

ASX Release: 28th October 2020

HUB24 announces three strategic transactions and equity raise of \$60million

HUB24 (ASX:HUB) today announces three strategic transactions which together will strengthen its position as the leading provider of integrated platforms, data and technology services for financial advisers, stockbrokers, private banks, licensees, accountants and their clients.

The three strategic transactions are:

- the proposed acquisition of investment platform provider Xplore Wealth Limited (ASX:XPL) ('Xplore') by way of a scheme of arrangement for \$60 million via a combination of cash and HUB24 scrip consideration at an effective Xplore share price of \$0.20, which represents a premium of 203% to the closing price of Xplore shares on 27 October 2020
- the acquisition of Ord Minnett's non-custody Portfolio Administration and Reporting Service ('PARS') for \$10.5 million upfront cash consideration
- the proposed subscription for new shares in Easton Investment Limited (ASX:EAS) ('Easton') for cash consideration of \$14 million and divestment of HUB24 subsidiary Paragem Pty Limited ('Paragem') to Easton for \$4 million of new Easton shares which, following a share buyback, will result in HUB24 having a shareholding of up to 40% of Easton.¹ The Easton shares will be issued at a share price of \$1.20, which represents a 38% premium to the closing price of Easton shares on 27 October 2020.

The total investment for these transactions is approximately \$93 million.² HUB24 expects to deliver approximately 13% earnings per share ('EPS') accretion in FY22 for shareholders as a result of these transactions.

Once implemented, these transactions will strengthen and further consolidate HUB24's position as a leading specialist platform provider and technology services business while building scale in platform funds under administration ('FUA'). FUA across the combined group is expected to increase to \$42 billion (\$28 billion in custody and \$14 billion in non-custody) and introduce additional capability to HUB24's market leading platform. Existing and potential clients are expected to benefit from a number of highly attractive differentiators once full integration is complete, including:

- market leading scale and capability in non-custody portfolio services
- domestic and global bonds
- international domiciled managed funds
- significant additional scale and capability in international listed securities and foreign currency
- increased investment in data and technology solutions that support advisers to grow their business, meet their compliance obligations and deliver cost effective advice.

HUB24 should also benefit from the addition of new relationships including two significant new clients who have indicated that these strategic transactions represent a positive outcome for their advisers and their clients.

¹ In addition, it is proposed that HUB24 be granted 1.7m options in Easton exercisable within two years at a strike price of \$1.20 per option

² Includes \$13m of integration and transaction costs refer to Figure 1

The investment in Easton will position HUB24 as a significant shareholder in a leading service provider to financial advisers and licensees and secures an anchor client for the expansion of HUB24's data and technology services.

These strategic transactions are expected to enable HUB24 to offer significant improvements in scale, efficiency and product capability across platforms, data and technology services for licensees, advisers, accountants, stockbrokers and their clients.

Strategic Transaction Highlights

- Proposed \$60 million acquisition of Xplore for \$0.20 per share via a scheme of arrangement ('Scheme') between Xplore and its shareholders:
 - Xplore is an investment and superannuation platform provider, specialising in managed accounts and other services provided to financial advisory firms, full-service stockbrokers and wealth managers with FUA of \$15 billion
 - Consideration will consist of a mixture of cash and HUB24 scrip, with a mix and match facility, subject to a scale back mechanism such that the cash consideration will be subject to a minimum of 50% (\$30m) and a maximum of 60% (\$36m) of the total consideration (\$60m) and the scrip consideration will be the balance
 - Xplore's Board unanimously consider the Scheme is in the best interest of Xplore shareholders and intend to recommend Xplore shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the independent expert retained by Xplore concluding that the Scheme is in the best interest of Xplore shareholders
 - The acquisition is expected to provide access to scale and new capabilities, products, and clients.
- Acquisition of Ord Minnett's PARS for upfront cash consideration of \$10.5 million:
 - PARS is a non-custody portfolio service that has been operating within Ord Minnett for 15 years and includes tax reporting and corporate action management for over \$8 billion in FUA and is one of the largest providers in the Australian market.
- Proposed Easton transactions:
 - Investment in Easton via a subscription for \$14 million new shares which, following a share buyback and divestment of HUB24 owned Paragem to Easton for \$4 million in Easton equity, will result in HUB24 having an aggregate shareholding of up to 40% of Easton
 - Technology partnership designed to create a leading provider of innovative adviser and licensee services that will leverage technology developed by HUB24.
- Acquisition funding consisting of:
 - Fully underwritten placement ('Placement') of \$50 million to institutional and sophisticated investors
 - Non-underwritten Share Purchase Plan ('SPP') to eligible shareholders targeting to raise \$10 million
 - Debt facility arranged through ANZ of \$12.5m, with a floating interest rate of BBSY plus 1.95%, subject to completion of standard documentation and conditions precedent
 - Share issue to Xplore shareholders for \$30 million.

