

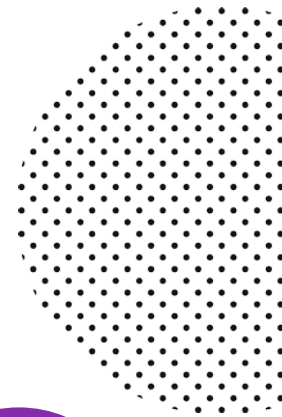
# Integrated Research Limited (IRI) FY2020 Annual Financial Results

August 2020

John Ruthven, CEO  
Peter Adams, CFO



complexity simplified



# IRI at a Glance

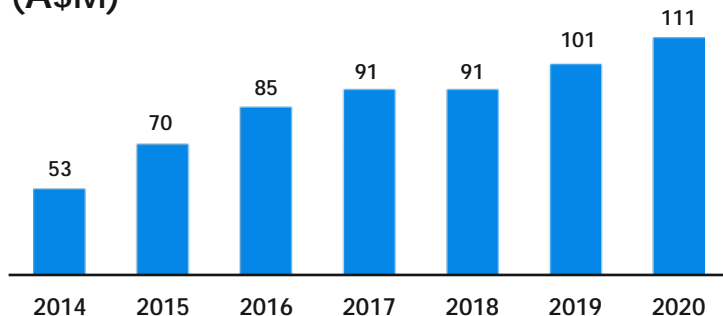
Our purpose is to create clarity and insight in a world of connected devices



## Highlights

- IR is the **leading global provider** of user experience and performance management solutions for Unified Communications, Payments and IT Infrastructure.
- **Global enterprise customer base** spanning diverse industries and including more than 25% of Fortune 500 companies
- We create value by optimising performance and providing intelligent insight into **mission critical systems through our real time, scalable platform** and our deep domain knowledge

## Strong track record of revenue growth (A\$M)



## Investment Proposition

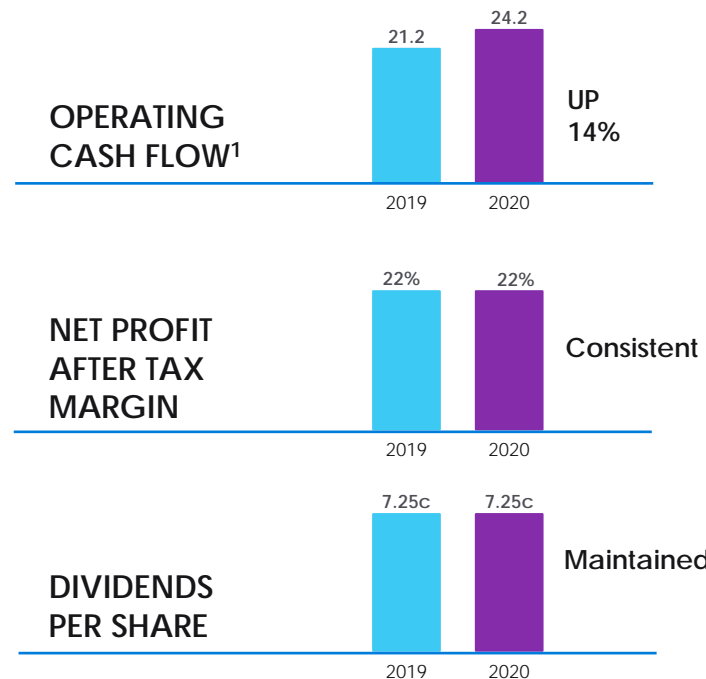
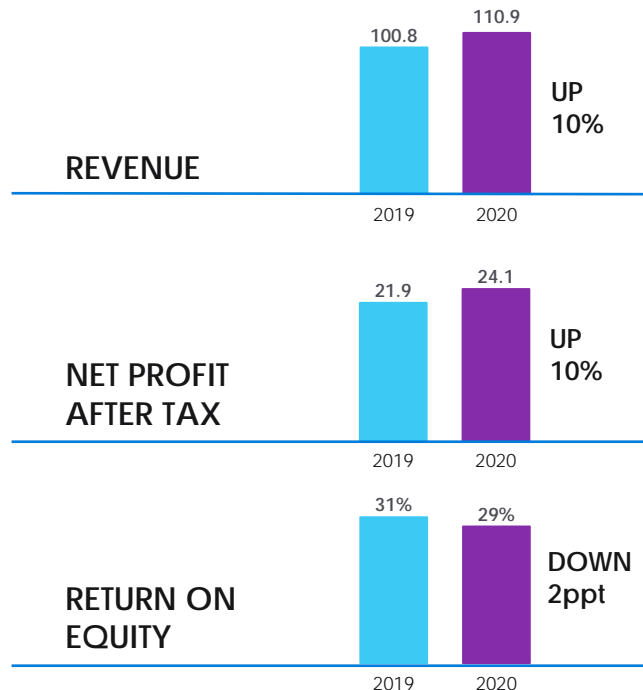
<b>High Quality</b> Mission critical software with Tier 1 customer base	<b>Defensive</b> 87% of revenues recurring in nature, multiyear contracts
<b>Growth</b> Leveraged to structural switch to cloud and increasing payments	<b>Strong Financial Performance</b> ~40% EBITDA margins ~30% Return on Equity Net cash to fund growth strategies

# Performance Review (A\$M)

Delivering record results



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Note1: Operating cashflow was up 5% on a "like for like" adjusting for new AASB leasing standard

# CEO Key Messages

Increasing leverage to long term growth trends



**Strong Performance** - revenue and profit up 10%; licence sales up 15%



**Satisfied Customers** – customer satisfaction up 25%; biggest deal in company history; 38 new customers



**Accelerated Innovation** – SaaS platform live, hybrid strategy validated, MS Teams & Zoom launching in 1H FY21



**Engaged Talent** – key new hires; internal promotions; organisational alignment



**Focused Strategy** – focus on UC driven by growth of remote working and payments driven by cashless transactions



**FitterFasterStronger** – R&D strategy to increase quality and accelerate time to market

# Decisive COVID-19 Response

Continuing to deliver client solutions, remotely



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## COVID-19 Impact

### Customers

- Increased demand for collaboration
- Strength of long term relationships
- Physical access to customers limited

