



Integrated Research Limited (IRI) FY2021 Annual Financial Results

19 August 2021

John Ruthven, CEO

Peter Adams, CFO



Agenda

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IR's transition to a SaaS model is underway, with higher quality subscription revenues and greater leverage to long term growth trends

Section 1 – Results Analysis

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CEO key messages

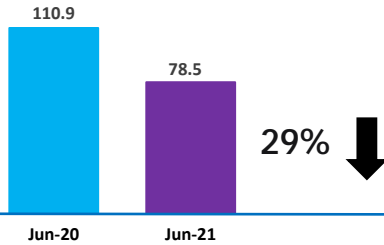
Executing transition strategy to a SaaS subscription model, improved 2H performance

1. Transitioning to higher quality, growing SaaS subscription-based revenues
2. FY21 results impacted by deal deferrals and cautious buyer behaviour in 1H
 - Revenue down 29%, NPAT in constant currency down 51%
3. Execution of 4-point recovery plan drives improved 2H performance
 - Sales execution, accelerate product roadmap to SaaS, cost management and resourcing.
 - 2H revenue +30% v 1H, NPAT in constant currency + 210%, solid cash flow
4. IR is strategically well positioned to capitalise on positive growth trends in remote working and cashless payments and build share in expanded \$1.2B TAM.

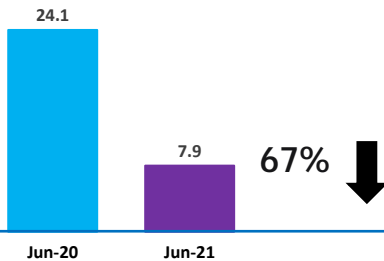
Full-year performance review (A\$M)

New product launches and sales execution drive 2H recovery following weak 1H

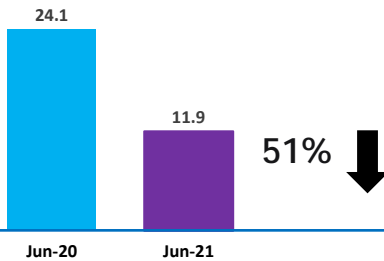
REVENUE



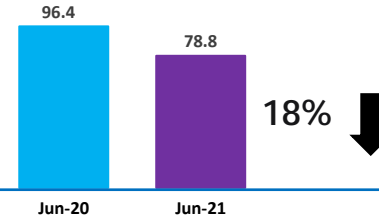
NPAT



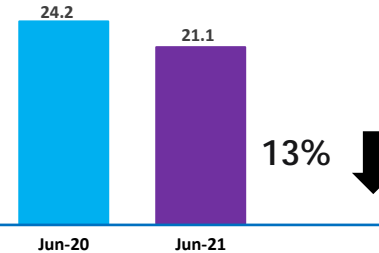
NPAT IN CONSTANT CURRENCY



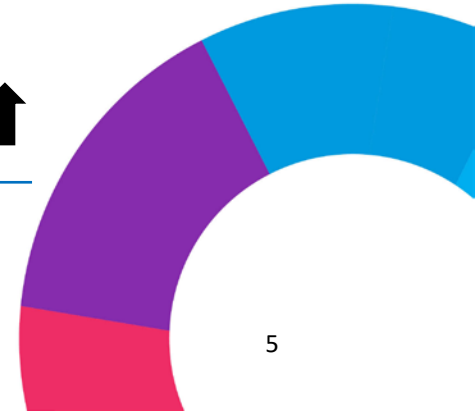
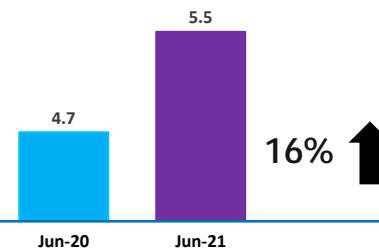
CASH RECEIPTS FROM CUSTOMERS



OPERATING CASH FLOW



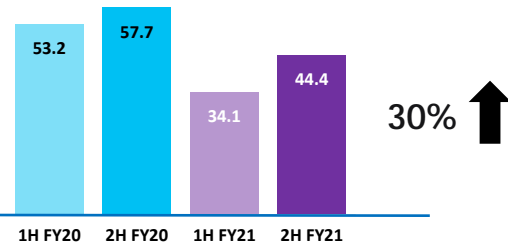
NET CASH



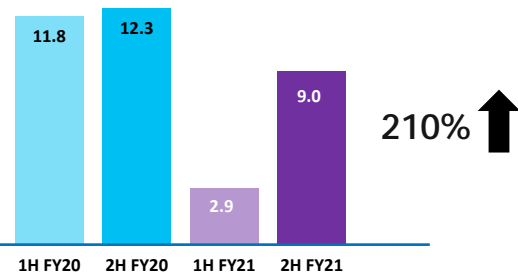
2H FY21 Results (A\$M)

