

# Mainstream Group Holdings Limited (ASX: MAI)

Results for the full year ended  
30 June 2018

Released on 21 August 2018



## FY18 highlights

Revenue

**\$41.8m**

△ 42% on FY17

EBITDA

**\$6.4m**

△ 49% on FY17

NPAT

**\$1.7m**

△ 22% on FY17

Funds under  
administration

**\$138 bn**

△ 17% on FY17

Funds administered

**815**

△ 22% on FY17

Final fully franked  
dividend

**1.0 cent** per share  
(full year 1.5 cps)

- › Continued organic growth has translated into achievement of revenue and EBITDA guidance
- › Completed acquisitions of Trinity Fund Administration and IRESS' superannuation administration business
- › Significant investment in technology, automation and our people
- › NPAT impacted by conservative amortisation on new acquisitions and Share Based Payments to incentivise organic growth

# Financial highlights

- › Revenue and EBITDA growth driven by organic channels
- › Basic EPS up 3%

	<b>FY18 statutory*</b>	<b>FY18 adjusted**</b>	<b>FY17 statutory</b>	<b>Growth (%) FY18 to FY17 statutory</b>
<b>Revenue</b>	\$41.8m	\$43.3m	\$29.3m	↑ 42%
<b>Operating EBITDA<sup>^</sup></b>	\$10.5m	\$10.9m	\$6.6m	↑ 60%
<b>Operating EBITDA margin (%)</b>	25.3%	25.3%	22.5%	↑ 12%
<b>EBITDA</b>	\$6.4m	\$6.8m	\$4.3m	↑ 49%
<b>EBITDA margin (%)</b>	15.2%	15.6%	14.5%	↑ 5%
<b>PBT</b>	\$2.6m	\$3.4m	\$1.8m	↑ 46%
<b>Dividend per share (DPS)</b>	1.5cps	n/a	1.25 cps	↑ 20%
<b>Earnings per share (EPS) – basic</b>	\$0.0163	\$0.0215	\$0.0159	↑ 3%

\* Statutory earnings include 9 months from Trinity and 8 months from IRESS acquisitions.

\*\* Adjusted earnings show the estimated full period impact of Trinity and IRESS acquisitions and adjusted full year interest expense in line with 1 Jan 2018 debt refinancing arrangement.

<sup>^</sup> EBITDA is a non-IFRS financial measure used to highlight the operating performance of the Group. EBITDA is calculated as earnings before interest financing expense, tax, depreciation, amortisation and share based payments. Operating EBITDA is not an IFRS standard and is used to highlight Operating Margin before Corporate Costs.

# Reconciliation of Financial Statements to adjusted returns

- › Table shows EBITDA adjusted for one-off costs to support acquisitions and organic growth
- › Conservative amortisation of intangibles associated with acquisitions

<b>\$ 000's</b>	<b>FY18</b>	<b>FY17</b>
<b>Profit after income tax expense</b>	<b>1,739</b>	<b>1,425</b>
<b>Add:</b>		
Income Tax Expense/(Benefit)	898	387
Amortisation and depreciation expense	1,473	998
Interest expense	935	696
Share-based payments expense	1,309	751
<b>EBITDA</b>	<b>6,354</b>	<b>4,257</b>
Acquisition and set-up costs*	458	254
Transition costs **	739	-
<b>Normalised EBITDA</b>	<b>7,551</b>	<b>4,511</b>
Full period effect of Acquisitions	410	296
<b>Proforma EBITDA^</b>	<b>7,961</b>	<b>4,807</b>

