

Praemium Limited 2021 Half-year results

Investor presentation

10 February 2021

The platform of everything



ACN 098 405 826

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Global reach, global scale

Praemium is a leading provider of managed accounts technology, portfolio administration and CRM/financial advice software for the wealth management industry

Our story

Software company founded in 2001

ASX listed in 2006 to launch the UK platform

Offices in Australia, the UK, UAE, Armenia, China and Hong Kong

Over 1,000 clients, across global financial institutions

Covering over \$140 billion in assets

Our products

Managed Accounts platform

The leading managed accounts provider in Australia, UK and international markets

Portfolio administration

Excellence in performance and tax reporting

CRM & financial planning

Cloud-based financial planning software

Investment management

Multi-asset, multi-currency model portfolios

Highlights

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International business

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Transformational acquisition

Acquisition of Powerwrap Limited

Praemium's most significant acquisition to date

Successful off-market takeover

Fully completed November 2020

Synergistic platform merger

Broad product suite for the complex needs of HNW clients

A unified platform for custodial & HIN-based portfolios

The most accurate portfolio and tax reporting engine

An independent, open-architecture platform designed specifically for the HNW market

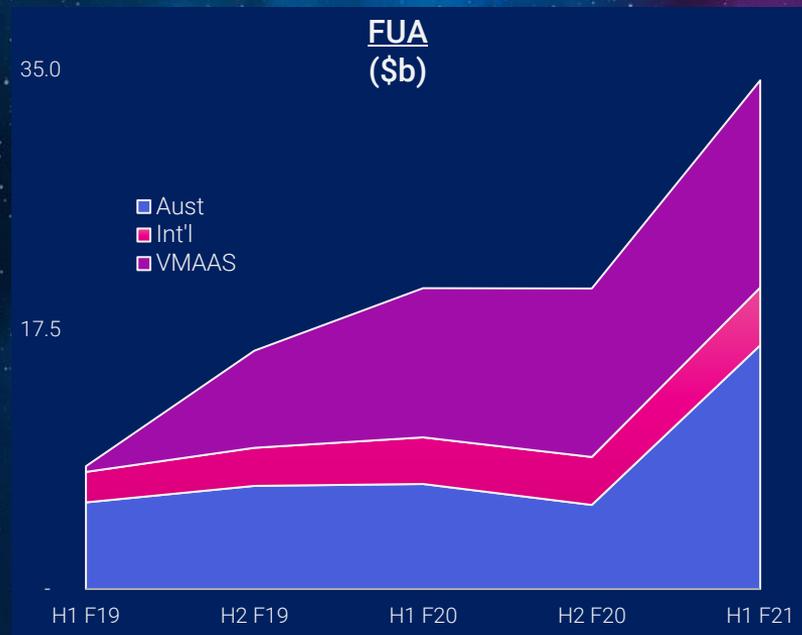
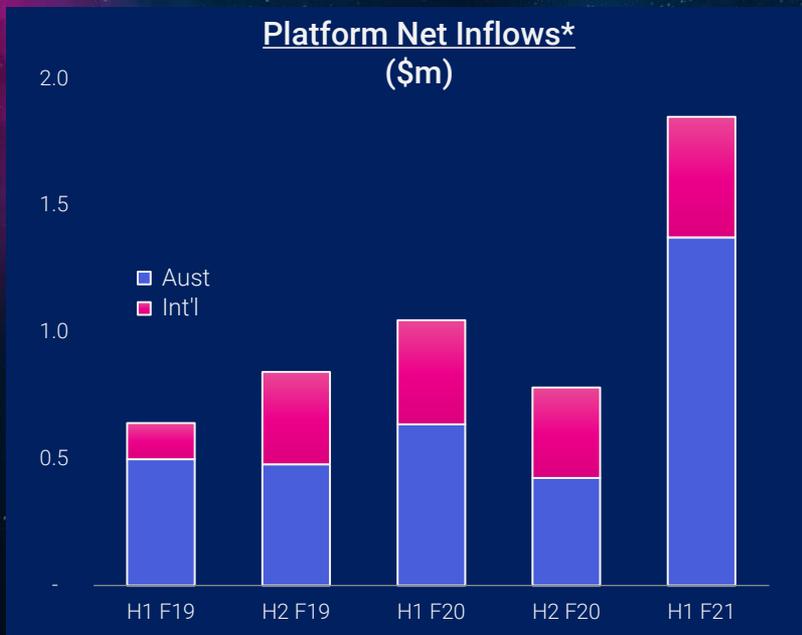
Record inflows and FUA

