

1H19 Results Presentation

Bravura Solutions Limited

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OUTSTANDING 1H19 RESULTS ACROSS ALL KEY METRICS

- In 1H19, Bravura delivered **revenue growth of 24%¹**, **EBITDA growth of 28%¹**, and **NPAT growth of 15%¹**
- **Recurring revenue up 31%¹** in 1H19 and comprised 72% of total revenue (68% in 1H18)
- Wealth Management 1H19 EBITDA margin expanded ~300bps to 33%, reflecting **significant operating leverage**
- Sonata delivered very strong revenue growth and now makes up almost all of the Wealth Management segment
- **Funds Administration revenue up 23%¹** to A\$37.0m (A\$30.1m in 1H18)
- **Strong financial position** with net cash of A\$14.0m² capable of supporting additional growth opportunities
- **Excellent returns** with ROE³ of 28% (26% in 1H18) and ROA of 22%⁴ (20% in 1H18)
- As a result of strong demand, FY19 guidance has now been revised upwards resulting in forecast **EPS growth in the mid to high-teens**

1. Compared to 1H18

2. As at 31 December 2018

3. Return on equity is based on annualised NPAT over average total equity

4. Return on assets based on annualised EBITDA over average total assets

1H19 KEY HIGHLIGHTS

Continued strong revenue growth with increasing operating leverage



- Bravura's long-term growth is driven by clients' need to address speed to market for new products, the growing importance of a seamless digital experience, ongoing changes in financial services regulation, and pressure to increase operational efficiency
- Wealth Management revenue up 24%¹**, driven by growth in Sonata, and **Funds Administration revenue up 23%¹** to deliver **Group revenue up 24%¹ to A\$127.4m**
- Wealth Management EBITDA up 36%¹ to A\$29.4m**, ahead of growth in Funds Administration and investment in Corporate, to increase **Group EBITDA up 28%¹ to \$23.8m**

Investment in Sonata is continuing to drive strong growth



- Achieved **two new Sonata contracts** in the period
- A number of clients were successfully implemented and several additional projects for new and existing clients commenced
- Sonata's compelling value proposition which supports clients with managing new regulation, digital and cost pressures has driven **significant growth in Sonata revenue** which now makes up almost all of Wealth Management

Strong business performance is delivering attractive shareholder returns



- Interim dividend declared of 5.3 cents per share**, representing 70% of 1H19 EPS
- Return on equity² of 28%** in 1H19 underpinned by Bravura's consistent and long-term investment in product development, deep market knowledge and expertise, sound business model, driving significant operating leverage

1. Compared to 1H18

2. Return on equity is based on annualised NPAT over average total equity

A\$m	1H18	1H19	% chg
Group			
Revenue	102.9	127.4	24%
EBITDA	18.5	23.8	28%
NPAT	14.2	16.3	15%
Segments			
Wealth Management revenue	72.8	90.4	24%
Wealth Management EBITDA	21.6	29.4	36%
Funds Administration revenue	30.1	37.0	23%
Funds Administration EBITDA	12.8	13.7	7%
Sonata			
Sonata clients	22	25	14%

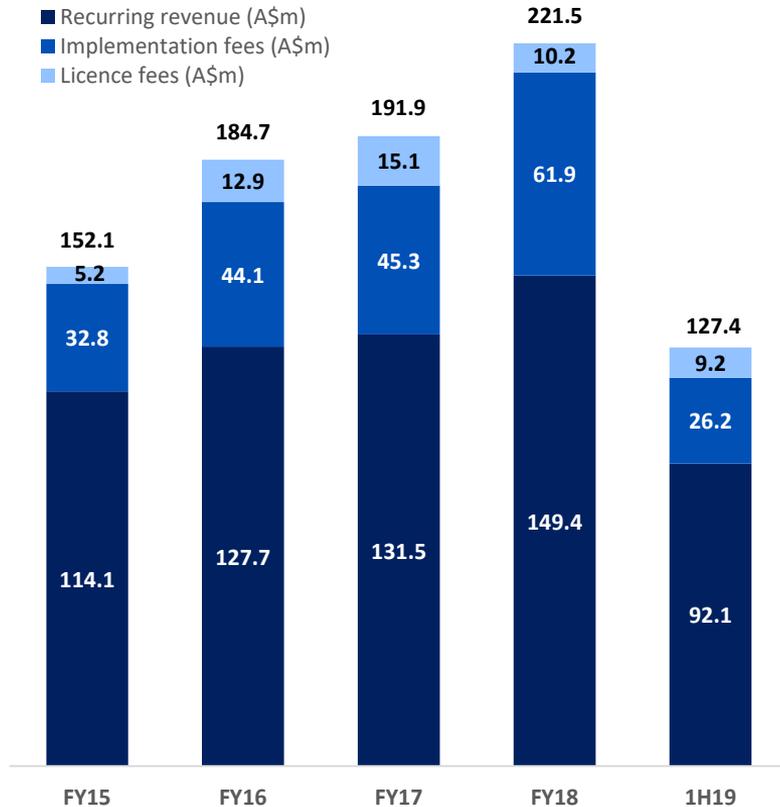
OUTSTANDING 1H19 RESULTS ACROSS ALL KEY METRICS

