

14 August 2019**FY19 RESULTS****FY19 – growing and transforming the business**

GBST Holdings Ltd (ASX:GBT), a global provider of technology to the financial services industry through its GBST Composer, GBST Syn~ and GBST Shares platforms, today reported its results for FY19.

- Total revenue and other income \$94.3m, up 7% from \$88.3m FY18
- Operating EBITDA before Strategic R&D \$20.5m, up 1% from FY18
- Operating EBITDA \$19.0m up 52% from FY18
- EBITDA \$18.6m, up 53% from FY18
- Gross Strategic R&D investment \$19.4m, up 32% from \$14.7m FY18
- Profit before tax of \$14.0m, up 80% from \$7.7m FY18
- NPAT \$12.7m, up 103% from \$6.2m FY18
- Adoption of AASB15 resulted in \$1.2m net profit after tax recognised in opening retained earnings
- Cash inflow from operations of \$26.3m, up 135% from FY18 \$11.2m
- Strong balance sheet with cash on hand of \$17.9m; and debt free
- Strategic R&D program progressing to plan

Commenting on the FY19 result, Managing Director and CEO Mr Robert DeDominicis said:

“Revenue growth of 7% for the year was very pleasing. Licence Revenue growth was positive, growing 3% for the year (and 8% after adjusting for one-off licence fees). Service revenue was 11% higher than the corresponding period, reflecting the strong pipeline of major projects with clients.

Operating EBITDA before Strategic R&D was in line with FY18. The cost increase reflects that the transformation of our software incurs a duplication of infrastructure costs during the development phase; one-off costs to expedite and reduce risks of execution in our software transformation; an increase in short-term incentives for staff; and the increased use of cloud hosting, replacing capital expenditure. The 2HFY19 experienced lower costs through a reduction in the labour force, a focus on utilisation and other measures to reduce our operating cost base.

Most importantly, GBST’s Strategic R&D program made significant progress in the year, with Catalyst delivered and operational, and E-VOLVE on track with clients now using delivered components or in the process of upgrading. A highlight was the signing of a 10-year deal with Canada Life, confirming the E-VOLVE strategy, and expanding Composer market opportunity to include Annuities and Bonds.

Operating cash flow was strong in the year. The continued high level of investment in our systems requires prudent capital management and accordingly, no dividend has been declared.”

Key Financial Metrics*

	2HFY19	1HFY19	2HFY18	1HFY18	FY19	FY18
	\$m	\$m	\$m	\$m	\$m	\$m
Total revenue and other income	50.4	43.9	45.6	42.7	94.3	88.3
Operating EBITDA before Strategic R&D	14.7	5.8	10.5	9.7	20.5	20.2
Less Strategic R&D expenditure	(1.1)	(0.4)	(2.9)	(4.8)	(1.5)	(7.7)
- Gross Strategic R&D expenditure	(9.1)	(10.3)	(9.9)	(4.8)	(19.4)	(14.7)
- Strategic R&D capitalised	8.0	9.9	7.0	-	17.9	7.0
Operating EBITDA	13.6	5.4	7.7	4.9	19.0	12.5
Restructure and other non-operating expenses	(0.4)	-	(0.1)	(0.3)	(0.4)	(0.4)
EBITDA	13.2	5.4	7.6	4.6	18.6	12.2
EBITDA % Margin	26%	12%	17%	11%	20%	14%
Profit before income tax	10.9	3.0	5.8	1.9	14.0	7.7
Income tax expense	(1.9)	0.7	(2.1)	0.6	(1.3)	(1.5)
Net Profit after income tax	9.0	3.7	3.7	2.5	12.7	6.2
Adjusted NPAT (\$m)	9.1	4.4	4.6	3.6	13.5	8.2
Basic EPS (cents)	13.3	5.4	5.5	3.7	18.7	9.2
Adjusted EPS (cents)	13.3	6.5	6.7	5.3	19.8	12.0
Dividends per share (cents)	-	-	2.5	2.5	-	5.0
Cash inflow from operations (\$m)	16.3	10.0	5.8	5.4	26.4	11.2
Cash at bank (\$m)	17.9	9.6	11.4	15.0	17.9	11.4

* To be read in conjunction with the GBST financial report for the period ending 30 June 2019. Please note that due to rounding to the nearest \$million, numbers presented in the table above may not add precisely to the totals provided.

Net profit after tax up 103% to \$12.7m

Revenue was up 7% to \$94.3m from FY19, \$6.0m favourable to FY18.

