

**FY2016 Annual results**

15 August 2016

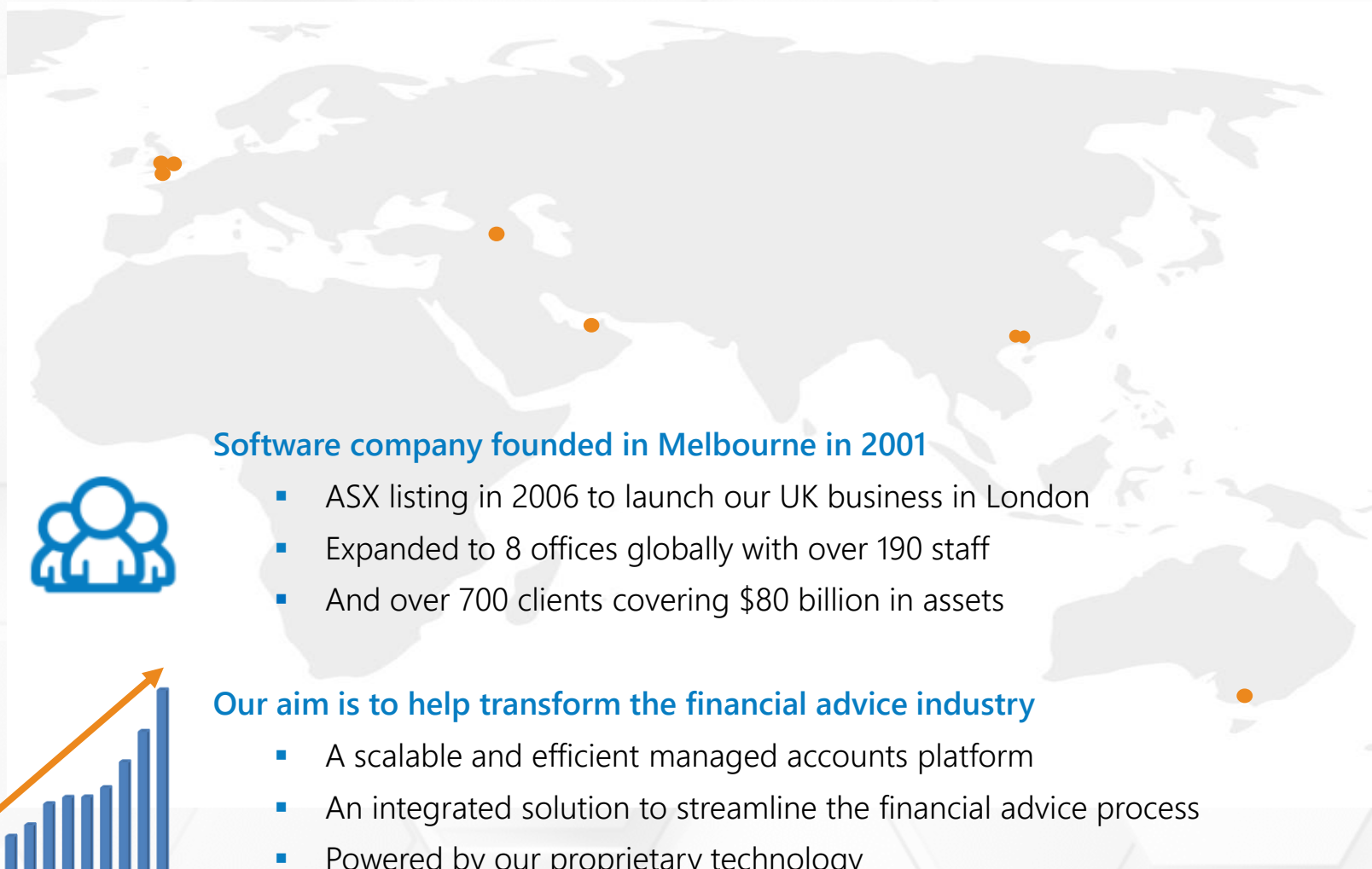
# Disclaimer

The material contained in this document is a presentation of general information about the Praemium Group's activities current as at the date of this presentation (15 August 2016) and is supplementary to the Group's financial results released to the ASX on 15 August 2016.

It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice when deciding if an investment is appropriate.