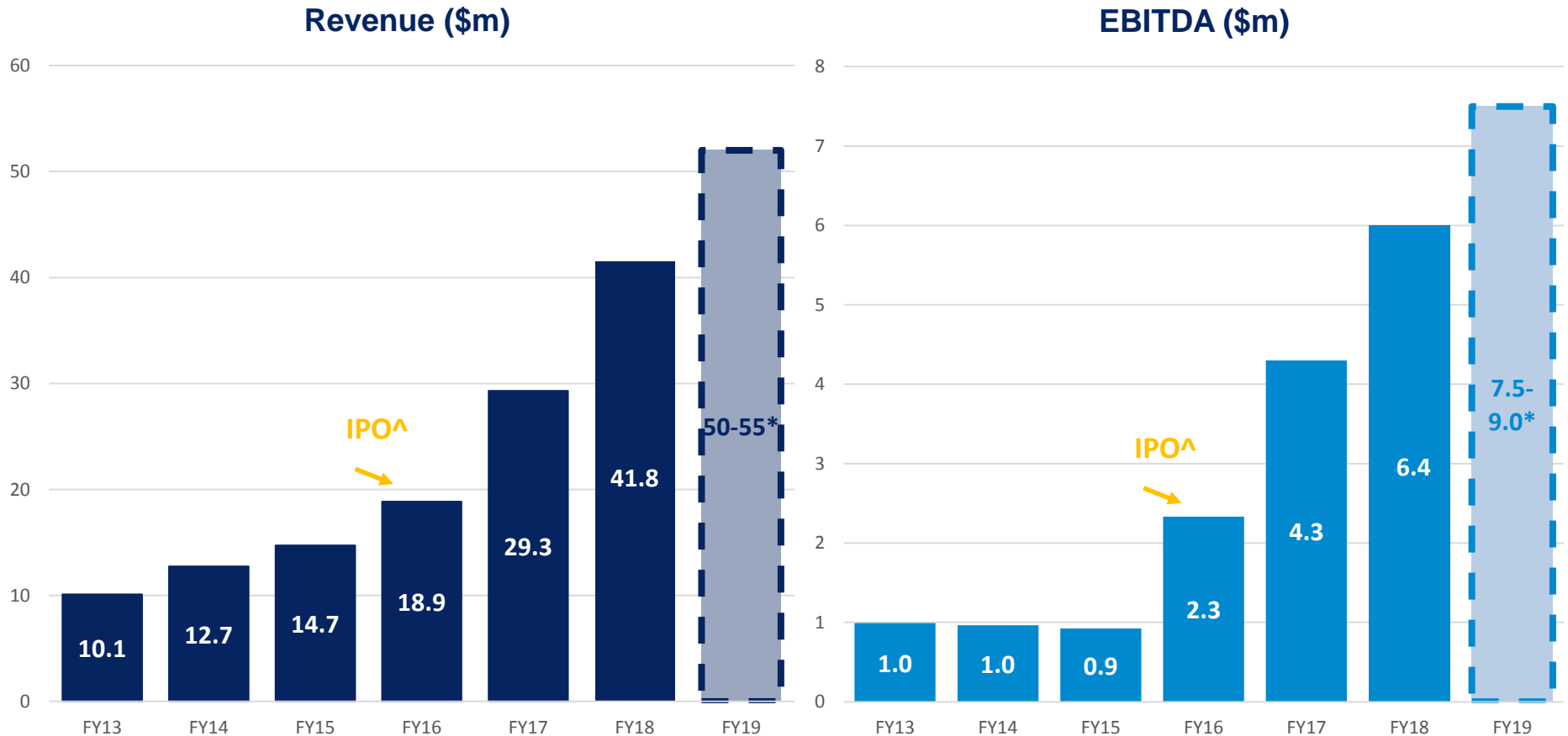
\* Includes acquisition and new business start-up costs.

\*\* Includes new client transition and global operating model costs.

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

# Strong financial track record

High organic growth underpinned by inflows into wealth management industry



^ Initial Public Offering: 1 October 2015.

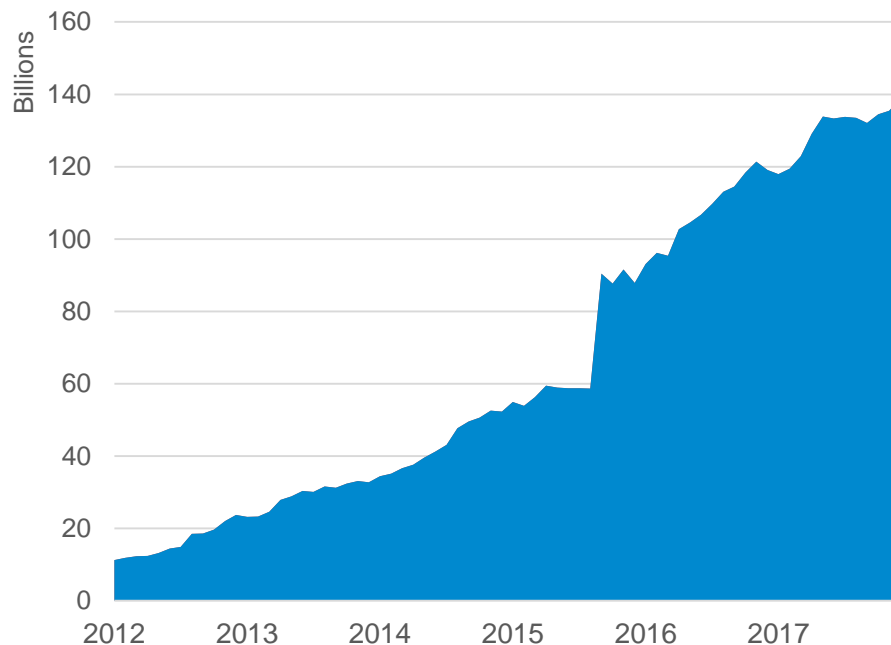
\* FY19 forecast to 30 June 2019.

