



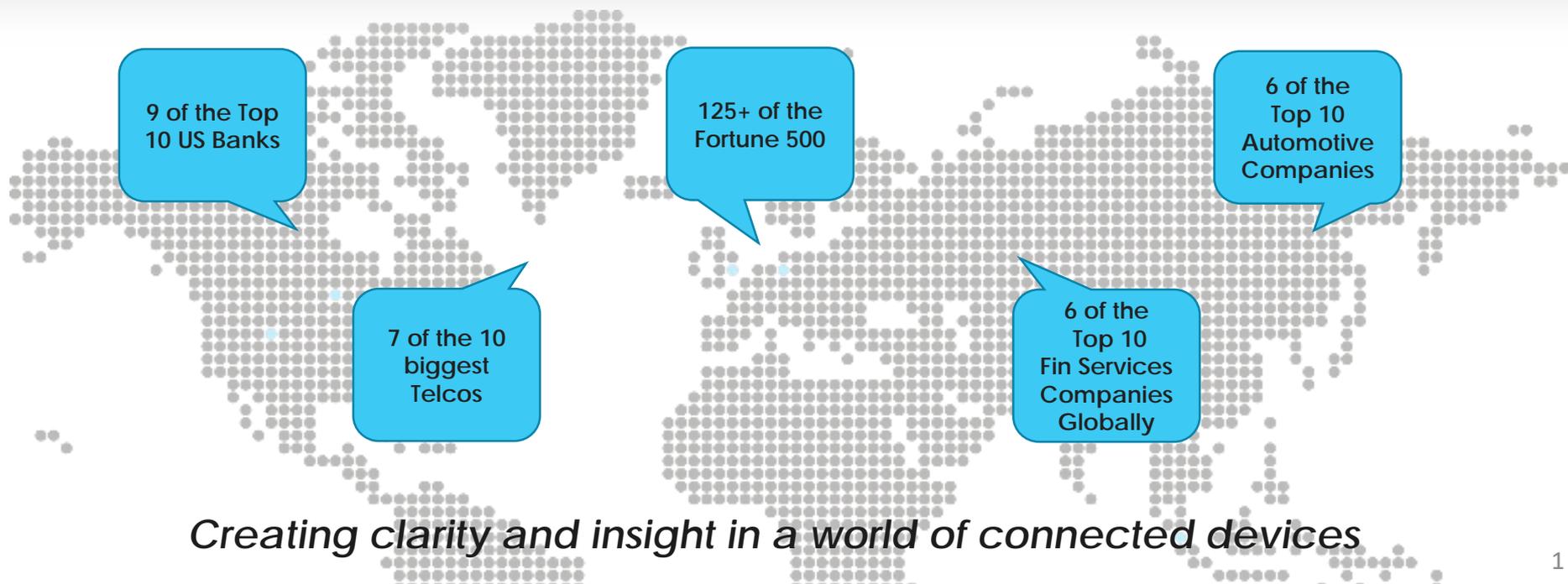
# Integrated Research Limited (IRI)

## FY2019 Financial Results

August 2019

John Ruthven, CEO

Peter Adams, CFO



*Creating clarity and insight in a world of connected devices*

# Key Financial Metrics

Strong results with investments in place to drive sustainable long term performance

First time over **\$100M** Revenue  
First time over **\$20M** NPAT

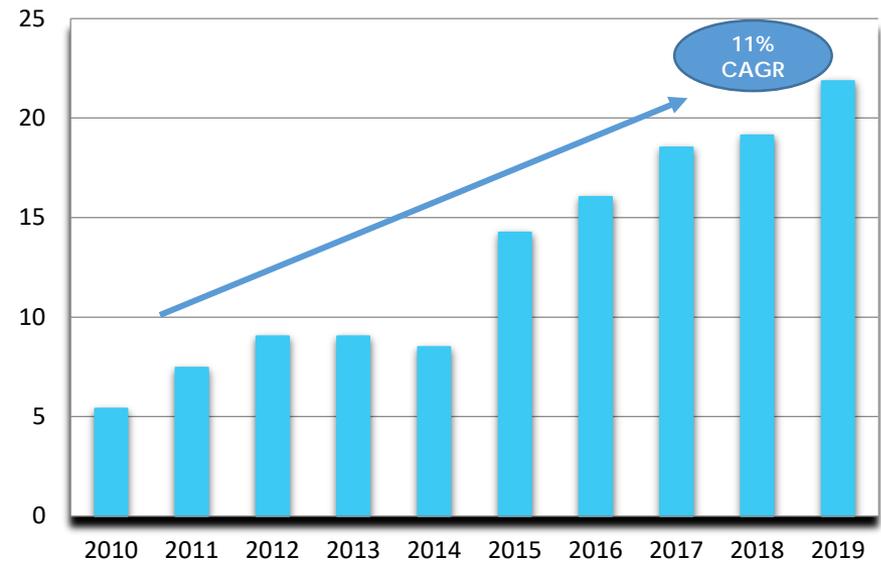
Licence fees up **19%** to  
**\$62.8M**

