

27 April 2022

# AVEVA Group plc

Update on trading and outlook



AVEVA

This presentation may include predictions, estimates, intentions, beliefs and other statements that are or may be construed as being forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could result in actual outcomes differing materially from those projected in these statements. No statement contained herein constitutes a commitment by AVEVA to perform any particular action or to deliver any particular product or product features. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this presentation.

The Company shall not be obliged to disclose any revision to these forward-looking statements to reflect events or circumstances occurring after the date on which they are made or to reflect the occurrence of future events.

---

# Agenda

- Update on FY22 and FY23 outlook
- Reconfirming long-term targets
- Accelerating growth in ARR
- The shape of path towards our targets

---

# Summary

- **Strong close to FY22**
  - Q4 revenue up 18% on a pro forma organic constant currency basis
  - Very strong performance from PI System
- **FY22 revenue up 7% on a pro forma organic constant currency basis**
  - Pro forma revenue at reported FX £1,235m with flat adjusted EBIT margin
  - Growth in the year supported by point-in-time revenue recognition
  - ARR up 9% driven by heritage AVEVA business, to accelerate with PI System's move to Subscription
- **Financial outlook**
  - FY26 financial targets for revenue, margin and cash conversion unchanged
  - Underlying business is strong, with ARR growth accelerating to 15%-20% per annum
  - Near-term revenue growth impacted by timing of revenue recognition and Russia sanctions, with margins also reflecting the phasing of investment and cost inflation

# FY26 financial targets unchanged

**5-year revenue CAGR c. 10%**

- Organic constant currency growth driven by increasing digitalisation
- Subscription and SaaS transition
- Pricing
- Revenue synergies of at least \$100m

**>80% recurring revenue**

- Growth in Subscription and Cloud
- Reduction in Perpetual licences and Services as a proportion of the total
- ARR to grow faster than revenue over the period

**At least 35% adjusted EBIT margin**

- Operational leverage to drive margin over the period

**100% conversion of adjusted net profit to cash**

- Improvement primarily due to transition from point-in-time revenue recognition to greater over-time revenue recognition as SaaS grows
- Contract assets expected to remain broadly stable while contract liabilities grow, resulting in positive working capital inflow

---

# Focus on driving Annualised Recurring Revenue

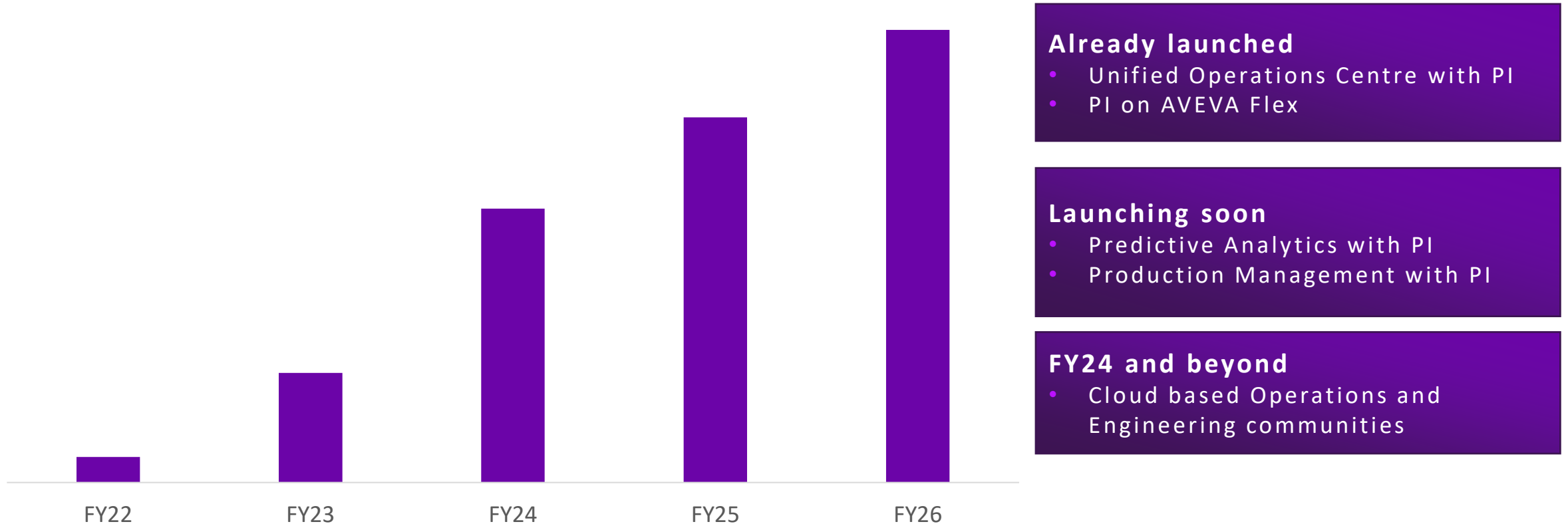
AVEVA targets annual growth in ARR of 15% to 20% to FY26

