# Half Year Results

For the 6 month period ended 31 December 2008

# Presentation outline

# Overview

## *Iain Dunstan – Group CEO & Managing Director*

# Strong financial performance

| A$m | Half year ended Dec 08 | Half year ended Dec 07 | % |
|---|---|---|---|
| Revenue* | 73.0 | 67.4 | 8 ▲ |
| EBITDA | 11.0 | 9.6 | 14 ▲ |
| Net profit after tax | 2.6 | 1.6 | 66 ▲ |

*Excludes interest received

| | | | |
|---|---|---|---|
| Operating cash inflow | 13.0 | 4.4 | 195 ▲ |

# *1H09 - key outcomes*

- Record first half performance
- Outperformed analyst forecasts for first half of the year
- On track to meet full year guidance
- EBITDA margin improvement to 15%
- Operating cash inflow of $13.0 million
- 64% of revenue was recurring
- Won three major new clients in APAC and EMEA
- Secured multiple contract extensions and upgrades

# *1H09 - operational highlights*

- Finalised outsourcing agreement for the provision of transfer agency technology services to Citi's Securities and Fund Services business in the European Region - as part of the agreement, acquired Citi's Warsaw-based transfer agency software platform

- Established a Level 1 ADR program and International OTCQX listing to facilitate the purchase and trading of Bravura Solutions shares by US investors

- Reached A$1.5 trillion in funds managed globally on software

# *1H09 - award highlights*

- Ranked in Deloitte Technology Fast 500 Asia Pacific and Deloitte Technology Fast 50 for second consecutive year
- Won the European Asset Servicing Technology Vendor of the year at the European ICFA Awards
- Ranked 9th on SmartCompany Dun & Bradstreet Industry Growth List
- Ranked 64 amongst the FinTech 100 group of companies as named by Financial Insights and American Banker magazine