# Strong growth in Funds under Administration (FuA)

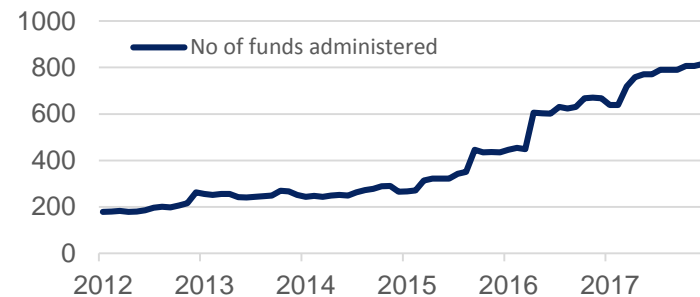
## \$19 billion inflows in FY18, up 17%

- › 86% organic growth, 14% from 2 acquisitions
- › Driven by existing clients' investment performance and new inflows

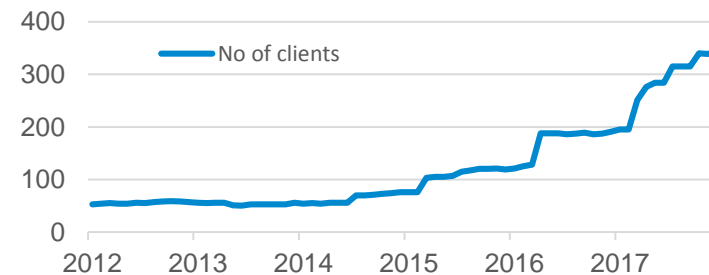
### Historical growth in FuA



### Growth in funds administered



### Growth in number of clients



# Operational review: Asia-Pacific

## Business update

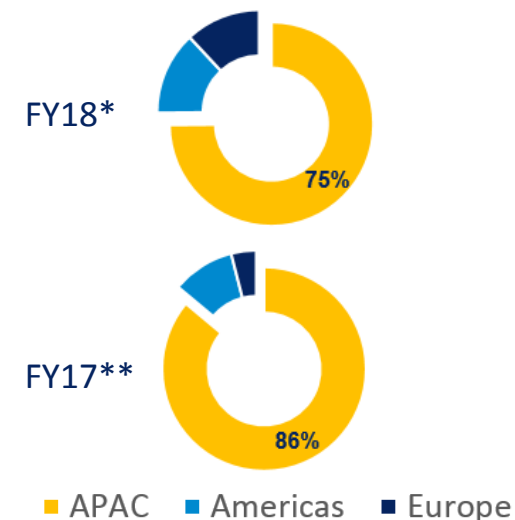
- › Solid FuA growth delivered largely by full service fund administration to existing Australian clients and new hedge fund clients in Hong Kong
- › Increased activities in listed investment vehicle market
- › Good cross-selling opportunities for global platform solutions
- ›  Andy Harrison to join as CEO of Fund Services, Australia (Oct 2018)

## IRESS acquisition

- › Integration of superannuation fund administration business provides additional scale and operational capability via 'start-up' fund platform



% of Group revenue




\* The Group had operations in Ireland (Europe) and the Cayman Islands (Americas) for nine months during the year ended 30 June 2018.

\*\* The Group had operations in the Americas for nine months and Europe for seven months during the year ended 30 June 2017.



# Operational review: Americas

## Business update

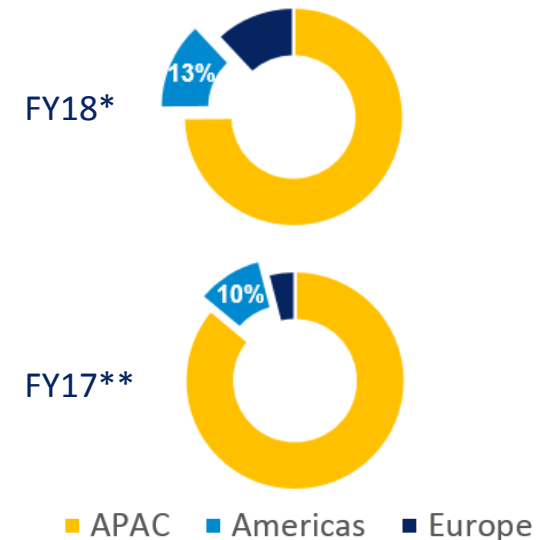
- › Full year contribution from prior US acquisition and nine months in Cayman Islands
- › Invested heavily in private equity, venture capital and real estate fund administration capability: US \$4.7 trillion market opportunity with strong pipeline
- ›  Added senior management, led by Jay Maher, CEO Private Equity, to support business expansion plans
- › Continued market trend for alternative asset managers to outsource back office functions

## Trinity acquisition

- › Integration in Cayman provides established market presence with opportunity to increase offshore services to existing clients including Inception fund platform



% of Group revenue



\* The Group had operations in Ireland (Europe) and the Cayman Islands (Americas) for nine months during the year ended 30 June 2018.

\*\* The Group had operations in the Americas for nine months and Europe for seven months during the year ended 30 June 2017.