Record net inflows of \$1.85 billion

Powerwrap inflows from September
Record International inflows

Record global FUA of \$34.3 billion

Platform FUA of \$20.3 billion
VMAAS FUA of \$14.0 billion



*Excluding major client transition

VMAAS: Virtual Managed Account Administration Service comprises non-custodial FUA

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A productive half

Continued R&D

Our leading open API expanded for offshore robo-advice partners

New adviser tools for compliance and digital communications

Enhancements to our market-leading investment reporting capability

WealthCraft integrated account-opening for streamlined onboarding

Microsoft 365 security & financial planning system integrations

Product launches

Launch of an alternative assets platform with Qualis Capital

Launch of margin lending for international SMAs

Launch of digital capability for model managers

Launch of payments dashboard for International advisers

Launch of integrated fact find facility for WealthCraft International

Awards

Winner of Best International Platform at the International Adviser Awards in London for the 3rd consecutive year



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Summary

H1 FY2021 financial highlights

Praemium's strategy execution is delivering results

Product Revenue, \$m



21% increase in net revenue

9% increase in gross margin

5% increase in EBITDA

113%
increase in NPAT

98%
increase in EPS

Underlying EBITDA*, \$m



14th consecutive half of profit growth

23%
EBITDA
margin

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H1 FY2021 financial results

| Group Financial Results | H1, FY20 ¹ (\$m) | H2, FY21 ² (\$m) |
|--|--------------------------------|--------------------------------|
| Revenue | 26.5 | 31.7 |
| Product commissions | (0.4) | (0.1) |
| Revenue (net) | 26.1 | 31.6 |
| Cost of operations | (5.8) | (9.5) |
| Gross margin | 20.3 | 22.1 |
| GM % of net revenue | 77.8% | 70.1% |
| Expenses: | | |
| Information Technology | (3.3) | (3.2) |
| Sales & Marketing | (5.6) | (6.9) |
| General & Admin | (4.4) | (4.7) |
| Total expenses | (13.3) | (14.8) |
| EBITDA (underlying) | 7.0 | 7.3 |
| EBITDA % | 26% | 23% |
| Share schemes | (0.8) | (1.7) |
| D&A | (2.2) | (3.6) |
| EBIT | 4.0 | 2.0 |
| Acquisition & restructure ³ | (0.6) | (1.6) |
| FX & other | (0.2) | 4.2 |
| NPBT | 3.2 | 4.6 |
| Tax | (1.8) | (1.6) |
| NPAT | 1.4 | 3.0 |

Profitable growth

- Net revenue growth of 21%
- Underlying EBITDA up 5%
- 24% increase in sales & marketing investment
- Impact on margins from integration of Powerwrap

EBITDA to NPAT

- Amortisation includes software intangibles \$2.4m, lease assets \$0.8m and acquisitions \$0.1m
- Unrealised gain on PWL shares \$4.5 million
- FY21 Aus tax estimate at 30% company tax rate
- 113% increase in NPAT

¹ FY20 restated from AASB15 Revenue from Contracts with Customers (\$2.3 million)

