

ASX Release

26 February 2018

1H18 Financial Results

Bravura Solutions Limited (ASX:BVS) (Bravura) has today announced its half-year results for the period ended 31 December 2017.

1H18 financial highlights

- Continued regulatory change, expanding digital distribution channels, and the desire for increased operating efficiency across the financial services industry, coupled with a maturing industry in emerging markets, are driving Bravura's growth
- Wealth Management revenue up 26% to A\$72.8m offsetting the previously flagged loss of a Funds Administration contract to drive Group Revenue up 10% to A\$102.9m
- Wealth Management EBITDA up 40% to A\$21.6m outpacing Funds Administration EBITDA and investment in Corporate, to increase Group EBITDA by 2% to \$18.5m
- Both Funds Administration and Wealth Management are expected to grow in 2H FY18
- Underlying NPAT increased 13% to A\$14.2m
- Dividend declared of 4.5 cents per share, representing 68% of EPS
- Return on equity of 24%¹
- Net cash of A\$9.9m as at 31 December 2017

Commenting on the 1H18 financial highlights, Mr Klim, Chief Executive Officer said:

"The business has had an excellent start to the 2018 financial year, with strong momentum in our key markets across EMEA and APAC. Pleasingly, we have seen strong demand from our existing clients as well as onboarding new clients. The balance sheet puts Bravura in a strong financial position to take advantage of organic and acquisitive investment opportunities. Bravura's sound business model and operating leverage has generated outstanding returns during the period."

Sonata highlights

- Sonata revenue increased 35% to A\$56.7m
- Achieved client wins in South Africa (Discovery) and New Zealand (ASB Bank)
- Sonata now represents 55% of total revenue
- Development expenditure is now majority client-funded, with 64% of Sonata R&D expenditure in 1H18 funded by clients (50% in 1H17)

Commenting on the 1H18 Sonata highlights, Mr Klim said:

"Sonata has seen significant growth with revenues up 35% during the period. We are also now entering a period where development activity is making an important contribution to our overall earnings. Sonata's modern and scalable digital technology platform is uniquely positioned and is becoming a leading product of choice across multiple markets and geographies in a very short space of time."

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

Group performance

Revenue increased 10% to A\$102.9m in 1H18 from A\$93.5m in 1H17. The strong revenue performance was driven by new clients across Bravura's operating regions of EMEA and APAC, and increased project work from Bravura's existing clients, underpinned by long-term contracts.

EBITDA increased 2% to A\$18.5m in 1H18 from A\$18.2m in 1H17. 1H18 EBITDA margin was 18%. The earnings performance was driven by continued strong growth in Wealth Management margins, offsetting the previously flagged loss of a Funds Administration client. Funds Administration is expected to return to growth in 2H FY18.

Underlying NPAT increased 13% to A\$14.2m in 1H18 from A\$12.6m in 1H17. Net interest costs were lower, reflecting lower total debt carried on the balance sheet.

Operating cash flow decreased to A\$14.6m in 1H18 from A\$16.7m in 1H17. Working capital consumption has increased due to investment in recruitment and training to support the growth in professional services revenue.

A dividend of 4.5 cents per share was declared, representing 68% of EPS. This is in line with the Board's dividend policy of paying out between 60 and 80% of underlying earnings. The business delivered a **return on equity** of 24% in 1H18.

The **balance sheet** was in a net cash position of A\$9.9m as at 31 December 2017.

A\$m	1H17	1H18	\$ chg	% chg
Wealth Management	57.8	72.8	15.0	26%
Funds Administration	35.7	30.1	-5.6	-16%
Total revenue	93.5	102.9	9.4	10%
Wealth Management	15.4	21.6	6.2	40%
Funds Administration	17.2	12.8	-4.4	-26%
Corporate	-14.4	-15.9	-1.5	10%
EBITDA	18.2	18.5	0.3	2%
D&A	-4.0	-3.9	0.1	-3%
EBIT	14.2	14.6	0.4	3%
Net interest and FX expense	-1.2	-0.6	0.6	-51%
Tax expense	-0.4	0.2	0.6	nm
Underlying NPAT	12.6	14.2	1.7	13%
Net significant items	-7.1	0.0	7.1	nm
Reported NPAT	5.5	14.2	8.7	160%
Underlying EPS (A\$ cps)	5.9	6.6	0.8	13%
Reported EPS (A\$ cps)	2.6	6.6	4.1	160%



