2020 Annual results

Investor presentation

14 August 2020

Praemium Limited ACN 098 405 826

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Global reach, global scale

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

Our history

- Software company founded in 2001
- ASX listed in 2006 to launch the UK platform
- Offices in Australia, the UK, UAE, Armenia, China and Hong Kong
- Over 1,000 clients, including several financial institutions
- Covering over $140 billion in assets

Our products

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

Portfolio administration
Excellence in performance and tax reporting

CRM & financial planning
Cloud-based financial planning software

Investment management
Multi-asset, multi-currency model portfolios

Business highlights

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Resilience in the face of challenges

Despite headwinds, Praemium has executed its strategy and delivered a strong financial result

$51.2 million
in revenue

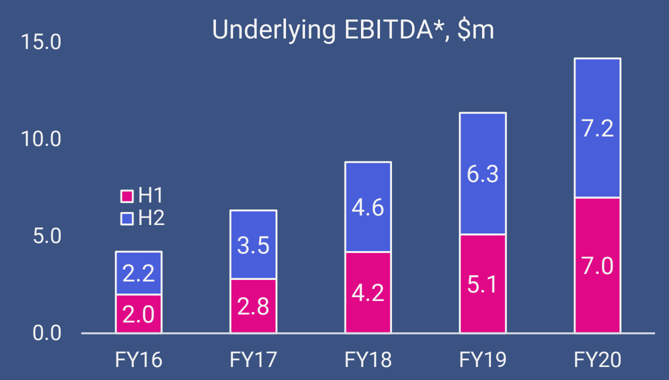
8% increase in net revenue

12% increase in gross margin

25% increase in EBITDA*

91%
increase in NPAT

89%
increase in EPS



13th consecutive half of profit growth

28%
EBITDA
margin*

* Underlying EBITDA is detailed at slide 18 and Note 20 of the Annual Report

Execution of two-step growth strategy

Step 1: Upgraded from niche SMA provider to full-service platform – better tech, bigger market

Upgrade to 5th generation platform

SMA
Professionally managed model portfolios

IMA
Select from a wide range of equities, bonds, ETFs, hybrids, funds

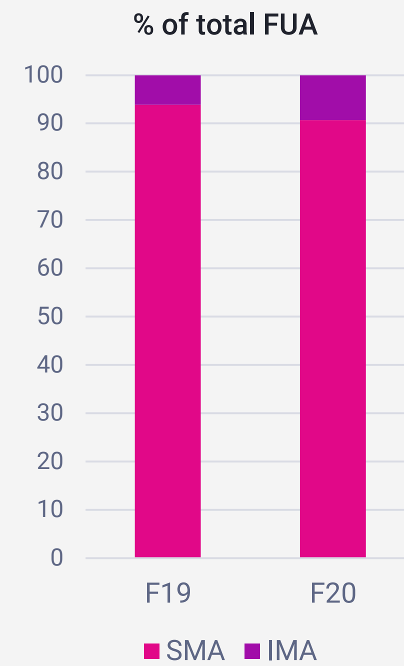
Managed Accounts Cash

VMA
Portfolio engine

Praemium added IMA to its SMA capability, enabling the full breadth of managed accounts via a seamless digital platform:

- Custodial: Separately Managed Accounts (SMA) and Individually Managed Accounts (IMA)
- Non-custodial: Virtual Managed Accounts (VMA) to underpin MDAs, IDPS and similar structures.
- Unified Managed Accounts (UMAs) that enable a consolidated view of custody and non-custody investment assets.

In Australia, the upgrade represents an increase in available market from the $29bn SMA market to the overall $777bn platform market.[1]

