

FY20 Annual Results

Powerwrap Limited (ASX: *PWL*) today provides an update on the business for FY20.

Key points

- Total revenue of \$21.4 million, a \$4.5 million (27%) increase from the previous year
- Q4 was profitable
- 80% (\$3.6 million) improvement in underlying EBITDA
- 66% (\$3.6 million) improvement on underlying net loss
- Positive cash position - \$15.6 million as at 30 June 2020
- Flat operating expenses
- FUA of \$8.45 billion, \$9 billion at 26 August 2020
- Net flows of \$353 million and a positive start to FY21 with the signing of a significant new contract
- The business remains in a solid financial condition despite the continued impact of COVID both nationally and globally.

Underlying financial results

	Prior year comparison ('000)			
	FY20	FY19*	Change	% Change
Total Revenue	21,399	16,811	4,588	27.3%
Employee benefits expenses	(10,632)	(9,930)	(702)	7.1%
Direct expenses	(6,789)	(6,491)	(298)	4.6%
Operating expenses	(4,861)	(4,872)	11	(0.2%)
Total Expenses	(22,282)	(21,293)	(989)	4.6%
EBITDA (excl SBP)	(883)	(4,482)	3,599	(80.3%)
Loss After Income Tax	(1,839)	(5,411)	3,572	(66.0%)

* Adjusted for AASB16

Total revenue for the FY20 year was \$21.4 million. This represents a \$4.5 million (27.3%) improvement from FY19. The key contributors to this result were higher cash balances resulting in strong cash margin revenue, platform administration and transaction revenues.

Operating expenses remained flat and direct expenses were minimised through the renegotiation of agreements with a number of suppliers.

EBITDA for the year was -\$883,000, an 80.3% improvement on the prior year.



Financial comparison to prospectus forecast

Powerwrap outperformed key metrics in comparison to Prospectus projections.

Revenue was \$2 million ahead of forecast, and headcount, direct and operating expenses were kept under prospectus expectations.

This resulted in a \$2.3 million improvement in the Net Profit performance to the Prospectus forecast.

Actual underlying Vs. IPO

Comparison to IPO forecast (\$'000)				
	Actual FY20	Forecast IPO FY20*	Change	% Change
Total Revenue	21,399	19,350	2,049	10.6%
Employee benefits expenses	(10,632)	(11,512)	880	(7.6%)
Direct expenses	(6,789)	(6,811)	22	(0.3%)
Operating expenses	(4,861)	(5,139)	278	(5.4%)
Total Expenses	(22,282)	(23,462)	1,180	(5.0%)
EBITDA (excl SBP)	(883)	(4,112)	3,229	(78.5%)
Loss After Income Tax	(1,839)	(4,133)	2,294	(55.5%)

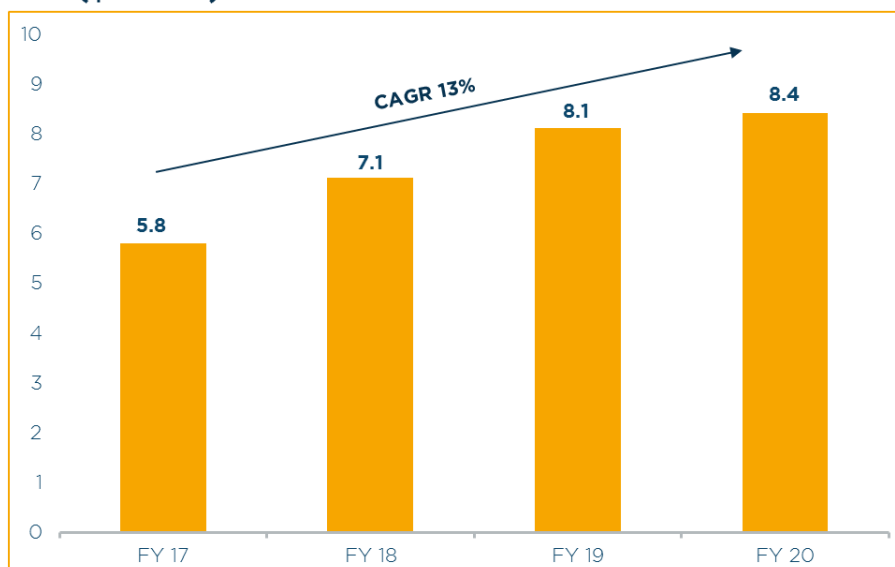
Balance sheet

Despite the impacts of COVID19, Powerwrap remains in a strong financial position. It was cashflow positive for the June quarter, with \$15.6 million in cash at bank.