Revenue up **11%** to  
**\$100.8 million**

EBITDA up **10%** to  
**\$40.2 million**

NPAT up **14%** to  
**\$21.9 million**

Annual NPAT Performance \$M



Return on  
Equity  
31%

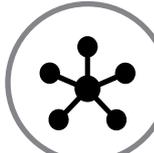
Basic EPS  
up 14%  
to 12.72  
cps

Dividend  
per share  
7.25 cps



# New CEO Observations

Strong market position with a compelling value proposition and the opportunity to grow leveraging core competencies

-  Global footprint with an enviable customer base
-  Mission critical solutions with deep domain expertise
-  Positive market momentum in major segments:  
Payments and Unified Communications
-  Opportunity to extend business insights and move up the value chain
-  Scope to scale across a number of growth vectors;  
geography, products, partners and usage
-  Opportunity to accelerate business model innovation;  
subscription and cloud-based platform





# Blue Chip Customer Base

Quality customer base is a testament to the superiority of IR's solutions

## Telecom/IT



## Financial



## Other



## Healthcare



## Non-Profit

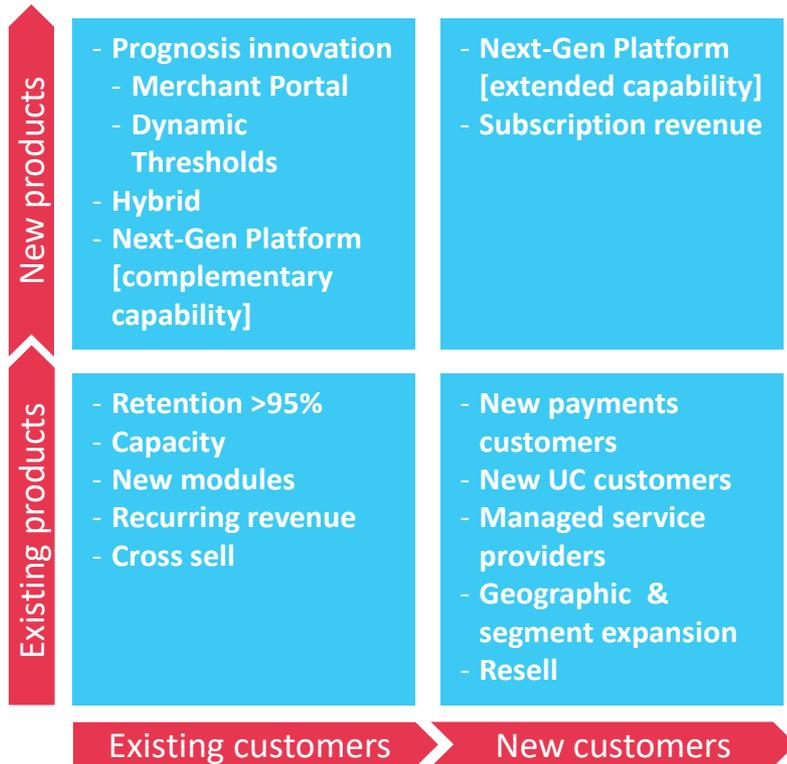




# The Opportunity

Solid growth in existing markets leveraging core competencies and significant growth potential in new markets with the launch of the next generation platform

## Model



## Execution

- Maintain the base;
  - disciplined account management
  - capacity
  - new modules
- Grow the base;
  - disciplined 'product life-cycle' management
  - new modules
- Next Generation Platform;
  - extended capability : new markets
  - complementary capability : existing customers
- Flex coverage model;
  - new logos
  - regional growth
- Subscription revenue;
  - ready the business for transition





# Operational Summary

Delivering on strategies to build capability, product development and expand global customer base



## Payments Growth up 92%

*Strong licence growth: new customers, renewal and capacity expansion*



## Unified Communications (“UC”) down 7%

*Inconsistent FY19 execution; positive outlook for FY20: solid renewal pipeline*



## Europe Growth up 19%

*Re-organised; successful large deal closure*



## Customer Summit Engagement

*A 36% increase in attendance to >180 customers*



## New Leadership Talent

*Bolstering bench-strength capabilities for future product delivery and performance*





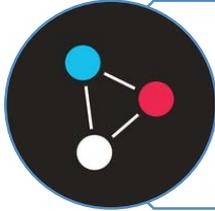
# Results Summary

Consistent margins and steady cashflow

YEAR ENDING	JUNE 2019 A\$000	JUNE 2018 A\$000	% change
Total revenue	100,820	91,175	11%
EBITDA	40,235	36,430	10%
EBITDA margin	40%	40%	
EBIT	28,900	25,848	12%
EBIT margin	29%	28%	
Profit after tax	21,851	19,180	14%
Profit after tax margin	22%	21%	
Basic earning per share	12.72	11.19	14%
Dividend per share (cents)	7.25	6.50	
Net cashflow from operations	21,237	21,442	(1%)
Return on equity	31%	33%	
Revenue in constant currency	95,280	91,175	5%
Normalised Profit in constant currency	19,842	17,684	12%

