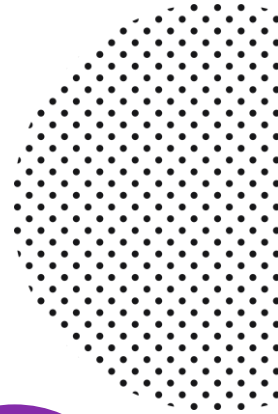




Integrated Research Limited (ASX:IRI) FY2023 Full Year Financial Results

25 August 2023

John Ruthven, CEO
Matthew Walton, CFO





We are IR

A leading global software company providing performance and experience management solutions for the world's mission critical ecosystems.

Real-time analytics, fast troubleshooting, dynamic alerts, comprehensive reporting and customizable dashboards delivers a seamless user experience across ...



collaborate

highly complex and expanding communications environments



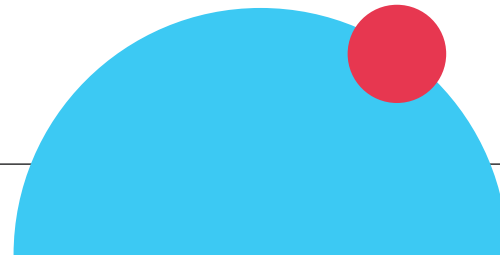
transact

increasingly complex and expanding global payments networks



infrastructure

business critical network infrastructure



Blue Chip Customer Base

Long-term, high value relationships based on mission critical solutions



Tech | Telco



5/10 top US telcos

BFSI



7/10 top US banks

Health | Gov | Edu



5/25 Fortune 500 top companies

Retail | Industrial | Other



5/20 largest Australian companies (market cap)

CEO Key Messages

Transition underway – building a stronger IR with an expanded product set to meet market demand

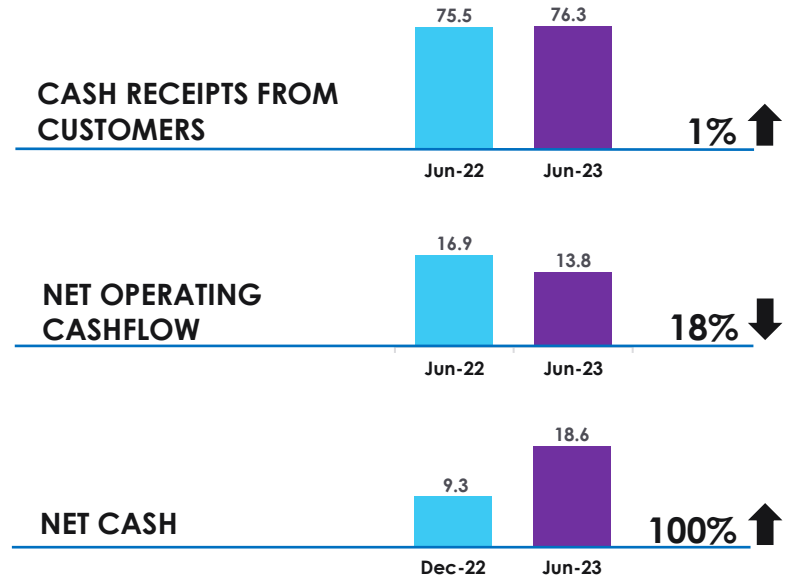
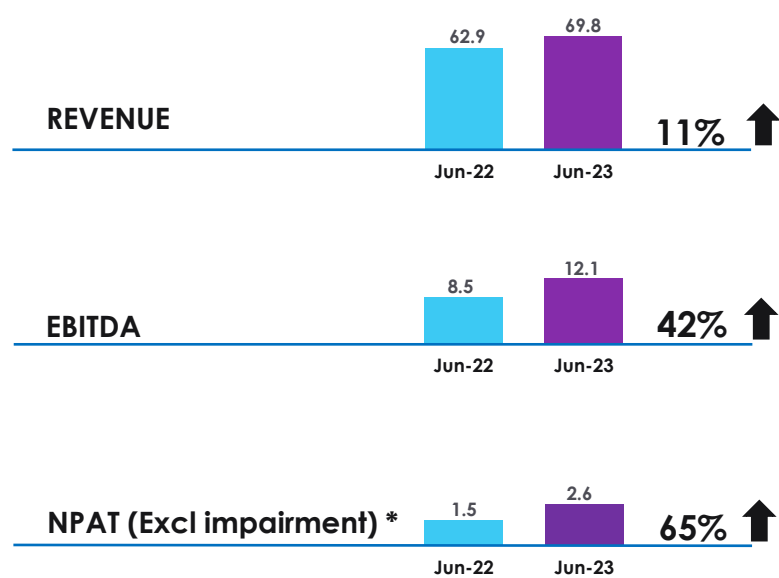


1. Improved FY23 performance across all geographies and products on stronger renewals cycle. Business is steady on new customer wins, however, execution challenges remain across Collaborate, Transact and Infrastructure business units.
 2. Research and Development expenditure to be streamlined. Focus on higher sales conversion for recently developed products.
 3. Cost base tightly managed to align with expected developments in the trading environment.
 4. Go-to-market strategy being refined. Execute stage of three-phase strategy continues.
 5. Cash at Bank up strongly to \$18.6m on improved cash collections. Lower cash balance expected in first half FY24 in line with seasonal movements.
 6. FY24 renewals book to exceed prior year skewed to second half and Collaborate product-line.
-



Full-Year Performance Review: Statutory (A\$M)

