

# HY2021

RESULTS FOR THE  
SIX MONTHS ENDED  
31 DECEMBER 2020

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MAINSTREAM GROUP  
HOLDINGS LIMITED  
(ASX: MAI)

RELEASED  
19 FEBRUARY 2021



## Business Highlights

- Foundations of our success
- HY21 highlights
- Subsequent events



# Foundations of our success

## About

- › ASX: MAI, founded 2006, IPO 2015
- › Global fund services for 362 clients and 1,202 funds with over \$224 billion in funds under administration
- › 305 employees in eight countries
- › Product, client and geographic diversity relative to peers

## Services

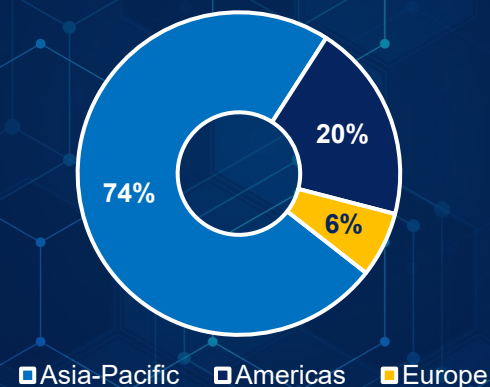
- › Long term contracts to deliver fund services, custody, middle office and corporate services
- › 68% of clients use 2+ services
- › Focus on fund managers with listed, unlisted and alternative funds

## Strategy

- › Specialist in fund services
- › Organic growth in core markets
- › Deliver back and middle office solutions to clients
- › Serve clients across multiple jurisdictions
- › Build partnerships and alliances with providers across the value chain

Local presence,  
global reach

HY21 revenue by region



# HY21 highlights

- › Solid growth in revenue and FuA, reflecting continued **organic growth**
- › EBITDA has doubled on prior half year:
  - › Improved margin from **economies of scale** and higher margin businesses
  - › Continue to invest in technology and operations to support our clients
- › Investor numbers up significantly due to take-up of Quoted Funds

Revenue  
**\$31.5m**  
▲ 18% on HY20

EBITDA\*  
**\$7.4m**  
▲ 131% on HY20

Funds under administration  
**\$224bn**  
▲ 20% on HY20

Funds administered  
**1,202**  
▲ 19% on HY20

\*See Defined Terms in the Appendix for definitions of non-IFRS measures and information on the impact of Mainstream's adoption of AASB 16 Leases on the Group's financial information. Prior periods have not been restated for comparative purposes.

# Subsequent Event

## Update on events subsequent to the reporting date

### US hedge subsidiary settlement agreement

- › Awaiting US District Court approval to pay US\$3.95 million as part of a confidential settlement between Mainstream's US hedge fund administration subsidiary and the Court appointed receiver of a legacy client acquired by the Group in September 2016
- › Proposed settlement is on a no admission of liability basis, and if approved by the Court, will be payable within five days of receiving Court approval
- › Payment to be funded from cash reserves and existing debt facility
  - › At the date of this presentation, gross debt is A\$9 million due to increased commitment of A\$4 million
  - › Further ASX Announcement to be made in due course

