



# Full year results – 30 June 2016

GBST Holdings Limited (ASX: GBT)

# FY2016 – Financial Performance

Results for the year ended:	30-Jun-16 \$m	30-Jun-15 \$m	% Change
<b>Revenue</b>	<b>108.1</b>	<b>114.3</b>	<b>(5)</b>
Operating EBITDA	20.0	24.5	(18)
Operating EBITDA % Margin	18%	21%	
Restructure and other non-operating expenses	(2.8)	0.0	
<b>EBITDA</b>	<b>17.2</b>	<b>24.5</b>	<b>(30)</b>
Finance expense	(0.8)	(0.0)	
Depreciation & operating amortisation	(3.2)	(3.2)	(3)
Investment amortisation	(4.1)	(4.0)	(3)
<b>PBT</b>	<b>9.1</b>	<b>17.3</b>	<b>(48)</b>
Income tax credit\expense	0.2	(2.1)	
Effective tax rate	(2%)	12%	
<b>NPAT</b>	<b>9.3</b>	<b>15.3</b>	<b>(39)</b>
<b>Adjusted NPAT</b>	<b>13.4</b>	<b>19.2</b>	<b>(31)</b>
<b>EPS (cps)</b>	<b>13.8</b>	<b>22.9</b>	<b>(39)</b>
<b>Adjusted EPS (cps)</b>	<b>19.9</b>	<b>28.9</b>	<b>(31)</b>

- Lower revenue and earnings due to delayed project starts and reduced services revenue
- Operational restructure to focus on retail wealth and institutional markets
- Margins improved from 15% in the first half to 18% for the full year
- Restructure and other non-operating expenses relate to legal and organisational restructuring expenses, new CEO recruitment costs and statutory entitlement expenses related to CEO transition
- Investment amortisation charges up due to FX movement on valuation of underlying assets
- Finance expenses relate to FX movements
- Income tax credit due to R&D concessions and \$2m UK income tax refund related to prior period offsetting paid tax
- Adjusted NPAT adds NPAT and investment amortisation charges

# FX impact on H2 Results

## GBST – Currency comparison summary

	Actual			Restated		
	FY16	H1	H2	Rst.H2	Rst.FY16	Change
	\$m	\$m	\$m	\$m	\$m	\$m
Australia	15.9	7.0	8.9	8.9	15.9	0
International	4.1	1.5	2.6	3.5	5.1	1.0
Operating EBITDA	20.0	8.5	11.5	12.5	21.0	(1.0)

- Operating EBITDA for the first half was \$8.5m
- Operating EBITDA for the second half improved to \$11.5m, but had it not been impacted by negative FX movements, on a constant currency basis 2H operating EBITDA would have been \$12.5m, in line with guidance
- UK Wealth Management operations are primarily in £ sterling; adverse foreign exchange movements in the second half were \$1.3m
- International capital markets operations are primarily in US\$ and benefited from favourable foreign exchange movements of \$0.3m

# GBST FY16 Highlights

## AUSTRALIA



- GBST Composer migration continues for major client
- New business process optimisation partnership announced with fund administrator
- Capital markets revenue growth despite competitive market
- Two institutional clients went 'live' on GBST Syn~

## EUROPE



- GBST well positioned to benefit from industry consolidation
- Pensions Freedom and 'At Retirement' creating new opportunities
- Adverse Brexit impact to H2
- Major R&D investment in GBST Composer under way and progressing well

## ASIA



- GBST Syn~ 'live' at the top two brokers-dealers in Hong Kong
- GBST Syn~'s reputation enhanced with each new implementation
- Large GBST Syn~ rollout at major global bank continues, building on initial successes

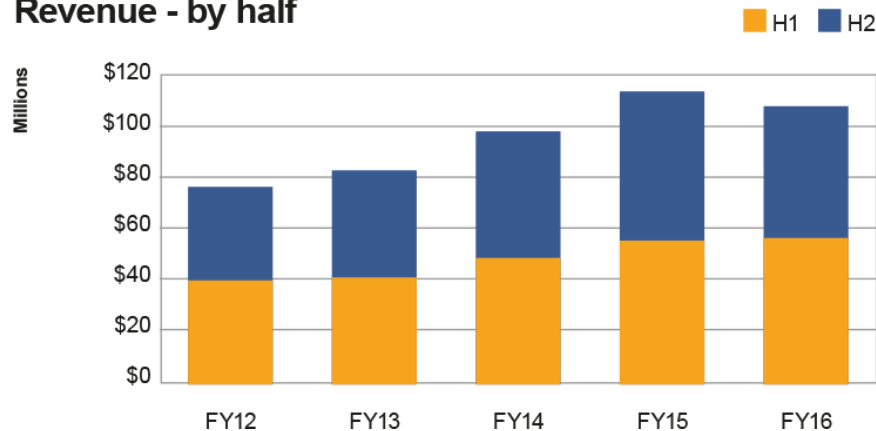
## USA



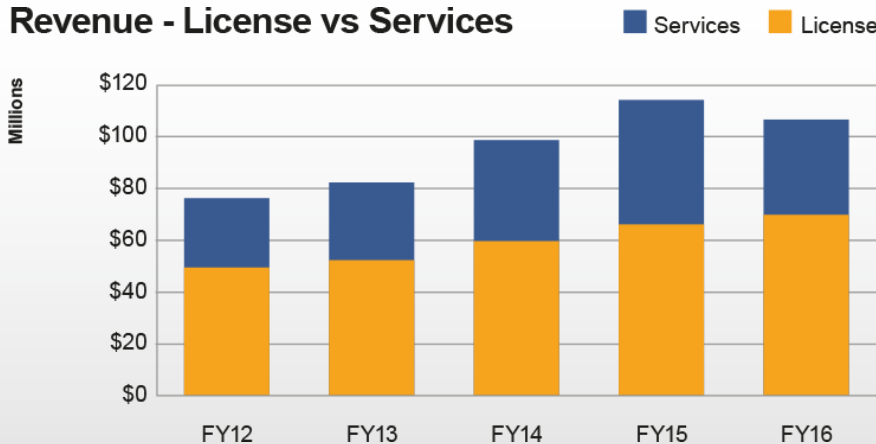
- New management team in place, based in Florida
- Foundation client using GBST Syn~ to transact throughout US, Canada and Europe – phase 2 implementation under way
- Potential catalyst for growth from demand for international post-trade processing and pending regulatory changes such as Department of Labour (DOL) reform

