Annual General Meeting Presentation
21 November 2019

XPLORE WEALTH

A WORLD OF INVESTMENTS

**Delivering client confidence**

# Agenda

1 Chairman

2 CEO Update

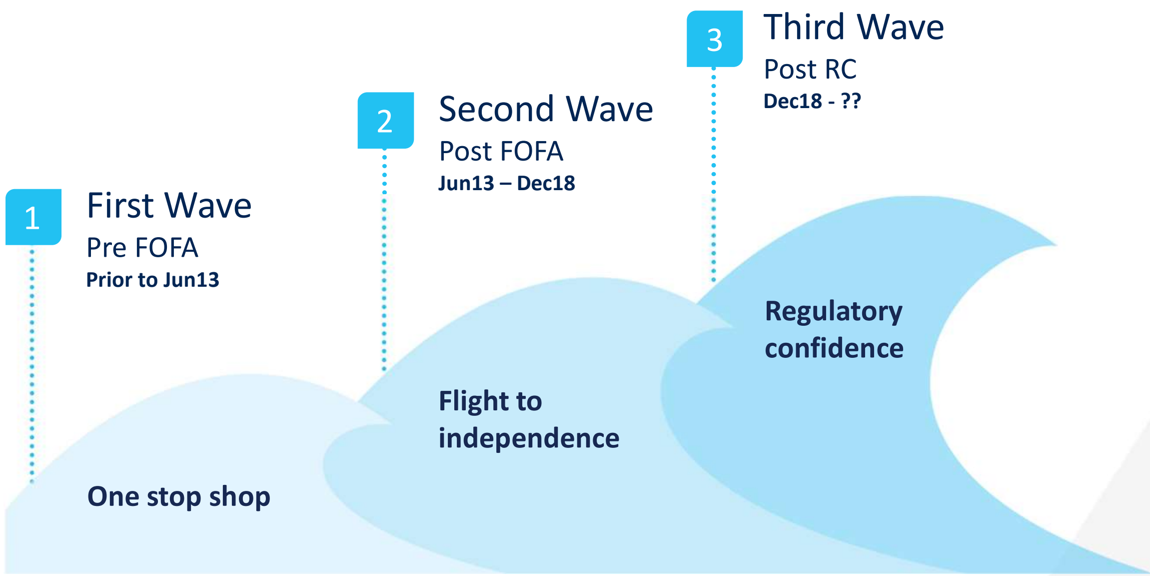
3 Formal Business

**Alex Hutchison**
Chairman Xplore Wealth

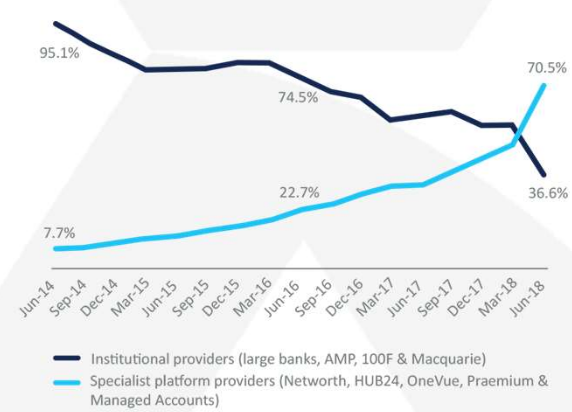
**Mike Wright**
CEO Xplore Wealth

# Changing client requirements

Xplore Wealth is well positioned for the new wave of market change




**Market share percentage of net funds flows (12 month-rolling)**




Source: Strategic Insight: Analysis of Master Trusts, Platforms & Wraps Sept 2018

