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21

**HUB**<sup>24</sup>

**ANALYST AND  
INVESTOR PACK**

Year ended 30 June 2021

For personal use only

Arithmetic inconsistencies are due to rounding

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# 1. FINANCIAL HIGHLIGHTS FY21

GROUP  
UNDERLYING EBITDA<sup>1</sup>

**\$36.2m**

↑ 47%

GROUP  
UNDERLYING NPAT<sup>2</sup>

**\$15.0m**

↑ 53%

GROUP COST TO  
INCOME RATIO

**67.1%**

FY20: 69.5%

TOTAL GROUP  
REVENUE

**\$110.9m**

↑ 34%

FULLY FRANKED FINAL DIVIDEND

**5.5 cents per share**

FY21 DIVIDEND: 10.0 CENTS PER SHARE  
FY20 DIVIDEND: 7.0 CENTS PER SHARE ↑ 43%

DILUTED EARNINGS PER SHARE

**14.3 cents**

↑ 11.1%

PLATFORM NETFLOWS **\$8.9b** ↑ 82%<sup>2</sup>

PLATFORM FUA OF **\$41.4b** ↑ 141%<sup>2</sup>

PARS FUA OF **\$17.2b** (FY20: \$0.2b)<sup>3</sup>

NUMBER OF ADVISORS

**3,063**

↑ 48%

NUMBER OF PARS ACCOUNTS

**7,538**

FY20: 132

PLATFORM SEGMENT REVENUE

**\$101.1m**

↑ 36%

All percentage changes shown above are relative to FY20.

1 Group Underlying EBITDA from continuing operations up 46% to \$36.7 million (FY20: \$25.2 million).

2 Custodial FUA Administration Services.

3 Non-custodial FUA as Portfolio Administration and Reporting Services (PARS).

## 2. MARKET OVERVIEW AND OUTLOOK

### ABOUT HUB24

HUB24 Limited (**HUB24, HUB, the Group or the Company**) is a financial services company that was established in 2007 and is a leading provider of wealth management superannuation investment platforms, technology and data solutions to the Australian market.

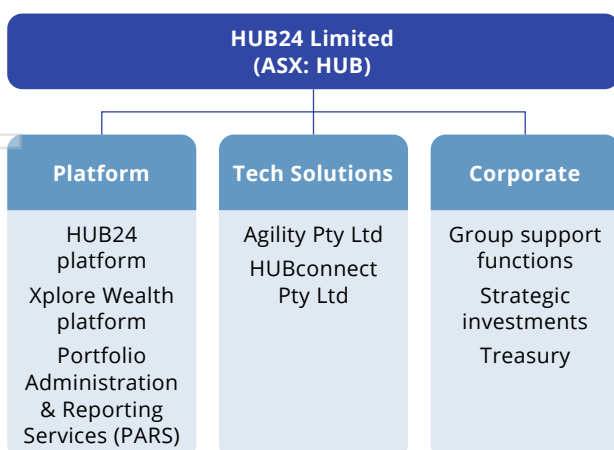
Initial products were launched to market from 2010 growing to \$1 billion in Funds Under Administration (FUA) in 2014. Since that time, the business has grown to over \$58.6 billion in FUA (as at 30 June 2021) and employs 391 people on a full-time equivalent (FTE) basis.

HUB24's head office is based in Sydney and operates in all Australian states and territories.

HUB24 is listed on the Australian Securities Exchange (ASX) under the code 'HUB'. HUB24's market capitalisation was approximately \$1.7 billion as at 23 August 2021.

### OPERATING SEGMENTS AND PRINCIPAL ACTIVITIES

HUB24 operates via two core revenue generating segments, and a Corporate segment as shown in the diagram below:



#### PLATFORM

The Platform segment comprises the HUB24 investment and superannuation platform (**HUB24 Platform**), the Xplore Wealth investment and superannuation platform

(**Xplore Wealth platform**), and Portfolio Administration & Reporting Services (**PARS**).

The HUB24 and Xplore Wealth platforms are used by financial advisers to efficiently administer their clients' investments held through a custodial agreement, and PARS is a non-custody portfolio service which provides administration, corporate action management and tax reporting services for stockbrokers and financial advisers.

HUB24's platform offers broad product choice and a market-leading experience for advisers and their clients. In February 2021, HUB24 was announced as the Best Platform Overall, and having the Best Platform Managed Accounts Functionality for the 5th year running by Investment Trends in the 2020 Platform Competitive Analysis and Benchmarking Report. It serves a growing number of respected and high-profile financial services companies.

The Xplore Wealth platform, acquired by HUB24 in March 2021, consolidates HUB24's leadership position as a Specialist Platform Provider (**SPP**) and brings complementary capabilities including managed accounts, superannuation services and PARS. Xplore's products and services are used by financial advisers, boutique financial advice businesses, stockbrokers and institutional clients to look after their clients investment needs.

In November 2020, HUB24 acquired the servicing rights to Ord Minnett Pty Limited's PARS. This acquisition included software, related intellectual property and the transition of an experienced team of 12 FTE.

The PARS capability acquired via the Xplore Wealth and Ord Minnett transactions facilitated HUB24 now being a leader in the non-custodial asset administration segment.

#### TECH SOLUTIONS

HUB24 provides technology and data services through HUBconnect Pty Ltd (**HUBconnect**) and Agility Applications Pty Ltd (**Agility**).

Tech Solutions provides technology and data services to the wealth industry, bringing innovative solutions to support licensees, advisers and stockbrokers to deliver services to their clients. The business benefits from Agility's years of experience of managing data for a large installed customer base of stockbrokers.

## OPERATING SEGMENTS AND PRINCIPAL ACTIVITIES (CONT.)

HUB24 is a strategic shareholder in Easton Investments Limited (**Easton**), which is a diversified financial services business servicing the needs of financial advisers and accountants. Under a Technology Partnership and Distribution agreement Easton is a cornerstone client for HUBconnect's data and technology services.

## HUB24'S VISION AND STRATEGY

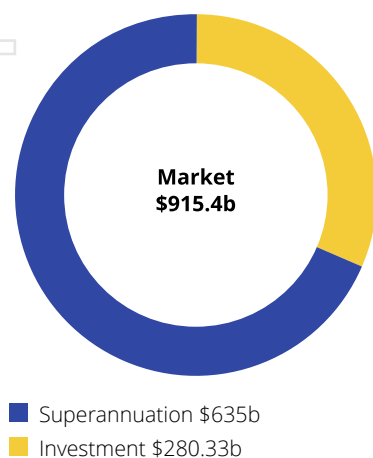
HUB24's vision is to lead the wealth industry as the best provider of integrated platform, technology and data solutions.

HUB24 is focused on three strategic priorities:

Deliver customer value & growth	Continue to build the Platform of the future	Collaborate to shape the future of the wealth industry
Continue to develop our platform proposition to meet evolving customer needs, extend our market-leadership and grow market share	Deliver new innovative solutions and an integrated customer experience across platform services and PARS	Leverage our technology & data expertise, collaborate with industry participants & build solutions that enable the evolution of our industry

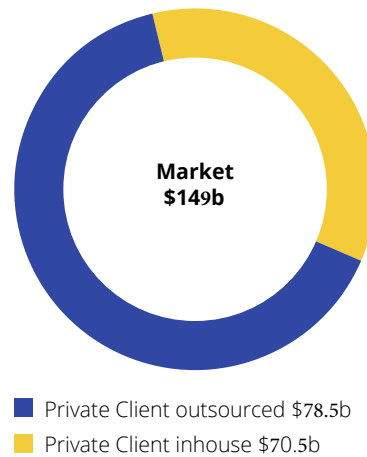
HUB24 is building scale in large addressable markets with a focus on the Australian Investment Platform market and the Australian Private Client PARS market.

### Australian Investment Platform Market<sup>1</sup> HUB24 has 3.9% market share



1 Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds as at March 2021.

### Private Client PARS Market<sup>2</sup> HUB24 has 12% market share



The Australian Investment Platform market has funds under administration of \$915.4 billion at 31 March 2021 and has grown at a CAGR of 7.7% since March 2011.<sup>3</sup> With the acquisition of Xplore Wealth and our strong organic growth HUB24's market share is currently 3.9% (as at 31 March 2021).<sup>4</sup>

HUB24 estimates the private client PARS market in Australia to be worth \$149 billion. The acquisition of Ord Minnett's PARS and Xplore's PARS business during FY21 facilitated HUB24's entry into this growing segment with an estimated 12% market share (as at March 2021).<sup>5</sup>

## KEY MARKET TRENDS

### DISRUPTION CONTINUES IN THE PLATFORM MARKET

The market is comprised of platforms operated by large financial institutions and challenger platforms known as SPPs such as HUB24.

Large financial institutions have traditionally dominated the Australian Investment Platform market. Over recent years, however, they have been losing market share to SPPs. Their market share was 81.40% as at 31 March 2021 but has been declining steadily since March 2014, experiencing net outflows of over \$14 billion in the past year alone.<sup>6</sup>

2 HUB24 estimates the Private Client PARS market to be \$149 billion based on readily identifiable participants. HUB24 Internal analysis – July 2021.

3 Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds as at March 2021.

4 Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds as at March 2021.

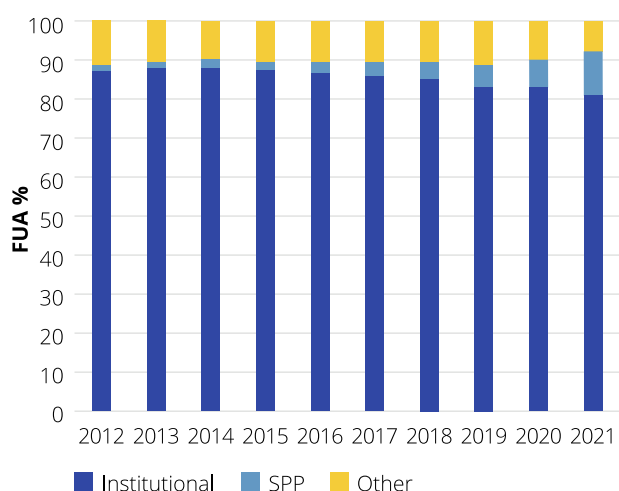
5 HUB24 estimates the Private Client PARS market to be \$149 billion based on readily identifiable participants. HUB24 Internal analysis – July 2021.

6 Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds as at March 2021.

## KEY MARKET TRENDS (CONT.)

In the last 12 months, the shift towards SPPs continued as large financial institutions either partially or completely divested their wealth management divisions or re-evaluated their wealth management strategy.

