

**HUB** 24



20  
NOV  
2017



HUB24  
ANNUAL GENERAL MEETING  
MANAGING DIRECTOR'S ADDRESS



# HUB24

## GROUP RESULTS FY17

FUA  
**\$5.5bn\*** ↑ 66%

Revenue  
**\$61.9m** ↑ 45%

Gross Profit  
**\$20.8m** ↑ 91%

Underlying EBITDA  
**\$5.1m** ↑ \$5.9m

Underlying NPAT  
**\$3.9m** ↑ \$5.4m

## FUNDS UNDER ADMINISTRATION



## GROUP RESULTS FY17

\*Now \$6.6bn



FY17 highlights



Opportunities for growth



Outlook



Additional information

---

# OVERVIEW

# FY17 HIGHLIGHTS



OUR FOCUS ON  
INVESTING IN  
PLATFORM  
INNOVATION  
& GROWTH...



Net flows of  
**\$2.0b**

FUA increase  
of 66% since  
30 June 2016,  
now \$6.2bn



Acquisition of  
**Agility Applications**



**Launch**  
of direct  
investing in  
international  
shares across 15  
exchanges



**1st**  
in categories  
for Managed  
Accounts, User  
Interface and  
Smartphone/  
Tablet Access<sup>1</sup>



Underlying  
EBITDA<sup>1</sup> of  
**\$5.1m**



Underlying  
NPAT<sup>2</sup> of  
**\$3.9m**



Positive operating  
cashflows of  
**\$4.1m**



**1st**  
in overall  
platform  
satisfaction<sup>3</sup>



....HAS DELIVERED  
OUR FIRST YEAR  
OF PROFIT



1. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items.

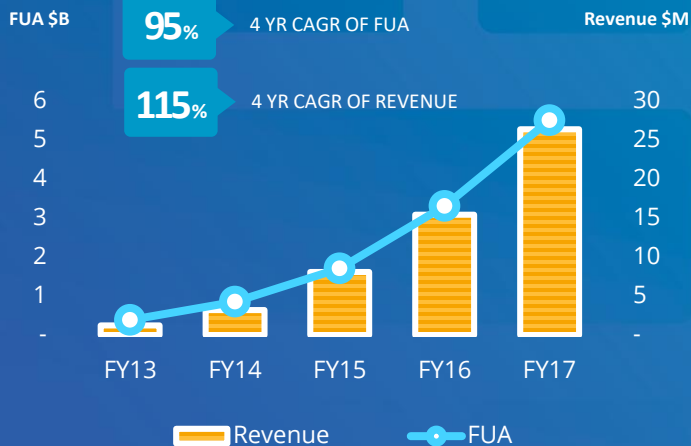
2. Underlying NPAT is a non-IFRS measure used internally by management and by some in the investment community to assess the operating performance of the business. Underlying NPAT represents Net Profit After Tax excluding non-recurring items.

3. Equal first from 2017 Investment Trends Planner Technology Report for platform satisfaction.

# HUB24

## LEADING CHANGE IN WEALTH MANAGEMENT UNDERPINNED BY MARKET LEADING TECHNOLOGY

### PLATFORM REVENUE AND FUA



- ➔ The fastest growing platform<sup>1</sup> at a time of significant change for wealth management in Australia
- ➔ Margin expansion occurring at increasing scale
- ➔ Continuing to invest to support expanding operations & innovate to increase market share
- ➔ Paragem recruited 5 new practices in 2HFY17, reaching funds under advice of circa \$3.8bn
- ➔ Acquisition of Agility Applications already resulting in winning new business (Euroz)



Fastest growing platform<sup>1</sup>



Best managed accounts platform<sup>2</sup>



1<sup>st</sup> for overall platform satisfaction<sup>3</sup>

1. Source: Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at June 2017. HUB24 is the fastest growing wrap platform relative to its size in percentage terms, 6th fastest in dollar terms of net inflows.

2. Results from Investment Trends December 2016 Platform Competitive Analysis and Benchmarking Report based on extensive analyst reviews of 19 platforms across 526 functional points.

