



Investor Day Presentation

# Taking Iress to its **next growth** **horizon**

20 April 2023



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## FIGURES

Iress' financial results are reported under International Financial Reporting Standards (IFRS). This presentation includes certain non-IFRS measures including Segment Profit, EBITDA, Underlying EBIT, Free Cash Flow, and Constant Currency. These measures are presented to enable understanding of the performance of the Company without the impact of non-trading items and foreign currency impacts. Non-IFRS measures have not been subject to audit or review.

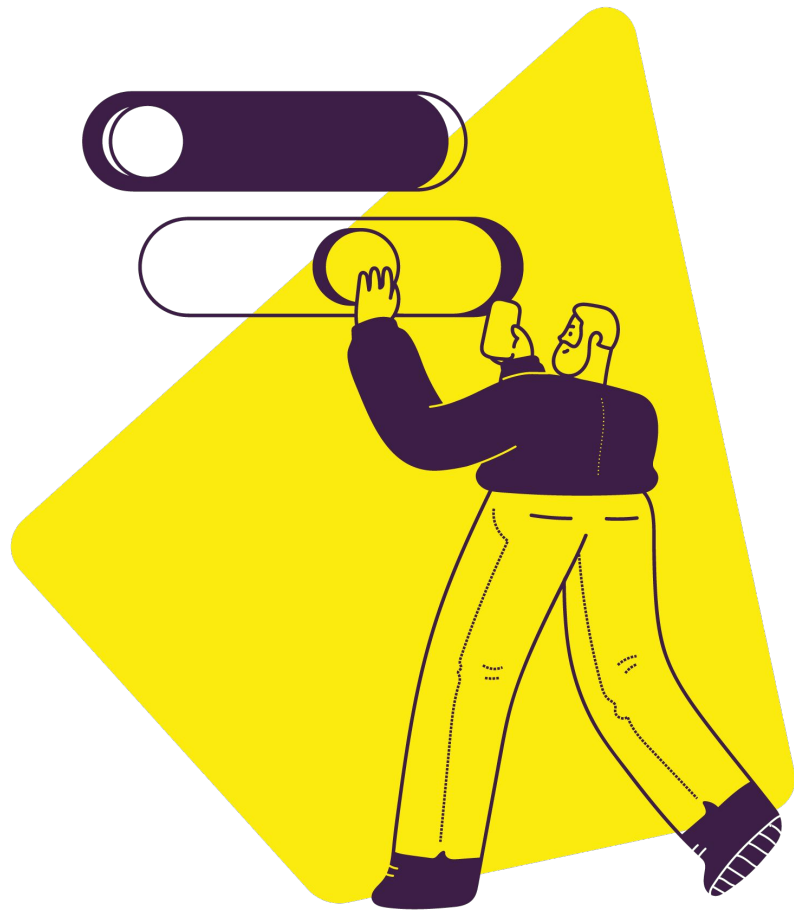
All amounts and dollar values are in Australian dollars (A\$). Certain figures, amounts, percentages, estimates, calculations of value and fractions may be subject to rounding differences.

# Agenda

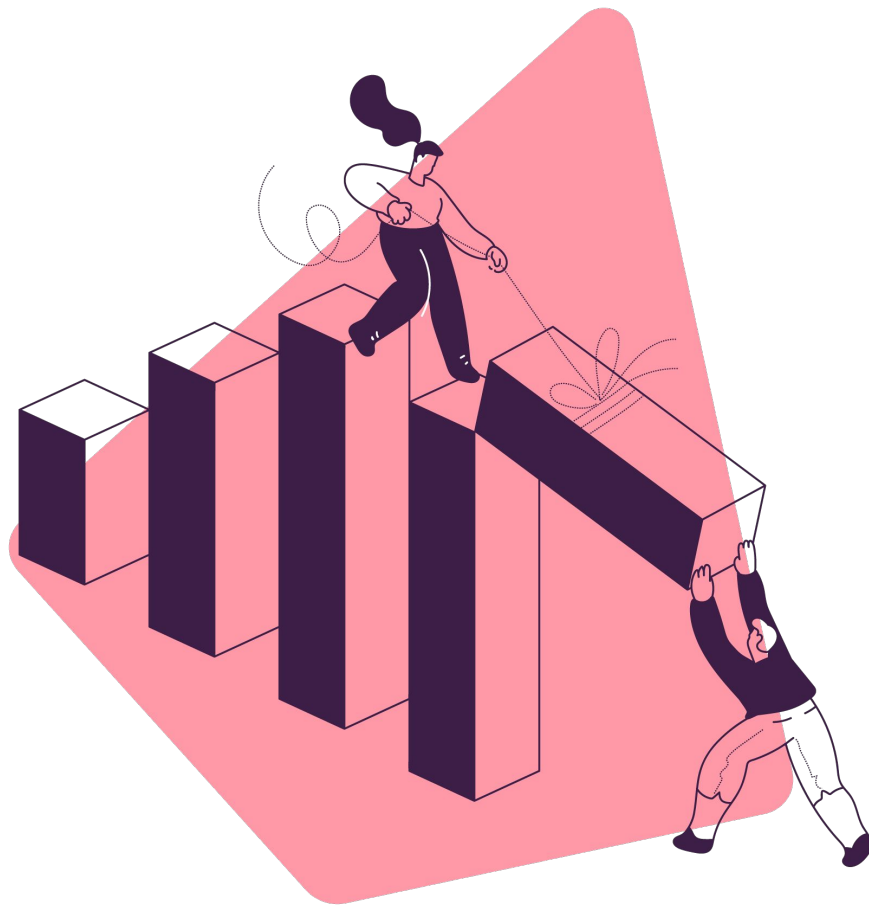


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# Welcome



# Chair's Address



# Chair's Address



## Iress vision

Innovative technology company which connects and empowers millions to generate and manage wealth