Deloitte. Technology Fast50 Australia 2008 Winner

ICFA EUROPEAN AWARDS 2008

smartcompany.com.au Industry Growth List Information Technology 2008

AMERICAN BANKER • FINANCIAL INSIGHTS 2008 FIN TECH 100 2008

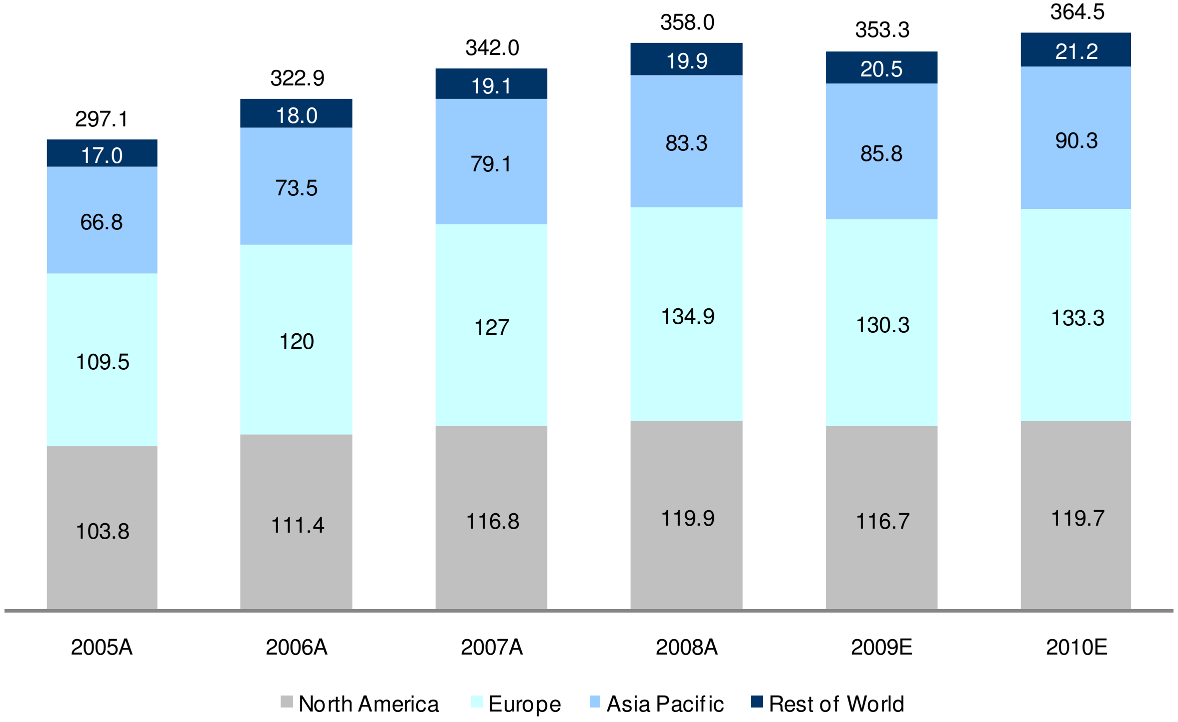
# *Market dynamics*

# Continued attractive industry dynamics

***According to Celent, the financial services industry is forecast to spend US$364.5 billion globally by 2010 on information technology, with a 2008-2010 CAGR of ~0.9%.***

- The highest growth regions for IT spending in the financial services industry is Asia Pacific
- Spending in wealth management and securities is expected to increase at a faster rate than traditional banking
- Bravura targets the fastest growing segments within the financial services industry and is relatively immune from slowdowns in financial services IT spend

## IT spending: global financial services (US$bn)




Source: Celent, 'IT Spending in Financial Services: A Global Perspective', December 2008

# *Major trends supporting company growth*

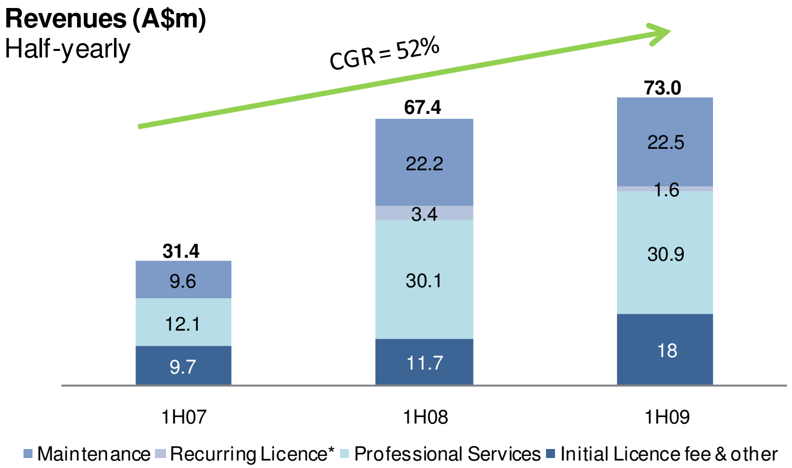
1. A client focus on upgrading legacy systems
2. Financial services organisations using technology to increase operational efficiency and effectiveness and drive lower costs
3. A decrease in the number of smaller deals with an increasing number of larger, long-term deals
4. Strong pipeline but potential delays possible with declining market
5. Large financial institutions in the markets we serve select Bravura Solutions as their preferred vendor