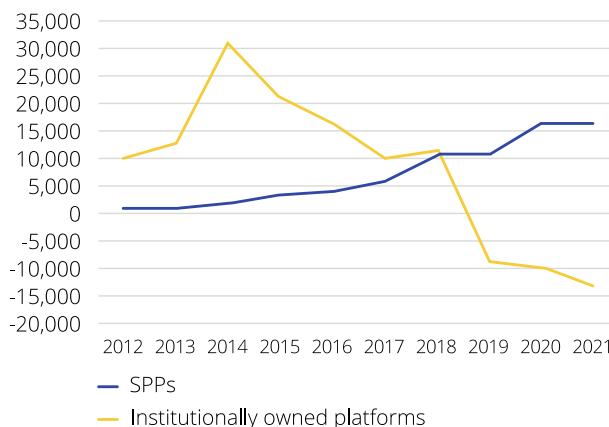
### Total Australian investment platform market participants (March 2021)<sup>6</sup>



SPPs represent 11.2% of the Australian Investment Platform market (as at 31 March 2021) and have grown at a CAGR of 44% over the last 10 years. SPPs accounted for over \$16 billion of annual net inflows.<sup>7</sup>

A key driver of the success of SPPs has been providing advisers and their clients with choice and innovative product solutions, in particular Managed Accounts. Managed Accounts now represent more than \$95 billion in Funds Under Management in Australia.<sup>8</sup>

### Institutionally owned v SPP platform annual netflows \$m<sup>9</sup>



HUB24, who has built a strong base of support based on operational robustness, customer service excellence and innovative product solutions, is well placed in this environment to continue to grow market share. HUB24's market share growing to 3.9% from 1.9% in the last 12 months demonstrates the significant growth potential.<sup>10</sup>

### SHIFT TO PRIVATELY-OWNED ADVICE LICENSEES

As an intermediated business, HUB24 relies on the support of financial advisers, advice licensees and stockbrokers to provide its platform services to end consumers.

According to research house Adviser Ratings, the total number of financial advisers in Australia fell by 12% throughout the 2020 calendar year to 20,674. Part of this decline is driven by the exit of banks from wealth Management, rationalisation occurring at large financial institutions, new educational requirements, and regulatory change.<sup>11</sup> Financial advisers aligned to institutions or broader bank-backed licensees accounted for 85% of this reduction.<sup>12</sup> As shown in the chart below, SPPs are less susceptible to the adviser market contraction impacts being experienced by Institutional providers as mentioned above.

<sup>7</sup> Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds as at March 2021.

<sup>8</sup> IMAP/Milliman Managed Accounts FUM Census December 2020.

<sup>9</sup> HUB24 internal analysis of Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds as at March 2021.

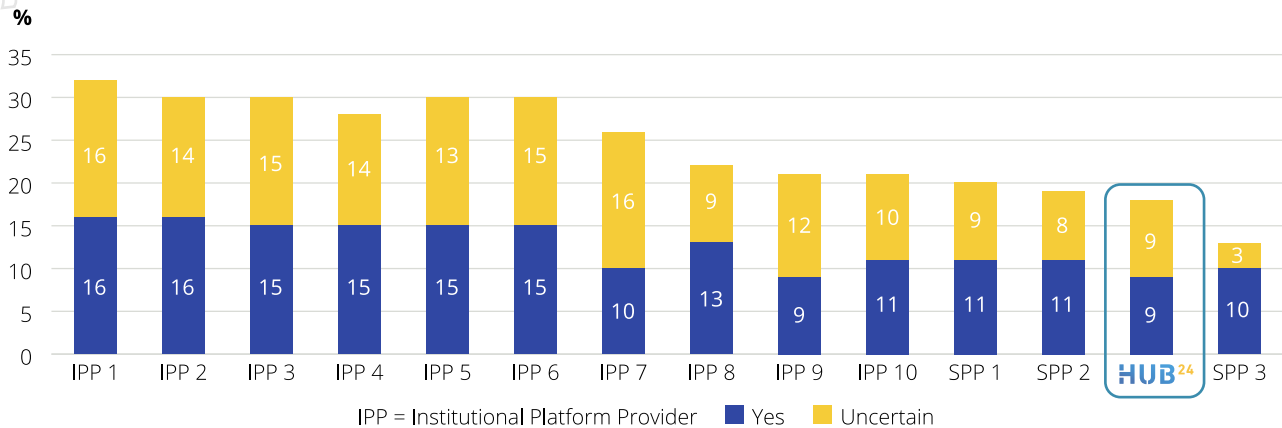
<sup>10</sup> Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds, March 2020 and March 2021.

<sup>11</sup> Abridged Financial Advice Landscape Report 2020.

<sup>12</sup> Roger Montgomery article "Financial Planner Numbers Back to Where They Were in 2015", source Rainmaker Live data.

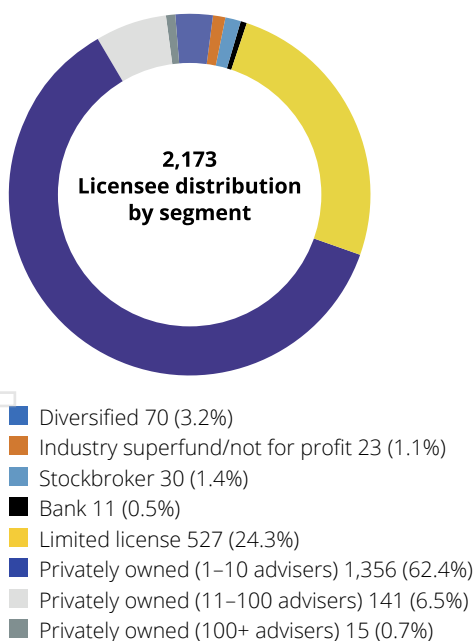
## KEY MARKET TRENDS (CONT.)

Percentage of advisers who “will” or “may” leave the industry by platform use<sup>13</sup>



Consequently, new dominant advice segments are emerging in the wealth industry, with 69.6% of the adviser market now either self-licensed or part of a privately owned licensee.<sup>14</sup> These groups are increasingly embracing the use of independent SPPs.

### Advice Industry Composition<sup>15</sup>

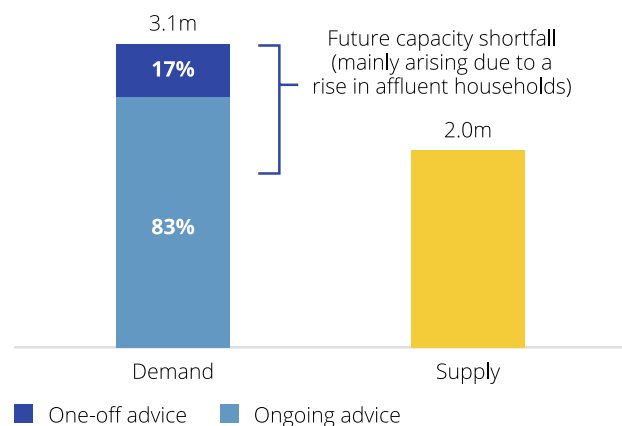


HUB24 has built strong relationships in the privately-owned licensee sector by collaborating with licensees to develop solutions that deliver efficiency for their advisers and create value for their clients. HUB24 has grown the number of advisers using its platforms to 3,063 at 30 June 2021 from 659 only 5 years ago.<sup>16</sup>

### INCREASING DEMAND FOR FINANCIAL ADVICE

The demand for financial advice continues to increase, with the COVID-19 pandemic an additional catalyst as Australians faced economic uncertainty and market volatility. Whilst demand is increasing so is the cost of delivering financial advice with the median advice fee per client rising to \$3,240, making it inaccessible for many.<sup>17</sup>

### Demand and (traditional) supply of advice (# households, 2025P)<sup>18</sup>



<sup>13</sup> AR Data – Adviser Ratings 2020 Financial Advice Landscape Report.

<sup>14</sup> Adviser Musical Chairs Report, Quarter 1, 2021.

<sup>15</sup> Industry overview Q1 2021 (by number of advice licensees).

<sup>16</sup> HUB24 internal analysis.

<sup>17</sup> Investment Trends Financial Advice Report July 2020.

<sup>18</sup> NMG research 2020 Source Rainmaker Live January 2021.



## KEY MARKET TRENDS (CONT.)

HUB24 is well-placed to deliver innovative product solutions that leverage technology to provide efficiencies to licensees and advisers to help reduce the cost of advice delivery and make financial advice accessible for more Australians.

Additionally, retirement products are increasingly complex, and clients need access to professional financial advice to guide them through their retirement. By 2034 it is expected that retirement assets will make up 30% of all superannuation assets in Australia.<sup>19</sup> HUB24, through collaboration with other industry participants, is well positioned to leverage its product development expertise to deliver retirement solutions and empower advisers to help their clients reach their retirement objectives.

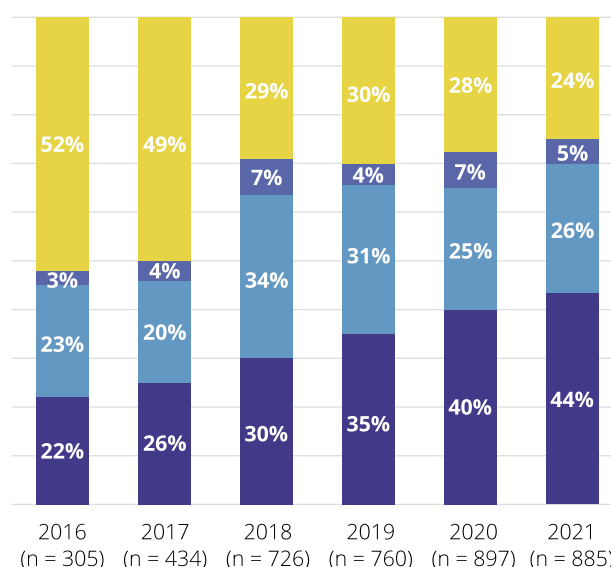
## GROWTH OF MANAGED ACCOUNTS

The use of Managed Accounts accelerated in FY21 with 44% of financial advisers now using them to manage their clients' investments. Allocations of new client inflows into managed accounts have increased from an average of 12% to 17% in the last 12 months.<sup>20</sup>

Funds Under Management in Managed Accounts in Australia has grown to more than \$95 billion as advisers increasingly recognise the benefits of using them to access professional investment management for their clients.<sup>21</sup> HUB24 has 19% market share of this segment at June 2021.<sup>22</sup>

As Australia's leading provider of Managed Accounts functionality for the 5th year running,<sup>23</sup> HUB24 expects to continue to benefit from the growth in popularity of Managed Accounts. During FY21 HUB24 launched the Managed Portfolio Academy to educate advisers on the benefits of Managed Portfolios to solidify its leadership position.

## Managed account adoption continues to accelerate<sup>24</sup>



■ Current users    ■ Potential users  
■ Previous users    ■ Non-users

## DEMAND FOR PORTFOLIO REPORTING SOLUTIONS

There is growing demand from licensees and advisers for integrated product solutions that facilitate seamless transacting and reporting between custody and non-custody assets to provide a single view of wealth for their clients.<sup>25</sup>

The acquisition of Ord Minnett's and Xplore Wealth's PARS business during FY21 facilitated HUB24's entry into this growing segment, with an estimated 12% market share to be a leader in this market segment.

HUB24 anticipates that the size of the opportunity will grow as stockbroking firms look to outsource non-custodial services rather than operate them inhouse as high net-worth and private clients increasingly look to use these services. HUB24 will continue to invest and develop its PARS capabilities to meet the growing demand.

