

Third Supplementary Bidder's Statement

in relation to the Offer

by

Praemium Limited (ACN 098 405 826) to acquire all of your shares in

Powerwrap Limited (ACN 129 756 850) for 7.5 cents per Powerwrap Share in cash and 1 Praemium Share for every 2 Powerwrap Shares that you own

Powerwrap Directors unanimously recommend that you ACCEPT this Offer in the absence of a superior proposal

ACCEPT THIS OFFER

The Offer is dated 31 July 2020 and will close at 7:00pm (Melbourne time) on 21 September 2020, unless extended or withdrawn.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

The Bidder's Statement contains offer by Praemium Limited to purchase all of your shares in Powerwrap Limited. If you are in any doubt how to treat the Bidder's Statement, you should consult your financial, legal, taxation or other professional adviser as soon as possible.

If you have any questions or require assistance with your acceptance, please call the Offer Information Line on 1800 992 039 (from within Australia) or +61 1800 992 039 (from outside Australia) Monday to Friday between 8:30am and 5:30pm (Melbourne time).



Corporate Advisor to Praemium Limited



Legal Advisor to Praemium Limited

Praemium Limited

ACN 098 405 826

THIRD SUPPLEMENTARY BIDDER'S STATEMENT

1. Introduction

This document is a supplementary bidder's statement under Section 643 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

It is the third supplementary bidder's statement (**Third Supplementary Bidder's Statement**) to the Bidder's Statement dated 22 July 2020 (**Bidder's Statement**) issued by Praemium Limited ACN 098 405 826 (**Praemium**) and lodged with the Australian Securities and Investments Commission (**ASIC**) on 22 July 2020, in relation to the offer by Praemium (**Offer**) for all of the shares in Powerwrap Limited ACN 129 756 850 (**Powerwrap**) which it does not already own, as supplemented by Praemium's first supplementary bidder's statement dated 14 August 2020 (**First Supplementary Bidder's Statement**) and the second supplementary bidder's statement dated 28 August 2020 (**Second Supplementary Bidder's Statement**).

This Third Supplementary Bidder's Statement supplements, and is to be read together with, the Bidder's Statement, the First Supplementary Bidder's Statement and the Second Supplementary Bidder's Statement.

Unless the context requires otherwise, defined terms in the Bidder's Statement have the same meaning in this Third Supplementary Bidder's Statement. The Third Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Bidder's Statement, the First Supplementary Bidder's Statement and the Second Supplementary Bidder's Statement.

A copy of this Third Supplementary Bidder's Statement was lodged with ASIC and provided to Powerwrap on 14 September 2020. Neither ASIC nor any of its officers takes any responsibility for the contents of this Third Supplementary Bidder's Statement.

2. Recent financial results

Since the date of the Bidder's Statement:

- (a) Praemium has released its audited financial results for the 12 months ended 30 June 2020 (a copy of which was made available as an annexure to the First Supplementary Bidder's Statement and is otherwise available on Praemium's website at www.praemium.com);¹ and
- (b) Powerwrap has released its Appendix 4E, which sets out its unaudited preliminary financial results for the 12 months ended 30 June 2020 (a copy of which was made

¹ Released to ASX on 14 August 2020.

available as an annexure to the Second Supplementary Bidder's Statement and is otherwise available on Powerwrap's website at www.powerwrap.com.au).²

3. Updated pro-forma financial information for the Merged Group

This section 3 updates the previous disclosure about the Merged Group's pro-forma financial information contained in Sections 11.5 to 11.9 (inclusive) of the Bidder's Statement.

(a) Summary of information

The information included in this Third Supplementary Bidder's Statement is pro forma financial information for the Merged Group comprising Praemium and Powerwrap as at 30 June 2020 to illustrate the impact of transactions relating to the Offer as if they occurred on 30 June 2020 from a statement of financial position perspective, and 1 July 2019 from a statement of profit or loss perspective (collectively, the **Merged Group Pro Forma Financial Information**).

