

IRESS HALF YEAR RESULT TO 30 JUNE 2015

IRESS Limited today announced its results for the six months to 30 June 2015. Statutory Net Profit After Tax was \$28.5 million, which represents an increase of 38% on the prior period (six months to 31 December 2014) and a 5% decline on the previous corresponding period (six months to 30 June 2014). Segment Profit, a measure of core underlying performance, was \$57.5 million and represented an increase of 10% on the prior period and a reduction of 3% on the previous corresponding period.^{1,2}

Highlights of the 2015 half year result:

- Group Revenue of \$173.2m up 9% on 2H14, and up 1.8% on 1H14.
- Group Segment Profit of \$57.5m, up 10% on 2H14, and down 3% on 1H14.
- Group NPAT of \$28.5m, up 38% on 2H14, and down 5% on 1H14.
- Wealth management momentum with significant new business; Lending hitting strategic milestones.
- UK wealth management business focused on achieving quality, medium and long-term growth.
- Result negatively impacted by voluntary administration and liquidation of BBY Ltd.
- Interim dividend of 16.0 cents per share, 50% franked (2014: 16.0 cents per share, 40% franked).

IRESS chief executive officer, Andrew Walsh, said: “The result reflects IRESS’ strategy of delivering sustained, medium and long-term growth, underpinned by quality, predictable revenue. There is particular strength in core businesses, including a highly resilient financial markets business and continued, strong demand in wealth management.

“Our financial markets business remains highly resilient in the context of external structural challenges and two unexpected client developments. As previously disclosed, the Australian result was negatively impacted by the voluntary administration and liquidation of BBY Limited. In addition, during the period CIMB Securities withdrew from the Australian market.

“Momentum in wealth management remains strong as a range of financial services businesses continue to seek broad, quality solutions in response to changing customer demand and regulatory requirements. Australian wealth management performed strongly, and significant growth was delivered in South Africa.

“Our wealth management business in the United Kingdom is experiencing increased demand where customer growth is focussed on technology. With this demand, sales and implementation mirrors the nature of larger projects and opportunities, and current operational activity is ahead of the flow through of revenue.”

The weakening of the Australian dollar relative to pounds sterling also contributed positively to the result.

¹ All comparisons are comparisons with the previous corresponding period (six months to 30 June 2014) unless stated otherwise.

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 strategic amortisation charges and has presented results consistently in this way for more than 10 years. A reconciliation between Group Segment Profit, Underlying Group Profit and Reported Group Profit is included in the Financial Statements. Following the introduction of balance sheet debt to fund the Avelo acquisition, interest income was grouped with interest expense and other funding costs. This was done to ensure inter-period comparability of the underlying operating performance is reflected in Segment Profit results.

Dividend

In respect of first half earnings, directors determined to pay an interim dividend of 16.0 cents per share franked to 50% at a 30% corporate tax rate.

Balance sheet

The balance sheet continues to reflect strong cash generation after allowing for dividend payments, and stable working capital. Borrowings at June were approximately \$180 million and cash balances were \$75 million.

SEGMENT RESULTS

Australia & New Zealand

Operating Revenue in Australasia was up 1% on 2H14 and up 5% on 1H14. Segment Profit was down 1% on 2H14 and was flat on 1H14.

The Segment Profit result in the first half reflects the one-off negative impacts in IRESS' financial markets business of the voluntary administration and liquidation of BBY Ltd.

“Our financial markets business performed solidly in the context of ongoing external challenges, particularly those faced by sell-side clients. We continue to invest in developing our financial markets solutions to maintain and strengthen our market-leading position. Our next-generation online market data and trading solution is being received very positively by clients and will be formally launched in the coming months.”

Segment Profit in wealth management rose 10.0% from the prior period (up 9.9% from previous corresponding period), reflecting continued, strong demand and delivery.

“During the half, IRESS was appointed the advice technology partner for the Commonwealth Bank of Australia (CBA). The partnership will see XPLAN deployed across all of CBA's advice businesses and the introduction of XPLAN Prime, a scalable digital advice solution leveraging XPLAN as a technology platform, enabling unified, multi-channel advice delivery. We also acquired Innergi, which enables financial advice practices and superannuation funds to better engage with their clients and members with timely and relevant content through a digital platform.”

United Kingdom

Operating Revenue in the United Kingdom (ex-Enterprise Lending) was up 4.1% with Segment Profit down 1.7%. In local currency, these results were down 2% and 1.8% respectively. As signaled in February 2015, wealth margins in the first half were lower than the prior period, because of investment in wealth capability ahead of known implementation projects. The margin for the full year is expected to normalise to the indicated short-term range of 20-25%.

“In wealth management, we are focused on achieving sustained growth and quality, recurring revenue by delivering to small, medium and large advice and retail wealth management businesses. Increased regulation and the need for scale has increased consolidation of advice firms and the demand for broad technology solutions. This background has been a key driver of our operational activity over the half with a

number of implementation projects underway with visible revenue, despite the financial impact of these projects not being immediate.

“We have continued to observe and respond to increased demand from integrated wealth management firms where requirements spanning the entire IRESS product suite bring together capability from financial markets and wealth management. We are currently working with a strong pipeline of Private Wealth opportunities.”

