

**HUB<sup>24</sup>**

23  
FEB  
2021

# 1HFY21 RESULTS PRESENTATION

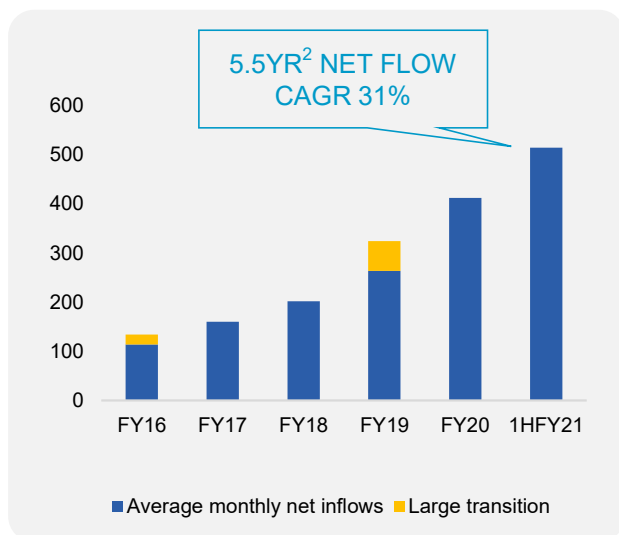
At HUB24 we make a difference in our **customers'** lives by connecting them to innovative solutions that create better investment outcomes

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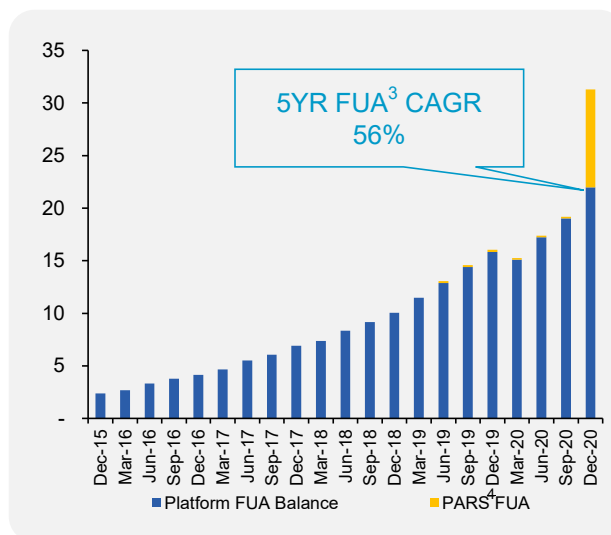
# HUB24 - AWARDED BEST OVERALL PLATFORM

## INVESTMENT TRENDS 2020<sup>1</sup>

**HUB24 average monthly Platform net flows \$BN**



**HUB24 FUA \$BN**



### POSITIONED FOR SCALE & GROWTH



Record net flows



A strong pipeline and continued momentum

- Launch of new institutional private labels
- Finalising strategic transactions
- Entering new segments



Disciplined expense management has offset low interest rate environment resulting in EBITDA increase

A blue-tinted background image showing a close-up of hands pointing at a document with a bar chart. The image is partially obscured by a dark blue circular shape on the left side.

# BUSINESS HIGHLIGHTS

**ANDREW ALCOCK**

Managing Director

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## GROUP FINANCIAL HIGHLIGHTS 1HFY21



**\$43.8m**

**25%**

Platform Revenue



**\$17.4m**

**26%**

Platform Underlying  
EBITDA<sup>3</sup>



**\$7.5m**

**39%**

Underlying NPAT<sup>2</sup>



**39.7%**

Up from  
**37.9%**  
in 2HFY20

Platform Underlying  
EBITDA margin  
(39.4% in 1HFY20)

