

December 2020 Quarterly Market Update

Xplore achieves record FUA, up \$1 Billion FUA QoQ and delivers key HUB24 deal milestones.

Xplore Wealth Limited (ASX: XPL) (**the Company or Xplore**) is pleased to provide our Quarterly Market Update for the quarter ended 31 December 2020, including preliminary unaudited financial results for the period. These unaudited results are ahead of the release of its Appendix 4D and final auditor reviewed half year report in late February 2021.

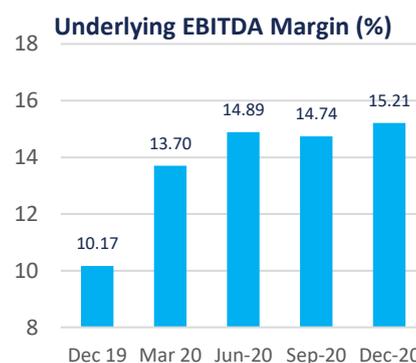
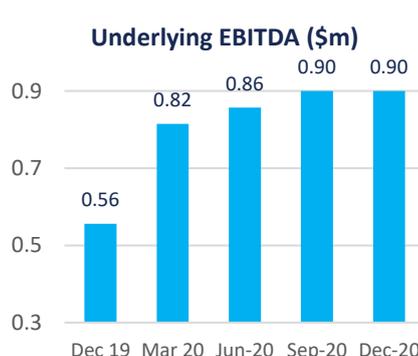
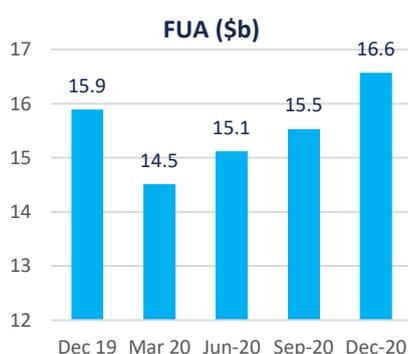
Quarterly highlights

- Strong Net Inflows of \$0.13 Billion with Retail Managed Account and Superannuation segments key contributors.
- Total FUA increased \$1.0 Billion up 6.7% quarter on quarter (QoQ) to a record level of \$16.57 Billion.
- Continued improving financials has seen unaudited 1H FY21 EBITDA up 58% pcp to \$1.8m and a return to NPBT.
- \$0.7m pa of additional recurring savings from the One Platform program delivered during the quarter.
- The One Platform program has now delivered initiatives representing annualised recurring savings of \$2.3m pa.
- The HUB24 deal is progressing as planned with key milestones met during the quarter.

Mike Wright, Chief Executive Officer noted, “We have now successfully moved in to the second phase, GROW of our 3-year strategy. To grow strongly during the quarter with solid net inflows, an uplift of \$1 Billion in FUA and a record level of FUA is encouraging.

On the 28 October Xplore and HUB24 (ASX: HUB) entered into an Implementation Agreement for the purposes of a proposed Scheme of Arrangement for HUB24 to acquire 100% of Xplore shares. Since the announcement we have made solid progress in achieving key deal milestones such as receiving orders from the Federal Court to convene Scheme Meetings, registering the explanatory Scheme Booklet with ASIC and making the explanatory Scheme Booklet available to Xplore Securityholders.

With the additional focus on the HUB24 deal, it is especially pleasing to see further benefits and cost savings being delivered as we completed the first phase of our 3-year strategy, INTEGRATE, GROW & OUTPERFORM. The One Platform program has now generated recurring savings of \$2.3m pa, which is approximately 10% of Xplore’s total FY20 operating cost base.”



