

# Netwealth 1H2020 Results Presentation



Our purpose is

To enable people to  
see wealth differently  
and discover a brighter  
future



Our culture is value-driven

Curious  
Optimistic  
Collaborative  
Agile  
Genuine  
Courageous



# Our strategy is to deliver



## Best-in-class technology

Market leading, home grown platform, agile and tailored to client needs



## Best-in-class service

Award winning, nimble and highly responsive – ‘we make our clients look good’



## Insights that matter

Provide deep insights to our clients and spot change that matters

# Today's presenters and agenda



**Michael Heine**  
Joint Managing  
Director



**Matt Heine**  
Joint Managing  
Director



**Grant Boyle**  
Chief Financial  
Officer

1. 1H2020 business and financial highlights
2. 1H2020 financial performance
3. Outlook
4. Questions
5. Appendix and additional information

# 1H2020 Business and Financial highlights



# Financial highlights 1H2020

Further revenue and profit growth



**\$58.7M**

Revenue



**\$30.5M<sup>1</sup>**

EBITDA



**52.0%<sup>1</sup>**

EBITDA margin



**\$20.6M<sup>1</sup>**

NPAT



**\$30.5M<sup>1</sup>**

Operating net cashflow  
pre tax



**8.4 cents<sup>1</sup>**

EPS



**Dividend 6.9 cps**

Interim dividend



**ASX 200**

NWL in the S&P ASX200 index  
from 23 September 2019

1. Underlying EBITDA, EBITDA margin, NPAT, NPAT margin, Operating net cashflow and EPS prepared applying accounting standard AASB117 Leases. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided in the 1H2020 results presentation. Underlying EPS has been calculated including all of the ordinary shares, performance shares and options currently on issue at the end of the period.

# Business highlights 1H2020



**\$28.5B FUA**

Growth \$5.2B (+22.2%)  
Growth \$9.5B (+50.2%) CY2019



**\$4.4B**

FUA net inflows  
UP \$2.4B (+124.9%)



**\$5.7B FUM**

Growth \$1.8B (+45.7%)  
Growth \$2.6B (+83.2%) CY2019



**\$1.7B**

FUM net inflows  
UP \$1.3B (+306.8%)



# Business Highlights 1H2020



## Recognised by the industry

- Ranked 1<sup>st</sup> for net promoter score, adviser experience, ongoing adviser support, overall functionality and client experience by Adviser Ratings<sup>1</sup>
- Ranked 1<sup>st</sup> for digital wealth application/service among wealth institutions<sup>2</sup>
- Ranked 1<sup>st</sup> platform for overall functionality by Investment Trends<sup>3</sup>
- Ranked 1<sup>st</sup> platform for overall satisfaction by Investment Trends<sup>4</sup>
- SMSF platform provider of the year<sup>5</sup>

## Whole of wealth solution

- Leader in solutions for high net-worth (HNW) and private wealth clients
- New “premium” product option provides greater investment flexibility and functionality for sophisticated and HNW clients
- Software as a Service (SaaS) revenue for “Xwrap” progressively rolled out

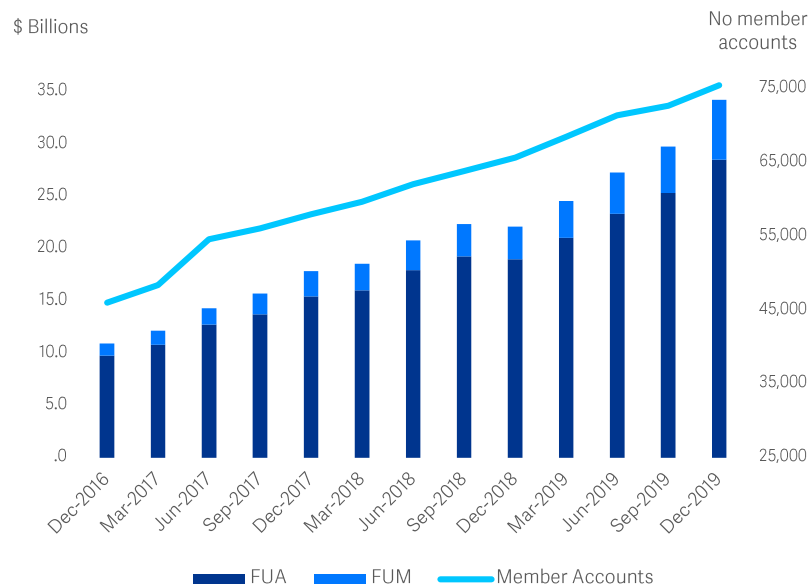
## Leading industry flows

- Recorded the highest rolling 12-month FUA net inflows for the sixth consecutive quarter<sup>6</sup>
- Increased overall platform market position by 1 place to 8th overall<sup>6</sup>
- Material uplift in FUA for both new and existing clients
- 2,711 Financial Intermediaries using the platform

1. Adviser Ratings 2019 Financial Advice Landscape Report December 2019  
2. Investment Trends - Digital Wealth Report January 2020  
3. Investment Trends - December 2019 Platform Competitive Analysis and Benchmarking Report  
4. Investment Trends - April 2019 Planner Technology Report (Primary users of the platform)  
5. Momentum Media SMSF awards July 2019  
6. Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2019)

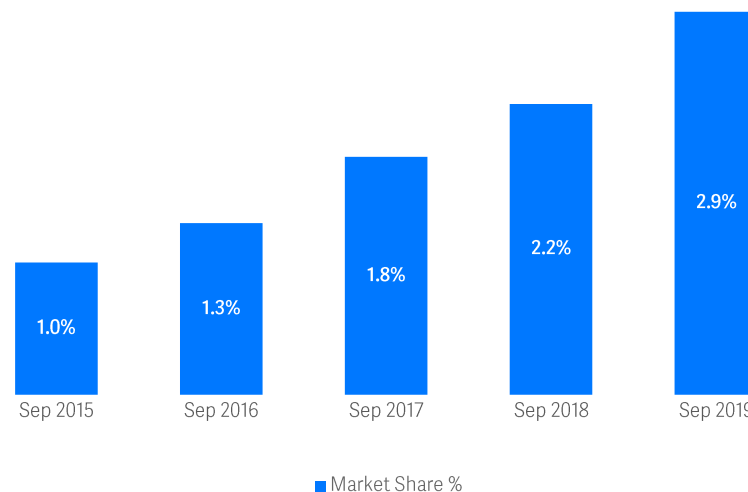
# Accelerating growth

Continuous quarters of FUA, FUM and member account growth



Source: Netwealth

Gaining market share, up 0.7% for the year to Sep 2019



Source: Strategic Insight: Master Trusts, Platforms & Wraps

# Growth in financial intermediaries

2,711 Financial Intermediaries on the platform at 31 Dec 2019, up 13.3% compared to 31 Dec 2018

