



Half-year results – 31 December 2016

GBST Holdings Limited (ASX: GBT)



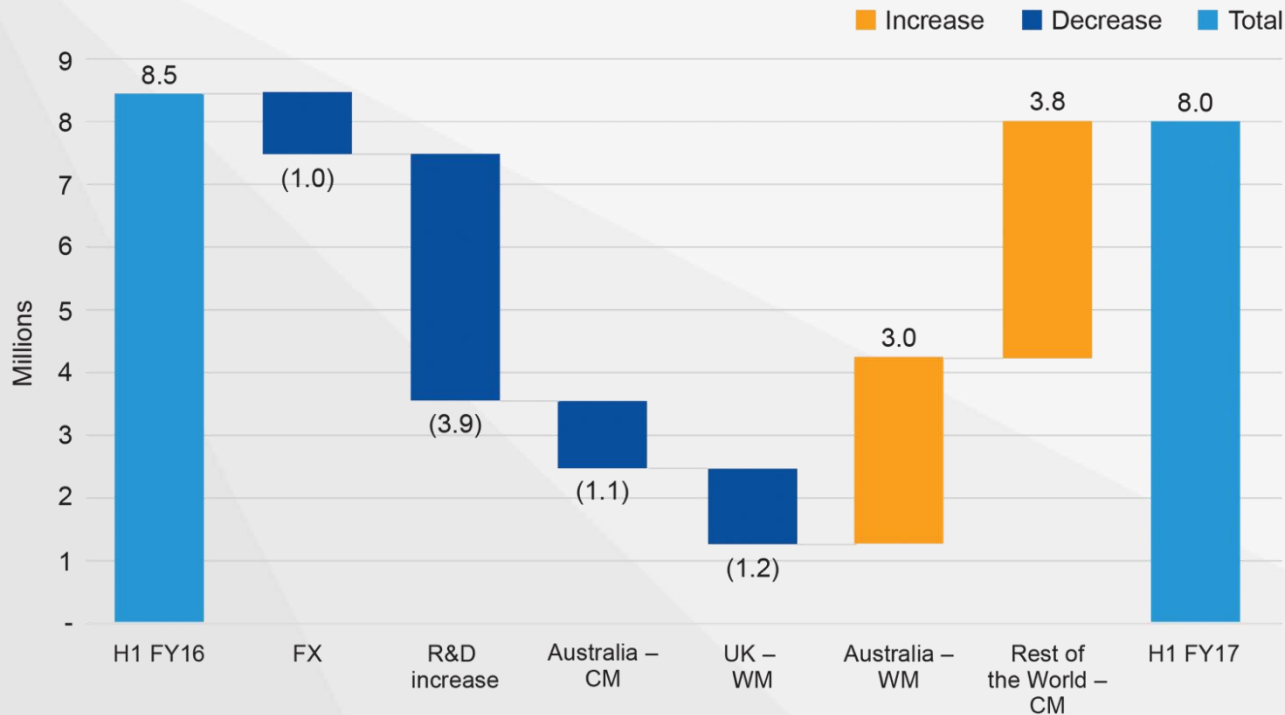
H1 FY2017 – Financial Performance

Results for the half-year ended:	31-Dec-16 \$m	31-Dec-15 \$m	% Change
Revenue	45.4	56.7	(20)
Operating EBITDA	8.0	8.5	(6)
Operating EBITDA % Margin	18%	15%	
Restructure and other non-operating expenses	-	(2.5)	
EBITDA	8.0	6.0	33
Net finance costs	(0.2)	(0.2)	(12)
Depreciation & operating amortisation	(1.4)	(1.4)	5
Investment amortisation	(1.8)	(2.1)	14
PBT	4.6	2.2	103
Income tax (expense)/credit	(0.2)	0.1	
Effective tax rate	4%	(1)%	
NPAT	4.4	2.3	93
Adjusted NPAT	6.2	4.4	42
EPS (cps)	6.5	3.4	91
Adjusted EPS (cps)	9.2	6.5	40

- Lower revenue reflects project delays and adverse foreign exchange movements as the British pound declined against the Australian dollar
- Operating EBITDA margins improved to 18% in H1 FY17 (H1 FY16: 15%)
- Tight cost control with operating costs reduced from \$48.2m in H1 FY16 to \$37.4m in H1 FY17
- Investment amortisation charges reduced due to foreign exchange movements on the valuations of the underlying assets
- Finance costs relate to realised FX losses
- Income tax credit due to R&D tax concessions
- Adjusted NPAT adds NPAT and investment amortisation charges

EBITDA Analysis

EBITDA



WM = Wealth Management and CM = Capital Markets

- Operating EBITDA \$8.0m, in line with guidance
- FX impact relates to movements in GBP against AUD; GBST benefited from movements in USD against AUD
- All R&D is fully expensed
- Australian capital markets were highly competitive; wealth management improved with increased services work
- UK wealth management experienced project delays and deferred projects
- Rest of the World restructure led to operating profit

