

**19 February 2021**  
**ASX Release**

**Mainstream Group Holdings Limited interim results for the half year ended 31 December 2020**

Mainstream Group Holdings Limited (“Mainstream”, “Company” or “Group”, ASX: MAI) announced its results for the six months ended 31 December 2020 (“HY21”) today.

**Highlights**

- › Revenue of \$31.5 million (+18% from HY20)
- › EBITDA<sup>1</sup> of \$7.4 million (+131% from HY20) and EBITDA Margin of 23%
- › Funds under administration now above \$224 billion (+14% from FY20 and +20% from HY20)
- › Investor numbers increased 71,000 (67% from HY20)
- › Post balance date settlement with legacy client of USD\$3.95m, pending Court approval

**Results summary**

	Six months to 31 Dec 2020	Six months to 31 Dec 2019
Revenue	\$31.5m	\$26.7m
Operating EBITDA <sup>2</sup>	\$10.3m	\$6.1m
Operating EBITDA Margin (%)	33%	23%
EBITDA <sup>1</sup>	\$7.4m	\$3.2m
EBITDA Margin (%)	23%	12%

The below table reconciles Mainstream’s net profit after income tax of \$0.4m to its EBITDA<sup>1</sup> of \$7.4m for the six months ended 31 December 2020 compared to the prior corresponding period. It shows EBITDA improved by 131%, or 105% after inclusion of share-based payments.

	Six months to 31 Dec 2020 \$ (000’s)	Six months to 31 Dec 2019 \$ (000’s)
<b>Profit/ (loss) after income tax expense</b>	<b>412</b>	<b>(521)</b>
Add:		
Income tax expense	955	230
Amortisation expense	768	394
Depreciation expense	2,122	1,809
Interest expense	195	270
Share-based payments	2,986	982
<b>EBITDA<sup>1</sup></b>	<b>7,438</b>	<b>3,164</b>
<b>EBITDA including share-based payments</b>	<b>4,452</b>	<b>2,181</b>

**Funds under Administration highlights**

Funds under Administration (“FuA”) grew to a record \$224 billion as at 31 December 2020. This represented an increase of 14% over the half year and 20% on the prior 12 months. Rising global stock

<sup>1</sup> EBITDA is a non-IFRS financial measure used to highlight the operating performance of the Group. EBITDA is calculated as earnings before interest financing expense, tax, depreciation, amortisation, impairment and share-based payments..

<sup>2</sup> Operating EBITDA is not an IFRS standard and is used to highlight Operating Margin before Corporate Costs.

markets contributed 30% and net inflows<sup>3</sup> 70% of the \$28 billion increase in FuA over the half year period. The number of funds administered by the Group is now 1,202 (FY20: 1,011) and the number of clients is 362 (FY19: 348).

Mainstream continues to benefit from strong growth in its key markets and clients, as reflected in the sizeable increase in funds under administration over the period. We are also seeing consolidation of fund managers who lack scale, performance or distribution.

## Business update

The Group's revenue was \$31.5 million for the six months to 31 December 2020, an increase of 18% over the six months to 31 December 2019. All revenue growth was organic, driven by ongoing demand for services in our core markets of Australia, Asia and the US.

Global revenue from the provision of Fund Services, including custody, was up 19% on the prior half year and contributed 98% of the Group's revenue, with Superannuation Services providing the balance.

Asia-Pacific ("APAC"), which includes Australia, Singapore and Hong Kong, contributed 74% of the Group's revenue during the six months to 31 December 2020 (HY20: 72%). The Australian custody business continued to make good progress with its Funds under Administration (FuA) up 67% for the period, to A\$16.4 billion.

The Americas (USA and Cayman Islands) accounted for 20% (HY20: 19%) of revenue and Europe (Ireland, the Isle of Man and Malta) contributed 6% of revenue (HY20: 9%).

Global headcount grew to 305 people as at 31 December 2020 (compared to 272 people as at 30 June 2020), primarily from recruitment of additional employees to support recent growth in investor numbers. The majority of employees worked remotely during the period to ensure uninterrupted services to our clients.

