



GlobeOp Financial Services S.A.

26th March 2008

**31 December 2007 Preliminary Year End Results
Analyst and Investor Conference Call**

Duration: 00:16:15

Presenters

- Hans Hufschmid, Chief Executive Officer
- Martin Veilleux, Chief Financial Officer

Operator: Thank you for standing by and welcome to GlobeOp Financial Services analyst conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press *1 on your telephone. I must advise you this conference is being recorded today, Wednesday 26th March 2008. I would now like to hand over to your first speaker today, Hans Hufschmid; please go ahead sir.

Hans Hufschmid: Thank you, good morning everyone. My name is Hans Hufschmid, I'm the CEO of GlobeOp Financial Services and joining me today is Martin Veilleux our Chief Financial Officer. We are pleased to welcome you to our earnings call this morning, afternoon.

First I will run through a few highlights from our 2007 results announcement issued this morning, before handing over to Marty to talk you through additional financial details. We'll then open up the call to questions.

I'm very pleased to report that in our first full year results as a listed company, we performed very well against all of our business targets. We exceeded our Adjusted Operating Profit expectations and surpassed our growth forecast.

Strategically during 2007 we had three broad targets: first to grow our client base; secondly to increase efficiency to drive profitability; and thirdly to develop stand alone services that appeal to a broader range of clients and create more revenue streams. Against all three objectives we made real strides.

First we strengthened our marketing capability and grew our client base. New clients added \$14 billion to assets under administration – AuA - and accounted for 15% of our total \$97 billion of AuA. We are also building strategic third-party relationships to broaden our exposure to new clients. In 2007 we signed a co-marketing agreement in which Merrill Lynch now offers clients our middle- and back-office fund administration (MBA) solution as part of its prime brokerage service.

Second, increasing operational efficiency and cost effectiveness is strongly linked to investments both in developing scalable technology and to our operations in Mumbai, India, where two thirds of our more than 1700 employees now work. We are reporting positive results with an increase in adjusted operating profit from 21% of revenues in 2006 to 23.7% in 2007. Additional operational efficiency is demonstrated by SAS 70 Type II certification of our MBA controls by Ernst & Young in December 2007. This benchmark certification was achieved just one year after successfully completing the SAS 70 Type I audit. It was additionally reassuring to our clients and investors that the SAS 70 Type II audit encompassed July-August 2007 when transaction volumes of our clients surged during one of the most turbulent market periods seen in several years.

Our unbundling strategy - our third objective - is well under way with distinct services launched during the year for OTC derivatives processing, risk reporting and analysis, front-office money market investment, independent portfolio pricing and fund performance reporting. The turbulence in the second half of 2007 heightened the need for independence, transparency and speed in OTC valuations, all areas of strength for GlobeOp. A robust and scalable infrastructure is particularly important during times of market stress, as is the ability to adapt creatively to new opportunities in the market. Current events strengthened the case for outsourcing.

The current market uncertainty is not new to our management team. We have experienced volatile and illiquid markets several times during our careers. While the current environment may have a negative near-term impact on hedge fund industry growth, I believe it will also bring new opportunities longer term. Markets remain tentative, but the fundamental industry dynamics are encouraging. Large price dislocations offer great opportunities for hedge funds. Our people, processes and technology platform supports clients during all market conditions.

AuA typically grows slowly at the start of the year and 2008 is proving no exception. The new client pipeline is good, but timing remains uncertain. However, thanks to a very strong AuA close in 2007 we have seen solid growth in the early part of 2008. These ingredients position us well for the future and we are focused on a successful year in 2008.

I'd now like to turn the call over to Marty to review our financial results in greater detail.

Martin Veilleux: Thank you Hans. As noted in our earnings release, revenues, adjusted operating profit and cash flow all showed strong growth in 2007. In addition, AuA continued to rapidly expand while headcount increases were quite modest compared to prior years. Overall, it was an excellent year.

Revenues for 2007 were \$166 million as compared to 135.1 million in 2006. This increase of \$30.9 million represents 23% growth over 2006 and was primarily due to the expansion of our MBA revenue.

MBA, or middle- back-office and fund administration revenue, also increased 23% year over year and comprised 93% of our total revenue in 2007. MBA revenue is largely driven by assets under administration, or AuA.

Our AuA grew 28% from \$76 billion at the end of 2006 to \$97 billion at the end of 2007. Over 60% of this increase occurred the second half of the year, so it did not fully impact our 2007 annual revenue. This growth in AuA comprised \$13 billion from the growth of client funds that were already on our platform at the end of 2006. This growth includes both fund performance and investor subscriptions net of redemptions.

We also added \$14 billion from brand new clients and \$5 billion from new funds launched by existing clients during the year. This was partially offset by \$11 billion related to funds, or clients, winding down or leaving the platform during the year.

Revenue in 2007 also saw a positive impact from our Transaction Solutions offerings, as they generated \$2.5 million in 2007 versus \$300,000 in 2006.

Looking at profitability, operating profit was \$16 million in 2007 versus \$15.5 million for 2006. However, 2007's results included \$6.5 million of exceptional cost including IPO-related expenses. We also show Adjusted Operating Profit in our earnings release as we utilize this measure internally to assess our operating performance. A description and reconciliation to IFRS Operating Profit is shown in the notes to the release.

