

## IRESS FULL-YEAR RESULT TO 31 DECEMBER 2016

Strong financial result underpinned by strategic, focused growth

Highlights of the 2016 full-year result:

- Group revenue was \$389.7 million, up 8% on FY15
- On a constant currency basis<sup>(1)</sup> group revenue increased 13% on FY15
- Group Segment Profit was \$123.5 million, up 4% on FY15
- On a constant currency basis group Segment Profit increased 7% on FY15
- Reported NPAT was \$59.5 million, up 7% on FY15
- Positive contribution to earnings from Financial Synergy and INET BFA acquisitions and first full-year contribution of 2015 Pulse and Proquote acquisitions
- Final dividend of 28.0 cents per share, 60% franked (FY15: 26.7 cents per share, 60% franked)

IRESS Limited (ASX.IRE) today announced a statutory net profit for the 12 months to 31 December 2016 of \$59.5 million, up 7% over the prior year.

Operating revenue increased 8% to \$389.7 million. On a constant currency basis, this is an increase of 13% on 2015 (12% excluding 2016 acquisitions). Segment Profit<sup>(2)</sup>, a measure of IRESS' core underlying performance, was up 4% to \$123.5 million. On a constant currency basis, this is an increase of 7% on 2015 (6% excluding 2016 acquisitions).

IRESS Chief Executive Officer, Andrew Walsh, said: "IRESS' strong underlying result reflects our continued strategic and focused approach to service and growth. We are particularly pleased with strong performances in Australia, the United Kingdom, and in South Africa.

"The result positively reflects past investments we have made in designing, developing and delivering solutions to meet our clients' needs. We are committed to ongoing investment and innovation to ensure the technology and product solutions we offer continue to lead the markets in which we operate.

"The integrations of businesses acquired during 2016 in South Africa and Australia (INET BFA and Financial Synergy respectively) are progressing well and both businesses contributed positively to the result. These acquisitions are providing new and scaled opportunities for IRESS in broader segments.

"The reported results of South Africa and the United Kingdom were negatively impacted by foreign exchange movements during 2016. Aside from the impact of the weakening British pound, IRESS' revenue has not been impacted by the United Kingdom's decision in 2016 to leave the European Union (Brexit). The nature of our client base in the United Kingdom and its largely domestic focus, our recurring subscription revenue

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(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 the foreign exchange impact on the revaluation of cash balances.

model, our differentiated products, and wealth management trends (regulatory complexity, change and sector growth) continue to drive IRESS' growth and our strategy for the United Kingdom."

### **Dividend**

In respect of second half earnings, directors determined to pay a final dividend of 28.0 cents per share franked to 60% at a 30% corporate tax rate. This represents a total dividend for the year ended 31 December 2016 of 44.0 cents per share, an increase from 2015 of 3%.

### **Balance sheet**

IRESS' net debt balance at 31 December 2016 decreased to \$154.9 million (2015: \$184.9 million), equal to 1.3 times Segment Profit, reflecting a conservative balance sheet position.

### **2016 business highlights**

Key business highlights for the 2016 year include:

- **Successfully delivered** IRESS' Mortgage Sales and Originations (MSO) solution to Atom Bank, the United Kingdom's first all-digital bank. In addition, IRESS reached a major milestone under its long-term strategic partnership with leading United Kingdom financial planning and investment manager Tilney Group.
- **Our leading solution XPLAN** was voted the number one financial planning software in Australia for the ninth consecutive year. It achieved a 94.3% score, the highest in the eleven year history of the analysis by Investment Trends.
- **Acquisitions completed.** The acquisitions of superannuation software business Financial Synergy in Australia and market data provider INET BFA in South Africa strongly complement and extend IRESS' existing capabilities and the range and scale of services and solutions provided by IRESS.
- **Financial Markets growth.** Our financial markets business in Australia grew 2% in revenue in 2016 reflecting increased sales of portfolio solutions to existing and new buy-side clients and resilient sell-side revenue despite continuing market pressures.
- **South Africa delivery.** Our business delivered major financial markets and wealth management projects, including the ongoing migration of retail clients from our Trader to ViewPoint product. A prominent tier-one bank announced it will replace its proprietary premium online trading solution with ViewPoint.

## **SEGMENT RESULTS**

### **Asia-Pacific**

IRESS' business in Asia predominantly services financial markets participants at this time, and, in the context of IRESS' broader business, is a specialist provider in Asia. In prior periods Asia has reported separately. As a reflection of its materiality to group financial results, Asia will report with Australia and New Zealand. For reporting purposes, Asia-Pacific includes Financial Markets (which includes Asia) and Wealth Management in Australia & New Zealand (which includes Financial Synergy).