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# Global reach, global scale



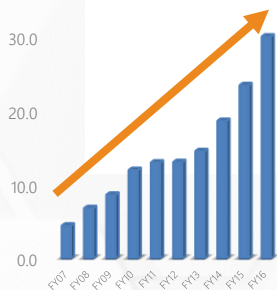
## Software company founded in Melbourne in 2001



- ASX listing in 2006 to launch our UK business in London
- Expanded to 8 offices globally with over 190 staff
- And over 700 clients covering \$80 billion in assets

## Our aim is to help transform the financial advice industry

- A scalable and efficient managed accounts platform
- An integrated solution to streamline the financial advice process
- Powered by our proprietary technology



# What we do

*Our global strategy is to provide a fully integrated solution to the financial advice process*



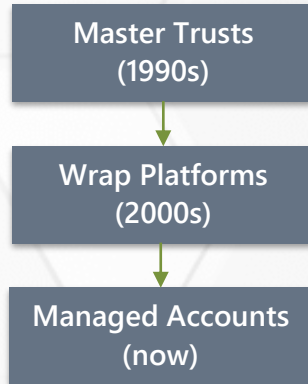
## Our services

- Managed accounts platform (SMA)
- Portfolio administration and reporting software (V-Wrap)
- Investment management services (Smart<sup>im</sup>)
- Financial planning and practice management software (WealthCraft)

## Our clients

- Financial advisers
- Stockbrokers
- Financial institutions
- Investment managers
- Accountants

# SMA disrupting platform market



## Market forces driving disruption

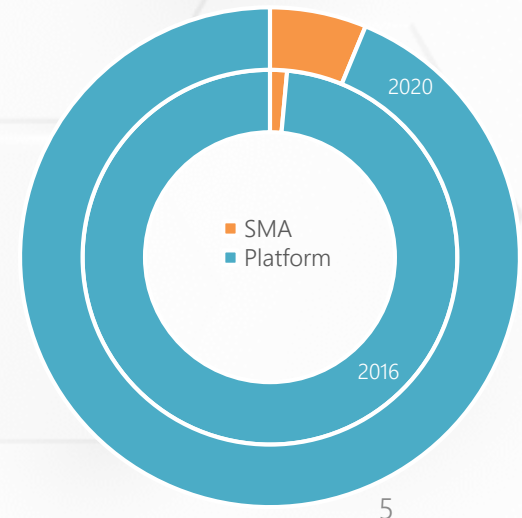
- Customer demand for transparency; in particular SMSF's seeking professional investment management, beneficial ownership and tax advantages
- Evolution of retail brokers to wealth managers
- SMA cost efficiencies further boost financial practice value
- Regulation; loss of platform rebates under FOFA driving new revenue sources
- New entrants with considerable shift away from institutional platforms

## Evolving platform market\*

- AUS platform market \$672 billion today, growing to \$900 billion by 2020 (refer graph)
- SMA market forecast to grow from \$18 billion today to \$60 billion by 2020 (35% CAGR)
- Praemium's SMA industry leading with 17% market share

*"SMA's could deliver 75% of industry net flows"*

AUS Platform market  
(2016-2020)



# Scalable business model

## Investment Platform (SMA)

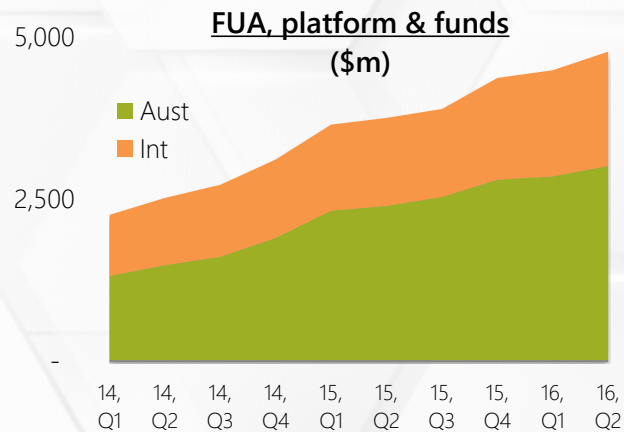
Asset based pricing, based on FUA invested on SMA platforms (\$4.8b\*)

Recurring revenue streams from:

- Platform administration
- Investment management of models or funds

Highly automated platform with low marginal operating costs

Fast growing segment, with large addressable market



## Software as a Service (SaaS)

Portfolio administration and financial planning software

Subscription based pricing, based on portfolios / seats

Recurring revenue streams, with growing portfolio base

Strong incumbent position of V-Wrap

Servicing fast growing superannuation & pension markets (UK 2<sup>nd</sup> largest, Australia 3<sup>rd</sup> largest globally)



# FY2016 highlights

**Revenue**  **23%**

\$30.1 million

**Profit growth** 

\$3.8 million EBITDA\*, up 72%

\$0.8 million NPAT, up 137%

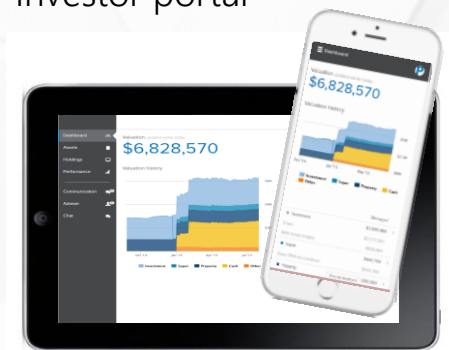
**SMA FUA**  **25%**

Global FUA \$4.8 billion  
(AUS \$3.0b, International \$1.8b)

Record annual inflows \$1.6 billion

 **Products launched**

Smartfund 80% Protected  
SMSF compliance & accounting  
Investor portal



 **Awards**

International Platform  
of the Year



 **Client wins**

New institutional V-Wrap client  
Many new SMA wins  
Continued Smart<sup>im</sup> uptake

# FY16 financial results

Group Financial Results	FY15 Reported (\$m)	FY15 AUS R&D (\$m)	FY15 Normalised (\$m)	FY16 (\$m)	FY16 to normalised FY15 <sup>(1)</sup>
<b>Revenue</b>	<b>24.4</b>	<b>(1.1)</b>	<b>23.3</b>	<b>30.1</b>	← 29% underlying growth
Cost of operations	(6.1)		(6.1)	(7.0)	
<b>Gross margin</b>	<b>18.3</b>	<b>(1.1)</b>	<b>17.2</b>	<b>23.1</b>	← Operating leverage
<b>GM %</b>	<b>75%</b>		<b>74%</b>	<b>77%</b>	
<b>Expenses:</b>					
Information Technology	(5.1)		(5.1)	(7.2)	← 42% increase in R&D investment
Sales & Marketing	(4.4)		(4.4)	(4.7)	
General & Admin <sup>(2)</sup>	(6.6)		(6.6)	(7.4)	
<b>EBITDA (underlying)</b>	<b>2.2</b>	<b>(1.1)</b>	<b>1.1</b>	<b>3.8</b>	← 234% growth
D&A <sup>(3)</sup>	(0.5)		(0.5)	(0.9)	
<b>EBIT</b>	<b>1.7</b>	<b>(1.1)</b>	<b>0.6</b>	<b>2.8</b>	
Restructure & acquisition <sup>(4)</sup>	(0.1)		(0.1)	(0.7)	
FX & other <sup>(5)</sup>	(0.1)		(0.1)	(0.6)	
<b>NPBT</b>	<b>1.5</b>	<b>(1.1)</b>	<b>0.4</b>	<b>1.6</b>	
Tax <sup>(6)</sup>	(3.6)	1.1	(2.5)	(0.8)	← Aus segment tax paying
<b>NPAT</b>	<b>(2.1)</b>	<b>-</b>	<b>(2.1)</b>	<b>0.8</b>	

(1) FY16 AUS R&D incentive now received as a tax rebate. FY15 normalised aligns FY16 reporting to tax expense.

(2) In addition to salaries, G&A includes professional fees (\$1.4m), facilities (\$1.3m), travel (\$0.7m) board & corporate (\$0.4m), IT support (\$0.7m) and performance rights (\$0.4m)

(3) Depreciation & amortisation includes amortisation of intangibles from SMA & Plum acquisitions

(4) Costs from acquisition target due diligence and UK / Asia organisational restructures

(5) Unrealised FX from cash held in foreign currencies (GBP, USD, HKD)

