Mainstream Group Holdings Limited (ASX: MAI)

Equity Raising

17 September 2018

MAINSTREAM

Disclaimer

Overview: This investor presentation ("Presentation") has been prepared by Mainstream Group Holdings Limited (ACN 112 252 114) ("Mainstream" or "Company") and is dated 17 September 2018. This Presentation has been prepared in relation to a placement of new Mainstream fully paid ordinary shares ("New Shares") to 'sophisticated' and 'professional' investors (as defined in the Corporations Act) ("Placement") and a share purchase plan ("SPP") to facilitate eligible retail shareholder participation (together the "Offer").

Summary Information: This Presentation contains summary information about the current activities of Mainstream as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete. This Presentation does not purport to contain all the information that an investor should consider when making an investment decision nor does it contain all the information which would be required in a disclosure document or prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Mainstream's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au. Neither Mainstream nor its directors, employees or advisers give any warranties in relation to the statements and information in this Presentation.

Not an offer: This Presentation is for information purposes only and is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with ASIC or any other regulator and is not approved by or registered with any regulator). The Presentation is not and should not be considered an offer or an invitation to acquire entitlements or New Shares or any other financial products. The SPP offer booklet will be available following its lodgement with ASX. Any eligible retail shareholder who wished to participate in the SPP should consider the retail offer booklet in deciding whether to apply under that offer. Any eligible shareholder who wishes to apply for New Shares under the SPP will need to apply in accordance with the instructions contained in the retail offer booklet and the accompanying entitlement and application form.

This Presentation may not be released or distributed in the United States. This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. The New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, in the United States.

The distribution of this Presentation in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Not financial product advice: This Presentation does not constitute financial product or investment advice (nor tax, accounting or legal advice) nor is it a recommendation to acquire New Shares and does not and will not form any part of any contract for the acquisition of New Shares. This Presentation has been prepared without taking into account the objectives, financial situation or needs of any particular investor. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction. Mainstream is not licensed to provide financial product advice in respect of Mainstream shares or any other investment. Cooling off rights do not apply to the acquisition of New Shares.

Financial data: All dollar values are in Australian dollars ("A$"). Investors should note that this Presentation contains pro forma financial information. The pro forma financial information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of Mainstream's views on its future financial condition and/ or performance.

The pro forma financial information has been prepared by Mainstream and may not have been prepared in accordance with the measurement and recognition requirements or the disclosure requirements, of applicable accounting standards and other mandatory requirements in Australia.

Disclaimer

Future performance: This Presentation contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target” “outlook”, “guidance” and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of Mainstream, the outcome and effects of the Offer and the use of proceeds. The forward looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Mainstream, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the risks section of this Presentation for a summary of certain general and Mainstream specific risk factors that may affect Mainstream.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in this Presentation. Investors should consider the forward looking statements contained in this Presentation in light of those disclosures. The forward looking statements are based on information available to Mainstream as at the date of this Presentation.

Except as required by law or regulation (including the ASX Listing Rules), Mainstream accepts no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Effect of rounding: A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

Investment risk: An investment in New Shares is subject to investment and other known and unknown risks, some of which are beyond the control of Mainstream including possible loss of income and principal invested. Mainstream does not guarantee any particular rate of return or the performance of Mainstream, nor does it guarantee the repayment of capital from Mainstream or any particular tax treatment. In considering an investment in Mainstream shares, investors should have regard to (amongst other things) the risks outlined in this Presentation.

Disclaimer: To the maximum extent permitted by law, no representation or warranty, express or implied, is made as to the currency, accuracy, reliability or completeness of information in this Presentation and each of Mainstream, the Underwriter and their respective advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents excludes and disclaims all liability, including without limitation for negligence or for any expenses, losses, damages or costs incurred by you as a result of your participation in the Offer and the information in this Presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. Mainstream, the Underwriter and their advisors make no recommendations as to whether investors or their related parties should participate in the Offer.

Statements made in this Presentation are made only as at the date of this Presentation. The information in this Presentation remains subject to change without notice. Mainstream reserves the right to withdraw the Offer or vary the timetable for the Offer without notice.

