

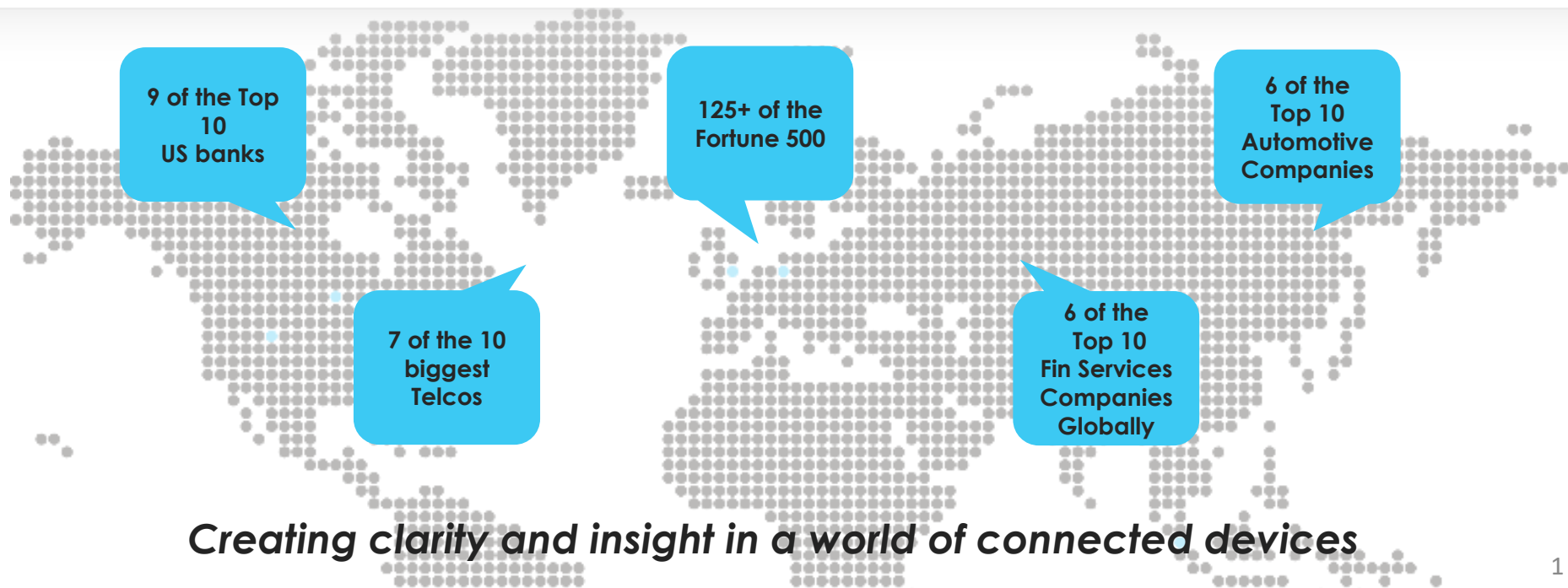


# Integrated Research Limited (IRI)

## FY2019 Half Year Financial Results

February 2019

Peter Adams, Interim CEO



## 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 Centres 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.

## WHY CUSTOMERS BUY

### 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 WE SUCCEED



# Key Financial Metrics

Solid results with investments in place to drive sustainable long term performance