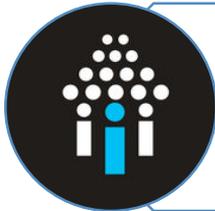


# Key Performance Metrics



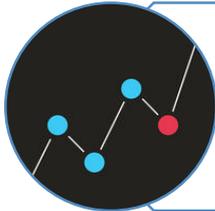
## Term recurring revenue

89% of revenue is recurring



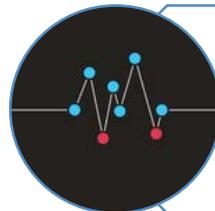
## New customers

26 new customers added over the year



## Pipeline Renewals

UC Renewal pipeline is higher than prior year



## Retention rate

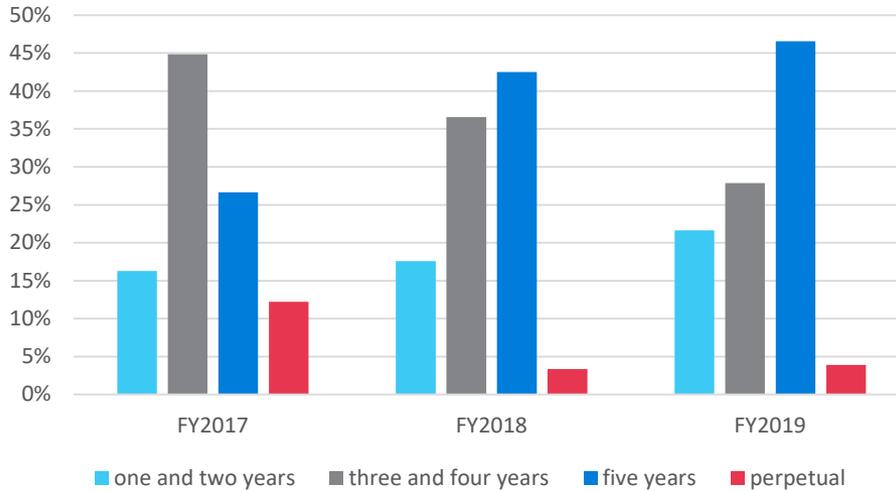
Annual maintenance retention rate is 95%



# High Quality Revenues

Diversified contribution and risk spread

Licence fees by contract length



- Contracts with multiyear duration
- Top 10 customers account for less than one-third of total revenue

## FY19 2H Key deals include the following:

Customer	Region	Product Group	Industry
AIRBUS	Europe	UC	Transportation
VISA	Americas	Infrastructure	Financial Services
Banner Health®	Americas	UC	Health Care
Westpac	APAC	Payments	Financial Services

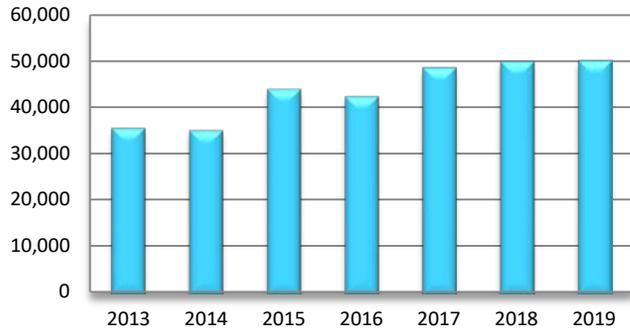




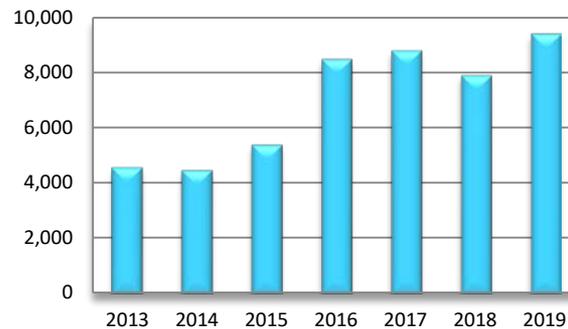
# Revenue Analysis - Geographic

The return of Europe

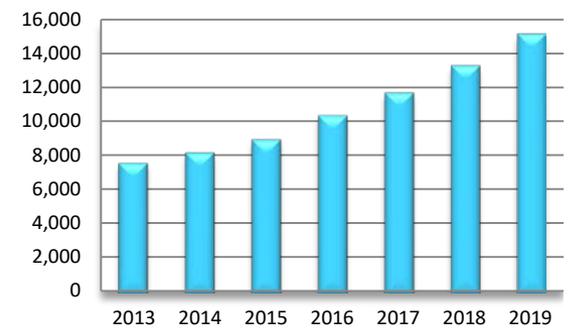
### Americas Revenue (US\$'000)