In summary, our Adjusted Operating Profit was \$39.4 million in 2007 versus \$28.4 million in 2006. This 38% increase in profit was the result of our strong revenue growth, coupled with the leveraging of our adjusted operating expenses.

In particular employee costs (excluding share-based compensation expense), decreased from 52.3% of revenues in 2006 to 49.4% in 2007. This is by far our largest cost element, yet it increased just 16% in 2007 as compared to our 23% revenue growth rate.

Consequently, Adjusted Operating Profit increased from 21% of revenues in 2006 to 23.7% in 2007. Our focus on productivity and profitability since the beginning of 2007 has driven these improvements in operating performance. As a result, while revenue and AuA both grew in excess of 20% during 2007, headcount at the end of the year was only 10% above 2006 levels. Moreover, since most of our headcount additions were in India, our average cost per employee declined from approximately \$52,000 per year in 2006 to \$50,000 per year in 2007.

I should also point out that our operating leverage was even more pronounced the second half of 2007. Adjusted Operating Profit for the second half grew 45% over the second half of 2006 and increased to 25.4% of revenue. Again, this was related to the careful oversight of staff

additions, as well as other significant cost elements, such as technology - which is our second largest cost.

So while revenues again grew 23% in the second half of the year; employee costs increased just 13% and technology costs grew 19%.

Our results also show that Profit Before Tax and Exceptionals increased 69% year-over-year. We earned \$12.8 million in 2006 and \$21.6 million in 2007. Unlike Adjusted Operating Profit, these amounts include the impact of share-based compensation expense as well as depreciation and amortization expense. Thus, no matter which metric you utilize to gauge profitability, we had a very good year.

Taxes for 2007 were significantly impacted by the non-deductibility of two large items. First, a large portion of our IPO related fees are not deductible for income tax purposes. In addition, non-cash interest on preferred stock - which we had until its conversion to common shares prior to the IPO - is not deductible. These non-deductible items will not be incurred in the future, so our effective tax rate after 2007 should decline notably.

Finally, looking at our balance sheet and cash flow, we ended the year with \$40 million of cash and we had no borrowings under our \$30 million revolving line of credit. During the year we generated \$34.2 million of net cash flow from operations, versus \$15.2 million in 2006. This increase in operating cash flow was primarily due to our improved Adjusted Operating Profit, as well as reductions in our cash tax payments.

By the way, 2007 operating cash flow includes the payment of \$8.2 million related to IPO listing costs.

Looking beyond operating cash flow the company invested \$14.1 million in capex and intangibles - such as software - in 2007, versus \$11.5 million in 2006. Also we will be paying a dividend of 1p per share in May 2008.

So in closing, overall, we believe our results were very good and show resilience in a challenging market, strong operational leverage and excellent cash generation.

Hans Hufschmid: Thank you Marty; in closing I would like to repeat that while the current volatile environment may have a negative near-term impact on hedge fund industry growth, I believe it will also bring new opportunities longer term.

Markets remain uncertain, but the fundamental industry dynamics are encouraging.

Our people, processes and technology platform supports clients during all market conditions. A robust and scalable infrastructure is particularly important during times of market stress, as is the ability to adapt creatively to new opportunities in the market. With these ingredients, we are well positioned for the future and we are focused on a successful year in 2008.

I'd like to now open the call to questions.

Operator: Thank you sir; we will now begin the question and answer session. If you wish to ask a question please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request please press the # key. I have a question from Philip Middleton of Merrill Lynch; please ask your question.

Philip Middleton: Hi, just a couple of questions; first of all could you say a little bit more about how your clients have actually coped in the first two and a bit months of this year, given that I know you're overweight in credit strategies, and obviously some credit managers have found the going tough? And secondly, I wondered if you could say a little bit more about what prospects you see for operating leverage in 2008/9, particularly given that maybe top line growth may be a little bit slower than people had probably guessed nine months ago?

Hans Hufschmid: Philip, I will take part one of the question and then let Marty answer part two.

The performance for our clients this year to date has been good. Our clients were profitable both in January and February, but we can't tell yet how March is turning out. Subscriptions also have been positive. Net subscriptions - in other words subscriptions minus redemptions - have been positive as well for both the February 1st and March 1st windows.

Martin Veilleux: So Philip, on the operating leverage side, yes certainly if revenue grows faster it's a bit easier to generate the operating leverage, but even with that said you can see we exited the year with operating leverage, operating margin above 25% for the second half. We wouldn't have stressed that if we didn't think it was something that was maintainable, and actually we believe we could build off of that. A major factor has been the leverage of the employee cost. As you saw in the announcement, both headcount and the cost per staff are performing very well for us. So we don't see pressure on either side; we see some more room for productivity. So we're still quite optimistic about some additional operating leverage, even if revenue growth happens to slow down going forward.

Philip Middleton: Thank you very much.

Operator: Once again if you wish to ask a question, please press *1 on your telephone. You have no further questions at this time sir.

Hans Hufschmid: Thank you everyone for joining us today and we look forward to speaking with you again at mid-year if not sooner, thank you.

Operator: That does conclude our conference for today, thank you for participating, you may all disconnect.