### Financial

- Q4 New business growth slowed
- Q4 Renewal and capacity sales continuing
- Cash receipts slowed (catchup in FY21 Q1)

### Employees

- Recommended work from home
- Some offices closed & virtual meetings

## Resilient Business Model

## Response

### Innovation & Agility

- Investment in Teams and Zoom solution
- Marketing spend directed to virtual events
- Professional services performed remotely

### Financial

- Q4 cost control and scenario planning
- Continued investment in development
- Balance sheet management (increased debt facility)

### Employees

- Business continuity tested
- Facilitated remote working capability

# Stories from the Field

Growth driven by solving high value customer problems



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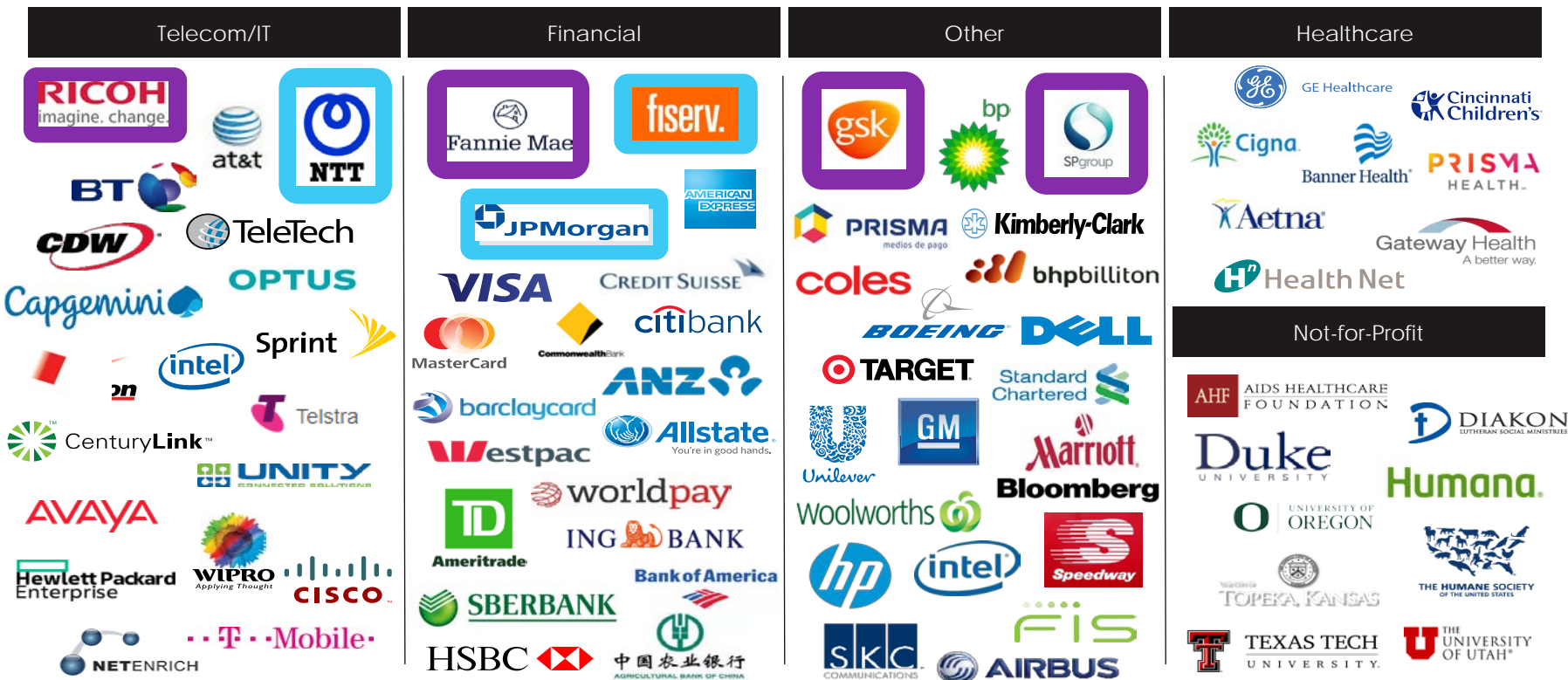
	maintain	grow	new
	<b>Woolworths</b>	<b>JP Morgan</b>	<b>GSK</b> GlaxoSmithKline
problem	Customer experience; payment failures & declines; 45,000 lanes	Thousands of transactions a second; ATMs, merchant services, cards, retail	Video conferencing platform failure or poor quality
solution	Real time performance metrics visibility and tracking	Manage hardware and payment applications; thresholds for 'standard operating'	Proactively manage user experience with real time metrics
outcome	<b>Contract extension;</b> customer for 10+ years; new 5 year agreement; monitoring payment network	<b>Contract expansion;</b> customer for 25 years; contract consolidation; extended term; new capability	<b>Land &amp; expand;</b> 'single pane of glass'; video transformation project; expansion
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# Blue Chip Customer Base

38 new customers added in FY20



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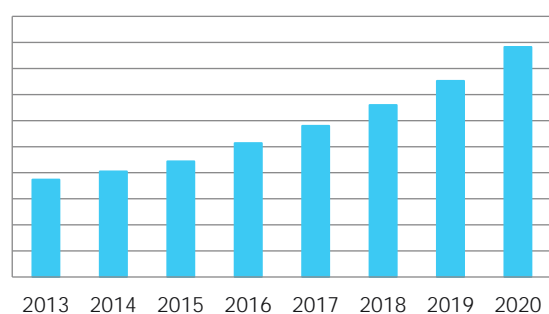
over \$3M new logo

# Revenue Analysis - Geographic

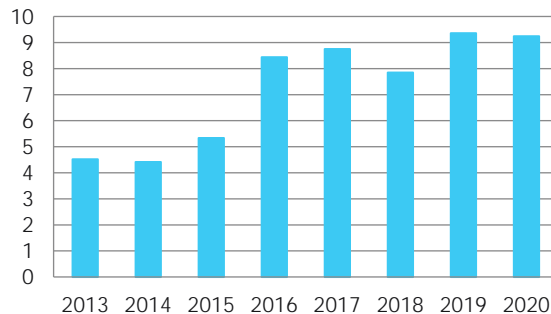
APAC consistent growth with solid ROW performance



