

Results Presentation
2023
Aligned Freesentation
21 August 2023

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#### Figures

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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.

# **Iress** overview



Iress provides **essential technology** to the Australian financial services industry and around the world Established in **1993** Listed on **ASX** since 2000

#### **About Iress**

- Critically important capital markets technology
- Australian market leader in wealth, trading and market data
- >\$600m revenue
- >2,000 people in Asia-Pacific, North America, Africa, the UK and Europe

#### **Refreshed strategy**

Refreshed strategy outlined in April for a simpler Iress with:

- Renewed focus on customers
- Clearer lines of accountability and performance metrics
- New leadership
- Reduced cost base.
- Execution underway

#### Rule of 40

Adoption of Rule of 40 as key benchmark for success

Iress' core businesses are now being managed to meet or exceed Rule of 40

Managed Portfolio to be optimised for value and release of capital



# **CEO** observations

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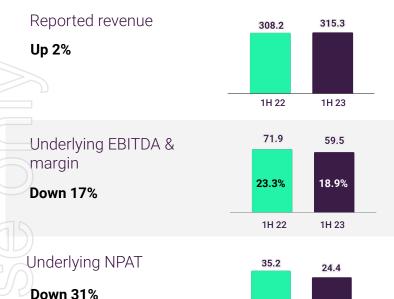
#### New leadership of the company

- New CEO and CFO
- New leaders of business units
- Not encumbered by the past
- Renewed focus on improving customer experience
- Commitment to transparency.

#### Execution against six big jobs on track

- Strategy to focus on core businesses
- Build simpler Iress to Rule of 40 performance
- Transformation underway with careful approach to risk management
  - \$47m in annualised gross cost removed further efficiencies to come
  - MFA business sold for \$52m
  - Platforms business sale well advanced
- 1H results represent a point in time in market cycle and transformation and aren't reflective of Iress' earnings potential.

# 1H23 financial performance

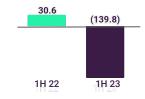






Reported NPAT **Down 557%** 

1H23 impacted by impairment of UK goodwill



Underlying represents reported adjusted for non-operating and significant items

# **Challenging business conditions**

#### Half-year opex +8%

- Significant step-up in third-party technology costs up 15%.
- <sup>□</sup>Base staff costs rising in inflationary environment and with restructured incentive program up 3%.

#### Half-year revenue up +2%

- Price increases offset by subdued market.
- Overall churn remains low but customers are operating in a challenging environment and seeking to reduce costs:
  - Core Xplan licences up 4.2% on pcp, however ancillary modules down 8.7%.
  - Australian share trading volumes down 38% in 1H23 vs 1H22 and consolidation in broking sector impacting APAC Trading & Market Data business.



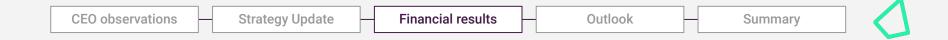
# Strategy update

# Transformation: Execution on track against 2023 plan presented at Investor Day



#### Update on Transformation Roadmap

			1H 2023 Progress		2H 2023 Priorities
	Transformation	✓ Transformation Office established	Transformation Office established with an execution partner supporting to drive execution rigour and discipline. Transformation plans complete. Execution underway.	Î	Driving execution - to end 2024
Pacat	1. Structure for accountability & performance	✓ Leadership team appointed	Transition of 2,000 people to product-led structure. New leadership in place to drive clear P&L ownership.		Delivery of new company performance metrics to underpin remuneration and reporting
Reset	2. Reset cost and assets	✓ Cost-out exercise	~\$47m in annualised gross costs removed from the business, full year effect in 2024 (~15% group headcount reduction). $^{(1)}$		Delivery of new cost efficiency opportunities Considered reset of capital management plan
Defecue	3. Focus on strong core markets	✓ Business unit plans	54 growth initiatives underway to improve technology and customer experience. New client wins in Super, including Spirit Super/Care Super merged entity. Xplan Affinity paused pending review of more efficient pathway to drive industry connectivity.		BUs executing against growth plans to deliver new products and improve customer experience
Refocus	4. Manage portfolio for value	✓ Commence portfolio separation	MFA business sold for \$52m Platforms in active sales process Work commenced to separate UK, South Africa and Canada businesses from core.		Continue separation of portfolio. Complete MFA divestment. Divest Platforms business
	5. Finalise technology uplift	Finalise transition to platform architecture and cloud optimisation program	Technology uplift program to improve customer experience in core trading and advice software. On track to complete by Q1 2024.		Complete technology uplift program (IOS and Xplan uplift, delivery of Global FIX Hub)
Build	6. Innovate and build	✓ Establish Iress Ventures	Iress Ventures established. Advanced discussions on strategic alliance with partner in Asia in retail trading market.		Design and build 14 new product and market extensions & embed innovation principles across BUs
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# Financial results

# Financial results



• Appointed as Iress' Group Chief Financial Officer on 24 July 2023.

