

Iress reports 1H19 financial results

10% pcpc segment profit growth, revenue growth driven by key businesses

- **Group revenue:** \$241.8 million, +5% on 1H18 and +3% on 2H18 (+5% and +2% on a constant currency basis¹)
- **Group Segment Profit²:** \$74.1 million, +10% on 1H18 and +5% on 2H18 (+10% and 4% on a constant currency basis)
- **Reported NPAT:** \$30.4 million, -5% on both 1H18 and 2H18. Excluding new leasing standard and QuantHouse, NPAT +2% on pcpc
- **Interim dividend:** 16 cents per share, 10% franked
- **Strong fundamentals:** Cash conversion of 100% in the half; recurring revenue ~90%; net debt balance \$193.3 million representing a conservative leverage ratio of 1.3x Segment Profit
- **FY19 guidance unchanged:** 2019 Segment Profit growth is expected to be in line with guidance provided in February including new accounting standards and excluding QuantHouse.

Iress (IRE.ASX) today announced its financial results for the six months to 30 June 2019. On a constant currency basis, operating revenue rose 5% and Segment Profit was up 10% on the previous corresponding period (pcpc). Revenue growth was driven by underlying performance in Australia, the United Kingdom and South Africa and the acquisition of international market data business QuantHouse.

Reported NPAT declined 5% reflecting the adoption of the new lease accounting standard AASB16, the acquisition of QuantHouse and increased share-based payments following changes to remuneration models in recent years. Excluding the new leasing standard and QuantHouse, NPAT grew 2% on pcpc.

Iress chief executive, Andrew Walsh, said: "Demand and delivery for our software and services remains strong as technology continues to play an increasingly important role for financial services businesses globally. Our clients are particularly focused on data capabilities and automation as they seek to meet significant change in the regulatory and operating environment, drive business growth and enhance their customer experience.

"Overall revenue growth of 5% on pcpc was in line with our expectations. The United Kingdom & Europe delivered Direct Contribution growth of 14% in local currency reflecting ongoing deployments to clients, demand for private wealth software and the acquisition of QuantHouse at the end of May. APAC revenue growth of 3% reflects a number of financial services businesses seeking our established and leading financial advice software and new data analytics.

"First half activity has established the foundation for further growth in the second half. In line with previous guidance, we expect 2019 reported Segment Profit growth to be within the range of 6-11% on a constant 2018 currency basis including the impact of adopting new accounting standards and excluding the acquisition of QuantHouse."

¹Constant currency basis assumes 1H19 and 1H18 results are converted at the average foreign exchange rate for 2H18. This allows comparison of group operating performance in Australian dollars before the impact of changes in Australian 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.

Business highlights

- **Successful deliveries** to large clients in the UK, Australia and South Africa across private wealth, financial advice and mortgages during the half.
- **Continued demand.** Increased sales and a full pipeline of client implementations in private wealth and mortgages in the UK. Australian financial advice revenue growth continues with increasing demand for data capability.
- **Acquisition of international market data provider QuantHouse.** QuantHouse is highly complementary and aligned with Iress' strategy to service the evolving market data needs of clients globally.
- **Increasing the usability of our software.** Released the first phase of changes to improve Xplan's usability, driven by Iress Labs, and introduced Iress Open to make it easier for our clients to integrate with third-party applications.
- **Improving scale and efficiency** with continued progress on technology initiatives including enhanced cloud capability and continuous delivery to improve efficiency and quality. We also leveraged existing software to launch into additional markets including Xplan Prime into the UK and our client portal for our Xplan Mortgage software.

Segment results

APAC

- Operating revenue of A\$128.2 up 3% on pcip, and direct contribution of \$92.3m up 2% on pcip.
- Financial Advice revenue grew 9% on pcip against a backdrop of significant industry change.
- Ongoing strong demand for a broad range of software with clients focussed on data, risk management, efficiency and compliance.
- Trading & market data revenue remains resilient with continuing buy-side demand for investment management software and retail broker demand for private wealth software. During the half a leading Australian retail firm made the decision to implement private wealth software.
- Superannuation clients were focussed on legislative change in the first half, which impacted the timing of a number of discretionary client projects. Strong pipeline of opportunities for the second half.
- Data analytics software Lumen continues to attract interest, now live at two clients.
- Revenue growth in Asia driven by the successful rollout of online trading software ViewPoint.

UK & Europe

- Operating revenue of £35.5m and direct contribution of £23.6m up 10% and 14% respectively on pcip.
- Revenue growth reflects good progress on key existing client projects, deployment of the first phase of a broad private wealth software implementation project with a large UK wealth manager and contribution from QuantHouse acquisition in May.
- Strong demand for Xplan continues with growth driven by clients seeking robust, scalable and independent software, with scaled advice software Xplan Prime formally launched in the UK during the half.
- Strong pipeline conversion with a leading UK private wealth manager adopting private wealth software, new trading prospects, growth in our sourcing business and ongoing demand for additional data and distribution capabilities.

Mortgages

- On the prior half, operating revenue was up 4% and direct contribution was stable. Operating revenue of £8.0m and direct contribution of £5.3m were both marginally down on pcip.
- Margin decline reflects project timing and investment for growth in Australia.

- Transition to subscription revenue continues - with recurring revenue accounting for 25% of total Mortgages revenue in 1H19 against 20% in 2018.
- New clients signed and currently being deployed and a recent go-live for Yorkshire Building Society are set to drive recurring revenue growth in 2H19.
- Australian implementations are proceeding with further opportunities as Australian lenders seek more dynamic software to materially improve approval timeframes and real-time service.

South Africa

- Operating revenue of ZAR242m and direct contribution of ZAR189m up 6% and 10% on pcp respectively.
- Growth driven by successful client deployments, ongoing demand for software, and revenue from investment in trading software and connectivity to the new Johannesburg Stock Exchange derivatives platform (live in April 2019).
- Deployment of private wealth software to a large financial services client is progressing well with full deployment expected in the second half of 2019.

North America

- Operating revenue of \$C9m up 3% on pcp and direct contribution of \$C4m, down 10% on pcp.
- Stable recurring revenue and a positive revenue contribution from QuantHouse. Lower client project activity in the half.
- A project to deliver a broad retail trading system to a tier one bank is on track for delivery in 2H19.

FY19 outlook

- Iress continues to expect reported Segment Profit growth in 2019 of between 6% and 11% (\$146m-\$153m) on a constant 2018 currency basis, including the impact of accounting changes and before the contribution by QuantHouse.
- Including the acquisition of QuantHouse, reported Segment Profit in 2019 is expected to be between \$144m and \$151m on a constant 2018 currency basis.
- Following targeted and elevated investment in recent years, non-operating costs excluding acquisition related items are expected to be substantially lower in 2019 than 2018. Including QuantHouse transaction and integration costs, total non-operating costs for 2019 are expected to be in the range of \$4m-\$6m (subject to any further acquisition activity)
- Period on period revenue and costs remain subject to the timing of client projects. Beyond 2019, we expect a continuation of significant industry change and a climate of economic and structural uncertainty.

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 2019)**.

Analysts and investors who wish to participate in the teleconference should dial **1800 558 698 / +61 2 9007 3187** and quote conference ID **10001003**.

The call will also be webcast live at <https://webcasting.boardroom.media> Please note if you use the webcast link you will not be able to ask questions.

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 1,950 people based in Asia-Pacific, North America, Africa and Europe.

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