



præmium

FY2017 Annual results

Another record-breaking year

14 August 2017

Praemium Limited
ACN: 098 405 826



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 (14 August 2017) and is supplementary to the Group's financial results released to the ASX on 14 August 2017.

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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Praemium today



Strong pedigree

- Software company founded 2001 in Melbourne
- ASX listed in 2006, market cap today \$163 million*
- Expanded to nine offices globally with over 200 staff
- Over 800 clients covering \$100 billion in assets
- Proprietary technology
- Scalable business model with recurring revenue streams
- Global reach to large addressable markets



Integrated technology solution

Investment Platforms

asset-based pricing

Separately Managed Accounts (SMA)

- Australia platform, including retail superannuation
- UK and offshore platform, including SIPP
- Excellence in portfolio rebalancing



Investment Management

- In-house investment management team
- Range of multi-asset model portfolios and funds
- Unique capital protected Smartfunds



Software as a Service (SaaS)

subscription-based pricing

Portfolio administration & reporting

- Non-custodial reporting system
- SMSF administration and compliance
- Excellence in portfolio reporting



CRM & financial planning

- Cloud-based CRM and financial planning systems
- Platform integration
- Based on Microsoft Dynamics CRM



Our mission
To provide our wealth management clients a fully integrated solution to the financial advice process

FY2017 financial results

Group Financial Results	FY16 (\$m)	FY17 (\$m)
Revenue	30.1	35.4
Product commissions	(0.8)	(2.6)
Revenue (net)	29.3	32.8
Cost of operations	(6.2)	(6.8)
Gross margin	23.1	26.0
GM %	78.9%	79.3%
Expenses:		
Information Technology	(7.2)	(6.8)
Sales & Marketing	(4.7)	(5.7)
General & Admin ⁽¹⁾	(7.0)	(7.2)
EBITDA (underlying)	4.2	6.3
Share schemes ⁽²⁾	(0.4)	(0.6)
EBITDA	3.8	5.7
D&A ⁽³⁾	(0.9)	(0.9)
EBIT	2.9	4.8
Acquisition, GM & restructure ⁽⁴⁾	(0.7)	(2.1)
FX & other ⁽⁵⁾	(0.6)	(0.5)
NPBT	1.6	2.2
Tax ⁽⁶⁾	(0.8)	(1.5)
NPAT	0.8	0.7

Key financial highlights



Revenue growth 17%



Gross margin up 13%



Underlying EBITDA up 54%



Underlying operating cashflow of \$6.5 million

(1) In addition to salaries, G&A includes professional fees (\$1.8m), facilities (\$1.5m), travel (\$1.0m) board & corporate (\$0.5m) and IT support (\$0.5m)

(2) Expense relates to phasing of long term incentives (performance rights) under the Company's employee share scheme

(3) Depreciation & amortisation includes amortisation of intangibles from SMA, Plum and Wensley Mackay acquisitions

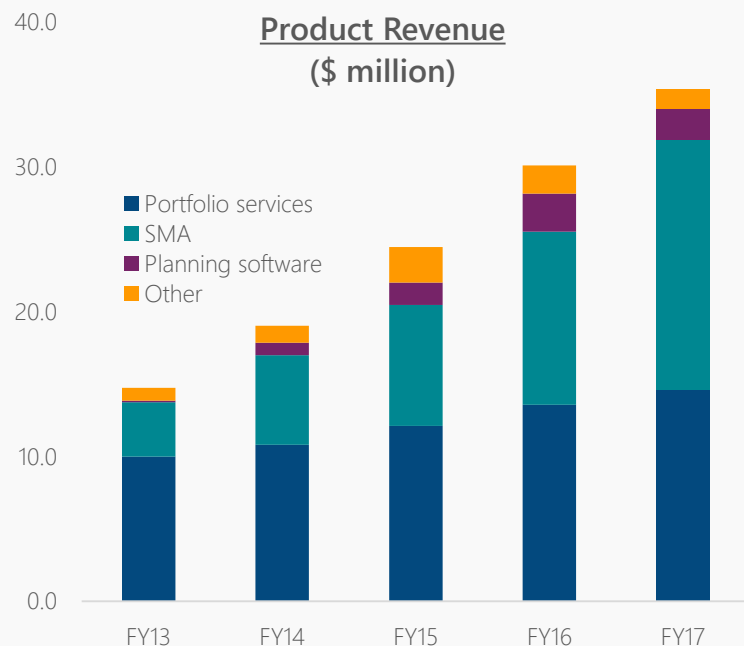
(4) Refer appendices for detailed breakdown

