

ASX Release

25 February 2021

1H21 results in line with guidance

Bravura Solutions Limited (ASX:BVS) (Bravura) has today announced its half-year results for the period ended 31 December 2020.

1H21 results in line with guidance

- Group 1H21 revenue down 14% to A\$115.7m (A\$135.1m in 1H20).
- Group 1H21 EBITDA¹ down 38% to A\$15.8m (A\$25.5m in 1H20).
- Group 1H21 NPAT down 54% to A\$9.0m (A\$19.8m² in 1H20).
- Group EBITDA margin¹ declined to 14% (19% in 1H20).
- Group 1H21 EPS down 55% to 3.7cps.
- Unfranked interim dividend declared of 2.6cps, bringing the dividend payout ratio to 70% of 1H21 NPAT.

Impact of COVID-19

- Bravura's employees have seamlessly transitioned to a 100% remote working environment. Bravura has continued to support its clients without disruption.
- Bravura's sales pipeline in all key markets is strong. However, the market uncertainty has resulted in both a lengthening of the sales cycle, as well as clients evaluating more of our products.
- In the UK, ongoing workplace restrictions have led to a reluctance to embark on major new transformational programs. This has led to a lack of material client deals and less project work. However, pre-sales activity is high.
- In Australia and New Zealand, Bravura's activities with clients and prospects continue to progress. There has been greater sales activity, albeit with longer deal closure timeframes.
- In South Africa, COVID-19 has prompted tighter cost control. However, COVID-19 has also raised clients' need to invest in technology automation and project work has continued.

Strategy update

- Bravura's key markets have seen a number of developments, including: (1) fund managers moving to provide a wealth management capability, (2) reduced interest in large scale implementations, (3) an underserved middle tier of potential clients, (4) a heightened desire for lower administration 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.

¹ Bravura has consistently included occupancy costs as accounted for under IFRS16 in the calculation of EBITDA.

² 1H20 NPAT included a A\$1.7m deferred tax credit arising from acquisitions completed during the period which will reverse over time.

Strong financial position

- Strong financial position with cash of A\$56.4m as at 31 December 2020.
- Bravura acquired Delta Financial Systems (Delta) for A\$42m in October 2020.
- Operating cash flow (excluding taxes paid) was A\$9.6m in 1H21, reflecting operating cashflow to EBITDA cash conversion of 61% (21% in 1H20). This is in line with the long-term trend.
- Bravura continues to evaluate a pipeline of additional acquisitive and organic growth opportunities.

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

“Bravura’s 1H21 results are broadly in line with guidance and reflect 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 1H21 financial performance

A\$m	1H20	1H21	\$ chg	% chg
Wealth Management ³	91.0	75.2	-15.8	-17%
Funds Administration	44.1	40.5	-3.6	-8%
Total revenue	135.1	115.7	-19.4	-14%
Wealth Management ³	26.0	18.5	-7.6	-29%
Funds Administration	19.6	16.9	-2.7	-14%
Corporate	-20.2	-19.7	0.5	-2%
EBITDA⁴	25.5	15.8	-9.7	-38%
D&A	-4.4	-5.8	-1.4	33%
EBIT	21.1	10.0	-11.1	-53%
Net interest and FX expense ⁵	0.4	0.6	0.1	34%
Profit before tax	21.6	10.5	-11.0	-51%
Tax expense	-1.8	-1.5	0.3	-14%
NPAT⁶	19.8	9.0	-10.7	-54%
EPS (A\$ cps)	8.1	3.7	-4.5	-55%

³ The Delta Financial Systems acquisition is reported within Wealth Management.

⁴ Bravura has consistently included occupancy costs as accounted for under IFRS16 in the calculation of EBITDA.

⁵ Includes A\$0.9m (1H20: A\$1.0m) of accretion expense associated with lease liabilities accounted for under IFRS16.

⁶ 1H20 NPAT included a A\$1.7m deferred tax credit arising from acquisitions completed during the period which will reverse over time.

Wealth Management performance

Revenue declined 17% to A\$75.2m in 1H21, down from A\$91.0m in 1H20. EBITDA declined 29% to A\$18.5m in 1H21, down from A\$26.0m in 1H20. EBITDA margin declined to 25% in 1H21, down from 29% in 1H20.

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 1H20.

The acquisitions of Midwinter and FinoComp in 1H20 made a full-period contribution in 1H21 and have been a valuable addition 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 6 new or renewed contracts with: 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 a UK platform for microservices.

1H21 R&D investment of A\$21.1m (of which 37% 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	1H21	\$ chg	% chg
Wealth Management revenue	91.0	75.2	-15.8	-17%
Wealth Management EBITDA	26.0	18.5	-7.6	-29%
Wealth Management EBITDA margin	29%	25%		
Licence fees	2.0	4.2	2.3	105%

Funds Administration performance

Funds Administration revenue declined 8% to A\$40.5m, down from A\$44.1m in 1H20. Funds Administration EBITDA declined 14% to A\$16.9m, down from A\$19.6m in 1H20. EBITDA margin declined to 42% in 1H21, down from 44% in 1H20.

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.

The decline in segment earnings and margin largely reflected a lower mix of high margin licence fees. Excluding licence fees, segment EBITDA margin is in line with the pcp.

Bravura signed a contract renewal with a large UK financial institution.

1H21 segment R&D investment of A\$4.8m (of which none was capitalised) was predominantly for product enhancements to GFAS.

A\$m	1H20	1H21	\$ chg	% chg
Funds Administration revenue	44.1	40.5	-3.6	-8%
Funds Administration EBITDA	19.6	16.9	-2.7	-14%
Funds Administration EBITDA margin	44%	42%		
Licence fees	3.2	1.5	-1.7	-53%

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 its modular product ecosystem

Commenting on the market outlook, Mr Klim said:

"While markets are tough, our business is resilient. We have made important wins during the period and have enhanced our market position through a targeted R&D program. As the COVID-19 vaccines roll out and confidence improves, the business continues to position itself to take advantage of the subsequent release of pent up client demand. I am confident that Bravura will emerge stronger as the pandemic eases."

FY21 guidance

The impact of COVID-19 in the UK and South Africa is expected to continue to affect the business in 2H21. However, the sales pipeline is strong. Accordingly, Bravura anticipates delivering revenue growth from 1H21 to 2H21 in excess of 10% and achieving FY21 NPAT of A\$32m to A\$35m.

Teleconference details

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

<https://s1.c-conf.com/diamondpass/10012177-i58dy3.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/7103/>

The webcast is accessible 15 minutes before the briefing starts.

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For investor enquiries, please contact:

Rahul Badethalav

Head of Strategy, Marketing and Investor Relations

T: +61 2 9018 7879

E: investors@bravurasolutions.com

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

To learn more, visit www.bravurasolutions.com.