

# FY2022 Financial result

ASX Release – 24 August 2022

## Record Underlying EBITDA and FUA net inflows

### Highlights

- Record annual FUA Net Inflows of \$13 billion for FY2022, an increase of \$3.2 billion (32.4% increase) to PCP
- Total Income of \$173.3 million an increase of 19.6% to PCP
- Record Underlying EBITDA<sup>1</sup> (excluding Share Based Payments) of \$88.2 million at a margin of 50.9%
- Underlying Operating Net Cash Flow (pre-tax)<sup>1</sup> of \$83.7 million
- Annual Dividend of 20 cents per share
- Market Share gain to 5.8%
- Rated number 1 Platform<sup>2</sup> overall reflecting increased investment in technology and operations
- Rated number 1 Platform<sup>3</sup> by our clients for the 10<sup>th</sup> consecutive year
- \$60 billion FUA milestone reached as at 19<sup>th</sup> August 2022

Financials	FY2022 Actual	FY2021 Actual	Change	% Change
Platform Revenue	169.5	142.0	27.5	19.4%
Other Income	3.8	2.9	0.9	30.0%
<b>Total Income</b>	<b>173.3</b>	<b>144.9</b>	<b>28.4</b>	<b>19.6%</b>
Employee Benefits Expense	(63.8)	(50.1)	13.7	27.4%
Other Costs & Expenses <sup>1</sup>	(21.3)	(15.0)	6.3	41.8%
<b>Total Operating Expenses<sup>1</sup> (excluding non-cash share based payments)</b>	<b>(85.1)</b>	<b>(65.1)</b>	<b>20.0</b>	<b>30.7%</b>
Underlying EBITDA excluding non-cash share based payments	88.2	79.8	8.4	10.5%
<b>Underlying EBITDA Margin excluding non-cash share based payments %</b>	<b>50.9%</b>	<b>55.0%</b>	<b>(4.1%)</b>	<b>-</b>
Share Based Payment Expenses	(3.1)	(0.4)	2.7	659.7%
<b>Total Operating Expenses<sup>1</sup></b>	<b>(88.2)</b>	<b>(65.5)</b>	<b>22.7</b>	<b>34.6%</b>
Underlying EBITDA	85.1	79.3	5.7	7.2%
<b>Underlying EBITDA Margin %</b>	<b>49.1%</b>	<b>54.8%</b>	<b>(5.7%)</b>	<b>-</b>
Underlying NPAT	55.9	54.1	1.8	3.3%
<b>Underlying NPAT margin %</b>	<b>32.3%</b>	<b>37.3%</b>	<b>(5.0%)</b>	<b>-</b>
Statutory NPAT	55.6	54.1	1.4	2.7%
<b>Statutory NPAT margin %</b>	<b>32.1%</b>	<b>37.3%</b>	<b>(5.2%)</b>	<b>-</b>
Underlying operating net cash flow before taxation <sup>1</sup>	83.7	78.1	5.6	7.1%
<b>Underlying EPS– diluted (cents)<sup>1,4</sup></b>	<b>22.7</b>	<b>22.1</b>	<b>0.6</b>	<b>2.7%</b>

\$M unless otherwise stated

PCP: prior comparative period FY2021

- Operating Expenses, Underlying EBITDA, Underlying NPAT, Underlying operating net cash flow and Underlying EPS excludes \$0.5 million of legal and consulting costs which are not recurring in nature as they relate to acquisitions no longer pursued
- Investment Trends May 2022 Adviser Technology Needs Report
- Investment Trends December 2021 Platform Competitive Analysis and Benchmarking Report
- EPS has been calculated on the basis all options and rights currently on issue have vested and converted to ordinary shares as at the beginning of the period

## FY2022 financial results highlights (PCP)

- Total Income of \$173.3 million (\$144.9 million), an increase of \$28.4 million or 19.6% to PCP. Platform Revenue of \$169.5 million (\$142.0 million), an increase of \$27.5 million or 19.4% to PCP.
- Underlying operating net cash flow before tax<sup>1</sup> of \$83.7 million.
- Underlying EBITDA excluding non-cash share-based payments expense of \$88.2 million (\$79.8 million), an increase of 10.5% to PCP. Underlying EBITDA margin excluding non-cash share-based payments expense of 50.9% (55.0%) for FY2022.
- Statutory NPAT of \$55.6 million.
- Total Operating Expenses excluding non-cash share-based payments of \$85.1 million (\$65.1 million), an increase of \$20.0 million to PCP, up 30.7% - including an increase in employee benefits of \$13.7 million, up 27.4% to \$63.8 million for FY2022. Headcount at 30 June 2022 of 515, with an additional 113 roles added in FY2022. All employee costs were expensed.
- Today the board declared a fully franked final dividend of 10 cents per share totalling \$24.4 million. The total FY2022 dividends represented 20 cents per share totalling \$48.8 million, an 8% dividend per share increase to PCP. The dividend is payable on 29 September 2022. The ex-dividend date is 30 August 2022.