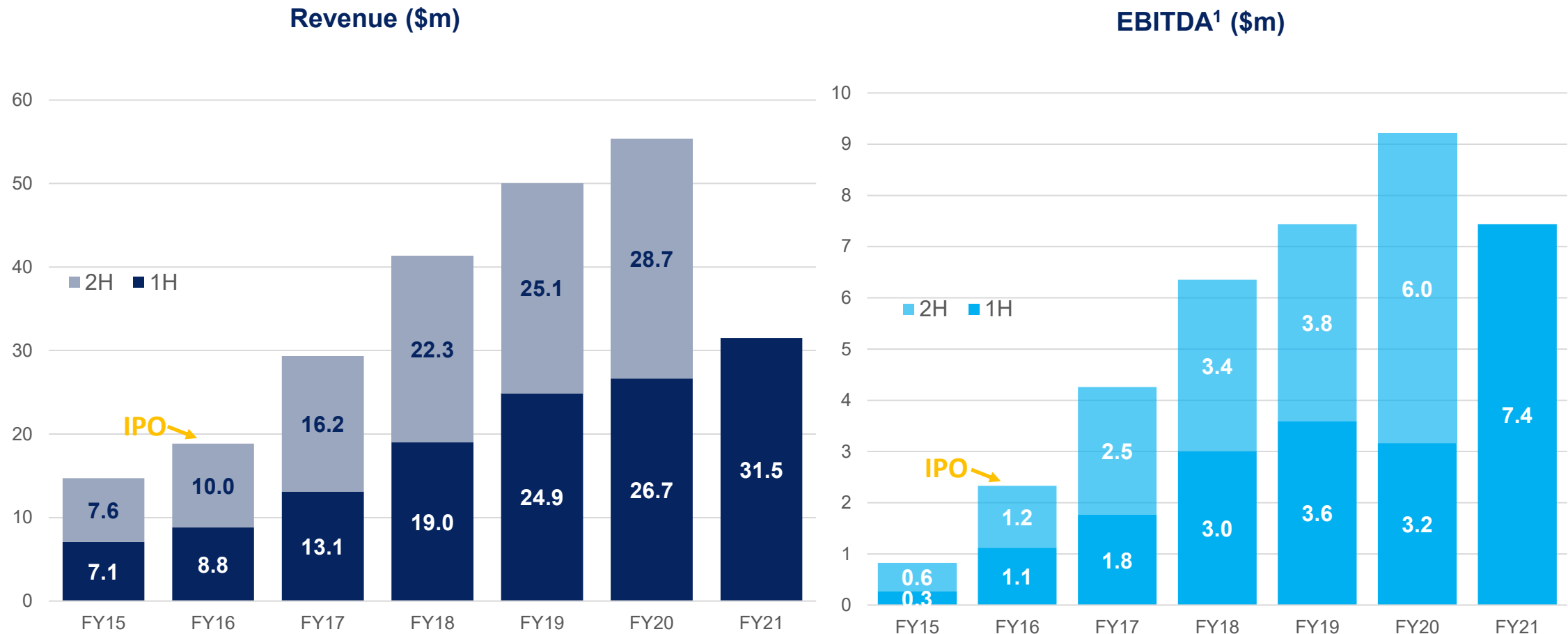




## Financial Performance

- Financial track record
- Financial highlights
- NPAT to EBITDA breakdown
- Balance sheet

# Supported by a strong financial track record



<sup>1</sup> See Defined Terms in the Appendix for definitions of non-IFRS measures and information on the impact of Mainstream's adoption of AASB 16 Leases on the Group's financial information from FY20 onwards. Prior years have not been restated to reflect the impact of AASB 16 Leases.

# Financial highlights

## Strong year-on-year growth

- › \$4.7m YoY revenue increase driven by **organic growth** from both existing clients and new client wins
- › Operating EBITDA margin improved by 10%
  - › Increased contribution from **higher margin businesses**
- › EBITDA improved by \$4.2 million and NPAT improved by \$0.9 million
  - › Demonstrates **economies of scale** is being achieved
- › EBITDA including share-based payments improved by \$2.3 million
  - › Share-based payments continue to be used to incentivise organic growth
  - › Share-based payments expense increased \$2.0m due to KPI achievement, particularly in US PE business, and share price appreciation

HALF YEAR ENDED 31 DEC	2020	2019	Change (%)
Revenue	\$31.5m	\$26.7m	▲ 18%
Operating EBITDA*	\$10.3m	\$6.1m	▲ 61%
Operating EBITDA margin (%)	33%	23%	
EBITDA*	\$7.4m	\$3.2m	▲ 131%
EBITDA margin (%)	23%	12%	
EBITDA incl. share-based pmts*	\$4.5m	\$2.2m	▲ 105%
NPAT	\$0.4m	(\$0.5m)	▲ 179%

