

**HUB<sup>24</sup>**

26  
Feb  
2018

# 1HFY18 RESULTS PRESENTATION

HUB<sup>24</sup>

# KEY MESSAGES



Continued strong growth in platform net flows and FUA



Well positioned to capture market opportunity resulting from industry trends



Increasing scale driving operating leverage and expanding margins



Highly regarded by our customers and industry



Delivering enhanced shareholder returns



Investing in new growth opportunities and operational capability

# OVERVIEW



Highlights



Financial results



Market & growth opportunities

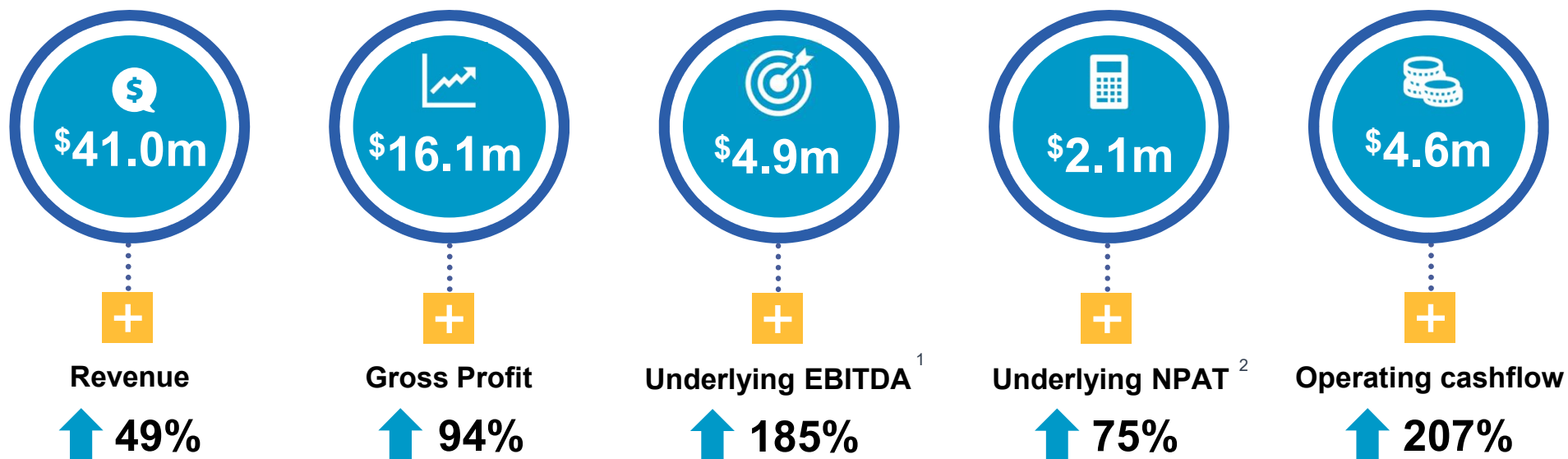


Outlook



Additional information

# FINANCIAL RESULTS 1HFY18



Comparison period is 1HFY17

1. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items.

2. Underlying NPAT is a non-IFRS measure which is used to assess the operating performance of the business. Underlying NPAT represents Net Profit After Tax excluding non-recurring items.

# BUSINESS HIGHLIGHTS



Net flows of  
**\$1.1b**  
Now \$1.43b<sup>1</sup>  
  
**\$6.9b**  
Now \$7.2b<sup>1</sup>



Significant new  
**product development**  
including HUB24/Agility  
integration



**6** new client  
wins with  
HUB24/Agility  
combined offering



2 new practices  
& 6 new advisers  
joined  
**Paragem**  
with Funds  
Under Advice  
increasing to  
circa \$4.4bn



**1st**  
Managed Accounts  
2016 & 2017<sup>2</sup>  
User Interface & Mobile  
2015, 2016, 2017<sup>2</sup>  
Overall platform satisfaction  
2017<sup>3</sup>

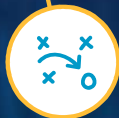
At HUB24 we  
make a  
difference in our  
**customers'** lives  
by connecting  
them to  
innovative  
solutions that  
create wealth



Connecting **brokers** to new ways  
to grow their business



Supporting wealth  
management **licensees** by  
connecting them to new ways  
to create value



Providing **investors** with the  
right solutions for their  
wealth needs



Providing **advisers** with the  
freedom to choose their preferred  
investment options and way of  
doing business