Further details of the proposed transactions are set out in the investor presentation.

Commenting HUB24 CEO and Managing Director, Andrew Alcock said:

“The successful completion of these transactions which include the acquisition of Xplore Wealth and Ord Minnett’s PARS, will result in a 47% increase in custodial FUA, around 400 new adviser relationships and the expansion of non-custody administration FUA to \$14 billion.

In addition, through the divestment and merger of Paragem and our investment in Easton Investments we anticipate holding approximately 40% shareholding in Easton which is a diversified financial services business servicing 174 financial advisers and over 510 licensed accountants. Easton’s provision of licensee, training and educational services will provide a cornerstone for HUB24’s vision to enable the advice businesses of the future.

For a total consideration of \$93m, including integration and transaction costs, these compelling transactions are expected to return approximately 13% improvement in EPS to shareholders in FY22.

We look forward to the successful completion of these transactions. We expect to complete the acquisition of Ord Minnett’s PARS this calendar year and look forward to welcoming the PARS team to HUB24.”

Proposed Acquisition of Xplore

Xplore Wealth is one of Australia’s longest serving independent Specialist Platform Providers and investment administrators, with extensive expertise in managed accounts. Xplore’s Investment Platform, broad Managed Account offer and Superannuation services provide an array of wealth management options for Australia’s financial advisory firms, full-service stockbrokers and wealth managers, with FUA of over \$15 billion, consisting of around \$9 billion in custody and \$6 billion non-custody.

HUB24 has entered into a Scheme Implementation Agreement with Xplore to acquire 100% of its shares under the Scheme for an effective price of \$0.20 per Xplore share, a premium of 203% to the last trading price of Xplore shares of \$0.066 on 27 October 2020. A mix and match facility will be established that allows each Xplore shareholder to elect to receive (a) \$0.20 cash for each Xplore share; or (b) approximately 0.00927 HUB24 shares for each Xplore share; or (c) the default consideration of \$0.10 in cash and approximately 0.00463 HUB24 shares for each Xplore Share. The mix and match facility is subject to a scale back mechanism such that the cash consideration will be subject to a minimum of 50% (\$30m) and a maximum of 60% (\$36m) of the total consideration (\$60m) and the scrip consideration will be the balance.³

The Xplore Board of Directors has determined the Scheme is in the best interest of Xplore shareholders, unanimously recommended Xplore shareholders vote in favour of the Scheme and each has stated he/she intends to vote the Xplore shares they own or control in favour of the Scheme in the absence of a superior proposal, and subject to an independent expert confirming that the Scheme is in the best interests of Xplore shareholders.

The proposed acquisition of Xplore has the potential to capture synergies, the majority of which will be savings from the rationalisation of public company costs and shared services and also consolidation of the combined groups’ platforms.⁴

³The maximum number of HUB24 shares issued as share consideration will be approximately 1.38 million shares issued at \$21.58 per share, which is calculated based on the 10 trading day VWAP up to and including 23 October 2020. Foreign shareholders and shareholders with less than a marketable parcel participating in the Scheme will receive 100% cash consideration. Please refer to the scheme documentation (when issued) for full details.

⁴Through the course of its due diligence, HUB24 has assessed the costs to integrate Xplore into HUB24 in order to realise synergies, rationalise platforms and align compliance regimes.

The Scheme is subject to Xplore shareholder approval, approval of the Federal Court of Australia, no material adverse change occurring in relation to Xplore, as well as a number of other customary conditions required for any of the Xplore group's licences as a result of a change of control in Xplore. The full terms of the Scheme Implementation Agreement (with certain redactions) including details on HUB24's matching rights to any competing bid have been separately released by Xplore to the ASX. Subject to the relevant conditions being satisfied, the Scheme is expected to be implemented in March 2021. For further details of the Scheme, please refer to the ASX announcement released by Xplore today.

