

# Netwealth FY2020 Annual General Meeting



28<sup>th</sup> October 2020

Our purpose is

To enable people to  
see wealth differently  
and discover a brighter  
future



# Chairman's address

Jane Tongs



# Netwealth's Board of Directors



Jane Tongs

Chairman and Non-Executive Director (joined 2000)

- Previously a partner at PwC specialising in the financial services sector
- Director of Cromwell Property Group, Warakirri Group, Hollard General Insurance and Brighton Grammar School



Michael Heine

Joint Managing Director (Executive Director)

- Founded Netwealth in 1999
- Previously founded Heine Investment Management which was sold to Mercantile Mutual (now ING) in 1999



Matt Heine

Joint Managing Director (Executive Director) (joined 2001)

- Has 20 years' experience in the wealth management industry
- Appointed as a Director in 2004 and Joint Managing Director in January 2015



Davyd Lewis

Non-Executive Director (joined 2009)

- Was a partner of Mallesons Stephen Jaques (now King & Wood Mallesons) for 20 years', specialising in M&A and Equity Capital Markets, until his retirement in 2008



Tim Antonie

Non-Executive Director (joined 2015)

- Commenced his career at Price Waterhouse (now PwC). Subsequently worked at a number of investment banks, including Managing Director at UBS
- Director of Breville Group Limited, Premier Investments Limited, and a principal of Stratford Advisory



Sally Freeman

Non-Executive Director (joined Oct 2019)

- Has over 25 years' experience as a Risk Consulting and Corporate Governance executive and was head of KPMG's National Risk Consulting Practice
- Director of Eastern Health and independent expert on the audit committee of Commonwealth Games Australia and Royal Children's Hospital

# Netwealth's management team



**Grant Boyle**

Chief Financial Officer and Joint Company Secretary (joined 2017)

- Over 30 years' experience in financial services and accounting
- Was most recently the CFO of EMR Capital
- Has held CFO/COO roles at BlackRock (Aus), Phillip Capital and Powerwrap



**John Hanrahan**

Chief Information Officer (joined 2012)

- Over 20 years' experience in financial services technology
- Previously led the Australian technology team for BlackRock



**Philip Coldwell**

General Manager, Product (joined 2011)

- Over 30 years' experience in financial services
- Previously was an owner and director of Integrity Financial Planners



**Rachel Axton**

General Manager, Legal, Risk and Compliance and Joint Company Secretary (joined 2016)

- Over 20 years' experience in financial services
- Previously managed CFS Custom Solutions Risk and Compliance team



**Alistair Densley**

General Manager, Operations (joined 2002)

- Over 15 years' experience in the financial services industry
- Previously held a leadership role in Netwealth's IT Development team



**Amanda Atkinson**

General Manager, Service Delivery & Support (joined 2004)

- Over 15 years' experience in the financial services industry
- Has led the investor services team for the past 12 years

# Today's presenters and agenda



Jane Tongs  
Chairman



Matt Heine  
Joint Managing  
Director



Davyd Lewis  
Chairman of  
Remuneration  
Committee

1. Chairman's address
2. Joint Managing Directors' address
3. Formal business

Our culture is value-driven

Curious  
Optimistic  
Collaborative  
Agile  
Genuine  
Courageous



# Financial and business highlights FY2020

## Financial Highlights FY2020



\$123.9M  
Total Income



\$43.8M<sup>1</sup>  
NPAT



17.9 cents<sup>1</sup>  
EPS



Dividend 14.7 cps  
Interim Dividend 6.9 cps  
Final Dividend 7.8 cps

## Business Highlights FY2020



\$31.5B FUA  
Growth \$8.2B (+35.0%)



81,804  
Accounts  
Growth 10,380 (+14.5%)



339  
Headcount  
Strategic increase of 68



ASX 200  
Inclusion from 23 September 2019

1. Underlying NPAT and EPS are prepared applying accounting standard AASB 117 Leases and to exclude non-recurring expenses for FY2019. Accounts have been stated in accordance with the new accounting standard AASB16 Leases, adopted from 1 July 2019. A reconciliation is provided in the 2020 Results Presentation Appendix. EPS has been calculated on the basis all performance shares and options currently on issue will vest in full.