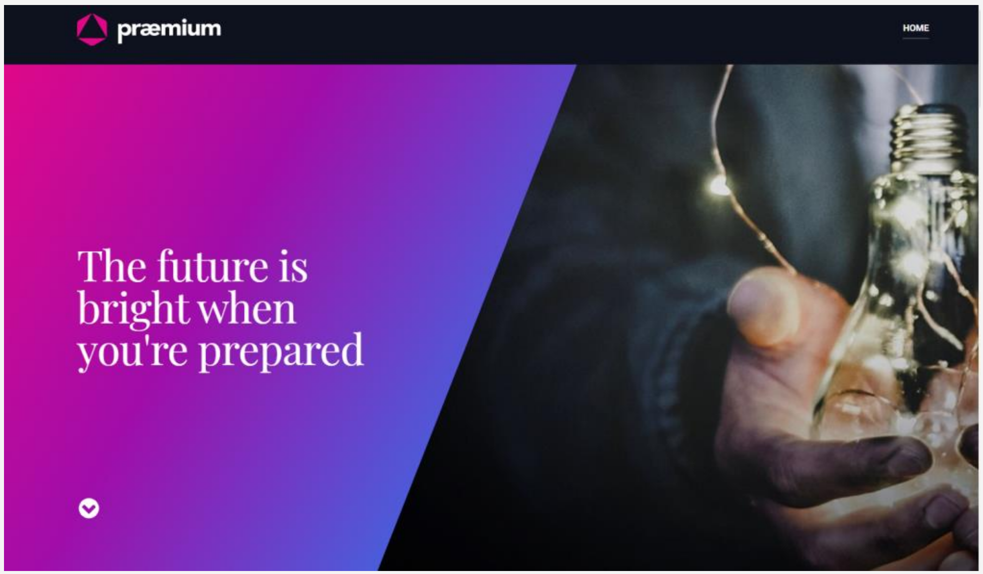


Newly launched IMA is gaining traction

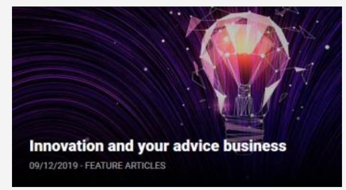
[1] Strategic Insight (Plan for Life), March 2020 & Institute of Managed Accounts Professionals, Dec 2019

Execution of growth strategy

Step 2: Invested in sales and marketing – building our presence



Increased sales and marketing investment by 22%

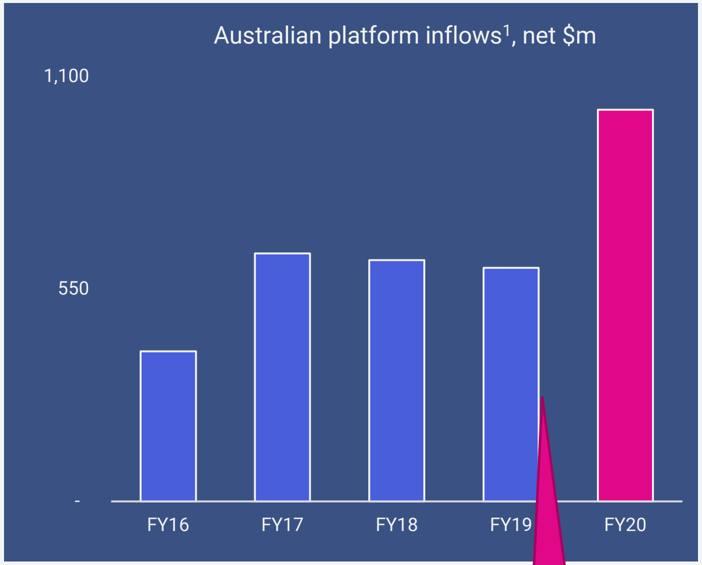


Increased BDMs:
Aus by 100%,
International by 70%

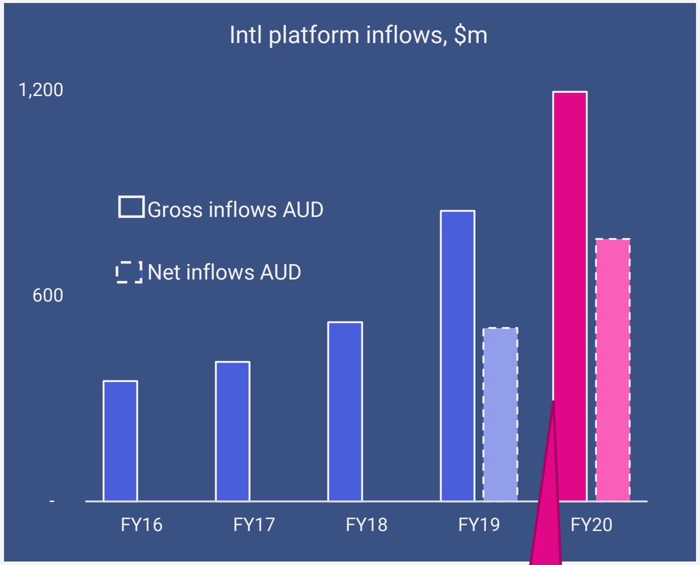
Engaged with ratings agencies in Australia and the UK – Investment Trends, Defaqto, *the lang cat*

Growth strategy showing results

Seeing results from 2019 platform upgrade and market investment



68% increase in net inflows[1]



