



ASX Announcement

28 August, 2017

FY2017 RESULTS

- **Net profit \$7.0m**
- **Final dividend 2.5c, fully franked**
- **Composer contract secured with UK retail brand leader**
- **Major institutional bank's transition to Syn~ completed**

GBST (ASX: GBT), a global provider of technology to the financial services industry through its GBST Composer, GBST Syn~ and GBST Shares platforms, today reported net profit of \$7.0m for FY17, compared to \$9.3m in FY16.

As advised in the 21 August 2017 market update, earnings were impacted by increased product development costs to upgrade the group's wealth administration and capital markets software platforms. The company has a strong balance sheet, with cash of \$11.7m at 30 June 2017 and no debt.

Final dividend

The Board has declared a final dividend of 2.5 cents per share fully franked, bringing dividends for the year to 6.2 cents per share fully franked.

Results summary* - full year to 30 June	2017 (\$m)	2016 (\$m)	% Change
Total revenue and other income	88.0	108.1	(19)
Operating EBITDA before strategic R&D	21.8	23.6	(8)
Strategic R&D	9.6	3.6	(169)
Operating EBITDA	12.2	20.0	(39)
Restructure and other non-operating expenses	(0.2)	(2.8)	
EBITDA	12.0	17.2	(30)
Profit before income tax	5.0	9.1	(45)
Income tax credit	2.0	0.2	
Profit after income tax	7.0	9.3	(25)
Adjusted NPAT	10.5	13.4	(22)

*To be read in conjunction with the GBST financial report for the period ending 30 June 2017.

GBST Managing Director and CEO, Robert DeDominicis, said: "Despite challenges, the result demonstrates the strengths of our recurring revenue business model and the cash-generative nature of the business.

"Highlights of the year included securing a new UK client, which will exploit Composer's digital consumer marketing capabilities through a cloud-based deployment. Delivery of the new Aegon/Cofunds platform is progressing well. Once complete, this will be the UK's largest platform business. More than 800,000 policies will be migrated onto Composer.

"In Australia, our Mainstream BPO partnership launched successfully, and a Global100 asset manager has been migrated onto Composer, with a further migration about to commence. Capital markets revenue was lower in a competitive environment, and earnings were affected by increased investment in Syn~.

"Following restructure the international capital markets business is now profitable. This was especially pleasing after several years of product investment and business development."

United Kingdom – Wealth Management	2017 \$m	2016 \$m	% Change
Revenue	32.5	43.9	(26)
Operating EBITDA before strategic R&D	4.2	10.3	(60)

Delays to existing client projects impacted services revenue from Composer. These were unrelated to E-VOLVE. Recurring licence revenue increased to 54% of the total from 47% in the previous year. Operating EBITDA before strategic R&D was lower, reflecting adverse foreign exchange movements and the lower revenue from services.

Transition of the Cofunds legacy platform onto Aegon's Composer platform is continuing, and will deliver new features and capabilities for Cofunds users including access to a wider range of investments, reduced manual processes, and increased efficiency and operational performance.

Composer secures new client

During the year, GBST secured a five-year contract to support a retail brand leader in the UK. Commenting, Robert DeDominicis said: "We were pleased to secure a significant new Composer contract under a software as a service (SaaS) model which is strategically important for GBST.

"Regulatory changes continue to drive business, and new initiatives are being planned that will require financial services organisations to upgrade legacy systems to meet their obligations. Customers' demands can be met only through technology, which reduces administration costs and provides an enhanced digital experience. We are pursuing several growth opportunities that, will benefit our business."

Composer product improvements during the year included new services for wrap and platform providers such as Lifetime ISAs¹, which help savings providers to facilitate subscriptions and transfers. These were extremely well received by clients.

¹ Individual Savings Accounts (ISAs) allow savers to invest money without paying tax on interest or on investment returns.

Australia – Wealth Management	2017 \$m	2016 \$m	% Change
Revenue	16.6	17.8	(7)
Operating EBITDA before strategic R&D	8.5	5.6	52

Wealth Management activity was lower in the second half following the completion of major projects. Operating EBITDA before strategic R&D was \$8.5m compared to \$5.6m in the previous year reflecting benefits from tight cost controls.

GBST enters business process outsourcing market

Robert DeDominicis said: "Our partnership with Mainstream BPO providing third party administration services using Composer has provided access to the \$2.4 trillion Australian funds management industry. Our new FundGateway product which supports funds through secure business-to-business messaging services also opens up a conduit for new business."

GBST completed installations of ComposerWeb for the Mainstream BPO offering and for a leading international fund manager, as well as migration projects for the wealth management arm of a major retail bank.

Total Wealth Management (UK+AU)	2017 \$m	2016 \$m	% Change
Revenue	49.1	61.7	(20)
Operating EBITDA before strategic R&D	12.7	15.9	(21)
Strategic R&D	6.5	2.6	(146)
Operating EBITDA	6.2	13.3	(54)

Lower operating EBITDA reflected the significant ongoing investment in development of Composer and ComposerWeb for the UK and Australian markets, which is essential to maintain GBST's product leadership position.

