

# FY20 results update

For the quarter ended 30 September 2020



# Key messages



## Third quarter 2020 (July- Sept):

- Financial result is consistent with pcp, Revenue +3%, Segment Profit +2% (constant currency).

## FY20 YTD September:

- Constant currency revenue +8%, v pcp, organic revenue growth +3%.
- Revenue growth in APAC +8% v pcp, reflecting ongoing demand for Xplan and Super solutions.
- Market data (QuantHouse) performing well, delivering revenue growth and expected cost synergies.
- COVID-19 has impacted the timing of projects and business activity in the UK. UK revenue flat excluding acquisitions v pcp.
- Proforma<sup>(1)</sup> Segment Profit in constant currency +6% v pcp, includes previously flagged targeted growth investments.

## Executing to plan:

- Deployment of Super Admin solutions to ESS Super and Guild Super progressing well - on track for delivery in 1HFY21.
- Australian Advice business has delivered over 500 client conversions YTD - sustained demand for Xplan.
- Two Mortgage clients went live in August 2020 and a further two are expected to go live in 1HFY21.

## Growth strategy affirmed:

- Significant growth opportunities in UK, Super admin and data.
- OneVue acquisition to complete on 6 November, enables integration of advice and execution. Iress will deliver material efficiencies to the way Australians hold and transact investments.
- Structural tailwinds support growth outlook - increasing regulation, business size and complexity are driving demand for technology solutions. Shift to digital delivery of advice is accelerating globally.

(1) Excludes the impact of the acquisition of O&M and BCG, assumes QH was owned for the entire of 2019, excludes currency movements and a short term increase in annual leave costs following the onset of COVID-19 - refer to page 14 for more detail. All results in the presentation are unaudited.

# Outlook



## **FY20 Segment Profit result:**

On a constant 2019 currency basis, Segment Profit excluding the impact of the OneVue acquisition is expected to be around our reported 2019 Segment Profit result of \$152m.

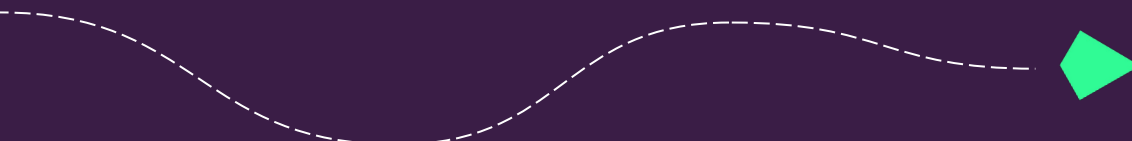
## **Q4 FY20 we expect:**

An increase in revenue momentum in Q4 v Q3 as project work completes before year end, although some of the second half growth envisaged at the beginning of the year has been delayed by the macro environment

A higher than normal level of annual leave taken in December will reduce reported costs

## **Key Sensitivities:**

Additional COVID-19 restrictions, impact of UK economy on business confidence and project timing



## FY20 Q3 Revenue +3%, Segment Profit +2% v pcp



\$AUDm - Constant Currency <sup>(2)</sup>	Q3 2019	Q3 2020	Q3 2020 vs Q3 2019
Operating revenue	130.0	133.8	+3%
<b>Segment Profit<sup>(1)</sup></b>	<b>36.4</b>	<b>37.2</b>	<b>+2%</b>
Segment Profit margin	28%	28%	-
<b>NPAT<sup>(3)</sup></b>	<b>14.5</b>	<b>14.6</b>	-

Revenue growth underpinned by strong performance in APAC +4% and Mortgages +19% (in constant currency)

Segment Profit +2% reflects revenue growth combined with stable margins

NPAT in line with pcp .

(1) Segment Profit represents earnings before interest, tax, depreciation, amortisation, share based payments, non-operating items and unrealised FX gains/losses.

(2) Assumes that quarter results are converted at the same average foreign exchange rates used in 2019.

(3) Constant Currency NPAT reflects Segment Profit at constant currency, with items below Segment Profit in actual currency.