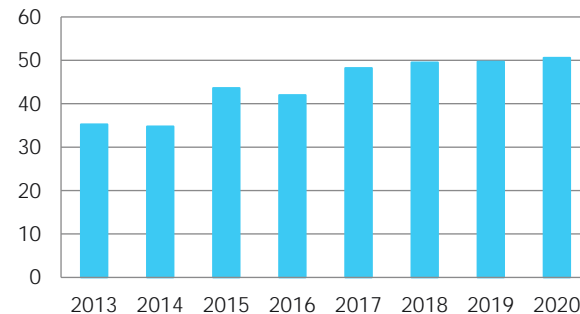
Asia Pacific Revenue A\$M



Europe Revenue £M



Americas Revenue US\$M



APAC achieved revenue growth of 17% with strong UC licence growth. Seven years of consecutive growth

Europe revenue declined by 1%; UC licence growth offset by lower Payments and Infrastructure (cyclical)

Americas momentum improved in 2H after slow 1H; 2H licence fees grew in all product lines; region breaks US\$50 million in revenue

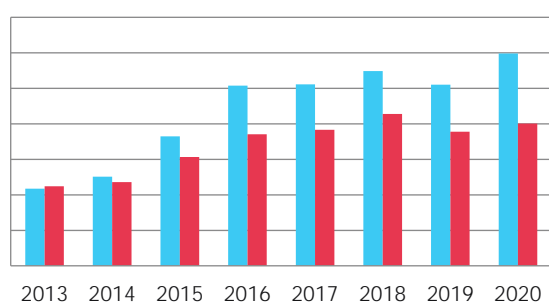


# Revenue Analysis - Product

Step change: remote working and cashless transactions



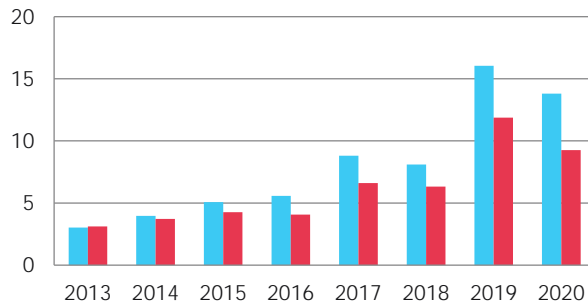
## Unified Communications \$M



■ AUD ■ USD

Unified Communications achieved growth of 17% : strong renewal and capacity sales. 29 new customers; future driver: remote working

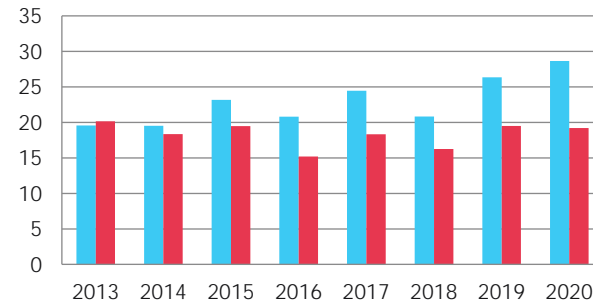
## Payments \$M



■ AUD ■ USD

Payments declined by 14% (underlying base growing – see subscription slide). Nine new customers; future driver: increased cashless transactions

## Infrastructure \$M



■ AUD ■ USD

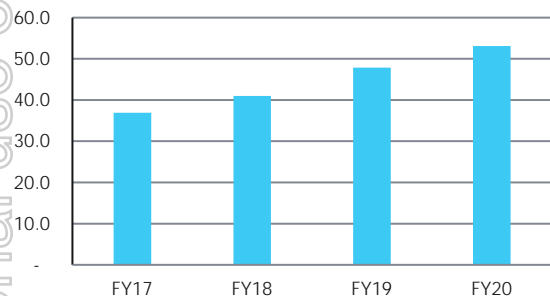
Infrastructure achieved growth of 9%: High margin product line with sticky customer base

# Proforma Subscription Revenue\*

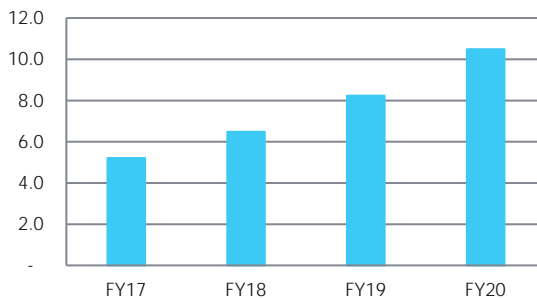
Subscription recurring revenue more than 80% of proforma total revenue



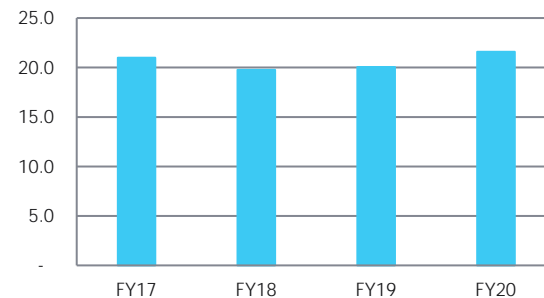
Unified Communication A\$M



Payments A\$M



Infrastructure A\$M



Unified Communications up 11%; three platforms served (Microsoft, Avaya and Cisco)

Payments up 27%; strong bookings fueling subscription growth

Infrastructure up 8%; High margin product line with sticky customer base

\* - proforma subscription revenue is a non-statutory alternate view of revenue (unaudited); refer appendix for calculations

