



Annual General Meeting

Managing Director's Address

29 November 2016



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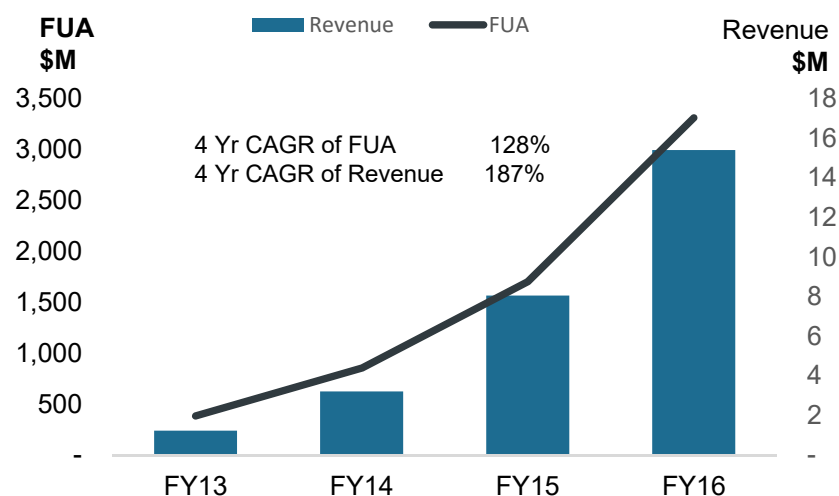
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# HUB24 – Investment platform of choice

## HUB24 IS A LEADER IN WEALTH MANAGEMENT PLATFORMS UNDERPINNED BY MARKET LEADING TECHNOLOGY

### PLATFORM REVENUE AND RETAIL FUA



- ✓ The fastest growing wrap platform\* capitalising on significant disruption in the wealth management industry
- ✓ Four consecutive quarters of record gross inflows for FY16
- ✓ Now PBT positive on a monthly basis\*\*
- ✓ Margin expansion occurring at increasing scale
- ✓ Includes Paragem (Licensee with a national adviser network) with greater than \$3 billion in funds under advice

**Leading**  
independent platform  
provider

**Industry**  
recognised  
and awarded



\* Source: Plan For Life. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2016. HUB24 is the fastest growing wrap platform relative to its size in percentage terms, 5<sup>th</sup> fastest in dollar terms of net inflows.

\*\* PBT positive on a monthly basis since June 2016, not subject to audit.

HUB24 is capitalising on key market trends at a time of favourable market disruption



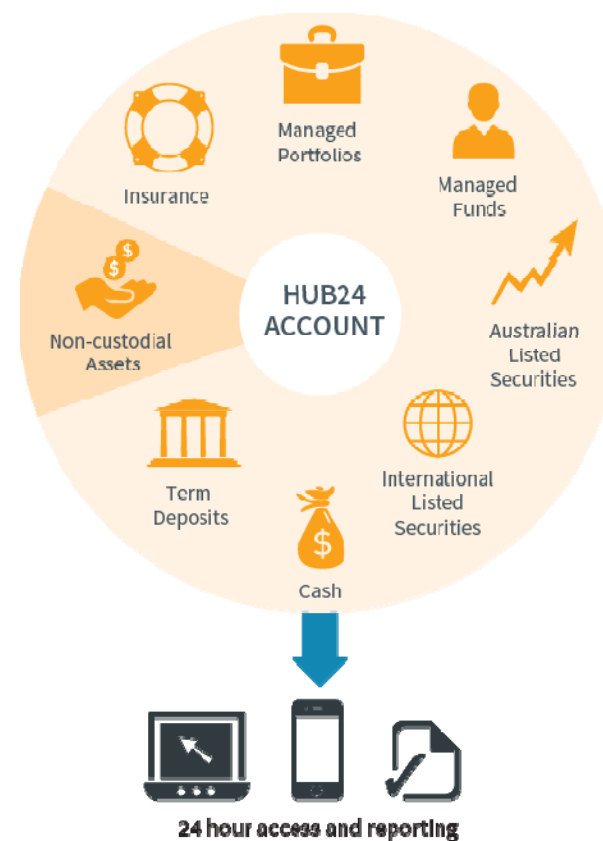
# The new world of managed portfolios

## A BROAD AND NON-ALIGNED INVESTMENT MENU

HUB24 seamlessly integrates managed portfolios with managed funds, TDs, equities and ETFs in the one account. Your clients will benefit from simpler and cheaper trading, plus transparent reporting on all direct and managed assets

