



Integrated Research Limited (IRI)

FY2016 Annual Financial Results

August, 2016

ABN: 76 003 588 449





Financial Results

- Total Revenue up 20% to \$84.5m
- New Licence Sales up 11% to \$45.7m
- Net Profit After Tax up 12% to \$16.0m

Recurring Revenue Growth

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

New Products Growing

- Contact Centre (CC)
- Call Recording Assurance (CRA)
- Skype for Business (SfB)
- Testing Solution

Key Highlights

Regional Performance

- Europe Revenue up 58% to £8.4 million
- Asia Pacific Revenue up 16% to \$10.3 million
- Strategic investment in European sales
- Strengthening partnership arrangements
- Record forward pipeline growth

UC Growth

- Revenue up 39% to \$50.8 million
- Skype for Business & Cloud adoption growing
- Skype for Business triple digit growth

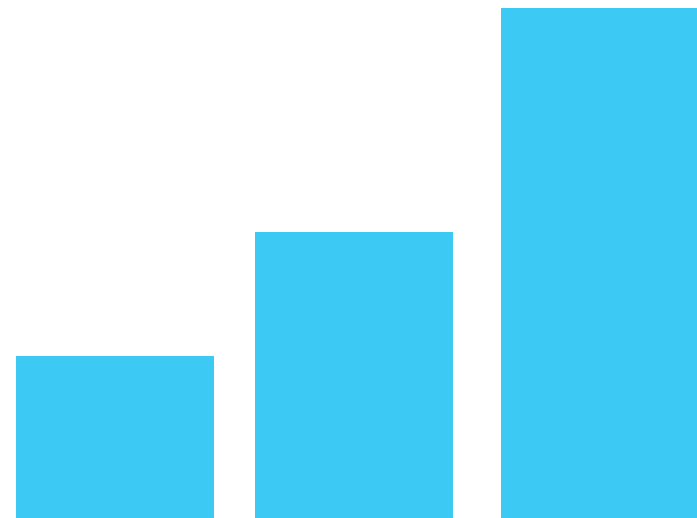
Product Development

- Prognosis 10.5 released in December 2015
- Prognosis 11 released in June 2016





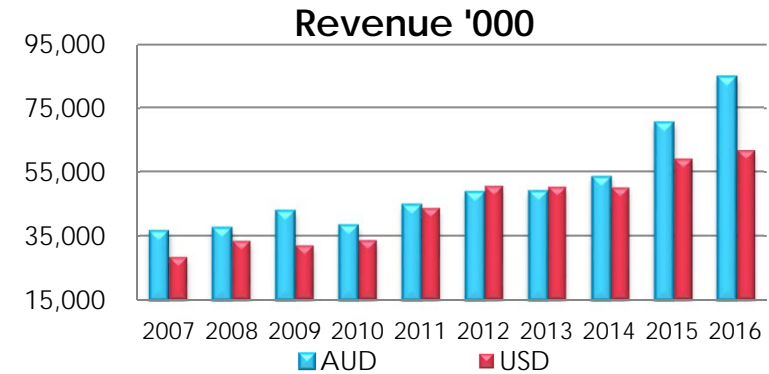
Financial Results





Financial Results

| | 30 June 2016 A\$000's | 30 June 2015 A\$000's | % change |
|--|--------------------------|--------------------------|-------------|
| Licence fees | 45,725 | 41,031 | 11% |
| Maintenance fees | 27,153 | 23,700 | 15% |
| Testing solutions revenue | 4,288 | - | - |
| Consulting fees | 7,366 | 5,548 | 33% |
| Total revenue | 84,532 | 70,279 | 20% |
| R&D expenses - net | 13,582 | 12,431 | 9% |
| Sales, consulting & marketing expenses | 44,983 | 35,161 | 28% |
| General & Administrative expenses | 5,962 | 5,220 | 14% |
| Total expenses | 64,527 | 52,812 | 22% |
| Profit before tax | 21,386 | 19,266 | 11% |
| Profit after tax | 16,029 | 14,251 | 12% |



