Integrated Research Limited (ASX:IRI)
FY2024 Half-Year Financial Results

22 February 2024

John Ruthven, CEO
Matthew Walton, CFO

We are IR

A leading global software company providing performance and experience management solutions for the world's mission critical ecosystems.

Real-time analytics, fast troubleshooting, dynamic alerts, comprehensive reporting and customizable dashboards delivers a seamless user experience across …

collaborate	highly complex and expanding communications environments
transact	increasingly complex and expanding global payments networks
infrastructure	business critical network infrastructure

Blue Chip Customer Base

Long-term, high value relationships based on mission critical solutions

Tech | Telco	BFSI	Health | Gov | Edu	Retail | Industrial | Other
5/10 top telcos	**6/10 top US banks**	**5/25 Fortune 500 top companies**	**5/20 largest Australian companies** (market cap)

CEO Key Messages

Focus on growth leveraging improved working capital base

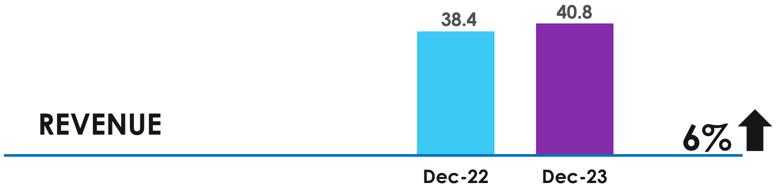
1. We have benefitted from the company's strong renewal base and exercised cost discipline to improve profitability and cash.

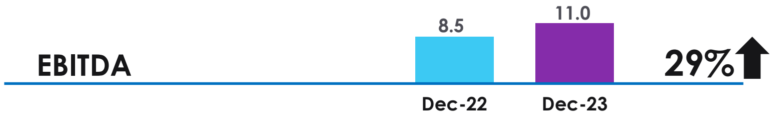
2. Transact and Infrastructure performed strongly, up significantly on pcp bolstered by several large contracts. Whilst Collaborate headwinds persist; our focus is on larger enterprise with complex environments and industry verticals where our value proposition is strongest.

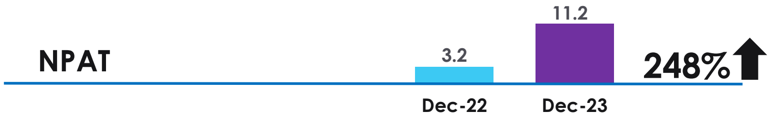
3. Our improved cash position enables the pursuit of a product led growth agenda.

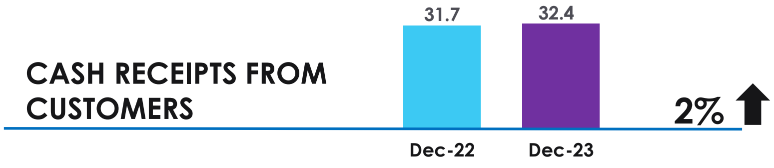
Half-Year Performance Review: Statutory (A$M)

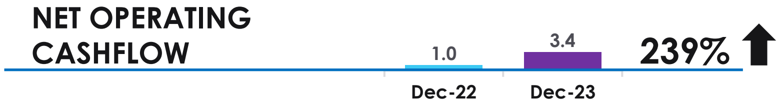
TCV growth and expense reductions drive statutory results

