Integrated Research Limited (ASX:IRI)
FY2024 Full Year Financial Results

20 August 2024

John Ruthven, CEO
Christian Shaw, 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

Global Blue Chip Customer Base

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

Tech | Telco	BFSI	Health | Gov | Edu	Retail | Industrial | Other
BT, CDW, Lancom Technology, Dell, Optus, Verizon, Netenrich, T Mobile, Cisco, AT&T, Hawaiian Telcom, NTT, du, Lumen, HCL	Mastercard, Visa, ANZ, American Express, SBI, Bank of America, globalpayments, J.P.Morgan, NBK, ING, citibank, worldpay, barclaycard, Westpac, BNY Mellon, standard chartered, Bajaj Finserv, usbank, HSBC, FIS, Scotiabank, faysalbank, BancoEstado, TSYS, fiserv, First Data	Cigna, NYPD, Prisma Health, Banner Health, Keck School of Medicine of USC, United States Army, Humana, TGH Tampa General Hospital, Defense Information Systems Agency, Crown Prince Court, Texas Tech University, CoxHealth, UI Health, Tufts Health Plan	Bloomberg, General Mills, bp, Peckham, The Home Depot, coles, AutoZone, Colossal Contracting, Target, Woolworths, Marriott International, Airbus, Boeing, Prisma medios de pago, CAA
5/10 top telcos	**6/10 top USA banks**	**5/25 Fortune 500 top companies**	**5/20 largest Australian companies** (market cap)

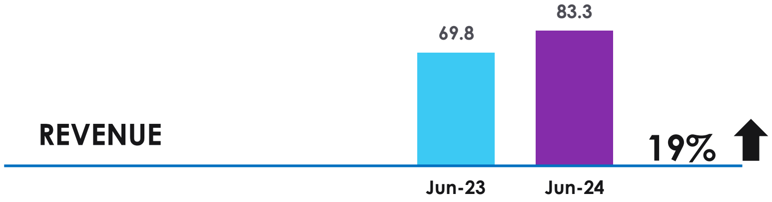
CEO Key Messages

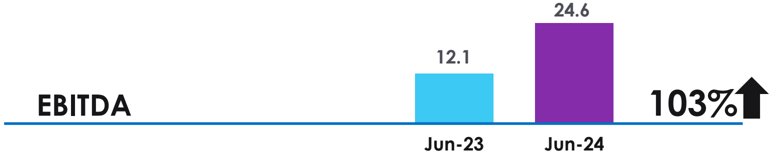
Building a stronger IR with an expanded product set to meet market demand

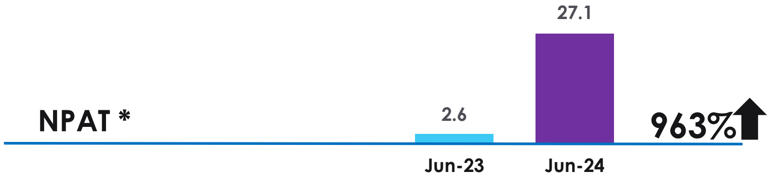
- Strong revenue growth, profit result with robust cash generation
- Americas delivered strong growth with Collaborate new wins partially off-setting headwinds
- Cost base being tightly managed, operating efficiencies continue
- Strategic shift to product and technology led growth underway
- Timing is right for new leadership and CEO transition
- FY25 strategy will focus on initiatives to optimise performance of existing business and redirect resources and capital to new growth opportunities

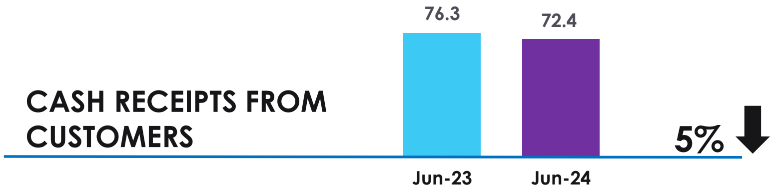
Full-Year Performance Review: Statutory (A$M)

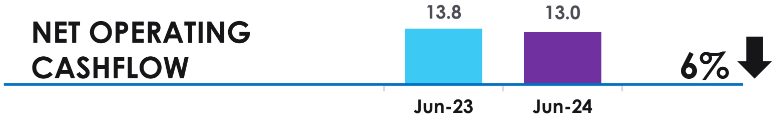
Improving market dynamics and prudent cost management drives profits

