

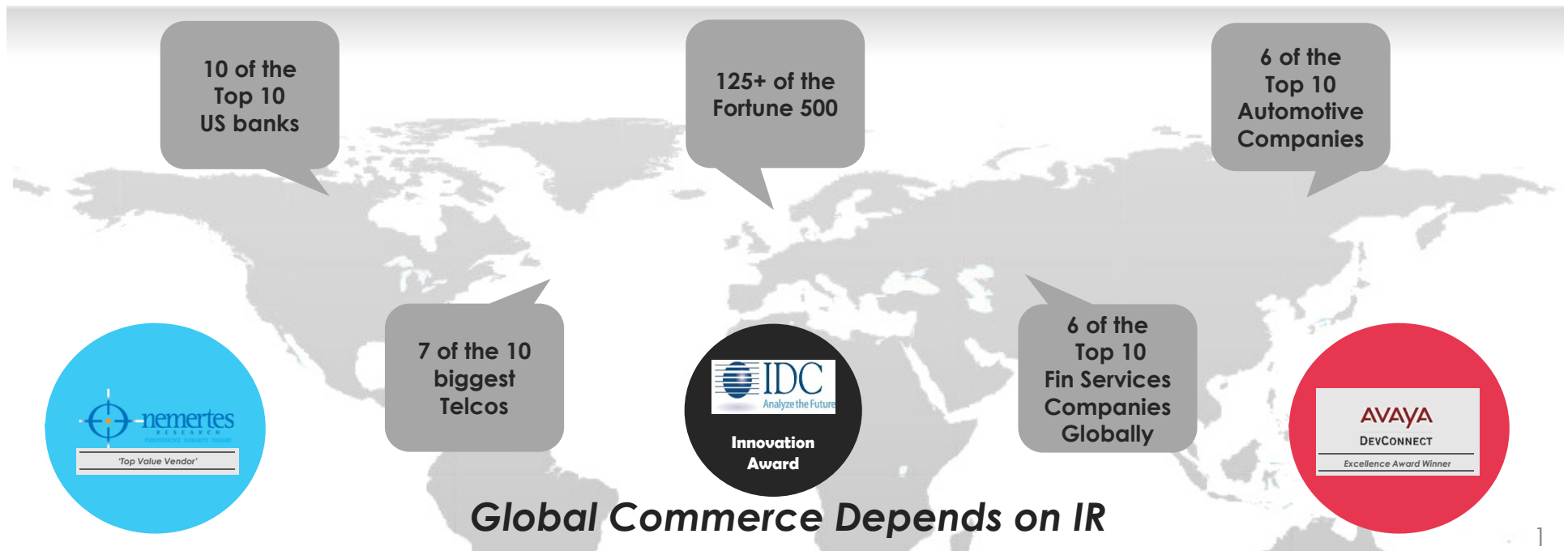


# Integrated Research Limited (IRI)

## FY2018 Half Year Financial Results

February 2018

ABN: 76 003 588 449



## 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** endtoend 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** 125+ 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
- **125+ 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 16+ million** managed endpoints
- **Only solution certified** across Microsoft, Cisco & Avaya
- **Avaya and Cisco's only Sponsored & Recommended partner 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





# Market Recognition

*“UCC has become a crucial technology for success in digital transformation initiatives, yet many organizations face performance issues and consequently, lower-than-optimal user adoption, because they aren’t leveraging the right management tools”*

*~ Robin Gareiss  
President, Nemertes Research*

*“..we wanted to formally recognize those companies that demonstrated leadership in innovation and unwavering commitment to helping our mutual customers attain new successes in their respective business operations”*

*~ Eric Rossman  
VP Developer Relations, Avaya*

*“IR was named as an IDC Innovator for its competitive advantage derived from its unique intellectual property and 100% software-based probeless design... Enterprises and Service Providers can deploy IR Prognosis to bring real-time visibility, insight and control to complex , multi-vendor UC and contact centers”*