# The regulatory load is significant

Xplore Wealth partners with our clients to enable greater regulatory confidence

| Regulation & Industry | |
|---|---|
| Corps Act | Design and Distribution Obligations Part 7.8A, Conflicts Management<br>FOFA - Conflicted remuneration, best interest duty s961B(i), Opt in - Part7.7A, RG245 |
| ASIC Act | Consumer protection Part 2, Div 2, sub division D |
| SIS Act | Member Outcomes SPS 515, Fees s62, Conflicts Management RG181, s912A91) |
| AML/CTF Act | Electronic verification |
| Royal Commission | End grandfathering of conflicted remuneration by 1/1/21, Fee for no service, (~19 of 76 recommendations impacting advice) |
| RG148 | |
| RG175 | |
| RG179 | ASIC MDA review |
| Dispute Resolution | AFCA |
| FASEA | Education requirements, Code of Ethics – ethic code by 1/1/20, Professional exam by 1/1/22, Qualifications by 1/1/26 |
| Insurance | Premium increases , Class Actions |
| APRA SPS Standards | Rapidly changing |

# Cornerstones of Xplore Wealth's success

**Our Purpose > Enabling our clients to confidently manage, protect and grow their client's wealth**

## What we do

Provide Investment Management, Administration and Superannuation services.

## Our clients

Independently licensed advice businesses, IFAs and full service stock brokers.

## What we are not

We do not manufacture technology, we partner with global firms.

## Our Values

- Client confidence
- Empowering
- Simplify complexity
- Professionalism
- Entrepreneurial
- Respect

## Our Strategy

**An empowering Platform** – three offers to help advisers to deliver the ***right offer, to the right client at the right time.***

**Tailored Investment Management Services** – flexible structures and services to help our clients create and operate the ***most appropriate*** Investment Management capability.

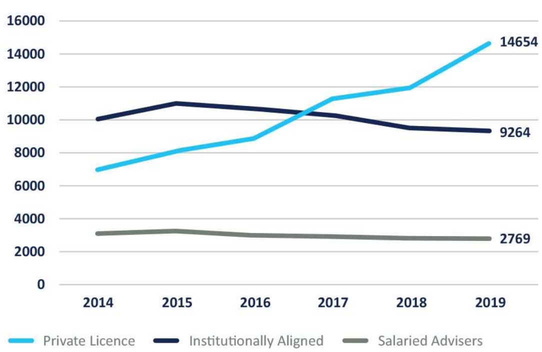
**Delivering expertise and insights** – deep investment management and regulatory compliance expertise enabling our clients to operate with confidence. ***Professionals making the complex simple and attainable***.

# Multiple revenue growth levers

Size of Xplore's revenue = no. Advisers x avg no. Clients x avg Cost to clients

### Number of IFAs predicted to keep growing

**Growth in Privately Held Adviser Licenses**

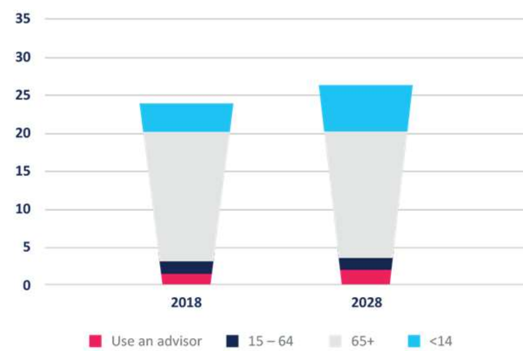



Source: ASIC Adviser Register

- Advisers on ASIC F.A.R expected to fall 15-20% by 2026 due to:
  - Grandfathered commissions removed
  - FASEA education standards drivers
- IFAs will likely continue to grow

