

# Praemium Limited

## 2022 Half-year results

Investor presentation

14 February 2022

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The platform of everything

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# Who we are

Praemium is a leading provider of wealth management technology, platform and portfolio administration services

## Our story

Software company founded in 2001

ASX listed in 2006 to launch the UK platform

Offices in Australia, the UK, UAE, Armenia, China and Hong Kong

Over 1,000 clients, across global financial institutions

Covering over \$200 billion in assets

## Our products

### *Portfolio management platform*

Leading edge portfolio management technology for the Australian, UK and other international markets

### *Portfolio administration*

Excellence in performance and tax reporting

### *CRM & financial planning*

Cloud-based financial planning software

### *Investment management technology and products*

Multi-asset, multi-currency model portfolios

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## **Business highlights**

Financial results

Looking forward

Q&A

# Executive summary H1 FY2022

## Strong top-line momentum

- Continuing tailwinds for independent wealth management platforms
- Record half for FUA and platform inflows
- Strong pipeline of opportunities to support future growth

## Investments in growth

- Extending our competitive edge with ongoing R&D investment
- Building our brand presence with expanded sales & marketing
- Supporting our growth and client experience by filling over 20 vacant roles despite challenging conditions in the employment market
- Underlying EBITDA growth expected to exceed revenue growth from this half

## Sale of International business

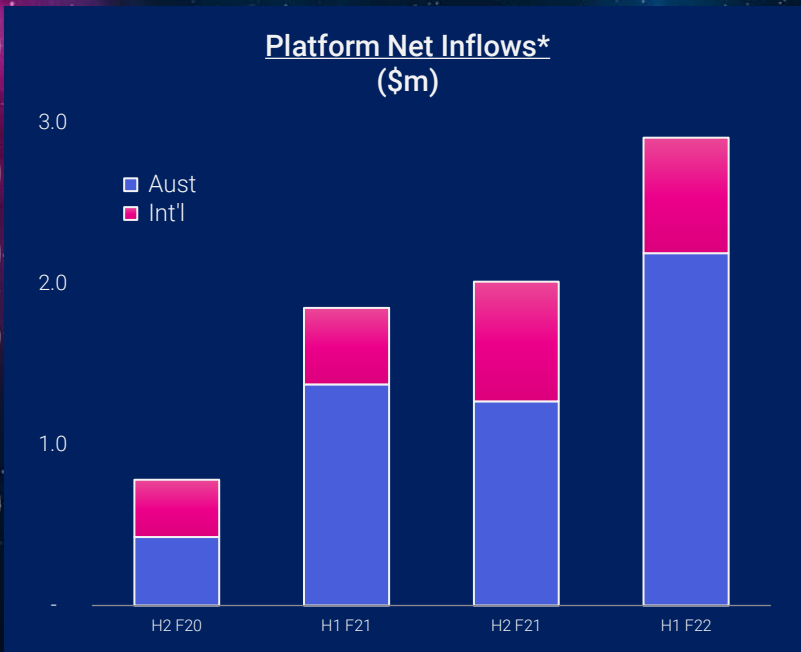
- Sale to Morningstar for \$A65 million (£35 million)
- Allows focus on accelerating our growth in the Australian platform market
- Praemium Board intends to return surplus net proceeds to shareholders



