

HUB²⁴

'18

ANALYST PACK YEAR ENDED 30 JUNE 2018

CONTENTS

2 Financial highlights FY18

4 Market overview and outlook

6 Key performance indicators

7 Group overview

12 Review of financial results – segments

12 Platform segment

14 Licensee segment

14 IT services segment

15 Corporate segment

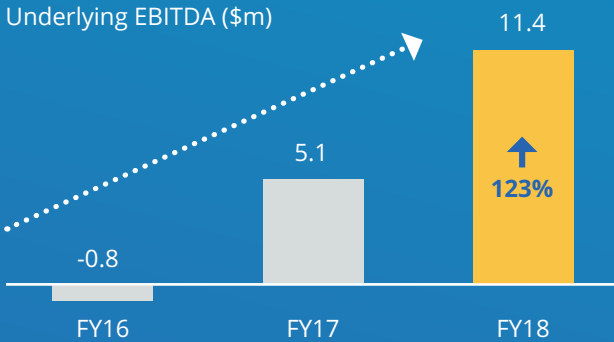
16 Balance sheet

17 Cash and cashflows

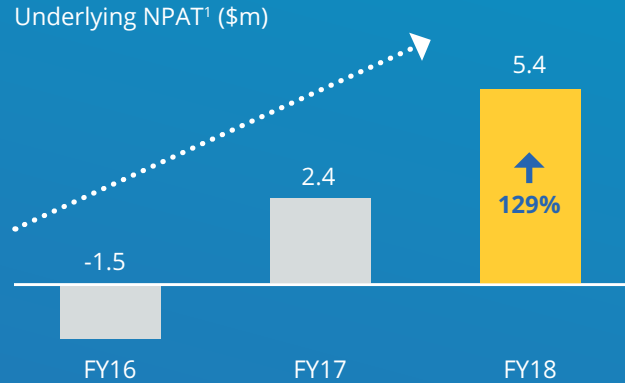
FINANCIAL HIGHLIGHTS FY18

GROUP

Underlying EBITDA (\$m)

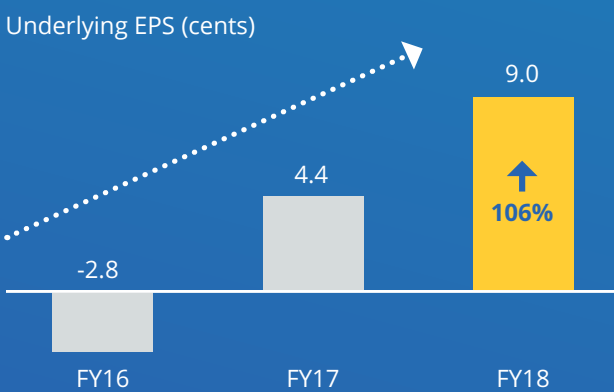


Underlying NPAT¹ (\$m)

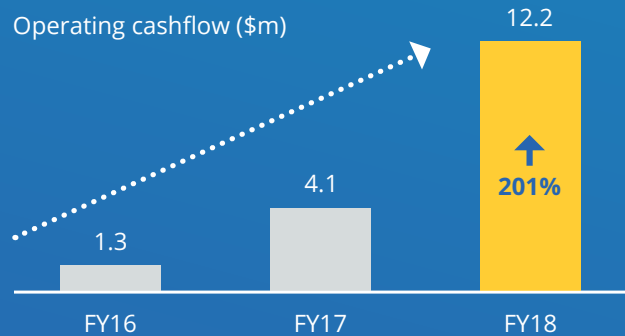


INAUGURAL DIVIDEND OF **3.5c**

Underlying EPS (cents)



Operating cashflow (\$m)



Statutory net profit after tax

\$7.4m ↓ 61%*

Statutory EPS

12.3c ↓ 65%*

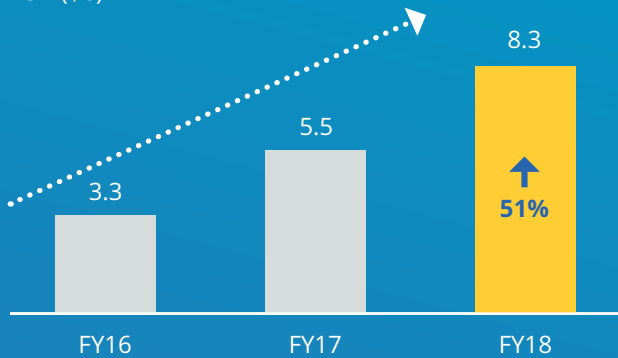
*Includes the initial recognition of deferred tax assets of \$15.9m in FY17.

1. Underlying NPAT for FY17 has been restated from \$3.9m to \$2.4m due to the misallocation of the initial recognition of the deferred tax asset. There is no impact on statutory NPAT.

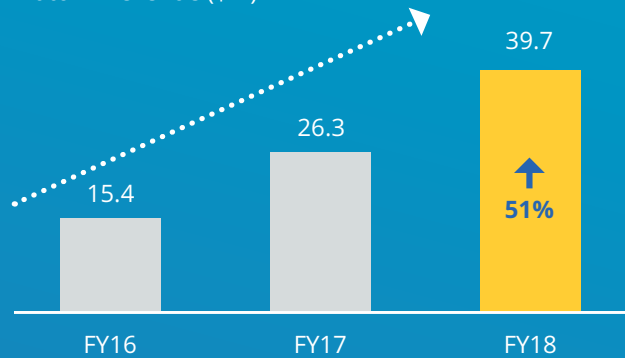
3. Comparison period post acquisition of Agility Applications Pty Ltd on 3 January 2017 to 30 June 2017.

PLATFORM SEGMENT

FUA (\$b)

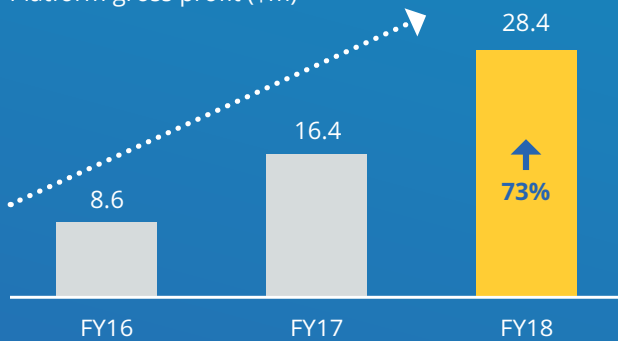


Platform revenue (\$m)

