



Integrated Research Limited (IRI)

FY2018 Financial Results

August 2018

ABN: 76 003 588 449

9 of the Top
10
US banks

125+ of the
Fortune 500

6 of the
Top 10
Automotive
Companies

7 of the 10
biggest
Telcos

6 of the
Top 10
Fin Services
Companies
Globally

Creating clarity and insight in a world of connected devices



Company Summary

Business Highlights

Founded: 1988
Headquarters: Sydney
Employees: ~260
FY2018 Revenue: \$91M (95% offshore)
FY2018 NPAT: \$19.2M (up 4%)

Key Differentiators

- 1 #1 Vendor in User Experience & Performance Management for UC, Payments & Infrastructure
- 2 Provide real-time clarity & insight into critical systems performance
- 3 Maximise global market access through direct sales & partner channels
- 4 Differentiated, scalable technology based on single code base
- 5 Diversified product portfolio backed by deep R&D

Tier One Global Customers

- 1200+ service providers and enterprise customers worldwide, 125+ Fortune 500
- 17M endpoints



Global Footprint



Global customer base in 60+ countries



Key Highlights

Financial Results

- Licence Sales down 2% to \$52.6m
- Total Revenue flat at \$91.2m
- Net Profit After Tax up 4% to \$19.2m

Recurring Revenue

- Diversified portfolio
- Less nonrecurring perpetual business
- Strong UC renewals pipeline

Results in Constant Currency

- Licence Sales down 1%
- Total Revenue up 1%
- Net Profit After Tax up 4%

Financial Performance

- UC continues to grow
- Cyclical downturn in infrastructure
- Europe underperformance
- Testing and Consulting growth

Unified Communication

- Cisco licence growth >60%
- Avaya licence decline of 20%
- Strong growth from service providers
- Reseller agreement signed with Cisco & Avaya

Product Development

- Major upgrades to all product lines
- AI driven speech analytics
- New Cloud Analytics platform in H2





FY18 Performance Commentary

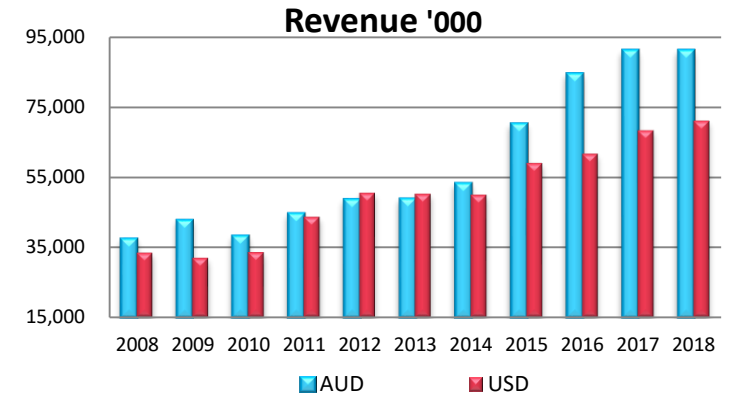
FY18 Growth Impacted by...	Outlook
Microsoft... Market confusion about Microsoft's messaging on Teams vs Skype, halting purchasing decisions	Positive: IR will support both SfB and Teams, and will benefit either way
Avaya... Avaya's slow rebound after emerging from Chapter 11 Bankruptcy Protection in H2	Positive: Avaya has restructured & invested for growth Signed a reseller agreement with IR in July 2018.
Europe... Underperformance in Europe due to internal execution	Positive: Currently restructuring
Payments & Infrastructure... Cyclical Downturn	Positive: Payments; Neutral: Infrastructure Infrastructure dependent on timing of renewals; 96% retention rate Payments to grow with the release of new products.





