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# HUB<sup>24</sup>

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# AUSTRALIAN MICROCAP INVESTOR CONFERENCE

17  
OCT  
2017

# FUNDS UNDER ADMINISTRATION





FY17 Highlights



Opportunities for growth



Outlook



Additional information

# OVERVIEW

# FY17 HIGHLIGHTS

**+**



**OUR FOCUS ON INVESTING IN PLATFORM INNOVATION & GROWTH...**



Net flows of  
**\$2.0b**  
FUA increase of 66% since 30 June 2016, now \$6.2bn



Acquisition of  
**Agility Applications**



**Launch** of direct investing in international shares across 15 exchanges



**1st** in categories for Managed Accounts, User Interface and Smartphone/Tablet Access<sup>1</sup>

1. Results from Investment Trends December 2016 Platform Competitive Analysis and Benchmarking Report based on extensive analyst reviews of 19 platforms across 526 functional points.



Underlying  
EBITDA<sup>1</sup> of  
**\$5.1m**



Underlying  
NPAT<sup>2</sup> of  
**\$3.9m**



Positive operating  
cashflows of  
**\$4.1m**



**1st**  
in overall  
platform  
satisfaction<sup>3</sup>



...HAS DELIVERED  
OUR FIRST YEAR  
OF PROFIT



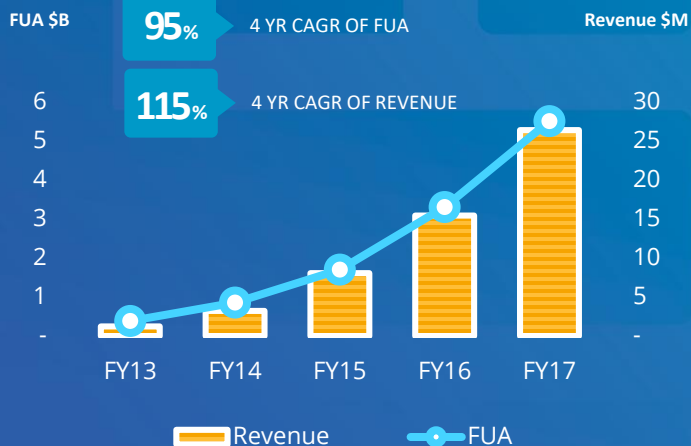
1. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items.

2. Underlying NPAT is a non-IFRS measure used internally by management and by some in the investment community to assess the operating performance of the business. Underlying NPAT represents Net Profit After Tax excluding non-recurring items.

3. Equal first from 2017 Investment Trends Planner Technology Report for platform satisfaction.

# HUB24

## LEADING CHANGE IN WEALTH MANAGEMENT UNDERPINNED BY MARKET LEADING TECHNOLOGY



**PLATFORM REVENUE AND RETAIL FUA**

- ➔ The fastest growing platform<sup>1</sup> at a time of significant change for wealth management in Australia
- ➔ Now profitable and Funds Under Administration (FUA) of \$6.2b (as at 13 September 2017)
- ➔ Margin expansion occurring at increasing scale
- ➔ Includes Paragem (Licensee with a national adviser network) which advises on client funds of circa \$3.8b
- ➔ Acquisition of Agility Applications (specialist provider of technology and application products to the financial services industry)



Fastest growing platform<sup>1</sup>



Best managed accounts platform<sup>2</sup>



1<sup>st</sup> for overall platform satisfaction<sup>3</sup>

Source: Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2017. HUB24 is the fastest growing wrap platform relative to its size in percentage terms, 5th fastest in dollar terms of net inflows. Results from Investment Trends December 2016 Platform Competitive Analysis and Benchmarking Report based on extensive analyst reviews of 19 platforms across 526 functional points. Equal first from Investment Trends 2017 Planner Technology Report for platform satisfaction.