Full-year operating expenses were \$73.8m, \$5.7m above FY18, including:

- \$1.6m from supporting duplicate (old and new) environments through the Strategic R&D transition
- \$1m in Strategic R&D related costs (training, corporate infrastructure) that is a one-off cost and has been expensed
- An increase in short-term incentives for staff of \$0.9m
- Increased cloud hosting expenditure of \$1.3m across the group, offsetting capital expenditure and associated maintenance
- Increased legislative and release costs of \$0.9m

Operating EBITDA before Strategic R&D was up 1% to \$20.5m, from FY18.

Strategic R&D investment was \$19.4m (FY18 \$14.7m), including capitalisation of \$17.9m in costs (FY18 \$7.0m).

Increased operating amortisation due to initial amortisation of Catalyst of \$1.4m.

Income tax expense of \$1.3m (FY18 \$1.5m).

Three-year Strategic R&D Program progressing to plan and 47% complete

Catalyst development is complete, the first client is live with a web portal for financial intermediaries and investors with new client projects in the sales pipeline. The Catalyst framework is being reused across the GBST group for our TaxIntell and Margin Lending platforms.

E-VOLVE is tracking to plan and is over 34% complete with clients now using delivered components or in the process of upgrading.

Overall Total Strategic R&D investment in FY19 of \$19.4m was on time and meeting progress milestones.

Costs have been capitalised in accordance with accounting standards (\$17.9m capitalised in FY19).

Cash flow and capital management

The Group has reported a closing cash position of \$17.9m cash on hand at 30 June 2019, up from \$11.4m at 30 June 2018 reflecting the uplift in revenue, contractual payments and improved debtor management.

Net cash inflow from operations was \$26.3m for the year, up \$15.1m from \$11.2m in FY18.

The net assets of the Group increased by \$12.8m during the year to \$81.5m. GBST has no debt.

The high level of investment in the multi-year Strategic R&D program requires prudent capital management, and accordingly no dividend has been declared.

Growth prospects focused on:

- UK Wealth Management business revenue growth is leveraging the investment in E-VOLVE & Catalyst. Client upgrades to the latest release and the development of new products (Annuities and Bonds) which expands our market opportunities
- Australian Wealth Management has commenced the transition to E-VOLVE for clients, and leveraging the new TaxIntell product
- Australian Capital Markets has commenced the ASX upgrade programme, with a promising pipeline of sales opportunities emerging
- Capital Markets International has an improving pipeline of Asian and US projects

- 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, the company operates in Australia, Asia, Europe and North America. GBST is listed on the Australian Securities Exchange under ASX ticker code GBT.

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APPENDIX – SEGMENT DETAIL

United Kingdom - Wealth Management

Underlying UK business Licence Revenue grows and delivers Catalyst

United Kingdom – Wealth Management	2HFY19	1HFY19	2HFY18	1HFY18	FY19	FY18
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	23.5	18.8	20.9	19.0	42.3	39.9
Operating EBITDA before Strategic R&D & group expenditure	12.4	6.0	8.8	7.8	18.4	16.6

At the commencement of FY19, the internal reporting structures were changed with certain group costs moved up into segment direct costs and the residual Group Expenditure no longer allocated to Divisional results.

Key points

- Revenue up by 6% from FY18 to \$42.3m
- Licence and third-party revenue up 5% to \$24.5m from FY18
- Services revenue up 7% to \$17.8m from FY18
- Operating EBITDA before Strategic R&D & group expenditure is up 11% to \$18.4m from FY18, largely driven by increased product development work with Canada Life

In May, Aegon successfully completed the migration of 300,000 accounts and approximately \$16bn of assets onto the Composer Platform for Nationwide the UK's largest building Society. Assets and accounts on Composer have continued to increase and GBST remains the dominant technology provider with c40% share of the non-proprietary platform assets under administration.

In February, GBST entered into a 10-year contract with Canada Life to license the Composer Platform as part of a transformation program that will span two years. Canada Life plans to migrate 500K accounts onto the GBST Composer Platform, expand Product offering in the Investment and At Retirement space and launch a new Retail platform.

All UK clients have completed their migration to the new E-VOLVE database. Focus is turning to upgraded functions, with business readiness planning well advanced for the client upgrades in June 2020.

Australia – Wealth Management

Superannuation and Tax services work cements GBST's position as a market leader in the Wealth Management sector

Australia – Wealth Management	2HFY19 \$m	1HFY19 \$m	2HFY18 \$m	1HFY18 \$m	FY19 \$m	FY18 \$m
Revenue	9.2	8.2	8.4	7.0	17.4	15.5
Operating EBITDA before Strategic R&D & group expenditure	4.0	2.6	4.1	3.4	6.6	7.5

At the commencement of FY19, the internal reporting structures were changed with certain group costs moved up into segment direct costs and the residual Group Expenditure no longer allocated to Divisional results.