Improved 2H performance - revenue and profit recovery

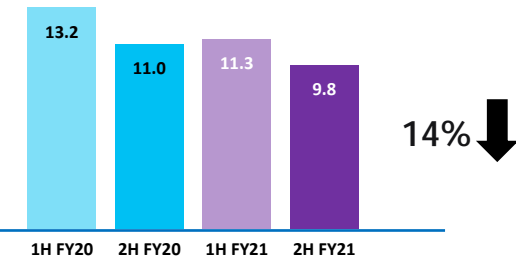
REVENUE



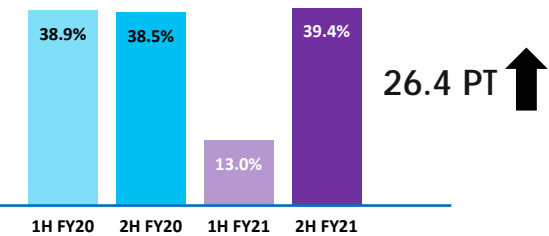
NPAT IN CONSTANT CURRENCY



OPERATING CASH FLOW



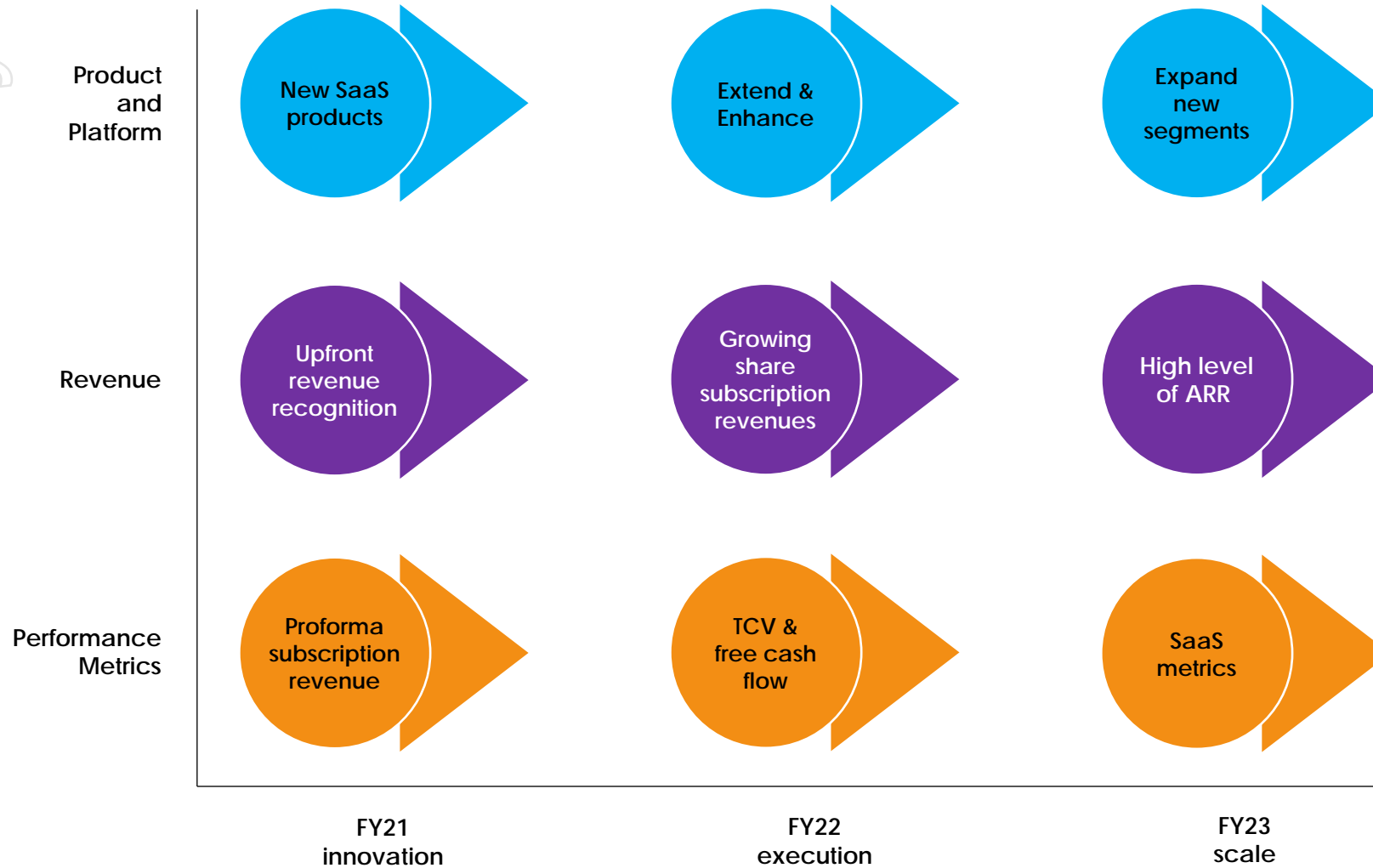
EBITDA MARGIN



Note: growth metrics represent FY21 2H vs FY21 1H

Transition underway

Executing clear plan to transition to higher quality growing SaaS based subscription revenues



FY21 progress report

Delivering product and platform to support SaaS growth



<i>Customer growth & retention</i>		<i>SaaS customer acquisition</i>		<i>Product innovation</i>		<i>Transition to subscription</i>	
>100 renewal & capacity deals in H2	✓	On-board strategic foundational platform customers	✓	Coverage of the 3 largest cloud collaboration vendors	✓	Reliable and predictable revenue streams	WIP
>40 new customers	27	20+ customers	5	Entry into Real-Time Payments market	WIP	Flex-licensing to support customer journey	✓
Customer success managers	✓	Grow ARR base (revenue backlog)	✓	Revamped Product Management Leadership	✓	Back-office system & process readiness	WIP