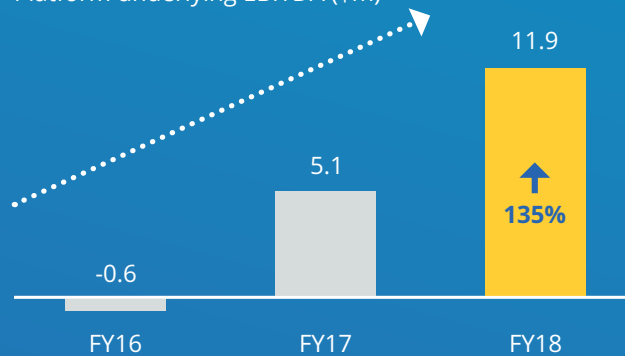


RECORD NETFLOWS OF **\$2.4b** ↑ 24%

Platform gross profit (\$m)



Platform underlying EBITDA (\$m)



MARGINS (AS A PERCENTAGE OF FUA)

Revenue

0.57% ↓ 4%

Gross profit

0.41% ↑ 10%

Underlying EBITDA

0.17% ↑ 50%

MARGINS (AS A PERCENTAGE OF REVENUE)

Gross profit

72% ↑ 15%

Underlying EBITDA

30% ↑ 56%

MARKET OVERVIEW AND OUTLOOK

HUB24 operates in the fastest growing segment of the personal investment and superannuation markets, that being full service wrap platforms that deliver managed accounts solutions. The superannuation market is underpinned by mandatory contributions, which are scheduled to increase from 9.5% of gross salaries to 12.0% by 2025¹. Due to the mandated nature of Australia's superannuation system, Australia has the fourth largest pension market globally and is expected to grow from \$2.5 trillion to over \$10 trillion by 2035 (a compound annual growth rate ("CAGR") of 8%).

- The size of the personal investments market is \$2.6 trillion and is expected to grow to over \$5 trillion in the next 10 years. Wrap platforms, in administering non-superannuation assets, are expected to grow from \$809 billion at a CAGR of 10% over this period².
- Managed Accounts have grown to \$57b as at 31 December 2017 and are expected to continue growing at 35% CAGR to 2020³.

In this context the role of and demand for quality, unconflicted financial advice in the client's best interests and sophisticated investment platforms is increasing. HUB24 continues to be the fastest growing platform in the market relative to its size and is also recognised for having the best managed accounts functionality⁴.

KEY TRENDS

THE RISE OF SPECIALIST PLATFORMS (SP'S)⁵

Over the last 5 years:

- SP's have increased market share from 0.9% FUA to 4.0%
- Institutional platforms (4 banks, AMP, IOOF, Macquarie) lost market share from 88.2% to 84.7%.

1 Deloitte – Dynamics of Australia's superannuation system, the next 20 years 2015 to 2035

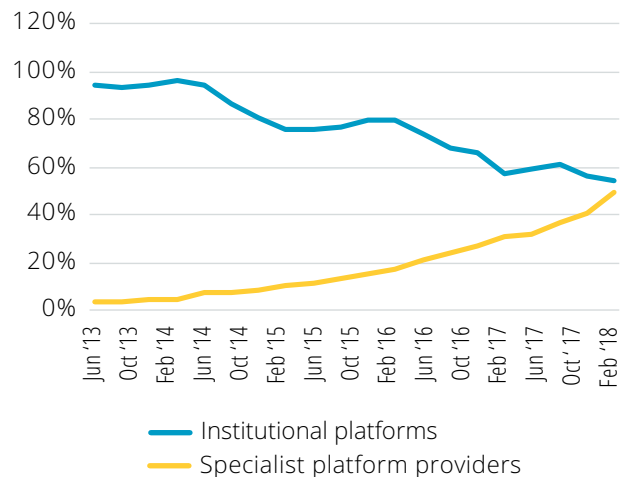
2 Rice warner – Personal investments Projection Report 2017

3 Morgan Stanley Research Asia Insight June 22, 2016. Disruptors: Australia Financials, Managed Accounts – Evolution or Revolution?

4 1st Managed accounts functionality – Investment Trends 2017 Competitive Analysis and Benchmarking Report

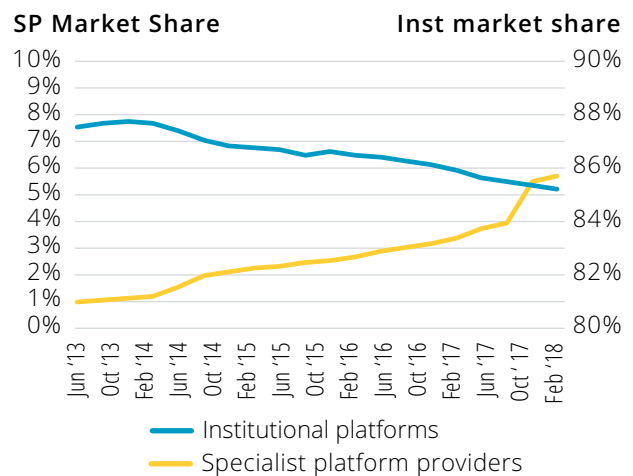
5 Specialist Platforms include HUB24, Netwealth, Praemium, OneVue, Managed Accounts

MARKET SHARE OF 12 MONTH ROLLING NET FLOWS (%)



Specialist platforms are winning an increasing proportion of netflows into the industry, more recently achieving 49% of netflows for the year ended 30 March 2018. Newer technology has been utilised in order to deliver more flexible platform solutions uninhibited by inhouse legacy systems with broad investment choice in the client's best interest.

MARKET SHARE OF FUA (%)



Source: Strategic Insights, analysis of Wrap, Platform, Master Trust and Managed Funds at 31 March 2018.

This trend is borne out in both qualitative and quantitative platform surveys over the past few years in which SP's are prominent. For example, HUB24 has achieved:

- Platform functionality report awards⁶
 - 1st place managed accounts functionality (2016 & 2017)
 - 1st place best navigation and user interface (2015, 2016, 2017)
 - 1st place best mobile platform (2015, 2016, 2017)
- Adviser satisfaction and engagement with platform technology⁷:
 - 1st place for ease of navigation (2017)
 - 1st place for platform satisfaction (2017).

To achieve these accolades ahead of our long-established competitors is testament that our commitment to constant innovation and service excellence is being recognised by the market.

ADVISERS LEAVING INSTITUTIONS

Data from Adviser Ratings shows advisers leaving the larger institutions to become self-licensed or join non-institutional dealer groups. It also shows that 2/3 of the growth in adviser numbers are into non-institutional dealer groups which further increases the demand for specialist platforms.

Now that three out of four major banks have announced plans to exit wealth we anticipate further escalation of these trends throughout this period of disruption.

We expect that the key impacts of Royal Commission will represent an acceleration of existing forces at play in the post FOFA environment. These include three out of four major banks exiting wealth, pressure being applied to grandfathered commission structures and traditional vertical integration models.