- **Further drivers of ARR acceleration**
  - **Improving end markets:** Including Energy, Infrastructure, Marine, Nuclear and Renewables, expected to support both growth of existing ARR base and new business wins
  - **Revenue synergies:** Increasing contribution expected as integrated products are launched
  - **Pricing:** c.10% list price increase in April 2022
  - **Business model transition:** Reduced Perpetual licenses and increased focus on driving higher NPV contracts

# Revenue synergies to build as integrated products are launched

\$100m of revenue synergies expected by FY26

Shape of revenue synergies



# Business model transition being progressed across the portfolio

## Key business areas

### Engineering

- On-prem Subscription well established
- Cloud conversion ongoing

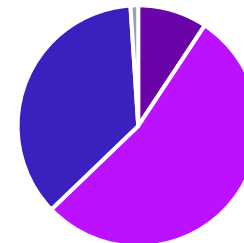
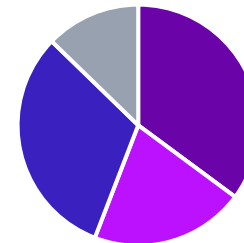
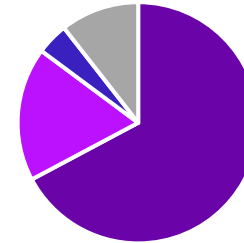
### Monitoring & Control

- Subscription transition started in 2019
- Cloud growth to come mostly from new business

### PI System

- Subscription transition recently started
- Cloud growth to come mostly from new business

