

## ASX Release

2 November 2022

### Strategic Review Progress, Business Update and FY23 Guidance

**Bravura Solutions Limited (ASX:BVS) (Bravura)** today provides an update on the Strategic Review which was announced at its FY22 results, and was commenced following the appointment of Ms Libby Roy as CEO on 22 August. Bravura also provides a business update on trading and guidance for FY23, which has been informed by the work undertaken to date, as part of the Strategic Review process.

#### Strategic Review Update

As outlined in our FY22 results, the guiding principles for the review included:

- Building partnerships with our existing global customer base to increase our product and services penetration.
- Identifying scale opportunities against client priorities to support their efficiency and innovation programs
- Assessing all in flight initiatives to sequence technology development to deliver the highest value products and solutions.
- Accelerating our Cloud implementation work across major products

Significant progress has been made, as a result of reviews carried out with key stakeholders, including employees and customers, as well as detailed assessments of major inflight projects, the current operational model, technology capability and financial and risk assessments.

The initial outcomes of the review reaffirm Bravura's core strengths – its industry leading customer base, technology assets that are functionally rich and sit across much of the wealth and funds administration value chain, a track record of managing significant data on behalf of customers, and a passionate, highly skilled, and experienced team.

The review has indicated that whilst Bravura has solid foundations, the business will be required to be reconfigured to scale our products across customers. This will require enhancing the existing technology stack to unlock the existing microservices strategy, drive higher resale multiples on technology development and reduce single customer efforts.

The pace of change from a traditional services model to a more scalable technology solutions provider will accelerate but requires a realignment of the organisation and resources to create greater product discipline. This will deliver efficiencies and support a greater focus on spend, project execution and key account management. Several key appointments to drive technology, project delivery and go-to-market capability are in progress.

CEO Libby Roy will provide a further status update in her address at the Annual General Meeting on 22<sup>nd</sup> November.

## Business Update

Bravura's platforms and technology solutions are core infrastructure embedded into our customers' operations. Whilst some level of churn is to be expected, the tenure and stability of the business remains lengthy and solid. The progress on developing our microservices across our platforms remains on track, and we believe that the market opportunity to capture a greater share of wallet as we build out our Sonata Alta BPaaS product suite remains significant.

The recent announcement by Colonial First State that it has selected the Sonata Alta solution as a key component of its new and enhanced First Choice platform is an exciting development reflecting the market potential of Bravura's developing product suite.

However, in the course of undertaking Bravura's strategic review and assessing our current and expected performance flowing through to the FY23 budget process, it has become clear that the FY23 performance will be below market expectation.

Group revenue is expected to increase modestly in FY23 over the prior year (A\$266.7m in FY22).

The trend of lower customer spend on existing and new project work post COVID in EMEA is expected to continue as customers adopt a cautious approach to spend. In addition, three legacy customer contracts are winding down during this year with the majority of revenue impact in FY24. There are no other long term contracts believed to be at risk.

APAC is expected to deliver continued revenue growth due to higher contracted and project revenue attributed to signing and delivery of new customer contracts. Sonata Alta is the core driver of this growth, with annual member fees representing an annuity revenue stream across the contract term.

Operating costs continue to rise because of industry wide increase in people costs to attract and retain talent in a competitive labour market. In addition, the current misalignment of resources has necessitated additional headcount to meet delivery and performance obligations across several significant projects.

Further investment in capability, systems and leadership is also required as per the strategic review.

Whilst operating costs are expected to increase in FY23 in the order of 16-20% versus FY22, this is not expected to establish a new run rate of costs into future years. Cost and productivity initiatives, as well as the realignment of resources are expected to deliver lower overall costs as the year progresses and into FY24.

Consistent with our expectations at the time of the FY22 results, we expect capitalised R&D expenditure will reduce in FY23 as more discipline and structure is applied to key investments across the business.

Whilst the above reflects challenges that we are currently facing, we believe it underscores the importance of the strategic review Bravura is undertaking to design an appropriate operational and strategic reset for the future.

## FY23 Guidance

The cumulative impact of the factors discussed above, and allowing for additional costs associated with one off initiatives from the Strategic Review, is that Bravura is expecting its FY23 earnings to differ materially from analysts' consensus forecasts. With modest revenue growth of between \$270 to \$275 million, and increase in the FY23 cost base, Bravura now expects to deliver EBITDA of between \$10 and \$15 million and NPAT to be within the range of (\$5M) to \$0. The H1 result is expected to reflect lower run rate revenue which is expected to build into the second half, however, costs are expected to remain broadly consistent across the year.

The Company is confident that the measures that are being implemented and the repositioning of the business pursuant to the Strategic Review will return the business to a stronger footing.

Bravura notes that in line with the decline in anticipated earnings, cash flow is also likely to be negative during the year. The company has sufficient liquidity comprising \$29m of cash and \$19m of available debt facility, as at the date of this announcement, and the current and planned initiatives to reset the company are expected to be managed within the existing capital structure.

The Board has determined to suspend further dividends until the company has transitioned through the current reset and once again generates significant free cash flow.

CEO of Bravura Ms Libby Roy commented: “Since I commenced my role in August, my belief in the quality of Bravura’s market position, customer relationships and our people has been reinforced. As we realign the business and scale our suite of products to meet customer needs, we will focus on driving growth and delivering future strong financial results for our shareholders.”

“This transition and the streams of work under the soon to be completed Strategic Review build on our solid foundations and I believe require only modest investment. I am confident that the team can continue to deliver strong results for our customers whilst we realign our business and enhance our product suite in a way that can be scaled to meet the growing market opportunity”.

Bravura Chairman Neil Broekhuizen said: “The Board are fully supportive of the outcomes of the strategic review initiated by our new CEO, Libby Roy. Whilst our expected FY23 earnings performance is disappointing, we are confident that we have a clear pathway to Bravura emerging as a more disciplined, and sustainable business in a strong position in FY24”.

#### **Teleconference details**

Bravura CEO Ms Libby Roy and CFO Mr Brent Henley will host a teleconference on Thursday 3 November at 9am AEDT. Participants must pre-register for the teleconference and can do so here:

<https://s1.c-conf.com/diamondpass/10026726-g7ch4f.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 dialing into the call.

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**Authorised for release by the Board of Directors, Bravura Solutions Limited**

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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.

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