

Half Year 2017 Results Presentation

Bravura Solutions Limited



27 February 2017

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Today's presenters



Tony Klim

Chief Executive Officer



Martin Deda

Chief Financial Officer

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H1 2017 highlights

H1 2017 highlights

IPO prospectus forecast exceeded in H1 2017

H1 EBITDA exceeds H1 IPO Forecast

- Group H1 operating EBITDA of **\$18.2 million** exceeding IPO prospectus forecast H1 operating EBITDA of **\$17.7 million**¹
- Group operating EBITDA margin **19.5%** versus **13.1%** in the prior comparative period (pcp)
- Strong financial position with significant cash balance of **\$23.1 million** as at 31 December 2016 and no debt

Significant Wealth Management revenue growth

- Wealth Management revenue increased to **\$57.8 million**, reflecting growth versus pcp of **10.0%** based on actual currency, and growth of **19.5%** on a constant currency² basis
- Sonata revenue now accounts for **72.6%**, or **\$41.9 million**, of Wealth Management revenue, reflecting growth of **19.5%** based on actual currency, and **33.4%** on constant currency² basis
- Wealth Management Segment Operating EBITDA margin **26.6%** versus **15.8%** pcp, reflecting higher operating leverage driven by new Sonata contracts signed in Australia and the UK in H1 2017

Sustained Funds Administration revenue growth

- Funds Administration H1 revenue increased to **\$35.7 million** from **\$34.6 million**, reflecting growth versus pcp of **3.3%** on a constant currency basis²
- Funds Administration Segment operating EBITDA margin of **48.2%** versus **44.7%** pcp

Market demand for Bravura's products continues to be strong

- New major Australian and UK Sonata clients signed in H1 2017
- 2 new Funds Administration SaaS sales completed in H1 2017
- New Australian sale of Garradin completed in H1 2017
- Sales pipeline remains strong with no visible impact from BREXIT other than FX
- Strong and growing Wealth Management Segment revenue driven by existing and new clients

Notes:

¹ Group forecast for H1 2017 based on 55% of FY17 full year EBITDA prospectus forecast of \$32.3 million

² H1 2016 restated using H1 2017 average foreign exchange rates in order show constant currency comparison

Overview

Bravura is a market leading global provider of enterprise software and software-as-a-service (SaaS) to the wealth management and funds administration industries

- ✓ Attractive financial profile, demonstrated by high revenue growth and increasing operating leverage
- ✓ More than 70 blue chip clients with \$2.3 trillion AUA
- ✓ Over \$100 million invested in Sonata to date, flagship software product investment continues
- ✓ Broad geographic footprint with 12 offices throughout 8 countries in APAC and EMEA
- ✓ Supported by large addressable market with favourable industry tailwinds
- ✓ Sonata is a market leading Wealth Management / Funds Administration software product

Overview of reporting Segments

Wealth Management

- Enterprise software, installed or hosted, that enables financial services companies to manufacture, distribute and transact across products such as super, pensions, bonds, equities and life insurance
- Key clients include: Fidelity International, Scottish Friendly, Prudential, Mercer, TAL and Westpac NZ
- H1 2017 Segment operating EBITDA of \$15.4 million, representing +85.5% growth on pcp based on actual currency

Funds Administration

- Enterprise software that enables custodians and fund managers to record ownership, price and manage transactions across investment products
- Key clients include: Bank of New York Mellon, Legal & General, Schroders, Citi
- H1 2017 Segment operating EBITDA of \$17.2 million, representing +12.3% growth on pcp on a constant currency¹ basis, and a -8.9% decline on a actual currency basis due to the depreciation of the GBP over the period

Notes:

¹ H1 2016 restated using H1 2017 average foreign exchange rates in order show constant currency comparison. Funds Administration H1 2017 Segment EBITDA on a constant currency basis increased \$1.9 million to \$17.2 million (representing +12% growth on pcp)

