

MEDIA RELEASE: 29 August 2014

RUBIK DELIVERS ANOTHER YEAR OF RECORD PROFIT

Rubik Financial Limited (ASX:RFL) releases its preliminary final full year FY2014 results.

Highlights

- Group revenue up 33% to \$30.5m, with recurring revenue up 46%
- Segment profits⁽¹⁾ (Underlying EBITDA) up 24% to \$8.2m
- Operating cash flow up 30% to \$8.1m (pre R&D), and up 2% to \$5.3m (post R&D)
- Net profit after tax attributed to members up to \$6.3m (\$0.3m loss before significant items)
- Strengthened balance sheet with net assets up \$40.6m to \$66.2m and increased net cash holdings of \$2.8m following \$33.0m equity issue

Rubik Financial Ltd, a leading Australian Financial Services software company, today announced its preliminary final results for the financial year ended 30 June 2014. Revenues have increased by 33% to \$30.5m, with recurring revenues up 46%. Underlying segment profits improved by 24% to \$8.2m, and operating cash flow was up 30% pre-R&D or 2% on a post-R&D expenses basis. Net profit after tax attributed to members increased to \$6.3m, underpinned by a one-off income tax benefit on initial recognition of the Group's deferred tax asset.

Rubik's balance sheet position has also improved during the year, following the issue of \$33.0m in additional equity. These funds assisted Rubik to make \$38.8m in growth investments during FY2014, an 18% increase on prior 12 months (FY2013: \$32.9m). These investments included:

- **Acquisitions** – As noted to the market, Rubik has purchased three business during the year, being AMEE, Stargate and Infinitive (see note 25 to the accounts for further details). The Mortgage business (comprising Stargate and Infinitive) constitutes the 'third leg' for future business growth, complementing the existing Banking and Wealth businesses. The mortgage businesses were acquired for an upfront consideration of \$22.4m, representing a blended EV/EBITDA multiple of 5.9 times normalised FY2014 EBITDA run-rate. Initial transaction costs have been booked in FY2014 and are expected to deliver in excess of \$3.8m to Mortgages segment profits in FY2015, before any synergies between the two acquisitions.
- **Software Development Investment** – Rubik significantly increased its level of investment into software development, including investments to integrate the products of acquired businesses into the Rubik software portfolio. In addition to this, the Directors have considered the appropriate level of software capitalisation for internally developed software assets and have sought to apply



conservative assumptions regarding such capitalisation. As a result, of the \$4.8m investment in software R&D during FY2014, \$3.1m was expensed (FY2013: \$2.1m of which \$1.3m was expensed).

The Wealth business was the main driver of growth, contributing \$20.1m in revenues, and \$9.2m in segment profits (underlying EBITDA) for the year. The revenue growth of 59% was achieved through a combination of client acquisitions, increased sales to existing clients and full year ownership of the COIN Software business. The reported revenues and segment profits contribution for year ended 30 June 2014 reflect an uplift resulting from COIN acquisition in FY2013, but are yet to fully reflect the uplift from recent growth investments and migration of key accounts to a hosted solution for COIN.

Banking business revenues decreased by 4% to \$9.9m and segment profits (underlying EBITDA) decreased by 26% to \$2.4m over the period as a consequence of significant investment into core banking tenders, and no new implementation projects in the second half of the year.

The Mortgage business' revenue of \$0.5m and segment profits (underlying EBITDA) contribution of \$0.3m for the year ended 30 June 2014 were limited due to the timing of acquisitions (completed in June 2014). Full revenue and earnings run rate potential of the acquisitions is expected to be realised in FY2015, with further substantial synergies expected from Stargate distribution flow throughs into Infinitive's Mortgage Gateway (eLodge+).

Rubik CEO Niek Hoogenhout commented, "This is another strong result for Rubik, capping what was a very successful year. We are the market leader measured by clients (ie we service 110 out of 174 ADIs). We are the largest independent supplier of mortgage desktop applications and second largest supplier of mortgage transactional gateway software. Together with our leading position in wealth adviser space with COIN and Provisio, coupled with a suite of banking products, Rubik is uniquely positioned to deliver on our vision of becoming an ASX300 company".

