

1H18 Results Presentation

Bravura Solutions Limited



26 February 2018

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AGENDA

Key Highlights	4
Segment Highlights	10
FY18 Outlook	14
Appendix	15

1H18 KEY HIGHLIGHTS

Continued strong revenue growth with increasing operating leverage



- Continued regulatory change, expanding digital distribution channels, and the desire for increased operating efficiency across the financial services industry, coupled with a maturing industry in emerging markets, are driving Bravura's growth
- Wealth Management Revenue up 26%¹ to A\$72.8m** offsetting the previously flagged loss of a Funds Administration contract to drive **Group Revenue up 10%¹ to A\$102.9m**
- Wealth Management EBITDA up 40%¹ to A\$21.6m** outpacing Funds Administration EBITDA and investment in Corporate, to increase **Group EBITDA up 2%¹ to \$18.5m**
- Both Funds Administration and Wealth Management are expected to grow in 2H FY18

A decade of investment in Sonata is continuing to drive strong growth



- Achieved client wins** in South Africa (Discovery) and New Zealand (ASB Bank) with a strengthening pipeline of opportunities across EMEA and APAC coupled with increased operating leverage
- Sonata's compelling value proposition to assist clients in tackling regulatory changes, digital, and the need for a modern and scalable technology platform has resulted in **Sonata revenue up 35%¹ to A\$56.7m** in 1H18 and now makes up 55% of total revenue

Strong business performance is delivering attractive shareholder returns



- Dividend declared of 4.5 cents per share**, representing 68% of EPS
- Return on equity² of 24%** in 1H18 underpinned by Bravura's consistent and long-term investment in product development, deep market knowledge and expertise, sound business model, driving significant operating leverage

1. Compared to 1H17

2. Return on equity is based on annualised underlying NPAT over average total equity

A\$m	1H17	1H18	% chg
Group			
Revenue	93.5	102.9	10%
EBITDA	18.2	18.5	2%
Reported NPAT	5.5	14.2	160%
Segments			
Wealth Management Revenue	57.8	72.8	26%
Wealth Management EBITDA	15.4	21.6	40%
Funds Administration Revenue	35.7	30.1	-16%
Funds Administration EBITDA	17.2	12.8	-26%
Sonata			
Sonata revenue	41.9	56.7	35%
Sonata clients	19	22	16%
R&D as a % of Sonata revenue	28%	22%	

SOLID 1H18 EARNINGS PERFORMANCE

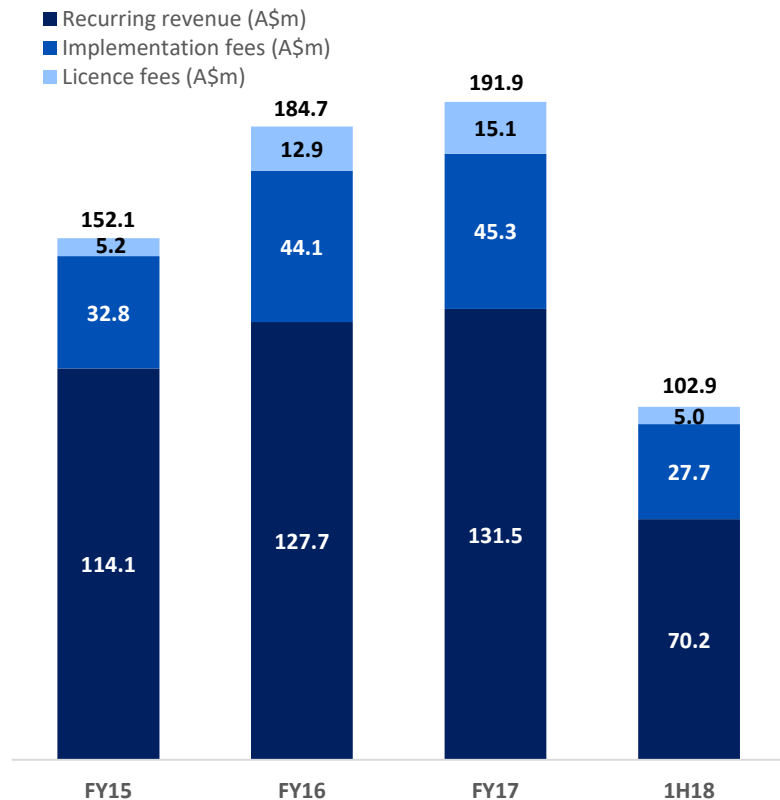
A\$m	1H17	1H18 ¹	\$ chg	% chg ¹
Wealth Management	57.8	72.8	15.0	26%
Funds Administration	35.7	30.1	-5.6	-16%
Total revenue	93.5	102.9	9.4	10%
Wealth Management	15.4	21.6	6.2	40%
Funds Administration	17.2	12.8	-4.4	-26%
Corporate	-14.4	-15.9	-1.5	10%
EBITDA	18.2	18.5	0.3	2%
D&A	-4.0	-3.9	0.1	-3%
EBIT	14.2	14.6	0.4	3%
Net interest and FX expense	-1.2	-0.6	0.6	-51%
Tax expense	-0.4	0.2	0.6	nm
Underlying NPAT	12.6	14.2	1.7	13%
Net significant items ²	-7.1	0.0	7.1	nm
Reported NPAT	5.5	14.2	8.7	160%
Underlying EPS (A\$ cps)	5.9	6.6	0.8	13%
Reported EPS (A\$ cps)	2.6	6.6	4.1	160%

