

## 2019 Annual General Meeting Presentation

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**19 November 2019, Melbourne:** Praemium is pleased to provide a copy of the address to be given by Praemium's Chairman, Barry Lewin, and the presentation by Praemium's CEO, Michael Ohanessian at the Company's Annual General Meeting (which will commence at 11am this morning).

*Document approved by the Board of Praemium Limited*

**For further information:**

**Paul Gutteridge, Company Secretary**

**Ph: 1800 571 881**

**About Praemium (ASX: PPS):** Praemium is a global leader in the provision of technology platforms for managed accounts, investment administration and financial planning. Praemium services in excess of 300,000 investor accounts covering over \$140 billion in funds globally for more than 1,000 financial institutions and intermediaries, including some of the world's largest financial institutions.

**Praemium Limited** (ABN 74 098 405 826), Level 19, 367 Collins Street, Melbourne VIC 3000 Australia

## **Praemium's Chairman's Address**

### **Barry Lewin, Melbourne, 19 November 2019**

I extend a very warm welcome all shareholders, staff, professional advisors and other visitors to the 2019 Praemium Annual General Meeting. I'm delighted to be presenting to you following my second full year as Chairman of Praemium.

The past year can be characterised as one where the Company has achieved very solid progress across a number of growth-focused initiatives. Further diversification of our business and the significant broadening of our addressable market and product offering have contributed to strong growth in our international business, which continues its drive towards inflection.

The major rebranding and upgrade in February expanded Praemium's range of single assets, and created a comprehensive Individual Managed Accounts (IMA) service. The IMA significantly increases Praemium's Australian addressable market, from the \$21 billion SMA platform segment (as at the end of 2018) to the \$858 billion overall platform market today.

Major achievements for the year included:

- Record annual gross inflows across Australia and International markets of \$3 billion
- Platform Funds under Administration (FUA) of \$9.5 billion at June 2019 and increasing further to \$10.3 billion by the end of September 2019, and
- IMA contributing a rapidly growing 8% of overall FUA growth since its launch in February

With the inclusion of the VMA Administration Service (VMAAS) for the first time, total FUA has hit the \$20 billion mark. Based on the experience thus far, we expect VMAAS to be an important driver of future growth.

I should not let the opportunity pass to say how disappointed we were to see a major Australian client make the decision to leave the platform. While it is of course disappointing to have a valued client choose to go in a different direction, it is important not to overstate the reliance of our business on any one client.

Moreover, several major new agreements executed during the financial year will exceed the lost revenue once fully transitioned, and these contract wins demonstrate just how diversified and robust our business has become, and this is a great credit to Michael and his team.

On behalf of the Board, I extend sincere thanks to our dedicated staff and management around the world for delivering another strong financial result. They are working hard to assure our continued success.

My fellow directors and I also wish to express our sincere appreciation to all shareholders for your support, and we are confident you will continue to benefit from your investment in the Company well into the future.

I would now like to ask our CEO Michael Ohanessian, to present his report to the meeting.

# CEO's Report

Michael Ohanessian, CEO & Managing Director



# Disclaimer

The material contained in this document is a presentation of general information about the Praemium Group's activities current as at the date of this presentation (19 November 2019) and is supplementary to the Group's financial results released to the ASX on 12 August 2019 and previous ASX filings as applicable.

It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice when deciding if an investment is appropriate.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Praemium's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Praemium does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Praemium's control. Past performance is not a reliable indication of future performance.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by the Praemium Group or any of its related bodies corporate.

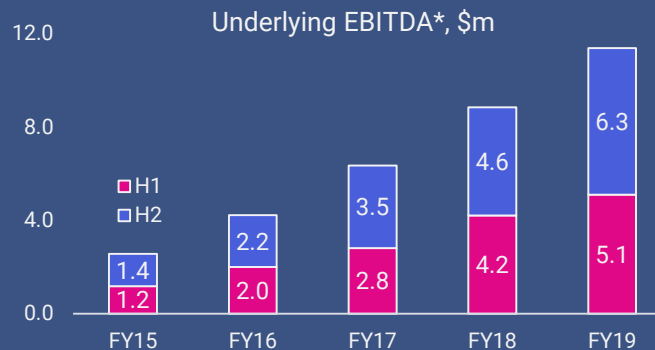
# Key financial highlights

\$45.1 million  
in revenue

12% increase in net revenue  
14% increase in gross margin  
29% increase in EBITDA\*

