

Praemium Limited 2021 Annual results

Investor presentation

16 August 2021



The platform of everything



Disclaimer

The material contained in this document is a presentation of general information about the Praemium Group's activities current as at the date of this presentation (16 August 2021) and is supplementary to the Group's financial results released to the ASX on 16 August 2021 and previous ASX filings as applicable.

It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice when deciding if an investment is appropriate.

This presentation may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to Praemium's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward-looking statements. Praemium does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Praemium's control. Past performance is not a reliable indication of future performance.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by the Praemium Group or any of its related bodies corporate.

Who we are

Praemium is a leading provider of managed accounts technology, portfolio administration and CRM/financial advice software for the wealth management industry

Our story

Software company founded in 2001

ASX listed in 2006 to launch the UK platform

Offices in Australia, the UK, UAE, Armenia, China and Hong Kong

Over 1,000 clients, across global financial institutions

Covering over \$170 billion in assets

Our products

Managed Accounts platform

The leading managed accounts provider in Australia, UK and international markets

Portfolio administration

Excellence in performance and tax reporting

CRM & financial planning

Cloud-based financial planning software

Investment management

Multi-asset, multi-currency model portfolios

Business highlights

Financial results

Looking forward

Q&A

Executive summary FY2021

A year of consolidation

- Takeover of Powerwrap Limited, our most significant acquisition
- Divestment of International business announced July 2021
- Conclusion of revenue headwinds while business managed through COVID

Investments in growth

- Extending our competitive edge with ongoing R&D investment
- Building our brand presence with expanded sales & marketing
- Supporting our growth and client experience through higher service

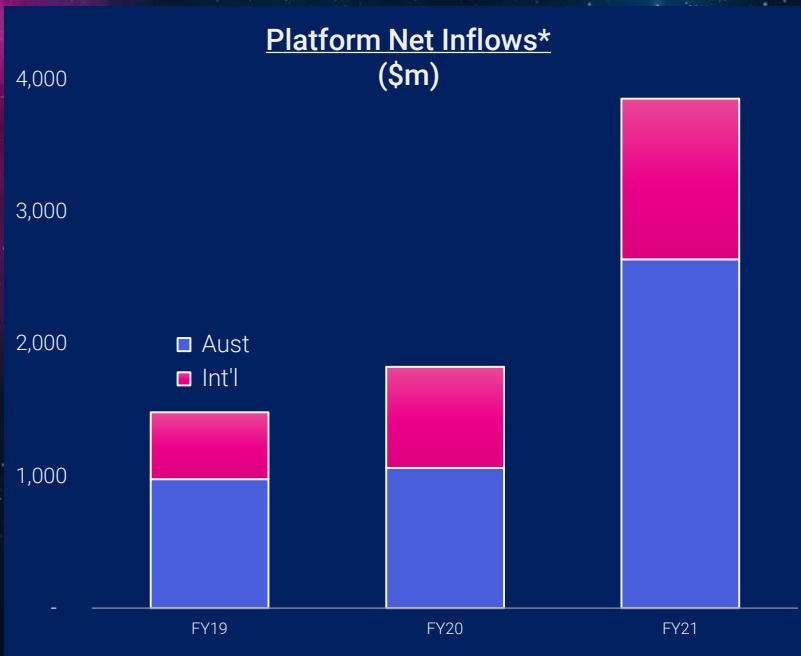
Strong momentum

- Record total funds under administration (FUA) of \$41.7 billion
- Record platform net inflows of \$3.8 billion*
- Strong momentum into FY2022

