

# December 2022 quarterly business update and outlook

ASX Release – 19 January 2023

## FUA half year net inflows of \$5 billion and increased interest rate margin

- Funds Under Administration (FUA) at 31 December 2022 of \$62.4 billion, an increase of \$4.3 billion (7.4% increase) for the December quarter comprising FUA Net Inflows of \$2.1 billion and positive market movement of \$2.2 billion.
- FUA Gross Inflows of \$4.1 billion for the December quarter were partially offset by larger than usual outflows in the High Net Worth (HNW) investors and mid-market segment. A higher proportion than average of the outflows was non-administration fee paying.
- FUA increased \$5.8 billion (10.2% increase) for the 12 months to 31 December 2022 despite negative market movement of \$4.6 billion.
- Funds Under Management (FUM) at 31 December 2022 of \$14.4 billion, an increase of \$0.9 billion (7.0% increase) to prior quarter.
- FUM Net Inflows of \$0.4 billion for the December quarter.
- Managed Account balance of \$12.2 billion at 31 December 2022, an increase of \$0.7 billion (6.5% increase) to prior quarter.
- SMSF Adviser announced Netwealth as the winner in the Advice Platform Provider category in the 2022 SMSF Awards. The award recognises Netwealth's success in creating a platform that provides high quality service and meeting the evolving needs of the SMSF industry.

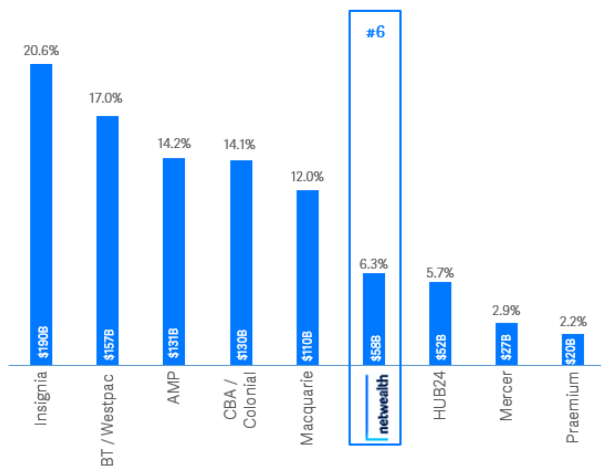
### Platform Cash Account Margin Changes

- Effective from 1 January 2023, the margin on the balance of Netwealth Cash transaction account is expected to be approximately 1.35%, an increase from the previous margin of between 1.15% and 1.20%.
- The rate payable to clients on their cash transaction accounts remains unchanged at RBA Target rate less 65bps.

## Platform growth and performance

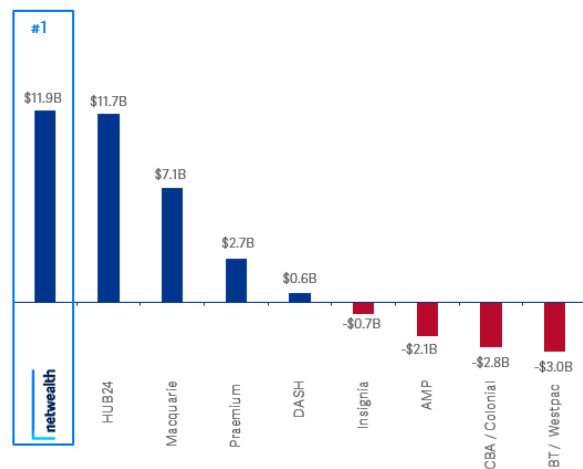
- Netwealth accounted for 47% of industry net funds flows with total net inflows of \$11.9 billion for the 12 months to September 2022.
- Netwealth’s market share increased to 6.3% at 30 September 2022, up 1.1% for the 12 months to 30 September 2022.

Platform providers by FUA market share % market share (Sep 2022)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2022  
Total industry retail FUA of \$921.6B (as at Sep 22)

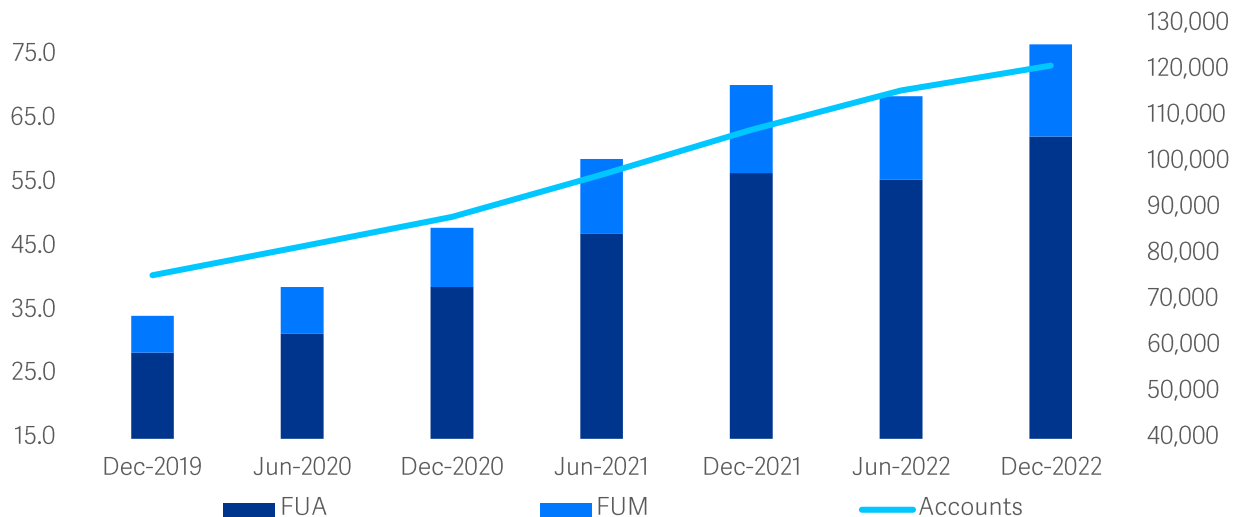
Platform provider net funds flows \$'Billions (12 months to Sep 2022)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2022  
Total net flows of +\$25.3B (Not included above: Others of \$0.1B)

