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COSTS GOBBLE UP AN IMPRESSIVE REVENUE EFFORT YET AGAIN AT IRESS

Company/ASX Code	**Iress Ltd (IRE)**
AGM date	Thursday 7th May 2020
Time and location	11.30am level 1,10 Shelley St. Sydney, NSW (attendance on-line only)
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Eric Pascoe assisted by Norm West & Paul Fanning
Pre AGM-Meeting?	Yes, with John Harris CFO & Simon Conroy Head Financial Planning & Analysis

The individual involved in the preparation of this voting intention does not have a shareholding in this company.

Item 1	**Consideration of accounts and reports**
ASA Vote	No vote required

Summary of ASA Position

Operating Revenue jumped 10% to $508.9m (previously $464.6) extending a handsome run over the last 10 years and "Segment" Profit, meant to show the underlying profit, was also up 10% to $152.1m. Sadly, that exceptional revenue performance got frittered away yet again. Reported NPAT is up just 2% whilst Earnings Per Share was up just 1% from 37.6c in 2018 to 37.9c in 2019.

The company blamed the acquisition of QuantHouse during the year and a change in accounting rules primarily for their increased costs but, like previous years, the continued increase in staff costs was significant.

Governance and culture

One gets the feeling that Iress' governance is good which is what you would expect with a former CEO of the ASX in Mr. Tony D'Aloisio as Chairman.

The culture of the company, which is probably more influenced by the CEO, is that of a young, hip technology company. Characterised by a love of hi-tech, casual dress and fluid work groups. To their credit they also appear to have a very strong customer focus and love turning their creative minds to problem solving for customers. This style of culture seems to suit the company and manifests itself in excellent sales success as they stay at the technological forefront of their industry.

But does that culture lack the financial discipline that makes good companies great? Not enough of Iress' sales success gets through to Earnings per Share.

Financial performance including dividends and shareholder returns

Over the last 10 years Iress' Sales Revenue has more than doubled. Its Earnings per share and Cashflow per share have been relatively flat whilst Return on Equity and Return on Capital have fallen by 62% and 76% respectively to just 15.4% and 10%.

The company judged last year's TSR to be 23.5%. 19% due to the uplift in share price and a 4.5% dividend. This uplift has been eroded since balance date and the dividend declared is flat at 46c. Shareholders who are able to benefit from franking credits saw their cash return actually go backwards with the franking on the interim dividend dropping from 60% in 2018 to just 10% in 2019.

Key events such as restructures, acquisitions, buy backs and capital raisings

In May 2019 Iress acquired QuantHouse which provides international market data and is very complimentary to the Iress business. Iress attributed part of its much-improved sales performance to business generated by QuantHouse. Unfortunately, the costs associated with the acquisition also detracted from their profit performance.

Key Board or senior management changes

Effective 1st February Trudy Vonhoff and Michael Dwyer joined the board of Iress temporarily increasing the size of the board to 10. However, Jenny Seabrook who has been a director since 2008 will step down from the board at the upcoming AGM.

Summary

(As at FYE)	**2019**	**2018**	**2017**	**2016**	**2015**
NPAT ($m)	$65.1	$64.1	$59.8	$59.45	$55.4
UPAT ($m)	N/A	N/A	N/A	N/A	N/A
Share price ($)	$13.10	$11.12	$11.58	$11.87	$10.00
Dividend (cents)	46c	46c	44c	44c	42.7c
TSR (%)	21.9%	(0.17%)	1.3%	22.97%	(2.97%)
EPS (cents)	37.9c	37.6c	35.4c	37c	35.2c
CEO total remuneration, actual ($m)	$2.8	$1.8	$2.6	$2.5	$3.4

For 2019, the CEO's total actual remuneration was **31 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2019 data from the Australian Bureau of Statistics).

Item 2 (Resolution 1)	Election of Mr. Michael Dwyer as a Director
ASA Vote	**For**

Summary of ASA Position

Mr. Dwyer was the CEO of First State Super for 14 years and has 35 years' experience in superannuation and finance. He is currently a director of the New South Wales Treasury Corporation, WSC Group, the Global Advisory Council of Tobacco Free Portfolios and the Sydney Financial Forum. He joined the board on 1st February 2020 and is now up for election for the first time.