### Those seeking advice expected to keep growing

**Adviser Market**

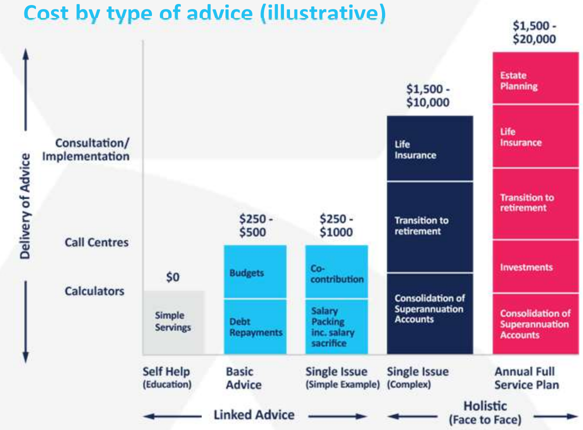



Source: ABS 2018

- Advised Australians predicted to double by 2028 to 4m, due to:
  - Ageing demographic
- Expect more retirement advice due to unique risks

### Cost of Advice likely to increase

**Cost by type of advice (illustrative)**

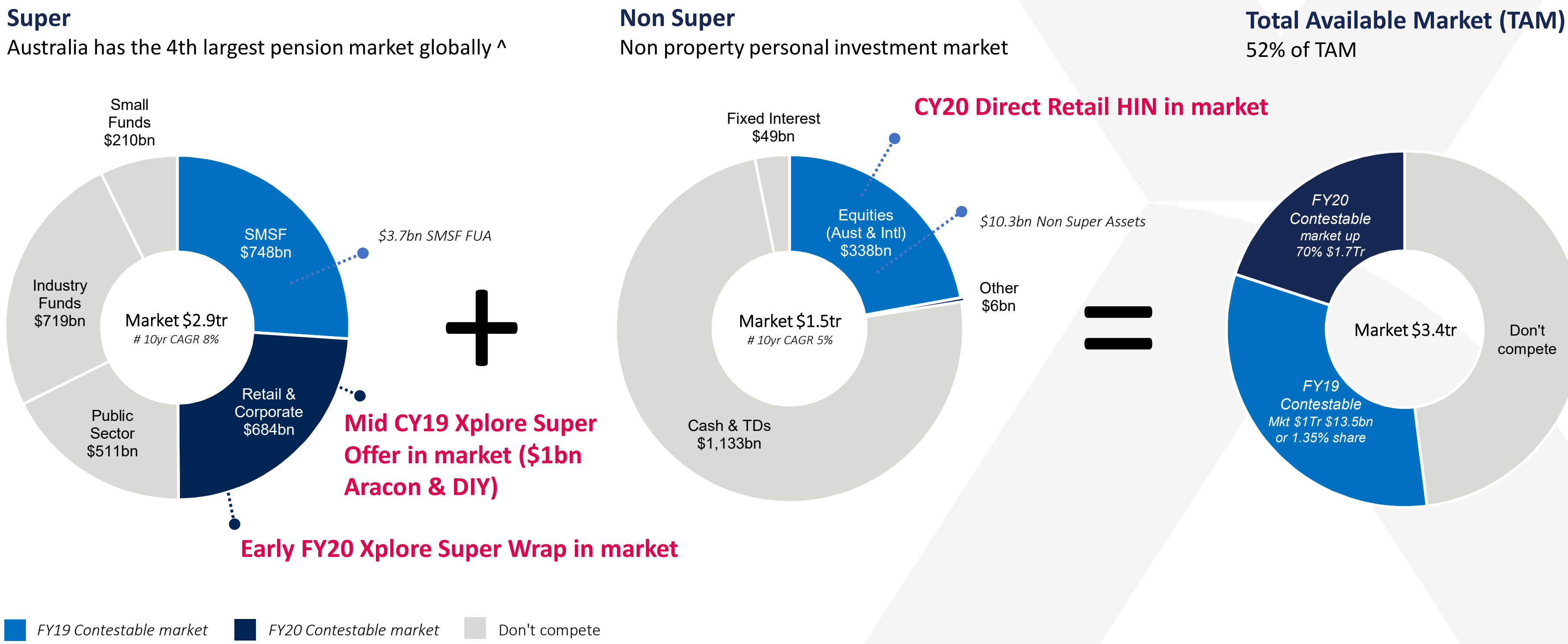



Source: ASIC, Financial Planning Association, Rice Warner

- The cost of holistic advice likely to be repriced due to:
  - Product subsidisation ceasing,
  - Compliance and regulatory costs rising
- Reduce client impact via improvements and technology

