

# Netwealth's focus on profitable growth delivered 2024 half year EBITDA of \$58.8 million, a 27% increase to prior half year

## 1H2024 Financial result

ASX Release – 20 February 2024

### 1H2024 Highlights

- Funds Under Administration (FUA) of \$78.0 billion at 31 December 2023 represents 24.9% growth from 31 December 2022
- FUA as at 16 February of \$80.8 billion
- Total Income of \$123.3 million an increase of 20% to 1H2023 (PCP)
- EBITDA of \$58.8 million an increase of 27.2% to PCP, EBITDA margin of 47.6%
- NPAT of \$39.3 million, an increase of 28.3% to PCP, NPAT margin of 31.9%
- Operating net cash flow before tax of \$59.8 million
- No 1 for “Best Product Offering” & “Best Transaction Tools” by Investment Trends
- Highest industry platform 12 month FUA net inflows to 30 September 2023
- Interim dividend of 14 cents per share, representing a 27% increase to 1H2023

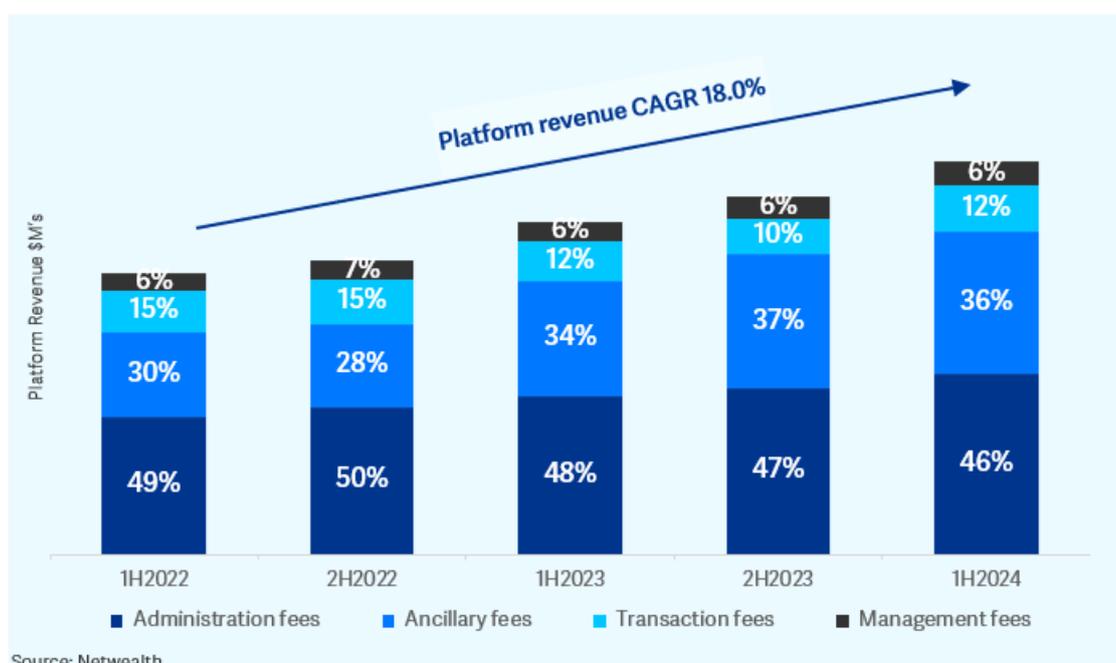
Financials	1H2024	1H2023	Change	% Change
Platform Revenue	117.8	99.8	18.0	18.1%
Other Income	5.5	3.0	2.5	84.1%
Total Income	123.3	102.8	20.5	20.0%
Employee Benefits Expenses	(44.6)	(38.1)	6.5	17.2%
Share Based Payment Expenses	(1.5)	(1.2)	0.3	24.5%
Other Costs & Expenses	<b>(18.5)</b>	<b>(17.3)</b>	<b>1.2</b>	<b>6.6%</b>
Total Operating Expenses	<b>(64.6)</b>	<b>(56.6)</b>	<b>8.0</b>	<b>14.1%</b>
EBITDA	58.8	46.2	12.6	27.2%
EBITDA Margin %	47.6%	44.9%	2.7%	-
EBITDA excluding non-cash share-based payments	60.3	47.4	12.9	27.1%
EBITDA Margin excluding non-cash share-based payments %	48.9%	46.1%	2.7%	-
Statutory NPAT	39.3	30.6	8.7	28.3%
Statutory NPAT margin %	31.9%	29.8%	2.1%	-
Operating net cash flow before tax	59.8	51.2	8.6	16.8%
EPS –diluted (cents)	16.1	12.6	3.5	27.8%
Interim Dividend per share (cents)	14.0	11.0	3.0	27.3%

