



# Integrated Research Limited (IRI)

## FY2016 Annual General Meeting

25 November, 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 Solutions

# 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 paying off
- Strengthening partnership arrangements
- Record forward pipeline

## UC Growth

- Revenue up 39% to \$50.8 million
- Skype for Business triple digit growth
- Four new emerging products fuel growth

## Product Development

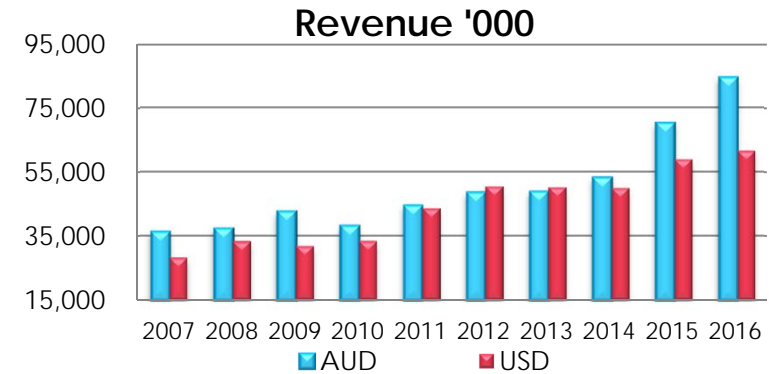
- Prognosis 10.5 released in December 2015
- Prognosis 11 released in June 2016





# 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%
<b>Total revenue</b>	<b>84,532</b>	<b>70,279</b>	<b>20%</b>
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%
<b>Total expenses</b>	<b>64,527</b>	<b>52,812</b>	<b>22%</b>
Profit before tax	21,386	19,266	11%
<b>Profit after tax</b>	<b>16,029</b>	<b>14,251</b>	<b>12%</b>
PAT margin	19%	20%	



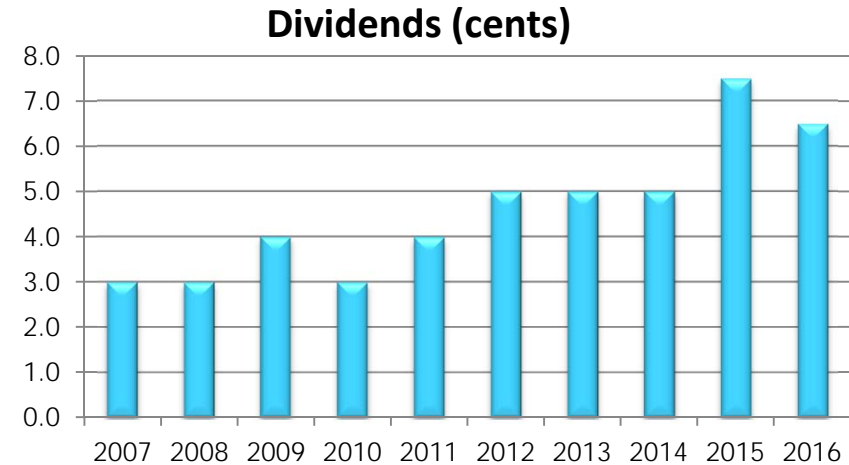
- Revenue up 20%
- Strong performance from Consulting
- Continuing investment in development
- PAT up 12%





# 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%

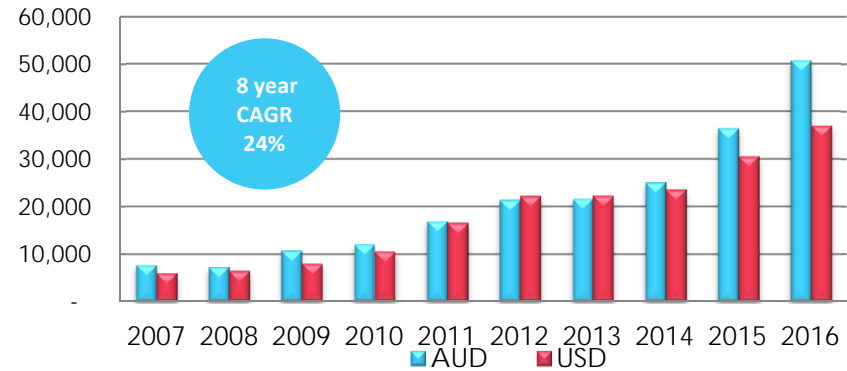




# Product Line Performance

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%
<b>Total Revenue</b>	<b>84,532</b>	<b>70,279</b>	<b>20%</b>

