



ersonal use only

2019 Annual results

Delivering on our growth agenda

12 August 2019



Disclaimer

The material contained in this document is a presentation of general information about the Praemium Group's activities current as at the date of this presentation (12 August 2019) and is supplementary to the Group's financial results released to the ASX on 12 August 2019 and previous ASX filings as applicable.

It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice when deciding if an investment is appropriate.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Praemium's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Praemium does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Praemium's control. Past performance is not a reliable indication of future performance.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by the Praemium Group or any of its related bodies corporate.

ersonal use only

Global reach, global scale

Præmium is a leading provider of scalable managed accounts technology, portfolio administration and CRM & financial planning tools for the wealth management industry. We help financial advisers, stockbrokers, accountants, investment managers and banks to improve productivity in an increasingly complicated and regulated industry.

Our history

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, including several financial institutions

Covering over \$140 billion in assets

Our products

Managed Accounts platform

The leading managed accounts provider serving 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

Financial results

Business update

Q&A

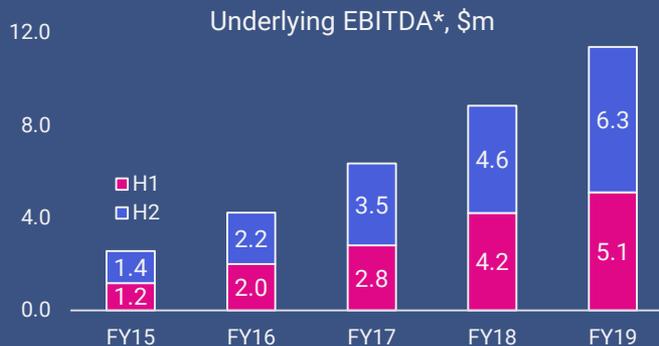
Key financial highlights

\$45.1 million
in revenue

12% increase in net revenue
14% increase in gross margin
29% increase in EBITDA*

80%
increase in NPAT

78%
increase in EPS

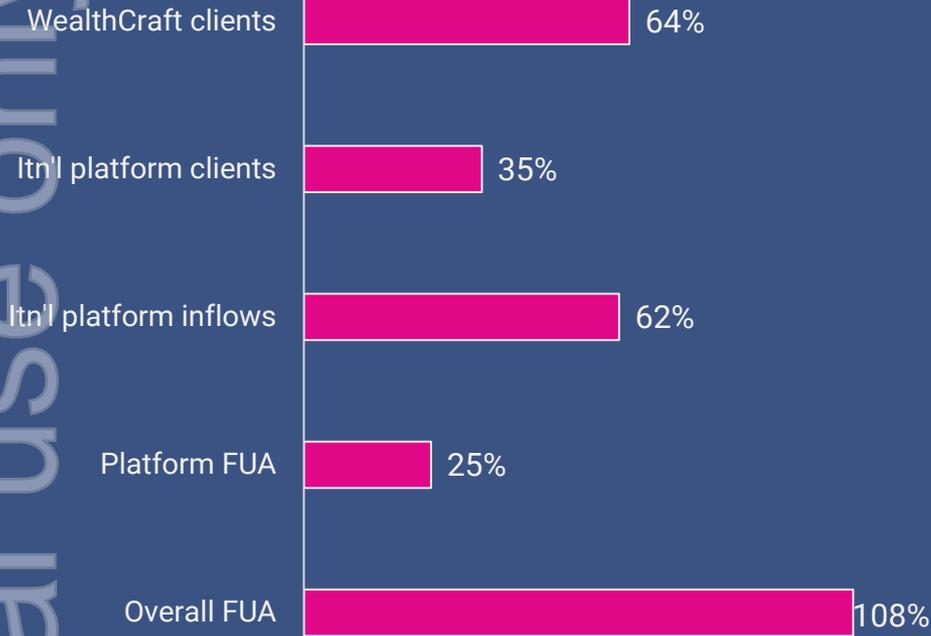


11th consecutive half of profit growth

\$11.4 million
in underlying EBITDA*

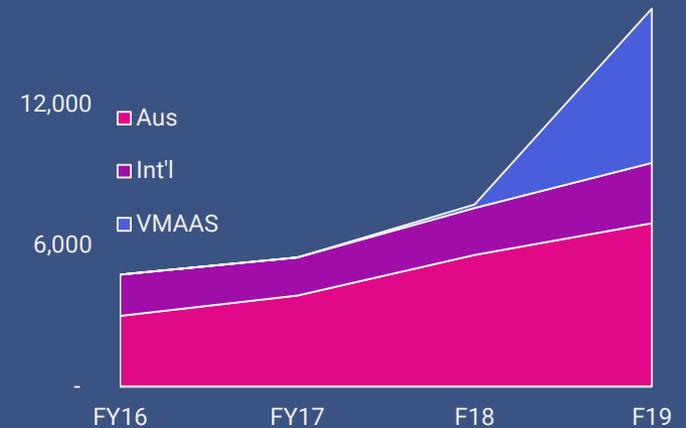
Key performance indicators

Uplift in key areas

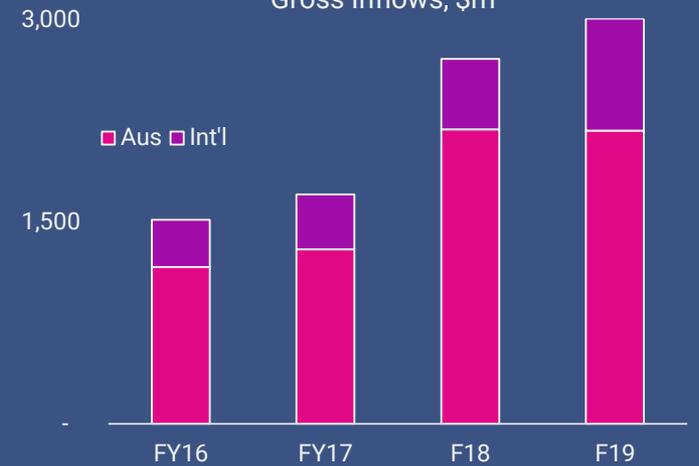


- ✓ VMA Administration Service (VMAAS) at \$6.6 billion FUA
- ✓ UK Pension schemes now exceed 1,000

