

Iress and OneVue delivering end-to-end investment infrastructure

November 2020



Leveraging market-leading strengths



The combination of Iress' technology footprint and OneVue's market-leading managed fund admin business provides a unique opportunity to deliver end-to-end investment infrastructure.



Seamless execution of investment advice from Xplan.

Improved efficiency and transparency for all participants.



In addition to existing organic growth across OneVue's business lines, the transaction presents a material new recurring revenue opportunity.



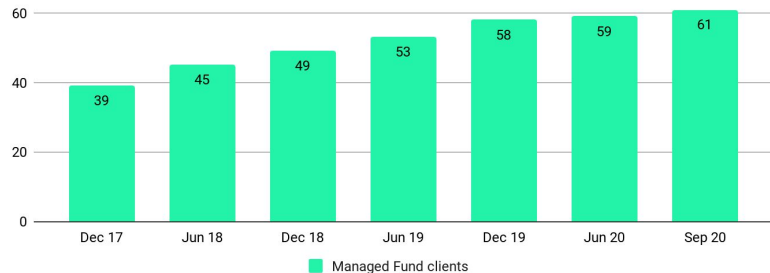
Addressable revenue pool is \$3bn+.

Margins at scale, in line with Iress group average.

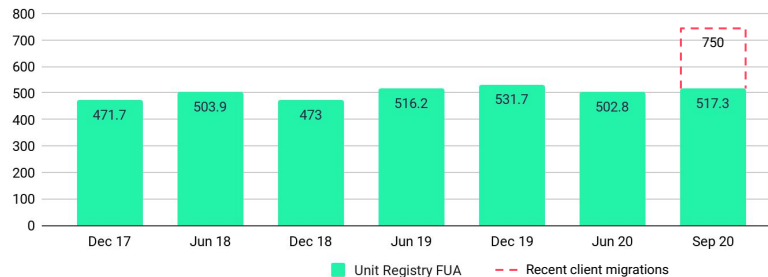
OneVue key metrics - scale in managed fund admin



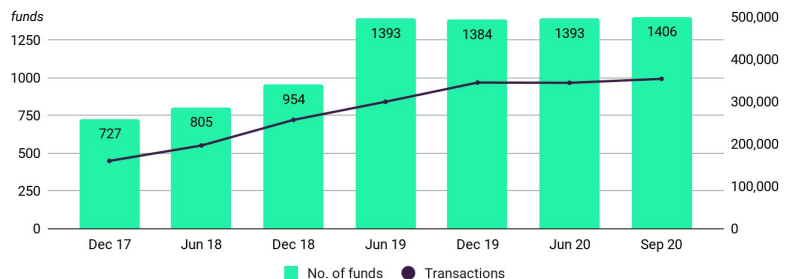
Fund Managers



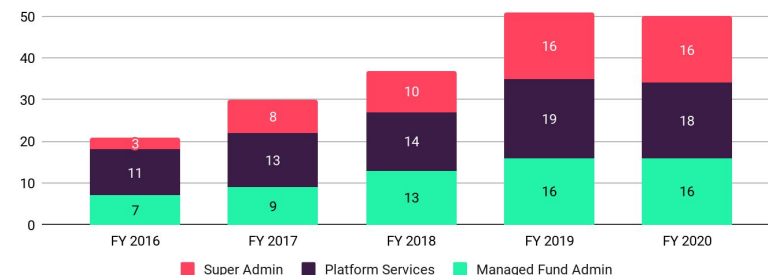
Managed Fund Admin FUA (\$b)



No. of funds / Transactions



OneVue Gross Revenues (\$m)



Investment infrastructure that will benefit all participants

Iress and OneVue combined will provide open infrastructure to enable the industry and investors to transact and report seamlessly.

Improved efficiency and transparency for all participants.

Clear plan to integrate and deliver new investment infrastructure-as-a-service to clients from 2021.

OneVue

Largest single third-party fund registry in Australia*. Also provides retail platform licensing and technology.

Iress

Largest provider of adviser and trading software in Australia.

