

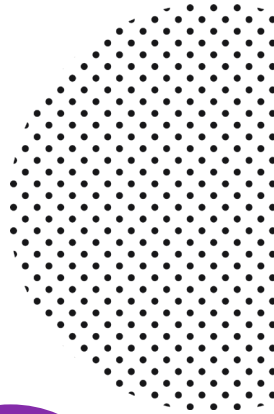
Integrated Research Limited (IRI) FY2020 Half Year Financial Results

February 2020

John Ruthven, CEO
Peter Adams, CFO



complexity simplified



Key Financial Metrics

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



Record **Interim Revenue** and **Profit** Results

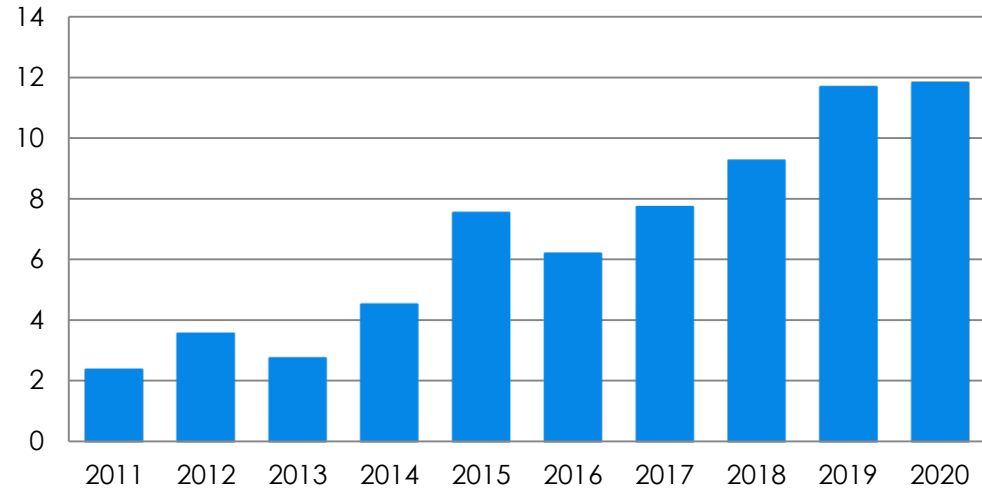
Revenue up **6%** to **\$53.2 million**

86% of revenue is term recurring;
93% maintenance retention rate

NPAT up **1%** to **\$11.8 million**

Operating cashflow up **28%*** to **\$13.2 million**

H1 FY2020 Interim NPAT Performance \$M



Return on Equity

16%

Basic EPS

6.88cps

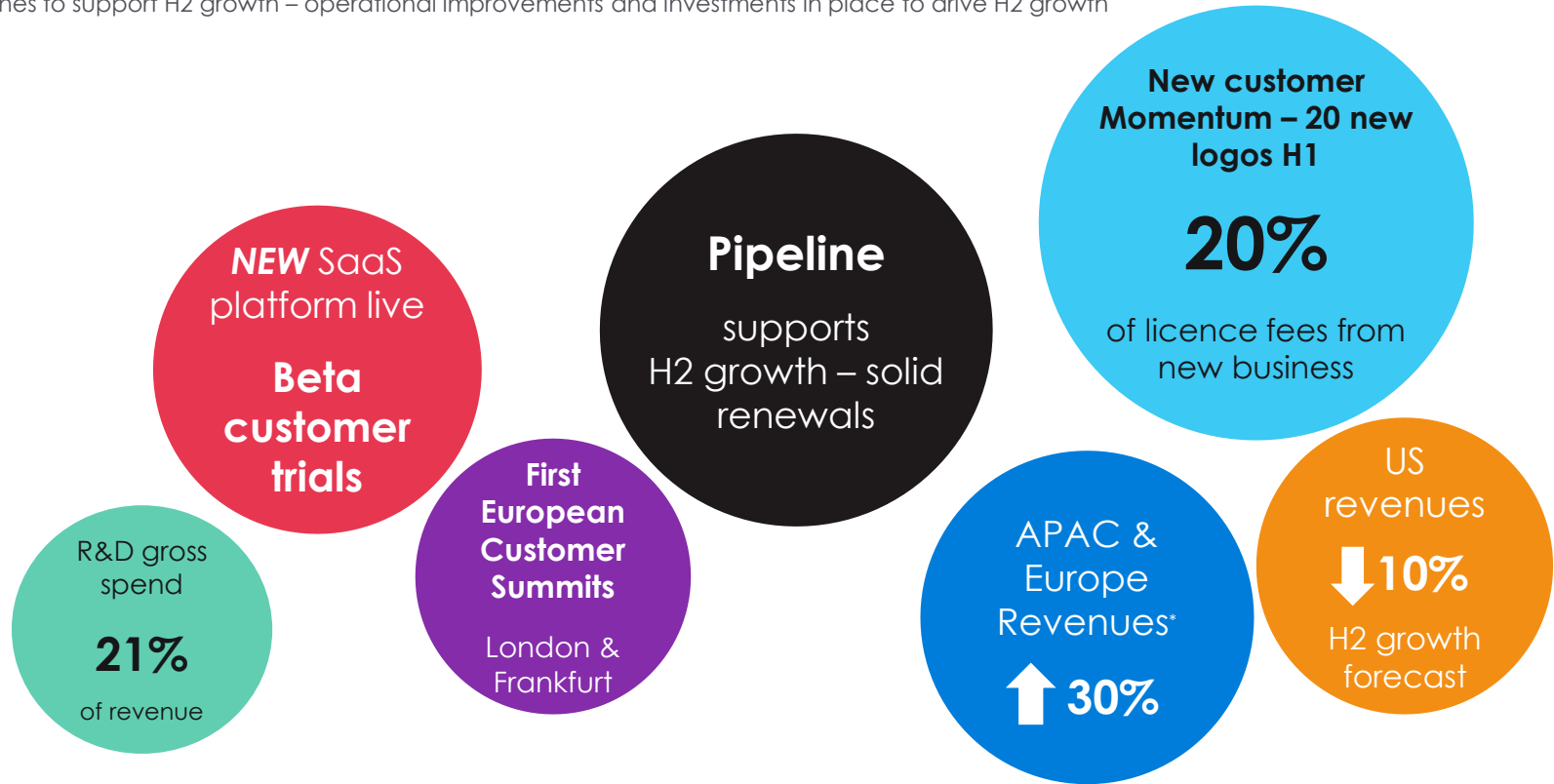
Dividend per share

3.5cps

* - like for like comparison after adjusting for new AASB leasing standard

Operational Summary