51% increase in net inflows,
41% increase in gross inflows

Aus Integrated platform launch Feb '19

Int'l Integrated platform launch Sep '19

[1] Excluding major client transition

Maintaining growth

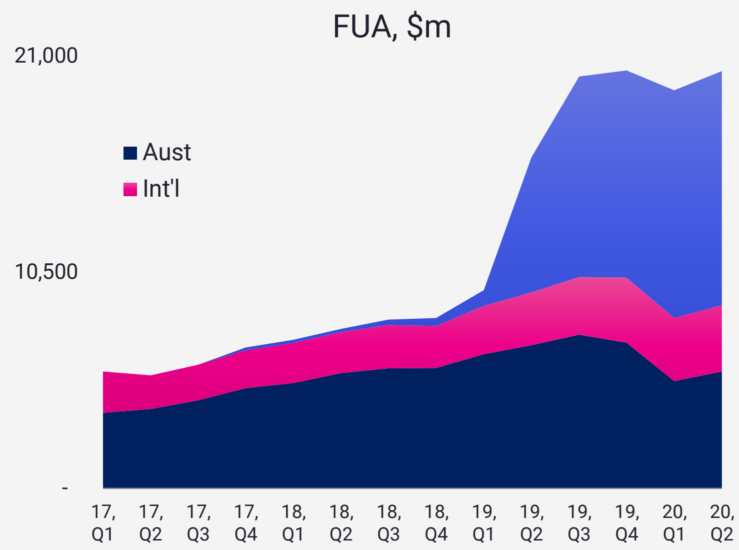
Global FUA of $20.3 billion

Total FUA of $20.3 billion, up 26%

- Platform FUA of $8.9 billion, down 6%
- VMAAS FUA of $11.4 billion, up 73%

Managed Account Platform FUA

- Australian platform of $5.7 billion, down 18%
- International platform of $3.2 billion, up 25%



Growth across other products

Virtual Managed Account (VMA)

VMA portfolios up 10%

Superannuation and pension

- UK pension schemes up 53%
- Australia SuperSMA up 22%

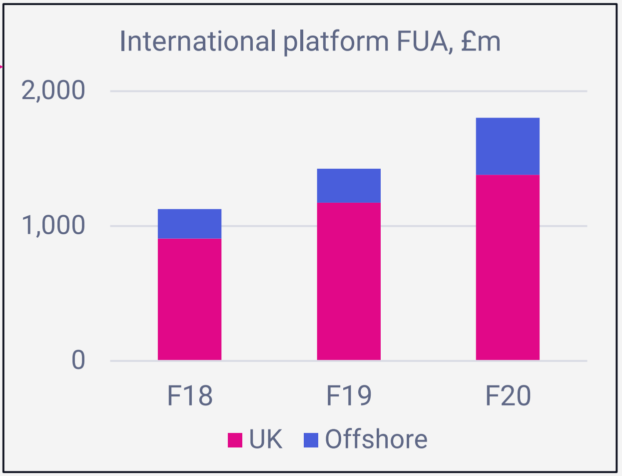
Financial planning software

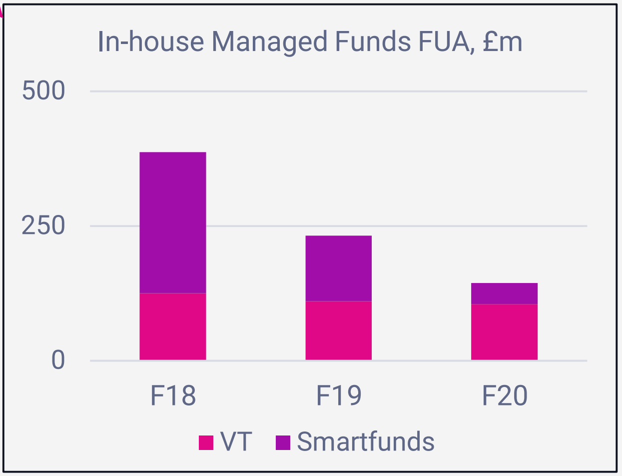
WealthCraft seats up 5%

FUA: Funds Under Administration, VMA: Virtual Managed Account

UK platform focus

UK revenue ($m)	FY18	FY19	FY20	
Platform	4.7	4.8	6.2	+28%
Funds*	2.9	3.5	2.0	-42%
Other	2.7	2.6	2.6	-
Total net revenue	**10.3**	**10.9**	**10.8**	
Expenses	12.0	12.5	12.7	
EBITDA	(1.7)	(1.6)	(1.9)	





Platform progressing well

- Platform net inflows up 47% (GBP)
- Platform FUA up 26% despite 12% fall in the FTSE 250
- Won three major platform awards
- Received a 5-star rating from Defaqto
- Rated highest as an independent open-architecture platform by *the lang cat*
- Expanded sales team gaining traction

Drag on financial performance from Smartfunds is expected to end in FY21.
Operating leverage from platform FUA growth will drive the business toward inflection.

