

HUB<sup>24</sup>

'19

**ANALYST PACK** FOR THE HALF-YEAR 31 DECEMBER 2018



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# FINANCIAL HIGHLIGHTS 1HFY19

PLATFORM SEGMENT  
REVENUE

**\$25.4m**

**↑ 35%**  
ON 1HFY18

PLATFORM SEGMENT  
UNDERLYING EBITDA

**\$8.0m**

**↑ 60%**  
ON 1HFY18

GROUP  
UNDERLYING EBITDA

**\$6.5m**

**↑ 32%**  
ON 1HFY18

GROUP  
UNDERLYING NPAT

**\$3.1m**

**↑ 46%**  
ON 1HFY18

**NETFLOWS FOR THE HALF OF \$2.1b ↑ 95% ON 1HFY18**

STATUTORY NET PROFIT AFTER TAX



**\$3.2m**

**↑ 39% ON 1HFY18**

FUA (\$B)



**\$10.0b**

**↑ 46% ON 1HFY18**

PLATFORM MARGINS (AS A PERCENTAGE OF FUA)

Revenue

**0.55%**

**↓ FROM**  
**0.60% 1HFY18**  
**(0.55% 2HFY18)**

Gross profit

**0.41%**

**↓ FROM**  
**0.42% 1HFY18**

Underlying EBITDA

**0.17%**

**↑ FROM**  
**0.16% 1HFY18**

PLATFORM MARGINS (AS A PERCENTAGE OF REVENUE)

Gross profit

**74%** **↑ FROM**  
**69% 1HFY18**

Underlying EBITDA

**31%** **↑ FROM**  
**26% 1HFY18**

# MARKET OVERVIEW AND OUTLOOK

## 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 its subsidiary, 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 28 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 50% of Australia's stockbroking market. It earns software license and consulting fees from data, software and infrastructure.

## MARKET OVERVIEW

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 2025<sup>1</sup>. Due to the mandated nature of Australia's superannuation system, Australia has the fourth largest pension market globally and is expected

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

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 period<sup>2</sup>.

In this context the role of, and demand for, quality unconflicted financial advice in the clients' best interests and sophisticated investment platforms is increasing. HUB24 continues to be the fastest growing platform provider in the market relative to its size<sup>3</sup>. These industry dynamics are presenting an unprecedented opportunity for HUB24 to grow further.

## KEY TRENDS

### THE RISE OF SPECIALIST PLATFORMS

Over the last 5 years:

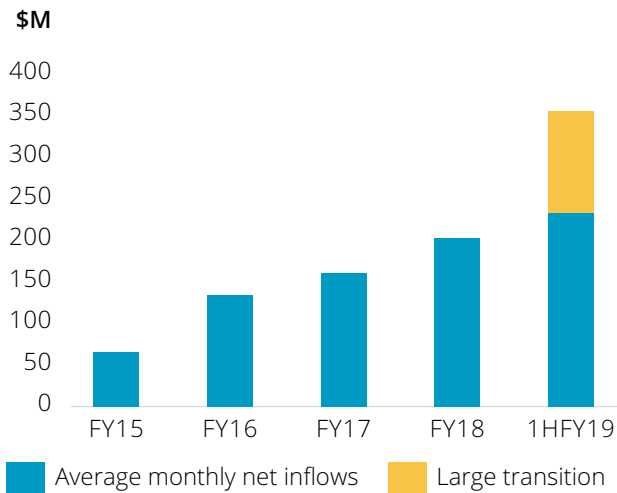
- Specialist platforms have increased market share from less than 1% to over 5%
- Institutional platforms (4 banks, AMP, IOOF, Macquarie) have lost market share over this same period.

Specialist platforms are winning an increasing proportion of net flows into the industry. Newer technology is being utilised in order to deliver more flexible platform solutions uninhibited by inhouse legacy systems with broad investment choice in the client's best interest.

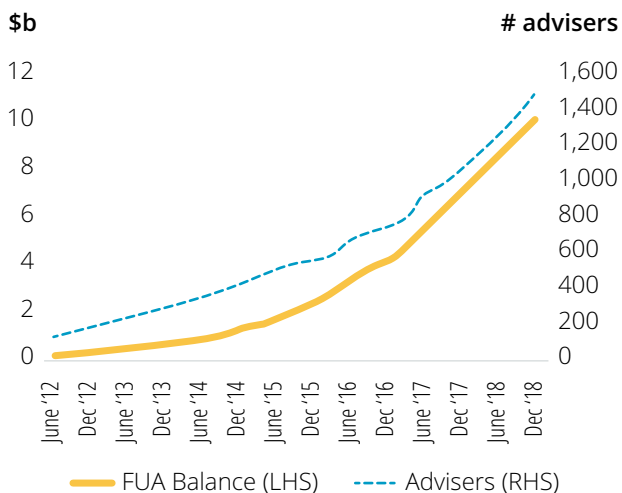
2 Rice Warner – Personal investments Projection Report 2017

3 Source: Based on Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at September 2018. HUB24 is the fastest growing platform provider relative to its size in percentage terms, 3rd highest in terms of annual dollar based net inflows and 2nd highest in terms of quarterly net inflows.