Statutory NPAT

**\$6.1m** up 1%

Total FUA<sup>3</sup> at 31 Dec 2020

**\$31.3bn** up 95%

Including Platform FUA of \$22bn  
up to 39%

Total FUA now \$33bn including  
Platform FUA of \$24bn<sup>5</sup>

1H Dividend<sup>4</sup>

**4.5cps** up 29%

# AUSTRALIA'S BEST PLATFORM OVERALL<sup>1</sup>

1st



Overall Platform Functionality

Investment Trends Platform Competitive Analysis & Benchmarking Report 2020

1st



→ Managed Accounts Solution<sup>1</sup>

1st Equal

→ Platform Service<sup>3</sup>

2nd



→ Annual net inflows<sup>2</sup>

Ranked in the Top 2

→ 30 out of 44 best practice sub-categories<sup>1</sup>

\$3.1bn



→ Record net inflows

2,280



→ Advisers using the platform up 24%<sup>4</sup>



Finalising strategic transactions announced in October 2020

- Acquisition of Ord Minnett PARS completed & team onboarded to HUB24
- EAS proportional offer & divestment of Paragem complete
- XPL all approvals received
- Capital raising and ANZ debt facility completed

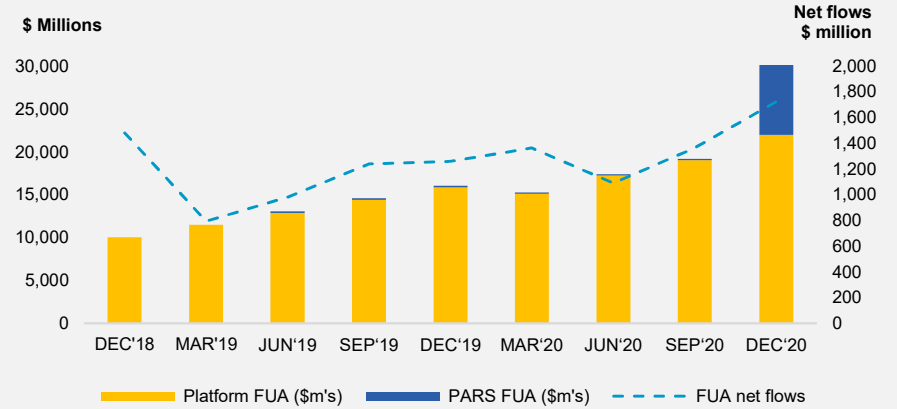
# GROWING FUA AND MARKET SHARE

Specialist & Institutional Platform providers net flow share to underlying market share ratio




- ➔ HUB24 market share has grown from 1.6% to 2.3%<sup>1</sup>
- ➔ Now in 9<sup>th</sup> position up from 11<sup>th</sup> <sup>1</sup>

Platform FUA, PARs FUA & net flows per quarter<sup>2</sup>



- ➔ Maintaining our No.2 position for annual net inflows<sup>1</sup>
- ➔ Platform FUA 2-year CAGR 48%





# FINANCIAL RESULTS

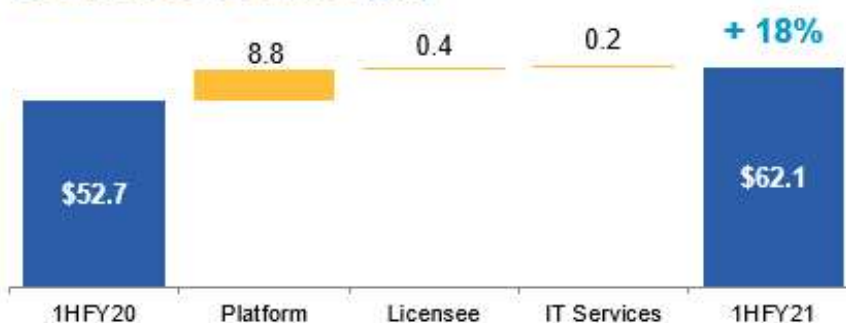
**KITRINA SHANAHAN**  
Chief Financial Officer

