

Okay, today I am pleased

to welcome back Mr. Anthony Wems stacker from, uh, premium,
uh, PPS is the code.

This is the company that provides software
for financial planners and wealth, uh, managers.

So, you know, basically helping them manage their business,
the clients, the client's investments.

So think portfolio management, think tax reporting,
think compliance, governance, all of that kind
of stuff, all in the one spot.

Um, when we last spoke with Anthony of August of last year,
uh, actually it was an interesting day.

It was that company had spiked 25% odd on the back
of some encouraging results,
and it's been really good to see that the, uh,
the company continuing to get a bit of traction here.

So, I've, uh, got a lot of questions for Anthony.

Really keen to dive into it
and find out what's happening before I do.

Please remember, none of this is, uh,
financial advice as everyone knows.

Uh, and if you do have any questions, you can use
that Slido link and I'll, I'll put them
to Anthony at the end.

Uh, all that has been said
and done though, Anthony, thanks for your time today.

Yeah, pleasure. Good to talk to you, Andrew,
and the people listening in.

So, look, as I say, it seems like, uh, premium's,

um, doing pretty well.

The markets seem to have taken notice here.

I'll, I'll throw it to you In terms of

where you wanna start, what's, how, how would you sort

of summarize the, the last 12 months or so?

Yeah, well, the, um, the, uh, first of all, in terms

of the context, uh, I think that, you know, people

who know our industry, uh, talk about hub

and net wealth a lot, pardon me.

Uh, talk about Hub and net wealth a lot. Mm-hmm.

And, uh, and the reason for that is

'cause there's still very substantial shift

in market share occurring from, uh, the legacy

platforms, as we call them, the four big platforms,

which is those provide by Insignia, a MP, Westpac, Panorama,

and, uh, the old Colonial CFS business,

which is now part owned by KKR as well as still, um,

part owned by Commonwealth Bank.

Mm-hmm. So those four platforms have been losing about 3%

market share a year.

Mm-hmm. The sector itself is about a \$1.2 trillion industry.

Uh, and, uh,

that's \$1.2 trillion in funds under administration on the

platforms, all of it, uh, directed

via financial advisors.

So financial advisors, when they're

managing a client's portfolio, uh,

they use a platform to do that.

So, uh,
so the financial advisors are, um,
are still using, platforms are still growing significantly,
but they're increasingly shifting away from the older
platforms and the more modern platforms, hub Netwealth
and premium rank in we're the top three platforms.
And there's nothing between us on the survey
that surveys the quality of the platform.
Mm-hmm. So that, um, market share shift
that's going on is significant,
and it means that urban Netwealth,
even though they're still smaller in terms of four,
are actually VA valued much higher than, uh,
than the legacy, uh, platforms Insignia
and a MP, the two that are listed
then Panoramas are owned by Westpac.
And, uh, and, uh, as I said earlier,
CFS is owned basically a joint venture between, uh,
KKR private equity and CommBank.
So, pardon me.
So what that means is the market is valuing the market
share shift and the,
and premium, which is much smaller than Hub or Netwealth.
Their, their market cap is 20 times our market cap.
But depending on the level of confidence that people
being shareholders and investors
and analysts have in premium's ability
to generate our fair share of that shift in market share,
that determines what the perception of of us is.

Hmm. Uh, we, we've, the last year has been very much driving to capture our share of that.

Uh, the first thing about that is we've launched a new, uh, product, the Spectrum product we call it.

Yep. But it's a full, uh, IDPS an investor directed portfolio service, or a wrap account as we call it.

Prior to that, we didn't have a comprehensive product, even though we were doing quite well, we didn't have a comprehensive product in the market.

Mm-hmm. We have the view that, uh, launching that product into the market gives us the opportunity to start to capture a much greater share of that market share shift that has been going on, the 3% per annum, which has been pretty consistent for five, five and more years now.

Uh, and should we do so then we feel we'll, uh, see that valuation gap close between ourselves and Hub and Netwealth.