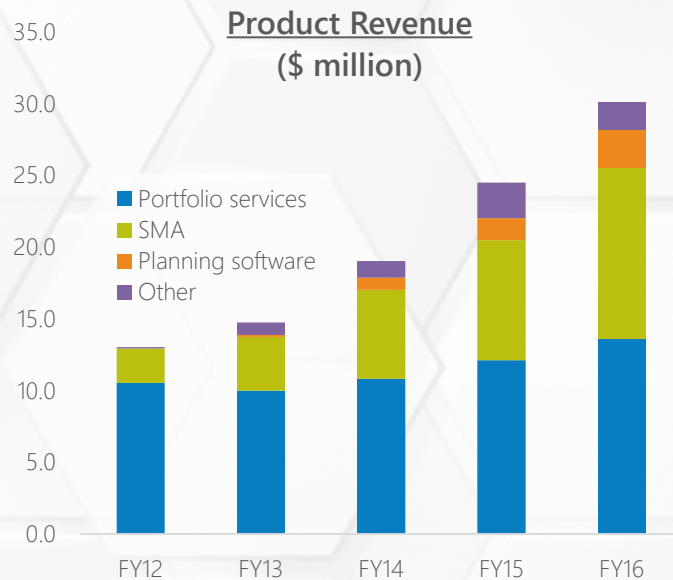
(6) FY16 AUS tax estimate of \$2.0m (tax expense), FY15 tax rebate (\$1.0 benefit) and release of UK DTL (\$0.2m benefit)



# FY16 revenue by segment

23% revenue growth

## By product...

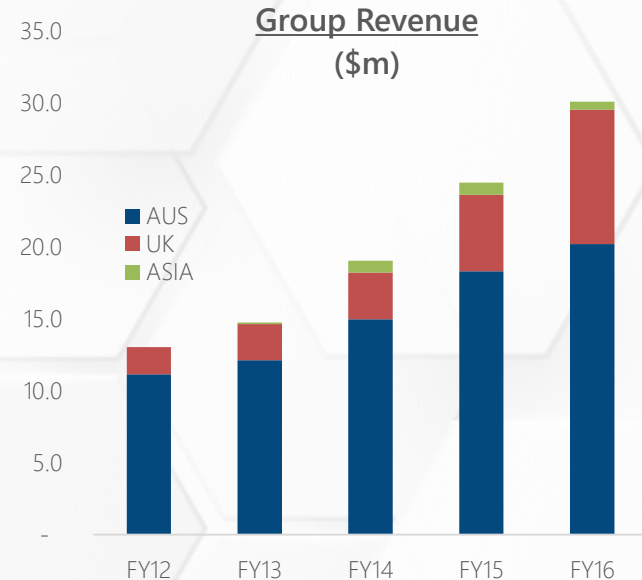


Global SMA revenue up 43%



Portfolio services revenue up 12%

## By region...



UK revenue up 76%



Aus revenue up 10%

# FY16 EBITDA by half

## Confirming the operating leverage

\$m	H1	H2	FY16
EBITDA (pre R&D)	0.7	1.8	2.5
UK R&D incentive	1.1	0.2	1.3
EBITDA (underlying)	1.8	2.0	3.8
EBITDA% to Revenue	12%	12%	12%

### H2 EBITDA (pre R&D incentive) up 123%

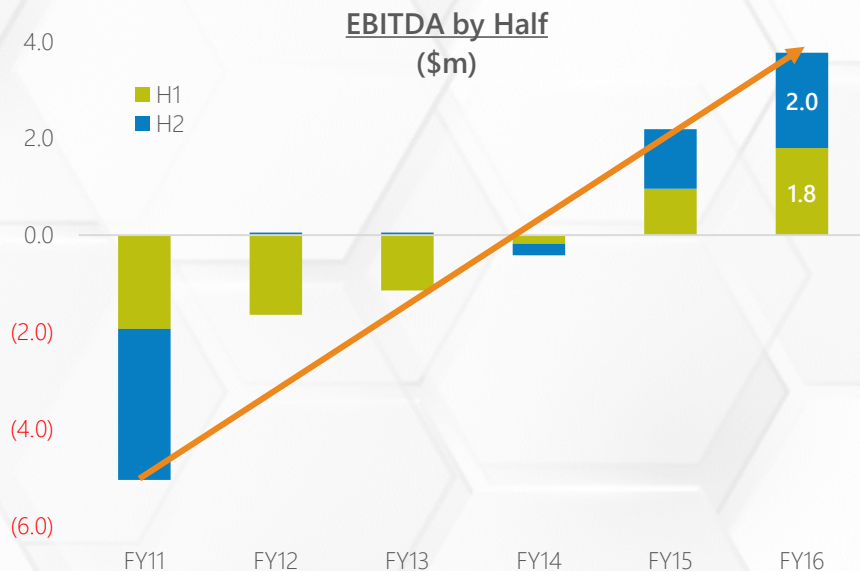
- Growth in recurring revenue streams
- High incremental margins from core products