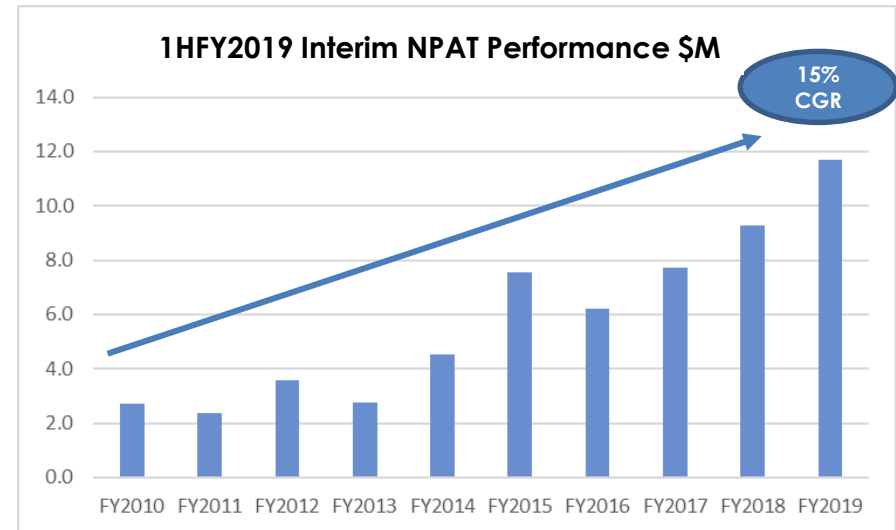
Licence fees up **22%** to  
**\$31.3M**

Revenue up **10%** to  
**\$50.3 million**

EBITDA up **14%** to  
**\$20.8 million**

NPAT up **26%** to  
**\$11.7 million**

Operating Cashflow up **19%** to  
**\$9.6 million**



Return on  
Equity  
**18%**

Basic  
EPS up  
**26%** to  
**6.82 cps**

Dividend  
per share  
**3.5 cps**



# Operational Highlights

Delivering on strategies to build capability, product development and expand global customer base



## Payments Growth up 144%

*Strong licence growth through renewal and capacity expansion*



## Europe Growth up 14%

*Re-organised; successful large deal closure*



## Unified Communications (“UC”) SaaS revenue

*New revenue from SaaS development*



## Customer summit participation

*A 36% increase in attendance to 183 customers*



## New Leadership Hires | Product Management, Development, Chief Commercial Officer

*Bolstering technical capabilities for future product delivery and performance*





# Prognosis Solution Components

## Insightful & Effective

Proactive end-to-end insights across multi-vendor ecosystems that drives effective collaboration

## Value & Speed

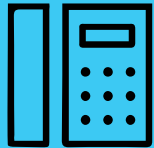
Fast time to value with a small footprint and rapid extensibility

## Flexible & Secure

Cloud enabled with secure access for visibility anytime anywhere

## Consulting Services

Install, Configure, Implement, Train, Optimise  
Extensions & Analytics



## Unified Communications

VoIP  
Video  
Contact Center  
Call Recording Assurance  
Compliance

## Payments

Finance Transactions  
Money Transfer  
ATM  
Fraud Detection



## Infrastructure

Hardware, Operating System, Virtualisation, Network Layer



## Core Capabilities








Proactive Availability & Performance Management  
Rapid Root Cause Analysis to reduce Mean Time To Resolution (MTR)  
Capacity Planning & Reporting  
Deep Metrics  
Realtime





# Key Technology Partners

IR is the only certified vendor to provide proprietary software on all 3 major UC Platforms: Cisco, Skype for Business and Avaya

Partner	Relationship	Certification	Used in Managed Cloud Service	Relationship Momentum	Initiatives
  	<ul style="list-style-type: none"> <li>Microsoft certified solution in the Skype for Business</li> <li>IR is a Gold Microsoft Communications Partner</li> </ul>	✓	✗	↑	<ul style="list-style-type: none"> <li>Seeding strategy with Network Assessment for Teams and Skype for Business</li> <li>Upsell full Prognosis</li> </ul>
	<ul style="list-style-type: none"> <li>Cisco UC ecosystem's management platform of choice and on its price list</li> <li>Customer experience management that prevents outages and poor voice quality</li> </ul>	✓	✓	↑↑	<ul style="list-style-type: none"> <li>Scale through Cisco Solutions Plus Program</li> <li>Cross-sell into other Cisco BUs</li> </ul>
	<ul style="list-style-type: none"> <li>Avaya's solution of choice</li> <li>Integrated into Avaya, allowing customers to manage the entire UC lifecycle in real time with one integrated solution</li> </ul>	✓	✓	↑↑	<ul style="list-style-type: none"> <li>Leverage Avaya leadership in Contact Center</li> <li>Capitalize Avaya base</li> <li>Grow into Skype for Business through migration</li> </ul>
 (Non-Stop)	<ul style="list-style-type: none"> <li>Performance management suite for customers using HP NonStop Environment, helping optimizes IT infrastructure and reduce costs</li> </ul>	✓	✓	↑	<ul style="list-style-type: none"> <li>Support new product developments</li> <li>High margin with long tail</li> <li>Leverage base into Payments market disruption</li> </ul>
	<ul style="list-style-type: none"> <li>IR has developed a Prognosis module for ACI MTS, PRM, B24 EPS</li> <li>ACI recently launched cross border UP eCommerce Payments solution</li> </ul>	✓	✓	↑↑	<ul style="list-style-type: none"> <li>Capitalize on built momentum</li> <li>Prognosis is only 3<sup>rd</sup> party performance management solution ACI offers</li> </ul>