EPS – Earnings per share  
CPS – Cents per share



# Strong financial and market position

1

Strong balance sheet

- low capital expenditure
- no debt
- significant cash reserves

2

High correlation between EBITDA and operating cash flow (99.4% conversion)

3

High level of recurring and growing revenue

4

Ongoing strategic investment across IT infrastructure, people and software

5

A leader in mass affluent, high net-worth and private wealth solutions

6

Australia's No 1 platform<sup>1</sup>

1. Investment Trends May 2020 Planner Technology Report & Investment Trends December 2019 Platform Competitive Analysis and Benchmarking Report

# COVID-19 response

Well positioned to meet the challenges presented by COVID-19 and subsequent economic disruption

- Staff successfully transitioned to remote working with limited disruption to service and operation and without a net increase to our operating costs
- In our recent annual staff survey, staff engagement score improved to 79% and productivity remains high
- High take up of online programs rolled out to support our staff including wellness, training and kids learning



# Compliance and governance

The Netwealth Board believes that sound governance is fundamental to the ongoing success and growth of Netwealth in the markets in which it participates

## The Netwealth Board

- Committed to always being ethical, transparent and accountable
- Created a framework of governance, culture and accountability for managing Netwealth
- Full corporate governance statement is available on the Company's website  
<https://www.netwealth.com.au/web/about-netwealth/shareholders/>

## Remuneration Framework

- Remuneration framework is targeted at driving excellence in customer service, integrity and a performance culture recognising the importance of suitably incentivising our staff
- Under Item 2 in the business of the meeting Davyd Lewis will present briefly on the remuneration report

## The Board

- Board is focused on having Directors with the right skills and culture for our company

Joint Managing  
**Directors' address**

Matt Heine



# Our strategy is to deliver



## Best-in-class technology

Market leading, home grown platform, agile and tailored to client needs



## Best-in-class service

Award winning, nimble and highly responsive – ‘we make our clients look good’



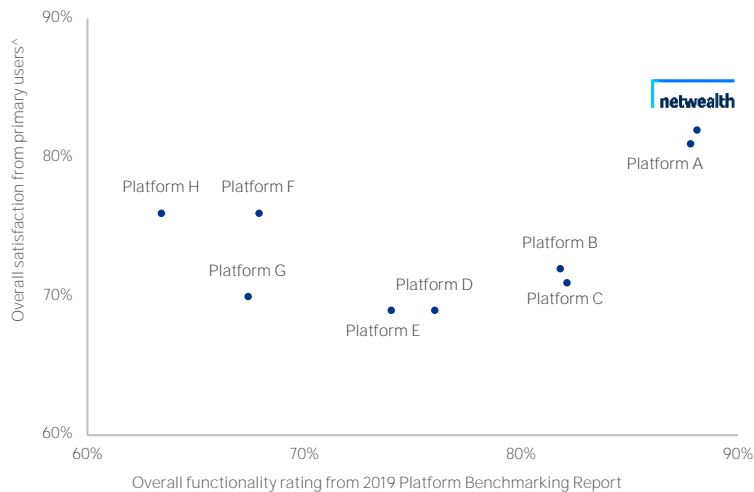
## Insights that matter

Provide deep insights to our clients and spot change that matters

# Australia's leading platform

Ranked No1 for overall platform functionality for the fifth year in a row and achieved the highest overall satisfaction score among primary users for the ninth year in a row, according to research by Investment Trends

Overall functionality score by overall satisfaction from primary users<sup>^</sup>  
Source: Investment Trends



<sup>^</sup>Based on planner rating in March 2020. Composite score: Weighted average using Very good=100%, Good=67%, Average=50%, Poor=17%, Very poor=0%



Also:

- Ranked 1st for digital wealth applications and services among wealth institutions by Investment Trends January 2020 Digital Wealth Report
- In the Adviser Ratings 2019 Financial Advice Landscape Report December 2019 Netwealth ranked 1st for: net promoter score, adviser experience, ongoing adviser support, overall functionality and client experience by Adviser Ratings
- Netwealth Super Accelerator product won Chant West Best Advised Product of the year for the 3rd year in a row

# Business Highlights Q1 FY2021



\$34.0B FUA

Growth PCP of \$8.7B (+34.4%)



\$8.1B FUM

Growth PCP of \$3.6B (+81.5%)



\$6.5B MA

Growth PCP of \$3.4B (+109.7%)