### HUB24 AVERAGE MONTHLY NET INFLOWS



### HUB24 FUA AND ADVISERS



### ADVISERS LEAVING INSTITUTIONS

Compliance and regulatory pressures have led the major institutions to review their advice practices. Data from Adviser Ratings shows advisers leaving the larger institutions to become self-licensed or join non-institutional dealer groups. It also shows that two-thirds 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.

### ROYAL COMMISSION IMPACTS

The Financial Services Royal Commission has released its final report and we support the recommendations, which we believe will benefit our customers and the industry.

HUB24 is well-positioned to leverage technology and provide innovative solutions to support our licensees, advisers and clients through any changes that result from the recommendations.

As always, HUB24 is committed to connecting consumers to the best possible product solutions to help them achieve their financial goals. Particularly, we welcome the recommendations that support advisers in providing their clients with increased choice, transparency and a broader range of product options to suit their needs.

The removal of grandfathered commissions is expected to release FUA from legacy products and approved product lists may be opened up to Specialist Platform Providers. HUB24 is well positioned to help advisers adjust and define their value proposition in a post Royal Commission world.

### TRADITIONAL FINANCIAL SERVICES SEGMENTS ARE CONVERGING

Stockbrokers are embracing annuity based income models to better service clients, including through financial advice that utilises platforms and managed accounts.

Further, financial advisers are now able to more efficiently manage directly held assets, previously the domain of stockbrokers, overlaid with professional management (managed portfolios). HUB24 expects to benefit from both these trends.

**HUB24 is committed to connecting consumers to the best possible product solutions to help them achieve their financial goals**

# REVIEW OF FINANCIAL RESULTS

The Group recorded a 16% increase in sales to external customers to \$47.1 million for 1HFY19 (\$40.6 million for 1HFY18). Record half-yearly net inflows were achieved of \$2.1 billion despite challenging and disrupted markets, with market movements negatively impacting FUA and Platform revenue.

The Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), it increased 32% to \$6.5 million for 1HFY19 (\$4.9 million in 1HFY18), with Underlying Net Profit After Tax (NPAT) up 46% to \$3.1 million for 1HFY19 (\$2.1 million for 1HFY18).

The key items driving the Group Underlying EBITDA performance for 1HFY19 were:

- FUA growth in the Platform segment from \$6.9 billion at 31 December 2017 to \$10.0 billion at 31 December 2018, an increase of 46% despite challenging markets. Record net inflows of \$2.1 billion were achieved during 1HFY19 in the context of structural change and distraction across the industry. Our capability to assist advisers with bulk FUA transitions has supplemented organic adviser flows to maintain growth in these conditions.
- Platform revenue increased by 35% to \$25.4 million for 1HFY19 (\$18.8 million for 1HFY18) while platform

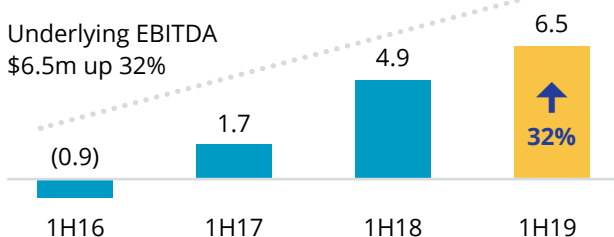
expenses (direct, operating and growth expenses) increased by 27% to \$17.5 million (\$13.8 million for 1HFY18). Revenue was impacted by adverse market movements and higher levels of assisted FUA transition, which involve the in-specie transfer of assets, and as a consequence reduce trading margin revenue for new accounts.

- As previously announced, the Group continues to invest in the business in order to support its growth ambitions of a targeted \$19–23 billion FUA by June 2021. In this period the operating expense base has included senior appointments in finance, operations and risk and compliance and the associated recruitment costs. Operating expenses also include growth investment expenses, predominantly headcount resources dedicated to distribution, future platform development and business strategy to drive future growth. In 1HFY19 two senior distribution executives were recruited. It is expected that this overall investment in operating expenses will ensure the business has the capability to reliably take-on new FUA and be leveraged over a growing FUA base in future periods.

