



Iress: Under Pressure from Investors to Achieve Better Returns

ASX Code	IRE
Meeting Time/Date	11.30am, Thursday 6 May 2021
Type of Meeting	Hybrid (Physical and Online)
Monitor	Eric Pascoe assisted by Paul Fanning & Norm West
Pre AGM Meeting?	Yes, with CEO Andrew Walsh & CFO John Harris

What the Company Does

IRESS Limited (IRE) is a leading technology company, providing software to the financial services industry. They provide software and services for trading & market data, financial advice, investment management, mortgages, superannuation, life & pensions and data intelligence. Their software is used by more than 9,000 businesses and 500,000 users globally. IRE has over 2,000 people based in Asia-Pacific, North America, Africa, the UK and Europe

Developments in the Financial Year

Covid 19 presented mixed outcomes for Iress in 2020. Client service and staff welfare became priorities and presented new challenges for the company. Growth ambitions had to be put on hold in some circumstances but Covid also presented Iress with an opportunity to showcase its capability with its technology, digital tools and cloud computing.

Operating Revenue rose a creditable 7% to \$542.6 million but they could not contain their costs and so Net Profit was down 9.2% to \$59.1 million. EPS was down 14.7% to 32.3 cents after the company had a rights issue midyear to help pay for acquisitions and as a conservative reaction to Covid.

Iress added two senior staff to its executive ranks and experienced continued board renewal with two board members plus the Chairman resigning at the end of the AGM. Two new directors joined the board last year and a new Chairman elect was voted in at the meeting.

Summary of Historical ASA Issues with the Company

For some years the ASA has been complaining of an apparent lack of financial discipline at Iress. They have enjoyed strong growth in sales every year for a decade but too little of it gets to the bottom-line meaning shareholder returns over that time have been flat. This year many other shareholders joined the chorus of voices calling for an improvement in the company's return metrics such as ROIC, ROE and TSR.

Last year the ASA voted against the remuneration report because it gave the CEO an 11% pay increase at the height of the Covid outbreak in Australia. We thought that was an example of poor financial judgement.

Debate and Voting at the AGM

It is evident that Iress has been getting a lot of feedback from Shareholders unhappy with the returns coming from the company. The ASA firmly stated that it is time we saw tangible evidence that the board was focussing on important metrics such as ROIC, ROE and TSR.

The CEO acknowledged in his presentation the importance of achieving satisfactory ROIC and EPS growth and the Chairman response to our question was "It's our number one issue".

Controversy also surrounded the election of Mr Roger Sharp as a director and the company's ambition to appoint him Chairman immediately following his election. The ASA rated Mr Sharp to be too busy for the role and our policy is that directors should sit on a board for 12 months before assuming the role of Chairman. Both are very practical views and have important ramifications for the effectiveness of the Chairman.

Mr Sharp announced he has resigned from two of his other most senior roles, gave an undertaking to spend 40% of his time on Iress (and 40% on his other major chairmanship, Webjet). He had also been head hunted for the role because of his extensive experience with technology companies. He has known about his potential appointment since October last year and consequently spent an inordinate amount of time since, being inducted into Iress. If Mr Sharp had failed in his bid to join the board it would have also left Iress in a precarious position with their incumbent Chairman resigning at the end of the meeting. After discussion between the 3 ASA representatives present, we decided that our voice had been heard loud and clear but on balance to vote for Mr Sharp's election.

The ASA was unhappy with the remuneration report because the CEO didn't have enough of his potential pay at risk (only 35%) and the hurdles for receiving that at risk portion were soft. The ASA voted against the Remuneration report and the company almost received a first strike with only 77.11% of the vote in favour. However, there was some evidence that others voted against the Remuneration report in protest over the poor Earnings Per Share figures realised in 2020.

Outlook Statements from the Company

As discussed above, Iress has always been good at achieving revenue growth and again they are predicting that to be in the 7 to 10% range in 2021. The year has started well. The challenge for investors is to assess whether management has learnt their lesson and can from now contain their costs and show improving returns to shareholders. They have certainly received strong feedback from every quarter, including the ASA, that this needs to happen.

The CEO appears confident that as they integrate their many acquisitions, Iress' offer to its customers is becoming increasingly enhanced and, he believes, will produce improved margins in the future.

Meeting Statistics

Number of Holdings Represented by ASA	61 shareholders
Number of Shares represented by ASA	291,394 votes
Value of Shares represented by ASA	\$2.92 m
Number Attending Meeting	14 shareholders plus 55 visitors
Market capitalisation	\$2,025 M.
Were proxies voted?	Yes, on a poll

Monitor Shareholding

The individual involved in the preparation of this AGM Report has no shareholding in this company.

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