# Group Revenue

## Revenue - by half



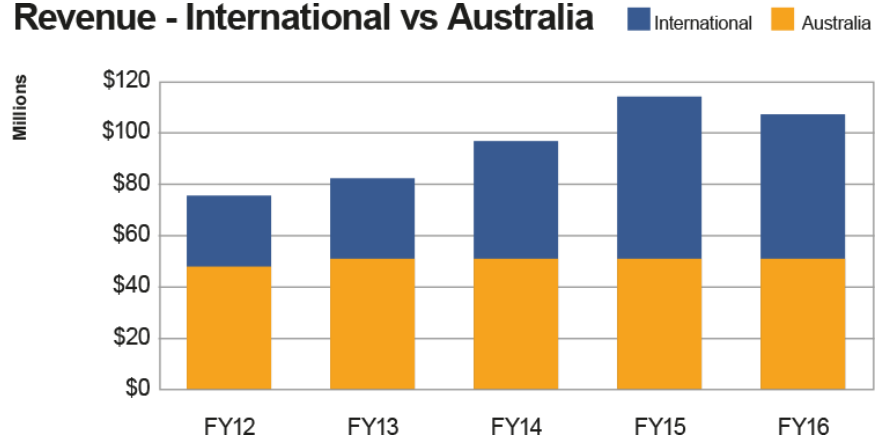
## Revenue - License vs Services



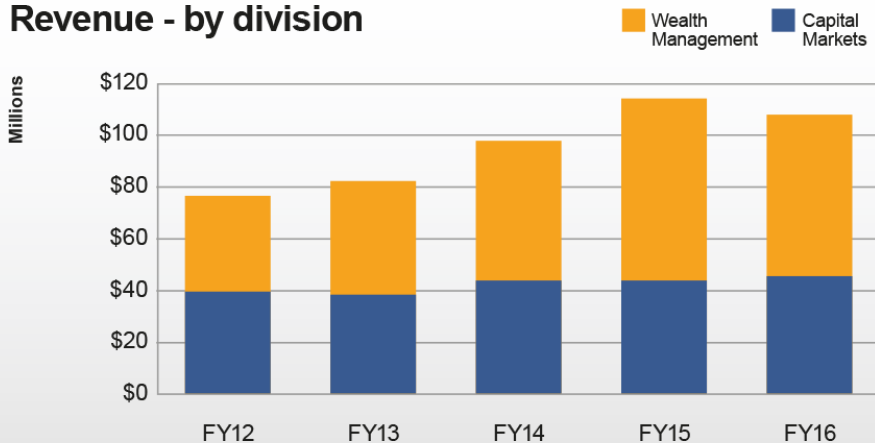
- Brexit uncertainty delayed starts to projects in UK impacting H2 revenue
- License revenue strong due to new clients going 'live' and increased variable fee activity with existing customers (number of accounts or equity market volumes)
- High quality recurring license fee revenue now 65% of total, comprising annuity income based on long-term client contracts
- Services revenue relates to new implementations and product development
- As projects complete, service revenue transitions to license fee annuity income and variable activity-based fee structures

# Group Revenue Analysis

Revenue - International vs Australia



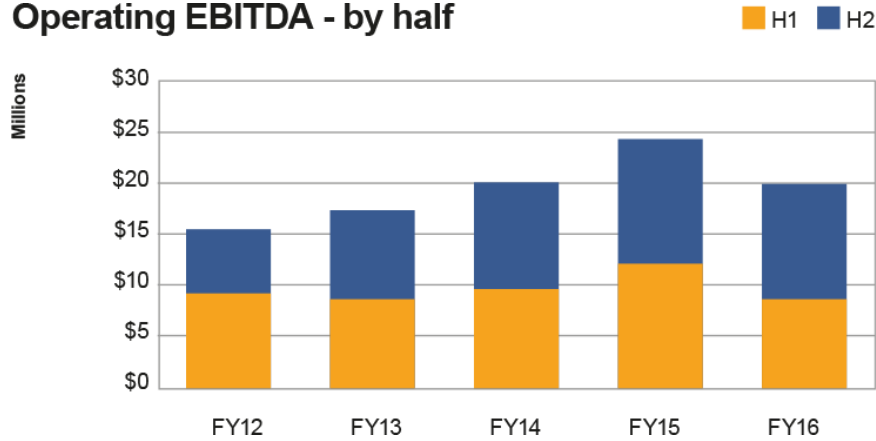
Revenue - by division



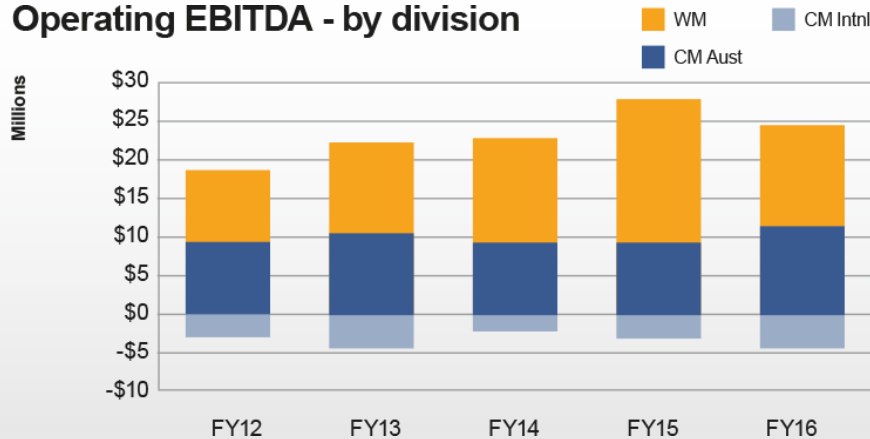
- International revenue impacted by weakening of GBP in H2
- International wealth management revenue impacted by Brexit, adverse FX impact and project delays
- Australian capital markets revenue increased despite tough trading conditions
- International capital markets continued to expand with growth in Asia and the US
- International revenue represents 53% of total revenue

