

ASX Release Date: Thursday 20 February 2020

Half Year FY20 Results Teleconference Script

Xplore Wealth Limited (ASX: XPL) (the Company) releases the half yearly results script to be given today via teleconference by:

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About Xplore Wealth Limited

Xplore Wealth is one of Australia's longest serving independent Specialist Platform Providers (SPP) and investment administrators, with extensive expertise in managed accounts. Xplore Wealth also fully owns an APRA regulated Registrable Superannuation Entity (RSE) licensee, Aracon Superannuation Pty Ltd, the trustee of Aracon Superannuation Fund.

Authorised by:

Mike Wright
Chief Executive Officer
Xplore Wealth Limited



Half Year Results Presentation

February 2020

XPLORE
WEALTH

A WORLD OF INVESTMENTS
Delivering client confidence

A message from the CEO



*"The investments we have made to expand our people capabilities and the number of markets we compete in, are beginning to have a positive impact on our financial results. We are pleased to deliver **21% revenue growth, 50% EBITDA growth and positive cashflow** for the half year versus the prior corresponding period.*

This is very encouraging considering we are in the process of upgrading our business model and transitioning to One Platform, which should deliver additional benefits for shareholders. With our upgraded capabilities and enhanced customer offering we plan to sustainably grow our business in 2020."



Mike Wright
CEO Xplore Wealth

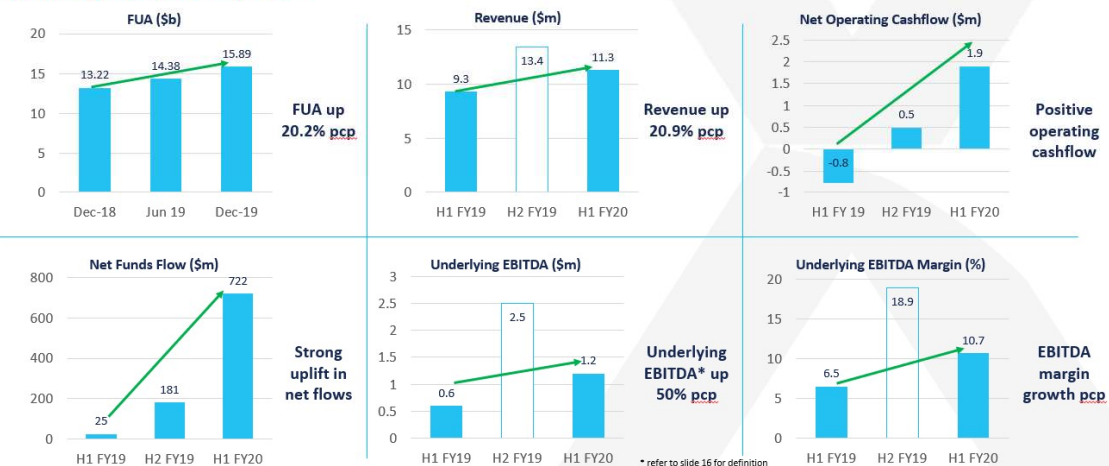
Good morning and thank you for joining Xplore Wealth's results presentation.

There are 3 messages;

1. We are making real progress on our 2020 priorities, upgrading our business with a new ambition, culture, strategy and operating model
2. These improvements are already having a positive impact
3. We are making solid progress in extending our capabilities, products and markets with the intention of driving growth

Results summary

Delivering improved early results



3 A WORLD OF INVESTMENTS

Slide 3 shows key financials metrics seeing improved results early against pcp.

FUA up 20.2% and Revenue up 20.9% pcp. Underlying EBITDA up 50% and net operating cashflow up \$2.7m pcp.

