

Iress market update

Positioning Iress for the next growth horizon

Highlights

- Refreshed strategy and clear actions to reset Iress' cost and asset base, refocus on core businesses while managing non-strategic businesses for value and innovating to build future growth.
- Refreshed leadership team and new organisational structure to drive accountability and improved performance.
- Remuneration model to be refreshed to align to performance.
- Cost-efficiency program to deliver \$32m in annualised savings, representing approximately 10% of headcount¹. Excluding redundancy costs, FY23 will realise a benefit of \$16m with the full benefit to be realised in FY24.
- Non-cash write down of \$123m² to recognise decline in value of underperforming assets, predominantly UK operations.
- Process commenced to divest MFA and Platforms businesses.
- FY23 guidance reaffirmed. 10+% growth in Segment Profit on a Pro Forma basis.
- New path to enterprise improvement - previous 2025 targets no longer appropriate.

Iress' Group CEO & Managing Director, Marcus Price, said: "Since being appointed in October, a thorough review of the Iress Group has been undertaken focused on increasing profitability and improving returns for shareholders.

"Our analysis has confirmed that the core of the Iress business is well positioned at the centre of the Australian wealth and trading ecosystem. These businesses are at, or close to, the 'Rule of 40' benchmark defining leading global SaaS players.

"While Iress has loyal clients and enjoys high recurring revenue, more needs to be done to reinvest in the software and service we provide to deliver value to these clients. Additionally, there are aspects of the Iress portfolio which have diluted earnings, distracted focus, and reduced our ability to consistently deliver satisfactory returns on capital to shareholders.

¹ Based on 2022 headcount numbers

² Estimated amount and subject to calculation of actual carrying amounts in June 2023 balance sheet and subject to review by independent auditor

“Informed by the review findings, today we are outlining a program of clear and deliberate actions aimed at reinvigorating growth in Iress’ core businesses, creating the right structure and accountability to manage non-strategic businesses for value, and executing a carefully managed program of work to deliver efficiencies and release capital across the Group. This includes commencing plans to divest Iress’ MFA and Platforms businesses.

“Iress is also committed to leading the development of the next generation of advice software, as well as investing in future growth in industry connectivity and data and analytics.

“With higher earnings and releases of capital our objective is to reduce debt and reward shareholders with long-term, sustainable growth.”

Strategic Initiatives

Reset cost and asset base

- Cost-efficiency program to deliver \$32m in annualised savings, representing approximately 10% of headcount. Excluding redundancy costs, FY23 will realise a benefit of \$16m with the full benefit to be realised in FY24.
- Current elevated levels of technology project work in non-operating items will come to an end in Q1 2024.
- Further additional efficiencies to be gained through new organisational structure in due course.
- Process commenced to divest MFA and Platforms businesses.
- Ongoing process of management and capital repatriation from non-core assets.
- Impairment of ~\$123m - primarily UK goodwill.

Refreshed leadership team and new product-led structure to drive growth, accountability and improved performance

- New structure aligned to four key business lines: Wealth Management, Trading & Market Data, Superannuation and Managed Portfolio.
- New leaders added to the Leadership Team: Harry Mitchell, CEO of Wealth Management, Jason Hoang, CEO of Trading & Market Data, Paul Giles, CEO of Super.
- In addition, Ana Smith appointed Chief Strategy and Transformation Officer to drive the transformation program, David Hentschke appointed Chief Innovation Officer to lead development of growth ventures, and Justin Schmitt appointed Chief Operating Officer to drive accountability and efficiency.
- Current Group CFO John Harris has been appointed CEO of Managed Portfolio. New Group CFO to be appointed - external search commenced. Anita Chow, the current Group Financial Controller will act as Group CFO in the interim.

- Chief Product Officer role not part of the new structure - Joydip Das to leave Iress to pursue other opportunities.

Focus on strong core markets

- Significant opportunities to grow and expand leading positions in Australian wealth management and trading & market data. Strong demand for superannuation software as industry transitions to automated administration models.
- Prioritisation of investments in core software to focus on uplifting software functionality, expanding industry connectivity and investing to grow new capabilities in digital advice and data.

Manage for portfolio value

- Managed Portfolio to adopt private equity mindset including empowerment of local management teams and exploration of alternate funding models.
- Underperforming or non-strategic assets to be divested; process to divest MFA and Platforms businesses commenced.

Invest to build future growth

- Transition to platform architecture and cloud optimisation program to be completed by Q1 2024.
- Establishment of innovation division to incubate and accelerate innovation and grow organic revenue in core, as well as in new markets.
- Initial focus on next-generation advice software, data and AI capabilities and industry connectivity.

Optimising capital structure

- Target leverage ratio of 1.5x - 2.0x in the medium term. Deleveraging driven by earnings growth and divestments.

2023 guidance reaffirmed

- Segment profit on a constant currency basis is expected to be in the range of \$166-171m, in line with the guidance provided on 20 February 2023.
- Underlying EBITDA on a constant currency basis is expected to be in the range of \$144m - \$149m including \$16m of benefit from a cost reduction programme.
- On a pro forma basis (annualising the cost reduction benefit), Underlying EBITDA is expected to be in the range of \$160m - \$165m.
- Non operating items are expected to be approximately \$184m as a result of the writedown of intangible assets (~\$123m), largely UK goodwill; \$28m in restructuring and

transformation costs and \$28m to complete the technology uplift programme that commenced in 2022.

- As a result of these non operating items, Net Profit After Tax on a constant currency basis is expected to be a loss of between \$102m - \$107m for the year.

New leadership team biographies are attached in the Appendix.