### Europe Revenue (£'000)



### Asia Pacific Revenue (A\$'000)



Americas delivered a solid result amidst changes in leadership

Europe achieved a 19% increase in revenues; licence growth across both UC and Payments

APAC achieved a 14% increase in revenues; growth across Payments and Infrastructure

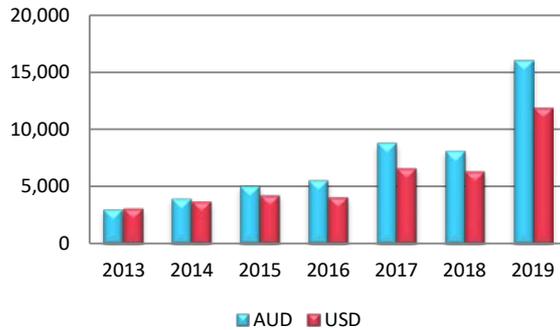




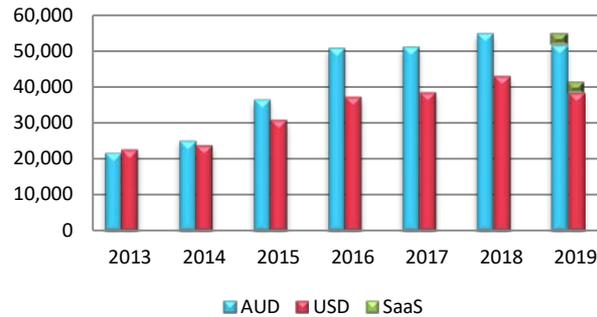
# Revenue Analysis - Product

Payments boost revenues

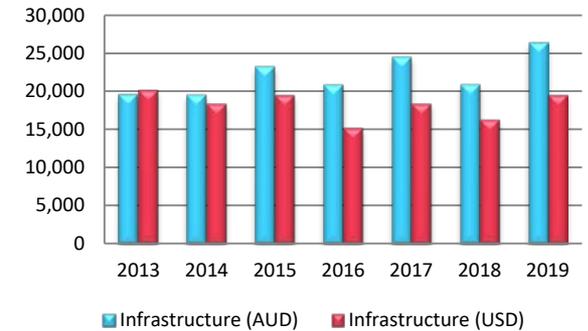
### Payments \$'000



### Unified Communications \$'000



### Infrastructure \$'000



Payments growth of 92% achieved from a global contribution; nine new customers

Inconsistent execution; opportunity to improve with stronger renewals in FY2020

Infrastructure growth of 28%. High margin product line with sticky customer base





# Balance Sheet

Well positioned to fund growth

## Abbreviated

A\$000	June-19	Jun-18
Cash and cash equivalents	9,316	11,238
Trade and other receivables	72,767	71,078
Intangible Assets	23,101	21,938
All Other Assets	8,337	6,318
<b>Total Assets</b>	<b>113,521</b>	<b>110,572</b>
Trade and other payables	9,797	10,140
Provisions	3,920	3,914
Tax liabilities	7,475	6,267
Deferred revenue	22,330	32,014
Other liabilities	172	399
<b>Total liabilities</b>	<b>43,694</b>	<b>52,734</b>
<b>Net assets</b>	<b>69,827</b>	<b>57,838</b>

**Strong balance sheet – no debt**

**Trade receivables**  
- Strong source of future cash  
- Low historic debtor write off





# Cashflow

Improved cash receipts from customers

	June 19	June 18	Change
<b>Cash flows from operating activities</b>	A\$ '000	A\$ '000	
Cash receipts from customers ex debtor factoring	84,443	69,072	22%
Cash receipts from debtor factoring	5,029	13,662	(63%)
Cash receipts from customers	89,472	82,734	8%
Cash paid to suppliers and employees	(61,498)	(53,362)	15%
Cash generated from operations	27,974	29,372	(5%)
Income taxes paid	(6,737)	(7,930)	(15%)
<b>Net cash from operating activities</b>	<b>21,237</b>	<b>21,442</b>	<b>(1%)</b>
<b>Net cash used in investing activities</b>	<b>(11,829)</b>	<b>(12,286)</b>	<b>(4%)</b>
<b>Net cash used in financing activities</b>	<b>(12,027)</b>	<b>(11,137)</b>	<b>8%</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,619)</b>	<b>(1,981)</b>	<b>32%</b>
Cash and cash equivalents at 1 July	11,238	14,113	(20%)
Effects of exchange rate changes on cash	697	(894)	
<b>Cash and cash equivalents at 31 December</b>	<b>9,316</b>	<b>11,238</b>	<b>(17%)</b>

