Connecting people with trusted information and insights

"I am excited about the opportunities ahead of us as AVEVA leads the connection and digitalisation of the industrial world."

AVEVA delivered a solid set of results in FY22, as the business began to grow following disruption caused by the pandemic.

This year of continued recovery from global health and business challenges has brought fresh reminders of how interdependent the world has become.

It has never been more important to connect people using the power of trusted information and insights. Our company has a critical role to play here to foster collaboration, understanding and sustainable growth.

Summary

AVEVA delivered a solid financial performance and made good progress in integrating OSIsoft, which was acquired just before the start of the financial year.

Pro forma[1] organic constant currency[2] ARR[3] increased 10.2%, revenue grew by 7.1% and adjusted[4] EBIT increased 7.7% on the same basis. The revenue growth was led by growth in sales of PI System products, which increased at a double-digit rate and growth from the heritage AVEVA business at a low single-digit rate.

The integration of OSIsoft progressed well, in accordance with AVEVA's plans. During the first half of the financial year, the organisational model was established and leadership roles determined.

R&D work on the product portfolio roadmap to achieve interoperability between products has been progressed to add greater value to customers. Key integrated products that have been launched included AVEVA Unified Operations Center with AVEVA PI System and AVEVA Predictive Analytics with PI System.

AVEVA is on track to achieve both cost and revenue synergies in line with its acquisition model. Pre-tax cash cost synergies are expected of not less than $30 million per annum on a run rate basis by the year ending 31 March 2023. Revenue synergies of at least $100 million per annum are expected by the year ending 31 March 2026.

During FY22 AVEVA achieved initial revenue synergies of £7.4 million ($10.1 million) and £10.8 million ($14.7 million) of cost synergies were realised in the year.

ARR and business model transition

ARR at 31 March 2022 for the combined AVEVA Group on a pro forma constant currency basis was £768.7 million (FY21: £697.8 million), representing a 12 month increase of 10.2%. This growth was driven by the heritage AVEVA business, which increased ARR by a double-digit rate, while OSIsoft increased ARR by a low single digit rate, ahead of its transition to a subscription-based revenue model.

During the year AVEVA also made progress with its subscription transition, with 11.5% growth in on-premises pro forma constant currency subscription revenue and very strong growth in SaaS contract wins, leading to 23.9% growth in SaaS revenue on a pro forma constant currency basis.

The PI System product is expected to increase ARR growth as it moves to the AVEVA Flex subscription model. AVEVA also expects to drive an acceleration in sales of SaaS revenue as more products become available on the cloud and salesforce incentives have been evolved to further encourage sales of these products.

Pro forma regional performance

EMEA revenue was £473.9 million representing an increase of 5.9% (FY21: £447.6 million) and was up 9.7% on an organic constant currency basis. AVEVA achieved good growth in Eastern Europe and the Middle East in particular. The war in Ukraine did not have a material impact on revenue in the financial year. Notable order wins were achieved with companies including International Maritime Industries, Saudi Aramco and Saudi Electricity Company.

Americas revenue was £496.5 million representing an increase of 4.8% (FY21: £473.7 million) and was up 8.4% on an organic constant currency basis. Growth was broad based with all regions delivering a good performance across the USA, Canada and Latin America. Notable order wins were achieved with companies including TC Energy, Pembina, Southern California Gas and General Mills.

Asia Pacific revenue was £265.2 million, representing a decrease of 3.5% (FY21: £274.8 million) and was up 0.7% on an organic constant currency basis. AVEVA saw good growth in China and India, which was largely offset by declines in Korea and Japan due to tough comparative periods. Notable order wins were achieved with companies including Sinopec Engineering and Indian Oil Corporation.

Notes

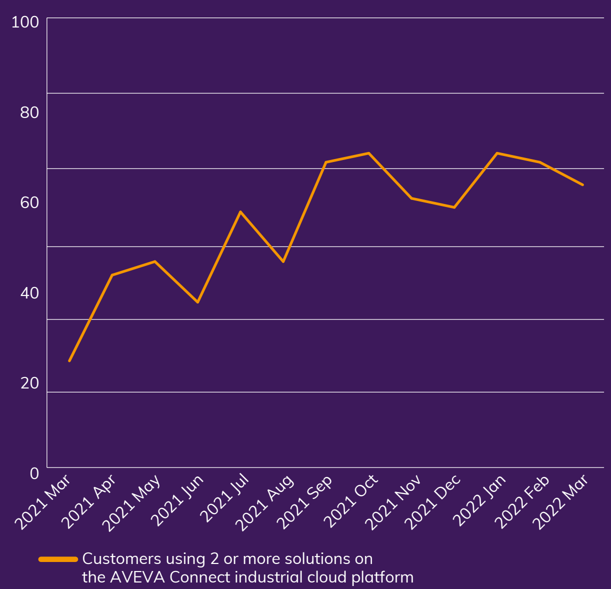
1. On 19 March 2021, the Group announced the completion of the acquisition of OSIsoft, LLC (OSIsoft) enhancing AVEVA's ability to accelerate the digital transformation of the industrial world. To provide a better understanding of the combined comparative trading performance and to improve transparency, non-statutory results are also shown for the combined Group on a pro forma basis. The Directors believe that the pro forma results give helpful insight into the performance of the Group and form a basis from which to consider the outlook.
   Pro forma results include results for both AVEVA and OSIsoft for the 12 months to 31 March 2022 and the 12 months to 31 March 2021. In addition to this, the results have been adjusted to exclude the effect of the deferred revenue haircut under IFRS 3 (Business Combinations), which reduces statutory revenue.
2. Organic constant currency revenue and adjusted EBIT excludes a currency translation reduction of £42.5 million to revenue; and adjusts for the disposals of the Acquis Software, Termis Software and Water Loss Management Software businesses in June 2021 by removing the results of the disposals from each reporting period.
3. ARR makes it easier to track recurring revenue progression by annualising revenue associated with subscription, cloud and Maintenance contracts. It removes timing differences caused by revenue recognition standards by annualising the revenue associated with contracts at a point in time. It is calculated on a constant currency basis.
4. Adjusted metrics are calculated before amortisation of intangible assets, share-based payments and exceptional items. Adjusted Earnings Per Share also includes the tax effects of these adjustments. See note 2c of the Note to the Consolidated Financial Statements.