GBST H1 FY17 Highlights

AUSTRALIA

- First new GBST Composer Web installations go 'live' for two global fund managers
- Expanded capability in BPO market with FundBPO's migration of a global 100 asset manager's platform onto GBST Composer
- GBST Shares to GBST Syn~ transition for global investment bank expected to complete in second half



UK

- New Composer contract includes hosting as a Software as a Service (SaaS) solution
- Multiple clients received platform awards – GBST Composer deployments have become a model for composite long-term savings and investment business
- EVOLVE project to upgrade GBST Composer's technical architecture is progressing well



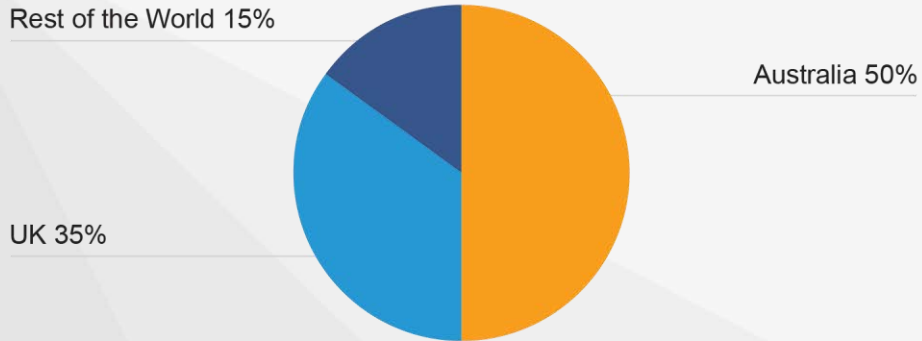
REST OF THE WORLD

- Pan-Asia rollout of GBST Syn~ for major institutional broker-dealer is continuing
- GBST Syn~ supports the top two broker-dealers in Hong Kong
- Rollout of second phase GBST Syn~ deployment for US regional broker-dealer underway

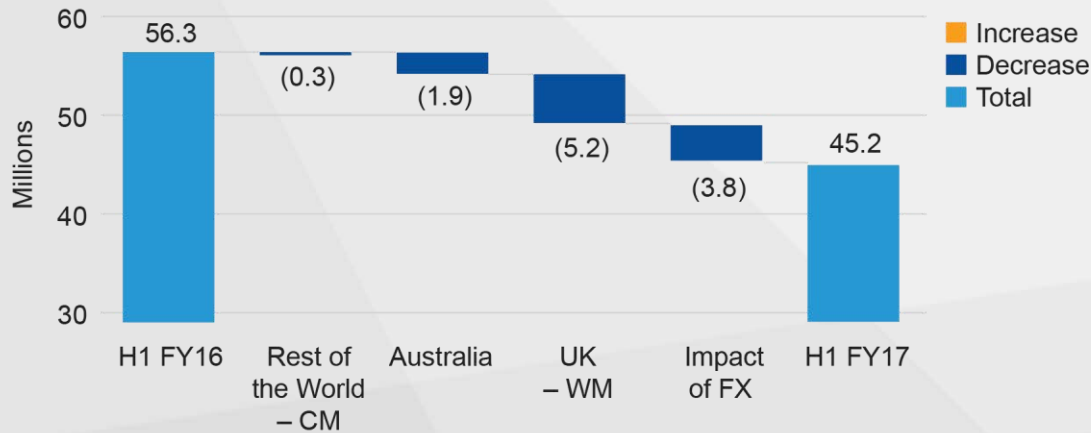


Group Revenue Analysis

Revenue by Region



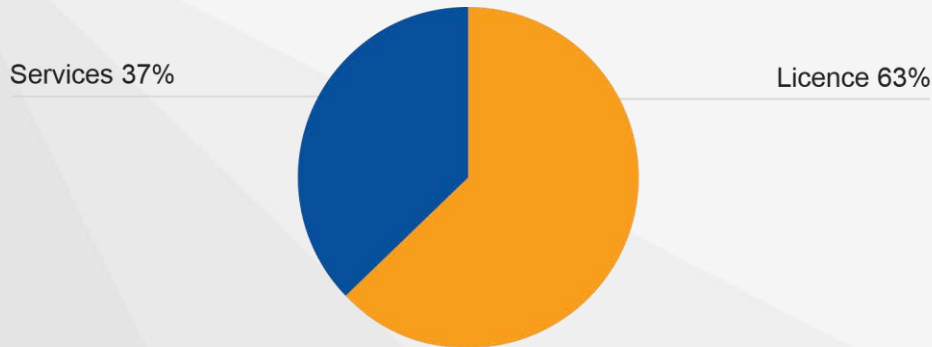
Revenue Comparison (H1 FY16 to H1 FY17)



- Global sales (excluding Australia) contributed 50% of total revenue
- As advised in market guidance on 1 February 2017, project delays resulted in lower UK services revenue
- Australian revenue change reflected higher competition in the group's capital markets business; wealth management revenues increased
- Rest of the World revenue declined marginally compared to the pcp; however, quality of revenue improved, with a greater proportion of licence fees

