

Building one of the UK's most trusted providers of business-critical software

Hg first invested in IRIS in 2004, backing a long-term thesis on the growth of compliance software for small and medium sized enterprises (SMEs) and for professionals. Since then, Hg has worked with IRIS to invest in cloud technology and transition the business to a Software-as-a-Service (SaaS) model.

IRIS is a leading UK provider of business-critical software solutions for compliance and regulatory driven industries such as Accountancy, Education, Bookkeeping and Human Capital Management.

Over the last decade, IRIS has become one of the most trusted providers of business-critical software and services to SMEs and accounting professionals in the UK.

Over 21,000 accountancy practices, 10,000 schools/academies and more than 80,000 SMEs, corporates and payroll bureaus rely on IRIS to run their businesses every day.

Whilst partnering with Hg, IRIS has shown strong, consistent growth of 17% per annum over 17 years and completed more than 15 acquisitions, whilst IRIS' enterprise value has grown from £102m in 2004 to over £1.4bn today – nearly 14x growth.

“ Hg is Europe's leading software investor, that means they truly understand our business. They have enabled us to develop best-in-class products, continuously improve customer service and extend our product portfolio, through strategic acquisitions in new and existing markets. ”

Kevin Dady, CEO of IRIS



A 15-year partnership in value creation

Creating a UK software champion in regulatory and compliance software

IRIS is one of the earliest examples of Hg's focus on business-critical software firms operating in attractive, predictable end markets. IRIS is a UK software champion, operating a business model with over 85% of revenues coming from subscriptions.

High customer retention rates are driven by customer needs to comply with consistent regulatory updates: new additional features are delivered within an annual subscription.

By understanding the fundamental characteristics of IRIS and its market, Hg formed a long-term thesis on the secular growth of software for the Tax & Accounting sector and developed a "cluster" investment strategy to make multiple investments into different companies in this space.

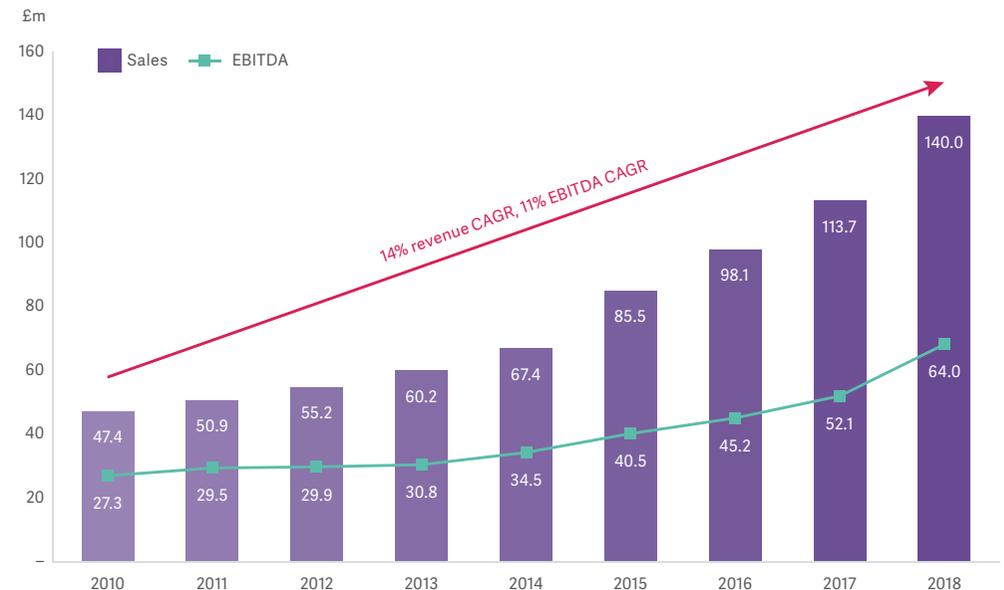
Hg has now invested in 11 platform companies in this cluster and completed over 200 acquisitions in the last 15 years. We currently own businesses worth around \$9bn in this sector including IRIS, Visma and Sovos, all growing faster than their quoted peer group.