# Operational review: Europe

## Business update

- › Full year contribution from Malta / Isle of Man operations and nine months in Ireland
- › Launched UCITS fund platform for offshore managers wanting to access European investors: €2,416 billion market opportunity
- › Implemented 'follow the sun' processing in Malta for internal client procedures
- › Continue to assess Luxembourg market entry opportunities

## Trinity acquisition

- › Ireland integration provides established market presence with opportunity to increase cross-border services to existing clients as well as attract new local clients

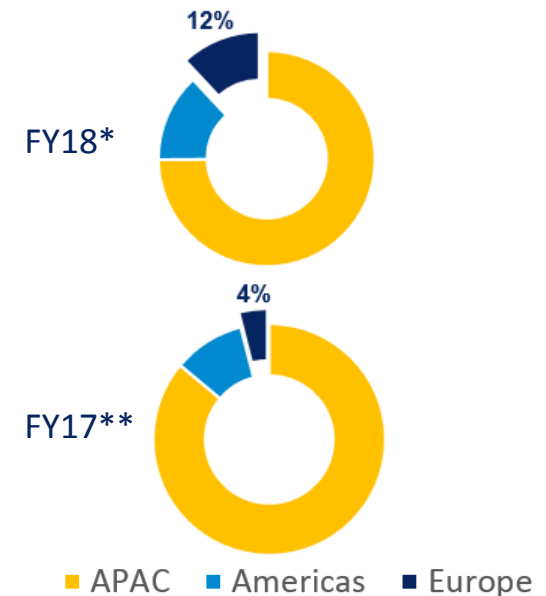


Trinity founder, John McCann, now CEO of Europe & Cayman and 30+ employees retained

- › Rebrand completed; focus on global technology integration



% of Group revenue



\* The Group had operations in Ireland (Europe) and the Cayman Islands (Americas) for nine months during the year ended 30 June 2018.

\*\* The Group had operations in the Americas for nine months and Europe for seven months during the year ended 30 June 2017.

## Investment in technology and client experience:

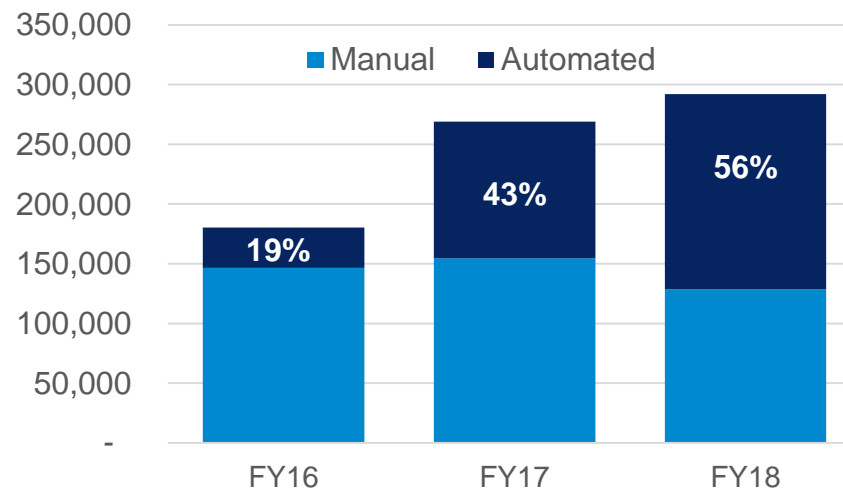
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- › In FY18 Mainstream spent \$8.2 million on technology, automation and processes
  - › Driving scale, efficiency and improved client service
  - › Included \$5.8 million on IT expenditure, \$1.8 million on IT capitalisation and \$0.6 million on investment in a major key client project.
  - › Improved levels of automation, system integration and process documentation, including an upgraded web portal, to be rolled out across our broader Australian client base in FY19.
  - › Significant system upgrades and process reviews implemented to comply with the Common Reporting Standard (CRS), Notifiable Data Breach Scheme (NDBS), General Data Protection Regulation (GDPR) and Attribution Managed Investment Trust (AMIT) tax regime