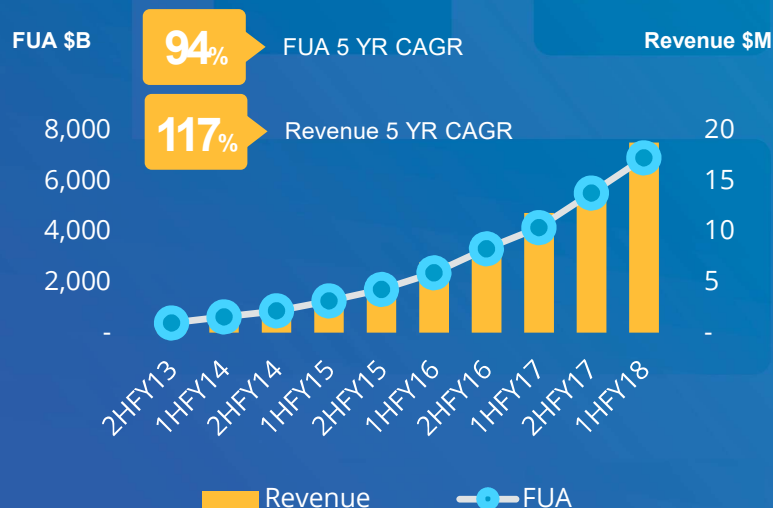


Allowing **investment professionals**  
access to new distribution channels and  
innovative technology to seamlessly  
execute their investment strategies



# HUB24 | LEADING CHANGE IN WEALTH MANAGEMENT

## PLATFORM REVENUE AND FUA



- The fastest growing platform<sup>1</sup> leveraging industry transformation
- Our focus is delivering shareholder returns, financial results and growth
- Gross profit & underlying EBITDA<sup>2</sup> expansion driven by increasing scale
- Accelerating platform investment to capture increasing market opportunity
- Paragem well positioned for changing market dynamics benefitting from shift away from institutional licensees
- Agility benefitting from convergence of stockbroking and financial advice with a strong pipeline of client opportunities

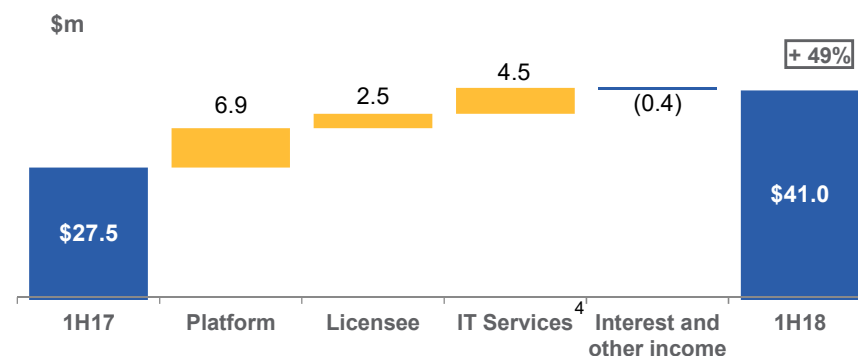


# FINANCIAL RESULTS

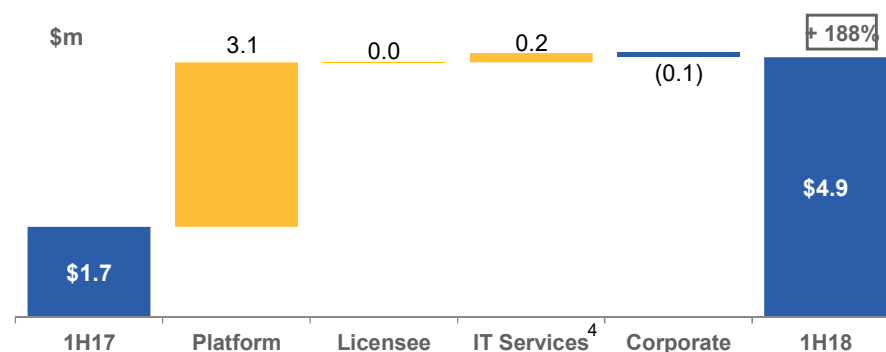
STRONG FUA GROWTH DRIVING INCREASED PROFITABILITY

	1H18	1H17	Change
	\$m	\$m	%
Group revenue	41.0	27.6	49%
Direct expenses	(24.5)	(18.4)	33%
%	60%	67%	(7%)
Gross profit	16.5	9.2	79%
Gross profit margin (%)	40%	33%	7%
Operating expenses <sup>1</sup>	(11.2)	(6.6)	70%
Underlying EBITDA <sup>2</sup>	5.3	2.6	(104%)
Underlying EBITDA margin (%)	13%	9%	4%
EBITDA	4.4	1.9	(132%)
NPAT	2.3	1.3	(77%)
Underlying NPAT <sup>3</sup>	2.1	1.2	(75%)

## REVENUE BREAKDOWN



## UNDERLYING EBITDA BREAKDOWN



1. Operating expenses include \$1.4m for IT Services (\$Nil pcp), investment in growth headcount (product and development, sales & marketing, FUA transition), branding and office facilities.

2. Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and other significant items.

3. Underlying NPAT is a non-IFRS measure which is to assess the operating performance of the business. Underlying NPAT represents Net Profit After Tax excluding non-recurring items.

4. IT Services not included in 1HFY17.

# PLATFORM SEGMENT RESULTS

	1H18	1H17	change
	\$m	\$m	%
Retail FUA (Now \$7.2b) <sup>2</sup>	6.9b	4.2b	66%
<b>Revenue</b>	<b>18.8</b>	<b>11.8</b>	<b>59%</b>
Direct expenses*	(5.8)	(4.8)	19%
%	31%	41%	(10%)
<b>Gross profit</b>	<b>13.0</b>	<b>7.0</b>	<b>86%</b>
Gross profit margin %	69%	59%	10%
Operating expenses*	(8.0)	(5.1)	57%
<b>Underlying EBITDA<sup>1</sup></b>	<b>5.0</b>	<b>1.9</b>	<b>166%</b>
Underlying EBITDA margin %	26%	16%	10%
<b>PBT</b>	<b>4.5</b>	<b>1.7</b>	<b>164%</b>

\* Total platform expenses (13.8) (9.9) 39%

Operating expenses include investment in growth headcount (product and development, sales & marketing, FUA transition), branding and office facilities.

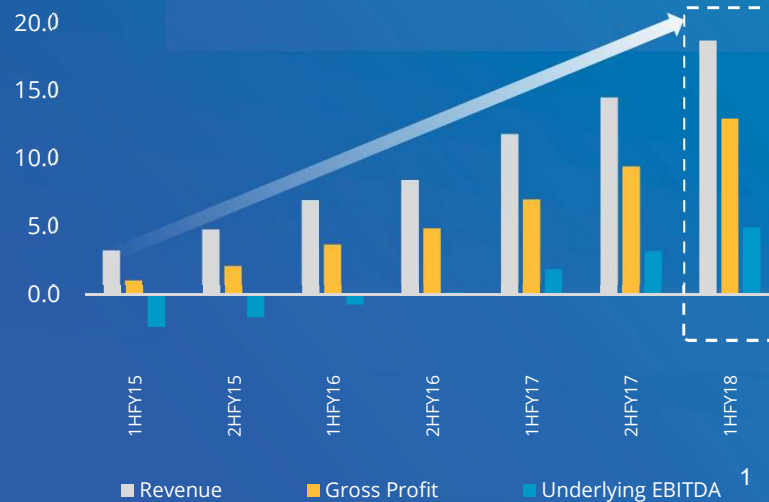
CONTINUING INVESTMENT AND SOLID EXECUTION IS BEING REWARDED WITH FUA GROWTH, INDUSTRY RECOGNITION AND EXPANDING PROFIT MARGINS

- ➔ Revenue increase of 59% driven by net inflows from a broadening client base
- ➔ Gross profit margin expansion driven by increased scale.
- ➔ Opex includes investment to support accelerating growth
- ➔ EBITDA margin continues to increase with scale