\$9.5B

FUA net inflows  
12 months to 30 Sep 2020



\$4.0B

FUM net inflows  
12 months to 30 Sep 2020

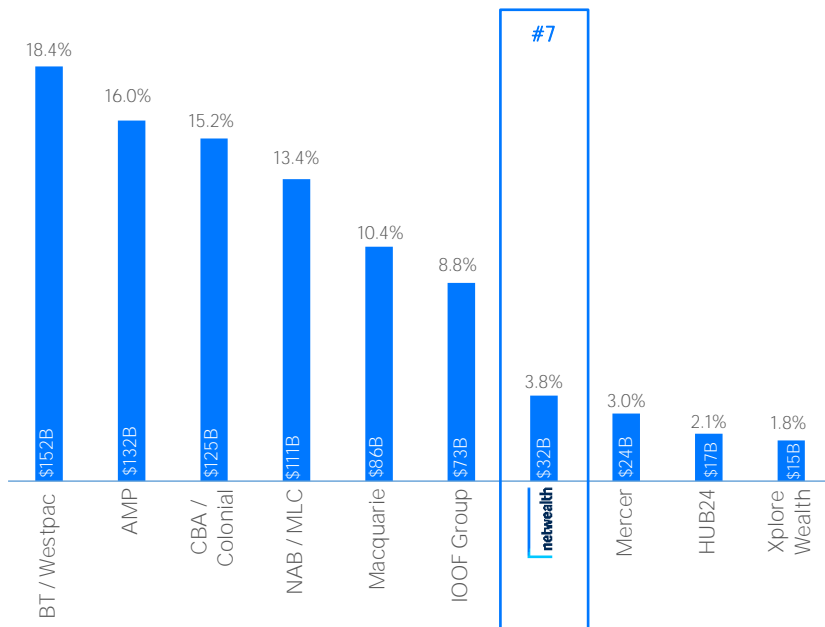


\$3.7B

MA net inflows  
12 months to 30 Sep 2020

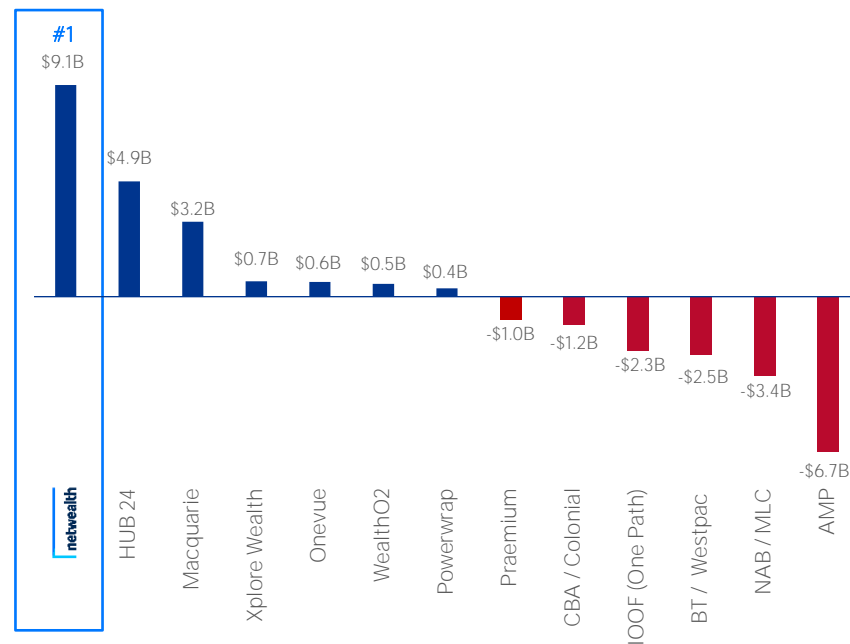
# Disruption = Opportunity

Platform providers by FUA market share<sup>1</sup>  
% market share (Jun 2020)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at June 2020

Platform provider net funds flows<sup>2</sup>  
\$'Billions (12 months to Jun 2020)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds 12 months to June 2020.

1. Total industry retail FUA of \$824.3B (as at Jun 2020)
2. Total net flows of +\$0.6B for 12 months to Jun 2020 (Not included above: Others of -\$1.8B)



# Trends shaping wealth management



The age of the digital client experience

+

From investment expert to wealth coach

+

Proliferation of advice technologies

=

A need to modernise the advice delivery model

Clients demand a digital experience that is equal to their 'last best experience' (which is often Amazon, Apple or the like)\*