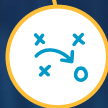
At HUB24 we make a difference in our **customers'** lives by connecting them to innovative solutions that create wealth



Connecting **brokers** to new ways to grow their business



Supporting our **licensees** through connecting them to new ways to create value



Providing **investors** with the right solutions for their wealth needs



Providing **advisers** with the freedom to choose their preferred investment options and way of doing business



Allowing **investment professionals** access to new distribution channels and innovative technology to seamlessly execute their investment strategies





# HUB24 CONTINUES TO WIN AWARDS

## 1<sup>ST</sup> PLACE IN OVERALL PLATFORM SATISFACTION



## 1<sup>ST</sup> PLACE FOR EASE OF USE/NAVIGATION



## 1<sup>ST</sup> PLACE FOR EASE OF USE/NAVIGATION



## RECOGNISED FOR GROWTH



1<sup>ST</sup> PLACE IN 16 OUT OF 24 CATEGORIES, INCLUDING

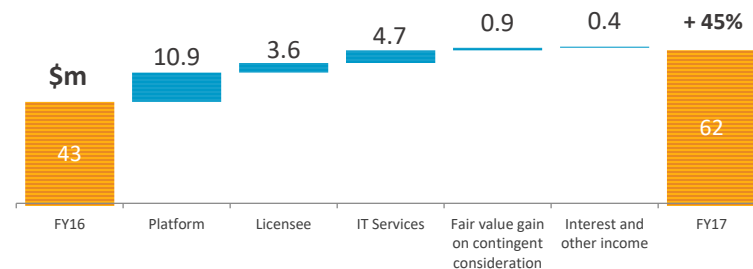
- Relationship support
- Mobile app
- Investment range
- Tax optimisation tools
- Reporting functionality

# GROUP FINANCIAL RESULTS

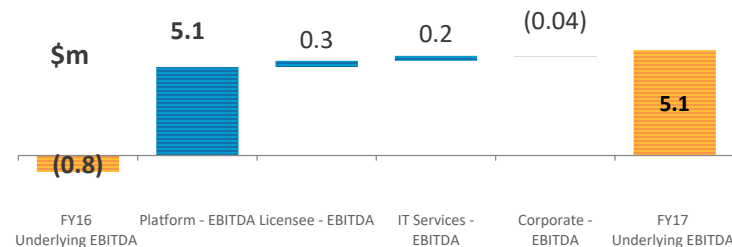
FIRST REPORTING PERIOD WHERE ALL GROUP PROFIT LINES ARE POSITIVE – REFLECTING THE BENEFITS OF GROWTH AND SCALABILITY

GROUP FINANCIAL RESULTS	FY17	FY16	FY17 v FY16
	\$m	\$m	%
<b>Group revenue</b>	<b>61.9</b>	<b>42.7</b>	<b>45%</b>
Direct costs	(41.1)	(31.8)	29%
<b>Gross profit</b>	<b>20.8</b>	<b>10.9</b>	<b>91%</b>
Operating expenses	(10.5)	(7.2)	46%
Growth resources expense <sup>1</sup>	(5.2)	(4.5)	14%
<b>Underlying EBITDA<sup>2</sup></b>	<b>5.1</b>	<b>(0.8)</b>	
<b>EBITDA</b>	<b>4.7</b>	<b>(1.7)</b>	
<b>NPAT*</b>	<b>18.9</b>	<b>(1.2)</b>	
<b>Underlying NPAT<sup>3</sup></b>	<b>3.9</b>	<b>(1.5)</b>	

## REVENUE BREAKDOWN



## UNDERLYING EBITDA BREAKDOWN



\* Other significant items reported in NPAT include interest, share based payments, non-recurring corporate costs, amortisation and income tax benefit associated with the recognition of prior period tax losses. (refer Annexure 5)

1. Growth resources expensed are costs for platform development, strategic development (inclusive of M&A activity) and to accelerate additional FUA onto the platform

2. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items

3. Underlying NPAT is a non-IFRS measure used internally by management and by some in the investment community to assess the operating performance of the business. Underlying NPAT represents Net Profit After Tax excluding non-recurring items.

# PLATFORM SEGMENT RESULTS

PLATFORM FINANCIAL RESULTS	FY17	FY16	Var %
	\$m	\$m	%
Retail FUA (Now 6.2b)	5.5b	3.3b	
Revenue	26.3	15.4	71%
Direct costs	(9.9)	(6.8)	
Gross profit	16.4	8.6	92%
% margin	62%	56%	7%
Operating expenses	(6.3)	(4.8)	
Growth resources expense <sup>1</sup>	(5.0)	(4.4)	
Underlying EBITDA <sup>2</sup>	5.1	(0.6)	
% margin	19%	-4%	23%
EBITDA	5.2	0.0	
% margin	20%	0%	19%
PBT	4.4	(0.6)	

CONTINUING INVESTMENT AND SOLID EXECUTION IS BEING REWARDED WITH FUA GROWTH, INDUSTRY RECOGNITION AND EXPANDING PROFIT MARGINS