## Iress group financial goal

Consistently achieve 'Rule of 40' returns for shareholders and build new businesses that achieve 'Rule of 40' returns



# Strategy Overview



# What you will hear today



## Reset

1

### Structure for accountability and performance

- New P&L, BU-driven structure
- New performance remuneration framework
- New transparent reporting framework
- New path to enterprise improvement - 2025 targets no longer appropriate

2

### Cost and assets

- \$32m in cost reduction by 30 June
- Divestment of MFA & Platform Businesses
- Asset write down of ~\$123m

3

### Focus on strong core markets

- Wealth
- Trading & Market Data
- Superannuation

4

### Manage portfolio for value

- UK, Canada, South Africa
- MFA & Platforms

5

### Finish technology uplift

- Completed by Q1 2024

6

### Innovate and build

- Wealth
- Data and AI
- Trading

## Build

## Refocus



# Iress overview



Iress provides **essential technology** to the Australian financial services industry

Established in **1993**

Listed on **ASX** since 2000

## Financial advice

- 37,584 Australian Xplan users
- Avg 21,000 digital advice journeys per month
- 203 data integrations into Xplan
- 120m records processed daily

## Trading & market data

- 3.2b trade orders annually
- \$45trn in trade values annually
- \$2.8trn in monthly trades in Australia alone

## Super

- 3m+ member accounts
- \$630b+ super investments managed through Iress software
- 27% of total super FUM managed through Iress software

# Iress' performance has declined despite acquisitions and top line growth



## Revenue & balance sheet

(1993-2006)

Era 2 (2007-2017)

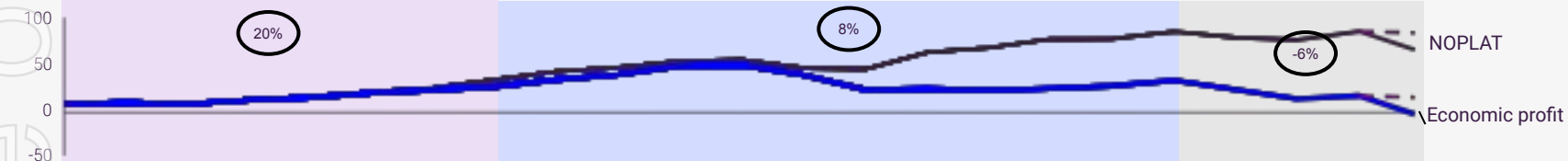
Era 3 (2018-2022)

