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ASX Market Announcements Office
Australian Securities Exchange Limited

2021 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 – 2021 AGM Chairman's Address

Peter Lloyd, Chairman

Good morning ladies and gentlemen and welcome to the 2021 Annual General meeting of Integrated Research Limited.

On behalf of the Board of IR, I would like to express our gratitude to all our shareholders for your support in what has been a challenging year of change and opportunity.

FY21 has been a difficult year for IR with our overall revenue declining from the prior year. The first half in particular presented many challenges that ended in a disappointing result.

The second half saw a renewed focus on customer-first strategies, the release of new SaaS products, and execution of key strategic partnerships. The second half was a significant improvement on the first, with revenue up 30% to $44.4 million and $7.8 million in NPAT.

Nevertheless, the recovery, although pleasing, was not sufficient to make up the full year shortfall. Full year revenues declined by 29% to $78.5 million. NPAT for the year was $7.9 million after a near breakeven first half.

Cash receipts from customers were $78.8 million, down 18% on the previous year. The company remains in a positive cash net position. Our CFO, Peter Adams will be covering our financial results in more detail during his presentation.

Over the past two years corporations have had to adapt to many changes as the effects of the pandemic define a new world. Not the least of these, and of relevance to IR has been the shift to hybrid working, a trend that is likely to become the 'new normal'. As larger enterprises deal with this new reality, they are becoming increasingly aware of the need to manage large user communities with disparate technologies. Our Collaborate product-line is designed specifically for these environments and is in use at some of the largest companies and managed service providers in the world. In fact, our average number of seats per customer is over 25,000 which validates our marketing strategy of targeting the world's largest corporations.

The shift away from cash payments, and general disruption of the payments market also strengthens the value proposition for Transact product-line which provides analytics and monitoring for card-based transactions. Our development of our SaaS platform has enabled the implementation of payments analytics use cases. Further development is underway to enhance support for high value and real time payments.

The uncertainty of the global economy has also affected the buying cycles of our target market, which is large enterprise. During the first half, several sales campaigns were delayed as companies adjusted their operations to cope with unexpected external influences on their businesses. Technology is also evolving. Enterprises are now embracing cloud-based solutions where once they were sceptical of moving critical applications away from their proprietary, on-premises infrastructure. The trend towards cloud and SaaS has significantly accelerated over the past two years.

And there has been a significant shift in the way software is licenced. The move from a capex to an opex model has been in play for some time. We have met this demand through the evolution of our business model. Today, a large part of our customer portfolio has signed multi-year non-cancellable contracts with annual payments. Pleasingly, 65% of our FY22 cash receipts is under-pinned by these committed contracts. The average tenure of these contracts is around three years.

Like many other businesses, our world is changing. At IR we have initiated a program to make sure we are positioned to adapt to and make the most of these changes. The “Transform IR” program includes 19 separate work streams covering every aspect of the business, including company strategy, pricing and packaging, go to market, product relevance and differentiation, R&D, and sales productivity amongst many others.

A key finding was that for our target market, the large enterprise, our Collaborate and Transact product lines have not only maintained their relevance, but with product enhancements released during FY21 and our roadmap for the next 3 years, we have become even more aligned with our customer’s and prospect’s technology strategy. This is especially true as our customers contemplate their own journey from on-premises to cloud.

Another outcome of the work was a need to recalibrate our go-to-market model. During FY21 we began re-invigorating our sales organisation, shifting the emphasis towards our SaaS solutions. Our channel strategy has also been under review. Over the next 12 months we will be refining our go-to-market programs to adapt to our changing market and customer needs.

Part of this program includes the introduction of a flexible pricing model to make it easy for our customers to move from an on-premises, private infrastructure model to a cloud-based model without the need to renegotiate complex contracts and budget approvals.

Perhaps the greatest change to the business is the way we measure our success. As customers move to subscription-based pricing and cloud solutions, we are in a blended model of some revenue streams recognised upfront and others over time. In anticipation of the challenge to measure underlying performance, we introduced proforma subscription reporting during the last four reporting periods. These numbers are much more aligned to cashflow and provide better insight into recurring revenue. We have also introduced new metrics such as Total Contract Value (TCV) and Free Cashflow. Peter Adams, our CFO will be discussing this in more detail during his presentation on company financials.

Our commitment to innovation, both through the enhancements to our existing products and the development of new products is evident in our continued investment in research and development. Net spending on R&D was up 10% to $19.1 million. We completed the next phase of Prognosis Cloud, our cloud-based processing platform, that is the basis of new SaaS based products and services. We released a total of four new products on this platform across Collaborate and Transact, with early sales wins and market interest proving a positive sign for the future.

New functionality and enhancements to our existing on-premises solutions allow customers to choose a flexible operational environment that aligns with their own growth and digital transformation strategies.

FY22 will see a continued emphasis on product development as we build out our product roadmap to provide additional products and services to better serve our customers and expand our market reach.

During the year a significant focus was placed on the company's approach to ESG. Acknowledging that this is both topical and a corporate responsibility, we have for the first time made available on our website information outlining the company's focus and performance in this area. We were pleased that our MSCI ESG Ratings Assessment moved up from BB to A. Across a broad range of attributes, the company showed year-over-improvements – customer satisfaction and employee engagement being key.

We are once again WGEA compliant and maintain a strong focus on a diverse and safe working environment. There were no whistle-blower complaints received during the year.

The Board and specifically the Audit and Risk Committee have stepped up their focus on security and cyber-related matters. This in part is tied to our strategy for the growth of our SaaS platform and products. We are pleased to advise that we have achieved SOC2 Type 1 certification.

During the year we began a process of board refresh, and I welcome Allan Brackin and James Scott to the board. Their experience, expertise and fresh perspective has been a valuable addition. At this meeting, the board will be recommending the reappointment of Allan and James to the board.
We intend to onboard additional directors over the next year to ensure that we have the optimum mix of industry knowledge, diversity, governance competencies and international experience.

Our investment in new products and our program of transition as previously outlined, positions the company to take advantage of the strong growth in our target markets. The board remains confident in the future of Integrated Research and our ability to remain the preeminent supplier of user experience and performance management solutions for payments transactions and collaboration environments.

The Company does not provide forward guidance. John Ruthven will provide a trading update in his presentation today.

On behalf of the Board and Management, thank you to our customers, our shareholders, and our partners for your loyalty, commitment, trust and support during these difficult times.
I would also like to acknowledge the extraordinary dedication, professionalism, and efforts of IR's management team under the leadership of John Ruthven, IR's CEO and of my fellow directors.