## Growth is driven by

- Existing Financial Intermediaries:**

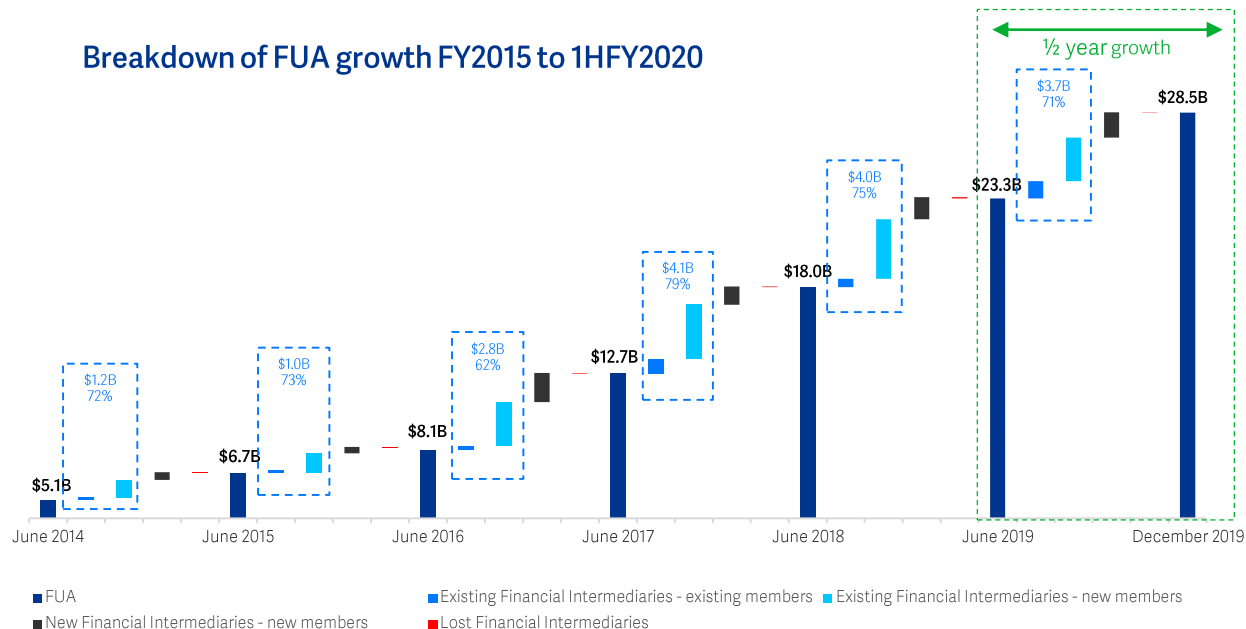
Continued migration of accounts from our existing Financial Intermediaries accounted for approximately 71% of the FUA added during 1H2020

- New Financial Intermediaries:**

Inflows from new Financial Intermediaries contributed approximately 29% of the FUA increase for 1H2020 and underpins Netwealth's future growth

- Strong pipeline of new opportunities**

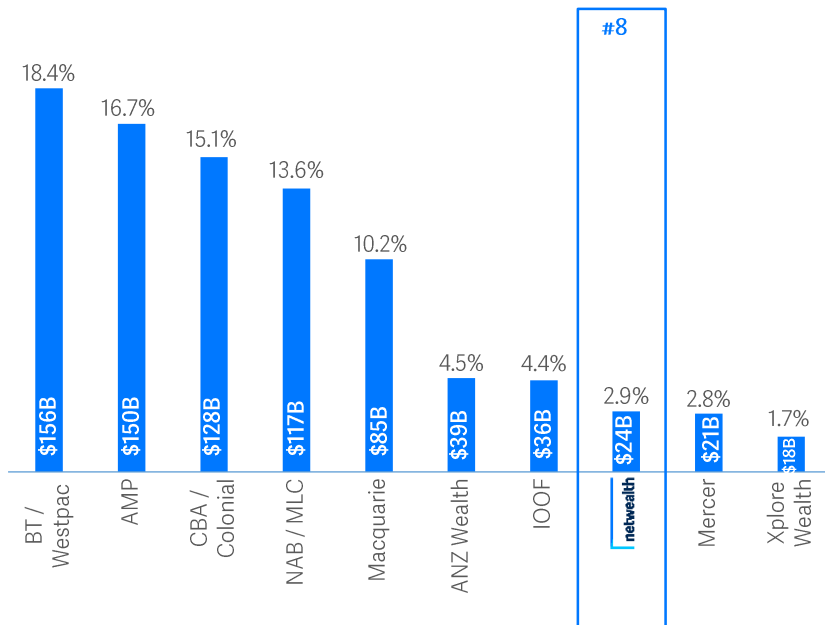
Breakdown of FUA growth FY2015 to 1HFY2020



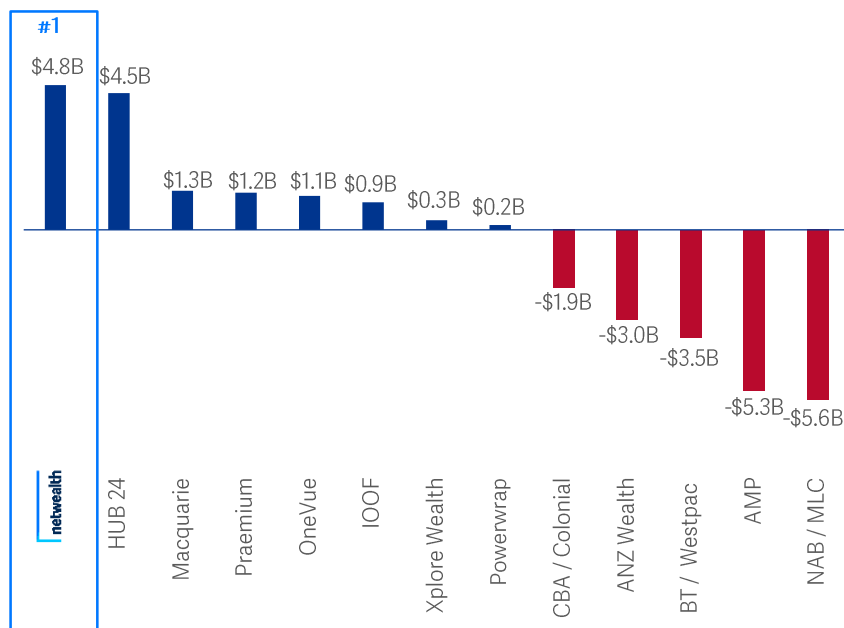
Source: Netwealth

# Significant market opportunity for growth

Platform providers by FUA market share<sup>1</sup>  
% market share (Sep 2019)



Platform provider net funds flows<sup>2</sup>  
\$'Billions (12 months to Sep 2019)



Source: Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2019)

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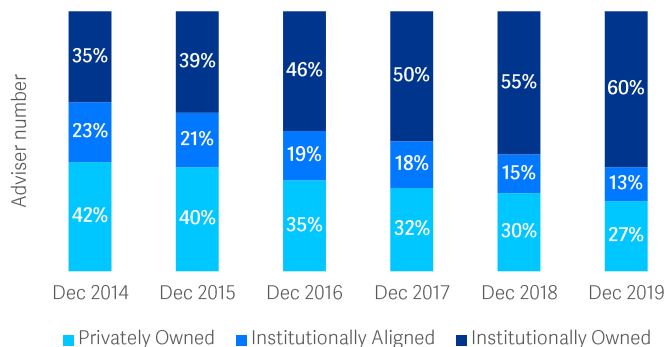
1. Total industry retail FUA of \$887.8B (as at Sep 2019)
2. Total net flows of negative \$-6.7B (12 months to Sep 2019) (Not included above - Others of -\$1.7B)

# Opportunity in an evolving industry

Scalable and innovative functionality plus superior customer service - as verified by our clients