Strong TCV growth drives statutory revenue

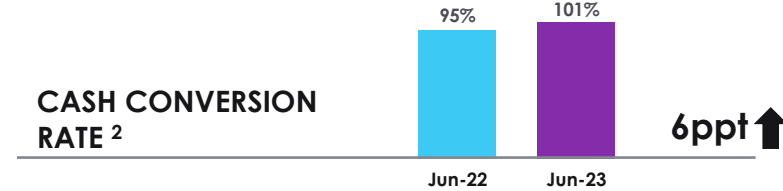
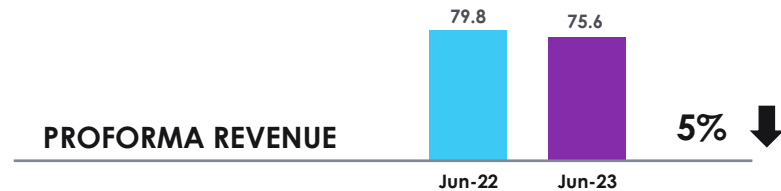
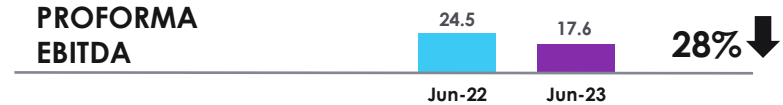
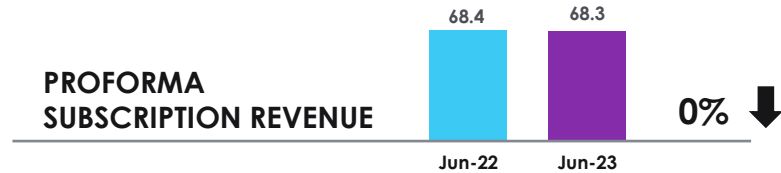
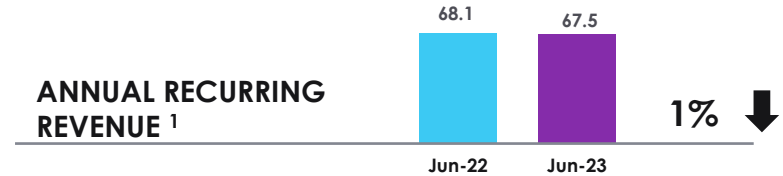
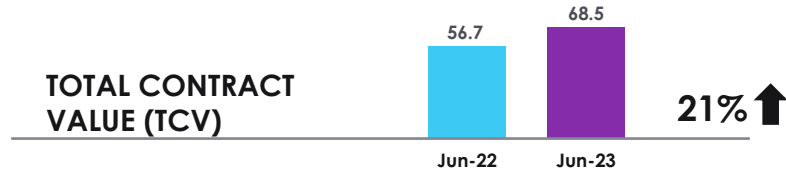


*NPAT excludes \$31.8m impairment of goodwill and intangible assets.



Full-Year Performance Review: Proforma (A\$M)

TCV is a sales indicator, together with ARR, of the future direction of key proforma metrics



Note: Proforma revenue is a non-statutory alternate view of term licence and maintenance revenue (unaudited); refer to appendix for calculations

1. ARR (Annual Recurring Revenue) means monthly recurring revenue as of 30th of June multiplied by 12

2. Cash conversion rate equals cash receipts divided by proforma revenue

FY23 Progress Report



Priority	Status	Notes
1. Returning the Americas and Europe to growth	on plan	<i>Europe TCV +18% on pcp, Americas TCV +5% pcp, underwritten by strong renewals</i>
2. Increasing new product adoption and traction	behind plan	<i>Percent of TCV from new products trailing plan;</i>
3. High customer retention and ongoing managed migration to cloud	behind plan	<i>Net revenue retention – strong in Transact & challenged in Collaborate; cloud migration traction slower than anticipated</i>
4. Launch of generation II products – building on the new SaaS products launched in FY22	reset	<i>Re-focused to customer-driven solutions & near-term opportunities; Cisco Webex, NonStop Business Insight, Genesys CC</i>
5. Retain a strong balance sheet	on-plan	<i>Balance sheet remains debt free, and cash balance at 30-JUN \$18.6M</i>

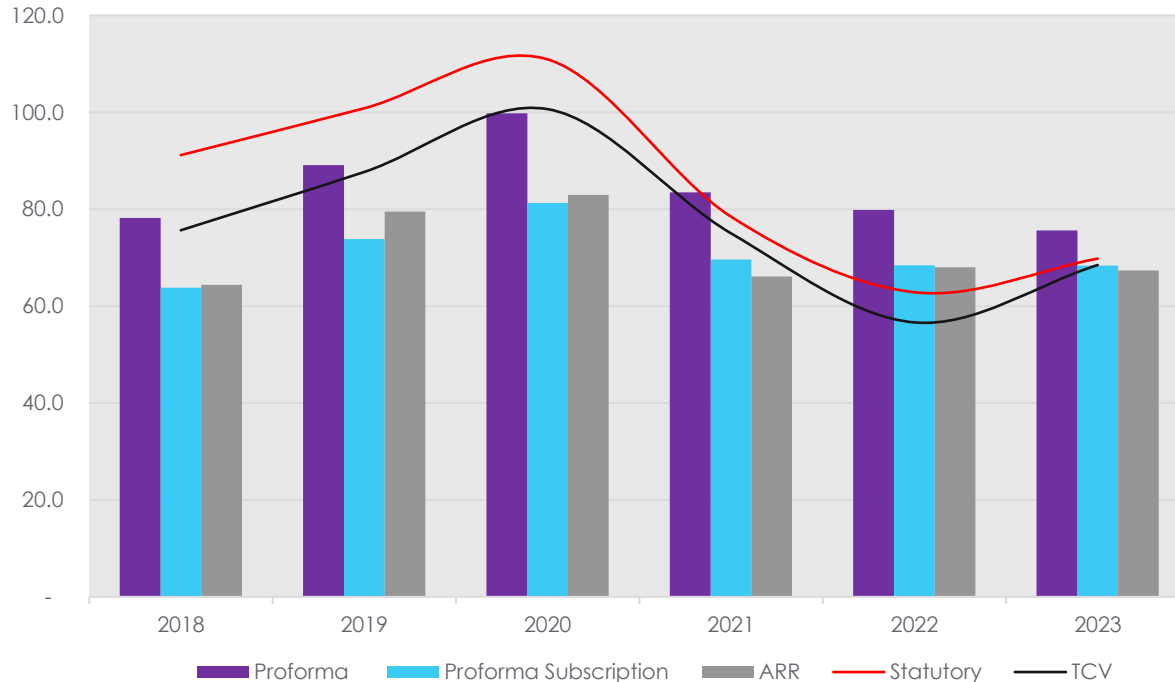


Financials



Revenue Analysis: TCV, Statutory, Proforma and ARR

TCV is a sales indicator, together with ARR, of the future direction of key proforma metrics



