



## ASX Announcement

13 February 2018

### 1H FY18 RESULTS

- **Operating EBITDA up 16%; EBITDA up 15% and profit before tax up 325% compared to the preceding 6 months**
- **Cash inflow from operations of \$5.4m up 64% compared to the preceding 6 months (representing a 118% conversion of EBITDA to cash)**
- **Strong balance sheet with cash on hand of \$15.0m; and debt free**
- **FY18 interim dividend of 2.5c fully franked**
- **Development and Distribution agreements in Japan/Asia to open new markets**
- **Distribution agreement signed with major North American Fintech**

Half-year results summary*	1H FY18 \$m	2H FY17 \$m	1H FY17 \$m
Total revenue and other income	42.7	42.6	45.4
Operating EBITDA before strategic R&D	9.7	8.9	12.9
Strategic R&D	(4.8)	(4.7)	(4.9)
Operating EBITDA	4.9	4.2	8.0
Restructure and other non-operating expenses	(0.3)	(0.2)	-
EBITDA	4.6	4.0	8.0
Profit before income tax	1.9	0.5	4.6
Income tax credit\ (expense)	0.6	2.1	(0.2)
Profit after income tax	2.5	2.6	4.4
Adjusted NPAT (\$m)	3.6	4.3	6.2
Basic EPS (cents)	3.7	3.8	6.5
Adjusted EPS (cents)	5.3	6.3	9.2
Dividends per share (cents)	2.5	2.5	3.7
Cash inflow from operations (\$m)	5.4	3.3	7.7
Cash at bank (\$m)	15.0	11.7	12.1

\*To be read in conjunction with the GBST half-year financial report for the period ending 31 December 2017.

GBST Holdings Limited (ASX: GBT), a global provider of technology to the financial services industry through its GBST Composer, GBST Syn~ and GBST Shares platforms, today reported its first half results for FY18. Total revenue and other income was \$42.7m, up from \$42.6m in the preceding 6 months, EBITDA of \$4.6m and profit before tax of \$1.9m were up 15% and 325% respectively compared to the preceding 6 months.

GBST Managing Director and CEO, Robert DeDominicis, said: "These results are on target and we

are pleased with the improvements compared to the preceding half and the operational efficiencies delivered. GBST's cash generation increased with operating cash inflows of \$5.4m for the half up 64% on the previous 6 months, representing a 118% conversion of EBITDA to cash. GBST has a robust balance sheet and no debt. The Board has declared a 2.5c fully franked interim dividend for this half which keeps our dividend steady with that declared for the final dividend last financial year."

"Furthermore, GBST was able to deliver these results notwithstanding a significant increase in legislative change work that we had to undertake this half to update our software for changes such as the European Markets in Financial Instruments Directive (MIFIDII) and significantly higher levels of process and reporting changes driven by the ATO and ASIC."

"During the half we made good progress with our E-VOLVE program which will transform our Composer product. It has now been mobilised and this work is tracking according to our expectations. Our clients are excited by our R&D initiatives and we expect to win new clients because of GBST's ongoing investment in our R&D program and our commitment to enhance our platforms. This investment will pay dividends in the future along with new clients in our wealth management and capital markets operations and new distribution partnerships in Japan and North America creating new revenue opportunities. This is a key part of building GBST's success for the long term." he said.

#### **United Kingdom - Wealth Management**

<b>United Kingdom – Wealth Management Half-year results summary</b>	<b>1H FY18 \$m</b>	<b>2H FY17 \$m</b>	<b>1H FY17 \$m</b>
Revenue	19.0	16.6	16.0
Operating EBITDA before strategic R&D	4.5	1.4	2.7

UK Wealth Management recorded 14% growth in revenue and 226% growth in Operating EBITDA before strategic R&D compared with the preceding 6 months (2HFY17).