## TECHNOLOGY AND DATA SOLUTIONS KEY TO FUTURE OF ADVICE

A significant challenge for licensees is the cost of compliance and the complexities associated with delivering the core functions of running an Australian Financial Services license, such as governance, revenue processing, and monitoring fee disclosure statements and ongoing fee consents. Advisers also cite the compliance burden as their biggest challenge.

19 Rice Warner Superannuation Market Projects Report 2019, sum of flows June 2020 to June 2035 (in 2019 dollars).

20 Investment Trends February 2021 Managed Accounts Report.

21 IMAP/Milliman Managed Accounts FUM Census December 2020.

22 HUB24 internal analysis.

23 Best Platform Managed Accounts Functionality for the 5th year running by Investment Trends in the 2020 Platform Competitive Analysis and Benchmarking Report which is included below

24 Investment Trends Managed Accounts Report February 2021.

25 HUB24 internal analysis.

## KEY MARKET TRENDS (CONT.)

In FY21 HUB24 continued to collaborate with a group of licensees to develop solutions that leverage our HUBconnect data and technology expertise to solve key challenges in the delivery of advice and assist in reducing the cost of advice delivery.

The objective is to provide advisers with the flexibility they require to choose best of breed tools and technology to help clients meet their goals and run sustainable businesses. At the same time licensees will be provided with the visibility they require to fulfil core tasks efficiently and effectively.

As an example of our approach, during FY21 HUB24 signed a Distribution and Technology Partnership Agreement with Easton Investments as a cornerstone client for HUBconnect's data and technology services.

Customers are looking for innovative solutions that provide an integrated view of their wealth, with advisers stating it was the second most valued feature for client portals after performance reporting.<sup>26</sup> HUB24 continues to leverage its HUBconnect infrastructure to extend its 'single view of wealth' capabilities to advisers and their clients.

## STRATEGIC TRANSACTIONS IN FY21

During FY21, HUB24 announced three strategic transactions, which together, will strengthen our position as the leading provider of integrated platforms, data and technology services for financial advisers, stockbrokers, private banks, licensees, accountants and their clients.

There is growing demand from licensees and advisers for solutions to administer non-custodial client assets. The acquisition of Ord Minnett's PARS was completed at the end of November, resulting in \$9.3 billion in non-custodial FUA and facilitating HUB24's entry to the private client PARS market. The PARS team, comprising 12 experienced people, transitioned across to join HUB24.

The acquisition of investment platform provider Xplore added considerable scale, with an additional \$17.2 billion in FUA (\$11.2 billion Platform FUA and \$6.0 billion PARS FUA) as well as providing significant High Net Worth product capabilities, synergies and new client relationships.

HUB24 and Easton entered into a transaction implementation deed in December 2020 and, on 6 January 2021, HUB24 lodged a bidder's statement in respect of a proportional takeover offer for 1 in every 3 fully paid ordinary shares in Easton. The transaction was completed on 23 February.

On 1 February, the sale of Paragem Pty Limited to Easton was completed. A Technology Partnership and Distribution Agreement was signed, under which HUB24 will collaborate with Easton to deliver innovative solutions that address key challenges for the delivery of cost-effective advice.

## CAPITAL MANAGEMENT

To fund the strategic transactions during the year, the Group undertook capital management initiatives including:

- A \$50 million fully underwritten placement to institutional and sophisticated investors, which attracted strong demand from existing and new investors at a price of \$20.00 per share.
- A \$20 million Share Purchase Plan for eligible retail shareholders was completed at a price of \$20.00 per share.
- To provide further flexibility, the Group obtained a \$12.5 million 3 year amortising committed loan facility, which was drawn down in full on 18 February 2021.
- During FY21 the Group purchased \$5 million additional treasury shares to service the Group's Employee Share Plans.

## FINANCIAL IMPACTS OF THE STRATEGIC TRANSACTIONS

- The purchase price accounting (PPA) for the PARS portfolio was completed within 2H21 with the \$10.5 million consideration paid representing the fair value of the separately identifiable assets and liabilities of the transaction. The Xplore PPA will be completed in FY22, within twelve months of the acquisition date. For FY21 provisional fair value balances have been recognised on the balance sheet for the Xplore acquisition. Refer to the HUB24 Annual Report for the year ended 30 June 2021 for further details.
- Total implementation costs to be incurred between FY22 and FY24 are forecast to be \$6–8 million, with annual synergies expected to be approximately \$10 million by FY24 onwards.

<sup>26</sup> Investment Trends Adviser Needs Report 2021.

## FINANCIAL IMPACTS OF THE STRATEGIC TRANSACTIONS (CONT.)

\$m	FY21 Actuals	FY22 Expected	FY23 Expected	FY24 Onwards	Total
<b>Expected Transaction Costs and Synergies</b>					
Transaction and Due Diligence Costs <sup>1</sup>	(4)	-	-	-	<b>(4)</b>
Implementation Costs	(4)	(5-6)	(1-2)	-	<b>(10)</b>
Expected Synergies	1	2-4	6-10	10	<b>n/a</b>
<b>Consideration (through cash and share issues)</b>					
Xplore Wealth Ltd <sup>2</sup>	60	-	-	-	-
Easton Investments Ltd <sup>3</sup>	15	-	-	-	-
Ord Minnett (Portfolio Administration Reporting Services)	11	-	-	-	-
Paragem Pty Ltd <sup>4</sup>	(4)	-	-	-	-
<b>Funding Sources and Earnings per Share</b>					
Capital Raisings (net of costs incurred) (\$m)	68	-	-	-	-
ANZ Debt Facility (\$,)	13				
Earnings Per Share Growth <sup>5</sup>	-	13.0%	-	-	-

1 Recognised through strategic transaction costs below underlying NPAT.

2 Cash and scrip consideration, \$0.20 per share for Xplore Wealth shares, \$0.4m for all XPL options.

3 Cash paid for 1 in every 3 Easton Shares on issue at \$1.20 per share.

4 Scrip consideration of 3,333,333 Easton shares at \$1.20 per share (assumes 100% participation).

5 Includes full year contribution, realisation of synergies and excludes one-off implementation and non-recurring costs. Integration expected to be completed June 2023.

## HUB24'S STRATEGIC PROGRESS AND OUTLOOK

## STRATEGIC PROGRESS

Progress in 2021 against strategic priorities is set out below:

<b>INVEST TO DRIVE CUSTOMER VALUE &amp; GROWTH</b>	<ul style="list-style-type: none"> <li>Completed two strategic transactions delivering material scale in platform FUA, market leadership in PARS and new product/customer opportunities with accretive synergies to be realised in future periods.</li> <li>Divested our licensee services business, Paragem Pty Limited and completed a strategic investment in Easton.</li> <li>Invested in sales, technology, marketing and operations to accelerate growth.</li> <li>Launched new Private Label Investment and Superannuation solutions and completed the bulk transition of \$1.4bn of FUA from ClearView Wealth Solutions into HUB24 private label solutions.</li> <li>Increased the number of advisers who use the platform by 48% during FY21.</li> </ul>
<b>CONTINUE TO BUILD THE PLATFORM OF THE FUTURE</b>	<ul style="list-style-type: none"> <li>Acquisition of Xplore private client PARS market and Ord Minnett PARS delivering capability and scale in non-custody administration services and facilitated HUB24's entry to the market.</li> <li>Acquired capabilities that are complementary to the HUB24 platform such as Bonds and Internationally domiciled managed funds which broaden HUB24's offering to high-net-worth clients.</li> <li>Seamlessly converted our managed portfolio capability to a Managed Investment Scheme structure to build foundations for future innovation.</li> </ul>
<b>COLLABORATE TO SHAPE THE FUTURE OF THE WEALTH INDUSTRY</b>	<ul style="list-style-type: none"> <li>Repositioned HUBconnect business in line with strategy (HUBconnect infrastructure now underpinning many Group initiatives)</li> <li>Data and technology solutions implemented for key licensee clients to deliver reporting efficiencies and compliance monitoring solutions. This incorporates the use of machine learning.</li> <li>Entered into a technology partnership and distribution agreement with Easton to develop solutions that support the cost-effective delivery and accessibility of advice to more Australians.</li> </ul>

## HUB24'S STRATEGIC PROGRESS AND OUTLOOK (CONT.)

### INDUSTRY RECOGNITION

For the first time, HUB24 was announced as the Best Platform Overall, and Best Platform Managed Accounts Functionality for the 5th year running by Investment Trends in the 2020 Platform Competitive Analysis and Benchmarking Report. This recognition is a significant achievement for the business and is testament to HUB24's commitment to delivering innovative platform and technology solutions to the Wealth industry.

Financial advisers have rated HUB24's platform first for Overall Satisfaction in the 2021 Wealth Insights Platform Service Level Report,<sup>27</sup> recognising HUB24's customer service excellence and innovative product solutions. Completed by more than 600 financial advisers, HUB24 ranked highly across all categories, taking out 1st place in 5 of the 9 survey categories including platform offering, administrative support, ease of doing business, communications and reporting, and IT and Web functionality.



**HUB24 ranked #1 by advisers for Overall Satisfaction** in the Wealth Insights Platform Service Level Report 2021

### IMPACT OF COVID-19 PANDEMIC

This year, COVID-19 has again had a significant impact on the broader Australian community. We are extremely proud of all of our employees who have worked tirelessly to achieve our strong results

and to continue to deliver high quality service to our clients over this period, additionally we would like to acknowledge the role our management team have played to lead the business through a period of significant transformation and growth whilst the COVID-19 pandemic has continued. This year, we again placed a high priority on keeping our employees safe and supporting their wellbeing throughout the ongoing uncertainty presented by the pandemic. Having effectively and quickly mobilised all team members to work remotely last year, we continued to offer flexible working arrangements for all employees throughout FY21. This allowed us to respond with agility to changing restrictions across the country as well as delivering flexibility to our employees which we know is highly valued and contributed to overall employee satisfaction and wellbeing. To ensure ongoing connection and interaction between our people whilst operating with a remote workforce, we redesigned our onboarding and induction programs and internal communications to be delivered virtually.

We continued this year to support our people through the personal impacts of COVID-19 restrictions, broadening our Employee Assistance Program to include immediate family members and creating greater flexibility where required to support individual circumstances.

Considering the frequent disruption throughout the year, we are proud of our success in balancing employee welfare and business results which has allowed us to operate effectively and efficiently without accessing JobKeeper or any other government subsidy.

### CONCLUSION

FY21 was a record-breaking performance for the Group, achieving record levels of platform annual net inflows and FUA growth, completing several strategic transactions in execution of our strategy and the HUB24 platform receiving recognition as the best industry platform overall, best Managed Accounts Functionality and first place for Platform Service.

This record set of results has been delivered during a global pandemic and is underpinned by the long-standing investment in our technology, the strength of our client offerings and a strong team of people who are focused on delivering better outcomes for clients and shareholders.

This solid growth is expected to continue.

<sup>27</sup> 2021 Wealth Insights Platform Service Level Report.

## NEW OPERATING SEGMENTS

Given the business transformation resulting from the strategic transactions, we have reviewed our operating segments and key financial metrics for financial reporting to support market understanding of the combined business.