We anticipate an acceleration in the trend of institutionally aligned advisers departing the larger institutions of the 4 banks, AMP and IOOF.

TRADITIONAL FINANCIAL SERVICES SEGMENTS ARE CONVERGING

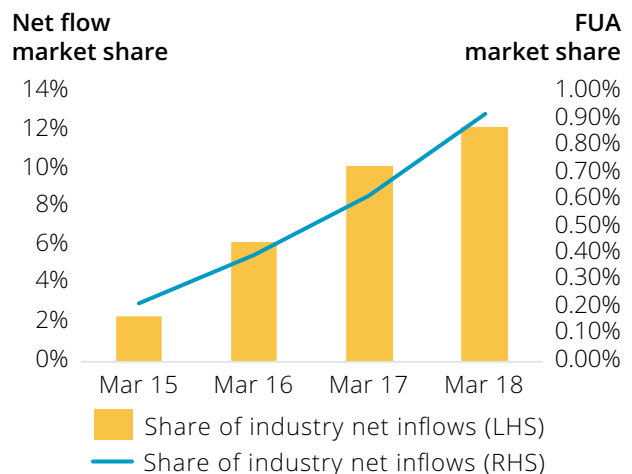
Stockbrokers are embracing annuity based income models to better service clients. For example, financial advice using platforms and managed accounts.

Financial advisers are now able to more efficiently manage directly held assets, previously the domain of stockbrokers, overlaid with professional management (managed portfolios).

OUTLOOK

We are confident in HUB24's future growth and are now lifting our targets to achieve FUA levels in a range of \$19-\$23 billion by June 2021, assuming consistent investment market returns and net inflow growth trends. This aspiration for HUB24's three year growth is an uplift on our expectations last year when we anticipated FUA levels of greater than \$12 billion by the end of FY20.

HUB24 SHARE OF INDUSTRY FUA AND ANNUAL NET INFLOWS



HUB24 continues to be the fastest growing platform in the market relative to its size

⁶ Investment Trends 2017 Competitive Analysis and Benchmarking Report

⁷ Investment Trends Planner Technology Report

HUB24 WELL-POSITIONED FOR INDUSTRY CHANGE

KEY TRENDS SHAPING OUR INDUSTRY

Australian platform market

\$809bn

reaching \$1.55 trillion by 2026¹

Superannuation pool in Australia expected to be

\$4tn

in next 10 years and \$9.5 trillion by 2035²

In 2018 platform net inflows of

49%

went to non-aligned platforms (5.6% of the industry)³

STOCKBROKERS AND FINANCIAL ADVISERS BOTH SEEKING MANAGED DIRECT INVESTMENTS

Managed Accounts industry estimated to be

\$115bn

by 2020

Annual Managed Accounts growth of

45%

YOY 2016–2017⁴

OUR COMMITMENT TO INNOVATION AND SERVICE HAS BUILT STRONG CUSTOMER ADVOCACY



of advisers who use us as their main platform say we are the best available⁵



Advisers using HUB24 have lowest intention to change platform compared to users of all other platforms⁶



HUB24 continues to win industry recognition as the leading platform in the managed accounts space

ADVISER TRENDS



Non-institutionally owned Advisers are 41%⁵ of the market, having increased by 8% from 33% in December 2015



Advisers are increasingly seeking best of breed solutions to meet clients' needs with uncompromised product choice



Advisers remain challenged by compliance and are seeking new business efficiencies to improve client service and increase profitability

WE ARE COMMITTED TO SECURING THE FUTURE BY:



Investing in our platform, creating choice, efficiencies and value for clients and advisers



Focusing on customer service excellence



Investing in our people, capability and experience



Broadening the capability of our platform with open architecture and data solutions with ConnectHUB



Leveraging ConnectHUB to bring together industry leading solutions through one integrated user experience



Growing our distribution footprint to drive opportunities across key accounts, institutional and broker markets

1. CLSA Australian investment platforms – Royal Decree August 2018
2. Deloitte 2015
3. Strategic Insights: March 2018
4. IMAP/Milliman Managed Account FUM census 31 Dec 2017
5. Rainmaker
6. Investment Trends Competitive Analysis and Benchmarking report 2017

GROUP OVERVIEW

HUB24 Limited operates the HUB24 investment and superannuation platform, provides financial advice to clients through financial advisers authorised by Paragem Pty Ltd and provides application and technology products through Agility Applications Pty Ltd.

The HUB24 investment and superannuation platform is a leading portfolio administration service that provides financial advisers with the capability to offer their clients access to a wide range of investments including market leading managed portfolio functionality, efficient and cost effective trading, insurance and comprehensive reporting for all types of investors – individuals, companies, trusts or self-managed super funds.

Paragem (the licensee) provides licensee services and is a wholly owned subsidiary and boutique dealer group. It comprises a network of 32 financial advice businesses which deliver high quality, goals-based advice. It provides compliance, software, education and support to the practices enabling advisers to provide clients with financial advice across a range of products.

Agility (IT Services) provides application and technology products to the financial services industry, currently servicing approximately 40% of Australia's stockbroking market. It earns software license and consulting fees from data, software and infrastructure and is a wholly owned subsidiary acquired by HUB24 Limited on 3 January 2017.

REVIEW OF FINANCIAL RESULTS

The Group recorded a 36% increase in revenue to \$84.0 million for FY18 (revenue of \$61.9 million for FY17).

The Group's preferred measures of profitability are Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which was up 123% to \$11.4 million for FY18 (Underlying EBITDA of \$5.1 million in FY17), and Underlying Net Profit After Tax (NPAT) which was up 129% to \$5.4 million for FY18 (Underlying NPAT of \$2.4 million for FY17⁸).

The key items driving the Group Underlying EBITDA performance for FY18 were:

- FUA Growth in the Platform segment from \$5.5b at 30 June 2017 to \$8.3b at 30 June 2018, an increase of 51%
- platform revenue increased by 51% to \$39.7 million for FY18 (\$26.3 million for FY17) while platform expenses (direct, operating and growth expenses) increased by 31% to \$27.8 million (\$21.3 million for FY17)

Underlying NPAT for FY18 was \$5.4 million (\$2.4 million for FY17) after excluding the following non-recurring items:

- a fair value gain on contingent consideration of \$2.4 million relating to the Agility acquisition.
- non-recurring corporate costs of \$0.5 million associated with the evaluation of potential corporate acquisition opportunities and upfront costs associated with the implementation of large client acquisitions.

A statutory Net Profit after Tax (NPAT) of \$7.4 million was recorded for FY18 (\$18.9 million for FY17 which included the initial recognition of deferred tax assets of \$15.9m).

