



Integrated Research Limited (IRI)

Bell Potter Emerging Leaders Conference

14 September 2021

John Ruthven, CEO
Peter Adams, CFO





CEO key messages

Executing transition strategy to a SaaS subscription model, improved 2H performance

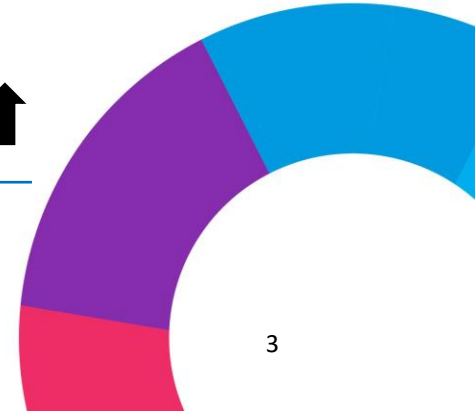
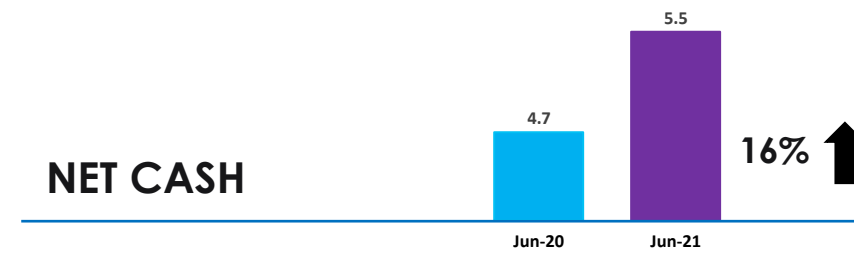
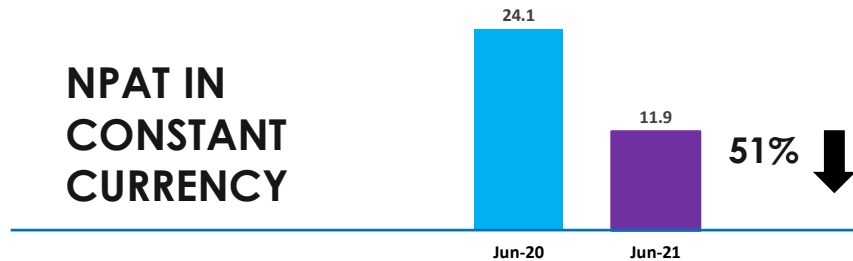
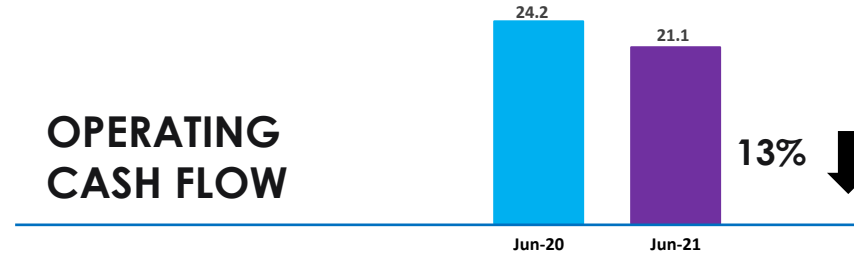
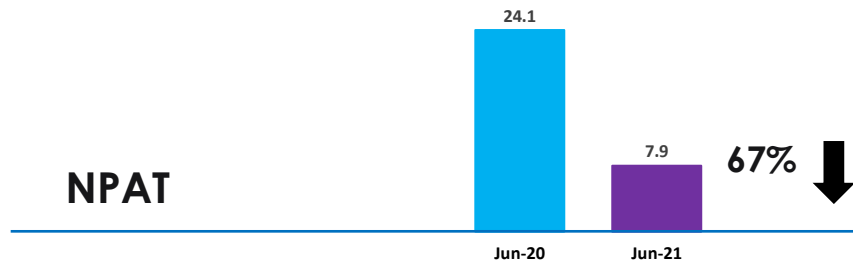
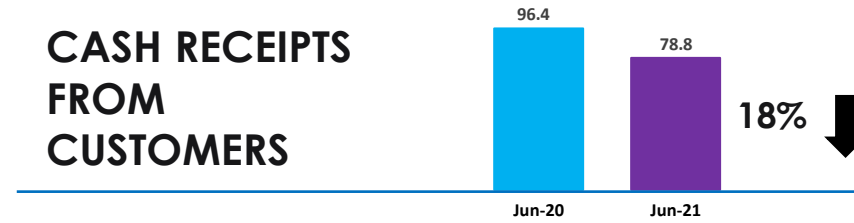
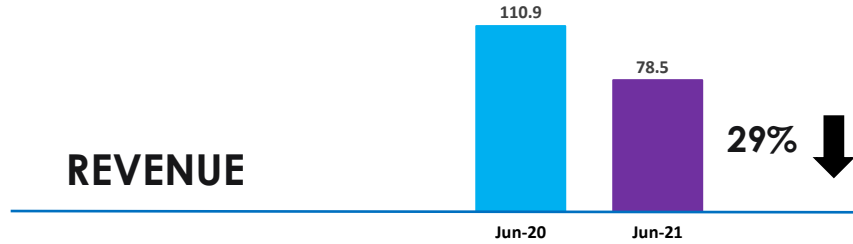
1. Transitioning to higher quality, growing SaaS subscription-based revenues
2. FY21 results impacted by deal deferrals and cautious buyer behaviour in 1H
 - Revenue down 29%, NPAT in constant currency down 51%
3. Execution of 4-point recovery plan drives improved 2H performance
 - Sales execution, accelerate product roadmap to SaaS, cost management and resourcing.
 - 2H revenue +30% v 1H, NPAT in constant currency + 210%, solid cash flow
4. IR is strategically well positioned to capitalise on positive growth trends in remote working and cashless payments and build share in expanded \$1.2B TAM.





Full-year performance review (A\$M)