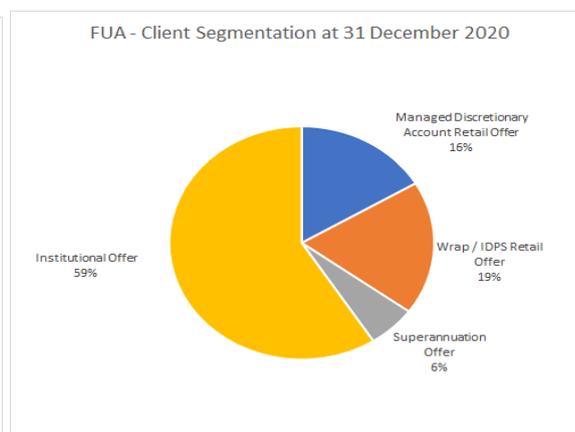
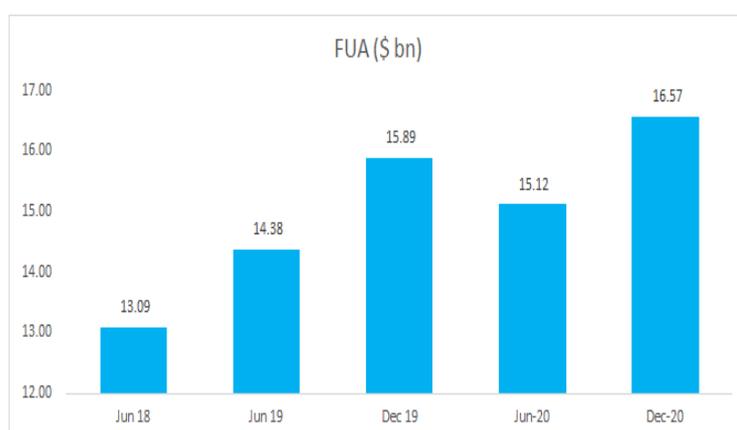
1. Key unaudited Financial results

	H1 FY21	H1 FY20	PcP
	\$'000		%
Total Revenue	12,018	11,257	6.8%
Gross profit	9,689	8,548	13.3%
Gross profit margin %	81%	76%	6.6%
Underlying EBITDA	1,805	1,146	57.5%
EBITDA Margin %	15%	10%	50.0%
Net Profit / (Loss) before tax	387	(12,067)	large
Cash in Bank ¹	2,135	2,119	flat

¹ H1 FY21 had one off cash payments relating to the HUB24 deal of \$0.6m and One Platform Program costs of \$0.7m.

2. Funds Under Administration

Group FUA as at 31 December 2020 up 4.2% prior comparable period (pcp) from \$15.89 Billion to \$16.57 Billion.



During the quarter Gross Flows were \$0.63 Billion and Net Inflows \$0.13 Billion with Xplore's range of WRAP offerings within the Retail Managed Account business segment continuing to grow strongly.

FUA (\$ Billion)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Growth on PCP
Opening FUA	14.99	15.89	14.51	15.12	15.53	
Net Flows	0.49	0.02 -	0.08 -	0.03	0.13	
Market Movement	0.41 -	1.41	0.69	0.45	0.91	
Closing FUA	15.89	14.51	15.12	15.53	16.57	4.2%
Gross Flows (\$m)						
Retail	255.9	262.4	232.5	241.5	348.0	
Institutional	669.9	482.6	317.9	324.7	207.5	
Superannuation*	92.1	141.7	54.6	53.5	72.1	
Net Flows (\$m)						
Retail	86.7 -	30.0 -	115.4	4.9	114.1	
Institutional	343.2 -	54.9	23.0 -	56.1 -	34.9	
Superannuation*	60.2	104.0	14.5	22.5	48.2	

* Superannuation businesses wholly owned by Xplore Wealth - Aracon Superannuation Pty Ltd and DIY Master Pty Ltd

3. One Platform program

During the December quarter the second of three stages of the One Platform program, **“Migration Readiness”** has completed. Also, in consultation with HUB24, the scope of the final stage, **“Transition Delivery”** was agreed, and work has commenced.

The **“Transition Delivery”** stage of the One Platform program includes joint initiatives with HUB24, such as upgrading Xplore’s External Platform Interface (EPI) Data Feed, through HUB Connect. HUB Connect is a Software as a Service solution provided to the market by HUB24. The upgraded EPI solution will further enhance Xplore Wealth’s MDA international capability as well providing an avenue towards a strong foundation to integrate the Xplore and HUB businesses, subject to the scheme of arrangement proceeding.