Significant  
improvement  
in cash  
receipts

Reduction in  
debtor  
factoring

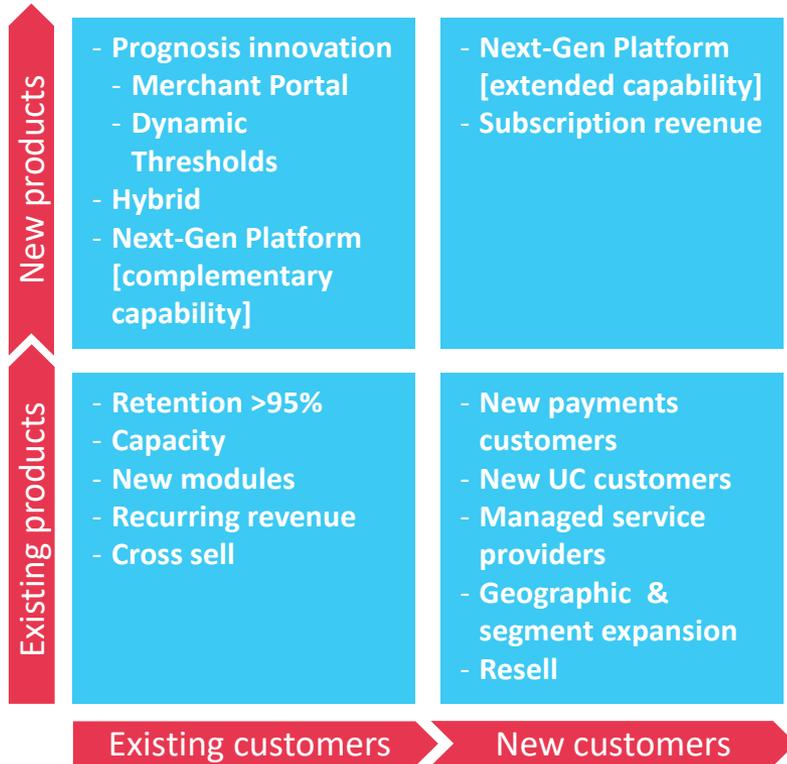
Consistent  
investment in  
development





# 2020 Key Drivers

Well placed to deliver sustainable growth with execution focus



## Drivers

- Renewals base;
  - capacity
  - new modules
- UC field execution;
  - new leadership
  - enhanced coverage model
  - Renewals strength
- Partners;
  - MSP's : demand for higher margin business
  - Resell : pricing & program optimisation
- New customers;
  - EMEA & APAC upside – changes to coverage model
  - US new leadership and focus



# Appendix





# Company Summary

## Business Highlights

Founded:	1988
Headquarters:	Sydney
Employees:	~270
2019 Revenue:	\$100.8M (95% offshore)
FY2019 NPAT:	\$21.9M (up 14%)
Head Office:	Level 9, 100 Pacific Highway North Sydney NSW 2060

## Key Differentiators

- 1 #1 Vendor in User Experience & Performance Management for UC, Payments & Infrastructure
- 2 Provide real-time clarity & insight into critical systems performance
- 3 Differentiated, scalable technology based on single code base
- 4 Diversified product portfolio backed by deep R&D

## Tier One Global Customers

- Significant global enterprise customer base across diverse segments, with >25% of Fortune 500 companies as customers



## Global Footprint



Global customer base in 60+ countries



## 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.

### 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.
- ✓ Intelligent analytics establish patterns and root causes speeding troubleshooting and problem resolution.
- ✓ Evolving **prediction** capabilities, automation and **self healing** help Prognosis optimize operations and prevent issues occurring at all.

## WHY CUSTOMERS BUY

### 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

## WHY WE SUCCEED



# Revenue Model by Segment

	UC & CC	Payments	Infrastructure
License Fees	Term Recurring <sup>↑</sup> Perpetual <sup>↓</sup>	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		

Term recurring:  
licence fees  
recognised at a  
point in time  
(typically at  
commencement of  
term)

Introduction of  
SaaS is new  
recurring  
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 FY2019 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





