

24 August 2023
Ms Melissa Kostopoulos
Advisor Listings Compliance, Melbourne
Australian Securities Exchange

By email: ListingsComplianceMelbourne@asx.com.au

Dear Ms Kostopoulos

We refer to your letter dated 22 August 2023 and respond as follows using the numbers in your letter under the heading "Request for Information".

1. IRE considers some of the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

In considering this question, IRE believes that it is important to distinguish between different components of the Information. In particular, there is a relevant distinction between the components of the Information which contain IRE's financial results for the first half of FY23 ("**FY23 First Half Results**") and the components of the Information (primarily the components of the information pertaining to "Outlook" within the Investor Presentation as released to the ASX on 21 August 2023) which relate to the revision of IRE's full year guidance for FY23 ("**Revised FY23 Full Year Guidance**") from IRE's initial FY23 guidance statement announced to ASX on 20 February 2023 and reaffirmed on 20 April 2023 ("**Initial FY23 Full Year Guidance**").

Noting the market's expectations for IRE's FY23 earnings (further detailed in response to question 4 and 5 below), IRE considers that:

- (a) the FY23 First Half Results *would not* be expected to have a material effect on the price or value of IRE's securities in the sense that the FY23 First Half Results were not inconsistent with achievement of the Initial FY23 Full Year Guidance and therefore, absent the Revised FY23 Full Year Guidance, the FY23 First Half Results themselves would not be expected to materially change the price or value of IRE's securities; and
 - (b) the Revised FY23 Full Year Guidance *would* be expected to have a material effect on the price or value of IRE's securities.
2. IRE became aware of the FY First Half Results in the course of preparing and finalising its half-year results for FY23, which were considered and approved by the IRE Board on Sunday, 20 August 2023. IRE became aware of the Revised FY23 Full Year Guidance when that guidance was determined by the IRE Board on Sunday, 20 August 2023 following an extensive management review process of the Initial FY23 Full Year Guidance which did not conclude until that time (see further response to Question 7 below in respect of this process). The Information was subsequently released to ASX prior to the market opening on the morning of Monday, 21 August 2023.
 3. N/A
 4. IRE does not consider that the FY23 First Half Results as disclosed in the FY23 Results Announcements and referred to in paragraph D of the letter differed materially from the market's expectations of the

relevant measure of IRE's earnings for the relevant period having regard to IRE's published earnings guidance for FY23.

This is because:

- (a) IRE considers that, prior to the revisions to guidance contained in the Revised FY23 Full Year Guidance, the Initial FY23 Full Year Guidance was the appropriate indicator of the market's expectations for its FY23 earnings, on an annualised basis. IRE did not provide FY23 half year earnings guidance. Consensus estimates are also generally prepared on an annualised basis; and
- (b) the FY23 First Half Results, for the period of FY23 to which they relate, were not inconsistent with achievement of the Initial FY23 Full Year Guidance (as further described in the response to Question 5 below), with year to date underlying EBITDA as at 30 June 2023 tracking consistently against internal phasing for achievement of the Initial FY23 Full Year Guidance.

However, IRE is of the view that the Revised FY23 Full Year Guidance (as further described in response to Question 5 below), as is usually the case with any revised earnings guidance, differed from the market's then current expectations as it differs from the Initial FY23 Full Year Guidance and the market was not expecting IRE to issue the Revised FY23 Full Year Guidance.

5. IRE responds as follows:

- (a) In relation to the details and timing of release to market of the Initial FY23 Full Year Guidance, IRE first published guidance on 20 February 2023 that *"2023 Segment Profit expected to be at or above the level of 2022 on a constant currency basis"*. This guidance statement was reaffirmed on 20 April 2023 in Iress' Market update which stated *"FY23 guidance reaffirmed. 10+% growth in Segment Profit on a Pro Forma Basis"* (emphasis added) and in the associated Investor Day Presentation titled *"Taking Iress to its next growth horizon"* which (on page 35) provides guidance for expected growth in Reported Segment Profit of 0-3% as against FY22¹. Set out below is an extract of the Initial FY23 Full Year Guidance provided by IRE on 20 April 2023.
 - *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.*
 - *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.*

See further the Investor Day Presentation of 20 April 2023, including, in particular, pages 35-36.

As set out in response to Question 4, in relation to earnings, IRE notes that its FY23 earnings to date, as set out in the FY23 First Half Results, are not inconsistent with this Initial FY23 Full Year Guidance.

- (b) IRE published the following Revised FY23 Full Year Guidance on 21 August 2023:
 - *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*

¹ As set out in the Investor Day Presentation, the pro forma Segment Profit guidance adds back annualisation of the 2023 cost out benefit program. The Reported Segment Profit guidance does not.