Unified Communications Revenue '000

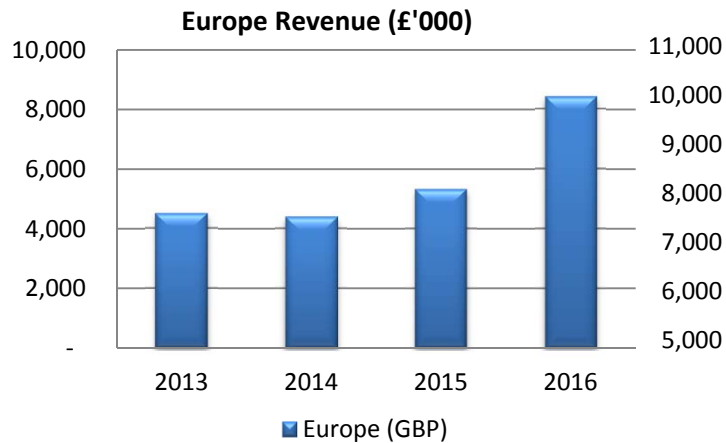


- UC sales continue growth trajectory 24% Eight Year CAGR
- Infrastructure sales return to five year trend
- Consulting services continues strong performance Seventh year of growth

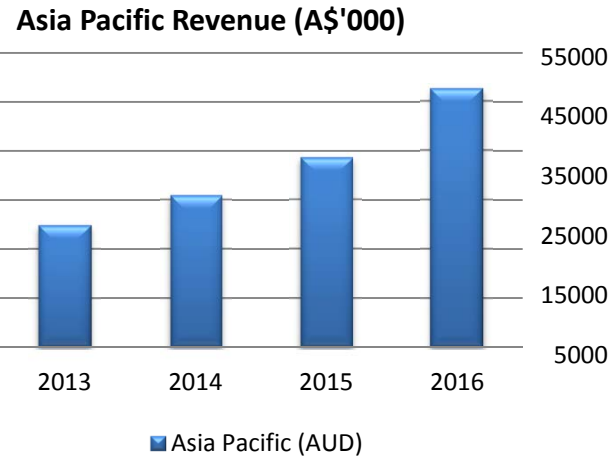




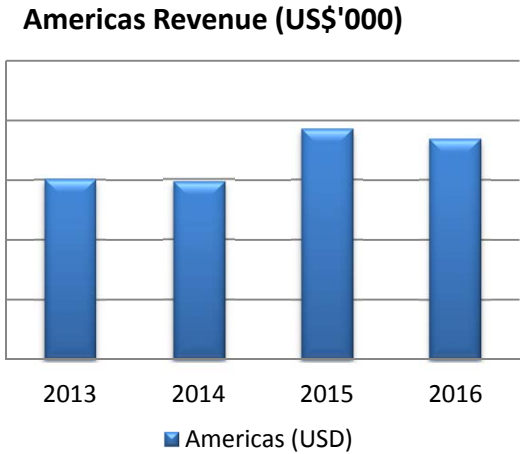
# Regional Performance



**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%

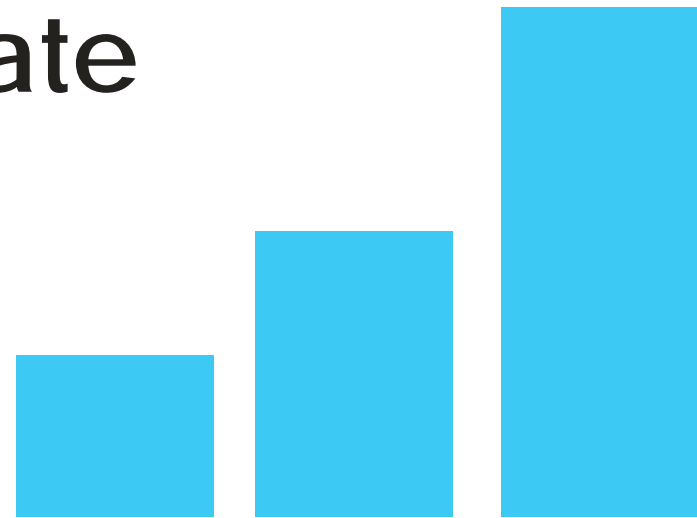


95%+ of revenue earned offshore





# 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 1,200+ 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 1,200 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**

