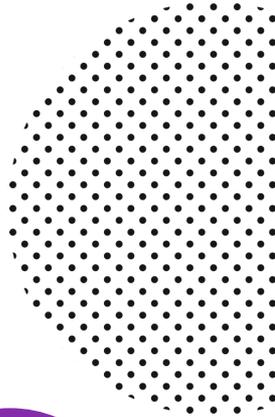


# Integrated Research Limited (ASX:IRI) FY2023 Half-Year Financial Results

16 February 2023

John Ruthven, CEO  
Matthew Walton, CFO





# We are IR

A leading global software company, providing performance and experience management solutions for the world's mission critical ecosystems.

Real-time analytics, fast troubleshooting, dynamic alerts, comprehensive reporting and customizable dashboards delivers a seamless user experience across ...



collaborate

highly complex and expanding communications environments



transact

increasingly complex and expanding global payments networks



infrastructure

business critical network infrastructure

# Our Competitive Advantage

Why we win



	Position	Market Fit	Capabilities	Competition	Value proposition
Collaborate	Market transformation (hybrid evolution)	Specifically designed for Collaboration environments & customizable, as required	Expertise in collecting and analysing big data, providing relevant real-time troubleshooting and reporting	Few direct competitors and high barriers to entry	Attractive ROI measured against cost and consequences of poor communication and collaboration experiences
Transact	Market maturity (Cards, NonStop)  Market expansion (High Value and Real-time)	Specifically designed for Transaction networks	Expertise in real time collection and analysis of payments and system data	Few direct competitors and high barriers to entry	Proven product, domain expertise, ongoing service and support



## Company Overview

**30+** years

performance management  
experience

**~600**

enterprise customers &  
service providers globally

**>25%**

Fortune 500 customers through  
direct and Tier 1 channel partners

**600m**

monitored transactions daily

**~60**

**countries and four offices**

across North America, LATAM, Europe,  
MEA and APAC

**20%**

**growth on pcp**  
in users on our SaaS platform

# Blue Chip Customer Base

Long-term, high value relationships based on mission critical solutions



## Tech | Telco



8/10 top US telcos

## BFSI



7/10 top US banks

## Health | Gov | Edu



10/25 Fortune 500 top companies

## Retail | Industrial | Other



6/20 largest Australian companies (market cap)

# CEO Key Messages

Transition underway – building a stronger IR with an expanded product set and enhanced market opportunity

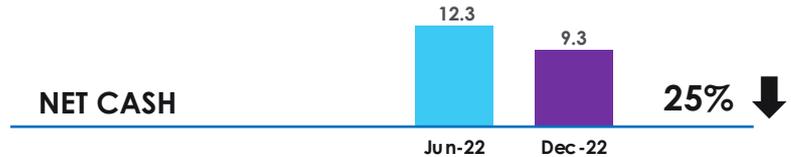
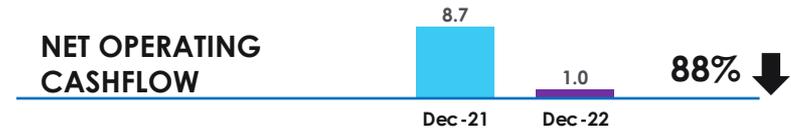
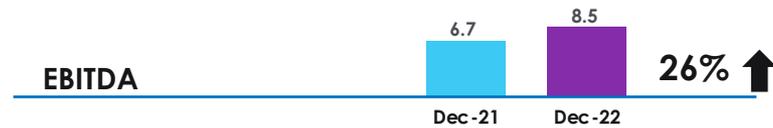
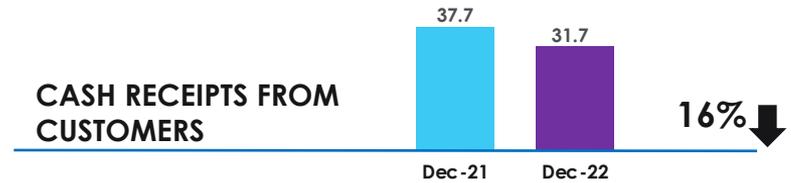
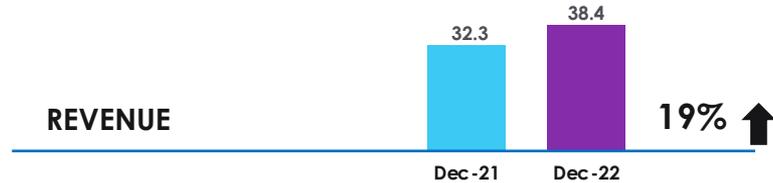


1. Strong start to the new financial year with total sales and renewals (measured on a total contract value basis) up 22% compared to H1 FY22.
2. Average contract length increased to >4 years (vs low of 2.5 years in H1 FY22). The increase largely reflects a higher proportion of new sales and renewals of Transact and Infrastructure solutions, which typically have longer durations.
3. Positive macro trends driving growth across the Collaborate and Transact ecosystems remain intact and they are providing tailwinds for sales of our solutions.
4. The three-phase strategy of Innovate, Execute, Scale remains core to our growth plans, and we have adopted a more agile and disciplined approach.
5. Balance Sheet remains strong with no financial debt and net tangible assets of \$60M. Cash balance has improved in January 2023.



