

1H2021 Financial result

ASX Release – 17 February 2021

Netwealth delivers 34.5% NPAT growth and current FUA¹ \$40.7 billion

1H2021 financial results highlights (PCP²)

- EBITDA of \$40.5 million (\$31.1 million), increase of 30.1% to PCP.
- EBITDA margin of 56.0% (53.1%) for 1H2021.
- NPAT of \$27.6 million (\$20.5 million), \$7.1 million increase or 34.5% increase to PCP.
- Total Income of \$72.4 million (\$58.7 million) an increase of \$13.7 million or 23.4% to PCP. Platform Revenue of \$71.2 million (\$57.3 million), an increase of \$13.8 million or 24.1% to PCP.
- Total Operating Expenses of \$31.9 million (\$27.5 million), an increase of \$4.3 million to PCP, up 15.8% (including increase in employee benefits of \$3.9 million, up 19.5% to \$23.7 million for 1H2021). Headcount at 31 December 2020 of 371 with an additional 32 roles added in 1H2021.
- Operating net cash flow pre-tax³ of \$40.5 million (\$31.3 million), an increase of \$9.1 million or 29.2% to PCP.
- EPS of 11.3 cents (8.4 cents), an increase of 2.9 cents or 34.5% to PCP.
- On 17 February 2021, the board declared a fully franked interim dividend of 9.06 cents per share totalling \$22.1 million for 1H2021. The dividend is payable on 26 March 2021. The ex-dividend date is 22 February 2021.
- On 17 February 2021, Jane Tongs retired from the board and Tim Antonie was appointed as Chairman. On 1 February 2021 a new independent non-executive director, Kate Temby, was appointed.

	1H2020 Actual	1H2021 Actual	Change	% Change
Financials⁴				
Platform Revenue	57.3	71.2	13.8	24.1%
Other Income	1.3	1.2	(0.1)	(6.5%)
Total Income	58.7	72.4	13.7	23.4%
Employee Benefits Expenses	(19.9)	(23.7)	3.9	19.5%
Other Costs & Expenses	(7.7)	(8.1)	0.5	6.2%
Total Operating Expenses	(27.5)	(31.9)	4.3	15.8%
EBITDA	31.1	40.5	9.4	30.1%
EBITDA Margin %	53.1%	56.0%	2.9%	
NPAT	20.5	27.6	7.1	34.5%
NPAT margin %	35.0%	38.2%	3.2%	
Operating net cash flow pre tax ³	31.3	40.5	9.1	29.2%
Cash conversion ratio to EBITDA	100.6%	99.9%	(0.7%)	
EPS based on NPAT - diluted (cents) ⁵	8.4	11.3	2.9	34.5%

\$'M unless otherwise stated

1. Current FUA as at 15 February 2021.
2. PCP: prior comparative period 1H2020.
3. Operating net cash flow pre tax excludes investment in Xepro and seed investment provided for Magellan funds.
4. All financials comply with current AASB's. A reconciliation is provided in Appendix 1 to underlying financial results previously presented for 1H2020.
5. EPS has been calculated including all of the ordinary shares, performance shares and options on issue at the end of the period.

For personal use only

1H2021 Business highlights

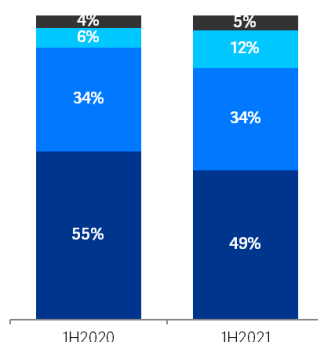
	1H2020 Actual	1H2021 Actual	Change	% Change
Platform Statistics				
Funds Under Administration				
FUA (eop)	28,511	38,799	10,288	36.1%
Fee Paying FUA %	60.9%	63.4%	2.5%	4.0%
FUA net inflows	4,355	4,468	113	2.6%
Funds Under Management				
Managed Account	4,368	7,603	3,236	74.2%
Managed Funds	1,382	1,711	330	23.8%
FUM (eop)	5,749	9,315	3,565	62.0%
Managed Account net inflows	1,503	1,335	(168)	(11.2%)
Managed Funds net inflows	202	195	(7)	(3.6%)
FUM net inflows	1,706	1,530	(176)	(10.3%)
Key Statistics Annualised				
Platform Revenue / average FUA (bps)	44.6	40.5	(4.1)	(9.2%)
EBITDA / average FUA (bps)	24.2	23.1	(1.2)	(4.8%)
Platform Revenue / average number of accounts (\$)	1,564	1,666	102	6.5%
Accounts (eop, number)	75,512	88,189	12,677	16.8%
Financial Intermediaries (eop, number)	2,711	2,982	271	10.0%