- Revenue increase of 71% driven by net inflows from a broadening client base
- Gross profit growth driven by improved margins from increased scale
- Combined Operating and Growth resource expenses increase 23% to support record growth and future investment
- EBITDA margin continues to expand with increasing scale

Other significant items reported in NPAT include interest, share based payments, non-recurring corporate costs, amortisation and income tax benefit associated with the recognition of prior period tax losses. (refer Appendix B)

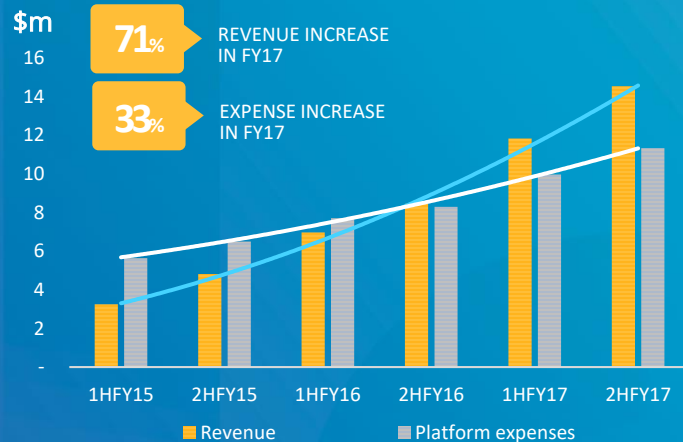
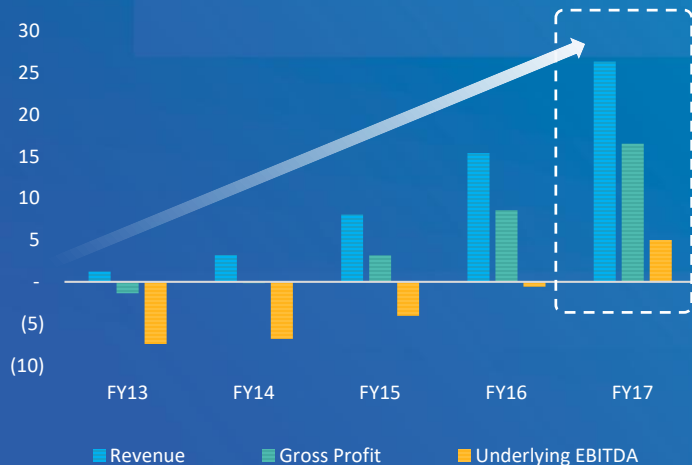
1. Growth resource expenses are costs for platform development, strategic development (inclusive of M&A activity) and to accelerate additional FUA onto the platform

2. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items

# PLATFORM SEGMENT RESULTS

## MARGIN EXPANSION ACROSS PROFIT LINES AT INCREASING SCALE

PLATFORM REVENUE, GROSS PROFIT AND UNDERLYING EBITDA<sup>1</sup> TRENDS

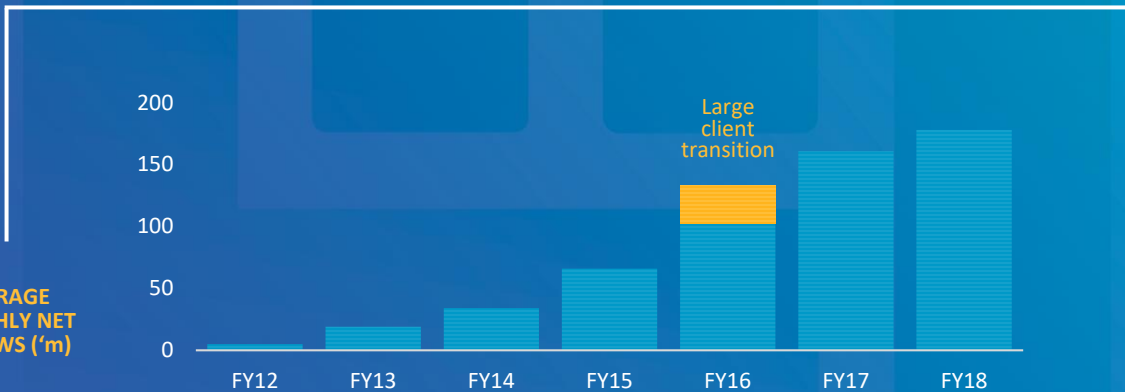


PLATFORM REVENUE AND EXPENSES

PLATFORM PROFIT LINES	PROFIT MARGINS AS A % OF REVENUE			
	FY14	FY15	FY16	FY17
Gross profit	(5%)	39%	56%	63%
Underlying EBITDA <sup>1</sup>	(213%)	(51%)	(4%)	19%

1. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items

# PLATFORM SEGMENT RESULTS



	FY17 \$M	INCREASE ON PCP
Retail FUA	5,515	66%
Net inflows	1,953	21%
Gross inflows	2,629	36%
Number of advisers	917	39%



## BROADENING DISTRIBUTION BASE

- 108 active licensees
- 15 white labels
- 37 new licensees to the platform in FY17
- 3 new white labels



## DELIVERING ACROSS MULTIPLE LEGAL STRUCTURES

- IDPS
- Super
- MDA
- Wholesale
- Reporting service



## NOW OFFERING

- International managed portfolios
- International direct shares
- Interfaces including online account opening from client systems

1. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items

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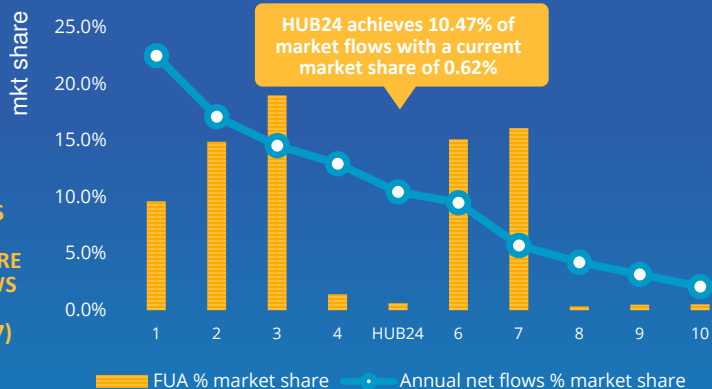
A blue-tinted background image showing a close-up of hands pointing at a document with a bar chart. The chart has several blue bars of varying heights. The overall scene suggests a professional meeting or analysis.

# OPPORTUNITIES FOR GROWTH

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# HUB24 IS WELL POSITIONED FOR FURTHER GROWTH

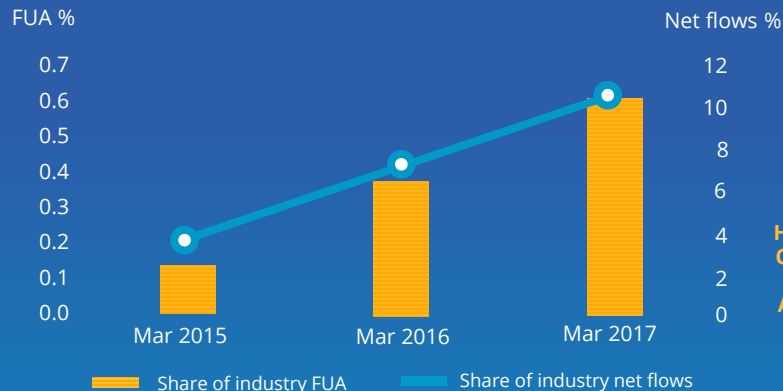
MARKET SHARE BY NET FLOWS: TOP 10 PLATFORMS<sup>1</sup>



PLATFORMS RANKED BY MARKET SHARE OF NET FLOWS VS FUA (31 MARCH 2017)

- HUB24 has 0.62% share of Wrap, Platform & Master Trusts at 31 Mar '17 with 10.47% share of annual net flows
- Non-institutional platforms (disruptors) account for 3.05% of FUA and 28.7% of net flows annually
- Highest growth rate in % terms, 5th in \$ terms annually

FUA AND NUMBER OF ADVISERS



HUB24 SHARE OF INDUSTRY FUA AND ANNUAL NET FLOWS<sup>1</sup>

- 17 new licensees signed in 4QFY17
- Growth in adviser numbers of 39% for the year
- Av FUA per adviser at \$6m against industry average of approx. \$40m per adviser – demonstrating significant potential for further growth within existing client base

1. Source: Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2017. HUB24 is the fastest growing wrap platform relative to its size in percentage terms, 5th fastest in dollar terms of net inflows.