- ✓ Over 200 professionally managed portfolios
- ✓ Over 900 managed funds
- ✓ All ASX listed equities, ETFs and LICs
- ✓ Access to international listed securities
- ✓ An array of term deposit providers, insurers and margin lenders
- ✓ Non-custodial asset integration
- ✓ Connection with almost any external cash facility

All the features of a traditional wrap platform combined with the new world of managed portfolios



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# Creating real value for our clients

## HUB24 OFFERS THE MOST FUNCTIONAL MANAGED PORTFOLIO TECHNOLOGY WITHIN A FULL SERVICE PLATFORM

### KEY FEATURES THAT SET HUB24 APART INCLUDE:

- ✓ Depth of managed portfolio functionality, now including IMAs
- ✓ Tax optimisation features & portfolio construction tools
- ✓ International managed portfolios across 15 major exchanges traded daily
- ✓ Delivery across multiple legal structures – IDPS, Super, MDA, Wholesale, Reporting Services
- ✓ Unique proprietary technology with ongoing innovation
- ✓ Industry leading team with compelling experience

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Enabling **licensees** to innovate, improve revenues and manage risk

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Helping **advisers** to efficiently improve their value proposition and profitability

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Making a real difference for **investors** by supporting better financial outcomes with greater transparency and flexibility

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# HUB24 is well positioned for further growth

## INDUSTRY GROWTH FORECASTS

Sector	Predicting	By Year	CAGR
Superannuation assets	\$9.5 tn	2035	8.1%
Deloitte Dynamics of Superannuation Report 2015			
Wrap Platforms	\$315 bn	2030	10.4%
Rice Warner's Personal Investment Market Projections Report 2015.			
Managed portfolio (SMAs)	\$60 bn	2020	32%
Morgan Stanley Research Asia Insight June 22, 2016. Disruptors: Australia Financials			

## NEWLY RELEASED MORGAN STANLEY RESEARCH REVEALED THAT:

- Incumbent business models face disruption from managed accounts/SMAs
- Managed portfolios are a 'better mousetrap' – delivering higher flows and market share to modern industry players.
- Business models are realigning around the customer, managed portfolios are inverting the traditional value chain
- Impetus for managed portfolios is from financial planners seeking to grow revenue, and the value of their practices

**Wrap platforms: fourfold increase next 15 years**  
the fastest growing personal investment sector\*

**Managed portfolios**  
could account for 75% of platform net inflows\*\*

**Abundant room for growth**  
HUB24 has 0.97% of the market\*\*\* with fastest FUA growth with CAGR of 128% over the past 4 years



\* Rice Warner's Personal Investment Market Projections Report 2015.

\*\* Morgan Stanley Research Asia Insight June 22, 2016. Disruptors: Australia Financials

\*\*\* Source: Plan For Life. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2016

# Recognised by our market

HUB24 IS RECOGNISED AS A LEADER IN OUR MARKET AHEAD OF TRADITIONAL ESTABLISHED PLATFORM PROVIDERS



## INVESTMENT TRENDS PLANNER TECHNOLOGY REPORT\*

Ranked first for Value for Money the most important driver of platform satisfaction

Ranked first for Mobile access | Pricing flexibility | Tax optimisation tools

Top 2 for Overall planner satisfaction



## INVESTMENT TRENDS PLATFORM BENCHMARKING REPORT\*

Awarded Best Navigation and User Interface

Awarded Best Tablet/Smartphone Access

In the top 3 platforms for overall functionality

Ranked first for managed accounts functionality within the top 3 overall platforms



