



Full year results  
30 June 2018



# Wealth Management

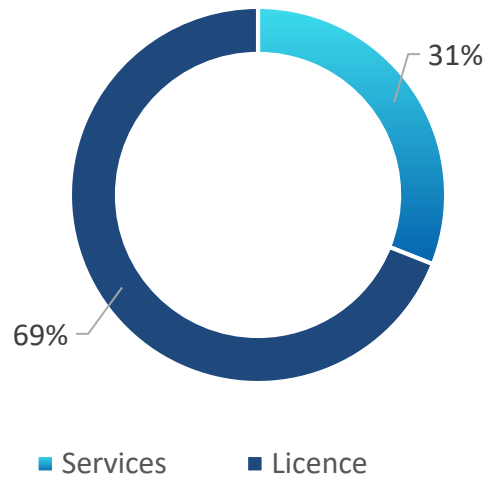


# Capital Markets

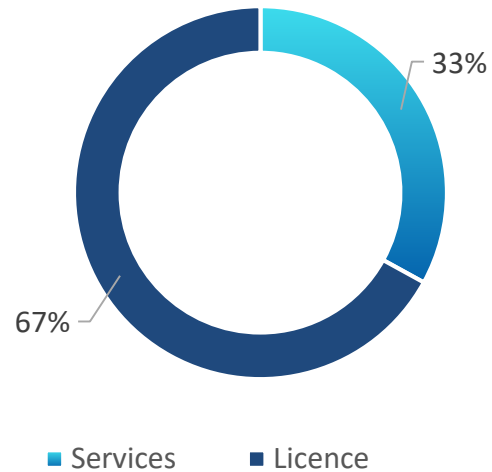


# Recurring Revenue

FY17 Licence and Services Revenue



FY18 Licence and Services Revenue



## KEY POINTS

- Licence revenue mix at 67% of the total in FY18, down slightly from 69% in FY17
- Proportion of annuity revenue increases with customer growth
- GBST's contracts with larger clients generally have a 3-5 year term
- GBST's ongoing relationships with these clients (beyond the contract term) are very sticky
- Services revenue transitions to recurring licence fees when projects complete
- New customer wins generate long term licence fees on 'go-live' – annuity income
- Strategic R&D spend supports longer term growth in licence fees

# Key organisational changes during FY18

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- Several aspects of the business were reset
- Upgraded skills and experience in the Executive Team
- Organisation and operating models were restructured
- Improvements to business systems and processes were made
- Ramp-up in Strategic R&D Program and enhanced governance structures
- All of these things together have put GBST in a much better place to take advantage of future growth opportunities

# FY2018 – Financial Performance

| RESULTS SUMMARY (\$' MILLIONS)               | 2HFY18       | 1HFY18       | 2HFY17       | 1HFY17       | FY18         | FY17         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue and other income</b>              | <b>45.6</b>  | <b>42.7</b>  | <b>42.6</b>  | <b>45.4</b>  | <b>88.3</b>  | <b>88.0</b>  |
| Operating EBITDA before Strategic R&D        | 10.5         | 9.7          | 8.9          | 12.9         | 20.2         | 21.8         |
| Less Strategic R&D                           | <b>(2.9)</b> | <b>(4.8)</b> | <b>(4.7)</b> | <b>(4.9)</b> | <b>(7.7)</b> | <b>(9.6)</b> |
| - Gross Strategic R&D                        | (9.9)        | (4.8)        | (4.7)        | (4.9)        | (14.7)       | (9.6)        |
| - Strategic R&D capitalised                  | 7.0          | -            | -            | -            | 7.0          |              |
| <b>Operating EBITDA</b>                      | <b>7.7</b>   | <b>4.9</b>   | <b>4.2</b>   | <b>8.0</b>   | <b>12.5</b>  | <b>12.2</b>  |
| Restructure and other non-operating expenses | (0.1)        | (0.3)        | (0.2)        | -            | (0.4)        | (0.2)        |
| <b>EBITDA</b>                                | <b>7.6</b>   | <b>4.6</b>   | <b>4.0</b>   | <b>8.0</b>   | <b>12.2</b>  | <b>12.0</b>  |
| Net finance costs                            | 0.2          | (0.2)        | (0.3)        | (0.3)        | 0.1          | (0.6)        |
| Depreciation & operating amortisation        | (1.2)        | (1.4)        | (1.5)        | (1.4)        | (2.6)        | (2.9)        |
| Investment amortisation                      | (0.8)        | (1.1)        | (1.7)        | (1.8)        | (1.9)        | (3.5)        |
| <b>PBT</b>                                   | <b>5.8</b>   | <b>1.9</b>   | <b>0.5</b>   | <b>4.6</b>   | <b>7.8</b>   | <b>5.0</b>   |
| Income tax (expense)\credit                  | (2.1)        | 0.6          | 2.1          | (0.2)        | (1.5)        | 2.0          |
| <b>NPAT</b>                                  | <b>3.7</b>   | <b>2.5</b>   | <b>2.6</b>   | <b>4.4</b>   | <b>6.2</b>   | <b>7.0</b>   |
| Adjusted NPAT                                | 4.6          | 3.6          | 4.3          | 6.2          | 8.2          | 10.5         |
| Basic EPS (cents)                            | 5.5          | 3.7          | 3.8          | 6.5          | 9.2          | 10.3         |
| Adjusted EPS (cents)                         | 6.7          | 5.3          | 6.3          | 9.2          | 12.0         | 15.5         |
| Dividend per share (cents)                   | 2.5          | 2.5          | 2.5          | 3.7          | 5.0          | 6.2          |
| Cash inflow from operations                  | 5.8          | 5.4          | 3.3          | 7.6          | 11.2         | 10.9         |
| Cash at bank                                 | 11.4         | 15.0         | 11.7         | 12.1         | 11.4         | 11.7         |

