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AVEVA Group PLC
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AVEVA GROUP PLC

Q1 FY 2023 Trading Statement

Solid ARR growth continues and positive outlook re-iterated

AVEVA Group plc ('AVEVA' or 'the Group') announces the following trading update to 30 June 2022⁽¹⁾.

AVEVA increased Annualised Recurring Revenue (ARR)⁽²⁾ by 11% year-on-year in the 12 months to 30 June 2022, driven by growth in the annualised value of the Group's Subscription and Cloud contracts.

AVEVA expects ARR growth to accelerate during the financial year. The list price increase implemented on 1 April 2022 will take effect on more contracts as the year progresses, in the context of a second half weighted contract renewal cycle. The Group also expects its focus on Subscription and Cloud to drive increasing ARR in subsequent quarters, which also typically have a greater weighting than Q1 in terms of new order wins and revenue.

AVEVA's revenue declined by a mid-single digit rate year-on-year in Q1 FY 2023 on a constant currency basis. This was due to a decline in Perpetual licenses, which have upfront revenue recognition, a strong comparator in the prior year and a pull forward of order wins into Q4 FY 2022 ahead of the price increase. Revenue was flat on a reported currency basis, supported by the strengthening of the US dollar, which accounts for the majority of AVEVA's revenues. The Group saw very strong growth in Cloud revenue, driven mostly by order wins in the prior financial year.

AVEVA's end markets are strong, particularly Energy, and the sales pipeline is solid for the remainder of the financial year. This supports management plans for full year growth in ARR of around 15%. As previously communicated, constant currency costs will increase in FY 2023, due to incremental investments and inflation. The majority of the increases are expected in the first half of the financial year.

(1) All commentary on growth excludes the impact of the deferred revenue haircut under IFRS 3 (Business Combinations).

(2) ARR makes it easier to track recurring revenue progression by annualising revenue associated with Subscription, Cloud and Maintenance contracts. It removes distortions 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 and is adjusted for disposals, the impact of sanctions in Russia and other factors.

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