# Half-Year Performance Review: Statutory (A\$M)

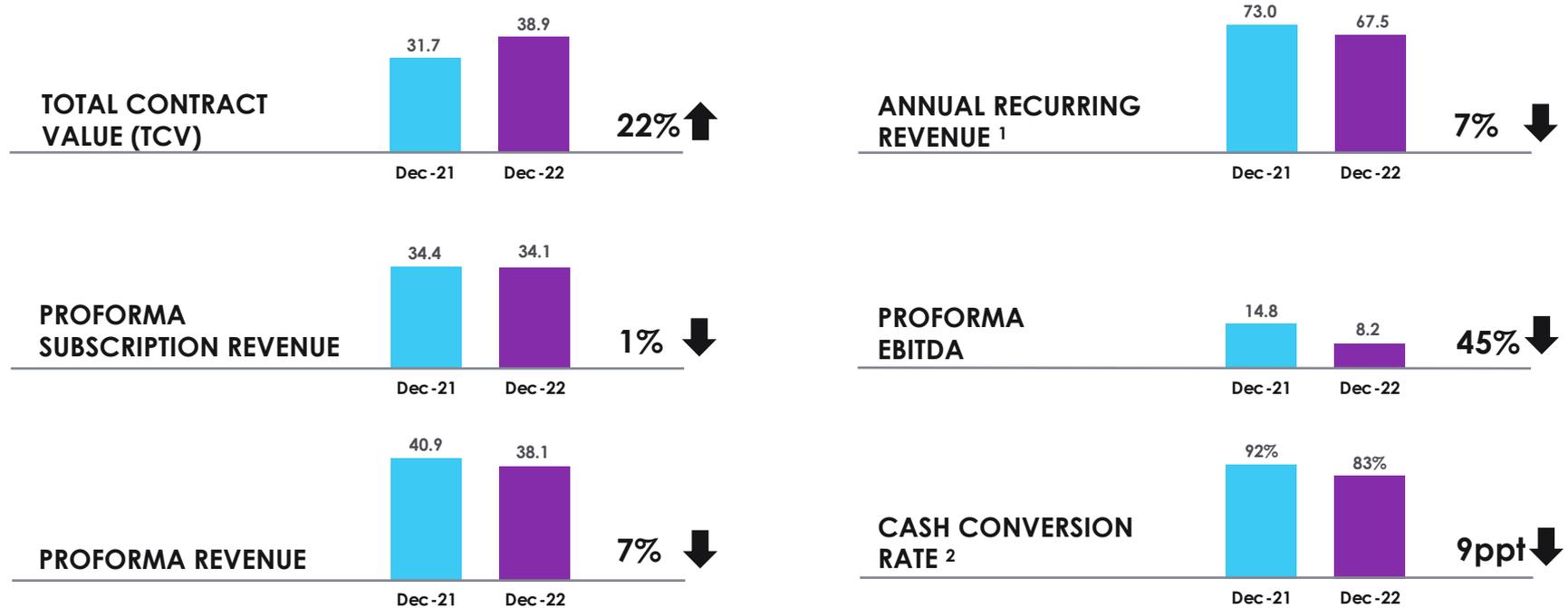
Strong TCV growth drives statutory revenue and profits





# Half-Year Performance Review: Proforma (A\$M)

TCV is a lead indicator for the future direction of key proforma metrics



Note: Proforma revenue is a non-statutory alternate view of term licence and maintenance revenue (unaudited); refer to appendix for calculations

1. Annual Recurring Revenue is equal to the monthly proforma subscription revenue as of December 2022 multiplied by 12

2. Cash conversion rate equals cash receipts divided by proforma revenue

# H1 FY23 Progress Report

Strong foundation from which to grow



<b>Priority</b>	<b>Status</b>	<b>Notes</b>
1. Returning the Americas and Europe to growth	on-plan	<i>Europe TCV +19% on pcp, Americas broadly flat on pcp, underwritten by strong renewals</i>
2. Increasing new product adoption and traction	behind plan	<i>Percent of TCV from new products trailing plan; hybrid is gaining traction; early wins with real-time &amp; high-value payments</i>
3. High customer retention and ongoing managed migration to cloud	behind plan	<i>Customer count steady; net revenue retention impacted by Collaborate contract length</i>
4. Launch of generation II products – building on the new SaaS products launched in FY22	on-plan	<i>Collaboration with customers to build new use cases and accelerate time to market</i>
5. Retain a strong balance sheet	on-plan	<i>Balance sheet remains debt free, and cash has improved in January 2023 to \$12M</i>