The Board intends to target a dividend payout ratio between 40% and 60% of HUB24's underlying net profit after tax. It is expected that once tax losses have been fully recouped, future dividends will be franked to the maximum extent possible.

The payment of a dividend by HUB24 is at the discretion of the Board and will be a function of a number of factors, including the general business environment, financial condition of HUB24, capital management initiatives and any other factors the Board may consider relevant.

⁸ Underlying NPAT for FY17 has been restated from \$3.9m to \$2.4m due to the misallocation of the initial recognition of the deferred tax asset. There is no impact on statutory NPAT.

GROWTH INDICATORS AND FINANCIAL METRICS

Group growth indicators	FY18	FY17	FY16	2H18	1H18	2H17	1H17	2H16	1H16
Funds under administration (\$m)	8,341	5,515	3,313	8,341	6,899	5,515	4,149	3,313	2,368
Net flows (\$m)	2,423	1,953	1,610	1334	1089	1259	694	942	668
Advisers on the platform	1,227	917	659	1,227	1,040	917	737	659	556
Revenue (\$m)	84.0	61.9	42.7	43.4	40.6	35.2	26.6	22.6	20.0
Gross Profit (\$m)	34.3	20.8	10.9	18.2	16.1	12.5	8.3	6.1	4.8
Gross Profit as a % of revenue	40.8%	33.6%	25.5%	42.0%	39.6%	35.6%	31.0%	26.9%	23.9%
Underlying EBITDA (\$m)	11.4	5.1	(0.8)	6.5	4.9	3.4	1.7	0.1	(0.9)
Underlying EBITDA as a % of revenue	13.6%	8.3%	(2.0%)	15.0%	12.1%	9.7%	6.4%	0.4%	(4.6%)
Group financial metrics									
Underlying NPAT (\$m)*	5.4	2.4	(1.5)	3.3	2.1	1.5	0.9	(0.4)	(1.1)
Statutory NPAT (\$m)	7.4	18.9	(1.2)	5.1	2.3	17.5	1.4	0.6	(1.8)
Underlying EBITDA (\$m)	11.4	5.1	(0.8)	6.5	4.9	3.4	1.7	0.1	(0.9)
Operating cashflows (\$m)	12.2	4.1	1.3	7.7	4.6	2.6	1.5	1.4	-0.1
Gross Profit margin (%)	40.8%	33.6%	25.5%	42.0%	39.6%	35.6%	31.0%	26.9%	23.9%
Underlying EBITDA margin (%)	13.6%	8.3%	(2.0%)	15.0%	12.1%	9.7%	6.4%	0.4%	(4.6%)
EBITDA margin (%)	11.8%	7.0%	(3.6%)	13.4%	10.1%	8.1%	5.4%	(0.6%)	(7.0%)
Cost to income ratio (%)	86.4%	91.7%	102.0%	85.0%	87.9%	90.3%	93.6%	99.6%	104.6%
Effective tax rate (%)	30.7%	30.0%	30.0%	32.3%	28.1%	30.0%	30.0%	30.0%	30.0%
Earnings per share (cents)									
Basic – underlying	9.0	4.4	(2.8)	5.5	3.6	2.8	1.6	(0.7)	(2.1)
Basic – statutory	12.3	34.9	(2.2)	8.3	3.8	31.9	2.5	1.1	(3.3)
Diluted – underlying	8.7	4.1	(2.8)	5.3	3.5	2.6	1.6	(0.7)	(2.1)
Diluted – statutory	11.9	33.1	(2.2)	8.3	3.8	30.7	2.4	1.1	(3.3)
Share Capital									
Ordinary (closing) (\$m)	61.6	54.9	52.9	61.6	61.0	54.9	53.9	52.9	52.7
Weighted average (\$m)	60.1	54.0	52.7	60.1	58.8	54.0	53.2	52.7	52.6
Weighted average diluted (\$m)	61.9	56.9	52.7	61.9	60.9	56.9	56.4	52.7	52.6
Share Price – closing (\$)	11.55	6.24	3.51	11.55	9.57	6.24	5.20	3.51	4.51
Capital management									
Cash & cash equivalents (\$m)	16.9	10.8	9.3	16.9	13.6	10.8	10.5	9.3	9.3
Net assets average (\$m)	50.2	31.3	18.4	54.2	47.6	32.7	20.4	18.9	18.4
Net Assets – closing (\$m)	56.9	43.6	18.9	56.9	51.5	43.6	21.8	18.9	19.0
Net assets per basic share (\$)	0.9	0.8	0.4	0.9	0.8	0.8	0.4	0.4	0.4
Net tangible assets (\$m)	25.2	15.5	5.2	25.2	22.2	15.5	7.6	5.2	5.3
Net tangible assets per basic share (\$)	0.4	0.3	0.1	0.4	0.4	0.3	0.1	0.1	0.1
Dividend (cents)	3.5	-	-	-	-	-	-	-	-
Dividend franking (%)	0%	-	-	-	-	-	-	-	-

*Underlying NPAT for FY17 has been restated from \$3.9m to \$2.4m due to the misallocation of the initial recognition of the deferred tax asset. There is no impact on statutory NPAT.

