

Integrated Research Limited (IRI) FY2021 Half Year Financial Results

February 2021

John Ruthven, CEO

Peter Adams, CFO

complexity simplified

Section 1 – Results Analysis

CEO key messages

IR is a company in transition, moving to a SaaS subscription business model



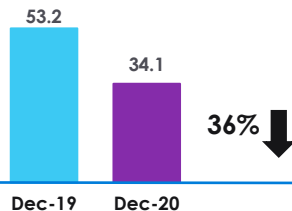
1. The evolution of the business continued at pace; new SaaS products, cashflow solid; well positioned for move to subscription
2. Poor sales and profit result – impacted by deal deferrals and caution in buying behaviour
3. New product roadmap pipeline to capitalise on over A\$1B new TAM
4. Structural market changes in remote working and cashless payments; IR remains well positioned for long-term growth

Half-year performance review (A\$M)

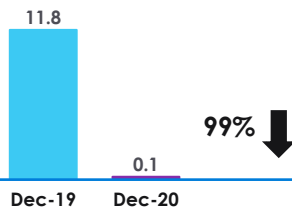
Long term growth strategy intact despite first half results



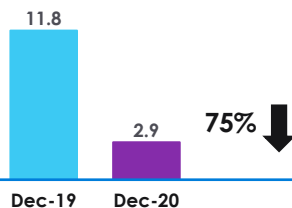
REVENUE



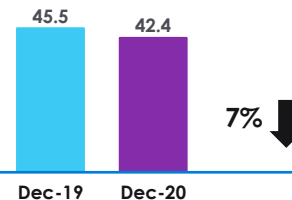
NPAT



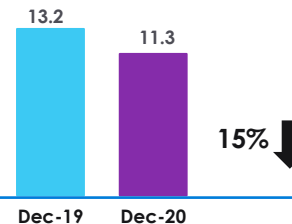
NPAT IN CONSTANT CURRENCY



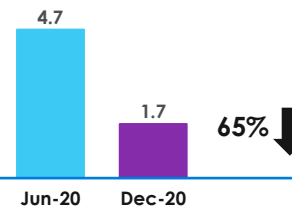
CASH RECEIPTS FROM CUSTOMERS



OPERATING CASH FLOW



NET CASH



Note: Proforma subscription revenue of US\$26.6 million was down 2% over the previous corresponding period (non-statutory measure)

Deal movement



Internal use only



165 deals closed in the first half (last year 195)

Commitment term shortened

21 deals deferred to second half, of which 3 closed in January

Revenue

Proforma subscription revenue and cash receipts steady in US dollars



Interim results (statutory)	Dec 2020	Dec 2019	% change
	A\$M	A\$M	
Revenue from licence fees	17.1	33.4	(49%)
Revenue from maintenance fees	10.3	12.1	(15%)
Revenue from SaaS fees	0.1	0.4	(68%)
Revenue from testing solution services	2.4	2.8	(15%)
Revenue from professional services	4.2	4.5	(7%)
Total revenue	34.1	53.2	(36%)
Revenue in constant currency*	35.7	53.2	(33%)
Proforma subscription revenue in USD	US\$26.6	US\$27.0	(2%)
Proforma revenue in USD*	US\$31.9	US\$33.9	(6%)
Cash receipts from customers in USD**	US\$30.6	US\$30.3	1%

* - non-statutory measure; refer appendix for reconciliation of statutory revenue to proforma revenue