Investment infrastructure

Seamless, straight-through-processing from advice to execution for all asset classes

Reduce advisers' costs by removing execution inefficiency

Allows the direct connection of investors and their investments

Reduce licensees'/ dealer groups' compliance and monitoring costs

* As at November 2020: 1500+ funds, FUA \$752bn.

Advisers seeking desktop as core system



Advisers use more than two platforms on average.* 40 percent of advisers use more than two platforms (this has increased from 31% in 2012).

Approximately two-thirds of advisers want client data to be aggregated in adviser software. This increases to 78% for advisers in the 18–35 age group and is broadly consistent across different types of licensees (e.g. dealer group, independent).

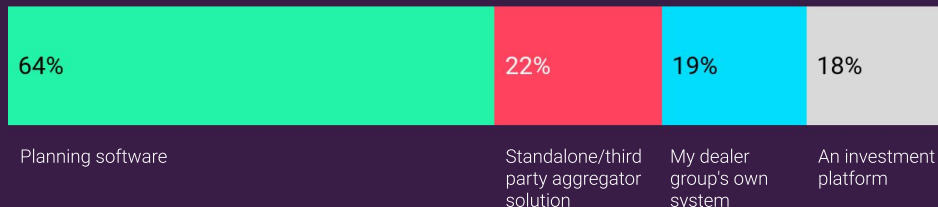
Why?

Unlisted managed funds make up 63% of total funds under administration on retail platforms.

Despite this, less than 10% of an investor's investments (advised, non-advised) is managed funds. The client balance sheet is broader than 'investments' reflecting the breadth of advisers' role and the systems needed to support this.

Source: Investment Trends 2019.

If one source could aggregate all client data, what would be your preferred system to use?*



*Multiple responses permitted.

*Number of platforms used by planners for new client inflows. (Investment Trends 2019)

Today: complex, disconnected, and inefficient



Over time, financial services infrastructure has developed multiple layers adding cost, complexity and risk.

Simpler end-to-end technology is more efficient and creates a better experience for all participants — including investors.

	Investor	60–185 bp
	Advice	30+ bps → fees
Distribution	Platform: Licensing/Features/Modelling	20–45 bps
	Trustee/Licensee	
Investor & Member Admin	Platform: Admin/Registry/Custody	20–45 bps
	Superannuation: Retail/Industry/Corporate	
	Registry: Administration & Record Keeping	
	Listed Securities	
	Unlisted Investments	
Asset Management	Transaction Processing & Data	10 bps
	Sub Custodians (listed)	
	Sub Custodians (un-listed)	
	Middle Office/Admin Services (FA, Tax)	
	Custodian	10–100 bps
	Investment Manager	

Inefficiencies for the industry and investors



Investors

High cost to transact and hold assets.

Limited access to consolidated balance sheet.

Limited options for advice for the right things at the right price.

Don't want paper-based forms or clunky online execution.

Contributing factors

Tools have been developed to serve particular needs over time.

Not a one-size-fits-all system.

Lack of scale as technology is not at the core of the proposition and system.

Duplication across technology and operations.

Cost and margin pressure.

Increasing regulatory scrutiny.

Advice businesses

Fragmented, multiple systems across advice and execution drives inefficiency and compliance risk.

Challenge to deliver different types of advice profitably.

Restricts options for growth.

Fund managers

Limited connection to investor.

Delivery of product to advisers is too slow via traditional methods and layers.

Limited automation options.

