

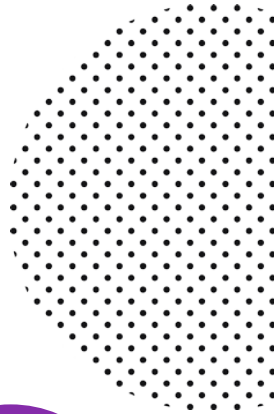
Integrated Research Limited (IRI) FY2020 Annual Financial Results

August 2020

John Ruthven, CEO
Peter Adams, CFO



complexity simplified



IRI at a Glance

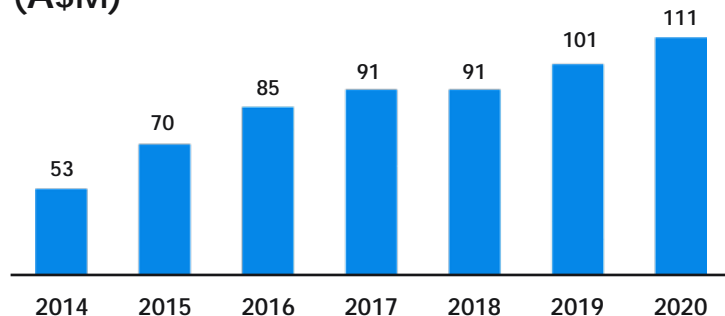
Our purpose is to create clarity and insight in a world of connected devices



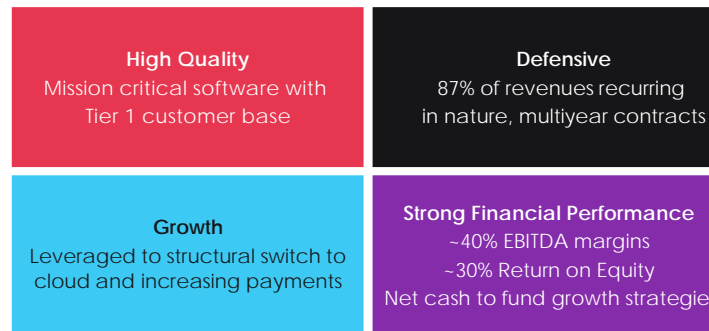
Highlights

- IR is the **leading global provider** of user experience and performance management solutions for Unified Communications, Payments and IT Infrastructure.
- **Global enterprise customer base** spanning diverse industries and including more than 25% of Fortune 500 companies
- We create value by optimising performance and providing intelligent insight into **mission critical systems through our real time, scalable platform** and our deep domain knowledge

Strong track record of revenue growth (A\$M)

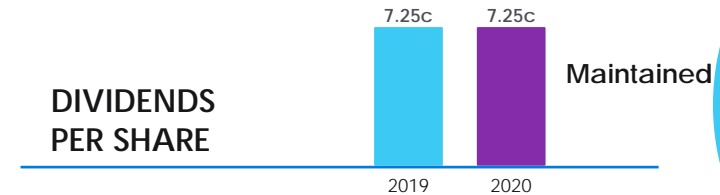
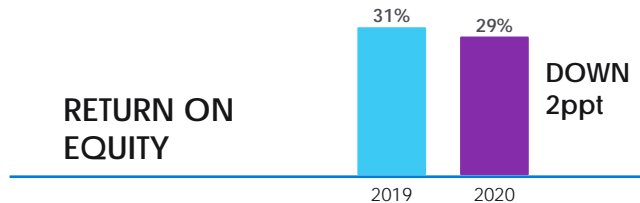
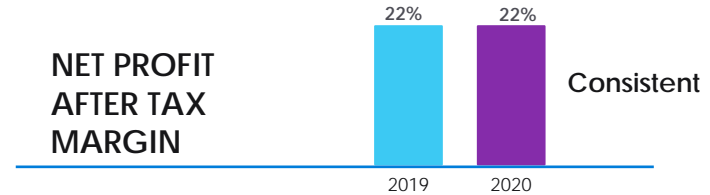
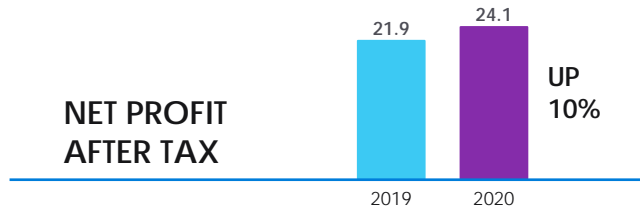
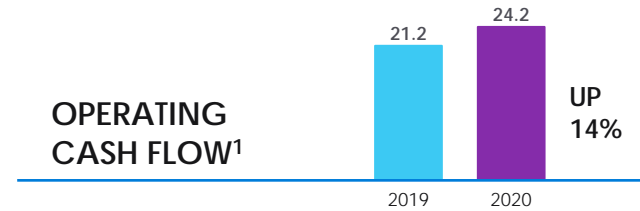
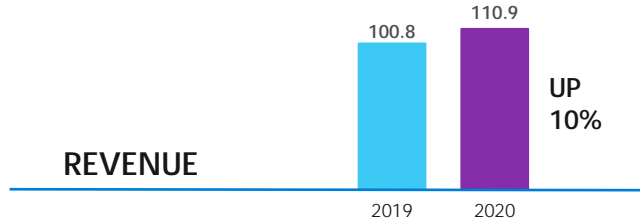


Investment Proposition



Performance Review (A\$M)

Delivering record results



Note1: Operating cashflow was up 5% on a "like for like" adjusting for new AASB leasing standard

CEO Key Messages

Increasing leverage to long term growth trends



Strong Performance - revenue and profit up 10%; licence sales up 15%



Satisfied Customers – customer satisfaction up 25%; biggest deal in company history; 38 new customers