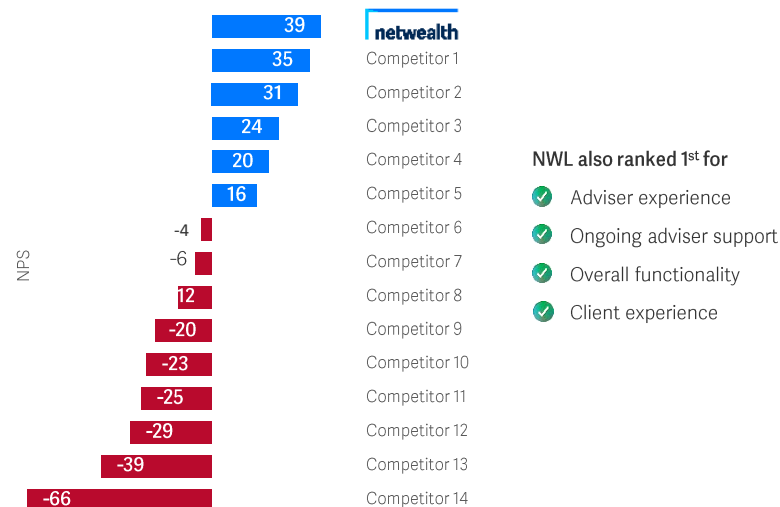
## Adviser switching

Advisers are transitioning from institutionally aligned and owned licensees to privately owned licensees at an unprecedented rate. Privately owned licensees now account for 60% of advisers compared to 35% six years ago.<sup>1</sup>



Source: Adviser Ratings; Adviser Musical chairs Report - Quarter 4 2019

## Ranked 1<sup>st</sup> platform NPS (Net promoter score)



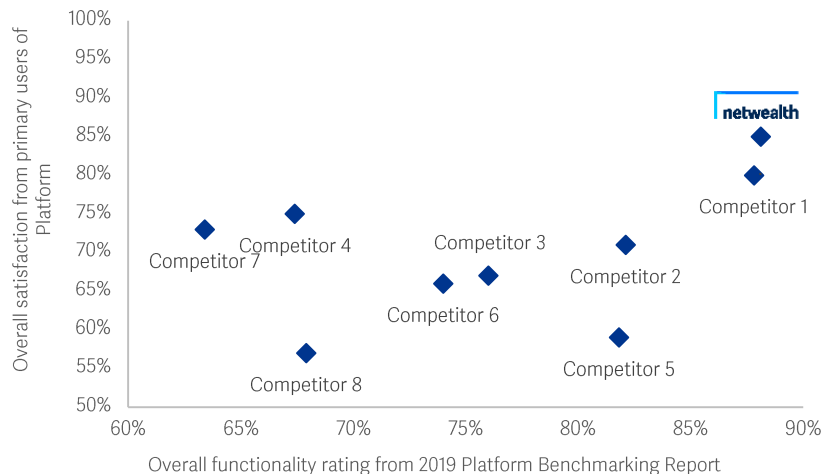
Source: Adviser Ratings 2019 Financial Advice Landscape Report December 2019

1. Adviser Ratings; Adviser Musical Chairs Report - Quarter 4 2019

# Australia's premier platform

Ranked No1 for overall functionality for the fifth year in a row and No1 for overall satisfaction for the eighth year in a row by Investment Trends

## Award-winning technology enhanced by an exceptional service commitment



Source: Investment Trends – December 2019 Platform Competitive Analysis and Benchmarking Report & Investment Trends – April 2019 Planner Technology Report

Note: Composite score based on weighted average using Very Good = 100%, Good = 67%,

Average=50%, Poor = 17%, Very Poor = 0%

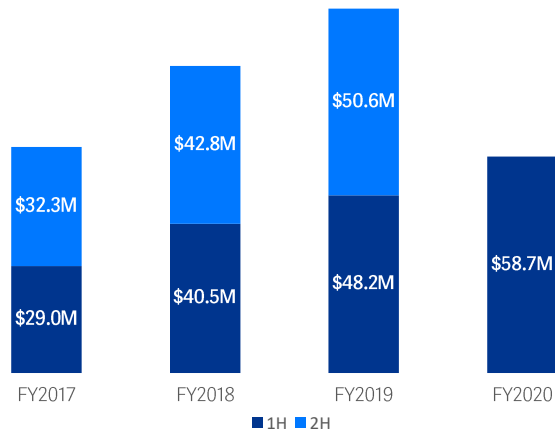
# FY2019

## Financial performance



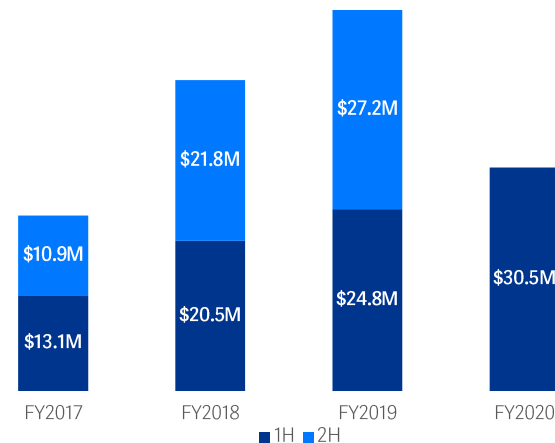
# Delivered scalable growth

Total revenue of \$58.7M increased by \$10.4M (up 21.7%) compared to PCP



Source: Netwealth

Underlying EBITDA of \$30.5M increased by \$5.7M (up 22.8%) compared to PCP



Source: Netwealth

1. Underlying EBITDA prepared applying accounting standard AASB117 Leases. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided in the 1H2020 results presentation.  
PCP – prior comparative period being 1H2019



# 1H2020 financial results

Financials <sup>(1)</sup>	1H 2019 Actual	1H 2020 Actual	Change	% Change
Platform Revenue	47.1	57.3	10.3	21.8%
Other Income	1.1	1.3	0.2	14.5%
<b>Total Income</b>	<b>48.2</b>	<b>58.7</b>	<b>10.4</b>	<b>21.7%</b>
Employee Benefits Expenses	(16.0)	(19.9)	3.8	23.9%
Other Costs & Expenses	(7.4)	(8.3)	1.0	13.0%
<b>Total Operating Expenses</b>	<b>(23.4)</b>	<b>(28.2)</b>	<b>4.8</b>	<b>20.5%</b>
<b>Underlying EBITDA</b>	<b>24.8</b>	<b>30.5</b>	<b>5.7</b>	<b>22.8%</b>
Underlying EBITDA Margin %	51.5%	52.0%	0.5%	
<b>Underlying NPAT</b>	<b>17.0</b>	<b>20.6</b>	<b>3.5</b>	<b>20.6%</b>
Underlying NPAT margin %	35.4%	35.0%	(0.4%)	
<b>NPAT</b>	<b>16.3</b>	<b>20.5</b>	<b>4.3</b>	<b>26.3%</b>
NPAT margin %	33.7%	35.0%	1.3%	
<b>Underlying Operating net cash flow pre tax</b>	<b>25.1</b>	<b>30.5</b>	<b>5.3</b>	<b>21.2%</b>
Cash conversion ratio to EBITDA	101.3%	100.0%	(1.3%)	
EPS based on Underlying NPAT (cents)	7.0	8.4	1.4	20.1%

\$'M unless otherwise stated

## 1H2020 commentary (comparisons 1H2019)

- Revenue up \$10.4M (+21.7%) to \$58.7M
- Operating expenses of \$28.2M for 1H2020, up \$4.8M (+20.5%):
  - Netwealth increased its strategic investment in IT infrastructure, people and software as previously advised
  - All internal IT platform development costs were expensed
  - IT headcount is expected to further increase to 108 by 30 June 2020
- Underlying EBITDA of \$30.5M, up \$5.7M (+22.8%)
- Underlying EBITDA margin of 52.0%
- Underlying NPAT of \$20.6M, up \$3.5M (+20.6%)
- Underlying NPAT margin of 35.0%
- Underlying EPS of 8.4 cents
- Underlying operating cashflow pre-tax of \$30.5M, a 100% EBITDA cash conversion ratio for 1H2020
- Strong balance sheet and debt free

1. Underlying EBITDA, EBITDA margin, NPAT, NPAT margin, Operating net cashflow and EPS prepared applying accounting standard AASB117 Leases. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided in the 1H2020 results presentation. Underlying EPS has been calculated including all of the ordinary shares, performance shares and options currently on issue at the end of the period.

