



FY2018 half-year results

Positioned to accelerate growth

12 February 2018

Praemium Limited
ACN: 098 405 826



Disclaimer

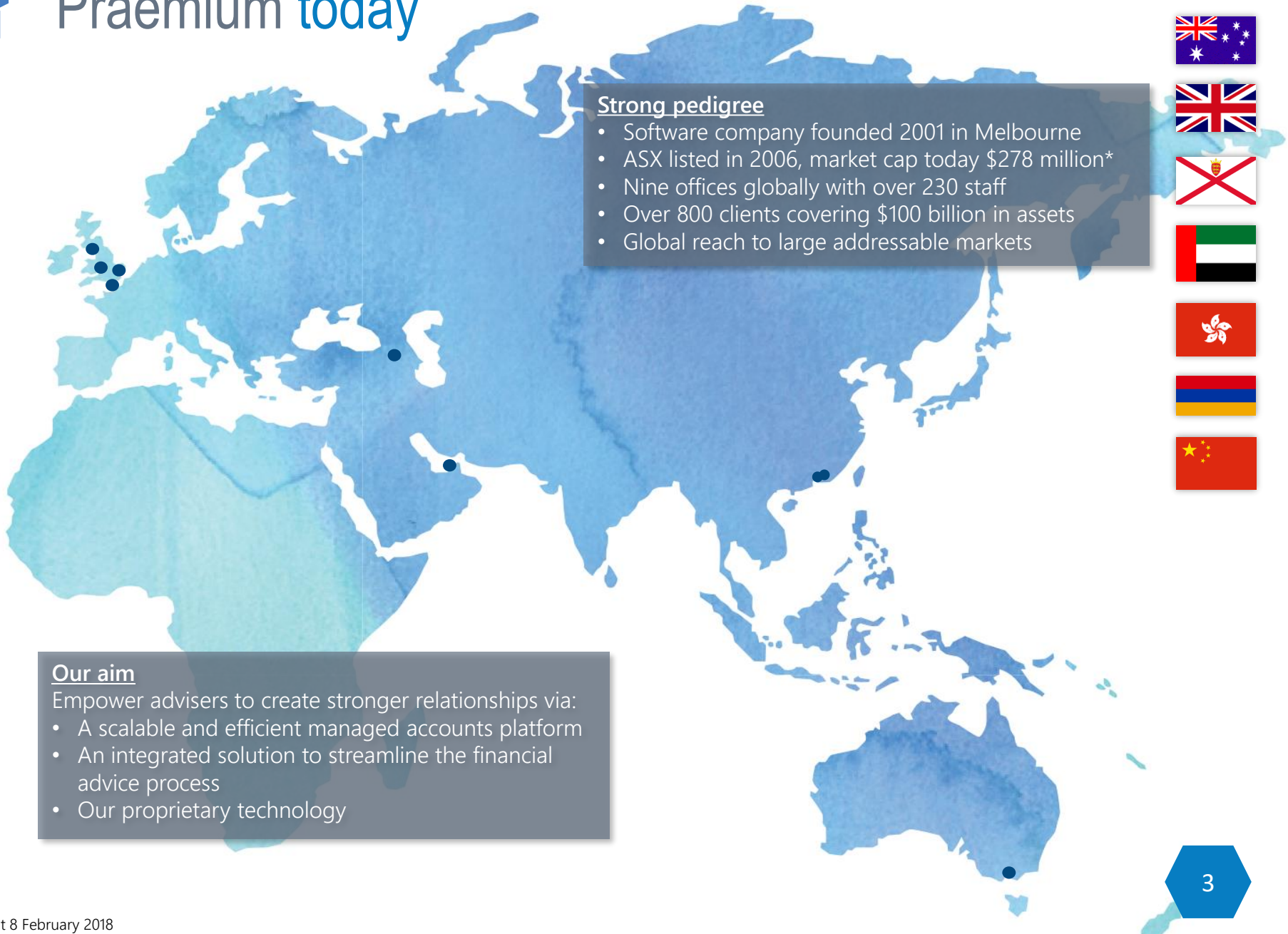
The material contained in this document is a presentation of general information about the Praemium Group's activities current as at the date of this presentation (12 February 2018) and is supplementary to the Group's financial results released to the ASX on 12 February 2018.