80%  
increase in NPAT

78%  
increase in EPS

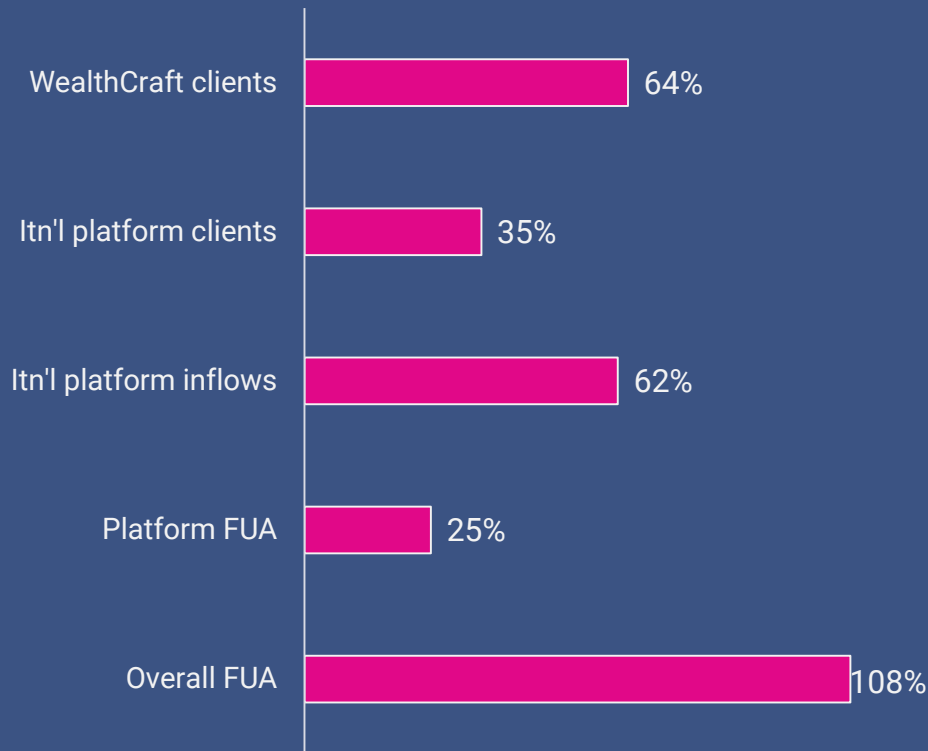


11<sup>th</sup> consecutive half of profit growth

\$11.4 million  
in underlying EBITDA\*

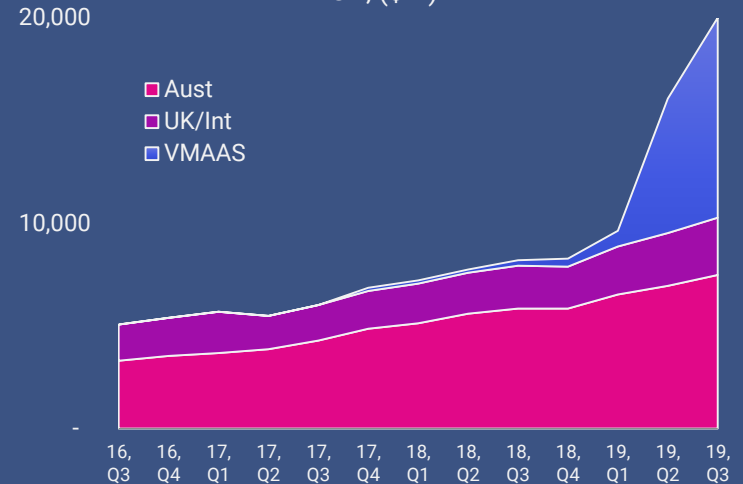
# Key performance indicators

## Uplift in key areas

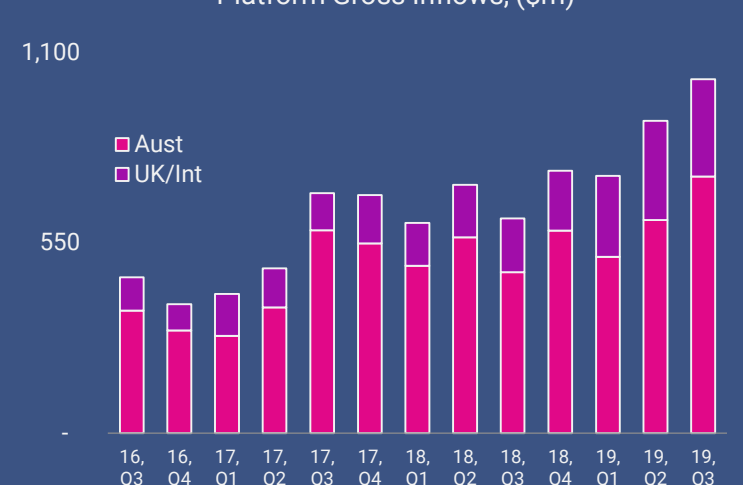


- ✓ VMA Administration Service (VMAAS) at \$6.6 billion FUA
- ✓ UK Pension schemes now exceed 1,000

## FUA, (\$m)



## Platform Gross Inflows, (\$m)



# A major platform upgrade

Fully integrated managed account platform

## UMA

Unified experience across model portfolios, bespoke portfolios and non-custodial holdings

Auto rebalancing of domestic and international models

Trade netting benefits across both SMA and IMA

## MIS

SMA  
Professionally managed model portfolios

IMA  
Select from a wide range of equities, bonds, ETFs, hybrids, funds

Managed Accounts Cash

VMA  
Portfolio engine

Unified architecture

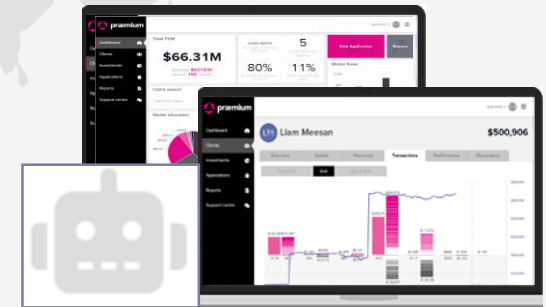
Entirely new Adviser Portal, launched in Australia and UK with:

New online adviser help centre and live chat

Managed Accounts Cash facility

AI and machine learning, Insights

Adviser model templates



Unified view

UMA: Unified Managed Account  
MIS: Managed Investment Scheme  
SMA: Separately Managed Account  
IMA: Individually Managed Account  
VMA: Virtual Managed Account

# Award-winning innovation 2019

## Winner

### Innovation Category

Institute of Managed Account Professionals  