HUB24 will now report on the following segments:

- **Platform**, which represents the HUB24 platform, the Xplore Wealth Platform and a Portfolio Administration & Reporting Service (PARS);
- **Tech Solutions**, which is focused on using our data and technology capabilities to provide innovative solutions to common challenges faced by licensees and advisers to enable cost-effective financial advice for more Australians; and
- **Corporate**, which represents our strategic investments and general financing arrangements.

## NEW FINANCIAL METRICS AND DISCLOSURES

The following metrics for FY21 financial reporting are included to support market understanding of the combined business, per the below table.

Metric	Page
<b>HUB24 Growth Indicators</b>	
Spot Platform Fee Paying FUA %	15
Number of PARS accounts	21
<b>Platform Performance Analysis (in bps)</b>	
Retail revenue, Institutional revenue and Xplore Super Admin margin	21

## OUTLOOK

Moving forward we expect ongoing strong net inflows to the Platform and are now **targeting a FUA range of \$63–\$70 billion by 30 June 2023 (excluding PARS FUA)**.

The above outlook is subject to the following key business risks:

- investment market volatility;
- ongoing impact of COVID-19 pandemic on the global economy and the ability of individuals, businesses and governments to operate;
- general uncertainty around the global economy and its impact on markets in which HUB24 operates and invests;
- regulatory and political changes impacting financial services participants;
- demand for and competition with HUB24's products and solutions; and
- operational risk.

### 3. REVIEW OF FINANCIAL RESULTS

The Group recorded a 34% increase in operating revenue from continuing operations to \$107.8 million for the year ended 30 June 2021 (FY21) compared to \$80.6 million for FY20. Platform revenue was up 36% to \$101.1 million, and Tech Solutions revenue up 3% to \$6.6 million.

Including discontinued operations (i.e. the Licensee, Paragem), the Group's operating revenue was up 14% to \$125.4 million (FY20 \$110.2 million). The discontinued

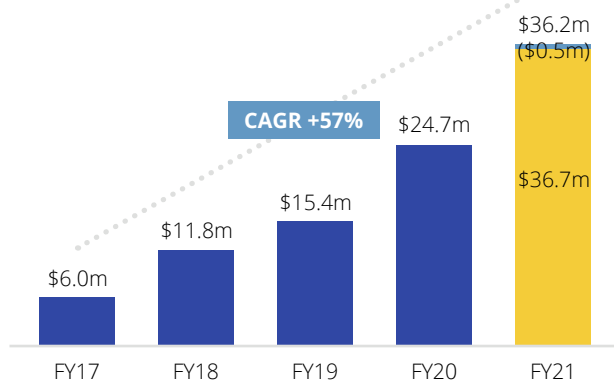
business saw revenues to the period ended 31 January 2021 of \$17.6 million.

The Group's preferred measure of profitability is Underlying Earnings Before Interest, Tax, Depreciation, Amortisation and Abnormal Items (UEBITDA), which increased 47% to \$36.2 million (FY20: \$24.7 million). From continuing operations, the Group's UEBITDA increased to \$36.7 million (FY20 \$25.2 million).

#### GROUP

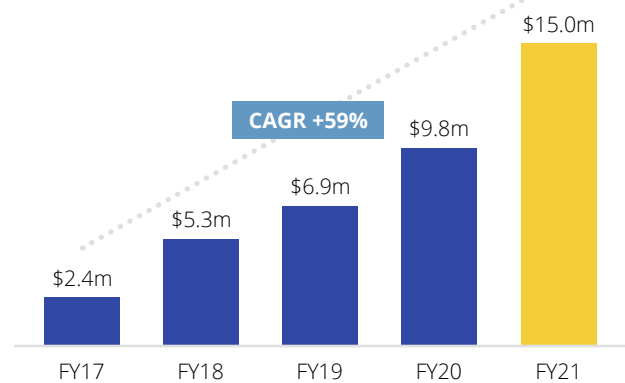
##### GROUP UNDERLYING EBITDA

\$36.2M UP 47% (CONTINUING OPERATIONS \$36.7M, UP 46%)



##### GROUP UNDERLYING NPAT

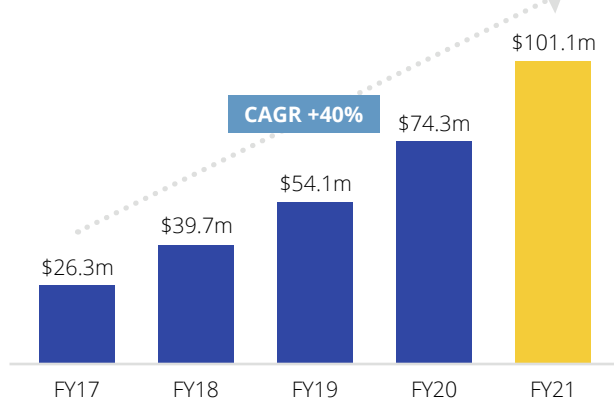
\$15.0M UP 53%



#### PLATFORM SEGMENT

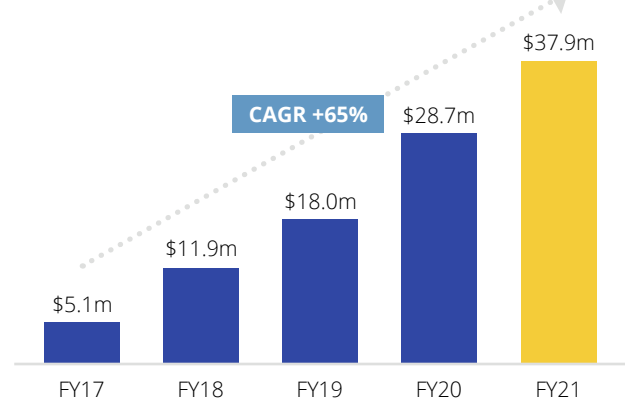
##### PLATFORM REVENUE

\$101.1M UP 36%



##### PLATFORM UNDERLYING EBITDA

\$37.9M UP 32%



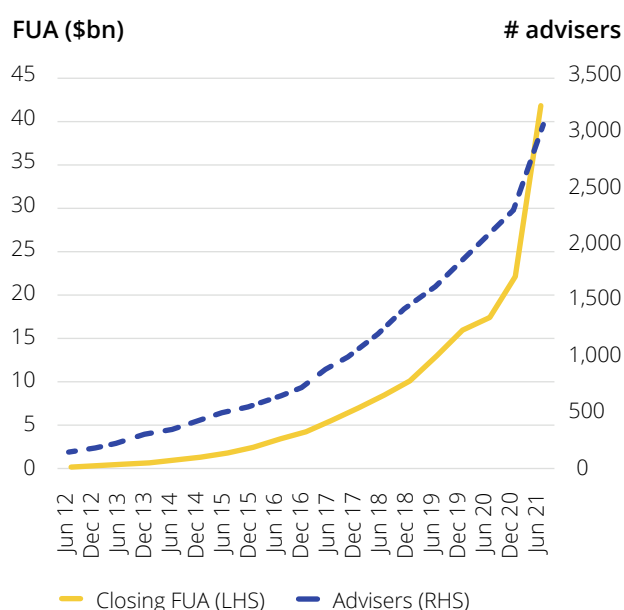
The key drivers the Group's UEBITDA performance were:

- Total Funds Under Administration (FUA) growing from \$17.4 billion at 30 June 2020 to \$58.6 billion as at 30 June 2021, an increase of 237%.
- Platform<sup>28</sup> FUA increased from \$17.2 billion at 30 June 2020 to \$41.4 billion, an increase of 141%. \$11.2 billion of the increase related to the acquisition of the Xplore business.
- Record net inflows of \$8.9 billion were achieved, up 82% on FY20 \$4.9 billion net inflows. HUB24's continued recognition as the platform market leader and focus on providing innovative solutions to empower better financial futures has continued to resonate with strong net inflows across all client segments during the year. HUB24's new business pipeline has continued to grow with the number of advisers using the platform increasing to 3,063, up 48% from 2,066 advisers in FY20. New business is being generated from advisers in the national key account segment, mid-tier licensees, and self-licensed advisers and brokers. Additionally, increasing opportunities are being provided by the opening up of Approved Product Lists within the institutionally aligned licensee segment with HUB24 launching the ClearView and IOOF private labels.
- Platform revenue increased by 36% to \$101.1 million (FY20: \$74.3 million). The rebound in markets during FY21 contributed to the increase, as the ASX 300 grew 24.7% in FY21. FUA on the Platform is not fully correlated to movements in equity markets, with market movements representing approximately 25.0% growth in Platform FUA from FY20. Lower RBA cash rates throughout FY21 including the reduction in the official cash rate of 15 bps in November 2020 together with lower cash balances as a percentage of FUA.
- While high levels of market volatility were observed in the first half, lower volatility in the second saw reduced trading activity which, on aggregate, resulted in lower trading activity relative to FY20. This has led to lower transactional revenue, partially offset by higher account balances.
- PARS<sup>29</sup> FUA increased as a percentage of FUA from \$0.2 billion at 30 June 2020 to \$17.2 billion at 30 June 2021, following the acquisition of the Ord Minnett portfolio (\$9 billion transition) and the

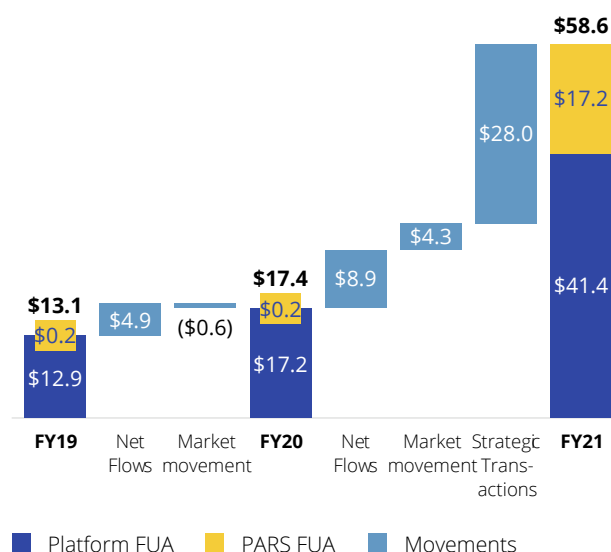
Xplore acquisition (\$6 billion transition). Post acquisition, the PARS business has grown the number of accounts significantly.

The PARS business contributed \$2.4 million of revenue in FY21 (FY20: \$0.1 million), with more than 7,500 accounts managed across the portfolio. Both the Ord Minnett and Xplore businesses transitioned in FY21 and contributed for part of the year.

### Platform FUA and advisers



### FUA movements



<sup>28</sup> Custodial FUA Administration Services.

<sup>29</sup> Non-custodial FUA as Portfolio Administration and Reporting Services.