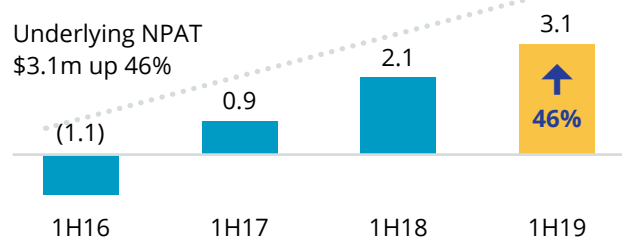
A statutory Net Profit after Tax (NPAT) of \$3.2 million was recorded for 1HFY19 (\$2.3 million for 1HFY18).

## GROUP

Underlying EBITDA  
\$6.5m up 32%

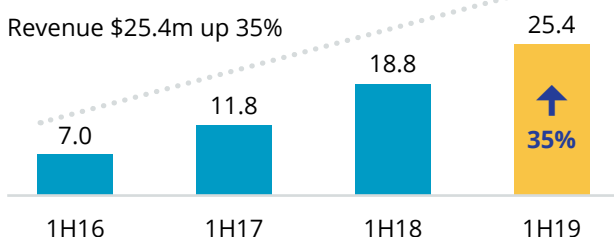


Underlying NPAT  
\$3.1m up 46%

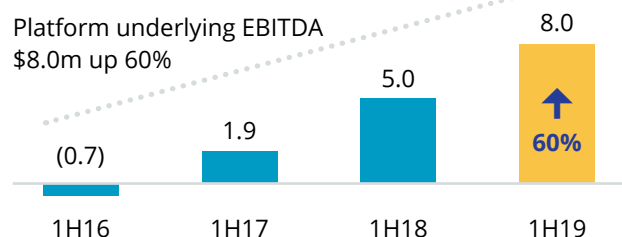


## PLATFORM SEGMENT

Revenue \$25.4m up 35%



Platform underlying EBITDA  
\$8.0m up 60%



## GROWTH INDICATORS AND FINANCIAL METRICS

Group growth indicators	1HFY19	2H18	1H18	2H17	1H17	2H16	1H16
Funds under administration (\$m)	10,046	8,341	6,899	5,515	4,149	3,313	2,368
Net flows (\$m)	2,118	1,334	1,089	1,259	694	942	668
Advisers on the platform	1,456	1,227	1,040	917	737	659	556
Operating revenue (\$m)	47.1	43.4	40.6	35.2	26.6	22.6	20.0
Gross Profit (\$m)	21.5	18.2	16.1	12.5	8.3	6.1	4.8
Underlying EBITDA (\$m)	6.5	6.5	4.9	3.4	1.7	0.1	(0.9)
Underlying NPAT (\$m)	3.1	3.3	2.1	1.5	0.9	(0.4)	(1.1)
Group financial metrics							
Gross Profit margin (%)	45.6%	42.0%	39.6%	35.6%	31.0%	26.9%	23.9%
Underlying EBITDA margin (%)	13.8%	15.0%	12.1%	9.7%	6.4%	0.4%	(4.6%)
EBITDA margin (%)	11.5%	13.4%	10.1%	8.1%	5.4%	(0.6%)	(7.0%)
Cost to income ratio (%)	86.2%	85.0%	87.9%	90.3%	93.6%	99.6%	104.6%
Effective tax rate (%)	25.9%	32.3%	28.1%	30.0%	30.0%	30.0%	30.0%
Statutory NPAT (\$m)	3.2	5.1	2.3	17.5	1.4	0.6	(1.8)
Operating cashflows (\$m)	3.4	7.7	4.6	2.6	1.5	1.4	-0.1
Earnings per share (cents)							
Basic – underlying	5.0	5.5	3.6	2.8	1.6	(0.7)	(2.1)
Basic – statutory	5.1	8.3	3.9	31.9**	2.5	1.1	(3.5)
Diluted – underlying	4.9	5.3	3.5	2.6	1.6	(0.7)	(2.1)
Diluted – statutory	5.0	8.3	3.8	30.7	2.4	1.1	(3.5)
Share Capital							
Ordinary (closing) (m)	62.1	61.6	61.0	54.9	53.9	52.9	52.7
Weighted average (m)	61.9	60.1	58.8	54.0	53.2	52.7	52.6
Weighted average diluted (m)	63.3	61.9	60.9	56.9	56.4	52.7	52.6
Share Price – closing (\$)	11.88	11.55	9.57	6.24	5.20	3.51	4.51
Capital management							
Cash & cash equivalents (\$m)	15.5	16.9	13.6	10.8	10.5	9.3	10.5
Net assets – average (\$m)	58.7	54.2	47.6	32.7	20.4	18.3	17.8
Net assets – closing (\$m)	60.5	56.9	51.5	43.6	21.8	19.0	17.6
Net assets per basic share (\$)	0.9	0.9	0.8	0.8	0.4	0.4	0.4
Net tangible assets (\$m)	26.2	25.2	22.2	15.5	7.6	5.2	5.3
Net tangible assets per basic share (\$)	0.4	0.4	0.4	0.3	0.1	0.1	0.1
Dividend (cents)	2.0	3.5*	-	-	-	-	-
Dividend franking (%)	0%	0%	-	-	-	-	-

