



The Manager
Company Announcements Office
Australian Stock Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

19 August 2021

Dear Sir or Madam

RE: 2021 Half Year Results Conference Call Script

Please see attached the script from Iress' 2021 half-year results conference call held today at 9:30am.

Yours sincerely

A handwritten signature in blue ink, appearing to be "P. Ferguson", with a long horizontal line extending to the right.

Peter Ferguson
Chief Legal Officer & Company Secretary



Iress Ltd 2021 Half Year Financial Results

Conference Call

CEO & CFO Script

Slide 1 - Cover slide

Thank you for joining us today, and welcome to Iress' 2021 first half results call. John Harris, our CFO, is on the line with me.

We have released a presentation to ASX. As usual I will concentrate my remarks on the opening pages of the deck and John will take you through the financials.

Now as you know we held our Investor Day on July 29, and we pre-released these interim results so there are really no surprises here.

But we do think it is worthwhile to recap on our growth strategy, affirm our financial targets and give you another opportunity for questions, hence the call today.

As we did in February, we have provided detailed disclosure in the pack. To give you a clear understanding of underlying business performance we will be highlighting pro forma results in constant currency. This cuts through the noise of FX changes and the timing of acquisitions. There are full reconciliations in the deck as well.

Before we get started, I also note that we released details of the latest NBIO on the 11th August. There's not much more to add to what we said in the Announcement. I can assure you though we are focused on running the business well, and executing on our own growth strategy.

Slide 4: 1H 21 constant currency and pro forma financial performance

Let's make a start on page four.

There are some key points I'd like to make today:

Firstly, we're pleased to deliver solid results for the first half of 2021. This shows the headline pro forma results. In constant currency, segment profit increased by 3%, net profit was up 9%, EPS was up 6% and ROIC was consistent at 9%.

Slide 6: 1H 21 results summary

As we show on page 6, the improved performance was driven by growth in Trading and Market Data, a full period contribution from OneVue and good progress with new client implementations across Super, Private Wealth and in the UK.

As we talked about at Investor Day, the integration of Xplan and OneVue is underway with a pilot of this integration planned for the second half of this year. A great deal of work has gone into that and we are excited about the opportunity. Separately we have outlined plans for investment infrastructure, which will begin to come on stream in 2022.

The deployment of our highly competitive Automated Super Admin offer is also progressing well. Guild went live in the half and ESS Super is due to go live in early 2022. These use cases are major proof points for us in an industry that desperately needs a solution such as what we offer.

Our UK results are improving. The sales pipeline is good and margins are expanding as activity levels rise and markets reopen following COVID19 and successful vaccination program.

As we expected, revenues in our Australian financial advice business declined a little. This was a result of re-sizing of enterprise client contracts. Underlying demand for software remains resilient as reflected in high levels of Xplan users. I am happy to talk more about how we are well positioned for the trends and shifts in that market which underpin demand.

Overall, at the end of the first half, we are where we planned to be, and on track for the full year.

Two: The Iress business model has very attractive features. These can get lost in a six months results summary, but they are worth highlighting.

Over 90% of our revenue is recurring. We have over 10,000 clients with around 99% client retention. And cash conversion, another positive feature, is 90%.

We have summarised these attributes in some software unit economics that may be useful. Across a growing client base of more than 10,000 clients, Iress features an ACV run rate of over \$600m. Based on the high-level of recurring revenue and very low levels of churn, Iress is characterised by a lifetime value of over \$20bn and when taking into account client acquisition cost, the LTV/CAC is more than 25x - a high ROI model.

With our pro forma return on invested capital consistent at 9%, and conservative balance sheet, we are able to self-fund technology investments to support scale and reward shareholders. You will see we have declared the interim dividend at 16 cents per share, franked to 80%.

Third: Earnings are accelerating. With our strong operating businesses and rising returns on growth investments, we enter the second half of the year with a positive outlook and accelerating growth compared to the first half.

Guidance assumes 16-21% growth in segment profit in 2H. The second half will include an improved contribution from OneVue, a full half of contribution from Guild which has gone live in Super admin and two new clients which have started in UK Mortgages. As I said, our UK business has a strong revenue pipeline and scope for significant growth. The 2H results will also benefit from the timing of annual leave which John will unpack.

Finally, we have a clear and highly achievable ambition and I'd like to remind investors of what we are building at Iress and our earnings potential.

Our focus is on delivering a simpler, faster Iress with higher returns. We spoke to this in detail at Investor Day. It is clear the opportunity for Iress is greater than previously

anticipated. We have announced plans to accelerate growth and returns for shareholders with a new medium target to more than double Net Profit after Tax by 2025, with potential for further upside. In completing the transition to a single platform, this will bring greater operating leverage and speed to market. We have purposefully built solid foundations at Iress, enabling us to capture more market share in large addressable markets.

Regardless of any other corporate activity, we are focused on executing this plan and are working to deliver the benefits for shareholders and our clients.

I'll now hand over to John to talk through the numbers in more detail.

Slide 15: Segment performance - constant currency

Thanks Andrew.

Given Andrew has gone through the headline results, I'll start with slide 15 and business performance. Here we show the financial performance by segment on a constant currency basis.

We are happy with the growth we have seen in APAC. It has delivered an impressive result with revenue up 16% versus the pcp. Within this, recurring revenue grew by 15%, accounting for 93% of total revenues in APAC.

Direct contribution increased by 14% both against the pcp and the sequential half.

Trading and Market Data performed strongly and OneVue made a positive contribution.