Mainstream update

FY18 revenue	FY18 EBITDA	FY18 NPAT
$41.8m	**$6.4m**	**$1.7m**
△ 42% on FY17	△ 49% on FY17	△22% on FY17

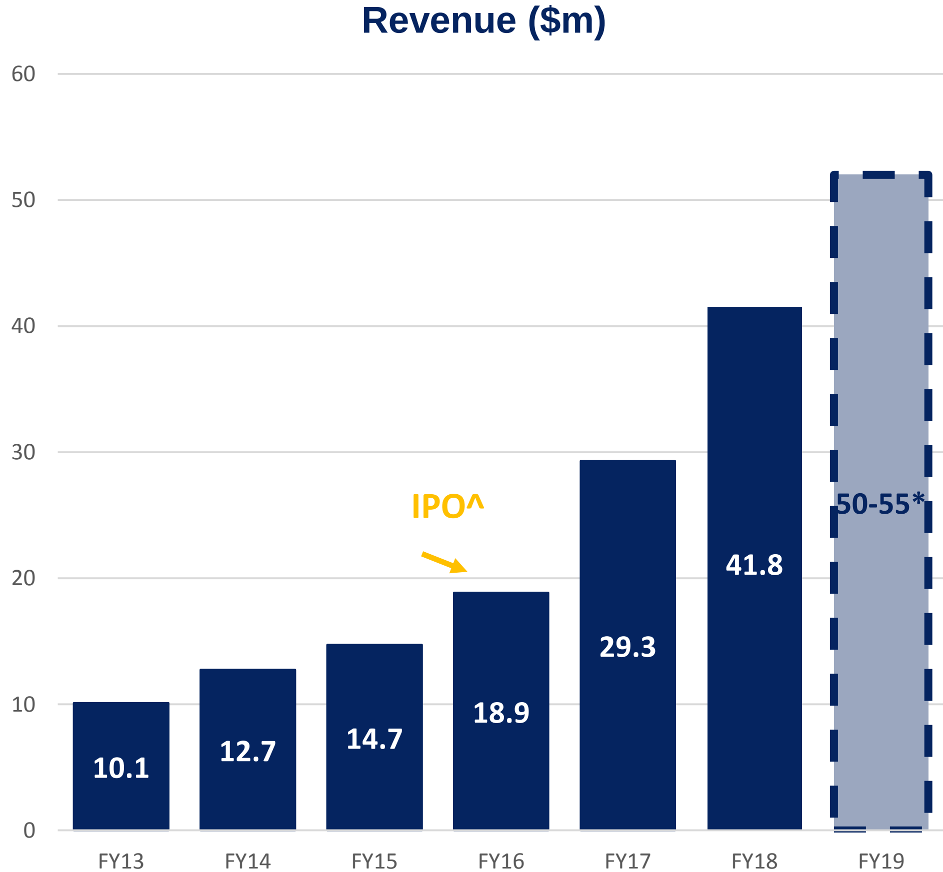
Funds under administration	Funds administered	Final fully franked dividend
$138bn	**815**	**1.0 cent** per share
△17% on FY17	△ 22% on FY17	(full year 1.5 cps)

