

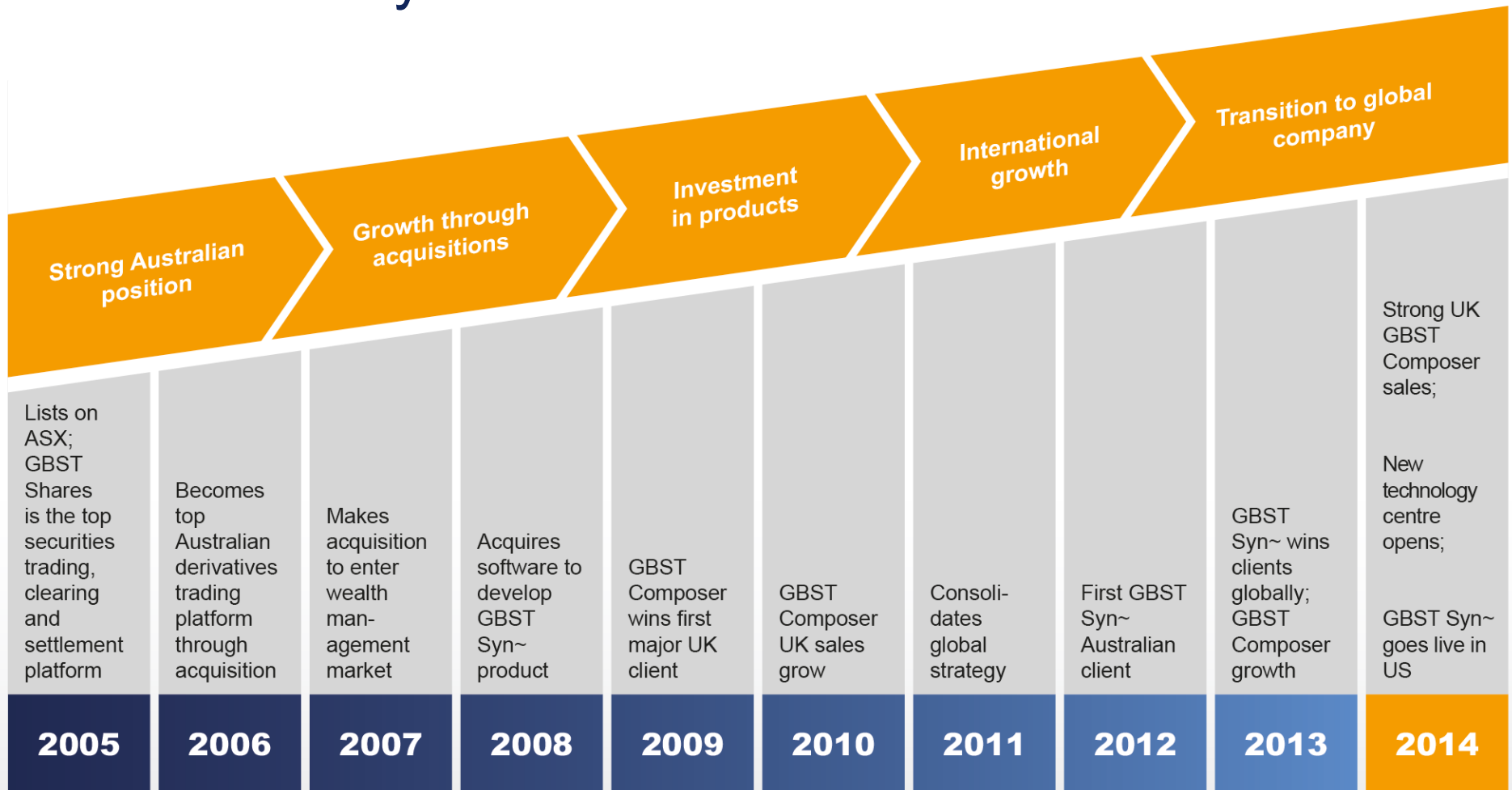
# Presentation for Bank of America Merrill Lynch

17 October 2014

Patrick Salis, Group Chief Operating Officer

GBST Holdings Limited (ASX: GBT)

# GBST's History



# GBST Today

Robust, enterprise-grade, business-critical software products

Approaching

**500**

employees

Capital markets  
and wealth management

**specialist**

**60%**

of revenue  
comes from recurring  
license fees

More than

**60 clients**

and growing

**~50%**

of revenue generated  
internationally, and  
growing

**~10%**

of revenue spent  
on R&D

# GBST Product Suite

## Product

## Capability

## Market

**GBST Shares**

**GBST DCA**

- Leading Australian client accounting and securities transaction platform
- Services for capital markets' institutional and retail brokers
- Solutions include cash equities, derivatives and risk, margin lending, cash management and front office
- Connects an extensive network of financial institutions