VMA – our unique competitive advantage

Leaders in portfolio administration and reporting

Praemium now offers the full spectrum of non-custodial services

Praemium's proprietary technology, **Virtual Managed Accounts** (VMA)

- Non-custodial solution for investment and SMSF portfolios
- Automatic reconstruction
- First-class tax and multi-asset investment reporting
- Manages complex corporate actions including stapled securities
- Performance analytics via digital Investor Portal

Investment asset coverage includes:

- All ASX listed securities
- 5,000 international securities on 40 exchanges
- Bonds, managed funds and cash management accounts
- Broadest range of investment data feeds

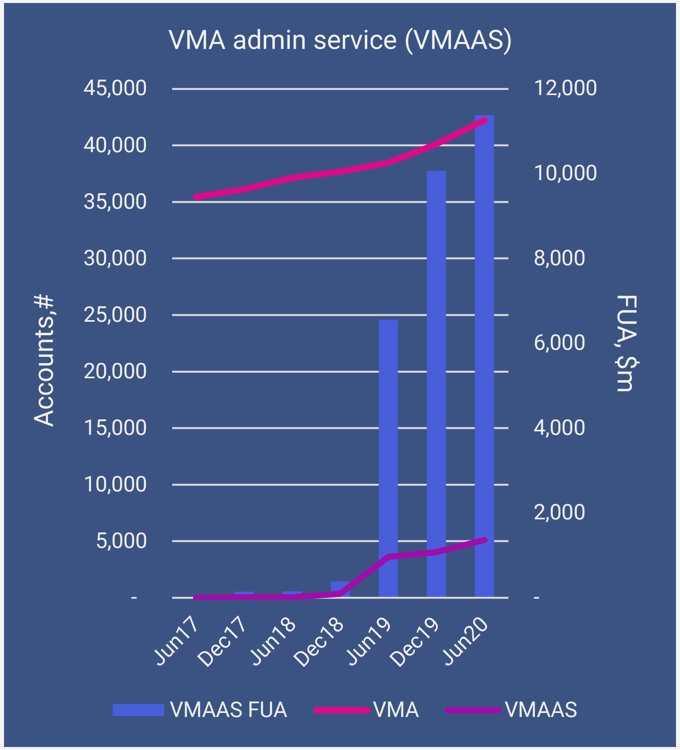
VMA Administration Service (VMAAS) launched in December 2017

- Full administration service, including mail house, portfolio management, account reconciliation, corporate action election processing and full annual reporting
- Ability to tailor solutions for small to large clients
- Part of our fully integrated managed accounts platform

Delivering strong growth in FY2020

Continues to diversify our non-asset-based revenue with:

- ✓ VMA portfolios up 10%, VMAAS portfolios up 15%
- ✓ VMAAS FUA up 73%, to over $11 billion



Staying on the leading edge

Platform expansion

Added over 50 ETFs on the New York and London stock exchanges

Added Australian Government Bonds for custodial platform assets

Launched new platform screening functionality for ESG assessments

Launched the first ESG model with Australian Ethical

Launched a new range of multi-asset index models managed by Morgan Stanley

Product enhancements

Expanded platform security with a range of new encryption measures to further protect data

Added new UK tax-effective structure to the International platform, Onshore Bonds

Expanded reporting and governance features to support MDA operators

Enhanced industry-first AI, *Insights* that assists advisers with client retention