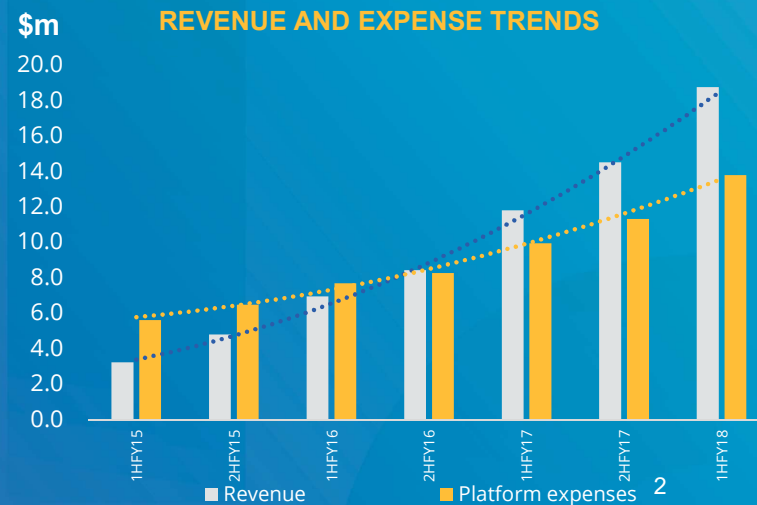
# PLATFORM SEGMENT RESULTS

PROFIT LINES REFLECTING SCALE BENEFITS OF INCREASING FUA

REVENUE, GROSS PROFIT AND UNDERLYING EBITDA<sup>1</sup> TRENDS

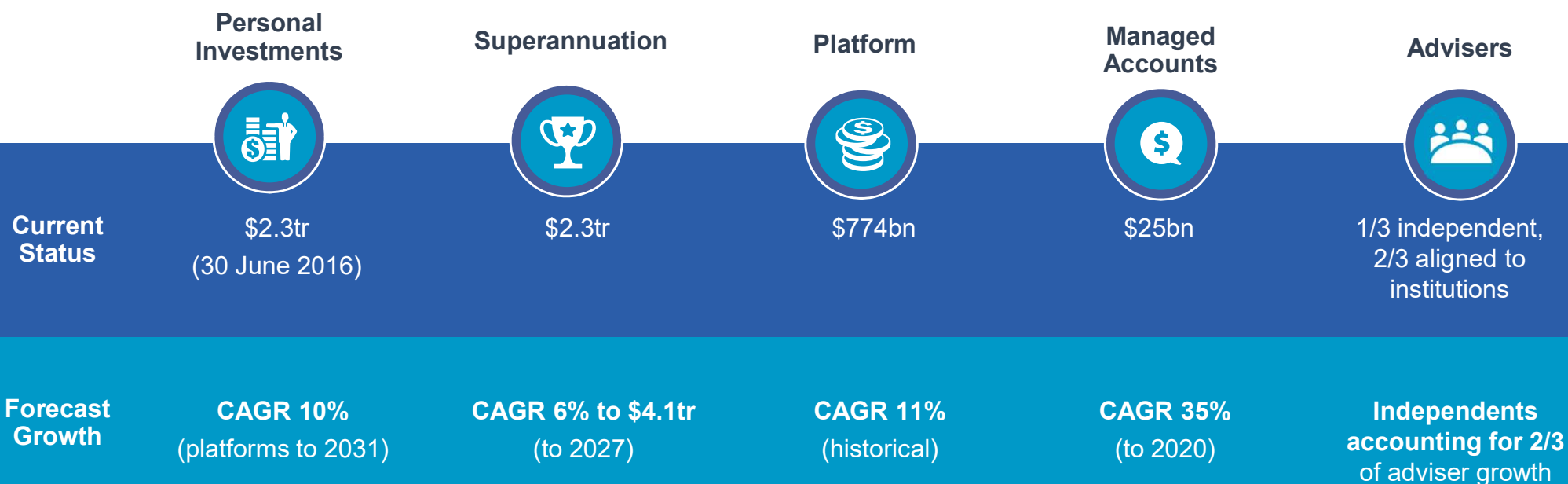


REVENUE AND EXPENSE TRENDS



GROSS PROFIT & UNDERLYING EBITDA AS % OF REVENUE							
PROFIT LINES	1HFY15	2HFY15	1HFY16	2HFY16	1HFY17	2HFY17	1HFY18
Gross profit	32%	44%	53%	57%	59%	65%	69%
Underlying EBITDA <sup>1</sup>	(74%)	(35%)	(11%)	2%	16%	22%	26%

# THE MARKET



Source: Personal Investments – Rice Warner Personal Investment Market Projections 2016  
 Superannuation – ASFA statistics (August 2017) & DEXX&R  
 Platform – Strategic Insights Platform Wrap Report September 2017  
 Managed Accounts – Morgan Stanley 'Disruptors – Australian Financials' (June 2016) / IMAP  
 Advisers – Rainmaker Advantage March 2017



# THE FORCES SHAPING OUR INDUSTRY

## Rise of the new technology platforms



- New technology platforms 3.9% market share with 36.3% of netflows<sup>1</sup>
- Top 3 platforms in terms of functionality are now non-institutional<sup>4</sup>

## Advisers are voting with their feet



- 1 in 10 advisers changed their licensee during 2016-2017<sup>2</sup>

## Managed accounts are becoming mainstream



- 51% of advisers either using managed accounts or intending to in the future<sup>3</sup>

## Traditional financial services segments are converging



- Stockbrokers embracing annuity based income models to better service clients (e.g. financial advice using platforms & managed accounts)