FY22 revenue mix



■ Subscription ■ Maintenance ■ Perpetual ■ Services

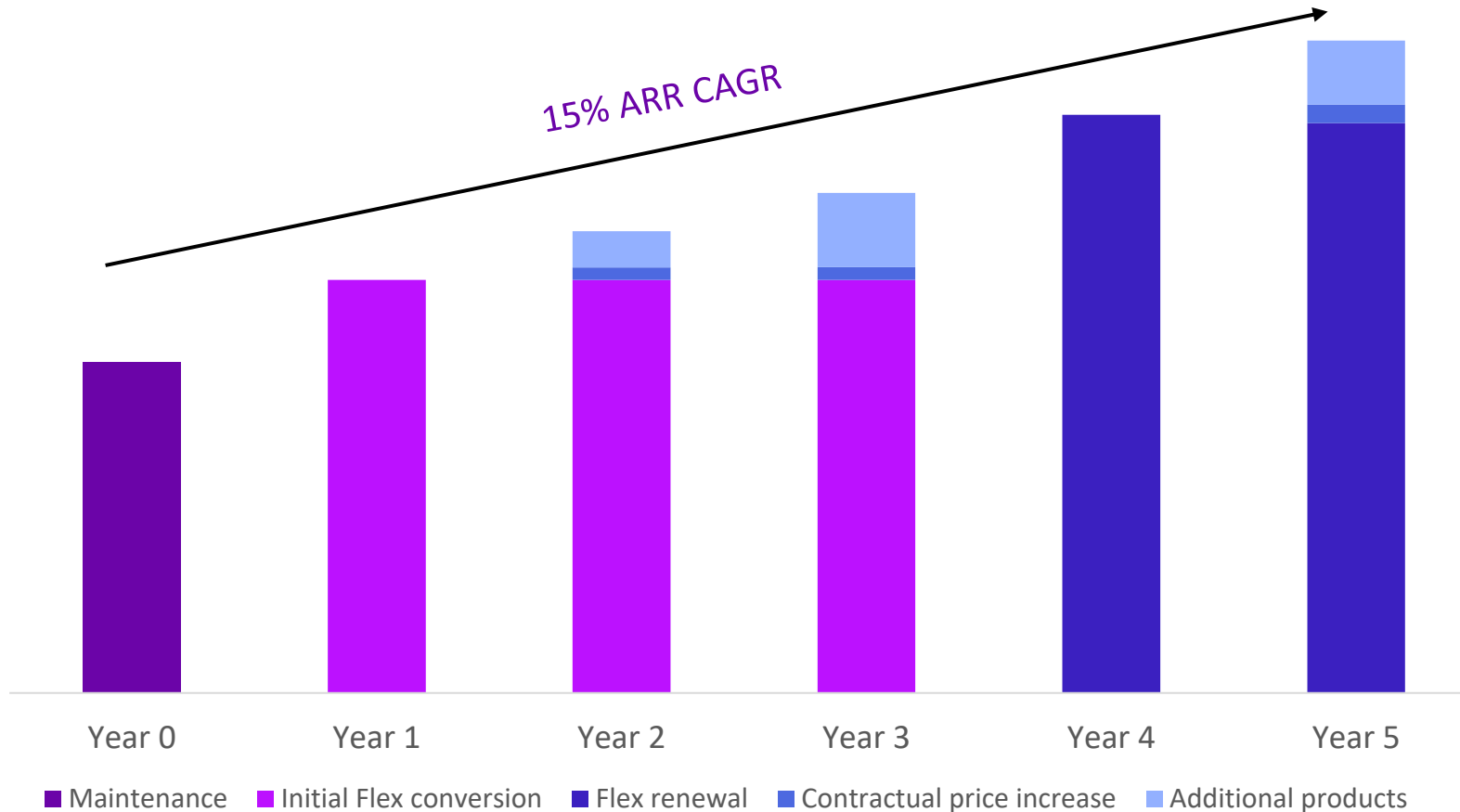


# Business model transition being progressed across the portfolio

	Engineering Subscription well established	Monitoring & Control Journey started 2019	PI System Journey just starting
Stage on Subscription journey	Maintenance <20% of revenue Perpetuals <5%	Maintenance 20% of revenue Perpetuals 30%	Maintenance >50% of revenue Perpetuals 35%
Perpetual licence policy	Only sold where customer or jurisdiction necessitates	Expansions of existing accounts and where regional or industry purchasing restrictions exist, e.g. government, OEMs, China	Expansions of existing accounts and where regional or industry purchasing restrictions exist
Maintenance conversion target	Convert 35% of remaining Maintenance base to Subscription by FY26	Convert 40% of Maintenance base to Subscription by FY26	Convert 15% of Maintenance base to Subscription by FY26
SaaS target	40% of Engineering ARR by FY26 with 70% of growth to come from conversion of existing on-prem contracts	15% of Monitoring & Control ARR by FY26 with 60% expected to come from new business	10% of PI System ARR by FY26, all of which is expected to come from new business

# AVEVA Flex drives sustainable ARR growth

## Example 5 year ARR build



- Initial Flex conversion targets a 25% value uplift
- Once on Flex, customers have easy access to the whole AVEVA portfolio and consume additional products
- Contractual price increase apply within ongoing contracts
- Flex contract renewals take into account additional products and volumes uses and list price increases

