



The Manager  
Company Announcements Office  
Australian Stock Exchange  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

5 November 2020

Dear Sir or Madam,

**RE: Investor Conference Call Script**

Please find attached a transcript from Iress' public investor call held this morning at 9:30.

Yours sincerely

A handwritten signature in blue ink, appearing to be "P. Ferguson", with a long horizontal line extending to the right.

Peter Ferguson  
Chief Legal Officer & Company Secretary

Conference Call Script  
5 Nov 2020

## **Andrew Walsh**

Good morning everyone and welcome to this Q3 Results Update.

I am joined today by John Harris, our CFO.

On this call, we will take you through our Q3 results and the outlook for Q4.

We have released a presentation to the ASX to which we will refer to during the call.

There's a lot of information in the pack, so I will focus my remarks on the first 2 pages. John will take you through the financials and then we'll open up for Q&A.

Before we get into the detail, let me answer upfront the question of 'why we are providing this update'.

Simply, we want to provide investors with transparency given volatile market conditions, following withdrawal of guidance earlier in the year.

We have a strong business that is performing consistently through this period of heightened volatility. We are executing to plan, and doing what we said we would do. We are expanding our market opportunities and affirming our growth strategies.

Over 90% of our revenues are recurring. That gives us a strong base, for an improved revenue and profit result in Q4, we are reinstating full year earnings guidance.

Let me turn to page 2. I'll call out some highlights:

1. For the three months from July to September, we delivered a consistent result. Compared to the pcp, revenue is up 3% and Segment Profit is up 2%, on a constant currency basis. This includes targeted growth investments.
2. Two, for the first nine months of FY20, in constant currency, revenue is up 8%.
  - a. This includes 3% organic growth.
  - b. We enjoyed a strong performance in Australia, revenue is up 8%, and a good contribution from Quant House which is now profitable and demonstrates our ability to deliver value through M&A.
3. Three: The pro forma numbers give appropriate insight into the Iress business.
  - a. Segment Profit in constant currency on a pro-forma basis is up 6%
  - b. Let me explain this. This metric assumes we owned Quant House from the 1st January 2019. This number is important because it shows you the underlying earnings potential of the group as it is today, without the “noise” of FX and timing issues.
  - c. Obviously, it doesn't include OneVue which completes on November 6th.
4. Four: These are not peak earnings. Not everything went well. Some of the revenue growth we called out in August for the second half has been temporarily delayed. COVID-19 did impact the timing of projects and business activity in the UK. Revenue was flat there excluding acquisitions.
5. Following on from this..... We executed well. We focused on “controlling the controllables”, putting our heads down and getting the job done.

- a. Our continuing priority has been to prioritise the health and wellbeing of our people and delivering service continuity and major projects for clients.
  - b. We delivered over 500 client conversions to Xplan in Australia. It shows the strength of the ongoing demand as the industry fragments.
  - c. The deployment of Super Admin to ESS Super and Guild are progressing well. These are major projects and I am pleased to say, they're on track. We'll deliver them in the first half of next year.
  - d. Two mortgage clients went live in August and another two expected are in 1H. We are making good progress in increasing the share of recurring revenues in this business. They are now up to 44% and we think we can get them to over 70%.
6. And finally, we are affirming our growth ambitions. We have stress tested our growth strategy over the course of 2020 in light of the volatile macro environment. We have asked the questions: are the growth opportunities real, is the timing good, can we execute, and are the expected returns intact? and we are affirming our growth plans.
- a. We have significant opportunities in the UK, super admin and data.
  - b. We have started to build a detailed integration plan for OneVue. We will talk more of this when the deal completes but the industrial logic is compelling. We have a tremendous opportunity to deliver a disruptive, seamless and more efficient integration of advice and execution.

And we are supported by positive structural growth trends. These tailwinds help. We are seeing increasing regulation and business complexity driving demand for technology solutions.

COVID too has a positive side, it is accelerating the shift to digital advice globally.

## **Page 3 - Outlook**

So, bringing all this together, let's turn to page 3 and our Outlook.

First, we expect a good Q4. We have good line of sight on an increase in revenue growth and profit in the next quarter.

We have more than 90% recurring revenue base that we talked about, and we expect some projects to complete before year end.

While we don't expect to see the growth in this second half that we envisaged in August, we will benefit from around \$2.8m of additional cost savings.

For the full year 2020, on a constant currency basis, we expect Segment Profit to be around the same level as last year. That was \$152m. If you annualize the results for the first nine months of this year, you can see guidance implies growth in Q4.

There are clearly risks to providing guidance in this environment. We expect the challenges around Covid to continue. As you will have seen the UK went into lockdown for a month this week . But having said that, IRESS is trading consistently and we are executing well.

I'll now hand over to John to take you through the results in more detail .

### **John Harris**

Thanks Andrew

Andrew has provided a high level overview of trading to the end of September in his opening remarks so I will turn now to the segment slides starting on slide 8

As you will see from the charts on this slide APAC Financial Markets has continued its resilient revenue performance over the course of 2020. We

have also been making good progress with the private wealth implementation at JB Were and remain on track for delivery of this project in the first half of 2021.

The Financial Advice and Super business has also been steady over the first three quarters of the year. You will see from the bar charts on slide 8 that there was a small decline in recurring revenue in Q3 which reflects the unwinding of some institutional revenue as a result of adviser migrations to smaller dealer groups. This is consistent with comments we made at the half year.

The Super administration projects implementations that are underway at ESSS and Guild remain on track for delivery in the first half of next year.

In total, Financial advice and super revenue is up 12% versus the same period last year.

Turning to slide 9.

UK revenue has been flat across the first three quarters of 2020. The second half growth that we talked about at the beginning of the year has been delayed due to the macro environment but pleasingly a number of client implementations have commenced or are scheduled for early 2021.

Slide 10 shows the progress we have made with QH since the acquisition in April 2019. We have transformed this business from loss making to a profitable enterprise on the back of revenue growth and the delivery of cost synergies.

And finally mortgages on page 11 - this business was hit hardest by covid disruption earlier in the year but activity has since returned with a strong third quarter as you can see from this slide. Two clients went live in August which will contribute to recurring revenue growth in the fourth quarter and beyond.

I will now hand back to the operator to open the line for Q&A

## Closing remarks

I will now wrap up the call.

Thank you for joining us today.

We did want to provide an update on Iress' progress this year to give better insight given external conditions and following our withdrawal of guidance earlier in the year.

The key aspects of this update are:

- In the three months from July to September, we delivered a consistent result against pcp with revenue up 3% and Segment Profit up 2%, on a constant currency basis. This includes targeted growth investments.
- For the first nine months of FY20, in constant currency, revenue is up 8%, including 3% in organic growth.
- The position of QuantHouse is now profitable and contributing to greater opportunities across the group. This is reflected in pro-forma numbers without the noise of FX and timing.
- The Q4 outlook reflects a stronger quarter than in Q3, supporting our 2020 outlook of a similar level of Segment Profit.

There has been a great effort by all our people in the uncertainty of 2020. I do thank them for their "above and beyond" contributions.

Finally, we are reaffirming our focus being growth with scale. We have significant opportunities in the UK, data and super admin. The next step for us is to complete the OneVue acquisition tomorrow.

Then once the dust has settled, we will provide the market with another update on the strategy of the acquisition and the expected benefits.

Thank you