

# Half-year results – 31 December 2015

GBST Holdings Limited (ASX: GBT)

# Our business



## GBST Wealth Management

**GBST Composer**

**GBST Composer Web**

**GBST Quant**

**FOR** wealth administration and registry

**CUSTOMERS IN** Australia, Asia,  
New Zealand, United Kingdom



## GBST Capital Markets

**GBST Syn~**

**GBST Shares**

**GBST DCA**

**GBST FrontOffice**

**GBST BIR**

**FOR** client accounting and securities  
transaction processing

**CUSTOMERS IN** Australia, Asia, Europe,  
North America

# GBST H1 FY2016 – Highlights

- Lower than expected revenues of \$56.7 million due to project delays (announced in October 2015 earnings update)
- Operating EBITDA of \$8.5 million at the upper end of guidance (\$7.0 million - \$9.0 million)
- Restructure and other non-operating expenses of \$2.5 million for legal and organisational restructuring expenses, new CEO recruitment costs and statutory entitlement expenses incurred following the departure of the former CEO
- New Managing Director and CEO, Robert DeDominicis, and Chairman, Allan Brackin, appointed in December 2015
- Transition to new company leadership progressing well and major changes already implemented, although more to be done
- 2H FY16 Operating EBITDA guidance range of \$12.0 - \$14.0 million maintained
- Adjusted EPS (excluding investment amortisation charges) – 6.5 cents per share
- Interim dividend of 5.5 cents per share, fully franked, consistent with FY15 final dividend
- Reflects GBST Board's and management's confidence in the company's progress
- Closing cash balance of \$4.5 million

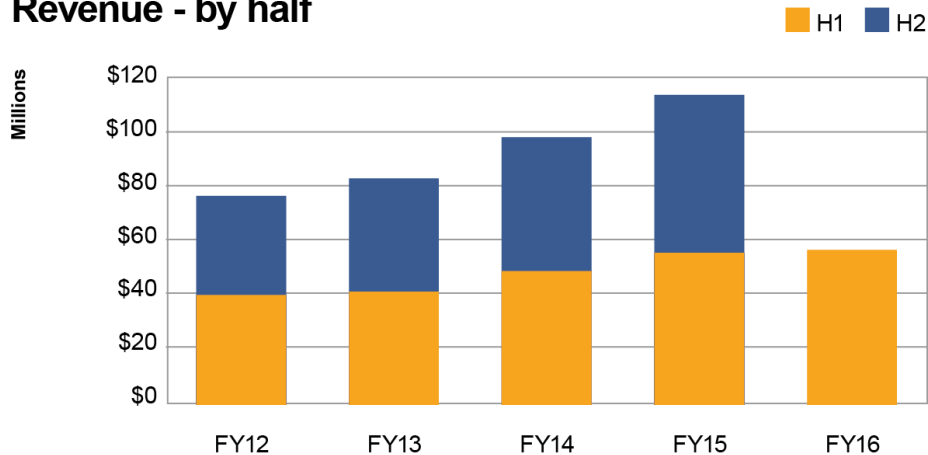
# H1 FY2016 – Financial Performance

Results for the half-year ended:	31-Dec-15 \$m	31-Dec-14 \$m	% Change
<b>Revenue</b>	<b>56.7</b>	<b>55.7</b>	<b>2</b>
Operating EBITDA	8.5	12.3	(31)
Operating EBITDA % Margin	15%	22%	
Restructure and other non-operating expenses	(2.5)	-	
<b>EBITDA</b>	<b>6.0</b>	<b>12.3</b>	<b>(51)</b>
Finance (expense)/income	(0.2)	0.1	
Depreciation & operating amortisation	(1.4)	(1.6)	11
Investment amortisation	(2.1)	(1.9)	(7)
<b>PBT</b>	<b>2.2</b>	<b>8.8</b>	<b>(74)</b>
Income tax credit/(expense)	0.1	(1.8)	
Effective tax rate	(1)%	21%	
<b>NPAT</b>	<b>2.3</b>	<b>6.9</b>	<b>(67)</b>
<b>Adjusted NPAT</b>	<b>4.4</b>	<b>8.9</b>	<b>(51)</b>
<b>EPS (cps)</b>	<b>3.4</b>	<b>10.4</b>	<b>(67)</b>
<b>Adjusted EPS (cps)</b>	<b>6.5</b>	<b>13.4</b>	<b>(51)</b>

