

Netwealth's NPAT increases by 24.1% to \$83.4 million

FY2024 Financial result

ASX Release – 13 August 2024

FY2024 Highlights

- Funds Under Administration (FUA) of \$88.0 billion at 30 June 2024 represents 25.2% growth from 30 June 2023
- FUA at 08 August 2024 of \$89.2 billion
- FUA net inflows of \$1.2 billion for July 2024
- Total Income of \$255.2 million an increase of 18.9% to FY2023 (PCP)
- EBITDA of \$124.7 million an increase of 23.8% to PCP
- EBITDA margin of 48.8%
- NPAT of \$83.4 million, an increase of 24.1% to PCP
- EPS, fully diluted, of 33.8 cents, an increase of 24.1% to PCP
- Operating net cash flow before tax of \$127.3 million
- Total dividend of 28 cents per share, representing a 16.7% increase to FY2023
- Awarded Advised Product of the Year at the Chant West Awards
- Accelerated acquisition of Xeppo to advance data and AI driven capabilities

| Financials | FY2024 | FY2023 | Change | % Change |
|---------------------------------------------------------|--------------|--------------|-------------|--------------|
| Platform Revenue ¹ | 249.5 | 211.5 | 38.0 | 18.0% |
| Other Income | 5.7 | 3.3 | 2.4 | 75.6% |
| Total Income | 255.2 | 214.7 | 40.5 | 18.9% |
| Employee Benefits Expenses | 90.3 | 77.9 | 12.4 | 15.9% |
| Share Based Payment Expenses | 3.0 | 2.4 | 0.6 | 26.1% |
| Other Costs & Expenses | 37.3 | 33.7 | 3.6 | 10.6% |
| Total Operating Expenses | 130.6 | 114.0 | 16.6 | 14.5% |
| EBITDA | 124.7 | 100.7 | 23.9 | 23.8% |
| EBITDA Margin % | 48.8% | 46.9% | 1.9% | - |
| EBITDA excluding non-cash share-based payments | 127.7 | 103.1 | 24.6 | 23.8% |
| EBITDA Margin excluding non-cash share-based payments % | 50.0% | 48.0% | 2.0% | - |
| Statutory NPAT | 83.4 | 67.2 | 16.2 | 24.1% |
| Statutory NPAT margin % | 32.7% | 31.3% | 1.4% | - |
| Operating net cash flow before tax | 127.3 | 106.3 | 21.0 | 19.8% |
| EPS –fully diluted (cents) | 33.8 | 27.2 | 6.6 | 24.1% |
| Total Dividend per share (cents) | 28.0 | 24.0 | 4.0 | 16.7% |
| Capitalised software | 4.1 | 4.9 | (0.8) | (17.7%) |

\$'M unless otherwise stated

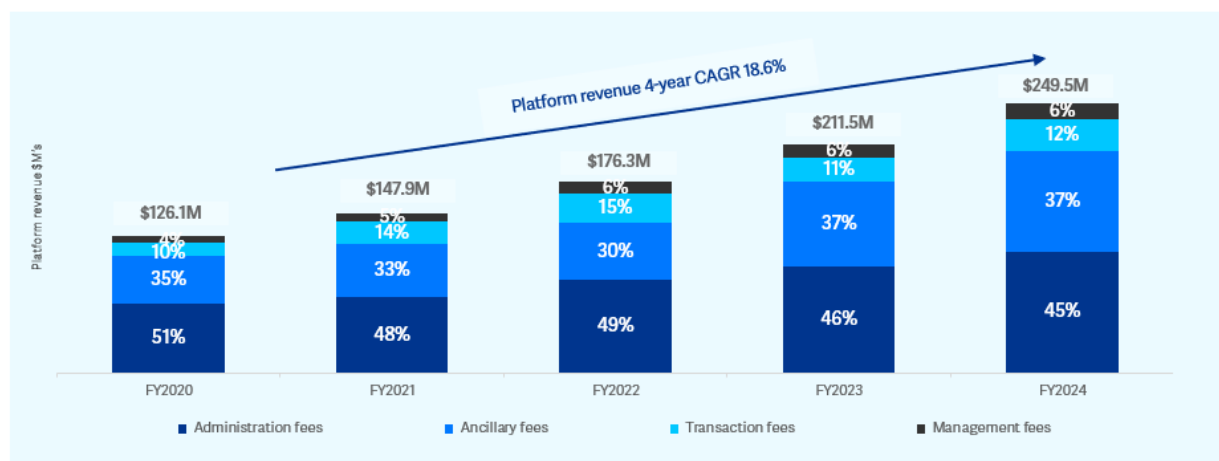
¹ Cost of capital recovery on Operational Risk Financial Requirement (ORFR) classification and disclosure has been revised and presented as Platform revenue. Prior periods have been reclassified to be consistent with current period disclosure and all key metrics include this classification for Platform revenue.

