Australian Shareholders' Association

Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

Company	Iress Ltd
Code	IRE
Meeting	AGM
Date	2 May 2019
Venue	RACV Club 501 Bourke St. Melbourne
Monitor	Eric Pascoe and Norm West

Number attendees at meeting	58
Number of holdings represented by ASA	42
Value of proxies	$2.485M
Number of shares represented by ASA	170,916 (outside the top 20 shareholders)
Market capitalisation	$2.54 billion
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with CFO John Harris

A very supportive AGM following a good year for Iress Ltd.

Last year at Iress' AGM the ASA spoke up about the linear decline in their Operating Margin over 10 years caused by the ever-rising tide of expenses. We compared their actual poor performance to their on-going promise of achieving Operating Leverage as they consolidated their business around the world. We thought at the time Iress was at risk of losing its market status as a growth stock. It was trading on a price/earnings ratio (P/E) of 28 times in May 2018.

Jump forward 12 months to May 2019. Iress had a good year lifting revenue 8% to $464.6m and Net Profit up 7% to $64.1m. Subsequent to announcing their results Iress share price has risen and their P/E ratio has blown out to approx. 34.5 times.

In the last 12 months Iress achieved stability in its Operating Margin and even a slight uptick. At the AGM the CEO touted Iress' low customer churn and that approximately 90% of their revenue is recurring, much of it contracted, as outstanding features of their business. They also cited their cash conversion and conservative gearing as strong points.

It was also pointed out to the ASA by the CFO John Harris at our annual pre-AGM discussion that Iress expenses most of its Product and Technology costs annually. Iress could capitalise a large amount of these costs and amortise them over a longer period but chooses not to. This directly affects its Expenses and stated Net Profit in the short term.

The mood of the meeting reflected Iress' recent share market performance. The mood was upbeat and every resolution passed with an incredibly high percentage of votes in favour of the motions. The ASA joined the throng and also voted favourably for every resolution.

Firstly Mr D'Aloisio and Mr Cameron were re-elected with 98.98% and 99.16% of the vote respectively in favour.

Iress totally overhauled their remuneration report and in a bold move radically simplified the executive pay structure. The ASA pointed out that some new features of the remuneration plan didn't comply with ASA policy (e.g. shortening of testing periods for Performance Rights). However, the very strong thrust of aligning Executive Remuneration with shareholder interests, basing a large percentage of Executive pay on actual Absolute Total Shareholder Return and the simplification of the pay structure won the day. The vote in favour of the remuneration report was 98.73%.

Resolution 4 was to increase Non-Executive Directors Remuneration and this went hand in glove with Resolution 5 which sort to amend the constitution to allow an increase in the maximum allowable number of Directors from 8 to 10. The ASA's stated policy is to allow board's headroom to appoint the number of Directors they need to be effective. Resolutions 4 and 5 were passed with 99.66% and 99.93% in favour respectively.

Resolutions 6, 7A and 7B dealt with the Granting of Deferred Share Rights under the old pay structure and the Granting of Equity and Performance Rights under the new pay structure to the CEO. There was no questions or debate from the floor and the resolutions were each passed again with astounding majorities at 99.55%, 98.96% and 99.24% respectively.

ASA member Norm West also questioned the Chair regarding the departure of ASX Ltd from Iress' share registry in March. The ASX Ltd had owned approximately 20% of Iress and has a business arrangement in that it sells Iress its trading data.

Mr D'Aloisio acknowledged that the ASX had been a very important foundation stakeholder in Iress but perhaps that need had passed as Iress had grown. He said the ASX had stated clearly that it was not unhappy with its holding in Iress but rather that it no longer saw the holding as core to its business. He said the added liquidity in the stock had been welcome with new investors coming on board and others increasing their holdings.