## KEY POINTS

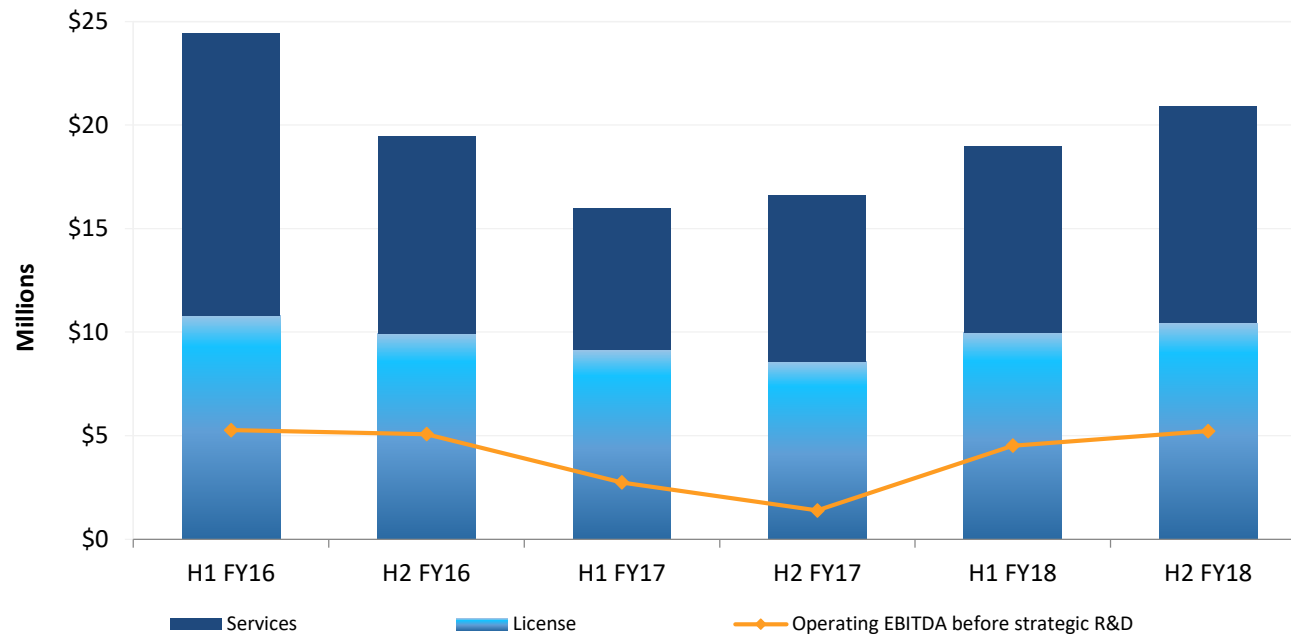
- While full year earnings were down slightly on FY17, 2nd half of FY18 was a stronger 6 months for GBST
- FY18 revenue of \$88.3m, up \$0.3m from FY17
- Revenue up 7% and Operating EBITDA before strategic R&D up 9% in the second half
- Certain components of Strategic R&D Program expenditure met the accounting capitalisation criteria in H2FY18 with \$7.0m of the total \$9.9m expenditure capitalised
- EBITDA up 67% in 2HFY18 reflecting improved trading results and higher capitalisation
- FY18 Net Profit after tax of \$6.2m down \$0.8m from FY17, but up 51% in the 2nd half. Income tax expense in 2HFY18 included the derecognition of \$1.5m of Deferred Tax Assets on carry forward tax losses
- Cash inflow from operations of \$5.8m up 9% from 1HFY18
- 92% conversion of EBITDA to operating cashflow (FY17: 91%)
- Final FY18 dividend 2.5 cps, fully franked
- Franking credit balance on hand of \$12.9m

To be read in conjunction with the GBST financial report for the period ending 30 June 2018. Please note that due to rounding to the nearest \$million, numbers presented in the table above may not add up precisely to the totals provided.