Recurring Revenue

H1 FY16 Licence and Services Revenue



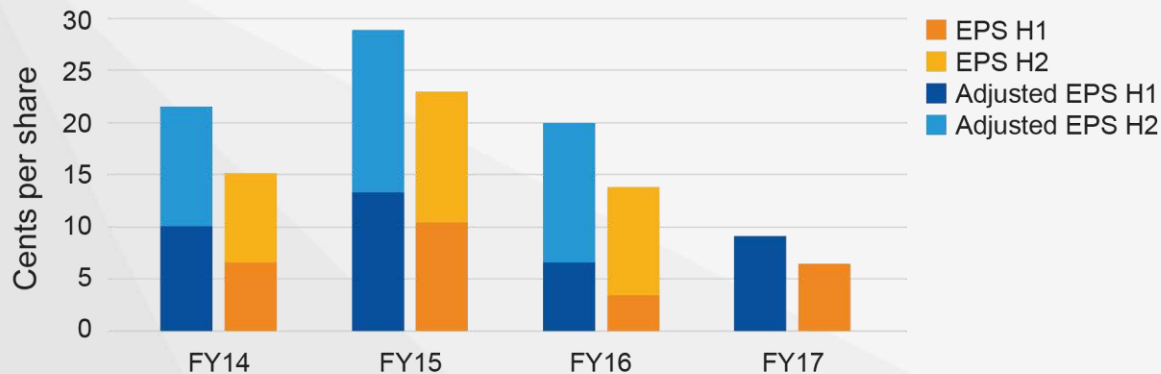
H1 FY17 Licence and Services Revenue



- GBST'S business model is focused on developing long-term recurring revenue streams
- As GBST's products increase maturity in the markets in which they operate, the proportion of annuity revenue continues to increase
- Licence revenue increased to 69% of the total in H1 FY17, up from 63% in pcp
- Services revenue relates to new implementation and product development
- As projects complete, services revenue transitions to licence fee income

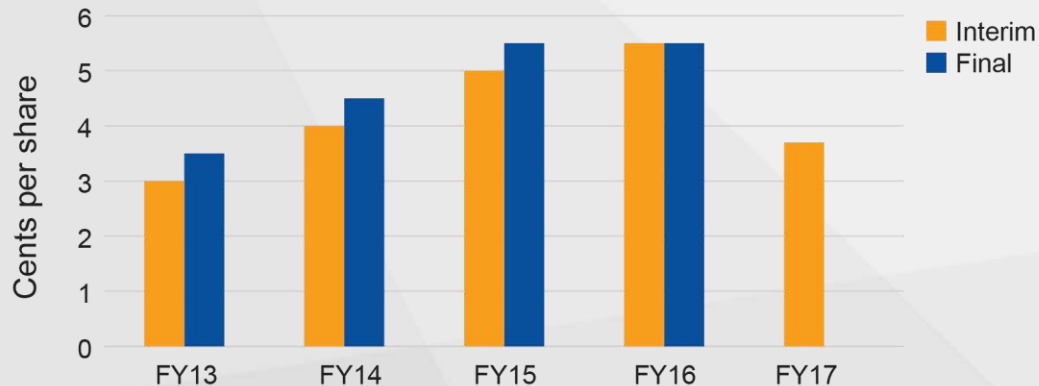
EPS and Dividend

Adjusted EPS and EPS



- Earnings per share (EPS) 6.5 cents per share (H1 FY16: 3.4 cps)
- Adjusted EPS 9.2 cents per share
- H2 FY16 dividend of 5.5c paid in October 2016
- Interim dividend declared 3.7 cents per share, fully franked
- Record date for entitlement 3 April 2017
- Payment date 20 April 2017
- Franking credit balance \$15.1m, down \$0.9m (30 June 2016: \$16.2m)

Dividends



Financial Position

Financial position as at:	31-Dec-16 \$m	30-Jun-16 \$m
ASSETS		
Cash	12.1	9.0
Other current assets	17.8	22.0
Intangible assets	46.5	48.9
Other non-current assets	14.7	14.5
TOTAL ASSETS	91.1	94.4
LIABILITIES		
Current liabilities	11.3	12.7
Unearned income	8.6	9.6
Non-current liabilities	5.7	6.2
TOTAL LIABILITIES	25.6	28.5
NET ASSETS	65.5	65.9
EQUITY		
Issued capital	39.5	38.4
Reserves	(3.5)	(1.3)
Retained earnings	29.5	28.8
TOTAL EQUITY	65.5	65.9