1. Exchange rates had no material impact on the financial results during the period

2. Net significant items in 1H17 comprises A\$2.7m of IPO transaction costs and A\$4.4m of net interest costs

- **Wealth Management** revenue up 26% and EBITDA up 40% following new client wins, continuing project work from FY17 sales, and increased demand from existing clients
- **Sonata** revenue up 35% and now makes up 55% of total revenue (45% in 1H17)
- **Wealth Management** EBITDA margin increased to 30% in 1H18 (27% in 1H17), reflecting strong operating leverage evident in the increase in recurring revenue and professional services margins
- **Funds Administration** revenue down 16% and EBITDA down 26% due to the impact of the previously flagged contract expiry. However, operating margins continue to be above 40%, with a strong pipeline of client opportunities expected to return the segment to growth in 2H FY18
- **Corporate cost** growth highlights investment in corporate and governance functions to support increased demand and geographic coverage
- **Underlying NPAT** up 13% to A\$14.2m

STRONG GROWTH IN RECURRING REVENUE

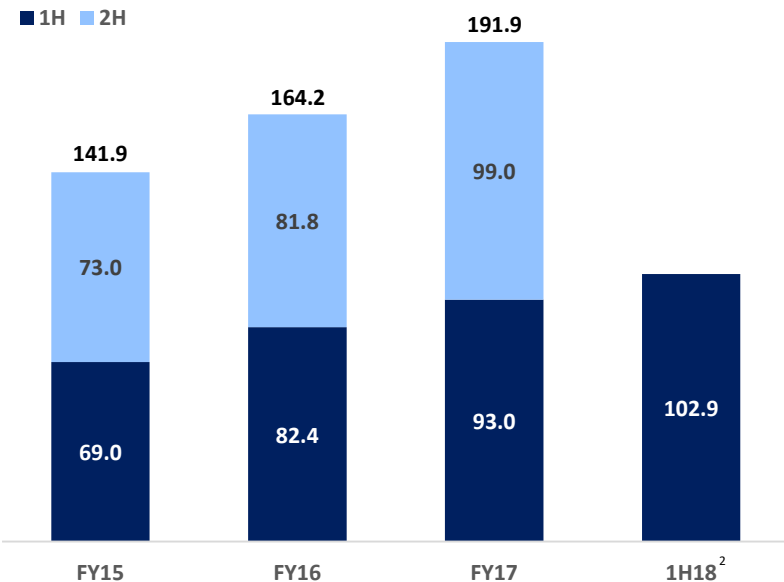


- Recurring revenue is up 12% in 1H18 compared to the pcp and comprises 68% of total revenue
- Recurring revenue has grown as new clients are added and existing clients add functionality, underpinned by the long-term nature of Bravura's customer contracts
- Bravura's significant recurring revenue base provides a high degree of certainty around its long-term earnings profile and future cash flow expectations
- New contract wins also attract implementation fees over the initial 2 to 3 year period, as clients deeply embed Bravura's solutions into their business's target operating model