# Investment in automation: building efficiency and scale

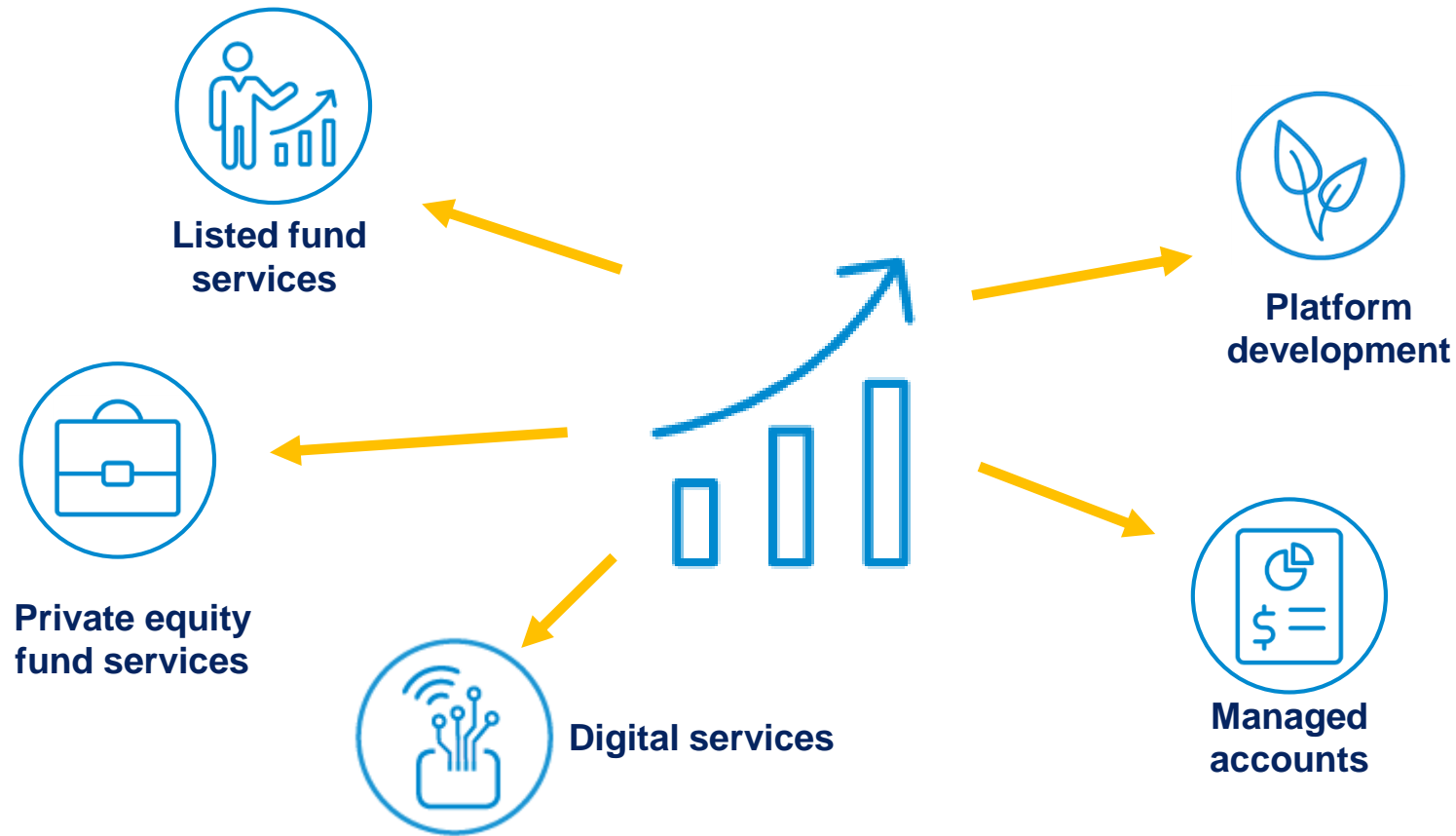
- › Continued YoY increases in Unit Registry transaction volumes (↑9%) and proportion of automated transaction volumes (↑13%) for 75,000 fund investors
- › Key clients have higher rates of automation with further opportunity to enhance client service experience and efficiency across broader client base

## Unit Registry transactions processed



# Outlook: agile to new FuA opportunities

Looking beyond our proven expertise in unlisted unit trusts, hedge funds and super funds to other growing markets

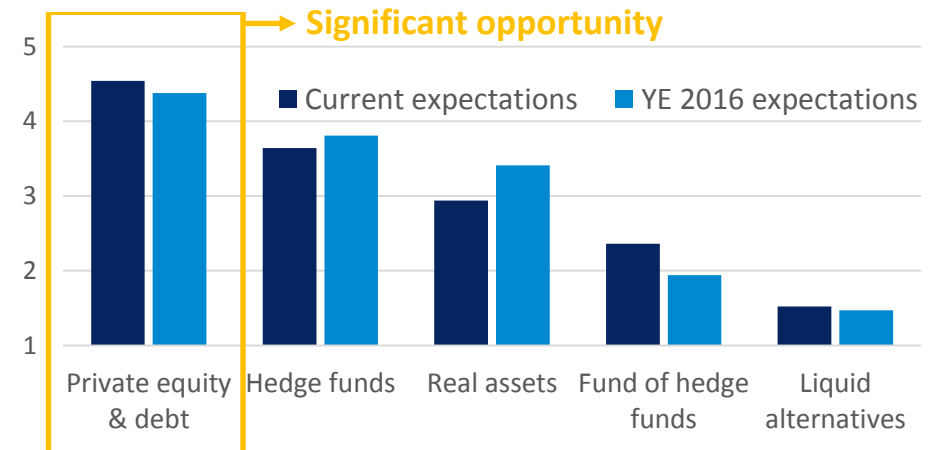


# Private equity opportunity

- › Market opportunity estimated to be US \$4.7 trillion
- › Increasing trend toward outsourcing particularly new funds
  - › Driven by need for independence and regulatory requirements
- › Built out US team in response to strong demand from prospective clients