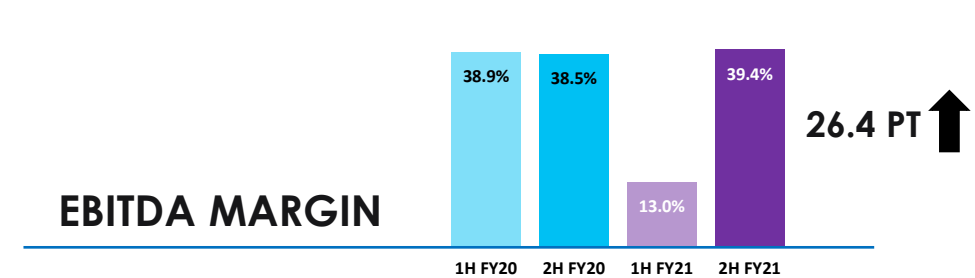
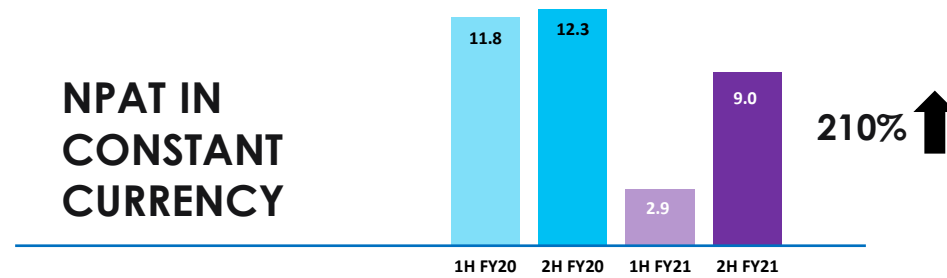
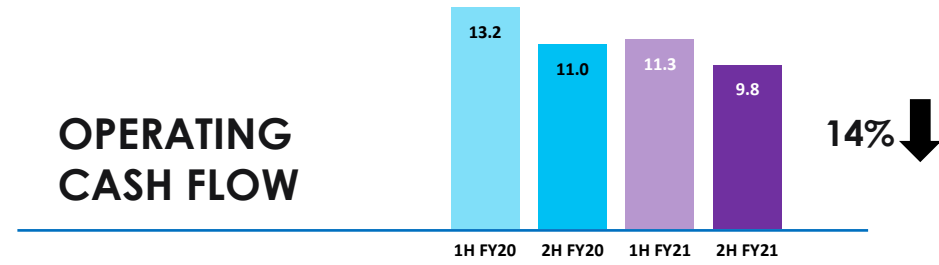
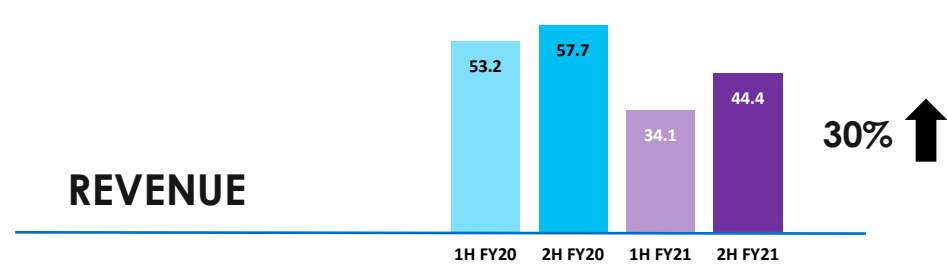
New product launches and sales execution drive 2H recovery following weak 1H



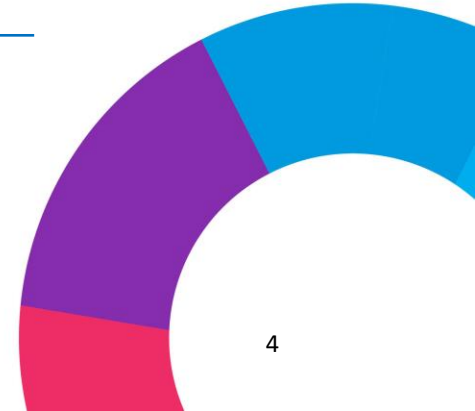


2H FY21 Results (A\$M)

Improved 2H performance - revenue and profit recovery



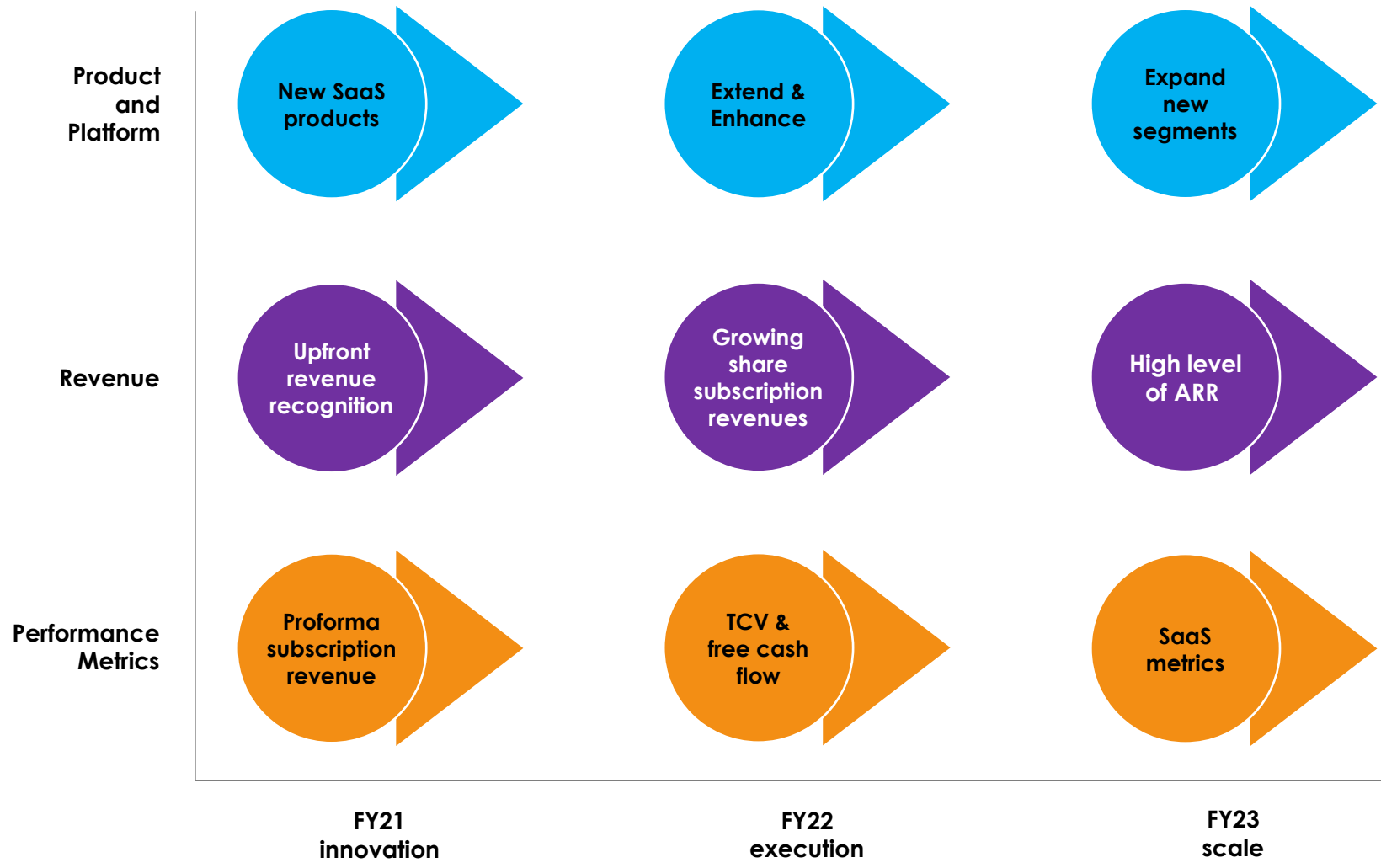
Note: growth metrics represent FY21 2H vs FY21 1H





Transition underway

Executing clear plan to transition to higher quality growing SaaS based subscription revenues