## FY20 YTD Revenue +8%, Proforma<sup>(4)</sup> Segment Profit +6% v pcp



\$AUDm - Reported	YTD Sept 2019	YTD Sept 2020	Sept 20 vs Sept 19
Operating revenue	371.8	401.4	+8%
Segment Profit	110.5	108.0	(2%)
<b>NPAT</b>	<b>45.0</b>	<b>40.1</b>	<b>(11%)</b>

\$AUDm - Constant Currency <sup>(2)</sup>	YTD Sept 2019	YTD Sept 2020	Sept 20 vs Sept 19
Operating revenue	371.8	402.2	+8%
<b>Segment Profit<sup>(1)</sup></b>	<b>110.5</b>	<b>109.3</b>	<b>(1%)</b>
Segment Profit margin	30%	27%	(3%)
<b>NPAT<sup>(3)</sup></b>	<b>45.0</b>	<b>41.1</b>	<b>(9%)</b>
Basic EPS ( <i>cents per share</i> )	26.2	22.2	(15%)

\$AUDm - Proforma <sup>(4)</sup>	YTD Sept 2019	YTD Sept 2020	Sept 20 vs Sept 19
Operating revenue	387.0	401.0	+4%
Segment Profit	106.4	113.3	+6%
<b>Proforma NPAT</b>	<b>40.1</b>	<b>44.7</b>	<b>+12%</b>

Strong operating revenue performance +8%.

Constant currency Segment Profit -1% versus pcp.

Reported NPAT -11% v pcp includes OneVue one off acquisition related costs of \$1.4m

Proforma operating cost growth of 2% v pcp reflects 2019 remuneration increases, and targeted investment to drive growth in future periods.

Proforma<sup>(4)</sup> Segment Profit +6% v pcp.

Proforma<sup>(4)</sup> NPAT in Constant Currency +12% - highlights QuantHouse turn to profitability.

(1) Segment Profit represents earnings before interest, tax, depreciation, amortisation, share based payments, non-operating items and unrealised FX gains/losses.

(2) Assumes that YTD Sept 2020 results are converted at the same average foreign exchange rates used in 2019.

(3) Constant Currency NPAT reflects Segment Profit at constant currency, with items below Segment Profit in actual currency.

(4) Excludes the impact of the acquisition of O&M and BCG, assumes QH was owned for the entire of 2019, excludes currency movements and a short term increase in annual leave costs following the onset of COVID-19 - refer to page 14 for more detail.



## Segment Information

## Strong growth in Australian Advice & Super, QuantHouse performing well

	YTD Sept 2019	YTD Sept 2020	Reported Currency change	Constant Currency change
<b>Operating revenue</b>				
APAC	195.6	212.1	8%	8%
Trading and Market Data	89.1	93.1	4%	4%
Financial Advice and Super	106.5	119.0	12%	12%
UK & Europe	101.8	115.9	14%	11%
Mortgages	21.1	19.3	(8%)	(10%)
South Africa	36.3	32.6	(10%)	0%
North America	17.0	21.5	27%	25%
<b>Total operating revenue</b>	<b>371.8</b>	<b>401.4</b>	<b>8%</b>	<b>8%</b>
<b>Total operating revenue excluding acquisitions</b>	<b>359.5</b>	<b>369.2</b>	<b>3%</b>	<b>3%</b>
<b>Direct contribution</b>				
APAC	141.5	151.7	7%	7%
UK & Europe	65.4	68.9	5%	3%
Mortgages	13.7	12.5	(9%)	(10%)
South Africa	28.3	25.7	(9%)	2%
North America	7.3	8.3	14%	12%
<b>Total direct contribution</b>	<b>256.2</b>	<b>267.2</b>	<b>4%</b>	<b>5%</b>
<b>Total direct contribution excluding acquisitions</b>	<b>252.9</b>	<b>256.2</b>	<b>1%</b>	<b>2%</b>
<b>Functional segments</b>				
Product & technology	(87.8)	(99.4)	13%	13%
Operations	(31.3)	(32.4)	4%	4%
Corporate core	(26.6)	(27.4)	3%	3%
<b>Total Functional segments</b>	<b>(145.7)</b>	<b>(159.2)</b>	<b>9%</b>	<b>9%</b>
<b>Total Functional segments excluding acquisitions</b>	<b>(140.9)</b>	<b>(148.1)</b>	<b>5%</b>	<b>5%</b>
<b>Segment Profit</b>				
Segment Profit	(110.5)	(108.0)	(2%)	(1%)
Segment Profit excluding acquisitions	(112.0)	(108.1)	(4%)	(2%)

Strong revenue performance in Australia driven by Financial Advice and Super which is up +12%.

