HUB24

'20

ANALYST PACK FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Arithmetic inconsistencies are due to rounding

CONTENTS

1. FINANCIAL HIGHLIGHTS 1HFY20

NET INFLOWS FOR THE HALF-YEAR

$2.5b ↑ 18% ON 1HFY19

(↑ 79% EXCLUDING DEC 18 LARGE INSTITUTIONAL TRANSITION)

FUA OF $15.8b

↑ 58% ON 31 DECEMBER 2018

PLATFORM SEGMENT REVENUE	PLATFORM SEGMENT UNDERLYING EBITDA	GROUP UNDERLYING EBITDA	GROUP UNDERLYING NPAT
$35.0m	$13.8m[1]	$11.7m[1]	$5.4m
↑ 38% ON 1HFY19	↑ 73% ON 1HFY19	↑ 71% ON 1HFY19	↑ 75% ON 1HFY19

PLATFORM REVENUE MARGIN
(AS A PERCENTAGE OF FUA)

0.49% ↓ FROM 0.50% 2HFY19

PLATFORM UNDERLYING EBITDA MARGIN
(AS A PERCENTAGE OF REVENUE)

39%[1] ↑ FROM 35% 2HFY19

1. Includes impact of AASB 16 Leases. See Section 3 for more detail.

2. MARKET OVERVIEW AND OUTLOOK

GROUP OVERVIEW

HUB24 Group operates the HUB24 investment and superannuation platform, provides financial advice to clients through financial advisers authorised by Paragem Pty Ltd and provides application and technology products through its subsidiary, Agility Applications Pty Ltd.

The HUB24 investment and superannuation platform is a leading portfolio administration service that provides financial advisers with the capability to offer their clients access to a wide range of investments including market leading managed portfolio functionality, efficient and cost effective trading, insurance and comprehensive reporting for all types of investors – individuals, companies, trusts or self-managed super funds.

Paragem (the licensee) provides licensee services and is a wholly owned subsidiary and boutique dealer group. It comprises a network of financial advice businesses which deliver high quality, goals-based advice. It provides compliance, software, education and support to the practices enabling advisers to provide clients with financial advice to meet their goals.

Agility (IT Services) provides application and technology products to the financial services industry, currently servicing approximately 45% of Australia's stockbroking market. It earns software license and consulting fees from data, software and infrastructure services.

MARKET OVERVIEW

HUB24 operates a full service wrap platform, including market leading managed accounts solutions. The superannuation market is underpinned by mandatory contributions, which are scheduled to increase from 9.5% of salaries to 12.0% by 2025[1]. Due to the mandated nature of Australia's superannuation system, Australia has the fourth largest pension market globally and is expected to grow to over $10 trillion by 2035. The size of the personal investments market is expected to grow to over $5 trillion in the next 10 years.

1. Deloitte – Dynamics of Australia's superannuation system, the next 20 years 2015 to 2035

In this context the role of and demand for quality, unconflicted financial advice in the client's best interests and sophisticated investment platforms is increasing.

KEY TRENDS

THE RISE OF SPECIALIST PLATFORMS (SPs)

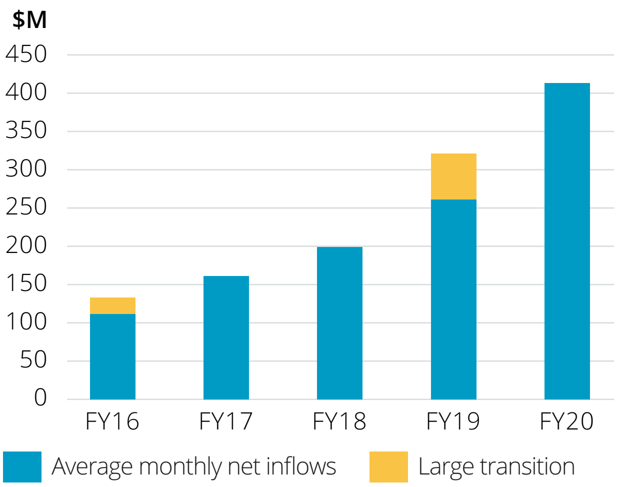
Over the last 5 years:

- SPs have increased market share from less than 1% to over 5%
- Institutional platforms (4 banks, AMP, IOOF, Macquarie) have lost market share over this same period.

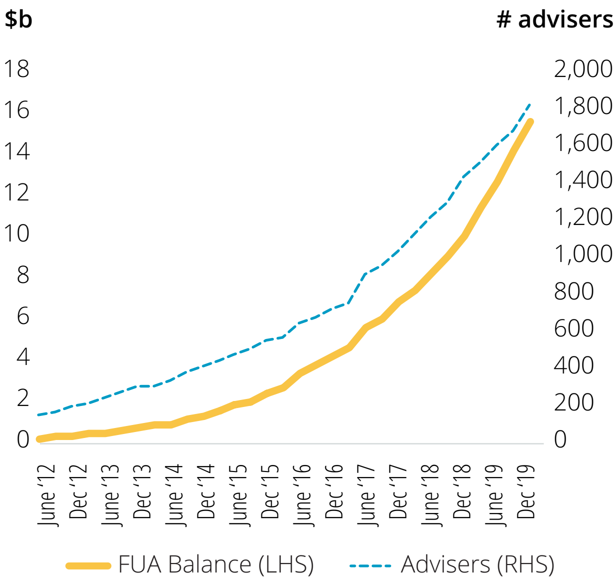
Specialist platforms are winning an increasing amount of net flows in the industry. Newer technology has been utilised in order to deliver more flexible platform solutions and broader investment choice, uninhibited by in-house legacy systems. Institutional providers have been dealing with changes in their wealth management strategies with some exiting wealth altogether. This, coupled with brand damage from the Royal Commission and a lack of platform investment, has seen them collectively move to net outflow in recent quarters with this trend continuing.

