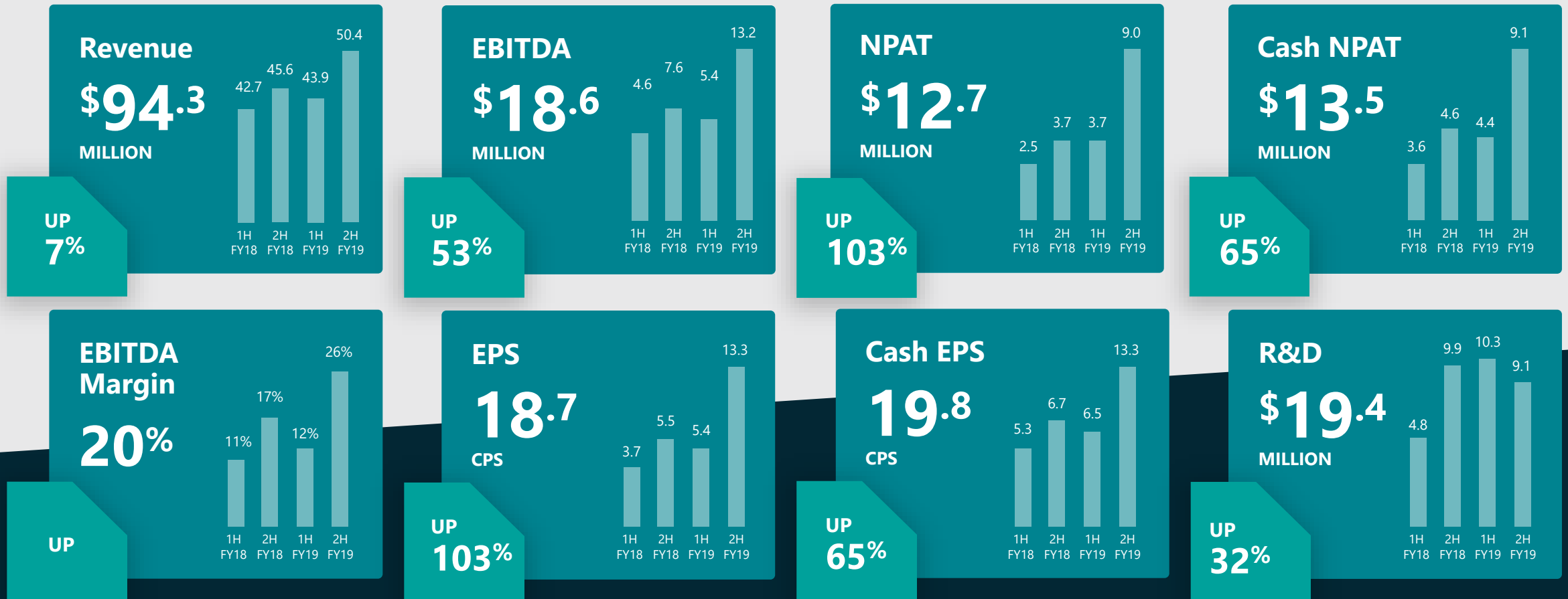


# Full-year results

# 30<sup>th</sup> June 2019

**GBST HOLDINGS LIMITED (ASX:GBT)**

# Results at a glance: FY19 vs FY18



# FY2019 – Key metrics

Results Summary (\$'millions)	2HFY19	1HFY19	2HFY18	1HFY18	FY19	FY18
<b>Revenue and other income</b>	<b>50.4</b>	<b>43.9</b>	<b>45.6</b>	<b>42.7</b>	<b>94.3</b>	<b>88.3</b>
Operating EBITDA before strategic R&D	14.7	5.8	10.5	9.7	20.5	20.2
Less strategic R&D	<b>(1.1)</b>	<b>(0.4)</b>	<b>(2.9)</b>	<b>(4.8)</b>	<b>(1.5)</b>	<b>(7.7)</b>
- Gross strategic R&D	(9.1)	(10.3)	(9.9)	(4.8)	(19.4)	(14.7)
- Strategic R&D capitalised	8.0	9.9	7.0	-	17.9	7.0
<b>Operating EBITDA</b>	<b>13.6</b>	<b>5.4</b>	<b>7.7</b>	<b>4.9</b>	<b>19.0</b>	<b>12.5</b>
Restructure & other non-operating expenses	(0.4)	-	(0.1)	(0.3)	(0.4)	(0.4)
<b>EBITDA</b>	<b>13.2</b>	<b>5.4</b>	<b>7.6</b>	<b>4.6</b>	<b>18.6</b>	<b>12.2</b>
<b>EBITDA % Margin</b>	<b>26%</b>	<b>12%</b>	<b>17%</b>	<b>11%</b>	<b>20%</b>	<b>14%</b>
Net finance (costs)/income	(0.3)	-	0.2	(0.2)	(0.3)	0.1
Depreciation & operating amortisation	(1.8)	(1.7)	(1.2)	(1.4)	(3.5)	(2.6)
Investment amortisation	(0.1)	(0.7)	(0.8)	(1.1)	(0.8)	(1.9)
<b>PBT</b>	<b>10.9</b>	<b>3.0</b>	<b>5.8</b>	<b>1.9</b>	<b>14.0</b>	<b>7.7</b>
Income tax expense	(1.9)	0.7	(2.1)	0.6	(1.3)	(1.5)
<b>NPAT</b>	<b>9.0</b>	<b>3.7</b>	<b>3.7</b>	<b>2.5</b>	<b>12.7</b>	<b>6.2</b>
Adjusted NPAT	9.1	4.4	4.6	3.6	13.5	8.2
Basic EPS (cents)	13.3	5.4	5.5	3.7	18.7	9.2
Adjusted EPS (cents)	13.3	6.5	6.7	5.3	19.8	12.0
Dividend per share (cents)	-	-	2.5	2.5	-	5.0
Cash inflow from operations	16.3	10.0	5.8	5.4	26.3	11.2
Cash at bank	17.9	9.6	11.4	15.0	17.9	11.4

## KEY POINTS

- Full year Revenue was up 7% to \$94.3m from FY18, \$6m favourable to FY18 with licence fees and third party up \$2.5m and service revenue up \$3.5m
- Operating expenses were \$73.8m, \$5.7m above FY18, reflecting Strategic R&D driven one-off and transitional costs; an increase in short-term incentives of \$0.9m; and cloud expenditure offsetting capital expenditure
- Gross strategic R&D investment \$19.4m, up 32% from \$14.7m in FY18. Net Strategic R&D expense of \$1.5m (FY18 \$7.7m), after capitalisation of \$17.9m in costs
- Operating EBITDA of \$19m and EBITDA \$18.6m up 52% and 53% respectively from FY18
- Income tax expense of \$1.3m reflects increased R&D credits and the utilisation of prior year losses not previously recognised in Wealth Management UK
