



praemium

FY2018 annual results

Delivering on growth

13 August 2018

Praemium Limited
ACN: 098 405 826

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Australia

- High-growth market, significant industry change
- Diversified client base across institutions and retail advisers
- Exposure to fast-growing superannuation markets
- Diversified products across managed accounts and software-as-a-service
- Strong profit margins (45%+ EBITDA*) over the past 3 years

International

- High-growth markets across UK, Europe, Middle East and Asia
- Regulation driving significant industry change
- Exposure to fast growing pension markets
- Diversified products across managed accounts, funds & financial planning
- Emerging business model with scalable platform economics

The leading managed accounts provider

Investment platforms serving AUS, UK and International markets

Portfolio Administration

Excellence in tax reporting

Managed Account Platform

*SMA, IMA, VMA, UMA**

Investment Management

Multi-asset model portfolios and funds

Our market-leading technology

Performance analytics



Asset allocation



Tax



Consolidated reporting



Client portal



CRM & Financial Planning

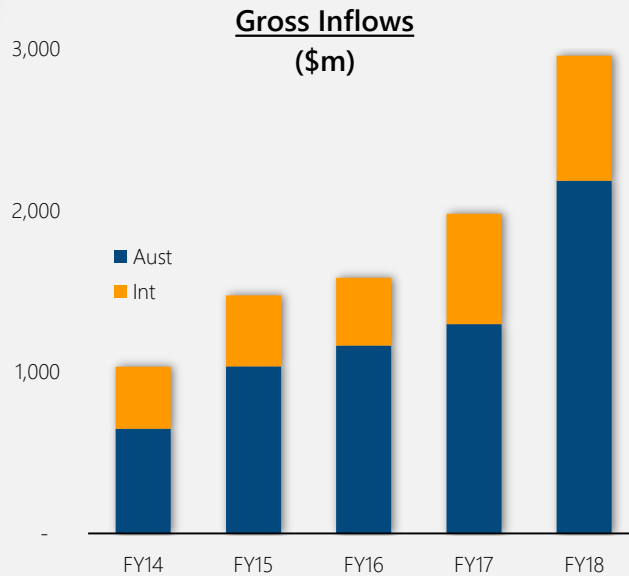
Cloud-based CRM and financial planning systems

Software company founded in 2001

Sophisticated and scalable technology

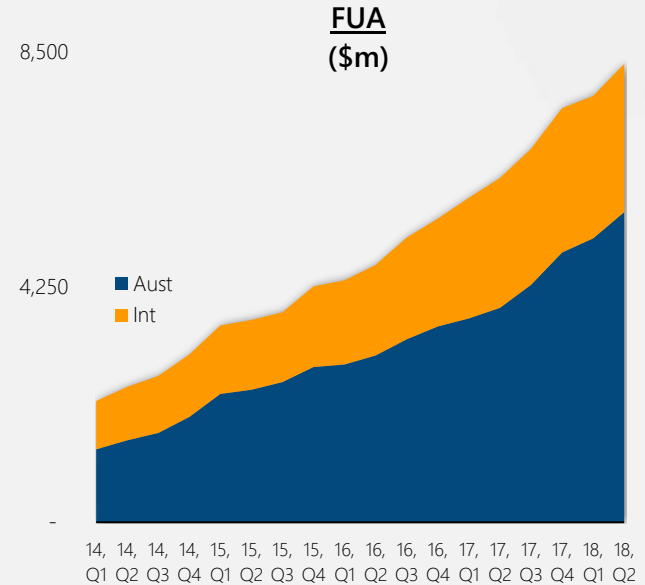
Over 700 clients covering \$110 billion in assets

The leading managed accounts provider



Increasing inflow momentum

- Record annual gross inflows of \$3.0 billion
- 50% higher than the prior financial year
- Australia inflows \$2.2 billion, up 69%
- International inflows \$0.8 billion, up 13%



Accelerating FUA

- FUA up 35% on last year to \$8.3 billion
- Australia platform \$5.6 billion, up 45%
- International platform and Smartfunds \$2.7 billion, up 20%
- FUA growth of 36% CAGR over last 4 years

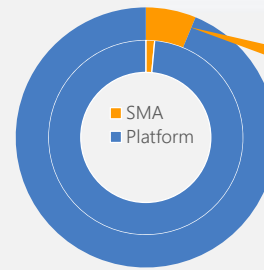
Managed Accounts disrupting Aus market

Market growth
 Managed Accounts market up 45% in 2017¹

Shift to independence
 10% loss of advisers from the large institutions over FY2018³