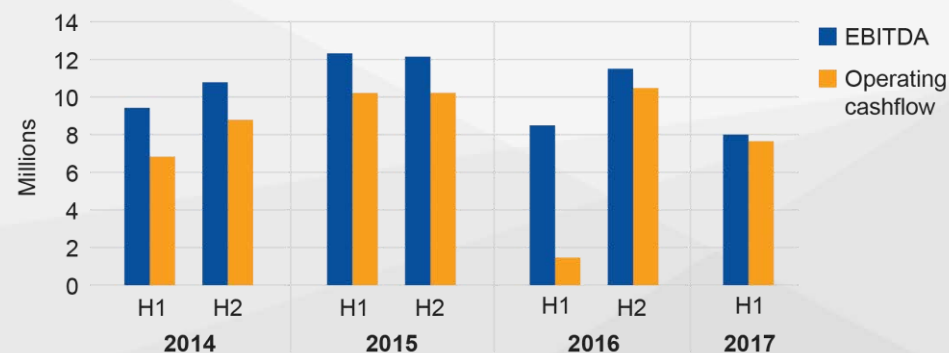
- Cash \$12.1m at 31 December 2016; GBST has no debt
- Other current assets includes increased WIP balances on various projects, now transitioned to debtors and invoiced
- Intangible assets primarily comprise purchased software and client contracts (expensed over 5-10 years) and goodwill (not amortised)
- Carrying value of intangible assets comprises InfoComp (\$29.2m), Coexis (\$10.7m), and other intangibles (\$6.6m)
- 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-16 \$m	31-Dec-15 \$m
CASH FLOWS FROM OPERATIONS		
Receipts	49.9	58.9
Payments	(42.1)	(57.2)
Finance costs	(0.1)	(0.1)
Income tax	-	(0.1)
Net cash from operations	7.7	1.5
CASH FLOWS FROM INVESTMENTS		
Purchase of tangible assets	(0.3)	(0.9)
Purchase of intangible assets	(0.3)	(0.1)
Net cash used in investments	(0.6)	(1.0)
CASH FLOWS FROM FINANCING		
Repayment of finance leases	(0.1)	(0.2)
Repayment of borrowings	-	-
Dividends paid	(3.7)	(3.7)
Net cash used in financing	(3.8)	(3.9)
NET INCREASE/(DECREASE) IN CASH	3.3	(3.4)
Effect of FX movements on cash held	(0.2)	0.1
Opening cash - 1 July	9.0	7.8
CLOSING CASH	12.1	4.5

- Cash flow from operations (excluding interest and taxes) of \$7.7m
- Income tax paid offset by UK income tax refund relating to prior period credit
- 97% conversion of EBITDA to cash flow for the half-year
- No internal development costs are capitalised

EBITDA to Cashflow Comparison



Australia – Financial Performance



	31-Dec-16 \$m	31-Dec-15 \$m	% Change
Revenue – WM	9.0	8.7	4
Revenue – CM	13.8	16.0	(14)
Revenue - Total	22.8	24.7	(8)
Operating EBITDA - WM	3.8	1.7	130
Operating EBITDA – CM	3.2	5.3	(40)
Operating EBITDA - Total	7.0	7.0	-

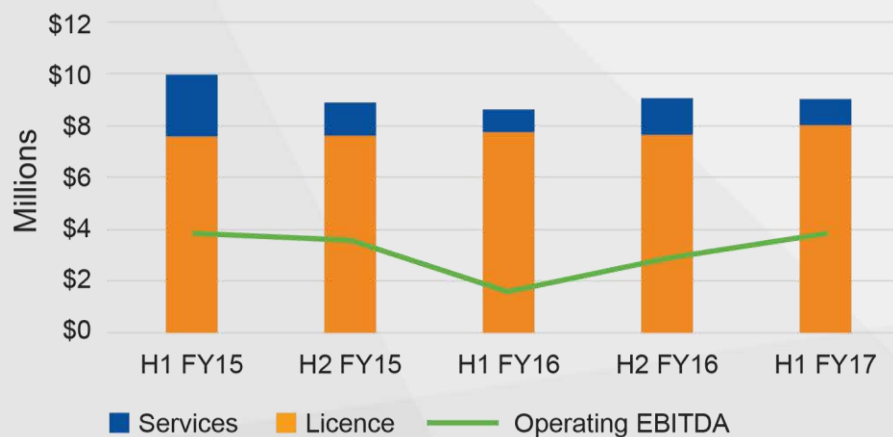


Wealth management EBITDA increase reflects greater implementation and migration work

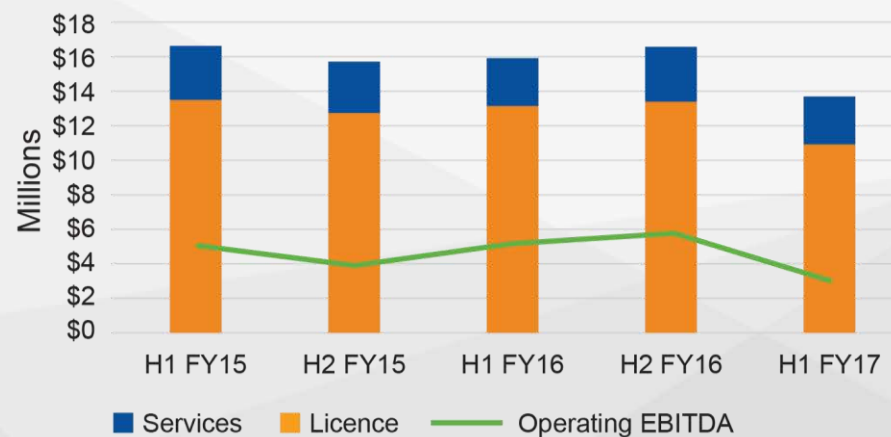


GBST maintained product and market share leadership in capital markets despite a highly competitive market