# Financial performance

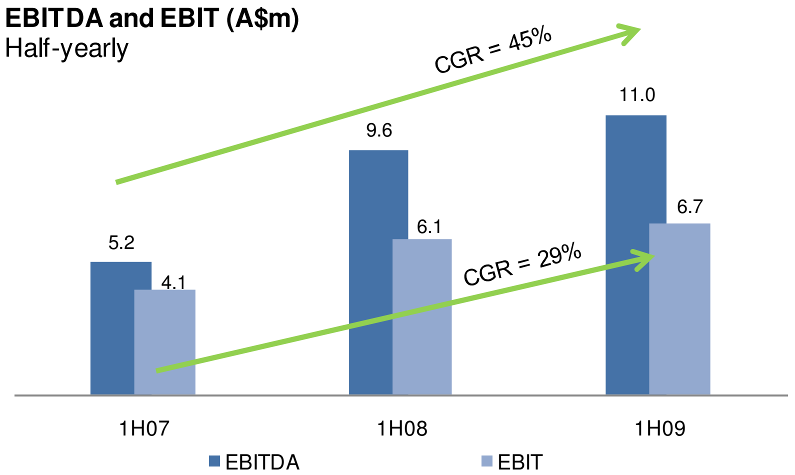
**Jonathan Kenny – Chief Financial Officer**

# Robust 1H09 results

***The 1H09 results demonstrate that Bravura is on track with its growth aspirations.***




*Annual licence fees in Jun 2007 and prior not available. These revenues were previously recorded under Maintenance.




- 1H09 performance has outperformed analyst expectations
- Major revenue drivers during 1H09 included:
  - Renewed a variety of existing contracts
  - Recurring maintenance income increased on go live of new implementations and increases in underlying transaction volumes administered
  - Signed major licences of Talisman totalling $5.3m
  - Completed new licence agreements for Rufus technology totalling $11.5m
- Strong momentum continuing into 2H09:
  - New contracts and licence sales to Bao Viet Life Insurance and Myer Family Office

# Excellent EBITDA growth

## Income Statement

| A$m | Half year ended Dec 08 | Half year ended Dec 07 | % |
|---|---|---|---|
| Maintenance fees | 22.5 | 22.2 | 1 |
| Professional services fees | 30.9 | 30.1 | 2 |
| Licence fees and other | 19.6 | 15.1 | 30 |
| Total revenue | 73.0 | 67.4 | 8 |
| Total expenses | 61.9 | 57.8 | 7 |
| EBITDA | 11.0 | 9.6 | 14 |
| Depreciation | 1.4 | 0.8 | 75 |
| Amortisation | 2.9 | 2.7 | 7 |
| EBIT | 6.7 | 6.1 | 10 |
| Non-cash interest on deferred settlement | (0.2) | 1.8 | (111) |
| Net finance costs | 1.9 | 1.3 | 51 |
| Net unrealised FX/derivative movement | 1.1 | 0.9 | 22 |
| Corporate transaction costs | 0.9 | - | 100 |
| Net Profit Before Tax | 3.1 | 2.2 | 41 |
| Tax | 0.4 | 0.6 | (27) |
| Net Profit After Tax | 2.6 | 1.6 | 67 |

Robust organic revenue growth and tight cost control have delivered 14% EBITDA growth in a challenging environment.

- Organic revenue growth and a focus on operational costs as well as EBITDA margins has improved Net Profit Before Tax to $3.1m
- Net Profit After Tax impacted by improved EBITDA performance offset by a net foreign exchange loss of $1.1m, corporate transaction costs of $0.9m and higher depreciation and amortisation charges of $0.8m
- Net finance charges increased by $0.6m due to the draw down of debt to finance acquisition payments in 1H09
- Final payment on Rufus acquisition was decreased in October 2008 reversing $0.7m of discount taken in current and prior years through 1H09, resulting in a net credit of $0.2m to non-cash interest on deferred settlement
- Continued commitment to invest in R&D with $5.0m already spent in 1H09
- Effective tax rate of 13% as a result of access to 175% R&D tax concession