## Alternative asset classes ranked by anticipated fund administration business growth

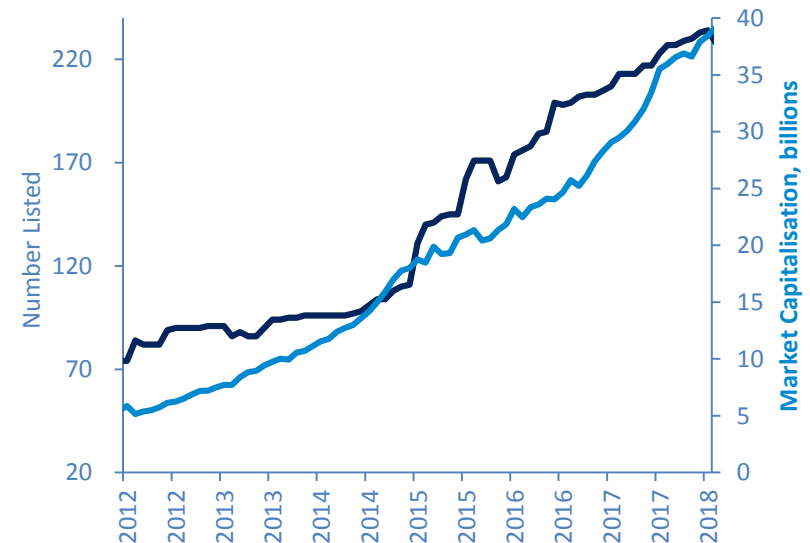


\* 5 being the greatest driver of anticipated growth; 1 being the least.  
Source: eVestment Alternative Fund Administration Survey: 2018

# Listed fund opportunities

- › Strategically important exchange-traded products business grew by \$3 billion in FuA
- › Significant new source of FUM for fund managers and attractive to investors
- › Mainstream has adapted to structural innovations to administer quick-to-market innovative products
- › Provided administration services to the two largest listed investment vehicle transactions on the ASX last year:
  - › Magellan Global Trust (MGG)
  - › MCP Master Income Trust (MXT)

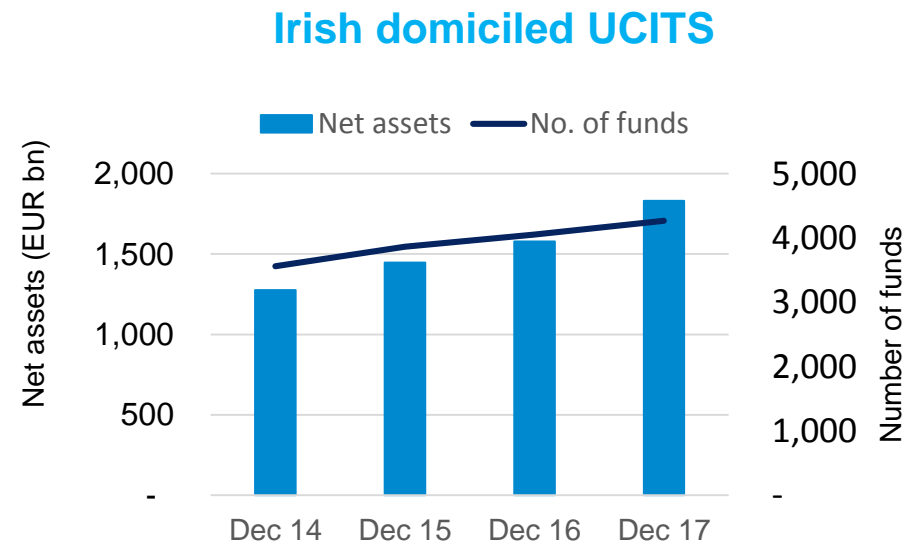
## Market growth in ASX exchange-traded products



\* Source: ASX Monthly Funds Update

# Platform development opportunities

- › European fund platform:
  - › EUR 1.8 billion market opportunity
  - › Launched Mainstream UCITS ICAV (June 2018)
    - › *Undertakings for Collective Investment in Transferable Securities via an Irish Collective Asset-Management Vehicle*
  - › Equity Trustees appointed to provide UCITS Management Company services
- › Extends existing fund services expertise to provide access to European investors
- › Complements existing Cayman fund formation platform (“Inception”) and Superannuation Trustee platform for emerging super funds



