

**ASX Release: 26 November 2020**

### **Chairman's Address to the HUB24 Annual General Meeting**

On behalf of the Directors I welcome shareholders to the Annual General Meeting of HUB24.

Firstly, I would like to say how pleased I am to be here in person, it is wonderful to see borders opening and Australian businesses returning to growth. HUB24 has been fortunate that the nature of our operation and technologies have enabled our business to continue to operate virtually unaffected with continued growth.

HUB24 has delivered another year of strong growth in key financial metrics to 30 June 2020 with HUB24 Group revenue up 14% and Platform revenue increased by 37% while the Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA), which increased 60% to \$24.7 million. Our statutory Net Profit after Tax (NPAT) was \$8.2 million.

In an environment of continued disruption in the financial services industry and a global pandemic we have continued our strong growth trajectory since the last Annual General Meeting. This disruption including the incumbents divesting of their wealth businesses, continues to create significant opportunity for HUB24 to continue to grow.

Due to the ongoing profitability of the company we are pleased to report for the first time HUB24 issued a fully franked final dividend of 3.5 cents and an interim unfranked dividend of 3.5 cents, bringing the full year dividend to 7 cents per share representing an increase of 52% on the prior year.

#### **COVID Impact**

In February this year, HUB24 like many other businesses in Australia activated our business continuity plan to mobilise our business across Australia to work remotely and ensure continued connectivity and delivery of services for our customers. During this time, we focussed on actively supporting advisers and helping them to leverage the capability available on the platform to benefit their clients.

Whilst net inflows were softer in April as advisers adjusted to the COVID-19 environment, momentum improved towards the end of the financial year and we ended the year with record net inflows. I am pleased to report that our growth trend has continued with a record first quarter of this financial year where our net inflows of funds under administration were \$1.4 billion, which with market movements increased FUA in total by \$1.8 billion up 10.4%.

Throughout the pandemic our business has remained in a solid financial position, operating profitably with cash reserves significantly above regulatory capital requirements, and generating strong operating cashflow. The company has not entered into any deferred payment arrangements and has not received any government or third-party concessions in relation to the COVID-19 pandemic.

## **Growth**

During FY20 the company once again delivered significant growth and according to the latest available platform market share data HUB24 has maintained second position for both annual and quarterly net inflows and has increased our market share to 2.1%.

Overall market conditions for HUB24's value proposition continue to present significant opportunity for growth and the sales pipeline remains strong across all segments.

We have continued our market leadership in the growing managed portfolio segment and were once again selected as No.1 in terms of managed accounts functionality by Investments Trends for the 4<sup>th</sup> year running.

Along with strong financial growth during the year, the company has continued to be recognised for customer service and product excellence being rated equal first for platform service by Wealth Insights, 2<sup>nd</sup> overall in terms of adviser advocacy by Adviser Ratings and also being recognised for our product offer and integration.

## **Operations**

As well as delivering strong growth and supporting our clients, the company has remained committed to delivering on our strategic objectives.

In March, HUB24 was appointed by ClearView as its strategic wrap platform provider. Under the arrangement, more than \$1 billion in FUA from the current ClearView Wealth Solutions wrap platform will migrate to HUB24. The new white-label for Clearview has already been delivered for their advice networks and the bulk FUA transition is expected to occur during FY21.

In October we completed a project to streamline our managed portfolio offer by moving managed portfolios on HUB24 Invest and HUB24 Super into a registered non-unitised MIS scheme designed to provide additional client benefits and lay the foundations for future innovation.

During the year we completed a comprehensive selection process and appointed HTFS Nominees (a member of the EQT Group) to be the new independent trustee of the HUB24 Super Fund and we completed the transition in July.

As previously announced the HUB24 Innovation Lab has been established to monitor and evaluate current and emerging technology trends and their impact and applicability for HUB24. We are actively working with a group of advice licensees on an advice enablement project which is integrating data and overlaying this with artificial intelligence to review advice documentation and provide valuable insights around compliance.

Meanwhile the rollout of HUBconnect has progressed well with new partners adopting the technology and we have continued to invest in our market leading managed portfolio solution.

There is a growing demand for cost-effective advice and you may have seen this week that ASIC has released a consultation paper around promoting access to affordable advice for consumers. We have been working with Aberdeen Standard Investments to launch a digital client engagement tool integrated with the HUB24 platform to provide a solution for advisers to efficiently service clients with smaller balances. This solution is currently in pilot.

## **M&A transactions**

At the end of October, we announced three strategic transactions aimed at positioning HUB24 as the leading provider of integrated platform, data and technology services to Australian wealth advisory businesses. Our Managing Director Andrew Alcock will cover this in more detail during his presentation. These transactions are;

### ***Acquisition of Xplore Wealth Limited***

The proposed acquisition of investment platform provider Xplore Wealth Limited (ASX:XPL) is by way of a scheme of arrangement for \$60 million via a combination of cash and HUB24 scrip consideration. Xplore Wealth is one of Australia's longest serving independent Specialist Platform Providers and investment administrators, with extensive expertise in managed accounts. Xplore's Investment Platform, broad Managed Account offer and Superannuation services provide an array of wealth management options for Australia's financial advisory firms, full-service stockbrokers and wealth managers, with FUA of over \$15 billion, consisting of around \$9 billion in custody and \$6 billion non-custody. This transaction is subject to Xplore shareholder and Court approval and is expected to be implemented in March 2021.

