

Strong profit growth for Praemium's half-year

9 February 2016, Melbourne: Praemium Limited (ASX: PPS) is pleased to report strong profit growth, with the release of its financial results for the half year ending 31 December 2015. The key highlights for the period were:

- Revenue and other income of \$14.7 million, a 35% increase on H1 FY15;
- EBITDA of \$1.85 million, a 93% increase on H1 FY15;
- Australian EBITDA increase of 21% to \$4.5 million;
- UK EBITDA loss reducing by 42% to \$1.1 million; and
- Global FUA increased by 41% from 31 December 2014 to \$4.5 billion.

Praemium's continuing profit growth is powered by record inflows to our SMA investment platform and range of Smartfunds. With global fund levels reaching \$4.5 billion at 31 December 2015, SMA and fund revenues increased by 53% compared to H1 FY15, generating strong incremental margins and improving the scalability of both our Australian and International businesses.

Australia

The Australian business continued its strong growth momentum this half, with revenue increasing by 22% and EBITDA increasing by 21% over the prior comparable period. Significant interest from financial advisers for our SMA investment platform continues, with funds growing by 47% since December 2014. Revenue from non-custodial portfolio services was up 17% on the first half of FY2015. A number of new clients went live on the SMA this half adding to a considerable pipeline of potential business from firms signed over the past 2 years.

International

The UK business recorded a significant improvement in operating performance this half. In local currency, UK revenues grew 119% compared to expense growth of 18% resulting in a 50% reduction in EBITDA losses. Revenue growth has been driven by continuing fund flows and the successful launch of new products as well as a full period contribution from the acquisition of Plum Software. In particular the growth of Praemium's in-house investment management service (Smart^{im}), with assets now over \$435 million, has increased gross margins and improved operating scalability.

Asia's EBITDA loss increased to \$1.0 million reflecting increased R&D spend to support global product initiatives and timing of project milestone billing that are now expected in calendar 2016.

Looking forward

Commenting on the half-year results, CEO Michael Ohanessian stated, “We are delighted to report an outstanding result this half. We have continued the trend of increasing profitability with EBITDA up 93% on last year. This is particularly pleasing because we also absorbed an increased investment in R&D of 54% over the same period.

“Importantly, the continued strong growth in our global fund levels provides the base for revenue expansion in future years.

“Furthermore, I’m very pleased with the progress being made in the UK, where revenue is growing strongly relative to expenses. The improved financial performance in the half reflects the strategic and operational initiatives that were executed in prior years. We are confident that the financial inflexion point for this business is clearly within our sights.

“We will continue to grow funds under administration, with accelerating inflows from on-boarding of SMA clients secured over the past two years. We will continue to invest in product innovation and technology, and to expand our distribution footprint globally. We are very focussed on our strategy of delivering a fully integrated and value enhancing solution to financial advice businesses.”

Additional financial information is provided in the attached Half Year Report and Investor Presentation.