# Record inflows and FUA

**Record net inflows of \$2.9 billion\***

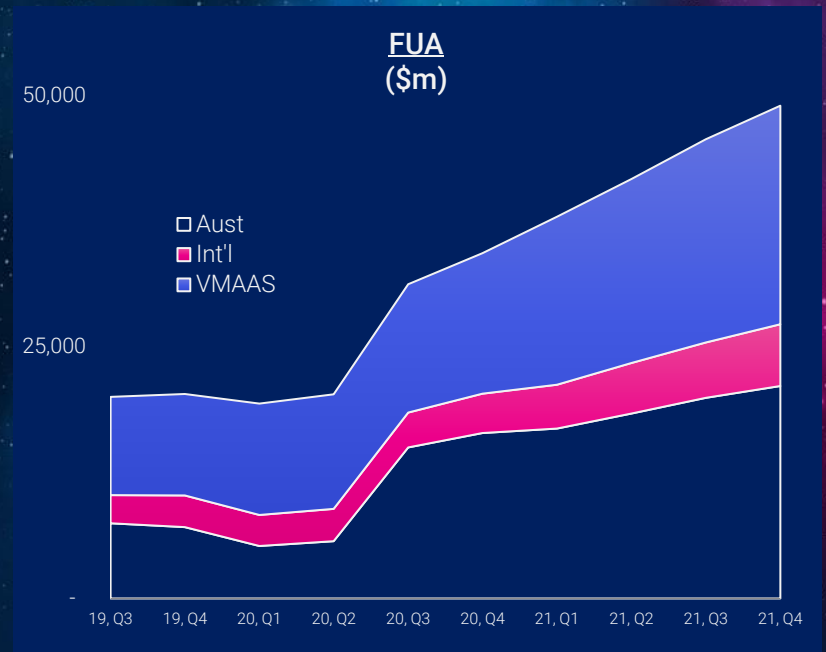
Australian platform inflows of \$2.2 billion  
International platform inflows of \$0.7 billion



\* FY20 & FY21 net inflows exclude a major client transition

**Record global FUA of \$49.0 billion**

Platform FUA of \$27.3 billion, up 33%  
VMAAS FUA of \$21.7 billion, up 55%



VMAAS: Virtual Managed Account Administration Service comprises non-custodial-FUA

# A productive half

## Continued product development

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*Focus on delivering solutions to support advisers meet new regulatory requirements and enhance their business efficiency:*

- Development of solutions to support the new Design and Distribution Obligations (DDO)
- Enhancements to Præmium's Adviser portal including on-demand reports
- New self-service functionality for SMA Model Managers
- Enhancements to non-custody solutions (VMA & VMAAS) for even more efficient corporate actions processing
- Continued growth in external fintech providers accessing Præmium's global API service

## Industry recognition

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- Winner of Leading Platform for Discretionary Management at *Schroders 2021 UK Platform Awards*
- Winner of Best International Platform and Best Digital Proposition at the *International Adviser Awards* in London

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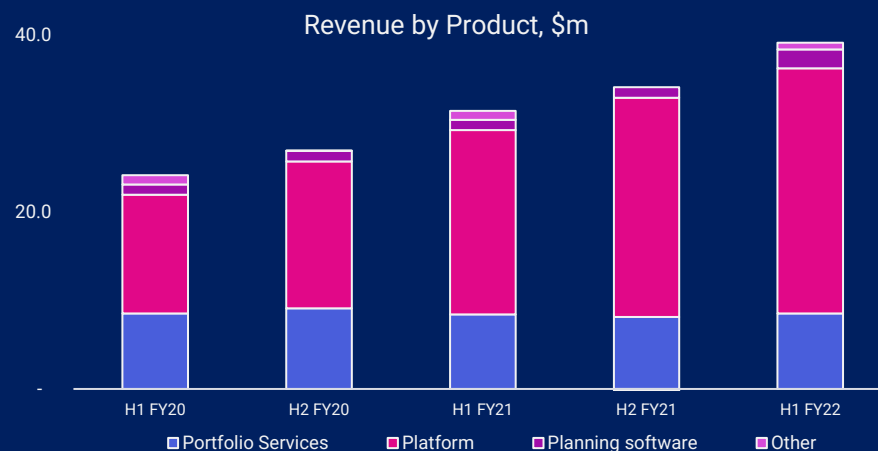