² Results include acquisition of Powerwrap Limited from September 2020

³ Refer slide 14 for detailed breakdown

Australian segment result

| Australia results \$m | H1 FY20 ¹ | H1 FY21 | Change % |
|-----------------------|----------------------|-------------|-------------|
| Platform | 11.0 | 16.9 | 52% |
| Portfolio services | 8.4 | 8.4 | (1%) |
| Planning software | 0.1 | 0.1 | (34%) |
| Other | 0.0 | 0.0 | - |
| Revenue | 19.6 | 25.4 | 28% |
| Expenses | (11.1) | (17.0) | 51% |
| Segment EBITDA | 8.5 | 8.4 | (1%) |
| EBITDA % | 43% | 33% | |
| Corporate expenses | (0.5) | (0.5) | (8%) |

Revenue growth of 28%

- Platform revenue up 52%, including PWL of \$6.9 million
- Portfolio services revenue up 9% from VMA portfolio uplift and VMAAS on-boarding (underlying)²

Addition of Powerwrap

- HNW client base and inherited cost structure
- Average platform basis points of 26 (PPS 34, PWL 21)
- Gross margins of 75% (PPS 79%, PWL 54%)
- EBITDA margins of 33% (PPS 36%, PWL 26%)

Positioned for growth

- Investment in sales & marketing generating results
- \$1.8 million EBITDA contribution from Powerwrap
- Implementation of synergies delivering cost savings

International segment result

| International results \$m | H1 FY20 | H1 FY21 | Change % |
|---------------------------|--------------|--------------|--------------|
| Platform | 4.8 | 4.3 | (8%) |
| Planning software | 1.1 | 1.1 | 1% |
| Other | 1.0 | 0.9 | (3%) |
| Revenue | 6.9 | 6.3 | (6%) |
| Product commissions | (0.4) | (0.1) | |
| Revenue (net) | 6.5 | 6.2 | (2%) |
| Expenses | (7.5) | (6.8) | (7%) |
| Segment EBITDA | (1.0) | (0.6) | (41%) |

Revenue weathering global volatility

- Platform revenue up 20%, FUA up 24%
- Fund revenue (net) down 55% from Smartfund outflows
- Growth in planning software revenue from:
 - new WealthCraft clients, and
 - upgrading Plum clients to WealthCraft

Improving operating leverage

- Expenses down 7% from operational efficiencies and travel reductions
- EBITDA loss of \$0.6 million, 41% decrease comprising:
 - UK \$0.2 million loss, 72% improvement
 - Asia \$0.4 million loss, 5% increase

Cashflow

| Cashflow (\$m) | H1 FY20 | H1 FY21 |
|-------------------------------|--------------|--------------|
| Operating cashflow | 5.9 | 5.2 |
| R&D incentive | 0.7 | 0.8 |
| Tax paid | (2.3) | (2.2) |
| One-off costs | (0.5) | (1.6) |
| Net operating cashflow | 3.8 | 2.2 |
| Business acquisition (net) | - | 1.2 |
| Intangible capex | (2.0) | (3.4) |
| Equipment capex | (0.2) | (0.2) |
| Investments | - | (0.5) |
| Net investing cashflow | (2.2) | (2.9) |
| Net financing cashflow | (0.7) | 14.2 |
| Net cash movement | 0.9 | 13.5 |
| Opening cash | 13.7 | 15.9 |
| Unrealised FX | 0.1 | (0.5) |
| Closing cash | 14.7 | 28.9 |

Strong cash generation

- Positive operating cashflow of \$2.2 million, net of acquisition costs
- Business acquisition net of \$14.6 million in cash acquired from PWL
- R&D capex of \$3.4 million from continuing projects across Australia & UK, plus PWL R&D project spend
- \$15 million funding loan drawn down over 3-year term