 **GBST Capital Markets**

**GBST Syn~**

- Global post-trade processing platform
- Regional solutions for Asia, Australia, Europe and North America
- Manages trades across multiple asset classes, entities, markets and exchanges
- Consolidated business intelligence reporting

**GBST Composer**

- Wealth administration and registry software for the Australian funds management industry
- Comprehensive platform for UK wraps, SIPPs, ISAs, bonds, retail and wholesale unit trusts and OIECs
- Administers more than \$400 billion funds under management
- Supports more than 7,000 investment options

 **GBST Wealth Management**

Leading securities transaction and wealth  
administration platforms for the financial  
services industry

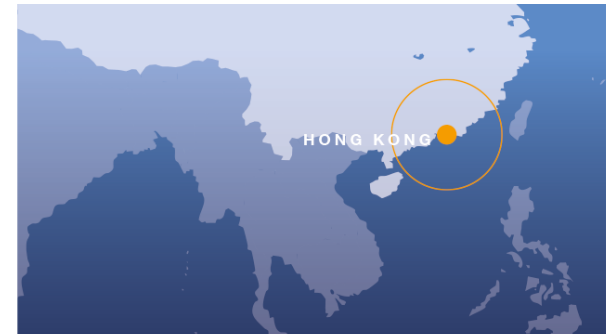
# Growing Global Presence



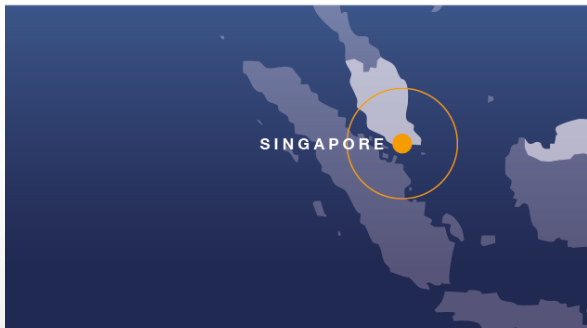
- First direct US client 'live' using GBST Syn~
- Sales opportunities in broker-dealer market



- GBST Composer sales up almost six-fold over five years
- GBST Syn~ FTT "live" at global bank



- GBST Syn~ middle-office clearing solution implemented for global bank
- Regional opportunities in broker-dealer market