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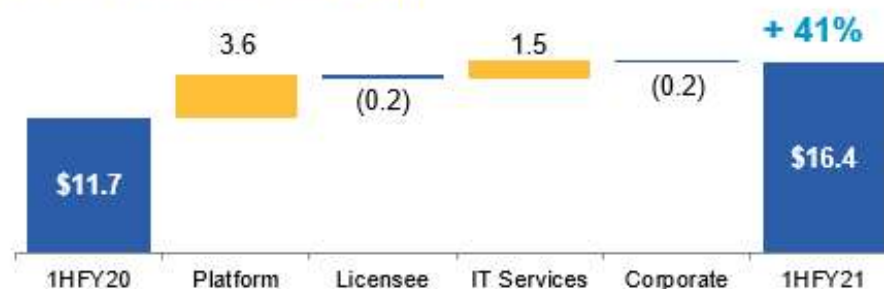
# GROUP FINANCIAL RESULTS

	1H21	1H20	Change
	\$m	\$m	%
Group operating revenue	62.1	52.7	18%
Interest income	0.4	0.3	41%
Direct costs	(26.0)	(24.9)	(4%)
Gross profit	36.4	28.0	30%
Gross profit margin (%)	59%	53%	6%
Operating expenses	(20.0)	(16.4)	(22%)
Underlying EBITDA <sup>1</sup>	16.4	11.7	41%
Underlying EBITDA margin (%)	26%	22%	4%
EBITDA	13.5	10.6	27%
Underlying NPAT <sup>2</sup>	7.5	5.4	39%
Statutory NPAT	6.1	6.0	1%

## OPERATING REVENUE (\$m)



## UNDERLYING EBITDA (\$m)

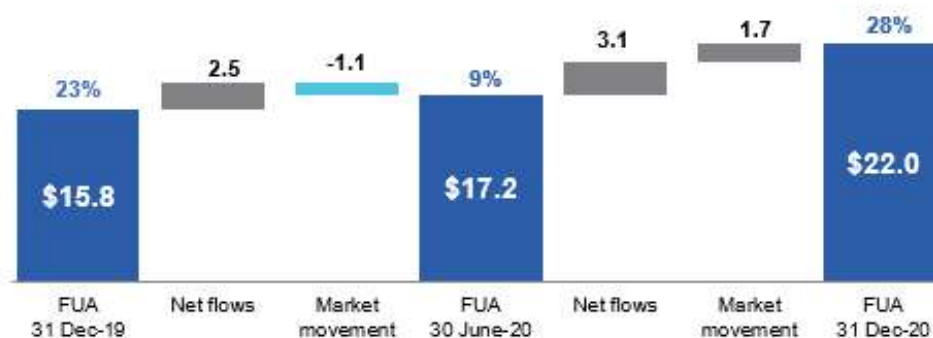


# PLATFORM SEGMENT RESULTS

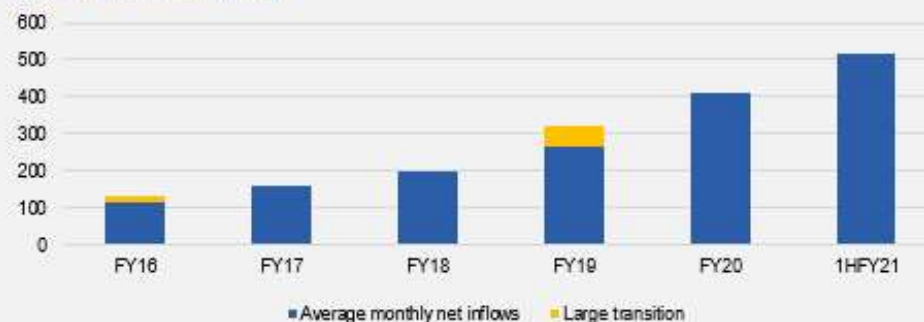
Strong FUA growth driving increased profitability