So what we've done over the last year is pretty much that just say Right, launch that product, there's been, uh, other in initiatives behind the scenes to make sure that our product fits the market, but that, that was where the focus was, uh, for the last 12 months.

Yeah. Um, gosh, there's heaps to unpack there.

You know, Anthony, one of the things as an investor that's always super interesting, at least for me,

is when you see what might be called a structural shift in an industry, when you have players in there shifting from what you would call sort of legacy solutions to sort of the, the, the new stuff.

And it, it's, it's fascinating for a couple of reasons.

And, and I'll, I'll, I'll put this to you and, and you can correct me or confirm or, or add, add a bit of color to it as the, as the analyst like to say.

But one of the things that, you know, with platforms in general, and I'm sure it's true in, in, in your case, is that they tend to be pretty sticky.

Uh, anyone who uses any kind of software to manage their business, it's, it, there has to be something more than, it's a bit better to make the switch.

'cause it's generally painful. You've got a lot of processes built around it.

There's usually some, there's, you know, challenges that, that, that come with doing it.

But it strikes me that when you see the big incumbents losing that much share on a pretty consistent basis, given the stickiness of, of this, it shows you how I was gonna use a swear word, terrible.

They, they probably are.

And that it is a, it is an opportunity.

And that once, once you do have that client again, that stickiness can, can work in your favor, which I,

I suppose is why the, the, there is such a, a,
a big focus on, on winning, um, share
as this shift continues to take place.

More of a comment than a question, I suppose,
but where would you correct me
in, in terms of that appraisal?

No, it's a good comment, Andrew. And it's very true.

And the reality is, if they weren't sticky, then
a lot more than, uh, like five years ago, just
to pick the last five years,
but it's been longer term than that, the trend.

But five years ago,
those four platforms I mentioned had 70% market share.

Now they've got 55, so 15% has gone.

But in that time, throughout that period,
the three platforms, uh, the Hub and Netwealth
and ourselves have had a much superior product.

And so if it wasn't for that stickiness yeah.

Arguably much more than, uh, 70%, uh, 15% would've shifted.

Arguably, most of the 70% would've shifted. Yep.

But that stickiness just seems to mean that
about 3% can shift each year.

Yeah. Uh, so that's the, those who over those advisor
who overcome that inertia In terms of, um, uh,
one other dynamic in the market that, uh, is important
to understand is that the platforms,
those legacy platforms build up their market share, uh,
through inner environment

where there was vertical integration.

So those big firms, a and p is a classic example.

They owned all parts of the wealth management stack.

Uh, one of the things they did is they licensed the advisors and gave them the license to be able to give advice.

They built the platform that, uh, they, that would, uh, the, the service would be run on in those days.

They started out, you know, they were, um, bespoke solutions and later iteration was master Trusts, and now there's wraps.

But basically they built the administration service, which we now call platforms, and they did even the investment management and the wealth management.

So it was vertically integrated.

Now, the part that has completely disappeared from the Big four Legacy players, uh, is the advice, uh, the only two that are still giving advice, uh, you know, licenses to advisor a MP and Insignia.

And they've both said they're getting out and they've got, uh, you know, they've got less than a thousand advisors that they license now out of 15,000.

So the advisors went first, they went and got their own license, or they, uh, they put pardoned up with other advisors and formed mid-size firms.

And after they've got their license separated from the

Legacy, then over time they separate the other things.

They select better investment managers

and they select better platforms.

But the reality is that, you know,

there's virtually no advisors still being licensed

by those big four platforms.

So there's no reason people have

to keep using those platforms.

They've got the choice. And that's what drives a 3% shift

that we're now seeing on a regular basis year after year.

Yeah. Gosh, I could write a case study on

how a MP dropped a very big profitable ball

and just really made, uh, made a mess of,

of an incredible incumbency there. Um, that's, well,

I know that's not the topic of today,

but, you know, uh,

for your investors it does show you the importance

of getting on the right Yep.