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 \$278 million*
- Nine offices globally with over 230 staff
- Over 800 clients covering \$100 billion in assets
- Global reach to large addressable markets

Our aim

Empower advisers to create stronger relationships via:

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



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

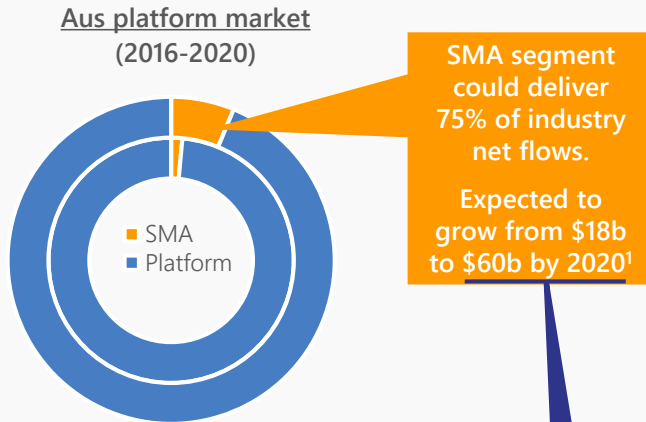


Our mission
To provide our wealth management clients a fully integrated solution to the financial advice process



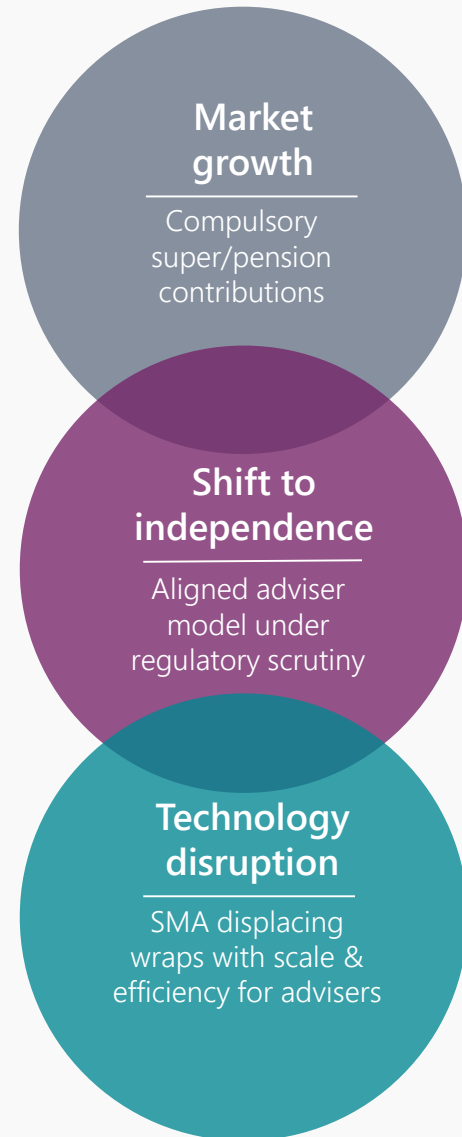
SMA disrupting the platform market

SMA segment forecast to expand rapidly¹



Type	Market size (\$ billion)
SMA/MIS	13.9
MDA	23.4
Other	10.7
Total as at June 2017²	48.0