# 1H2020 key performance metrics

	1H 2019 Actual	1H 2020 Actual	Change	% Change
<b>Platform Statistics</b>				
<b>Funds Under Administration</b>				
FUA (eop)	18,988	28,511	9,523	50.2%
Fee Paying FUA %	62.3%	60.9%	(1.4%)	(2.2%)
FUA net inflows	1,936	4,355	2,419	124.9%
<b>Funds Under Management</b>				
Managed Account	2,114	4,368	2,254	106.7%
Managed Funds	1,025	1,382	357	34.8%
<b>FUM (eop)</b>	<b>3,139</b>	<b>5,749</b>	<b>2,610</b>	<b>83.2%</b>
Managed Account net inflows	328	1,503	1,175	357.8%
Managed Funds net inflows	91	202	111	122.3%
<b>FUM net inflows</b>	<b>419</b>	<b>1,706</b>	<b>1,287</b>	<b>306.8%</b>
<b>Key Statistics Annualised</b>				
Platform Revenue / average FUA (bps)	49.3	44.6	(4.7)	(9.6%)
Underlying EBITDA <sup>(1)</sup> / average FUA (bps)	26.0	23.7	(2.3)	(8.9%)
Platform Revenue / average number of accounts (\$)	1,461	1,564	103	7.0%
Member Accounts (eop, number)	65,688	75,512	9,824	15.0%
Financial Intermediaries (eop, number)	2,393	2,711	318	13.3%

\$'M unless otherwise stated

eop - end of period

## 1H2020 commentary (comparisons 1H2019)

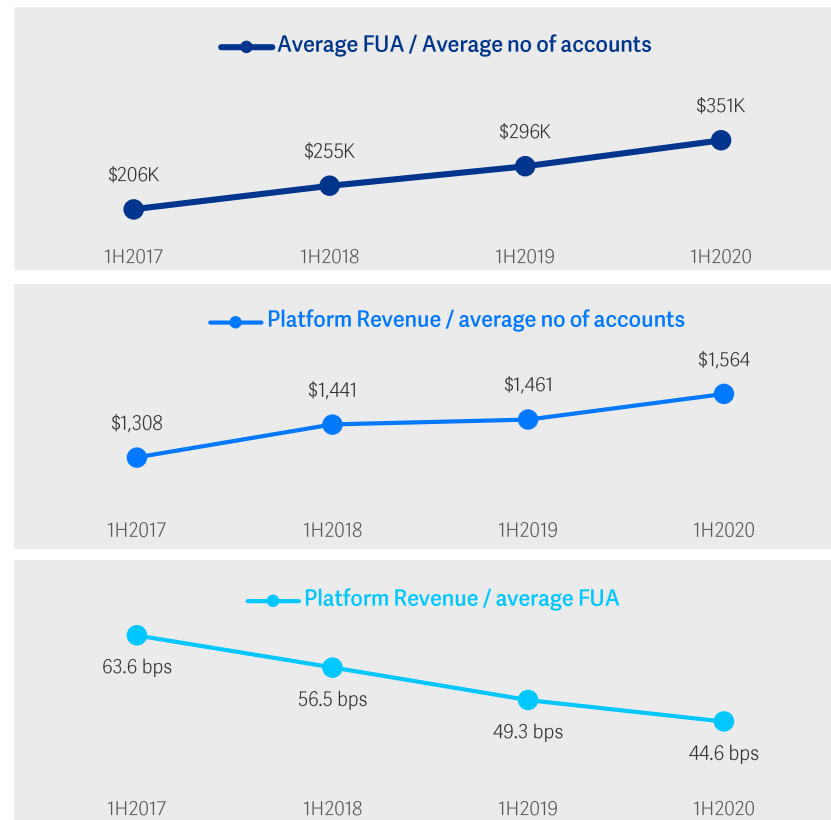
- FUA of \$28.5B, up \$9.5B (+50.2%)
- 60.9% fee paying FUA
- Record half year FUA net inflows of \$4.4B, up \$2.4B (+124.9%) and up \$2.0B (+81.6%) compared to 2H2019
- FUM of \$5.7B, up \$2.6B (+83.2%)
- Managed Account FUM of \$4.4B up \$2.3B (+106.7%)
- Average pool cash as a percentage of FUA of 8.4% for 1H2020, reduced to 7.0% at 31 Dec 2019 reflecting the increased flows into the Wrap Service and Managed Account which typically hold lower cash balances, in addition positive market movement which increased non-cash asset values

1. Underlying EBITDA prepared applying accounting standard AASB117 Leases. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided in the 1H2020 results presentation.

# Platform revenue analysis

Focused on profitable & sustainable revenue growth

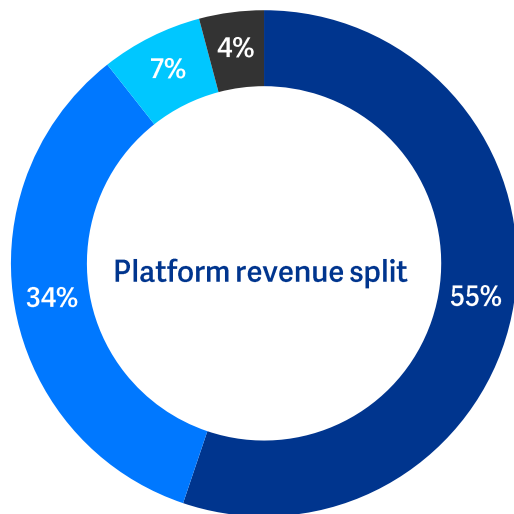
- Average member account size increased to \$351K for 1H2020 and \$376K for Dec 2019 (Wrap \$878K, Super \$201K)
- As average account size increases, revenue streams are diversified and ancillary services utilised
- Annualised platform revenue per member account of \$1,564, increased by \$103 (+7.0%) compared to PCP
- Platform revenue over average FUA of 44.6 bps, down 4.7 bps:
  - clients won in recent years have been onboarded at fee rates below those disclosed in our product disclosure statements (PDS) and historical average fee rates
  - clients have been progressively moving from back book to front book fee rates
  - the average account size increases



Source: Netwealth

# Platform revenue composition 1H2020

Non Admin fee income at 45% of platform revenue (increased by 2% compared to 1H2019)



- **55% Administration fees (57%)**

- Wrap
- Super

- **34% Ancillary fees (33%)**

- Pool cash interest retained
- Netcash
- International equities admin
- Managed model service
- Fund manager service
- Insurance admin
- SMSF admin
- Annuities

- **7% Transaction fees (6%)**

- Brokerage
- Share settlement
- Managed account brokerage
- FX margins
- Offline transactions
- IPO & Broker handling

