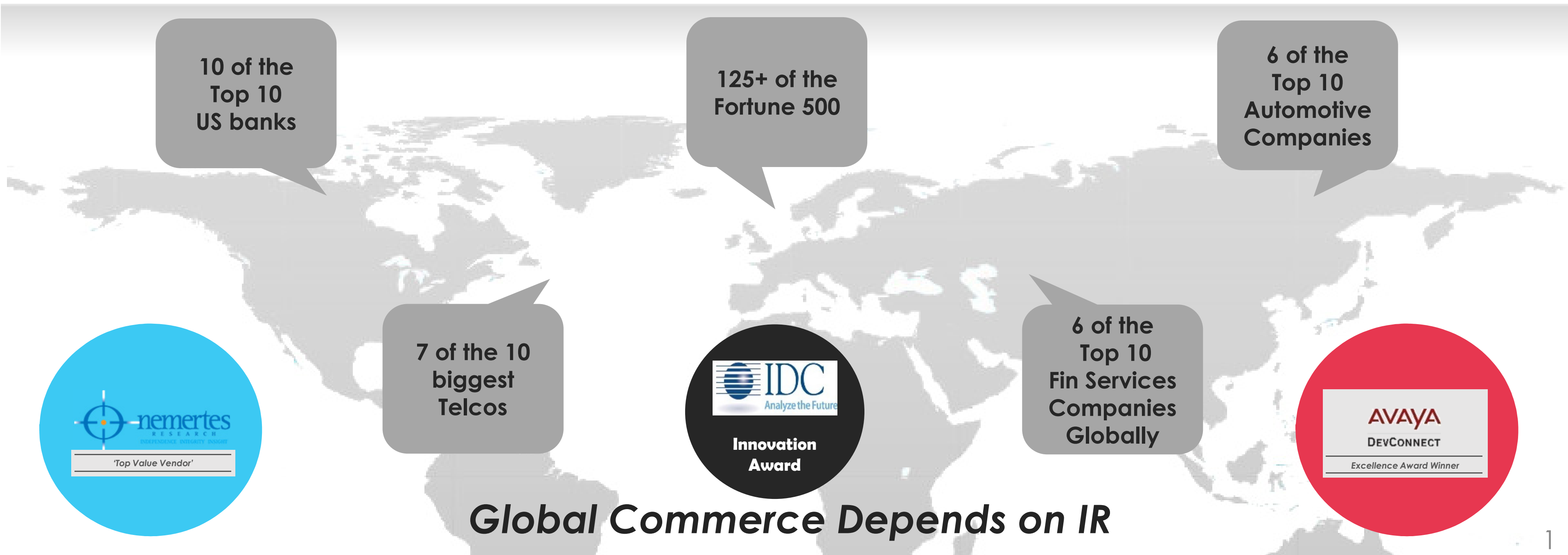
Integrated Research Limited (IRI)

FY2018 Half Year Financial Results

February 2018

ABN: 76 003 588 449



WHO WE ARE

WHAT WE DO

IR

IR is the leading global provider of user experience and performance management solutions for Unified Communications, Payments and IT Infrastructure.

Capabilities

Prognosis provides best in class performance management across unified communications, contact centers and payments ecosystems cloud, hybrid or on-premises.

Value Proposition

- ✓ Prognosis endtoend Unified Communications, Payments and Infrastructure experience management software and testing services optimize operations of mission critical systems through insight into real time and historical events.
- ✓ Intelligent analytics establish patterns and root causes speeding troubleshooting and problem resolution.
- ✓ Evolving prediction capabilities, automation and self healing help Prognosis optimize operations and prevent issues occurring at all.