\$'M unless otherwise stated

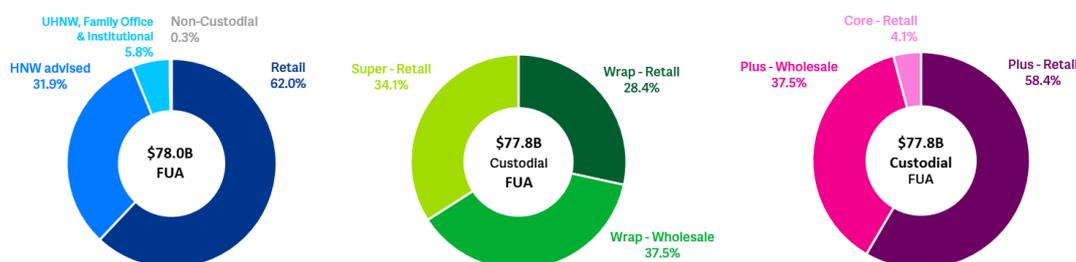
## 1H2024 financial results highlights (comparison to 1H2023)

- Total Income of \$123.3 million an increase of \$20.5 million or 20.0% to 1H2023 (\$102.8 million). Platform Revenue of \$117.8 million, an increase of \$18.0 million or 18.1% to 1H2023 (\$99.8 million).
- EBITDA of \$58.8 million, an increase of 27.2% to 1H2023 (\$46.2 million). EBITDA margin of 47.6% and EBITDA margin excluding share-based payment expenses of 48.9%.
- Statutory NPAT of \$39.3 million, an increase of \$8.7 million or 28.3% to 1H2023 (\$30.6 million). NPAT margin of 31.9%.
- Operating net cash flow before tax of \$59.8 million.
- Total operating expenses of \$64.6 million, an increase of \$8.0 million or 14.1% to 1H2023 (\$56.6 million). Included employee benefits expenses increase of \$6.5million, to \$44.6 million for 1H2024.
- Headcount at 31 December 2023 was 588 which was an increase of 35 roles during 1H2024. Additional senior appointments made during 1H2024 across Technology, Legal Risk & Compliance, Product and Executive team, have increased our capacity for long term sustained growth. As per remuneration report adjustments were also made to Executive STI and LTIs participation levels for FY2024.
- Netwealth continued to invest in enhancing the scalability of our systems, upgrading our technology infrastructure and continuing the transition to cloud based systems.
- Today the board declared a fully franked interim dividend of 14.0 cents per share totalling \$34.2 million for 1H2024. The ex-dividend date is 4 March 2024 and payable on 28 March 2024.

### Platform revenue split 1H2022 to 1H2024



## Composition of FUA



Platform Statistics	1H2024	1H2023	Change	% Change
<b>Funds Under Administration (FUA)</b>				
FUA – Custodial	77,772	62,414	15,358	24.6%
FUA - Non-custodial	228	33	195	591.7%
<b>Total FUA</b>	<b>78,000</b>	<b>62,447</b>	<b>15,553</b>	<b>24.9%</b>
FUA Inflows – Custodial	9,636	8,771	865	9.9%
FUA Outflows - Custodial	(5,020)	(3,746)	(1,274)	(34.0%)
FUA Net Inflows Custodial	4,616	5,025	(409)	(8.1%)
FUA Net Inflows - Non-custodial	91	21	70	336.6%
<b>Total FUA Net Inflows</b>	<b>4,707</b>	<b>5,046</b>	<b>(339)</b>	<b>(6.7%)</b>
<b>Funds Under Management (FUM)</b>				
Managed Account	15,513	12,229	3,284	26.9%
Managed Funds	2,560	2,211	349	15.8%
<b>Total FUM</b>	<b>18,073</b>	<b>14,440</b>	<b>3,633</b>	<b>25.2%</b>
Net Inflows – Managed Account	1,341	868	473	54.5%
Net Inflows - Managed Funds	168	328	(160)	(48.9%)
<b>Total FUM Net Inflows</b>	<b>1,509</b>	<b>1,196</b>	<b>313</b>	<b>26.1%</b>
Accounts EOP (number)	132,826	121,032	11,794	9.7%
Financial intermediaries EOP (number)	3,633	3,421	212	6.2%
Fee paying FUA % (EOP)	62.9%	64.5%	(1.6%)	-
Cash transaction account as a % of FUA (EOP)	5.6%	6.9%	(1.3%)	-
Annualised Platform revenue/average FUA (bps)	32.2	33.1	(0.9)	(2.6%)
Annualised Platform revenue/average number of Accounts (\$)	1,805	1,673	132	7.9%
Average FUA/average number of Accounts (\$'000)	560	506	54	10.8%
EBITDA/average FUA (bps)	16.1	15.3	0.7	4.9%
<b>Market Movement</b>				
Market movement FUA - Custodial	3,010	1,737	1,272	73.2%
Market movement FUA - Non-custodial	11	12	(1)	(9.1%)
<b>Total FUA market movement</b>	<b>3,021</b>	<b>1,749</b>	<b>1,271</b>	<b>72.7%</b>
<b>Total FUM market movement</b>	<b>604</b>	<b>165</b>	<b>439</b>	<b>266.3%</b>

