

# IRESS

## Full Year Results 2017

22 February 2018

For the twelve months  
ended 31 December 2017



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**Andrew Walsh**  
Managing Director & CEO



**John Harris**  
Chief Financial Officer

# Ongoing revenue and earnings growth

## Operating Revenue

**\$430.0M**

UP 10% ON FY16

UP 13% ON FY16 ON A CONSTANT CURRENCY BASIS<sup>(2)</sup>

## Segment Profit <sup>(1)</sup>

**\$125.4M**

UP 2% ON FY16

UP 3% ON FY16 ON A CONSTANT CURRENCY BASIS <sup>(2)</sup>

## NPAT

**\$59.8M**

UP 1% ON FY16

## Operating Cash Flow

**\$83.7M**

Cash conversion strong at 88%

## Earnings Per Share

**35.4c**

Down 4% ON FY16

## Dividends Per Share

**44.0c**

Maintained from FY16

Unless otherwise stated all comparisons are with the prior corresponding period on a reported currency basis.

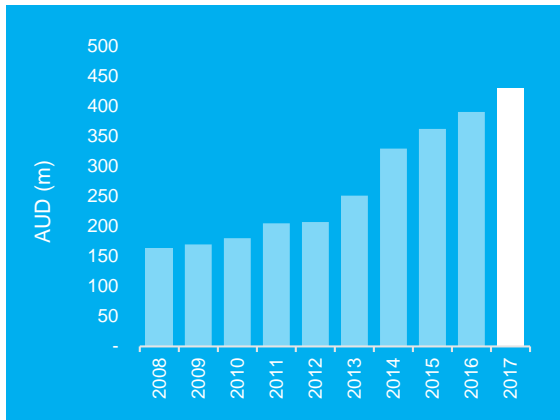
Financial information in this report is extracted or calculated from the half year & annual financial statements which have been subject to review or audit.

(1) Segment Profit represents earnings before interest, tax, depreciation, amortisation, share based payments, non-operating items and unrealised FX gains/losses – see page 19 for a full reconciliation

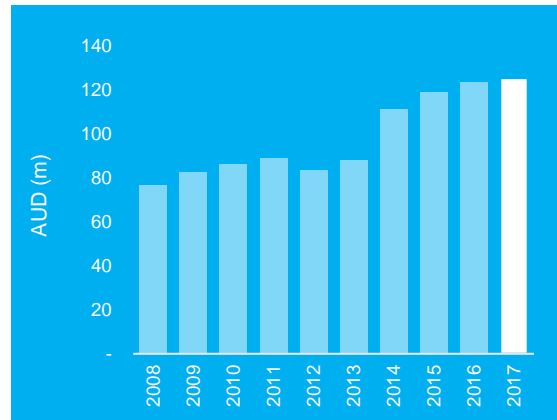
(2) Assumes 2017 is converted at the average foreign exchange rate used for 2016 (GBP: 0.54, ZAR: 10.9 CAD: 0.98)

# Sustainable long term growth

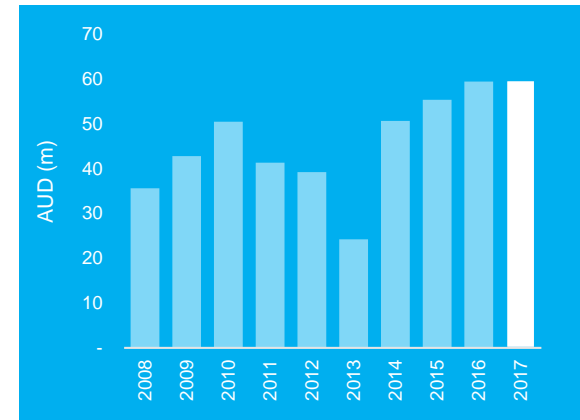
## Operating Revenue



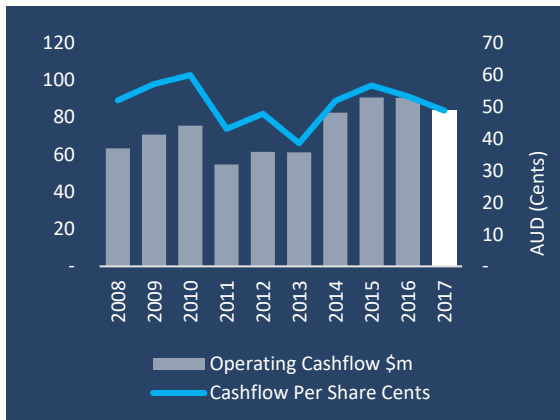
## Segment Profit (1)



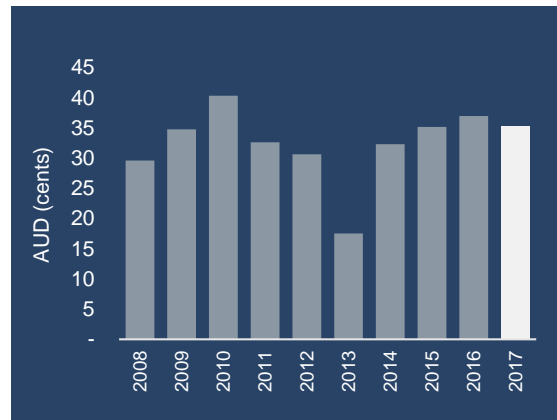
## NPAT



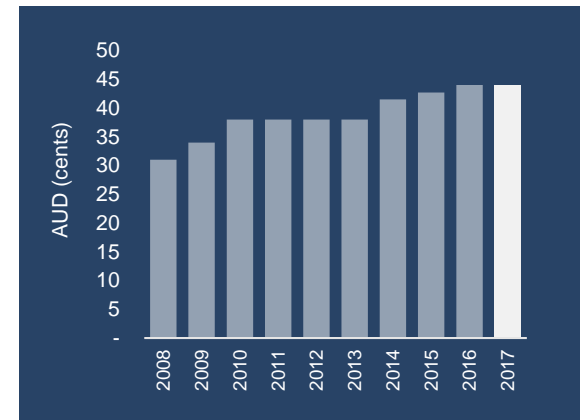
## Operating Cash Flow



## Earnings Per Share



## Dividends Per Share



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# Key strategic highlights in 2017

## Client delivery

- XPLAN deployment to CBA
- Key milestones to CBAM, TBI, Intrinsic in the UK
- Delivered MSO V2 to production for TSB
- XPLAN Prime – deployed to three ASX listed clients
- Online trading to Maybank KE in Singapore
- XPLAN rollout to Old Mutual in South Africa
- Managed technology service to Statewide Super

## Product & Technology

- MiFIIID II compliance on time
- Prime - changing the way advice is delivered
- Digital superannuation member engagement
- Continuous delivery of ViewPoint functionality
- Enhancing IRESS desktop with web technology
- Uplifting software deployment tools to increase speed and global consistency
- Enhancing testing environment to increase efficiency

## Client & user focus

- IRESS Labs - collaborative design and innovation
- ViewPoint - migrations progressing well, positive feedback from CBA and NAB
- IOS+: migration accelerating in Australia - all clients migrated by June 2019
- XPLAN named #1 solution in Australia for 10<sup>th</sup> consecutive year

## People

- Increased people engagement outcomes
- New non-exec remuneration framework
- Workplace strategy - Australia
- People conferences, global alignment
- Increase in cross-functional teams
- IRESS voted top 10 graduate program

Unlocking the rich functionality of our products by making them more efficient, intuitive and delightful – initial XPLAN focus in 2018.