Revenue

Proforma subscription revenue and cash receipts steady in US dollars

Annual results (statutory)	Jun 2021	Jun 2020	% change
	A\$M	A\$M	
Revenue from licence fees	47.4	72.1	(34%)
Revenue from maintenance fees	18.1	23.9	(24%)
Revenue from subscription fees	0.3	0.7	(55%)
Revenue from testing solution services	4.3	5.5	(22%)
Revenue from professional services	8.4	8.6	(3%)
Total revenue	78.5	110.9	(29%)
Revenue in constant currency*	85.8	110.9	(23%)
Proforma subscription revenue in USD	US\$52.1	US\$53.9	(3%)
Proforma revenue in USD*	US\$62.5	US\$66.2	(6%)
Cash receipts from customers in USD**	US\$58.9	US\$58.9	0%

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

** - no debtor factoring in FY21 (prior year debtor factoring excluded to enable comparison)

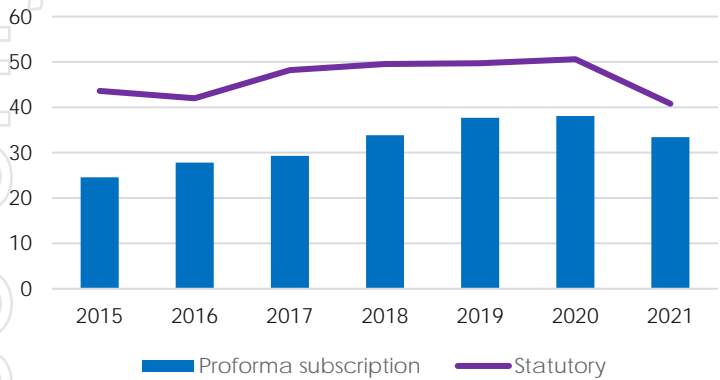


Geographic and Product revenue analysis

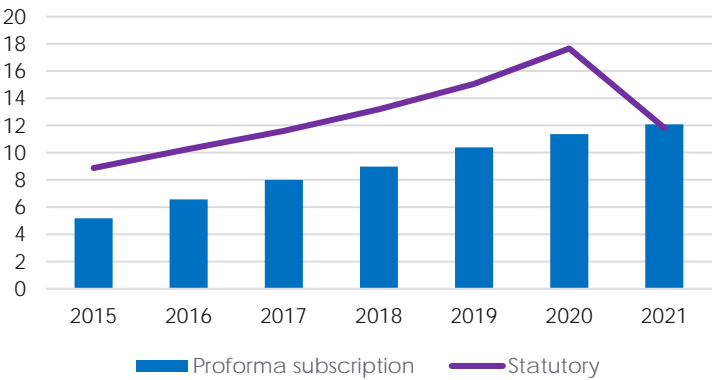
Subscription revenue; stable performance in US dollars

