

25 February 2015

ASX Market Announcements Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**IRESS 2014 Full Year Results Presentation**

Please find enclosed a presentation relating to IRESS' 2014 full year results.

Yours sincerely



**Peter Ferguson**

Group General Counsel  
& Company Secretary



# 2014 full year result

31 December 2014

Andrew Walsh - Managing Director & CEO

25 February 2015

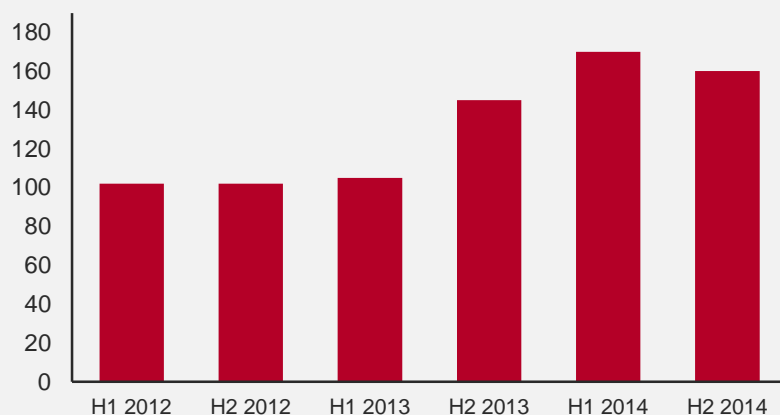


# Overview of full year result

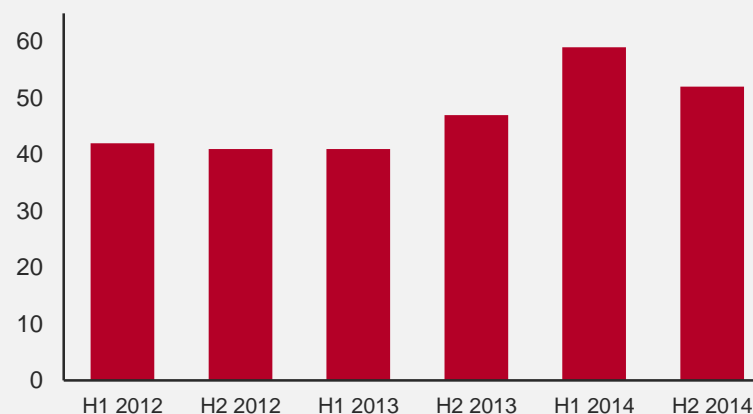
Sound, diversified financial performance

	FY13	1H14	2H14	FY14	2014 vs 2013	
					Δ	%
<b>Operating Revenue (\$Am)</b>	250.6	170.2	158.8	<b>329.0</b>	▲78.4	▲31.3
<b>Segment Profit (\$Am)</b>	88.2	59.3	52.1	<b>111.4</b>	▲23.2	▲26.4
<b>Reported Profit (\$Am)</b>	24.2	30.1	20.6	<b>50.7</b>	▲26.5	▲109.0
<b>Dividend (c per share)</b>	38.0	16.0	25.5	<b>41.5</b>	▲3.5	▲9.2

Operating Revenue 2012-14 (\$Am)



Segment Profit 2012-14 (\$Am)



# Overview of full year result

Sound, diversified financial performance

## A focus on growth opportunities

- Reported Group Profit \$50.7m, up 109%
- 45% revenue outside Australia
- 25% Segment Profit outside Australia
- Australia and New Zealand performed well, Segment Profit up 5.2%.

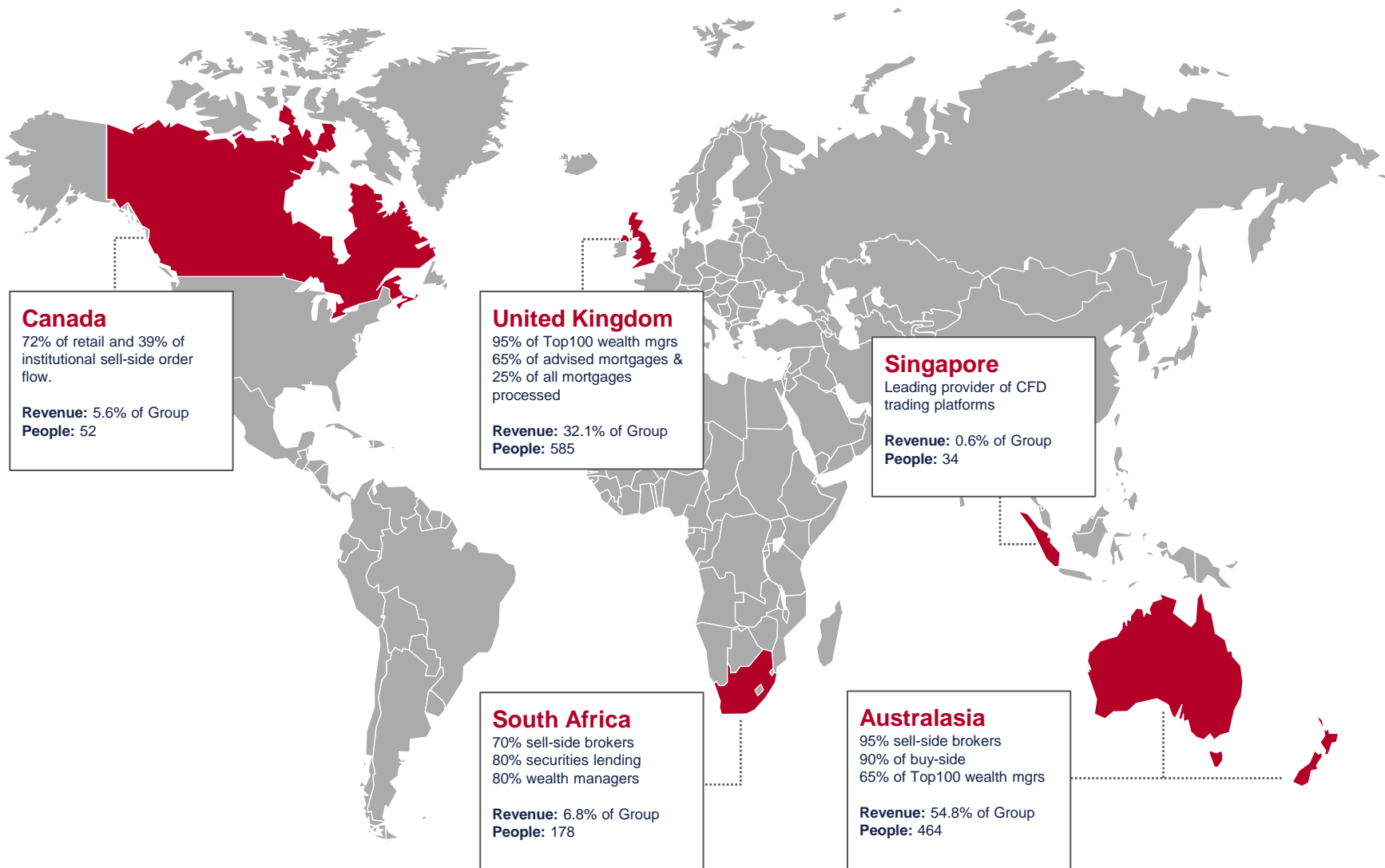
- Financial result positively impacted by the full period contribution from the United Kingdom.
- Globally, wealth management continues to see strong demand. Financial Markets activities and performance are positive in the context of ongoing pressures in equity businesses.

