

IRESS reports 2018 financial results

Segment Profit +10% driven by revenue growth and positive operating leverage

- **Group revenue:** \$464.6 million, +8% on 2017 (+6% on a constant currency basis¹)
- **Reported NPAT:** \$64.1 million, +7% on 2017
- **Group Segment Profit²:** \$137.7 million, +10% on 2017 (+8% on a constant currency basis)
- **Final dividend:** 30 cents per share, 40% franked (46 cents full year dividend)
- **Strong fundamentals:** Cash conversion of 94%, recurring revenue ~90%, net debt balance \$174.7 million representing a conservative leverage ratio of 1.3x Segment Profit
- **2019 guidance:** 2019 reported Segment Profit growth expected to be 6-11% on a constant 2018 currency basis and after the impact of new accounting standards³

IRESS (IRE.ASX) today announced its financial results for the year ended 31 December 2018.

Group Operating Revenue grew 6% on a constant currency basis, reflecting a strong performance across the business. The segments of ANZ Wealth Management and the United Kingdom delivered growth of 9% and 7% respectively. Group Segment Profit was up 8% (constant currency).

IRESS chief executive Andrew Walsh said: "IRESS' 2018 financial result demonstrates our continued focus on sustainable revenue growth and scale. The results in the United Kingdom and Australia were particularly pleasing.

"In the United Kingdom, revenue growth was stronger in the second half with good progress on a number of key client projects. In Australia, we experienced continued growth in demand for our wealth, superannuation and data solutions with our trading and market data solutions continuing to be a resilient and important part of our business.

"IRESS remains well-placed for continued success in a changing financial services industry, where strong demand remains for a broad range of standalone and integrated technology solutions. There is also an increasing focus by our clients on how technology - and IRESS - can help them manage and leverage data for compliance and growth.

"We expect 2019 reported Segment Profit growth to be between 6-11% on a constant 2018 currency basis and after the impact of new accounting standards."

¹ Assumes 2018 results are converted at the average foreign exchange rate for 2017

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.

³ Constant currency basis assumes 2019 results are converted at the average foreign exchange rates used for 2018. This allows comparison of group operating performance in Australian dollars before the impact of changes in Australian currency rates.

Strategic achievements

- **Successful completion of milestone projects** including significant deliveries to large wealth management and advice clients in the UK and Australia.
- **Continued momentum in lending** with the successful completion of a second UK lending project for a leading UK retail bank and work underway for a number of new clients in the UK and Australia.
- **Investment and innovation in our solutions** including a new automated, personal advice product for Australian superannuation funds, continued investment in providing wealth & trading solutions for retail brokers, an improved adviser-client portal, the integration of our data analytics solution Lumen with XPLAN and the rollout of IRESS Labs.
- **Making integrations with third parties faster and easier for clients** through our IRESS Open initiative.
- **Improving efficiency and quality** with significant progress on technology initiatives including enhanced cloud capability and continuous delivery.

Segment results

APAC Financial Markets

- Operating revenue of A\$115.6m was slightly higher on the prior year and direct contribution of A\$81.6m was 3% lower.
- Revenue growth was driven by buy-side demand and progress on client delivery in Asia.
- Margins were impacted by higher market data and people costs.
- The business remains resilient as a result of strong execution and ongoing interest in integrated wealth and trading solutions, despite broader sell-side headwinds.

ANZ Wealth Management

- Operating revenue of \$136.4m and direct contribution of \$100.7m were up 9% and 7% respectively on the prior year.
- Against a backdrop of increased regulatory scrutiny, growth was underpinned by strong demand for wealth, data analytics and superannuation solutions.
- Successful delivery of significant projects to advice and superannuation clients, and interest in how technology can drive automation for business outcomes.
- Overall, there is increased demand for both integrated and standalone wealth, superannuation and data solutions from a range of client types.

United Kingdom

- Operating revenue of £66.7m and direct contribution of £43.9m were up 7% and 11% respectively on 2017.
- Good progress on a number of key client projects delivered strong revenue growth, particularly in the second half.
- Growth in Sourcing was driven by success with ancillary products and services aligning to market demand.

- Given the predominantly domestic focus of our UK clients we don't expect a significant direct impact from Brexit. We are exposed to indirect economic impacts which are harder to predict and are being closely monitored.

Lending

- Operating revenue of £16.1m rose by 15% on 2017 and direct contribution of £12.1m was 10% higher.
- Revenue growth was weighted to the first half due to timing of client project activities.
- Transition to a subscription model continued in the second half with recurring revenue increasing to 20% of total lending revenue in 2018, up from 15% in 2017.
- MSO deployments to new clients in the UK progressing well.
- First MSO implementation in Australia to digital challenger bank on track, second client secured.

South Africa

- Operating revenue and direct contribution were up 4% and 3% on prior year
- Delay in implementation of new trading infrastructure by Johannesburg Stock Exchange impacted 2018 revenue growth, which is expected in 2019. In addition, demand for market data softened as client cost focus remained high.

Canada

- Operating revenue was up marginally 1% and direct contribution increased 3% on 2017 on a local currency basis.
- Recurring revenue increased during the year reflecting both new client wins and client retention.

2019 Outlook

- IRESS expects reported Segment Profit growth in 2019 of between 6% and 11% (\$146m - \$153m), on a constant 2018 currency basis, including the impact of adopting AASB 16.
- Period on period revenue and cost remains subject to the timing of client projects, ongoing industry change and the current climate of economic uncertainty.
- Following targeted and elevated investment in recent years, non-operating costs are expected to be substantially lower in 2019 than 2018, subject to any further acquisitions.

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 (21 February 2019)**.

Analysts and investors who wish to participate in the teleconference should dial **1800 558 698 / +61 2 9007 3187** and quote conference ID **876 260**.

The call will also be webcast live at:

<https://webcasting.boardroom.media/broadcast/5c355678eb965402d8d66a0b>

Please note if you use the webcast link you will not be able to ask questions.

Investor enquiries

Andrew Walsh

Chief Executive Officer
+61 2 8273 7000

John Harris

Chief Financial Officer
+61 3 9018 5800

Media enquiries

Coran Lill

Communications & Marketing
+61 468 963 068

About IRESS

IRESS designs, develops and delivers technology for the financial services industry. IRESS is listed on the Australian Securities Exchange (IRE.ASX) with operations in Australia, New Zealand, the United Kingdom, South Africa, Canada, and Asia.

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