## SUPER RATINGS FAST MOVER AWARD 2017



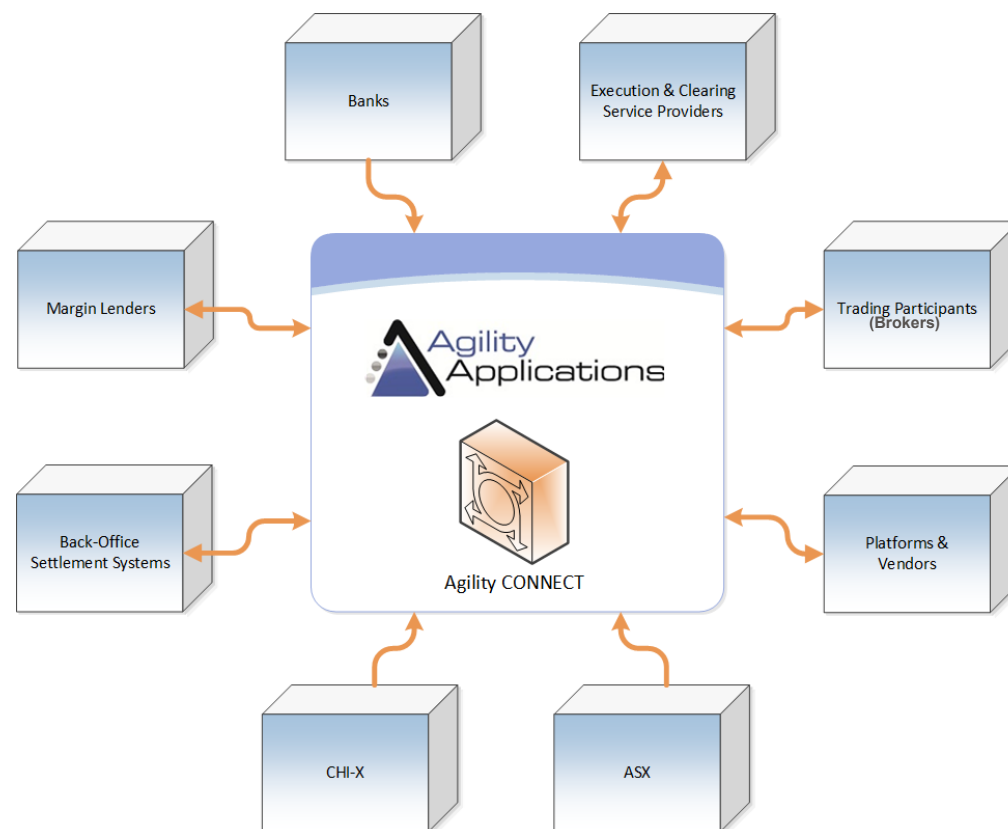
## SUPER RATINGS GOLD 2017





# Agility – strategic rationale for acquisition

- Agility Applications ('Agility') - specialist provider of application and technology products and services to the financial services industry
- Over 2,300 users who are predominately stockbrokers from within 165 firms, reporting on over \$200 billion of client assets
- HUB24 and Agility aim to be the leading provider of wealth management platform and financial technology services to the stockbroking and non-aligned advice market
- The Founders will remain in the business following HUB24's acquisition



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## Agility – consideration

- HUB24 will pay the vendors consideration as follows:
  - \$6 million on completion, made up of \$2 million in cash and \$4 million in HUB24 ordinary shares
  - Up to a further \$5.5 million in cash and \$3.5 million in HUB24 ordinary shares, subject to certain conditions and performance hurdles to be met progressively over the next three years
  - Any shares issued would be subject to escrow and will be issued by reference to the 20 day VWAP prior to the relevant issue date.
- Expected to be earnings per share accretive for HUB24
- The acquisition is subject to conditions precedent with Completion targeted for early January 2017

## FY16 highlights



**102%**

growth in retail net flows  
to \$1.6bn



Retail FUA growth of 94% to

**\$3.3bn**

(Now \$3.96bn)



**Launch**

of international  
managed portfolios



**1<sup>st</sup>**

in categories for value for  
money, mobile access & tax  
optimisation tools\*

## Transition to profitability



Increase in Platform segment  
revenue of

**91%**



Positive group

**EBITDA**

for 2HFY16\*\*



Positive group

**EBIT**

for 4QFY16\*\*\*



Positive monthly group

**PBT**

Since June 2016\*\*\*\*

# Financial Results



# Group financial results

GROUP FINANCIAL RESULTS	FY15 \$m	FY16 \$m	% CHANGE
Group revenue	28.3	42.7	51%
Direct costs	(23.5)	(31.8)	36%
Gross profit	4.8	10.9	125%
Operating expenses	(5.3)	(7.2)	37%
Operating EBITDA	(0.4)	3.7	977%
Growth resources expensed	(4.0)	(4.5)	14%
EBITDA*	(4.4)	(0.8)	81%
NPAT	(6.5)	(1.2)	81%

⇒ includes Platform (\$15.4m) and Licensee segments (\$27.3m)

⇒ include trustee, administration and transaction services for Platform and adviser remuneration for Licensee.