○ CAGR over era

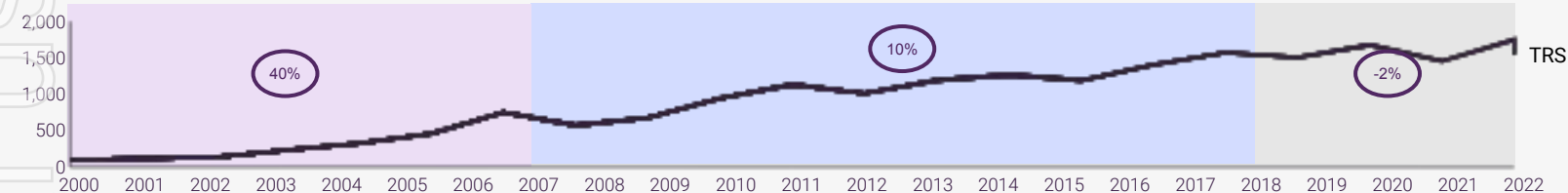


## Profitability

— Excludes FY22 non-op items

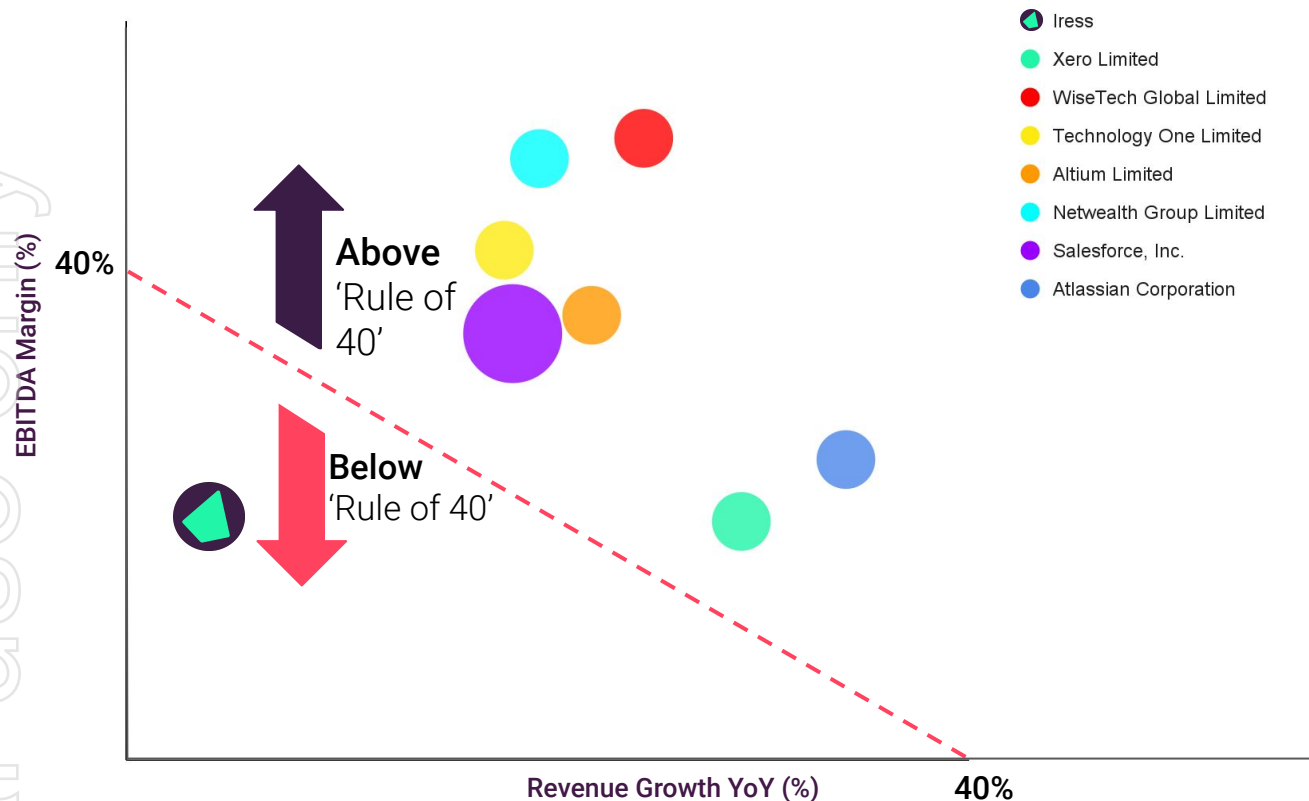


## Total Return to Shareholders



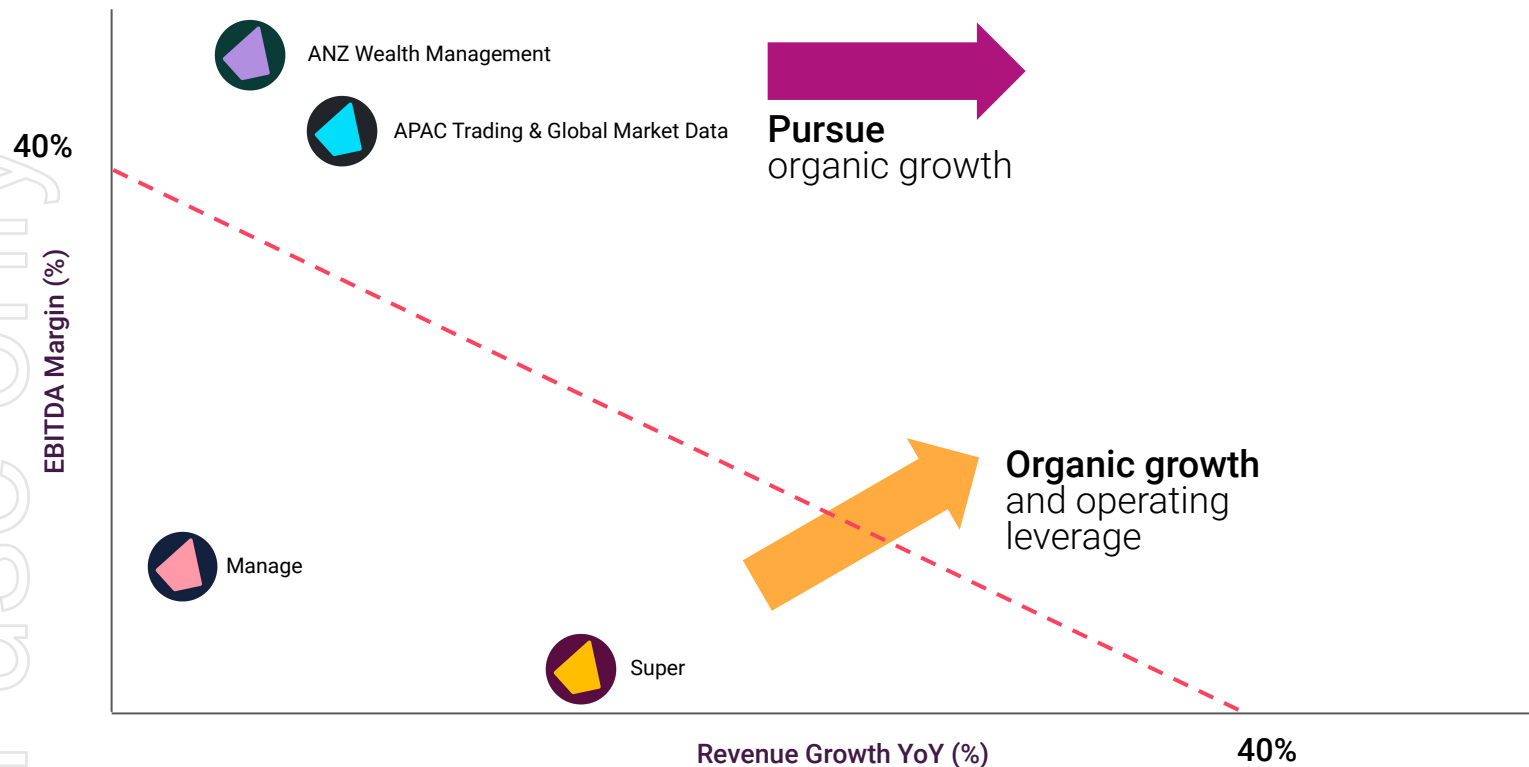
<sup>1</sup> Invested Capital refers to Invested Capital, incl. Goodwill and Intangibles.  
Source: Company reports, Internal financials, S&P Capital IQ, CP Analytics, team analysis