Competitive Advantage

- ✓ Prognosis is real-time, scalable, extensible & flexible
- ✓ Prognosis supports multiple platforms, vendors and applications
- ✓ IR has 1,200+ enterprise customers globally
- ✓ IR has 125+ of the Fortune 500 customers
- ✓ IR has a world-class R&D capability

WHY CUSTOMERS BUY

WHY WE SUCCEED

Market & Technology Leadership

The Company: IR

- **Global, publicly listed**, profitable and growing
- Over **1,200 enterprise customers** worldwide
- **125+ Fortune** 500 customers
- **5 of the 6 'Leaders'** in the Gartner Communications Outsourcing Magic Quadrant are IR Customers
- **Microsoft Gold Communications Partner**

The Solution: Prognosis

- **UC & CC Market Leader 16+ million** managed endpoints
- **Only solution certified** across Microsoft, Cisco & Avaya
- **Avaya and Cisco's only Sponsored & Recommended partner solution**
- **Only Microsoft Skype for Business Online** certified solution
- **4 of the top 5 Payment transaction acquirers worldwide**
- **3 of the top 5 Payment card schemes worldwide**
- **100s of millions of Payments transactions monitored daily**

Market Recognition

"UCC has become a crucial technology for success in digital transformation initiatives, yet many organizations face performance issues and consequently, lower-than-optimal user adoption, because they aren't leveraging the right management tools"

~ Robin Gareiss
President, Nemertes Research

"..we wanted to formally recognize those companies that demonstrated leadership in innovation and unwavering commitment to helping our mutual customers attain new successes in their respective business operations"

~ Eric Rossman
VP Developer Relations, Avaya

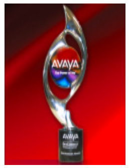
"IR was named as an IDC Innovator for its competitive advantage derived from its unique intellectual property and 100% software-based probeless design… Enterprises and Service Providers can deploy IR Prognosis to bring real-time visibility, insight and control to complex , multi-vendor UC and contact centers"

~ Rich Costello
Senior Analyst, IDC

nemertes RESEARCH INDEPENDENCE INTEGRITY INSIGHT

Top Value Vendor

AVAYA DEVCONNECT



Excellence Award Winner

IDC Analyze the Future

Top Innovator

Prognosis architecture supports future growth

Product Lines

Communications Experience Management

- Pre-Deployment
- Voice Quality
- Video Quality
- Adoption
- Mobility

Customer Experience Management

- Pre-Deployment
- IVR
- Voice Channel
- Omnichannel
- Outbound Dialler
- Work from home agent

Payments

- Retail Switches
- Wholesale Switches
- Dynamic Threshold Alerting

Call Recording

- File & Speech Assurance
- Compliance Reporting

Data Analytics

- Benchmarking
- Anomaly Detection
- Root Cause Analysis
- Insight & Prediction
- Automation
- On-premise & cloud support

Testing

Core Platform

API Layer

Alerting | Operational Reporting | Automation | Licensing and Billing

Core Platform (e.g. SSO, On Premises Agent, Security, etc.)

Collection Layer

Financial Results

Key Highlights

Financial Results

Total Revenue	up	5%	to	$45.7m
Licence Sales	up	7%	to	$25.6m
UC Licence Sales	up	25%	to	$16.9m
Net Profit After Tax	up	20%	to	$9.3m

Recurring Revenue Growth

- Revenue base continues to build
- Less non-recurring perpetual business
- Heartbeat Testing: continuing recurring revenue

Results in Constant Currency

Total Revenue	up	8%
Net Profit After Tax	up	25%

Financial Performance

- Americas and APAC continue to grow
- Deal slippage in Europe
- Cyclical downturn in Infrastructure
- Strong Unified Communications growth

Unified Communications

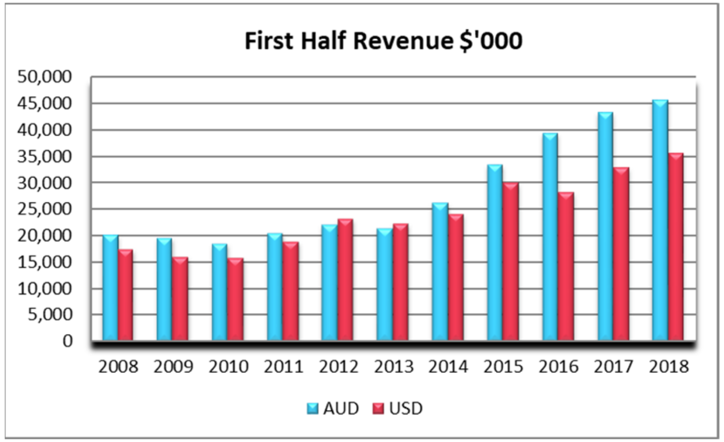
- Strong sales into Cisco and Microsoft
- Cisco SolutionPlus partner program
- Avaya out of Chapter 11 (late in half)