⇒ includes compliance, facilities, marketing, IT infrastructure and professional services

⇒ Includes costs for platform development, strategic development (inclusive of M&A) and other costs to accelerate FUA onto the platform

⇒ Deferred tax asset for temporary differences of \$1m recognised in FY16 given proximity to profitability

## EBITDA

positive for 2HFY16\*

## EBIT

positive for Q4FY16\*\*

## PBT

positive since June 2016\*\*\*



Other significant items reported in NPAT include interest, share based payments, non-recurring corporate costs, amortisation and tax expense. (refer Appendix B)

\* EBITDA represents earnings before interest, tax, depreciation and amortisation and other significant items

\*\* EBIT represents earnings before interest, tax and other significant items

\*\*\* PBT positive on a monthly basis since June 2016, not subject to audit.

# Platform segment results

GROUP FINANCIAL RESULTS	FY15 \$m	FY16 \$m	% CHANGE
<b>Retail FUA (now \$3,962m)</b>	<b>\$1,701</b>	<b>\$3,313</b>	<b>94%</b>
Revenue	8.1	15.4	91%
Direct costs	(4.9)	(6.8)	40%
Gross profit	3.2	8.6	171%
%	39%	56%	44%
Operating expenses	(3.4)	(4.8)	42%
Operating EBITDA	(0.2)	3.8	n/a
%	(2%)	25%	n/a
Growth resources expensed *	(3.9)	(4.4)	13%
EBITDA**	(4.1)	(0.6)	86%
%	(51%)	(3.7%)	93%
<b>PBT</b>	<b>(4.0)</b>	<b>(0.6)</b>	<b>85%</b>

⇒ Revenue growth driven by:  
Net inflows of \$1.6 billion from a broadening client base, an increase of 102% on FY15

⇒ Gross profit growth driven by:  
Improved margins from increased scale & negotiated reductions in platform transaction costs

⇒ Investment in fixed cost base brought forward to support recent contracts and strong pipeline. Negligible growth in opex from 1HFY16 to 2HFY16.

⇒ EBITDA margin continues to expand with increasing scale

## EBITDA

positive for 2HFY16\*\*

## EBIT

positive for Q4FY16\*\*\*

## PBT

positive since June 2016\*\*\*\*



Other significant items reported in PBT include interest, share based payments, non-recurring corporate costs, amortisation and tax expense. (refer Appendix B)

\* Growth resources expensed are costs for platform development, strategic development (inclusive of M&A activity) and to accelerate additional FUA onto the platform

\*\* EBITDA represents earnings before interest, tax, depreciation and amortisation and other significant items

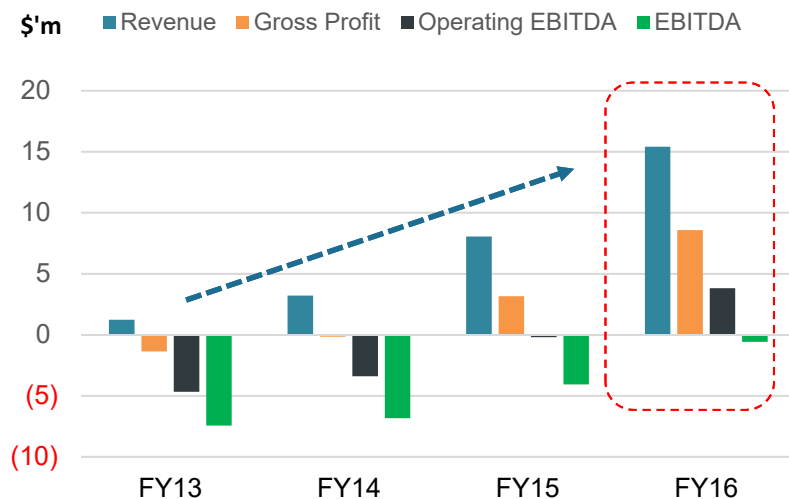
\*\*\* EBIT represents earnings before interest, tax and other significant items

\*\*\*\* PBT positive on a monthly basis since June 2016, not subject to audit.