** - no debtor factoring current period (prior half debtor factoring excluded to enable comparison)

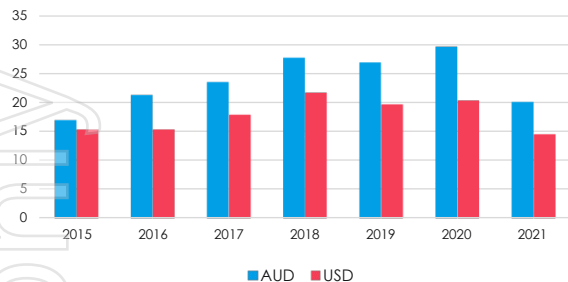
Interim revenue analysis – product

Subscription revenue; stable performance in US dollars

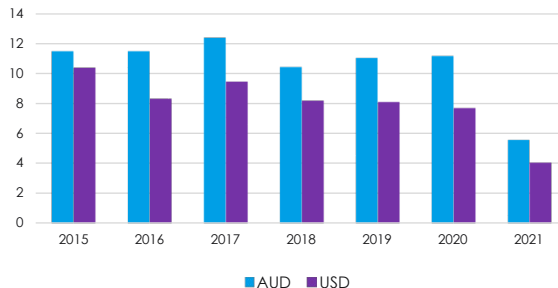


Statutory Revenue (First half series)

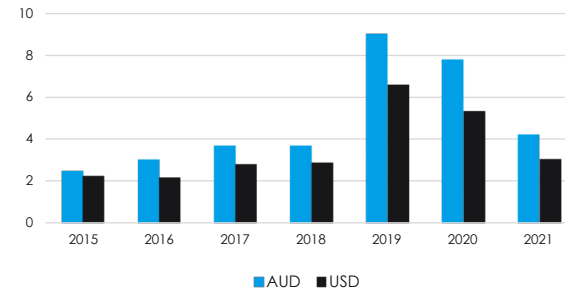
Collaborate \$M



Infrastructure \$M

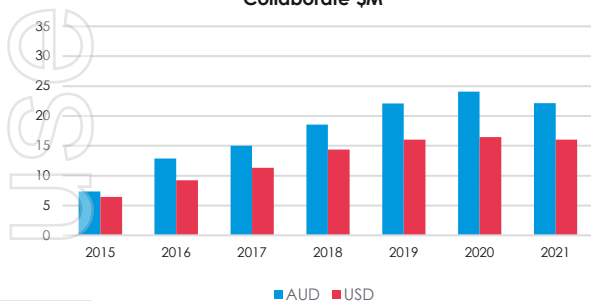


Transact \$M

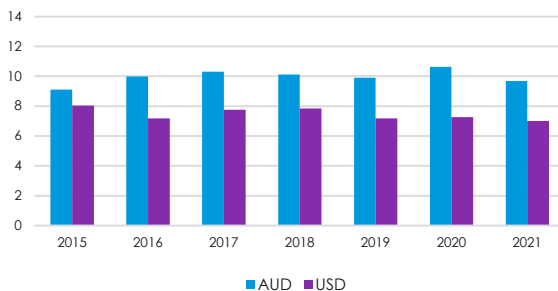


Proforma Subscription Revenue* (First half series)

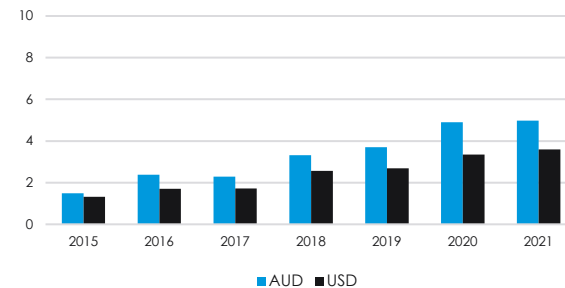
Collaborate \$M



Infrastructure \$M



Transact \$M



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

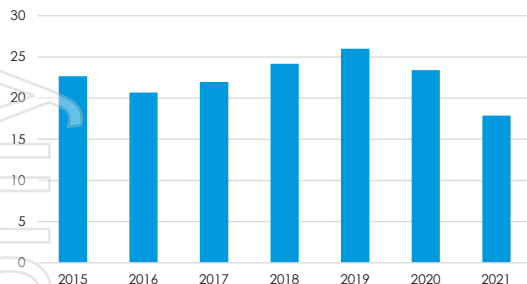
Interim revenue analysis – geographic

Subscription revenue; growth in Asia Pacific and Europe

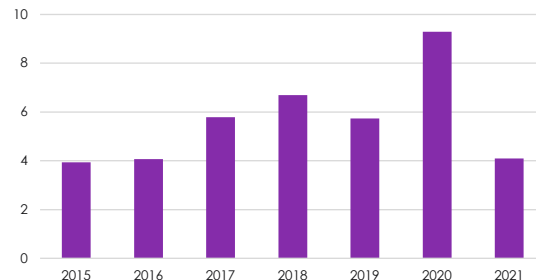


Statutory Revenue (First half series)