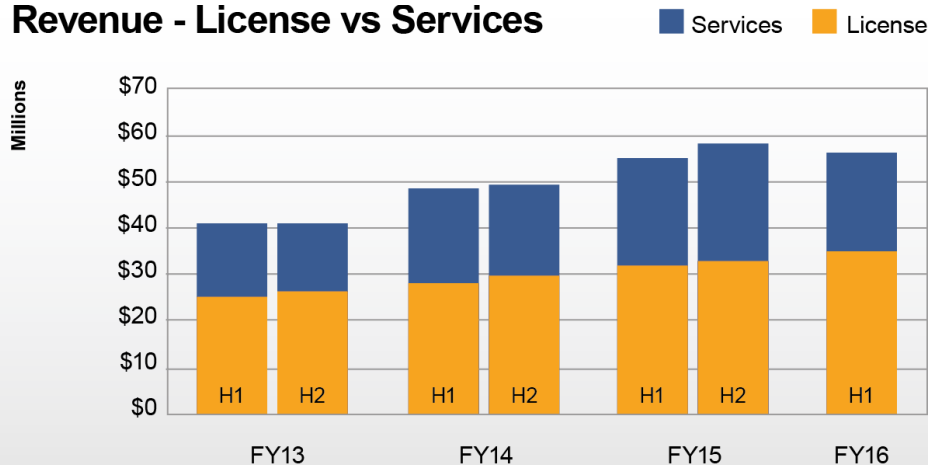
- Revenue growth despite delayed starts to major client projects (mainly Wealth Management Division)
- Operating EBITDA at upper end of guidance
- Reduced operating margins reflect increased costs in anticipation of higher revenue growth
- Restructure and other non-operating expenses relate to legal and organisational restructuring expenses, new CEO recruitment costs and statutory entitlement expenses incurred following the departure of the former CEO
- Investment amortisation charges up due to FX movement on valuation of underlying assets
- Finance costs relate to FX movements
- Income tax credit due to R&D concessions and deductions related to the Employee Share & Option Plan (ESOP) vesting in November 2015
- Adjusted NPAT includes add-back of investment amortisation charges

# Group Revenue

## Revenue - by half



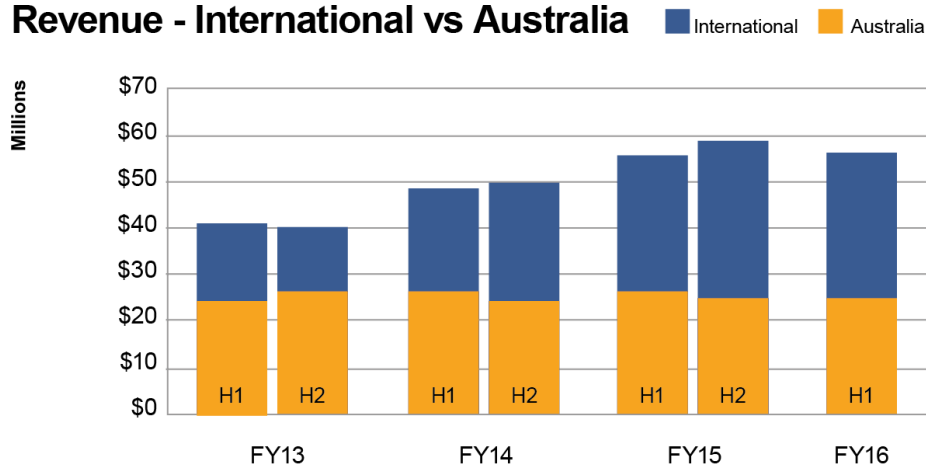
## Revenue - License vs Services



- Increasing number of international wealth management and capital markets clients
- Customer base includes some of the world's largest and market-leading financial services companies
- Licence fee revenue increased to 63% of the total – high quality recurring annuity income based on long-term client contracts
- Services revenue relates to new implementations and product development
- As projects complete, service revenue transitions to licence fee annuity income and variable activity-based fee structures

