



# Integrated Research Limited (IRI)

## FY2016 Half Year Financial Results

February, 2016

ABN: 76 003 588 449





## Financial Results

- Total Revenue up 18% to \$39.4m
- New Licence Sales down 1% to \$19.5m
- Net Profit After Tax down 18% to \$6.2m

## Recurring Revenue Growth

- Revenue base continues to build
- Less non-recurring perpetual business
- Heartbeat Testing: new recurring revenue stream

## Results in Constant Currency

- Total Revenue up 1%
- New Licence Sales down 15%

# Key Highlights

## UC Growth

- Revenue up 25%
- Skype for Business & Cloud adoption growing

## IQ Services Acquisition

- Effective date: 1 July
- Revenue contribution of \$2.7 million
- Integration plans complete
- Meaningful contribution in FY2017

## European Performance

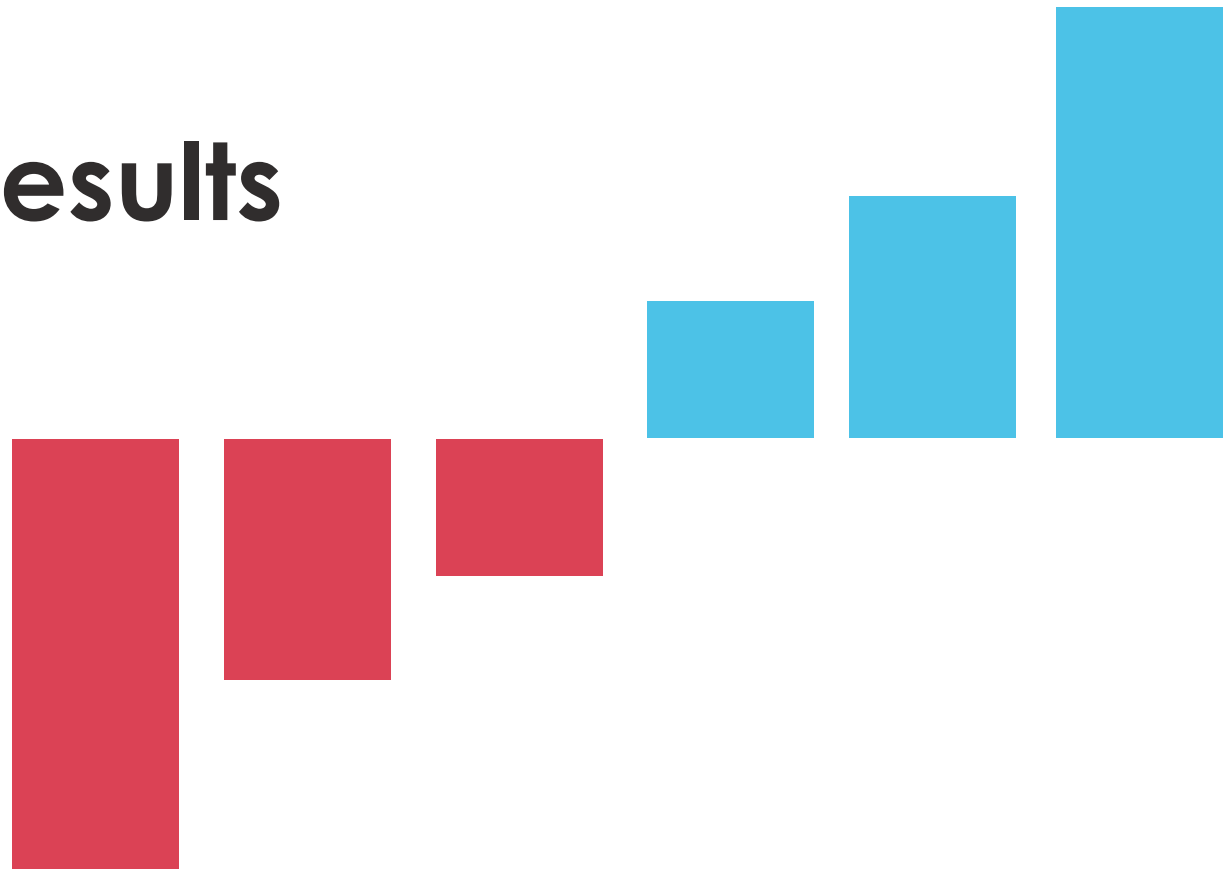
- Revenue up 44% to £3.4 million
- Strategic investment in sales development
- Strengthening partnership arrangements

## Product Development

- Prognosis 10.5 released in December
- Prognosis 11 due for release mid-year 2016