Growing faster than expected

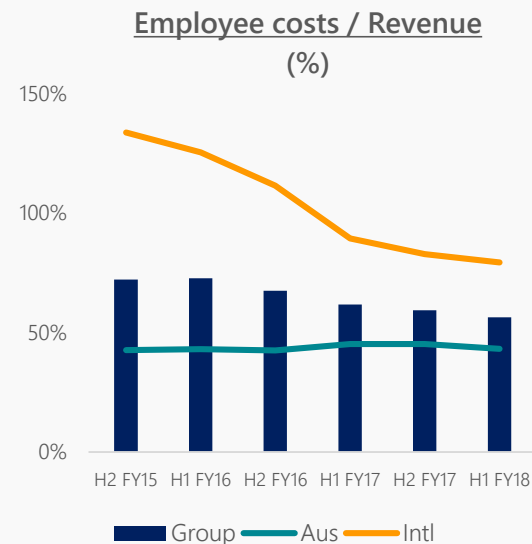
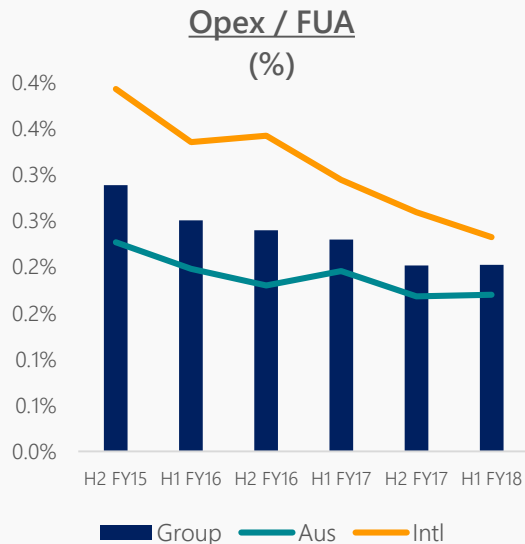
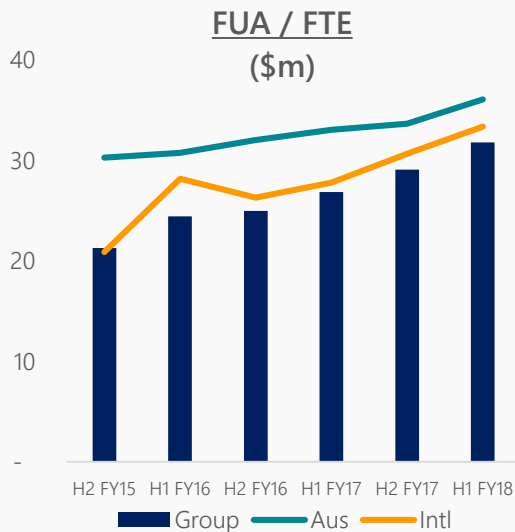


¹ Morgan Stanley Asia Insight Report (June 2016), *Disruptors: Australia Financials*.

² Institute of Managed Account Professionals, 30 June 2017



Praemium SMA a scalable solution



Delivering growth

Strong FUA momentum

Investments in R&D, product, marketing and sales distribution

Highly automated platform

Low marginal operating costs

Strong operating leverage, gross margin at 81%

Scalable business

Headcount 70% of total operating costs

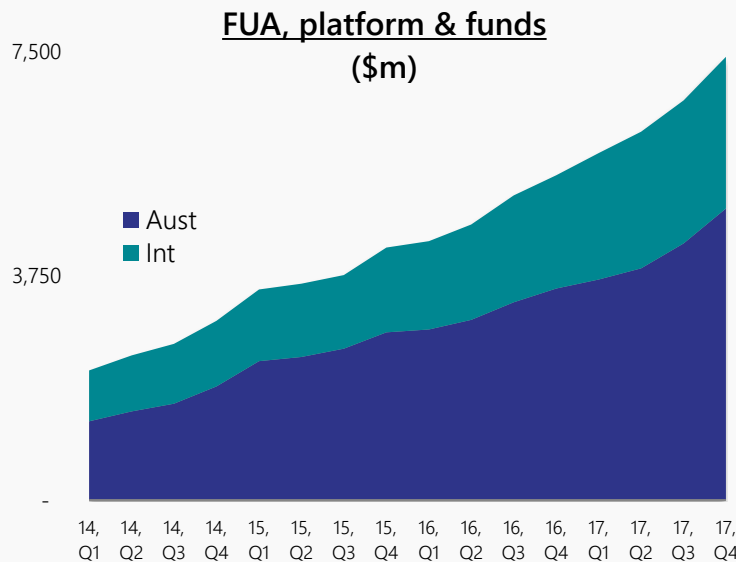
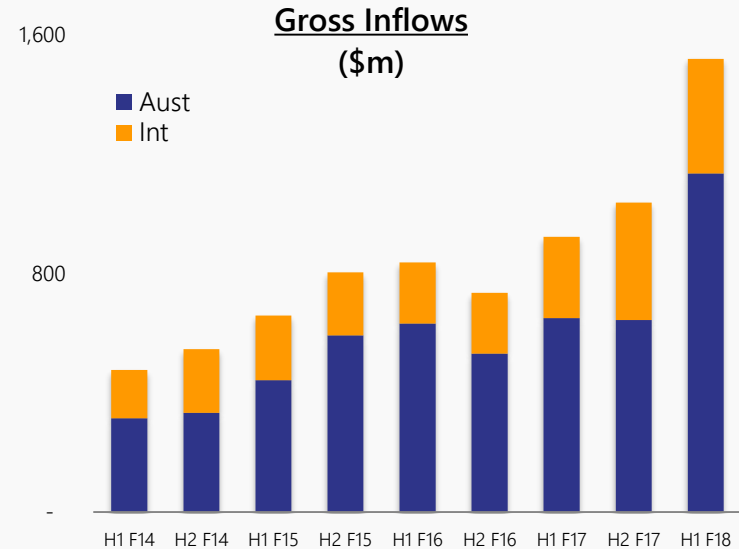
Decline from 72% of revenue to 56% over last 3 years