Xplore Wealth at a glance



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

Where we compete

Core Markets

- Retail Platform (\$872bn)
- Superannuation (\$2.9tr)
- Managed Accounts (\$71bn)

Products

- MDA
- Wrap, including SMAs
- Direct HIN
- Super Services – RSE/Admin

Client Segments

- IFAs
- Full Service Stock Brokers
- Licensed Advised business

Client Channels – Advised only

Growth strategies



1. **Leverage our niche, agility and size** to excel in tailored offers such as MDA, tailored investment management, white labelling and insights



2. **Leverage our aligned Platform**, fully integrated, with three distinct offers, fully paperless and systemised



3. **Build a low cost operating model** within the Specialist Platform Providers, that is highly scalable



4. **Take to market new product and service offerings** to continually disrupt and attack the large insto Retail Platforms



5. **Upgrade to a values based culture**, driving the right behaviours and decision making process to support our clients

Fast facts

- 15+ years specialising in the Managed Account market with ~\$16bn FUA
- An aligned platform with three distinctive client offers
- An RSE licence holder, one of only 110 in the market
- An advised only platform
- Independent - do not manufacture funds or own an Advice AFSL

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Strategically we are clear on which markets we will compete in and our growth strategies as summarised on slide 4.

Interestingly;

- We are 15 years young with approximately \$16bn in FUA ...
- We own a RSE licence and are one of a handful of RSEs open to new offerings
- We are independent. Deliberately we don't manufacture funds or own an Advice AFSL



1. Leverage our niche, agility and scale

Specialised expertise in tailored offers and insights to support our clients grow their business, their way

MDA Offer	Wrap Offer	HIN Offer	Super Offer	Insto Offer
<ul style="list-style-type: none"> Flexible legal structures Manage model portfolios Deep investment choices Wholesale MDA offer Trade international assets 3rd party MDA administration Broker of choice Flexible modelling tool 100% White labelled (~40 clients) <div>   </div>	<ul style="list-style-type: none"> Manage model portfolios Trade international assets Flexibility to deduct super advice fee from Wrap Broker of choice Flexible modelling tool 100% White labelled (~30 clients) <div>    </div>	<ul style="list-style-type: none"> No custody Tailored administration Tailored tax reporting ASX non broker participant (settlement) available Corporate action handling flexibility 100% White labelled <div>  </div>	<ul style="list-style-type: none"> Tailored sub-plan / division Supports emerging superannuation funds Manage own model portfolios 100% White labelled (~6 clients) <div>    </div>	<ul style="list-style-type: none"> Fully tailored, be-spoked Joint build Dedicated resources Integrate to trading & client portals 100% white labelled (2 clients)

Business model provides shared services for investment management, product, risk, legal, etc

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Slide 5 captures our intent to leverage our agility and niche to drive improved growth and returns for shareholders.

Independence is critical to this.

We understand our clients want to set up their business on their terms.

Our role with these businesses is to use our scale and expertise to provide tailored solutions.

Across our categories shown, offers are 100% tailored.

As others corporatise, moving away from tailoring, Xplore will continue to.

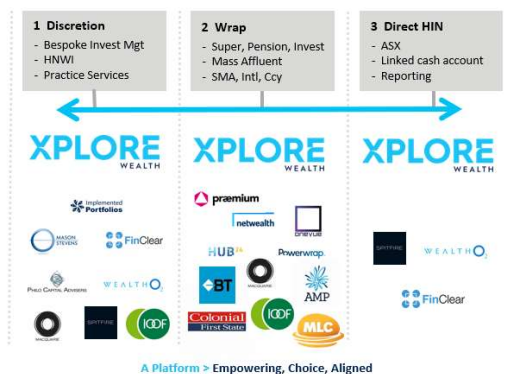
We understand though to truly tailor you need an;

- Aligned platform,
- A low-cost operating model, and
- A culture that embraces it

2. Leverage our aligned Platform

A platform empowering advisers with choice to support their Best Interest Duty obligations

1 An aligned platform with three offers to choose from



2 Plus choose suitable features

Platform Offers	W/sale offer	White labelled	Investment Managed 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

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How are we going to achieve this?

Firstly, by leveraging our aligned platform.

We believe we have an empowering platform.

It provides real choice as shown on slide 6.

