

# Mainstream Group Holdings Limited (ASX: MAI)

Results for the half year  
ended  
31 December 2017

Released on 20 February 2018



**MAINSTREAM**

## HY18 highlights

Revenue

**\$19.0m**

△ 45% on HY17

EBITDA

**\$3.0m**

△ 70% on HY17

NPAT

**\$1.0m**

△ 43% on HY17

Funds under  
administration

**\$133 bn**

△ 25% on HY17

Funds administered

**771**

△ 28% on HY17

Interim fully franked  
dividend  
**0.5 cents**  
per share

- › Continued organic growth has translated into revenue and earnings growth
- › Completed Trinity and IRESS acquisitions
- › Global operating model in place with key local hires adding experience and capability
- › On track to meet FY18 guidance of \$40m to \$42m revenue and EBITDA \$6m to \$7m, representing growth of approximately 43% and 63% on FY17
- › Significant cost savings via \$11m debt refinance to ANZ in Jan 2018

# Financial highlights

## Underlying results reflect momentum in our business

	HY18 statutory <sup>^</sup>	HY18 adjusted*	HY17	Growth (%)
Revenue	\$19.0m	\$20.5m	\$13.1m	↑ 45%
Operating EBITDA	\$4.9m	\$5.4m	\$2.7m	↑ 77%
Operating EBITDA margin (%)	25.8%	26.3%	21.1%	↑ 22%
EBITDA	\$3.0m	\$3.3m	\$1.8m	↑ 70%
EBITDA margin (%)	15.8%	16.0%	13.5%	↑ 17%
PBT	\$1.2m	\$1.8m	\$0.9m	↑ 32%
Dividend per share (DPS)	0.5cps	n/a	0.5 cps	consistent
Earnings per share (EPS) –basic	\$0.0092	\$0.0145	\$0.0076	↑ 21.1%

<sup>^</sup> Statutory earnings include 3 months from Trinity and 2 months from IRESS acquisitions.

\* Adjusted earnings show the estimated full period impact of Trinity and IRESS acquisitions and the post-reporting period debt refinance during the half year.

# Reconciliation of Financial Statements to adjusted returns

## Highlights

- › 2.3% margin improvement
- › EBITDA \$750k above internal budget for HY18

\$ 000's	HY18	HY17
Profit after income tax expense	954	665
<b>Add:</b>		
Income Tax Expense/(Benefit)	201	211
Amortisation and depreciation expense	669	379
Interest expense	647	223
Share-based payments expense	532	291
<b>EBITDA</b>	<b>3,003</b>	<b>1,769</b>
Acquisition costs	207	122
Transition costs <sup>^</sup>	270	-
<b>Normalised EBITDA</b>	<b>3,480</b>	<b>1,891</b>
Full period effect of Acquisitions	282	296
<b>Proforma EBITDA**</b>	<b>3,762</b>	<b>2,187</b>

<sup>^</sup> Includes transition and global operating model costs.

\*Operating EBITDA is not an IFRS standard and is used to highlight Operating Margin before Corporate Costs.

\*\* Proforma EBITDA is not an IFRS standard and is used to highlight notional EBITDA with expected full period effect of Acquisitions.

## Operational highlights

- › **Strong organic growth** with Hong Kong and Australia outperforming expectations
  - › \$14bn inflows for HY18, driven by top 10 clients
- › Acquisitions performing well and **integration on track** with no adverse impacts
  - › Established operations in Ireland and Cayman Islands
  - › Doubled number of superannuation clients
- › **Margin** continues to improve from increased **scale and automation**
- › Well positioned to support investment product innovations with three **investment platforms** established and profitable
- › Focus on **positive culture, engagement and quality** with our 220+ people
  - › Ongoing commitment to gender diversity: 46% global workforce and 40% of management team are women

# Global operating model adds scale and local expertise

## Global fund administration operations in leading international finance centres

**A\$133 billion**

funds under administration (FUA)

