

A large, stylized number '123' is rendered in a light blue color, serving as a background element. The '1' is a simple vertical bar, the '2' is a thick, rounded shape, and the '3' is a thick, rounded shape with a small loop at the bottom.

# 123

## **ANALYST AND INVESTOR PACK**

**HUB<sup>24</sup>**

for the half-year ended  
31 December 2022



# CONTENTS

<b>1</b>	<b>Financial highlights 1HFY23</b>	<b>2</b>
<b>2</b>	<b>Market overview and outlook</b>	<b>3</b>
	About HUB24	3
	Operating Segments and Principal Activities	3
	HUB24's Vision and Strategy	4
	HUB24 Key Markets	4
	Key Market Trends	5
	HUB24's Industry Recognition and Outlook	10
	Strategic Transactions and Integration Update	11
	Sustainability	12
	Outlook	13
<b>3</b>	<b>Review of financial results</b>	<b>14</b>
<b>4</b>	<b>Segment results</b>	<b>24</b>
<b>5</b>	<b>Balance sheet</b>	<b>27</b>
<b>6</b>	<b>Cashflow</b>	<b>28</b>
<b>7</b>	<b>Glossary</b>	<b>30</b>
<b>8</b>	<b>Corporate Directory</b>	<b>31</b>

# 1. FINANCIAL HIGHLIGHTS 1HFY23

## GROUP

TOTAL REVENUE <b>\$137.7m</b> ↑ 69%	UNDERLYING EBITDA <b>\$49.9m</b> ↑ 68%	UNDERLYING NPAT <sup>1</sup> <b>\$26.6m</b> ↑ 87%	COST TO INCOME RATIO <b>63.8%</b> STABLE
FULLY FRANKED INTERIM DIVIDEND <b>14.0 cents per share</b> 1HFY22 DIVIDEND: 7.5 CENTS PER SHARE ↑ 87%	DILUTED EARNINGS PER SHARE <b>18.89 cents</b> ↑ 59%		

## PLATFORM KEY METRICS

PLATFORM NET INFLOWS<sup>2</sup> **\$5.8b** ↓ (14%)<sup>3</sup>

PLATFORM FUA OF **\$55.8b** ↑ 12%<sup>3</sup>

PARS FUA OF **\$17.2b** ↓ (6%)<sup>4</sup>

NUMBER OF ADVISERS <b>3,692</b> ↑ 9%	NUMBER OF PARS ACCOUNTS <b>7,989</b> STABLE	PLATFORM SEGMENT REVENUE <b>\$102.7m</b> ↑ 33%
--	---	--

## TECH SOLUTIONS KEY METRICS

CLASS NUMBER OF ACCOUNTS <sup>5</sup> <b>198,619</b> STABLE <sup>8</sup>	CLASS DOCUMENT ORDERS <sup>6</sup> <b>173,142</b> ↑ 1% <sup>8</sup>	COMPANIES ON CLASS CORPORATE MESSENGER <sup>7</sup> <b>621,478</b> ↑ 4% <sup>8</sup>	TECH SOLUTIONS REVENUE <b>\$33.4m</b> LARGE
--	---	--	---

All percentage changes shown above are relative to 1HFY22, unless stated otherwise.

1. Refer to Directors Report for more information on Group Underlying NPAT.

2. Platform net inflows of \$5.8 billion from continuing business operations (excluding the Xplore Super Admin discontinued operations). During December 2022 quarter, \$944 million of discontinued operations in relation to Xplore Super Admin transferred externally through a Successor Funds Transfer.

3. Custodial FUA Administration Services.

4. Non-custodial FUA as Portfolio Administration and Reporting Services (PARS).

5. Number of Class accounts as at 31 December 2022 consists of Class Super, Class Portfolio and Class Trust licenses.

6. Documents paid for by Pay Per Unit (PPU) and subscription customers for the last 12 months to 31 December 2022.

7. Number of active companies as at 31 December 2022.

8. Class percentage changes shown are relative to 2HFY22.

## 2. MARKET OVERVIEW AND OUTLOOK

### ABOUT HUB24

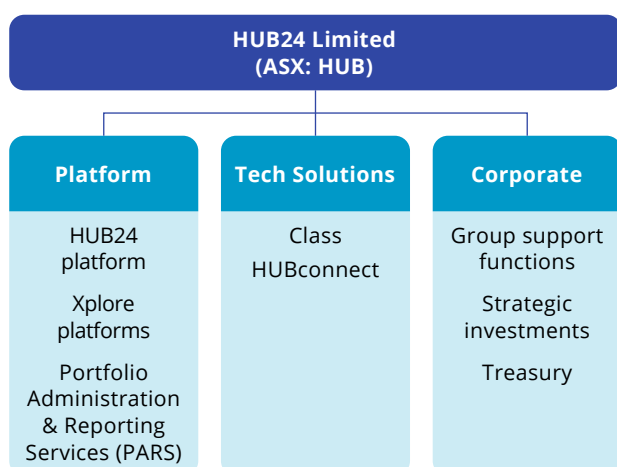
HUB24 Limited (HUB24, the Group or the Company) is a financial services company that was established in 2007 and is a leading provider of integrated platform, technology and data solutions to the Australian wealth industry. HUB24 is listed on the Australian Securities Exchange (ASX) under the code 'HUB' and includes the award-winning HUB24 platform, the Xplore platforms, the Class business, and HUBconnect. As at 17 February 2023, HUB24's market capitalisation was approximately \$2.14 billion.

HUB24's purpose is to empower better financial futures, together. To fulfil this purpose, HUB24 delivers platform and technology solutions that empower financial professionals to deliver better financial futures for their clients.

HUB24's head office is based in Sydney and it provides its products and services across all Australian states and territories. As at 31 December 2022, the Group employed 736 people on a full-time equivalent (FTE) basis.

### OPERATING SEGMENTS AND PRINCIPAL ACTIVITIES

HUB24 operates via two core revenue generating segments, and a Corporate segment as shown in the diagram below:



### PLATFORM

The Platform segment comprises the HUB24 investment and superannuation platform (HUB24 platform), the Xplore investment and superannuation platforms (Xplore platforms), and Portfolio Administration & Reporting Services (PARS).

The HUB24 and Xplore platforms are used by financial professionals to efficiently administer their clients' investments held through a superannuation and investment product under custodial arrangements.

As one of the fastest growing platform providers in the market, the HUB24 platform is recognised for providing choice and innovative product solutions. It offers financial professionals and their clients a comprehensive range of investment options, including market-leading managed portfolio solutions, and enhanced transaction and reporting functionality.

The Xplore platforms provide complementary capabilities including high net worth product features, Managed Accounts, and PARS capability. Xplore's products and services are being migrated to the HUB24 platform throughout FY23 and FY24.

In addition, HUB24 also offers PARS, a non-custody portfolio service which provides administration, corporate action management and tax reporting services for financial professionals and their clients.

### TECH SOLUTIONS

The Tech Solutions segment comprises Class and HUBconnect.

#### Class

Class is a pioneer in cloud-based wealth accounting and is recognised as one of Australia's most innovative technology companies.

Class delivers trust accounting, portfolio management, legal documentation, corporate compliance and SMSF administration solutions to approximately 7,000

customers<sup>1</sup> across Australia who depend on Class to drive business automation, increase profitability and deliver quality client service.

Class's core offer is self-managed superannuation fund (SMSF) administration software. Its solutions have gained industry recognition for product innovation and customer service excellence.

Customers using the Class Super, Class Portfolio and Class Trust solutions represented over 198,600 portfolios and accounts as at 31 December 2022.

Class also operates in the document and corporate compliance segment through the service offerings provided under the NowInfinity brand.<sup>2</sup>

NowInfinity is a leading cloud-based entity management and corporate compliance solution. In the Investment Trends 2022 SMSF Adviser & Accountant Report, NowInfinity was recognised as the most used legal document provider for SMSF related legal compliance.

### HUBconnect

HUBconnect provides technology and data services to the wealth industry, delivering innovative solutions to enable financial professionals to efficiently run their businesses and service their clients.

HUBconnect leverages data and technology capability to provide solutions that solve common challenges faced by stockbrokers, licensees and professional advisers in the delivery of financial advice.

Through innovative technology such as machine learning, artificial intelligence, and natural language processing HUBconnect integrates, refines, stores and supplies structured and unstructured data. Through integrated data feeds, automated reporting and analytics, HUBconnect delivers efficiencies for some of the time-consuming and costly processes that increase the cost of delivering advice. HUBconnect serves a growing number of respected and high-profile financial services companies and their clients.

HUBconnect Broker (formerly known as Agility Applications) has a long history of working with stockbrokers to deliver innovative business reporting and support tools. HUBconnect Broker streamlines and integrates client data and connects to a range of broking business reporting and back-office support tools that provide key insights and enable the efficient delivery of stockbroking operations.

HUB24 is a strategic shareholder in Diverger Limited (Diverger), which is a diversified financial services business servicing the needs of financial professionals and their clients. Under a Technology Partnership and Distribution agreement Diverger is a cornerstone client for HUBconnect's data and technology services.

### HUB24'S VISION AND STRATEGY

HUB24's vision is to lead the wealth industry as the best provider of integrated platform, technology and data solutions.

HUB24 is focused on three strategic priorities:

Deliver customer value & growth	Continue to build the Platform of the future	Collaborate to shape the future of the wealth industry
Continue to develop our core product propositions to meet evolving customer needs, extend our market-leadership and grow market share	Deliver an integrated customer experience that supports financial professionals to implement investment, tax and strategic advice	Leverage our technology and data expertise, collaborate with industry participants and build solutions that enable the evolution of our industry and the delivery of cost-effective financial advice

### KEY MARKETS

HUB24 is building scale in large addressable markets with a focus on the Australian Investment Platform, PARS and SMSF markets.

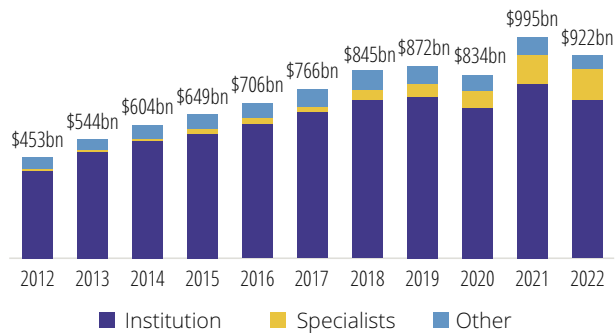
The Australian Investment Platform market had funds under administration of \$922bn at 30 September 2022 and has grown at a CAGR of 7% since September 2012. HUB24's market share is currently 5.7% (at 30 September 2022).<sup>3</sup>

<sup>1</sup> Class customer base represents practices of accountants, administrators and advisers as at 31 December 2022.

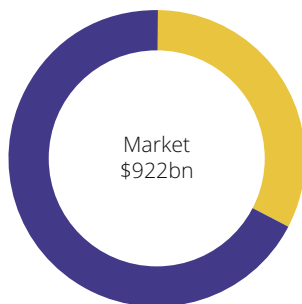
<sup>2</sup> NowInfinity is a wholly owned subsidiary of Class.

<sup>3</sup> Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds, September 2022.

### Total Australian Investment platform market size by FUA (September 2022)<sup>3</sup>



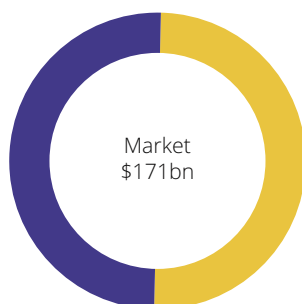
### Australian Investment Platform Market<sup>3</sup> HUB24 has 5.7% market share (September 2022)



■ Superannuation \$624b ■ Investment \$298b

HUB24 estimates the PARS market in Australia to be worth \$171 billion. At June 2022 HUB24 had an estimated 9% share (\$15.9bn) of this segment.

### PARS Market<sup>4</sup> HUB24 has 9% market share (June 2022)

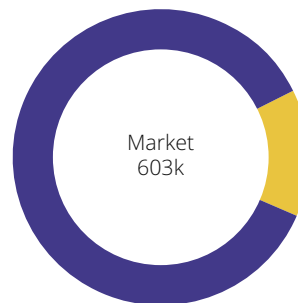


■ PARS outsourced \$86.9b ■ PARS inhouse \$84.1b

4 HUB24 estimates the Private Client PARS market to be \$171 billion based on readily identifiable participants. HUB24 Internal analysis – June 2022.