Record inflows and FUA

Record net inflows of \$3.8 billion*

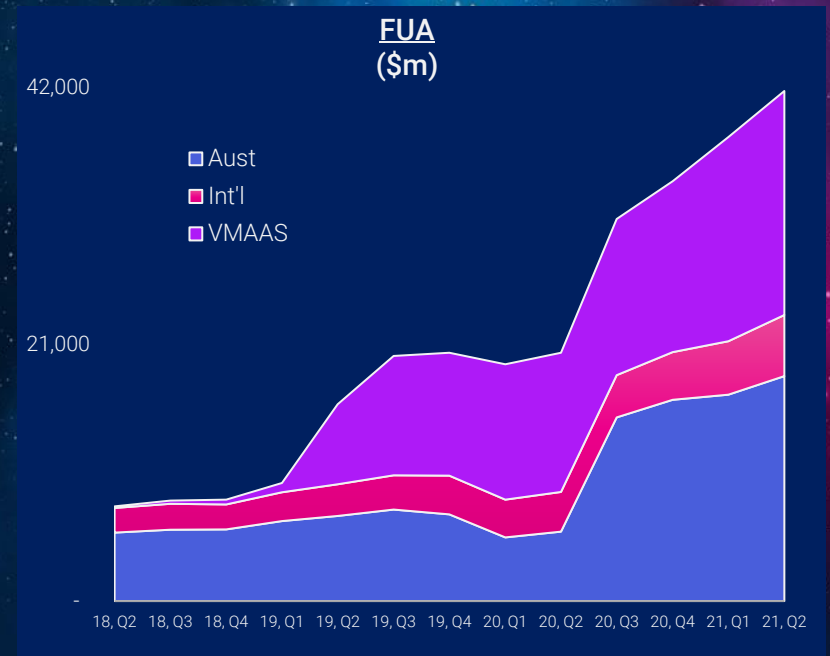
Australian platform inflows of \$2.6 billion
International platform inflows of \$1.2 billion



* Excluding major client transition

Record global FUA of \$41.7 billion

Platform FUA of \$23.4 billion, up 163%
VMAAS FUA of \$18.3 billion, up 61%



VMAAS: Virtual Managed Account Administration Service comprises non-custodial-FUA

The platform of everything

Leader in non-custodial

VMA, our unique proprietary technology

The most accurate portfolio and tax reporting engine

VMA Admin underpinned by the best SaaS reporting capability

Outsourced administration now proven and scalable

The One solution for comprehensive reporting and efficient administration

VMA: Virtual Managed Account

Managed Accounts expert

Next-generation Managed Accounts platform

Leading edge Adviser and Investor Portals

Full end-to-end digital process

ESG ethical managed investment solutions

Insights functionality through AI machine learning

The One platform for every asset, every client and every advice business

Addition of Powerwrap

Broad product suite for the complex needs of HNW clients

A unified platform for custodial & HIN-based portfolios

An independent, open-architecture platform designed specifically for the HNW market

Industry recognition

Platform benchmarks



- 3rd overall in Australia's *Investment Trends 2020 Platform Competitive Analysis and Benchmarking Report*

Winner in 9 categories, including Managed Accounts (Product Offering), Business Reporting, Integration and Non-Custodial Assets



- Praemium rated 3rd best overall platform in the UK's *The Lang Cat Platform Market Scorecard March 2021**

Awards



- Winner of Best Platform for Discretionary Fund Management at London's *Professional Adviser awards*
- Winner of Best International Platform at the *International Adviser Awards* in London for the 3rd consecutive year



- Winner of Digital Marketing Campaign of the Year and Marketing Executive of the Year at the *Financial Standard Marketing & Advertising Excellence (MAX) awards*