Milestones to support H2 growth – operational improvements and investments in place to drive H2 growth



* Combined regional growth

Results Summary

Investments in place for H2 growth



	Dec 2019*	Dec 2018	% change
Year ending	A\$M	A\$M	A\$M
Total revenue	53.2	50.3	6%
EBITDA	20.6	20.8	(1%)
EBITDA margin	39%	41%	
EBIT	14.6	15.3	(5%)
EBIT margin	27%	30%	
Profit after tax	11.8	11.7	1%
Profit after tax margin	22%	23%	
Basic earning per share (cents)	6.88c	6.82c	1%
Dividend per share (cents)	3.5c	3.5c	
Return on equity	16%	18%	
Revenue in constant currency	50.5	50.3	0%

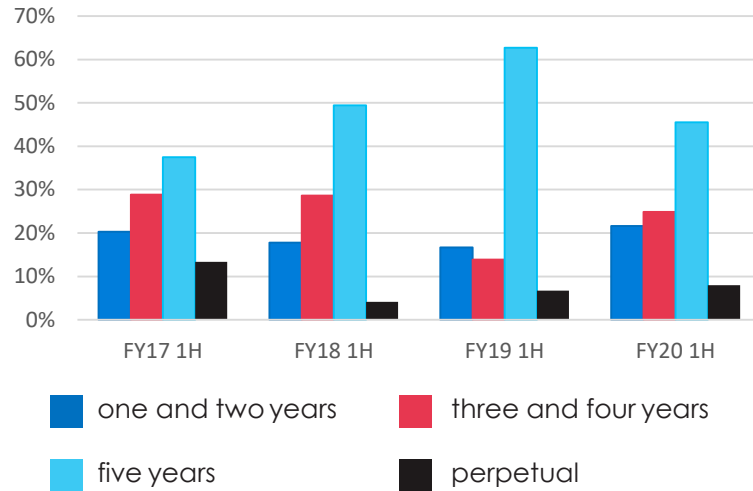
*Half year results include approximately \$1m of reclassification adjustments between expenses, interest and depreciation as a result of adopting the new lease accounting standard (AASB16). Whilst EBITDA has increased from the reclassification, all other profit metrics are materially the same.

