

ASX Announcement

14 February, 2017

Financial results for 1H FY2017

GBST (ASX: GBT), a global provider of technology to the financial services industry through its GBST Composer, GBST Syn~ and GBST Shares platforms, today reported operating EBITDA of \$8.0m for the first half of FY2017, 6% lower than the previous corresponding half (1H FY2016: \$8.5m). Net profit was \$4.4m, up 93% from \$2.3m in the previous corresponding period where there were restructuring and recruitment costs of \$2.5m.

Total revenue and other income was \$45.4 million, 20% below \$56.7m in the previous corresponding period, reflecting project delays and deferred spending related to major projects and the decline of the British pound against the Australian dollar. International sales contributed 50% of revenue.

At 31 December 2016 the company held cash of \$12.1m and had no debt. Earnings per share before investment amortisation charges were 9.2 cents per share (1H FY2016: 6.5 cents).

Interim dividend

The Board has declared an interim dividend of 3.7 cents per share fully franked.

Results summary* - half-year to 31 December	2016 \$m	2015 \$m	% Increase
Total revenue and other income	45.4	56.7	(20)
Operating EBITDA	8.0	8.5	(6)
Restructure and other non-operating expenses	-	(2.5)	
EBITDA	8.0	6.0	33
Profit before income tax	4.6	2.2	103
Income tax (expense)/credit	(0.2)	0.1	
Profit after income tax	4.4	2.3	93
Adjusted NPAT	6.2	4.4	42
Basic EPS (cents)	6.5	3.4	91
Adjusted EPS (cents)	9.2	6.5	40
Interim dividend (cents) - fully franked	3.7	5.5	-
*To be read in conjunction with the GBST half-year financial report for the period ending 31 December 2015.			

GBST Managing Director, Robert DeDominicis, said: "While our earnings were impacted by delays, the group has benefited from restructuring which improved efficiency. Operating EBITDA margins improved to 18% from 15% in the previous corresponding half due to tight cost control across all areas of the business, with operating costs reduced to \$37.4m from \$48.2m in the pcp. We have now aligned our products and services to focus on clients in three key regions. In Australia and the UK the company is well established. Our brand is trusted and we have strong market positions. In the rest of the world, we are growing steadily from sound foundations.

"We have embarked on a program of technology renewal to align our software capabilities more closely with customers' needs. This is guided by a long-term product roadmap, and in order to maintain technology leadership, R&D expenditure has increased to 20% of revenue. All internal R&D costs are fully expensed.

"While UK earnings were lower as a project did not go ahead and other projects were deferred, we remain actively engaged with these clients and anticipate renewed growth. The GBST Composer platform remains the top direct-to-consumer software platform for the distribution of tax-incentivised products in the UK, and we secured a new Composer contract which will be hosted as a software as a service (SaaS) solution.

"In Australia, we launched the new version of our online wealth management product, GBST ComposerWeb, and completed installations for two global fund managers. We also extended our offering in the business processing outsourcing (BPO) market through a partnership with MainstreamBPO's FundBPO business, and a global 100 asset manager's platform has already been migrated onto GBST Composer.

"Capital markets revenue was lower due to a highly competitive market and lower trading volumes, although GBST maintains product and market share leadership. The migration of a leading global investment bank's back- and middle-office from GBST Shares to GBST Syn~ is progressing well, and is expected to complete in the second half.

"Restructuring of our international institutional business has improved performance significantly, and we also expect a positive contribution in the second half. We have good opportunities for growth in Asia and North America and the proportion of recurring licence revenue continues to increase."

Australia

Half-year to 31 December	2016 \$m	2015 \$m	% Change
Revenue – Wealth Management	9.0	8.7	4
Revenue – Capital Markets	13.8	16.0	(14)
Revenue – Total	22.8	24.7	(8)
Operating EBITDA – Wealth Management	3.8	1.7	130
Operating EBITDA – Capital Markets	3.2	5.3	(40)
Operating EBITDA – Total	7.0	7.0	-

Operating EBITDA for Australia was \$7.0 million, in line with the previous corresponding half. This included an improved result in Wealth Management as major projects completed including the migration of two platforms onto GBST Composer by the wealth management arms of large banks. GBST also launched its first implementation of GBST FundGateway which provides secure business-to-business messaging for funds.