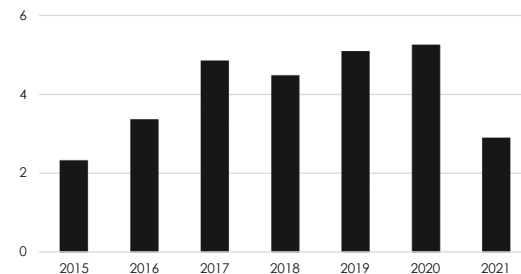
Americas US\$M



Asia Pacific A\$M

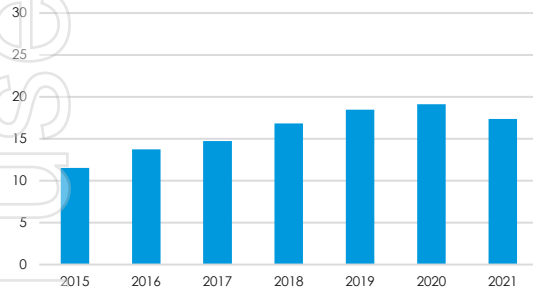


Europe £M

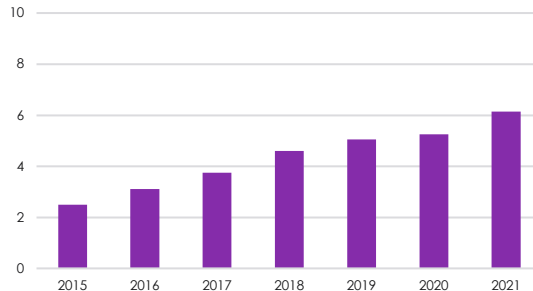


Proforma Subscription Revenue* (First half series)

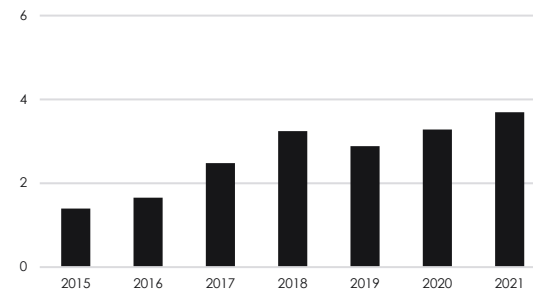
Americas US\$M



Asia Pacific A\$M



Europe £M



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

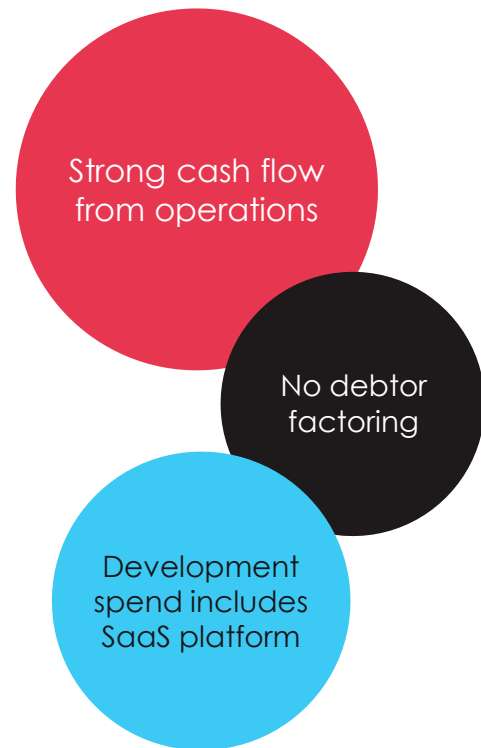
Operating expenses/other

Investment in product development continues



Interim results	Dec 2020	Dec 2019	% change
	A\$M	A\$M	
Gross research and development spend	10.1	11.0	(8%)
Capitalisation of development expenses	(6.2)	(7.2)	(15%)
Amortisation of capitalised expenses	4.6	4.3	7%
Research and development (net)	8.6	8.1	5%
Sales, professional services and marketing	21.6	26.9	(20%)
General and administration	2.7	3.4	(20%)
Total expenditure	32.9	38.5	(15%)
Other losses – foreign currency revaluation	3.0	0.1	
Expenditure in constant currency	33.5	38.5	(13%)
Development spend : revenue	30%	21%	