Accelerating our SaaS journey

Adoption of the AVEVA Connect industrial cloud platform is accelerating, with the number of customers using two or more solutions more than doubling over the period.

Year-on-year growth

+163%



For more metrics indicating our progress against strategic targets, see p.24.

Business highlights

Engineering consists of Engineering and Simulation software. In turn, Engineering software includes Engineering & Design, Project Execution and Engineering Information Management. Simulation includes Simulation & Learning and Value Chain Optimisation.

Engineering contributed 30.9% of pro forma revenue in the period (FY21: 35.1%). On an organic constant currency basis, revenue decreased by 5.7%. This decrease was due to a tough comparator in the prior year that included a significant amount of point-in-time revenue recognition due to several significant multi-year contracts. Underlying business performance was good, contributing to the Group's double-digit ARR growth, with a broad range of new order wins being achieved, particularly in the energy market, which is undergoing a recovery following the Covid crisis. Significant orders were won from companies including Aibel, Saipem SBM Offshore and Worley.

Operations consists of Asset Performance, Monitoring & Control and Information Management (PI System). In turn, Asset Performance consists of Asset Performance Management and Manufacturing Executions Systems software. Monitoring & Control includes HMI SCADA, Enterprise Visualisation and Pipeline Management software. Information Management consists of the recently acquired OSIsoft business.

Operations contributed 69.1% of pro forma revenue in the period (FY21: 64.9%). On an organic constant currency basis, revenue increased by 14.2%. This revenue growth was due to good performances across the business unit from Asset Performance, Monitoring & Control and in particular, Information Management. The PI System business delivered solid double-digit growth in the year, with performance significantly strengthening in Q4 as the benefits of integration began to take effect. The growth in Monitoring & Control revenue was supported by a significant contract extension and renewal with Schneider Electric, with a substantial element of point-in-time revenue recognition. Other significant orders came from companies including General Mills, PepsiCo, Nestle and Rio Tinto.

Cloud

AVEVA made progress during FY22 growing SaaS revenue to £27.8 million representing 23.9% growth on a pro forma organic constant currency basis (FY21: £23.4 million) and orders in annual contract value terms by 89%. Key products were launched on the Group's SaaS platform, AVEVA Connect, during the year including Unified Engineering, Unified Operations Control and Unified Supply Chain. AVEVA is accelerating investment in cloud R&D during FY23 moving products to an industrial hybrid cloud architecture to maximise the opportunities for leveraging data and collaborative working.

Outlook

The ongoing digitalisation of the industrial world continues to drive demand for industrial software and AVEVA is very well positioned with its broad integrated software portfolio to drive sustainable growth. AVEVA's end markets have recovered from the Covid crisis and several key markets are showing positive trends, such as energy, power, shipbuilding and infrastructure.

As communicated in the trading update on 27 April 2022, AVEVA intends to drive an acceleration in ARR growth in FY23 to a level of 15% to 20% per annum. This growth will be underpinned by the business model transition to subscription, improving end market conditions, synergies relating to the PI System integration, and price increases. For example, contracts are beginning to be renewed early as energy markets recover; PI System will accelerate its move to subscription; the Group's cloud transition is being accelerated; and AVEVA implemented a substantial list price increase on 1 April 2022.

As the transition to subscription and SaaS accelerates in FY23, reported revenue will be reduced by the timing of revenue recognition but ARR will increase. The Group expects contract assets to remain broadly stable, impacting point-in-time revenue recognition as AVEVA increasingly moves towards higher ARR value contracts that have rateable revenue recognition.

In addition to this, revenue will be impacted by the war in Ukraine and consequential sanctions on Russia as AVEVA has ceased new business in Russia. The Group continues to support existing non-sanctioned companies where there is no legal basis to terminate contracts. Russia is a relatively small market in the context of the Group, representing around 2% of revenue in FY22. Due to the fixed nature of AVEVA's costs, the loss of revenue will largely drop through to adjusted EBIT.

Adjusted EBIT for FY23 will also be impacted by some additional costs. These include wage inflation due to very competitive software labour market conditions; increased travel and event costs post-Covid; together with investment in cloud R&D, cloud sales and cloud operations. Wage inflation will be more than offset by pricing over time; however, most salary increases feed through at the beginning of the financial year, while list price increases only take effect when contracts are renewed, or new business is signed. While the additional investment in cloud was planned, the Board has decided to pull this investment forward to accelerate AVEVA's transition and the impact of this acceleration in cloud will result in around £20m of additional costs in the current financial year.

As previously communicated in a trading update on 27 April 2022, taking all of these factors into account, revenue growth is expected to be lower in FY23 than in FY22 on an organic constant currency basis and adjusted EBIT margin is expected to reduce, before resuming growth in FY24. If current rates of FX persist, AVEVA will benefit from a significant currency translation gain on a statutory basis, due to the strength of the US dollar versus Sterling. Cash conversion is expected to significantly improve in FY23 and beyond.

Peter Herweck

Chief Executive Officer

7 June 2022