- FY19 Net Profit after tax of \$12.7m up \$6.5m from FY18
- Adoption of AASB15 resulted in \$1.2m net profit after tax recognised in retained earnings
- Net cash inflow from operations of \$26.3m up 135% from FY18
- Given the significant investment required in Strategic R&D no dividend has been declared for FY19





# Results summary: **Wealth Management.**

# Who are we?

Wealth Management – market leading position, significant long-term opportunity



## CLIENTS

Focus on wealth administration and registry

GBST's Composer platform is the top direct-to-consumer software platform for distribution of tax-incentivised products in the UK

Well established provider in Australian wealth management and broking

Benefitting from UK industry regulatory change

GBST is now partnering with Eagle investment systems to provide GBST Tax modules to their service offering



## MARKETS

Customers in Australia, Asia, New Zealand and the United Kingdom

Significant market opportunity in the £6.9 trillion UK investment industry

Market growth is driven by market and regulatory change – Composer offers a digital solution which allows wealth managers to address regulatory burden and reduce cost

Total assets managed on Composer continue to grow in the UK to over \$234bn

GBST now powers the largest investment platform in the UK and Australian markets



## BUSINESS OPPORTUNITY

Regulatory change is increasing the reporting and compliance burden on industry participants

This is forcing increased investment in automated technology solutions such as GBST Composer

Increasing consumer demand for online, low cost delivery from digital platforms

Catalyst Project delivered a market-leading digital front-end capability, already driving new client wins

GBST is working with global pensions consultant to provide a first-of-a-kind after-tax benchmark

*"The TaxIntell platform is the first of its kind in our industry and we look forward to sharing it with our clients who use our tax reporting services. Our clients will have access to an intuitive digital portal, with dashboard views of their data. The new level of transparency in viewing transactional tax data will enable our clients to actively monitor and report on their investment portfolio, which is critical in the current challenging economic environment."*