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

(6) FY17 AUS tax estimate of \$1.4m (tax expense)



Sustained revenue growth



\$m	FY16	FY17	Change
SMA	12.0	17.2	44%
Portfolio services	13.6	14.7	8%
Planning software	2.6	2.1	(19%)
Other	1.9	1.4	(29%)
Revenue	30.1	35.4	17%

Total revenue up 17%

- Australian business, revenue growth 15%
- International business, revenue growth 25%

SMA revenue up 44%

- Total FUA up 28%
- Higher margins with in-house investment management FUA up 62%

Portfolio services revenue up 8%

- Major new institutional client on-boarded in H2
- 20% uplift in billable portfolios

Consistent earnings growth

\$m	H1 FY17	H2 FY17	FY17	FY16
EBITDA (pre R&D incentive)	2.0	3.5	5.5	2.9
UK R&D incentive	0.8	-	0.8	1.3
EBITDA (underlying*)	2.8	3.5	6.3	4.2
EBITDA% to Revenue	16%	19%	18%	14%

7th consecutive half of profit growth

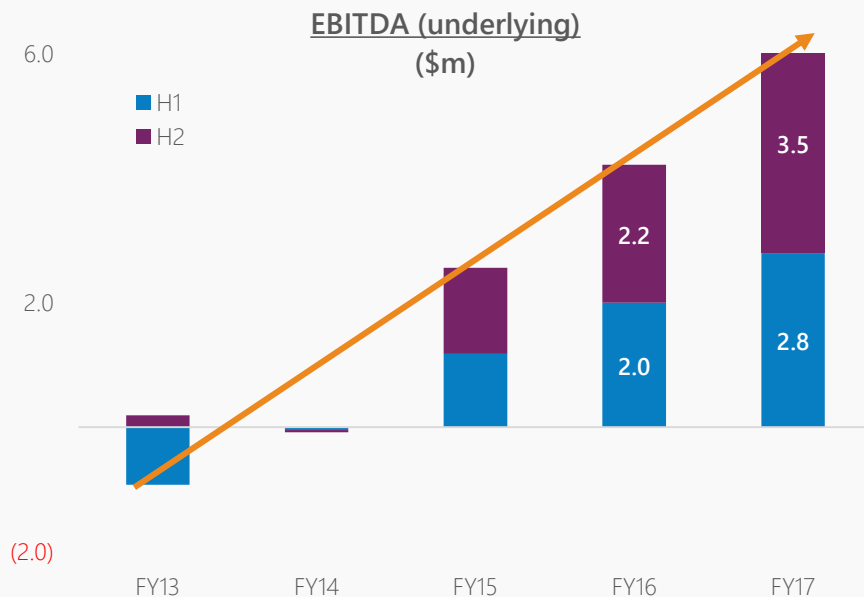
- EBITDA (pre R&D incentive) up 90% from FY16
- EBITDA margin up to 18%, from 14% in prior year

Strong second half result

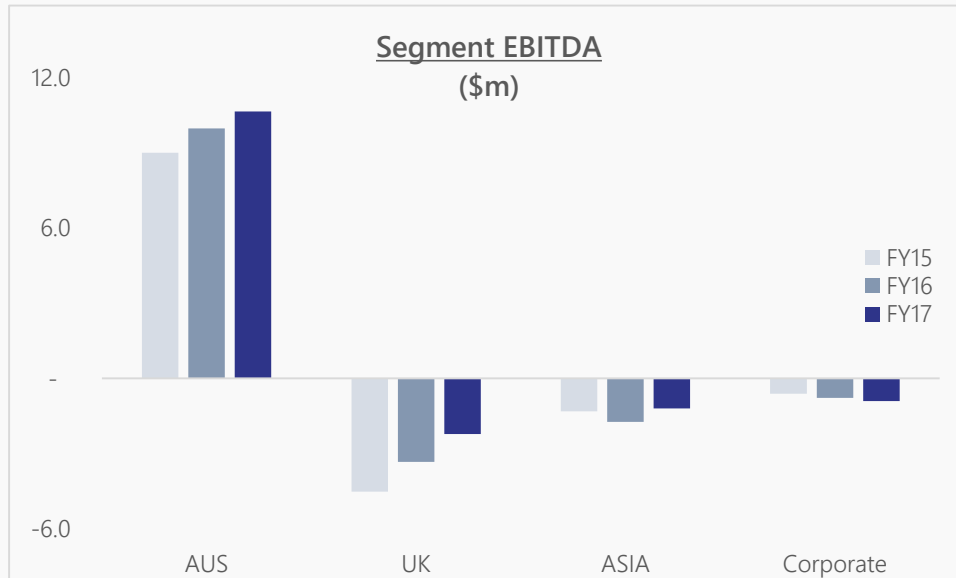
- Recurring revenue 98% of total revenue
- H2 revenue of \$18.2 million vs H1 revenue of \$16.4 million (excluding \$0.8m R&D incentive)

