

# FUA Reaches \$65 Billion and Record Underlying EBITDA

## 1H 2023 Financial result

ASX Release – 15 February 2023

### 1H 2023 Highlights

- Funds Under Administration (FUA) of \$62.4 Billion representing 10.2% growth to PCP<sup>1</sup>
- FUA as at 13 February \$65.1 Billion.
- Total Income of \$102.8 million an increase of 18.9% to PCP
- Record Underlying EBITDA<sup>2</sup> of \$47.4 million
- Operating Cash Flow of \$51.2 million
- Increase in Interim Dividend to 11 cents per share

Financials	1H2023	1H2022	Change	% Change
Platform Revenue	99.8	84.6	15.2	18.0%
Other Income	3.0	1.9	1.1	61.3%
<b>Total Income</b>	<b>102.8</b>	<b>86.5</b>	<b>16.3</b>	<b>18.9%</b>
Employee Benefits Expense	(38.1)	(31.0)	7.1	22.8%
Share Based Payment Expenses	(1.2)	(1.9)	(0.7)	(34.2%)
Other Costs & Expenses <sup>4</sup>	(17.3)	(11.6)	5.7	49.3%
<b>Total Operating Expenses<sup>4</sup></b>	<b>(56.6)</b>	<b>(44.5)</b>	<b>12.1</b>	<b>27.2%</b>
Underlying EBITDA	46.2	42.0	4.2	10.0%
Underlying EBITDA Margin %	44.9%	48.6%	-	-
Underlying EBITDA excluding non-cash share-based payments	47.4	43.9	3.5	8.1%
Underlying EBITDA Margin excluding non-cash share-based payments %	46.1%	50.7%	(4.6%)	-
Underlying NPAT	30.6	27.5	3.1	11.4%
Underlying NPAT margin %	29.8%	31.8%	-	-
Statutory NPAT	30.6	27.1	3.5	12.9%
Statutory NPAT margin %	29.8%	31.4%	-	-
Underlying Operating net cash flow before tax and interest <sup>3</sup>	51.2	45.7	5.5	12.1%
Underlying EPS – fully diluted (cents)	12.4	11.1	1.3	11.7%
Group cash and cash equivalents (EOP)	98.8	85.7	13.1	15.2%
Interim Dividend (DPS)	11.0	10.0	1.0	10.0%

\$M unless otherwise stated

- PCP: prior comparative period 1H 2022
- EBITDA excludes non-cash share-based payment expense
- Operating net cashflow and EPS excludes non-recurring cashflow items for 1H 2022
- Operating Expenses and Underlying EBITDA excludes \$0.5 million of legal and consulting costs in 1H 2022 which are non-recurring in nature as they relate to acquisitions no longer pursued

## 1H 2023 financial results highlights (PCP)

- Total Income of \$102.8 million (\$86.5 million) an increase of \$16.3 million or 18.9% to PCP. Platform Revenue of \$99.8 million (\$84.6 million), an increase of \$15.2 million or 18.0% to PCP.
- Operating net cash flow before tax and interest of \$51.2 million.
- Underlying EBITDA excluding non-cash share-based payments expense of \$47.4m (\$43.9m), an increase of 8.1% to PCP. Underlying EBITDA margin excluding non-cash share-based payments expense of 46.1% (50.7% for 1H 2022).
- Statutory NPAT of \$30.6 million.
- Total Operating Expenses of \$56.6 million (\$44.5 million), an increase of \$12.1 million to PCP, up 27.2% (including increase in employee benefits of \$7.1 million, up 22.8% to \$38.1 million for 1H 2023). Headcount at 31 December 2022 of 542 with an additional 27 roles added in 1H 2023, compared to 55 roles in 1H 2022. All employee costs were expensed.
- Of the 27 new roles, 19 were in technology teams, reflecting our ongoing investment in enhancing the platform.
- The largest increases in non-employment expenses during 1H 2023 compared to the prior period were in Information Technology and Communications (\$3.3 million), Product, Marketing and Travel and Entertainment (\$1.5 million). IT and communications expense increase primarily relates to our migration to the cloud and upgrading workflow, security and CRM/Contact systems. We have also increased our spending in Marketing and Advertising, Travel and Entertainment as the economy re-opens post Covid-19.
- Today the board declared a fully franked interim dividend of 11 cents per share totalling \$26.8 million for 1H 2023. The ex-dividend date is 22 February 2023 and payable on 24 March 2023.