**John Comito, Executive General Manager, NAB Asset Servicing**



*"The new Annuity onboarding process developed in the Evolve technology has been really well received by the Canada Life team. It's intuitive, simple and straight forward to use. The in built logic and validation will speed up processing time and also save training time of our staff."*

**Program Manager, Canada Life**



# Wealth Management clients

Investment funds and institutions

 Investec | 

 Russell Investments











BLACKROCK



























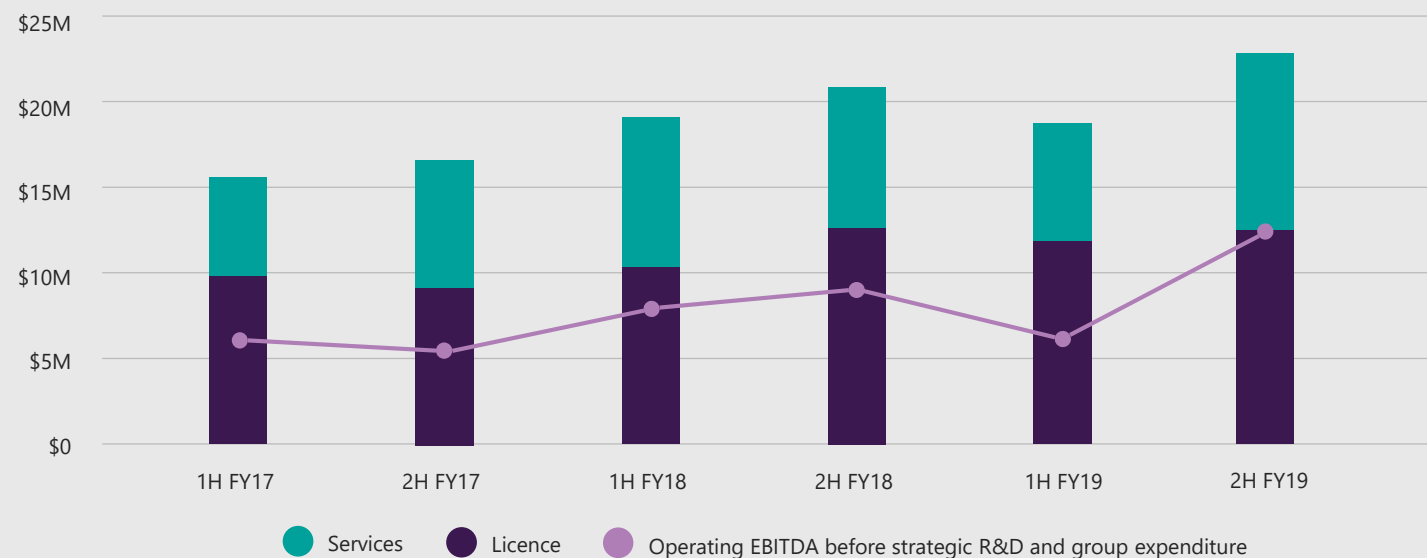
 Alliance Trust INVESTING FOR GENERATIONS



 BARNETT WADDINGHAM  
beyond the expected

# UK – Wealth Management

Revenue composition and operating EBITDA before strategic R&D and group expenditure