Accelerated Innovation – SaaS platform live, hybrid strategy validated, MS Teams & Zoom launching in 1HFY21



Engaged Talent – key new hires; internal promotions; organisational alignment



Focused Strategy – focus on UC driven by growth of remote working and payments driven by cashless transactions



FitterFasterStronger – R&D strategy to increase quality and accelerate time to market

Decisive COVID-19 Response

Continuing to deliver client solutions, remotely



COVID-19 Impact

Customers

Increased demand for collaboration
Strength of long term relationships
Physical access to customers limited

Financial

Q4 New business growth slowed
Q4 Renewal and capacity sales continuing
Cash receipts slowed (catchup in FY21 Q1)

Employees

Recommended work from home
Some offices closed & virtual meetings

**Resilient
Business
Model**

Response

Innovation & Agility

Investment in Teams and Zoom solution
Marketing spend directed to virtual events
Professional services performed remotely

Financial

Q4 cost control and scenario planning
Continued investment in development
Balance sheet management (increased debt facility)

Employees

Business continuity tested
Facilitated remote working capability

Stories from the Field

Growth driven by solving high value customer problems



	maintain	grow	new
	Woolworths	JP Morgan	GSK GlaxoSmithKline
problem	Customer experience; payment failures & declines; 45,000 lanes	Thousands of transactions a second; ATMs, merchant services, cards, retail	Video conferencing platform failure or poor quality
solution	Real time performance metrics visibility and tracking	Manage hardware and payment applications; thresholds for 'standard operating'	Proactively manage user experience with real time metrics
outcome	Contract extension; customer for 10+ years; new 5 year agreement; monitoring payment network	Contract expansion; customer for 25 years; contract consolidation; extended term; new capability	Land & expand; 'single pane of glass'; video transformation project; expansion
complexity simplified			

Blue Chip Customer Base

38 new customers added in FY20



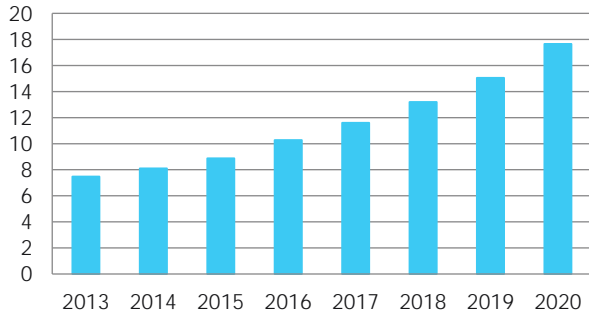
over \$3M new logo

Revenue Analysis - Geographic

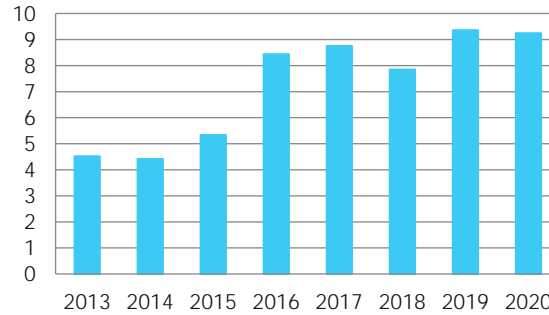
APAC consistent growth with solid ROW performance



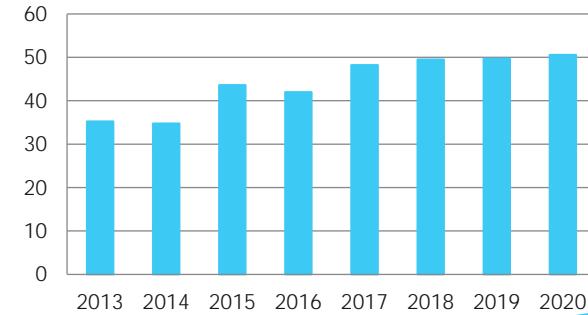
Asia Pacific Revenue A\$M



Europe Revenue £M



Americas Revenue US\$M



APAC achieved revenue growth of 17% with strong UC licence growth. Seven years of consecutive growth

Europe revenue declined by 1%; UC licence growth offset by lower Payments and Infrastructure (cyclical)

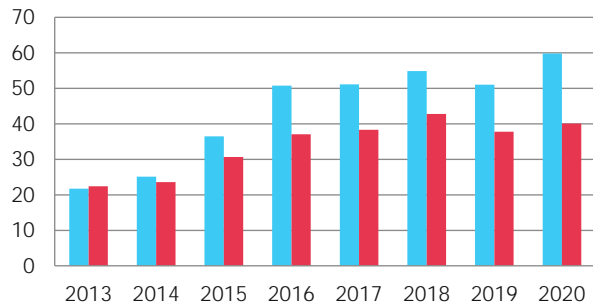
Americas momentum improved in 2H after slow 1H; 2H licence fees grew in all product lines; region breaks US\$50 million in revenue

Revenue Analysis - Product

Step change: remote working and cashless transactions



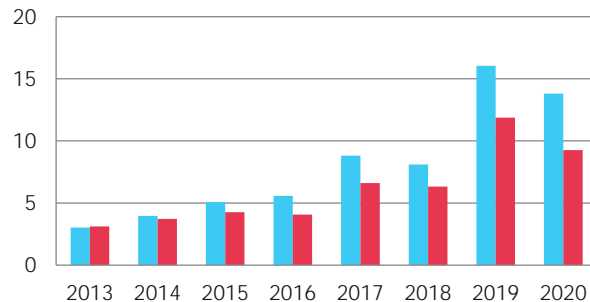
Unified Communications \$M



■ AUD ■ USD

Unified Communications achieved growth of 17% : strong renewal and capacity sales. 29 new customers; future driver: remote working

