

Netwealth 1H2021 Results Presentation



17 February 2021

Our purpose is

To enable people to
see wealth differently
and discover a brighter
future



Our culture is value-driven

Curious
Optimistic
Collaborative
Agile
Genuine
Courageous



Our strategy is
to deliver



Best-in-class technology

Market leading, home grown platform, agile and tailored to client needs



Best-in-class service

Award winning, nimble and highly responsive – 'we make our clients look good'



Insights that matter

Provide deep insights to our clients and spot change that matters

Today's presenters and agenda



Matt Heine
Joint Managing
Director



Grant Boyle
Chief Financial
Officer



Michael Heine
Joint Managing
Director

1. 1H2021 business and financial highlights
2. 1H2021 financial performance
3. Outlook
4. Questions
5. Appendix and additional information

1H2021 Business and Financial highlights



Financial Highlights 1H2021

Netwealth delivered 34.5% NPAT growth on PCP



\$40.5M

EBITDA



56.0%

EBITDA Margin



\$27.6M

NPAT



\$72.4M

Total Income



\$40.5M¹

Operating net cashflow
pre tax



11.3 cents

EPS²



9.06 cps

Interim Dividend



Top 200³

Company in the 2020 Forbes
Asia "Best under a Billion"
Awards

1. Operating net cash flow pre tax excludes investment in Xeppo and seed investment provided for Magellan funds.
2. EPS has been calculated including all of the ordinary shares, performance shares and options on issue at the end of the period.
3. Recognises 200 Asia Pacific companies with less than US\$1B in revenue that demonstrate consistent top and bottom line growth, low debt and robust governance.
References: All financials comply with current AASB's. A reconciliation is provided in Appendix 1 to underlying financial results previously presented for 1H2020.
PCP - prior comparative period 1H2020; EPS - Earnings per share; CPS - Cents per share.

Business Highlights 1H2021



\$38.8B FUA



\$9.3B FUM



\$7.6B MA



\$4.5B

FUA net inflows



\$1.5B

FUM net inflows



\$1.3B

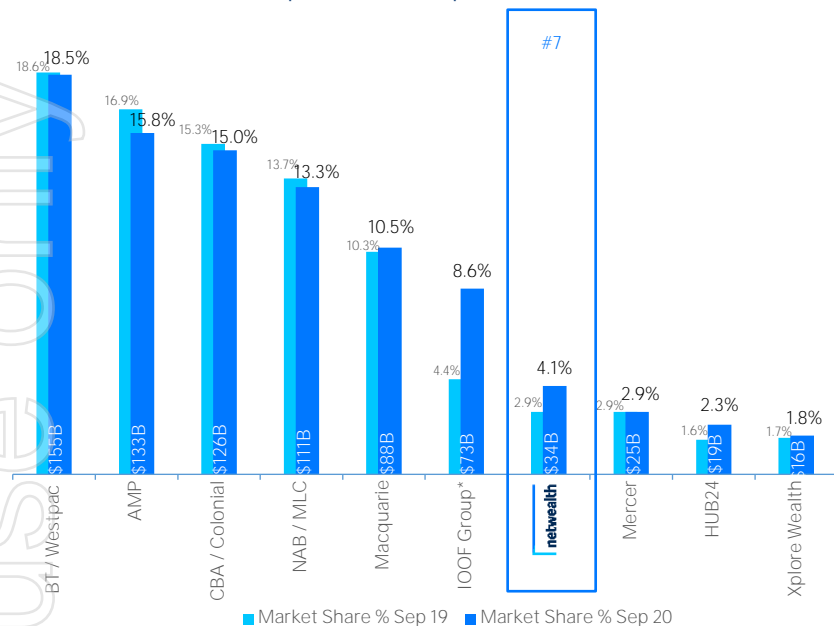
MA net inflows

- Strategic Investment in Xeppo
- Average annualised platform revenue per account increased to \$1,666 for 1H2021, up \$102 (+6.5% increase) compared to 1H2020
- Average account size increased to \$440,000 at 31 Dec 20
- Market share of 4.1% and leading industry flows¹
- FUA at 15 Feb 21 of \$40.7B

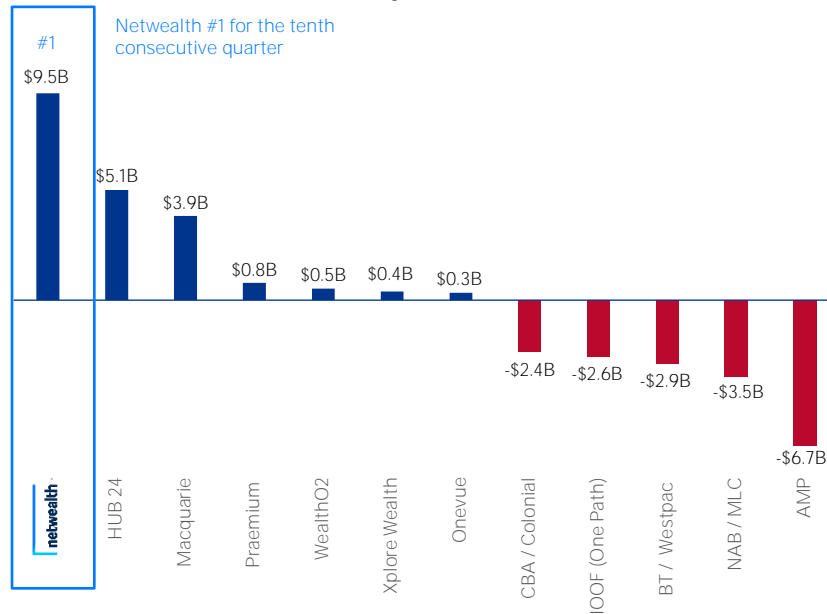
¹ Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 20.
References: FUA – Funds Under Administration; FUM – Funds Under Management; MA – Managed Account