- Cloud related sales started in 2021, reason why TCV and statutory revenue gap narrowed from 2021
- Proforma revenue includes recurring and non-recurring revenue whilst proforma subscription reflects recurring revenues only
- 2023 decline in proforma revenue was mainly driven by lower services contribution (non-recurring)
- 2023 decline in ARR was driven by non-renewals in Collaborate

1. ARR (Annual Recurring Revenue) means monthly recurring revenue as of 30th of June multiplied by 12
2. TCV means Total Contract Value – refer to appendix for definition

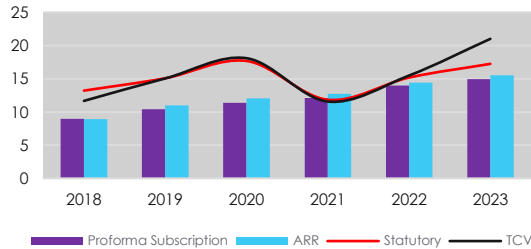
Geographic and Product Revenue Analysis

APAC and Transact show steady period on period growth

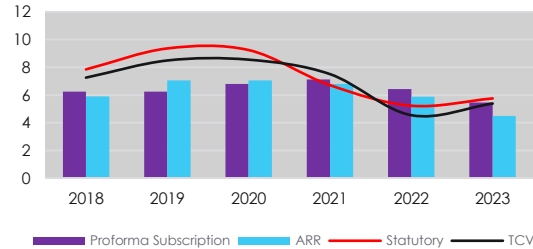


Geographic*

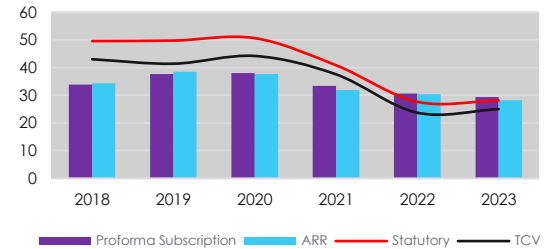
Asia Pacific revenue - A\$M



Europe revenue - £M

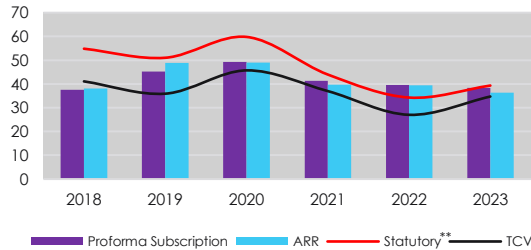


Americas - US\$M

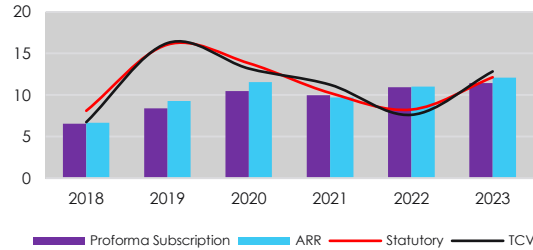


Product

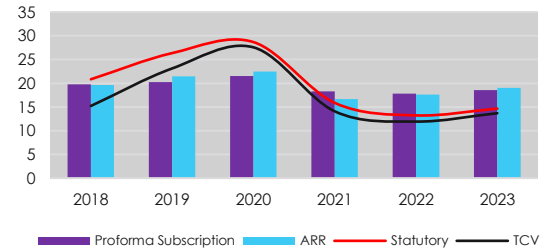
Collaborate A\$M



Transact A\$M



Infrastructure A\$M



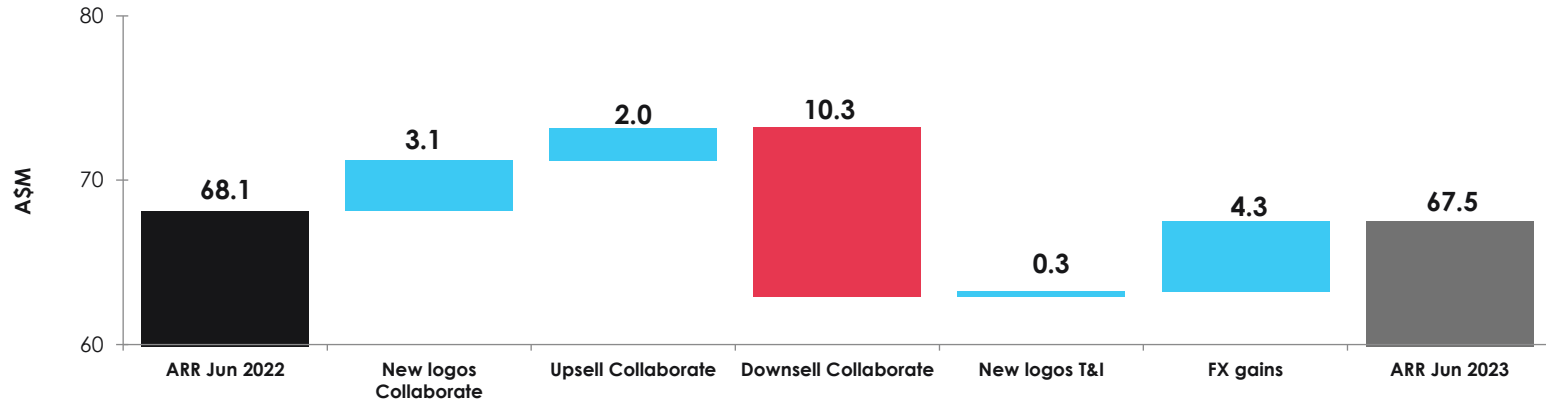
*TCV by geography excludes services

** Statutory revenue includes Testing services



Revenue Analysis: ARR Summary

Headwinds offsetting growth and tailwinds



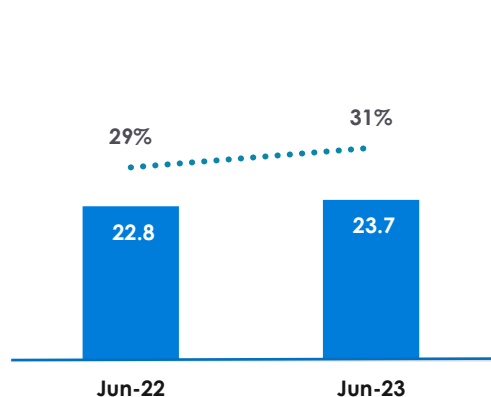
- Total ARR decline of 1% on pcp to \$67.5m
- FX translation benefit of 6%
- Collaborate down 8% - substantial churn across all geographies
- APAC leads among regions with wins exceeding losses
- Significant new logos for Collaborate were LANcom, Sutter Health and upsell - Cigna
- New logos for Transact and Infrastructure were Qatar Central Bank and Commercial Bank of Ethiopia

