



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

25 November 2020

Dear Sir or Madam

RE: Investor Conference Call Transcript

Please see attached a transcript from Iress' public investor call held today at 12:00pm.

Yours sincerely

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

Peter Ferguson
Chief Legal Officer & Company Secretary

Attachment:

Transcript from investor call

25 November 2020

Andrew Walsh

Thank you for joining us today, and welcome to the call.

I am joined today by John Harris, our CFO.

I'll start today's presentation by giving a short overview, and then we can open the lines for any questions.

We released a new presentation to ASX last night which I will refer to as we go.

Today's presentation is designed to give you a better understanding of a key aspect of our strategy for OneVue and why we are excited about the acquisition. I am not covering areas of existing organic growth from the OneVue business including growth in managed funds admin or super at this time. But instead presenting in some more detail, our vision for end-to-end investment and technology infrastructure in Australia.

I am also not going to speak on current trading today, although our recent guidance for the year is intact.

The acquisition of OneVue is all about delivering *Investment Infrastructure as a Service*. With OneVue we will be able to offer clients seamless, end-to-end and highly efficient investment infrastructure - something that does not currently exist in Australia.

This new capability offers significant benefits to subscribers across the financial services value chain. It also provides scope for us to grow new, recurring subscription revenues, in a revenue pool of \$3bn from the administration costs of retail investments.

Let's jump in and turn to page 2

[Slide 2]

Now that we have completed the acquisition, we can talk more about the industrial logic of the combination. Why we bought OneVue, what it adds, and what we are going to do with it.

We acquired the largest third-party unit registry along with retail investment licensing infrastructure and super admin. The real value though is in what we can offer clients when we integrate these components with our own existing technology.

By combining OneVue's managed fund registry and retail investment infrastructure, with our own financial advice and trading front-end technologies we give professional advisers the ability to directly execute investment advice from Xplan and IOS, and interfaces for digital advice.

Integrated, seamless and technology-led execution of advice, all the way through to the fund registry (and other asset classes) will deliver improved efficiency for all market participants.

We will offer this on a subscription basis, to drive recurring revenues for Iress and to reduce the cost to the end investor and other industry participants.

At scale we expect to deliver this service at margins at or above the Iress group average.

[Slide 3]

For those of you who may be new to Iress, or new to OneVue, I will provide a very quick overview of the acquired business.

Slide Three shows some operational metrics for OneVue.

OneVue is the leading outsourced managed fund registry in Australia. It administers now more than \$750bn, which reflects heightened activity in the second half.

We now provide registry services to 67 fund managers, and as at the end of September over 1500 funds. The business successfully processes around seventy thousand transactions a month - a key driver of revenue.

Managed funds are the dominant asset class under advice today. The ability to connect directly from the adviser desktop through to the fund registry, the source of truth for holdings, presents an opportunity to deliver efficiency and integration that does not exist today.

OneVue has scale in managed funds admin and a reputation for quality service. It also generates existing revenue from platform services and super admin. We will talk more about those areas down the track.

[Slide 4]

On slide 4 we summarise what this new combination of clients and technologies allows us to provide.

Extending on what we do today, we will provide technology and investment infrastructure to enable the industry and investors to transact and report seamlessly.

This is integrated and connected, open, and wholesale technology that can be leveraged across the entire industry.

It will allow straight through processing from advice to execution across asset classes, so that:

- We can significantly reduce advisers' costs by removing execution inefficiency.
- We make advisers' and investors' lives simpler, and more productive. We have some use-cases that demonstrate this point later in the deck.
- We allow the connection of investors and their investments with far more directness and efficiency across the value chain.
- And we will reduce licensee and dealer group compliance and monitoring costs in the area of investment implementation.

We have a clear plan on how we will integrate and deliver this.

Our immediate priority is to integrate existing technology, Xplan and IOS, to existing infrastructure at OneVue - this will be done for the first half of 2021.

We also have clear line of sight on what we need to do to optimise technology and services for our new 'investment infrastructure as a service' offer from 2021.