Praemium SMA setting new records

Increasing inflow momentum

- Record inflows this half of \$1.5 billion
- Highest inflows for Australian SMA
- Matched previous record for International SMA
- Annualised inflows up 54% to \$2.5 billion

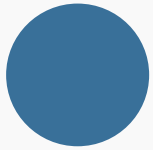


Accelerating FUA

- FUA up 37% on last year to \$7.4 billion
- Australia \$4.9 billion, up 38%
- International \$2.5 billion, up 36%
- Smart Investment Management \$477 million (47% growth pa)
- Further upside from improvements to SuperSMA (currently 16% of Aus FUA) and expansion of UK pension offering

Highlights for the half

Key deliverables



Launch of International Models

The Australian SMA now live with global securities



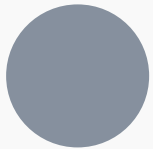
Launch of digital acceptance

Paperless, fast account opening



Launch of Portfolio Admin Service

Cost-efficient administration of non-custodial assets



Ready for MiFID II

Implemented the new EU regulatory requirements



60% increase in investment menu

*Managed portfolios from 388 to 553;
Funds, ETFs and XTBs from 244 to 467*



Revenue



EBITDA



FUA

1H 2018
RESULTS



H1 FY2018 financial results

Group Financial Results	H1, FY17 (\$m)	H1, FY18 (\$m)
Revenue	17.2	21.5
Product commissions	(1.0)	(2.2)
Revenue (net)	16.2	19.3
Cost of operations	(3.2)	(3.7)
Gross margin	13.0	15.6
GM %	80.4%	81.0%
Expenses:		
Information Technology	(3.7)	(3.4)
Sales & Marketing	(2.8)	(3.6)
General & Admin ⁽¹⁾	(3.7)	(4.4)
EBITDA (underlying)	2.8	4.2
Share schemes ⁽²⁾	(0.2)	(0.4)
D&A ⁽³⁾	(0.4)	(0.5)
EBIT	2.2	3.3
Restructure & acquisition ⁽⁴⁾	(0.5)	(0.6)
FX & other ⁽⁵⁾	(0.4)	0.0
NPBT	1.3	2.7
Tax ⁽⁶⁾	(0.7)	(2.0)
NPAT	0.6	0.7

Key financial highlights



Revenue growth 25%



Gross margin up 20%



Underlying EBITDA up 51%



Underlying operating cashflow of \$4.1 million (excludes R&D capex of \$0.6 million)

Increasing gross margins supported investments in product, R&D, sales, marketing and corporate functions.

(1) In addition to salaries, G&A includes professional fees (\$1.0m), facilities (\$1.0m), travel (\$0.3m), board & corporate (\$0.3m) and IT support (\$0.4m)