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 ¹	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%

- **Wealth Management** revenue up 24% and EBITDA up 36% following two new Sonata contracts, expanding project work and increasing demand from existing clients
- **Wealth Management** EBITDA margin increased to 33% in 1H19 (30% in 1H18), reflecting the strong operating leverage inherent in the underlying business model and in part as a result of the timing of licence fees
- **Funds Administration** revenue up 23% benefitting 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
- **Corporate costs** in 1H19 reflects modest growth on 2H18 run-rate
- **Tax expense** of A\$3.6m represents an effective tax rate of 18% and reflects increased profitability and a tax-paying position in the UK
- **NPAT** up 15% to A\$16.3m

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

STRONG GROWTH IN RECURRING REVENUE

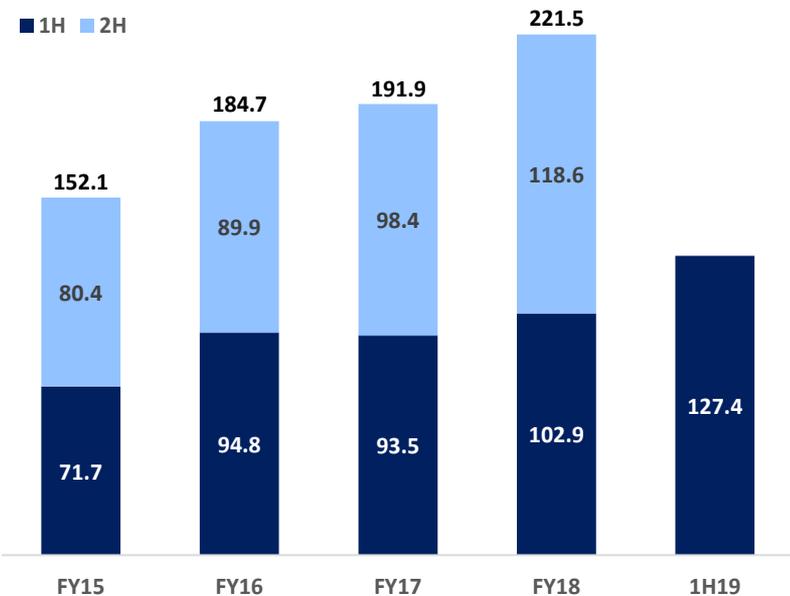


- Recurring revenue is up 31% in 1H19 compared to the pcp and comprises 72% of total revenue
- Recurring revenue has grown as new clients are added and existing clients broaden their use of functionality, supported by the long-term nature of Bravura's client contracts
- Bravura's significant recurring revenue base provides a high degree of certainty around its long-term earnings profile and future cash flow expectations
- New contract wins also attract implementation fees over the initial 2 to 3 year period, as clients deeply embed Bravura's solutions into their business's core operating model

