

Proposal to merge with Praemium

ASX Release – 2 November 2021

Non-binding indicative proposal to merge Praemium and Netwealth

Netwealth Group Limited ("Netwealth") confirms that on Thursday 28 October it submitted a non-binding indicative proposal to merge Netwealth and Praemium Limited ("Praemium") (the "Proposal"). Under the Proposal Netwealth would acquire all of the issued shares in Praemium by way of a Scheme of Arrangement (the "Proposed Transaction").

The Proposed Transaction, if implemented, would enhance Netwealth's platform with further scale and accelerate the development of specialist capabilities to capture the long-term growth potential of the expanding market for wealth management services.

Proposed Transaction details

Under the terms of the Proposed Transaction, Praemium shareholders would be entitled to receive:

- one new Netwealth share for every 11.96 Praemium shares ("Base Consideration"); plus
- cash consideration, reflecting the net proceeds achieved from the sale process for Praemium's international operations ("International Sale Process") in excess of an attributed valuation of \$50 million less tax and transaction costs ("International Sale Upside Consideration").

Based on the closing price of Netwealth shares of \$17.94 on 27 October 2021, being the last trading day prior to the date of the Proposal, the Base Consideration implied a value of \$1.50 for each Praemium share (excluding the International Sale Upside Consideration).

Netwealth believes the Base Consideration represents an attractive premium for Praemium shareholders. It represents:

- a 29% premium to Praemium's closing price of \$1.16 on 27 October 2021, or a 34% premium (including the illustrative International Sale Upside Consideration as discussed below);
- a 25% premium based on the respective 5-day volume weighted average prices ("VWAPs") of Praemium and Netwealth to 27 October 2021 of \$1.17 and \$17.55; and
- a 41% premium based on the respective 12-month VWAPs to 27 October 2021 of \$0.92 and \$15.53.

The Proposed Transaction represented an equity value for Praemium of \$785 million, an enterprise value of \$775 million and a LTM EV/EBITDA multiple of 55x (excluding the International Sale Upside Consideration).¹

Praemium shareholders would retain a meaningful equity position in the combined group through which they would be able to participate in the value created as a result of combining the two businesses.

For illustrative purposes, if the International Sale Process achieves net proceeds of \$77 million², then the International Sale Upside Consideration would deliver incremental value of \$27 million or 5.1 cents per Praemium share³. Taken together, the Base Consideration plus the International Sale Upside Consideration imply an illustrative total value of \$1.55 for each Praemium share ("Total Consideration") based on Netwealth's closing price as of 27 October 2021.

Compelling strategic and financial rationale

The Proposed Transaction, if implemented, would be expected to create substantial value for both Netwealth and Praemium shareholders given the compelling strategic rational and material cost and revenue synergies.

Netwealth believes that a merger with Praemium would build upon the respective strengths of both companies to enhance the position of the combined group as the fastest-growing wealth management platform in the Australian market.

The combined group would be the largest independent wealth management platform in Australia by net flows with approximately \$16bn net flows for the twelve months to 30 September 2021, and would create the leading platform for wealth advisors and investors across all wealth segments.

The combined group would account for c. \$72bn Australian platform FUA and more than \$22bn non-custodial assets.

By combining Netwealth and Praemium, the group would be able to deepen its relationships and technical capabilities with both existing and new advisors. The combined group would deliver an outstanding customer experience and product offering through the integration of Netwealth's highly rated tech portal with Praemium's industry leading investment portfolio reporting and non-custodial administration.

The Proposed Transaction would accelerate Netwealth's strategy in the non-custodial segment. The combined group will benefit from Praemium's non-custodial Virtual Managed

¹ Based on Praemium's reported FY 2021 EBITDA of \$14.0m.

² Illustrative valuation of A\$77 million represents the median enterprise value attributed to Praemium's international operations by brokers that disclose a sum-of-the-parts valuation: Ord Minnett (A\$91 million), Barrenjoey (A\$77 million) and Canaccord Genuity (A\$42 million).

³ Assuming no tax and transaction costs.

Account Administration Services which combined with the Netwealth non-custodial XWrap platform would allow the combined group to meet new advisor needs and capitalise on the significant market opportunities in the non-custodial segment.

Commenting on the Proposed Transaction, Matt Heine, Joint Managing Director of Netwealth, said:

"Netwealth is confident that the Proposed Transaction (if implemented) would create a very strong value proposition for existing and future clients and for shareholders of both groups. The Proposed Transaction would ensure that the combined group can continue to lead the industry in net funds flow, technology and client service in what is currently a competitive and rapidly changing platform and advice landscape.

Praemium shareholders would have meaningful equity in the combined group and benefit alongside Netwealth shareholders from the strategic benefits as well as the cost and revenue synergies that would arise from the merger."

Engagement with Praemium

Praemium advised yesterday afternoon that whilst they acknowledge the strategic benefits of a merger with Netwealth, the Proposed Transaction does not currently represent an implied value at which the Praemium Board would be prepared to recommend a transaction to its shareholders. Accordingly, there can be no certainty that the Proposed Transaction or any other transaction will proceed.

Netwealth has appointed Goldman Sachs as its financial adviser and SBA Law as its legal adviser.

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 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 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 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.

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

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*Investment Trends June 2021 Adviser Technology Needs Report.