Move to Managed Accounts
 A step change in sentiment towards Managed Accounts

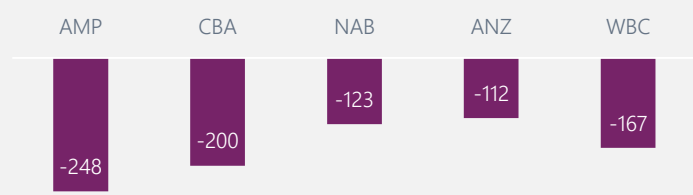
Aus platform market (2016-2020)



Already at \$57bn as at 31 Dec 2017¹

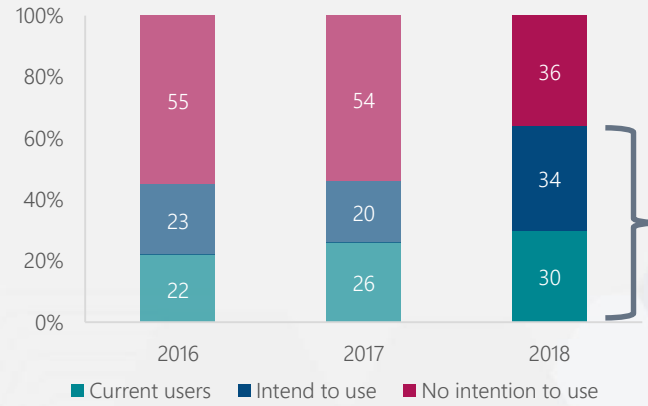
SMA segment could deliver 75% of industry net flows
 Expected to grow from \$18b to \$60b by 2020²

Adviser changes Jul '17 to Jun '18³



Advisers moving to independent platforms, with 4% of market taking 40% of annual net flows⁴

Financial planners' use of Managed Accounts⁵



Steep increase in SMA interest

¹ Institute of Managed Account Professionals, Managed Account FUM Census at 31 December 2017
² Morgan Stanley Asia Insight Report (June 2016), *Disruptors: Australia Financials*.
³ Bell Potter Adviser Landscape, July 2018
⁴ Strategic Insight (Plan for Life) media release, Funds Under Management at March 2018
⁵ Investment Trends Managed Accounts Report, February 2018

Non-custodial platform, VMA

Key client wins

- 5-year contract with CMC Markets to extend Tax Tools
- 2-year extension with JBWere
- Sign up of Hartleys, a leading broking and wealth management firm

Launch of portfolio administration service

- Offering full service mail house, reconciliations, reporting, and SMSF returns
- Now live with five firms

Launch of key functionality

- Absolute return benchmarks plus custom and composite indices to support goals-based advice
- New upload centre simplifying the onboarding process

Managed Accounts platform

Key client wins

- Existing Portfolio client Morgan Stanley Wealth Management selects Praemium's SMA
- Eight new private labels totalling \$1 billion FUA earmarked for transition onto platform

Key enhancements

- International models for Australian platform
- Digital acceptance for fast paperless account opening
- Expansion of investment menu with 145 new models / managed funds
- Family fee aggregation (up to 6 members)

Key drivers

Platform evolution

- Most UK platforms based on older style wrap technology
- Use of model portfolios has increased 25-fold over the last 7 years¹, ideal environment for Praemium's next-gen SMA technology

Importance of proprietary technology

- Massive service disruption as providers "re-platform" to a handful of tech providers
- Once complete, only 20% of UK FUA will sit on platforms (like Praemium) that own their own tech²

¹Source: FCA Investment Platforms Market Study Interim Report: Annex 5 – Model Portfolio Review July 2018

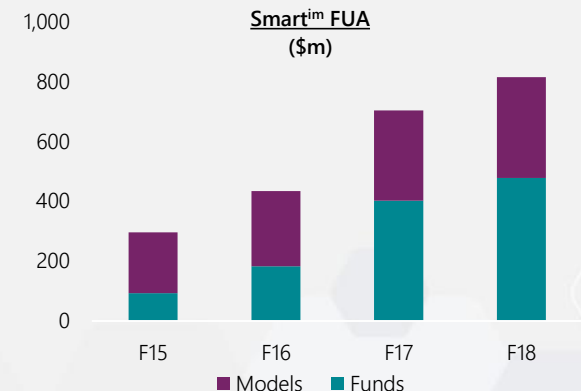
²<https://www.professionaladviser.com/professional-adviser/news/3010927/pa-launches-re-platforming-study-alongside-the-lang-cat>

