

1H2022 Financial result

ASX Release – 16 February 2022

Record Underlying EBITDA and rated Number 1

1H2022 Highlights

- Funds Under Administration of \$56.7 Billion representing 46% growth to PCP¹
- Total Income of \$84.7 million an increase of 17.1% to PCP
- Record Underlying EBITDA (excluding Share Based Payments) of \$43.8 million at margin of 51.7%
- Operating Cash Flow² of \$45.7 million
- Increase in dividend to 10 cents per share
- Rated Number 1 Platform³ overall for 2021 reflecting increased investment in technology

| Financials | 1H2022 Actual | 1H2021 Actual | Change | % Change |
|---|---------------|---------------|---------------|--------------|
| Platform Revenue | 82.9 | 71.1 | 11.7 | 16.5% |
| Other Income | 1.9 | 1.2 | 0.6 | 51.6% |
| Total Income | 84.7 | 72.4 | 12.4 | 17.1% |
| Employee Benefits Expense | (31.0) | (23.4) | 7.6 | 32.4% |
| Share Based Payment Expenses | (1.9) | (0.3) | 1.5 | 499.0% |
| Other Costs & Expenses ⁴ | (9.9) | (8.1) | 1.8 | 21.8% |
| Total Operating Expenses⁴ | (42.7) | (31.9) | 10.9 | 34.2% |
| Underlying EBITDA | 42.0 | 40.5 | 1.5 | 3.6% |
| Underlying EBITDA Margin % | 49.5% | 56.0% | (6.5%) | - |
| Underlying EBITDA excluding non-cash share-based payments | 43.8 | 40.8 | 3.0 | 7.4% |
| Underlying EBITDA Margin excluding non-cash share-based payments % | 51.7% | 56.4% | (4.7%) | - |
| Underlying NPAT | 27.5 | 27.6 | (0.1) | (0.5%) |
| Underlying NPAT margin % | 32.4% | 38.2% | (5.8%) | - |
| Statutory NPAT | 27.1 | 27.6 | (0.5) | (1.8%) |
| Statutory NPAT margin % | 32.0% | 38.2% | (6.2%) | - |
| Underlying Operating net cash flow before tax and interest | 45.7 | 41.1 | 4.6 | 11.1% |
| Underlying EPS– diluted (cents) | 11.1 | 11.3 | (0.2) | (1.8%) |

1. PCP: prior comparative period 1H2021

2. Operating net cashflow and EPS excludes non-recurring cashflow items for 1H2022

3. Investment Trends December 2021 Platform Competitive Analysis and Benchmarking Report

4. Operating Expenses and Underlying EBITDA excludes \$0.5 million of legal and consulting costs which are not recurring in nature as they relate to acquisitions no longer pursued
 Operating net cashflow and EPS excludes non-recurring cashflow items for 1H2022
 EPS has been calculated on a dilutive basis to include all ordinary shares and have assumed all options and rights currently on issue has vested and converted to ordinary shares as of the beginning at the period
 \$M unless otherwise stated

1H2022 financial results highlights (PCP)

- Total Income of \$84.7 million (\$72.3 million) an increase of \$12.4 million or 17.1% to PCP. Platform Revenue of \$82.9 million (\$71.2 million), an increase of \$11.7 million or 16.5% to PCP.
- Operating net cash flow before tax and interest² of \$45.7 million.
- Underlying EBITDA excluding non-cash share-based payments expense of \$43.8m (\$40.8m), an increase of 7.4% to PCP. Underlying EBITDA margin excluding non-cash share-based payments expense of 51.7% (56.4%) for 1H2022.
- Statutory NPAT of \$27.1 million.
- Total Operating Expenses of \$43.3 million (\$31.9 million), an increase of \$11.4 million to PCP, up 35.8% (including increase in employee benefits of \$7.6 million, up 32.4% to \$31.0 million for 1H2022). Headcount at 31 December 2021 of 457 with an additional 55 roles added in 1H2022. All employee costs were expensed. 1H2022 includes costs (\$0.5m) that have been expensed for legal fees and due diligence relate to M&A transactions which are unlikely to proceed. Total Underlying Operating Expenses of \$42.7 million.
- Today the board declared a fully franked interim dividend of 10 cents per share totalling \$23.2 million for 1H2022. The dividend is payable on 24 March 2022. The ex-dividend date is 23 February 2022.