GROUP FINANCIAL PERFORMANCE

HUB24 consolidated profit and loss (\$m)	FY18	FY17	FY16	2H18	1H18	2H17	1H17	2H16	1H16
Platform revenue	39.7	26.3	15.4	20.9	18.8	14.5	11.8	8.4	7.0
IT services revenue	8.5	4.7	0.0	4.0	4.5	4.7	0.0	0.0	0.0
Licensee revenue	35.8	30.8	27.3	18.5	17.3	16.0	14.8	14.2	13.1
Operating Revenue	84.0	61.9	42.7	43.4	40.6	35.2	26.6	22.6	20.0
Direct expenses	49.7	41.1	31.8	25.2	24.5	22.7	18.4	16.5	15.2
Gross Profit	34.3	20.8	10.9	18.2	16.1	12.5	8.3	6.1	4.8
Operating expenses	22.9	15.7	11.7	11.8	11.1	9.1	6.6	6.0	5.7
Underlying EBITDA	11.4	5.1	(0.8)	6.5	4.9	3.4	1.7	0.1	(0.9)
Significant items									
Share based payment expenses	1.6	0.92	1.3	0.7	0.9	0.6	0.3	0.6	0.7
Other revenue	(0.1)	(0.1)	(0.6)	(0.0)	(0.1)	(0.0)	(0.1)	(0.4)	(0.2)
EBITDA	9.9	4.3	(1.5)	5.8	4.1	2.9	1.4	(0.1)	(1.4)
Discount on consideration	0.6	0.4	0.1	0.3	0.3	0.4	0.0	0.1	
Depreciation and amortisation	2.0	1.4	0.8	1.0	1.0	0.9	0.5	0.4	0.4
Interest	(0.5)	(0.9)	(0.4)	(0.3)	(0.2)	(0.5)	(0.3)	(0.2)	(0.2)
Profit/(Loss) Before tax (before non-recurring items)	7.8	3.4	(2.1)	4.9	3.0	2.1	1.3	(0.5)	(1.6)
Less: Income tax expense/benefit	2.4	1.0	(0.6)	1.6	0.8	0.6	0.4	(0.2)	(0.5)
Underlying NPAT*	5.4	2.4	(1.5)	3.3	2.1	1.5	0.9	(0.4)	(1.1)
Non-recurring items:									
Fair value gain on contingent consideration	(2.4)	(0.9)		(2.2)	(0.2)	(0.4)	(0.5)		
Deferred tax		(15.9)	(0.5)			(15.5)	(0.4)	(0.9)	0.4
Share based expenses	(0.1)	(0.2)			(0.1)	(0.2)			
Non recurring corporate costs	0.5	0.5	0.2	0.4	0.1	0.1	0.4	(0.0)	0.3
Statutory NPAT	7.4	18.9	(1.2)	5.1	2.3	17.5	1.4	0.6	(1.8)
Underlying EBITDA by segment									
Platform	11.9	5.1	(0.6)	6.9	5.0	3.2	1.9	0.2	(0.7)
Licensee	0.2	0.2	0.0	0.1	0.1	0.2	0.1	0.2	0.0
IT services	0.0	0.3	0.2	(0.2)	0.2	0.2	0.0	0.0	0.0
Corporate	(0.7)	(0.5)	(0.5)	(0.4)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
Total Underlying EBITDA	11.4	5.1	(0.8)	6.5	4.9	3.4	1.7	0.1	(0.9)

*Underlying NPAT for FY17 has been restated from \$3.9m to \$2.4m due to the misallocation of the initial recognition of the deferred tax asset. There is no impact on statutory NPAT.

REVENUE

Revenue increased by \$22m (36%) to \$84.0m due to:

- Net inflows of \$2.4b into the HUB24 platform and Funds Under Administration ("FUA") of \$8.3b as at 30 June 2018 have resulted in platform revenue of \$39.7m for FY18, an increase of 51% over FY17.
- The Licensee (Paragem) contributed \$35.8m in revenue for FY18 (\$30.8m for FY17, an increase of 16%).
- IT Services (Agility) contributed \$8.5m in revenue from software licensing and consulting services for FY18 and \$4.7m for FY17 having been acquired on 3 January 2017.

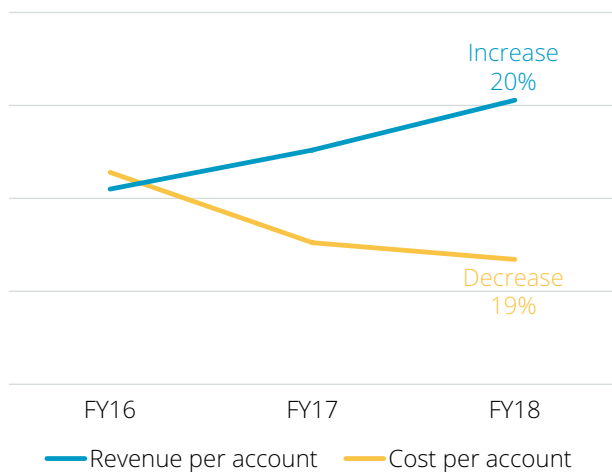
PLATFORM REVENUE MARGIN

Platform revenue comprises a mix of FUA based fees, including tiered administration fees and margin on client funds held as cash, and transaction fees such as platform trading for equities, managed funds and insurance.

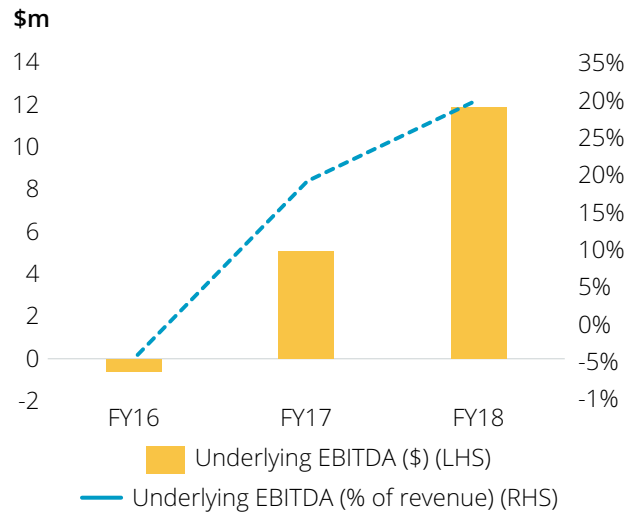
The revenue margin, as a percentage of average FUA, has been traditionally higher in the first half of each financial year due to stronger netflow and trading activity. For FY18 revenue margin was 0.573% of average FUA (0.597% for FY17). The revenue margin may fluctuate from period to period depending upon the level of trading activity, shifts in the mix of client portfolios or variations in the average account balance on the platform.

Generally, as average account balances on the platform increase over time, the tiered administration fee paid by clients will tend to decrease as a percentage of FUA, however increase in dollar terms.

PLATFORM REVENUE AND COST PER ACCOUNT



PLATFORM UNDERLYING EBITDA AND UNDERLYING EBITDA MARGIN



GROSS PROFIT

Gross Profit increased by \$13.5 million (65%) to \$34.3 million due to:

- Strong platform net inflows, FUA growth and the renegotiation of platform supplier agreements offsetting the reduction in revenue margin
- Platform Gross Profit margin increasing to 71.5% (62.4% for 2017) demonstrating increasing scale benefits.

Platform direct costs of \$11.3 million (\$9.9 million for FY17) include custody, trustee, superannuation administration and headcount resources to service current client accounts while Licensee (Paragem) direct costs of \$32.6 million include payments to advisers for advice fees and suppliers of compliance, software and training services.

IT Services (Agility) direct costs of \$5.8 million include headcount and infrastructure resources to support existing customer consulting arrangements and software license needs.

OPERATING EXPENSES

The Group continues to invest in the business to ensure it is capable of executing on its expected growth. Operating expenses of \$22.9 million (\$15.7 million for FY17) include growth investment expenses of \$7.5 million (\$5.2 million for FY17). Growth investment expenses are predominantly headcount resources dedicated to distribution and marketing, future platform development

and business strategy (inclusive of M&A activity) to drive future growth.