UK & Europe operating revenue +11% (constant currency), reflecting positive revenue contribution from QuantHouse and O&M which both continue to perform well. Excluding acquisitions, UK revenue is in line with pcp.

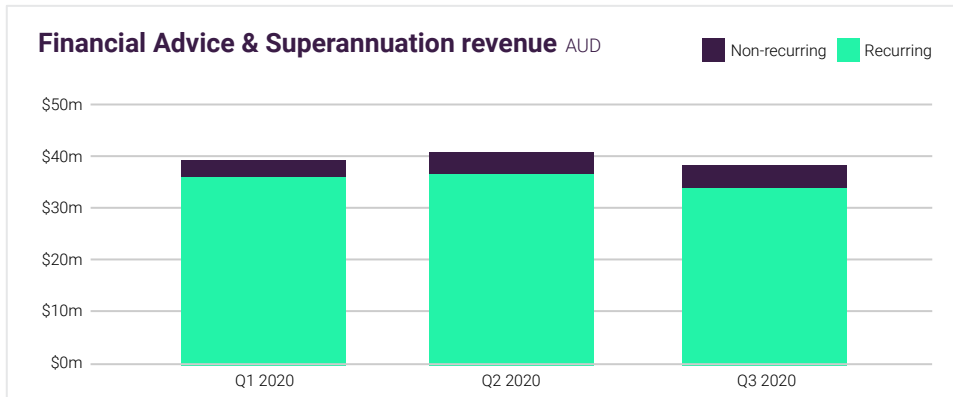
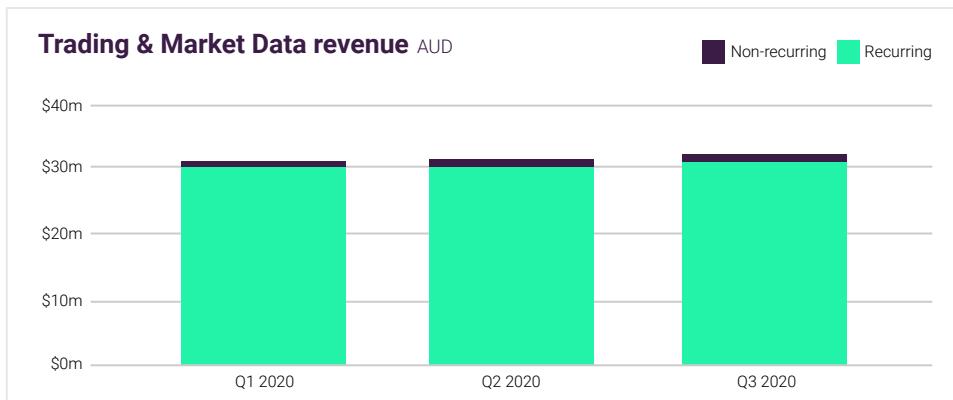
Organic Operating revenue (excluding acquisitions) +3%, Segment Profit (excluding acquisitions) -2%.

Mortgages revenue was impacted by the delay in a number of client projects following the onset of COVID-19. Clear revenue momentum has returned.

Operating revenue in South Africa and North America is in line with pcp excluding the impact of recent acquisitions.

Modest organic functional cost growth of +4% v pcp excluding a temporary increase in annual leave costs. Net cost increase reflects changes in remuneration in June 2019, ongoing investment in product, people and delivery capability, and targeted investment to drive future growth.

# APAC trading well reflecting ongoing demand for Xplan and Super Admin projects



## Consistent Trading and Market data revenue performance.

Key project to deliver Private Wealth software to JB Were progressing well and remains on track to go live in first half of 2021.

## Financial Advice and Superannuation revenue +12% YTD on pcp reflects:

Ongoing demand for Xplan amidst industry fragmentation with over 500 successful client conversions completed YTD.

Super Admin projects at ESS Super and Guild Super are on track.

Q3 revenue impacted by a number of client contracts being reset to reflect movement in advisers (as previously disclosed).