# 'Rule of 40'<sup>1</sup>: benchmark for leading software companies



<sup>1</sup>Rule of 40' proxy being the sum of Revenue Growth + EBITDA Margin %  
Source: Public data

# Iress' core businesses are above or on a path to the 'Rule of 40'<sup>(1)</sup>



<sup>(1)</sup> 'Rule of 40' being the sum of Revenue Growth + EBITDA Margin %

<sup>(2)</sup> Iress' figures are indicative based on estimated cost allocation. Corporate costs and Share based payments have been fully allocated but excludes non-operating and significant items

# Strategy Overview



Six big jobs to deliver on potential

## Reset

1 Structure for accountability and improved performance

2 Reset the cost and asset base

## Refocus

3 Refocus on the core

4 Manage portfolio for value

## Build

5 Finish technology uplift

6 Build new businesses

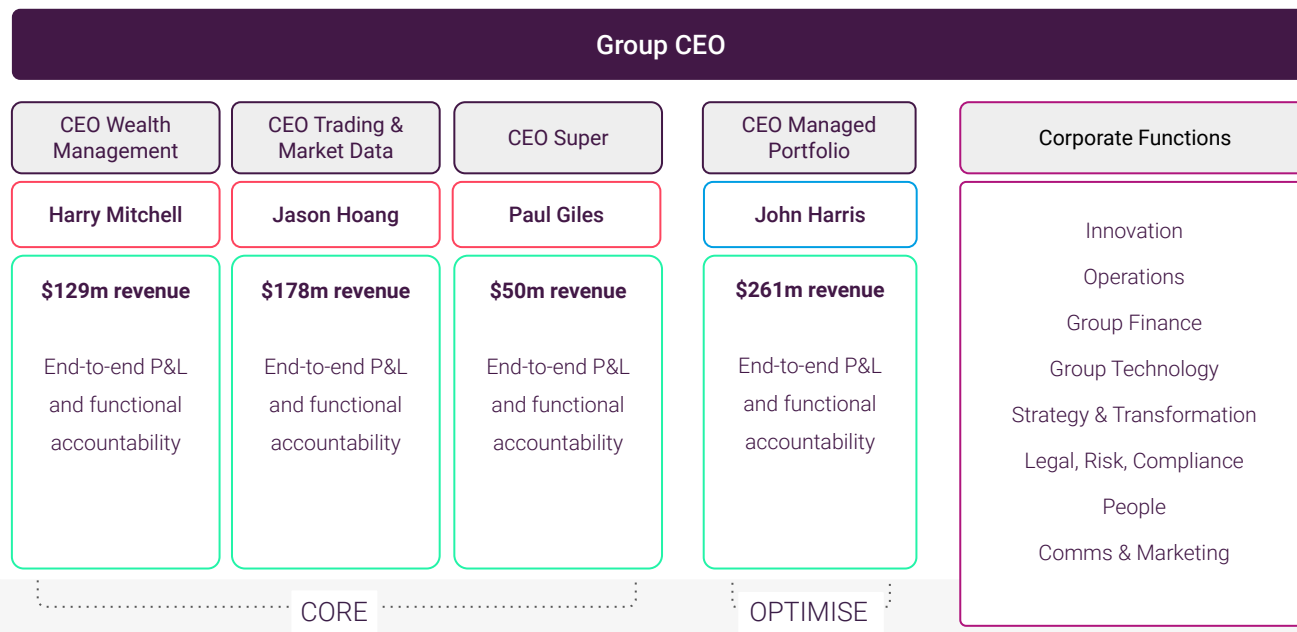


# ① Reset | Structure for accountability and improved performance



New structure based on business units with P&L accountability

- Clear product-led P&L ownership driving end-to-end accountability and improved performance
- Orient businesses closer to clients, driving improved experience
- Tighter spans of control to drive efficiency and focus
- Functional overlays - culture, major accounts, shared corporate services
- New structure effective 1 July 2023.



# ① **Reset | Structure** for accountability and improved performance



## Introduction of new performance-based remuneration framework

- Existing remuneration framework (including Equity Rights and Performance Rights) to be replaced
- Remuneration framework to be refreshed in line with market norms and expectations
- Aligned to business unit P&Ls
- Cash-based short-term incentives: Balanced scorecard including financial metrics (revenue and earnings), Net Promoter Scores and behaviours.
- Equity-based long-term incentives: Aligned with shareholder returns
- Feedback and approval to be sought from shareholders.

## ② **Reset** | **Reset** cost and asset base



### Resetting of costs and asset base to improve efficiency

#### Program of cost savings through headcount reduction:

- \$32m annualised savings (~10% of group headcount costs)<sup>(1)</sup> by 30 June
- 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.

#### Program of asset realisation

- Commenced a process to divest MFA and Platforms businesses
- Ongoing process of management and capital repatriation from non-strategic assets
- Write down of ~\$123m - primarily UK assets.

<sup>(1)</sup>Based on 2022 headcount costs



### ③ Refocus | Refocus on core: Wealth Management

Positive outlook for Australian Wealth Management industry with large unmet need

#### Industry trends

- 12m<sup>1</sup> Australians want advice but can't access it.
- \$3.5trn intergenerational wealth transfer underway.
- Regulatory tailwinds expected post Quality of Advice Review (QAR).

#### Strengthen the core

- Strong market position in Australian financial market
- Loyal client base; 90% of Top 20 clients 10+ years tenure; 98% recurring revenue.
- Advisers adapting to changing environment, less well positioned to lead and support.
- Investments in improving core Xplan experience, functionality and service to drive higher NPS.

