



18 February 2021

ASX Market Announcements Office
Australian Securities Exchange Limited

Dear Sir/Madam

ASX Market Announcement

In accordance with the ASX Listing Rules, Integrated Research Limited (ASX: IRI) encloses for release to the market:

- FY2021 Half Year Results

to be followed by release to the market of:

- FY2021 Half Year Financial Results Briefing

By authority of the Board

David Purdue
Company Secretary
Integrated Research Limited
ABN: 76 003 588 449



MARKET RELEASE

Integrated Research Limited Reports First Half Results

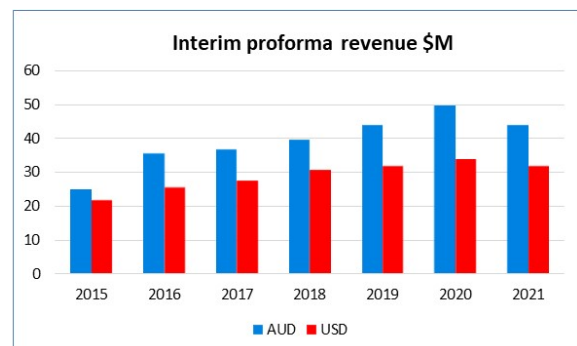
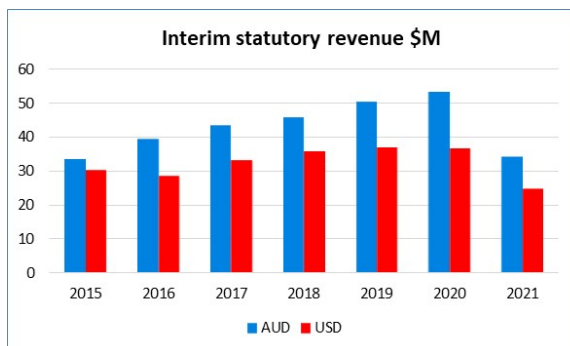
Sydney, Australia, 18 February 2020 – Integrated Research (ASX:IRI) the leading global provider of user experience and performance management solutions for payment transactions and collaboration systems today released its results for the six month period ended 31 December 2020.

The Company reported profit after tax of \$129,000 and revenue of \$34.1 million for the half year ended 31 December 2020. The result is consistent with the update provided to the ASX on 15 January 2021.

Revenue of \$34.1 million, was down 36% when compared to the prior period. Despite the shortfall in revenue, cash receipts from customers of \$42.4 million was only down 7% with good conversion of receivables and no material doubtful debt exposures arising during the period. The Company's cashflow from operations of \$11.3 million for the half highlights the fundamental strength of our business model.

As communicated at the Company's Annual General Meeting, the on-going global uncertainty around COVID-19 and other geo-political uncertainties saw typical sales cycles lengthen and some customers deferring purchasing decisions. Historically, a significant proportion of licence sales close within the last few weeks of a reporting period. As it transpired, the risk on earnings shortfall was much greater than first anticipated with delays pushing beyond 31 December 2020, which in part was due to sales execution. There were four deal related factors affecting revenue: firstly, sales opportunities that did not renew; secondly, sales that closed at lower contract value from shortened commitment periods; thirdly, sales deferred past the reporting period; and lastly an increase in the AUD/US exchange rate across the period.

The following charts highlight the Company's revenue in both Australian and US currencies for the first half of the 2021 financial year and the six years prior.



The interim proforma chart above provides an alternate view of revenue by converting term licence and maintenance revenue to a subscription basis and adding other revenue streams including testing solutions and professional services revenue.

The strengthening Australian dollar during the half had a negative impact on the results in two ways. Firstly, the revaluation of foreign currency denominated assets resulted in unrealised losses of \$3.0 million in the half. Secondly, the translation of offshore revenues at higher exchange rates lowering reported revenues. In constant currency, revenue for the half would have been \$35.7 million compared to the reported revenue of \$34.1 million. Removing the effects from both currency revaluation and currency translation would have seen profit after tax of \$2.9 million compared to the reported result of \$129,000.

During the period the Company released new cloud solutions for Microsoft Teams and Zoom, an expansion of the Collaborate product line. A US\$1.4 million contract was signed in late December for Payment Analytics which is part of the Transact product line. Revenue from this contract will be recognised on a subscription basis



in future periods. There were 16 new customers added during the period. The most significant addition was with FedEx who purchased Collaborate for their Cisco environment.

Paul Brandling, Chairman of Integrated Research said, “The resilience of the IR business model was tested in the first half of FY21, on the back of a poor revenue result. However, the proforma results and cash receipts from customers highlight underlying strength. Ongoing investment in product innovation was maintained in order to capitalise on new market opportunities, and to continue to support our customers globally.”

John Ruthven, Chief Executive Officer said, “The first half results were disappointing and well below expectations. Despite a challenging environment, sales execution was not where it needed to be, and we are addressing this in the second half. We are a company in transition. The step change in remote working, cashless transactions and the transition to SaaS are key drivers for our growth. Our new SaaS products are gaining traction, with major contract wins with ACI and BT.”

The Company continued to invest in product innovation with gross spending on research and development of \$10.1 million, representing 30% of revenue (December 2019:21%). During the period the Company released new cloud solutions for Microsoft Teams and Zoom, an expansion of the Collaborate product line. Further new product releases are scheduled for the second half including new solutions for Webex and Real-Time Payments Monitoring.

Total expenses decreased by 15% to \$32.9 million and reflects a disciplined approach as we move through the pandemic. Staff numbers at 31 December 2020 were 264 compared to 268 at 31 December 2019.

IR does not provide forward guidance. The Board remains confident in the future for the Company.

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

Financial result highlights (\$'000)	December 2020	December 2019	Change
Revenue from licence fees	17,104	33,358	(49%)
Revenue from maintenance fees	10,287	12,068	(15%)
Revenue from SaaS fees	125	396	(68%)
Revenue from testing solution services	2,385	2,809	(15%)
Revenue from professional services	4,210	4,549	(7%)
Total revenue	34,111	53,180	(36%)
Research & development expenses (net)	8,589	8,146	5%
Sales & marketing expenses	21,580	26,936	(20%)
General and administrative expenses	2,711	3,375	(20%)
Total expenses	32,880	38,457	(15%)
Earnings before other losses, interest and tax	1,231	14,723	(108%)
Other losses (foreign currency)	(2,983)	(112)	
(Loss)/profit before interest and tax	(1,752)	14,611	112%
Net profit before income tax	(1,386)	14,885	(109%)
Net profit after income tax	129	11,824	(99%)

Dividends

The Board did not declare an interim dividend to preserve capital for growth. The assessment of future dividends will be made after the annual results are available. The Company’s net cash position at 31 December was \$1.7 million (30 June 2020: \$4.7 million).

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About Integrated Research (ASX:IRI) – Integrated Research (IR) is the leading global provider of user experience and performance management solutions for payments transactions and collaboration systems. We create value through our real-time, scalable & extensible hybrid cloud platform and our deep domain knowledge to optimize operations of mission critical systems and improve user experience through intelligent and actionable insights. We enable many of the world’s largest organizations to simplify complexity and provide visibility over systems that millions of people can’t live without – systems that allow them to transact and collaborate. For further information on IR, visit www.ir.com.



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