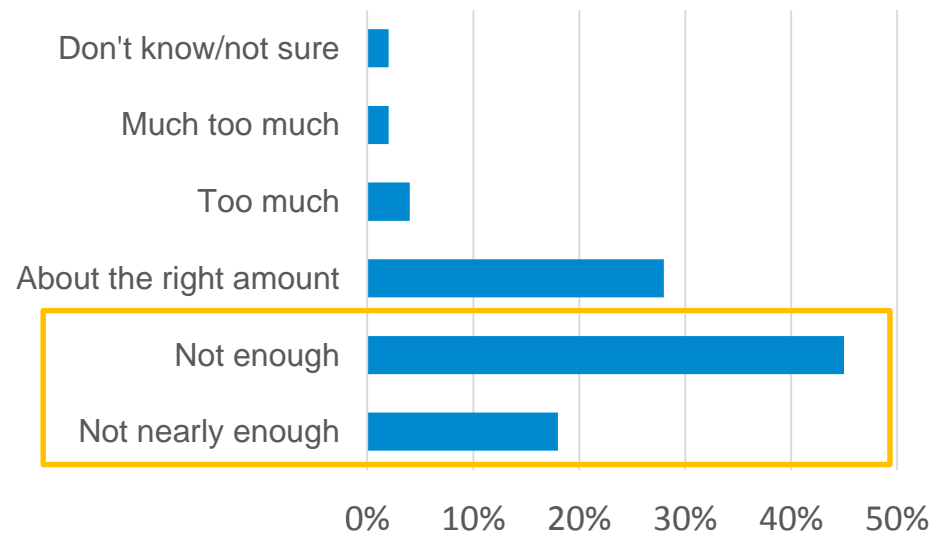
\* Source: Irish Funds Industry Association, May 2018



# Digital services opportunity

- › Investment managers need to invest in digital capability for investors
- › Market opportunity to develop digital capability over the next 2 to 3 years
  - › Including online applications, transacting and real-time investor analytics
  - › Web-based technology and service to efficiently manage, report and add value to investors' portfolios
  - › Emergence of blockchain
- › Extends range of services we can provide to existing clients while enhancing investor experience

## Investment management firms: *How much time, energy and resources does your organisation spend implementing digital business initiatives?*

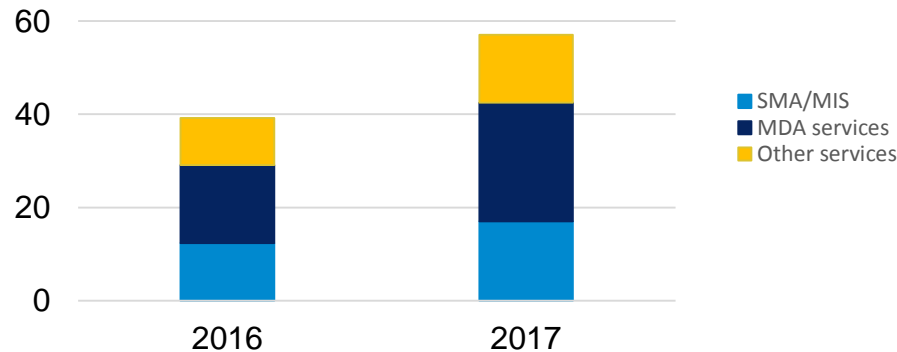


\* Source: "Achieving Digital Maturity", MIT Sloan Management Review and Deloitte University Press, July 2017.

# Managed account opportunities

- › Existing service: Individually Managed Accounts (IMAs)
  - › Mainstream is a leading independent administrator of IMAs in \$25 billion Australian market
  - › Corporate actions, accounting and tax expertise
  - › Attractive for fund managers looking to offer investors benefit of direct ownership
- › New opportunity: Separately Managed Accounts (SMAs)
  - › Mainstream announces market entry (14 August 2018)
  - › Perpetual appointed Responsible Entity of Mainstream SMA
  - › \$17 billion market opportunity

## Australian Managed Accounts FUM (\$ billion)



Source: Institute of Managed Account Professional Ltd

# Driving shareholder value

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## △ Continued strong financial performance

- › YoY growth of 42% in revenue and 49% in EBITDA with \$19 billion FuA inflows

## △ Continued client growth and operational expertise

- › Business model based on very high levels of recurring revenue
- › Robust sales pipeline

## △ Continued improvement in automation and efficiency

- › Investment in technology and controls

## △ Successful track record of integrating acquired businesses and growing global footprint

- › Global rebrand under Mainstream, “local expertise, global reach”

## △ Strong outlook

- › FY19 guidance of \$50m to \$55m revenue and \$7.5m to \$9.0m EBITDA

# Appendices



**MAINSTREAM**

# Appendix 1: Mainstream's operations

## MAINSTREAM GROUP HOLDINGS

Area of focus	Fund 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>Key services</b>	Full service fund administration, unit registry, middle office, corporate services and superannuation administration		
<b>Investment vehicles</b>	Listed and unlisted investment funds including managed funds, hedge funds, managed accounts, private equity and superannuation funds		

## Appendix 2: Balance sheet

### Highlights

- › Significant interest savings through debt refinance to ANZ
- › Increase in intangibles from acquisitions
- › Increase in receivables and debtors due to higher billing and quarterly payment cycle outside of Australia
- › Regulatory capital requirements apply to 5 licences in 4 jurisdictions

<b>\$m</b>	<b>FY18</b>	<b>FY17</b>
<b>Current assets</b>	13.0	12.7
<b>Non-current assets</b>	30.9	20.4
<b>Total assets</b>	<b>43.9</b>	<b>33.1</b>
<b>Current liabilities</b>	9.4	4.9
<b>Non-current liabilities</b>	9.2	9.4
<b>Total liabilities</b>	<b>18.6</b>	<b>14.3</b>
<b>Net assets</b>	25.3	18.8
<b>Equity</b>	<b>25.3</b>	<b>18.8</b>