It's unique as one platform with three distinct offers to choose;

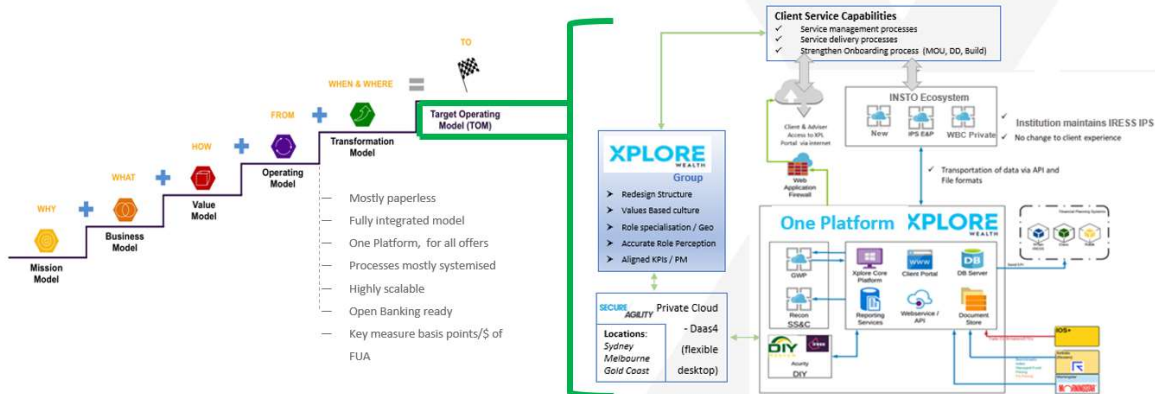
1. Discretionary
2. Wrap
3. Direct HIN

Clients also decide on various features such as wholesale, white labelling, legal structure, Investment Management, Managed Accounts and Direct International assets

Empowering Advisers enables them to act in the best interests of their clients.

3. One Platform building a low cost operating model

Xplore Wealth is building a highly scalable and competitive model to drive operating leverage



Source : The Strategy Journey Framework by Julie Choo

The One Platform initiative is critical to transforming our business.

Slide 7 captures our strategic intent to build a highly scalable, low cost operating model, driving efficiencies to leverage.

Over time, our goal is to reduce bps of cost per \$1 of FUA below 20bps.

4. Take to market new products, services and offers

Planned 2020 roll out of new disruptive products and offers with the intention of capturing higher net inflows

New Products			New Offers		
MDA Wholesale <ul style="list-style-type: none"> Less obligations imposed No CGT from Retail to Wholesale MDA Allows access to unregistered schemes 	3rd Party MDA Admin <ul style="list-style-type: none"> 292 MDA provider licences, 65% active Provide proven full MDA administration solution Advice AFSL uses their MDA provider licence Upgraded Investment modelling tool 	Direct Retail HIN <ul style="list-style-type: none"> Fully integrated from trade to settlement ASK only + reporting & corporate actions Linked cash account for dividends and advice fees Efficiencies passed onto clients via pricing 	MDA International <ul style="list-style-type: none"> Trade direct listed international assets 16 markets available Seamlessly added to managed portfolios 	Foreign Exchange* <ul style="list-style-type: none"> Wholesale panel to ensure best FX rate FX can be held within models Foreign currency accounts <p><small>* At initial stage</small></p>	Advised Client Cash <ul style="list-style-type: none"> RBA official cash for all offers Strategic (re)pricing review for all offers Differentiated pricing schedules within certain offers
Launched Feb20	Launch Q3 2020	Launch H2CY20	Launched Feb20	Launch Q4 2020	Launch H2CY20
<i>Allows unregistered schemes. New advisers, clients, FUA and revenue</i>	<i>New advisers, clients, FUA and revenue, with reduced reg risk</i>	<i>New advisers, clients, FUA and revenue. Completes One Platform offer</i>	<i>Client retention. Also new advisers, clients, FUA and revenue</i>	<i>Better deal for client cash</i>	<i>Possible new revenue. Transparent and fair deal.</i>

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We intend to constantly improve our offer, tailoring solutions for clients whose needs evolve.

As slide 8 illustrates we have six new products and offerings in 2020.

