'20

ANALYST PACK YEAR ENDED 30 JUNE 2020

Arithmetic inconsistencies are due to rounding

CONTENTS

1. FINANCIAL HIGHLIGHTS FY20

PLATFORM SEGMENT UNDERLYING EBITDA
$28.7m
↑ 59%

GROUP UNDERLYING EBITDA
$24.7m
↑ 60%

GROUP UNDERLYING NPAT
$10.1m
↑ 49%

FULLY FRANKED FINAL DIVIDEND
3.5 cents
PER SHARE

NETFLOWS FOR THE YEAR OF
$4.9b ↑ 27%

FUA OF **$17.2b** ↑ 34%

PLATFORM SEGMENT REVENUE
$74.3m
↑ 37%

PLATFORM MARGIN (AS A PERCENTAGE OF FUA) REVENUE
0.49
↓ FROM 0.51%

PLATFORM MARGINS (AS A PERCENTAGE OF REVENUE)

GROSS PROFIT
75%
FLAT

UNDERLYING EBITDA
39%
↑ FROM 33%

All percentage changes shown above are relative to FY19.

2. MARKET OVERVIEW AND OUTLOOK

GROUP OVERVIEW

The Australian Securities Exchange-listed HUB24 Ltd ABN 87 124 891 685 (ASX: HUB) connects advisers and their clients through innovative solutions that create investment opportunities. The business is focussed on the delivery of the HUB24 platform (Platform) and the growth of its wholly owned subsidiaries Paragem Pty Ltd, a financial advice licensee, Agility Applications Pty Ltd and HUBconnect Pty Ltd which provide data, reporting and software services to the Australian stockbroking and wealth management market.

- HUB24's award-winning investment and superannuation platform provides broad product choice and a market-leading experience for advisers and their clients. It serves a growing number of respected and high-profile financial services companies.
- Paragem (the licensee) provides licensee services and is a boutique dealer group. It comprises a network of 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 to meet their goals.
- Agility (IT Services) provides application and technology products to the financial services industry, currently servicing approximately 45% of Australia's stockbroking market. It earns software license and consulting fees from data, software and infrastructure services. The strategy for this business has been refined after completing a strategic review. Agility will cease to provide technology hosting services to new external clients. It will continue to service existing external clients. The business will now focus on providing software, data and technology integration services to not only its traditional client base of stockbrokers but also to the broader financial services market.

MARKET OVERVIEW

Over the last few years the Australian wealth management landscape has been shifting, driven by technology, increasing regulation, and adviser and client demand for non-conflicted product solutions.

The superannuation market is underpinned by mandatory contributions, which are currently scheduled to increase from 9.5% of gross salaries to 12.0% by 2025[1]. 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 more than $10 trillion by 2035. The size of the personal investments market is expected to grow to more than $5 trillion in the next 10 years.

The institutions who have traditionally held the majority of market share, yet have not kept up with the pace of innovation in the platform space, continue to be disrupted by the specialist platforms as advisers look for innovative solutions that can help satisfy best interest obligations and the needs of their clients.

In this context, HUB24 has maintained its second place ranking for both annual and quarterly net inflows and has increased market share from 1.3% to 1.9% during FY20[2]. The business is well positioned for continued growth and to benefit from these ongoing market conditions.

KEY TRENDS

CONTINUED DISLOCATION IN THE PLATFORM MARKET

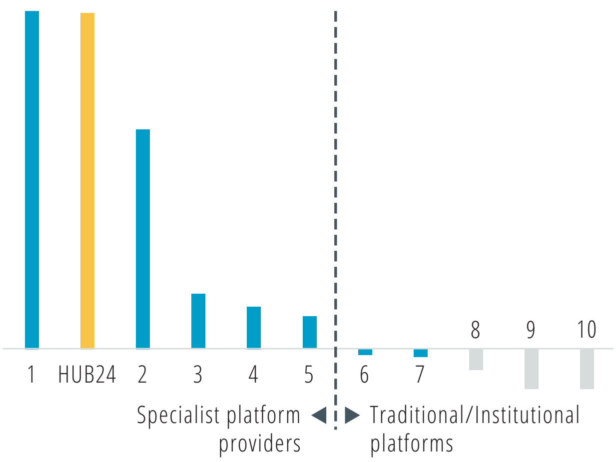
The dislocation in the Australian financial services industry which we have seen over the past few years, accelerated this financial year with several of the incumbent institutions either revising their wealth strategy, or opting out of wealth management altogether by selling or announcing their wealth businesses would be sold. Due to this uncertainty, licensees and advisers are increasingly looking for providers that are committed to wealth management and continuing to invest in their proposition, evidenced by increasing net flows to specialist platforms and FUA transitions from incumbent platforms.

1 Deloitte – Dynamics of Australia's superannuation system, the next 20 years 2015 to 2035.
2 Source: Based on Strategic Insights: Analysis of Wrap, Platform and Master Trust Managed Funds at March 2020.

Additionally, there is consolidation activity in progress amongst smaller platform providers who have not been as successful in gaining market share. The need for growth and scale is increasingly important due to the competitive landscape and market volatility caused by COVID-19. HUB24 continues to be positioned as a platform of choice, given our robust operational infrastructure and customer service excellence and innovative product solutions.

In response to growing adviser and client demand for choice and flexibility, specialist platforms have continued to grow their market share over the last five years from less than 3% to 10%. In contrast, institutional platforms continue to be in net outflow, losing over $10 billion in Funds Under Administration (FUA) over the past year.

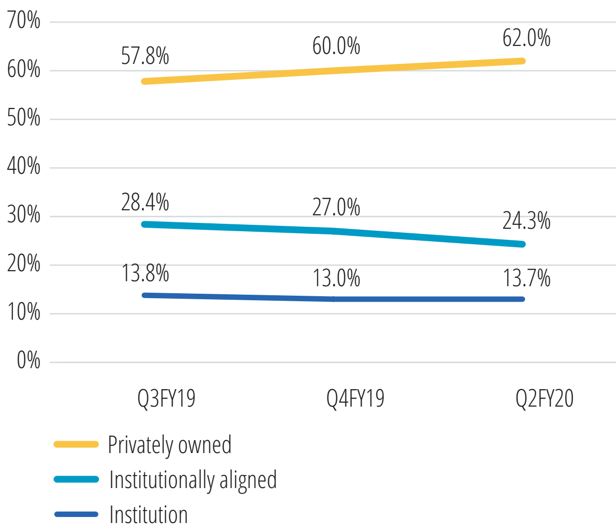
Net flow share to underlying market share ratio



SHIFT AWAY FROM INSTITUTIONAL LICENSEES, AND CONVERGENCE OF STOCKBROKING AND FINANCIAL ADVICE SECTORS

The trend for advisers to transition away from institutional licensees is continuing. Net inflows to institutional platforms have historically been driven by salaried and aligned financial advisers. In the last quarter of FY20 almost 700 advisers switched licensees. Of these only 4.3% of advisers who switched moved into institutional licensees, 19.9% into aligned licensees and 75.8% of advisers moved into privately owned licensees[3]. As a result, specialist platforms like HUB24 are benefitting as advisers demand choice and innovative product solutions for their clients.

Advisers shift to privately owned licensees[4]



The continued growth in the mid-tier licensee sector and the emergence of aggregated self-licensed practices creates opportunities for HUB24, which is well-positioned in these growing segments.