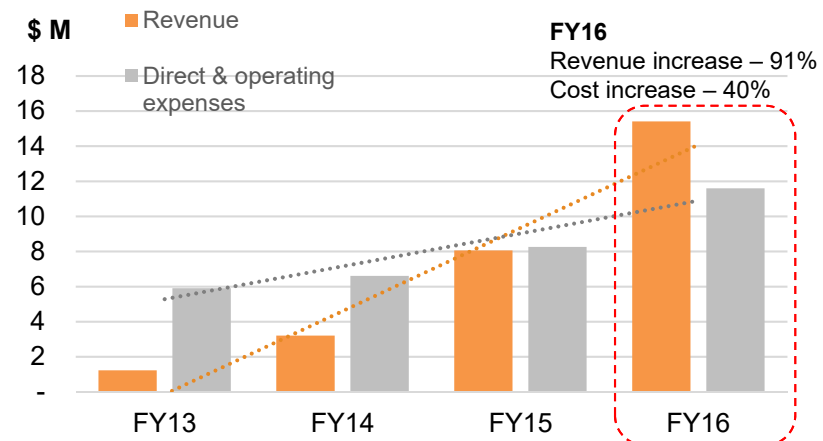
# Platform segment results

## MARGIN EXPANSION AT INCREASING SCALE

### PLATFORM – REVENUE, GROSS PROFIT, OPERATING EBITDA\* AND EBITDA\*\* TRENDS



## PLATFORM REVENUE AND COSTS



PLATFORM PROFIT LINES	PROFIT MARGINS AS A % OF REVENUE			
	FY13	FY14	FY15	FY16
Gross profit	(111%)	(5%)	39%	56%
Segment operating EBTDA	(381%)	(106%)	(2%)	25%
Gross EBITDA	(606%)	(213%)	(51%)	(4%)

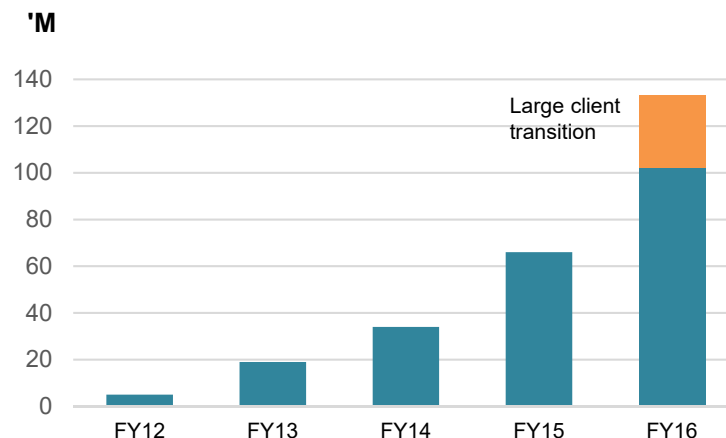


\* Operating EBITDA represents earnings before interest, tax, depreciation, amortisation, growth resources expensed and other significant items  
 \*\* EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items

# Platform segment results

	FY16 \$M	INCREASE ON PCP
<b>Retail FUA (now \$3,962m)</b>	3,313	94%
<b>Net inflows</b>	1,610	102%
<b>Gross inflows</b>	1,930	102%
<b>Number of advisers</b>	659	32%

## AVERAGE MONTHLY NET INFLOWS



**BROADENING**  
distribution base with 71 active licensees, 11 white labels, 29 new licensees to the platform in FY16

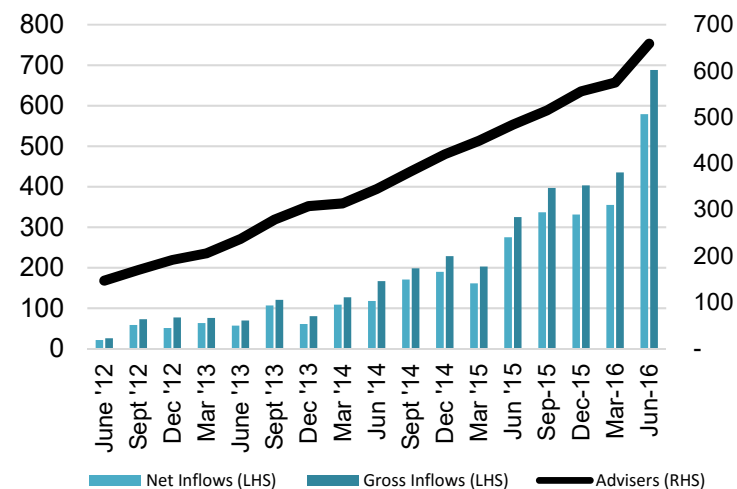
New White labels announced for Fortnum, Lifespan and Infocus / Patron