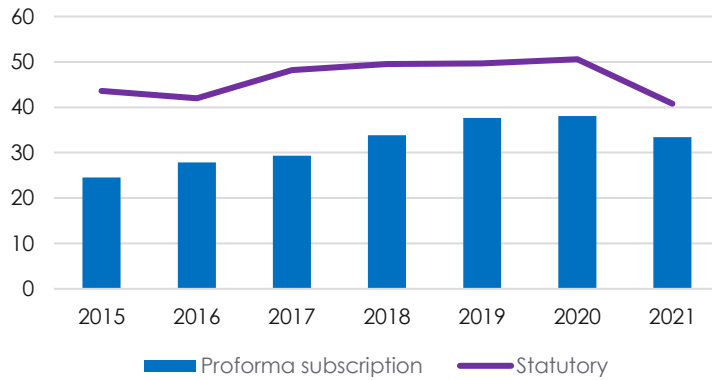


Geographic and Product revenue analysis

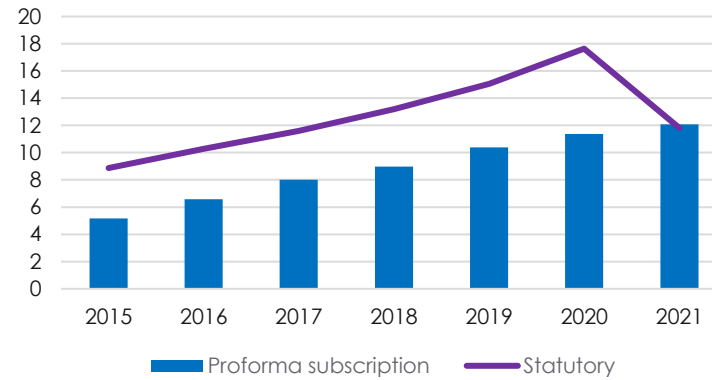
Subscription revenue; stable performance in US dollars