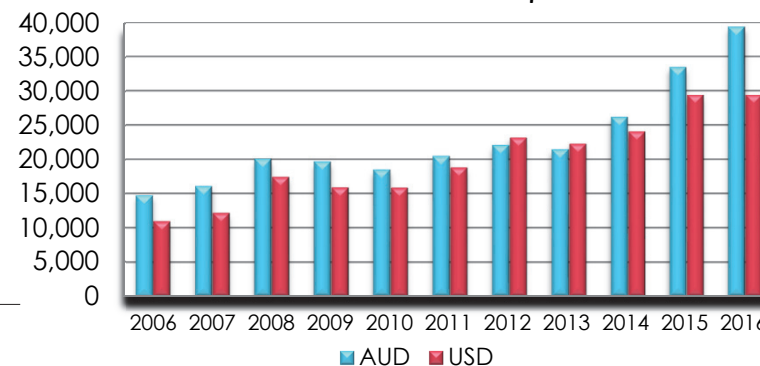
# Financial Results





# Financial Results

First Half Revenue \$'000



	December 2015 A\$000's	December 2014 A\$000's	% change
Licence fees	19,527	19,724	(1%)
Maintenance fees	13,652	11,277	21%
Testing solutions revenue	2,681	-	n/a
Consulting fees	3,513	2,491	41%
<b>Total revenue</b>	<b>39,373</b>	<b>33,492</b>	<b>18%</b>
R&D expenses - net	7,094	6,206	14%
Sales, consulting & marketing expenses	21,625	15,771	37%
General & Administrative expenses	2,673	2,533	6%
<b>Total expenses</b>	<b>31,392</b>	<b>24,510</b>	<b>28%</b>
Profit before tax	8,435	10,071	(16%)
<b>Profit after tax</b>	<b>6,205</b>	<b>7,548</b>	<b>(18%)</b>

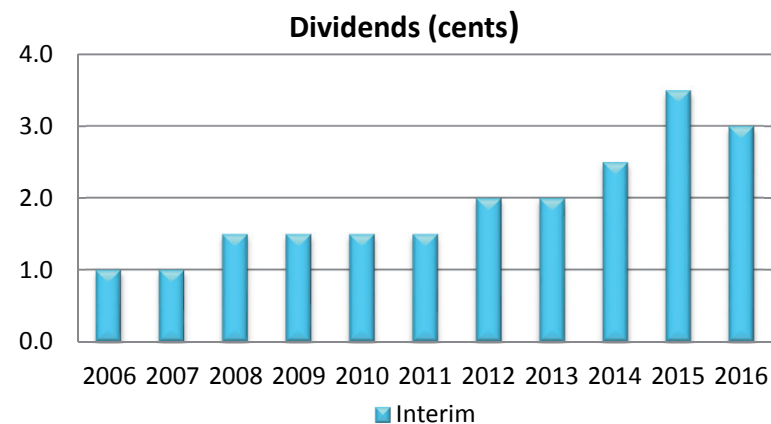
- Revenue up 18% with currency tailwind
- Licence fees flat due to large deal lumpiness
- Costs up due to annualised impact of FY15 2H investments
- Cost base includes impact of acquisition





# Balance Sheet

	December 2015 A\$000's	June 2015 A\$000's
Cash at bank	7,965	15,323
Current Receivables	31,306	25,012
Intangible assets	22,145	17,020
Current deferred revenue	19,613	18,698
Deferred consideration for acquisition (current & non current)	3,891	-
Net assets	36,138	36,132



