ASX Announcement 29th April 2020

March Quarterly Update and COVID-19 Response

Powerwrap Limited *(ASX: PWL)* today provides an update on the business for the March 2020 quarter.

Key points

- Despite recent market developments, Powerwrap is in a solid financial position, remains debt free and has significant cash at bank
- Funds Under Administration (FUA) of $7.9 billion at 31 March 2020
- FUA decreased $0.82 billion in the March quarter yet increased $0.36 billion in the 12 months to 31 March
- Net flows were $66 million for the quarter and $517 million in the 12 months to 31 March
- Powerwrap's Business Continuity Plan is in effect and the business continues to operate smoothly
- New client wins include two new Tickr clients in Sydney
- Extensive cost reductions implemented following a comprehensive review

Financial position

Despite recent market developments, Powerwrap is in a solid financial position, remains debt free and has significant cash at bank.

The revenues of Powerwrap are impacted by the COVID-19 crisis. Since the onset of the crisis, revenue has increased compared to the pre-crisis level. This is because cash balances and trading volumes have both increased significantly, more than compensating for a reduction in the margin earned on cash balances following interest rate cuts in Australia and the US. Overall there was an improvement in Underlying EBITDA from a loss of $600,000 in the December quarter to a loss of $270,000 in the March quarter.

The longer term impact of the crisis on revenue is impossible to forecast with accuracy. There is likely to be an impact on administration fees as funds under administration have declined markedly from the peak. This decline will be somewhat ameliorated because a significant portion of the total administration fees are capped (due to Powerwrap having mainly high balance accounts). Once markets return to more usual conditions, revenue from trading volumes and cash margin may be lower than just prior to the crisis.

The cost base of the business is being reset with the intent of preserving the cash position and delivering cash breakeven earlier. The business has restructured its headcount and is reducing operating expenditure to achieve a sustainably lower cost base. In addition, Powerwrap management and board will be temporarily reducing their individual salaries by 20% and other staff have been asked to reduce their salaries by 10%. Powerwrap will also reduce capital expenditure. The initiatives taken are intended to reduce the total cash expenses by over 20% per annum, although it is too early to make a definitive projection until the post COVID-19 environment is better understood.

COVID-19 update

In this challenging environment Powerwrap wishes to reassure its clients and shareholders that our Business Continuity Plan is in place and working smoothly.

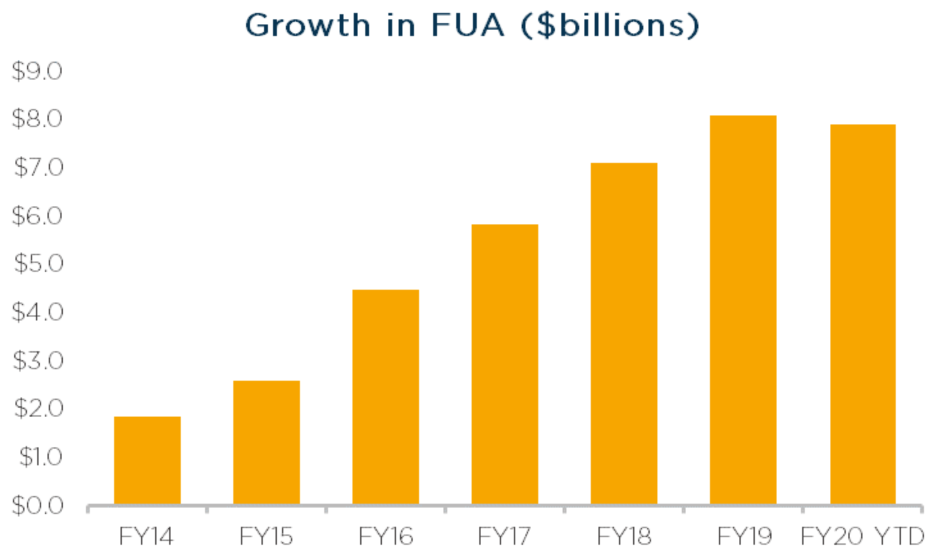
Powerwrap is operating remotely and it is business as usual for clients and our people.

Volatility on equity markets is very high which has led to higher than normal transaction volumes on the platform. Our team and technology have responded very well. Client service levels have improved on all measures.

The safety and health of our employees is paramount, and we will continue to take necessary precautions to protect them.

FUA update

Powerwrap FUA was $7.9 billion at the end of March. Adverse and volatile market conditions reduced this from a high of $9.2 billion in February this year.



	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Opening FUA ($m)	6,822	7,123	7,694	7,285	7,579	8,099	8,375	8,758
Net flows ($m)	28	502	-46	-41	199	44	208	66
Market Movement ($m)	273	69	-363	335	321	232	175	-889
Closing FUA ($m)	7,123	7,694	7,285	7,579	8,099	8,375	8,758	7,935

Over the past quarter Powerwrap added two new Sydney based Tickr clients to the platform. The onboarding of these assets is expected to occur during the June quarter. The pipeline of sales opportunities remains healthy although some slowing in the rate of new client transitions onto the platform is expected over the coming quarter.

Outlook

Given the current challenging conditions in the market and the uncertainty of how the economy will fare in the next quarter, Powerwrap is withdrawing its FY2020 forecast.

Powerwrap is in a sound financial position and is taking prudent steps to adjust its cost base and conserve cash through this highly unusual and uncertain period. The cost reductions have been carefully researched and are not expected to impact client service levels. Underlying operational indicators have improved significantly in recent years. Powerwrap will maintain focus on continuous improvement utilising the Lean Six Sigma methodology combined with targeted enhancements to the functionality of the platform.

By Order of the Board.

About

Powerwrap Limited (AFSL No. 329829) is one of Australia's leading wealth management platforms, offering a comprehensive suite of investment, administration and shared services to high net worth advisors.

Powerwrap's unique, bespoke-style platform service offers the broadest range of products in the market across all asset classes and utilises best of breed execution capabilities for all securities, something most platforms cannot do. Through Tickr, Powerwrap supports investment professionals looking to start an advisory business with a range of key shared services including compliance, finance and technology services. Powerwrap's open-architecture technology and experienced in-house execution team enable it to deliver unique flexibility and efficiency for its clients.

Further information contact

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