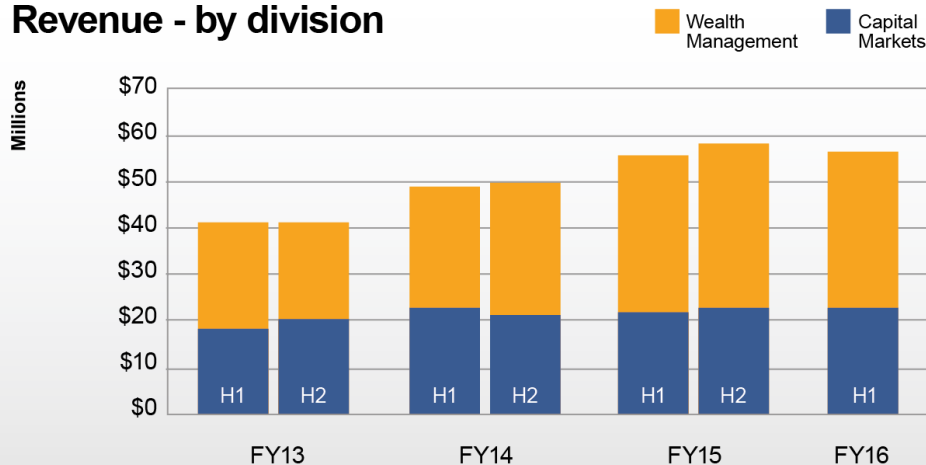
# Group Revenue Analysis

## Revenue - International vs Australia



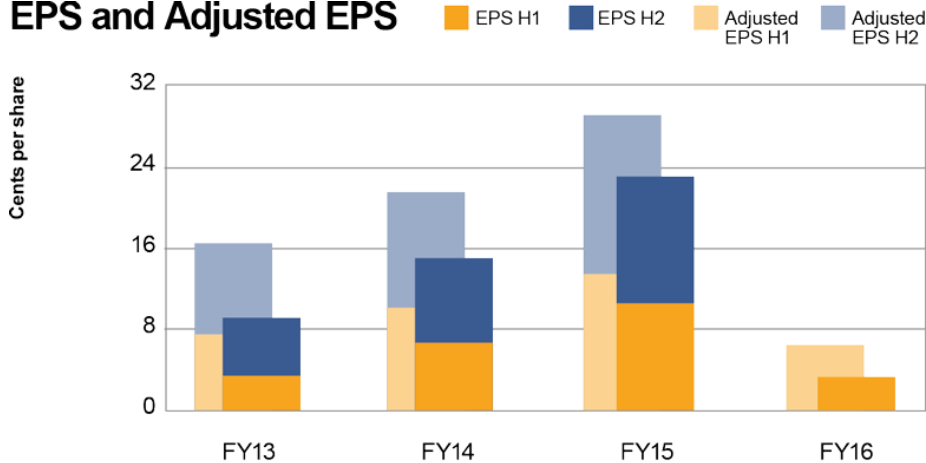
- International revenue comprised 56% of total revenue, up from 52% in H1 FY15
- International revenue is denominated primarily in £ Sterling and US\$; lower AUD favours GBST
- Australian revenues declined slightly, reflecting deferred spending by wealth management clients and difficult capital markets trading conditions
- Steady UK Wealth Management revenue, despite project delays
- Former Financial Services division revenue now included in Capital Markets