Theme and the right trend.

Because, you know, those of us who are old enough, remember

that a MP made an attempt to take over Westpac

that was blocked by the then treasurer Paul Keating,

who talked about the six pillars

and said, there's not four pillars.

The four big banks, there's six pillars.

'cause it included a MP

and then National Mutual were the six,

and they, they were all not allowed

to merge or take over each other.

So a MP was blocked from taking over Westpac.

Whereas now a P'S since acquired what was left of National Mutual, which was then part of axa.

So two of those pillars are now one, and they're in a MP.

Yeah. And Westpac could buy a MP with about one month's earnings.

So it just shows you, for all the criticism we'd give of the four big banks, they've just, you know, compared to a MP and National Mutual and the other, yeah.

What were the wealth businesses?

They've just taken over, you know, in in market cap terms.

Outrageous, Anthony.

And they, they say small and midcaps are risky.

Um, there's, there's a case in point of where Blue Chips aren't that aren't that blue, but as, as you say, it's, it's, it's a, it's a favorite, well, it's a favorite whipping boy for me, but I I, I won't go there.

I, I guess what I will ask you, uh, is people was sort of,

um, new to this space

or just sort of platform development in general might sort of say, well, okay, they're losing market share, but they're pretty big and they're incredibly well resourced.

Now they've observed this loss of market share.

Like, why don't they just double down on the investment?

And I guess my take on

that would be this legacy software is hard, right?

You get to a point where it's really, you have to throw it all in the bin and I suppose, um, and start from scratch, which, which is I suppose the, what do they call it, the Innovator's dilemma and, and the opportunity that Premium and others are, are taking advantage of.

Is that a fair comment?

Yes, it is. And uh, I think the case study there is the one that you'd be most threatened by as a, uh, as somebody who's gaining market share like we are from those people, is now CFS given it's owned by private equity.

And you think, well, they'll yeah. Know what they're doing.

They're on a, you know, five to seven year investment horizon and they'll wanna see a dramatic turnaround in that period.

But they've now, uh, taken the decision, uh, to, uh, build a new platform or have it built for them by, uh, by FNZ.

And so they've essentially said, we can't build the technology ourselves anymore.

We're better to strike a deal with FNZ and, uh, and effectively, uh, use their platform as our, as our platform.

Yeah. White labeled if you like.

Uh, and more recently, insignia have done the same thing.

They've signed a deal with SS and C.

So these, uh, legacy platforms are taking the view

that they're better to white label

or to use the technology of these overseas,

uh, shareholders.

Uh, a MP also, uh, have done that some time ago.

They, um, bought a, a system called Blue Door,

which is now the basis of their platform,

and which was also taken over by S, s and C.

So they really do appear to be going down the track

of saying, building out that functionality

and the features that will give you, uh, clearly the best

technology is not something we should do.

We should just go to a provider.

And what you get for that, you get a lower cost

by all means, because you just sign a contract

and pay a, a, a fee for the, for the contract for them

to provide the technology to you.

But you lose the ability to differentiate.

You're just on the same tech as everyone else.

And what's, uh, driven the market share shift to,

to ourselves and Hub

and Netwealth has been that consistently

being the top three platforms in the independent survey.

And so we've got more of the features

and functionality that the advisors really want to be able

to differentiate their offering to their end clients.

Yep. Um,

and also, Anthony, I'll come

back to something you mentioned before.