3. Equal first from Investment Trends 2017 Planner Technology Report for platform satisfaction.

# AGILITY APPLICATIONS

AGILITY ACQUIRED 3 JANUARY 2017, IS A SUCCESSFUL SPECIALIST TECHNOLOGY SERVICES PROVIDER TO THE FINANCIAL SERVICES INDUSTRY, PARTICULARLY STOCKBROKERS

## THE OPPORTUNITY

- Non-institutional advisers, brokers and accountants want to leverage new technology to improve client engagement, increase efficiency and reduce costs
- Together, HUB24 and Agility can deliver an integrated solution that meets these needs through our award winning proprietary platform and integration to best of breed 3rd party applications
- Currently Agility licenses over 2,600 users from within 165 firms, reporting on over \$250 billion of client assets

## ACTIVITY TO DATE

- Integration of data and reporting of HUB24 and Agility resulting in improved user experience and back office efficiency for clients
- A dedicated development team has been established to deliver on connectivity and integration projects between HUB24 and Agility technology
- Five joint client wins (including Euroz) with products already launched to market. Significant new client opportunities in the pipeline







Connecting **brokers** to new ways to grow their business

Supporting wealth management **licensees** through connecting them to new ways to create value

Providing **investors** with the right solutions for their wealth needs

Providing **advisers** with the freedom to choose their preferred investment options and way of doing business

Allowing **investment professionals** access to new distribution channels and innovative technology to seamlessly execute their investment strategies

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



# HUB24 CONTINUES TO WIN AWARDS

## 1<sup>ST</sup> PLACE IN OVERALL PLATFORM SATISFACTION



## 1<sup>ST</sup> PLACE FOR EASE OF USE/NAVIGATION



## 1<sup>ST</sup> PLACE FOR NAVIGATION & USER INTERFACE, TABLET SMARTPHONE ACCESS & MANAGED ACCOUNTS FUNCTIONALITY



## RECOGNISED FOR GROWTH



1<sup>ST</sup> PLACE IN 16 OUT OF 24 CATEGORIES INCLUDING;

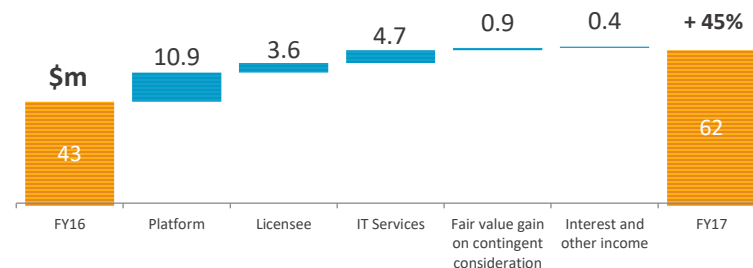
- Relationship support
- Mobile app
- Investment range
- Tax optimisation tools
- Reporting functionality

# GROUP FINANCIAL RESULTS

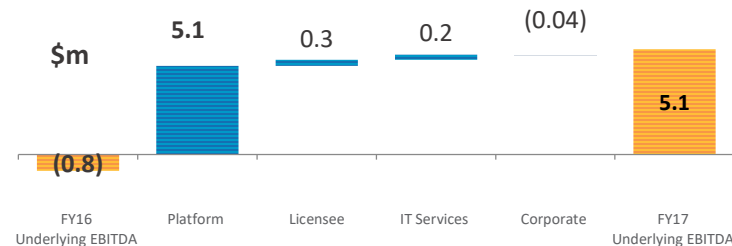
FIRST REPORTING PERIOD WHERE ALL GROUP PROFIT LINES ARE POSITIVE – REFLECTING THE BENEFITS OF GROWTH AND SCALABILITY

GROUP FINANCIAL RESULTS	FY17	FY16	FY17 v FY16
	\$m	\$m	%
<b>Group revenue</b>	<b>61.9</b>	<b>42.7</b>	<b>45%</b>
Direct costs	(41.1)	(31.8)	29%
<b>Gross profit</b>	<b>20.8</b>	<b>10.9</b>	<b>91%</b>
Operating expenses	(10.5)	(7.2)	46%
Growth resources expense <sup>1</sup>	(5.2)	(4.5)	14%
<b>Underlying EBITDA<sup>2</sup></b>	<b>5.1</b>	<b>(0.8)</b>	
<b>EBITDA</b>	<b>4.7</b>	<b>(1.7)</b>	
<b>NPAT*</b>	<b>18.9</b>	<b>(1.2)</b>	
<b>Underlying NPAT<sup>3</sup></b>	<b>3.9</b>	<b>(1.5)</b>	