## Strong UK presence reflected

- Group Segment Profit \$111.4m, up 26.4%
- Segment Profit ex UK, up 3.4%
- United Kingdom represented 32% of Operating Revenue and 19% of Segment Profit in Australian dollars.

- An important part of IRESS' global operations and a sound strategic platform for regional growth.
- Several large wealth management projects are being implemented consistent with strategy to support future revenue growth.
- There has been a significant reshaping of the strategy and operations of the Enterprise Lending business during 2014 to drive to more recurring revenue and a broader client base.

# IRESS today



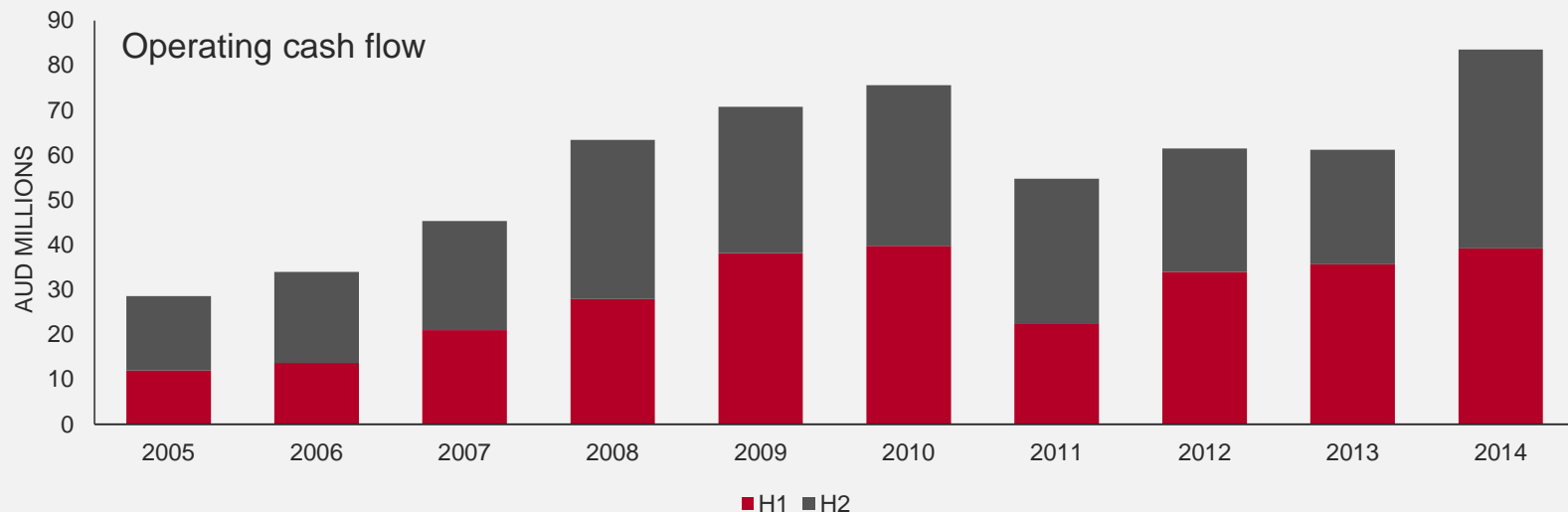
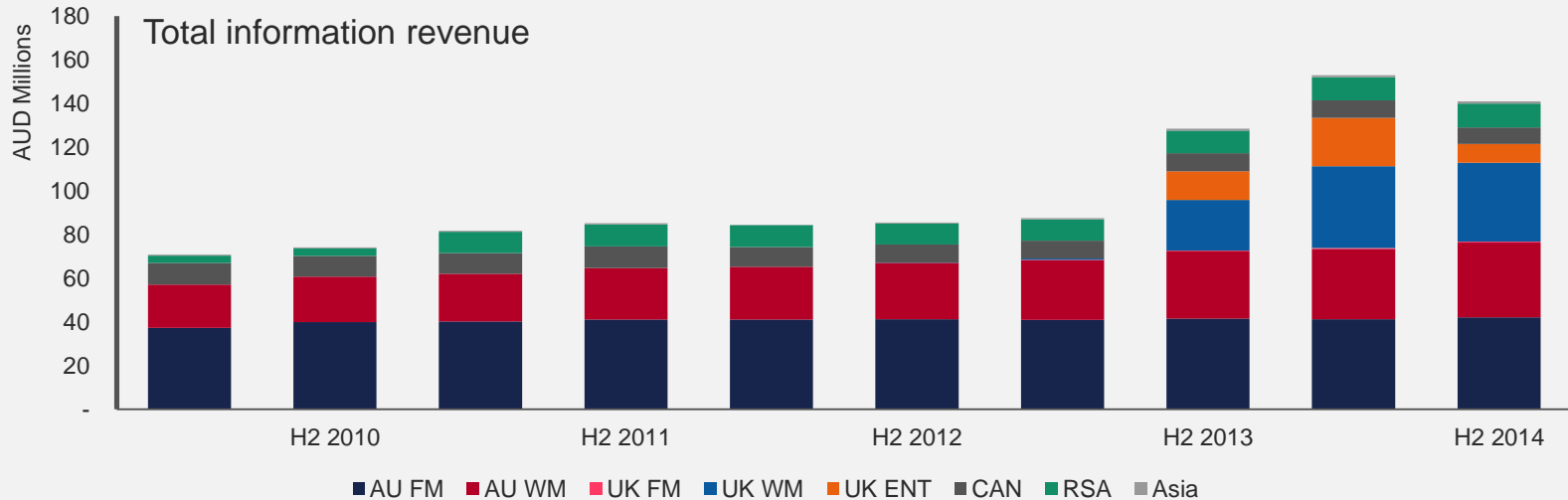
# Well positioned for change and opportunities

- Anticipating and responding to market conditions while transforming with international scale
- A significant UK presence is delivering international strength, opportunity and diversification
- Strategy of delivering leading products backed by quality local support is evident.
- Culture of innovation, well positioned for opportunities
- Service focus and commitment to clients