Balance sheet

| Balance Sheet (\$m) | Jun'20 | Dec'20 |
|---------------------|-------------|--------------|
| Cash | 15.9 | 28.9 |
| Receivables | 6.5 | 7.6 |
| Intangibles | 12.0 | 68.5 |
| Other assets | 14.8 | 12.9 |
| Assets | 49.2 | 117.9 |
| Tax liabilities | 1.3 | - |
| Borrowings | - | 15.1 |
| Other liabilities | 17.3 | 21.8 |
| Liabilities | 18.6 | 36.9 |
| Net Assets | 30.6 | 81.0 |

| One-off Costs (\$m) | H1 FY20 | H1 FY21 |
|----------------------|------------|------------|
| Acquisition costs | 0.1 | 1.2 |
| Restructure costs | 0.1 | 0.4 |
| Arbitration costs | 0.4 | - |
| Total expense | 0.6 | 1.6 |

Strong balance sheet

- Cash reserves of \$28.9 million
- Group regulatory cash requirement of \$12 million
- Intangibles increase includes \$51 million in goodwill from PWL acquisition
- Franking credits of \$13 million, assessment of PWL tax losses underway

Highlights

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Australia business

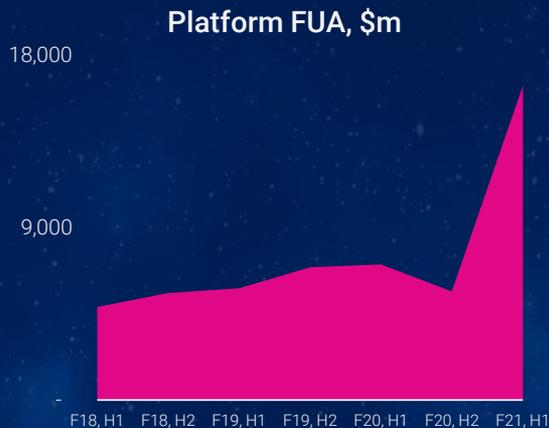
International business

Summary

Key drivers: Australia

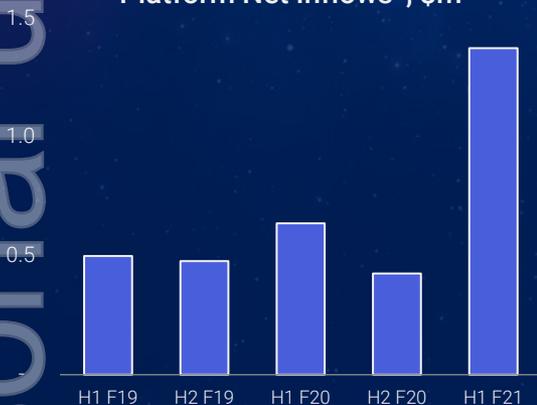
Praemium and Powerwrap, stronger together

116%
increase in
inflows



13%
increase in
total portfolios

Platform Net Inflows*, \$m



132%
increase in
platform FUA



*Excluding major client transition

Tailwinds for tech-savvy independent players

Adviser trends

Hayne Royal Commission fallout: *margin squeeze*

- Stricter regulatory oversight and overhead costs
- Overall Adviser numbers down 25% since Hayne
- End of grandfathered product commissions
- End of conflicted advice, a shift to independence
- Wexit – Institutions exiting wealth

Adviser losses¹



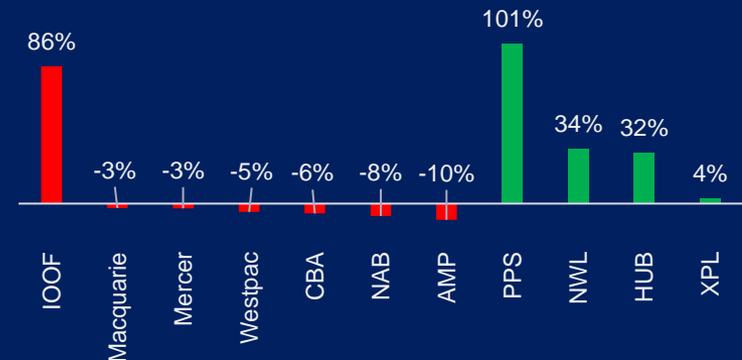
Platform trends

Institutional platforms FUA declined 1.5% in the 12 months to Sep 2020

Challenger platforms grew 34% over the same period

- Advisers seeking independent, technically advanced platforms
- Challenger platforms like Praemium can deliver higher productivity to a smaller Adviser cohort

