

2020 Half-year results

Investor presentation

10 February 2020



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Global reach, global scale

Praemium is a leading provider of scalable managed accounts technology, portfolio administration and CRM & financial advice software for the wealth management industry. Our mission is to help improve the productivity and effectiveness of wealth managers.

Our history

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, including several financial institutions

Covering over \$140 billion in assets

Our products

Managed Accounts platform
The leading managed accounts provider serving Australia, UK and international markets

Portfolio administration
Excellence in performance and tax reporting

CRM & financial planning
Cloud-based financial planning software

Investment management
Multi-asset, multi-currency model portfolios

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Highlights

Financial results

Business update

Q&A

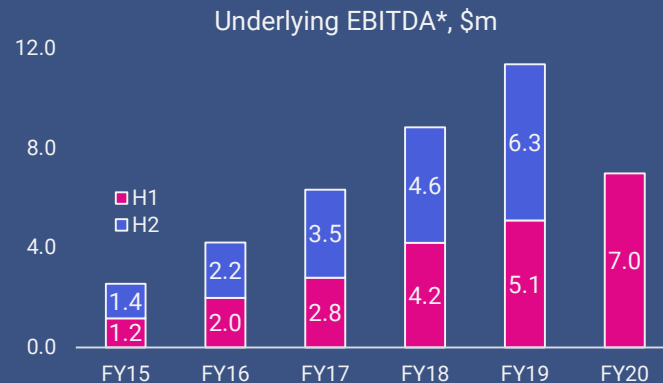
Key financial highlights

\$24.2 million
in revenue

12% increase in net revenue
18% increase in gross margin
37% increase in EBITDA*

122%
increase in NPAT

120%
increase in EPS



12th consecutive half of profit growth

29%
EBITDA
margin*

Key performance indicators

Growth across all products

Record platform gross inflows of \$1.9 billion

Superannuation and pension

- UK pension schemes up 79%
- Aus SuperSMA up 33%

Smart^{im} model portfolio FUA up 77%

VMA portfolios up 6%

WealthCraft seats up 18%

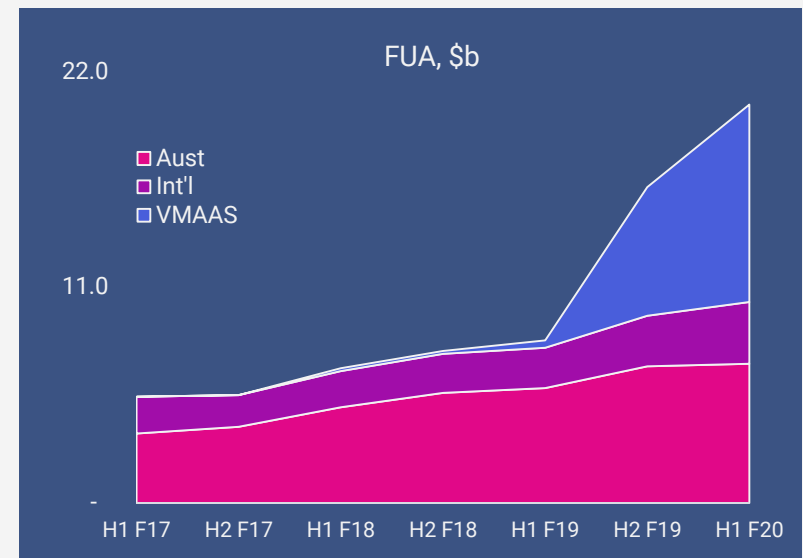
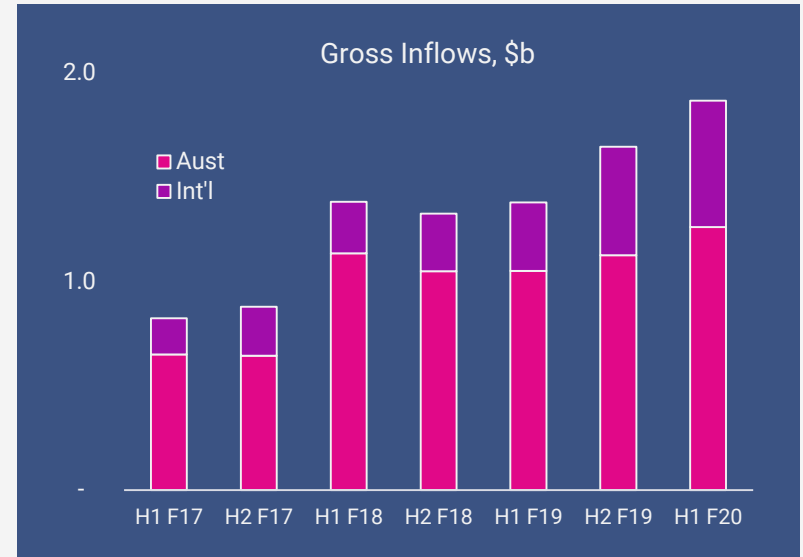
Record FUA