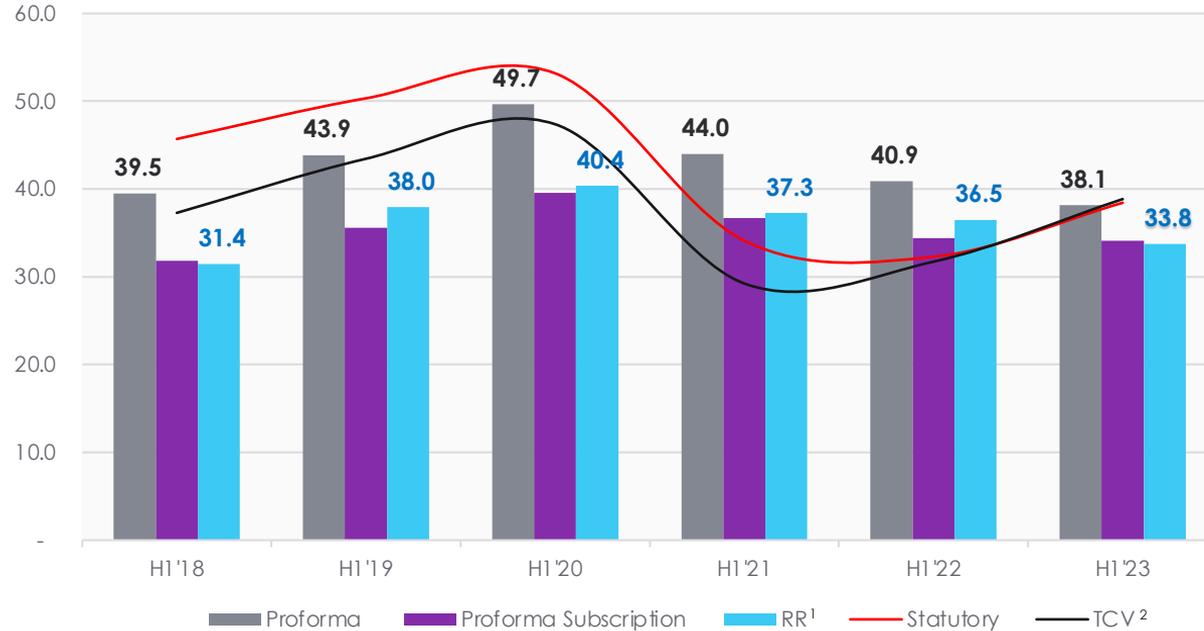
# Financials

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# Interim Revenue Analysis: TCV, Statutory, Proforma and RR

TCV is a lead indicator of future recurring revenues through new sales and price growth



- H1 '20 results benefitted from positive FX impact
- Cloud related sales started in 2021, reason why TCV and statutory revenue gap narrowed from H1 '22
- Proforma revenue includes recurring and non recurring revenue whilst proforma subscription reflects recurring revenues only
- H1 'FY23 decline in proforma revenue was driven by lower services contribution (non recurring)
- H1 'FY23 decline in RR was driven by non-renewals during the second half of FY22

1. RR (Recurring Revenue) means monthly recurring revenue as of December multiplied by 6  
2. TCV means Total Contract Value – refer to appendix for definition

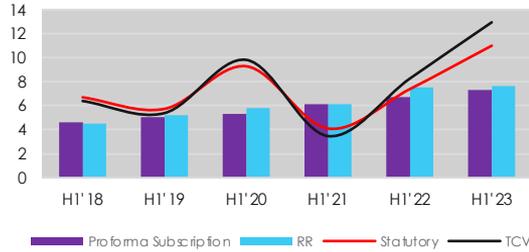
# Geographic and Product Interim Revenue Analysis