'cause it's quite a stark fi uh, figure, um,

make making mention of Hub Net Wealth,
roughly speaking 20 times the market cap.
Um, what's, what's the, I I, I don't whether
however you wanna measure it, revenue funds under management
or whatever, I, I, I suspect that the difference isn't quite
to that same degree on, on those measures. Is that fair?
Yeah, it is. In fact, I've got it in my notebook here.
Sorry, I'm just gonna look down
because I was just updating the figures the other day, uh,
just, uh, for being able to discuss these things
in the different forums.
And, uh,
and the difference is that, uh, hub
and well now, uh, their,
their hub
and Netwealth, their UA is on platform is,
they're both at about a hundred billion.
We're at about 30 billion.
So they're three times what we are.
Their, um, revenue on that platform is, uh,
Netwealth is two 50 and hubs three 20 last financial year.
Hmm. So when you're thinking about it, that's sort
of the average revenue margin platforms are getting
something in the range of 25 to 30 basis points.
We get similar, our revenue is, uh,
is uh, about a hundred mil.
Uh, I think we were 85 last year,
but most of the analysts have got about a hundred mil on us

for this year in terms of revenue.

Mm-hmm. So again, around the 30 base points, the difference between Hub and ourselves is in addition to the platform, we've both got a quite big services business where we're providing additional services that we get charged for.

And it's not count as platform for, but if you think of the, the funds under administration and a platform gets something like 25 to 30 base points. So their revenue, just like their full is about, uh, three and a half times what ours is.

Uh, their profit is about six times on average, their profit similar and their profit last financial year, I'm using EBITDA as profit, by the way.

But, um, yeah, it, it applies to all profit lines.

It's about six times. So they're, the fact they're three times our size means they're able to get a higher profit margin outta the revenue they're getting, or their, you know, their cost to income ratio's lower than our cost to income ratio.

So their profit is six times, but their market cap is, you know, 25 times our market cap.

Right. So it shows you and the, and the difference is their funds flow is, uh, significantly higher than ours.

Their, their funds flow, they're both getting about, uh, between 15 and \$20 billion in net funds flow.

Now, when I talk about the 3% market share of the maths

of it, you know, that that net funds flow
of 3% market shares about 36 billion in shift from hub,
uh, from the challenges to Hub net wealth in ourselves.

Mm-hmm. But we're only getting about a
billion of it at the moment.

So we feel like our internal challenges,
we're not getting our fair share
of it given we're basically equal with them on platform.

And we would argue in our segment, uh,
that we target the high net worth segment, we've, the
features that, you know, we score better than them on are
what the high net worth segment wants.

So we feel we're, you know, not achieving what we should,
we're punching below our weight, if you like,
but that shows you, it's the net funds flow
that's driving most of the difference in market cap.

You know, if, if, if it was just the same profit multiple,
uh, you know, it'd only be six times,
but it's 20, you know, it's four times bigger than
that, it's 25 times.

So people value the, you know, the market is valuing
net funds flow because they believe like we do
that it's gonna continue for some time.

And so capturing one or two
or 3% shift in market share of a year, you put that, like,
if, if that's the end of it
and you don't get it, then the multiple goes away.
But if you've got a view that's gonna keep going

for a number of years, which we do,
and the market clearly does, then
you've gotta get more net funds flow.

So that's why that's our number one focus, you know,
even more than the profit margin.

We're not distracted from the need
to get a good profit margin.

And that comes from the scale, you know, we,
when we get more scale, we'll have a better profit
margin Yeah.

Like Hub and Netwealth.

But what we've really gotta do is get a,
a much greater share of the, the net funds flow
or the market share shift.

And that's what, uh, drives, you know,
our valuation in the long run and,
and, uh, gives the opportunity for our shareholders
to do well if we can execute on that strategy
and why we were
so focused on getting the right product into the
market over the last year.

Yeah, I mean, it, it's, it's, I mean,
it's always critical, but it's particularly critical when
you do have these sort of structural shifts
because, uh, for all the,
all the reasons we discussed before.

So, um, well, why is that, do you, do you think, I mean, I,
I, I won't, I won't ask you to comment on
what the market thinks in terms of multiples,

'cause the market's gonna do whatever the market's going going to do.

But in terms of the customer base, when, when they're, they're going away from legacy, they're looking at the new up and comers, why is it that the majority of the funds flow is going to, to Netwealth and, and hub and not that is it, is it in your view, I mean, partly you've sort of suggested that we need to flesh out the product offering a little bit more, which is, which has been done, but I, I guess there's a sales and marketing dimension to that as, as well.