The only platform with a solution for mFund tax reporting

User experience

Launched Adviser Portal to UK and international clients

Added new performance-by-model reports showing true time-weighted returns

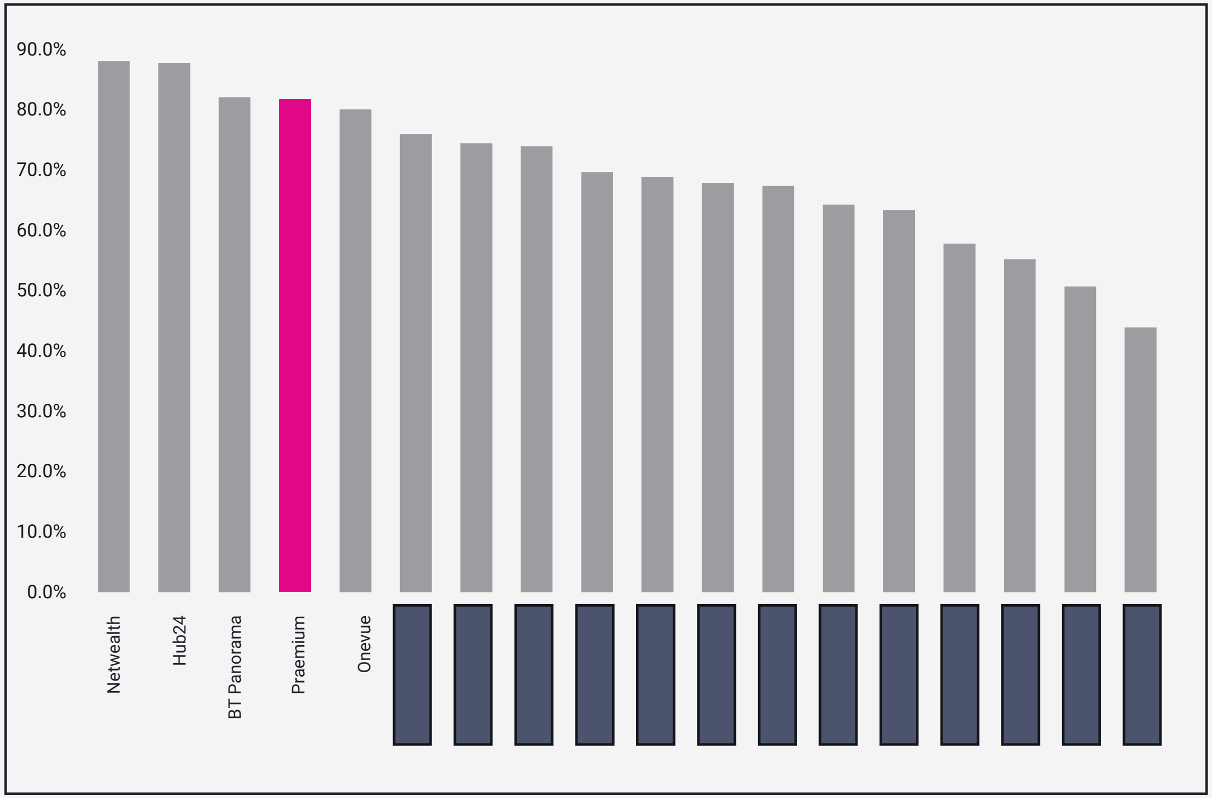
Launched fully digital application process with electronic asset registration to speed UK transitions

Expanded options for Asset Allocation and Performance reports

Microsoft Power BI dashboard integration

Praemium is emerging as a global leader

Australia: Debuted 4th in Investment Trends platform survey.



Source: Investment Trends overall platform scores (2019).

UK: Debuted 2nd in *the lang cat* Platform Market Scorecard, first among the independent open-architecture platform providers.

Total overall score	
Parmenion	4.64
Praemium	4.47
Novia	4.30
Transact	4.23
True Potential	4.15
[redacted]	3.91
[redacted]	3.83
[redacted]	3.83
[redacted]	3.83
[redacted]	3.69
[redacted]	3.54
[redacted]	3.53
[redacted]	3.38
[redacted]	3.31
[redacted]	3.22
[redacted]	2.93
[redacted]	2.92
[redacted]	2.55
[redacted]	2.23
Total Average Score	3.84

Source: *the lang cat* Platform Market Scorecard (March 2020) The ratings give insight into how advisers are using platforms and how well their needs are being served.

Australia platform: Debuted 4th in Investment Trends

Across the 18 platforms rated, Praemium came 4th overall and 1st in seven out of 44 sub-categories

Online Business Management

1st

Online Permissions

1st

White Labelling

1st

Segmentation and Grouping

Integration

1st

APIs

1st

Planning Software Integration

Product Offering

1st

Managed Accounts

Reporting

1st

Business Reporting

Source: Investment Trends December 2019 Platform Competitive Analysis and Benchmarking Report

UK platform: Debuted 2nd in Platform Market Scorecard

Across the 19 platforms rated, Praemium came 2nd overall and rated highly in several categories

Support

1st
Senior Management Support

2nd
BDM Support

2nd
Head Office Support

Overarching Factors

1st
Value for Fees Charged

2nd
2nd in Overall Opinion of Platform

2nd
2nd in Commitment to Market

Proposition Ratings

2nd
2nd in General Interface/Usability

2nd
2nd in Ease of Doing Business

"Praemium's position outside the mainstream will soon be a thing of the past. The SMA/IMA approach is really starting to get some traction out there, with other providers like Standard Life getting on board. Sometimes you need competitors to make a market. We've seen the kit, and the level of paperless process is extremely impressive. Reporting is modular, flexible and clear, and you can set really interesting business rules around it."
– *the lang cat*

Source: *the lang cat* Platform Market Scorecard March 2020

Award-winning FY2020

Winner
Investment Adviser Awards
Global Investment Platform of the Year
October 2019

Winner
Schroders UK Platform Awards
Leading Platform for Discretionary Management
September 2019

