



ASX Announcement

Chairman's Annual General Meeting Address

Good afternoon and welcome to our shareholders. Before I begin my address, Rob DeDominicis, our CEO, extends his apologies as he is unable to be here today as he is recovering from an operation.

This past year saw GBST continue to execute on its strategy of being a market leader in the provision of wealth administration and post trade processing technology. Our Strategy is to provide the best fintech solutions which create value for our clients. We continue to see rapid change led by digital disruption and automation technologies supported by infrastructure changes such as the Cloud, Blockchain and Robotics. We are responding to these changes with the release of Catalyst, new tools like GBST Illustrate, and automation technology to reduce the costs of operations for our clients.

We delivered on all key customer projects, and in doing so achieved record transitions of new business to our software platforms. At the same time, we also delivered on a record number of major regulatory changes such as MFIDII, GDPR and changes to Australian Superannuation regulation which cost the business approximately \$4M of revenue opportunity. This was a significant challenge for the business and I am delighted that GBST was able to do both.

Today, I want to focus on the opportunities for GBST, what the market is doing, and detailing what we are investing in for the long-term future of the business. Over the past year we continued to optimise the business, including a restructuring of our operating models, allowing us to improve services to our global clients across institutional banking, stock broking and wealth management.

FINANCIAL PERFORMANCE

Full year Revenue was up marginally in FY18, with second half revenue up 6.5% from the first half. Full year Operating EBITDA before strategic R&D was down 7.2% to \$20.2m, with the second half of \$10.5m up 9.4% from the first half on the back of higher revenue and cost reductions. EBITDA for FY18 was \$12.5m, compared to \$12.2m in FY17.

While our adjusted net profit was down from \$10.5m to \$8.2m, the Company continued to generate strong cash flow. As at 30 June 2018 we were debt free and had cash on hand of \$11.4m. Cash flow from operations was \$11.2m, representing 92% of EBITDA. Given the increase in Strategic R&D investment we will have lower cash reserves this half and as such we are investigating a line of credit facility to ensure our financial position.

The Board of Directors declared a second half dividend of 2.5 cents per share fully franked, taking the full year pay-out to shareholders to 5 cents a share, fully franked.

The Strategic R&D investment in FY18 of \$14.7m was on budget, on time and meeting all quality gates.

The UK operations were a strong contributor during the year, with Wealth Management contributing a 23% uplift in revenue. Full year operating EBITDA before strategic R&D was up 136% from FY17.

2018 HIGHLIGHTS

We achieved a major milestone delivery with Aegon having migrated hundreds of thousands of accounts from the Cofunds platform to Composer - making it the largest investment platform in the UK and Australian markets. Over the next 6 months we will expand the relationship with Aegon and will work together to power their alliance with Nationwide Building Society, which is the largest building society in the world with 13 million members. This will make available a new investment proposition to their adviser population and end investors through their new simplified advice service and will be accessed via their Internet Banking channel.

Vitality Life and Health went live with Catalyst, which is the first major delivery upgrading our technology and especially our digital capability. This was a significant milestone proving our development capability and creating new revenue opportunities.

We have commenced a new project with Investec Wealth & Asset Management, which is one of the top three Wealth Managers by Assets under Management. As part of this project, GBST is delivering Composer back-office and several Digital solutions and services.

We entered into a new strategic partnership with Equiniti, a leading specialist administration and payment service provider, to provide outsourcing services to the market. We will work together to offer investment operations and platform technology to clients within the life and pensions and wealth management sectors. We have already proven the service with the successful implementation for Retirement Advantage. Equiniti provides outsourced business services covering administration services, while GBST provides the technology platform.

In South Africa, GBST worked closely with existing client Novia to power a new proposition for STANLIB called INN8, which an offshore investment platform offering South African IFAs the ability to invest offshore diversifying their investments outside of South Africa. Investors using the proposition have access to multiple markets and currencies powered by GBST's Compose platform.

In Australia, GBST Technology enabled the clearing and settlement of over \$1.7 trillion in value across 480 million equity trades across the ASX and Chi-x markets representing 60% of all trading activity. In addition, GBST's derivatives platform DCA enabled the clearing of almost 40 million Exchange Traded Options lots representing 42% of the market activity. Our market share of the Australian back office remains 61% of total market turnover.