## Efficient

- Less time for users to do common activities
- System does more work, and reuses data more effectively
- Quicker screen times

## Intuitive

- More logical process and workflow
- Consistent patterns and layouts
- Reduced need for training and support

## Delightful

- Increased user enjoyment
- Accessible for all types of users
- More modern look and feel and able to be maintained more easily

IRESS Labs will allow us to showcase design iterations across our products in parallel to existing functionality and user interface.

## Growth across geographies and segments

- Revenue and earnings growth reflects contribution from acquisitions, successful client deliveries and continuing strong product demand. Results at higher end of November 2017 guidance.
- Growth strengthened in second half: Revenue +3%, Segment Profit +11% on first half
- Excluding the contribution from 2016 acquisitions, revenue growth was 4% and Segment Profit declined 3% reflecting targeted investment
- Short term margin impacted by lower margin acquisitions and one-off project delivery costs

AUD (m)	Revenue		Direct Contribution		Contribution Margin %	
Constant currency basis	2016	2017	2016	2017	2016	2017
APAC FM	113.5	115.1	84.1	83.8	74%	73%
ANZ WM	93.8	125.1	75.7	93.9	81%	75%
UK	110.8	115.6	73.2	73.7	66%	64%
Lending	26.0	26.0	21.1	20.4	81%	78%
South Africa	28.7	40.1	22.4	30.7	78%	77%
Canada	16.9	17.9	7.8	9.1	46%	51%
<b>Total</b>	<b>389.7</b>	<b>439.8</b>	<b>284.4</b>	<b>311.6</b>	<b>% of Revenue</b>	
Product and Technology			(98.4)	(111.8)	25%	25%
Operations			(34.2)	(39.4)	9%	9%
Corporate			(28.2)	(33.8)	7%	8%
<b>Segment Profit</b>	<b>389.7</b>	<b>439.8</b>	<b>123.5</b>	<b>126.6</b>	<b>32%</b>	<b>29%</b>

# Segment highlights

## APAC FM

- Revenue growth despite ongoing market pressure.
- Buy-side demand continuing
- First trading algo client deployment
- Product migrations progressing well, positive client feedback (IOS+, ViewPoint)
- Successful delivery to Maybank in Singapore creating further client opportunities

## APAC WM

- Continuing strong underlying product demand and revenue growth (+7%)
- Stronger growth in second half
- XPLAN and first phase of XPLAN Prime delivered to CBA
- XPLAN Prime live at two clients - strong interest and pipeline across client segments
- Delivering key superannuation fund projects with Acurity and Acurity Online (AOL)

## United Kingdom

- Revenue +3% reflecting stronger growth in H2 from client deliveries and increased uptake
- Key milestones progressing with CBAM and TBI on integrated solutions
- Revenue is ~93% recurring, while XPLAN now delivers ~20% of total UK revenue reflecting strategic progress
- Continuing demand for integrated solutions for wealth business efficiencies

## Lending

- Recurring revenue up - now represents ~15% (~10% in 2016)
- TSB live on MSO v2
- Strong operational momentum
- Strong client pipeline in UK, number of advanced opportunities
- Secured MSO V2 client in Australia

## South Africa

- Strong revenue and earnings growth reflecting INET contribution and broad ongoing product demand
- Several successful client deployments executed
- Work in 2017 positions business well for new revenue from JSE ITAC upgrade and trading tools for new exchange
- INET integrating well and creating visible client opportunities

## Canada

- Revenue +6% and direct contribution +16% in a challenging market
- High client retention
- Wealth footprint and credentials increasing following a number of successful client deliveries
- Immediate focus on wealth production deployments



# Segment overview

# APAC Financial Markets

Continuing revenue resilience and buy-side demand. Maybank delivery creating opportunities in Asia.

Revenue growth reflects buy-side client wins, client take-up in Australia and Maybank delivery in Asia.

Focus on transparency and efficiency continuing to build retail and institutional buy-side pipeline in Australia.

First client went live with IRESS' trading algo suite in late 2017 - further opportunities expected in 2018.

ViewPoint migrations for NAB and CBA well progressed. Positive client feedback.

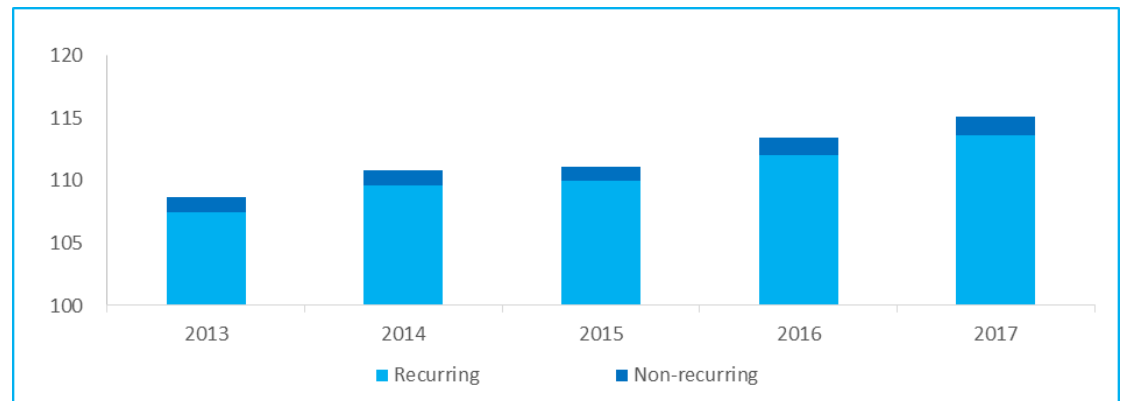
Migration of all Australian trading clients to IOS+ by June 2019.

Recent product update (v17.3) facilitates MiFID II compliance and enables seamless future rollout of expanded capability and user interface improvements.