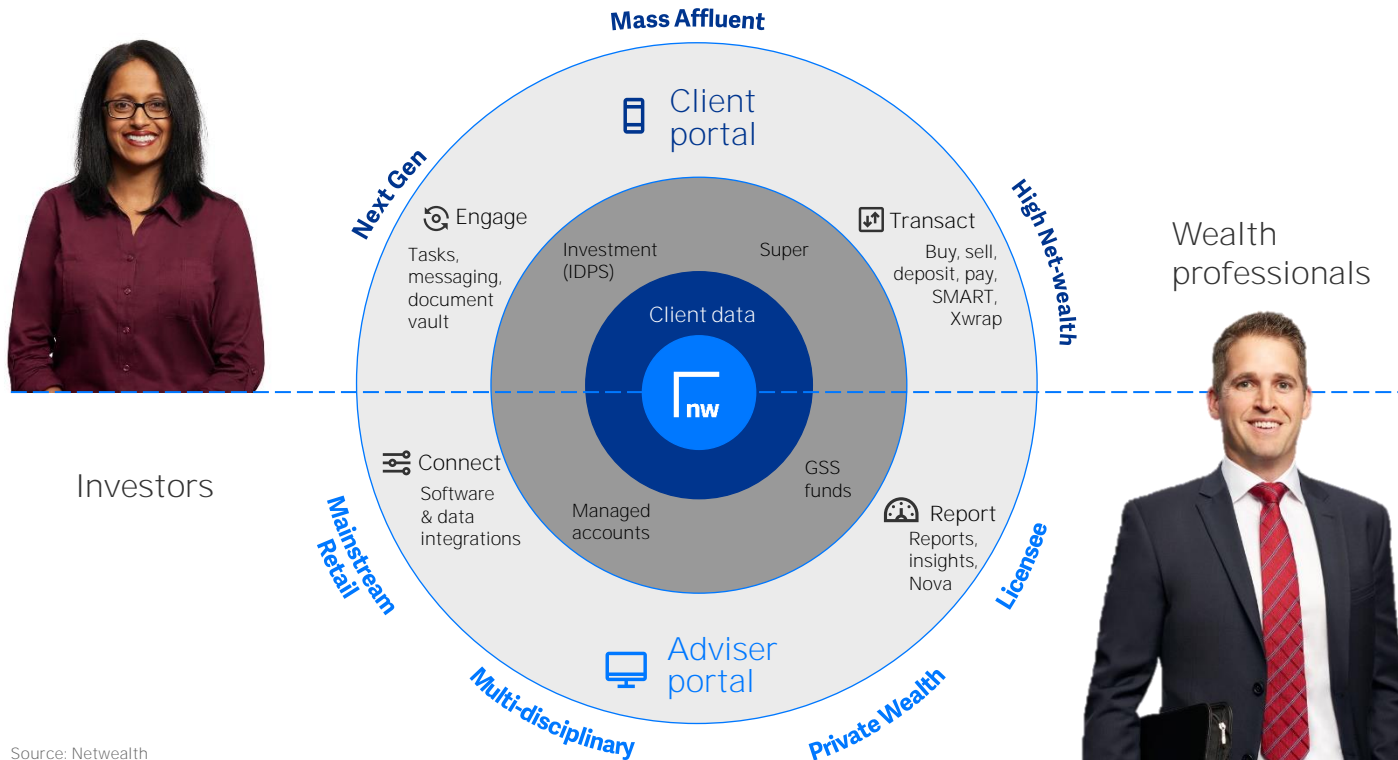
An increase focus on relationship services and wholistic client management – where client data critical to its execution

Technology 'stacks' are becoming more complex with regular overlaps between systems, whilst advice firms lack the expertise to integrate\*

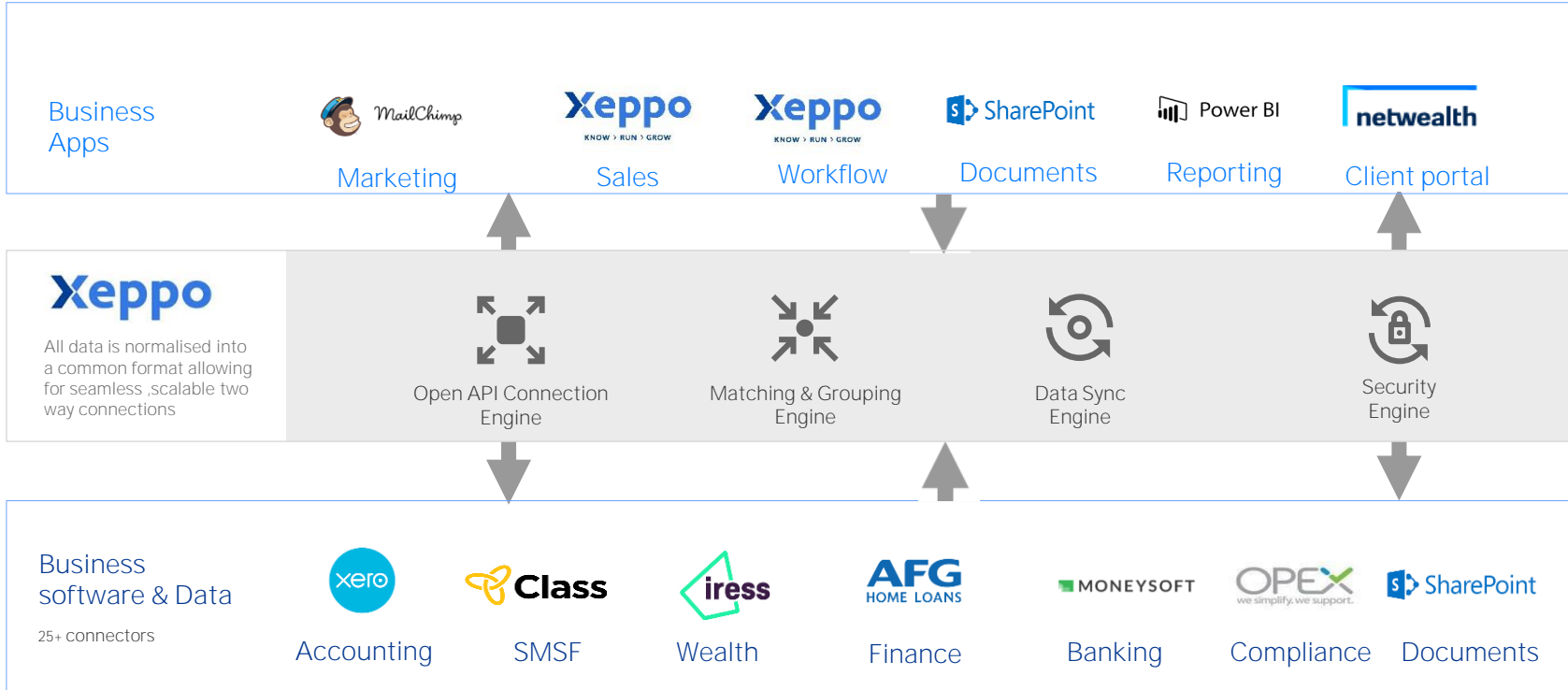
Margin squeeze as a result of increased compliance burdens, higher wages, fee for service models, etc. require radical rethinking of the operating model (and perhaps even the business model)