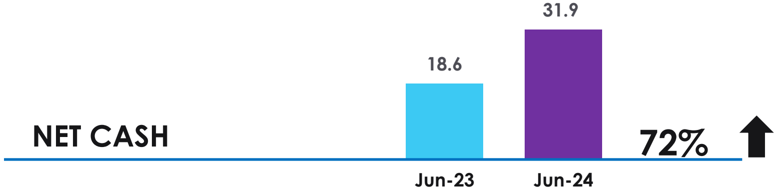










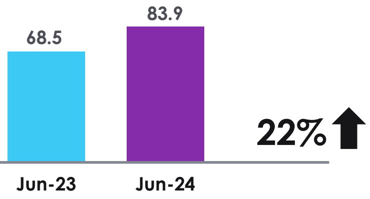


*Jun-23 NPAT excludes $31.8M impairment of goodwill and intangible assets

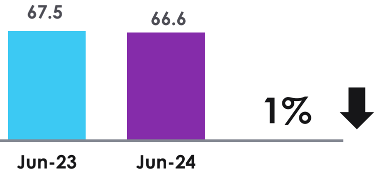
Full-Year Performance Review: Proforma (A$M)

Strong year for renewals

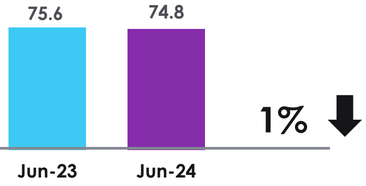
TOTAL CONTRACT VALUE (TCV)



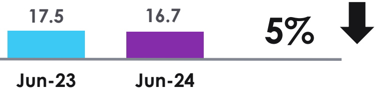
ANNUAL RECURRING REVENUE [1]



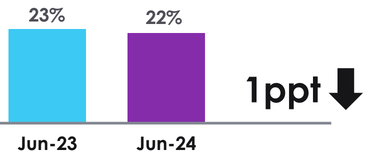
PROFORMA REVENUE



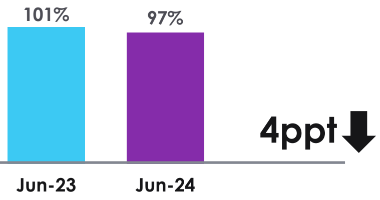
PROFORMA EBITDA



EBITDA MARGIN



CASH CONVERSION RATE [2]



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

Executive Summary FY24 Report

Priority	*Status*	*Notes*
1. Returning the Americas and Europe to growth	on plan	*Americas TCV up ~50% and Europe TCV up ~30%; underwritten by strong renewals and new business in the Americas*
2. Increasing new product adoption and traction	behind plan	*Percent of TCV from new products trailing plan*
3. High customer retention and ongoing managed migration to cloud	mixed	*Net revenue retention 96% – strong in Transact & challenged in Collaborate; enterprise customers adopting hybrid*
4. Launch of generation II products – building on the new SaaS products launched in FY22	reset	*Re-focused to customer-driven solutions & near-term opportunities; Cisco Webex, NonStop Business Insight, Genesys CC*
5. Retain a strong balance sheet	on-plan	*Balance sheet remains debt free, and cash balance at 30-JUN $31.9M*

Collaborate Customer Wins

Successfully targeting larger clients with complex ecosystems

Federal Government Agency (USA)	State Government Agency (USA)	A leading independent technology and services provider (USA)
1-year term	5-year term	3-year term
New customer	New customer	New customer
135,000 users	30,500 users	5,000 users (Service Provider)
Solution: Collaborate suite, Path Insight, SBC, Audio Codes and Dashboard Mailer	**Solution:** Full suite of IR's Collaborate products, Cisco, CUCM, UCCX, Path Insight, SBC, Remote WUL, vCenter and Remote Insight.	**Solution:** Collaborate suite SP Edition Server, Advanced Reporting, Path Insight, SBC/SIP Trunk Management, Contact Center and IVR.
Customer challenge: PCA set not being fully utilized and difficult to use. Technology refresh, upgrade to IR Collaborate. Persistent issues with ease-of-use reporting & looking into CDR records, we can do out of the box.	**Customer challenge:** Insight into UC/CC platforms & remote workers. Identify root cause & stop from repeating. Limited resources.	**Customer challenge:** Brought their monitoring in-house from an MSP, and now provide monitoring and administration segment for their UC clients.
IR solution: IR's Collaborate product suite provides end-to-end visibility, reporting & alerting, while monitoring of classified and non-classified environments.	**IR solution:** IR's Collaborate product suite improves customer and staff satisfaction and productivity, reduces risks, exposure and downtime, while proactively improving trouble-shooting efficiencies	**IR solution:** The company recently established a new managed services business, IR earned their business with a strong product & commercial offering