*~ Rich Costello  
Senior Analyst, IDC*



**Top Value Vendor**



**Excellence Award Winner**

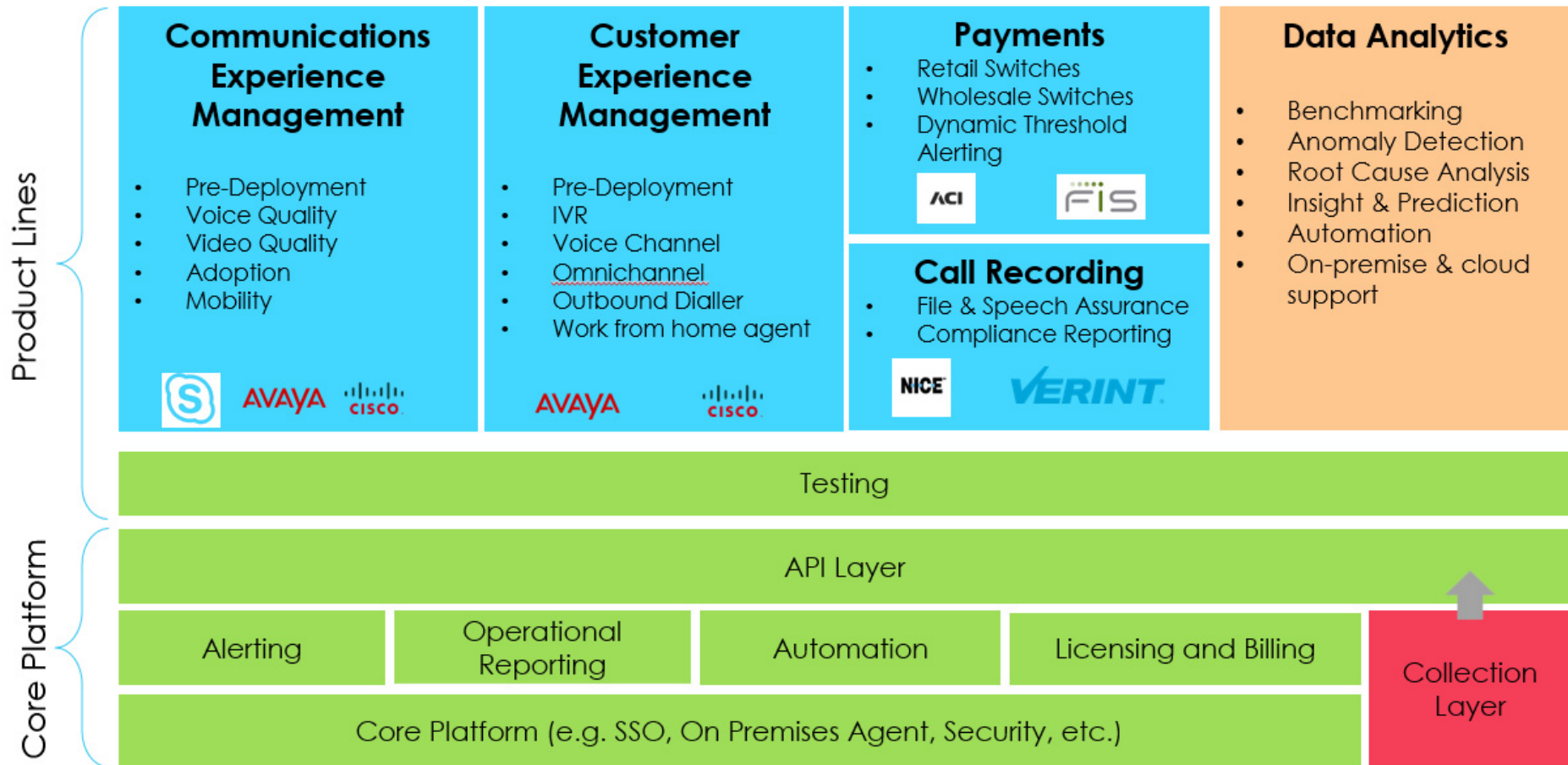


**Top Innovator**



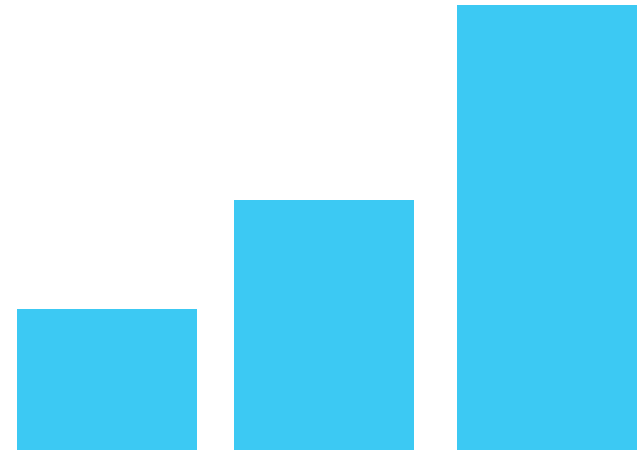


# Prognosis architecture supports future growth





# Financial Results





# Key Highlights

## Financial Results

- Total Revenue up 5% to \$45.7m
- Licence Sales up 7% to \$25.6m
- UC Licence Sales up 25% to \$16.9m
- Net Profit After Tax up 20% to \$9.3m