Wealth Management



Capital Markets



Australia – Highlights



- GBST’s browser and mobile-ready ‘front office’ product for GBST Composer was completed and the installation of the new GBST ComposerWeb went ‘live’ for two global fund managers
- Two migration projects for the wealth management arms of large banks completed; more than \$13 billion funds under management transitioned onto GBST Composer for one platform alone
- Partnership with MainstreamBPO underway; FundBPO has upgraded a global 100 asset manager’s platform to GBST Composer
- First GBST FundGateway implemented enabling secure B2B messaging
- GBST Quant completed major tax analysis project for QSuper including more than 70 after-time benchmarks
- GBST Catalyst is progressing well – leveraging our existing product suite to enhance capability through the convergence of wealth management and capital markets sectors
- GBST Shares and GBST Margin Lending have delivered major upgrades, improving operating performance and reducing costs for clients

Australia – Outlook





- Further development of GBST ComposerWeb includes transition to REST (representational state transfer) architecture; this will enable faster development and client benefits including faster access to data and increased productivity
- Migration of a leading global investment bank's back- and middle-office from GBST Shares to GBST Syn~ is expected to go live in the second half; Once complete, this will be the fourth live GBST Syn~ installation in Australia, and GBST Syn~ will process about 20% of ASX trades
- GBST is exploring new business models to service the clearing and settlement market in collaboration with investment banks; capitalising on the transition of institutions to financial markets utilities
- Further BPO asset migration underway for global asset managers moving administration services onto GBST Composer
- As the Australian government increases its Superstream capabilities, insurance and superannuation markets are opening up for GBST's Superstream Gateway service
- New GBST Quant project expected to go 'live' in second half

United Kingdom – Financial Performance



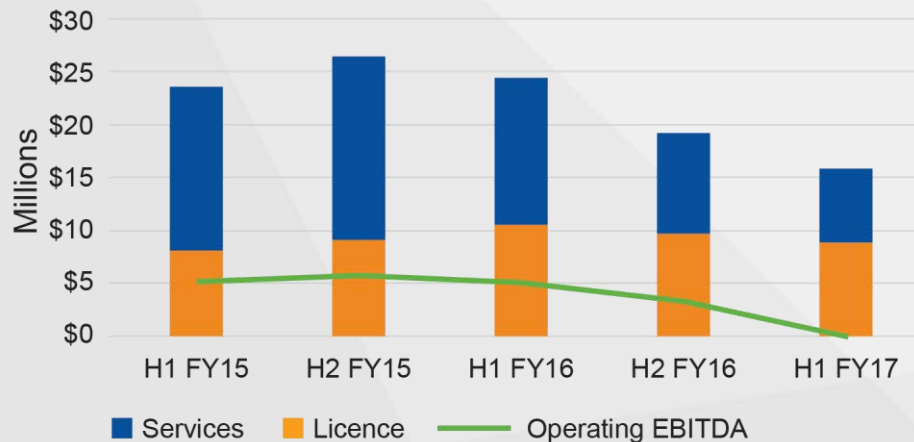
	31-Dec-16 \$m	31-Dec-15 \$m	% Change
Revenue	16.0	24.4	(35)
Operating EBITDA	0.5	5.1	(91)

 Added new client in H1; licence fee revenue continued to increase in underlying currency

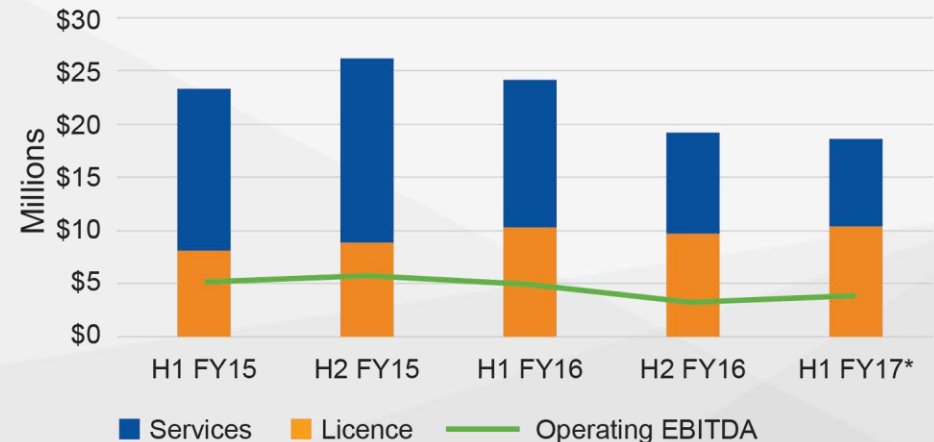
 Increased investment in E-VOLVE GBST Composer technology upgrade – circa \$2m