#### Innovate to grow

- Advice firms seeking greater scale and profitability.
- Xplan Affinity connecting wealth ecosystem and drive efficiency and reduce cost of advice.
- Digital advice and next-gen advice software in development to drive scale and accessibility across multiple segments

*“Financial advisers... cannot provide the answer to the advice needs of all Australians. We need a regime that permits variety and diversity. Not all financial advice is difficult and digital advice tools will help even when it is.”*

Michelle Levy, Quality of Advice Review, 2022.

<sup>1</sup> Quality of Advice Review 2022, <sup>2</sup> McCrindle (2016)

### ③ Refocus | Refocus on core: Trading & Market Data



Maintain and enhance leading position in core AU trading; emerging opportunities in data

#### Industry trends

- Global trading infrastructures require ongoing modernisation - Iress no exception.
- Users demanding single desktops, requiring integration with multiple data sources and software providers.
- Increasing demand for data and insights.

#### Strengthen the core

- Leading position in core Australian trading technology market.
- Loyal client base; 90% of Top 20 clients 10+ years tenure; 98% recurring revenue.
- Iress investing in improving core IOS stability, functionality and service to drive higher NPS.

#### Innovate to grow

- Clients seeking differentiation through access to connectivity and data.
- Iress expanding FIX connectivity capabilities to support clients to reach new markets
- Further growth through investments in market data, connectivity and analytics.

### ③ Refocus | Refocus on core: Superannuation



#### Scaling up to win the wave of automation in super administration

##### Industry trends

- Super assets under management forecast to reach \$8.6trn over next 20 years<sup>1</sup>
- Super funds to hit the \$1trn FUM benchmark<sup>1</sup>
- Spotlight on efficiency pushing super funds to reduce cost to serve and increase value to members
- Increased industry consolidation accelerating drive to digitisation.

##### Strengthen the core

- Super funds shifting from manual to digital operating models.
- Less well positioned to lead the wave of modernisation.
- Focus on embedding new clients; 84% of revenue now recurring.
- Investing to scale up and capture strong and growing pipeline of super admin software opportunities
- Expectations of double-digit growth in super admin software revenues.

##### Innovate to grow

- Less expanding digital member education and advice capabilities to super fund members.
- Additional investments in enhanced data and analytics capabilities.

## ④ Refocus | Manage portfolio businesses for value



Focus on empowering management with the tools of private equity

	Strengthen the core	Drive organic growth
Mindset	Market Leader	Market Builder
Strategy	Maintain existing high market position Invest for client value Drive revenue growth	Capture market opportunities Scale up Invest for high revenue growth
Iress Business	<ul style="list-style-type: none"> <li>APAC Wealth Management</li> <li>APAC Trading &amp; Global Market Data</li> </ul>	<ul style="list-style-type: none"> <li>Super</li> <li>Iress Innovations</li> </ul>
Rule of 40 Status	At or above "Rule of 40" - high margins with lower revenue growth	Below "Rule of 40" - High revenue growth with margins to improve as business scales
	Clear financial guardrails	

Manage for value	
Private Equity	
Empower management Drive improved performance Manage for value Patient approach to release capital	Divest non-strategic businesses
<ul style="list-style-type: none"> <li>United Kingdom</li> <li>South Africa</li> <li>Canada</li> </ul>	<ul style="list-style-type: none"> <li>MFA &amp; Platform</li> </ul>
Below "Rule of 40" - need to improve both revenue growth and margins	
Clear financial guardrails	

## ⑤ **Build | Finish** technology uplift program



Transition to platform architecture and cloud optimisation program to be completed by Q1 2024

### **Work completed**

- Technology platform design complete and single technology platform foundation built
- All core advice and investment management services successfully migrated to Iress Cloud Platform
- 12 legacy products decommissioned.

### **Final items to finish**

- Migrate and optimise additional trading & market data services for cloud
- Build out of Xplan Affinity.
- Retire nine remaining legacy applications.

### **Program extension to improve client experience**

- Program to refresh core trading software (IOS)
- Program to refresh core advice software (Xplan)
- One-off investment to be complete by Q1 2024.

## ⑥ **Build | Innovate** to drive future growth



Investment will innovate and build new organic business development opportunities in Wealth, Data/AI and Trading

### **Innovation discipline**

- Additional growth opportunities beyond organic growth in core
- Cultivating and accelerating disciplined approach to innovation
- Small team within existing envelope of R&D expenditure.

### **Grow next generation of capabilities**

- Immediate opportunities focused on next-generation wealth capabilities to meet growing demand for advice
- Explore opportunities in data & AI
- Enhance connectivity capabilities in wealth and trading.

