

Integrated Research Limited

FY2014 First Half Financial Results

February 2014

ABN: 76 003 558 449

9 of the top
10 US banks

Customers in
over 60
countries

4 of the 8
biggest stock
exchanges

8 of the 10
biggest
telcos

4 out of 5
biggest oil and
gas companies

WHO
WE ARE

Integrated Research

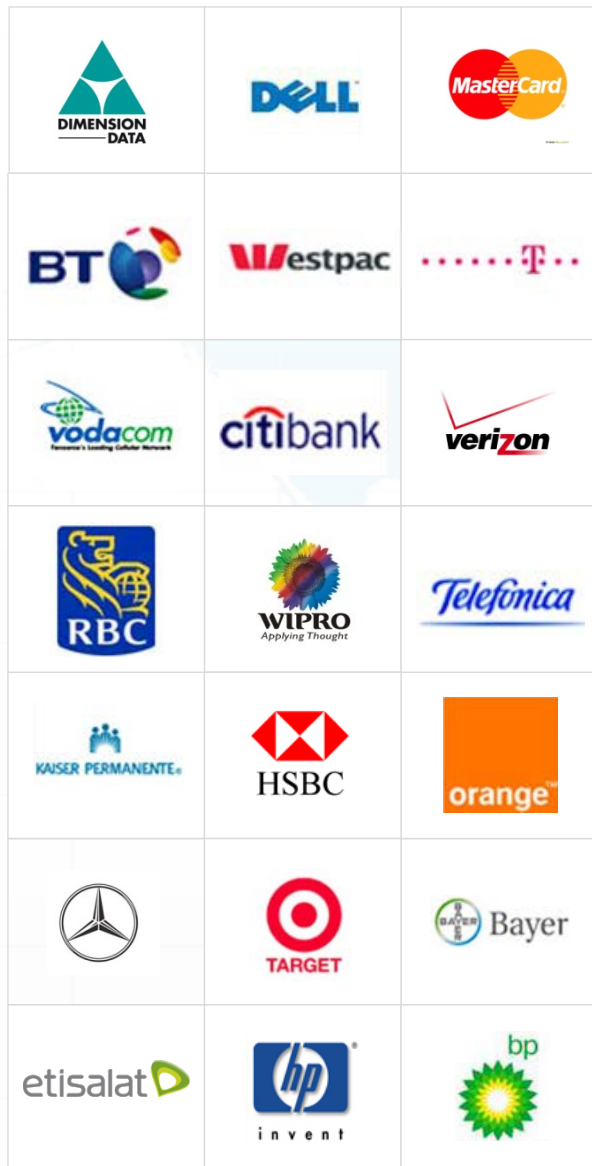
IR is the leading global provider of **Prognosis** for performance management solutions for Unified Communications, Payments and IT Infrastructure.

WHAT
WE DO

Capabilities

Prognosis provides availability and performance management, diagnostics and insight for mission critical systems





WHY WE SUCCEED

Competitive Advantage

- ✓ **Prognosis is** real-time, scalable, extensible and flexible
- ✓ **Prognosis supports** multiple platforms, vendors and applications
- ✓ **IR has** 1,000 enterprise customers globally
- ✓ **IR has** a world-class R&D capability
- ✓ **IR is** profitable and debt-free

WHY CUSTOMERS BUY

Value Proposition

Prognosis increases technology performance, minimizes outages, reduces cost, delivers business critical insight and ensures user satisfaction

Key Highlights

Financial Results

- New Licence Sales up 28% to \$13.8m
- Total Revenue up 22% to \$26.2m
- Net Profit After Tax up 64% to \$4.5m
- No debt

Currency Impact

In constant currency:

- New Licence Sales up 15%
- Total Revenue up 9%

UC Growth

- Avaya alliance expanded into Europe
- Revenue up 26%
- Maintenance retention at 99%

Payments Growth

- ACI alliance strengthened
- Investment in payments yields increase of 74% in revenue
- Maintenance retention at 100%

Release of Prognosis 10

- Largest release in Company history
- High Quality
- Strong Adoption

Financial Results



Financial Results

	December 2013 A\$000's	December 2012 A\$000's	% change	% change in constant currency
Licence fees	13,810	10,768	28%	
Maintenance fees	9,920	8,610	15%	
Consulting fees	2,474	2,090	18%	
Total revenue	26,204	21,468	22%	9%
R&D expenses - net	5,582	5,333	5%	
Sales, consulting & marketing expenses	12,812	11,216	14%	
General & Administrative expenses	2,309	1,967	17%	
Total expenses	20,703	18,516	12%	6%
Profit before tax	5,757	3,067	88%	
Profit after tax	4,519	2,751	64%	23%

