Iress reports 2021 full year results

Delivered on full year segment profit guidance, progressing towards 2025 growth targets

Pro forma revenue $600.2m, +3%	Pro forma segment profit $166.4m, +6%
Pro forma EPS 30.9 cents +12%	DPS 46 cents (2020: 46 cents)

Iress Limited (ASX:IRE) today released its 2021 full year financial results.

Iress chief executive, Andrew Walsh said: "We are pleased to report a strong set of results for FY21 as we progress to a simpler, faster Iress with higher returns.

"Our FY21 results are in line with earnings guidance. Pro forma segment profit increased by 6% and pro forma NPAT was up by 14% versus the prior corresponding period.

Consistent with previous reporting, Iress highlights pro forma results to provide investors with transparency on underlying performance. In this result, pro forma assumes Iress owned OneVue for the full year 2020. A full reconciliation to statutory results is provided in the accompanying presentation.

"We executed major client projects in multiple markets and began to move to a more efficient, single product and technology platform which will underpin our future growth and improved returns. The 2025 growth targets of delivering more than twice NPAT with potential upside, are reaffirmed.

"Reflecting the quality of our client relationships and revenue growth, the lifetime value of our total portfolio increased to $28bn, significantly more than Iress' market capitalisation."

"Our 2021 result has been driven by strong second half growth in APAC , higher recurring revenue in superannuation as well as positive contributions from our North American and mortgages businesses.

"In Australia, trading and market data delivered several projects and new customers wins. Xplan remains the software of choice for Australian financial advisers with user numbers remaining resilient despite the decline in registered retail advisers. At the same time we see increasing demand for digital advice with high quality examples of digital advice delivery representing more than 40,000 fully-automated advice experiences through our software in the six months to December."

"In superannuation we saw good momentum in our super automated admin solution, with Guild Super going live and ESSSuper now in live transition. These examples serve as strong use cases for further technology-led transformation of superannuation fund operations, generating demand and leading to advanced discussions with several new prospects.

"In investment infrastructure, we have integrated Xplan and OneVue and placed live managed funds and equity trades in a user pilot. This demonstrates our execution progress in building a fully integrated, highly efficient, new offer. The commercial launch is planned for 2022 and sales discussions with prospective funds management and private wealth clients are underway with encouraging early responses.

"Our mortgage business is performing well with two more projects completed in the year and a strong and growing new sales pipeline. As previously announced, Iress is assessing the potential to divest this business and distribute proceeds to shareholders."

"In the UK, growth in private wealth and trading was strong. However, retail wealth saw a reduction in non-recurring revenue compared to the prior corresponding period which included significant project revenues. Initiatives are underway to rejuvenate growth.

"Importantly, we have started our transition to the new single product and technology platform and operating model. While markets for technology talent are competitive, we are on track to invest $30m (pre tax) over the next two years to complete the development. With the new platform, we will be able to bring new products to market faster, and decouple revenue growth from cost growth to drive further operating leverage.

"Iress' cash flow and balance sheet remain strengths of the company. With positive free cash flow, we were able to self fund growth investments, reward shareholders with distributions, buy back shares on market and close the year with conservative debt leverage below our target range.

"In 2022 we expect to deliver 7-10% growth in segment profit including the mortgage business (6-9% excluding the mortgage business). Underlying net profit after tax, adjusting for the growth investments in the new single platform but including the cost of the new incentive scheme, is expected to increase by between 30% and 43%.

"We expect to make more progress towards our 2025 targets and have focused our remuneration schemes to incentivise the delivery of these targets.

"Iress has scope for significant capital management in the year ahead including the completion of the $100m share buy back, a long history of very high dividend payout ratios, and the distribution of potential mortgage business sale proceeds."

Further details on the FY2021 results are contained in the results presentation.

Investor conference call

Iress CEO Andrew Walsh and CFO John Harris will host a conference call and Q&A briefing with investors at 9.30am AEDT on February 17 2022.

Investors who wish to participate in the teleconference should register here. Alternatively, if you would like to listen to the audio webcast please pre-register here.

Please note, you will not be able to ask questions in the webcast.

If you are unable to listen to the announcement live, a recording of the call will be provided in the investor section of the Iress website following the release of the results.

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About Iress

Iress (IRE.ASX) is a technology company providing software to the financial services industry.

We provide software and services for trading & market data, financial advice, investment management, mortgages, superannuation, life & pensions and data intelligence.

Our software is used by more than 10,000 businesses and 500,000 users globally. We have over 2,250 people based in Asia-Pacific, North America, Africa, the UK and Europe.

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