The Merged Group Pro Forma Financial Information is indicative only. Praemium has drawn conclusions based on the facts known and other information publicly available as at the date of this Third Supplementary Bidder's Statement. If the facts, circumstances or other information should prove different to that described, the conclusions may change accordingly. The Merged Group Pro Forma Financial Information should be read in conjunction with the following:

- the Bidder's Statement;
- the assumptions underlying its preparation as set out in this Third Supplementary Bidder's Statement;
- the pro forma adjustments described in this Third Supplementary Bidder's Statement, which have been made to reflect certain financial impacts of the Offer; and
- the accounting policies of Praemium and Powerwrap as disclosed in their most recent financial reports noting the pro forma information has not been subject to audit.

(b) Basis of preparation

The Merged Group Pro Forma Financial Information has been prepared on the basis that Powerwrap is wholly owned by Praemium following the Offer.

The Merged Group Pro Forma Financial Information does not represent what the Merged Group would look like on a consolidated basis, since it is not possible to produce this information from publicly available information.

No adjustments for anticipated synergy benefits have been included as the exact timing of those benefits cannot be reliably estimated. However, the Merged Group Pro Forma

² Released to ASX on 27 August 2020.

Financial Information does reflect the issue of new Praemium Shares to Powerwrap Shareholders, and certain other adjustments that could be required as a result of this Offer (refer to sections 4 and 5 of this Third Supplementary Bidder's Statement).

The Merged Group Pro Forma Financial Information is for illustrative purposes only and is based on numerous assumptions that may or may not reflect the actual financial position of the Merged Group after completion of the Offer (refer to sections 4 and Section 5 of this Third Supplementary Bidder's Statement). It is not intended to illustrate the financial position that would have been obtained or the financial performance which would have occurred had the completion of the Offer occurred on or before 30 June 2020. Powerwrap and Praemium classify certain expenses differently in their financial statements and in other disclosures in their annual reports. Accordingly, some line items have been reclassified in the pro forma historical financial information for comparability.

The Merged Group Pro Forma Financial Information is presented in a summary format assuming, following acceptance of the Offer, Praemium holds 100% of Powerwrap, and does not contain all of the disclosures required under the Corporations Act and Accounting Standards.

The Praemium Directors have drawn their conclusions based on the known facts and other information publicly available as at the date of this Bidder's Statement. Praemium will undertake a comprehensive assessment of fair value of the assets and liabilities acquired and a review of accounting policies of Powerwrap after the Offer has been completed. If the facts, circumstances, assumptions or other information should prove different to that described, the conclusions may change accordingly.

(c) Sources of information

The pro forma historical financial information included in this Third Supplementary Bidder's Statement is based on the latest publicly available information for Praemium and Powerwrap, which comprises the following:

- audited financial statements of Praemium for the year ended 30 June 2020;
- unaudited financial statements of Powerwrap for the year ended 30 June 2020; and
- the results presentation of Powerwrap for the year ended 30 June 2020.

(d) Prospective financial information

Praemium has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in relation to Praemium and the Merged Group following the Offer. The Praemium Board has concluded that forecast financial information would be misleading to provide, as a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering Powerwrap's recent financial performance and the impact of COVID-19 may have on the future financial position of Praemium and the Merged Group following the Offer.

Key variable inputs include net FUA flows and costs related to development and operating activities. In addition, as Praemium has not undertaken comprehensive financial due diligence on Powerwrap, Praemium is not in a position to provide forecasts of the financial performance of the Merged Group.

(e) **Application of generally accepted accounting standards**

The source for the pro forma historical financial information described above is assumed to have been prepared in accordance with the measurement and recognition requirements of Accounting Standards. Further information regarding the accounting policies and compliance of the relevant Praemium and Powerwrap financial reports with the measurement and recognition requirements of Accounting Standards can be obtained by reviewing the latest publicly available financial statements of each company which are available on their websites. The basis used to prepare the pro forma historical financial information in this Bidder's Statement is as follows:

- the pro forma historical financial information is not intended to comply with all of the presentation and disclosure requirements of Accounting Standards applicable to statutory annual reports prepared in accordance with the Corporations Act;
- both Praemium and Powerwrap adopted AASB 16 'Leases' from 1 July 2019 and therefore for the purposes of presenting the Pro Forma Profit & Loss the impact of AASB 16 is reflected as reported in the standalone financial information;
- under the Consolidation Principles, the acquirer is identified as the entity that obtains control of or significant influence over the other entity. It is assumed that Praemium will be the acquirer for the purpose of preparing the Merged Group's pro forma financial information;
- in addition to the adjustments made in accordance with the Consolidation Principles, adjustments as described in the notes to the pro forma historical financial information have also been made to better illustrate the pro forma impact of the acquisition on the Merged Group;
- the Pro Forma Profit & Loss illustrates the pro forma historical performance of the Merged Group (excluding the impact of any one-off items) assuming the proposed transaction had occurred on 1 July 2019; and
- the Pro Forma Balance Sheet has been prepared as at 30 June 2020 to illustrate the financial position of the Merged Group after considering the impact of the Offer and associated funding requirements.

(f) **Accounting for Goodwill**

It will not be possible to ascertain the fair values of Powerwrap's identifiable assets and liabilities or the intangible assets that might be recognised on acquisition until after completion of the Offer. Accordingly, for the purposes of calculating goodwill, for

inclusion in the pro forma historical financial information Praemium has assumed that the book value of Powerwrap relevant assets and liabilities as set out in their results announcement for 30 June 2020 represents their fair value for purposes of calculating the goodwill on acquisition under the Offer. Therefore, it is possible that the final calculation of goodwill and any consequential impacts on earnings following acquisition may differ from that applied in the pro forma historical financial information.

(i) **Pro forma net interest expense**

For the purposes of calculating pro forma net interest expense, it has been assumed that the proposed transaction occurred on 1 July 2019 and that the appropriate debt facilities were available throughout the year ended 30 June 2020 to finance the cash portion of the Offer Consideration, facility establishment and transaction costs. Interest expense is calculated at an effective interest rate margin of 3.00% plus the interest rate benchmark (BBSY), which is consistent with the agreed terms of the Finance Documents plus amortisation of the establishment costs relating to the Finance Documents.

(ii) **Transaction Costs**

Transaction costs relating to the Offer have been treated as follows for the purposes of preparing the Pro Forma Profit & Loss:

- costs relating to the Offer have been treated as one-off and non-recurring in nature and have been treated as such in the Pro Forma Profit & Loss. For statutory reporting purposes these costs will be expensed to profit and loss in the period they relate; and
- the cost of establishing new debt facilities has been amortised over the expected maturity of the new facilities and included in the pro forma finance costs, which is consistent with statutory reporting requirements.

(iii) **Income tax expense**

The pro forma income tax expense for the Merged Group has been calculated assuming a 30% Australian corporate tax rate.

(iv) **Praemium's existing investment in Powerwrap**

Praemium has an existing equity interest in Powerwrap, which is not reflected in the pro forma historical financial information. Accordingly, this is recognised as a reduction in cash and cash equivalents, with the investment being eliminated in accordance with the consolidation principles.

4. Pro Forma Profit & Loss

AUD \$'000 ³	Praemium 30-Jun-20	Powerwrap 30-Jun-20 ⁴	Net adjustments	Merged Group
Income				
Sales revenue	50,154	21,088	(2,540)	68,702
Interest and other income	1,090	499	-	1,589
Total revenue	51,244	21,587	(2,540)	70,291
Expenses				
Employee costs	(26,852)	(10,580)	-	(37,432)
Service provider net recoveries / (costs)	109	(6,789)	2,540	(4,140)
Administration	(9,553)	(4,605)	-	(14,158)
Occupancy	(673)	(286)	-	(959)
Depreciation & amortisation	(4,670)	(1,188)	-	(5,858)
Finance costs	(187)	(71)	(473)	(730)
Share based payments	(2,050)	(141)	-	(2,191)
Restructure, arbitration & acquisition costs	(1,332)	(382) ⁵	(2,126)	(3,840)
FX and financial instrument gains/(losses)	2,038	-	-	2,038
Other expenses	(350)	-	-	(350)
Gain / (loss) before income tax	7,726	(2,455)	(2,599)	2,672
Income tax benefit / (expense)	(2,863)		780	(2,083)
Gain / (loss) after income tax	4,863	(2,455)	(1,819)	589
Other comprehensive income / (loss)	(176)	-	-	(176)
Total comprehensive gain / (loss)	4,688	(2,455)	(1,819)	414

Notes to the Pro Forma Profit & Loss

Overview: The aggregation reflects the combined profit & loss of Praemium and Powerwrap for the last twelve months to 30 June 2020 and the following pro forma adjustments.