The convergence of the stockbroking and financial advice sectors has continued, with stockbrokers wanting to maintain the benefits of direct share ownership for their clients but service their clients more efficiently and expand their value proposition into wealth management. HUB24 is well positioned in this segment due to the strength of Agility Applications Pty Ltd's relationships with large broker clients, and the ability to leverage HUBconnect to integrate non-custodial client data.

INCREASING DEMAND FOR MANAGED PORTFOLIOS

As at December 2019, Funds Under Management (FUM) in managed portfolios in Australia stood at more than $72 billion Australian dollars, representing a compound annual growth rate of 11% as advisers increasingly demand access to professional investment management for their clients but with the benefits of direct share ownership[5]. HUB24 has continued our market leadership, with managed portfolio FUA growing at a much faster compound annual growth rate (CAGR) of 51% over the past four years.

3 Adviser Ratings Musical Chairs Report Q2 2020.

4 Adviser Ratings Musical Chairs Report Q3 2019, Q4 2019 and Q2 2020.

5 Results from Investment Trends December 2019 Platform Competitive Analysis and Benchmarking Report.

LICENSEE, ADVISER AND CLIENT DEMAND FOR TECHNOLOGY AND DATA SOLUTIONS

Given increasing regulation and the need for robust compliance solutions, licensees are increasingly requiring technology and data integration to help them to meet their regulatory and client best interest obligations. HUB24 is already working with a number of licensee groups to leverage our data integration capabilities to build innovative solutions to help licensees with this challenge.

Clients are demanding tools that provide greater engagement and provide them with an integrated view of their wealth. HUBconnect enables data aggregation from multiple sources, including non-custodial platforms, to provide integrated reporting and a single view of wealth.

HUB24 is actively building solutions in this space to secure future growth opportunities. To date these activities have already assisted with increasing flows onto the Platform and we expect this to continue as well as create sources of new revenue for the business.

IMPACT OF COVID-19 PANDEMIC

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. The outbreak and response of governments in dealing with the pandemic has impacted the community and economy. Given that the scale and duration of these developments remain uncertain as at the date of this report, it is not possible to estimate the ongoing impact of the pandemic or governments' responses on business growth and financial results. Market volatility may impact FUA based fees and any official cash rate cut may impact cash fee income. In the second half of the year these adverse impacts were cushioned by higher cash balances and increased asset trading fees resulting from the volatile trading conditions.

Even though many industries in Australia have been impacted by the pandemic, HUB24 remains in a solid financial position, operating profitably with cash reserves significantly above regulatory capital requirements and generating strong operating cashflow. Whilst net inflows were softer in April as advisers adjusted to the COVID-19 environment, momentum improved towards the end of the year with the company recording record net inflows of $4.95 billion for FY20. At this stage whilst adviser productivity may be impacted by COVID-19, we are expecting continuing strong flows as the long-term drivers for adoption of the HUB24 Platform have not changed and we are continuing to secure new relationships. The Group has not entered into any deferred payment arrangements and has not received any government or third-party concessions in relation to the COVID-19 pandemic.

3. REVIEW OF FINANCIAL RESULTS

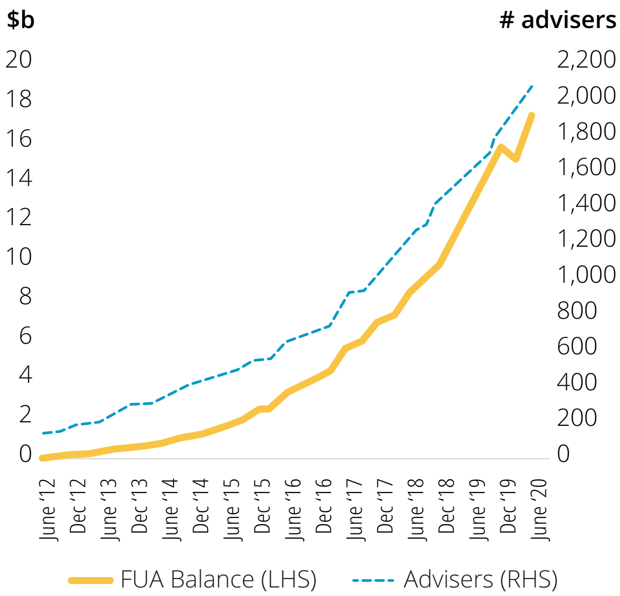
The Group recorded a 14% increase in operating revenue to $110.2 million for FY20 ($96.3 million for FY19). Platform revenue was up 37% to $74.3 million, offset by Licensee revenue down 10% to $29.6 million and IT Services revenue down 9% to $6.4 million despite challenging and disrupted markets, underpinned by the COVID-19 pandemic during 2H20.

The Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation, Amortisation and Abnormal Items (UEBITDA), which increased 60% to $24.7 million for FY20 ($15.4 million in FY19[1]). The FY20 results include the impact of new accounting standard *AASB 16 Leases*, which increased Underlying EBITDA by $1.8m.

The key items driving the Group Underlying EBITDA performance for FY20 were:

- Funds under administration (FUA) grew from $12.9 billion in the prior year to $17.2 billion at 30 June 2020, an increase of 34% despite challenging markets. At the close of 21 August 2020, funds under administration stood at $18.5 billion.
- Netflows of $4.9 billion were at a record level up 27% on FY19. Netflows growth was driven by transition opportunities from new and existing adviser relationships, as well as organic flows from existing advisers. New business is being generated from advisers in the national key account segment, mid-tier licensees, self-licensed advisers and brokers. Additionally, increasing opportunities are arising for new business within the institutionally aligned licensee segment.
- Platform revenue increased by 37% to $74.3 million for FY20 ($54.1 million for FY19). Even though the equity markets have been adversely impacted by COVID-19, particularly over 2H20, the FUA on the Platform is not fully correlated to movements in equity markets. Consequently, when we saw the ASX 300 drop by 24.3% in the March quarter, FUA on the Platform fell 13.1%. With the recovery of markets in the June quarter the full year negative market impact was ($0.6) billion (5% of FUA) compared to a positive market movement of $0.6 billion in FY19 (7% of FUA). This impacts our administration fees which are based on FUA. The reductions in the official cash rate by the RBA, announced during FY20, also negatively impacted revenue. However, the market volatility has also seen significantly increased asset trading volumes and higher client cash balances on the Platform. This has led to increased transactional revenue and cash account fee income, which offset some of the FUA fee impacts.
- The Group continues to invest in the business to support growth. Platform expenses (direct and operating) increased by 26% to $45.6 million ($36 million for FY19). This is largely driven by headcount increasing by 20% from 207 at 30 June 2019 to 249 at 30 June 2020. The investment in people has been in sales and distribution, technology, and operations, to support growth in FUA, expand our distribution footprint and continue product and technology innovation. In particular the company hired eight additional distribution team members in 1H20, resulting in a positive impact on net inflows, and recruited an additional IT Scrum team to further extend our managed portfolio capability during the year.

HUB24 FUA AND ADVISERS



1 As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Gross Profit and Underlying EBITDA in the Corporate segment to better represent income generation.

A statutory Net Profit after Tax (NPAT) of $8.2 million was recorded for FY20 ($7.2 million for FY19).