## REVENUE BREAKDOWN



## UNDERLYING EBITDA BREAKDOWN



\* Other significant items reported in NPAT include interest, share based payments, non-recurring corporate costs, amortisation and income tax benefit associated with the recognition of prior period tax losses.

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

2. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items

3. Underlying NPAT is a non-IFRS measure used internally by management and by some in the investment community to assess the operating performance of the business. Underlying NPAT represents Net Profit After Tax excluding non-recurring items.

# PLATFORM SEGMENT RESULTS

PLATFORM FINANCIAL RESULTS	FY17	FY16	Var %
	\$m	\$m	%
Retail FUA (Now \$6.6b)	5.5b	3.3b	66%
Revenue	26.3	15.4	71%
Direct costs	(9.9)	(6.8)	45%
Gross profit	16.4	8.6	92%
% margin	62%	56%	7%
Operating expenses	(6.3)	(4.8)	33%
Growth resources expense <sup>1</sup>	(5.0)	(4.4)	15%
Underlying EBITDA <sup>2</sup>	5.1	(0.6)	
% margin	19%	-4%	23%
EBITDA	5.2	0.0	515%
% margin	20%	0%	19%
PBT	4.4	(0.6)	

CONTINUING INVESTMENT AND SOLID EXECUTION IS BEING REWARDED WITH FUA GROWTH, INDUSTRY RECOGNITION AND EXPANDING PROFIT MARGINS

- Revenue increase of 71% driven by net inflows from a broadening client base
- Gross profit growth driven by improved margins from increased scale
- Combined Operating and Growth resource expenses increase 23% to support record growth and future investment
- EBITDA margin continues to expand with increasing scale

Other significant items reported in NPAT include interest, share based payments, non-recurring corporate costs, amortisation and income tax benefit associated with the recognition of prior period tax losses.

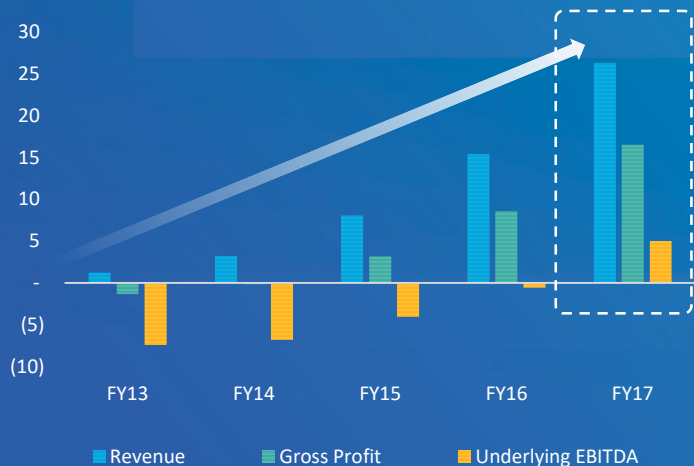
1. Growth resource expenses are costs for platform development, strategic development (inclusive of M&A activity) and to accelerate additional FUA onto the platform

2. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items

# PLATFORM SEGMENT RESULTS

MARGIN EXPANSION ACROSS PROFIT LINES AT INCREASING SCALE

PLATFORM REVENUE, GROSS PROFIT AND UNDERLYING EBITDA<sup>1</sup> TRENDS



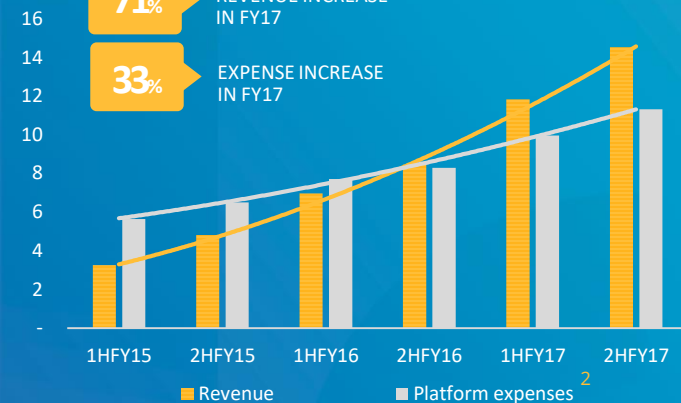
\$m

71%

REVENUE INCREASE IN FY17

33%

EXPENSE INCREASE IN FY17



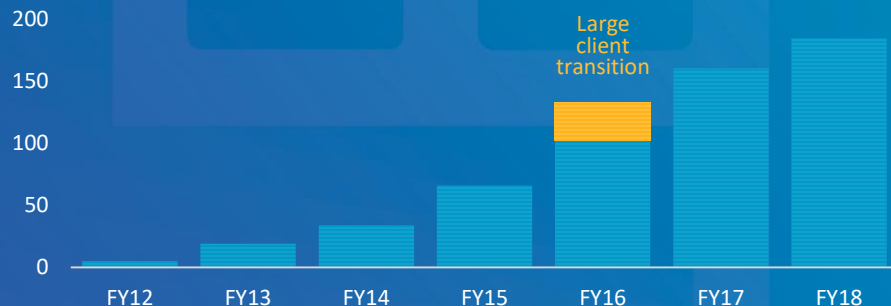
PLATFORM REVENUE AND EXPENSES

PLATFORM PROFIT LINES	PROFIT MARGINS AS A % OF REVENUE			
	FY14	FY15	FY16	FY17
Gross profit	(5%)	39%	56%	63%
Underlying EBITDA <sup>1</sup>	(213%)	(51%)	(4%)	19%

1. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items  
 2. Platform expenses are the total of direct, operating and growth resource expenses relating to the Platform Segment.

# PLATFORM SEGMENT RESULTS

AVERAGE MONTHLY NET INFLOWS ('m)



	FY17 \$M	INCREASE ON PCP
Retail FUA	5,515*	66%
Net inflows	1,953	21%
Gross inflows	2,629	36%
Number of advisers	917	39%

\* Now \$6.6bn



## BROADENING DISTRIBUTION BASE

- 108 active licensees
- 15 white labels in total, 3 new in FY17
- 37 new licensees to the platform in FY17



## DELIVERING ACROSS MULTIPLE LEGAL STRUCTURES

- IDPS
- Super
- MDA
- Wholesale
- Reporting service



## NOW OFFERING

- International managed portfolios
- International direct shares
- Interfaces including online account opening from client systems

1. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items

A blue-tinted photograph of a business meeting. In the foreground, a person's hand points to a bar chart on a document. In the background, another person is visible, also looking at the document. The overall scene is professional and focused on data analysis.