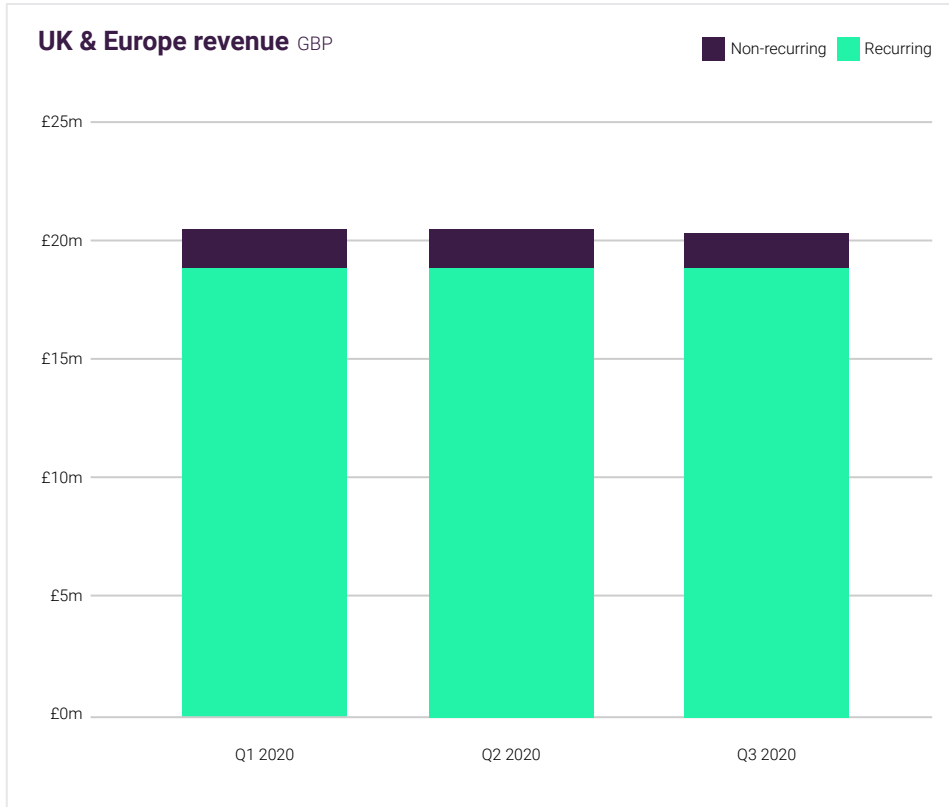
## Focus remains on:

Supporting clients to transition licensees, expand digitally delivered advice, data-driven insights and oversight, and increase business efficiency.

Delivering large Automated Super Admin projects and securing new clients for this service amidst heightened tendering activity.



# UK performance stable despite macro volatility, growth opportunity affirmed



YTD revenue + 11% v pcp reflects contribution from QuantHouse which continues to perform well, and the acquisition of O&M in March 2020.

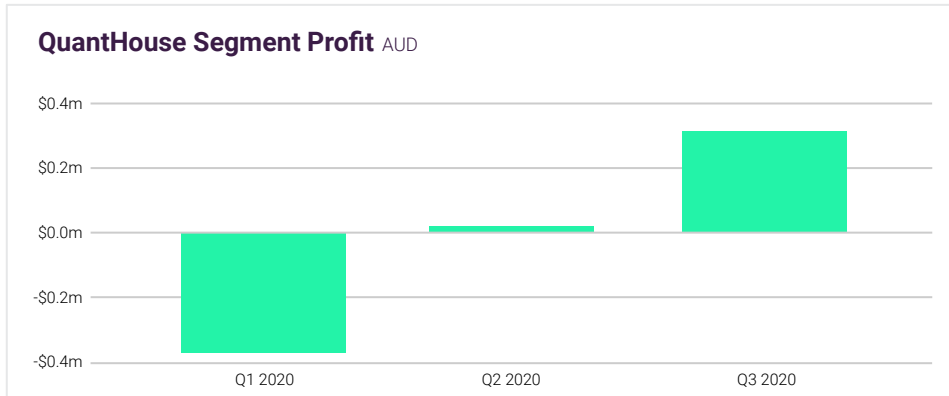
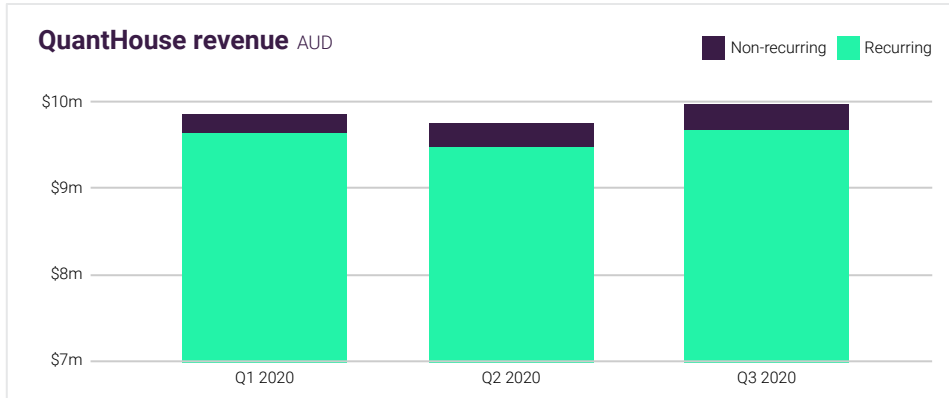
Excluding the acquisitions of QuantHouse and O&M, UK revenue is flat v pcp, reflecting the pause or slow down in a number of Wealth and Trading client implementations and reduced discretionary spend by Sourcing clients following the onset of Covid-19.