Is there lessons to be learned or new initiatives underway to sort of try and correct that? Or is it something else that, that I'm not mentioning?

Yeah, no. Uh, the, the four things that we talk about, one is product.

And we didn't have the right product in the market.

We had a pretty good product. We were focused on the managed account segment of the platform market, which is now about 15% of the platform market.

So it's not insignificant, but it's, we were having to convince advisors you need to run all your money as a managed account.

And advisors just haven't got there yet.

Some advisors, but you know, like I say, 85% of the market is not managed account.

So not many advisors said, I'll make all
of my business managed account.

Mm-hmm. And that's why the wrap became such an important
part of what we had to do
and what we've launched called Spectrum.

But the product is one of the four big areas for us.

I, you've mentioned sales
and marketing, I separate them, you know,
we've got marketing or the brand, uh,
and then we've got the sales team and their ability to go
and generate, uh, business out of the leads
that we create through our marketing.

And the fourth area that's critical is the level of
customer service that we give to those advisors
and to their end clients.

Because the fif,
there's 15,000 advisors on the asset database in Australia.
It's financial advisors.

So it's a small cohort, you know, it's not, um, you know,
it's much smaller than, um, like the number
of accountants or whatever.

So there's good word of mouth that happens in the market.

So it's very important to deliver
a very high level of service.

So they're the four areas,
and we've, you know, been building what we do in, in all
of those four areas, product was probably our biggest gap,
but now we turn our attention to closing the gap on
what we need to do on, in the, in terms of the marketing,

the brand, how the brand resonates with
that advice community, the level of service we give,
and our sales team being able
to close the sale with those people.

Yep. Is there a, um,
or are there any network effect considerations with some
of these platforms?

And what I'm getting at here is, is there a, a component of,
of, uh, part of the offering
or all of the offering where it's sort of, the more people,
the more advisors are using it, the better it becomes?

Or is it, is that not a factor to your, to your mind?

It can be. Uh,
and what we're seeing is the bigger platforms are trying
to demonstrate that the size of the book
that they run on the platform has a merit in
and of itself to, uh, the advisor over and above scale.

And whether you can use the size
to give a lower cost to the advisors.

Mm-hmm. And the big area there is by giving access
to investments and saying to an advisor, if you come
with our platform, we'll give you a much broader spread
of investments than you can get on a smaller platform.
Because of our buying power, you know, we, we wanna,
you know, a KKR
to offer their investment alternatives on a platform,
we can convince 'em to do so
because we speak for such a big F.

So that's, that's probably the dominant area where platforms are starting to try to do that.

It didn't matter when all people invested in were shares and fixed interest, because anyone can buy a share.

So, right. You know, who cares?

But as alternatives become a bigger part of the market, all the platforms are starting to try to work out how do we offer alternative assets to advisors, because that's, you know, that's, it's a, it increasing part of the portfolio construction, if you like, or an increasing share of the asset allocation that advisor are doing is saying to their clients, you, we probably should start looking at, um, alternative assets, private equity and private credit being the two biggest ones, but some other structured products as well.

And that's where that's always been part of our sales pitch in premium, that we offer a much broader spread of assets available through the platform than any other platform.

Because from the start, we've been pretty focused on the high net worth segment, and it was a high net worth advisor who first of all started reaching out to their clients saying, we need to look at alternative assets.

And, and so we had to cater for that need from the early days.

So we've got a very good spread of investments.

But that is, is the one area where the scale of your platform means, you know, if you,

the bigger you've got on platform,
the more likely you're gonna open a door
with a alternative asset manager.

Um, it's probably beyond the scope of premium,
but just as an observer in, in the industry, why, why,
why have we seen such growth do you think, in,
in alternate investments?