# Results Summary

Another record year

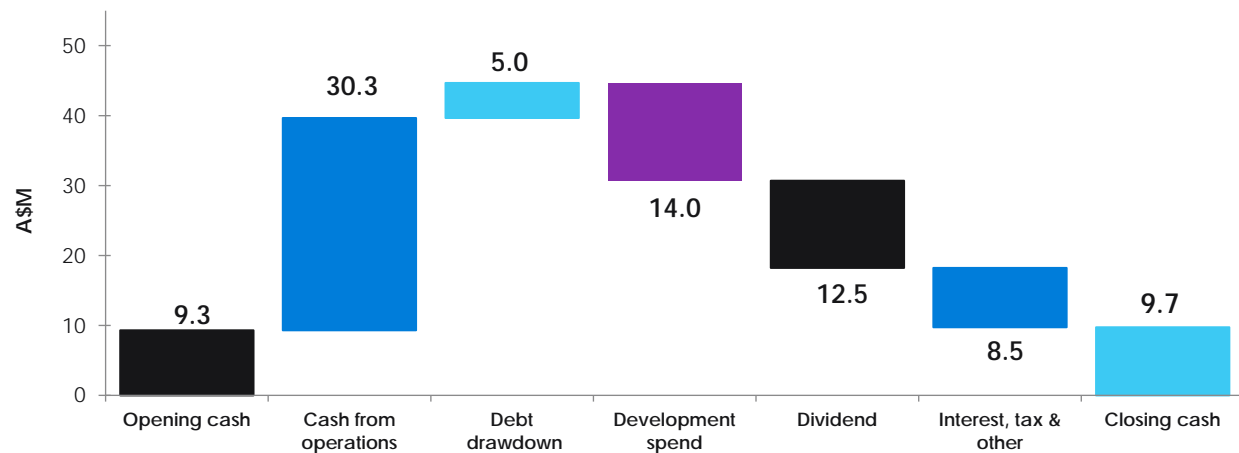


Year ending	Jun 2020 *	Jun 2019	% change
	A\$m	A\$m	A\$m
<b>Total revenue</b>	<b>110.9</b>	<b>100.8</b>	<b>10%</b>
<b>EBITDA</b>	<b>42.9</b>	<b>40.2</b>	<b>7%</b>
EBITDA margin	39%	40%	-1ppt
<b>EBIT</b>	<b>30.9</b>	<b>28.9</b>	<b>7%</b>
EBIT margin	28%	29%	-1ppt
<b>Profit after tax</b>	<b>24.1</b>	<b>21.9</b>	<b>10%</b>
Profit after tax margin	22%	22%	
Basic earning per share (cents)	14.0c	12.72c	10%
Dividend per share (cents)	7.25c	7.25c	
Return on equity	29%	31%	-2ppt
Revenue in constant currency	105.1	100.8	4%

\* AASB 16 'Leases' standard adoption resulted in an increase in EBITDA of approximately \$2m

# Net Cash Flow movement

Servicing innovation and return to shareholders



Improvement in  
cash from  
operations

Continuing  
dividend  
payments

Development  
spend includes  
the next gen  
platform

# Balance Sheet

Well positioned to fund growth



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Strong balance  
sheet – net cash  
\$4.7M

Trade receivables -  
strong source of  
future cash

New lease  
accounting  
standard - lease  
liabilities \$6.5M

	Jun 20	Jun 19
	A\$M	A\$M
Cash and cash equivalents	9.7	9.3
Trade and other receivables	87.3	72.8
Intangible Assets	29.1	23.1
Right-of-use Assets	6.4	-
All Other Assets	7.4	8.3
<b>Total Assets</b>	<b>139.8</b>	<b>113.5</b>
Trade and other liabilities	10.2	10.0
Borrowings	5.0	-
Provisions	4.6	3.9
Tax liabilities	8.6	7.5
Deferred revenue	22.3	22.3
Lease liabilities	6.5	-
<b>Total liabilities</b>	<b>57.3</b>	<b>43.7</b>
<b>Net assets</b>	<b>82.5</b>	<b>69.8</b>

# R&D Strategy

Accelerate innovation and reduce time to market



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IR invests 20% of revenue on R&D to drive sustainable growth

	<i>goal</i>	<i>financial outcome</i>	<i>scorecard</i>	<i>key deliverables</i>
<b>value</b>	Invest to maintain the base and bring new products to market	Revenue growth	Improving	<ul style="list-style-type: none"><li>- New SaaS products</li><li>- Hybrid capability</li></ul>
<b>velocity</b>	Highly efficient (agile) development shop	Margin improvement	Improving	<ul style="list-style-type: none"><li>- Extend SaaS platform</li><li>- Reduce time to market for new products</li></ul>
<b>quality</b>	Ensure products are robust and reliable to enhance customer experience	Lower cost of support	High	<ul style="list-style-type: none"><li>- &gt;95% satisfaction</li><li>- Reduce support queues</li></ul>

# Evolution to Cloud

Hybrid cloud and SaaS opportunity for IR



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## Hybrid strategy validated

The Myth of the 100% Cloud: Many businesses are instead boosting on-premises workloads; Jim Rapoza – Aberdeen Group

Large enterprise customers are moving to hybrid cloud – workloads run in both on-premises and SaaS

## Beta customers on new SaaS platform

Daily call volumes over 540k and more than 300k users

Platform supports new SaaS products; Payment Analytics, MS Teams & Zoom; it is the processing engine