HUB24 is committed to connecting customers to the best possible product solutions to help them achieve their financial goals

HUB24 AVERAGE MONTHLY NET INFLOWS



HUB24 FUA AND ADVISERS



FUA five year CAGR 46%

ADVISERS LEAVING INSTITUTIONS

Compliance and regulatory pressures have led the major institutions to review their advice practices. Data from Adviser Ratings shows advisers leaving the larger institutions to become self-licensed or join non-institutional dealer groups.

Now that all of the major banks have announced changes to their wealth management advice strategies, including some exiting advice altogether, we anticipate continued escalation of these trends throughout this period of disruption.

ROYAL COMMISSION IMPACTS

HUB24 is well-positioned to leverage technology and provide innovative solutions to support our licensees, advisers and clients through the Royal Commission recommendations.

As always, HUB24 is committed to connecting consumers to the best possible product solutions to help them achieve their financial goals. Particularly, we welcome the recommendations that support advisers in providing their clients with increased choice, transparency and a broader range of product options to suit their needs.

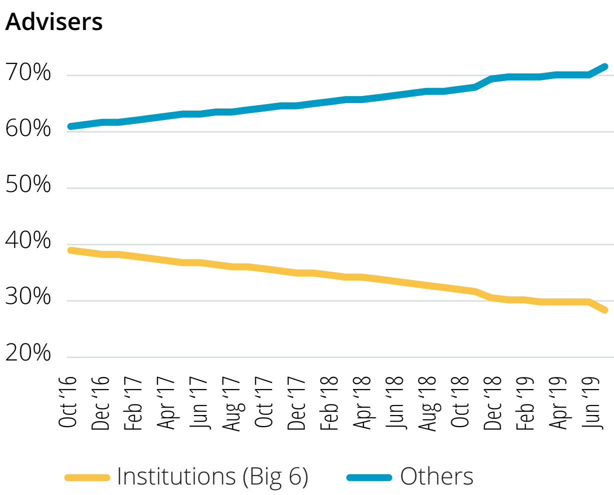
The removal of grandfathered commissions from 1 January 2021 is expected to release FUA from legacy products and is a review trigger for advisers regarding platform selection. HUB24 is now seeing approved product lists being opened up to Specialist Platform Providers and is well positioned to help advisers adjust and define their value proposition in a post Royal Commission world.

TRADITIONAL FINANCIAL SERVICES SEGMENTS ARE CONVERGING

Stockbrokers are using platforms and managed portfolios to offer a wider range of services to their clients, which allows them to access annuity based income models. The use of platforms can create scalable, efficient business models with better risk management.

Financial advisers are now able to more efficiently manage directly held assets, previously the domain of stockbrokers, overlayed with professional management (managed portfolios). HUB24 expects to benefit from both these trends.

HUB24 CONTESTABLE MARKET CONTINUES TO INCREASE



Source: Bell Potter: 2019 Australian Super and Adviser Landscape Reports

3. REVIEW OF FINANCIAL RESULTS

Record half year net inflows were achieved of $2.5 billion (up 18% on 1HFY19 and up 79% excluding the December 2018 large institutional transition). The Group recorded a 12% increase in operating revenues[1] to $52.7 million for 1HFY20 ($47.1 million for 1HFY19). See page 8 for further information on the breakdown of this revenue from HUB24's operating segments.

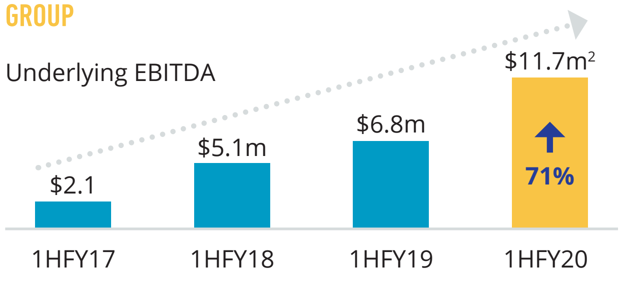
The Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA), which increased 71% to $11.7 million for 1HFY20 ($6.8 million in 1HFY19). The 1HFY20 Underlying EBITDA includes the impact of new accounting standard AASB 16 Leases, which increased Underlying EBITDA by $0.9m. Underlying Net Profit After Tax (UNPAT) was up 75% to $5.4 million for 1HFY20 ($3.1 million for 1HFY19).