Cash conversion rate 124%



* Cash conversion rate = cash receipts from customers divided by revenue

Balance sheet

Good liquidity to fund growth



Strong
balance sheet –
net cash
\$1.7M

Trade receivables -
strong source
of future cash

Undrawn
debt facility of
\$13.5M

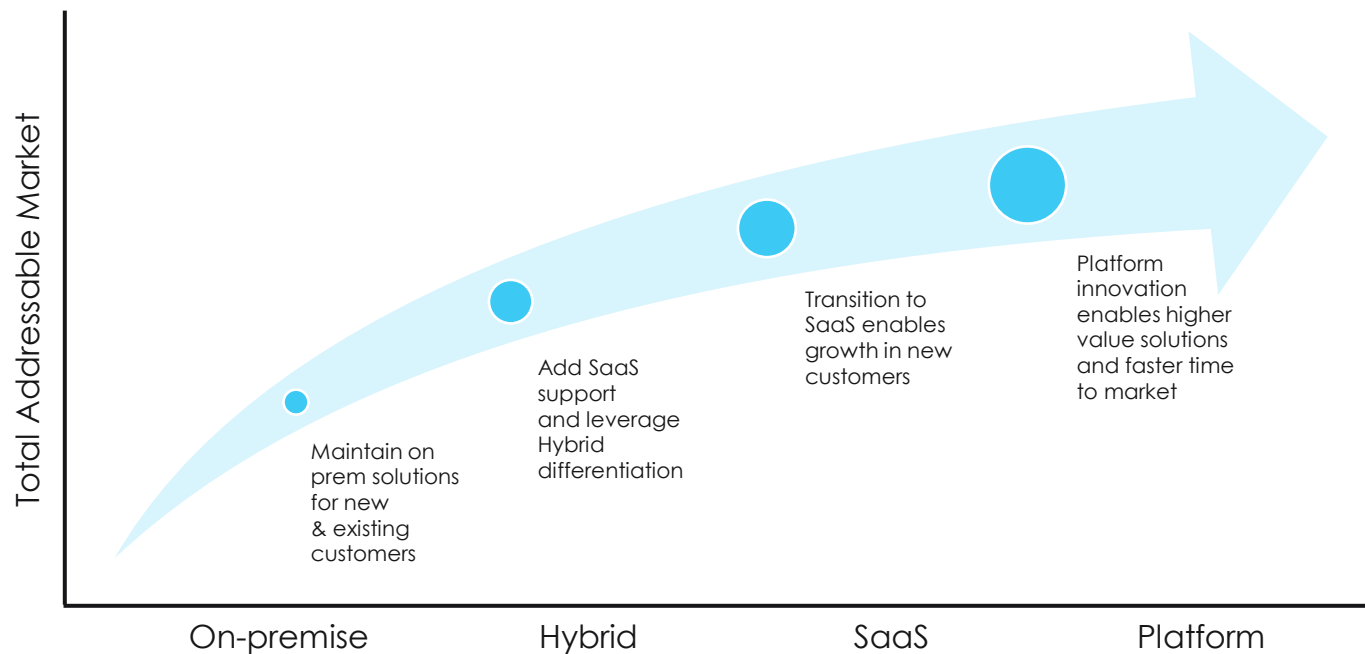
	Dec 20	Jun 20
	A\$M	A\$M
Cash and cash equivalents	8.2	9.7
Trade and other receivables	70.3	87.3
Intangible Assets	30.0	29.1
Right-of-use Assets	6.9	6.4
All Other Assets	9.9	7.4
Total Assets	125.3	139.8
Trade and other liabilities	8.5	10.2
Borrowings	6.5	5.0
Provisions	4.4	4.6
Tax liabilities	6.3	8.6
Deferred revenue	17.2	22.3
Lease and other liabilities	7.7	6.6
Total liabilities	50.6	57.3
Net assets	74.7	82.5