- GBST Syn~ gaining sales momentum
- Increased sales and support team

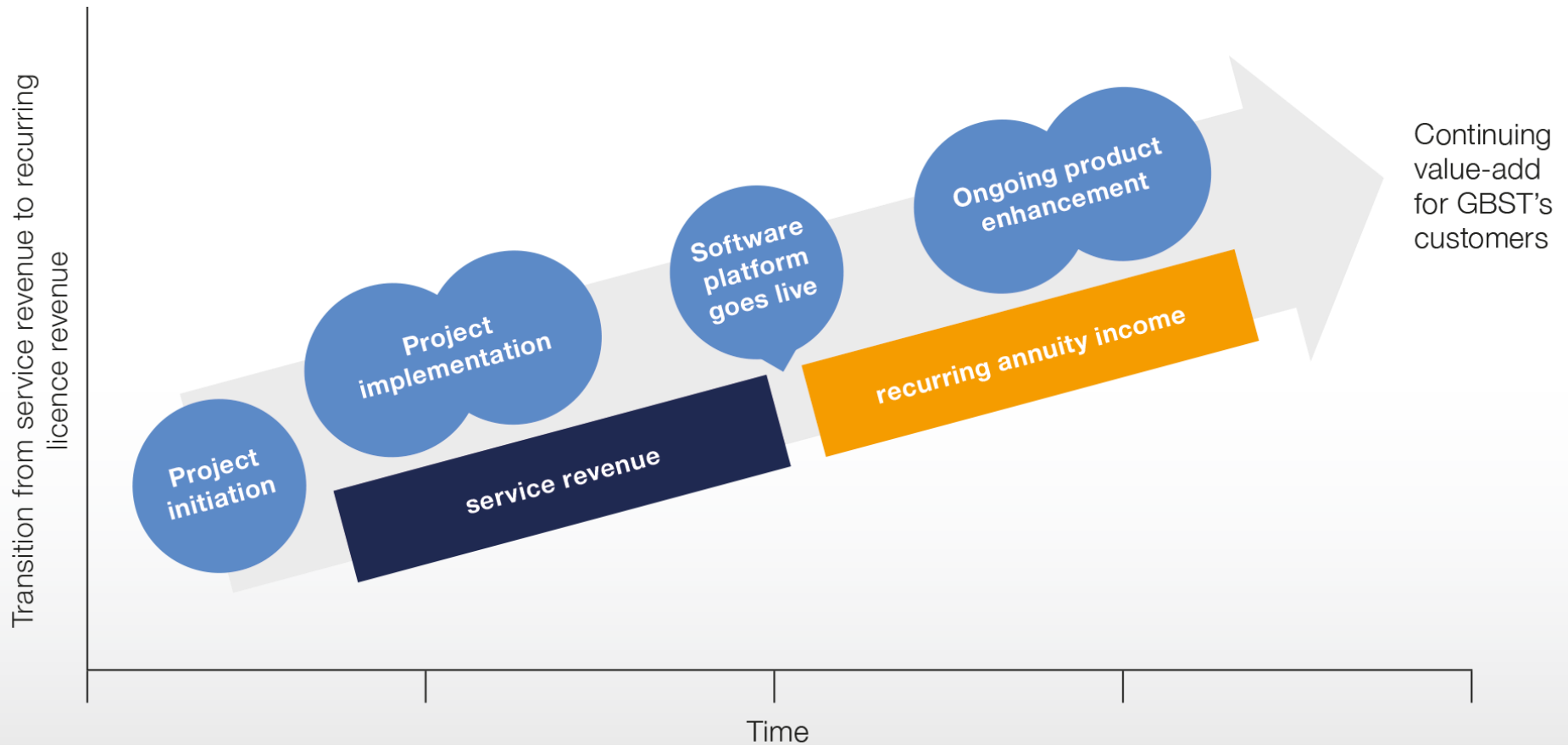


- Technology development center - resources integrated with global team
- Proven capability to support major projects



- Key technical competency for GBST products
- First GBST Shares to Syn~ transition underway