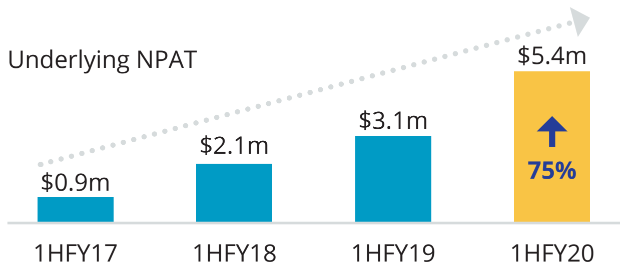
The key items driving the Group Underlying EBITDA performance for 1HFY20 were:

- FUA growth in the Platform segment from $12.9 billion at 30 June 2019 to $15.8 billion at 31 December 2019. Record net inflows of $2.5 billion were achieved during 1HFY20. HUB24's strong FUA growth is being driven by both transition opportunities from new and existing adviser relationships, as well as organic flows from existing advisers and new business from advisers in the key account segment, self-licensed advisers and brokers. Additionally, increasing opportunities are being provided by the opening up of Approved Product Lists within the institutionally aligned licensee segment.
- Platform revenue increased by 38% to $35.0 million for 1HFY20 ($25.4 million for 1HFY19) while platform expenses (direct, operating and growth expenses) increased by 22% to $21.2 million ($17.5 million for 1HFY19). Platform revenue was impacted by strong flows from licensees with large Funds Under Advice, and therefore access to competitive pricing, as well as lower cash balances on platform. See page 8 for further detail.
- As previously announced, the Group continues to invest in the business in order to support its growth ambitions. The recruitment of 8 additional members to the distribution team is now complete and having a positive impact, with new team members nationwide now providing support with onboarding new advisers and activating advisers across all client segments. The recruitment of our new IT scrum team dedicated to maintaining and growing our market-leadership position in managed portfolios is well progressed, with the majority of these new team members now in place.

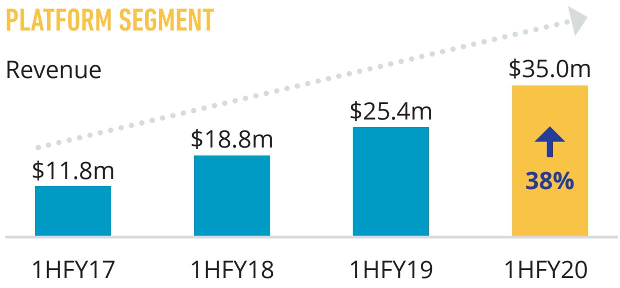
A statutory Net Profit after Tax (NPAT) of $6.0 million was recorded for 1HFY20 up 90% on 1HFY19 ($3.2m).

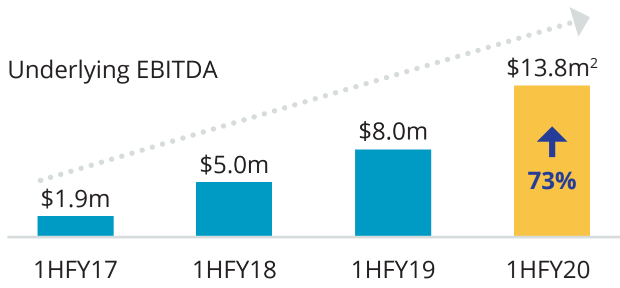
GROUP





PLATFORM SEGMENT





1. Excludes Interest and Fair Value Gains.
2. Includes impact of AASB 16 Leases.

GROWTH INDICATORS AND FINANCIAL METRICS

HUB24 Group growth indicators	1H20	2H19	1H19	2H18	1H18	2H17	1H17
Funds under administration ($m)	15,837	12,870	10,046	8,341	6,899	5,515	4,149
Net flows ($m)	2,496	1,772	2,118	1,334	1,089	1,259	694
Advisers on the platform	1,841	1,625	1,456	1,227	1,040	917	737
Operating revenue ($m)	52.7	49.1	47.1	43.4	40.6	35.2	26.6
Gross Profit ($m)[1]	28.0	24.3	21.8	18.6	16.2	13.1	8.6
Underlying EBITDA ($m)[1,2]	11.7	8.6	6.8	6.8	5.1	3.9	2.1
Underlying NPAT ($m)	5.4	3.7	3.1	3.3	2.1	1.5	0.9
Group financial metrics							
Gross Profit margin (%)	53.2%	49.4%	46.3%	42.8%	40.0%	37.1%	32.3%
Underlying EBITDA margin (%)[2]	22.2%	17.5%	14.5%	15.7%	12.6%	11.2%	7.7%
EBITDA margin (%)[2]	20.2%	15.5%	12.2%	14.1%	10.5%	9.7%	6.7%
Cost to income ratio (%)	78.4%	83.1%	86.2%	85.1%	87.9%	90.3%	93.6%
Effective tax rate (%)	32.3%	41.4%	25.9%	32.3%	28.1%	30.0%	30.0%
Statutory NPAT ($m)	6.0	4.0	3.2	5.1	2.3	17.5	1.4
Operating cashflows ($m)	9.9	8.2	3.4	7.7	4.6	2.6	1.5
Employee benefits expense ($m)	(19.0)	(16.7)	(15.7)	(12.7)	(12.5)	(11.0)	(6.2)
Total staff at period end (#)	248	222	215	190	163	148[4]	77
Earnings per share (cents)							
Basic – underlying	8.6	5.9	5.0	5.5	3.6	2.8	1.6
Basic – statutory	9.6	6.4	5.1	8.3	3.9	31.9	2.5
Diluted – underlying	8.4	5.8	4.9	5.3	3.5	2.6	1.6
Diluted – statutory	9.4	6.3	5.0	8.3	3.8	30.7	2.4
Share Capital							
Ordinary (closing) (m)	62.8	62.3	62.1	61.6	61.0	54.9	53.9
Weighted average (m)	62.6	62.1	61.9	60.1	58.8	54.0	53.2
Weighted average diluted (m)	64.1	63.4	63.3	61.9	60.9	56.9	56.4
Share Price – closing ($)	11.16	11.88	11.88	11.55	9.57	6.24	5.20
Capital management							
Cash & cash equivalents ($m)	21.9	18.5	15.5	16.9	13.6	10.8	10.5
Net assets – average ($m)	68.1	62.7	58.7	54.2	47.6	32.7	20.4
Net assets – closing ($m)	71.4	64.9	60.5	56.9	51.5	43.6	21.8
Net assets per basic share ($)	1.1	1.0	1.0	0.9	0.8	0.8	0.4
Net tangible assets ($m)	32.5	27.9	26.2	25.2	22.2	15.5	7.6
Net tangible assets per basic share ($)	0.5	0.4	0.4	0.4	0.4	0.3	0.1
Dividend (cents)	3.5	2.6	2.0	3.5[3]	-	-	-
Dividend franking (%)	0%	0%	0%	0%	-	-	-

