

## IRESS FULL YEAR RESULT TO 31 DECEMBER 2015

### Successful client delivery driving revenue growth

### Business momentum in second half delivers solid UK result

IRESS Limited today announced statutory net profit for the 12 months to 31 December 2015 of \$55.4 million, up 9% over the prior year. Segment Profit, a measure of core underlying performance, was \$119.2 million, up 7% on the prior year.<sup>1,2</sup>

#### Highlights of the 2015 result:

- Group Revenue of \$361.5m, +10% on FY14.
- Group Segment Profit of \$119.2m, +7% on FY14.
- Statutory net profit of \$55.4m, +9% on FY14.
- Final dividend of 26.7c per share, +5% on 2014, 60% franked.
- Strong growth in UK revenue in 2H15.
- Resilient Australian financial markets business.
- Double-digit growth in South Africa and Australian wealth management.

IRESS chief executive officer, Andrew Walsh, said: “This is a solid result and reflects strong performances in the United Kingdom, Australia & New Zealand and South Africa, particularly in the second half. IRESS’ financial performance during 2015 was underpinned by quality, predictable revenue and supported by focused delivery to new and existing clients.

“During the second half, prior investments by IRESS have translated into strong revenue growth. In particular, we have seen growing momentum in our United Kingdom business in wealth management and lending. Australia & New Zealand performed strongly with double-digit growth in wealth management and, in our financial markets business, run-rate revenue exceeded levels in the prior year, despite client-specific impacts in Australia in the first half.

“The overall result was positively impacted by the acquisitions in the United Kingdom of Proquote and Pulse Software Systems. These strategic acquisitions add capability, scale and new client opportunities.”

On a constant currency basis, and excluding the contribution from acquisitions, Segment Profit growth in 2015 was 3%. On the same basis, Segment Profit growth in the second half was 4% compared with the first half.

#### 2015 business highlights

“During 2015, the business achieved a number of significant client wins and product milestones. Our investment program in prior periods is delivering strong outcomes for IRESS and our clients, and we expect this will continue in 2016. As an international vendor of scale, we are uniquely positioned to continue to meet the needs of a broad range of financial services participants,” Mr Walsh said.

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Key business highlights for the 2015 year included:

- **Appointed the advice technology partner for the Commonwealth Bank of Australia (CBA)** to deploy IRESS' multi-channel advice platform supporting CBA's full-service advice businesses and scaled advice.
- **Announced a long-term, strategic partnership with Atom**, the United Kingdom's first all-digital bank, to implement the latest version of IRESS' Mortgage Sales & Origination product.
- **Revenue growth in the UK** reflecting implementation successes and associated recurring license revenue.
- **Appointed technology partner to Maybank Kim Eng**, a leading investment bank in Asia, to provide multi-asset solutions for retail trading.
- **Commenced enterprise implementations of our private wealth solution** with MD Financial Management, a leading wealth manager and discretionary asset manager in Canada.
- **Strong demand in South Africa for our breadth of solutions**, IRESS trading and market data solutions, XPLAN, and IRESS' integrated private wealth solution.
- **Commenced the rollout of IRESS' next generation online market data and trading solution**, ViewPoint, including to a tier 1 Canadian bank.
- **Completed three acquisitions**. The strategic acquisitions of established UK financial technology businesses **Proquote** and **Pulse** accelerates our UK position, in line with strategy, by broadening our client base, product suite and capability. The acquisition of personal finance content provider, **Innergi**, further strengthens XPLAN.

"Our business achievements in 2015 directly reflect the passion and sustained efforts of our people, and their focus on the interests and outcomes of our clients and shareholders. These qualities continue to underlie the success and resilience of IRESS as we continue to grow and scale."

#### **Dividend**

In respect of second half earnings, directors determined to pay a final dividend of 26.7 cents per share franked to 60% at a 30% corporate tax rate. This represents a total dividend for the year ended 31 December 2015 of 42.7 per share, an increase from 2014 of 3%.

The full-year dividend reflects IRESS' consistent financial performance in 2015 and prior periods and the strength of cash generation within IRESS businesses.

#### **Balance sheet**

External borrowings increased to \$200.9 million (2014: \$179.1 million) as a result of the acquisition of Proquote and Pulse. IRESS' net debt balance at 31 December 2015 was \$184.9 million and continues to reflect a conservative balance sheet position.

## SEGMENT RESULTS

### Australia & New Zealand

Operating Revenue in Australasia was up 5%, with an increase in Segment Profit of 2.0%.

Wealth management revenue increased 13% with Segment Profit increasing 17%, driven by demand and delivery. Operating Revenue in the Australasian financial markets business remained steady. Segment Profit in the financial markets business decreased 8.0%, reflecting client-specific challenges and financial impacts and some bias of corporate costs.

“Our wealth management business in Australia saw strong double-digit growth during the 2015 year. Dealer groups and advisers are looking to technology to improve their service offering, lower costs and meet their obligations in an increasingly complex regulatory environment. In particular they are seeking deep and broad technology solutions from vendors with scale to support their own goals. We continue to see strong growth opportunities in this market.