## MS Teams & Zoom launching in H1

MS Teams 'daily active users' more than 75 million

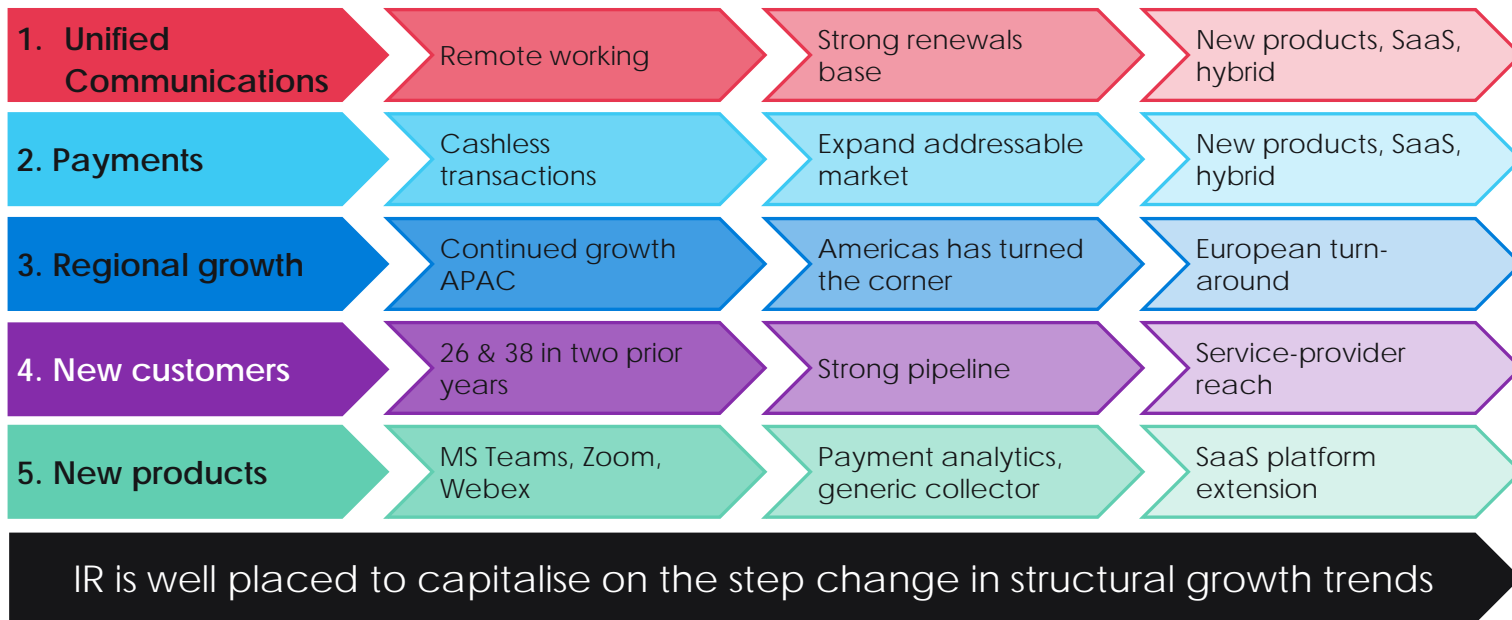
MS Teams & Zoom API integration to monitor performance and call quality

# Key Success Drivers

Leveraging long term structural growth trends



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# Investment Summary

Driving sustainable long-term performance



## complexity simplified

High Quality

Defensive

Growth

Strong Financial  
performance

Mission critical  
software

87% of revenues  
recurring in nature

Leveraged to  
structural growth in  
cloud-based  
solutions

11% Revenue CAGR  
since 2013

Broad base of Tier 1  
customers

Long term contract  
with high retention  
rates

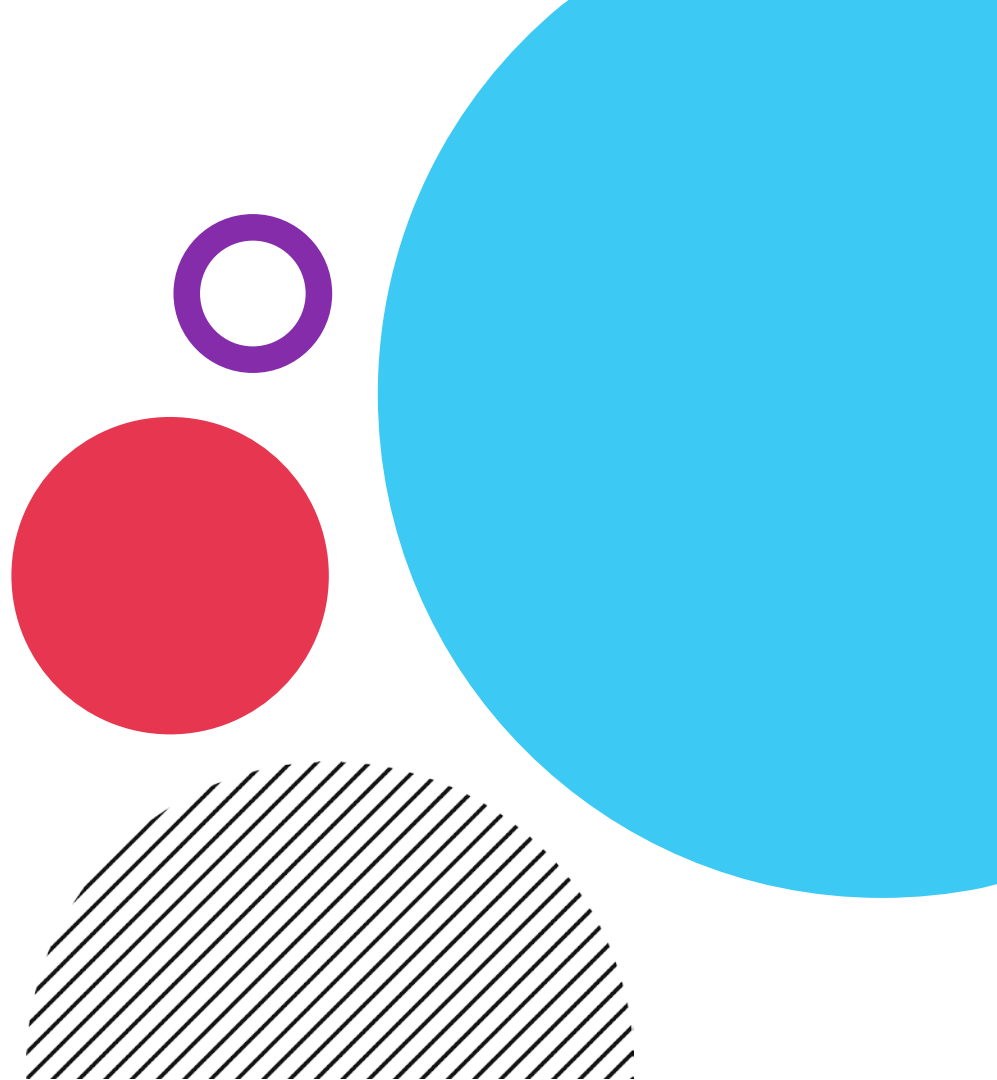
Long term growth in  
cashless payments  
and video comms

29% ROE with net  
cash to fund growth  
strategies

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## Appendix



## Who we are

### IR

IR is the leading global provider of user experience and performance management solutions for Unified Communications, Payments and IT Infrastructure.

