



## ASX Announcement

**22 August, 2016**

**FY2016 operating EBITDA \$20.0m**

**Final dividend 5.5 cents, full year dividend 11 cents fully franked**

Financial services technology firm GBST (ASX:GBT), which provides software for retail wealth and institutional markets through its GBST Composer, GBST Shares and GBST Syn~ platforms, today reported operating EBITDA of \$20.0 million for the year ended 30 June 2016, 18% lower than the prior year (FY2015: \$24.5m). Net profit was \$9.3m after restructure and other non-operating expenses of \$2.8m and an income tax credit of \$0.2m. Adjusted NPAT, or net profit plus investment amortisation which is a key measure of the company's performance, was \$13.4m.

Total revenue and other income declined 5% to \$108.1m from \$114.3m in the previous year, reflecting later than anticipated project starts and reduced services revenue from new implementations and adverse foreign exchange impacts. International sales comprised 53% of revenue.

The Board has declared a final dividend of 5.5 cents per share fully franked, consistent with the previous corresponding period. This will bring total dividends for the year to 11.0 cents per share fully franked, up 5% compared to the previous year, and represents a payout ratio of 55% of adjusted NPAT.

<b>Results summary* - full year to 30 June</b>	<b>2016 \$m</b>	<b>2015 \$m</b>	<b>% Increase</b>
Total revenue and other income	108.1	114.3	(5)
Operating EBITDA	20.0	24.5	(18)
Restructure and other non-operating expenses	(2.8)	-	
EBITDA	17.2	24.5	(30)
Profit before income tax	9.1	17.3	(48)
Income tax credit/(expense)	0.2	(2.1)	
Net Profit after income tax	9.3	15.3	(39)
Adjusted NPAT	13.4	19.2	(31)
Basic EPS (cents)	13.8	22.9	(39)
Adjusted EPS (cents)	19.9	28.8	(31)
Final dividend (cents) - fully franked	5.5	5.5	-
Total dividends (cents) - fully franked	11.0	10.5	5
*To be read in conjunction with the GBST financial report for the period ending 30 June 2016.			

GBST managing director, Robert DeDominicis, said: "This was a year of transformation for GBST. Following a difficult first half due to leadership transition, internal restructure, project delays and deferred client spending in the UK, Australia and Asia, we have repositioned the company for the future. We completed the year with a healthy improvement in the second half, proving the validity of the changes to our business operating model and strategic focus earlier in the year.

"FY2016 was a tale of two halves. Operating EBITDA for the first half was \$8.5m. The second half was a significant improvement with Operating EBITDA of \$11.5m. Operating EBITDA margins also improved compared to the first half. Had it not been impacted by a decline in the value of sterling compared to the Australian dollar caused by Brexit, on a constant currency basis, Operating EBITDA for the second half would have been \$12.5m, in line with guidance.

"We have realigned our operating model to focus more effectively on our clients in retail wealth and institutional markets, differentiating our products' unique capabilities and embedding them more deeply in our clients' infrastructure. GBST's technologies play a critical role in our clients' business and this highlights their value.

"We have strengthened our management team, broadening local market expertise and enterprise knowledge. Capital has been reallocated to prioritise development of our platforms, and R&D has risen to 15% of revenue. While the evolution of our platforms will take at least two years, our markets are growing and we remain well positioned to take advantage of global opportunities.

"A key GBST UK client, Aegon, has acquired Cofunds, the largest UK platform with £80 billion assets under management to become the leading UK platform business. Plans to migrate Cofunds' assets onto GBST Composer are under way. As this occurs GBST will become the leading UK wraps and platforms provider, and if all Cofunds' assets are migrated over time, we will support 35% of the market. Our platform is fully digital and we are well positioned to take advantage of investment redirection, should there be a change of pace in regulatory change as the UK prepares for Brexit.

"In Capital Markets tight control of costs helped deliver an improved result in Australia, and revenue increased despite a highly competitive market. The transition of a leading global investment bank's back- and middle-office from GBST Shares to GBST Syn~ is progressing and, when 'live', will represent an important milestone for our platform.

"International capital markets revenue rose as projects in Asia and the US continued. The success of our GBST Syn~ implementation for leading broker-dealer Haitong International in Hong Kong was pleasing, as it has strengthened our reputation as a proven technology provider in Asia. We now serve the two top broker-dealers in the Hong Kong market."