\$M unless otherwise stated  
EOP end of period

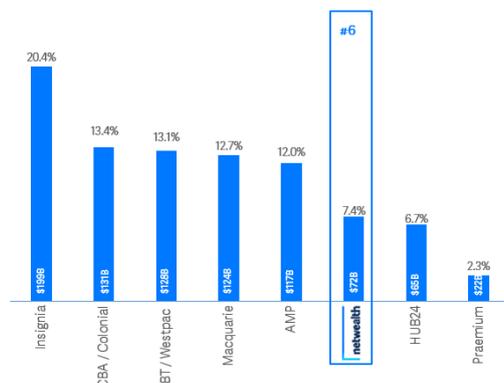
## 1H2024 business results highlights (comparisons to 1H2023)

- FUA at 31 December 2023 of \$78.0 billion (\$62.4 billion). FUA increased by \$15.6 billion from 31 December 2022, comprising FUA net inflows of \$9.5 billion and positive market movement of \$6.0 billion.
- FUA net inflows of \$4.7 billion and FUA inflows of \$9.7 billion for 1H2024.
- Non-custodial FUA of \$228 million at 31 December 2023 and non-custodial FUA net inflows of \$91 million for 1H2024. Since its launch, the non-custodial administration service has been steadily gaining support and recognition across the industry.
- Funds Under Management (FUM) at 31 December 2023 of \$18.1 billion an increase of \$3.6 billion, 25.2%, from 31 December 2022.
- Managed Account balance of \$15.5 billion at 31 December 2023, an increase of \$3.3 billion, 26.9%, from 31 December 2022 consisting of net inflows of \$2.0 billion and market movement of \$1.2 billion.
- Cash transaction account as a percentage of FUA reduced to 5.6% at 31 December 2023, lower than average for 1H2024. (6.9%).
- 132,826 client accounts, an increase of 11,794 accounts or 9.7% increase from 31 December 2022.
- 3,633 Financial Intermediaries, an increase of 212 Financial Intermediaries from 31 December 2022.
- Annualised platform revenue per account of \$1,805 for 1H2024, an increase of \$132 per account to 1H2023.
- Average account size increased to \$560,000 for 1H2024 (\$506,000).

## Australia's best rated and fastest growing platform

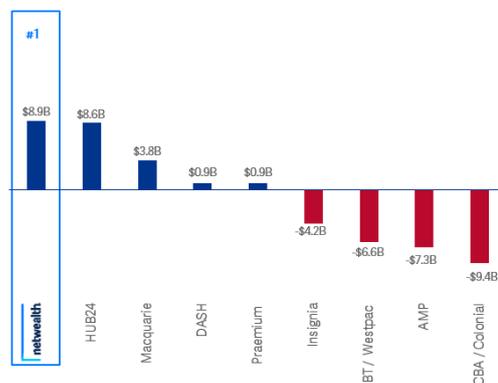
- Rated No.1 for "Best Product Offering" and "Best transaction Tools" by Investment Trends Dec 2023 Platform Competitive Analysis and Benchmarking Report.
- Rated No.1 by our clients for overall satisfaction in the Investment Trends May 2023 Adviser Technology Needs Report for the 11<sup>th</sup> consecutive year.
- Netwealth is the 8<sup>th</sup> largest custodian by FUA in Australia, and the 6<sup>th</sup> largest for Australian settlement transaction volumes in the latest ACSA (Australian Custodial Services Association) industry analysis dated 30 June 2023.
- Netwealth achieved the highest industry platform 12 month net funds flows and increased its market share to 7.4% at 30 September 2023, up 1.1% for the 12 months to 30 September 2023.