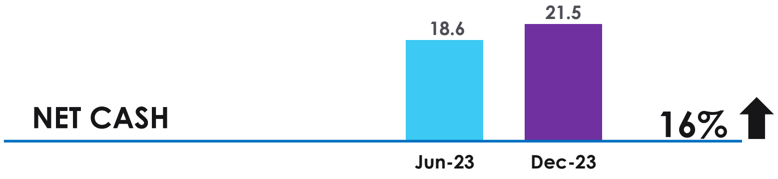






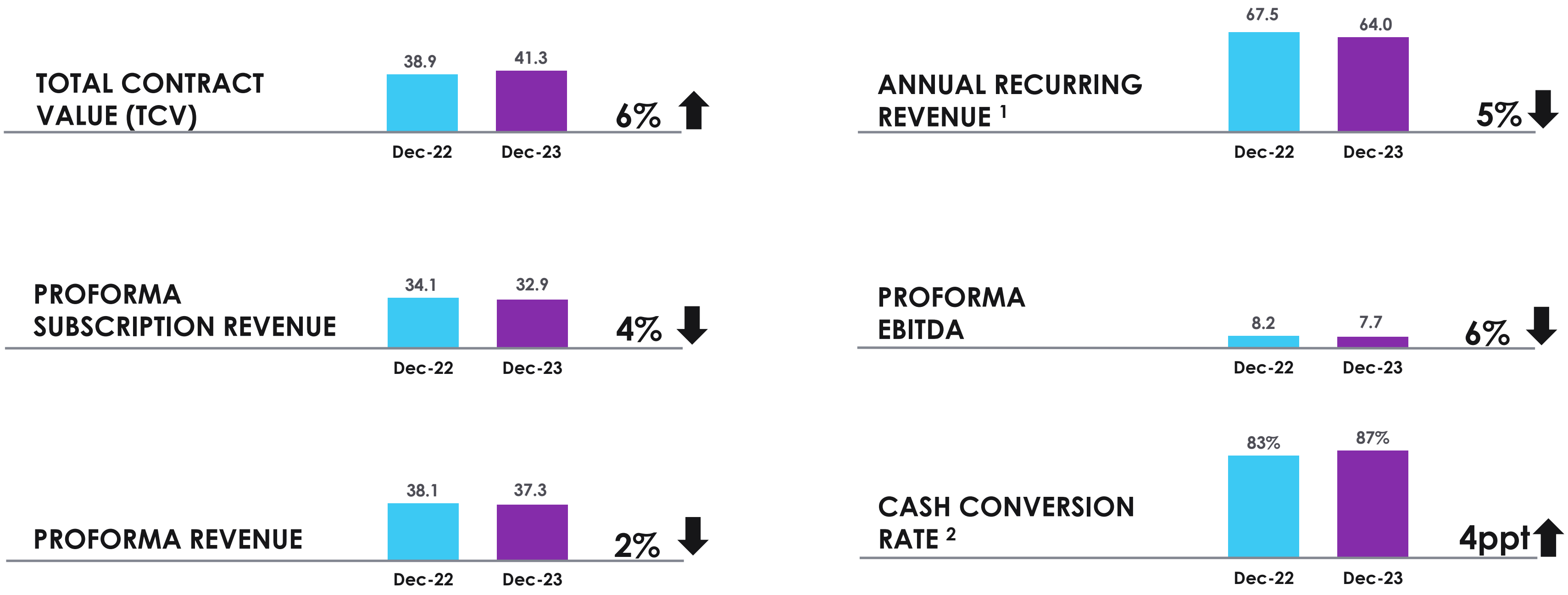






Half-Year Performance Review: Proforma (A$M)

Proforma metrics are impacted by low new business and continued client/revenue churn



Note: Proforma revenue is a non-statutory alternate view of term licence and maintenance revenue (unaudited); refer to appendix for calculations

1. ARR (Annual Recurring Revenue) means monthly recurring revenue as of 31st of December multiplied by 12
2. Cash conversion rate equals cash receipts divided by proforma revenue

FY24 Key Priorities

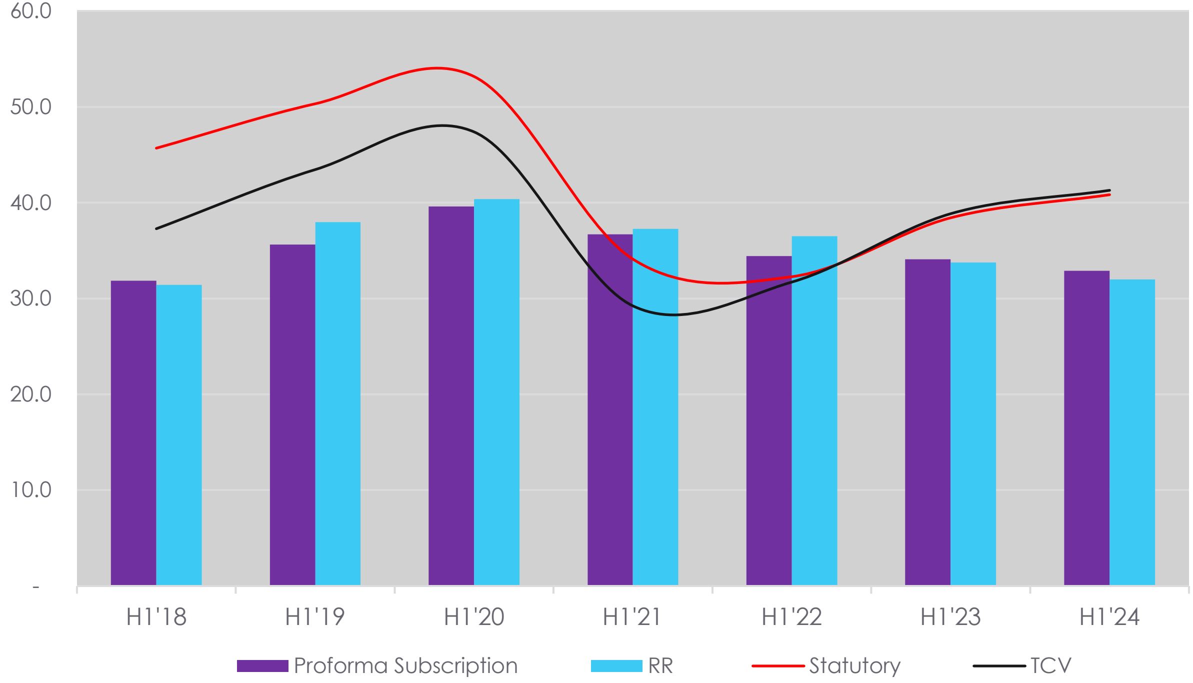
YTD Summary Report

Priority	*Status*	*Notes*
Markets – continue growth momentum across all regions	on plan	YTD TCV is ahead of pcp, and growth expected for the full year.
New business – win more new business and expand product footprint	behind plan	YTD, we have won 13 new customers, behind expectation.
Existing customers – improve customer retention and renewal yield	mixed	The renewal book exceeds prior year, now weighted to H1. NRR improved from 92% to 95% on constant currency.
Cost base – tightly manage to align with expected developments in the trading environment.	on plan	H1 expense was down 21%; operating expense expected to be down on prior year.
Product innovation – co-develop with customers to reduce development cycles and validate use cases	on plan	Targeted approach to product development.
Financial – increase profitability and retain a strong balance sheet	on plan	Statutory profits and cash expected to be up on the prior year.