# THE CHANGING LANDSCAPE

## Adoption of Managed Portfolios across Dealer Group, Advisers

- Usage by advisers has increased for fifth consecutive year, highest growth in the last 12 months<sup>1</sup>

## Market share continues to shift to new / non-institutional platforms

- New non-institutionally owned platforms are growing market share and two of these, including HUB24 are ranked ahead of all traditional platforms in terms of product offering and platform satisfaction by advisers.
- Dec 2016 saw the first net outflow quarter across bank and institutional platforms<sup>3</sup>

## Convergence occurring across advisory, stockbroking and financial advice

- Stockbrokers exploring annuity based income models to better service clients
- Accountants and financial advisers collaborating to provide holistic financial advice
- The Stockbrokers association changed its name to Stockbrokers and Financial Advisers Association (Nov 2016)

## Australians increasing use of international shares

- Low international investment exposure for self directed / unadvised SMSFs.
- Direct international share ownership (directly through foreign exchanges) has doubled from 4% to 8% since 2010

- HUB24 is the leading<sup>2</sup> provider of Platform Managed Portfolio capability.
- Increase of 83 across 24 portfolio managers to 295 – the most in the market

### Year to March 2017:

- New non-institutional platforms have a market share of 3.05% and net flow share of 28.7%
- HUB24 has a market share of 0.62% and net flow share of 10.47%<sup>3</sup> (up from 6.4% for the prior year)

- HUB24 designing product and solutions to support this convergence
- Agility acquisition is an investment to support this shift
- HUB24 is providing white labels to licensees & groups with strong accountancy heritage
- HUB24 has secured 2 new relationships with brokers in FY17

- HUB24 has a licensee and platform offer to increase exposure
- HUB24 provides direct access to 15 International share exchanges and provides 12 international share managed portfolios

1. Financial Observer – 'Managed Accounts uptake sees broader appeal'

2. 2016 Investment Trends Platform Competitive Analysis and Benchmarking Report.

3. Strategic Insights - Analysis of Wrap, Platform and Master Trust Managed Funds at March 2017.



# AGILITY APPLICATIONS

AGILITY ACQUIRED 3 JANUARY 2017, IS A SUCCESSFUL SPECIALIST TECHNOLOGY SERVICES PROVIDER TO THE FINANCIAL SERVICES INDUSTRY, PARTICULARLY STOCKBROKERS

## THE OPPORTUNITY

- Non-institutional advisers, brokers and accountants want to leverage new technology to improve client engagement, increase efficiency and reduce costs
- Together, HUB24 and Agility can deliver an integrated solution that meets these needs through our award winning proprietary platform and integration to best of breed 3rd party applications
- Currently Agility licenses over 2,600 users from within 165 firms, reporting on over \$250 billion of client assets

## ACTIVITY TO DATE

- Integration of data and reporting of HUB24 and Agility resulting in improved user experience and back office efficiency for clients
- A dedicated development team has been established to deliver on connectivity and integration projects between HUB24 and Agility technology
- Two joint client wins with products already launched to market. Significant new client opportunities in the pipeline'



# OUTLOOK



Continued strong FUA growth expected and targeting to more than double FUA in the next 3 years to >\$12b



Increasing distribution footprint by accessing current advisers and targeting new relationships



Extend industry leadership position by connecting our customers to innovative solutions



Pursue appropriate corporate activity & strengthening profitability



Continue to lead change and leverage industry dynamics



## **Growing our investment in:**

Platform innovation  
Agility/HUB24 joint technology initiatives – several projects already underway with joint clients

Further open architecture interfaces for advisers, licensees, broker and financial product providers

# CORPORATE INFORMATION

## HUB24 SHARE PRICE



## CAPITAL STRUCTURE AT 12 OCTOBER '17



Shares on issue	60.69m
Share price	\$8.76
Market capitalisation	\$532m

## SUBSTANTIAL SHAREHOLDERS



Thorney Holdings Ltd	14.94%
Acorn Capital Ltd	8.18%
Ian Litster	5.90%

## BALANCE SHEET AS AT 30 JUNE '17



<b>Cash and cash equivalents</b>	<b>\$10.84m</b>
Other current assets	\$7.51m
Non-current assets	\$44.76m
<b>Total assets</b>	<b>\$63.11m</b>
Current liabilities	\$11.94m
Non-current liabilities	\$7.56m
<b>Total liabilities</b>	<b>\$19.50m</b>
<b>Net assets</b>	<b>\$43.61m</b>
<b>Equity</b>	<b>\$43.61m</b>

# DISCLAIMER

## → SUMMARY INFORMATION

The material herein is a presentation of general background information about HUB24 Limited's ('HUB') activities current as at date of presentation. This information given in summary form does not purport to be complete and should be read in conjunction with previous ASX filings, Half Year Report and the audited Annual Report as applicable.

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