### Revenue up 10% compared to H1

- UK revenue up 25%
- Fund inflows grew FUA revenue 18%

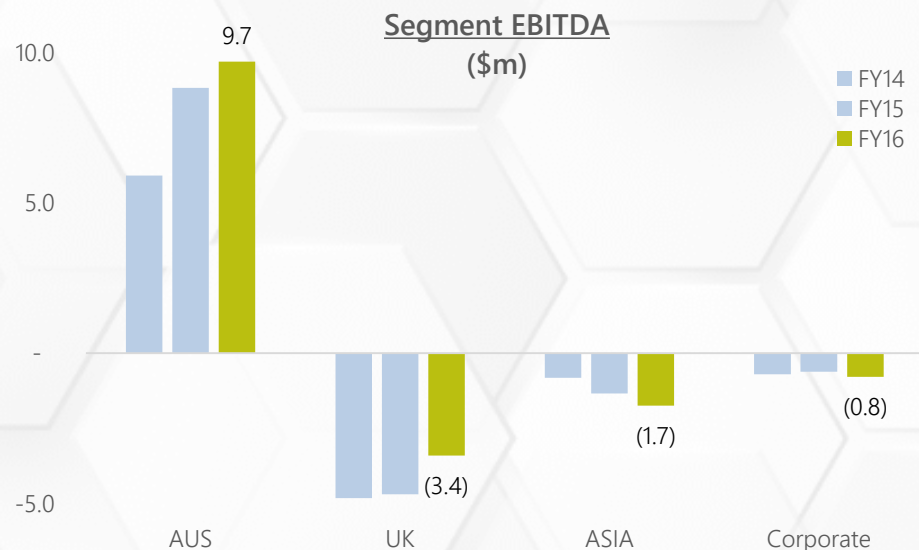
### Expenses up 5% compared to H1

- Uplift in R&D resourcing complete
- Future business investment in line with maintaining profit momentum



# FY16 EBITDA by segment

## Building scale in key markets



### Australia delivering strong earnings

- EBITDA increase of 10% from prior year (24% increase to FY15 normalised)
- Maintained strong EBITDA margins of 48%

### Significant reduction in UK losses

- EBITDA improvement 42% (32% in GBP)
- Revenue up 66%, expenses up 20% (in GBP)

### Asia supporting product development

- \$0.5 million billed in H2 for Hong Kong bank project, further milestone billing in FY17
- Re-alignment of Asia cost base post completion of project build

\$m	AUS	UK	ASIA	Corp	FY16
Revenue	20.1	9.4	0.6	-	30.1
Expenses	(10.4)	(12.8)	(2.3)	(0.8)	(26.3)
EBITDA*	9.7	(3.4)	(1.7)	(0.8)	3.8
EBITDA %	48%				12%

# FY16 Australia result

## Australia – continuing strength

### SMA

FUA of \$3.0 billion, annual increase of 26%

Platform retail super FUA increase to \$289m from \$84m

Increasing client adoption of SMA investment platform:

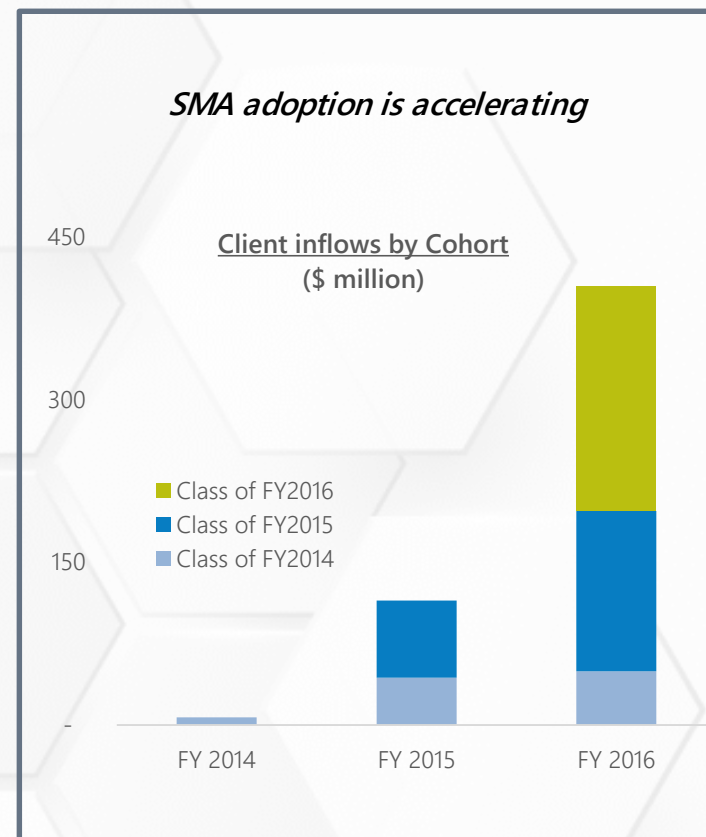
- 14 new white-label services launched and 38 new firms signed up
- FUA potential from major dealer groups signed up is considerable
- Significant wealth manager interest in business transformation powered by Praemium SMA

### V-Wrap

Continued innovation in our accountant-strength portfolio reporting delivering client growth and a major client win (JBWere) to add \$1 million in annualised revenue

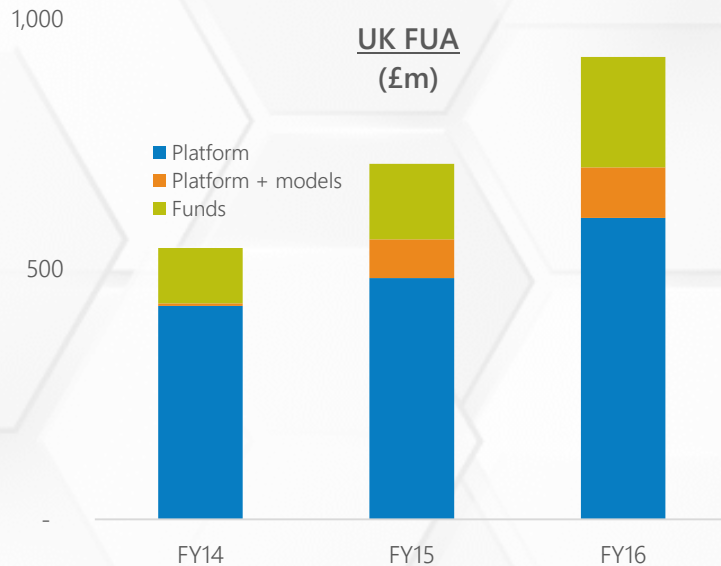
Aus Results	FY15 (\$m)	FY16 (\$m)	Change
Revenue	18.3	20.1	10% ↑
EBITDA	8.8	9.7	10% ↑

### SMA adoption is accelerating



# FY16 UK result

## UK – gaining momentum



FUA of £923 million, annual increase of 30%

In-house investment management Smart<sup>im</sup> delivering incremental margin and scale:

- FUA of £245 million, 44% annual increase
- Smartfund 80% Protected £60 million FUA, strong start since September 2015 launch