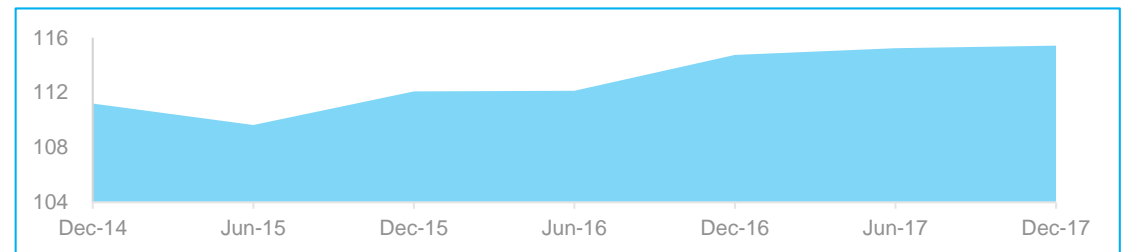
Successful delivery of online trading solution to Maybank Kim Eng creating further opportunities in Asia.

AUD (m)	H1	H2	2016	H1	H2	2017	2017/2016
Operating Revenue	56.0	57.4	113.5	57.5	57.5	115.1	1%
Direct Contribution	41.8	42.3	84.1	42.0	41.7	83.8	-
<b>Margin</b>	<b>75%</b>	<b>74%</b>	<b>74%</b>	<b>73%</b>	<b>73%</b>	<b>73%</b>	

## Revenue



## Annualised revenue run rate



Annualised revenue run-rate is calculated by annualising monthly recurring revenue and adding the previous 12 months non-recurring revenue

# ANZ Wealth Management

Continuing strong revenue and earnings growth. Key project delivery a feature of 2017.

Revenue and earnings growth accelerated by full year contribution from Superannuation, margin impacted.

Recurring revenue represents ~88% of total (~96% excluding Superannuation).

Strong underlying growth driven by client deliveries and demand from existing client base.

Successful delivery of XPLAN and XPLAN Prime to CBA. XPLAN rollout in progress, replacing competitor product.

Two ASX listed wealth businesses now live on XPLAN Prime. Strong pipeline of other scaled advice opportunities varying in size and client type.

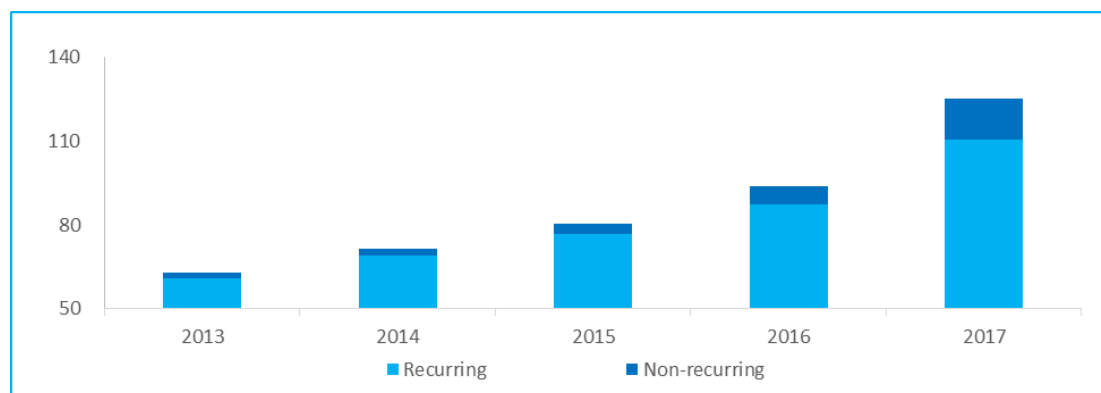
Strong interest in integrated advice and member engagement by super funds. Heightened activity in second half.

Delivery of a managed technology service and adoption of Acurity by industry super fund, Statewide Super, significantly automating superannuation administration.

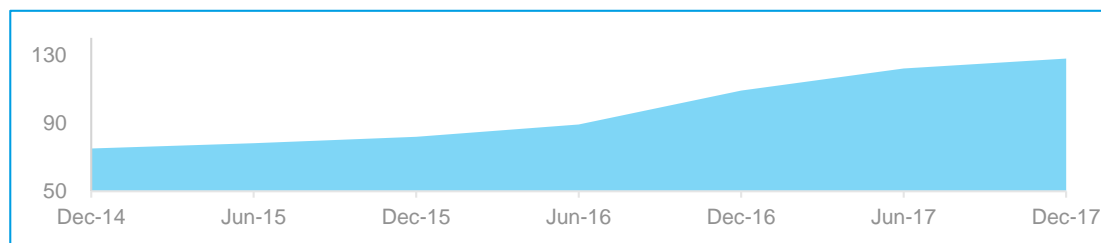
XPLAN voted #1 financial planning software in Australia for 10<sup>th</sup> consecutive year.

AUD (m)	H1	H2	2016	H1	H2	2017	2017/2016
Operating Revenue	43.5	50.3	93.8	61.6	63.5	125.1	33%
Direct Contribution	35.9	39.9	75.7	46.0	48.0	93.9	24%
<b>Margin</b>	<b>82%</b>	<b>79%</b>	<b>81%</b>	<b>75%</b>	<b>76%</b>	<b>75%</b>	

## Revenue



## Annualised revenue run rate



Annualised revenue run-rate is calculated by annualising monthly recurring revenue and adding the previous 12 months non-recurring revenue

# United Kingdom

## Results reflect delivery focus, stronger second half.

Revenue growth driven by successful client delivery and increased client take-up, particularly in second half.

Recurring revenue represents ~93% of total segment revenue. Flat contribution reflects one-off delivery costs.

Key milestones achieved on deployment of integrated solutions for CBAM and Tilney. Work continuing to extend wealth platform.

Continuing demand for solutions to support integrated wealth and trading capabilities. Client goals to unify diverse internal technology stacks driving pipeline of client opportunities.