Investment in the operating expense base has continued with recent senior staff appointments in the areas of operations, technology development, risk and compliance, finance, distribution and marketing and the company's move of its new head office premises in December 2017.

A new dedicated development team was established during FY18 to deliver a technology layer that facilitates the integration of data from many sources (ConnectHUB) as well as provide a new user interface joining HUB24 and Agility technology.

The Group's cost to income ratio improved to 86.4% from 91.7% in FY17.

UNDERLYING EBITDA

Underlying EBITDA before other significant items increased by \$6.3 million (123%) to \$11.4 million due to:

- Net inflows of \$2.4 billion into the HUB24 platform (\$2.0 billion for 2017)
- Platform segment Underlying EBITDA of \$11.9 million with Underlying EBITDA margin increased to 30% (19% for 2017).
- Underlying EBITDA margin at a Group level improved to 13.6% in FY18 from 8.3% in FY17 driven by improving economies of platform scale.

SIGNIFICANT ITEMS

A fair value gain on contingent consideration of \$2.2 million relating to the acquisition of Agility and \$0.2 million relating to the completion of the Paragem acquisition was recorded during the year (\$0.9 million for FY17).

Share based payment expenses include \$1.5 million for employees due to the issue of options and performance rights to executives and staff during the past three years ended 31 December 2017 (\$0.9 million for FY17).

Non-recurring corporate costs of \$0.5 million associated with the evaluation of potential corporate acquisition opportunities and upfront costs associated with the implementation of large client opportunities.

DIVIDENDS

The Board has declared an unfranked inaugural dividend of 3.5 cents per share. Dates for the dividend are as follows:

- Ex-date: 17 September 2018;
- Record date: 18 September 2018; and
- Dividend payment date: 19 October 2018.

The Board intends to target a dividend payout ratio between 40% and 60% of HUB24's underlying net profit after tax. It is expected that once tax losses have been fully recouped, future dividends will be franked to the maximum extent possible.

The payment of a dividend by HUB24 is at the discretion of the Board and will be a function of a number of factors, including the general business environment, financial condition of HUB24, capital management initiatives and any other factors the Board may consider relevant.

The Group continues to invest in the business to ensure it is capable of executing on its expected growth

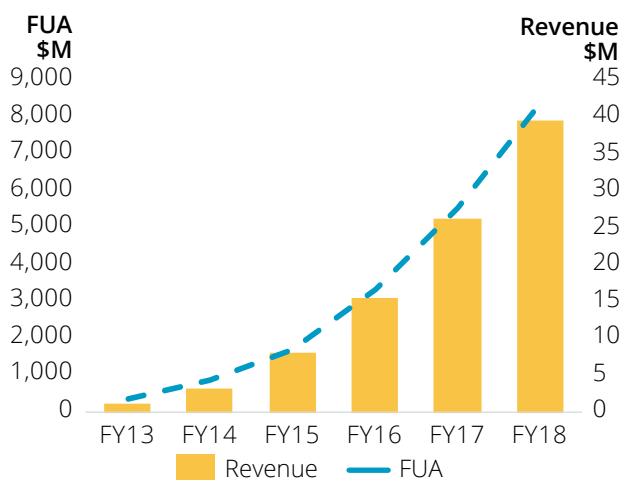
REVIEW OF FINANCIAL RESULTS – SEGMENTS

PLATFORM SEGMENT

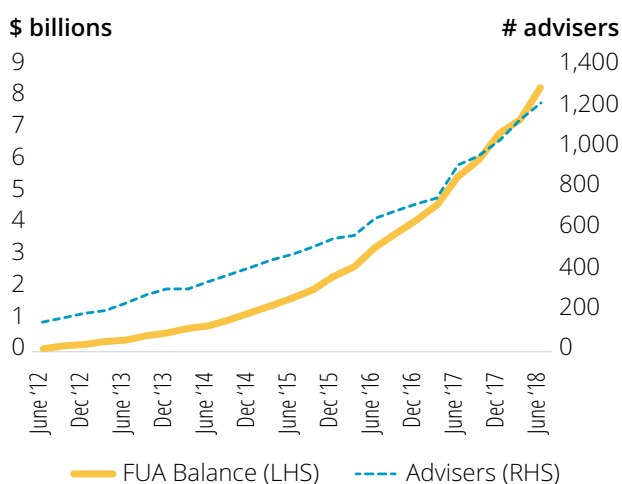
Profit & loss (\$m)	FY18	FY17	FY16	2H18	1H18	2H17	1H17	2H16	1H16
Revenue	39.7	26.3	15.4	20.9	18.8	14.5	11.8	8.4	7.0
Direct Expenses	11.3	9.9	6.8	5.5	5.8	5.1	4.8	3.6	3.3
Gross Profit	28.4	16.4	8.6	15.4	13.0	9.4	7.0	4.9	3.7
Operating expenses	16.5	11.4	9.1	8.5	8.0	6.2	5.1	4.7	4.4
Underlying EBITDA	11.9	5.1	(0.6)	6.9	5.0	3.2	1.9	0.2	(0.7)
Other significant items									
Other revenue	(0.1)	(0.1)	(0.6)	(0.0)	(0.1)	(0.0)	(0.1)	(0.4)	(0.2)
EBITDA	12.0	5.2	0.0	7.0	5.0	3.2	1.9	0.6	(0.5)
Depreciation and amortisation	1.3	1.2	0.8	0.7	0.6	0.7	0.5	0.4	0.4
Interest	(0.2)	(0.5)	(0.2)	(0.1)	(0.1)	(0.3)	(0.2)	(0.1)	(0.1)
Profit before tax	10.9	4.4	(0.6)	6.4	4.5	2.8	1.6	0.2	(0.8)
Total platform expenses	27.8	21.3	16.0	14.0	13.8	11.3	10.0	8.3	7.7
Platform Capex	4.2	2.0	1.6	2.3	1.9	1.1	0.9	0.8	0.8
Platform statistics									
FUA	8,343	5,515	3,313	8,343	6,899	5,515	4,149	3,313	2,368
Average FUA	6,929	4,414	2,509	7,621	6,207	4,832	3,731	2,841	2,036
Netflows	2,423	1,953	1,610	1,334	1,089	1,259	694	942	668
Gross Flows	3,343	2,629	1,930	1,839	1,504	1,658	971	1,130	800
Advisers	1,227	917	659	1,227	1,040	917	737	659	556