Section 2 – New Product Launches

Platform approach to product innovation

Drives access to larger market opportunity



New product launches in 2020 and 2021

New products to capitalise on >A\$1B in net-new addressable market and strengthening our competitive edge



Product	Target Audience	Release Date	Product Line TAM
Payments Analytics	Payments providers processing >100M transactions p.a.	FY20 Q4	Transact ~US\$430m
Real-Time Payments Monitoring*	Banks and intermediaries processing >10M acct-to-acct payments p.a.	FY21 Q4	
Experience Management for Microsoft Teams	Enterprises >5k employees using MS Teams Service Providers managing MS Teams for their customers	FY21 Q2	Collaborate ~US\$450m
Experience Management for Zoom	Enterprises >5k employees using Zoom Service Providers managing Zoom for their customers	FY21 Q2	
Experience Management for Webex Meetings	Enterprises >5k employees using Webex Service Providers managing Webex for their customers	FY21 Q4	
Experience Management for MS Teams Direct Routing	Enterprises >5k employees using MS Teams without a MS calling plan Carriers integrating their telephony services to MS Teams	FY22 Q2	

*Source: TAM (total addressable market) projections are derived from Gartner data and Capgemini's World Payments Report 2020



Section 3 – Growth Strategy

Accelerated move to cashless payments

IR well placed to benefit from cards growth and new real-time payments



Market			Opportunity	
Global Non-Cash Transactions (excl. cheques)	737B Payments transactions	11.5% CAGR	Card Payments	Expand with new switch vendors support Cross-sell cloud delivered analytics
			Real-Time Payments	Launch new RTP product line Cross-sell to existing and new customers

Rapid growth in high value conferencing segment

IR well placed to leverage home based working



Market ¹			Opportunity	
550M UC users	174M conferencing users	14% CAGR	On-premises	Protect existing customer environments Cross-sell new hybrid cloud solutions
			Cloud	New Teams, Zoom & Webex products New SaaS platform expands conferencing market and analytics cross-sell

“Although these [vendor] tools are helpful, they offer less breadth and detail than specialised UC monitoring tools, such as those offered by IR (Prognosis) ...”²

1. Source: Gartner UC Market Forecast 4Q20 – Jan 2021

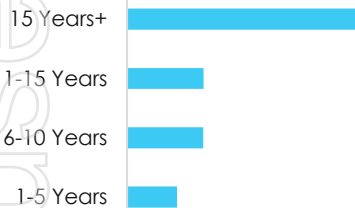
2. Source : Guidance for Migrating to UCaaS Solutions – Gartner, 5-JAN-21

Quality customer base

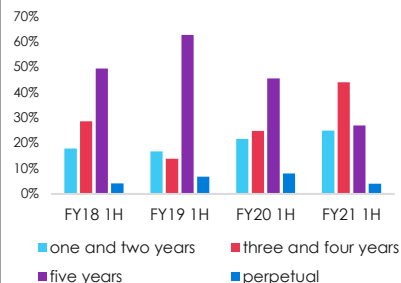
Long-term, high value relationships based on mission critical solutions