Financial Results

	30 June 2018 A\$000's	30 June 2017 A\$000's	% change
Licence fees	52,591	53,441	(2%)
Maintenance fees	26,010	26,871	(3%)
Testing solutions revenue	5,207	4,073	28%
Consulting fees	7,367	6,784	9%
Total revenue	91,175	91,169	0%
R&D expenses net	15,335	14,862	3%
Sales, consulting & marketing expenses	45,703	43,605	5%
General & Administrative expenses	5,849	6,086	(4%)
Total expenses	66,887	64,553	4%
Profit before tax	26,271	25,881	2%
Profit after tax	19,180	18,520	4%



- Revenue flat in A\$
- Testing & Consulting positive contributions
- Continuing investment in development
- Expenses up 4% (staff numbers up 16% to 260)
- Foreign currency gain
- PAT up 4%



Margin consistency

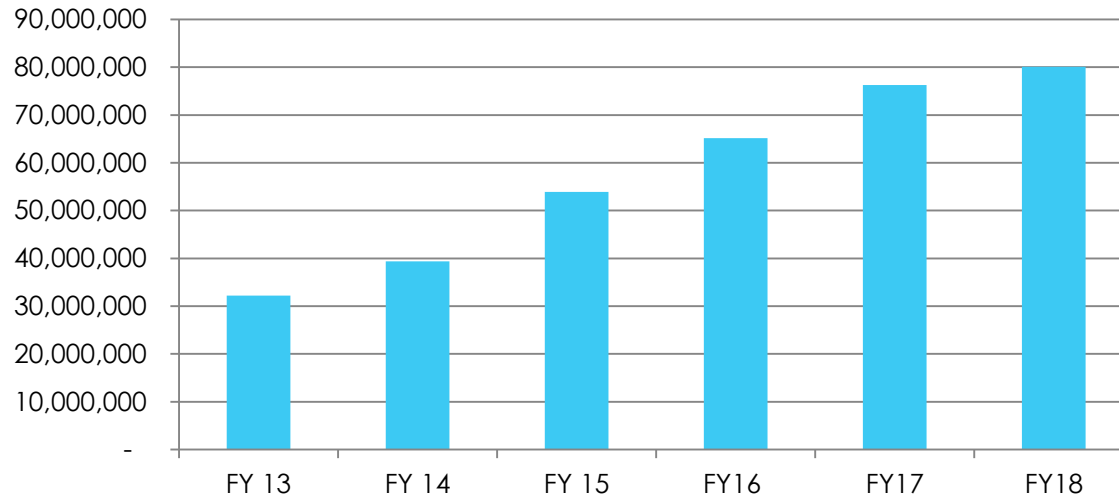
	30Jun18 A\$000's	30Jun17 A\$000's	% change
Total revenue	91,175	91,169	0%
EBITDA	36,430	37,007	(2%)
EBITDA margin	40%	41%	
EBIT	25,848	25,708	0.5%
EBIT margin	28%	28%	
Profit after tax	19,180	18,520	4%
PAT margin	21%	20%	





Recurring Revenue

Recurring revenue base (A\$)



Increase in term recurring transactions – average term circa three years

88%
of revenue is now recurring (up from 84% in FY17)

Substantial reduction in perpetual licence sales (down 72% on FY17)