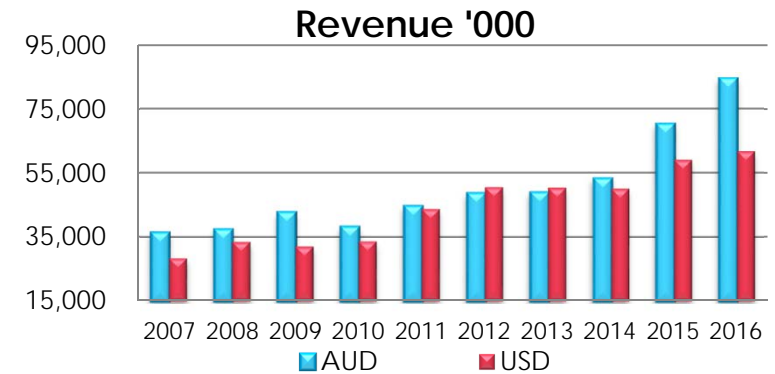
- Revenue up 20% (10% Constant currency)
- Strong performance from Consulting
- Continuing investment in development
- PAT up 12% (4% Constant currency)





Key Profit Metrics

| | 30-Jun-16 A\$000's | 30-Jun-15 A\$000's | % change |
|-------------------------|-----------------------|-----------------------|------------|
| Licence fees | 45,725 | 41,031 | 11% |
| Maintenance fees | 27,153 | 23,700 | 15% |
| Testing Solution fees | 4,288 | - | - |
| Consulting fees | 7,366 | 5,548 | 33% |
| Total revenue | 84,532 | 70,279 | 20% |
| EBITDA | 31,989 | 28,083 | 14% |
| EBITDA margin | 38% | 40% | |
| EBIT | 21,352 | 18,969 | 13% |
| EBIT margin | 25% | 27% | |
| Profit after tax | 16,029 | 14,251 | 12% |
| PAT margin | 19% | 20% | |



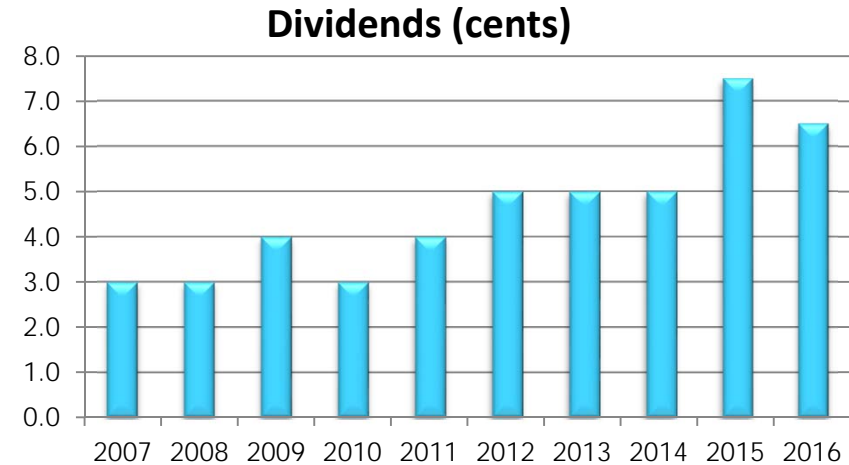
- Margins remain strong
- FY16 includes:
 - Triple digit growth for SfB
 - New revenue stream from acquisition
 - Costs up due to annualised impact of FY15 2H investments





Balance Sheet

| | June 2016 A\$000's | June 2015 A\$000's |
|--|--------------------------|--------------------------|
| Cash at bank | 8,544 | 15,323 |
| Current receivables | 29,017 | 25,012 |
| Non-current receivables | 23,373 | 13,260 |
| Intangible assets | 21,972 | 17,020 |
| Current deferred revenue | 20,363 | 18,698 |
| Deferred consideration for acquisition (current & non current) | 2,036 | - |
| Net assets | 41,046 | 36,132 |