1. As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Gross Profit and Underlying EBITDA to better represent cash generation.
2. AASB 16 Leases was implemented on 1 July 2019, which resulted in a reduction of operating expenses of $0.9m, interest expense of $0.1m and an increase in depreciation of $0.9m.
3. The inaugural dividend represented a payout on full year FY18 profits.
4. Agility acquisition completed in period.

GROUP FINANCIAL PERFORMANCE

HUB24 consolidated profit and loss ($m)	1H20	2H19	1H19	2H18	1H18	2H17	1H17
Platform revenue	35.0	28.6	25.4	20.9	18.8	14.5	11.8
Licensee revenue	14.6	17.0	18.3	18.5	17.3	16.0	14.8
IT services revenue	3.1	3.5	3.5	4.0	4.5	4.7	0.0
Operating Revenue	**52.7**	**49.1**	**47.1**	**43.4**	**40.6**	**35.2**	**26.6**
Interest income[1]	0.3	0.3	0.3	0.3	0.2	0.5	0.3
Direct expenses	(24.9)	(25.2)	(25.7)	(25.1)	(24.5)	(22.7)	(18.4)
Gross Profit	**28.0**	**24.3**	**21.8**	**18.6**	**16.2**	**13.1**	**8.6**
Operating expenses[2]	(16.4)	(15.7)	(15.0)	(11.8)	(11.1)	(9.1)	(6.6)
Underlying EBITDA	**11.7**	**8.6**	**6.8**	**6.8**	**5.1**	**3.9**	**2.1**
Other items							
Share based payment expenses	(1.1)	(1.0)	(1.1)	(0.7)	(0.9)	(0.6)	(0.3)
Other income	0.0	0.0	0.0	0.0	0.1	0.0	0.1
EBITDA (before abnormal items)	**10.6**	**7.6**	**5.8**	**6.1**	**4.3**	**3.4**	**1.8**
Depreciation and amortisation[2]	(2.5)	(1.3)	(1.3)	(1.0)	(1.0)	(0.9)	(0.5)
Discount on contingent consideration	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)	(0.4)	(0.0)
Interest expense[2]	(0.1)	-	-	-	-	-	-
Profit/(loss) before tax (before abnormal items)	**8.0**	**6.3**	**4.2**	**4.9**	**2.9**	**2.1**	**1.3**
Less: Income tax expense	(2.6)	(2.6)	(1.1)	(1.6)	(0.8)	(0.6)	(0.4)
Underlying NPAT	**5.4**	**3.7**	**3.1**	**3.3**	**2.1**	**1.5**	**0.9**
Abnormal items excluding tax effect:							
Fair value gain on contingent consideration	0.7	0.4	0.7	2.2	0.2	0.4	0.5
Deferred tax recognition	-	-	-	-	-	15.5	0.4
Share based expenses	-	-	-	-	0.1	0.2	
Abnormal costs	(0.1)	(0.1)	(0.7)	(0.4)	(0.1)	(0.1)	(0.4)
Statutory NPAT	**6.0**	**4.0**	**3.2**	**5.1**	**2.3**	**17.5**	**1.4**

Underlying EBITDA by segment							
Platform	13.8	10.1	8.0	6.9	5.0	3.2	1.9
Licensee	(0.2)	(0.2)	(0.1)	0.2	0.1	0.2	0.1
IT services	(0.6)	(0.3)	(0.2)	(0.2)	0.2	0.2	0.0
Corporate	(1.3)	(1.0)	(0.8)	(0.1)	(0.1)	0.3	0.1
Total Underlying EBITDA	**11.7**	**8.6**	**6.8**	**6.8**	**5.1**	**3.9**	**2.1**

1. As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Gross Profit and Underlying EBITDA in the Corporate segment to better represent cash generation
2. AASB 16 Leases was implemented on 1 July 2019, which resulted in a reduction of operating expenses of $0.9m, interest expense of $0.1m and an increase in depreciation of $0.9m.

REVENUE

Revenue from external customers increased to $52.7 million, up 12% compared to 1HFY19 due to:

- Record FUA growth in the Platform segment from $12.9 billion at 30 June 2019 to $15.8 billion at 31 December 2019, has resulted in platform revenue of $35.0 million for 1HFY20, an increase of 38% over 1HFY19.
- The Licensee (Paragem) contributed $14.6 million in revenue for 1HFY20 ($18.3 million for 1HFY19). This decrease in Gross Revenue (it is also offset by a decrease in Direct Costs) was the result of some advice practices moving to self-licensing, however over the course of the first half of FY20 12 new practices have joined Paragem due to the increasing migration of advisers away from institutional licensees. Paragem continues to provide strong strategic value for the HUB24 Group.
- IT Services (Agility) contributed $3.1 million in revenue from software licensing and consulting services for 1HFY20 compared to $3.5 million for 1HFY19, a decrease of 11%. As part of HUB24's acquisition rationale, Agility has been spending more time on internal development activities, including HUBConnect, to support the Group's strategic objectives. This also includes the development of an Innovation Lab, which will develop and deliver data management and integration solutions to HUB24 clients to provide unique competitive advantage to their advisers.