Geographic

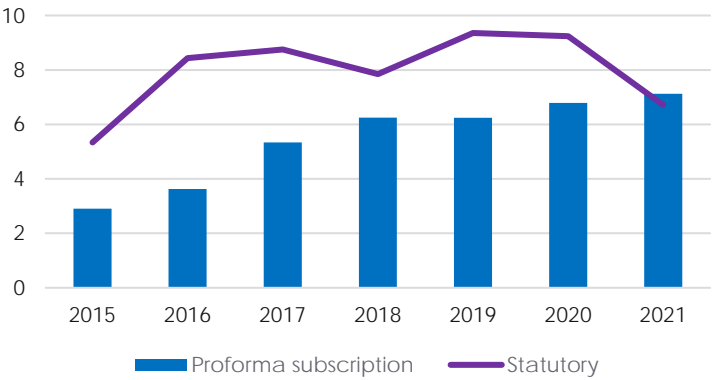
Americas - US\$M



Asia Pacific - A\$M

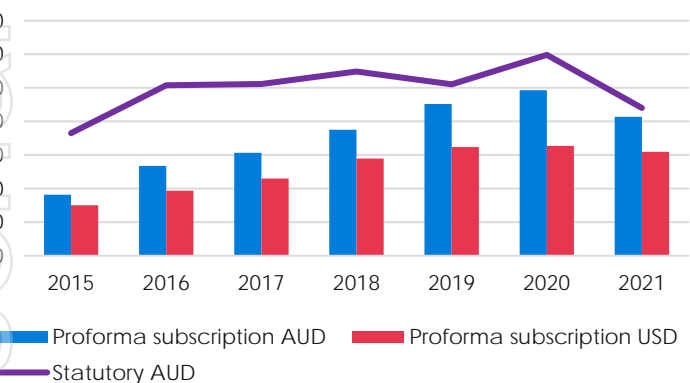


Europe - £M

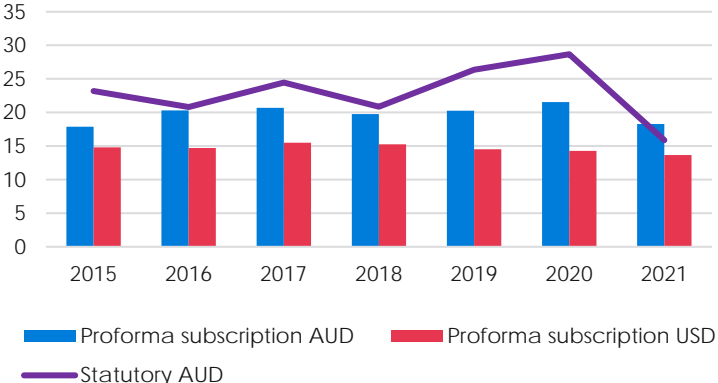


Product

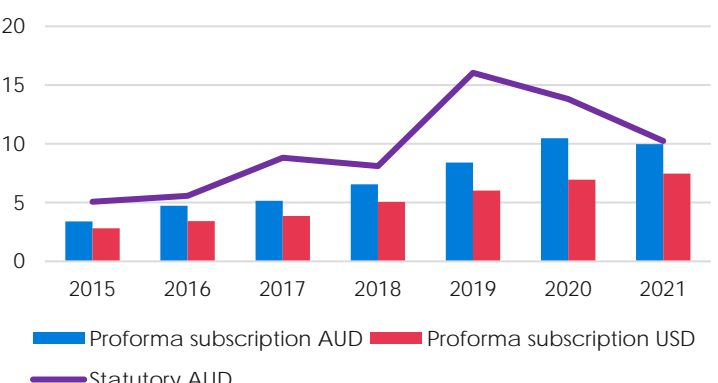
Collaborate \$M



Infrastructure \$M



Transact \$M



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

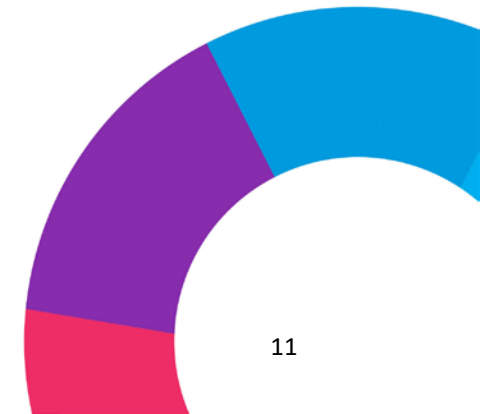
Operating expenses

Investment in product development to expand addressable market and leverage to growth trends

Annual results	Jun 2021	Jun 2020	% change
	A\$M	A\$M	
Gross research and development spend	21.3	22.5	(6%)
Capitalisation of development expenses	(12.0)	(14.0)	(14%)
Amortisation of capitalised expenses	9.8	8.8	11%
Research and development (net)	19.1	17.4	10%
Sales, professional services and marketing	43.4	54.6	(20%)
General and administration	6.2	6.2	0%
Total operating expenditure	68.7	78.2	(12%)
Net other losses (eg foreign currency revaluation)	(1.3)	(1.9)	(30%)
Expenditure in constant currency	71.7	78.2	(8%)
Gross development spend : revenue	27%	20%	

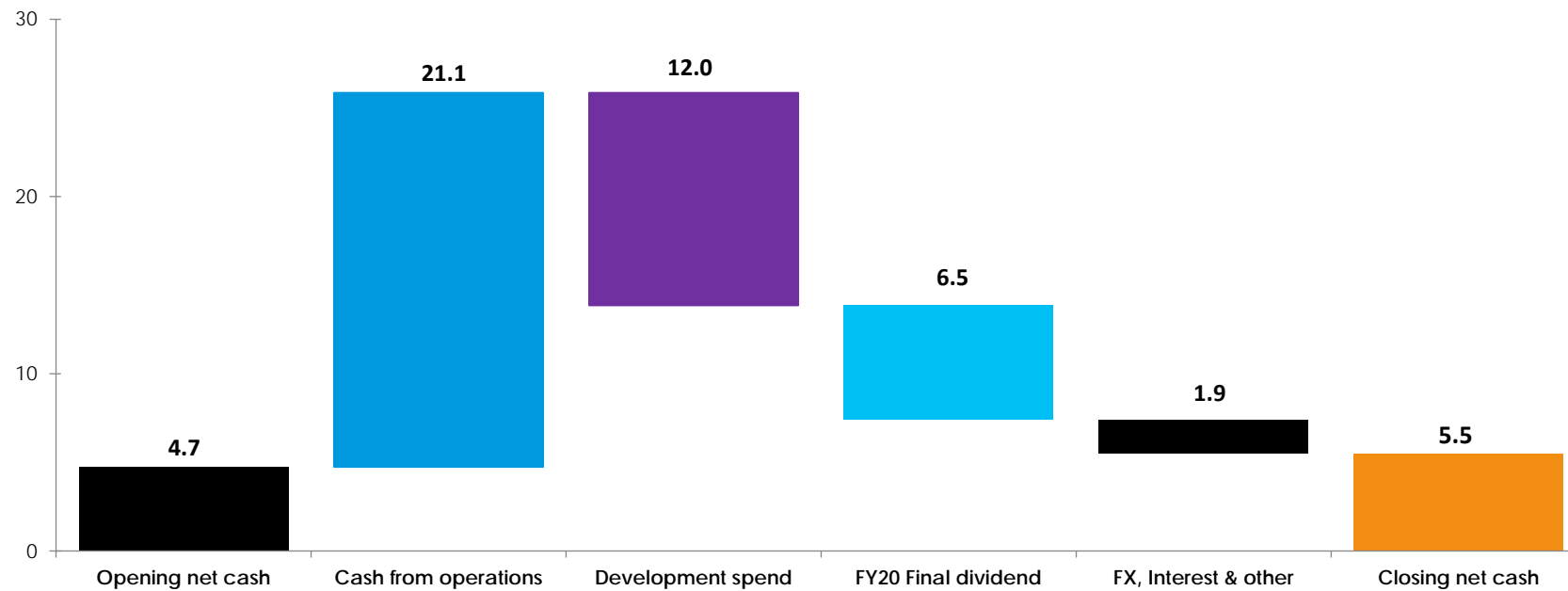
Development Costs

- Innovation agenda maintained
- Spend mostly geared to SaaS platform and new products