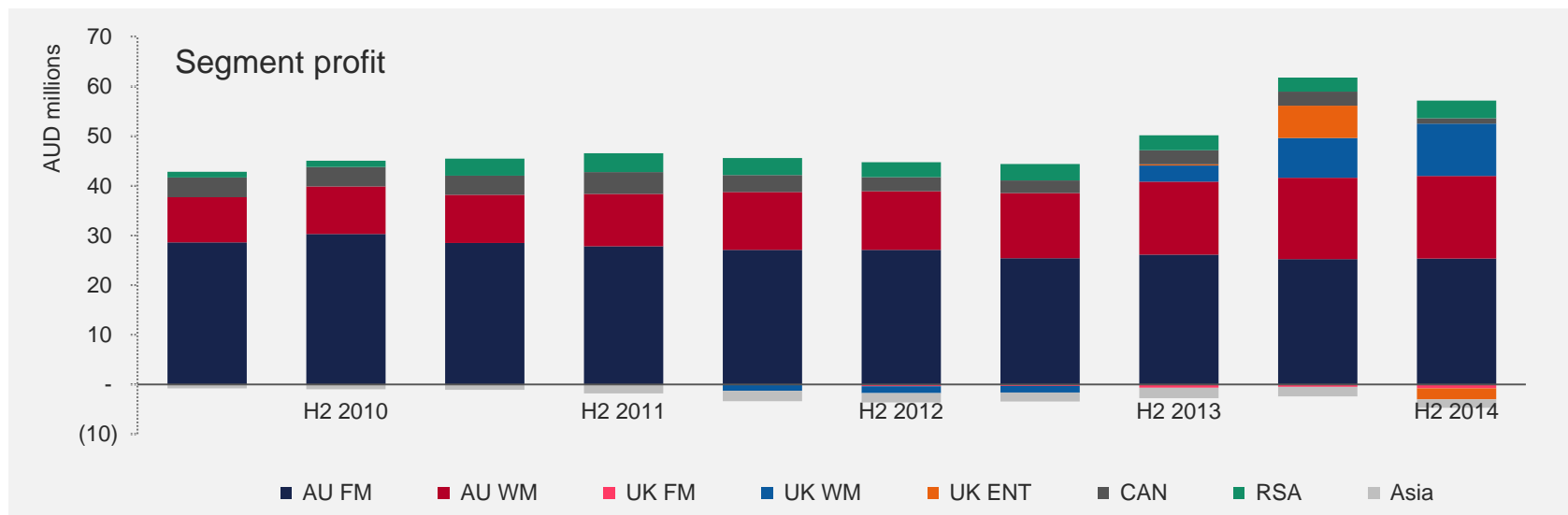
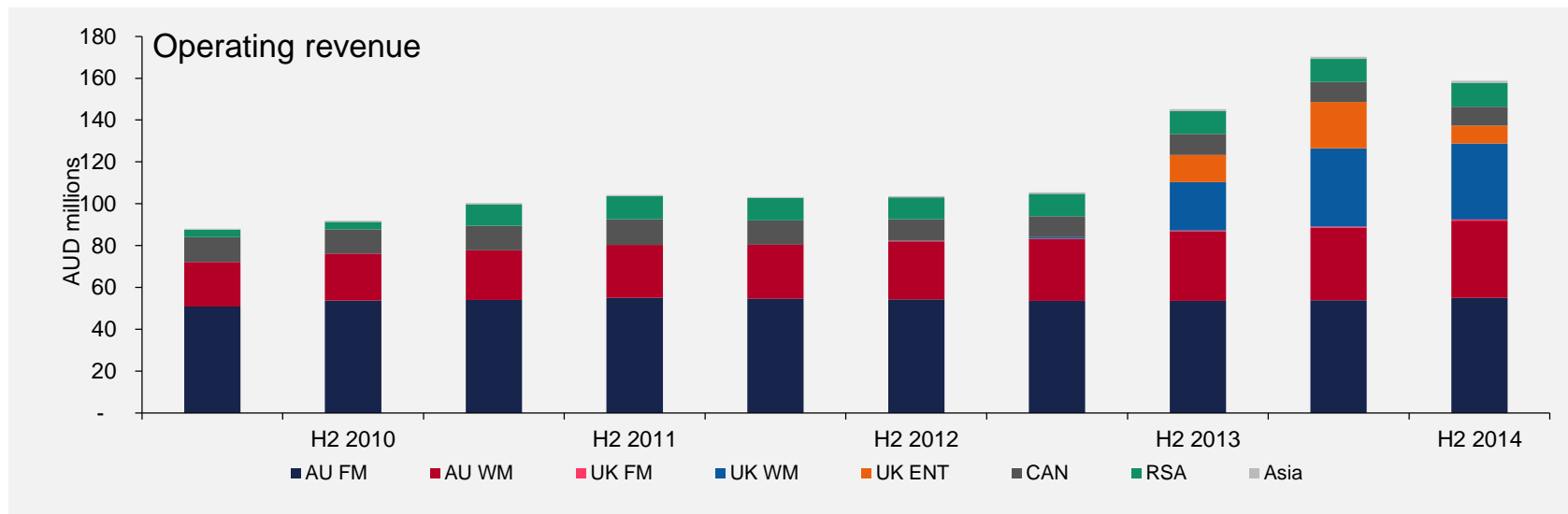
# 2014 full year result