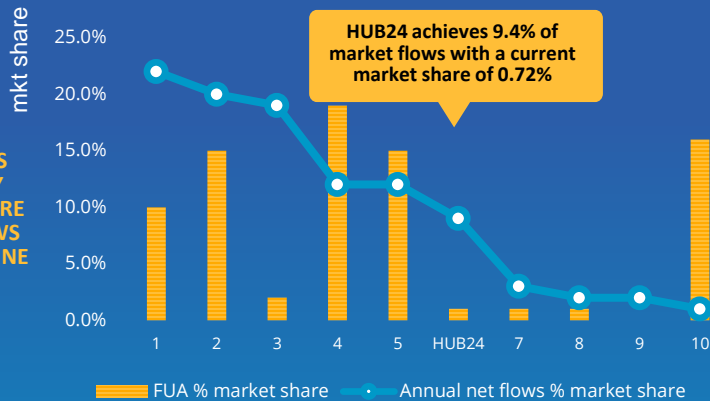
# OPPORTUNITIES FOR GROWTH

---

# HUB24 IS WELL POSITIONED FOR FURTHER GROWTH

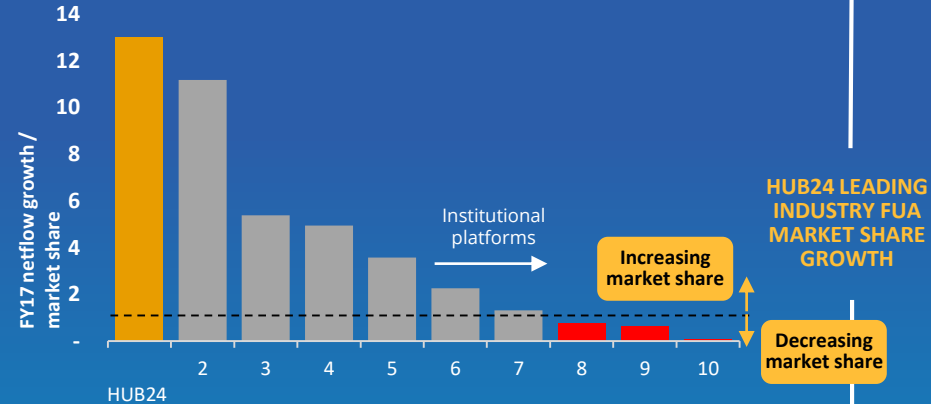
MARKET SHARE BY NET FLOWS  
(Top 10 netflow platforms)

PLATFORMS RANKED BY MARKET SHARE OF NET FLOWS VS FUA (30 JUNE 2017)<sup>1</sup>



- HUB24 has 0.72% share of Wrap, Platform & Master Trusts at 30 June '17 with 9.4% share of annual net flows
- Non-institutional platforms (disruptors) account for 3.42% of FUA and 32.6% of net flows annually
- Highest growth rate in % terms, 6th in \$ terms annually

NETFLOW SHARE to UNDERLYING MARKET SHARE RATIO  
(Top 10 netflow platforms)



- HUB24 share of net inflows at 9.4% / share of market FUA of 0.72% i.e. growing at 13 x current market share.
- 3 institutional platforms losing market share, independents growing
- HUB24 has achieved the highest growth rate in % terms the last three years.

1. Source: Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at June 2017. HUB24 is the fastest growing wrap platform relative to its size in percentage terms, 6th fastest in dollar terms of net inflows.



# THE MARKET

Sector	Current status	Forecast growth
Personal Investments	\$2.3 tr (30 June 2016)	CAGR 10% (platforms to 2031)
Superannuation	\$2.3 tr	CAGR 12% (to 2020)
Platform	\$765 bn	CAGR 10% (historical & projected)
Managed Accounts	\$24.6bn	CAGR 35% (to 2020)
Advisers	1/3 independent, 2/3 aligned to institutions	Independents accounting for 2/3 of adviser growth

# THE CHANGING LANDSCAPE

## TREND

### Market share continues to shift to new / non-institutional platforms

- New non-institutionally owned platforms are growing market share HUB24 is ranked ahead of all traditional platforms in terms of product offering and platform satisfaction by advisers.
- Dec 2016 saw the first net outflow quarter across bank and institutional platforms<sup>3</sup>

### Adoption of Managed Portfolios across Dealer Group, Advisers

- Usage by advisers has increased for fifth consecutive year, highest growth in the last 12 months<sup>1</sup>

### Convergence occurring across advisory, stockbroking and financial advice

- Stockbrokers exploring annuity based income models to better service clients
- Accountants and financial advisers collaborating to provide holistic financial advice
- The Stockbrokers association changed its name to Stockbrokers and Financial Advisers Association (Nov 2016)

### Australians increasing use of international shares

- Low international investment exposure for self directed / unadvised SMSFs.
- Direct international share ownership (directly through foreign exchanges) has doubled from 4% to 8% since 2010

## HUB24 POSITIONING

### Year to June 2017:

- New non-institutional platforms have a market share of 32.6% and net flow share of 28.7%
- HUB24 has a market share of 0.72% and net flow share of 9.4%

- HUB24 is the leading<sup>2</sup> provider of Platform Managed Portfolio capability.
- Increase of 83 across 24 portfolio managers to 295 – the most in the market