High Quality Revenues

Diversified contribution and risk spread



Licence fees by contract length



Major H1 deals across regions and product

Customer	Region	Product Group	Industry
Fiserv	Americas	All products	Financial Services
Capgemini	Europe	Unified Comms	Tech Consultancy
BT	Europe	Unified Comms	Communications Service Provider
ANZ Bank	APAC	Payments	Financial Services

Contracts with multi-year duration

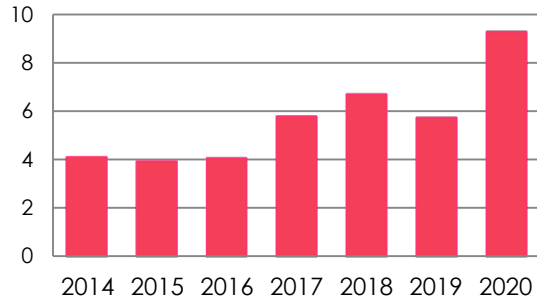
Top 10 customers account for less than 40% of total H1 revenue

Revenue Analysis - Geographic

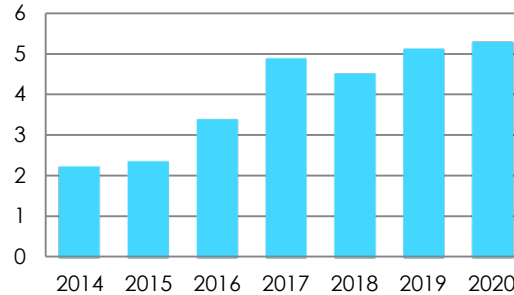
APAC delivers standout growth in H1



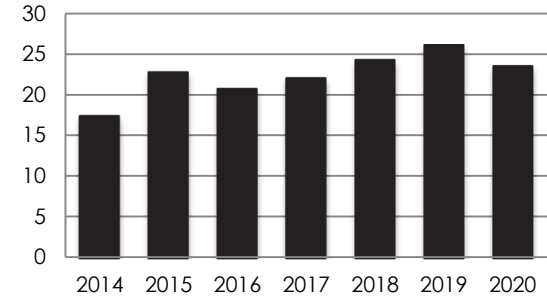
Asia Pacific Revenue A\$M



Europe Revenue £M



Americas Revenue US\$M



APAC achieved revenue growth of 62% with strong licence growth across UC and Payments

Europe achieved revenue growth of 3%; licence growth in UC service providers offset by lower Payments

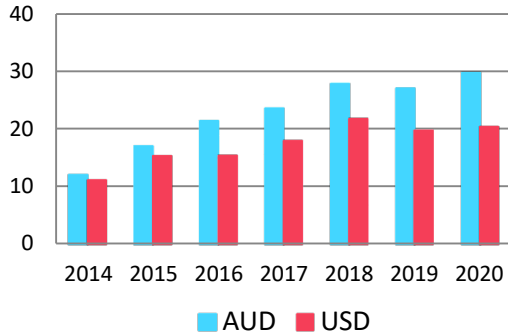
Americas revenue declined by 10% due to lower UC service provider revenue (timing)

Revenue Analysis - Product

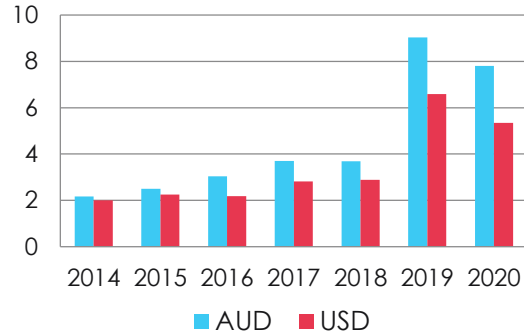
Diversified revenue spread across three major product groups