A number of projects have now re-commenced, or have been rescheduled for early 2021.

Private Wealth software implementations have commenced to three clients during 2020, with the recurring revenue benefit in 2021, continuing the successful execution of the Private Wealth strategy.

During 2020, a significant institutional agency client has gone live, with focus on pursuing growth with this offering in 2021.

# QuantHouse performing well, delivering revenue growth and cost synergies



Q3 revenue +8% v pcp reflecting ongoing sales and delivery success.

QuantHouse has transitioned from loss-making at the time of acquisition to a profit contributor in 2020 (including cost synergies).

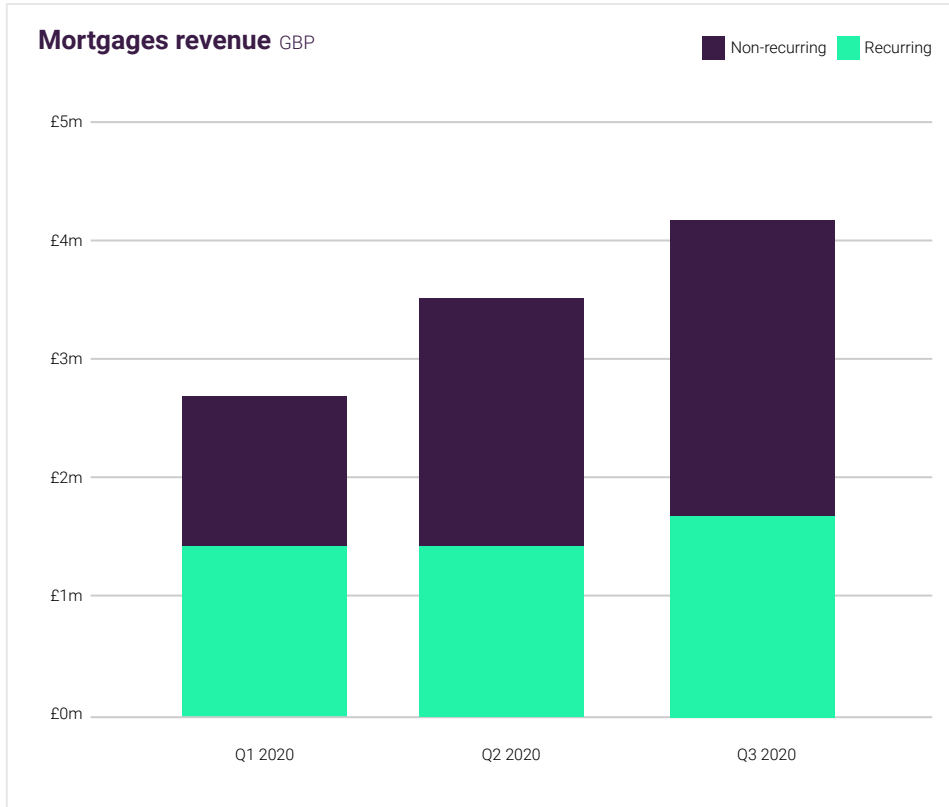
Opportunities to cross-sell data products across Iress are emerging.

COVID-19 had a visible impact on customer attrition rates in Q2 following the closure of several clients, particularly in North America.

Delivery of cost synergies is on track, with savings of approximately \$1.5m delivered in YTD September 2020 and the full monthly run rate of savings expected by mid 2021.

