

# Iress strategy update and guidance upgrade

## Highlights

- Transformation accelerated, delivering early benefits towards Rule of 40
- Revenue growth in 2H +2.6% vs 1H23
- Cost base more favourable in 2H vs 1H23, driven by lower staff costs
- Uplift in customer sentiment
- Innovation underway - launch of Advisely (Wealth) and cloud-native, Iress FIX Hub (Trading)
- UK strategy further evolved, including decision to deal with UK in parts
- Non-core UK asset being sold to retire debt in FY24
- Net debt reduced: \$308m at 31 Oct vs \$375m at 30 June
- Upgraded guidance: increase in FY23 Underlying EBITDA to \$123m-\$128m (previously \$118m-\$122m)<sup>1</sup>
- **Investor webinar today at 11 am, details below.**

Iress (IRE.ASX) today announces progress against its transformation strategy, along with updated guidance for FY23 and FY24 earnings.

## Updated 2023 guidance<sup>1</sup>

**Underlying EBITDA** trending more favourably in second half due to stabilised revenue and favourable cost base:

	<b>Previous guidance</b>	<b>New guidance</b>
<b>2H FY23 Underlying EBITDA</b>	\$58m-\$62m	\$63m-\$68m
<b>FY23 Underlying EBITDA</b>	\$118m-\$122m	\$123m-\$128m
<b>FY24 Underlying EBITDA</b>	\$124m-\$134m	\$135m-\$145m
<b>FY24 Exit run rate</b>	\$142m-\$158m	\$150m-\$170m

**Iress' Group CEO & Managing Director, Marcus Price, said:** "Iress' transformation plan has been accelerated and is delivering outcomes. Revenue in the second half of FY23 is now expected to be slightly ahead of expectations. With accelerated cost benefits, we are also modestly upgrading Underlying EBITDA guidance.

<sup>1</sup> On a constant currency basis

“We brought forward a number of transformation initiatives which are delivering improvements at the cost and revenue lines.

“We are executing our significant transformation plan well and remain confident we’re on the right path towards the Iress Group operating at Rule of 40. Our refreshed leadership team is firmly in the driver’s seat under our new structure. Each business is now working to its five-year plan with accountability resting with each CEO. Our remuneration structure is now directly aligned to the performance of each business unit and the Group as a whole.

“The new structure is also delivering on our objective of delivering more value to our customers. Our customer experience measures are improving, and new product launches like Iress FIX Hub and Advisely are demonstrating our ability to respond to customers and deliver innovative new products.

“Our improved FY23 guidance announced today shows we are on the right path. We still have work to do but we remain on track to conclude our transformation program by the end of next year with benefits to continue into FY25 and beyond.”

### **Transformation update**

Iress has continued to make solid progress transforming the business with a number of initiatives being brought forward. This is delivering a more efficient cost base which combined with moderating revenue trends has delivered an improved earnings outlook.

With a refreshed leadership team driving the process, Iress has reset its strategic objectives and is now implementing five-year business plans in support of this. A new 2024 remuneration framework has been adopted which firmly aligns reward with controllable business unit P&Ls across the Group.

The transformation program continues at pace into 2024, with an ongoing focus on improving customer value, innovation and further cost efficiencies.

The technology uplift has advanced well as Iress begins to deliver on its commitment to bring increased value to customers through innovation. Work to stabilise our core trading software and improve the user experience of Xplan has progressed with improved tools delivering better value to customers. The technology uplift is on track to be largely complete by Q1 FY24.

Iress’ strategy for the UK has evolved significantly, including the decision to divest a non-core business in FY24. The MFA divestment completed in 2H23 and the Platforms business sales process is progressing. Disposal proceeds will be used to further retire debt.

Net debt has reduced from \$375m as at 30 June to \$308m at 31 October and the business is operating comfortably within its debt covenants. The capital management plan is well progressed to determine Iress’ renewed approach to dividends, debt and investment into R&D. Iress is on track to update the market with the revised plan at its full year results in February 2024.

