



# UK Business Update

Completion of Proquote & Pulse acquisitions

Company release to ASX

2 November 2015

# Completion of UK acquisitions

## Successful completion

- Strategic acquisitions of two established fintech businesses, Proquote Limited and Pulse Software Systems, announced 15 September 2015.
- Proquote and Pulse acquisitions completed 30 October 2015.
- Separation and integration activities underway.

## Strategic focus

- Increasing need for unified, flexible and reliable technology solutions, driven by regulatory change and market demands in the UK.
- Allows IRESS to accelerate response to additional opportunities in complementary client segments and where IRESS' integrated product suite has proved attractive.
- Further develops UK operations by expanding capability, client base and product suite, and deepening local expertise.
- Opportunity for broader functionality and solutions to be offered to clients of each business.
- Supports IRESS' growth and diversification strategy.
- Provides further sources of high quality, predictable revenue.

## Overview of transactions

- Net of acquired surplus cash, combined net purchase price of £35.6 million.
- EPS accretive in 2016 (at constant FX).
- Transactions funded through new and refinanced debt. IRESS net debt at completion of ~\$182m.
- Transactions will add to existing recurring revenue with 90% of acquired revenue recurring in nature.
- Combined revenue £15m and EBITDA £2.5m in 2015 on pro-forma basis.
- Proquote and Pulse teams expand capability and bring expertise and established relationships to IRESS.
- 55 people from Proquote and Pulse will join IRESS.
- Appointment of Group Executive to initially lead integrations and Private Wealth growth, and support ongoing growth.

### Proquote

A leading provider of trading, market data and connectivity

### Pulse Software Systems

A leading provider of portfolio management software for private asset managers

# Proquote acquisition

## Established trading, market data and connectivity solutions vendor in the UK

Significantly expands IRESS' financial markets activities in UK with embedded local trading network, particularly for retail order flow.

Complements IRESS' international offering, expanding trading community network.

Allows IRESS to offer broader functionality and extended range of integrated solutions to existing and new clients of Proquote and IRESS.

### About Proquote

- Owned by London Stock Exchange since 2003.
- 25 employees (primarily based in London).
- Broad established client base across buy side and sell side, institutional and retail.
- Strong representation with retail participants – retail brokers and wealth managers.

#### Trading

Proquote trading platform and RSP network

- Award-winning multi-asset class trading platform and order routing network. Access to equity, fixed income and fund trading, and trade reporting.
- Core component of trading for 100 retail/wealth participants representing 1,100 terminals.
- Manages ~50% of UK OTC retail trading via Retail Service Provider (RSP) network.
- ~80% of UK retail trading occurs on request-for-quote basis via Retail Service Providers (RSP).

Order flow and connectivity

- London Stock Exchange's FIX Hub business.
- Facilitates global buy side order flow to UK sell-sides.
- Adds 160 counterparties to IRESS' global trading network.

#### Market Data

Comprehensive product suite

- Multi-asset class Proquote data terminal with 1600 users.
- 100+ global exchange and OTC sources.
- Risk management and best execution partnered solutions.

# Pulse acquisition

## Established provider of portfolio management software for private asset managers

Accelerates IRESS' Private Wealth position in UK in addition to current IRESS implementations and pipeline.

Experience and expertise with investment management workflow and Private Wealth in the UK will support a pipeline of opportunities and implementation.

Responds directly to the market's strong demand for unified technology capability to support the growth and efficiency of Private Wealth businesses.

Strategic alignment directly and indirectly between Pulse and IRESS clients.

### About Pulse

- Independent vendor, privately owned. Founded in 1993.
- 30 employees (based in Surrey).
- Blue-chip wealth management clients in the UK and offshore.
- Clients include retail stockbrokers, family offices, wealth managers, and platforms.

#### Private Wealth market segment

- Private Wealth is an established, diverse market in the United Kingdom.
- Estimated 250+ private asset managers of varying sizes, with private client services spanning discretionary portfolio management, advisory, and direct online channels.
- Multi-service channels, digital engagement, and regulation are increasing pressure on manual process and complex technology.
- MiFID II directly impacts asset managers, increasing pressure on non-integrated technology deployments.

