

# Strong growth delivers record EBITDA in excess of \$100 million

## FY2023 Financial result

ASX Release – 16 August 2023

### FY2023 Highlights

- Funds Under Administration (FUA) of \$70.3 billion at 30 June 2023 represents 26.3% growth to FY2022
- Total Income of \$214.7 million an increase of 21.6% to FY2022
- EBITDA of \$100.7 million and an EBITDA margin of 46.9%
- NPAT of \$67.2 million, growth of 20.9% to FY2022. NPAT margin of 31.3%
- Operating net cash flow before tax of \$106.3 million
- FUA as at 11 August \$72.2 billion
- Rated No.1 by our clients for overall satisfaction for the 11<sup>th</sup> consecutive year
- Highest industry platform 12 month FUA net inflows
- Annual Dividend of 24 cents per share, representing a 20% increase to FY2022

Financials	FY2023	FY2022	Change	% Change
Platform Revenue	207.0	173.0	34.1	19.8%
Other Income	7.7	3.8	4.0	105.5%
<b>Total Income<sup>1</sup></b>	<b>214.7</b>	<b>176.6</b>	<b>38.1</b>	<b>21.6%</b>
Employee Benefits Expenses	(77.9)	(63.8)	14.0	22.0%
Share Based Payment Expenses	(2.4)	(3.1)	(0.7)	(22.0%)
Other Costs & Expenses <sup>2</sup>	<b>(33.7)</b>	<b>(24.6)</b>	<b>9.1</b>	<b>36.9%</b>
<b>Total Operating Expenses<sup>2</sup></b>	<b>(114.0)</b>	<b>(91.5)</b>	<b>22.5</b>	<b>24.5%</b>
Underlying EBITDA <sup>2</sup>	100.7	85.1	15.7	18.4%
Underlying EBITDA Margin % <sup>2</sup>	46.9%	48.2%	(1.3%)	-
Underlying EBITDA excluding non-cash share-based payments <sup>2</sup>	103.1	88.1	15.0	17.0%
Underlying EBITDA Margin excluding non-cash share-based payments % <sup>2</sup>	48.0%	49.9%	(1.9%)	-
Underlying NPAT <sup>2</sup>	67.2	55.9	11.3	20.1%
Underlying NPAT margin % <sup>2</sup>	31.3%	31.6%	(0.3%)	-
Statutory NPAT	67.2	55.6	11.6	20.9%
Statutory NPAT margin %	31.3%	31.5%	(0.2%)	-
Underlying Operating net cash flow before tax <sup>2</sup>	106.3	83.7	22.6	26.9%
Underlying EPS – fully diluted (cents) <sup>2</sup>	27.2	22.7	4.5	20.2%
Annual Dividend per share (cents)	24.0	20.0	4.0	20.0%

