

# Income growth of 26% drives a 33% increase in EBITDA to \$78M

## 1H25 financial result

ASX Release – 20 February 2025

Netwealth Group Limited (Netwealth), a leading provider of integrated platform, technology, and data solutions, is pleased to announce its 1H25 financial results.

### 1H25 highlights (comparisons to 1H24)

- Funds under administration (FUA) net flows of \$8.5B, an increase of 80.2%. FUA net flows in both quarters of 1H25 were records.
- Total income of \$155.4M, an increase of 26.0%.
- EBITDA margin of 50.2%, an increase of 260bps, delivering EBITDA of \$78.0M, an increase of 32.8%, and operating net cash flow before tax of \$75.3M.
- NPAT of \$57.6M, an increase of 46.6%, and NPAT margin of 37.1%.
- 100% fully franked interim dividend of 17.5 cents per share declared today, an increase of 25.0%.

### 1H25 financial performance (comparisons to 1H24)

Netwealth delivered a record half of growth across key metrics including FUA net flows, income, and profit.

FUA net flows were \$8.5B, 80.2% higher, resulting in total FUA of \$101.6B at the end of the period, with the number of customer accounts increasing to 151,437, 14.0% higher.

Total income increased \$32.0M to \$155.4M, underpinned by an increase of \$30.1M, or 24.9%, in platform revenue to \$150.8M.

Our platform revenue is diversified in its nature and sources, and predominantly recurring, providing stability and confidence in future earnings. We further improved the diversification of our revenue base in 1H25. Transaction fee income increased by 48.2% to represent 14.1% of platform revenue (increased by 220 bps), and management fee income to 6.1% of platform revenue (increased by 40 bps).

Operating leverage was also delivered through the management of total operating expenses, which grew 19.8%, 620 bps less than total income, or grew \$12.8M, to \$77.4M (1H24 \$64.6M), while we continued to invest in our people, product, security and technology capabilities. The combined total operating costs of Xeppeo and Flux in the period was \$1.2M.

Employee benefits expense was \$52.3M, comprising 67.6% of total operating costs, an increase of \$7.7M, or 17.3%. Operating headcount at 31 December 2024 was 664, an increase of 51 or 8.3% in 1H25, including 22 from the acquisitions of Xeppeo and Flux.

The main source of operational leverage was headcount scale efficiencies across our delivery, general and administrative, and technology functions. Non-headcount technology and communication operational expenses grew by 40.0% to \$10.6M as we invested in our platform enhancement, data integration, and AI technologies plus above inflation cost increases.

As a result of our strong revenue growth and cost management, EBITDA increased by \$19.3M, or 32.8%, to \$78.0M, with the EBITDA margin expanding by 5.4% (or 260 bps) from 47.6% to 50.2%. The EBITDA margin excluding non-cash share-based payments was 50.9%. Conversion of EBITDA to cash was 96.5% with pre-tax operating net cash flow for the half of \$75.3M.

NPAT grew by a very strong 46.6% to \$57.6M, delivering an NPAT margin of 37.1%, up from 31.9%. Fully diluted earnings per share was 23.4 cents, an increase of 45.6%.

During the half year we recognised a gain on revaluation of investment of \$1.2M in other income. This related to Netwealth's pre-existing 25% investment in Xeppo, that was revalued on the date the remaining 75% was acquired, 12 August 2024.

The NPAT margin included a reduction in the effective tax rate to 23.6% in 1H25 including a \$2.8M tax credit relating to the establishment of an employee share scheme trust and a FY23 Research & Development Incentive of \$1.6M.

The Board declared a fully franked interim dividend per share (DPS) of 17.5 cents for 1H25, an increase of 3.5 cents or 25.0% on 1H24, with an ex-dividend date of 5<sup>th</sup> March 2025, payable on 27<sup>th</sup> March 2025.