The UK Wealth Management division has seen assets on the Composer platform rise by 47% to £70.8bn assets under management and active accounts increase by 57% in the last 12 months to now total 1.3 million accounts. The increase in assets stems from the growth of GBST's clients and the migration of clients' books of business.

During the half, a new long-term licence agreement was signed, two new client implementations are underway and the first phase of the Cofunds migration was successfully delivered on time.

#### **Australia – Wealth Management**

<b>Australia – Wealth Management Half-year results summary</b>	<b>1H FY18 \$m</b>	<b>2H FY17 \$m</b>	<b>1H FY17 \$m</b>
Revenue	7.0	7.5	9.0
Operating EBITDA before strategic R&D	2.5	3.7	4.8

The Australian Wealth Management division recorded a 7% fall in revenue during the half to \$7.0m, down from \$7.5m in the preceding 6 months due to reduced license revenue. Correspondingly, operating EBITDA before strategic R&D dropped 32% in the half, impacted by

significantly higher legislative change work which was approximately double the usual level.

Our new technology was a key factor in winning a new client in Australia that has an exciting and disruptive business model in superannuation, with our digital front end being made available under a software-as-a-service (SAAS) model. In parallel, GBST entered into a second business process outsourcing agreement which is due to come into effect in Q1 2018.

Two new Tax Analyser clients were won at the end of the first half that will start to contribute positively towards recurring license revenue in FY19. The GBST Tax Analyser product was developed for the Australian Superannuation and Funds Management market to provide a flexible taxation solution for pre and post trade investment taxation calculations and reporting, including the ability to cater for trust level tax optimisation. It will now cater for the recent pension legislative changes dealing with the 'transfer cap rules'. The Qantas Superannuation Fund will be the first to use our digital platform for custodians, their clients and tax advisers to collate and validate data from multiple sources for calculating and producing the investment tax results needed by superannuation funds to include in their tax return. These returns can now be submitted directly to the ATO, leveraging GBST's existing framework developed for our Superstream Gateway.

### **Australia – Capital Markets**

<b>Australia – Capital Markets Half-year results summary</b>	<b>1H FY18 \$m</b>	<b>2H FY17 \$m</b>	<b>1H FY17 \$m</b>
Revenue	10.6	11.1	13.8
Operating EBITDA before strategic R&D	1.8	2.9	4.7

As reported last year, the loss of a large Capital Markets client resulted in a 23% drop in revenue from 1H FY17 to 1H FY18.

Revenue was down 5% this half compared to the preceding 6 months driven by services revenue being lower this half. License revenue was also down 2% during the period to \$9.0m (from \$9.2m in 2HFY17).

GBST still maintains the dominant market share of CHESS connectivity at approximately 61% of equity transactions.

During the half, the Australian Capital Markets business won back a client from the client group that had moved to a competing platform and it has a strong pipeline of similar client prospects ahead.

The division reported an Operating EBITDA before Strategic R&D result of \$1.8m compared to \$2.9m in H2 FY17. The Operating EDITDA this half was impacted by one off costs supporting the rollout of Syn~ to a new client.

Mr DeDominicis, said: "We are confident about our growth prospects in capital markets in Australia and we will be concentrating on expanding Business Process Outsourcing opportunities and strategic R&D mobilisation. We are winning back clients and we will see these revenue benefits flowing through over time."

## Rest of the world – Capital Markets

<b>Rest of the World – Capital Markets</b>	<b>1H FY18</b>	<b>2H FY17</b>	<b>1H FY17</b>
<b>Half-year results summary</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Revenue	6.1	7.2	6.4
Operating EBITDA before strategic R&D	0.9	0.9	0.7

The division recorded \$6.1m in revenue for the half, down 15% from the preceding 6 months, largely driven by a decrease in services revenue (\$3.4m in 1H FY17 and \$4.0m in 2H FY17 down to \$1.9m in 1H FY18). License revenue increased 35% from \$3.1m in 1H FY17 and 2H FY17 to \$4.2m in 1H FY18.