FUA, \$m

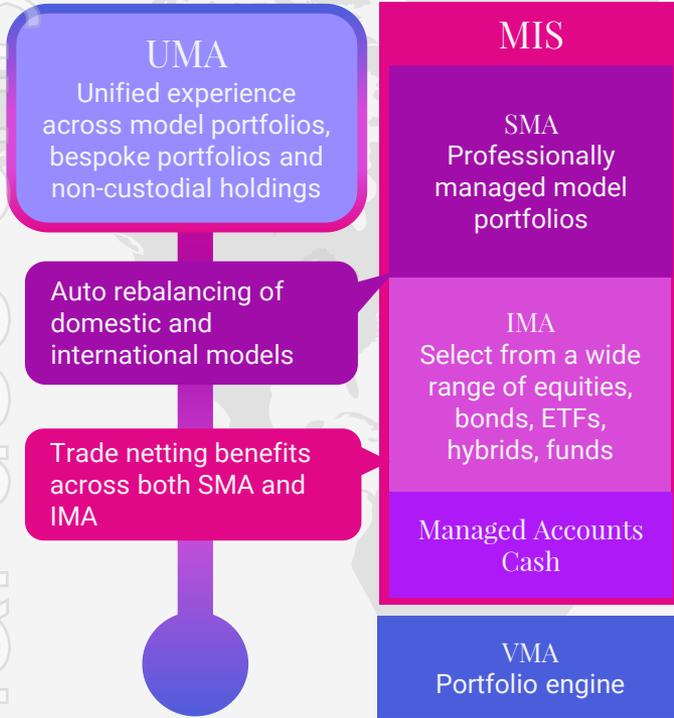


Gross Inflows, \$m



A major platform upgrade

Fully integrated managed account platform



Unified architecture

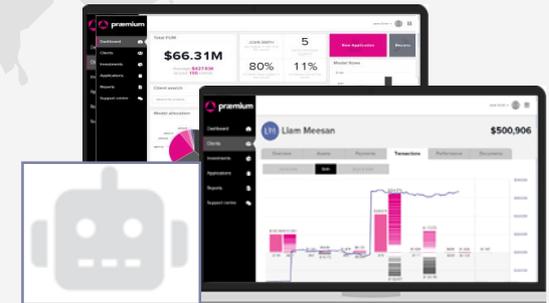
Entirely new Adviser Portal, with:

New online adviser help centre and live chat

Managed Accounts Cash facility

AI and machine learning, Insights

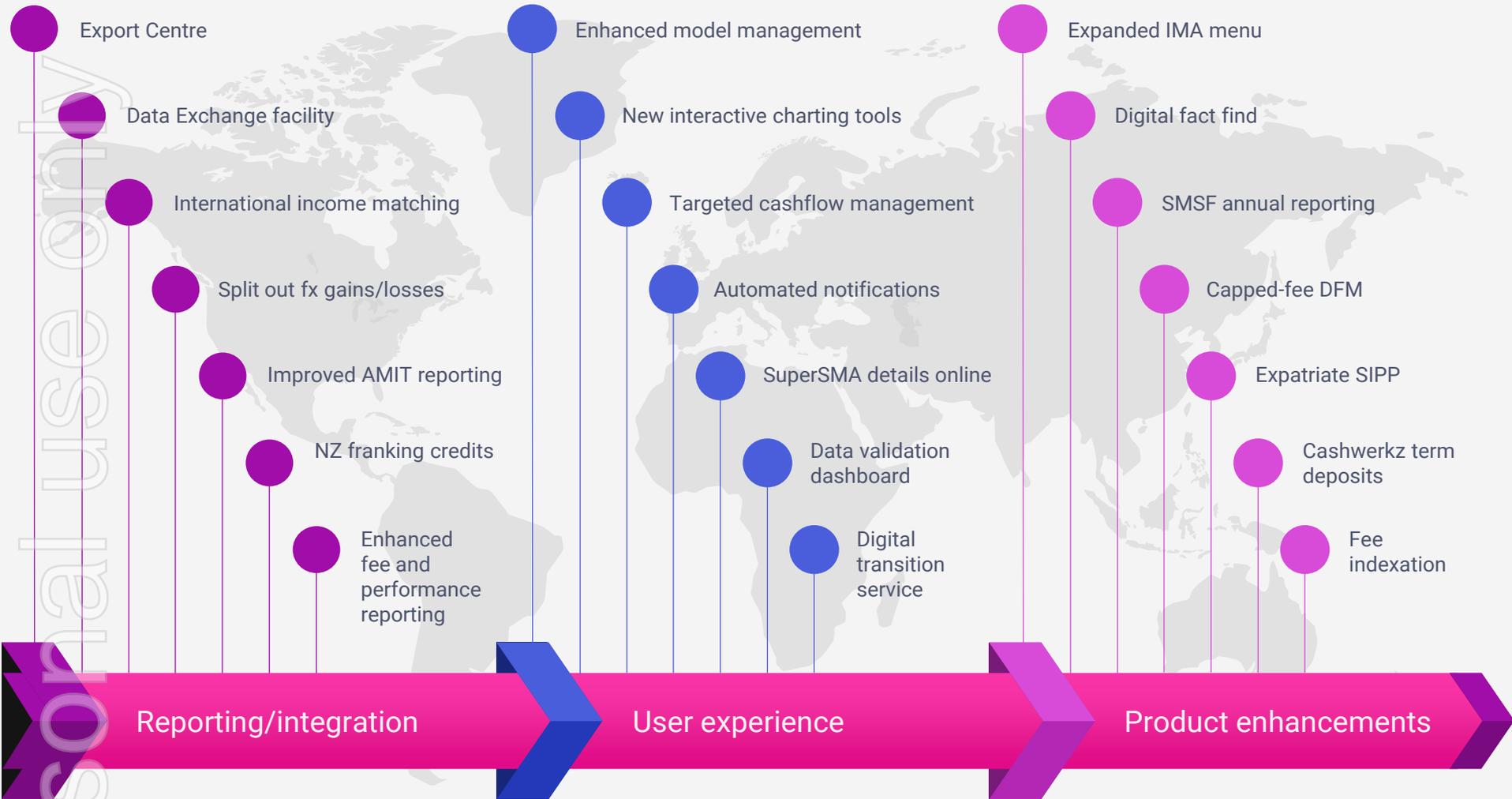
Adviser model templates



Unified view

UMA: Unified Managed Account
 MIS: Managed Investment Scheme
 SMA: Separately Managed Account
 IMA: Individually Managed Account
 VMA: Virtual Managed Account

Other key developments



Award-winning innovation

Winner

Innovation Category

Institute of Managed Account Professionals
Managed Account Awards



“The winner has shown persistence over a long period in developing a service that meets the needs of its clients and their clients for a solution which is flexible and able to be used by a range of investors.

In a competitive environment the solution needed to support a wide range of business models and the winner achieves that.”

-IMAP judging panel

Winner

Best Fund Platform

City of London
Wealth Management Awards



Winner

Global Investment Platform of the Year

Investment Adviser Awards



Investment Trends - Top ranking in 8 categories

- ❖ Cyber Security
- ❖ Online permissions
- ❖ Online branding & logos
- ❖ Report output
- ❖ Managed Accounts
- ❖ Platform data technology
- ❖ Client segmentation & grouping
- ❖ Business reporting

Source: Investment Trends – Platform & Benchmarking 2018 Survey

ersonal use only

Highlights

Financial results

Business update

Q&A

FY2019 financial results

| Group Financial Results | FY18 (\$m) | FY19 (\$m) |
|--|---------------|---------------|
| Revenue | 43.2 | 45.1 |
| Product commissions ⁽¹⁾ | (4.6) | (2.0) |
| Revenue (net) | 38.6 | 43.1 |
| Cost of operations | (7.3) | (7.3) |
| Gross margin | 31.3 | 35.8 |
| <i>GM % of net revenue</i> | <i>81.2%</i> | <i>83.1%</i> |
| Expenses: | | |
| Information Technology ⁽²⁾ | (6.7) | (6.0) |
| Sales & Marketing | (7.5) | (9.4) |
| General & Admin | (8.3) | (9.0) |
| Total expenses | (22.5) | (24.4) |
| EBITDA (underlying) | 8.8 | 11.4 |
| Share schemes ⁽³⁾ | (1.1) | (2.0) |
| D&A ⁽⁴⁾ | (1.0) | (1.9) |
| EBIT | 6.7 | 7.5 |
| Arbitration & restructure ⁽⁵⁾ | (1.8) | (1.6) |
| FX & other ⁽⁶⁾ | (0.0) | (0.5) |
| NPBT | 4.9 | 5.4 |
| Tax ⁽⁷⁾ | (3.5) | (2.9) |
| NPAT | 1.4 | 2.5 |

Key financial highlights



Net revenue up 12%



Gross margin up 14%



Underlying EBITDA up 29%



EBITDA margin of 25%, up from 20%

9% increase in expenses from growth investments:

- Expanded sales & marketing up from 19% to 22%
- IT (including R&D capex) up from 23% to 25%



NPAT up 80% to \$2.5 million, EPS up 78%

(1) Product commissions relate to Smartfunds, with reductions from fund outflows during the year

(2) Information Technology expenses excludes R&D capex of \$4.7 million (FY19) and \$2.3 million (FY18)

(3) Expense relates to phasing of long term incentives (performance rights) under the Company's employee share scheme

(4) Includes amortisation of intangibles from software R&D (3 years) and Plum and Wensley Mackay acquisitions (5 years)

(5) Refer slide 16 for detailed breakdown

(6) Unrealised FX from cash held in foreign currencies (GBP, USD, HKD) and irrecoverable taxes (VAT, WHT)