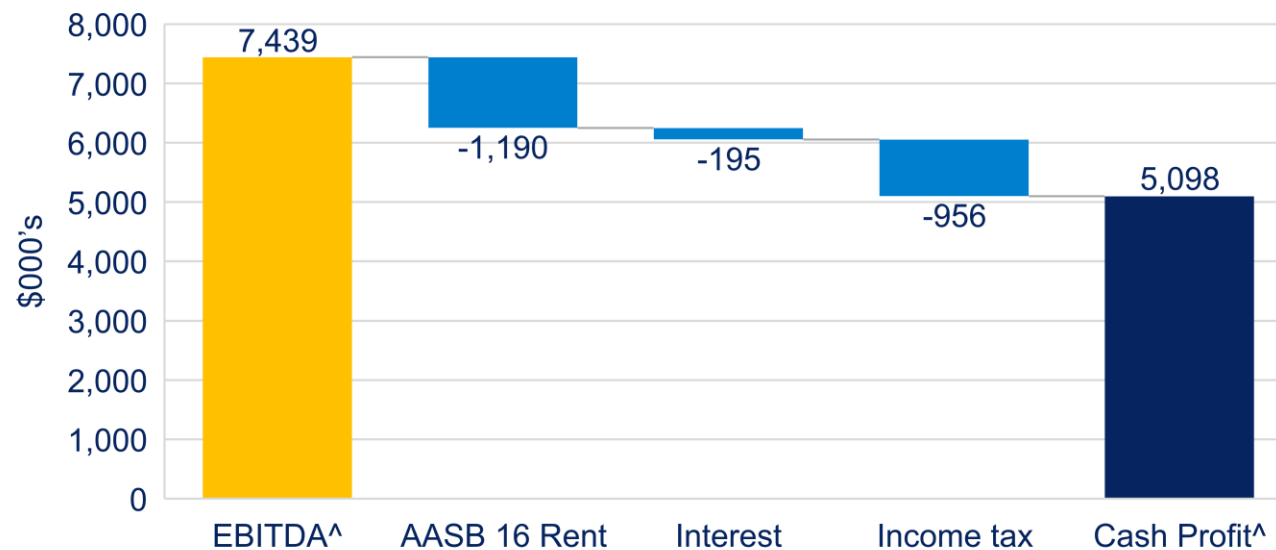
\*See Defined Terms in the Appendix for definitions of non-IFRS measures.



# EBITDA to Cash Profit breakdown

- › Year-on-year improvement in EBITDA reflected in Cash Profit of \$5.1 million
- › Cashflow from operations similar at \$5.7 million
- › Low financing costs of \$0.2 million
- › Effective tax rate of 22%

HY21 EBITDA to Cash Profit bridge



<sup>^</sup> See Defined Terms in the Appendix for definitions of non-IFRS measures.

# Balance sheet

## Highlights

- › Cash has improved \$3.6m year-on-year after debt and dividend payments
- › At end of the period, Mainstream had a global cash position of A\$14.9 million
  - › \$7.7m regulatory capital required against 6 licences in five markets
- › Debt facility reduced from \$7m to \$5m during the period
  - › Maturity extended from January 2021 to January 2022
  - › Serviceability comfortably within existing covenants
  - › Facility increased to \$9m in January 2021

\$m	HY21	HY20
Cash at bank	14.9	11.3
<b>Current assets</b>	<b>28.0</b>	<b>22.4</b>
<b>Non-current assets</b>	<b>32.5</b>	<b>33.0</b>
<b>Total assets</b>	<b>60.5</b>	<b>55.4</b>
<b>Current liabilities</b>	<b>12.0</b>	<b>10.1</b>
Gross debt	5.3	7.0
<b>Non-current liabilities</b>	<b>9.7</b>	<b>10.2</b>
<b>Total liabilities</b>	<b>21.7</b>	<b>20.2</b>
<b>Net assets</b>	<b>38.8</b>	<b>35.2</b>
<b>Equity</b>	<b>38.8</b>	<b>35.2</b>