Product Development

- Gross spend increased by 27%
- Prognosis 11.3 and 11.4 released
- Improvements for Service Providers
- Monitoring of video systems

Financial Results

	December 2017 A$000's	December 2016 A$000's	% change
Licence sales	25,576	23,917	7%
Maintenance revenue	13,532	13,602	(1%)
Testing solutions revenue	2,815	2,134	32%
Consulting revenue	3,778	3,686	3%
Total revenue	45,702	43,339	5%
R&D expenses - net	7,376	7,559	(2%)
Sales, consulting & marketing expenses	22,138	22,153	-
General & Administrative expenses	2,836	3,605	(21%)
Total expenses	32,350	33,317	(3%)
Profit before tax	13,062	10,516	24%
Profit after tax	9,266	7,730	20%



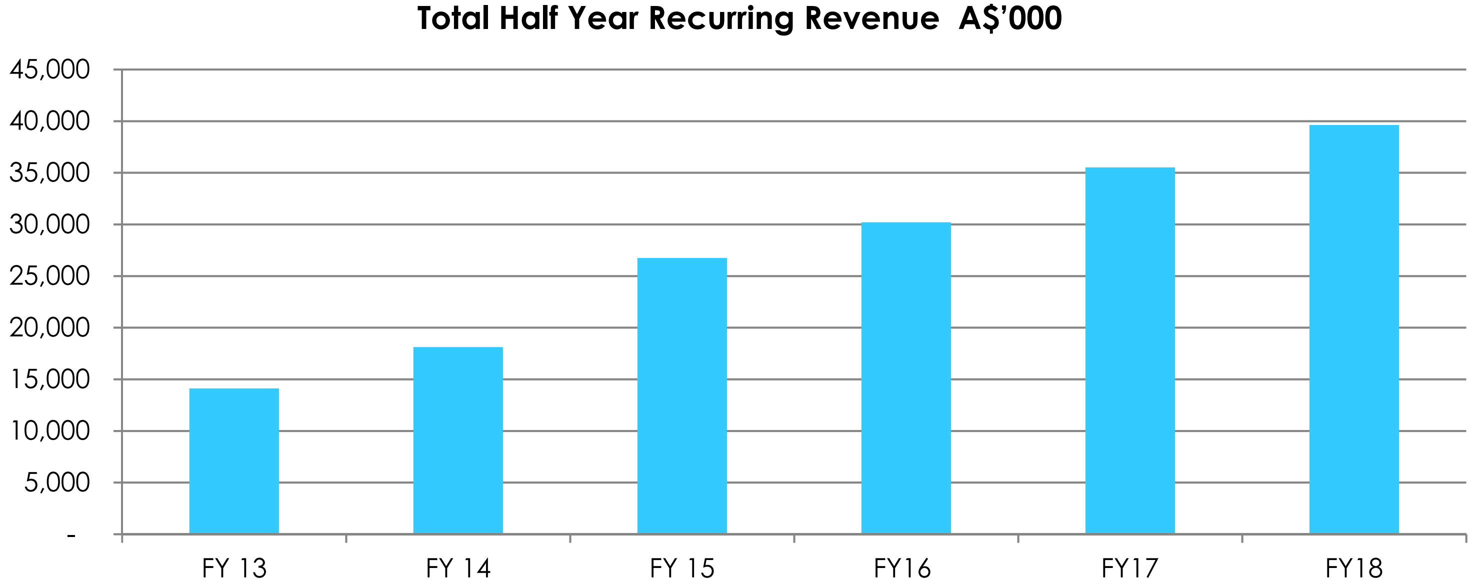
- Revenue up 5% with strong UC licence sales offset by cyclical Infrastructure downturn
- No Avaya provisioning after Chapter 11 exit
- PAT margin increases to 20% (prior half 18%)