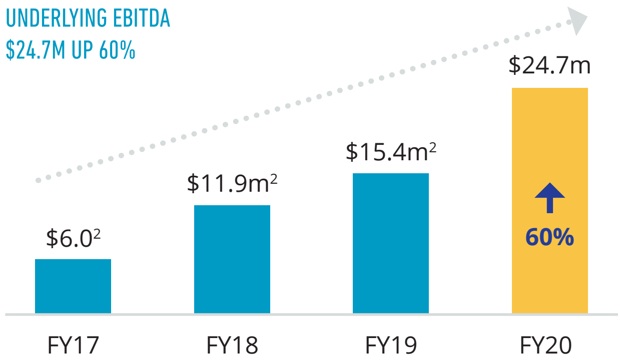
The Group's dividend policy is based on Underlying NPAT, which represents NPAT adjusted for abnormal items. Underlying NPAT increased 49% to $10.1 million for FY20 ($6.8 million in FY19).

Given the ongoing profitability of the Group, prior year tax losses have been utilised. As a result, for the first time the company is in a position to issue a fully franked dividend. A fully franked final dividend of 3.5 cents has been determined by the Board. Together with the unfranked interim dividend of 3.5 cents, this brings the full year dividend to 7 cents per share, representing an increase of 52% on the prior year.

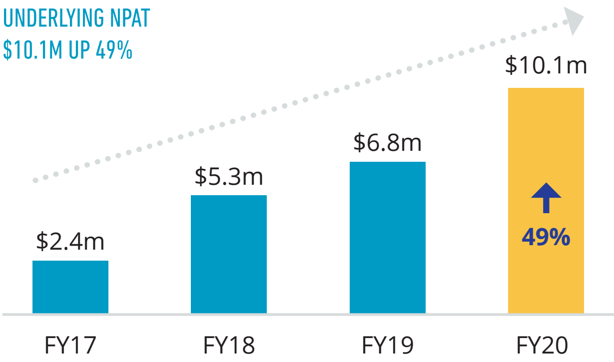
HUB24 continues to generate strong operating cashflows and maintains cash reserves significantly above regulatory capital requirements.

GROUP

UNDERLYING EBITDA
$24.7M UP 60%

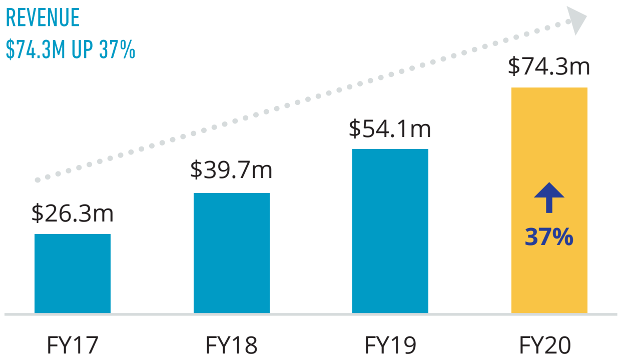


UNDERLYING NPAT
$10.1M UP 49%

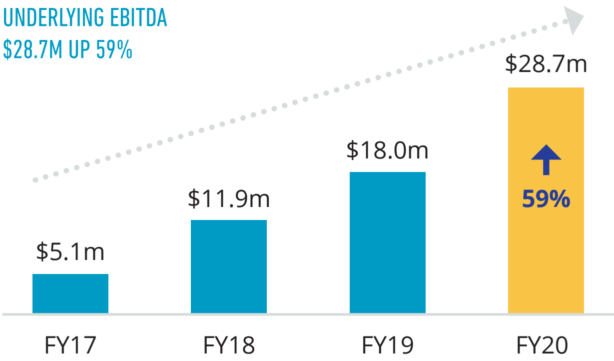


PLATFORM SEGMENT

REVENUE
$74.3M UP 37%



UNDERLYING EBITDA
$28.7M UP 59%



2 As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Gross Profit and Underlying EBITDA in the Corporate segment to better represent income generation.

GROWTH INDICATORS AND FINANCIAL METRICS

HUB24 Group growth indicators	FY20	FY19	FY18	2H20	1H20	2H19	1H19	2H18	1H18
Funds under administration ($m)	17,217	12,870	8,341	17,217	15,837	12,870	10,046	8,341	6,899
Net flows ($m)	4,947	3,890	2,423	2,452	2,496	1,772	2,118	1,334	1,089
Advisers on the platform	2,066	1,625	1,227	2,066	1,841	1,625	1,456	1,227	1,040
Operating revenue ($m)	110.2	96.3	84.0	57.5	52.7	49.1	47.1	43.4	40.6
Gross profit ($m)[1]	60.9	46.1	34.8	32.9	28.0	24.3	21.8	18.6	16.2
Underlying EBITDA ($m)[1,2]	24.7	15.4	11.9	13.0	11.7	8.6	6.8	6.8	5.1
Underlying NPAT ($m)[3]	10.1	6.8	5.3	4.7	5.4	3.7	3.1	3.3	2.1
Group financial metrics									
Gross profit margin (%)[1]	55.3%	47.9%	41.5%	57.2%	53.2%	49.4%	46.3%	42.8%	40.0%
Underlying EBITDA margin (%)[2]	22.4%	16.0%	14.2%	22.6%	22.2%	17.5%	14.5%	15.7%	12.6%
EBITDA margin (%)[2,3]	18.5%	13.9%	12.4%	16.9%	20.2%	15.5%	12.2%	14.1%	10.5%
Cost to income ratio (%)	78.2%	84.6%	86.4%	78.0%	78.4%	83.1%	86.2%	85.1%	87.9%
Effective tax rate (%)	31.2%	35.2%	31.2%	30.0%	32.3%	41.4%	25.9%	32.3%	28.1%
Statutory NPAT ($m)	8.2	7.2	7.4	2.2	6.0	4.0	3.2	5.1	2.3
Operating cashflows ($m)	25.5	11.6	12.2	15.5	9.9	8.2	3.4	7.7	4.6
Employee benefits expense ($m)	(42.3)	(32.4)	(25.2)	(23.3)	(19.0)	(16.7)	(15.7)	(12.7)	(12.5)
Total staff at period end (#)	263	222	190	263	248	222	215	190	163
Earnings per share (cents)									
Basic – underlying	16.2	10.9	8.9	7.6	8.6	5.9	5.0	5.5	3.6
Basic – statutory	13.1	11.5	12.3	3.5	9.6	6.4	5.1	8.3	3.9
Diluted – underlying	15.8	10.7	8.6	7.4	8.4	5.8	4.9	5.3	3.5
Diluted – statutory	12.8	11.3	11.9	3.4	9.4	6.3	5.0	8.3	3.8
Dividend per share									
Dividend (cents)	7.0	4.6	3.5	3.5	3.5	2.6	2.0	3.5	-
Dividend franking (%)	50%	0%	0%	100%	0%	0%	0%	0%	-
Underlying NPAT annual payout ratio	43%	42%	40%	46%	41%	44%	40%	40%	-
Share capital									
Ordinary (closing) (m)	62.8	62.3	61.6	62.8	62.8	62.3	62.1	61.6	61.0
Weighted average (m)	62.7	62.1	60.1	62.7	62.6	62.1	61.9	60.1	58.8
Weighted average diluted (m)	64.0	63.4	61.9	64.0	64.1	63.4	63.3	61.9	60.9
Share price – closing ($)	9.30	11.88	11.55	9.30	11.16	11.88	11.88	11.55	9.57
Capital management									
Cash & cash equivalents ($m)	33.8	18.5	16.9	33.8	21.9	18.5	15.5	16.9	13.6
Net assets – average ($m)	69.9	60.9	50.2	73.1	68.1	62.7	58.7	54.2	47.6
Net assets – closing ($m)	74.8	64.9	56.9	74.8	71.4	64.9	60.5	56.9	51.5
Net assets per basic share ($)	1.2	1.0	0.9	1.2	1.1	1.0	1.0	0.9	0.8
Net tangible assets ($m)	34.9	27.9	25.2	34.9	32.5	27.9	26.2	25.2	22.2
Net tangible assets per basic share ($)	0.6	0.4	0.4	0.6	0.5	0.4	0.4	0.4	0.4

1. As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Gross Profit and Underlying EBITDA to better represent income generation.
2 *AASB 16 Leases* was implemented on 1 July 2019, which resulted in a reducation of operating expenses of $1.8m, interest expense of $0.2m and an increase in depreciation $1.7m.
3 FY20 includes $1.8m of share based payment expense attributable to special LTI granted in December 2018 accounted for the first time in 2H20.