Highlights

Overall FUA up 20% from \$2.2 billion to \$2.7 billion

Smart Investment Management approved by Dubai regulator to operate in Dubai International Financial Centre (DIFC) trade zone

Regulatory approval received for Praemium to sell its Smartfund range directly to the Middle East markets, with Mashreq Bank, one of the largest UAE banks, as the local promoter





UK domestic pensions

UK platform market £591 billion¹

80% of 2017 platform inflows (£35 billion)¹ into SIPP

Praemium's platform SIPP growing strongly

Potential to scale up SIPP income by acquiring books of business

UK expat pensions

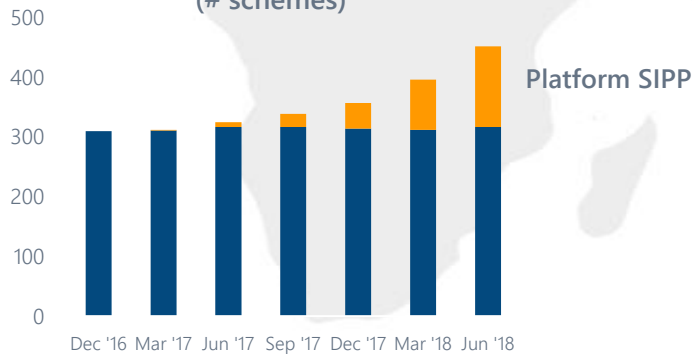
UK expat pensions £250 billion² with Australia the largest market (1 million UK expats, £115 billion)

Approx. 400,000 Australians working in the UK with opportunity to transfer UK pensions home

Unique opportunity to leverage our pension expertise in global markets



Praemium UK Pensions
(# schemes)



SIPP: Self Invested Personal Pension

1: Fundscape Platform Report, March 2018

2: Her Majesty's Revenue and Customs (HMRC), December 2017

FY2018 financial results

Group Financial Results	FY17 (\$m)	FY18 (\$m)
Revenue	35.4	43.2
Product commissions	(2.6)	(4.6)
Revenue (net)	32.8	38.6
Cost of operations	(6.8)	(7.3)
Gross margin	26.0	31.3
<i>GM %</i>	<i>79.3%</i>	<i>81.2%</i>
Expenses:		
Information Technology	(6.8)	(6.7)
Sales & Marketing	(5.7)	(7.5)
General & Admin ⁽¹⁾	(7.2)	(8.3)
EBITDA (underlying)	6.3	8.8
Share schemes ⁽²⁾	(0.6)	(1.1)
D&A ⁽³⁾	(0.9)	(1.0)
EBIT	4.8	6.7
Arbitration & restructure ⁽⁴⁾	(2.1)	(1.8)
FX & other ⁽⁵⁾	(0.5)	(0.0)
NPBT	2.2	4.9
Tax ⁽⁶⁾	(1.5)	(3.5)
NPAT	0.7	1.4

Key financial highlights



Revenue growth 22%



Gross margin up 21%



Underlying EBITDA up 40%

As a percentage of sales (net):

- Expanded sales & marketing from 17% to 19%
- IT (excluding \$2.3 million in R&D capex) up from 21% to 23%
- G&A from 22% to 21% despite larger premises to support headcount growth

(1) In addition to salaries, G&A includes facilities (\$2.1m), professional fees (\$2.0m), travel (\$1.0m) board & corporate (\$0.5m) and IT support (\$0.2m)