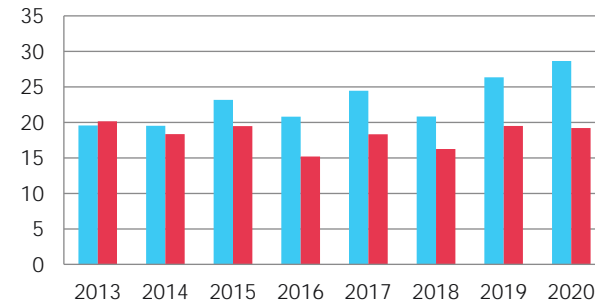
Payments \$M



■ AUD ■ USD

Payments declined by 14% (underlying base growing – see subscription slide). Nine new customers; future driver: increased cashless transactions

Infrastructure \$M



■ AUD ■ USD

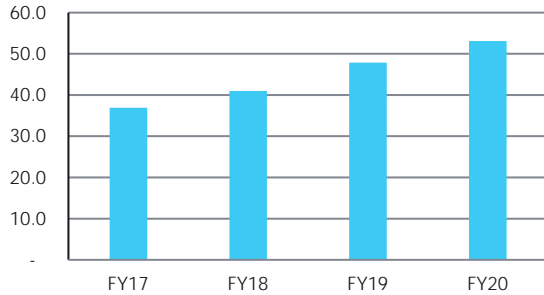
Infrastructure achieved growth of 9%: High margin product line with sticky customer base

Proforma Subscription Revenue*

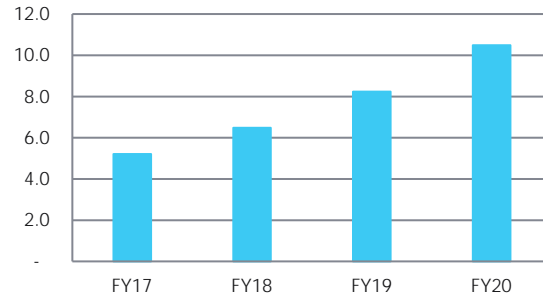
Subscription recurring revenue more than 80% of proforma total revenue



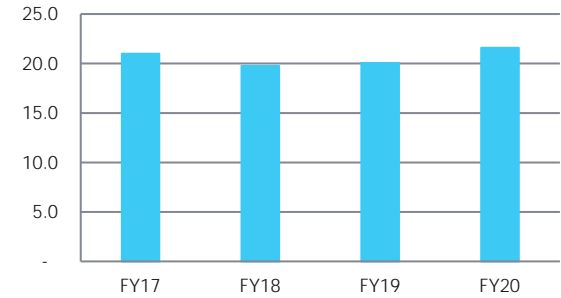
Unified Communication A\$M



Payments A\$M



Infrastructure A\$M



Unified Communications up 11%; three platforms served (Microsoft, Avaya and Cisco)

Payments up 27%; strong bookings fueling subscription growth

Infrastructure up 8%; High margin product line with sticky customer base

* - proforma subscription revenue is a non-statutory alternate view of revenue (unaudited); refer appendix for calculations

Results Summary

Another record year

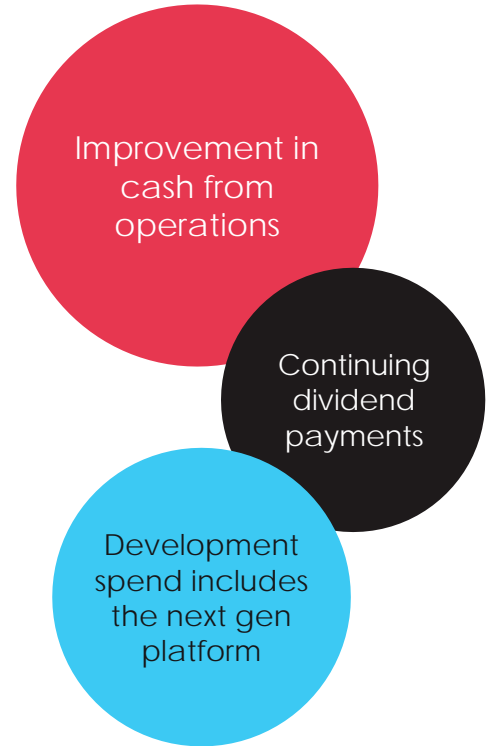
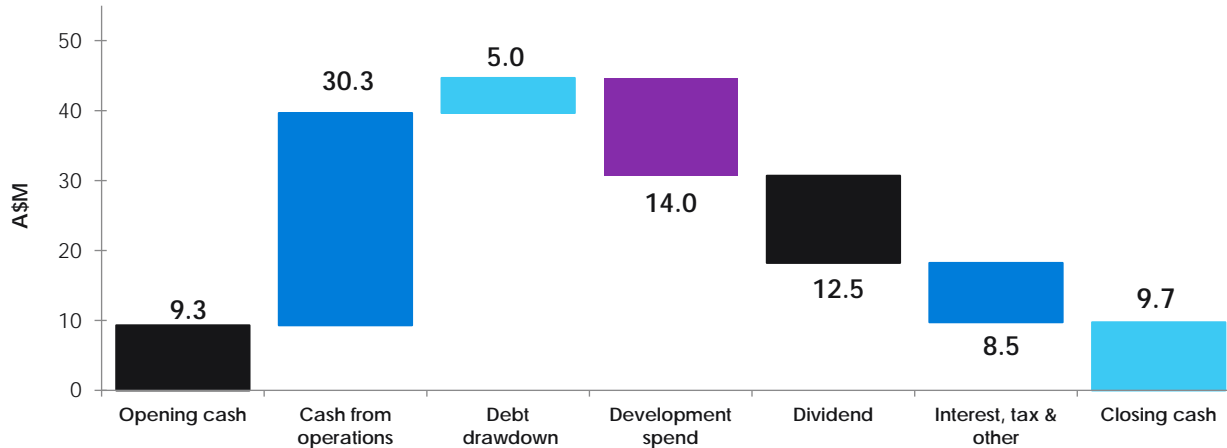