**771 funds**

# funds

**107,000**

# investors

**221**

# employees

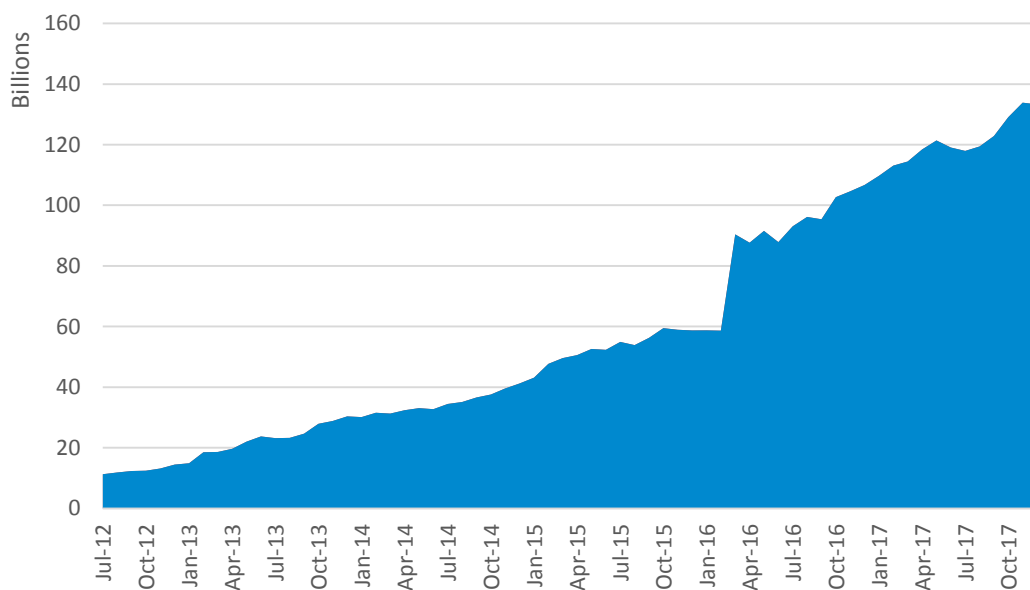


# Funds under administration (FUA) continues to grow

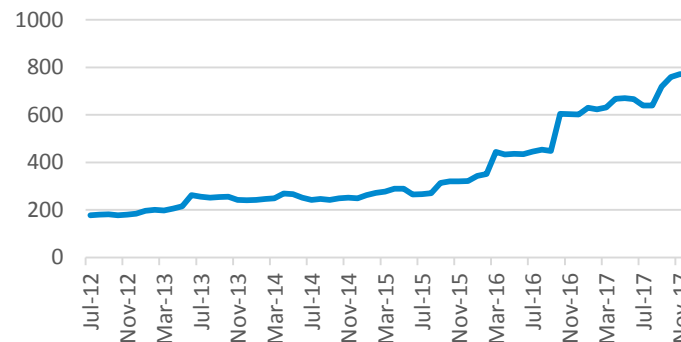
## › \$14 billion inflows in HY18

- › 85% organic growth, 15% from acquisitions
- › Significant inflows into top 10 clients plus new listed funds going live
- › Broadening client base and fee minimums