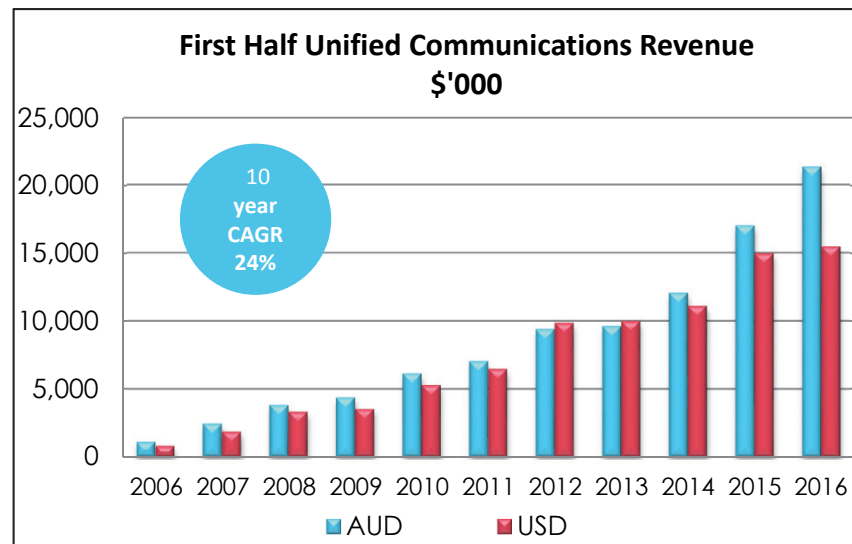
## Half Year Shareholder Returns

	2016	2015	2014
Basic earnings per share	3.65¢	4.46¢	2.68¢
Dividends per share	3.0¢	3.5¢	2.5¢
Franking percentage	55%	35%	30%
Return on equity	17%	22%	15%



# Product Line Performance

Revenue by Product Line (\$A)	Dec 2015 A\$000's	Dec 2014 A\$000's	% change
Unified Communications	21,337	17,009	25%
Infrastructure	11,485	11,488	0%
Payments	3,038	2,504	21%
Consulting Services	3,513	2,491	41%
<b>Total Revenue</b>	<b>39,373</b>	<b>33,492</b>	<b>18%</b>



- Strong underlying sales momentum
- Four large deals in prior half vs one in current half
- Strong pipeline underpinning second half
- Consulting services continues strong performance





# Recurring Revenue Landscape

	Unified Communications	Payments	Infrastructure
License Fees	Term Recurring ↑ Perpetual ↓	Term Recurring	Term Recurring
Maintenance Fees	Recurring	Recurring	Recurring
Testing Solutions	Part Recurring	N/A	N/A
Consulting	Non-recurring		

Increase in term recurring transactions provides solid revenue base

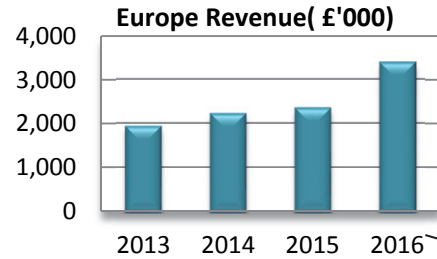
Introduction of Heartbeat Testing Solutions is new recurring revenue

Bias from customers is for operational style purchasing vs large up front capital spend

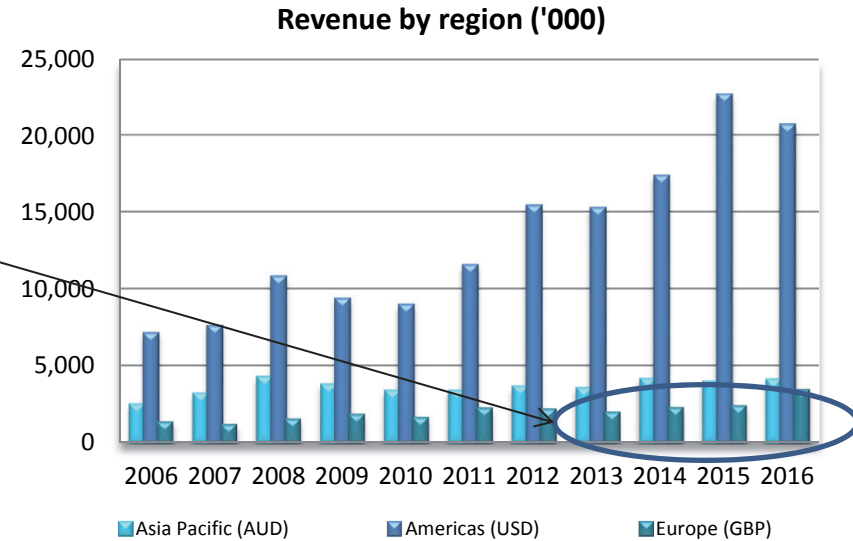


# Regional Performance

European investment delivers results

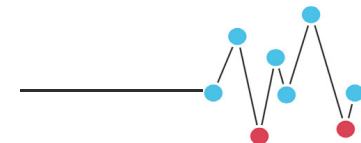


America impacted by large deal lumpiness



Steady performance in Asia Pacific

Revenue by Geographic region (In local currency)	Dec 2015 \$000's	Dec 2014 \$000's	% change
Asia Pacific (\$A)	4,066	3,935	3%
Americas (\$US)	20,671	22,650	(9%)
Europe (£GBP)	3,365	2,331	44%







# Growth Strategy Update



WHO WE ARE

WHAT WE DO

## IR

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

## Capabilities

**Prognosis provides** availability & performance management, diagnostics and actionable business insight for mission critical systems