## Recurring Revenue Growth

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

## Results in Constant Currency

- Total Revenue up 8%
- Net Profit After Tax up 25%

## Financial Performance

- Americas and APAC continue to grow
- Deal slippage in Europe
- Cyclical downturn in Infrastructure
- Strong Unified Communications growth

## Unified Communications

- Strong sales into Cisco and Microsoft
- Cisco SolutionPlus partner program
- Avaya out of Chapter 11 (late in half)

## Product Development

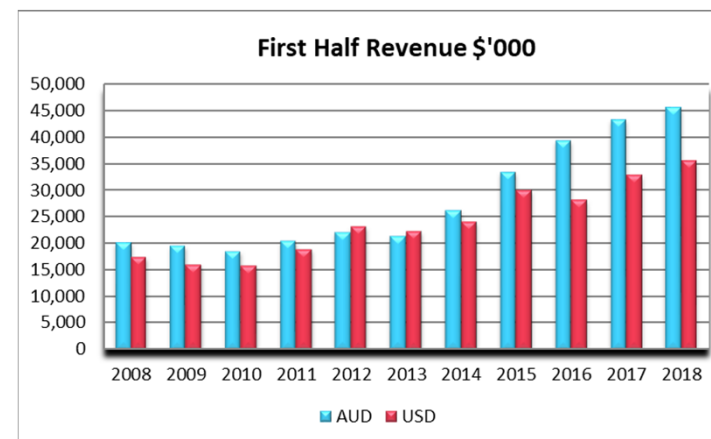
- Gross spend increased by 27%
- Prognosis 11.3 and 11.4 released
- Improvements for Service Providers
- Monitoring of video systems





# Financial Results

	December 2017 A\$000's	December 2016 A\$000's	% change
Licence sales	25,576	23,917	7%
Maintenance revenue	13,532	13,602	(1%)
Testing solutions revenue	2,815	2,134	32%
Consulting revenue	3,778	3,686	3%
<b>Total revenue</b>	<b>45,702</b>	<b>43,339</b>	<b>5%</b>
R&D expenses - net	7,376	7,559	(2%)
Sales, consulting & marketing expenses	22,138	22,153	-
General & Administrative expenses	2,836	3,605	(21%)
<b>Total expenses</b>	<b>32,350</b>	<b>33,317</b>	<b>(3%)</b>
Profit before tax	13,062	10,516	24%
<b>Profit after tax</b>	<b>9,266</b>	<b>7,730</b>	<b>20%</b>



- Revenue up 5% with strong UC licence sales offset by cyclical Infrastructure downturn
- No Avaya provisioning after Chapter 11 exit
- PAT margin increases to 20% (prior half 18%)







# Research & Development

	December 2017 A\$000's	December 2016 A\$000's	% change
Gross spend	8,328	6,550	27%
Capitalised development	(5,956)	(4,415)	35%
Amortisation	5,004	5,424	(8%)
<b>Net R&amp;D expense</b>	<b>7,376</b>	<b>7,559</b>	<b>(2%)</b>
<hr/>			
Gross spend/revenue	18%	17%	
Net spend/revenue	16%	17%	

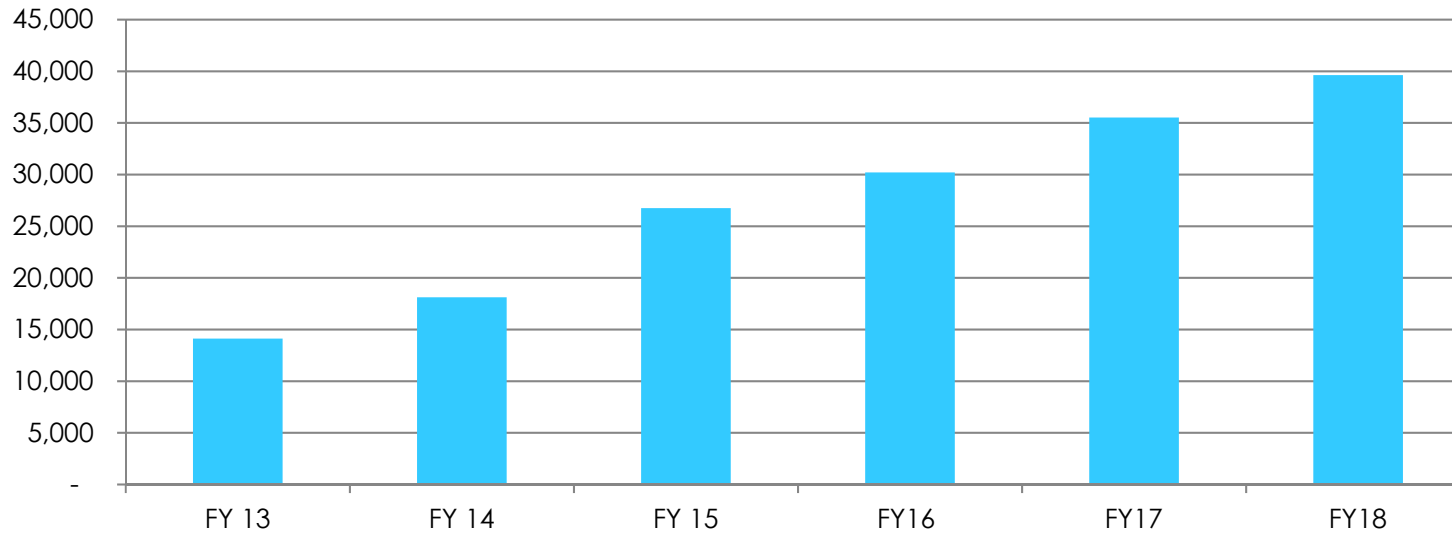
- Additional developers hired during the half
- Development expense capitalised
- Amortised over a three year period
- Regular commercial releases of software