Transact Customer Wins

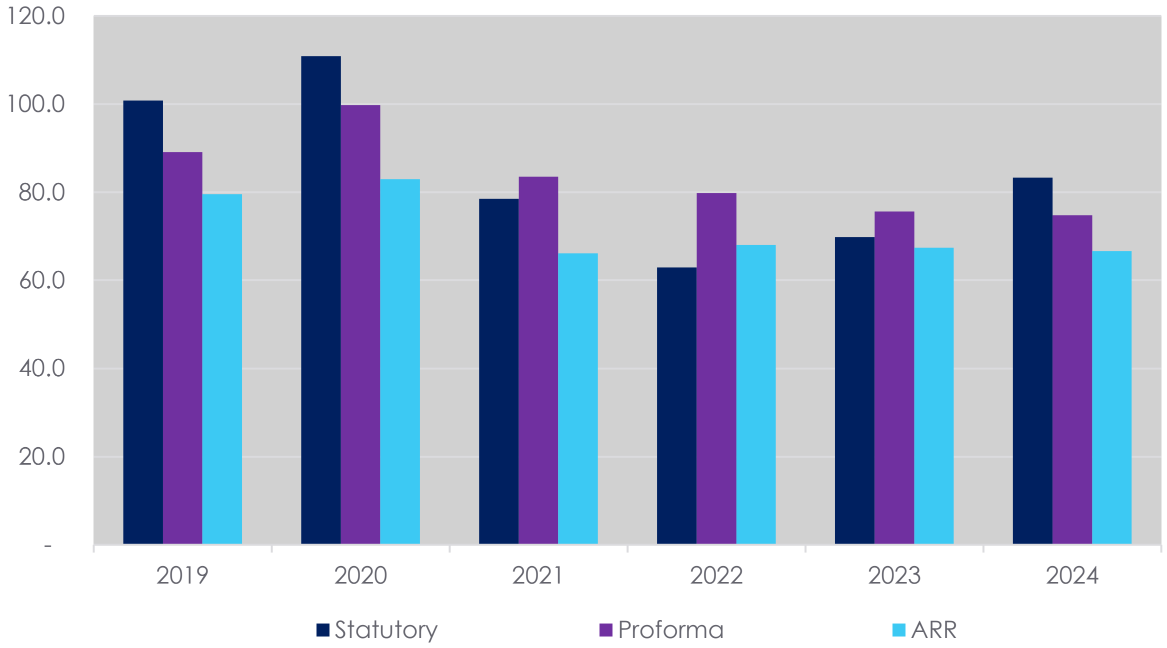
Ensuring reliability in today's complex payments environments

Commercial Public Bank	Commercial Public Bank
Chile	India
1-year term	18-month term
New customer	New customer
Solution: Transact and Infrastructure	**Solution:** Transact and Infrastructure
Customer challenge: Real-time visibility and monitoring of the card infrastructure, applications, and transaction data to provide insights in their system, operations, financial performance, and customer payments experience and to have real-time identification and management of faults on unattended terminals connected to BASE24. Improving resolution of ATM difficulties.	**Customer challenge:** Reliance on some of the very basic native tools and required the teams to manually execute. Basic transaction monitoring and alerting and lack of ML capabilities. Lack of monitoring 3rd party tools like XPNET, Oracle Golden Gate, SSL/TLS expiry for the interfaces, and file synchronization between their systems.
IR solution: Real-time visibility and monitoring enabling insights into system performance, operational patterns, financial performance, and customer payment experiences. Analytics capabilities to derive insights from the monitored data, aiding in decision-making and optimization of business operations. Facilitating real-time identification and management of faults on unattended terminals ensures smooth operations. Improving the timely resolution of ATM difficulties, ensuring consumers can easily access their funds, thus enhancing customer satisfaction and trust.	**IR solution:** Our POC showcased our solution around the ease of use, monitoring, and the level of information we can capture. The requirements/ challenges they had were easily achievable using our solution. We deployed the complete solution in their UAT systems, and the customer is very happy with the solution and in our commitment to address their challenges.

Financials

Revenue Analysis: Statutory, Proforma and ARR

ARR is stabilising



- Decline in proforma revenue was mainly driven by Collaborate churn partially offset by Transact and Infrastructure growth due to capacity increases.
- ARR has been generally flat over the past 4 years with new wins offset by net churn.
- Statutory revenue fluctuation largely reflects the renewal timing.
- Proforma revenue includes recurring and non-recurring revenue.

