

ASX Release

26 August 2020

Bravura continues strong growth

Bravura Solutions Limited (ASX:BVS) (Bravura) has today announced its full-year results for the period ended 30 June 2020. 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 have accelerated Bravura's overall strategy:

- Midwinter has extended Bravura's wealth management value chain offering by providing solutions that cover a broad range of adviser technology, and
- FinoComp has provided an expanding ecosystem of registry agnostic microservices, accelerating and expanding Bravura's strategy in this area.

FY20 guidance achieved

- Group FY20 revenue increased 6% to A\$274.2m (A\$257.7m in FY19).
- Group FY20 EBITDA¹ increased 19% to A\$57.8m (A\$48.6m² in FY19).
- Group FY20 NPAT increased 22% to A\$40.1m³ (A\$32.8m in FY19). Acquisitions delivered NPAT of A\$3.0m.
- Group EBITDA margin¹ increased to 21.1% (18.8% in FY19) reflecting continued operating leverage expansion.
- Group FY20 EPS increased 10% to 16.5cps.
- Unfranked final dividend declared of 5.5cps, bringing the full-year payout ratio to 67% of FY20 NPAT.

Impact of COVID-19

- A significant proportion of Bravura's products and services are delivered remotely, so Bravura was well equipped to handle the change to remote working entirely.
- Effective contingency planning led to continued support for existing clients without disruption.
- Bravura's smooth transition to remote working allowed the implementation of a technology solution that enabled Bravura clients to bulk handle the influx of early release of superannuation requests in response to COVID-19 legislative changes in Australia.
- Current sales opportunities continue to progress albeit with a lengthening of the sales cycle.

Continued investment has positioned Bravura as a technology leader

- Bravura's sales pipeline remains strong and growing, with significant opportunities across all key markets.
- Bravura, along with existing clients, continued to develop the Sonata offering, with R&D of over A\$36m invested across the product suite.
- Bravura's compelling value proposition, enhanced by an ecosystem of microservices, digital solutions and automation offerings, supports our clients in an increasingly remote engagement world while continuing to support their regulatory compliance and cost management.

¹ The IFRS16 reporting line changes have not been applied to the calculation of EBITDA

² Interest income of A\$0.5m was reclassified from corporate costs to interest income in FY19

³ FY20 NPAT includes a A\$2.3m deferred tax credit arising from the acquisitions completed during the period which will reverse over time

Wealth Management well placed, with significant sales opportunities

- Wealth Management FY20 revenue increased 2% to A\$180.4m (A\$176.8m in FY19).
- Wealth Management FY20 EBITDA decreased 2% to A\$52.9m (A\$53.9m in FY19).
- Wealth Management FY20 EBITDA margin decreased to 29.3% (30.5% in FY19). The lower EBITDA and margin result reflected lower licence fees of A\$7.9m in FY20, compared to FY19, which benefited from A\$10.4m in licence fees.
- The sales pipeline remains strong and growing, with significant opportunities across all key markets. The uncertainty arising from COVID-19 has resulted in a lengthening of the sales cycle.

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

- Funds Administration FY20 revenue increased 16% to A\$93.8m (A\$80.9m in FY19).
- Funds Administration FY20 EBITDA increased 33% to A\$43.0m (A\$32.3m in FY19).
- Funds Administration FY20 EBITDA margin expanded to 45.8% (40.0% in FY19).
- The segment benefitted from higher licence fees of A\$9.0m driven by a contract extension.
- Funds Administration also saw increased implementation and project work arising across its existing client base.

Market opportunities

Strong market demand has been driving three key themes that Bravura is well positioned to meet:

- **Digital solutions.** Accelerated by the impact of COVID-19, demand has grown for enhanced digital solutions across our product suite, from adviser through to core registry, that allow financial institutions to interact digitally with their end clients.
- **Automation.** The financial services industry continues to seek operational efficiencies that include decreased reliance on manual processes and outsourcing.
- **Microservices ecosystems.** Microservices are self-contained software that perform single functions that can be easily linked to all registry offerings. While their sales value is smaller, these solutions are quicker to implement and there are more opportunities for each microservice. The market continues to move towards implementing an ecosystem of microservices around core registry offerings.

Bravura continues its long history of R&D investment to strengthen and enhance its leading position to capitalise on these key market themes through FY21 and into FY22.

Strong financial position

- Operating cash flow (excluding taxes paid) was A\$32.4m in FY20, reflecting cash conversion of 56% (110% in FY19). Cash conversion was driven by significant early payments received in the preceding period (152% in 2H19). This is in line with the long-term trend.
- Trade receivables reduced to A\$23.8m as at 31 July 2020. Had this cash been collected in FY20, cash conversion (excluding taxes paid) would have been 91%.
- Strong financial position with net cash of A\$99.1m as at 30 June 2020.
- Bravura continues to evaluate a pipeline of additional acquisitive and organic growth opportunities.

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

“We are pleased to report our FY20 results, with continued investment and the acquisitions of FinoComp and Midwinter positioning Bravura for long-term growth driven by market demands for microservices ecosystems, digital solutions and automation. Midwinter and FinoComp expand our product ecosystem, integrating adviser and microservices solutions with our core registry offerings. As expected, group margins continued to expand, reflecting the benefits of scale and operating leverage in the business.”