## What we do

### Capabilities

Prognosis provides best in class performance management across Unified Communications, Contact Centres and Payments ecosystems, cloud, hybrid or on-premises.

## Why customers buy

### Value Proposition

Prognosis end-to-end Unified Communications, Payments and Infrastructure experience management software and testing services optimize operations of mission critical systems through insight into real time and historical events.

## Why we succeed

### Competitive Advantage

Prognosis is real-time scalable, extensible & flexible.  
Prognosis supports multiple platforms, vendors and applications  
IR has a significant enterprise global customer base  
IR has >25% of the Fortune 500 as customers  
IR has a world-class R&D capability

# Revenue Model by Segment



	UC & CC	Payments	Infrastructure
License Fees	Term Recurring ↑ Perpetual ↓	Term Recurring	Term Recurring
Maintenance Fees	Recurring	Recurring	Recurring
SaaS Fees	Recurring	N/A	N/A
Testing Solutions	Part Recurring	N/A	N/A
Consulting	Non-Recurring		

Contracts with  
multiyear duration

Top 10 customers account  
for less than one-third of  
total annual revenue

Bias from customers is for  
operational style purchasing vs  
large up front capital spend

# Proforma Subscription Revenue



## Purpose:

To provide an alternate view of underlying performance by restating term licence and maintenance revenues on a recurring subscription basis

## How:

- All licence sales from FY2012 to FY2020 were analysed for each region in their natural currencies (the historic analysis period)
- Perpetual deals have been reported separately in the year sold
- Subscription revenues have been calculated by aggregating amortised licence revenues with maintenance revenues for each product line
- Other revenue streams have been reported the same as the statutory accounts (e.g. professional services and testing services)
- A reconciliation of proforma subscription revenues and statutory revenue has been included below the analysis

# Proforma Subscription Revenue

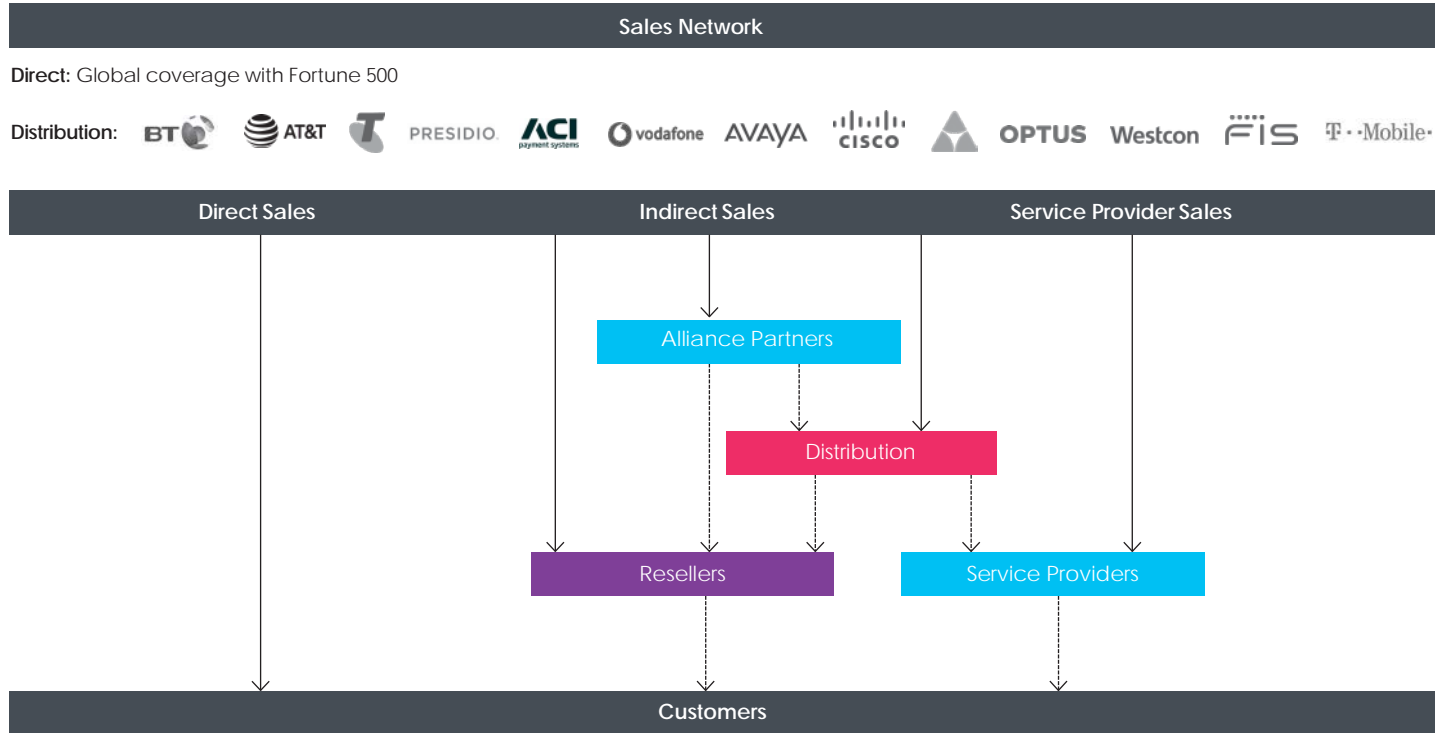


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Annual revenue	FY17	FY18	FY19	FY20	FY17	FY18	FY19	FY20
	A\$M	A\$M	A\$M	A\$M				
Infrastructure	21.0	19.8	20.1	21.6	2%	-6%	1%	8%
Payments	5.2	6.5	8.2	10.5	12%	24%	27%	27%
Unified Communications	36.9	41.0	47.9	53.1	1%	11%	17%	11%
Subscription revenues	<b>63.1</b>	<b>67.2</b>	<b>76.1</b>	<b>85.2</b>	2%	6%	13%	12%
Perpetual sales	6.4	1.8	2.9	4.3	-34%	-72%	61%	52%
Testing Services	4.1	5.2	5.0	5.5	-5%	28%	-4%	11%
Professional Services	6.8	7.4	7.4	8.6	-8%	9%	0%	17%
Proforma revenue	80.4	81.6	91.4	103.7	-3%	1%	12%	13%
Statutory revenue	91.2	91.2	100.8	110.9	8%	0%	11%	10%
Reconciliation to Statutory Accounts								
Proforma revenue	80.4	81.6	91.4	103.7				
Deduct Amortised licence fees	(36.3)	(41.0)	(50.1)	(60.4)				
Add Licence fees recognised upfront	47.0	50.7	59.6	67.6				
Statutory revenue	91.2	91.2	100.8	110.9				