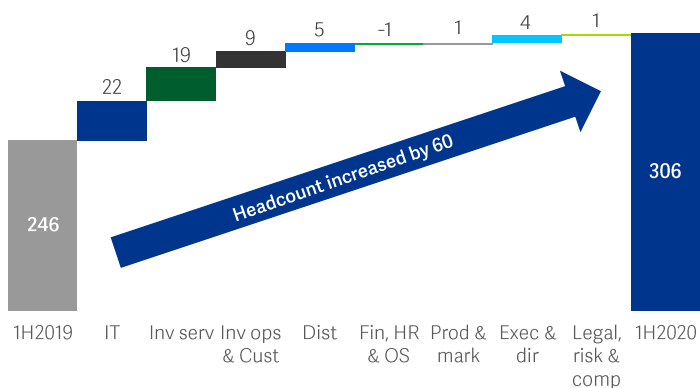
- **4% Management fees (4%)**

- NWL Funds
- Managed Account

# Strategic investment in our people

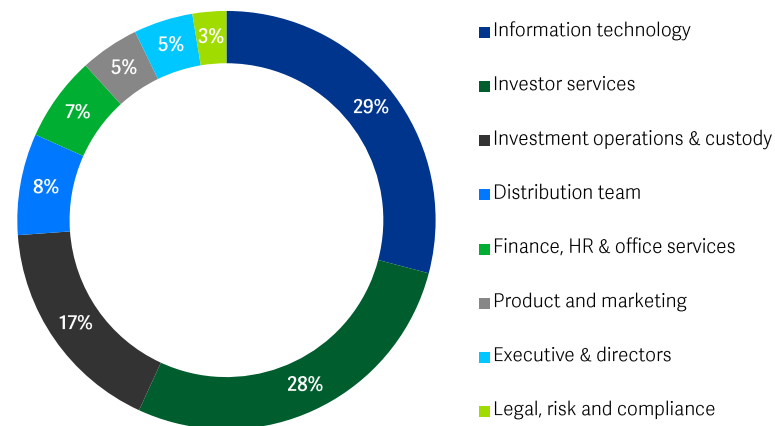
Across technology, distribution and operations to support continued scalability and innovation

## Headcount increased across the business



Source: Netwealth

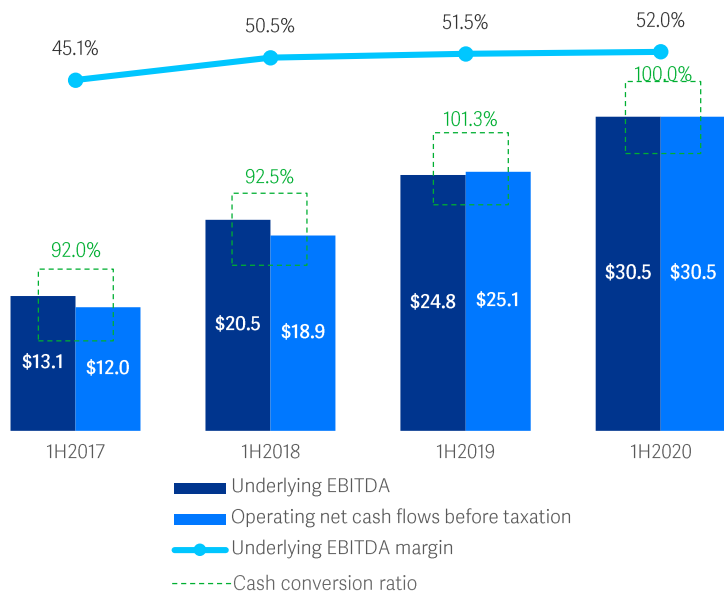
## Headcount by function 31 Dec 2019



Source: Netwealth

# Strong cost management and exceptional cash generation

## High correlation between Underlying EBITDA and cash flow



Source: Netwealth

- Strong cost management, demonstrated operating leverage & further invested in the platform to maintain scalability and efficiency as growth accelerates
- Strategic investment in IT infrastructure, people and software
- 100% EBITDA cash conversion ratio due to:
  - Low working capital requirements
  - Limited capex
  - Internal software and product maintenance and enhancement costs expensed
  - Better quality of earnings as no risk of impairment of capitalised software development costs
  - Debt free

1. Underlying EBITDA, EBITDA margin and Operating net cashflow prepared applying accounting standard AASB117 Leases. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided in the 1H2020 results presentation.

# Summary of business and financial highlights

## Track record of growth in FUA, FUM, revenue and profitability

# 1

- \$4.4B FUA net inflows for 1H2020
- FUA of \$28.5B, up \$5.2B (+22.2%) for 1H2020
- FUM \$5.7B, up \$1.8B (+45.7%) for 1H2020
- Total revenue of \$58.7M, up \$10.4M (+21.7%) compared to PCP
- Underlying EBITDA<sup>1</sup> of \$30.5M, up \$5.7M (+22.8%)
- Underlying EBITDA margin<sup>1</sup> of 52.0%
- Underlying NPAT<sup>1</sup> of \$20.6M. NPAT margin 36.0%

## Expanding whole of wealth solution

# 2

- Leader in solutions for HNW and private wealth clients
- Continue to develop and evolve SaaS based revenue model in addition to expanding our range of funds
- A new “premium” option which provides greater investment flexibility and functionality for sophisticated and HNW clients

## Our pricing remains competitive

# 3

- Clients won in recent years have been onboarded at fee rates below those disclosed in our PDS and historical average fee rates
- Clients have been progressively moving from back book to front book fee rates
- Average account size is increasing
- A reduction in annualised platform revenue over average FUA to 44.6 bps

## Favourable industry trends

# 4

- NWL has the highest industry netflows for the 6<sup>th</sup> consecutive quarter<sup>2</sup>
- Market share position up one to 8<sup>th</sup> overall<sup>2</sup>
- Ranked 1<sup>st</sup> for net promoter score, adviser experience, ongoing adviser support, overall functionality and client experience by Adviser Ratings<sup>3</sup>
- Ranked No1 platform for functionality and overall satisfaction by Investment Trends<sup>4</sup>
- All grandfathered commissions to end by 31 December 2020

## Strategic investment for the future

# 5

- Netwealth has accelerated its investment in technology and distribution teams to maintain its scalability and efficiency as growth accelerates
- Netwealth is leading the market in moving towards a user-pay model and building the platform to provide different product options
- Offer a range of services that are not widely available such as bonds, international trading with multi-currency trading and wholesale funds

## Exceptional cash generation



## Return to shareholders

- Debt free
- Internal software and product maintenance and enhancement costs expensed
- Interim dividend of 6.9 cents per share
- Payable 26 Mar 2020
- Ex-dividend date 25 Feb 2020

1. Underlying EBITDA, EBITDA margin, NPAT and NPAT margin prepared applying accounting standard AASB117 Leases. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided in the 1H2020 results presentation.

2. Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2019)

3. Adviser Ratings 2019 Financial Advice Landscape Report December 2019

4. Investment Trends – December 2019 Platform Competitive Analysis and benchmarking Report & Investment Trends – April 2019 Planner Technology Report

PDS – Product Disclosure Statements

# Our investment in technology

## Strategic increase in investment in our IT infrastructure, people and software for FY2020

- Maintaining our scalability and efficiency as growth accelerates
- Compliance with regulatory changes
- Continuing to build market leading product features for:
  - our increasingly diverse client base
  - new client demands
  - constant innovation
  - emerging trends

## Ensure access to skilled IT personnel

- We have established a number of hybrid scrum teams co-located in Melbourne and Vietnam
- Vietnam is ranked the 8th leading provider of IT services globally<sup>1</sup> and provides access to large pool of highly educated IT resources, trained on leading edge technology, working in a compatible time zone
- This increases our technology capability and is cost effective (> 35% cost reduction per scrum team)