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

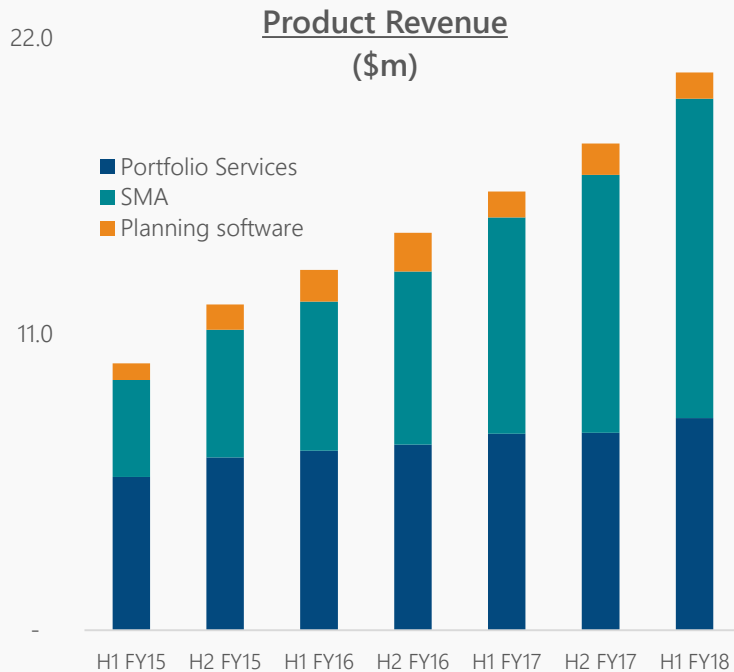
(3) Depreciation & amortisation includes amortisation of intangibles from SMA, Plum and Wensley Mackay acquisitions

(4) Include one-off costs for HK legal arbitration and UK regulatory consulting

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

(6) H1 FY18 AUS tax estimate (\$1.6m) and FY17 final payments (\$0.4m)

Continued revenue growth



\$m	H1 FY16	H1 FY17	Change
SMA	8.0	11.8	47%
Portfolio services	7.3	7.9	8%
Planning software	1.0	1.0	2%
Other	0.9	0.8	(10%)
Revenue	17.2	21.5	25%

Total revenue up 25%

- Australian business, revenue growth 21%
- International business, revenue growth 34%

SMA revenue up 47%

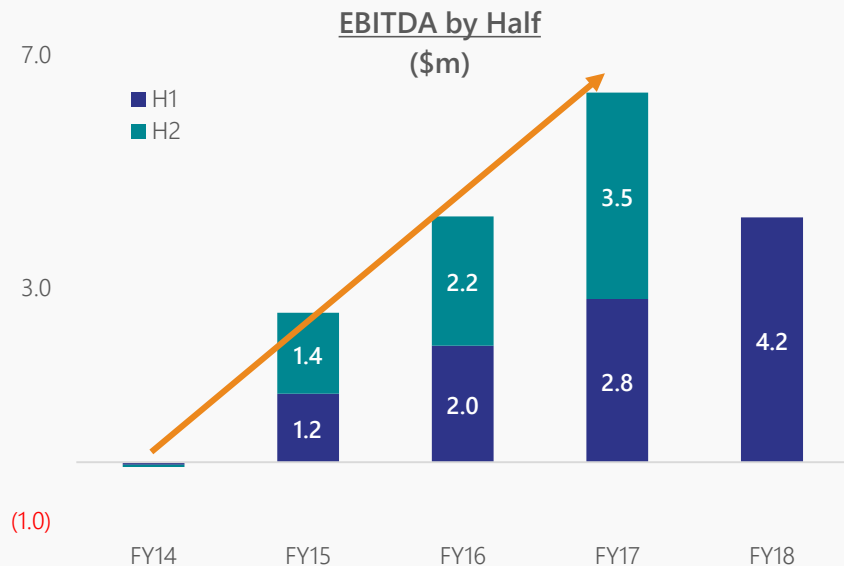
- Total FUA up 37% from H1 FY17
- Higher margins with in-house investment management FUA up 47%

Portfolio services revenue up 8%

- 20% uplift in billable portfolios from H1 FY17 across institutional clients on Praemium Portfolio
- Key client renewals progressing, with \$0.25 million earned in transition fees

Sustained earnings growth

\$m	H1 FY17	H1 FY18	Change \$	Change %
EBITDA (pre R&D)	2.0	3.5	1.5	74%
UK R&D incentive	0.8	0.7	(0.1)	(11%)
EBITDA (underlying)	2.8	4.2	1.4	51%
EBITDA% to Revenue	16%	20%		