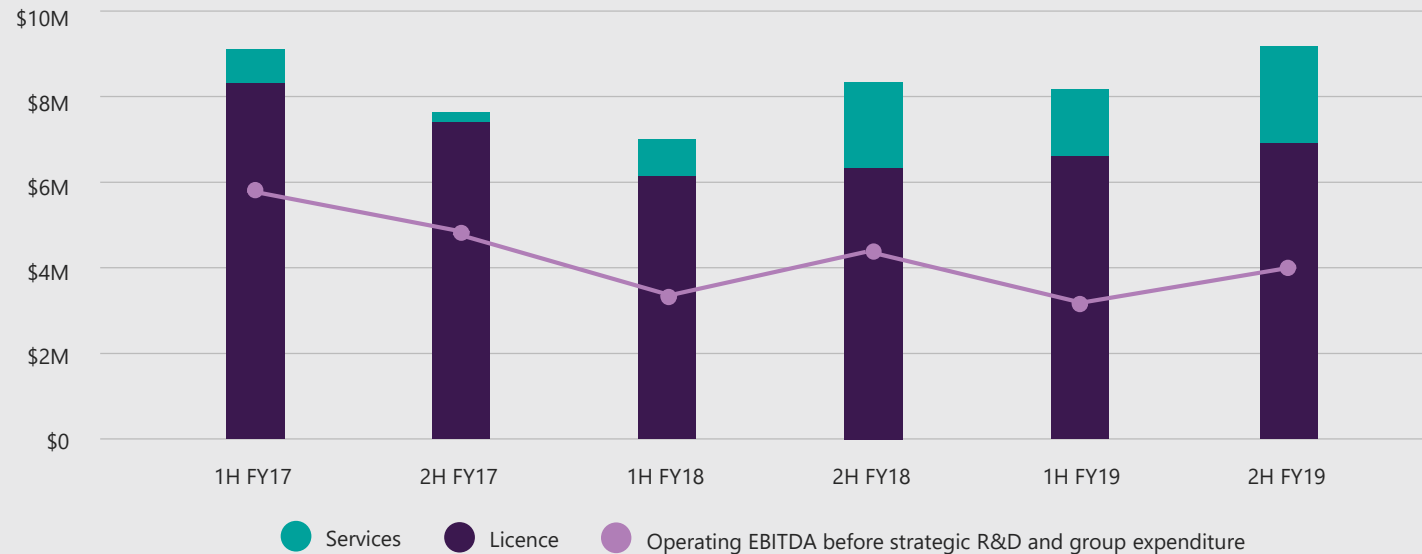
(\$'millions)	2HFY19	1HFY19	2HFY18	1HFY18	FY19	FY18
Revenue	23.5	18.8	20.9	19.0	42.3	39.9
Operating EBITDA before strategic R&D and group expenditure	12.4	6.0	8.8	7.8	18.4	16.6

## KEY POINTS

- Revenue up 6% from FY18 to \$42.3m, with 2HFY19 revenue up 25% from the first half
- Licence revenue up 2% to \$23.7m from FY18, with 2HFY19 up 6% from 1HFY19. In 2HFY18, GBST benefited from a one-off licence fee for regulatory change; excluding this one-off revenue, FY19 licence revenue increased by 12% over FY18
- Services revenue up 7% to \$17.8m from FY18, with 2HFY19 up 59% on 1HFY19 due to the strong client pipeline
- Operating EBITDA before Strategic R&D & Group expenditure up 11% to \$18.4m from FY18, and 2HFY19 up 110% from 1HFY19; largely driven by increased product development work with Canada Life
- Successfully completed the Aegon Nationwide migration of 300k accounts and approximately \$16Bn of assets to Composer
- Following the success of Vitality Invest Adviser on the Catalyst framework, GBST successfully supported Vitality's business expansion through a direct to consumer offering
- Signed a 10-year contract with Canada Life, a leading provider of retirement, investment and protection products. This covers all existing Composer products, the build of Annuities and Bonds products, and will result in the migration of several hundred thousand policies
- The new range of products that will be administered on Composer will further extend the market opportunities in the UK from an estimated \$13 trillion to \$17 trillion of Assets under Administration in the UK

# Australia – Wealth Management

Revenue composition and operating EBITDA before strategic R&D and group expenditure



(\$'millions)	2HFY19	1HFY19	2HFY18	1HFY18	FY19	FY18
Revenue	9.2	8.2	8.4	7.0	17.4	15.4
Operating EBITDA before strategic R&D and group expenditure	4.0	2.6	4.1	3.4	6.6	7.5

## KEY POINTS

- Revenue up 13% from FY18 to \$17.4m; with 2HFY19 revenue also up 13% on 1HFY19
- Licence revenue up 4% to \$13.1m from FY18; 2HFY19 up 3% from 1HFY18
- Services revenue up 49% from FY18, and up 47% in 2HFY19 from 1HFY19. This movement reflects significant project work for a tier-1 client consolidating several legacy systems onto the Composer platform
- Operating EBITDA before Strategic R&D and Group expenditure decreased 12% to \$6.6m from FY18, yet increased 50% in 2HFY19 from 1HFY19; largely driven by increased hosting expenditure and support costs for legislation updates such as the ATO Member Account Transaction Services changes
- Successfully completed the phase 1 of a multiyear project for a leading bank client, including a range of platform enhancements. The next phase is the migration of member accounts to Composer from legacy platforms
- Released a new version of Tax Analyser, including a Transition module, that assists Transition Managers to undertake “what-if” scenarios to assist decision making and optimise returns for superannuation fund members. This was done alongside a new capability for Capital Gains Tax relief which has already provided improved returns to the members of the fund
- Implementing NAB Asset Servicing as the first client on TaxIntell, a new offering for tax analysis, reporting and Tax returns preparation. This new capability will reduce costs, errors and timeframes significantly.