Revenue in Financial Advice declined by 4% versus the pcp due to the right sizing of certain institutional contracts as advisers move from larger institutions to independent firms. This is a timing impact with user numbers for Xplan remaining steady. We have been telegraphing this shift in our last two results announcements and it is worth noting that advice revenue grew 1% versus the second half of 2020.

While the shape of the market has changed, this does not reflect a change in market share. As Michael Blomfeld discussed at Investor Day, Xplan is the clear advice software of

choice for advice groups. We see ongoing resilient demand for our software as advisers continue to focus on operational efficiency, client engagement, data, and compliance.

Our focus for Superannuation in 2021 is the implementations at ESS Super and Guild, with the latter having gone live in April. Revenues will be lumpy as we progress with implementations and were down by \$1.7m in 1H v the prior period. These implementations give us critical proof points to build client support, market awareness, and revenue growth.

OneVue contributed \$24.5m of revenue in the half. This compares to pro forma revenue of \$23.5m in the second half of 2020 and an actual contribution of \$7.9m for the short time we owned it in 2020.

As well as integrating the business and developing our new investment infrastructure offer, we grew the funds registry FUA to \$872bn, which is an increase of 74% since 1 July 2020.

In the UK & Europe, revenue in constant currency was up 2% versus the pcp.

Market data revenue grew by 10%. Wealth delivered 3% growth, trading 6% growth and sourcing declined by 4%. Once again over 90% of revenues are recurring in this segment.

O&M which was acquired in 2020 contributed for the full half as well as new and ongoing projects with key clients to deliver Private Wealth software.

Significant milestones continue to be delivered for wealth clients unlocking new users and revenue opportunities.

Our first market making client is progressing well and two further clients are in implementation.

The direct contribution increased by 5% and the margin increased to 61% compared to the pcp.

We remain confident of our opportunity in the UK and are encouraged to see market activity improve and our sales pipeline increase.

Finally, I will call out mortgages. As we have said, we are reviewing our strategic options here, including divestment. Encouragingly, we saw a good improvement in revenues in 1H

versus the pcp with 23% growth. The direct contribution increased by 42% on the pcp. The growth was largely driven by the full period impact of two clients that went live in the second half of last year and another successful deployment in this half.

Slide 16: 1H 20 to 1H 21 cost breakdown

On slide 16 we show the pro forma cost waterfall.

The key call out here is that we demonstrated strong cost disciplines and were able to hold pro forma people and opex costs flat compared to the pcp.

Slide 17: 2H 20 to 1H 21 cost breakdown

As you will see on the next page we also held costs flat versus the second half of last year excluding annual leave. Including annual leave, costs increased by 5%.

I'll take a moment to unwrap the seasonality of annual leave as it is also a significant factor in our 2H guidance later in the deck. The \$8.1m cost increase in this waterfall reflects the timing of when leave is taken, which is contrasting between these halves. We expect this cost to unwind in the second half, to effectively net off for the year as a whole.

Slide 20: Adjusted earnings per share in constant currency: +7.3% growth vs pcp

Slide 20 shows the results down to earnings per share. On this page you'll see adjusted net profit in constant currency. We adjust for share based payments, non-operating items and acquisition related depreciation and amortisation.

Adjusted EPS is up 7% v pcp.

You can also see the impact of annual leave coming through in the adjusted EPS comparison to 2H20. Normalising for leave, adjusted EPS grew by 2% versus 2H20.

Adjusted EPS also includes the impact of the capital raise in 2020. The weighted average number of shares on issue is around 9% higher in this half than the pcp.

Slide 21: Net debt analysis

I'll finish on slide 21. Here we show the progression of our cash position over the year. The key metrics on this slide are cash conversion which was strong at 90% and free cash flow of \$34.3m. As you can see on this slide our largest single outflow was payment of the final dividend of \$55m. Net debt at the end of the half was \$184m. We are comfortably inside our neutral leverage ratio of 2 times segment profit.

I will now hand back to Andrew

Slide 23: FY21 segment profit guidance affirmed

Thanks John

I'll start on slide 23:

As I said at the beginning of the presentation, halfway through this year, we are where we thought they would be.

We have good line of sight on the second half, and therefore today, we are reaffirming guidance for the full year.

We continue to expect segment profit in 2021 to increase by between 7% - 10%. That's \$164m - \$168m in total. This guidance is in constant currency as usual.

This implies growth of 16% -21% in the second half compared to the first half base of \$76.1 million. That is, guidance of between \$88m to \$92m in segment profit.

We expect \$11-14m of organic profit growth, and an additional \$1-2m from OneVue. And as John indicated, segment profit will also benefit from an \$8m reversal of the annual leave provision which is in these numbers.

Taking the \$8m annual leave from the required 2H profit of \$90 million using the midpoint of guidance, shows that the underlying segment profit goal in 2H is \$82m. That's a growth rate of 7.8%. That's achievable.

Slide: 27 Iress' vision: simpler, faster with higher returns

Let me make some concluding remarks. I'll take you to page 27.

We started this call by saying we are pleased with the results for the last six months. But there is something bolder and more exciting going on at Iress.

Over the last several years, we have carefully and selectively assembled the pieces for accelerated growth and higher returns. We are now ready to accelerate and the 5 year guidance shows our confidence. We expect to at least double net profit in 2025, with upside potential.

The board review was detailed and reinforced our ambition. The execution of our strategies to leverage our technology, add more value to our clients, and build scale across our geographic markets, will deliver accelerated earnings growth and improved returns.

Thank you all for dialling in and I'll now hand back to the operator to open the line for questions.