All values are constant currency AUD assuming that results are converted at the same average foreign exchange rates used in 2019.

# Mortgages recovering following Covid-19 interruption, focus on new sales opportunities



Q3 revenue +19% on Q2. Positive trend reflects resumption of all client projects as the year has progressed.

YTD revenue is marginally lower than pcp reflecting project timing and the pause or slow down in a number of client projects following the onset of COVID-19.

Growth in recurring revenue in Q3 is the result of two clients going live in August. A further two projects are on track to go live in first half of 2021, growing level of recurring revenue.

Demand for outcomes driven by Iress' MSO software remains high.

Focus remains on delivering current client projects and pursuing a range of new sales opportunities within tier 1, 2 and 3 lenders in the UK.



# Appendices

## Q3 results by segment

	Q3 2019	Q3 2020	Reported Currency change	Constant Currency change
<b>Operating revenue</b>				
APAC	67.4	69.8	4%	4%
Trading and Market Data	30.7	31.4	2%	2%
Financial Advice and Super	36.7	38.4	5%	5%
UK & Europe	36.7	36.8	-	2%
Mortgages	6.4	7.5	16%	19%
South Africa	12.1	9.8	(19%)	(2%)
North America	7.4	6.9	(7%)	(6%)
<b>Total operating revenue</b>	<b>130.0</b>	<b>130.7</b>	<b>1%</b>	<b>3%</b>
<b>Total operating revenue excluding acquisitions</b>	<b>120.8</b>	<b>119.9</b>	<b>(1%)</b>	<b>2%</b>
<b>Direct contribution</b>				
APAC	49.2	49.6	1%	1%
UK & Europe	22.2	21.8	(2%)	-
Mortgages	4.1	5.5	36%	40%
South Africa	9.4	7.7	(18%)	(2%)
North America	3.0	2.7	(11%)	(10%)
<b>Total direct contribution</b>	<b>87.8</b>	<b>87.3</b>	<b>(1%)</b>	<b>2%</b>
<b>Total direct contribution excluding acquisitions</b>	<b>85.4</b>	<b>83.6</b>	<b>(2%)</b>	<b>1%</b>
<b>Functional segments</b>				
Product & technology	(30.9)	(31.4)	2%	4%
Operations	(11.7)	(10.4)	(11%)	(9%)
Corporate core	(9.0)	(9.5)	6%	8%
<b>Total Functional segments</b>	<b>(51.5)</b>	<b>(51.3)</b>	<b>(3%)</b>	<b>3%</b>
<b>Total Functional segments excluding acquisitions</b>	<b>(47.8)</b>	<b>(47.7)</b>	<b>(4%)</b>	<b>3%</b>
<b>Segment Profit</b>	<b>36.4</b>	<b>36.1</b>	<b>(1%)</b>	<b>2%</b>
<b>Segment Profit excluding acquisitions</b>	<b>37.6</b>	<b>35.9</b>	<b>(4%)</b>	<b>(1%)</b>

# Proforma financial performance - reconciliation



SAUDm	YTD Sept 2019			YTD Sept 2020					
	Reported	Acquisition of QH <sup>(1)</sup>	Pro forma	Reported	Acquisition of BCG <sup>(2)</sup>	Acquisition of O&M <sup>(2)</sup>	Currency <sup>(3)</sup>	Annual Leave <sup>(4)</sup>	Pro forma
Operating Revenue	371.8	15.2	387.0	401.4	-	(1.9)	1.5	-	401.0
Operating Costs	(261.3)	(19.2)	(280.6)	(293.4)	1.8	1.7	(0.1)	2.4	(287.6)
Segment Profit	110.5	(4.0)	106.4	108.0	1.8	(0.2)	1.4	2.4	113.3
Segment Profit Margin	30%	(27%)	28%	27%	-	(11%)	-	-	28%
NPAT	45.0	(4.9)	40.1	40.1	1.5	0.3	1.0	1.8	44.7
<b>Growth (%)</b>									
Operating Revenue				8%					4%
Operating Costs				12%					2%
Segment Profit				-2%					6%
Segment Profit Margin				-3%					-
NPAT				-11%					12%