**NOW OFFERING**  
international managed portfolios and IMAs

**DELIVERING**  
across multiple legal structures

- ✓ IDPS
- ✓ Super
- ✓ MDA
- ✓ Wholesale
- ✓ Reporting service

## INFLOWS AND NUMBER OF ADVISERS



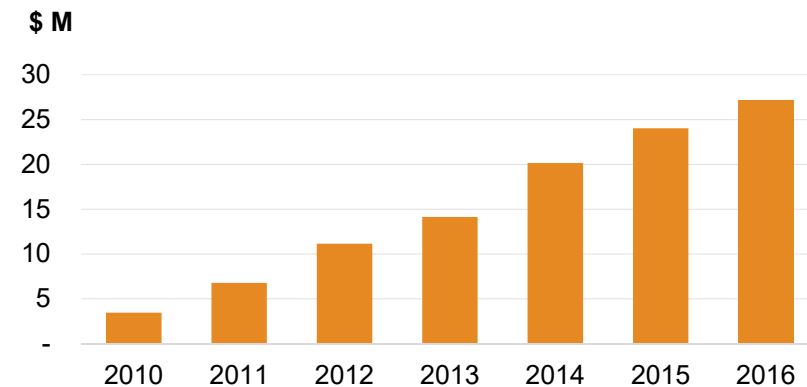


# Licensee segment results

LICENSEE FINANCIAL RESULTS	FY15 \$M	FY16 \$M	% CHANGE
Revenue	20.2	27.3	35%
Direct costs	(18.5)	(25.0)	34%
Gross profit	1.7	2.3	37%
Operating expenses	(1.6)	(2.1)	30%
EBITDA	0.1	0.2	233%
PBT	0.0	0.2	N/A

- Licensee transitioned 3 new practices during the period and has strong pipeline
- Revenue increase of 13% over prior corresponding period
- Further investment options introduced to the HUB platform for Paragem advisers

## LICENSEE REVENUE



Other significant items reported in PBT include interest, share based payments, transaction costs, amortisation and tax expense. (refer Appendix B)

\* EBITDA represents earnings before interest, tax, depreciation and amortisation and other significant items

# Corporate segment results

CORPORATE SEGMENT RESULTS	FY15 \$M	FY16 \$M	% CHANGE	
Operating expenses	(0.28)	(0.35)	25%	⇒ Corporate overhead expenses allocated to the corporate segment
Growth resources expensed	(0.09)	(0.12)	20%	
EBITDA*	(0.38)	(0.47)	24%	
Interest revenue	0.32	0.21	(34%)	⇒ Issue of options during the year ended 30 June 2016 and an adjustment to the expected probability of options vesting
Share based payments	(0.90)	(1.31)	45%	⇒ Non-recurring corporate advisory, tax and legal costs, including the evaluation of potential business opportunities
Non-recurring corporate costs	(0.4)	(0.3)	(51%)	
PBT	(1.4)	(1.9)	38%	
Tax	-	1.1	n/a	⇒ A deferred tax asset relating to temporary differences brought to account in FY16 given proximity to profitability
NPAT	(1.4)	(0.8)	(43%)	



Other significant items reported in NPAT include interest, share based payments, transaction costs, amortisation and tax expense. (refer Appendix B)

\* EBITDA represents earnings before interest, tax, depreciation and amortisation and other significant items



## Outlook

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Strengthening profitability  
and corporate activity

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Forecast positive NPAT for 1H FY17

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Ongoing business development and  
growth

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Extend industry leadership position  
through product innovation

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Continue to leverage changing  
industry dynamics

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# Outlook

## CONTINUING

profit margin expansion with increasing scale  
– positive PBT for first half FY17

## ACTIVELY

review strategic acquisition opportunities and  
develop profitable business alliances

## ONGOING

business development including new white  
labels offers for dealer groups, stockbrokers  
and accountants

## MAXIMISE

existing adviser and licensee relationships  
with increasing sales effort and service  
innovation

## GROW

revenues as stockbrokers continue to  
become 'wealth managers' by leveraging  
our integrated non-custody reporting  
services and securing new relationships

## GROW

Paragem licensee by recruiting quality  
practices to provide exceptional advice and  
platform solutions