PLATFORM	1HFY21	1HFY20	change
	\$m	\$m	%
Total FUA (Now 33b <sup>1</sup> )	31.3b	16.0b	95%
Platform FUA (Now 24b <sup>1</sup> )	22.0b	15.8b	39%
Platform Net Flows	3.1bn	2.5b	24%
Revenue	43.8	35.0	25%
Direct costs	(10.8)	(9.2)	18%
Gross profit	33.0	25.8	28%
Gross profit margin (%)	75%	74%	1%
Operating expenses	(15.6)	(12.1)	30%
Underlying EBITDA <sup>2</sup>	17.4	13.8	26%
Underlying EBITDA margin (%)	40%	39%	1%
Profit before tax	14.8	11.4	29%
Total platform expenses <sup>2</sup>	(26.4)	(21.2)	24%

PLATFORM FUNDS UNDER ADMINISTRATION (\$b)



AVERAGE MONTHLY NET INFLOWS (\$m)

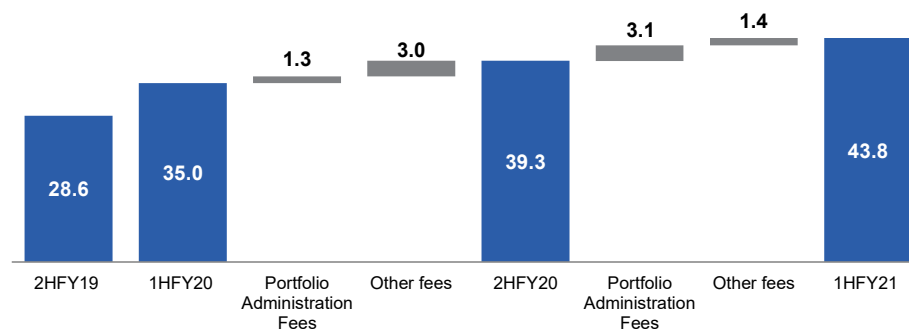


# PLATFORM REVENUE

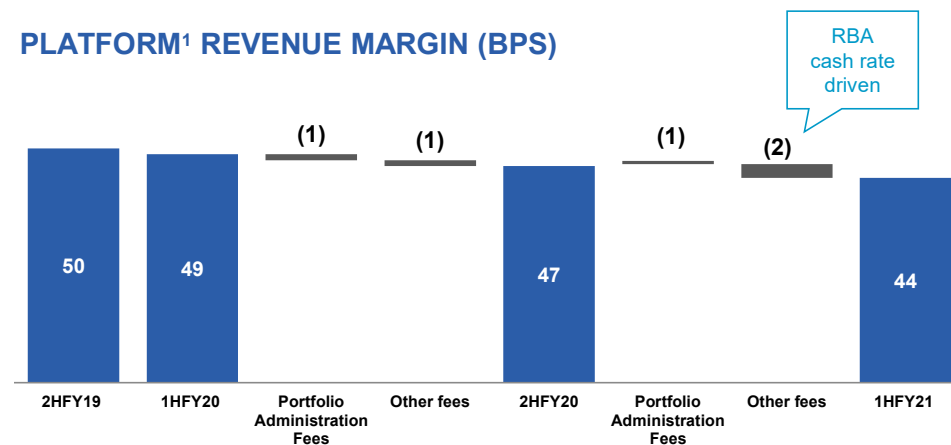
Revenue increase driven by 39% FUA Growth on PCP<sup>1</sup>

- Platform revenue increased by 25% to \$43.8 million driven by record net flows and strong equity markets leading to growth in FUA balances
- Market volatility saw increased trading volumes resulting in higher transaction fee income
- Average account balances continue to grow leading to increased revenue but at a lower margin
- The margins have been negatively impacted by the RBA official cash rates cuts to 10bps in 1HFY21 which reduced cash margin income<sup>2</sup>

PLATFORM REVENUE PERFORMANCE (\$m)