GROUP FINANCIAL PERFORMANCE

HUB24 consolidated profit and loss ($m)	FY20	FY19	FY18	2H20	1H20	2H19	1H19	2H18	1H18
Platform revenue	74.3	54.1	39.7	39.3	35.0	28.6	25.4	20.9	18.8
Licensee revenue	29.6	35.2	35.8	15.0	14.6	17.0	18.3	18.5	17.3
IT services revenue	6.4	7.0	8.5	3.3	3.1	3.5	3.5	4.0	4.5
Operating Revenue	**110.2**	**96.3**	**84.0**	**57.5**	**52.7**	**49.1**	**47.1**	**43.4**	**40.6**
Interest income[1]	0.6	0.6	0.5	0.4	0.3	0.3	0.3	0.3	0.2
Direct expenses – Platform	(18.6)	(13.7)	(11.3)	(9.4)	(9.2)	(7.0)	(6.7)	(5.5)	(5.8)
Direct expenses – Licensee	(26.6)	(32.2)	(32.6)	(13.5)	(13.1)	(15.5)	(16.7)	(16.8)	(15.8)
Direct expenses – IT Services	(4.7)	(4.9)	(5.8)	(2.1)	(2.6)	(2.7)	(2.3)	(2.8)	(3.0)
Direct expenses	**(49.9)**	**(50.8)**	**(49.7)**	**(25.0)**	**(24.9)**	**(25.2)**	**(25.7)**	**(25.1)**	**(24.5)**
Gross Profit	**60.9**	**46.1**	**34.8**	**32.9**	**28.0**	**24.3**	**21.8**	**18.6**	**16.2**
Opex – Platform	(27.0)	(22.4)	(16.5)	(15.0)	(12.1)	(11.6)	(10.8)	(8.5)	(8.0)
Opex – Licensee	(3.5)	(3.2)	(3.0)	(1.8)	(1.6)	(1.6)	(1.6)	(1.6)	(1.4)
Opex – IT Services	(2.5)	(2.6)	(2.7)	(1.4)	(1.1)	(1.1)	(1.5)	(1.3)	(1.4)
Opex – Corporate	(3.2)	(2.4)	(0.7)	(1.7)	(1.5)	(1.3)	(1.1)	(0.4)	(0.3)
Operating expenses[1]	**(36.2)**	**(30.7)**	**(22.9)**	**(19.9)**	**(16.4)**	**(15.7)**	**(15.0)**	**(11.8)**	**(11.1)**
Underlying EBITDA	**24.7**	**15.4**	**11.9**	**13.0**	**11.7**	**8.6**	**6.8**	**6.8**	**5.1**
Other items									
Share based payment expenses	(4.4)	(2.1)	(1.6)	(3.3)	(1.1)	(1.0)	(1.1)	(0.7)	(0.9)
Other income	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1
EBITDA (before abnormal items)	**20.4**	**13.4**	**10.4**	**9.7**	**10.6**	**7.6**	**5.8**	**6.1**	**4.3**
Depreciation and amortisation[2]	(5.3)	(2.6)	(2.0)	(2.8)	(2.5)	(1.3)	(1.3)	(1.0)	(1.0)
Discount on consideration	(0.1)	(0.4)	(0.6)	(0.1)	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)
Interest expense[2]	(0.2)	-	-	(0.1)	(0.1)	-	-	-	-
Profit/(loss) before tax (before abnormal items)	**14.7**	**10.5**	**7.8**	**6.8**	**8.0**	**6.3**	**4.2**	**4.9**	**2.9**
Less: Income tax expense	(4.6)	(3.7)	(2.4)	(2.0)	(2.6)	(2.6)	(1.1)	(1.6)	(0.8)
Underlying NPAT	**10.1**	**6.8**	**5.3**	**4.7**	**5.4**	**3.7**	**3.1**	**3.3**	**2.1**
Abnormal items excluding tax effect:									
Fair value gain on contingent consideration	0.9	1.1	2.4	0.1	0.7	0.4	0.7	2.2	0.2
Share based expenses	-	-	0.1	0.0	-	-	-	-	0.1
Impairment of Agility	(1.0)	-	-	-	-	-	-	-	-
Abnormal costs	(1.8)	(0.8)	(0.4)	(1.7)	(0.1)	(0.1)	(0.7)	(0.4)	(0.1)
Statutory NPAT	**8.2**	**7.2**	**7.4**	**2.2**	**6.0**	**4.0**	**3.2**	**5.1**	**2.3**

Underlying EBITDA by segment	FY20	FY19	FY18	2H20	1H20	2H19	1H19	2H18	1H18
Platform	28.7	18.0	11.9	14.9	13.8	10.1	8.0	6.9	5.0
Licensee	(0.5)	(0.2)	0.2	(0.3)	(0.2)	(0.2)	(0.1)	0.2	0.1
IT services	(0.9)	(0.5)	0.0	(0.2)	(0.6)	(0.3)	(0.2)	(0.2)	0.2
Corporate	(2.6)	(1.8)	(0.2)	(1.3)	(1.3)	(1.0)	(0.8)	(0.1)	(0.1)
Total Underlying EBITDA	**24.7**	**15.4**	**11.9**	**13.0**	**11.7**	**8.6**	**6.8**	**6.8**	**5.1**

1 As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Gross Profit and Underlying EBITDA in the Corporate segment to better represent income generation.

2 *AASB 16 Leases* was implemented on 1 July 2019, which reduced operating expenses by $1.8m and increased interest expense as well as depreciation and amortisation.