# Strategy overview



## Six big jobs to deliver on potential

### Reset

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Finish technology uplift

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Build new businesses

### Refocus

### Build

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# Transformation Roadmap



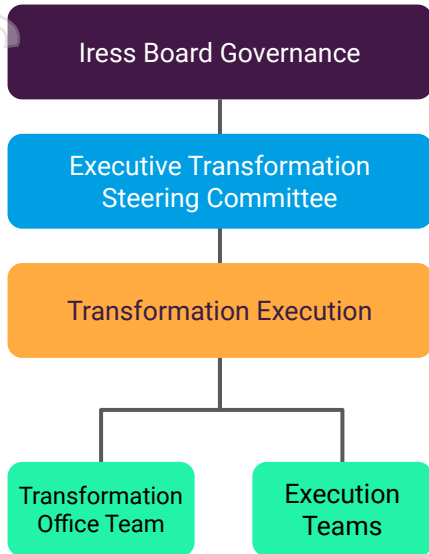


# Transformation Roadmap - disciplined execution to deliver benefits



Iress has a disciplined and rigorous transformation plan to execute the strategy

## Transformation Governance

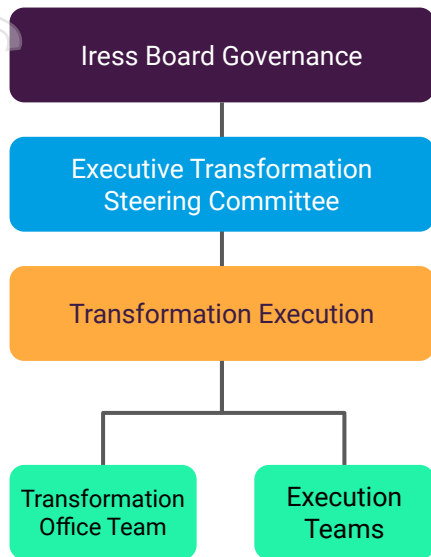


# Transformation Roadmap - disciplined execution to deliver benefits

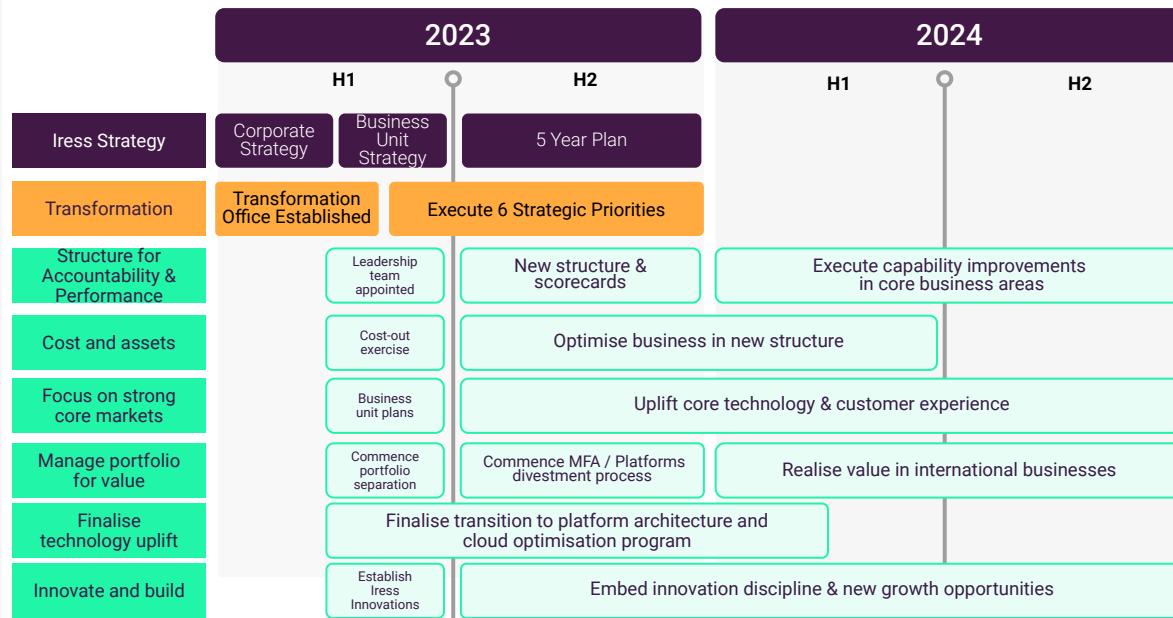


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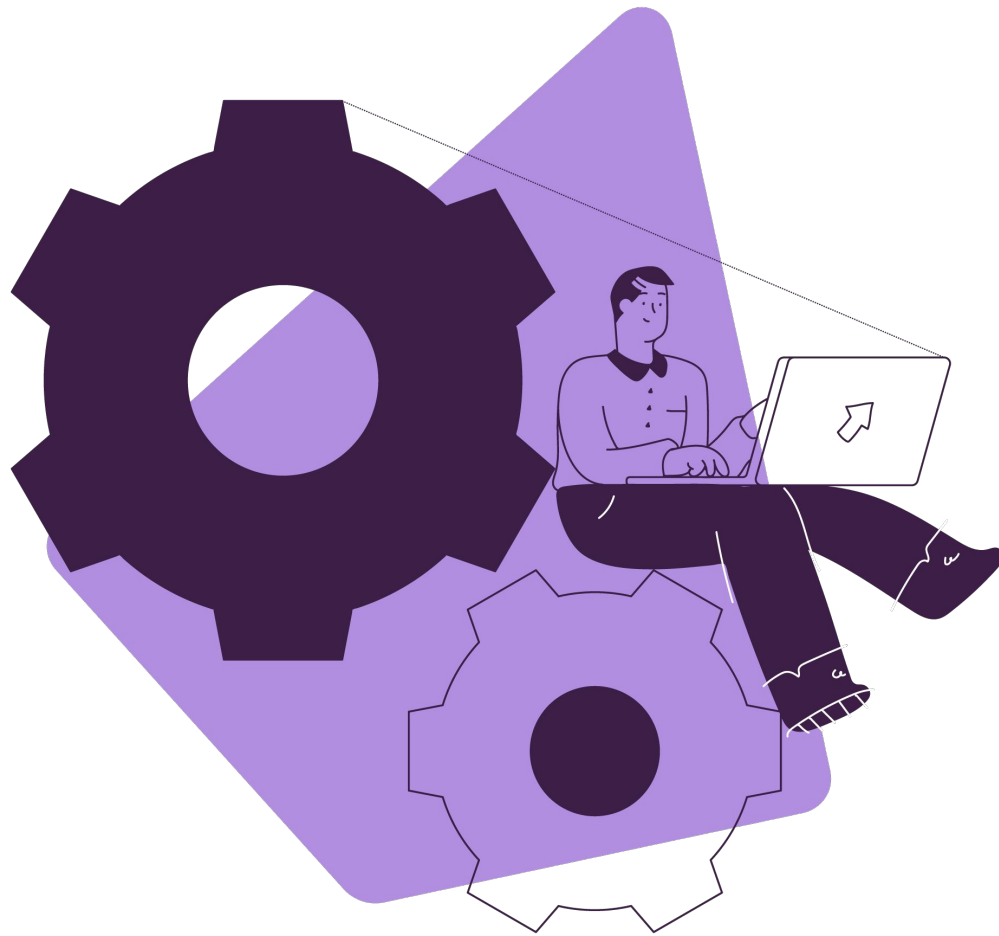
## Transformation Governance