Total FUA of \$20.3 billion, up 145%

- Platform FUA of \$10.2 billion, up 30%
- VMAAS FUA up 25-fold to \$10.1 billion

International platform FUA over \$3 billion for the first time

- UK FUA of \$2.5 billion
- Offshore FUA of \$0.6 billion



Award-winning 2019

Winner

Investment Adviser Awards

Global Investment Platform of the Year

October 2019



“Praemium has a unique proposition and has introduced a number of developments over the year to offer API links, trade matching that goes above and beyond on the crucial regulatory requirement.”

-Schroders judging panel

Winner

Schroders UK Platform Awards

Leading Platform for Discretionary Management

September 2019



“The winner has developed a service that meets the needs of its clients which is flexible and able to be used by a range of investors.

In a competitive environment the solution needed to support a wide range of business models and the winner achieves that.”

-IMAP judging panel

Winner

Institute of Managed Account Professionals Managed Account Awards

Innovation Category

June 2019



In a competitive environment the solution needed to support a wide range of business models and the winner achieves that.”

-IMAP judging panel

Winner

City of London Wealth Management Awards

Best Fund Platform

March 2019



Innovation snapshot this half

Platform expansion

- Platform asset universe expanded to over 3,000 securities
- Aus managed fund range now over 500
- Australian government bonds added
- Added 16 model managers/DFMs
- 50 new global ETFs across US and UK exchanges

Product enhancements

- Expanded reporting and governance features to support MDA operators
- An industry-first AI, *Insights*, to assist with adviser client retention
- The only platform with a solution for mFund tax reporting
- Added Junior ISA to encourage savings for young people
- New retirement calculator to assist with pension payments

User experience

- Launched Adviser Portal to UK and international clients
- Fully digital application process for UK clients
- Introduced electronic asset registration to speed UK transitions
- Released a new short-form investment report with QR codes
- Expanded options for Asset Allocation and Performance reports

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H1 FY2020 financial results

| Group Financial Results (\$m) | H1, FY19 (Reported) | H1, FY19 (AASB16) | H1, FY19 (Restated) | H1, FY20 (\$m) |
|--|------------------------|----------------------|------------------------|-------------------|
| Revenue | 22.9 | | 22.9 | 24.2 |
| Product commissions ⁽¹⁾ | (1.6) | | (1.6) | (0.4) |
| Revenue (net) | 21.3 | | 21.3 | 23.8 |
| Cost of operations | (4.2) | | (4.2) | (3.5) |
| Gross margin | 17.1 | | 17.1 | 20.3 |
| <i>GM % of net revenue</i> | <i>80.1%</i> | | <i>80.1%</i> | <i>85.0%</i> |
| Expenses: | | | | |
| Information Technology ⁽²⁾ | (2.9) | | (2.9) | (3.3) |
| Sales & Marketing | (4.5) | | (4.5) | (5.6) |
| General & Admin | (4.6) | 0.5 | (4.1) | (4.4) |
| Total expenses | (12.0) | | (11.5) | (13.3) |
| EBITDA (underlying) | 5.1 | 0.5 | 5.6 | 7.0 |
| Share schemes | (0.9) | | (0.9) | (0.8) |
| D&A ⁽³⁾ | (0.8) | (0.6) | (1.4) | (2.2) |
| EBIT | 3.4 | (0.1) | 3.3 | 4.0 |
| Arbitration & restructure ⁽⁴⁾ | (1.0) | | (1.0) | (0.6) |
| FX & other ⁽⁵⁾ | (0.2) | | (0.2) | (0.2) |
| NPBT | 2.2 | (0.1) | 2.1 | 3.2 |
| Tax ⁽⁶⁾ | (1.6) | | (1.6) | (1.8) |
| NPAT | 0.6 | (0.1) | 0.5 | 1.4 |