# AVEVA Flex drives ARR growth

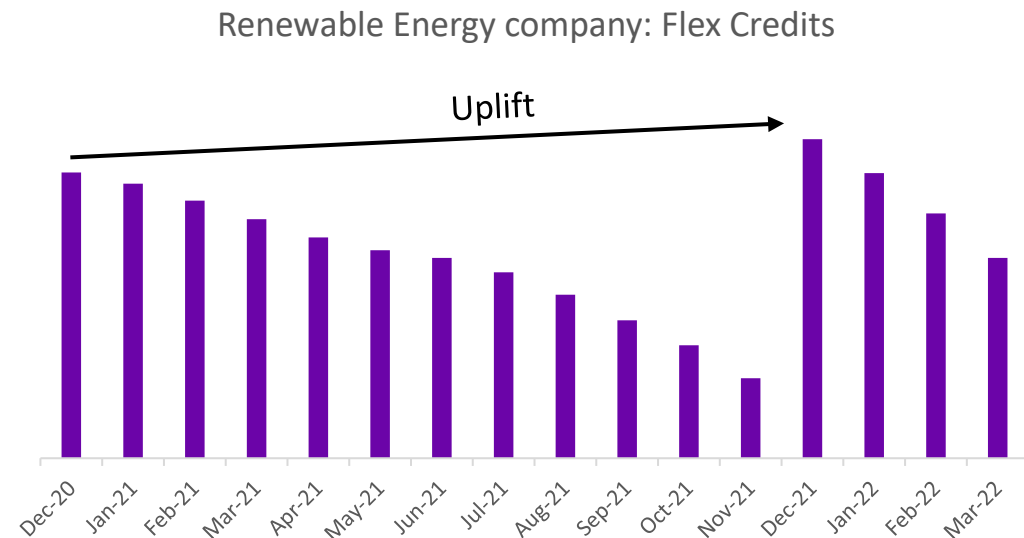
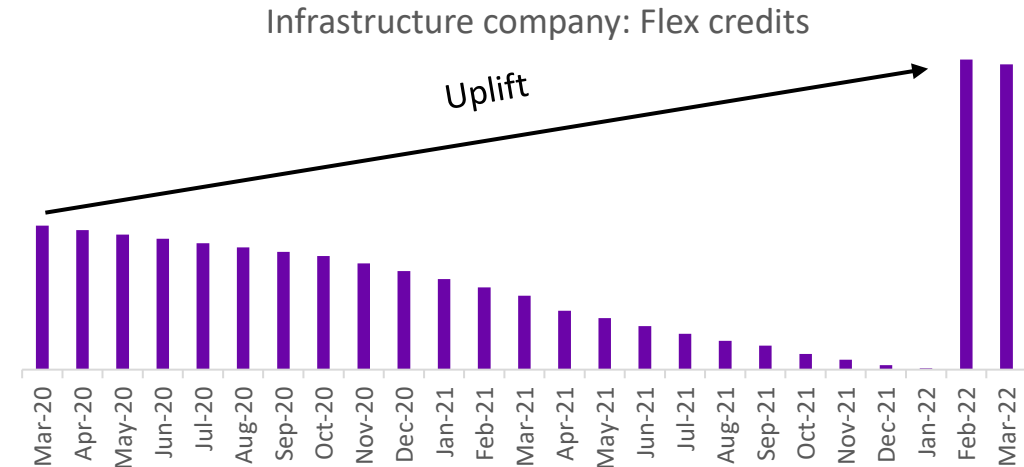
## Examples of hybrid and Cloud deployments