- Over 25 years' experience leading finance operations both in Australia and around the world.
- CFO at Pendal Group from 2009 to 2023.
- Prior to this, he served as CFO & Company Secretary for Clairvest Group (Canada), as well as senior finance leadership roles for Franklin Templeton and CIBC World Markets in Canada and UBS in the UK.

# 2023 financial results summary

\$AUDm	1H22	1H23	Change
Revenue	308.2	315.3	2%
Operating costs	(227.5)	(245.6)	8%
Segment profit	80.7	69.7	(14%)
$\square$			
Share-based payments	(8.8)	(10.2)	16%
D			
Underlying EBITDA	71.9	59.5	(17%)
12			
Underlying EBITDA margin - %	23%	19%	(447 bps)
Underlying EPS - cps	18.9	13.4	(29%)

- Revenue growth of 2% remains subdued versus historical trend
- Input cost pressures elevated opex +8%
- Significant expense uplift across tech infrastructure, market data and inflationary staff costs
- Underlying EBITDA -17% impacted by cost uplift
- Underlying EBITDA margin lower to 19%
- \$47m of annualised gross cost out implemented:
  - \$1.9m benefit in 1H23
  - \$17.3m additional benefit in 2H23
  - \$47m full benefit in 2024

# Transformation investment - non-recurring items and NPAT

	\$AUDm	1H 22	1H 23	Change
	Underlying EBITDA	71.9	59.5	(17%)
$\geq$	Non recurring items	(6.3)	(30.1)	374%
	EBITDA	65.6	29.4	(55%)
	Depreciation & amortisation	(20.2)	(19.6)	(3%)
	Intangibles impairment	-	(142.9)	n/m
(15)	EBIT	45.4	(133.1)	(393%)
20	Net financing costs	(5.1)	(10.3)	104%
50	Income tax	(9.7)	3.7	(138%)
	Reported NPAT	30.6	(139.8)	(557%)

#### Non-recurring items

- \$13.4m on technology uplift program to improve customer experience in core trading and advice software by Q1 2024
- \$7.6m on delivery of the Transformation Program
- \$5.3m redundancy costs in the delivery of the cost reduction program
- \$3.8m other non-operating items

#### Intangibles impairment

• \$142.9m write down of intangibles, \$130.4m relating to write down of UK goodwill (previously flagged)

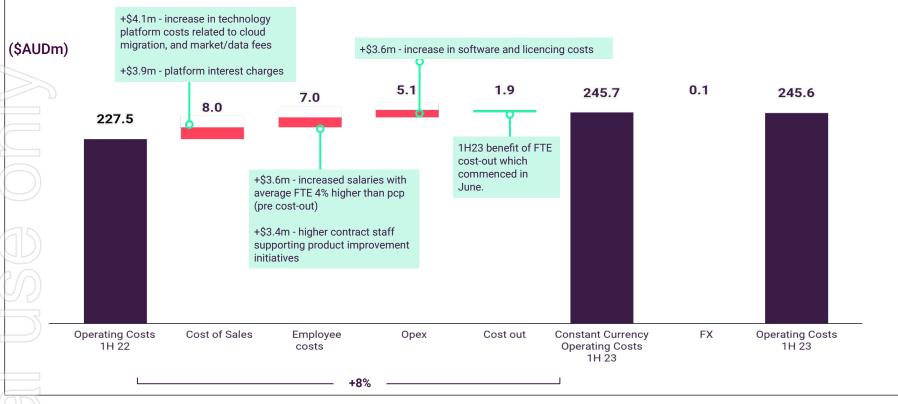
#### Net financing costs

• \$5.2m higher than pcp as a result of higher interest rates and overall debt levels

# Costs breakdown



8% increase in operating costs in constant currency due to higher technology and employee costs