95% maintenance renewal rate



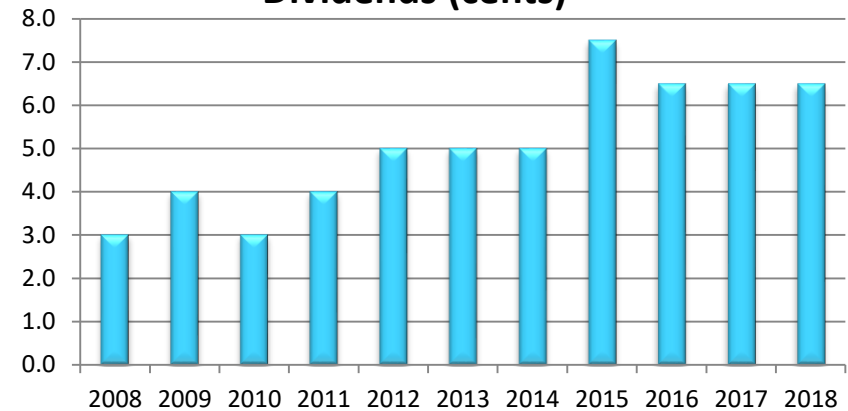
Financial Position & Performance

June 2018
A\$000's

June 2017
A\$000's

Cash at bank	11,238	14,113
Current receivables	44,186	35,998
Noncurrent receivables	26,892	23,299
Intangible assets	21,938	19,934
Current deferred revenue	22,643	20,077
Deferred consideration for acquisition (non current)	-	1,476
Net assets	57,838	48,520

Dividends (cents)



Shareholder Returns

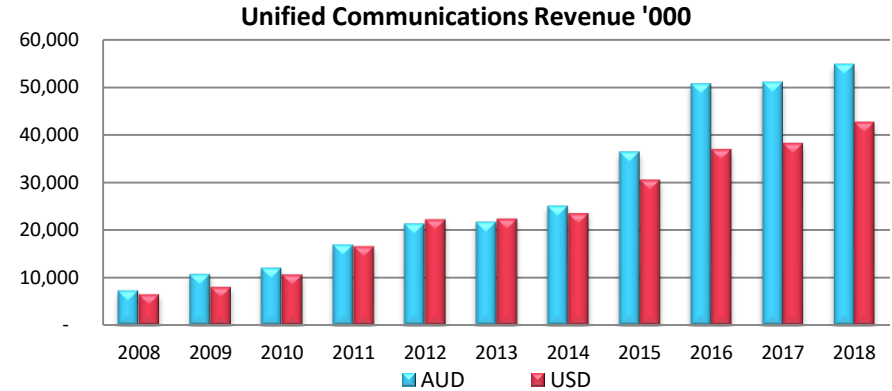
	2018	2017	2016
Basic earnings per share	11.19¢	10.86¢	9.42¢
Dividends per share	6.5¢	6.5¢	6.5¢
Franking percentage	100%	100%	58%
Return on equity	33%	38%	39%





Product Line Performance

Revenue by Product Line (\$A)	June 2018 A\$000's	June 2017 A\$000's	% change
Unified Communications	54,865	51,132	7%
Infrastructure	20,838	24,449	(15%)
Payments	8,105	8,805	(8%)
Consulting Services	7,367	6,784	9%
Total Revenue	91,175	91,169	0%



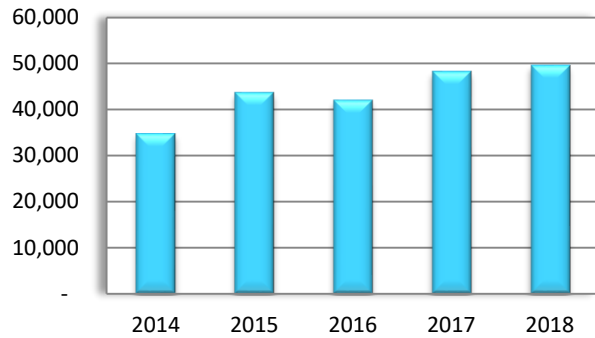
- Strong Cisco licence growth +60%
- Avaya decline (20%)
- Microsoft broadly flat
- Cyclical decline (P&I)
- Consulting rebounds