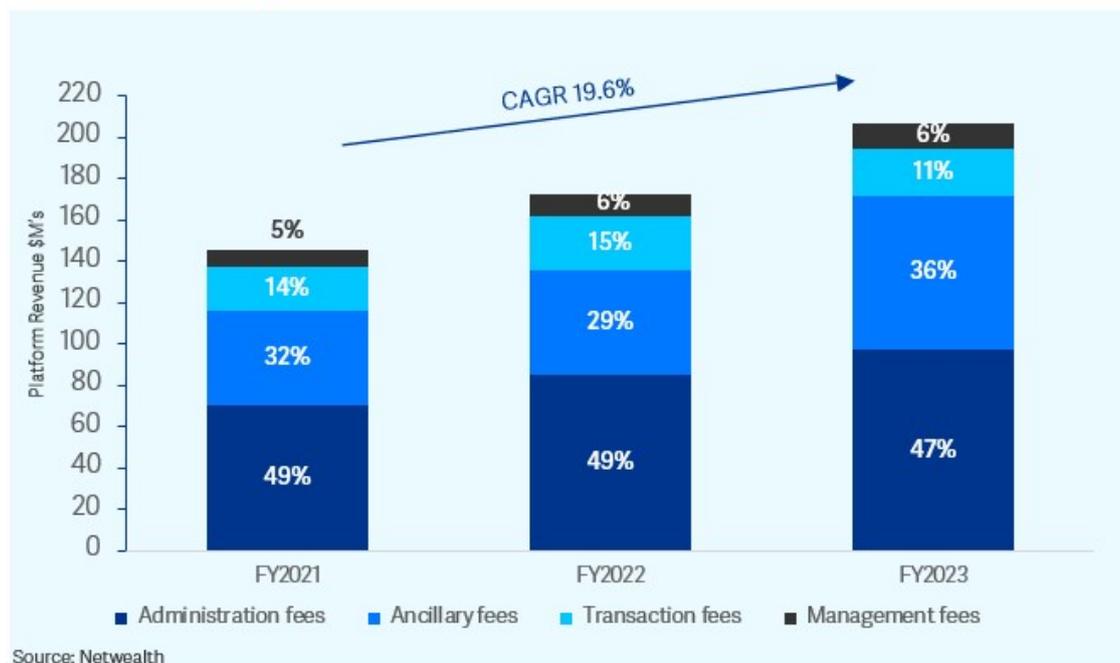
\$'M unless otherwise stated

1. \$3.2M brokerage expenses (\$3.3M FY2022), previously included net of the Group's revenue in Platform revenue, have been reclassified as expenses under other costs and expenses in the table.
2. Operating Expense and Underlying EBITDA, NPAT, Operating net cash flow before tax and EPS excludes non-recurring cash flow items for FY2022 - \$0.5 million of legal and consulting costs related to acquisitions no longer pursued. No non-recurring costs in FY2023

## FY2023 financial results highlights (comparison to FY2022)

- Total Income of \$214.7 million (\$176.6 million) an increase of \$38.1 million or 21.6% to FY2022. Platform Revenue of \$207.0 million (\$173.0 million), an increase of \$34.1 million or 19.8% to FY2022.
- Underlying EBITDA of \$100.7 million (\$85.1 million), an increase of 18.4% to FY2022. Underlying EBITDA margin of 46.9% and Underlying EBITDA margin excluding share based payment expenses of 48.0%.
- Statutory NPAT of \$67.2 million (\$55.6 million), an increase of \$11.6 million or 20.9% to FY2022. NPAT margin of 31.3%.
- Underlying Operating net cash flow before tax of \$106.3 million.
- Underlying Operating Expenses of \$114.0 million (\$91.5 million), an increase of \$22.5 million or 24.5% to FY2022 (including increase in employee benefits expenses of \$14.0 million, to \$77.9 million for FY2023).
- Headcount at 30 June 2023 was 553 which was an increase of 38 roles during FY2023<sup>3</sup>, compared to 113 roles added in FY2022. Of the 38 additional roles, 30 were in the technology team, reflecting our ongoing investment in enhancing the platform capability.
- In addition to ongoing Investment in the platform functionality, Netwealth also continued to invest in platform infrastructure, scalability and cyber security.
- Today the Board declared a fully franked final dividend of 13.0 cents per share totalling \$31.7 million for 2H2023. The ex-dividend date is 22 August 2023 and payable on 21 September 2023.

## Platform revenue split FY2021 to FY2023



3. At 30 June 2023 there were 38 vacant open roles, an unusually high number (16 vacancies at 30 June 2022).

Platform Statistics	FY2023	FY2022	Change	% Change
<b>Funds Under Administration (FUA)</b>				
FUA – Custodial	70,146	55,652	14,494	26.0%
FUA - Non-custodial	126	-	126	100%
<b>Total FUA</b>	<b>70,272</b>	<b>55,652</b>	<b>14,620</b>	<b>26.3%</b>
FUA Inflows – Custodial	18,609	18,679	(70)	(0.4%)
FUA Outflows - Custodial	(8,844)	(5,690)	(3,154)	(55.4%)
FUA Net Inflows Custodial	9,765	12,989	(3,224)	(24.8%)
FUA Net Inflows - Non-custodial	117	-	117	100%
<b>Total FUA Net Inflows</b>	<b>9,882</b>	<b>12,989</b>	<b>(3,107)</b>	<b>(23.9%)</b>
<b>Funds Under Management (FUM)</b>				
Managed Account	13,592	11,170	2,422	21.7%
Managed Funds	2,368	1,908	460	24.1%
<b>Total FUM</b>	<b>15,960</b>	<b>13,079</b>	<b>2,882</b>	<b>22.0%</b>
Net Inflows – Managed Account	1,590	2,321	(730)	(31.5%)
Net Inflows - Managed Funds	369	264	105	39.8%
<b>Total FUM Net inflows</b>	<b>1,959</b>	<b>2,585</b>	<b>(626)</b>	<b>(24.2%)</b>
Accounts EOP (number)	127,507	115,642	11,865	10.3%
Financial intermediaries EOP (number)	3,512	3,327	185	5.6%
Cash transaction account as a % of FUA (EOP)	6.4%	7.9%	-	-
Platform Revenue/average FUA (bps)	32.8	32.0	0.8	2.6%
Average FUA/ average number of Accounts (\$'000)	521	507	14	2.8%
Platform Revenue /average number of Accounts (\$)	1,710	1,621	89	5.5%
EBITDA/average FUA (bps)	16.0	15.7	0.3	1.5%
<b>Market Movement</b>				
Market movement FUA - Custodial	4,730	(4,476)	9,206	-
Market movement FUA - Non-custodial	9	0	9	-
<b>Total FUA market movement</b>	<b>4,739</b>	<b>(4,476)</b>	<b>9,215</b>	<b>-</b>
<b>Total FUM market movement</b>	<b>922</b>	<b>(1,253)</b>	<b>2,175</b>	<b>-</b>