# Blue Chip Customer Base

Quality customer base is a testament to the superiority of IR's solutions

- ✓ **1,200+** enterprise customers globally
- ✓ **125+** of the Fortune 500 customers
- ✓ **Wide range of industries**, including Financial Services, Telecom, Insurance, Healthcare, Utilities, Retail, etc.

## Telecom/IT



## Financial



## Healthcare



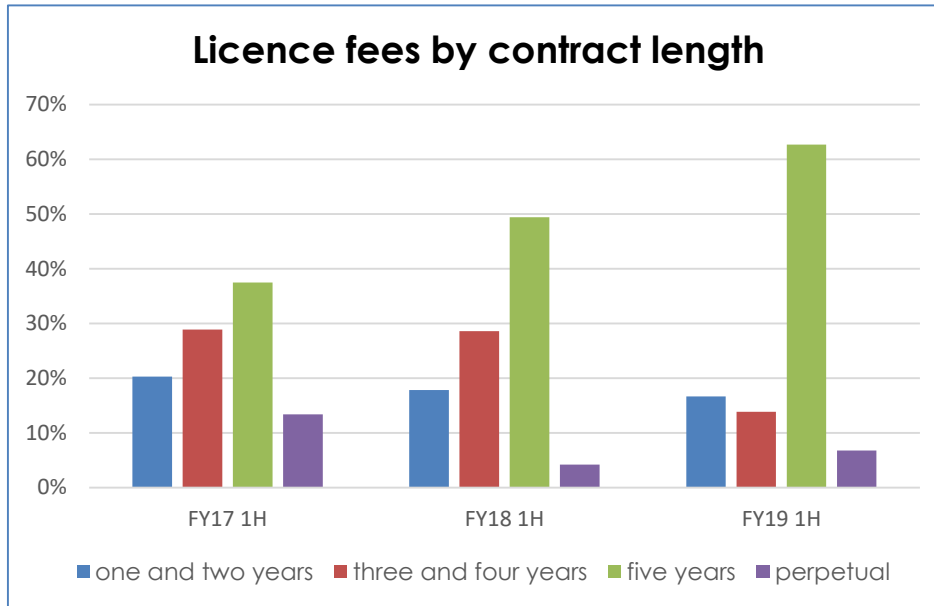
## Non-Profit








# High Quality Revenues and Retention

Diversified contribution and risk spread



- Contracts with multiyear duration
- Retention rate: >95%
- Top 10 customers account for one-third of total revenue

## FY19 1H Key deals include the following:

Customer	Region	Product Group	Industry
 barclaycard	Europe	Payments	Financial Services
 CenturyLink	Americas	UC	Communications (service provider)
 CONDUENT	Americas	CRA	Technology





