



25 November 2020

ASX Market Announcements Office
Australian Securities Exchange Limited

2020 AGM ADDRESS TO SHAREHOLDERS

The Company will address shareholders today at its Annual General Meeting (AGM), to be held virtually from 10:00am AEDT.

In accordance with ASX Listing Rule 3.13.3, the following documents are provided for release to the market:

- Chairman's address to shareholders.

By authority of the Board

David Purdue
Company Secretary
Integrated Research Limited
ABN: 76 003 588 449

- Ends -

About Integrated Research Limited (ASX:IRI) – Integrated Research (IR) is the leading global provider of user experience and performance management solutions for payments transactions and collaboration systems. We create value through our real-time, scalable & extensible hybrid cloud platform and our deep domain knowledge to optimize operations of mission critical systems and improve user experience through intelligent and actionable insights. We enable many of the world's organizations to simplify complexity and provide visibility over systems that millions of people can't live without – systems that allow them to transact and collaborate.

For further information on IR, visit www.ir.com



Integrated Research Limited – 2020 AGM Chairman’s Address

Paul Brandling, Chairman

Good morning ladies and gentlemen and welcome to the 2020 Annual General Meeting of Integrated Research.

I would like to start by acknowledging all of our shareholders and, on behalf of the Board, thank you for your continued and valued support of IR.

As we all know, 2020 has been a year of unparalleled disruption caused by the COVID-19 pandemic. Against this backdrop, it is pleasing to report that IR delivered record results.

Your Company achieved an increase of 10% in net profit after tax to \$24.1 million, the 7th consecutive year of annual profit growth. Total revenue also grew by 10% to \$110.9 million and licence fees grew by 15% to \$72.1 million.

Strong operational discipline and agility in responding to rapidly evolving conditions driven by the pandemic is reflected in consistent margins. EBITDA margin measured as EBITDA/revenue was 39%, and NPAT margin was 22%. Total expenses for the year were up 7% to \$78.2 million.

The strong results are testament to the resilience of IR’s business model with a geographically diversified Tier 1 customer base and revenue split across three primary product lines. Over 95% of the Company’s revenue was derived outside of Australia highlighting the global profile of the business.

Typically, multi-year contracts with our customers ensure future revenue streams and the ‘stickiness’ of IR’s solutions is evident with high retention rates. Expanding IR’s footprint with existing customers is a key focus and it was pleasing to note a renewal and extension licence agreement with a long term financial services customer resulting in the largest deal in IR’s history at US\$10 million which was signed in March.

New business is an important part of IR’s growth strategy and 38 new customers were added during the year including major brands such as Glaxo-Smith Kline, Fannie Mae and Ricoh.

IR’s balance sheet remains strong with net cash of \$4.7 million at June 30. Given the volatility of the macro economic environment we thought it prudent to increase the Company’s debt facility which now stands at \$20 million.

Peter Adams will cover the financial results in more detail shortly.

The Board declared a final dividend of 3.75 cents per share taking the total dividend for the year to 7.25 cents, franked to 100%.

Of course, these results were only made possible by people and on behalf of the Board, I would like to acknowledge the contribution of our talented and dedicated team at IR under the leadership of John Ruthven. In my address last year I commented on the importance of corporate culture and made the point that we are committed to ensuring the right values are clearly set, communicated

and reinforced by 'walking the talk' plus both customer satisfaction and employee engagement measures are embedded in our reward frameworks.

COVID-19 has impacted all of our lives personally and professionally and has stress tested our global teams with respect to agility, adaptability and resilience.

The safety and wellbeing of all employees is paramount and the workforce transitioned seamlessly to remote working back in March. Most are currently still working remotely, although we are reopening offices under strict health protocols to ensure a safe working environment. To date, 5 overseas employees have contracted the virus. I am pleased to report they are all recovering and there has been no workplace transmission. Management have implemented a comprehensive rolling programme of enhanced virtual communications and support for all staff.

This time last year Australia was enduring the devastating bushfires. The global response was humbling and the IR team played their part, raising more than \$50,000 to aid the appeal, as well as using a Hackday for the teams to focus on innovative solutions that could be used in the future to help manage crisis response. Through the Company's Take2 volunteer program, IR employees dedicated time to a range of fantastic causes including the Red Cross and Conservation Volunteers.

There are other examples I could give, the point being that there is a sustained effort to support and unite individuals as a team in an environment where we strive to 'do the right thing'.

During the year, the Company continued to strengthen its leadership capability and bench strength. The IR Leadership Impact program was launched which is a strategic investment to develop, attract and retain talent.

Pleasingly the latest staff survey shows a sharp upward spike in employee engagement. A critical aspect of this is 'leadership trust' which is well placed in the upper quartile, and positively reflects on the investment made in leadership development.

There has been a focus on adapting to new ways of communicating with, and supporting, IR's customers across the world. Again, it is pleasing to report that customer satisfaction has significantly increased during FY20 using the Net Promoter Score measure.

For businesses, the global pandemic has created many changes and uncertainties which continue to evolve. IR is not immune to the macro economic environment and we continue to remain vigilant and agile in our posture and responses. However, we believe that some of the structural changes in market dynamics such as the step change to remote working and cashless payments are an opportunity for the Company. We continue to invest in research and development to accelerate innovation and expand IR's value proposition.

Gross spending on R&D in FY20 was \$22.5 million representing 20% of revenue and a key achievement was the completion of a new SaaS platform which will support the launch of new cloud-based UC and Payments solutions during FY21. These are in addition to ongoing enhancements to IR's existing on-premise Prognosis solutions and represent an exciting inflection point for the Company.

The first of the new cloud-based products for Microsoft Teams environments was launched last month and the next new product for Zoom environments will launch later this quarter.

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These new products provide IR with the unique proposition of supporting enterprise customers as they adjust to structural changes and typically embrace an environment of on-premise, hybrid and cloud solutions.

As these new cloud-based products come on line, it means IR's business model will continue to evolve as increasing SaaS type revenue streams are on a subscription basis. Peter Adams will highlight how this works in his presentation.

The Company also continues to invest to drive internal innovation and operational effectiveness. An important investment was made this year to implement a new enterprise resource planning system. This project was successfully delivered and will enable operational efficiencies, improved business reporting, and support for strategy and business planning as we position the Company for future growth.

This has been a particularly intense year for the Board and I would like to thank my fellow Non-Executive Directors Nick Abrahams, Garry Dinnie, Peter Lloyd and Anne Myers. In addition to expertise, their commitment, collegiate support and counsel has been invaluable. After six years of service Nick Abrahams has decided not to renominate and will retire by rotation at the conclusion of this AGM. Nick has made a tremendous contribution to IR which, on behalf of all of us, I would like to acknowledge and wish him the very best in future endeavours.

As noted already, this is an exciting inflection point for IR and the Board has spent considerable effort reviewing and identifying the appropriate skills and experience to enhance performance in our next phase. We are currently in the process of recruiting 2 Non-Executive Directors (taking us to a total of 6) which will enable us to not only bolster relevant skills but also provide more succession options for the future.

We continue to focus on delivering compelling solutions for our customers and returns for our shareholders, as well as being a great place to work for our employees.

The Company does not provide outlook guidance due to the lumpy nature of contracts, particularly towards the end of reporting periods. The CFO will comment on a trading update in his presentation today.

The Board remains confident in the future for IR and our growth strategy.

In concluding, I would like to specifically thank our customers for their trust in, and support of, IR. And again, on behalf of the Board I thank our valued shareholders for your ongoing support.