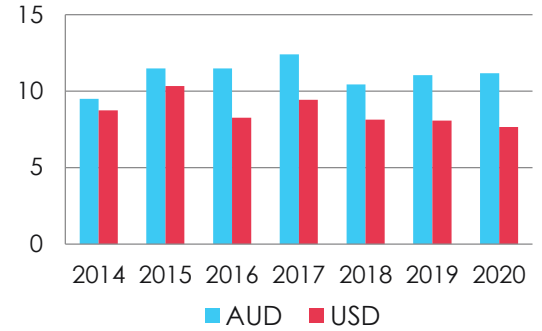
Unified Communications \$M



Payments \$M



Infrastructure \$M

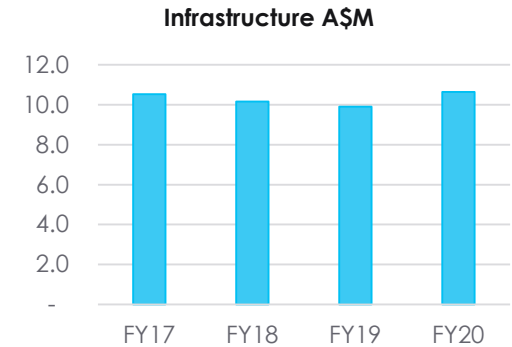
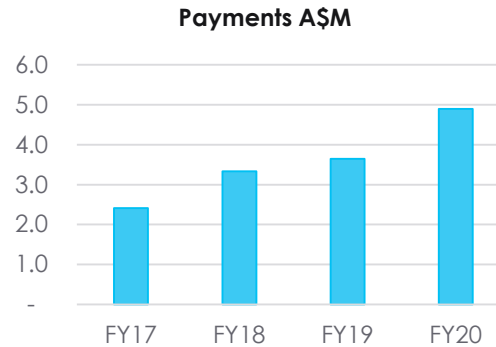
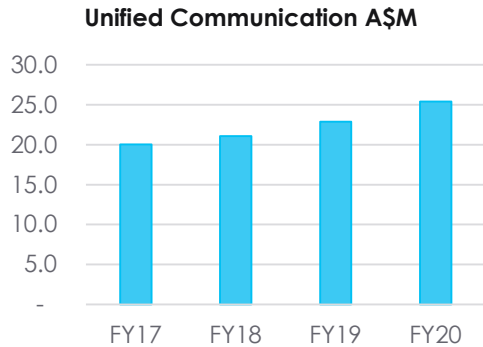


Unified Communications achieved growth of 10% : Avaya renewals up; Microsoft down; Cisco stable

Payments long term trend up; current half down 14% due to timing; underlying new business growth of 17%

Infrastructure achieved growth of 1%: High margin product line with sticky customer base

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)

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

Cash Flow

Improved cash receipts from customers



Significant improvement in cash from operations

Reduction in debtor factoring

Accelerated investment in development

	Dec 19*	Dec 18	Change
	A\$M	A\$M	
Cash flows from operating activities			
Cash receipts from customers ex debtor factoring	44.4	38.8	14%
Cash receipts from debtor factoring	1.1	2.8	(61%)
Cash receipts from customers	45.5	41.6	9%
Cash paid to suppliers and employees	(30.1)	(29.3)	3%
Cash generated from operations	15.4	12.3	25%
Income taxes paid	(2.2)	(2.8)	(23)
Net cash from operating activities	13.2	9.6	39%
Net cash used in investing activities	(7.4)	(5.7)	31%
Net cash used in financing activities	(7.5)	(6.0)	25%
Net increase/(decrease) in cash and cash equivalents	(1.7)	(2.1)	(20%)
Cash and cash equivalents at 1 July	9.3	11.2	(17%)
Effects of exchange rate changes on cash	-	0.5	
Cash and cash equivalents at 31 December	7.6	9.6	(21%)

* Cash outflow from leases of \$1.0 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

Balance Sheet

Well positioned to fund growth



Balance sheet
grossed up \$7.3m
for new lease
accounting
standard

Strong balance
sheet – no bank
debt

Trade receivables:
strong source of
future cash

	Dec 19	Jun 19
	A\$M	A\$M
Cash and cash equivalents	7.6	9.3
Trade and other receivables	80.5	72.8
Intangible Assets	26.4	23.1
All Other Assets	15.6	8.3
Total Assets	130.1	113.5
Trade and other payables	12.0	9.8
Provisions	4.0	3.9
Tax liabilities	8.5	7.5
Deferred revenue	22.4	22.3
Other liabilities	7.4	0.2
Total liabilities	54.3	43.7
Net assets	75.8	69.8

What does IR do?