REVENUE

Group revenue from external customers increased to $110.2 million, up 37% compared to FY19 due to:

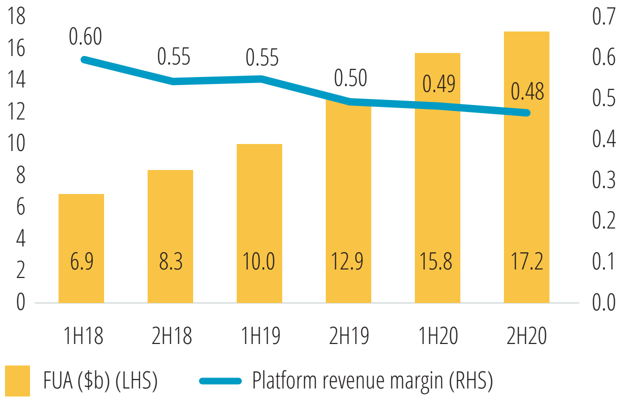
- Record FUA growth in the Platform segment from $12.9 billion at 30 June 2019 to $17.2 billion at 30 June 2020, an increase of 34%, has resulted in Platform revenue of $74.3 million for FY20, an increase of 37% over FY19
- The Licensee (Paragem) contributed $29.6 million in revenue for FY20 ($35.2 million for FY19). This decrease in gross revenue, which is offset by a decrease in direct costs, was the result of some advice practices moving to self-licensing during the year. However, over the course of FY20, 13 new practices joined Paragem, reflecting the continuing migration of advisers away from institutional licensees. Paragem continues to provide significant strategic value for the HUB24 Group
- IT Services (Agility) contributed $6.4 million in revenue from software licensing and consulting services for FY20 compared to $7.0 million for FY19, a decrease of (20)%. As part of HUB24's acquisition rationale, Agility has been spending more time on internal development activities, including HUBConnect, to support the Group's strategic objectives. This also includes the development of an Innovation Lab, which will develop and deliver data management and integrated solutions to HUB24 clients to provide unique competitive advantage to their advisers. Further, during FY20 a strategic review of Agility resulted in the decision to no longer offer technology hosting services to new clients, but to continue to service existing clients. Refer page 12 for further details.

PLATFORM REVENUE MARGIN

Platform revenue comprises a mix of FUA based fees, including tiered administration fees, fees on client funds held as cash and transaction fees such as platform trading for equities, managed funds and insurance. For FY20, revenue margin was 0.49% of average FUA (0.51% for FY19), calculated as the average of opening and closing FUA for the year.

The revenue margin may fluctuate from period to period depending upon cyclical market conditions, the level of trading activity, shifts in the mix of client portfolios or variations in the average account balance on the Platform.

PLATFORM MARGIN (%) AND FUA ($B)



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 (see chart on the following page). The average account balance at 30 June 2020 was up 4% on 30 June 2019. During FY20 revenue was impacted by strong flows from licensees with large Funds Under Advice and therefore access to competitive pricing, as well as higher cash balances due to the flight to cash with the volatility and uncertainty created in equity markets due to COVID-19. However, the three RBA official interest rate cuts during the year decreased cash fee income. The impact of the lower cash fees earned has been cushioned by the record trading activity created from the equity market volatility.

GROSS PROFIT

Group Gross Profit increased 32% to 60.9 million (FY19 $46.1 million).

Platform Gross Profit increased by $15.3 million to $55.7 million, up 38% compared to FY19 ($40.4 million) due to record platform net inflows. Platform direct costs of $18.6 million ($13.7 million for FY19) include custody, trustee, superannuation administration and headcount resources to service current client accounts.

Licensee (Paragem) direct costs of $26.6 million ($32.2 million for FY19) include payments to advisers for advice fees and suppliers of compliance, software and training services. Paragem direct costs have reduced in line with the revenue reduction this year.

IT Services (Agility) direct costs of $4.7 million ($4.9 million for FY19) include headcount and infrastructure resources to support existing customer consulting arrangements and software license needs. Agility direct costs have reduced due to headcount spending more time on internal development activities, to support the Group's strategic objectives.

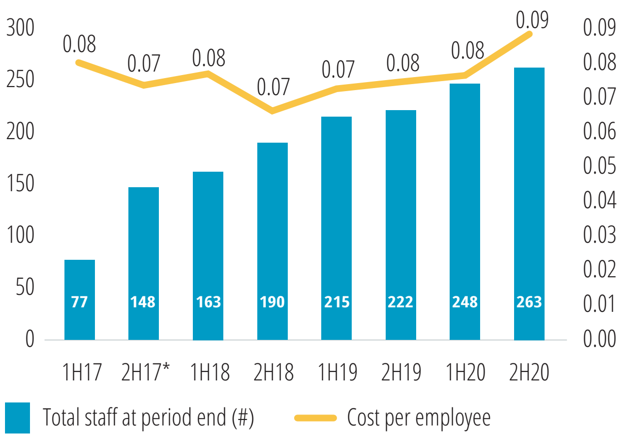
OPERATING EXPENSES

Group operating expenses of $36.2 million we up by 18% ($30.7 million for FY19) and included 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. Group headcount increased by 18% from 223 in FY19 to 263 as at 30 June 2020.

The implementation of new accounting standard *AASB 16 Leases* on 1 July 2019 has resulted in $1.8m of lease operating expenses moving to depreciation and amortisation, as the leases have now been recognised on the balance sheet.

The Group's cost to income ratio improved from 84.6% in FY19 to 78.2% in FY20.

TOTAL COST PER EMPLOYEE ($M)



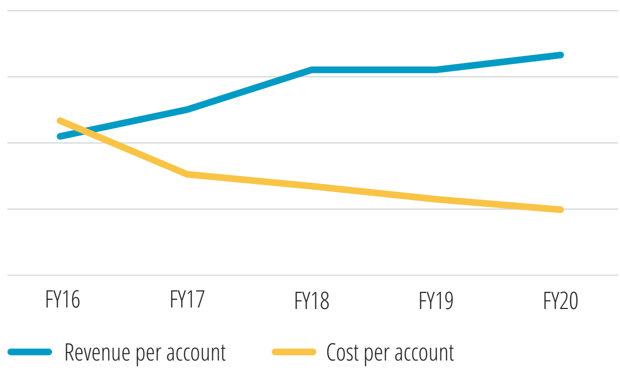
*Agility Application Pty Ltd acquired 3 January 2017

UNDERLYING EBITDA

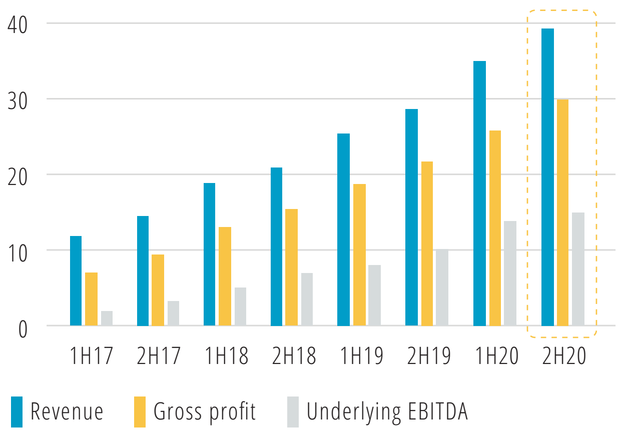
Group Underlying EBITDA before other significant items increased by $9.3 million to $24.7 million, up 60% compared to FY19 due to:

- FUA growth in the Platform segment from $12.9 billion at 30 June 2020 to $17.2 billion at 30 June 2020
- Platform segment Underlying EBITDA of $28.7 million with Underlying EBITDA margin increasing to 38.6% (33.3% for FY19)
- Underlying EBITDA margin at a Group level improving to 22.4% in FY20 from 16.0% in FY19[3], driven by improving economies of Platform scale.