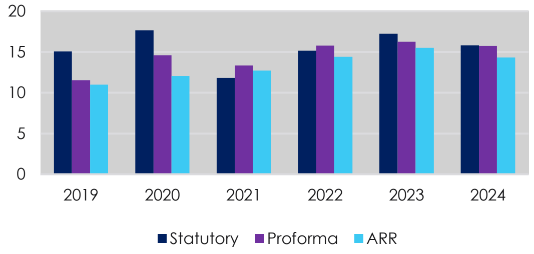
1. ARR (Annual Recurring Revenue) means monthly recurring revenue as of 30th of June multiplied by 12

Geographic and Product Revenue Analysis

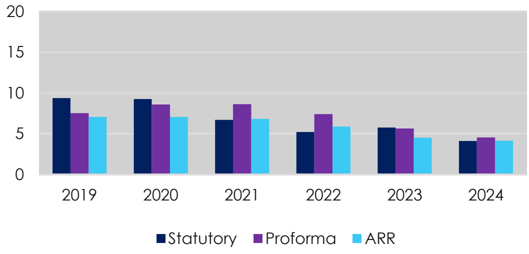
Transact and Infrastructure gains offsetting Collaborate churn

Geographic

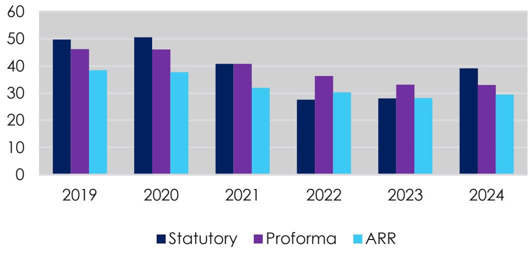
Asia Pacific - A$M



Europe - £M

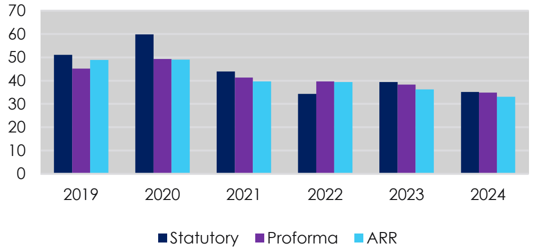


Americas - US$M

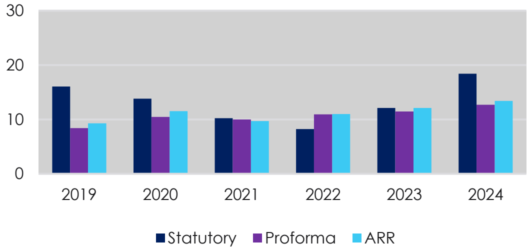


Product

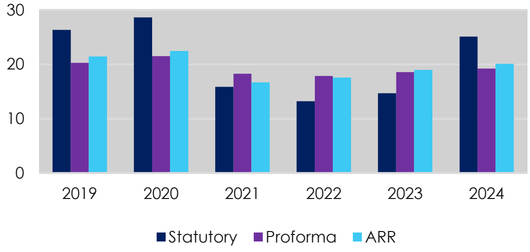
Collaborate A$M



Transact A$M



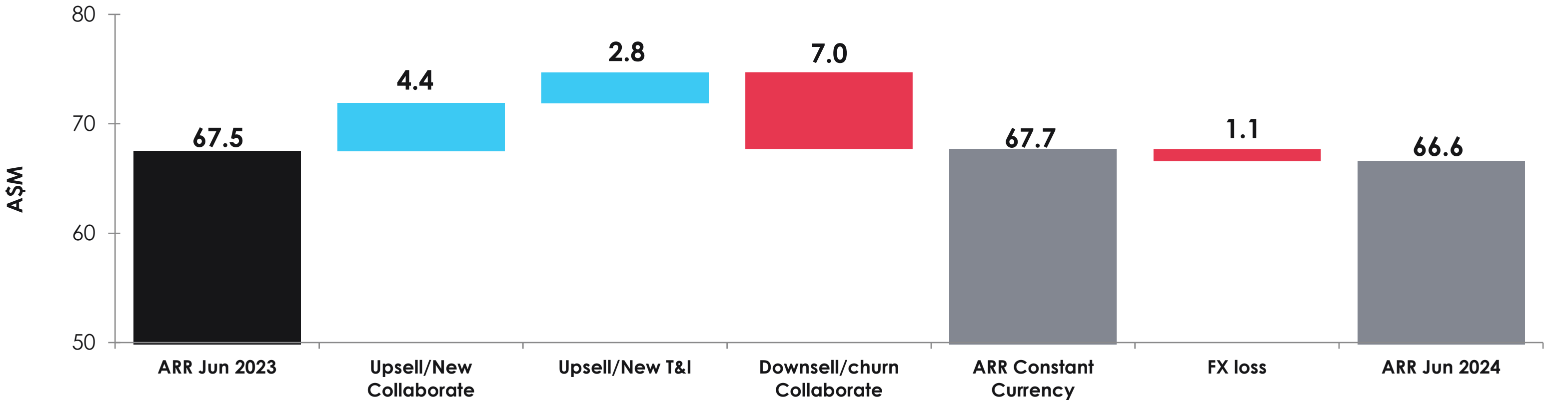
Infrastructure A$M



Revenue by product excludes services.

