

# Iress market update

## Implementing measures to accelerate growth and returns

### Highlights

- Comprehensive Board-level review of business acceleration and enhanced target returns commenced in February, and is well advanced.
- Focus on accelerating growth in EPS, improving ROIC and optimising capital structure.
- Potential divestment of UK mortgage sales & originations business (MSO).
- 2021 guidance reaffirmed.

Chair of Iress, Roger Sharp, said: "Since being appointed in February, we have initiated a thorough review of the business with a view to accelerating growth and enhancing returns, with a specific focus on EPS and ROIC.

"I am impressed by the quality of our business, the strength of our client relationships and the significant scale of our growth opportunities. Iress has a refreshed board, and new members of the management team to lead sales and product teams with a focus on enhancing product design and sales effectiveness. We are executing well, with major projects going live in Australia and the UK. We are also committed to managing our capital efficiently and returning surplus capital to shareholders.

"The review has made good progress, reinforcing the quality of Iress' recurring revenue, the strength of its targeted growth strategies and its significant addressable markets and revenue pathways. The review has also identified a number of measures to accelerate financial performance and deliver improved returns to shareholders."

### Business Initiatives

As part of the review, which is ongoing, areas have been identified to support the accelerated delivery of Iress' goals. This includes bringing forward initiatives to deliver value and sharpen focus on core growth opportunities.

### Technology & Product

- Accelerated movement of Iress software to Iress' Cloud Platform.
- Delivery of Iress products and services through a single, scaled, global technology platform to accelerate build and delivery.
- Focus on productised offers for client outcomes and ease of delivery, including key growth areas such as the UK and superannuation.
- Initiatives to enhance efficiency and Iress' software-as-a-service capabilities.

### **OneVue**

- Delivery of seamless Xplan-OneVue integration.
- Continuation of expansion of the acquired registry for unlisted and quoted managed funds.
- Acceleration of Iress' investment infrastructure proposition.
- Initiatives to accelerate the timing of earnings accretion from the OneVue acquisition.

### **Superannuation**

- Cloud platform and super-as-a-service to increase speed and scale of delivery, which will provide a superior offering for clients and users and enhance efficiency for Iress.
- Continued delivery of Automated Super Admin service and technology leadership in superannuation.

### **Trading & Market Data**

- Technology and product initiatives to strengthen and enhance our trading offer, including potential unlocked by Iress' Cloud Platform.
- Continued benefits following the acquisition of QuantHouse with demand for market data remaining strong (datafeeds and terminals).

### **Data**

- Continuing to build out the Iress Data Platform - cloud-based infrastructure to deploy new data products at scale such as advice compliance, surveillance, and fraud monitoring in super.

### **Mortgage Sales & Origination (MSO)**

As part of the evaluation, the Board considered projects and businesses within the group that should be reviewed. On this basis the Board is considering options for the MSO business based in the UK, including a potential divestment, acknowledging that a different owner of that business could achieve higher returns than under Iress ownership.

Since acquiring MSO in 2013, Iress has transformed the business such that it is now the leading mortgage origination software in the UK. The product and technology has been rearchitected, the business has been transitioned to a recurring subscription model and significant client implementations and revenue momentum have been delivered.

In 2020, MSO reported revenue of \$26.9 million with a 68% direct contribution margin. Recurring revenue comprised 46% of total revenue (31% in 2019) reflecting a strong trend to a subscription revenue model. The business has made progress implementing new clients with one client live in 2021 and a second imminent, and implementation and sales pipeline momentum is positive.

UK valuations for software businesses are at record highs with the market seeking high quality software, strong client relationships and recurring revenue. The appointment of a financial adviser to assist with the review of options is imminent. The Board's current intention is to distribute surplus capital to shareholders if a sale occurs.

## Mergers & acquisitions

Iress continues to identify opportunities for acceleration of strategy and earnings through mergers and acquisitions. The Board's bias will be to nearer-term EPS accretion in considering acquisition opportunities following its review.

## Optimising capital structure

Iress has previously indicated that an optimal level of leverage is up to 2x Segment Profit. At 31 December 2020, net debt was 0.8x Segment Profit. The Board is committed to managing capital efficiently and returning surplus capital to shareholders.

The Board will have a bias to acquiring shares on market for employee remuneration and the Dividend Reinvestment Program.

## Guidance reaffirmed

The Board is pleased to reaffirm 2021 segment profit guidance of 7-10% growth on the prior year in constant currency, having increased NPAT guidance by \$14m in April.

Iress will provide a further update to investors on 29 July 2021. Details for the session will be released prior to the date.

## Ends

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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 over 2,000 people based in Asia-Pacific, North America, Africa, the UK and Europe.

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