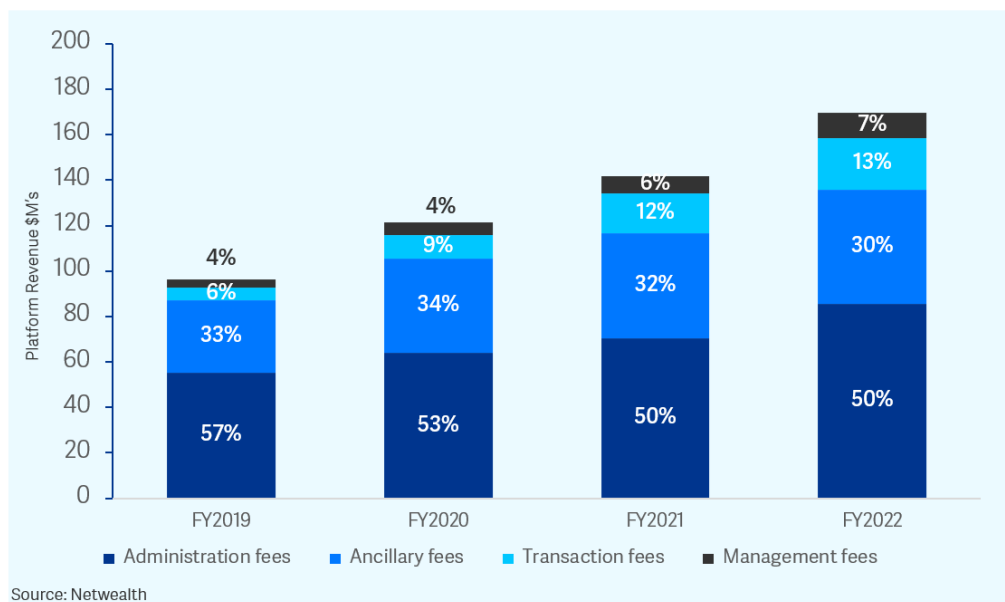
Platform Statistics		FY2022 Actual	FY2021 Actual	\$ Change	% Change
Funds Under Administration	FUA (EOP)	55,652	47,138	8,514	18.1%
	FUA Net Inflows	12,989	9,811	3,178	32.4%
	Market movement	(4,475)	5,825	-	-
	Fee Paying FUA % (EOP)	65.4%	65.6%	-	-
	Platform Revenue per average FUA (bps)	31.4	36.8	(5.4)	(14.8%)
Funds Under Management	FUM (EOP)	13,079	11,746	1,333	11.3%
	FUM Net Inflows	2,585	3,247	(662)	(20.4%)
Managed Account (FUM)	Managed Account (EOP)	11,170	9,835	1,335	13.6%
	Managed Account net inflows	2,321	2,964	(643)	(21.7%)
Managed Funds (FUM)	Managed Funds (EOP)	1,908	1,911	(3)	(0.1%)
	Managed Funds net inflows	264	283	(19)	(6.8%)
Cash	Cash transaction account as a % of FUA (EOP)	7.9%	6.9%	-	-
Clients	Accounts (EOP number)	115,642	97,319	18,323	18.8%
	Financial intermediaries (EOP number)	3,327	3,130	197	6.3%
	Average FUA per average number of Accounts (\$'000)	507	437	70	16.0%
	Platform Revenue per average number of Accounts	1,590	1,607	(17)	(1.1%)

\$M unless otherwise stated  
 EOP – End of Period  
 Net Inflows exclude market movement