# United Kingdom – Wealth Management

## Revenue Composition and Operating EBITDA before strategic R&D

| (\$'millions)                         | 2HFY18 | 1HFY18 | 2HFY17 | 1HFY17 | FY18 | FY17 |
|---------------------------------------|--------|--------|--------|--------|------|------|
| Revenue                               | 20.9   | 19.0   | 16.6   | 16.0   | 39.9 | 32.6 |
| Operating EBITDA before strategic R&D | 5.2    | 4.5    | 1.4    | 2.7    | 9.7  | 4.1  |



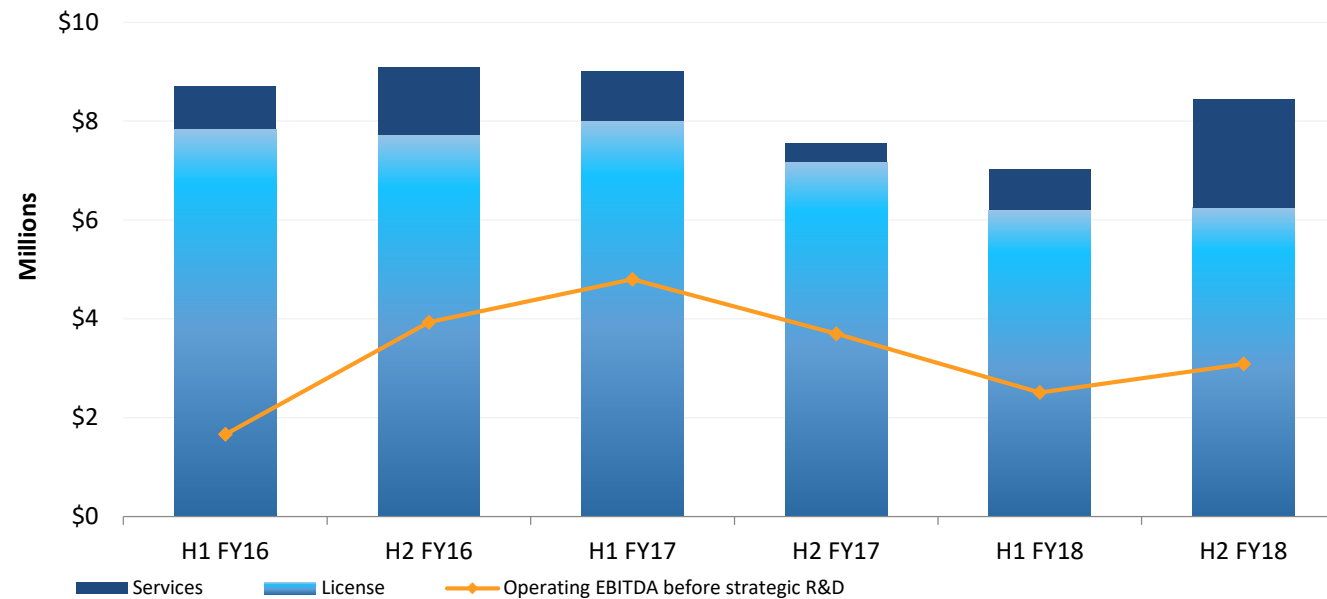
## KEY POINTS

- Strong revenue and earnings growth in FY18
- Headwinds from cost of significant legislative changes like MIFIDII in FY18
- UK Wealth Management directly reaping rewards from the investment in Catalyst
- Revenue up 10% from 1HFY18 and up 23% from FY17
- Operating EBITDA before strategic R&D up 15% from H1FY18 and up 136% from FY17
- Assets under management on Composer have risen to £120bn in the past 12 months
- Helped launch Vitality Invest in under 12 months of development, delivering an innovative front and back-office solution integrated into Vitality's existing systems
- Started work with Investec Wealth & Asset Management to power their 'Click & Invest' proposition
- Strategic R&D investment will deliver Digital capabilities to meet growing trends for automated advice and differentiated digitised adviser and client experiences.

# Australia – Wealth Management

## Revenue Composition and Operating EBITDA before strategic R&D

| (\$'millions)                         | 2HFY18 | 1HFY18 | 2HFY17 | 1HFY17 | FY18 | FY17 |
|---------------------------------------|--------|--------|--------|--------|------|------|
| Revenue                               | 8.4    | 7.0    | 7.5    | 9.0    | 15.5 | 16.5 |
| Operating EBITDA before strategic R&D | 3.1    | 2.5    | 3.7    | 4.8    | 5.6  | 8.5  |