Revenue and service provider recoveries / (costs): Intercompany sales and purchases between Praemium and Powerwrap of \$2,540,000 have been eliminated, which has no effect on profit after tax.

Finance costs: the increase in interest is due to the estimated annual impact of \$473,000 of interest arising from additional funding for the transaction, where 100% of Powerwrap is acquired and the facility is fully utilised.

Restructure, arbitration & acquisition costs: Includes estimated transaction costs of \$2,126,000 relating to the transaction.

³ Totals may not add due to rounding.

⁴ Powerwrap's financials are not audited.

⁵ Amount as per Powerwrap's FY20 Results Presentation and re-allocated from the employee costs line.

Tax expense: Tax expense is based on the tax effect of all adjustments

5. Pro-Forma Balance Sheet

AUD \$'000 ⁶	Praemium 30-Jun-20	Powerwrap 30-Jun-20 ⁷	Net adjustments	Merged Group
Current assets				
Cash and cash equivalents	15,915	15,629	(511)	31,032
Trade and other receivables	6,459	3,733	-	10,192
Other current assets	2,048	1,134	-	3,182
Total current assets	24,421	20,496	(511)	44,406
Non-current assets				
Other financial assets	6,497	219	(5,129)	1,587
Intangible assets	12,028	4,920	-	16,948
Goodwill	-	-	32,598	32,598
Property, plant and equipment	1,051	373	-	1,424
Deferred tax assets	1,233	-	-	1,233
Work-in-progress	-	106	-	106
Right-of-use assets	3,999	1,082	-	5,081
Total non-current assets	24,809	6,700	27,469	58,978
Total assets	49,230	27,196	26,958	103,384
Current liabilities				
Trade and other payables	6,653	2,956	-	9,609
Current contract liabilities	3,788	110	-	3,898
Short-term debt	-	-	3,000	3,000
Current provisions	1,258	874	-	2,132
Income tax payable	1,323	-	-	1,323
Current lease liabilities	3,202	466	-	3,668
Total current liabilities	16,224	4,406	3,000	23,630
Non-current liabilities				
Non-current provisions	201	183	-	384
Deferred tax liability	1,194	-	-	1,194
Non-current lease liabilities	1,024	687	-	1,711
Long-term debt	-	-	12,000	12,000
Total non-current liabilities	2,419	870	12,000	15,289
Total liabilities	18,643	5,276	15,000	38,919
Net assets	30,587	21,920	11,958	64,465
Equity				
Share capital	68,402	64,692	(30,814)	102,280
Reserves	2,097	2,696	(2,696)	2,097
Accumulated losses	(39,912)	(45,468)	45,468	(39,912)
Total equity attributable to the owners	30,587	21,920	11,958	64,465

⁶ Totals may not add due to rounding.

⁷ Powerwrap's financials are not audited.

Notes to the Pro Forma Balance Sheet

Overview: The aggregation reflects the combined balance sheets of Praemium and Powerwrap as at 30 June 2020 and the following pro forma adjustments.

Cash and cash equivalents: This adjustment represents \$511,000 cash used in the transaction being the amount of cash share consideration and transaction costs over and above the \$15,000,000 in borrowings drawn to fund the transaction.

Other financial assets: This adjustment reflects the reversing out of Praemium's on-market purchase of Powerwrap shares between 18 March 2020 and 25 June 2020 measured at fair value of \$5,129,000 as at 30 June 2020.

Goodwill: This adjustment of \$32,598,000 represents the fair value of the consideration paid for 100% of the shares in Powerwrap of \$54,518,000 less the fair value of the net amounts of the identifiable assets acquired and the liabilities assumed on the date of acquisition, being \$21,920,000. For the purposes of preparing the Pro Forma Balance Sheet it has been assumed that the fair value of Powerwrap's assets and liabilities is as set out in the results reported for the year ended 30 June 2020. In finalising the actual calculation of goodwill, it will be necessary to consider the latest Praemium Share price and re-measure the fair value of the shares paid as consideration at the date of the transaction. It will also be necessary to undertake a review of the actual fair value of Powerwrap's assets and liabilities as at the relevant date Praemium is in a position to assume control for consolidation purposes.