Half Year Revenue \$'000



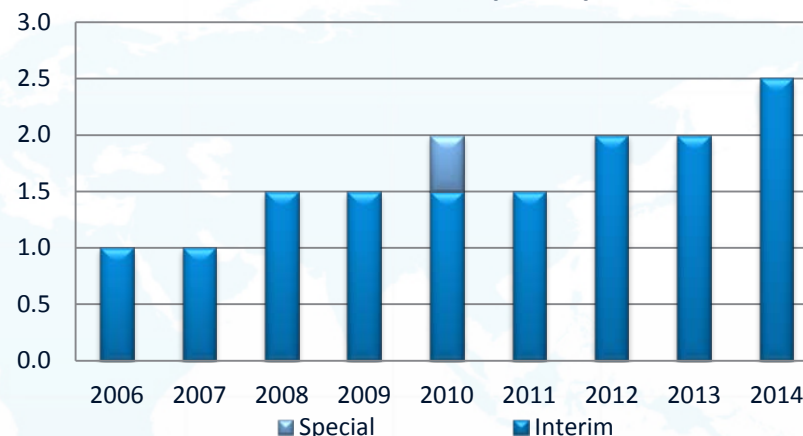
- All revenue streams growing
- Underlying growth in constant currency
- Margin increased from 13% to 17%

Balance Sheet

	December 2013 A\$000's	December 2012 A\$000's
Cash at bank	16,026*	11,150
Current Receivables	17,694	16,972
Development capitalization	15,853	14,359
Deferred Revenue	15,193	11,973
Net assets	30,184	27,397

* Cash at 31 January 2014: \$18.2M

Dividends (cents)



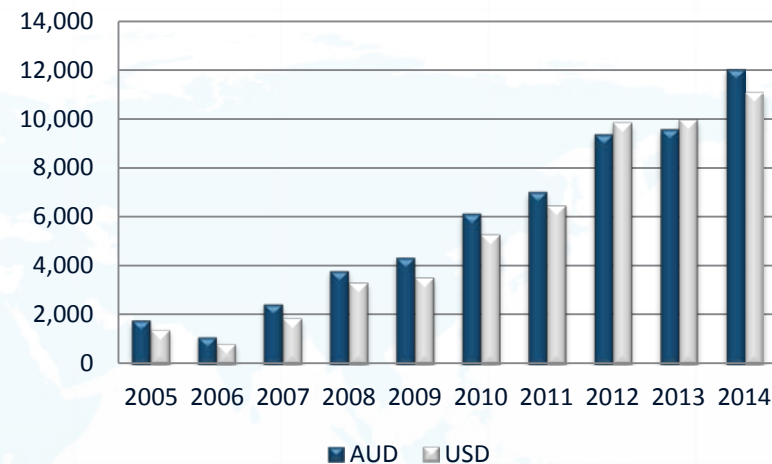
Half Year Shareholder Returns

	2014	2013	2012
Basic earnings per share	2.68¢	1.64¢	2.13¢
Dividends per share	2.5¢	2.0¢	2.0¢
Franking percentage	30%	30%	40%
Return on equity	15%	10%	12%

Review of Operations - Products

Revenue by Product Line (\$A)	December 2013 A\$000's	December 2012 A\$000's	% change	% change in constant currency
Unified Communications (UC)	12,060	9,608	26%	11%
Infrastructure	9,499	8,525	11%	0%
Payments	2,171	1,245	74%	59%
Consulting Services	2,474	2,090	18%	8%
Total Revenue	26,204	21,468	22%	9%

Unified Communications Revenue \$'000



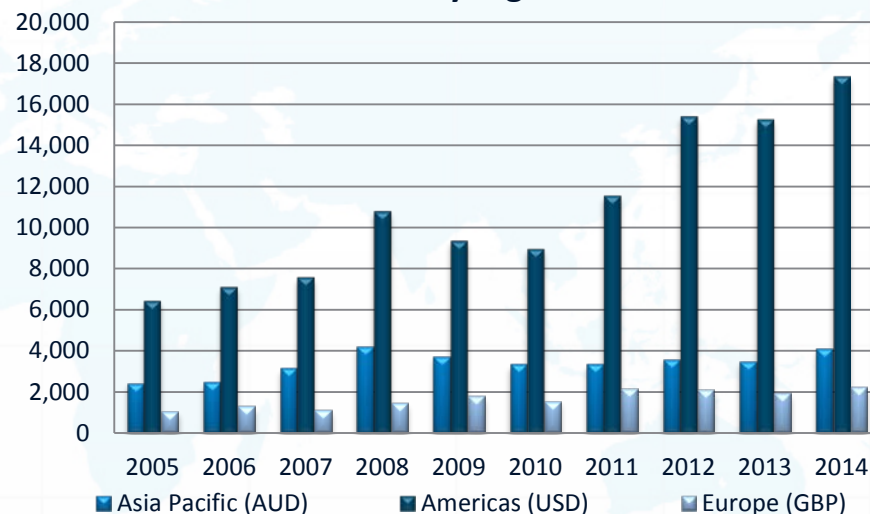
- Revenue growth fueled by strengthening alliances in Avaya & ACI
- Infrastructure steady
- Consulting growth continues