Focus on recurring revenue and strong cash flow



# 2014 full year result

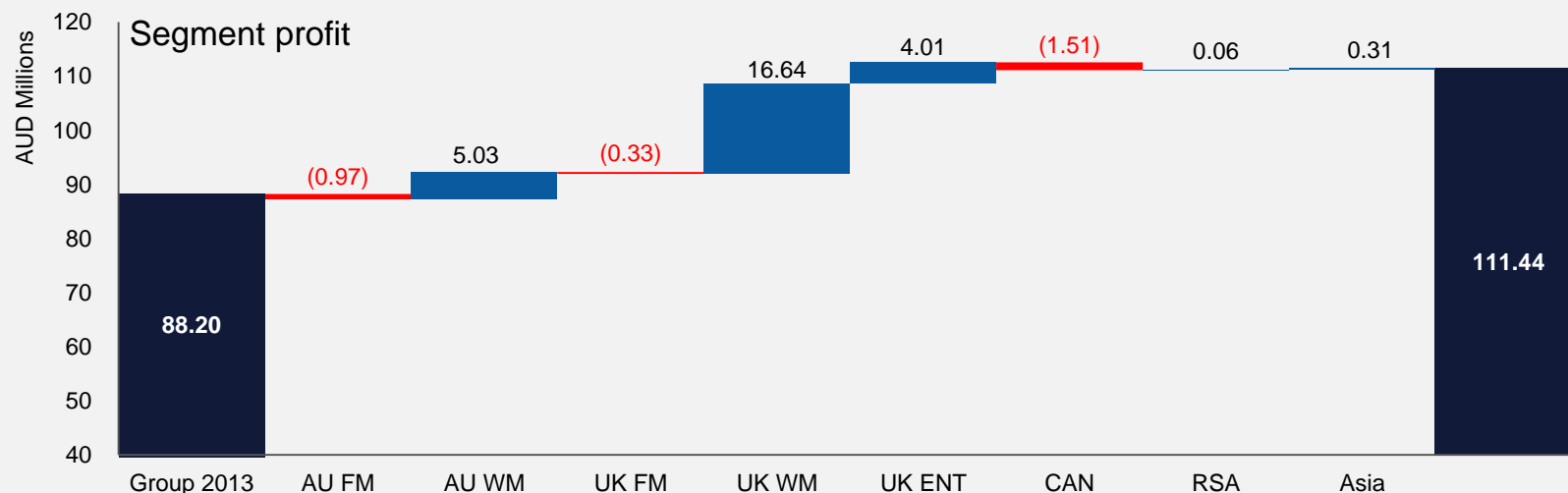
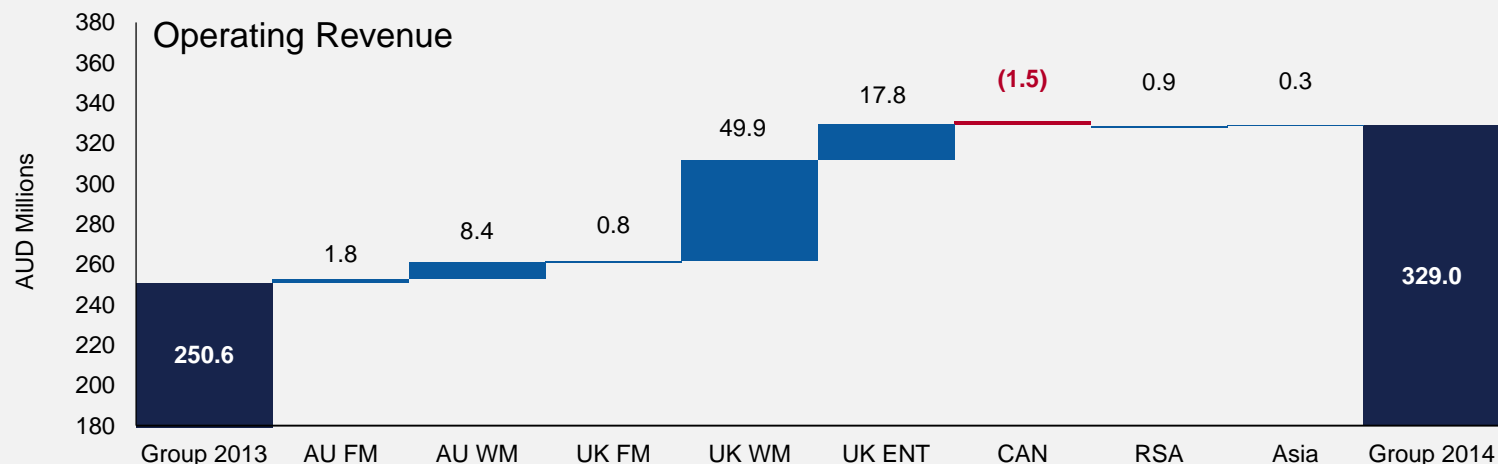
Resilient and diversified





# 2014 full year result

Performance across markets. Overweight wealth contribution.



# Segment Profit to NPAT

## Segment profit to NPAT *(in \$Am)*

<b>Segment Profit</b>	<b>111.442</b>
Share based payments	(8.918)
Non-core non recurring items	<u>(4.609)</u>
<b>EBITDA</b>	<b>97.916</b>
Depreciation and Amortisation	(23.370)
Net interest and finance expense	<u>(11.145)</u>
<b>NPBT</b>	<b>63.401</b>
Tax expense	<u>(12.730)</u>
<b>NPAT</b>	<b>50.671</b>

## Treasury breakdown (media release)

<i>Net interest expense</i>	(7.717)	
<i>Amortisation of debt establishment costs</i>	(1.153)	
<i>Movement in fair value of external swaps</i>	<u>(2.275)</u>	
Net interest and finance expense	(11.145)	a
Unrealised foreign exchange gain on internal funding arrangements	3.271	b
Other	<u>0.006</u>	
<b>Total Treasury</b>	<b>(7.868)</b>	

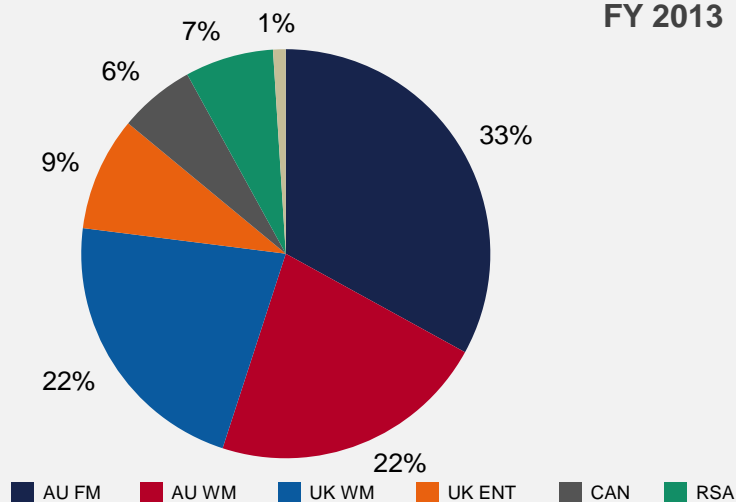
## Non-recurring expenses *(in \$Am)*

<b>Primary balances comprise:</b>		
Business acquisition expenses	(1.026)	
Business restructure expenses	(2.208)	
Impairment of goodwill	(2.265)	
Unrealised FX gain on internal funding arrangements	3.271	b
Net operational unrealised Foreign Exchange Gain/Loss	(1.568)	
Other	<u>(0.812)</u>	
	<b>(4.609)</b>	