Revenue Analysis: ARR Summary

Flat ARR reflects business stability, headwinds offsetting growth and tailwinds

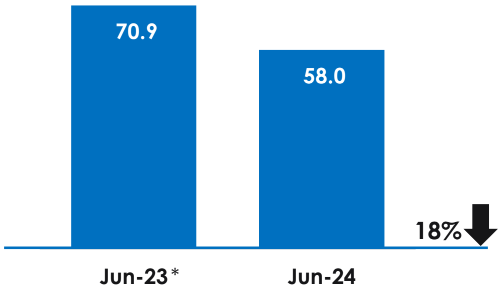


- New logos for Collaborate including large defense agency, a state agency and a healthcare organisation in the Americas.
- Upsell Transact and Infrastructure were large payment processing companies in Americas and Asia Pacific.
- ARR decline of 1% on pcp negatively impacted by FX translation headwind of 2%.
- Collaborate down 9% reflecting churn and down sell across all geographies.

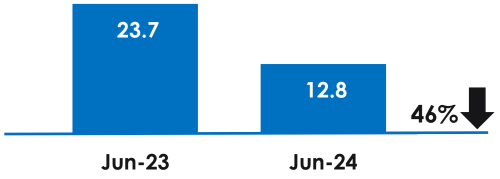
Operating Costs – A$M

Cost control improved by 18% to prior year

Total

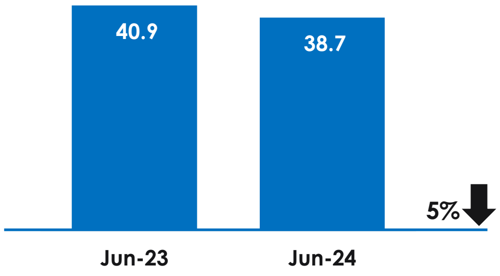


Product and Technology



General and Administration

Sales and Marketing



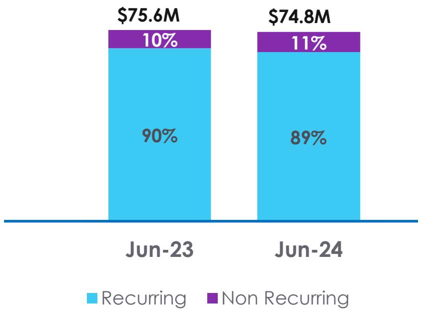
- Product and Technology: adopted a more balanced and disciplined approach to innovation investments aligned to value drivers. FY23 included amortisation of $10.3M.
- Sales & marketing spend reflect lower headcount versus prior period.
- General and administration costs reflect increase in wages due to inflation mostly offset by a reduction in staff numbers over the year.

* *Note - Jun-23 excludes impairment expenses*

Full-Year Performance Review: Key Metrics

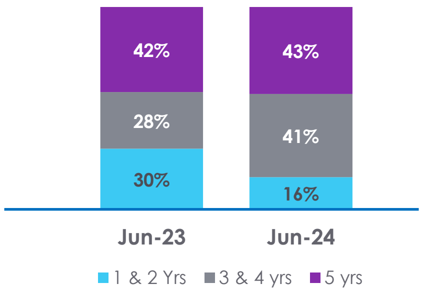
Recurring proforma subscription revenue ~90%

Proforma Revenue



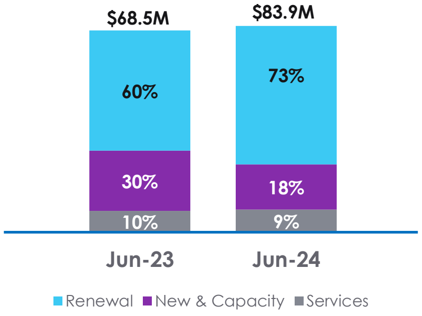
- ~90% of total proforma revenue is recurring in nature (multi-year non-cancellable licences and related maintenance)

Contract Life



- Average contract length from sales during the period slightly increased from 3.0 years to 3.1 years with a balanced mix between Collaborate and Transact & Infrastructure contracts

