

# Half-year results – 31 December 2014

GBST Holdings Limited (ASX: GBT)

# GBST H1 FY2015 – Highlights

- Strong international growth continues, driven by sales of GBST's industry-leading products
- Revenue increases 14% to \$55.7 million
- EBITDA increases 27% to \$12.3 million
- Operating margin increases to 22% from 19%
- NPAT increases 58% to \$6.9 million
- EPS increases to 10.4 cps from 6.6 cps
- Cash NPAT increases 33% to \$8.9 million
- Cash EPS increases to 13.4 cps from 10.1 cps
- Senior debt fully repaid
- Interim dividend up 25% to 5 cps, fully franked

| Product                                    | Capability  | Market                            |
|--|---|-----------------------------------|
| <div>GBST Shares</div> <div>GBST DCA</div> | <ul style="list-style-type: none"> <li>• Leading Australian client accounting and securities transaction platform</li> <li>• Services for capital markets' institutional and retail brokers</li> <li>• Solutions include cash equities, derivatives and risk, margin lending, cash management and front office</li> </ul> | <div>GBST Capital Markets</div>   |
| <div>GBST Syn~</div>                       | <ul style="list-style-type: none"> <li>• Global post-trade processing platform</li> <li>• Regional solutions for Asia, Australia, Europe and North America</li> <li>• Manages trades across multiple asset classes, entities, markets and exchanges</li> </ul>  |                                   |
| <div>GBST Composer</div>                   | <ul style="list-style-type: none"> <li>• Wealth administration and registry software for the Australian funds management industry</li> <li>• Comprehensive platform for UK wraps, SIPPs, ISAs, bonds, retail and wholesale unit trusts and OIECs</li> <li>• Supports more than 7,000 investment options</li> </ul>        | <div>GBST Wealth Management</div> |

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

# H1 FY2015 – Financial Performance

| Results for the half-year ended:      | 31-Dec-14<br>\$m | 31-Dec-13<br>\$m | %<br>Change |
|---------------------------------------|------------------|------------------|-------------|
| <b>Revenue</b>                        | <b>55.7</b>      | <b>49.0</b>      | <b>14</b>   |
| Operating EBITDA                      | 12.3             | 9.4              | 31          |
| Operating EBITDA % margin             | 22%              | 19%              |             |
| Unallocated                           | 0.0              | 0.3              |             |
| <b>EBITDA</b>                         | <b>12.3</b>      | <b>9.7</b>       | <b>27</b>   |
| Finance income / (expense)            | 0.1              | (0.4)            | 107         |
| Depreciation & operating amortisation | (1.6)            | (1.4)            | (19)        |
| Investment amortisation               | (1.9)            | (2.3)            | 16          |
| <b>PBT</b>                            | <b>8.8</b>       | <b>5.6</b>       | <b>56</b>   |
| Income tax expense                    | (1.8)            | (1.2)            |             |
| Effective tax rate                    | 21%              | 22%              |             |
| <b>NPAT</b>                           | <b>6.9</b>       | <b>4.4</b>       | <b>58</b>   |
| <b>Adjusted cash NPAT</b>             | <b>8.9</b>       | <b>6.7</b>       | <b>33</b>   |
| <b>EPS (cps)</b>                      | <b>10.4</b>      | <b>6.6</b>       | <b>58</b>   |
| <b>Cash EPS (cps)</b>                 | <b>13.4</b>      | <b>10.1</b>      | <b>33</b>   |

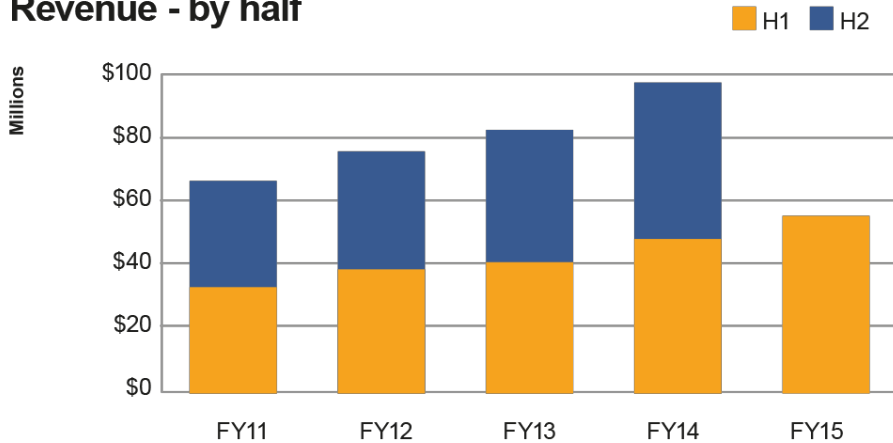
- Record revenue; strong growth in key geographies and product categories
- Record EBITDA result with margin improvement
- Finance income reflects positive cash position
- Depreciation and operating amortisation charges increased in line with revenue growth
- Investment amortisation charges decline as acquired intangible assets are depreciated
- Lower tax rate through R&D related tax concessions
- Adjusted cash NPAT includes add-back of investment amortisation charges