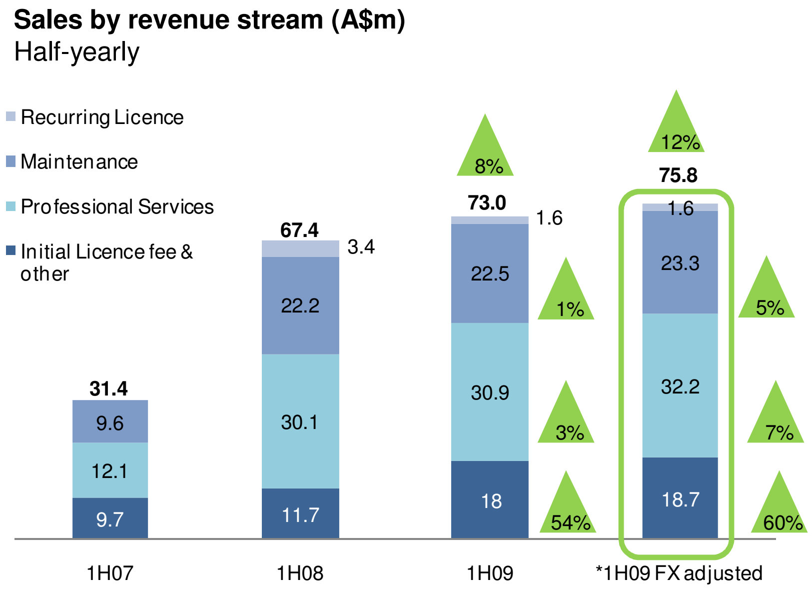
# *1H09 normalised EBITDA of $17.1m representing 36% growth*

## Reported EBITDA to normalised EBITDA reconciliation

| A$m | Half year ended Dec 08 | Half year ended Dec 07 | Growth % |
|---|---|---|---|
| **Revenue** | **73.0** | **67.4** | |
| Reported EBITDA | 11.0 | 9.6 | 14 ▲ |
| ***Reported EBITDA %*** | ***15%*** | ***14%*** | |
| **Adjustments: non - recurring items** | | | |
| Acquisition integration costs | 2.2 | 1.8 | |
| **Restructuring costs** | **1.5** | **-** | |
| Foundation client investment | 2.4 | 1.2 | |
| **Normalised EBITDA** | **17.1** | **12.6** | **36** ▲ |
| *Normalised EBITDA %* | *23%* | *19%* | |

- Normalised EBITDA increased by $4.5m or 36% on the previous half year
- Compelling normalised EBITDA margin of 23% compared to 19% in the previous half year
- Organic revenue growth, the full integration of businesses acquired as well as a lean cost focus will continue to improve EBITDA margins in 2H09 and beyond

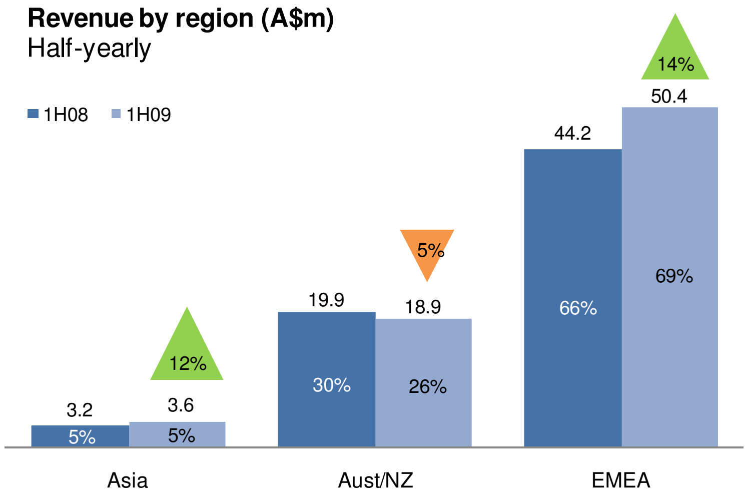
# Strong organic growth across all revenue types




*1H08 FX rates have been applied to 1H09 to calculate 1H09 FX adjusted

- Total group revenue ▲ by $5.6m or 8% on 1H08
- Revenue growth adjusted for FX ▲ $8.4m or 12% on 1H08
- Recurring maintenance income is increasing due to go live of new implementations and increases in transaction volumes administered
- Initial licence fee revenue growth will flow through to recurring revenue in future periods