PLATFORM REVENUE MARGIN

Platform revenue comprises a mix of FUA based fees, including tiered administration fees and fees on client funds held as cash, and transaction fees such as platform trading for equities, managed funds and insurance. For 1HFY20 revenue margin was 0.49% of average FUA (0.50% for 2HFY19, 0.55% for 1HFY19), calculated as the average of opening and closing FUA for the year.[3]

The revenue margin may fluctuate from period to period depending upon cyclical market conditions, the level of trading activity, shifts in the mix of client portfolios or variations in the average account balance on the platform.

Generally, as average account balances on the platform increase over time, the tiered administration fee paid by clients will tend to decrease as a percentage of FUA, however increase in dollar terms (see chart on following page). The average account balance at 31 December 2019 was up 17% on 31 December 2018. During 1HFY20 revenue was impacted by strong flows from licensees with large Funds Under Advice and therefore access to competitive pricing, as well as lower cash balances on platform. Assisted FUA transitions continue to be a large source of flows, which involve the in-specie transfer of assets, and as a consequence reduce trading margin revenue for new accounts.

GROSS PROFIT

Platform Gross Profit increased to $25.8 million, up 38% compared to 1HFY19 ($18.7 million) due to strong platform net inflows, both from organic flows and transitions. Platform direct costs of $9.2 million ($6.7 million for 1HFY19) include custody, trustee, superannuation administration and headcount resources to service current client accounts while Licensee (Paragem) direct costs of $13.1 million ($16.7 million for 1HFY19) include payments to advisers for advice fees and suppliers of compliance, software and training services. Paragem direct costs have reduced in line with the revenue reduction in 1HFY20. IT Services (Agility) direct costs of $2.6 million ($2.3 million for 1HFY19) include headcount and infrastructure resources to support existing customer consulting arrangements and software license needs.

OPERATING EXPENSES

The Group continues to invest in the business to support its growth ambitions of a targeted $22–26 billion FUA by June 2021. Operating expenses of $16.4 million ($15.0 million for 1HFY19) include growth investment expenses, predominantly headcount resources dedicated to distribution and marketing, future platform development and business strategy to drive future growth.

The implementation of new accounting standard AASB 16 Leases on 1 July 2019 has resulted in $0.9m of lease operating expense moving to depreciation and amortisation, as the leases have now been recognised on the balance sheet.

The Group's cost to income ratio improved from 86.2% in 1HFY19 to 78.4% in 1HFY20.

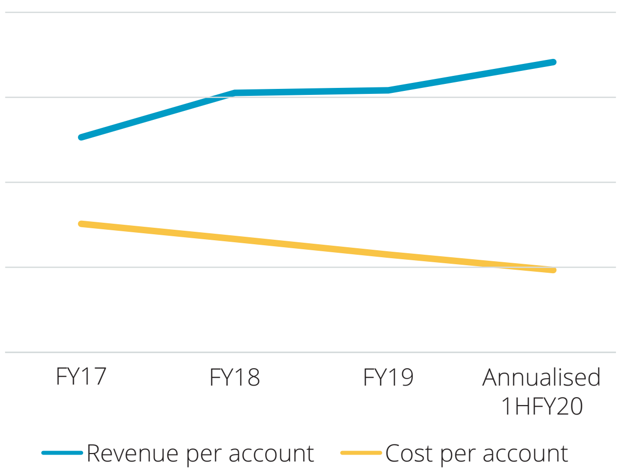
UNDERLYING EBITDA

Group Underlying EBITDA before other significant items increased to $11.7 million, up 71% compared to 1HFY19 due to:

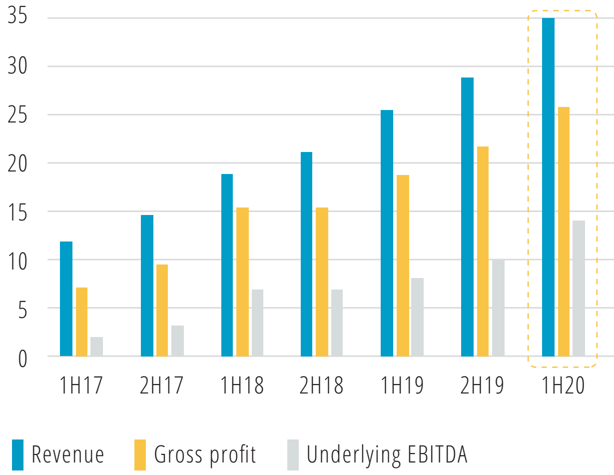
3. Calculating this measure on a monthly average FUA basis the revenue margin was 0.48% (0.50% for 2HFY19 and 0.56% for 1HFY19).

- FUA growth in the Platform segment from $12.9 billion at 30 June 2019 to $15.8 billion at 31 December 2019.
- Platform segment Underlying EBITDA of $13.8 million with Underlying EBITDA margin increasing to 39.4% (including the impact of new accounting standard AASB 16 Leases which increased Platform Underlying EBITDA by $0.7 million. Underlying EBITDA margin increased to 37.3% excluding this change).
- Underlying EBITDA margin at a Group level improved to 22.2% in 1HFY20 from 14.5% in 1HFY19 driven by improving economies of platform scale and the implementation of AASB 16 Leases on 1 July 2019 (which increased Group Underlying EBITDA by $0.9 million).