# Cash flow and balance sheet

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Free cash flow		
\$AUDm	1H 22	1H 23
Underlying EBITDA	71.9	59.5
Share Based Payments	8.8	10.2
Change in working capital	1.2	18.7
Transformation & other non-operating costs	(7.3)	(30.6)
Cash Generated from Operating Activities	74.7	57.8
Net interest paid	(3.1)	(8.3)
Income tax paid	(11.4)	(8.3)
Payments for development of intangible assets	(7.3)	(8.2)
Net payments for plant and equipment	(3.8)	(3.2)
Payment of lease liabilities <sup>(1)</sup>	(8.7)	(9.0)
Free Cash Flow before Capital Management <sup>(2)</sup>	40.5	20.7

# **Balance sheet** Dec-22 Jun-23 Net debt - \$AUDm 326.1 375.8 2.2x 2.8x Leverage ratio<sup>(3)</sup> Debt-to-equity ratio 90% 165% Liquidity ratio<sup>(4)</sup> 1.5x 1.5x

<sup>(1)</sup> Payment for lease liabilities include lease payments and interest on lease liabilities

(2) Free cash flow before dividends, debt drawdowns/repayments, share purchases/issuances and M&A

a Calculated in accordance with debt covenant methodology which is net debt divided by last 12 months underlying EBITDA excluding share based payments expense less payments for lease liabilities

(4) Represents current assets over current liabilities

# Capital management plan under review





• Committing to revert with renewed Capital Management Plan in February 2024 which will address:

- Dividend policy
- Target debt and leverage
- Underlying and sustainable earnings
- R&D investment capital
- Shareholder returns
- In the meantime, MFA & Platform proceeds will be used to retire debt
- Interim dividend suspended.

CEO observations Strategy Update	Financial results	Outlook		Summary	$\neg$	
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# Outlook - Pathway to Rule of 40 in core business



# 2023 Guidance Continued softening in revenue growth Cost pressures to continue in second half, however mitigated by full-year effect of cost measures and transformation initiatives yet to be realised

Guidance lowered with expectations of broadly flat 2H23 Underlying EBITDA vs 1H23

Interim dividend suspended pending refresh of capital management plan.

#### FY24 Outlook

#### By end of FY24:

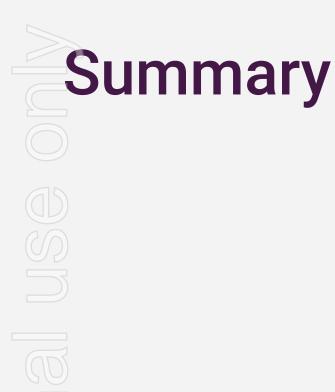
- Transformation program completed with revenue and cost initiatives supported by specialist consultants
- Underlying EBITDA growth of 5-10%
- FY24 Underlying EBITDA exit run rate 20-30% higher than FY23

#### FY25 Objective

#### By end of FY25:

- Core Iress businesses operating at Rule of 40
- Capital release from Managed Portfolio
- Cost base fully reset
- Significant debt reduction





# In summary

### Where we are today

**1H results represent point in time** - not reflective of potential

#### Ambitious customer-centric

**plans** and external execution support to drive improved outcomes

## Emboldened by

all that we have achieved so far

## Where we're headed

Laser focused on transformation 2023 and 2024 exit rate improvement

#### Aligning all remuneration

structures around achievement of outcomes that drive Rule of 40 and improved customer experience

Further update to be provided at investor update in 2H 2023 and further update in 2024



# **P&L** results

Constant currency revenue growth more than offset by higher operating costs, one-offs and net interest expense