Geographic

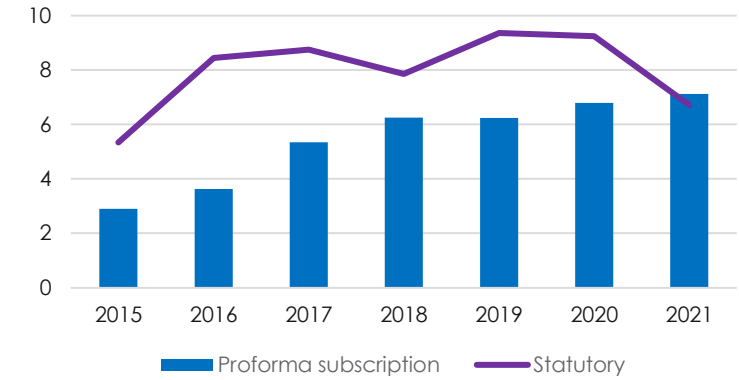
Americas - US\$M



Asia Pacific - A\$M

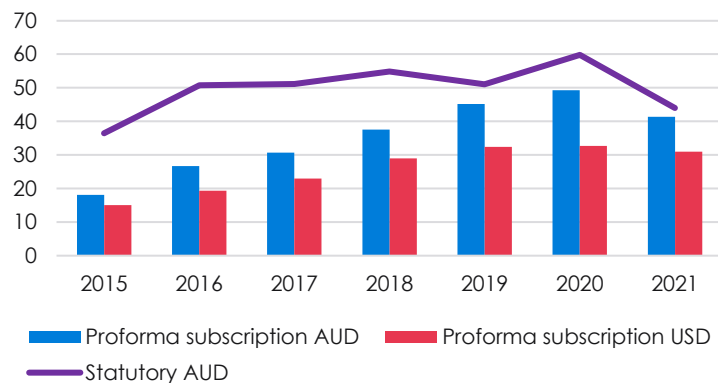


Europe - £M

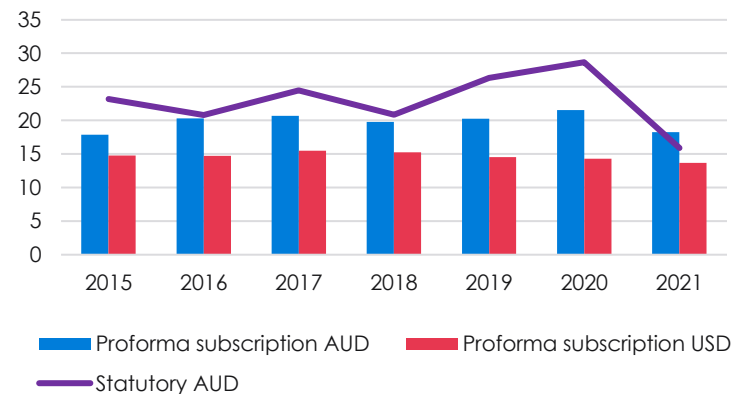


Product

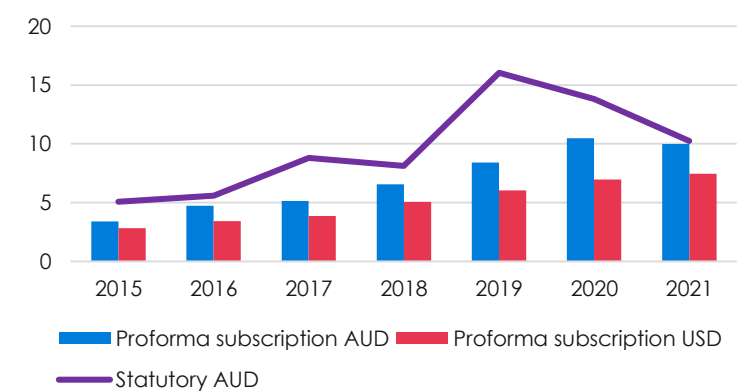
Collaborate \$M



Infrastructure \$M



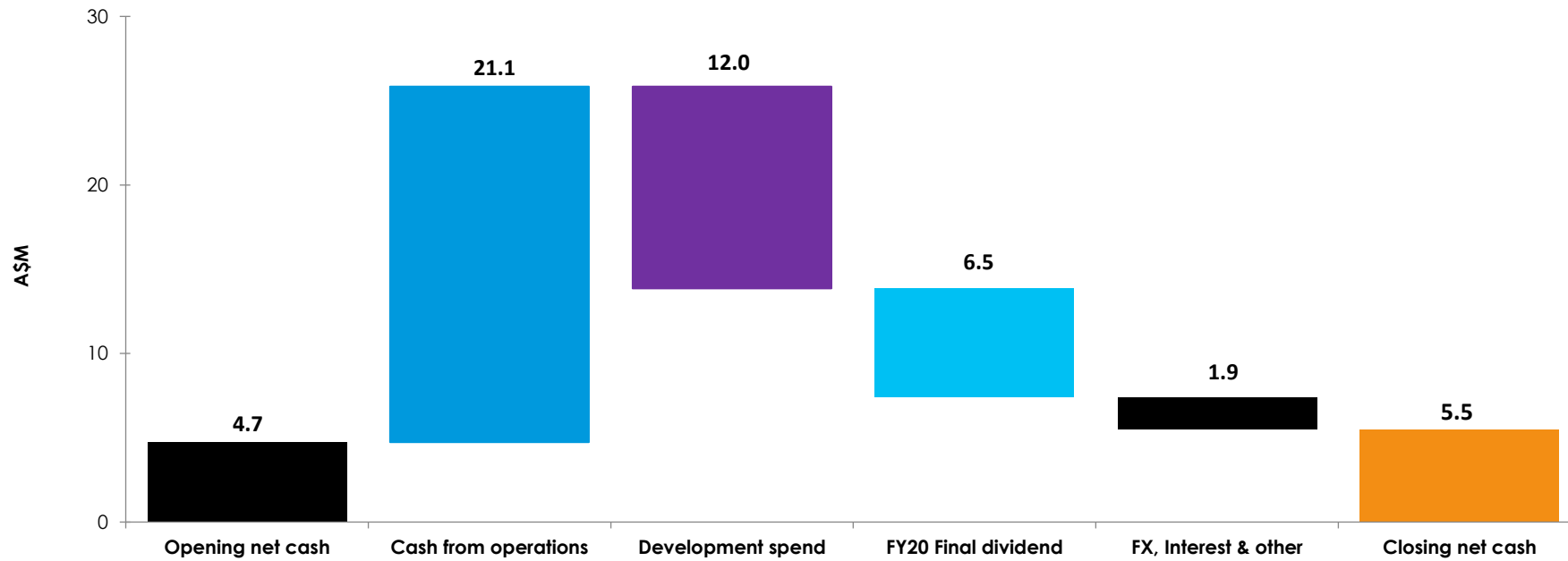
Transact \$M



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

Net cash flow analysis

Positive operating cash flow funds growth investments



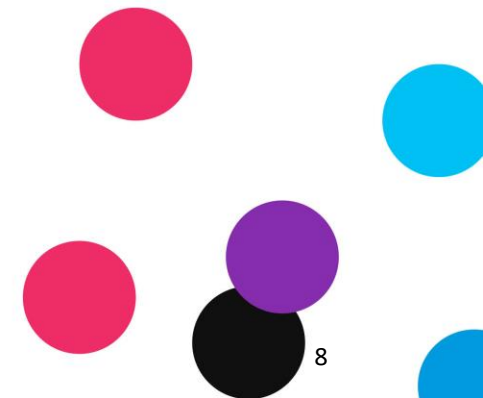
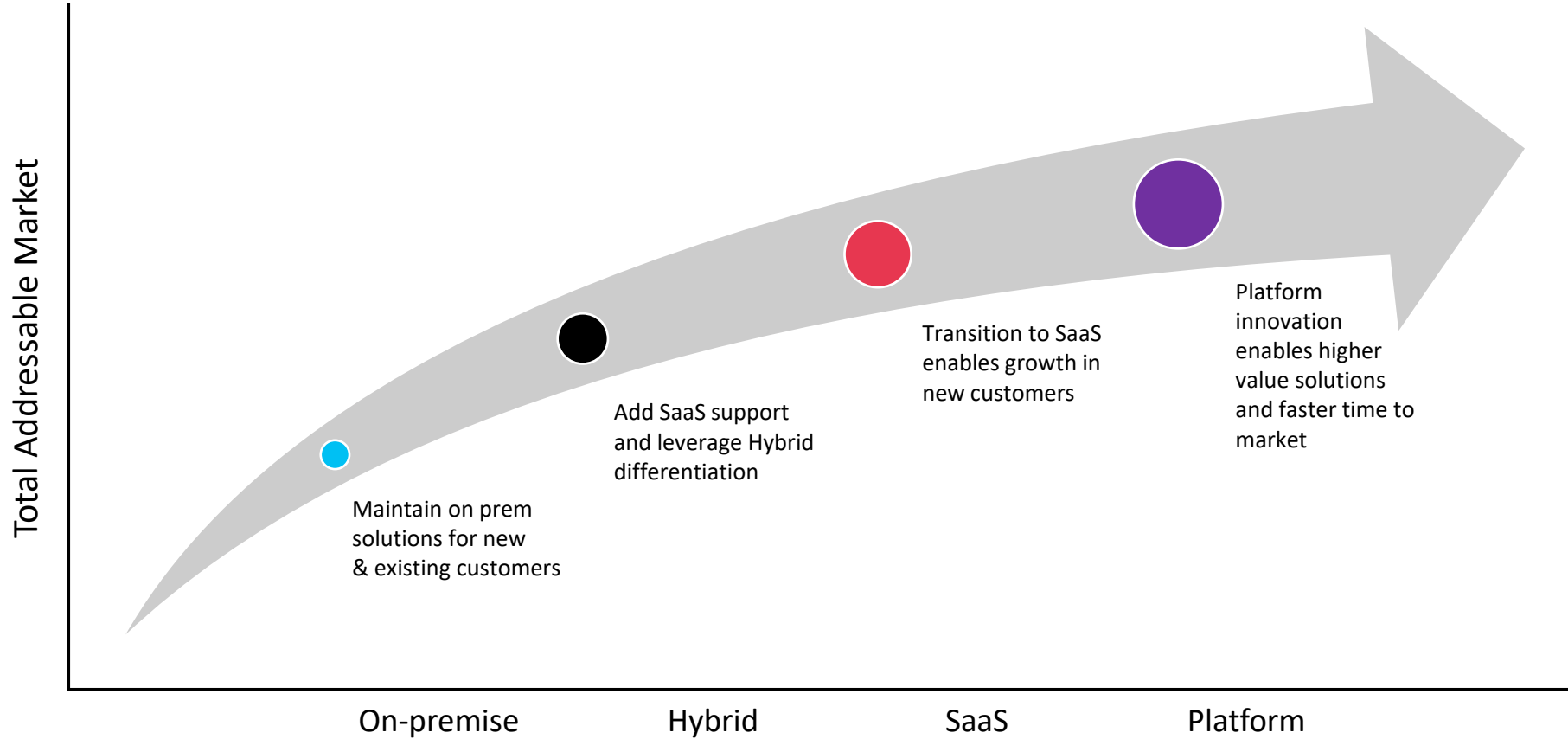
Strong cash flow from operations

No debtor factoring

Development spend includes SaaS platform

Platform approach to product innovation

Drives Access to Larger Market Opportunity

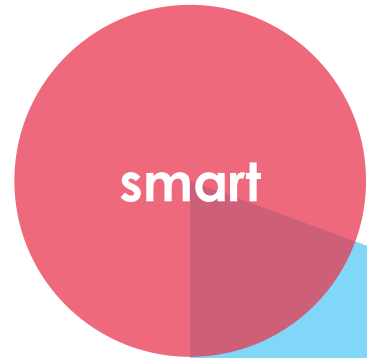


Product strategy

New product launches expand addressable market and leverage to long term growth trends

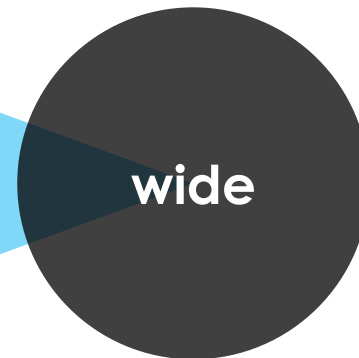


predictive
analytics
intelligence



smart

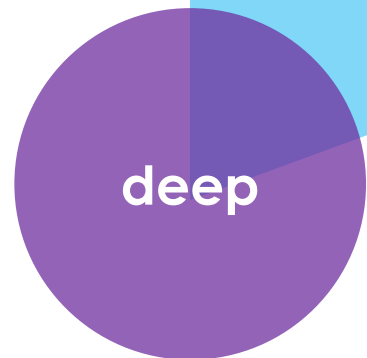
A\$1.2B TAM



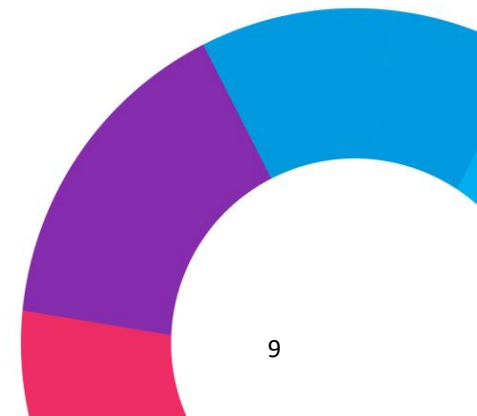
wide

marketplace
open API's
new vendors

cloud
edge
legacy



deep





Accelerated move to cashless payments

IR is well placed to benefit from cards growth and new real-time payments

- Traditional payment market disrupted by emerging payment methods and Fintechs
- Cashless payments rising on the back of pandemic related dynamics
- New standards drive need for updated High-value and Real-time solutions