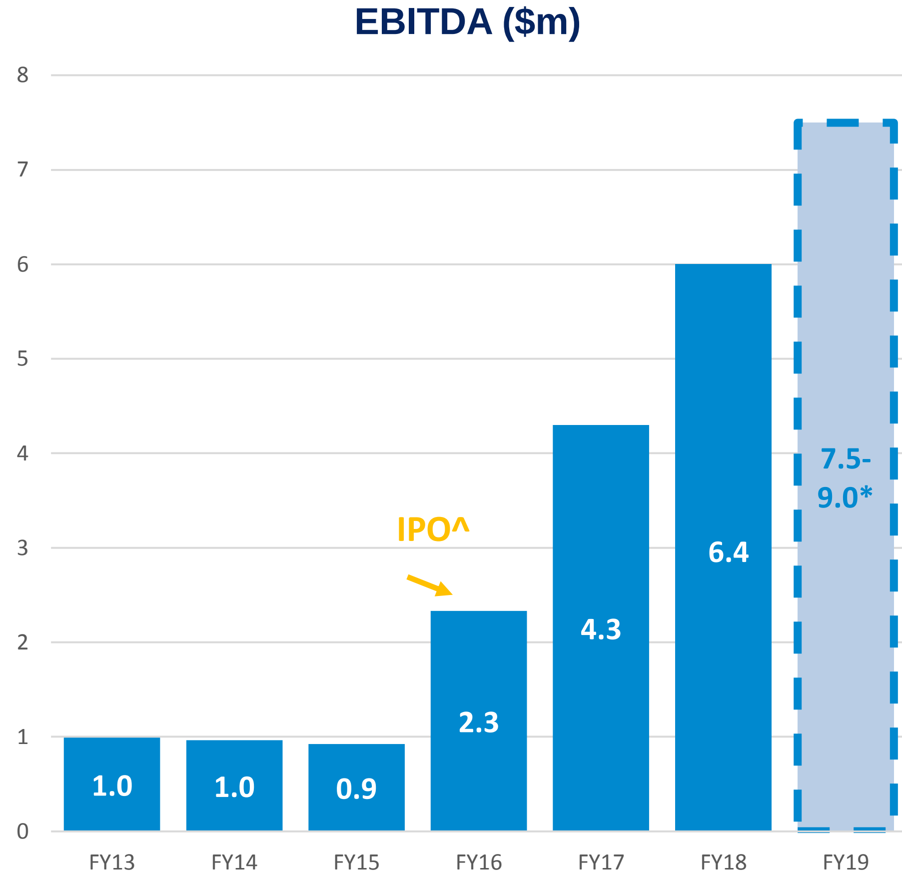
- FY19 guidance range is A$50.0m – A$55.0m revenue and $7.5m - $9.0m EBITDA
- Revenue run rate is currently at $3.9m per month
- Significant opportunities under consideration for fund managers with $1bn - $3bn funds under management
- Strong demand for Cayman funds services
- Completed acquisitions of Trinity Fund Administration and IRESS' superannuation administration business
- Significant investment in technology, automation and our people
- Continuing to evaluate strategic acquisition / lift & shift opportunities with a strong pipeline identified

FY18 refers to the twelve months to 30 June 2018. FY19 refers to the twelve months to 30 June 2019.

Continuing to build on FY18 momentum

High organic growth underpinned by inflows into wealth management industry





^ Initial Public Offering: 1 October 2015.
* FY19 forecast to 30 June 2019.

Supporting our growth strategy

- Mainstream have identified initiatives designed to accelerate and support our growth strategy for Mainstream Fund Services
- To support these opportunities Mainstream will be undertaking an equity raising

Continued Growth in Core Business	Growth Through Product Expertise	Cross Border Opportunities	Improve Margin	Leverage Technology
✓	✓	✓	✓	✓

Overview of equity raising

Offer Structure & Size	›	Placement to raise approximately $9.5 million through the issue of approximately 13.57 million new Mainstream shares (New Shares) to be issued under Mainstream's existing placement capacity under ASX Listing Rule 7.1 (Placement)
Offer Pricing	›	Offer price of $0.7000 per New Share represents a: › 10.8% discount to the last closing price of $0.7850; › 5.0% discount to the 5 day VWAP of $0.7371; › 7.7% discount to the 1 month VWAP of $0.7584; › 9.1% discount to the 3 month VWAP of $0.7702
Ranking	›	Pari passu with existing fully paid ordinary shares on issue.
Use of funds	›	Proceeds from the Offer will: 1 Provide sufficient regulatory capital to operate an eligible custody service 2 Fund investment over two years in a proprietary wealth management platform ('Mainstream Digital') 3 Build-out US opportunity 4. Refresh working capital
Share Purchase Plan (SPP)	›	In addition to the Placement, Mainstream will offer eligible shareholders the right to participate in a SPP that will enable shareholders to apply for up to $15,000 of shares at the same price as the Placement. Mainstream will reserve the right to scale back applications under the SPP.
Lead Manager	›	Baillieu Holst Ltd

Impact of equity raising

Mainstream's strategy is to support our clients' growth through, scalable, efficient operations and technology

Mainstream to undertake equity raising to accelerate and support delivery of its growth strategy

Strategic rationale

Proceeds will enable the Group to accelerate its strategic priorities as outlined at the FY18 results:

- Improve profitability and margins in Australian Fund Services business
- Increase penetration of wealth management sector by retaining existing clients and attracting new clients
- Investment in sales and marketing to support international expansion
- Strengthen balance sheet and reduce debt