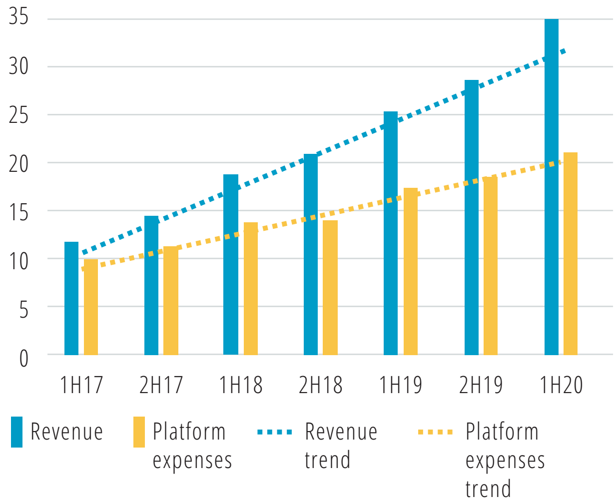
PLATFORM REVENUE AND COST PER ACCOUNT



PLATFORM REVENUE, GROSS PROFIT AND UNDERLYING EBITDA TRENDS ($M)



PLATFORM REVENUE AND EXPENSE TRENDS ($M)



PLATFORM GROSS PROFIT AND UNDERLYING EBITDA AS % OF REVENUE

	1HFY17	2HFY17	1HFY18	2HFY18	1HFY19	2HFY19	1HFY20
Gross profit	59%	65%	69%	74%	74%	76%	74%
Underlying EBITDA	16%	22%	26%	33%	31%	35%	39%

OTHER ITEMS

HUB24 has a policy of capitalising investment in its Platform asset, which is then depreciated over its useful life (which is regularly assessed). During the half year $2.8 million of Platform innovation development was capitalised, including the continued development of HUBConnect ($2.8 million for 1HFY19). Depreciation and amortisation have increased in 1HFY20 as a result of HUB24's continued investment, as well as the implementation of AASB 16 – Leases on 1 July 2019, which increased depreciation by $0.9 million.

Discount on contingent consideration reflects the fair valuation of contingent consideration with regard to the Agility acquisition. The liability increases as it gets closer to crystallisation date. The fair value gain on contingent consideration is in relation to reassessing the future contingent consideration liability. In 1HFY20 this reassessment led to an income item of $0.7 million (1HFY19 $0.7 million).

INCOME TAX

Income tax expense increased to $2.6 million in 1HFY20 ($1.1 million for 1HFY19), reflecting growth in the profitability of the business. Income tax is currently a non-cash item as the HUB24 Group has historic tax losses which are being utilised.

DIVIDENDS

The Board has previously announced its intention to target a dividend payout ratio between 40% and 60% of HUB24's annual Underlying Net Profit After Tax. Subsequent to 31 December 2019 the directors have declared an unfranked dividend of 3.5 cents per share. This represents an Underlying Net Profit After Tax payout ratio of 41% for the first half. It is expected that once tax losses have been fully recouped, future dividends will be franked to the maximum extent possible.

The payment of a dividend by HUB24 is at the discretion of the Board and will be a function of a number of factors, including the general business environment, financial condition of HUB24, capital management initiatives and any other factors the Board may consider relevant.

Dates for the first half 2020 dividend are as follows:

- Ex-date: 13 March 2020;
- Record date: 16 March 2020; and
- Dividend payment date: 17 April 2020.

4. SEGMENT RESULTS

PLATFORM SEGMENT

Profit and loss ($m)	1H20	2H19	1H19	2H18	1H18	2H17	1H17
Revenue	35.0	28.6	25.4	20.9	18.8	14.5	11.8
Direct Expenses	(9.2)	(7.0)	(6.7)	(5.5)	(5.8)	(5.1)	(4.8)
Gross Profit	**25.8**	**21.7**	**18.7**	**15.4**	**13.0**	**9.4**	**7.0**
Operating expenses[1]	(12.1)	(11.6)	(10.8)	(8.5)	(8.0)	(6.2)	(5.1)
Underlying EBITDA	**13.8**	**10.1**	**8.0**	**6.9**	**5.0**	**3.2**	**1.9**
Other items							
Other income	0.0	0.0	0.0	0.0	0.1	0.0	0.1
EBITDA	**13.8**	**10.1**	**8.0**	**6.9**	**5.0**	**3.2**	**1.9**
Interest expense[1]	(0.1)	-	-	-	-	-	-
Depreciation and amortisation[1]	(2.2)	(1.2)	(1.2)	(0.7)	(0.6)	(0.7)	(0.5)
Abnormal costs	(0.1)	(0.1)	(0.7)	-	-	-	-
Profit before tax	**11.4**	**8.8**	**6.2**	**6.3**	**4.4**	**2.5**	**1.4**
Total platform expenses	**(21.2)**	**(18.6)**	**(17.5)**	**(14.0)**	**(13.8)**	**(11.3)**	**(10.0)**
Platform Capex	2.8	3.2	2.8	2.3	1.9	1.1	0.9
Platform statistics							
FUA ($m)	15,837	12,870	10,046	8,343	6,899	5,515	4,149
Average FUA ($m)	14,354	11,458	9,195	7,621	6,207	4,832	3,731
Netflows ($m)	2,496	1,772	2,118	1,334	1,089	1,259	694
Gross Flows ($m)	3,341	2,631	2,696	1,840	2,081	1,625	982
Advisers	1,841	1,625	1,456	1,227	1,040	917	737
Performance analysis							
Basis Points (% of average FUA)							
Revenue	0.49%	0.50%	0.55%	0.55%	0.60%	0.60%	0.63%
Direct expenses	0.13%	0.12%	0.15%	0.14%	0.19%	0.21%	0.26%
Gross Profit	0.36%	0.38%	0.41%	0.40%	0.42%	0.39%	0.37%
Operating expenses	0.17%	0.20%	0.23%	0.22%	0.26%	0.26%	0.27%
Underlying EBITDA	0.19%	0.18%	0.17%	0.18%	0.16%	0.13%	0.10%
Platform expenses	0.30%	0.32%	0.38%	0.37%	0.44%	0.47%	0.53%
% of revenue							
Gross profit margin	73.8%	75.7%	73.6%	73.7%	69.3%	65.0%	59.2%
Underlying EBITDA margin	39.4%	35.1%	31.3%	33.0%	26.5%	22.0%	15.8%
Cost to income ratio	60.6%	64.9%	68.7%	67.0%	73.5%	78.0%	84.2%