Summary of FY20 financial performance

A\$m	FY19	FY20	\$ chg	% chg
Wealth Management ⁴	176.8	180.4	3.6	2%
Funds Administration	80.9	93.8	12.9	16%
Total revenue	257.7	274.2	16.5	6%
Wealth Management ⁴	53.9	52.9	-1.0	-2%
Funds Administration	32.3	43.0	10.6	33%
Corporate	-37.7	-38.1	-0.4	1%
EBITDA⁵	48.6	57.8	9.2	19%
D&A	-6.5	-9.4	-3.0	46%
EBIT	42.1	48.4	6.3	15%
Net interest and FX expense	-0.6	-1.2	-0.7	111%
Profit before tax	41.5	47.1	5.6	14%
Tax expense ⁶	-8.7	-7.0	1.7	-19%
NPAT	32.8	40.1	7.3	22%
EPS (A\$ cps)	15.0	16.5	1.5	10%

⁴ Midwinter and FinoComp acquisitions are reported within Wealth Management

⁵ The IFRS16 reporting line changes have not been applied to the calculation of EBITDA

⁶ FY20 tax expense includes a A\$2.3m deferred tax credit arising from the acquisitions completed during the period which will reverse over time

Wealth Management performance

Revenue increased 2% to A\$180.4m in FY20, up from A\$176.8m in FY19. EBITDA decreased 2% to A\$52.9m in FY20, down from A\$53.9m in FY19. EBITDA margin decreased to 29.3% in FY20, down from 30.5% in FY19.

The lower EBITDA and margin result reflected lower licence fees of A\$7.9m in FY20, compared to FY19, which benefitted from A\$10.4m in licence fees.

Midwinter and FinoComp contributed A\$3.0m to NPAT during the period.

Wealth Management sales pipeline remains strong, with significant opportunities across all key markets.

Bravura has seen accelerated demand from small to medium independent financial adviser groups in Australia and a growing pipeline for digital advice.

Bravura continued development work with existing clients to enhance the Sonata offering, investing over A\$36m in R&D across the product suite.

Amongst other sales, FinoComp signed a new contract with a new client, a UK financial services provider, to implement a broader suite of microservices which highlights the market demand for an ecosystem offering. Bravura is accelerating its investment in this product ecosystem strategy in order to capitalise on significant industry demand.

A\$m	FY19	FY20	\$ chg	% chg
Wealth Management revenue	176.8	180.4	3.6	2%
Wealth Management EBITDA	53.9	52.9	-1.0	-2%
Wealth Management EBITDA margin	30.5%	29.3%		
Licence fees	10.4	7.9	-2.4	-24%

Funds Administration performance

Funds Administration revenue increased 16% to A\$93.8m, up from A\$80.9m in FY19. Funds Administration EBITDA increased 33% to A\$43.0m, up from A\$32.3m in FY19. EBITDA margin increased to 45.8% in FY20, up from 40.0% in FY19.

The segment benefitted from higher licence fees of A\$9.0m in FY20 driven by a contract extension. Funds Administration also saw increased implementation and project work arising across its client base.

Bravura's strong market credentials in providing core fund administration systems, digital solutions and highly advanced straight through messaging capabilities are driving a pipeline of work from new and existing clients in current and new markets.

A\$m	FY19	FY20	\$ chg	% chg
Funds Administration revenue	80.9	93.8	12.9	16%
Funds Administration EBITDA	32.3	43.0	10.6	33%
Funds Administration EBITDA margin	40.0%	45.8%		
Licence fees	1.3	9.0	7.7	606%

Market outlook

Large addressable market. Bravura's product functionality supports the pensions, life insurance, investment products, wrap platform markets, and financial advice 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.

Bravura's market opportunities. Bravura provides best-in-class, innovative solutions that provide mission critical infrastructure to these financial services companies and is well positioned to meet the market demand for digital solutions, automation and microservices ecosystems, with Bravura accelerating its R&D investment to meet this anticipated demand.

Strong sales pipeline with a growing number of transformational opportunities. Bravura has a strong sales pipeline across its key markets and across its geographic regions, comprising a number of established financial institutions. While the increased market uncertainty arising from COVID-19 provides opportunities for Bravura across digital, automation and microservices ecosystems, timing of deal closure is more difficult to predict.

Commenting on the market outlook, Mr Klim said:

"Bravura is extremely proud of the way we have been able to support our clients during this difficult time through extensive remote working which has left us well placed to take advantage of strong demand across our client base. We continue to pursue a number of significant opportunities, both with existing and new customers, however, given the uncertainty arising from COVID-19, the timing of deal closure is difficult to forecast."

FY21 outlook

While the new sales pipeline remains strong, due to the wider impact of COVID-19 there is greater uncertainty in the timing of deal closures when compared to prior years. It is therefore possible that FY21 NPAT will be similar to FY20.

Teleconference details

A teleconference and webcast briefing for analysts and investors will be held at 9:00am Australian Eastern Standard Time (AEST). Participants **must** pre-register for the teleconference and can do so here:

<https://s1.c-conf.com/diamondpass/10008581-invite.html>

Once registered, participants will receive a calendar invite with dial-in numbers, a passcode and unique PIN which is to be quoted when dialling into the call.

Webcast link: <https://webcast.openbriefing.com/6298/>

The webcast is accessible 15 minutes before the briefing starts.

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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 18 offices across Australia, New Zealand, United Kingdom, Europe, Africa, and Asia.

To learn more, visit www.bravurasolutions.com.