# H1 FY2022 financial results

Group Financial Results (\$m)	H1, FY21 <sup>(1)</sup>	H1, FY22 <sup>(2)</sup>
Revenue (net)	31.5	39.2
Cost of operations	(9.6)	(12.3)
<b>Gross margin</b>	<b>21.9</b>	<b>26.9</b>
GM % of net revenue	69.9%	68.5%
<b>Expenses:</b>		
Information Technology	(3.2)	(5.4)
Sales & Marketing	(6.9)	(8.3)
General & Admin	(4.7)	(5.7)
<b>Total expenses</b>	<b>(14.8)</b>	<b>(19.4)</b>
<b>EBITDA (underlying)<sup>3</sup></b>	<b>7.1</b>	<b>7.5</b>
EBITDA %	23%	19%
<b>EBITDA (continuing)<sup>3</sup></b>	<b>8.1</b>	<b>7.6</b>
<b>EBITDA (discontinuing)<sup>3</sup></b>	<b>(1.0)</b>	<b>(0.1)</b>
Share schemes	(1.7)	(2.0)
D&A <sup>4</sup>	(3.6)	(4.6)
<b>EBIT</b>	<b>1.8</b>	<b>0.9</b>
Divestment & restructure <sup>5</sup>	(1.6)	(2.1)
FX & other	4.2	(0.3)
<b>NPBT</b>	<b>4.4</b>	<b>(1.5)</b>
Tax	(1.6)	(1.1)
<b>NPAT</b>	<b>2.8</b>	<b>(2.6)</b>

## Strong top-line momentum

- Net revenue growth of 25% to \$39.2 million, driven by platform revenue growth of 33%
- Gross margin up 23% to \$26.9 million
- Gross margin% decline from full half of Powerwrap and investment in operations to support growth & service



## Investing in growth

- Inclusion of Powerwrap cost base (H1 FY21 4 months)
- Ongoing R&D investment
- Continued focus on sales & marketing
- Underlying EBITDA of \$7.5 million, up 6%

<sup>1</sup> Results include acquisition of Powerwrap Limited from September 2020. Revenue disclosed net of product commissions

<sup>2</sup> H1 FY2022 results above include the Australian segment (continuing operation) and International segment (discontinuing segment) for the purposes of comparison to the prior year.

<sup>3</sup> Underlying EBITDA and segment EBITDA is detailed at Note 7 of the Half-Year Report

<sup>4</sup> Amortisation includes software intangibles \$3.3m and lease assets \$0.9m

<sup>5</sup> Refer slide 13 for detailed breakdown

# Australian segment result (continuing operations)

Australia results \$m	H1 FY21	H1 FY22	Change H1%
Platform	16.7	21.7	31%
Portfolio services	8.0	8.5	7%
Portfolio services (PWL)	0.4	-	-
Planning software	0.1	0.1	5%
<b>Revenue</b>	<b>25.2</b>	<b>30.3</b>	<b>21%</b>
Cost of operations	(6.3)	(8.8)	39%
Information Technology	(2.9)	(5.1)	77%
Sales & Marketing	(4.7)	(5.2)	10%
General & Admin	(2.7)	(3.0)	18%
<b>Expenses</b>	<b>(16.6)</b>	<b>(22.1)</b>	<b>34%</b>
<b>Segment EBITDA</b>	<b>8.6</b>	<b>8.2</b>	<b>(6%)</b>
EBITDA %	34%	27%	
Corporate expenses	(0.5)	(0.6)	24%

## EBITDA \$8.2 million, 27% EBITDA margin

- 39% increase in operations to support client growth
- Lower client recovery of \$0.7 million (COGS)
- 25% increase in R&D headcount and 32% increase in IT support costs offset by lower R&D capex (\$0.5m) from regulatory projects