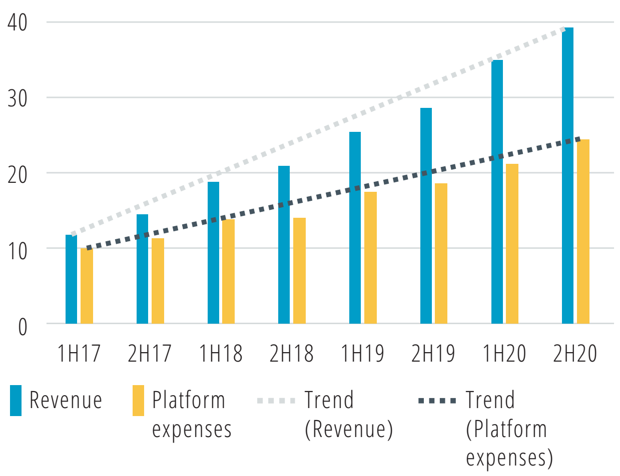
PLATFORM REVENUE AND COST PER ACCOUNT



PLATFORM REVENUE, GROSS PROFIT AND UNDERLYING EBITDA TRENDS ($M)



PLATFORM REVENUE AND EXPENSE TRENDS ($M)



3 As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Gross Profit and Underlying EBITDA in the Corporate segment to better represent income generation.

PLATFORM GROSS PROFIT AND UNDERLYING EBITDA AS % OF REVENUE

Profit lines	1HFY17	2HFY17	1HFY18	2HFY18	1HFY19	2HFY19	1HFY20	2HFY20
Gross profit	59%	65%	69%	74%	74%	76%	74%	76%
Underlying EBITDA*	16%	22%	26%	33%	31%	35%	39%	38%

*As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Gross Profit and Underlying EBITDA to better represent income generation.

UNDERLYING NPAT AND OTHER ITEMS

Underlying NPAT represents NPAT before abnormal items. Underlying NPAT increased 49% to $10.1 million for FY20 ($6.8 million in FY19).

The key items impacting the movement between Underlying EBITDA and Underlying NPAT in FY20 were:

- Employee share based payments in FY20 increased to $4.4 million ($2.1 million in FY19). HUB24 uses long term incentive (LTI) schemes to underpin the growth of the business. A Special LTI was issued in 2018, in addition to the usual LTI schemes in return for capping fixed remuneration for a three year period to September 2020. This was established to create alignment with cash flow and profitability objectives of HUB24. Fifteen employees have entitlements under the Special LTI issue. The performance condition for these entitlements to vest is a CAGR of FUA of 33% per annum over the four year period to June 2022. Given the strong FUA growth since this Special LTI was issued and the company's confidence in continued FUA growth to June 2022, a $1.8 million expense has been reflected in the FY20 results. This is the first year any expense has been recognised for this Special LTI issue.
- Depreciation and amortisation in FY20 was $5.3 million, an increase of $2.7 million ($2.6 million in FY19). This increase comprises $1.7 million depreciation of leased assets in accordance with the adoption of *ASSB 16* and $1.0m in respect of IT development. HUB24 has a policy of capitalising investment in its Platform asset, which is then depreciated over its useful life. During the year $6.4 million of Platform innovating development was capitalised, including the continued development of HUBConnect ($2.9 million).
- In 2017 HUB24 acquired Agility Applications Pty Ltd (Agility), a specialist provider of application, data exchange and technology product and services to the financial services industry for $15 million. Contingent consideration payments were negotiated as part of the transaction. During FY20 achievement of the performance hurdles was reassessed. Because of this reassessment of performance hurdles $0.85 million release of contingent consideration has been reflected in the accounts.
- After completing a strategic review of the IT Services business, HUB24 has decided to no longer offer technology hosting services to new clients, but will continue to service existing clients. Consequently, an impairment of $1 million has been recognised in respect of the customer relationships and Connect software intangible assets arising from the acquisition of Agility Applications Pty Ltd. Moving forward the strategic focus for this business is to provide software, data and technology integration services to not only its traditional client base of stockbrokers but also to the broader financial services market including financial advice licensees and emerging data and technology providers. In particular the business is working with a number of advice licensees on new product initiatives aimed to help licensees with advice compliance. As a result of this refinement of strategy, and given the proximity of the services and solutions to the provision of advice and client reporting, the leadership of this business has now been aligned under the executive responsible for Licensee Services (Paragem).
- Abnormal costs of $1.8 million are in respect of the change in Trustee from Diversa to EQT effective 31 July 2020 and the decision to implement a registered managed investment scheme (MIS) which will comprise all the existing IDPS portfolios and superannuation managed portfolios. This change will streamline our managed portfolios offer, provide additional customer benefits and provide the foundation for future innovation.

INCOME TAX

Income tax expense increased to $4.6 million in FY20 ($3.7 million FY19), reflecting growth in profitability of the business. Income tax is currently a non-cash item as the HUB24 Group has historical tax losses and tax offsets. All tax losses have now been fully recouped and effective from FY21 the Group will commence paying tax.

DIVIDENDS

The Board has previously announced its intention to target a dividend payout ratio between 40% and 60% of HUB24's annual Underlying Net Profit After Tax. Subsequent to year end the Directors have determined a fully franked dividend of 3.5 cents per share. This represents an Underlying Net Profit After Tax payout ratio of 46% for 2H20.

It is expected now tax losses have been fully recouped, that in line with the Group Dividend Policy, future dividends will be franked to the maximum extent possible. An unfranked interim dividend of 3.5 cents per share was paid on 17 April 2020. This results in a full year dividend of 7 cents per share, up from 4.6 cents per share in FY19, representing an increase of 52% and a full year payout ratio of 43%.

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.

Dates for the dividend are as follows:

- Ex-date: 14 September 2020;
- Record date: 15 September 2020; and
- Dividend payment date: 16 October 2020.

OUTLOOK

Moving forward we expect ongoing strong net inflows to the Platform and are now targeting a FUA range of $28–$32 billion by 30 June 2022[4]. Subject to any unexpected impacts arising from the pandemic or broader economy, we are confident our profitable growth trajectory will continue in FY21 and beyond[4].

HUB24 continues to be positioned as a platform of choice, given our robust operational infrastructure and customer service excellence and innovative product solutions.

4 The company expects strong growth and increasing profitability moving forward subject to consistent and stable investment markets, HUB24 terms of business and further significant unexpected or ongoing impacts arising from the COVID-19 pandemic that may affect Platform FUA and revenue.