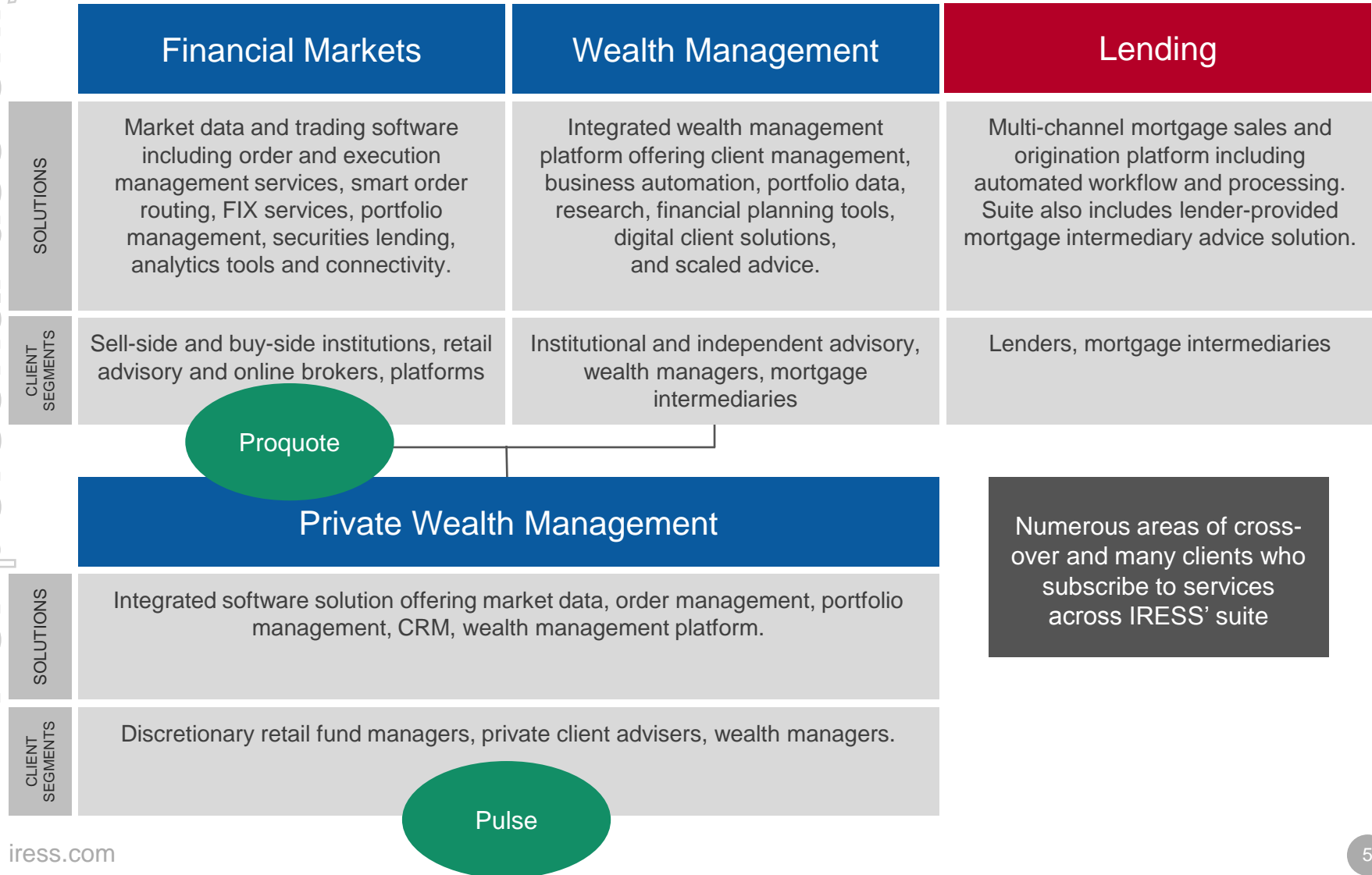
#### Pulse product suite

- Portfolio and order management solution providing front-back retail asset management – individually or bulk model management.
- Solutions cover functional needs of investment management, trading, administration, taxation, investment reporting and portal.
- Order execution supported by FIX integrated brokers, fund platforms, executing custodians, third-party EMS. Enhanced trading community for Pulse and IRESS clients.
- Portfolio management sits within a broader estate of technology components that includes CRM, workflow, advice, from third-parties.

# UK business post acquisitions

## Proquote & Pulse expand and accelerate people and product capabilities

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# Private Wealth positioning

Converging Private Wealth technology needs met by unified IRESS product suite

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IRESS UNIFIED BUSINESS AND CLIENT SOLUTIONS  
FACE-FACE, PHONE/CALL-CENTRE, DIGITAL

## Unified Digital Engagement Client Portal • Mobile • Touch • APIs

### Broker Adviser Platform

### Planner Adviser Platform

#### Sell-side Order Management

- Professional market data
- Real time execution
- Smart Order Routing
- International Order Routing
- Internalisation
- Operator / Supervisor control
- Risk management
- Order management
- Asset summary & valuation
- Broker-level CRM & KYC
- Online trading front-ends