## Operational update

- Organic growth
- Client base
- HY21 strategic progress



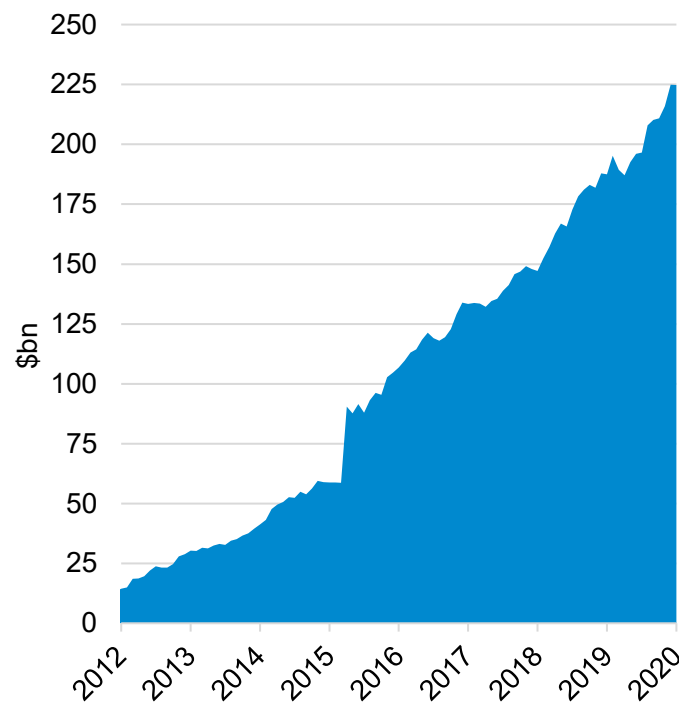
# Organic growth

## Financial results backed by strong organic growth

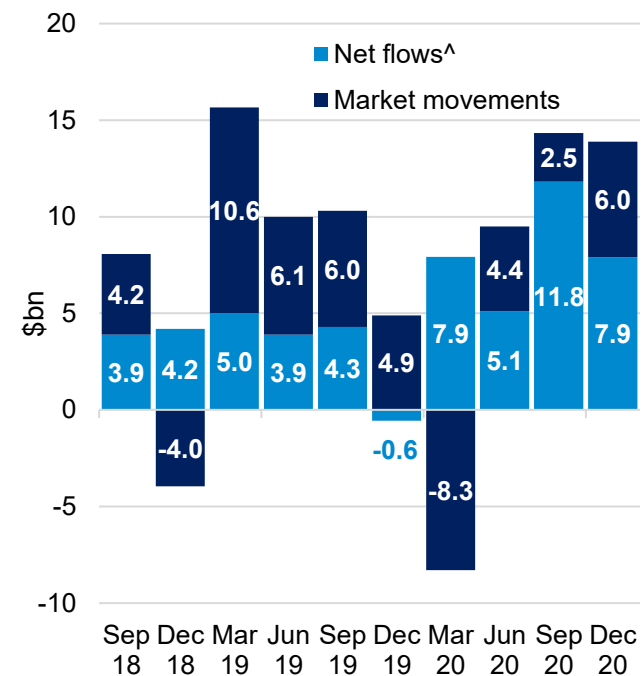
As at 31 December 2021:

- › FuA grew by \$37.4 billion (+20% YoY) in volatile market conditions
- › \$32.8 billion (88%) of FuA growth from net inflows<sup>^</sup>
- › 1,202 funds administered (+19% YoY), driven by private equity and custody wins
- › 124 net additional / new funds live during half
- › 362 clients (+4% YoY), with small fund closures offset by new clients
- › Servicing diverse geographies and asset classes provides resilience through market cycles

### Funds under Administration (FuA)



### FuA quarterly net change



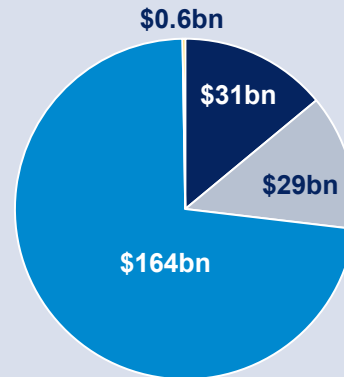
<sup>^</sup> Net inflows refers to applications and new clients less redemptions, cash distributions and lost clients.