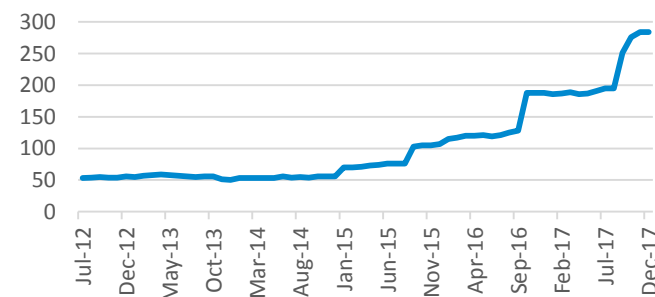
### HISTORICAL GROWTH IN FUA



### Number of funds administered



### Number of clients



# Global operating model adds experience and capability

## Asia-Pacific



**Martin Smith**  
Group CEO /  
CEO, Asia-Pacific

## Europe



**John McCann**  
CEO, Europe and  
Cayman

## Americas



**Denise DePaola**  
CEO,  
Americas



**Nick Happell**  
CEO, Mainstream Fund  
Services Australia



**Richard Bolton**  
Country Manager,  
Isle of Man



**Jay Maher**  
CEO,  
Private Equity



**Michael Houlihan**  
CEO, Mainstream  
Superannuation  
Services, Australia



**Malcolm St John**  
Country Manager,  
Malta



**Angela  
Nightingale\***  
Country Manager,  
Cayman Islands



**Amy Lau**  
Country Manager,  
Hong Kong

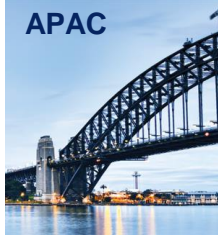




**John Davis**  
Country Manager,  
Singapore

\* Cayman operations report into Europe.  
Corporate management team not shown.



# Regional highlights

Region	1 <sup>st</sup> Half FY 2018 update	2 <sup>nd</sup> Half FY 2018 Targets	Outlook*
 <p><b>APAC</b></p>	<ul style="list-style-type: none"> <li>› Revenue for HY18 was \$15m (HY17: \$12m)</li> <li>› Significant inflows from top 10 clients: new mandates and listed product launches</li> <li>› Increasing demand for independent administration of exchange traded-products</li> </ul>	<ul style="list-style-type: none"> <li>› Strong sales pipeline across fund services, unit registry services, active ETF administration and managed accounts</li> <li>› Convert one \$30bn+ target client for unit registry services</li> <li>› Establish Mainstream SMA for fund managers and advisor groups</li> <li>› Investment in leadership team development and e-learning</li> </ul>	<ul style="list-style-type: none"> <li>› \$2.8m sold and \$7m pipeline</li> </ul>
 <p><b>Europe</b></p>	<ul style="list-style-type: none"> <li>› HY18 revenue was \$1.8m (HY17: \$0.1m)*</li> <li>› Added senior management capability via acquisition in Ireland and Cayman Islands</li> <li>› Centre of Excellence established in Malta office to perform particular services for internal clients at lower cost / improved margin (follow the sun processing).</li> <li>› Two cross border initiatives completed leveraging global operating model</li> </ul>	<ul style="list-style-type: none"> <li>› Focus on integration of Ireland operations</li> <li>› Establish UCITS platform for fund managers targeting European investors</li> <li>› Promote unified brand particularly in London</li> <li>› Grow services provided by Centre of Excellence</li> <li>› Evaluate Luxembourg market entry opportunities</li> </ul>	<ul style="list-style-type: none"> <li>› \$1.2m sold and \$800k pipeline<sup>^</sup></li> </ul>
 <p><b>Americas</b></p>	<ul style="list-style-type: none"> <li>› HY18 revenue was \$2.2m (HY17: \$0.9m)*</li> <li>› Signed 14 new clients</li> <li>› Dedicated Private Equity team: 5 new hires based in NYC metro area to focus on US \$4.7 trillion closed-end fund market</li> </ul>	<ul style="list-style-type: none"> <li>› Pilot US hedge fund on global technology</li> <li>› Grow Cayman Inception platform for fund managers targeting Asian or US investors</li> <li>› Co-hosted hedge fund events</li> </ul>	<ul style="list-style-type: none"> <li>› \$1m sold and \$3m pipeline</li> </ul>