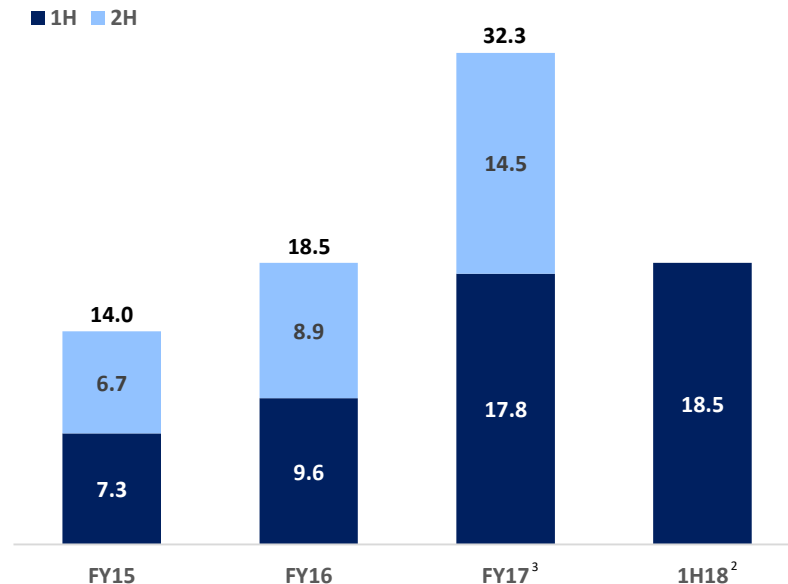
- Recurring revenue comprises maintenance, managed services, and in-production professional services from ongoing client demand
- Implementation fees comprise professional services from initial implementation requirements
- Licence fees are earned on a one-off or annual basis

STRONG GROWTH IN REVENUE AND EARNINGS (CONSTANT CURRENCY)

Revenue (A\$m)¹



EBITDA (A\$m)¹



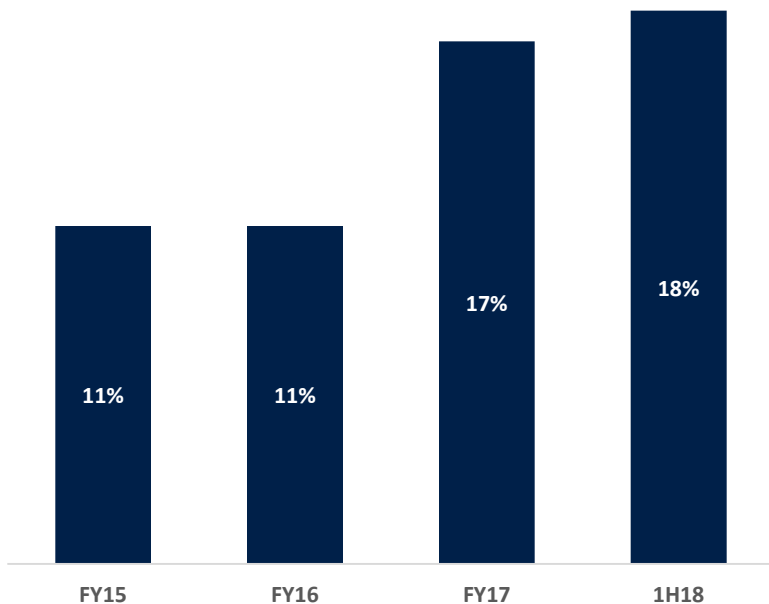
1. Presented on a constant currency basis