# Operating EBITDA

Operating EBITDA - by half



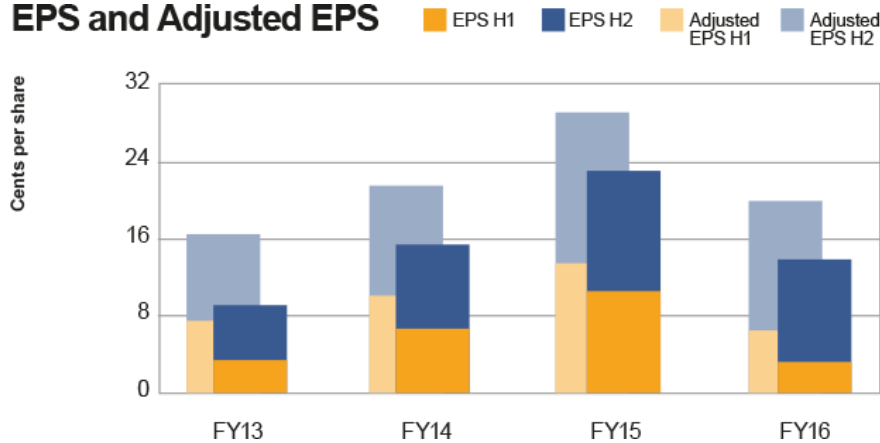
Operating EBITDA - by division



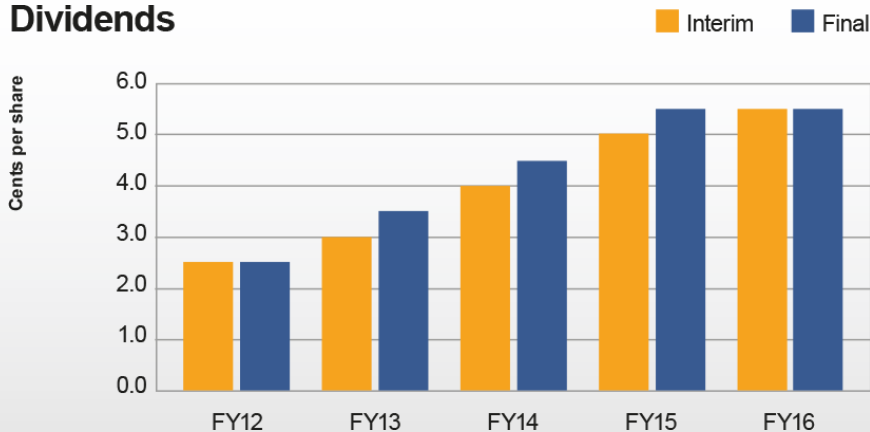
- Significant improvement in second half compared to first half, despite adverse FX impact
- Benefits of new leadership and restructured organisation starting to be realised
- Increased investment in GBST Composer in H2; project is progressing well
- R&D in FY16 approximately 15% of revenue
- All GBST R&D investment is expensed as incurred
- International capital markets loss significantly reduced from \$3.6m in H1 to \$0.9m in H2

# EPS and Dividend

## EPS and Adjusted EPS



## Dividends



- Earnings per share (EPS) 13.8 cents per share
- Adjusted EPS 19.9 cents per share
- Final dividend declared 5.5 cents per share, fully franked; dividends for the full year 11 cents
- All dividends are fully franked
- Dividend paid \$7.4m (FY15 \$6.3m); payout ratio 55% of adjusted NPAT
- Record date for entitlement is 30 September 2016
- Payment date is 14 October 2016
- Franking credit balance \$16.2m (30 June 2015: \$16.8m)



# Financial Position

Financial position as at	30-Jun-16 \$m	30-Jun-15 \$m
<b>ASSETS</b>		
Cash	9.0	7.8
Other current assets	22.0	23.8
Intangible assets	48.9	54.3
Other non-current assets	14.5	14.6
<b>TOTAL ASSETS</b>	<b>94.4</b>	<b>100.5</b>
<b>LIABILITIES</b>		
Current liabilities	12.7	16.3
Unearned income	9.6	10.4
Non-current liabilities	6.2	7.3
<b>TOTAL LIABILITIES</b>	<b>28.5</b>	<b>34.0</b>
<b>NET ASSETS</b>	<b>65.9</b>	<b>66.5</b>
<b>EQUITY</b>		
Issued capital	38.4	37.7
Reserves	(1.3)	1.9
Retained earnings	28.8	26.9
<b>TOTAL EQUITY</b>	<b>65.9</b>	<b>66.5</b>

- Cash \$9.0m at 30 June 2016; GBST has no debt
- Other current assets includes increased WIP balances on various projects, now transitioned to debtors and invoiced
- Intangible assets primarily comprise purchased software and client contracts (expensed over 5-10 years); and goodwill (not amortised)
- Carrying value of intangible assets comprises InfoComp (\$30.0m), Coexis (\$12.1m), and other intangibles (\$6.8m)
- Unearned income represents advance payments from clients for licenses and services; the balance varies due to timing of payments and projects
- Reserves movement relates to foreign currency translations and employment benefits reserve changes

# Cash Flow

Results for the year ended:	30-Jun-16 \$m	30-Jun-15 \$m
<b>CASH FLOWS FROM OPERATIONS</b>		
Receipts	117.8	123.0
Payments	(104.9)	(97.6)
Finance costs	(0.1)	(0.1)
Income tax	(0.9)	(4.9)
<b>Net cash from operations</b>	<b>11.9</b>	<b>20.4</b>
<b>CASH FLOWS FROM INVESTMENTS</b>		
Purchase of tangible assets	(2.4)	(2.9)
Purchase of intangible assets	(0.1)	(0.7)
<b>Net cash used in investments</b>	<b>(2.5)</b>	<b>(3.6)</b>
<b>CASH FLOWS FROM FINANCING</b>		
Repayment of finance leases	(0.3)	(0.7)
Repayment of borrowings	-	(5.0)
Dividends paid	(7.3)	(6.3)
<b>Net cash used in financing</b>	<b>(7.6)</b>	<b>(12.0)</b>
<b>NET INCREASE IN CASH</b>	<b>1.8</b>	<b>4.8</b>
Effect of exchange rate fluctuations on cash held	(0.6)	0.6
Opening cash 1 July	7.8	2.3
<b>CLOSING CASH</b>	<b>9.0</b>	<b>7.8</b>

- Cash flow from operations (excluding interest and taxes) of \$11.9m
- 101% cash conversion of EBITDA to cash flow in H2, up from 26% in H1
- 75% conversion of EBITDA to cash flow for year
- Strong cash flow from annuity income
- Intangibles purchases relate to third party software acquired for use within the business
- No internal development costs are capitalised



# GBST Wealth Management – Financial Performance

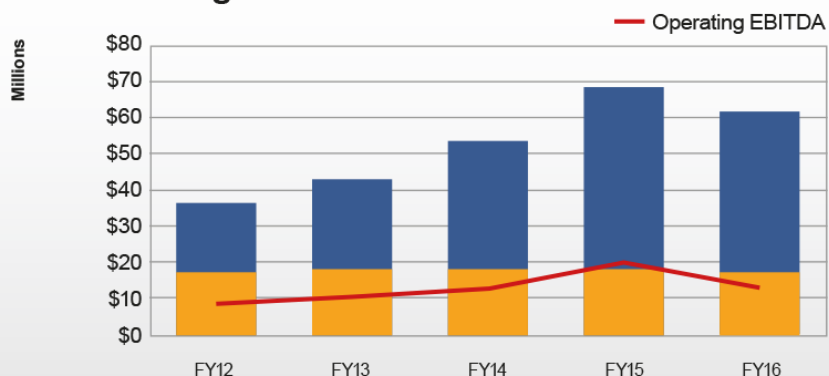
	30-Jun-16 \$m	30-Jun-15 \$m	% Change
Revenue - Australia	17.8	19.0	(6)
Revenue - International	43.9	50.1	(12)
<b>Revenue - Total</b>	<b>61.7</b>	<b>69.1</b>	<b>(11)</b>
Operating EBITDA - Australia	4.6	7.4	(38)
Operating EBITDA - International	8.7	11.4	(24)
<b>Operating EBITDA - Total</b>	<b>13.3</b>	<b>18.8</b>	<b>(29)</b>