Key points

- Revenue up 13% from FY18 to \$17.4m
- Licence revenue up 4% to \$13.1m from FY18
- Services revenue up 49% from FY18. This movement reflects the commencement of significant project work in 2HFY18, which continued into FY19
- Operating EBITDA before Strategic R&D and group expenditure decreased 12% to \$6.6m from FY18, largely driven by increased hosting expenditure and support costs for legislation updates such as the ATO Member Account Transaction Services changes

A key milestone for E-VOLVE was reached during FY19 with GBST releasing the first technology update to the Australian marketplace which was quickly followed with a tier-1 banking client choosing to implement the upgraded technology components. GBST is receiving strong client demand amongst our other Australian clients and is working closely with them which should see continued activity in FY20.

GBST continues to work closely with another tier-1 banking client on an ongoing program that will see the consolidation of several legacy solutions onto the Composer platform. During FY19 the client successfully completed the first migration. Additional migrations are planned which will increase licence fees.

In previous reports GBST mentioned the development of TaxIntell, a digital platform for custodians, their clients and tax advisers to collate and validate financial transaction data from multiple sources to improve the process of lodging a tax return for a Fund. During FY19 GBST commenced the implementation for one of Australia's custodians, NAB Asset Servicing as its first client.

Australia – Capital Markets

Continue to grow through investment in technology to cater for the opportunities from the ASX Chess Replacement

Australia – Capital Markets	2HFY19	1HFY19	2HFY18	1HFY18	FY19	FY18
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	11.5	10.9	10.7	10.6	22.4	21.2
Operating EBITDA before Strategic R&D & group expenditure	6.1	5.7	5.1	4.3	11.8	9.5

At the commencement of FY19, the internal reporting structures were changed with certain group costs moved up into segment direct costs and the residual Group Expenditure no longer allocated to Divisional results.

Key points

- Revenue up 5% to \$22.4m from FY18
- Licence revenue was up 3% to \$19.2m from FY18; driven by the ANZ Share Invest migration to CMC Markets and a new Margin Lending client, offsetting the negative impact from adoption of AASB15 of \$0.8m
- Service revenue was up 34% to \$2.3m from FY18, primarily driven by a key ASX-listed Wealth Manager project implementing in 2QFY20
- Operating EBITDA before Strategic R&D and group expenditure increased 24% to \$11.8m from FY18 largely driven by cost reductions
- GBST maintains a dominant position in the Australia Equity Markets settlement and clearing with over 60% of equity transactions being handled through GBST technology

In the second half the division completed the implementation of a Margin Lending solution for an Australian based provider which will use the Syn~ platform for an International Lending and Cash proposition. It also commenced the implementation of the Syn~ platform for an Australian based Investment bank replacing a competitor's solution and completed the migration of ANZ Share Invest to CMC Markets which uses GBST solutions.

Furthermore, a strong pipeline of sales prospects is emerging as a result of the ASX Chess upgrade. The division is well placed to deliver the changes required to support the Chess upgrade with all client renewals extended during the period.

Rest of the World – Capital Markets

Continuing to grow through investment in our Syn~ solution to the market

Rest of the World – Capital Markets	2HFY19 \$m	1HFY19 \$m	2HFY18 \$m	1HFY18 \$m	FY19 \$m	FY18 \$m
Revenue	6.0	6.0	5.4	6.1	12.0	11.5
Operating EBITDA before Strategic R&D & group expenditure	1.7	1.5	1.6	2.3	3.2	4.0

At the commencement of FY19, the internal reporting structures were changed with certain group costs moved up into segment direct costs and the residual Group Expenditure no longer allocated to Divisional results.

Key points

- Revenue increased 5% to \$12.0m from FY18
- Licence revenue up 3% to \$8.1m from FY18
- Services revenue increased 8% to \$3.9m from FY18, driven by the global roll out of Syn~ TAC for a major Investment Bank, and the implementation of the Syn~ platform for Wing Lung Bank in Hong Kong
- Operating EBITDA before Strategic R&D and group expenditure decreased 18% to \$3.2m in FY19, due to higher client support costs

Rest of the World – Capital Markets commenced a global implementation of Syn~ TAC for an institutional bank. The second phase of the project will complete in FY20 after which licence revenue will be recognised. A new implementation of Syn~ Custody completed in the second half of FY19 which will increase licence revenue in FY20. The sales pipeline in Asia and North America has continued to improve with commencement of new projects expected in FY20.