\$'M unless otherwise stated

## FY2023 business results highlights (comparisons to FY2022)

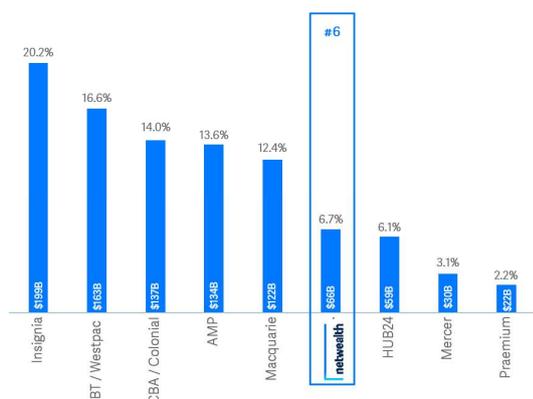
- Funds Under Administration (FUA) at 30 June 2023 of \$70.3 billion, an increase of \$14.6 billion (26.3% increase) for FY2023 including positive market movement of \$4.7 billion.
- Record annual FUA Inflows of \$18.7 billion for FY2023.
- Total FUA net inflows of \$9.9 billion for FY2023, a decrease of \$3.1 billion to FY2022 due to an elevated level of outflows primarily related to:
  - Clients partially withdrew funds to invest in off-platform investments including term deposits and other alternative investments; and
  - Large partial withdrawals for high net worth and large accounts.
- Cash transaction account as a percentage of FUA reduced to 6.4% (7.9%), reflecting a preference for term deposits to be held by clients on the platform, which increased to \$1.9 billion at 30 June 2023 (\$0.4 billion). A significant number of clients may have also chosen to hold their term deposit holdings or fixed income products off platform.

- The new Wealth Accelerator - Multi-asset Portfolio Services was successfully launched in April 2023 with \$126 million of non-custodial FUA onboarded at 30 June 2023.
- Funds Under Management (FUM) at 30 June 2023 of \$16.0 billion an increase of \$2.9 billion to FY2022.
- Managed Account balance of \$13.6 billion at 30 June 2023, an increase of \$2.4 billion (21.7% increase) for FY2023 consisting of net inflows of \$1.6 billion and market movement of \$0.8 billion.
- 127,507 client accounts, an increase of 11,865 accounts (10.3% increase) to FY2022.
- 3,512 Financial Intermediaries, an increase of 5.6% to FY2022.
- Platform revenue per account of \$1,710 for FY2023, an increase of \$89 per account for FY2023.
- Average account size increased to \$521,000 for FY2023.
- Platform revenue/average FUA of 32.8 bps for FY2023, an increase of 0.8 bps, primarily driven by a higher cash margin rate and was partially offset by lower transaction fee income.

## Australia's best rated and fastest growing platform

- Rated No.1 by our clients for overall satisfaction in the Investment Trends May 2023 Adviser Technology Needs Report for the 11<sup>th</sup> consecutive year.
- Rated No.1 for Managed Account in the Investment Trends December 2022 Platform Competitive Analysis and Benchmarking Report.
- Netwealth became the 9<sup>th</sup> largest custodian by FUA in Australia, in the latest ACSA (Australian Custodial Services Association) industry analysis dated 31 December 2022.
- Netwealth was the market leader for industry net funds flows: net inflows of \$9.4 billion for the 12 months to 31 March 2023 accounted for 66.2% of industry net funds flows, compared to 45.6% for the prior comparative year, and Netwealth's market share increased by 1.0% for the 12 months to 31 March 2023 to 6.7%, according to the latest Plan for Life quarterly platform market update.

Platform providers by FUA market share  
% market share (Mar 2023)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Mar 2023  
Total industry retail FUA of \$982B (as at Mar 23)

Platform provider net funds flows  
\$'Billions (12 months to Mar 2023)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Mar 2023  
Total net flows of +\$14.2B (Not included above: Others of \$1.7B)

## Enhancements to our whole of wealth platform

We continue to heavily invest in our whole of wealth platform roadmap and vision, ensuring we lead in meeting the current and future needs of our clients. Throughout FY2023 we continued to execute on our strategic pillars, delivering the following initiatives.