Performance analysis	FY18	FY17	FY16	2H18	1H18	2H17	1H17	2H16	1H16
Basis Points (% of average FUA)									
Revenue	0.57%	0.60%	0.61%	0.55%	0.60%	0.60%	0.63%	0.59%	0.68%
Direct expenses	0.16%	0.22%	0.27%	0.15%	0.19%	0.21%	0.26%	0.25%	0.32%
Gross Profit	0.41%	0.37%	0.34%	0.40%	0.42%	0.39%	0.37%	0.34%	0.36%
Operating expenses	0.24%	0.26%	0.36%	0.22%	0.26%	0.26%	0.27%	0.33%	0.44%
Underlying EBITDA	0.17%	0.11%	(0.02%)	0.18%	0.16%	0.13%	0.10%	0.01%	(0.07%)
Platform expenses	0.40%	0.48%	0.64%	0.37%	0.44%	0.47%	0.53%	0.58%	0.76%
% of revenue									
Gross profit margin	71.5%	62.4%	55.6%	73.5%	69.3%	65.0%	59.2%	57.7%	53.1%
Underlying EBITDA margin	30.0%	19.2%	(3.7%)	33.1%	26.5%	22.0%	15.8%	1.9%	(10.6%)
Cost to income ratio	70.0%	80.8%	103.7%	66.9%	73.5%	78.0%	84.2%	98.1%	110.6%

PLATFORM REVENUE AND FUA



FUA AND ADVISERS



Driven by the increases in net flows and FUA the Platform segment recorded significant improvements in Revenue, Gross Profit and Underlying EBITDA for the year. The strong uplifts in Gross Profit, Underlying EBITDA and Profit before Tax (PBT) coming on the back of recording inaugural profitability in FY2017.

Platform revenue, as a percentage of average FUA, decreased to 0.57% for FY18 (down from 0.60% for FY17) due to the impact of increasing client account balances on the Platform's tiered pricing structure and shifts in the composition of client portfolios.

Gross Profit and Underlying EBITDA margins increased both in terms of percentage of average FUA and revenue demonstrating HUB24's the scale benefits available within HUB24's business model.

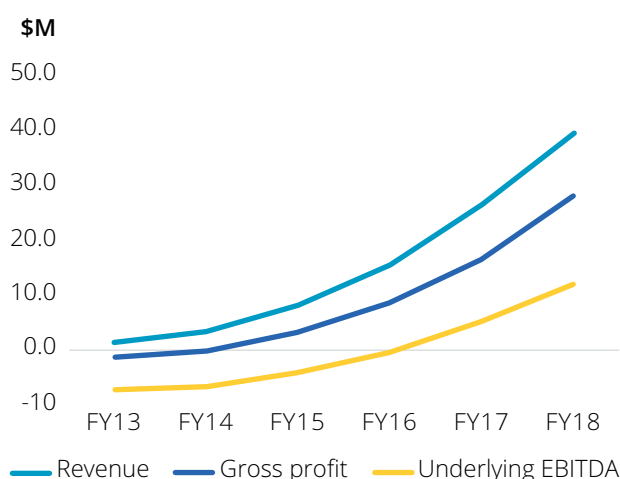
The platform is increasing its investment in technology development to maximise opportunities presented by favourable trends in the financial services industry:

- advisers moving from institutions to the non-aligned space
- market share continuing to shift to specialist platform providers
- adoption of managed portfolios
- convergence occurring across advisory, stockbroking and financial advice.

Platform expenses (direct, operating and growth) increased by 31% for FY18 compared with FY17 while revenue increased 51% reflecting scale benefits from FUA growth. This result includes preparing the group for future growth.

The chart below shows the trends of revenue, gross profit and underlying EBITDA with increasing FUA over the past 5 years.

PLATFORM – ANNUAL REVENUE, GROSS PROFIT & EBITDA TRENDS



The platform is increasing its investment in technology development to maximise opportunities presented by favourable trends in the financial services industry

LICENSEE SEGMENT (PARAGEM)

Profit & loss (\$m)	FY18	FY17	FY16	2H18	1H18	2H17	1H17	2H16	1H16
Revenue	35.8	30.8	27.3	18.5	17.3	16.0	14.8	14.2	13.1
Direct expenses	32.6	28.2	24.9	16.8	15.8	14.6	13.5	13.0	12.0
Gross profit	3.2	2.7	2.3	1.7	1.5	1.4	1.3	1.2	1.1
Operating expenses	3.0	2.3	2.1	1.6	1.4	1.2	1.2	1.1	1.0
Underlying EBITDA	0.2	0.3	0.2	0.1	0.1	0.2	0.1	0.2	0.0
Profit before tax	0.2	0.3	0.2	0.1	0.1	0.2	0.1	0.2	0.0

Paragem, the Licensee, provides licensing for professional financial planning practices with above industry average funds under advice per adviser.

The licensee also provides business coaching and assistance to practices wishing to change their advice process to match the changing nature of the industry. This includes implementing managed portfolios for their clients where appropriate, using professional investment managers to build portfolios in the client's name, improving responsiveness while reducing the cost of compliance. This contemporary investment solution also improves the efficiency of the advice business while ensuring that professional fees become the primary driver of practice profitability.

For the year:

- Gross revenue (adviser fees) increased by 16% over FY17
- Gross Profit (licensee's share) increased by 18%
- Practices licensed by Paragem increased by 2 to 32
- Individual advisers licensed by Paragem grow by 6 to 76; and
- Funds Under Advice increased to circa \$4.5bn (~up from \$3.8bn in FY17).
- investments were made in software and compliance to support the future growth of the business, which resulted in a lower Underlying EBITDA contribution for FY18.

IT SERVICES SEGMENT (AGILITY)

Profit & loss (\$m)	FY18	FY17	2H18	1H18	2H17
Revenue	8.5	4.7	4.0	4.5	4.7
Direct Expenses	5.8	3.0	2.8	3.0	3.0
Gross Profit	2.7	1.7	1.2	1.5	1.7
Operating expenses	2.7	1.5	1.3	1.4	1.5
Underlying EBITDA	0.0	0.2	(0.2)	0.2	0.2
Depreciation and amortisation	0.3	0.2	0.2	0.1	0.2
Profit before tax	(0.3)	0.1	(0.3)	0.0	0.1

IT Services provides software license and consulting services from data, software and infrastructure to the financial services industry and stockbroking market in particular. Agility's market leading CONNECT Desktop has over 2,500 users, predominately stockbrokers, reporting on over \$200 billion of client assets.

The IT Services segment has focussed on the following activities:

- increasing licensed users of the Connect software

- investment in an account management capability to support sales opportunities
- joint development and sales initiatives with the platform business have resulted in a strong pipeline of opportunities that will leverage the convergence of the traditional stockbroking and financial planning sectors.

We have been focussing Agility's resources on Group strategic initiatives such as ConnectHUB, which contributed to the Fitzpatricks Private Wealth agreement. We expect to improve financial results in FY19.