(7) FY19 Aus tax estimate at 27.5% company tax rate

Half-on-half results

| Group Financial Results | H1, FY19 (\$m) | H2, FY19 (\$m) | FY19 (\$m) |
|----------------------------|-------------------|-------------------|---------------|
| Revenue | 22.9 | 22.2 | 45.1 |
| Product commissions | (1.6) | (0.4) | (2.0) |
| Revenue (net) | 21.3 | 21.8 | 43.1 |
| Cost of operations | (4.2) | (3.1) | (7.3) |
| Gross margin | 17.1 | 18.7 | 35.8 |
| <i>GM % of net revenue</i> | <i>80.1%</i> | <i>85.6%</i> | <i>83.1%</i> |
| Expenses | | | |
| Information Technology | (2.9) | (3.1) | (6.0) |
| Sales & Marketing | (4.5) | (4.9) | (9.4) |
| General & Admin | (4.6) | (4.4) | (9.0) |
| Total expenses | (12.0) | (12.4) | (24.4) |
| EBITDA (underlying) | 5.1 | 6.3 | 11.4 |
| Share schemes | (0.9) | (1.1) | (2.0) |
| D&A | (0.8) | (1.1) | (1.9) |
| EBIT | 3.4 | 4.1 | 7.5 |
| Arbitration & restructure | (1.0) | (0.6) | (1.6) |
| FX & other | (0.2) | (0.3) | (0.5) |
| NPBT | 2.2 | 3.2 | 5.4 |
| Tax | (1.6) | (1.3) | (2.9) |
| NPAT | 0.6 | 1.9 | 2.5 |

Strong 2nd half result

- Net revenue up 2%, after product commissions
- Delivered gross margins of 85.6%, up from 80.1% in H1
- EBITDA margins up to 29%, from 22% in H1

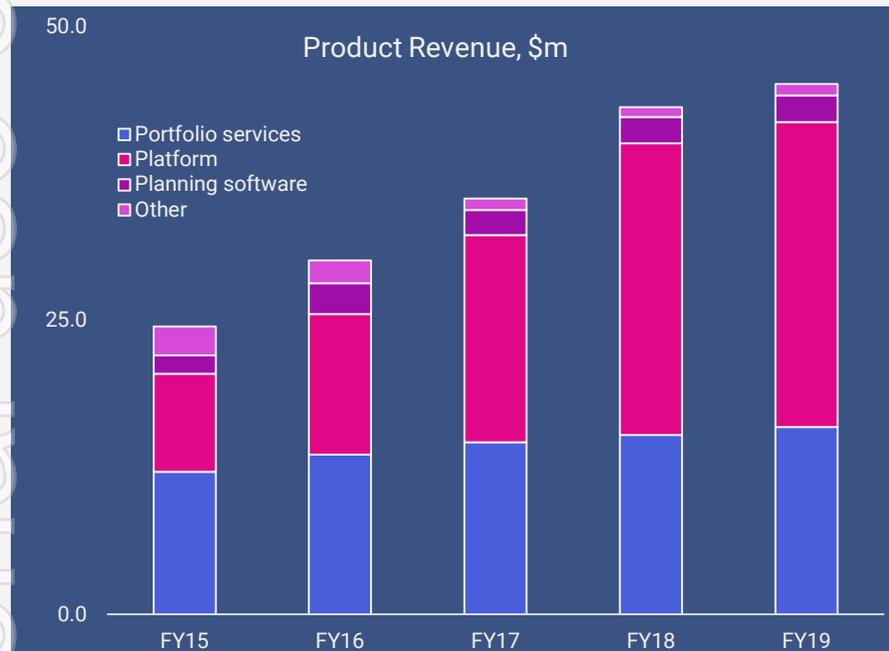


Improved bottom line

- Share schemes consistent with prior half
- Amortisation includes completed R&D modules
- Lower arbitration costs and tax expense
- H2 NPAT of \$1.9 million, compared to \$0.6 million for H1

Continued revenue growth

| \$m | Aus | Intl | FY19 | FY19 % | Aus % | Intl % |
|--------------------|-------------|-------------|-------------|-----------|------------|--------------|
| Platform | 15.3 | 10.7 | 26.0 | 5% | 25% | (15%) |
| Portfolio services | 15.9 | - | 15.9 | 5% | 5% | - |
| Planning software | 0.2 | 2.1 | 2.3 | 1% | 11% | 0% |
| Other | - | 0.9 | 0.9 | 12% | - | 12% |
| Revenue | 31.4 | 13.7 | 45.1 | 5% | 14% | (12%) |



Australia

- Australia platform FUA up 24%, revenue up 25%
- Billable VMA portfolios up 4% (excl. institutional)
- Significant VMAAS expansion in H2
- Portfolio services to include VMAAS uplift of \$2 million per annum in FY2020
- Further extension of Asgard contract from Nov 2019 through to 2022 – 2025 (\$3 million minimum per annum)

International

- FUA impacted by declines in global equity markets (FTSE250 down 7%)
- Net outflows in *Smartfunds*
- Strong platform uplift in H2, with FUA up 26%
- All four quarters were successive records for inflows
- WealthCraft seats up 33% in UK and international markets

Sustained earnings growth

| Change% | Aus | Intl | Corp | Group |
|-----------------------------|------------|-----------|--------------|------------|
| Revenue (net) % | 14% | 7% | - | 12% |
| Expenses % | 8% | 5% | 14% | 7% |
| EBITDA (underlying)* | 21% | 3% | (14%) | 29% |