# GBST's new-generation software platforms generate long-term recurring revenue



# Indicative GBST Clients

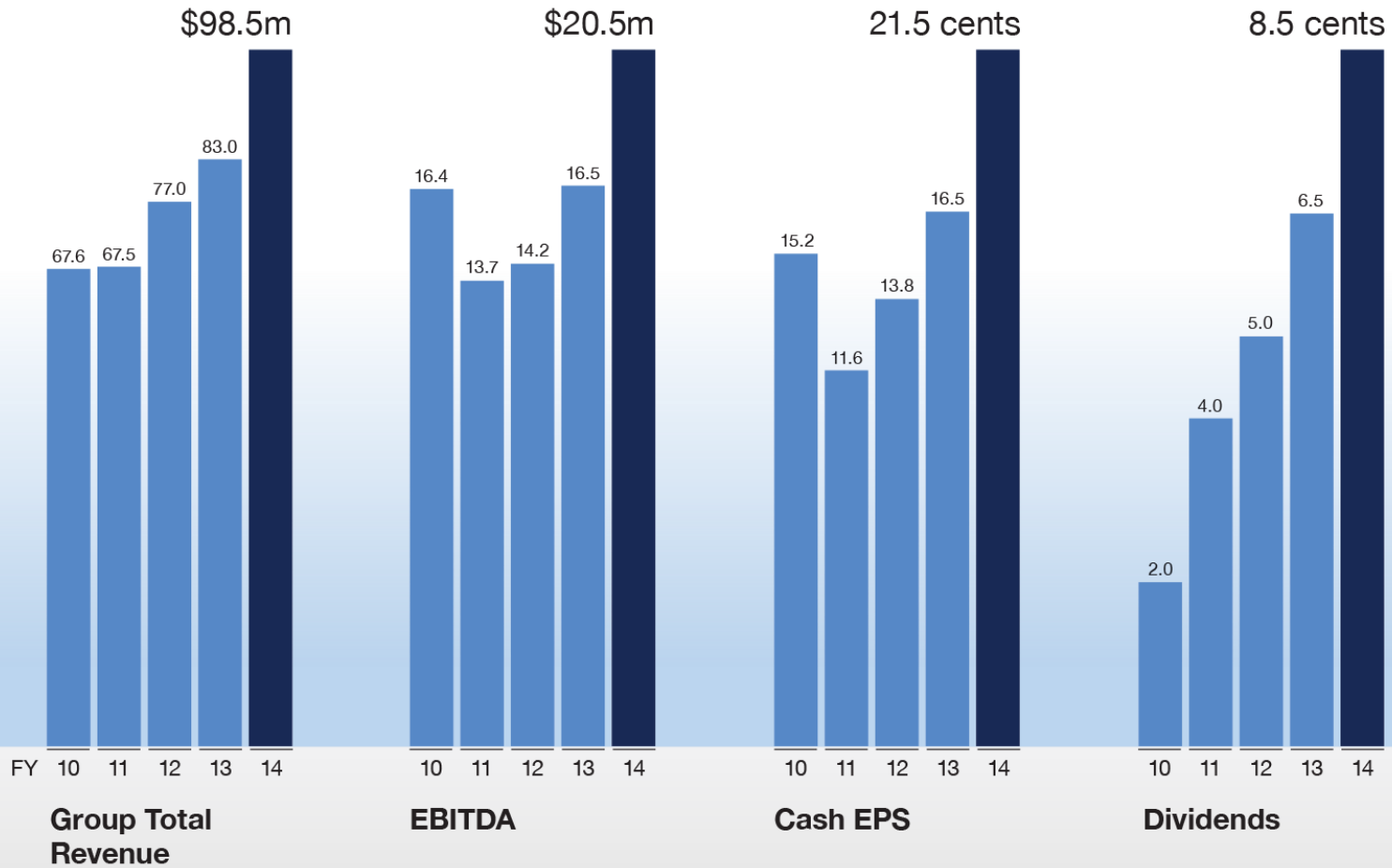
**GBST Syn~** / **GBST Shares**

**GBST Composer**





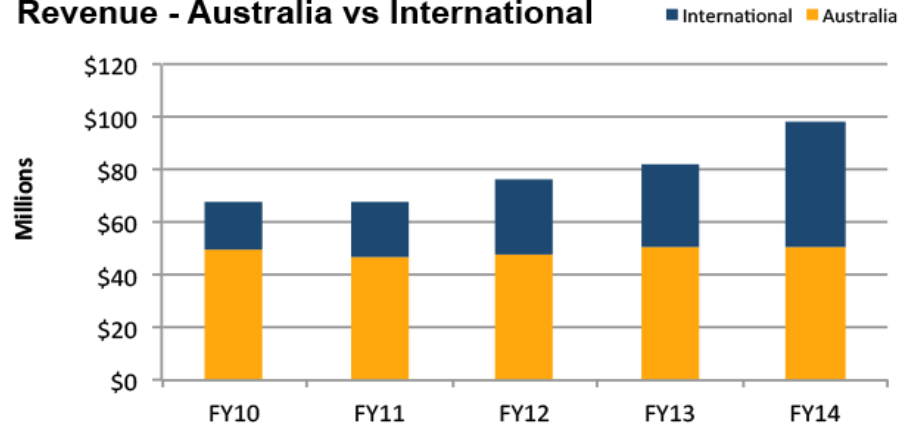
# Financial Performance





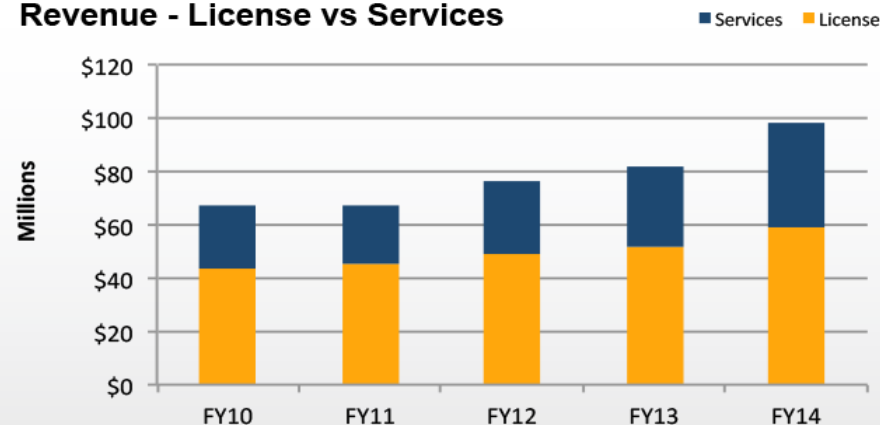
# Revenue Analysis

**Revenue - Australia vs International**



- FY2014 revenue \$98.5 million, up 19% from FY2013; average annual revenue growth has exceeded 10% for the past three years
- International revenue has grown almost threefold since FY2010 and now represents almost 50% of total revenue
- Almost two thirds of all revenue is very high quality, recurring annuity license income based on long-term contracts
- Australian sales \$50.8 million in FY2014, up from \$50.5 million
- International sales \$47.3 million in FY 2014, up from \$31.9 million
- International revenue includes \$35.6 million sales of GBST Composer and \$11.7 million sales of GBST Syn~
- Growing global reputation as a trusted solution provider with a strong customer base, comprised of major global and national financial services organisations