## Transformational product features

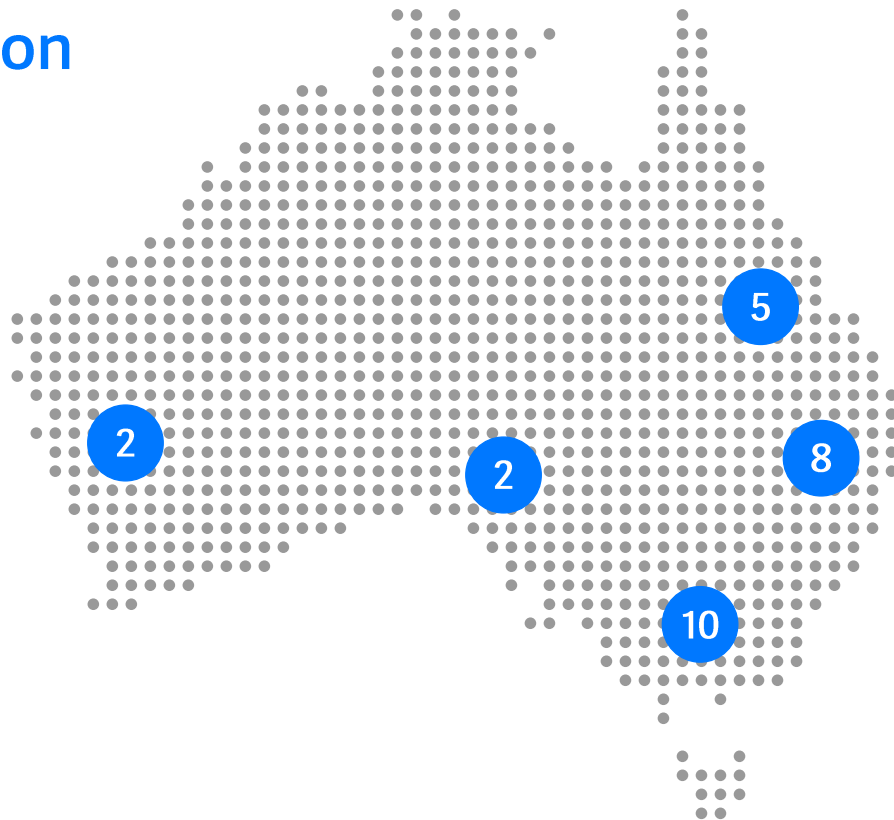
- Our IT team remuneration represented 9% of total revenue for 1H2020
- This calendar year approximately 42% of IT resources were dedicated to new product features and transformative innovation and with the remaining 58% on BAU and regulatory compliance
- IT headcount at 30 June 2020 is expected to increase to 108 with scrum teams dedicated to the development of transformational product features

1. Rated by strategic advisory firm for global outsourcing and investments Tholons



# Our investment in distribution

- Distribution headcount of 24 at 31 Dec 2019
- Further investment in distribution is expected for 2H2020 adding three additional roles, increasing the total distribution team to 27
- Increased the distribution team across all states and has introduced strategic and key account managers



# Outlook



# Outlook

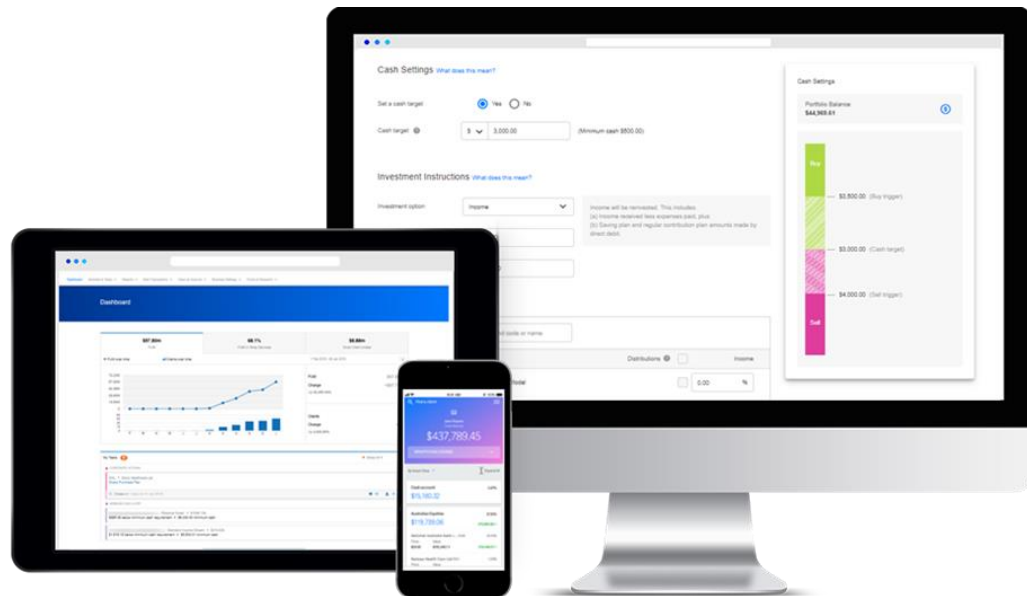
- With the end to all grandfathered commissions by 31 December 2020 estimated to represent approximately 34% of the advice industry's annual revenue<sup>1</sup>, Netwealth expects significant transition opportunities as advisers seek to provide their clients greater competitive pricing and functionality. Netwealth FUA in products with grandfathered commissions is less than 2% of our total FUA
- Netwealth has accelerated its investment in technology and distribution teams to maintain its scalability and efficiency as growth accelerates
- Netwealth is adding managed accounts available through an external Responsible Entity, increasing its ability to expand its distribution and capacity in the managed accounts market
- As indicated earlier, new clients have been onboarded at fee rates below our current fees disclosed in our PDS and our back book has been moving progressively to these lower fee rates
- The following features are being introduced as part of our major product update:
  - new PDS fee rates aligned to the above pricing have been released today and will apply to new clients from 1 March 2020 and to existing clients from 1 January 2021. Existing clients will have the option to transition to the new fee rates from 1 March 2020
  - negotiated fee rates continue to be available where scale and revenue opportunities are financially appropriate
  - new “premium” options are being introduced that provide greater investment flexibility and functionality for sophisticated and high net-worth clients

1. Adviser Ratings 2019 Financial Advice Landscape Report December 2019 - IBISworld

# Outlook: FY2020 forecast

Subject to no material change to economic conditions and financial markets we forecast:

- Full year FUA net inflows of approximately \$9 billion (subject to timing of client transitions)
- FY2020 revenue to be in the range \$120M to \$122M
- Underlying EBITDA to be in the range of \$61M to \$63M



1. Underlying EBITDA prepared applying accounting standard AASB117 Leases. Accounts have been stated in accordance with the new accounting standard AASB 16 Leases adopted from 1 July 2019. A reconciliation is provided in the 1H2020 results presentation.

# Thank you

# Questions



# Important notice and disclaimer

## General Information only

Information provided is general information presented in a summary format as at 18 February 2020, and is therefore not necessarily complete. This presentation is for informational purposes only and is not to be relied upon as advice to investors or potential investors. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Investors should not rely on this presentation to make any investment decision, and should make their own assessment, conduct their own research of Netwealth and the Netwealth Group and consider these factors with their legal, tax, business and/or financial adviser before making any investment decision.

## Forward-looking statements

This presentation may contain certain forward-looking statements with respect to the financial condition, operations and business of the Netwealth Group and certain plans and objectives of the management of Netwealth. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “plans”, “goals”, “targets”, “aims”, “outlook”, “guidance”, “forecasts”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of the Netwealth Group to be materially different from the results or performance expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Netwealth Group’s present and future business strategies, the political and economic environment in which the Netwealth Group will operate in the future and financial market conditions, which may not be reasonable, and are not guarantees or predictions of future performance.

No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved, or that there is a reasonable basis for any of these statements or forecasts. Forward-looking statements speak only as at the date of this presentation and to the full extent permitted by law, Netwealth, the Netwealth Group, and their respective affiliates and related bodies corporate and each of their respective related parties and intermediaries disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, but not limited to, any assumptions or expectations set out in the presentation).

## Past performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

## Financial data

All figures in the presentation are provided in Australian dollars. Financial data may be subject to rounding.