# Results Summary

Improved margins and stronger cashflow

Six months ending	Dec 2018	Dec 2017	% change
	A\$000	A\$000	
<b>Total revenue</b>	<b>50,335</b>	<b>45,702</b>	<b>10%</b>
<b>EBITDA</b>	<b>20,766</b>	<b>18,274</b>	<b>14%</b>
EBITDA margin	42%	40%	
<b>EBIT</b>	<b>15,309</b>	<b>12,852</b>	<b>19%</b>
EBIT margin	31%	28%	
<b>Profit after tax</b>	<b>11,717</b>	<b>9,266</b>	<b>26%</b>
Profit after tax margin	23%	20%	
Basic earning per share	6.82	5.41	26%
Interim dividend per share (cents)	3.5	3.0	
<b>Net cashflow from operations</b>	<b>9,553</b>	<b>8,014</b>	<b>19%</b>
Return on equity	18%	18%	
<b>Revenue in constant currency</b>	<b>47,806</b>	<b>45,702</b>	<b>5%</b>
<b>Profit in constant currency</b>	<b>10,698</b>	<b>9,266</b>	<b>15%</b>





# Key Performance Metrics



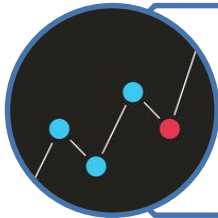
## Term recurring revenue

87% of revenue is recurring



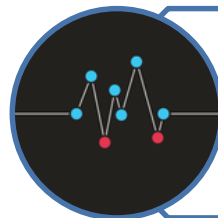
## New customers

20 new customers added over the half



## Pipeline growth

Opening pipeline is higher than pcp



## Retention rate

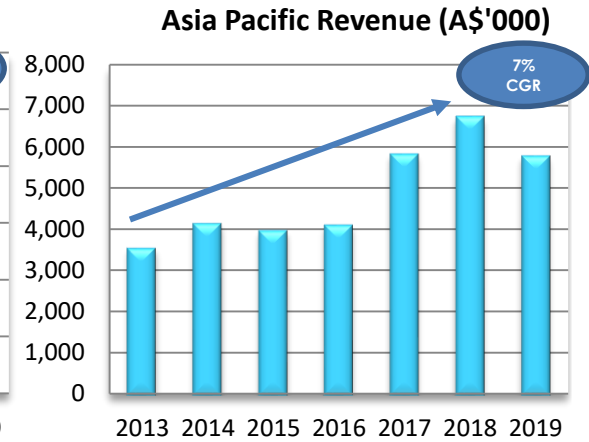
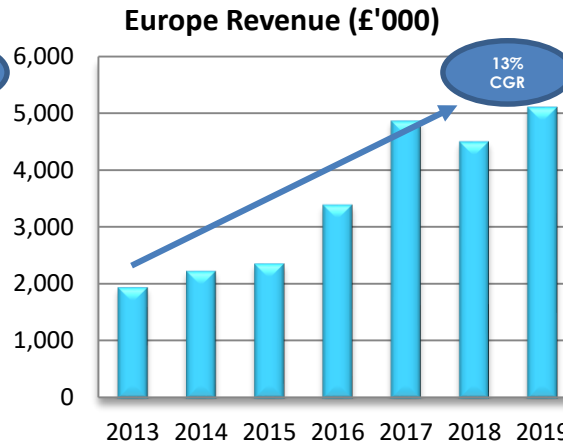
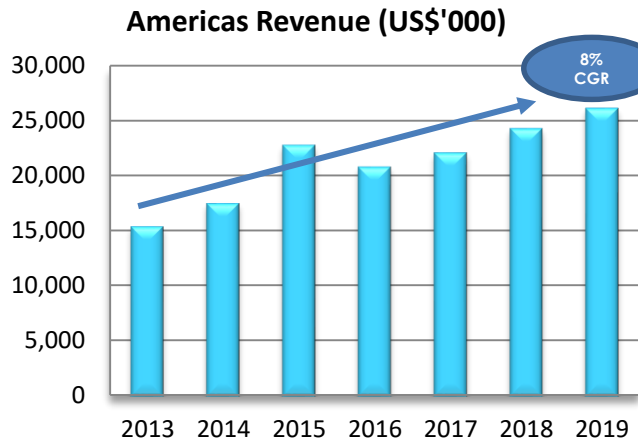
Annual maintenance retention rate is 95%