Some will be disruptive in the markets that we compete in, such as our "Advised Direct Retail HIN offer."

MDA Wholesale and International launched Feb20, with 3rd Party MDA admin planned to closely follow.

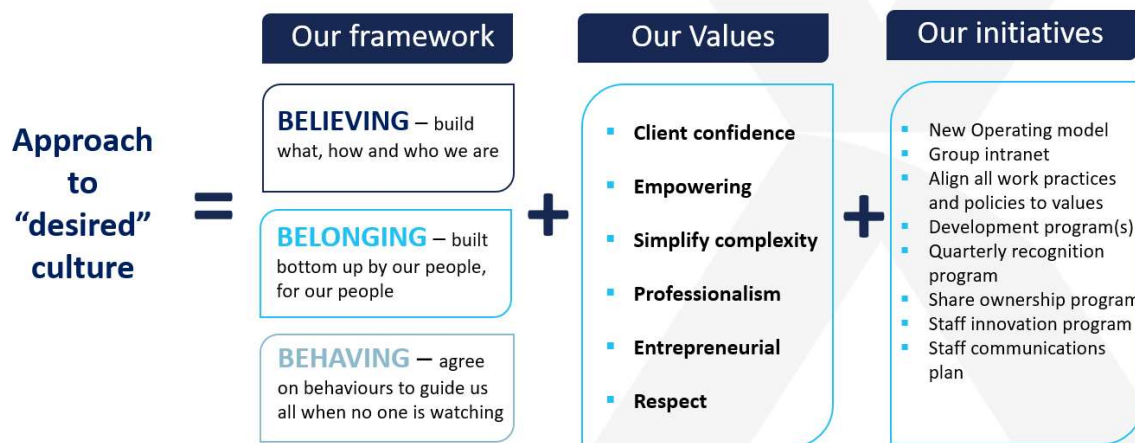
These new offers are expected to help win more advisers, clients and inflows.

For accountability purposes we lay out planned delivery timeframes at the bottom of this page.

And we are on track to deliver.

5. Upgrade to our values based culture

A culture that nurtures the right behaviours, effort and actions to glue together all strategic themes



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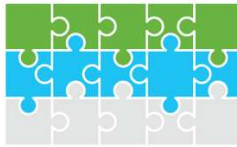
A WORLD OF INVESTMENTS

On slide 9.

Finally, we are making great progress moving to a values-based culture, to facilitate delivery of our growth strategies.

2020 Execution Report

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



One Platform Program

To create business efficiencies and savings.

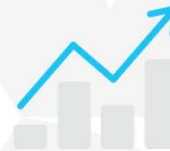
- 19 initiatives defined
- The program was launched in Q1 with the appointment of a Program Manager
- 5 initiatives are well advanced, 5 have commenced and a further 3 are in initialising stage



Upgrading the business

With a winning three year strategy.

- A new three year strategic plan
- Cultural workshops completed. Corporate values and behaviours defined.
- Aracon Superannuation Pty Ltd provided APRA with an upgraded three year strategic business plan and two Aracon Superannuation Fund Board members appointed



Take to Market Plan

With the purpose of sustainably growing our business.

- Completed a review of current sales team and commenced realignment to achieve the desired team structure and composition
- New Distribution Manager for Victoria hired
- Commenced work on new retail HIN product

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At Xplore Wealth we all know what needs doing in 2020.

We have prioritised and are getting things done.

The three priorities are; (slide 10)

1. Create business efficiencies, via the One Platform Program

- 19 streams, 5 well advanced and 5 commenced
- Project Management capability built

2. Upgrading our business

- A new three-year strategic plan
- New hires and leadership

3. Sustainably grow the business through a new distribution plan

- Executing on the plan
- Rebuilding capability

New Customers in FY20

Advised Clients Onboarded –
all offers

FIRSTPOINT
WEALTH MANAGEMENT



cashel family office



oracle
INVESTMENT MANAGEMENT

FairVine Super.



elevate.super

Implementations underway –
Wrap Super



THE **Wealth**
PARTNERSHIP

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In 2020 I am pleased to be winning new clients.