A photograph of two women sitting at a table in a meeting. The woman on the left has blonde hair and is smiling while gesturing with her hand. The woman on the right has dark curly hair and is looking towards the left. There are laptops and a white mug on the table. A teal overlay covers the left side of the image.

# Results Summary: Capital Markets

# Who are we?

Capital Markets - Leading Australian products; Strong international opportunity

*"It has been our pleasure working with GBST team for the project. The team is knowledgeable and dedicated. We are confident to deliver our future services with support from this partnership."*

**Tony Wang, Head of Financial Institution, CMB Wing Lung Bank**



## CLIENTS

Focus is on global and regional investment banks / brokers

North America growth potential from incumbent provider dissatisfaction

Australian market leader, and growing list of international clients

Australian market leader with above ~60% market volume processed on GBST solutions



## MARKETS

GBST Syn~ is a multi-product, multi-market, multi-currency, multi-entity transaction processing platform in use globally

Customers in Australia, Asia, Europe and North America

Custody deployments are growing throughout Asia, with International Margin Lender the latest client to deploy Custody features



## BUSINESS OPPORTUNITY

New generation technology platform enables long term cost management and new revenue opportunities through automation and business model flexibility

Distribution partnerships with FIS in the USA and SBI in Japan; leading to exploration of further partnerships in other markets to maximise global growth



## PRODUCTS

Syn~ v3.3 launched with enhanced Cloud and global trading capabilities

Syn~ Voice capability expanded to incorporate Chatbot integration - platform for clients to achieve higher productivity

ASX CHESS replacement-Distributed Ledger Technology underway

# Capital Markets clients

Investment banks and stock brokers



J.P.Morgan

Morgan Stanley

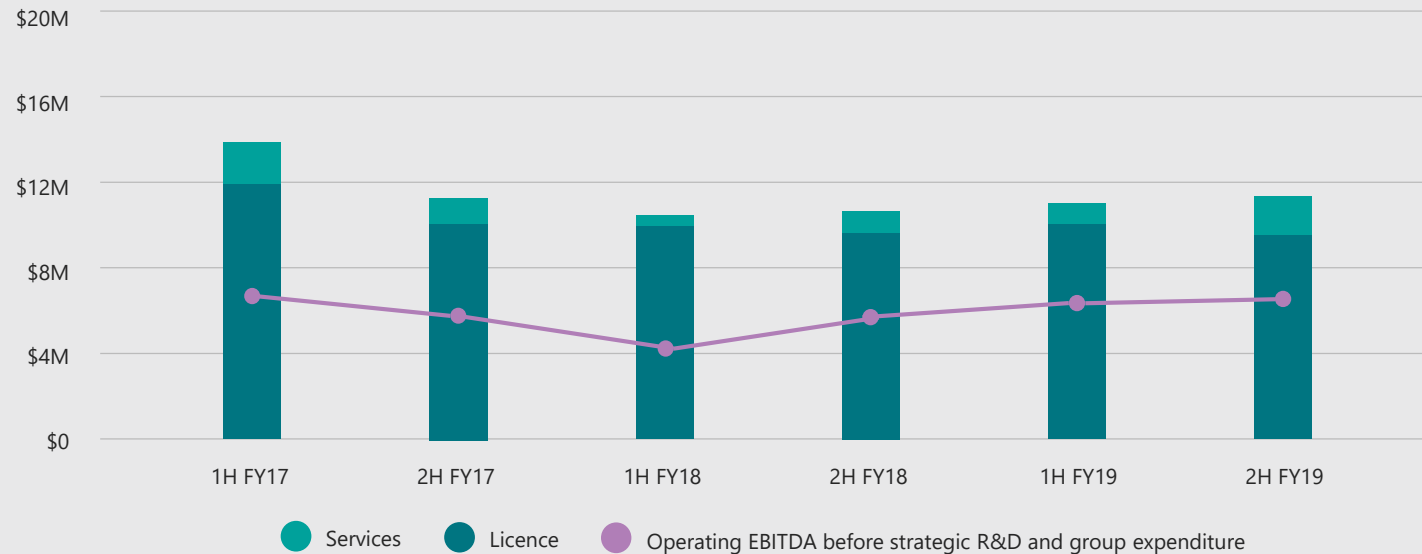


RAYMOND JAMES®



# Australia – Capital Markets

Revenue composition and operating EBITDA before strategic R&D and group expenditure