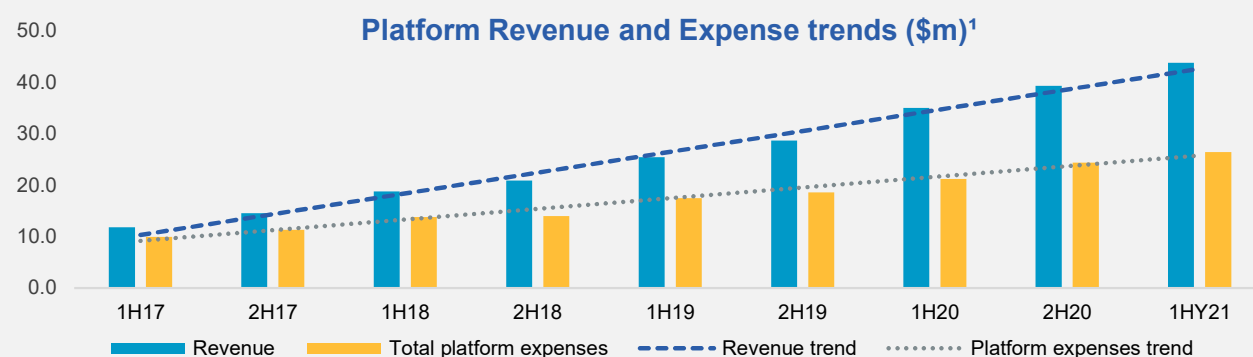


PLATFORM<sup>1</sup> REVENUE MARGIN (BPS)



# PLATFORM SEGMENT RESULTS

## FUA GROWTH DELIVERING SCALE BENEFITS



### Profit

#### Gross profit & underlying EBITDA as % of revenue

Lines	1HFY18	2HFY18	1HFY19	2HFY19	1HFY20	2HFY20	1HFY21
Gross profit	69%	74%	74%	76%	74%	76%	75%
Underlying EBITDA <sup>2</sup>	26%	33%	31%	35%	39%	38%	40%



Investment for growth expected given business momentum and confidence



Disciplined expense management has offset low interest rate environment resulting in expanded EBITDA



Investment made in prior years driving momentum in net flows and revenue growth

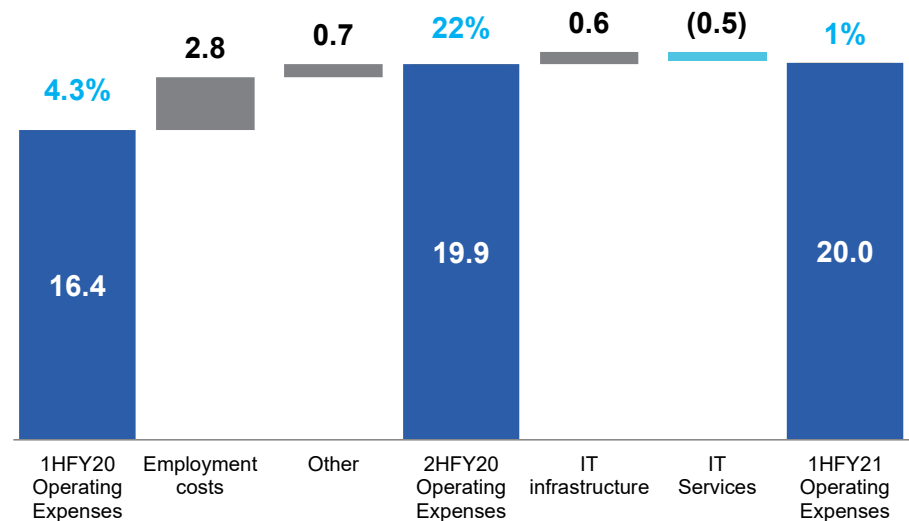


Record net flows driving revenue

# OPERATING EXPENSES

- Group operating expenses held flat to 2HFY20. Disciplined focus on expense management.
- Investment in IT infrastructure to support Platform growth has increased 1HFY21.
- As a result of the strategic review of IT Services the cost base for this business has reduced.
- Headcount increased 7% to 281 FTE at the 31 December 2020, with the associated costs largely reflected in direct expenses.