# Revenue Analysis - Geographic

The return of Europe



**Consistent growth from Americas**

**Return to growth in Europe on strong Payments**

**Deal slippage in APAC late in half**

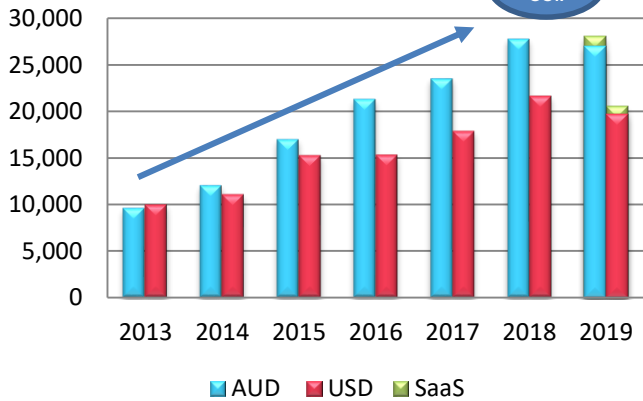




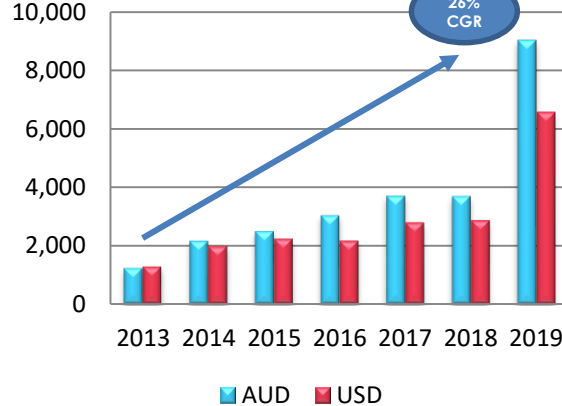
# Revenue Analysis - Product

Payments boost revenues

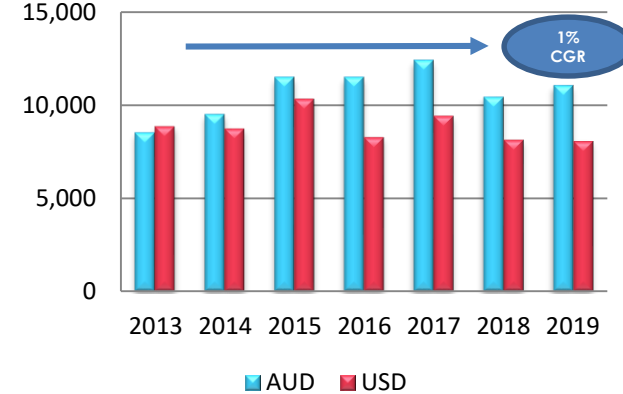
### Unified Communications \$'000



### Payments \$'000



### Infrastructure \$'000



- Cisco growth offset by Avaya decline
- >\$1 million in SaaS bookings for future growth

- Global contribution
- Strong relationship with ACI
- Multiyear account renewals + extension

- Consistent revenues
- High margin product line
- Sticky customer base



# Balance Sheet

Well positioned to fund growth

## Abbreviated

A\$000	Dec-18	Jun-18	Dec-17
Cash and cash equivalents	9,601	11,238	9,605
Trade and other receivables	70,642	71,078	66,826
Intangible Assets	22,545	21,938	20,748
All Other Assets	8,066	6,318	5,379
<b>Total Assets</b>	<b>110,854</b>	<b>110,572</b>	<b>102,558</b>
Trade and other payables	10,802	10,140	9,296
Deferred consideration for acquisition	-	-	1,457
Provisions	3,891	3,914	3,598
Tax liabilities	7,605	6,267	6,198
Deferred revenue	22,950	32,014	29,821
Other financial liabilities	453	399	93
<b>Total liabilities</b>	<b>45,701</b>	<b>52,734</b>	<b>50,463</b>
<b>Net assets</b>	<b>65,153</b>	<b>57,838</b>	<b>52,095</b>

