

ASX Release

20 February 2020

1H20 on track

Bravura Solutions Limited (ASX:BVS) (Bravura) has today announced its half-year results for the period ended 31 December 2019. Bravura is again pleased to report another period of growth coupled with continued operating leverage expansion. Midwinter and FinoComp were acquired during the period and are performing as expected with strong sales pipelines.

1H20 result on track

- Group 1H20 revenue increased 6% to A\$135.1m (A\$127.4m in 1H19). Group 1H20 revenue excluding acquisitions increased 3%.
- Group 1H20 EBITDA¹ increased 7% to A\$25.5m (A\$23.7m in 1H19). Group 1H20 EBITDA excluding acquisitions increased 8%.
- Group 1H20 NPAT increased 21%² to A\$19.8m (A\$16.3m in 1H19). Group 1H20 NPAT excluding acquisitions increased 17%.
- Group EBITDA margin increased to 18.8% (18.6% in 1H19) reflecting continued operating leverage expansion.
- Group 1H20 EPS³ increased 7% to 8.1 cps.
- Unfranked interim dividend declared of 5.5cps, representing 68% of 1H20 NPAT.

Continued investment has positioned Bravura as a technology leader in its key markets

- Wealth Management sales pipeline remains strong, with significant opportunities across all key markets.
- Funds Administration delivered growth, with a pipeline of significant opportunities and increased operational efficiencies expected to support growth over time.
- Clients are placing a greater emphasis on procuring an ecosystem of solutions; this shift is benefitting Bravura's increased focus on greater product modularisation and a market proposition that involves a broader product portfolio across all of Bravura's offerings including the recent strategic acquisitions.

Wealth Management well placed, with significant sales opportunities from new clients and continuing project activity

- Wealth Management 1H20 revenue increased 1% to A\$91.0m (A\$90.4m in 1H19).
- Wealth Management 1H20 EBITDA decreased 11% to A\$26.0m (A\$29.4m in 1H19).
- Wealth Management 1H20 EBITDA margin decreased to 28.6% (32.5% in 1H19). The lower EBITDA and margin result reflected lower licence fees of A\$2.0m in 1H20, compared to A\$8.4m in 1H19. Excluding licence fees, the segment saw EBITDA growth and margin expansion of 136bps.
- The result was impacted by temporary delays in some major transformational client projects.

¹ The IFRS16 reporting line changes have not been applied to the calculation of EBITDA; EBITDA has been calculated in the same way as prior periods

² 1H20 NPAT includes a one-off A\$1.7m deferred tax credit arising from the acquisitions completed during the period which will reverse over time

³ EPS is based on NPAT over time-weighted average total shares outstanding

Funds Administration delivered growth driven by higher licence fees and increased implementation and project work

- Funds Administration 1H20 revenue increased 19% to A\$44.1m (A\$37.0m in 1H19).
- Funds Administration 1H20 EBITDA increased 44% to A\$19.6m (A\$13.7m in 1H19).
- Funds Administration 1H20 EBITDA margin expanded to 44.4% (36.9% in 1H19).
- The segment benefitted from higher licence fees of A\$3.2m in 1H20 compared to A\$0.7m in 1H19.
- Funds Administration also saw increased implementation and project work arising across its existing client base.

Midwinter and FinoComp businesses are performing as expected with strong sales pipelines

- Midwinter and FinoComp businesses are performing as expected with strong sales pipelines. Active cross-sell proposals and combined offerings across the Bravura product suite are in-flight.
- Midwinter is well placed to capitalise on continued change in the Australian financial advice industry and has also received significant interest from New Zealand financial institutions. FinoComp has a number of sales opportunities with new and existing UK clients.
- Acquisitions during the period contributed approximately A\$4m to revenue and collectively had a A\$0.8m contribution to NPAT. Acquisitions are expected to accelerate segment growth.
- Acquisitions are expected to make a contribution of ~A\$3m to FY20 NPAT.
- Both Midwinter and FinoComp are reported in the Wealth Management segment.