# Multiple Channels to Market

Customer "High Touch" Model

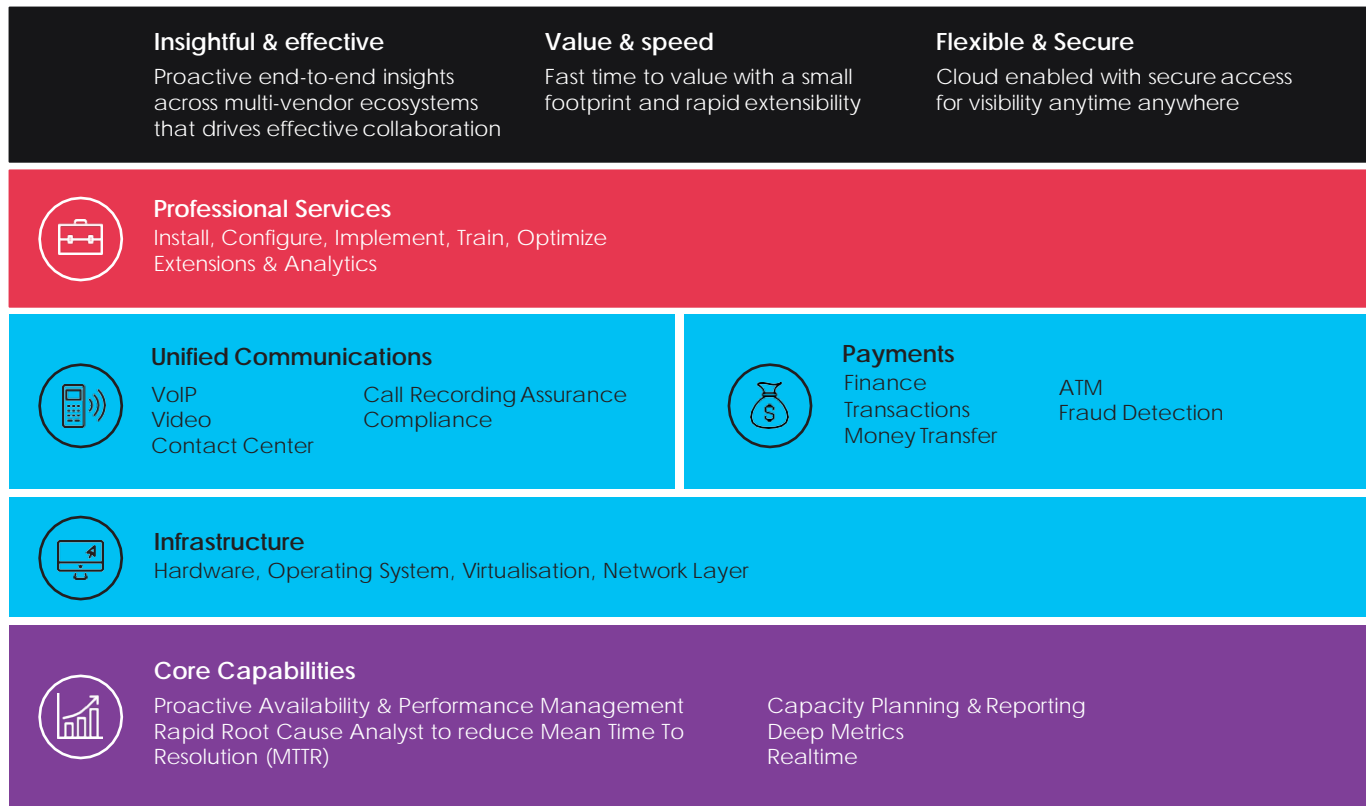


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# Prognosis Solution Components



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# Supporting Enterprise Customers Evolution to Cloud

On-premise to Cloud – the hybrid journey



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**Leading vendor** for on-premise UC, payments, and infrastructure management



Today 25% of UC deployments are cloud based, by 2023 this is forecast to be 37%\*



Support on-premise, SaaS, and hybrid deployments which will be the majority for the next 5 years



**Continue to maintain** and protect blue chip on-premise customer base



Two solutions this fiscal year leveraging IR's next gen SaaS platform – payments & UC



IR will grow revenue with **NEW** value added offerings on the new SaaS platform

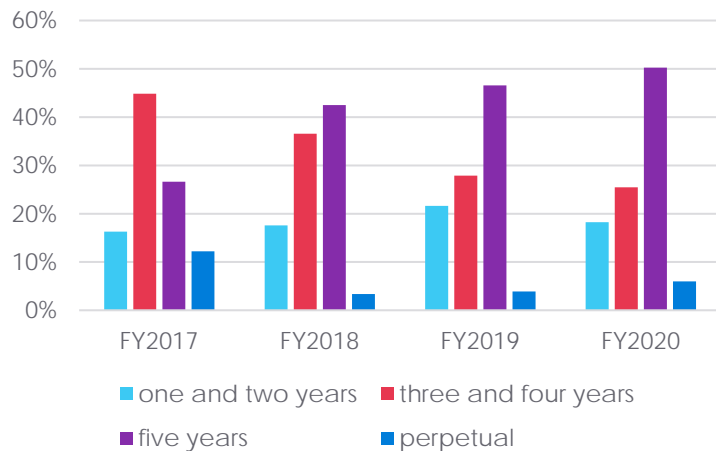


# High Quality Revenues

Diversified contribution and risk spread



Licence fees by contract length



Major H2 deals across regions and product

Customer	Region	Product Group	Industry
JP Morgan	Americas	Pay't/Infra	Financial Services
NTT	Global	Unified Comms	Communications Service Provider
BT	Europe	Unified Comms	Communications Service Provider
Kiwi Bank	APAC	Payments	Financial Services