Long-standing Infrastructure Engineering customer converts to Flex in 2020

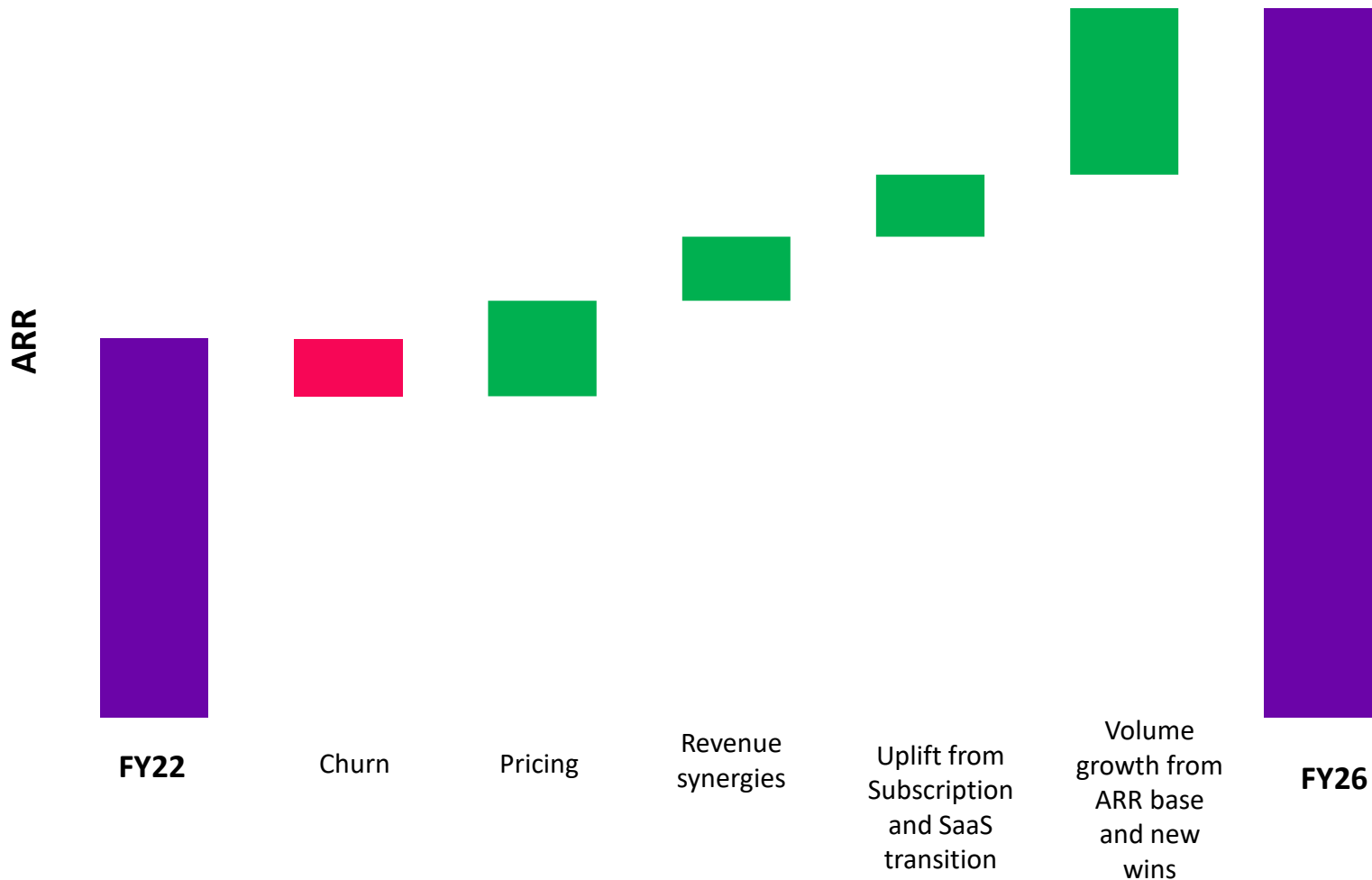
- 3-year contract renewed early at 100% uplift
- Hybrid Cloud and on-prem deployments including AVEVA Unified Engineering and AVEVA Asset Information Management

New renewable Energy customer contacts for Flex in 2020

- Cloud customer using AVEVA Engineering tools
- Contract renewed with 17% uplift in contract value after 12 months