#### Private Wealth Management

- Portfolio management
- Multi-asset class & currency
- Multi-language
- Single / omnibus asset management
- Single / complex models & benchmarks
- Portfolio modelling
- IMA / SMA / UMA solution
- Order generation, routing, bulking
- Allocations
- Corporate actions
- Capital Gains
- Reporting
- Professional market data
- Client Management (CRM)
- Workflow / Tasks
- Wealth / Advice
- Digital

#### Wealth Management

- Comprehensive CRM
- Diary
- Client Notes & document management
- Workflow / Tasks
- Client segmentation
- Email
- Financial modelling
- Portfolio management
- Factfind
- Life insurance
- Mortgage / Debt
- Remuneration management
- Reporting

Compliance • System Management • Configuration • Security • Management Information • Integration

Custody

Back office

Platform

FIX

OTC

Listed

Unlisted funds

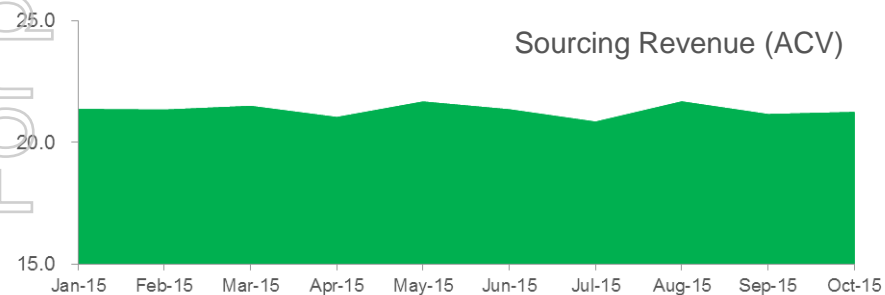
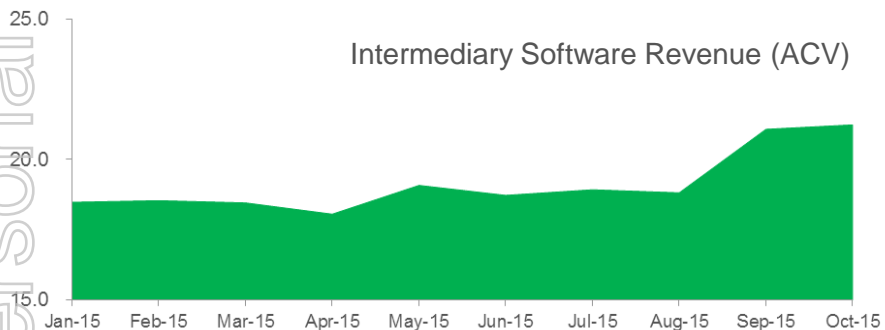
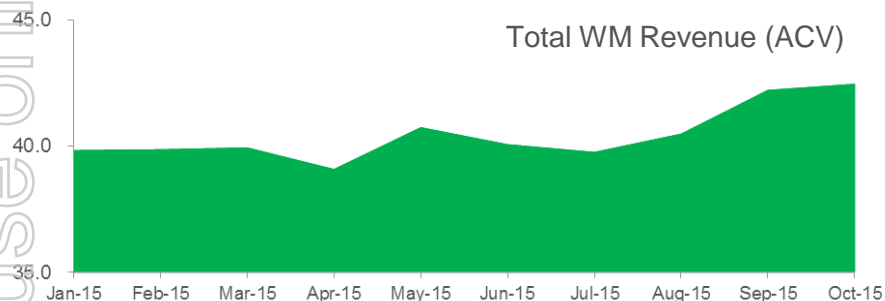
Fund Manager

Insurer

Lender

# Wealth management

## Revenue growth from implementations enabling user/module growth



- Strong client revenue retention and H2 growth, amidst competitive noise
  - IRESS approach ensures ongoing investment in existing production systems and strong client support
  - Additional IRESS solution options available for clients based on their needs and strategies.
- Revenue growth linked to implementation and deployments, and also organic user and module growth in time
  - Cost base investment made H1 2015 for implementation capacity. Stable costs H2.
  - Increasing number of XPLAN implementations over course of 2014-15.
  - 20+ active XPLAN implementation projects currently underway (excl pipeline).
  - Implementations range in size, opportunity and timeframes.
- Recurring revenue represents 90% of total revenue.
- Revenue charts include SBG recurring subscription revenue.
- Committed XPLAN recurring run-rate revenue (excluding SBG) represents 14% of total WM revenue.
- Strategic focus of Sourcing on revenue resilience, and strong revenue growth for Intermediary software sales.