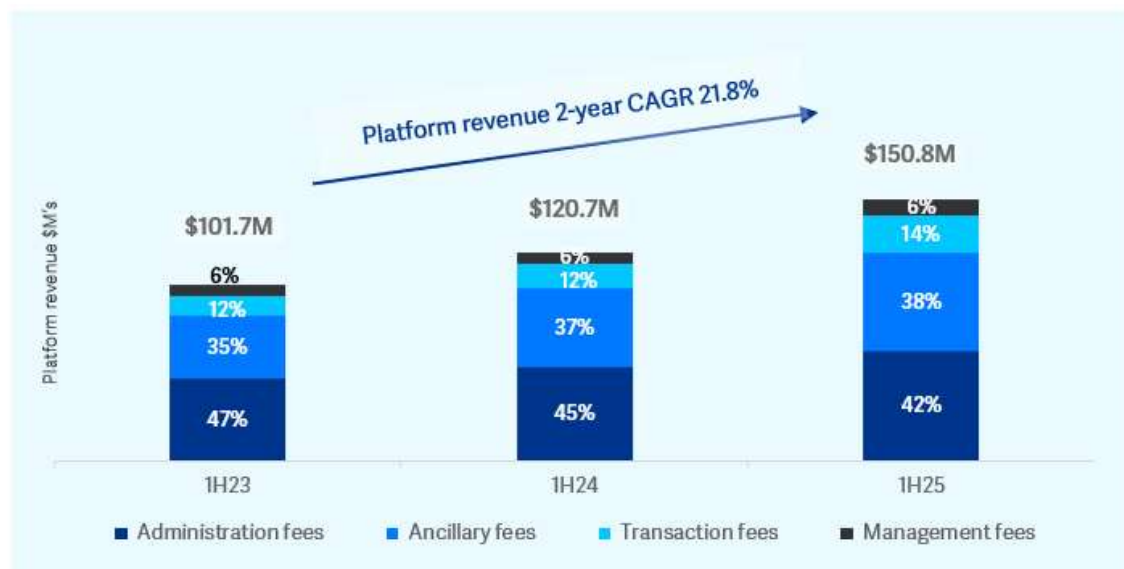
## 1H25 financial results highlights (comparisons to 1H24)

Financials	1H25	1H24	Change	% Change
Platform Revenue <sup>1</sup>	150.8	120.7	30.1	24.9%
Other Income	4.6	2.6	2.0	76.2%
<b>Total Income</b>	<b>155.4</b>	<b>123.3</b>	<b>32.0</b>	<b>26.0%</b>
Employee Benefits Expenses	52.3	44.6	7.7	17.3%
Share Based Payment Expenses	1.0	1.5	(0.5)	(35.4%)
Other Costs & Expenses	24.1	18.5	5.6	30.3%
<b>Total Operating Expenses</b>	<b>77.4</b>	<b>64.6</b>	<b>12.8</b>	<b>19.8%</b>
<b>EBITDA</b>	<b>78.0</b>	<b>58.8</b>	<b>19.3</b>	<b>32.8%</b>
<b>EBITDA Margin %</b>	<b>50.2%</b>	<b>47.6%</b>	<b>260bps</b>	<b>5.4%</b>
EBITDA excl non-cash share-based payments	79.0	60.3	18.7	31.1%
EBITDA Margin excl non-cash share-based payments %	50.9%	48.9%	200bps	4.1%
<b>Statutory NPAT</b>	<b>57.6</b>	<b>39.3</b>	<b>18.3</b>	<b>46.6%</b>
<b>Statutory NPAT margin %</b>	<b>37.1%</b>	<b>31.9%</b>	<b>520bps</b>	<b>16.3%</b>
Operating net cash flow before tax	75.3	59.8	15.5	26.0%
EPS –fully diluted EOP (cents)	23.4	16.1	7.3	45.6%
Total Dividend per share (cents)	17.5	14.0	3.5	25.0%
Capitalised software	2.5	2.0	0.5	23.9%

\$'M unless otherwise stated

<sup>1</sup> 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.

## Platform revenue split 1H23 to 1H25



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.