Stable operating costs

- Operating costs up 5%, with increased sales & marketing offset by consolidation of R&D resources
- Incremental investments in line with maintaining profit momentum



FY2017 by segment



Australia maintains strong earnings

- Australian business, revenue growth 15%
- Maintained strong EBITDA margin of 46%

Continued improvement in UK business

- EBITDA improvement 33% (20% in GBP)
- Revenue up 26%, expenses up 13% (in GBP)

Asia business reset

- EBITDA improvement 33%
- Cost base re-aligned during year as bank project build nears completion
- Project milestone payments expected in FY18

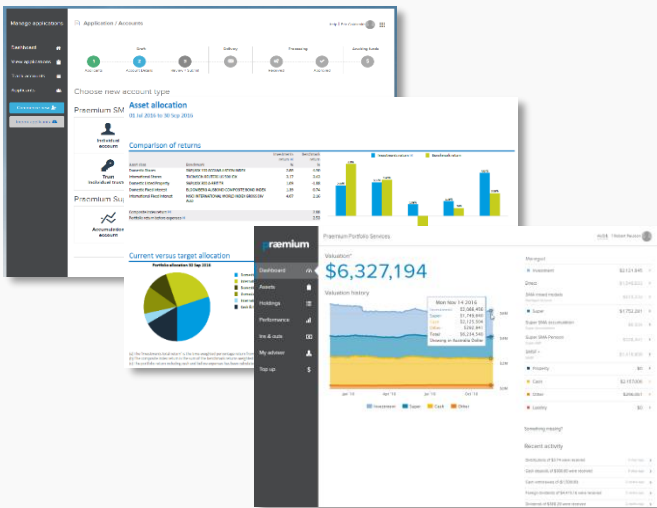
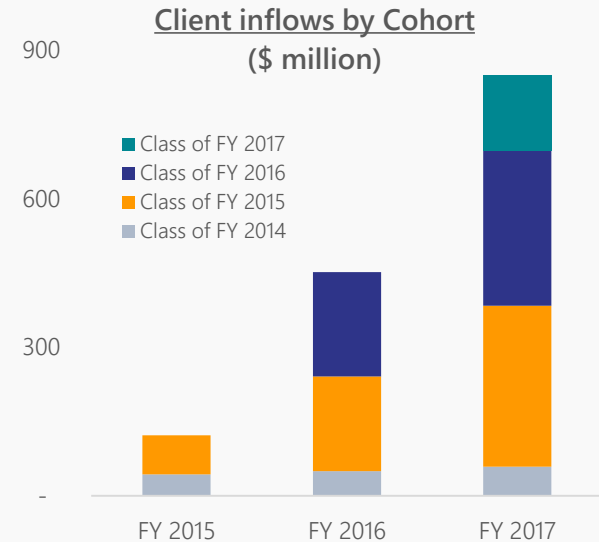
\$m	AUS	UK	ASIA	Corp	FY17
Revenue	23.2	11.7	0.5	-	35.4
Expenses	(12.6)	(13.9)	(1.7)	(0.9)	(29.1)
Segment EBITDA*	10.6	(2.2)	(1.2)	(0.9)	6.3
EBITDA %	46%				18%

*Refer underlying EBITDA reconciliation on slide 5. Corporate costs included within Australian segment in Note 20 of Annual Report. Corporate relates to costs associated with operating a public company, including Board of Directors, share registry and investor relations.

Australia highlights

Record year for Australian SMA

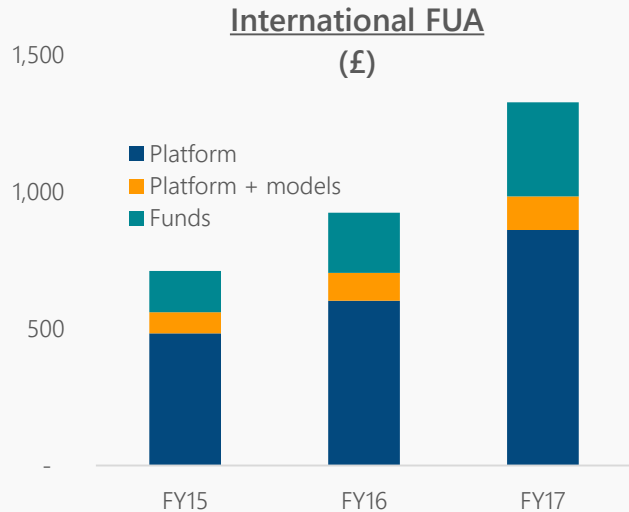
- Platform FUA up 29% to \$3.9 billion
- Record inflows of \$1.3 billion
- SuperSMA up 127% to \$657 million, now comprises 17% of SMA platform
- Accounts up 41% to almost 13,000
- 71 new models launched