Market			Opportunity	
Global Non-Cash Transactions (excl. cheques)	737B Payments transactions	11.5% CAGR	Card Payments	Provide payment-related analytics to enterprises and banks Provide to a broader range of user types within new and existing customers
			Real-Time Payments	Launch of new High Value product line, and upcoming Real Time Payments product Provide monitoring and analytics tools to provide real-time insights to customers



Continued growth in high value conferencing segment

IR well placed to leverage trend to 'Hybrid Work'

- 'Hybrid Working' increases UC system complexity and further exposes UC challenges
- Industry specific video applications (e.g. Healthcare) are increasing the mission critical nature of UCaaS
- Vendors and carriers partnering to integrate carrier telephony with UCaaS at scale
- Growth in video enabled collaboration spaces is accelerating – higher expectations on user experience

Market ¹			Opportunity	
550M UC users	185M conferencing users	48% Growth 2020	On- premises	Cisco opportunity increases as IR is the recommended replacement for Cisco's end-of-sale UC monitoring tool Demand for our Avaya solutions remains strong with existing customers
			Cloud	MS Teams, Zoom & Webex solutions targeting net-new and cross sell Upcoming telephony support in the cloud creates strong differentiation and value for enterprise & service provider

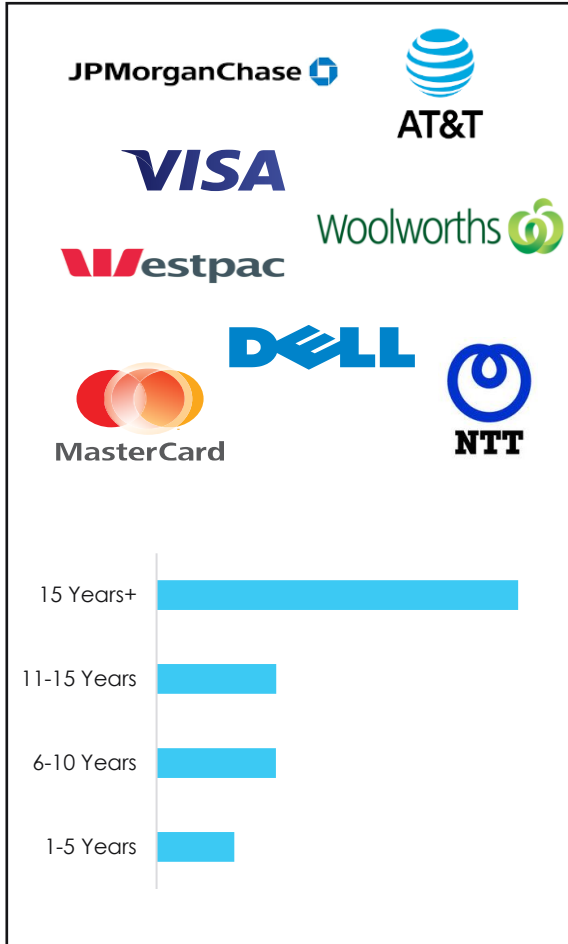
1. Source: Gartner UC Market Forecast 2Q21 – Jun 2021