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



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2023  
Total industry retail FUA of \$975B (as at Sep 23)

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



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2023  
Total net fund flows of \$5.0B (Not included above: Others circa -\$0.6B and circa \$35B for the transition of BT's Master Trust business to Mercer's Platform)

## Recent enhancements – Focus on extending our core Capabilities

Netwealth's strategy is to deliver a market-leading whole of wealth platform, through a focus on data and technology that integrates with the software advisers use now and leads the industry into the future. Our initiatives delivered in 1H2024 include:

### Wealth Solutions:

- Relunched an enhanced Accelerator core product, offering 48 managed models, across a range of asset classes, risk profiles, and investment strategies increasing Accelerator core net inflows by 122% for 1H2024 compared to 1H2023.
- The non-custodial service continues to be enhanced and has attracted considerable support from the industry with 200+ new non-custodial assets now being administered and reported on.
- New advice fees have been introduced and advisers and clients can now agree to adjust or exclude percentage based advice fees on term deposits, cash, annuities, or any combination thereof.
- Onboarded an additional 54 private label managed models, added an additional 12 new retail models and included 5 environmental, social and corporate governance (ESG) themed managed models. The ESG managed models are a range of model portfolios that emphasise ESG criteria. These models employ passive investment strategies and diversify across asset classes such as managed funds, ASX-listed ETFs, and cash. The total number of managed models available increased to 631 at 31 December 2023.
- Expanded suite of income options to meet the needs of the economic environment by adding a range of annuities, term deposits and cash funds. The addition of a 31-day notice cash fund offering a competitive rate of 25 basis points over RBA on cash and adding an industry-first small parcel bond service.

### WealthTech:

- Introduced a new Netwealth trading desk bringing the execution of ASX trades inhouse for large and complex trades.
- Expanded the Developer portal, new public API and data integrations and alongside the suite of netwealth API's bringing the total number of API end points to 21.
- Use of Machine learning and AI for compliance data management and risk assessments, automation of back-office tasks including document recognition and work allocation, Adviser account alerts and insights and cyber security and monitoring.

### Partners & integrations:

- Successful strategic partnership with iCapital that offers a unique global private market investment opportunity to financial advice firms and their wholesale clients across Australia.
- Enhanced data feeds for MDA provider partners by adding investment research and portfolio analytics and construction.

### Analytics & Insights:

- Significant enhancements to our reporting solution and Report Builder tools enabling better analysis and more efficiency extracting insights for advisers and their clients.
- Delivered proprietary and original industry insights in our 2023 Advisable Australian and 2023 AdviceTech research and reports, plus our Accelerate OnTour and Accelerate Summit events.

## Commentary and outlook

- Our roadmap is focused on enhancing and extending our current product and technology capabilities to address the substantial number of existing and emerging opportunities in the market.
  - AI is, and will, drive efficiencies, enhance services, improve reporting, and support advisers and clients in new ways.
  - Netwealth and iCapital will be launching exclusive access to off shore private markets and managers to meet the needs of our high net worth, family office and sophisticated investors.
  - Straight through processing and execution of international equities on 16 exchanges will go live in May to support T+1 settlements.
  - Major mobile enhancements including task management, document sharing and secure communication will go live progressively throughout the remainder of this calendar year.
  - Major user interface upgrade to be rolled out this calendar year for advisers and clients.
- As reported in our quarterly update, inflows for Calendar Year 2023 were at record levels. We are confident that the range of new initiatives and products delivered should continue to increase inflows and reduce outflows which we believe were largely driven by adverse market conditions.
- In early 2024, our new business pipeline and conversion rates across all segments remain strong giving us confidence in our outlook and future growth opportunities which we believe are significant.
- Employee vacancies remain at low levels, and we have uplifted capability with additional senior appointments across of the business segments to manage and drive growth. In the 2H2024 we expect head count growth to be slightly below the first half.
- 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 and services include:

- 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 fund administration services; 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.

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This document has been authorised for release by the Board.

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\*Investment Trends, May 2023 Adviser Technology Needs Report