Better H2 in Australia with improved revenue and earnings

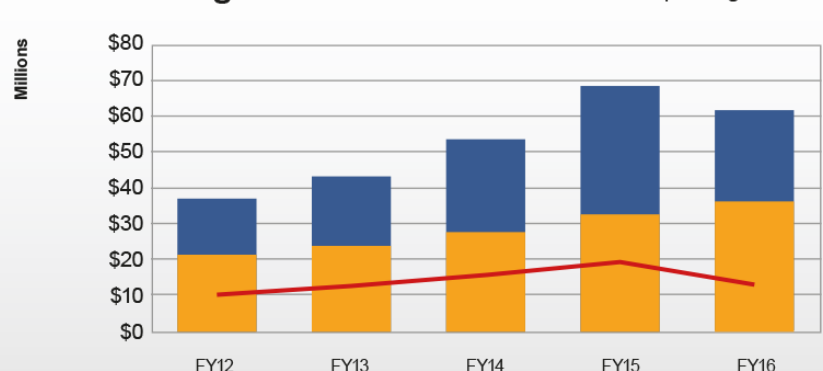
UK revenue impacted by Brexit uncertainty, adverse FX and project delays

Increased investment in GBST Composer technology, project progressing well and early client feedback positive

## Wealth Management – International vs Aust



## Wealth Management





# GBST Wealth Management – Highlights

- Full compliance with Pensions Freedom reform
- 'At retirement' provides opportunities for GBST

- License revenue 47% of international sales
- Rapidly growing UK wraps and platforms market
- Total assets managed in the UK estimated at £6 trillion and growing
- GBST Composer multi-region capability will support expansion opportunities where countries regulate to protect consumers, and GBST is evaluating changes in South Africa and the US





# GBST Capital Markets – Financial Performance

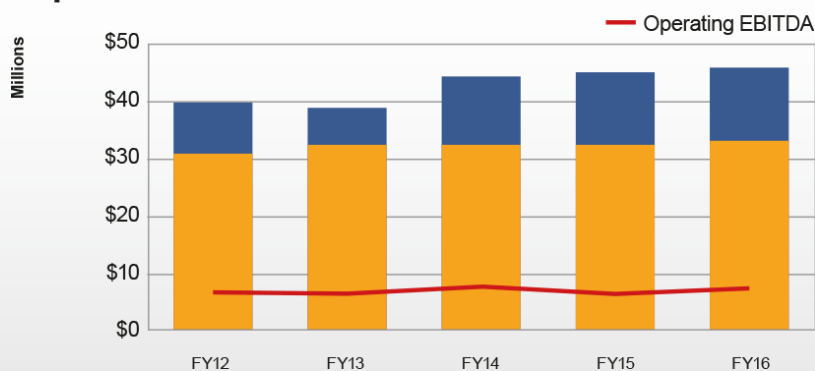
	30-Jun-16 \$m	30-Jun-15 \$m	% Change
Revenue - Australia	32.7	32.3	1
Revenue - International	13.2	12.4	7
<b>Revenue - Total</b>	<b>45.9</b>	<b>44.7</b>	<b>3</b>
Operating EBITDA - Australia	11.2	9.0	25
Operating EBITDA - International	(4.5)	(3.3)	(36)
<b>Operating EBITDA - Total</b>	<b>6.7</b>	<b>5.7</b>	<b>19</b>

Increased revenue in Australia due to higher than expected retail equity trading volumes and greater project activity

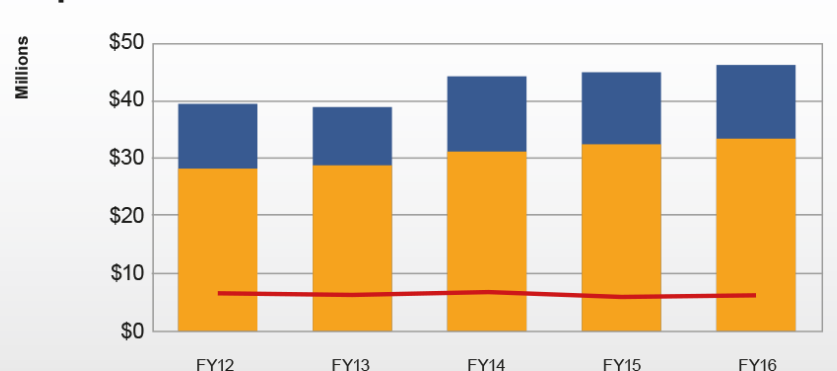
Investment in GBST Syn~ continuing; product functionality, scale and usage growing steadily

Asia and US revenue growth coupled with cost reduction; significantly reduced loss in 2H

## Capital Markets – International vs Australia



## Capital Markets

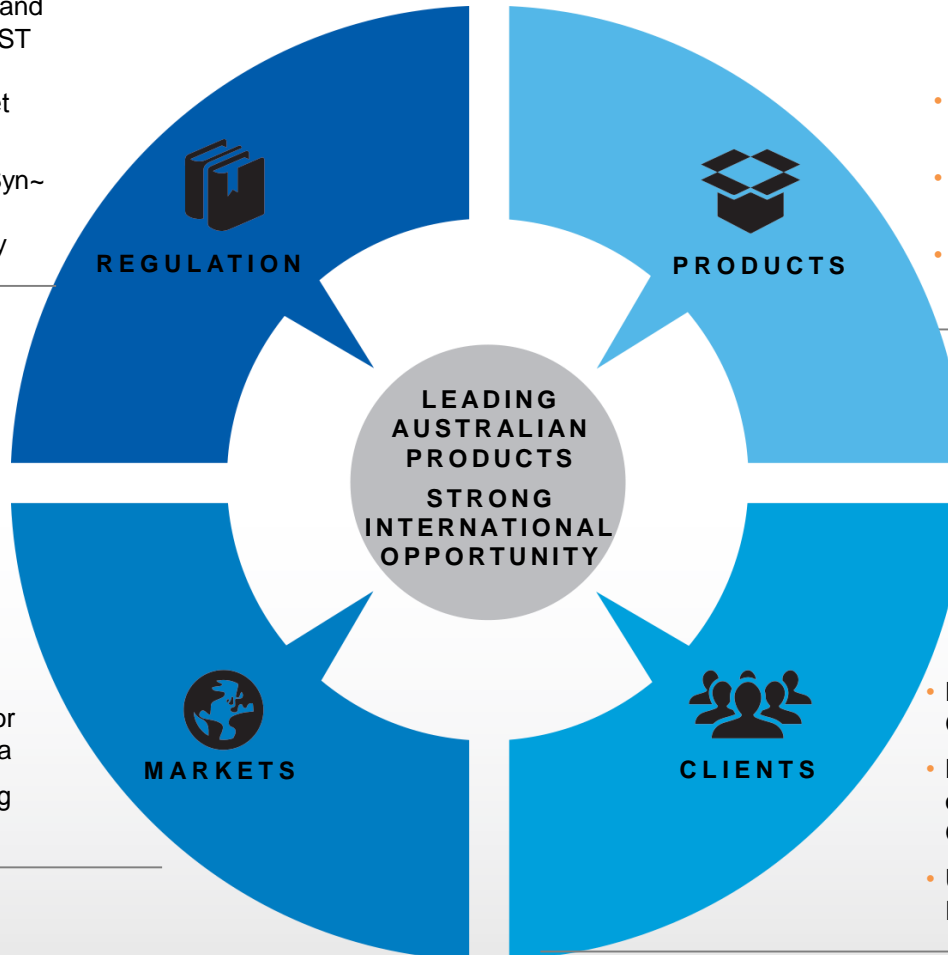




# GBST Capital Markets – Highlights

- Evolution of GBST Shares and GBST Catalyst (former GBST FrontOffice) products will integrate with ASX's market change timetable
- GBST Shares and GBST Syn~ facilitate T+2 settlement in Australia and internationally