The Australian market also saw the completion of the migration of ANZ Share Investing to CMC Markets on GBST platforms, as well as having Sequoia migrate from an outsource arrangement to self-clearing. We are confident our market distribution will further increase in FY19 due to additional Syn sales and changes brought forward by the ASX CHES replacement program.

Our Syn product now processes approximately 25% of volume on the Australian Stock Exchange after the successful implementation at a major Institutional bank. This makes it the leading solution in the market with another institutional bank also implementing Syn as their new platform.

We believe growth opportunities in Asia are significant as our Syn~ technology provides our clients with a fully integrated back and middle-office capability across a multi-market, multi-asset service. This enables them to lower post-trade processing costs across global operations.

We have entered into a distribution partnership with SBI Bits in Japan. This will encompass a post trade platform on Syn~ to provide services to the SBI Group and other Japanese market participants. Japan is one of the largest securities markets in the world, dominating the software spend in Asia Pacific (source: Gartner), with annual spend forecast to grow 11% to 2021 to an expected value of US\$280m.

In North America, as well as continuing to service our existing US clients, GBST has entered into a partnership with FIS where our Syn TAC solution is resold with FIS front office technology. The US securities market dominates global software spend and is forecast to grow 48% to 2021 (Gartner Securities Software spending) to a value of more than US\$4.8bn.

RESEARCH AND DEVELOPMENT

In the coming year we will continue our commitment to innovation and on time delivery of services to our clients.

We will spend approximately \$22 million on our ongoing strategic R&D program in FY19 to ensure that we are capturing growth in longer term license fees and achieving recurring revenue across the business. At the end of this programme the level of spend that GBST will undertake will reduce substantially, and total investment into our products will be maintained so that our products do not fall behind. This investment will expand the opportunities we can currently pursue and increase returns to our shareholders over the coming years.

We are confident the investment will return value to shareholders because the markets are undergoing massive change that will require the replacement of old technology platforms.

For example, the UK Platform industry is going through a re-platforming exercise (technology modernisation), driven by changes in client's behaviour, regulation and cost challenges, risk and compliance. Assets shifting onto modern platforms are set to treble by 2022 (source: Fundscape Q1 2018), with the majority of the market growth coming from legacy assets moving onto platforms (approximately 80%). The size of the market share available to GBST will be based on current capabilities and near term roadmaps, which is an additional \$20m pa licence revenue by 2022. The UK accessible market size is £2,700BN from 100+ firms.

We are well placed to take advantage of new opportunities, including in the UK retail savings market where we believe there is more than £1 Trillion of assets still available for transition to solutions like Composer.

Our clients are 100% supportive and have provided valuable feedback that confirms research from analyst firm Gartner Group that changing digital technologies and customer expectations are placing pressure on the traditional wealth management business model.

PEOPLE

GBST employs over 390 full time staff working in the business today, located in Australia, United Kingdom, Hong Kong, Singapore, and the United States of America. In addition, we use the services of approximately 100 technology staff from our sourcing partner in Vietnam.

Our staff have deep industry knowledge and work in an environment of constant change. We are constantly improving our processes and looking at ways to improve the way we work, and how we can better invest in our people.

We are committed to developing the capability and skills of our staff members and have had a renewed focus on upskilling all leaders across the business. Attracting, retaining and developing our staff is of critical importance to GBST and with the future in mind we have been successful in bringing on-board a number of new staff with key skills.

As recently announced, we had Matthew Walton, our new Chief Financial Officer join us this month, completing our strong Executive Team. We thank Gareth Turner for his positive contribution to GBST over the last year and wish him the best in his new role.

In closing, I want to once again thank our shareholders and clients. Your ongoing support is greatly appreciated.

I would like to thank my fellow Directors for their commitment and contribution. Having a diverse Board with strong industry experience will support the GBST team to deliver our strategy.

I also thank Robert DeDominicis, his management team and the GBST team who continue to work hard to service our clients and grow the business.

We remain positive about the future of the business and its direction.

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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.