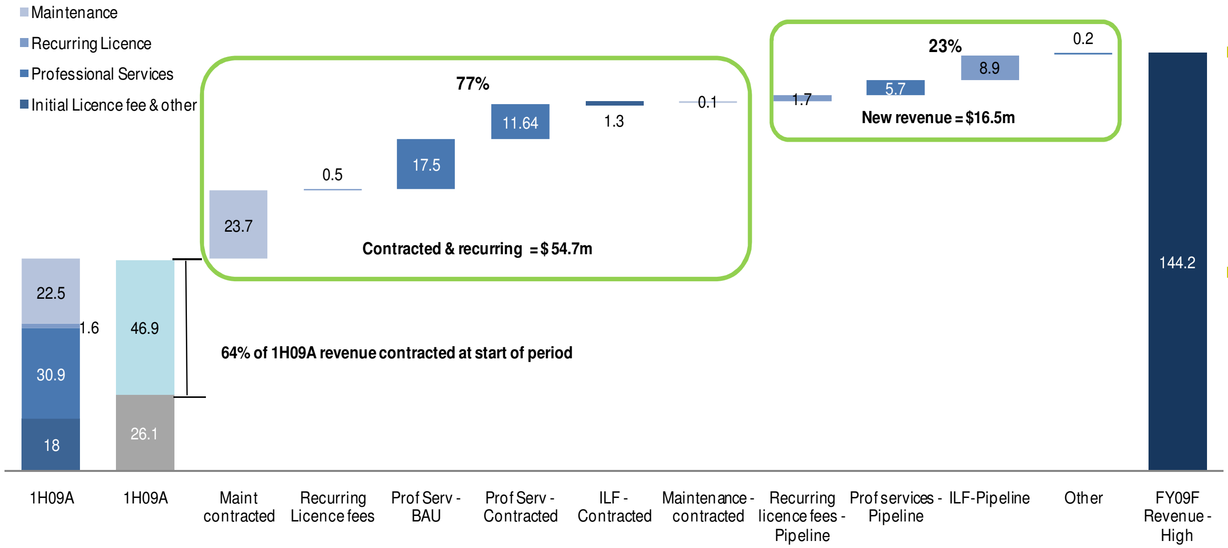
# *1H09 business performance solid across all regions*




- EMEA revenues ▲ 14% on 1H08 due to new licence sales for Talisman and Rufus technologies totalling $17.2m
- New licence sales include additional annual recurring revenues of approximately $10.4m for the life of the agreements
- EMEA comprises 69% of total revenues in 1H09 an ▲ of 3% on 1H08. Continued growth is expected from the transfer agency business providing stable revenues and improving the earnings base
- Asia contributed 5% of total revenues in 1H09 with 12% growth on 1H08
- Australia and New Zealand had a marginal decrease on 1H08 of 5% as a result of a downturn in New Zealand revenues and a marginal slowdown in legacy systems as clients prepare to upgrade to the new Sonata suite

# Strong recurring revenue streams

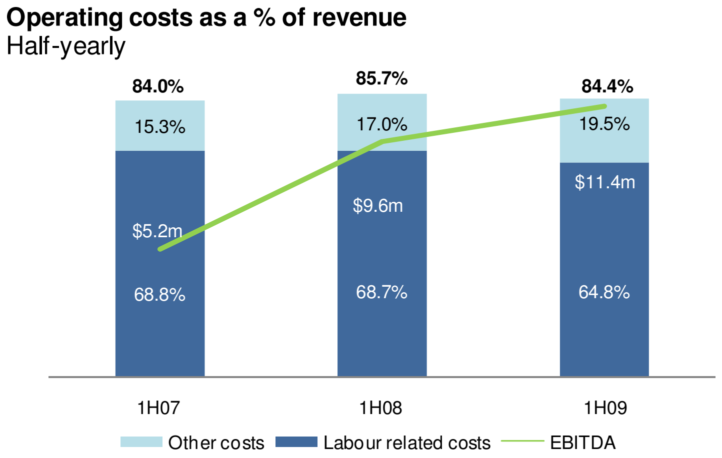
## *64% of 1H09 revenue streams were contracted or recurring at the start of the period.*