# Expanding our market opportunity

Xplore Wealth has grown its Total Available Market by over 50%




# 10yr CAGR Evans & Partners estimates within Strategic Insights ^ Source Deloitte – Dynamics of Australia's superannuation system, the next 20 years 2015 to 2035

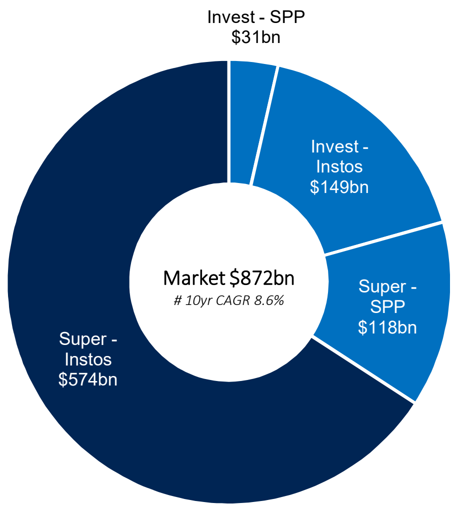
# Expanding our key markets

Xplore Wealth has significant market share growth opportunities in key markets

## Retail Platform Market

Retail and Specialist Platform Providers (SPP)

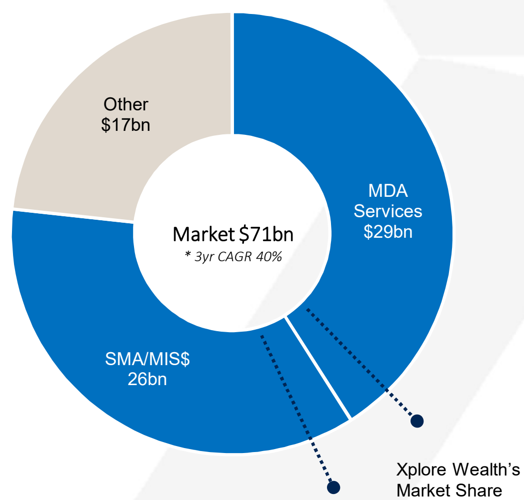
**Xplore Wealth has 1.5% market share**




## Managed Account Market

IMAP market sizing 2018

**Xplore Wealth has 7.5% market share**




*FY19 Contestable market* *FY20 Contestable market* Don't compete

*# 10yr CAGR Evans & Partners estimates within Strategic Insights* ** IMAP market sizing 2018*

# An empowering Platform with choice

Xplore Wealth's empowering platform to support regulatory confidence

## 1 An aligned platform with up to three offers

**1 Discretion**
- Bespoke Invest Mgt
- HNWI
- Practice Services

**2 Wrap**
- Super, Pension, Invest
- Mass Affluent
- SMA, Intl, Ccy

**3 Direct HIN**
- ASX
- Linked cash account
- Reporting

A Platform > **Empowering, Choice, Aligned**

## 2 Plus choice features

| Platform Offers | W/sale | White labelled | Manage MA | Investors | Direct Intl Mkts | FX |
|---|---|---|---|---|---|---|
| Discretion (MDA) | Yes | Yes | Yes (MDA & models) | SMSF, Investment | Yes | Yes |
| Wrap (retail super) | No | Yes | Yes (models) | Super, SMSF, Pension, Investments | Yes | Yes |
| Direct HIN | Yes | Yes | Yes (models) | SMSF, Investment | No | No |

# Executing our growth strategy

We have prioritised, we are executing, we are getting things done

**One Platform program**
To create business efficiencies and savings.

**Sept19**
- ✓ SS&C contract renewed (back end tech)

**Nov19**
- ✓ JP Morgan contract signed (global custody)
- ✓ Launched w'sale MDA (selected clients)
- ✓ Designed new Retail Direct HIN offer