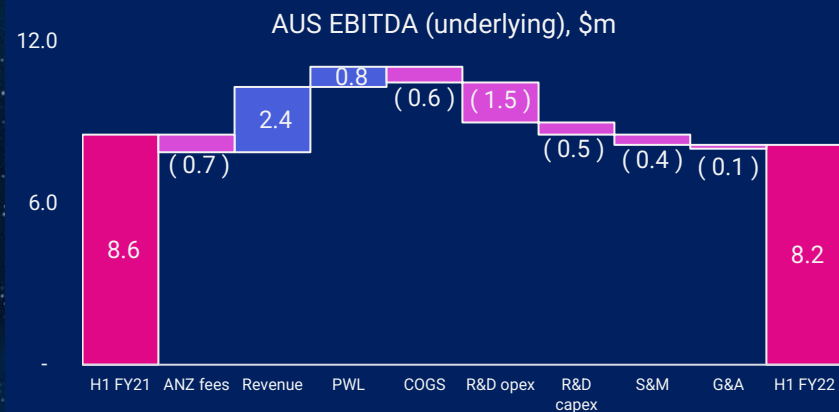
## Revenue growth of 21%

Platform revenue \$21.7 million, up 31%

- Driven by FUA growth of 28%
- PPS revenue growth 18%
- Average revenue margin of 23 bps (PPS 34, PWL 17<sup>1</sup>)

Portfolio services revenue \$8.5 million, up 7%

- VMA software revenue up 5%
- VMA admin revenue up 28%



## Powerwrap contribution

- Revenue contribution of \$10.1 million for 1H22
- EBITDA contribution of \$0.8 million from full half
- \$3.3 million in annualised cost synergies achieved
- Investment in sales & marketing generating results

Results of the Australian Business comprise the operations of Australia, Armenia and Shenzhen.  
Refer Note 7 of Half-Year Report for segment disclosures, based on continuing operations. Inclusion of Shenzhen operations \$0.5 million

<sup>1</sup>Based on annualised revenue and inclusive of fees and recoveries

# International segment result (discontinuing operations)

International results \$m	H1 FY21	H1 FY22	Change H1%
Platform	3.5	5.4	53%
Platform (funds)	0.8	0.6	(24%)
Planning software	1.1	2.1	91%
Other	0.9	0.8	(23%)
<b>Revenue</b>	<b>6.3</b>	<b>8.9</b>	<b>38%</b>
Product commissions	(0.1)	0.0	(122%)
<b>Revenue (net)</b>	<b>6.2</b>	<b>8.9</b>	<b>41%</b>
Expenses*	(7.2)	(9.0)	23%
<b>Segment EBITDA</b>	<b>(1.0)</b>	<b>(0.1)</b>	<b>(94%)</b>

## Revenue growth of 41% (net)

- Platform revenue up 53%, FUA up 58%
- Fund revenue down 24% with Smartfund Protected funds closed
- Planning software revenue up 91% from WealthCraft licence growth and Hong Kong contract finalisation

## Breakeven achieved

Expenses up 23% from operational capability to support growth

EBITDA breakeven, a 94% improvement:

- UK \$0.1 million profit, 176% improvement
- Asia (HK) \$0.8 million profit
- UAE cost centre \$1.0 million, up 44%

Results of the International Business comprise the operations of United Kingdom, Jersey, Hong Kong and Dubai, which have agreed to be sold to Morningstar, Inc.

Refer Note 7 of Half-Year Report for segment disclosures, based on discontinuing operations.



# Cashflow

Cashflow (\$m)	H1 FY21	H1 FY22
Operating cashflow	5.2	2.5
R&D incentive	0.8	-
Tax paid	(2.2)	(1.9)
One-off costs	(1.6)	(0.7)
<b>Net operating cashflow</b>	<b>2.2</b>	<b>(0.1)</b>
Business acquisition (net)	1.2	-
Intangible capex	(3.4)	(2.9)
Equipment capex	(0.2)	(0.3)
Investments	(0.5)	(0.2)
<b>Net investing cashflow</b>	<b>(2.9)</b>	<b>(3.4)</b>
<b>Net financing cashflow</b>	<b>14.2</b>	<b>(3.6)</b>
Net cash movement	13.5	(7.1)
Opening cash	15.9	26.7
Unrealised FX	(0.5)	(0.2)
<b>Closing cash</b>	<b>28.9</b>	<b>19.4</b>

## Maintaining cash generation

- Operating cashflow of \$2.5 million
- UK R&D incentives to be received in H2
- Net operating outflow of \$0.1 million, net of divestment and restructuring costs
- R&D capex of \$2.9 million from continuing projects across Australia
- Financing cashflow includes loan repayments \$1.5 million and lease payments \$2.1 million
- International business proceeds expected in CY22

