



MARKET RELEASE

Integrated Research Limited Delivers Record First Half Results

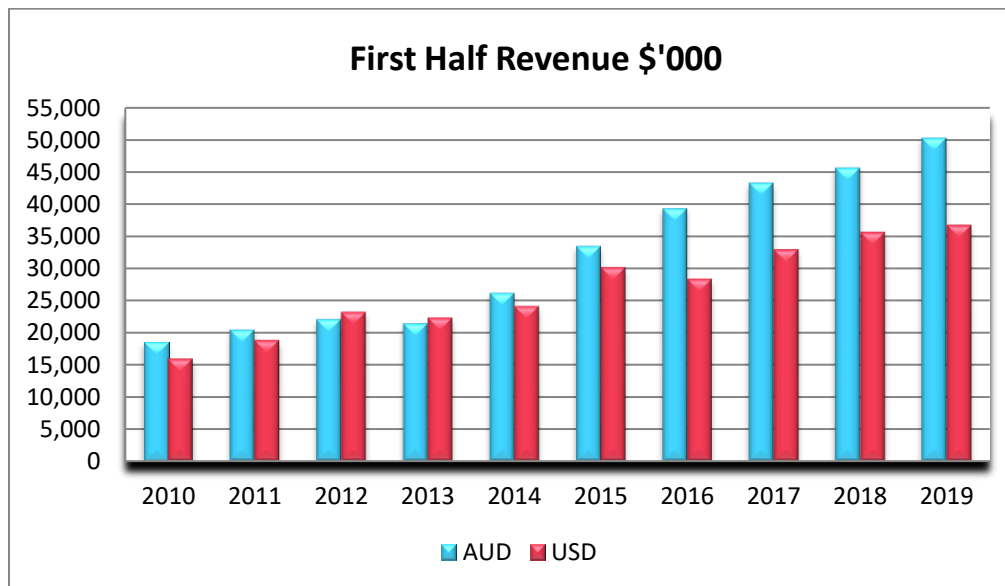
Sydney, Australia, 14 February 2019 – Integrated Research (ASX:IRI), a leading global provider of proactive performance management software for critical IT infrastructure, payments and communications ecosystems today released its results for the six month period ended 31 December 2018.

The Company is pleased to announce a record first half result with profit after tax increasing by 26% to \$11.7 million when compared to the prior corresponding period. The result is at the top end of the guidance provided to the ASX on 10 January 2019. Overall licence sales increased by 22% to \$31.3 million and total revenue increased by 10% to \$50.3 million.

Paul Brandling, Chairman of Integrated Research said, “It is pleasing to see strong results for the first half on the back of stellar growth in the Payments product line and a return to growth in Europe.”

Over 95% of the Company’s revenue was derived outside of Australia.

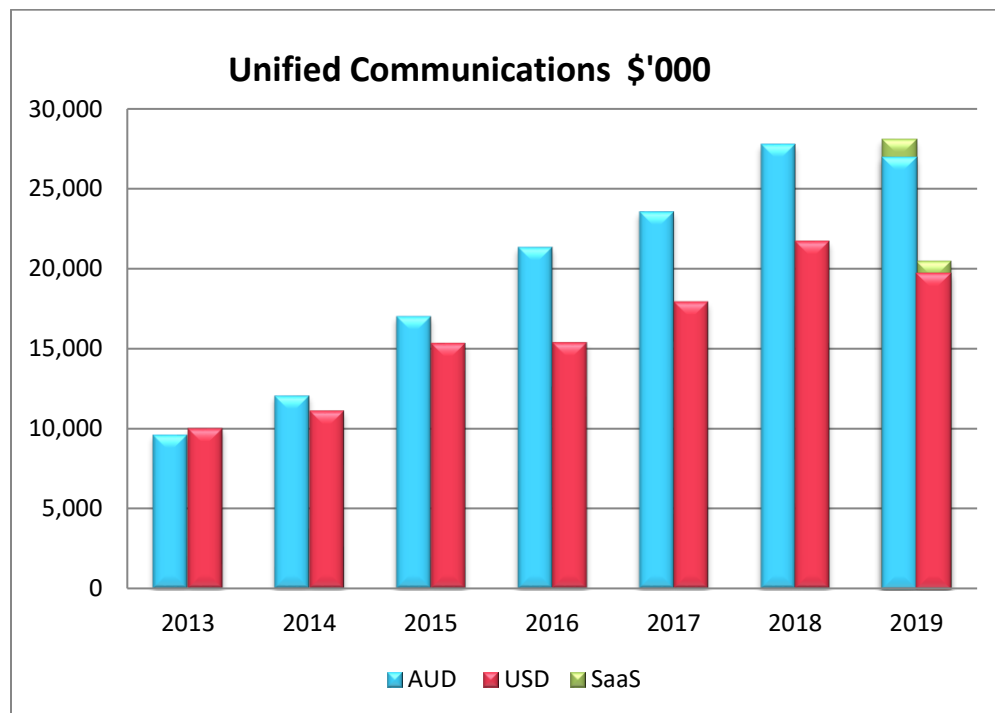
The following chart highlights the Company’s revenue growth in both Australian and US currencies for the first half of the 2019 financial year and the nine prior equivalent periods.