\$AUDm	1H 22	1H 23	1H 23 vs 1H 22	1H 23 CC (1)	1H23 CC vs 1H 22
Operating Revenue	308.2	315.3	2.3%	316.5	2.7%
Operating Costs	(227.5)	(245.6)	8.0%	(245.6)	8.0%
Share Based Payments	(8.8)	(10.2)	16.3%	(10.2)	16.3%
Underlying EBITDA	71.9	59.5	(17.3%)	60.6	(15.7%)
Non-Operating and Significant items - Income/(Expenses) <sup>(2)</sup>	(6.3)	(173.0)	n/m	(173.0)	n/m
Operational and Acquisition Related D&A <sup>(3)</sup>	(20.2)	(19.6)	(2.8%)	(19.6)	(2.8%)
EBIT	45.4	(133.2)	n/m	(132.0)	n/m
Underlying EBIT	51.7	39.9	(22.9%)	41.0	(20.8%)
Underlying EBIT Margin	16.8%	12.6%	(25.0%)	12.9%	(23.2%)
Net Interest and Financing Costs	(5.1)	(10.3)	104.0%	(10.3)	104.0%
Тах	(9.7)	3.7	(137.8%)	3.6	(137.5%)
Effective Tax Rate	24.1%	2.6%	(89.2%)	2.6%	(89.2%)
NPAT	30.6	(139.8)	n/m	(138.7)	n/m
Underlying NPAT	35.2	24.4	(30.6%)	25.5	(27.5%)
EPS (¢)	16.4	(76.5)	n/m	(75.9)	n/m
Underlying EPS (¢)	18.9	13.4	(29.3%)	14.0	(26.1%)
Underlying EBIT Margin	16.8%	12.6%	(4.1%)	12.9%	(23.2%)
Effective Tax Rate	24.1%	2.6%	(21.5%)	2.6%	(89.2%)

# Revenue bridge

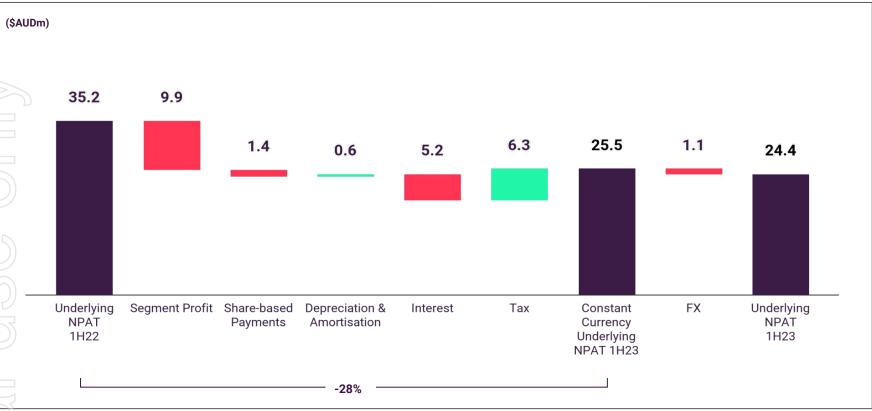
#### Revenue growth predominantly driven by Super and MFA & Platforms

(\$AUDm) 4.7 1.3 1.2 0.5 3.9 1.2 1.1 0.3 315.3 316.5 308.2 Wealth Trading & UK South Canada MFA & FX Reported Revenue Super Constant 1H22 Revenue 1H23 Market Data Africa Platforms Currency Revenue 1H23 **Core +2%** Managed +3%

<sup>11</sup> Revenue based on new reporting structure, figures subject to change as new business segment P&L implemented <sup>(2)</sup> CC refers to Constant Currency using 1H 22 average FX rates

# Underlying Net Profit After Tax analysis

28% decrease Underlying NPAT in constant currency



# Foreign exchange rates

25

#### 1H23 Foreign exchange rates

1H 23	Rate
GBP	0.5508
CAD	0.9147
ZAR	12.2950
EUR	0.6269

#### 1H22 Foreign exchange rates

1H 22	Rate
GBP	0.5521
CAD	0.9092
ZAR	10.9769
EUR	0.6547

# Segment performance

AUD (m)	1H 22	1H 23	1H 23 vs 1H 22	1H 23 CC (1)	1H 23 CC vs 1H 22
APAC	175.2	184.2	5%	183.9	5%
UK & Europe	77.9	75.6	(3%)	74.9	(4%)
Mortgages	16.3	17.7	9%	17.6	8%
South Africa	22.2	20.9	(6%)	23.4	5%
North America	16.5	16.8	2%	16.7	1%
Total Revenue	308.2	315.3	2%	316.5	3%
APAC	124.2	119.8	(4%)	119.8	(4%)
UK & Europe	48.4	43.7	(10%)	43.4	(10%)
Mortgages	11.7	12.4	5%	12.3	5%
South Africa	16.8	15.3	(9%)	17.1	2%
North America	7.6	6.8	(11%)	6.8	(11%)
Total Direct Contribution	208.7	198.0	(5%)	199.4	(4%)
Product & Technology	(69.7)	(67.9)	(3%)	(67.9)	(3%)
Operations	(33.6)	(33.3)	(1%)	(33.5)	(0%)
Corporate	(24.7)	(27.1)	9%	(27.1)	10%
Segment Profit	80.7	69.7	(14%)	70.9	(12%)