## KEY POINTS

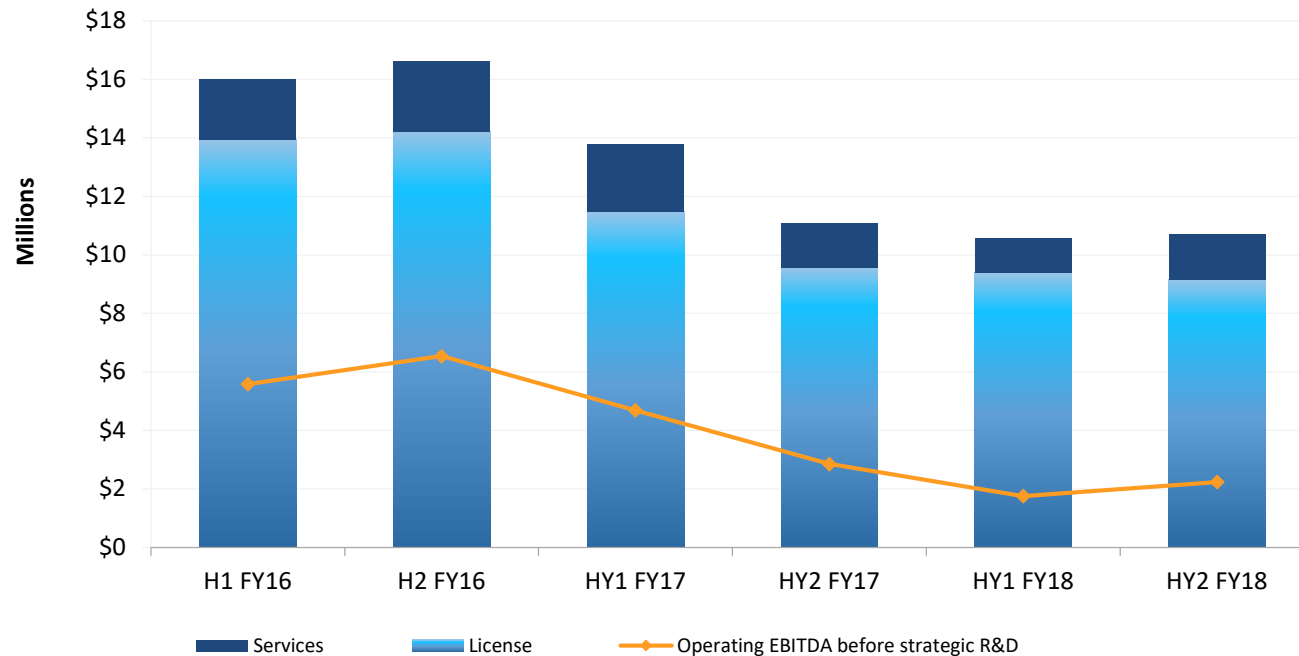
- Revenue and earnings declined in FY18 after the loss of a large client at the beginning of FY17
- Significantly higher levels of process and reporting changes driven by the ATO and ASIC increased costs in FY18 - in the first half in particular
- FY18 was a challenging year for the division, but revenues and earnings have started to lift in the second half of FY18
- Revenue up 20% from H1FY18 to \$8.4m
- Operating EBITDA before strategic R&D increased 23% in H2FY18 - higher than revenue growth due to cost reductions as legislation expenditure reduced
- Won the implementation for a new digital superannuation fund, delivered under a Software-as-a-Service (SAAS) model
- Two new Tax Analyser wins will start to contribute towards licence revenue in FY19, Qantas Super now live
- Second business process outsourcing agreement signed, due to come into effect in Q1 2019



# Australia – Capital Markets

## Revenue Composition and Operating EBITDA before strategic R&D

| (\$'millions)                         | 2HFY18 | 1HFY18 | 2HFY17 | 1HFY17 | FY18 | FY17 |
|---------------------------------------|--------|--------|--------|--------|------|------|
| Revenue                               | 10.7   | 10.6   | 11.1   | 13.8   | 21.2 | 24.9 |
| Operating EBITDA before strategic R&D | 2.2    | 1.8    | 2.9    | 4.7    | 4.0  | 7.5  |