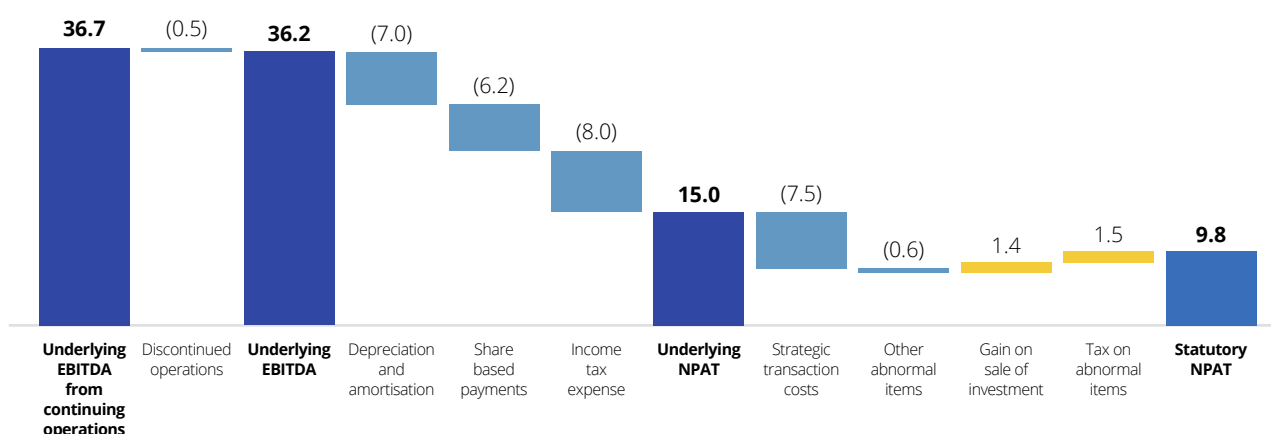


- The Group continues to invest in the business to support its strategic growth objectives. Platform expenses (direct and operating) increased by 39% to \$63.2 million (FY20: \$45.6 million). This is largely driven by headcount increasing by 49% to 391 (FY20: 263). The acquisitions of Ord Minnett and Xplore increased headcount by 80. The investment in people has been in sales and distribution, technology, and operations to support growth in FUA, expand our distribution footprint, and continue product and technology innovation.
- Abnormal items, including strategic transaction costs, of \$8.1 million (FY20: \$1.8 million) include \$7.5 million in transaction, due diligence and implementation costs incurred in the acquisition of Ord Minnett's PARS business, Xplore, the investment in Easton, the

divestment of the Licensee Paragem, and \$0.6 million in relation to the implementation of Private Label capability for both ClearView and IOOF, and finalising the transfer of the Group's management portfolio into a Management Investment Scheme (MIS). Partially offsetting abnormal items are the \$1.6 million fair value gain on contingent consideration offset by the recognition of \$1.6 million of share based payments for the purchase of Agility, and the \$1.4 million gain on sale of Paragem.

- The Group's Statutory Net Profit after Tax increased by 20% to \$9.8 million (FY20 \$8.2 million).
- HUB24 continues to generate strong operating cashflows, and maintains cash reserves significantly above regulatory capital requirements.

#### RECONCILIATION OF FY21 UNDERLYING NPAT TO STATUTORY NPAT





## GROUP GROWTH INDICATORS AND FINANCIAL METRICS

	FY21	FY20	2H21	1H21	2H20	1H20
Total Funds under administration (\$m)	58,643	17,380	58,643	31,289	17,380	16,032
Platform Funds under administration (\$m)	41,446	17,217	41,446	21,966	17,217	15,837
PARS Funds under administration (\$m)	17,197	163	17,197	9,322	163	195
Spot Custodial Fee Paying FUA %	80.4	n/a	80.4	82.5	n/a	n/a
Platform Netflows (\$m)	8,912	4,947	5,828	3,084	2,451	2,496
Advisers on the platform	3,063	2,066	3,063	2,280	2,066	1,841
PARS accounts	7,538	132	7,538	5,392	132	104
<b>Group Financial Metrics</b>						
Operating Revenue (\$m)	107.8	80.6	60.7	47.1	42.5	38.1
<b>Underlying EBITDA from continuing operations (\$m)</b>	<b>36.7</b>	<b>25.2</b>	<b>19.8</b>	<b>16.9</b>	<b>13.4</b>	<b>11.8</b>
Discontinued operations	(0.5)	(0.5)	(0.1)	(0.4)	(0.3)	(0.2)
<b>Underlying EBITDA</b>	<b>36.2</b>	<b>24.7</b>	<b>19.7</b>	<b>16.5</b>	<b>13.1</b>	<b>11.6</b>
<b>Underlying NPAT (\$m)<sup>1</sup></b>	<b>15.0</b>	<b>9.8</b>	<b>8.0</b>	<b>7.0</b>	<b>4.3</b>	<b>5.5</b>
Gross Profit margin (%)	76.2	71.9	77.6	74.3	73.7	69.8
UEBITDA margin from continuing operations (%)	34.1	31.3	32.8	35.8	31.4	31.2
EBITDA margin from continuing operations (%)	28.8	25.3	27.5	28.7	22.9	27.9
Cost to income ratio (%)	67.1	69.5	68.8	65.0	69.5	69.6
Statutory NPAT (\$m)	9.8	8.2	3.6	6.1	2.2	6.0
Effective tax rate (statutory) (%)	39.6	35.9	47.4	33.8	48.0	29.9
Operating cashflows (\$m)	19.2	25.3	8.7	10.5	15.3	9.9
Employee benefits expense (\$m)	(57.2)	(42.3)	(31.3)	(25.9)	(23.3)	(19.0)
Total staff at period end (#)	391	263	391	281	263	248
<b>Earnings per share (cents)</b>						
Basic – underlying	22.75	15.70	12.10	10.96	6.75	8.96
Basic – statutory	14.83	13.13	5.35	9.56	3.50	9.61
Basic – from continuing operations	13.58	14.07	3.66	10.22	3.96	10.13
Diluted – underlying	21.89	15.36	11.65	10.68	6.60	8.75
Diluted – statutory	14.28	12.85	5.34	9.32	3.43	9.41
Diluted – from continuing operations	13.07	13.77	3.52	9.96	3.87	9.89
<b>Dividends</b>						
Dividend (cents per share)	10.0	7.0	5.5	4.5	3.5	3.5
Dividend franking (%)	100	50	100	100	100	-
Underlying NPAT annual payout ratio (%) <sup>2</sup>	46	43	47	40	47	41
<b>Share Capital</b>						
Number of ordinary shares (closing) (m)	68.3	62.8	68.3	67.0	62.8	62.8
Weighted average number of ordinary shares (basic) (m)	65.9	62.7	65.9	64.0	62.7	62.6
Weighted average number of shares (diluted) (m)	68.4	64.0	68.4	65.6	64.0	64.1
Share Price – closing (\$)	28.51	9.30	28.51	21.34	9.30	11.16
<b>Capital management</b>						
Cash & cash equivalents (\$m) <sup>3</sup>	63.5	33.8	63.5	85.3	33.8	21.9
Net assets – average (\$m)	129.7	69.9	168.8	113.9	73.1	68.1
Net assets – closing (\$m)	184.6	74.8	184.6	153.0	74.8	71.4
Net assets per basic share (\$)	2.70	1.19	2.70	2.29	1.19	1.14
Net tangible assets (\$m)	80.6	34.9	80.6	100.7	34.9	32.5
Net tangible assets per basic share (\$)	1.13	0.56	1.13	1.50	0.56	0.52
Borrowings (\$m)	12.5	-	12.5	-	-	-
Net cash and cash equivalents (\$m)	51.0	33.8	51.0	85.3	33.8	21.9

1 Underlying NPAT for FY20 has been restated to remove the tax effect of abnormal items

2 Underlying NPAT annual payout ratio % has been restated to remove the tax effect of abnormal items. FY20 payout ratio of 43%, 2H20 was 46% and 1H20 was 41%.

3 Normalised cash & cash equivalents as at 31 December 2020 \$27.5m (adjusted for strategic transaction requirements)

## GROUP FINANCIAL PERFORMANCE

	FY21	FY20	2H21	1H21	2H20	1H20
Platform operating revenue	101.1	74.3	57.3	43.8	39.3	35.0
Tech Solutions operating revenue	6.6	6.4	3.3	3.3	3.3	3.1
<b>Operating Revenue</b>	<b>107.8</b>	<b>80.6</b>	<b>60.7</b>	<b>47.1</b>	<b>42.6</b>	<b>38.1</b>
Interest and other income	1.3	0.6	0.9	0.4	0.3	0.3
Direct Expenses – Platform	(23.5)	(18.6)	(12.7)	(10.8)	(9.4)	(9.2)
Direct Expenses – Tech Solutions	(3.5)	(4.7)	(1.8)	(1.7)	(2.1)	(2.6)
<b>Direct expenses</b>	<b>(27.0)</b>	<b>(23.3)</b>	<b>(14.5)</b>	<b>(12.5)</b>	<b>(11.5)</b>	<b>(11.8)</b>
<b>Gross Profit</b>	<b>82.1</b>	<b>58.0</b>	<b>47.1</b>	<b>35.0</b>	<b>31.4</b>	<b>26.6</b>
Opex – Platform	(39.7)	(27.0)	(24.1)	(15.6)	(14.9)	(12.1)
Opex – Tech Solutions	(1.4)	(2.5)	(0.7)	(0.7)	(1.4)	(1.1)
Opex – Corporate	(4.3)	(3.2)	(2.5)	(1.8)	(1.7)	(1.5)
<b>Operating expenses</b>	<b>(45.4)</b>	<b>(32.7)</b>	<b>(27.3)</b>	<b>(18.1)</b>	<b>(18.0)</b>	<b>(14.7)</b>
<b>Underlying EBITDA from continuing operations</b>	<b>36.7</b>	<b>25.2</b>	<b>19.8</b>	<b>16.9</b>	<b>13.4</b>	<b>11.9</b>
<b>Underlying EBITDA by segment</b>						
Platform	37.9	28.7	20.5	17.4	15.0	13.7
Tech Solutions	1.8	(0.9)	0.8	0.9	(0.2)	(0.6)
Corporate	(3.0)	(2.6)	(1.5)	(1.4)	(1.3)	(1.3)
<b>Underlying EBITDA from continuing operations</b>	<b>36.7</b>	<b>25.2</b>	<b>19.8</b>	<b>16.9</b>	<b>13.4</b>	<b>11.8</b>
EBITDA from discontinued operations	(0.5)	(0.5)	(0.1)	(0.4)	(0.3)	(0.2)
<b>Underlying EBITDA</b>	<b>36.2</b>	<b>24.7</b>	<b>19.7</b>	<b>16.5</b>	<b>13.1</b>	<b>11.6</b>
<b>Other items</b>						
Share based payment expenses	(6.2)	(4.4)	(3.2)	(3.0)	(3.3)	(1.1)
Other income	0.2	0.1	0.2	-	0.1	-
<b>EBITDA (before abnormal items)</b>	<b>30.2</b>	<b>20.4</b>	<b>16.7</b>	<b>13.5</b>	<b>9.9</b>	<b>10.5</b>
Depreciation and amortisation	(7.0)	(5.3)	(4.2)	(2.8)	(2.8)	(2.5)
Discount on consideration	-	(0.1)	-	-	(0.1)	-
Interest expense	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
<b>Profit before tax (before abnormal items)</b>	<b>22.9</b>	<b>14.8</b>	<b>12.3</b>	<b>10.6</b>	<b>6.9</b>	<b>7.9</b>
Income tax expense	(7.9)	(5.0)	(4.3)	(3.6)	(2.6)	(2.4)
<b>Underlying NPAT<sup>1</sup></b>	<b>15.0</b>	<b>9.8</b>	<b>8.0</b>	<b>7.0</b>	<b>4.3</b>	<b>5.5</b>
<b>Abnormal items</b>						
Fair value gain on contingent consideration – Agility	1.6	0.9	-	1.6	0.2	0.7
Agility consideration share based payments expense	(1.6)	-	(0.5)	(1.1)	-	-
Impairment of Agility CGU	-	(1.0)	-	-	(1.0)	-
<b>Agility related abnormal items</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>0.5</b>	<b>(0.8)</b>	<b>0.7</b>
Gain on Sale of Investment	1.4	-	1.4	-	-	-
Strategic transaction costs	(7.5)	(1.8)	(5.7)	(1.8)	(1.7)	(0.1)
Other abnormal items	(0.6)	-	(0.6)	-	-	-
Income tax impacts on abnormal items	1.5	0.3	1.0	0.5	0.5	(0.2)
<b>Statutory NPAT</b>	<b>9.8</b>	<b>8.2</b>	<b>3.6</b>	<b>6.2</b>	<b>2.3</b>	<b>5.9</b>

