



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

17 February 2022

Dear Manager,

**IRESS LIMITED - 2021 FULL YEAR RESULTS CONFERENCE CALL - CEO SCRIPT**

Please see attached the script from Iress' 2021 results conference call held today at 9:30am.

Yours sincerely

Peter Ferguson  
Chief Legal Officer & Company Secretary

ASX Release 17 February 2022

# Iress 2021 Full Year Results Conference Call Script

## CEO & CFO Script

### Slide 1 – Cover Slide

Thank you for joining us today, and welcome to Iress' 2021 full year results call. John Harris, our CFO is on the line with me.

We have released a detailed presentation to ASX this morning. As usual I will concentrate my remarks on this call to the opening pages of the deck and John will take you through the financials.

As we have done before, to give you a clear understanding of business performance we will be focusing predominantly on pro forma results in constant currency. There is a full reconciliation in the deck, but in simple terms, the pro forma numbers remove currency, material one-offs and assume we have owned OneVue for the entire 2020 year, the prior corresponding period.

Following the presentation, we'll be pleased to open the line for Q&A.

### Slide 4 – FY21 constant currency and pro forma financial performance

Starting on slide 4, there are some overview points I'd like to make today.

Firstly, we delivered a strong set of results for the second half of the year, and delivered on full year segment profit and net profit guidance for FY21.

Pro forma 2021 Segment profit was up 6% and pro forma NPAT was up 14% against 2020.

The momentum that started to build in the first half accelerated in the second half of the year with pro forma revenue increasing by 6% on the pcip and pro forma segment profit increasing by 10%. With disciplined underlying cost controls, margins in the second half expanded to 29.5%.

Revenue growth and higher levels of client retention reflecting the importance of our software to users, led to the lifetime value of our total portfolio increasing to \$28bn. Clearly this materially exceeds the company's market capitalisation.

These are encouraging results.

### Slide 6 – FY21 Results Summary

Page 6 summarises the results for the year.

I am especially pleased with the progress our team has made in overcoming challenges and disruptions, to continue to execute on our growth strategies.

We have made solid progress in Superannuation, Private Wealth in the UK, and Investment Infrastructure and we are executing major client projects in multiple markets. We have begun the transition to a more efficient, single technology platform which will underpin our future growth and improved returns.

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In Superannuation, Guild Super went live in the period. ESSSuper is now in live transition. With these positive use cases, we are well placed to benefit as the industry continues to consolidate, increasing reliance on technology, and creating new sales opportunities. We are in advanced discussions with several new prospects.

Mortgages is performing well too. Another two projects were completed in the year. We are progressing with opportunities to maximise shareholder value as we have disclosed, but we are also growing the sales pipeline.

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. Sales discussions with prospective funds management and private wealth clients are underway and early responses are positive.

In the UK, our headline result was slightly up in 2021 which was driven by strong performance in private wealth and trading, offset by a reduction in non-recurring retail wealth revenue due to significant projects in 2020.

Importantly, we have started our transition to the new single technology platform and operating model. While the market for talent is very competitive, we are on track to invest \$30m over the next two years for its execution. 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.

Meeting these milestones, despite the macro challenges and other disruptions, shows Iress' capability to execute. Our focus is on doing what we say we will do and delivering on stakeholders' expectations.

That takes me to my final overview point.

2022 promises to be another year of growth, heavy lifting and progress. In 2022 we expect to deliver 7-10% growth in Segment Profit in constant currency.

Excluding earnings from Mortgages, FY22 guidance is for \$160m - \$165m of Segment Profit in constant currency. Underlying net profit after tax, adjusting for the \$11m (post tax) of growth investments for the new single platform, is expected to increase by between 30% - 43%.

With scope for significant capital management including the completion in 2022 of the \$100m share buy back, high dividend payout ratio, and the distribution of potential Mortgages net sale proceeds, we expect to reward loyal shareholders with substantial distributions.

Importantly, 2022 will take us closer to our 2025 growth targets of delivering more than two times net profit, with upside. These targets were far more than a defence tactic. We have aligned our remuneration schemes to them. We are committed to transitioning to a simpler, faster Iress with higher returns and sharing the benefits with shareholders.

I'll now hand over to John to go through the financials.

## **Slide 20**

Thanks Andrew

## **I'll start on slide 20**

Pro forma segment profit grew 6% v 2020 driven by the UK & Europe, North America and Mortgages

In the UK & Europe revenue grew 3% and Direct Contribution grew 5% with the contribution margin increasing to 63% which is up 200 bps. The key drivers of revenue growth in the UK were the strategically important private wealth business which grew revenue by 18% during the year as a result of ongoing client implementations, Trading which grew 9% reflecting opportunities in market making and trading software more

generally and the market data business which came from the QuantHouse acquisition which grew revenue by 7%.

Offsetting this was a decline in retail wealth revenue driven by elevated non recurring revenue in 2020 not repeated in 2021. We see plenty of opportunity to grow in this market but we have more work to do to fully capitalise on the potential for this business with work underway to achieve this.