- GBST Shares and GBST Syn~ support more than 60 ASX participants
- Services revenue 48% of international sales
- Major international bank now using GBST Syn~ for outsourced clearing in Australia
- International independent broker using GBST Syn~ for position keeping in Australia
- As clients go 'live', recurring annual license fees apply

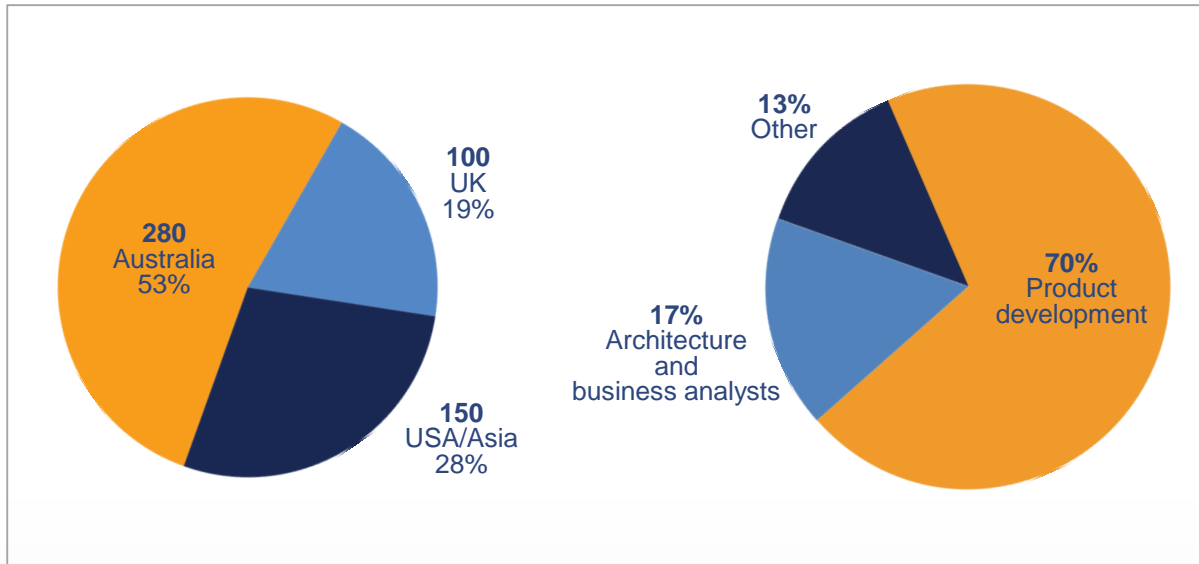


- GBST's business model is based on recurring revenue from software rental
- Improved GBST Syn~ support for Asian market practice and connectivity
- GBST Syn~ TAC deployments and market demand growing globally

- New GBST Catalyst integrates FrontOffice, BIR and MarginSuite products for retail wealth market
- Introducing fixed income multi-asset capability in Australia
- Entered second stage of 12-year CLSA agreement
- Haitong International second phase of GBST Syn~ implementation completed
- Leading multinational bank now providing outsourced middle- and back-office using GBST Syn~ in Asia-Pacific and Japan
- US client transacting in US, Canada and Europe using GBST Syn~

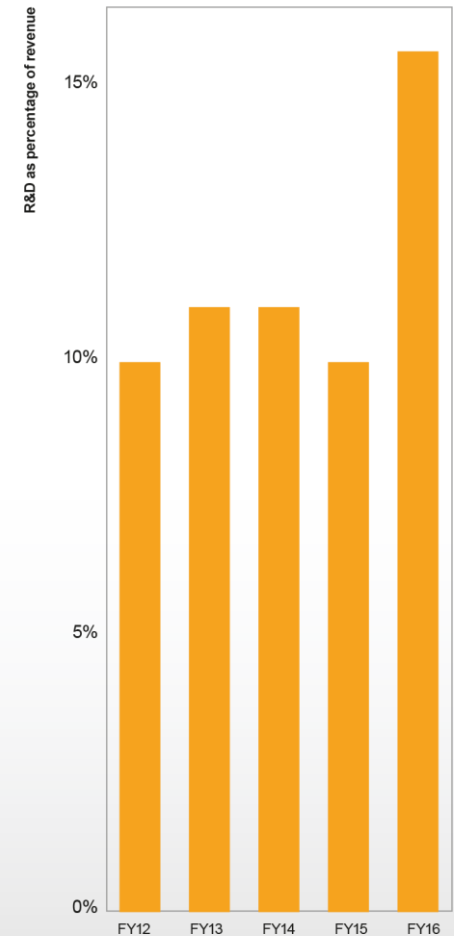
# Staff and R&D

## Staff numbers



- GBST has approximately 530 staff, including 125 in technology development centre based in Vietnam
- R&D investment has accelerated and is now about 15% of revenue
- Ongoing investment in R&D is key to the sustainability of GBST's products for the long term