Year ending	Jun 2020 *	Jun 2019	% change
	A\$M	A\$M	A\$M
Total revenue	110.9	100.8	10%
EBITDA	42.9	40.2	7%
EBITDA margin	39%	40%	-1ppt
EBIT	30.9	28.9	7%
EBIT margin	28%	29%	-1ppt
Profit after tax	24.1	21.9	10%
Profit after tax margin	22%	22%	
Basic earning per share (cents)	14.0c	12.72c	10%
Dividend per share (cents)	7.25c	7.25c	
Return on equity	29%	31%	-2ppt
Revenue in constant currency	105.1	100.8	4%

* AASB 16 'Leases' standard adoption resulted in an increase in EBITDA of approximately \$2m

Net Cash Flow movement

Servicing innovation and return to shareholders



Balance Sheet

Well positioned to fund growth



Strong balance sheet – net cash \$4.7M

Trade receivables - strong source of future cash

New lease accounting standard - lease liabilities \$6.5M

	Jun 20	Jun 19
	A\$M	A\$M
Cash and cash equivalents	9.7	9.3
Trade and other receivables	87.3	72.8
Intangible Assets	29.1	23.1
Right-of-use Assets	6.4	-
All Other Assets	7.4	8.3
Total Assets	139.8	113.5
Trade and other liabilities	10.2	10.0
Borrowings	5.0	-
Provisions	4.6	3.9
Tax liabilities	8.6	7.5
Deferred revenue	22.3	22.3
Lease liabilities	6.5	-
Total liabilities	57.3	43.7
Net assets	82.5	69.8

R&D Strategy

Accelerate innovation and reduce time to market



IR invests 20% of revenue on R&D to drive sustainable growth



value

goal

Invest to maintain the base and bring new products to market

financial outcome

Revenue growth

scorecard

Improving

key deliverables

- New SaaS products
- Hybrid capability



velocity

Highly efficient (agile) development shop

Margin improvement

Improving

- Extend SaaS platform
- Reduce time to market for new products



quality

Ensure products are robust and reliable to enhance customer experience

Lower cost of support

High

- >95% satisfaction
- Reduce support queues

Evolution to Cloud

Hybrid cloud and SaaS opportunity for IR



Hybrid strategy validated

The Myth of the 100% Cloud: Many businesses are instead boosting on-premises workloads; Jim Rapoza – Aberdeen Group

Large enterprise customers are moving to hybrid cloud – workloads run in both on-premises and SaaS

Beta customers on new SaaS platform

Daily call volumes over 540k and more than 300k users

Platform supports new SaaS products; Payment Analytics, MS Teams & Zoom; it is the processing engine