Large addressable market with significant tailwinds

Bravura operates in attractive industries, that are experiencing sustained growth driven by the need to reduce costs, simplify legacy systems, meet evolving regulatory requirements, grow assets under management and focus on client centric solutions

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 with the benefits of Bravura’s Sonata software

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

Sonata addresses the key issues currently faced by industry participants

 Sonata

Financial information by Segment

H1 2017 financial results

Strong financial performance exceeding prospectus forecasts

A\$m	Pro forma ¹ result H1 2017	Pro forma ¹ result H1 2016	Growth		Constant currency ² H1 2016	% Growth
			A\$m	%		
Revenue	93.5	94.8	(1.3)	-1.4 %	82.9	+12.8 %
Operating EBITDA	18.2	12.5	5.7	+46.2 %	9.2	+97.1 %
NPAT	12.6	7.0	5.6	+79.2 %	4.2	+199.5 %
Key metrics						
Wealth Management revenue (A\$m)	57.8	52.5	5.3	+10.0 %	48.3	+19.5%
Funds Administration revenue (A\$m)	35.7	42.3	(6.6)	-15.5 %	34.6	+3.3%
Wealth Management Segment operating EBITDA (A\$m)	15.4	8.3	7.1	+85.5 %	7.3	+109.8 %
Funds Administration Segment operating EBITDA (A\$m)	17.2	18.9	(1.7)	-8.9 %	15.3	+12.3 %
Operating EBITDA margin (%)	19.5 %	13.1 %		+6.3 ⁴	11.1%	+8.3 ⁴

Notes:

¹ Proforma EBITDA and NPAT have been prepared consistently with the IPO Prospectus, adjusting for the removal of the impact of \$2.7m IPO transaction fees and the Company's historical capital structure (H1 2017 \$4.4m of net finance expense and H1 2016 \$6.0m of net finance expense)

² H1 2016 restated using H1 2017 average foreign exchange rates in order show constant currency comparison

³ H1 2017 Prospectus Forecast EBITDA of \$17.7 million (55% of FY17 full year EBITDA prospectus forecast of \$32.3 million)

⁴ Margin points

Commentary

- Group H1 2017 operating EBITDA of \$18.2 million exceeds IPO prospectus forecast of \$17.7 million³
- Pro forma Group revenue of \$93.5 million, +12.8% versus pcp on constant currency² basis, and -1.4% on an actual currency basis
- Pro forma NPAT of \$12.6 million, +199.5% versus pcp on constant currency² basis (and +79.2% on an actual currency basis)
- Wealth Management Segment revenue growth driven by significant new client wins in H1 2017, and revenue from existing clients
- Total number of Sonata clients at 31 December 2016 was 18, following 2 client wins in H1 2017
- Funds Administration Segment revenue grew +3.3% to \$35.7 million on pcp based on a constant currency² basis, declining -15.5% on actual currency basis impacted by the depreciation of the GBP over the period
- Strong improvement in operating EBITDA margin
- As at 31 December 2016 Bravura had cash balance of \$23.1m, and nil drawn debt