Shareholder Returns

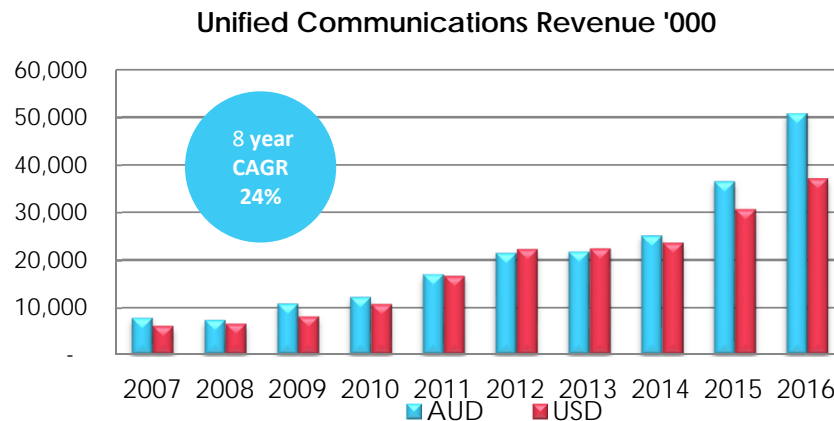
| | 2016 | 2015 | 2014 |
|--------------------------|-------|-------|-------|
| Basic earnings per share | 9.42¢ | 8.41¢ | 5.03¢ |
| Dividends per share | 6.5¢ | 7.5¢ | 5.0¢ |
| Franking percentage | 58% | 35% | 33% |
| Return on equity | 39% | 39% | 28% |





Product Line Performance

| Revenue by Product Line (\$A) | June 2016 A\$000's | June 2015 A\$000's | % change |
|-------------------------------|-----------------------|-----------------------|-------------|
| Unified Communications | 50,778 | 36,485 | 39% |
| Infrastructure | 20,812 | 23,177 | (10%) |
| Payments | 5,576 | 5,069 | 10% |
| Consulting Services | 7,366 | 5,548 | 33% |
| Total Revenue | 84,532 | 70,279 | 20% |

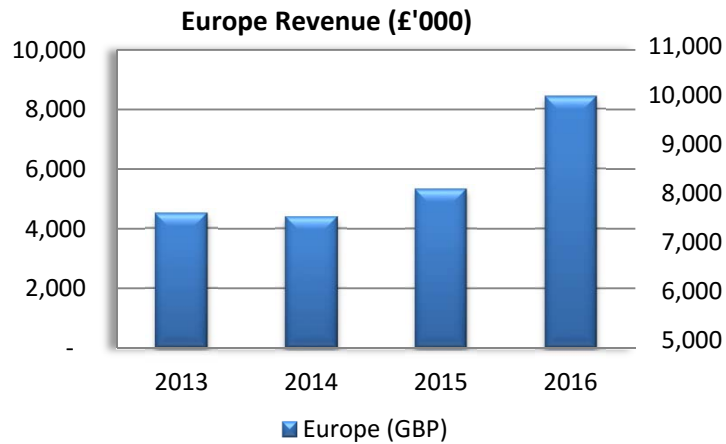


- UC sales continue growth trajectory 24% Eight Year CAGR
- Infrastructure sales return to five year trend
- Consulting services continues strong performance Seventh year of growth