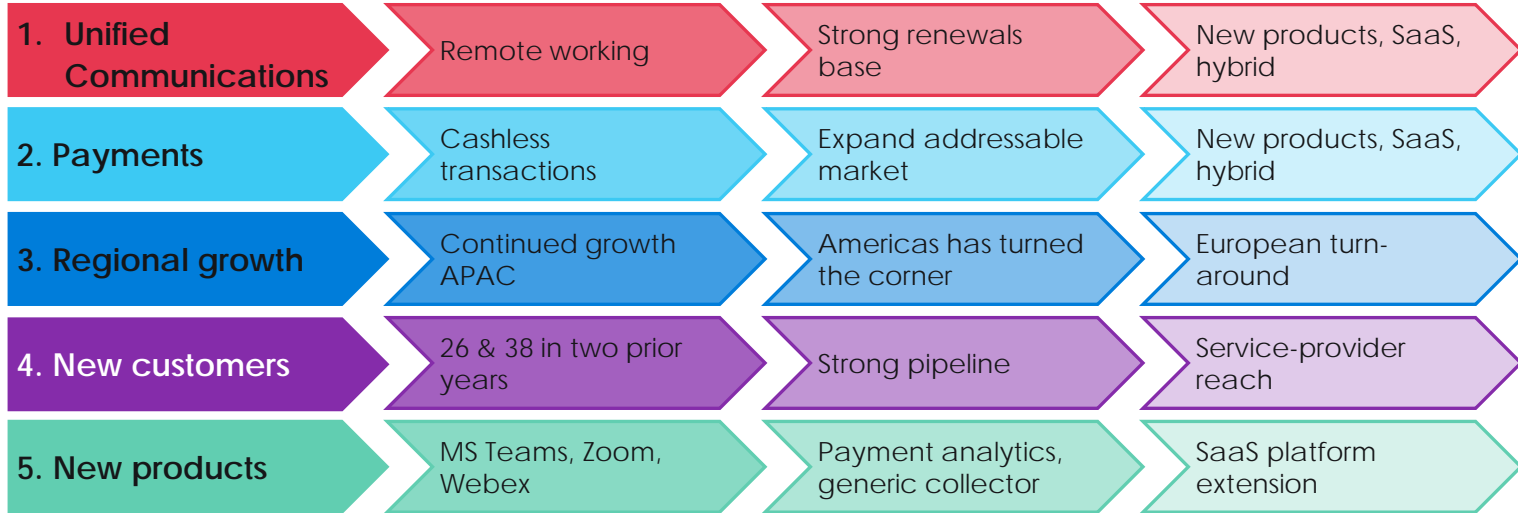
MS Teams & Zoom launching in H1

MS Teams 'daily active users' more than 75 million

MS Teams & Zoom API integration to monitor performance and call quality

Key Success Drivers

Leveraging long term structural growth trends



IR is well placed to capitalise on the step change in structural growth trends

Investment Summary

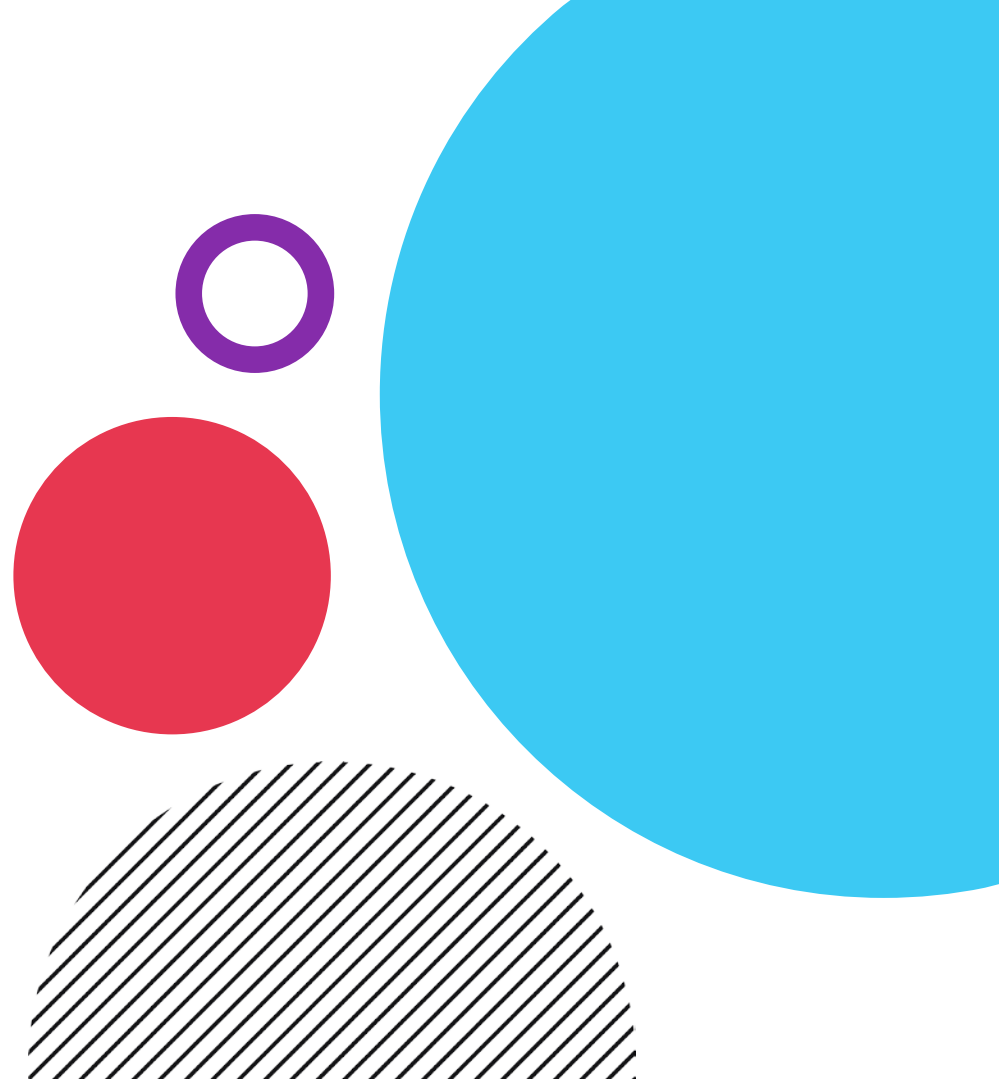
Driving sustainable long-term performance



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High Quality	Defensive	Growth	Strong Financial performance
Mission critical software	87% of revenues recurring in nature	Leveraged to structural growth in cloud-based solutions	11% Revenue CAGR since 2013
Broad base of Tier 1 customers	Long term contract with high retention rates	Long term growth in cashless payments and video comms	29% ROE with net cash to fund growth strategies

Appendix





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.

Why customers buy

Value Proposition

Prognosis end-to-end 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.

Why we succeed

Competitive Advantage

Prognosis is real-time scalable, extensible & flexible.
Prognosis supports multiple platforms, vendors and applications
IR has a significant enterprise global customer base
IR has >25% of the Fortune 500 as customers
IR has a world-class R&D capability

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		

Contracts with
multiyear duration

Top 10 customers account
for less than one-third of
total annual revenue

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

Proforma Subscription Revenue



Purpose:

To provide an alternate view of underlying performance by restating term licence and maintenance revenues on a recurring subscription basis

How:

- All licence sales from FY2012 to FY2020 were analysed for each region in their natural currencies (the historic analysis period)
- Perpetual deals have been reported separately in the year sold
- Subscription revenues have been calculated by aggregating amortised licence revenues with maintenance revenues for each product line
- Other revenue streams have been reported the same as the statutory accounts (e.g. professional services and testing services)
- A reconciliation of proforma subscription revenues and statutory revenue has been included below the analysis