Wexit + Disruption = Opportunity

Platform providers by FUA market share
% market share (Sep 20 and Sep 19)



Platform provider net funds flows
\$'Billions (12 months to Sep 20)

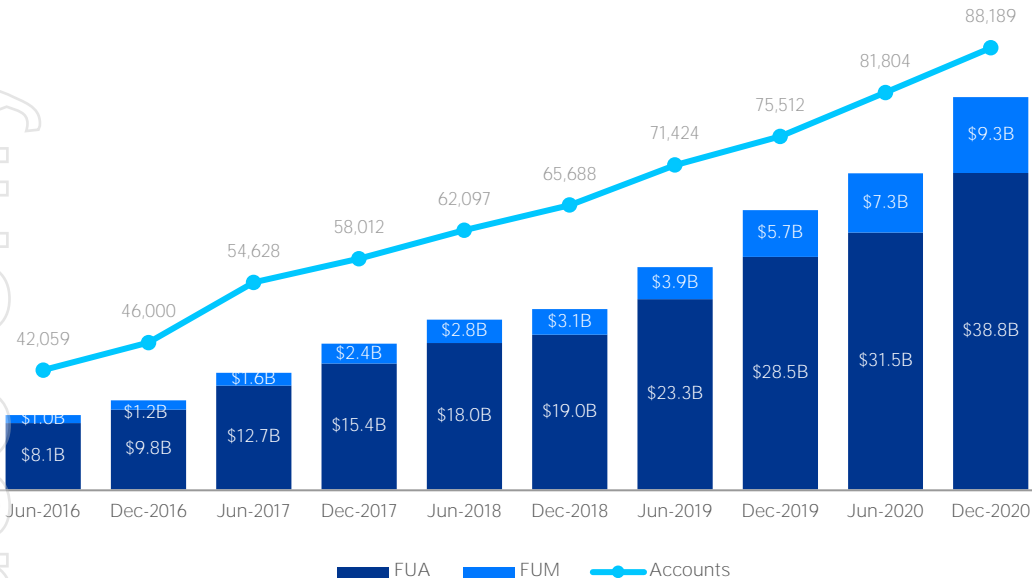


Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds as at Sep 20. Total Industry retail FUA of \$840.1B (as at Sep 2020)
*IOOF Group includes acquisition of ANZ's OnePath

Source: Plan For Life, Analysis of Wrap, Platform and Master Trust Managed Funds 12 months to Sep 20. Total net flows of \$1.1B (Not included above: Others of -\$1.3B)

Continuing growth momentum

Growth in FUA, Flows and Accounts



- Netwealth continues to be a leading beneficiary from ongoing industry consolidation and change
- Record half year FUA increase of \$7.3B and FUM increase of \$2.0B for 1H2021
- Strong pipeline of new business and transitions are well diversified

Source: Netwealth

Driven by new and existing Financial Intermediaries

2,982 Financial Intermediaries on the platform at 31 Dec 20, up 139 (4.9%) compared to 30 Jun 20

FUA growth is driven by

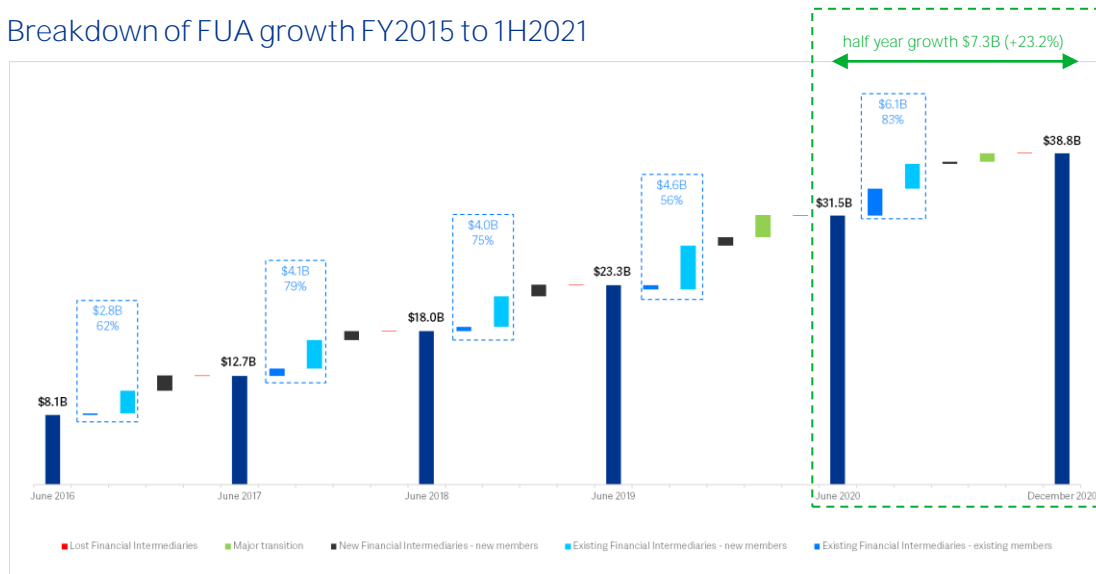
Existing Financial Intermediaries:

- Continued migration of accounts from our existing Financial Intermediaries accounted for approximately 83% of the FUA added

New Financial Intermediaries:

- FUA growth from new Financial Intermediaries, including major transition contributed approximately 17% of the FUA increase

Breakdown of FUA growth FY2015 to 1H2021



Source: Netwealth

Trends shaping wealth management



The age of the digital client experience

Clients demand a digital experience that is equal to their 'last best experience' (which is often Amazon, Apple or the like)*



+ From investment expert to wealth coach

An increase focus on relationship services and holistic client management – where client data critical to its execution



+ Proliferation of advice technologies

Technology 'stacks' are becoming more complex with regular overlaps between systems, whilst advice firms lack the expertise to integrate*



= A need to modernise the advice delivery model

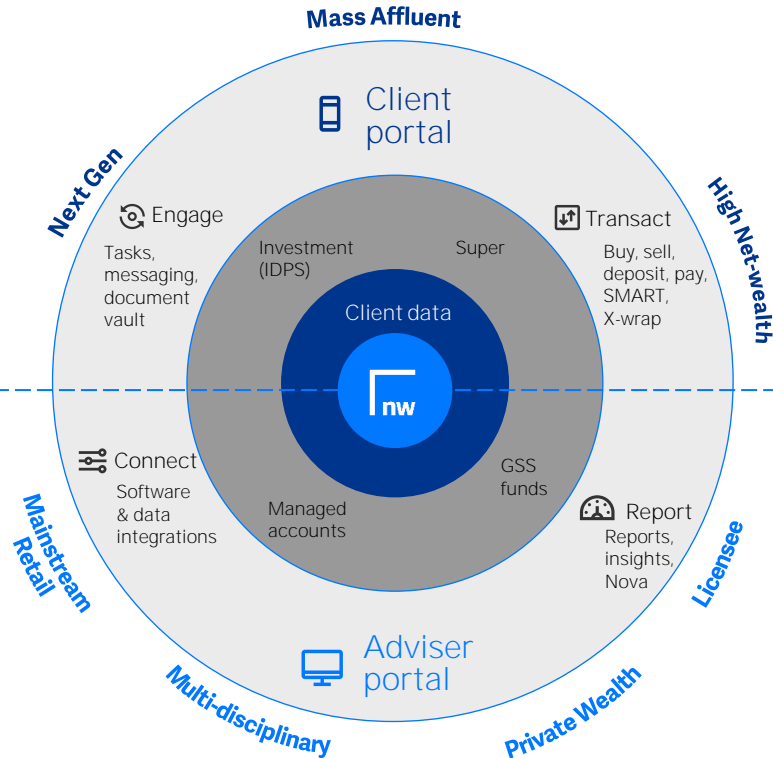
Margin squeeze as a result of increased compliance burdens, higher wages, fee for service models, etc. require radical rethinking of the operating model (and perhaps even the business model)

* COVID-19 acceleration

A single ecosystem for investors and wealth professionals



Investors



Wealth professionals



Strategic Initiatives

Wealth Platform reporting provides clients with access to unapparelled reporting and analysis tools

Joint Xeppo initiatives

- a number of long-standing licensees and practices implementing the Xeppo data aggregation, analytics and CRM solution
- in addition to a growing pipeline of opportunities with potential clients who recognise the significant benefits and efficiency the technology can provide

"X-wrap" launched

- provides sophisticated tools for advisers and clients looking to consolidate administration and reporting on assets held off platform with their assets held in custody and administered by Netwealth

A new native mobile experience for IOS and Android

- a significantly improved client experience
- and a range of integrated solutions for advisers focused on efficiency and engagement

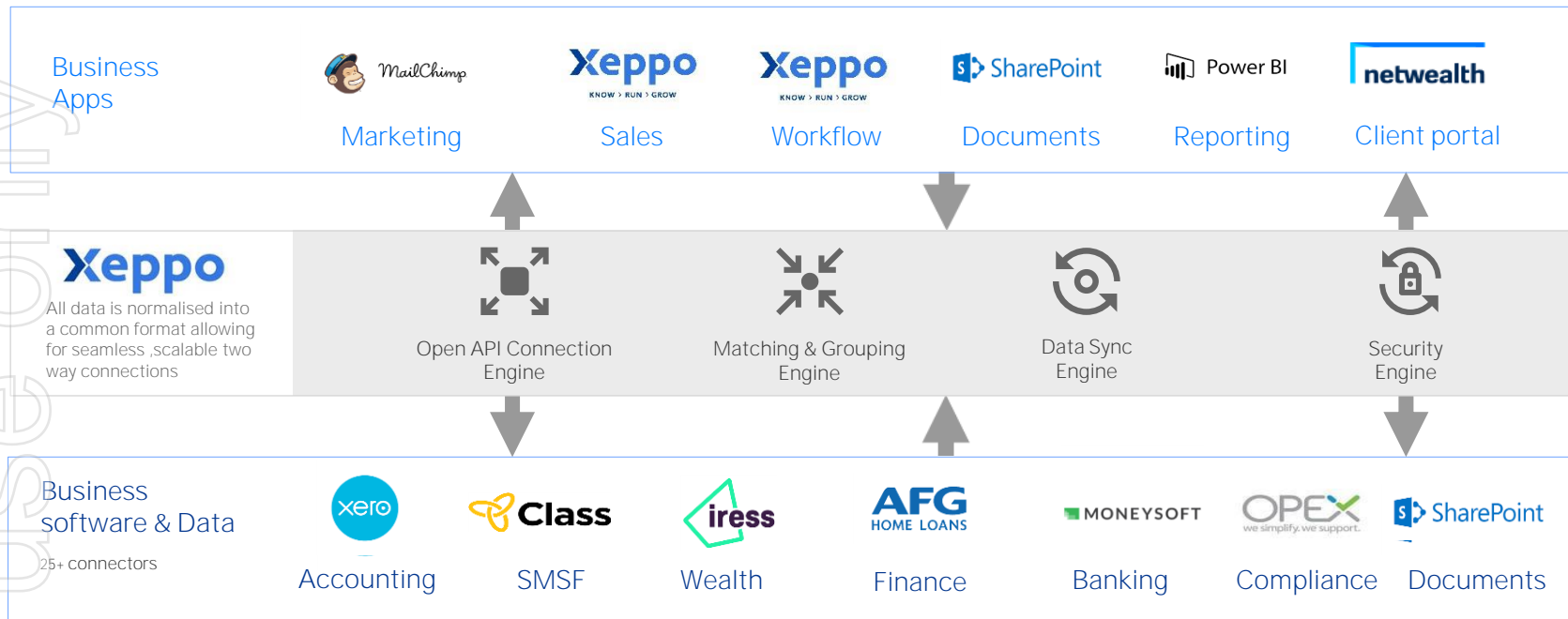
Evolved Wealth Products – providing investors with greater choice and further diversifying our revenue base