“Our financial markets business has continued to display strong, resilient performance, with run rate revenue growing over the prior period. This was despite negative impacts from the voluntary administration and liquidation of BBY Limited and the withdrawal from the market of CIBC Securities. Our investment in product development over the period continues, specifically with IRESS ViewPoint, new content and functionality of IRESS Professional and IOS+.”

### United Kingdom

Operating Revenue in the United Kingdom (ex-Lending) was up 22% with Segment Profit up 15%. In local currency, these results were up 9% and 2% respectively.

“The positive result reflects a number of XPLAN implementations during the second half, with annualised contract value growing by 11% in the second half, as well as continued, strong demand from advice and private wealth businesses for integrated IRESS solutions.

“I am pleased with progress in the United Kingdom, where, in wealth management we have seen prior investment flowing through to revenue and positive margin impact in 2015, particularly in the second-half.”

The United Kingdom result was positively impacted by the acquisitions of Proquote and Pulse Systems, which were completed on 30 October 2015.

Enterprise Lending revenue increased 6% and Segment Profit by 73%. In local currency, this was a revenue decrease of 4% and profit increase of 66%.

“Key strategic milestones for the transition of our Enterprise Lending business from a focus on services revenue to recurring license revenue are on track. We are confident that prior investment in both our MSO product and our people, together with strong market demand and a pipeline of opportunities, means we are well positioned for future success. The first implementation of our MSO product, Atom, is progressing well.”

While our strategic positioning is on track, shorter-term revenue will continue to reflect project work and its timing, making the comparability and predictability of results difficult, and these should not be drawn from a single period of results.

### **South Africa**

Operating Revenue growth continues to be strong in South Africa, up 18% with Segment Profit growth of 35%. Results in local currency were also strong with growth at 15% and 31% respectively.

“South Africa continues to show strong performance with revenue growth across our product suite and integrated solutions. The increase in Segment Profit reflects strong revenue growth, partly offset by a re-balance and market-realignment of remuneration reflecting local conditions.”

### **Canada**

Operating Revenue was up 5% in Canada or 1% in local currency.

“We have experienced stable revenue over the period in what remains a challenging economic and business environment, most evident in the mid-tier independent broking market.

Segment Profit, down by \$1.3 million (33%), was impacted in 2015 by deliberate investments in senior people, implementation capability and new premises. This provides good positioning for diversified growth from an already established cost base.”

“During the year we secured MD Financial, a significant foundation client for our private wealth management solution. We also rolled out our next generation online market data and trading solution, ViewPoint, to a tier-one Canadian bank.”

### **Asia**

Operating Revenue in Asia increased 34% with Segment Profit down 11%.

“Revenue growth has been driven by financial markets clients using our leading CFD platform technology and several retail and private wealth implementations. In October we announced the appointment of IRESS as technology partner to Maybank Kim Eng, a leading investment bank in Asia, to provide multi-asset solutions and end-end equity workflow for the retail business.”

The decline in Segment Profit in 2015 reflects an increased allocation of market data costs into the region, which has a disproportionate impact on this segment due to the relative size.

### **Current trading**

“We are confident of strong revenue growth in 2016, underpinned by momentum in wealth management, resilient financial markets performance, and by the full year impact of acquisitions. The challenge of execution across the business remains, however we anticipate our activities will deliver solid profit growth this year.

“Foreign exchange has been a feature in the 2015 result and this will be an increasingly relevant component of IRESS’ financial results in future periods. IRESS will continue to progress its strategy to diversify earnings by geography and market segment. Specifically this will see an increasing percentage of earnings generated from outside of Australia.”

### **Business segments**

“We continue to evolve the business to meet clients’ desires to leverage solutions from our broad product suite. Globally, the convergence of traditionally separate client segments and channel offerings continues. Our business, people and solutions will continue to evolve to reflect this environment and the opportunities presented by a heightened focus on technology.

“This includes a transition to business segment management and reporting that will increasingly reflect geography and not product segments. The two exceptions to this are: Australia, where management and client servicing needs are material in size and distinct between financial markets and wealth management, (although blurring in the retail segment); and UK Enterprise Lending, where financial characteristics are different to those of the remainder of the group at this time. In 2015, financial markets and wealth management have been reported distinctly in the United Kingdom, however, in the future this will be consolidated to reflect the consistency, opportunity and solution focus of clients.”