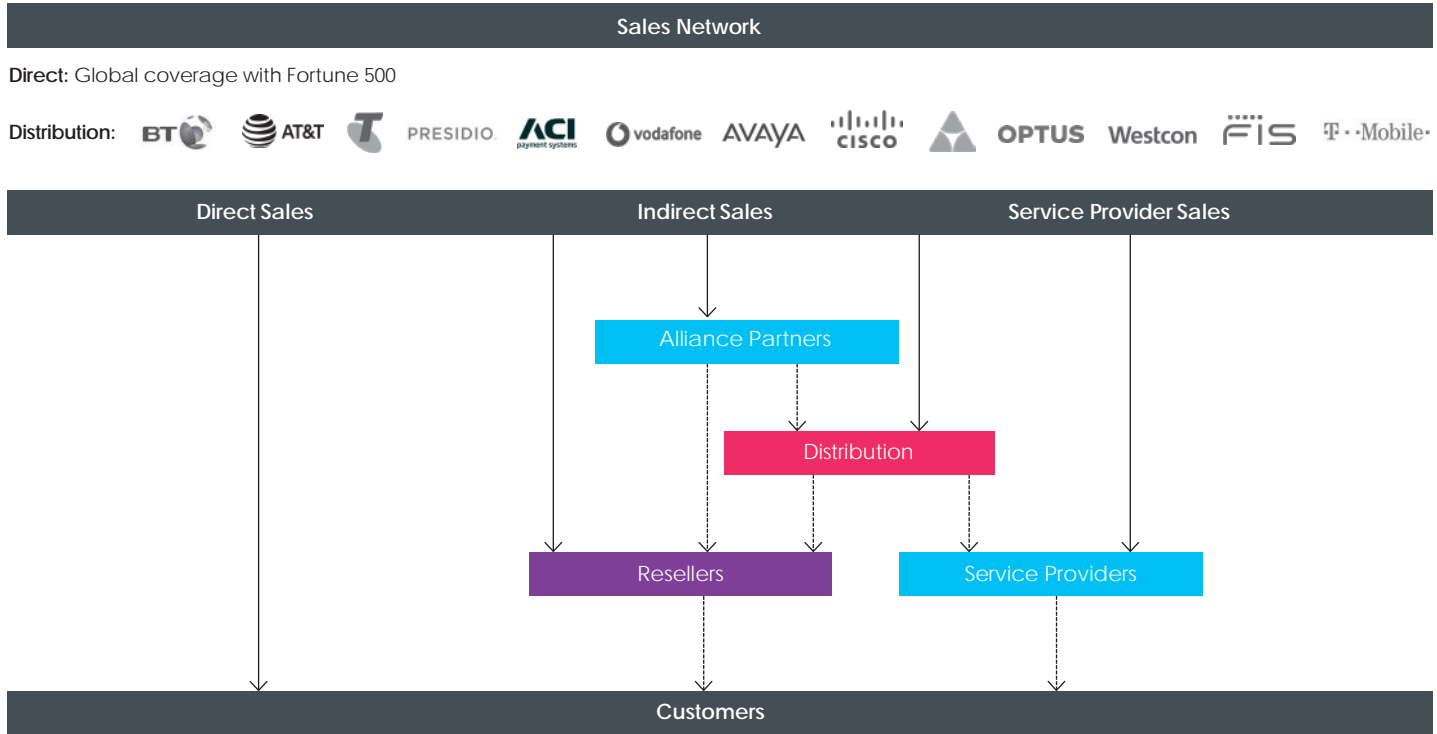
Proforma Subscription Revenue



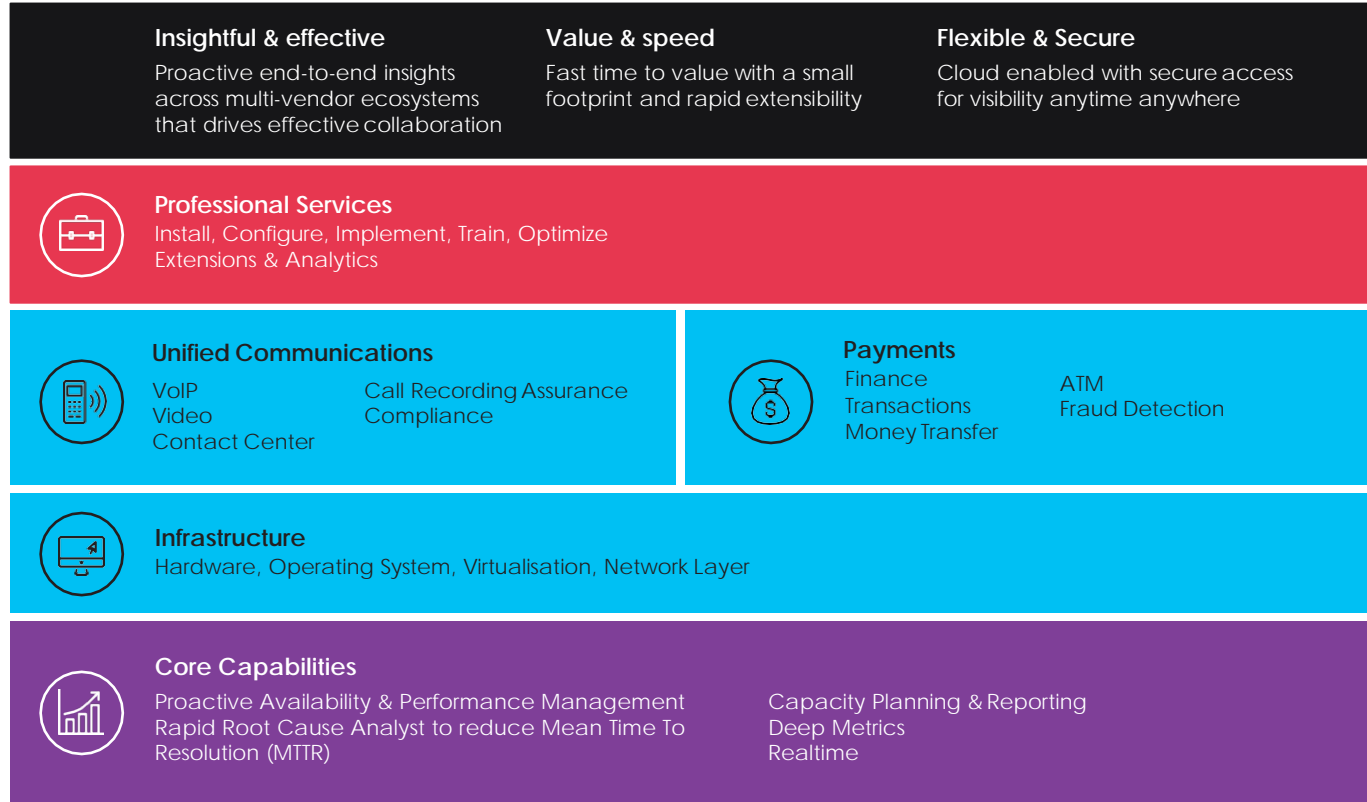
Annual revenue	FY17	FY18	FY19	FY20	FY17	FY18	FY19	FY20
	A\$M	A\$M	A\$M	A\$M				
Infrastructure	21.0	19.8	20.1	21.6	2%	-6%	1%	8%
Payments	5.2	6.5	8.2	10.5	12%	24%	27%	27%
Unified Communications	36.9	41.0	47.9	53.1	1%	11%	17%	11%
Subscription revenues	63.1	67.2	76.1	85.2	2%	6%	13%	12%
Perpetual sales	6.4	1.8	2.9	4.3	-34%	-72%	61%	52%
Testing Services	4.1	5.2	5.0	5.5	-5%	28%	-4%	11%
Professional Services	6.8	7.4	7.4	8.6	-8%	9%	0%	17%
Proforma revenue	80.4	81.6	91.4	103.7	-3%	1%	12%	13%
Statutory revenue	91.2	91.2	100.8	110.9	8%	0%	11%	10%
Reconciliation to Statutory Accounts								
Proforma revenue	80.4	81.6	91.4	103.7				
Deduct Amortised licence fees	(36.3)	(41.0)	(50.1)	(60.4)				
Add Licence fees recognised upfront	47.0	50.7	59.6	67.6				
Statutory revenue	91.2	91.2	100.8	110.9				

Multiple Channels to Market

Customer "High Touch" Model



Prognosis Solution Components