[Slide 6]

I'm now on page 6.

For our new infrastructure to be successful commercially, it needs to provide all participants with real and meaningful benefits. The same or slightly better won't be good enough. We won't overcome technology and connectivity inertia that way.

We are bringing something new. A new way to think about transacting, holding, and reporting on investments, particularly for unlisted investments. And to do this at scale.

We bring technology as a core skill to deliver a scaled industrial solution that allows Australian financial services to build upon. This is the only way to address repeated duplication. Over time, a fragmented ecosystem has led to duplication and re-creation that is complex, disconnected and inefficient.

This diagram shows the complex layering between the investor and an investment manager. The value chain has become incredibly complicated with each layer needing to be paid, regardless of whether the investor is transacting or not.

When it's all added up, the investor pays up to 185 basis points. For the advice industry needs to operate sustainably and profitably, there needs to be a more direct link between the consumer and manufacturer.

Like in other industries, technology should allow automation and connectivity that delivers

more efficiency end-to-end.

[Slide 7]

These inefficiencies go to the core of why we are confident we can succeed. I am on page 7.

Expectations of advisers, fund managers and investors are changing rapidly. The business model is changing and they all want (and need) technology to be at the centre.

Today's system has been built piece by piece to suit the needs of participants at a point in time. It's not how you would design an efficient system today if you started with a blank sheet of paper.

There is a lack of industrial scale because technology is not at the core of the system. There is duplication and limited standardisation. It is fragmented with multiple systems across advice and execution and registry. These limitations waste time and they restrict growth. They create compliance risks and they inflate the total cost to transact and hold assets.

The forces for change are already in motion.

The whole industry is under margin pressure. Things have to change. Fees have to come down and pricing needs to be more transparent.

Industry consolidation and reorganisation may provide some temporary respite through cost synergies, but the real answer is the fundamental redesign of the system. That's our plan and that's what we are going to deliver.

A fundamentally better end-to-end technology and investment infrastructure, available as-a-service.

[Slide 8]

Conceptually that makes sense, but what does it look like in detail?

Page 8 shows specifically what's in the expanded ecosystem and the capability available to other participants through connectivity. We list out some of the technology services, and the investment services we now support.

It is a digital first, cloud first technology infrastructure, and the efficiencies are in the seamless connections across the value chain.

[Slide 9]

Turning to slide 9

Today, an end to end advice execution process doesn't exist in Australia. It exists in other markets and we have seen the operating and price efficiency it has delivered to participants in those markets.

The ability to scale is limited when manual work is required. This is true for an adviser, a fund manager, a registry, and a platform.

The inability to scale is the common limiting factor for serviceable clients per adviser, or profitable clients per adviser, - this is a crazy consideration when the ability to grow a client base and deliver mass advice is possible through end-to-end technology. That's even more true today, amidst a pandemic.

The ability to offer digital advice is limited unless the experience to the investor is straight through, realtime, and responsive. This can only happen if advice systems are truly connected end-to-end at the advice business and at implementation. The end-to-end implementation is critical for advice to scale and generate sustainable profit.

Slide 10

Slide 10 shows use-cases across a wide variety of participants and users, from asset managers, to wealth managers, to new entrants, to investors. The opportunity to access investment infrastructure as a service, through technology with scale, is a new way to think about access, distribution, transacting and reporting.

In conclusion, we are excited to complete the OneVue acquisition and to begin integration. We re-affirm the \$3m cost synergy we have previously advised, and \$7m cost to integrate.

We already have many of the critical components needed to execute our strategy. We bring Xplan. We bring the IOS and its order network in Australia connecting adviser, brokers, fund managers. It is with OneVue's registry and retail licensing, we can now deliver this complete, integrated service.

This new capability offers timely and significant benefits to subscribers across the financial services value chain.

It also provides scope for Iress to grow new, recurring subscription revenues in a \$3bn+ pa revenue pool supported by structural growth in superannuation.

Thank you.