### **Investor webcast**

Roger Sharp (Iress Chair), Marcus Price (Iress CEO), and Cameron Williamson (Iress CFO) will host an investor webinar today at 11am today.

Investors who wish to watch the webcast [should register here](#).

Investors who wish to participate in the teleconference [should register here](#).

A recording of the webcast will be published on the Iress website shortly after the event.

## Ends

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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 9,000 businesses and 500,000 users globally. We have over 2,000 people based in Asia-Pacific, North America, Africa, the UK and Europe.

[www.iress.com](http://www.iress.com)



# Iress Investor Transformation Update

30 November 2023



# Agenda



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# Chair's introduction



**Roger Sharp**  
Chair

- Transformation is a whole-of-company strategy fully supported by Board.
- Several transformation initiatives have been brought forward in response to headwinds at mid year.
- Program well advanced; to be completed by end of FY24.
- Iress on a path to becoming more transparent, simpler and leaner organisation targeting Rule of 40 returns.

# Summary



**Transformation** on track

**New structure**, with refreshed leadership,  
driving execution of strategy

Aligned business to be focused **on customers  
and products**

Creating capacity to reinvest in our  
**core businesses**

**Targeting further cost efficiencies**  
in business units

**Clear program for divestments** and  
further debt reduction over next 12-18 months

**Guidance upgrade**

# Transformation update



**Marcus Price**  
Managing Director & CEO

## Focused on cash generation and leaner, organic-growth driven businesses

- Transformation driving progress towards our Rule of 40 goal:
  - Arrested cost growth momentum, further cost efficiencies to come.
  - Creating capacity for selective re-investment to grow the core.
  - Improving balance sheet.
  - Evolved UK strategy, decision to decouple businesses and sell a non-core assets.
  - Modest revenue growth, slightly up on 1H.
- Transformation remains on track:
  - Refreshed leadership team firmly in control.
  - Change management inflection point passed.
  - Customer sentiment trending positively.
- Upgrade to guidance for FY23.



# Transformation accelerated, ahead of schedule



		2H 2023 Progress	1H 2024 Priorities
Reset	Transformation	✓ Transformation Office: FY23 exit run rate target achieved	Drive execution to achieve FY24 targets
	1. Structure for accountability & performance	✓ Delivery of new company performance metrics & remuneration framework	Align BU performance with refreshed reward framework
	2. Reset cost and assets	✓ Cost management, MFA sold	Create efficiencies in core cost base for reinvestment opportunities
Refocus	3. Focus on strong core markets	✓ Five-year business unit plans in place: focus on customers	Pricing discipline and growth initiatives
	4. Manage portfolio for value	↔ Divestments and portfolio separation underway	Continue divestment and disentanglement program
Build	5. Finalise technology uplift	✓ Uplifts to IressPro, Order Routing Hub, Xplan UI	Complete IOS+ technology uplift
	6. Innovate and build	↔ Design and build new product extensions & embed innovation principles across BUs	Launch Data & AI proofs of concept

# Transformation update: ANZ Wealth Management



## Business strategy

- Provide technology that makes it easier to deliver financial advice to more people.
- Revenue growth of 5-7% per year within medium term.

## 2H highlights

- Uplift of core Xplan screens - leading to increasing satisfaction with software amongst advisers.
- Advisely community launched to improve business efficiency amongst financial advisers.
- Commenced pricing discipline program.
- Introduction of SMA capability for modelling & portfolio construction.

## Outlook

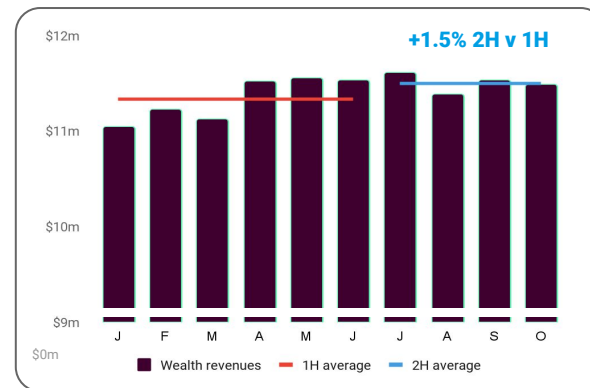
- Continue pricing modernisation initiatives.
- Launch refreshed product strategy to drive greater customer value.
- Capitalise on opportunities for scaled advice via super funds through Quality of Advice Review.
- Increase module cross-sell.