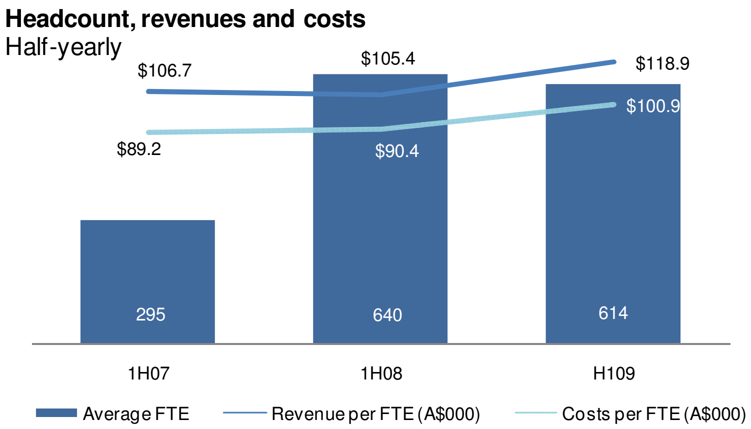



77% of 2H09 forecast revenue is contracted or recurring in nature, providing significant insight into the 2H09F and the FY09 out-turn.

- Over 64% of 1H09 revenues were either contracted at the start of the period or are of a recurring nature
- This reliable, recurring annuity primarily consists of a stream of maintenance fees which flow to Bravura once a system has been implemented at a customer
- In addition, recurring professional service fees are earned for ongoing enhancements and customisations following the initial implementation of the software
- High visibility to stable revenue base – excellent history of client retention plus strong pipeline

# *Agile operating cost base ensures flexibility in current environment*




- Operating costs have decreased as a % of revenue in 1H09 to 84.4% from 85.7% in 1H08. The small increase on 1H07 is due to UK data centre migration costs which are non-recurring from 1H08
- Labour related costs as a percentage of revenue have decreased significantly to 64.8% representing a 3.9% reduction on 1H08
- Full impact of cost savings from headcount reduction to be realised in 2H09 and beyond
- Increase in costs per FTE in 1H09 as a result of fixed operational costs spread across fewer FTE
- Bravura has remained flexible and changed its strategy to match the operating environment through recent cost management initiatives:
  - Re-adapted business model from building for growth to improving EBITDA margins by reducing headcount
  - Relocation of expensive resources to other areas with lower costs
  - Drive synergies from Citi acquisition

# Balance sheet

| A$m | Half year ended Dec 08 | Half year ended Dec 07 |
|---|---|---|
| Cash | 9.8 | 16.4 |
| Other current assets | 42.4 | 45.4 |
| Total current assets | 52.2 | 61.8 |
| Total non-current assets | 160.0 | 130.0 |
| Total assets | 212.2 | 191.8 |
| Total current liabilities | 68.1 | 49.4 |
| Interest beating loans | 30.4 | 34.4 |
| Other non-current liabilities | 23.1 | 17.6 |
| Total non-current liabilities | 53.5 | 52.0 |
| Total liabilities | 121.6 | 101.6 |
| Net assets | 90.6 | 90.2 |

| Financing covenants | Covenant | BVA 1H09 |
|---|---|---|
| Interest cover (LTM adj EBITA/LTM cash interest) of greater than | 4.5:1 | 6.0 |
| Leverage ratio (debt/LTM adj EBITA) of less than | 3.0:1 | 2.81 |
| Net assets of consolidated group greater than | $55.0m | $90.9m |

