

ASX Release

27 February 2019

Outstanding 1H19 results across all key metrics

Bravura Solutions Limited (ASX:BVS) (Bravura) has today announced its half-year results for the period ended 31 December 2018.

Strong 1H19 financial results across all key financial metrics

- Group 1H19 revenue increased 24% to A\$127.4m (A\$102.9m in 1H18)
- Group 1H19 EBITDA increased 28% to A\$23.8m (A\$18.5m in 1H18)
- Group 1H19 NPAT increased 15% to A\$16.3m (A\$14.2m in 1H18)
- Group 1H19 EPS increased 15% to 7.6cps
- Interim unfranked dividend declared of 5.3cps

Wealth Management segment result reflects strong operating leverage

- Wealth Management 1H19 revenue increased 24% to A\$90.4m (A\$72.8m in 1H18)
- Wealth Management 1H19 EBITDA increased 36% to A\$29.4m (A\$21.6m in 1H18)
- Wealth Management 1H19 EBITDA margin expanded to 33% (30% in 1H18)

Sonata delivers strong market-leading growth

- Sonata delivered very strong revenue growth and now makes up almost all of the Wealth Management segment
- Achieved two new Sonata contracts in the period
- A number of clients were successfully implemented
- Several additional projects for new and existing clients commenced

Funds Administration segment result benefitted from increased client demand

- Funds Administration 1H19 revenue increased 23% to A\$37.0m (A\$30.1m in 1H18)
- Funds Administration 1H19 EBITDA increased 7% to A\$13.7m (A\$12.8m in 1H18)
- The segment benefitted from increased implementation and development work arising from a renewed and enhanced contract with a significant global client

Strong performance delivers excellent shareholder returns

- 1H19 return on equity¹ of 28% and 1H19 return on assets² of 22%
- Interim unfranked dividend declared of 5.3cps, representing 70% of 1H19 EPS

¹ Return on equity is based on annualised NPAT over average total equity

² Return on assets is based on annualised EBITDA over average total assets



Solid financial position and strong sales pipeline reinforces favourable outlook and guidance

- Solid financial position with net cash of A\$14.0m as at 31 December 2018, capable of supporting additional growth opportunities
- Operating cash flow³ was A\$8.0m, representing cash conversion of 34% (158% in 2H18)
- Structural industry drivers expected to underpin demand over the medium term
- Full-year 2019 forecast EPS growth has been revised upwards and is now expected to be in the mid to high-teens

Commenting on the group performance, Mr Klim, Chief Executive Officer said:

“Bravura has had an outstanding start to the 2019 financial year, with significant revenue and earnings growth underpinned by strong demand across all key markets. Recurring revenue was up strongly by 31% and comprised 72% of total revenue. In particular, we have seen significant project activity from existing clients, as they extend their business reach by licensing and implementing more of Sonata’s rich and sophisticated functionality across new products. In addition, we saw a strong performance from the Funds Administration business, underpinned by increased implementation and development work. Combined with continued investment, the business is generating very strong returns on shareholder capital.”

Summary of 1H19 financial performance

A\$m	1H18	1H19	\$ chg	% chg
Wealth Management	72.8	90.4	17.6	24%
Funds Administration	30.1	37.0	6.9	23%
Total revenue	102.9	127.4	24.5	24%
Wealth Management	21.6	29.4	7.8	36%
Funds Administration	12.8	13.7	0.9	7%
Corporate	-15.9	-19.3	-3.5	22%
EBITDA	18.5	23.8	5.3	28%
D&A	-3.9	-2.9	1.0	-26%
EBIT	14.6	20.9	6.3	43%
Net interest and FX expense	-0.6	-0.9	-0.3	nm
Profit before tax	14.0	20.0	5.9	42%
Tax expense ⁴	0.2	-3.6	-3.8	nm
NPAT	14.2	16.3	2.1	15%
EPS (A\$ cps)	6.6	7.6	1.0	15%

³ Operating cash flow includes taxes paid

⁴ 1H18 tax expense included the recognition of a deferred tax asset of A\$1.8m



Wealth Management performance

Revenue increased 24% to A\$90.4m in 1H19, up from A\$72.8m in 1H18. EBITDA increased 36% to A\$29.4m in 1H19, up from A\$21.6m in 1H18. Strong revenue growth resulted from two new Sonata contracts, expanding project work and increasing demand from existing clients.

EBITDA margin expanded to 33% in 1H19, up from 30% in 1H18. The increase reflects strong operating leverage inherent in the underlying business model and in part as a result of the timing of licence fees.

The business achieved two new Sonata contracts. During the period, a number of clients were successfully implemented, and several additional projects for new and existing clients commenced.