Is it just that the more traditional asset classes
feel a bit full or pricey, or, or,
or is it just that, that it's the new thing in, on the block
and that people just feel as though they should offer it?
It's just, I don't know. It's an interesting phenomenon
to see that out of nowhere, it seems like this has really
been a, a, a, a, uh, an increasing area of focus for,
for people in the industry.

Yeah, it is. Look, I think to give the credit
to the industry funds
and the future fund, they started this journey earlier than
the financial advice community.

And so they started investing in this.

And I think all of the things that happened 20
and 30 years ago in Australia,
and they being under the, you know, the Keating
and a regime, the development of industry super
and compulsory super, there's a bit
of pressure around all that.

'cause today's the first day of
actually hitting the 12% contribution rate

that was Oh, yeah.

Originally part of the plan.

So you, you know, everyone who reads the financial review has seen articles about, oh, well, we're now at 12%.

So that building up of super, and particularly industry super, although we, we benefit from it too because there's a lot of super, uh, money on our platform.

Uh, and then the Future Fund under the Howard Costello government as they build up that, so you had, Australia's got a pool of capital that is beyond the local market's ability to absorb that capital.

You know, it's funny when we do things like significant investor visas in Australia and say, oh, if you've got 5 million, we'll give you a visa.

It's, we're not, uh, like a lot of countries where we've got a shortage of capital, we've built up a good pool of capital.

But it can't all just chase a SX securities.

You know, you, the, the super pool is much bigger than the stock market.

So you have to look at external or th you know, global stock markets.

But then the other trend with that, 'cause that would, that alone would absorb the capital course.

There's no limit really to the size of the offshore stock markets if you are prepared to invest in those.

But more

and more, uh, people do feel that the, the assets that are, um, gonna do well are not necessarily listed assets.

Yeah. You know, um,

and you, you don't need too many Canva of this world and that sort of unlisted private equity investment for people to say, oh, well I wish I had a been in that.

So it's not, you know, it, it, it's just the reality is an infrastructure of course, as an asset class, a lot of that's, yeah.

Unlisted. So a lot of the, the assets that seem to be attractive to people are, uh, unlist, uh, unlisted private equity investors.

And more recently, as fixed interest has come back into Vogue, uh, private credit where, you know, people say, I can only get 3% on a government bond, but I might be able to get double that on by taking a good private, uh, private credit investment.

So they go into the private credit funds, which are also another part of this alternative asset, um, mix that people take.

Yeah. It's, oh gosh, it's fascinating.

One, one quick follow up question because it is so interesting.

Is there a, particularly from your guys' perspective, is so that the, the, the, I get the value proposition, but, but I guess the, the, one

of the good things about the listed side
of things is they're so liquid,
you can press a button and you can get your money.
Whereas if you've got an infrastructure asset in Canada,
or you've got an unlisted private equity sort of vehicle,
you know, these, these transactions can, can be difficult.
Is that something that you have to pay particular attention
to in terms of the platform development side of things?
Or is, or is it not, not as much
of a deal as I'm, I'm making
Yeah, no, it, it is, uh, very important.
And of course, since private, uh, equity
and private credit, alternative assets generally have become
a much bigger part of portfolios in Australia,
we haven't had a real liquidity crisis.
And that's when the rubber really hits the road.
Um, uh, uh, for, for a platform.
Uh, as I said, managed accounts are a, a big part
of the platform market and a growing segment.
And because some, uh, private equity managers
and private credit managers have wanted to be on platform,
they've started to offer monthly redemption opportunities.
So they open it up monthly, but not all.
So the ones that are not like that,
and they just say, once you're in, you're in
and you know the liquidity, if you want to out,
you just gotta wait till we sell the assets.
Right. Well then, uh,
those are not gonna be a good asset for a managed account.

'cause managed accounts based on rebalancing the portfolio to the model manager's references at any given time.

Uh, but that's where the wrap comes in.

You can hold the alternative investments, but in a wrap.