| Platform Statistics | 1H2022 Actual | 1H2021 Actual | Change | % Change |
|--|---------------|---------------|--------------|--------------|
| Funds Under Administration | | | | |
| FUA (EOP) | 56,654 | 38,799 | 17,856 | 46.0% |
| Fee Paying FUA % (EOP) | 63.5% | 63.4% | 0.2% | 0.3% |
| FUA net inflows | 7,636 | 4,468 | 3,168 | 70.9% |
| Funds Under Management | | | | |
| Managed Account (EOP) | 11,703 | 7,603 | 4,099 | 53.9% |
| Managed Funds (EOP) | 2,114 | 1,711 | 403 | 23.5% |
| FUM (EOP) | 13,817 | 9,315 | 4,502 | 48.3% |
| Managed Account net inflows | 1,508 | 1,335 | 173 | 13.0% |
| Managed Funds net inflows | 220 | 195 | 26 | 13.1% |
| FUM net inflows | 1,729 | 1,530 | 199 | 13.0% |
| Platform Revenue / average FUA (bps) | 31.7 | 40.5 | (8.8) | (21.7%) |
| Platform Revenue / average number of accounts (\$) | 1,609 | 1,666 | (57) | (3.4%) |
| Accounts (EOP number) | 107,103 | 88,189 | 18,914 | 21.4% |
| Financial intermediaries (EOP number) | 3,254 | 2,982 | 272 | 9.1% |

\$M unless otherwise stated

EOP – End of Period

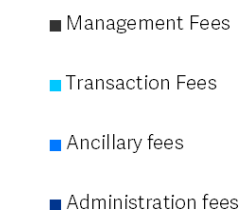
Net Inflows exclude market movement

1H2022 business results highlights (PCP)

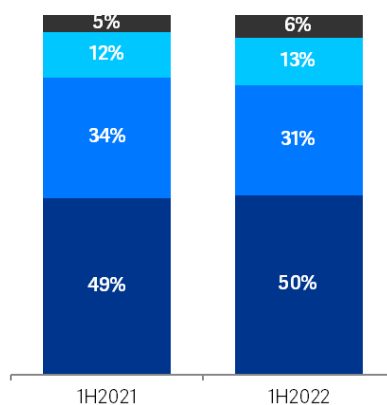
- Funds Under Administration (FUA) at 31 December 2021 of \$56.7 billion, a record half year increase of \$9.5 billion (20.2% increase) for 1H2022, delivered by strong FUA net inflows of \$7.6 billion and positive market movement of \$1.9 billion for the half year.
- Growth in FUA of \$17.9 billion (46.0% increase) for the 12 months to 31 December 2021, includes \$13 billion FUA net inflows and \$4.9 billion positive market movement.
- Funds Under Management (FUM) at 31 December 2021 of \$13.8 billion increased by \$4.5 billion (48.3% increase) for the 12 months to 31 December 2021.

- Managed Account FUM at 31 December 2021 of \$11.7 billion, increased by \$4.1 billion (53.9% increase) for the year to 31 December 2021. Managed Account net inflows of \$1.5 billion for 1H2022.
- Netwealth’s revenue composition for 1H2022 further diversified with Transaction fees and Management fees increasing to 13% and 6% respectively of platform revenue. Management fee income increased to 6%, due to increase in FUM and investment products offered, including Managed Accounts on the platform.

Platform revenue split 1H2021 & 1H2022



Source Netwealth

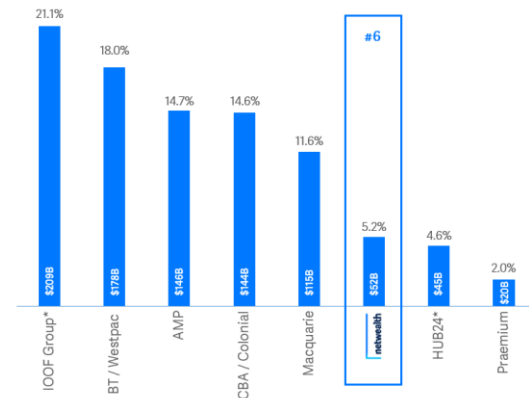


- For 1H2022, the average annualised platform revenue earned per member account increased to \$1,609, from \$1,551 in 2H2021.
- Average account size increased to \$529,000 at 31 December 2021, up from \$440,000 at 31 December 2020.
- Platform revenue/average FUA of 31.7 bps for 1H2022, decreased by 2 bps (5% decrease) compared to 2H2021, primarily due lower average cash client cash holdings and larger account sizes (including institutional accounts)
- Client Accounts of 107,103, increased by 18,914 accounts (21.5% increase) to PCP.
- 3,254 Financial Intermediaries using the platform at 31 December 2021, increased 9.1% to PCP.
- Employee Benefit Expenses increased by 32.4% to \$31.0 million for 1H2022, predominately reflecting significant investment in the technology and operations teams during FY2021 (42 head count) and 1H2022 (24 head count in technology), and a step change investment in our Operations teams (24 HC) to support higher Inflows, client numbers and FUA balances.
- Share Based Payments Expense increased by \$0.3m to \$1.9m this year. \$0.5 million due to reassessment of Share Based Payments from prior years due to improved financial performance and \$1.1 million as a part of this year’s grant of options and performance rights to around 100 staff.