## FY2022 business results highlights

- Funds Under Administration (FUA) at 30 June 2022 of \$55.7 billion, an increase of \$8.5 billion (18.1% increase) for FY2022 after negative market movement of \$4.5 billion. Current FUA \$60.4 billion<sup>5</sup>.
- Record annual FUA net inflows of \$13.0 billion for FY2022, an increase of \$3.2 billion (32.4% increase) to FY2021. Q4 flows were adversely impacted by difficult industry conditions including market volatility and adviser regulatory requirements.
- Funds Under Management (FUM) at 30 June 2022 of \$13.1 billion.
- Managed Account balance of \$11.2 billion at 30 June 2022, an increase of \$1.3 billion (13.6% increase) for FY2022. The increase for FY2022 included Managed Account net inflows of \$2.3 billion and negative market movement of \$0.9 billion.
- Client Accounts of 115,642, increased by 18,323 accounts (18.8% increase) to PCP.
- 3,327 Financial Intermediaries using the platform at 30 June 2022, an increase of 6.3% to PCP.
- Netwealth is focused on diversification of our revenue. Net Transaction fees increased to 13% reflecting benefits of scale and improved revenue margins. FY2022 ancillary fee revenue was impacted by lower cash income.

### Platform revenue split FY2019 to FY2022



- Platform revenue per account of \$1,590 for FY2022 was similar to FY2021 levels despite the drag on cash revenue, relating to short term interest rate headwinds in FY2022. A lower cash margin rate was partially offset by an increase in platform revenue per account across all other revenue streams, reflecting a larger average account size and increasing net transaction fees.
- Average account size increased to \$507,000 for FY2022, up from \$437,000 for FY2021.
- Platform revenue/average FUA of 31.4 bps for FY2022, decreased by 5.4bps compared to FY2021, primarily due to lower cash margin rate, lower cash balances and higher average account sizes. Excluding cash, the average bps earned in 2H2022 was higher than 1H2022.

5. Current FUA as at 19 August 2022 (unaudited)

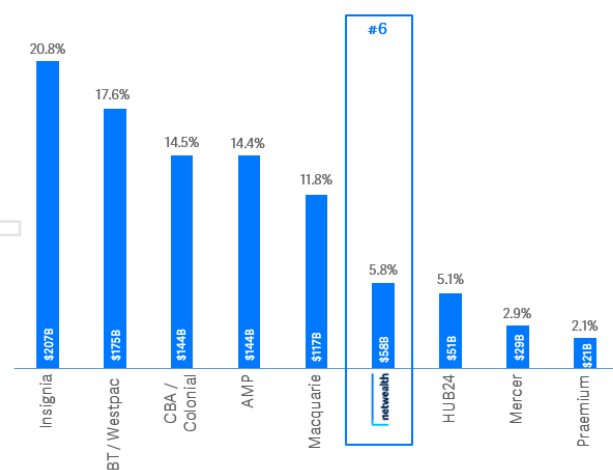
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## Australia's best rated and fastest growing platform

Netwealth has again outperformed the platform market, recognised as a market leader for service, innovation and growth.

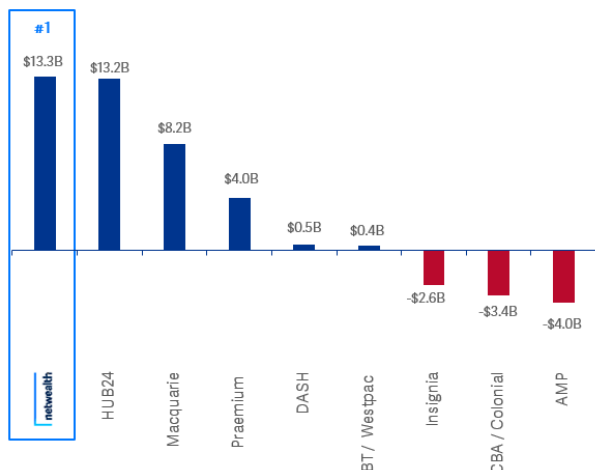
- Rated 1st by Investment Trends December 2021 Competitive Analysis and Benchmarking Report for “Best Overall Platform”. Netwealth also rated 1st for the important categories of “Reporting” and “Transaction Tools”.
- Rated 1st by Investment Trends May 2022 Adviser Technology Needs Report for “Overall Satisfaction” for the 10th consecutive year. Netwealth was also rated 1st for “Adviser Satisfaction” with Mobile Access for Clients.
- Our Super Accelerator product won the Chant West “Best Advised Product of the year” for the fifth year in a row.
- Awarded “Best Client Experience”, “Best Overall Functionality” and “Best for Ease of Onboarding” in the Advisor Ratings 2022 Australian Financial Advice Landscape Report.
- In the latest Plan for Life quarterly platform market update:
  - Netwealth was the fastest growing platform provider by net funds flows in Australia, accounting for 48% of industry net funds flows for the 12 months to 31 March 2022.
  - Netwealth continues to lead the industry for FUA net inflows, as reported in the Plan for Life March 2022 quarter platform market update, recording the largest FUA net inflows of \$13.3 billion for the 12-month rolling period to 31 March 2022.
  - Netwealth’s market share increased to 5.8% as at 31 March 2022 up 1.2% for the 12 months to 31 March 2022.