13 1. Source: Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at September 2017. New technology platforms include netwealth, HUB24, OneVue, Praemium, and managedaccounts. Institutional platforms include major banks, AMP, Macquarie, IOOF  
2. Rainmaker Advantage Report 2018  
3. Investment Trends April 2017 Planner Direct Equities & Managed Accounts Report  
4. Investment trends 2017 Platform Competitive Analysis and Benchmarking Report

# HUB24 CONTINUES TO WIN AWARDS

1<sup>ST</sup> PLACE MANAGED ACCOUNT FUNCTIONALITY (2016 & 2017)  
1<sup>ST</sup> PLACE BEST NAVIGATION & USER INTERFACE (2015, 2016, 2017)  
1<sup>ST</sup> PLACE BEST MOBILE PLATFORM (2015, 2016, 2017)



1<sup>ST</sup> PLACE OVERALL PLATFORM SATISFACTION  
1<sup>ST</sup> PLACE FOR EASE OF USE/NAVIGATION

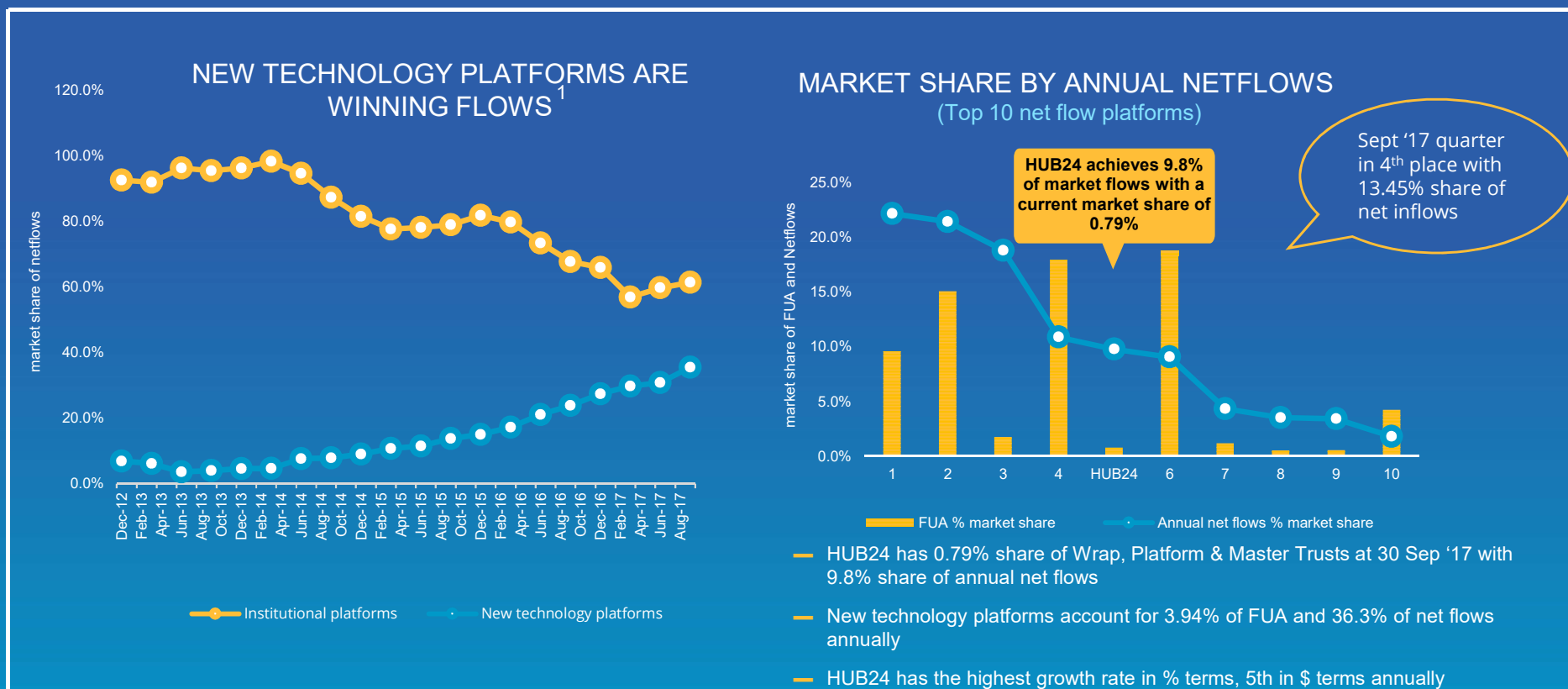


RECOGNISED FOR OUTSTANDING DECISION SUPPORT  