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

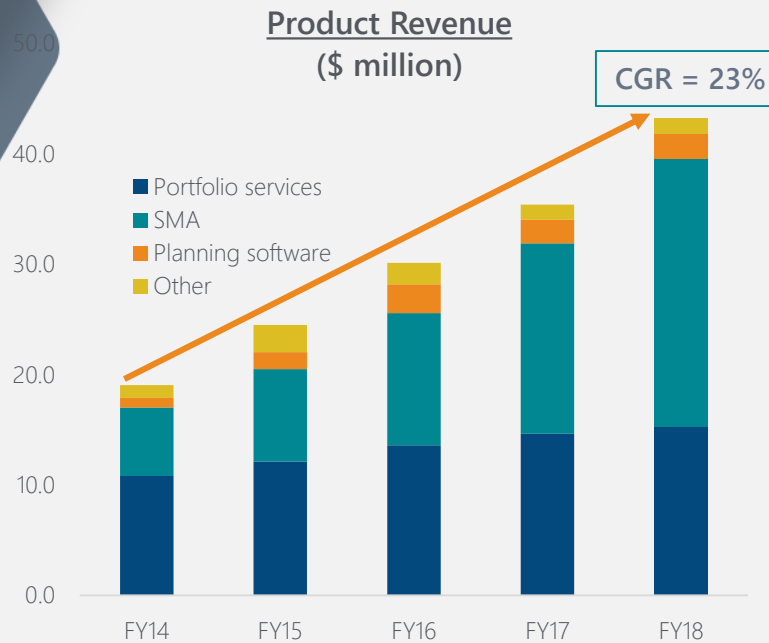
(3) Depreciation & amortisation includes amortisation of intangibles from software intangibles, Plum and Wensley Mackay acquisitions

(4) Refer appendices for detailed breakdown

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

(6) FY18 AUS tax estimate of \$3.2m (tax expense), with \$1.9m in instalment payments made. R&D Incentive provision \$0.3 million.

Continued revenue growth



\$m	FY17	FY18	Change
SMA	17.2	24.3	41%
Portfolio services	14.7	15.5	4%
Planning software	2.1	2.2	5%
Other	1.4	1.4	4%
Revenue	35.4	43.2	22%

Total revenue up 22%

- Australia up 19%
- International up 27%

SMA revenue up 41%

- Total FUA up 35%
- In-house investment management FUA up 15%

Portfolio services revenue up 4%

- Billable portfolios up 5%
- New client wins late in FY18

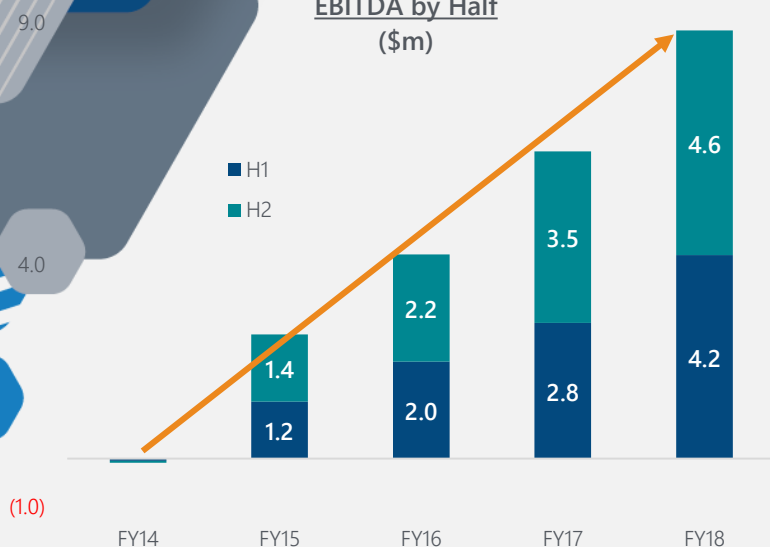
Planning software revenue up 5%

- Growth in recurring licences for WealthCraft across Europe and Asia

Sustained earnings growth

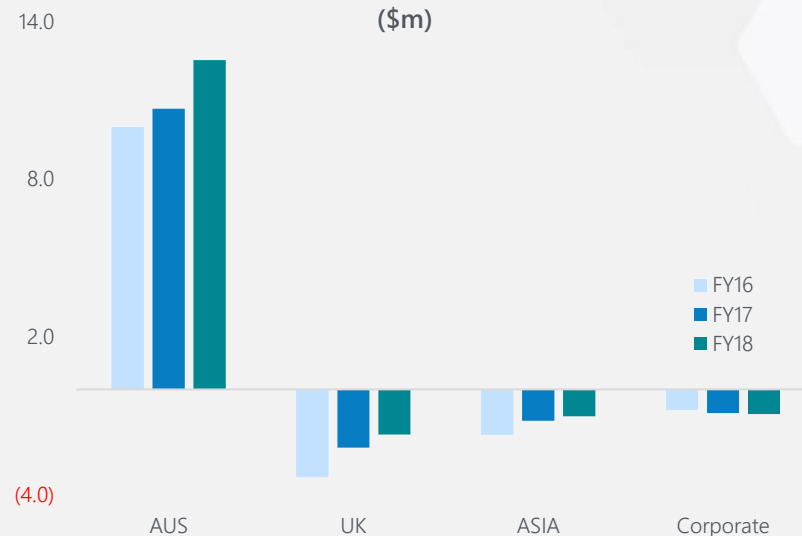
Group Earnings

EBITDA by Half
(\$m)