 Services revenue impacted by project delays and negative FX movements

Revenue Composition and Operating EBITDA



Adjusted H1 FY17 - Constant Currency + R&D addback



*FY16 FX average rate applied. Evolve R&D investment costs removed

United Kingdom – Highlights



- GBST Composer strengthened its position as the top direct-to-consumer software platform for the distribution of term-incentivised products in the UK as market share continues to grow
- UK long-term savings and investment management firms are continuing to move from legacy in-house systems to digital outsourced platforms such as GBST Composer, assets under administration on platforms has doubled since 2013
- New implementation underway to be hosted as a ‘Software as a Service’ (SaaS) solution, validates GBST’s strategy of technology renewal
- Services work for existing UK clients is continuing, albeit subject to project delays; GBST remains actively engaged with clients as they continue to realise operational improvements and saving through GBST Composer
- GBST Composer implementation for Aegon’s ARC platform is the first integrated cross-channel deployment in the UK, managing workplace, orphan, direct and advised business
- GBST Composer has already been significantly enhanced with multiple database support and investment on the E-VOLVE initiative continues, essential for the long-term future

United Kingdom – Outlook



- Research commissioned by GBST indicates the company's technology market share in the UK advised platform market will increase from 16%, based on existing contracts, to over 25% - more than other providers
- The UK advised platform market has been GBST's main entry point to the UK market; several re-platforming and outsourcing projects are underway
- Industry research expects that outsourcing will increase from about 48% of the market to more than 65% beyond 2018
- Aegon has announced completion of the acquisition of Cofunds following regulatory approval, and transition to the GBST Composer platform is a key part of the company's growth strategy
- UK market remained fragmented, with £6.9 trillion under management; strong long-term opportunities for GBST

Rest of the World – Financial Performance



	31-Dec-16 \$m	31-Dec-15 \$m	% Change
Revenue	6.4	7.2	(11)
Operating EBITDA	0.5	(3.6)	115



Positive contribution also expected in the second half

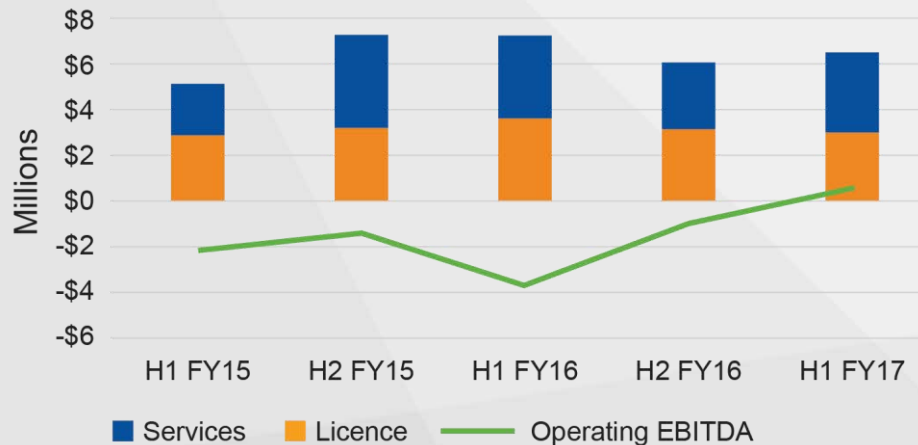


Restructuring has led to a turnaround for GBST Syn~ business

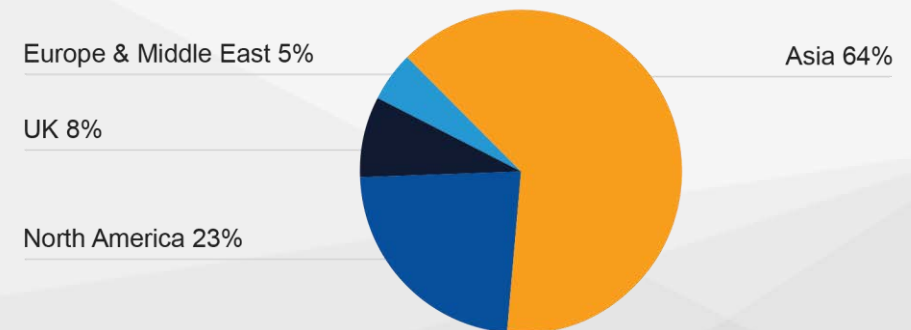


Building on strategic customer relationships in Asia and North America

Revenue Composition and Operating EBITDA



Revenue by Geography – H1 FY17



Rest of the World – Highlights



- Significant benefits from restructure has driven turnaround to operating profit
- Institutions are moving to financial market utilities, and GBST Syn~ is already 'live' with one bank-owned utility provider and advanced negotiations are underway with another; GBST Syn~'s flexible, scalable technology offers large organisations significant economies of scale benefits and opportunity to reduce ongoing costs
- Leading global clearer / custodian's middle office and clearing platform continues to expand
- Asian footprint continues to grow; GBST Syn~ has established a leading position for providing middle office solutions to Asian regional investment banks
- Rollout of GBST Syn~ for Raymond James, a US broker-dealer managing approximately \$500 billion assets, is continuing
- Quality of revenue is improving as the proportion of licence revenue continues to increase