Key investments delivering results

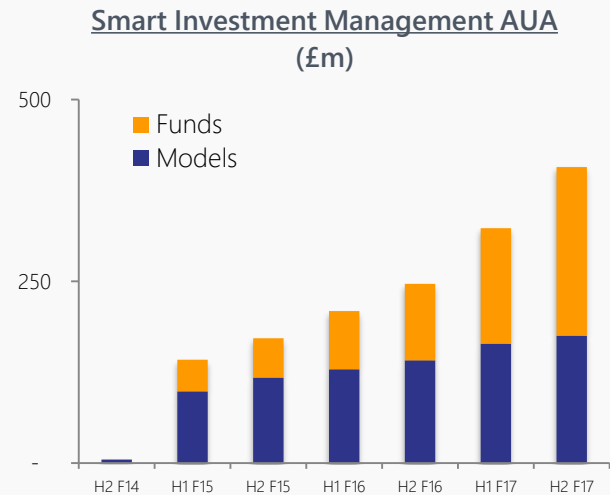
- 50% increase in sales and marketing resources
- Completed implementation into Portfolio for new institutional client
- Major new functionality for Praemium Portfolio, including new reports, upload tools and key regulatory upgrades (AMIT, CRS)
- Key SMA enhancements with digital on-boarding, unique blended model functionality and expanded robo-advice platform
- Retail superannuation investment menu expanded to over 300 model portfolios

International highlights



Record year for International SMA

- Overall FUA up 43% to £1.3 billion
- Record annual inflows of £383 million
- Entered SIPP market by acquiring UK pensions provider Wensley Mackay
- Launched the Praemium Retirement Account, a platform SIPP
- Launched tailored model portfolios – individually managed accounts (IMAs)

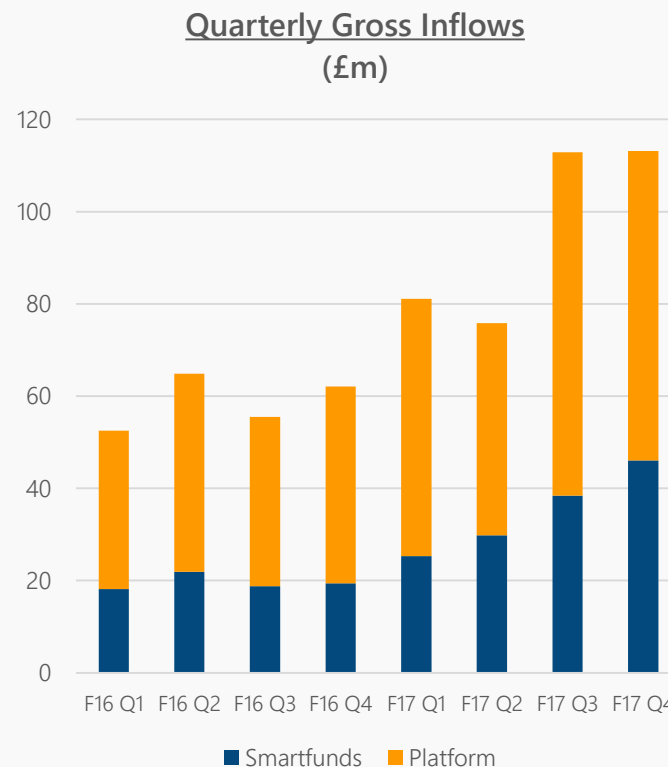
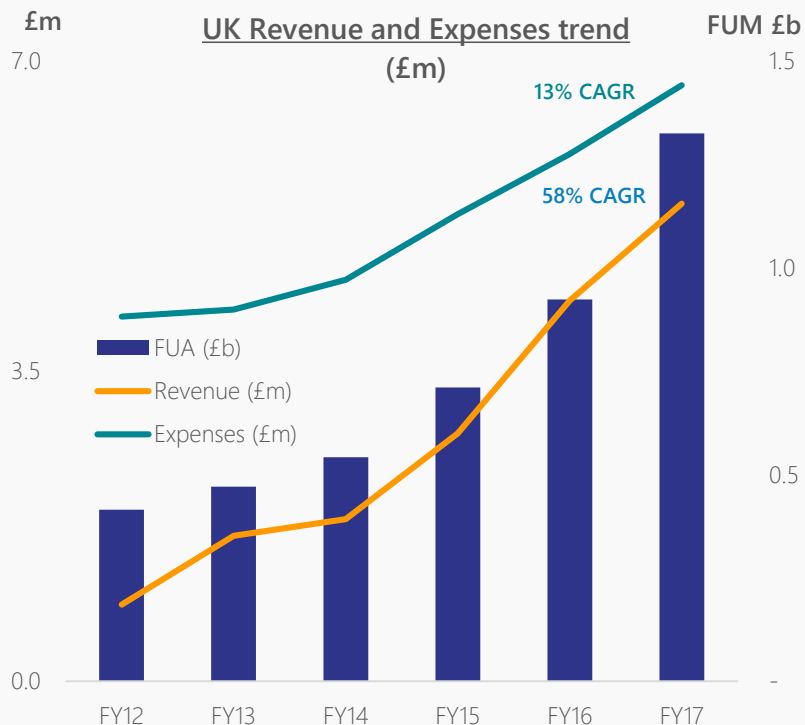