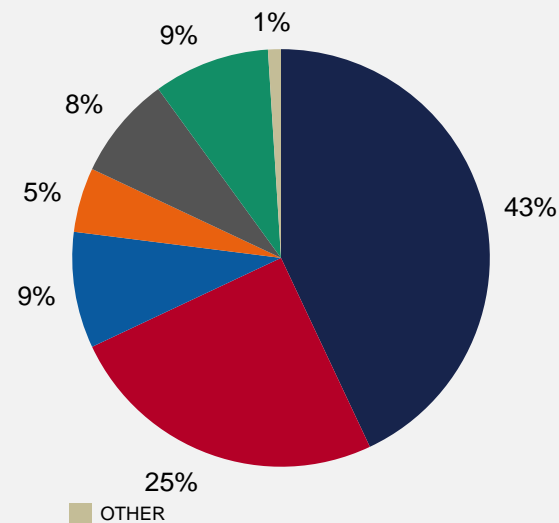
# Operating Revenue & Expenditure

## Revenue

FY 2014

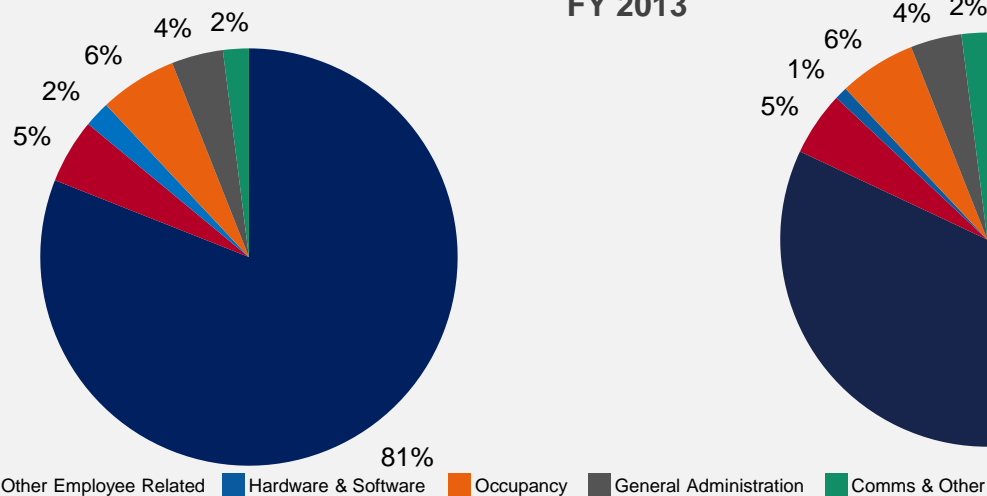


FY 2013

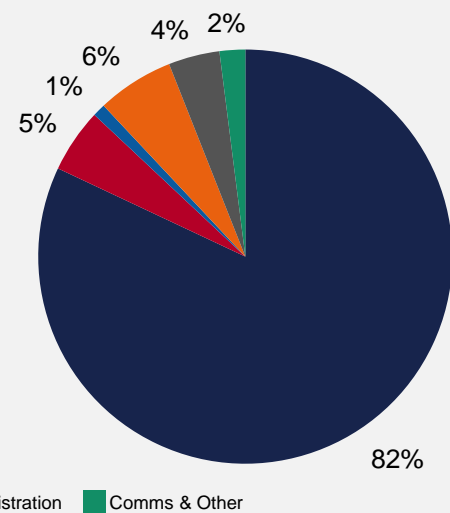


## Expenditure

FY 2014



FY 2013



# Segment Profit margins

% Operating Revenue		H1 2013	H2 2013	2013	H1 2014	H2 2014	2014
Australia Fin Markets	AUD	47.5%	48.8%	48.2%	46.9%	46.1%	46.5%
Australia Wealth	AUD	44.2%	43.9%	44.0%	47.4%	44.7%	46.0%
<b>Total Australia</b>	<b>AUD</b>			<b>46.6%</b>			<b>46.3%</b>
Canada	CAD	25.0%	28.5%	26.7%	30.1%	11.6%	21.0%
South Africa	ZAR	31.7%	27.3%	29.5%	25.6%	31.6%	28.7%
UK Wealth	GBP	-	12.6%	5.9%	21.4%	29.2%	25.3%
UK Enterprise	GBP	-	4.5%	4.5%	28.5%	(26.4%)	13.1%
<b>Ex. Australia</b>	<b>AUD</b>			<b>11.0%</b>			<b>18.8%</b>
<b>Group</b>	<b>AUD</b>			<b>35.2%</b>			<b>33.9%</b>

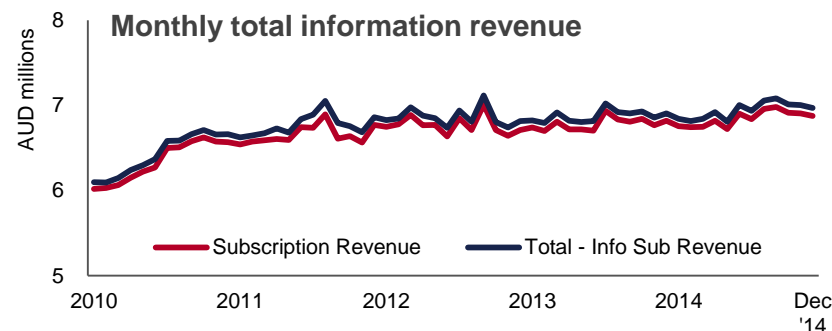
- Wealth Management demonstrating leveraged growth on annual basis
- UK WM margin at upper end of expected aggregate under combined businesses
- AUD cost allocations impacting comparable margins in Canada and South Africa and will be ongoing influence
- Halves continue to reflect shorter-term expense/revenue timing

# Australia and New Zealand

## Financial Markets

	FY13	FY14	Δ	%
Operating Revenue \$Am	107.0	108.9	\$1.9	1.8%
Segment Profit \$Am	51.6	50.6	(\$1.0)	(1.9)%
Margin %	48.2	46.5		
Average FTE	206.1	200.8		

- Slight increase in operating revenue over the period, stemming from service and recurring revenue model.
- Ongoing broad focus by clients on costs on backdrop of thinner volumes and brokerage. Opportunities remain as clients explore their own strategic opportunities with technology, but will be subject to regulatory needs.
- Slight reduction in Segment Profit from wage and operational expenditure increases. Operating expenditure increases largely relate to increased global operations and large Australian contribution, including additional executives to drive growth, and travel.



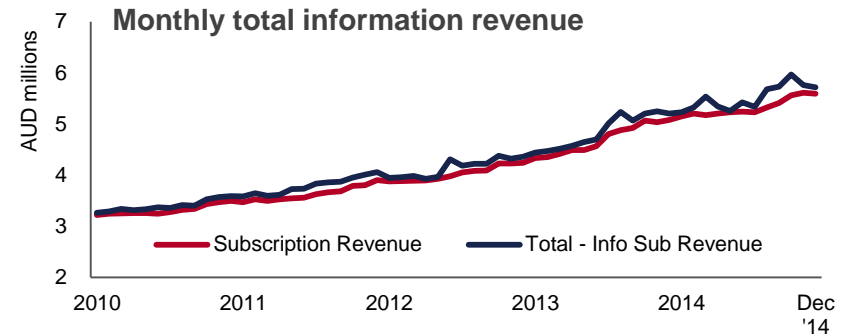
- Continued investment in next generation retail online market data and trading platform. Pre-production version released on schedule in Dec 2015 and well received. Production release on schedule for July 2015 for client deployment.
- Significantly increased international market data content to both buy and sell-side (company profiles, financial data, broker consensus, top shareholders).
- SmartHub deployed & in use for international execution.
- Continued investment in Private Wealth solution alongside increasing client demand. Retail broking solution providing unified data, trading, portfolio, CRM, wealth capabilities.
- Significant software deployment coinciding with ASX retirement of CLICK interface. Focus to now turn to wholesale replacement of ASX trading systems in 2016.
- CIMB announce Australian wind-down. Expect 2015 impact less than 0.5% of Group Segment Profit

# Australia and New Zealand

## Wealth Management

	FY13	FY14	Δ	%
Operating Revenue \$Am	63.0	71.4	\$8.4	13.4%
Segment Profit \$Am	27.7	32.7	\$5.0	18.2%
Margin %	44.0	46.0		
Average FTE	240.6	250.6		

- Continued growth in wealth management reflects successful client implementations and key global trends.
- Significant client implementations live with SFG and Macquarie Private Wealth, with subsequent phases underway.
- Wealth trends intersect with reality of more complex requirements on businesses and digital engagement and simplicity in demand. Active client projects based on XPLAN span the range of these opportunities.
- Margins per half impacted by some client consolidation, and additional investment to strategic product delivery and implementation projects underway or anticipated.