Shareholders have been given ~~no~~ a general explanation as to why Mr. Dwyer has been approached to be a director and what qualities he might bring to the role. ~~The board is taking shareholders for granted just expecting them to rubber stamp the board's decision~~. We ~~have written~~wrote to the Chairman requesting a fuller explanation as to why they have chosen Mr. Dwyer and as a result of Mr D'Aloisio's response have greater clarity of the link between Mr Dwyer's experience (CEO, strategy, superannuation, funds management, government. Substantial Executive and Nonexecutive Director) and the company's relatively recent expansion into the Superannuation area.~~.~~

Item 3(Resolution 2)	Election of Ms. Trudy Vonhoff as a Director
ASA Vote	**For**

Summary of ASA Position

Ms. Vonhoff is currently a director of Credit Corp Group and Cuscal Ltd. She has previously held directorships with AMP Bank and Ruralco Holdings. She has 20 years' experience in retail banking, financial markets and investment. For 13 years she held senior executive roles at Westpac and AMP.

Again after communication with the Chair, we have greater clarity of the link between Ms Vonhoff's experience (Investment, retail banking, risk, technology, agribusiness, financial markets. Substantial Executive and Non-Executive Director experience) and how it fits into the board skills matrix, replacing some of the skill previously provided by MS Seabrook who retires from the director role.~~Again, the ASA has no reason to oppose Ms. Vonhoff's election except in protest over the board's treatment of shareholders in that they give no insight into why Ms. Vonhoff has been chosen. We await further explanation from the Chairman~~.

Item 4 (resolution 3)	Adoption of Remuneration Report
ASA Vote	**Against**

Summary of ASA Position

Iress introduced a new framework in 2019 for the remuneration of its executive team including the CEO. The board claimed that Iress had changed and that Iress' remuneration structure also needed to change to keep pace and attract quality leadership. They were also cognisant of achieving strong shareholder alignment. With the benefit of an end of year review in 2019 the board is proceeding with this new framework.

The CEO's pay structure is made up of 32% cash, 33% Equity Rights and 35% Performance Rights. The Equity Rights are granted immediately and vest over 2 years but are subject to a holding lock for a further 2 years. They are based on a set amount of money being divided by a VWAP share price calculated over the same period annually. The only effective tests are longevity, acceptable performance (individual and corporate) and appropriate behaviour.

The Performance Rights are priced by the same VWAP method. They vest after 3 years based on Absolute Total Shareholder Return (ATSR) commencing at 50% for 6.5% ATSR (Compound Annual Growth Rate over 3 years) scaled through to 100% for 10% ATSR.

Senior executives have a similar pay structure to the CEO and all executives are required to hold sizeable amounts of shares after 5 years (MSR: Minimum Shareholding Requirement). For the CEO the MSR is 400% of his base salary and for other executives it is 225%.

The board retains a very large degree of discretion over the pay structure of all executives including the ability to put a holding lock on shares issued, redefine Performance Rights targets, withhold payments and even claw back payments in certain circumstances mainly based around egregious behaviour on the part of the executive.

The board also wants to increase the CEO's potential income by $300,000 or 11%. They have nominated that this potential increase should apply to Equity Rights increasing by $120,000 and Performance Rights $180,000.

The ASA disagrees with the CEO receiving an increase. The new remuneration package is just 12 months old, there is existing opportunity for the CEO to maximise his salary through good performance, an 11% increase is outrageous in these low inflationary times and Iress has a disappointing history of spiralling staff costs. While we understand the decision was made prior, t~~T~~he current Covid-19 outbreak and associated widespread unemployment just makes a wage increase so much less palatable.

~~The ASA has written to the Chairman. If Iress withdraws the proposed increase in the CEO's salary the ASA will vote for an otherwise sound Remuneration Report.~~

CEO rem. Framework	Max. Opportunity $m	% of Total
Fixed Remuneration	1.0	32%
STI – Cash	N/A	N/A
STI – Equity	1.009	33%
LTI	1.069	35%
Total	3.078	100%

Item 5(resolution 4)	A) Approval of Grant of Equity Rights to the Managing Director and CEO
ASA Vote	**Against**

Summary of ASA Position

Equity Rights represent 33% of the CEO's potential salary, they vest after 2 years subject to continued service and acceptable individual performance. There is a holding lock on the shares for another 2 years after vesting and remain subject to potential clawback.

The board has seen fit to increase the potential of the Equity Rights granted by $120,000 this year. ~~If the board proceeds with the proposed increase then the~~ ASA will oppose this resolution.

Item 5(Resolution 4)	B) Approval of Grant of Performance Rights to the Managing Director and CEO.
ASA Vote	**Against**

Summary of ASA Position

Performance Rights represent 35% of the CEO's total remuneration potential. They are determined by an appropriate VWAP mechanism. They are subject to Iress' Absolute Total Shareholder Return calculation over a 3-year performance period. 50% of the Rights vest if the compound annual growth of its TSR is greater than 6.5% (which perhaps is a bit low) rising to 100% for a 10% growth rate.

The ASA's only reason for not supporting the granting of the CEO's Performance Rights is that the board is proposing to increase the potential by $180,000 to $1,068,889.

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