	1H 2023 Actual	2H 2022 Actual	1H 2022 Actual	1H 2023 v 2H 2022	1H 2023 v 1H 2022
Platform Statistics				% Change	% Change
<b>Funds Under Administration</b>					
FUA (EOP)	62,414	55,652	56,654	12.2%	10.2%
Fee Paying FUA % (EOP)	64.6%	65.4%	63.5%	-	-
FUA inflows	8,771	8,496	10,183	3.2%	(13.9%)
FUA outflows	(3,747)	(3,143)	(2,547)	19.2%	47.1%
FUA net inflows	5,024	5,353	7,636	(6.1%)	(34.2%)
FUA market movement	1,737	(6,356)	1,880	-	-
Non-Custodial Administration (EOP)	33	-	-	NA	NA
<b>Funds Under Management</b>					
Managed Account (EOP)	12,229	11,171	11,703	9.5%	4.5%
Managed Funds (EOP)	2,211	1,908	2,114	15.9%	4.6%
<b>FUM (EOP)</b>	<b>14,440</b>	<b>13,079</b>	<b>13,817</b>	<b>10.4%</b>	<b>4.5%</b>
Managed Account net inflows	867	813	1,508	6.6%	(42.5%)
Managed Funds net inflows	328	43	220	662.8%	49.1%
<b>FUM net inflows</b>	<b>1,196</b>	<b>856</b>	<b>1,729</b>	<b>39.7%</b>	<b>(30.8%)</b>
Annualised Platform Revenue / average FUA (bps)	33.1	31.7	32.3	4.4%	2.5%
Annualised Platform Revenue / average number of accounts (\$)	1,673	1,602	1,642	4.4%	1.9%
Accounts (EOP number)	121,032	115,642	107,103	4.7%	13.0%
Financial intermediaries (EOP number)	3,421	3,327	3,254	2.8%	5.1%

\$M unless otherwise stated

EOP – End of Period

Net Inflows exclude market movement

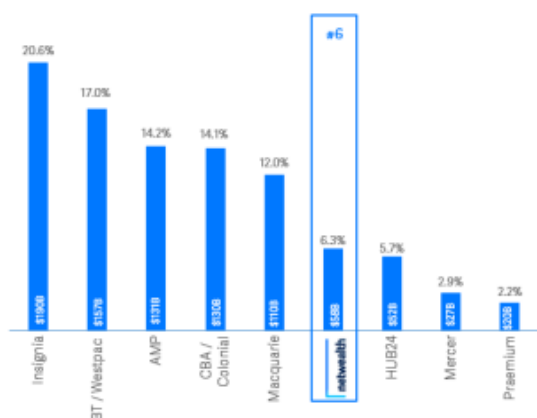
## 1H 2023 business results highlights (PCP)

- At the end of December 2022, Funds Under Administration (FUA) stood at \$62.4 billion, a 12.2% increase of \$6.7 billion compared to 30 June 2022, driven by net inflows of \$5.0 billion and positive market growth of \$1.7 billion.
- As of 13 February 2023, FUA was \$65.1 billion.
- Funds Under Management (FUM) at 31 December 2022 were \$14.4 billion, a 10.4% increase from 30 June 2022. Managed Account FUM reached \$12.2 billion, a 9.5% increase from 30 June 2022, with net inflows of \$0.9 billion for 1H 2023.
- For 1H 2023, average annualised platform revenue per member account rose to \$1,673, up from \$1,602 in 2H 2022.
- The platform revenue per average FUA was 33.1 bps for 1H 2023, a 4.4% increase from 2H 2022, primarily due to increased cash margins from the rise in interest rates and higher cash balances in the earlier months of FY 2023.
- The number of client accounts increased by 13.0% to 121,032 compared to 31 December 2021. The number of financial intermediaries using the platform also increased by 5.1% to 3,421 over the 12 months to 31 December 2022.
- A new feature called "Activities and Tasks" has been introduced to advisers and clients, offering increased transparency and efficiency. The feature currently offers support for over 41 different activities and tasks, with plans for further additions in the future.