Net cash flow analysis

Positive operating cash flow funds growth investments



Strong cash flow from operations

No debtor factoring

Development spend includes SaaS platform

Balance sheet

Increased net cash

Strong
balance sheet –
net cash
\$5.5M

Trade receivables -
strong source
of future cash

Undrawn
debt facility of
\$14.7M

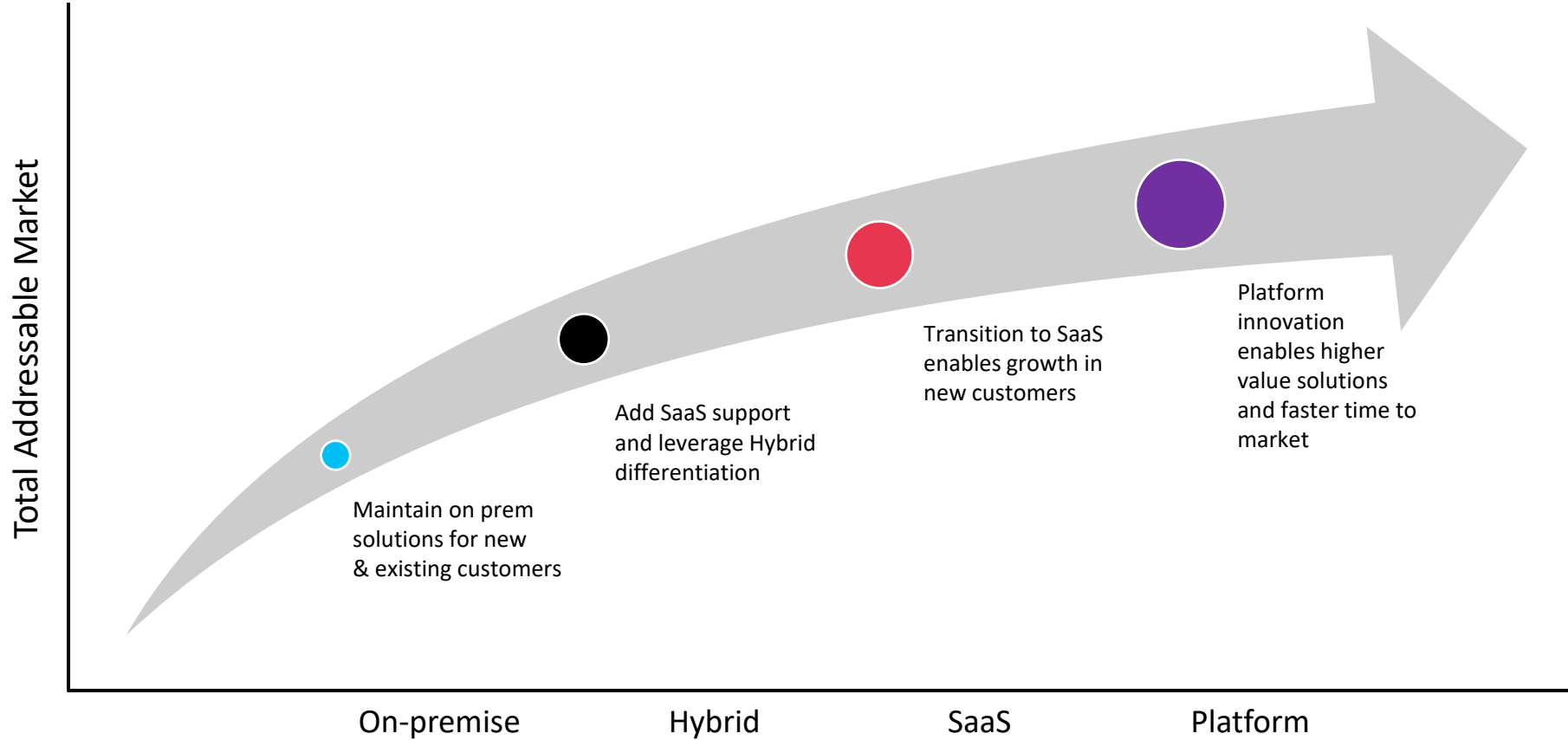
	Jun 21	Jun 20
	A\$M	A\$M
Cash and cash equivalents	12.1	9.7
Trade and other receivables	79.5	87.3
Intangible Assets	30.0	29.1
Right-of-use Assets	6.0	6.4
All Other Assets	7.5	7.4
Total Assets	135.1	139.8
Trade and other liabilities	10.2	10.2
Borrowings	6.7	5.0
Provisions	4.7	4.6
Tax liabilities	7.2	8.6
Deferred revenue	16.4	22.3
Lease and other liabilities	6.5	6.6
Total liabilities	51.7	57.3
Net assets	83.3	82.5