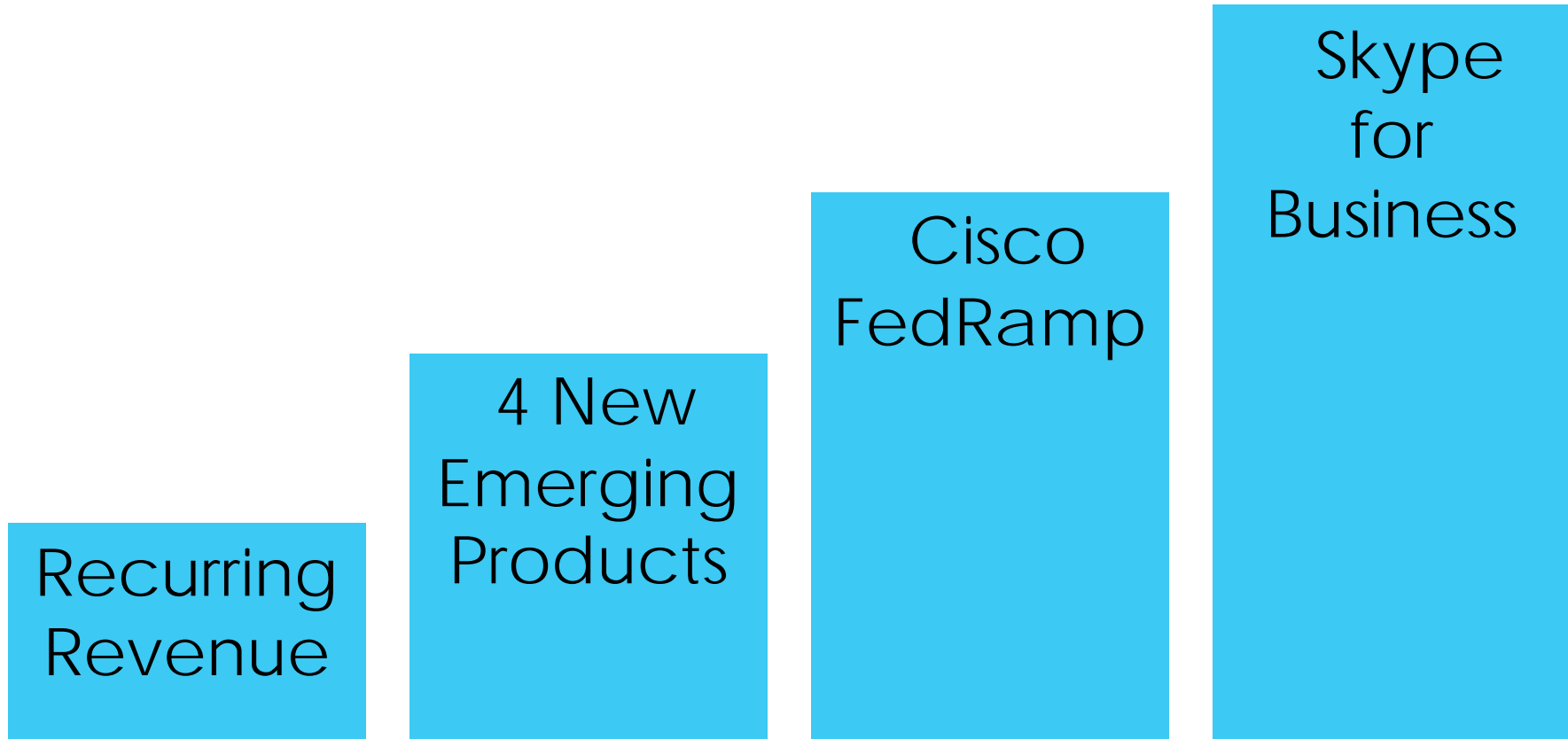
## The Solution: Prognosis

- **UC & CC Market Leader 14+ million** managed endpoints
- **Only solution certified** across current Microsoft, Cisco & Avaya platforms
- **Avaya's only Sponsored & Recommended** solution
- **Only Microsoft Skype for Business Online** certified 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





# Four Growth Drivers





# Growth Driver: Recurring Revenue

## Revenue Model by Segment

	UC & CC	Payments	Infrastructure
License Fees	Term Recurring ↑ Perpetual ↓	Term Recurring	Term Recurring
Maintenance Fees	Recurring	Recurring	Recurring
Testing Solutions	Heartbeat : Recurring StressTest : Non-Recuring	N/A	N/A
Consulting	Non-Recuring		

Increase in term recurring transactions provides solid revenue base

Introduction of Heartbeat Testing Solutions is new recurring revenue

Increased customer preference for operational style purchasing vs large up front capital spend