## Australia's best rated and fastest growing platform

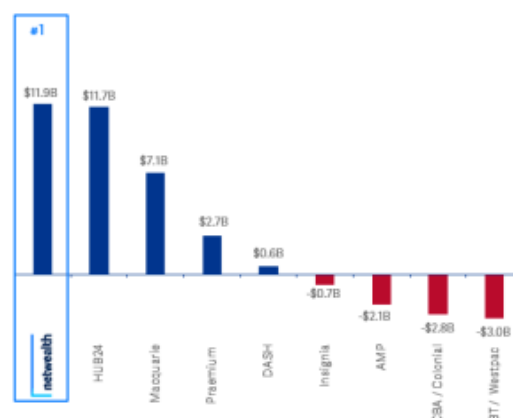
- We are rated No.1 by our clients for overall satisfaction in the Investment Trends May 2022 Adviser Technology Needs Report.
- SMSF Adviser announced Netwealth as the winner in the Advice Platform Provider category in the 2022 SMSF Awards.
- In the latest Plan for Life quarterly platform market update:
  - Netwealth accounted for 47% of industry net funds flows with total net inflows of \$11.9 billion for the 12 months to September 2022.
  - Netwealth's market share increased to 6.3% at 30 September 2022, up 1.1% for the 12 months to 30 September 2022.

Platform providers by FUA market share  
% market share (Sep 2022)



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2022  
Total industry retail FUA of \$921.6B (as at Sep 22)

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



Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 2022  
Total net flows of +\$25.3B (Not included above: Others of \$0.1B)

## Commentary and outlook

- Netwealth continues to gain market share with a strong pipeline and high win rate for new business across all key segments and has successfully secured several important new licensee relationships that will begin transitioning and funding new accounts in the current financial year.
- Netwealth maintains its net inflow guidance for FY2023 at approximately \$11 billion, subject to timing of transitions and no further deterioration in macro and geopolitical environment.
- As previously reported, the margin on the balance of the Netwealth Cash transaction account has increased to approximately 1.35%. The rate paid to clients on their cash transactions remains at RBA minus 0.65%.
- After a period of increased investment in our people, resources and technology, our focus is now on driving productivity, efficiency, and operating leverage which are important for ensuring sustainable growth and profitability.
- For the 2H 2023, we expect non-headcount expenses to stay comparable to those of the 1H 2023. Additionally, we anticipate that our employee growth will be consistent with what we saw in the first half of 2023.
- Netwealth is near completion of its non-custodial administration pilot and is on track for a broad market launch in March 2023.
- In partnership with Xeppo, we have launched a market-leading digital capability which connects Netwealth platform technology to Xeppo's aggregated portfolio and client data. Further integrations and enhancements will be released on an ongoing basis.
- New features focused on adviser and client efficiency will be progressively launched throughout FY 2023 and beyond, beginning with market leading Record of Advice (ROA) production tool.

Netwealth remains in an excellent financial position:

- Highly profitable, with strong EBITDA margin;
- A very high correlation between EBITDA and operating cashflow, resulting in strong cash generation;
- Very high levels of recurring revenue, which results in predictable revenue; and
- Low capital expenditure, debt free and significant cash reserve

## 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 currently rated No.1 by our clients for overall satisfaction\*.

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;
- managed funds;
- self-managed superannuation funds administration; and
- non-custodial administration and reporting services

Netwealth's digital platform supports how our financial products are delivered to market. Financial intermediaries and clients have the ability to invest and manage a variety of domestic and international products via the platform.

The platform is created, developed, and sustained by our technology team. It is continually enhanced based on feedback from financial intermediaries, clients, and other users and is widely acknowledged for its industry-leading capabilities.

To ensure the effective operation of our financial products and technology platform, Netwealth invests heavily in its people and resources for support, custodial and non-custodial services, and risk and governance management.

This document has been authorised for release by the Board.

For further information please contact:

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\*Investment Trends, May 2022 Planner Technology Report