Record year for Smart^{im}

- Total FUA up 62% to £407 million
- FUA of Smartfunds (protected and unprotected) up 117% to £232 million
- Strong uptake of Smartfund 80% Protected with WealthCraft CRM
- Highly credentialed team invited to be category judges for the prestigious UK Fund Manager of the Year



International step change in momentum



International approaching inflexion

- Revenue up 26%, costs up 13%
- Smartfund 80% Protected FUA has reached £187m in the 21 months since launch
- Further investments in the SIPP market planned post acquisition of Wensley Mackay

Increasing momentum

- Platform and Smartfund inflows accelerating
- Full rollout of digital investor portal and new account opening portal planned for FY2018
- Platform SIPP to drive platform adoption

Praemium SMA - a proven market leader

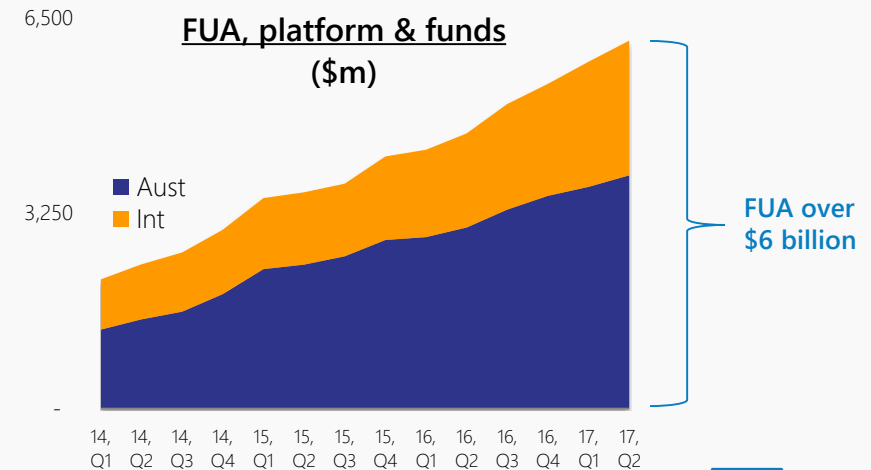
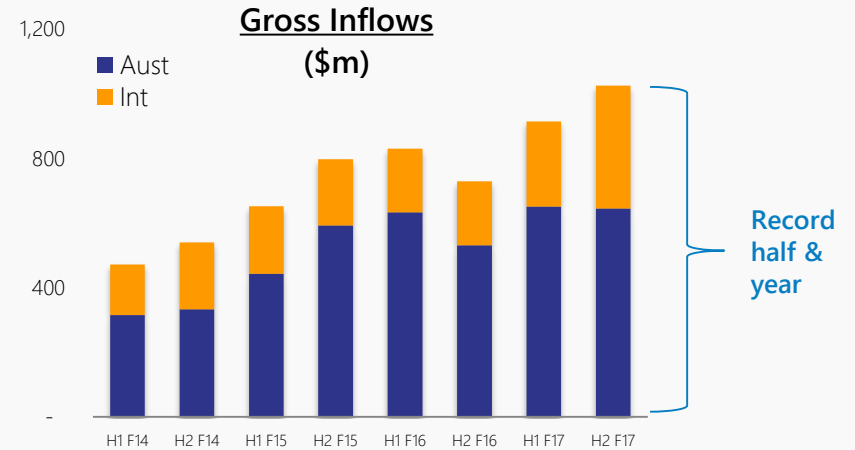
Model portfolios