Use cases of the problems we solve



problem	complex	simple	relevant
Smart watch payment failure	New technologies add complexity	Integrated view across technologies	Avoid lost sales
Card declined	Multiple processing parties increase failure points	Drill down to root cause	Faster resolution and revenue assurance
Service levels and penalties (service provider)	Multiple networks, equipment and countries	Drill down to root cause of audio quality	Service Providers avoid SLA penalties
Call dropouts	Multiple networks, equipment and countries	Drill down to root cause with corrective actions	Dropped calls impact business productivity

Blue Chip Customer Base

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



Telecom/IT



Financial



Other



Healthcare



Not-for-Profit



Supporting Enterprise Customers Evolution to Cloud

On-premise to Cloud – the hybrid journey



Dominant 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



Stories from the Field

Growth strategies at work



maintain

Fiserv

contract consolidation
financial synergies
after FDC acquisition;
extended term

grow

ABSA

cross-sell UC/CC;
multi-platform
environment;
troubleshoot quality
issues on Video &
Voice

new

GSK

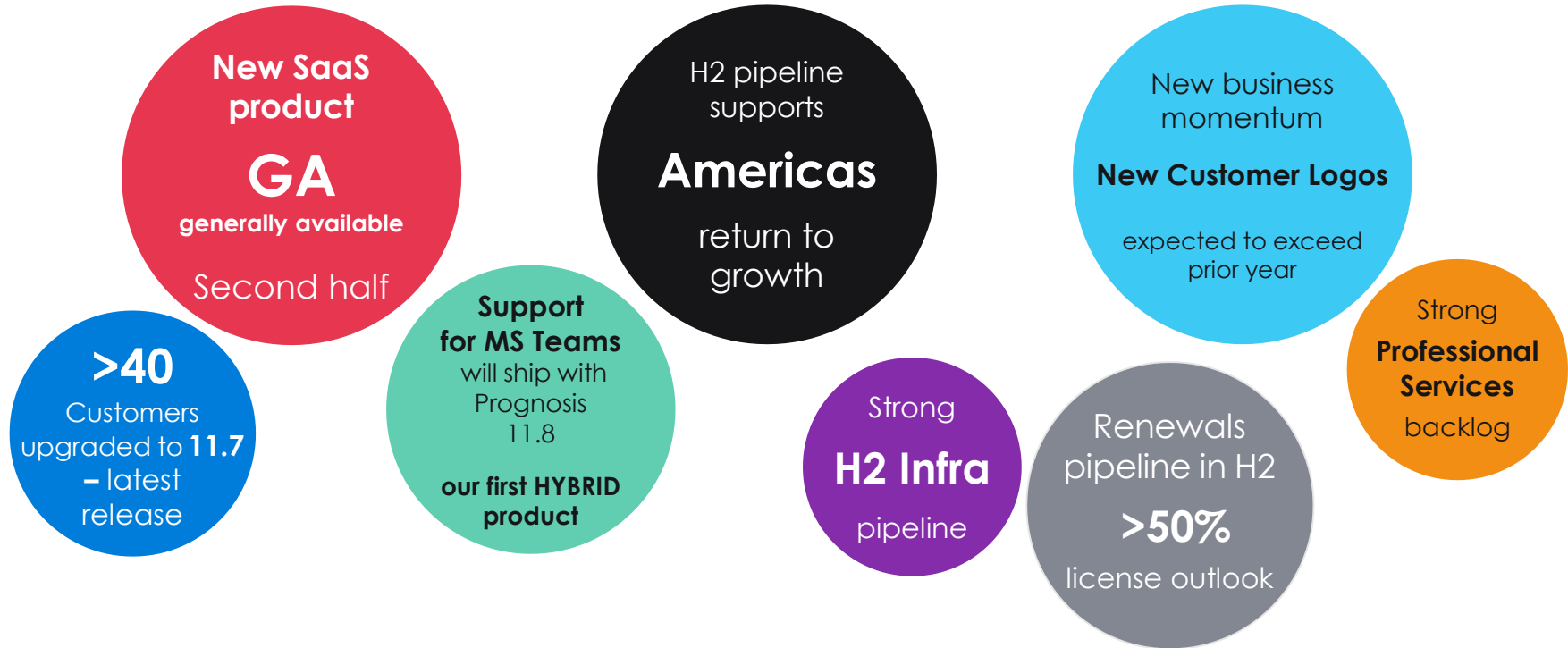
GlaxoSmithKline

new UC logo; 'single
pane of glass';
collaboration
platform

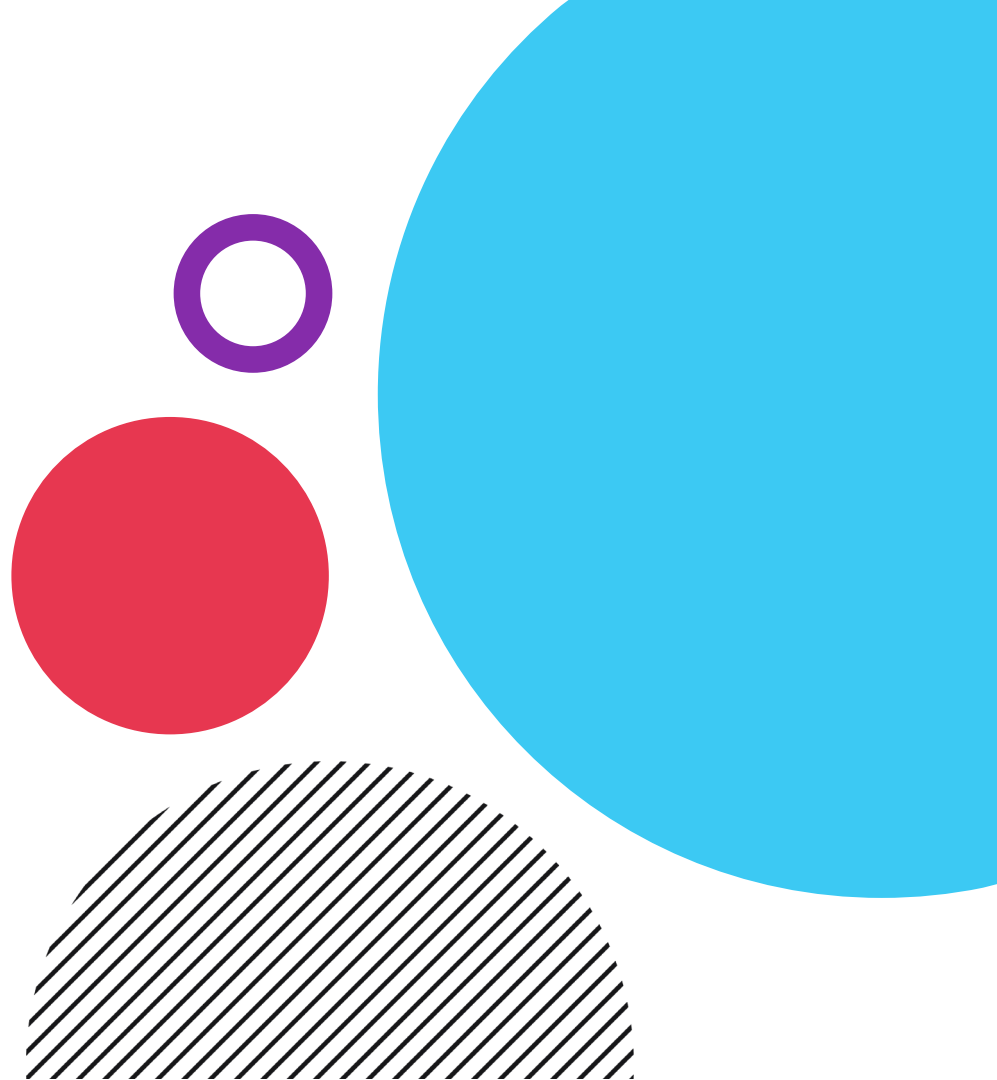
multi-vector growth strategy

2020 Key Drivers

Well placed to deliver sustainable growth – maintain, grow, new



Appendix



Company Summary



Business highlights

Founded: 1988
Headquarters: Sydney
Employees: 270
2019 Revenue: \$100.8M (95% offshore)
FY2019 NPAT: 21.9M (up 14%)

Level 9, 100 Pacific Highway North Sydney NSW 2060

Key Differentiators

#1 Vendor in User Experience & Performance Management for UC, Payments & Infrastructure