As slide 11 shows we have built a tailored solution for new clients who are now onboarding their clients.

We have other businesses past our due diligence stage for which we are building tailored offers, expected to be ready in the next few months.

I would like to hand over to Bruce Hawkins, the CFO of Xplore Wealth.

H1 FY20 Financial Results

Positive momentum on revenue and EBITDA growth on pcp

	H1 2020 \$'m	H1 2019 \$'m	CHANGE
Revenue	\$11.3	\$9.3	20.9%
Direct costs	(\$2.8)	(\$2.2)	22.7%
Gross Profit	\$8.4	\$7.1	18.3%
Gross Profit Margin	75%	76%	
Other Income	\$0.1	\$0.2	
Operating expenses	(\$7.3)	(\$6.7)	8.9%
Underlying EBITDA	\$1.2	\$0.6	50% ¹
EBITDA Margin %	10.7%	6.5%	
One off items of expenditure	(\$1.1)	(\$0.7)	-
Depreciation & amortisation ⁽¹⁾	(\$1.3)	(\$2.2)	-
Write off of Linear Software	(\$10.8)	-	-
NPBT	(\$12.0)	(\$2.3)	-
Tax	\$2.8	\$1.3	-
NPAT	(\$9.2)	(\$1.0)	-

¹ AASB16 Accounting for Leases effective 1 July 2019. High level impact for H1 FY20 is \$292,000 uplift in EBITDA and a corresponding increase in Depreciation and Amortisation and Net Interest charges. No net impact to Net Profit Before Tax.

- Strong uplift in revenue driven by combination of FUA growth, new revenue streams and contribution from DIY Master and Aracon Superannuation
- Operating expenses up due to acquisitions in late H1 FY19
- One off items including provision for R&D claim and write off of intangible assets
- AAS16 implemented for H1 FY20

Thanks Mike.

As you indicated earlier in the presentation, the results for the first half of the year have improved on pcp, reflective of a momentum shift for the business.

We can see on slide 12 a 20% uplift in revenues and 18% uplift in gross profit pcp with these uplifts attributed to organic growth and the contributions from recent acquisitions.

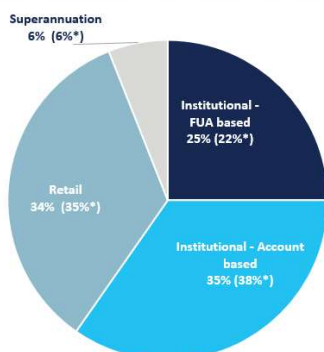
A positive uplift in the underlying EBITDA pcp of 50% supports this shift.

The write off of the Linear software and providing for 50% of the disputed R&D claim impacts the bottom line but will assist results in future periods.

H1 FY20 FUA and Revenue Composition

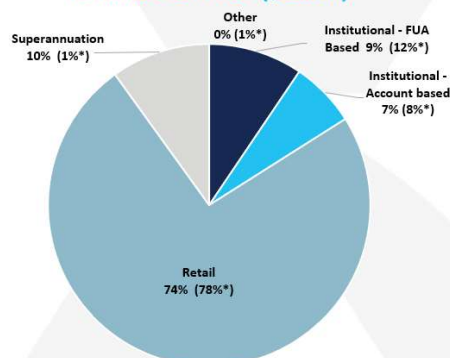
A diversified FUA and revenue base with majority of revenues flowing from higher margin retail book

FUA – 31 December 2019 (\$15.98b)



*Comparative FUA splits as at 30 June 2019

Revenue - 1H FY20 (\$11.2m)



*Comparative Revenue splits as at H1 FY19

The contributors to our revenue, on slide 13, are mostly revenue flows from higher margin retail clients, despite institutional business representing 60% of our FUA.