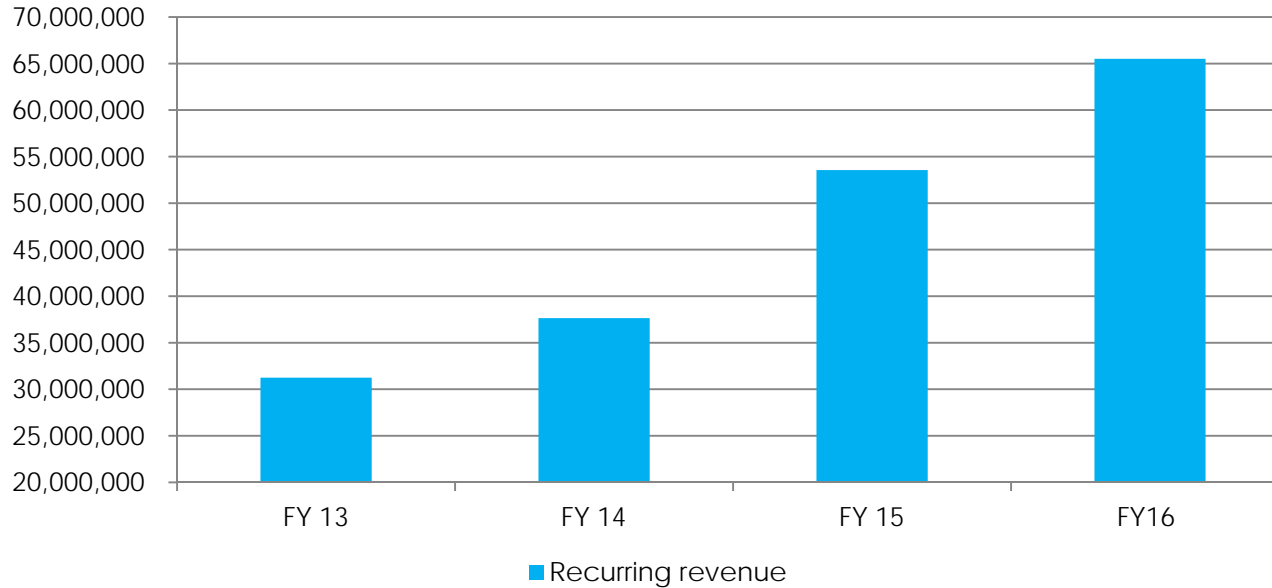




# Growth Driver: Recurring Revenue

## Compounding Recurring Revenue

### Total Recurring Revenue A\$



Increase in term recurring transactions – Average Term of three years

**77%**  
of Revenue is now Recurring

Recurring revenue base compounding every 3 to 5 years





# Growth Driver: Emerging Products

## Contact Centre (CC) & Call Recording Assurance (CRA)

**Contact Centre Performance Management (CC):**  
 a solution to improve the Customer Experience when interacting with a Contact Centre, by identifying current and potential issues, pinpointing the root cause and reducing time to resolution. More and more companies primarily interact with their customers through Contact Centre technology, so a great experience leads to improved customer satisfaction, loyalty and retention.

**Call Recording Assurance (CRA):**  
 a risk & compliance solution for industries with major penalties for non-compliance with call recording regulation. CRA ensures that calls are/are not recorded as required, and checks the recordings to ensure that they are retrievable, audible and intelligible.

**CC Total Addressable Market (TAM):**  
 2016 : US\$434m

**CRA Total Addressable Market (TAM):**  
 2016 : US\$600m

CC & CRA  
 Version 1  
 launched  
 & showing  
 solid  
 traction

CC & CRA  
 Version 2  
 build in  
 progress

### Key CC & CRA Customer Wins



[A\$'000]	FY14	FY15	FY16
Licence Sales	167	3,168	3,857
Growth		1797%	22%





# Growth Driver: Skype for Business

## The fastest growing product in Microsoft history

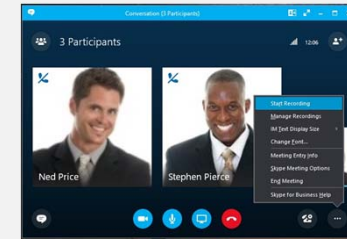
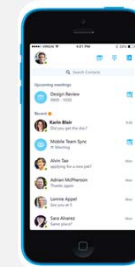
### Avaya & Cisco In-House Solutions