An investor presentation with further details will be lodged after this release.

Ends

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About Iress

Iress (IRE.ASX) is a technology company providing software to the financial services industry.

We provide software and services for trading & market data, financial advice, investment management, mortgages, superannuation, life & pensions and data intelligence.

Our software is used by more than 9,000 businesses and 500,000 users globally. We have over 2,000 people based in Asia-Pacific, North America, Africa, the UK and Europe.

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Appendix - New leadership team biographies

Harry Mitchell, CEO, Wealth Management

Harry Mitchell has significant experience in the wealth management and financial technology industries.

Most recently, Mr Mitchell held executive and non-executive leadership roles at Recreo Financial; a cloud-based platform servicing the superannuation and investment industries. Prior to this, Mr Mitchell was CEO for Mine Super, a \$14bn fund serving 60,000 members in the coal mining industry. He has previously held the roles of General Manager of Commonwealth Financial Planning, where he led a significant transformation program focusing on culture, profitability and customer outcomes and Executive Manager at Colonial First State.

Mr Mitchell holds an Executive Master of Business Administration, is a graduate of the Australian Institute of Company Directors, has been certified as a Six Sigma Green Belt and has completed the Advanced Management Program (AMP) at Harvard Business School.

Mr Mitchell is based in Melbourne.

Jason Hoang, CEO, Trading & Market Data

Jason Hoang has been Iress' Managing Director - Asia since 2011 overseeing the trading and market data business. Jason co-founded Xplan in 2001, which was acquired by Iress in 2003. As part of his ongoing role in the Iress leadership team, Jason was instrumental in growing the Xplan business from its beginnings to the leading market position it holds today.

Prior to joining Iress, Jason was a National Sales Marketing Manager at Vision FPS and a Paraplanner at William M Mercer.

He holds a Bachelor's Degree in Commerce Accounting from the University of Canberra.

Mr Hoang is currently based in Singapore. He will be transitioning back to Sydney in 2024.

Paul Giles, CEO, Superannuation

Paul Giles has significant commercial and regulatory experience in the superannuation industry.

Mr Giles joined Iress in 2022 to lead the commercial delivery of superannuation software, overseeing a period of exceptional growth in demand for Iress' software. Prior to joining Iress, he was a Partner at Mercer responsible for industry and public sector funds. Over the last 17 years Paul has held senior executive roles at Link Group, the Insurance Council of Australia and consulted across banking and superannuation at C level.

He has an extensive policy and regulatory background in the Federal Government including executive roles in Prime Minister & Cabinet, Department of Finance and he has served as Chief of Staff to the Federal Assistant Treasurer and Minister for Financial Services, where he managed portfolio responsibility for superannuation, banking, insurance, the ASX, and the regulators - ASIC, APRA and ATO.

Mr Giles is based in Sydney.

John Harris, CEO Managed Portfolio

John Harris started his role as Chief Financial Officer (CFO) of Iress in 2015.

He has spent most of his career in the financial services industry, holding positions with an international focus and in senior finance, strategy and operations roles. He has extensive global experience spanning UK, Asia, Europe, US and Australia, including ten years in senior leadership roles with Australia's Commonwealth Bank.

Mr Harris is based in Melbourne.

Ana Smith, Chief Strategy & Transformation Officer

Ana is an execution focused strategy professional whose career spans 20 years in management consulting and business leadership roles with a focus on financial services, technology, media, consumer goods and the public sector.

Since 2018 Ana has held senior leadership roles within Iress, leading global client-centric initiatives, before becoming the inaugural Chief of Staff / Head of CEO Office in 2020. As Chief Strategy & Transformation Officer Ana now leads the execution of Iress' strategy.

Prior to Iress Ana held roles as Management Consultant with Booz Allen Hamilton (now Strategy&) and a number of specialised consultancies, General Manager of Australia's largest organic coffee brand, and as a founding member of Commonwealth Bank's Women in Focus program. She holds a Bachelor of Economics (Finance) and Bachelor of Social Science from the University of New South Wales.

Ms Smith is based in Sydney.

David Hentschke, Chief Innovation Officer

Mr Hentschke has many years' experience building technology companies and driving innovation, most recently as Group CEO and Managing Director, International and Technology, for ASX listed credit technology company, Credit Clear Ltd. He also spent seven years at PEXA as Group Executive Strategy & Corporate Development, during which time PEXA was named as one of Australia's top 20 innovative companies in 2015 and 2017.

Prior to this, Mr Hentschke held senior roles in a number of organisations, including a successful technology start-up which was later acquired by Equifax Australia; non-executive director of Australian Steel Institute; Managing Director of a privately-owned steel construction company and Head of Telstra's Credit Strategy & Commercial Services function.

He holds an MBA from the University of New England, and an Authentic Leadership certificate from Harvard Business School.

Mr Hentschke is based in Melbourne.

Justin Schmitt, Chief Operating Officer

Mr Schmitt joined Iress' Strategy team in January 2023. As Chief Operating Officer, he has responsibility for assisting the CEO in managing Iress' corporate functions.

Justin Schmitt is an experienced financial services and technology company executive having held senior roles in legal, governance, compliance, government relations, transformation, regulatory affairs, corporate affairs and communications.

Prior to joining Iress, Mr Schmitt had 25 years of corporate experience, having held senior legal roles with Westpac Group and National Australia Bank, General Counsel, Chief Transformation Officer and Group Executive Regulatory & Corporate Affairs roles at Property Exchange Australia (PEXA). He was also General Counsel at Certane Group.

Mr Schmitt is based in Melbourne.