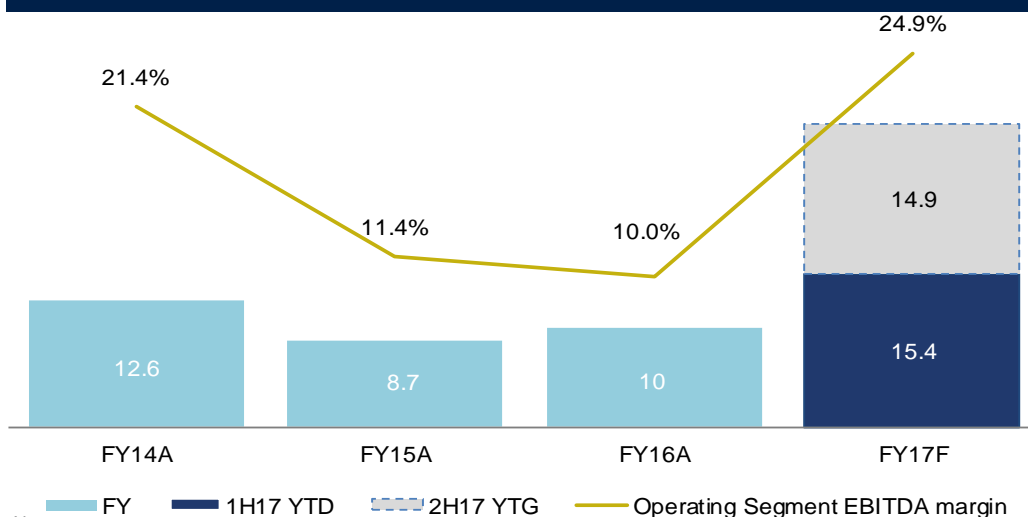
Wealth Management

New sales of Sonata is driving Wealth Management Segment revenue growth

Pro forma financials

A\$m	Actual H1 2017	Actual H1 2016	Growth (%)	Constant currency ¹ H1 2016	Constant currency % growth
Wealth Management revenue	57.8	52.5	+10.0 %	48.3	+19.5 %
Sonata revenue	41.9	35.1	+19.5 %	31.4	+33.4 %
Segment operating EBITDA	15.4	8.3	+85.5 %	7.3	+109.8 %
Segment operating EBITDA margin (%)	26.6 %	15.8 %	+10.8 ²	15.2 %	+11.5 ²

Pro forma Segment Operating EBITDA (A\$m)



Notes:

¹ H1 2016 restated using H1 2017 average foreign exchange rates in order to show constant currency comparison

² Margin points

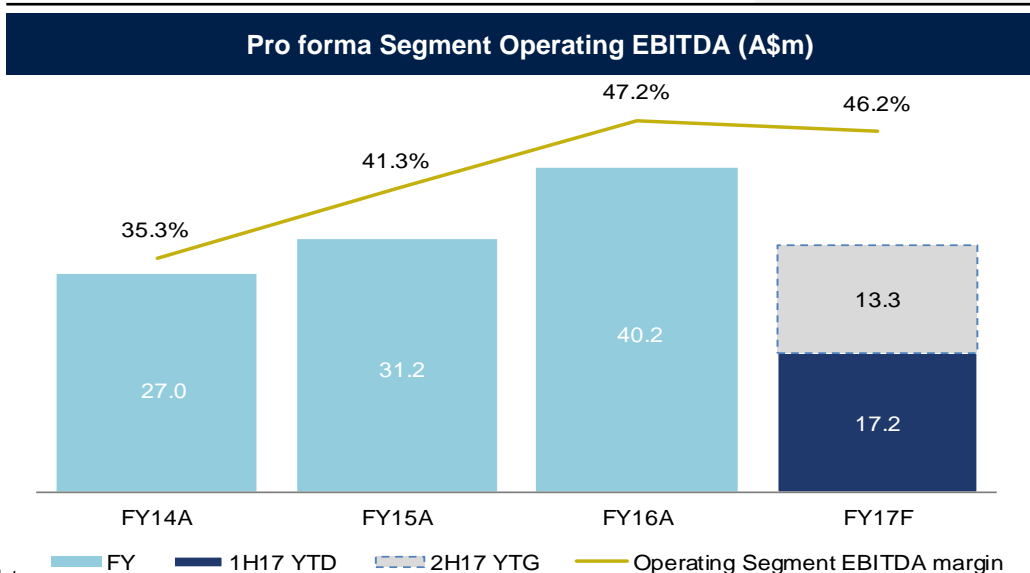
Commentary

- Wealth Management Segment revenue increased +10.0% to \$57.8 million versus pcp, or +19.5% on a constant currency¹ basis
- Sonata revenue increased by +19.5% to \$41.9 million versus pcp, or +33.4% on a constant currency¹ basis
- Sonata revenue growth driven by new sales and increase in professional services revenue from existing clients
- Segment operating EBITDA increased +85.5% to \$15.4 million versus pcp, representing 51% of FY17 EBITDA prospectus forecast in H1 2017
- Operating EBITDA margins increased through higher operating leverage driven by major new Sonata contracts signed in UK and Australia in H1 2017
- Significant new Garradin client win in Australia in H1 2017