# H1 FY2015 – Key Points

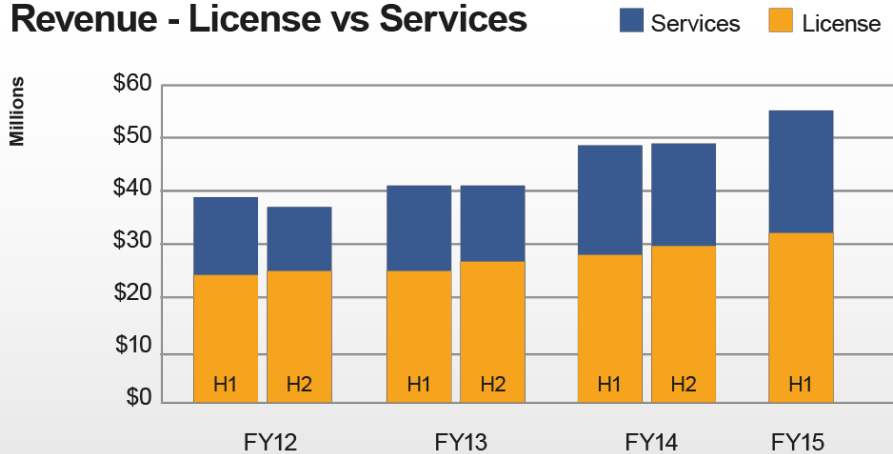
- **Australia:** growth continued despite difficult trading conditions in the financial services industry, with new implementations underway for GBST Composer and GBST Syn~ clients
- **UK:** record new wealth management implementations included three new projects and significant ongoing client activity; GBST Composer's position as the leading technology solution for the fast-growing platform market continues to strengthen
- **Asia:** GBST Syn~'s use expanded across our customer base with a major implementation of Japanese onshore market processing going 'live' and a roll out of Syn~'s enhanced fixed income and repo processing
- **North America:** the successful implementation of GBST Syn~ for a major broker-dealer's back- and middle-offices has realised significant benefits
- GBST's technology development centre in Vietnam is now working well across all GBST products including internal and client projects; onsite management has increased and staff now exceed 90 people
- Investment in internal infrastructure and processes continues including expanded use of ERP, quality management and security controls