Review of Operations - Regions

Revenue by Geographic region (In local currency)	December 2013 \$000's	December 2012 \$000's	% change
Americas (\$US)	17,352	15,269	14%
Europe (GBP)	2,203	1,913	15%
Asia Pacific (\$A)	4,105	3,509	17%

- **Americas represents 74% of Company revenue**
- **Americas up due to strong UC and HP NonStop licence sales**
- **Europe and APAC revenue driven by increased licence sales in payments**

Revenue by region



Growth Strategy



Growth Strategy

Create, sell and support Prognosis-based products and services



Deliver profitable growth from existing markets and customers



Create new products to open new markets



Strategic Growth Initiatives

Solution Strategy

- Prognosis 10
- Contact Centre
- Microsoft Lync



Partnering

- Avaya
- ACI
- Others progressing



Strategic Marketing

- VP Global Marketing hired
- P10 Launch progressing
- Reshape in progress



Regional Growth

Europe & Asia Pacific

- UKI GM Appointed
- CE GM in progress
- Singapore Manager hired



Prognosis 10

Foundation for innovation
for years to come



Successful Early Adopter Program

- Nov 2013 – Dec 2013
- 59 Customers globally
- No critical issues reported

General Adoption

- 142 Customers
- 3.2 million phones
- Positive experience feedback

Biggest release in company history

- 60 person years
- ~\$10M Investment
- 610+ person years
now in Prognosis

Cloud Enabled



Proactive Insights



Multi-Vendor Correlation



Rapid Extensibility



Anytime Anywhere



Contact Centre

New Market Opportunity

- Always business critical
- Clearly measurable ROI
- Spend 8x of Normal UC User

Contact Centre Market Share:

Vendor	CY2012
Avaya	32.6%
Cisco	15.1%

Market Size : \$2 Billion

- Avaya dominate market share
- Top 2 vendors ~50% of Market

Builds on Prognosis for UC

- Reduced Cost to develop, deliver & service
- Higher Speed to Market

Competitive Advantage

- Total Enterprise + Contact Centre solution

First Customers

- Presidio (IT Service Provider)
- Standard Bank of South Africa
- Cigna (Global Health Services)

First Generation (today)

- Avaya (Aura & Elite)
- Cisco Contact Center Enterprise

Second Generation (CY14H1)

- Cradle to grave call tracking
- Voice recording assurance
- Broader application support

UC Market Trends

Enterprise Telephony Equipment Market Share: % of Global Revenue

Vendor	CY2011	CY2012	Delta
Avaya	15.4%	14.6%	(5.2%)
Cisco	19.6%	19.0%	(3.1%)
Others (Largest 11%)	63.8%	64.6%	1.2%
Microsoft Lync	1.2%	1.8%	50%

- Microsoft on the move, Top Down & Bottom Up

Enterprise Telephony Seat Licenses: % of Global Market

Region	CY2011	CY2012
Americas	33.1%	32.4%
Europe	31.0%	29.9%
Asia Pacific (excl Japan)	20.2%	21.1%

- IR Opportunity in Europe & Asia Pacific

Growth Strategy – Payments

1

Growing Market

Asia Pacific – High growth from a high base
Americas – Very strong growth from a high base
Europe – Very strong growth from a solid base