CORPORATE SEGMENT

Profit & loss (\$m)	FY18	FY17	FY16	2H18	1H18	2H17	1H17	2H16	1H16
Operating expenses	0.7	0.5	0.5	0.4	0.3	0.3	0.3	0.2	0.2
Underlying EBITDA	(0.7)	(0.5)	(0.5)	(0.4)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
Other significant items									
Share based payment expenses	1.5	0.9	1.3	0.7	0.8	0.6	0.3	0.6	0.7
EBITDA	(2.2)	(1.4)	(1.8)	(1.1)	(1.1)	(0.8)	(0.6)	(0.9)	(0.9)
Discount on consideration	0.6	0.4	0.1	0.3	0.3	0.4	0.0	0.1	0.0
Interest	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Depreciation	0.5	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0
Fair value gain on contingent consideration	(2.4)	(0.9)	0.0	(2.2)	(0.2)	(0.4)	(0.5)	0.0	0.0
Non recurring corporate costs	0.5	0.5	0.2	0.4	0.1	0.1	0.4	(0.0)	0.3
Profit before tax	(1.1)	(1.2)	(1.9)	0.4	(1.5)	(0.8)	(0.4)	(0.9)	(1.0)

Those operating expenses allocated to the Corporate segment are predominantly those overheads that cannot be directly attributed to one of the operating segments (Platform, Licensee, IT Services).

Non-recurring corporate costs of \$0.5 million associated with the evaluation of potential corporate acquisition

opportunities and upfront costs associated with the implementation of large client opportunities were incurred in FY18 slightly down on FY17.

Other interest expense relates to the amortisation of the discount on contingent consideration for the Agility acquisition in FY18 (and for the Paragem acquisition in FY17).

GROUP BALANCE SHEET

(\$m)	FY18	1H18	FY17	1H17	FY16	1H16
Assets						
Current assets						
Cash and cash equivalents	17.0	13.6	10.8	10.5	9.3	10.5
Trade and other receivables	5.1	4.9	6.9	4.5	4.0	1.6
Other current assets	0.8	0.6	0.6	1.5	0.5	0.4
Total current assets	22.8	19.1	18.4	16.4	13.8	12.6
Non-current assets						
Receivables	2.0		0.1			
Office equipment	2.2	2.0	0.8	0.2	0.2	0.2
Intangible assets	32.0	29.3	28.1	14.2	13.7	13.3
Deferred tax assets	13.4	14.9	15.8	0.0	0.9	0.0
Other non-current assets	0.0	2.0	0.0	0.3	0.3	0.3
Total non-current assets	49.6	48.3	44.8	14.7	15.1	13.7
Total assets	72.4	67.4	63.1	31.1	28.8	26.3
Liabilities						
Current liabilities						
Trade and other payables	5.2	4.6	8.1	2.3	1.8	1.4
Provisions	4.1	3.4	3.7	1.9	2.5	1.6
Other current liabilities	0.4	0.1	0.1	3.9	0.1	0.1
Total current liabilities	10.6	8.1	11.9	8.1	4.3	3.0
Non-current liabilities						
Provisions	1.9	0.8	0.7	0.4	0.4	0.4
Other non-current liabilities	2.9	7.0	6.8	0.9	5.2	5.3
Total non-current liabilities	4.0	7.9	7.6	1.3	5.5	5.7
Total liabilities	14.6	16.0	19.5	9.4	9.9	8.7
Net assets	57.9	51.5	43.6	21.8	19.0	17.6
Equity						
Issued capital	96.2	95.5	89.1	84.9	83.1	82.9
Reserves	9.0	3.3	4.1	4.0	4.4	3.8
Accumulated losses	(47.3)	(47.3)	(49.6)	(67.2)	(68.5)	(69.1)
Total Equity	57.9	51.5	43.6	21.8	19.0	17.6

CASH AND CASHFLOWS

Statement of cashflows (\$m)	FY18	FY17	FY16	2H18	1H18	2H17	1H17	2H16	1H16
Cashflow from operating activities									
Receipts from customers	93.2	65.2	47.2	48.8	44.4	35.8	29.4	26.4	20.8
Payments to suppliers/employees	(81.5)	(61.9)	(46.9)	(41.7)	(39.8)	(33.7)	(28.2)	(25.5)	(21.4)
Other	0.0	0.1	0.6	0.0		0.1	0.0	0.3	0.3
Interest received	0.5	0.6	0.4	0.5	0.0	0.4	0.2	0.2	0.2
Net cash inflow from operating activities	12.2	4.1	1.3	7.7	4.6	2.6	1.5	1.4	(0.1)
Cashflow from investing activities									
Payments for office equipment	(2.0)	(0.3)	(0.1)	(0.5)	(1.5)	(0.2)	(0.1)	(0.0)	(0.1)
Payments for acquisitions	(2.0)	(1.3)	(1.0)	(2.0)		(1.2)	(0.1)	0.0	(1.0)
Payments for intangible assets	(4.4)	(2.1)	(1.5)	(2.4)	(2.0)	(1.2)	(1.0)	(0.8)	(0.7)
Other		0.1	(0.0)	0.0		0.1	(0.0)	(0.0)	
Net cash inflow from investing activities	(8.4)	(3.6)	(2.6)	(4.9)	(3.5)	(2.4)	(1.1)	(0.8)	(1.7)
Cashflow from financing activities									
Payments for capital raising costs	(0.1)	(0.0)		(0.0)	(0.0)	(0.0)			
Other			(2.0)					(2.0)	
Proceeds from exercise of options	2.3	1.1	0.4	0.6	1.7	0.3	0.8	0.1	0.3
Net cash inflow from financing activities	2.3	1.1	(1.6)	0.6	1.7	0.3	0.8	(1.9)	0.3
Net increase in cash and cash equivalents	6.1	1.6	(2.8)	3.3	2.8	0.4	1.2	(1.3)	(1.6)
Cash and cash equivalents at beginning of the year	10.8	9.3	12.1	13.6	10.8	10.5	9.3	10.5	12.1
Cash and cash equivalents at end of the year	17.0	10.8	9.3	17.0	13.6	10.8	10.5	9.3	10.5

Cash and cash equivalents at 30 June 2018 were \$17.0 million and the company recorded positive Cashflow from Operating Activities of \$12.2 million for FY18 (\$4.1 million for FY17).

Platform development costs of \$4.3 million were capitalised during FY18 relating to the development of technology to support ConnectHUB initiatives, the

Account Open API, Progressive Portfolio Implementation and multicurrency account holdings.

Head office capitalised fitout costs of \$1.2 million were incurred to facilitate the move in the company's head office premises while \$2.3 million was received from the exercise of employee options.

HUB²⁴