The SMSF market as at September 2022 had 603 thousand funds, over 1.1 million members and \$865 billion total assets. In the 5 years to September 2022 funds have grown by 8%.<sup>5</sup>

### SMSF Market<sup>6</sup> Class has 30% market share (September 2022)



■ SMSF via admin software 520k  
■ SMSF self-administered 83k

### KEY MARKET TRENDS

#### DISRUPTION CONTINUES IN THE PLATFORM MARKET

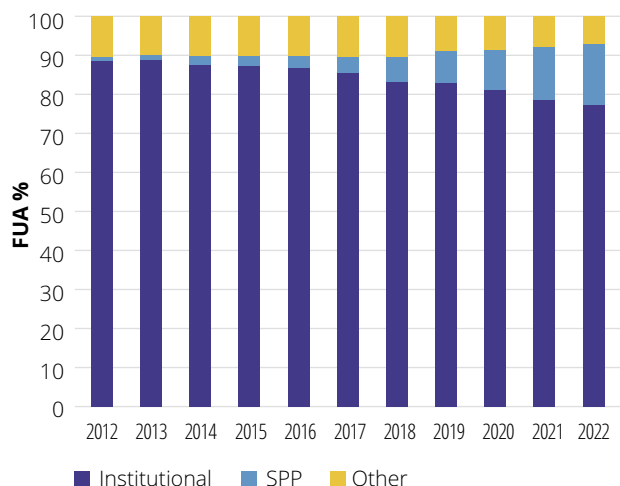
The transformation of the wealth management industry continues as large financial institutions divest or re-evaluate their strategies and specialist platforms (such as HUB24), continue to grow.

Specialist platforms now represent 15% of the Australian investment platform market and account for over \$27 billion in annual net inflows. They have grown at a CAGR of 40% over the last ten years.<sup>6</sup>

5 Based on latest confirmed ATO figures for September 2022, raw SMSF fund numbers, total members of SMSFs and total Australian and overseas assets. Annual metrics are updated to align to the latest ATO release.

6 Internal analysis based on Strategic Insights, Analysis of Wrap, Platform and Master Trust Managed Funds, September 2022.

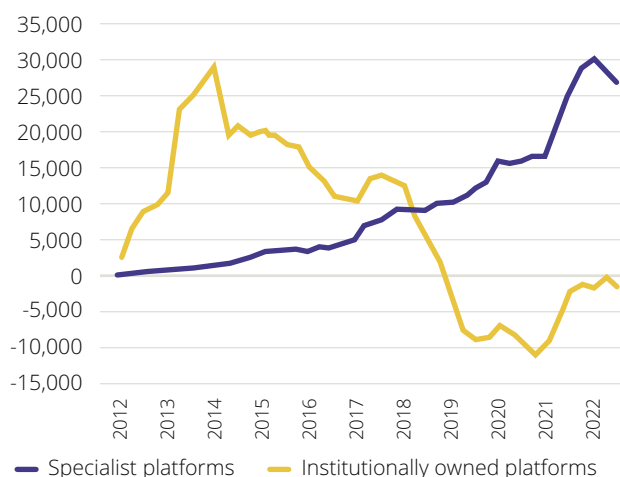
### Australian investment platform participants market share (September 2022)<sup>7</sup>



HUB24 has been a beneficiary of this trend. In the context of current market dynamics and macroeconomic events for the 12 months to 31 December 2022, the HUB24 platform experienced strong net inflows of \$10.8 billion.<sup>8</sup>

As a result, HUB24's total FUA reached \$73.0 billion at December 2022, of which \$55.8 billion was held on its custodial platforms and the remainder in its off-platform PARS business.<sup>9</sup>

### Institutionally owned v specialist platform annual netflows \$m<sup>9</sup>



A key driver of the success of specialist platforms has been the provision of innovative product solutions to financial professionals and their clients, especially Managed Accounts.

As a recognised market leader of platform services with continued focus on operational robustness, customer service excellence and the delivery of innovative product solutions that enhance outcomes for clients, HUB24 is well positioned to continue to benefit from the trend towards specialist platforms.

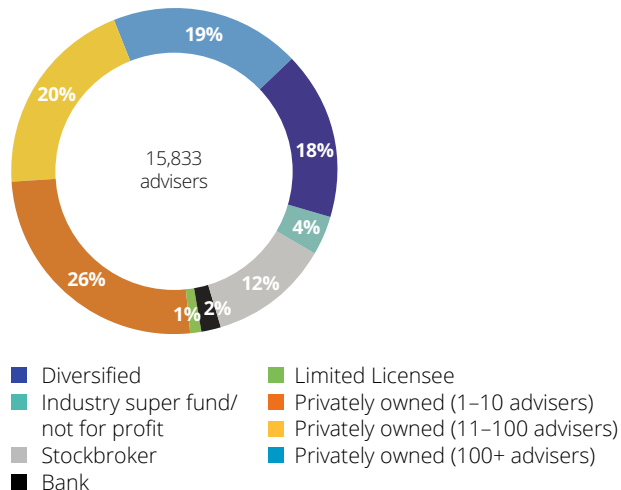
### INCREASING DEMAND FOR FINANCIAL ADVICE

As an intermediated business, HUB24 relies on the support of financial professionals to provide its platform services to end consumers.

### ADVICE INDUSTRY COMPOSITION

The financial adviser landscape is dominated by advisers who are part of privately owned and self-licensed businesses. This segment represents 65% of the adviser market. These groups are increasingly embracing the use of specialist platforms.

### Industry overview by segment<sup>10</sup>



HUB24 has built strong relationships in the privately-owned and self-licensed licensee segment by collaborating with licensees to develop solutions that deliver efficiency for their advisers and create value for their clients. HUB24 has grown the number of active advisers using its platforms to 3,692 (23% of total advisers) at 31 December 2022 from 1,040 (4% of total advisers) at 31 December 2017.

<sup>7</sup> Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds as at September 2022.

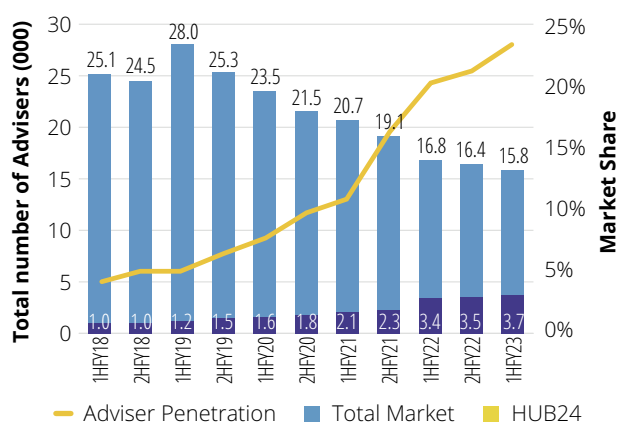
<sup>8</sup> HUB24 Q2 FY23 market update, January 2023.

<sup>9</sup> HUB24 internal analysis of Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds as at September 2022.

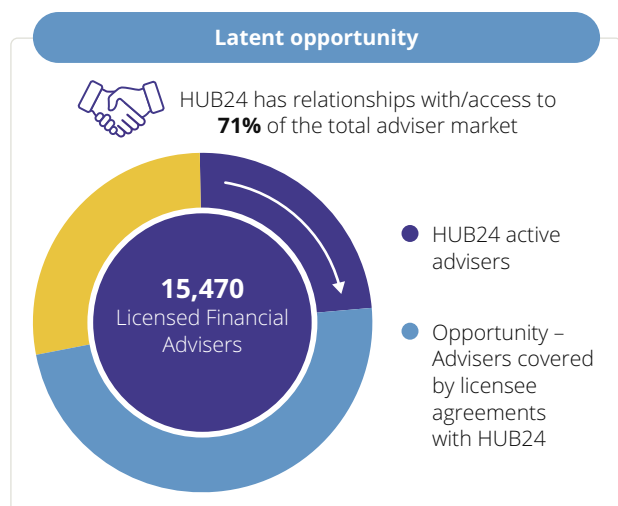
<sup>10</sup> ARdata, Adviser Ratings, Musical Chairs 2022 Q4 Report.



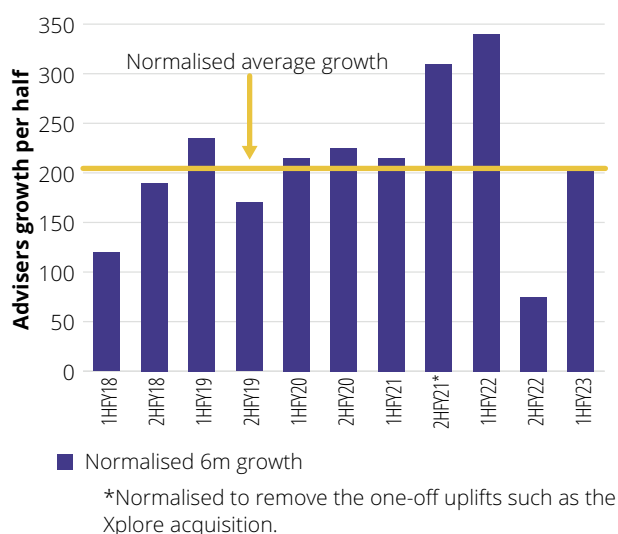
## Total industry Advisers and HUB24 Active Advisers



## A solid platform for future growth



## Net Adviser Growth 1HFY18 to 1HFY23



HUB24 active advisers has grown to 23% of the total adviser population. This is in the context of total advisers reducing over the last 5 years. HUB24 net adviser growth each half is approximately 200.<sup>11</sup> 2HFY21 and 1HFY22 saw increased net adviser growth due to record net inflows and strong market sentiment. 1HFY23 net adviser growth was in line with the long term trend.

## Consumer demand for financial advice

Demand for financial advice is strong with 29% of unadvised Australians looking to seek help from an adviser.<sup>12</sup> The impacts of generational change mean that this is likely to continue in the medium term.

Firstly, baby boomers have started to move into retirement in considerable numbers. It is projected that around \$1.3 trillion will move into the retirement phase by 2030.<sup>13</sup> Potential and recent retirees seek advice in order to maintain their desired standard of living throughout retirement, and to ensure good decisions are made regarding downsizing, intergenerational planning and the like.

Meanwhile, Millennials (currently aged 26–40 years) are about to overtake baby boomers as the largest generational group in Australia. According to researchers from Griffith University, they are set to inherit an estimated \$3.5 trillion over the next twenty years, growing at 7% a year. Each recipient will inherit an average of \$320,000.<sup>14</sup>

These are the next generation of advice clients.

They are interested in financial matters and recognise the importance of making sound financial decisions. Recent research from Investment Trends shows that 81% of 18 to 34 year-olds have unmet advice needs.<sup>15</sup>

Affordability however remains a significant barrier to Australian's seeking advice.

The cost of delivering financial advice continues to increase with the average advice fee per client rising 40% in 3 years to \$3,529, making it inaccessible for many.<sup>16</sup>

In March 2022, the Government commenced a review into the quality of financial advice (known as the Quality of Advice Review) to consider how the regulatory framework for financial advice could be enhanced so

11 When normalised to remove the one-off uplifts such as the Xplore acquisition.

12 Adviser Ratings, 2022 Australian Financial Advice Landscape Report.

13 Challenger Pre-Budget Submission to Treasury 2022/2023.

14 Intergenerational Wealth Transfer: The Opportunity of Gen X & Y in Australia Report, Griffith University Queensland.

15 Investment Trends 2022 Financial Advice Report.

16 Adviser Ratings, 2022 Australian Financial Advice Landscape Report.

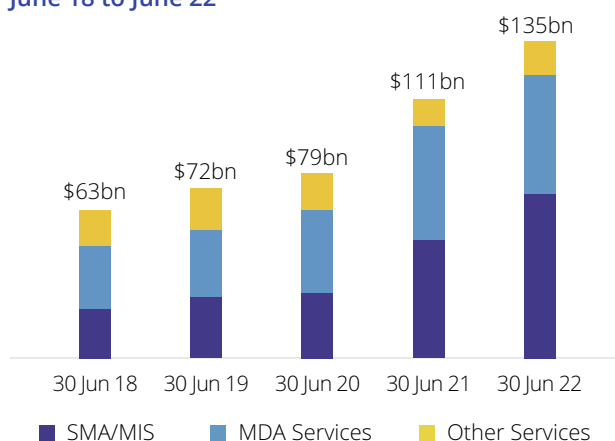
that more Australians are able to access high quality affordable financial advice when they need it and in the form they want it. The review is now complete, and the final report was released by the Government early February 2023. The Government has not yet indicated whether the recommendations will be implemented. However, if the recommendations are fully implemented, they would simplify the regulatory regime and the cost of providing financial advice could reduce as an outcome.

HUB24 believes in the value of advice and is collaborating with advisers and licensees to develop innovative solutions to reduce the cost of advice and make it accessible to more Australians. Additionally, HUB24 is working with industry bodies, advocating for change to enable greater access to advice.

### GROWTH OF MANAGED ACCOUNTS

Funds Under Management in Managed Accounts in Australia has grown to more than \$135 billion as advisers increasingly recognise the benefits of using them to access professional investment management for their clients.<sup>17</sup> HUB24 estimates that it has 19% market share of this segment at December 2022.

