

IRESS Limited (IRE) 2018 AGM report

Company/ASX Code :	IRESS Limited (IRE)
Venue :	11.30 am RACV City Club 501 Bourke Street Melbourne, Victoria
Monitor :	Mr Eric Pascoe
AGM Details / NoM :	Thursday 3rd May, 2018
# of Attendees :	65
# Holdings represented by ASA :	48
Value of Proxies :	\$2.4m
# Shares Represented by ASA :	215,984
Market Capitalisation :	\$1.9 billion

The trend is not their friend at Iress

The most worrying feature of Iress' end of year result is the substantial and persistent increase in their expenses, the worst example of which is their compound increase in staff costs over a number of years.

Iress, on a price/earnings ratio of approximately 28 times, is valued by the market as a growth stock and they have an excellent track record of revenue growth but a poor track record of converting that growth to increased profits. The ASA highlighted these facts and the worrying decline in Iress' Operating Margin over many years, at the AGM. Interestingly an independent small shareholder also took up the theme of increasing employee costs.

Iress' 'promise' to shareholders is that it will "continue to concentrate on scale and efficiency through operational leverage" to grow its profits. The ASA suggested that Iress is at a "tipping point" and from here has to fulfil its promise or potentially face a rerating by the share market.

The ASA also went to the AGM undecided whether to vote for returning independent director Nikki Beattie because of her apparent excessive workload and remoteness (she is domiciled in the UK). We were concerned she wouldn't have the time or access to enable her to fulfil her director's duties fully.

The Chairman Mr Tony D'Aloisio jumped to Ms Beattie's defence and said her presence in the UK was essential. Ms Beattie also gave an articulate account of herself and her role on the board impressing the ASA monitors in attendance and we voted for her re-election.

The ASA supported the reappointment of three other directors and supported the remuneration report which overall fits well with ASA guidelines.

The ASA asked questions of the auditor and raised a Key Audit Matter in the accounts. We also expressed our dissatisfaction with the board granting themselves a 20% pay increase in 2017 whilst reducing their number of board meetings by 40% from 10 to just 6 for the year.

The AGM was modest in size and friendly in tone. The ASA is treated very well at Iress but its vote is overwhelmed by the chair. The Iress share register is dominated by institutions and the Chairman appears to have the proxy vote of the majority of those players. All resolutions passed easily in the affirmative.