Section 2 - Transition and Growth Strategy



Platform approach to product innovation

Drives Access to Larger Market Opportunity



Product strategy

New product launches expand addressable market and leverage to long term growth trends



predictive
analytics
intelligence

smart

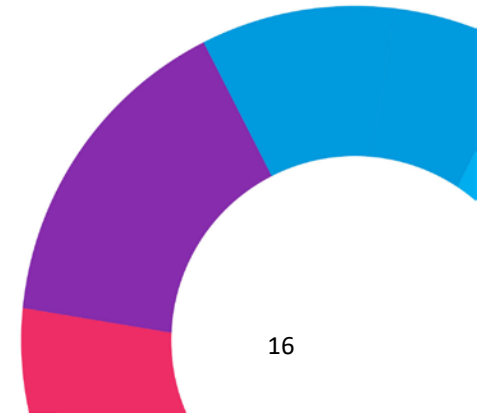
A\$1.2B TAM

wide

marketplace
open API's
new vendors

cloud
edge
legacy

deep



Accelerated move to cashless payments

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

- Traditional payment market disrupted by emerging payment methods and Fintechs
- Cashless payments rising on the back of pandemic related dynamics
- New standards drive need for updated High-value and Real-time solutions

Market			Opportunity	
Global Non-Cash Transactions (excl. cheques)	737B Payments transactions	11.5% CAGR	Card Payments	<p>Provide payment-related analytics to enterprises and banks</p> <p>Provide to a broader range of user types within new and existing customers</p>
			Real-Time Payments	<p>Launch of new High Value product line, and upcoming Real Time Payments product</p> <p>Provide monitoring and analytics tools to provide real-time insights to customers</p>

Continued growth in high value conferencing segment

IR well placed to leverage trend to 'Hybrid Work'

- 'Hybrid Working' increases UC system complexity and further exposes UC challenges
- Industry specific video applications (e.g. Healthcare) are increasing the mission critical nature of UCaaS
- Vendors and carriers partnering to integrate carrier telephony with UCaaS at scale
- Growth in video enabled collaboration spaces is accelerating – higher expectations on user experience

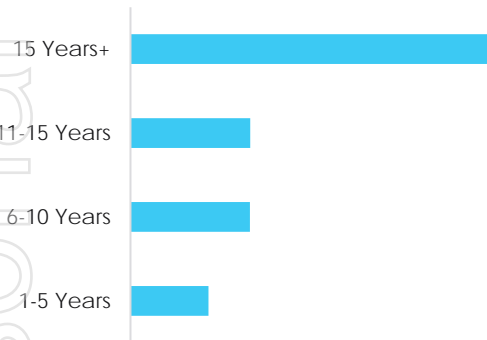
Market ¹			Opportunity	
550M UC users	185M conferencing users	48% Growth 2020 7% CAGR (2021-25)	On- premises	Cisco opportunity increases as IR is the recommended replacement for Cisco's end-of-sale UC monitoring tool Demand for our Avaya solutions remains strong with existing customers
			Cloud	MS Teams, Zoom & Webex solutions targeting net-new and cross sell Upcoming telephony support in the cloud creates strong differentiation and value for enterprise & service provider