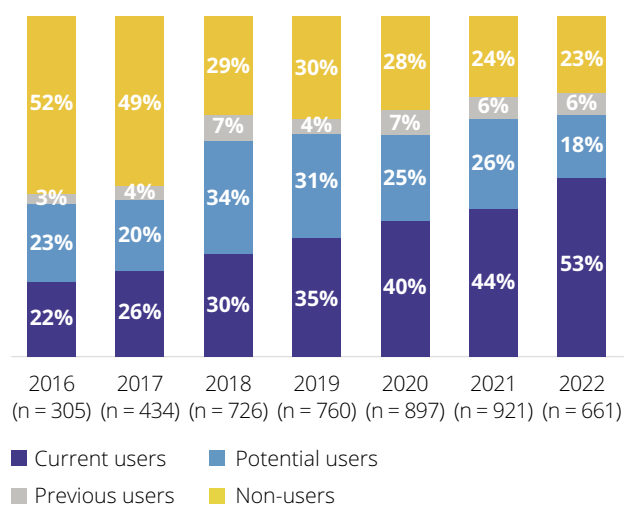
#### Managed Account FUM growth (\$billions) June 18 to June 22<sup>18</sup>



17 IMAP/Milliman Managed Accounts FUM Census June 2022.  
Note: Number of participants in the Census fluctuates.

18 IMAP/Milliman Managed Accounts FUM Census June 2022.

#### Managed Account adoption continues to accelerate<sup>19</sup>



As Australia's leading provider of Managed Accounts functionality for the 6th year running,<sup>19</sup> HUB24 expects to continue to benefit from the growth in popularity of Managed Accounts.

In the most recent Investment Trends Managed Account report HUB24 consolidated its leadership position by share of relationships with advisers who recommend Managed Accounts (38% overall reach in 2022, up from 36% in 2021). When it comes to adviser association with Managed Accounts, HUB24 was the most recognised brand among current and potential Managed Account advisers.<sup>20</sup>

The use of Managed Accounts accelerated in FY22 with 53% of financial advisers now using them to manage their clients' investments (up from 44% in 2021). Allocations of new client inflows into Managed Accounts have also increased to 20% up from an average of 4% in 2015. Allocations are expected to increase to 25% by 2025.<sup>21</sup>

### TECHNOLOGY, DATA AND REPORTING SOLUTIONS KEY TO FUTURE OF ADVICE

Access to quality data has become critical for clients, financial professionals and licensees.

Consumers are looking for innovative solutions that provide an integrated view of their wealth, with advisers stating it was the second most valued feature for client portals after performance reporting.<sup>22</sup>

HUB24 continues to leverage the HUBconnect capability to extend 'whole of wealth' capabilities to

19 Best Platform Managed Accounts Functionality for the 6th year running by Investment Trends in the 2021 Platform Competitive Analysis and Benchmarking Report.

20 Investment Trends Adviser Needs Report 2021.

21 Investment Trends Managed Accounts Report January 2022.

22 Investment Trends Adviser Needs Report 2021.

advisers and their clients. HUB24 Present is a new market-leading digital client reporting capability which enables advisers to customise client presentations in real-time delivering engaging and efficient client reviews. During 1HFY23 Present was enhanced with the capability to customise asset classes. This allows the provision of tailored reporting aligned with the language used in client advice documentation and reduces manual intervention.

Access to enriched and aggregated data provided by Class from more than 300 data integrations, together with NowInfinity's corporate and entity data, provides a step change to HUB24's "whole of wealth" ambitions.

Furthermore, HUB24 expects the data infrastructure and capabilities of Class to accelerate the depth and breadth of the Group's data-as-a-service offer.

Collaborating with licensees and advisers to solve key industry challenges remains a priority for HUB24.

HUB24 continues to collaborate with licensees to develop and deliver solutions that leverage HUB24 Group data and technology expertise to reduce friction in the advice delivery process and assist in reducing the cost of advice delivery. A significant challenge for licensees is the cost of compliance and the complexities associated with delivering the core functions of running an Australian Financial Services license, such as governance, revenue processing, monitoring fee disclosure statements and ongoing fee consents. Advisers cite the compliance burden as one of their biggest challenges.

HUBconnect is leveraging machine learning and artificial intelligence to support licensees with their compliance obligations, providing access to quality data and real-time insights that enable proactive compliance and improve efficiencies in their advice practices.

The objective is to provide advisers with the flexibility they require to choose best of breed tools and technology to help clients meet their goals and run sustainable businesses. At the same time, licensees are provided with the visibility they require to fulfil core tasks efficiently and effectively.

#### AUSTRALIAN SUPERANNUATION SYSTEM

Australia's superannuation system is the fifth largest pension system globally and has achieved one of the highest growth rates in the world, with assets increasing by 11% per annum over the last 20 years.<sup>23</sup>

23 Willis Towers Watson Global Pensions Asset Study, 2021.

Australia's superannuation system is forecast to grow from over \$3.3 trillion today<sup>24</sup> to almost \$9 trillion over the next 20 years.<sup>25</sup>

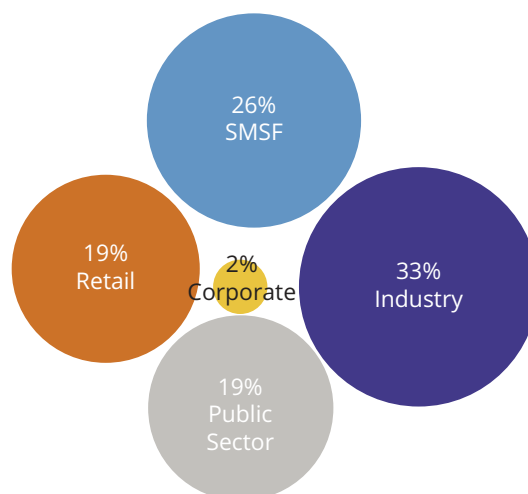
Growth of the superannuation system has been driven by member contribution inflows as well as robust investment returns. This growth is expected to continue with the Australian Government mandated superannuation guarantee contribution rate progressively increasing to 12% by July 2025.

HUB24's Platform and Tech Solutions businesses are expected to benefit from the long-term growth in Australia's Superannuation system.

The HUB24 platform is driving more flows into retail superannuation/pension products than all the competing platforms. As at September 2022, the HUB24 platform was ranked number one for quarterly and annual netflows into superannuation/pension products.<sup>26</sup>

Self-Managed Superannuation Funds (SMSFs) account for around one-quarter of all superannuation assets.<sup>27</sup>

#### Proportion of super assets by market segment by AUM



The number of SMSFs has continued to steadily grow. In the 5 years to September 2022, the number of SMSFs grew by 8% to 603 thousand with over 1.1 million members and assets grew by 32% to \$865 billion.<sup>28</sup>

24 APRA Superannuation Statistics, September 2022.

25 Deloitte Dynamics of the Australian Superannuation System, The Next 20 Years to 2041.

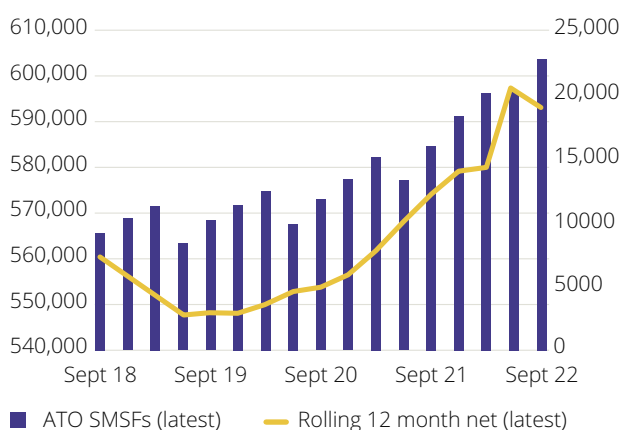
26 Internal analysis based on Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds, September 2022.

27 APRA superannuation statistics September Qtr 2022.

28 Based on latest confirmed ATO figures for September 2022, raw SMSF fund numbers, total members of SMSFs and total Australian and overseas assets.

In December 2022 the Australian Securities and Investments Commission (ASIC) removed guidance which previously said most SMSFs need to have at least \$500,000 in order to compete with regular superannuation funds. This updated guidance enables financial advisers to recommend SMSFs for lower balances and allows for greater flexibility and choice to meet client needs.

#### Total SMSF accounts and rolling 12 month net establishments September 2018 to September 2022<sup>29</sup>



Class is a dominant player within the SMSF administration software market having grown at a CAGR of 4% over the last five years, compared to a market CAGR of 2%.<sup>30</sup> At September 2022, Class had a 30% share of the market which has grown from 25% five years ago.

#### Growth in the SMSF market

Class continued to focus on enhancing customer experience, delivering additional training and education, uplifting the service proposition, and developing product enhancements that deliver efficiency and value for customers.

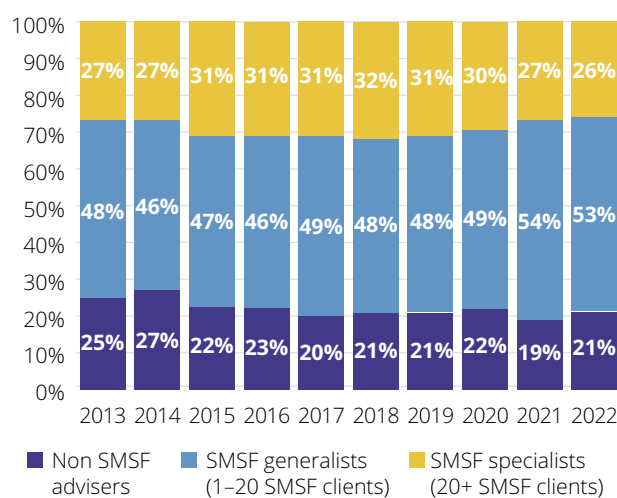
In the context of the current macroeconomic environment, the number of SMSFs administered on Class grew by 3% during the last 12 months. This growth is in line with the annual net SMSF establishment rate of 3%p.a.<sup>29</sup>

Much of this growth is being driven by a cohort of younger trustees seeking control of their

superannuation. According to Vanguard/Investment Trends research, the average age at establishment has fallen from 51 years between 2006 and 2014 to 46 years between 2020 and 2022.<sup>31</sup>

In the most recent Investment Trends SMSF Adviser & Accountant Report, 79% of advisers are now advising on SMSFs (up from 68% in 2018).

#### Portion of advisers advising on SMSFs<sup>32</sup>



Note: The definition for SMSF specialists and generalists varies between accountants and advisers. For advisers, SMSF specialists have more than 20 SMSF clients and SMSF generalists have 1 to 20 SMSF clients. For accountants, SMSF specialists have more than 50 SMSF clients and SMSF generalists have 1 to 50 SMSF clients.

With 183,000 SMSFs now administered using Class, the business is well positioned to continue to deliver market-leading software solutions to enable financial professionals to provide superior service to their clients and continue to grow its market share.

#### HUB24'S INDUSTRY RECOGNITION AND OUTLOOK

##### INDUSTRY RECOGNITION

HUB24 continues to be recognised by financial professionals and the industry for delivering market-leading products and services.

In the most recent Investment Trends Platform Competitive Analysis and Benchmarking survey, HUB24 was awarded Best Online Business Management and was ranked 1st for Best Platform Overall.

<sup>29</sup> ATO SMSF quarterly statistical report September 2022, quarterly population data. September 2022 net establishments has reduced from March 2022 due to ATO restatements for SMSF closures. ATO SMSFs are restated each quarter to take account of closures relating to that quarter.

<sup>30</sup> Based on current ATO SMSF establishment figures for quarter ending 30 September 2022.

<sup>31</sup> The Vanguard/Investment Trends 2022 SMSF Report.

<sup>32</sup> Investment Trends April 2022 SMSF Adviser & Accountant Report.

Additionally, during FY22 the HUB24 Platform was awarded:

- No. 1 for Value for Money<sup>33</sup>
- Best Platform, Best Investment Options and Best Adviser Experience<sup>34</sup>
- Best SMSF Investment Platform<sup>35</sup>



- 1 Best Platform Overall, Investment Trends Platform Competitive Analysis and Benchmarking Survey 2022.
- 2 As a percentage of AUM, internal analysis based on Plan for Life Master Trusts, Platforms & Wraps data, September 2022.
- 3 Net inflows into superannuation/pension products, internal analysis based on Strategic Insights Analysis of Wrap, Platform and Master Trusts and Managed Funds, September 2022.
- 4 Best Overall Platform, Best Adviser Experience, Best Investment Options, Adviser Ratings Financial Advice Landscape Report 2022.
- 5 Number 1 Value for Money, Investment Trends Adviser Technology Report, 2022.
- 6 Best SMSF Investment Platform, CoreData SMSF Service Provider Awards 2022.