## Revenue - by division

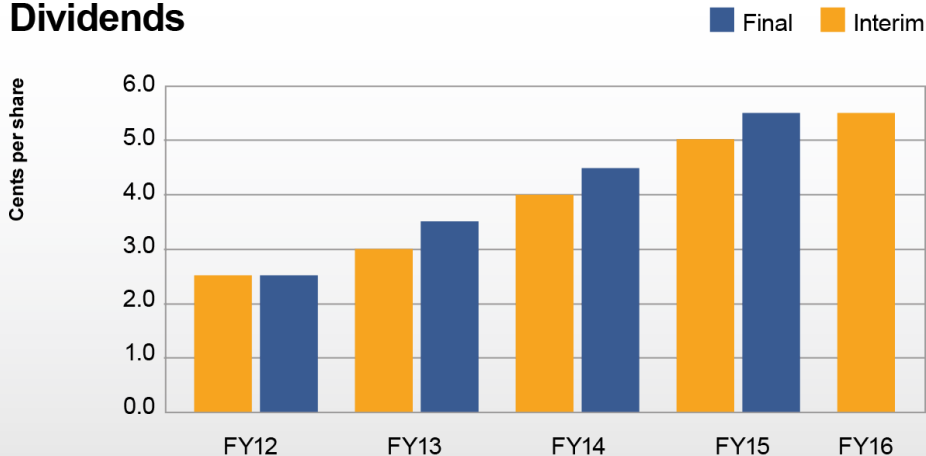


# EPS and Dividend

## EPS and Adjusted EPS



## Dividends



- Earnings per share (EPS) 3.4 cents per share (H1 FY15: 10.4 cps)
- Adjusted EPS 6.5 cents per share
- Interim dividend declared 5.5 cents per share, fully franked; reflects GBST Board's and management's confidence in the company's progress
- Dividend paid \$3.7 million (H1 FY15 \$3.0 million); payout ratio 84% of adjusted NPAT
- Record date for entitlement 7 April 2016
- Payment date 21 April 2016
- Franking credit balance \$17.3 million, up \$0.5 million (30 June 2015: \$16.8 million)



# Financial Position

Financial position as at	31-Dec-15 \$m	30-Jun-15 \$m
<b>ASSETS</b>		
Cash	4.5	7.8
Other current assets	28.1	23.8
Intangible assets	51.8	54.3
Other non-current assets	14.9	14.6
<b>TOTAL ASSETS</b>	<b>99.3</b>	<b>100.5</b>
<b>LIABILITIES</b>		
Loans and borrowings - current	0.1	0.2
Unearned income	12.4	10.4
Other current liabilities	15.3	16.1
Loans and borrowings - non current	0.0	0.1
Other non-current liabilities	6.7	7.2
<b>TOTAL LIABILITIES</b>	<b>34.5</b>	<b>34.0</b>
<b>NET ASSETS</b>	<b>64.8</b>	<b>66.5</b>
<b>EQUITY</b>		
Issued capital	38.4	37.7
Reserves	0.9	1.9
Retained earnings	25.5	26.9
<b>TOTAL EQUITY</b>	<b>64.8</b>	<b>66.5</b>

- Cash \$4.5 million at 31 December 2015; GBST has no debt
- Other current assets includes increased WIP balances on various projects, now transitioned to debtors and invoiced
- All material debtors balances paid subsequent to year end
- 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 (\$30.7 million), Coexis (\$14.5 million), and other intangibles (\$6.6 million)
- Unearned income represents advance payments from clients for licences and services; the balance varies due to timing of payments and projects



# Cash Flow

Results for the half-year ended:	31-Dec-15 \$m	31-Dec-14 \$m
<b>CASH FLOWS FROM OPERATIONS</b>		
Receipts	58.9	61.7
Payments	(57.2)	(48.6)
Finance costs	(0.1)	(0.1)
Income tax	(0.1)	(2.8)
<b>Net cash from operations</b>	<b>1.5</b>	<b>10.2</b>
<b>CASH FLOWS FROM INVESTMENTS</b>		
Purchase of tangible assets	(0.9)	(0.5)
Purchase of intangible assets	(0.1)	(0.5)
<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	(0.2)	(0.5)
Repayment of borrowings	-	(5.0)
Dividends paid	(3.7)	(3.0)
<b>Net cash used in financing</b>	<b>(3.9)</b>	<b>(8.5)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>(3.4)</b>	<b>0.7</b>
Effect of FX movements on cash held	0.1	0.2
Opening cash - 1 July	7.8	2.3
<b>CLOSING CASH</b>	<b>4.5</b>	<b>3.3</b>

- Cash flow from operations impacted by high debtors and WIP balances - all received after balance date by GBST or invoiced for payment
- Income tax paid offset by UK income tax refund of \$2 million relating to prior period credit
- Higher tangible assets outflow due to fit-out costs in various offices
- Intangibles purchases relate to third party software acquired for use within the business
- No internal development costs are capitalised
- Cash flows are managed in local currencies where possible to limit exposure to foreign currency conversion