Funds Administration

High margin Funds Administration business continues to provide stable, strong cash flows due to its mature products and 'sticky' client base. Revenue and costs are denominated 88% and 77% in GBP, respectively

Pro forma financials					
A\$m	Actual H1 2017	Actual H1 2016	Growth (%)	Constant currency ¹ H1 2016	Constant currency Growth (%)
Funds Administration revenue	35.7	42.3	-15.5%	34.6	+3.3 %
Segment operating EBITDA	17.2	18.9	-8.9%	15.3	+12.3 %
Segment operating EBITDA margin (%)	48.2 %	44.7 %	+3.5 ²	44.3 %	+3.9 ²



Notes:
¹ H1 2016 restated using H1 2017 average foreign exchange rates in order to show constant currency comparison
² Margin points

Commentary

- H1 2017 Segment revenue growth on a constant currency¹ basis of +3.3% driven by new SaaS sales and sale of Babel licence signed in H1 2017
- Funds Administration Segment revenue declined -15.5% to \$35.7 million versus pc, impacted by the depreciation of the GBP over CY 2017, with 88% of Funds Administration revenues denominated in GBP
- Funds Administration Segment operating EBITDA increased +12.3% to \$17.2m on a constant currency¹ basis, however declined -8.9% on an actual currency basis due to the depreciation of the GBP over the period
- H1 2017 operating EBITDA represented 56% of forecast FY17 Funds Administration Segment operating EBITDA of \$30.5 million
- Effective cost management improved operating EBITDA margins in H1 2017 by 3.5 margin points versus pc
- Strong pipeline outlook in H2, with new pipeline prospects for Sonata sales to Funds Administration clients

Research and development

Development capital expenditure is expected to decrease following FY 2017 as non-client funded development reduces and more development is client funded

Development expenditure (A\$m)

A\$m	FY 2014	FY 2015	FY 2016	FY 2017F	H1 2017
Sonata development revenue ¹	5.0	11.2	13.9	17.8	5.4
Sonata development costs	(5.4)	(12.0)	(11.1)	(15.2)	(5.9)
Net Sonata development (costs) / revenue	(0.4)	(0.8)	2.8	2.6	(0.5)
Development operating expense	(1.7)	(2.2)	(2.1)	(2.6)	(1.3)
Development capital expenditure	(5.5)	(8.8)	(4.0)	(6.6)	(4.5)
Total development expenditure	(7.2)	(11.0)	(6.1)	(9.2)	(5.8)
Net Sonata development and development expenditure	(7.6)	(11.8)	(3.3)	(6.6)	(6.4)
Total expenditure ²	(12.6)	(23.0)	(17.2)	(24.4)	(11.7)
Total expenditure as % of operating revenue	9.6%	15.7%	9.5%	13.0%	13.0%

¹ Client-funded development is charged to clients as professional services revenue and is not capitalised. Consequently, development capital expenditure is expected to decrease in the future as non client-funded development reduces and more development is client-funded





Notes:

² Total expenditure represents the sum of Sonata development costs and total development expenditure

Commentary

- Total Sonata R&D expenditure of \$11.7 million in H1 2017, \$4.5 million of which was Capitalised. \$7.2m was expensed.
- Main development capex in H1 2017 related to:
 - Defined benefits
 - Group life
 - Multi currency
- Sonata development revenue is expected to increase in H2 on the basis of the new client wins in H1 2017 and Forecast in H2 2017