## 1H25 business results highlights (comparisons to 1H24, unless otherwise stated)

Platform statistics	1H25	1H24	Change	% Change
<b>Funds Under Administration (FUA)</b>				
FUA – Custodial	100,878	77,772	23,106	29.7%
FUA - Non-custodial	694	228	466	204.2%
<b>Total FUA</b>	<b>101,572</b>	<b>78,000</b>	<b>23,572</b>	<b>30.2%</b>
FUA – Custodial fee paying FUA % (EOP)	61.1%	63.1%	(200bps)	-
FUA Inflows – Custodial	14,783	9,636	5,147	53.4%
FUA Outflows - Custodial	(6,486)	(5,020)	(1,466)	(29.2%)
FUA Net flows Custodial	8,297	4,616	3,681	79.7%
FUA Net flows - Non-custodial	187	91	96	105.2%
<b>Total FUA Net flows</b>	<b>8,484</b>	<b>4,707</b>	<b>3,777</b>	<b>80.2%</b>
<b>Funds Under Management (FUM)</b>				
Managed Account	20,771	15,513	5,258	33.9%
Managed Funds	3,243	2,560	683	26.7%
<b>Total FUM</b>	<b>24,014</b>	<b>18,073</b>	<b>5,941</b>	<b>32.9%</b>
Net flows – Managed Account	2,362	1,341	1,021	76.1%
Net flows - Managed Funds	258	168	90	53.7%
<b>Total FUM Net flows</b>	<b>2,619</b>	<b>1,509</b>	<b>1,110</b>	<b>73.6%</b>
Accounts EOP (number)	151,437	132,826	18,611	14.0%
Financial intermediaries EOP (number)	3,811	3,633	178	4.9%
Cash transaction account as a % of custodial FUA (EOP)	5.5%	5.6%	(10bps)	-

Annualised Platform revenue <sup>1</sup> /average FUA (bps)	31.4	33.0	(1.6)	(4.7%)
Annualised Platform revenue <sup>1</sup> /avg no. of Accounts (\$)	2,032	1,849	183	9.9%
Average FUA/average number of Accounts (\$'000)	647	560	87	15.5%
EBITDA/average FUA (bps)	16.3	16.1	0.2	1.3%
<b>Market Movement</b>				
Market movement FUA - Custodial	5,027	3,010	2,017	67.0%
Market movement FUA - Non-custodial	59	11	48	437.6%
<b>Total FUA market movement</b>	<b>5,086</b>	<b>3,021</b>	<b>2,065</b>	<b>68.4%</b>
<b>Total FUM market movement</b>	<b>910</b>	<b>604</b>	<b>305</b>	<b>50.5%</b>