Managed Account Awards



## Winner

### Schroders UK Platform Awards

Leading Platform for Discretionary Management



## Winner

### Global Investment Platform of the Year

Investment Adviser Awards



## Winner

### Best Fund Platform

City of London  
Wealth Management Awards



“The winner has shown persistence over a long period in developing a service that meets the needs of its clients and their clients for a solution which is flexible and able to be used by a range of investors.

In a competitive environment the solution needed to support a wide range of business models and the winner achieves that.”

–IMAP judging panel



# FY2019 financial results

Group Financial Results	FY18 (\$m)	FY19 (\$m)
<b>Revenue</b>	<b>43.2</b>	<b>45.1</b>
Product commissions <sup>(1)</sup>	(4.6)	(2.0)
Revenue (net)	38.6	43.1
Cost of operations	(7.3)	(7.3)
<b>Gross margin</b>	<b>31.3</b>	<b>35.8</b>
<i>GM % of net revenue</i>	<i>81.2%</i>	<i>83.1%</i>
<b>Expenses:</b>		
Information Technology <sup>(2)</sup>	(6.7)	(6.0)
Sales & Marketing	(7.5)	(9.4)
General & Admin	(8.3)	(9.0)
<b>Total expenses</b>	<b>(22.5)</b>	<b>(24.4)</b>
<b>EBITDA (underlying)</b>	<b>8.8</b>	<b>11.4</b>
Share schemes <sup>(3)</sup>	(1.1)	(2.0)
D&A <sup>(4)</sup>	(1.0)	(1.9)
<b>EBIT</b>	<b>6.7</b>	<b>7.5</b>
Arbitration & restructure <sup>(5)</sup>	(1.8)	(1.6)
FX & other <sup>(6)</sup>	(0.0)	(0.5)
<b>NPBT</b>	<b>4.9</b>	<b>5.4</b>
Tax <sup>(7)</sup>	(3.5)	(2.9)
<b>NPAT</b>	<b>1.4</b>	<b>2.5</b>