Key financial highlights*



Net revenue up 12%



Gross margin up 18%



Underlying EBITDA up 24%



Reported NPAT up 122% to \$1.4 million, EPS up 120%

* Compared to FY19 results re-stated from the adoption of AASB16 Leases (AUS \$0.2m, UK, \$0.2m, Asia \$0.1m)

(1) Product commissions relate to Smartfunds, with reductions from fund outflows during the year

(2) Information Technology expenses excludes R&D capex of \$2.0 million (FY20) and \$2.3 million (FY19)

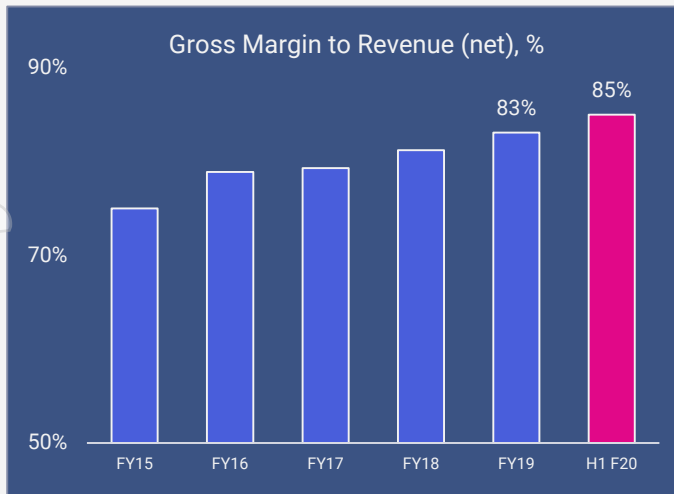
(3) Includes amortisation of lease assets \$0.6m (lease term), intangibles from software R&D \$1.0m (3 years) and acquisitions \$0.3m (5 years)

(4) Refer slide 13 for detailed breakdown

(5) Unrealised FX from cash held in foreign currencies (GBP, USD, HKD) and irrecoverable taxes (VAT, WHT)

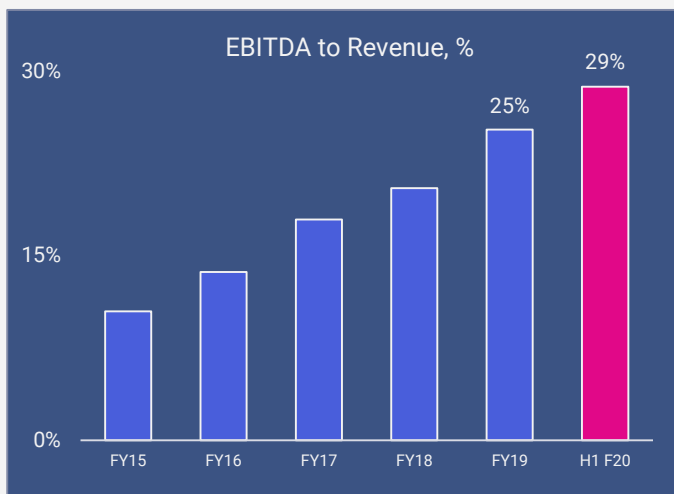
(6) FY20 Aus tax estimate at 27.5% company tax rate

Delivering scale



Continued margin improvement

- Gross margins of 85%, up from 83% in FY19
- Strong incremental revenue margins
- Future process automation to maintain scalability, especially for new, lower margin products such as VMAAS
- Yerevan office now servicing entire product suite



EBITDA margin growth

- EBITDA margins up to 29%, from 25% in FY19
- UK platform growth to add to operating leverage
- Margin expansion while continuing to invest in growth:
 - Sales & marketing, now 23% of net revenue
 - Product development, consistent at 22%*



Sustained revenue & earnings growth

| \$m | Aus | Intl | H1 FY20 | YoY % | Aus % | Intl % |
|--------------------|-------------|------------|-------------|-----------|------------|--------------|
| Platform | 8.7 | 4.8 | 13.5 | 4% | 22% | (18%) |
| Portfolio services | 8.5 | - | 8.5 | 6% | 6% | - |
| Planning software | 0.1 | 1.1 | 1.2 | 3% | 2% | 3% |
| Other | - | 1.0 | 1.0 | 24% | - | 24% |
| Revenue | 17.3 | 6.9 | 24.2 | 5% | 13% | (10%) |