Accelerator Plus with Premium options

- For wholesale investors looking for a consolidated account and reporting solution
- 3,447 premium accounts at 31 Dec 20, up 817 accounts (+31.1%) in 1H2021
- Magellan GSS Infrastructure Fund and The Magellan GSS Global Fund were added in Aug 20, the first in a series of new Netwealth funds to be rolled out progressively in the coming year

Our strategic investment in Xeppo

Accelerate key initiatives previously announced, including our “Whole of Wealth” and client portal strategy



Xeppo partnership – consolidated practice and client view

Yolanda Shan Pty Ltd Group (91873)

Home / Groups / 25118

Practice Group Dashboards Members Apps Details Request

Practice APS WinBeat WorkSorted Connective

Debtors Outstanding \$2,482.00 \$2,482.00 overdue	Jobs \$0.00 wip \$2,482.00 lockup	Quotes
Fees (YTD) \$16.37k	Brokerage (YTD) \$16.21k	Total Revenue (YTD) \$32.58k

Apps

Rankings 34 of 3034 ▲1 Total Fees	Marketing 6 lists Subscribed	Opportunities \$157,500.00 20 active opportunities
Documents 10 Documents	Activities 45 activities 24 open	Net Worth \$11.7M \$1,189,745.74 unallocated

Yolanda Shan Pty Ltd Group (91873)

Home / Groups / 25118

Practice Group Dashboards Members Apps Details Request

Personal Finances Moneysoft

Net Worth \$1.12M	Bank Accounts \$16,715.76	Credit Cards \$4,999.06 owing
Loans \$0 owing	Properties \$946.7k	Investments \$164.2k

Cloud Accounting Xero

Net Profit (YTD) -\$169k -38.74% net profit margin	Balance Sheet -\$552.7k net assets	Cash at Bank \$1.15M
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Demo Practice 4 Services Class Super APS XPLAN WinBeat Connective

SMSF \$20.1M net assets	Tax Returns 23/05/2017 last lodgement	Personal Insurance 3 policies
General Insurance 2 policies	Investments \$10.68M ▼0.00%	Loans \$594.9k owing

Award winning platform

Industry recognition for overall satisfaction, service excellence and technology

Investment Trends 2020 Platform Benchmarking Report



2020 Platform Competitive
Analysis and Benchmarking
Report

Transaction Tools

Netwealth



2020 Platform Competitive
Analysis and Benchmarking
Report

Reporting

Netwealth



2020 Platform Competitive
Analysis and Benchmarking
Report

Product Offering

Netwealth



2020 Platform Competitive
Analysis and Benchmarking
Report

Decision Support Tools

Netwealth

Investment Trends Planner Technology Report



2020 Planner
Technology Report

Overall Satisfaction:
Platform

Netwealth



2019 Planner
Technology Report

Overall Satisfaction:
Platform

Netwealth

Chant West Best Advised Product



Asia's 200 Best Under A Billion¹

Forbes

Highest overall satisfaction score
among primary users for the 9th year
in a row

1. <https://www.forbes.com/asia200/list/> Recognises 200 Asia pacific companies with less than US\$1B in revenue that demonstrate consistent top and bottom line growth, low debt and robust governance

1H2021 Financial performance



1H2021 financial results

Financials	1H2020 Actual	1H2021 Actual	Change	% Change
Platform Revenue	57.3	71.2	13.8	24.1%
Other Income	1.3	1.2	(0.1)	(6.5%)
Total Income	58.7	72.4	13.7	23.4%
Employee Benefits Expenses	(19.9)	(23.7)	3.9	19.5%
Other Costs & Expenses	(7.7)	(8.1)	0.5	6.2%
Total Operating Expenses	(27.5)	(31.9)	4.3	15.8%
EBITDA	31.1	40.5	9.4	30.1%
EBITDA Margin %	53.1%	56.0%	2.9%	
NPAT	20.5	27.6	7.1	34.5%
NPAT margin %	35.0%	38.2%	3.2%	
Operating net cash flow pre tax ¹	31.3	40.5	9.1	29.2%
Cash conversion ratio to EBITDA	100.6%	99.9%	(0.7%)	
EPS based on NPAT - diluted (cents) ²	8.4	11.3	2.9	34.5%
\$M unless otherwise stated				

1H2021 financial commentary (PCP)

Highly profitable

- EBITDA of \$40.5M (\$31.1M), up 30.1% to PCP
- EBITDA margin of 56.0% (53.1%), up 2.9% to PCP

Exceptional cash generation

- Operating net cash flow pre-tax¹ of \$40.5M (\$31.3M) and 99.9% correlation to EBITDA

Strong balance sheet

- Low capital expenditure, no debt and significant cash reserves

Shareholder value

- Fully franked interim dividend of 9.06 cps
- EPS² of 11.3 cents (8.4 cents), up 34.5%

1. Operating net cash flow pre tax excludes investment in Xepko and seed investment provided for Magellan funds.

2. EPS has been calculated including all of the ordinary shares, performance shares and options on issue at the end of the period.