## Business snapshot

Recurring revenue	98.9%
Customer retention	99%

## Monthly revenue trend

ANZ wealth revenue steady in 2H23



# Transformation update: APAC Trading & Market Data



## Business strategy

- To be the preeminent provider of innovative trading, market data and connectivity solutions that optimise performance and enhance decision making for all market participants.
- Revenue growth of 5-7% per year within medium term

## 2H highlights

- Iress FIX Hub launch.
- IOS+ stability program progressed.
- Entered new partnerships for QuantHouse to expand Market Data coverage and distribution.
- Product roadmap validated with clients.

## Outlook

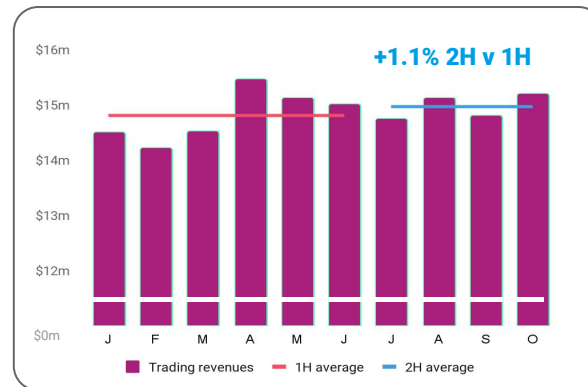
- Expand FIX Hub connections incl Asia.
- Plan to retire IOS Classic.
- Complete IOS+ stability program.
- Pricing modernisation initiatives.
- Increase market data cross-sell.
- Product roadmap to provide improved client value.

## Business snapshot

Recurring revenue	98.3%
Customer retention	97.5%

## Revenue trends

APAC Trading & Market Data revenue trend stabilising in 2H23.



# Transformation update: Superannuation



## Business strategy

- Establish Iress as leading technology provider that empowers super funds to deliver for their members
- Achieve 30-40% market share for super software, up 10% over next 3-4 years

## 2H highlights

- Successful migration of first stage of Commonwealth Super Corporation onto Acurity cloud platform.
- Client wins from industry mergers - CareSuper/Spirit Super and another merged entity.
- Consulting revenue remains high.

## Outlook

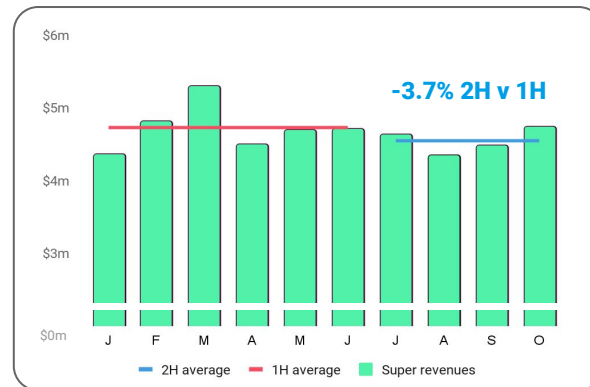
- Strong pipeline of client implementations in FY24.
- Adjacent product opportunities to be pursued (ie SuperConnector & Digital Advice).
- Improve operational profile through exit of non-strategic funds.

## Business snapshot

Recurring revenue	81.9%
Customer retention	98.8%

## Revenue trends

Revenue trend lower in 2H23 following loss of notable account in first quarter of 2023.



# CFO update



**Cameron Williamson**

Chief Financial Officer

- Managed Portfolio exits progressing
- Capital management plan on track for February 2024
- Revenue/cost trends improved
- Guidance upgraded.