Overall, Asia-Pacific revenue grew 8% to \$207.3 million (2015: \$191.5 million) with Segment Profit up 4%. Wealth management revenue increased 17% with Segment Profit up 12% (excluding Financial Synergy this was 11% and 9% respectively). Financial markets revenue (which includes previously reported Asian results)

was up 2% with Segment Profit down 2% reflecting remuneration increases and continuing investment in product development, which is increasingly leveraged across all IRESS' segments.

"The financial markets business in Australia continues to demonstrate resilience underpinned by slight revenue growth. This is pleasing in the context of a challenging sell-side segment. We continued to successfully pursue opportunities on the buy-side for international connectivity, portfolio management and compliance solutions during the year. In Asia, we successfully delivered the initial stages of a major project to Malaysian bank Maybank Kim Eng. Revenue in Asia remained in line with the prior year.

"Year-on-year revenue growth of wealth management reflects the continued delivery in Australia, assisted by the achievement of a major client milestone in Australia. We continue to anticipate strong growth for our wealth management business in 2017 and beyond.

"The acquisition of Financial Synergy was completed on 31 October 2016 and contributed \$0.9m to Segment Profit in 2016. Within a short period, there has been a positive response by clients about the opportunities brought about by the acquisition through integration of product and capabilities, and delivering value through innovation in superannuation technology. Our 2017 focus will be to build on the strength of our presence, and opportunity, in superannuation."

## **United Kingdom**

"IRESS' overall performance in the United Kingdom during 2016 was strong and we remain well-positioned for continued growth. Our overall growth strategy in the United Kingdom is underpinned by strong client demand, regulatory change and sector growth. Our technology capability is also attractive to market participants seeking unified financial solutions. We are actively supporting existing and new clients through the challenges and opportunities presented by the introduction of new investment services regulations MIFID II, which comes into effect in January 2018."

### *UK*

In local currency, operating revenue and Segment Profit in the United Kingdom (excluding Lending) increased 36% and 53% respectively. This reflects strong sales and delivery as well as the first full-year contribution by Proquote and Pulse, which were both acquired in October 2015.

"We are very pleased with overall progress in the United Kingdom and, in particular, wealth management sales and delivery. The result reflects strong levels of client demand and project timing.

"We are confident in the pipeline of opportunities that exist in the United Kingdom from existing and new clients, and in our product and delivery. Intermediary software growth has been driven by delivered XPLAN implementations, additional service take up by existing clients, and project fees.

"Sourcing revenue was down slightly in 2016 following a slow start. Revenues in the second half were up 8% on the first half.

"We will continue to build on our financial markets presence in the United Kingdom during 2017 by pursuing opportunities with integrated market data and trading."

### *UK Lending*

In local currency, Lending revenue was down 13% and Segment Profit down 85%.

“We are pleased with the strategic and financial progress our lending business is making as we execute on our strategy to deliver a scalable business built on our leading, productised approach, and sector demand for efficiency through technology.

“As signaled at half year, there was a direct financial impact in 2016 as the business continues to transition to recurring revenue with predictable margins. We remain confident in the outlook for this business as we continue to deliver on our strategic milestones.

“We are seeing a growing momentum in opportunities as the business continues to transition the underlying revenue quality and mix and lay the foundation for future growth. However this will not translate to material increase in profitability in 2017 that is expected at similar levels.”

### **South Africa**

In local currency, South Africa achieved strong revenue and Segment Profit growth, up 24% and 31% respectively.

“Revenue growth was driven by strong demand across the product suite from existing institutional clients and the revenue contribution from recently-acquired INET BFA. Financial markets revenue growth was underpinned by increased trading solutions to existing clients and new market entrants. Wealth management revenue growth followed increased uptake in services by institutions including the completion of a significant XPLAN migration at a tier one bank.”

The integration of INET BFA, which was acquired on 10 November 2016 is progressing well. INET contributed approximately R21.0m and R3.0m to revenue and Segment Profit respectively in 2016.

### **Canada**

In local currency, operating revenue was down 10% on 2015 and Segment Profit was down 70%.

“Our financial result in Canada reflects well-known structural institutional equities trading trends and slower than anticipated progress in diversifying our revenue base into retail wealth.

“Towards the end of 2016, a wealth implementation at MD Financial was discontinued. While this is a disappointing outcome we continue to progress a number of wealth implementations and other trading opportunities as we continue to focus on diversifying our Canada business.