\*Represents inaugural full year dividend

\*\*Includes benefit from initial recognition of DTA



## GROUP FINANCIAL PERFORMANCE

HUB24 consolidated profit and loss (\$m)	1HFY19	2H18	1H18	2H17	1H17	2H16	1H16
Platform revenue	25.4	20.9	18.8	14.5	11.8	8.4	7.0
IT services revenue	3.5	4.0	4.5	4.7	0.0	0.0	0.0
Licensee revenue	18.3	18.5	17.3	16.0	14.8	14.2	13.1
<b>Operating Revenue</b>	<b>47.1</b>	<b>43.4</b>	<b>40.6</b>	<b>35.2</b>	<b>26.6</b>	<b>22.6</b>	<b>20.0</b>
Direct expenses	25.7	25.2	24.5	22.7	18.4	16.5	15.2
<b>Gross Profit</b>	<b>21.5</b>	<b>18.2</b>	<b>16.1</b>	<b>12.5</b>	<b>8.3</b>	<b>6.1</b>	<b>4.8</b>
Operating expenses	15.0	11.8	11.1	9.1	6.6	6.0	5.7
<b>Underlying EBITDA</b>	<b>6.5</b>	<b>6.5</b>	<b>4.9</b>	<b>3.4</b>	<b>1.7</b>	<b>0.1</b>	<b>(0.9)</b>
<b>Significant items</b>							
Share based payment expenses	1.1	0.7	0.9	0.6	0.3	0.6	0.7
Other revenue	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.4)	(0.2)
<b>EBITDA</b>	<b>5.4</b>	<b>5.8</b>	<b>4.1</b>	<b>2.9</b>	<b>1.4</b>	<b>(0.1)</b>	<b>(1.4)</b>
Discount on consideration	0.3	0.3	0.3	0.4	0.0	0.1	-
Depreciation and amortisation	1.3	1.0	1.0	0.9	0.5	0.4	0.4
Interest	(0.3)	(0.3)	(0.2)	(0.5)	(0.3)	(0.2)	(0.2)
<b>Profit/(Loss) Before tax (before non-recurring items)</b>	<b>4.2</b>	<b>4.9</b>	<b>3.0</b>	<b>2.1</b>	<b>1.3</b>	<b>(0.5)</b>	<b>(1.6)</b>
Less: Income tax expense/(benefit)	1.1	1.6	0.8	0.6	0.4	(0.2)	(0.5)
<b>Underlying NPAT</b>	<b>3.1</b>	<b>3.3</b>	<b>2.1</b>	<b>1.5</b>	<b>0.9</b>	<b>(0.4)</b>	<b>(1.1)</b>
<b>Non-recurring items:</b>							
Fair value gain on contingent consideration	(0.7)	(2.2)	(0.2)	(0.4)	(0.5)	-	-
Deferred tax	-	-	-	(15.5)	(0.4)	(0.9)	0.4
Share based expenses	-	-	(0.1)	(0.2)	-	-	-
Non recurring corporate costs	0.7	0.4	0.1	0.1	0.4	(0.0)	0.3
<b>Statutory NPAT</b>	<b>3.2</b>	<b>5.1</b>	<b>2.3</b>	<b>17.5</b>	<b>1.4</b>	<b>0.6</b>	<b>(1.8)</b>
<b>Underlying EBITDA by segment</b>							
Platform	8.0	6.9	5.0	3.2	1.9	0.2	(0.7)
Licensee	(0.1)	0.1	0.1	0.2	0.1	0.2	0.0
IT services	(0.2)	(0.2)	0.2	0.2	0.0	0.0	0.0
Corporate	(1.1)	(0.4)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
<b>Total Underlying EBITDA</b>	<b>6.5</b>	<b>6.5</b>	<b>4.9</b>	<b>3.4</b>	<b>1.7</b>	<b>0.1</b>	<b>(0.9)</b>

## REVENUE

Revenue from external customers increased to \$47.1 million, up 16% compared to 1HFY18 due to:

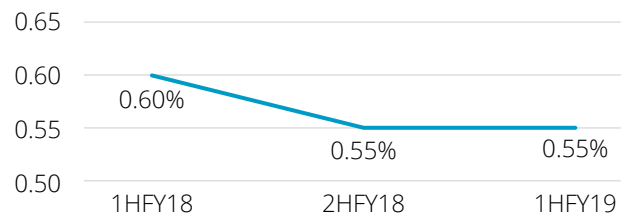
- Record FUA growth in the Platform segment from \$6.9 billion at 31 December 2017 to \$10.0 billion at 31 December 2018, an increase of 46%, has resulted in platform revenue of \$25.4 million for 1HFY19, an increase of 35% over 1HFY18
- The Licensee (Paragem) contributed \$18.3 million in revenue for 1HFY19 (\$17.3 million for 1HFY18, an increase of 5%)
- IT Services (Agility) contributed \$3.5 million in revenue from software licensing and consulting services for 1HFY19 compared to \$4.5 million for 1HFY18, a decrease of 23%. As part of HUB24's acquisition rationale, Agility has been spending more time on internal development activities, to support the Group's strategic objectives.

## 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.

For 1HFY19 revenue margin was 0.55% of average FUA (0.60% for 1HFY18), calculated as the average of opening and closing FUA. As a result of this it should be noted that FUA materially increased in December 2018 (on a monthly average basis the revenue margin was 0.56%). The revenue margin for 2HFY18 was also 0.55%. 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.

## PLATFORM REVENUE MARGIN



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. During 1HFY19 Revenue was impacted by adverse market movements and higher levels of assisted FUA transition, which involve the in-specie transfer of assets, and as a consequence reduce trading margin revenue for new accounts.

## GROSS PROFIT

Platform Gross Profit increased by \$5.7 million to \$18.7 million, up 44% compared to 1HFY18 (\$13.0 million) due to strong platform net inflows, both from organic flows and large transitions.

Platform direct costs of \$6.7 million (\$5.8 million for 1HFY18) include custody, trustee, superannuation administration and headcount resources to service current client accounts while Licensee (Paragem) direct costs of \$16.7 million (\$15.8 million for 1HFY18) include payments to advisers for advice fees and suppliers of compliance, software and training services.

IT Services (Agility) direct costs of \$2.3 million (\$3.0 million for 1HFY18) 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 support executing its growth ambitions of a targeted \$19–23 billion FUA by June 2021. Operating expenses of \$15.0 million (\$11.1 million for 1HFY18) include growth investment expenses, 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 during this period has included senior appointments in distribution, finance, operations and risk and compliance and includes the associated recruitment

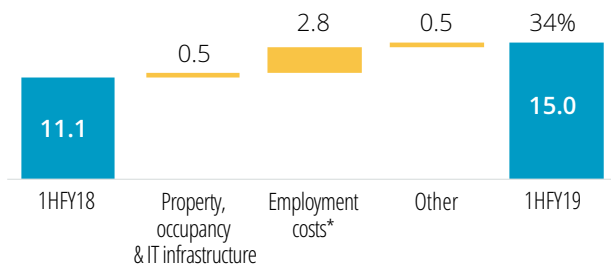
**HUB24 continues to be the fastest growing platform provider in the market relative to its size**

costs. It is expected that this investment in operating expenses will ensure the business has the capability to reliably take-on new FUA and be leveraged over a growing FUA base in future periods.

HUB24 moved premises in December 2017, incurring comparatively higher occupancy costs in the six months to 31 December 2018.

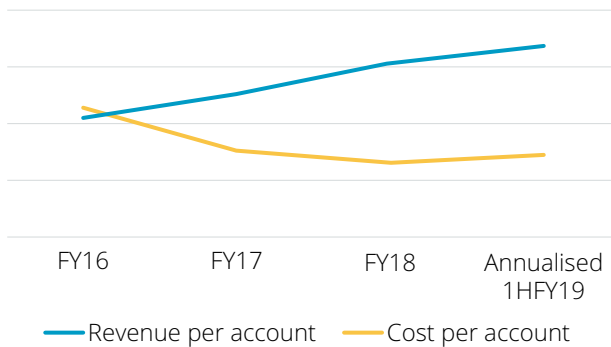
The Group's cost to income ratio improved from 88% in 1HFY18 to 86% in 1HFY19. However costs have increased from 2HFY18 in order to position HUB24 to be able to capitalise on the current growth opportunity.

#### OPERATING EXPENSES BREAKDOWN



\*Employment costs include investment in people for future growth, is not expected to grow at the same rate and contains \$0.6 million of recruitment costs in 1HFY19

#### PLATFORM REVENUE AND COST PER ACCOUNT



Note: Costs include growth expenses incurred in order to capitalise on the current opportunity and achieve HUB24's FUA target of \$19-23 billion by June 2021.