1. Source: Gartner UC Market Forecast 2Q21 – Jun 2021

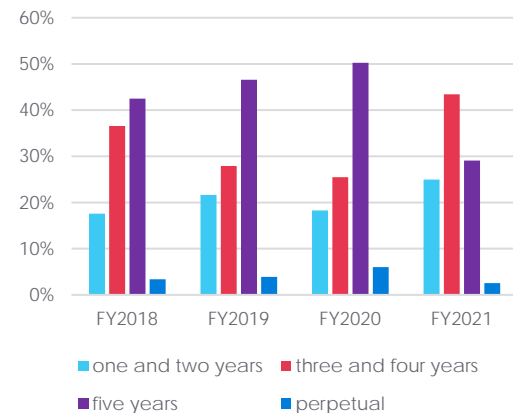
Quality customer base

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

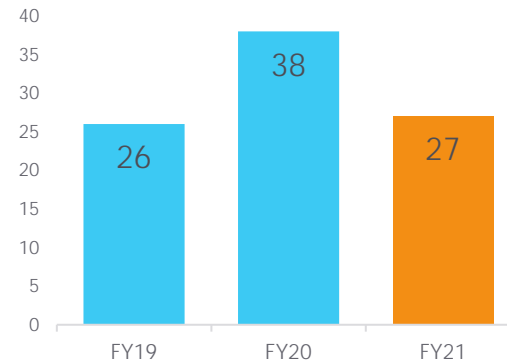
Customer Tenure



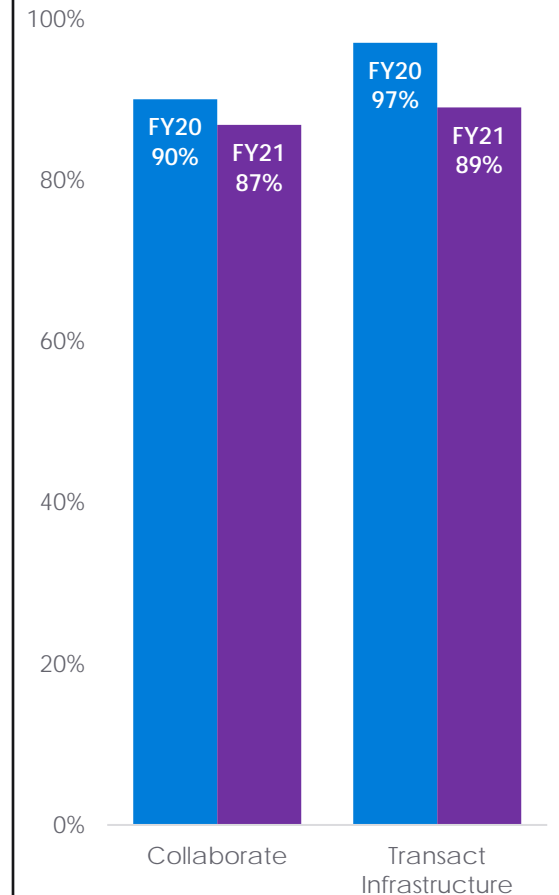
Contract Length



New Logos



Maintenance Retention Rate





FY22 Action Plan

Clear execution priorities to accelerate transition benefits

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<i>Sales</i>	<i>Product & Development</i>	<i>Business Support</i>
Implement go-to-market changes to increase new business sales with a Focus Accounts territory model	Deliver new products & enhancements to extend our customer value proposition	Manage the Transform IR, a comprehensive company-wide change management program
Implement CX360, a program to enable the sales team & increase field productivity	Adopt a build vs buy vs partner strategy, to accelerate time to market in key portfolio areas	'Unitise' the business in support of the transition of the business model; including business reporting
Accelerate demand generation & pipeline build through increased program spend & SDRs	Increase product velocity with augmentation and using cloud native services to allow focus on differentiating capabilities and thought leadership	Implement key reward & recognition initiatives to retain staff in a highly competitive market



FY22 Key Performance Indicators

New customers and product launches support transition to SaaS growth

<i>Customer growth & retention</i>		<i>New customer acquisition</i>		<i>Product innovation</i>		<i>Business Model Transition</i>	
TCV from new products & capacity to existing customers	20%	New customers	75	Percent of TCV from products released in the last 5 years	15%	Growth in cloud deferred revenue backlog	100%
Proforma subscription Revenue retention	92%	TCV from new customers	30%	Extend 3 rd party strategic relationships		Systems & process readiness to report SaaS metrics	
Customer retention	95%			Development spend to TCV	14%		

Conclusions



1. Transition is underway – executing plan to grow higher quality, SaaS based subscription revenues
2. Recovery in 2H results, with revenue and profit growth
3. New product launches expand addressable market opportunities
4. Increasing leverage to long term growth trends in cashless payments and remote working



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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