Continued revenue growth

- Australia platform FUA up 21%, revenue up 22%
- International platform FUA up 22%, revenue up 27%, offset by Smartfunds revenue decline of 48%
- Portfolio services revenue up 6% from VMA and VMAAS
- Financial advice software revenue up 3%

| \$m | Aus | Intl | Corp | H1 FY20 | Aus % | Intl % |
|-----------------------|-------------|--------------|--------------|-------------|------------|-----------|
| Revenue | 17.3 | 6.9 | - | 24.2 | 13% | (10%) |
| Product commissions | - | (0.4) | - | (0.4) | | |
| Revenue (net) | 17.3 | 6.9 | - | 24.2 | 13% | 7% |
| Expenses | (8.8) | (7.5) | (0.5) | (16.8) | 0% | 6% |
| Segment EBITDA | 8.5 | (1.0) | (0.5) | 7.0 | 31% | 1% |
| <i>EBITDA %</i> | <i>49%</i> | | | <i>29%</i> | | |

Australia: 49% EBITDA margin

- Revenue growth of 13%
- 31% improvement in EBITDA to \$8.5 million
- EBITDA margin increase to 49% of revenue, from 44% in prior year

International: Platform growth uplift

- Net revenue growth of 7%, after product commissions
- Expenses up 6% in line with platform growth
- Loss of \$1.0 million for the half, 1% decline with:
 - UK \$0.6 million loss
 - Asia \$0.4 million loss

Cashflow and balance sheet

| Cashflow (\$m) | H1 FY19 | H1 FY20 |
|-------------------------------|--------------|--------------|
| Operating cashflow | 4.1 | 5.9 |
| R&D incentive | 0.7 | 0.7 |
| Tax paid | (1.9) | (2.3) |
| One-off costs | (0.9) | (0.5) |
| Net operating cashflow | 2.0 | 3.8 |
| Intangible capex | (2.5) | (2.0) |
| Equipment capex | (0.2) | (0.2) |
| Investments | (0.1) | - |
| Net investing cashflow | (2.8) | (2.2) |
| Net financing cashflow | - | (0.7) |
| Net cash movement | (0.8) | 0.9 |
| Opening cash | 12.1 | 13.7 |
| Unrealised FX | (0.0) | 0.1 |
| Closing cash | 11.3 | 14.7 |

| Balance Sheet (\$m) | Jun-19 | Dec-19 |
|---------------------|-------------|-------------|
| Cash | 13.7 | 14.7 |
| Receivables | 7.6 | 7.1 |
| Intangibles | 9.9 | 10.9 |
| Other assets | 4.2 | 12.2 |
| Assets | 35.4 | 44.9 |
| Tax liabilities | 1.7 | 1.7 |
| Other liabilities | 10.1 | 16.8 |
| Liabilities | 11.8 | 18.5 |
| Net Assets | 23.6 | 26.4 |

| One-off Costs (\$m) | H1 FY19 | H1 FY20 |
|----------------------|------------|------------|
| Arbitration costs | 0.2 | 0.4 |
| Restructure costs | 0.4 | 0.1 |
| Acquisition costs | 0.4 | 0.1 |
| Total expense | 1.0 | 0.6 |

Key points

- Operating cashflow up 99% on H1 FY2019
- Group regulatory cash requirement of \$5 million
- Strong balance sheet with no debt
- Franking credits of \$6.1 million

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Highlights

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Australia – drivers of Platform growth

Industry trends favouring emerging platforms

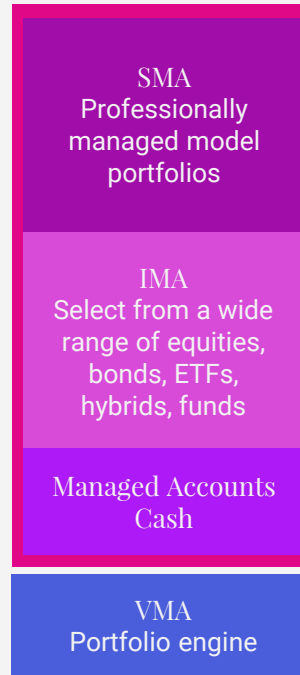
Dominance of institutional incumbents diminishing post Banking Royal Commission.