TCV recovery in H1 means improvement in future recurring revenues

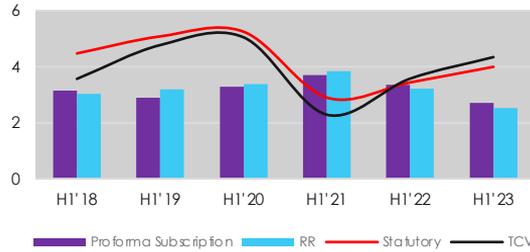


## Geographic\*

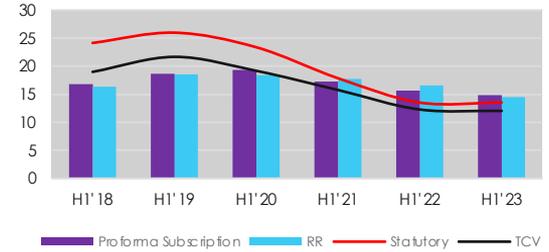
### Asia Pacific revenue - A\$M



### Europe revenue - £M

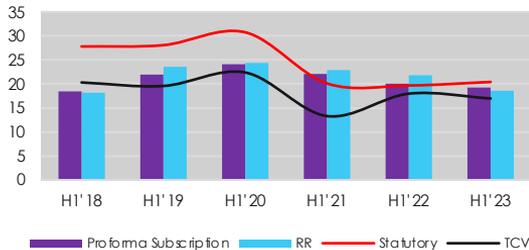


### Americas - US\$M

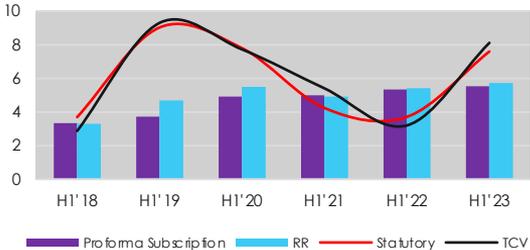


## Product

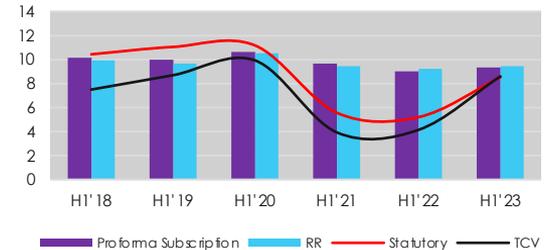
### Collaborate A\$M



### Transact A\$M



### Infrastructure A\$M



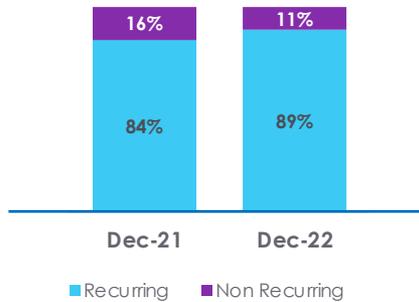
\*TCV by geography excludes services



# Half-Year Performance Review: Key Metrics

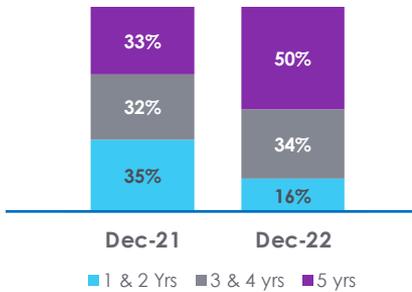
Recurring proforma revenue >80%

## Proforma Revenue



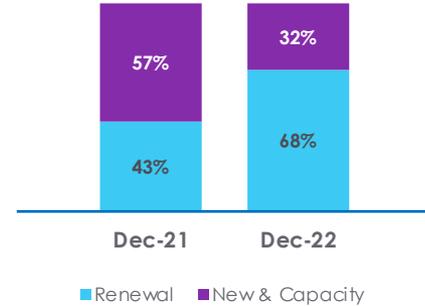
- >80% of total proforma revenue is recurring in nature (multi-year non cancellable licenses and related maintenance)

## Contract Life



- Average contract length from sales during the period increased from 2.5 years to over 4 years boosted by Transact & Infrastructure contracts with traditionally longer duration

## TCV Renewal & New \*



- Improved sales execution
- Stronger contracts renewal period
- Lower churn in Collaborate

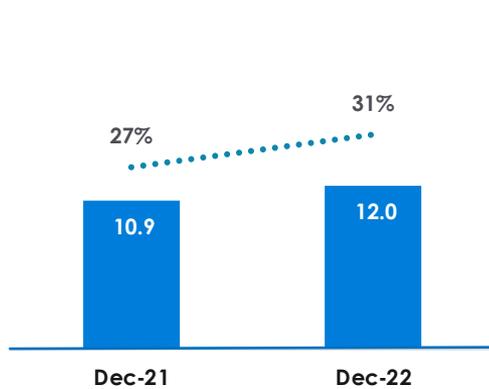
\* Note: TCV excludes services and testing

# Operating Costs

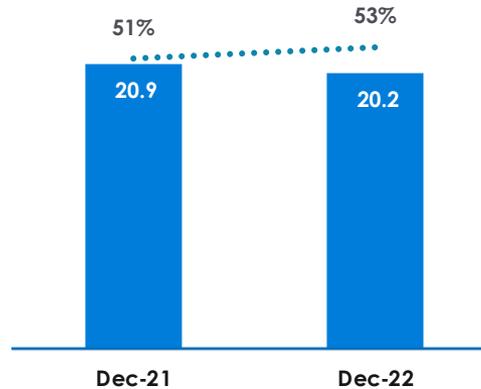
Continued commitment to innovation with disciplined overhead controls



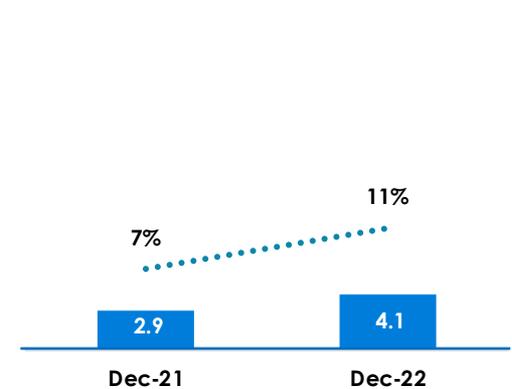
### Product and Technology - A\$M



### Sales and marketing - A\$M



### General and administration - A\$M



■ Expenses    ..... % of proforma revenue

- Adopted a more balanced and disciplined approach to innovation investments aligned to value drivers.