TOOLS, REPORTING AND ONLINE BUSINESS  
MANAGEMENT

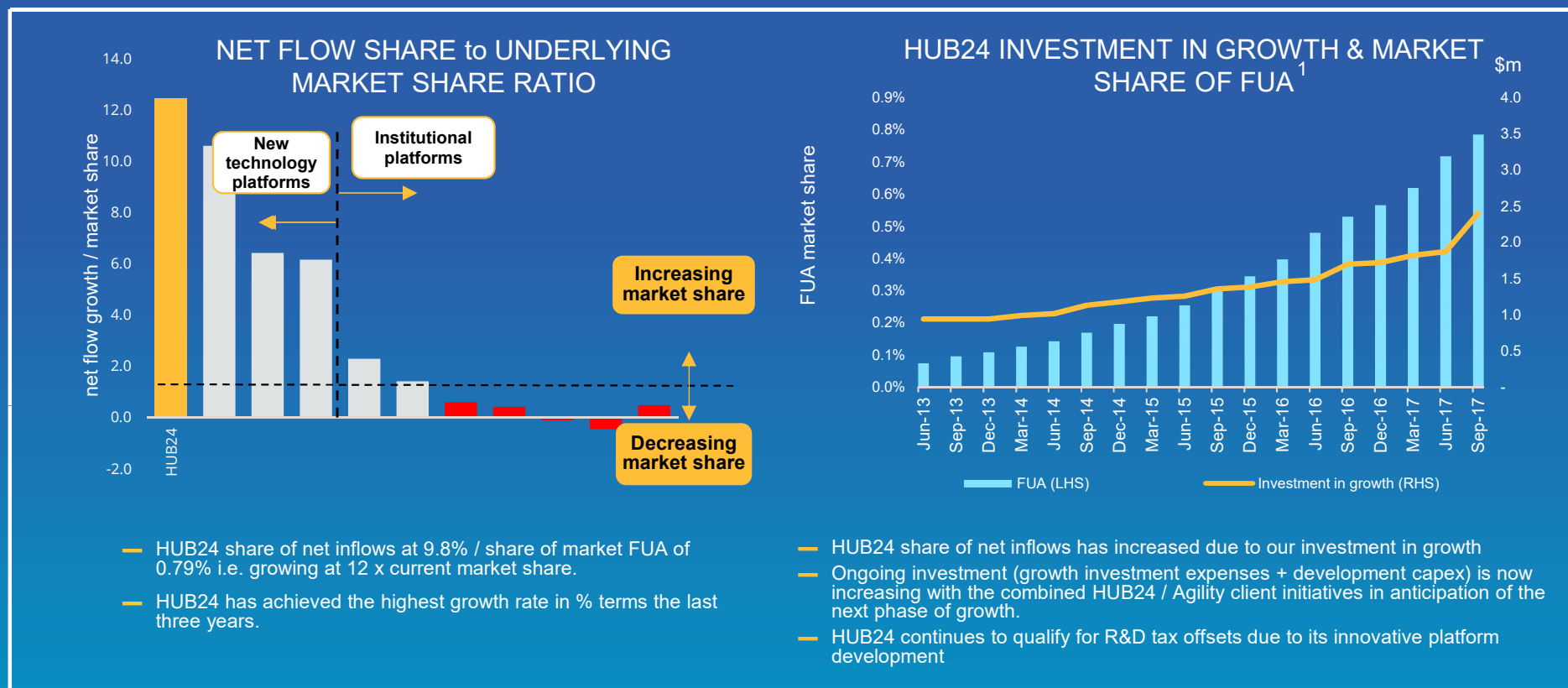
1<sup>ST</sup> PLACE IN 16 OUT OF 24 CATEGORIES  
INCLUDING;

- Relationship support
- Mobile app
- Investment range
- Tax optimisation tools
- Reporting functionality

# HUB24 IS WELL POSITIONED FOR FURTHER GROWTH



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# INVESTING TO CAPTURE THE OPPORTUNITY



## Products & Services

- ✓ HUB24 will shortly launch our next generation managed portfolio capability incorporating mass customisation. This will enable asset managers to further leverage their expertise and deliver enhanced investment returns for clients.
- ✓ Further integrating HUB24 and Agility products to deliver seamless user experience.
- ✓ Building next generation portfolio reporting incorporating multiple product providers and leveraging Agility core data integration capability.