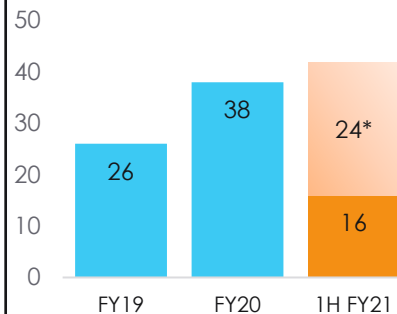
Customer Tenure



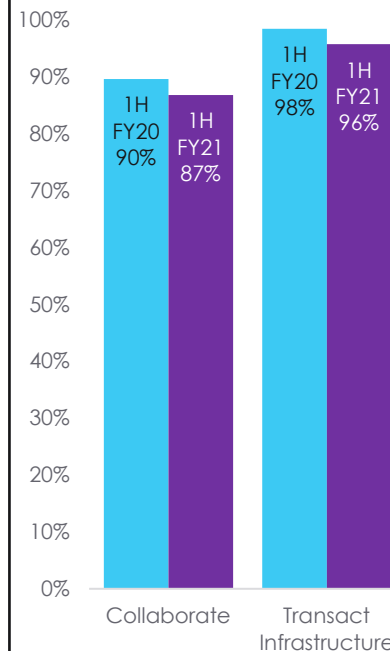
Contract Length



New Logos



Maintenance Retention Rate



* - estimate for 2H

2H action plan

Steps being implemented to strengthen 2H performance



1. Implemented a four point 'recovery' plan;
 - a. Sales Execution – opportunity management
 - b. Acceleration to SaaS – on-board foundational customers
 - c. Cost management – cost out & containment
 - d. Resourcing – re-allocated to support new business model
2. Moved to monthly targets to de-risk period end; aligned to ARR/MRR
3. Accelerated the product roadmap for vendor collaboration platforms and real-time payments
4. Continue to make progress in transitioning the business model – subscription growth

Key success drivers

Continuing IR's transition to a SaaS subscription business model



Customer growth & retention	SaaS customer acquisition	Product innovation	Business model transition
<ol style="list-style-type: none">1. 100 renewal & capacity deals in H22. >40 new customers3. Customer success managers	<ol style="list-style-type: none">1. On-board strategic foundational platform customers2. 20+ customers3. Grow ARR base (revenue backlog)	<ol style="list-style-type: none">1. Coverage of the 3 largest cloud collaboration vendors2. Entry into Real-Time Payments market3. Revamped Product Management Leadership	<ol style="list-style-type: none">1. Reliable and predictable revenue streams2. Flex-licensing to support customer journey3. Back-office system & process readiness

* - estimate for 2H

Conclusions



1. H2 recovery underway
2. New product launches strengthen competitive edge
3. Business model transition well advanced
4. Positioned for long-term growth; to benefit from structural market changes

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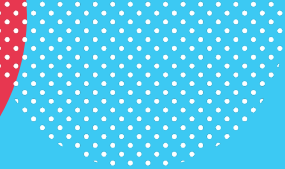
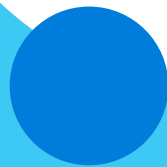
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Appendix



Who we are

IR

IR is the leading global provider of performance management and analytics for enterprise communications, collaboration, and payment systems

What we do

Capabilities

IR provides best in class performance management across collaboration and payments transactions ecosystems, cloud, hybrid or on-premises

Why customers buy

Value Proposition

IR solutions simplify the complexity of modern technologies by optimising business-critical systems and processes through real-time insights in a connected world

