

# ASX Release

25 August 2021

# FY21 results – guidance achieved

Bravura Solutions Limited (ASX:BVS) (Bravura) has today announced its full-year results for the period ended 30 June 2021.

### FY21 results – guidance achieved

- Group FY21 revenue down 11% to A\$243.0m (A\$274.2m in FY20).
- Group FY21 EBITDA<sup>1</sup> down 15% to A\$49.3m (A\$57.8m in FY20).
- Group FY21 reported NPAT down 14% to A\$34.6m (A\$40.1m<sup>2</sup> in FY20).
- Group FY21 adjusted NPAT<sup>3</sup> down 19% to A\$32.3m (A\$40.1m<sup>2</sup> in FY20).
- Group EBITDA margin<sup>1</sup> declined to 20% (21% in FY20).
- Group FY21 EPS down 15% to 14.0cps.
  - Unfranked final dividend declared of 6.0cps, bringing the full-year dividend payout ratio to 66% of FY21 adjusted NPAT.

# Strategy update

- Bravura's key markets have seen a number of developments, including: (1) vertical integration leading to value chain disruption, (2) reduced interest in large scale implementations, (3) an underserviced middle tier of potential clients, (4) a heightened desire for lower operational costs, and (5) greater need for improvement in end customers' digital experiences.
- Bravura's technology strategy has evolved to focus on: (1) increasing componentisation through the development of additional microservices, (2) further cloud enablement, and (3) increasing digital and automation capabilities.
- Bravura's commercial strategy is expected to transition from a traditional revenue model to consumption-based subscription pricing over time. This enables client to spread their investment over a greater period of time, lower their costs to serve by buying only what they need, and access greater automation and digital tools.
- This evolution in Bravura's strategy broadens its total addressable market.

# Strong financial position

- Strong financial position with cash of A\$73.6m as at 30 June 2021.
- Bravura acquired Delta Financial Systems (Delta) for A\$42m in October 2020.
- Operating cash flow (excluding taxes paid) was A\$52.7m in FY21, reflecting operating cashflow to EBITDA cash conversion of 105% (56% in FY20). This is in line with the long-term trend.
- Bravura continues to evaluate a pipeline of additional acquisitive and organic growth opportunities.

<sup>&</sup>lt;sup>1</sup>Bravura has consistently included occupancy costs as accounted for under IFRS16 in the calculation of EBITDA.

<sup>&</sup>lt;sup>2</sup> FY20 NPAT included a A\$2.3m deferred tax credit arising from acquisitions completed during the period which will reverse over time.

<sup>&</sup>lt;sup>3</sup> Adjusted NPAT excludes a A\$4.6m benefit from the remeasurement of contingent consideration and a \$2.4m cost from an accounting policy change.



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

"Despite what has undoubtedly been a challenging year, Bravura has achieved its guidance. The result reflects the unprecedented impact of COVID-19, particularly on UK project work and the sales pipeline. Despite the impact, we have responded to changing market conditions and evolved Bravura's strategy to stay well ahead of client needs. This will lead to greater flexibility for clients in the speed of their implementation and will help them smooth their IT spend. In doing so, Bravura also expands its total addressable market and moves towards a higher proportion of contracted recurring revenue."

#### Summary of FY21 financial performance

A\$m	1H20	2H20	FY20	1H21	2H21	FY21	1H % chg	2H % chg	FY % chg
Wealth Management <sup>4</sup>	91.0	89.4	180.4	75.2	84.9	160.1	-17%	-5%	-11%
Funds Administration	44.1	49.7	93.8	40.5	42.4	82.9	-8%	-15%	-12%
Total revenue	135.1	139.1	274.2	115.7	127.3	243.0	-14%	-8%	-11%
Wealth Management <sup>4</sup>	26.0	26.9	52.9	18.5	32.0	50.5	-29%	19%	-5%
Funds Administration	19.6	23.4	43.0	16.9	18.4	35.3	-14%	-21%	-18%
Corporate	-20.2	-17.9	-38.1	-19.7	-16.8	-36.5	-2%	-6%	-4%
EBITDA <sup>5</sup>	25.5	32.3	57.8	15.8	33.5	49.3	-38%	4%	-15%
D&A	-4.4	-5.1	-9.4	-5.8	-6.3	-12.1	33%	24%	28%
Remeasurement of contingent consideration	0.0	0.0	0.0	0.0	4.6	4.6	nm	nm	nm
Accounting policy change	0.0	0.0	0.0	0.0	-2.4	-2.4	nm	nm	nm
EBIT	21.1	27.2	48.4	10.0	29.5	39.4	-53%	8%	-18%
Net interest and FX expense <sup>6</sup>	0.4	-1.7	-1.2	0.6	-1.0	-0.4	34%	-43%	-70%
Profit before tax	21.6	25.6	47.1	10.5	28.5	39.0	-51%	11%	-17%
Tax expense	-1.8	-5.2	-7.0	-1.5	-3.0	-4.5	-14%	-43%	-36%
Reported NPAT <sup>7</sup>	19.8	20.3	40.1	9.0	25.5	34.6	-54%	26%	-14%
Adjusted NPAT <sup>8</sup>	19.8	20.3	40.1	9.0	23.3	32.3	-54%	3%	-19%

<sup>&</sup>lt;sup>4</sup> The Delta Financial Systems acquisition is reported within Wealth Management.

<sup>&</sup>lt;sup>5</sup> Bravura has consistently included occupancy costs as accounted for under IFRS16 in the calculation of EBITDA.

<sup>&</sup>lt;sup>6</sup> Includes A\$1.7m (FY20: A\$2.0m) of accretion expense associated with lease liabilities accounted for under IFRS16.