## Value Proposition

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

## Competitive Advantage

- ✓ **Prognosis is** real-time, scalable, extensible & flexible
- ✓ **Prognosis supports** multiple platforms, vendors and applications
- ✓ **IR has** 1,000+ enterprise customers globally
- ✓ **IR has** 120+ of the Fortune 500 customers
- ✓ **IR has** a world-class R&D capability

WHY CUSTOMERS BUY

WHY WE SUCCEED



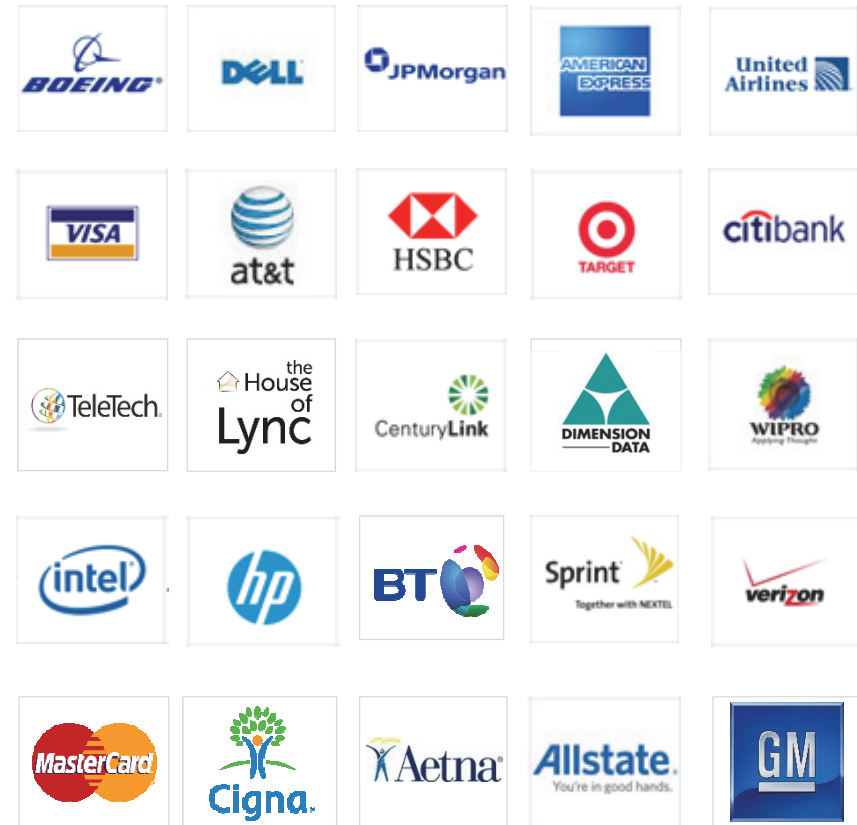
# Market & Technology Leadership

## The Company: IR

- **Global, publically listed**, profitable and growing
- Over **1,000 enterprise customers** worldwide
- **120+ Fortune 500** customers
- **83% of the 'Leaders'** in the Gartner Communications Outsourcing Magic Quadrant
- **Microsoft Gold Communications Partner**

## The Solution: Prognosis

- **UC & CC Market Leader 13+ million** managed endpoints
- **Avaya Sponsored & Recommended** solution
- **Microsoft SDN API 2.1.1** certified on **Skype for Business**
- **Cisco Certified** Management Solution
- **4 of the top 5 Payment transaction acquirers** worldwide
- **4 of the top 5 Payment card schemes** worldwide
- **100s of millions of Payments transactions** monitored daily





# Strategic Initiatives - Four Pillars of Growth

## Regional Growth



### Europe & APAC growing traction

- Investment beginning to yield results  
Strong traction YTD and forward pipeline
- Traction in Payments, Skype for Business, Cisco, IPOffice & Contact Center

## Solution Strategy



### Innovation – Prognosis 11

- Next generation issue prediction & resolution for Skype for Business, Cisco & Avaya
- Cloud Security
- Next Generation Call Recording Assurance
- Cloud & Hosted Payments
- Automation Framework