So it's just there, you know, it, uh,

and the, the value of the platform, part

of it is getting access to it, as I said earlier, you know,

just saying we, we do have access to a broad range

of alternative assets,

but the other part of the value is just being able to

manage all the activity around that.

And that could be distributions that come,

hopefully it will be, uh, for a good investment,

but it can be drawdowns, you know, if you, yeah, a lot

of those private equity vehicles have partial drawdowns,

so it's managing drawdowns, it's managing the distributions.

If there happens to be dividends, it's managing dividends.

So that's, yeah. The, the administration function

of the platform becomes important to give access

to those investments in a proper way.

So it's, you, you still can assess the value

of your portfolio and that will, um, for better

or for worse, that will, that will become even more, uh,

an area of focus should this, uh, what,

what most people think is a quite draconian move

to tax unrealized gains.

But if unrealized gains start to be taxed in super,

which would be, uh, you know, a very unusual thing,

but if they did and they seem, uh, set about going for it,
uh, then it, for those super funds that hold
alternative assets, that will become increasingly important
to have a proper valuation process around them.

Because it's not just for your own interest,
how much money you got, but the tax office will be
paying a lot of interest as well.

Oh gosh. I will resist going down
that rabbit hole other than to say
that I don't think they've thought through all the second
and third order consequences of, of some of this.

Um, uh, yeah. Oh gosh, what madness.

Um, Anthony, I'll go back back to something you mentioned
before, which was, which was cost of these platforms.

And, and you, you suggested that the, the other, uh, uh,
Netwealth and and Hub have a bigger scale advantage and
therefore at least the prospect for,
for a bit more pricing power.

I'm keen to dig into that a little bit more in the sense
that, well, just to ask you,
it's gonna sound like a silly question.

I'm gonna say, how important is cost to your customers?

And of course, cost is important to all of us.

We all want the best product at the cheapest possible price.

But where I'm really going with this is,
and I say it as a business owner,
and I say it to other people who've,
who've been in this space, it's not if,
if all you care about was cost,

you just always get the cheapest, nastiest kind of product,
but you, you'd probably end up paying a lot
more for it down the track.

So, so I guess what I'm trying to say is here is for, for,
for such mission critical software
and for a switch that you probably only wanna make once
or twice in your entire professional career as a,
as a wealth manager or a financial planner,
how important is cost do you think, for them?
Or if, if, if I'm reading between the lines correctly?

It sounds to me like what you're saying
is, is that Yeah, sure.

It's a, it's a, it's a, it's an issue, but,
but really it's the, it's, it's, um, it's the functionality,
it's the robustness, it's the stability, it's all
of those other kinds of things which are
probably more important.

Or is, is that wrong?

Yeah, it, it depends a lot on the end client and, uh,
and you know, what they're doing with their money.

So if somebody said,
all I'm doing is putting a retail client into
either some managed funds
or some equities, a managed account type solution
and a bit of fixed interest, uh,
then you might say the functionality doesn't matter.

I just need a report.

All I'm talking to my client about once a year is

how much they made and how big their portfolio now is.

Yeah. But, uh, the more sophisticated the investor,
the more the functionality matters,
and then you're willing to pay for it, you know, to get the,
the reason that the three, you know, challenger platforms
get such a high score is

'cause our functionality is better, the reporting is better,
the way we manage managed accounts is better, the access
to investments is better, the reporting is better.

So when you, uh, when that, when you get more
and more money, and therefore more
and more of the functionality matters to your end client,
uh, then, uh, then you're willing to pay a bit more.

And it's not, uh, the 25 to 30 basis points
that a platform costs is not a big, you know, cost compared
to the overall amount that is charged by wealth management.

Now, I think most of your, uh,
people on the call probably say, that's money.

I don't waste my money on paying wealth advisors
and all this other hoopla that goes on, you know,
professional investment managers.

But it does add up, you know, in the end, the total cost
of Wealth Management Australia is probably somewhere
between one and 2%.