- Top 7 financial institutions hold 83% market share of platform FUA¹
- Market share losses likely as financial advisers shift to a conflict-free independent model
- In 2019, the Top 7 lost 28% advisers²

A shift of advice from Wraps to Managed Accounts also favouring emerging platforms.

Emerging specialist platform providers' (SPPs) market share predicted to grow from 7% to 12% in 5 years³.

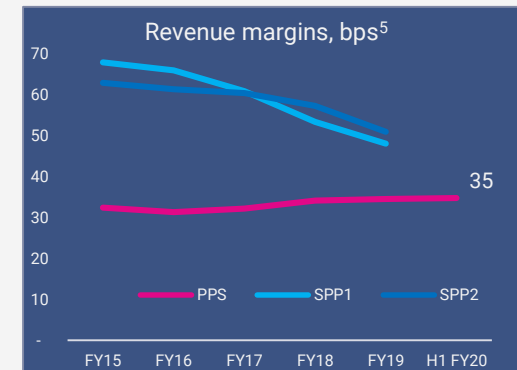
Upgraded to 5th generation platform



Praemium – a compelling offer

Sustainable platform pricing below industry peers:

- Lowest transactional fees⁴
- Best return on cash for investors⁴



Praemium's Integrated Managed Accounts platform now able to address the overall \$887 billion platform market¹

¹ Plan for Life media release, September 2019

² Bell Potter, Australian Super and Adviser Landscape, December 2019

³ UBS Global Research, Australian Diversified Financials, May & Nov 2019

⁴ UBS Global Research, Nov 2019 (comparison to AMP, IFL, CBA, NAB, WBC, MQG, NWL, HUB)

⁵ Citi, Australian Wealth Platforms, Nov 2019 (SPP: Specialist Platform Provider)

PPS bps includes platform revenue + recoveries

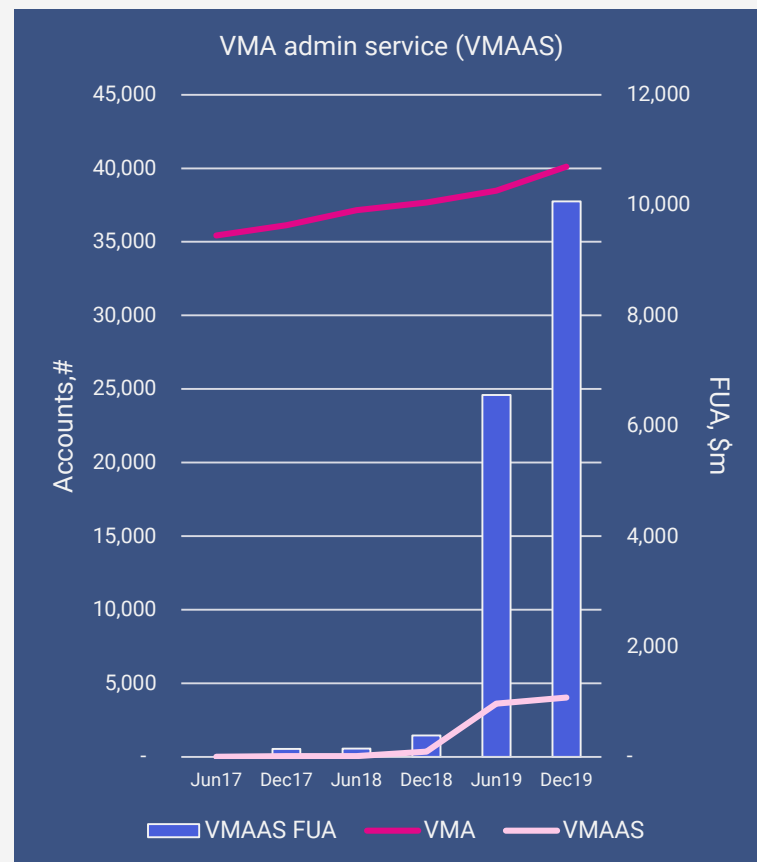
VMAAS – a complete administration service

Providing full administration, including:

- Mail processing
- Account reconciliation
- Corporate action elections and processing
- Billing and fee generation
- Quarterly reporting
- Annual tax statements
- Optional year-end SMSF accounting, audit and lodgment

Built on Praemium's unique portfolio capabilities:

- Automatically reconstructs all portfolios' tax position after ATO rulings
- Complex corporate actions with history from 1985, CGT optimisation and tax reporting
- Performance benchmarking supported by an unmatched range of market indices
- Handles the most complex investments including international and stapled securities
- Automates AMIT rules for managed funds
- Broad investment range: all ASX-listed and 5,000 int'l equities, 700 local and int'l bonds, funds, options, fixed interest



Ability to tailor solutions for small to large clients, combined with our fully integrated managed accounts platform

VMAAS FUA now over \$10 billion

International – drivers of Platform growth

UK market structural challenges

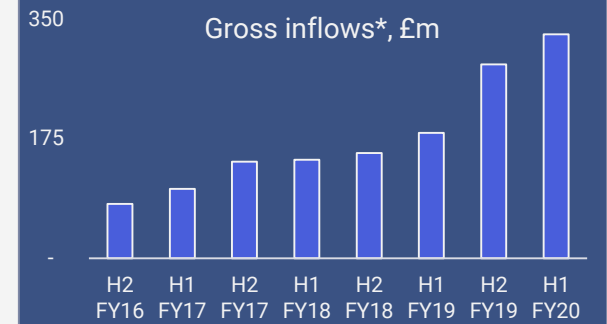
Over 70% of platform FUA sits on platforms that don't have their own technology.

Those platforms are underpinned by 3 tech providers (soon to be 2).

Increasing awareness of Praemium

“Praemium has taken giant steps towards more mainstream acceptance. Firms which look closely will find lots to challenge them, some very well-designed kit and a rapidly evolving proposition. Praemium is firmly on our ‘one to watch’ list for 2020.”¹

Major upgrade in Sep 2019



Issues from tech over-concentration:

- Several re-platforming project failures have caused huge disruption
- Could lead to risk-averse behaviour
- And hence, innovation stalemate

Managed Accounts gaining acceptance:

- Advisers are seeking efficiency gains by outsourcing to discretionary fund managers (DFMs)
- However, traditional wrap platform architecture not well suited to real-time portfolio management

Praemium's next-gen platform can better serve the UK advice market:

- *Proprietary tech* leveraging global platform experience
- Praemium named Best Discretionary Platform
- Strong support from DFM firms
- Advanced digital capabilities, including industry-first AI to assist adviser client retention

Poised for growth:

- A 40% increase in the number of DFMs on Praemium's platform in 2019
- Platform upgrade has expanded the available market to include wrap/advisory (non-managed accounts)
- Praemium platform and financial advice software active in UK, UAE, RSA, Singapore and Hong Kong



Summary

Key strategic initiatives implemented in 2019

Completed major upgrade:

- Australia live in February
- International live in September

Invested in sales and marketing:

- Marketing campaigns to promote advanced tech
- Engagement with 3rd-party ratings agencies such as Investment Trends, lang cat, Defaqto and Adviser Ratings
- Began plan to double sales FTE

Grew VMA's full admin service (VMAAS) FUA:

- \$387 million by end 2018
- \$10 billion by end 2019

International platform underwent a step change in momentum:

- Gross inflows for 2019 were 81% higher than 2018
- Awarded Schroders' Leading Platform for Discretionary Management and International Adviser's Global Investment Platform of the Year

Will underpin growth in 2020

A bigger business development resource for 2020:

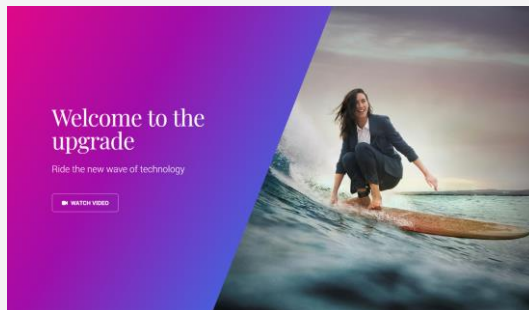
- The expanded Australia sales team is in place
- Recruiting for the UK and in key offshore markets is underway
- Brand awareness activities to continue to raise our profile

Praemium's next-gen digital platform to help drive adviser efficiencies:

- *Insights* AI predictive models to improve client retention
- Fully digital asset transfer capability to accelerate asset transitions
- Digital client acceptance to speed up client on-boarding

Advisers adopting Praemium's next-gen platform to improve the client experience:

- Market-leading reporting
- Real-time portfolio management and auto-rebalancing
- AI *Insights* to improve adviser-client communications and engagement



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