\$'M unless otherwise stated
eop - end of period

- Funds Under Administration (FUA) at 31 December 2020 of \$38.8 billion, a record half year increase of \$7.3 billion (23.2% increase) for 1H2021, delivered by strong FUA net inflows of \$4.5 billion and positive market movement of \$2.8 billion for the half year.
- Growth in FUA of \$10.3 billion (36.1% increase) for the 12 months to 31 December 2020, includes \$9.2 billion FUA net inflows and \$1.1 billion positive market movement.
- Funds Under Management (FUM) at 31 December 2020 of \$9.3 billion increased by \$3.6 billion (62.0% increase) for the 12 months to 31 December 2020. Includes Managed Account FUM at 31 December 2020 of \$7.6 billion, increased by \$3.2 billion (74.2% increase) for the year to 31 December 2020.
- Managed Account net inflows of \$1.3 billion for 1H2021 and \$3.2 billion for the 2020 calendar year.
- Netwealth further diversified revenue composition for 1H2021, as transaction fee revenue increased to 12% of platform revenue for the period. Management fee income increased to 5%, due to increase in FUM and investment products offered, including Managed Accounts on the platform.

Platform revenue split 1H2020 & 1H2021

- Management Fees
- Transaction Fees
- Ancillary fees
- Administration fees



Source Netwealth

For personal use only

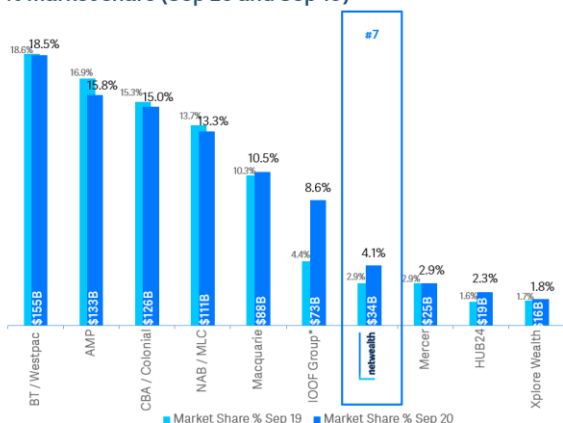
For personal use only

- For 1H2021, the average annualised platform revenue earned per member account increased to \$1,666, up \$102 (6.5% increase) compared to PCP.
- Average account size increased to \$440,000 at 31 December 2020, up from \$385,000 at 30 June 2020.
- Platform revenue/average FUA of 40.5 bps for 1H2021, decreased by 4.1 bps (9.2% decrease) compared PCP and decreased by 2.4 bps (5.7% decrease) compared to 2H2020.
- Client Accounts of 88,189, increased by 12,677 accounts (16.8% increase) to PCP.
- 2,982 Financial Intermediaries using the platform at 31 December 2020, increased 10.0% to PCP.

Australia's fastest growing platform

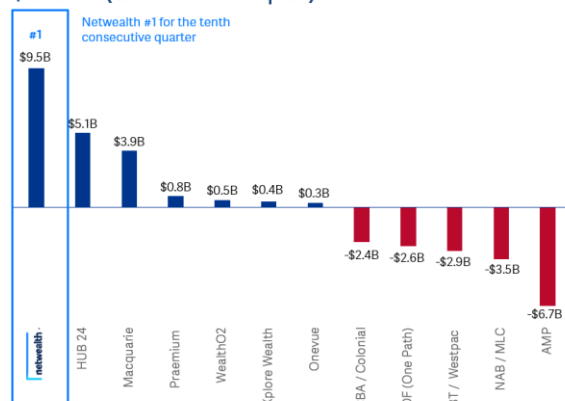
- In the latest Plan for Life quarterly platform market update:
 - Netwealth was the fastest growing platform operator in the industry by net inflows over the 12 months to 30 September 2020, with 38% growth in absolute terms and relative to the size of our FUA;
 - Netwealth recorded the largest FUA net inflows of \$9.5 billion for the 12-month rolling period to 30 September 2020, the largest in the industry for the tenth consecutive quarter; and
 - Netwealth was the 7th largest platform provider and increased its market share by 1.2% for the year to 4.1% at 30 September 2020.

Platform providers by FUA market share % market share (Sep 20 and Sep 19)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 20. Total industry retail FUA of \$840.1B (as at Sep 2020)
 *IOOF Group includes acquisition of ANZ's OnePath

Platform provider net funds flows \$Billions (12 months to Sep 20)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds 12 months to Sep 20. Total net flows of \$1.1B (Not included above: Others of -\$1.3B)

- During 1H2021 Netwealth was awarded Top 200 company (out of 18,000 companies) in the 2020 Forbes Asia "Best under a Billion" Awards, which recognises 200 Asia Pacific companies with less than US\$1 billion in revenue that demonstrate consistent top and bottom line growth, low debt and robust governance.