FUA and net flows

Powerwrap FUA was \$8.45 billion at the end of June, an increase of \$351 million from 30 June 2019. At 26 August, FUA was \$9.0 billion.

FUA (\$billions)



Net flows have been relatively flat since the IPO in May 2019. Most of the planned growth anticipated from existing clients has not yet occurred.

One of the key challenges has been inertia and the difficulties faced by corporates deciding to move platform in a time of remote operations.

Notwithstanding, start of Q1 FY21 has been positive with recent signing of wealth management boutique Emanuel Whybourne whose principals previously managed approximately \$750 million.

Powerwrap net flows

\$ million	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20
Opening FUA	6,822	7,123	7,694	7,285	7,579	8,099	8,375	8,758	7,935
Net flows	28	502	-46	-41	199	44	208	66	35
Market movement	273	69	-363	335	321	232	175	-889	480
Closing FUA	7,123	7,694	7,285	7,579	8,099	8,375	8,758	7,935	8,450

Business update

Qualis Capital win

Powerwrap has secured a 5-year contract with hedge fund platform Qualis Capital LLC (Qualis) from New York. Under the terms of the agreement, Powerwrap is providing the administration service to all Qualis investors globally.

Powerwrap has a 4% equity stake in Qualis and will receive a minimum annual administration fee of US\$300,000.

Client update

Throughout FY20 Powerwrap continued to focus on the High Net Worth (HNW) investor segment, signing a number of new agreements including three new Tickr groups.

COVID impacts have slowed Powerwrap net flows to June but we are confident these will improve through the expansion of existing clients.

Powerwrap recently communicated a key agreement with Emanuel Whybourne, a new wealth management boutique. The group previously managed approximately \$750 million.

Praemium off market conditional takeover bid

On 9 July 2020, Praemium Limited (ASX:PPS) announced an off-market takeover offer to acquire all the issued shares of Powerwrap (**Offer**).

The Directors of Powerwrap unanimously recommended that shareholders accept the offer and have outlined the reasons for doing so in the Target's Statement that was released on the ASX on 31 July 2020 and summarised on the next page.

Immediate Operational Scale Benefits

Combined FUA of over \$28bn, improved inflows, a more diversified customer base, international reach and a larger and more flexible balance sheet.

Strengthened Technology & Product Offering

Access to the full suite of enhanced Praemium technology, complementing and expanding our ability to serve the complex needs of the High Net Worth Investor (HNWI).

Attractive Premium to VWAP

The Indicative Price of 26.44 cents represented an attractive premium to Powerwrap's closing share price and VWAP at the Announcement Date, being a 64.6% premium to 1-month VWAP of Powerwrap Shares of \$0.161.

As at 26 August 2020, the implied value of the Offer Consideration is 32.50 cents per Powerwrap Share representing a 102% premium to the 1-month VWAP at the announcement date.

Access to Synergies

Expected full year EBITDA operating cost synergies of up to \$6.0 million by FY2022, with further potential to reduce capitalised software development expenditure.

Potential revenue synergies generated through cross-selling of products, strengthened client engagement, integrated technologies and coordinated sales programs.

Potential Valuation Re-Rate

Powerwrap Shareholders provided with greater liquidity and marketability of their shareholding through exposure to a company with a larger market capitalisation, which could potentially benefit from a valuation re-rate in line with other leading Australian financial platform businesses as a result of the above mentioned operational and financial benefits.

The detailed terms and conditions of the Offer are set out in the Bidder's Statement which shareholders will have received from Praemium. The Offer is dated 31 July 2020 and will close at 7:00pm (Melbourne time) on 21 September 2020, following an extension to the Offer close date announced by Praemium on 20 August 2020.

As at 25 August 2020, Praemium's relevant interest in Powerwrap had increased to 32.68% resulting from receipts of acceptances of the Offer.

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 advisers.

Powerwrap's 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 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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