# Recurring Revenue

Total Half Year Recurring Revenue A\$'000



**Increase in term recurring transactions – average term of three years**

**87%**  
of revenue is now recurring (up from 81% in HY FY17)

**Recurring revenue base compounding every 3 to 5 years**





# UC Growth: All routes covered

## Cisco

- Cisco's biggest customers and partners continue to choose Prognosis
- IR joins elite Cisco SolutionPlus program - inclusion on price book; quota retirement and commissions for global channel
- Cisco HCS-G (FedRAMP) will not benefit the current financial year

## Microsoft

- SfB revenues more than double: strong growth continues
- Over 40 new Microsoft partners recruited to IR Global Partner Program
- Prognosis 11.4 released with significant new support for SfB
- Success with large enterprise customers

## Avaya

- Avaya exits Chapter 11 with a stronger balance sheet
- Investing in aggressive growth strategy
- Anticipate a return to growth in during calendar 2018

dimension  
data 

BT 

GM 

  
swisscom

Deloitte.

citibank

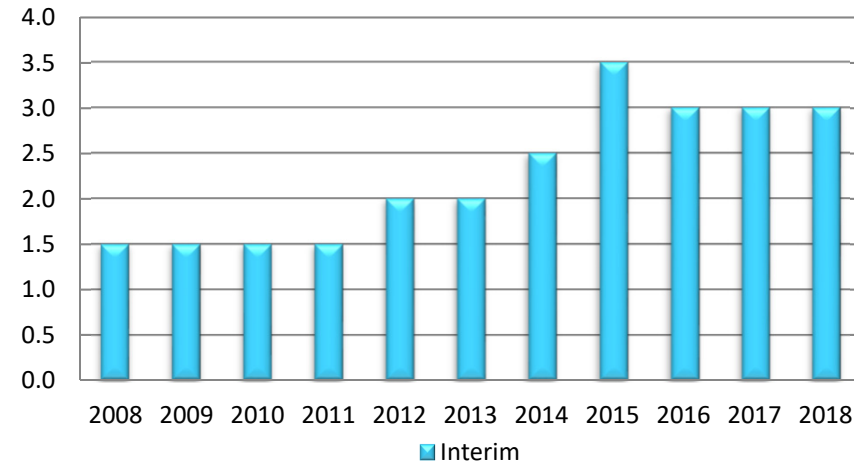




# Balance Sheet

	December 2017 A\$000's	December 2016 A\$000's
Cash at bank	9,605	9,477
Current receivables	38,662	31,131
Non-current receivables	28,164	23,311
Intangible assets	20,748	20,886
Current deferred revenue	20,522	19,168
Deferred consideration for acquisition	1,457	2,121
Net assets	52,095	43,145