### ***Acquisition of Ord Minnett Portfolio and Administration Service***

The acquisition of Ord Minnett's non-custody Portfolio Administration and Reporting Service which includes tax reporting and corporate action management with over \$8 billion of client portfolios. This acquisition for an upfront cash consideration of \$10.5 million is expected to position HUB24 as one of the leading non-custody platform service providers in Australia in a market where there is increasing demand from licensees, advisers and stockbrokers to outsource non-custodial administration and reporting services. We expect to announce the completion of this transaction shortly.

### ***Proposed investment in Easton Investments Limited***

Easton Investments Limited is a licensee, education and service provider to accountants and financial advisers. HUB24 has agreed to divest and merge its wholly owned wealth business, Paragem, with Easton.

HUB24 and Easton have agreed to partner on developing and commercialising innovative data and technology services for advisers and licensees, with Easton becoming an anchor client for HUB24's solutions currently under development. A Heads of Agreement (HOA) has been executed between HUB24 and Easton to divest Paragem for \$4 million worth of shares in

Easton and subscribing for a \$14 million placement. This transaction is subject to all necessary Easton shareholder approvals and is expected to be completed around the end of February 2021.

The total investment for these transactions is approximately \$93 million and we expect these to deliver approximately 13% earnings per share ('EPS') accretion in FY22. Once implemented, we expect that these transactions will strengthen and further consolidate HUB24's position as a leading specialist platform provider and technology services business while adding further scale to our operations. Platform funds under administration ('FUA') across the combined group is expected to increase to \$42 billion (\$28 billion in custody and \$14 billion in non-custody) and introduce additional capability to HUB24's market leading platform. Existing and potential clients are expected to benefit from a number of highly attractive differentiators once full integration is complete.

The HUB24 institutional share placement completed in October raised \$50 million and was well supported and the Share Purchase Plan raised \$20 million. Both were completed at a share price of \$20 and significantly oversubscribed. I thank shareholders for their support in raising these funds.

## **Corporate Governance**

HUB24's Board of Directors and Management remains committed to their duties and obligations to maintain and improve our robust system of corporate governance.

In November 2019, HUB24 appointed Ruth Stringer as Non-Executive Director of the company, and Ruth joined the board in February 2020. Ruth is an experienced financial services lawyer with expertise in funds management, superannuation, life insurance and financial planning.

In November 2019, we established an internal audit function as part of the Board's commitment to further develop and improve our processes, systems and compliance effectiveness. This resulted in the appointment of KPMG to undertake a program of independent reviews in key areas of the business based on a three-year internal audit plan, aligned to the risk appetite of the organisation.

The ongoing review and improvement of corporate governance practices and processes are fundamental to our business and our expectation that HUB24 board and management maintains a high standard of governance.

## **Outlook**

FY20 has been a successful year for HUB24 even though the COVID-19 pandemic has brought challenges that have impacted our customers, staff, shareholders, and the community. In this context our team has continued to successfully operate and grow the HUB24 business with record growth, as well as leveraging opportunities for further growth.



Market conditions continue to be favourable for HUB24's ongoing growth and we look forward to completing the proposed acquisitions and continuing to deliver on our strategic objectives.

We are targeting strong net inflows in the FUA range of \$28 to \$32 billion by 30 June 2022 and, subject to any unexpected impacts arising from the pandemic or broader economy, our profitable growth trajectory to continue. These expectations do not include contributions from the recently announced proposed M&A transactions and are based on our existing operations.

On behalf of the Directors, we wish to thank our entire team for their commitment, contribution and customer focus during another exciting year for HUB24. As always, we also wish to thank our customers for their ongoing support.

**Bruce Higgins**  
Chairman HUB24  
26 November 2020

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#### **About HUB24**

The Australian Securities Exchange-listed HUB24 Ltd ABN 87 124 891 685 (ASX: HUB) connects advisers and their clients through innovative solutions that create investment opportunities. The business is focussed on the delivery of the HUB24 platform and the growth of its wholly owned subsidiaries Paragem Pty Ltd, a financial advice licensee, Agility Applications Pty Ltd and HUBconnect Pty Ltd which provide data, reporting and software services to the Australian stockbroking and wealth management market. HUB24's award-winning investment and superannuation platform provides broad product choice and a market-leading experience for advisers and their clients. Its flexible technology allows advisers and licensees to customise their platform solution to fit their individual business so they can move faster and smarter. It serves a growing number of respected and high-profile financial services companies.

This release is not financial product advice. Past performance is not indicative of future performance and any forward- looking statements in this release are not representations or guarantees as to future performance.

For further information, please visit [www.HUB24.com.au](http://www.HUB24.com.au)