Research & Development

	December 2017 A$000's	December 2016 A$000's	% change
Gross spend	8,328	6,550	27%
Capitalised development	(5,956)	(4,415)	35%
Amortisation	5,004	5,424	(8%)
Net R&D expense	7,376	7,559	(2%)
Gross spend/revenue	18%	17%	
Net spend/revenue	16%	17%	

- Additional developers hired during the half
- Development expense capitalised
- Amortised over a three year period
- Regular commercial releases of software

Recurring Revenue



Increase in term recurring transactions – average term of three years

87%
of revenue is now recurring (up from 81% in HY FY17)

Recurring revenue base compounding every 3 to 5 years

UC Growth: All routes covered

Cisco

- Cisco's biggest customers and partners continue to choose Prognosis
- IR joins elite Cisco SolutionPlus program - inclusion on price book; quota retirement and commissions for global channel
- Cisco HCS-G (FedRAMP) will not benefit the current financial year

Microsoft

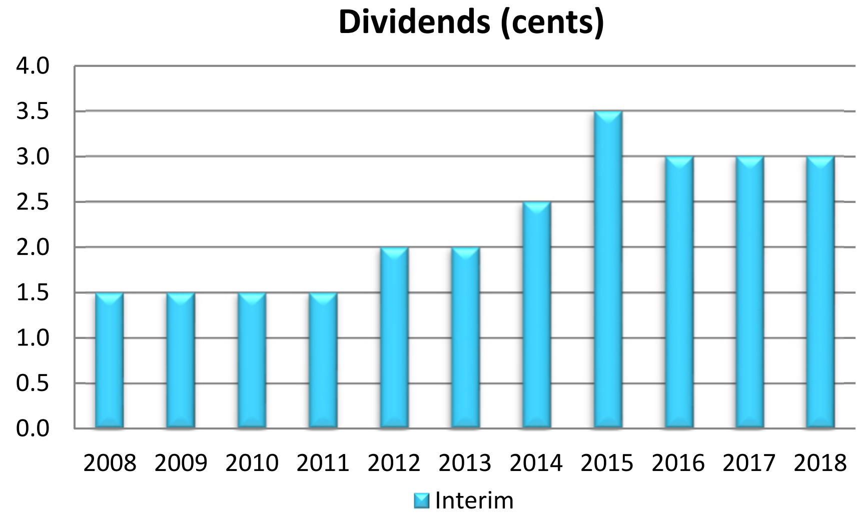
- SfB revenues more than double: strong growth continues
- Over 40 new Microsoft partners recruited to IR Global Partner Program
- Prognosis 11.4 released with significant new support for SfB
- Success with large enterprise customers

Avaya

- Avaya exits Chapter 11 with a stronger balance sheet
- Investing in aggressive growth strategy
- Anticipate a return to growth in during calendar 2018

Balance Sheet

	December 2017 A$000's	December 2016 A$000's
Cash at bank	9,605	9,477
Current receivables	38,662	31,131
Non-current receivables	28,164	23,311
Intangible assets	20,748	20,886
Current deferred revenue	20,522	19,168
Deferred consideration for acquisition	1,457	2,121
Net assets	52,095	43,145

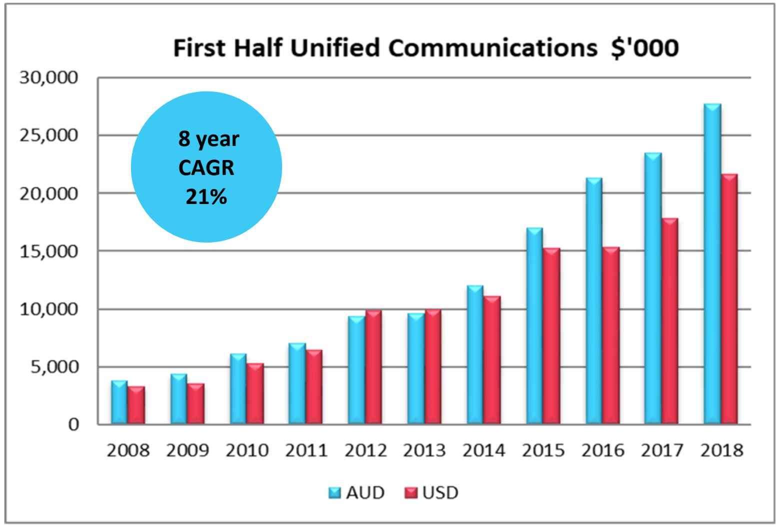


Half Year Shareholder Returns

	2018	2017	2016
Basic earnings per share	5.41¢	4.53¢	3.65¢
Dividends per share	3.0¢	3.0¢	3.0¢
Franking percentage	100%	70%	55%
Return on equity	18%	18%	17%