2

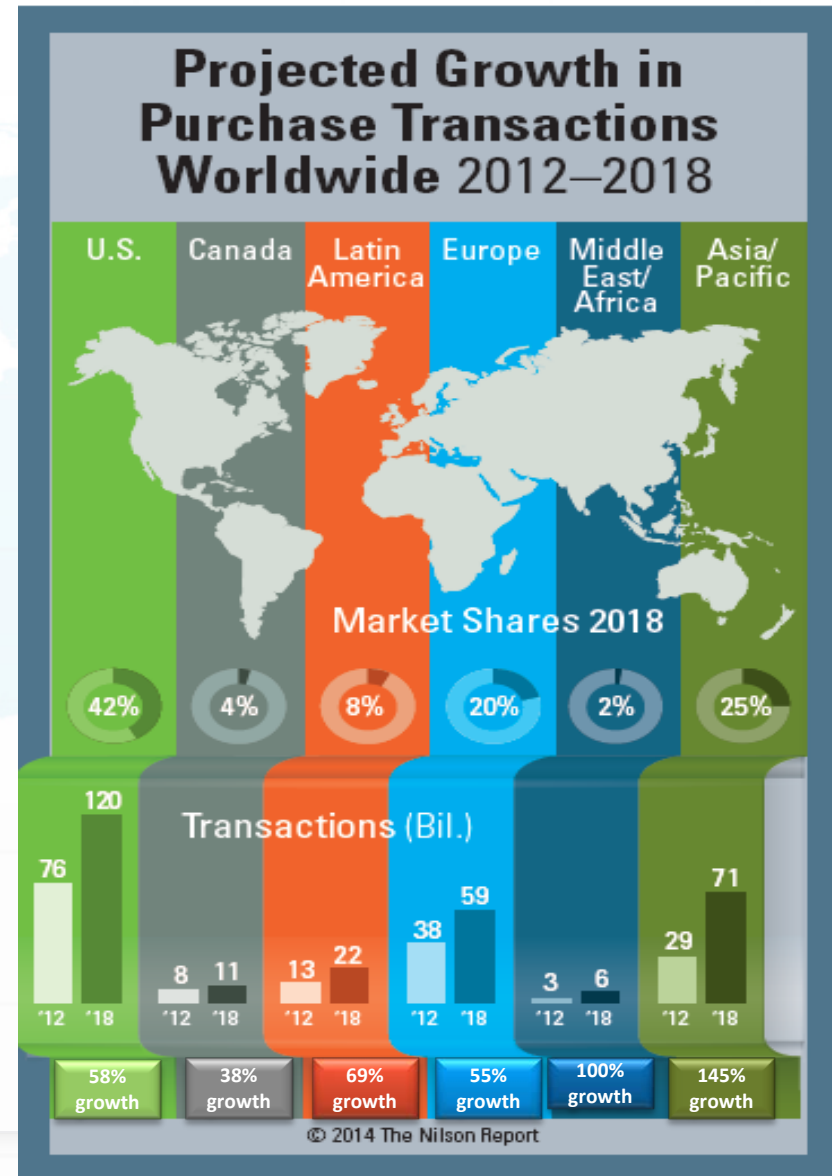
ACI Strategic Partnership

Joint Strategy – Aligned
Structured Plan – In Place
Aligned Execution – in implementation

3

European & Asia Pacific Execution

Clear Strategy – In Development
New Leadership – In Place
Domain competency – In Place
Focused Execution – In Implementation



Strategic Marketing



**VP Global
Marketing hired**

**New digital marketing
campaigns**

Prognosis 10 Launch

New cloud-enabled and anytime,
anywhere messaging
Successful joint Payments launch
with ACI

New demand generation programs

Increased website visitor engagement
High attendance at new webinar series
Dividends from lead nurture programs

**Focus on increasing
brand value**

**Building key influencer
relationships**

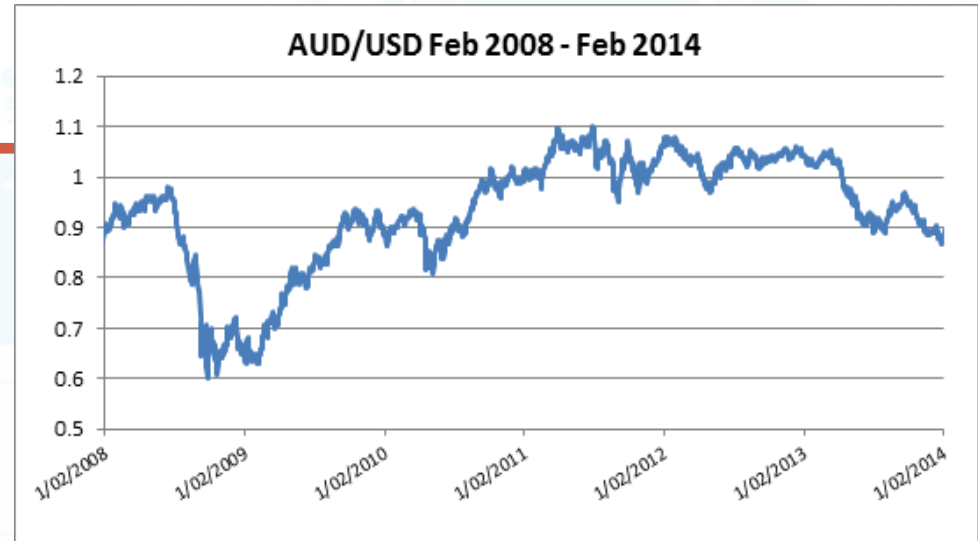
Growth Strategy - Risks

Risk and Challenges

- Currency exchange rate movements
- Global economic volatility

Proactive Management

- Hedging
- Diversification of product and services
- Geographic diversification
- Continuous productivity improvements:
 - Absorbs AUD increases
- Well positioned if AUD decline continues



Source: National Australia Bank

Summary

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Thank You

Questions?