## Growing our team

- ✓ Attracting industry talent to increase growth and continue innovating.
- ✓ Investing in operational scale and customer service expertise.
- ✓ New dedicated development lab based in Melbourne.
- ✓ Sydney team now in new expanded Head Office premises

# OUTLOOK



## Leverage our current foundations

- ✓ Deliver increasing financial results & scale-based profit margin expansion
- ✓ Continued strong growth in platform net flows expected for 2H18 and beyond
- ✓ New relationships for the platform & Paragem expected in 2H18 and beyond
- ✓ Increase momentum in the stockbroking segment
- ✓ Product & services growth in Agility leading to further platform opportunities



## ...and lay foundations for future growth

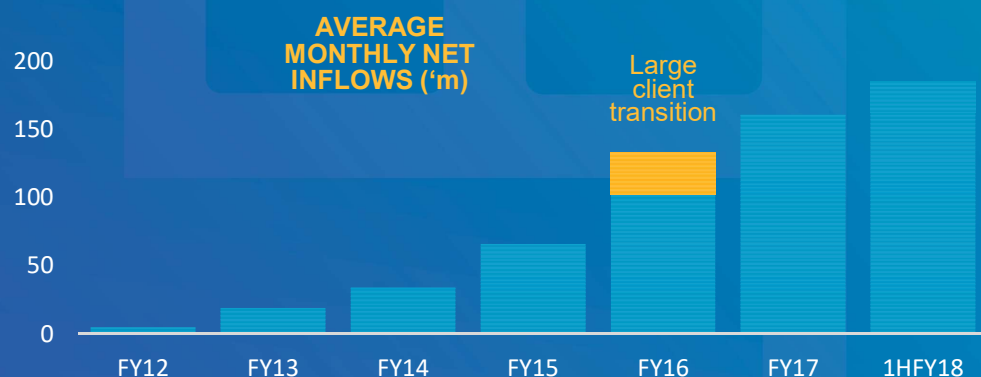
- ✓ Continue to lead change & leverage market dynamics
- ✓ Create new opportunities for clients & advisers through innovation
- ✓ Transform customer experience through service, products & data integration
- ✓ Invest in people, product & technology to capture increasing market opportunity
- ✓ Pursue appropriate corporate activity that creates shareholder value



# ADDITIONAL INFORMATION

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# FURTHER PLATFORM SEGMENT RESULTS



	1HFY18 \$M	INCREASE ON PCP
Retail FUA	6,899*	66%
Net inflows	1,089	57%
Gross inflows	1,504	55%
Number of advisers	1,040	41%

\* Now \$7.2bn

## BROADENING DISTRIBUTION BASE

- 110 active licensees
- No of advisers 1,040
- 15 white labels in total, 1 new in 1HFY18
- 22 new licensees to the platform in 1HFY18

# LICENSEE SEGMENT RESULTS

Licensee	1H18	1H17	change
	\$m	\$m	%
Revenue	17.3	14.8	17%
Direct expenses	(15.8)	(13.5)	17%
Gross profit	1.5	1.3	15%
% of revenue	9%	9%	0%
Operating expenses	(1.4)	(1.2)	17%
Underlying EBITDA <sup>1</sup>	0.1	0.1	0%
% of revenue	1%	1%	0%
PBT	0.1	0.1	

PARAGEM ADVISERS CONTINUE TO EMBRACE HUB24's PLATFORM TO DEVELOP BETTER OUTCOMES FOR THEIR CLIENTS

- ➔ Revenue increase of 17% over prior corresponding period
- ➔ Recruitment of 2 practices during 1HFY18
- ➔ Addition of 6 individual advisers
- ➔ Licensee now has circa \$4.4b in funds under advice

# IT SERVICES SEGMENT RESULTS

IT Services	1H18	1H17	change
	\$m	\$m	%
Revenue	4.5	-	-
Direct costs	(3.0)	-	-
Gross profit	1.5	-	-
Operating expenses	(1.4)	-	-
Underlying EBITDA <sup>1</sup>	0.2	-	-
PBT	0.0	-	-

AGILITY'S MARKET LEADING CONNECT DESKTOP HAS OVER 2,500 USERS, REPORTING ON OVER \$200 BILLION OF CLIENT ASSETS

- ➔ An increase of 200 users of the Connect software (to 2,553) over the 1HFY18
- ➔ Investment in an account management capability to support sales opportunities
- ➔ Integration with the HUB24 platform to support delivery of strategic outcomes

# CORPORATE SEGMENT RESULTS

Corporate	1H18	1H17	change
	\$m	\$m	%
Operating expenses	(0.3)	(0.3)	32%
<b>Underlying EBITDA<sup>1</sup></b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>32%</b>
Interest revenue	0.1	0.2	(29%)
Fair value gain - contingent consideration	0.2	0.5	(63%)
Share based payment expense - Employees	(0.7)	(0.4)	75%
Non-recurring corporate costs	(0.1)	(0.4)	(76%)
Other Operating Expenses	(0.6)	(0.1)	500%
<b>PBT</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>200%</b>
Tax Expense	(0.8)	0.0	n/a
<b>NPAT</b>	<b>(2.3)</b>	<b>(0.5)</b>	<b>360%</b>