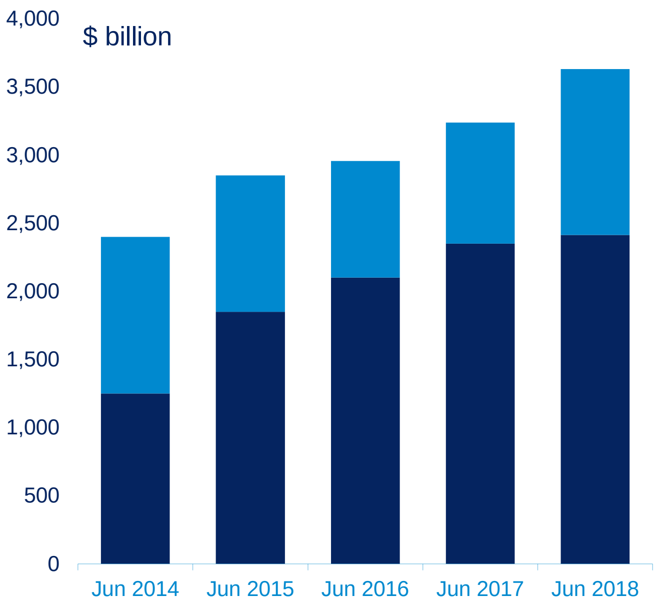
Impact of raising

- Mainstream has issued guidance of $50m to $55m revenue and $7.5m to $9.0m EBITDA in FY19
- In the absence of the capital raise, Mainstream still expects the current business to meet existing guidance
- Further guidance will be given as the proceeds are deployed to the uses outlined
- Guidance is sensitive to key client losses / gains and material market movements

Custody services opportunity

Significant opportunity to enable upgrade from incidental to eligible custodian

Total assets under custody for Australian investors



Source: Australian Custodial Services Association, August 2018

- Mainstream has identified a gap in the Australian market for funds unable to meet the requirements of large global custodians:
  - Australian custody market size: $3.6 trillion
  - Strong pipeline of ~$10bn in funds from existing clients/prospects with potential for additional annual EBITDA of $1 million
- Minimum $10m in net tangible assets (NTA) with $5 million in cash / cash equivalents is required to be held in order to upgrade Mainstream from “incidental” to “eligible” custody provider
- Capital raised would satisfy regulatory capital requirements, enabling:
  - Offering of competitive bundled fund and custody service
  - Client access to 25 markets, multiple asset classes and competitive enhanced cash solution
  - Higher margin business (~50%) than traditional fund administration services
  - With $10m NTA, Mainstream could also apply to operate an investor directed portfolio service (IDPS)

Mainstream Digital opportunity

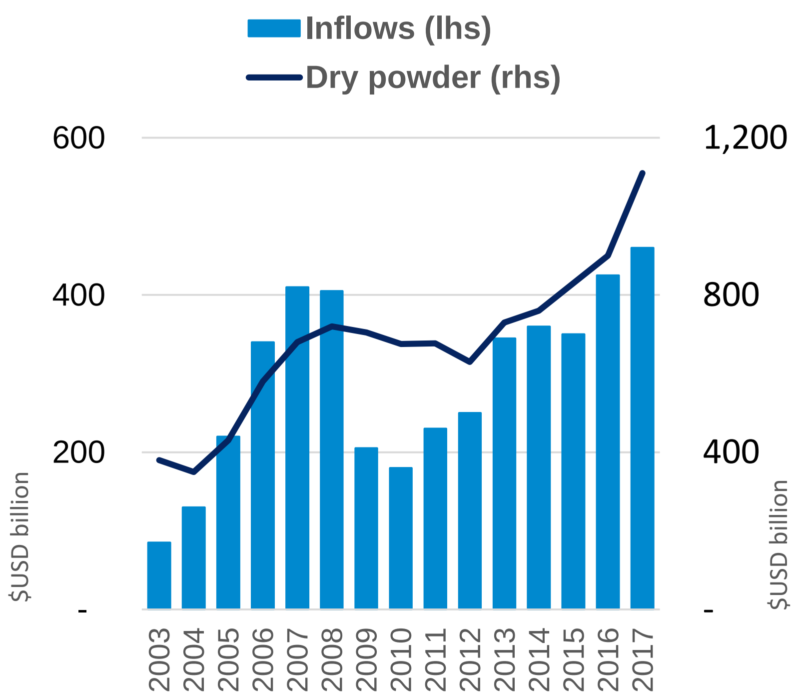
Fund entry into wealth management platform market (“Mainstream Digital”)