1 Underlying NPAT for FY20 has been restated to remove the tax effect of abnormal items.

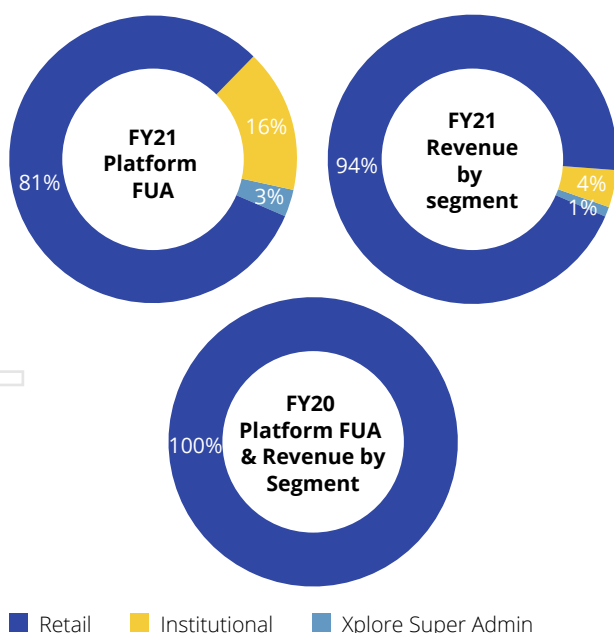
## EXPANDING CUSTOMER PROPOSITION AND THE COMPOSITION OF FUA

With the acquisition of Xplore, the Group now categorises its Platform FUA book into three distinct client segments, being Retail, Institutional and Xplore Super Admin. The Group is committed to organically growing the FUA through generating scalable returns, as well as seeking inorganic opportunities to integrate existing books onto the Platform.

The acquisition of Xplore changes the underlying composition of the Group's margin on FUA, and in turn, impacts the effective revenue margin of the Platform going forward.

As shown in the charts below, the Institutional segment has increased materially as a proportion of the book over the year. The dynamics of the market mean Institutional customers typically achieve higher efficiencies from the scale for their portfolios by accessing wholesale pricing. As the Group seeks greater FUA over time within the Institutional segment to align with the shifting market environment, the margin of the Group could be lower, while ultimately improving both the quantum and quality of earnings through diversification.

### Composition of Platform FUA and revenue



## REVENUE

Group operating revenue from continuing operations increased to \$107.8 million, up 34% compared to FY20 (\$80.6 million for FY20). Including discontinued operations, the Group's operating revenue was up 5% to \$125.4 million (FY20 \$119.2 million).

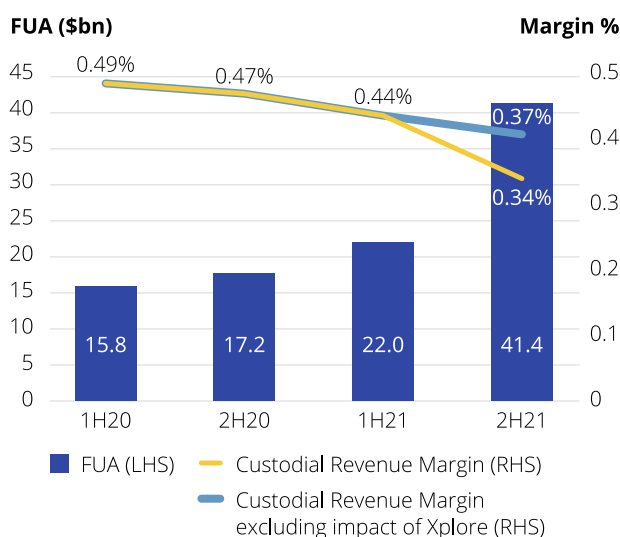
Key drivers include:

- Record FUA growth in the Platform segment, with custodial FUA increasing by 141% to \$41.4 billion as at 30 June 2021 (FY20: \$17.2 billion) and growth in PARS FUA to \$17.2 billion (FY20: \$0.2 billion), has resulted in Platform revenue of \$101.1 million, an increase of 36%.
- Tech Solutions contributed \$6.6 million in revenue (FY20: \$6.4 million) from software licensing and consulting services, an increase of 5%. As part of HUB24's series of strategic transactions to support the Group's strategic objectives, Tech Solutions has been spending more time on internal development activities, including HUBConnect. This also includes the development of an Innovation Lab, which will develop and deliver data management and integrated solutions to HUB24 clients to provide unique competitive advantage to their advisers. The business no longer offers technology hosting services to new clients, but continues to service existing clients.
- Corporate revenue was \$1.3 million, reflecting interest income and returns on strategic investments made earlier in the year.
- The discontinued Licensee business contributed revenues of \$17.6 million for the period to 31 January 2021 (FY20 \$29.6 million).

## PLATFORM REVENUE AND MARGINS

Platform revenue comprises a mix of FUA based fees, including tiered administration fees, fees on client funds held as cash and transaction fees such as platform trading for equities, managed funds and insurance.

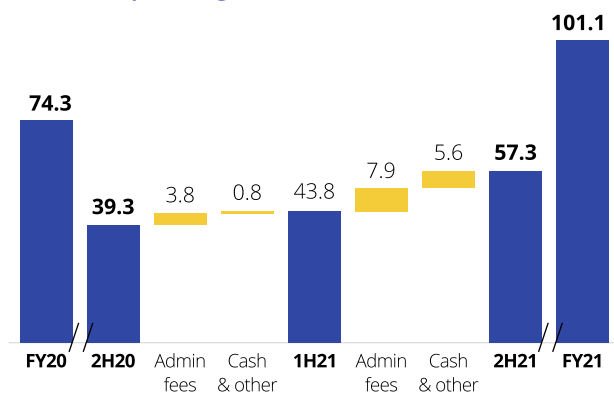
### Platform margin and FUA



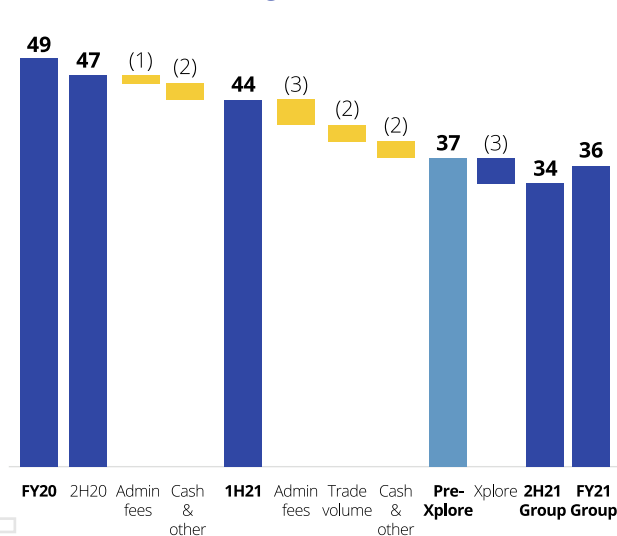
## PLATFORM REVENUE AND MARGINS (CONT.)

For FY21, Total Platform revenue margin was 0.36% of average FUA (FY20: 0.49%), calculated as the average of opening and closing FUA of each month.<sup>30</sup>

### Platform operating revenue (\$m)



### Platform revenue margin (BPS)



As shown in the analysis above, the FY21 HUB24 platform revenue margin was 0.37%, with the large institutional clients from the Xplore acquisition reducing the Group's platform revenue margin to 0.36%.

The revenue margin may fluctuate from period to period depending upon cyclical market conditions, the level of trading activity, shifts in the mix of client portfolios or variations in the average account balance on the Platform.

Generally, as average account balances on the Platform increase over time, the tiered administration fee paid by clients will tend to decrease as a percentage of FUA. However, fees will generally increase in absolute dollar terms (see Total Platform Revenue and Expenses chart on the following page). The percentage of FUA custody playing as at 30 June 2021 was 80.4%.

The average Platform account balance as at 30 June 2021 was up 25% on 30 June 2020, and the average PARS account balance was up 85%, as the onboarding of Ord Minnett PARS business was completed during the year. During FY21, revenue was driven by strong momentum from licensees with large Funds Under Advice, with access to competitive pricing. This was partially offset by low interest rates throughout FY21, including 15 bps RBA official interest rate cut in November 2020 which decreased cash fee income.

While elevated in the first half, trading activity was lower year on year, resulting in lower transaction fee income as market volatility returned to pre-COVID 19 levels.

## GROUP EXPENSES

Consolidated Group expenses (before abnormal items) from continuing operations increased to \$87.4 million, up 26% (FY20 \$69.1 million).

The Group's operating expenses from continuing operations increased to \$45.8 million up 40% compared to FY20 (FY20 \$32.8 million), reflecting the investment made in headcount resources dedicated to distribution and marketing, future Platform development and business strategy to drive future growth. Group headcount increased by 49% to 391 as at 30 June 2021 from 263. The acquisition of Ord Minnett's PARS and Xplore increased headcount by 80. The investment in headcount was concentrated within the second half of the year and is expected to be leveraged in future periods.

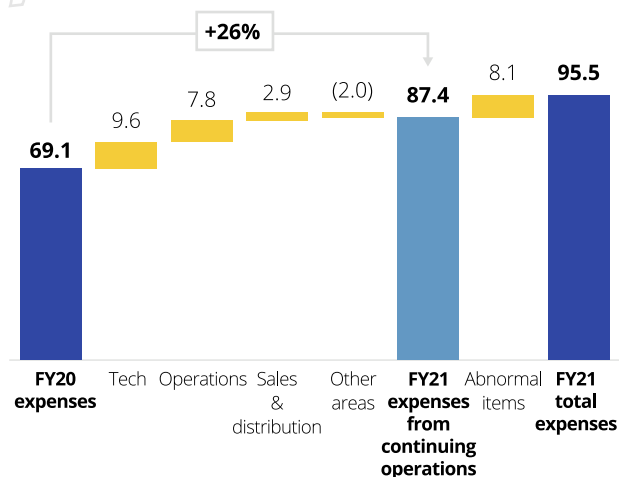
The Group's cost to income ratio from continuing operations continued to improve to 67.1% (FY20: 69.5%) reflecting strong revenue growth partially offsetting the investment costs from increased headcount mentioned above.