\$'M unless otherwise stated

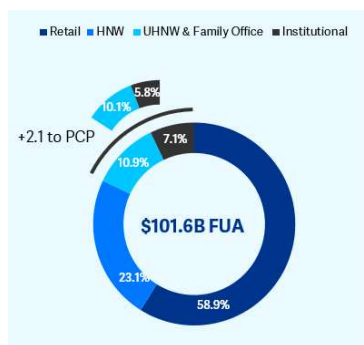
EOP end of period

- FUA at 31 December 2024 of \$101.6B (\$78.0B). FUA increased by \$23.6B or 30.2% from 31 December 2023.
- Record FUA net flows of \$8.5B for 1H25, increased by \$3.8B or 80.2% on 1H24 (\$4.7B). FUA net flows were a record for each of the two quarters comprising 1H25.
- Record FUA inflows of \$15.0B.
- 151,437 client accounts at 31 December 2024, an increase of 14.0%.
- 3,811 Financial Intermediaries at 31 December 2024, an increase of 4.9%.
- Annualised average platform revenue per account was \$2,032, an increase of \$183 per account, or 9.9%. The average FUA per account was \$647,000, an increase of \$87,000 per account or 15.5%.
- The earn rate (of annualised platform revenue to average FUA) was 31.4 bps, 1.6 bps lower than 1H24. Excluding the impact of the large \$5.1B positive market movement in FUA, the total earn rate was consistent with 1H24.
  - The earn rate on administration fee income contracted due to the muted impact of tiered administration fees and fee caps on the large positive market movement and institutional net flows.
  - The earn rates on transaction fee income and cash fee income increased compared to 2H24.
- Funds Under Management (FUM) at 31 December 2024 of \$24.0B an increase of \$5.9B, or 32.9%, from 31 December 2023 (\$18.1B).
- Managed Account balance of \$20.8B at 31 December 2024, an increase of \$5.3B, or 33.9%, from 31 December 2023. Managed Account net flows of \$2.4B an increase of 76.1%.
- The Netwealth cash transaction account average balance for 1H25 of \$5.7B (\$4.7B).
- Growth in new or relaunched products targeting both Emerging and Mass Affluent, as well as UHNW and Family Office customers:

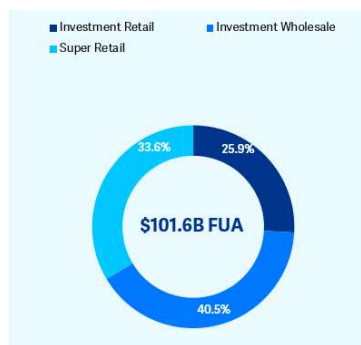
<sup>1</sup> Cost of capital recovery on Operational Risk Financial Requirement (ORFR) classification and disclosure has been revised and presented as platform revenue. Prior periods have been reclassified to be consistent with current period disclosure and all key metrics include this classification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

- Non-custodial FUA of \$694M at 31 December 2024, an increase of \$466M or 204.2%. Non-custodial FUA net flows of \$187M, a 105.2% increase on 1H24; and
- Accelerator Core product net flows of \$448M, a 291.3% increase. The Accelerator Core product was relaunched in September 2023.
- Strong expansion of high-value customer tiers, with Institutional, UHNW and Family Office customers accounting for 18.0% of FUA at 31 December 2024, an increase of 13.2% or 210 bps from 15.9%.
- Highlighted in the charts below is this broad based growth across customer tiers and product types by providing innovative, market-leading products and features for all client tiers and client types, and most recently acquiring Xeppo and Flux further strengthens our value proposition.

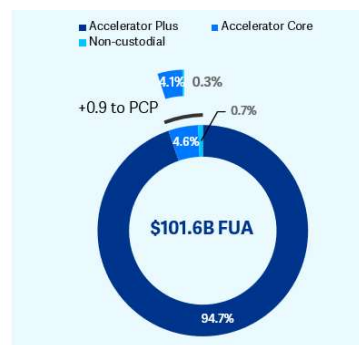
### Customer tier



### Client type



### Product type



FUA as at 31 Dec 24.

PCP – Prior corresponding period being 31 Dec 23

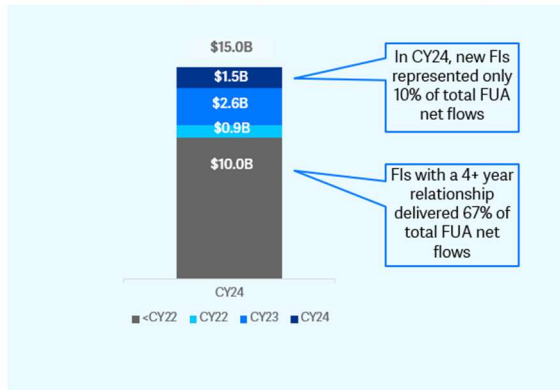
Source: Netwealth, HNW: high net worth, UHNW: Ultra high net worth,

HNW – clients holdings generally between \$2.5M & \$10M, UHNW & Family office - client holdings generally between \$10M & \$100M, Institutional – client holdings generally greater than \$100M