Financials

Revenue Analysis: TCV, Statutory, Proforma and RR

High Collaborate churn weighing on recurring revenue



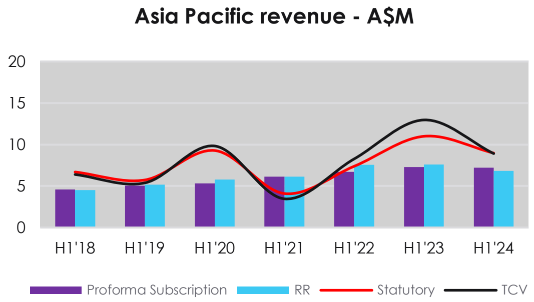
- Cloud related sales started in 2021, reason why TCV and statutory revenue gap narrowed from 2021
- Proforma subscription revenue reflects recurring revenues
- Continued decline in proforma subscription revenue and RR is driven by "down-sell" experienced in Collaborate

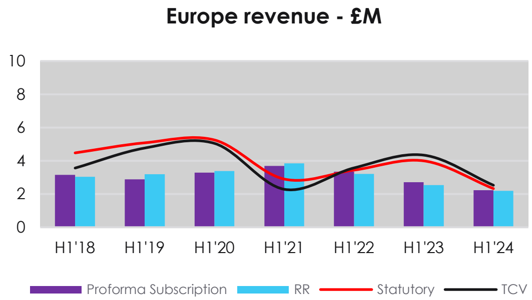
1. RR (Recurring Revenue) means monthly recurring revenue as of 31st of December multiplied by 6
2. TCV means Total Contract Value – refer to appendix for definition

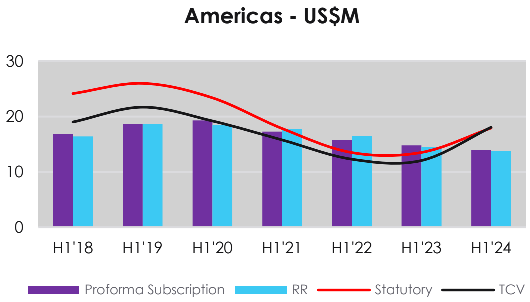
Geographic and Product Revenue Analysis

Transact shows steady period on period growth, regional growth impacted by Collaborate

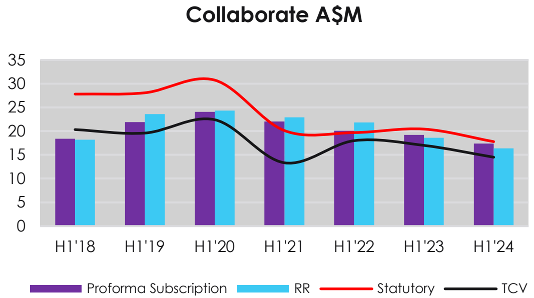
Geographic

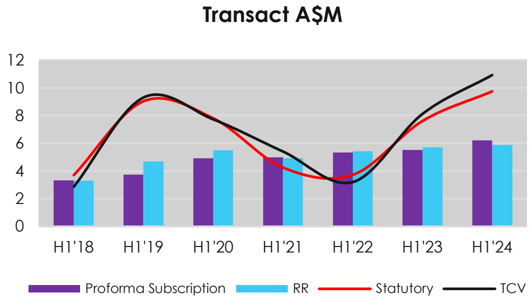


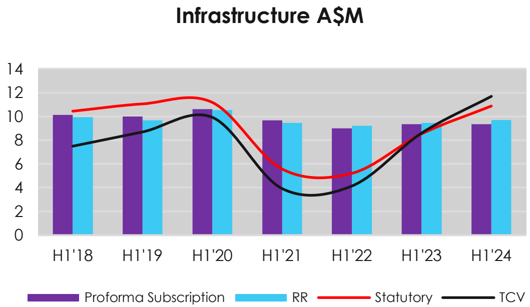




Product



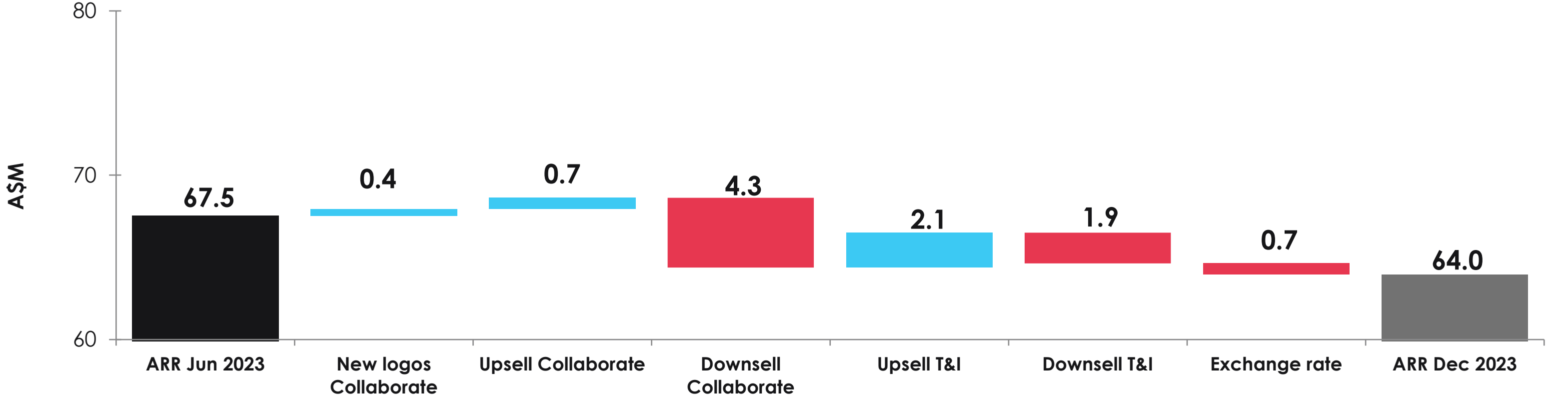




1. TCV by geography excludes services
2. Statutory revenue includes Testing services
3. RR (Recurring Revenue) means monthly recurring revenue as of 31st of December multiplied by 6