Business highlights

Financial results

Looking forward

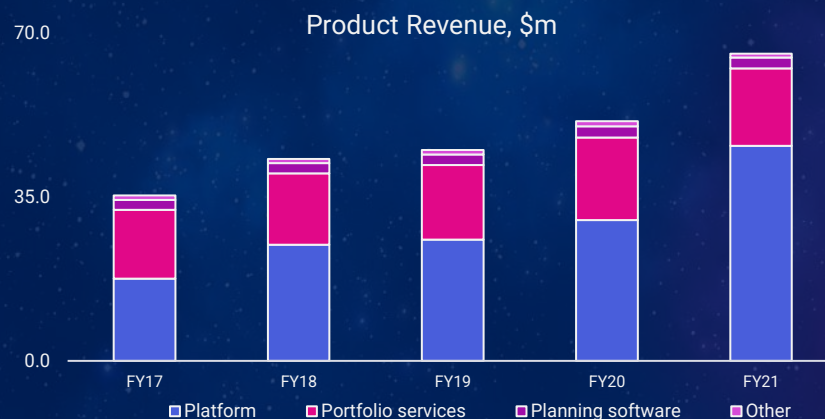
Q&A

FY2021 financial results

Group Financial Results	FY20 (\$m)	FY21 ⁽¹⁾ (\$m)
Revenue	51.2	65.6
Product commissions	(0.6)	(0.1)
Revenue (net)	50.6	65.5
Cost of operations	(10.6)	(19.7)
Gross margin	40.0	45.8
GM % of net revenue	79.0%	70.0%
Expenses:		
Information Technology	(6.1)	(7.5)
Sales & Marketing	(11.5)	(14.5)
General & Admin	(8.2)	(9.8)
Total expenses	(25.8)	(31.8)
EBITDA (underlying)	14.2	14.0
EBITDA %	28%	21%
Share schemes	(2.1)	(3.4)
D&A	(4.6)	(8.0)
EBIT	7.5	2.6
Acquisition & restructure ²	(1.3)	(3.4)
FX & other	1.6	4.1
NPBT	7.8	3.3
Tax	(2.9)	(1.8)
NPAT	4.9	1.5

Combining Praemium with Powerwrap

- Net revenue growth of 30% to \$65.5 million
- Gross margin up 15% to \$45.8 million
- Impact to gross margin% from inclusion of Powerwrap
- Underlying EBITDA of \$14 million, down 1%
- EBITDA margin of 21%



Investing in growth

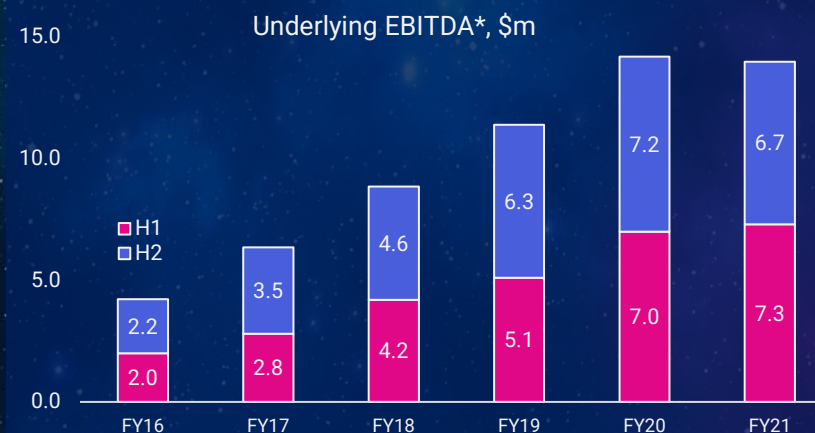
- Continued focus on sales & marketing
- Investment in operations to support growth and service
- Inherited Powerwrap cost base, synergies in progress
- NPAT of \$1.2 million, 75% decline from higher amortisation and acquisition costs

Half-on-half results

Group Financial Results (\$m)	H1, FY21	H2, FY21	FY21 ⁽¹⁾
Revenue	31.7	33.9	65.6
Product commissions	(0.1)	0.0	(0.1)
Revenue (net)	31.6	33.9	65.5
Cost of operations	(9.5)	(10.2)	(19.7)
Gross margin	22.1	23.7	45.8
GM % of net revenue	70.1%	69.7%	70.0%
Expenses:			
Information Technology	(3.2)	(4.3)	(7.5)
Sales & Marketing	(6.9)	(7.6)	(14.5)
General & Admin	(4.7)	(5.1)	(9.8)
Total expenses	(14.8)	(17.0)	(31.8)
EBITDA (underlying)	7.3	6.7	14.0
EBITDA %	23%	20%	21%
Share schemes	(1.7)	(1.7)	(3.4)
D&A	(3.6)	(4.4)	(8.0)
EBIT	2.0	0.6	2.6
Acquisition & restructure ²	(1.6)	(1.8)	(3.4)
FX & other	4.2	(0.1)	4.1
NPBT	4.6	(1.3)	3.3
Tax	(1.6)	(0.2)	(1.8)
NPAT	3.0	(1.5)	1.5