PCP prior year corresponding period, FY2023.

FY2024 financial results highlights (comparison to FY2023)

- Total Income of \$255.2 million an increase of \$40.5 million or 18.9% to FY2023 (\$214.7 million).
- Platform Revenue of \$249.5 million, an increase of \$38.0 million or 18.0% to FY2023 (\$211.5 million). (Platform revenue includes cost of capital recovery).
- EBITDA of \$124.7 million, an increase of 23.8% to FY2023 (\$100.7 million). EBITDA margin improved to 48.8% for FY2024. EBITDA margin excluding non-cash share-based payment for FY2024 of 50.0%.
- Statutory NPAT of \$83.4 million, an increase of \$16.2 million or 24.1% to FY2023 (\$67.2 million). NPAT margin increased to 32.7% for FY2024.
- Operating net cash flow before tax of \$127.3 million.
- Total operating expenses of \$130.6 million, an increase of \$16.6 million or 14.5% to FY2023 (\$114.0 million). Included employee benefits expenses of \$90.3 million, an increase of \$12.4 million or 15.9% to FY2023.
- 613 people at 30 June 2024, reflecting 60 additional roles added during FY2024 to support growth, innovation, service and technology. Senior appointments were made across our Board, Executive team, Technology, Legal, Risk & Governance, Product and Distribution.
- Netwealth continued to invest in enhancing the scalability and security of systems, upgraded our technology infrastructure and advanced our transition to cloud-based systems.
- Today the board declared a fully franked final dividend of 14.0 cents per share for 2H2024. The ex-dividend date is 26 August 2024 and payable on 26 September 2024. This brings total dividend for the year to 28 cents per share.

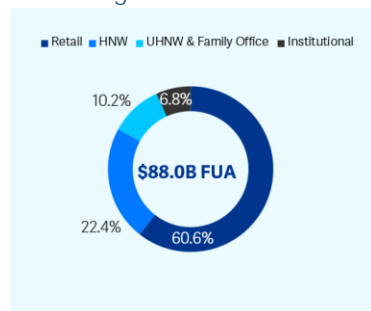
Platform revenue split FY2020 to FY2024



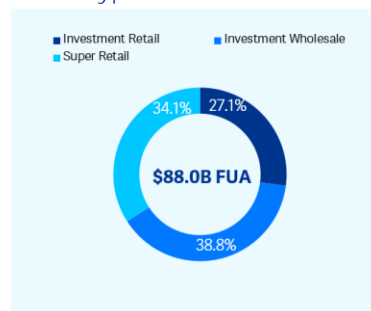
Source: Netwealth. Note: Cost of capital recovery on Operational Risk Financial Requirement classification and disclosure has been revised and presented as Platform revenue – Ancillary fees. Prior periods have been reclassified to be consistent with current period disclosure.

Composition of FUA

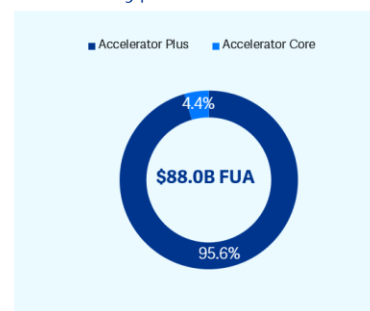
Client segment



Client type



Product type



Source: Netwealth, HNW: high net worth, UHNW: Ultra high net worth, HNW – clients holdings generally between \$2.5M & \$10M, UHNW & Family office - client holdings generally between \$10M & \$100M, Institutional – client holdings generally greater than \$100M