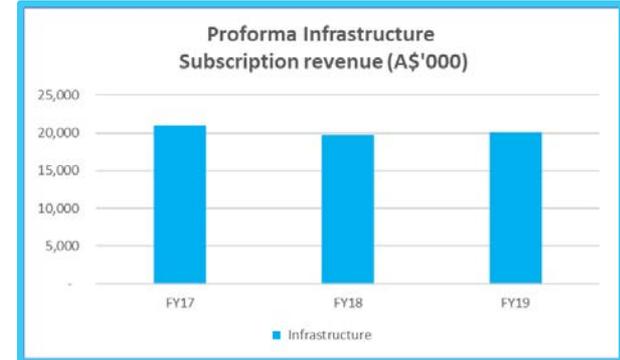
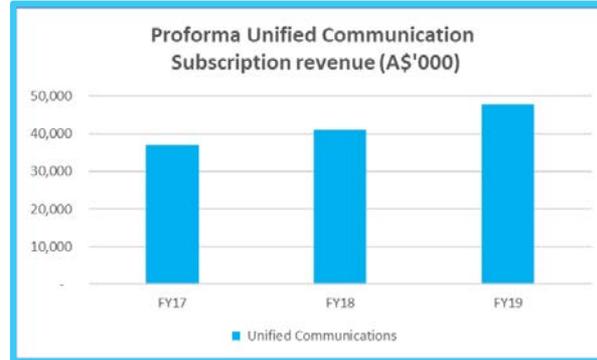
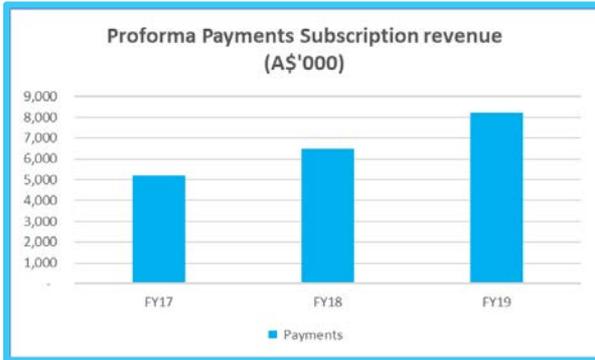
# Proforma Subscription Revenue A\$000

	FY17	FY18	FY19	FY17	FY18	FY19
Infrastructure	20,995	19,763	20,050	2%	-6%	1%
Payments	5,209	6,482	8,235	12%	24%	27%
Unified Communications	36,924	40,972	47,851	1%	11%	17%
<b>Subscription revenues</b>	<b>63,128</b>	<b>67,216</b>	<b>76,136</b>	<b>2%</b>	<b>6%</b>	<b>13%</b>
<b>Perpetual sales</b>	6,426	1,777	2,857	-34%	-72%	61%
<b>Testing Services</b>	4,073	5,207	4,995	-5%	28%	-4%
<b>Professional Services</b>	6,784	7,367	7,387	-8%	9%	0%
<b>Proforma revenue</b>	<b>80,411</b>	<b>81,567</b>	<b>91,375</b>	<b>-3%</b>	<b>1%</b>	<b>12%</b>
<b>Statutory revenue</b>	<b>91,169</b>	<b>91,175</b>	<b>100,821</b>	<b>8%</b>	<b>0%</b>	<b>11%</b>
<b>Reconciliation to Statutory Accounts</b>						
<b>Proforma revenue</b>	80,411	81,567	91,375			
Deduct: Amortised licence fees	(36,257)	(41,048)	(50,143)			
Add: Licence fees recognised upfront	47,015	50,656	59,589			
<b>Statutory revenue</b>	<b>91,169</b>	<b>91,175</b>	<b>100,821</b>			





# Proforma Subscription Revenue



## Key Messages:

- Both Payments and Unified Communications business are growing on a subscription revenue equivalent basis
- Infrastructure revenue provides a baseline of revenue with minimal growth (as expected)
- Above charts exclude all non recurring revenue elements (ie Testing solutions, professional services and perpetual sales)