## Transformation Roadmap



# Video: Innovation showcase



# Meet the leaders



## Meet the leaders



**Harry Mitchell**  
CEO  
Wealth Management



**Jason Hoang**  
CEO  
Trading & Market Data

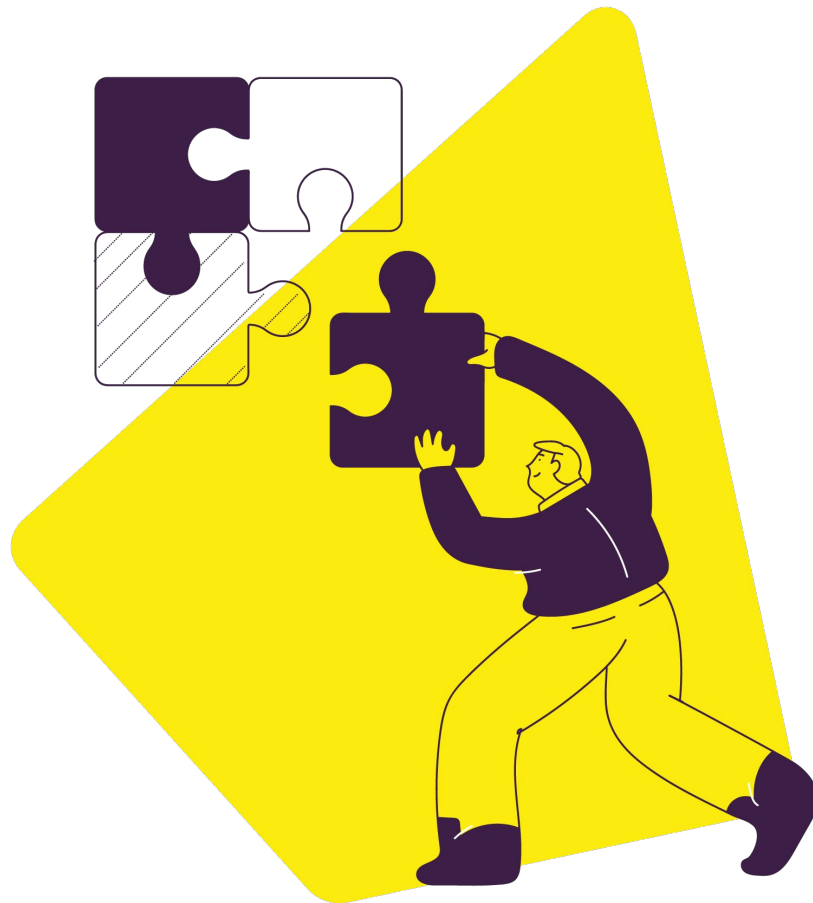


**Paul Giles**  
CEO  
Superannuation



**John Harris**  
CEO  
Managed Portfolio

# Financial metrics & guidance



# Core and Manage Portfolio Businesses - Financial Profile



2022 actuals

Core

Manage

Group

Revenue

\$357m

\$261m

\$618m

Revenue Growth<sup>(1)</sup>

6%

0%

4%

Underlying EBITDA Margin

30% - 35%

8% - 15%

24%

Underlying EBITDA<sup>(2)</sup>

\$106m - \$124m

\$21m - \$39m

\$146m

<sup>(1)</sup> 2022 vs 2021 growth rates

<sup>(2)</sup> 2022 figures. EBITDA figures are underlying and based on initial estimates of full allocation of costs

# Core and Manage Portfolio Businesses - Financial Profile



2022 actuals

Core

Manage

Group

Non-Current Assets <sup>(1)</sup>

\$306m

\$447m

\$754m

Non-Current Assets  
(adjusted for impairment) <sup>(1)(2)</sup>

\$300m

\$330m

\$630m

Indicative Underlying 2022  
NPAT <sup>(3)</sup>

\$64m - \$78m

(\$7m) - \$7m

\$71m

Indicative Underlying 2022 ROIC  
<sup>(4)</sup>

23% - 27%

0% - 4%

13%

<sup>(1)</sup> As at 31 December 2022. Excludes right-of-use assets and deferred tax assets, and predominantly relates to intangible assets

<sup>(2)</sup> Non-current assets adjusted for impairment of \$123m largely relating to intangible assets of which \$117m relates to the manage portfolio and \$6m relates to the Core

<sup>(3)</sup> Underlying NPAT figures are based on initial estimates of fully allocating costs and removes tax affected non-operating expenses

<sup>(4)</sup> Underlying ROIC is calculated using Earnings Before Interest less non operating expenses and tax divided by non-current assets adjusted for impairment of \$123m



# Changes to External Reporting Segments



Effective from 2023 annual results, the business will be making changes to segment reporting to support the new organisation structure. Restated financials for new structure will be provided later in the year.