- Strategic asset allocation aligned to client attitude to risk
- Insourced investment management
- Beneficial ownership/tax efficiency
- Cost effective/transparent

Praemium SMA

Technology

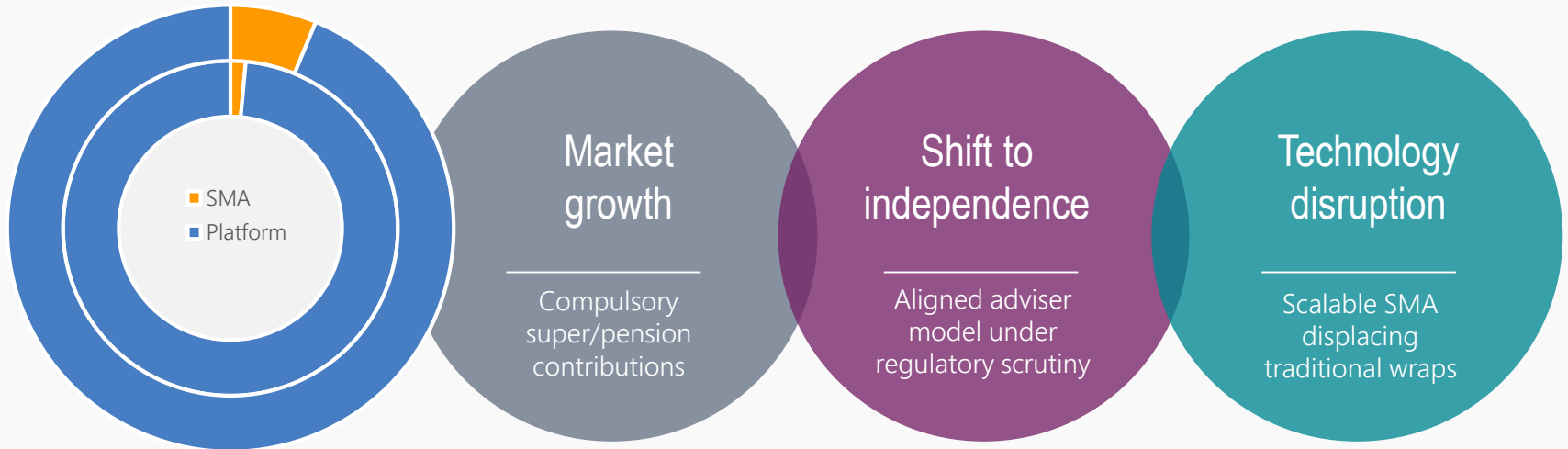
- Dynamic modelling
- Auto-rebalancing
- Trade aggregation/netting
- Accountant-strength reporting





Market forces driving disruption

AUS platform market
(2016-2020)



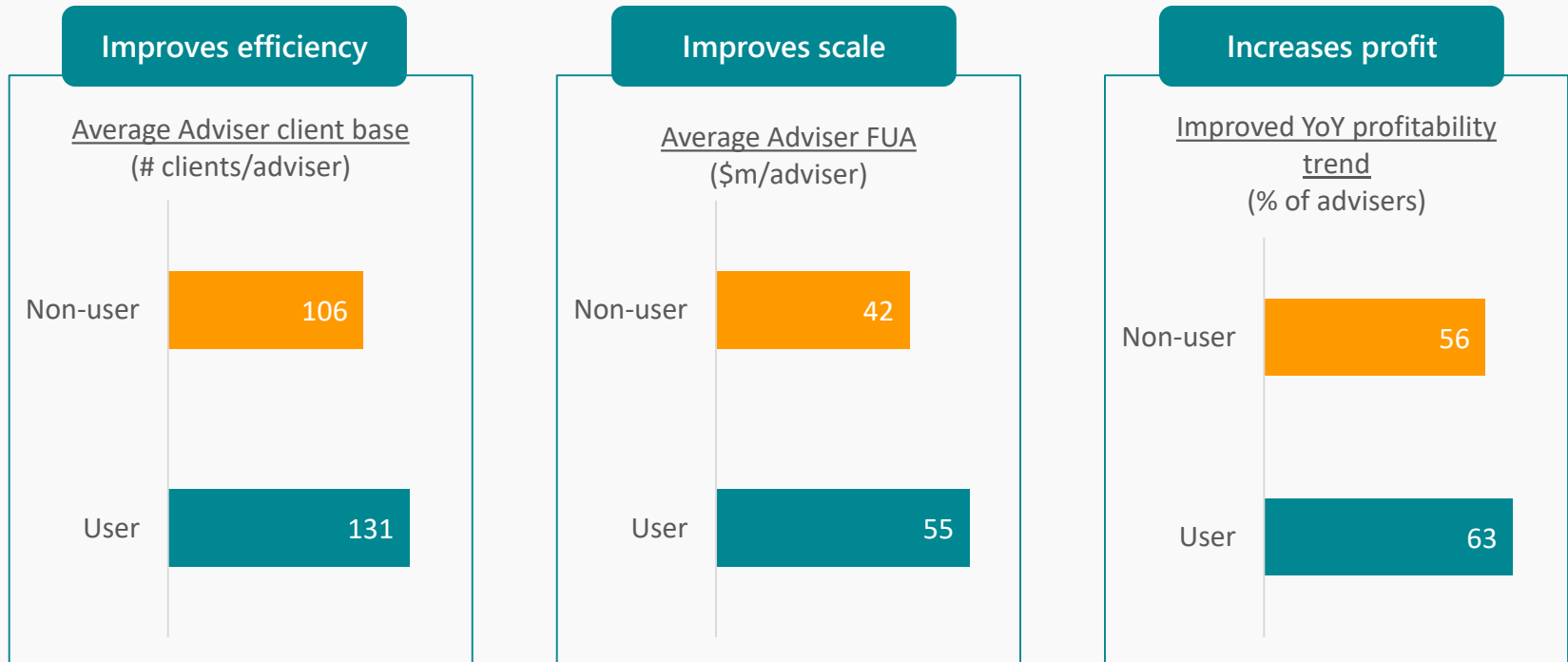
Australian platform market currently \$732 billion, growing to \$900 billion by 2020*