2. Exchange rates had no material impact on the financial results in 1H18 relative to 1H17

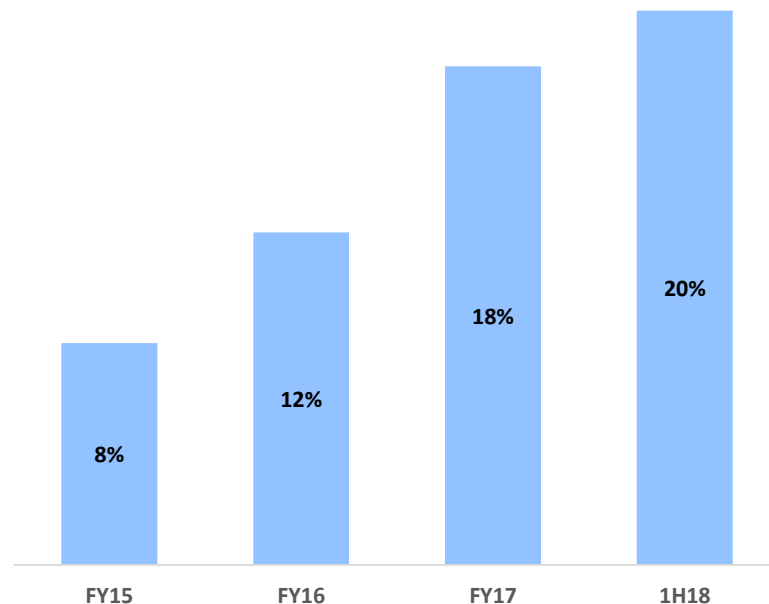
3. FY17 EBITDA is presented on a pro forma basis

CONTINUED IMPROVEMENT IN MARGINS AND RETURNS

EBITDA margin¹



Return on assets^{1, 2}



1. Based on FY15 and FY16 pro forma EBITDA

2. Return on assets is based on annualised EBITDA over average total assets

STRONG FUNDING POSITION

A\$m	30 Jun 2017	31 Dec 2017
Cash	17.1	24.1
Trade and other receivables	37.2	38.4
Intangible assets	110.0	111.7
Property, plant, & equipment	9.2	9.0
Other assets	8.5	10.7
Total assets	182.0	194.0
Trade payables	11.6	11.2
Deferred revenue	27.4	30.9
Borrowings	5.7	14.2
Other liabilities	31.3	27.2
Total liabilities	76.0	83.5

Net assets	106.0	110.5
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- The balance sheet is in a robust financial position, with a **net cash position of A\$10m**
- At balance date, A\$14m was drawn down on the working capital facility
- Bravura has **significant investment capacity** to take advantage of organic or acquisitive growth opportunities
- Bravura's **total asset base of A\$194m** is underpinned by significant product development, deep market knowledge and expertise, and long-term contracts
- Operating cash flow was A\$14.6m during the period, reflecting **cash conversion of 79%**, up from 7%¹ in 2H17
- Working capital consumption increased due to investment in recruitment and training to support the growth in professional services revenue; long-term cash flow is underpinned by **predictable, long-term, customer contracts**

RETURN ON EQUITY² = 24%

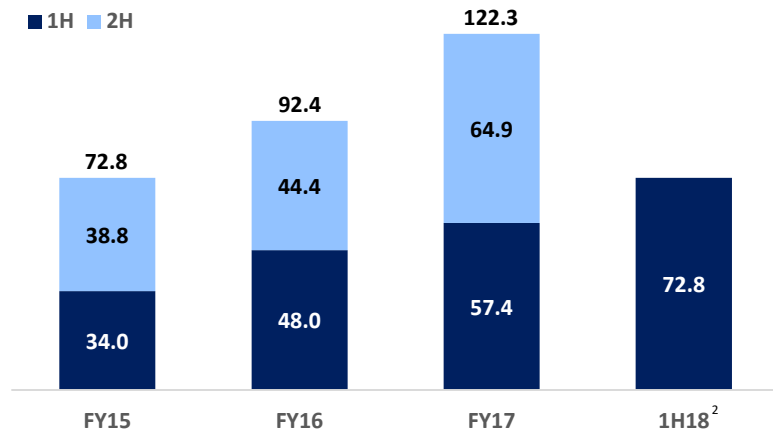
1. 2H17 cash conversion represents operating cash flow adjusted for IPO transaction costs

2. Return on equity is based on annualised underlying NPAT over average total equity

WEALTH MANAGEMENT (INCLUDES SONATA)