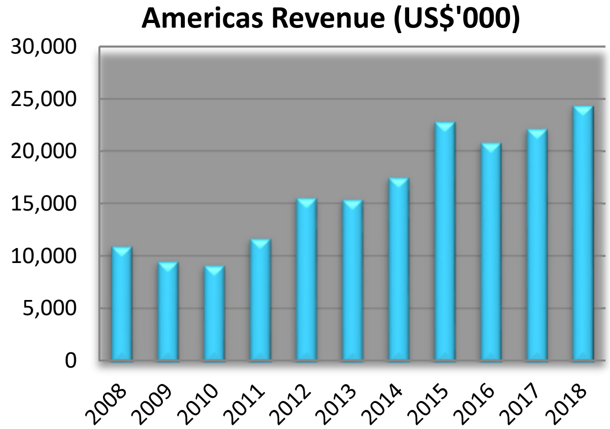
Product Line Performance

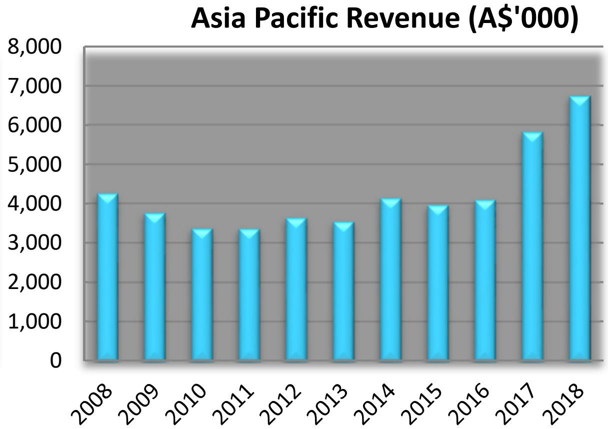
Revenue by Product Line ($A)	Dec 2017 A$000's	Dec 2016 A$000's	% change
Unified Communications	27,796	23,555	18%
Infrastructure	10,435	12,396	(16%)
Payments	3,693	3,702	-
Consulting Services	3,778	3,686	3%
Total Revenue	45,702	43,339	5%

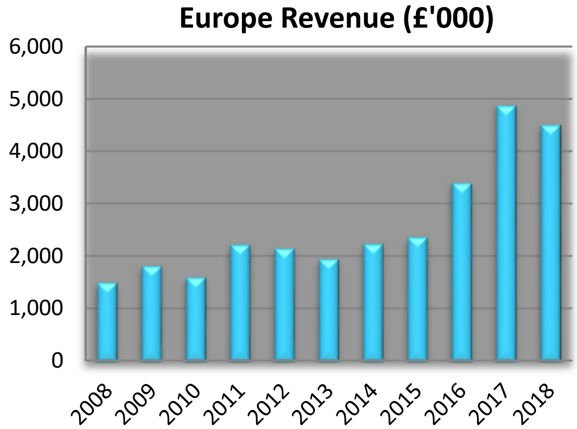


- Strong Unified Communications revenue on Microsoft and Cisco platforms
- Cyclical downturn in Infrastructure (with partial knock-on effect to Payments)

Regional Performance







Revenue by Geographic region (In local currency)	**Dec 2017 000's**	**Dec 2016 000's**	**% change**
Asia Pacific ($AUD)	6,699	5,785	16%
Americas ($USD)	24,173	21,968	10%
Europe (£GBP)	4,475	4,845	(8%)

95%+ of revenue earned offshore

Summary

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Thank you.
Questions?