| Platform Statistics | FY2024 | FY2023 | Change | % Change |
|-----------------------------------------------------------------------|---------------|---------------|---------------|--------------|
| Funds Under Administration (FUA) | | | | |
| FUA – Custodial | 87,555 | 70,146 | 17,409 | 24.8% |
| FUA - Non-custodial | 448 | 126 | 322 | 255.5% |
| Total FUA | 88,003 | 70,272 | 17,730 | 25.2% |
| FUA Inflows – Custodial | 21,648 | 18,609 | 3,039 | 16.3% |
| FUA Outflows - Custodial | (10,710) | (8,844) | (1,866) | (21.1%) |
| FUA Net Inflows Custodial | 10,938 | 9,765 | 1,173 | 12.0% |
| FUA Net Inflows - Non-custodial | 284 | 117 | 167 | 141.9% |
| Total FUA Net Inflows | 11,222 | 9,882 | 1,340 | 13.6% |
| Funds Under Management (FUM) | | | | |
| Managed Account | 17,587 | 13,592 | 3,994 | 29.4% |
| Managed Funds | 2,898 | 2,368 | 530 | 22.4% |
| Total FUM | 20,485 | 15,960 | 4,525 | 28.4% |
| Net Inflows – Managed Account | 2,744 | 1,590 | 1,153 | 72.5% |
| Net Inflows - Managed Funds | 382 | 369 | 13 | 3.5% |
| Total FUM Net Inflows | 3,125 | 1,959 | 1,166 | 59.5% |
| Accounts EOP (number) | 143,251 | 127,507 | 15,744 | 12.3% |
| Financial Intermediaries EOP (number) | 3,759 | 3,512 | 247 | 7.0% |
| Cash transaction account as a % of custodial FUA (EOP) | 6.0% | 6.4% | (0.4%) | - |
| Fee Paying FUA % (EOP) | 62.1% | 63.0% | (0.9%) | - |
| Annual Platform revenue ¹ /average FUA (bps) | 32.0 | 33.6 | (1.6) | (4.7%) |
| Annual Platform revenue ¹ /average number of Accounts (\$) | 1,864 | 1,747 | 117 | 6.7% |
| Average FUA/average number of Accounts (\$'000) | 583 | 521 | 62 | 11.9% |
| EBITDA/average FUA (bps) | 16.0 | 16.0 | 0.0 | - |
| Market Movement | | | | |
| Market movement FUA - Custodial | 6,470 | 4,730 | 1,740 | 36.8% |
| Market movement FUA - Non-custodial | 38 | 9 | 29 | 340.5% |
| Total FUA market movement | 6,508 | 4,739 | 1,770 | 37.3% |
| Total FUM market movement | 1,400 | 922 | 478 | 51.8% |

\$'M unless otherwise stated
EOP end of period

FY2024 business results highlights (comparisons to FY2023)

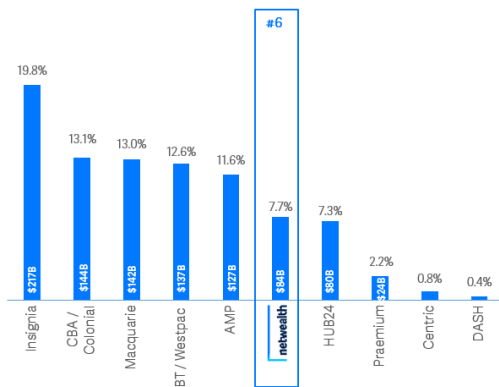
- FUA at 30 June 2024 of \$88.0 billion (\$70.3 billion). FUA increased by \$17.7 billion or 25.2% from 30 June 2023, comprising FUA net inflows of \$11.2 billion and positive market movement of \$6.5 billion.
- FUA net inflows of \$11.2 billion for FY2024, increased by \$1.3 billion or 13.6% to FY2023 (\$9.9 billion).
- Record 12-month FUA inflows of \$22.0 billion for FY2024.
- Custodial FUA net inflows of \$10.9 billion for FY2024, \$1.2 billion or 12.0% higher than FY2023. Custodial FUA net inflows, excluding Institutional accounts, of \$10.8 billion for FY2024, \$2.9 billion or 36.8% increase to FY2023.
- Non-custodial FUA of \$448 million at 30 June 2024, an increase of \$322 million or 255.5%. Non-custodial FUA net inflows of \$284 million for FY2024. Non-custodial service was launched in March 2023.
- Accelerator Core product net inflows of \$476 million for FY2024, a 179.1% increase to FY2023. The Accelerator Core product was relaunched in September 2023.
- Funds Under Management (FUM) at 30 June 2024 of \$20.5 billion an increase of \$4.5 billion, 28.4%, from 30 June 2023 (\$16.0 billion).
- Managed Account balance of \$17.6 billion at 30 June 2024, an increase of \$4.0 billion, 29.4%, from 30 June 2023, comprising Managed Account net inflows of \$2.7 billion and market movement of \$1.3 billion.
- 143,251 client accounts, an increase of 15,744 accounts or 12.3% increase from 30 June 2023.
- 3,759 Financial Intermediaries, a 7% increase in Financial Intermediaries from 30 June 2023 (3,512).
- Cash transaction account as a percentage of custodial FUA reduced to 6.0% at 30 June 2024.
- Average account size increased to \$583,000 for FY2024 (\$521,000), driven by success in high net worth and private client segments.
- Annual platform revenue per account of \$1,864 for FY2024, an increase of \$117 per account to FY2023.
- Platform revenue/average FUA of 32.0bps for FY2024, trended down from FY2023 (33.6 bps) (31.1bps for 2H2024). This reduction was driven by:
 - Continuation of trend of increases in average account sizes (larger accounts typically earn lower bps as a percentage of FUA), due to Netwealth's success in the high net worth and private clients segments;
 - Positive market movements, in particular 2nd and 3rd quarters in FY2024, decreased bps earn rate in larger accounts due to tiered admin fees and fee caps; and
 - For FY2024, average cash transaction account balance as a % of custodial FUA was lower at 6.1% (7.1% FY2023).