- Mainstream has signalled market entry into Separately Managed Account product offering:
  - Strategic positioning to take advantage of innovation in wealth management industry
  - Extension of existing administration services and client relationships
  - Adviser access to supermarket of 420+ Mainstream administered funds
- Focus on operational efficiency and digitised operations for our Australian fund, superannuation and managed account clients:
  - Provide web-based technology and service to efficiently manage, report and add value to investors’ portfolios
  - Investors can centrally track and manage their investments
  - Clients gain access to international markets with settlement in local currency plus enhanced AUD cash solution
- Premium web service will differentiate Mainstream and allow our clients to attract digital savvy investors
- Funds applied to the digital opportunity would support over two years:
  - In-house development of online transacting with web-based security authentication, account maintenance and investor on-boarding
  - Investment in end-to-end digital funds and analytics web portal covering: Fund Accounting, Custody & Unit Registry

Building out the US opportunity

Geographic expansion with focus on US private equity market

Capital inflows into PE funds



Source: Preqin

- US $4.7 trillion estimated market opportunity
- Capital inflows by investors increasing worldwide to pre-GFC levels
- Increasing trend toward mature funds outsourcing or changing administrator
  - Driven by need for independence and regulatory requirements
- Ongoing build out in response to strong demand from prospective clients requires further capital investment by Mainstream
- Strong leadership team in place with proven track record
  - Added 20+ funds in 2018 with strong pipeline
- Funds applied will be used to:
  - Increase business development staff
  - Additional sites on the West Coast / South East / South West

Proforma Balance Sheet

Reconciliation of current balance sheet and impact of capital raise for illustrative purposes

Estimated impact of capital raise:

	30 June 2018	Placement	Pro forma
Share capital			
Ordinary shares on issue (m)	**109.9***	**13.6**	**123.4**
Current assets	13.0	9.5	22.5
Non-current assets	30.9		30.9
Total assets	**43.9**	**9.5**	**53.4**
Current liabilities	9.4		9.4
Non-current liabilities	9.2		9.2
Total liabilities	**18.6**		**18.6**
Net assets	**25.3**	**9.5**	**34.8**
Equity	**25.3**	**9.5**	**34.8**

* Includes issue of 455k shares under Dividend Reinvestment Plan for FY18 final dividend on 12 September 2018.

Transaction funding

Sources and uses of funds

SOURCES	A$m
Capital raising	9.5
Total sources	9.5

USES	A$m
Custody regulatory capital	4.0
Mainstream Digital	2.0
US expansion	2.0
Working capital	1.0
Transaction costs	0.5
Total uses	9.5

Equity offer details

EQUITY OFFER DETAILS	
Offer size and structure	$9.5m Placement to be followed by a Share Purchase Plan to eligible investors
Offer price	$0.70 per share
Ranking of new shares	Pari passu with existing fully paid ordinary shares on issue

Indicative timetable

EVENT	DATE
Trading halt	Thurs 13 – Fri 14 September 2018
Transaction announced and Mainstream resumed trading on ASX	Mon 17 September
Settlement of Placement	Thurs 20 September
New shares issued under Placement commence trading on ASX	Fri 21 September
Share Purchase Plan	To be provided