**Dividends (cents)**



**Half Year Shareholder Returns**

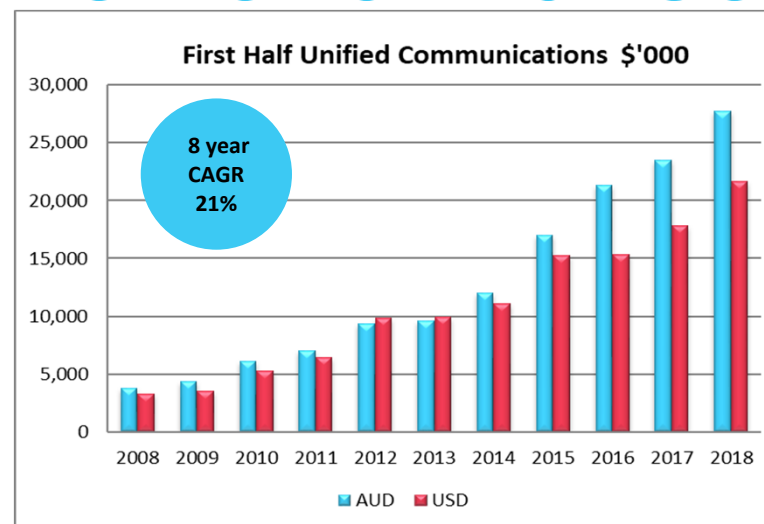
	2018	2017	2016
Basic earnings per share	5.41¢	4.53¢	3.65¢
Dividends per share	3.0¢	3.0¢	3.0¢
Franking percentage	100%	70%	55%
Return on equity	18%	18%	17%





# Product Line Performance

Revenue by Product Line (\$A)	Dec 2017 A\$000's	Dec 2016 A\$000's	% change
Unified Communications	27,796	23,555	18%
Infrastructure	10,435	12,396	(16%)
Payments	3,693	3,702	-
Consulting Services	3,778	3,686	3%
<b>Total Revenue</b>	<b>45,702</b>	<b>43,339</b>	<b>5%</b>

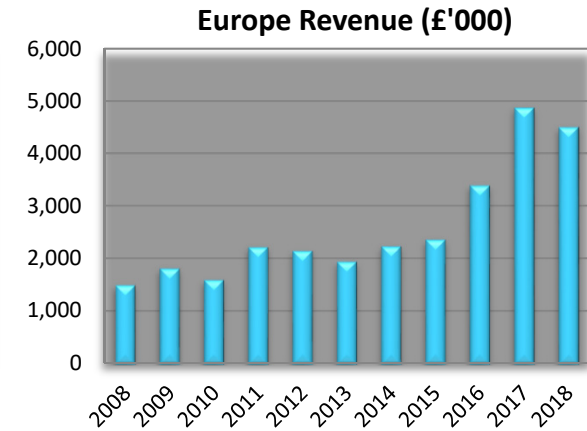
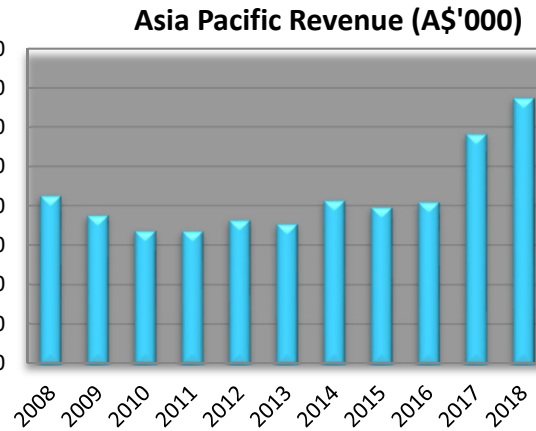
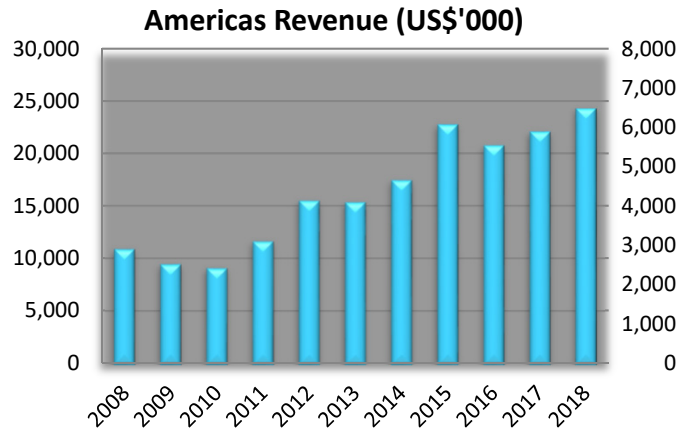


- Strong Unified Communications revenue on Microsoft and Cisco platforms
- Cyclical downturn in Infrastructure (with partial knock-on effect to Payments)





# Regional Performance



Revenue by Geographic region (In local currency)	Dec 2017 000's	Dec 2016 000's	% change
Asia Pacific (\$AUD)	6,699	5,785	16%
Americas (\$USD)	24,173	21,968	10%
Europe (£GBP)	4,475	4,845	(8%)



95%+ of revenue earned offshore





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Thank you.  
Questions?

