

June 2020 Quarterly business update

ASX Release – 09 July 2020

FUA \$31.5 billion at 30 June 2020 - record annual net inflows of \$9.1 billion

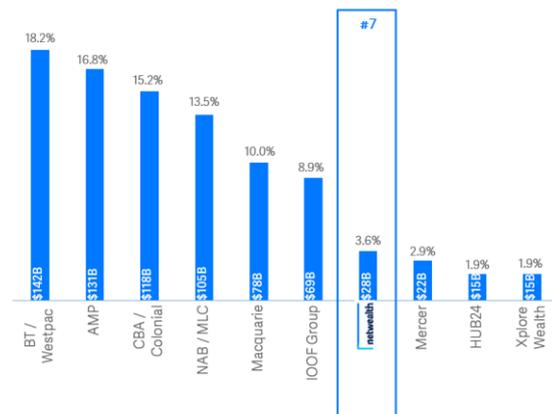
Quarterly Highlights

- Funds Under Administration (FUA) at 30 June 2020 of \$31.5 billion, an increase of \$8.2 billion (35.0% increase) for FY2020 after negative market movement of \$0.9 billion for the year.
- Record FUA net inflows of \$9.1 billion for FY2020.
- FUA increase for the quarter of \$3.6 billion (13% increase). FUA net inflows of \$1.5 billion and positive market movement of \$2.1 billion for the quarter.
- Funds Under Management (FUM) at 30 June 2020 of \$7.3 billion. FUM net inflows for the quarter of \$0.5 billion including Managed Account net inflows for the quarter of \$0.4 billion. Managed Account balance of \$5.8 billion at 30 June 2020.
- Managed Account balance increase of \$3.0 billion (110.0% increase) for FY2020, includes a record year of Managed Account net inflows of \$3.3 billion and negative market movement of \$0.3 billion for the year.
- During the quarter Netwealth added an external responsible entity option to its Managed Account, which further supports differentiated value propositions in the market and the evolving needs of wealth professionals.
- In the *Investment Trends, May 2020 Planner Technology Report* Netwealth retained its number 1 rating in the industry for overall satisfaction among primary users for the ninth year in a row. Other highlights of report include:
 - Number 1 rating in nine service element categories;
 - Number 1 rating for advocacy from users, 67% of planners who use Netwealth as their main platform have recommended Netwealth to another planner in the last 12 months; and
 - Number 1 platform considered by advisers looking to switch in the next 12 months.
- In May 2020 the Netwealth Super Accelerator product won *Chantwest Best Advised Product of the year* for the 3rd year in a row.

Platform growth and performance

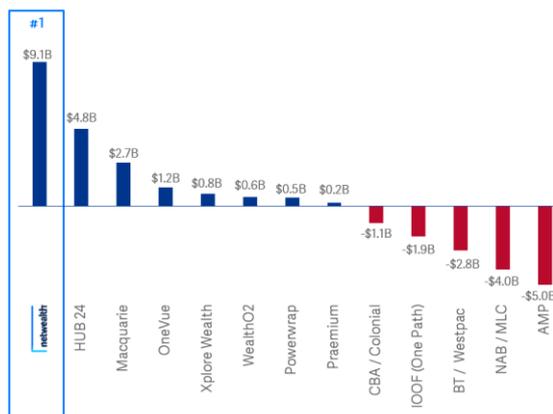
- In the latest *Strategic Insights* platform market update for March 2020, Netwealth recorded the largest quarterly FUA net inflows of \$3.2 billion, more than double that of its nearest competitor.
- Other Netwealth highlights from this update include:
 - The highest net fund flows for the eighth consecutive quarter;
 - FUA net inflows of \$9.1 billion for the 12 month rolling period to 31 March 2020;
 - A 32.4% increase in FUA for the year to March 2020;
 - Of the major platforms, Netwealth is the fastest growing platform in absolute terms and relative to its size (excluding the IOOF/ANZ merger); and
 - 7th largest platform provider in the market with market share of 3.6%, up 1.1% for the year.
- Overall, the industry reversed the recent trends and returned to positive FUA net inflows for 2nd consecutive quarter, recording net inflows for the quarter of \$1.6 billion.