Operating EBITDA before strategic R&D was stable at \$0.9m.

Highlights during the half included the execution of a distribution license with Japanese financial technology company SBI BITS (a wholly owned subsidiary of the SBI Group). SBI BITS will use GBST's Syn~ technology as the back-bone for its back-office processing solution both in Japan and across Asia-Pacific. SBI BITS has established a significant development capability to work with GBST in extending the platform capabilities across the Japanese requirements for regulatory reporting, retail and institutional clearing and settlement and local market connectivity.

SBI has a large development team who are working to extend GBST's capabilities with the company into regulatory reporting, retail broking and local connectivity, including those required in Japan.

SBI, which has a market cap of around USD 4.48 Billion, will provide Syn~ access to a significant number of participants in the Japanese market, including its own SBI Securities division, the largest online broker in Japan."

Mr DeDominicis, said: "Having a large Japanese firm like SBI use our platform domestically gives GBST a strong partner in a country where local support for systems is so important, particularly for the relationships with the Japanese regulators."

"GBST is working with SBI to build out Syn~ to deploy it to clients in the region. We are particularly excited to leverage this new relationship to help our existing Asia-Pacific clients consolidate their Japanese processing onto their regional platform, providing cost savings and reducing operational risk."

During the half, GBST also implemented a new Syn~ Custody back-office platform for China Merchants Bank (CMB) which has been configured especially for CMB operations and is highly automated, receiving SWIFT messages and other instruction files from CMB clients. These two new clients build on the success of the Syn~ deployment with a European Investment Bank in Australia.

Commenting on the North American operations, Mr DeDominicis said "GBST has signed a Distribution Agreement with a major financial technology company to white-label and distribute Syn~ as a component of one of their key product suites. The agreement will enable the client to expand its current offerings and increase its competitiveness in the institutional capital markets segment. GBST will obtain access to the company's marketing and salesforce to drive increased market share and revenues."

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

The group has reported a strong closing cash position with \$15.0m cash on hand at 31 December 2017 and no debt. The net assets of the Group increased by \$1.2m during the half-year to \$66.1m.

Cash inflow from operations was \$5.4m for the half-year, representing 118% conversion of EBITDA to cash (1H FY17: 97%).

### **Interim dividend**

The Board has declared an interim dividend of 2.5 cents per share fully franked. This is equivalent to the 2.5 cents per share fully franked which was declared in August 2017.

### **Investment in our Executive Team**

Mr DeDominicis said: "I am also pleased that we've been able to add significant skills and experience to GBST's Executive Team in recent times. Mark Knowlton, our new Chief Technology Officer has brought a wealth of banking and financial services experience to bear on our strategic R&D program and is leading change in our technology team practice.

Belinda Armstrong, our new Head of Human Resources, has already started to make a positive impact on GBST's people and culture.

Gareth Turner, our new Chief Financial Officer joined GBST in early December 2017. Gareth brings a broad experience to GBST and we will benefit from his ability to bring change to our finance and risk management functions and commercial disciplines for key decision-making processes across the organisation as well as improving our reporting, forecasting and planning activities.

I am very confident that the Executive Team we now have in place will stand the company in good stead for its longer-term objectives."

### **Outlook**

Operating EBITDA before strategic R&D is expected to be within the range of \$20m - \$25m for FY18, consistent with guidance provided in August 2017.

Strategic R&D expenditure is expected to be within the range of \$10m - \$15m for FY18.

In conclusion, Mr DeDominicis said: "We are continuing to invest in our products, people and processes. Recent client wins and strategic partnerships we've been able to secure during this past half highlight how GBST's growth potential continues to improve."

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### **About GBST**

GBST is a specialist financial technology company which provides administration and transaction processing software for retail wealth management organisations and global and regional investment banks. Founded in 1983, the company operates in Australia, Asia, Europe and North America. GBST is listed on the Australian Securities Exchange under ASX ticker code GBT.

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