Acquisition of Ord Minnett's Portfolio Administration & Reporting Service

Ord Minnett is a leading private wealth management group, and its PARS is a non-custody portfolio service including tax reporting and corporate action management for over \$8 billion of client portfolios.

The acquisition of PARS for an upfront cash consideration of \$10.5 million is expected to position HUB24 as one of the leading non-custody platform service providers in Australia in a market where there is increasing demand from licensees, advisers and stockbrokers to outsource non-custodial administration and reporting services.

The acquisition includes an experienced team of 11 FTE, software and related intellectual property. In addition to this, HUB24 will add existing capability and deliver an improved service to Ord Minnett through new technology and a seamless integration with the HUB24 platform. Ord Minnett is already a significant user of the HUB24 platform and the combination of these offers is expected to deliver clients and advisers a significant improvement in functionality and service.

Proposed investment in Easton Investments Limited

Easton Investments Limited is a service provider to accountants and financial advisers. HUB24 has agreed to divest and merge its wholly owned wealth business, Paragem, with Easton to create one of Australia's leading providers of services to accountants and financial advisers.

HUB24 is a strong supporter of the financial advice community and is committed to driving the transformation of financial advice in the post Hayne Royal Commission environment. HUB24 can more effectively provide that support through part ownership of a larger scale business entirely focused on providing support services to financial advisers and licensees.

HUB24 and Easton have agreed to partner on developing and commercialising innovative data and technology services for advisers and licensees, with Easton becoming an anchor client for HUB24's solutions currently under development.

Under a Binding Heads of Agreement (HOA) that has been executed between HUB24 and Easton in exchange for divesting Paragem for \$4 million worth of shares in Easton and subscribing for a \$14 million placement, HUB24 will receive approximately 15 million shares in Easton at an issue price of \$1.20 per share, representing a premium of 38% to the last closing price of Easton shares of \$0.87 on 27 October 2020. Easton has agreed to use the proceeds of the subscription to undertake an equal access share buyback of its ordinary shares, subject to all necessary shareholder approvals for the buyback, and lodgement of the buyback offer documents with ASIC. Following these

transactions, HUB24 will have an investment in Easton of up to 40% of Easton's share capital, depending on the level of take up of the buyback.

Completion of the activities under the Binding Heads of Agreement will require the execution and completion of the following key documents:

- **Share Subscription Agreement** under which Easton agrees to issue approximately 11.7 million shares at \$1.20 per share to HUB24. Easton will also issue 1.7m options over Shares (**Options**) for nil consideration with an exercise price of \$1.20 per Option and an exercise period of any time during the 2 years following issuance
- **Share Sale Agreement**, under which Easton agrees to issue approximately 3.3m shares at \$1.20 per share to HUB24 in consideration of a transfer by HUB24 of all the shares in Paragem to Easton
- **Technology Partnership Agreement**. This agreement is designed to support Easton becoming the leading provider of innovative adviser and licensee support services by benefiting from technology developed by HUB24 and providing:
 - an opportunity to collaborate with Easton and jointly commit resources to develop technology enabled support services
 - HUB24 with an anchor client with growing scale that enables continued investment in software development.

The above agreements will be conditional upon each other and the Share Subscription Agreement and the Share Sale Agreement will complete simultaneously. The proposed transaction will be subject to conditions precedent, including due diligence, Board approval, no material adverse change, long form documentation, and Easton obtaining any necessary shareholder approvals, which are expected in the first quarter of calendar year 2021.

The Paragem management team will transfer to Easton and take on key leadership roles, including Nathan Jacobsen, the current Managing Director of Paragem and Head of Technology Solutions, who will be offered the role of Managing Director of Easton Investments Limited. HUB24 will also have the right to nominate two directors to join Easton Investments Limited's Board.

Paragem advisers will benefit from increased access to services including training, technology, investment for growth and the broader adviser community offered by Easton. Paragem will also continue to operate under its own brand and with the continued support of the existing Paragem team.

Figure 1: Total Deal Consideration and Costs

	\$m	Cash consideration	Share consideration (HUB shares)	Share consideration for Paragem (EAS shares)	Integration and transaction costs	Total
Xplore		30.2	29.8			60.0
PARS		10.5				10.5
EAS		14.0				14.0
Paragem				(4.0)		(4.0)
Implementation costs					10.3	10.3
Transaction costs					2.7	2.7
Total		54.7	29.8	(4.0)	13.0	93.5

Approximate earnings per share (EPS) accretion in FY22 of 13%

HUB24 will hold an investment in EAS of approximately \$18 million. This represents a holding of up to 40% of EAS shares following HUB24's cash investment and receiving shares from the divestment of Paragem.