Rest of the World – Outlook

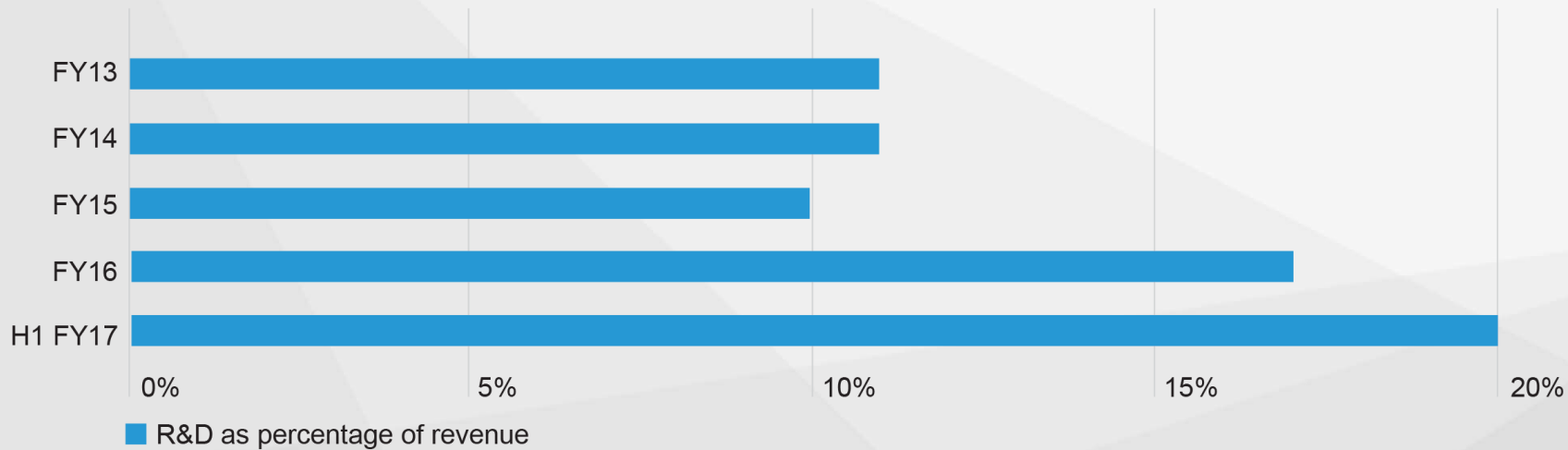


- Further improvements to GBST Syn~'s scalability, multi-language capability and trade management for Asian markets are benefiting GBST
- Project for GBST's US client is expected to be completed in the second half
- GBST Syn~'s modern, multi-market platform is able to be adopted by module, allowing it to be deployed as a tactical 'point' solution – a key selling point
- Ongoing changes to the financial adviser market, potentially opening opportunities for GBST's Composer platform
- Successful implementation of GBST Syn~ in Australia for a major global investment bank will be a platform for further expansion in Asia
- Plans to leverage sales distribution channels with third parties are progressing well, and will drive future growth



- During H1 FY17 R&D expenditure increased to \$9.1m or 20% of revenue, reflecting program expansion and a greater proportion of GBST-funded development; similar expenditure is expected in the second half
- Development is planned on three major projects: E-VOLVE to upgrade GBST Composer; the transition of GBST shares platform to GBST Syn~; and GBST Catalyst, which provides a path to unify GBST's platforms through a common technology stack
- Changed internal practice to maximise ROI
- These projects are pivotal to GBST's long term future and will ensure continued product leadership