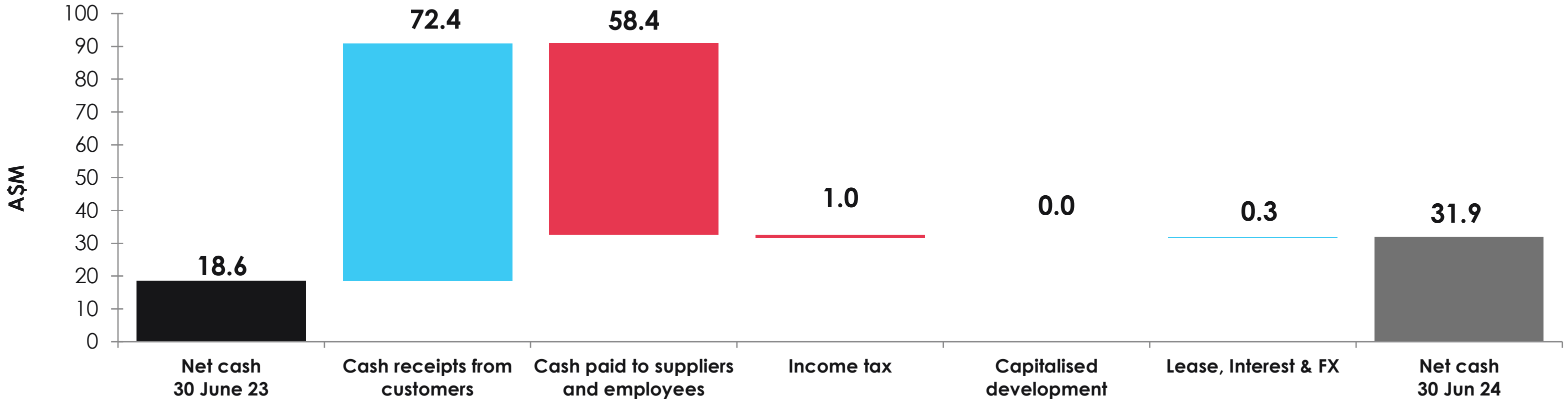
TCV Renewal & New



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

Net Cash Flow Analysis

Strong cash conversion, drives balance sheet strength



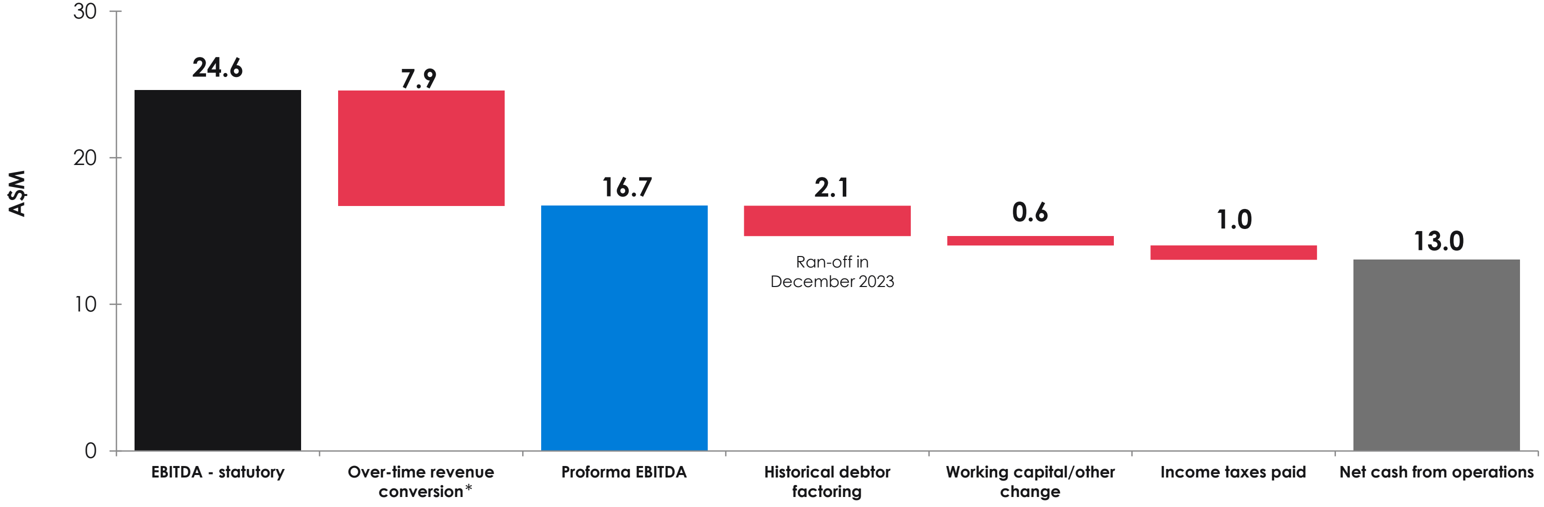
- Cash paid to employees, suppliers and invested in development reduced compared to last year

- Stable cash conversion rate at 97%

- The company hasn't capitalised development spend in FY24

EBITDA Cash Flow Bridge

No further impact from debtor factoring



* 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

Net tangible assets up 48%

Strong balance sheet with net cash of $31.9M and no debt carried forward.