Operating Costs (ex Impairment)

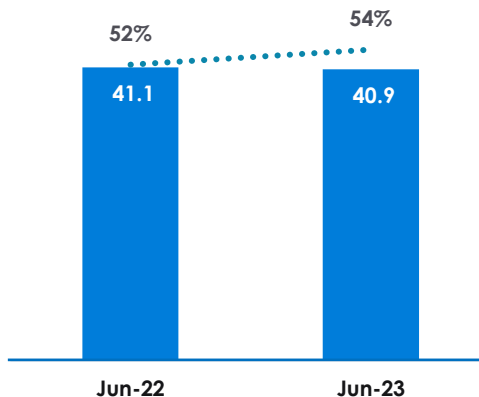
Cost control improved through FY23 containing increase to 2%



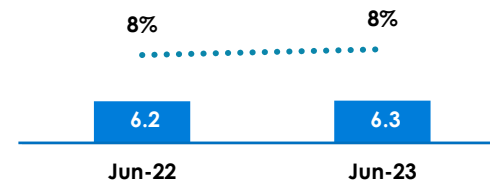
Product and Technology - A\$M



Sales and marketing - A\$M



General and administration - A\$M



■ Expenses % of proforma revenue

- Adopted a more balanced and disciplined approach to innovation investments aligned to value drivers;
- Costs went up as a result of lower capitalization of development expenses offset by headcount reduction.

- Sales & marketing spend reflect lower headcount versus prior period;
- Offset by increased travel with the return of customer face to face and marketing events.

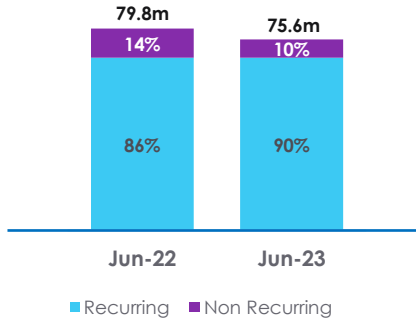
- Costs reflect increased staff retention and recruitment pressure partially offset by headcount reduction.



Full-Year Performance Review: Key Metrics

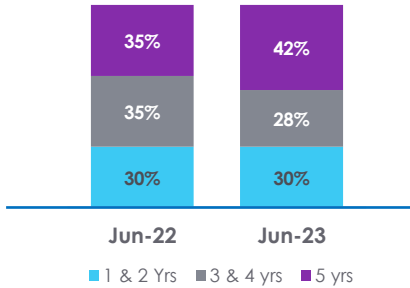
Recurring proforma subscription revenue >80%

Proforma Revenue



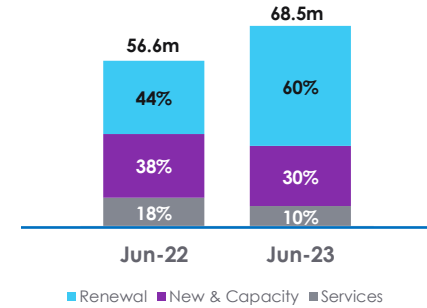
- >80% of total proforma revenue is recurring in nature (multi-year non cancellable licences and related maintenance)

Contract Life



- Average contract length from sales during the period increased from 2.6 years to 3 years with a balanced mix between Collaborate and Transact & Infrastructure contracts.

TCV Renewal & New

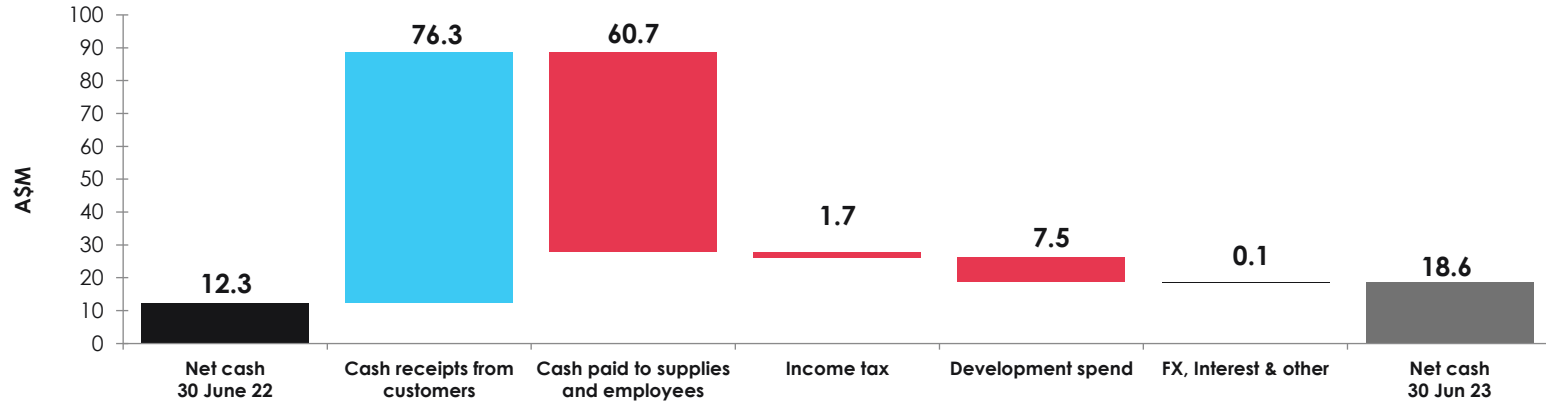


- Stronger contracts renewal period
- New business steady
- Lower attach rate in services



Net Cash Flow Analysis

Improved cash conversion - a timing issue



- Cash paid to employees, suppliers and invested in development reduced compared to last year