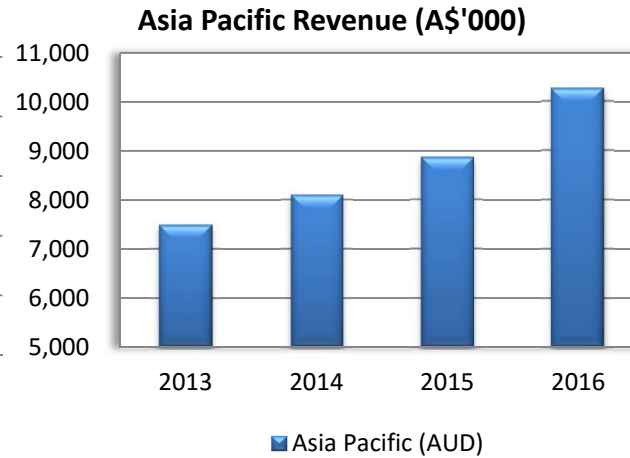




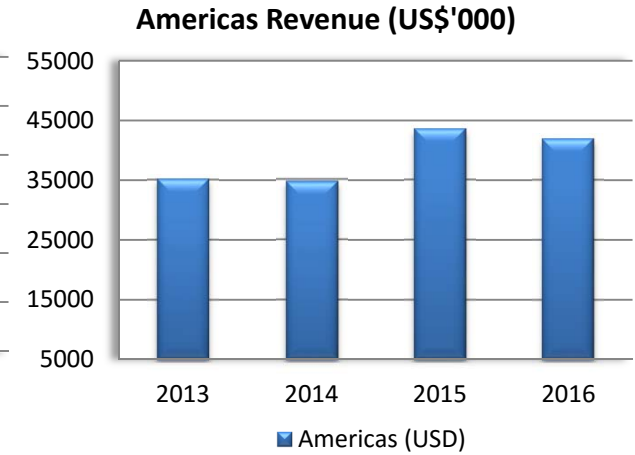
Regional Performance



Strong growth in Europe



Solid growth in APAC



**UC growth offset by lower infrastructure renewal cycle
(Normalising in FY2017)**

| Revenue by Geographic region (local currency) | June 2016 \$000's | June 2015 \$000's | % change |
|--|----------------------|----------------------|----------|
| Asia Pacific (\$A) | 10,271 | 8,866 | 16% |
| Americas (\$US) | 41,997 | 43,621 | (4%) |
| Europe (£GBP) | 8,438 | 5,338 | 58% |

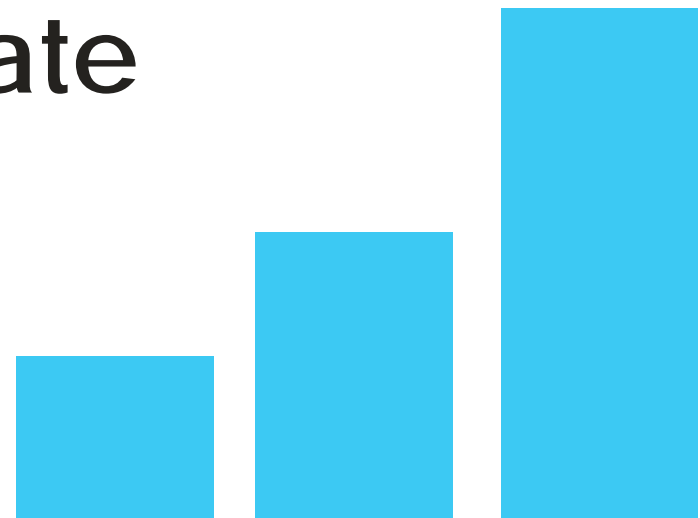


95%+ of revenue earned offshore





Growth Strategy Update



WHO WE ARE

IR

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

WHAT WE DO

Capabilities

Prognosis provides best in class performance management across unified communications, contact centers and payments ecosystems - cloud, hybrid or on-premises.

Value Proposition

- ✓ Prognosis end-to-end Unified Communications, Payments and Infrastructure experience management software and testing services optimize operations of mission critical systems through insight into real time and historical events.
- ✓ Intelligent analytics establish patterns and root causes speeding troubleshooting and problem resolution.
- ✓ Evolving prediction capabilities, automation and self-healing help Prognosis optimize operations and prevent issues occurring at all.

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, publicly listed**, profitable and growing
- Over **1,000 enterprise customers** worldwide
- **120+ Fortune 500** customers
- **5 of the 6 'Leaders'** in the Gartner Communications Outsourcing Magic Quadrant are IR Customers
- **Microsoft Gold Communications Partner**

The Solution: Prognosis

- **UC & CC Market Leader** **13+ million** managed endpoints
- **Only solution certified** across Microsoft, Cisco & Avaya
- **Avaya's only Sponsored & Recommended** solution
- **4 of the top 5 Payment transaction acquirers** worldwide
- **3 of the top 5 Payment card schemes** worldwide
- **100s of millions of Payments transactions** monitored daily