4. SEGMENT RESULTS

PLATFORM SEGMENT

Profit and loss ($m)	FY20	FY19	FY18	2H20	1H20	2H19	1H19	2H18	1H18
Revenue	74.3	54.1	39.7	39.3	35.0	28.6	25.4	20.9	18.8
Direct Expenses	(18.6)	(13.7)	(11.3)	(9.4)	(9.2)	(7.0)	(6.7)	(5.5)	(5.8)
Gross Profit	**55.7**	**40.4**	**28.4**	**29.9**	**25.8**	**21.7**	**18.7**	**15.4**	**13.0**
Operating expenses[1]	(27.0)	(22.4)	(16.5)	(15.0)	(12.1)	(11.6)	(10.8)	(8.5)	(8.0)
Underlying EBITDA	**28.7**	**18.0**	**11.9**	**14.9**	**13.8**	**10.1**	**8.0**	**6.9**	**5.0**
Other items									
Other income	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1
EBITDA (before abnormal items)	**28.8**	**18.1**	**12.0**	**14.9**	**13.8**	**10.1**	**8.0**	**6.9**	**5.0**
Interest expense[1]	(0.2)	-	-	-	(0.1)	-	-	-	-
Depreciation and amortisation[1]	(4.9)	(2.3)	(1.3)	-	(2.2)	(1.2)	(1.2)	(0.7)	(0.6)
Abnormal costs	(1.7)	(0.8)	-	-	(0.1)	(0.1)	(0.7)	-	-
Profit before tax	**21.9**	**15.0**	**10.7**	**14.9**	**11.4**	**8.8**	**6.2**	**6.3**	**4.4**
Total platform expenses	**(45.6)**	**(36.0)**	**(27.8)**	**(24.4)**	**(21.2)**	**(18.6)**	**(17.5)**	**(14.0)**	**(13.8)**
Platform Capex	6.2	6.1	4.2	3.4	2.8	3.2	2.8	2.3	1.9
Platform statistics									
FUA ($m)	17,217	12,870	8,343	17,217	15,837	12,870	10,046	8,343	6,899
Average FUA ($m)	15,044	10,607	6,929	16,527	14,354	11,458	9,195	7,621	6,207
Netflows ($m)	4,947	3,890	2,423	2,452	2,496	1,772	2,118	1,334	1,089
Gross Flows ($m)	6,748	5,327	3,921	3,407	3,341	2,631	2,696	1,840	2,081
Advisers (#)	2,066	1,625	1227	2,066	1,841	1,625	1,456	1,227	1,040
Performance analysis									
Basis Points (% of average FUA)									
Revenue	0.49%	0.51%	0.57%	0.48%	0.49%	0.50%	0.55%	0.55%	0.60%
Direct expenses	0.12%	0.13%	0.16%	0.11%	0.13%	0.12%	0.15%	0.14%	0.19%
Gross Profit	0.37%	0.38%	0.41%	0.36%	0.36%	0.38%	0.41%	0.40%	0.42%
Operating expenses	0.18%	0.21%	0.24%	0.18%	0.17%	0.20%	0.23%	0.22%	0.26%
Underlying EBITDA	0.19%	0.17%	0.17%	0.18%	0.19%	0.18%	0.17%	0.18%	0.16%
Platform expenses	0.30%	0.34%	0.40%	0.29%	0.30%	0.32%	0.38%	0.37%	0.44%
% of revenue									
Gross profit margin	75.0%	74.7%	71.6%	76.1%	73.8%	75.7%	73.6%	73.7%	69.3%
Underlying EBITDA margin	38.6%	33.3%	29.9%	37.9%	39.4%	35.1%	31.3%	33.0%	26.5%
Cost to income ratio	61.4%	66.7%	70.1%	62.1%	60.6%	64.9%	68.7%	67.0%	73.5%

1 *AASB 16 Leases* was implemented on 1 July 2019. This reduced operating expenses by $1.8m and increased interest expense as well as depreciation and amortisation.

LICENSEE SEGMENT (PARAGEM)

Profit and loss ($m)	FY20	FY19	FY18	2H20	1H20	2H19	1H19	2H18	1H18
Revenue	29.6	35.2	35.8	15.0	14.6	17.0	18.3	18.5	17.3
Direct Expenses	(26.6)	(32.2)	(32.6)	(13.5)	(13.1)	(15.5)	(16.7)	(16.8)	(15.8)
Gross Profit	**2.9**	**3.0**	**3.2**	**1.5**	**1.5**	**1.4**	**1.6**	**1.7**	**1.5**
Operating expenses	(3.5)	(3.2)	(3.0)	(1.8)	(1.6)	(1.6)	(1.6)	(1.6)	(1.4)
Underlying EBITDA	**(0.5)**	**(0.2)**	**0.2**	**(0.3)**	**(0.2)**	**(0.2)**	**(0.1)**	**0.1**	**0.1**
Interest expense and other non-operating items	(0.1)	0.0	0.0	(0.0)	(0.0)	-	-	-	-
(Loss)/profit before tax	**(0.6)**	**(0.2)**	**0.2**	**(0.4)**	**(0.2)**	**(0.2)**	**(0.1)**	**0.1**	**0.1**

IT SERVICES SEGMENT (AGILITY)

Profit and loss ($m)	FY20	FY19	FY18	2H20	1H20	2H19	1H19	2H18	1H18
Revenue	6.4	7.0	8.5	3.3	3.1	3.5	3.5	4.0	4.5
Direct Expenses	(4.7)	(4.9)	(5.8)	(2.1)	(2.6)	(2.7)	(2.3)	(2.8)	(3.0)
Gross Profit	**1.6**	**2.1**	**2.7**	**1.2**	**0.5**	**0.9**	**1.2**	**1.1**	**1.5**
Operating expenses	(2.5)	(2.6)	(2.7)	(1.4)	(1.1)	(1.1)	(1.5)	(1.3)	(1.4)
Underlying EBITDA	**(0.9)**	**(0.5)**	**0.0**	**(0.2)**	**(0.6)**	**(0.3)**	**(0.2)**	**(0.2)**	**0.2**
Depreciation and amortisation	(0.4)	(0.2)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)
(Loss)/profit before tax	**(1.3)**	**(0.8)**	**(0.3)**	**(0.4)**	**(0.9)**	**(0.4)**	**(0.3)**	**(0.3)**	**0.0**

CORPORATE SEGMENT

Profit and loss ($m)	FY20	FY19	FY18	2H20	1H20	2H19	1H19	2H18	1H18
Operating expenses	(3.2)	(2.4)	(0.7)	(1.7)	(1.5)	(1.3)	(1.1)	(0.4)	(0.3)
Interest income[1]	0.6	0.6	0.5	0.4	0.3	0.3	0.3	0.3	0.2
Underlying EBITDA	**(2.6)**	**(1.8)**	**(0.2)**	**(1.3)**	**(1.3)**	**(1.0)**	**(0.8)**	**(0.1)**	**(0.1)**
Other items									
Share based payment expenses	(4.4)	(2.1)	(1.5)	(3.3)	(1.1)	(1.0)	(1.1)	(0.7)	(0.8)
EBITDA	**(7.0)**	**(3.9)**	**(1.7)**	**(4.6)**	**(2.4)**	**(2.0)**	**(1.9)**	**(0.8)**	**(1.0)**
Discount on consideration	(0.1)	(0.4)	(0.6)	(0.1)	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)
Fair value gain on contingent consideration	0.9	1.1	2.4	0.1	0.7	0.4	0.7	2.2	0.2
Impairment of Agility	(1.0)	-	-	(1.0)	-	-	-	-	-
Depreciation	-	-	(0.5)	-	-	-	-	(0.2)	(0.2)
Abnormal corporate costs	-	-	(0.4)	-	-	-	-	(0.4)	(0.1)
(Loss)/profit before tax	**(7.2)**	**(3.1)**	**(0.8)**	**(5.5)**	**(1.7)**	**(1.6)**	**(1.5)**	**0.5**	**(1.4)**

1 As disclosed at 30 June 2019, from 1 July 2019 interest income has been shown as part of Underlying EBITDA in the Corporate segment to better represent income generation.