## Key financial highlights



Net revenue up 12%



Gross margin up 14%



Underlying EBITDA up 29%



EBITDA margin of 25%, up from 20%

9% increase in expenses from growth investments:

- Expanded sales & marketing up from 19% to 22%
- IT (including R&D capex) up from 23% to 25%



NPAT up 80% to \$2.5 million, EPS up 78%

(1) Product commissions relate to Smartfunds, with reductions from fund outflows during the year

(2) Information Technology expenses excludes R&D capex of \$4.7 million (FY19) and \$2.3 million (FY18)

(3) Expense relates to phasing of long term incentives (performance rights) under the Company's employee share scheme

(4) Includes amortisation of intangibles from software R&D (3 years) and Plum and Wensley Mackay acquisitions (5 years)

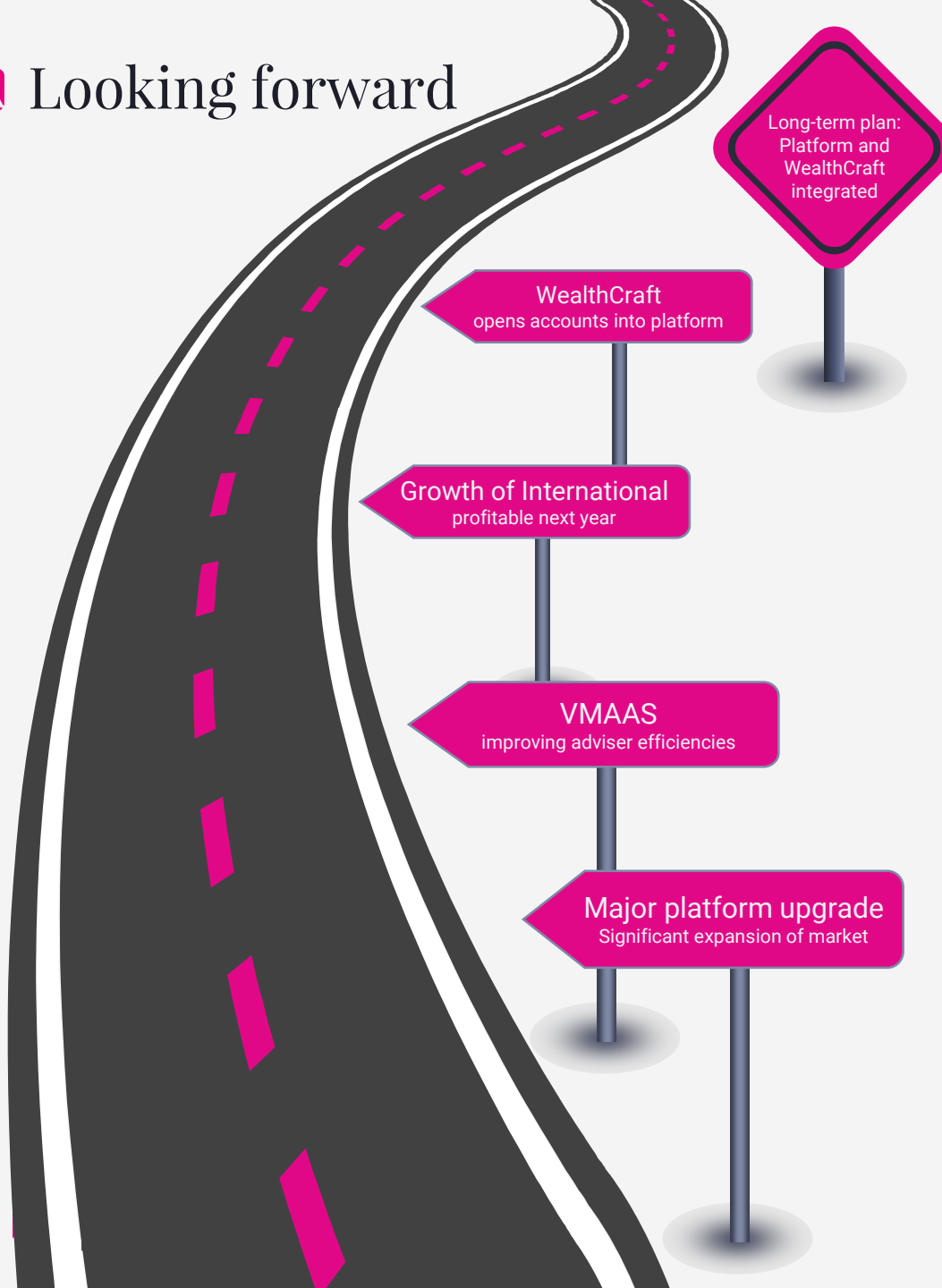
(5) Refer slide 16 for detailed breakdown