- ➔ Fair value gain - Contingent consideration of \$0.2m relating to the finalisation of Paragem earnout
- ➔ Share based payment expenses includes include \$0.7 million due to the issue of options and performance rights to executives and staff during the past three years
- ➔ Other Operating expenses include \$0.2 million depreciation and \$0.3 million discount on contingent consideration for the Agility acquisition.

# APPENDIX A - CORPORATE INFORMATION

## HUB24 SHARE PRICE



## CAPITAL STRUCTURE AT 23 FEBRUARY '18



Shares on issue	61.59m
Share price	\$11.30
Market capitalisation	\$696m

## SUBSTANTIAL SHAREHOLDERS



Thorney Holdings Ltd	14.94%
Ian Litster	5.90%

## BALANCE SHEET AS AT 31 DEC 17



Cash and cash equivalents	\$13.62
Other current assets	\$5.49
Non-current assets	\$48.31
Total assets	\$67.42
Current liabilities	\$8.10
Non-current liabilities	\$7.87
Total liabilities	\$15.97
Net assets	\$51.45



# APPENDIX B - FINANCIAL RESULTS RECONCILIATION

Segment Results	Platform \$m	Licensee \$m	IT Services \$m	Corporate \$m	1H18 \$m	1H17 \$m	change %
<b>Revenue</b>	<b>18.8</b>	<b>17.3</b>	<b>4.5</b>		<b>40.6</b>	<b>26.6</b>	<b>52%</b>
Direct costs	(5.8)	(15.8)	(3.0)		(24.6)	(18.4)	34%
<b>Gross profit</b>	<b>13.0</b>	<b>1.5</b>	<b>1.5</b>	<b>0.0</b>	<b>16.0</b>	<b>8.3</b>	<b>93%</b>
Operating expenses <sup>1</sup>	(8.0)	(1.4)	(1.4)	(0.3)	(11.1)	(6.6)	69%
<b>Underlying EBITDA</b>	<b>5.0</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.3)</b>	<b>4.9</b>	<b>1.7</b>	<b>188%</b>
Non-operating revenue	0.0				0.0	0.1	(100%)
Fair value gain - contingent consideration				0.2	0.2	0.5	Lge
Payroll tax - employee options				(0.2)	(0.2)	0.0	Lge
Share based payment expense - Employees				(0.7)	(0.7)	(0.4)	85%
Share based payment expense - Paragem Option holders				0.1	0.1	0.0	151%
Non-recurring corporate costs				(0.1)	(0.1)	(0.4)	(76%)
<b>EBITDA</b>	<b>5.0</b>	<b>0.1</b>	<b>0.1</b>	<b>(1.0)</b>	<b>4.2</b>	<b>1.5</b>	<b>181%</b>
Interest revenue	0.1			0.1	0.2	0.3	(41%)
Discount on consideration				(0.3)	(0.3)	(0.0)	864%
Depreciation and amortisation	(0.7)	0.0	(0.1)	(0.2)	(1.0)	(0.5)	102%
Profit before Tax	4.4	0.1	0.0	(1.4)	3.1	1.3	137%
Tax Benefit / (Expense)		0.0	0.0	(0.8)	(0.8)	0.0	n/a
<b>NPAT</b>	<b>4.4</b>	<b>0.1</b>	<b>0.0</b>	<b>(2.2)</b>	<b>2.3</b>	<b>1.3</b>	<b>76%</b>
Fair value gain - contingent consideration				(0.2)	(0.2)	(0.5)	Lge
Share based payment expense - Paragem Option holders				(0.1)	(0.1)	(0.0)	151%
Non-recurring corporate costs				0.1	0.1	0.4	(75%)
<b>Underlying NPAT <sup>2</sup></b>	<b>4.4</b>	<b>0.1</b>	<b>0.0</b>	<b>(2.4)</b>	<b>2.1</b>	<b>1.2</b>	<b>76%</b>



# DISCLAIMER

## → SUMMARY INFORMATION

The material herein is a presentation of general background information about HUB24 Limited's ('HUB') activities current as at date of presentation. This information given in summary form does not purport to be complete and should be read in conjunction with previous ASX filings, Half Year Report and the audited Annual Report as applicable.

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**HUB<sup>24</sup>**