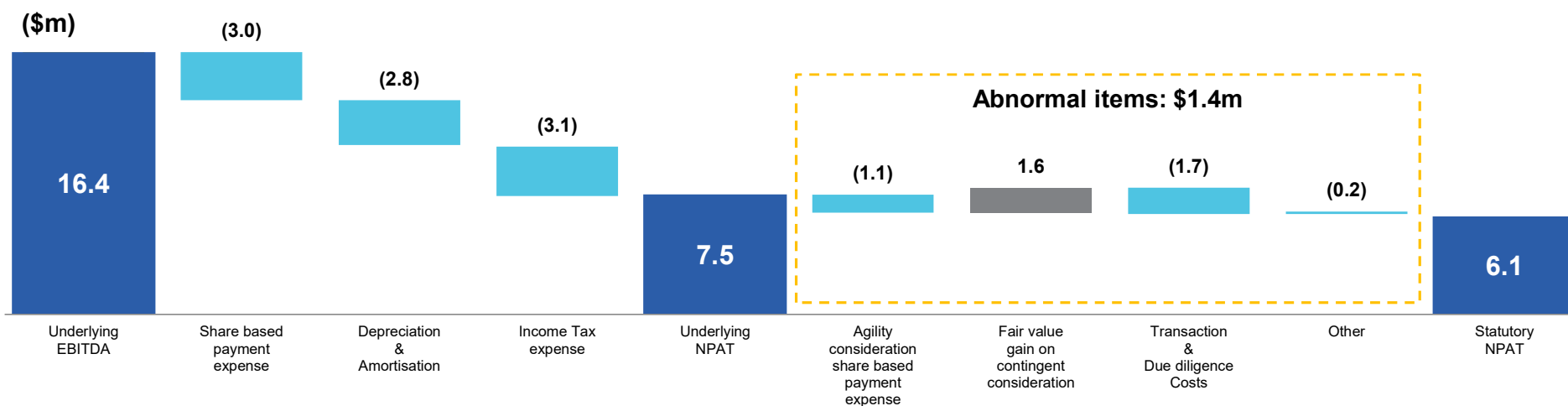
OPERATING EXPENSES (\$m)



# UNDERLYING NPAT

## IMPACTED BY ONE OFF ITEMS POSITIONING THE BUSINESS FOR GROWTH

- Share based payments increased by \$3.0m including the Special LTI grants in 2018 and December 2020
- Amortisation and depreciation includes \$0.9m of lease depreciation in accordance with AASB16 and \$1.3m Platform IT development
- Release of Agility deferred consideration of \$1.6m is offset by \$1.1m of share based payment expense (with \$0.5 to be booked in future periods), reflecting shares issued in Oct-20 to replace the deferred consideration for the purchase of Agility<sup>1</sup>
- Transaction and due diligence costs of \$1.7m are in respect of strategic transactions announced at the end of Oct-20





# UPDATE ON STRATEGIC TRANSACTIONS

**ANDREW ALCOCK**  
Managing Director

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# M&A TRANSACTIONS UPDATE



Acquisition of XPL for \$60m  
FUA \$16.6bn (as at 31 December 2020)

## ORD MINNETT

Acquisition of PARS for \$10.5m  
FUA \$9.1bn (as at 31 December 2020)



Investment of up to 40% in EAS including divestment of Paragem to EAS

### Progress

- ✓ All necessary approvals received
- ➔ Completion on track for 2nd Mar 21

- ✓ Transaction completed & PARS team onboarded

- ✓ **Easton Investment:**
  - Offer closed 22nd February
  - 31.18% holding as at 19<sup>th</sup> February 2020
- ✓ **Paragem Divestment:**
  - Completion of the Share Sale Agreement
  - Paragem team & business transfer to Easton