**Upgrading the business**
With a winning three year strategy.

**Sept19**
- ✓ Four new executives in the last six months

**Oct19**
- ✓ Aligned all staff KPIs & incentives

**Nov19**
- ✓ 3year strategic review underway
- ✓ Redesign structure for planned growth & efficiency

**Take to Market Plan**
With the purpose of sustainably growing our business.

**Sept19 – Oct19**
- ✓ Met MDA, Wrap and Super clients

**Nov19**
- ✓ Take to Market plan finalised
- ✓ Workshops on new Retail Direct HIN offer with clients

# FY20 Update

Operating results YTD , favourable when compared to the same time last year.

## FUA Update

- FUA at 31 October 2019 up 7% on 30 June 2019
- Positive net inflows YTD, with the September quarter up $232m

## Client Update

- Integration of Xplore Wrap, incl Super & Pension Wrap into the broader market offer
  - 6 Distribution Agreements signed, Oracle commenced onboarding, 5 others at build stage
- 2 new MDA clients have started onboarding, Pivot-PAC Capital and First Point
  - 5 new clients at Due Diligence stage and expected to move into the Build stage
- 2 new sub plans approved for the Aracon Superannuation fund (Elevate and Fairvine)

## Other

- Cash of $3.4million received to finalise outstanding GST claims with the ATO
- Key initiatives undertaken to reduce operating costs
  - New Custody agreement signed with JP Morgan
  - New long term agreement with SS&C under more favourable terms
- Linear software write down $10.8m

# Conclusion

Upgrading for planned growth

## Our future is bright

- We are upgrading our ambition, culture, strategy and business
- We are making progress on our 2020 priorities
- We have expanded our Total Available Market with the aim to grow faster
- We are well placed for the new wave of expected Retail Platform growth

# Proxy results

| Resolution | For | Against | Abstain | Discretion |
|---|---|---|---|---|
| **Resolution 1**<br>Adopt the Remuneration Report for financial year ended 30 June 2019 | 80,919,349 | 88,050 | 32,000 | 890,000 |
| **Resolution 2**<br>Re-election of Don Sharp as a director | 114,153,275 | 0 | 0 | 890,000 |
| **Resolution 3**<br>Re-election of Alexander Hutchison as a director | 114,153,275 | 0 | 0 | 890,000 |
| **Resolution 4**<br>Ratification of Prior Issue of Ordinary Shares | 114,034,938 | 118,337 | 0 | 890,000 |
| **Resolution 5**<br>Renewal of Proportional Takeover Approval provisions | 114,096,088 | 47,615 | 9,572 | 890,000 |

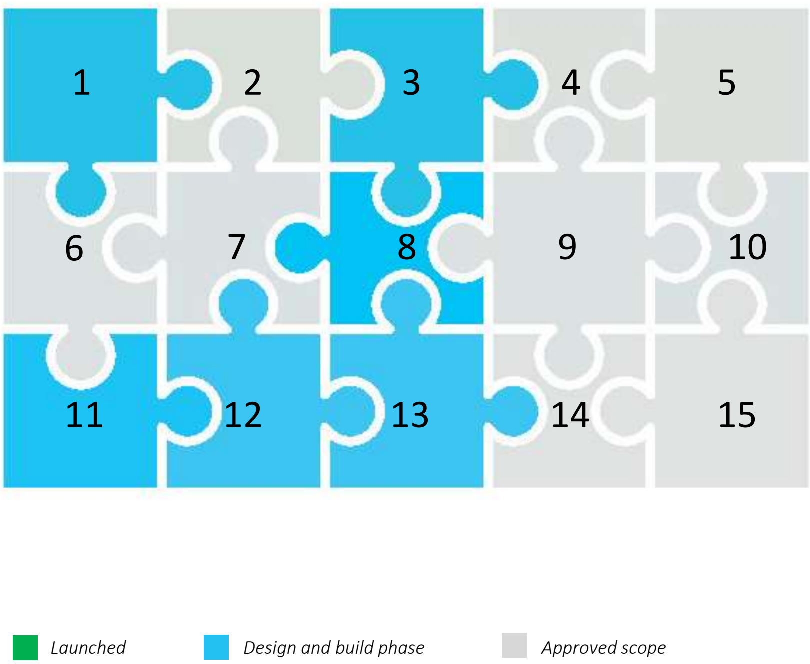
**Alex Hutchison**
Chairman Xplore Wealth