# GBST Wealth Management – Financial Performance

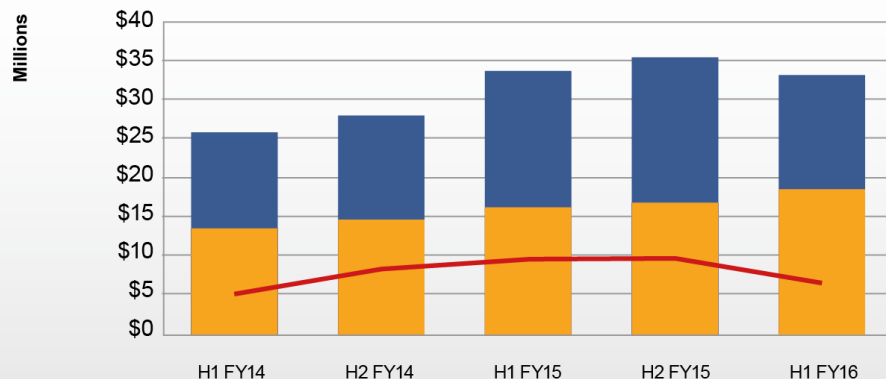
	31-Dec-15 \$m	31-Dec-14 \$m	% Change
Revenue - Australia	8.7	10.0	(13)
Revenue - International	24.4	23.7	3
<b>Revenue - Total</b>	<b>33.1</b>	<b>33.7</b>	<b>(2)</b>
Operating EBITDA - Australia	1.7	3.8	(56)
Operating EBITDA - International	5.1	5.5	(7)
<b>Operating EBITDA - Total</b>	<b>6.8</b>	<b>9.3</b>	<b>(27)</b>

Well-established Australian client base; services revenue affected by project delays

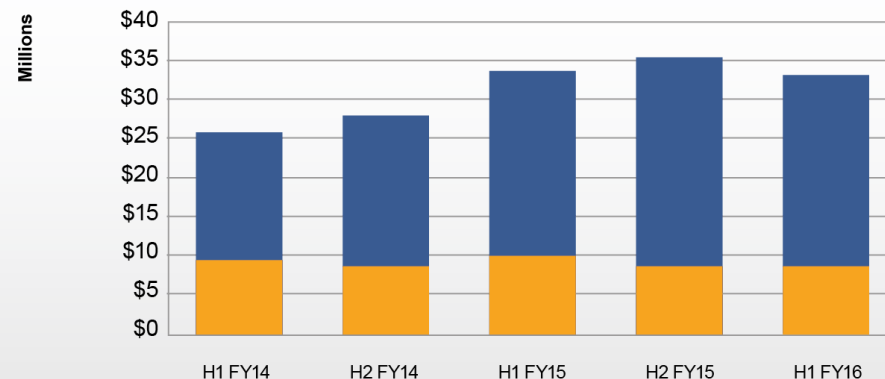
UK licence revenue and market share growth; five new customers went 'live' in the past 12 months

Margins impacted by increased R&D and short-term support costs related to new implementations

## Wealth Management



## Wealth Management – International vs Aust





## GBST Wealth Management – Highlights (1)

UK new clients and implementations in past 12 months include:





## GBST Wealth Management – Highlights (2)

- From five clients in 2014 – AEGON, AJ Bell, Barnett Waddingham, Fidelity and Novia – GBST added Just Retirement, Novia Global and Retirement Advantage in 2015, and will complete implementations for Alliance Savings Trust and Curtis Banks in 2016.
- While H1 overheads rose significantly, once ‘live’ these platforms will provide annuity income, and operating costs are expected to fall
- Record number of new UK implementations went ‘live’, including five for new clients
- GBST Composer’s introduction of Pensions Freedom changes before competitors and in-house systems helped secure new business for GBST
- New products included first-to-market flexible annuities, retirement products, and a model portfolio manager enabling funds to settle equity transactions
- Gateway components completed for superannuation clients and GBST Quant’s Tax Analyser secured new customers
- Ongoing significant investment in GBST Composer



## GBST Wealth Management – GBST Composer

**800,000**

Largest installation of  
Investor accounts

**\$245bn**

Largest installation of  
Funds Under Management

**7,000+**

Largest investment options  
per wrapper

**120m**

Largest installation of  
investor transactions

**700+**

Largest installation of  
internal users

**2.2m**

Largest number of messages  
through CBIS per month

GBST Composer is highly scalable, with the capacity to store large volumes of data over long periods – many clients' GBST Composer platforms run data dating back more than 15 years



