

Iress reports 2020 half-year results

- **Group revenue:** \$270.7 million, +12% on 1H19 (+11% on a constant currency basis¹).
- **Group Segment Profit**²: \$71.9 million, -3% on 1H19 (-3% on a constant currency basis). +2% excluding acquisitions and a short-term COVID-19 related increase in leave costs. Underlying³ margins flat.
- **Reported NPAT:** \$26.3 million, -14% on 1H19. +4% excluding acquisitions, currency movements and short-term COVID-19 related increase in leave costs.
- **Interim dividend:** 16 cents per share, 35% franked.
- **Strong underlying fundamentals:** Cash conversion of 134%; recurring revenue ~90%; net debt balance \$48.7 million representing a conservative leverage ratio of 0.3x Segment Profit.

Iress (IRE.ASX) today announced its financial results for the six months to 30 June 2020. On a constant currency basis, operating revenue was up 11% on 1H19. Revenue growth reflects strong underlying performance in Australia as well as the positive contribution from the May 2019 acquisition of QuantHouse.

Segment Profit was down 3% on the previous corresponding period (pcp), reflecting acquired costs, currency movements and the short-term impact of annual leave delays following the onset of COVID-19. Excluding these factors, Segment Profit growth was up +2%.

Reported NPAT was down 14% on 1H19 due to the impact of operating losses in acquired businesses and increase in annual leave expense. Excluding the impact of these items, NPAT was +4% on pcp.

Iress chief executive, Andrew Walsh, said: "Iress' primary focus during COVID-19 has been to ensure the health and wellbeing of our people and service continuity to clients. Iress and its 2,000 people adapted quickly and seamlessly during the rapid move to home working. Our technology and systems have meant all services have continued and been accessible to clients working remotely.

"Our response to COVID-19 has been based on considering the needs of all our stakeholders over the short, medium and long term.

"Our software and services have proven to be reliable and resilient during COVID-19. Demand has remained strong with increased interest in our digital offering.

¹Constant currency basis assumes 1H19 and 1H20 results are converted at the average foreign exchange rate for 2H19. This allows comparison of group operating performance in Australian dollars before the impact of changes in foreign currency rates.

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 Excludes the acquisition of QuantHouse, BC Gateways and O&M Systems, currency movements and a short term increase in leave costs as a result of the delay in annual leave taken by employees following the onset of COVID-19.

"In Australia, we are continuing to support advice businesses changing licensees or setting up new business, with more than 400 advice businesses choosing Xplan over the past year as the industry changes.

"We also see continuing momentum in our superannuation strategies, with a second super fund selecting Iress to automate its operations, and with delivery to the first super funds expected in the first half of 2021.

"In the United Kingdom and Europe, revenue growth was higher than the prior corresponding period due to the positive contribution of our recent acquisition of QuantHouse as well as stable core revenue reflecting client delivery success. This was offset by the temporary restriction of mortgage products as a result of COVID-19, however we continue to see a strong client pipeline and re-commenced delivery momentum which will drive future financial results."

Business highlights

- **COVID-19 resilience.** Swift move to remote working, strong positive feedback from clients and employees. Continued strong demand from clients while acknowledgement of longer sales cycle times in the short term.
- **Superannuation automation.** Two deliveries underway for Australian super funds. Strong tender activity during the half. Significant support provided to Australian super funds during the half in response to COVID-19 early release payments.
- **Data demand.** Successful integration and synergies from QuantHouse, achieving monthly profitability during the half. Strong interest in services from blockchain communications platform provider, BC Gateways.
- **Xplan growth.** More than 1,000 advice practices have migrated to Xplan since the beginning of 2019 as part of industry change, with more than 400 moving in 2020. Improved user experience recorded in latest global Xplan user surveys with notable increases in ease of use and support scores.
- **Connectivity.** Strong demand for SuperConnector, a superannuation gateway that enables messaging such as payments and rollovers between employers, super funds and the ATO. Continued integrations between Iress Open and Xplan.

Trading update

Iress withdrew its 2020 earnings guidance in April as a result of broader uncertainty around COVID-19 and the economy.

Pandemic restrictions are continuing to lift in a number of our markets, however, some remain in lockdown. The risks, including second and third waves, have proven real and remain high. The impact on the broader health of the economies in which we operate is no more clear now than it was in April. For this reason, Iress is not in a position to provide guidance statements.

Iress' business model, which is predominantly recurring subscription revenue, has demonstrated its strength and resilience in the first half. The quality of our client base was also evident in cash flows and debtors. In addition, we note:

- First-half revenue growth in Financial Advice and Super reflected client wins in superannuation announced towards the end of 2019 and revenue growth across a broad base of clients. In some cases, adjustments to institutional arrangements due to their resizing in wealth will occur in the second half. As a result, we do not expect second half revenue in line with the first half.
- Iress is participating in a number of significant tenders to superannuation funds. If successful, these will positively impact revenue in 2021 and beyond.
- If COVID-19 is to have a significant impact on performance in the UK, it is likely to be on the timing of new client opportunities and the commencement of these. Pipeline opportunities remain fulsome. In June and

July we did see some slowing in the timing of these flowing through our sales pipeline.

- While implementations in Mortgages paused during the first half, two lenders have gone live on MSO in the last week, and these will positively impact the second half. Other clients have re-established implementation plans.

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 (20 August 2020)**.

Analysts and investors who wish to participate in the teleconference [should register here](#).

Alternatively if you would like to listen to the audio webcast [please pre-register here](#).

For further details, please contact:

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About Iress

Iress (IRE.ASX) is a technology company providing software to the financial services industry.

We provide software and services for trading & market data, financial advice, investment management, mortgages, superannuation, life & pensions and data intelligence.

Our software is used by more than 9,000 businesses and 500,000 users globally. We have more than 2,000 people based in Asia-Pacific, North America, Africa and the UK & Europe.

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