References: All financials comply with current AASB's. A reconciliation is provided in Appendix 1 to underlying financial results previously presented for 1H2020.

PCP - prior comparative period 1H2020.

EPS - Earnings per share.

CPS - Cents per share.

1H2021 key performance metrics

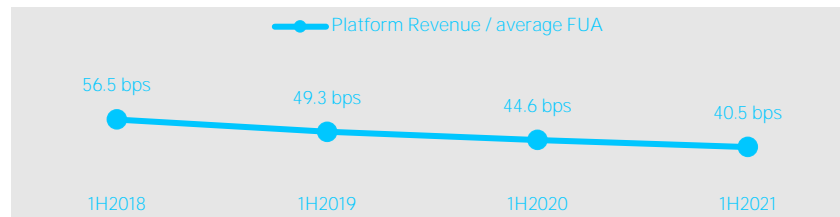
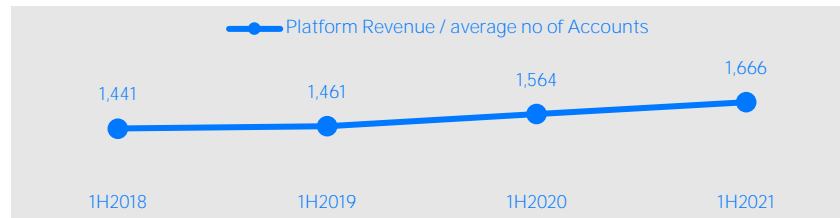
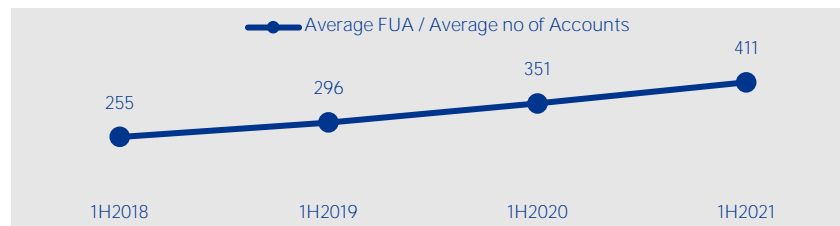
Platform Statistics	1H2020 Actual	1H2021 Actual	Change	% Change
Funds Under Administration				
FUA (eop)	28,511	38,799	10,288	36.1%
Fee Paying FUA %	60.9%	63.4%	2.5%	4.0%
FUA net inflows	4,355	4,468	113	2.6%
Funds Under Management				
Managed Account	4,368	7,603	3,236	74.2%
Managed Funds	1,382	1,711	330	23.8%
FUM (eop)	5,749	9,315	3,565	62.0%
Managed Account net inflows	1,503	1,335	(168)	(11.2%)
Managed Funds net inflows	202	195	(7)	(3.6%)
FUM net inflows	1,706	1,530	(176)	(10.3%)
Key Statistics Annualised				
Platform Revenue / average FUA (bps)	44.6	40.5	(4.1)	(9.2%)
EBITDA / average FUA (bps)	24.2	23.1	(1.2)	(4.8%)
Platform Revenue / average number of accounts (\$)	1,564	1,666	102	6.5%
Accounts (eop, number)	75,512	88,189	12,677	16.8%
Financial Intermediaries (eop, number)	2,711	2,982	271	10.0%
\$M unless otherwise stated				
eop - end of period				

1H2021 performance commentary (Compared to Dec 2019)

- FUA of \$38.8B, up \$10.3B (+36.1%) in CY2020
- 63.4% fee paying FUA
- FUA net inflows of \$4.5B for 1H2021 were well diversified with the largest transition representing 19%.
- FUA per account of \$440,000 at 31 Dec 20, up from \$376,000
- FUM of \$9.3B, up \$3.6B (+62.0%) in CY2020
- MA FUM of \$7.6B, up \$3.2B (+74.2%) in CY2020
- At 31 Dec 20 the Netwealth cash transaction account balance reduced to 7.2% of FUA
- Member account additions of 12,677 (+16.8%) in CY2020