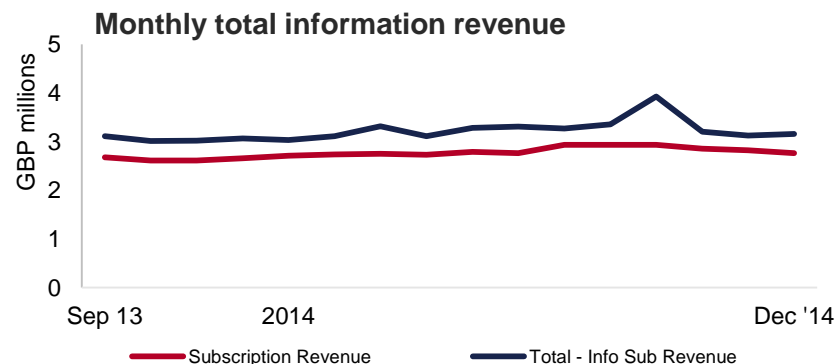
- During the year, final client conversions from VisiPlan to XPLAN were completed. Demonstrates support, product and growth strategy over time. VisiPlan was acquired in 2007.
- Upcoming FOFA key date in July 2015 - first opt-in date with Fee Disclosure. Continues to drive need for efficiency through technology.
- XPLAN Client Access & Touch solutions continue to present as essential tools for rich client engagement and transparency, reflected in demand. Product investment ongoing in mobile innovation and differentiation.
- A key focus in 2014 was leveraging XPLAN platform to a dedicated solution for transforming multi-channel advice landscape. Solution offers scaled and optimised advice journeys and enables white-labelled robo-advice capabilities. Expect client deployment in 2015.

# United Kingdom

## Wealth Management

	FY13	FY14	Δ	%
Operating Revenue £m	13.8	40.3	26.5	192%
Segment Profit £m	0.8	10.2	9.4	1147%
Margin %	5.9	25.3		
Average FTE	142.4	409.5		

- Percentage increases in all financial results reflect the first full year since the Avelo acquisition in 2013.
- Revenue is 90% recurring, highly predictable. 2014 margin at upper end of expected aggregate margin previously flagged 20-25%.
- XPLAN now accounts for 8% of wealth revenue
- UK budget changes in March 2014 released at-retirement choice for pensioners. ~1% of expected 2014 revenue (non-recurring) impacted by annuity market new entrants and discretionary annuity projects not proceeding.
- Consolidation activity and attrition will alter market topology over time. Expect more corporatised structures to evolve.



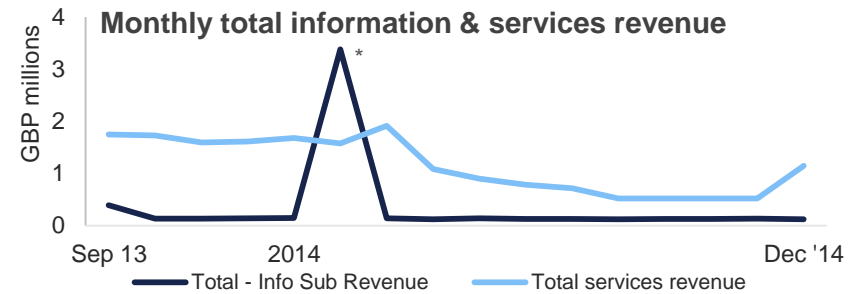
- Transitional arrangement for legacy assets ends 6 April 2016, requiring all fees to be unbundled, ending all trail commission.
- Strong demand for integrated IRESS solutions with several large implementations underway. EU jurisdiction capability a meaningful differentiator.
- Exchange quote/comparisons -2.1% H2 PCP (normalised), impacted by budget changes to annuities. 2014 growth in monthly average new business transactions +18% against 2013.
- Investment underway to present wider range of retirement products for comparison and advice in response to budget.
- Private Wealth solution differentiated for wealth managers seeking unified portfolio, trading, and wealth capabilities.
- IRESS brand now strongly identified by advisers.

# United Kingdom

## Enterprise Lending

	FY13	FY14	Δ	%
Operating Revenue £m	7.5	16.7	9.2	123.0%
Segment Profit £m	0.3	2.2	1.8	550.6%
Margin %	4.5	13.1		
Average FTE	65.1	173.7		

- As previously reported, some client decisions including postponement of projects has impacted expected revenue and profit during 2014.
- Response has been a significant focus to transform the business away from services-only model lacking scale and predictable revenue. Actions have included restructuring to reduce cost, and accelerating a clear product strategy.
- Earnings in second half lower than previously expected due to project timing and accelerated product investment, impacting full year contribution.
- In 2014, Enterprise Lending represented less than 10% of group revenue, and less than 5% of Segment Profit.



\* Initial license fee arising on a transaction entered into prior to IRESS acquiring Avelo

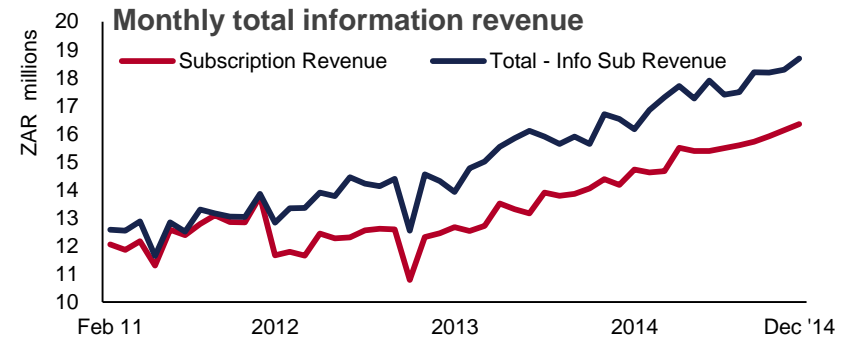
- Financial outcomes aside, pleased with strategic re-positioning of business in 2014. Progress with our next generation MSO product in 2014 has been very pleasing.
- Business strategy centred on product is designed to deliver more predictable revenue through IP-based license fees, scalable and efficient delivery to improve margin, and reduced implementation and ongoing ownership costs to increase appeal and broaden access to smaller lenders.
- During the year current and potential clients have been actively engaged. Lending volumes, regulatory inefficiencies, consumer technology demand, and differentiated solution outcomes of MSO, bring confidence of UK opportunities, despite broader retail banking challenges.