**Contracts with multi-year duration**

**Maintenance retention rate: 93%**

# Cash Flow

Improved cash receipts from customers



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Significant  
improvement in  
cash from  
operations

Continuing  
dividend  
payments

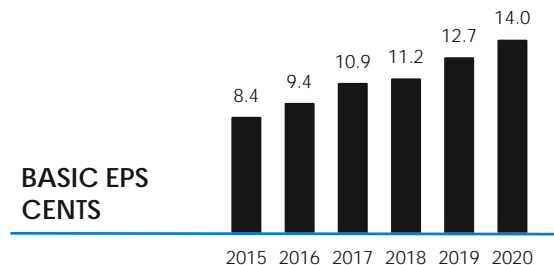
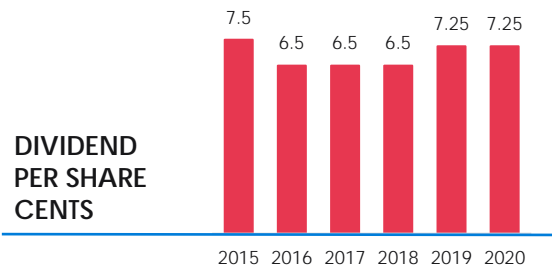
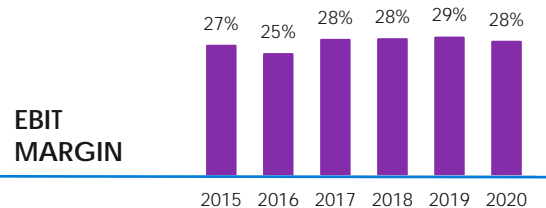
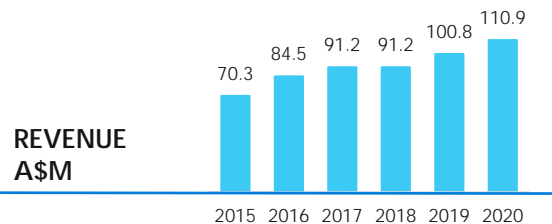
Accelerated  
investment in  
development

	Jun 20 *	Jun 19	Change
	A\$M	A\$M	
<b>Cash flows from operating activities</b>			
Cash receipts from customers ex debtor factoring	88.8	84.5	5%
Cash receipts from debtor factoring	7.6	5.0	52%
Cash receipts from customers	96.4	89.5	8%
Cash paid to suppliers and employees	(66.0)	(61.5)	7%
Cash generated from operations	30.3	27.9	8%
Income taxes paid	(6.2)	(6.7)	(8%)
<b>Net cash from operating activities</b>	<b>24.2</b>	<b>21.2</b>	<b>14%</b>
<b>Net cash used in investing activities</b>	<b>(14.2)</b>	<b>(11.8)</b>	<b>21%</b>
<b>Net cash used in financing activities</b>	<b>(9.7)</b>	<b>(12.1)</b>	<b>(20%)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>0.2</b>	<b>(2.6)</b>	<b>(108%)</b>
Cash and cash equivalents at 1 July	9.3	11.2	(17%)
Effects of exchange rate changes on cash	0.2	0.7	(70%)
<b>Cash and cash equivalents at 30 June</b>	<b>9.7</b>	<b>9.3</b>	<b>5%</b>

\* Cash outflow from leases of approximately \$2 million classified in financing activities as a result of adopting the new accounting standard on leases (AASB16); cash outflow from leases in the comparative column is classified in operating activities

# Financial track record

Growth and return to shareholders



Consistent  
growth

Long-term  
shareholder value

Strong  
performance

# Financial Track Record (Annual results)



Annual Results (A\$M):	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	10 year CAGR
Licence fees	18.4	25.0	28.9	26.6	28.0	41.0	45.7	53.4	52.6	62.8	72.1	15%
Revenue	38.2	44.6	48.6	48.9	53.2	70.3	84.5	91.2	91.2	100.8	110.9	11%
EBIT	5.7	9.3	11.1	11.1	10.3	19.0	21.4	25.7	25.8	28.9	30.9	18%
EBIT margin	15%	21%	23%	23%	19%	27%	25%	28%	28%	29%	28%	
EBITDA	12.5	15.9	18.5	18.6	17.8	28.1	32.0	37.0	36.2	40.2	42.9	13%
EBITDA margin	33%	36%	38%	38%	33%	40%	38%	41%	40%	40%	39%	
NPAT	5.4	7.5	9.0	9.1	8.5	14.3	16.0	18.5	19.1	21.9	24.1	16%
NPAT margin	14%	17%	19%	19%	16%	20%	19%	20%	21%	22%	22%	
Earnings per share (cents)	3.24	4.47	5.41	5.40	5.03	8.41	9.42	10.86	11.19	12.72	14.00	16%
Total dividend per share (cents)	2.50	4.00	5.00	5.00	5.00	7.50	6.50	6.50	6.50	7.25	7.25	
Payout ratio	77%	89%	92%	93%	99%	89%	69%	60%	58%	57%	50%	
Return on equity	22%	27%	31%	30%	28%	39%	39%	38%	33%	31%	29%	
<b>Growth rates:</b>												
Licence	-13%	36%	15%	-8%	5%	46%	11%	17%	-2%	19%	15%	
Revenue	-11%	17%	9%	1%	9%	32%	20%	8%	0%	11%	10%	
EBIT	-39%	63%	19%	1%	-8%	85%	13%	20%	1%	12%	7%	
EBITDA	-17%	27%	17%	0%	-4%	58%	14%	16%	-2%	11%	7%	
NPAT	-31%	38%	21%	0%	-6%	68%	12%	16%	3%	14%	10%	