**Strong balance sheet – no debt**

**Trade receivables**

- Strong source of future cash
- Low historic debtor write off

**AASB15 balance sheet opening adjustment: reduction in deferred revenue and trade receivables**

**Intangibles includes capitalised software development**





# Cashflow

## Improved cash generation from operations

	Dec-18	Dec-17	Change
<b>Cash flows from operating activities</b>			
Cash receipts from customers ex debtor factoring	38,835	32,208	21%
Cash receipts from debtor factoring	2,781	6,846	(59%)
Cash receipts from customers	41,616	39,054	7%
Cash paid to suppliers and employees	(29,231)	(26,053)	12%
Cash generated from operations	12,385	13,001	(5%)
Income taxes paid	(2,832)	(4,987)	(43%)
<b>Net cash from operating activities</b>	<b>9,553</b>	<b>8,014</b>	<b>19%</b>
<b>Net cash used in investing activities</b>	<b>(5,706)</b>	<b>(5,958)</b>	<b>(4%)</b>
<b>Net cash used in financing activities</b>	<b>(6,012)</b>	<b>(5,987)</b>	<b>0%</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,165)</b>	<b>(3,931)</b>	<b>(45%)</b>
Cash and cash equivalents at 1 July	11,238	14,113	(20%)
Effects of exchange rate changes on cash	528	(577)	(192%)
<b>Cash and cash equivalents at 31 December</b>	<b>9,601</b>	<b>9,605</b>	<b>0%</b>

**Significant improvement in cash receipts**

**Reduction in debtor factoring**

**Consistent investment in development**





**Continuing to pay dividends**





# 2019 Outlook

Well placed to deliver sustainable growth with execution priorities

	 <b>Service Providers</b>	 <b>SolutionsPlus</b>	 <b>Call Recording Assurance ("CRA")</b>	 <b>Payments</b>
Revenue trending	Good	Developing	Good	Excellent
Pipeline	Good	Gathering momentum	Good	Good
Historic pipeline conversion	Good	Developing	Slow	Good
Big deals in pipeline	Yes	Yes	Yes	Yes
Market approach	Focus primarily on renewal and capacity	Leverage partnership for new logos	Focus on large financial institutions with compliance risks	Focus primarily on renewal and capacity





# Appendix







# Company Summary

## Business Highlights

Founded:	1988
Headquarters:	Sydney
Employees:	~260
2018 Revenue:	\$91M (95% offshore)
FY2018 NPAT:	\$19.2M (up 4%)
Head Office:	Level 9, 100 Pacific Highway North Sydney NSW 2060

## 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 Differentiated, scalable technology based on single code base
- 4 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





# Interim Financial Track Record

Six Months ending (A\$M):	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	10 period CGR
Licence fees	9.1	10.6	12.3	10.8	13.8	19.7	19.5	23.9	25.6	31.3	14%
Revenue	18.5	20.5	22.1	21.5	26.2	33.5	39.4	43.3	45.7	50.3	10%
EBIT	2.9	2.7	4.2	2.8	5.5	9.9	8.4	10.5	12.9	15.3	17%
EBIT margin	16%	13%	19%	13%	21%	30%	21%	24%	28%	30%	
EBITDA	6.2	6.2	7.9	6.3	9.0	14.3	13.8	16.6	18.3	20.8	12%
EBITDA margin	33%	30%	36%	29%	34%	43%	35%	38%	40%	41%	
NPAT	2.7	2.4	3.6	2.8	4.5	7.5	6.2	7.7	9.3	11.7	15%
NPAT margin	15%	12%	16%	13%	17%	23%	16%	18%	20%	23%	
Earnings per share (cents)	1.62	1.42	2.13	1.64	2.68	4.46	3.65	4.53	5.41	6.82	
Interim dividends per share (cents)	1.50	1.50	2.00	2.00	2.50	3.50	3.00	3.00	3.00	3.50	
Payout ratio	93%	106%	94%	122%	93%	78%	82%	66%	55%	51%	
Return on equity	11%	9%	12%	10%	15%	22%	17%	18%	18%	18%	
Growth rates											
Licence	4%	16%	16%	-13%	28%	43%	-1%	22%	7%	22%	
Revenue	-6%	11%	8%	-3%	22%	28%	18%	10%	5%	10%	
EBIT	-10%	-8%	57%	-33%	97%	79%	-16%	25%	23%	19%	
EBITDA	-7%	-1%	29%	-21%	44%	58%	-4%	20%	10%	14%	
NPAT	-6%	-12%	50%	-23%	64%	67%	-18%	25%	20%	26%	





