



Integrated Research Limited 2018 Financial Year Results

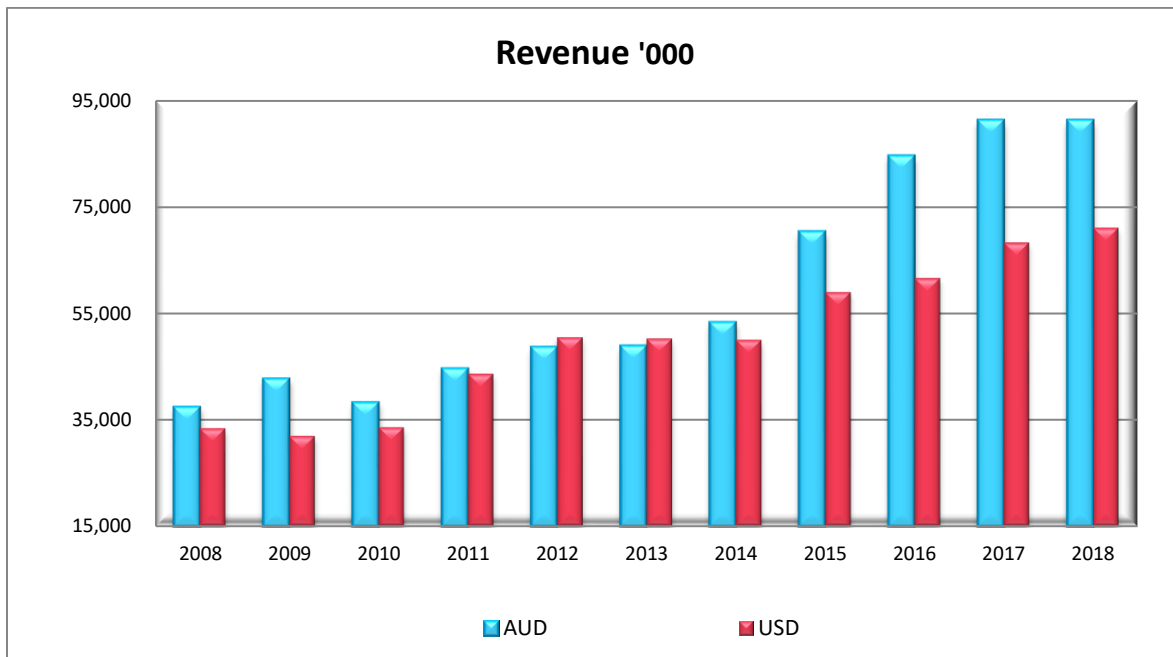
Sydney, Australia, 16 August 2018 – Integrated Research (ASX:IRI) a leading global provider of proactive performance management software for critical IT infrastructure, payments and communications ecosystems today released its results for the financial year ended 30 June 2018.

The Company achieved a profit after tax increase of 4% to \$19.2 million when compared to the previous financial year. Total revenue was \$91.2 million which was comparable with the previous financial year. The result is within the guidance provided to the ASX on 13 July 2018.

Revenue growth was as follows:

- Unified Communications and Contact Centre (UC) increased by 7% to \$54.9 million
- Payments decreased by 8% to \$8.1 million
- Infrastructure, which includes HPE-Nonstop, decreased by 15% to \$20.8 million
- Consulting increased by 9% to \$7.4 million
- Overall licence revenue decreased by 2% to \$52.6 million

Over 95% of the Company's revenue was derived outside of Australia. The following chart highlights the Company's revenue growth in both Australian and US currencies for the 2018 financial year and the ten preceding years.



Some of the more significant sales during the year came from major brands such as Visa, PayPal, Deloitte, BHP, Coles, Bosch, Euroclear, State of Missouri, Zions Bank, Synchrony Financial, ABSA and DXC Technology.



Steve Killelea, Chairman of Integrated Research said, "There were a number of factors contributing to the result, including a poor performing European operation, shorter duration for licences and the cyclical downturn in Infrastructure. However, there were some strong positives for the year, including revenue growth from service providers, a substantial increase in Cisco sales and the signing of the Cisco SolutionsPlus reseller agreement, which has resulted in a much stronger pipeline at the start of the new financial year. The fundamentals of the business remain sound with stronger licence growth anticipated for the new financial year."