# Diversified and high quality client base

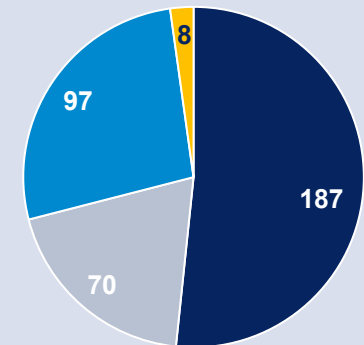
## Key Points

- › Mainstream has outsourcing arrangements with leading global fund managers
- › Clients are diversified across traditional and alternate asset classes
- › Majority of revenue is sourced from long term contracts for essential services
- › 13 of top 20 clients have contracted Mainstream as their administrator for 5+ years
  - › Notable new business in FY21: Pental Australia and Quoted Funds
- › We grow as our clients grow

Clients by funds under administration<sup>1</sup>

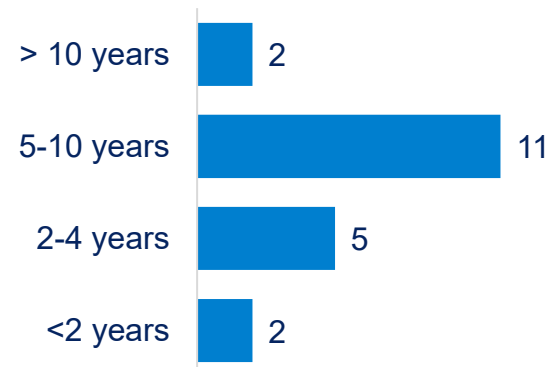


Clients by type<sup>1</sup>



■ Alternative fund managers   □ Private equity fund managers   ■ Traditional fund managers   ■ Superannuation funds

Top 20 clients by relationship length<sup>1</sup>



Selection of our high quality clients<sup>2</sup>



1. As at 31 December 2020.

2. Pental Australia is currently in the process of transitioning unit registry services to Mainstream.



# Strategic progress during HY21

## Operational excellence

- ✓ Strong interest in new Quoted Funds structure, offering investment managers the ability to offer both listed and traditional fund structures through a single registry system
- ✓ Investor numbers increased by 68% during the period. Over 78,000 investors now invested in a Mainstream administered Quoted Fund
- ✓ Project encompassed operational readiness, a proxy voting portal and enhancements to corporate actions, portfolio composition file, distribution processing and online updates to contact details

## Investment in technology, data and automation

- ✓ Investment in proprietary client and investor interfaces for enhanced service offerings
- ✓ Ongoing investment in technology and the workplace to support remote working
- ✓ Process transformation and transition of Pental Australia's registry services to Mainstream on track to go live later this month
  - ✓ Includes enhanced 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

## People and organisation

- ✓ Additional staff to support business growth led to global headcount surpassing 300 people (HY19: 272 people)
  - ✓ \$1.3 million training and wage subsidy to invest in customer service and leadership skills
- ✓ Two senior internal promotions following retirement of former CEO, Europe & Cayman, **John McCann**:
  - ✓ **Barbara Purcell** promoted to CEO, Ireland
  - ✓ **Angela Nightingale** promoted to CEO, Cayman
- ✓ **Silva Seferian Jacotine** appointed to newly created group services role of General Counsel & Head of Risk

## Service delivery

- ✓ Business as usual: service levels maintained throughout pandemic
- ✓ Voluntary return to office in most locations where safe to do so
- ✓ Systems and processes have proven to be resilient to long term remote working







# Outlook

# Business outlook

## Key areas of focus

- ✓ Solid growth track record
- ✓ Securing strategic client contracts
- ✓ High recurring revenue
- ✓ Margin improvement
- 🎯 Pay dividends / reduce debt