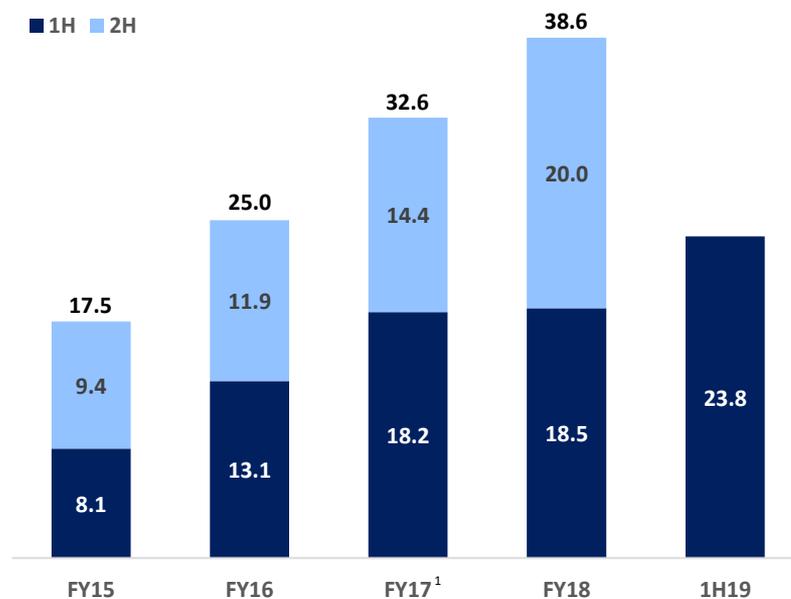
- Recurring revenue comprises maintenance, managed services, and in-production professional services from ongoing client demand
- Implementation fees comprise professional services from initial implementation and development requirements
- Licence fees are earned on a one-off or recurring basis

STRONG REVENUE AND EARNINGS GROWTH

Revenue (A\$m)



EBITDA (A\$m)



1. FY17 EBITDA is presented on a pro forma basis

STRONG FINANCIAL POSITION

A\$m	30 Jun 2018	31 Dec 2018
Cash	36.9	26.0
Trade receivables	28.9	39.9
Intangible assets	112.7	113.3
Property, plant and equipment	11.6	17.6
Other assets	22.2	24.8
Total assets	212.3	221.5
Trade payables	10.4	12.7
Contract liabilities	39.1	34.8
Borrowings	12.2	12.0
Other liabilities	36.4	39.2
Total liabilities	98.1	98.7
Net assets	114.2	122.9

- Bravura is in a robust financial position, with **net cash of A\$14.0m**
- At balance date, A\$12.0m was drawn down on the working capital facility
- Bravura has **significant investment capacity** to take advantage of organic and acquisitive growth opportunities
- Operating cash flow¹ was A\$8.0m during the period, reflecting cash conversion of 34%, arising in part from significant tax payments (A\$2.7m), and from previously disclosed cash receipts prepaid in 2H18 (2H18 cash conversion was 158%). **Cash conversion of ~70-80% is expected over time**
- Long-term cash flow is supported by **predictable, long-term, client contracts**

RETURN ON EQUITY² = 28%

1. Operating cash flow includes taxes paid

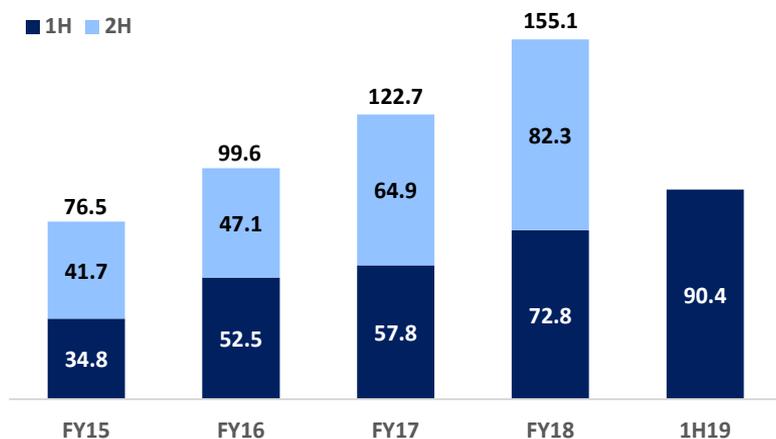
2. Return on equity is based on annualised NPAT over average total equity

WEALTH MANAGEMENT

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

Revenue (A\$m)

■ 1H ■ 2H



- Revenue up 24% and EBITDA up 36% resulted from two new Sonata contracts, successful client implementations and the commencement of several additional projects for new and existing clients
- Sonata delivered very strong revenue growth and now makes up almost all of the Wealth Management segment
- EBITDA margin increased to 33% in 1H19 (30% in 1H18), reflecting the strong operating leverage inherent in the underlying business model and in part as a result of the timing of licence fees
- Clients' need to improve speed to market for new products, and a scalable and digital technology platform to replace legacy IT systems that can respond quickly to changes in regulation, continues to underpin demand over the long-term