This clustered investment focus gives us unique insights and experience which benefit the companies we back, their customers and their employees.

IRIS and Hg working together

IRIS started life providing software only to accounting practices. Management and Hg realised that they could grow the business, and help their core clients, by also providing software to their customers' customer (the SMEs that were served by these accounting practices). Through several strategic acquisitions in bookkeeping, payroll, HR and education, Hg helped IRIS to realise this ambition and expand its addressable market by 600%.

Through its experience with other software businesses, and its US West-Coast contact network, Hg understood the potential of SaaS and cloud technology earlier than most European investors. As early as 2007, Hg pushed IRIS to both develop cloud products and to buy others. Today, the majority of IRIS' customers have access to cloud products, with over 3 million individual users and 30% of group revenues being derived from these products.



15 years of strong performance

By continually staying ahead of technology trends and being prepared to reconsider and reinvent IRIS every few years, management and Hg have delivered 15 years of consistent strong performance. Over this time revenues and EBITDA have grown organically at over

10% p.a. Total growth including M&A has averaged 17% p.a. over this period and IRIS has grown every single year. In the last 15 years, which include the years of the Global Financial Crisis, IRIS has never had a single quarter of negative growth.

IRIS is a growing leader across four specialised segments:

#1

in the UK
Accountancy
sector

#2

in the UK
Education
sector

#3

in the UK
HCM
sector

#4

in the UK for cloud
bookkeeping
for SMEs

Transitioning to one of the UK's largest SaaS companies

Revenue and EBITDA CAGR

17%+

since 2002



Increase in employee numbers

200%

500 to 1,500



Growth of EV

1,000%

£102m to £1.4bn+



2004 - 2011

Reinforcing a subscription-based model, introducing new products and M&A

Hg recognises the value of highly recurring, business-critical, subscription software.

During the initial phase of Hg's investment, the aim was to increase the percentage of subscription renewals and sector share in IRIS' core accounting practice business.

As well as maintaining this solid revenue growth, Hg helped IRIS to sell-through additional products and services into the existing practice client base, providing clients with both the best core product in its market, with a wider choice of other modules & functionality than competitors.

As well as developing new products, Hg also supported a series of M&A transactions, a first for the company at the time, focusing on strategically complementary products for SME customers – payroll, HRM and bookkeeping.

From an organisational point-of-view, by dividing IRIS into clearly defined units with different management teams focused on accounting practices and SMEs, Hg was able to achieve tight customer focus and intimacy, which drove superior performance.



2012 - 2017

Transition to SaaS and further accretive M&A

Hg's decision to re-invest in IRIS in 2011 was driven by a belief that the business could continue to deliver over 10% p.a. revenue and EBITDA growth by using its very high customer engagement to deliver new products and services via cloud subscription and delivery.

IRIS expanded into new areas for core accounting practice customers (e.g. website management, online client portals, cloud document storage) and also further penetrated the SME market – growing IRIS' SME payroll base and developing new propositions in both cloud bookkeeping and HR.

Transitioning to a SaaS model was a key part of this, with many of these newer products developed internally as cloud-based, complemented by strategic cloud product acquisitions.



2018 ▶

Future ambitions – Repeating the Growth Playbook

IRIS has applied a repeatable 'growth playbook' into new sectors over the years: providing core regulatory and compliance products that are at the heart of a customer's business operations - which must be right first time, every time. Over 20 years, IRIS has consistently provided this core regulatory compliance better than any of its competitors. IRIS benefits from this trusted position to drive the adoption of new functionality and modules to existing customers. IRIS remains well-positioned to continue this growth strategy for many years to come - cloud technologies mean this growth could potentially accelerate.

IRIS' scale allows it to invest in state-of-the-art infrastructure, including cloud IT and related analytics. AI embedded into customer products is enhancing customer experience and the ability to analyse and understand their own large pools of data. IRIS' internal use of AI is enhancing operational efficiency and also improving customer service experiences. Hg sees AI and cloud as the fundamentals that will drive the next wave of growth for IRIS for the next 5-10 years.