

30 May 2019

ASX Announcement

Market update

Mainstream Group Holdings Limited (ASX: MAI) is pleased to provide an update in relation to its financial performance for FY19, clarity around underlying business operations and initiatives to enhance shareholder value.

Highlights

- Mainstream's prior acquisitions and global operating model make the Group one of the largest non-bank fund administrators in Asia-Pacific
- Significant investment has been made in North America and Asia-Pacific to take advantage of our strong sales pipeline. In the first half of FY19, Mainstream has added:
 - 29 new Custody Services funds
 - 40 new Private Equity funds
- The Group has continued to reach record numbers of clients and funds:
 - Number of clients – 383 at the end of March 2019, up 22% on the prior year and up 272% since IPO
 - Funds under Administration - \$162.8 billion at the end of March 2019, up 23% on the prior year and up 189% since IPO

The global trends for the industry are extremely positive. Our market opportunity is currently estimated at USD 37 trillion in assets under management and growing. PwC suggest that investable assets for the asset management industry will increase to more than USD 100 trillion globally by 2020.ⁱ Mainstream continues to seek growth opportunities in these markets through both organic growth and acquisitions.

Market guidance

Mainstream's core Fund Services business continues to perform and grow strongly. Revenue from this underlying business is expected to grow by 22%, from \$38 million in FY18 to approximately \$46 million in FY19.

Notwithstanding this strong performance, Mainstream expects its full financial year 2019 revenue and EBITDA for the Group to be around the low end of the guidance range provided to the market during FY19.

Superannuation industry trends

Over recent years, the Australian Prudential Regulation Authority (APRA) has ramped up regulatory requirements for superannuation funds, which has sparked a wave of fund consolidation.

In September 2018, Mainstream announced that it had received a termination notice from the Combined Super Fund following its intention to merge with the Prime Super Fund and subsequently move the administration of its fund to the administrator of that fund.

While Mainstream's Superannuation business will only account for approximately 7.5% of the Group's FY19 revenue, the Board is conscious that the super industry's consolidation will continue to challenge the growth opportunities of this business unit which is performing below expectations.

As advised to the market in September 2018, the Board is working with its auditors to consider the suitable amortisation expense (which is a non-cash item) for the Superannuation business in the 30 June 2019 Full Year financial reports.

The Board continues to consider ways to simplify and grow this division by expanding its service offering. The division's clients have also discussed growth strategies with Mainstream, including leveraging the use of Mainstream's public offer retail fund promoter licence.

Comprehensive strategic review

In light of the strong momentum in Mainstream's core business and ongoing structural changes to the superannuation industry, the Board has decided to commence a comprehensive review to consider all strategic options and their financial impact in order to deliver maximum value for its shareholders (the "Strategic Review").

The Strategic Review is a fundamental next step to strengthen Mainstream for the future.

The Board has appointed Miles Advisory Partners to assist with the conduct of the Strategic Review. The findings of the Strategic Review are expected to be released with the Group's full year results.

For more information

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About Mainstream Group Holdings

Mainstream Group Holdings Limited (ASX: MAI) is a global provider of full service fund administration and custody services.

As at March 2019 the Group provides administration services to 959 funds and more than 97,000 investors with funds under administration of AUD \$163 billion.

Mainstream employs 248 people, with operations in Australia, Singapore, Hong Kong, the United States, the Isle of Man, Malta, Ireland and the Cayman Islands.

For more information, please visit: www.mainstreamgroup.com.

ⁱ PwC Asset Management 2020: A Brave New World