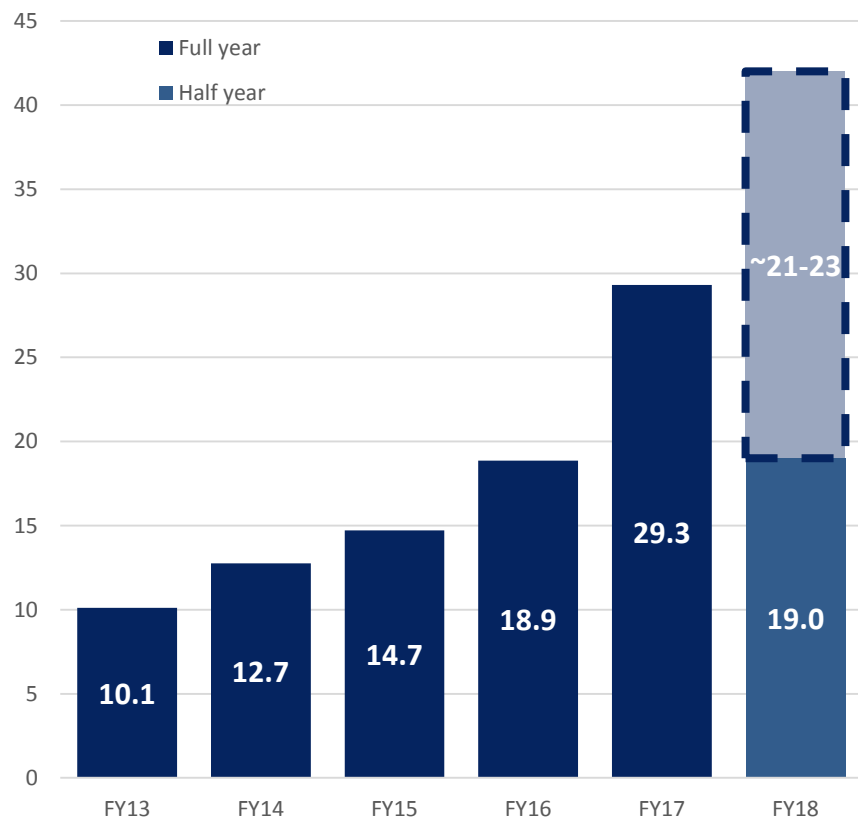
\* 'Pipeline' refers to qualified proposals with probability exceeding 30%. 'Sold' refers to contracts prepared, with launch date dependent on manager/seed capital timing. This information is indicative only and based on current expectations of future events subject to risk, uncertainty and assumptions that could cause actual outcomes to be different from those forecast.

<sup>^</sup> Europe sold and pipeline includes Cayman operations.