\* Covid-19 acceleration

# A single ecosystem for investors and wealth professionals



# Our strategic investment in Xeppo



# Our Flagship wealth products have evolved



## Accelerator Core

A cost-effective option with a range of index & diversified investment options.

Build diversified investment portfolios that are cost-effective using Netwealth's GSS funds and managed account models. Access professionally managed multi-sector, diversified and international investment portfolios run by quality managers with strong track records.

- Annuities
- Global Specialist Funds
- Managed Models
- 4x Term deposits
- Multiple Integrated Insurance



## Accelerator Plus

Investment choice from local and global opportunities.

Invest in ASX listed securities, including Exchange Traded Funds (ETFs), AREITs and listed investment companies. Also access international listed securities such as Nike, Apple and Nestle, over 400 managed funds, managed account models, term deposits and annuities.

### PLUS

- 350 + Wholesale Funds
- Global securities from 15 exchanges
- Domestic securities
- Managed Account
- Cash & Term Deposits



## Accelerator Plus with Premium options

For wholesale investors looking for a consolidated account and reporting solution.

Additional to the benefits of Accelerator Plus, you can access multi-currency trading, domestic and international bonds plus over 100 unregistered IM funds.

### PLUS

- Multi-currency trading
- Domestic and International Bonds
- NAB access Bonds
- Unregistered IM & Wholesale Funds
- And more...

# "On" & "Off" whole of wealth platform reporting

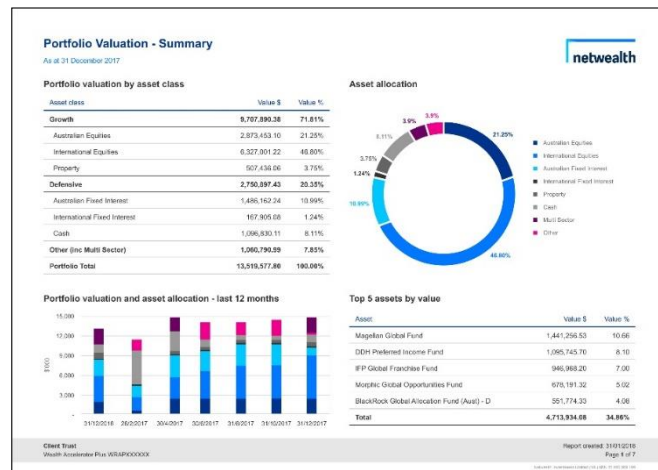
With Netwealth you and your clients will have access to unparalleled reporting and analysis tools.

- A wide range of business focused reports to assist in the efficient operation of your business.
- Consolidated client reporting for custodial and non-custodial assets.
- "Whole of wealth" views with external bank, super and share trading account data feeds.
- Visualise strategies and outcomes with a range of detailed and summary reports.

Reduce time spent with client reporting using our comprehensive suite of chart-based reports, that consolidate account information and can be white-labelled.

Administer and manage your **clients' non-custodial/off-platform assets** with a Netwealth XWrap account.

- Upload unit prices for non-custodial assets, such as commercial buildings, offshore investments and private equity and debt.
- Upload related transactions with narrations.
- Consolidate with other accounts for "whole of wealth" reporting.



# Introducing Netwealth's enhanced client experience

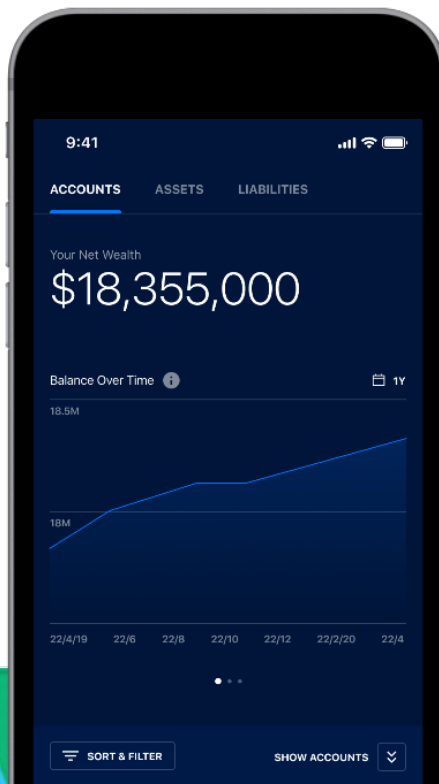
Secure mobile access to your most important wealth information

At Netwealth we are fully invested in a digital future to help both investors of all types – from next-generation to high net-worth clients.