Revenue trends

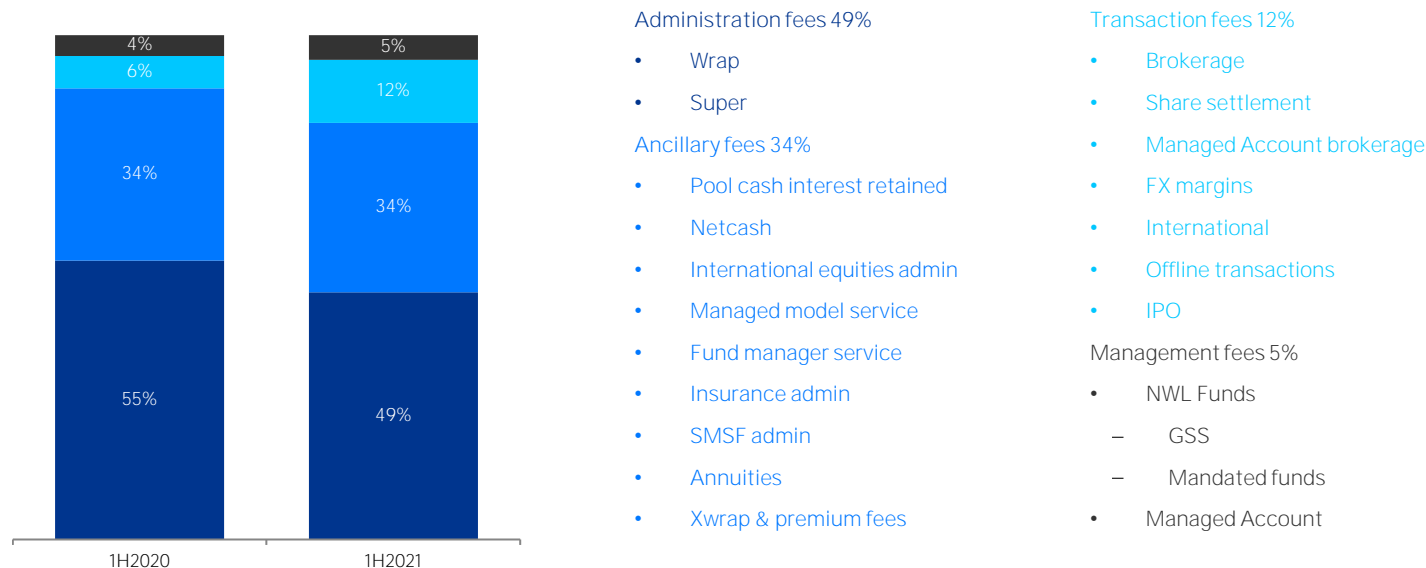
- Average Account size increased to \$411,000 for 1H2021, up \$60,000 compared to PCP
 - as average Account size increases, revenue streams are diversified and ancillary revenues increase
- Average annualised platform revenue per account of \$1,666, up \$102 (6.5% increase) compared to PCP
 - an increase in average Account balance
 - higher transaction and ancillary revenues
- Platform Revenue over average FUA of 40.5 bps for 1H2021, down 4.1 bps compared to PCP
 - On 1 January 2021 new pricing previously announced in Mar 20, was fully implemented
 - Increased average account size reduces bps



Source: Netwealth

Platform revenue composition

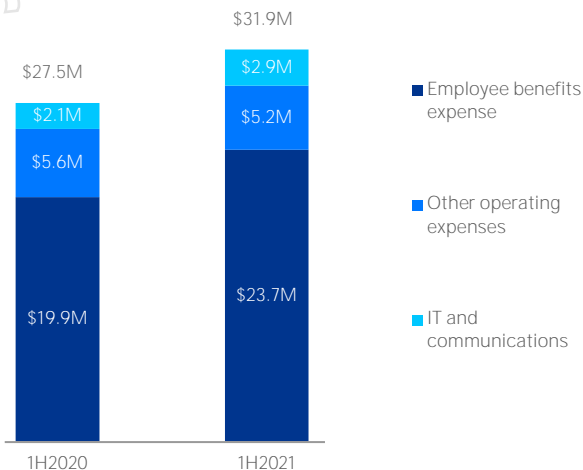
Further revenue diversification as non-administration fee income percentage of platform revenue increased by 6% to 51% compared to PCP



Ongoing investment supporting ongoing growth

Strategic investments across IT infrastructure, people and software

Total operating expenses



Source: Netwealth

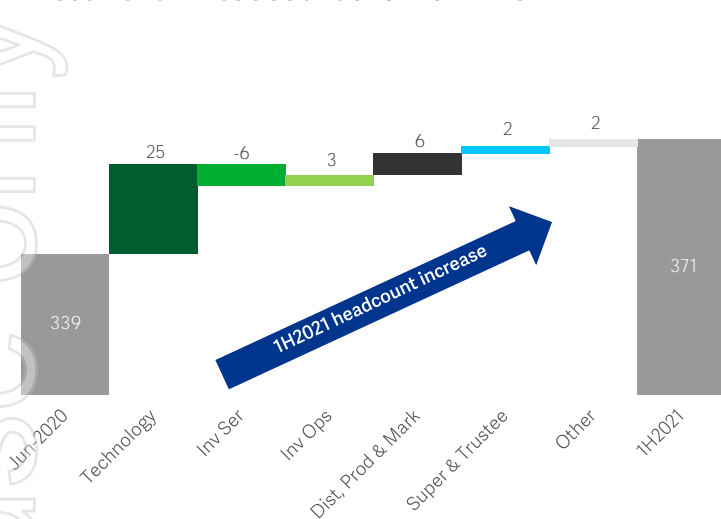
1H2021 commentary (compared to PCP)

- Total operating expenses of \$31.9M (\$27.5M), an increase of \$4.3M (15.8% increase)
- Employee benefits expense represented 74.5% of total operating expenses and includes inhouse IT development, product development and client service teams
- Employee benefits increased \$3.9M, up 19.5% to \$23.7M for 1H2021. There was an additional 65 new roles for the 12 month to 31 Dec 20 (33 in 2H2020 and 32 in 1H2021).
- COVID-19 impact on operating expenses was minimal. Full operational activity was maintained and new staff continued to be onboarded