# Transformation update: Managed Portfolio



## Business strategy

- Patiently maximise value to less to enable focus and investment in the core and growth businesses.
- Ongoing process of management and capital repatriation from non-strategic assets to retire debt and release capital.

## 2H highlights

- UK strategy advanced - decision to treat each business separately.
- MFA sale completed for \$52m in October.
- Platforms sale progressing.
- Product and tech separation work being evaluated for Canada and South Africa to better empower local leadership.

## Outlook

- Additional non-core UK business being divested.
- Focus on decoupling from core, generating strategic optionality.
- Continual assessment of Managed Portfolio assets.
- Asset sale proceeds to retire debt.

# Capital management



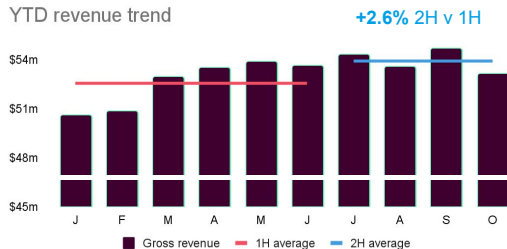
- Capital management plan on track to be shared in February 2024.
- Will address debt, dividends and R&D investment.
- Net debt level of \$308m at 31 October (vs \$375m at 30 June) and forecast to decline further as assets divested.
- 2.3x leverage ratio<sup>1</sup> as at 31 October, comfortably within covenants.
- No requirement to raise equity capital to delever.

1. Leverage ratio = net debt / EBITDA

# Transformation initiatives moderating revenue/cost trends



YTD revenue trend



## Modest revenue growth, slightly up on 1H

- Average monthly revenue +2.6% in 2H23 led by UK.
- Pricing adjustments largely implemented 1 April.
- MFA business divested, impact from October.

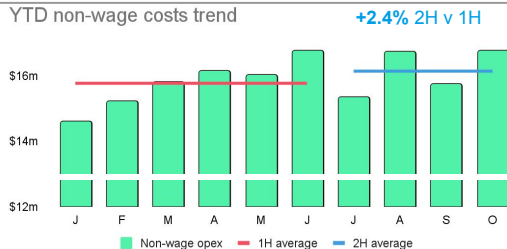
YTD staff costs trend



## Staff costs trending lower

- 2H23 average monthly staff costs -3.9%, with notable reduction following cost efficiency program.
- Further efficiencies sought at business unit level in FY24.
- Investments being made into core to grow top line.

YTD non-wage costs trend



## Non-wage opex higher in 2H

- Inflationary pressure on input costs continue.
- Seasonal activity impacting monthly 2H trends.
- Efficiencies targeted for FY24.



# Outlook - Pathway to Rule of 40 for Iress Group



## 2023 Guidance Upgrade

- Underlying EBITDA trending more favourably in second half<sup>1</sup>:

	Previous guidance	New guidance
2H FY23	\$58m-\$62m	\$63m-\$68m
FY23	\$118m-\$122m	\$123m-\$128m

- Transformation initiatives brought forward; leading to improved outlook.
- Cost base more favourable in 2H, with further efficiencies found:
  - Headcount reduction program enacted (May - Sep)
  - Full effect of cost-out program in FY24
  - Further cost optimisation opportunities continue to be evaluated at the Business Unit level.
  - Third-party vendor optimisation a focus for FY24.
- 2H revenue trending marginally ahead of 1H.

## FY24 Outlook Reaffirmed - By end of FY24:

- Transformation program completed supported by specialist execution consultants.
- Significant focus on modernising pricing initiatives.
- Selective reinvestment into core businesses.
- FY24 Underlying EBITDA growth of 5-10%, expected to be \$135m- \$145m.
- FY24 Underlying EBITDA exit run rate expected to be \$150m-\$170m.

## FY25 Objectives Reaffirmed - By end of FY25:

- Iress Group progressing to Rule of 40.
- Streamlined cost base.
- Capital released from Managed Portfolio.
- Significant debt reduction and balance sheet strength.

<sup>1</sup> On a constant currency basis

# Summary and Q&A



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**Guidance upgrade**

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