## INCREASE

current product range and continue to  
extend capabilities

## FURTHER

develop our technology to enhance adviser  
experience and practice efficiency whilst  
continuing to improve user interfaces for  
investors

## CONTINUE

to invest in our high calibre talented team to  
unlock further growth and innovation

# Appendix A – Corporate

## CAPITAL STRUCTURE AT 28 NOVEMBER '16

Shares on issue	53.5m
Share price	\$5.69
Market capitalisation	\$304m
Unused tax losses	\$13.84m

## SUBSTANTIAL SHAREHOLDERS

Thorney Holdings Ltd	18.76%
Acorn Capital Ltd	10.52%
Commonwealth Bank of Australia	7.03%
Ian Litster	6.78%

## BALANCE SHEET AS AT 30 JUNE '16

<b>Cash and cash equivalents</b>	<b>\$9.27m</b>
Other current assets	\$5.45m
Non-current assets	\$14.13m
<b>Total assets</b>	<b>\$28.85m</b>
Current liabilities	\$4.34m
Non-current liabilities	\$5.55m
<b>Total liabilities</b>	<b>\$9.89m</b>
<b>Net assets</b>	<b>\$18.96m</b>
<b>Equity</b>	<b>\$18.96m</b>



HUB24 Share Price - 2 year



## Appendix B – Results reconciliation

GROUP FINANCIAL RESULTS	FY15 \$M	FY16 \$M	% CHANGE
EBITDA (Continuing Operations)	(4.4)	(0.8)	81%
Interest revenue	0.4	0.4	(7%)
Non-recurring revenue	0.6	0.6	2%
Share based payments	(0.9)	(1.3)	45%
Non-recurring corporate costs	(0.4)	(0.2)	(51%)
Depreciation & amortisation	(0.6)	(0.8)	25%
<b>Profit Before Tax (Continuing Operations)</b>	<b>(5.4)</b>	<b>(2.3)</b>	<b>57%</b>
Tax	-	1.1	100%
Discontinued operations	(1.1)	-	(100%)
<b>NPAT</b>	<b>(6.5)</b>	<b>(1.2)</b>	<b>81%</b>

## Appendix C – Segment results

FINANCIAL PERFORMANCE – SEGMENTS (continuing operations)	PLATFORM \$M	LICENSEE \$M	CORPORATE \$M	FY16 \$M	FY15** \$M	% CHANGE
Recurring revenue	15.4	27.3	-	42.7	28.3	51%
Direct costs	(6.8)	(25.0)	-	(31.8)	(23.5)	36%
Gross profit	8.6	2.3	-	10.9	4.8	125%
Operating expenses*	(4.8)	(2.1)	(0.4)	(7.2)	(5.3)	37%
Operating EBITDA*	3.8	0.2	(0.4)	3.7	(0.4)	977%
Growth resources expensed*	(4.4)	-	(0.1)	(4.5)	(4.0)	14%
EBITDA	(0.6)	0.2	(0.5)	(0.8)	(4.4)	81%
Interest	0.2		0.1	0.3	0.4	(7%)
Non-recurring revenue	0.6			0.6	0.6	2%
Non-recurring corporate costs			(0.2)	(0.2)	(0.4)	(51%)
Share based payments			(1.3)	(1.3)	(0.9)	45%
Depreciation & amortisation	(0.8)			(0.8)	(0.6)	25%
PBT	(0.6)	0.2	(1.9)	(2.3)	(5.4)	57%
Tax				1.1	-	100%
Discontinued operations	-	-	-	-	(1.1)	(100%)
NPAT	(0.6)	0.2	(0.8)	(1.2)	(6.5)	81%



\* Operating expenses includes all expenses incurred in servicing current FUA for the platform and salaries and administrative expenses for the licensee. Growth resources expensed are costs for platform development, strategic development (inclusive of M&A activity) and to accelerate additional FUA onto the platform. Operating EBITDA excludes growth investment expenses and other significant items.

\*\* Prior corresponding period includes the Licensee segment for the period 1 September 2014 to 31 December 2015.

# Disclaimer

## SUMMARY INFORMATION

The material herein is a presentation of general background information about HUB24 Limited's ('HUB') activities current as at date of presentation. This information given in summary form does not purport to be complete and should be read in conjunction with previous ASX filings, Half Year Report and the audited Annual Report as applicable.

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