Provide real-time clarity & insight into critical systems performance

Differentiated, scalable technology based on single code base

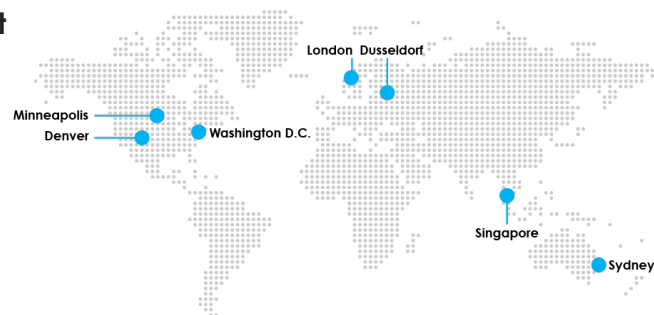
Diversified product portfolio backed by deep R&D

Tier One Global Customers

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



Global Footprint





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 customerbase
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

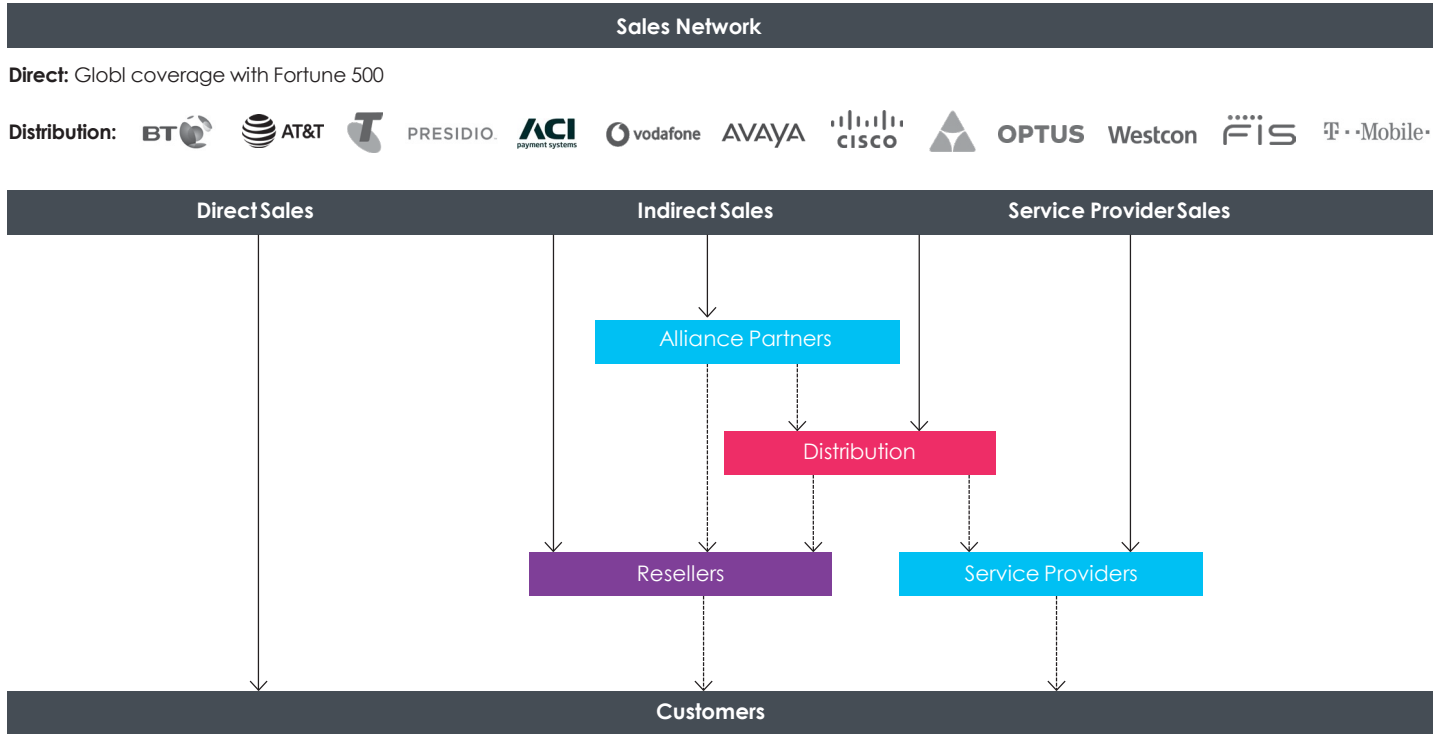
Proforma Subscription Revenue



Interim revenue	FY17	FY18	FY19	FY20	FY17	FY18	FY19	FY20
	A\$M	A\$M	A\$M	A\$M				
Infrastructure	10.5	10.2	9.9	10.6	5%	-4%	-2%	6%
Payments	2.4	3.3	3.6	4.9	7%	38%	9%	33%
Unified Communications	20.0	21.0	22.9	25.4	13%	5%	9%	10%
Subscription revenues	33.0	34.5	36.4	40.9	10%	5%	5%	11%
Perpetual sales	3.2	1.0	2.3	2.7	-24%	-68%	125%	16%
Testing Services	2.1	2.8	2.6	2.8	-20%	32%	-7%	8%
Professional Services	3.7	3.8	3.3	4.5	5%	3%	-13%	39%
Proforma revenue	42.0	42.2	44.6	51.0	4%	0%	6%	13%
Statutory revenue	43.3	45.7	50.3	53.2	10%	5%	10%	6%
Reconciliation to Statutory Accounts								
Proforma revenue	42.0	42.2	44.6	51.0				
Deduct Amortised licence fees	(19.4)	(20.9)	(23.1)	(28.6)				
Add Licence fees recognised upfront	20.7	24.4	28.8	30.8				
Statutory revenue	43.3	45.7	50.3	53.2				

Multiple Channels to Market

Customer "High Touch" Model



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, Optimize 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 Analyst to reduce Mean Time To Resolution (MTTR)

Capacity Planning & Reporting
Deep Metrics
Realtime

Financial Track Record (Interim results)



Six months ending (A\$M):	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	10 year CGR
