongoing use of the product.

Recurring revenue increased due to strong growth in subscriptions revenue.

Pro forma[4] recurring revenue was 66.9% of total pro forma revenue (FY20: 61.2%), increasing because of good subscription performance in AVEVA, and subscription and maintenance performace in OSIsoft.

Recurring revenue is included as a metric within the Group bonus scheme.

Cash conversion

40.3%

(FY20: 74.4%)

FY21	40.3%
FY20	74.4%
FY19	96.1%
FY18	84.4%

Cash conversion tracks whether profitability is effectively being converted into cash for use in future operations or as a return to shareholders.

Cash conversion declined significantly, due to operating cash outflows on exceptional items of £63.2 million (FY20: £23.3 million) and the timing of revenue recognition on multi-year subscription contracts.

Underlying cash conversion, which excludes the impact of exceptional cash flows, was 68.2% (FY20: 85.2%).

Cash conversion is a personal objective for the CFO, and H1 cash conversion formed part of the Group bonus scheme.

New Cloud customers

220

(FY20: 98)

FY21	220
FY20	98
FY19	37
FY18	20

We are transitioning to a Cloud-based, business model. New Cloud customers is a measure of how rapidly this transition is occurring.

Demand was good, with an increasing number of customers signed up to SaaS and customer hosted Cloud products.

New customer wins in Cloud and growth in Cloud orders was a personal objective for the CEO in FY21.

Link to strategic pillars

- Digital Transformation
- Innovation
- Commercial Transition
- Expansion & Diversification
- Operational Improvements

1. During FY18, heritage AVEVA merged with SES. Therefore, FY18 did not represent a full year of revenue from the enlarged Group and this data is not presented.
2. As a result of the November 2020 rights issue, all comparative EPS figures have been restated to reflect a bonus factor of 0.80.
3. 2018 data is unavailable. Excludes OSIsoft employees joining AVEVA as part of the OSIsoft acquisition.
4. Pro forma results represent the combined results for AVEVA and OSIsoft as if the acquisition and associated financing has occured on 1 April 2019.