# GBST Wealth Management – Outlook

- UK market driven by the 2012 Retail Distribution Review to protect consumers; recent regulatory changes include Pensions Freedom and retirement reforms
- UK wraps and platforms market expected to quadruple by 2020; GBST supports three of the top six wraps and platforms and has a healthy pipeline of new business opportunities
- UK assets under administration continues to grow at a rapid rate; direct-to-consumer market is expected to expand considerably over the decade
- Wealth management industry consolidation around technology products is expected to benefit GBST; GBST Composer can consolidate multiple systems onto a single digital platform
- Performance Stream R&D program commenced to further build GBST Composer's scale and performance
- Major ComposerWeb implementation for a leading global asset manager in Australia will provide retail and corporate services with multi-lingual, multi-currency and mobile capabilities
- Migration program for major banking group in New Zealand has begun to consolidate more than \$3 billion accounts onto GBST Composer



# GBST Capital Markets – Financial Performance

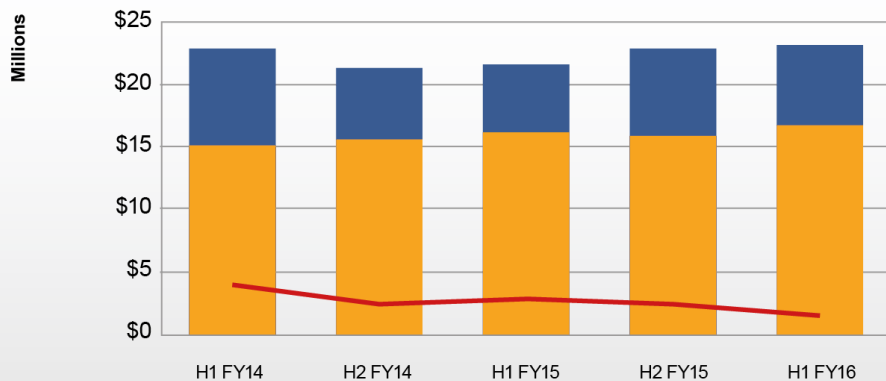
	31-Dec-15 \$m	31-Dec-14 \$m	% Change
Revenue - Australia	16.0	16.6	(4)
Revenue - International	7.2	5.1	40
<b>Revenue - Total</b>	<b>23.2</b>	<b>21.8</b>	<b>7</b>
Operating EBITDA - Australia	5.3	5.1	4
Operating EBITDA - International	(3.6)	(2.1)	(74)
<b>Operating EBITDA - Total</b>	<b>1.7</b>	<b>3.0</b>	<b>(44)</b>

International revenue increased with new implementations; loss reflects expansion which has since been scaled back and product investment