Australia – Capital Markets	2017 \$m	2016 \$m	% Change
Revenue	24.9	32.7	(24)
Operating EBITDA before strategic R&D	7.5	12.2	(38)

Capital markets revenue was impacted by increased competition and regulatory changes, and has stabilised during the year.

Major Syn~ installation completed

The new installation of Syn~ represents the most comprehensive use of the platform and demonstrated the benefits of close client collaboration and GBST's significant domain expertise. Syn~ is now the Australian post-trade processing market leader with 25% share.

Catalyst provides new growth path

Robert DeDominicis said: "We continue to collaborate with a significant local institution to develop Catalyst, which will provide capacity to aggregate and distribute multiple data streams. This product provides a growth path in Australia in the converging wealth management and capital markets sectors, and integrates GBST's Front Office, Business Intelligence Reporting and MarginSuite products for the retail wealth market.

"Catalyst's development path will enable integration of GBST's capital markets product suite with Composer and ComposerWeb, including deployment through a software-as-a-service (SaaS) model. This will allow Catalyst to serve retail customers directly, and increase our addressable market."

Improvements to Syn~'s capability included custody transactions, SWIFT messaging and corporate actions capabilities which extend the platform's services available for financial markets utilities.

Rest of the World – Capital Markets	2017 \$m	2016 \$m	% Change
Revenue	13.6	13.2	3
Operating EBITDA before strategic R&D	1.6	(4.5)	136

Restructure leads to profitability

A successful restructure to focus on Syn~ business opportunities in the group's core Asia market enabled a return to profitability; operating EBITDA before strategic R&D was \$1.6m.

GBST clients in Asia include the top two top broker-dealers in the Hong Kong market, and the company has assisted a major institutional broker-dealer to provide outsourced middle office and clearing services to regional stockbrokers and custodians. Further new projects included an expansion of GBST's automated back and middle-office platform for Haitong International, and two Asia-based clients are now using Syn~ to process regional equity trades across Asia and Australia.

Expansion opportunities in Asia and Japan

The group has significant expansion opportunities in Asia including several possible projects for Chinese banks in Hong Kong, further extensions of Syn~ with existing clients and a project in Japan.

In North America, GBST successfully extended an implementation of Syn~ for Raymond James, a major regional broker dealer which supports 3 million client accounts through 7,300 financial advisers in the US, Canada and other countries.

Total Capital Markets (AU + ROW)	2017 \$m	2016 \$m	% Change
Revenue	38.5	45.9	(16)
Operating EBITDA before strategic R&D	9.1	7.7	20
Strategic R&D	3.1	1.0	(235)
Operating EBITDA	6.0	6.7	(10)

While product investment costs grew, the major program to transition the back and middle-offices of an institutional bank from Shares to Syn~ was completed, and further investment on Syn~ is expected to be at lower levels.

Balance sheet and cash flow

The group maintains a strong cash position with \$11.7m cash at 30 June 2017. Cash flow from operations (excluding interest and taxes) was \$10.5m for the year, representing 88% conversion of EBITDA to cash flow (FY16: 75%).

Strategic Research & Development

GBST provided a market update on 21 August 2017 advising that the E-VOLVE program to transform Compose was having to overcome a number of challenges. GBST is currently replanning the project and this process is expected to take at least two months to complete.

Over the next three years, GBST will increase strategic R&D investment to strengthen its digital solutions and take advantage of long-term market growth. Aligned to client priorities, GBST will accelerate development of its front-office digital capability through the ComposerWeb 2.0 product.

These investments related to the E-VOLVE and ComposerWeb 2.0 project referred to above are expected to cost up to \$50m and will be delivered over the next three financial years. The rate and ultimate amount of this spend will depend on many factors including project scope, client demand and overall company performance. The company will continue to invest in its other platforms, including Shares and Syn~, to ensure market-leading capability and performance for customers.

Outlook

GBST is one of Australia's top technology companies, with leading software platforms serving the wealth management markets in Australia and the UK and capital markets in Australasia, Asia, Europe and North America.

The company expects operating EBITDA before strategic R&D in product development in the range of \$20m - \$25m for FY18. Strategic R&D in product development expenditure is expected to be in the range of \$10m - \$15m for FY18, with \$10 - \$12m of that related to E-VOLVE and ComposerWeb 2.0.

Significant growth potential

GBST Managing Director and CEO, Robert DeDominicis, said: "We are working closely with our clients to exploit the flexible marketing capabilities of Composer. The new ComposerWeb 2.0 is expected to launch in the first half of 2018 and this represents a significant growth opportunity in the UK market.

"We have benefited from Syn~'s market leadership and have several growth opportunities in Australia, Asia-Pacific and Japan, where we have an ongoing pipeline of work with existing clients and potential new clients in the advanced stages of scoping new business.

"We are continuing to invest in our products through the E-VOLVE program to transform Composer and develop Catalyst. Our financial technology markets globally are expanding, and GBST has significant growth potential."

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