

IRESS Limited (IRE) 2018 AGM voting intentions

Company/ASX Code :	IRESS Limited (IRE)
Registry :	Link Market Services
Poll/Show of Hands :	Poll
Webcast :	No
Venue :	11.30 am RACV City Club 501 Bourke Street Melbourne, Victoria
Monitor :	Mr Eric Pascoe
AGM Details / NoM :	Thursday 3rd May, 2018

Iress wrestles a competitive environment

This company is monitored by Eric Pascoe, assisted by Norm West & Barbara Tadich. The monitor held a pre-AGM meeting with John Harris CFO Iress Ltd, Simon Conroy Head Financial Planning and Analysis

Item 1 Consideration of accounts and reports

ASA Position

IRESS has three main divisions: Financial Markets, Wealth Management and Enterprise Lending. IRESS' main activities consist of the provision of information, trading, compliance, order management, portfolio and wealth management, and lending systems and related tools. IRESS' aim is to build leading software solutions and provide quality delivery in order to achieve positions of scale across diversified markets. Expansion has been achieved through regular bolt on acquisitions leaving a large 'Goodwill' figure on the balance sheet (Intangibles \$547m) and through organic growth.

Not Applicable

Group Revenue in 2017 was \$429.9m, up 10% on the prior year (\$389.7m: 2016) but Net Profit only rose 1% to \$59.8m (\$59.5: 2016). APAC's (Australia, NZ and Asia) revenue growth was strong up 16% realising the benefits of an acquisition whilst the UK's revenue went backwards by 5%. South Africa's revenue jumped an amazing 49% also on the back of a recent acquisition. Growth in expenses undermined the Iress result however jumping 13% on the prior year and 39% in 3 years. The major contributor was Employee Expenses which have risen 15% and 43% respectively over the same periods. Over the last 8 years Iress' Operating Margin has fallen steadily each year from 53.3% in 2010 to 25.3% last year. In 2017 APAC produced 56% of group revenue, UK dropped to 30% (previously 35%), South Africa 10% and Canada 4%. Earnings per share declined from 37c to 35.4c but the dividend and franking credit were both held steady at 44c and 60% respectively.

Surprisingly, IRESS held just 6 director meetings through 2017 compared to 10 during 2016. The ASA wonders whether meetings every other month is sufficient to provide oversight and guidance to a company operating in this sector.

Key Events

Iress successfully refinanced its \$300 million debt facility during the year extending the term to maturity out to November 2021.

They also sold their Superannuation Administration Business to Mainstream PBO for \$3.3 million realising neither a gain nor a loss (before transaction costs) from the sale.

Key Board and Senior Management Changes

Julie Fahey was appointed as an additional board member on the 6th October 2017 and is up for election at the AGM. Ms Fahey's background has been in technology and she has worked for companies such as Western Mining, Exxon, Roy Morgan, General Motors and SAP over the last 30 years. She is currently a director of SEEK and Vocus group among others. Amongst the executive Andrew Todd became the Chief Technology Officer whilst Chief Operating Officer Steve Barnes and Group Executive Financial Markets Matt Rady left the business.

ASA Focus Issues

The company's remuneration disclosure is comprehensive. It makes an effort to maintain transparency and best practice. The CEO's LTR's are based on market value (VWAP for 5 days after the AGM), vest according to a Relative TSR scale and are tested over 4 years. Iress publishes a table of Actual Remuneration Realised for the executive team. Most key personnel have holdings in the company with the exception of one director who just joined the board last October. Three of the seven non-executive directors are women.

Summary

(As at Calendar YE) 2017	2017	2016	2015
NPAT (\$m)	\$59.8	\$59.45	\$55.4
UPAT (\$m)	N/A	N/A	N/A
Share price (\$) (31 st Dec Annually)	\$11.58	\$11.87	\$10.00
Dividend (cents)	44c	44c	42.7c
TSR (%)	1.3%	22.97%	(2.79%)
EPS (cents)	35.4c	37.0c	35.2c
CEO total remuneration, actual (\$m)	\$3,308	\$3,725	\$3,388

For 2017, the CEO's total actual remuneration was 39 times the Australian Full Time Adult Average Weekly Total Earnings (based on November 2017 data from the Australian Bureau of Statistics).