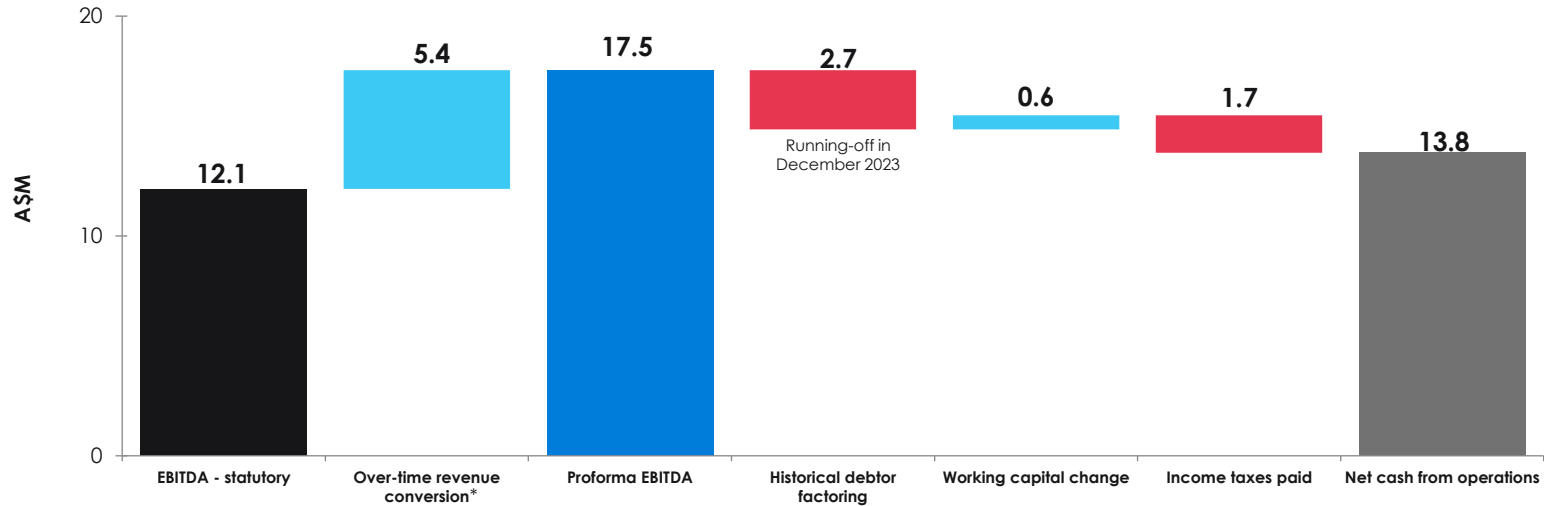
- Cash conversion rate has improved to 101% at the end of June 2023 thanks to collection of overdue receivables and reduction in DSO (Days Sales Outstanding) on current receivables

- Focus to improve cashflow from operations by reducing expenses and improving DSO



EBITDA Cash Flow Bridge

Debtor factoring in run-off and Working capital improvement



* Over-time revenue conversion deducts "upfront" licence fees and adds back the ("over-time") amortised licence component that relates to the reporting period. Commission costs associated with this timing difference are also adjusted to ensure revenues and expenses are matched to the correct reporting period.

Balance Sheet

Supporting self-funded organic growth



Strong balance sheet with net cash of \$18.6M and no debt carried forward.

Trade receivables: a strong source of future cashflow. High quality, low doubtful debt risk.

Improved net asset alignment with market capitalisation following \$31.8M impairment of goodwill and intangible assets.

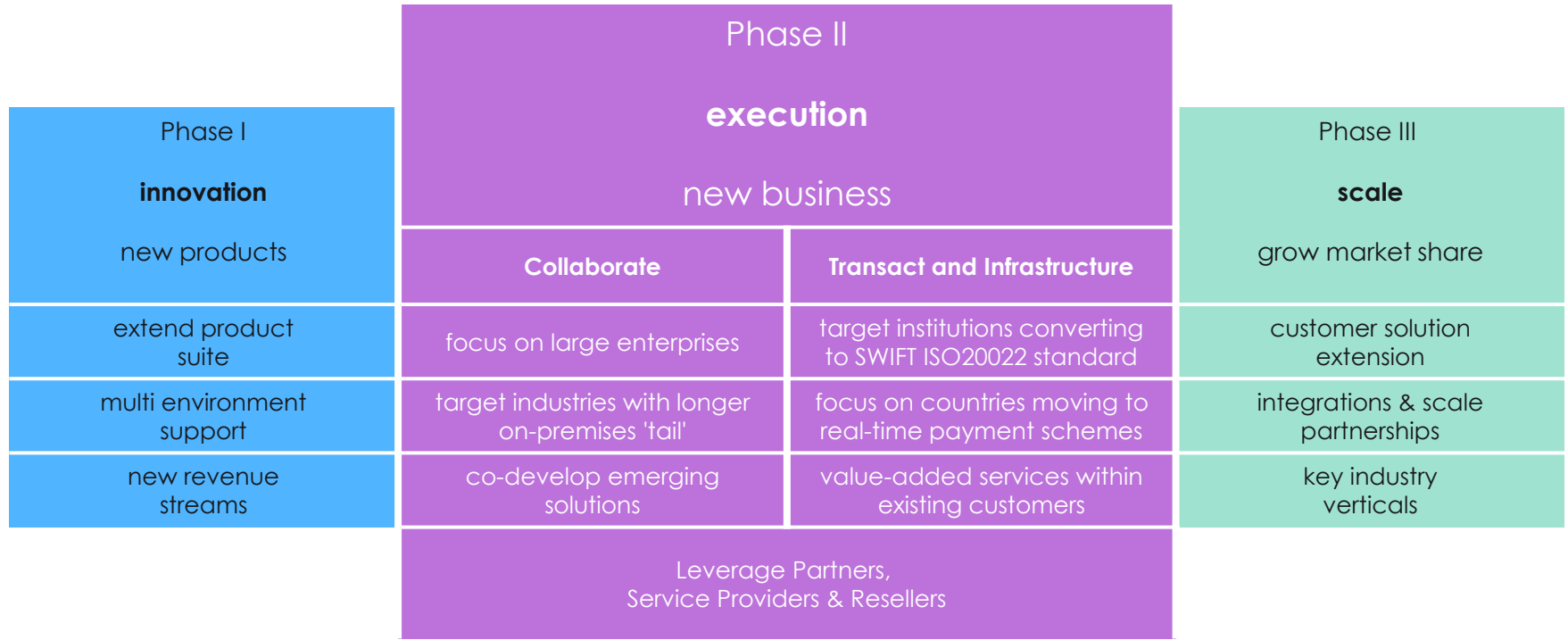
Period Ended (as at)	Jun 22	Jun 23	YoY
	A\$M	A\$M	
Cash and cash equivalents	12.3	18.6	50%
Trade and other receivables	68.8	63.5	(8%)
Intangible assets	31.3	0.0	(100%)
Right-of-use assets	4.4	0.0	(100%)
All other assets	7.6	7.7	2%
Total assets	124.4	89.7	(28%)
Trade and other liabilities	10.1	7.9	(22%)
Borrowings	0.0	0.0	-
Provisions	4.6	4.4	(4%)
Tax liabilities	2.5	0.4	(83%)
Deferred revenue	14.6	14.1	(4%)
Lease and other liabilities	5.5	3.1	(45%)
Total liabilities	37.3	29.8	(20%)
Net assets	87.1	59.9	(31%)