We take our cues from financial organisations, but more importantly look for inspiration from leading technology companies like Google and Amazon.

Our latest innovation is the upcoming release of our mobile client portal app, with a breadth of features spanning beyond portfolio management.

The next generation of client portal will be mobile 1<sup>st</sup> and cater for the entire wealth needs of your clients – with document vaults, cashflow, goals, tasks and messaging.



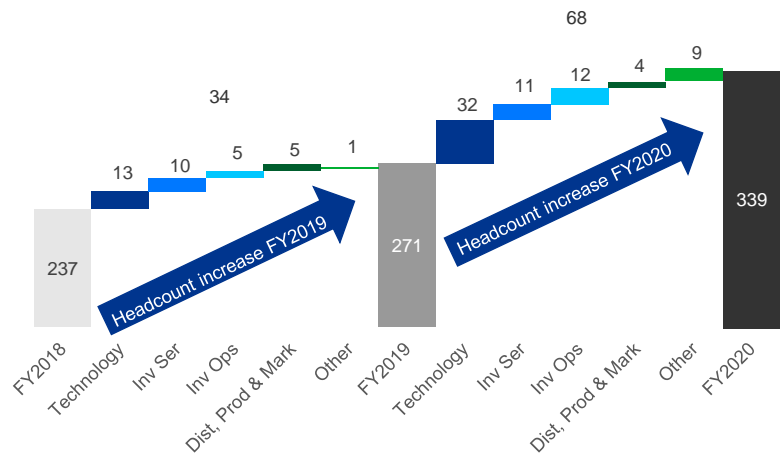
Coming soon

- Mobile 1<sup>st</sup>
- Super, property, bank feeds and off-platform assets for 'Whole of wealth' portfolio
- A range of other solutions

# Strategic investment in our people

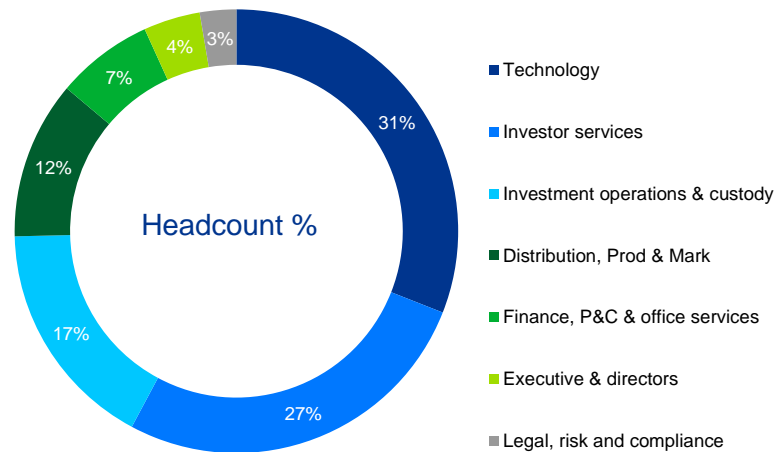
Across technology, operations and distribution to support continued scalability and innovation

Strategic increase in headcount, increase of 32 in Technology for FY2020 (10 Melbourne and 22 Vietnam)



Source: Netwealth

Headcount by function 30 June 2020

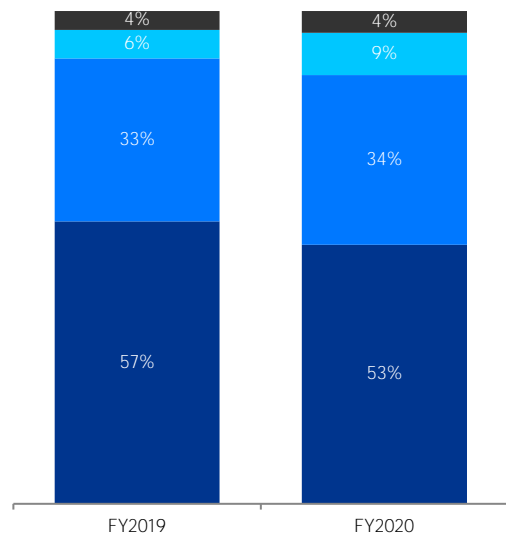


Source: Netwealth

# Platform revenue composition

Non-administration fee income percentage of platform revenue increased by 4% to 47% for FY2020