Why we succeed

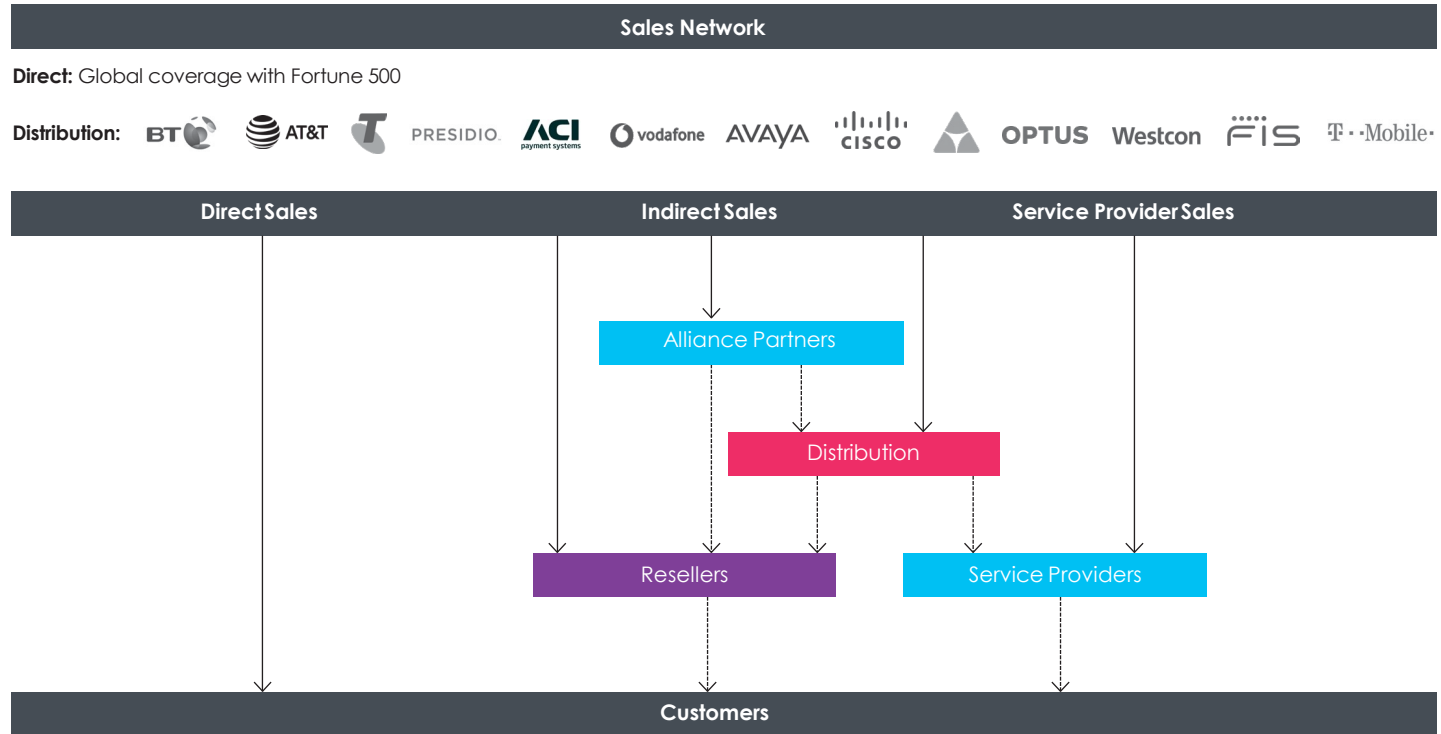
Competitive Advantage

The IR Prognosis hybrid-cloud platform is purpose built for the demands of real-time, complex, high-volume data.

IR has >25% of the Fortune 500 as customers

Go-to-market model

Customer "high touch" model



Platform approach to product innovation



Solutions

Collaborate



End user experience monitoring
UC application monitoring
Network Troubleshooting

Transact



Card Transactions
Payments Application Health

Infrastructure



Hardware
Operating System
Virtualization

Capability



Platform Capabilities

Common services architected for product-line and/or portfolio-wide use to streamline product delivery

Technology



Cloud connectors

Connect & Interact with other cloud services



Edge connectors

Intelligent Edge Capabilities deployed on-premise



Prognosis Cloud

Rapid delivery of new capabilities and products



Prognosis Server

Continue serving customers with hybrid delivery of features

Stories from the field

Solving high value customer problems



maintain

grow

new

problem

CDW

Sberbank

American Water

Managed Service Provider with SLA commitments to their customers.

Increased call center volumes due to shift to remote servicing of customers

Poor user experience across a multi vendor UC environment and a migration to cloud UC

solution

Proactively manage user experience and integrate seamlessly into their environment

Collaborate CC with call recording assurance to support expanded contact center.

Collaborate UC multi vendor platform with MS Teams hybrid solution

outcome

Contract Extension; 3-year extension providing monitoring and troubleshooting to ensure SLA's are achieved

Contract Expansion; additional support for Contact Center operators to ensure high quality customer experience.