Segment cashflow	H1 FY21	H1 FY22
Continuing operations	4.3	2.9
Discontinuing operations	(2.1)	(3.0)
<b>Net operating cashflow</b>	<b>2.2</b>	<b>(0.1)</b>

# Balance sheet

Balance Sheet (\$m)	Jun'21	Dec'21
Cash	26.7	19.4
Receivables	9.0	7.1
Financial assets	2.1	14.3
Intangibles	64.3	58.8
Other assets	10.4	11.3
<b>Assets</b>	<b>112.5</b>	<b>110.9</b>
Tax liabilities	-	-
Borrowings	13.6	12.1
Other liabilities	19.0	19.4
<b>Liabilities</b>	<b>32.6</b>	<b>31.5</b>
<b>Net Assets</b>	<b>79.9</b>	<b>79.4</b>

One-off Costs (\$m)	H1 FY21	H1 FY22
Divestment costs	-	1.2
Acquisition costs	1.2	0.4
Restructure costs	0.4	0.3
Arbitration costs	-	0.2
<b>Total expenses</b>	<b>1.6</b>	<b>2.1</b>

## Stable balance sheet

- Strong cash reserves
- Group regulatory cash requirement of \$12 million
- Financial assets include international business held for sale
- Powerwrap tax losses of \$9 million able to be utilised in future periods
- Franking credits of \$13 million

## One-off costs

- Divestment costs include legal, advisory and related costs for International business sale
- Acquisition costs include takeover defence costs
- HK arbitration now concluded

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# The platform of everything

## Leader in non-custodial

VMA, our unique proprietary technology

The most accurate portfolio and tax reporting engine

VMA Admin underpinned by the best SaaS reporting capability

Outsourced administration now proven and scalable

*The One solution for comprehensive reporting and efficient administration*

VMA: Virtual Managed Account

## Managed Accounts expert

Next-generation Managed Accounts platform

Leading edge Adviser and Investor Portals

Full end-to-end digital process

ESG ethical managed investment solutions

Data insights through AI machine learning on a \$200B+ database

*The One platform for every asset, every client and every advice business*

## Leader in High Net Worth (HNW)

Broad product suite for the complex needs of HNW clients

A unified platform for custodial & HIN-based portfolios

An independent, open-architecture platform designed specifically for the HNW market

# Gaining share of Australian platform market

**\$990 billion<sup>1</sup>**

## Tailwinds for independent wealth management platforms

- Industry forces of new regulations, generational change of advisers and increased independent advice
- Expanding HNWI market with Australian millionaires' controlling \$2.77 trillion in investable assets, up 37%<sup>2</sup>
- Managed Accounts now exceeds \$100 billion, an increase of 39% in FY2021 and CAGR of 21% over the past 3 years<sup>3</sup>

## Challenger platforms gaining market share

- Advice firms seeking better investment solutions for their clients and business
- Combination of Præmium and Powerwrap broadens appeal to advice market
- Record \$3.4 billion in annual net inflows, 4<sup>th</sup> highest in 2021<sup>1</sup>

**2.0% market share<sup>1</sup>**

**Well positioned to address market**

## The Platform of Everything

- Enhancement of proposition to fully serve retail and HNWI markets
- Powerwrap platform offer to drive scale and merge best of both businesses
- Additional functionality across ESG, API integration and non-custody

<sup>1</sup> Plan for Life media release: Wrap, Platform and Master Trust Managed Funds at September 2021

<sup>2</sup> Investment Trends High Net Worth Investor Report, November 2021

<sup>3</sup> Institute of Managed Account Professionals (IMAP), The State of Managed Accounts, June 2021

