



MARKET RELEASE

## Integrated Research Limited 2016 Financial Year Results

**Sydney, Australia, 18 August 2016** – Integrated Research (ASX:IRI) a leading global provider of high availability performance management, business intelligence and proactive diagnostic software today released its results for the financial year ended 30 June 2016.

The Company is pleased to announce another record yearly result, with profit after tax increasing by 12% to \$16.0 million compared to the previous financial year. The result is at the high end of guidance provided to the ASX on 20 July 2016. Total revenue increased by 20% to \$84.5 million and licence sales increased by 11% to \$45.7 million.

Product line revenue growth was as follows:

- Unified Communications and Contact Centre increased by 39% to \$50.8 million
- Payments increased by 10% to \$5.6 million
- Infrastructure, which includes HP-Nonstop, decreased by 10% to \$20.8 million
- Consulting Services increased by 33% to \$7.4 million and represents the seventh consecutive year of growth.

The Company achieved \$4.3 million in revenue from the newly acquired Testing Solutions business.

The Company's cost base increased by 22% to \$64.5 million including the acquisition of the Testing Solutions business, highlighting the investment for future growth.

Growth in the past year was substantially supported by sales of new product lines introduced in the past two years including sales of the new Contact Centre, Call Recording Assurance, Testing Solutions and new capabilities for Skype for Business.

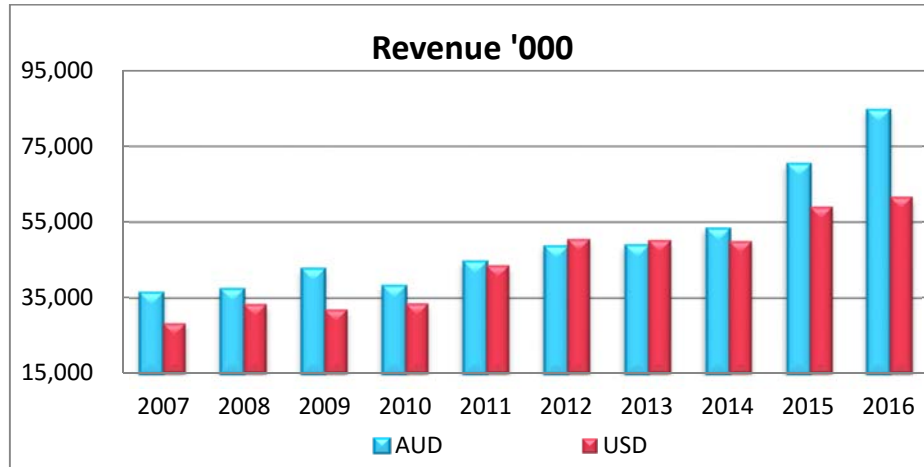
The result is especially pleasing when comparing the first to second half results for FY16 and underscores the strength and future growth prospects of the business.

Half year result highlights (\$'000)	FY2016 1H	FY2016 2H	Half Growth	FY2016 Annual
Revenue from licence fees	19,527	26,198	34%	45,725
Total revenue	39,373	45,159	15%	84,532
Total expenses	31,392	33,135	6%	64,527
Net profit before income tax	8,435	12,951	54%	21,386
Net profit after income tax	6,205	9,824	58%	16,029



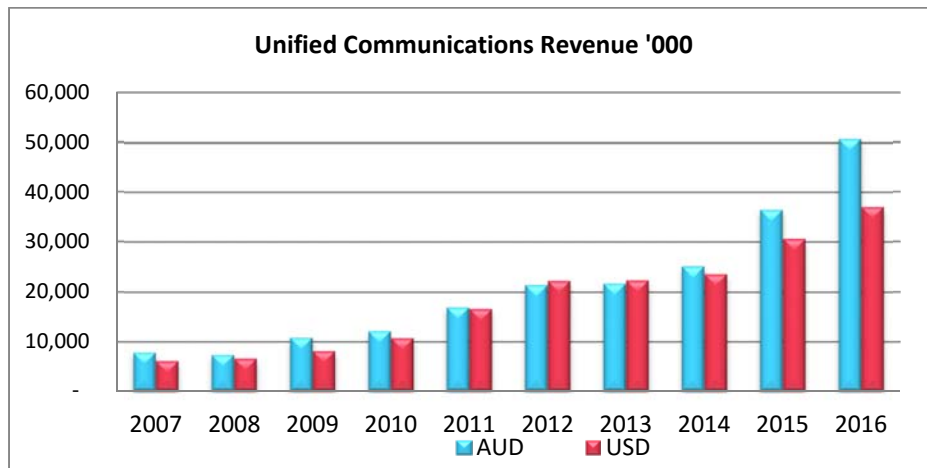
Over 95% of the Company's revenue was derived outside of Australia.

The following chart highlights the Company's revenue growth in both Australian and US currencies for the 2016 financial year and the ten-year period.



Steve Killelea, Chairman of Integrated Research said, "The strong second half performance enabled the Company to post another record annual result. It was particularly pleasing to see that the investments made in both Europe and Asia Pacific are beginning to bear fruit. The result also underscores the future growth potential of the Company and is the eighth consecutive year of growth in Unified Communications, achieving 24% annual compound growth rate over the period".

Some of the more significant sales during the financial year included Cisco, Citigroup, Dell, Ford Motor Company, HSBC, Nationwide Building Society (UK) and T-Systems.