# South Africa

	FY13	FY14	Δ	%
Operating Revenue Rm	199.9	220.0	20.1	10.0%
Segment Profit Rm	58.9	63.1	4.3	7.2%
Margin %	29.5	28.7		
Average FTE	167.2	178.2		

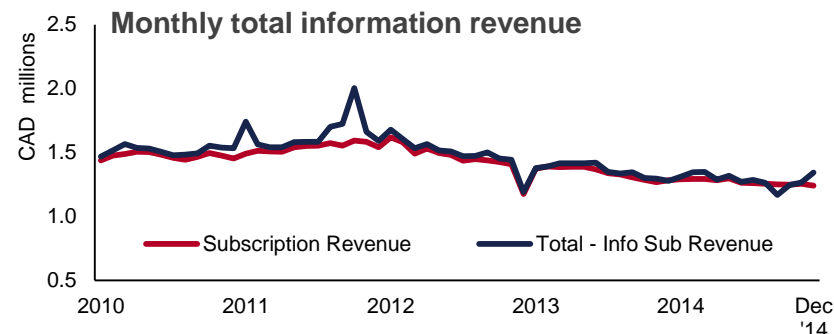
- A strong local result reflecting speed to market and innovative responses to client demand and competitive opportunities.
- The impact of foreign exchange and Australian denominated cost allocations impacted the contribution to the Group result. In Australian dollars, revenue increased 4.2% and segment profit growth was 0.9%.
- South African key strategic role continues with product innovation, service and centres of excellence, and global reach.



- Successful production deployment of new intelligent trading connectivity technology and network in SA and internationally. Provides efficient trading and communication across IRESS global network.
- Strong demand from SA clients for desktop efficiency and quality trading algorithms has been a key revenue driver during the year.
- Market data terminal growth and revenue positive, both organically and competitively. IRESS positioned as scaled vendor with value and local service, against less scaled older domestic vendors and more expensive internationals.
- Strategic regional opportunities with clients active in continental Africa and UK, particularly in retail advisory across wealth and broking.

	FY13	FY14	Δ	%
Operating Revenue \$Cm	20.1	18.5	-1.6	(8.0)%
Segment Profit \$Cm	5.4	3.9	-1.5	(27.6)%
Margin %	26.7	21.0		
Average FTE	54	52		

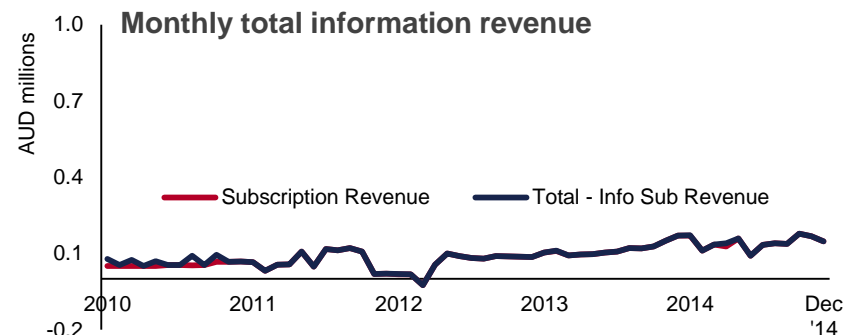
- Revenue in the second half was stable amidst ongoing focus on costs and headcount. Economic and segment conditions have led to a graduated decline the sell-side segment since the financial crisis, and has impacted our Canadian business.
- Building from the established base, investment in the second half to further support of the diversification strategy underway has impacted Segment Profit evident in the annualised result, on a small base.
- In 2014, this investment has included strengthening and composition of the local leadership team, and further investment in staff. In 2015, this will continue as we extend to new premises.



- Strong support for trading clients with software solutions and regulatory responses. New equity market AEQUITAS to launch in March 2015, bringing a total of 10 equity markets in Canada.
- SmartHub deployed in Q4 to provide trading and reporting efficiencies across client base.
- Ongoing impact of retail regulatory change in Canada. Next CRM2 key date is July 2015 placing standards on reporting. Regulatory burden will continue to expose inefficiencies/difficulties without unified retail advisory technology.
- Increased product investment in Private Wealth and XPLAN for Canada. Several small wealth implementations underway, with positive pipeline. Competitively well positioned.

	FY13	FY14	Δ	%
Operating Revenue \$Am	1.60	1.90	0.3	18.6%
Segment Profit \$Am	(4.0)	(3.6)	0.3	7.8%
Average FTE	35.5	34.0		

- Revenue increased in Asia over the year, with continued progress in establishing as a provider of solutions to participants across asset classes and markets in South-East Asia.
- Focus remains on implementation of cash trading and architecture replacing collection of incumbent vendors.
- Additional trading interfaces being added coinciding with client demand presenting regional trading platform with native connections.
- IRESS' investment in Asia represents approximately 3% of group Segment Profit. Continues to be important strategically and regionally.



- XPLAN deployment in Malaysia presenting integrated wealth service to advisers and white-labels. Expect subsequent phases to extend to order execution and Private Wealth opportunities.
- Private Wealth solution deployed in Singapore as white-label prime-broking solution.
- Competitor responses activated by IRESS' positive progress.

- Trading early in 2015 has commenced in line with the average of the second half of 2014.
- Expect sell-side pressures to remain in at least the short-term. Strategic initiatives of clients continue to be balanced against regulatory pressures.
- Implementation efforts and client support continue to underpin recurring revenue and growth over time. Investments anticipating future revenue continue to be carefully managed.
- Specific additional product and business investment has and will continue to be made, anticipating client requirements and future revenue growth. In 2015, additional investment relating to new products and capability will be 2-3% of Segment Profit.
- Until the revenue profile of Enterprise Lending matures, results should not be extrapolated based on a single half. Contribution in 2015 is expected to exceed 2014 levels, with half on half variability.
- Assuming foreign exchange at constant levels, IRESS expects Segment Profit growth of 3-5% in 2015.

# Appendices

# 2014 full year result

## Strong balance sheet

	31 Dec 13	30 Jun 14	31 Dec 14
<b>Current Assets</b>			
Cash assets	71.4	68.2	74.9
Trade receivables	25.7	19.0	24.7
Other receivables	11.2	14.8	9.9
Tax Assets	0.2	0.0	0.0
Other financial assets	0.1	0.0	0.0
<b>Total current assets</b>	<b>108.5</b>	<b>102.0</b>	<b>109.5</b>
<b>Non-Current Assets</b>			
Plant and equipment	9.7	9.3	9.7
Computer software	30.3	24.3	19.3
Goodwill	391.5	381.8	398.5
Intangible assets	18.4	16.4	15.6
Deferred tax assets	26.6	22.6	21.4
Other financial assets	0.0	0.0	0.0
<b>Total non-current assets</b>	<b>476.5</b>	<b>454.5</b>	<b>464.4</b>
<b>Total Assets</b>	<b>585.0</b>	<b>556.4</b>	<b>573.9</b>
<b>Net Assets</b>	<b>326.8</b>	<b>314.6</b>	<b>330.9</b>