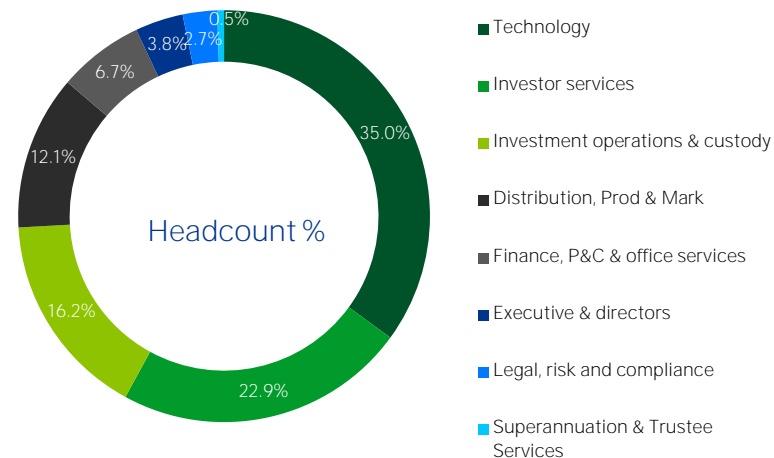
Strategic investment in our people

Investing in technology. Operations demonstrated scalability

Investment in headcount of 32 for 1H2021

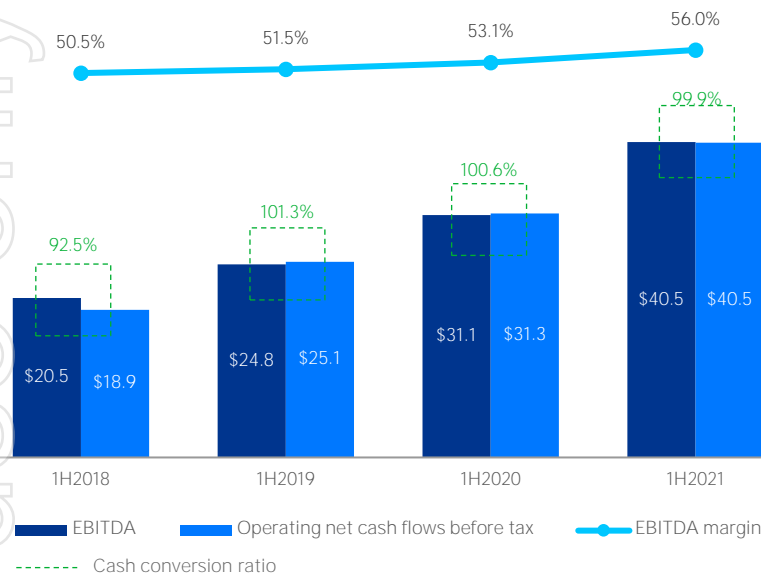


Headcount by function 31 Dec 20



Proven cost management and cash generation

High correlation between EBITDA and cash flow



- Strong cost management, demonstrated operating leverage & further invested in the platform to continue to deliver operational scalability and efficiency
- 99.9% EBITDA cash conversion ratio due to:
 - Low working capital requirements
 - Limited capital expenditure
 - Internal software and product maintenance and enhancement costs expensed
 - Better quality of earnings as software development costs are expensed
 - No debt

Summary of business and financial highlights

1

Track record of growth in FUA, FUM, revenue and profitability

- FUA net inflows \$4.5B for 1H2021 and \$9.2B for the year to 31 Dec 20
- FUA \$38.8B, up \$10.3B (+36.1%) to PCP
- FUM \$9.3B, up \$3.6B (+62.0%) to PCP
- Total income \$72.4M, up \$13.7M (+23.4%) to PCP
- EBITDA \$40.5M and EBITDA margin of 56.0%
- NPAT of \$27.6M, up \$7.1M (+34.5%)
- NPAT margin of 38.2%, up 3.2% to PCP

2

Innovative platform initiatives

- Benefit wealth management professionals, investors and members and diversify our revenue Whole of Wealth strategy:
- New SaaS product Xwrap;
 - A new native mobile experience for IOS and Android users; and
 - Two new Global specialist funds (GSS) managed by Magellan Asset Management Limited - the first in a series of new Netwealth funds to be rolled out progressively

3

Strategic Investment in Xeppo

- Partnering with a fintech data solutions provider to deliver a multi-disciplinary integrated wealth practice
- Accelerating provision of data aggregation, analytics and CRM solution
- Potential for future 3rd party partnerships

4

Favourable industry trends

- Fastest growing platform operator in the industry by net inflows over the 12 months to 30 Sep 20, with 38% growth in absolute terms and relative to the size of our FUA
- The largest FUA net inflows of \$9.5B for the 12-month rolling period to 30 Sep 20, the largest in the industry for the tenth consecutive quarter
- 7th largest platform provider
- Ranked No1 for the highest overall satisfaction score among primary users by Investment Trends¹

5

Strategic investment for the future

- Continue to investment in IT infrastructure, people and software while delivering strong cost management and operating leverage
- Deliver on key innovative initiatives to meet client expectations and remain at the forefront of industry trends and innovation
- The pipeline of new business and transitions remains strong



Exceptional cash generation

- Highly profitable
- No debt
- Internal software and product maintenance and enhancement costs expensed

Return to shareholders

- Fully franked interim dividend of 9.06 cents per share

1. Investment Trends – May 20 Planner Technology Report (Primary users of the platform)
Reference: PCP - prior comparative period 1H2020

Outlook



Outlook

FUA at 15 Feb 21 of \$40.7B, an increase of \$1.9B (+4.9% increase) since 31 Dec 20