Resolution 1 Re-election of Ms Niki Beattie

ASA Position

Ms Beattie is a non-executive director of the company and is a member of the People and Performance Committee. She has been a director since 1st February 2015 and is considered an independent director. She is based in Europe. Ms Beattie has 25 years' experience in financial technology and capital markets. She is the CEO of her own company and holds two chairmanships. She is also a non-executive director of two other companies. The ASA feels Ms Beattie's work load would make it impossible for her to properly provide a full and appropriate commitment to the oversight of Iress' operations. On March 26th 2017, just after the release of the Iress Notice of AGM was released, Ms Beattie purchased 6,000 shares in Iress having not owned any in the previous 3 years she was on the board.

Undecided

Resolutions 2 to 5 Re-election of directors

ASA Position

Resolution 2 Re-election of Mr John Hayes

John Hayes has been a director of Iress for almost 8 years and is the Chair of the Audit and Risk Committee. He is a Fellow of the CPA Australia and has held many senior roles with leading Australian companies including ASX, Advance Bank and BT Australia. Mr Hayes is considered independent and held 13,788 shares in Iress at 31st December 2017.

For

Resolution 3 Re-election of Mr Geoff Tomlinson

Mr Tomlinson has been a director of Iress for over 3 years and is a member of the Audit and Risk committee. He's had 40 years' experience in financial services including 29 years with National Mutual where he was CEO for 6 years. He has had broad experience in the boardroom. Mr Tomlinson is considered independent and held 8,000 shares in Iress at 31st December 2017.

Resolution 4 Re-election of Ms Julie Fahey

Ms Fahey is a NED who was appointed to the board in October 2017. She sat on the Audit and Risk committee and the People and Performance committee. She has 30 years' experience in technology and has worked for the likes of Western Mining, Exxon, Roy Morgan and General Motors. She is currently a non-executive director of four other companies including SEEK and Vocus group. Ms Fahey is considered independent. At the 31st December 2017 she did not have a shareholding in Iress.

Resolution 5 Remuneration Report

ASA Position

The executive remuneration is made up of fixed and at risk (STI and LTI) components. A significant portion (67% CEO - 50% Other Executives) of potential total remuneration is at risk. The three components of executive remuneration are: Total fixed remuneration (CEO 33%) – does not vary with performance. It includes cash salary, superannuation or pension benefits, and other benefits (e.g. health insurance). Short term incentives (CEO 27%) - linked to annual financial performance and a variety of non-financial performance goals. Achievement of performance against Group profitability targets and satisfaction of individual objectives is required before any payment is made. Approximately two thirds of the STI is paid in deferred share rights which have a three-year continuing service requirement and one third is paid in cash. Long term incentives – awards are based on annual performance of the relevant Executive and vesting is subject to relative total shareholder return (TSR) over a three-year period for Executives and three and four year periods for the CEO. LTIs constitute 40% of the CEO's potential remuneration. The deferred share rights are ineligible to receive dividends or vote during the vesting period and have one retest after the initial measurement date. The company's TSR performance relative to the TSR peer group as at the retest date must exceed performance at the initial measurement date for any additional performance rights to vest on the retest date. Grants to the CEO have three and four-year terms. The exercising of performance rights is 50% at the 50th percentile and continues to 100% maximum at the 75th percentile of relative performance.

For

Significantly in 2016 Iress Ltd moved to use Face Value instead of Fair Value for shares allocated under their LTI and also ceased including the value of Franking Credits in TSR calculations. They have also included an Actual Remuneration table in the Annual

Report which shows that the CEO's total remuneration decreased by 11.2% to \$3,308,364.

There was a notable change to the level of Fixed Remuneration paid to Directors during the year. On the first of July 2017 director's fees increased by approximately 20% although it was the first rise since 2013.

Resolutions 6A and 6B Grant of Deferred Share Rights and Performance Rights to The Managing Director and CEO Mr Andrew Walsh.

ASA Position

The Grant is 53,000 deferred share rights (STI) (subject to a 3-year continuous service condition), 60,000 performance rights (LTI) with a 3-year performance measure (deferred to commence 1-1-19) and 60,000 performance rights(LTI) with a 4-year performance measure commencing 1-1-18. The mix of deferred share rights and performance rights broadly mirrors the mix granted to other senior executives of the company. The rights are subject to performance against relative Total Shareholder Return as well as other non-financial measures. The CEO's total actual remuneration for 2016, including fixed salary of \$1,025,000, is \$3,308,064 as compared to \$3,724,672 in 2016. Mr Walsh acquired 191,843 shares during 2017 and sold 150,000 leaving him with a balance of 412,345 at years' end.

For

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