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19 August 2021

ASX Market Announcements Office
Australian Securities Exchange Limited

Dear Sir/Madam

ASX Market Announcement

In accordance with the ASX Listing Rules, Integrated Research Limited (ASX: IRI) encloses for release to the market:

- FY2021 Financial Year Results

to be followed by release to the market of:

- FY2021 Financial Results Briefing

By authority of the Board

David Purdue
Company Secretary
Integrated Research Limited
ABN: 76 003 588 449

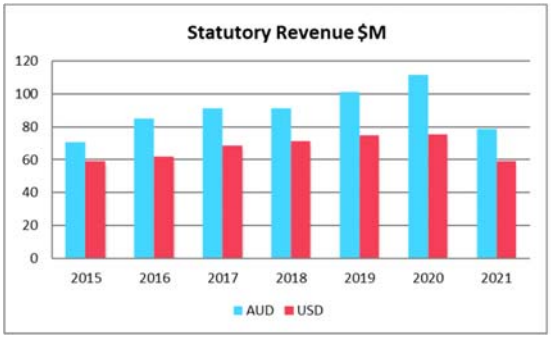
MARKET RELEASE

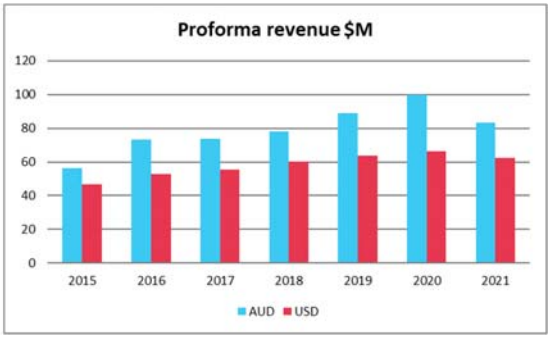
Integrated Research Limited 2021 Financial Year Results

Sydney, Australia, 19 August 2021 – Integrated Research (ASX:IRI) the leading global provider of user experience and performance management solutions for Unified Communications, Payments and IT Infrastructure today released its results for the financial year ended 30 June 2021.

The Company achieved a positive momentum shift in the second half of the financial year to post annual revenue of $78.5 million and annual profit after tax of $7.9 million. This momentum shift was across all product lines but was insufficient to facilitate growth over the prior year. The second half result saw revenue of $44.4 million and profit of $7.8 million. The stronger second half results indicate that the recovery plan improved performance. As communicated in the February results release, the on-going global uncertainty around COVID-19 and other geo-political uncertainties saw typical sales cycles lengthen and some customers deferring purchasing decisions. The release, and initial success of new cloud solutions during the year positions the Company for future growth.

The following charts highlight the Company's revenue in both Australian and US currencies for the 2021 financial year and the six years prior.





The proforma chart above provides an alternate view of revenue by converting term licence and maintenance revenue to a subscription basis and adding other revenue streams including testing solutions and professional services revenue.

The strengthening Australian dollar during the year impacted the results in two ways. Firstly, the revaluation of foreign currency denominated assets resulted in unrealised losses of $1.9 million for the year. Secondly, the translation of offshore revenues at higher exchange rates lowering reported revenues. In constant currency, revenue for the year would have been $85.8 million compared to the reported revenue of $78.5 million. Removing the effects from both currency revaluation and currency translation would see profit after tax of $11.9 million compared to the reported result of $7.9 million.

The Company continued its transformation journey with the launch of new cloud-based products to drive long term growth and recurring subscription revenues. New and existing customers licenced these solutions, to support their Microsoft Teams and Zoom environments. In June, a new solution for Webex was released.