**This document has been authorised for release by CFO and Company Secretary, Mr Grant Boyle**

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# Appendix and additional information





# Appendix 1 – Reconciliation of underlying adjustments

Reconciliation of underlying adjustments	1H2020 Actual	1H2019 Actual	Change	% Change
<b>Net profit before tax</b>	<b>29.5</b>	<b>23.3</b>	<b>6.2</b>	<b>26.7%</b>
Depreciation and amortisation	0.9	0.4	0.6	149.3%
Depreciation on right-of-use assets (post AASB 16)	0.6	0.0	0.6	100.0%
Interest on leases (post AASB 16)	0.0	0.0	0.0	100.0%
Rental expense (pre AASB 16)	(0.7)	0.0	(0.7)	(100.0%)
Client rectification costs and legal expenses	0.0	1.1	(1.1)	(100.0%)
<b>Underlying EBITDA</b>	<b>30.5</b>	<b>24.8</b>	<b>5.7</b>	<b>22.8%</b>
<b>Underlying EBITDA margin</b>	<b>52.0%</b>	<b>51.5%</b>	<b>0.5%</b>	
Income tax expense	(9.0)	(7.1)	(1.9)	(27.4%)
Depreciation and amortisation	(0.9)	(0.4)	(0.6)	(149.3%)
Net tax impact from leases (adoption of AASB 16)	0.0	0.0	0.0	100.0%
Tax impact from client rectification costs and legal expenses	0.0	(0.3)	0.3	100.0%
<b>Underlying NPAT</b>	<b>20.6</b>	<b>17.0</b>	<b>3.5</b>	<b>20.6%</b>
<b>Underlying NPAT Margin</b>	<b>35.0%</b>	<b>35.4%</b>	<b>(0.4%)</b>	

\$'M unless otherwise stated

- Set out in the table is a reconciliation of underlying adjustments to the consolidated statement of profit or loss and other comprehensive income. The underlying adjustments relate to a one-off client rectification costs incurred in 1H2019 and on the basis of pre-transition to AASB 16 Leases. The Board and management monitor the underlying NPAT pre AASB 16 and this information is provided to enable comparison with prior corresponding period.

## Appendix 2 – Reconciliation to underlying net cash flow pre tax

Cash flow workings	1H2020	1H2019
<b>Underlying EBITDA</b>	<b>30.5</b>	<b>24.8</b>
Non-cash items in EBITDA	0.3	0.2
Changes in working capital	0.0	0.8
Capital expenditure	(0.4)	(0.3)
Net (purchases) / sale proceeds on financial investments	0.0	(0.3)
<b>Operating net cash flows before taxation</b>	<b>30.5</b>	<b>25.1</b>
<b>Cash Conversion Ratio (%)</b>	<b>100.0%</b>	<b>101.3%</b>

\$'M unless otherwise stated

# Appendix 3 – Consolidated statement of financial position

As at	31 Dec 2019	30 Jun 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	73.3	58.5
Trade and other receivables	10.1	8.6
Other current assets	4.2	3.5
Financial assets	3.3	3.3
<b>TOTAL CURRENT ASSETS</b>	<b>90.9</b>	<b>73.8</b>
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	2.0	2.5
Intangible assets	0.3	0.4
Right-of-use assets	1.5	-
Deferred tax assets	4.8	4.7
<b>TOTAL NON CURRENT ASSETS</b>	<b>8.6</b>	<b>7.6</b>
<b>TOTAL ASSETS</b>	<b>99.5</b>	<b>81.4</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	7.9	6.3
Provisions	3.5	3.2
Current tax liabilities	16.5	7.4
Lease liability	1.1	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>29.0</b>	<b>16.9</b>
<b>NON CURRENT LIABILITIES</b>		
Lease liability	0.6	-
Provisions	0.8	0.7
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>1.4</b>	<b>0.7</b>
<b>TOTAL LIABILITIES</b>	<b>30.5</b>	<b>17.6</b>
<b>NET ASSETS</b>	<b>69.1</b>	<b>63.8</b>
<b>EQUITY</b>		
Issued capital	23.1	23.5
Reserves	1.1	0.8
Retained earnings	44.9	39.5
<b>TOTAL EQUITY</b>	<b>69.1</b>	<b>63.8</b>

\$'M unless otherwise stated

**Debt free with \$73.3M in cash**

**Including regulatory capital required**

- ASIC Net Tangible Assets - \$10.1M
- Operating risk financial requirement - \$28.1M

# Appendix 4 – Netwealth Accelerator Plus

Details of the Netwealth Accelerator Plus account fees that intend to be included in the Wealth Accelerator IDPS Guide and Super Accelerator PDS dated 1 March 2020 (the 'Disclosure Documents') are set out below.

## Super Accelerator Plus and Wealth Accelerator Plus account fees

An account fee applies based on a percentage of your account balance, plus a fixed amount. The account fee is subject to a minimum daily amount and is calculated as follows:

Super Accelerator Plus		Wealth Accelerator Plus	
Account balance	% applicable	Account balance	% applicable
\$0 to \$250,000	0.370% p.a.	\$0 to \$250,000	0.35% p.a.
\$250,000 to \$500,000	0.270% p.a.	\$250,000 to \$500,000	0.25% p.a.
\$500,000 to \$1,000,000	0.170% p.a.	\$500,000 to \$1,000,000	0.15% p.a.
\$1,000,000 to \$2,500,000	0.060% p.a.	\$1,000,000 to \$2,500,000	0.050% p.a.
Balance over \$2,500,000	Nil	Balance over \$2,500,000	Nil

The fixed amount is calculated daily, at the rate of \$240 per calendar year which applies to each Netwealth Accelerator Plus account.

The minimum account fee is calculated daily, at the rate of \$550 per calendar year and applies to each Netwealth Accelerator Plus account.

All other fees and all terms and conditions will apply as described in the relevant Disclosure Documents, which will be available on our website or on request from Netwealth from 1 March 2020.

# Netwealth's Board of Directors



## Jane Tongs

Chairman and Non-Executive Director  
(joined 2000)

- Previously a partner at PwC specialising in the financial services sector
- Director of Cromwell Property Group, Warakirri Group, CCI Insurance Ltd, Hollard General Insurance and Brighton Grammar



## Michael Heine

Joint Managing Director (Executive Director)

- Founded Netwealth in 1999
- Previously founded Heine Investment Management which was sold to Mercantile Mutual (now ING) in 1999



## Matt Heine

Joint Managing Director (Executive Director)  
(joined 2001)

- Has 20 years' experience in the wealth management industry
- Appointed as a Director in 2004 and Joint Managing Director in January 2015



## Davyd Lewis

Non-Executive Director (joined 2009)

- Was a partner of Mallesons Stephen Jaques (now King & Wood Mallesons) for 20 years', specialising in M&A and Equity Capital Markets, until his retirement in 2008



## Tim Antonie

Non-Executive Director (joined 2015)

- Commenced his career at Price Waterhouse (now PwC). Subsequently worked at a number of investment banks, including Managing Director at UBS
- Director of Breville Group Limited, Premier Investments Limited and a principal of Stratford Advisory



## Sally Freeman

Non-Executive Director (joined Oct 2019)

- Has over 25 years' experience as a Risk Consulting and Corporate Governance executive and was head of KPMG's National Risk Consulting Practice
- Independent expert on the audit committee of Commonwealth Games Australia and Caulfield Grammar

# Netwealth's Management Team

**Grant Boyle**

Chief Financial Officer and Joint Company Secretary (joined 2017)

- Over 30 years' experience in financial services and accounting
- Was most recently the CFO of EMR Capital
- Has held CFO/COO roles at BlackRock (Aus), Phillip Capital and Powerwrap

**John Hanrahan**

Chief Information Officer (joined 2012)

- Over 20 years' experience in financial services technology
- Previously led the Australian technology team for BlackRock

**Philip Coldwell**

General Manager, Product (joined 2011)