Revenue Analysis: ARR Summary

Headwinds continue offsetting growth and tailwinds

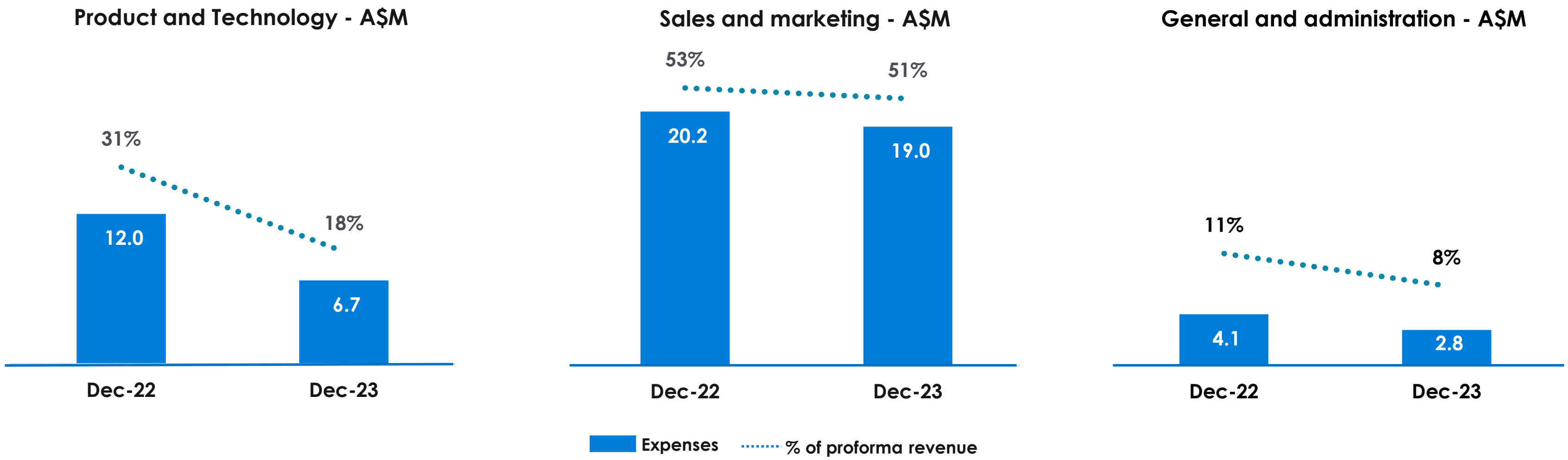


- Total ARR decline of 5% to $64m driven by Collaborate
- Collaborate down 10% - churn across all geographies
- All regions experiencing losses
- Upsell in T&I driven by Fiserv renewal
- No significant new logos

ARR (Annual Recurring Revenue) means monthly recurring revenue as of 31st of December multiplied by 12

Operating Costs

Disciplined cost management reduced total operating costs by 21%



- Adopted a more balanced and disciplined approach to innovation investments aligned to value drivers.

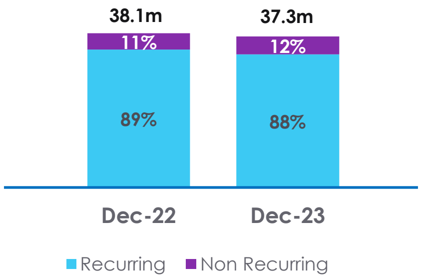
- Sales & marketing spend reflect lower headcount versus prior period.

- Costs reflect headcount reduction and cost control improvement.

Half-Year Performance Review: Key Metrics

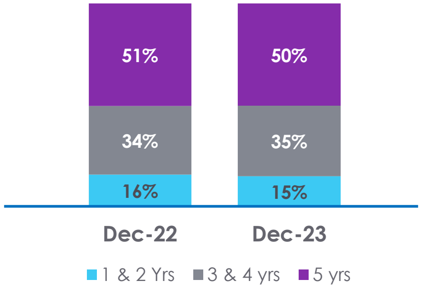
High recurring revenue and long duration renewals

Proforma Revenue



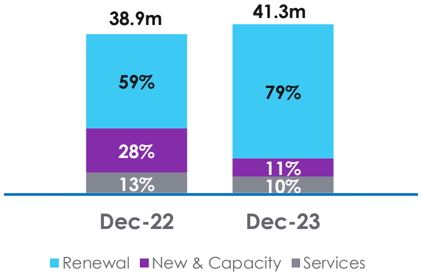
- >80% of total proforma revenue is recurring in nature (multi-year non cancellable licenses and related maintenance)

Contract Life



- Average contract length from sales during the period was 4 years, unchanged versus prior year.
- Transact & Infrastructure represented ~65% of the contracts closed in H1.