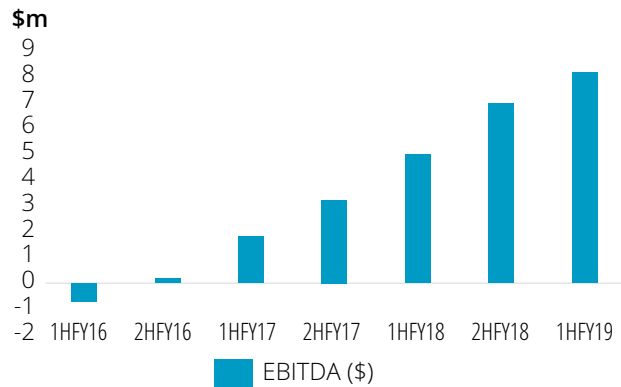
#### UNDERLYING EBITDA

Group Underlying EBITDA before other significant items increased by \$1.6 million to \$6.5 million, up 32% compared to 1HFY18 due to:

- FUA growth in the Platform segment from \$6.9 billion at 31 December 2017 to \$10.0 billion at 31 December 2018
- Platform segment Underlying EBITDA of \$8.0 million with Underlying EBITDA margin increasing to 31% (26% for 1HFY18)

- Underlying EBITDA margin at a Group level improved to 14% in 1HFY19 from 12% in 1HFY18 driven by improving economies of platform scale.

#### PLATFORM UNDERLYING EBITDA



#### SIGNIFICANT ITEMS

Non-recurring Platform costs of \$0.7 million were incurred associated with a large client transition project and transition of IT service provider to an in-house solution.

HUB24 has a policy of capitalising investment in its Platform asset, which is then depreciated over its useful life (which is regularly assessed). Depreciation and amortisation has increased as a result of HUB24's continued investment.

#### DIVIDENDS

Subsequent to half year end the directors have declared an interim unfranked dividend of 2.0 cents per share. Dates for the dividend are as follows:

- Ex-date: 13 March 2019;
- Record date: 14 March 2019; and
- Dividend payment date: 11 April 2019.

As previously announced, the Board intends to target a dividend payout ratio between 40% and 60% of HUB24's annual 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.

# SEGMENT RESULTS

## PLATFORM SEGMENT

Profit and loss (\$m)	1HFY19	2HFY18	1HFY18	2HFY17	1HFY17	2HFY16	1HFY16
Revenue	25.4	20.9	18.8	14.5	11.8	8.4	7.0
Direct Expenses	6.7	5.5	5.8	5.1	4.8	3.6	3.3
<b>Gross Profit</b>	<b>18.7</b>	<b>15.4</b>	<b>13.0</b>	<b>9.4</b>	<b>7.0</b>	<b>4.9</b>	<b>3.7</b>
Operating expenses	10.8	8.5	8.0	6.2	5.1	4.7	4.4
<b>Underlying EBITDA</b>	<b>8.0</b>	<b>6.9</b>	<b>5.0</b>	<b>3.2</b>	<b>1.9</b>	<b>0.2</b>	<b>(0.7)</b>
<b>Other significant items</b>							
Other revenue	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.4)	(0.2)
<b>EBITDA</b>	<b>8.0</b>	<b>7.0</b>	<b>5.0</b>	<b>3.2</b>	<b>1.9</b>	<b>0.6</b>	<b>(0.5)</b>
Depreciation and amortisation	1.2	0.7	0.6	0.7	0.5	0.4	0.4
Interest	(0.0)	(0.1)	(0.1)	(0.3)	(0.2)	(0.1)	(0.1)
Non recurring costs	0.7	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit before tax</b>	<b>6.1</b>	<b>6.4</b>	<b>4.5</b>	<b>2.8</b>	<b>1.6</b>	<b>0.2</b>	<b>(0.8)</b>
<b>Total platform expenses</b>	<b>17.5</b>	<b>14.0</b>	<b>13.8</b>	<b>11.3</b>	<b>10.0</b>	<b>8.3</b>	<b>7.7</b>
Platform Capex	3.0	2.3	1.9	1.1	0.9	0.8	0.8
<b>Platform statistics</b>							
FUA (\$m)	10,046	8,343	6,899	5,515	4,149	3,313	2,368
Average FUA (\$m)	9,193	7,621	6,207	4,832	3,731	2,841	2,036
Netflows (\$m)	2,118	1,334	1,089	1,259	694	942	668
Gross Flows (\$m)	2,696	1,840	2,081	1,625	982	1,130	797
Advisers	1,456	1,227	1,040	917	737	659	556
<b>Performance analysis</b>							
Basis Points (% of average FUA)							
Revenue	0.55%	0.55%	0.60%	0.60%	0.63%	0.59%	0.68%
Direct expenses	0.15%	0.15%	0.19%	0.21%	0.26%	0.25%	0.32%
Gross Profit	0.41%	0.40%	0.42%	0.39%	0.37%	0.34%	0.36%
Operating expenses	0.23%	0.22%	0.26%	0.26%	0.27%	0.33%	0.44%
Underlying EBITDA	0.17%	0.18%	0.16%	0.13%	0.10%	0.01%	(0.07%)
Platform expenses	0.38%	0.37%	0.44%	0.47%	0.53%	0.58%	0.76%
% of revenue							
Gross profit margin	73.6%	73.5%	69.3%	65.0%	59.2%	57.7%	53.1%
Underlying EBITDA margin	31.3%	33.1%	26.5%	22.0%	15.8%	1.9%	(10.6%)
Cost to income ratio	68.7%	66.9%	73.5%	78.0%	84.2%	98.1%	110.6%