<sup>&</sup>lt;sup>7</sup> FY20 NPAT included a A\$2.3m deferred tax credit arising from acquisitions completed during the period which will reverse over time.

<sup>&</sup>lt;sup>8</sup> Adjusted NPAT excludes a A\$4.6m benefit from the remeasurement of contingent consideration and a \$2.4m cost from an accounting policy change.



#### Wealth Management performance

Revenue declined 11% to A\$160.1m in FY21, down from A\$180.4m in FY20. EBITDA declined 5% to A\$50.5m in FY21, down from A\$52.9m in FY20. EBITDA margin increased to 32% in FY21, up from 29% in FY20.

The decrease in segment revenue and earnings was attributable to a COVID-related decline in UK professional services work, partly offset by a full-period contribution from acquisitions completed in FY20. While professional services work declined, Contracted Recurring Revenue in Wealth Management rose 30%. In addition to a part-year contribution from the acquisition of Delta, The acquisitions of Midwinter and FinoComp in FY20 made a full-period contribution in FY21. All have been a valuable addition to Bravura's ecosystem of products and services, generating significant client interest.

Bravura signed a contract with Aware Super for the implementation of Sonata Alta and Digital Advice. The contract is for an initial term of 7 years. Aware Super is Australia's second largest superannuation fund. Bravura also signed new or renewed contracts with: a large UK financial institution for Orchestrator and Stanza, a global investment bank and an Australian trustees business on Garradin, an Australian superannuation fund on ePASS, a New Zealand life insurance firm on Sonata, a UK platform on Sonata and UK platforms for microservices.

FY21 segment R&D investment of A\$41m (of which 47% was capitalised) was to enhance subscription-based services predominantly for the development of a suite of microservices, Australian wrap functionality, Sonata Alta and the extension of digital advice capability.

A\$m	1H20	2H20	FY20	1H21	2H21	FY21	1H % chg	2H % chg	FY % chg
Segment revenue	91.0	89.4	180.4	75.2	84.9	160.1	-17%	-5%	-11%
Segment EBITDA <sup>9</sup>	26.0	26.9	52.9	18.5	32.0	50.5	-29%	19%	-5%
Segment EBITDA margin <sup>9</sup>	29%	30%	29%	25%	38%	32%			
Licence fees	2.0	5.9	7.9	4.2	7.3	11.5	105%	24%	45%

#### Funds Administration performance

Funds Administration revenue declined 12% to A\$82.9m, down from A\$93.8m in FY20. Funds Administration EBITDA declined 18% to A\$35.3m, down from A\$43.0m in FY20. EBITDA margin declined to 43% in FY21, down from 46% in FY20.

The decline in segment earnings and margin largely reflected a lower mix of licence fees. Excluding licence fees, segment EBITDA margin is in line with the pcp. Revenue and earnings were also negatively impacted by a COVID-related decline in UK professional services work, albeit to a lesser extent than Wealth Management. Contracted Recurring Revenue remained broadly stable. FY21 segment R&D investment of A\$9m (of which none was capitalised) was predominantly for product enhancements to GFAS, which will enhance revenue from this product.

	A\$m	1H20	2H20	FY20	1H21	2H21	FY21	1H % chg	2H % chg	FY % chg
	Segment revenue	44.1	49.7	93.8	40.5	42.4	82.9	-8%	-15%	-12%
	Segment EBITDA	19.6	23.4	43.0	16.9	18.4	35.3	-14%	-21%	-18%
	Segment EBITDA margin	44%	47%	46%	42%	43%	43%			
	Licence fees	3.2	5.8	9.0	1.5	0.2	1.7	-53%	-97%	-82%

<sup>9</sup> Bravura has consistently included occupancy costs as accounted for under IFRS16 in the calculation of EBITDA



# Outlook

Bravura's outlook is characterised by the following key drivers:

- Industry structural demand for SaaS, microservices, cloud and subscription-based services is strengthening
- COVID-19 has accelerated digital transformation
- Bravura is starting to see increasing market confidence as a result of vaccine rollouts in the UK
- As vaccines rollout, Bravura anticipates a resumption in UK and South Africa demand in FY22 from projects
  postponed due to COVID-19
  - Bravura will emerge stronger as a result of the strategic initiatives and investment in R&D to develop componentisation of products during FY21
- Bravura is significantly increasing its total addressable market via the rollout of microservices

## Commenting on the market outlook, Mr Klim said:

<sup>4</sup>Despite challenging conditions, Bravura has responded and evolved. Bravura continues to win new clients and has further developed its market credentials by investing in R&D. Confidence is expected to continue to improve as the COVID-19 vaccines roll out and is well placed to take advantage of improving client demand. As the pandemic recedes, Bravura is well positioned for growth.<sup>4</sup>

## FY22 guidance

The COVID-19 pandemic continues to impact Bravura's key markets. The near-term outlook remains uncertain. However, the sales pipeline remains strong, demand in the UK is beginning to improve, and there are significant opportunities for Sonata Alta in Australia. Bravura currently expects FY22 NPAT growth in the mid-teens relative to FY21 adjusted NPAT of A\$32.3m.



#### **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/10015071-8r4V0.html

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

Webcast link: <a href="https://webcast.openbriefing.com/7613/">https://webcast.openbriefing.com/7613/</a>

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 held in accounts to our systems. We support our clients with a team of more than 1,400 people in 17 offices across Australia, New Zealand, United Kingdom, Europe, Africa, and Asia.

To learn more, visit <u>www.bravurasolutions.com</u>.