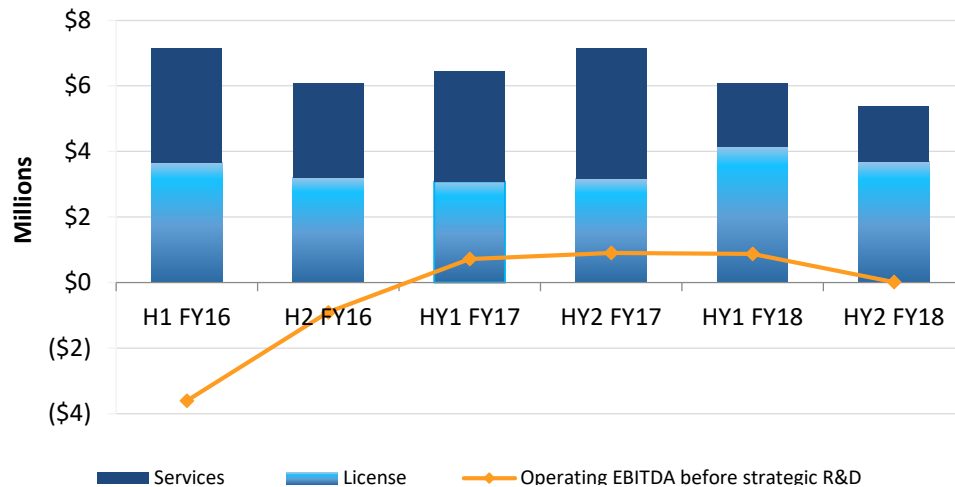
## KEY POINTS

- Revenue and earnings declined in FY18 after the loss of a large Capital Markets client group at the beginning of FY17
- Operating costs were higher in FY18 - in particular due to higher support costs for a large Syn~ client implementation during the first half
- FY18 was a challenging year for the division, but earnings have started to lift in the second half of FY18 as operating costs have reduced back to more normal levels
- Revenue stabilised and up slightly to \$10.7m in H2FY18
- Operating EBITDA before strategic R&D increased 28% to \$2.2m in H2FY18, largely driven by cost reductions
- Syn~ platform robustness demonstrated with a client having the single largest day's trading volume of any broker in ASX history
- GBST maintains dominant CHES connectivity with approximately 60% of equity transactions
- Won back another client from the client group that had moved to a competing platform, strong pipeline of similar potential opportunities ahead

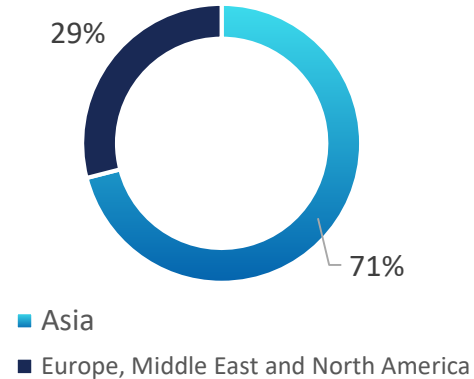
# Rest of the World – Capital Markets

## Revenue Composition and Operating EBITDA before strategic R&D

| (\$'millions)                         | 2HFY18 | 1HFY18 | 2HFY17 | 1HFY17 | FY18 | FY17 |
|---------------------------------------|--------|--------|--------|--------|------|------|
| Revenue                               | 5.4    | 6.1    | 7.2    | 6.4    | 11.5 | 13.6 |
| Operating EBITDA before strategic R&D | -      | 0.9    | 0.9    | 0.7    | 0.9  | 1.6  |



## Revenue by Geography



## KEY POINTS

- Revenue declined in FY18 due to reduced service revenue from less project work in Asia Pacific and the USA
- Licence revenue increased 26% year on year
- New distribution agreements signed during FY18 open potential new markets for the division
- Revenue down 11% from H1FY18 driven by a drop in service revenue and some one-off licence revenue in H1FY18
- Secured a Syn~ client and a distribution partnership with one of Japan's largest Fintech's, SBI BITS Co. Ltd. GBST is well positioned for further growth in Asia
- Implemented a new back office platform for China Merchant Bank on Syn~, further opportunities with its subsidiaries
- Distribution agreement signed with major North American FinTech, FIS to white label and distribute Syn~
- Syn~ solution extended for Singapore Exchange's PTS Phase 2 requirements – go live Q4 2018 for 3 clients

# Financial Position

| FINANCIAL POSITION AS AT: (\$'MILLIONS) | 30-Jun-18    | 30-Jun-17   |
|---|--------------|-------------|
| <b>ASSETS</b>                           |              |             |
| Cash                                    | 11.4         | 11.7        |
| Other current assets                    | 25.1         | 19.7        |
| Intangible assets                       | 42.5         | 44.3        |
| Software systems internally developed   | 8.0          | 0.8         |
| Other non-current assets                | 14.5         | 16.3        |
| <b>Total assets</b>                     | <b>101.5</b> | <b>92.8</b> |
| <b>LIABILITIES</b>                      |              |             |
| Current liabilities                     | 17.0         | 13.4        |
| Unearned income                         | 10.3         | 9.4         |
| Non-current liabilities                 | 5.5          | 5.1         |
| <b>Total liabilities</b>                | <b>32.8</b>  | <b>27.9</b> |
| <b>NET ASSETS</b>                       | <b>68.7</b>  | <b>64.9</b> |
| <b>EQUITY</b>                           |              |             |
| Issued Capital                          | 39.5         | 39.5        |
| Reserves                                | (3.4)        | (4.2)       |
| Retained earnings                       | 32.6         | 29.6        |
| <b>Total equity</b>                     | <b>68.7</b>  | <b>64.9</b> |

## KEY POINTS

- Cash on hand of \$11.4m at 30 June 2018
- GBST has no debt
- Other current assets includes trade debtors and WIP balances for various projects (which are transferred to trade debtors once invoiced)
- Software systems internally developed includes \$7.0m of software capitalised under the Strategic R&D program that met the accounting capitalisation criteria
- Intangible assets primarily comprise purchased software, client contracts and goodwill from business acquisitions
- Carrying value of intangible assets comprises InfoComp (\$28.2m), Coexis (\$8.5m) and other intangibles (\$5.8m)
- Unearned income represents advance payments