**Revenue - License vs Services**

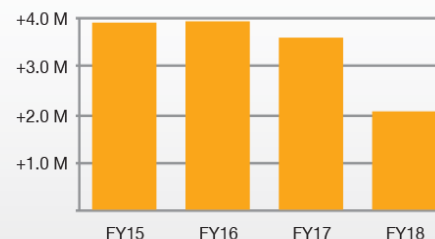


# Financial Position

Financial position as at	30-Jun-14 \$m	30-Jun-13 \$m
<b>ASSETS</b>		
Cash	2.3	3.5
Other current assets	18.8	17.0
Intangible assets	56.5	59.8
Other non-current assets	13.8	10.4
<b>TOTAL ASSETS</b>	<b>91.5</b>	<b>90.7</b>
<b>LIABILITIES</b>		
Loans and borrowings - current	0.7	4.5
Unearned income	11.1	10.2
Other current liabilities	13.6	13.4
Loans and borrowings - non current	5.3	11.3
Other non-current liabilities	7.6	5.8
<b>TOTAL LIABILITIES</b>	<b>38.2</b>	<b>45.1</b>
<b>NET ASSETS</b>	<b>53.3</b>	<b>45.6</b>
<b>EQUITY</b>		
Issued capital	37.7	37.7
Reserves	(2.4)	(5.0)
Retained earnings	18.0	12.9
<b>TOTAL EQUITY</b>	<b>53.3</b>	<b>45.6</b>

- Intangible assets primarily relates to acquisitions; these assets (excluding goodwill) are being amortised over periods of 5 to 10 years
- Senior debt reduced \$9.0 million in FY14 to \$5.0 million at 30 June 2014, now fully repaid
- Unearned income represents advanced payments from clients, varies according to project activity and timing of payments - not indicative of forward sales
- \$14.8 million franking credits at 30 June 2014 up from \$13.2 million in the prior year

**Amortisation Schedule** ■ Software Systems



Acquired Intangible Assets	\$m
Palion	3.4
Infocomp	32.9
Coexis	15.5
EMU	0.9
Other	3.8

# GBST Capital Markets – Today

- GBST Syn~ processes equities, derivatives, fixed income and managed funds transactions for capital markets in Asia, Australia, Europe and North America
- In Australia, GBST also offers the GBST Shares and DCA platforms which are the most widely used middle- and back-office equities and derivatives systems
- Other GBST products provide fully integrated solutions for trading, clearing and settlement of multi-instruments, currencies and markets.
- Australian sales of GBST Shares and GBST Syn~ \$29.5 million in FY14, up 3% on prior year
- Asian revenue \$6.5 million from sales of GBST Syn~, nearly double prior year
- North American revenue \$3.1 million, up from \$1.3 million in prior year

## Australia

- Market leader
- > 35 customers
- Retail and institutional clients
- > 80 staff
- Mature business
- 90% recurring revenue
- High margins built over time
- Main technical and product knowledge base
- Transition from GBST Shares to Syn~ underway
- Continuing product investment

## International

- Building market share, strong challenger position
- > 10 customers
- Institutional clients
- > 80 staff
- Growing business
- Growing Asian regional capacity
- Infrastructure spans 4 continents
- High proportion of service revenue
- Significant R&D expenditure
- Global growth strategy

# GBST Capital Markets – Industry Overview

## Industry drivers

- Regulatory and compliance prioritisation
- Convergence of wealth management, retail and capital markets services
- Harmonisation of settlement market practices and cycle compression to reduce risk and increase efficiency
- Increasing need for automation to drive operating cost efficiency, reduce costs and risk
- Regionalisation growing - by 2020 four distinct regional distribution blocks are expected to form allowing products to be sold pan-regionally in North Asia, South Asia, Latin America and Europe
- The ability to streamline and integrate processes will be critical to global success
- Growing need for technology solutions to drive customer engagement and retention
- Technology spending for the Asia-Pacific banking market is expected to expand > 6.5% annually over the next five years
- Technology spending in banking in North American is set to grow > 3.5% p.a in the next four years