In addition, the Group incurred abnormal expenses of \$8.1 million (FY20 \$1.8 million), including \$7.5 million due to the transaction and due diligence and implementation costs in relation to the strategic transactions.

<sup>30</sup> From FY21 onwards this methodology will be utilised, due to the timing of strategic transactions during the period.

## GROUP EXPENSES (CONT.)

### Group expenses from continuing operations

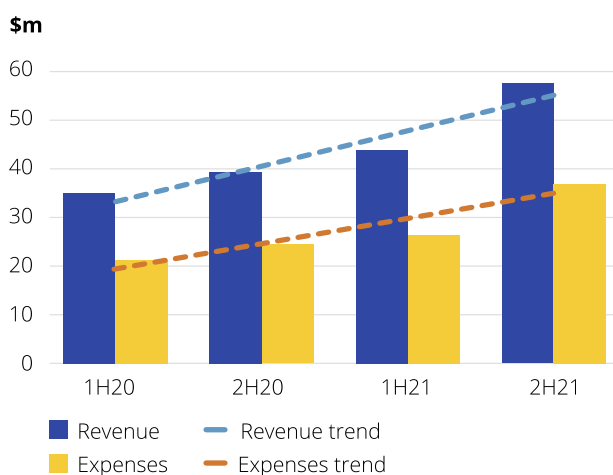


## UNDERLYING EBITDA

Group Underlying EBITDA (UEBITDA) before abnormal items increased to \$36.2 million, up 47% due to:

- Growth in Platform FUA growth to \$41.4 billion as at 30 June 2021, compared to \$17.2 billion in the prior period, and growth in PARS FUA to \$17.2 billion (FY20: \$0.2 billion);
- Platform segment UEBITDA of \$37.9 million, with UEBITDA margin easing slightly to 37.5% (FY20: 38.6%) as the Group secured FUA growth in the Institutional segment; and
- Group UEBITDA margin from continuing operations improving to 34.1% (FY20: 31.3%), driven by improving economies of scale on the Platform, and efficiency improvements in Tech Solutions.

### Platform revenue and expense trends



## GROUP UNDERLYING NPAT

Group Underlying NPAT represents NPAT before abnormal items. Underlying NPAT increased 53% to \$15.0 million (FY20: \$9.8 million).

The key drivers impacting the movement between Underlying EBITDA and Underlying NPAT in FY21 were:

- Employee share based payments increased to \$6.2 million (FY20: \$4.4 million). The Group uses long term incentive (LTI) schemes to underpin the growth of the business. A Special LTI was issued in FY19, in addition to the usual LTI schemes in return for capping fixed remuneration for a three year period to September 2020. This was established to create alignment with cash flow and profitability objectives of HUB24. A small number of employees have entitlements under the Special LTI issue. The performance condition for these entitlements to vest is a CAGR of FUA of 33% per annum over the four year period to June 2022. Given the strong FUA growth since this Special LTI was issued and the Group's confidence in continued FUA growth over the outlook, a \$2.9 million expense (FY20: \$1.8 million) has been reflected in the results.

Following shareholder approval at the FY20 AGM, a grant of Special Performance Award Rights (SPARs) were offered to the Managing Director and a small number of key senior people, separate to the annual LTI plan. The SPARs were granted to recognise the importance of those key people in the successful delivery of the Group's strategy over the long-term, and to retain key executives through a period of significant change in the industry, and will vest over 5 years subject to the performance conditions being met. Given the uncertainty of the FY21 SPAR's vesting, the Group has not recognised any share-based expenses in relation to the FY21 SPARs during the year ended 30 June 2021.

- Depreciation and amortisation expenses were \$7.0 million, an increase of \$1.7 million (FY20: \$5.3 million). This increase comprises \$0.9m in respect of IT development being capitalised, and \$0.8 million related to the acquisition of the Xplore businesses.
- HUB24 has a policy of capitalising investment in its Platform asset, which is then amortised over its useful life. During the year, \$3.1 million of Platform innovation development and a further \$2.3 million of HUBConnect development costs were capitalised.
- In 2017 HUB24 acquired Agility Applications Pty Ltd (Agility), a specialist provider of application, data exchange and technology product and services to the financial services industry for \$15 million.

## GROUP UNDERLYING NPAT (CONT.)

Contingent consideration payments were negotiated as part of the transaction. During FY21 achievement of the performance hurdles was reassessed and new employee share based schemes incentives established. Due to these changes, \$1.6 million release of contingent consideration offset by the recognition of \$1.6 million of share based payments has been reflected in the accounts.

- Abnormal items of \$8.1 million, including due diligence, transaction and implementation costs of \$7.5 million in relation to the strategic transactions have been recognised in FY21. Other abnormal items of \$0.6 million are largely related to the establishment of Private Label capability for Institutional clients.

## INCOME TAX

Income tax expense increased to \$6.4 million in FY21 (FY20: \$4.6 million), reflecting profitability of the business partially offset by utilising tax losses acquired from Xplore.

Income tax has historically been a non-cash item as the HUB24 Group has had historical tax losses and tax offsets. The Group has commenced paying income tax during FY21.

## DIVIDENDS

The Board has previously announced its intention to target a dividend payout ratio between 40% and 60% of HUB24's annual Underlying Net Profit After Tax.

Subsequent to the year ended 30 June 2021, the Directors have determined a fully franked final dividend of 5.5 cents per share. This represents an Underlying Net Profit After Tax payout ratio of 47% for 2H21. The dividend growth has taken into consideration the increased share capital following the capital raising in 1H21.

A fully franked interim dividend of 4.5 cents per share was paid on 19 April 2021. This results in a full year dividend of 10.0 cents per share, up from 7.0 cents per share in FY20, representing an increase of 43% and a full year payout ratio of 46%.

The payment of a dividend by the Group is at the discretion of the Board and will be a function of a number of factors, including the general business environment, financial condition of HUB24, capital management initiatives and any other factors the Board may consider relevant.

Dates for the final dividend are as follows:

- Ex-date: 13 September 2021;
- Record date: 14 September 2021; and
- Dividend payment date: 15 October 2021.

## 4. SEGMENT RESULTS

### PLATFORM SEGMENT

Platform Segment Profit & Loss \$m	FY21	FY20	2H21	1H21	2H20	1H20
Operating revenue	101.1	74.3	57.3	43.8	39.3	35.0
Direct expenses	(23.5)	(18.6)	(12.7)	(10.8)	(9.4)	(9.2)
<b>Gross profit</b>	<b>77.6</b>	<b>55.7</b>	<b>44.6</b>	<b>33.0</b>	<b>29.9</b>	<b>25.8</b>
Operating expenses	(39.7)	(27.0)	(24.1)	(15.6)	(14.9)	(12.1)
<b>Underlying EBITDA</b>	<b>37.9</b>	<b>28.7</b>	<b>20.5</b>	<b>17.4</b>	<b>15.0</b>	<b>13.7</b>
<b>Other items</b>						
Other income	0.2	0.1	0.1	0.1	-	0.1
<b>EBITDA (before abnormal items)</b>	<b>38.1</b>	<b>28.8</b>	<b>20.6</b>	<b>17.5</b>	<b>15.0</b>	<b>13.8</b>
Interest expense	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Depreciation and amortisation	(6.7)	(4.9)	(4.1)	(2.6)	(2.7)	(2.2)
Strategic transaction costs and other abnormal items	(8.1)	(1.7)	(8.1)	-	(1.6)	(0.1)
<b>Profit before tax</b>	<b>23.1</b>	<b>21.9</b>	<b>8.3</b>	<b>14.8</b>	<b>10.6</b>	<b>11.4</b>
Total platform expenses	(63.2)	(45.6)	(37.2)	(26.4)	(24.4)	(21.2)
Platform Capex	5.4	6.2	2.6	2.8	3.4	2.8
<b>Key margins (%)</b>						
Gross profit margin	76.7	75.0	77.8	75.4	76.1	73.8
Underlying EBITDA margin	37.5	38.6	35.8	39.7	37.9	39.4
Cost to income ratio	62.5	61.4	64.2	60.3	62.1	60.6
<b>Platform Segment Statistics</b>						
Total FUA	58,643	17,380	58,643	31,289	17,380	16,032
<b>Platform FUA (\$m)</b>	<b>41,446</b>	<b>17,217</b>	<b>41,446</b>	<b>21,966</b>	<b>17,217</b>	<b>15,837</b>
Netflows (\$m)	8,912	4,947	5,828	3,084	2,452	2,496
Gross Flows (excluding strategic transactions) (\$m)	11,846	6,748	7,694	4,152	3,407	3,341
Advisers (#)	3,063	2,066	3,063	2,280	2,066	1,841
Retail revenue margin (bps)	38	49	36	44	47	49
Institutional revenue margin (bps)	9	-	9	-	-	-
Xplore Super Admin revenue margin (bps)	17	-	17	-	-	-
<b>PARS FUA (\$m)</b>	<b>17,197</b>	<b>163</b>	<b>17,197</b>	<b>9,322</b>	<b>163</b>	<b>195</b>
Number of PARS Accounts	7,538	132	7,538	5,392	132	104
<b>Basis Points (bps of average Platform FUA)</b>						
Revenue	36	49	34	44	47	49
Direct expenses	(8)	(12)	(7)	(11)	(11)	(13)
<b>Gross Profit</b>	<b>28</b>	<b>37</b>	<b>26</b>	<b>33</b>	<b>36</b>	<b>36</b>
Operating expenses	(14)	(18)	(14)	(16)	(18)	(17)
<b>Underlying EBITDA</b>	<b>14</b>	<b>19</b>	<b>12</b>	<b>18</b>	<b>18</b>	<b>19</b>
Platform expenses	(22)	(30)	(21)	(27)	(29)	(30)

### TECHNOLOGY SOLUTIONS AND OTHER SERVICES SEGMENT

Profit & Loss \$m	FY21	FY20	2H21	1H21	2H20	1H20
Revenue	6.6	6.4	3.3	3.3	3.3	3.1
Direct expenses	(3.5)	(4.7)	(1.8)	(1.7)	(2.1)	(2.6)
<b>Gross Profit</b>	<b>3.1</b>	<b>1.7</b>	<b>1.5</b>	<b>1.6</b>	<b>1.2</b>	<b>0.5</b>
Operating expenses	(1.4)	(2.5)	(0.7)	(0.7)	(1.4)	(1.1)
<b>Underlying EBITDA</b>	<b>1.8</b>	<b>(0.9)</b>	<b>0.8</b>	<b>0.9</b>	<b>(0.2)</b>	<b>(0.6)</b>
Interest expense	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Depreciation and amortisation	(0.3)	(0.4)	(0.1)	(0.2)	(0.2)	(0.2)
<b>Profit/(loss) before tax</b>	<b>1.5</b>	<b>(1.3)</b>	<b>0.7</b>	<b>0.7</b>	<b>(0.4)</b>	<b>(0.8)</b>