33 Investment Trends Adviser Technology Needs Report 2022.

34 Adviser Ratings Financial Advice Landscape Report 2022.

35 CoreData SMSF Service Provider Awards 2022.

## STRATEGIC TRANSACTIONS AND INTEGRATION UPDATE

### CLASS

The acquisition of Class was completed in February 2022 and since this time the business has performed in line with our expectations.

The strategic acquisition of Class has provided additional technology and data expertise to deliver on the Group's platform of the future strategy and further positioned HUB24 to lead the wealth industry as the best provider of integrated platform, technology and data solutions.

Since completion, HUB24 and Class have been working together to create strategies that leverage the combined capabilities of the Group to deliver products and solutions that enhance value for existing and new customers.

As part of our continuing commitment to deliver market-leading products and solutions for the growing SMSF segment, HUB24 SMSF Access, the first joint product development initiative leveraging the combined capability of HUB24, Class and NowInfinity was launched into pilot in October 2022. The new SMSF product solution is designed for advisers to meet the needs of clients who wish to access the benefits of a cost-effective SMSF solution. Following the completion of the pilot we will progress to a broader market launch.

Furthermore, HUB24 and Class have been collaborating to further extend the Group's data-as-a-service capabilities. Following a review of Class's extensive data capabilities, we are leveraging Class data integrations to enable single view of wealth reporting on HUB24.

### XPLORE

The Xplore integration has continued to progress with the migrations for the discontinuation of the 'Xplore Super Admin' business substantially complete at 31 December 2022.<sup>36</sup> This represented 3% of Platform FUA as of 30 June 2022 and does not impact the achievement of the previously disclosed synergies arising from the Xplore acquisition.

The Xplore platforms business has commenced migration to the HUB24 platform with the remaining successor fund transfers and migrations scheduled throughout FY23 and FY24.

36 One further Successor Fund Transfer (SFT) of approximately \$10 million scheduled to occur in Q4 FY23.

## SUSTAINABILITY

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

HUB24 recognises the importance of ESG for the long-term prosperity of our customers, people, shareholders and the broader community.

In FY22 HUB24 engaged KPMG to undertake a materiality assessment to identify the material ESG focus areas that matter most to our stakeholders. The materiality assessment resulted in the identification and prioritisation of seven key focus areas which are highlighted in the diagram below.

HUB24 released its inaugural Sustainability Report in October 2022. This report covers the 2022 financial year from 1 July 2021 to 30 June 2022 (FY22) and reflects our most material social,

environmental and governance opportunities together with sustainability targets for FY23 or beyond. Please refer to the following link to access this report: <https://www.hub24.com.au/wp-content/uploads/2022/10/HUB24-FY22-Sustainability-Report-FINAL-for-ASX.docx.pdf>

HUB24's sustainability approach supports the delivery of the Group strategy and aligns to our purpose of empowering better financial futures, together.

Being sustainable is fundamental to the way we do business at HUB24, with enhancements to our ESG capabilities part of our day-to-day operating rhythm. In January 2023 HUB24 launched enhanced ESG platform functionality, enabling advisers to better meet clients' ESG investment preferences when investing.



## GLOBAL ECONOMIC IMPACTS

The Group continues to assess potential financial and geopolitical impacts on the economy and workforce. The current high-level of uncertainty regarding the global economy continue to impact investment outcomes and increased volatility in investment performance.

The future impacts of these risks on global and domestic economies and investment market indices, and their resulting impact on the Group are uncertain. The Directors and management continue to monitor this situation.

## OUTLOOK

Moving forward we expect ongoing strong net inflows to the Platform and are targeting a FUA range of **\$80–\$89 billion by 30 June 2024**. The company expects strong growth and increasing profitability moving forward subject to consistent and stable investment markets and HUB24 terms of business that may affect platform FUA and revenue.

The above outlook is subject to the following business risks, which have been identified through HUB24's risk management framework. The framework supports the identification, assessment, and reporting of both financial and non-financial risk across the business, these risks have been organised into seven key risk categories:

- Reputational, brand, & conduct,
- Strategic & product,
- Operational,
- Distribution,
- Technology & cyber,
- Regulatory, legal & compliance; and
- Financial performance, governance, and market risk.

Please refer to the HUB24 Annual Report for more information on these risks and the key exposures to the business.



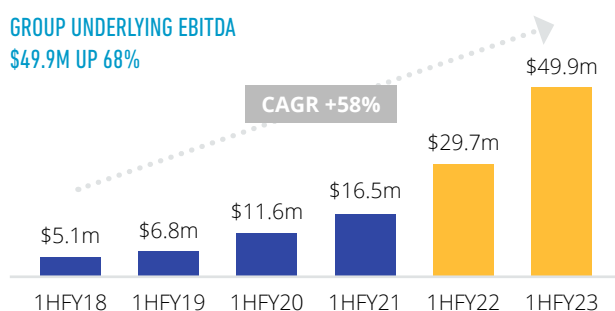
### 3. REVIEW OF FINANCIAL RESULTS

The Group operating revenue increased by 69% to \$137.7 million (1HFY22: \$81.6 million). Platform revenue increased by 33% to \$102.7 million (1HFY22: \$77.3 million), and Tech Solutions revenue increased to \$33.4 million (1HFY22: \$3.0 million), as a result of the acquisition of Class.

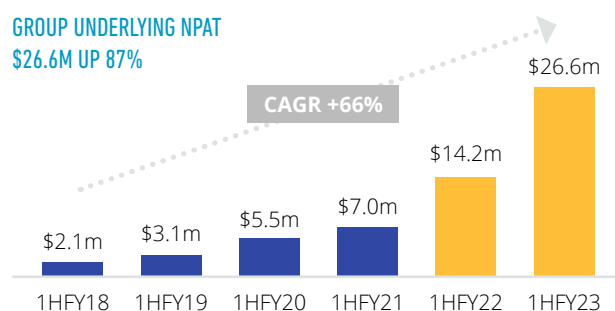
The Group's preferred measure of profitability is Underlying Earnings Before Interest Expense, Tax, Depreciation, Amortisation and Notable Items (UEBITDA), which increased by 68% to \$49.9 million (1HFY22: \$29.7 million).

#### GROUP

##### GROUP UNDERLYING EBITDA \$49.9M UP 68%

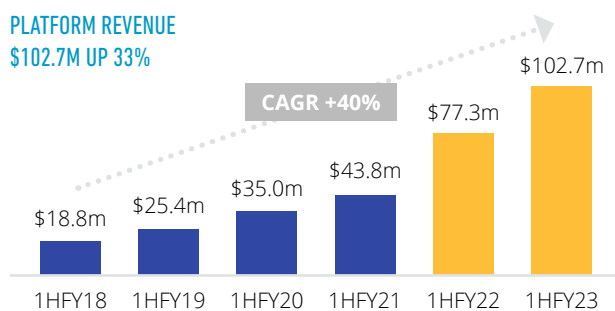


##### GROUP UNDERLYING NPAT \$26.6M UP 87%

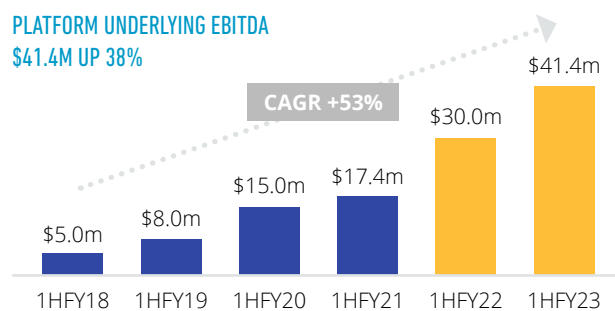


#### PLATFORM

##### PLATFORM REVENUE \$102.7M UP 33%

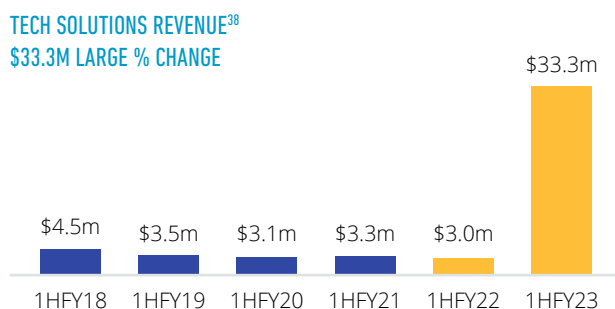


##### PLATFORM UNDERLYING EBITDA \$41.4M UP 38%

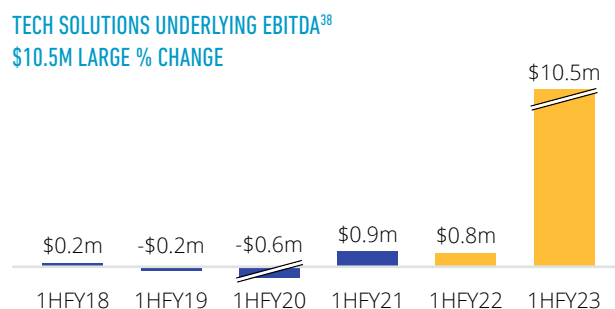


#### TECH SOLUTIONS

##### TECH SOLUTIONS REVENUE<sup>38</sup> \$33.3M LARGE % CHANGE



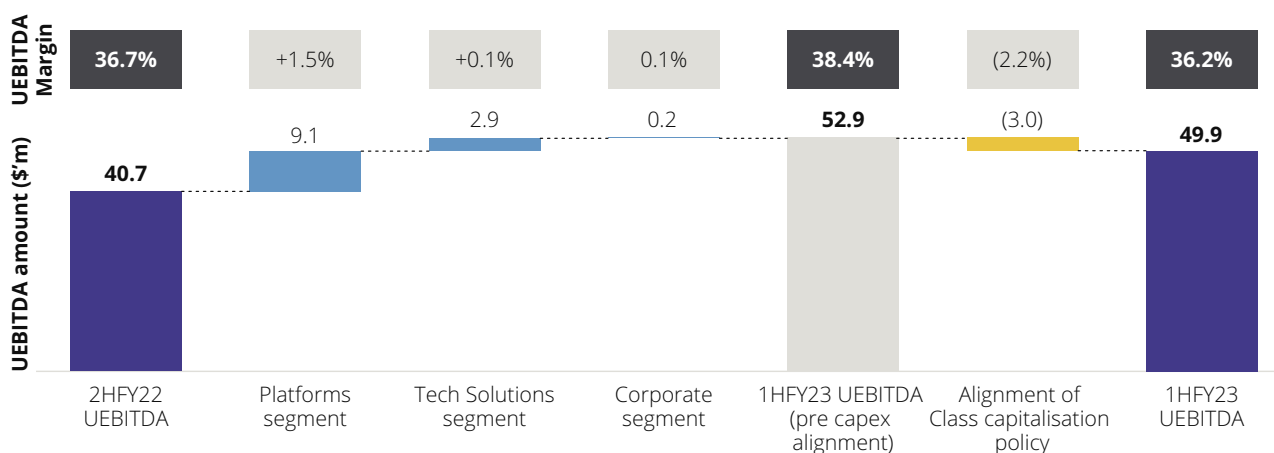
##### TECH SOLUTIONS UNDERLYING EBITDA<sup>38</sup> \$10.5M LARGE % CHANGE



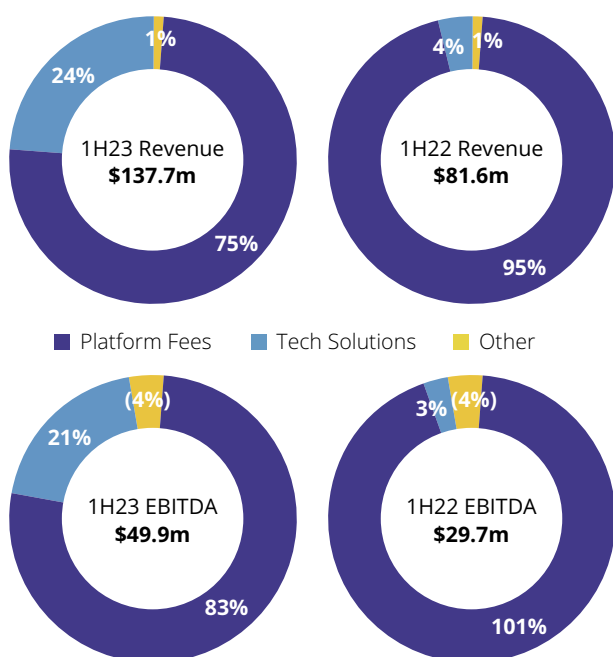
37 Class purchased on 16 February 2022 and consolidated from this date.



Group UEBITDA margin improved 1.7% to 38.4% prior to Class aligning to the Group Capex policy.



### Composition of Revenue and EBITDA



The key drivers behind the Group's UEBITDA performance were from the growth in platform FUA increasing revenue, focused expense management given the volatile market conditions combined with operating leverage efficiencies and the acquisitions of Class and Xplore.