### Next Steps Q3/Q4

- ➔ Engage with XPL team and transition to HUB24
- ➔ Embed interim operating model
- ➔ Customer engagement
- ➔ Define growth opportunities leveraging enhanced group capabilities
- ➔ Commence integration

- ➔ Determine future product development
- ➔ Ord Minnett system separation
- ➔ Grow market share

- ➔ Identify market opportunities under Technology Partnership & Distribution Agreement and finalise scope of key deliverables
- ➔ Finalise 2nd new director recommendation

# FINALISING STRATEGIC TRANSACTIONS

## LEADING PROVIDER OF INTEGRATED PLATFORM, DATA AND TECHNOLOGY SERVICES

Total FUA: **\$48bn<sup>1</sup>**

Strong combined proposition for retail and High Net Worth clients serviced by stockbrokers, private banks, boutiques and mid-tier licensees

### Platform

**FUA \$33bn<sup>2</sup>**

Market leading Platform  
#1 Platform Overall<sup>4</sup>  
#1 Managed Portfolio solution<sup>4</sup>  
Broad investment choice  
Innovative capability that unlocks value for advisers & their clients

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### Technology solutions & other services

Market leader in non-custodial administration services with

**FUA \$15bn<sup>3</sup>**

Data integration & technology services for stockbrokers, licensees, advisers and other market participants

**HUB<sup>CONNECT</sup>**

## Strategic transactions positioning HUB24 for ongoing success:

- Strengthening our market leadership as Specialist Platform Provider
- Enhanced capabilities for high-net-worth client segment
- New key strategic client relationships
- Extending “single view of wealth” capabilities
- Creating a leadership position in Portfolio Administration & Reporting Services (PARS)
- Significant revenue and scale to support ongoing investment and secure further growth
- Investing in the evolution and enablement of low-cost financial advice



# STRATEGY AND OUTLOOK

**ANDREW ALCOCK**

Managing Director

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# KEY INDUSTRY TRENDS PRESENTING OPPORTUNITIES FOR HUB24



Increasing demand for managed portfolios solutions<sup>1</sup>



Increasing retirement savings<sup>4</sup>



Continued shift to specialist platforms driven by product innovation & WEXIT



Cost of advice increasing creating advice gap<sup>5</sup>



Growing high-net-worth & affluent segment<sup>2</sup>



Increasing demand for integrated solutions and single view of wealth



Cost of core Licensees functions continue to rise<sup>3</sup>



Evolution of adviser and licensee business models<sup>6</sup>

# MAXIMISING OPPORTUNITIES AND POSITIONING FOR FURTHER GROWTH

## Consolidating our market-leading platform position & expanding into new segments



Continuing to grow platform market share

- By leveraging current relationships, securing new clients and continued investment in platform capability and customer service excellence



Consolidating our managed portfolios market leadership position

- Through continued investment to deliver adviser and client benefits



Expanding our offer and targeting new segments

- Investing in new product solutions by leveraging group product capabilities to expand and build market share in new segments



Collaborating with licensees and advisers to deliver solutions that solve key advice delivery challenges

- Building integrated data and technology solutions leveraging AI and machine learning



Delivering an integrated view of wealth for licensees, stockbrokers, advisers and their clients

- Developing seamless transacting and reporting capability across both Platform and Portfolio Administration and Reporting Services

# MOVING FORWARD

## CREATE CUSTOMER & SHAREHOLDER VALUE



Continued market share & FUA growth



Commence integration of acquisitions, leverage new product capability and transition to future operating model



Position HUB24 for ongoing success through innovation and customer service excellence



Continued growth in financial results

Platform FUA target increased to  
**\$43b-\$49b**  
for FY22<sup>1</sup>



We are positioning HUB24 as the leading provider of integrated platform, data and technology services.



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## → SUMMARY INFORMATION

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