## GBST position

- GBST “grew up” as an Australian cash equities settlements business
- GBST has evolved to become a trusted brand and its reputation as a top solution provider for global capital markets is growing
- GBST has expanded the range of participants and markets using our products and we are now working with our clients to:
  - Extend supported asset-classes and provide common functions across asset classes, including fixed income, derivatives and managed funds
  - Expand market connectivity across regions and globally
  - Process non-routine transactions, such as European FTT, broker commission processing and post-trade asset servicing
- GBST Syn~ is being deployed to clearers, investment banks, retail brokers and custodians around the world
- GBST Syn~ clients benefit from:
  - Automation of middle- and back-office processing
  - Processing of different asset classes
  - Greater efficiency and economies of scale
  - Improving customer service

# GBST Capital Markets - **GBST Syn~**

## GBST Syn~'s Unique Selling Propositions:

- Demonstrated success improving straight-through processing (STP) rates by capturing all possible business scenarios
  - Importance of STP is increasing with the potential introduction of a shortened equities settlement cycle from T+3 to T+2 in North America; T+2 already active in some European markets
- Ability to automate processes and workflow across asset classes and markets, maximising economies of scale
  - GBST Syn~ helped a major North American broker-dealer firm to automate about 95% of its back- and middle-office process, up from 25% before
  - Significant operational efficiencies allowed redeployment of staff and improved visibility of business performance
- GBST customers are using GBST Syn~ to provide new services to clients and building new revenue lines by providing specialised, tailored solutions
  - GBST Syn~ 3.0, launched in 2014, offers new services for custodians, including safekeeping settlement systems for cash, stock and daily interest processing
- Modelling capabilities allow GBST Syn~ to solve complex problems and accommodate broader processing requirements across a client's business

# GBST Syn~ Highlights

- Major implementation in FY2014 included completing a clearing solution for one of the world's largest banks
- Momentum is building with increasing client wins and a healthy pipeline of sales opportunities
- First US client now live using GBST Syn~, this has provided this broker with a multi-purposed, customised system solving many business problems and allowing the retirement of legacy systems
- Further business development, sales and support resources are being put in place to drive sales
- GBST Syn~'s first financial transaction tax implementation, now live, is opening up opportunities with institutional clients
- GBST Syn~FTT named 'best compliance solution' at Systems in the City awards
- First client transition from GBST Shares to GBST Syn~ underway; significant opportunity to expand services in Australia and provide regional solutions across Asia
- GBST Syn~ now Omgeo Central Trade Manager (CTM) certified, providing an automated solution for central matching of domestic and cross-border transactions
- Other new GBST products include OMS order management system platform for derivatives, MarginSuite for risk management and GBST Business Intelligence Reporting (BIR)

# GBST Wealth Management – Today

- Flagship product GBST Composer provides funds administration and registry software for the wealth management industry in Australia and the UK
- Integrated, multi-distribution system for the administration of wraps and platforms, including adviser, direct-to-consumer and workplace platforms; self-invested personal pensions (SIPPs), life and pensions/superannuation
- Associated GBST products provide technology hub solutions, data analytics and quantitative services measuring portfolio performance
- GBST Composer UK sales \$35.6 million in FY14, up 41%
- GBST Composer Australian sales \$18.1 million in FY14, similar to prior year

## Australia

- Market leader
- > 35 Customers
- > 130 staff
- Mature business
- > 75% recurring revenue
- High margins built over time
- Main technical and product knowledge base
- Product investment continues e.g. GBST SuperStream

## International

- Increasing market share
- 8 Customers
- > 110 staff
- Growing business
- ~ 40% license revenue
- Margins around 15%, steadily improving
- Significant R&D investment
- New technology development centre in Vietnam; well integrated with global teams



# GBST Wealth Management – Industry Overview

## Industry drivers

- Market size increasing; global investable assets for the asset management industry will increase to more than \$100 trillion by 2020 with a compound annual growth rate of nearly 6%<sup>1</sup>
- Growth in new pension assets will be strongest in Asia and Latin America
- US and Europe will still have the largest asset pools
- Regulation, compliance and cost are forcing a change in business models
- The Retail Distribution Review (RDR) implemented in the UK in 2012 is spreading globally
- Fee transparency and aging global population driving need for change
- Recent UK budget changes impact annuities which are no longer compulsory, favouring digitally-distributed drawdown products
- Change from “old world” paper-based to “new world” digital systems an important driver of efficiency
- Companies seeking to migrate from older systems to a single modern technology platform
- Need to manage speed-to-market with effective risk management and cost control