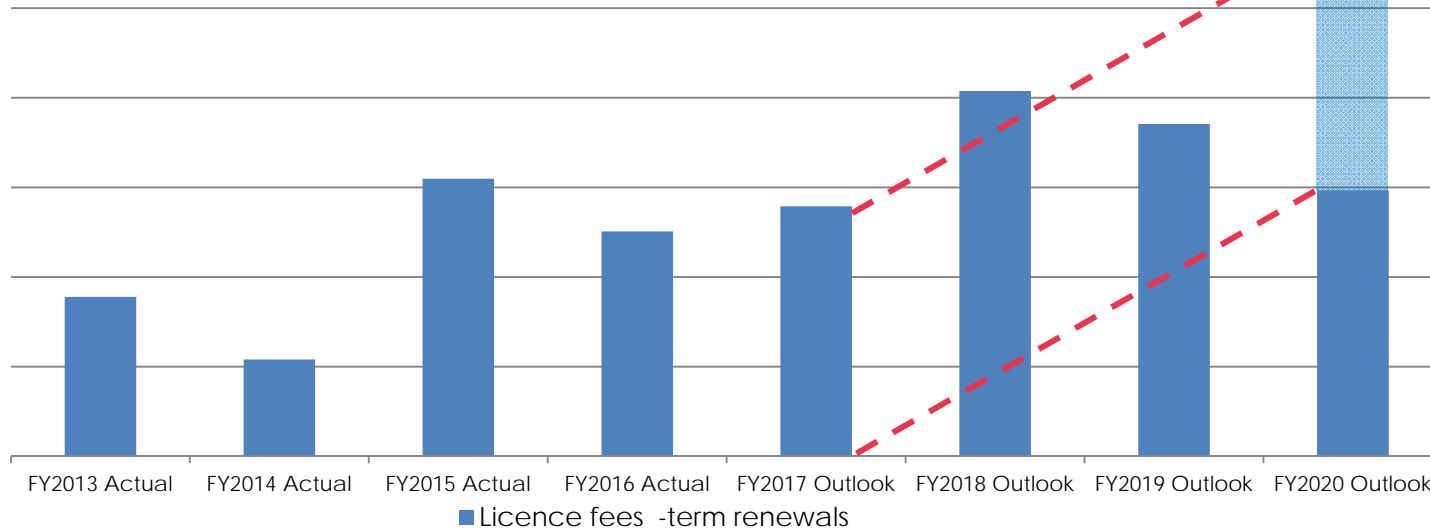




FY17 Bridging to Higher Growth

FY2017 Three year term contracts renew again in FY2020

Existing Licence Renewals Only

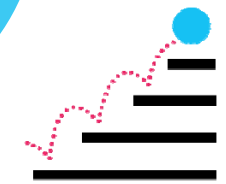


Recurring Revenue Base compounding every three years, underpinning Revenue and Profit growth.

Increase in term recurring transactions – Average Term of three years

Heartbeat Testing Solutions is new recurring revenue

Customers want operational style purchasing vs large up front capital spend





FY17 Four Focus Areas

Drive best in class customer adoption

- Expand the use of and secure the Renewal of the Prognosis licenses. Ensure customers are extracting the maximum value from their Prognosis investment.

Maximise customer share of wallet

- Sell multiple products and services to more customers. Replace competitor products within existing customers. Upsell new solutions including Contact Centre, Call Recording Assurance, Testing and Skype for Business.

Scale through Service Providers

- With the global mega-trend of customers increasingly purchasing Cloud and Managed Services for their UC and CC workloads, IR will capture significant market share and ensure Service Providers use Prognosis to deliver their Cloud and/or Managed Service.

Win the Skype for Business (SfB) market

- Develop, Position, Sell, Implement and Operate the premium SfB solution. Requires the best product, marketing, sales, implementation and support endorsed by Microsoft.





The sole *Winner* of the...



...and the...



Gartner's Cool Vendors reports acknowledge companies that have developed truly innovative solutions. Each company is chosen for its potential to challenge conventional standards and influence IT investment.

Why Cool: IR has developed a unique method to deliver visibility specifically into Skype for Business (SfB) voice calls, with a readiness to provide the same insight for Skype for Business Online (SfBO).¹

1.Gartner "Cool Vendors in Availability and Performance, 2016" by Cameron Haight, Vivek Bhalla, Colin Fletcher & Sanjit Ganguli, 19 April, 2016

Aragon Research selects Hot Vendors that are unique technological leaders. Aragon Research recognized IR for its ability to manage highly complex UC environments across multiple vendors, including Microsoft, Cisco and Avaya, without the use of network probes. The report also acknowledged IR for its analytics, which enable organizations to quickly identify and resolve communications issues in real time.²

2.Aragon Research "Hot Vendors in Unified Communications and Collaboration, 2016" by Jim Lundy, 20 July, 2016



Prognosis 11 | Released June 2016 Selected Highlights

Enhanced security for cloud service providers and Government

Unique access to many millions of US Government users and beyond.