- SMA segment from \$18b to \$60b at 35% CAGR
- SMAs could deliver 75% of industry net flows

Market forces are generating significant opportunities for Praemium

SMA delivering productivity boost

Comparing users vs non-users of Managed Accounts

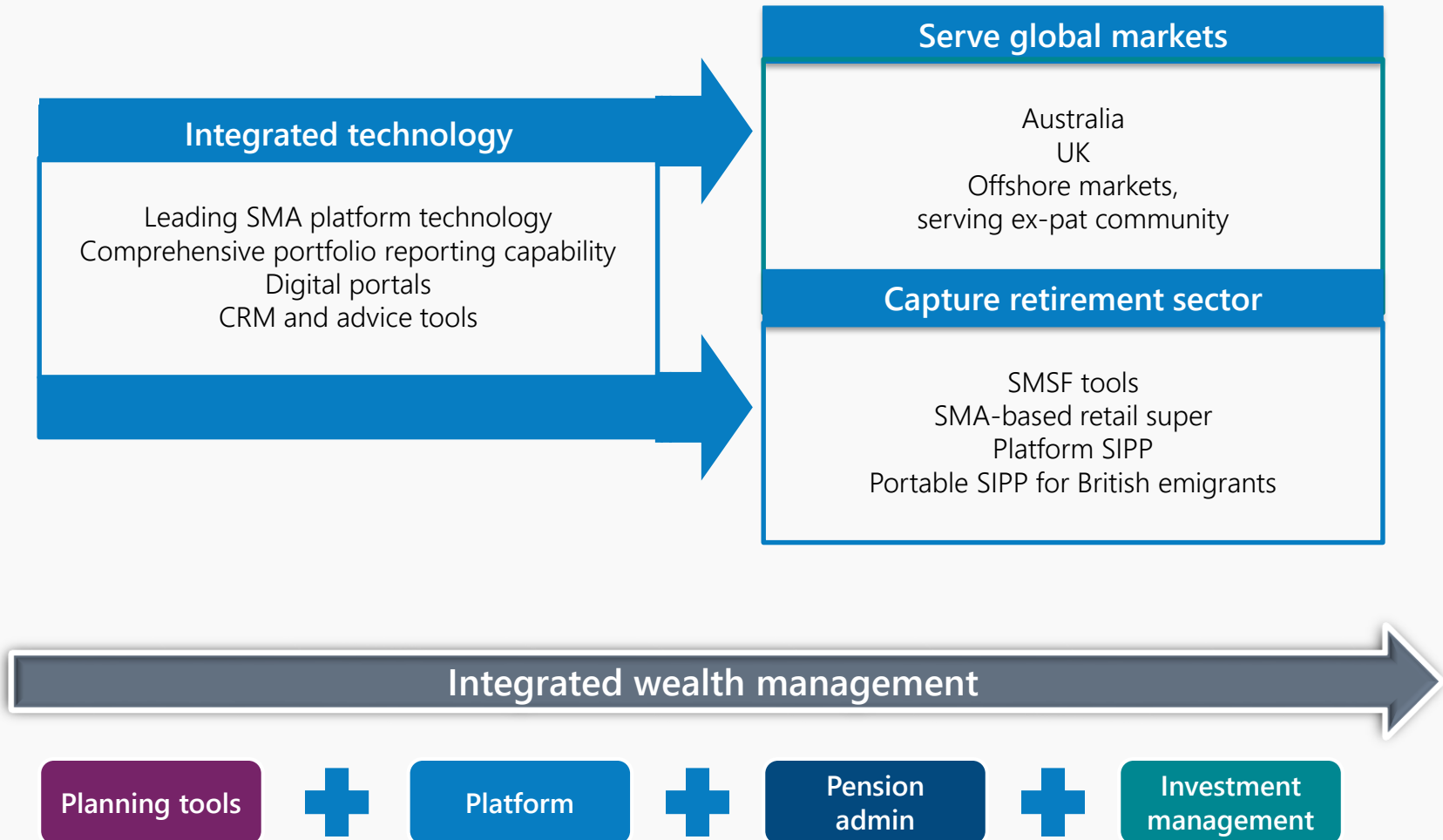


What we hear from advisers is that clients want traditional investment specialists, and they like being in the driver's seat, which is why the control and visibility managed accounts offer is so valuable to them.

Managed accounts can offer significant tax benefits over pooled structures, so we expect that in the next few years this will lead more clients to opt for them.

- Investment Trends Chief Executive Michael Blomfield

Clear strategic focus



Looking forward

Grow our core offer

New digital account opening to increase client adoption

Release a digital “fact find” that synchronises with WealthCraft

Unify Portfolio and SMA accounts for a seamless experience

Package retirement schemes with Smartfund 80% Protected

Improve the platform client experience

Launch into new markets

Introduce international equities for the Australian SMA

Expand the UK SIPP both organically and inorganically

Extend Portfolio SMSFs to a full admin service

Build out full ‘wrap’ capability for IFA and private wealth markets

Address the whole platform market

Improve our financial performance

Profitable and growing Australian business

Strong leverage in International business

Solid balance sheet to support growth

Positive cash flows for growth opportunities

Deliver long term returns for shareholders

Appendix: Cashflow

\$m	FY16	FY17
Operating cashflow	1.6	6.5
R&D incentive	0.9	0.1
Tax paid	(0.9)	(3.1)
One-off costs	(0.6)	(1.8)
Net operating cashflow	1.0	1.7