# Cash Flow

| RESULTS FOR THE YEAR ENDED: (\$'MILLIONS) | FY18         | FY17         |
|---|--------------|--------------|
| <b>CASH FLOWS FROM OPERATIONS</b>         |              |              |
| Receipts                                  | 91.7         | 92.6         |
| Payments                                  | (80.4)       | (82.1)       |
| Finance costs                             | 0.1          | (0.1)        |
| Income tax                                | (0.2)        | 0.5          |
| <b>Net cash from operations</b>           | <b>11.2</b>  | <b>10.9</b>  |
| <b>CASH FLOWS FROM INVESTMENTS</b>        |              |              |
| Purchase of tangible assets               | (0.9)        | (0.5)        |
| Purchase of intangible assets             | (0.3)        | (0.4)        |
| Software systems internally developed     | (7.0)        | (0.8)        |
| <b>Net cash used in investments</b>       | <b>(8.2)</b> | <b>(1.7)</b> |
| <b>CASH FLOWS FROM FINANCING</b>          |              |              |
| Financing                                 | (0.2)        | 0.1          |
| Dividends paid                            | (3.4)        | (6.2)        |
| <b>Net cash used in financing</b>         | <b>(3.6)</b> | <b>(6.1)</b> |
| <b>NET INCREASE IN CASH</b>               | <b>(0.6)</b> | <b>3.1</b>   |
| Effect of FX movement on cash held        | 0.3          | (0.4)        |
| Opening cash - 1 July                     | 11.7         | 9.0          |
| <b>CLOSING CASH</b>                       | <b>11.4</b>  | <b>11.7</b>  |

## KEY POINTS

- Strong operating cash flow generation
- 92% conversion of EBITDA to operating cashflow for FY18 (FY17: 91%)
- Income tax paid offset by UK income tax refund (prior period credit). Tax cash outflow significantly less than the P&L expense due to 2HFY18 including \$1.5m of Deferred Tax Assets derecognised on carry forward tax losses
- Software systems internally developed of \$7.0m relates to software capitalised under the Strategic R&D Program

# Strategic R&D Investment

Regulatory and digital trends in GBST's markets are presenting significant opportunities for growth

| Item                              | Details  | Status  | Actual amount spent in FY18<br>\$'millions | Expected spend in FY19<br>\$'millions |
|-----------------------------------|--|---|--|---------------------------------------|
| Project Catalyst                  | <ul style="list-style-type: none"> <li>GBST's Catalyst is a Digital platform using web services which enables clients to deliver a personalised, multi-channel user experience</li> <li>Immediate focus is the Retail wealth market</li> </ul> | <ul style="list-style-type: none"> <li>Vitality Life and Health went live on Catalyst in the UK before 30 June 2018</li> <li>Significant interest from our existing client base and new prospects is lifting our sales pipeline</li> </ul>                    | 8.1  | ~5                                    |
| Project E-VOLVE                   | <ul style="list-style-type: none"> <li>The investment will upgrade the technology stack to facilitate Cloud enablement for the Composer platform</li> </ul>  | <ul style="list-style-type: none"> <li>Program ramped up significantly in 2HFY18</li> <li>The first major deliverable completed to plan</li> <li>Product roadmap is key to client retention and new client wins</li> </ul>                                    | 4.7  | ~14                                   |
| Syn~ / Other R&D                  | <ul style="list-style-type: none"> <li>Investment in Syn~ platform to maintain market leading Australian position and facilitate growth into Asia and North America</li> <li>Investment for TaxIntell product</li> </ul>                       | <ul style="list-style-type: none"> <li>Enhancing Syn for the Japanese market with SBI</li> <li>Scoping work to consider CHES changes as they become clearer in the marketplace</li> <li>TaxIntell work ramping up with new clients coming on board</li> </ul> | 1.9  | ~3                                    |
| <b>Total Expenditure</b>          |  |   | <b>14.7</b>                                | <b>~22</b>                            |
| <b>Capitalised</b>                |  |   | <b>(7.0)</b>                               | <b>Note a</b>                         |
| <b>Net Expenditure in P&amp;L</b> |  |   | <b>7.7</b>                                 | <b>Note a</b>                         |

GBST announced on **21 Aug 2017** that the **E-VOLVE and Catalyst** components of the Strategic R&D Program would cost **up to \$50m** and would be delivered over the **FY18, FY19 and FY20** financial years.

FY18 expenditure was expected to be between **\$10m-\$12m** on E-VOLVE and Catalyst.

Actual FY18 expenditure on **E-VOLVE and Catalyst** came in at **\$12.8m**

GBST announced on **21 Aug 2017** that FY18 expenditure on **Total Strategic R&D** was expected to be between **\$10m-\$15m**.