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

-Schroders judging panel

Winner
City of London Wealth Management Awards
Best Innovation
March 2020

Five-star rating
Defaqto
February 2020

Winner
Financial Standard
2020 MAX Digital Campaign of the Year Award
June 2020

2020 inclusion
S&P/ASX All Technology Index
Only platform to be included

praemium

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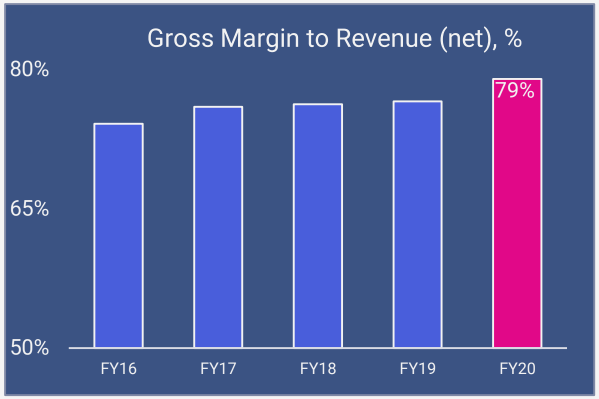
FY2020 financial results

Group Financial Results ($m)	FY19 (Reported)	FY19 (AASB 15&16)*	FY19 (Restated)	FY20 ($m)
Revenue	**45.1**	**3.6**	**48.7**	**51.2**
Product commissions(1)	(2.0)		(2.0)	(0.6)
Revenue (net)	43.1	3.6	46.7	50.6
Cost of operations	(7.3)	(3.6)	(10.9)	(10.6)
Gross margin	**35.8**		**35.8**	**40.0**
GM % of net revenue	*83.1%*		*76.6%*	*79.0%*
Expenses:				
Information Technology(2)	(6.0)		(6.0)	(6.1)
Sales & Marketing	(9.4)		(9.4)	(11.5)
General & Admin	(9.0)	1.1	(7.9)	(8.2)
Total expenses	**(24.4)**	**1.1**	**(23.3)**	**(25.8)**
EBITDA (underlying)	**11.4**	**1.1**	**12.5**	**14.2**
Share schemes	(2.0)		(2.0)	(2.1)
D&A(3)	(1.9)	(1.2)	(3.1)	(4.6)
EBIT	**7.5**	**(0.1)**	**7.4**	**7.5**
Arbitration & restructure(4)	(1.6)		(1.6)	(1.3)
FX & other(5)	(0.5)	(0.1)	(0.6)	1.6
NPBT	**5.4**	**(0.2)**	**5.2**	**7.8**
Tax(6)	(2.9)		(2.9)	(2.9)
NPAT	**2.5**	**(0.2)**	**2.3**	**4.9**

Key financial highlights*



- Improved gross margins, up 12%
- Underlying EBITDA up 13%
- Reported NPAT up 91%, EPS up 89%

Maintained investments in sales & marketing to drive future growth

* Compared to FY19 results restated from the adoption of:
1) *AASB16 Leases* (AUS $0.4m, UK, $0.5m, Asia $0.2m) and
2) *AASB15 Revenue from Contracts with Customers* for AUS scheme recoveries ($3.6m)

(1) Product commissions relate to Smartfunds, with reductions from fund outflows during the year
(2) Information Technology expenses excludes R&D capex of $4.9 million (FY20) and $4.7 million (FY19)
(3) Includes amortisation of lease assets $1.3m (lease term), intangibles from software R&D $2.5m (3 years) and acquisitions $0.3m (5 years)
(4) Refer slide 21 for detailed breakdown
(5) Unrealised gain on listed shares $1.9 million, and FX from cash held in foreign currencies (GBP, USD, HKD) and irrecoverable taxes (VAT, WHT)
(6) FY20 Aus tax estimate at 30% company tax rate

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Half-on-half results

Group Financial Results	H1, FY20 ($m)	H2, FY20 ($m)	FY20 ($m)
Revenue	**26.5**	**24.7**	**51.2**
Product commissions	(0.4)	(0.2)	(0.6)
Revenue (net)	26.1	24.5	50.6
Cost of operations	(5.8)	(4.8)	(10.6)
Gross margin	**20.3**	**19.7**	**40.0**
GM % of net revenue	*77.8%*	*80.4%*	*79.0%*
Expenses			
Information Technology	(3.3)	(2.8)	(6.1)
Sales & Marketing	(5.6)	(5.9)	(11.5)
General & Admin	(4.4)	(3.8)	(8.2)
Total expenses	**(13.3)**	**(12.5)**	**(25.8)**
EBITDA (underlying)	**7.0**	**7.2**	**14.2**
Share schemes	(0.8)	(1.3)	(2.1)
D&A	(2.2)	(2.5)	(4.7)
EBIT	**4.0**	**3.4**	**7.4**
Arbitration & acquisition	(0.6)	(0.7)	(1.3)
FX & other	(0.2)	1.8	1.6
NPBT	**3.2**	**4.5**	**7.7**
Tax	(1.8)	(1.0)	(2.8)
NPAT	**1.4**	**3.5**	**4.9**

