



2019 Results Presentation

August 2019

A WORLD OF
INVESTMENTS

FY19 Summary

Building for growth

- During the year, Xplore Wealth acquired two complementary businesses in Aracon Superannuation Pty Ltd and DIY Master Pty Ltd
- The core business continues to grow and these two acquisitions will support our future growth aspirations
- Successful rebrand and product launch – improved market positioning
- New CEO and key leadership team appointed – growth mandate

	FY19	FY18	Change
FUA	\$14.4b	\$13.1b	9.9%
Revenue	\$22.8m	\$15.1m	51.0%
Underlying EBITDA ⁽¹⁾	\$3.1m	\$2.9m	6.9%
EBITDA %	13.6%	22.1%	
NPAT	(\$0.5m)	(\$2.5m)	68.0%

(1) Underlying EBITDA is EBITDA adjusted for non-recurring items of income and expenditure

Peter Brook

Non- Executive Chairman



- In FY19 **Xplore Wealth** successfully built the foundations for future **growth**
- We achieved key milestones in becoming a **leading Australian provider** of **investment** administration solutions with a **specialisation** in managed accounts
- Importantly, we now have the ability to **deliver** a multi market, multi currency, multi custodian wrap, SMA and managed account solution or via non-custodial using our ASX Participant status
- We are well placed to deliver long term profitable growth with our expanded and highly competitive product set, new contemporary brand, recent **leadership** appointments and tailwind of the structural shift to independent, non bank aligned platforms
- We enter FY20 with confidence and momentum with a **positive outlook**

Michael Wright

New CEO



"I am delighted to be commencing as **Xplore Wealth's** new CEO in early September.

There is much that attracts me to Xplore Wealth. The quality of **people**, a complete and aligned **product offering** and the **longevity** of the business, to mention a few.

However, what really stands out to me, is the **strength of our foundations**, carefully built over 14 years. These foundations are scalable, ready to support the extra weight of planned significant funds growth into the future.

Xplore Wealth is **unique** in the market. Being **truly independent** we can assist Advisers in establishing the best possible investment solution for their clients and their business.

As the big institutions exit or shrink their Advice businesses, Xplore Wealth is in the **exciting position** to be a key helper for more and more Advisers."



Section 1

Financials

Income Statement

Statutory Profit & Loss (\$m)	FY19	FY18	Change
Revenue	\$22.8	\$15.1	51.0%
COGS	(\$4.8)	(\$3.1)	45.2%
Gross Profit	\$18.0	\$12.0	50.0%
GP Margin	78.9%	79.5%	0.8%
Other Income	\$0.6	\$0.6	-
OPEX	(\$15.9)	(\$9.7)	58.7%
EBITDA	\$2.7	(\$0.7)	nm
EBITDA Margin %	11.8%	(4.6%)	Nm
D&A ⁽¹⁾	(\$4.5)	(\$2.9)	55.2%
Tax ⁽²⁾	\$1.3	\$0.9	44.4
NPAT ⁽³⁾	(\$0.5)	(\$2.5)	82.2%

(1) Includes D&A of \$3.9m on assets acquired on acquisition of Linear, including software development (\$15.4m) and client relationships (\$4.08m) amortised over 5 years.

(2) Tax losses utilised, Linear transaction had \$9m of tax losses.

(3) Includes discontinued software development write off of \$1.69m and \$0.25m of improvements in 2018

"nm" –not meaningful

Positive trajectory

- Revenue and expenses reflect contribution from Aracon and DIY Master acquisitions in November /December 2018
- Operating expenses reflect an investment in product, sales and compliance resources to support future growth
- Depreciation and amortisation reflects amortisation of Linear software and Linear client value being written off over 5 years of \$3.9m