- Total Funds Under Administration (FUA) increased by 7% to \$73.0 billion (1HFY22: \$68.3 billion).
- Platform FUA increased by 12% to \$55.8 billion (1HFY22: \$50.0 billion).
- In the context of current market dynamics and macroeconomic events, the business has achieved a strong 1HFY23 with \$5.8 billion of net inflows from

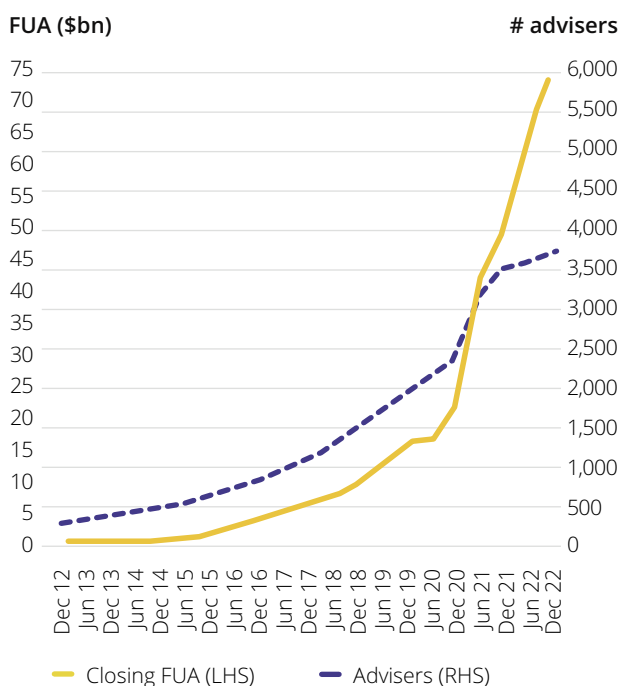
continuing operations as at 31 December 2022 (down 14% on pc). Following the planned discontinuation of the 'Xplore Super Admin' business (\$1.4 billion total FUA), there was a \$1.0 billion outflow via Successor Fund Transfers (SFTs) and \$0.4 million migrated to the HUB24 platform.

- HUB24's market leadership position and focus on delivering innovative solutions continues to resonate with our clients, with growth from net inflows across all customer segments including large national licensees, brokers, boutique advice practices and self-licensed advisers. HUB24's new business pipeline has continued to grow with the number of active advisers using the platform increasing to 3,692 (23% of total advisers), up 9% from 3,402 advisers (20% of total advisers) at 31 December 2021.
- Platform revenue increased by 33% to \$102.7 million (1HFY22: \$77.3 million). Platform FUA growth, compared to 31 December 2021, of 12% was driven by strong growth in net inflows of \$5.8 billion partially offset by declining market movements with the ASX300 declining 6.1%. FUA on the Platform is not fully correlated to movements in equity markets.
- Cash management fees improved due to the RBA Official Rate together with an increase in cash balances as a percentage of FUA.
- Trading activity has continued to grow in line with growth in the portfolio.
- PARS FUA decreased by 6% to \$17.2 billion (1HFY22: \$18.3 billion), driven by negative market movements.

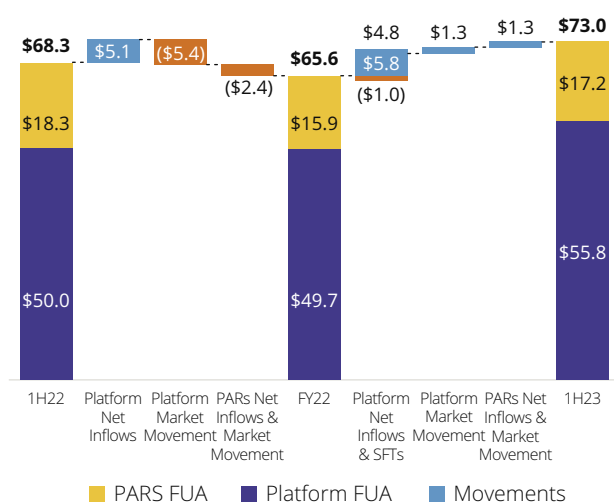
The PARS business contributed \$2.7 million of revenue in 1HFY23 (1HFY22: \$2.7 million), in line with stable customer account numbers.

- Technology Solutions revenue increased to \$33.4 million (1HFY22: \$3.0 million), driven by the acquisition of Class. Class contributed \$31.4m of revenue over 1HFY23.

### Platform FUA and advisers



### FUA movements



- The Group continues to invest in the business to support its strategic growth objectives. Platform expenses increased by 30% to \$61.3 million (1HFY22: \$47.3 million). The investment in people has been in sales and distribution, technology and operations to support growth in FUA, expand our distribution footprint, and continue product and technology innovation.

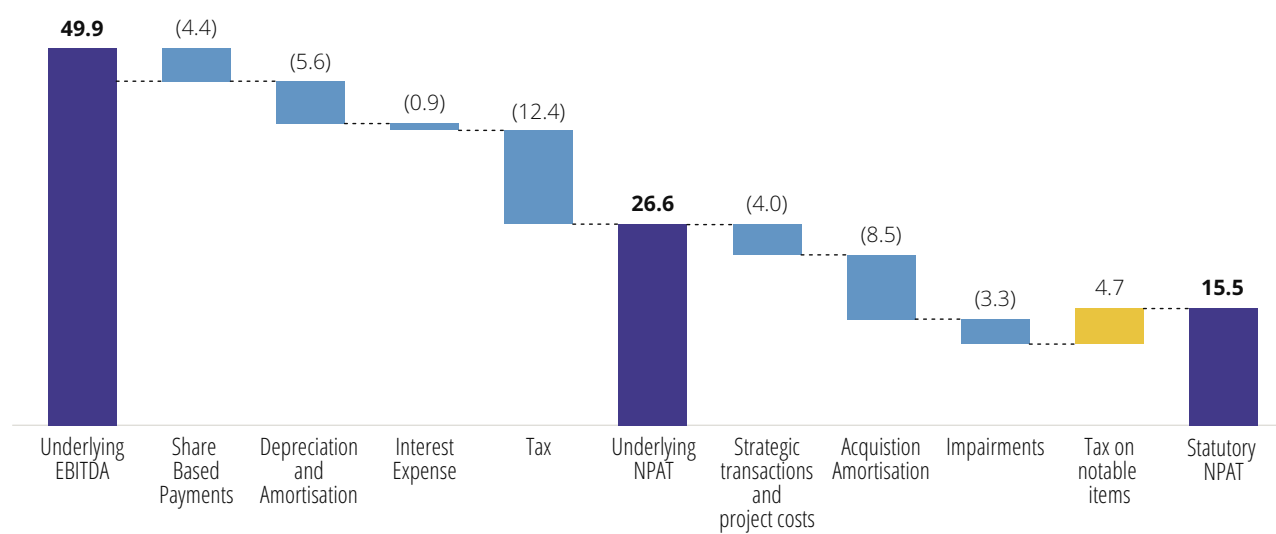
- Technology Solutions expenses increased to \$22.9 million (1HFY22: \$2.2 million), mainly driven by the acquisition of Class.

### Other Items

- FTE at 31 December 2022 of 736 increased by 276 or 60% (1HFY22: 460). The increase was driven by the continued investment in the business (65 FTE) and the acquisition of Class (211 FTE).
- Strategic transactions and project costs<sup>38</sup> of \$4.0 million includes Xplore implementation related costs and the product development costs for the SMSF Access pilot launch.
- Acquisition amortisation of \$8.5 million includes Xplore of \$3.1 million, Class of \$4.9 million and Ord Minnett of \$0.5 million.
- Impairment charge of \$3.3 million in relation to the carrying value of investment in Diverger Limited (ASX:DVR).
- The Group's Statutory Net Profit after Tax increased by 85% to \$15.5 million (1HFY22: \$8.4 million).
- The Group recorded a 99% increase in net cash flow from operating activities to \$30.0 million (1HFY22: \$15.1 million). Underlying operating cash flows were \$34.1 million (an increase of 87% on 1HFY22) when adjusted for implementation costs included in Strategic transaction and project costs of \$4.1 million.
- Net cash and cash equivalents after deducting borrowings was \$30.7 million at 31 December 2022 with the acquisition of Class increasing borrowings compared to 1HFY21 (\$47.0 million 31 December 2021).

<sup>38</sup> Includes administrative and resourcing costs related to strategic transactions and project costs

# RECONCILIATION OF 1HFY23 UNDERLYING NPAT TO STATUTORY NPAT (\$M)



## GROUP GROWTH INDICATORS AND FINANCIAL METRICS

HUB24 Group Growth Indicators	1HFY23	2HFY22	1HFY22	1HFY23 v 2HFY22	1HFY23 v 1HFY22
Total Funds under administration (\$m)	72,994	65,574	68,321	11%	7%
Platform Funds under administration (\$m)	55,822	49,703	49,992	12%	12%
PARS Funds under administration (\$m)	17,172	15,871	18,329	8%	(6%)
Spot Custodial Fee Paying FUA %	80.8	80.7	80.2	0.1	0.6
Platform Net Inflows (\$m)	5,759	5,072	6,664	14%	(14%)
Advisers on the platform	3,692	3,486	3,402	6%	9%
PARS accounts	7,989	8,341	8,020	(4%)	(0%)
Number of accounts (Class)	198,619	198,397	-	0%	n/a
Document orders (Class)	173,142	171,309	-	1%	n/a
Companies on Corporate Messenger (Class)	621,478	597,989	-	4%	n/a
<b>Group Financial Metrics</b>					
Operating Revenue (\$m)	137.7	110.9	81.6	24%	69%
<b>Underlying EBITDA</b>	<b>49.9</b>	<b>40.7</b>	<b>29.7</b>	<b>23%</b>	<b>68%</b>
<b>Underlying NPAT (\$m)</b>	<b>26.6</b>	<b>21.7</b>	<b>14.2</b>	<b>23%</b>	<b>87%</b>
Underlying EBITDA margin	36.2	36.7	36.4	(0.5)	(0.2)
Cost to income ratio (%)	63.8	63.3	63.6	0.5	0.2
Statutory NPAT (\$m)	15.5	6.3	8.4	147%	85%
Effective tax rate (statutory) (%)	31.8	31.5	29.9	0.3	1.9
Operating cashflows (\$m)	30.0	21.8	15.1	38%	99%
Employee benefits expense <sup>39</sup> (\$m)	(64.7)	(51.5)	(39.6)	26%	63%
Total staff at period end (# FTE)	736	697	460	6%	60%
<b>Earnings per share (cents)</b>					
Basic – underlying	33.32	28.21	20.73	18%	61%
Basic – statutory	19.47	8.14	12.27	139%	59%
Diluted – underlying	32.32	27.36	20.04	18%	61%
Diluted – statutory	18.89	7.89	11.86	139%	59%
<b>Dividends</b>					
Dividend (cents per share)	14.0	12.5	7.5	12%	87%
Dividend franking (%)	100	100	100	0%	0%
Underlying NPAT annual payout ratio (%)	42	46	42	4	-
<b>Share Capital</b>					
Number of ordinary shares (closing) (m)	80.1	80.1	68.6	0%	17%
Weighted average number of ordinary shares (basic) (m)	79.8	77.0	68.4	4%	17%
Weighted average number of shares (diluted) (m)	82.2	79.4	70.8	4%	16%
Share Price – closing (\$)	26.59	20.27	28.30	31%	(6%)
<b>Capital management</b>					
Cash & cash equivalents (\$m)	67.1	43.5	59.5	54%	13%
Net assets – average (\$m)	461.0	321.7	186.1	43%	148%
Net assets – closing (\$m)	466.3	455.7	187.7	2%	148%
Net assets per basic share (\$)	5.82	5.69	2.73	2%	113%
Net tangible assets (\$m)	41.4	26.3	84.8	57%	(51%)
Net tangible assets per basic share (\$)	0.52	0.33	1.24	58%	(58%)
Borrowings (\$m)	36.3	39.3	12.5	(8%)	190%
Net cash and cash equivalents (\$m)	30.7	4.2	47.0	Large	(35%)

