

ASX Release

28 August 2018

Sonata underpins FY18 performance, with outstanding results across key metrics

Bravura Solutions Limited (ASX:BVS) (Bravura) has today announced its full-year results for the period ended 30 June 2018.

Strong FY18 financial results across key financial metrics

- Group FY18 revenue increased 15% to A\$221.5m (A\$191.9m in FY17)
- Group FY18 EBITDA increased 18% to A\$38.6m (A\$32.6m in FY17)
- Group FY18 underlying NPAT increased 27% to A\$27.0m (A\$21.4m¹ in FY17)
- Group FY18 underlying EPS increased 27% to 12.6cps
- Final unfranked dividend declared of 4.5cps

Wealth Management segment result underscores strong operating leverage

- Wealth Management FY18 revenue increased 26% to A\$155.1m (A\$122.7m in FY17)
- Wealth Management FY18 EBITDA increased 52% to A\$46.2m (A\$30.3m in FY17)
- Wealth Management FY18 EBITDA margin expanded to 30% (25% in FY17)

Sonata delivers strong market-leading growth

- Sonata revenue increased 32% to A\$122.5m (A\$92.8m in FY17), representing 55% of group revenue
- Achieved client wins in all key markets, comprising the UK, Australia, New Zealand, and South Africa
- A\$30m invested in Sonata development in FY18, of which 71% was client-funded (57% in FY17)

Funds Administration segment returned to growth in 2H18

- Funds Administration FY18 revenue decreased 4% to A\$66.4m (A\$69.2m in FY17)
- Funds Administration FY18 EBITDA decreased 16% to A\$26.7m (A\$31.7m in FY17)
- 2H18 revenue was up 8% on 2H17 and up 20% on 1H18, with FY18 EBITDA margin at 40%

Strong performance delivers excellent shareholder returns

- Operating cash flow² increased to A\$46.2m, representing cash conversion of 120%
- FY18 return on equity³ of 25% and FY18 return on assets⁴ of 20%
- Final unfranked dividend declared of 4.5cps, bringing full-year dividends declared to 9.0cps, representing 71% of FY18 EPS

¹ FY17 NPAT reconciliation provided in the FY18 Result Presentation, slide 17

² Operating cash flow includes taxes paid

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

⁴ Return on assets is based on EBITDA over average total assets



Solid balance sheet and strong sales pipeline underpinning favourable outlook and guidance

- Solid balance sheet with net cash of A\$24.8m as at 30 June 2018 capable of supporting additional growth opportunities
- Structural industry drivers expected to underpin demand for Sonata over the medium term
- Full-year 2019 EPS growth is expected to be in the mid-teens

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

“Bravura has delivered an outstanding set of financial results in FY18. We have seen robust demand from both existing and new clients, resulting in strong revenue growth. Combined with natural operating leverage, the business has seen significant earnings growth and excellent shareholder returns.”

Summary of FY18 financial performance

A\$m	FY17	FY18	\$ chg	% chg
Wealth Management	122.7	155.1	32.4	26%
Funds Administration	69.2	66.4	-2.8	-4%
Total revenue	191.9	221.5	29.6	15%
Wealth Management	30.3	46.2	15.9	52%
Funds Administration	31.7	26.7	-5.0	-16%
Corporate	-29.4	-34.4	-5.0	17%
EBITDA	32.6	38.6	6.0	18%
D&A	-8.3	-7.1	1.2	-14%
EBIT	24.4	31.5	7.1	29%
Net interest and FX expense	-0.8	-0.7	0.1	-7%
Tax expense	-2.2	-3.7	-1.5	68%
Underlying NPAT	21.4	27.0	5.7	27%
Net significant items	-6.9	0.0	6.9	nm
Reported NPAT	14.4	27.0	12.6	87%
Underlying EPS⁵ (A\$ cps)	10.0	12.6	2.6	27%
Reported EPS⁵ (A\$ cps)	6.7	12.6	5.9	87%

⁵ FY17 reported and underlying EPS presented on a constant share count basis



Wealth Management performance

Revenue increased 26% to A\$155.1m in FY18, up from A\$122.7m in FY17. EBITDA increased 52% to A\$46.2m in FY18, up from A\$30.3m in FY17. The strong revenue growth comes following new client wins, continuing project work, and increasing demand from existing clients.

Sonata revenue increased 32% and now makes up 55% of total revenue (48% in FY17).

EBITDA margin expanded to 30% in FY18, up from 25% in FY17. The increase reflects strong operating leverage inherent in the underlying business model.

Wealth Management achieved client wins in all key markets, comprising the UK, Australia, New Zealand and South Africa with a strong pipeline of opportunities coupled with increased operating leverage.

A\$m	FY17	FY18	\$ chg	% chg
Wealth Management revenue	122.7	155.1	32.4	26%
Wealth Management EBITDA	30.3	46.2	15.9	52%
Wealth Management EBITDA margin	25%	30%		

Funds Administration performance

Funds Administration revenue decreased 4% to A\$66.4m, down from A\$69.2m in FY17. Funds Administration EBITDA decreased 16% to A\$26.7m, down from A\$31.7m in FY17. The performance reflects the impact of the previously flagged contract expiry in 1H18. 2H18 revenue was up 8% on 2H17 and up 20% on 1H18. FY18 EBITDA margin stood at 40%.

Bravura's strong market credentials in providing digital solutions and straight through messaging capabilities underpins a pipeline of contracted work from existing clients. A pipeline of new client opportunities as well as existing clients is expected to underpin growth into FY19.

The SaaS offering creates new opportunities for growth in the UK 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	FY17	FY18	\$ chg	% chg
Funds Administration revenue	69.2	66.4	-2.8	-4%
Funds Administration EBITDA	31.7	26.7	-5.0	-16%
Funds Administration EBITDA margin	46%	40%		



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, underpinning high cost structures, lack product flexibility, lack responsiveness to changes in regulatory regimes, and are struggling to meet the 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. Bravura has good visibility of its strong sales pipeline over a 12- to 18-month period.

Sonata is well positioned. Bravura's increasing investment in Sonata continues to support 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 underpins Funds Administration. Bravura's strong market credentials in providing digital solutions and straight through messaging capabilities underpins a pipeline of contracted work from existing clients. A pipeline of new client opportunities as well as existing clients is expected to underpin growth into FY19.

Commenting on the market outlook, Mr Klim said:

"Sonata has clearly demonstrated that years of development activity in collaboration with our clients has produced a world-class product in a market-leading position and is delivering excellent shareholder returns. With a strong pipeline of client opportunities, a solid balance sheet position and increasing scale benefits, Bravura enters FY19 in a compelling position to capitalise on further sales and investment opportunities."

Guidance

As a result of strong recurring revenue and new sales opportunities, full-year 2019 EPS growth is expected to be in the mid-teens.



Teleconference details

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

<https://services.choruscall.com.au/diamondpass/Bravura-834849-invite.html>

Conference ID: 834849

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 details

Link: <http://www.openbriefing.com/OB/3013.aspx>

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. 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 1,200 people in 12 offices across Australia, New Zealand, United Kingdom, Europe, Africa, and Asia.

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