Balance Sheet

Balance Sheet as at 30 June (\$m)	FY19	FY18
Cash and cash equivalents	0.9	4.9
Financial assets ⁽¹⁾	1.5	1.0
Trade and other receivables	6.6	2.5
Non-Current asset for sale	0.5	0.6
Property, Plant and Equipment	0.3	0.3
Intangible assets	39.0	40.5
Deferred tax assets	5.4	4.2
Other assets	-	0.2
Trade and other payables	(3.3)	(2.1)
Employee benefits	(0.9)	(0.9)
Deferred tax liabilities	(0.8)	(1.0)
Other liabilities	(1.1)	(0.5)
Net assets	\$48.1	\$49.7
Paid up capital	56.7	57.7
Share based payment reserve	0.5	0.5
Accumulated losses	(9.1)	(8.5)
Total equity	\$48.1	\$49.7

(1) Financial assets include term and bank deposits

Positive Current Assets

- Future potential increases in regulatory capital requirements to \$5.0m expected to be able to be supported through cash, financial assets, Receivables and Non-Current asset for sale
- \$15.4m of Linear's software development was capitalised as an intangible asset and is being amortised over 5 years. This will also provide a tax deduction over this period

Cash Flows

Cash Flows (\$m)	FY19	FY18
Receipts from customers	21.6	15.0
Payments to suppliers and employees	(21.6)	(12.7)
Acquisition costs	(0.4)	(2.8)
Net interest and other income	0.1	0.6
Operating cash flows	(\$0.3)	\$0.1
Net business purchase cost	(0.9)	(23.1)
Payment for intangibles	(1.4)	(1.2)
Other	(0.3)	(0.2)
Investing cash flows	(\$2.6)	(\$24.5)
Proceeds from issue of shares	-	35.2
Share issue costs	-	(1.9)
Share buy-back	(1.1)	-
Dividends paid	-	(0.3)
Borrowings	-	(5.4)
Financing cash flows	(\$1.1)	\$27.6
Net cash flow	(\$4.0)	\$3.3

Cash flow

- Overall net cash flow for FY19 impacted by delay in receipt of GST, acquisitions and share buy back program
- Other operating cashflows includes Aracon and DIY Master acquisition costs
- Due to recent acquisitions, dividend pay outs are on hold



Section 2

Business overview

Funds under Administration

Growth

Funds under administration increased by 9.9% versus pcp

Acquisitions of Aracon and DIY Master contributing to this growth.

Capability	Revenue Stream	FY19	FY18
Pre-Linear Merger MDA and Super Services	Fee as % of FUA	\$2.64bn	\$2.47bn
All Linear services except for Portfolio Administration Service	Fee as % of FUA	\$5.56bn	\$5.04bn
Portfolio Administration Service	Fee per account	\$5.40bn	\$5.58bn
Aracon & DIY Master (adjusted for double counting)	Plan based fee / Fee as a % of FUA	\$0.79bn	-
Total		\$14.38bn	\$13.09bn

Diversified revenue streams

XPL's products and services generate diverse, multiple revenue sources

Fee	Description
Administration fee	Assets under administration, basis points charged with tiering for family groups of four and fee caps
Transaction fee	Trading of assets, typically fixed cost per trade per client
Cash holding fee	Cash administration, basis points charged
Implementation fee	For new service implementations (IP / project management / implementation cost recovery)
RSE Services	Fees charged for RSE services at fixed or funds under administration basis with tiering for larger clients
Superannuation administration	Combination of account based fee and assets under administration, basis points charged with fee capping for large accounts
Portfolio Administration Service Fee	Portfolio reporting services, fees charged on a per account basis

Benefit from structural tailwind

Independent platforms

The Company has further enhanced its positioning to benefit from expected continued growth in Australian superannuation inflows, expected increased growth in the Australian independent platform segment and expected increasing adoption of managed accounts.