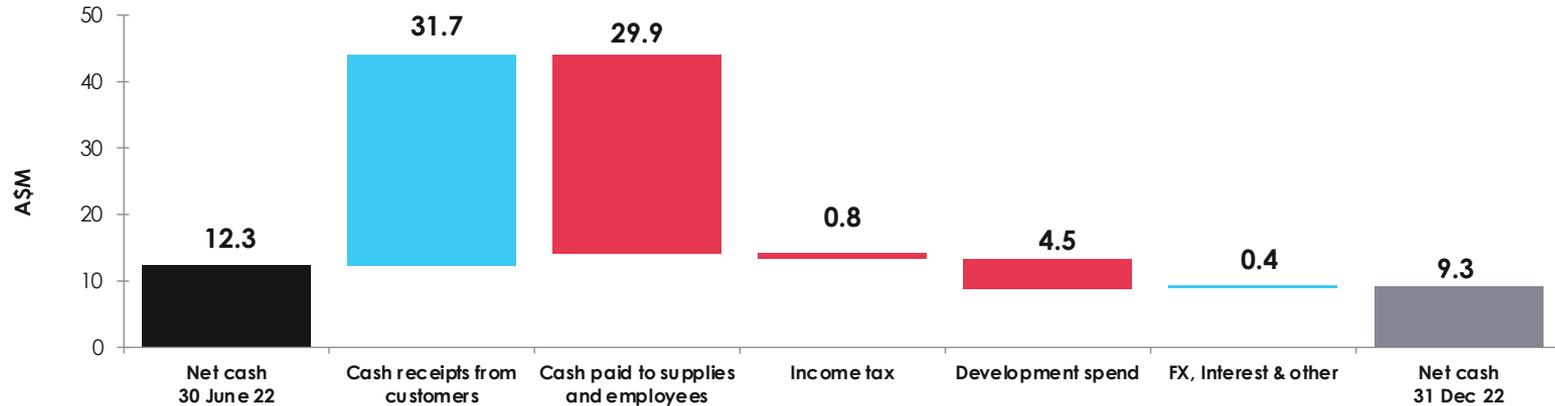
- Sales & marketing spend reflect lower headcount versus prior period;
- Offset by increased travel with the return of customer face to face and marketing events

- Costs reflect increased staff retention and recruitment pressure, and an uplift in the provision for doubtful debts.



# Net Cash Flow Analysis

Lower cash conversion - a timing issue



- Cashflow was negatively affected by an increase in receivables due to timing differences (a higher proportion of invoicing late in the half) and the impact of lower prior period sales.

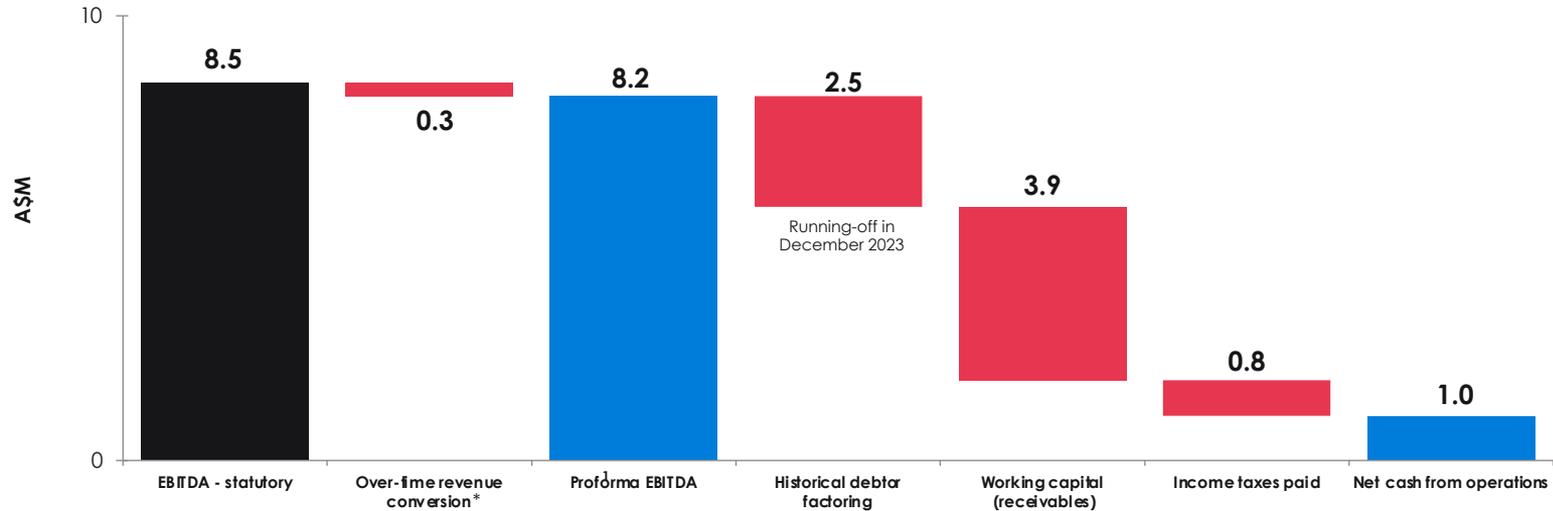
- Cash conversion rate has improved from 83% at the end of December 2022 to 93% at the end of January 2023.