Outlook

-  Bravura confirms FY17 prospectus forecast guidance
-  Strong Sonata new sales pipeline, driven by favourable structural tailwinds and increasing IT spend
-  South African strategy beginning to yield Sonata opportunities
-  Sales pipeline remains strong with no visible impact from BREXIT other than FX
-  Additional new pipeline opportunities for Sonata in the Funds Administration Segment and further Funds Administration SaaS sales
-  Continued investment in Sonata development will enhance our core platform, maintaining its leading position and creating new market opportunities

Q&A

Financial results

APPENDIX

Statutory Income Statement

A\$m	Actual H1 2017	Actual H1 2016	Change (%)
Wealth Management operating revenue (A\$m)	57.8	52.5	+10.0 %
Funds Administration operating revenue (A\$m)	35.7	42.3	-15.5 %
Revenue	93.5	94.8	-1.4 %
Total operating expenses	75.3	82.3	+8.6%
EBITDA	18.2	12.5	+46.0%
Depreciation and amortization expense	4.0	4.1	+1.9%
EBIT	14.2	8.4	+69.4%
Financing exchange loss	1.2	0.3	-307.1%
Finance costs	4.4	6.0	-26.3%
NPBT	8.6	2.1	+304.3%
IPO transaction fees	2.7	-	-100.0%
Income tax expense	0.4	1.1	+60.7%
NPAT	5.5	1.1	+410.0%

Commentary

- The depreciation of the GBP vs AUD following Brexit, from approximately 2.1:1 in H1 2016 to approximately 1.7:1 in H1 2017, impacted revenue received and costs incurred in the UK and gave rise to the bulk of the financing FX losses.
- Net finance expense primarily relates to the cost of the debt facilities repaid at IPO.

Balance sheet

A\$000	Actual 31-Dec-16	Actual 30-Jun-16
Cash and cash equivalents	23.1	29.1
Trade and other receivables	26.1	18.9
Other	4.4	5.0
Current assets	53.6	53.0
Intangible assets	108.6	105.7
Other	14.5	15.1
Non-current assets	123.1	120.8
Total assets	176.7	173.8
Borrowings	-	12.0
Deferred revenue	32.5	26.1
Other	39.5	31.1
Current liabilities	72.0	69.2
Borrowings	-	49.9
Redeemable preference shares	-	59.7
Other	6.2	7.0
Non-current liabilities	6.2	116.6
Total liabilities	78.2	185.9
Total equity	98.5	(12.1)

Commentary

- Bank debt and redeemable preference shares paid out at IPO
- Strong cash generation in H1 2017
- Intangible assets include the goodwill, IP and client contacts acquired through acquisitions as well as capitalised software development Sonata, net of accumulated amortisation
- Fees for services received in advance are recorded as a liability within deferred revenue and these amounts are amortised to revenue over the relevant period of the contract which is in line with the provision of the services

Cash flow

A\$000	HY Actual 31-Dec-16	HY Actual 31-Dec-15
Receipts	110.5	114.1
Payments	(90.6)	(97.8)
Payments of IPO transaction fees	(2.2)	-
Taxes Paid	(1.0)	(0.7)
Cash flow from operating activities	16.7	15.6
Cash flow from investing activities	(6.0)	(2.6)
Proceeds from share issue	114.6	-
Payments of IPO transaction costs	(7.4)	-
Repayment and interest of bank and finance lease facilities	(60.3)	(5.7)
Redemption of RPS	(62.7)	-
Cash flow from financing activities	(15.8)	(5.7)
Total cash flow (including currency impact)	(5.1)	7.3
Cash and cash equivalents at end of the half year	23.1	26.5
<i>Operating cash flow to EBITDA conversion</i>	<i>91.8%</i>	<i>124.8%</i>

Commentary

- Bank debt and redeemable preference shares paid out at IPO
- Strong cash generation in H1
- Continued strong operational cash flow to EBITDA conversion
- Operating cash flow conversion ratio excluding IPO transaction fees is 103.8%

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Thank you