### CORPORATE SEGMENT

Profit & Loss \$m	FY21	FY20	2H21	1H21	2H20	1H20
Revenue	0.5	-	0.5	-	-	-
Interest income	0.9	0.6	0.5	0.4	0.3	0.3
Operating expenses	(4.3)	(3.2)	(2.5)	(1.8)	(1.7)	(1.5)
<b>Underlying EBITDA</b>	<b>(3.0)</b>	<b>(2.6)</b>	<b>(1.5)</b>	<b>(1.4)</b>	<b>(1.4)</b>	<b>(1.2)</b>
<b>Other items</b>						
Interest expenses	(0.1)	-	(0.0)	(0.0)	-	-
Share based payment expenses	(6.2)	(4.4)	(3.2)	(3.0)	(3.3)	(1.1)
<b>EBITDA</b>	<b>(9.3)</b>	<b>(7.0)</b>	<b>(4.8)</b>	<b>(4.4)</b>	<b>(4.7)</b>	<b>(2.3)</b>
Discount on consideration	-	(0.1)	0.1	(0.1)	-	(0.1)
Fair value gain on contingent consideration – Agility	1.6	0.9	-	1.6	0.2	0.7
Share based payment expenses – Agility	(1.6)	-	(0.5)	(1.1)	-	-
Impairment of Agility CGU	-	(1.0)	-	-	(1.0)	-
Abnormal items	-	-	1.8	(1.8)	-	-
<b>Loss before tax</b>	<b>(9.3)</b>	<b>(7.2)</b>	<b>(3.4)</b>	<b>(5.8)</b>	<b>(5.4)</b>	<b>(1.8)</b>

### DISCONTINUED OPERATIONS IN THE LICENSEE SEGMENT (SOLD AT 1 FEBRUARY 2021)

Profit & Loss \$m	FY21	FY20	2H21	1H21	2H20	1H20
Revenue	17.6	29.6	2.6	15.0	15.0	14.6
Direct expenses	(15.9)	(26.6)	(2.3)	(13.6)	(13.5)	(13.1)
<b>Gross Profit</b>	<b>1.7</b>	<b>3.0</b>	<b>0.3</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>
Operating expenses	(2.2)	(3.4)	(0.4)	(1.8)	(1.8)	(1.6)
<b>Underlying EBITDA from discontinued operations</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.1)</b>



## 5. BALANCE SHEET

(\$m)	FY21	1H21	FY20	1H20
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	63.5	85.3	33.8	21.9
Trade and other receivables	16.6	12.9	10.0	8.6
Assets held for sale	-	4.2	-	-
Other current assets	2.6	1.6	1.8	1.2
<b>Total current assets</b>	<b>82.7</b>	<b>104.0</b>	<b>45.7</b>	<b>31.7</b>
<b>Non-current assets</b>				
Receivables	-	7.6	-	3.5
Investments	14.5	-	-	-
Office equipment	1.4	1.4	1.7	1.8
Intangible assets	104.0	52.3	40.0	38.8
Deferred tax assets	14.9	3.4	5.1	7.1
Right of use asset	6.1	6.5	5.4	6.3
Other non-current assets	7.5	-	-	-
<b>Total non-current assets</b>	<b>146.4</b>	<b>71.2</b>	<b>52.2</b>	<b>57.5</b>
<b>TOTAL ASSETS</b>	<b>229.0</b>	<b>175.2</b>	<b>97.8</b>	<b>89.2</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	9.1	5.1	5.4	2.9
Provisions	16.1	7.3	7.8	4.3
Lease liabilities	2.2	2.0	1.7	1.8
Borrowings	3.1	-	-	-
Other current liabilities	0.4	0.2	0.1	0.2
<b>Total current liabilities</b>	<b>30.9</b>	<b>14.6</b>	<b>14.9</b>	<b>9.2</b>
<b>Non-current liabilities</b>				
Borrowings	9.4	-	-	-
Provisions	2.3	1.7	1.5	1.1
Lease liabilities	4.5	5.2	4.4	5.0
Other non-current liabilities	0.9	0.8	2.2	2.4
<b>Total non-current liabilities</b>	<b>17.0</b>	<b>7.7</b>	<b>8.1</b>	<b>8.6</b>
<b>TOTAL LIABILITIES</b>	<b>47.9</b>	<b>22.2</b>	<b>23.0</b>	<b>17.8</b>
<b>NET ASSETS</b>	<b>181.1</b>	<b>153.0</b>	<b>74.8</b>	<b>71.4</b>
<b>Equity</b>				
Issued capital	199.2	174.3	100.1	99.8
Reserves	56.9	50.3	49.7	28.9
Accumulated losses	(75.0)	(71.6)	(75.0)	(57.4)
<b>Total equity</b>	<b>181.1</b>	<b>153.0</b>	<b>74.8</b>	<b>71.4</b>

## 6. CASHFLOW

Statement of cashflows (\$m)	FY21	FY20	2H21	1H21	2H20	1H20
<b>Cashflow from operating activities</b>						
Receipts from customers	129.2	116.8	64.9	64.3	60.8	56.0
Payments to suppliers/employees	(101.0)	(91.8)	(47.0)	(54.0)	(45.6)	(46.2)
Interest received	0.8	0.6	0.5	0.4	0.4	0.3
Interest paid on lease liability	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Short term lease payments	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Income taxes paid	(2.2)	-	(2.2)	-	-	-
<b>Net underlying cashflow from operating activities</b>	<b>26.4</b>	<b>25.7</b>	<b>15.9</b>	<b>10.5</b>	<b>15.5</b>	<b>10.1</b>
Other	(7.2)	(0.4)	(7.2)	-	(0.2)	(0.2)
<b>Net cash flow from operating activities</b>	<b>19.2</b>	<b>25.3</b>	<b>8.7</b>	<b>10.5</b>	<b>15.3</b>	<b>9.9</b>
<b>Cashflow from investing activities</b>						
Payments for office equipment	(0.6)	(0.5)	9.9	(10.5)	(0.2)	(0.3)
Payments for acquisitions	(47.7)	(0.5)	(48.9)	(0.1)	(0.3)	(0.2)
Payments for intangible assets	(5.5)	(6.7)	(2.4)	(3.1)	(3.7)	(3.0)
Proceeds from disposal of controlled entities, net of cash disposed	(1.3)	-	(1.3)	-	-	-
<b>Net cashflow from investing activities</b>	<b>(55.1)</b>	<b>(7.7)</b>	<b>(41.4)</b>	<b>(13.7)</b>	<b>(4.2)</b>	<b>(3.5)</b>
<b>Cashflow from financing activities</b>						
Proceeds from capital raising	70.0	-	-	70.0	0.0	-
Payments for capital raising costs	(1.3)	(0.0)	0.5	(1.8)	(0.0)	(0.0)
Dividends paid	(5.3)	(3.8)	(3.1)	(2.2)	(2.2)	(1.6)
Treasury shares	(5.0)	-	(5.0)	-	-	-
ORFR loan facility	(7.6)	2.0	-	(7.6)	3.5	(1.5)
Loan facility drawdown <sup>1</sup>	13.2	-	13.2	-	-	-
Principal element of lease payments	(2.1)	(1.6)	(1.2)	(0.9)	(0.8)	(0.8)
Proceeds from exercise of options	3.6	1.2	1.9	1.8	0.3	1.0
<b>Net cashflows from financing activities</b>	<b>65.6</b>	<b>(2.2)</b>	<b>6.3</b>	<b>59.3</b>	<b>0.7</b>	<b>(3.0)</b>
Net increase in cash and cash equivalents	29.7	15.3	(26.4)	56.1	16.9	3.5
Closing cash held as asset for sale	-	-	4.6	(4.6)	-	-
Cash and cash equivalents at beginning of the year	33.8	18.5	85.3	33.8	21.9	18.5
<b>Cash and cash equivalents at end of the year</b>	<b>63.5</b>	<b>33.8</b>	<b>63.5</b>	<b>85.3</b>	<b>33.8</b>	<b>21.9</b>
Borrowings	12.5	-	12.5	-	-	-
<b>Net cash and cash equivalents</b>	<b>51.0</b>	<b>33.8</b>	<b>51.0</b>	<b>-</b>	<b>-</b>	<b>-</b>

1 During FY21, \$700,000 was received from McGregor Wealth Management Pty Ltd in relation to a loan agreement with Xplora Wealth PTY Ltd. This loan was repaid in full during FY21

The Group continues to generate positive operating cashflows and maintains cash reserves significantly above regulatory capital requirements.

Cash and cash equivalents as at 30 June 2021 were \$63.5 million (FY20: \$33.8 million), and the Group recorded positive cashflow from operating activities of \$19.2 million (FY20: \$25.3 million). Net cash and cash equivalents after deducting borrowings was \$51.0 million as at 30 June.

Cash inflows from operating activities were lower, largely due to \$7.5 million of abnormal items incurred in relation to the costs associated with the strategic transactions of acquiring Ord Minnett's PARS business, Xplore, the investment in Easton, and the divestment of the Licensee Paragem.

The increase in both receipts from customers and payments to suppliers reflects the significantly increased size of the Platform business, due to business acquisitions and underlying growth in account numbers and balances.

Cash outflows from investing activities were higher due to the acquisition of Ord Minnett's PARS business, Xplore, the investment in Easton and net cash outflow relating to the Licensee Paragem.

While the effective rate of capitalisation of intangible assets has remained broadly consistent in FY21, the investment in people to increase development work on HUBConnect and other client led Platform functionality has increased non-cash flow amortisation and increased payments to employees.

Cash inflows from financing activities of \$65.6 million was largely due to \$70 million of capital management initiatives, including a \$50 million fully underwritten placement to institutional and sophisticated investors and a \$20 million Share Purchase Plan for eligible retail shareholders.

During FY21, the Group also entered into a \$12.5 million 3 year amortising debt facility with ANZ. During FY20, the Group entered into a \$5 million working capital facility, which remains undrawn.

# CORPORATE DIRECTORY



## DIRECTORS

Mr Bruce Higgins (Chairman)  
 Mr Andrew Alcock (Managing Director)  
 Mr Ian Litster (resigned 5 March 2021)  
 Mr Anthony McDonald  
 Mr Paul Rogan  
 Ms Ruth Stringer  
 Ms Catherine Kovacs (appointed 19 July 2021)



## SECRETARIES

Mr Paul Howard (resigned 18 December 2020)  
 Ms Debbie Last (resigned 6 September 2020)  
 Ms Kitrina Shanahan (appointed 7 September 2020)  
 Mr Andrew Brown (appointed 30 April 2021)



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## SHARE REGISTRY

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## STOCK EXCHANGE LISTINGS

HUB24 Limited shares are listed on  
 the Australian Securities Exchange  
 (ASX Code: HUB)



## AUDITOR

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## WEBSITE

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