# Group Revenue

## Revenue - by half



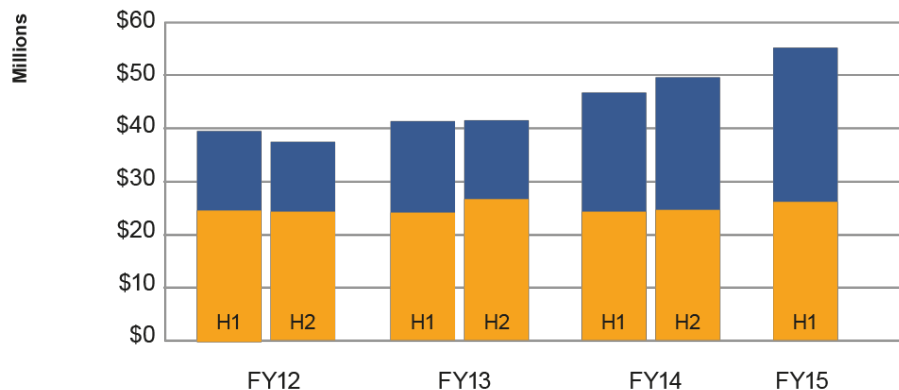
## Revenue - License vs Services



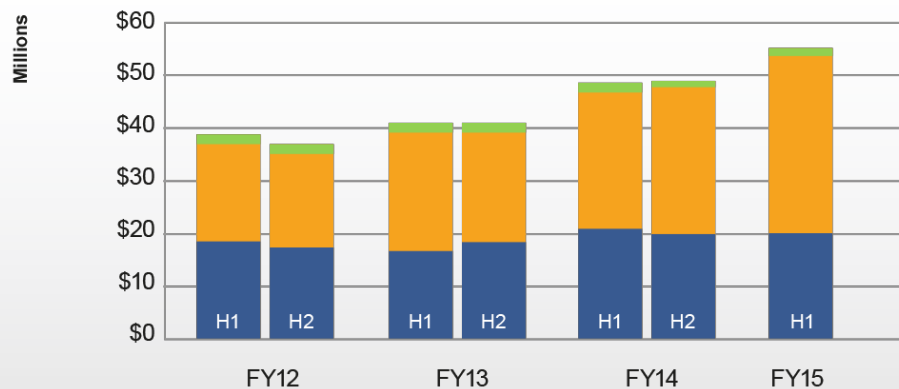
- Strong half on half revenue improvement; H1 result a new record performance
- Licence fee model - recurring annuity income based on long term client contracts with fixed and variable (activity based) components
- Services revenue relates to the implementation of GBST software and development of product functionality
- Steady growth in both licence and services revenue continues
- 20% increase in variable licence revenue, derived from volume based client activity, now comprises 15% of total license revenue

# Group Revenue Analysis

**Revenue - International vs Australia** ■ International ■ Australia



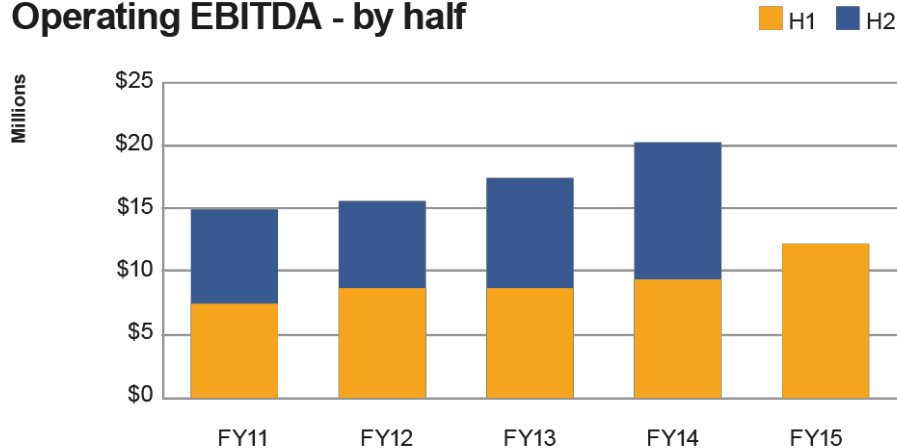
**Revenue - by division** ■ Financial Services ■ Wealth Management ■ Capital Markets



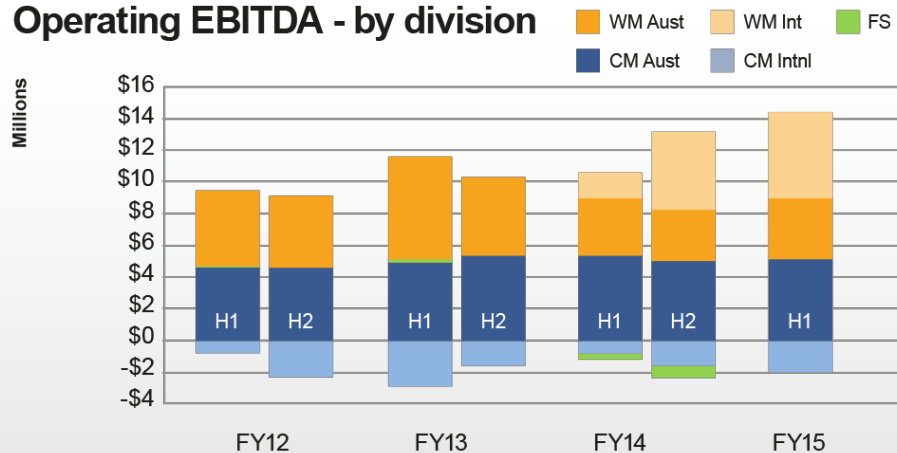
- International revenue represents 52% of total revenue and exceeds Australian revenue for the first time
- International revenue is denominated primarily in £ Sterling and US\$; lower AU\$ favours GBST
- Growth in Australian income despite tough trading conditions
- Wealth Management Division revenue continues to grow in both the UK and Australia; includes new clients' projects and ongoing activity for existing clients
- Capital Markets Division's revenue strong in Australia; international revenue declined from the pcp but was consistent with H2 FY2014, fluctuating on project activity