Improved performance in Australia despite highly competitive market

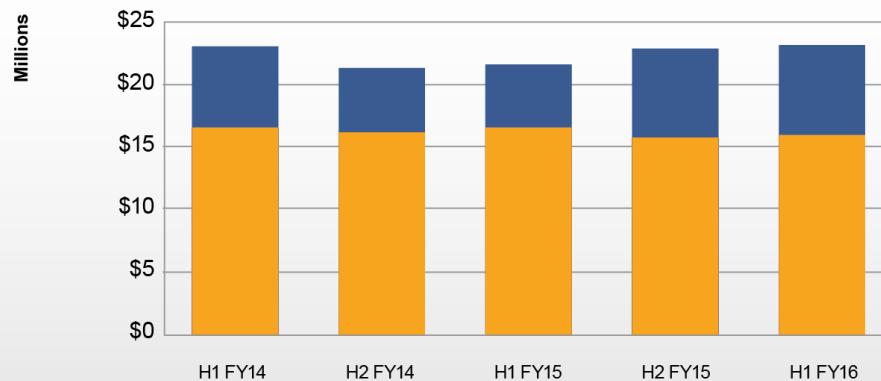
## Capital Markets

■ Services ■ License — Operating EBITDA



## Capital Markets – International vs Australia

■ Int ■ Aust





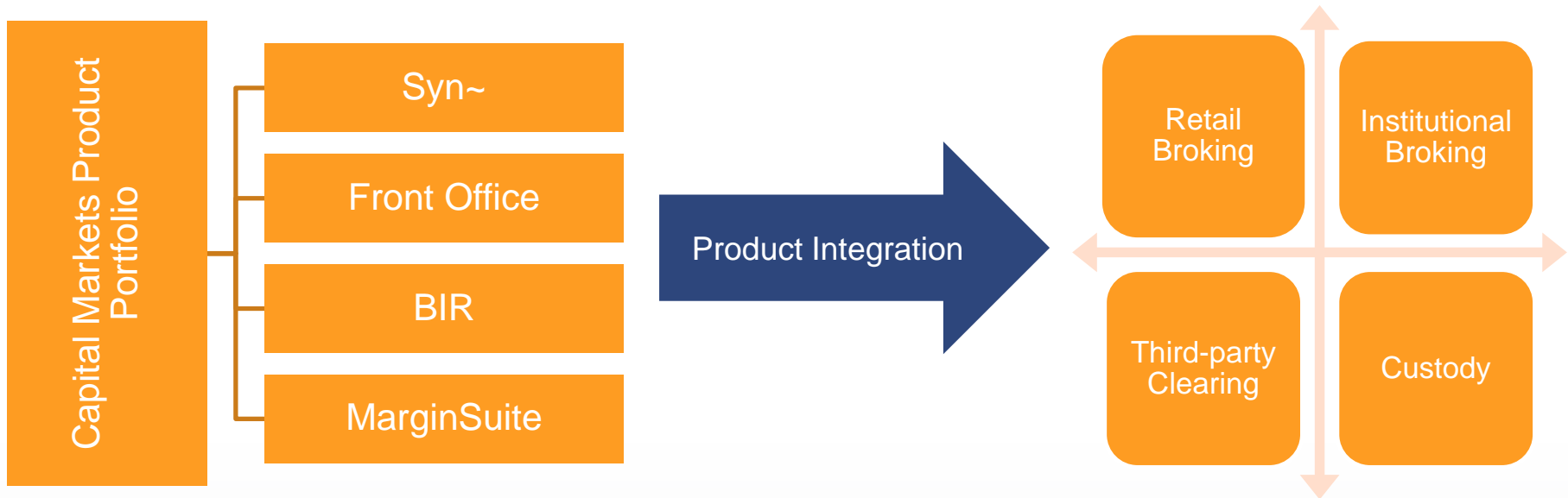


## GBST Capital Markets – Highlights (1)

- Lower Australian sales reflect a difficult capital markets trading environment and increased competition; more than 80% of sales is recurring annuity revenue
- Improved performance in Australia through tight cost controls
- GBST was the first provider of securities transaction software to confirm readiness for the ASX's shortened T+2 settlement for cash equities; improvements to GBST's support for ASX mFunds are underway
- Our program to transition a major institutional bank's back- and middle-offices from GBST Shares to GBST Syn~ is progressing well, with final testing underway
- New Haitong International middle office went live within 12 weeks, demonstrating GBST's success in providing internationally accredited systems for global institutional banks in Asia
- A major global institutional bank has moved its clearing operations from GBST Shares to clear trades in multiple Asian markets and Australia using GBST Syn~
- GBST Syn~ enhancements included improved integration with GBST Business Intelligence Reporting (BIR) and support for Tier-2 Asian broking operations and Hong Kong market practice, driven by two Hong Kong-based back- and middle- office projects.



## GBST Capital Markets – Highlights (2)



- Fully integrated product set
- Multi-correspondent capabilities
- Single booking model globally
- GBST MarginSuite provides firm-wide risk management
- GBST's business intelligence reporting (BIR) enables cross-product reporting
- Improved processing of exchange-traded options and futures