Update on strategic initiatives

- In addition to the regular release of new and innovative platform and product features Netwealth is committed to driving new initiatives across the business to benefit wealth management professionals, investors and members.
- In September 2020 Netwealth made a strategic investment in Xeppo Pty Ltd (Xeppo) a fintech data solutions provider who specialises in connecting, matching and reconciling data from a wide range of sources to support the wealth management, accounting and mortgage industries. The investment will enable and accelerate a number of key initiatives previously announced, including our “Whole of Wealth” and client portal strategy.
- Joint initiatives with Xeppo are progressing in line with expectations with a number of long-standing licensees and practices implementing the Xeppo data aggregation, analytics and CRM solution, in addition to a growing pipeline of opportunities with potential clients who recognise the significant benefits and efficiency the technology can provide.
- As part of the “Whole of Wealth” strategy a new SaaS product, “X-wrap”, was launched providing sophisticated administration and reporting tools to advisers and clients looking to consolidate and report on assets held off platform together with their assets held in custody and administered by Netwealth.
- A new native mobile experience for IOS and Android users. The new mobile offering, will deliver a significantly improved client experience as well as a range of integrated solutions for advisers focused on efficiency and engagement.
- In August 2020 Netwealth launched two new Global specialist funds (GSS) managed by Magellan Asset Management Limited. The Magellan GSS Infrastructure Fund and The Magellan GSS Global Fund are the first in a series of new Netwealth funds which will be rolled out progressively in the coming year providing investors with greater choice and further diversifying our revenue base.

Commentary and outlook

- Funds Under Administration at 15 February of \$40.7 billion, an increase of \$1.9 billion (4.9% increase) since 31 December 2020.
- Netwealth expects to benefit from ongoing industry consolidation and change.
- In addition to overall market share growth, Netwealth expects to benefit from growth in its affluent, high net-worth and private wealth groups as its platform functionality supports and enables the unique and differentiated needs of the segment.
- For FY2021, the pipeline of new business and transitions remains strong. Based on no material adverse change in financial markets and subject to the timing of transitions, the FY2021 FUA net inflows are expected to be in the range of \$8.5 billion to \$9.0 billion.
- On 1 January 2021 new pricing previously announced in March 2020, was fully implemented. Whilst clients have been progressively moving to new pricing since it was announced, any clients who had not already moved to new pricing have now been transitioned. As a result of the changes to pricing, we do not expect FUA administration fee income to increase significantly in 2H2021 compared to 1H2021.

- The balance of the Netwealth cash transaction account has reduced during FY2021 to 7.2% of FUA at 31 December 2020. In addition, Netwealth absorbed the RBA 15bps rate reduction on the 4 November 2020, which further reduced ancillary revenues from that date. As disclosed previously, Netwealth's agreement with an Australian commercial bank with respect to the deposit of the total pooled client cash transaction accounts may be terminated by either party giving 12 months' notice.
- Netwealth's has continued to increase its investment in IT infrastructure and software, adding 25 additional technology resources across Australia and Vietnam in 1H2021. These resources are primarily focused on:
 - Continuing to enhance operational efficiency and scalability;
 - New digital client engagement and mobile first "Whole of Wealth" offering; and
 - Building synergies with Xepko and other 3rd party software solutions to create a unique and market leading proposition for multi-disciplinary and integrated wealth practices.
- Finally, and importantly, Netwealth remains in a very strong financial position supported by:
 - A diversified and robust sales and transition pipeline;
 - High profitable, with strong EBITDA margin;
 - A very high correlation between EBITDA and operating cashflow, resulting in exceptional cash generation;
 - Very high levels of recurring revenue, which results in predictable revenue; and
 - Very low capital expenditure, no debt and significant cash reserves.

About Netwealth

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*.

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 our 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.

For personal use only

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.

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

*Investment Trends, May 2020 Planner Technology Report

Appendix 1

- Set out below is a reconciliation to underlying financial results previously presented for 1H2020. Underlying results for 1H2020 were provided at the time under pre AASB16 guidelines for comparative purposes. All financials reported in this announcement comply with current AASB's.

Reconciliation to 1H2020 Underlying results	1H2020 Actual
EBITDA	31.1
Rental expense (pre AASB 16)	(0.7)
Underlying EBITDA	30.5
Underlying EBITDA margin	52.0%
NPAT	20.5
Depreciation on right-of-use assets (post AASB 16)	0.6
Interest on leases (post AASB 16)	0.0
Rental expense (pre AASB 16)	(0.7)
Net tax impact from leases (adoption of AASB 16)	0.0
Underlying NPAT	20.6
Underlying NPAT margin	35.0%

\$M unless otherwise stated