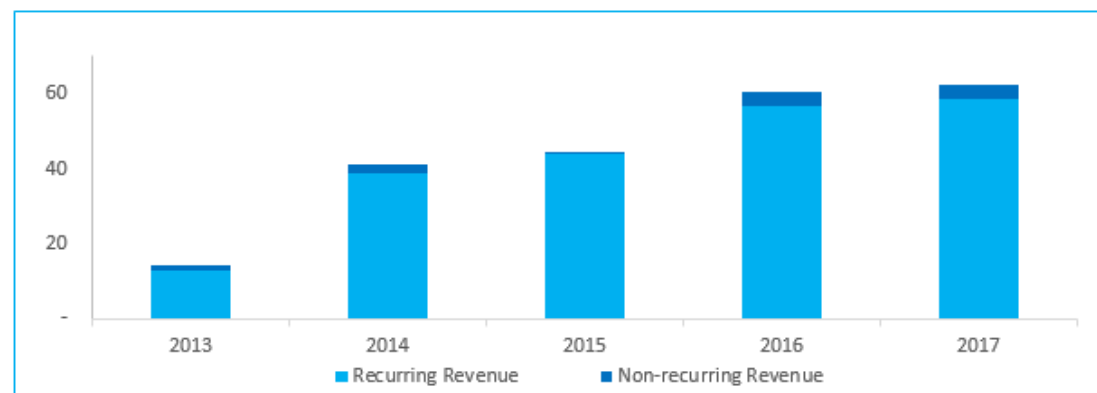
Visible progress of new XPLAN sales and migrations from AO. XPLAN represents ~20% of total UK revenue (~17% in 2016).

Heightened demand for XPLAN from retail and integrated wealth, strong client advocacy around product delivery and capability.

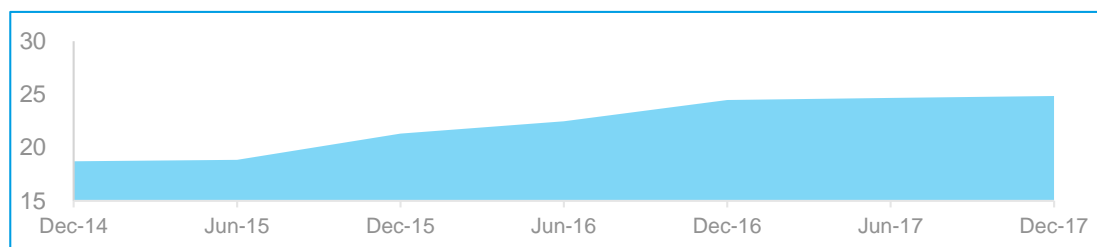
Exchange revenue +3% on 2016, reflecting increased take-up, and associated services. Further opportunities from increased participation and new products.

GBP (m)	H1	H2	2016	H1	H2	2017	2017/2016
Operating Revenue	29.2	31.2	60.4	30.7	31.7	62.3	3%
Direct Contribution	18.9	21.0	40.0	19.5	20.2	39.7	-
Margin	65%	68%	66%	64%	64%	64%	

## Revenue



## Annualised revenue run rate – Intermediary software



Annualised revenue run-rate is calculated by annualising monthly recurring revenue and adding the previous 12 months non-recurring revenue

# Lending

Strong operational momentum - TSB delivered, MSO V2 productisation, strong UK pipeline, first client outside UK.

Flat overall financial performance masks strategic and operational progress.

Visible progress transitioning to subscription model, recurring revenue ~15% of total (~10% 2016).

Productisation of V2 releasing capacity to focus on client deployment.

Atom Bank continues to reduce mortgage processing timeframes - in one case processing a mortgage from application to offer in 21 seconds.

TSB went live with MSO in H2 to positive feedback. Work progressing to extend capability and network reach.

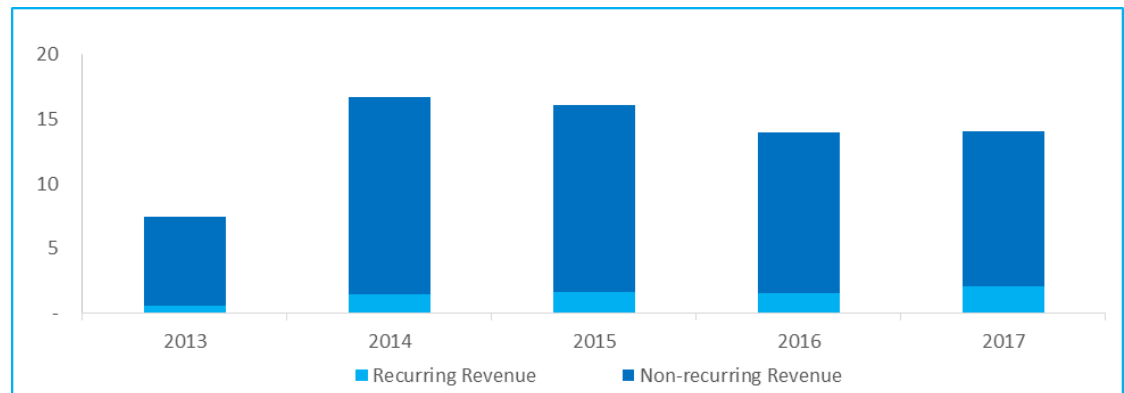
Deployment of MSO to additional Tier 2 lender progressing well, expected to complete in 2018.

Strong client pipeline buoyed by demonstrated deployment success and product and business outcomes.

First MSO client secured in Australia with deployment in 2018. Pipeline of client opportunities building in Australia.

GBP (m)	H1	H2	2016	H1	H2	2017	2017/2016
Operating Revenue	8.1	5.9	14.0	6.4	7.6	14.0	-
Direct Contribution	6.8	4.5	11.3	4.9	6.1	11.0	(3%)
Margin	84%	77%	81%	77%	80%	78%	

## Revenue



## South Africa

Continuing underlying demand across product breadth. INET expands capability and market position.

Underlying revenue growth augmented by positive contribution from INET. Recurring revenue represents over 90% of total.

Growth reflects successful wealth and trading client deployments, reflecting sell-side wins and continuing demand across product suite.

Revenue in second half reflects INET cancellations.

SmartHub continues to grow communities and counter-party connection footprint.

Increased engagement with clients and users migrating from INET to IRESS.

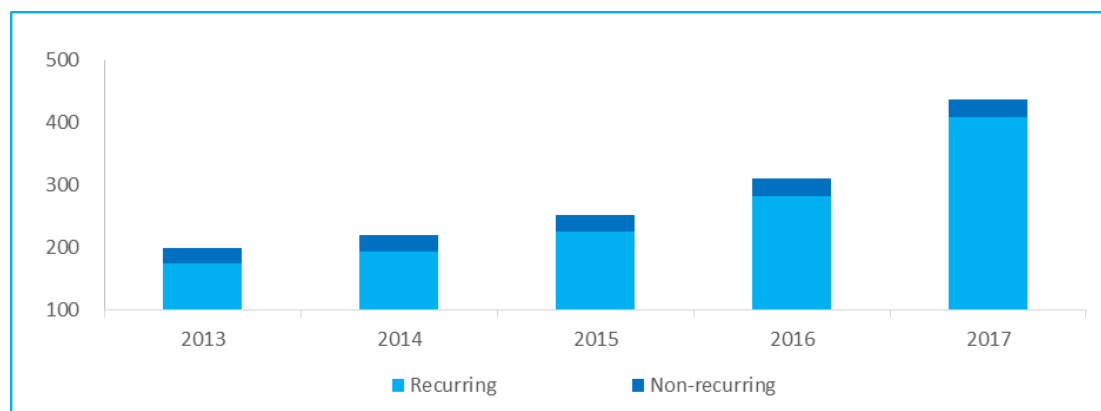
Successful product delivery in 2017 key to supporting future growth opportunities. These include changes to JSE trading/settlement infrastructure (ITaC), trading tools for multi-exchange trading as secondary listings increase (eg A2X), migration from Hermes to IOS+, and wholesale and retail funds trading connectivity.