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## IRESS FULL YEAR RESULT TO 31 DECEMBER 2015

|                                 | Operating revenue |              | Movement from 2014 |                           | Segment profit |              | Movement from 2014        |                           |
|---------------------------------|-------------------|--------------|--------------------|---------------------------|----------------|--------------|---------------------------|---------------------------|
|                                 | 2015              | 2014         |                    |                           | 2015           | 2014         |                           |                           |
|                                 |                   |              | Local Currency     |                           |                |              | Local Currency            |                           |
|                                 | \$m               | \$m          | %                  | %                         | \$m            | \$m          | %                         | %                         |
| ANZ Financial Markets           | 108.6             | 108.9        | (0.3%)             | (0.3%)                    | 46.6           | 50.6         | (8.0%)                    | (8.0%)                    |
| ANZ Wealth Management           | 80.3              | 71.4         | 12.5%              | 12.5%                     | 38.3           | 32.7         | 17.0%                     | 17.0%                     |
| <b>Total ANZ</b>                | <b>188.9</b>      | <b>180.3</b> | <b>4.8%</b>        | <b>4.8%</b>               | <b>84.8</b>    | <b>83.3</b>  | <b>1.8%</b>               | <b>1.8%</b>               |
| <b>Segment Results</b>          |                   |              |                    |                           |                |              |                           |                           |
| UK Financial Markets            | 4.9               | 1.2          | 100+%              | 100+%                     | (2.0)          | (1.3)        | (59.3%)                   | (42.7%)                   |
| UK Wealth Management            | 86.2              | 73.7         | 16.9%              | 4.6%                      | 21.9           | 18.6         | 18.0%                     | 4.8%                      |
| <b>UK ex-Lending</b>            | <b>91.1</b>       | <b>74.9</b>  | <b>21.6%</b>       | <b>8.7%</b>               | <b>19.9</b>    | <b>17.3</b>  | <b>15.0%</b>              | <b>1.9%</b>               |
| UK Enterprise Lending           | 32.8              | 30.8         | 6.4%               | (3.6%)                    | 7.3            | 4.2          | 73.3%                     | 65.6%                     |
| <b>Total UK</b>                 | <b>123.9</b>      | <b>105.7</b> | <b>17.2%</b>       | <b>5.2%</b>               | <b>27.2</b>    | <b>21.5</b>  | <b>26.4%</b>              | <b>13.8%</b>              |
| Canada                          | 19.5              | 18.6         | 4.9%               | 0.7%                      | 2.6            | 3.9          | (33.1%)                   | (36.5%)                   |
| South Africa                    | 26.6              | 22.5         | 18.3%              | 14.7%                     | 8.6            | 6.4          | 34.6%                     | 30.7%                     |
| Asia                            | 2.5               | 1.9          | 33.5%              | 33.5%                     | (4.0)          | (3.6)        | (11.1%)                   | (11.1%)                   |
| <b>Group</b>                    | <b>361.5</b>      | <b>329.0</b> | <b>9.9%</b>        | <b>6.0%<sup>(1)</sup></b> | <b>119.2</b>   | <b>111.4</b> | <b>6.9%</b>               | <b>5.0%<sup>(3)</sup></b> |
|                                 |                   |              |                    |                           | <b>Results</b> |              | <b>Movement from 2014</b> |                           |
|                                 |                   |              |                    |                           | 2015           | 2014         |                           |                           |
|                                 |                   |              |                    |                           | \$'000         | \$'000       | %                         |                           |
| <b>Segment Profit</b>           |                   |              |                    |                           | <b>119.2</b>   | <b>111.4</b> | <b>6.9%</b>               |                           |
| Share based payments            |                   |              |                    |                           | (9.9)          | (8.9)        | 10.6%                     |                           |
| <b>Segment Profit after SBP</b> |                   |              |                    |                           | <b>109.3</b>   | <b>102.5</b> | <b>6.6%</b>               |                           |
| Non-recurring items             |                   |              |                    |                           | (6.7)          | (6.3)        | 5.9%                      |                           |
| FX Gain / (Loss)                |                   |              |                    |                           | 9.8            | 1.7          | 100+%                     |                           |
| <b>EBITDA</b>                   |                   |              |                    |                           | <b>112.5</b>   | <b>97.9</b>  | <b>14.9%</b>              |                           |
| D&A                             |                   |              |                    |                           | (26.3)         | (23.4)       | 12.4%                     |                           |
| <b>EBIT</b>                     |                   |              |                    |                           | <b>86.2</b>    | <b>74.5</b>  | <b>15.6%</b>              |                           |
| Net Interest                    |                   |              |                    |                           | (17.3)         | (11.1)       | 55.1%                     |                           |
| Tax                             |                   |              |                    |                           | (13.5)         | (12.7)       | 6.2%                      |                           |
| <b>Reported NPAT</b>            |                   |              |                    |                           | <b>55.4</b>    | <b>50.7</b>  | <b>9.3%</b>               |                           |

<sup>1</sup> All comparisons are comparisons with the prior corresponding period (12 months to 31 December 2014) unless stated otherwise.

<sup>2</sup> IRESS considers inter-period comparability of results is best presented as the underlying operating results of the relevant businesses calculated excluding share-based payments, non-recurring items, and strategic amortisation charges and has presented results consistently in this way for more than 11 years. A reconciliation between Group Segment Profit, Underlying Group Profit and Reported Group Profit is included in the Financial Statements. Following the introduction of balance sheet debt in 2013, interest income was grouped with interest expense and other funding costs (see under Treasury in the investor presentation of the financial results as of the first half of 2014, including for historical periods). This was done to ensure inter-period comparability of the underlying operating performance is reflected in Segment Profit results.

<sup>3</sup> Group growth rates shown in the "Local Currency" column are on a constant currency basis