# APAC



Strong Superannuation performance. Finance Advice impacted by client reductions to licenses and industry consolidation

\$AUDm	1H 22	2H 22	1H 23 <sup>(1)</sup>	1H 23 vs 1H 22	1H 23 vs 2H 22
Operating revenue					
Trading & Market Data	71.1	71.8	72.2	2%	1%
Financial Advice	64.6	64.0	63.4	(2%)	(1%)
Superannuation	23.6	26.3	28.3	20%	8%
MFA & Platforms	16.0	19.1	19.9	24%	4%
Total operating revenue	175.2	181.3	183.9	5%	1%
\$AUDm	1H 22	2H 22	1H 23	1H 23 vs 1H 22	1H 23 vs 2H 22
Operating revenue					
Recurring revenue	166.4	167.0	168.7	1%	1%
Non-Recurring revenue	8.9	14.3	15.2	71%	6%
Total operating revenue	175.2	181.3	183.9	5%	1%
Direct contribution	124.2	123.2	119.7	(4%)	(3%)
Direct contribution margin	71%	68%	65%		

<sup>(1)</sup> CC refers to Constant Currency using 1H 22 average FX rates.

# **UK** & Europe



Growth in Sourcing. Private Wealth recurring revenue growth but offset by decline in non repeat implementation revenue

GBP (m)	1H 22	2H 22	1H 23	1H 23 vs 1H 22	1H 23 vs 2H 22
Operating revenue					
Wealth 11	17.5	16.8	15.8	(10%)	(6%)
Trading & Market Data	13.8	14.4	13.9	-	(3%)
Sourcing	11.7	11.9	12.0	3%	1%
Total operating revenue	43.0	43.0	41.6	(3%)	(3%)
GBP (m)	1H 22	2H 22	1H 23	1H 23 vs 1H 22	1H 23 vs 2H 22
GBP (m) Operating revenue	1H 22	2H 22	1H 23	1H 23 vs 1H 22	1H 23 vs 2H 22
76	<b>1H 22</b> 39.7	<b>2H 22</b> 40.5	<b>1H 23</b> 39.6	1H 23 vs 1H 22 -	1H 23 vs 2H 22 (2%)
Operating revenue					
Operating revenue Recurring revenue	39.7	40.5	39.6	-	(2%)
Operating revenue Recurring revenue Non-Recurring revenue	39.7 3.3	40.5 2.6	39.6 2.1	- (38%)	(2%) (19%)
Operating revenue Recurring revenue Non-Recurring revenue Total operating revenue	39.7 3.3 43.0	40.5 2.6 43.0	39.6 2.1 41.6	- (38%) (3%)	(2%) (19%) (3%)

# Mortgages



#### Continued recurring revenue growth now contributing 64% to total revenue

	GBP (m)	1H 22	2H 22	1H 23	1H 23 vs 1H 22	1H 23 vs 2H 22
	Operating revenue					
	Recurring revenue	5.4	5.7	6.3	16%	10%
	Non-Recurring revenue	3.6	2.9	3.5	(3%)	18%
Ē	Total operating revenue	9.0	8.6	9.7	8%	13%
2	Direct contribution	6.5	5.7	6.8	5%	19%
(	Direct contribution margin	72%	66%	70%		

# South Africa

#### Growth in recurring revenues. Returns exceed the group average

ZAR (m)	1H 22	2H 22	1H 23	1H 23 vs 1H 22	1H 23 vs 2H 22
Operating revenue					
Recurring revenue	228.6	228.5	244.6	7%	7%
Non-Recurring revenue	15.0	18.2	12.4	(17%)	(32%)
Total operating revenue	243.6	246.8	257.0	5%	4%
Direct contribution	184.6	186.4	187.5	2%	1%
Direct contribution margin	76%	76%	73%		

# North America



Strong recurring revenues with a stable client base. 1H23 non-recurring revenues impact by elevated project work in 1H22

	CAD (m)	1H 22	2H 22	1H 23	1H 23 vs 1H 22	1H 23 vs 2H 22
	Operating revenue					
	Recurring revenue	14.4	14.3	14.9	3%	4%
2	Non-Recurring revenue	0.6	0.4	0.2	(61%)	(49%)
Ē	Total operating revenue	15.0	14.8	15.1	1%	2%
2	Direct contribution	6.9	6.2	6.2	(11%)	(1%)
(	Direct contribution margin	46%	42%	41%		