39 Employee benefits expenses excludes impact of strategic transactions and project costs.

## GROUP FINANCIAL PERFORMANCE

Profit & Loss \$m	1HFY23	2HFY22	1HFY22	1HFY23 v 2HFY22	1HFY23 v 1HFY22
Platforms Revenue	102.7	83.2	77.3	23%	33%
Tech Solutions	33.4	26.0	3.0	28%	Large
Corporate Revenue	1.6	1.7	1.3	(6%)	23%
<b>Total Revenue</b>	<b>137.7</b>	<b>110.9</b>	<b>81.6</b>	<b>24%</b>	<b>69%</b>
Platform and Tech Solution Fees	(12.6)	(10.7)	(10.7)	18%	18%
Employee Related Expenses	(60.3)	(46.7)	(33.6)	29%	79%
Administrative Expenses	(14.9)	(12.8)	(7.6)	16%	96%
<b>Total Operating Expenses</b>	<b>(87.8)</b>	<b>(70.2)</b>	<b>(51.9)</b>	<b>25%</b>	<b>69%</b>
<b>Underlying EBITDA</b>	<b>49.9</b>	<b>40.7</b>	<b>29.7</b>	<b>23%</b>	<b>68%</b>
<b>Underlying EBITDA by segment</b>					
Platforms EBITDA	41.4	32.3	30.0	28%	38%
Tech Solutions EBITDA	10.5	10.6	0.8	(1%)	Large
Corporate EBITDA	(2.0)	(2.2)	(1.1)	(9%)	82%
<b>Underlying EBITDA</b>	<b>49.9</b>	<b>40.7</b>	<b>29.7</b>	<b>23%</b>	<b>68%</b>
<b>Other items</b>					
Share Based Payments	(4.4)	(4.8)	(6.0)	(8%)	(27%)
<b>EBITDA (before Notable Items)</b>	<b>45.5</b>	<b>35.9</b>	<b>23.7</b>	<b>27%</b>	<b>92%</b>
Depreciation & Amortisation	(5.6)	(4.3)	(3.2)	30%	75%
Interest Expense Lease	(0.1)	(0.2)	(0.1)	(50%)	0%
Interest Expense Other	(0.8)	(0.4)	(0.1)	100%	Large
<b>Profit Before Tax (before Notable Items)</b>	<b>39.0</b>	<b>31.0</b>	<b>20.3</b>	<b>26%</b>	<b>92%</b>
Income Tax Expense	(12.4)	(9.3)	(6.1)	33%	103%
<b>Underlying NPAT</b>	<b>26.6</b>	<b>21.7</b>	<b>14.2</b>	<b>23%</b>	<b>87%</b>
<b>Notable items</b>					
Strategic transactions and project costs <sup>40</sup>	(4.0)	(14.7)	(3.2)	(73%)	25%
Acquisition Amortisation	(8.5)	(7.2)	(5.1)	18%	67%
Impairments <sup>41</sup>	(3.3)	-	-	n/a	n/a
Tax effect on Notable Items	4.7	6.5	2.5	(28%)	88%
<b>Net Profit/(Loss) After Tax</b>	<b>15.5</b>	<b>6.3</b>	<b>8.4</b>	<b>146%</b>	<b>85%</b>

40 Includes administrative and resourcing costs related to strategic transactions and project costs.

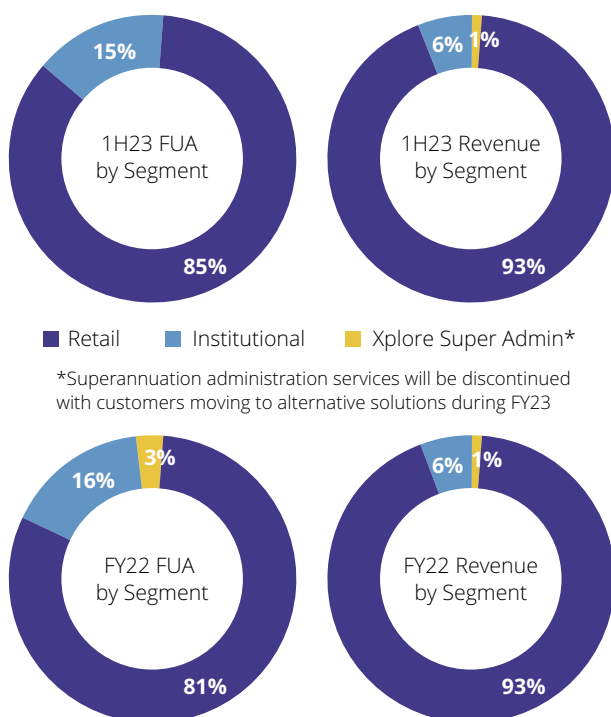
41 Impairment charge of \$3.3 million in relation to the carrying value of investment in Diverger Limited (ASX:DVR).

## CUSTOMER PROPOSITION AND THE COMPOSITION OF FUA

The Group categorises its Platform FUA book into two distinct client segments, being Retail and Institutional, following the migrations for the discontinuation of the 'Xplore Super Admin' business now substantively complete resulting in the exit of the Xplore Super Admin FUA. The Group is committed to organically growing the FUA through generating scalable returns, as well as reviewing inorganic opportunities.

The dynamics of the institutional market mean customers typically access wholesale pricing, and operationally higher efficiencies are achieved from the scale of their portfolios. Margins will fluctuate based on the mix of institutional and retail FUA composition however revenue should continue to increase as the Group FUA continues to grow over time.

### Composition of Platform FUA and revenue



## REVENUE

Group operating revenue increased by 69% to \$137.7 million (1HFY22: \$81.6 million).

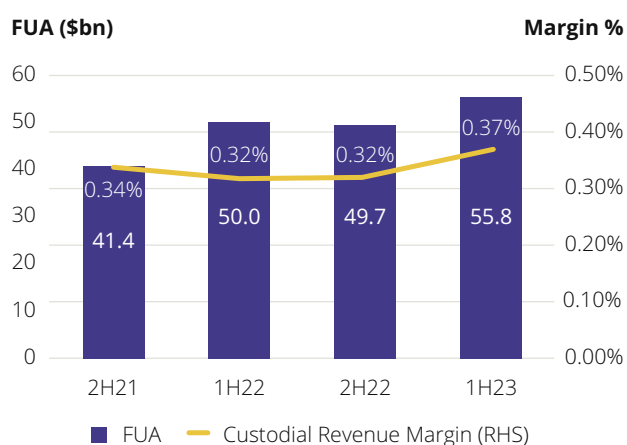
Key drivers include:

- Platform revenue increased by 33% to \$102.7 million (1HFY22: \$77.3 million). Revenue growth driven by Custodial FUA increasing by 12% to \$55.8 billion at 31 December 2022 (1HFY22: \$50.0 billion) together with higher cash management fees due to the RBA Official Rate and higher cash balances as a percentage of average FUA.
- Tech Solutions has benefitted from the acquisition of Class, increasing to \$33.4 million in revenue (1HFY22: \$3.0 million) from software licensing and consulting services.
- Corporate revenue was \$1.6 million, reflecting interest income and equity accounted profits from the investment in Diverger.

### PLATFORM REVENUE AND MARGINS

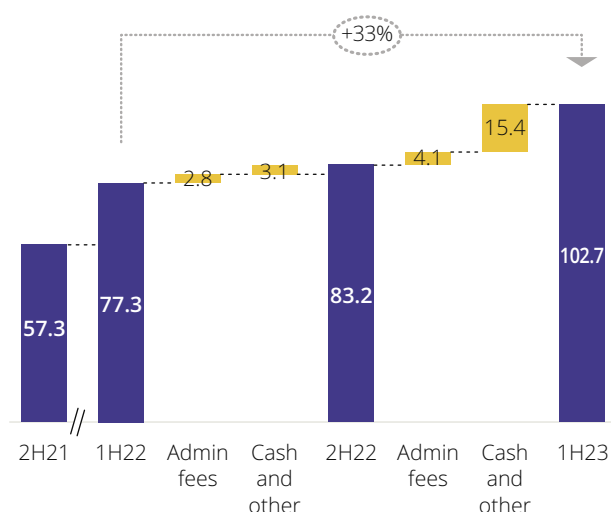
Platform revenue comprises a mix of FUA based fees, including tiered administration fees, cash management fees and transaction fees such as platform trading for equities, managed funds, and insurance.

### Platform margin and FUA

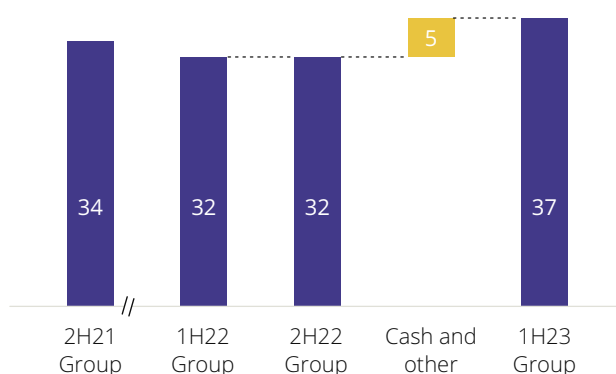


For 1HFY23, Platform revenue margin was 0.37% of average FUA (1HFY22: 0.32%), calculated as the average of opening and closing FUA of each month.

### Platform operating revenue (\$m)



### Platform revenue margin (BPS)



As shown in the chart above, platform revenue margin increased 5 bps to 37 bps driven by cash management fees due to the RBA Official Rate. This half also benefited from lower than normal admin fee margin compression from fee tiering and capping (substantively no impact this half).

The revenue margin may fluctuate from period to period depending upon cyclical market conditions, the level of trading activity, shifts in the mix of client portfolios or variations in the average account balance on the Platform.

Generally, as average account balances on the Platform increase over time, the tiered administration fee paid by clients will tend to decrease as a percentage of FUA while fees will generally increase in absolute dollar terms. Given the volatility in equity markets this half there has been lower than normal impacts from fee tiering (see Platform revenue and expense trends chart on the following page). The percentage of FUA custody paying as at 31 December 2022 was 80.8% which was steady with 31 December 2021.

The accounts on the Platform for 1HFY23 were up 33% on the prior year, and PARS accounts were stable with prior year.

### GROUP EXPENSES

Consolidated Group expenses<sup>42</sup> increased by 65% to \$114.5 million (1HFY22: \$69.6 million).

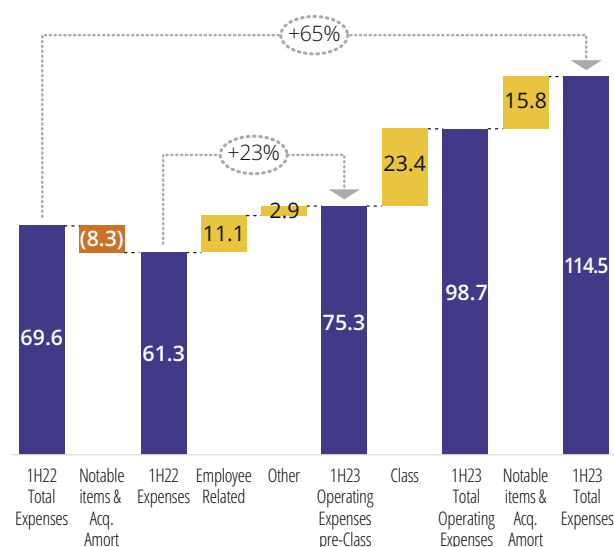
The Group's operating expenses<sup>43</sup> increased by 61% to \$98.7 million (1HFY22: \$61.3 million) with the acquisition of Class adding \$23.4 million. Group FTE increased by 60% to 736 as at 31 December 2022 from 460 as at 31 December 2021. The acquisition of Class increased FTE by 211.

Expenses pre-Class increased by 23% to \$75.3 million (1HFY22: \$61.3 million), reflecting the investment made in headcount resources dedicated to distribution and marketing, future Platform development and business strategy to drive future growth. The investment in headcount will continue to be leveraged in future periods.

The Group's cost to income ratio remained steady at 63.8% (1HFY22: 63.6%) reflecting strong revenue growth from the increasing Platform scale partially offset by the investment costs from increased headcount mentioned above.

In addition, the Group incurred notable items of \$15.8 million (1HFY22: \$8.3 million), due to acquisition amortisation, strategic transactions, project costs and impairments.

### Group expenses



42 Consolidated Group expenses include total operating expenses, share based payments, depreciation & amortisation and interest expenses.

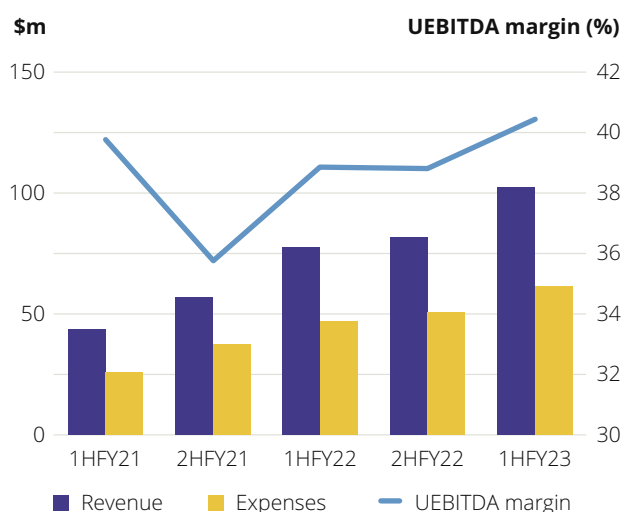
43 Direct expenses are included in Operating expenses. Prior periods have been restated to reflect this change.

