

ASX Announcement

18 August, 2014

GBST net profit up 66% to \$10 million

Final dividend 4.5 cents; full year dividend 8.5 cents

GBST (ASX: GBT), which provides software for capital markets and wealth administration through its GBST Syn~, GBST Shares and GBST Composer platforms, today announced a 66% increase in net profit for the year ending 30 June 2014 to \$10.0m (FY2013: \$6.0m). EBITDA rose 24% to \$20.5m (FY2013: \$16.5m).

Group total revenue increased by 19% to \$98.5m (FY2013: \$83.0m) as GBST's strong international growth continued.

Senior debt decreased by \$9.0m to \$5.0m (FY2013: \$14.0m). Investment in GBST's market leading products continues, with Research & Development expenditure approximately 10% of revenue. The positive outcomes of this on-going, successful product development program is reflected in the growth in both revenue and market share globally.

Final dividend

The Board has declared a dividend of 4.5 cents per share fully franked, compared to 3.5 cents per share fully franked paid for the same period last year. This will bring total dividends for the year to 8.5 cents per share fully franked (FY2013: 6.5 cents). The increase reflects GBST's strong balance sheet and improved earnings performance.

Results summary full year to 30 June	2014 \$m	2013 \$m	% Change
Total revenue	98.5	83.0	19
EBITDA	20.5	16.5	24
Profit before income tax	12.0	7.8	53
Profit after income tax	10.0	6.0	66
Adjusted Cash NPAT	14.3	11.0	30
Basic EPS (cents)	15.07	9.06	66
Cash EPS (cents)	21.46	16.49	30
Final dividend (cents) - fully franked	4.5	3.5	29

GBST Managing Director, Stephen Lake, said: "Our international growth strategy has led to increased sales and profitability, while we have continued to invest in product development. International revenue has almost trebled over four years, and a record sixteen new client projects went 'live' during the year. Sales in Asia, Europe and the United States, which now represent 48% of total revenue, continued to grow, while sales in Australia remained strong despite difficult conditions.

"International sales of GBST Syn~ grew significantly, including completion of a major deployment for one of the world's largest banking and financial services organisations in Asia. This was an important milestone which justified our substantial investment in the region. Our first direct US client also went live using GBST Syn~, achieving substantial efficiency gains and providing a strong endorsement of our technology.

"Sales of GBST Composer in the United Kingdom maintained positive momentum with new client wins and market share growth. While competition increased, the UK wealth management market is still in an early stage of development and GBST Composer continues to consolidate its position as the top direct-to-consumer software product for the distribution of tax-incentivised financial products.

"The increasing international operations means a greater exposure to foreign exchange movements, resulting in a net gain for FY2014 from a weaker Australian dollar relative to FY2013.

"In Australia, our operations performed well and achieved a strong result in a patchy market. The majority of our capital markets revenue comes from annuity licence fees from long-term contracts, and revenue improved slightly despite difficult trading conditions. Sales of GBST Composer were steady, with work largely for existing clients.

"Our new technology development centre in Vietnam demonstrated its capacity to support large projects, and now employs more than 70 staff. We are continuing to build our resources to support business development, sales and marketing, which will drive further penetration of global markets."

GBST Capital Markets

	FY2014 \$m	FY2013 \$m	% Change
Revenue – Australia	29.5	28.8	3
Revenue – International	11.7	6.7	75
Revenue - Total	41.2	35.5	16
Operating EBITDA – Australia	10.3	10.3	1
Operating EBITDA – International	(2.5)	(4.6)	45
Operating EBITDA - Total	7.8	5.7	37

Sales in Australia provide a solid foundation for the GBST group's business, and Australian capital markets revenue rose 3% to \$29.5m, supported by new client wins, despite a subdued retail trading environment. Margins were consistent with the prior year and operating EBITDA was flat at \$10.3m.

Product investment has been maintained, and both the GBST Shares back- and middle-office software platform and GBST Front Office were enhanced to support the ASX mFunds settlement service. GBST Front Office continued to build market share, and new products launched included the OMS platform for derivatives processing and MarginSuite, a new risk management tool. Importantly, a major client began transition from GBST Shares to GBST Syn~, GBST's new-generation post-trade processing platform, and this project is expected to be completed in 2015.

International revenue from sales of GBST Syn~ grew 75% to \$11.7m, compared to \$6.7m in the prior year, and major projects for clients were completed successfully. These included a major back- and middle-office deployment for a US broker-dealer client and an outsourced middle office clearing solution for one of the world's largest banks in Asia. During the year GBST Syn~ 3.0 was released, offering many new features including enhancements for the custody market, and this platform is already being used by two customers in Asia. After several years of difficult trading conditions these positive milestones are encouraging.