Scaled advice activity increasing in light of RDR-like regulatory changes.

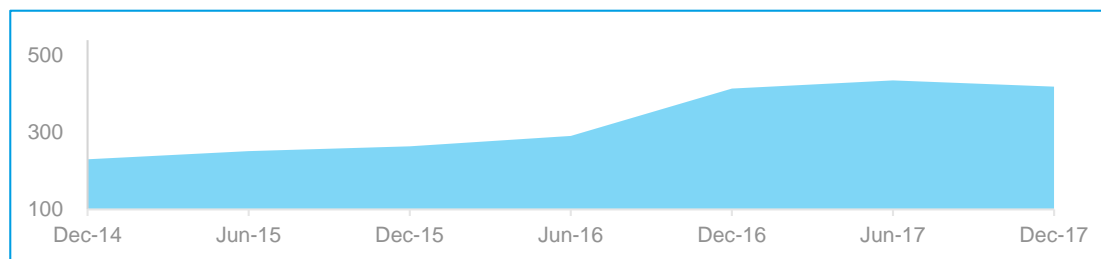
Progress made with advice technology opportunities regionally and expect to continue.

ZAR (m)	H1	H2	2016	H1	H2	2017	2017/2016
Operating Revenue	143.6	168.2	311.8	219.3	218.5	437.8	40%
Direct Contribution	110.9	132.1	243.0	167.7	168.3	336.0	38%
Margin	77%	79%	78%	76%	77%	77%	

### Revenue



### Annualised revenue run rate



Annualised revenue run-rate is calculated by annualising monthly recurring revenue and adding the previous 12 months non-recurring revenue

## Wealth footprint increasing following successful client deliveries, momentum building.

Revenue +6% and direct contribution +16% reflecting client deliveries, client retention and cost control against a backdrop of continuing market challenge.

Number of successful wealth client deployments delivered, with key focus on end-to-end trading, multi currency and asset class wealth technology.

Wealth momentum increasing as client reference base expands, data migrations delivered successfully.

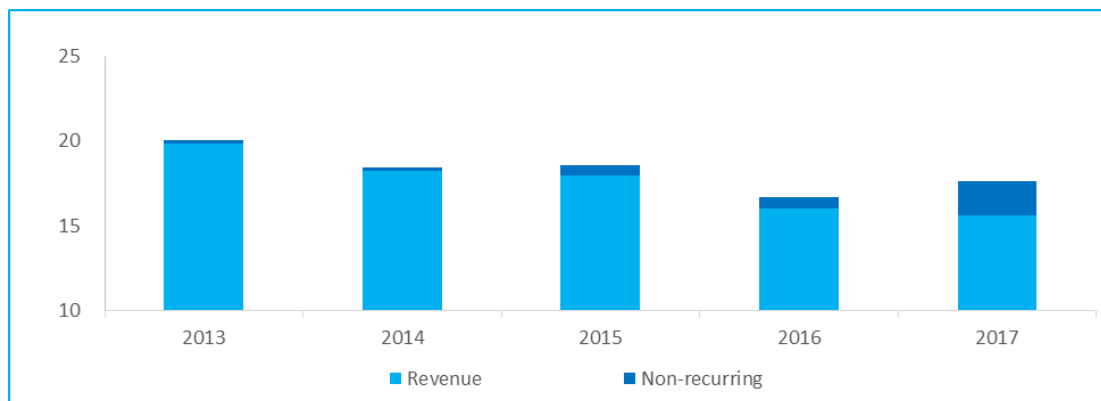
Project to upgrade internal retail trading systems and capability at Tier 1 bank well progressed.

Production deployment of pipeline remains priority operational focus.

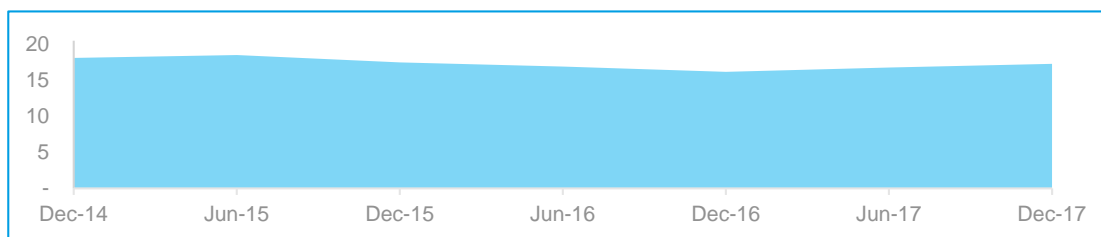
Technology and regulatory change continue to present opportunity

CAD (m)	H1	H2	2016	H1	H2	2017	2017/2016
Operating Revenue	8.5	8.2	16.7	8.5	9.1	17.6	6%
Direct Contribution	4.0	3.7	7.7	4.1	4.9	8.9	16%
Margin	47%	45%	46%	48%	53%	51%	

## Revenue



## Annualised revenue run rate



Annualised revenue run-rate is calculated by annualising monthly recurring revenue and adding the previous 12 months non-recurring revenue

# Functional segments

AUD (m) <sup>(1)</sup>	H1	H2	2016	H1	H2	2017	2017/2016
Direct Contribution	48.7	49.7	98.4	55.6	56.2	111.8	14%
% Revenue	25%	25%	25%	26%	25%	25%	

AUD (m) <sup>(1)</sup>	H1	H2	2016	H1	H2	2017	2017/2016
Direct Contribution	16.1	18.1	34.2	19.1	20.3	39.4	15%
% Revenue	8%	9%	9%	9%	9%	9%	

AUD (m) <sup>(1)</sup>	H1	H2	2016	H1	H2	2017	2017/2016
Direct Contribution	14.2	14.0	28.2	18.0	15.8	33.8	20%
% Revenue	7%	7%	7%	8%	7%	8%	

(1) Assumes 2017 is converted at the average foreign exchange rates used for 2016

## Product and Technology

Costs are largely people related reflecting IRESS' ongoing investment in existing and new technology.

