



ASX ANNOUNCEMENT

For immediate release: 31 August 2016

Rubik Financial Limited announces full year results for year ended 30 June 2016
11.4 per cent increase in overall revenue – a fourth consecutive year of double digit growth,
32.3 per cent increase in Underlying EBITDA and a return to positive operating cash flows

Rubik Financial Ltd (Rubik) (ASX:RFL) - a leading fintech company delivering innovative banking, wealth and mortgage solutions to the financial services industry – today announced its full year results for the financial year ended 30 June 2016.

Revenue for FY2016 was \$43.3 million, an increase of \$4.5 million or 11.4 per cent over FY2015, with recurring revenues contributing 73 per cent. Underlying EBITDA for FY2016 was \$6.5 million, compared with \$4.9 million in FY2015. Operating cash flow saw a return to positive \$1.0 million, and net loss after tax (NLAT) was \$2.7 million in FY2016, compared to a NLAT of \$14.1 million in FY2015.

FY2016 internal research and development (R&D) spend was \$3.4 million (\$0.8 million of which was expensed). \$1.4 million of internal R&D was invested in Coin and Provisio to build additional features and functionality to better service the needs of our wealth clients. Internal R&D of \$1.5 million was invested in Rubik Model Bank, with an additional \$1.6 million invested in outsourced development and \$3.9 million in license fees for this new product. The balance of internal R&D was invested in building out our mortgages product functionality.

Looking back over the past year, Rubik Chairman Craig Coleman commented, "I am pleased with the FY2016 results, as Rubik has delivered on performance expectations whilst also undergoing a period of significant transition and investing in growth for the future. Revenues have continued to grow, resulting in strong EBITDA growth in our underlying business. At the same time, the company has managed to transition to a blended on-shore and off-shore development and testing capability, has consolidated its data centre infrastructure and rationalised its corporate structure.

"We've achieved this whilst investing in our people and our product capabilities, with a key focus on transforming our products in to integrated solution platforms, providing customers with access to best practice foundations, innovation and scale regardless of their size," said Coleman.

As the markets Rubik operates in continue to evolve, and in some instances converge, the company has undertaken a change in its operating structure segments from 1 July 2016. Moving forward, Rubik will focus on the areas of Financial Services, Banking, and Collections & International. This change reflects the ongoing transformation of Rubik and its transition from a product focused business to a platform solution focus - with dedicated resources to further enhance its offerings. It also highlights the growing traction of Rubik's CWX platform, and the chance to leverage this class leading software across the globe.

Commenting on the past year, Rubik CEO Iain Dunstan said that he is pleased with the results. "Building on the previous financial year, which focused on ensuring all key financial measures and strategies were in place, we have steadily improved our financial performance. We have seen not just a stronger year than last, but a heightened stability instilled across the business, leaving us on an excellent footing going into the new financial year.

"It has been personally satisfying to drive significant transformation across the organisation. These changes are allowing us to create and better manage opportunities that improve the underlying base of the business and provide greater shareholder value," Dunstan said.

"We are well progressed in our strategic initiatives to build and deliver both an innovative and functionally digital rich banking platform and a financial services platform that will allow clients the flexibility to better combine Rubik's products with third party CRM systems and other third party solutions.

"This approach will enable our client base to efficiently and cost effectively deliver an omni-channel user experience both in banking (across phone banking, internet banking and mobile banking, using any device), and in financial services (where our clients' customers can engage via web-based robo advice tools, goal specific scaled advice tools or a comprehensive advice engine). It will see Rubik focused on selling client-led platform solutions rather than individual products," Dunstan added.

Rubik has considerably improved its client focus and engagement. It has retained and reinforced strong long-term relationships with key clients and further enhanced relationships with existing strategic partners.

Among a number of new client contracts and partnerships, Rubik extended its footprint in the Middle East and Asia, with one of the leading banks in Pakistan choosing to implement its collections platform. The agreement sees five out of the top seven banks in Pakistan now using CWX, and reinforces the company's market leading position in collections software in many Asian and Middle Eastern countries.

Rubik continues to invest in its management team, having attracted exceptional new hires with specialist industry experience across product, account management, sales, marketing and human resources, to support its growth and product vision. In support of its employees, an Employee Share Ownership Plan (ESOP) was rolled out in October 2015.

FY2016 key highlights

- Revenue up 11.4 per cent to \$43.3 million, fourth consecutive year of double digit growth
- Underlying EBITDA was \$6.5 million, up 32.3 per cent from \$4.9 million in the prior year
- Operating cash flow went from negative \$0.6 million to positive \$1.0 million
- Net loss after tax of \$2.7 million

Overall revenue for FY2016 was \$43.3 million, a \$4.5 million, or 11.4 per cent increase from FY2015. FY2016 revenue for the Wealth solutions was \$20.2 million, a \$0.8 million or 3.6 per cent decrease from revenue of \$21.0 million in FY2015. Wealth contributed 47 per cent to overall revenue. FY2016 revenue for Banking solutions was \$14.9 million, a \$3.1 million or 26.5 per cent increase from revenue of \$11.8 million in FY2015. Banking contributed 34 per cent to overall revenue. FY2016 revenue for Mortgage solutions was \$8.1 million, a \$2.0 million, or 33.8 per cent increase from revenue of \$6.1 million in FY2015. Mortgages contributed 19 per cent to overall revenue.