- Maintain market-leading technology position and constantly leverage technology advantages for operational efficiency and superior adviser experience.
  - Xeppo Connect, a market-leading digital capability which connects Netwealth platform technology to Xeppo's aggregated portfolio and client data.
  - Cloud migration and SQL server upgrade.
  - A new Developer portal providing access to a suite of netwealth API's.
- Increase market share among affluent advisers and support Netwealth's existing adviser base with functionality to drive adviser efficiency.
  - Cash functionality improvements including real time payments through the OSKO network. New reporting capability for advisers and clients which provides greater efficiency and ability to store and utilise global settings.
  - New 'Activities and Tasks' feature which allows advisers and clients to easily view, approve and manage important tasks and alerts driving efficiency and engagement.
  - 121 new managed models were added during the year, increasing the total number of managed models available to 578 at 30 June 2023.
- Continue to offer the leading platform for High Net Worth advisers by expanding the feature-set to meet their evolving needs.
  - New Multi-asset portfolio service (MAPs), including non-custodial administration.
  - Custom data feeds for Managed Discretionary Accounts, High Net Worth, and mid-market institutional investors.
  - Integrated bank account and property feeds available across mobile and desktop.

## Commentary and outlook

- Netwealth continued to gain market share in FY2023 (moving to 6.7%), and it achieved the highest industry 12-month net funds flow.
- Netwealth continues to be the market leading platform for the High Net Worth sector and in FY2024 it will continue to enhance its whole of wealth offering including building scale across non-custodial administration services.
- Netwealth enters FY2024 with a strong pipeline and high win rate for new business across all key segments. Netwealth has successfully secured several important new licensee relationships that will begin transitioning and funding new accounts.
- As part of its ongoing strategic initiatives, Netwealth is committed to maintaining its market leadership by continually investing in the enhancement of technology capability and service levels, which play a crucial role in supporting financial intermediaries to efficiently service and administer their client's wealth. Key Initiatives that will be delivered in the coming 12 months include:
  - Continuing development of our client portal offering Financial Intermediaries the option to interact online with all clients, including non-Netwealth clients. The portal is designed to provide a seamless user experience and incorporate features that encourage regular and meaningful interactions between clients and their advisers,
  - Ongoing enhancements to our domestic and international trading technology,

- A market leading customizable reporting and advice illustration solution,
- A series of generative artificial intelligence (AI) experiments and potential platform features which leverage the capabilities of AI to create innovative solutions, optimise processes, and deliver exceptional value to its clients, and
- Continuing to invest into platform infrastructure, scalability and cyber security.
- Relaunching in September 2023, an upgraded Core product, which will significantly boost our presence in both the mass affluent and emerging affluent segments. The relaunch is expected to generate new streams of revenue and increase FUA net inflows.

The enhanced Core product will feature:

- Significantly expanded investment menu of 48 Multi Asset managed models; and
- Highly competitive pricing structure providing client value and incremental revenue for Netwealth.
- To address term deposits leakage both on and off platform, an additional Netwealth cash product alternative to term deposits will be introduced, providing an option for advisers to offer differential interest rates on cash products.
- Netwealth remains in an excellent financial position:
  - Highly profitable, with strong EBITDA margin;
  - An extremely high correlation between EBITDA and operating cash flow, resulting in strong cash generation;
  - Very high levels of predictable recurring revenue; and
  - Significant cash reserve, debt free and low levels of capital expenditure.

## About Netwealth

Netwealth is a financial services company listed on the Australian Securities Exchange (ASX: NWL). Netwealth was created with an entrepreneurial spirit to challenge the conventions of Australia's financial services.

We are a technology company, a superannuation fund trustee, and an administration business. Above all we exist to inspire people to see wealth differently and discover a brighter future.

Founded in 1999, Netwealth is one of the fastest growing wealth management businesses in Australia.

We are currently rated No.1 by our clients for overall satisfaction\*.

Our financial products are:

- superannuation including accumulation and retirement income products;
- investor directed portfolio services for self-managed super and non-super investments;
- managed accounts;
- managed funds;
- self-managed superannuation funds administration; and
- non-custodial administration and reporting services.

Netwealth's digital platform supports how our financial products are delivered to market. Financial intermediaries and clients have the ability to invest and manage a variety of domestic and international products via the platform.

The platform is created, developed, and sustained by our technology team. It is continually enhanced based on feedback from financial intermediaries, clients, and other users and is widely acknowledged for its industry-leading capabilities.

To ensure the effective operation of our financial products and technology platform, Netwealth invests heavily in its people and resources for support, custodial and non-custodial services, and risk and governance management.

This document has been authorised for release by the Board.

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\*Investment Trends, May 2023 Adviser Technology Needs Report