Investment in product and technology is at the heart of IRESS' success and market position, supporting client retention and future growth.

Key drivers of cost increase in 2017 include cost contribution from recently acquired businesses, headcount and wage increases and increased occupancy costs following Sydney workplace relocation.

## Operations

Core business infrastructure and people, including internal and external communications, technology, information security, operating hardware and software, and help desk.

Key driver of cost increase in 2017 include cost contribution from recently acquired businesses and headcount and wage increases.

## Corporate

Central business functions including people, finance, communications & marketing, legal and other general corporate costs.

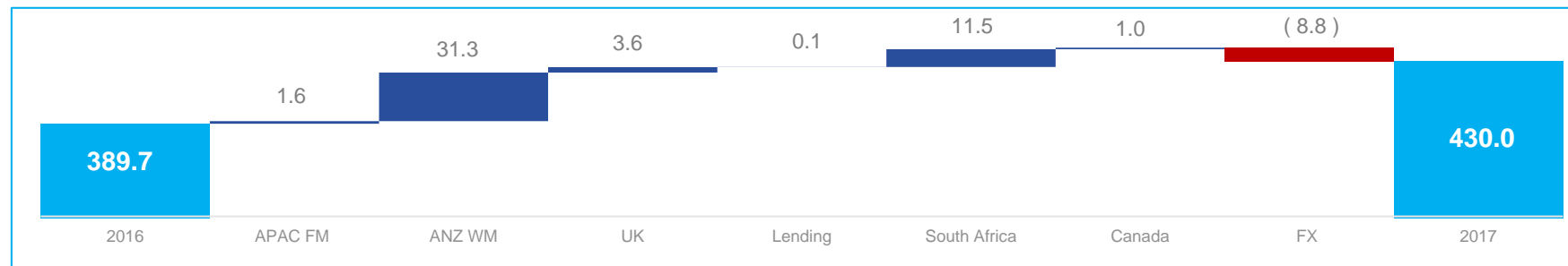
Key cost drivers in 2017 include headcount and wage increases, cost contribution from recently acquired businesses, and costs associated with a series of IRESS people conferences.



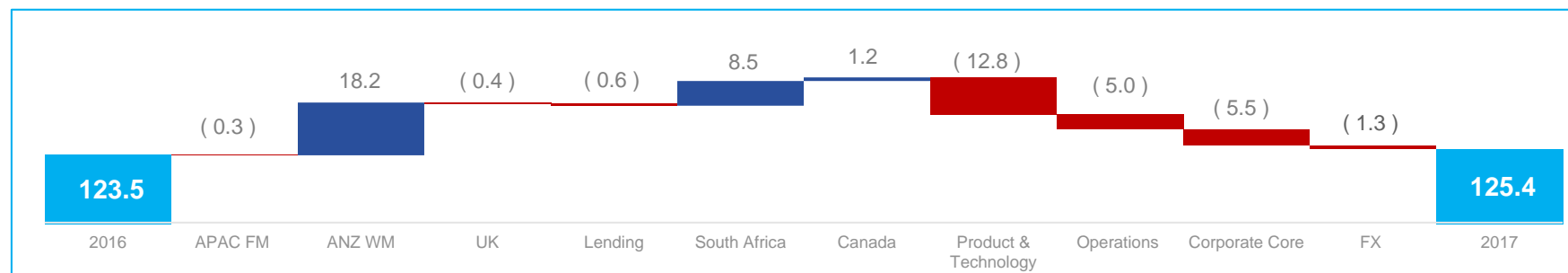
# Financial information

# Sustainable revenue and earnings growth

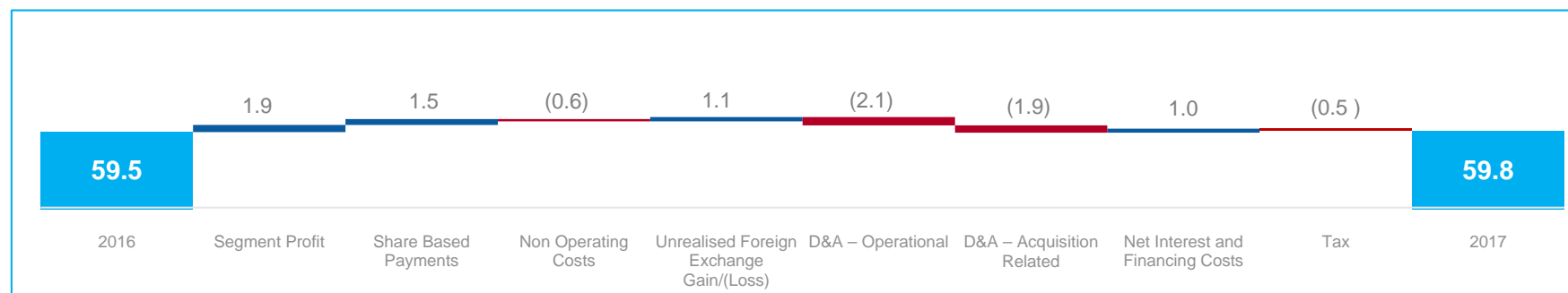
## Revenue



## Segment Profit



## NPAT



# Financial results reflect targeted investment

Bonus expense reduced substantially in 2017 (~\$4.6m) as a result of lower than expected revenue and earnings growth.

Share based payments declined as result of increased forfeitures of unvested equity instruments.

Non-operating costs reflect a number of targeted one-off strategic investments:

- Re-location of the Sydney office and expansion/refurbishment of the Melbourne office
- Implementation of a new group ERP and financial reporting system
- Restructuring activities in Australia and the UK
- Integration of INET and Financial Synergy businesses acquired in October 2016

Operational and acquisition-related D&A increased largely as a result of acquisitions made in 2016 including amortisation of software acquired.

Net interest and financing costs declined reflecting lower average monthly debt balances and a higher proportion of debt held in GBP which has a substantially lower interest rate.

The Group's effective tax rate of 23.2% reflects the tax rates in the jurisdictions in which IRESS operates, deductions associated with employee share plans and previously unrecognised tax losses and other true-up adjustments to historical items. The effective tax rate in 2018 expected to normalise to 26-28%.

AASB 15 'Revenue' is effective for IRESS for the year commencing 1 January 2018. While the timing of recognition of certain non-recurring revenue and discounts in services may change, IRESS does not expect this will have a material financial impact.

