



Media Release

Rubik Financial Ltd Half – Year Results

For Immediate Release: 26 February 2015

Financial services software company Rubik Financial Limited (ASX: RFL) has released its reporting results for the half year period ended 31 December 2014.

Highlights* include:

- Group revenue up 33% to \$19.8m (H1 FY14: \$14.9m)
- Recurring revenue up by 43% to \$16.0m (H1 FY14 \$11.2m)
- Segment profits at \$4.1m (HY FY14: \$5.5m)
- Underlying EBITDA at \$2.2m (HY FY14: \$4.2m)

Craig Coleman, Rubik Chairman, said that with the appointment of Iain Dunstan to the CEO role and a new management team in place, the focus for the business for the remainder of FY15 and FY16 will be firmly on integrating recent acquisitions and building on the solid level of recurring revenues in place.

Mr Coleman also confirmed Iain Dunstan as the permanent CEO of the company, following his interim appointment in late January.

"The Rubik Board is confident that the strategic direction of the business will be ably implemented by Rubik's high calibre executive management team under Iain's capable leadership," he said.

Mr Dunstan said his focus was on continuing to invest in the group's existing products, including the completion of integration projects currently underway, as well as continuing client growth.

"Over the last few years, Rubik has acquired some strategically important software businesses. However the time, cost and complexity of upgrading and integrating these businesses has been underestimated. My main focus will be on ensuring these acquired businesses are fully integrated and that we have solid foundations upon which to grow. This will have an impact on FY15 profits, however given that most of the effort is project or one off in nature we can expect to see sound earnings growth once these initiatives are completed.

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"Pleasingly, client retention remains strong, and total client numbers continue to grow across the business." Mr Dunstan said.

The growth in group revenue was due largely to the contributions of the acquired businesses, particularly the mortgage segment. Revenues were also positively impacted by the growth in hosting income compared to the prior corresponding period.

Segment profits were down, primarily as a result of increased employment costs as a result of business acquisitions, an investment in delivery and sales staff and the build out of the senior management team. There have also been increased costs due to the delay in the establishment of the proposed offshore development centre. Hosting fees increased as a result of Rubik moving to cloud-based delivery for the majority of its users, however this expense was more than offset by improvements in revenues.

Mr Coleman said that, as flagged at the group's Annual General Meeting, Rubik expects FY15 to be a year of rebuilding for the company as it works to put in place the right foundations for future growth.

While revenues are on track for FY15 the company has experienced delays in a number of key initiatives, including:

- capturing the integration benefits of recent acquisitions, in part due to the earn out arrangements previously in place, and
- the establishment of the group's offshore development centre, as the team has taken longer than anticipated to select the right partner to ensure the long term success of this project.

In addition, the group has had to invest time and resources to rebuild and, in a number of cases, "catch-up" on functionality in the group's key products. All of the above have required the business to retain additional headcount over and above that initially anticipated at the time of the AGM, which has had a negative impact on the group's FY15 EBITDA outlook.

After considering the above, EBITDA (before significant items) in H2 FY15 is now expected to be approximately 25% up on H1 FY15, with the previously noted quarterly run rate improvement from restructuring the business now expected to be seen in Q2 of FY16. Rubik also expects one-off restructuring charges in the order of \$1.2m for FY15.

Full year FY15 guidance (before significant items and restructuring costs) is amended to be:

- Revenues unchanged at \$40 to 45m
- Segment Profits at \$7.5m to \$8.5m
- Operating EBITDA at \$4.5m to \$5.0m

Mr Coleman said that, over the medium term, Rubik management will be focussing on a number of key areas.

"These include: retaining the group's recurring revenue base; improving EBITDA margins; and growing top line revenues through increased product penetration in to existing clients.

"We anticipate an improvement in earnings as Rubik consolidates the strategic achievements of the last year, and builds on this solid basis to become an even more successful technology company for its clients in the financial services industry," Mr Coleman said.

** The half year result has been impacted by a number of one-off and non-cash items, the details of which are set out in the company's Appendix 4D (attached). The "highlights" numbers refer to underlying operating results, before these significant items.*

For further details about Rubik please go to: www.rubik.com.au

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About Rubik

Rubik provides software for the Financial Services sector, including financial planning software, mortgage software, core banking systems and other banking systems. Rubik is ISO9001, ISO27001 and NoC0₂ certified.