## R&D expenditure



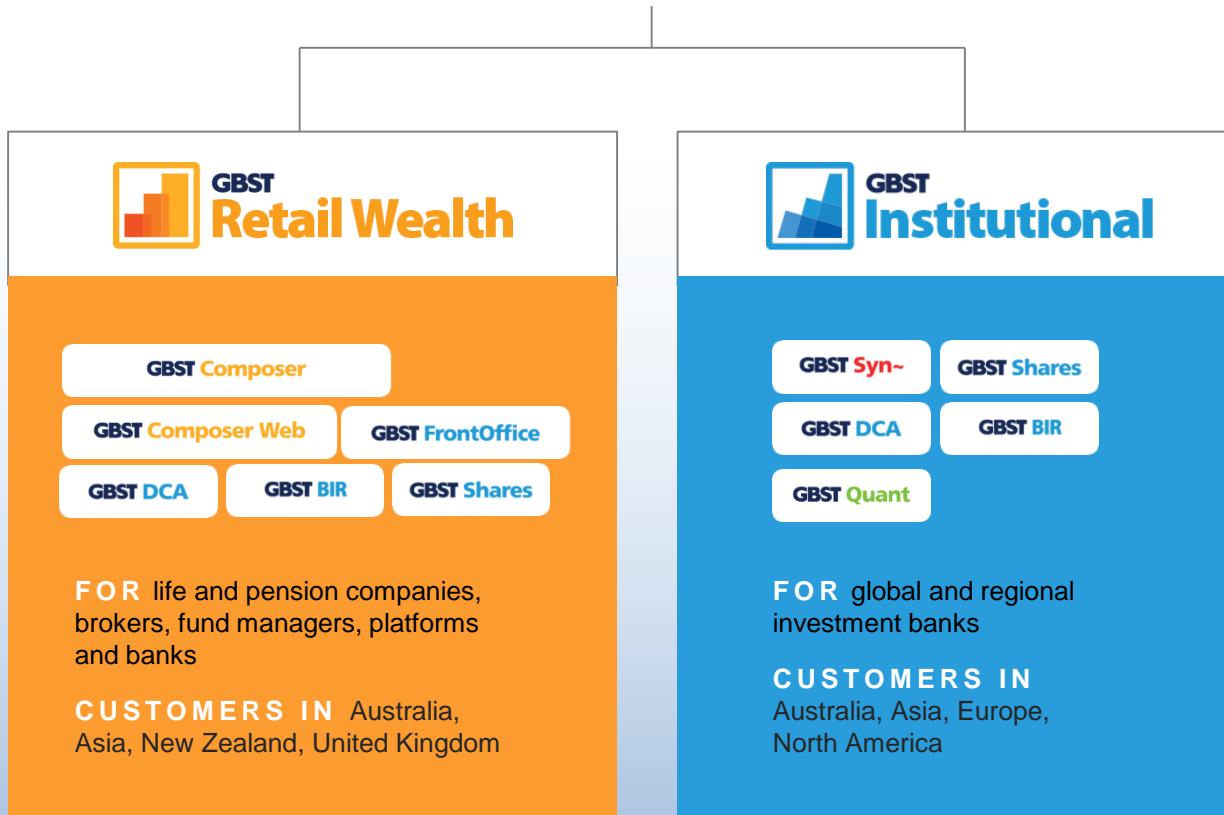




Looking forward



# Organisational Structure

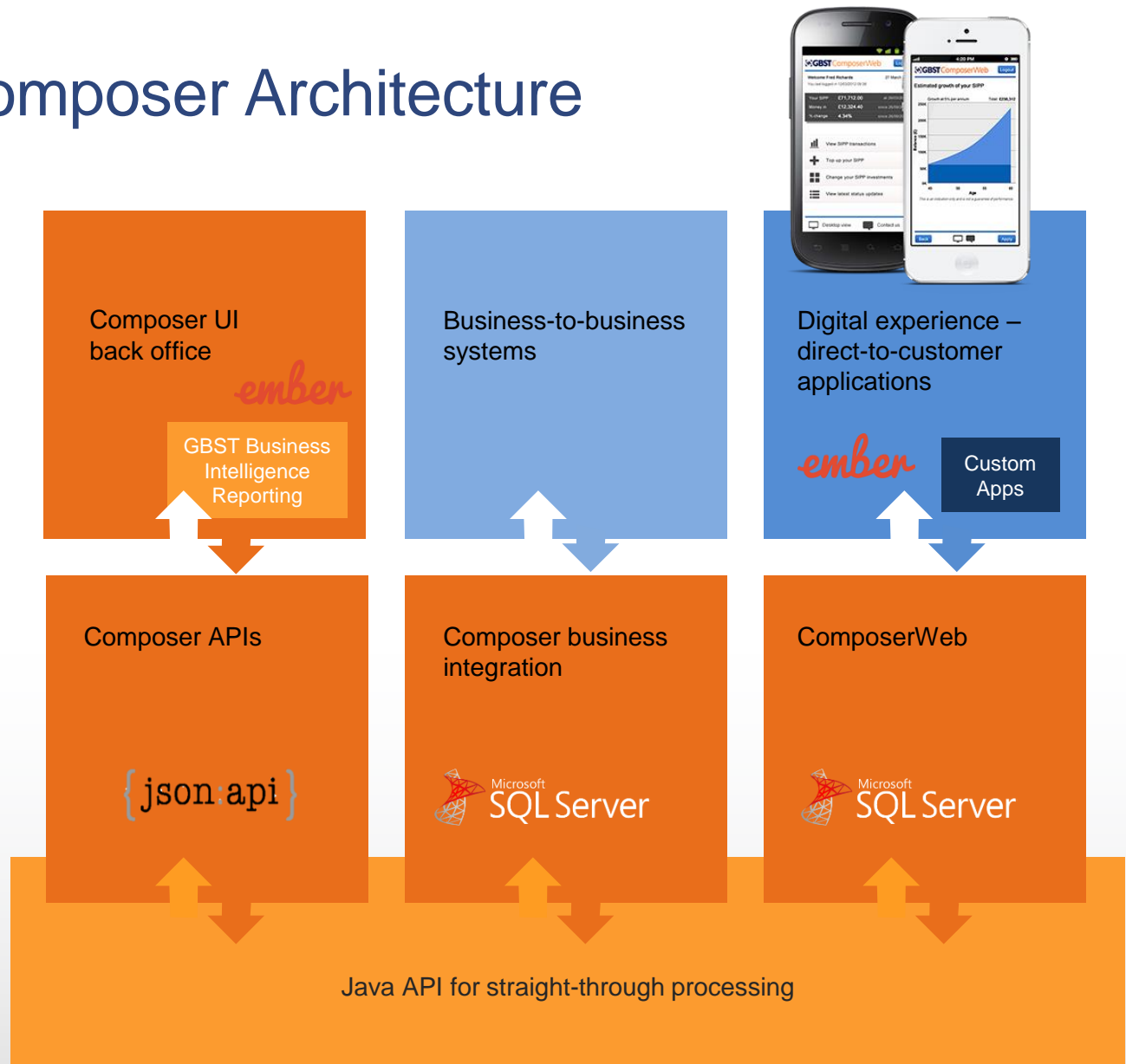


- In FY2017, GBST will report across two lines of business
- New operating model enables more effective focus on clients and increases opportunities for cross-sell
- Strengthened management team
- Sales teams now support multiple products
- Well received by clients



# GBST Composer Architecture

- GBST Composer is evolving to enable clients to provide an improved digital experience
- Comprehensive platform for the retail and high net worth wealth markets
- Provides a complete digital solution for the investor, employer, adviser and intermediaries





# GBST Composer Roadmap

## Current capability

- Largest installation approx. 1m accounts
- Multiple database support including Microsoft SQL
- Extended straight-through processing
- Investment to ensure GBST maintains long-term product technology leadership
- Transition to Javascript platform