8th consecutive half of profit growth

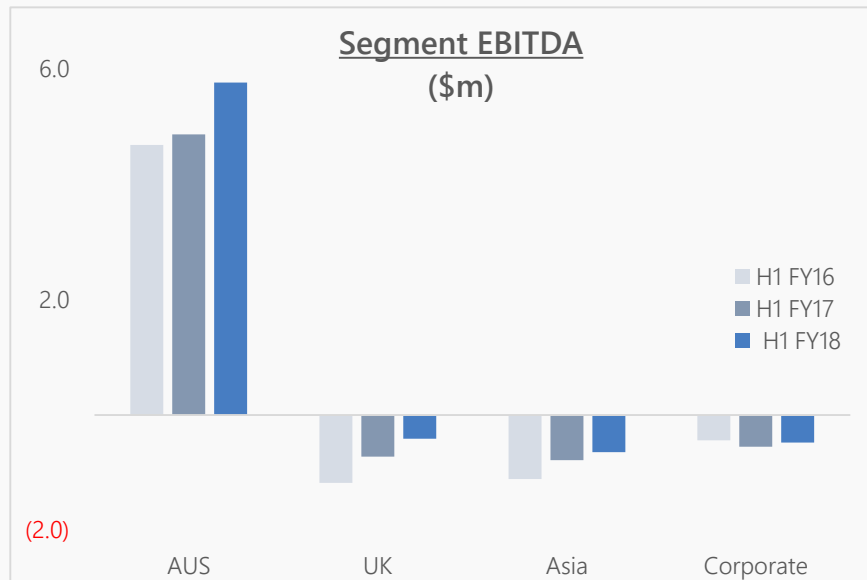
- EBITDA (pre R&D incentive) up 74%
- EBITDA margin up to 20%, from 16% in prior period
- 98% recurring revenue streams, with higher FUA levels to continue EBITDA growth

Investing in future growth

- Increased R&D investment in proprietary platform technology
- Expansion of sales & marketing personnel to drive future earnings growth
- Increased focus on product management and marketing

H1 FY18 EBITDA by segment

H1 FY18 \$m	Aus	UK	ASIA	Corp	Total
Revenue	13.6	7.7	0.2		21.5
Expenses	(7.9)	(8.1)	(0.8)	(0.5)	(17.3)
EBITDA*	5.7	(0.4)	(0.6)	(0.5)	4.2
EBITDA %	42%				20%



EBITDA uplift of \$1.4 million comprising:

- Aus \$0.9m, up 19%
- UK \$0.3m, 43% improvement
- Asia \$0.2m, 18% improvement

Australia

- Revenue up 21%
- EBITDA up 19% to \$5.7 million
- EBITDA margin consistent at 42%

UK

- Revenue (ex R&D) up 40% in GBP
- Operating costs stable at 7% growth
- Further decline in losses to -\$0.4 million

Asia

- Revenue up 44% from growth in recurring licences
- 9 new clients currently being on-boarded
- Cost base now aligned post completion of bank development project

Looking forward: Strategic priorities

Australia:

Expand platform functionality

- Significantly expand the investment menu
- Evolve the SMA into a UMA – Unified Managed Account
- Add new asset classes (e.g. term deposits)
- Expand range of international model portfolios
- Introduce family fee pricing

To capitalise on the shift in Australia's wealth market

International:

Get to critical mass

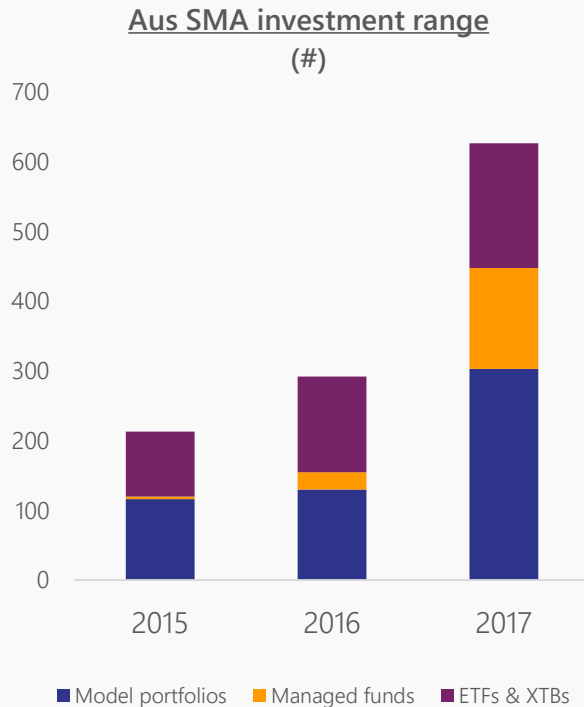
- Scale up SIPP income by acquiring books of business
- Full rollout of the platform SIPP to existing and new platform clients
- Increase CRM sales with value-added features such as digital fact find
- Seek approval to promote Smartfunds in the Middle East