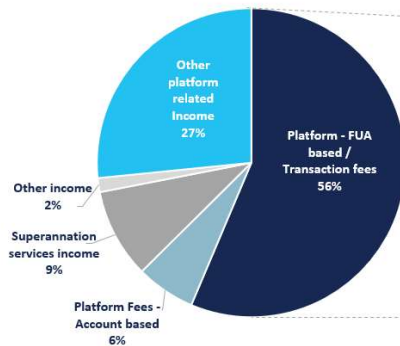
Our superannuation businesses now represent 11% of revenues and this percentage is expected to grow.

H1 FY20 Revenue Composition

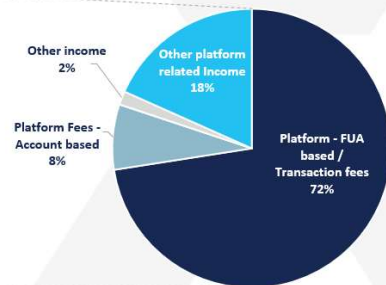
Diversified revenue base by fee type

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Revenue – H1 FY20 (\$11.2m)



Revenue – H1 FY19 (\$9.3m)



Looking closely at the make-up of our revenue, on the next slide, we see greater diversification emerging as traditional platform fees are complemented with other sources of income.

Importantly revenues are recurring in nature and the amount that is exposed to market fluctuation is reducing.

Costs Breakdown

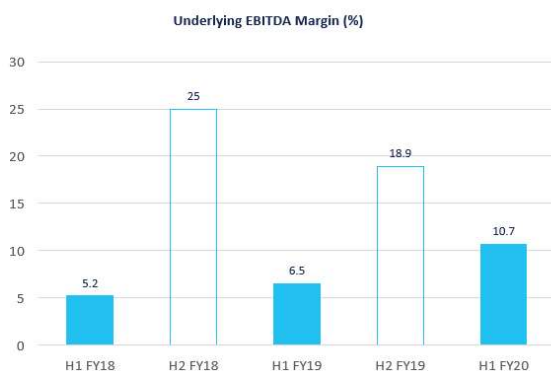
	H1 FY20 \$'m	H1 FY19 \$'m	Movement
Operating Expenses			
Employment related costs - core	4.7	4.8	-2%
Employment related costs - Dec 2018 acquisitions	0.7	0.1	-
Computer and IT expenses	0.7	0.6	17%
Professional fees and Consulting	0.6	0.5	20%
Other expenses	0.6	0.7	-14%
Total Operating Expenses	7.3	6.7	9%
Depreciation & amortisation			
Depreciation & Amortisation	1.0	2.2	-52%
Depreciation attributed to lease arrangements	0.3	-	-
	1.3	2.2	-41%
One-off expenses			
Employment related	0.6	-	-
Acquisition related	-	0.7	-
R&D related	0.5	-	-
	1.1	0.7	57%

- Whilst operating expenses have increased pcp, majority of increase is attributable to the additional operating costs associated with the Aracon and DIY Master acquisitions in December 2018
- With the write off of the Linear software in H1 FY20, ongoing amortisation costs are expected to reduce
- The business has provided for 50% of the disputed R&D claim given the ongoing appeal

As forecast, operating costs increased compared to pcp given costs embedded in businesses acquired as shown on slide 15.

Implementing AASB16, we have seen some reclassification of costs, from operating expenses to Amortisation due to treatment of property leases.

Margin Analysis



- Progressive improvement in underlying EBITDA*pcp post Linear acquisition
- One Platform project is expected to deliver a combination of cost reductions and additional revenue, making strong contributions to future results
- H2 FY19 included \$2.4m of RITC contribution of which \$861k related to FY18

*Underlying EBITDA is based on Net Profit Before Tax after adjusting for depreciation, amortisation and net interest and for non-recurring items of expenditure

Post the Linear acquisition, we have seen, shown on slide 16, that first half year Underlying EBITDA margins are improving year on year. This will remain a core focus for us moving forward.

One Platform is expected to deliver a combination of cost reductions and additional revenues, making a strong contribution to future results.