# Thank you

**Alex Hutchison**
Chairman Xplore Wealth

# Appendix

# One Platform Program




1. One custodian for all our offers
2. Create new Retail Direct HIN offer
3. Digitialise application, sign up and onboarding process for all offers
4. Automate manual fee processes for all offers

Move to an enhanced offer for:

5. Investment Managed Accounts  (old Linear MA)
6. Westpac Private Bank Global Investment Services (GIS)
7. Evans and Partners Portfolio Administration Service (PAS)
8. One transactional trading backend with SS&C
9. International capability. Extend to MDA. Create new FX offer
10. Xplore Super Wrap

11. One integrated client facing portal
12. Consolidated infrastructure across all offices
13. Harmonising all policies and procedures
14. Extend Wholesale MDA offer
15. Define, document and systemise business workflows

# Take to Market plan

Upgrading our business and delivering our one platform program strengthens this plan

| | Build a high performing sales team | Win new business | Retain and grow current clients |
|---|---|---|---|
| **What** | **Build a high performing sales team** | **Win new business** | **Retain and grow current clients** |
| **How** | ▪ Realign to targeted geographical pods<br>▪ Redesign remuneration<br>▪ New sales operating rhythm<br>▪ Create a fuller weekly sales dashboard<br>▪ Mandate Salesforce to track client contact<br>▪ Development plans for growth<br>▪ Implement coaching framework<br>▪ Define and roll out a:<br>    ▪ structured sales process and<br>    ▪ pipeline management process | ▪ A high performing sales team<br>▪ Identify granular prospect list<br>▪ Pods own their sales plans<br>▪ Extend offers to target loyal clients<br>▪ New Retail HIN product CY20<br>▪ Build brand awareness<br>▪ Online campaigns for digital leads<br>▪ Embed a faster build process for new clients | ▪ Segment clients (tiered service)<br>▪ Create client profiles for management<br>▪ Provide insights through events and material<br>▪ Develop and hold biannual Adviser Forum<br>▪ Provide expertise to investment committees<br>▪ Referrals to MDA Investment Managers<br>▪ Grow our phone based support team |

**Results**

- Improve client experience
- Grow net FUA (and revenue)
- Grow adviser numbers
- Grow advised clients

# FY2019 Review

Planning for growth

**FY19 key milestones**

- Xplore Wealth acquired two complementary businesses, Aracon Superannuation Pty Ltd and DIY Master Pty Ltd
- Successfully rebranded
- Launched new product - Xplore Wrap and Xplore Super Wrap

| | FY2018 | FY2019 | Change |
|---|---|---|---|
| FUA | $13.1b | $14.4b | 9.9% |
| Revenue | $15.1m | $22.8m | 51.0% |
| Underlying EBITDA (1) | $2.9m | $3.1m | 6.9% |
| EBITDA % | 22.1% | 13.6% | |
| NPAT | ($2.5m) | ($0.5m) | 68.0% |

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

# FY20

Upgrading for planned growth

## Moving forward

- Hired new CEO
- Hired new Head of Distribution and Marketing
- Delivering on One Platform program
- Delivering on ‘Take to Market’ plan
- Restoring client confidence
- Planning for long term sustainable growth
- Upgrading our ambition, team, culture, capabilities

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