# Operating EBITDA

## Operating EBITDA - by half



## Operating EBITDA - by division

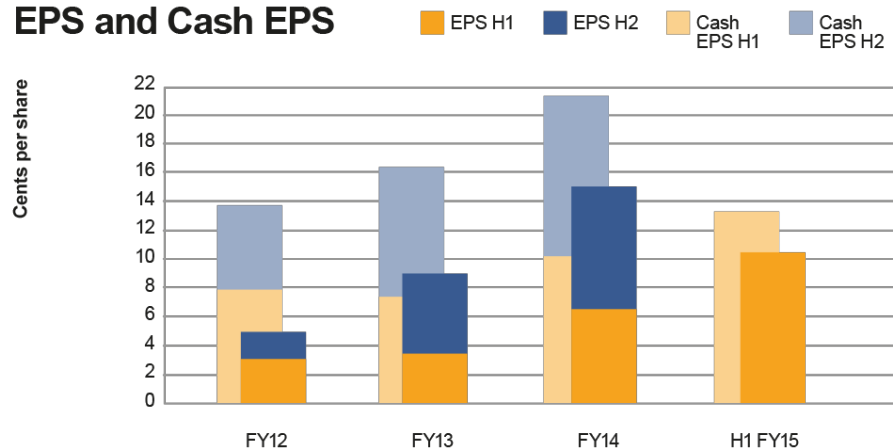


- Steady EBITDA growth coupled with margin improvement
- R&D investment in all GBST products continues, expensed as incurred
- Capex as a percentage of EBITDA reduced from 18% in FY14 to 8%. 5 year average is around 15%
- Wealth Management Division strong earnings performance in Australia and the UK
- Capital Markets Division steady earnings performance in Australia; GBST continues to build scale in the international business and the loss reflects ongoing investment in products, sales and the global network
- Financial Services Division achieved break-even after a \$1.1 million loss in FY14

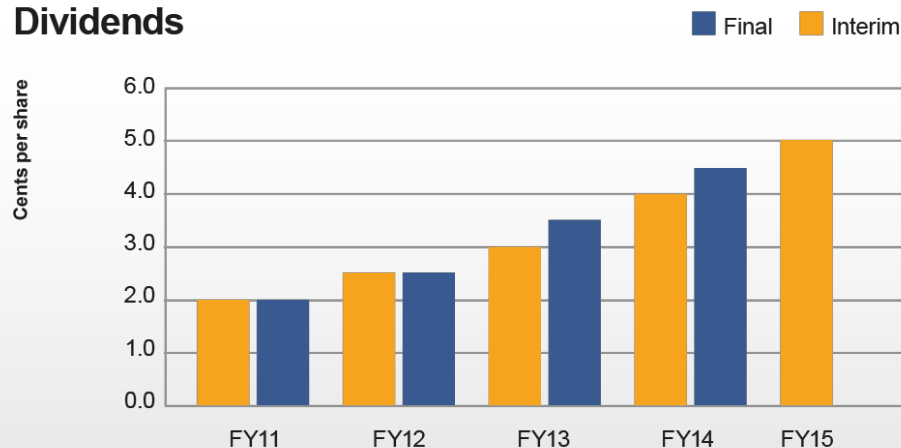


# EPS and Dividend

## EPS and Cash EPS



## Dividends



- Earnings per share improved to 10.4 cents per share in H1 FY2015, up 58% on the pcp
- Cash eps 13.4 cents per share
- Final dividend declared 5 cents per share, fully franked
- Dividend payout ratio 37% of cash NPAT
- Record date for entitlement 7 April 2015
- Payment date 23 April 2015
- Franking credit balance \$16.2 million, up \$1.4 million (30 June 2014: \$14.8 million)



# Financial Position

| Financial position as at           | 31-Dec-14<br>\$m | 30-Jun-14<br>\$m |
|------------------------------------|------------------|------------------|
| <b>ASSETS</b>                      |                  |                  |
| Cash                               | 3.3              | 2.3              |
| Other current assets               | 20.3             | 18.8             |
| Intangible assets                  | 55.2             | 56.5             |
| Other non-current assets           | 13.9             | 13.8             |
| <b>TOTAL ASSETS</b>                | <b>92.7</b>      | <b>91.5</b>      |
|                                    |                  |                  |
| <b>LIABILITIES</b>                 |                  |                  |
| Loans and borrowings - current     | 0.4              | 0.7              |
| Unearned income                    | 11.4             | 11.1             |
| Other current liabilities          | 14.6             | 13.6             |
| Loans and borrowings - non current | 0.1              | 5.3              |
| Other non-current liabilities      | 7.3              | 7.6              |
| <b>TOTAL LIABILITIES</b>           | <b>33.9</b>      | <b>38.2</b>      |
|                                    |                  |                  |
| <b>NET ASSETS</b>                  | <b>58.9</b>      | <b>53.3</b>      |
|                                    |                  |                  |
| <b>EQUITY</b>                      |                  |                  |
| Issued capital                     | 37.7             | 37.7             |
| Reserves                           | (0.7)            | (2.4)            |
| Retained earnings                  | 21.9             | 18.0             |
| <b>TOTAL EQUITY</b>                | <b>58.9</b>      | <b>53.3</b>      |