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

Net assets reflect an improvement in net cash and trade receivables.

Period Ended (as at)	Jun 24	Jun 23	YoY
	A$M	A$M	
Cash and cash equivalents	31.9	18.6	72%
Trade and other receivables	73.5	63.5	16%
Right-of-use assets	0.2	0.0	-
All other assets	8.6	7.7	10%
Total assets	**114.2**	**89.7**	**27%**
Trade and other liabilities	6.1	7.9	(23%)
Provisions	3.9	4.4	(12%)
Tax liabilities	0.3	0.4	(38%)
Deferred revenue	13.9	14.1	(1%)
Lease and other liabilities	1.7	3.1	(44%)
Total liabilities	**25.8**	**29.8**	**(13%)**
Net assets	**88.4**	**59.9**	**48%**

Strategy

Strategy – Reset for Product Led Growth

Refocus go-to-market and customer support on a narrow set of high-value, ideal Collaborate and Transact customers to optimize growth and reduce churn

Target product and engineering on fewer, high-yield product extensions, for Collaborate and Transact for product-led growth in existing markets

Restructure the organization and effort to optimally support GTM and product extensions, and yield cash and resources for growth

Implement capital management plan to invest cash in innovation to diversify organic revenue, targeted M&A for fresh inorganic growth and shareholder returns

Strategy – Capital Management and Dividend

- IR has a solid capital platform and expects to remain cash generative
- The product set is sticky, but operates in mature, low-growth markets
- The Company must innovate for product led growth and revenue diversification
- IR's Capital Allocation Priorities are:

1. Invest in innovation:
   - Allocate up to an additional 10% of TCV annually to product innovation for new revenue streams
   - Targeting 3 – 5-year payback
2. Targeted M&A:
   - Seek right-sized synergistic acquisitions to enter adjacent growth markets
3. Shareholder returns:
   - Board declared a $0.02 dividend, fully franked

FY25 Priorities & Observations

FY25 Priorities

- FY25 will be a transitional year, headlined by the appointment of a new CEO, refreshed Board and an emphasis on product-led growth.
- IR's strategic focus will be on:
  1. Refocus go-to-market and customer support on a narrow set of high-value, ideal customers to optimize growth and reduce churn
  2. Target product and engineering on fewer, high-yield product extensions, for product-led growth in existing markets
  3. Restructure the organization and effort to optimally support 1 and 2, and yield cash and resources for growth
  4. Implement capital management plan to invest cash in innovation to diversify organic revenue, targeted M&A for fresh inorganic growth and shareholder returns

FY25 Observations

We make the following observations regarding the current trading year:

- Renewals book is softer to the prior year and is weighted towards H2 FY25. Renewals skewed modestly towards Transact and Infrastructure clients;
- Collaborate churn expected to persist as clients migrate to a full SaaS environment;
- Current new business & upsell pipeline is up on pcp, weighted to Collaborate. Increased focus on targeting larger enterprise customers across all products and geographies;
- The effective tax rate is expected to normalise in FY25 given brought forward R&D tax credits utilized in FY24.

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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	**15.5**	**28.2**	**4.5**	**67.5**	
FX gain/(loss)				(1.1)	*-2%*
New logos	0.6	1.7	0.0	3.1	*5%*
Upsell	1.0	2.9	0.2	5.7	*8%*
Downsell/Churn	(2.3)	(3.3)	(0.7)	(8.6)	*-13%*
Closing ARR	**14.7**	**29.4**	**4.0**	**66.6**	***-1%***

Collaborate	APAC AUD	Americas USD	Europe GBP	Consolidated AUD	Growth
Opening ARR	**7.1**	**16.0**	**2.4**	**36.3**	**YoY**
FX gain/(loss)				(0.6)	*-2%*
New logos	0.4	1.6	0.0	2.8	*8%*
Upsell	0.1	0.9	0.0	1.6	*4%*
Downsell/Churn	(1.4)	(3.2)	(0.4)	(7.0)	*-19%*
Closing ARR	**6.3**	**15.3**	**2.0**	**33.1**	***-9%***

T&I	APAC AUD	Americas USD	Europe GBP	Consolidated AUD	Growth
Opening ARR	**8.3**	**12.2**	**2.1**	**31.2**	
FX gain/(loss)				(0.5)	*-2%*
New logos	0.1	0.1	0.0	0.3	*1%*
Upsell	0.9	2.0	0.2	4.1	*13%*
Downsell/Churn	(1.0)	(0.1)	(0.3)	(1.6)	*-5%*
Closing ARR	**8.4**	**14.1**	**2.0**	**33.5**	***7%***

- Overall FX headwind of 2%.
- Americas the only region with wins exceeding losses.
- Significant Collaborate headwinds with losses exceeding wins.
- T&I growth driven by upselling to existing customers.