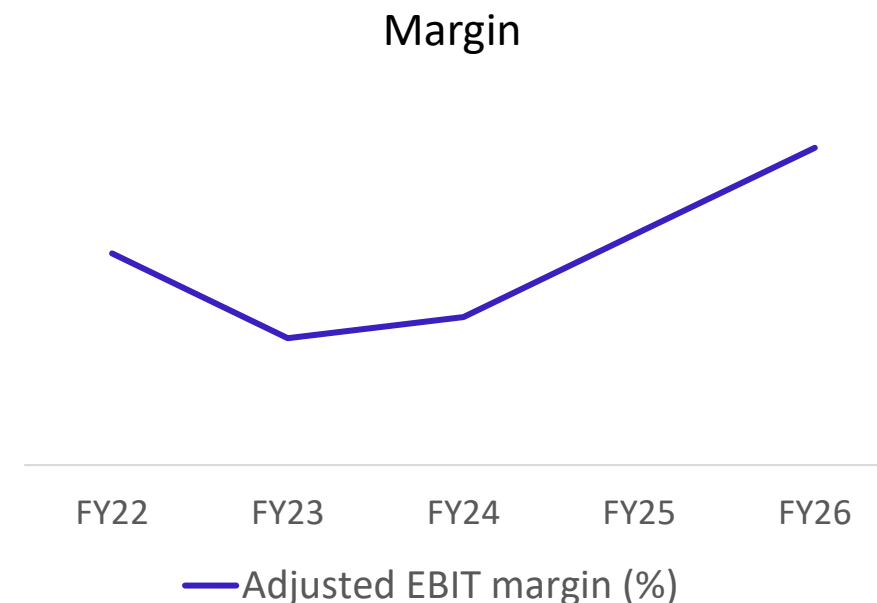
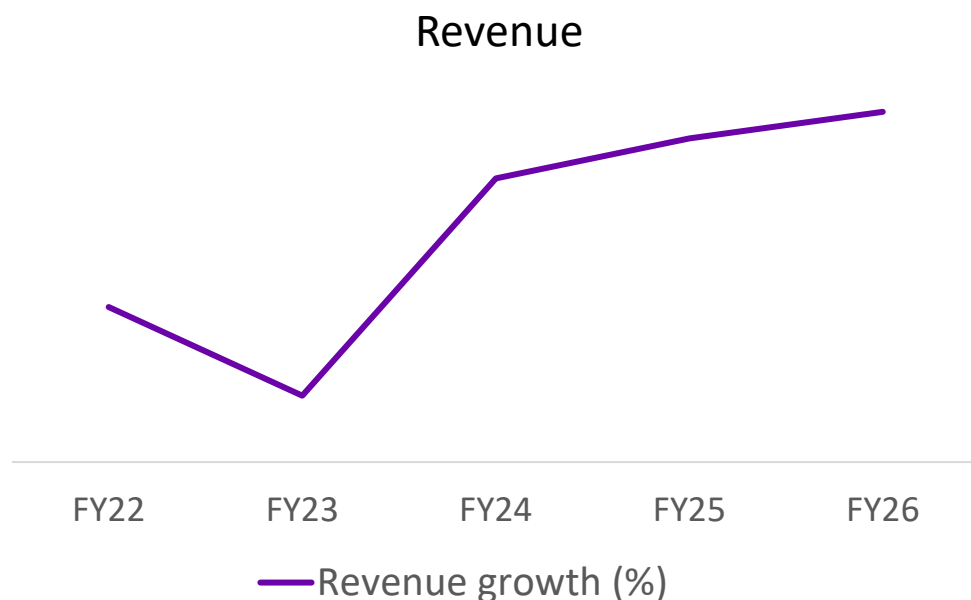


# Targeted ARR growth to FY26



- **Low churn:** c.3%
- **Pricing:** Target c.5% per annum
- **Revenue synergies:** At least \$100m
- **Uplift from Subscription and SaaS transition:** Maintenance to on-prem Subscription conversion; on-prem Subscription to SaaS conversion; new recurring revenue coming from selling Subscription instead of Perpetuals
- **Volume growth from ARR base and new business wins:** Up sell of new products and higher volumes under Flex Subscription model and new customer wins. Both supported by improving end markets

