

IRESS reports 1H18 financial results

Top line growth, positive operating leverage, deliver +13% Segment Profit on pcp

- **Group revenue:** \$229.7 million, +8% on 1H17 and +5% on 2H17 (+6% and +3% respectively, on a constant currency basis¹)
- **Reported NPAT:** \$32.0 million, +8% on 1H17 and +6% on 2H17
- **Group Segment Profit²:** \$67.5 million, +13% on 1H17 and +3% on 2H17 (+11% and flat respectively, on a constant currency basis)
- **Interim dividend:** 16.0 cents per share, 60% franked
- **Strong fundamentals:** Cash conversion of 99% in the half, recurring revenue ~90%, net debt balance \$189.7 million representing a leverage ratio of 1.4x Segment Profit
- **FY18 guidance reaffirmed:** 2018 Segment Profit growth expected to be in the range of 3-7% on a constant 2017 currency basis³.

IRESS (IRE.ASX) today announced its financial results for the six months to 30 June 2018.

On a constant currency basis, operating revenue rose by 6% and Segment Profit was 11% higher on the previous corresponding period (pcp). Revenue growth was led by a strong performance from wealth and lending segments while a focus on efficiencies delivered positive operating leverage in the half.

IRESS chief executive Andrew Walsh said: "IRESS' first half 2018 financial result illustrates our commitment to driving top-line growth and visible operating leverage across the group. An 11% increase in constant currency segment profit on pcp is especially pleasing, and demonstrates strong underlying growth.

"Cash conversion and recurring revenue are strong financial characteristics of IRESS' business and our balance sheet remains conservative, as shown by our leverage ratio of 1.4 times Segment Profit. Flat cost growth reflects a continued disciplined approach as well as increased operating leverage.

"Looking forward, our priority is to continue to drive business momentum in key growth markets, particularly in wealth and lending, with increased UK revenue growth expected in the second half from client projects already underway and a good pipeline of opportunities ahead.

"We expect 2018 Segment Profit growth to be within the range of 3-7% on a constant 2017 currency basis, in line with previous guidance."

¹ Assumes 1H18 results are converted at the average foreign exchange rate for 2H17

² 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 foreign exchange impact of the revaluation of intercompany and cash balances.

³ Constant currency basis assumes 2018 results are converted at the average foreign exchange rates used for 2017. This allows comparison of group operating performance in Australian dollars before the impact of changes in Australian currency rates.

Strategic highlights

- **Milestone client deliveries** in the UK and a quality pipeline of opportunities expected to have positive second half impact. Successful implementation of new European Union data protection and compliance standards, GDPR.
- **Increased project activity in lending** with good momentum of client delivery and sales in the UK. The first Australian lending implementation is on track with a second lender signed.
- **Strong progress with IRESS Labs**, providing end user engagement on product design at scale and driving next generation product development. More than 75 client firms have joined the initiative.
- **The number of integrations** with third parties that IRESS supports continues to increase with more than 30 integrations to be added in 2018. In addition, our data solution Lumen is now integrated with XPLAN, meaning processes and information can be securely and quickly analysed for compliance and to provide businesses with a comprehensive picture of data.
- **Increasing speed and regularity** of releases with continuous delivery underway.

Segment results

APAC Financial Markets

- Operating revenue of A\$56.9m and direct contribution of A\$40.8m were marginally lower on pcp.
- Resilient revenue through buy-side demand for our portfolio solution. Sell-side headwinds remain.
- The deployment of our online trading solution in Singapore is providing further opportunities in Asia.
- IRESS' IP and capability in trading and market data continues to be increasingly leveraged across business segments and geographies as clients seek efficiencies from integrated solutions.

ANZ Wealth Management

- Operating revenue of \$67.0m and direct contribution of \$49.5m were +9% and +8% respectively on pcp.
- Organic revenue growth has been driven by an increased number of users of CRM, portfolio and financial modelling tools.
- Completion of Lucsan acquisition and integration into XPLAN broadens our data analytics capability.
- Strong bid activity for superannuation suite, subject to client decisions and timing of implementations.

United Kingdom

- Operating revenue of £32.4m and direct contribution of £20.7m were +6% on pcp. Retail and private wealth revenue +4% on 2H17 reflecting XPLAN implementations. Reported revenue growth does not fully reflect 1H18 activity.
- A simplified XPLAN offering for small and medium businesses, including those using Adviser Office, continues to build momentum.
- Total revenue growth offset by slower growth in sourcing (which is expected to be weighted to the second half), and trading and market data.
- Revenue growth rate in the second half is expected to increase reflecting client projects already underway.

Lending

- Operating revenue of £8.4m rose by 32% on pcp due to a significant delivery. Direct contribution of £6.8m was 39% higher on pcp.
- The transition to a subscription model continued with recurring revenue increasing to ~20% of total operating revenue (~15% in 2017). Three additional client implementations are underway to maintain this trend.
- The deployment of IRESS' first mortgage platform in Australia is progressing well with a second digital bank recently signed.

South Africa

- Operating revenue and direct contribution were +4% and +3% respectively on pcp on a local currency basis. This was offset by a decline in standalone market-data terminals.
- Revenue was impacted by the delay in planned changes to trading and settlement infrastructure at the JSE (Johannesburg Stock Exchange). IRESS is ready to support clients through transition and rollout of new products.
- A new contract has been secured to deploy a wealth and trading solution to a tier one financial services business.

Canada

- Operating revenue and direct contribution were +3% and +10% on pcp on a local currency basis. Recurring revenue increased during the half reflecting both new client wins and client retention.
- Decline on the prior half due to the timing of project revenue between halves. Project to upgrade internal retail trading systems and capability at a tier one bank progressing well, expected to be completed in 2019.
- Successful wealth deployments to a number of new clients with a good pipeline.

FY18 Outlook

- IRESS continues to expect 2018 Segment Profit growth to be within the range of 3-7% (on a 2017 constant currency basis⁴) in line with previous guidance.
- If average first half FX rates⁵ continue for the remainder of the year, reported Segment Profit for 2018 will be in the range of \$131m - \$136m representing growth of 5-9% from reported Segment Profit in 2017.
- Period on period revenue and cost remains subject to the timing of client projects and ongoing industry developments and change.

⁴ Average exchange rates in 2017 are as follows: GBP: 0.59, ZAR: 10.2, CAD: 0.99

⁵ Average exchange rates in 1H18 are as follows: GBP: 0.56, ZAR: 9.4, CAD: 0.98

Investor Conference Call

IRESS CEO Andrew Walsh and CFO John Harris will host a conference call and Q&A session with the investment community at **9.30am AEST today (23 August 2018)**.

Analysts and investors who wish to participate in the teleconference should dial **1800 558 698 / +61 2 9007 3187** and quote conference ID **244 280**.

The call will also be webcast live at: <http://webcasting.brrmedia.com/broadcast/5b4c1c0473d9bb0cd6e6a7f4>. Please note if you use the webcast link you will not be able to ask questions.

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About IRESS

IRESS designs, develops and delivers technology for the financial services industry. IRESS is listed on the Australian Securities Exchange (IRE.ASX) with operations in Australia, New Zealand, the United Kingdom, South Africa, Canada, and Asia.

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