To reach breakeven in 2018



Strategy on track

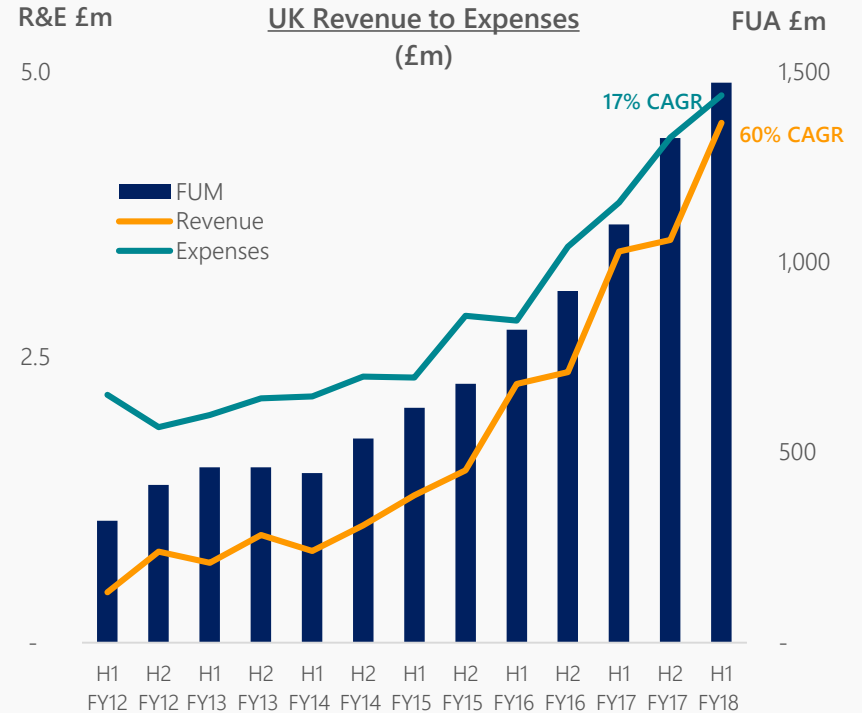
Australia: expanding investment range



Increasing the investment universe

- Investment menu increased 115% over 2017
 - Managed portfolios from 130 to 303
 - Managed funds from 25 to 145
 - Listed ETFs and Bonds from 137 to 179

International: approaching inflexion



International approaching inflexion

- Revenue growth of 36% CAGR versus cost growth of 13% CAGR over last three years
- Smartfunds FUA has reached £281m, up 77% in 12 months
- Smart^{im*} assets as a share of total FUA increased from 34% to 37% over pcp

Appendix: Cashflow

\$m	H1 FY17	H1 FY18
Operating cashflow	2.7	4.1
Tax paid	(2.3)	(1.6)
One-off costs	(0.3)	(0.6)
Net Operating Cashflow	0.1	1.9
Acquisition	(1.0)	-
Capex	(0.7)	(0.9)
Regulatory reserves	(0.1)	-
Net Investing Cashflow	(1.8)	(0.9)
Net Cash movement	(1.7)	1.0
Opening cash	10.4	9.0
Unrealised FX	(0.5)	(0.3)
Closing cash	8.2	9.7

Operating cashflows

- Strong operating cashflow improvement, consistent with EBITDA growth
- Australian company tax instalments for FY18
- One-off costs include HK legal arbitration and UK regulatory consulting

Investing cashflows

- Capex includes \$0.6 million for platform expansion
- Prior year acquisition of Wensley Mackay

Unrealised FX

- Impact of GBP-held currency

Appendix: Balance sheet

\$m	Jun'17	Dec'17
Cash	9.0	9.7
Receivables	6.7	7.9
Intangibles	4.4	4.8
Other assets	4.1	4.1
Assets	24.2	26.5
Tax liabilities	0.3	0.7
Other liabilities	6.8	7.3
Liabilities	7.1	8.0
Net Assets	17.1	18.5

Solid balance sheet to fund growth

- \$9.7 million in cash reserves
- Increase in receivables from higher H1 billing
- No debt
- Australian company tax payable \$0.7 million after FY18 instalments
- Franking credits of \$3.8 million