## Growth in FUA, FUM & Accounts

\$ Billions



Source; Netwealth

## Quarterly platform statistics

	Dec-2021	Mar-2022	Jun-2022	Sep-2022	Dec-2022	Growth*
<b>Funds Under Administration</b>						
Funds Under Administration	56,654	57,585	55,652	58,103	62,414	10.2%
Fee Paying FUA %	63.5%	64.0%	65.4%	65.0%	64.6%	
FUA Inflows	4,824	3,953	4,542	4,656	4,115	(14.70)
FUA Outflows	(1,223)	(1,317)	(1,825)	(1,719)	(2,028)	65.7%
FUA Net inflows	3,601	2,636	2,717	2,937	2,087	(42.0%)
Market movement	1,095	(1,705)	(4,650)	(486)	2,223	
<b>Non-Custodial Administration</b>						
Total	-	-	-	-	33	N/A
<b>Funds Under Management</b>						
Managed Account	11,703	11,747	11,170	11,479	12,229	4.5%
Managed Funds	2,114	2,047	1,908	2,020	2,211	4.6%
<b>Total FUM</b>	<b>13,817</b>	<b>13,794</b>	<b>13,079</b>	<b>13,499</b>	<b>14,440</b>	<b>4.5%</b>
Managed Account net inflows	779	437	376	624	244	(68.7%)
Managed Funds net inflows	62	25	18	208	120	94.31%
<b>FUM net inflows</b>	<b>841</b>	<b>462</b>	<b>394</b>	<b>832</b>	<b>364</b>	<b>(56.7%)</b>
Accounts (number)	107,103	111,130	115,642	118,464	121,032	13.0%

All figures in \$millions unless otherwise stated

All figures provided are unaudited & net flows do not include market movement

\* Growth is the percentage increase on prior year corresponding quarter

- The balance of the Netwealth Cash transaction account was 6.9% of FUA at 31 December 2022.
- Member accounts at 31 December 2022 were 121,032, an increase of 2,568 accounts (2.2% increase) for the quarter.
- Q2 Net Inflows did not include any flows that would be classified as Institutional Accounts.
- The fee paying FUA % reduced slightly due to positive market movement in the quarter.

## Business Update and Outlook

- In FY2022 we strategically stepped up our investment in people and technology to further enhance our platform capability and service levels for existing and new clients. The impacts of the FY2022 initiatives, combined with returning to a post-covid business environment has resulted in our expenses increasing in 1H2023.
- Investment in our people has continued into FY2023, albeit at a significantly slower rate than 1H2022, with 27 new headcount added in 1H2023 compared to 55 in the PCP.
- The most significant increases in non-employment expenses 1H2023 compared to PCP, were in Information Technology and Communications expenses (\$3.3m), Product and Marketing expenses (\$1.1m) and Travel and Entertainment (\$0.5m).
- The uncertain economic environment coupled with recent changes in financial market sentiment has adversely impacted both:
  - the timing of committed transitions and subsequent inflows in 1H2023: and
  - the quantum of outflows for the December quarter (\$2 billion) which were proportionally above average due to some HNW and mid-market / institutional account holders partially withdrawing funds.
- Our pipeline and win rate for new business remains very strong across all key market segments. We have been successful in securing a number of significant new licensee relationships which will start transitioning and funding new accounts in the current half of the financial year.
- Given the net inflows in 1H2023 of \$5 billion, and above commentary, we update our FUA net inflows guidance for FY2023 forecast to approximately \$11 billion, subject to timing of transitions and no further deterioration in macro and geopolitical environment.
- During the quarter, Netwealth continued to on-board clients who are piloting our new “Multi Asset Portfolio service” (“MAPs”) (currently fee free basis) and we are on track to formally launch the product to broader market during the first quarter of 2023. The level of interest from existing and new clients is very strong.
- The Netwealth mobile integration with Xeppo is being piloted with a number of licensees. The service allows financial advisers who are using multiple platforms to provide their clients with a consistent and consolidated digital experience via the netwealth mobile app.
- Netwealth launched a new ‘Activities and Tasks’ feature which allows advisers and clients to easily view, approve and manage important tasks and alerts driving efficiency and engagement.

Netwealth remains in an excellent financial position:

- Highly profitable, with strong EBITDA margin;
- A very high correlation between EBITDA and operating cashflow, resulting in strong cash generation;
- Very high levels of recurring revenue, which results in predictable revenue; and
- Low capital expenditure, debt free and significant cash reserves.

## About Netwealth

Netwealth is a financial services company listed on the Australian Securities Exchange (ASX: NWL). Netwealth was created with an entrepreneurial spirit to challenge the conventions of Australia's financial services.

We are a technology company, a superannuation fund trustee, 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 overall satisfaction\*.

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;
- managed funds;
- self-managed superannuation funds administration; and
- non-custodial administration and reporting services

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

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, execute both custodial and non-custodial services and manage risk and governance.

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 2022 Adviser Technology Needs Report