- Over 30 years' experience in financial services
- Previously was an owner and director of Integrity Financial Planners

**Rachel Axton**

General Manager, Legal, Risk and Compliance and Joint Company Secretary (joined 2016)

- Over 20 years' experience in financial services
- Previously managed CFS Custom Solutions Risk and Compliance team

**Alistair Densley**

General Manager, Operations (joined 2002)

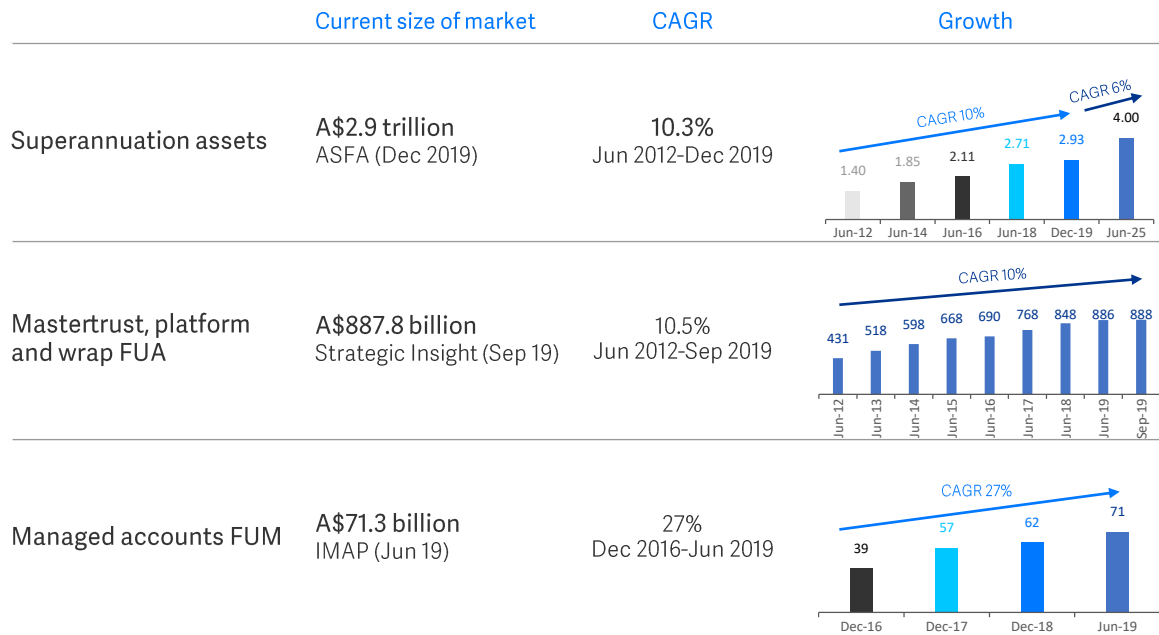
- Over 15 years' experience in the financial services industry
- Previously held a leadership role in Netwealth's IT Development team

**Amanda Atkinson**

Head of Investor Services (joined 2004)

- Over 15 years' experience in the financial services industry
- Has led the investor services team for the past 12 years

# Attractive industry fundamentals



Australia is the fourth largest pension market globally<sup>(1)</sup>

Current churn of advisers is a positive for NWL and could represent up to \$60B of addressable FUA<sup>(2)</sup>

Netwealth is a market leader in the high growth managed accounts sub-sector

Source: APRA June 2012 Quarterly Superannuation Performance (Jun 2012); APRA Quarterly Superannuation Performance (Jun 2014) and ASFA Superannuation Statistics (Jun 16, Jun 18, Dec 19); 2025 estimate represents the midpoint of the consensus private sector forecast range as published in ASFA Superannuation Statistics (Dec 19) and assumed to be as of 30 June 2025; Strategic Insight: Master Trusts, Platforms & Wraps (Sep 2019) IMAP/Milliman Managed Account FUM Census (30 Jun 2019)

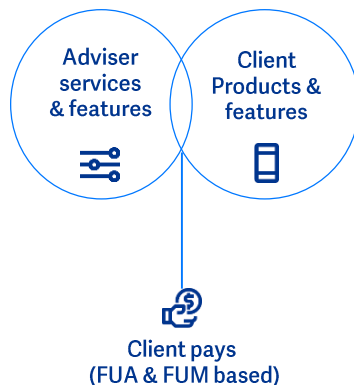
(1) Willis Towers Watson Global Pension Asset Study (January 2019)  
(2) Citi Australian Wealth Platforms (Nov 2019)

# Strategic initiatives – evolving the revenue model

“Software as a service” (SAAS) based subscriptions + extension of FUA & FUM revenue

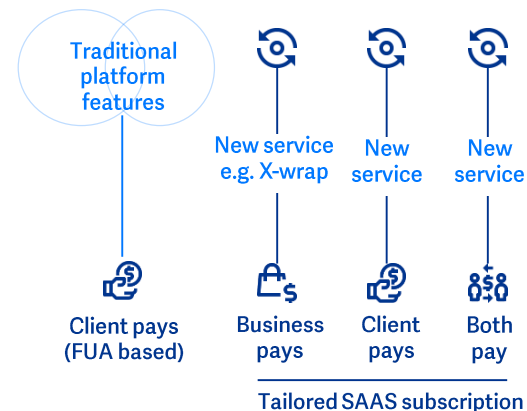
- Advice delivery is changing as consumers demand different engagement and service options
- Netwealth as a trusted technology provider is in a unique position to support and evolve business models and drive efficiency and client outcomes
- However - The ongoing development costs for features that extend core platform functionality need to be paid for and the industry economics need to change
- Our solution = Add SAAS based subscription fees for integrated technology solutions + FUA & FUM

Traditional platform revenue model



VS.

Netwealth's evolved SAAS-based revenue model





# API-first, Microservice architecture

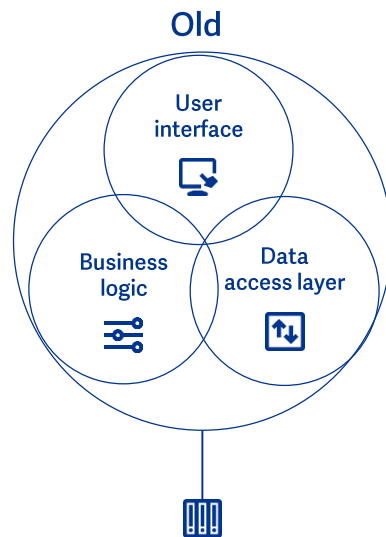
**API-first back-end services support web and native client apps and 3rd party interfaces.**

**Microservice architecture enables:**

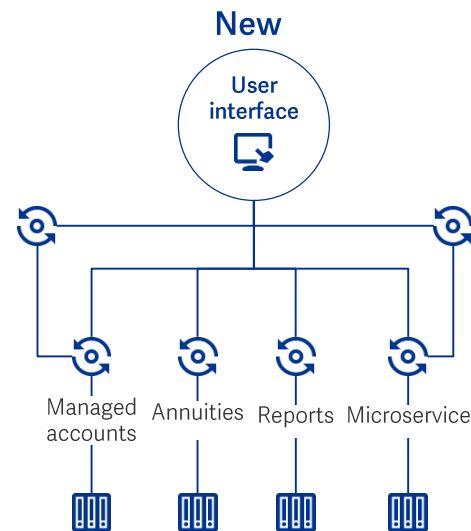
- Dynamic capacity scaling
- Canary releases to support high availability
- Frequent incremental releases of functionality.

**Example microservices**

- Annuities
- Application
- Bank Feeds
- Fees
- Identity
- Insurance
- Trading execution
- Managed Account
- Xwrap
- Reports
- Rebalancing



Monolithic architecture



Microservice architecture