Skype for Business, Cisco & Avaya

Only vendor with current certification on all three major platforms.

Call Recording Assurance Media Validation

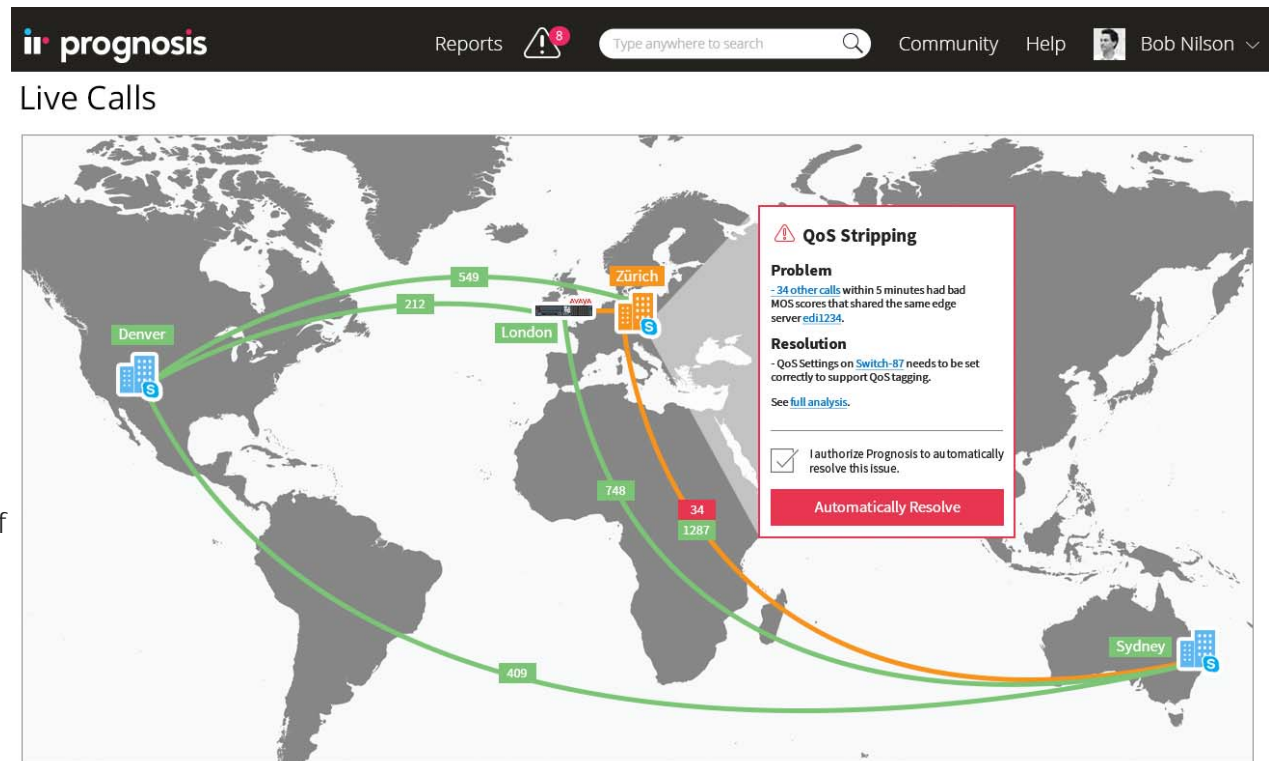
Helping large financial institutions manage regulatory compliance, reduce costs and avoid significant fines.

Cloud & Hosted Payments

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

Automation

The Prognosis automation framework allows users to automate Prognosis and system administration functions. This allows self healing to occur in real time and without manual labour.



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





New Customer Examples

| | | | | | |
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IQ Services Acquisition Update

- Effective 1 July 2015
- 1 year Integration Project complete, with some lag
- 132% growth in backlog
- Poised for meaningful impact in FY2017;
 - Product enhancements;
 - Significant upgrade to Testing capabilities
 - The solution can now scale to all countries/regions that IR operates in and be leveraged by the broader customer base.
 - Bundling
 - HeartBeat added to all Prognosis UC transactions*

* Small transactions excluded





Summary

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Thank you.
Questions?