## GBST Capital Markets – Outlook (1)

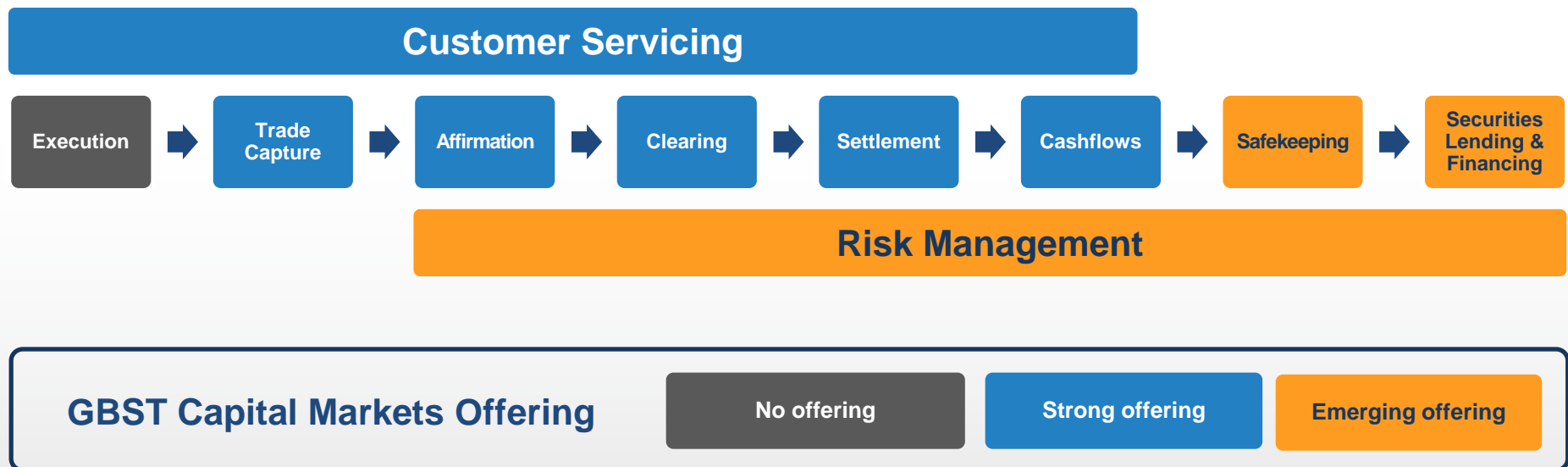
- In Australia, GBST leads the market and continues to expand its products, supported by a highly experienced team with extensive domain knowledge
- Transition of a major institutional bank's back- and middle-offices from GBST Shares to GBST Syn~ in Australia is expected to 'go live' in mid-2016
- In Asia, GBST is aligning its business model with global institutional banks to focus on providing middle offices implemented across many Asian countries, supported from the banks' regional hubs
- GBST Syn~'s multi-country clearing offers greater efficiency and both fixed and variable transaction pricing models; R&D continues to strengthen its regional equities, derivatives and custody capability
- In the US, Raymond James has commenced its second phase deployment of GBST Syn~; this broker-dealer helps 6,700 financial advisors serve 2.7 million client accounts primarily in the US and Canada, and manages client assets of approximately \$500 billion
- In Europe, implementation of the Financial Transaction Tax (FTT) across 10 participating European countries is expected to begin in FY17; GBST's 'off the shelf' FTT engine remains ahead of market



## GBST Capital Markets – Outlook (2)

The Capital Markets Value Chain -

- GBST Capital Markets customers are looking to extend their services into adjacent market segments, across geographies and asset classes
- GBST R&D has focused on delivering a single solution that allows customers to move up the value chain



# Summary

- Capital allocation refocused to align with GBST's strengths, competitive advantages and key markets; ongoing investment in software platforms maintains product leadership, supporting growth
- Overheads increased during implementation are expected to fall; once projects 'go live' they contribute to annuity income for GBST
- UK regulation change continues to drive sales of GBST Composer; GBST is capitalising on first-to-market Pensions Freedom compliance changes, pensions guarantee and flexible annuities products
- Major Australasian wealth management projects for an international bank and a global asset manager have begun
- Transition of a major institutional bank's back- and middle-offices from GBST Shares to GBST Syn~ expected to go live mid-2016, enhancing opportunities to position GBST Syn~ as a regional solution across Asia
- Strong commitment to R&D; 'Performance Stream' program to invest in GBST Composer's technological leadership has commenced
- Balance sheet, well positioned to take advantage of growth opportunities; 2H FY16 EBITDA guidance maintained within the range of \$12 million - \$14 million
- Interim dividend of 5.5 cents per share fully franked, in line with the company's balance sheet and anticipated growth

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