Market conditions in Europe remained difficult, with financial services clients' technology budgets constrained by changing regulatory needs. GBST launched a new post-trade processing product to help capital markets participants comply with a new financial transaction tax (FTT) which will be introduced by 11 EU members by January 1 2016, and also completed its first deployment for a leading global investment bank. GBST is continuing to invest to drive growth, hiring business development and technical staff at its offices in New York, Hong Kong, Singapore and other markets. The international business reported a substantially reduced operating loss of \$2.5m compared to an operating loss of \$4.6m in the prior year.

GBST Wealth Management

	FY2014 \$m	FY2013 \$m	% Change
Revenue – Australia	18.2	18.2	-
Revenue – International	35.6	25.2	41
Revenue – Total	53.8	43.4	24
Operating EBITDA – Australia	6.9		
Operating EBITDA – International	6.6		
Operating EBITDA - Total	13.5	11.6	16

* No comparative available for FY2013 Operating EBITDA – International.

Revenue in Australia was flat at \$18.2m for the year, largely representing work for existing clients that have used the GBST Composer platform for wealth administration for many years. GBST's Australian business is well established and more than 75% of revenue is derived from annual licence fees. Significant projects completed included migrating a leading life insurance firm's accounts from legacy systems onto GBST Composer and the launch of a new direct-to-consumer superannuation product on GBST Composer. Recently, work began for a leading bank in New Zealand to consolidate accounts from three businesses onto GBST Composer. Operating EBITDA for Australian operations was \$6.9m. A relevant prior year comparison is not available, as in previous years operating EBITDA was consolidated across the Australian and international businesses.

GBST also launched the first SuperStream Gateway suite for superannuation rollover and contribution transactions to go live in Australia. This service automates transactions across GBST's networks between superannuation funds, SMSFs and the Australian Taxation Office, and is an essential component of recent Australian government regulatory changes to automate the back office of the financial services sector.

In the United Kingdom, GBST Composer continued to win new contracts and revenue grew 41% to \$35.6m. Annual licence revenue has risen to nearly 40% of total international income, reflecting the increasing maturity of GBST's business in this market. New legislation to protect consumers came into effect during the year, resulting in significant change to the UK life, pensions and investment markets which are being driven to update from old world paper-based systems to new world digital platforms such as GBST Composer. While this has led to increased competition for GBST, the overall market is expanding and the UK wrap and platforms market is expected to grow fourfold by 2020.

Significant new clients included a leading Self Invested Personal Pensions (SIPP) customer, taking GBST's share of the SIPP market to 10%, as well as another leading investment trust company. UK operating margins are improving, reflecting the increasing maturity of GBST's business as service revenues relating to deployment change to recurring annual licence fees. Operating EBITDA for international operations was \$6.6m.

During the year, GBST established a technology development centre in Ho Chi Minh City, Vietnam. The centre is performing well and, having contributed to a number of major projects, is expanding and now employs more than 70 staff.

GBST Financial Services

	FY2014	FY2013	%
	\$m	\$m	Change
Revenue	3.1	3.5	(12)
Operating EBITDA	(1.1)	0.2	(775)

The Emu Design web design business expanded in the United Kingdom, but revenue declined due to delays in commencement of new contracts. While the business acquired new UK financial services sector clients, soft trading conditions and business development costs impacted earnings, resulting in an operating EBITDA loss for the year of \$1.1m.

The business expanded its product range with the launch of a new calculator console, enabling clients to self-manage deployment of GBST's financial calculators. Emu Design continued to develop and licence its e-commerce product for the Australian market, adding new clients on long-term contracts to its platform.

Balance sheet

Cash flow from operations was \$20.9m, representing 102% conversion of EBITDA to cash. GBST's senior debt facility was further reduced by \$9.0m during the year, and net debt reduced to \$3.6m as at 30 June 2014.

Outlook

GBST has invested substantially in its strategy of international expansion, strengthening sales and business development teams in Asia, Europe and North America to support its products, and establishing an offshore development centre in Vietnam. The financial services sectors in these markets are showing signs of recovery, and GBST remains cautiously optimistic that its revenue growth will continue both offshore and in Australia.

Investment in the company's flagship products, GBST Syn~ and GBST Composer, helps maintain GBST's market leadership and drive sales momentum. The company has a strong balance sheet, and is well positioned to take advantage of opportunities.

- Ends -

About GBST

GBST provides technology services to the financial services industry. The group comprises three divisions:

- **GBST Capital Markets** through the Syn~ platform provides new-generation technology to process equities, derivatives, fixed income and managed funds transactions to global capital markets. In Australia, GBST also offers the GBST Shares platform which is the country's most widely-used middle- and back-office system.
- **GBST Wealth Management** through the Composer platform provides funds administration and registry software to the wealth management industry, both in Australia and the United Kingdom. It offers an integrated system for the administration of wrap platforms, master trusts, superannuation, pensions, risk and debt.
- **GBST Financial Services** incorporating Emu Design, provides independent financial data and digital agency services for interactive website design, development, hosting, e-commerce platforms, and mobile and social networking solutions.

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