## Partnering



### New Partner Program & Portal Launched

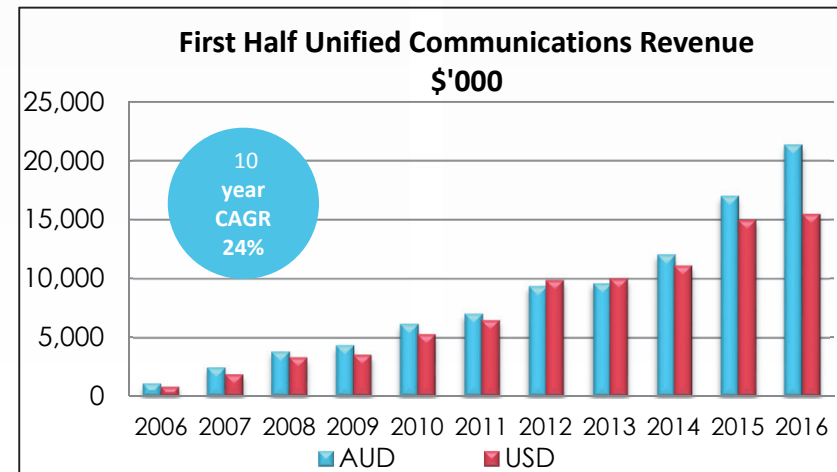
- Proven model with early Partners
- Launched Scalable Program  
Process driven | Partner Portal | Self-Service Tools
- YTD 41% Increase in Active Partners  
Early traction | Building impact not expected until FY17

## Strategic Marketing



### Strategic Marketing

- Pipeline Building  
Marketing generated pipeline grew 79% YoY
- Thought Leadership  
Increased analyst & media coverage
- Building Momentum  
Unique visitors to website grew 41% YoY





# Prognosis 1.1 Release mid 2016 Selected Highlights

## Enhanced security for cloud service providers and Government

Support new key security standards allowing Prognosis to be used in US Federal Government Cloud projects.

## Skype for Business, Cisco & Avaya

Allow administrators to predict and prevent issues. Advanced troubleshooting of business problems, quickly get to root cause and apply prescribed solutions.

## Call Recording Assurance Media Validation

Major extensions and enhancements to existing solutions that help large financial institutions manage regulatory compliance, reduce costs and avoid significant fines.

## Cloud & Hosted Payments

Enabling monitoring and management of the next generation of hosted and cloud Payments environments.

## Automation

Next release of the Prognosis automation framework allowing users to automate Prognosis and system administration functions.



The screenshot shows the Prognosis web interface. At the top, there's a navigation bar with the Prognosis logo, a 'Reports' link, a notification bell with '8' alerts, a search bar, and links for 'Community', 'Help', and a user profile for 'Bob Nilson'. Below the navigation bar, the page title is 'Live Calls'. The main content area features a world map with several call paths represented by colored lines (green and orange) connecting various cities: Denver, London, Zurich, and Sydney. Call counts are shown along these paths: 212, 549, 748, 34, 1287, and 409. A red-bordered alert panel is overlaid on the map, titled 'QoS Stripping'. The panel contains the following text: 'Problem: -34 other calls within 5 minutes had bad MOS scores that shared the same edge server ed1234.' 'Resolution: -QoS Settings on Switch-87 needs to be set correctly to support QoS tagging. See full analysis.' Below the resolution text is a checkbox labeled 'I authorize Prognosis to automatically resolve this issue.' which is checked, and a red button labeled 'Automatically Resolve'.

**In this example :  
Prognosis proactively identifies an issue,  
prescribes a solution and offers to automatically fix it.**



# IR growth with UC Cloud Providers



## 5 of 6 UC Leaders use Prognosis

UC Service Providers are aggressively building cloud-based Unified Communications as a Service (UCaaS) offerings based on Skype for Business, Cisco & Avaya

Communications Outsourcing & Professional Services  
2014 Magic Quadrant



### Many Industry leaders and new entrants are building their Cloud solutions based on

# ii prognosis

WestconGroup

TelAgility  
agile enterprise clouds

Tel Networks USA

scansource®

“In the North American UC market over the next five years, Gartner estimates that: UCaaS will experience compound annual growth rate (CAGR) of 20% to 25%”<sup>1</sup>

1. Source: Gartner, Tech Go-to-Market: Selling Unified Communications in a Highly Disrupted Market, June 2014

Gartner



# New Customers




# IQ Services Acquisition Update

## Acquisition Status Summary

- Effective 1 July 2015
- Corporate Integration Project substantially complete
- Solution Integration Phase 1 completed
- Joint Execution underway, meaningful impact in FY2017
- Overall progress as expected
- Major Cross Sell & Competitive wins
- Pipeline increasing with a strong H2 outlook

## Next Generation Version Release

- Prognosis – HeartBeat Integration released with Prognosis version 10.5
- New architecture release allowing scalability of Testing solutions and services via cloud around the globe.
  - ✓ Heartbeat Released September 2015
  - ✓ StressTest Mid 2016







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Thank you.  
Questions?