Prognosis is sold in over sixty countries. Some of the more significant sales during the half year period came from Barclaycard, CenturyLink, Conduent, Mastercard, SOFTEL and Deloitte.



The full year outlook for Unified Communications is positive. However, Unified Communications revenues decreased by 3% to \$27.0 million in the first half versus the equivalent prior period. Licence sales growth from the Cisco platform was more than offset by a decrease in licence sales on the Avaya platform. Combined licence fees and SaaS bookings for Microsoft were up when compared with the equivalent prior period. The following table presents the performance of Unified Communications across the last seven first half reporting periods:



With the introduction of early cloud products such as UC Assessor and Skype for Business On-line Troubleshooting, the Company has introduced a new line of revenue being Software as a Service (“SaaS”). The revenue from these new products is relatively small at \$286,000 for the half, however the Company has sold over one million dollars in subscription bookings that will be released in future periods as the service is delivered. It is anticipated that further cloud based products will enable subscription bookings to build and in turn increase the revenues recognised on a SaaS basis.

Payments revenue increased by 144% to \$9.0 million over the previous corresponding period. This increase was based on several factors including deal renewal, capacity improvement and new product initiatives such as dynamic thresholds. The Company holds a long and deep partnering relationship with ACI. Significant sales for the half included PROSA, Rising Sun Merchant Services and Barclaycard.

European revenue grew 14% over the previous corresponding period after management action was taken to improve execution. The region reported a good half premised on a number of large deals and importantly new leadership has implemented a more strategic go-to-market approach which gives us confidence for the future.

The Company’s cashflow from operations increased by 19% to \$9.6 million driven through an increase in cash receipts from customers. The cashflow supports the on-going investment into research and development. The gross spending on development activities represents 18% of revenue.



The Company achieved an improvement in profit margins for the half. The EBITDA margin was 42% compared to the equivalent prior period of 40%. Likewise, the NPAT margin improved: the current half was 23% compared to 20% for the previous corresponding period. Total staff numbers at the end of the half was 262 (December 2017: 256).

When growth was adjusted to constant currency, new licence sales would have increased by 17%, revenue by 5%, and profit after tax by 15%.

The table below summarises the Company's key revenue, expense and profit results compared to the previous corresponding period:

Half Year Ending			
Financial result highlights (\$'000)	December 2018	December 2017	Change
Revenue from licence fees	31,305	25,576	22%
Revenue from maintenance fees	12,859	13,522	(5%)
Revenue from SaaS fees	286	11	2500%
Revenue from testing solution services	2,604	2,815	(7%)
Revenue from consulting	3,281	3,778	(13%)
Total revenue	50,335	45,702	10%
Research & development expenses	8,615	7,376	17%
Sales, consulting & marketing expenses	24,274	22,138	10%
General and administrative expenses	3,348	2,836	18%
Total expenses	36,237	32,350	12%
Net profit before income tax	15,682	13,062	20%
Net profit after income tax	11,717	9,266	26%

Dividends

Directors have declared a fully franked interim dividend of 3.5 cents per share. Integrated Research maintains a strong financial position and remains free of debt with a total cash position at 31 December 2018 of \$9.6 million (31 December 2017: \$9.6 million).

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About Integrated Research (ASX:IRI) – Integrated Research is the leading global provider of proactive performance management software for critical IT infrastructure, payments and communications ecosystems. More than 1200 organizations in over 60 countries - including some of the world's largest banks, airlines and telecommunication companies rely on IR Prognosis to provide business critical insights and ensure continuity-critical systems deliver high availability and performance for millions of their customers across the globe.

For further information, visit www.ir.com