Supporting Enterprise Customers Evolution to Cloud

On-premise to Cloud – the hybrid journey



Leading vendor for on-premise UC, payments, and infrastructure management



Today 25% of UC deployments are cloud based, by 2023 this is forecast to be 37%*



Support on-premise, SaaS, and hybrid deployments which will be the majority for the next 5 years



Continue to maintain and protect blue chip on-premise customer base



Two solutions this fiscal year leveraging IR's next gen SaaS platform – payments & UC



IR will grow revenue with **NEW** value added offerings on the new SaaS platform

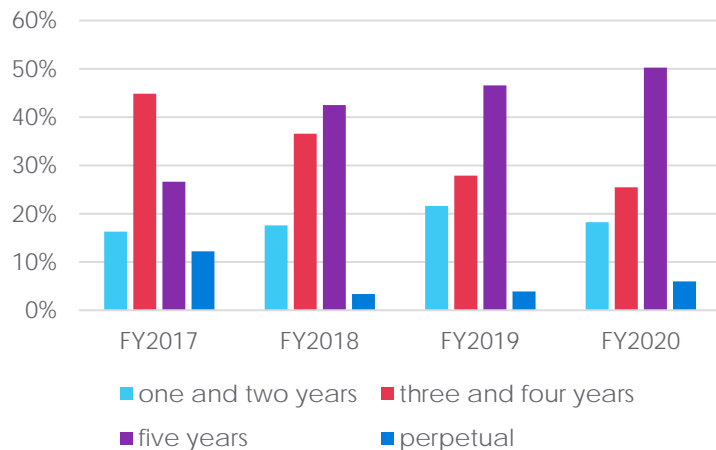


High Quality Revenues

Diversified contribution and risk spread



Licence fees by contract length



Major H2 deals across regions and product

Customer	Region	Product Group	Industry
JP Morgan	Americas	Pay't/Infra	Financial Services
NTT	Global	Unified Comms	Communications Service Provider
BT	Europe	Unified Comms	Communications Service Provider
Kiwi Bank	APAC	Payments	Financial Services