Segment view

Segment EBITDA
(\$m)



\$m	H1 FY18	H2 FY18	FY18	FY17
EBITDA (pre R&D)	3.5	4.6	8.1	5.5
UK R&D incentive	0.7	-	0.7	0.8
EBITDA (underlying)	4.2	4.6	8.8	6.3
EBITDA% to Revenue	20%	21%	20%	18%

\$m	AUS	UK	ASIA	Corp	FY18
Revenue	27.6	14.9	0.7	-	43.2
Expenses	(15.2)	(16.6)	(1.7)	(0.9)	(34.4)
Segment EBITDA*	12.4	(1.7)	(1.0)	(0.9)	8.8
EBITDA %	45%				20%

*Refer underlying EBITDA reconciliation on slide 10 and Note 20 of the Annual Report (where Corporate costs are included in the AUS segment).

9th consecutive half of profit growth

International approaching breakeven

Building a compelling proposition

Key enhancements delivered



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

Administration of non-custodial assets, including SMSF



Smartfunds launched in Middle East

One of the first platforms established in the DIFC



Platform SIPP account opening

Praemium SIPP opened directly onto platform

R&D roadmap

Create leading digital dashboards

Evolve to a Unified Managed Account (UMA)

Develop retirement solutions that span the "kangaroo route"

Continue to build upon our best-in-breed reporting engine

Create a seamless advice process via CRM/Platform integration

\$m	FY17	FY18
Operating cashflow	6.5	8.8
R&D incentive	0.1	0.6
Tax paid	(3.1)	(2.7)
One-off costs	(1.8)	(1.3)
Net operating cashflow	1.7	5.4
Intangible capex	-	(2.3)
Equipment capex	(0.9)	(0.5)
Acquisition*	(1.0)	-
Regulatory reserves	(0.4)	-
Net investing cashflow	(2.3)	(2.8)
Net cash movement	(0.6)	2.6
Opening cash	10.4	9.0
Unrealised FX	(0.8)	0.5
Closing cash	9.0	12.1

Operating cashflows

- Strong operating cashflow improvement, consistent with EBITDA growth
- Australian company tax with FY18 instalments
- One-off costs detailed in appendices

Investing cashflows

- Intangible capex from platform expansion
- Equipment capex from capital infrastructure upgrades
- Prior year acquisition of Wensley Mackay

Unrealised FX

- Impact of GBP-held currency with depreciation of AUD across FY2018

\$m	Jun'17	Jun'18
Cash	9.0	12.1
Receivables	6.7	7.3
Intangibles	4.4	6.5
Other assets	4.1	4.4
Assets	24.2	30.3
Tax liabilities	0.3	1.5
Other liabilities	6.8	8.5
Liabilities	7.1	10.0
Net Assets	17.1	20.3

Solid balance sheet to fund growth

- \$12.1 million in cash reserves from strong free cash flow generation
- Increase in receivables from higher H2 billing
- Increase in intangibles from platform expansion
- No debt
- Australian company tax payable \$1.2 million after FY18 instalments
- Franking credits of \$4.3 million

\$m	FY17	FY18
Arbitration costs	-	0.9
General Meeting	1.2	0.4
Restructure costs & other	0.6	0.5
Acquisition costs	0.3	-
Total	2.1	1.8

Arbitration, restructure & other costs

- Arbitration costs from legal claim made against a HK based customer for expense and delay incurred arising from project scope expansion and rework
- Current year general meeting costs from ESS retention offer made by former board. Prior year expenses were incurred by the former board in terminating the CEO and defending the subsequent shareholder requisition which led to their removal
- Restructure costs includes UK regulatory consulting for MIFIDII and GDPR implementations, UAE fund registrations and completion of Asia down-sizing
- Prior year acquisition costs of Wensley Mackay