Mortgages grew revenue by 10% as a result of two further clients going live in 2021 and the full year run rate of clients that went live in 2020. Segment profit grew 34% as this business continues to scale.

It was also great to see good growth from North America in 2021 with the Canadian businesses growing revenue strongly off the back of a retail trading implementation going live and a significant amount of project work to help clients respond to regulatory change.

In APAC we saw strong growth in Trading which grew 7% in part as the result of a successful private wealth implementation. Financial Advice was up 1% for the year but you will recall the first half of 2021 was down 4% vs PCP so this result reflects good growth in the second half.

Recurring Super revenue grew 7%, in part as a result of Guild going live with our automated super admin solution. As noted earlier in the deck, the headline reduction in total super revenue was driven by the timing of non recurring project revenue.

The \$5.1m increase in Corporate costs you can see on this slide was driven by the increasing information security and compliance costs as well as the profit share scheme achieving targets resulting in a payment to people across the company in relation to last year. Product and technology costs were flat year on year.

This growth in Segment Profit translated to 14% growth in pro forma NPAT.

**I am now on slide 22**, and I'll focus on some of the significant NPAT movements shown on this page:

- Share based payments were \$3.6m lower than 2020 as a result of staff departures
- This was partially offset by an increase in depreciation and amortisation with new office space in Sydney and Cheltenham in the UK coming on line
- There were also a significant number of one off items in 2021
  - The largest of these related to the release of earnout provisions linked to the QuantHouse and BCG acquisitions. This led to one-off pre tax income of \$22.3m in the year
  - Offsetting this were the costs associated with the EQT bid which were \$4m
  - One off items also include the closure of the Warwick office which resulted in \$5.5m of lease assets being written off.
- Our effective tax rate on a reported basis was 21% as a result of the earnout releases being non taxable. On a pro forma basis, the effective tax rate was 27% in line with 2020.

### **Turning now to slide 23**

We continue to generate a significant amount of cash and make large distributions to shareholders. Although the level of free cash flow generated in 2021 was less than in 2020, this reflects the timing of prepaid expenses and tax payments. You can see this flowing through the cash conversion numbers also which were above the long term average at 108% in 2020, and the unwinding of this drove an 82% cash conversion rate in 2021.

The 2021 cash conversion rate normalising for the timing of invoices was 90% and the three year average free cash flow is \$89.4m.

2021 also saw us execute approximately half of the announced \$100m buyback and acquire \$20m of shares on market to minimise the dilution impact of employee share schemes. As a result, our level of leverage increased to 1.4x Segment Profit, still below our neutral setting of 2x.

I'll now hand back to Andrew to talk about the outlook for 2022

## **Slide 25 – FY22 Outlook**

Thanks John.

I'll cover two more pages before we open for Q&A.

Let's move to page 25 – the outlook.

As I outlined at the start, we expect 2022 to be another year of growth, heavy lifting and progress to our 2025 targets.

Our guidance in constant currency is for segment profit to grow by 7–10% this year.

On this table we have tried to be very transparent and show you how we build up guidance. We show Iress ex Mortgages, and the combined results with mortgages as if we will own it for all of 2022.

We are in an active process to divest Mortgages. The business fundamentals continue to improve, and the sales pipeline is strong. Given the improving fundamentals, we are disciplined on price and timing to ensure we achieve the best outcome.

In the past we have provided guidance on a pro forma basis to normalise for the full year impact of acquisitions. With no acquisitions in 2021, pro forma metrics will not be as relevant in 2022.

However, you will see that we are providing guidance on a reported and an underlying basis. Underlying adjusts for significant one off items which in 2022 is the \$11m of post tax investment in the new single technology platform which you will see we are intending to expense. That's half of the \$30m pre tax spend over two years we spoke to at Investor Day.

Removing the \$11m post tax cost to NPAT gives us the underlying NPAT range ex Mortgages of \$61m to \$67m. That's 30% - 43% growth on the pcp. I called out in August that our performance is accelerating and you can see that here.

Let me reconcile this outlook with the forecast we gave at Investor Day. We then expected the FY22 range for NPAT to be \$65m - \$70m. The adjustments to the new range of \$61 - \$67m are due to applying a new year's currency rates given our constant currency methodology, and the inclusion of the cost of a new rem scheme to align incentives to 2025 targets. We remain committed to more than doubling NPAT by 2025.

## **Page 27 – Cash generation and anticipated shareholder returns**

And finally on page 27, this sets out what shareholders can expect to get back this year.

Please don't take this focus on distributions as a sign of any change in our growth ambition. That would be incorrect. We will continue to leverage our technology to build scale in large addressable markets.

The ability to distribute these large sums as we show on this page simply reflects execution of our strategy as outlined in July, to become a simpler, faster Iress with higher returns.

The significant level of cash generated by our business allows us to self-fund growth investments and reward shareholders with \$160-165m in distributions. This includes the buy back of \$50m of shares on market. But it

is also before any potential additional distribution from the sale of Mortgages. And on this basis we will close the year with conservative debt leverage of 2x, at the target range.

Thank you and on that I'll hand back to the operator to open the line for questions.

Ends

## **For further details, please contact:**

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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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