In order to continue to meet changing investor needs and differentiate our service offering, Mainstream invested \$5.9 million on new and existing technology and data during the period (HY20: \$4.8 million), with \$0.9 million of IT costs capitalised (HY20: \$1 million). Two key projects during the period were:

- › Quoted Fund project, which contributed to a 68% increase in the number of investors serviced by Mainstream during the period, to 157,066 investors, and encompassed operational readiness, a proxy voting portal and enhancements to corporate actions, portfolio composition file, distribution processing and online updates to contact details.
- › Process transformation in preparation for the outsourcing of Pandal Australia's registry services to Mainstream, which includes deployment of automated workflow for email and paper transactions, automation of daily processes (such as distributions and unit price uploads), online transacting, automation of reporting, Calastone and banking automation. The transition is on track to go live on 22<sup>nd</sup> February 2021.

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<sup>3</sup> Net inflows refers to applications and new clients less redemptions, cash distributions and lost clients.

## Dividend

The Board elected not to declare an interim dividend for the half year ended 31 December 2020. The Board will reassess their capital management position at the full year with respect to any final dividend.

## Events subsequent to the report date

As part of a confidential settlement agreement between Mainstream's US hedge fund administration subsidiary and a US District Court appointed receiver of a legacy client acquired by the Group in September 2016, Mainstream is awaiting Court approval to pay US\$3.95 million to the receiver with no further recourse against any Mainstream entity. The proposed settlement is on a no admission of liability basis, and if Court approval is received, the settlement amount will be paid within five days of receiving Court approval. This matter did not involve legal proceedings against the US subsidiary.

The settlement will be funded by an increase in the Company's net debt by A\$4 million to A\$9 million, under a variation to Mainstream's existing debt facility agreement, with the key terms of the variation attached to this Announcement. Based on the results for HY21, it is not expected that the settlement will materially impact the Company's ability to achieve its FY21 earnings guidance.

The Company will make further ASX Announcements updating the market in due course.

## Outlook and guidance

The Group's growth prospects remain promising, with strong pipelines in our core markets of Australia, Asia and the US. Disruption and consolidation within the Australian fund administration and custody sectors continues to generate quality new business leads.

Mainstream confirms it is on track to deliver its previously advised FY21 revenue guidance of approximately \$65 million and EBITDA guidance of \$11.5 million. Factors that could influence the Company's short term outlook include material exchange rate, interest rate or market movements and key client losses or closures, particularly under COVID-19 market conditions.

Commenting on the results, Mainstream Chief Executive Officer Martin Smith said "We have continued our growth momentum from FY20 into the first half of this year. Continued new business wins in the US and Australia, the success of our proprietary Quoted Fund operations and more buoyant market conditions have seen Mainstream deliver a solid result. We are particularly pleased with the improved earnings and margin in the period, reflecting increased automation, economies of scale and the investment we have made in recent years in our higher margin private equity and custody businesses."

## Authorisation

This ASX Announcement has been authorised by the Company's Board of Directors.

## For more information

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## About Mainstream

Mainstream Group Holdings Limited (ASX: MAI) provides fund and superannuation administration services underpinned by investment in people, processes and technology.

As at December 2020 the Group provides administration services to 1,202 funds and more than 157,000 investors with funds under administration in excess of AUD \$224 billion.

Mainstream employs 305 people, with operations in Australia, Singapore, Hong Kong, the United States, the Isle of Man, Malta, Ireland and the Cayman Islands.

For more information, please visit: [www.mainstreamgroup.com](http://www.mainstreamgroup.com).

### **Key terms of the variation to Mainstream's existing debt facility agreement**

- › Interest rate charged on the facility drawn at BBSY bid plus 3.0% per annum.
- › Schedule to repay:
  - A\$2 million on 31 March 2021;
  - A\$2 million on 31 August 2021; and
  - all principal amounts outstanding on the 12 January 2022.
- › If any part of the confidential settlement with the Court appointed receiver is recovered under an insurance policy, those insurance proceeds must be used to repay the new loan, plus any associated fees, costs and other charges.
- › It is a "Repayment Event" if any of the following occur without the prior consent of the lender:
  - any person or group of persons (other than Byram Johnston and/or Martin Smith or any of their related entities) acting in concert gains, directly or indirectly, more than 50% of the voting share capital of Mainstream; or
  - Byram Johnston and Martin Smith (or any of their related entities) cease to hold an aggregate of at least 20% of the shares of Mainstream.