EXPANSION IN WEALTH MANAGEMENT R&D LEVERAGE

A\$m	FY14	FY15	FY16	FY17	FY18	1H19
Client development revenue	5.0	11.2	13.9	13.5	28.9	22.5
Client development costs	-5.4	-12.0	-11.1	-13.7	-21.0	-11.8
Development operating expense	-1.7	-2.2	-2.1	-2.5	-2.4	-1.2
Development capital expense	-5.5	-8.8	-4.0	-7.7	-6.3	-2.0
Total development expenditure¹	-12.6	-23.0	-17.2	-24.0	-29.7	-15.0
Net development	-7.6	-11.8	-3.3	-10.5	-0.8	7.5
Wealth Management revenue	59.0	76.5	99.6	122.7	155.1	90.4
Total R&D expenditure as a % of WM revenue	21%	30%	17%	20%	19%	17%

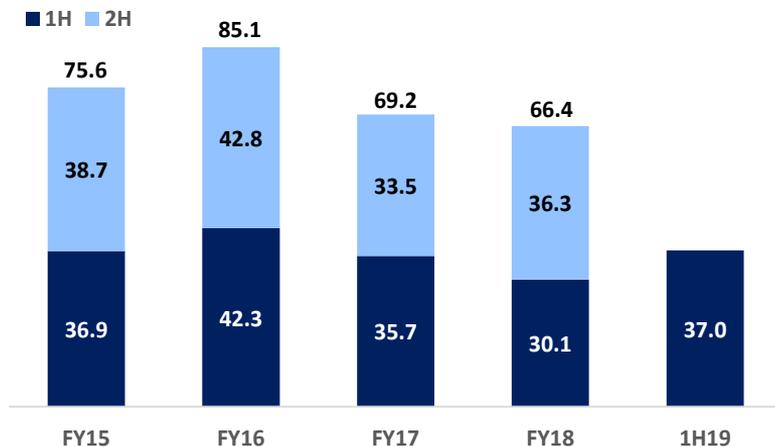
- Continued investment over time has led to significant scale and depth in product functionality, and has further cemented Bravura's market-leading position
- Capitalised R&D expenditure declined to A\$2.0m in 1H19 (A\$3.3m in 1H18)
- All development expenditure adds to product capability, creating further operating leverage and market opportunity

1. Total development expenditure represents the sum of client development costs, development operating expense and development capital expense

FUNDS ADMINISTRATION

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

Revenue¹ (A\$m)



1. FY17 revenue performance relative to FY16 was impacted by the decline in the GBP:AUD

- Revenue up 23% following increased implementation and development work arising from a renewed and enhanced contract with a significant global client, as well as improved utilisation of services by other key clients
- EBITDA up 7% reflecting the increased demand for project work, as well as a one-off investment in ramp up costs to support the increased demand
- Bravura's strong market credentials in providing digital solutions and highly advanced straight through messaging capabilities is driving a pipeline of work from new and existing clients in current and new markets
- A pipeline of opportunities is expected to support growth into 2H19
- Bravura's 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 digital solution with standardised functionality at an attractive price point for this market

FY19 OUTLOOK

Strong sales pipeline



- Strong pipeline driven by sales opportunities from new clients and significant project activity from existing clients
- Bravura is well placed to take advantage of strong demand in the UK, Australia, New Zealand, South Africa and Asia
- Strong demand underpinned by clients' need for speed to market for new products, digital capabilities, navigating maturing and evolving regulation and extracting operational efficiencies

Increased scale driving operating leverage



- Strong growth, increasing scale and greater efficiency are driving increased operating leverage
- Increasing investment in Sonata continues to support client demand and deepen product functionality
- Bravura's broad suite of products, complemented by enhanced digital and cloud solutions, is extending Bravura's market-leading position in its established markets

FY19 earnings 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**

Appendices



STATUTORY INCOME STATEMENT

A\$m	1H18	1H19	\$ chg	% chg
Wealth Management	72.8	90.4	17.6	24%
Funds Administration	30.1	37.0	6.9	23%
Revenue from continuing operations	102.9	127.4	24.5	24%
Total operating expenses	-84.4	-103.7	-19.3	23%
EBITDA	18.5	23.8	5.3	28%
Depreciation and amortisation	-3.9	-2.9	1.0	-26%
EBIT	14.6	20.9	6.3	43%
Foreign exchange gain/(loss)	-0.3	-0.6	-0.3	81%
Net interest expense	-0.3	-0.3	0.0	16%
Profit before tax	14.0	20.0	5.9	42%
Income tax benefit/(expense)	0.2	-3.6	-3.8	nm
NPAT	14.2	16.3	2.1	15%