**Platform providers by FUA market share  
% market share (Mar 2022)**



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Mar 2022  
Total industry retail FUA of \$995.3B (as at Mar 22)

**Platform provider net funds flows  
\$'Billions (12 months to Mar 2022)**



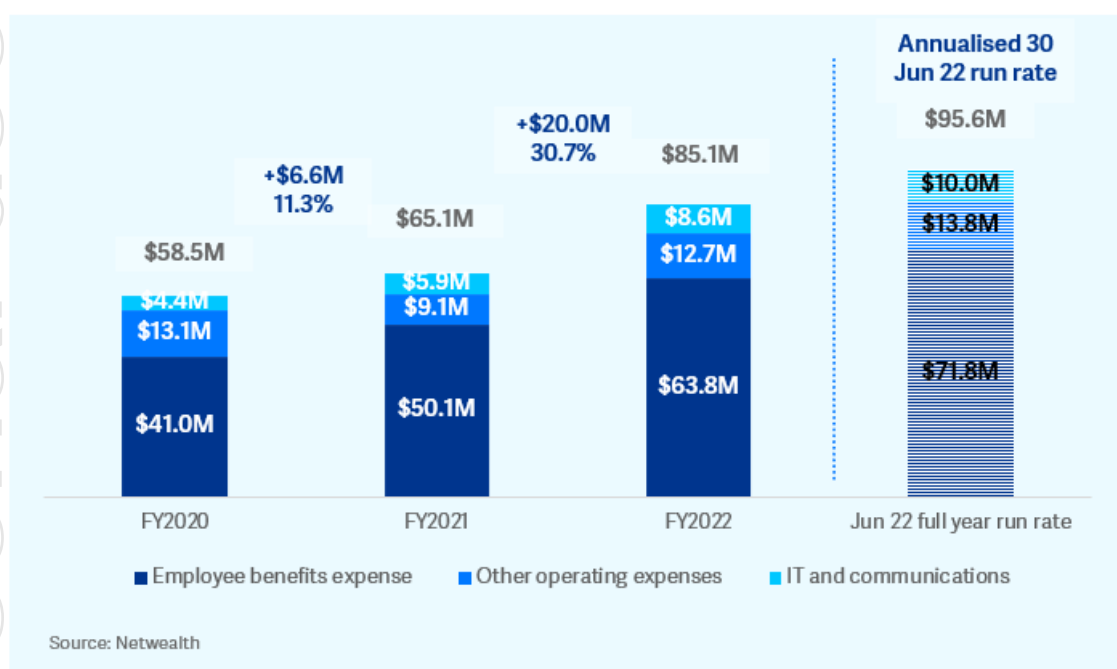
Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Mar 2022  
Total net flows of +\$27.8B (Not included above: Others of -\$1.7B)

## Focused strategy of investment to retain leadership and grow market share

The previously announced step change in operating and capital investment made throughout the year to maintain our market leadership position and increase our penetration of financial intermediaries has been effective and will increase client efficiency and productivity and lead to improved customer engagement and satisfaction.

Importantly, the increased investment will also support strong netflows into the future and deliver new revenue streams for Netwealth.

### Total underlying operating expenses\*



#### \*Excluding share based payments expenses

- Employee benefits expense includes inhouse Technology development and product development. The increase of \$13.7 million, a 27.4% increase to FY2021 reflects the FY2022 headcount increase of 113 roles; headcount increase of 55 roles in 1H2022 and 58 roles in 2H2022 and the full year impact of FY2021 headcount increase of 63 roles. Technology headcount accounted for approximately 50% of FY2022 new hires.
- The acceleration of investment in operations and IT infrastructure, resulted in an increase in IT and communicating operating expenses of \$2.7 million to \$8.6 million for FY2022 and a further \$1.9 million capital investment spend for initiatives directed at improving market leading customer service and scaling in the cloud, including implemented a new workflow management system in November 2021.
- There was a step up in occupancy costs including depreciation and interest expense on leases following the commencement of the new Melbourne office during the financial year.