## LICENSEE SEGMENT (PARAGEM)

Profit and loss (\$m)	1HFY19	2HFY18	1HFY18	2HFY17	1HFY17	2HFY16	1HFY16
Revenue	18.3	18.5	17.3	16.0	14.8	14.2	13.1
Direct Expenses	16.7	16.8	15.8	14.6	13.5	13.0	12.0
<b>Gross Profit</b>	<b>1.6</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>
Operating expenses	1.6	1.6	1.4	1.2	1.2	1.1	1.0
<b>Underlying EBITDA</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>
<b>Profit before tax</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>

## IT SERVICES SEGMENT (AGILITY)

Profit and loss (\$m)	1HFY19	2HFY18	1HFY18	2HFY17
Revenue	3.5	4.0	4.5	4.7
Direct Expenses	2.3	2.8	3.0	3.0
<b>Gross Profit</b>	<b>1.2</b>	<b>1.2</b>	<b>1.5</b>	<b>1.7</b>
Operating expenses	1.5	1.3	1.4	1.5
<b>Underlying EBITDA</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>0.2</b>	<b>0.2</b>
Depreciation and amortisation	0.1	0.2	0.1	0.2
<b>Profit before tax</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.1</b>

## CORPORATE SEGMENT

Profit and loss (\$m)	1HFY19	2HFY18	1HFY18	2HFY17	1HFY17	2HFY16	1HFY16
Operating expenses	1.1	0.4	0.3	0.3	0.3	0.2	0.2
Underlying EBITDA	(1.1)	(0.4)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
<b>Other significant items</b>							
Share based payment expenses	1.1	0.7	0.8	0.6	0.3	0.6	0.7
<b>EBITDA</b>	<b>(2.2)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(0.8)</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>(0.9)</b>
Discount on consideration	0.3	0.3	0.3	0.4	0.0	0.1	0.0
Interest	(0.3)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Depreciation	0.0	0.2	0.2	0.0	0.0	0.0	0.0
Fair value gain on contingent consideration	(0.7)	(2.2)	(0.2)	(0.4)	(0.5)	0.0	0.0
Non recurring corporate costs	0.0	0.4	0.1	0.1	0.4	(0.0)	0.3
<b>Profit before tax</b>	<b>(1.5)</b>	<b>0.4</b>	<b>(1.5)</b>	<b>(0.8)</b>	<b>(0.4)</b>	<b>(0.9)</b>	<b>(1.0)</b>