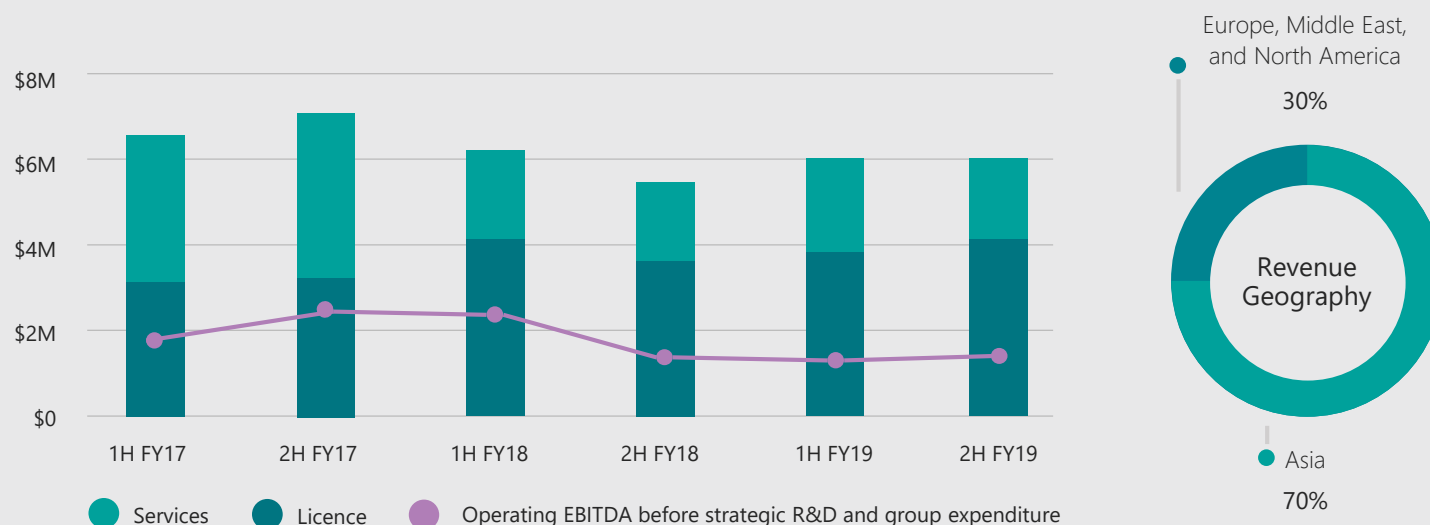
(\$'millions)	2HFY19	1HFY19	2HFY18	1HFY18	FY19	FY18
Revenue	11.5	10.9	10.7	10.6	22.4	21.3
Operating EBITDA before strategic R&D and group expenditure	6.1	5.7	5.1	4.3	11.8	9.4

## KEY POINTS

- Revenue up 5% to \$22.4m from FY18, up 6% in 2HFY19 from 1HFY18
- Licence revenue up 3% to \$19.2m from FY18, down 3% in 2HFY19 from 1HFY19, driven in part by the ANZ Share Invest migration to CMC Markets, and a new Margin Lending client offset by the negative impact from adoption of AASB15 of \$0.8m
- Service revenue was up 34% to \$2.3m, with 2HFY19 up 125% on 1HFY19, primarily driven by a key ASX-listed Wealth Manager project implementing in 2QFY20
- Operating EBITDA before strategic R&D and Group expenditure increased 24% to \$11.8m from FY18; with 2HFY19 up 6% from 1HFY19; largely driven by cost reductions
- GBST has commenced the ASX Chess upgrade program following client consultations. We are on track for the ASX go live date of March-April 2021. A promising pipeline of sales opportunities is emerging as a result of the ASX Chess upgrade
- Commenced a Syn~ migration for a major ASX Participant in the 2HFY19, completion and licence revenue expected in FY20
- The implementation of Syn~ to support International Margin Lending and Foreign Currency Cash Deposit Management for an ASX-listed Wealth Manager is well progressed and completing 2QFY20

# Rest of the world – Capital Markets

Revenue composition and operating EBITDA before strategic R&D and group expenditure



(\$'millions)	2HFY19	1HFY19	2HFY18	1HFY18	FY19	FY18
Revenue	6.0	6.0	5.4	6.1	12.0	11.5
Operating EBITDA before strategic R&D and group expenditure	1.7	1.5	1.6	2.3	3.2	3.9