- *Guidance lowered with expectations of broadly flat 2H23 Underlying EBITDA vs 1H23*
- *Interim dividend suspended pending refresh of capital management plan.*

As set out in response to Question 4, IRE is of the view that the Revised FY23 Full Year Guidance, as is usually the case with any revised guidance, differed from the market's then current expectations as it differs from the Initial FY23 Full Year Guidance and the market did not expect IRE to issue Revised FY23 Full Year Guidance.

6. No.

7. As set out in the FY23 First Half Results and in response to Question 4, IRE's FY23 year to date earnings are not inconsistent with its Initial FY23 Full Year Guidance.

Further, as also set out in Question 4, while the Revised FY23 Full Year Guidance constituted a material update to the Initial FY23 Full Year Guidance, the IRE Board considered and determined to revise this guidance on Sunday, 20 August 2023 in conjunction with the preparation and finalisation of IRE's half year results for FY23. The Board's determination to revise FY23 guidance was based upon the outcome of a management review process which did not conclude until this time. This included an assessment of various revenue and cost factors as set out in the Revised FY23 Full Year Guidance and potential alternative scenarios and outcomes for the remainder of FY23. IRE released this information to ASX at 8.30 am on 21 August 2023 at first opportunity in accordance with its obligations under the listing rules.

8. N/A

9. N/A

10. IRE confirms that it is complying with the Listing Rules, and in particular, Listing Rule 3.1.

11. IRE confirms that its responses to the questions above have been authorised and approved by the IRE Board.

As always, if the ASX requires any further information, please contact me.

Yours sincerely



Georgina Gillingham
Company Secretary
Iress Limited



22 August 2023

Reference: 78377

Ms Georgina Gillingham
Company Secretary
Iress Limited
Level 1
10 Shelley Street
Sydney NSW 2000

By email: georgina.gillingham@iress.com

Dear Ms Gillingham

Iress Limited ('IRE'): General – Aware Query

ASX refers to the following:

- A. The announcement titled "Iress market update- Positioning Iress for the next growth horizon" released on the ASX Market Announcements Platform ('MAP') pre-market open on 20 April 2023 ('Market Update') advising (among other things) that IRE's FY2023 earnings guidance provided on 20 February 2023 (following the release of the FY2022 audited financial results) had been reaffirmed ('Earnings Guidance'), and which referred to (among other things):
- the results of a strategic review leading to a *'[r]efreshed strategy and clear actions to reset Iress' cost and asset base, refocus on core business for value and innovating to build future growth'*;
 - a new leadership team and organisational structure;
 - cost-efficiency program; and
 - the commencement of a process to divest its Managed Funds Administration ('MFA') and Platforms business,
- (collectively, the 'Transformation').
- B. The Market Update also included a bullet-point paragraph on the first page which noted: *'FY23 guidance reaffirmed. 10+% growth in Segment Profit on a Pro Forma Basis'*. This was further elaborated on in pages 3-4:

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.

C. The Announcement titled “Iress enters into binding agreement SS&C to sell its MFA business” released on MAP pre-market open on 21 August 2023 advising that IRE entered into a binding share sale and purchase agreement to divest its MFA business to SS&C Technologies for a total of A\$52 million cash subject to customary working capital adjustments.

D. The following IRE announcements, all released pre-market open on MAP on 21 August 2023:

- the announcement titled “Appendix 4D and Iress’ 2023 Half Year Financial Report” (‘HY Report’);
- the announcement titled “Iress reports 2023 half year results” (‘Media Release’); and
- the announcement titled “Results Presentation-2023 Half Year Results” (‘Results Presentation’),

(collectively referred to as, the ‘HY23 Results Announcements’ or ‘Information’), in which IRE disclosed (amongst other things):

- its key audit reviewed financial results (HY Report- Appendix 4D):

Name of entity	ABN reference			
Iress Limited	47 060 313 359			
1. Reporting periods				
Financial half year ended ('current period')	Financial half year ended ('previous corresponding period')			
30 June 2023	30 June 2022			
2. Results for announcement to the market				
Key information	Current period \$'000	Previous corresponding period \$'000	Percentage change increase/ (decrease)	Amount increase/ (decrease) \$'000
Revenue from ordinary activities	315,327	308,205	2.3%	7,122
(Loss)/profit before income tax expense	(143,469)	40,364	(455.4%)	(183,833)
Net (loss)/profit attributable to members of parent company	(139,794)	30,620	(556.5%)	(170,414)

- Reported EBITDA and NPAT were down 55% to \$29.4 million and 557% to \$(139.8) million, respectively when compared to the previous corresponding period
- Underlying EBITDA and NPAT were down 17% to \$59.5 million and 55% to \$29.4 million respectively when compared to the previous corresponding period
- The reported loss includes a \$130.4 million impairment of its UK goodwill and \$12.5 million losses due to intangible assets no longer being recognised due to changes in strategy
- HY Report- Directors’ Report, page 08:

Revenue

On a reported basis, operating revenue from ordinary activities for the first half of 2023 was \$315.3m, an increase of 2% from 1H 2022. The increase in revenue compared to 1H 2022 was driven by growth in APAC (predominantly Trading & Market Data, Superannuation and Managed Funds Administration (MFA) & Platforms) as well as Mortgages and North America. On a constant currency basis, revenue for the half year grew 3% from 1H 2022.