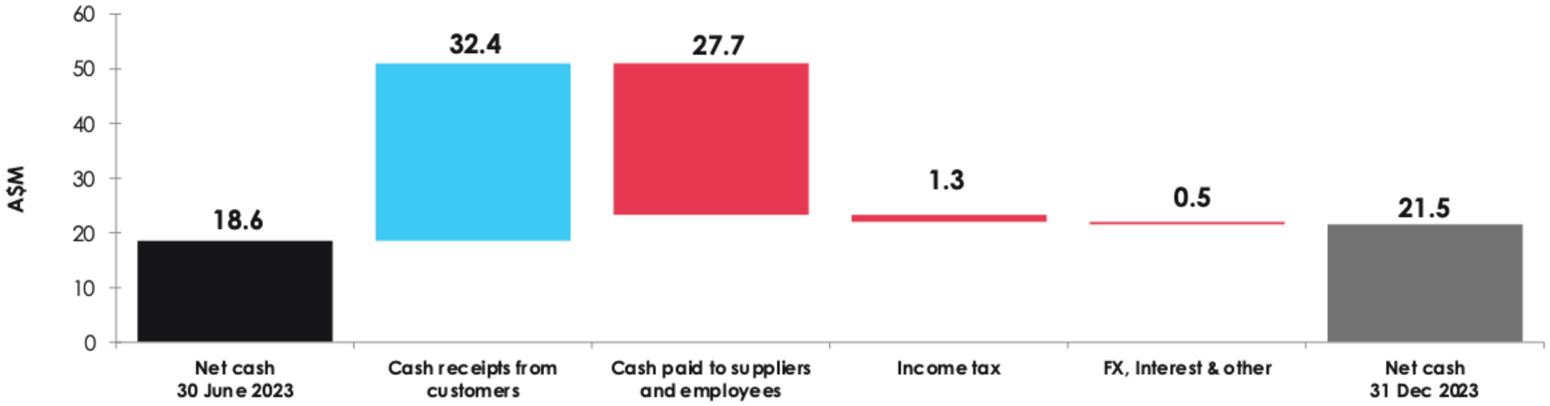
TCV Renewal & New



- Stronger contracts renewal period
- New business and capacity down on pcp; 60% and 45% respectively
- Lower attach rate in services

Net Cash Flow Analysis

Continued focus on disciplined cash management



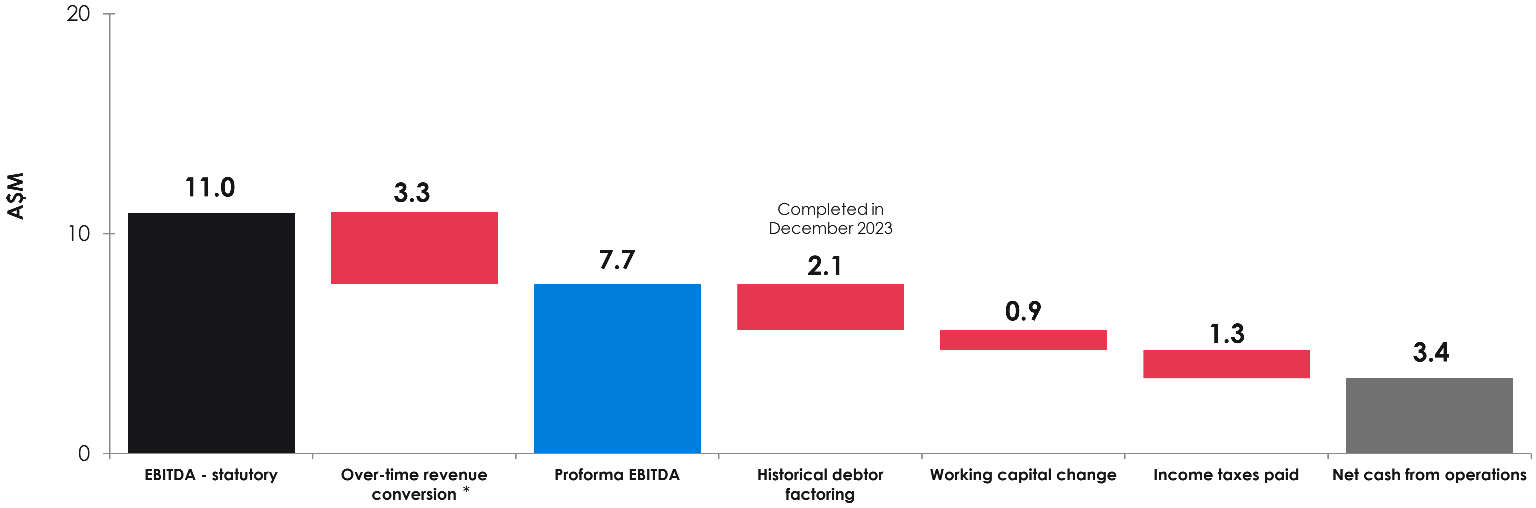
- Cash paid to employees and suppliers reduced by 7% compared to last year. No payments for capitalised development in the first half.

- Cash conversion rate has improved versus pcp thanks to a reduction in DSO (Days Sales Outstanding) on current receivables.

- Continuous focus to improve cashflow from operations by reducing expenses and DSO.

EBITDA Cash Flow Bridge

Debtor factoring complete and working capital improvement due to lower expenses and better collections



* Over-time revenue conversion deducts "upfront" license fees and adds back the ("over-time") amortised license component that relates to the reporting period. Commission costs associated with this timing difference are also adjusted to ensure revenues and expenses are matched to the correct reporting period.