AUD (m)	2016	2017	
<b>Operating Revenue</b>	<b>389.7</b>	<b>430.0</b>	<b>▲10%</b>
Operating Costs	(266.2)	(304.6)	<b>▲14%</b>
<b>Segment Profit</b>	<b>123.5</b>	<b>125.4</b>	<b>▲2%</b>
Share Based Payments	(10.8)	(9.3)	<b>▼14%</b>
<b>Segment Profit after SBP</b>	<b>112.7</b>	<b>116.1</b>	<b>▲3%</b>
Non Operating Costs	(8.5)	(9.2)	<b>▲8%</b>
Unrealised Foreign Exchange Gain/(Loss)	(0.7)	0.4	<b>▲164%</b>
<b>EBITDA</b>	<b>103.5</b>	<b>107.3</b>	<b>▲4%</b>
D&A - Operational	(10.7)	(12.8)	<b>▲20%</b>
D&A - Acquisition Related	(10.4)	(12.3)	<b>▲18%</b>
<b>EBIT</b>	<b>82.5</b>	<b>82.2</b>	-
Net Interest and Financing Costs	(5.5)	(4.4)	<b>▼19%</b>
Tax	(17.5)	(18.0)	<b>▲3%</b>
<b>NPAT</b>	<b>59.5</b>	<b>59.8</b>	<b>▲1%</b>
EPS	37.0	35.4	<b>▼4%</b>
<b>DPS</b>	<b>44.0</b>	<b>44.0</b>	-

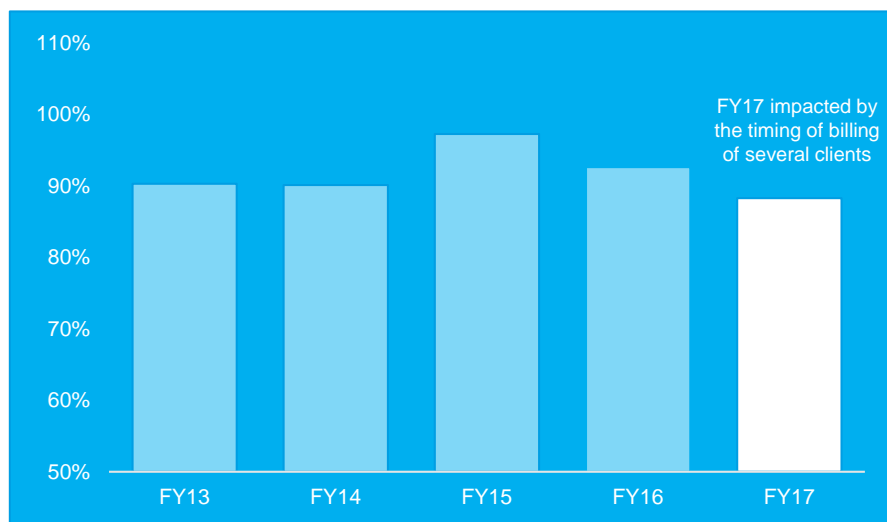
# Strong cash conversion, conservative balance sheet

AUD (m)	Dec 2016	Dec 2017
Total current assets	73.1	84.8
Total non-current assets	589.2	586.8
<b>Total Assets</b>	<b>662.2</b>	<b>671.6</b>
Total current liabilities	55.1	51.2
Total non-current liabilities	206.3	212.8
<b>Total Liabilities</b>	<b>261.4</b>	<b>264.0</b>
<b>Net Assets</b>	<b>400.8</b>	<b>407.5</b>

AUD (m)	Dec 2016	Dec 2017
Cash	23.0	28.6
Borrowings <sup>(1)</sup>	(178.9)	(194.4)
<b>Net debt</b>	<b>155.9</b>	<b>165.8</b>

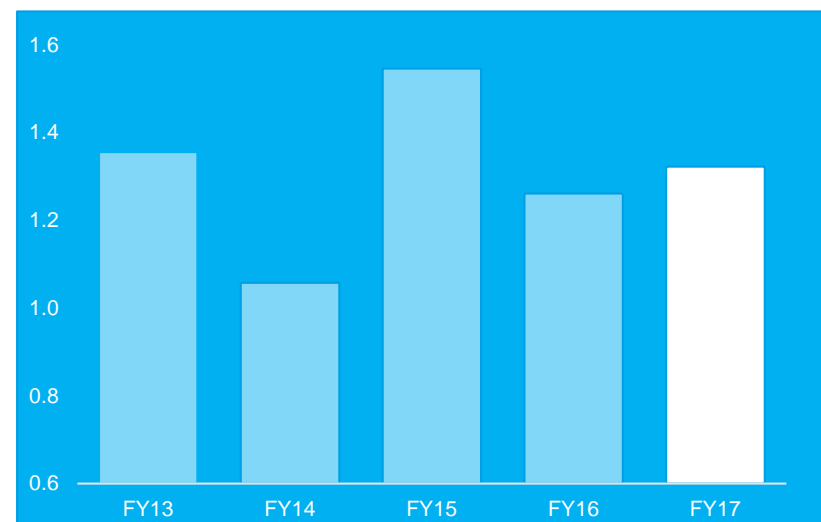
(1) Includes derivative assets (2017: \$0.3m, 2016: \$0.2m) and excludes capitalised borrowing costs (2017 \$1.9m, 2016 \$1.3m)

## Cash conversion



Cash conversion = (Operating cashflow + Net interest paid + tax paid) divided by Segment Profit

## Leverage



Leverage = Net debt divided by Segment Profit

# Segment summary - reported

AUD (m)	Revenue		Direct Contribution		Contribution Margin %	
Reported currency	2016	2017	2016	2017	2016	2017
APAC FM	113.5	115.1	84.1	83.8	74%	73%
ANZ WM	93.8	125.1	75.7	93.9	81%	75%
UK	110.8	105.5	73.2	67.3	66%	64%
Lending	26.0	23.8	21.1	18.6	81%	78%
South Africa	28.7	42.8	22.4	32.8	78%	77%
Canada	16.9	17.7	7.8	9.0	46%	51%
<b>Total</b>	<b>389.7</b>	<b>430.0</b>	<b>284.4</b>	<b>305.4</b>	<b>% of Revenue</b>	
Product and Technology			(98.4)	(108.3)	25%	25%
Operations			(34.2)	(38.7)	9%	9%
Corporate			(28.2)	(33.0)	7%	8%
<b>Segment Profit</b>	<b>389.7</b>	<b>430.0</b>	<b>123.5</b>	<b>125.4</b>	<b>32%</b>	<b>29%</b>

# Depreciation and amortisation

D&A - Operational	2016	2017
<b>Depreciation</b>		
Plant & Equipment	6.4	8.0
<b>Amortisation</b>		
Software (3 <sup>rd</sup> Party Purchased)	4.3	4.8
<b>Total</b>	<b>10.7</b>	<b>12.8</b>