A\$m	1H17	1H18	\$ chg	% chg
Segment revenue	57.8	72.8	15.0	26%
Segment EBITDA	15.4	21.6	6.2	40%
<i>Sonata revenue</i>	41.9	56.7	14.7	35%
Segment EBITDA margin	27%	30%		

Revenue (A\$m)¹



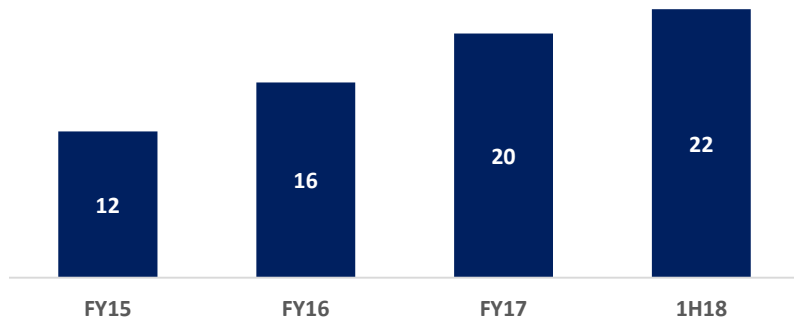
1. Presented on a constant currency basis

2. Exchange rates had no material impact from FY17 to FY18

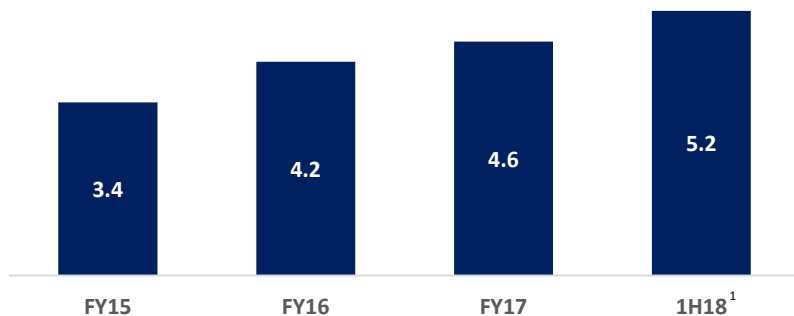
- Revenue up 26% and EBITDA up 40% following new client wins, continuing project work from FY17 sales, and increased demand from existing clients
- Sonata revenue up 35% and now makes up 55% of total revenue (45% in 1H17)
- EBITDA margin increased to 30% in 1H18 (27% in 1H17), reflecting strong operating leverage evident in the increase in recurring revenue and professional services margins
- Achieved client wins in South Africa (Discovery) and New Zealand (ASB Bank) with a strong pipeline of opportunities across EMEA and APAC coupled with increased operating leverage
- The need for a scalable and digital technology platform to replace legacy IT systems that can respond to changes in regulation, continues to underpin demand over the long-term

KEY SONATA METRICS

Consistent growth in Sonata customers

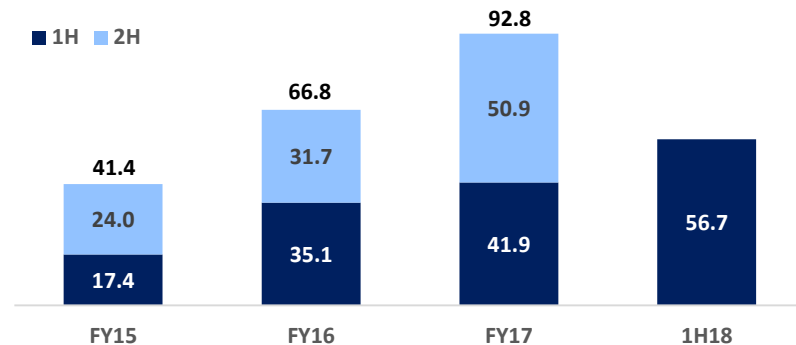


Rising Sonata revenue per client (A\$m)



1. 1H18 Sonata revenue per client reflects annualised Sonata revenue divided by total Sonata clients at 31 December 2017

Solid growth in Sonata revenue (A\$m)