Balance Sheet

Strengthened cash balance

Strong balance sheet with net cash of $21.5M and no debt.

Trade receivables provide a strong source of future cashflow. High quality, low doubtful debt risk.

Net assets up 19% to $71m – negligible intangible assets

Period Ended (as at)	Jun 23	Dec 23	YoY
	A$M	A$M	
Cash and cash equivalents	18.6	21.5	16%
Trade and other receivables	63.5	68.1	7%
Intangible assets	0.0	0.0	-
Right-of-use assets	0.0	0.3	-
All other assets	7.7	6.8	(12%)
Total assets	**89.7**	**96.8**	**8%**
Trade and other liabilities	7.9	7.0	(11%)
Borrowings	0.0	0.0	-
Provisions	4.4	3.3	(24%)
Tax liabilities	0.4	0.5	9%
Deferred revenue	14.1	12.3	(13%)
Lease and other liabilities	3.1	2.6	(16%)
Total liabilities	**29.8**	**25.7**	**(14%)**
Net assets	**59.9**	**71.1**	**19%**

Strategy & Product

Strategy progression

capital management

- cash generation: $21.5M
- balance sheet: ▲19%
- profitability: $11.0M EBITDA

growth options

- adjacent new products & product enhancements
- explore synergistic M&A opportunities
- partner to enter adjacent new product areas and market segments

scale-up

- embrace innovation: incubate new ideas, new technologies in a fast-fail environment
- enhance business model: optimise revenue model, GTM and development for high-growth
- create new revenue streams: new products for new markets

Collaborate Customer Wins

Providing assurance for the mission critical services of our customers

Airbus (Europe)	**CDW SP (USA)**
3-year term	3-year term
New customer	Renewal & expansion
110,000 users	135,000 users
Solution: Collaborate UC Enterprise Server, Reporting Essentials, SBC, Collaborate Video Collab Room	**Solution:** Full suite of IR's Collaborate products
Customer challenge: the **"Smartphone For All"** project emerged as a main contender for IR and Cisco in this account. The project aims to connect and engage all Airbus Commercial employees by simplifying telephony solutions. Over the past two years, 17,000 smartphones have been deployed, with more than half allocated to factory workers. Notably, 40,000 landline phones have been collected, and 50,000 Cisco Jabber applications deactivated. The project is in progress.	**Customer challenge:** CDW provides critical services to strategic end customers. IR Collaborate is an essential part of their managed services that support their customers' stringent KPIs. CDW acquired some companies during the last few years. This renewal positions us to continue growing our strategic partnership with CDW as they standardize on practices and solutions across the newly combined companies.
IR solution: IR's Collaborate product suite provides end-to-end visibility of the multi-vendor ecosystem in one product.	**IR solution:** IR's Collaborate product suite provides CDW complete migration assurance without disruption and more insights to allow their business to run efficiently post-migration.

Transact Customer Wins

Ensuring reliability in today's complex payments environments

Fiserv	Worldpay	Network International LLC
US, EU, LATAM, APAC	United States	Middle East
5-year term	5-year term	3-year term
Renewal and Expansion	Renewal	Renewal and Expansion
Solution: Transact and Infrastructure (inc. new NonStop Business Insight solution)	**Solution:** Transact and Infrastructure	**Solution:** Transact and Infrastructure
Customer challenge: Fiserv is a leading global provider of payments and financial services and has been an IR customer since 1999. Their challenge is to ensure that they deliver superior value to their clients through leading technology, targeted innovation and excellence in everything that they do.	**Customer challenge:** Worldpay is the second largest non-bank payments acquirer in the US, processing well in excess of a billion transactions per month. Their challenge was ensuring that their merchant networks are operating at over 99% uptime.	**Customer challenge:** NI is the largest payments acquirer in the UAE and is expanding into multiple countries within the MEA region. As part of this expansion, they are modernising their platforms to introduce new payment types and services. Their challenge was to provide reliable monitoring for such a significant network expansion.
IR solution: Our latest Cards and NonStop solutions are being used to provide Fiserv with rapid notifications of networking problems, to enable them to make better-informed business decisions. These innovations were instrumental in Fiserv's decision to extend its relationship with IR.	**IR solution:** Our Transact-Cards Plus solution is deployed across Worldpay's multiple payment hubs to monitor the payment processing environment and ensure that their use is operating within expected SLA undertakings. Transact has been Worldpay's chosen monitoring solution for the last 20 years.	**IR solution:** To resolve this challenge, NI chose to extend its current IR solution by adding Transact Real-Time payments monitoring and upgrading to Transact's Cards and NonStop Plus solutions. These extensions enabled NI to solve its complex monitoring needs all within a single monitoring and analytics tool.

FY24 Key Priorities and Outlook

FY24 Observations

Following the first half of FY24, IR makes the following observations regarding the current trading year:

- Customer sentiment remains steady, reinforcing the cautious optimism around business growth.
- Renewals book expected to exceed the prior year, weighted to the first half of FY24, following the closure of several large renewals in H1. Renewals now skewed towards Transact & Infrastructure clients.
- Collaborate churn expected to persist.
- Current FY24 new business and upsell pipeline is up on pcp, weighted to Collaborate. Focus on targeting larger enterprise customers across all products and geographies.
- TCV growth expected in the Americas and Europe; Asia Pacific down on a strong pcp.
- Year-end cash balance expected to be higher, assisted by increased sales, reset of the cost base, and disciplined receivables collections.