# Wealth management

## Continued resonance of software strategy

### Advisory software

- Investment Trends research (2015) confirming 88% of UK advisers seeking integration improvements.
- Business consolidation, compliance oversight, digital pressures are active drivers of technology strategy and efficiency needs. Compounded for businesses with scale.
- Regulatory change continues to create pressure and technological response:
  - Annuity changes (pensions freedom) (4/2015) - advice stimulant
  - RDR commission sunset (4/2016) – practice management and profit efficiency needs
  - Financial Advice Market Review (12/2015) – accessible advice and direct link for role of technology and scaled advice
  - Auto-enrolment still early with only 2m of 11m potential registrations – a key source of advice need (like AUS)
  - MiFID II strengthens original MiFID framework – increased data transparency and reporting impacting asset managers
- Cyber and data security increase focus by participants on vendor capability and scale to invest.

- Intrinsic rollout to 3,300 advisers underway, following focus on transition for SBG advisers.
- SBG has closed investment advice network, SBG's primary XPLAN deployment.
  - Majority of users successfully transitioned to Intrinsic XPLAN wealth platform. Remainder have moved to other groups or directly authorised.
  - Original long-term agreement reflects seed IRESS-SBG arrangement and deals with early-termination. No confirmed end date at this stage.
- 20+ active XPLAN implementations underway and IRESS winning majority client tenders, particularly large.
- 5 PWM implementations underway with leading private wealth firms. Rollouts to commence 2016 deploying unified technology solution for investment management, advice, compliance, administration and remuneration, and digital.
- Adviser Office (AO) experience in 2015 shows very low single-digit end-user churn.
- Total non-mortgage IFA end users across IRESS solutions exceed 20,000.
- AO release 11.1 well received and direct benefits to clients. Next material release (11.2) Q1 2016.
- Valuation and datafeed integrations exceeds 50, comprehensive and competitive market coverage
- 4 platform STP integrations completed in 2015 with broader roadmap for 2016



## Solid growth in product sourcing, strategic UK role

### The Exchange Portal

- Strong renewals for existing providers, new provider additions including solutions for B2B offerings.
- Combined protection and mortgage product sourcing differentiated in UK market.
- True integration with advice platform workflow an efficiency differentiator.

### Strong growth in quote comparison role

11m monthly quote requests (2015 average)

Overall quote/comparisons +14.9%pa (9/15)

Protection quote/comparisons +20.4%pa (9/15)

Annuity quote requests -8.2%pa (9/15), +18.1% (4/15-9/15 on prior 6 months). Clear impact following effective date of annuity changes (April 2015).

Total new business transactions +7.6%pa (9/15) and achieving record levels monthly.

### Mortgage

- Strong position in mortgage product sourcing on desktop (Trigold) and now online with launch of XPLAN Mortgage (Sourcing) based on XPLAN Prime.
- Demand for online mortgage sourcing made available to Trigold users with XPLAN Mortgage.
- Next stage of XPLAN Mortgage incorporating sourcing, advice workflow and mortgage application STP planned for Q4 2015.
- Integrated mortgage, protection and investment advice offers compelling compliance workflow in XPLAN for hybrid and multi-channel businesses.
- **Trigold end user growth.** Positive Trigold user growth during 2015 and per annum. Trigold users exceed 15,800.

## Differentiated MSO capability strengthened by product scale and efficiency

### Repositioning business model

- Repositioning of business in 2014 to centre on product and subscription revenue for earnings leverage.
- Transition to increasing recurring revenue will occur over time. Service and recurring revenue will continue to blend.
- Cost base now reflects core product capability. Incremental costs to occur based on opportunities.
- Transition to recurring revenue and services demand expects less revenue in 2016, on now largely fixed cost base.
- Negative leverage during transition year in 2016 expected, with low level profitability.

### Strategic milestones on track

- MSO V1 development model successfully implemented with high quality software releases, albeit lower demand. Cost and quality outcomes with better revenue predictability.
- Atom MSO V2 implementation project progressing well, in line with launch plans.
- Ongoing V2 product investment supports leading MSO market positioning. Intermediary Channel and Origination modules nearing completion.
- Advanced technical and commercial engagement with Tier 1 lender for V2.
- Progressing opportunities with several major lenders looking for technology efficiency, with phased implementations of V2 targeting end 2016/early 2017.
- MSO continues to facilitate 25% of loans originated in the UK.

### Strategic milestones on track

Contract win on V2 (ATOM)

Product deployment of MSO V2 (ATOM)

Large lender contract on V2 and deployment

Multiple smaller contract wins and deployment

Recurring revenue scaling on largely fixed cost base

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