Australia's best rated and fastest growing platform

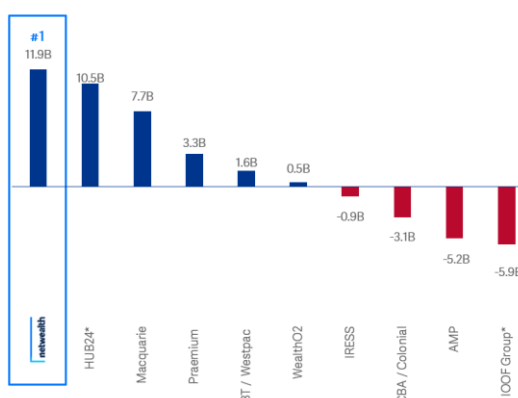
- In the Investment Trends, December 2021 Platform Competitive Analysis and Benchmarking Report Netwealth ranked first for platform overall. Netwealth also ranked number 1 for the important categories of Reporting and Transaction Tools
- We are rated No.1 by our clients for providing exceptional service*.
- In the latest Plan for Life quarterly platform market update:
 - Netwealth was the fastest growing platform operator in the industry by net inflows over the 12 months to 30 September 2021, with FUA increasing by 53% or \$17.9 billion;
 - Netwealth recorded the largest FUA net inflows of \$11.9 billion for the 12-month rolling period to 30 September 2021; and
 - Netwealth was the 6th largest platform provider and increased its market share by 1.2% for the year to 5.2% at 30 September 2021.

**Platform providers by FUA market share
% market share (Sep 2021)**



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2021
Total Industry retail FUA of \$990.1B (as at Sep 2021)
*IOOF Group includes acquisition of MLC, HUB 24 Includes acquisition of Xplore Wealth

**Platform provider net funds flows
\$ Billions (12 months to Sep 2021)**



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2021
Total net flows of +\$21.5B (Not included above: Others of +\$1.0B)
*IOOF Group includes acquisition of MLC, HUB 24 Includes acquisition of Xplore Wealth

Update on strategic investment in technology and operations

- In 1H2022 we have increased our technology team by 24 and our operations and service team by 24. This step change in investment is to ensure we maintain our market leadership and can deliver a high level of service and platform innovation as we continue to grow rapidly.
- In line with the above we have also invested in our core operating systems and IT infrastructure to ensure we maintain efficiency and scalability.
- In 2H2022 we will continue investing in these important functions by adding new staff, with the goal of both driving new revenue streams, and putting in place the foundation to support an extended period of strong net flows.

Commentary and outlook

- Netwealth's growth has continued to accelerate in 1H2022 and we expect to benefit from ongoing industry consolidation and change.
- Netwealth expects to benefit from growth in its affluent, high net-worth and private wealth groups as its platform functionality supports and enables the unique and differentiated needs of the segment. As part of our ongoing commitment to these market segments, Netwealth will be launching a major upgrade to the Netwealth wealth accelerator service and adding a new non-custodial administration and reporting solution during Q4 2022.
- In FY2022 we have strategically stepped up our investment in our technology and operations teams to ensure that we continue to innovate and maintain our scalability and service levels as we grow rapidly. This investment will enable us to maximise the opportunity and our success in growing our clients, market share and profitability.
- The balance of the Netwealth cash transaction account has reduced during 1H2022 to 6.1% of FUA at 31 December 2021. As disclosed previously, Netwealth's agreement with ANZ with respect to the deposit of the total pooled client cash transaction accounts will reduce from 95bps to 50bp in March 2022. The expected lower cash holding and lower margins will result in lower cash revenue in 2H FY2022.
- In the event that the RBA rates return to 50bps, we would expect our margin to exceed the 105bps we are currently earning and positively impact 2023 and beyond.
- For FY2022, our FUA net inflow guidance is forecast to exceed \$13.5 billion.
- Finally, and importantly, Netwealth remains in a very strong financial position supported by:
 - A diversified and robust sales and transition pipeline;
 - High profitable, with strong EBITDA margin;
 - A very high correlation between EBITDA and operating cashflow, resulting in exceptional cash generation;
 - Very high levels of recurring revenue, which results in predictable revenue; and
 - Very low capital expenditure, no debt and significant cash reserves.

About Netwealth

Netwealth was created with an entrepreneurial spirit to challenge the conventions of Australia's financial services. We are a technology company, a superannuation fund and an administration business. Above all we exist to inspire people to see wealth differently and discover a brighter future.

Founded in 1999, Netwealth is one of the fastest growing wealth management businesses in Australia.

We are rated No.1 by our clients for providing exceptional service*.

Our financial products are:

- superannuation including accumulation and retirement income products;
- investor directed portfolio services for self-managed super and non-super investments;
- managed Accounts; and
- managed Funds.

Netwealth's digital platform supports how our financial products are delivered to market. For instance, via the platform, financial intermediaries and clients can invest and manage a wide array of domestic and international products.

The platform is built, developed and maintained by our technology team. It is continuously enhanced using feedback from financial intermediaries, clients and other users and receives wide industry recognition as having market-leading functionality.

Supporting our financial products and technology platform is a significant investment in our people and resources to administer support, risk and governance and our custodial services.

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

For further information please contact:

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*Investment Trends, May 2021 Planner Technology Report