Growth in the 2nd half

- Revenue growth of 11% across all products
- Full half of PWL results, with stable trading volumes
- Consistent gross margin of 70%
- EBITDA margin of 20% from continued sales & marketing and PWL IT expenses



EBITDA to NPAT

- Amortisation includes software intangibles \$5.6m, lease assets \$1.6m and acquisitions \$0.2m
- Unrealised gain on PWL shares \$4.5 million
- Lower tax expense from inclusion of Powerwrap tax losses

Australian segment result

Australia results \$m	H1 FY21	H2 FY21	FY21	FY20	Change %
Platform	16.9	19.6	36.5	21.0	73%
Portfolio services	8.0	8.1	16.1	15.2	6%
Portfolio services (PWL)	0.4	-	0.4	2.5	(84%)
Planning software	0.1	0.0	0.1	0.1	(21%)
Revenue	25.4	27.7	53.1	38.8	37%
Expenses	(16.3)	(17.8)	(34.1)	(19.4)	76%
Segment EBITDA	9.1	9.9	19.0	19.4	(2%)
EBITDA %	36%	36%	36%	50%	
Corporate expenses	(0.5)	(0.6)	(1.1)	(1.1)	6%

Revenue growth of 37%

Platform revenue \$36.5 million, up 73%

- Powerwrap revenue \$16.3 million
- Praemium revenue growth of 15% (ex transition)
- Client transition impact of \$3.4 million

Portfolio services revenue \$16.1 million, up 6%

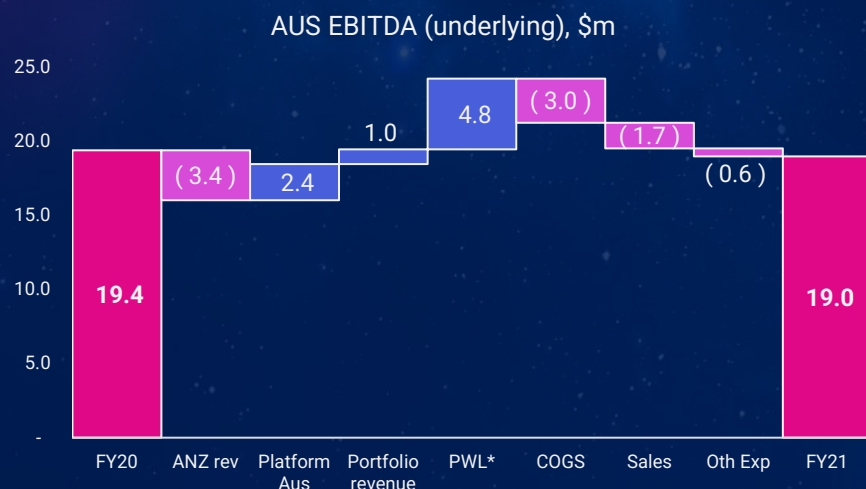
- VMA software revenue up 3%
- VMA admin revenue up 40%
- Powerwrap VMA revenue ceased upon acquisition

Addition of Powerwrap

- Average platform basis points of 22 (PPS 33, PWL 19¹)
- Gross margins of 75% (PPS 80%, PWL 65%)
- EBITDA margins of 36% (PPS 39%, PWL 29%)

EBITDA \$19.0 million

- Powerwrap contribution \$4.8 million
- \$3 million in annualised cost synergies achieved
- Investment in operations to support growth
- Investment in sales & marketing generating results



International segment result

International results \$m	H1 FY21	H2 FY21	FY21	FY20	Change %
Platform	3.5	4.6	8.1	6.2	30%
Platform (funds)	0.8	0.7	1.5	2.9	(47%)
Planning software	1.1	1.1	2.2	2.3	(1%)
Other	0.9	(0.1)	0.8	1.0	(27%)
Revenue	6.3	6.3	12.6	12.4	1%
Product commissions	(0.1)	(0.0)	(0.1)	(0.6)	(78%)
Revenue (net)	6.2	6.3	12.5	11.8	6%
Expenses*	(7.6)	(8.8)	(16.4)	(15.9)	2%
Segment EBITDA	(1.4)	(2.5)	(3.9)	(4.1)	(7%)