For the Enterprise Lending business, Operating Revenue continued to be uneven, up 82.5% on the prior period, and down 28.6% on the previous corresponding period, in local currency terms.

“The Enterprise Lending business has achieved pleasing strategic milestones following the re-positioning of this business from being wholly-services based to one that is more scalable. Over time, this allows more predictable revenue, higher margins and the ability to increase new sales beyond Tier 1 lenders, where the business has traditionally focused. Enterprise Lending revenue will remain uneven as IRESS transitions from license fee and services-based revenue to higher recurring levels of revenue. We are confident in our strategy and medium and long-term growth in this business, however, we expect 2016 to bear direct financial impact of this revenue transition from larger upfront payments to lower but recurring levels.

“Immediately prior to these results we announced a long-term, strategic partnership with the United Kingdom’s first digital-only bank, Atom. Atom will be the first IRESS client to implement the latest version of IRESS’ Mortgage Sales & Origination platform. We are also well advanced with discussions with other prospects and have a good pipeline of quality opportunities.”

South Africa

Operating Revenue growth continues to be very strong in local currency terms up 7.4% from the prior period, and Segment Profit increasing 11.2% (12.7% and 43.9% respectively from the previous corresponding period). This profitability comparison is impacted by timing of cost base changes with lower than normal costs during the half, specifically including some delays in recruitment during the second half of 2014 and the first half of 2015.

“South Africa continues to deliver strong local results, driven by a demand for IRESS’ integrated and flexible solutions and high levels of service. This has been reflected in increased sales of trading solutions, IRESS Professional market data, and XPLAN. Our Private Wealth solution has experienced significant demand as firms seek an integrated solution across a broad range of retail advice needs.”

Canada

Operating Revenue in Canada has continued to stabilise following a long period where economic and business conditions had driven slow declines. In local currency, Operating Revenue was up 1.5% on the prior period, and down 1.8% on the previous corresponding period. The Segment Profit result reflects a full half of cost relating to investment in people and new premises.

“We are making good progress on diversifying our business in Canada to include wealth management and, during the period, we made solid progress by commencing an enterprise implementation of our Private

Wealth solution with MD Financial Management, a wealth manager and discretionary asset manager. Regulatory requirements such as CRM2 are driving demand for unified technology solutions.

“We remain very focused on the medium and long-term opportunity in Canada and continue to make appropriate levels of investment to realise this.”

Asia

Operating Revenue in Asia continued to grow steadily off a relatively low base over the half and was up 17.2% on the prior period and 30.8% over the previous corresponding period. This growth has been driven by increasing annualised revenues from financial markets clients using our leading CFD platform technology and a number of new wealth implementations. The Segment Profit result is impacted by timing of cost allocations relating to global market data.

“We continue to focus our Asian strategy on two key markets in the region, Singapore and Malaysia. We are pleased with progress and there are advanced discussions on several full broker workflow opportunities.”

Outlook

Implementation activities and client support underlie existing recurring revenue and growth over time, and investments anticipating future revenue continue to be carefully managed.

IRESS' Enterprise Lending business is a potential source of high growth but is more difficult to predict due to heavy dependence on client-driven timetables and long lead times. Until revenue reflects the benefits of business re-positioning and levels of recurring revenue, results should not be extrapolated from a single half.

Assuming foreign exchange at constant levels, and after allowing for first half experience, IRESS expects Segment Profit growth in 2015 at the lower end of our previously indicated range.

IRESS' outlook remains focussed on the medium-long term and includes ongoing assessment of organic and acquisition opportunities, that align to our strategy and continue to build meaningful regional businesses.

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Recurring Operational^(e)							
Operating Revenue	H1 2015	92,982	120,973	9,219	1,176	20,313	8,555
	H2 2014	91,879	112,639	9,083	1,003	20,257	4,688
	H1 2014	88,377	107,311	9,385	899	20,743	11,987
Segment Profit	H1 2015	41,402	39,608	1,215	(2,056)	3,802	2,678
	H2 2014	41,705	35,618	1,052	(1,705)	5,372	(1,238)
	H1 2014	41,594	27,521	2,825	(1,939)	4,110	3,419

More commentary on operating results, non-recurring items and strategic charges are included in the accompanying slide presentation.

- (a) IRESS considers inter-period comparability of results is best presented as the underlying operating results of the relevant businesses calculated excluding SBP, non-core items, and amortisation of intangible assets recognised through acquisition strategic charges and has presented results in this manner for more than 10 years. Reflecting the introduction of debt into group in September 2013, and its impact on inter-period comparability of results, the underlying group results have been reported on a de-gearred basis, with all financing impact reflected in Treasury Non-Core.
- (b) These segment results are inclusive of the Group's investments in the emerging business in Asia and Financial Markets in the United Kingdom.
- (c) This figure is derived from segment profit before tax, after depreciation and amortisation from operations (excludes amortisation of intangible assets recognised through acquisition (strategic charges)).
- (d) Reflecting the introduction of debt into group in September 2013, a separate Treasury line has been introduced. This incorporates all costs associated with the Group's debt funding and includes interest income.
- (e) Please note figures in this table are reported in the underlying natural currency for this business segment.