- Net cash increased to \$12M at the end of January 2023.



# EBITDA Cash Flow Bridge

Debtor factoring in run-off



\* Over-time revenue conversion deducts "upfront" licence fees and adds back the ("over-time") amortised licence component that relates to the reporting period. Commission costs associated with this timing difference are also adjusted to ensure revenues and expenses are matched to the correct reporting period.

# Balance Sheet

Supporting self-funded organic growth



Strong balance sheet with net cash of \$9.3M and no debt carried forward.

Trade receivables: a strong source of future cashflow. High quality, low doubtful debt risk.

Period Ended (as at)	Dec 22	Jun 22	YoY
	A\$M	A\$M	
Cash and cash equivalents	9.3	12.3	(24%)
Trade and other receivables	74.7	68.8	9%
Intangible assets	30.6	31.3	(2%)
Right-of-use assets	3.7	4.4	(16%)
All other assets	7.9	7.6	4%
<b>Total assets</b>	<b>126.1</b>	<b>124.4</b>	<b>1%</b>
Trade and other liabilities	9.9	10.1	(2%)
Borrowings	0.0	0.0	-
Provisions	4.4	4.6	(4%)
Tax liabilities	2.4	2.5	(5%)
Deferred revenue	14.2	14.6	(3%)
Lease and other liabilities	4.3	5.5	(23%)
<b>Total liabilities</b>	<b>35.2</b>	<b>37.3</b>	<b>(6%)</b>
<b>Net assets</b>	<b>91.0</b>	<b>87.1</b>	<b>4%</b>



# Strategy & Product

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# Strategy



leverage structural shift in our markets

support enterprise users' evolving needs

expand into adjacent areas and higher value segments

continue to build long-term recurring revenue streams

continue to transition business to combination of on-premise and hybrid

focus on key industry verticals

# Phased Strategy

Currently in execution phase of strategic plan



# Transact Customer Wins

Ensuring reliability in today's complex payments environments



**Customer:** Commercial Bank

**Location:** Africa

**Term:** 5 years

**Type:** New Customer

**Solution:** Card Payments + ATM and 24x7 Maintenance

**Customer challenge:** The banking institution is formed as a result of two banks merging. Migrating customers to open a common open platform and providing crucial support during the transition.

**IR solution:** Supported the organization in their transformation journey of migrating their end customers to open platforms such as Linux and AIX along with ongoing maintenance.

**Customer:** Large Financial Institution

**Location:** UK

**Term:** 5 years

**Type:** Renewal

**Solution:** Transact and Infrastructure

**Customer challenge:** To provide added value and real time monitoring of transactions for their customers. Managing a highly complex and constantly changing network.

**IR solution:** Given that the organization operates in over 40 countries, it supports a dynamic world of top merchant acquirers with constant changing business requirements. IR's solution helped address monitoring needs for multiple environments.

# Collaborate Customer Wins

Providing assurance for the mission critical services of our customers



**Name:** LANcom

**Location:** Taiwan

**Term:** 5 years

**Type:** New Customer [service provider]

**Solution:** Monitoring for all Cisco modules including enterprise, room and contact center solutions

**Users:** 120k users

**Customer challenge:** Support their customer base to provide more value and drive better outcomes

**IR solution:** Provide LANcom's operations teams with tools to monitor their Cisco customer base – alerting, trouble-shooting & resolution.

**Customer:** Private non-profit healthcare company

**Location:** US

**Term:** 3 years

**Type:** Renewal

**Solution:** Monitoring for Cisco environment – enterprise, rooms & contact center solutions

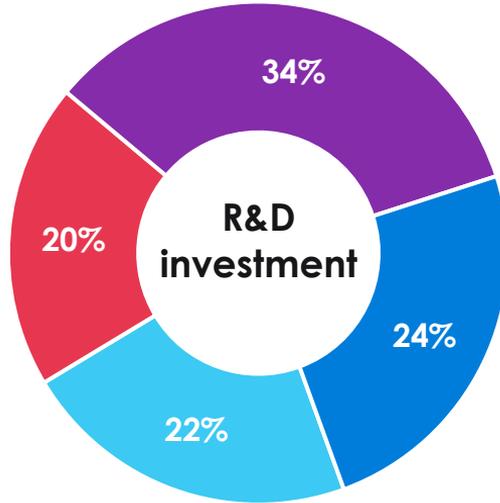
**Users:** 32k users

**Customer challenge:** Lack of end-to-end visibility of their Unified Communications and Contact Center networks that led to downtime

**IR solution:** End-to-end monitoring of their collaboration environment to give operations teams the tools to provide better care to patients.