- Acquisition of Registrable Superannuation Entity (RSE) and superannuation administration services provider to grow superannuation revenue streams from a consolidating sector with legislated contribution growth
- Roll out of the Xplore wrap and super solution to meet an expected growing demand for independent platforms who shift to non-bank aligned business models
- Enhanced our competitive positioning with enhancements to our customer portals and reduction in end customer pricing
- Core strength in managed accounts remains despite expansion into new products and services
- The business is well positioned for Royal Commission outcomes with a diverse suite of products and services and no grandfathered commissions

Executive team appointments

Growth mandate

During the year, the Board critically evaluated the needs of the business for the next phase of its planned growth and expansion and have announced key appointments to the business including;

- The appointment of Mike Wright as the new Chief Executive Officer – replacing David Heather who left in May 2019. Mike commences on 9 September
- The appointment of Anne Hamieh as the new Head of Distribution and Marketing to signal a core focus on servicing our existing customers and sourcing new clients to our expanded product suite
- The appointment of Bruce Hawkins as Chief Financial Officer in April 2019 bringing a wealth of experience in portfolio administration services and superannuation
- The appointment of Craig Griffin as Chief Risk Officer to continue our focus on sound corporate governance in an increasingly challenging sector
- The appointment of Gloria Saliba as Head of People and Culture to enhance the development of our culture and our people

The Board are confident that the new executive leadership team is well positioned to achieve our growth objectives for 2020 and beyond.

Outlook for FY20

Key planned execution priorities for FY20 include:

- Enhance our Portfolio Administration Services for both ASX Participants and Shadow Brokers
- Fully transition to a single Back and Front End for all services
- Transition to one custodian to drive efficiencies and cost savings
- Implement new Managed Investment Services
- Enhance our Investment Services to our existing and new clients



Appendix

Board of Directors



Peter Brook

Non-Executive Chairman

- Peter was the former chief executive and managing director of major superannuation administrator Pillar Administration, a NSW government-owned entity. He successfully lead the overhaul of its operating model, technology, and member services. Pillar managed 1.1 million member accounts holding \$110 billion in funds at the time of its sale to Mercer in December 2016
- Peter's 40-year career also includes executive and director roles at StatePlus, Alinta Energy, Challenger Financial Services Group, MLC and Grant Thornton



Don Sharp

Acting CEO / Director

- Co-founder of Managed Accounts, Don previously co-founded Bridges Financial Services which established, the Portfolio Service, one of the first investment platform solutions in Australia
- Qualified accountant and Executive Chairman of Integrated Payment Technologies Limited (ASX: IP1)
- Former Chairman of Investors Mutual, Global Value Investors, and Premium Investors Limited (ASX: PRV) and a former Director of Countplus Limited (ASX: CUP) and Treasury Group Ltd (ASX: TRG)

Appendix 1

Reconciliation of EBITDA

The following table provides a reconciliation of the EBITDA per the Preliminary Financial Report and the Underlying EBITDA quoted in this release.

(\$m)	FY 2019	FY 2018
Loss before income tax	-1.8	-3.4
add Amortisation & Depreciation	4.5	2.8
less Interest Income	-0.1	-0.1
EBITDA per Preliminary Finance Report	\$2.6	-\$0.7
add Acquisition related costs	0.2	1.3
RITC claim attributed to prior years	-1.2	-
Write off of assets	-	1.9
Employee share scheme	-	0.3
Impairment of investments	0.1	
Other non-recurring expenditure		
Consulting payments to past Linear management (0.3), New product and services (0.2), Name change related expenses (0.1), Consulting - Linear pre-acquisition expenses (0.2), Termination costs-synergies (0.4), Other (0.2)	1.4	0.1
Underlying EBITDA	\$3.1	\$2.9

Appendix 2

Continued business evolution to grow and expand revenue streams

- Established in 2004
- ASX listed entity from June 2014 as a specialist custodial managed account provider for financial advisory firms
- Name change in April 2019 from Managed Accounts Holdings Ltd to Xplore Wealth Ltd (ASX: XPL) to signify the migration of the business to a leading Australian provider of investment administration solutions with a specialisation in managed accounts
- Acquired 100% of the shares in Linear in November 2017 and now provide solutions to some of Australia's leading stockbrokers, wealth managers, in addition to investment managers and financial advisory firms
- Acquired 100% of the shares in Aracon Superannuation and DIY Master to broaden its reach into the Australian superannuation and pension markets and further diversify its revenue sources
- Now have the ability to deliver a multi market, multi currency, multi custodian wrap, SMA and managed account solution or via non-custodial using its ASX Participant status

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