- Continue to benefit from disruption, ongoing industry consolidation and change
- Expect to continue to increase overall market share
- Pipeline of new business and transitions remains strong
- FY2021 FUA net inflows are expected to be in the range of \$8.5B to \$9.0B¹
- Benefit from growth in affluent, high net-worth and private wealth groups as its platform functionality supports and enables the unique and differentiated needs of the segment
- New pricing fully implemented. Any clients who had not already moved to new pricing have now been transitioned
- FUA administration fee income is not expected to increase significantly in 2H2021 compared to 1H2021
- Reductions in pooled cash transaction account and reductions in RBA interest rates have further reduced ancillary revenues, from the RBA announcement date



¹ Based on no material adverse change in financial markets and subject to the timing of transitions

Outlook

- Continued to increase investment in IT infrastructure and software, adding 25 additional technology resources in 1H2021 and will continue to increase technology headcount.
- These resources are primarily focused on:
 - Continuing to enhance operational efficiency and scalability;
 - New digital client engagement and mobile first “Whole of Wealth” offering; and
 - Building synergies with Xeppo and other 3rd party software solutions to create a unique and market leading proposition for multi-disciplinary and integrated wealth practices.
- Netwealth remains in a very strong financial position supported by:
 - Diversified and robust sales and transition pipeline;
 - High 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.

Thank you

Questions



Important notice and disclaimer

General Information only

Information provided is general information presented in a summary format as at 17 February 2021, and is therefore not necessarily complete. This presentation is for informational purposes only and is not to be relied upon as advice to investors or potential investors. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Investors should not rely on this presentation to make any investment decision, and should make their own assessment, conduct their own research of Netwealth and the Netwealth Group and consider these factors with their legal, tax, business and/or financial adviser before making any investment decision.

Forward-looking statements

This presentation may contain certain forward-looking statements with respect to the financial condition, operations and business of the Netwealth Group and certain plans and objectives of the management of Netwealth. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “plans”, “goals”, “targets”, “aims”, “outlook”, “guidance”, “forecasts”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of the Netwealth Group to be materially different from the results or performance expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Netwealth Group’s present and future business strategies, the political and economic environment in which the Netwealth Group will operate in the future and financial market conditions, which may not be reasonable, and are not guarantees or predictions of future performance.

No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved, or that there is a reasonable basis for any of these statements or forecasts. Forward-looking statements speak only as at the date of this presentation and to the full extent permitted by law, Netwealth, the Netwealth Group, and their respective affiliates and related bodies corporate and each of their respective related parties and intermediaries disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, but not limited to, any assumptions or expectations set out in the presentation).

Past performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Financial data

All figures in the presentation are provided in Australian dollars. Financial data may be subject to rounding.

This document has been authorised for release by CFO and Company Secretary, Mr Grant Boyle

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Appendix and additional information



Appendix 1 – Reconciliation to 1H2020 underlying results

Reconciliation to 1H2020 Underlying results	1H2020 Actual
EBITDA	31.1
Rental expense (pre AASB 16)	(0.7)
Underlying EBITDA	30.5
Underlying EBITDA margin	52.0%
NPAT	20.5
Depreciation on right-of-use assets (post AASB 16)	0.6
Interest on leases (post AASB 16)	0.0
Rental expense (pre AASB 16)	(0.7)
Net tax impact from leases (adoption of AASB 16)	0.0
Underlying NPAT	20.6
Underlying NPAT margin	35.0%

\$'M unless otherwise stated

- Reconciliation is provided to underlying financial results previously presented for 1H2020. Underlying results for 1H2020 were provided at the time under pre AASB16 guidelines for comparative purposes

Appendix 2 – Cash flow workings

Cash flow workings	1H2020 Actual	1H2021 Actual
EBITDA	31.1	40.5
Non-cash items in EBITDA	0.3	0.4
Changes in working capital	0.2	0.2
Capital expenditure	(0.4)	(0.4)
Net (purchases) / sale proceeds on financial investments	0.0	(0.2)
Operating net cash flows before taxation	31.3	40.5
Cash Conversion Ratio (%)	100.6%	99.9%
\$'M unless otherwise stated		

- 1H2021 Operating net cash flow pre tax excludes investment in Xeppo and seed investment provided for Magellan funds

Appendix 2 – Consolidated statement of financial position

As at	30-Jun-20	31-Dec-20
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	85.5	79.8
Trade and other receivables	10.3	12.3
Other current assets	4.4	4.7
Financial assets	1.2	2.7
TOTAL CURRENT ASSETS	101.4	99.5
NON CURRENT ASSETS		
Property, plant and equipment	1.6	1.4
Intangible assets	0.3	0.3
Right-of-use assets	4.7	1.0
Investments in Associates	-	2.5
Deferred tax assets	3.8	4.0
TOTAL NON CURRENT ASSETS	10.5	9.3
TOTAL ASSETS	111.9	108.7
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	7.5	9.2
Provisions	4.3	4.7
Current tax liabilities	18.1	6.8
Lease liability	1.3	0.8
TOTAL CURRENT LIABILITIES	31.1	21.5
NON CURRENT LIABILITIES		
Lease liability	3.8	0.4
Provisions	0.9	1.1
TOTAL NON CURRENT LIABILITIES	4.7	1.5
TOTAL LIABILITIES	35.9	23.0
NET ASSETS	76.0	85.7
EQUITY		
Issued capital	23.1	23.5
Reserves	1.3	1.5
Retained earnings	51.6	60.7
TOTAL EQUITY	76.0	85.7

\$M unless otherwise stated

Debt free with \$79.8M in cash

Including regulatory capital required:

- ASIC Net Tangible Assets requirement - \$12.2M
- Operating risk financial requirement - \$34.6M