## Planned development (under way)

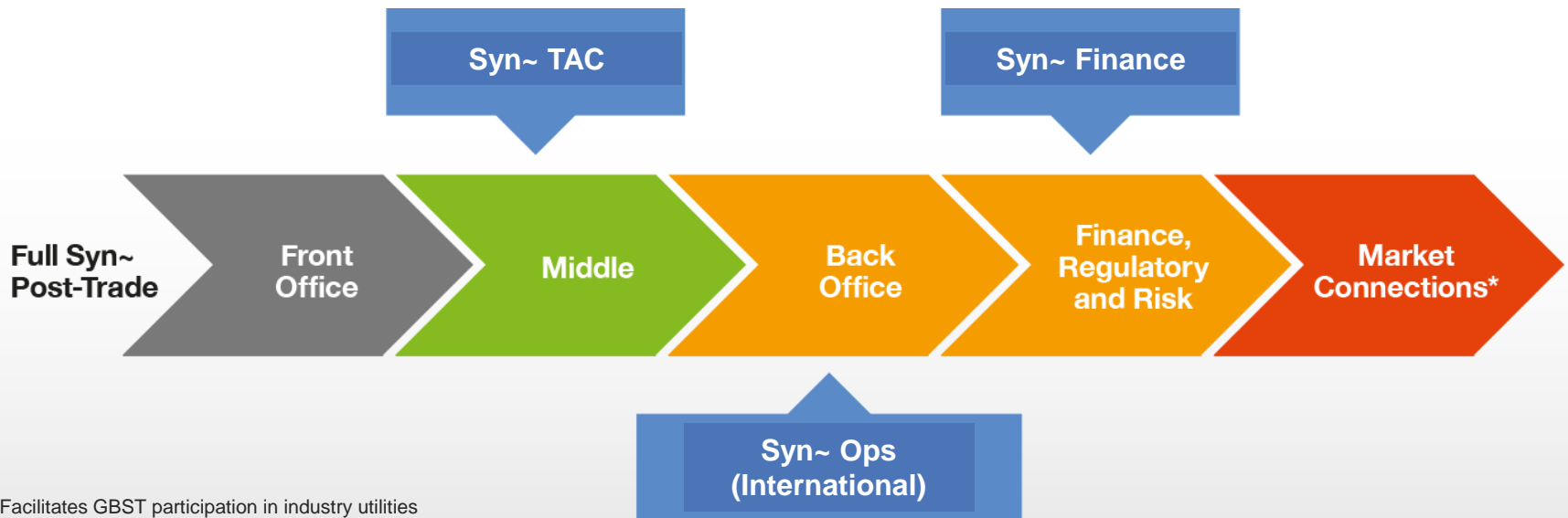
- Dedicated team to increase scale
- Improving user experience, workflow and embedding business process management (BPM)
- Increasingly open architecture through JSON APIs
- REST (representational state transfer) services
- Client consultation to ensure ease of upgrade

## Future direction (two to three years)

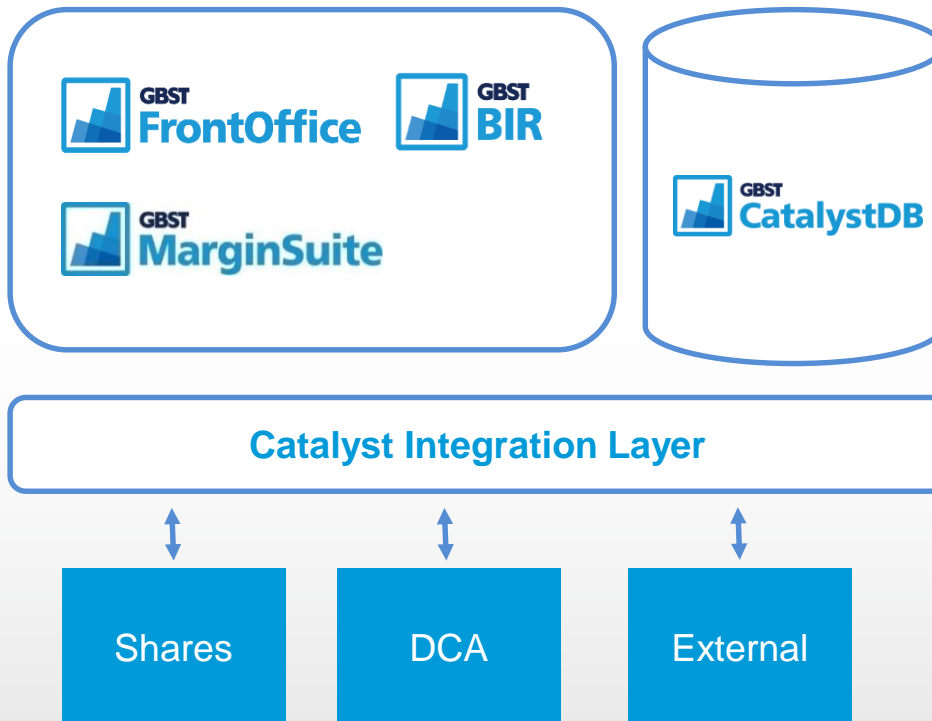
- Increasing scalability
- Greater facilitation of cloud deployment (should clients select)
- Multi-region support
- Merger of regional products into single product

# GBST Syn~

- GBST Syn~ provides multi-country clearing from a single platform, offering broker-dealers greater efficiency and the opportunity to move from fixed to variable transaction pricing models
- GBST has aligned its business model with global institutional banks; in Australia we are progressing the transition from GBST Shares to GBST Syn~; in Asia our focus is providing middle office solutions, and the second phase of deployment for a US regional broker-dealer is under way