- Clients across investment products and wrap platforms, superannuation, pension and retirement products, life insurance, private wealth and portfolio administration
- Introducing new modules for increased functionality
- New geographies as financial services matures in emerging economies

CONTINUING EXPANSION IN R&D LEVERAGE

A\$m	FY14	FY15	FY16	FY17	1H18
Sonata client development revenue	5.0	11.2	13.9	13.5	11.9
Sonata client development costs	-5.4	-12.0	-11.1	-13.7	-8.1
Net Sonata client development (costs) / revenue	-0.4	-0.8	2.8	-0.2	3.8
Strategic development operating expense	-1.7	-2.2	-2.1	-2.5	-1.2
Strategic development capital expense	-5.5	-8.8	-4.0	-7.7	-3.3
Total strategic development expenditure	-7.2	-11.0	-6.1	-10.3	-4.6
Net Sonata development	-7.6	-11.8	-3.3	-10.5	-0.8
Sonata revenue	22.1	41.4	66.8	92.8	56.7
Total expenditure ¹	-12.6	-23.0	-17.2	-24.0	-12.7
Total R&D expenditure as a % of Sonata revenue	57%	56%	26%	26%	22%

- Net Sonata development was a significant improvement on prior periods
- Capitalised R&D expenditure has declined to A\$3.3m in 1H18 (A\$4.5m in 1H17)
- Development expenditure is now majority client-funded, with 64% of Sonata R&D expenditure in 1H18 funded by clients (50% in 1H17)
- All expenditure, whether strategic or client-funded, adds to Sonata capability, creating further operating leverage

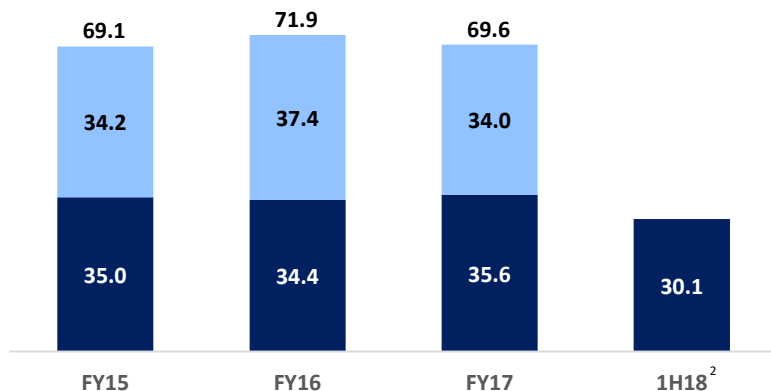
1. Total expenditure represents the sum of Sonata client development costs and total strategic development expenditure

FUNDS ADMINISTRATION

A\$m	1H17	1H18	\$ chg	% chg
Segment revenue	35.7	30.1	-5.6	-16%
Segment EBITDA	17.2	12.8	-4.4	-26%
Segment EBITDA margin	48%	42%		

Revenue (A\$m)¹

■ 1H ■ 2H



1. Presented on a constant currency basis

2. Exchange rates had no material impact from FY17 to FY18

- Revenue down 16% and EBITDA down 26% due to the impact of the previously flagged contract expiry
- EBITDA margin continued above 40%, with a strong pipeline of client opportunities expected to return the segment to growth in 2H FY18
- Strong underlying business momentum with 4 clients now live for Bravura's SaaS offering, and further SaaS implementations scheduled for 2018
- Strong pipeline of contracted work in 2H18 from existing clients, including greater use of Funds Administration's digital solutions and straight through messaging capabilities
- The SaaS offering creates new opportunities for growth in the UK market giving smaller and mid-sized fund managers the ability to access a fully managed digital solution with standardised functionality at an attractive price point for this market

FY18 OUTLOOK

Strengthened sales pipeline



- Bravura is well placed to take advantage of strong demand in the UK, ANZ, and South Africa
- Strong demand underpinned by the need for digital access, regulatory changes, and the replacement of legacy IT systems
- Both Funds Administration and Wealth Management are expected to grow in 2H FY18

Increased scale driving operating leverage



- Increasing scale and efficiency, reduced competition, and better pricing offerings are driving increased operating leverage
- Increasing investment in Sonata continues to position the product ahead of the competition