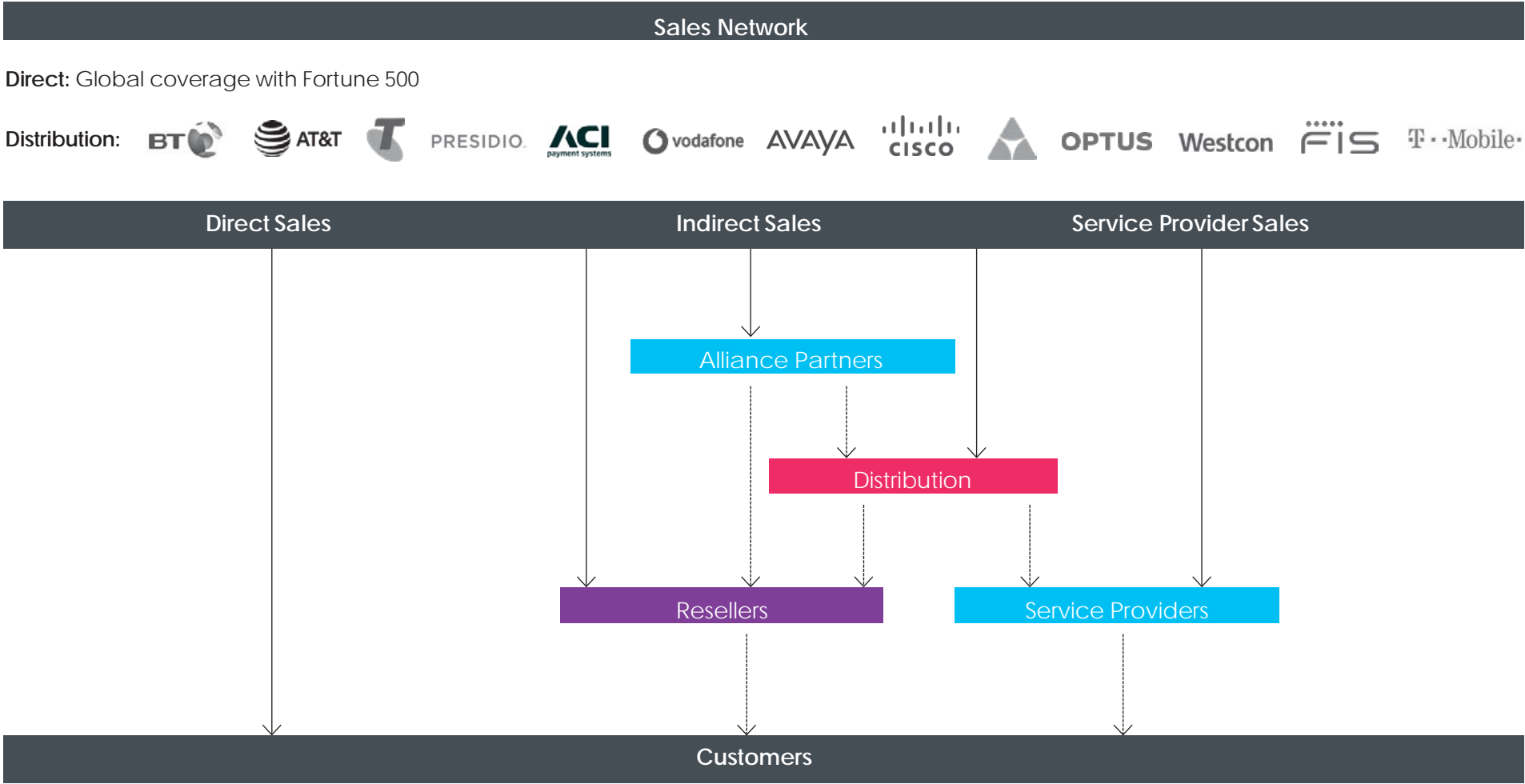
Why we succeed

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

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

Proforma subscription revenue



Annual revenue	FY19	FY20	FY21	FY19	FY20	FY21
	A\$M	A\$M	A\$M			
Infrastructure	20.3	21.5	18.3	3%	6%	-15%
Transact	8.4	10.5	10.0	28%	25%	-5%
Collaborate	45.2	49.3	41.4	20%	9%	-16%
Proforma subscription revenue	73.8	81.3	69.6	16%	10%	-14%
Perpetual sales	2.9	4.3	1.2	62%	51%	-73%
Testing Services	5.0	5.5	4.3	-4%	11%	-22%
Professional Services	7.4	8.6	8.4	0%	17%	-3%
Proforma revenue	89.1	99.8	83.5	14%	12%	-16%
Statutory revenue	100.8	110.9	78.5	11%	10%	-29%
Reconciliation to Statutory Accounts:						
Proforma revenue	89.1	99.8	83.5			
Deduct Amortised licence fees	-48.3	-56.5	-51.2			
Add Licence fees recognised upfront	60.0	67.6	46.2			
Statutory revenue	100.8	110.9	78.5			

Cash flow



	FY21	FY20	Change
	A\$M	A\$M	
Cash flows from operating activities			
Cash receipts from customers ex debtor factoring	78.8	88.8	(11%)
Cash receipts from debtor factoring	-	7.6	(100%)
Cash receipts from customers	78.8	96.4	(18%)
Proceeds from government grants	0.6	-	
Cash paid to suppliers and employees	(55.1)	(66.0)	(17%)
Cash generated from operations	24.3	30.3	(20%)
Income taxes paid	(3.2)	(6.2)	(48%)
Net cash from operating activities	21.1	24.2	(13%)
Net cash used in investing activities	(10.8)	(14.2)	(24%)
Net cash used in financing activities	(7.1)	(9.7)	(27%)
Net increase/ (decrease) in cash and cash equivalents	3.2	0.2	1500%
Cash and cash equivalents at 1 July	9.7	9.3	4%
Effects of exchange rate changes on cash	(0.8)	0.2	
Cash and cash equivalents at 30 June	12.1	9.7	25%

Financial track record



Year ending (A\$M):	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
Licence fees	28.9	26.6	28.0	41.0	45.7	53.4	52.6	62.8	72.1	47.4
Revenue	48.6	48.9	53.2	70.3	84.5	91.2	91.2	100.8	110.9	78.5
EBIT	11.1	11.1	10.3	19.0	21.4	25.7	25.8	28.9	30.9	8.5
EBIT margin	23%	23%	19%	27%	25%	28%	28%	29%	28%	11%
EBITDA	18.5	18.6	17.8	28.1	32.0	37.0	36.2	40.2	42.9	21.9
EBITDA margin	38%	38%	33%	40%	38%	41%	40%	40%	39%	28%
NPAT	9.0	9.1	8.5	14.3	16.0	18.5	19.1	21.9	24.1	7.9
NPAT margin	19%	19%	16%	20%	19%	20%	21%	22%	22%	10%
Earnings per share (cents)	5.41	5.40	5.03	8.41	9.42	10.86	11.19	12.72	14.00	4.61
Total dividend per share (cents)	5.00	5.00	5.00	7.50	6.50	6.50	6.50	7.25	7.25	-
Payout ratio	92%	93%	99%	89%	69%	60%	58%	57%	50%	n/a
Return on equity	31%	30%	28%	39%	39%	38%	33%	31%	29%	10%
Growth rates:										
Licence	15%	(8%)	5%	46%	11%	17%	(2%)	19%	15%	(34%)
Revenue	9%	1%	9%	32%	20%	8%	0%	11%	10%	(29%)
EBIT	19%	1%	(8%)	85%	13%	20%	1%	12%	7%	(73%)
EBITDA	17%	0%	(4%)	58%	14%	16%	(2%)	11%	7%	(49%)
NPAT	21%	0%	(6%)	68%	12%	16%	3%	14%	10%	(67%)

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