Key risks

KEY RISK	SUMMARY
Reliance on information provided	There are a number of factors, specific to Mainstream and of a general nature, which may affect the future operating and financial performance of Mainstream and the industry in which it operates. The occurrence or consequences of many of the risks in this section are partially or completely outside of Mainstream. Further, this section focuses on the potentially key risks and does not purport to list every risk that Mainstream may have now or in the future. It is also important to note that there can be no guarantee that Mainstream will achieve its stated objectives or that any forward looking statements or forecasts contained in this presentation will be realised or otherwise evaluated. Therefore, there is a risk that unforseen issues and risks may arise, which may also have a material impact on Mainstream' financial position and performance.
Loss of major client contracts	Mainstream is exposed to the loss of key clients and potential failure to attract new clients. The loss of key clients to other service providers, or from closure of the relevant client's fund, could adversely affect the business and its operating results.
Execution risk	Mainstream's strategy of accelerating its strategic priorities around master custody, digital services or international expansion may not be successful. In particular, the increased investment in any of these areas may not deliver forecast increases in revenues. As such, there is a risk that the increased capital employed may not deliver a positive contribution to Mainstream's performance going forward.
Foreign market risk	Mainstream's proposed investment in expanding operations including the US exposes the Group to adverse movements in foreign exchange rates. Foreign markets also have different marketing, licensing and regulatory requirements relative to Australia. In the event that Mainstream is unable to manage its international operations adequately, there may be an adverse impact on revenue and earnings.
Regulatory changes	The wealth management sector is heavily regulated. As a service provider to this sector, Mainstream is exposed to changes in laws and regulation by relevant parties including the Australian Securities and Investments Commission. Regulations give rise to risks such as increased regulatory capital requirements, loss or denial of required licences, increasing direct and indirect costs of compliance with relevant regulations, breaches of law, criminal and/or civil lawsuits, increased client verification requirements and increased cost of maintaining and upgrading in order to meet emerging requirements.
Software, technology and system related risks	Mainstream and its clients rely on the performance and availability of third party software. The ongoing performance of this software is key to the Group's service delivery to clients and therefore its ability to generate revenue. A cyber attack or failure of either the software or the technology that underpins it could result in Mainstream being unable to meet contractual and service level obligations, unauthorised system use, data integrity issues or data loss, integration issues with other systems and third parties and increased costs. Mainstream seeks to mitigate the potential impact of technology failures or interruptions to its availability by having established business continuity and disaster recovery planning in place. However there remains a risk that a system failure may result in a loss of an existing client and/or the ability to attract new clients.
Market factors	The market environment poses risks to Mainstream reaching its forecasts. A reduction in asset prices, including local and global share prices, can have a direct impact on revenue as some revenue is charged as a percentage of the value of Funds under Administration. Similarly, a reduction in the number of unit holders or members of a fund directly impacts revenue earned on a transaction or per investor basis.

Key risks

KEY RISK	SUMMARY
Change in risk and investment profile	The investment profile for shareholders in Mainstream will change. While the operations of Mainstream's underlying businesses are similar in a number of ways the operational profile, capital structure and size of Mainstream post implementation of the proposed accelerated growth strategy will be different to that of Mainstream's existing business. These changes in risk and investment profile may be considered by some shareholders to be a disadvantage.
Third party and outsourcing risk	Mainstream's operations require the involvement of a number of third parties, including data suppliers, software providers, custodians, contractors and clients. Financial failure, data inaccuracy, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of the Group. It is not possible for Mainstream to predict or protect the Group against all such risks.
Competition	There is substantial competition in the markets in which Mainstream operates. Mainstream must compete with a variety of market participants and service providers in the wealth management industry. These market participants compete vigorously and such competitive market conditions may adversely impact on the earnings and assets of Mainstream post-capital raise.
Operational risk	The operations of the Company may be affected by various factors including failures in internal controls and financial fraud. To the extent that such matters may be in the control of the Company, the Company aims to mitigate these risks through separation of duties, quality checks and supervision. However, there is no guarantee these will always be successful. While the Company currently maintains insurance within ranges of coverage consistent with industry practice, no guarantee can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.
Brands and reputation	The capacity of Mainstream to attract and retain customers depends to a large extent upon the brands and reputation of its business. Any decline in Mainstream' brand and reputation could contribute to lower new business sales, do damage to its customer strategies and may impact the future profitability and financial position of Mainstream.
Key personnel	Mainstream and each of its businesses has benefited from having stable and experienced management teams. While Mainstream will make every effort to retain key employees and recruit new personnel as the need arises, loss of a number of key personnel may adversely affect the future earnings or growth prospects of Mainstream.
Litigation risk	From time to time, Mainstream may be involved in litigation. This litigation may include, but is not limited to, contractual claims and employee claims. If a claim is pursued against Mainstream, the litigation may adversely impact on the sales, profits or financial performance of Mainstream. Any claim, whether successful or not, may adversely impact on Mainstream's share price.