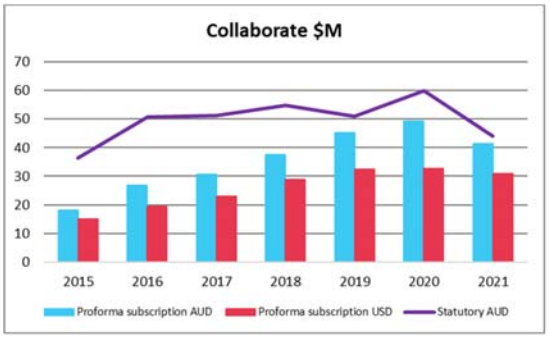
IR has extended its partnership with ACI Worldwide to enrich omni-channel payment analytics capabilities that are part of the ACI Omni-Commerce solution. IR Transact enables merchants to access and analyse large sets of transaction data in real time. This powerful solution provides extensive

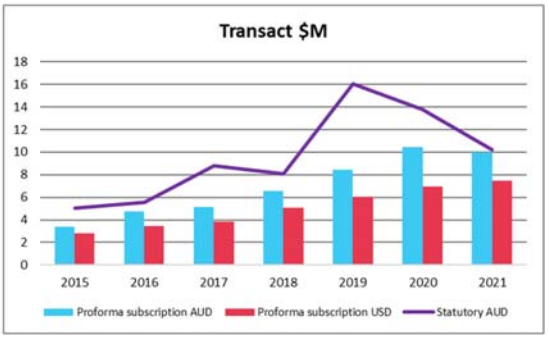
visibility into payment trends, helping to deliver rich insights that unlock new opportunities and drive business growth. IR Transact draws on decades of domain expertise to provide dynamic analytics, self-service dashboard customisation, and extensive data exploration, all provided as-a-service.

There were 27 new customers added during the period. The largest of these was with FedEx who licenced Collaborate for their Cisco environment. Other significant sales during the year came from major brands such as ACI, BT, CIGNA, Deutsche Telekom, HCL, MasterCard, Pulse, and VISA.

Peter Lloyd, Chairman of Integrated Research said, "The Company is well placed to execute on its strategy over the medium term. Despite the headwinds brought about by the pandemic and other macro-economic challenges, we have remained firm to our innovation agenda through the release of new solutions to meet future demand."

John Ruthven, Chief Executive Officer said, "The annual results were disappointing and below expectations. It was pleasing to see a recovery in the second half but was insufficient to make up for the lost ground in the first half. As we transition into FY22, our focus is on leveraging the success of new products launched last year. We have revamped our go-to-market to drive focus on demand generation and new customer acquisition, as well as retaining our existing customers."





The Company's business model will evolve as cloud and hybrid solutions continue to gain traction in the market. The Company will report proforma revenue to convey the underlying performance of the business. The key operating metric for underlying performance will be Total Contract Value (TCV). This consists of on-premise licences (including attached maintenance), SaaS, Testing, and professional services.

Total expenses were down 12% to $68.7 million reflective of tight cost control. The Company, however, continued to invest in product innovation with gross spend on research and development of $21.3 million, representing 27% of revenue (FY20:20%). Total staff numbers finished the year at 240 (FY20: 266).

The Company achieved a bounce back in margin performance in the second half of the year. The annual EBITDA margin was 28% (FY20: 39%) with the second half EBITDA margin posted at 39% (FY20 2H: 38%). The Company's annual NPAT margin was 10% (FY20: 22%) with the second half NPAT margin posted at 18% (FY20 2H: 21%).

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

Financial result highlights ($'000)	FY2021	FY2020	Change
Revenue from licence fees	47,359	72,098	(34%)
Revenue from maintenance fees	18,128	23,945	(24%)
Revenue from subscription fees	312	697	(55%)
Revenue from testing solution services	4,318	5,543	(22%)
Revenue from professional services	8,376	8,630	(3%)
Total revenue	78,493	110,913	(29%)
Research & development expenses (net)	19,101	17,388	10%
Sales & marketing expenses	43,378	54,560	(20%)
General and administrative expenses	6,235	6,232	0%
Total expenses	68,714	78,180	(12%)
Other gains/(losses)	(1,310)	(1,868)	(30%)
Earnings before interest and tax	8,469	30,865	(73%)
Net profit before income tax	9,307	31,471	(70%)
Net profit after income tax	7,935	24,054	(67%)

Dividends

The Company's net cash position on 30 June 2021 was $5.5 million (30 June 20: $4.7 million). To preserve capital for growth, the Board has not declared a final dividend.

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About Integrated Research (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 largest 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 .