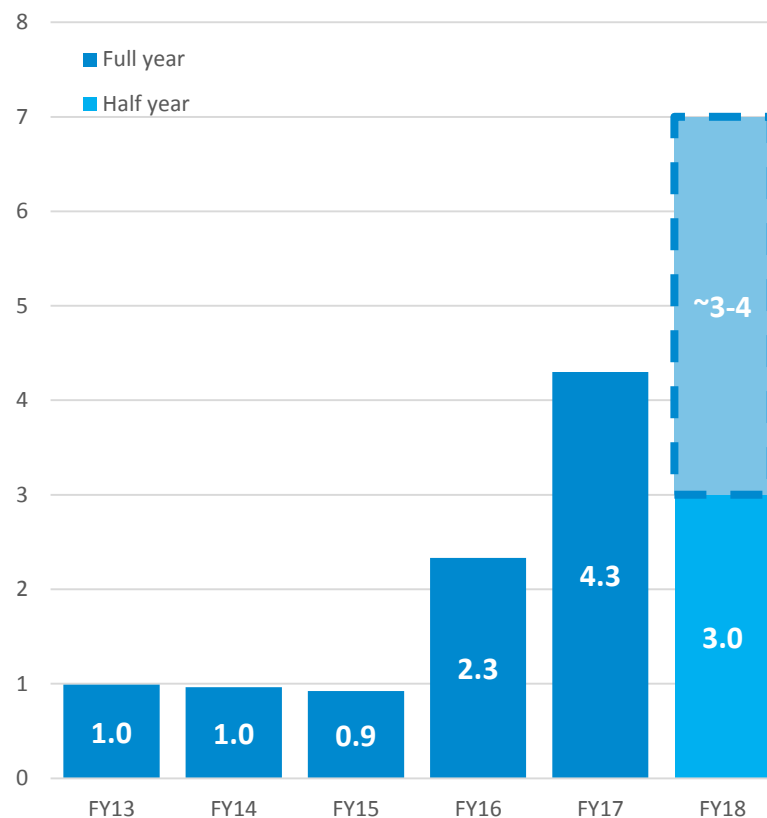
# Track record since IPO

## High organic growth underpinned by inflows into wealth management industry

Revenue (\$m)