FUA growth Sep 2019 to Sep 2020²



¹ Bell Potter, Financial Advice market research, December 2020

² Plan for Life media release: Wrap, Platform and Master Trust Managed Funds at September, 2020

Institutional platforms: CBA, Westpac, NAB, IOOF, AMP, Mercer, Macquarie

Challenger platforms: Praemium, NWL, HUB, XPL

Powerwrap acquisition to drive scale

Scale

Merged Group now over \$34 billion FUA

- A strong position serving the complex needs of advisers
- Ability to serve clients across retail and HNWI market segments
- Leverage existing sales capacity to sell a combined offering

Synergies

Targeting operating costs synergies of \$6 million

- Full year EBITDA impact by FY2022
- Removal of corporate cost duplication complete
- Detailed PMI work streams underway

Best-in-breed
technology

The Platform of Everything

- Enhancement of proposition to fully merge best-in-breed of both businesses
- Integration of Adviser and Investor Portals, plus Insights powered by AI
- Additional functionality across ESG, API integration and non-custody

VMA administration service (VMAAS)

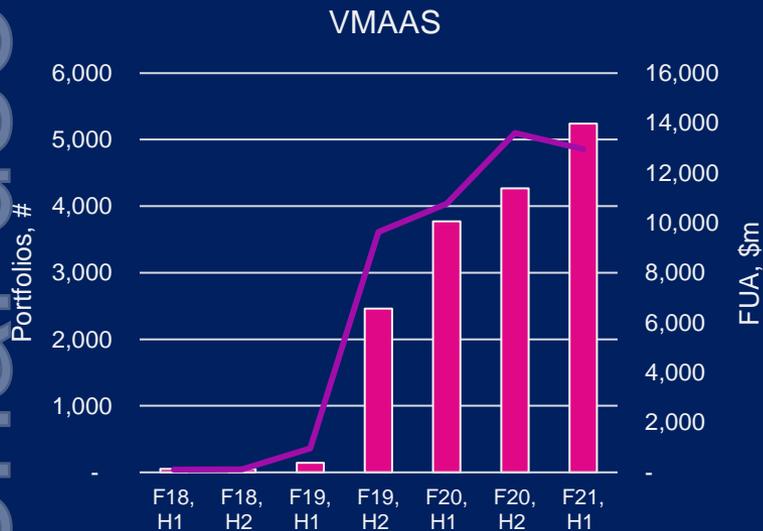
Non-custodial administration is complicated and time-consuming

For accurate reporting and efficient administration, there really is only one solution

22% of advised wealth is “off-platform”*

Off-platform reporting is a burden and complex

Highly automated, accurate and scalable services are rare



VMAAS is underpinned by the best SaaS reporting capability

Unique proprietary technology:

- Ability to move back and forth through time
- Massive corporate actions data bank
- Getting it 100% right in every circumstance

VMAAS is now over \$14 billion in assets under administration

It continues to grow strongly:

- ✓ Portfolios up 20%
- ✓ Revenue up 85%

Highlights

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Australia business

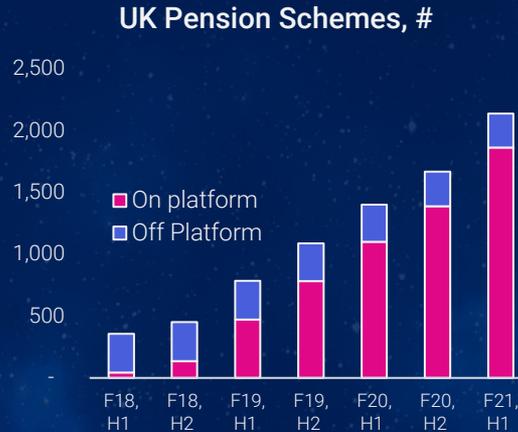
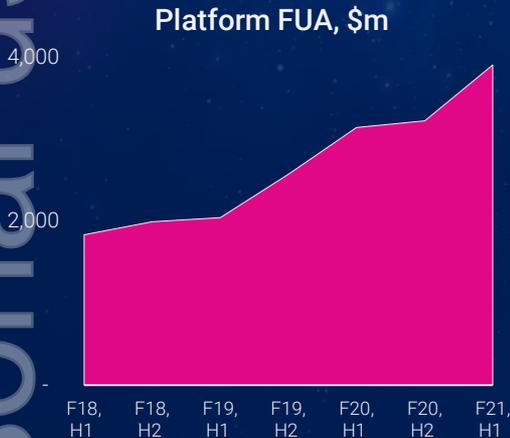
International business

Summary

Key drivers: International

Accelerated growth across our global solutions

31%
increase in
platform FUA



28%
increase in
portfolios



52%
increase in
pension schemes

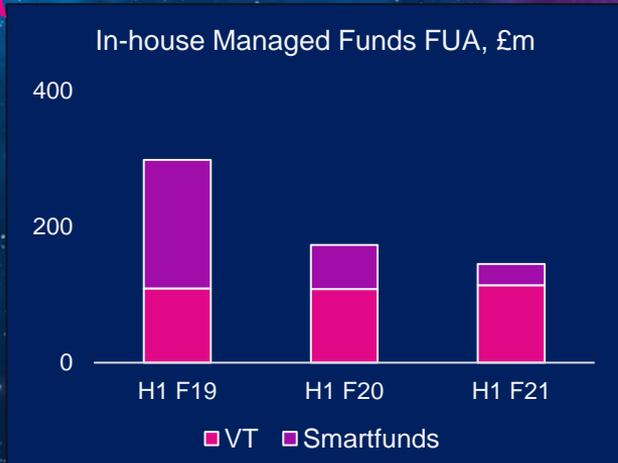
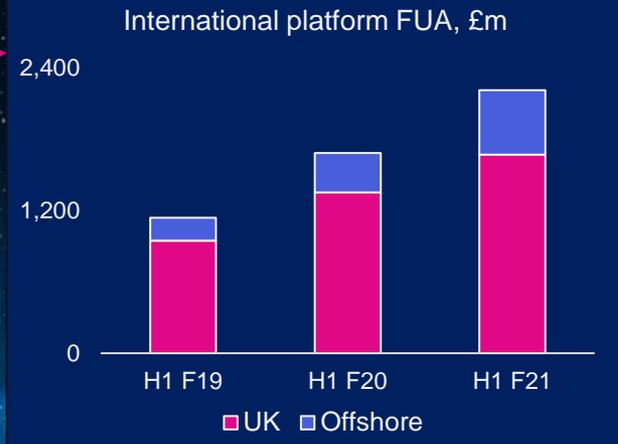
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UK platform increasing momentum

| UK results (H1 \$m) | FY19 | FY20 | FY21 | YoY% |
|--------------------------|--------------|--------------|--------------|------|
| Platform | 2.5 | 3.1 | 3.7 | +20% |
| Funds (net) | 1.6 | 1.2 | 0.6 | -55% |
| Other | 1.5 | 1.6 | 1.5 | - |
| Total net revenue | 5.6 | 5.9 | 5.8 | |
| Expenses | 6.2 | 6.5 | 6.0 | |
| EBITDA | (0.6) | (0.6) | (0.2) | |

Platform progressing well

- Record net platform inflows of £450 million in 2020
- Platform FUA up 31% to £2.2 billion
- At £31m FUA, Smartfunds no longer material
- Move towards inflexion as platform revenue growth outpaces fund revenue decline