## Existing

APAC	UK & Europe	Mortgages	South Africa	Americas	Functional Costs
<ul style="list-style-type: none"> <li>Trading and Market Data</li> <li>Financial Advice</li> <li>Superannuation</li> <li>MFA &amp; Platforms</li> </ul>	<ul style="list-style-type: none"> <li>Trading and Market Data</li> <li>Wealth</li> <li>Sourcing</li> </ul>			<ul style="list-style-type: none"> <li>Trading and Market Data</li> </ul>	<ul style="list-style-type: none"> <li>Product &amp; Technology (P&amp;T)</li> <li>Operations</li> <li>Corporate</li> </ul>
Revenue <sup>(1)</sup>					Unallocated Costs <sup>(2)</sup>
\$357m	\$154m	\$31m	\$43m	\$33m	(\$246m)

## From 1 July 2023

Core				Manage			Corporate
Wealth Management	Trading & Market Data	Superannuation	United Kingdom	Canada	South Africa	MFA & Platforms	Corporate / Shared
<ul style="list-style-type: none"> <li>APAC Financial Advice</li> </ul>	<ul style="list-style-type: none"> <li>APAC Trading &amp; Market Data</li> <li>Europe Market Data</li> <li>Americas Market Data</li> </ul>		<ul style="list-style-type: none"> <li>Mortgages</li> <li>Wealth</li> <li>Sourcing</li> <li>Trading</li> </ul>				<ul style="list-style-type: none"> <li>Significantly smaller portion of unallocated costs e.g. CEO, Board and group shared resources</li> </ul>
Revenue <sup>(1)</sup>							
\$129m	\$178m	\$50m	\$159m	\$24m	\$43m	\$35m	

<sup>(1)</sup> Represents 2022 revenue. Please note that revenue based on new reporting structure may change as the business ensures revenue represents products rather than customers where customers purchase multiple products

<sup>(2)</sup> Represents 2022 functional costs. Please note that functional costs based on new reporting structure may change as the business ensures revenue represents products rather than customers where customers purchase multiple products

# Capital Allocation Framework



## Investment grade capital structure

- Leverage expected to increase in the short term due to technology investments, restructuring and transformation costs
- Targeting net debt of 1.5-2.0x in the medium term. Deleveraging driven by divestments and earnings growth

## Disciplined capital investment

- Maintain capex discipline. Capitalised development costs as % of total P&T spend has been ~10% in last two years. Historically lower
- M&A not a current priority
- Look to exit non-strategic businesses over time

## Deliver shareholder returns

- Over time divestments will reduce debt and increase ROIC
- Earnings growth to support dividends
- Supplement with capital management where appropriate

## Summary debt profile

(\$m)	2021	2022
A\$350m bank facilities	298.1	282.2
GBP 60.5m fixed rate notes	-	107.3
<b>Debt drawn</b>	<b>298.1</b>	<b>389.5</b>
Cash and cash equivalents	64.4	63.4
<b>Net debt</b>	<b>233.8</b>	<b>326.1</b>
<b>Net debt/EBITDA</b>	<b>1.5x</b>	<b>2.2x</b>

# 2023 Guidance Update



Pro Forma Segment Segment Profit +10-13% growth v 2022 driven by cost reduction programme

(\$m)	2023 CC
<b>2022 Segment Profit</b>	<b>165</b>
2023 BAU Segment Profit	150-155
Cost out Benefit	16
2023 Segment Profit	166-171
<b>Pro Forma Segment Profit <sup>(1)</sup></b>	<b>182-187</b>
Share-based payments	(22)
2023 Underlying EBITDA	144-149
<b>Pro Forma Underlying EBITDA <sup>(1)</sup></b>	<b>160-165</b>

- Pro Forma Segment Profit +10-13% v 2022
- Reported Segment Profit +0-3% v 2022
- Going forward, moving away from Segment Profit
- Cost reduction benefit is expected to be \$16m in 2023; annualised benefit of \$32m

<sup>(1)</sup> Adds back annualisation of 2023 cost out benefit program

# 2023 Guidance Update - Non Operating Items and NPAT



(\$m)	2023 CC
Total Non Operating Items	~(184)
<b>EBITDA</b>	<b>(35)-(40)</b>
D&A	(40)
<b>EBIT</b>	<b>(75)-(80)</b>
Net Interest and Financing Costs	~(24)
Tax (expense) / benefit	~(3)
<b>Statutory NPAT</b>	<b>(102)-(107)</b>

## Non Operating Items

- ~\$123m<sup>1</sup> write down of intangibles, largely relating to UK goodwill based on Q1 performance and revised FY23 revenue outlook for that business (non cash)
- ~\$28m redundancy and transformation costs relating to the cost reduction program and resources to support the execution of strategy
- ~\$28m to finish technology uplift program. including program extension to improve customer experience in core trading and advice software
- ~\$5m other non operating items.

<sup>1</sup> Estimated amount and subject to calculation of actual carrying amounts in June 2023 balance sheet and subject to review by independent auditor

# Summary



# Core long-term objectives



How we'll be measuring our success

Rule of 40  
returns

Free cash flow  
generation

EPS growth

ROIC  
expansion

Client retention

NPS

Employee  
engagement

# Strategy overview



## Six big jobs to deliver on potential

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# Q&A