- Intangible assets primarily comprise purchased software, client contracts and goodwill through acquisition - these assets are being expensed over periods of 5-10 years
- Carrying value of intangible assets comprises InfoComp (\$32.0 million), Coexis (\$15.4 million), and other intangibles (\$7.8 million)
- Senior debt fully repaid, down from \$5 million at 30 June 2014
- Unearned income of \$11.4 million represents advanced payments from clients for licences and services; the balance varies due to timing of payments

# Cash Flow

| Results for the half-year ended:       | 31-Dec-14<br>\$m | 31-Dec-13<br>\$m |
|--|------------------|------------------|
| <b>CASH FLOWS FROM OPERATIONS</b>      |                  |                  |
| Receipts                               | 61.7             | 51.5             |
| Payments                               | (48.6)           | (41.7)           |
| Finance costs                          | (0.1)            | (0.5)            |
| Income tax                             | (2.8)            | (2.5)            |
| <b>Net cash from operations</b>        | <b>10.2</b>      | <b>6.8</b>       |
|  |                  |                  |
| <b>CASH FLOWS FROM INVESTMENTS</b>     |                  |                  |
| Purchase of tangible assets            | (0.5)            | (1.3)            |
| Purchase of intangible assets          | (0.5)            | (1.2)            |
| Deferred consideration received        | 0.0              | 1.5              |
| <b>Net cash used in investments</b>    | <b>(1.0)</b>     | <b>(1.0)</b>     |
|  |                  |                  |
| <b>CASH FLOWS FROM FINANCING</b>       |                  |                  |
| Repayment of finance leases            | (0.5)            | (0.5)            |
| Repayment of borrowings                | (5.0)            | (4.0)            |
| Dividends paid                         | (3.0)            | (2.3)            |
| <b>Net cash used in financing</b>      | <b>(8.5)</b>     | <b>(6.8)</b>     |
|  |                  |                  |
| <b>NET INCREASE/(DECREASE) IN CASH</b> | <b>0.7</b>       | <b>(1.0)</b>     |
| Effect of FX movements on cash held    | 0.2              | (0.2)            |
| Opening cash - 1 July                  | 2.3              | 3.5              |
| <b>CLOSING CASH</b>                    | <b>3.3</b>       | <b>2.3</b>       |

- Cash flow from operations (excluding interest and taxes) of \$13.1 million
- 106% conversion of EBITDA to cash flow
- Higher tangible assets in 1H FY2014 related to office fit-out costs in Brisbane, London and New York
- Intangibles purchases relate to third party software acquired for use within the business
- No internal development costs are capitalised
- Deferred consideration received from legal settlement relating to a prior acquisition
- Cash flows are managed in local currencies where possible to limit exposure to foreign currency conversion