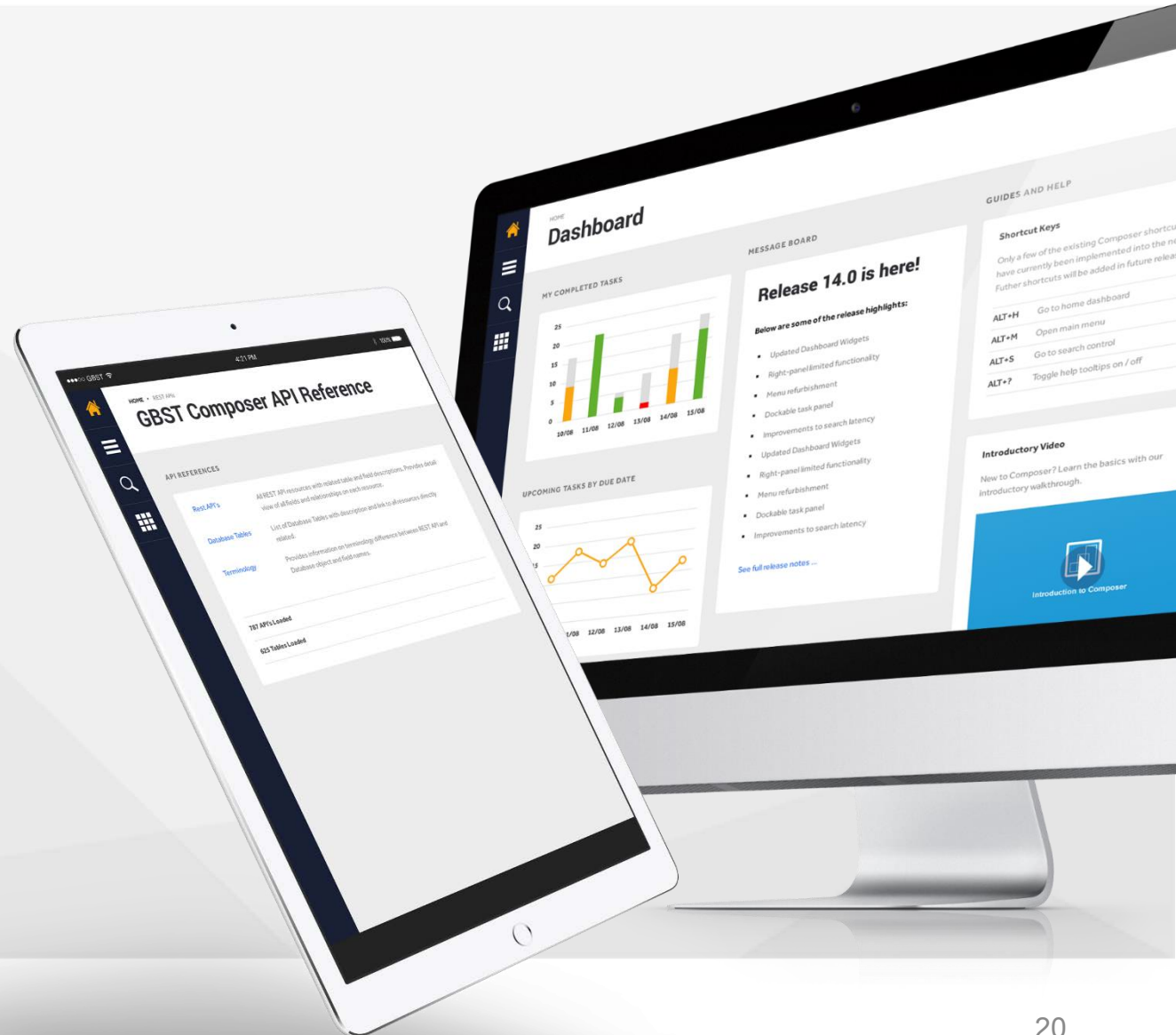
R&D Expenditure



E-VOLVE Objectives



- Responsive, easy to use browser based technology with fresh and contemporary look
- Comprehensive REST API – seamless product integration
- Enterprise business process management support automates process flows and optimises performance
- Business intelligence reporting



Common technology abbreviations:
UI - User Interface
API - Application Program Interface
BPM - Business Process Management

E-VOLVE Approach



- Functionally equivalent for clients, with no loss of current capability
- Minimal change for clients
- Quality maintained through automated testing across APIs and user experience
- No code freeze – there will be no change to services for clients

INVESTOR 3217
Phil Watson 1,043,056.84 GBP - Actions

Dashboard Investor Banking BCE/Protection Direct Debits

ACCOUNTS

6 record(s) found [Export all to CSV](#) Active All Details

#	Product	Type	Adviser	Balance	Status	Stopped Account
969	GBST SIPP Uncrystallised ⓘ	Pension	Test-Advisor1 ⓘ	13,090.52 GBP	Active	
970	GBST GIA (Gross) ⓘ	Investment	Test-Advisor1 ⓘ	44,966.32 GBP	Active	
971	GBST SIPP Drawdown ⓘ	Income Drawdown Flexi	Test-Advisor1 ⓘ	127,500.00 GBP	Active	
973	GBST SIPP Drawdown ⓘ	Income Drawdown Flexi	Test-Advisor1 ⓘ	500,000.00 GBP	Active	
975	InfoComp SIPP Uncrystallised ⓘ	Pension	Test-Advisor1 ⓘ	95,000.00 GBP	Active	
976	InfoComp SIPP Drawdown ⓘ	Income Drawdown Flexi	Test-Advisor1 ⓘ			

AUTOMATED TESTING

File	Active	Last Run Status
composer/config	Yes	SUCCESS
composer/confighandler	Yes	SUCCESS
composer/ga_custom_code	Yes	SUCCESS
composer/test-constructor	Yes	SUCCESS
composer/detectmobilebrowser	Yes	SUCCESS
composer/ieFixes	Yes	SUCCESS
composer/select2.min	Yes	SUCCESS
composer/backbone	Yes	SUCCESS
composer/jquery.autotab.min	Yes	SUCCESS

Summary

- GBST expects EBITDA in the region of \$12m for the full year
- GBST's program of software platform technology is progressing well, leveraging a long-term product roadmap; all R&D is full expensed
- Development of GBST Catalyst provides a growth path in the converging wealth management and capital markets
- New GBST ComposerWeb and BPO partnerships provides momentum in Australia
- The transition of a global investment bank's back- and middle-office from GBST Shares to GBST Syn~ is expected to complete in the second half, providing a springboard for pan-Asian opportunities
- UK projects are continuing; GBST secured a new client during the half and maintains a healthy pipeline of new opportunities
- Significant opportunity for institutional capital markets expansion in Asia and North America
- GBST maintains a strong balance sheet, and holds net cash
- Interim dividend of 3.7 cents per share, fully franked

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