- HUB24 designing product and solutions to support this convergence
- Agility acquisition is an investment to support this shift
- HUB24 is providing white labels to licensees & groups with strong accountancy heritage
- HUB24 has secured 2 new relationships with brokers in FY17

- HUB24 has a licensee and platform offer to increase exposure
- HUB24 provides direct access to 15 International share exchanges and provides 12 international share managed portfolios

1. Financial Observer – 'Managed Accounts uptake sees broader appeal' 24 July 2017  
 2. 2016 Investment Trends Platform Competitive Analysis and Benchmarking Report.  
 3. Strategic Insights - Analysis of Wrap, Platform and Master Trust Managed Funds at June 2017.

# NEW DEVELOPMENTS

Development	Benefit
Foreign currency assets (mid 2018)	<ul style="list-style-type: none"><li>• Enables portfolio managers and investors to buy and sell investments in foreign currencies, hold foreign currencies and receive foreign currency dividends.</li><li>• Increasing the range of assets available to create enhanced opportunities and value.</li></ul>
ROA Generator (Dec 2017)	<ul style="list-style-type: none"><li>• Advisers can create Records of Advice for clients directly on HUB24.</li><li>• Improving record keeping, compliance, efficiency and client engagement.</li></ul>
Online account applications (Jan 2018)	<ul style="list-style-type: none"><li>• New online application functionality to open a broker and HUB24 account simultaneously with electronic signatures and a single client identification process.</li><li>• Followed with the ability to open third party accounts with the same process (eg margin Lending, Cash Management).</li><li>• This will provide the industry with the most functional and truly electronic multi-account opening facility in combination with our business partners. Advisers and their clients will be able focus rapidly on portfolio implementation with significantly reduced administration.</li></ul>
Third Party account linking (early 2018)	<ul style="list-style-type: none"><li>• An open architecture interface for clients to link available third party accounts to their HUB24 account for integrated reporting and holistic view</li></ul>

# OUTLOOK



Continued strong FUA growth expected and targeting to more than double FUA in the next 3 years to >\$12b



Increasing distribution footprint by accessing current advisers and targeting new relationships



Extend industry leadership position by connecting our customers to innovative solutions



Pursue appropriate corporate activity & strengthening profitability



Continue to lead change and leverage industry dynamics



## **Growing our investment in:**

Platform innovation  
Agility/HUB24 joint technology initiatives – several projects already underway with joint clients

Further open architecture interfaces for advisers, licensees, broker and financial product providers

# CORPORATE INFORMATION

## HUB24 SHARE PRICE



## CAPITAL STRUCTURE AT 17 NOVEMBER '17



Shares on issue	60.69m
Share price	\$8.94
Market capitalisation	\$543m

## SUBSTANTIAL SHAREHOLDERS



Thorney Holdings Ltd	14.94%
Acorn Capital Ltd	6.30%
Ian Litster	5.90%

## BALANCE SHEET AS AT 30 JUNE '17



<b>Cash and cash equivalents</b>	<b>\$10.84m</b>
Other current assets	\$7.51m
Non-current assets	\$44.76m
<b>Total assets</b>	<b>\$63.11m</b>
Current liabilities	\$11.94m
Non-current liabilities	\$7.56m
<b>Total liabilities</b>	<b>\$19.50m</b>
<b>Net assets</b>	<b>\$43.61m</b>
<b>Equity</b>	<b>\$43.61m</b>



# 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.

## → NOT INVESTMENT ADVICE

This presentation is not a prospectus or a product disclosure statement under the Corporations Act 2001 (Cth) and has not been lodged with ASIC. The information provided in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

## → RISK OF INVESTMENT

An investment in HUB shares is subject to investment and other known and unknown risks,

some of which are beyond the control of HUB. HUB does not guarantee any particular rate of return or the performance of HUB nor does it guarantee the repayment of capital from HUB or any particular tax treatment.

## → FORWARD LOOKING STATEMENTS

This presentation contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of HUB, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You should not place reliance on forward-looking statements and neither HUB nor any of its directors, employees, consultants, contractors, advisers or agents assume any obligation to update such information.

**HUB** 24