It should be noted that H2 FY19 margin includes \$861,000 RITC relating to the period post the completion of the Linear acquisition but relating to FY18

Cash Flows

Positive operating cashflows for the business

	H1 FY20 \$/m	H1 FY19 \$/m
Receipts from customers	12.7	10.0
Payments to suppliers and employees	-11.1	-10.5
Acquisition related expenses	-	-0.4
Net interest and other income	0.3	0.1
Operating cash flows	1.9	-0.8
Net business purchase cost	-	-0.9
Payment for intangibles	-0.5	-1.1
Investing cash flows	-0.5	-2.0
Proceeds from issues of shares	0.1	-
Share buy-back	-	-1.1
Repayment of lease liabilities	-0.2	-
Financing cash flows	-0.1	-1.1
Net cash flow	1.3	-3.9

- Positive operating cash flows for the half assisted by finalisation of ATO claim for Linear scheme
- AAS16 introduced in H1 FY20 revising treatment of property lease payments

Importantly, on the next slide, the business has returned to cashflow positive from operations and as a result the cash position has improved.

Xplore Wealth is debt free and well positioned to fund ongoing business operations, including the One Platform Program over the coming 12 months.

Balance Sheet

	31 Dec 19 \$m	30 Jun 19 \$m
Cash and cash equivalents	2.2	0.9
Other financial assets	2.0	1.5
Trade and other receivables	4.1	7.1
Non-current Assets		
Property, Plant and Equipment	0.3	0.3
Intangible assets	27.9	39.0
Right of use asset	1.3	-
Deferred tax assets	8.2	5.4
Total assets	46.0	54.2
Liabilities		
Trade and other payables	2.8	3.4
Employee benefits	1.1	0.9
Deferred tax liabilities	0.6	0.8
Lease liabilities	1.4	-
Other liabilities	1.2	1.1
Net Assets	38.9	48.1
Paid up capital	56.7	56.7
Share option reserve	0.5	0.5
Accumulated losses	-18.3	-9.1
Total equity	38.9	48.1

- Debt free balance sheet
- Improved cash position given positive cashflow from operations
- Reduction in intangible assets attributed to write off of Linear software
- Introduction of AAS16 introduced for H1 FY20 impacting treatment of property leases

Our balance sheet, slide 18, includes the

- improved net cash position
- no debt
- write down of the intangible assets and
- accumulated tax losses, available in future years

From a financial viewpoint in 2020 we will be

- realising targeted benefits from the One Platform Program
- driving efficiencies with the goal of improving long term profitability

I will hand back to Mike.

Multiple revenue growth levers

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

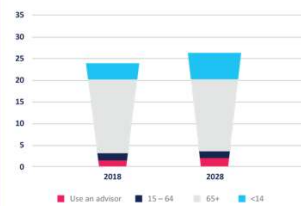
Number of IFAs predicted to keep growing Growth in Privately Held Adviser Licenses



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

Thanks Bruce.

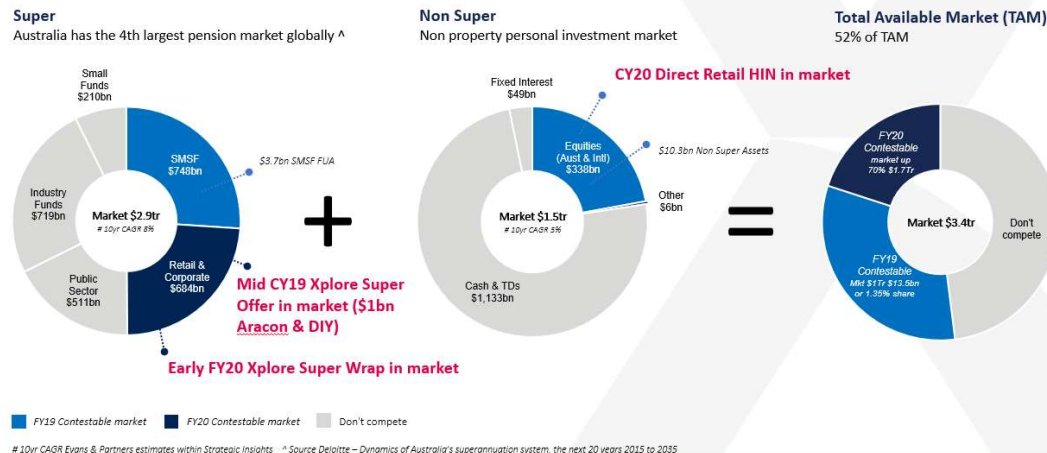
Slide 19 highlights Xplore Wealth has multiple revenue levers to drive growth.