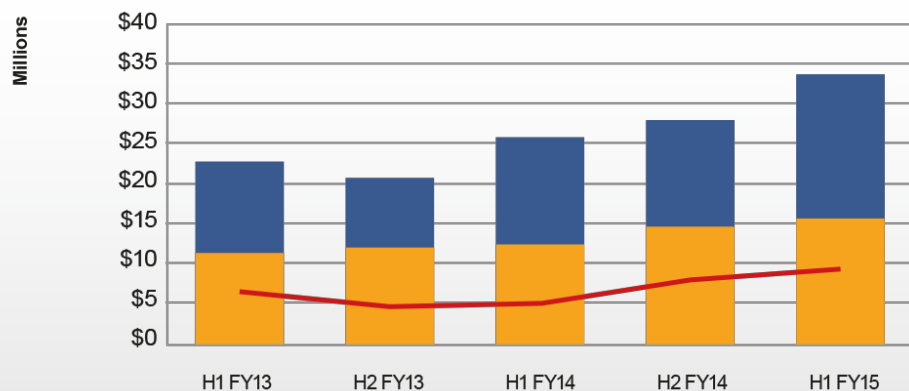


# GBST Wealth Management – Financial Performance

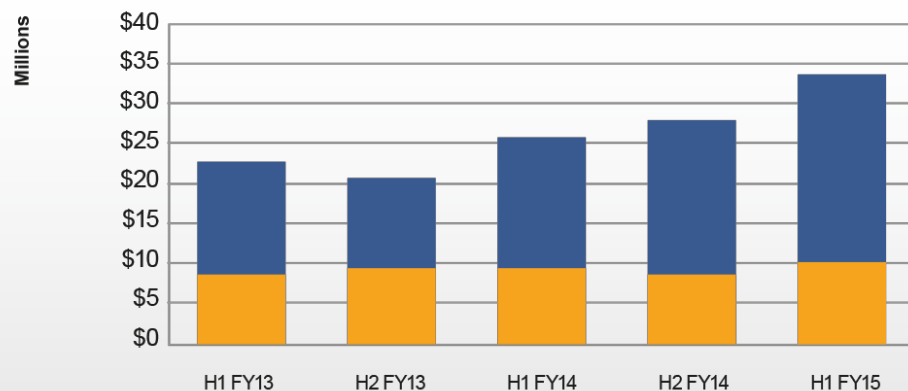
|                                  | 31-Dec-14<br>\$m | 31-Dec-13<br>\$m | %<br>Change |
|----------------------------------|------------------|------------------|-------------|
| Revenue - Australia              | 10.0             | 9.6              | 4           |
| Revenue - International          | 23.7             | 16.2             | 46          |
| <b>Revenue - Total</b>           | <b>33.7</b>      | <b>25.8</b>      | <b>31</b>   |
| Operating EBITDA - Australia     | 3.8              |                  |             |
| Operating EBITDA - International | 5.5              |                  |             |
| <b>Operating EBITDA - Total</b>  | <b>9.3</b>       | <b>5.3</b>       | <b>74</b>   |

- Australian revenue growth remains steady
- Profitable, stable business with established customer base
- Strong UK sales and market share growth
- Margins are improving; will vary as the business and product evolves

## Wealth Management



## Wealth Management – International vs Aust





## GBST Wealth Management – Highlights

- Significant projects included a major bank migrating accounts from a legacy system to GBST Composer; that will increase the number of accounts on the platform by nearly three times
- Australian clients renewed contracts
- Three new UK client implementations commenced, adding to the steady stream of on-going product development for customers
- Fund platforms are at the heart of retail distribution, used by both advisors and direct investors to access a wide variety of products, including mutual funds and tax wrappers such as ISA's (Individual Savings Accounts) and SIPP's (Self-Invested Personal Pensions); this is the fastest growing sector of the pensions industry
- The platform market has 3 main elements – adviser focused, direct to consumer, and employer focused “Workplace”. GBST Composer has proven and growing capability in each area, driving growth
- Major technology upgrade to GBST Composer completed enabling operation on multiple databases; UK rollout underway
- Technology development centre successfully delivering for major projects
- GBST SuperStream Gateway functionality increasing, incorporating SMSF's



## GBST Wealth Management – Outlook

- The UK life and pensions industry continues to undergo fundamental legislation driven reform
- The Retail Distribution Review (RDR) is industry's main driver of change, having come into force in two stages, with adviser charging rules effective from 31 December 2012 and platform payments rules from April 2014
- RDR (requiring greater cost transparency, increased non-advised sales (e.g. online) and increased scrutiny of fund management performance and fees) is driving the move to platforms for greater efficiency
- New Financial Conduct Authority Client Assets Sourcebook (CASS) rules became effective 1 December 2014, governing investment firms conduct when handling client money; GBST Composer is fully compliant despite challenging timeframes set by the regulator; the next phase of CASS becomes effective on 1 June 2015
- Regulation is driving the funds industry to implement digital technology solutions to manage changes. GBST Composer is at the forefront of that wave of innovation and is building on its position as a leading solution to the platform market
- In Australia, GBST Composer is assisting clients to expand into the employer super market
- Ongoing projects for clients continue; Australian market is considered likely to emulate direct-to-consumer initiatives implemented by GBST in the UK, increasing local growth prospects
- GBST Tax Analyser continues to win new customers