Industry recognition

- Netwealth won 'Advised Product of the Year' at the Chant West Award event for 2024. This award recognises the platform that has a wider range of investment choices, features and functionalities and have invested in dedicated systems to help advisers manage their client base and access their client details.
- Rated No.1 for "Best Product Offering" and "Best Transaction Tools" and noted as the leader in the High-Net-Worth adviser segment for platforms by Investment Trends December 2023 Platform Competitive Analysis and Benchmarking Report.
- Netwealth is the 10th largest custodian by FUA in Australia, and the 6th largest for Australian settlement transaction volumes in the latest ACSA (Australian Custodial Services Association) industry analysis dated 31 December 2023.
- In the most recent Plan for Life industry analysis at 31 March 2024:

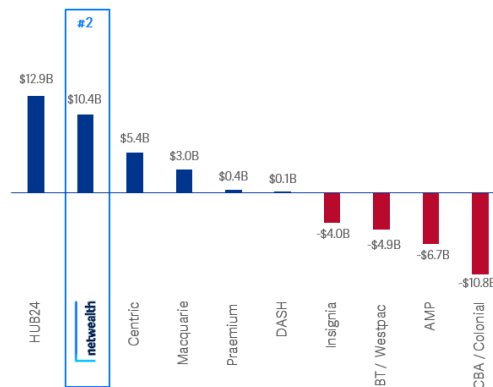
- Netwealth increased its market share to 7.7%, up 0.9% for the 12 months to 31 March 2024;
- Netwealth had the second highest industry platform 12-month net funds flows for the 12 months to 31 March 2024; and
- The graph below illustrates legacy platforms (with 57.1% of market share) losing market share over the 12-month period from 31 March 2023 to 31 March 2024.

**Platform providers by FUA market share
% market share (March 2024)**



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at March 2024 Total industry retail FUA of \$1.1T (as at 31 March 2024)

**Platform provider net funds flows
\$'Billions (12 months to March 2024)**



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at March 2024. Total net fund flows of +\$6.1B (Not included above: Others circa \$0.4B and circa \$35B for the transition of BT's Master Trust business to Mercer's Platform) *Hub24 includes \$1.8B transition from Insignia private label

Delivering on our strategic roadmap

Netwealth continues to extend our competitive advantage, building on our leading capabilities and addressing emerging opportunities through a focus on data and technology that integrates with the software advisers use now and leads the industry into the future. During the year Netwealth delivered across its strategic roadmap including.

Wealth Solutions:

- Relunched our Accelerator Core product, competitively priced with access to over 60 investments, comprising both managed funds and managed accounts, across a range of asset classes, risk profiles, and investment strategies, increasing Accelerator Core net inflows by 179% for FY2024, compared to FY2023.
- Menu expansion - Expanded our suite of Managed Account models with the addition of 15 retail models and 97 private label models. At 30 June 2024 the Netwealth platform had 108 retail models (25 model suites) and 568 private label models (102 model suites).
- Introduced fixed term annuities and a (small parcel) bond service which improves accessibility to bonds for investors starting from \$50,000 compared to the average size of \$500,000. Expanded the range of available term deposits.
- The non-custodial service continues to be enhanced and has attracted considerable support from the industry with 480+ new non-custodial assets now being administered and reported on.