(6) Unrealised FX from cash held in foreign currencies (GBP, USD, HKD) and irrecoverable taxes (VAT, WHT)

(7) FY19 Aus tax estimate at 27.5% company tax rate



# Looking forward



## Industry tailwinds

### Australia

- Specialist platforms market share predicted to grow from 5% to 12% in 5 years<sup>1</sup>

### UK

- Over-concentration of platform tech from 2-3 providers could lead to an *innovation stalemate*

### International

- Increased regulatory requirements forcing advisers to adapt from a front-loaded-commissions model to a fee-for-service model

<sup>1</sup> UBS Global Research, Australian Diversified Financials, May 2019



# Upgrade to a full-service platform

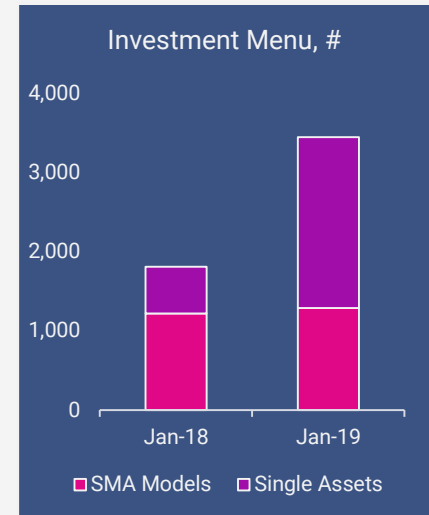
Praemium's Integrated Managed Accounts platform adds IMA functionality to its SMA capability. In Australia, the upgrade represents a 40-fold increase in available market from the \$21bn SMA market to the overall \$858bn platform market.<sup>1</sup>

Praemium is now a one-stop-shop  
with an expanded menu of single assets for IMA

In February 2019 Praemium released its innovative Integrated Managed Accounts platform.

- The fully integrated platform provides wealth managers the ability to construct the full breadth of managed accounts solutions for their clients via a seamless digital platform
- The integrated platform includes:
  - Custodial Separately Managed Accounts (SMA) and Individually Managed Accounts (IMA), plus
  - Non-custodial Virtual Managed Accounts (VMA) to underpin MDAs, IDPS and similar structures, and
  - Unified Managed Accounts (UMAs) that enable a consolidated view of custody and non-custody investment assets.

Supported by a major re-brand, new website and the  
'Welcome to the Upgrade' marketing campaign



<sup>1</sup> Strategic Insight (Plan for Life), March 2019 & Institute of Managed Accounts Professionals, Dec 2018

# VMAAS – a complete administration service

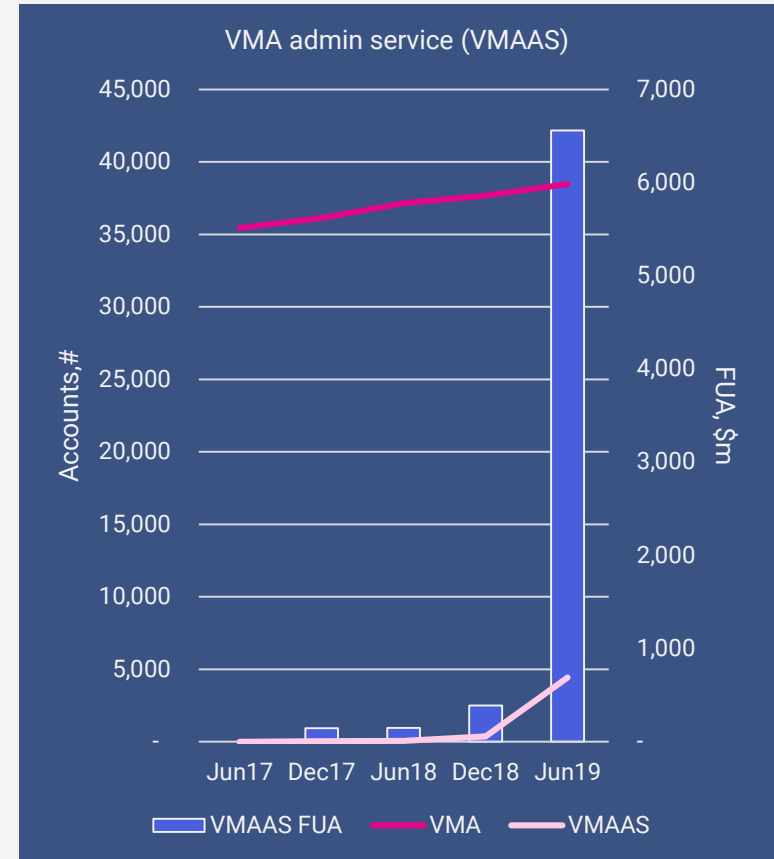
Providing full administration, including:

- Mail processing
- Account reconciliation
- Corporate action elections and processing
- Billing and fee generation
- Quarterly reporting
- Annual tax statements
- Optional year-end SMSF accounting, audit and lodgment

Built on Praemium's unique portfolio capabilities:

- Automatically reconstructs all portfolios' tax position after ATO rulings
- Complex corporate actions with history from 1985, CGT optimisation and tax reporting
- Performance benchmarking supported by an unmatched range of market indices
- Handles the most complex investments including international and stapled securities
- Automates AMIT rules for managed funds
- Broad investment range: all ASX-listed and 5,000 int'l equities, 700 local and int'l bonds, funds, options, fixed interest

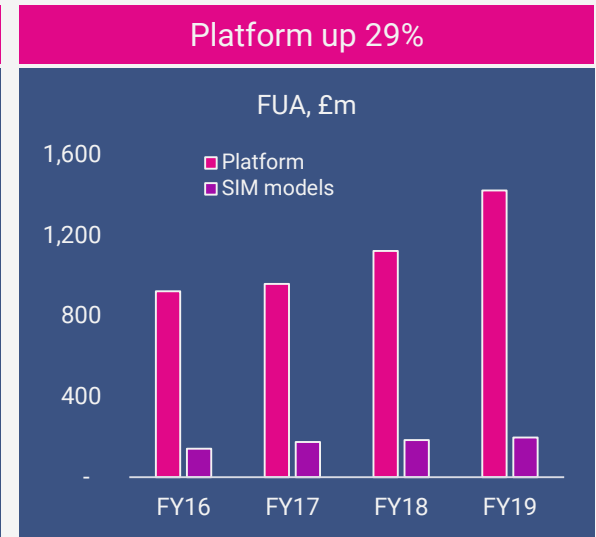
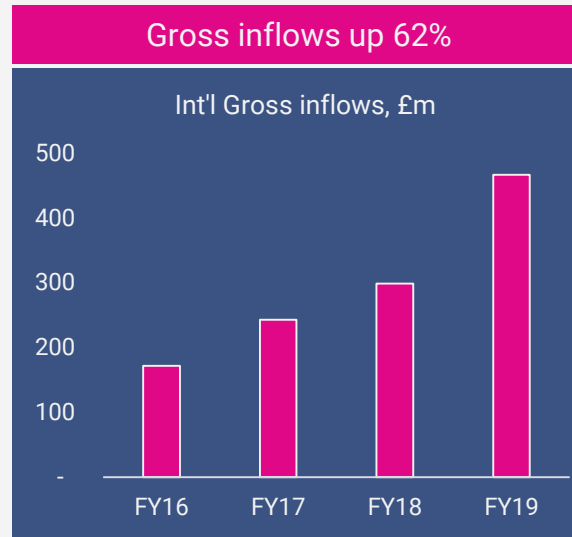
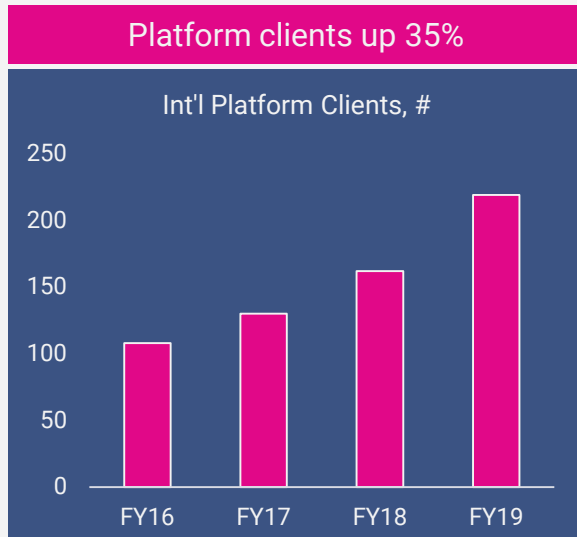
ATO to gather 20 billion digital transactions in the year ahead<sup>1</sup>, accurate annual tax reports will be a critical