Growing inflows despite volatile European markets

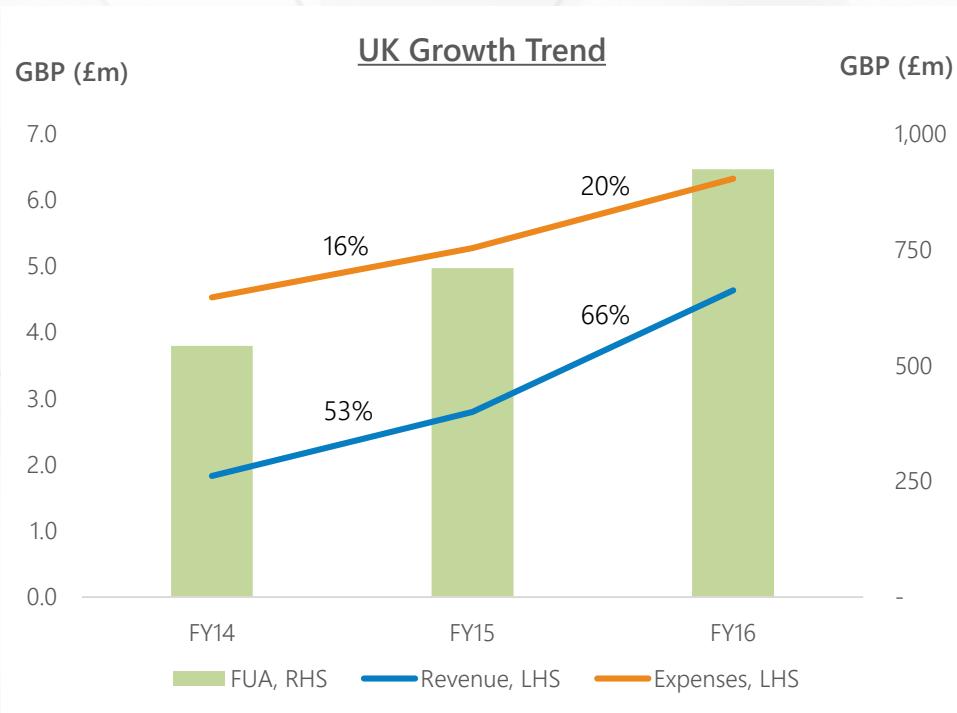
Large opportunities from growing pension market

Winner, ***International Platform of the Year***

UK Results	FY15 (£m)	FY16 (£m)	Change
Revenue	2.8	4.6	66%
EBITDA loss	(2.5)	(1.7)	32%

# FY16 UK trend

## UK – approaching the inflexion point



Strong revenue growth relative to expenses over past 2 years

Investment in Smart<sup>im</sup> in FY14 is delivering margin expansion

Innovative capital protected range growing strongly especially in ex-pat markets

Plum Software fully integrated

Outsourcing of fund admin to streamline operations and improve scalability completed in H2

Foreign exchange impact post Brexit to reduce operating losses reported in \$AUD

# Looking forward

## Continue to grow funds under administration

- Accelerate on-boarding of new SMA clients
- Secure new clients looking to transform their business with a more efficient platform experience
- Secure new model portfolio business for our Smart<sup>im</sup>
- Expand distribution channels for the Smartfund 80% Protected range

## Continue to invest in product innovation

- Expand platform capability
- Build out the integrated product suite to enhance the client experience
- Focus on the key retirement market globally, including the acquisition of a UK pension business
- Add to our world-class development team

## Continue to deliver operating leverage

- Increase profitability while continuing to invest in growth
- Drive the UK business towards inflexion
- Consider potential bolt-on acquisitions that deliver synergies

# Appendix: Cashflow

\$m	FY15	FY16
Operating cashflow	2.3	1.6
R&D incentive	1.7	0.9
Tax paid	-	(0.9)
One-off costs	0.2	(0.6)
<b>Net Operating Cashflow</b>	<b>4.2</b>	<b>1.0</b>
Capex	(0.3)	(0.5)
Regulatory reserves	-	(0.5)
Acquisition	(1.8)	-
<b>Net Investing Cashflow</b>	<b>(2.1)</b>	<b>(1.0)</b>
Net Cash movement	2.1	-
Opening cash	8.6	11.5
Unrealised FX	0.8	(1.1)
<b>Closing cash</b>	<b>11.5</b>	<b>10.4</b>

## Positive operating cashflows

- Working capital timing: \$1.7 million received post FY16
- UK R&D received as cash (FY15 also included AUS)
- Initial company tax payment on AUS profits
- One-off costs include DD and restructure payments

## Investing in future growth

- Upgrading capital infrastructure
- Regulatory reserve to support SuperSMA growth

## Unrealised FX

- Impact of Brexit on GBP held currency with sharp appreciation of \$AUD in June 2016



# Appendix: Balance sheet

\$m	Jun '15	Jun '16
Cash	11.5	10.4
Receivables	3.1	5.3
Intangibles	5.2	4.3
Other assets	2.7	3.3
<b>Assets</b>	<b>22.5</b>	<b>23.3</b>
Tax liabilities	2.0	2.0
Other liabilities	4.7	5.1
<b>Liabilities</b>	<b>6.7</b>	<b>7.1</b>
<b>Net Assets</b>	<b>15.8</b>	<b>16.2</b>

## Solid balance sheet to fund growth

- \$10.4 million in cash reserves
- Increase in receivables from June billing, now collected in July
- No debt
- FY16 company tax payable \$2.0 million