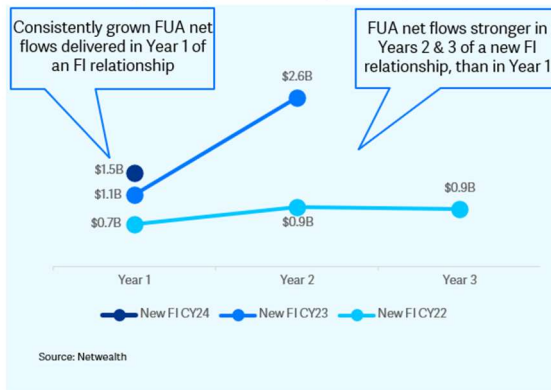
- A strong transition of customer wins, from multiple years, into FUA net flows (see charts below):
  - Of the \$15.0B of FUA net flows in CY24, \$10.0B was sourced from advisers with a 4+ year relationship, underpinning the long tail of FUA growth from our installed base of advisers. Only \$1.5B, or 10%, was sourced from advisers new to Netwealth in CY24, a strong potential source for future FUA net flows;
  - An increase in 'first year' FUA net flows. Advisers new to Netwealth in CY24 (the CY24 cohort) delivered \$1.5B of FUA net flows in their first year<sup>2</sup>. This was an increase on the CY23 and CY22 cohorts who delivered \$1.1B and \$0.7B in their first years respectively; and
  - An increase in 'year on year' FUA net flows. The CY23 cohort delivered \$2.6B of FUA net flows in CY24 (year 2), up from \$1.1B in their first year CY23. The CY22 cohort delivered \$0.9B of FUA net flows in CY24 (year 3), in line with CY23 (year 2) and up on \$0.7B in CY22 (year 1).

<sup>2</sup> Calculated as FUA net flows in a calendar year delivered from advisers new to Netwealth in that same calendar year

FUA net flows in CY24 by cohort year of Financial Intermediary (FI)



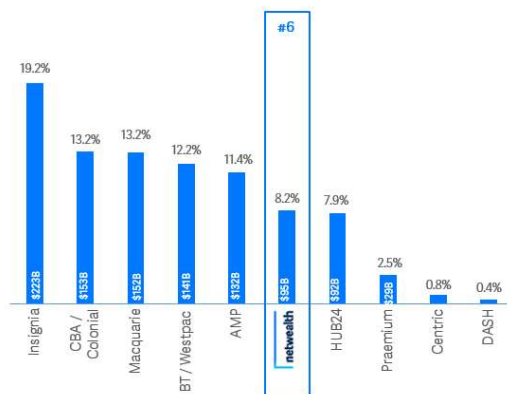
FUA net flows by cohort year of new FIs (CY22 – 24)



## Industry recognition

- Rated No.1 for “Best Transaction Tools” by Investment Trends December 2024 Competitive Analysis and Benchmarking Report.
- Netwealth is the 9th largest custodian by FUA in Australia, the 9th largest for Assets Under Administration (not held in custody) and the 6th largest for Australian settlement transaction volumes in the latest ACSA (Australian Custodial Services Association) industry analysis dated 31 December 2024.
- In the Industry, there remains a significant opportunity to continue to benefit from current industry fragmentation. In the most recent Plan for Life industry analysis to 30 September 2024, Netwealth had the second highest platform 12-month net funds flows, increasing market share by 13.9% (100 bps) to 8.2% for the period. Specialist platform providers including Netwealth are increasing market share against the legacy platforms, who are declining but still hold 56.0% of market share.

Platform providers by FUA market share % market share (September 2024)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2024. Total industry retail FUA of \$1.2T (as at 30 Sep 2024)

Platform provider net funds flows \$ Billions (12 months to September 2024)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2024. Total net fund flows of +\$21.9B. Not included above: Others circa \$2.0B.

## Delivering on our strategic roadmap

We continue to extend our competitive advantage, building on our leading technology and service capabilities to support existing clients and to capture emerging opportunities across our key market segments.