Platform providers by FUA market share¹
% market share (Mar 2020)



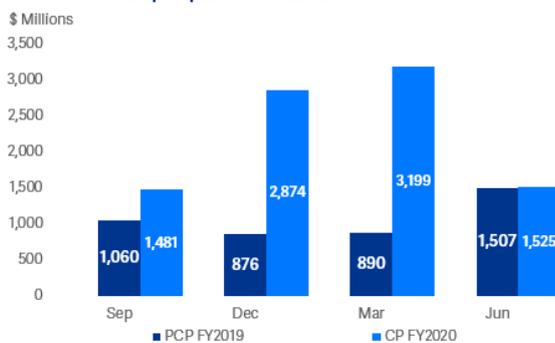
Source: Strategic Insight: Master Trusts, Platforms & Wraps (Mar 2020)
1. Total industry retail FUA of \$777.4B (as at Mar 2020)

Platform provider net funds flows²
\$ Billions (12 months to Mar 2020)



Source: Strategic Insight: Master Trusts, Platforms & Wraps (Mar 2020)
2. Total net flows of \$+2.9B. (12 months to Mar 2020) (Not included above: Others of -\$2.2B)

FUA net inflows per quarter versus PCP



PCP - prior corresponding period (FY2019)
CP - current period (FY2020)

Source: Netwealth

Growth in FUA, FUM & Member Accounts



Quarterly platform statistics

	Jun-2019	Sep-2019	Dec-2019	Mar-2020	Jun-2020	Growth*
Funds Under Administration						
Funds Under Administration	23,337	25,320	28,511	27,875	31,502	35.0%
Fee Paying FUA %	61.0%	61.2%	60.9%	62.1%	63.1%	
FUA net inflows	1,507	1,481	2,874	3,199	1,525	1.2%
Market movement	774	502	317	(3,835)	2,101	
Funds Under Management						
Managed Account	2,760	3,105	4,368	5,043	5,795	110.0%
Managed Funds	1,186	1,336	1,382	1,267	1,483	25.0%
Total FUM	3,946	4,442	5,749	6,310	7,277	84.4%
Managed Account net inflows	263	287	1,217	1,427	393	49.4%
Managed Funds net inflows	38	170	32	52	128	239.3%
FUM net inflows	301	457	1,249	1,479	521	73.1%
Member Accounts (number)	71,424	72,711	75,512	78,543	81,804	14.5%

All figures in \$millions unless otherwise stated

All figures provided are unaudited & net flows do not include market movement

* The growth percentages are the increase on prior year corresponding quarter

- Cash transaction account balance reduced to under 10% of FUA at 30 June 2020.
- Fee paying FUA % increased to 63.1%, primarily due to clients transitioning to our new pricing structure which includes a \$2.5 million account balance administration fee cap.
- Member accounts at 30 June 2020 of 81,804, an increase of 3,261 accounts (4.2% increase) for the quarter.
- As previously reported, during March, the FUA net inflows slowed markedly due to the disruption caused by Covid-19 across the industry. Pleasingly, during the June quarter Netwealth experienced a gradual improvement in net inflow momentum, with June monthly net inflows returning to the same levels as prior year.
- The FUA net inflows for the quarter were very well diversified with the largest adviser group transition accounting for less than 12% of the quarterly flows.

Outlook

- The company expects performance for FY2020 to slightly exceed the previous guidance of:
 - FY2020 revenue to be in the range \$116 to \$120 million; and
 - Underlying EBITDA to be in the range of \$58 to \$62 million.
- Current pipeline of new business continues to be positive although subject to market disruption.
- New platform pricing continues to flow through the back book with the revised pricing being effective on all accounts by 31 December 2020.
- Netwealth will continue to increase investment through FY2021 to ensure continued market leadership in technology, service and functionality to capitalise on the significant long-term growth opportunity.
- The uncertainties currently prevailing around the world as a result of Covid19 make it challenging to predict the future but Netwealth remains positive given its strong cash flows, no debt and growing market share.

About Netwealth

Netwealth is a financial services company listed on the Australian Stock 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 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 rated No.1 by our clients for providing exceptional service and independent researchers continue to rate our technology as best in class*.

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; and
- Managed Funds.

Netwealth's digital platform supports how our financial products are delivered to market. For instance, via the platform, financial intermediaries and clients can invest and manage a wide array of domestic and international products.

The platform is built, developed and maintained by Netwealth's technology team. It is continuously enhanced using feedback from financial intermediaries, clients and other users and receives wide industry recognition as having market-leading functionality.

Supporting our financial products and technology platform is a significant investment in our people and resources to administer support, risk and governance and our custodial services.

*Investment Trends; December 2019 Platform Competitive Analysis and Benchmarking Report & Investment Trends, May 2020 Planner Technology Report.

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

For further information please contact:

Grant Boyle
Chief Financial Officer
grant@netwealth.com.au