

## December 2021 Quarterly business update and outlook

ASX Release – 20 January 2022

**Record December quarter net flows of \$3.6 billion, an increase of 41% versus prior year.**

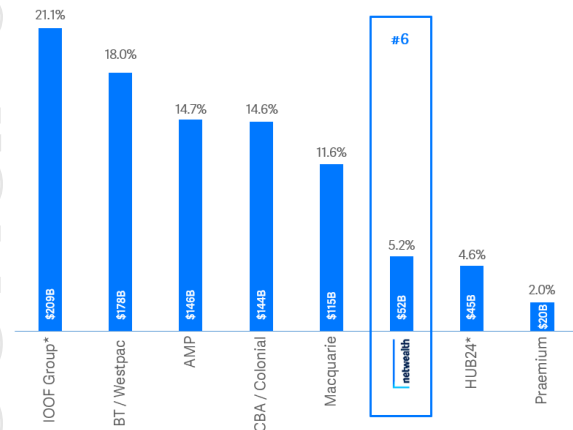
### Quarterly highlights

- Funds Under Administration (FUA) at 31 December 2021 of \$56.6 billion, an increase of \$4.7 billion (9.0% increase) for the December quarter including market movement of \$1.1 billion and an increase of \$17.9 billion (46.0% increase) from 31 December 2020 including positive market movement of \$4.9 billion.
- FUA net inflows of \$3.6 billion for the December quarter, an increase of 41% to PCP
- Funds Under Management (FUM) at 31 December 2021 of \$13.8 billion, an increase of \$1.2 billion (9.2% increase) for the quarter and an increase of \$4.5 billion (48.3% increase) to 31 December 2020.
- FUM net inflows of \$0.8 billion for the December quarter.
- Managed Account balance of \$11.7 billion at 31 December 2021, an increase of \$4.1 billion (53.9% increase) to 31 December 2020.

## Platform growth and performance

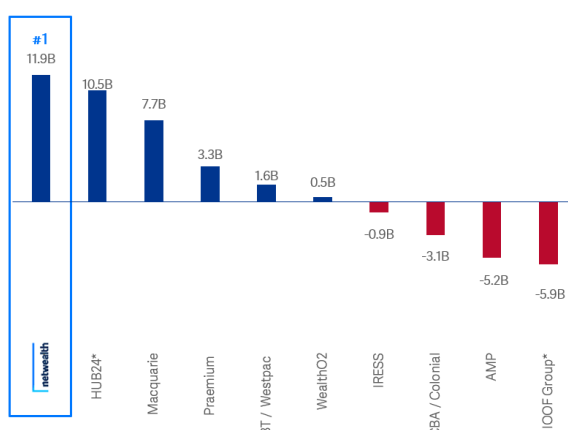
- Netwealth continues to lead the industry for FUA net inflows, as reported in the *Plan for Life* September 2021 quarter platform market update, recording the largest FUA net inflows of \$11.9 billion for the 12-month rolling period to 30 September 2021.
- Netwealth's market share increased to 5.2% at 30 September 2021 up 1.2% for the 12 months to 30 September 2021.
- Netwealth is the fastest growing platform provider by net funds flows in Australia.

Platform providers by FUA market share % market share (Sep 2021)



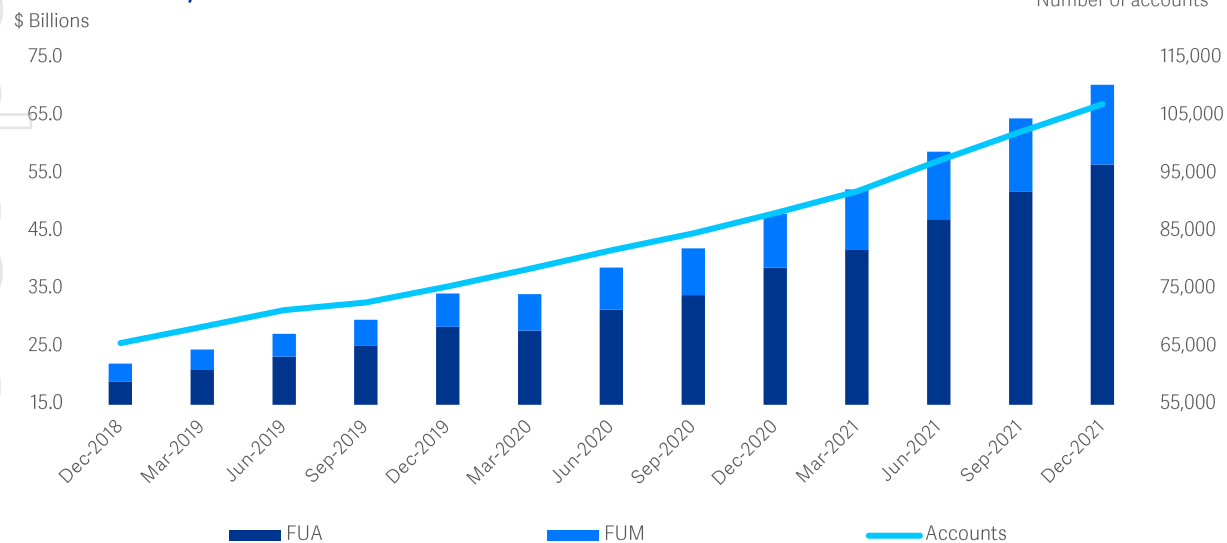
Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2021  
Total industry retail FUA of \$390.1B (as at Sep 2021)  
\*IOOF Group includes acquisition of MLC, HUB 24 Includes acquisition of Xplore Wealth