1. AASB 16 Leases was implemented on 1 July 2019, which resulted in a reduction of operating expenses of $0.7m, interest expense of $0.1m and an increase in depreciation of $0.7m.

LICENSEE SEGMENT (PARAGEM)

Profit and loss ($m)	1H20	2H19	1H19	2H18	1H18	2H17	1H17
Revenue	14.6	17.0	18.3	18.5	17.3	16.0	14.8
Direct Expenses	(13.1)	(15.5)	(16.7)	(16.8)	(15.8)	(14.6)	(13.5)
Gross Profit	**1.5**	**1.4**	**1.6**	**1.7**	**1.5**	**1.4**	**1.3**
Operating expenses	(1.6)	(1.6)	(1.6)	(1.6)	(1.4)	(1.2)	(1.2)
Underlying EBITDA	**(0.2)**	**(0.2)**	**(0.1)**	**0.1**	**0.1**	**0.2**	**0.1**
Profit before tax	**(0.2)**	**(0.2)**	**(0.1)**	**0.1**	**0.1**	**0.2**	**0.1**

IT SERVICES SEGMENT (AGILITY)

Profit and loss ($m)	1H20	2H19	1H19	2H18	1H18	2H17
Revenue	3.1	3.5	3.5	4.0	4.5	4.7
Direct Expenses	(2.6)	(2.7)	(2.3)	(2.8)	(3.0)	(3.0)
Gross Profit	**0.5**	**0.9**	**1.2**	**1.1**	**1.5**	**1.7**
Operating expenses[1]	(1.1)	(1.1)	(1.5)	(1.3)	(1.4)	(1.5)
Underlying EBITDA	**(0.6)**	**(0.3)**	**(0.2)**	**(0.2)**	**0.2**	**0.2**
Interest Expense[1]	(0.0)	-	-	-	-	-
Depreciation and amortisation[1]	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)
Profit before tax	**(0.9)**	**(0.4)**	**(0.3)**	**(0.3)**	**0.0**	**0.1**

1. AASB 16 Leases was implemented on 1 July 2019, which resulted in a reduction of operating expenses of $0.2m, interest expense of $0.0m and an increase in depreciation of $0.2m.

CORPORATE SEGMENT

Profit and loss ($m)	1H20	2H19	1H19	2H18	1H18	2H17	1H17
Operating expenses	(1.5)	(1.3)	(1.1)	(0.4)	(0.3)	(0.3)	(0.3)
Interest income[1]	0.3	0.3	0.3	0.3	0.2	0.5	0.3
Underlying EBITDA	**(1.3)**	**(1.0)**	**(0.8)**	**(0.1)**	**(0.1)**	**0.3**	**0.1**
Other items							
Share based payment expenses	(1.1)	(1.0)	(1.1)	(0.7)	(0.8)	(0.6)	(0.3)
EBITDA	**(2.4)**	**(2.0)**	**(1.9)**	**(0.8)**	**(1.0)**	**(0.3)**	**(0.3)**
Discount on consideration	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)	(0.4)	(0.0)
Fair value gain on contingent consideration	0.7	0.4	0.7	2.2	0.2	0.4	0.5
Depreciation	-	-	-	(0.2)	(0.2)	-	-
Abnormal corporate costs	-	-	-	(0.4)	(0.1)	(0.1)	(0.4)
Profit before tax	**(1.7)**	**(1.6)**	**(1.5)**	**0.5**	**(1.4)**	**(0.3)**	**(0.2)**

1. As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Underlying EBITDA in the Corporate segment to better represent cash generation.