The Company further cemented its leadership position in Unified Communications with a number of leading awards and citations. In April 2016 Integrated Research was named as a Gartner Cool Vendor in the "Cool Vendors in Availability and Performance, 2016" report by Gartner, Inc., the world's leading information technology research and advisory company. Integrated Research was the only UC Performance Management Vendor awarded this distinction.<sup>1</sup>



In July 2016, Integrated Research was named the only Hot Vendor by Aragon Research in the Unified Communications and Collaboration industry segment. Aragon Research selects Hot Vendors across multiple markets that are unique technological leaders. Aragon Research recognized Integrated Research for its ability to manage highly complex UC environments across multiple vendors, including Microsoft, Cisco and Avaya, without the use of network probes. The report also acknowledged Integrated Research for its analytics, which enable organizations to quickly identify and resolve communications issues in real time.<sup>2</sup>

Prognosis is the only solution recommended by Microsoft for both the Essentials and Advanced category for pre-deployment analysis of their Skype for Business Operations. Microsoft Skype for Business is the fastest growing Unified Communications solution in the market today.

In the past year, Integrated Research secured initial contractual arrangements for the supply of solutions to the US Federal Government through a global leader in UC solutions. Successful implementation should result in the addition of many millions of users in the ensuing years. Integrated Research already has contracts for supply to the US Department of Justice, US Customs and Border Protection, Department of the Treasury and other Federal and State Government Agencies. According to the US Bureau of Labor Statistics, as of April 2016 more than 22 million people were employed in the US government.

In addition, Integrated Research continues to maintain certification with all three major Unified Communications platforms, the only vendor to do so.

After the above-trend performance in HP Non-Stop revenues for FY2015, the high margin Infrastructure product line delivered \$20.8 million in revenue for FY2016. While this is a 10% decline on the strong FY2015 performance, it is consistent with the previous five-year average. The annual revenue from the Infrastructure product line is highly aligned to the underlying licence renewal profile. The 2017 renewals should assist in underpinning a good performance for the FY17 financial year.

Darc Rasmussen, CEO of Integrated Research said, “The Company has now completed two years of a three year business model transition. The change has significantly increased the volume of recurring term-based revenue while reducing one-off perpetual license sales. Whilst the reduction in capital-style perpetual business has meant less cash flow from operations in the short term, the longer term benefits of a recurring business model are substantial and clear.”

Integrated Research continues to invest strongly in its research and development, investing 16% of revenue in the FY16 financial year. Two significant new versions of Prognosis were released during the financial year, as well as a significant upgrade to the Testing Solutions capabilities. The new versions of Prognosis substantially upgraded the Skype for Business offerings, Contact Center and Call Recording Assurance, where increasing regulatory compliance is driving interest in Integrated Research’s patent pending solution. The releases also further enhance the cloud-based offerings of Service Providers. New Payment capabilities were delivered, providing visibility and management of new technology roll outs of tokenized transactions such as Apple Pay.

Enhancements to the Testing Solutions product ensures the solution is now scalable globally from the cloud, and accessible from all the geographic areas where Integrated Research customers operate.

The Testing Solutions backlog grew by 132% over the course of the year. Heartbeat is a recurring service, contracted on a 12 to 36 month term. Revenue is recognised monthly as delivered, rather than upfront.



The results were assisted by a depreciating Australian dollar and when growth was adjusted to constant currency, revenue would have increased by 10%, and profit after tax by 4%.

The table below summarises the Company's key revenue, expense and profit results compared to the previous corresponding period:

<b>Financial result highlights (\$'000)</b>	<b>FY2016</b>	<b>FY2015</b>	<b>Change</b>
<b>Revenue from licence fees</b>	45,725	41,031	11%
<b>Revenue from maintenance fees</b>	27,153	23,700	15%
<b>Revenue from testing solution services</b>	4,288	-	-
<b>Revenue from consulting</b>	7,366	5,548	33%
<b>Total revenue</b>	<b>84,532</b>	<b>70,279</b>	<b>20%</b>
<b>Research &amp; development expenses</b>	13,582	12,431	9%
<b>Sales, consulting &amp; marketing expenses</b>	44,983	35,161	28%
<b>General and administrative expenses</b>	5,962	5,220	14%
<b>Total expenses</b>	<b>64,527</b>	<b>52,812</b>	<b>22%</b>
<b>Net profit before income tax</b>	21,386	19,266	11%
<b>Net profit after income tax</b>	<b>16,029</b>	<b>14,251</b>	<b>12%</b>

## Dividends

Directors have declared a final dividend of 3.5 cents per share franked to 60 per cent. Integrated Research maintains a strong financial position with a total cash position at 30 June 2016 of \$8.5 million.

<sup>1</sup>Gartner "Cool Vendors in Availability and Performance, 2016" by Cameron Haight, Vivek Bhalla, Colin Fletcher and Sanjit Ganguli, 19 April, 2016

<sup>2</sup>Aragon research "Hot Vendors in Unified Communications and Collaboration, 2016" by Jim Lundy, 20 July, 2016

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**About Integrated Research (ASX:IRI)** – Integrated Research is the leading global provider of proactive performance management software for critical IT infrastructure, payments and communications ecosystems. More than 1000 organizations in over 60 countries - including some of the world's largest banks, airlines and telecommunication companies rely on IR Prognosis to provide business critical insights and ensure continuity-critical systems deliver high availability and performance for millions of their customers across the globe.

For further information, visit [www.ir.com](http://www.ir.com)