## Summary

- › FY20 momentum has continued into HY21 as clients adapt to current environment
  - › Solid new business pipeline in core markets
  - › Revenue and EBITDA tracking to market guidance
  - › Ongoing focus on cost control and risk management in changing market conditions

## Opportunities

- › Ongoing industry consolidation
- › Further growth/expansion in US
- › Further growth in custody services
- › Selling US private equity services in Asia-Pacific
- › Quoted Funds in Australia










## Appendix

- Mainstream's services
- Defined terms



# Mainstream's services

Fund type	Products we service	Services available	
<b>TRADITIONAL</b> 	<b>Managed funds, Superannuation funds, Quoted funds</b>	<ul style="list-style-type: none"> <li>› Fund administration</li> <li>› Fund accounting</li> <li>› Unit registry</li> </ul>	<ul style="list-style-type: none"> <li>› Custody</li> <li>› Performance reporting</li> <li>› Trade management</li> <li>› FATCA &amp; CRS</li> </ul>
<b>ALTERNATIVE</b> 	<b>Alternative funds</b>	<ul style="list-style-type: none"> <li>› Fund administration</li> <li>› Transfer agency</li> <li>› Regulatory reporting</li> <li>› Registered office services</li> </ul>	<ul style="list-style-type: none"> <li>› Company secretarial services</li> <li>› Fund formation</li> <li>› Middle office</li> <li>› FATCA &amp; CRS</li> </ul>
<b>PRIVATE EQUITY</b> 	<b>Private equity, Venture capital, Real estate</b>	<ul style="list-style-type: none"> <li>› Fund launch</li> <li>› Portfolio company &amp; real asset services</li> <li>› Investor services</li> <li>› Tax audit &amp; compliance</li> <li>› Manager &amp; investor web portals</li> </ul>	<ul style="list-style-type: none"> <li>› Capital calls</li> <li>› Financial statements</li> <li>› Fee calculations</li> <li>› Waterfall modelling</li> <li>› Distributions</li> <li>› Investor reporting</li> <li>› Management reporting</li> </ul>
<b>LISTED</b> 	<b>ETFs, LITs, LICs mFunds</b>	<ul style="list-style-type: none"> <li>› Investment administration (NAVs &amp; PCFs)</li> <li>› Fund accounting</li> </ul>	<ul style="list-style-type: none"> <li>› Listed registry</li> <li>› Post-trade compliance &amp; trade matching</li> </ul>
<b>PLATFORMS</b> 	<b>Managed account service, SMA fund, Cayman umbrella fund, public offer super fund</b>	<ul style="list-style-type: none"> <li>› Fund administration &amp; accounting</li> <li>› Investor / member services</li> </ul>	<ul style="list-style-type: none"> <li>› Market data &amp; pricing</li> <li>› Trade matching</li> <li>› Client reporting</li> </ul>

# Defined terms

**IMPORTANT NOTICE:** Mainstream uses a number of non-IFRS financial measures in this presentation to evaluate the performance and profitability of the overall business. Although Mainstream believes these measures provide useful information about the Group's financial performance, they should be considered as supplemental to the information presented in accordance with Australian Accounting Standards and not as a replacement for them. The principle non-IFRS financial measures that are referred to in this presentation are:

1. **EBITDA** is calculated as earnings before interest financing expense, tax, depreciation, amortisation and share based payments.
2. **Operating EBITDA** is used to highlight the operating performance of the Group excluding group costs.
3. **Cash Profit** reflects NPAT adjusted to exclude non-cash items. It is not a measure based on cashflows or cash accounting.

**AASB 16:** From 1 July 2019, Mainstream adopted the modified retrospective method of AASB 16 Leases. Comparative figures have not been restated and the cumulative effect of initially applying the standard is recognised as an adjustment of the opening balance of retained earnings at the date of initial application. Refer to Note 2 of the Financial Statements for further information on these adjustments.

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