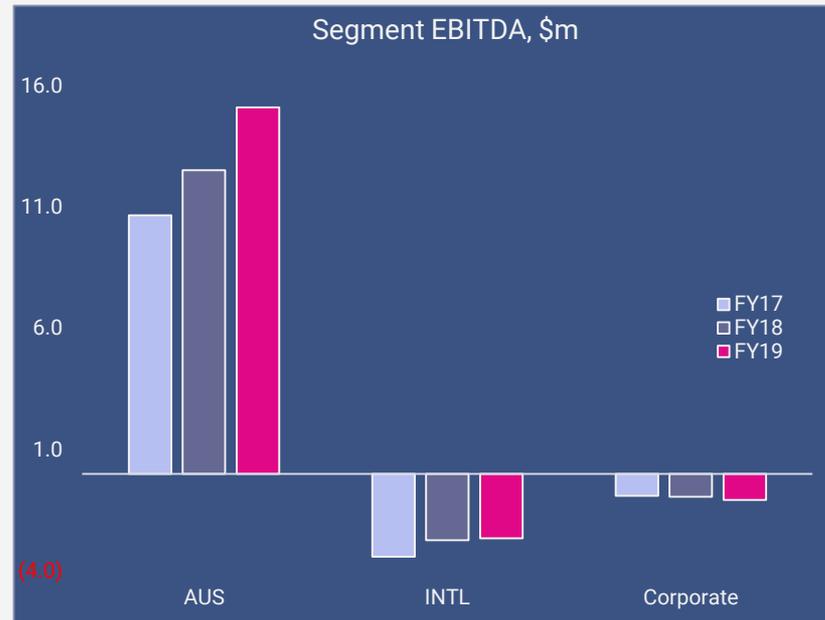
| \$m | Aus | Intl | Corp | FY19 |
|-----------------------|-------------|--------------|--------------|-------------|
| Revenue | 31.4 | 13.7 | - | 45.1 |
| Product commission | - | (2.0) | - | (2.0) |
| Expenses | (16.2) | (14.4) | (1.1) | (31.7) |
| Segment EBITDA | 15.2 | (2.7) | (1.1) | 11.4 |
| <i>EBITDA %</i> | <i>48%</i> | | | <i>25%</i> |

Australia maintaining strong EBITDA margins

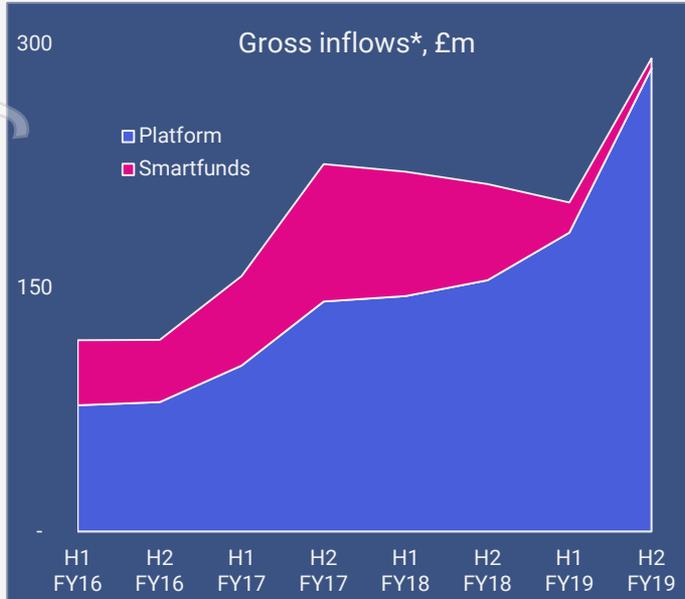
- Revenue growth of 14%, expenses up 8%
- Growth in sales & marketing spend of 48%
- 21% improvement in EBITDA to \$15.2 million
- EBITDA margin increase to 48% of revenue, from 45% in prior year

International improved result in challenging conditions

- Net revenue growth of 7%, after product commissions
- Expenses up 5%, managed in line with revenue impacts
- Losses reduced by 3% to \$2.7 million

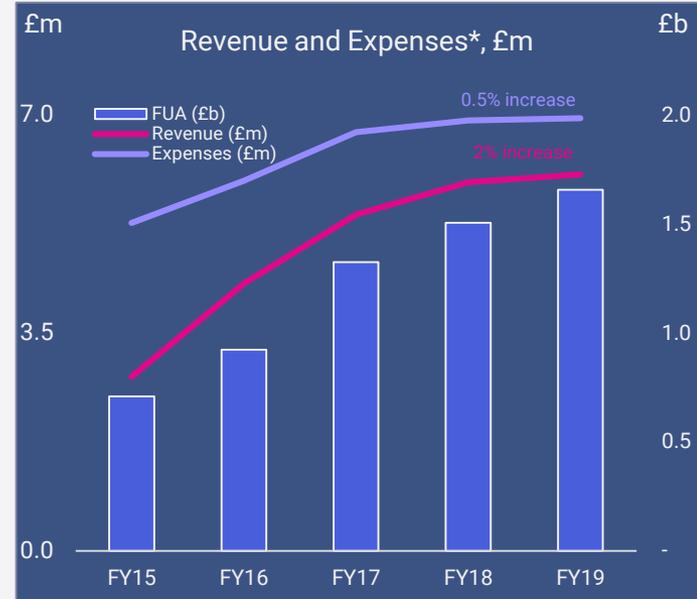


International platform – strong growth



Significant growth in platform FUA...