## UNDERLYING EBITDA

Group Underlying EBITDA (UEBITDA) before Notable Items increased by 68% to \$49.9 million (1HFY22: \$29.7 million). Due to:

- Growth in Platform FUA to \$55.8 billion as at 31 December 2022, compared to \$50.0 billion in 1HFY22, and stable PARS number of customer accounts at 7,989 (1HFY22: 8,020);
- Platform segment UEBITDA of \$41.4 million, with UEBITDA margin increasing to 40.3% (1HFY22: 38.8%); and
- Group UEBITDA margin is 36.2% (1HFY22: 36.4%), stable on 1HFY22 with platform revenue margin benefits offset by volatile equity markets and aligning Class software capitalisation expenses to the HUB24 group accounting policy.

### Platform revenue and expense trends



## GROUP UNDERLYING NPAT

Group Underlying NPAT represents NPAT before Notable Items. Underlying NPAT increased 87% to \$26.6 million (1HFY22: \$14.2 million).

The key drivers impacting the movement between Underlying EBITDA and Underlying NPAT in 1HFY23 were:

- Employee share based payments decreased to \$4.4 million (1HFY22: \$6.0 million), mainly due to a life to date catchup in 1HFY22. The Group uses long term incentive (LTI) schemes to underpin the growth of the business. During 1HFY22 a grant of Special Performance Awards Rights (SPARs) to the

Managing Director and a small number of key senior people, separate to the annual LTI plan. \$3.5 million in relation to the FY21 SPARs during the half year ended 31 December 2021.

- The Group uses long term incentive (LTI) schemes to underpin the growth of the business. Following shareholder approval at the FY20 AGM, a grant of Special Performance Award Rights (SPARs) were offered to the Managing Director and a small number of key senior people, separate to the annual LTI plan. The SPARs were granted to recognise the importance of those key people in the successful delivery of the Group's strategy over the long-term, and to retain key executives through a period of significant change in the industry, and will vest over 5 years subject to the performance conditions being met.
- HUB24 has a policy of capitalising investment in its assets, which is then amortised over its useful life.

During the first half, \$2.6 million of Platform segment and \$4.3 million<sup>44</sup> of Technology Solutions software costs were capitalised.

- Depreciation and amortisation expenses increased by 75% to \$5.6 million (1HFY22: \$3.2 million) driven by the acquisition of Class and higher levels of investment in IT.
- Strategic transactions and project costs of \$4.0 million have been recognised in 1HFY23 (1HFY22: \$3.2 million). This includes Xplore implementation related costs and the product development costs for the SMSF Access pilot launch.
- Acquisition amortisation of \$8.5 million has been recognised in 1HFY23 (1HFY22: \$5.1 million). This includes Xplore of \$3.1 million, Class of \$4.9 million and Ord Minnett of \$0.5 million.
- Impairment charge of \$3.3 million in relation to the carrying value of the investment in Diverger Limited.

<sup>44</sup> Technology Solutions capitalised costs including fixed assets, leasing and software costs was \$5.3m.



## INCOME TAX

Income tax expense increased by 114% to \$7.7 million (1HFY22: \$3.6 million). The effective tax rate for 1HFY23 was 31.8% (1HFY22: 29.9%).

## CAPITAL MANAGEMENT

The Group has access to a \$5 million working capital facility, which remained undrawn during the period.

The Group has in place loan facilities with both The Australia and New Zealand Banking Group Ltd (ANZ) and Westpac Banking Corporation (Westpac) totalling \$36.3 million.

The Group, through its licensed subsidiaries, fully complied with the minimum regulatory capital requirements for IDPS Operators and providers of custodial services for the period ended 31 December 2022 so as to ensure ongoing capital adequacy.

## DIVIDENDS

The Board has previously announced its intention to target a dividend payout ratio between 40% and 60% of HUB24's annual Underlying Net Profit After Tax.

Subsequent to 31 December 2022, the Directors have determined a fully franked interim dividend of 14.0 cents per share. This represents an increase of 87% and a payout ratio of 42% over the interim dividend for 1HFY22.

The payment of a dividend by the Group is at the discretion of the Board and will be a function of a number of factors, including the general business environment, financial condition of HUB24, capital management initiatives and any other factors the Board may consider relevant.

Dates for the interim dividend are as follows:

- Ex-date: 20 March 2023;
- Record date: 21 March 2023; and
- Dividend payment date: 18 April 2023.

## FINANCIAL IMPACTS OF THE STRATEGIC TRANSACTIONS

The Class PPA has been completed in 1HFY23.

Total implementation costs, including the Class acquisition, to be incurred between FY23 and FY24 are forecast to be \$6–10 million, with annual synergies expected to be approximately \$12–14 million by FY24 onwards.

### Financial Impacts of the Strategic Transactions

\$m	FY21 Actuals	FY22 Actuals	1HFY23 Actuals	FY23 Expected	FY24 Expected	Total
<b>Xplore and Ord Minnett Acquisitions</b>						
<b>Expected Implementation Costs and Synergies</b>						
Implementation Costs <sup>1</sup>	(4)	(5)	(3)	(6–8)	(2–5)	<b>(17–20)</b>
Expected Synergies <sup>2</sup>	1	4	4	6–10	10	<b>n/a</b>
Earnings Per Share Growth	-	13%+	-	-	-	-
<b>Class Ltd Acquisition</b>						
<b>Expected Transaction Costs and Synergies</b>						
Transaction and Implementation Costs <sup>1</sup>	-	(11)	-	-	-	<b>(11)</b>
Expected Synergies	-	1	2	3–5	3–5	<b>n/a</b>
Earnings Per Share Growth <sup>3</sup>	-	-	-	8%	-	-

1. Recognised through strategic transaction costs below underlying NPAT.

2. \$6–10m synergies FY23 and \$10m+ in FY24.

3. Includes full year contribution, realisation of synergies and excludes one-off implementation and non-recurring costs. Integration expected to be completed June 2023.

## 4. SEGMENT RESULTS

### PLATFORM SEGMENT

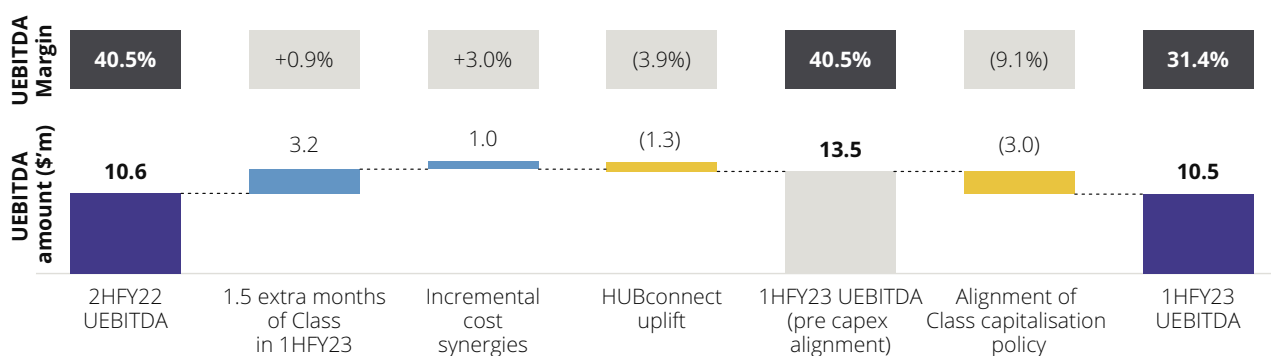
Profit & Loss \$m	1HFY23	2HFY22	1HFY22	1HFY23 v 2HFY22	1HFY23 v 1HFY22
<b>Total Revenue</b>	<b>102.7</b>	<b>83.2</b>	<b>77.3</b>	<b>23%</b>	<b>33%</b>
Platform and Custody Fees	(11.7)	(10.3)	(10.7)	14%	9%
Employee Related Expenses	(42.2)	(34.3)	(32.7)	23%	29%
Administrative Expenses	(7.4)	(6.3)	(3.9)	17%	90%
<b>Total Operating Expenses</b>	<b>(61.3)</b>	<b>(50.9)</b>	<b>(47.3)</b>	<b>20%</b>	<b>30%</b>
<b>Underlying EBITDA</b>	<b>41.4</b>	<b>32.3</b>	<b>30.0</b>	<b>28%</b>	<b>38%</b>
<b>Below UEBITDA Items</b>					
Depreciation & Amortisation	(3.6)	(3.5)	(3.1)	3%	16%
Interest Expense Lease	-	(0.2)	-	n/a	n/a
<b>Profit Before Tax (before Notable Items)</b>	<b>37.8</b>	<b>28.6</b>	<b>26.9</b>	<b>32%</b>	<b>41%</b>
Strategic transactions and project costs <sup>45</sup>	(4.0)	(3.3)	(3.2)	21%	25%
Acquisition Amortisation	(3.6)	(3.5)	(5.1)	3%	(29%)
<b>Profit Before Tax (after Notable Items)</b>	<b>30.2</b>	<b>21.8</b>	<b>18.6</b>	<b>39%</b>	<b>62%</b>
Total Platform expenses	61.3	50.9	47.3	20%	30%
Platform Capex	2.6	3.8	3.5	(32%)	(26%)
<b>Key margins (%)</b>					
UEBITDA margin	40.3	38.8	38.8	1.5	1.5
<b>Platform Segment Statistics</b>					
Total FUA	72,994	65,574	68,321	11%	7%
<b>Platform FUA (\$m)</b>	<b>55,822</b>	<b>49,703</b>	<b>49,992</b>	<b>12%</b>	<b>12%</b>
Net Inflows	5,759	5,072	6,664	14%	(14%)
Gross Flows (excluding strategic transactions) (\$m)	9,342	8,098	9,251	15%	1%
Advisers (#)	3,692	3,486	3,402	6%	9%
Retail revenue margin (bps)	41	37	37	4	4
Institutional revenue margin (bps)	16	13	14	3	2
Xplore Super Admin revenue margin (bps)	12	13	14	(1)	(2)
<b>Platform revenue margin (bps)</b>	<b>37</b>	<b>32</b>	<b>32</b>	<b>5</b>	<b>5</b>
<b>PARS FUA (\$m)</b>	<b>17,172</b>	<b>15,871</b>	<b>18,329</b>	<b>8%</b>	<b>(6%)</b>
Number of PARS Accounts	7,989	8,341	8,020	(4%)	(0%)

<sup>45</sup> Includes administrative and resourcing costs related to strategic transactions and project costs.

## TECH SOLUTIONS SEGMENT

Profit & Loss \$m	1HFY23	2HFY22	1HFY22	1HFY23 v 2HFY22	1HFY23 v 1HFY22
<b>Total Revenue</b>	<b>33.4</b>	<b>26.0</b>	<b>3.0</b>	<b>28%</b>	<b>Large</b>
Tech Solution Fees	(0.9)	(0.3)	-	200%	n/a
Employee Related Expenses	(16.7)	(11.0)	(1.8)	52%	Large
Administrative Expenses	(5.3)	(4.1)	(0.4)	29%	Large
<b>Total Operating Expenses</b>	<b>(22.9)</b>	<b>(15.4)</b>	<b>(2.2)</b>	<b>49%</b>	<b>Large</b>
<b>Underlying EBITDA</b>	<b>10.5</b>	<b>10.6</b>	<b>0.8</b>	<b>(1%)</b>	<b>Large</b>
<b>Below UEBITDA Items</b>					
Depreciation & Amortisation <sup>46</sup>	(2.0)	(0.8)	(0.1)	150%	Large
Interest Expense Lease	(0.1)	(0.1)	-	0%	n/a
Interest Expense Other	(0.6)	(0.2)	-	200%	n/a
<b>Profit Before Tax (before Notable Items)</b>	<b>7.8</b>	<b>9.5</b>	<b>0.7</b>	<b>(18%)</b>	<b>Large</b>
Strategic transactions and project costs <sup>47</sup>	-	(11.3)	-	(100%)	n/a
Acquisition Amortisation	(4.9)	(3.7)	-	32%	n/a
<b>Profit/(Loss) Before Tax (after Notable Items)</b>	<b>2.9</b>	<b>(5.5)</b>	<b>0.7</b>	<b>(153%)</b>	<b>Large</b>
Total Tech Solutions expenses	22.9	15.4	2.2	49%	Large
Tech Solutions Capex <sup>48</sup>	4.3	4.7	-	(9%)	n/a
<b>Key margins (%)</b>					
UEBITDA margin	31.4	40.5	27.9	(9.1)	3.5
<b>Technology Solutions Segment Statistics</b>					
Class Super accounts	183,239	182,635	-	0%	n/a
Class Portfolio accounts	12,694	12,413	-	2%	n/a
Class Trust accounts	2,686	3,349	-	(20%)	n/a
<b>Class accounts<sup>49</sup></b>	<b>198,619</b>	<b>198,397</b>	<b>-</b>	<b>0%</b>	<b>n/a</b>
Class Document Orders (rolling 12 months) <sup>50</sup>	173,142	171,309	-	1%	n/a
Class Companies on Corporate Messenger <sup>51</sup>	621,478	597,989	-	4%	n/a
Class Super ARPU <sup>52</sup>	222	222	-	0%	n/a
Class Portfolio ARPU	118	119	-	(1%)	n/a
Class Trust ARPU	210	191	-	10%	n/a

Tech Solutions UEBITDA margin remained stable at 40.5% prior to Class aligning to the Group Capex policy.