Strong financial position

- Operating cash outflow⁴ was A\$3.8m, representing cash conversion (including taxes paid) of -15% (34% in 1H19). Cash conversion (excluding taxes paid) was 21% (45% in 1H19). The cash conversion performance was as expected, driven by early payments received in the preceding period (152% in 2H19) and in line with the long-term trend.
- Strong financial position with net cash of A\$100.3m as at 31 December 2019.
- Bravura continues to evaluate a pipeline of additional acquisitive and organic growth opportunities.

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

“The 1H20 results are in line with our expectations, with continued investment positioning Bravura for long-term growth underpinned by a significant pipeline of sales opportunities from new clients. Group margins again expanded, reflecting the operating leverage inherent in the business. We are excited by the progress of Midwinter and FinoComp, with both businesses providing the group with strategic opportunities.”

⁴ Operating cash flow includes taxes paid

Summary of 1H20 financial performance

A\$m	1H19	1H20	\$ chg	% chg
Wealth Management ⁵	90.4	91.0	0.6	1%
Funds Administration	37.0	44.1	7.1	19%
Total revenue	127.4	135.1	7.7	6%
Wealth Management ⁶	29.4	26.0	-3.4	-11%
Funds Administration	13.7	19.6	5.9	44%
Corporate	-19.3	-20.2	-0.9	5%
EBITDA⁶	23.7	25.5	1.7	7%
D&A	-2.9	-4.4	-1.5	52%
EBIT	20.9	21.1	0.2	1%
Net interest and FX expense	-0.9	0.4	1.3	-144%
Profit before tax	20.0	21.6	1.6	8%
Tax expense ⁷	-3.6	-1.8	1.8	-50%
NPAT	16.3	19.8	3.5	21%
EPS (A\$ cps)⁸	7.6	8.1	0.5	7%

Summary of 1H20 financial performance – impact of acquisitions

A\$m, 1H20	Excluding acquisitions	Acquisitions	Including acquisitions
Wealth Management	87.0	4.1	91.0
Funds Administration	44.1	0.0	44.1
Total revenue	131.1	4.1	135.1
Wealth Management	26.1	-0.1	26.0
Funds Administration	19.6	0.0	19.6
Corporate	-20.2	-0.0	-20.2
EBITDA⁷	25.6	-0.1	25.5
D&A	-3.8	-0.6	-4.4
EBIT	21.8	-0.7	21.1
Net interest and FX expense	0.5	-0.1	0.4
Profit before tax	22.4	-0.8	21.6
Tax expense ⁸	-3.3	1.5	-1.8
NPAT	19.0	0.8	19.8
EPS (A\$ cps)⁹	7.8	0.3	8.1

⁵ Midwinter and FinoComp acquisitions are reported within Wealth Management

⁶ The IFRS16 reporting line changes have not been applied to the calculation of EBITDA; EBITDA has been calculated in the same way as prior periods

⁷ 1H20 tax expense includes a one-off A\$1.7m deferred tax credit arising from the acquisitions completed during the period which will reverse over time

⁸ EPS is based on NPAT over time-weighted average total shares outstanding

Wealth Management performance

Revenue increased 1% to A\$91.0m in 1H20, up from A\$90.4m in 1H19. EBITDA decreased 11% to A\$26.0m in 1H20, down from A\$29.4m in 1H19. EBITDA margin decreased to 28.6% in 1H20, down from 32.5% in 1H19.

The lower EBITDA and margin result reflected lower licence fees of A\$2.0m in 1H20, compared to A\$8.4m in 1H19. Excluding licence fees, the segment saw EBITDA growth and margin expansion.

Midwinter and FinoComp during the period contributed approximately A\$4m to revenue and collectively had a A\$0.8m contribution to NPAT. Acquisitions are expected to make a contribution of approximately A\$3m to FY20 NPAT. Wealth Management sales pipeline remains strong, with significant opportunities across all key markets.