Operating leverage from platform FUA growth to drive the business through inflexion

Increasing awareness



- 5-star rating by *Defaqto*



- International Adviser's Platform of the Year 2020 (3rd year in a row)



- City of London Wealth Management Award for innovation



- Praemium rated 2nd best overall platform in latest *the lang cat's* Platform Market Scorecard*, as rated by UK Advisers:



#1
in overarching
features



#2
in proposition

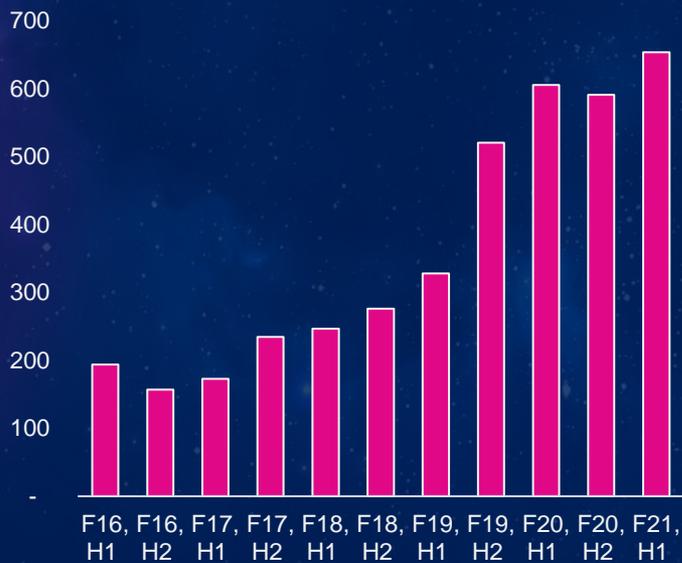


#3
in service

*Source: *the lang cat* Platform Market Scorecard, November 2020. Praemium was rated against 21 UK platforms.

International momentum

Gross Inflows, \$m



Accelerating growth in 2020

- Record platform inflows for the December half
- Platform FUA of £2.2 billion, up 31%
- Further investment in sales, implementation and client support in the UK and Dubai
- First Japan-based client
- 44 active Discretionary Fund Managers on platform, a 29% increase versus last year
- 14% growth in WealthCraft client firms
- 58% of WealthCraft clients are also platform clients, up from 52% last year

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Summary – 2 years into our growth strategy

Powerwrap acquisition

- Successful off-market transaction
- Highly accretive given common DNA
- Strengthens our position as a key player

SaaS leadership in non-custodial reporting

- Extended our competitive edge with ongoing R&D investment
- After 3 years, outsourced admin now proven and scalable
- \$1.8 million revenue uplift from upselling SaaS clients

International platform on track

- Invested in sales growth while holding the line on costs
- Inflows over past 2 years are more than double pre-2019 levels
- Rated in the top 3 of UK platforms with a growing brand awareness

Plan for 2021

International platform

- Key drivers of growth:
 - UK – further expansion of the DFM* channel
 - Offshore – continued shift from product selling to advice on platform
 - WealthCraft automated account opening for client adoption
- Key profit drivers:
 - Admin support from Yerevan office
 - Improve pensions scheme efficiencies

Australia platform

- Key drivers of growth:
 - With Powerwrap, capture a larger slice of the HNW sector
 - Build on the platform sales momentum of the past 2 years
 - Continue to upsell SaaS clients into VMAAS
- Key profit drivers:
 - Complete majority of the Powerwrap integration in c2021
 - Drive efficiency gains for non-custody admin

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contact us

Level 19
367 Collins Street
Melbourne, VIC 3000

T: 1800 571 881

E: support@praemium.com.au

W: praemium.com.au



twitter.com/praemium



[linkedin.com/praemium](https://www.linkedin.com/company/praemium)

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