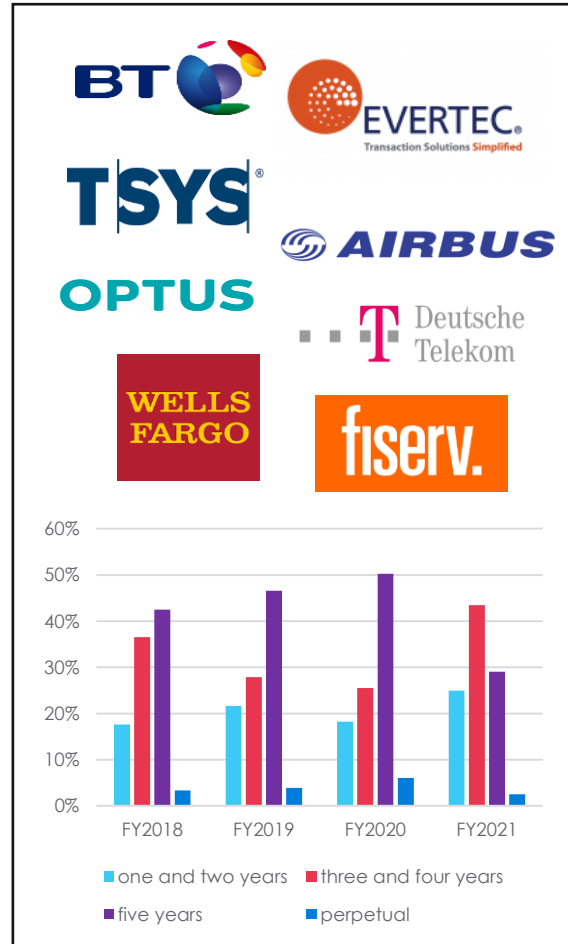
Quality customer base

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

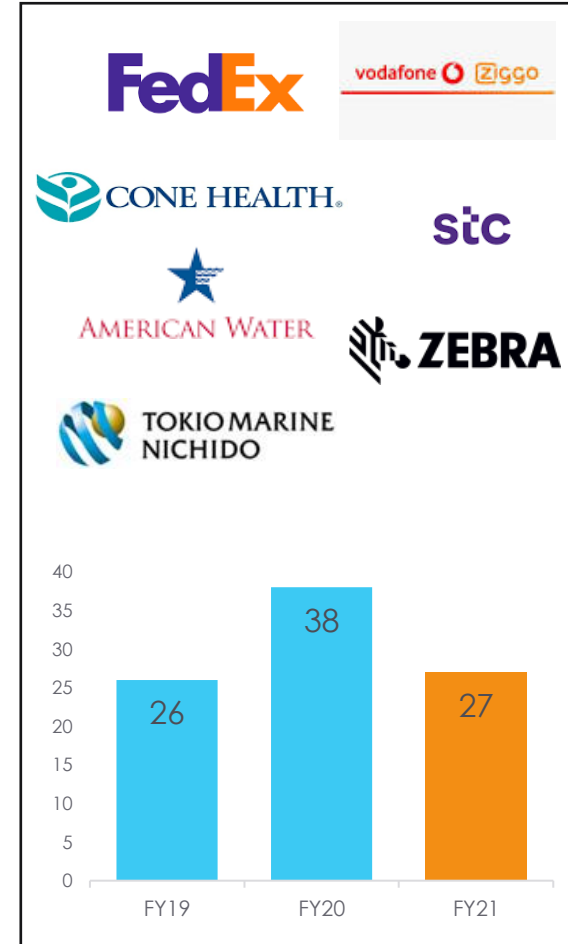
Customer Tenure



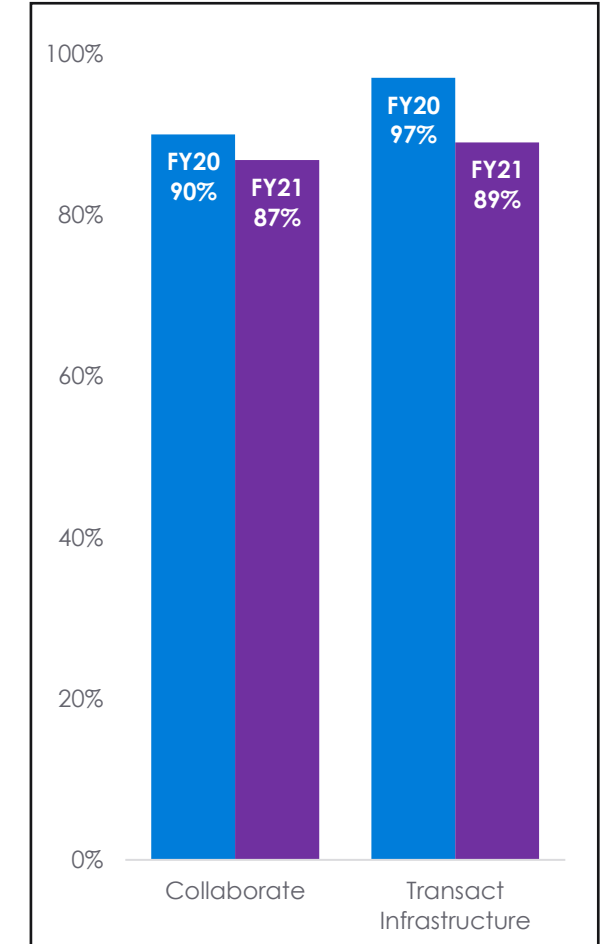
Contract Length



New Logos



Maintenance Retention Rate

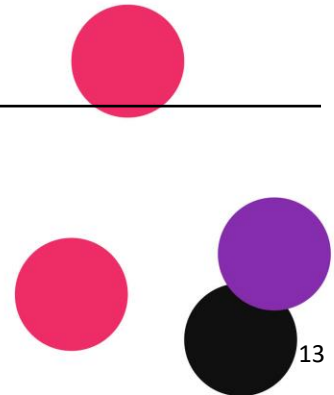




FY22 Key Performance Indicators

New customers and product launches support transition to SaaS growth

Customer growth & retention		New customer acquisition		Product innovation		Business Model Transition	
TCV from new products & capacity to existing customers	20%	New customers	75	Percent of TCV from products released in the last 5 years	15%	Growth in cloud deferred revenue backlog	100%
Proforma subscription Revenue retention	92%	TCV from new customers	30%	Extend 3 rd party strategic relationships		Systems & process readiness to report SaaS metrics	
Customer retention	95%			Development spend to TCV	14%		

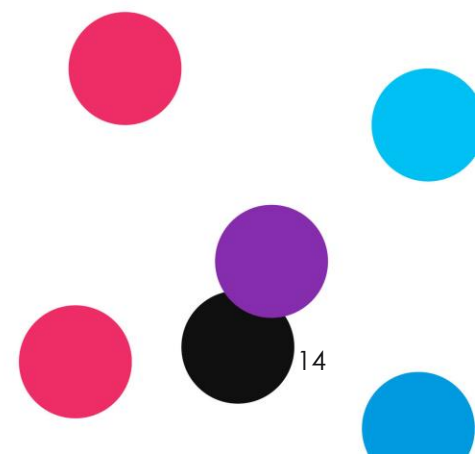
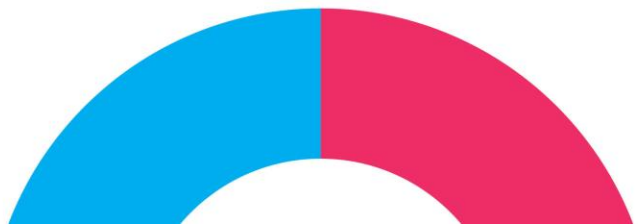




Outlook & Conclusions



1. Transition is underway – executing plan to grow higher quality, SaaS based subscription revenues
2. Recovery in 2H results, with revenue and profit growth
3. New product launches expand addressable market opportunities
4. Increasing leverage to long term growth trends in cashless payments and remote working





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& Appendix**



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Who we are

IR

IR is the leading global provider of performance management and analytics for enterprise communications, collaboration, and payment systems

What we do

Capabilities

IR provides best in class performance management across collaboration and payments transactions ecosystems, cloud, hybrid or on-premises

Why customers buy

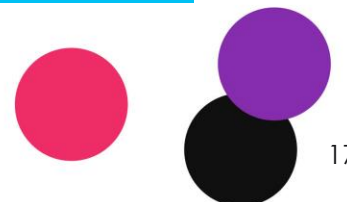
Value Proposition

IR solutions simplify the complexity of modern technologies by optimising business-critical systems and processes through real-time insights in a connected world

Why we succeed

Competitive Advantage

The IR Prognosis hybrid-cloud platform is purpose built for the demands of real-time, complex, high-volume data.
IR has 25% of the Fortune 500 as customers



Revenue

Proforma subscription revenue and cash receipts steady in US dollars



Annual results (statutory)	Jun 2021	Jun 2020	% change
	A\$M	A\$M	
Revenue from licence fees	47.4	72.1	(34%)
Revenue from maintenance fees	18.1	23.9	(24%)
Revenue from subscription fees	0.3	0.7	(55%)
Revenue from testing solution services	4.3	5.5	(22%)
Revenue from professional services	8.4	8.6	(3%)
Total revenue	78.5	110.9	(29%)
Revenue in constant currency*	85.8	110.9	(23%)
<hr/>			
Proforma subscription revenue in USD	US\$52.1	US\$53.9	(3%)
Proforma revenue in USD*	US\$62.5	US\$66.2	(6%)
Cash receipts from customers in USD**	US\$58.9	US\$58.9	0%

* - non-statutory measure; refer appendix for reconciliation of statutory revenue to proforma revenue

** - no debtor factoring in FY21 (prior year debtor factoring excluded to enable comparison)



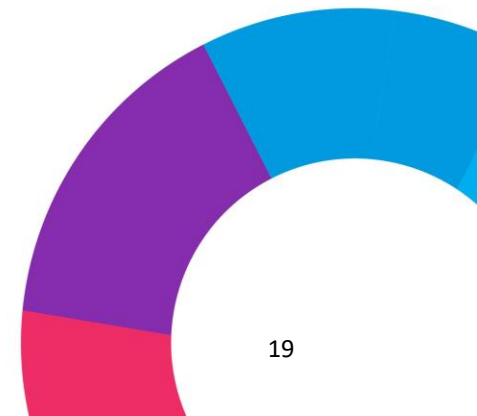
Operating expenses

Investment in product development to expand addressable market and leverage to growth trends