STATUTORY STATEMENT OF FINANCIAL POSITION

A\$m	30 Jun 2018	31 Dec 2018
Cash	36.9	26.0
Trade receivables	28.9	39.9
Other current assets	15.3	15.8
Total current assets	81.2	81.7
Intangible assets	112.7	113.3
Other non-current assets	18.5	26.6
Total non-current assets	131.2	139.8
Total assets	212.3	221.5
Borrowings	12.2	12.0
Contract liabilities	36.3	32.3
Other current liabilities	39.9	42.3
Total current liabilities	88.4	86.6
Borrowings	0.0	0.0
Other non-current liabilities	9.7	12.1
Total non-current liabilities	9.7	12.1
Total liabilities	98.1	98.7
Total equity	114.2	122.9

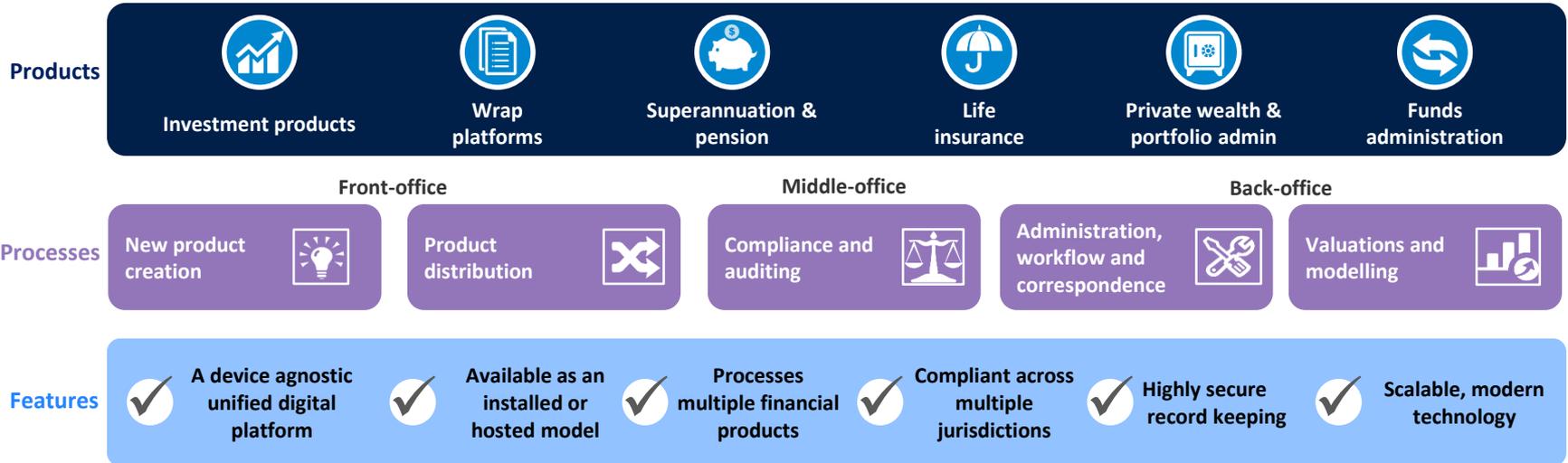
STATUTORY CASH FLOW STATEMENT

A\$m	1H18	1H19
Receipts from customers	117.7	127.4
Payments to suppliers and employees	-102.4	-116.7
Interest received	0.0	0.0
Income taxes paid	-0.8	-2.7
Total operating cash flow (direct method)	14.6	8.0
Purchase of property, plant, and equipment	-2.8	-7.0
Payments for capitalised software development	-3.3	-2.0
Total investing cash flow	-6.2	-9.0
Proceeds from borrowings	8.4	0.0
Repayment of borrowings	0.0	-0.3
Interest paid	-0.3	-0.3
Dividend paid	-9.6	-9.6
Total financing cash flow	-1.5	-10.3
Net increase in cash	6.9	-11.3
Effects of exchange rate changes on cash	0.2	0.3
Cash at the end of the period	24.1	26.0

A\$m	1H18	1H19
EBITDA	18.5	23.8
<i>Trade, other debtors, and accrued revenue</i>	-1.4	-12.3
<i>Deferred revenue</i>	-3.6	-4.3
<i>Prepayments</i>	-0.4	0.2
<i>Deferred tax assets</i>	-1.6	-0.9
<i>Trade creditors</i>	-0.4	2.3
<i>Provisions for income taxes payables</i>	1.0	2.3
<i>Deferred tax liabilities</i>	-0.3	-0.4
<i>Provisions and other liabilities</i>	-4.8	1.0
Change in working capital	-4.3	-12.1
Tax	-0.8	-2.7
Other items	1.1	-1.0
Total operating cash flow (indirect method)	14.6	8.0

WHAT SONATA DOES

A digital enterprise software solution supporting sophisticated financial services products across front, middle and back office, including digital delivery across multiple devices to advisors and end consumers.