Raised earnings guidance



- As a result of strong demand, full-year 2018 guidance has now been revised upwards resulting in forecast underlying EPS growth in the high-teens

Appendices



bravura
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STATUTORY INCOME STATEMENT

A\$m	1H17	1H18 ¹	\$ chg	% chg ¹
Wealth Management	57.8	72.8	15.0	26%
Funds Administration	35.7	30.1	-5.6	-16%
Revenue from continuing operations	93.5	102.9	9.4	10%
Total operating expenses	-72.6	-84.4	-11.8	-16%
IPO transaction costs	-2.7	0.0	2.7	nm
EBITDA	18.2	18.5	0.3	2%
Depreciation and amortisation	-4.0	-3.9	0.1	-3%
EBIT	14.2	14.6	0.4	3%
Foreign exchange gain/(loss)	-1.2	-0.3	0.9	72%
Net interest expense	-4.4	-0.3	4.1	-94%
Income tax benefit/(expense)	-0.4	0.2	0.6	nm
Reported NPAT	5.5	14.2	8.7	160%
Reported EPS (A\$ cps)	2.6	6.6	4.1	160%

1. Exchange rates had no material impact on the financial results during the period

STATUTORY BALANCE SHEET

A\$m	30 Jun 2017	31 Dec 2017
Cash	17.1	24.1
Trade and other receivables	37.2	38.4
Other current assets	4.1	4.5
Total current assets	58.4	67.0
Intangible assets	110.0	111.7
Other non-current assets	13.6	15.3
Total non-current assets	123.6	127.0
Total assets	182.0	194.0
Borrowings	5.7	14.2
Deferred revenue	27.4	30.9
Other current liabilities	37.5	33.3
Total current liabilities	70.6	78.4
Borrowings	0.0	0.0
Other non-current liabilities	5.4	5.1
Total non-current liabilities	5.4	5.1
Total liabilities	76.0	83.5
Total equity	106.0	110.5

STATUTORY CASH FLOW

A\$m	1H17	1H18
Receipts from customers	110.5	117.7
Payments to suppliers and employees	-90.6	-102.4
Payments of IPO transaction costs	-2.2	0.0
Income taxes paid	-1.0	-0.8
Total operating cash flow (direct method)	16.7	14.6
Purchase of property, plant, and equipment	-1.5	-2.8
Payments for capitalised software development	-4.5	-3.3
Total investing cash flow	-6.0	-6.2
Proceeds from share issue	114.6	0.0
Proceeds from borrowings	7.6	8.4
Dividend paid	0.0	-9.6
Other financing cash flow ¹	-138.0	-0.3
Total financing cash flow	-15.8	-1.5
Net increase in cash	-5.1	6.9
Effects of exchange rate changes on cash	-0.9	0.2
Cash at the end of the period	23.1	24.1

A\$m	1H17	1H18
EBITDA	18.2	18.5
<i>Trade, other debtors, and accrued revenue</i>	-6.6	-1.4
<i>Deferred revenue</i>	6.4	3.6
<i>Prepayments</i>	0.7	-0.4
<i>Deferred tax assets</i>	-5.5	-1.6
<i>Trade creditors</i>	6.9	-1.2
<i>Provisions for income taxes payables</i>	0.9	1.0
<i>Deferred tax liabilities</i>	0.0	-0.3
<i>Provisions and other liabilities</i>	1.4	-4.1
Change in working capital	4.1	-4.3
Tax	-1.0	-0.8
Other items	-4.7	1.1
Total operating cash flow (indirect method)	16.7	14.6

1. Other financing cash flow in 1H17 represents payments of IPO costs (A\$7.4m), repayment of working capital facilities (A\$20.2m), redemption of redeemable preference shares (A\$62.7m), and repayment of term facilities (A\$46.2m)

WHAT SONATA DOES

END TO END DIGITAL ENTERPRISE SOFTWARE FOR FINANCIAL SERVICES

FRONT OFFICE & DISTRIBUTION



product design

multi-channel digital distribution

customer and advisor servicing

MIDDLE & BACK OFFICE



product creation

transaction processing

internal reporting



SONATA ADDRESSES KEY CLIENT CHALLENGES

Challenges faced by participants...