- Net debt position of $50.1m with interest cover of 6.0 times
- Sufficient headroom across all debt covenants
- Working capital facility of $21.0m reclassified to current liabilities as it is required to be repaid once each calendar year. The directors are confident this will be refinanced or repaid in the next calendar year
- Total accrued revenue of $33.6m as at Dec 2008
- Non-current assets include intangibles assets of $134.9m and have increased as a result of the Citi acquisition in December 2008 with a corresponding increase in net debt
- The deferred settlement for the Rufus acquisition was settled in the period at a lower amount of $7.3m. This was offset by the recognition of the deferred settlement on the Citi acquisition of $24.1m (discounted) which is payable over the next two calendar years

# *Continued positive growth in operating cash flow*

## Cash Flow Statement

| A$m | Half year ended Dec 08 | Half year ended Dec 07 | % |
|---|---|---|---|
| Receipts from customers | 89.3 | 74.5 | 20 |
| Payments to suppliers & other operating payments | (76.3) | (70.1) | 9 |
| Net cash flows from operating activities | 13.0 | 4.4 | 195 |
| Net cash flows used in investing activities | (16.2) | (9.7) | 67 |
| Net cash flows used in financing activities | 10.2 | 14.5 | (30) |
| Net increase/(decrease) in cash and cash equivalents | 7.0 | 9.2 | (24) |
| Net foreign exchange differences | 0.1 | (0.1) | (200) |
| Cash and cash equivalents at the beginning of the perod | 2.7 | 7.3 | (63) |
| Cash and cash equivalents at the end of the period | 9.8 | 16.4 | (40) |

- Positive operating cash flow for 1H09 of $13.0m due to strong revenue performance and group wide working capital initiatives. Debtor days reduced from 52 to 43 in the period
- Investing activity comprised of the following:
  - Final tranche payment for the Rufus acquisition of $6.4m and Garradin of $1.2m
  - First tranche payment for the Citi acquisition of $7.3m
  - Final payments for UK EDS data centre and additional computer related expenditure

# *Timing of Citi acquisition payments co-inside with contracted revenue flows*

## Citi acquisition payments

| | Payment amount US$ | Payment amount A$* | Payment date |
|---|---|---|---|
| Tranche 1 | 4,200,000 | 6,366,654 | **Paid 15 Dec 2008 |
| **Tranche 2** | **2,800,000** | **4,056,360** | **31 March 2009** |
| Tranche 3 | 7,000,000 | 10,140,900 | 31 December 2009 |
| **Tranche 4** | **7,000,000** | **10,140,900** | **31 December 2010** |
| Total consideration | 21,000,000 | 30,704,814 | |
| **Total payments outstanding** | **16,800,000** | **24,338,160** | |

- Total consideration payable of US$21.0m acquisition payments and key revenue streams co-inside, allowing for payments primarily out of operating cash flows
- Increased margins due to revenue in USD and costs in Polish Zlotis
- All future payments are contracted with no earn out provisions
- Initial contract period mandates minimum revenue streams regardless of transaction volumes
- Acquisition will be EPS accretive in FY09

*A$ payment amount calculated using 31 Dec 2008 balance sheet rate US$:A$ 1.4487
**Tranche 1 A$ translated at rate on date of settlement being 15 Dec 2008 FX rate US$:A$1.5159

# *Strategy and outlook*

## *Iain Dunstan – Group CEO & Managing Director*

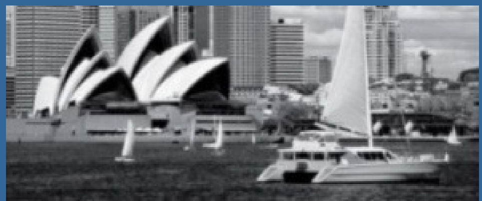
bravura solutions

# *Strong market position internationally*

## EMEA

- Market leading position for transfer agency
- Opportunity to establish dominant position
- Continue to grow UK Wrap, SIPPs and pensions market
- Potential expansion into Middle East, Nordics and Eastern Europe