Craig Coleman, Rubik Chairman added, "We have an ambitious yet focused growth strategy and it is pleasing to see this taking shape. The ability to grow yearly revenues and underlying earnings whilst at the same time undertake significant investments in existing products and in carefully selected new acquisitions requires strong management capability to execute. For this reason the investment we have made in strengthening our executive management is also worthy of attention".

Outlook

The full benefits of the strengthened Management Team, the enhanced M&A Function and the efficient pooling of Operational Resources across the Group will become increasingly apparent during FY2015 and beyond.

Rubik enters FY2015 with contracted revenues of \$34m for the year, enjoying a full year impact of the recent growth in run-rate of recurring revenues.

We continue to deliver on our ambition to be included in the ASX300 and have a growth trajectory in mind to achieve this over the coming years.

More detailed guidance will be provided during our Annual General Meeting to be held in November 2014.

For more information please contact:

Niek Hoogenhout
Group CEO
niek.hoogenhout@rubik.com.au

Darius Coveney
Group CFO & Company Secretary
darius.coveney@rubik.com.au

Rubik Financial Limited
www.rubik.com.au.

ENDS

About Rubik

Rubik Financial Limited (ASX:RFL) is the largest Australian Financial Services software house by Client numbers, servicing 110 out of 174 Australian ADIs.

The company provides a portfolio of cloud-based software solutions across the Financial Services Industry, including financial planning software, mortgage broking software, and a suite of banking solutions to ADIs.

Rubik is ISO 9001, ISO 27001 and NoCO2 certified.

Notes

(1) For non-AIFRS financial information refer to Appendix 1

Appendix 1

Rubik Financial Limited

Results June 2014 – non-AIFRS Financial Information

Consistent with Rubik's strategy and operating model, management and the Board consider investment decisions in both acquisitions (buy) and research and development (build) through a central Portfolio Management Committee. As such, the Company has moved a level of responsibility regarding investment decisions away from divisional MD's and into this central committee. In line with this change, the Company's financial segment reporting has been amended to consider divisional results before R&D investment.

This is a non-AIFRS measure, however the Directors believe the disclosing of this measure is useful to readers of the company's financial results as it assists with their understanding of the underlying business of the Company, is better aligned with peer disclosures, and is consistent with equity valuation and investment research methodologies generally adopted in Australia.

The following table reconciles the non-AIFRS financial information in this document to the AIFRS based Statement of Profit or Loss and Other Comprehensive Income included in the Appendix 4E lodged with the ASX.

Performance (A\$ 000's)	FY14	FY13 (restated) ¹	Var %
Recurring revenues	24,063	16,501	↑ 45.8%
Non-recurring revenues	6,403	6,397	↑ 0.1%
Total operating revenues	30,466	22,898	↑ 33.1%
Segment profits (underlying EBITDA) *	8,164	6,567	↑ 24.3%
R&D expensed *	(3,125)	(1,281)	↑ >100%
Investment amortisation	(4,017)	(2,089)	↑ 92.3%
Share based payment expense	(287)	(11)	↑ >100%
Depreciation and operating amortisation	(529)	(348)	↑ 51.7%
EBIT before significant items *	206	2,838	↓ 92.7%
Net interest income/(expense)	(859)	(358)	↑ >100%
Profit/(Loss) before tax and significant items *	(653)	2,480	↓ >100%
Income tax benefit – current year	342	1	↑ >100%
NPAT before significant items *	(311)	2,481	↓ 59.9%
Significant items:			
- Income tax benefit on initial recognition of DTA	9,691	-	n/a
- Transaction costs	(2,329)	(1,887)	↑ 23.4%
- Transition costs *	(705)	(787)	↓ 10.4%
- Profit on disposal of Shelf business	-	503	n/a
NPAT as reported	6,346	310	↑ >100%

* = Non-AIFRS item

Notes:

1. FY2013 results have been restated for an error in the treatment of bonus expenses as well as the finalisation of provisional purchase price allocations.