Acquisition*	-	(1.0)
Capex	(0.5)	(0.9)
Regulatory reserves	(0.5)	(0.4)
Net investing cashflow	(1.0)	(2.3)
Net cash movement	-	(0.6)
Opening cash	11.5	10.4
Unrealised FX	(1.1)	(0.8)
Closing cash	10.4	9.0

Operating cashflows

- Strong operating cashflow improvement, consistent with EBITDA growth
- Catch-up of Australian company tax with FY16 paid in full plus FY17 instalments
- One-off costs detailed in appendices

Investing cashflows

- Acquisition of Wensley Mackay
- Upgrading capital infrastructure plus Australia & UK office moves
- Regulatory reserve to support SuperSMA growth

Unrealised FX

- Impact of GBP-held currency with sharp appreciation of AUD across FY2017

Appendix: Balance sheet

\$m	Jun'16	Jun'17
Cash	10.4	9.0
Receivables	5.3	6.7
Intangibles	4.3	4.4
Other assets	3.3	4.1
Assets	23.3	24.2
Tax liabilities	2.0	0.3
Other liabilities	5.1	6.8
Liabilities	7.1	7.1
Net Assets	16.2	17.1

Solid balance sheet to fund growth

- \$9.0 million in cash reserves following Wensley Mackay acquisition and tax payments
- Increase in receivables from higher H2 billing
- No debt
- Australian company tax payable \$0.3 million after FY17 instalments
- Franking credits of \$2.7 million

Appendix: One-off costs

FY2017 (\$m)	H1	H2	FY17
General Meeting	-	1.0	1.0
Interim placements	-	0.2	0.2
Acquisition costs	0.2	0.1	0.3
Restructure costs & other	0.3	0.3	0.6
Total	0.5	1.6	2.1

Acquisition, restructure & other costs

- General Meeting expenses* were incurred by the former board in terminating the CEO and defending the subsequent shareholder requisition which led to their removal
- Acquisition costs includes Wensley Mackay (November 2016)
- Restructure costs includes Asia down-sizing and office moves for Melbourne and London