46 HUB24 has performed a review of the Class expenditure and accounting treatment for Software Intangibles. This review completed during the period with Class's accounting treatment for Software Intangibles aligned to the HUB24 accounting policy with effect from 1 July 2022.

47 Includes administrative and resourcing costs related to strategic transactions and project costs.

48 Technology Solutions capitalised costs including fixed assets, leasing and software costs was \$5.3m.

49 Number of Class accounts at the end of each half consists of Class Super, Class Portfolio and Class Trust licenses.

50 Documents paid for by PPU and subscription customers during the half.

51 Number of active companies at the end of each half.

52 Average Revenue Per Unit.

## CORPORATE SEGMENT

Profit & Loss \$m	1H FY23	2H FY22	1H FY22	1H FY23 v 2H FY22	1H FY23 v 1H FY22
<b>Total Revenue</b>	<b>1.6</b>	<b>1.7</b>	<b>1.3</b>	<b>(6%)</b>	<b>23%</b>
<b>Total Operating Expenses</b>	<b>(3.6)</b>	<b>(3.9)</b>	<b>(2.4)</b>	<b>(8%)</b>	<b>50%</b>
<b>Underlying EBITDA</b>	<b>(2.0)</b>	<b>(2.2)</b>	<b>(1.1)</b>	<b>(9%)</b>	<b>82%</b>
<b>Other Items</b>					
Share Based Payments	(4.4)	(4.8)	(6.0)	(8%)	(27%)
<b>EBITDA (before Notable Items)</b>	<b>(6.4)</b>	<b>(7.0)</b>	<b>(7.1)</b>	<b>(9%)</b>	<b>(10%)</b>
Interest Expense Lease	-	0.1	(0.1)	(100%)	(100%)
Interest Expense Other	(0.2)	(0.2)	(0.1)	0%	100%
<b>Profit/(Loss) Before Tax (before Notable Items)</b>	<b>(6.6)</b>	<b>(7.1)</b>	<b>(7.3)</b>	<b>(7%)</b>	<b>(10%)</b>
Strategic transactions and project costs <sup>53</sup>	-	(0.1)	-	(100%)	n/a
Impairments	(3.3)	-	-	n/a	n/a
<b>Loss Before Tax (after Notable Items)</b>	<b>(9.9)</b>	<b>(7.2)</b>	<b>(7.3)</b>	<b>38%</b>	<b>36%</b>

53 Includes administrative and resourcing costs related to strategic transactions and project costs.

## 5. BALANCE SHEET

\$m	1HFY23	2HFY22	1HFY22	1HFY23 v 2HFY22	1HFY23 v 1HFY22
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	67.1	43.4	59.5	55%	13%
Trade and other receivables	31.7	26.3	24.2	21%	31%
Other current assets	5.4	5.3	2.3	2%	135%
<b>Total current assets</b>	<b>104.2</b>	<b>75.0</b>	<b>86.0</b>	<b>39%</b>	<b>21%</b>
<b>Non-current assets</b>					
Investment in associates	12.1	15.2	15.0	(20%)	(19%)
Intangible assets	424.8	429.4	102.8	(1%)	Large
Loans	0.7	15.7	15.4	(96%)	(95%)
Right of use asset	9.0	9.5	5.2	(5%)	73%
Deferred tax assets (net of deferred tax liability)	-	-	9.9	n/a	(100%)
Office equipment	3.0	2.9	1.4	3%	114%
<b>Total non-current assets</b>	<b>449.6</b>	<b>472.7</b>	<b>149.7</b>	<b>(5%)</b>	<b>200%</b>
<b>Total assets</b>	<b>553.8</b>	<b>547.7</b>	<b>235.7</b>	<b>1%</b>	<b>135%</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Provisions – Current	20.9	23.8	19.9	(12%)	5%
Trade and other payables	13.6	13.9	6.7	(2%)	103%
Borrowings	21.3	10.1	3.1	111%	Large
Lease liability	3.3	3.3	2.2	0%	50%
Deferred tax liability (net of deferred tax assets)	3.4	0.7	-	Large	n/a
Deferred income	0.3	0.3	0.3	0%	0%
<b>Total current liabilities</b>	<b>62.8</b>	<b>52.1</b>	<b>32.2</b>	<b>21%</b>	<b>95%</b>
<b>Non-current liabilities</b>					
Lease liability	6.4	6.9	3.7	(7%)	73%
Provisions – Non-Current	2.9	3.3	2.1	(12%)	(38%)
Borrowings	15.1	29.2	9.4	(48%)	61%
Deferred income	0.3	0.5	-	(40%)	Large
Other Non-Current Liabilities	-	-	0.6	n/a	(100%)
<b>Total non-current liabilities</b>	<b>24.7</b>	<b>39.9</b>	<b>15.8</b>	<b>(38%)</b>	<b>56%</b>
<b>Total liabilities</b>	<b>87.5</b>	<b>92.0</b>	<b>48.0</b>	<b>(5%)</b>	<b>82%</b>
<b>Net assets</b>	<b>466.3</b>	<b>455.7</b>	<b>187.7</b>	<b>2%</b>	<b>148%</b>
<b>Equity</b>					
Issued capital	464.3	460.4	197.2	1%	135%
Profit reserve	55.8	50.3	50.0	11%	12%
Reserves	21.2	20.0	15.5	6%	37%
Retained earnings	(75.0)	(75.0)	(75.0)	0%	0%
<b>Total equity</b>	<b>466.3</b>	<b>455.7</b>	<b>187.7</b>	<b>2%</b>	<b>148%</b>

## 6. CASHFLOW

\$m	1HFY23	2HFY22	1HFY22	1HFY23 v 2HFY22	1HFY23 v 1HFY22
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of GST)	131.9	109.3	72.9	21%	81%
Payments to suppliers and employees (inclusive of GST)	(89.6)	(67.3)	(54.9)	33%	63%
Interest received	1.0	1.1	0.5	(9%)	100%
Interest paid on lease liability	(0.2)	(0.2)	(0.1)	0%	100%
Short term lease payments	(0.1)	-	(0.1)	n/a	0%
<b>Net cash inflow from operating activities prior to strategic costs and tax</b>	<b>43.0</b>	<b>42.9</b>	<b>18.3</b>	<b>0%</b>	<b>135%</b>
Strategic transaction and due diligence costs	(4.1)	(13.6)	(3.2)	(70%)	28%
Income tax payment	(8.8)	(7.5)	-	17%	n/a
<b>Net cash inflow from operating activities</b>	<b>30.1</b>	<b>21.8</b>	<b>15.1</b>	<b>38%</b>	<b>99%</b>
<b>Cash flows from investing activities</b>					
Payments for acquisitions net of cash acquired	-	(12.5)	-	(100%)	n/a
Payments for office equipment	(0.8)	(0.3)	(0.3)	167%	167%
Payments for intangible assets	(6.9)	(8.3)	(3.7)	(17%)	86%
Dividends from associate	-	0.4	0.1	(100%)	(100%)
<b>Net cash (outflow) from investing activities</b>	<b>(7.7)</b>	<b>(20.7)</b>	<b>(3.9)</b>	<b>(63%)</b>	<b>97%</b>
<b>Cash flows from financing activities</b>					
Loan facility (advance)/repayment	14.9	(0.2)	(7.9)	Large	Large
Payments for capital raising costs	-	(0.2)	-	(100%)	n/a
Proceeds from share options exercised by employees	1.1	(0.2)	2.7	Large	(59%)
Repayment of borrowings	(3.0)	(4.1)	-	(27%)	n/a
Payments for treasury share buy-backs	-	(5.0)	(5.0)	(100%)	(100%)
Repayment of lease principal payments	(1.8)	(1.5)	(1.2)	20%	50%
Dividends paid	(10.0)	(6.0)	(3.8)	67%	163%
<b>Net cash inflow/(outflow) from financing activities</b>	<b>1.2</b>	<b>(17.2)</b>	<b>(15.2)</b>	<b>(107%)</b>	<b>(108%)</b>
<b>Net increase in cash and cash equivalents</b>	<b>23.6</b>	<b>(16.1)</b>	<b>(4.0)</b>	<b>(247%)</b>	<b>Large</b>
Cash and cash equivalents at the beginning of the period	43.5	59.5	63.5	(27%)	(31%)
<b>Cash and cash equivalents at end of the period</b>	<b>67.1</b>	<b>43.5</b>	<b>59.5</b>	<b>55%</b>	<b>13%</b>

The Group continues to generate strong operating cashflows, with 1HFY23 net cash inflow from operating activities prior to strategic costs and tax of \$43.0 million (1HFY22: \$18.3 million).

The Group maintains cash reserves significantly above regulatory capital requirements.

Cash and cash equivalents at 31 December 2022 were \$67.1 million (1HFY22: \$59.5 million), and the Group recorded positive cashflow from operating activities of \$30.0 million (1HFY22: \$15.1 million). Net cash and cash equivalents after deducting borrowings was \$30.7 million.

The increase in both receipts from customers and payments to suppliers reflects increased size of the Platform business, due to business acquisitions and

underlying growth in account numbers and the Tech Solutions business benefitting from the acquisition of Class.

Cash net inflows from financing activities of \$1.2 million includes \$15.4 million proceeds from ORFR loan facility settlement, partly offset by \$10 million of dividends, \$3.0 million repayment of borrowings, \$1.8 million lease principal payments and \$0.5 million loan payment to a fintech investee.

In FY21, the Group entered into a \$12.5 million 3 year amortising debt facility with ANZ. No repayments were made during 1HFY23. At 30 June 2022, Class had a bank loan facility with Westpac of \$29.9 million. During the period, \$3.0 million of principal repayments were made.

## 7. GLOSSARY

<b>ARPU</b>	Average Revenue Per Unit
<b>Cost to income ratio (%)</b>	Total operating expenses divided by total revenue
<b>EBITDA</b>	Earnings before interest, tax, depreciation, amortisation
<b>Funds under administration (FUA)</b>	The value of customer portfolios invested onto the Platform
<b>Net tangible assets per basic share</b>	Total Assets less Total Liabilities adjusted for Intangible Assets, divided by the number of outstanding ordinary paid shares
<b>Notable Items</b>	Includes administrative and resourcing costs related to strategic transactions and project costs, and Amortisation relating to the acquisition of Xplore, Class and Ord Minnett.
<b>ORFR</b>	Operational Risk Financial Requirement relates to the HUB24 Superannuation Fund's requirement to hold adequate reserves against operational losses in accordance with APRA Prudential Standard SPS114.
<b>PARS FUA</b>	Portfolio And Reporting Services – refers to the non-custodial portfolio
<b>Platform FUA</b>	Refers to the custodial portfolio
<b>PPA</b>	The purchase price accounting for the Xplore and Class acquisitions
<b>PPU</b>	Pay Per Unit
<b>Revenue margin (bps)</b>	Custodial revenue divided by average custodial FUA
<b>SMSF</b>	Self-managed super fund
<b>STI/LTI</b>	Short term incentive/Long term incentive
<b>Underlying EBITDA</b>	Refers to EBITDA excluding notable items
<b>Underlying EBITDA margin from continuing operations (%)</b>	Underlying EBITDA divided by total revenue



## 8. CORPORATE DIRECTORY



### DIRECTORS

Mr Bruce Higgins (Chairman)  
Mr Andrew Alcock (Managing Director)  
Mr Anthony McDonald  
Mr Paul Rogan  
Ms Ruth Stringer  
Ms Catherine Kovacs



### SHARE REGISTRY

**Link Market Services Limited**  
Level 12, 680 George Street  
Sydney NSW 2000



### SECRETARIES

Ms Kitrina Shanahan  
Mr Andrew Brown



### STOCK EXCHANGE LISTINGS

HUB24 Limited shares are listed on  
the Australian Securities Exchange  
(ASX Code: HUB)



### PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2  
7 Macquarie Place  
Sydney NSW 2000  
Australia  
  
ABN 87 124 891 685



### AUDITOR

**Deloitte Touche Tohmatsu**  
Grosvenor Place  
225 George Street  
Sydney NSW 2000



### WEBSITE

hub24.com.au

The background features several large, overlapping, rounded rectangular shapes in two shades of blue. A smaller, lighter blue shape is positioned in the upper left, while a larger, darker blue shape curves around the right side of the page. The overall composition is minimalist and modern.

**HUB**<sup>24</sup>