WealthTech:

- Netwealth launched straight through processing and execution of international equities on 16 exchanges with ability to create buy/sell and limit orders. Netwealth also added an inhouse Trading Desk, enhancing the platform's trading capability and bringing the execution of ASX trades inhouse for large and complex trades.
- Launched Netwealth's Investment Manager Portal, a dedicated portal for Fund Managers to manage assets available on the platform and self-serve report.

- Expanded Netwealth’s Developer Portal adding new Public Application Programming Interface (APIs) making it easier for developers to build software solutions for advice firms. There are currently over 20 public API end points available.
- Mobile app enhancements during the year include, Activities; clients receiving notification and approving tasks via mobile and portfolio views to group accounts by financial institution.

Partners & integrations:

- Xepko: Accelerated acquisition of 100% of Xepko Pty Ltd (Xepko).
 - The acquisition completed on 12 August 2024. Details of additional investment are as follows: \$5.9 million in cash consideration; and \$2.2 million loan from Netwealth to Xepko was converted to equity.
 - Xepko is a data management and analytics platform that helps professional services firms including wealth management, accounting and mortgage firms connect and manage their existing enterprise systems to drive efficiencies, improve data governance and provide market leading business intelligence.
 - A fully integrated Netwealth and Xepko will offer professional firms the ability to unify client data and systems, which we believe is the cornerstone of any future-orientated advice practice and licensee.
- Strategic partnership entered into with iCapital bringing a unique global private market investment opportunity to financial advice firms and their wholesale clients across Australia.
- Enabled access to Cboe Australia providing trading in both ASX and Cboe Australia quoted securities.
- Our new 'Wealth Exchange' capability allows advisers to view and update third-party data integrations, subscriptions, and request historical data, all in one central place.

Insights & Analytics:

- Recently launched new features that enhance client reporting tools that enable advisers to deliver tailored reports at scale.
- In September 2023, we hosted our inaugural “Accelerate Summit” and published several industry white papers based on our proprietary research, ‘The Advisable Australian’ and “AdviceTech research”. These initiatives provided a wide array of industry insights and facilitated networking events tailored specifically for Australian advisers and investors.

Commentary and outlook

- We have expanded and strengthened our new adviser and licensee relationships, plus our new business pipeline including conversion rates, remains very strong across all segments. Several significant new client wins have begun transitioning flows onto the platform in early FY2025 with approximately \$1.2 billion of FUA net inflows in July 2024. We are confident in our outlook and future growth opportunities which we believe are very significant.
- We plan to continue our significant investment in our people, product, security and technology capabilities to ensure we capture the substantial number of existing and emerging opportunities in the market which will drive our ongoing and sustainable profit growth. We expect this investment will result in a small percentage increase in the rate of expense growth in FY2025 compared to FY2024.
- We continue to broaden the functionality of platform and progressively reduce our reliance on 3rd party systems for parts of core platform functionality.
- Our advice enablement strategy multiplies the efforts of our advisers, allowing them to serve more clients as demand continues to outstrip supply. Netwealth will provide greater practice management, business management tools and access to data for advisers and licensees.

- Netwealth recognises and innovatively embraces the significant opportunities of emerging technologies including generative-AI and machine learning to improve efficiency, productivity and reporting, and to support advisers and clients in new ways.
- Following on from the success of the Netwealth Hackathon 2024; Humans, Machines and the Rise of AI, we have created a new cross-functional team aimed at automating high-volume business processes and improve platform functionality for our clients and advisers.
- The acquisition of Xeppo aligns with our strategy which places data at the heart of everything we do. Xeppo is at the forefront of data management and analytics. Further integration of the Xeppo capabilities to Netwealth accelerates our strategy, aimed at delivering value to clients through enhanced data and Artificial Intelligence driven capabilities.
- Netwealth remains in an excellent financial position:
 - Highly profitable, with strong EBITDA margin;
 - An extremely high correlation between EBITDA and operating cash flow, resulting in strong cash generation;
 - Very high levels of predictable recurring revenue; and
 - Significant cash reserve, debt free and low levels of capital expenditure.

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.

Our financial products and services include:

- 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 fund administration services; and
- non-custodial administration and reporting services.

Netwealth's digital platform supports how our financial products are delivered to market. Financial intermediaries and clients have the ability to invest and manage a variety of domestic and international products via the platform.

The platform is created, developed, and sustained by our technology team. It is continually enhanced based on feedback from financial intermediaries, clients, and other users and is widely acknowledged for its industry-leading capabilities.

To ensure the effective operation of our financial products and technology platform, Netwealth invests heavily in its people and resources for support, custodial and non-custodial services, and risk and governance management.

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This document has been authorised for release by the Board.

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