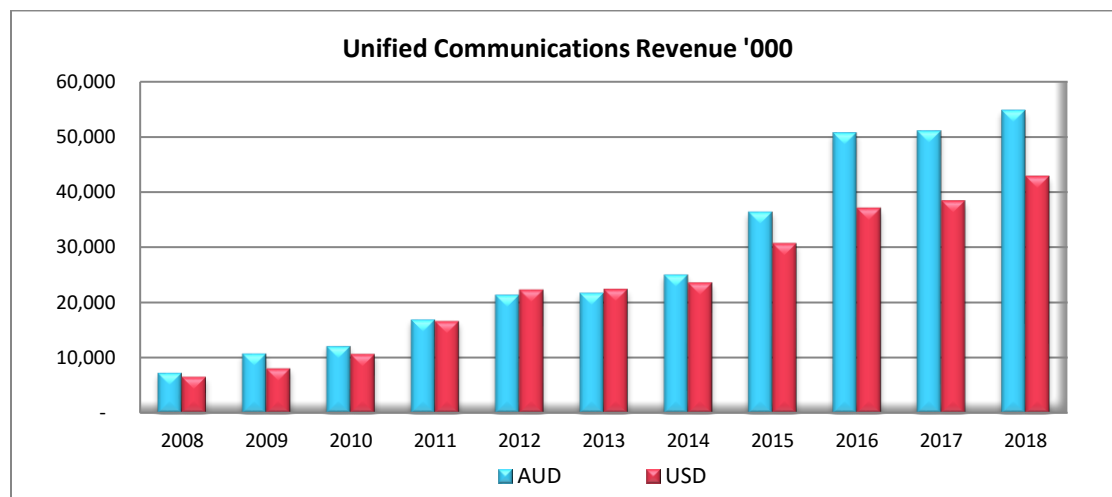
CEO John Merakovsky said "The growth outlook for Integrated Research is very positive; we now have 88% of our revenue recurring, retention rates greater than 95%, and a proven ability to acquire new customers, including 72 in FY18. Strong growth drivers, particularly in Unified Communications, coupled with our significant investment in innovation, will drive growth through the 2019 financial year and beyond."

The results within the Unified Communications product line were mixed and a function of the underlying market dynamics. Licence sales on the Cisco platform increased by 61% and represents just under half of all UC sales. This contrasts with Avaya, where licence fees declined by 20% and now represents just over a quarter of all UC sales. Avaya recently emerged from Chapter 11 and has restructured and invested for growth. As part of this initiative, Avaya signed a reseller agreement with Integrated Research in July 2018. Their sales people will receive quota retirement and commissions on Prognosis sales.

In January 2018 Integrated Research signed a global reseller agreement with Cisco for their SolutionsPlus program, cementing the strong relationship and enhancing future sales of Prognosis. Cisco's channel partners and salespeople will receive quota retirement and commissions on sales of Prognosis. The relationship is expected to deepen in FY19.

After very strong growth in FY17, licence sales on the Microsoft Skype for Business platform was broadly flat and a function of delayed purchasing from customers that were confused by Microsoft's messaging and direction regarding its Teams solution and Skype for Business.

IR remains the only vendor to maintain certification with all major unified communications platforms, providing a competitive advantage.



Revenue from Payments and Infrastructure declined on the prior year reflecting the cyclical nature of that market. FY17 was an exceptionally strong year for Infrastructure sales. Renewal rates for Infrastructure were strong at the historical level of 96%.



Integrated Research continues to invest in its future with gross spending on research and development representing 19% of revenue. The operating margin (i.e. profit/revenue) was 21% compared to 20% for the previous year. The Company continues to invest in new product and capabilities to drive future growth, with R&D staff numbers increasing significantly over the year to take total Company head count to 260.

The introduction of AASB15 “Revenue from contracts with customers” will not have a material effect on the Company’s revenues based on historic contracts under the Company’s existing business model.

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

Financial result highlights (\$'000)	FY2018	FY2017	Change
Revenue from licence fees	52,591	53,441	(2%)
Revenue from maintenance fees	26,010	26,871	(3%)
Revenue from testing solution services	5,207	4,073	28%
Revenue from consulting	7,367	6,784	9%
Total revenue	91,175	91,169	0%
Research & development expenses	15,335	14,862	3%
Sales, consulting & marketing expenses	45,703	43,605	5%
General and administrative expenses	5,849	6,086	(4%)
Total expenses	66,887	64,553	4%
Other gains/(losses)	1,560	(908)	(271%)
Earnings before interest and tax	25,848	25,708	1%
Net profit before income tax	26,271	25,708	2%
Net profit after income tax	19,180	18,520	4%

Dividends

Directors have declared an interim dividend of 3.5 cents per share franked to 100 per cent. Integrated Research maintains a strong financial position with a total cash position at 30 June 2018 of \$11.2 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 1200 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