D&A - Acquisition Related		1H17	2H17	1H18	2H18	1H19	2H19
<b>Computer Software</b>	Avelo	0.7	0.8	0.7	0.6	0.2	0.2
	Proquote & Pulse	0.4	0.4	0.4	0.4	0.3	0.3
	Financial Synergy	1.1	1.1	1.1	1.1	1.1	1.1
	INET	0.7	0.7	0.9	0.9	0.9	0.9
<b>Customer Relationships</b>	Avelo	1.4	1.4	1.1	0.7	0.3	0.3
	Financial Synergy	0.6	0.6	0.6	0.6	0.6	0.6
	Proquote & Pulse	1.1	1.1	1.2	1.2	1.2	1.2
<b>Brands</b>	Proquote & Pulse	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total</b>		<b>6.1</b>	<b>6.2</b>	<b>6.0</b>	<b>5.5</b>	<b>4.7</b>	<b>4.6</b>

FY18 onwards converted at December 2017 foreign exchange rates

# Strategy overview

# Our business model and competitive advantages

## Key elements of our business model

- ~90% of our revenue is monthly recurring subscription fees
- We re-invest heavily to constantly enrich our solutions
- Our software is modular, flexible and has consistent global code bringing scale benefits
- We operate in countries where regulation and market structure drive software demand
- We build scale businesses in our chosen markets
- We have a track record of successful acquisition and integration

## Our competitive advantages

Our market leading solutions

Our ability to continually re-invest in our people and product suite

Our long term trusted partnerships and deep integration with our clients

The skills, knowledge and passion of our over 1,800 people

Our integrated solutions with un-matched breadth of capability

We can leverage our global presence and strength to deliver locally



# Key growth drivers and strategy

## Key drivers of growth

Demanding regulators with **increasing requirements**

Market consolidation increasing **business complexity**

Demand for **broader** integrated **solutions** to enable client business strategies

Demand for software that **increases efficiency** and **reduces the cost** to do business

Increasing **demand for advice**

## Our strategic priorities

**Service** clients exceptionally

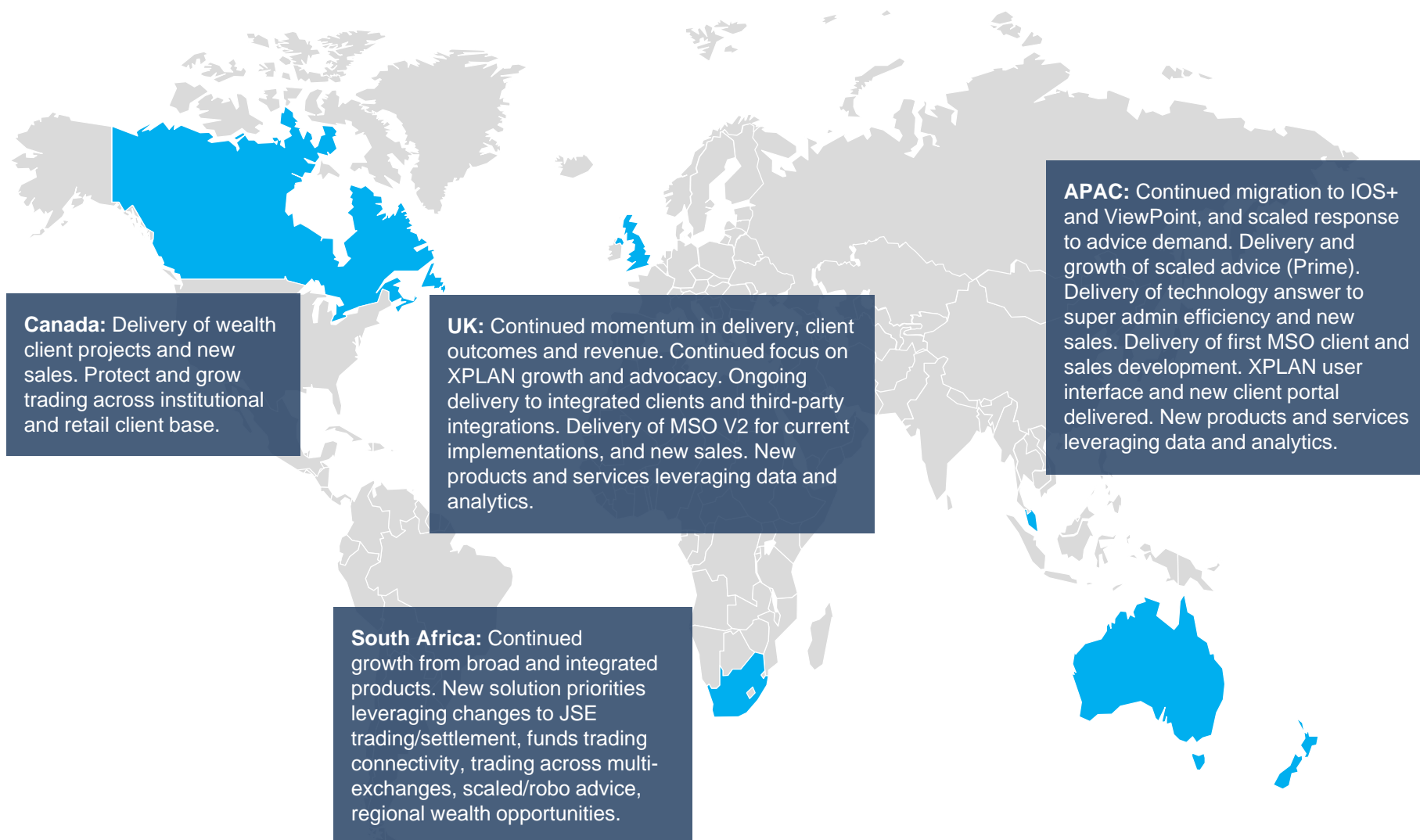
To be **essential** to our clients success through **continued** product **investment**

Identify and deliver **scale benefits**

**Attract** and **retain** great **talent** through culture, environment and reward

**Deliver** a compelling solution and **user experience**

# Business focus in 2018



- Period on period revenue and cost remains subject to the timing of client implementations and significant industry change.
- Expect growth weighted to the second half and a decline in Segment Profit in 1H18 (from 2H17), impacted by lower bonus provision in 2H17 not repeated in 1H18.
- Expect 2018 Segment Profit growth to be in the range of 3 - 7% (on a constant 2017 currency basis <sup>(1)</sup>).
- Non operating costs relating to integration, infrastructure investments in scaling our capability and restructuring are expected to be in line with 2017 levels.

(1) Average exchange rates in 2017 are as follows: GBP: 0.59, ZAR: 10.2, CAD: 0.99

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