# Innovation - Investment H1 FY23

Pro-active cloud/hybrid-based innovation pipeline to support customers



■ Cloud Collaborate ■ Cloud Transact ■ Cloud Platform ■ On-prem

H1 FY23  
spend  
**\$4.5M\***

**76%** of  
spend on  
SaaS/Hybrid  
based  
products and  
platform

**42%**  
dedicated to  
enhanced  
cloud products  
focused on  
performance  
and user  
centricity

\* Per cashflow statement for 1H FY23

# Transact – innovation through collaboration

Reduced development cycles through closer customer engagement



transact	Product	Gen II Updates	Traction
	Core	Integration Toolkit, UI Refresh	Growing demand in developing markets. 18 renewals, 3 new customers wins YTD
	Real-time	AnyID, Request for Pay, Mandates	Targeted use cases for schemes rolling out in MEA and ASEAN (50 participant banks), 2 wins YTD including a central bank
	High Value	Actionable Dashboards, Exceptions & Investigations	Selling with partner into US market, target market is 50 large banks
	Payments Analytics	Anomaly Detection, Forecasting, Trending, Merchant Insights	Market development, signed foundation customer

# Collaborate – innovation through collaboration

Reduced development cycles through closer customer engagement



collaborate	Product	Gen II updates	Traction
	Core	Direct Routing & SBC* Support (Ribbon)	Phase 1 market development, signed foundation customer – service provider
	Cloud Collaboration	EQ360 Accessibility	Enhance usability, 12 enterprise customers and 7 service providers supporting >300k users
	Cloud Integrations	3 <sup>rd</sup> Party Integrations (ServiceNow)	Expand ecosystem, critical to service provider market
	Contact Centre	Contact Centre Providers (Genesys Cloud)	Phase 1 market development, signed foundation customer, large market potential

\* Session Border Controller



# FY23 Key Priorities

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# FY23 Key Priorities



**Markets** – continue growth momentum in the Americas and Europe



**New customers** – win more new business and grow product footprint



**Existing customers** – improve customer retention and renewal yield



**Product innovation** – collaborate with customers to reduce development cycles and validate use cases



**Financial** – increase profitability and retain a strong balance sheet

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# Appendix

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# Proforma Subscription Revenue



## Purpose:

To provide an alternate view of underlying performance by restating term licence and maintenance revenues on a recurring subscription basis.

## How:

- All licence sales from FY2012 to FY2023 were analysed for each region in their natural currencies (the historic analysis period)
- Perpetual deals have been reported separately in the year sold
- Subscription revenues have been calculated by aggregating amortised licence revenues with maintenance revenues for each product line
- Other revenue streams have been reported the same as the statutory accounts (e.g., professional services and testing services)
- A reconciliation of proforma revenues and statutory revenue has been included for the reporting period

# Interim proforma subscription revenue

Reconciliation of statutory to proforma revenue



Interim revenue	H1'20	H1'21	H1'22	H1'23	H1'20	H1'21	H1'22	H1'23
	A\$M	A\$M	A\$M					
Infrastructure	10.6	9.7	9.1	9.4	7%	(9%)	(7%)	4%
Transact	4.9	5.0	5.3	5.5	33%	1%	7%	3%
Collaborate	24.1	22.1	20.1	19.2	9%	(8%)	(9%)	(4%)
<b>Proforma subscription revenue</b>	<b>39.6</b>	<b>36.8</b>	<b>34.4</b>	<b>34.1</b>	<b>11%</b>	<b>(7%)</b>	<b>(6%)</b>	<b>(1%)</b>
Perpetual sales	2.7	0.7	0.5	0.3	16%	(75%)	(25%)	(46%)
Testing Services	2.8	2.4	2.2	1.9	8%	(15%)	(6%)	(17%)
Professional Services	4.5	4.2	3.7	1.9	39%	(7%)	(12%)	(49%)
<b>Proforma revenue</b>	<b>49.7</b>	<b>44.1</b>	<b>40.9</b>	<b>38.1</b>	<b>13%</b>	<b>(11%)</b>	<b>(7%)</b>	<b>(7%)</b>
<b>Statutory revenue</b>	<b>53.2</b>	<b>34.1</b>	<b>32.3</b>	<b>38.4</b>	<b>6%</b>	<b>(36%)</b>	<b>(5%)</b>	<b>19%</b>
<b>Reconciliation to Statutory Accounts:</b>								
<b>Proforma revenue</b>	<b>49.7</b>	<b>44.1</b>	<b>40.9</b>	<b>38.1</b>				
Deduct Amortised licence fees	(27.0)	(26.4)	(26.1)	(25.8)				
Add license fees recognised upfront	30.5	16.4	17.5	26.1				
<b>Statutory revenue</b>	<b>53.2</b>	<b>34.1</b>	<b>32.3</b>	<b>38.4</b>				