Platform provider net funds flows \$Billions (12 months to Sep 2021)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2021  
Total net flows of +\$21.5B (Not included above: Others of +\$1.0B)  
\*IOOF Group includes acquisition of MLC, HUB 24 Includes acquisition of Xplore Wealth

## Growth in FUA, FUM & Accounts



Source: Netwealth

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## Quarterly platform statistics

	Dec-2020	Mar-2021	Jun-2021	Sep-2021	Dec-2021	Growth*
<b>Funds Under Administration</b>						
Funds Under Administration	38,799	41,840	47,138	51,959	56,654	46.0%
Fee Paying FUA %	63.4%	66.4%	65.6%	64.2%	63.5%	
FUA net inflows	2,556	2,266	3,077	4,035	3,601	40.9%
Market movement	2,220	775	2,221	785	1,095	
<b>Funds Under Management</b>						
Managed Account	7,603	8,730	9,835	10,653	11,703	53.9%
Managed Funds	1,711	1,768	1,911	1,994	2,114	23.6%
<b>Total FUM</b>	<b>9,315</b>	<b>10,499</b>	<b>11,746</b>	<b>12,647</b>	<b>13,817</b>	<b>48.3%</b>
Managed Account net inflows	659	889	741	730	779	18.2%
Managed Funds net inflows	74	32	56	159	62	(16.3%)
<b>FUM net inflows</b>	<b>733</b>	<b>921</b>	<b>796</b>	<b>888</b>	<b>841</b>	<b>14.7%</b>
Accounts (number)	88,189	92,008	97,319	102,304	107,103	21.4%

All figures in \$millions unless otherwise stated

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

\* Growth is the percentage increase on prior year corresponding quarter

- The balance of the Netwealth Cash transaction account was 6.1% of FUA at 31 December 2021.
- The percentage of admin fee paying FUA was 63.5% at 31 December 2021, a decrease of 0.7% over the quarter, primarily due to increase in equity markets.
- Member accounts at 31 December 2021 were 107,103, an increase of 4,799 accounts (4.7% increase) for the quarter.

## Update on cash deposits

- Given the historically low interest rates and reduced cost of funding for banks, we advised in March 2021 that the interest rate agreement with ANZ was to be terminated effective on 24 March 2022. The current agreement provides a margin of 95bps above the official cash rate ("OCR").
- After discussions with ANZ and multiple other banks we have agreed subject to contract to enter into a new interest rate agreement with ANZ.
- As a result of APRA providing further guidance on its liquidity Prudential Standard APS210 ("APS210"), different client types and deposit balances will now be treated differently by ANZ, resulting in a lower overall average margin being paid on the wrap and super cash accounts.

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- The margin across all cash accounts from 25th March 2022 will average approximately 50 bps above RBA Cash Rate Target (“RBA Rate”).
- Under the new interest rate agreement, Netwealth and ANZ will meet from time to time to consider any change to the rates payable based on a number of factors including market rates and conditions.
- In addition, the previous reductions in the RBA Rate which have reduced our cash administration margin by 40bps, will be progressively recovered as the RBA cash rate and Interbank rates increase. In the event that the RBA rates return to 50 bps, we would expect our margin to exceed the 105 bps we are currently receiving.

## Outlook

- As flagged in our FY2021 result announcement, in 1H 2022 we have significantly stepped up our investment in people and technology to ensure we retain and attract staff, maintain our market leadership, build our client support, drive new revenue streams, and scale our infrastructure to support our higher than budgeted 1H Inflows and expected future growth.
- Our pipeline and win rate for new business remains very strong across all market segments.
- As we continue to experience favourable conditions, we are increasing our FUA net inflows guidance for FY2022 forecast to exceed \$13.5 billion.
- Netwealth remains in a strong financial position:
  - Highly 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, debt free and significant cash reserves.

## 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