Revenue growth of 6% (net)

- Platform revenue up 30%, FUA up 55%
- Fund revenue down 47% from Smartfund cessation
- Consistent planning software revenue as Plum clients upgrade to WealthCraft

Reducing losses

Expenses up 2% from operational capability to support growth

EBITDA loss of \$3.9 million, 7% improvement:

- UK \$1.4 million loss, 27% improvement
- Asia \$0.9 million loss, 1% increase
- UAE cost centre \$1.6 million, up 17%

Cashflow (\$m)	FY20	FY21
Operating cashflow	14.4	12.6
R&D incentive	0.8	0.8
Tax paid	(2.0)	(4.2)
One-off costs	(1.1)	(3.3)
Net operating cashflow	12.1	5.9
Business acquisition (net)	-	1.2
Intangible capex	(4.9)	(6.8)
Equipment capex	(0.4)	(0.4)
Investments	(3.1)	(0.5)
Net investing cashflow	(8.4)	(6.5)
Net financing cashflow	(1.3)	11.3
Net cash movement	2.4	10.7
Opening cash	13.7	15.9
Unrealised FX	(0.2)	0.1
Closing cash	15.9	26.7

Strong cash generation

- Operating cashflow of \$12.6 million consistent with EBITDA, other than working capital
- Net operating cashflow of \$5.9 million, net of acquisition and restructuring costs
- Business acquisition net of \$14.6 million in cash acquired from PWL
- R&D capex of \$6.8 million from continuing projects across Australia & UK, plus PWL R&D project spend
- Financing cashflow includes funding loan drawdown, with \$13.6 million remaining over 3-year term

Balance sheet

Balance Sheet (\$m)	Jun'20	Jun'21
Cash	15.9	26.7
Receivables	6.5	9.0
Intangibles	12.0	63.6
Other assets	14.8	12.5
Assets	49.2	111.8
Tax liabilities	1.3	-
Borrowings	-	13.6
Other liabilities	17.3	18.1
Liabilities	18.6	31.7
Net Assets	30.6	80.1

One-off Costs (\$m)	FY20	FY21
Acquisition costs	0.4	1.6
Restructure costs	0.2	1.0
CEO departure	-	0.7
Arbitration costs	0.7	-
Total expense	1.3	3.4

Stable balance sheet

- Strong cash reserves
- Group regulatory cash requirement of \$12 million
- Intangibles increase includes \$47 million in goodwill from PWL acquisition
- Powerwrap tax losses of \$8 million able to be utilised in future periods
- Franking credits of \$12 million

One-off costs

- Acquisition costs from takeover of Powerwrap
- Restructure costs include Powerwrap integration and UK restructuring

Business highlights

Financial results

Looking forward

Q&A

Gaining share of Australian platform market

**\$915
billion¹**

Tailwinds for independent wealth management platforms

- Industry change from regulatory oversight, end of grandfathered commissions
- End of conflicted advice, a shift to independence as institutions exit wealth
- Advisers seeking independent, technically advanced platforms

Challenger platforms gaining market share

- Record \$2.6 billion in annual net inflows, 4th highest in 2021¹
- Combination of Praemium and Powerwrap broadens appeal to advice market
- 40% of *Barron's Top 100 Financial Advisors* already utilise Praemium

**1.8%
market
share¹**

**Well positioned
to address market**

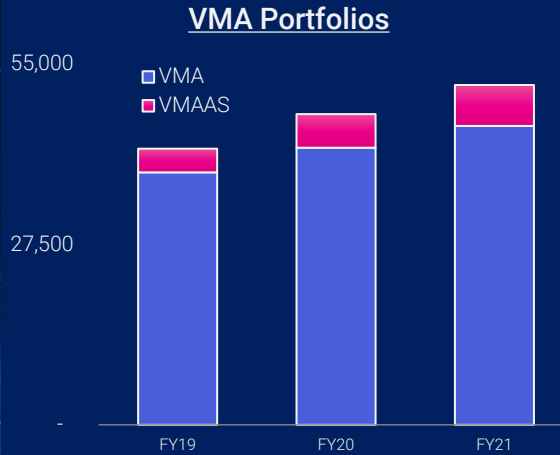
The Platform of Everything

- Enhancement of proposition to fully serve retail and HNWI markets
- Powerwrap acquisition to drive scale and merge best of both businesses
- Additional functionality across ESG, API integration and non-custody