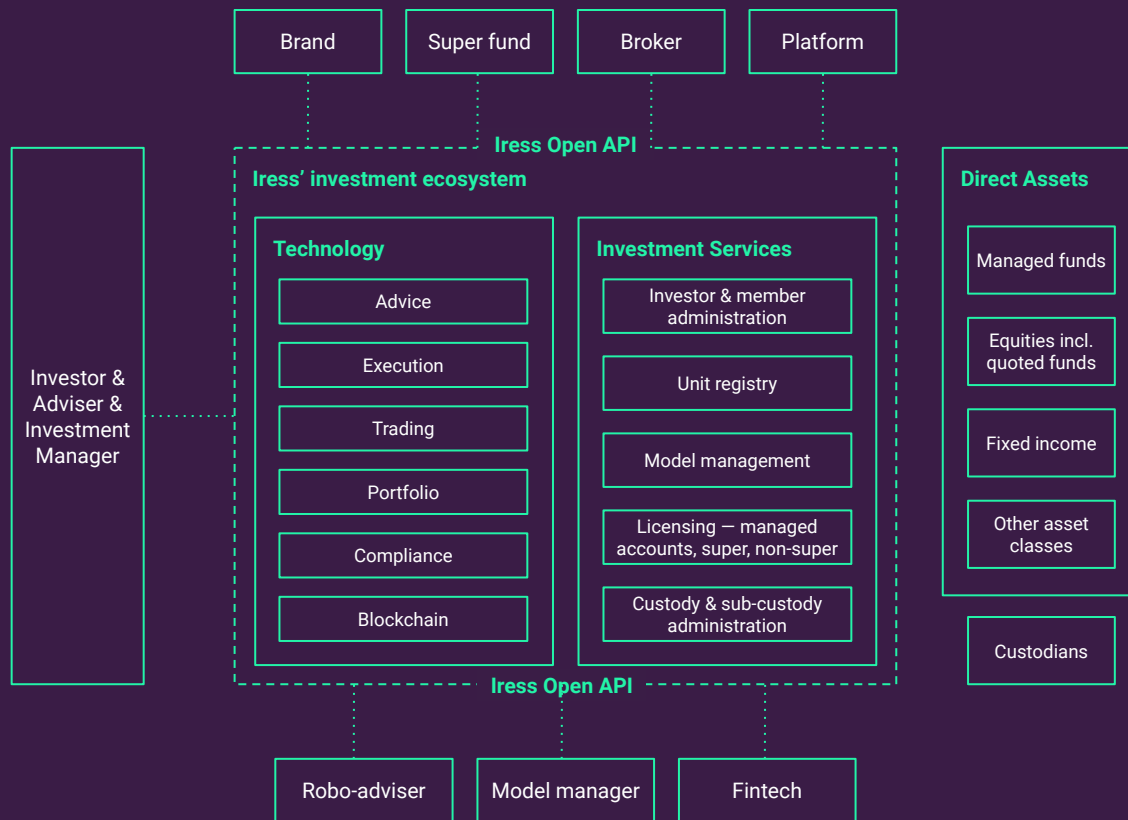
Iress' infrastructure extended by OneVue acquisition



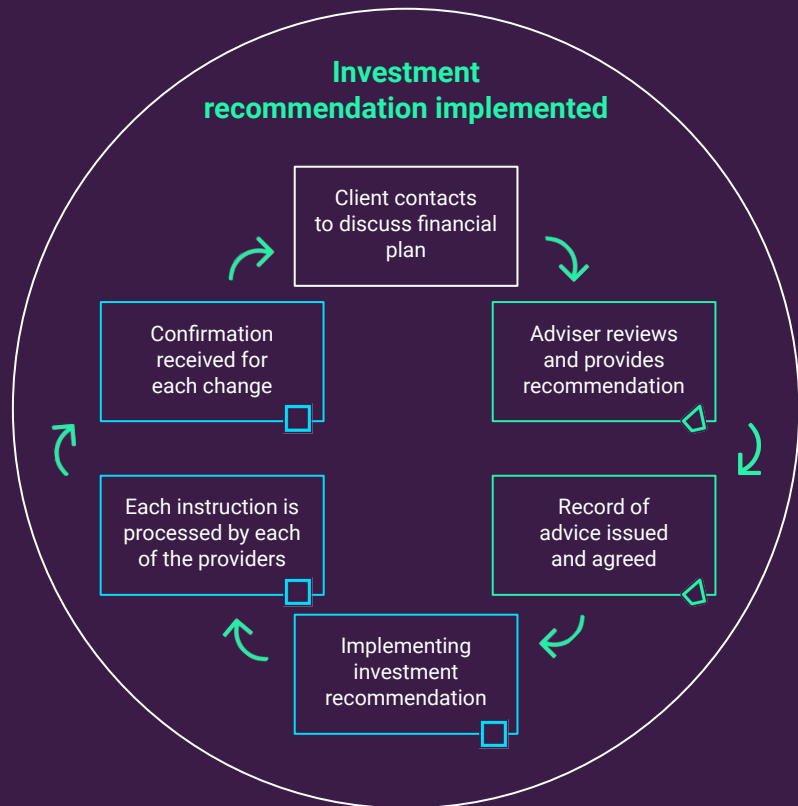
Technology and investment infrastructure.

