

CASE STUDY



COMPANY SPOTLIGHT



Market capitalisation at time of purchase \$18m	Market capitalisation at time of sale \$24m	Industry Sector Information Technology
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RUBIK FINANCIAL (ASX: RFL)

Rubik Financial provides core banking software to banks and credit unions; and customer relationship software to the wealth management and mortgage broking sectors.

WHY DID WE INVEST?

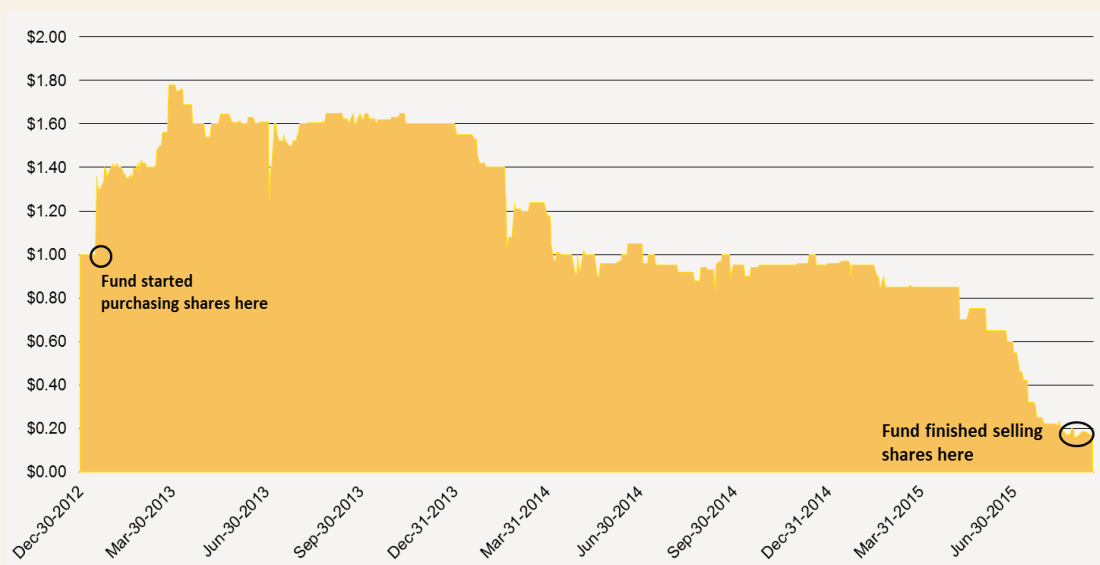
- Recurring revenue accounted for 70%+ of total revenue providing predictability in our forecasts.
- Favourable industry structure in the wealth management sector where Rubik's product COIN competed with Iress' XPLAN product, making up circa 70% market share. Customers of Rubik's products were sticky and churn rates were low. This provided a nice solid base of recurring revenues with modest growth rates.
- Experienced management with industry experience.
- Accelerating growth from acquisitions which took Rubik into the mortgage broking software vertical.

ENTRY PRICE

- Began purchasing shares in 2013 at an entry price of \$0.10 - \$0.20.
- Later participated in a share placement in 2013 at \$0.44.
- The average purchase price was \$0.301.

*Past performance is not indicative of future performance. This is general information only and should not be construed or relied upon as legal, financial or professional advice. Accordingly, the recipient should seek independent professional advice as to the risk, financial, taxation and other implications of investing.

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Source: S&P Capital IQ

WHY DID WE SELL?

- Change of management in the Wealth Management division.
- Poor integration of two software company acquisitions that were made simultaneously.
- R&D and integration costs of these acquisitions were substantially greater than originally expected.
- Despite the acquisitions, earnings from these acquisitions were substantially below forecast and operating cash flow was consumed by increased capitalised development costs.
- Weakening balance sheet with increased deferred acquisition payment liabilities.

INVESTMENT OUTCOME

- Invested, beginning in 2013, at an average purchase price of \$0.301
- Sold at an average sale price of \$0.19 in 2016.
- Loss of 36.9% of our investment over a period of approximately 4 years.

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