5. BALANCE SHEET

($m)	FY20	1H20	FY19	1H19	FY18	1H18	FY17
Assets							
Current assets							
Cash and cash equivalents	33.8	21.9	18.5	15.5	17.0	13.6	10.8
Trade and other receivables	10.0	8.6	7.6	5.8	5.1	4.9	6.9
Other current assets	1.8	1.2	0.8	1.5	0.8	0.6	0.6
Total current assets	**45.7**	**31.7**	**26.8**	**22.8**	**22.8**	**19.1**	**18.4**
Non-current assets							
Receivables	0.0	3.5	2.0	2.0	2.0	-	0.1
Office equipment	1.7	1.8	2.0	2.1	2.2	2.0	0.8
Intangible assets	40.0	38.8	37.1	34.3	32.0	29.3	28.1
Deferred tax assets	5.1	7.1	9.7	12.3	13.4	14.9	15.8
Right-of-use asset	5.4	6.3	-	-	-	-	-
Other non-current assets	0.0	0.0	0.0	0.0	0.0	2.0	0.0
Total non-current assets	**52.2**	**57.5**	**50.7**	**50.8**	**49.6**	**48.3**	**44.8**
Total assets	**97.8**	**89.2**	**77.5**	**73.5**	**72.4**	**67.4**	**63.1**
Liabilities							
Current liabilities							
Trade and other payables	5.4	2.9	3.4	4.0	5.2	4.6	8.1
Provisions	7.8	4.3	5.1	3.8	4.1	3.4	3.7
Lease liabilities	1.7	1.8	-	-	-	-	-
Other current liabilities	0.1	0.2	0.3	0.4	0.4	0.1	0.1
Total current liabilities	**14.9**	**9.2**	**8.7**	**8.2**	**9.7**	**8.1**	**11.9**
Non-current liabilities							
Provisions	1.5	1.1	1.0	1.0	1.9	0.8	0.7
Lease liabilities	4.4	5.0	-	-	-	-	-
Other non-current liabilities	2.2	2.4	2.9	3.8	2.9	7.0	6.8
Total non-current liabilities	**8.1**	**8.6**	**3.9**	**4.8**	**4.8**	**7.9**	**7.6**
Total liabilities	**23.0**	**17.8**	**12.6**	**13.0**	**14.6**	**16.0**	**19.5**
Net assets	**74.8**	**71.4**	**64.9**	**60.5**	**57.9**	**51.5**	**43.6**
Equity							
Issued capital	100.1	99.8	98.2	97.4	96.2	95.5	89.1
Reserves	49.7	28.9	18.3	13.1	9.0	3.3	4.1
Accumulated losses	(75.0)	(57.4)	(51.5)	(50.0)	(47.3)	(47.3)	(49.6)
Total equity	**74.8**	**71.4**	**64.9**	**60.5**	**57.9**	**51.5**	**43.6**

6. CASHFLOW

Statement of cashflows ($m)	FY20	FY19	FY18	2H20	1H20	2H19	1H19	2H18	1H18
Cashflow from operating activities									
Receipts from customers	116.8	102.2	93.2	60.8	56.0	51.2	51.0	48.8	44.4
Payments to suppliers/employees	(91.8)	(91.2)	(81.5)	(45.4)	(46.2)	(43.5)	(47.7)	(41.7)	(39.8)
Interest received	0.6	0.6	0.5	0.4	0.3	0.5	0.2	0.5	0.0
Other	(0.4)	0.0	0.0	(0.2)	(0.2)	-	-	0.0	-
Net cash inflow from operating activities	**25.3**	**11.6**	**12.2**	**15.5**	**9.9**	**8.2**	**3.4**	**7.7**	**4.6**
Cashflow from investing activities									
Payments for office equipment	(0.5)	(0.5)	(2.0)	(0.3)	(0.2)	(0.2)	(0.3)	(0.5)	(1.5)
Payments for acquisitions	(0.5)	(0.4)	(2.0)	(0.2)	(0.3)	(0.4)	-	(2.0)	-
Payments for intangible assets	(6.7)	(6.9)	(4.4)	(3.7)	(3.0)	(3.6)	(3.3)	(2.4)	(2.0)
Other	-	-	-	0.0	-	-	-	-	-
Net cash inflow from investing activities	**(7.7)**	**(7.8)**	**(8.4)**	**(4.2)**	**(3.5)**	**(4.2)**	**(3.5)**	**(4.9)**	**(3.5)**
Cashflow from financing activities									
Payments for capital raising costs	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Dividends paid	(3.8)	(3.4)	-	(2.2)	(1.6)	(1.3)	(2.2)	-	-
ORFR loan facility	2.0	-	-	3.5	(1.5)	-	-	-	-
Principal element of lease payments	(1.6)	-	-	(1.0)	(0.8)	-	-	-	-
Proceeds from exercise of options	1.2	1.1	2.3	0.3	1.0	0.3	0.8	0.6	1.7
Net cash inflow from financing activities	**(2.2)**	**(2.3)**	**2.3**	**0.5**	**(3.0)**	**(1.0)**	**(1.4)**	**0.6**	**1.7**
Net increase in cash and cash equivalents	15.3	17.0	6.1	11.9	3.5	3.0	(1.5)	3.3	2.8
Cash and cash equivalents at beginning of the year	18.5	18.5	10.8	21.9	18.5	15.5	17.0	13.6	10.8
Cash and cash equivalents at end of the year	**33.8**	**18.5**	**17.0**	**33.8**	**21.9**	**18.5**	**15.5**	**17.0**	**13.6**

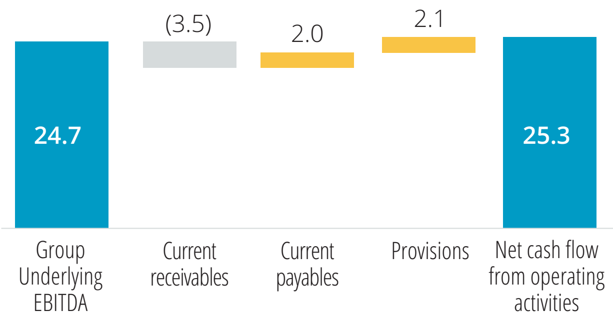
HUB24 continues to generate strong operating cashflows and maintains cash reserves significantly above regulatory capital requirements.

The Group has no debt and as part of our capital management strategy, during FY20 the Group entered into a $5 million working capital facility which remains undrawn.

Cash and cash equivalents at 30 June 2020 were $33.8 million (FY19 $18.5 million) and the company recorded positive cashflow from operating activities of $25.5 million for FY20 (FY19: $11.6 million).

Cashflow from operating activities year on year improved due to:

- a $14.6 million increase in cash receipts from customers as a result of higher trading volumes, higher cash balances and FUA growth in FY20 (14%); and
- a $1.8 million favourable benefit from the implementation of new accounting standard *AASB 16 Leases* on 1 July 2019 resulting from lease operating payments reallocated to cash flow from financial activities.



The increase in receivables of $3.5 million reflects the increased size of the Platform business, with receivables growing as revenue grows. At the end of the period there were Platform receivables that have subsequently been deducted from Platform user accounts (credit quality is high) in the following period. The timing of this collection means that the period end receivable will continue to grow in size as Platform revenue grows.

The increase in payables reflects the movement in volume driven supplier costs and Trade Creditors of $2.0 million. Provision was increased by $2.1 million in respect of employee entitlements including annual leave, long service leave and the short term incentive schemes. This increase largely reflects an increase in headcount.

The capitalisation rate of intangible assets has remained broadly steady this period, with development work continuing on HUBConnect and other client led Platform functionality.

HUB24 provides funding under a loan agreement to the Trustee of the HUB24 Super Fund for the purposes of meeting the Operational Risk Financial Requirement (ORFR) for the Fund in accordance with APRA Prudential Standard SPS114. Due to the change in Trustee from Diversa Trustees to a subsidiary of EQT Holdings Ltd (EQT) the ORFR Loan was repaid prior to 30 June 2020. Subsequent to year end the funds have been transferred to a subsidiary of EQT.

$1.2 million was received from the exercise of employee options and dividends of $3.8m were paid during FY20.

HUB24 continues to generate strong operating cashflows and maintains cash reserves significantly above regulatory capital requirements.