Investment technology delivered as-a-service (subscription & usage basis).

- Digital
- Open
- Connected
- Straight-through
- Efficient
- Cloud first



Iress to deliver seamless execution of advice via Xplan



Delivers significant benefits to advisers:

The integration of Xplan and Iress' Order System with OneVue's technology and registry will allow advisers to execute advice, and access and report on their clients' investments within a single ecosystem.

Benefits to advisers include speed, efficiency, and transparency.

A necessary step to enable end-to-end digital advice.

This approach does not currently exist in Australia.

An actual adviser experience currently:

100 clients

3–5 hours spent per client per investment process

500–800 hours per annum across client base at a cost of \$75,000–\$100,000 per annum.

Benefits for all participants across the value chain



Retail financial services

Financial services businesses can create a new proposition without having to invest in underlying infrastructure.

A retail platform can access scale benefits and outsource aspects of operations.

Retail broker

Retail brokers evolving whole of household wealth management services want to access other investment types directly and efficiently from their familiar order pad.

Super funds

A super fund can automate its core member registry operations for scale.

A super fund can introduce options for members to access direct investments including non-super.

Fund manager

A fund manager can deliver a paperless straight-through and digital experience to its investors for buying and selling managed funds and managed accounts.

Wealth manager

Wealth managers can scale operations electronically and close the loop on advice and investment implementation.

Fintech

A fintech can specialise at the front-end and deploy quickly without the need to invest in back-end infrastructure.

Robo-adviser

An advice business can offer a digital scaled advice proposition that allows electronic and real-time onboarding and investment execution.

Custodian

Custodians can streamline and reduce errors by implementing blockchain communication between themselves, registries, and platforms.

Investment infrastructure-as-a-service



Appendix

Pro forma results, synergies and balance sheet



Proforma Combined Profit and Loss Statement for the 12 months ended 30 June 2020

	Iress	OneVue	Adjustments ²	Proforma Combined
Operating revenue	537.9	49.1	(0.7)	586.2
Operating expenses	(388.0)	(42.5)	0.7	(429.7)
Segment Profit	149.9	6.6	0.0	156.5
Share based payments	(19.9)	(1.3)		(21.2)
Non-Operating Items ¹	(0.8)	(27.2)	27.2	(0.8)
EBITDA	129.1	(21.9)	27.2	134.4
Depreciation	(24.0)	(2.0)		(26.0)
Amortisation ⁴	(14.5)	(4.3)		(18.8)
Interest	(8.7)	(0.8)		(9.5)
NPBT	81.9	(29.0)	27.2	80.1
Tax ³	(20.9)	0.5		(20.5)
NPAT	61.0	(28.6)	27.2	59.6

1. OneVue non operating items includes write down of Sargon receivable (\$26.1m) and restructuring costs (\$1.1m)

2. Adjustments to eliminate intercompany sales and eliminate one-off receivable write-downs and restructuring costs

3. Assumes tax position remains unchanged

4. Excludes amortisation of intangible assets on the acquisition of OneVue by Iress which is subject to Purchase Price Allocation Accounting

In 2021 Iress expects to achieve corporate cost synergies of around \$3m, and a full annualised run rate of savings of around \$4m by 2024.

Iress expects to invest around \$7m to integrate and accelerate its OneVue strategy.

Investment areas include: integration of Xplan with OneVue technology; migration of the OneVue Super administration business to Iress' Acuity platform; and investment to uplift and align network design, operational security and architecture to Iress' cloud strategy.

Iress will report these costs as "Non-Operating Items" over the next 2 years with the majority expected in FY21.

Post completion Iress' net debt to Segment Profit leverage ratio remains conservative at ~1.0x pro forma Segment Profit.



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