Segment profit

On a reported basis, segment profit for the first half was \$69.7m, a decrease of 14% from 1H 2022. On a constant currency basis, segment profit declined 12% from 1H 2022. The decline in 1H 2023 was driven by higher employee benefit expenses and operating expenses growing at a faster rate than operating revenue largely as a result of vendor price increases and higher cloud storage costs. A material cost reduction project across all segments was undertaken late in the half. This project did not materially benefit 1H 2023 underlying EBITDA but will positively impact future reporting periods.

- the suspension of IRE’s interim dividend to reduce debt

- segment profit was down 14% on reported numbers and 12% on constant currency using 1H 22 average FX rates when compared to the previous corresponding period (1H 22) IRE's revised FY2023 outlook:

Outlook

In the second half of 2023, Iress expects to see softening revenue growth and cost pressures mitigated by the full-year effect of cost measures and transformation initiatives yet to be realised. Underlying EBITDA expectations have been lowered to be broadly flat in 2H23 vs 1H23.

Over the medium term, Iress expects FY24 Underlying EBITDA growth of 5-10% with exit run-rate 2024 Underlying EBITDA 20-30% higher than FY23 as transformation initiatives are implemented.

Iress' objective by the end of FY25 is for all core Iress businesses to be operating at Rule of 40, with capital releases from the Managed Portfolio, a fully reset cost base and significant debt reduction.

- E. The decrease in the price of IRE's shares by 35.5% on 21 August 2023, from its previous closing price of \$9.99 to a closing price of \$6.44.
- F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing Rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - *The information is generated for the internal management purposes of the entity; or*
 - *The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed."*
- I. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B ('GN8'). In particular, the Guidance Note (relevantly) states that:

"An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities". . .

"Where an entity does not have published earnings guidance on foot for the current reporting period and it is covered by sell-side analysts, ASX would recommend that the entity carefully consider notifying the market of a potential earnings surprise if and when it expects there to be a 15% or greater difference between its actual or projected earnings for the period and its best estimate of the market's expectations for its earnings". . .

Request for Information

Having regard to the above, ASX asks IRE to respond separately to each of the following questions and requests for information:

1. Does IRE consider the Information (or any part of it) to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. When did IRE first become aware of the Information?
3. If the answer to question 1 is "no", please advise the basis for that view.
4. Does IRE consider that its results as disclosed in the HY23 Results Announcements and copied in paragraph D above, differed materially from the market's expectations of the relevant measure of IRE's earnings for the period, having regard to the following three base indicators which may have informed such market expectations (in decreasing order of relevance and reliability):
 - 4.1 If IRE had published earnings guidance for FY23, that guidance.
 - 4.2 If IRE is covered by sell-side analysts, the earnings forecasts of those analysts for the Relevant Reporting Period.
 - 4.3 If paragraphs 4.1 and 4.2 are not applicable, IRE's earnings for the prior corresponding period, being the half year ended 30 June 2022.
5. Please explain the basis for the view provided in response to question 4. In doing so, please specify how IRE determined market expectations of each relevant measure of its earnings for HY23, including:
 - 5.1 If IRE had published earnings guidance for FY23, details of that guidance and when it was released to the market.
 - 5.2 If IRE used sell-side analyst forecasts to estimate the market's expectations of the relevant measure of its earnings for HY23, details of the method that IRE used to translate sell-side analyst forecasts into its estimate of such market expectations and, in particular, whether or not IRE used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate.
6. Does IRE consider that, at any point in time in the period between the release of its Earnings Guidance in the Market Update on 20 April 2023 and the release of the Information, the difference between:
 - 6.1 IRE's expected earnings; and
 - 6.2 market expectations of its earnings for FY23,(the 'Variance') was of such a magnitude that a reasonable person would expect information about the Variance to have a material effect on the price or value of IRE's securities?
7. If the answer to question 7 is "no", please provide the basis of that view.
8. If the answer to question 7 is "yes", when did IRE first become aware of the Variance?

9. If the answer to questions 4 and 6 is “yes” and IRE first became aware of the Variance before 21 August 2023, did IRE make any announcement prior to that date which disclosed information in relation to the Variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe IRE was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps IRE took to ensure that the information was released promptly and without delay.
10. Please confirm that IRE is complying with the Listing Rules and, in particular, Listing Rule 3.1.
11. Please confirm that IRE’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of IRE with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Friday, 25 August 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, IRE’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require IRE to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceMelbourne@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in IRE’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in IRE’s securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to IRE’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that IRE’s obligation to

disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Melissa Kostopoulos
Adviser Listings Compliance, Melbourne