

ASX Announcement 19 August 2024

Iress reports 1H24 financial results

Highlights

- Transformation program delivering strong results with Adjusted EBITDA of \$67m, up 52% versus PCP¹
- Operating leverage driving 54% improvement in Adjusted EBITDA margin over PCP
- Balance Sheet now within target range, with 1.2x leverage ratio post sale of UK Mortgages
- FY24 Guidance upgraded to \$126m - \$132m (9% uplift from 1 May 2024 - adjusted for asset sales).²

Iress (IRE: ASX) today announces its financial results for the first half of FY24 (1H24).

Iress' Chief Executive Officer & Managing Director, Marcus Price, said: "We are executing well on our transformation initiatives and are on track to complete the program in the second half, with benefits being realised well ahead of schedule. Strong action on cost reduction has delivered operating leverage with our Adjusted EBITDA margin up 760 basis points to 21.7% and Adjusted EBITDA up 52% versus PCP.

"Along with disciplined capital management we are now seeing revenue growth and have upgraded our FY24 Adjusted EBITDA guidance to \$126m-\$132m post the sale of UK Mortgages (equivalent to \$135-\$141m before asset sales), a 9% uplift from the last guidance provided on 1 May 2024.

"Through the sale of non-strategic assets, including our UK Mortgages early in the second half, we have considerably strengthened our balance sheet which now sits within our target range at 1.2x leverage. Pleasingly, we now plan to reinstate a final dividend for FY24."

1H24 results¹

	1H23	1H24	% vs pcp
Revenue	\$311.6m	\$309.0	(1%)
Operating costs	(\$267.6m)	(\$242m)	(10%)
Adjusted EBITDA	\$44.0m	\$67.0	52%
Adjusted EBITDA Margin	14.1%	21.7%	760bps
NPATA	\$4.5m	\$17.2m	>100%

Transformation progress

Iress' transformation is delivering a stronger and more streamlined business with improved financial returns. Pro forma revenue² increased 4% on PCP to \$302.4 million, with headline revenue decreasing by 1% due to

¹ Prior Corresponding Period - 1H23

² Detailed financial results table in appendix.

³ Pro forma is defined as revenue or costs from business that continued for the full period, ie excludes Platforms, MFA and Pulse.

asset sales. The increase was driven by the implementation of a refreshed pricing framework and investment into bolstering sales and account management capabilities within the business units. A strong improvement in the UK business under renewed leadership has also seen improved earnings, and the renewal of several notable Wealth clients with a contract value of \$A84m over the next five years.

Iress is resetting its cost base, delivering a 4% reduction in pro forma operating costs to \$236.9 million, despite a high inflationary environment. This was achieved through operating model enhancements and an 11% headcount reduction which reduced staff costs by 5% (\$8m) with the full benefit to flow through into the second half of FY24. Non-wage opex was also reduced, offsetting inflationary impacts from third-party vendors. Revenue per employee has also grown to \$360k (annualised) from \$300k in 1H23³. Iress continues to operate with an embedded culture of cost discipline across all businesses and a focus on non-wage opex.

During the half year, Iress sold its UK Mortgages business for a total gross cash consideration of £85 million (\$A167 million, net sales proceeds of \$A147 million⁴), with the sale completing on 1 August 2024. Iress also successfully sold its Platform and Pulse businesses, with all proceeds being used to retire debt and providing greater capacity to focus on core competencies.

Balance sheet & dividend

Iress' transformation is delivering improved earnings as it becomes a leaner, more streamlined business. The proceeds from asset sales coupled with improved free cash flow, have significantly deleveraged the company, bringing its debt leverage ratio to 1.2x, within the target range of 1.0-1.5x.

Dividends will be reinstated, with a full year dividend to be paid in March 2025.

Outlook and guidance

(\$Aum)	Previous guidance	Upgraded guidance	Post asset sales ⁵
FY24 Adjusted EBITDA	\$122m - \$132m	\$135 - \$141m	\$126m - \$132m

Investor call

Investors can participate in the teleconference by registering [here](#). Alternatively, if you would like to listen to the audio webcast, please register [here](#). Please note, you will not be able to ask questions via the webcast. A recording of the call will be provided in the Investor section of our Iress website from Tuesday 20 August 2024.

This announcement has been approved by the Iress Board.

Ends

³ Revenue per full-time employee annualised; for businesses that continued in the half-year

⁴ FX rates as of 1 August 2024

⁵ Includes sale of UK Mortgages on 1 August 2024

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About Iress

Iress (IRE.ASX) is a technology company providing software to the financial services industry. We provide software and services for trading & market data, financial advice, investment management, superannuation, life & pensions and data intelligence in Asia-Pacific, North America, Africa, the UK and Europe.

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