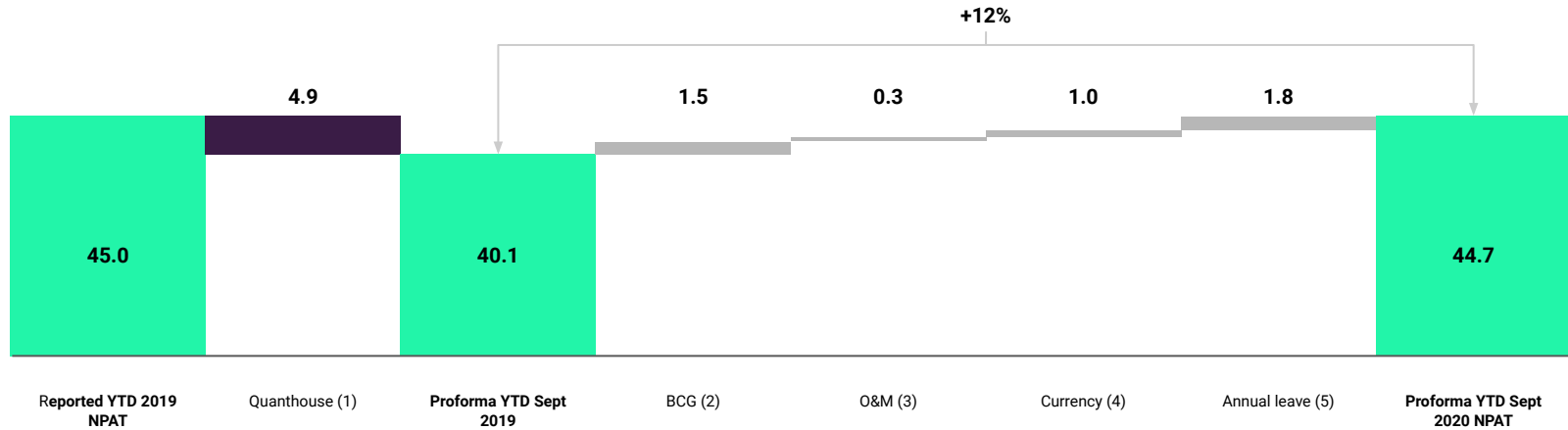
(1) Adjustment to include 5 months pre-acquisition QH trading in YTD Sept 2019 results (business was purchased end of May 2019)

(2) Remove impact of 2020 acquisitions

(3) Remove impact of currency movements in 2020

(4) Remove impact of short term increase in annual leave costs following the onset of Covid-19, calculated as the difference between the YTD Sept 20 Group annual leave expense and the YTD Sept 19 Group annual leave expense.

# NPAT waterfall



## Pro forma adjustments

1. YTD 2019 results have been adjusted to include results for the 5 months to May 2019 prior to Iress ownership
2. Loss reported by BCG (acquired in January 2020)
3. Loss reported by O&M (acquired in March 2020)
4. Remove the impact of currency fluctuations in YTD 2020 (constant currency)
5. Remove impact of short term spike in annual leave costs in YTD 2020 following the onset of Covid-19

# Reported profit and loss statement



AUD (m)	YTD SEPT 19	YTD SEPT 20	SEPT 20/ SEPT 19
<b>Operating Revenue</b>	<b>371.8</b>	<b>401.4</b>	<b>+8%</b>
Operating Costs	(261.3)	(293.4)	+12%
<b>Segment Profit</b>	<b>110.5</b>	<b>108.0</b>	<b>(2%)</b>
Share Based Payments	(13.0)	(15.9)	+22%
<b>Segment Profit after SBP</b>	<b>97.5</b>	<b>92.1</b>	<b>(6%)</b>
Non Operating Items	(2.8)	(3.0)	+5%
Unrealised Foreign Exchange Gain/(Loss)	0.2	(0.8)	large
<b>EBITDA</b>	<b>94.9</b>	<b>88.3</b>	<b>(7%)</b>
D&A - Operational	(17.9)	(17.5)	(2%)
D&A - Acquisition Related	(9.6)	(10.6)	+10%
<b>EBIT</b>	<b>67.3</b>	<b>60.2</b>	<b>(11%)</b>
Net Interest and Financing Costs	(6.1)	(6.1)	(1%)
Tax	(16.2)	(14.1)	(13%)
<b>NPAT</b>	<b>45.0</b>	<b>40.1</b>	<b>(11%)</b>
EPS	26.2	22.2	(15%)
Effective tax rate	26.4%	26.0%	(2%)



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