Strategically we are an Advised Only Business.

Growing the number of Advisers, clients whilst balancing the right mix of fees is important.

Expanding our market opportunity

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



Also, we have expanded our Total Available Market.

Slide 20 shows we now compete in 52% of the total market.

Three offerings have nearly doubled our Total Available Market from \$1.1Tr to \$1.7Tr;

1. Retail Super Wrap,
2. Super Fund offer,
3. Retail Advised Direct HIN offer, due H2 CY20

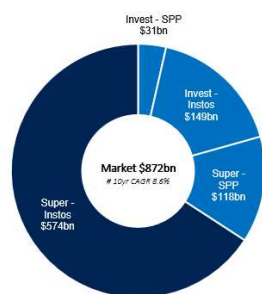
Expanding our key markets

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



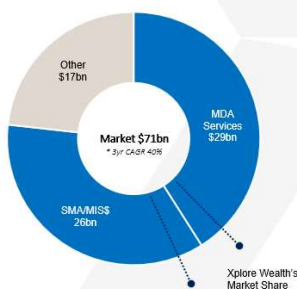
■ FY19 Contestable market ■ FY20 Contestable market ■ Don't compete

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

Managed Account Market

IMAF market sizing 2018

Xplore Wealth has 7.5% market share



Xplore Wealth's Market Share

Xplore Wealth has significant market share growth opportunities.

We can now target flows from large institutions, with Retail Super Wrap - our current share is 1.5%.

The Managed Account market in Australia is relatively small at \$71bn - our current share \$5.3bn or 7.5%.

The Managed Account market is growing fast and expected to continue.

FY20 Update

Operating results H1 FY20 , favourable when compared to the same time last year



H1 FY20

- Revenue \$11.3m, a rise of 21% compared to H1 FY19. Revenue growth driven by a combination of organic and acquisition related sources
- Strong growth in Funds Under Administration (FUA) and platform inflows over the period compared to H1 FY19
- Delivering on key strategic priority with the One Platform program on track. Affirm expected cost savings in H2 FY20 and beyond
- Underlying EBITDA up 50% on H1 FY19
- Cashflow positive in H1 FY20 with an uplift in cash holdings of \$1.25m

H2 FY20

- Deliver on One Platform milestones including; One Custodian, International MDA, Wholesale MDA, adviser portal upgrade and finalising infrastructure consolidation
- Finalise and commence implementation of Xplore Wealth's new three year strategy
- Continue to roll out culture based programs

In terms of a FY20 update, Bruce discussed H1 FY20 results.

In H2 FY20, on slide 22

1. We are focusing on key One Platform milestones such as;
 - One Custodian
 - MDA International
 - MDA Wholesale
 - Infrastructure consolidation and
 - Adviser portal upgrade

.... expected to deliver savings and new revenue.

2. Start executing our new strategy and culture.

Conclusion

Upgrading for planned growth

- We are making real progress on our 2020 priorities and upgrading our business
- These improvements are already delivering positive results
- We are making solid progress in extending our products and markets to drive growth

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In conclusion ...

- We are making real progress on our 2020 priorities and upgrading our business with new ambition, culture, strategy and operating model
- These improvements are already delivering positive results
- We are making solid progress in extending our capabilities, products and markets to drive growth

Thank you.

Open for Q&A

Summary information

This presentation contains summary information about Xplore Wealth Ltd (Company) (ASX: XPL) and its activities as at the date of presentation. The information in this presentation is of a general nature and does not purport to be complete or contain all information that a prospective investor should consider when evaluating an investment decision in the Company or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Cth) (Corporations Act). This presentation should be read in conjunction with the Company's other periodic news releases or ASX disclosure documents as available from time to time.

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