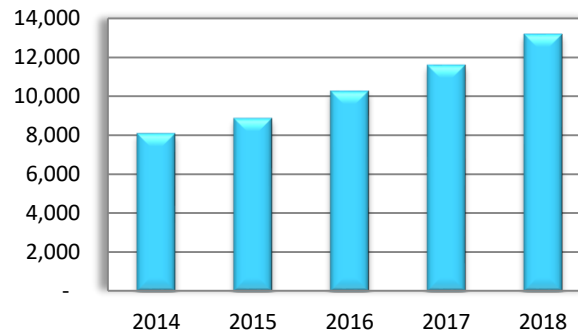


Regional Performance

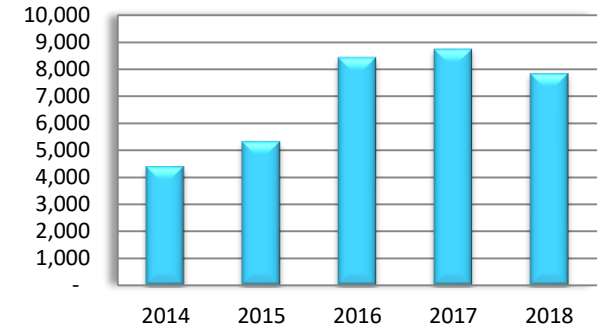
Americas Revenue (US\$'000)



Asia Pacific Revenue (A\$'000)



Europe Revenue (£'000)



Revenue by Geographic region (local currency)	June 2018 \$000's	June 2017 \$000's	% change
Americas (\$US)	49,519	48,207	3%
Asia Pacific (\$A)	13,189	11,596	14%
Europe (£GBP)	7,849	8,752	(10%)

95%+ of revenue earned offshore





Summary

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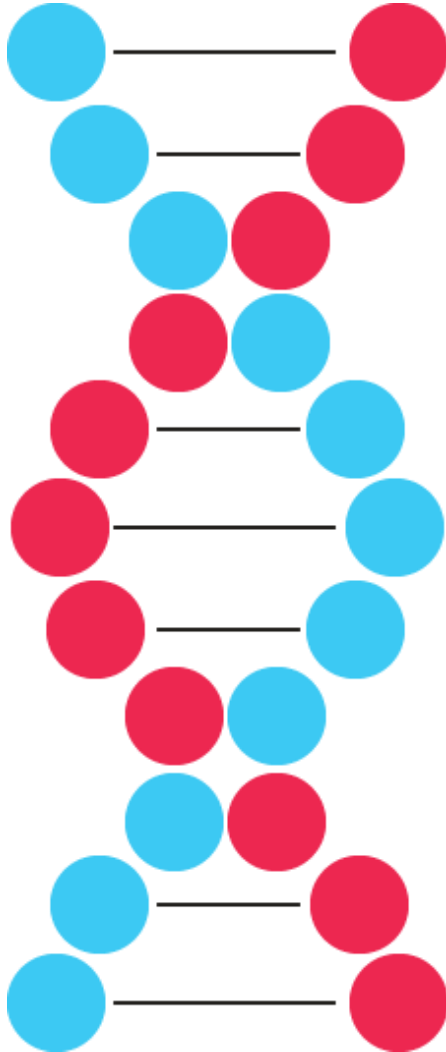
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Strong Foundation for Growth



Our business fundamentals are **strong**:

- **Sound** business model
- **Diverse** sources of income
- **Global customer base** across many verticals/geographies
- **High retention rates** and 88% recurring revenue
- **R&D investment** driving innovation, new products and future growth





UC Growth Drivers



Unified Communications will benefit from several growth drivers:

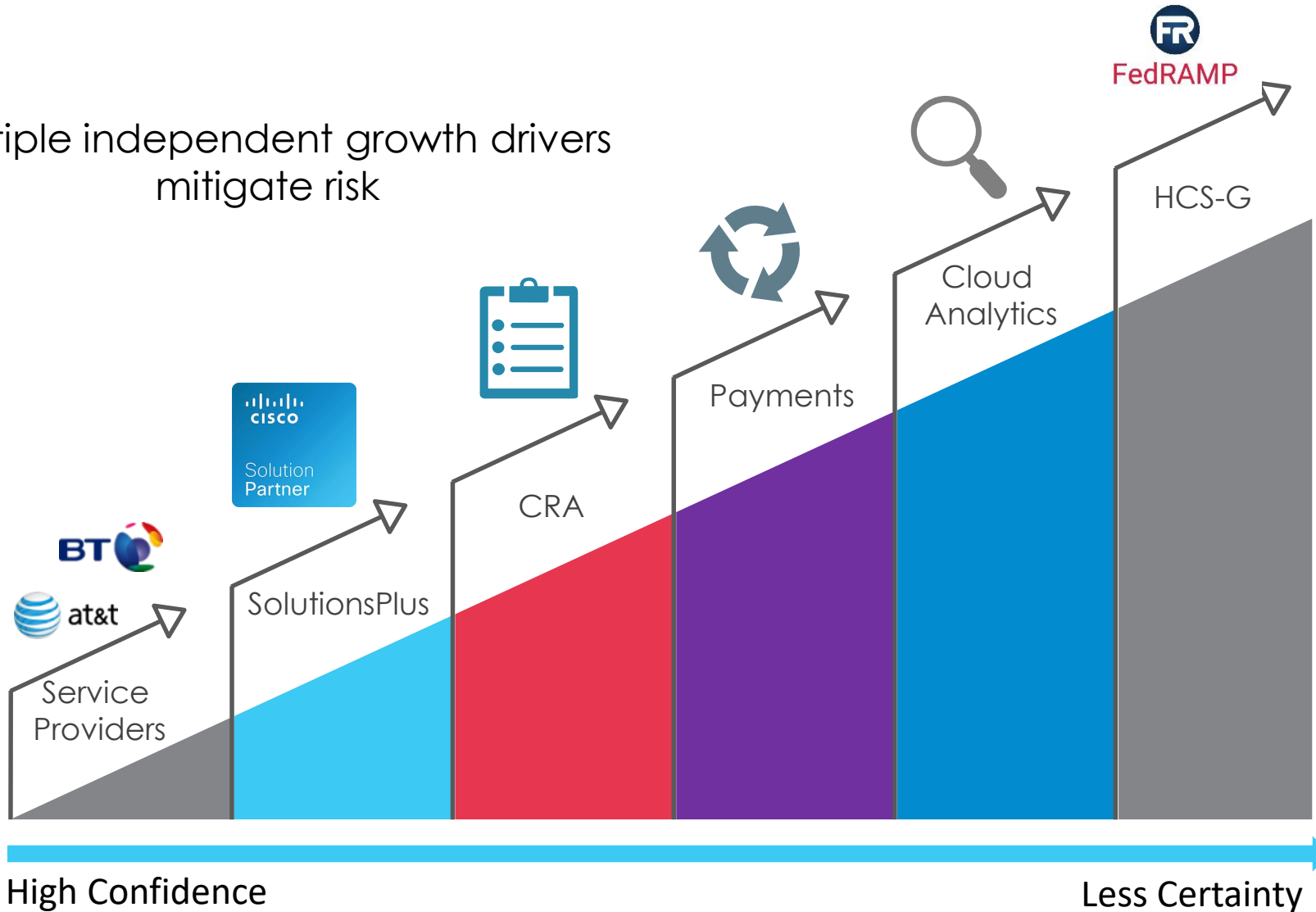
- **Cisco SolutionsPlus** – IR Prognosis now sold through Cisco's global marketplace, one of only 42 vendors worldwide
- Growth in **Service Providers** will continue as enterprises outsource their UC infrastructure
- **Avaya** expected to rebound in FY19 and have signed a reseller agreement with IR; Prognosis is their only UC monitoring solution
- **Microsoft** strong opening pipeline





FY19 Growth Drivers

Multiple independent growth drivers mitigate risk



High Confidence

Less Certainty



Our Leadership Team

We have invested in our leadership capability to execute our strategy and deliver growth for shareholders over the short and long term



John Merakovsky
MD & CEO



Peter Adams
CFO



Andre Cuenin
*President,
Americas and Global Alliances*



Kevin Ryder
*Chief Marketing &
Customer Officer*



Greg Clancy
Chief Product Officer



Michael Tomkins
Head of Development



Jason Barker
SVP APAC & MEA



Vanessa Walker
GM People & Culture





Thank you.

Questions?

