



18 August 2022

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:

- FY2022 Financial Year Results

to be followed by release to the market of:

- FY2022 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 2022 Financial Year Results

Sydney, Australia, 18 August 2022 – Integrated Research (ASX:IRI) a leading global provider of performance management and analytics for unified communication and collaboration, IT infrastructure, and payment ecosystems, today released its results for the financial year ended 30 June 2022.

Consistent with the guidance provided to the ASX on 18 July 2022, statutory revenue for the year was \$62.9 million¹, down 20% on the prior year. Proforma revenue declined 4% and proforma subscription revenue declined 2%. The Company achieved net profit after tax (NPAT) of \$1.5 million.

Strong cash collections resulted in cash at bank increasing by \$6.8 million to \$12.3 million as of 30 June 2022, including a repayment of outstanding debt obligations of \$5.3 million.

John Ruthven, Chief Executive Officer said, “Typically, the fourth quarter of the financial year is IR’s strongest period for sales. However, the current macro environment has thrown up new challenges, resulting in customers delaying or cancelling purchasing decisions. It has, however, also provided opportunities to develop and deliver an expanded suite of products to customers.”

“We remain firm to our long-term strategy and innovation agenda. At IR, we continue to evolve to meet the changing marketplace both in terms of customer needs and our go-to-market approach. In doing so, we have recently taken steps to realign the business, launched new products and reorganised key personnel to improve on our execution. We believe this will position us well for the future.”

Total Contract Value (TCV)

The key operating metric for underlying performance continues to be Total Contract Value (TCV). This consists of on-premise licences (including attached maintenance), SaaS, testing, and services bookings.

TCV of \$56.7 million, was down 25% on the prior year, noting that FY22 was not a strong year for renewal business. A strong TCV result from Asia Pacific (up 34%) was offset by TCV decline in the Americas (down 37%) and Europe (down 39%). Of the TCV written in the year, 32% was attributed to either new customers or new products sold to existing customers.

There were 41 new customers added during the year. The Company’s cloud and hybrid solutions had approximately 470,000 users on the platform as of 30 June 2022, representing 459% growth over the prior year.

Revenue

Proforma revenue, a more predictable and stable measure of underlying performance, was \$79.8 million for FY22, down 4% on the prior year. Proforma subscription revenue was \$68.4 million, down 2% on the prior year, supported by non-cancellable customer contracts with a quality customer base.

¹ Revenue on a constant currency basis: \$61.6 million



IR Collaborate

Following the global transition to remote working, the Collaborate market has experienced substantial disruption. This has resulted in customers moving to cloud and hybrid collaboration environments and reducing their dependence on 'on-premises' solutions.

Whilst this presents significant long-term opportunities for the Company to sign new cloud and hybrid product subscriptions, it has also increased the risk of churn in the Company's on-premises solutions. The proforma net revenue retention rate was 88% in FY22 versus 91% in FY21. As a result of the current impacts, proforma subscription revenue declined by 4% over the year.

During FY22, the Company continued with its strategy of launching new solutions to assist clients in the management and monitoring of third-party cloud-based products, and to enhance our 'best of breed' product offering across on-premises, hybrid and cloud. IR has 5.8 million users in the collaboration sector and a target market of 600 million. The sweet spot being the nearly 180 million sophisticated conferencing users. A highlight for the year was the release of IR's Collaborate solution for Cisco's cloud-based WebEx customers.

IR Transact

During the year, IR Transact proforma subscription revenue increased 10%, benefitting from prior year capacity sales.

IR extended its two decades of partnership with ACI Worldwide for a further 5 years, providing banks and financial institutions with increased visibility into the health of their systems and status of payments.

IR Transact enables merchants to access and analyse large sets of transaction data in real time. This powerful solution provides extensive visibility into payment trends, helping to deliver rich insights that unlock new opportunities and drive business growth.

With non-cash transactions growing at 18.6% CAGR, there is a significant growth opportunity for IR Transact with IR currently monitoring approximately 600 million transactions a day.

Expenses

Total expenses were up 2% to \$70.1 million. The Company experienced wage pressure during the year, with the demand for key talent such as software engineers intensifying. The increase in wage costs has mostly been offset by the reduction of staff numbers to better align the resources with IR's business model. Total staff numbers finished the year at 202 (FY21: 240).

During the year, the Company continued to invest in product innovation with net spend on research and development of \$22.8 million, representing 29% of proforma revenue and a 19% increase on FY21 levels.



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

Financial result highlights (\$'000)	FY2022	FY2021	Change
Total Contract Value	56,650	75,061	(25%)
Statutory Results:			
Revenue from licence fees	35,495	47,359	(25%)
Revenue from maintenance fees	15,236	18,128	(16%)
Revenue from subscription fees	1,256	312	302%
Revenue from testing solution services	3,826	4,318	(11%)
Revenue from professional services	7,054	8,376	(16%)
Total revenue	62,867	78,493	(20%)
Research & development expenses (net)	22,767	19,101	19%
Sales & marketing expenses	41,136	43,378	(5%)
General and administrative expenses	6,241	6,235	0%
Total expenses	70,144	68,714	2%
Other gains/(losses)	3,008	(1,310)	(329%)
Earnings before interest and tax	(4,269)	8,469	(150%)
Net profit before income tax	(2,445)	9,307	(126%)
Net profit after income tax	1,545	7,935	(81%)

Cash and Dividends

Cash collections remained strong during the year with cash receipts from customers of \$75.5 million representing 95% of pro-forma revenue.

The Company's net cash position as of 30 June 2022 was \$12.3 million compared to \$5.5 million on the prior year. Through the period, IR repaid bank loans of \$5.3 million, making the company debt-free. To preserve capital for growth, the Board has not declared a final dividend.

Priorities for FY23

IR's key priorities for FY23 include:

- Returning the Americas and Europe to growth
- Increasing new product adoption and traction
- High customer retention and ongoing managed migration to cloud
- Launch of generation II products – building on the new SaaS products launched in FY22
- Retain a strong balance sheet

In closing Ruthven added, "We believe we are well-positioned for self-funded innovation and long-term growth."

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About Integrated Research (IR)

IR is a leading global provider of performance management and analytics for unified communication and collaboration, IT infrastructure and payment ecosystems. Around 600 organizations in over 60 countries rely on IR solutions to connect people, global economies or the world. IR simplifies complex data streams, provides actionable insights and ensures business continuity of critical systems. To learn more about the organization, please visit ir.com