Service launched in December 2017  
Strong uptake in 2H FY2019



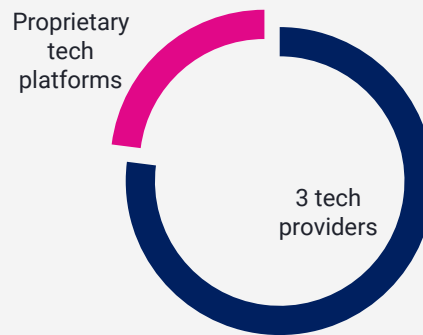
# International, now growing strongly



*UK/Int'l is well placed with Praemium's proprietary technology*

*"Re-platforming has without doubt been the most disruptive activity in the platform space in recent years. When adviser platforms have tried to shift their underlying technology from one provider to another, it has caused havoc for the advisers, paraplanners and administrators who are simply trying to service their clients."*

- Professional Adviser 29 July 2019



In the UK, three tech providers underpin 77% of platform FUA. Consolidation could reduce this to just two.<sup>1</sup>

Praemium's next-gen platform can better serve the UK advice market:

- *Proprietary tech* leveraging global experience
- Innovative, responsive, agile
- Global, multi-currency
- Excellence in SMA rebalancing
- Excellence in reporting
- FATCA-compliant solution for US tax-payers
- Global ex-pat pension solutions
- Unified discretionary and advisory (SMA & IMA) in a single structure

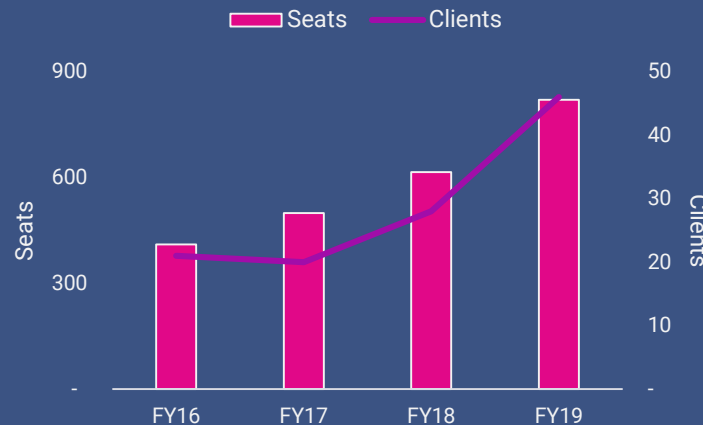
# Good progress for WealthCraft



Praemium's financial advice software growing with strong platform cross-sell

A total of 46 firms on WealthCraft

64%  
increase in  
WealthCraft clients



57%  
of whom use other  
Praemium services

# Our ultimate vision

## Integrated managed accounts platform

### Portfolio administration (VMAAS)

Leverage excellence in non-custodial reporting for HNW clients

### Non-custodial technology (VMA)

Performance analytics, asset allocation, tax engine, consolidated reporting, client portals

### Custodial managed accounts

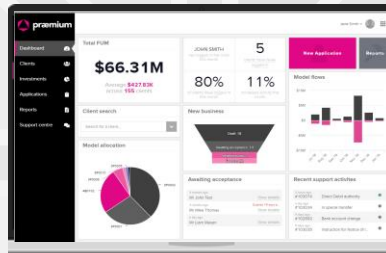
SMA, IMA, MDA, FATCA-compliant, ex-pat super/pensions

### Financial planning software (WealthCraft)

Cloud based CRM, fact-find, risk profiling, gap analysis, digital acceptance

### Investment management (Smart<sup>im</sup>)

In-house professionally managed multi-asset, multi-currency model portfolios



### Adviser Portal