Proforma Revenue

Purpose:

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

How:

Provides a non-statutory alternate view of underlying performance by restating term licence fee revenue to be on a recurring subscription basis (i.e., overt time), rather than upfront at the commencement of a contract, per the statutory view. Other recurring revenues such as maintenance fees and cloud services, as well as other non-recurring revenue streams such as perpetual licence fees, professional services and one-time testing services are consistently treated, as part of proforma and statutory revenue views.

Full Year proforma subscription revenue

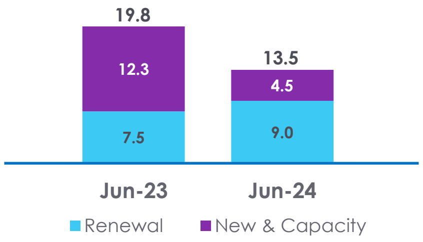
Reconciliation of statutory to proforma revenue

Full Year Revenue	2021	2022	2023	2024	2021	2022	2023	2024
	A$M	A$M	A$M	A$M				
Infrastructure	18.3	17.8	18.6	19.2	-15%	-2%	4%	4%
Transact	10.0	10.9	11.5	12.7	-5%	10%	5%	11%
Collaborate	41.4	39.6	38.3	34.9	-16%	-4%	-3%	-9%
Proforma subscription revenue	**69.6**	**68.4**	**68.3**	**66.8**	**-14%**	**-2%**	**0%**	**-2%**
Perpetual sales	1.2	0.6	0.3	0.3	-73%	-53%	-48%	-7%
Testing Services	4.3	3.8	3.3	3.1	-22%	-11%	-13%	-7%
Professional Services	8.4	7.1	3.7	4.6	-3%	-16%	-48%	25%
Proforma revenue	**83.5**	**79.8**	**75.6**	**74.8**	**-16%**	**-4%**	**-5%**	**-1%**
Statutory revenue	**78.5**	**62.9**	**69.8**	**83.3**	**-29%**	**-20%**	**11%**	**19%**
Reconciliation to Statutory Accounts:								
Proforma revenue	**83.5**	**79.8**	**75.6**	**74.8**				
Deduct Amortised licence fees	(51.2)	(51.9)	(51.1)	(50.3)				
Add term licence fees recognised upfront (excl perpetual licences)	46.2	34.9	45.3	58.9				
Statutory revenue	**78.5**	**62.9**	**69.8**	**83.3**				

Product TCV by Geography

Rebound in Americas driven by large renewals

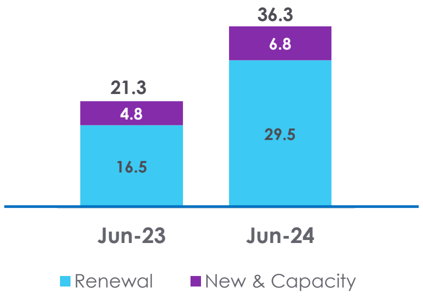
APAC – A$M



APAC, down 32%:

- Strong renewals mainly in Transact
- New & capacity driven by upsell to existing customers
- Added 10 new customers

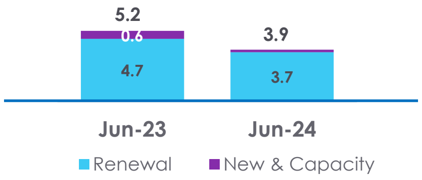
Americas – US$M



Americas, up 71%:

- Large contracts renewed across all product lines
- Added 12 new customers

Europe - £M



Europe, down 25%:

- Weak renewals period
- Added 1 new customer

Note: Product TCV by geography excludes services and testing

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 revenue	provides a non-statutory alternate view of underlying performance by restating term licence fee revenue to be on a recurring subscription basis (i.e., overt time), rather than upfront at the commencement of a contract, per the statutory view. Other recurring revenues such as maintenance fees and cloud services, as well as other non-recurring revenue streams such as perpetual licence fees, professional services and one-time testing services are consistently treated, as part of proforma and statutory revenue views.
Net revenue retention	equals recurring revenue generated from existing customers over a set period.
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 or Upsell	existing products sold to existing customers due to increase in usage.