- Platform inflows of £469 million, up 57% from prior year
- Marked acceleration in H2, with record inflows of £285 million
- Supported by pension offer, with schemes up 141% in FY2019



... to flow into forward earnings

- Despite headwinds this year, UK losses declined 9% (in GBP)
- 4-year revenue CAGR of 21%, compared to expenses of 7%
- Drive to inflexion in 2020

Cashflow and balance sheet

| Cashflow (\$m) | FY18 | FY19 |
|-------------------------------|--------------|--------------|
| Operating cashflow | 8.8 | 10.0 |
| R&D incentive | 0.6 | 0.8 |
| Tax paid | (2.7) | (3.0) |
| One-off costs | (1.3) | (1.6) |
| Net operating cashflow | 5.4 | 6.2 |
| Intangible capex | (2.3) | (4.7) |
| Equipment capex | (0.5) | (0.5) |
| Investments | - | 0.9 |
| Net investing cashflow | (2.8) | (4.3) |
| Net cash movement | 2.6 | 1.9 |
| Opening cash | 9.0 | 12.1 |
| Unrealised FX | 0.5 | (0.3) |
| Closing cash | 12.1 | 13.7 |

Cashflow

- Operating cashflow up 15% on FY2018
- Tax instalments paid on Australian company profits
- Intangible capex of \$4.7 million from platform expansion
- Investment proceeds from sale of shares in listed entity

| Balance Sheet (\$m) | FY18 | FY19 |
|---------------------|-------------|-------------|
| Cash | 12.1 | 13.7 |
| Receivables | 7.3 | 7.6 |
| Intangibles | 6.5 | 9.9 |
| Other assets | 4.4 | 4.2 |
| Assets | 30.3 | 35.4 |
| Tax liabilities | 1.5 | 1.7 |
| Other liabilities | 8.5 | 10.1 |
| Liabilities | 10.0 | 11.8 |
| Net Assets | 20.3 | 23.6 |

| One-off Costs (\$m) | FY18 | FY19 |
|----------------------|------------|------------|
| Acquisition costs | - | 0.4 |
| Restructure costs | 0.5 | 0.8 |
| Arbitration costs | 0.9 | 0.4 |
| General Meeting | 0.4 | - |
| Total expense | 1.8 | 1.6 |

Balance sheet

- Strong balance sheet to support growth
- Group regulatory cash requirement of \$5 million
- No debt
- Franking credits of \$6.1 million

ersonal use only

Highlights

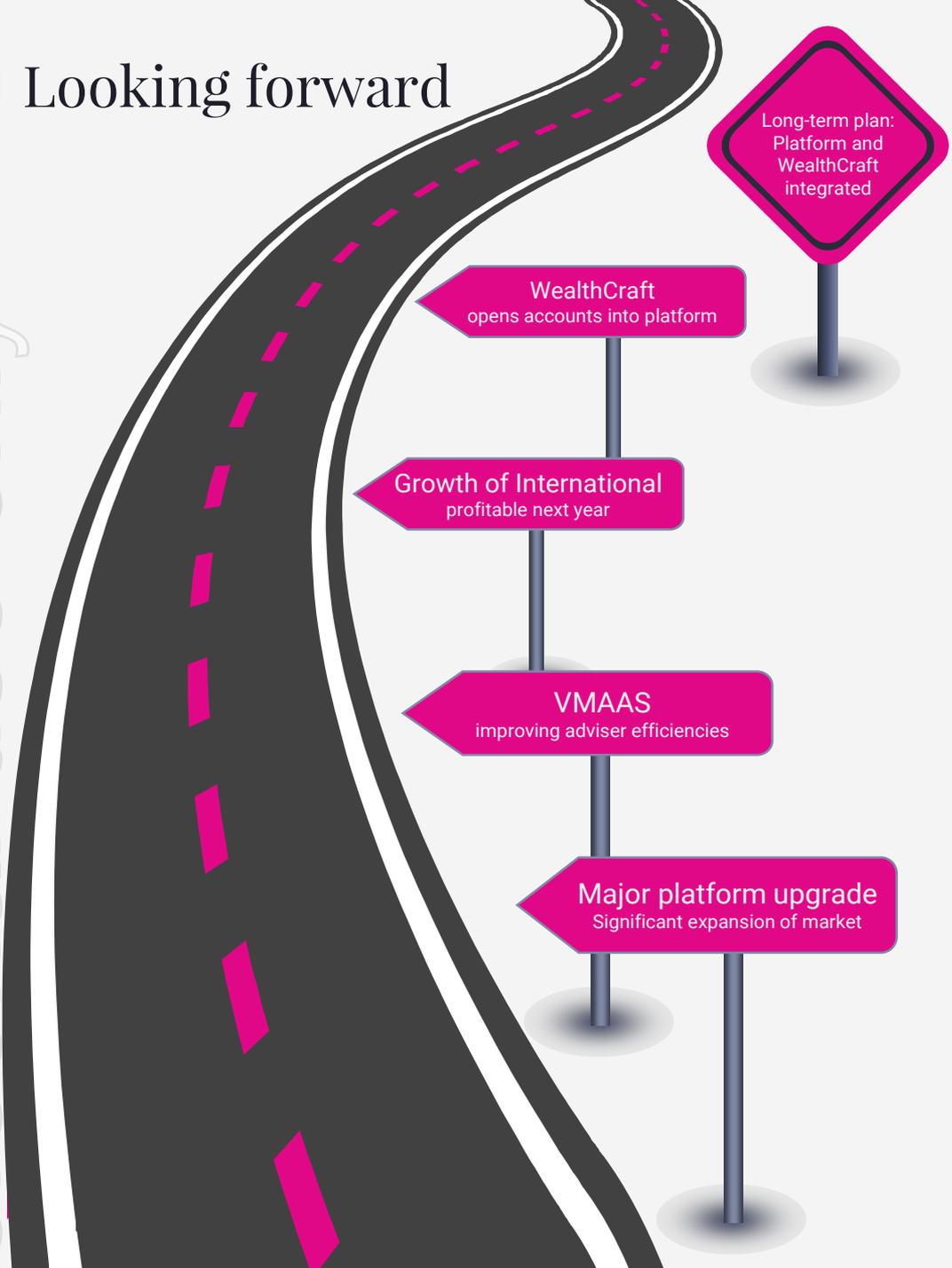
Financial results

Business update

Q&A

Looking forward

ersonal use only



Industry tailwinds

Australia

- Specialist platforms market share predicted to grow from 5% to 12% in 5 years¹

UK

- Over-concentration of platform tech from 2-3 providers could lead to an *innovation stalemate*