### Skype for Business (and its competitors – Spark, Google and others) Any Device, Anytime, Anywhere

**Technology is changing**  
Next Generation  
(highly complex)  
Digital UC is replacing  
Simple UC Solutions



More Convenience  
More Functionality



- Phone Calls
- Conferencing
- Voice mail

Growing  
Complexity

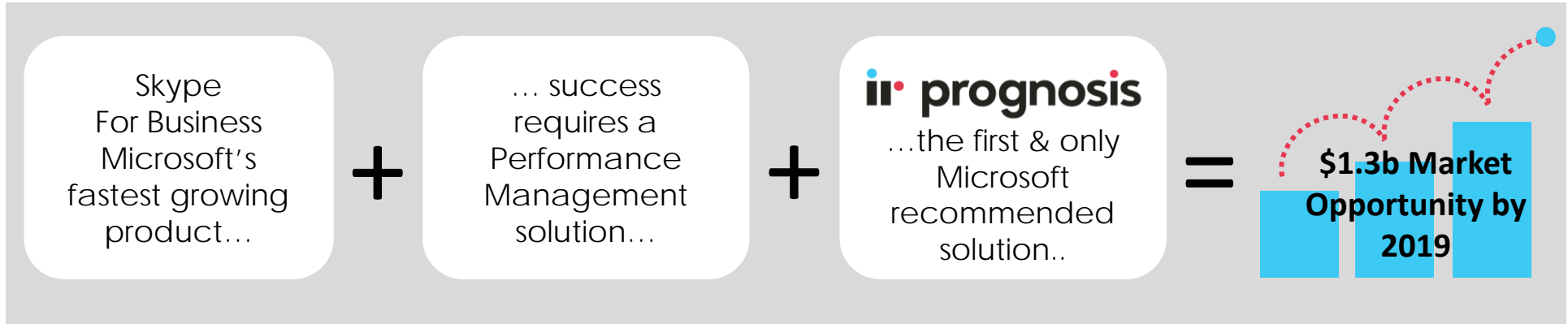
- Any Device
- Anywhere
- Video
- Conferencing
- Instant Messaging
- Calendar & Presence
- Document Sharing
- Federated (to other companies)
- Desktop Sharing





# Growth Driver: Skype for Business

## The fastest growing product in Microsoft history



### Technology is changing

Next Generation (highly complex)  
Digital UC is replacing Simple UC Solutions

### By 2020, 75% of Companies will have projects underway

only 30% will be successful

### Performance Management solutions (like Prognosis)

are a fundamental prerequisite to the success of any UC project  
- Gartner Research<sup>1</sup>

### Microsoft Skype Operations Framework (SOF)

released by Microsoft to ensure successful Skype implementations

### IR Prognosis is the first & currently only solution

certified for Skype for Business Online (part of Office 365) and recommended by Microsoft as a solution in both the Essentials & Advanced categories of the SOF

*Microsoft Skype for Business has doubled its market share in the last two years and is expected to double it again in the next two years, to become market leader*



1. Gartner "Hype Cycle for IT Infrastructure Availability and Performance Management, 2016", by Gary Spivak and Sanjit Ganguli, July 30, 2016.

# Growth Driver: Skype for Business



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)**.*<sup>1</sup>

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.*<sup>2</sup>

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





# Growth Driver: Cisco FedRAMP

Prognosis, Cisco's solution of choice for the US Federal Government



- IR is a Cisco Certified Partner
- Cisco built "Cisco Prime" a competing solution to Prognosis

Cisco's biggest customers & Partners choose Prognosis



Cisco will deliver a Federal Government cloud solution, with access to deployment of 7 million US Federal, State & Local Government users.  
(Cisco decision in June 2016)

\$2.1m per month Upside



In June 2016 Cisco chose **ii prognosis** for their single largest customer, the US Federal Government.

Prognosis will be included with every user licence rolled out



Project build phase is in progress, rollout begins in January 2017.  
Cisco now engaged in discussions with IR beyond FedRAMP





# New Customer Examples






# Four Growth Drivers

## Recurring Revenue

- Transition to compounding 3 & 5 Year Licence Renewals
- 77% of IR Revenue now recurring
- FY17 last year before compounding impacts

## 4 New Emerging Products

- Contact Centre
- Call Recording Assurance
- Testing Solutions
- Skype For Business
- Early Traction shows high growth for each

## Cisco FedRamp

- Cisco chooses Prognosis for 7m+ user target rollout for US Federal Government GovCloud
- Opportunity beyond GovCloud into Cisco commercial

## Skype for Business

- Microsoft's fastest growing product
- Gartner: Success requires a Performance Management solution
- Prognosis the first & only Microsoft recommended solution

Gartner  
Cool Vendor  
2016

Aragon Research  
2016 HOT VENDOR

ii prognosis





Thank you.  
Questions?