During the half year, Netwealth delivered across its strategic roadmap, which included:

### Wealth Solutions:

- Expanded our suite of Managed Account models with the addition of one retail suite (10 models) and 10 private label suites (59 models). At 31 December 2024 the Netwealth platform had 25 retail suites (108 models) and 102 private label suites (568 models).
- Expanded the range of available term deposits adding MUFG term deposits for wholesale investors.
- Enhanced our non-custodial service to meet the growing needs of our customers. The service has attracted considerable support from the industry with 690+ non-custodial assets now being administered and reported on.

### WealthTech:

- Mobile app enhancements during the year, including push notifications within the mobile app, for real time updates to enhance client account security and mobile app “digital consent” capability for clients, including wrap withdrawal approvals which have been initiated by an adviser.
- Online applications for super, with straight through processing creating efficiencies and a streamlined onboarding process.
- Online functionality simplifying the transfer in of non-custodial assets to Netwealth.
- Online transfer functionality for advisers to transfer an Income Stream to Personal Super or Personal Super to an Income Stream.

### Partners & integrations:

- Xeppo's integration is progressing well across product strategy, team, and infrastructure.
- Flux is expanding its market presence and reinforcing the demand for financial education and digital engagement tools with financial advisers and the next-gen. We are exploring integration with Netwealth to enhance the Flux platform and build a best-in-class experience to deepen client relationships and strengthen financial engagement.

### Insights & Analytics:

- Re-design of the portfolio page to support a unified ‘whole of wealth’ view and improved access to account specific information.
- Client portfolio summaries now use the latest generative AI techniques to provide additional portfolio insights.
- Workflow Tracker now allows advisers to easily review the status of outstanding requests with Netwealth.
- In September, we successfully hosted Netwealth’s second annual Netwealth Accelerate Summit, “Where Innovation Meets Advice”. The Summit was a huge success, receiving an overwhelmingly positive community response, with 96.7% of respondents rating their experience at the Summit as 'very good' or 'excellent' and reporting a 98.7% likelihood of recommending the event to a colleague.

## Commentary and outlook

- We achieved strong growth in the number of new accounts and advisers for 1H25. Conversion rates remained very strong and diversified across all customer tiers. New adviser and licensee relationships have expanded our new business pipeline. FUA inflows for the remainder of FY25 are also supported by a transition pipeline of recent new customer wins. Total FUA as at 18 February 2025 was \$105.4B, with net flows for 3Q25 to date of \$1.5B.
- In light of the strong 1H25 performance we have further advanced several planned initiatives and continue to invest in our people, product, security and technology capabilities.
- These investments aim to capitalise on both existing and emerging market opportunities, to drive sustainable profit growth and benefits to our customers and members.
- We continue to broaden the functionality of our platform, reduce reliance on 3rd party systems for core platform functionality, and refresh our technology infrastructure. Consequently, in 2H25 compared to 1H25, we expect:
  - Headcount growth to increase;
  - Total operational expenses (inclusive of Xeppo and Flux headcount and costs as noted earlier) to grow by approximately 5%; and
  - Investment in capitalised software to increase by approximately \$2M.
- On 1 March 2025 there will be an update to product disclosure documents which will include the following:
  - For Netwealth Super Accelerator, the introduction of a \$300 annual cap per account on the operational risk financial requirement (ORFR) cost. This will reduce costs for certain members, with negligible impact to revenue; and
  - For Netwealth Super Accelerator and Wealth Accelerator, a reduction in the interest rate paid on funds held in the Cash transaction account from RBA Cash Rate Target less up to 65 bps, to RBA Cash Target Rate less up to 80 bps (at current RBA rates, 3.30%).
- From 1 July 2025, changes to APRA's superannuation ORFR requirements will reduce Netwealth's target reserve from 25 bps to 20 bps. Based on our current superannuation fund size, this will reduce the level of regulatory capital required to be held by approximately \$17M.
- 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 enable 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 management and governance.

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This document has been authorised for release by the Board.

For further information please contact

Hayden Stockdale  
Chief Financial Officer  
[shareholder@netwealth.com.au](mailto:shareholder@netwealth.com.au)