# Multiple Channels to Market

Customer "High Touch" Model

## Sales Network

Direct: Global coverage with Fortune 500

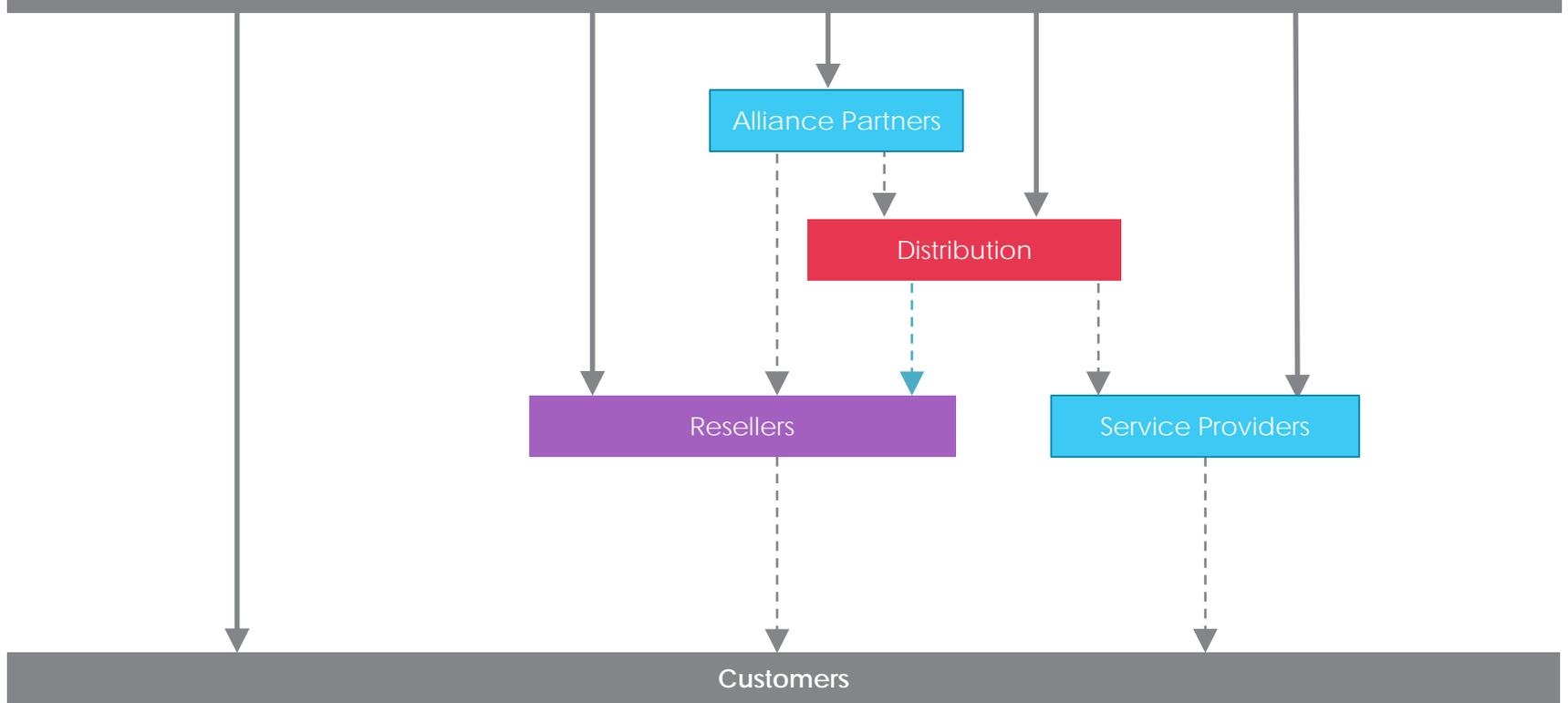
Distribution:



### Direct Sales

### Indirect Sales

### Service Provider Sales



Customers



# Key Technology Partners

IR is the only certified vendor to provide proprietary software on all 3 major UC Platforms:  
Cisco, Skype for Business and Avaya

Partner	Relationship	Certification	Used in Managed Cloud Service	Initiatives
  	<ul style="list-style-type: none"> <li>Microsoft certified solution in the Skype for Business</li> <li>IR is a Gold Microsoft Communications Partner</li> </ul>	✓	✗	<ul style="list-style-type: none"> <li>Seeding strategy with Network Assessment for Teams and Skype for Business</li> <li>Upsell full Prognosis</li> </ul>
	<ul style="list-style-type: none"> <li>Cisco UC ecosystem's management platform of choice and on its price list</li> <li>Customer experience management that prevents outages and poor voice quality</li> </ul>	✓	✓	<ul style="list-style-type: none"> <li>Scale through Cisco Solutions Plus Program</li> <li>Cross-sell into other Cisco BUs</li> </ul>
	<ul style="list-style-type: none"> <li>Avaya's solution of choice</li> <li>Integrated into Avaya, allowing customers to manage the entire UC lifecycle in real time with one integrated solution</li> </ul>	✓	✓	<ul style="list-style-type: none"> <li>Leverage Avaya leadership in Contact Center</li> <li>Capitalize Avaya base</li> <li>Grow into Skype for Business through migration</li> </ul>
 (Non-Stop)	<ul style="list-style-type: none"> <li>Performance management suite for customers using HP NonStop Environment, helping optimizes IT infrastructure and reduce costs</li> </ul>	✓	✓	<ul style="list-style-type: none"> <li>Support new product developments</li> <li>High margin with long tail</li> <li>Leverage base into Payments market disruption</li> </ul>
	<ul style="list-style-type: none"> <li>IR has developed a Prognosis module for ACI MTS, PRM, B24 EPS</li> <li>ACI recently launched cross border UP eCommerce Payments solution</li> </ul>	✓	✓	<ul style="list-style-type: none"> <li>Capitalize on built momentum</li> <li>Prognosis is only 3<sup>rd</sup> party performance management solution ACI offers</li> </ul>





# Prognosis Solution Components

## Insightful & Effective

Proactive end-to-end insights across multi-vendor ecosystems that drives effective collaboration