## GBST Wealth Management

Period	2016 \$m	H2FY16 \$m	H1FY16 \$m	2015 \$m	YoY % Change
Revenue – Australia	17.8	9.1	8.7	19.0	(6)
Revenue – International	43.9	19.5	24.4	50.1	(12)
<b>Revenue – Total</b>	<b>61.7</b>	<b>28.6</b>	<b>33.1</b>	<b>69.1</b>	<b>(11)</b>
Operating EBITDA – Australia	4.6	3.0	1.6	7.4	(38)
Operating EBITDA – International	8.7	3.5	5.2	11.4	(24)
<b>Operating EBITDA – Total</b>	<b>13.3</b>	<b>6.5</b>	<b>6.8</b>	<b>18.8</b>	<b>(29)</b>

While revenue declined during the year due to the impact of project deferrals and adverse foreign exchange movements, GBST continued its ongoing implementations for new customers, and major upgrades of systems for all UK clients.

Despite industry consolidation contributing to project delays, GBST is benefiting as our clients grow by acquisition. As their accounts under management increase, GBST Composer helps generate economies of scale, also contributing to growth for GBST.

Robert DeDominicis said: "Following Brexit, GBST believes that market volatility is likely to lead the UK regulator to slow the pace of regulatory change. Should this eventuate wealth managers are likely to redirect investment towards client service and engagement, cost reduction and enhancing their value chains to reset business models. The flexibility of GBST's digital platform has proven ability to drive return on investment and, by boosting scalability, we increase our addressable market."

Progress continued in Australia with a major migration for a large banking and wealth management group, and a second Australian client has begun to implement GBST ComposerWeb, the online application which provides investors, advisers and employers access to accounts and portfolios.

### GBST Capital Markets

Period	2016 \$m	H2FY16 \$m	H1FY16 \$m	2015* \$m	YoY % Change
Revenue – Australia	32.7	16.7	16.0	32.3	1
Revenue – International	13.2	6	7.2	12.4	7
<b>Revenue - Total</b>	<b>45.9</b>	<b>22.7</b>	<b>23.2</b>	<b>44.7</b>	<b>3</b>
Operating EBITDA – Australia	11.2	5.9	5.3	9.0	25
Operating EBITDA – International	(4.5)	(0.9)	(3.6)	(3.3)	(36)
<b>Operating EBITDA - Total</b>	<b>6.7</b>	<b>5.0</b>	<b>1.7</b>	<b>5.7</b>	<b>19</b>
<i>*FY15 Includes write-off of \$640k due to BBY administration</i>					

Despite a highly competitive market, Australian revenue increased slightly to \$32.7m from \$32.3m. High-quality recurring license revenue from long-term contracts was approximately 80% of the total.

GBST signed several contract renewals during the year, and is preparing to launch a new retail fixed income product, extending its multi-asset capability in Australia. The company's innovation and product investment continues with the launch of GBST Catalyst, which provides client relationship and portfolio management for financial services advisers, client on-boarding, and firm-wide risk management through a fully integrated product set.

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.

International revenue increased 7% to \$13.2m as Asian projects continued. These included the extension of middle-office and back-office services for a multinational banking and

financial services company in Asia Pacific and Japan and an extension of an automated back-and middle-office platform for Haitong International. GBST also entered the second phase of a 12-year agreement with CLSA. In the US, a second-phase deployment of GBST Syn~ began for US-based broker-dealer Raymond James.

### **Balance sheet and cash flow**

The group maintains a strong cash position with \$9.0m cash at 30 June 2016, and has no debt. Cash flow from operations (excluding interest and taxes) increased in the second half and was \$11.9m for the year, representing 75% conversion of EBITDA to cash flow.

### **Outlook**

Robert DeDominicis said: "We have restructured the business to focus on retail wealth and institutional markets, and ramped up product development to pave the way for global growth. With a strengthened management team, we are well positioned to face the challenges of a growing business operating in an uncertain global market.

"New digital technologies are transforming the retail wealth industry, helping companies to realise economies of scale, engage with clients and manage risk. This is an ongoing trend which, driven by regulation, is changing the retail wealth industry and we are accelerating technology development to meet the increased scale requirements of our clients.

"Although we expect macroeconomic challenges from Brexit which has increased market uncertainty, we are in a very strong competitive position in the UK where retail wealth markets are expanding. In capital markets, we are making progress in Asia where our market is growing. The Australian market remains competitive and we are focusing on our clients."

GBST's software suite includes a new-generation suite of digital platforms, and the company has significant new business opportunities in the UK, Australia and New Zealand, Asia-Pacific and Japan.

- Ends -

## About GBST

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

- **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 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.

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