Funding Details

Placement

The Placement of new fully paid HUB24 ordinary shares ('Placement Shares') is fully underwritten and will be offered to sophisticated and institutional investors in Australia and certain overseas jurisdictions at a fixed price of \$20.00 per share ('Placement Issue Price').

This represents a:

- 4.6% discount to HUB24's last closing price on 27 October 2020 of \$20.97 per share; and
- 6.5% discount to the VWAP of HUB24 shares traded during the 5 trading days up to and including 27 October 2020 of \$21.40 per share.

The Placement is expected to result in the issue of 2.5 million new shares, representing 4.0% of HUB24's existing ordinary shares on issue.

The Placement is being conducted today, 28 October 2020, with HUB24's shares to remain in a trading halt pending completion of the Placement. Trading in HUB24's shares is expected to recommence no later than Friday, 30 October 2020.

The Placement Shares are expected to settle no later than 4 November 2020 and be issued and expected to recommence trading on the ASX no later than 5 November 2020.

Share Purchase Plan

Following completion of the Placement, HUB24 will be offering eligible shareholders the opportunity to participate in a non-underwritten SPP by applying for up to \$30,000 worth of new fully paid HUB24 ordinary shares (the 'SPP Shares'), free of any brokerage or transaction costs. The SPP is targeting to raise approximately \$10 million. HUB24 reserves the right to accept or scale back applications at its discretion that may result in the SPP raising more or less than this amount.

Shareholders will be eligible for the SPP if they were a registered HUB24 shareholder as at 7pm (Sydney time) on 27 October 2020, have a registered address in Australia or New Zealand, do not hold HUB24 shares on behalf of a person who resides outside Australia or New Zealand and are not in the United States or acting for the account or benefit of any person in the United States.

The issue price of the SPP Shares will be the Placement Issue Price, being \$20.00 per share. The full details of the SPP will be set out in the SPP Offer Booklet which is anticipated to be released to the ASX and dispatched to eligible shareholders on or around 5 November 2020.

Debt Facility

In addition to the equity raising, ANZ have committed to providing HUB24 with a three-year \$12.5 million debt facility, with a floating interest rate of BBSY plus 1.95%, which will be drawn down to partly fund the transactions. The ANZ facility, is subject to finalisation of standard documentation.

HUB24 Financial Impacts and Timing

Underlying EBITDA is expected to benefit from the transactions through increased scale and expected synergy benefits, with \$10 million of expected synergies per annum from FY24. The transactions together are expected to deliver approximately 13% EPS accretion to HUB24 shareholders by FY22.

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Details of investor briefing

A briefing will be held at 11am Wednesday October 28th to register please go to <https://s1.c-conf.com/DiamondPass/10010690-hY78u5.html>

About HUB24

HUB24 Limited is a company listed on the Australian Securities Exchange. The group consists of the award-winning HUB24 platform and Technology Solutions business.

The HUB24 platform which offers a comprehensive range of investment options, including the market-leading managed portfolio solution, and enhanced transaction and reporting functionality. As one of the fastest growing platforms in the market, the platform is recognised for providing choice and innovative product solutions that create value for advisers and their clients.

HUB24's Technology Solutions business focusses on leveraging data and technology to provide solutions to common challenges for licensees and advisers, to enable the delivery of professional advice to more Australians.

Further details on all three transactions and the Equity Raising are set out in the Investor Presentation also provided to the ASX today. The investor presentation contains material information including key

risks including with respect to the Acquisition of Xplore Wealth Limited and the Equity Raising and foreign selling restrictions with respect to the Equity Raising.

E&P Corporate Advisory Pty Limited is acting as exclusive financial adviser in respect of the acquisition of Xplore Wealth Limited and, together with Ord Minnett Pty Limited, is joint lead manager and underwriters, in respect of the Equity Raising.

Greenhill & Co Australia is acting as exclusive financial adviser in respect of the Easton Investments Limited transaction.

MinterEllison is acting as Legal Adviser to HUB24 in relation to the proposed transactions and the Equity Raising.

Ends

This release is not financial product advice. Past performance is not indicative of future performance and any forward- looking statements in this release are not representations or guarantees as to future performance.

This announcement was authorised for release to the market by the HUB24 Limited Board.

For further information, please visit www.HUB24.com.au