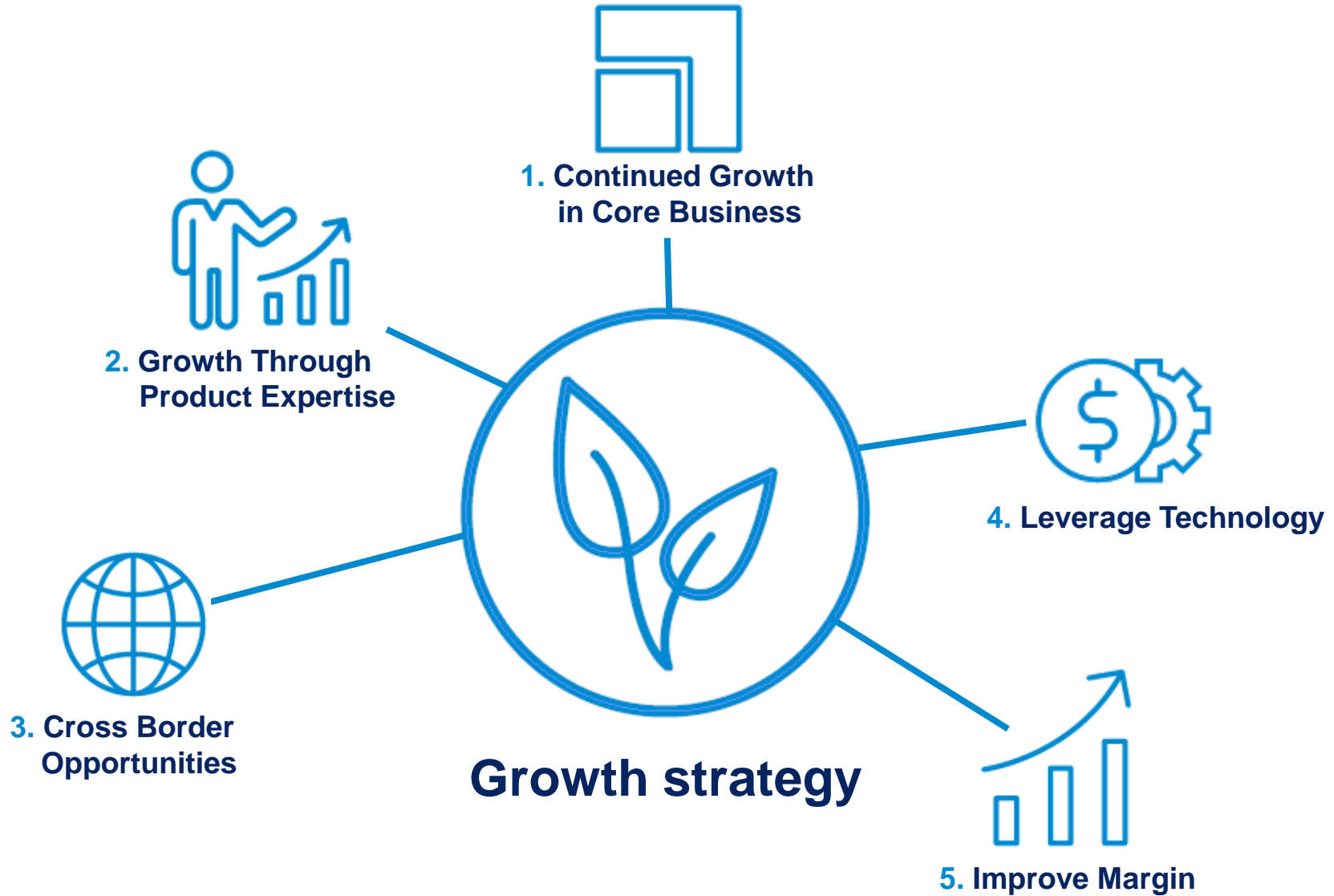


EBITDA (\$m)



^ Initial Public Offering: 1 October 2015.

\* HY18 actual, FY18 forecast.



# Agile in changing investment landscape

## Scalable business model supports investor vehicle of choice

Investment product	Trend	Mainstream positioning
<b>1. Hedge funds</b>	<ul style="list-style-type: none"><li>› Investors seeking offshore investment pools</li></ul>	<ul style="list-style-type: none"><li>› Global cross-border services delivered locally</li><li>› Inception fund for Cayman</li></ul>
<b>2. Private equity</b>	<ul style="list-style-type: none"><li>› Trend toward outsourcing administration services due to increasing regulatory and oversight complexity</li></ul>	<ul style="list-style-type: none"><li>› Building out US based global Private Equity division to focus on administration services for closed-end funds (private equity, venture capital and real estate)</li></ul>
<b>3. Newly seeded managed funds</b>	<ul style="list-style-type: none"><li>› Unable to meet minimums for global custodians</li><li>› Outsourced trustee services</li></ul>	<ul style="list-style-type: none"><li>› Full service provider with robust systems, the governance of being listed and risk management practices</li></ul>
<b>4. Managed accounts</b>	<ul style="list-style-type: none"><li>› Alternative to unit trusts off beneficial ownership and tax optimisation</li></ul>	<ul style="list-style-type: none"><li>› Full administration capability including tax reporting, corporate action management, reconciliation and investor web</li></ul>
<b>5. Exchange-traded products</b>	<ul style="list-style-type: none"><li>› Increase in listings on ASX</li><li>› Demand for independent administration services</li></ul>	<ul style="list-style-type: none"><li>› Niche administration solutions, eg listed investment trusts, active exchange-traded funds</li></ul>

## Closing remarks and outlook

- › Growth across all key financial and operational metrics
- › On track to deliver key priorities identified at our AGM:
  - › Continue organic growth momentum
  - › Cross-selling opportunities between business areas
  - › Completed acquisitions
  - › Further margin improvement
- › Well positioned to continue delivering positive results:
  - › Significant inflows into key clients
  - › Track record in acquiring and integrating fund administration businesses
  - › Global cross-selling opportunities between business areas
- › We reiterate FY18 guidance of \$40m to \$42m revenue and \$6m to \$7m EBITDA

# Appendices



**MAINSTREAM**

# Appendix 1: Mainstream's business units

## MAINSTREAM GROUP HOLDINGS

Business units	Fund Services			Superannuation Services
<b>Markets</b>	<b>Asia Pacific</b> <ul style="list-style-type: none"> <li>› Australia</li> <li>› Hong Kong</li> <li>› Singapore</li> </ul>	<b>Europe</b> <ul style="list-style-type: none"> <li>› Ireland</li> <li>› Isle of Man</li> <li>› Malta</li> </ul>	<b>Americas</b> <ul style="list-style-type: none"> <li>› USA</li> <li>› Cayman Islands</li> </ul>	<b>Australia</b>
<b>Key services</b>	Full service fund administration, unit registry, middle office, corporate services			Full service member administration and accounting
<b>Investment strategies</b>	Listed and unlisted investment funds including managed funds, hedge funds, managed accounts, private equity			Industry, corporate and retail superannuation funds