# Total Contract Value (TCV) by Product

Strong renewals in Transact and Infrastructure



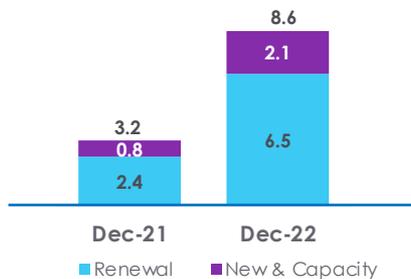
## Collaborate – A\$M



Collaborate, down 3%:

- Strong renewals period
- Collaborate added 12 new customers in the first half

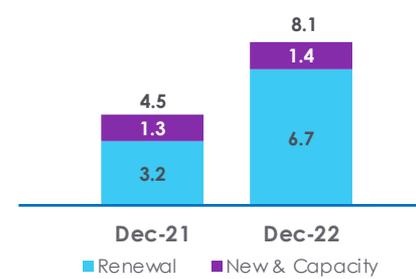
## Transact – A\$M



Transact, up 164%:

- Large deals renewed across all regions
- New & capacity mainly driven by upsell to existing customers

## Infrastructure – A\$M



Infrastructure, up 81%:

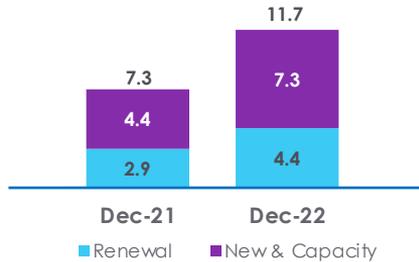
- Large deals up renewed across all regions
- New & capacity mainly driven by upsell to existing customers



# Total Contract Value (TCV) by Geography\*

Recent leadership changes implemented in Americas and Europe

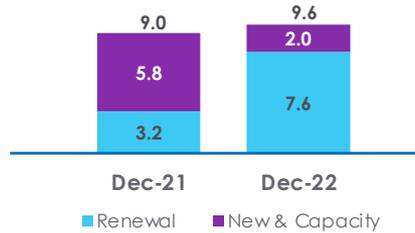
## APAC – A\$M



APAC, up 60%:

- Growth across all product lines
- Healthy renewals and new business
- Added 8 new customers

## Americas – US\$M



Americas, up 6%:

- Large contracts up for renewal
- Added 9 new customers
- Under new leadership

## Europe - £M



Europe, up 39%:

- Large contracts up for renewal
- No new customers added in the first half
- Under new leadership

\* Note: TCV by geography excludes services and testing



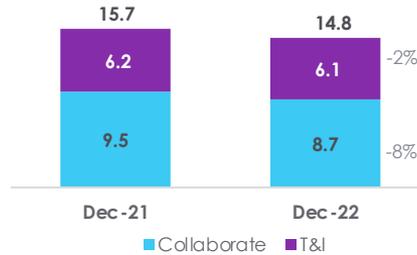
# Proforma Subscription Revenue

Subscription revenue impacted by 2H FY22 contract losses

## APAC – A\$M



## Americas – US\$M



## Europe - £M



## Collaborate – A\$M



## Infrastructure – A\$M



## Transact – A\$M



Note: Proforma subscription revenue is a non-statutory alternate view of term licence and maintenance revenue (unaudited); refer to appendix for calculations

# Glossary



Annual Recurring Revenue (ARR)	equals to the monthly proforma subscription revenue at the end of the period multiplied by 12.
Cash conversion rate	equals cash receipts divided by proforma revenue.
Customer retention	equals the opening customer count for the reporting period less customers who are deemed to cease purchasing from IR in the reporting period; this total is then divided by the opening balance and presented in percentage terms.
Proforma subscription revenue	provides an alternate view of underlying performance by restating term licence on a recurring subscription basis (ie over time) plus other recurring revenues such as maintenance fees and cloud services. Note: the current statutory model recognises licence fee revenue upfront at the commencement of the contract.
Net revenue retention	equals recurring revenue generated from existing customers over a set period.
Proforma revenue	equals proforma subscription revenue <u>plus</u> other non-recurring revenue streams such as perpetual licence fees, professional services and one-time through testing services
Total Contract Value (TCV)	means the total value of a revenue generating contract written in the period of performance less any residual value from a previous related contract. The value includes software licence and related maintenance, cloud, testing and consulting services bookings.
Capacity sell	existing products sold to existing customers due to increase in usage.