Strategy & Product

Product strategy

Execution phase extended



Collaborate – Strategy & Roadmap



	Strategy	Drivers	Challenges	Addressing challenges
Customers	<ul style="list-style-type: none"> – Customer success – Renewal yield – Upsell seats – Upsell new products – Migration assurance 	<p>High single digit growth in Collaboration market</p> <p>Clients transitioning to hybrid collaboration environment</p>	<p>Cloud-based vendors limiting API access to data</p> <p>Cloud-based vendor tools proving competitive in less complex deployment models</p>	<ul style="list-style-type: none"> – GTM re-focused on large multi-vendor customers & prospects – Product roadmap investment on vendor differentiation [value beyond the vendor] – Customer migration assurance and vendor co-sell
Prospects	<ul style="list-style-type: none"> – >25k user customers – Multi-vendor MSP's – Demand generation; <ul style="list-style-type: none"> o Trade shows o Face to face o Partner referrals 	<p>Increased complexity drives demand</p> <p>Increasing user expectations</p>	<p>Customers looking for new data points to assure user experience</p>	
Product	<ul style="list-style-type: none"> – Maintain & extend the 'core' – Invest in user experience – Customer co-development 	<p>Multiple work environments - work from anywhere</p>	<p>Customers moving away from on-premises infrastructure</p>	
Partners	<ul style="list-style-type: none"> – Expand / extend partnerships – Partner co-development – Vendor co-sell 			

Transact & Infrastructure – Strategy & Roadmap



	Strategy	Drivers	Challenges	Addressing challenges
Customers	<ul style="list-style-type: none"> – Customer success – Renewal yield – Upsell capacity – Upsell new products 	<p>Double digit market growth</p> <p>Structural market change</p>	<p>Customer inertia - slow to adopt new products</p> <p>New markets evolving slowly</p>	<p>Re-balanced GTM across customers and new prospects</p> <p>Targeted co-development with customers</p>
Prospects	<ul style="list-style-type: none"> – Large Financial Institutions & Retailers – Processors & new schemes – Developing Markets 	<p>Expanding payment types and channels</p> <p>Increasing complexity</p> <p>New payment schemes</p>	<p>Customers migrating off NonStop</p> <p>Customer journey to Cloud is inconsistent</p>	<p>Broadening monitoring strategy – ecosystem play</p>
Product	<ul style="list-style-type: none"> – Extend the 'core' – New products; <ul style="list-style-type: none"> o High Value Payments o Real Time Payments o Business Insights 	<p>Increasing user expectations</p> <p>Data driven decision making</p>	<p>Vendor alignment on priorities</p> <p>Competition is evolving</p>	<p>Align to customer journey – leverage the on-premise 'long-tail'</p> <p>Enhance customer product footprint with upsell of 'new'</p>
Partners	<ul style="list-style-type: none"> – Expand / extend partnerships – Product co-development – Vendor co-sell 	<p>ISO 20022 compliance</p>		<p>Expand and extend vendor partnerships</p>

Collaborate Customer Wins

Providing assurance for the mission critical services of our customers



Sutter Health (USA)	Cigna Healthcare (USA)	LANcom (Taiwan)
3-year term	3-year term	5-year term
New customer	Renewal & expansion	New customer [service provider]
53,000 users	135,000 users	250,000
Solution: Complete Cisco portfolio and Microsoft Teams	Solution: Full suite of IR's Collaborate products	Solution: Monitoring for all Cisco modules including enterprise, room and contact center solutions
Customer challenge: Sutter Health has a complex multi-vendor environment with various Microsoft and Cisco products. They lack end-to-end visibility of their Cisco Video Device, Room and Network endpoints. End Of Life solution (PCA) made it even more time critical to find an alternate offering that addresses day-to-day challenges.	Customer challenge: Cigna Healthcare is migrating from legacy platforms to Cisco. The requirement was a product that could help them, during migration and beyond, to efficiently run their operations.	Customer challenge: LANcom needed a single solution to support its customer base that use many different collaboration products in order to provide more value and drive better outcomes.
IR solution: IR's Collaborate product suite provides end-to-end visibility of the multi-vendor ecosystem in one product.	IR solution: IR's Collaborate product suite provides Cigna Healthcare complete migration assurance without disruption and more insights to allow their business to run efficiently post-migration.	IR solution: IR's Collaborate product suite provides LANcom's operations teams with tools to monitor their Cisco customer base and provides pro-active alerting, trouble-shooting & resolution.