A\$m	1H18	1H19	\$ chg	% chg
Wealth Management revenue	72.8	90.4	17.6	24%
Wealth Management EBITDA	21.6	29.4	7.8	36%
Wealth Management EBITDA margin	30%	33%		

Funds Administration performance

Funds Administration revenue increased 23% to A\$37.0m, up from A\$30.1m in 1H18. Funds Administration EBITDA increased 7% to A\$13.7m, up from A\$12.8m in 1H18. The segment benefitted from increased implementation and development work arising from a renewed and enhanced contract with a significant global client. The result also reflects a one-off investment in ramp up costs to support the increased demand.

The SaaS offering creates new opportunities for growth in the European market, giving smaller and mid-sized fund managers the ability to access a fully managed solution with standardised functionality at an attractive price point for this market.

A\$m	1H18	1H19	\$ chg	% chg
Funds Administration revenue	30.1	37.0	6.9	23%
Funds Administration EBITDA	12.8	13.7	0.9	7%
Funds Administration EBITDA margin	42%	37%		



Market outlook

Large addressable market. Bravura's product functionality supports the pensions, life insurance, investment products, and wrap platform markets across its key markets in the UK, Australia, New Zealand and South Africa, which comprises a large number of blue-chip financial services companies. Organisations in these markets are still running multiple legacy or competitor systems, resulting in high cost structures. This leads to a lack of product flexibility, difficulty in responding quickly to changes in regulatory regimes, and tardiness in meeting the emerging requirements of the current digital world.

Strong pipeline of opportunity. Bravura has a strong sales pipeline across its key markets and across its geographic regions, comprising a number of established financial institutions evaluating the suitability of Bravura's products and digital offerings to replace their legacy or competitor systems. The strong pipeline is driven by sales opportunities from new clients and significant project activity from existing clients. Bravura has good visibility of its strong sales pipeline over a 12- to 18-month period.

Sonata is well positioned. The continued investment in Sonata, funded by both Bravura and its clients, supports client demand and extends the product's market-leading position. Strong growth, increasing scale and greater efficiency, are driving increased operating leverage. Following significant product investment and the accumulation of deep market knowledge and expertise, Bravura is well positioned to continue to capitalise on the significant market opportunity.

Pipeline of client opportunities supports Funds Administration. Bravura's strong market credentials in providing digital solutions and straight through messaging capabilities is driving a pipeline of contracted work from existing clients. A pipeline of opportunities is expected to support growth into 2H19.

Commenting on the market outlook, Mr Klim said:

"After a strong first half financial performance, we see continued momentum heading into the second half of the financial year. Our Sonata clients have deeply embedded the product as their mission-critical technology platform, which is underpinning new project activity. Furthermore, the Funds Administration outlook has improved, and it is well positioned to take advantage of potential growth opportunities. Bravura's strong financial position provides the capacity to take advantage of organic and acquisitive growth opportunities. The visibility we have of our sales pipeline, along with the business's inherent operating leverage, gives us a high degree of confidence in our FY19 expectations."

Guidance

As a result of strong demand, full-year 2019 guidance has now been revised upwards resulting in forecast EPS growth in the mid to high-teens.



Teleconference details

A teleconference and webcast briefing for analysts and investors will be held at 9:30am Australian Eastern Daylight Time (AEDT). Participants can pre-register for the teleconference here:

<https://services.choruscall.com.au/diamondpass/Bravura-421103-invite.html>

Conference ID: 421103

Direct phone number: +61 2 9007 3187

Country	Toll Free Phone Number
Australia	1800 558 698
Canada	1855 881 1339
Hong Kong	800 966 806
India	0008 0010 08443
New Zealand	0800 453 055
Singapore	800 101 2785
United Kingdom	0800 051 8245
United States	1855 881 1339

Webcast link: <http://www.openbriefing.com/OB/3255.aspx>

The webcast is accessible 15 minutes before the briefing starts.

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About Bravura Solutions Limited

Bravura Solutions Limited is a leading provider of software solutions for the wealth management, life insurance, and funds administration industries. Our solutions are underpinned by functionally rich technology that enables modernisation, consolidation, and simplification. Backed by over 30 years of experience, our installed or managed hosted solutions are used by many of the world's leading financial institutions. Our business comprises more than 350 direct and indirect blue-chip clients. In excess of A\$2.8 trillion (£1.6 trillion) in assets are entrusted to our systems. We support our clients with a team of more than 1,300 people in 12 offices across Australia, New Zealand, United Kingdom, Europe, Africa, and Asia.

To learn more, visit www.bravurasolutions.com.