



Integrated Research Limited Half Year Financial Results

Sydney, Australia, 16 February 2017 – Integrated Research (ASX:IRI) a leading global provider of high availability performance management, business intelligence and proactive diagnostic software today released its results for the six month period ended 31 December 2016.

The Company is pleased to announce a record first half result with profit after tax increasing by 25% to \$7.7 million when compared to the prior equivalent period. The result is within the guidance provided to the ASX on 18 January 2017. New licence sales increased by 22% to \$23.9 million and total revenue increased by 10% to \$43.3 million. All product lines recorded growth and achieved the following results:

- Revenue from Unified Communications and Contact Centre increased by 10% to \$23.6 million
- Revenue from Payments increased by 22% to \$3.7 million
- Revenue from Infrastructure, which includes HP-Nonstop, increased by 8% to \$12.4 million
- Revenue from Consulting Services for the half increased by 5% to \$3.7 million.

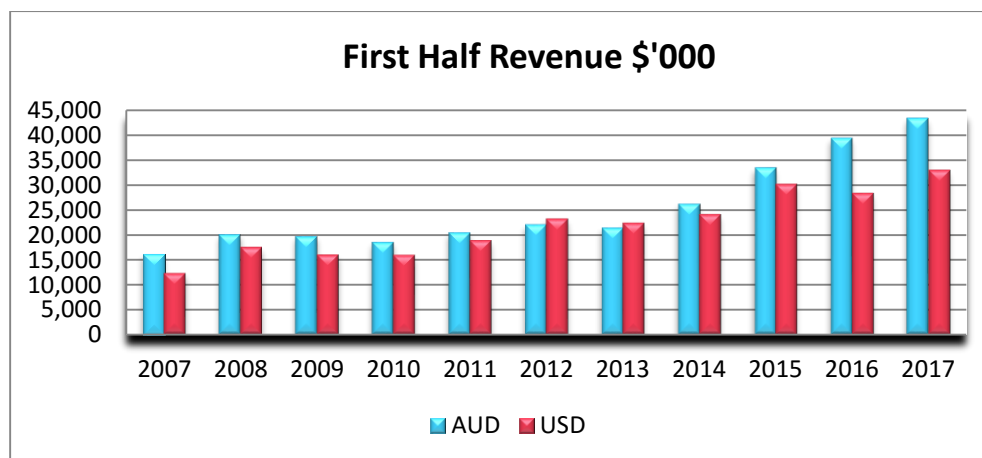
The results would have been stronger but for an appreciating Australian dollar. When growth was adjusted to constant currency, new licence sales would have increased by 30%, revenue by 17%, and profit after tax by 33%.

New sales for Unified Communications and Contact Centre increased by 22% (in constant currency: 29%).

Steve Killelea, Chairman of Integrated Research said, “It was pleasing to see the first half growth from each of our geographic reporting lines and all major product segments making a contribution. The result bodes well for the future as the new licences came from a wide range of customers and products underscoring the strategic strength and momentum of the Company. The sales pipeline remains strong”.

Over 95% of the Company’s revenue was derived from outside Australia.

The following chart highlights the Company’s revenue growth in both Australian and US currencies for the first half of the 2017 financial year and the prior equivalent periods.



Some of the more significant sales during the half year period came from Deloitte, First Data Corporation, State Street Bank, JP Morgan Chase Bank, BT and Starbucks.



On 19 January 2017, Avaya Inc and its US subsidiaries commenced formal proceedings for restructure and filed voluntary petitions under Chapter 11 of the US Bankruptcy Code. Avaya is a customer and distribution channel partner of the Company. Avaya’s Chapter 11 motions contemplate the protection and continuation of contracts with critical vendors and Avaya has continued to make scheduled payments to IR. However, the Company has increased its allowance for doubtful debts as at 31 December 2016 and based on the available information, these events do not change the Company’s financial outlook.

IR’s strategy is based on building multi-vendor solutions. If customers choose to buy technology other than Avaya, IR will benefit as it remains the only vendor in the market currently certified on Cisco, Avaya and Microsoft.

On 2 December 2016, IR was named as an IDC Innovator “for its competitive advantage derived from its unique intellectual property and 100% software-based probeless design,” said Rich Costello, senior analyst, IDC. This follows awards from both Gartner and Aragon, highlighting IR’s prominent market position through its unique and innovative solutions.

The Company continues to invest in its future with total spending on research and development representing 17% of revenue. The Company’s operating margin (i.e. profit/revenue) for the current half was 18% compared to 16% for the previous corresponding period. The Company’s maintenance retention rates remain strong at 95%.

The table below summarises the Company’s key revenue, expense and profit results compared to the previous corresponding period:

Half Year Ending			
Financial result highlights (\$'000)	December 2016	December 2015	% Change
Revenue from licence fees	23,917	19,527	22%
Revenue from maintenance fees	13,602	13,652	-
Revenue from testing solution services	2,134	2,681	(20%)
Revenue from consulting	3,686	3,513	5%
Total revenue	43,339	39,373	10%
Research & development expenses	7,559	7,094	7%
Sales, consulting & marketing expenses	22,153	21,625	2%
General and administrative expenses	3,605	2,673	35%
Total expenses	33,317	31,392	6%
Net profit before income tax	10,516	8,435	25%
Net profit after income tax	7,730	6,205	25%

Dividends

Directors have declared an interim dividend of 3.0 cents per share franked to 70 per cent. Integrated Research maintains a strong financial position and remains free of debt with a total cash position at 31 December 2016 of \$9.5 million (30 June 2016: \$8.5 million).

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About Integrated Research (ASX:IRI) – Integrated Research is the leading global provider of proactive performance management software for critical IT infrastructure, payments and communications ecosystems. More than 1000 organizations in over 60 countries - including some of the world’s largest banks, airlines and telecommunication companies rely on IR Prognosis to provide business critical insights and ensure continuity-critical systems deliver high availability and performance for millions of their customers across the globe. For further information, visit www.ir.com. Investor Relations Enquiries should be directed to investor@ir.com or by telephone to +61 2 9921 1519.