## KEY POINTS

- Revenue increased 5% from FY18 to \$12m, with a 2% increase in 2HFY19 from 1HFY19
- Licence revenue up 3% to \$8.1m from FY18, with 2HFY19 7% above 1HFY19. 1HFY18 included a one-off licence revenue. Adjusting for this one-off licence fee, FY19 grew 13% over FY18
- Services revenue increased 8% to \$3.9m from FY18, primarily driven by
  - the global roll out of Syn~ TAC for a major Investment Bank (go live mid-2019), and
  - the implementation of the Syn~ platform for Wing Lung Bank in Hong Kong (live Jan 2019)
- Operating EBITDA before strategic R&D and Group expenditure decreased 18% to \$3.2m from 1HFY18; 2HFY19 was 15% above the 1HFY19 result
- Actively working with North American partner FIS on the integration of Syn~ TAC to their product portfolio
- Our partner SBI is progressing with localising Syn~ to the Japanese market and we expect the first major delivery for production use in 2019



# Strategic R&D investment

## Original program of work - 47% complete



### CATALYST Complete

Complete and live and framework being re-used for other products



### E-VOLVE In progress & on track

Productivity is accelerating

## New product development work



### ANNUITIES In progress & on track

Client funded <sup>1</sup>, on track for client delivery late FY20



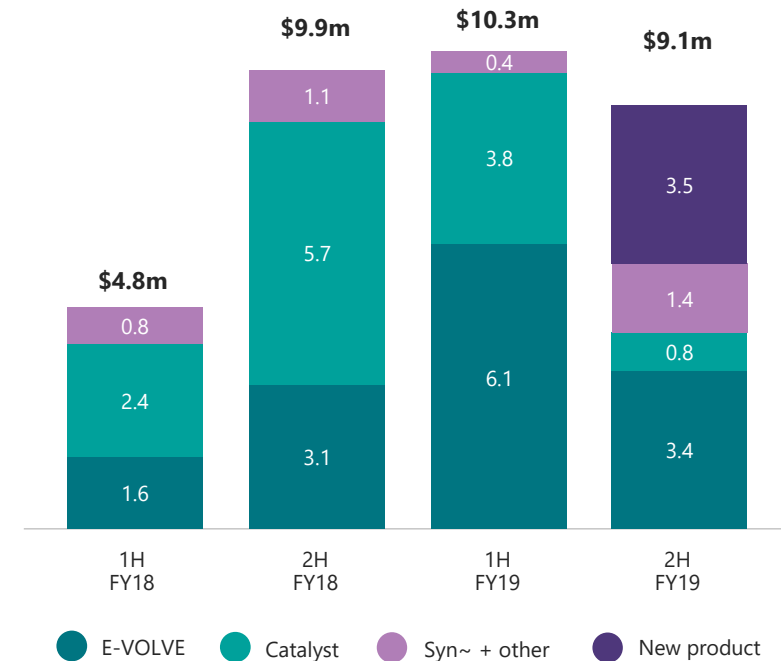
### ASX CHESSE UPGRADE On track

Commenced and on track for ASX go-live Mar/Apr 2021

<sup>1</sup> Part of the \$50m Canada Life Contract

GBST is undertaking investment in Strategic R&D to achieve best in class digital and client interfaces, positioning for sustainable long term growth

## Strategic R&D spend



# In Summary.

## Continuing to transform and extend client opportunities

- Revenue growth of 7% from the prior corresponding period, driven by growth in licence fees, and accelerating services revenue
- Operating costs are higher, reflecting a number of factors including:
  - costs associated with transition of the business to new technologies (causing some interim duplication, and one-off training and infrastructure costs) and changes in costs (cloud hosting v capital expenditure)
  - legislative changes and release costs remained at high levels in both UK and Australia
  - an increase in short-term incentives for staff of \$0.9m;
  - resource contention during this period of significant development activity necessitated increased contractor costs to ensure we continued to deliver all client requirements and secured new opportunities; and
  - the cost run rate decreased in 2HFY19, and we are targeting to progressively reduce costs
- Large scale strategic R&D program is progressing to plan, with:
  - Catalyst delivered and operational, and being used in new client projects;
  - E-VOLVE being progressively delivered to plan and adopted by clients;
  - a new Annuity product build well progressed in the E-VOLVE technology; and
  - development commenced on the ASX Chess upgrade program



A low-angle, upward-looking shot of a modern building's interior. The structure features multiple levels with glass railings and wooden paneling. A large concrete pillar is visible in the lower center. The lighting is bright, with natural light coming from the right side, creating a high-contrast scene. The word "Appendices" is overlaid in white text on the left side of the image.