Actual FY18 expenditure on **Total Strategic R&D** came in at **\$14.7m**

See subsequent slides on capitalisation of components of Strategic R&D expenditure

**Note a** – capitalisation in FY19 will continue to be assessed on a project-by-project basis in line with the accounting standards

# Strategic R&D Investment - Catalyst

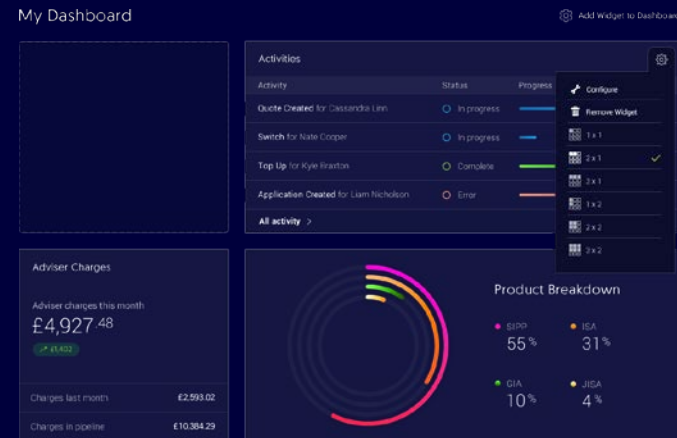
## 1 Fully Responsive

Designed to support PC, tablet and smartphone



## 2 Personalised Dashboards

The option for advisers and end investors to personalise their own dashboards based on the information that is important to them.



## 3 Integration

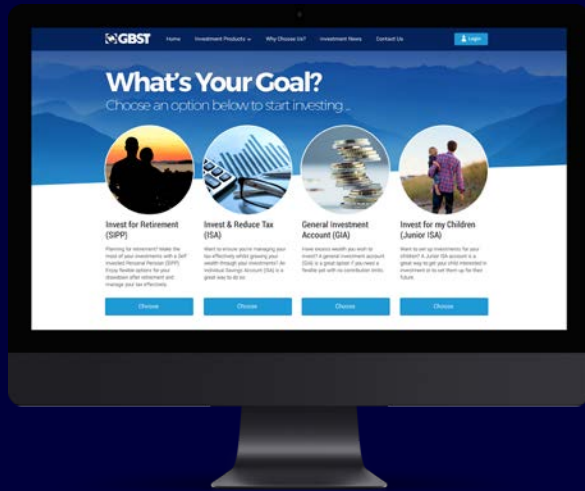
The ability for clients to fully customise the user experience and integrate with leading web analytics and content management software.



# Strategic R&D Investment - Catalyst

## 4 Onboarding

An onboarding journey for ISAs, GIAs and SIPP's for advisers and end investors.



## 5 Online Drawdowns

Online servicing journeys to support at retirement flexi access drawdown

A screenshot of the GBST online drawdown interface. On the left is a vertical navigation menu with steps: Drawdown Details (checked), Crystallise Details (active), Asset Selection, Income, Adviser Charges, and Quote. The main content area is titled "Crystallisation Details" and shows "SIPP 12345 Account Value £80,000.00". There are two checkboxes: "Crystallise full amount" (checked) and "Set to maximum" (checked). Below these are three columns: "PCLS amount" with a text input field containing "£20,000.00", "Crystallised Value" showing "£60,000.00", and "Uncrystallised Value" showing "£0.00". At the bottom are "Previous" and "Continue" buttons.

## 6 Security

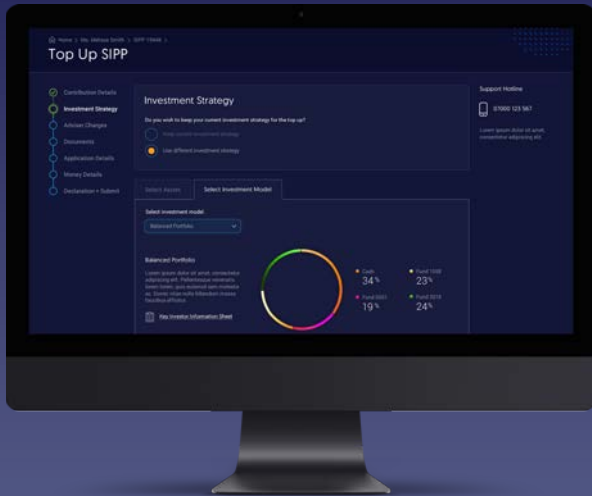
A strong security layer which supports Single Sign On and Multi-Factor Authentication

A screenshot of the GBST security authentication screen. At the top is the GBST logo. Below it is the title "Authentication Code" and a prompt: "Please type the authentication code sent to 07XXX XXX 906". A numeric keypad shows the code "03731". Below the keypad is a "GO" button and a link "Didn't get it? Resend code". A white callout bubble on the right says "Your security code is 03731" with a refresh icon. At the bottom is a "More info" button and a link "Find out about the terms and conditions of GBST Catalyst."