## Value & Speed

Fast time to value with a small footprint and rapid extensibility

## Flexible & Secure

Cloud enabled with secure access for visibility anytime anywhere

## Professional Services

Install, Configure, Implement, Train, Optimise  
Extensions & Analytics



## Unified Communications

VoIP  
Video  
Contact Center  
Call Recording Assurance  
Compliance

## Payments

Finance Transactions  
Money Transfer  
ATM  
Fraud Detection



## Infrastructure

Hardware, Operating System, Virtualisation, Network Layer



## Core Capabilities

Proactive Availability & Performance Management  
Rapid Root Cause Analysis to reduce Mean Time To Resolution (MTTR)  
Capacity Planning & Reporting  
Deep Metrics  
Realtime





# Cisco HCS-G (FedRAMP)

## Questions and Answers

Question	Answer	References:
<b>What is FedRAMP?</b>	The Federal Risk and Authorization Management Program (FedRAMP) is a government-wide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services.	<a href="https://www.fedramp.gov/about/">https://www.fedramp.gov/about/</a>
<b>What is Cisco HCS-G?</b>	Cisco Hosted Collaboration Solution for Government (HCS-G) is a FedRAMP-authorized solution that allows an agency to benefit from secure and reliable cloud-based collaboration that can be scaled as an agency's needs change.	<a href="https://www.cisco.com/c/dam/en_us/solutions/industries/docs/gov/hcs-for-government-product-overview.pdf">https://www.cisco.com/c/dam/en_us/solutions/industries/docs/gov/hcs-for-government-product-overview.pdf</a>
<b>How does IR fit into the FedRAMP program?</b>	Prognosis is an embedded component of the HCS-G service providing future revenue opportunities for IR.	
<b>How many Prognosis licenses have been sold to date and how many have been deployed?</b>	This is commercially sensitive, but the overall Prognosis licence pool sold initially in 2016 has not been fully utilised.	
<b>Does Cisco have an exclusive arrangement with the US Government? Is there a mandate for US Government Agencies to commit to the Cloud? Is there a specified rollout program?</b>	The answer is "no" to each of these questions; please note that there is a mandate for Federal agency cloud based deployments to comply with the FedRAMP program.	<a href="https://www.fedramp.gov/faqs/">https://www.fedramp.gov/faqs/</a>
<b>What is the timing of future IR revenue?</b>	The timing of revenue is dependent upon the uptake of the HCS-G solution by US Federal Government agencies. Based on the very low traction to date, forecasting revenue is difficult to predict with any certainty. It is unlikely than any significant revenue will eventuate in FY20.	
<b>What is the size of the opportunity?</b>	This is dependent on the total number of US Government employees that Cisco HCS-G can deploy to.	
<b>Are there any risks?</b>	Cisco have the right to cancel the contract with IR. There are other commercial risks that are considered standard in nature.	





# Financial Track Record

Year ending (A\$M)	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	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	12%
Revenue	38.2	44.6	48.6	48.9	53.2	70.3	84.5	91.2	91.2	100.8	9%
EBIT	5.7	9.3	11.1	11.1	10.3	19.0	21.4	25.7	25.8	28.9	12%
EBIT margin	15%	21%	23%	23%	19%	27%	25%	28%	28%	29%	
EBITDA	12.5	15.9	18.5	18.6	17.8	28.1	32.0	37.0	36.2	40.2	10%
EBITDA margin	33%	36%	38%	38%	33%	40%	38%	41%	40%	40%	
NPAT	5.4	7.5	9.0	9.1	8.5	14.3	16.0	18.5	19.1	21.9	11%
NPAT margin	14%	17%	19%	19%	16%	20%	19%	20%	21%	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	
Interim dividend per share (cents)	1.50	1.50	2.00	2.00	2.50	3.50	3.00	3.00	3.00	3.50	
Final dividend per share (cents)	1.00	2.50	3.00	3.00	2.50	4.00	3.50	3.50	3.50	3.75	
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	
Payout ratio	77%	89%	92%	93%	99%	89%	69%	60%	58%	57%	
Return on equity	22%	27%	31%	30%	28%	39%	39%	38%	33%	31%	
Growth rates:											
Licence	-13%	36%	15%	-8%	5%	46%	11%	17%	-2%	19%	
Revenue	-11%	17%	9%	1%	9%	32%	20%	8%	0%	11%	
EBIT	-39%	63%	19%	1%	-8%	85%	13%	20%	1%	12%	
EBITDA	-17%	27%	17%	0%	-4%	58%	14%	16%	-2%	11%	
NPAT	-31%	38%	21%	0%	-6%	68%	12%	16%	3%	14%	





# Investment Summary

Driving sustainable long term performance

<b>Market leading proprietary software - Prognosis</b>	<b>Partnerships with all three major UC platforms</b>	<b>Deep customer and technology expertise and execution capabilities</b>	<b>Clear growth strategies - capability, product development and expand customer base</b>
<b>Broad and diverse blue chip customer base with multi year contracts</b>	<b>High quality recurring revenues and customer retention</b>	<b>Investments in place to deliver sustainable long term growth and high returns on equity</b>	<b>Strong balance sheet to fund growth</b>

**Creating clarity and insight in a world of connected devices**