International

- Increased regulatory requirements forcing advisers to adapt from a front-loaded-commissions model to a fee-for-service model

¹ UBS Global Research, Australian Diversified Financials, May 2019

Upgrade to a full-service platform

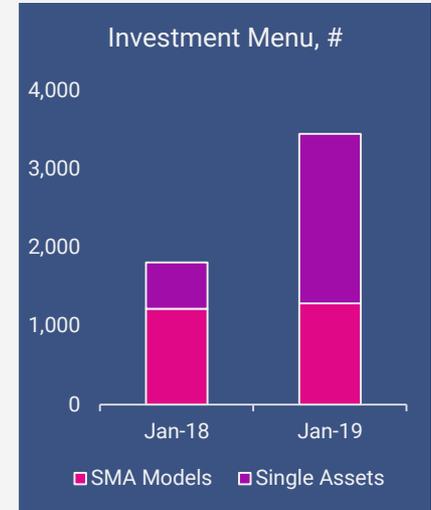
Praemium's Integrated Managed Accounts platform adds IMA functionality to its SMA capability. In Australia, the upgrade represents a 40-fold increase in available market from the \$21bn SMA market to the overall \$858bn platform market.¹

Praemium is now a one-stop-shop with an expanded menu of single assets for IMA

In February 2019 Praemium released its innovative Integrated Managed Accounts platform.

- The fully integrated platform provides wealth managers the ability to construct the full breadth of managed accounts solutions for their clients via a seamless digital platform
- The integrated platform includes:
 - Custodial Separately Managed Accounts (SMA) and Individually Managed Accounts (IMA), plus
 - Non-custodial Virtual Managed Accounts (VMA) to underpin MDAs, IDPS and similar structures, and
 - Unified Managed Accounts (UMAs) that enable a consolidated view of custody and non-custody investment assets.

Supported by a major re-brand, new website and the 'Welcome to the Upgrade' marketing campaign



¹ Strategic Insight (Plan for Life), March 2019 & Institute of Managed Accounts Professionals, Dec 2018

VMAAS – a complete administration service

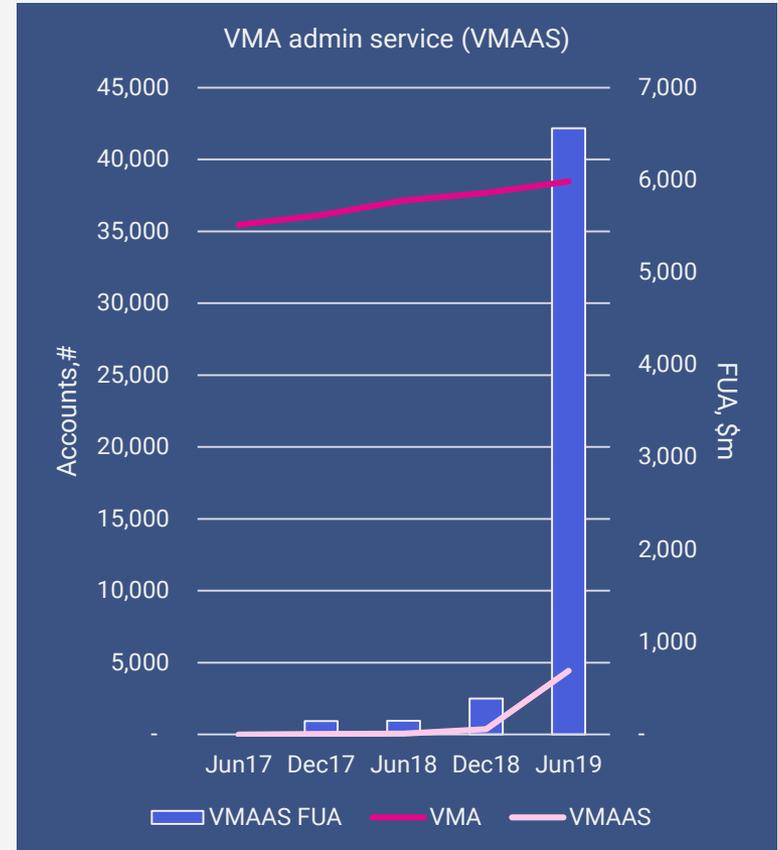
Providing full administration, including:

- Mail processing
- Account reconciliation
- Corporate action elections and processing
- Billing and fee generation
- Quarterly reporting
- Annual tax statements
- Optional year-end SMSF accounting, audit and lodgment

Built on Praemium's unique portfolio capabilities:

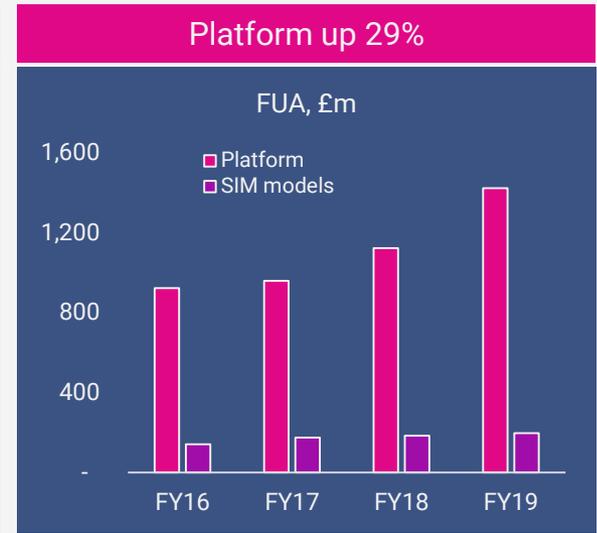
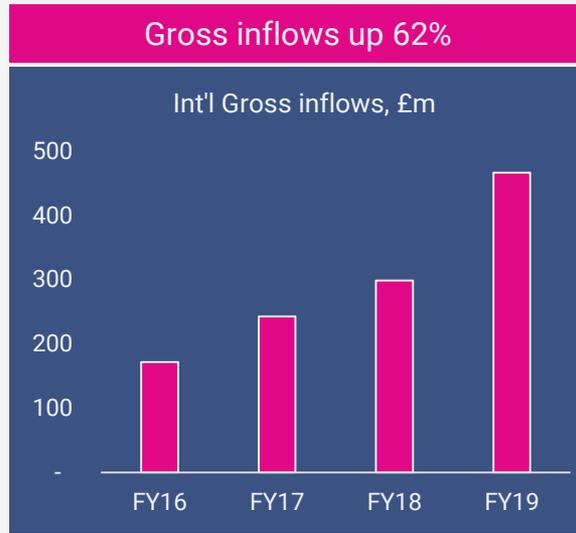
- Automatically reconstructs all portfolios' tax position after ATO rulings
- Complex corporate actions with history from 1985, CGT optimisation and tax reporting
- Performance benchmarking supported by an unmatched range of market indices
- Handles the most complex investments including international and stapled securities
- Automates AMIT rules for managed funds
- Broad investment range: all ASX-listed and 5,000 int'l equities, 700 local and int'l bonds, funds, options, fixed interest

ATO to gather 20 billion digital transactions in the year ahead¹, accurate annual tax reports will be a critical



Service launched in December 2017
Strong uptake in 2H FY2019

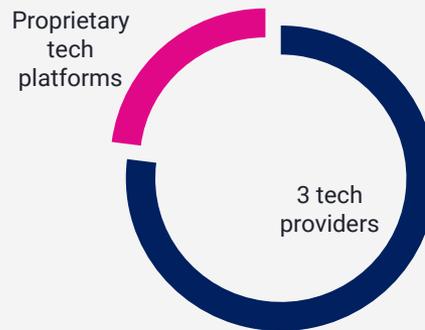
International, now growing strongly



UK/Int'l is well placed with Praemium's proprietary technology

"Re-platforming has without doubt been the most disruptive activity in the platform space in recent years. When adviser platforms have tried to shift their underlying technology from one provider to another, it has caused havoc for the advisers, paraplanners and administrators who are simply trying to service their clients."

- Professional Adviser 29 July 2019



In the UK, three tech providers underpin 77% of platform FUA. Consolidation could reduce this to just two.¹

Praemium's next-gen platform can better serve the UK advice market:

- *Proprietary tech* leveraging global experience
- Innovative, responsive, agile
- Global, multi-currency
- Excellence in SMA rebalancing
- Excellence in reporting
- FATCA-compliant solution for US tax-payers
- Global ex-pat pension solutions
- Unified discretionary and advisory (SMA & IMA) in a single structure

1. Source: Money Marketing 29 July 2019; Lang Cat

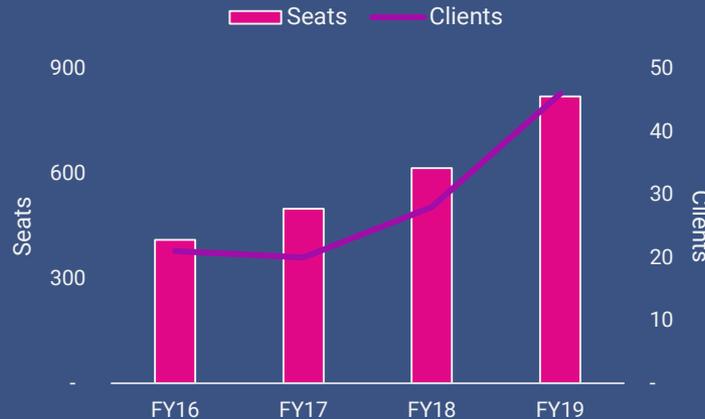
Good progress for WealthCraft



Praemium's financial advice software growing with strong platform cross-sell

A total of 46 firms on WealthCraft

64%
increase in
WealthCraft clients



57%
of whom use other
Praemium services



Our ultimate vision

Integrated managed accounts platform

Portfolio administration (VMAAS)

Leverage excellence in non-custodial reporting for HNW clients

Non-custodial technology (VMA)

Performance analytics, asset allocation, tax engine, consolidated reporting, client portals

Custodial managed accounts

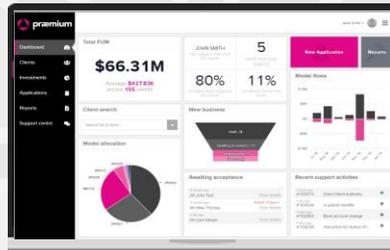
SMA, IMA, MDA, FATCA-compliant, ex-pat super/pensions

Financial planning software (WealthCraft)

Cloud based CRM, fact-find, risk profiling, gap analysis, digital acceptance

Investment management (Smart^{im})

In-house professionally managed multi-asset, multi-currency model portfolios



Adviser Portal

ersonal use only

Highlights

Financial results

Business update

Q&A



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)

ersonal use only