The One Platform program had an additional \$0.7m pa of recurring savings commence during the December quarter. The annual recurring savings for the program increased from \$1.6m to \$2.3m pa. These savings are approximately 10% of Xplore’s FY20 total operating cost base. Under the scheme of arrangement, the One Platform migration component was put on hold until the future state of the combined organisation has been determined. As such, further benefits that were projected to flow once the migration was completed will be subject to the revised integration strategy.

4. HUB24

On 28 October 2020, Xplore announced that it had entered into a Scheme Implementation Agreement with HUB24 Limited (ASX: HUB) (HUB24) in relation to the proposed acquisition of Xplore by HUB24 by way of scheme of arrangement between Xplore and its shareholders (Share Scheme) and a separate concurrent scheme of arrangement between Xplore and its option holders (Option Scheme) (together, the Schemes).

On 18 December 2020, Xplore announced that the Federal Court of Australia has made orders directing Xplore to convene Scheme Meetings for Xplore Security holders to consider a vote on the Schemes. The Federal Court also made orders approving the despatch of an explanatory statement containing information about the Schemes, the Independent Expert’s Report, and the notices of meeting for Scheme Meetings.

On 21 December 2020, Xplore announced that the Australian Securities and Investments Commission (ASIC) has registered the explanatory statement (the Scheme Booklet) in relation to the proposed acquisition of Xplore by HUB24 by way of the Schemes.

After 21 December 2020, the Scheme Booklet was made available to Xplore Security holders, which includes an Independent Expert’s Report from Leadenhall Corporate Advisory Pty Ltd (Independent Expert) which concludes that the Share Scheme is fair and reasonable and in the best interests of Xplore shareholders. The Independent Expert assessed the fully diluted value of Xplore shares at between \$0.192 and \$0.231 per Xplore share.

The Independent Expert also concluded that the Option Scheme is not fair but reasonable and, because it is reasonable, the Option Scheme is in the best interests of Xplore option holders.

The Scheme Meetings are scheduled for 12 February 2021 and the Board of Xplore recommends that Xplore shareholders and Xplore option holders vote in favour of the Schemes in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Xplore shareholders and the Option Scheme is in the best interest of Xplore option holders.

Should the Schemes be approved at the Scheme meetings, the Schemes are intended to be presented at a second court hearing for approval on 18 February 2021.

About Xplore Wealth

Xplore is one of Australia's longest serving non-bank owned Specialist Platform Providers (SPP) and investment administrators, with extensive expertise in managed accounts.

Xplore fully owns an Australian Prudential Regulatory Authority (APRA) regulated Registrable Superannuation Entity (RSE) licence, Aracon Superannuation Pty Ltd (ABN 13 133 547 396, AFSL 507184, RSEL L0003384) ("**Aracon**"), the trustee of Aracon Superannuation Fund (ABN 40 586 548 205).

Xplore also fully owns Investment Administration Services Pty Limited (ABN 86 109 199 108, AFSL 284316) ("**IAS**"), a Managed Discretionary Account (MDA) Operator providing investment administration and platform services to Retail Clients who have appointed their own third-party External MDA Adviser.

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.

During the quarter there was a material development to Xplore Wealth's business. As announced to the market on 28 October, HUB24 and Xplore have entered into an Implementation Agreement for the purposes of a proposed Scheme of Arrangement for HUB24 to acquire 100% of Xplore shares.

The Company's Appendix 4D and final half year financial results are expected to be released towards the end of February 2021.

Please note that the financial results shown in this release are not audited and may be subject to change once the auditor's review of the report has been completed.

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Investors should be aware that certain financial measures included in this announcement are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information / non-GAAP financial measures include EBITDA and EBIT. The Company believes the non-IFRS financial information / non-GAAP measures provide useful information to users in measuring the financial performance and conditions of the Company. The non-IFRS financial information / non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information / non-GAAP financial measures included in this presentation.

This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the Company's other ASX announcements and releases.