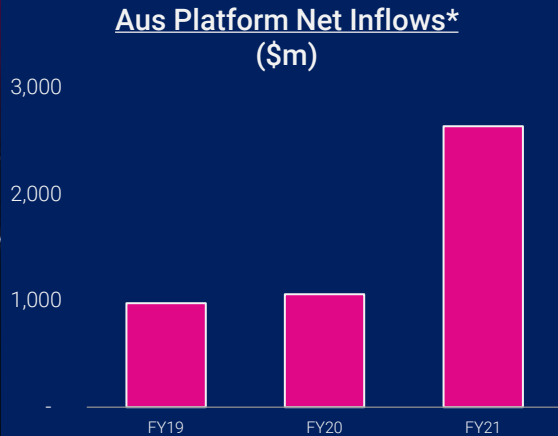
Strong momentum in FY2022

Australia accelerating underlying growth
July 2021 sets a new monthly record¹

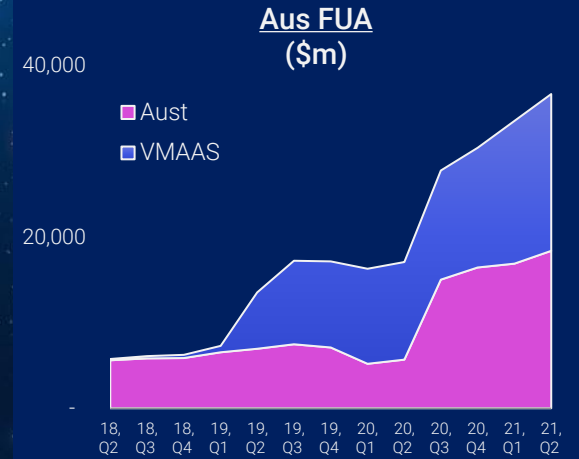
\$2.6 billion
149% increase in
net inflows



\$36 billion
115% increase
in total FUA



51,000+
VMA portfolios up 9%
VMAAS portfolios up 22%



*Excluding major client transition

Australia, the road ahead

Powerwrap
addition to
deliver scale

Merged Group now over \$36 billion FUA

- A strong position serving the complex needs of advisers
- Ability to serve clients across retail and HNWI market segments
- Leverage existing sales capacity to sell a combined offering

Looking forward

- Key drivers of growth:
 - With Powerwrap, capture a larger slice of the HNWI sector
 - Build on the platform sales momentum of the past 2 years
 - Continue to upsell SaaS clients into VMAAS
- Key profit drivers:
 - Complete majority of the Powerwrap integration in c2021
 - Drive efficiency gains for non-custody admin

**Investments now made to meet our faster growth rate
and to facilitate our larger business capacity**

**Underlying EBITDA expected to resume growing
at a rate above the rate of revenue growth**

Proposed divestment of International

Strategic review

Strategic review highlighted the technological leadership of the international platform and strong sales momentum

Marketplace undergoing significant structural change and consolidation

International business remains at a scale disadvantage to its key competitors

Decision to divest

External strategic review of International business recommended divestment

Praemium Board supports this recommendation

Proposed divestment will allow focus of financial and leadership resources on further accelerating our growth trajectory in the Australian platform market

Sale process

Deloitte Corporate Finance appointed to manage a formal sale process

Strong interest received from potential buyers

No certainty sale process will result in a binding transaction or decision / recommendation by Praemium Board to pursue any transaction

Further updates will be provided as the process progresses



contact us

Level 19
367 Collins Street
Melbourne, VIC 3000

T: 1800 571 881

E: support@praemium.com.au

W: praemium.com.au



twitter.com/praemium



[linkedin.com/praemium](https://www.linkedin.com/company/praemium)