Platform revenue split FY2019 & FY2020



Source: Netwealth

- Administration fees
  - Wrap
  - Super
- Ancillary fees
  - Pool cash interest retained
  - Netcash
  - International equities admin
  - Managed model service
  - Fund manager service
  - Insurance admin
  - SMSF admin
  - Annuities
- Transaction fees
  - Brokerage
  - Share settlement
  - Managed account brokerage
  - FX margins
  - International
  - Offline transactions
  - IPO & Broker handling
- Management fees
  - NWL Funds
  - Managed Account



# Financial highlights FY2020

Focused on profitable & sustainable revenue growth



**\$123.9M**

Total Income  
Up \$25.1M (+25.5%)



**\$43.8M<sup>1</sup>**

NPAT  
Up \$7.8M (+21.7%)



**\$64.8M<sup>1</sup>**

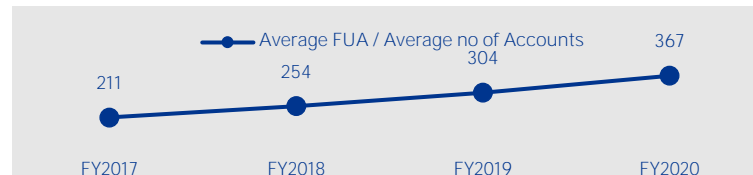
EBITDA  
Up \$12.9M (+24.8%)  
EBITDA margin 52.3%<sup>1</sup>



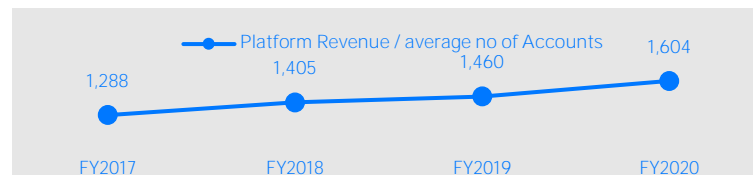
**17.9 cents<sup>1</sup>**

EPS  
Up 3.1 cents (+21.2%)

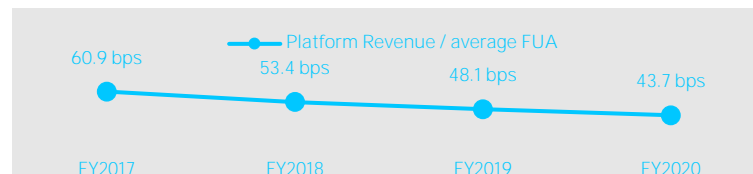
Average account size increased to \$367,000



Platform revenue per account increased to \$1,604



Platform revenue over average FUA of 43.7 bps



Source: Netwealth

1. Underlying EBITDA, EBITDA margin, NPAT and EPS are prepared applying accounting standard AASB 117 Leases and to exclude non-recurring expenses for FY2019. Accounts have been stated in accordance with the new accounting standard AASB16 Leases, adopted from 1 July 2019. A reconciliation is provided in the 2020 Results Presentation Appendix. EPS has been calculated on the basis all performance shares and options currently on issue will vest in full.

EPS – Earnings per share  
CPS – Cents per share

# Summary of business and financial highlights

## 1

### Track record of growth in FUA, FUM, revenue and profitability

- \$9.5B FUA net inflows for 12 months to 30 Sep 2020
- FUA of \$34.0B, up \$8.7B (+34.4%) on PCP
- FUM \$8.1B, up \$3.6B (+81.5%) on PCP
- Total income of \$123.9M, up \$25.1M (+25.5%) for FY2020
- Underlying EBITDA<sup>1</sup> of \$64.8M, up \$12.9M (+24.8%)
- Underlying EBITDA margin<sup>1</sup> of 52.3%
- Underlying NPAT<sup>1</sup> of \$43.8M and margin 35.3%

## 2

### “Whole of wealth” offering

- Focusing on a new digital client engagement mobile first offering
- Developing and evolving our revenue streams by expanding our product and service offering
- Provide our premium offering for sophisticated and HNW clients for greater investment flexibility and functionality

## 3

### New pricing launched

- New pricing launched to all members and investors bringing all clients to front book fee rates
- Clients are progressively migrating and all will be transferred by 31 Dec 2020
- Average Account size is increasing
- A reduction in annualised platform revenue over average FUA to 43.7bps

## 4

### Favourable industry trends

- The highest 12-month net funds flow in the industry for the ninth consecutive quarter<sup>2</sup>
- Market share position up to 7<sup>th</sup> overall<sup>2</sup>
- Ranked No1 for overall platform functionality and the highest overall satisfaction score among primary users by Investment Trends<sup>3</sup>
- Ranked 1<sup>st</sup> for net promoter score, adviser experience, ongoing adviser support, overall functionality and client experience by Adviser Ratings<sup>4</sup>
- All grandfathered commissions to end by 31 December 2020

## 5

### Strategic investment for the future

- Continue to investment in IT infrastructure, people and software
- Enhancing reporting, transactional capabilities and client service tools and channels
- Offer a range of services that are not widely available such as bonds, international trading with multi-currency trading and wholesale funds



### Exceptional cash generation

- Debt free
- Internal software and product maintenance and enhancement costs expensed

### Return to shareholders

- Annual dividend of 14.7 cents per share

1. Underlying EBITDA, EBITDA margin, NPAT and NPAT margin are prepared applying accounting standard AASB 117 Leases and to exclude non-recurring expenses for FY2019. Accounts have been stated in accordance with the new accounting standard AASB16 Leases, adopted from 1 July 2019. A reconciliation is provided in the 2020 Results Presentation Appendix.

2. Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds (June 2020).

3. Investment Trends – December 2019 Platform Competitive Analysis and benchmarking Report & Investment Trends – May 2020 Planner Technology Report (Primary users of the platform)

4. Adviser Ratings 2019 Financial Advice Landscape Report December 2019

PCP – prior comparative period Sep 2019 quarter

## In the community

Living our purpose and helping young Australians see wealth differently

This our 4<sup>th</sup> year of supporting Banqer as it expands into Australia, allowing Australian schools and over 20,000 students nationwide to access the Banqer platform free of charge.

Our joint mission is to help our primary school students be prepared for the financial world ahead.



In Sep 2020, for 4 weeks Netwealth innovated with 30 students from Swinburne University to develop, design and present tools that small businesses can use with their staff to innovate.

This is our 3rd year in a row teaming up with Swinburne.



# Questions

# Formal business



# Item 1

## Consideration of Netwealth Annual Reports

### **To receive and consider the Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June 2020.**

*The Financial Report, Directors' Report and Auditor's Report (the "Reports") for the year ended 30 June 2020 will be laid before the AGM. There is no requirement for a formal resolution on this item. However, the Chairman will allow reasonable opportunity to answer questions or review comments that have been made online by the shareholders on the operations and management with regard to the Reports. Shareholders can also raise questions online to ask the appointed Auditor representative questions about the content and conduct of the audit.*

# Address by Chairman of the Remuneration Committee - Davyd Lewis

- Short term incentives in the form of non-discretionary cash bonuses are generally limited to the sales and distribution team and the Joint Managing Directors. Netwealth only pays a discretionary cash bonus where the employee has made an exceptional contribution
- Long term incentives (LTI) last year, the Board rolled out a new LTI scheme designed to incentivise and retain staff



# Item 2

## Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That the Remuneration Report, which forms part of the Director’s Report for the year ended 30 June 2020, be adopted”*

### Proxy Votes Received

For	Open	Against	Abstain
64,720,711	544,474	205,549	105,628
98.85%	0.83%	0.31%	

\*Open votes totalling 491,141 (0.75%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 2.



# Item 3

## Re-election of Michael Heine as a director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That Michael Heine, a director of the Company, and being eligible and offering himself for election, be re-elected as a director of the Company”*

### Proxy Votes Received

For	Open	Against	Abstain
199,568,456	550,475	781,465	90,282
99.34%	0.27%	0.39%	

\*Open votes totalling 495,999 (0.25%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 3.

## Item 4

### Re-election of Timothy Antonie as a director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

*“That Timothy Antonie, being eligible and offering himself for election, be elected as a director of the Company”*

#### Proxy Votes Received

For	Open	Against	Abstain
192,610,047	550,475	7,130,770	699,386
96.16%	0.27%	3.56%	

\*Open votes totalling 495,999 (0.25%) in favour of the Chairman (whether by election or default) will be voted in favour of Item 4.

# Questions

Thank you

# Important notice and disclaimer

## General Information only

Information provided is general information presented in a summary format as at 28 October 2020, and is therefore not necessarily complete. This presentation is for informational purposes only and is not to be relied upon as advice to investors or potential investors. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Investors should not rely on this presentation to make any investment decision, and should make their own assessment, conduct their own research of Netwealth and the Netwealth Group and consider these factors with their legal, tax, business and/or financial adviser before making any investment decision.

## Forward-looking statements

This presentation may contain certain forward-looking statements with respect to the financial condition, operations and business of the Netwealth Group and certain plans and objectives of the management of Netwealth. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “plans”, “goals”, “targets”, “aims”, “outlook”, “guidance”, “forecasts”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of the Netwealth Group to be materially different from the results or performance expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Netwealth Group’s present and future business strategies, the political and economic environment in which the Netwealth Group will operate in the future and financial market conditions, which may not be reasonable, and are not guarantees or predictions of future performance.

No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved, or that there is a reasonable basis for any of these statements or forecasts. Forward-looking statements speak only as at the date of this presentation and to the full extent permitted by law, Netwealth, the Netwealth Group, and their respective affiliates and related bodies corporate and each of their respective related parties and intermediaries disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, but not limited to, any assumptions or expectations set out in the presentation).

## Past performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

## Financial data

All figures in the presentation are provided in Australian dollars. Financial data may be subject to rounding.

This document has been authorised for release by CFO and Company Secretary, Mr Grant Boyle.

For further information please contact:

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