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Focus on growth leveraging improved working capital base

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2. Transact and Infrastructure performed strongly, up significantly on pcp bolstered by several large contracts. Whilst Collaborate headwinds persist; our focus is on larger enterprise with complex environments and industry verticals where our value proposition is strongest.

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Appendix

Annual Recurring Revenue - Analysis

All Products	APAC AUD	Americas USD	Europe GBP	Consolidated AUD	YoY Growth
Opening ARR	**15.5**	**28.2**	**4.5**	**67.5**	
FX gain/(loss)				(0.7)	*-1%*
New logos	0.2	0.1	0.0	0.4	*1%*
Upsell	0.5	1.2	0.2	2.8	*4%*
Churn/Downsell	(2.1)	(1.9)	(0.6)	(6.1)	*-9%*
Closing ARR	**14.0**	**27.7**	**4.2**	**64.0**	*-5%*

Collaborate	APAC AUD	Americas USD	Europe GBP	Consolidated AUD	YoY Growth
Opening ARR	**7.1**	**16.0**	**2.4**	**36.3**	
FX gain/(loss)				(0.4)	*-1%*
New logos	0.2	0.1	0.0	0.4	*1%*
Upsell	0.0	0.4	0.0	0.7	*2%*
Churn/Downsell	(0.9)	(1.7)	(0.4)	(4.3)	*-12%*
Closing ARR	**6.4**	**14.8**	**2.1**	**32.8**	*-10%*

T&I	APAC AUD	Americas USD	Europe GBP	Consolidated AUD	YoY Growth
Opening ARR	**8.3**	**12.2**	**2.1**	**31.2**	
FX				(0.3)	*-1%*
New logos	0.0	0.0	0.0	0.0	*0%*
Upsell	0.5	0.8	0.2	2.1	*7%*
Churn/Downsell	(1.2)	(0.2)	(0.2)	(1.9)	*-6%*
Closing ARR	**7.6**	**12.9**	**2.1**	**31.2**	*0%*

- Overall FX headwind of 1%.
- All regions experienced decline.
- Significant Collaborate headwinds with losses exceeding wins.
- T&I wins marginally exceed losses.

Churn/Downsell is equal to the annualized dollar value of expiring commitments that were either not renewed or renewed for a lower value in the period.

Interim proforma subscription revenue

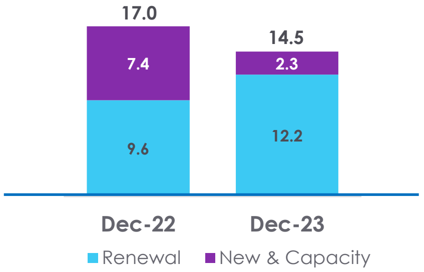
Reconciliation of statutory to proforma revenue

Interim revenue	Dec-20	Dec-21	Dec-22	Dec-23	Dec-20	Dec-21	Dec-22	Dec-23
	A$M	A$M	A$M	A$M				
Infrastructure	9.7	9.1	9.4	9.3	(9%)	(7%)	4%	0%
Transact	5.0	5.3	5.5	6.2	1%	7%	3%	12%
Collaborate	22.1	20.1	19.2	17.3	(8%)	(9%)	(4%)	(10%)
Proforma subscription revenue	**36.8**	**34.4**	**34.1**	**32.9**	**(7%)**	**(6%)**	**(1%)**	**(4%)**
Perpetual sales	0.7	0.5	0.3	0.2	(75%)	(25%)	(46%)	(31%)
Testing Services	2.4	2.2	1.9	1.8	(15%)	(6%)	(17%)	(5%)
Professional Services	4.2	3.7	1.9	2.5	(7%)	(12%)	(49%)	30%
Proforma revenue	**44.1**	**40.9**	**38.1**	**37.3**	**(11%)**	**(7%)**	**(7%)**	**(2%)**
Statutory revenue	**34.1**	**32.3**	**38.4**	**40.8**	**(36%)**	**(5%)**	**19%**	**6%**
Reconciliation to Statutory Accounts:								
Proforma revenue	**44.1**	**40.9**	**38.1**	**37.3**				
Deduct Amortised licence fees	(26.4)	(26.1)	(25.8)	(24.7)				
Add license fees recognised upfront	16.4	17.5	26.1	28.2				
Statutory revenue	**34.1**	**32.3**	**38.4**	**40.8**				

Product TCV

Strong renewals across all products, steady new business

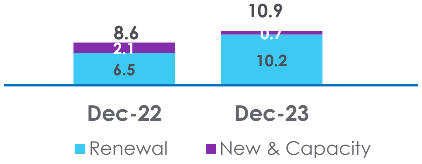
Collaborate – A$M



Collaborate, down 15%:

- Strong renewals period
- Low new business, the main driver for new & capacity

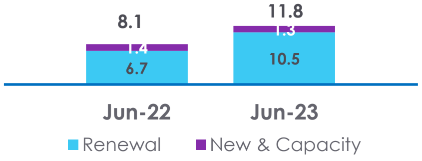
Transact – A$M



Transact, up 27%:

- Large deals renewed across all regions
- New & capacity mainly driven by upsell to existing customers

Infrastructure – A$M



Infrastructure, up 45%:

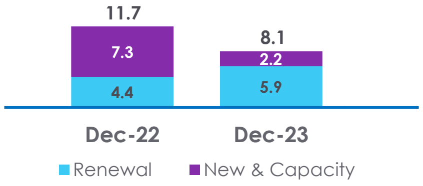
- Large deals renewed across all regions
- New & capacity driven by upsell to existing customers