Contracts with multi-year duration

Maintenance retention rate: 93%

Cash Flow

Improved cash receipts from customers



Significant improvement in cash from operations

Continuing dividend payments

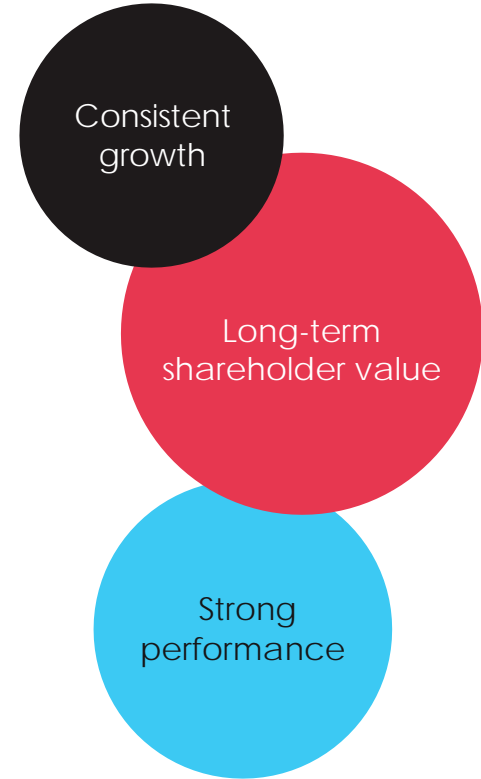
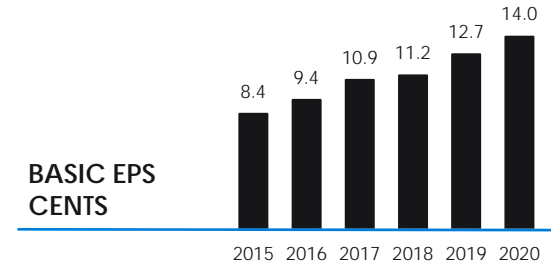
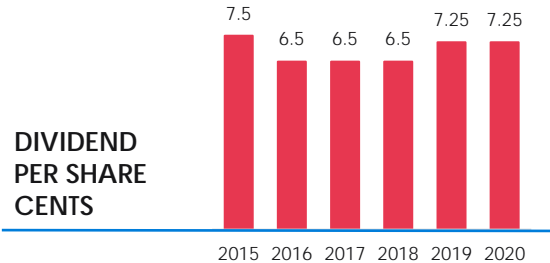
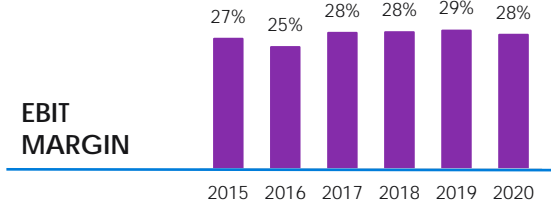
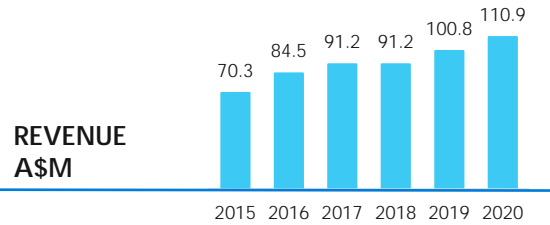
Accelerated investment in development

	Jun 20 *	Jun 19	Change
	A\$M	A\$M	
Cash flows from operating activities			
Cash receipts from customers ex debtor factoring	88.8	84.5	5%
Cash receipts from debtor factoring	7.6	5.0	52%
Cash receipts from customers	96.4	89.5	8%
Cash paid to suppliers and employees	(66.0)	(61.5)	7%
Cash generated from operations	30.3	27.9	8%
Income taxes paid	(6.2)	(6.7)	(8%)
Net cash from operating activities	24.2	21.2	14%
Net cash used in investing activities	(14.2)	(11.8)	21%
Net cash used in financing activities	(9.7)	(12.1)	(20%)
Net increase/ (decrease) in cash and cash equivalents	0.2	(2.6)	(108%)
Cash and cash equivalents at 1 July	9.3	11.2	(17%)
Effects of exchange rate changes on cash	0.2	0.7	(70%)
Cash and cash equivalents at 30 June	9.7	9.3	5%

* Cash outflow from leases of approximately \$2 million classified in financing activities as a result of adopting the new accounting standard on leases (AASB16); cash outflow from leases in the comparative column is classified in operating activities

Financial track record

Growth and return to shareholders



Financial Track Record (Annual results)



Annual Results (A\$M):	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	10 year CAGR
Licence fees	18.4	25.0	28.9	26.6	28.0	41.0	45.7	53.4	52.6	62.8	72.1	15%
Revenue	38.2	44.6	48.6	48.9	53.2	70.3	84.5	91.2	91.2	100.8	110.9	11%
EBIT	5.7	9.3	11.1	11.1	10.3	19.0	21.4	25.7	25.8	28.9	30.9	18%
EBIT margin	15%	21%	23%	23%	19%	27%	25%	28%	28%	29%	28%	
EBITDA	12.5	15.9	18.5	18.6	17.8	28.1	32.0	37.0	36.2	40.2	42.9	13%
EBITDA margin	33%	36%	38%	38%	33%	40%	38%	41%	40%	40%	39%	
NPAT	5.4	7.5	9.0	9.1	8.5	14.3	16.0	18.5	19.1	21.9	24.1	16%
NPAT margin	14%	17%	19%	19%	16%	20%	19%	20%	21%	22%	22%	
Earnings per share (cents)	3.24	4.47	5.41	5.40	5.03	8.41	9.42	10.86	11.19	12.72	14.00	16%
Total dividend per share (cents)	2.50	4.00	5.00	5.00	5.00	7.50	6.50	6.50	6.50	7.25	7.25	
Payout ratio	77%	89%	92%	93%	99%	89%	69%	60%	58%	57%	50%	
Return on equity	22%	27%	31%	30%	28%	39%	39%	38%	33%	31%	29%	
Growth rates:												
Licence	-13%	36%	15%	-8%	5%	46%	11%	17%	-2%	19%	15%	
Revenue	-11%	17%	9%	1%	9%	32%	20%	8%	0%	11%	10%	
EBIT	-39%	63%	19%	1%	-8%	85%	13%	20%	1%	12%	7%	
EBITDA	-17%	27%	17%	0%	-4%	58%	14%	16%	-2%	11%	7%	
NPAT	-31%	38%	21%	0%	-6%	68%	12%	16%	3%	14%	10%	