#### Some of our FY2022 key platform and technology enhancements included:

- Helping advisers and investors obtain a better picture of investors' 'whole of wealth' by enhancing our online platform and mobile application;
- Adding 3rd party data feeds including Bank account data is available and property information and estimates expected to be added in August 2022;
- Enhanced client and business reporting;
- Introduced new service channels including the ability to co-browse with clients and advisers;

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- Our first clients commenced using our new “Multi Asset Portfolio & Non-custodial administration service” (“MAPs”) The product consolidates custodial and non-custodial services for investors looking for a centralised account and reporting solution;
- Launched a new investment menu to support sophisticated investors and provide access to a range of funds offered via Information Memorandums;
- Enhanced security, including an upgrade to our multi-factor authentication functionality; and
- Implemented and supported the new fee consent processes.

#### Key initiatives for FY2023 centre around:

- Upgrading functionality for Managed Discretionary Account (“MDA”), high net-worth (“HNW”) and mid-market clients;
  - To enhance our award-winning feature-set to better support MDA, HNW advisers/licensees & mid-market institutional investors.
- Providing market leading client portal;
  - To expand our client portal for advisers to interact online with all of their clients – both Netwealth and non-Netwealth account holders via mobile and desktop.
- Unlocking and leveraging data;
  - Unlock data for clients, advisers, licensees and model managers to drive their efficiency and new insights & opportunities. Including data integration with Xeppo to unlock its full potential.
- Enhancing our core platform functionality;
  - By investing and rolling out new features that support platform functionality – for investing, reporting and fee management.
- Scaling in the cloud;
  - With our progressive move to the cloud, enhancing our IT tooling so we can continue to scale (build, deploy, host, monitor & support the Netwealth platform).
- Maintaining market leading customer service & technology;
  - Netwealth seeks to be the market leader in service and technology, viewing this as a key differentiator.
- Making Netwealth the employer of choice; and
  - Position us as a preferred employer through an engaging employee experience.
- Corporate sustainability as a core strategy.
  - To develop/deliver initiatives that ensure that we are genuine & transparent in our dealings, and we create meaningful environmental & social impact.

### Managing Director Succession

Michael Heine has advised the Board that in accordance with the company’s succession plan, that he intends to step back from the day-to-day management of Netwealth. Effective 1 October 2022 Matt Heine, the current Joint Managing Director, will be appointed sole Managing Director and Michael will continue as an Executive Director.

The succession plan has been in place for a considerable length of time and this change is just one of the planned phases. The Executive team under the leadership of Matt are very well placed to continue to lead and grow the company and build on the existing strategy which has been so successful to date.

## Outlook FY2023

- We continue to focus on profitable growth, revenue diversification, growing our clients and market share.
- Net Inflows growth has continued to accelerate in FY2022 and we expect to benefit from ongoing industry consolidation and change.
- The proportion of advisers that have their own AFSL or are Majority Independent increased from 45% of the market to 76% since the Royal Commission and Netwealth now wins business across all segments of this Advisor market. Furthermore, 81% of funds under advice per client among financial advisors was reported to be in the Higher net worth and mass affluent segments.\*
- 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.
- Our pipeline and win rate for new business remains very strong across all key market segments including mid-market & small institutions with a number of large endowment funds and trusts transitioning to our platform.
- We are optimistic about the success of our new non-custodial administration service (MAPs) and we expect this service to grow through FY2023.
- Recent increases in the cash margin rate will positively impact cash revenue for FY2023 and beyond.
- We will continue to invest in our people and technology to enable us to grow rapidly in the future, however our head count growth is expected to slow in FY2023.
- We have recently agreed to provide growth funding of up to \$2.5 million to Xeppo. This accelerates their ongoing development and expansion in data analytics and business management platform which aligns with Netwealth's "Whole of Wealth" strategy. We intend to unlock and leverage data for advisers, licensees and model managers to provide them with new insights to identify opportunities, drive their efficiency and expanding our client portal for advisers to improve interaction with clients. Under the arrangement, Netwealth, which currently own 25%, has an option to buy 100% of Xeppo over the next 4 years.
- We forecast FUA Net Inflows to be in the range of \$11 billion to \$13 billion in FY2023, subject to no material deterioration in economic and financial market condition, regulatory changes, unexpected loss of significant clients or delays in timing of major transitions. We will provide further updates throughout the year as FUA Net Inflows become more certain.
- Finally, and importantly, Netwealth remains in a very strong financial position supported by:
  - A diversified and robust sales and transition pipeline;
  - 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, no debt and significant cash reserves.

## About Netwealth

Netwealth is a financial services company listed on the Australian Securities 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 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.

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:

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\*Investment Trends, May 2022 Planner Technology Report