“The opportunity in Canada remains, and we are focused on short-term delivery to demonstrate this.”

## **Current trading**

“We remain confident of our positioning for opportunities that stem from regulatory and structural change. We believe that ongoing successful client delivery and an environment of technology demand will translate to strong revenue and Segment Profit growth in 2017 on a constant currency basis. The key drivers underpinning this are momentum in wealth management, resilient financial markets performance and the full year impact of, and opportunities from, recent acquisitions.”

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## IRESS FULL-YEAR RESULT TO 31 DECEMBER 2016

|                                  | Operating revenue     |              | Movement from 2015 |             | Segment profit |                | Movement from 2015 |                           |            |
|----------------------------------|-----------------------|--------------|--------------------|-------------|----------------|----------------|--------------------|---------------------------|------------|
|                                  | 2016                  | 2015         | Local Currency     |             | 2016           | 2015           | Local Currency     |                           |            |
|                                  | \$m                   | \$m          | Δ %                | Δ %         | \$m            | \$m            | Δ %                | Δ %                       |            |
| Segment Results                  | APAC FM               | 113.5        | 111.1              | 2%          |                | 41.7           | 42.5               | (2%)                      |            |
|                                  | ANZ Wealth Management | 93.8         | 80.3               | 17%         |                | 42.7           | 38.3               | 12%                       |            |
|                                  | <b>Total APAC</b>     | <b>207.3</b> | <b>191.5</b>       | <b>8%</b>   |                | <b>84.4</b>    | <b>80.8</b>        | <b>4%</b>                 |            |
|                                  | UK                    | 110.8        | 91.1               | 22%         | 36%            | 27.1           | 19.9               | 36%                       | 53%        |
|                                  | UK Lending            | 26.0         | 32.8               | (21%)       | (13%)          | 1.3            | 7.3                | (82%)                     | (85%)      |
|                                  | <b>Total UK</b>       | <b>136.8</b> | <b>123.9</b>       | <b>10%</b>  | <b>23%</b>     | <b>28.5</b>    | <b>27.2</b>        | <b>5%</b>                 | <b>16%</b> |
|                                  | Canada                | 16.9         | 19.5               | (13%)       | (10%)          | 0.8            | 2.6                | (71%)                     | (70%)      |
|                                  | South Africa          | 28.7         | 26.6               | 8%          | 24%            | 9.9            | 8.6                | 15%                       | 31%        |
|                                  | <b>Group</b>          | <b>389.7</b> | <b>361.5</b>       | <b>8%</b>   |                | <b>123.5</b>   | <b>119.2</b>       | <b>4%</b>                 |            |
|                                  | Group Results         |              |                    |             |                | <b>Results</b> |                    | <b>Movement from 2015</b> |            |
|                                  |                       |              |                    | 2016        | 2015           | 2015           |                    |                           |            |
|                                  |                       |              |                    | \$m         | \$m            | Δ %            |                    |                           |            |
| <b>Segment Profit</b>            |                       |              |                    |             | <b>123.5</b>   | <b>119.2</b>   | <b>4%</b>          |                           |            |
| Share based payments             |                       |              |                    |             | (10.8)         | (9.9)          | 10%                |                           |            |
| <b>Segment Profit after SBP</b>  |                       |              |                    |             | <b>112.7</b>   | <b>109.3</b>   | <b>3%</b>          |                           |            |
| Non-recurring items              |                       |              |                    |             | (8.5)          | (6.7)          | 28%                |                           |            |
| Unrealised FX Gain/(Loss)        |                       |              |                    |             | (0.7)          | 2.3            | (130%)             |                           |            |
| <b>EBITDA</b>                    |                       |              |                    |             | <b>103.5</b>   | <b>104.9</b>   | <b>(1%)</b>        |                           |            |
| Depreciation and amortisation    |                       |              |                    |             | (21.1)         | (26.3)         | (20%)              |                           |            |
| <b>EBIT</b>                      |                       |              |                    | <b>82.4</b> | <b>78.6</b>    | <b>5%</b>      |                    |                           |            |
| Net interest and financing costs |                       |              |                    | (5.5)       | (9.7)          | (44%)          |                    |                           |            |
| Tax                              |                       |              |                    | (17.5)      | (13.5)         | 30%            |                    |                           |            |
| <b>Reported NPAT</b>             |                       |              |                    | <b>59.5</b> | <b>55.4</b>    | <b>7%</b>      |                    |                           |            |

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