Maintained growth during volatile 2nd half

- Revenue impacted from market declines post COVID-19
- Delivered gross margins of 80.4%, up from 77.8% in H1
- Cost initiatives implemented during 4th quarter
- EBITDA margins of 29% for 2nd half, 28% for the full year

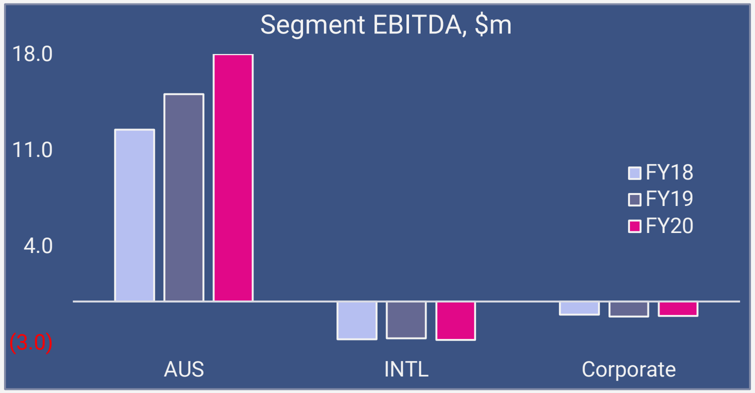
Improved bottom line

- Amortisation includes completed R&D modules & *AASB16 Leases*
- Higher acquisition costs from PWL takeover bid
- FX & other includes $2 million unrealised gain on PWL shares
- H2 NPAT of $3.5 million, compared to $1.4 million for H1

H1 revenue includes adoption of *AASB15 Revenue from Contracts with Customers*

Revenue & earnings growth despite challenges

$m	Aus	Intl	FY20	FY20 %	Aus %	Intl %
Platform	21.0	9.1	30.1	2%	11%	(15%)
Portfolio services	17.7	-	17.7	11%	11%	-
Planning software	0.1	2.3	2.4	5%	(21%)	7%
Other	-	1.0	1.0	12%	-	12%
Revenue	**38.8**	**12.4**	**51.2**	**5%**	**11%**	**(9%)**
Product commissions		(0.6)	(0.6)			
Revenue (net)	**38.8**	**11.8**	**50.6**	**8%**	**11%**	**1%**



$m	Aus	Intl	Corp	FY20	FY20%	Aus %	Intl %
Revenue (net)	38.8	11.8	-	50.6	8%	11%	1%
Expenses	(20.7)	(14.6)	(1.1)	(36.4)	3%	4%	1%
Segment EBITDA	**18.1**	**(2.8)**	**(1.1)**	**14.2**	**25%**	**20%**	**(5%)**
EBITDA %	*47%*			*28%*			

Australia: 47% EBITDA margin

- Strong growth in core products, with revenue up 11%
- Platform revenue up 11% from underlying inflow growth
- Portfolios services revenue up 11% from VMA portfolio uplift and VMAAS on-boarding
- Expense management during COVID-19 uncertainty
- 20% improvement in EBITDA to $18.1 million

International: Weathering global volatility

- Net revenue growth of 1%, record platform inflows impacted by Smartfund outflows and market declines
- Growth in planning software revenue from increasing WealthCraft adoption
- Expenses up 1% from continued management
- Loss of $2.8 million for the year, 5% increase with:
  - UK $1.9 million loss
  - Asia $0.9 million loss

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Underlying EBITDA reconciliation on slide 18 and Note 20 of the Annual Report (corporate costs are included in the Aus segment).
Revenue comparison to FY2019 restated from the adoption of *AASB15 Revenue from Contracts with Customers.*

Cashflow and balance sheet

Cashflow ($m)	FY19	FY20
Operating cashflow	10.0	14.4
R&D incentive	0.8	0.8
Tax paid	(3.0)	(2.0)
One-off costs	(1.6)	(1.1)
Net operating cashflow	**6.2**	**12.1**
Intangible capex	(4.7)	(4.9)
Equipment capex	(0.5)	(0.4)
Investments	0.9	(3.1)
Net investing cashflow	**(4.3)**	**(8.4)**
Net financing cashflow	**-**	**(1.3)**
Net cash movement	1.9	2.4
Opening cash	12.1	13.7
Unrealised FX	(0.3)	(0.2)
Closing cash	**13.7**	**15.9**