# Appendices

# Financial position

Financial position as at: (\$'millions)	30 Jun 2019	30 Jun 2018
<b>Assets</b>		
Cash	17.9	11.4
Other current assets	25.8	25.1
Intangible assets	40.6	41.8
Software systems internally developed	25.3	8.7
Other non-current assets	18.0	14.5
<b>Total assets</b>	<b>127.6</b>	<b>101.5</b>
<b>Liabilities</b>		
Current liabilities	16.4	17.0
Unearned income	18.9	10.3
Non-current liabilities	10.8	5.5
<b>Total liabilities</b>	<b>46.1</b>	<b>32.8</b>
<b>Net assets</b>	<b>81.5</b>	<b>68.7</b>
<b>Equity</b>		
Issued capital	39.5	39.5
Reserves	(2.8)	(3.4)
Retained earnings	44.8	32.6
<b>Total equity</b>	<b>81.5</b>	<b>68.7</b>

## KEY POINTS

- Cash on hand of \$17.9m at 30 June 2019
- GBST has no debt
- Other current assets includes trade debtors, WIP and Contract Asset balances for various projects (which are transferred to trade debtors once invoiced)
- Software systems internally developed includes \$17.9m of software capitalised in FY19 under the Strategic R&D program that met the accounting capitalisation criteria
- Intangible assets primarily comprise purchased software, client contracts and goodwill from business acquisitions
- Carrying value of intangible assets comprises InfoComp (\$28.2m), Coexis (\$7.9m) and other intangibles (\$4.5m)
- Other non-current assets includes an increase in deferred tax assets comprising of tax losses and carried forward R&D tax offset credits
- Unearned income represents client invoicing in advance of revenue recognition, with increased licence invoices raised in FY19
- Non-current liabilities includes an increase in deferred tax liabilities due to R&D claims for internal capitalised development

# Cash flow

Results for the full-year ended: (\$'millions)	30 Jun 2019	30 Jun 2018
<b>Cash flows from operations</b>		
Receipts	110.2	91.7
Payments	(84.3)	(80.4)
Finance costs	(0.2)	0.1
Income tax	0.6	(0.2)
<b>Net cash from operations</b>	<b>26.3</b>	<b>11.2</b>
<b>Cash flows from investments</b>		
Purchase of tangible assets	(0.4)	(0.9)
Purchase of intangible assets	-	(0.3)
Software systems internally developed	(17.9)	(7.0)
<b>Net cash used in investments</b>	<b>(18.3)</b>	<b>(8.2)</b>
<b>Cash flows from financing</b>		
Financing	-	(0.2)
Dividends paid	(1.7)	(3.4)
<b>Net cash used in financing</b>	<b>(1.7)</b>	<b>(3.6)</b>
<b>Net increase/(decrease) in cash</b>	<b>6.3</b>	<b>(0.6)</b>
Effect of FX movement on cash held	0.2	0.3
Opening cash – 1 July	11.4	11.7
<b>Closing cash</b>	<b>17.9</b>	<b>11.4</b>

## KEY POINTS

- Strong operating cash flow generation from customer contract payments and improved collection practices
- Income tax paid offset by Australia and UK income tax refunds (prior period credits)
- Software systems internally developed of \$17.9m relates to software capitalised under the Strategic R&D Program
- No dividend has been declared for FY19 given the significant investment required for Strategic R&D
- The dividend paid in FY19 represents the FY18 final dividend



# Impact of AASB 15

For the full-year ended 30 June 2019

GBST Group 30 Jun 2019 \$'000	
<b>Net profit after tax without adoption of AASB15</b>	<b>11,879</b>
<i>Adjustment to profit</i>	
Revenue from licence and support sales	
• increase (due to immediate recognition of full value of small product licence sales)	1,232
• decrease (due to small product licences previously recognised over licence term)	(1,119)
Sales and marketing expenses	
• decrease (in commission expenditure capitalised under AASB 15)	759
• decrease (in commission expenditure due to amortisation of capitalised commission costs)	85
Increase in profit before income tax	957
Income tax expense – prima facie increase in tax expense due to above	(138)
<b>Increase in net profit after tax due to adoption of AASB 15</b>	<b>819</b>
<b>Net profit after tax with adoption of AASB15</b>	<b>12,698</b>

# Thank you.

Questions?

## Disclaimer

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