Annual results	Jun 2021	Jun 2020	% change
	A\$M	A\$M	
Gross research and development spend	21.3	22.5	(6%)
Capitalisation of development expenses	(12.0)	(14.0)	(14%)
Amortisation of capitalised expenses	9.8	8.8	11%
Research and development (net)	19.1	17.4	10%
Sales, professional services and marketing	43.4	54.6	(20%)
General and administration	6.2	6.2	0%
Total operating expenditure	68.7	78.2	(12%)
Net other losses (eg foreign currency revaluation)	(1.3)	(1.9)	(30%)
Expenditure in constant currency	71.7	78.2	(8%)
Gross development spend : revenue	27%	20%	

Development Costs

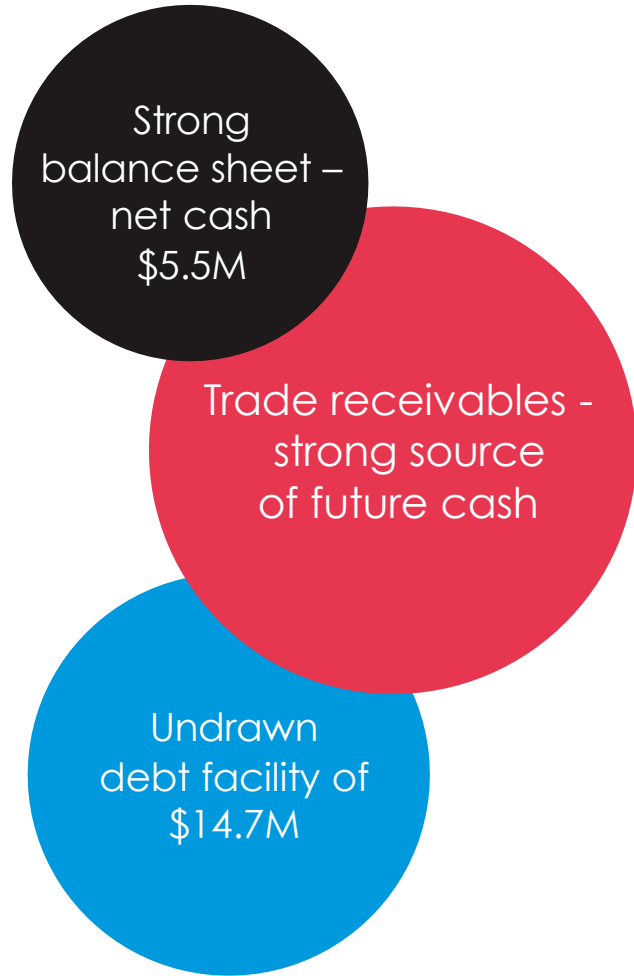
- Innovation agenda maintained
- Spend mostly geared to SaaS platform and new products



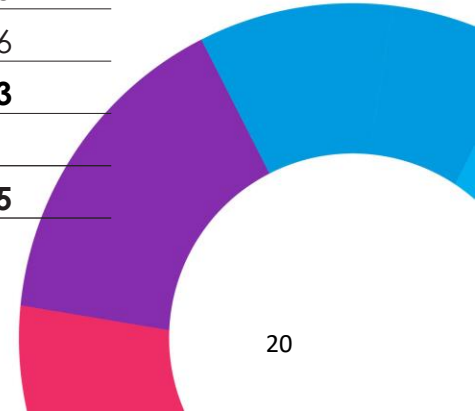


Balance sheet

Increased net cash

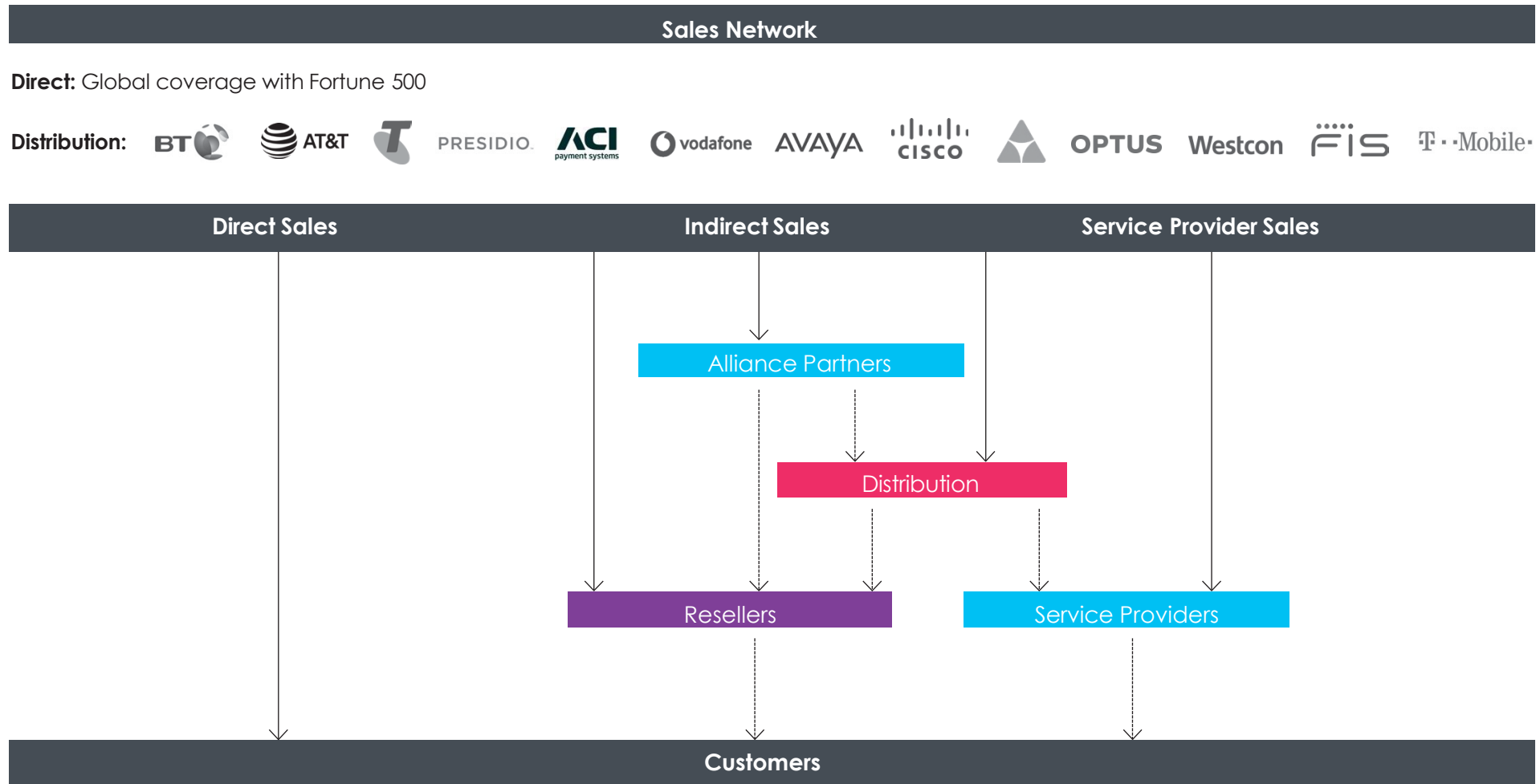


	Jun 21	Jun 20
	A\$M	A\$M
Cash and cash equivalents	12.1	9.7
Trade and other receivables	79.5	87.3
Intangible Assets	30.0	29.1
Right-of-use Assets	6.0	6.4
All Other Assets	7.5	7.4
Total Assets	135.1	139.8
Trade and other liabilities	10.2	10.2
Borrowings	6.7	5.0
Provisions	4.7	4.6
Tax liabilities	7.2	8.6
Deferred revenue	16.4	22.3
Lease and other liabilities	6.5	6.6
Total liabilities	51.7	57.3
Net assets	83.3	82.5