# **Depreciation** and Amortisation (D&A)

							D&A – Operational
	2023	2023	1H 23 2H 23	2022	2H 22	1H 22	\$AUDm
							Depreciation
	11.6	11.6	5.1 6.5	10.2	4.9	5.2	Plant & Equipment
							Amortisation
	3.4	3.4	1.4 2.1	2.7	1.7	1.0	Software
	13.6		6.9 6.7	14.4	7.2	7.2	Leases
	28.6		13.4 15.3	27.2	13.8	13.4	Total D&A - Operational
	20.0	2010					
							D&A – Acquisition Related <sup>1</sup>
2023	2H 23	211.22	2022 1H 23		21	1H 22	SAUDm
2023	2H 23	2H 23	2022 IH 23	22 2	21	IH 22	Computer Software
0.1	-		0.2 0.1	1 (	(	0.1	BC Gateways
2.2	- 1.1		2.2 1.1		1	1.1	Financial Synergy
	0.2					0.3	
0.4							
-	-					-	Lucsan
3.3	1.6		3.2 1.7		1	1.5	OneVue
-	-					-	Pathways
-	-					-	Avelo
0.4	0.2		0.4 0.2			0.2	O&M
						-	Proquote & Pulse
	1.0 2.0	1.0	2.0 1.0	0 2		1.0	QuantHouse
	0.6 1.0	0.6	10 06	e .	,	0.0	Customer Relationships
	0.6 1.2		1.2 0.6			0.6	Financial Synergy
			1.2 0.6			0.6	OneVue
- 0.2			0.4 0.2			- 0.2	Avelo O&M
0.6			2.2 0.6		(	1.3	Proquote & Pulse QuantHouse
-		-				-	
-						-	Brands Proquote & Pulse
5.9			13.5 6.3	6 1		6.9	Total D&A - Acquisition Related
5.9	0.0 12.3 3.9	0.0	13.5 0.5			0.9	Iotal Dan - Acquisition Related

(1) Figures are converted at 1H23 average foreign exchange rates for periods after 1H23. All other periods are converted using the foreign exchange rates applicable for those respective periods.

# Glossary

Annual Contract Value (ACV)	I Annualised value of Recurring Revenue (calculated by multiplying the exit month by 12) plus the sum of the last 12 months of Non-recurring Revenue
Annual Churn	Revenue from lost clients / prior period total group revenue. Value of revenue from lost clients is equal to the last twelve months of revenue recognised prior to the month of leaving
Annual Recurring Revenue (ARR)	Recurring Revenue earned in the last twelve months
Average Lifetime Value (LTV) per Client	The inverse of annual churn rate multiplied by average revenue per client, multiplied by the direct contribution margin percentage
Average Revenue per Client	Reported revenue in the period / Average number of clients during financial year
Cash Conversion	Cash generated from operating activities divided by segment profit
Constant Currency	Results are converted at the average foreign exchange rates used for 1H 2022. Refer to slide 25 for FX rates
Constant Currency Growth	Growth based on constant currency results
Direct Contribution	Direct contribution for each client segments represents revenue less cost of sales and direct costs relating to the sales and account management function of the business
Free Cash Flow	Cash generated from operating activities less taxes, net interest, capital expenditure and lease payments
Leverage	Net debt / EBITDA excluding share based payment expense less lease payments
Lifetime Value of total portfolio (LTV)	Average lifetime value per client multiplied by the number of clients at the end of the period
Net Debt	Borrowings excluding capitalised borrowing costs, net of derivatives, and less cash and cash equivalents
Non-Recurring Revenue	Revenue from project implementation fees and consulting
Payout Ratio	Dividends dividend by segment profit less operating depreciation & amortisation and tax at 30%
Recurring Revenue	Revenue from subscription and licence fees
Reported Earnings per share	Reported NPAT / Weighted average number of ordinary shares used in basic earnings per share
Reported ROIC	EBIT post tax / (net debt and equity)
Segment Profit	Used as a measure of underlying EBITDA (before share based payments) to aid comparability of results
Underlying EBIT	EBIT excluding non-operating and significant items
Underlying Earnings per share	Underlying NPAT / Weighted average number of ordinary shares used in basic earnings per share
Underlying NPAT	NPAT excluding non-operating and significant items after tax
Underlying ROIC	Underlying EBIT post tax / (net debt and equity)





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