## Appendix 2: Overview of Mainstream's Fund Platforms

Platform	Markets	Target clients	Opportunity	Status
<b>Cayman Inception platform</b>	Global	Managers without experience launching Cayman regulated funds, from emerging managers to established firms	Cross-sell full-service and one-stop shop fund formation offering to existing clients	3 clients live at higher margin, lower entry cost
<b>Individually Managed Accounts (IMAs)</b>	Australia, USA	Managers looking to offer investors benefit of direct ownership	Cross-selling opportunity to existing clients	Leading independent administrator
<b>Superannuation trustee platform</b>	Australia	Smaller industry funds who don't meet APRA minimums	Access to new clients	Available with Equity Trustees as RSE; 5 foundation clients acquired from IRESS
<b>Private equity platform</b>	Global	Emerging to middle market managers with up to \$10bn in assets; lift-out candidates (established middle-back office of fund managers)	New managers; managers considering outsourcing, transition from other administrators, cross sell to existing clients with closed-end funds	Product/offering fully developed and ready to be implemented; 12 PE clients signed 1Q18
<b>Separately Managed Accounts (SMAs)</b>	Australia	Managers looking to offer model portfolios to retail clients	Potential licence variation to expand service offering	Future focus
<b>European fund platform</b>	Europe	Investment managers looking to access EU	Cross-sell full-service and one-stop shop fund formation offering to AsiaPac/US clients	Future focus via EU Non-UCITS ICAV AIF platform



# Appendix 3: Integration update

## Dublin/Cayman and Melbourne acquisitions integrating well

	<b>Trinity Fund Administration</b>	<b>IRESS' superannuation administration business</b>
<b>Overview</b>	Fund administration and corporate services business with European and Cayman operations.	'Lift and shift' of the part of IRESS' (ASX: IRE) superannuation business that provides superannuation administration services to customer-owned banks.
<b>Operations</b>	Dublin, Ireland & Cayman Islands	Melbourne
<b>Price</b>	Upfront price of USD \$3.5 million Earn out of USD \$1.5 million	Total cost \$3.25 million.
<b>Staff</b>	35	-
<b>Strategic rationale</b>	<ul style="list-style-type: none"> <li>› Reputable and experienced fund administrator complementary to Group's existing operations</li> <li>› Builds out operational platform in Europe and Cayman</li> <li>› Global cross-border revenue opportunities</li> </ul>	<ul style="list-style-type: none"> <li>› Complimentary to the Group's superannuation administration services</li> <li>› Adds scale, capability and new clients</li> </ul>
<b>Status update</b>	<p><b>Completed 1<sup>st</sup> October 2017</b></p> <ul style="list-style-type: none"> <li>› Now operating under Mainstream brand</li> <li>› Global operating model workstreams</li> </ul>	<p><b>Completed 8 November 2017</b></p> <ul style="list-style-type: none"> <li>› 100% of clients successfully novated to Mainstream</li> <li>› Smooth technology transition is underway.</li> </ul>

## Appendix 4: Balance sheet

### Highlights

- › \$11m debt facility refinanced to ANZ post-reporting period, approximately \$775,000 saving in interest expense per year

<b>\$m</b>	<b>HY18</b>	<b>HY17</b>
<b>Current assets</b>	14.8	12.7
<b>Non-current assets</b>	29.7	20.4
<b>Total assets</b>	<b>44.5</b>	<b>33.1</b>
<b>Current liabilities</b>	7.5	4.9
<b>Non-current liabilities</b>	13.0	9.4
<b>Total liabilities</b>	<b>20.5</b>	<b>14.3</b>
<b>Net assets</b>	24.0	18.8
<b>Equity</b>	<b>24.0</b>	<b>18.8</b>

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