# Revenue Model by Segment

	UC & CC	Payments	Infrastructure
License Fees	Term Recurring ↑ Perpetual ↓	Term Recurring	Term Recurring
Maintenance Fees	Recurring	Recurring	Recurring
SaaS Fees	Recurring	N/A	N/A
Testing Solutions	Part Recurring	N/A	N/A
Consulting	Non-Recurring		

**Term recurring:  
licence fees  
recognised at a  
point in time  
(typically at  
commencement  
of term)**

**Introduction of  
SaaS is new  
recurring  
revenue**

**Bias from  
customers is for  
operational style  
purchasing vs  
large up front  
capital spend**





# Multiple Channels to Market

Customer "High Touch" Model

## Sales Network

**Direct:** Global coverage with Fortune 500

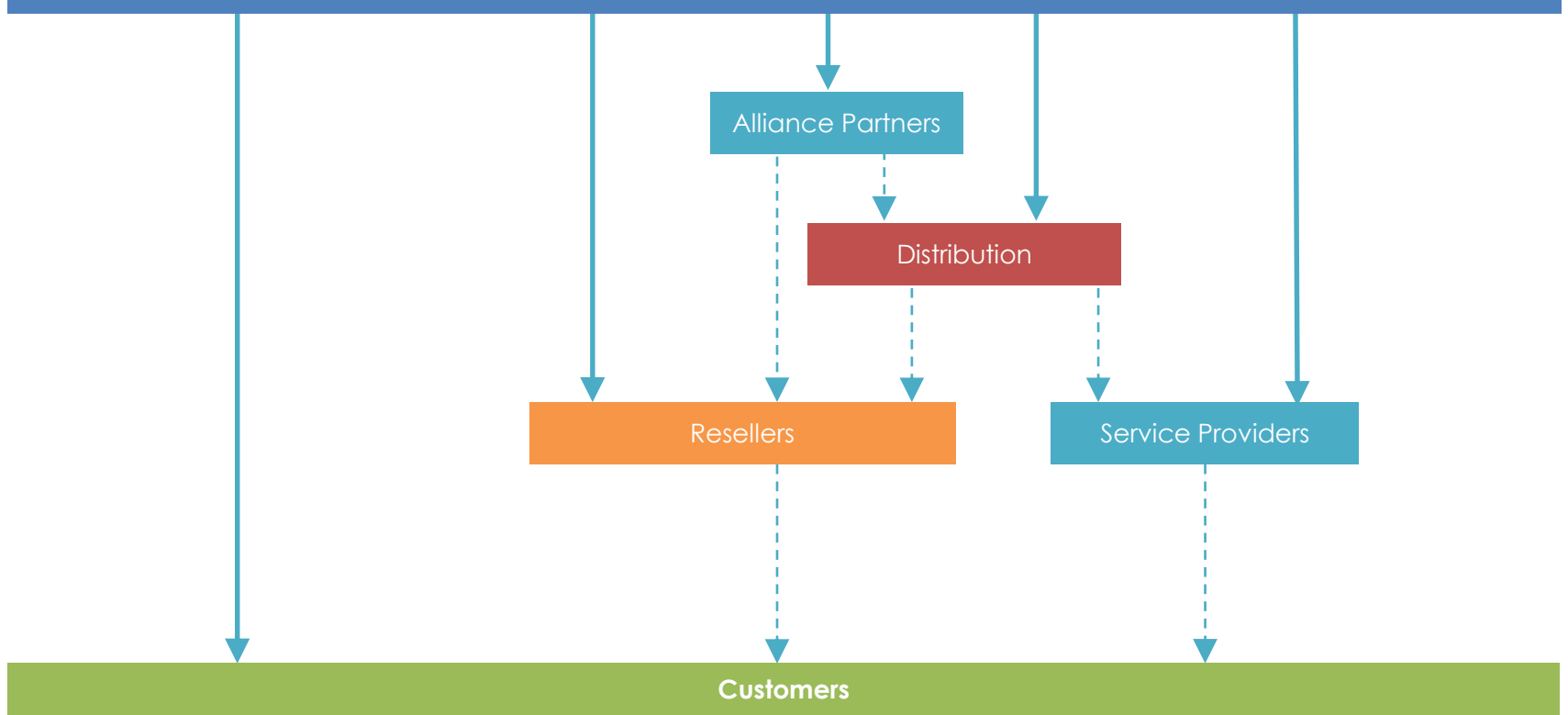
**Distribution:**



### Direct Sales

### Indirect Sales

### Service Provider Sales





# Cisco HCS-G (FedRAMP)

## Questions and Answers

Question	Answer	References:
<b>What is FedRAMP?</b>	The Federal Risk and Authorization Management Program (FedRAMP) is a government-wide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services.	<a href="https://www.fedramp.gov/about/">https://www.fedramp.gov/about/</a>
<b>What is Cisco HCS-G?</b>	Cisco Hosted Collaboration Solution for Government (HCS-G) is a FedRAMP-authorized solution that allows an agency to benefit from secure and reliable cloud-based collaboration that can be scaled as an agency's needs change.	<a href="https://www.cisco.com/c/dam/en_us/solutions/industries/docs/gov/hcs-for-government-product-overview.pdf">https://www.cisco.com/c/dam/en_us/solutions/industries/docs/gov/hcs-for-government-product-overview.pdf</a>
<b>How does IR fit into the FedRAMP program?</b>	Prognosis is an embedded component of the HCS-G service providing future revenue opportunities for IR.	
<b>How many Prognosis licences have been sold to date and how many have been deployed?</b>	This is commercially sensitive, but the overall Prognosis licence pool sold initially in 2016 has not been fully utilised.	