Transact Customer Wins

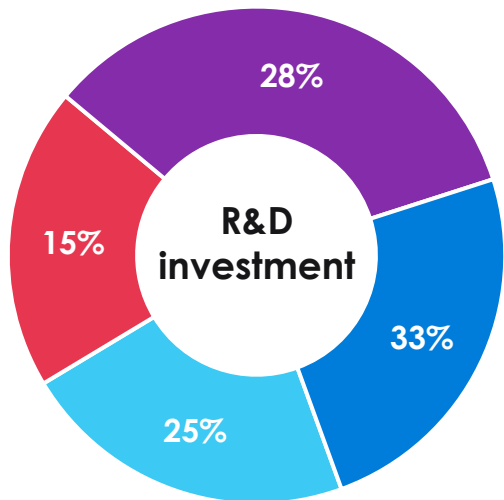
Ensuring reliability in today's complex payments environments



Qatar Central Bank	Evertec, Inc.
Middle East	Central America
5-year term	5-year term
New customer	Renewal
Solution: Transact and Infrastructure	Solution: Transact and Infrastructure
Customer challenge: The central bank is modernising its payments platforms, introducing new payment types and leveraging more payment services. The customer is seeking a single holistic monitoring solution.	Customer challenge: The Company manages a system of electronic payment networks that processes more than 2.5 billion transactions annually. The company needed visibility to their full-service transaction processing business for themselves and their customers. This involved merchant acquiring, payment processing and business solutions services.
IR solution: Our Cards Plus, Real-Time and NonStop solutions are being used in a single deployment to provide the customer with rapid notification of networking problems, so that scheme partners can be advised before customer escalations.	IR solution: Our Transact-Cards and Infrastructure-NonStop solutions are being used to monitor the payment processing environment and their use gives visibility to the processor's customers that include the largest banks in this region of the world.

Innovation - Investment FY23

FY24 focus on customer driven solutions for near term opportunities



■ Cloud Collaborate ■ Cloud Transact ■ Cloud Platform ■ On-prem

FY23
R&D spend
\$7.5M*

FY24
innovation
budget
reduced by
~50%

67% of
spend on
SaaS/Hybrid
based
products and
platform

* Per cashflow statement for FY23



FY24 Key Priorities and Outlook

FY24 Key Priorities



Markets – continue growth momentum in the Americas and Europe



New customers – win more new business and grow product footprint



Existing customers – improve customer retention and renewal yield



Product innovation – collaborate with customers to reduce development cycles and validate use cases



Financial – increase profitability and retain a strong balance sheet

FY24 Observations



Having commenced FY24, Integrated Research makes the following observations regarding the current trading year:

- Customer sentiment appears to have normalised to pre-COVID levels. Customer budgets not presently impacted by current economic conditions, reinforcing the cautious optimism around business growth.
- Renewals book to exceed the prior year and to be weighted towards H2 FY24. Renewals skewed towards Collaborate clients.
- Collaborate churn expected to persist as clients migrate to a full SaaS environment.
- Current new business & upsell pipeline flat on pcp, weighted to Collaborate. Focus on targeting larger enterprise customers across all products and geographies.
- TCV growth expected in all geographic regions, with stronger growth in the Americas and Europe. Asia Pacific growth to be moderate.
- Year-end cash balance expected to be higher, assisted by increased sales, reset cost base, and focused receivables collections program.

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All dollar values are in Australian Dollars (A\$) unless stated otherwise. All financial information is presented in respect of the year ended 30 June 2022 unless stated otherwise. The presentation contains certain non-IFRS financial measures that IRI believes is relevant and appropriate to understanding its business. The presentation uses proforma subscription revenue, which is used consistently without bias year on year for comparability and to present a clear view of underlying results. The basis of preparation and a reconciliation to statutory results is provided in the appendix to this presentation. A number of figures, amounts and percentages in the presentation are subject to the effect of rounding.

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Appendix

Annual Recurring Revenue - Analysis



All Products	APAC AUD	Americas USD	Europe GBP	Consolidated AUD	Growth
Opening ARR	14.4	30.3	5.9	68.1	
FX gain/(loss)				4.3	6%
New logos	1.9	0.9	0.1	3.5	5%
Upsell	0.1	1.2	0.0	2.0	3%
Downsell	(0.9)	(4.3)	(1.5)	(10.3)	-15%
Closing ARR	15.5	28.2	4.5	67.5	-1%

Collaborate	APAC AUD	Americas USD	Europe GBP	Consolidated AUD	YoY
Opening ARR	6.5	17.8	4.0	39.4	
FX				2.1	5%
New logos	1.7	0.9	0.0	3.1	8%
Upsell	0.1	1.2	0.0	2.0	5%
Downsell	(1.2)	(3.9)	(1.6)	(10.3)	-26%
Closing ARR	7.1	16.0	2.4	36.3	-8%

T&I	APAC AUD	Americas USD	Europe GBP	Consolidated AUD	YoY
Opening ARR	7.9	12.5	1.9	28.6	
FX				2.2	8%
New logos	0.2	0.0	0.1	0.3	1%
Upsell/(Downsell)	0.2	(0.4)	0.2	0.1	0%
Closing ARR	8.3	12.2	2.1	31.2	9%

- Overall FX tailwind of 6%.
- APAC the only region with wins exceeding losses.
- Significant Collaborate headwinds with losses double the wins.
- T&I wins marginally exceed losses.

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 FY2023 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 revenues and statutory revenue has been included for the reporting period
-

Full Year proforma subscription revenue

Reconciliation of statutory to proforma revenue



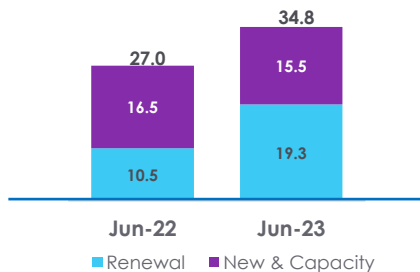
Interim revenue	2020	2021	2022	2023	2020	2021	2022	2023
	A\$M	A\$M	A\$M	A\$M				
Infrastructure	21.5	18.3	17.8	18.6	6%	-15%	-2%	4%
Transact	10.5	10.0	10.9	11.5	25%	-5%	10%	5%
Collaborate	49.3	41.4	39.6	38.3	9%	-16%	-4%	-3%
Proforma subscription revenue	81.3	69.6	68.4	68.3	10%	-14%	-2%	0%
Perpetual sales	4.3	1.2	0.6	0.3	51%	-73%	-53%	-48%
Testing Services	5.5	4.3	3.8	3.3	11%	-22%	-11%	-13%
Professional Services	8.6	8.4	7.1	3.7	17%	-3%	-16%	-48%
Proforma revenue	99.8	83.5	79.8	75.6	12%	-16%	-4%	-5%
Statutory revenue	110.9	78.5	62.9	69.8	10%	-29%	-20%	11%
Reconciliation to Statutory Accounts:								
Proforma revenue	99.8	83.5	79.8	75.6				
Deduct Amortised licence fees	(56.5)	(51.2)	(51.9)	(51.1)				
Add license fees recognised upfront	67.6	46.2	34.9	45.3				
Statutory revenue	110.9	78.5	62.9	69.8				