Wealth Management performance

Revenue increased 26% to A\$72.8m in 1H18, up from A\$57.8m in 1H17. EBITDA increased 40% to A\$21.6m in 1H18, up from A\$15.4m in 1H17. The significant revenue growth comes following new client wins, continuing project work from FY17 sales, and increased demand from existing clients.

Sonata revenue increased 35% and now makes up 55% of total revenue (45% in 1H17).

EBITDA margin expanded to 30% in 1H18, up from 27% in 1H17. The increase reflects strong operating leverage evident in the increase in recurring revenue and professional services margins.

Wealth Management achieved client wins in South Africa (Discovery) and New Zealand (ASB Bank) with a strengthening pipeline of opportunities across EMEA and APAC coupled with increased operating leverage.

A\$m	1H17	1H18	\$ chg	% chg
Wealth Management revenue	57.8	72.8	15.0	26%
Wealth Management EBITDA	15.4	21.6	6.2	40%
Wealth Management EBITDA margin	27%	30%		

Funds Administration performance

Funds Administration revenue decreased 16% to A\$30.1m, down from A\$35.7m in 1H17. Funds Administration EBITDA decreased 26% to A\$12.8m, down from A\$17.2m in 1H17. The performance reflects the impact of the previously flagged contract expiry. The EBITDA margin remained above 40%, with a strong pipeline of new client opportunities expected to return the segment to growth in 2H FY18.

There was strong underlying business momentum with 4 clients now live for Bravura's SaaS offering and further SaaS implementations scheduled for 2018. The segment has a strong pipeline of contracted work in 2H18 from existing clients, including greater use of Funds Administration's digital solutions and straight through messaging capabilities.

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	1H17	1H18	\$ chg	% chg
Funds Administration revenue	35.7	30.1	-5.6	-16%
Funds Administration EBITDA	17.2	12.8	-4.4	-26%
Funds Administration EBITDA margin	48%	42%		



Market outlook

Large addressable market. Bravura's product functionality supports the pensions, life insurance, investment products, and wrap platform markets across EMEA and APAC, which comprises a large number of blue-chip financial services organisations. Organisations in these markets are still running multiple legacy or competitor's systems, underpinning high cost structures, lack of 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 large and growing sales pipeline across its key markets and across its geographic regions of EMEA and APAC, 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 strengthening sales pipeline over a 12- to 18-month period.

Sonata is well positioned. Bravura's increasing investment in Sonata continues to position the product ahead of the competition. Increasing scale and efficiency, reduced competition, and better pricing offerings 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.

Commenting on the market outlook, Mr Klim said:

"Following significant investment in our flagship product, we are seeing Sonata generating strong returns for our business. Importantly, Sonata is mission-critical to our clients and a key factor in their success. Coupled with a substantial sales pipeline and significant operating leverage, we head into the second half of the financial with a high degree of confidence that the business will perform in line with our expectations."

Guidance

As a result of strong demand, full-year 2018 guidance has now been revised upwards resulting in forecast underlying EPS growth in the high-teens.

– ENDS –



Teleconference details

A teleconference and webcast briefing for analysts and investors will be held at 09:30am Australian Eastern Daylight Time (AEDT). Participants can pre-register for the call here:

<https://services.choruscall.com.au/diamondpass/Bravura-645523-invite.html>

Conference ID: 645523

Direct phone number: +61 2 9007 3187

Country	Toll Free Phone Number
Australia	1800 558 698
Canada	1855 8811 339
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	(855) 881 1339

Webcast details

Link: <http://www.openbriefing.com/OB/2820.aspx>

The webcast is accessible 15 minutes before the briefing starts.

For investor enquiries, please contact:

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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 1,100 people in 12 offices across Australia, New Zealand, United Kingdom, Europe, Africa, and Asia.

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