A\$m	1H19	1H20	\$ chg	% chg
Wealth Management revenue	90.4	91.0	0.6	1%
Wealth Management EBITDA	29.4	26.0	-3.4	-11%
Wealth Management EBITDA margin	32.5%	28.6%		
Licence fees	8.4	2.0	-6.4	-76%

Funds Administration performance

Funds Administration revenue increased 19% to A\$44.1m, up from A\$37.0m in 1H19. Funds Administration EBITDA increased 44% to A\$19.6m, up from A\$13.7m in 1H19. EBITDA margin increased to 44.4% in 1H20, up from 36.9% in 1H19.

The segment benefitted from higher licence fees of A\$3.2m in 1H20 compared to A\$0.7m in 1H19. Funds Administration also saw increased implementation and project work arising across its client base.

Funds Administration is experiencing more opportunities than previously, as clients begin expanding their market propositions more broadly in the retail investments market. Bravura is converging its Wealth Management and Funds Administration product and operational groups to align its internal structure with the needs of its clients.

A pipeline of significant opportunities and increased operational efficiencies are expected to support growth in the segment over time.

A\$m	1H19	1H20	\$ chg	% chg
Funds Administration revenue	37.0	44.1	7.1	19%
Funds Administration EBITDA	13.7	19.6	5.9	44%
Funds Administration EBITDA margin	36.9%	44.4%		
Licence fees	0.7	3.2	2.5	357%

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 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 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 and increased operational efficiencies 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 significant opportunities is expected to support growth.

Midwinter and FinoComp acquisitions. The strategic acquisitions of Midwinter and FinoComp have expanded Bravura's addressable market. Midwinter is well placed to take advantage of continued change in the Australian financial advice industry as well as other geographies in which Bravura currently operates. FinoComp has a number of sales opportunities with new and existing UK clients. Active cross-sell proposals and combined offerings across the Bravura product suite are in flight.

Commenting on the market outlook, Mr Klim said:

"Bravura is well positioned to take advantage of strong demand for its product portfolio across all our markets. There are a number of large transformation opportunities that we are pursuing. The nature and size of these opportunities (size and complexity, M&A/competition activities, regulatory approvals, cost profiles) make timing of closure more difficult to predict. Bravura continues to excel and meet its purpose of making our customers more successful. In markets where there is significant change and disruption, the world's financial institutions are able to consistently rely on Bravura for innovative technology solutions that allow them to achieve their long-term strategic goals."

Guidance

Full-year 2020 NPAT growth excluding the impact of acquisitions is expected to be in the mid-teens. Acquisitions are expected to make an additional contribution of ~A\$3m of FY20 NPAT.

Teleconference details

A teleconference and webcast briefing for analysts and investors will be held at 9:15am Australian Eastern Daylight Time (AEDT). Participants can pre-register for the teleconference here:

<https://s1.c-conf.com/diamondpass/10003940-invite.html>

Conference ID: 10003940

Direct phone number: +61 2 9007 3187

Country	Toll Free Phone Number
Australia	1800 870 643
Canada/United States	1855 881 1339
Hong Kong	800 966 806
New Zealand	800 453 055
Singapore	800 1012 785
United Kingdom	0800 051 8245

Webcast link: <https://webcast.openbriefing.com/5834/>

The webcast is accessible 15 minutes before the briefing starts.

– ENDS –

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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. Our software solutions enable our clients to increase speed to market, provide a seamless digital experience and address ongoing changes in financial services regulation. Backed by over 30 years of experience, our on-premise, managed, hosted and cloud solutions are used by many of the world's leading financial institutions, who entrust trillions of dollars in assets to our systems. We support our clients with a team of more than 1,400 people in 12 offices across Australia, New Zealand, United Kingdom, Europe, Africa, and Asia.

To learn more, visit www.bravurasolutions.com.