Product TCV

Strong renewals across all products, steady new business



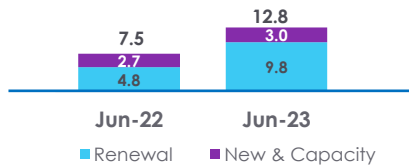
Collaborate – A\$M



Collaborate, up 29%:

- Strong renewals period
- Collaborate added 20 new customers, the main driver for new & capacity

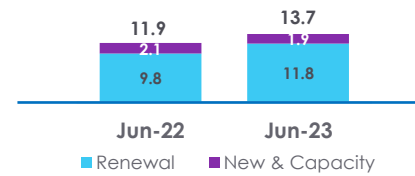
Transact – A\$M



Transact, up 69%:

- Large deals renewed across all regions
- New & capacity mainly driven by upsell to existing customers

Infrastructure – A\$M



Infrastructure, up 15%:

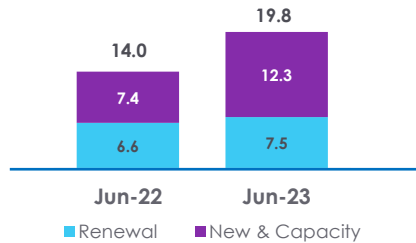
- Large deals renewed across all regions
- New & capacity driven by upsell to existing customers



Product TCV by Geography

Growth across all regions

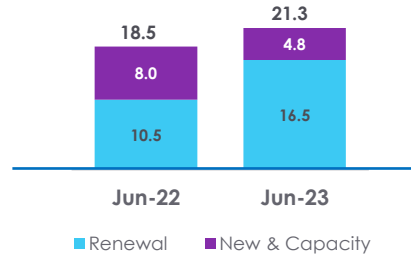
APAC – A\$M



APAC, up 40%:

- Growth mainly in Collaborate
- Healthy renewals and new business in Collaborate
- Added 10 new customers

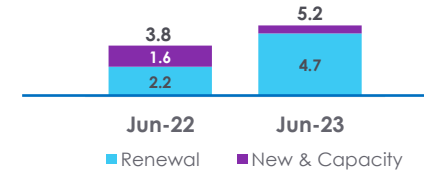
Americas – US\$M



Americas, up 15%:

- Large contracts renewed across all product lines
- Added 14 new customers

Europe - £M



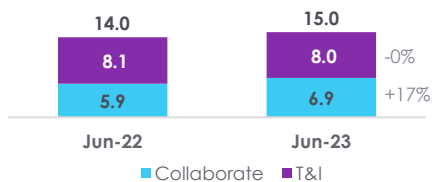
Europe, up 37%:

- Large contracts renewed across all product lines
- No new customers

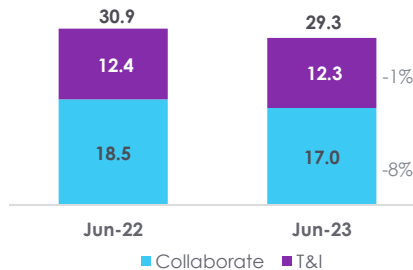
Proforma Subscription Revenue



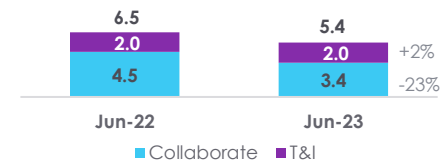
APAC – A\$M



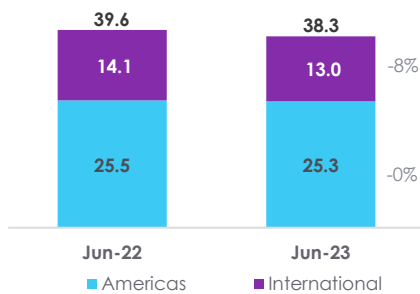
Americas – US\$M



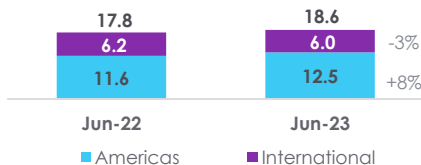
Europe - £M



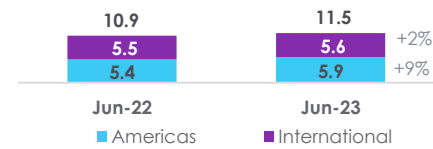
Collaborate – A\$M



Infrastructure – A\$M



Transact – A\$M



Note: Proforma subscription revenue is a non-statutory alternate view of term licence and maintenance revenue (unaudited); refer to appendix for calculations

Glossary



Annual Recurring Revenue (ARR)	equals to the monthly recurring revenue at the end of the period multiplied by 12.
Cash conversion rate	equals cash receipts divided by proforma revenue.
Customer retention	equals the opening customer count for the reporting period less customers who are deemed to cease purchasing from IR in the reporting period; this total is then divided by the opening balance and presented in percentage terms.
Proforma subscription revenue	provides an alternate view of underlying performance by restating term licence on a recurring subscription basis (i.e., over time) plus other recurring revenues such as maintenance fees and cloud services. Note: the current statutory model recognises licence fee revenue upfront at the commencement of the contract.
Net revenue retention	equals recurring revenue generated from existing customers over a set period.
Proforma revenue	equals proforma subscription revenue <u>plus</u> other non-recurring revenue streams such as perpetual licence fees, professional services and one-time through testing services
Total Contract Value (TCV)	means the total value of a revenue generating contract written in the period of performance less any residual value from a previous related contract. The value includes software licence and related maintenance, cloud, testing and consulting services bookings.
Capacity sell	existing products sold to existing customers due to increase in usage, sometimes referred to as upsell.