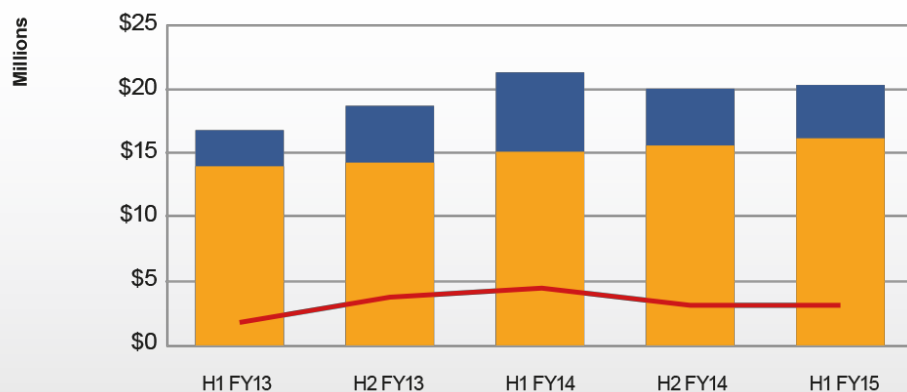
# GBST Capital Markets – Financial Performance

|                                  | 31-Dec-14<br>\$m | 31-Dec-13<br>\$m | %<br>Change |
|----------------------------------|------------------|------------------|-------------|
| Revenue - Australia              | 15.1             | 14.8             | 2           |
| Revenue - International          | 5.1              | 6.4              | (20)        |
| <b>Revenue - Total</b>           | <b>20.2</b>      | <b>21.2</b>      | <b>(5)</b>  |
| Operating EBITDA - Australia     | 5.1              | 5.3              | (4)         |
| Operating EBITDA - International | (2.1)            | (0.8)            | (153)       |
| <b>Operating EBITDA - Total</b>  | <b>3.0</b>       | <b>4.5</b>       | <b>(32)</b> |

- Steady Australian revenue and earnings performance
- Supported by licence based income and long-term contracts contributing 80% of total
- International revenue in line with management expectations
- Rising cost base as investment continues to drive new opportunities