## Australia



- Leading provider of administration software
- 40% market share
- Strong pipeline of opportunities
- Cross selling products and services to existing clients
- Invest in R&D by complementing development of corporate superannuation functionality in the Sonata suite

# Strong market position internationally

## Asia

- Significant growth opportunities
- Major provider in Asian life insurance market
- Considerable opportunity  to deliver Transfer Agency solutions
- Target industry participants in Vietnam, Hong Kong/China, Taiwan, South Korea, Thailand and India

## New Zealand

- 40% market share (>80% share of firms using third party solutions)
- Growth fuelled by legislative changes
- Opportunities to target clients using in-house systems
- Grow and support existing customer base

# Citi deal adds strength and scale

***Bravura's acquisition of Citi European Transfer Agency software platform will be EPS accretive from day one and will generate significant contracted revenues.***

## Press commentary

"... Bravura Solutions said yesterday it would pay US$21.0m (A$31.5m) for a Citi information systems operation based in Warsaw as part of a 3 year outsourcing deal.

The Citi business powers Transfer Agency transactions for the bank's European securities and fund services operation and will deliver more than $15.0m a year in revenues to Bravura under its initial 3 year term ...

... The company also said that the purchase would boost earnings per share in the 2009 financial year, and Mr Dunstan added that Citi held an option to extend the contract once its initial term had expired.

The deal will add between 40 and 50 Warsaw-based employees to Bravura's payroll, and the company plans to increase the number of people it employs in the Polish capital. The software maker will also integrate the former Citi division with development teams it has in London and Edinburgh ..."

**Source: AFR, 13 November 2008**

## Status of the acquisition

- Acquired 37 GTAS employees (16 perm, 21 contr)
- Appointed a Head of Operations for Poland who is working out of Warsaw and London. He has a wealth of international experience in management and IT and is responsible for the Poland operations, and the set up and integration of GTAS
- New possible office location for 85 employees in Warsaw being reviewed
- Commenced recruitment for 20 technical employees both locally from Poland, from Europe and internally, to provide a mixture of skills and increase skills base and expertise in Europe
- Currently finalising two year development road map to:
  - Add functionality to product
  - Support wider range of clients off shore
  - Support UK functionality
  - Increase Citi's efficiency as a TPA
  - Reduce costs
- Commenced sales and marketing engagement to leverage opportunities

# *Growth through new/existing clients in 1H09*

## New clients

- Citi (EMEA)
- Northern Trust (APAC)
- Norwich Union (EMEA)

## Existing clients

- Consolidated all of the JPMorgan's UK Asset Management product lines onto a single business platform
- Successfully went live with MGM advantage
- Secured contract extension with Legal & General
- Signed new contract with Statewide
- Upgraded Equity Trustees to new trust and estate solution

# Conclusion

## *Iain Dunstan – Group CEO & Managing Director*

# *Full year outlook on track*

- On track to reach full year revenue and EBITDA guidance

- Strong beginning to second half of FY09 with signing of Bao Viet in Vietnam and Myer Family Officer in Australia

# Summary

- Outperformed analyst forecasts for first half of the year
- On track to meet full year guidance
- 66% increase on net profit after tax
- Continued strengthening cash flow
- Excellent organic growth and recurring revenue
- Maintain position as preferred software vendor for large financial institutions in the markets we serve

Bravura Solutions is a leading global supplier of superannuation and pensions, life insurance, investment, transfer agency, STP financial messaging and portfolio administration applications and services.

More than 180 financial institutions globally are currently using a Bravura Solutions application.

Over 18 million accounts are administered on Bravura Solutions software, representing more than A$1.5 trillion in funds managed globally.