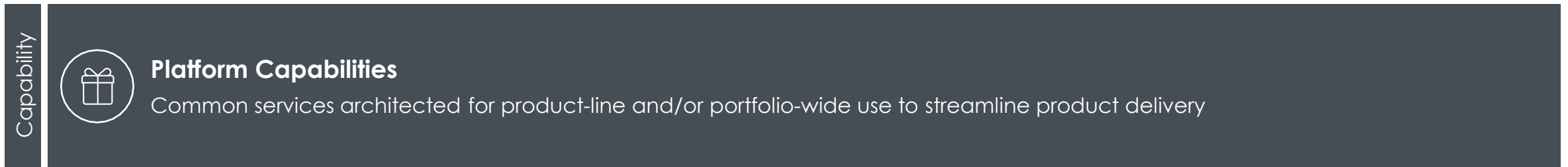
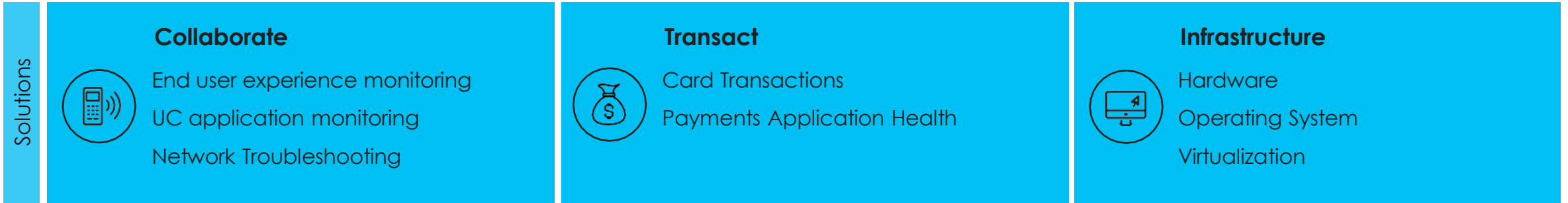


Go-to-market model

Customer "high touch" model



Platform approach to product innovation



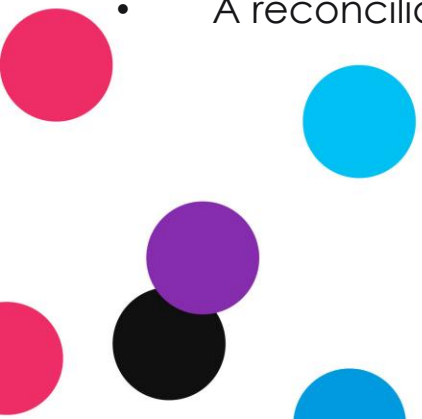
Proforma subscription revenue

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 FY2021 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



Proforma subscription revenue



Annual revenue	FY19	FY20	FY21	FY19	FY20	FY21
	A\$M	A\$M	A\$M			
Infrastructure	20.3	21.5	18.3	3%	6%	-15%
Transact	8.4	10.5	10.0	28%	25%	-5%
Collaborate	45.2	49.3	41.4	20%	9%	-16%
Proforma subscription revenue	73.8	81.3	69.6	16%	10%	-14%
Perpetual sales	2.9	4.3	1.2	62%	51%	-73%
Testing Services	5.0	5.5	4.3	-4%	11%	-22%
Professional Services	7.4	8.6	8.4	0%	17%	-3%
Proforma revenue	89.1	99.8	83.5	14%	12%	-16%
Statutory revenue	100.8	110.9	78.5	11%	10%	-29%
Reconciliation to Statutory Accounts:						
Proforma revenue	89.1	99.8	83.5			
Deduct Amortised licence fees	-48.3	-56.5	-51.2			
Add Licence fees recognised upfront	60.0	67.6	46.2			
Statutory revenue	100.8	110.9	78.5			

Cash flow



	FY21	FY20	Change
	A\$M	A\$M	
Cash flows from operating activities			
Cash receipts from customers ex debtor factoring	78.8	88.8	(11%)
Cash receipts from debtor factoring	-	7.6	(100%)
Cash receipts from customers	78.8	96.4	(18%)
Proceeds from government grants	0.6	-	
Cash paid to suppliers and employees	(55.1)	(66.0)	(17%)
Cash generated from operations	24.3	30.3	(20%)
Income taxes paid	(3.2)	(6.2)	(48%)
Net cash from operating activities	21.1	24.2	(13%)
Net cash used in investing activities	(10.8)	(14.2)	(24%)
Net cash used in financing activities	(7.1)	(9.7)	(27%)
Net increase/ (decrease) in cash and cash equivalents	3.2	0.2	1500%
Cash and cash equivalents at 1 July	9.7	9.3	4%
Effects of exchange rate changes on cash	(0.8)	0.2	
Cash and cash equivalents at 30 June	12.1	9.7	25%

Financial track record



Year ending (A\$M):	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
Licence fees	28.9	26.6	28.0	41.0	45.7	53.4	52.6	62.8	72.1	47.4
Revenue	48.6	48.9	53.2	70.3	84.5	91.2	91.2	100.8	110.9	78.5
EBIT	11.1	11.1	10.3	19.0	21.4	25.7	25.8	28.9	30.9	8.5
EBIT margin	23%	23%	19%	27%	25%	28%	28%	29%	28%	11%
EBITDA	18.5	18.6	17.8	28.1	32.0	37.0	36.2	40.2	42.9	21.9
EBITDA margin	38%	38%	33%	40%	38%	41%	40%	40%	39%	28%
NPAT	9.0	9.1	8.5	14.3	16.0	18.5	19.1	21.9	24.1	7.9
NPAT margin	19%	19%	16%	20%	19%	20%	21%	22%	22%	10%
Earnings per share (cents)	5.41	5.40	5.03	8.41	9.42	10.86	11.19	12.72	14.00	4.61
Total dividend per share (cents)	5.00	5.00	5.00	7.50	6.50	6.50	6.50	7.25	7.25	-
Payout ratio	92%	93%	99%	89%	69%	60%	58%	57%	50%	n/a
Return on equity	31%	30%	28%	39%	39%	38%	33%	31%	29%	10%
Growth rates:										
Licence	15%	(8%)	5%	46%	11%	17%	(2%)	19%	15%	(34%)
Revenue	9%	1%	9%	32%	20%	8%	0%	11%	10%	(29%)
EBIT	19%	1%	(8%)	85%	13%	20%	1%	12%	7%	(73%)
EBITDA	17%	0%	(4%)	58%	14%	16%	(2%)	11%	7%	(49%)
NPAT	21%	0%	(6%)	68%	12%	16%	3%	14%	10%	(67%)

end