SONATA ADDRESSES KEY CLIENT CHALLENGES

Challenges faced by participants...

- 1 Evolving and complex regulatory environment
- 2 Demand for mobile and “self-directed” technology
- 3 Need for rapid product innovation
- 4 Cost and margin pressures
- 5 Need for scalable technology in a digital age

Increasing demand for modern client centric software solutions to address these challenges

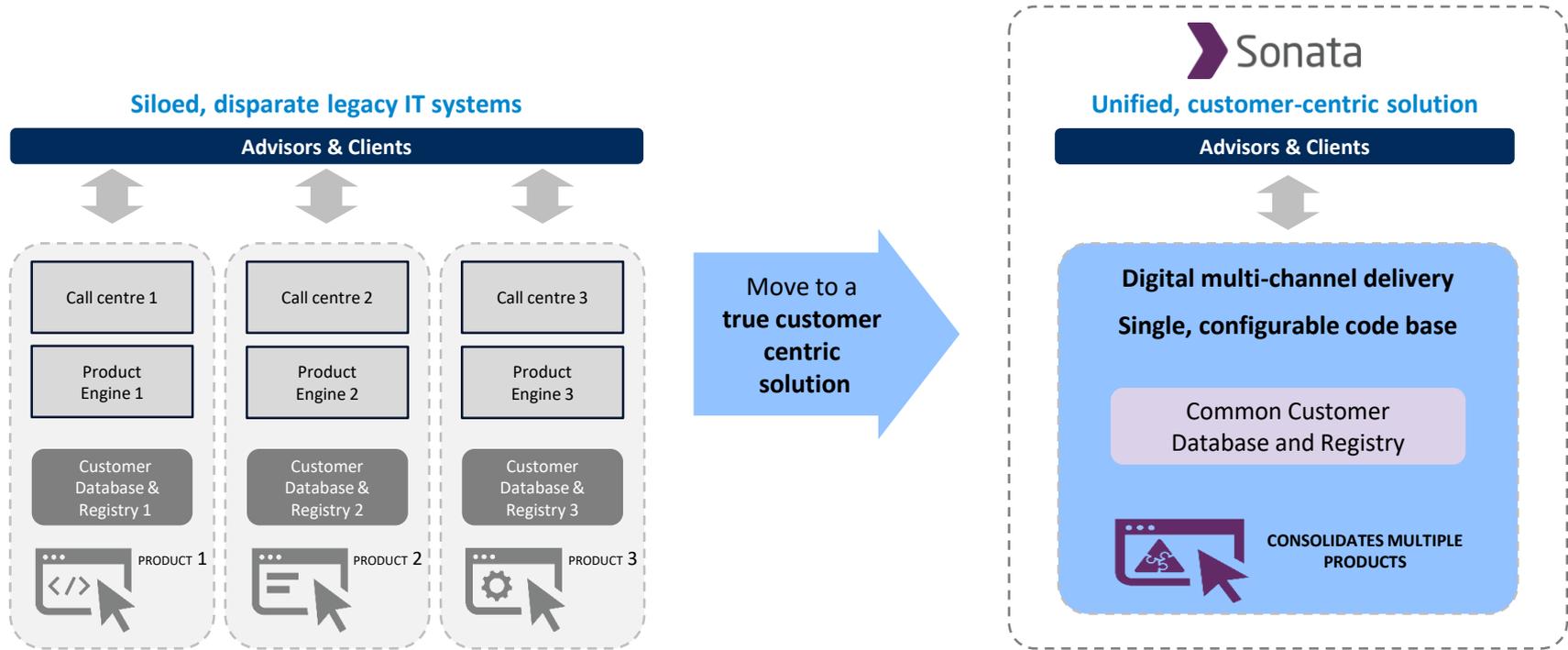
... can be solved by Sonata

- ✓ Regulatory risk management
- ✓ Leading technology and innovation
- ✓ Rapid product development
- ✓ Scale advantages and network effect
- ✓ Software investment

Sonata addresses the key issues currently faced by industry participants

➤ Sonata

SONATA SIMPLIFIES LEGACY CLIENT SYSTEMS



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