# BALANCE SHEET

(\$m)	1HFY19	FY18	1HFY18	FY17	1HFY17	FY16	1HFY16
<b>Assets</b>							
Current assets							
Cash and cash equivalents	15.5	17.0	13.6	10.8	10.5	9.3	10.5
Trade and other receivables	5.8	5.1	4.9	6.9	4.5	4.0	1.6
Other current assets	1.5	0.8	0.6	0.6	1.5	0.5	0.4
<b>Total current assets</b>	<b>22.8</b>	<b>22.8</b>	<b>19.1</b>	<b>18.4</b>	<b>16.4</b>	<b>13.8</b>	<b>12.6</b>
Non-current assets							
Receivables	2.0	2.0	-	0.1	-	-	-
Office equipment	2.1	2.2	2.0	0.8	0.2	0.2	0.2
Intangible assets	34.3	32.0	29.3	28.1	14.2	13.7	13.3
Deferred tax assets	12.3	13.4	14.9	15.8	0.0	0.9	0.0
Other non-current assets	0.0	0.0	2.0	0.0	0.3	0.3	0.3
<b>Total non-current assets</b>	<b>50.8</b>	<b>49.6</b>	<b>48.3</b>	<b>44.8</b>	<b>14.7</b>	<b>15.1</b>	<b>13.7</b>
<b>Total assets</b>	<b>73.5</b>	<b>72.4</b>	<b>67.4</b>	<b>63.1</b>	<b>31.1</b>	<b>28.8</b>	<b>26.3</b>
<b>Liabilities</b>							
Current liabilities							
Trade and other payables	4.0	5.2	4.6	8.1	2.3	1.8	1.4
Provisions	3.8	4.1	3.4	3.7	1.9	2.5	1.6
Other current liabilities	0.4	0.4	0.1	0.1	3.9	0.1	0.1
<b>Total current liabilities</b>	<b>8.2</b>	<b>9.7</b>	<b>8.1</b>	<b>11.9</b>	<b>8.1</b>	<b>4.3</b>	<b>3.0</b>
Non-current liabilities							
Provisions	1.0	0.9	0.8	0.7	0.4	0.4	0.4
Other non-current liabilities	3.8	3.9	7.0	6.8	0.9	5.2	5.3
<b>Total non-current liabilities</b>	<b>4.8</b>	<b>4.8</b>	<b>7.9</b>	<b>7.6</b>	<b>1.3</b>	<b>5.5</b>	<b>5.7</b>
<b>Total liabilities</b>	<b>13.0</b>	<b>14.5</b>	<b>16.0</b>	<b>19.5</b>	<b>9.4</b>	<b>9.9</b>	<b>8.7</b>
<b>Net assets</b>	<b>60.5</b>	<b>57.9</b>	<b>51.5</b>	<b>43.6</b>	<b>21.8</b>	<b>19.0</b>	<b>17.6</b>
<b>Equity</b>							
Issued capital	97.4	96.2	95.5	89.1	84.9	83.1	82.9
Reserves	13.1	9.0	3.3	4.1	4.0	4.4	3.8
Accumulated losses	(50.0)	(47.3)	(47.3)	(49.6)	(67.2)	(68.5)	(69.1)
<b>Total Equity</b>	<b>60.5</b>	<b>57.9</b>	<b>51.5</b>	<b>43.6</b>	<b>21.8</b>	<b>19.0</b>	<b>17.6</b>

# CASHFLOW

Statement of cashflows (\$m)	1HFY19	2H18	1H18	2H17	1H17	2H16	1H16
<b>Cashflow from operating activities</b>							
Receipts from customers	51.0	48.8	44.4	35.8	29.4	26.4	20.8
Payments to suppliers/employees	(47.7)	(41.7)	(39.8)	(33.7)	(28.2)	(25.5)	(21.4)
Other	-	0.0	-	0.1	0.1	0.3	0.3
Interest received	0.2	0.5	0.0	0.4	0.2	0.2	0.2
<b>Net cash inflow from operating activities</b>	<b>3.4</b>	<b>7.7</b>	<b>4.6</b>	<b>2.6</b>	<b>1.5</b>	<b>1.4</b>	<b>(0.1)</b>
<b>Cashflow from investing activities</b>							
Payments for office equipment	(0.3)	(0.5)	(1.5)	(0.2)	(0.1)	(0.0)	(0.1)
Payments for acquisitions	-	(2.0)	-	(1.2)	(0.1)	0.0	(1.0)
Payments for intangible assets	(3.3)	(2.4)	(2.0)	(1.2)	(1.0)	(0.8)	(0.7)
Other	-	0.0	-	0.1	(0.0)	(0.0)	-
<b>Net cash inflow from investing activities</b>	<b>(3.5)</b>	<b>(4.9)</b>	<b>(3.5)</b>	<b>(2.4)</b>	<b>(1.1)</b>	<b>(0.8)</b>	<b>(1.7)</b>
<b>Cashflow from financing activities</b>							
Payments for capital raising costs	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-
Dividends paid	(2.2)	-	-	-	-	-	-
Other	-	-	-	-	-	(2.0)	-
Proceeds from exercise of options	0.8	0.6	1.7	0.3	0.8	0.1	0.3
<b>Net cash inflow from financing activities</b>	<b>(1.4)</b>	<b>0.6</b>	<b>1.7</b>	<b>0.3</b>	<b>0.8</b>	<b>(1.9)</b>	<b>0.3</b>
Net increase in cash and cash equivalents	(1.5)	3.3	2.8	0.4	1.2	(1.3)	(1.6)
Cash and cash equivalents at beginning of the period	17.0	13.6	10.8	10.5	9.3	10.5	12.1
<b>Cash and cash equivalents at end of the period</b>	<b>15.5</b>	<b>17.0</b>	<b>13.6</b>	<b>10.8</b>	<b>10.5</b>	<b>9.3</b>	<b>10.5</b>

Cash and cash equivalents at 31 December 2018 were \$15.5 million and the company recorded positive Cashflow from Operating Activities of \$3.4 million for 1HFY19.

Cashflow from Operating Activities was negatively affected during 1HFY19 by movements in working

capital, including a \$1.4 million increase in non-cash current assets and a \$1.5 million reduction in current liabilities.

\$0.8 million was received from the exercise of employee options and a dividend of \$2.2m was paid.







**HUB**<sup>24</sup>