- 1 Evolving and complex regulatory environment
- 2 Demand for mobile and “self-directed” technology
- 3 Need for rapid product innovation
- 4 Cost and margin pressures
- 5 Need for scalable technology in a digital age

Increasing demand for modern client centric software solutions to address these challenges

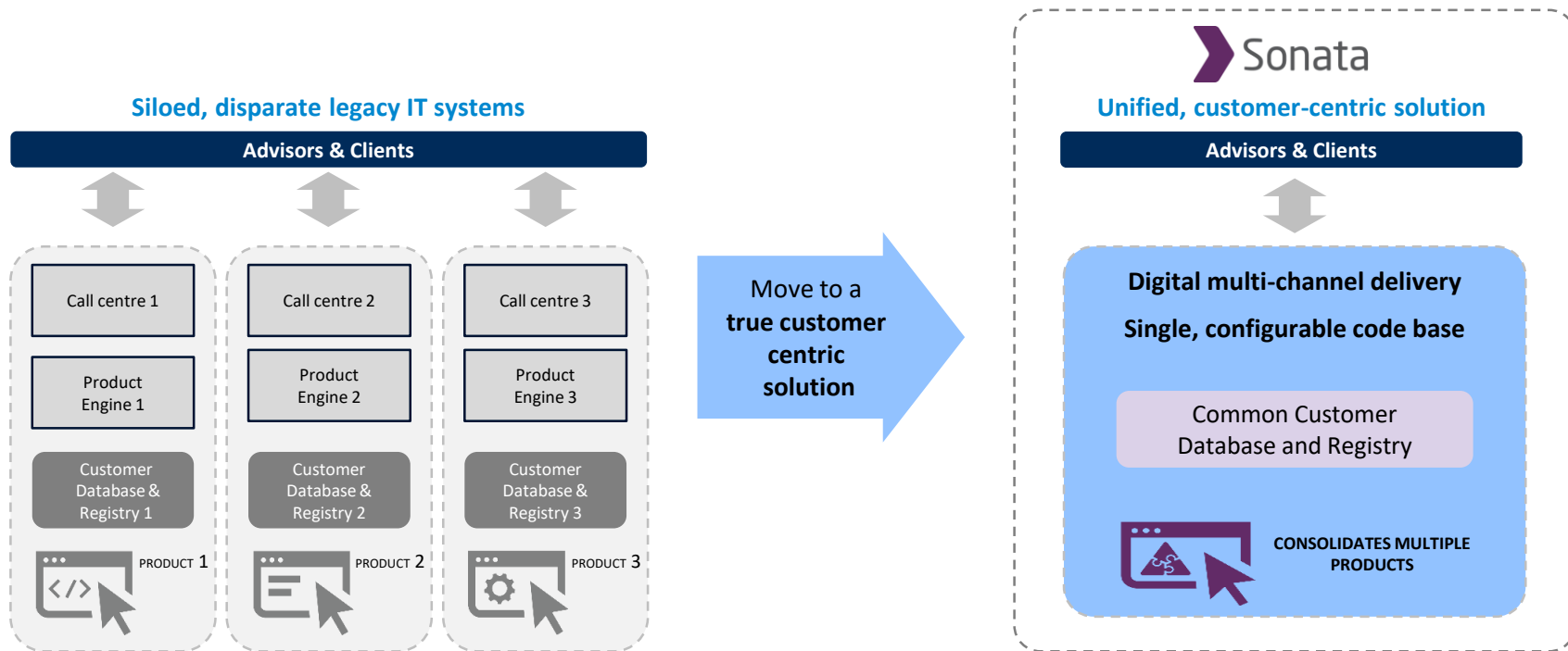
... can be solved by Sonata

- ✓ Regulatory risk management
- ✓ Leading technology and innovation
- ✓ Rapid product development
- ✓ Scale advantages and network effect
- ✓ Software investment

Sonata addresses the key issues currently faced by industry participants

Sonata

SONATA SIMPLIFIES LEGACY CLIENT SYSTEMS



For more information, visit:
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