Balance Sheet ($m)	FY19	FY20
Cash	13.7	15.9
Receivables	7.6	6.5
Intangibles	9.9	12.0
Other assets	4.2	14.8
Assets	**35.4**	**49.2**
Tax liabilities	1.7	1.3
Other liabilities	10.1	17.3
Liabilities	**11.8**	**18.6**
Net Assets	**23.6**	**30.6**

One-off Costs ($m)	FY19	FY20
Arbitration costs	0.4	0.7
Acquisition costs	0.4	0.4
Restructure costs	0.8	0.2
Total expense	**1.6**	**1.3**

Key points

- Operating cashflow up 95% on FY2019 to $12.1 million
- R&D capex of $4.9 million from continued projects
- Group regulatory cash requirement of $5 million
- Franking credits of $11.5 million

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Investments cashflow relates to acquisition of shares in Powerwrap (ASX: PWL)
Financing cashflow relates to lease principal payments under *AASB16 Leases*
Other assets include shares is listed entity $5.1 million, and Right of Use asset under *AASB16 Leases* $4.0 million

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Summary

Key strategic achievements FY2020

Completed the major upgrade program:

- After launching the fully integrated managed accounts platform in Australia in early 2019, we then rolled it out to the UK platform in the 1st quarter of F2020
- This was shortly followed in early 2020 with the UK version of the *Insights* AI predictive model capability

Invested in sales and marketing:

- With a whole-of-market platform, we commenced the process of engaging with the key platform rating agencies in Australia and the UK
- We were very pleased to be rated at 2nd place by *the lang cat* in the UK on debut as well as receiving a 5-star rating by Defaqto
- And we were equally pleased to be rated at 4th place by Investment Trends in Australia, again on debut
- BDM headcount increased by 90% over the year

Continued innovation:

- Ethical investing: investors can now customise their managed accounts portfolios based on their specific ESG preferences
- Platform and CRM integration: Automatic generation of draft platform accounts via WealthCraft CRM
- Digital asset transfers: fully scalable electronic client transition capability, now in play

Forward plans

A continued focus on growth:

- The expanded Australia sales team will be supported by ongoing brand and marketing campaigns
- We will expand the UK sales team and support with further brand awareness to raise our profile as the market is very open to an innovative platform with proprietary technology
- We will underpin our growth plans around the world by making a concerted investment in improving CX, the client experience

The new normal:

- Praemium's switch to remote working was implemented without any client disruption
- With technical teams based in Melbourne, Shenzhen, Yerevan and London, Praemium's follow-the-sun global infrastructure capability will enable us to respond to any further supply disruptions
- Praemium's client support teams in Melbourne, Hong Kong, Dubai, Jersey and the UK are able to provide client coverage across its clients in multiple time-zones, including Japan where Praemium now has a client presence
- The shift to remote telecommuting is expected to have a material impact on expenses and staff productivity going forward

Takeover offer for Powerwrap

Powerwrap

Specialist platform with FUA of $8.5 billion[1]

Provides sophisticated HNW investment solutions with $2 trillion addressable market[2]

Offer consideration

7.5¢ cash and one Praemium share for every two Powerwrap shares[3]

Funded by a mix of scrip, cash and a term loan facility

Board Recommendation

Powerwrap's Board has unanimously recommended that shareholders accept in favour of Praemium's offer, subject to a superior proposal[4]

Timing

Agreed exclusivity during offer

Expected completion in September 2020

Highly synergistic

Full year EBITDA operating cost synergies are expected (on a preliminary basis) of $6.0 million by FY2022

Stronger together

Combined Group with FUA over $28 billion

Greater scale, international reach, improved inflows and more diversified customer base

Highly attractive specialist platform proposition combining PWL's execution and alternative investment capabilities with PPS' reporting and administration strength

1 As at 30 June 2020
2 Powerwrap / Investment Trends High Net Worth (HNW) Investor Report 2019
3 Based on Praemium's Volume Weighted Average Price (VWAP) of 37.89¢ for the 5 trading days prior to the announcement of the proposed transaction on 9 July 2020
4 Refer Bid Implementation Agreement's (BIA) for summary of conditions

Powerwrap and Praemium – stronger together

Praemium's reporting and administration strength combined with Powerwrap's execution capabilities and broad range of alternative investment options will create a highly attractive specialist platform solution.

Powerwrap today

- Complex HNW portfolios with average account $1.9M
- Full HIN-based account allowing all corporate actions
- Experts in alternative assets and hedge funds
- Tax report for every asset class

Merged Group differentiators

- Broad product suite for the complex needs of HNW clients
- The most accurate portfolio and tax reporting engine
- A unified platform for custodial and HIN-based portfolios
- Serving advisers in Australia, Hong Kong, Singapore, Dubai, RSA, Japan and the UK

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Looking forward

Q&A

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