# GBST Catalyst Platform

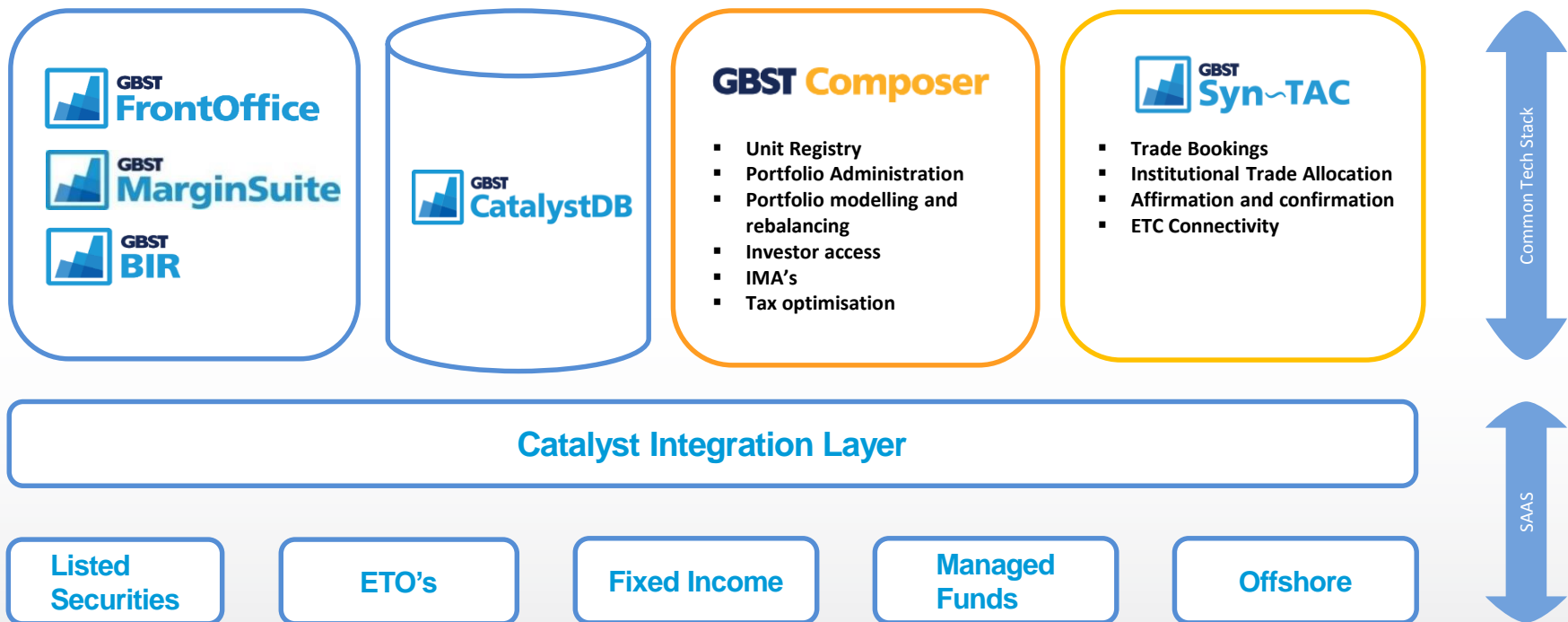


- GBST Catalyst provides client relationship management for financial services advisors, client on-boarding, cross-product reporting, and firm-wide risk management
- In 2-3 years will integrate with GBST Composer through common technology capable of being deployed through a software-as-a-service (SaaS) model, enabling GBST Catalyst to serve retail customers directly
- The integration layer and common database technology allow data consolidation and improved client servicing
- As GBST Shares and GBST DCA evolve, they will join the integrated technology stack

# Retail Wealth Suite



- We are developing a holistic retail wealth suite



# United Kingdom



- Assets under administration on platforms, in the total market, grew from £200bn at end-2013 to £392bn at 31 March 2016, including £262bn on advised platforms
- UK industry consolidation is benefiting GBST. This includes GBST client Aegon's purchase of BlackRock's UK defined contribution platform and administration in May 2016, and Cofunds, the largest UK platform with £80bn assets under management, in August 2016
- If all Cofunds AUA moves to GBST Composer, GBST's market share will more than double to 35%
- Other GBST clients have grown by acquisition
- Following Brexit, we believe that concerns over market volatility will lead the UK regulator to slow the pace of regulatory change
- This is likely to lead to investment being re-directed to client service and engagement, cost reduction and enhancing the value chain
- GBST's digital platform ensures that we are well positioned to capitalise on market changes



# Asia



- A multinational banking and financial services company has extended its middle office and back office processing in Asia Pacific and Japan using GBST Syn~, and further extension of the business model to manage global processing is anticipated
- Implementation of GBST Syn~ for leading broker-dealer Haitong International has been very successful, strengthening GBST's reputation as a proven technology provider in the region
- Reorganised team increasing skills base, with Cantonese, Mandarin and English speaking staff
- Although region is impacted by China's economic slowdown, the Shanghai-Hong Kong Stock Connect is opening opportunities for GBST through potential to increase trading volumes
- The Hong Kong Securities Exchange (HKEx) is upgrading its platform, which is expected to lead to renewed demand for new infrastructure, benefiting GBST.



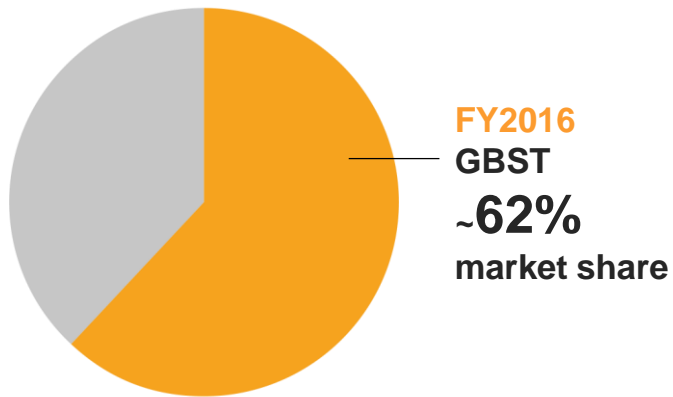
# North America



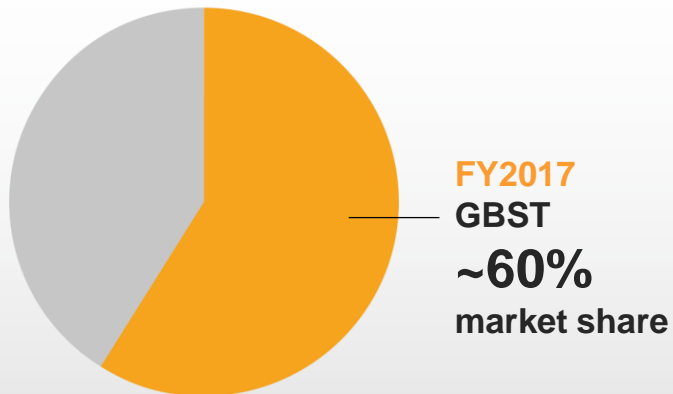
- Following a successful implementation of GBST Syn~ which automated our US client's middle office, a second stage of deployment has begun; further opportunity also identified
- While we are focused on selling our existing capability, opportunities for growth exist in regional broker-dealer, global banking and custody markets
- The Depository Trust & Clearing Corporation's move to support shorter settlement cycles including same-day is expected to benefit products such as GBST Syn~ which provide a real-time processing platform
- A fiduciary rule proposed by the Department of Labor (DOL) may also provide opportunities for GBST Composer
- Holding broker-dealers and investment advisors to the same fiduciary requirement could change the economics of providing advice in a US\$2.4 trillion industry

# Australia

## GBST equities back office market share



**FY2016**  
**GBST**  
**~62%**  
**market share**



**FY2017**  
**GBST**  
**~60%**  
**market share**

- A major GBST Composer migration for a large banking and wealth management group is continuing
- A global asset manager has begun implementation of GBST ComposerWeb
- The migration of a leading global investment bank's back- and middle-office from GBST Shares to GBST Syn~ is expected to complete in late 2016; this has potential to facilitate GBST Syn~'s further rollout as a pan-Oceania/Asia solution
- Two companies began using the GBST Syn~ Institutional platform – a major institutional bank which accesses GBST Syn~ through an outsourced platform, and an independent international broker using GBST Syn~ for position keeping
- Despite a competitive third-party clearing market, GBST continues to maintain the leading market share by volume

# Summary

- New operating model focused on retail wealth and institutional markets
- Following restructure GBST is a leaner, more streamlined organisation and well positioned for the future
- Capital allocation has focused on GBST's strengths, with investment in products to meet clients' increased needs for scale
- GBST is benefiting from UK wealth management regulation change and industry consolidation, and is positioned to become the wraps and platforms market leader
- While the UK environment is challenging, GBST is benefiting from strong relationships with clients
- Brexit and other macro-economic challenges creating uncertainty in global markets which could impact growth in the short term
- A major program to transition the back- and middle-offices of a major institutional bank from GBST Shares to GBST Syn~ is expected to 'go live' later in 2016
- The group maintains a strong balance sheet, and holds net cash
- Final dividend of 5.5 cents per share; full year dividends 11.0 cents fully franked

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