Short- and long-term debt: This adjusts for the additional borrowings of \$15,000,000 (\$3,000,000 due within one year and classified as short-term debt) needed to fund the cash component of the Offer Consideration and related facility establishment and transaction costs.

Share capital: Share capital has been adjusted by \$33,878,000 to reflect 89,412,897 additional Praemium Shares issued to Powerwrap Shareholders, being \$0.38 per Praemium Share which reflects the VWAP for the 5 days prior to the Announcement Date. Share capital has also been reduced by \$64,692,000 to eliminate the value of share capital in Powerwrap at the date of acquisition.

Reserves: The adjustment reflects the reversing out the reserves of Powerwrap, consistent with Consolidation Principles.

Accumulated losses: The adjustment reflects the reversing out the retained earnings of Powerwrap at the date of acquisition, consistent with the Consolidation Principles.

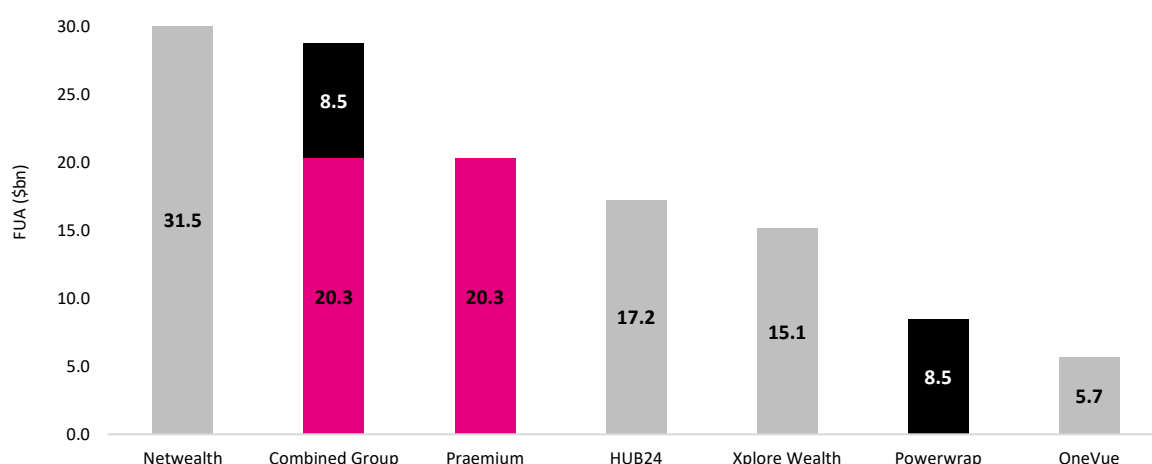
6. Benefits of the Merged Group

This section 4 updates the previous disclosures concerning the Merged Group contained in Section 2.4 of the Bidder's Statement.

As at 30 June 2020:

- (a) the combined FUA of the Merged Group was over \$28.8 billion, making the Merged Group the number two independent platform operator in the sector (based on the disclosed FUA as presented below);⁸
- (b) the combined revenue of the Merged Group was \$70.3 million; and
- (c) the combined EBITDA of the Merged Group, excluding synergies, was \$9.3 million.

Disclosed FUA as at 30 June 2020



Source: Relevant company's ASX announcement June 2020 quarterly FUA update.

7. Approval of this Second Supplementary Bidder's State

This Third Supplementary Bidder's Statement is dated 14 September 2020 and was approved by a unanimous resolution passed by the Board of directors of Praemium.

Signed by Barry Lewin for an on behalf of Praemium in accordance with section 351 of the Corporations Act.

Barry Lewin - Chairman

Dated: 14 September 2020

⁸ Includes Praemium's custodial and non-custodial FUA, which relates to \$8.9 billion of platform FUA and 11.4 billion held within its non-custodial Virtually Managed Accounts Administration Services plus Powerwrap's FUA of \$8.5 billion. Praemium's international FUA in GBP (being £1.8 billion) was translated into AUD at a spot rate on 30 June 2020 for quarter end FUA of 0.5586. All figures provided are unaudited.