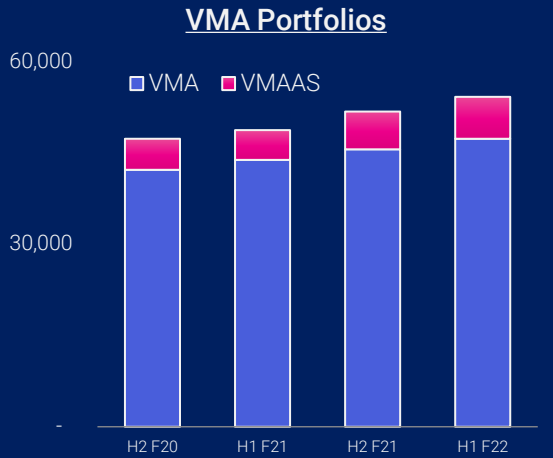
Institutional platforms: CBA, Westpac, NAB, IOOF, AMP, Mercer, Macquarie

Challenger platforms: Præmium, NWL, HUB



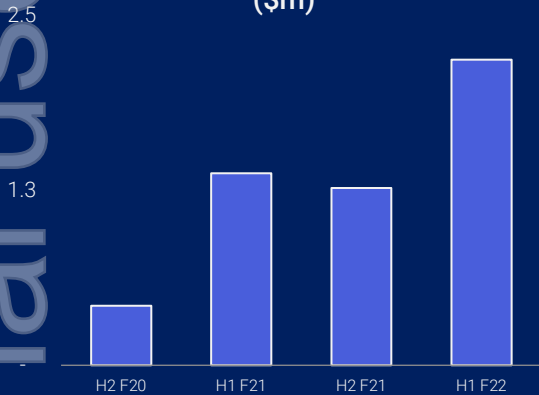
# Strong momentum through FY2022

**\$3.4 billion**  
92% increase in annual net inflows



**\$42 billion**  
41% increase in total FUA

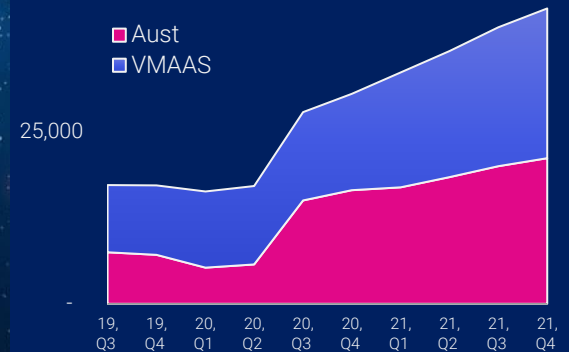
**AUS platform Net Inflows\***  
(\$m)



\*Excluding major client transition

**54,000+**  
VMA portfolios up 8%  
VMAAS portfolios up 42%

**FUA (\$m)**



We continue to see a solid pipeline of inflows and opportunities to support future growth across all business segments



# Completion of International divestment

## Transaction overview

Sale of International business to Morningstar for \$AUD 65 million (£35 million)

Comprises all operations in United Kingdom, Jersey, Hong Kong and Dubai

## Completion

Completion of the transaction subject to regulatory approval and other customary conditions

Parties expect to complete the transaction during Q2/Q3 of calendar year 2022

## Sale proceeds

Board intends to return surplus net proceeds to shareholders

Further updates will be provided as the process progresses

**Sale will allow Praemium to focus its financial and leadership resources on the enormous opportunity in the Australian platform market**

**It is a significant milestone in our journey to becoming one of Australia's largest independent specialist platform providers**

# The road ahead – growth investments generating results

**Investing  
in growth**

## **Continuing revenue momentum**

- Record platform inflows
- Strong revenue growth in core products
- ANZ impact completed

## **Investments in supporting revenue growth**

- Maintaining R&D leadership
- Investment in operations to support growth and service
- Continued focus on sales & marketing

## **Expense growth to stabilise**

- Key vacancies filled (over 20 roles) to meet service expectations
- Operating leverage to continue in expense functions
- Further Powerwrap synergies targeted post scheme migration (\$4 million in annualised synergies by 30 June 2022, with a further \$2 million annualised in FY2023 from efficiencies and natural attrition)

**Looking  
forward**

Underlying EBITDA expected to resume growing at a rate above the rate of revenue growth from this half

Full year underlying EBITDA guidance of between \$16.5 - \$18.5 million

Dividend policy expected to be introduced for FY2023 onwards



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