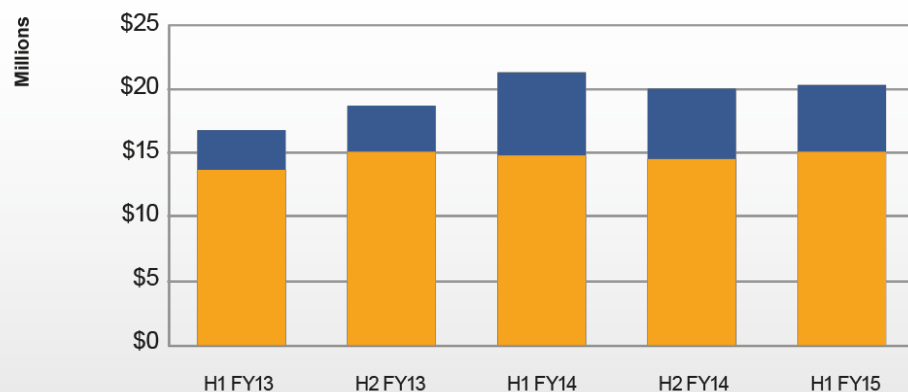
## Capital Markets

■ Services ■ License — Operating EBITDA



## Capital Markets – International vs Australia

■ Int ■ Aust





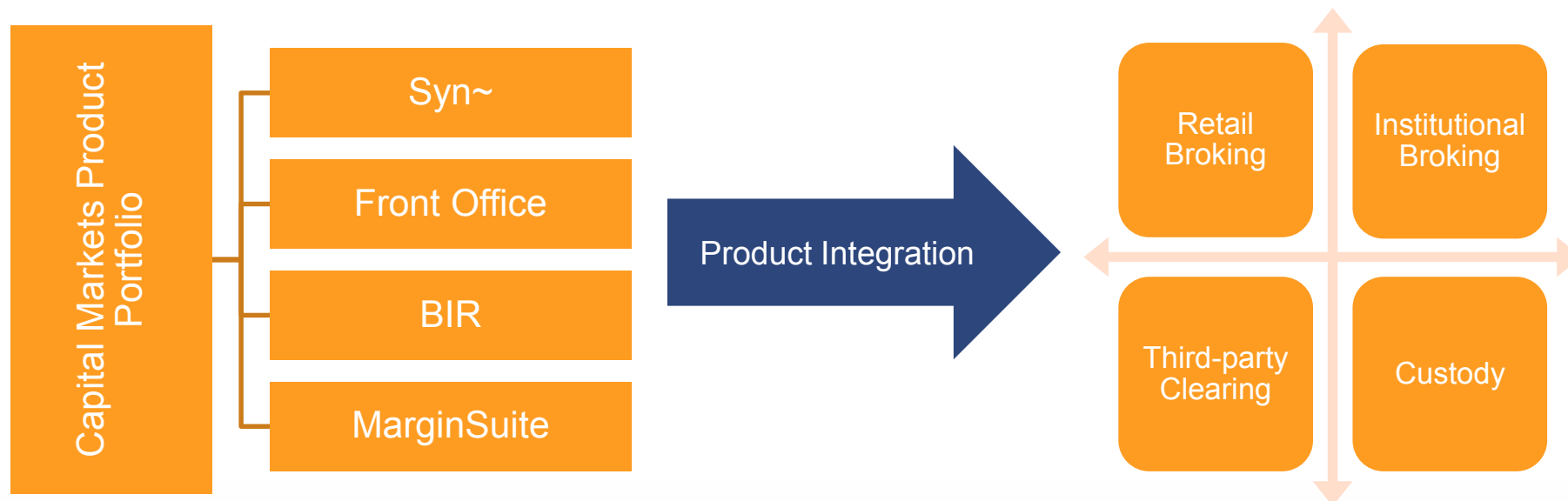
# GBST Capital Markets – Highlights

- The initial implementation of GBST Syn~ to replace GBST Shares in Australia is progressing well
- Rollout of GBST Front Office to more than 200 seats at an institutional bank will increase coverage to nearly 1000 financial advisers across Australia
- Increasing legislative and regulatory change creating new opportunities for GBST
- Recently completed GBST Syn~ implementations in Asia and North America provided clients with strong improvements in business performance; this resulted in new phases of activity that will continue through 2015
- High level of sales and pre-sales activity (but delays in conversion to signed contracts)
- GBST has entered into a distribution agreement with a leading technology company to market GBST's Syn~ FTT across its customer network
- GBST BIR and GBST Margin Suite have been successfully deployed overseas
- Offshore development team established, 45 staff added in the period, primarily focussed on R&D
- Capital Markets product portfolio integration and range of functionality increasing





# GBST integrates capital markets products for global expansion



- Multi-correspondent capabilities support different clearing and service provision models, paving the way for deployment of GBST Syn~ in cloud / multi-tenanted environments
- Internationalisation of the GBST Syn~ bookings engine provides a single bookings model for all global clients
- GBST MarginSuite extends compliance to provide brokers with powerful, intra-day firm-wide risk management
- GBST's business intelligence reporting (BIR) provides cross-product reporting capabilities
- New GBST Syn~ derivatives enable calculation of financial transaction tax (FTT) on derivatives transactions and form the basis of exchange-traded options clearing.



# GBST Capital Markets – Outlook

- Landmark project under way to transition global institutional bank back- and middle offices to GBST Syn~
- Significant implementation for global custodian live, enabling it to offer outsourced back- and middle-office services to stockbrokers
- Both projects are expected to be deployed regionally; GBST has developed, in conjunction with these customers, technology that strengthens GBST's capability to provide multi-asset-class, multi-instrument capital markets transaction processing for the Australasian region
- Roll out continues of GBST Syn~ for a major client to link custody services to global investors across Asia
- An Asian implementation has enabled a regional clearer to provide third-party services across Asia, Japan and the US
- US market is recovering, and GBST has recently appointed a strong US based management team to capitalise on potential
- Investment will be maintained in product R&D, sales and distribution to support international expansion
- Offshore development team expansion to continue
- Keep building on strong market position in Australia



## GBST Financial Services

|                  | 31-Dec-14<br>\$m | 31-Dec-13<br>\$m | %<br>Change |
|------------------|------------------|------------------|-------------|
| Revenue          | 1.5              | 1.8              | (15)        |
| Operating EBITDA | (0.0)            | (0.4)            | 97          |

- Break-even achieved in first half as Emu Design focused on securing long term contracts and increasing annuity revenue;
- Integration of payments platforms is increasing
- Significant UK 3-year contract underway to develop and support online financial systems
- Steady increase in licence revenue
- New innovations in financial calculators and tools - essential to retail wealth advisers and financial institutions, driving customer engagement and acquisition
- Further improvement anticipated

# Summary

- International sales driving growth; international sales now exceed domestic revenue
- Strong market position in Australia, sales steady, with ongoing projects in both capital markets and wealth management
- Landmark project transitioning the back- and middle-offices of a leading institutional bank from GBST Shares to GBST Syn~; expected to be rolled out regionally
- Significant capital markets projects under way in Asia and North America; integration of GBST Syn~ product portfolio expected to drive sales
- GBST Composer is the top direct-to-consumer software product for the distribution of tax-incentivised products in the UK, and its market share is growing
- Promising sales pipeline in Australia
- Investment in R&D will continue to support the expansion of the international business
- Interim dividend increased 25% to 5 cents per share compared to the previous interim period

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