# Appendix 3: Investment in our people: critical to our success



More than 245 people globally



8 global locations



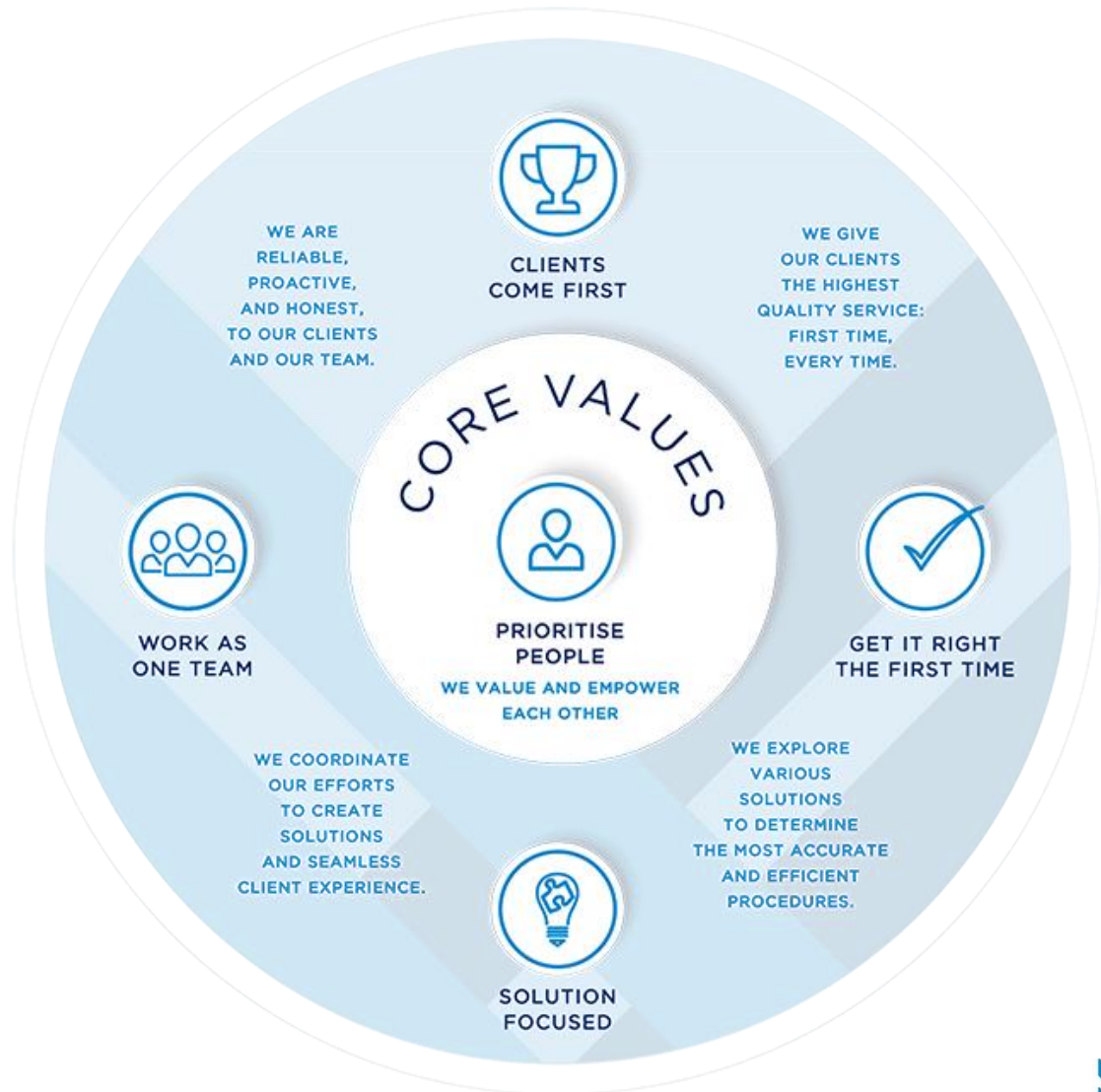
43% female employees (44% in senior leadership)



United under one global brand



Focus on positive culture, engagement and quality





# Appendix 4: Share Based Payments

## Highlights

- › Increase due to increased employee numbers (up 27%) and in consideration for achieving organic growth targets

<b>\$ 000's</b>	<b>Performance hurdle</b>	<b>FY18</b>	<b>FY17</b>
<b>Employee Share Offer</b>	N/A*	153	105
<b>Management Share Offer</b>	KPI achievement	826	266
<b>Senior Management Share Offer</b>	KPI achievement	246	255
<b>Director Share Offer</b>	Share price/EPS	85	125
<b>Total Share Based Payment expenses</b>		<b>1,310</b>	<b>751</b>

\* Eligible Employees are granted \$2,000 worth of shares for nil consideration in order to encourage share ownership and participate in the Company's success.

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