<b>Does Cisco have an exclusive arrangement with the US Government? Is there a mandate for US Government Agencies to commit to the Cloud? Is there a specified rollout program?</b>	The answer is "no" to each of these questions; please note that there is a mandate for Federal agency cloud based deployments to comply with the FedRAMP program.	<a href="https://www.fedramp.gov/faqs/">https://www.fedramp.gov/faqs/</a>
<b>What is the timing of future IR revenue?</b>	The timing of revenue is dependent upon the uptake of the HCS-G solution by US Federal Government agencies. HCS-G remains a strategic initiative for Cisco, who has invested significant time and money in onboarding and training its exclusive sales channel, which includes major System Integrators such as AT&T, Verizon, WWT and IronBow. Based on the very low traction to date, forecasting revenue is difficult to predict with any certainty. It is unlikely that any significant revenue will eventuate in FY19 or FY20.	
<b>What is the size of the opportunity?</b>	This is dependent on the total number of US Government employees that Cisco HCS-G can deploy to.	
<b>Are there any risks?</b>	Cisco have the right to cancel the contract with IR. There are other commercial risks that are considered standard in nature.	





# Investment Summary

Driving sustainable long term performance

<b>Market leading proprietary software - Prognosis</b>	<b>Partnerships with all three major UC platforms</b>	<b>Deep customer and technology expertise and execution capabilities</b>	<b>Clear growth strategies - capability, product development and expand customer base</b>
<b>Broad and diverse blue chip customer base with multi year contracts</b>	<b>High quality recurring revenues and customer retention</b>	<b>Investments in place to deliver sustainable long term growth and high returns on equity</b>	<b>Strong balance sheet to fund growth</b>
<b>Creating clarity and insight in a world of connected devices</b>			