## GBST position

- The UK platform /wrap sector is starting to segment into 3 key platforms:
  - Advisor focused
  - Direct to Consumer (D2C)
  - Employer focused “WorkPlace”
- GBST Composer is the market leading solution with capability across all 3 channels
- GBST Composer is also well positioned in the Self Invested Personal Pensions market (SIPP) with an approximate 10% market share
- GBST Composer has evolved into a general pensions administration platform
- In the large-scale Life and Pensions market there are 2 main areas of focus driving growth:
  - Legacy replacement - digital, web-based technology designed to consolidate multiple 'legacy' platforms, and
  - At Retirement –recent UK budget changes favour flexible income product sets, managed on the GBST Composer platform such as SIPP's and other Drawdown products
- Investigation has begun to look to expand beyond Australia and the UK, with an initial focus on Asia

<sup>1</sup> PWC, Asset Management 2020

# GBST Wealth Management – **GBST Composer**

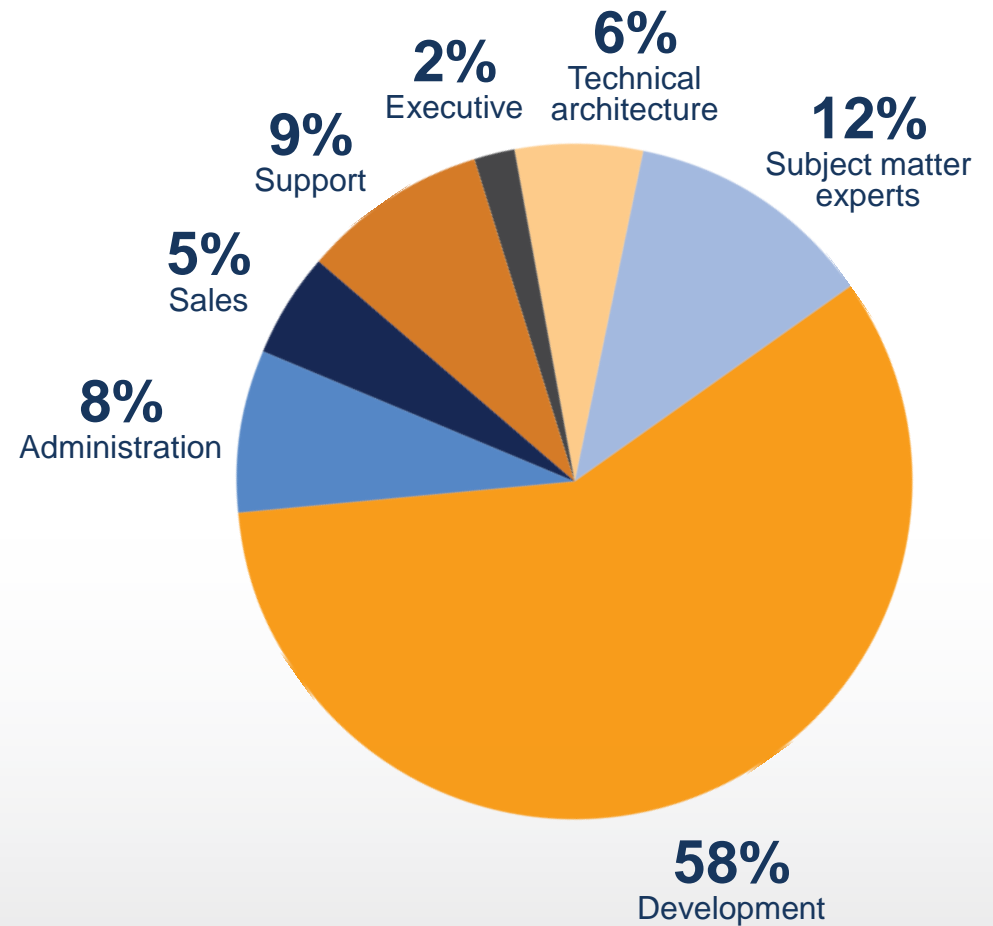
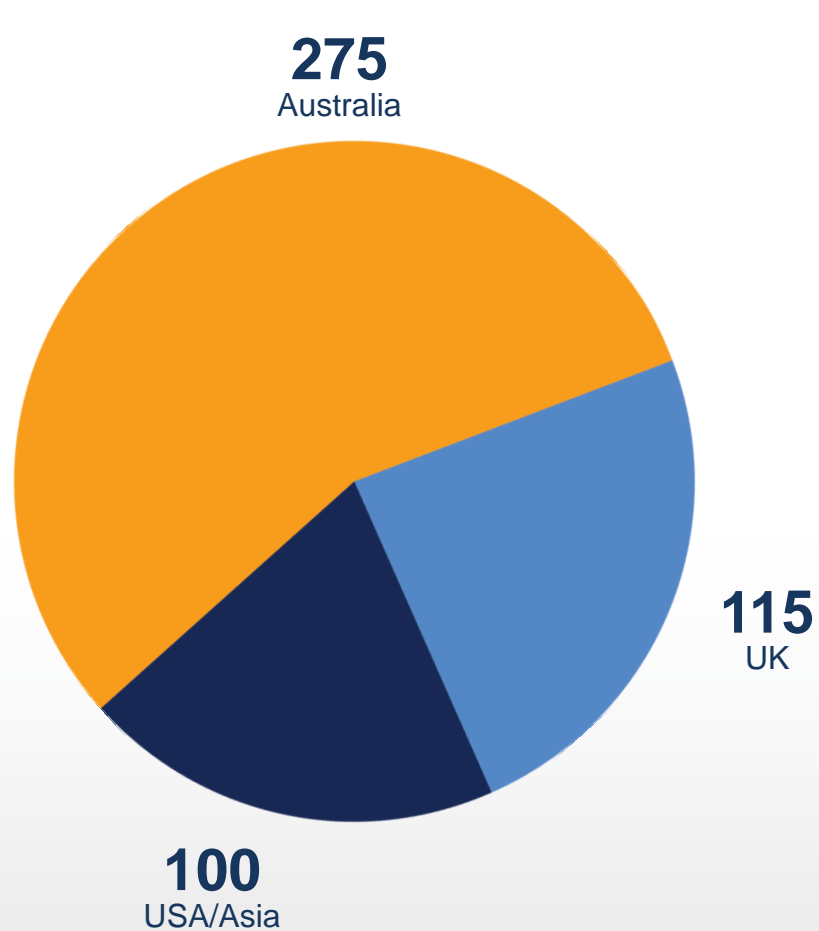
GBST Composer is a robust, scalable platform for:

- Platforms and wraps
  - Supports adviser-based, direct-to-consumer and corporate wrap models; enables end-to-end administration of wrap and platforms for retail, including direct offerings; and institutional customers
- Pensions and superannuation administration
  - Industry-leading capability for superannuation and pension administration; processes fees, commissions, cash management, valuations, legislative compliance, income drawdown and pension payments
- Business process outsourcing (BPO) / third party administration
  - Fully compliant solution supporting the administration of all wrap models; combines with ComposerWeb, a comprehensive web-based front office solution for investor and adviser servicing
- Funds management
  - Administration of managed funds for both retail and wholesale products
- Private banking / wealth management
  - Maintains the registry records of a single investor, or group of investors, while storing multiple holdings across an unlimited set of investments, retirement savings and income products

# GBST Composer Highlights

- UK wraps and platforms market expected to quadruple by 2020, driven by new legislation and budget changes
- GBST Composer supports more than 7,000 investment options on a single digital platform, allowing clients to consolidate numerous “legacy” systems
- GBST Composer is now able to provide dual support for both Microsoft SQL Server and Sybase ASE databases, through the development of a new platform layer, a technological first
- Technology development centre expanding to accelerate product improvement; employs more than 70 staff working on GBST Composer
- New client implementations currently underway are tracking to plan
- The UK business is still in its early stages of growth, and will require ongoing investment in R&D, in increasing functionality and scalability, as well as the underlying technology
- The Australian business is showing signs of the potential for growth
- Product innovation and extensions, such as GBST SuperStream Gateway which expedites electronic and payment messaging for the superannuation industry, is continuing

# Staff grew 25% in FY2014



# Summary

GBST is a specialist global financial services software product company, providing solutions that generate recurring annuity revenue through participating in, and having exposure to, capital markets transactions processing, and wealth management asset administration.

- Leading new-generation financial technology software specialist
- Growing international platform and global sales momentum
- Consistent earnings per share and dividends growth
- GBST Syn~ now processing trades in Asia, Australia, Europe and US; increasing opportunities to provide regional solutions
- First Australian GBST shares to GBST Syn~ transition underway
- GBST Composer is the top direct-to-consumer software platform for the distribution of tax-incentivised products in the UK; market is expected to grow fourfold by 2020
- Continuing R&D investment to drive product development, supported by Vietnam-based technology development centre

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