Recurring revenues contributed 73 per cent this financial year compared to 81 per cent last financial year, with the corresponding non-recurring revenues at 27 per cent for this financial year, compared to 19 per cent last financial year. This increase in non-recurring revenues was driven by strong license sales in the CWX product (which is sold as an upfront license and then a recurring maintenance trail) and an increased focus on delivering specialist consulting services to Rubik's clients.

Underlying EBITDA improved by 32.3 per cent to \$6.5 million in FY2016 (FY2015: \$4.9 million). This increase was mainly due to an increased focus on service fees and the cost benefits of recently completed restructuring activities. Underlying EBITDA after adding back existing products capitalisation was \$5.3 million, a \$2.2 million or 71 per cent improvement year on year. This comparison adds back existing product capitalisation of \$1.2 million during FY2016 (FY2015: \$1.8 million).

Reported net loss after tax for FY2016 was \$2.7 million, compared to a net loss after tax in FY2015 of \$14.1 million. This net loss is predominantly attributed to depreciation and amortisation charges of \$7.6 million and restructuring costs of \$1.9 million in the financial year.

Operating cash flows went from negative \$0.6 million in FY2015 to a positive operating cash flow of \$1.0 million in FY2016, with corporate restructuring, establishment of the off-shore development and testing centre, and consolidation of Rubik's data centre infrastructure now complete. This increase was mainly due to higher underlying EBITDA measures, partially offset by increased working capital requirements.

Events since last year

Of the significant events occurring since last year, there are three key strategic initiatives that will support the ongoing growth of Rubik's base business. These include the development of a new digital banking platform, the development of a financial services platform, and the integration of the current versions of CWX and Temenos' core banking platform.

Development of digital banking platform

Rubik's major initiative during FY2016 and in to FY2017 has been its development of the Rubik Model Bank. Following its initial partnership with Temenos to utilise its T24 core banking software to build an Australian Model Bank, Rubik extended its partnership with the software vendor during the year to overhaul its existing channel technologies with a renewed focus on user experience.

By integrating Temenos' user experience platform, 'edgeConnect', in its banking operations, Rubik is now able to provide end customers with a powerful and unique banking offering. This includes the ability to access its products and services across multiple customer touchpoints and devices - including desktop PC, smartphone, tablet and smartwatch. The platform will help Rubik clients to remain competitive and relevant by increasing customer loyalty through the provision of the high quality digital banking offering that today's customers demand.

Development of financial services platform

Where financial services products had previously existed and operated in silos, the Rubik product and technology teams are in the process of taking these products and turning them in to a library of 'engines'. These engines can then extract data from various third party CRM systems and deliver the enriched data and smart solutions to any user interface, enabling clients to either integrate with their own existing third party technology, or use Rubik's.

The development of this financial services platform will allow for the delivery of omni-channel advice, resulting in more people accessing advice. The future of advice lies in having a solution to suit every consumer channel, regardless of the advice level the consumer is seeking or the way they want to engage with the business. Rubik believes that access to multiple channels combined with the Future of Financial Advice (FoFA) legislation, will see the rise of web and phone-based advice channels. Rubik will be well positioned with its financial services platform to serve this market.

Integration of CWX and Temenos' core banking platform

Rubik's integration of CWX with the current version of Temenos' T24 platform is well underway. CWX was interfaced into an older version of T24 for a strategic project some years ago. The current project includes the rebuilding of interfaces as well as communication protocols.

Rubik's ongoing and close working partnership with Temenos, combined with winning additional CWX clients utilising Temenos as a core, means it made strategic sense to rebuild the interface with current software releases.

This development will extend Rubik's off-the-shelf offering to future clients, both Temenos users and other. The project opens up a substantial market that was only partially addressed by Rubik previously. For end clients, this integration will decrease implementation costs, and provide a deeper level of expertise in working with CWX and T24.

Outlook

"The outlook for Rubik is positive. The company will continue to transition and evolve to deliver on its vision of best in class, innovative fintech solutions", said Dunstan.

"While customers continue to demand more from their digital experience, our expertise lies in helping them to navigate the complexities and deliver on digital strategy for their clients which in turn drives growth and profitability for all."

Rubik will continue to invest in its product suite, to enhance features and functionality, not just to meet customer needs and market trends but to exceed them. The company seeks to expand its revenue base both through the retention of existing clients and attracting new clients – ensuring it offers outstanding fintech solutions across its product suite.

Rubik will continue on the path of investing in people. "We offer many highly skilled and dedicated employees the opportunity to work in fintech, servicing some of the country's leading financial services organisations, and working with leading software products", said Dunstan.

Commenting on the past year, Coleman, said, "I believe that Rubik continues to make significant progress on all fronts – technological advancements, employee focus, product improvements and client engagement."

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About Rubik

Rubik Financial Limited (Rubik) (ASX:RFL) is a leading ASX listed technology company that delivers innovative wealth management, mortgage broking and banking solutions both in Australia and internationally.

It is the largest Australian Financial Services software house by client numbers, servicing 110 out of 171 Australian ADIs.

Rubik is committed to delivering smart, connected technology that enables clients to deliver efficient and profitable outcomes to their customers, every day. Unique in terms of its integrated product set, Rubik allows end users to service their clients' current and future needs across the entire financial spectrum.

Rubik is ISO 9001 and ISO 27001 certified.

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