5. BALANCE SHEET

($m)	1H20	FY19	1H19	FY18	1H18	FY17	1H17
Assets							
Current assets							
Cash and cash equivalents	21.9	18.5	15.5	17.0	13.6	10.8	10.5
Trade and other receivables	8.6	7.6	5.8	5.1	4.9	6.9	4.5
Other current assets	1.2	0.8	1.5	0.8	0.6	0.6	1.5
Total current assets	**31.7**	**26.8**	**22.8**	**22.8**	**19.1**	**18.4**	**16.4**
Non-current assets							
Receivables	3.5	2.0	2.0	2.0	2.0	0.1	-
Office equipment	1.8	2.0	2.1	2.2	2.0	0.8	0.2
Intangible assets	38.8	37.1	34.3	32.0	29.3	28.1	14.2
Deferred tax assets	7.1	9.7	12.3	13.4	14.9	15.8	-
Right of use asset[1]	6.3	-	-	-	-	-	-
Other non-current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Total non-current assets	**57.5**	**50.7**	**50.8**	**49.6**	**48.3**	**44.8**	**14.7**
Total assets	**89.2**	**77.5**	**73.5**	**72.4**	**67.4**	**63.1**	**31.1**
Liabilities							
Current liabilities							
Trade and other payables	2.9	3.4	4.0	5.2	4.6	8.1	2.3
Provisions	4.3	5.1	3.8	4.1	3.4	3.7	1.9
Lease liabilities[1]	1.8	-	-	-	-	-	-
Other current liabilities	0.2	0.3	0.4	0.4	0.1	0.1	3.9
Total current liabilities	**9.2**	**8.7**	**8.2**	**9.7**	**8.1**	**11.9**	**8.1**
Non-current liabilities							
Provisions	1.1	1.0	1.0	1.9	0.8	0.7	0.4
Lease liabilities	5.0	-	-	-	-	-	-
Other non-current liabilities	2.4	2.9	3.8	2.9	7.0	6.8	0.9
Total non-current liabilities	**8.6**	**3.9**	**4.8**	**4.8**	**7.9**	**7.6**	**1.3**
Total liabilities	**17.8**	**12.6**	**13.0**	**14.6**	**16.0**	**19.5**	**9.4**
Net assets	**71.4**	**64.9**	**60.5**	**57.9**	**51.5**	**43.6**	**21.8**
Equity							
Issued capital	99.8	98.2	97.4	96.2	95.5	89.1	84.9
Reserves	28.9	18.3	13.1	9.0	3.3	4.1	4.0
Accumulated losses	(57.4)	(51.5)	(50.0)	(47.3)	(47.3)	(49.6)	(67.2)
Total equity	**71.4**	**64.9**	**60.5**	**57.9**	**51.5**	**43.6**	**21.8**

1. AASB 16 Leases was implemented on 1 July 2019, see section 3 for more detail.

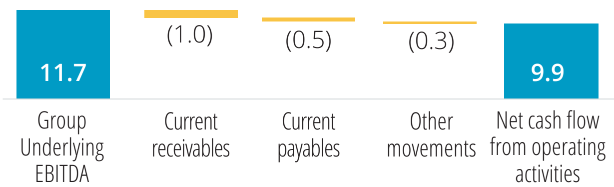
6. CASHFLOW

Statement of cashflows ($m)	1H20	2H19	1H19	2H18	1H18	2H17	1H17
Cashflow from operating activities							
Receipts from customers	56.0	51.2	51.0	48.8	44.4	35.8	29.4
Payments to suppliers/employees	(46.2)	(43.5)	(47.7)	(41.7)	(39.8)	(33.7)	(28.2)
Interest received	0.3	0.5	0.2	0.5	0.0	0.4	0.2
Other	(0.2)	-	-	0.0	-	0.1	0.0
Net cash inflow from operating activities	**9.9**	**8.2**	**3.4**	**7.7**	**4.6**	**2.6**	**1.5**
Cashflow from investing activities							
Payments for office equipment	(0.2)	(0.2)	(0.3)	(0.5)	(1.5)	(0.2)	(0.1)
Payments for acquisitions	(0.3)	(0.4)	-	(2.0)	-	(1.2)	(0.1)
Payments for intangible assets	(3.0)	(3.6)	(3.3)	(2.4)	(2.0)	(1.2)	(1.0)
Other	-	-	-	-	-	0.1	(0.0)
Net cash inflow from investing activities	**(3.5)**	**(4.2)**	**(3.5)**	**(4.9)**	**(3.5)**	**(2.4)**	**(1.1)**
Cashflow from financing activities							
Payments for capital raising costs	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-
Dividends paid	(1.6)	(1.3)	(2.2)	-	-	-	-
ORFR loan facility	(1.5)	-	-	-	-	-	-
Principal element of lease payments	(0.8)	-	-	-	-	-	-
Proceeds from exercise of options	1.0	0.3	0.8	0.6	1.7	0.3	0.8
Net cash inflow from financing activities	**(3.0)**	**(1.0)**	**(1.4)**	**0.6**	**1.7**	**0.3**	**0.8**
Net increase in cash and cash equivalents	3.5	3.0	(1.5)	3.3	2.8	0.4	1.2
Cash and cash equivalents at beginning of the year	18.5	15.5	17.0	13.6	10.8	10.5	9.3
Cash and cash equivalents at end of the year	**21.9**	**18.5**	**15.5**	**17.0**	**13.6**	**10.8**	**10.5**

Cash and cash equivalents at 31 December 2019 were $21.9 million and the company recorded positive Cashflow from Operating Activities of $9.9 million for 1HFY20.

Cashflow from Operating Activities was affected during 1HFY20 by movements in working capital:

- a $1.0 million increase in current receivables; and
- a $0.5 million reduction in current payables.



The increase in receivables reflects the increased scale of the Platform business, with receivables growing as revenue grows. At the end of the period there were Platform receivables that will subsequently be deducted from platform user accounts (credit quality is high) in the following period. The timing of this collection means that the period end receivable will continue to grow in size as Platform revenue grows.

The capitalisation rate of intangible assets has remained broadly steady this period, with work continuing on ConnectHUB and development of other Platform functionality.

$1.0 million was received from the exercise of employee options and dividends of $1.6m were paid.