	31 Dec 13	30 Jun 14	31 Dec 14
<b>Current Liabilities</b>			
Trade payables	(21.1)	(14.1)	(14.1)
Other payables	(17.5)	(21.6)	(12.4)
Borrowings Current	(0.0)	(0.0)	(0.0)
Current tax payables	(3.9)	(1.5)	(1.8)
Provisions	(10.2)	(7.3)	(6.5)
<b>Total current liabilities</b>	<b>(52.6)</b>	<b>(44.6)</b>	<b>(34.8)</b>
<b>Non-Current Liabilities</b>			
Borrowings	(177.3)	(178.2)	(179.1)
Derivative liability	(10.6)	(7.1)	(12.9)
Provisions	(5.8)	(6.2)	(4.9)
Deferred tax liabilities	(11.8)	(5.7)	(11.4)
<b>Total non-current liabilities</b>	<b>(205.6)</b>	<b>(197.3)</b>	<b>(208.2)</b>
<b>Total Liabilities</b>	<b>(258.2)</b>	<b>(241.9)</b>	<b>(243.0)</b>

## Treasury

Primary balances comprise

- Interest expense arising on external debt
- Amortisation of debt establishment costs
- Substantially offsetting balances for:
  - Unrealised foreign exchange gain/loss on internal funding arrangements
  - Movement in fair value of external swaps

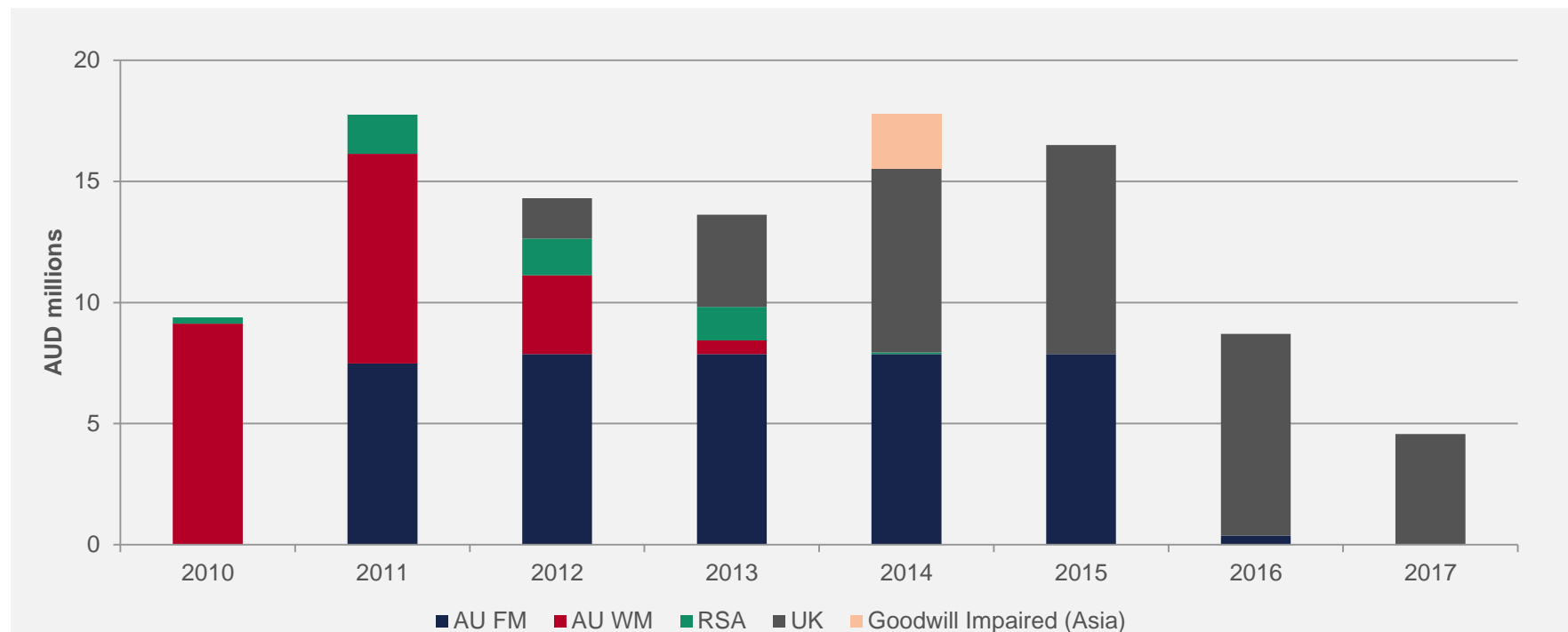
## Tax Expense

Effective tax rate for 2014 was 20.1% (2013: 33.5%).

Lower effective tax rate arises from:

- Deductions available from funding arrangements for UK acquisition (recurring)
- Timing of tax credits in H1 2014 of previously lodged claims (once-off)
- Tax paid in jurisdictions with rates lower than corporate tax rate in Australia

# Strategic Charges



AUD \$ m	Description	H1'13	H2'13	H1'14	H2'14	H1'15	H2'15	H1'16	H2'16	H1'17	H2'17
<b>AU FM</b>	Peresys Software	3.934	3.934	3.934	3.934	3.934	3.934	0.381	-	-	-
<b>AU WM</b>	Fundclick Software	0.482	0.080	-	-	-	-	-	-	-	-
<b>RSA</b>	Peresys Customer List	0.690	0.700	0.073	-	-	-	-	-	-	-
<b>UK</b>	Business est. share grants	1.136	0.691	0.596	0.127	0.269	0.163	0.114	-	-	-
	Initial Avelo share grants	-	-	0.981	(0.765)	0.768	0.781	0.772	0.781	0.005	-
	Enterprise Software	-	0.106	0.179	0.179	0.179	0.179	0.179	0.179	0.179	0.179
	Avelo Software	-	0.955	1.606	1.609	1.606	1.606	1.606	1.606	1.122	-
	Avelo Customer List	-	0.917	1.542	1.545	1.542	1.542	1.542	1.542	1.542	1.542
<b>Scheduled Strategic Charges</b>		<b>6.242</b>	<b>7.383</b>	<b>8.911</b>	<b>6.628</b>	<b>8.298</b>	<b>8.205</b>	<b>4.594</b>	<b>4.108</b>	<b>2.849</b>	<b>1.721</b>
Goodwill Impaired (Asia)		2.265									
<b>Total Strategic Charges</b>		<b>6.242</b>	<b>7.383</b>	<b>8.911</b>	<b>8.893</b>	<b>8.298</b>	<b>8.205</b>	<b>4.594</b>	<b>4.108</b>	<b>2.849</b>	<b>1.721</b>



# Non-amortising intangibles

		Description	Cost (AUD) \$m*	Amortisation period
Goodwill	AU WM	Plantech Goodwill	3.157	Will be subject to regular impairment testing
		Visiplan Goodwill	10.695	
		Transactive Goodwill	0.285	
		DMS Goodwill	1.042	
	CAN	LP Goodwill	9.001	
	RSA	Peresys Goodwill	9.270	
		Spotlight Goodwill	3.808	
	UK	Avelo Goodwill	361.201	
TOTAL GOODWILL			398.462	
Database	AU WM	FundData Database	1.540	
TOTAL DATABASE			1.540	

# Disclaimer

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