In Capital Markets, GBST is also exploring new business models to service the clearing and settlement market in collaboration with investment banks.

Robert DeDominicis said: "Restructuring has allowed us to focus on our core competencies and leverage our complete product suite, increasing efficiency. We are capitalising on the convergence of the wealth management and capital markets sectors with a new retail wealth product, GBST Catalyst, which provides a growth path to integrate our products and enhance clients' capabilities. Following a successful BPO launch, plans to migrate further large funds onto GBST Composer are underway."

United Kingdom

Half-year to 31 December	2016 \$m	2015 \$m	% Change
Revenue	16.0	24.4	(35)
Operating EBITDA	0.5	5.1	(91)

Operating EBITDA for the UK was lower, as advised in the 1 February 2017 market update. While GBST secured a new Composer contract and UK recurring licence fee revenue increased, services revenue - which relates to installation work before a project goes 'live' and new initiatives - was lower due to project deferrals.

UK regulation including the Retail Distribution Review and, more recently, Pensions Freedom legislation, continues to drive change. Among significant contracts, projects for two clients are continuing, and an implementation of GBST Composer has entered the testing phase. A further implementation is in progress, and will be hosted as a SaaS solution. This recent contract win helps validate GBST's decision to invest in technology renewal.

GBST Composer has already been significantly enhanced with multiple database support, and current investment is focused on the company's E-VOLVE initiative to improve the platform's technical architecture. This adds a more responsive, easy to use browser based user interface and comprehensive application program interfaces (APIs), allowing easy product integration.

Robert DeDominicis said: "We have committed significant resources to the E-VOLVE project which is pivotal to our long-term success. Demonstrations of GBST Composer's enhanced capability to clients have received very positive feedback. These enhancements will improve clients' and consumers' digital experience, and ensure our product's continued market leadership.

"We are continuing to engage with clients where work has been deferred, and progressing a number of other projects. Revenue from recurring licence revenue increased to 57% of the total compared to 44% in the previous corresponding half. In the past two years,

assets under administration on UK platforms have doubled, and we remain confident of long term growth."

Rest of the World

Half-year to 31 December	2016 \$m	2015 \$m	% Change
Revenue	6.4	7.2	(11)
Operating EBITDA	0.5	(3.6)	115

Operating EBITDA for the Rest of the World was \$0.5m for 1H FY2017, a turnaround compared to a loss of \$3.6m in the previous corresponding period.

Robert DeDominicis said: "Restructuring of the group's institutional business has improved performance significantly, and a positive contribution is also expected in the second half. The quality of revenue is improving and the proportion of recurring licence revenue continues to increase."

GBST's Asia-based clients include the top two broker-dealers in the Hong Kong market. In North America, the rollout of the second phase of GBST Syn~ for a regional broker-dealer is expected to be completed in the second half of FY2017.

Balance sheet and cash flow

The group maintains a strong cash position with \$12.1m cash at 31 December 2016, and has no debt. Cash flow from operations (excluding interest and taxes) increased to \$7.7m for the half-year, representing 97% conversion of EBITDA to cash flow (1H FY2016: 28%).

Outlook

GBST remains positioned as one of Australia's top technology companies, and is continuing to invest in its products for growth. Approximately 50% of revenue comes from global markets and this proportion is expected to increase. The company maintains a healthy pipeline of opportunities to expand its business with existing clients and secure new business in all markets.

The company anticipates EBITDA in the region of \$12.0 million for the full year.

- Ends -

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, GBST is listed on the Australian Securities Exchange under ASX ticker code GBT.

- In **Australia**, GBST provides its full range of retail wealth and institutional solutions for the wealth management and capital markets industries. The company's industry-leading software platforms include GBST Composer, which provides end to end funds administration and management software for the wealth management industry; GBST Syn~, which provides a new generation post-trade processing platform for equities, derivatives, fixed income and managed fund processing; and GBST Shares, which is the most widely-used back- and middle-office processing equities software in Australia
- In the **United Kingdom**, GBST Composer offers an integrated system for the administration of wrap platforms, including individual savings accounts (ISAs), pensions, self-invested personal pensions (SIPPs) and superannuation; as well as master trusts, unit trusts, risk and debt; and other investment assets.
- In the **Rest of the World**, the GBST Syn~ platform supports institutional capital markets primarily in Asia and North America.

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