# Strategic R&D Investment - Catalyst

## 7 Self-Servicing Capabilities

Adviser and Investor self-servicing capabilities with straight through processing APIs



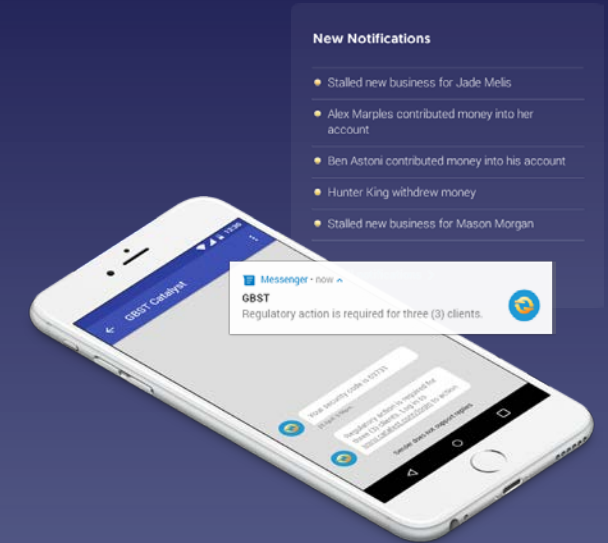
## 8 Client Views

Ability to provide consolidated client views combining data from Composer back-office and client legacy policy administration system.



## 9 Standalone Microservices

Suite of standalone microservices to support rich user features including analytics, notifications and mobile messaging.





# Strategic R&D Investment - Catalyst

## 10 REST API

Refreshed integration layer into Composer back-office utilising REST API services



Composer Back Office



REST API Services

## 11 Tools and Calculators

Access to a range of engaging retirement and savings tools and the ability to integrate with other leading tools in the market



## 12 Multi-Lingual / Multi-Currency Capability

### Currency Settings

- United Kingdom (£)
- China (¥)
- Australia (\$) (Australia)
- France (€)
- Spain (€)
- United States of America (\$)
- India (₹)
- Canada (\$)

### Language

Please select

- English
- Chinese
- Arabic
- Spanish
- French

# Strategic R&D Investment - Capitalisation

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- Accounting Standards (AASB138) **require** GBST to capitalise development expenditure where certain criteria are met:
  - **technical feasibility** of completing the development so that it will be available for use or sale;
  - **intention to complete** is demonstrated;
  - **ability to use or sell** the asset is demonstrated;
  - how the asset will generate **probable future economic benefits** is demonstrated (i.e. able to demonstrate the existence of an external market for the product offering);
  - **availability** of adequate technical, financial and other **resources** to complete the development and to use or sell it; and
  - GBST's ability to **measure reliably** the expenditure attributable to the intangible asset during its development.
- GBST is required to consider the **capitalisation criteria** on an ongoing and project-by-project basis
- During 2HFY18, key project components of GBST's Strategic R&D program had achieved technical feasibility milestones and were **sufficiently progressed** such that all the accounting criteria for capitalisation **were met**
- This has meant that **\$7.0m** of the second half development expenditure has had to be **capitalised as an asset**
- Throughout GBST's financial reporting, both the gross and net (after capitalisation) Strategic R&D expenditure has been **clearly disclosed** which will allow users of GBST's financial information to make any **adjustments** in respect of capitalisation if they **wish to do so**

# AASB 15 Revenue from Contracts with Customers

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- The standard is applicable from 1 July 2018, with transitional provisions applying to contracts spanning 30 June 2018
- GBST has completed its assessment and implementation of necessary process changes
- Impact will primarily affect the:
  - timing of Licence revenue recognition from smaller, non-regulatory products (eg Unison, EMU Calculators). Fair valued licence revenues will be recognised at a point in time (generally go-live) date, which is earlier than on a straight line basis over the licence term under the current standard
  - capitalisation and timing of incremental pre-sales commission costs (for all products)
- No significant impact expected on revenues relating to our largest core products including Composer, Shares and Syn~
- No cash flow impact
- Transitional provisions will require an adjustment to opening Retained Earnings of \$1.57m pre-tax, comprising \$1.23m of licence revenues brought forward from FY19 and beyond and \$0.34m in capitalised commission costs, which will be amortised over contract terms
- Not possible to determine overall impact on FY19 as adjustments will be offset by revenue recognised earlier on unknown new contracts

# Summary

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- Full year net profit after tax was down 10.5% to \$6.2m
- Full year Revenue up marginally in FY18, with second half revenue pleasingly up 6.5% from 1HFY18
- Full year Operating EBITDA before strategic R&D of \$20.2m down 7.2% from prior year, but second half of \$10.5m up 9.4% from 1HFY18
- Cash inflow from operations of \$5.8m up 8.7% compared to 1HFY18
- 92% conversion of EBITDA to operating cash flow in FY18 (up from 91% in FY17)
- Strong balance sheet with cash on hand of \$11.4m and debt free
- Final FY18 dividend of 2.5 cps, fully franked taking the full year amount to 5.0 cps fully franked
- Franking credit balance on hand of \$12.9m
- Strategic R&D Investment strengthens GBST's solutions with Catalyst now live in the market
- Total Strategic R&D Investment in FY18 of \$14.7m was on budget, on time and is meeting technical feasibility milestones
- Strategic R&D costs are being capitalised in accordance with accounting standards with \$7m capitalised in FY18
- Total Strategic R&D investment in FY19 is expected to be approximately \$22m

# Disclaimer

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