New Contract; multi year agreement providing monitoring and troubleshooting for hybrid environment supporting migration to cloud.

complexity simplified

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 FY2021 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

Interim proforma subscription revenue



Interim revenue	FY19	FY20	FY21	FY19	FY20	FY21
	A\$M	A\$M	A\$M			
Infrastructure	9.9	10.6	9.7	(2%)	7%	(9%)
Transact	3.7	4.9	5.0	12%	33%	1%
Collaborate	22.1	24.1	22.1	19%	9%	(8%)
Proforma subscription revenue	35.7	39.6	36.8	11%	11%	(7%)
Perpetual sales	2.3	2.7	0.7	125%	16%	(75%)
Testing Services	2.6	2.8	2.4	(7%)	8%	(15%)
Professional Services	3.3	4.5	4.2	(13%)	39%	(7%)
Proforma revenue	43.9	49.7	44.1	11%	13%	(11%)
Statutory revenue	50.3	53.2	34.1	10%	6%	(36%)
Reconciliation to Statutory Accounts:						
Proforma revenue	43.9	49.7	44.1			
Deduct Amortised licence fees	(22.4)	(27.0)	(26.4)			
Add Licence fees recognised upfront	28.8	30.5	16.4			
Statutory revenue	50.3	53.2	34.1			

Cash flow



	Dec-20	Dec-19	Change
	A\$M	A\$M	
Cash flows from operating activities			
Cash receipts from customers ex debtor factoring	42.4	44.4	(5%)
Cash receipts from debtor factoring	0	1.1	(100%)
Cash receipts from customers	42.4	45.5	(7%)
Cash paid to suppliers and employees	(28.3)	(30.0)	(6%)
Cash generated from operations	14.0	15.4	(9%)
Income taxes paid	(2.8)	(2.2)	28%
Net cash from operating activities	11.3	13.2	(15%)
Net cash used in investing activities	(5.6)	(7.5)	(25%)
Net cash used in financing activities	(6.0)	(7.5)	(19%)
Net increase/ (decrease) in cash and cash equivalents	(0.4)	(1.7)	(75%)
Cash and cash equivalents at 1 July	9.7	9.3	5%
Effects of exchange rate changes on cash	(1.1)	0.0	
Cash and cash equivalents at 31 December	8.2	7.6	8%

Financial track record (interim results)



Six months ending (A\$M):	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20
Licence fees	12.3	10.8	13.8	19.7	19.5	23.9	25.6	31.3	33.4	17.1
Revenue	22.1	21.5	26.2	33.5	39.4	43.3	45.7	50.3	53.2	34.1
EBIT	4.2	2.8	5.5	9.9	8.4	10.5	12.9	15.3	14.6	(1.8)
EBIT margin	19%	13%	21%	30%	21%	24%	28%	30%	27%	(5%)
EBITDA	7.9	6.3	9.0	14.3	13.8	16.6	18.3	20.8	20.6	4.4
EBITDA margin	36%	29%	34%	43%	35%	38%	40%	41%	39%	13%
NPAT	3.6	2.8	4.5	7.5	6.2	7.7	9.3	11.7	11.8	0.1
NPAT margin	16%	13%	17%	23%	16%	18%	20%	23%	22%	0%
Earnings per share (cents)	2.13	1.64	2.68	4.46	3.65	4.53	5.41	6.82	6.88	0.08
Interim dividend per share (cents)	2.00	2.00	2.50	3.50	3.00	3.00	3.00	3.50	3.50	Nil
Payout ratio	94%	122%	93%	78%	82%	66%	55%	51%	51%	0%
Return on equity	12%	10%	15%	22%	17%	18%	18%	18%	16%	0%
Share on issue (M)	166.9	168.4	168.7	169.7	170.4	170.6	170.7	171.8	171.9	172.0
Growth rates:										
Licence	16%	(13%)	28%	43%	(1%)	22%	7%	22%	7%	(49%)
Revenue	8%	(3%)	22%	28%	18%	10%	5%	10%	6%	(36%)
EBIT	57%	(33%)	97%	79%	(16%)	25%	23%	19%	(5%)	(112%)
EBITDA	29%	(21%)	44%	58%	(4%)	20%	10%	14%	(1%)	(79%)
NPAT	50%	(23%)	64%	67%	(18%)	25%	20%	26%	1%	(99%)