Note: Product TCV excludes services and testing

Product TCV by Geography

Growth in Americas

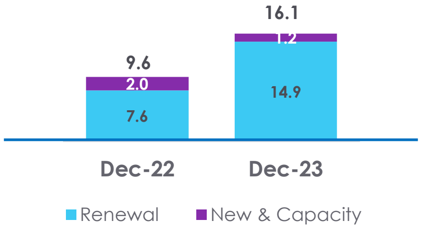
APAC – A$M



APAC, down 31%:

- Healthy renewals offset by lower new business compared to pcp

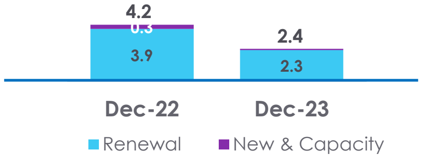
Americas – US$M



Americas, up 68%:

- Large contracts renewed across all product lines

Europe - £M



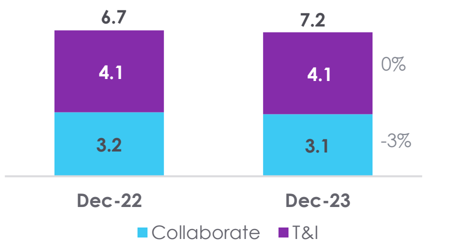
Europe, down 42%:

- Fiserv renewal consolidated into Americas (previously split between Europe and Americas).

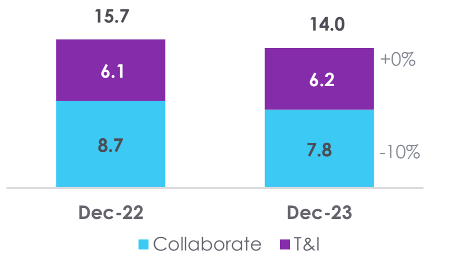
Note: Product TCV by geography excludes services and testing

Proforma Subscription Revenue

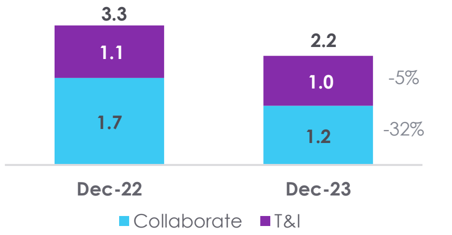
APAC – A$M



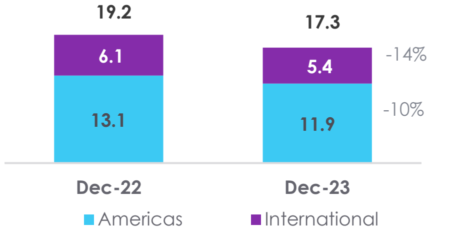
Americas – US$M



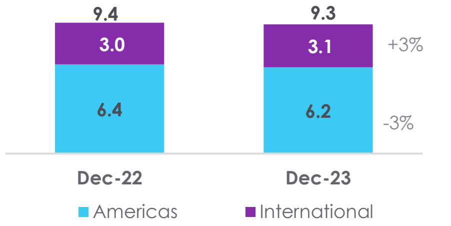
Europe - £M



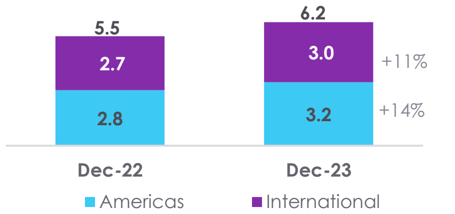
Collaborate – A$M



Infrastructure – A$M



Transact – A$M



Note: Proforma subscription revenue is a non-statutory alternate view of term licence and maintenance revenue (unaudited).

Proforma Subscription Revenue

Purpose:

To provide an alternate view of underlying performance by restating term licence and maintenance revenues on a recurring subscription basis.

How:

- All licence sales from FY2012 to FY2024 were analysed for each region in their natural currencies (the historic analysis period)
- Perpetual deals have been reported separately in the year sold
- Subscription revenues have been calculated by aggregating amortised licence revenues with maintenance revenues for each product line
- Other revenue streams have been reported the same as the statutory accounts (e.g., professional services and testing services)
- A reconciliation of proforma revenues and statutory revenue has been included for the reporting period

Glossary

Annual Recurring Revenue (ARR)	equals to the monthly proforma subscription revenue at the end of the period multiplied by 12.
Cash conversion rate	equals cash receipts divided by proforma revenue.
Customer retention	equals the opening customer count for the reporting period less customers who are deemed to cease purchasing from IR in the reporting period; this total is then divided by the opening balance and presented in percentage terms.
Proforma subscription revenue	provides an alternate view of underlying performance by restating term licence on a recurring subscription basis (i.e., over time) plus other recurring revenues such as maintenance fees and cloud services. Note: the current statutory model recognises licence fee revenue upfront at the commencement of the contract.
Net revenue retention	equals recurring revenue generated from existing customers over a set period.
Proforma revenue	equals proforma subscription revenue plus other non-recurring revenue streams such as perpetual license fees, professional services and one-time through testing services
Total Contract Value (TCV)	means the total value of a revenue generating contract written in the period of performance less any residual value from a previous related contract. The value includes software licence and related maintenance, cloud, testing and consulting services bookings.
Capacity sell	existing products sold to existing customers due to increase in usage, sometimes referred to as upsell.