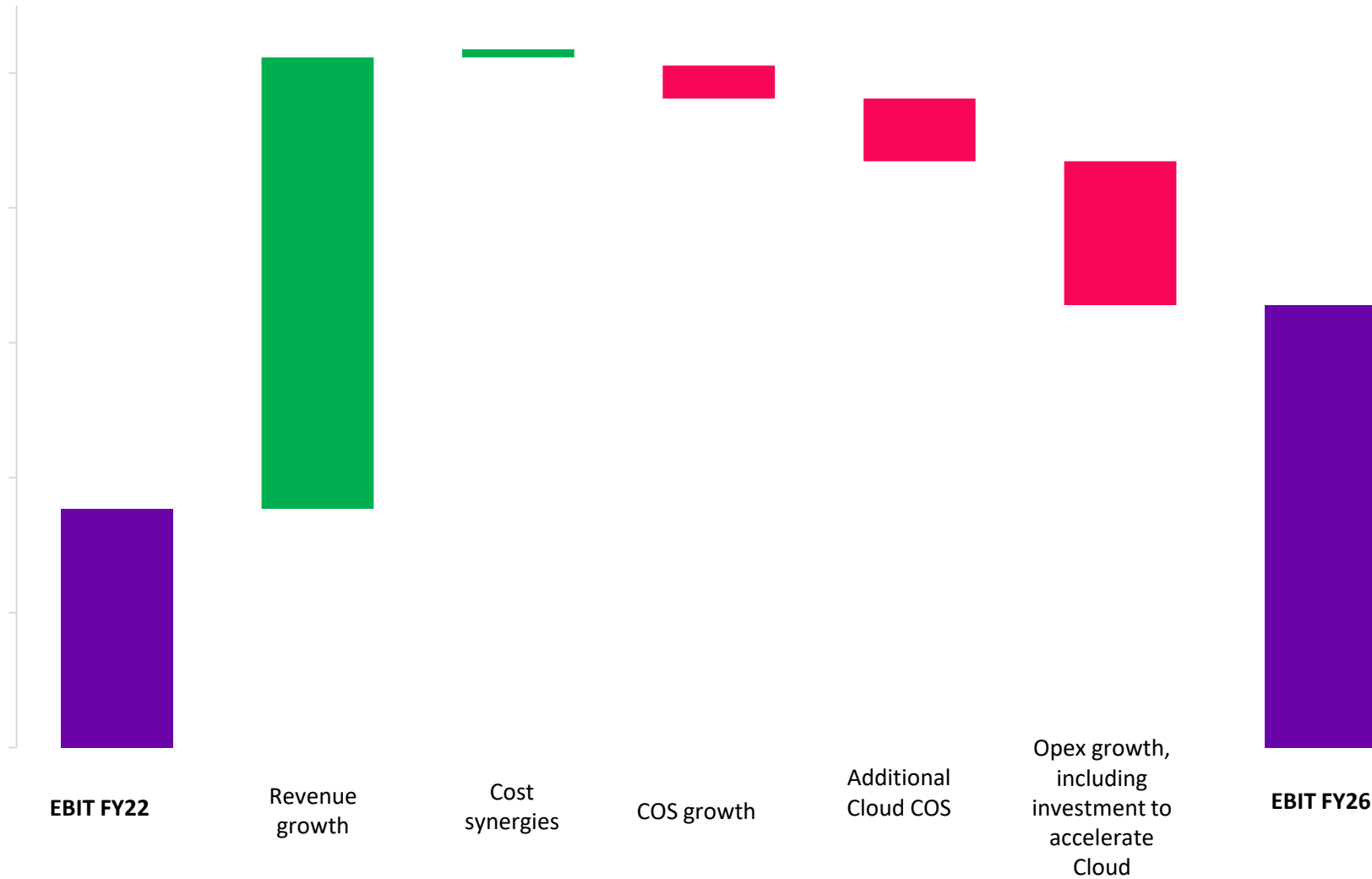
# Group revenue and margin trajectory to FY26



- **Longer-term revenue growth driven by compounding increase in ARR**
  - Short-term reported revenue impacted by a reduction in point-in-time revenue recognition and Russia
  - FY24 growth assisted by significant contract renewals

- **Longer-term margin to benefit from increased revenue growth and cost leverage as SaaS deployments increase in scale**
  - Short-term adjusted EBIT margin impacted by slower revenue growth, increased investment in SaaS and post Covid costs

# Adjusted EBIT margin waterfall





- Gross margin to remain at c.80% as increases in Cloud hosting costs are offset by lower Services as a proportion of overall revenue
- Revenue growth expected to drive leverage against operating cost increases



---

# Questions

 [linkedin.com/company/aveva](https://www.linkedin.com/company/aveva)

 [@avevagroup](https://twitter.com/avevagroup)

#### ABOUT AVEVA

AVEVA, a global leader in industrial software, drives digital transformation for industrial organizations managing complex operational processes. Through Performance Intelligence, AVEVA connects the power of information and artificial intelligence (AI) with human insight, to enable faster and more precise decision making, helping industries to boost operational delivery and sustainability. Our cloud-enabled data platform, combined with software that spans design, engineering and operations, asset performance, monitoring and control solutions delivers proven business value and outcomes to over 20,000 customers worldwide, supported by the largest industrial software ecosystem, including 5,500 partners and 5,700 certified developers. AVEVA is headquartered in Cambridge, UK, with over 6,000 employees at 90 locations in more than 40 countries. For more details visit: [www.aveva.com](https://www.aveva.com)