Licence fees	10.6	12.3	10.8	13.8	19.7	19.5	23.9	25.6	31.3	33.4	14%
Revenue	20.5	22.1	21.5	26.2	33.5	39.4	43.3	45.7	50.3	53.2	11%
EBIT	2.7	4.2	2.8	5.5	9.9	8.4	10.5	12.9	15.3	14.6	18%
EBIT margin	13%	19%	13%	21%	30%	21%	24%	28%	30%	27%	
EBITDA	6.2	7.9	6.3	9.0	14.3	13.8	16.6	18.3	20.8	20.6	13%
EBITDA margin	30%	36%	29%	34%	43%	35%	38%	40%	41%	39%	
NPAT	2.4	3.6	2.8	4.5	7.5	6.2	7.7	9.3	11.7	11.8	16%
NPAT margin	12%	16%	13%	17%	23%	16%	18%	20%	23%	22%	
Earnings per share (cents)	1.42	2.13	1.64	2.68	4.46	3.65	4.53	5.41	6.82	6.88	
Interim dividend per share (cents)	1.50	2.00	2.00	2.50	3.50	3.00	3.00	3.00	3.50	3.50	
Payout ratio	106%	94%	122%	93%	78%	82%	66%	55%	51%	51%	
Return on equity	9%	12%	10%	15%	22%	17%	18%	18%	18%	16%	
Share on issue (M)	166.8	166.9	168.4	168.7	169.7	170.4	170.6	170.7	171.8	171.9	
Growth rates:											
Licence	16%	16%	-13%	28%	43%	-1%	22%	7%	22%	7%	
Revenue	11%	8%	-3%	22%	28%	18%	10%	5%	10%	6%	
EBIT	-8%	57%	-33%	97%	79%	-16%	25%	23%	19%	-5%	
EBITDA	-1%	29%	-21%	44%	58%	-4%	20%	10%	14%	-1%	
NPAT	-12%	50%	-23%	64%	67%	-18%	25%	20%	26%	1%	

Investment Summary

Driving sustainable long-term performance



**Market leading
proprietary software –
Prognosis**

**Partnerships with
all three major UC
platforms**

**Deep customer and
technology expertise
and execution
capabilities**

**Clear growth
strategies - capability,
product development
and expand customer
base**

**Broad and diverse
blue chip customer
base with multi year
contracts**

**High quality recurring
revenues and
customer retention**

**Investments in place
to deliver sustainable
long term growth and
high returns on equity**

**Strong balance sheet
to fund growth**

complexity simplified