And some of that goes to the asset managers,
the professional asset managers,
and some of it goes, uh, to the platform that 25
or 30 that I've just mentioned.

And some of it goes to the advisor.

You know, most advisors won't give you advice now for less than seven or \$8,000 a year, uh, advice fee.

Mm-hmm. So when you add up all of that, it, you know, it can be significant.

And the platform's the smallest component of it.

So, so far we're not seeing any pressure as long as we maintain the, all the other aspects that are important in that sales process.

But if we were just a commodity, uh, then we would have to start looking at our price going down to meet the market at, at a lower price point.

Yeah. But we're not there yet.

And it's, you know, why the challenge for the, for the, um, the, the AM PS and the insignias and, uh, CFS who have all gone to global suppliers of technology, and as I say, they just, they, they've got a lot less flexibility to build out their features and functionality now mm-hmm. Is they will be forced just to get cost outta their business, keep their cost low, to keep their margin up and keep their shareholders happy, because whilst they're not growing much, uh, they've got their costs under control and that generates a nice dividend flow.

Yep. Yep. Makes sense.

Um, you know, and part of the reason I ask that as well is because you see it in some spaces where you, you, you get

what might be called the irrational competitor who,
who sells at below economic rates may be for some sort
of lost leading strategy
or feel as though it's just a land grab.

And you know, like with Uber, we'll,
we'll make it up once we've,
once we've got the market share that, that we want.
But it feels as though like that that, um, sanity seems
to be prevailing at this point in time.

Yeah, it's interesting
because when you look at the platform market in Australia,
it is, uh, there is a lot of players like we,
we think we're a very important part of the market
and we, uh, you know, as I've said earlier,
have ambitions to grow.

And if we execute on our plan, we'll grow further.
But we're still about the eighth biggest platform in
addition to the four legacy platforms and Hub
and Netwealth, which is six.

There's also Macquarie Wrap. Uh, so that's other above us.
There's seven big platforms,
and of the seven bigger than us,
they're all either got double digit market share
or they're close to it.

Uh, close to double digit hub
and Netwealth are, are snapping at the heels
of double digit market share.

Mm-hmm. Mm-hmm. So that's quite unusual. Yeah.

You think most market opportunities in Australia

and the bigger pl, you know, the only three or four will typically have 10% market share.

You know, think telecommunications like Telstra and Vodafone and Optus and think supermarkets, Kohls and Woolies type of thing.

Yeah. Uh, banking, there's four big banks with double digit market share.

So it's, in some ways you'd say it should be a pretty competitive market with at least seven players close to double digit market share.

But it does have pricing discipline because of so many are listed, you know, insignia is listed a P'S listed Mm.

Uh, hub and Netwealth are listed where Listed, Macquarie's listed.

Yeah. And then even the ones that are private equity owned, you Westpac's listed, but you know, they own Panorama.

But then CFS and CommBank, you know, it's private equity and private equity, uh, you know, are also on a limited time horizon where they wanna turn it around and get out in, in their investment horizon to close the, you know,

to get out whichever fund they've put it into KKR.

So they all seem to have a commitment to discipline.

And we haven't got anyone coming through who's primarily competing on price.

People are still competing on features and functionality.

And that's good for us

because on that, we're one of the,

you know, we're in the top three.

Yeah. Yeah. I, I have, I must admit, Anthony, you,

you've been really, um, complimentary

to particularly Hub and, and Netwealth.

So let, let me ask you, let me ask you this question.

What, what do they do? What do they get wrong if I give you

an opportunity to say, say that and, and, and

moreover, what do they get wrong

that you feel is is something that's right in the wheelhouse

of premium that you are, you are sort of almost trying

to exploit where, where there are,

where they do show a bit of weakness?

Yeah. So when I, uh, joined the As CEO,

that was about four years ago now, everyone told me, uh,

we're gonna beat Hub and Netwealth.

And I said, well, that's a big call.

'cause they are two of the great success stories in

Australia, you know, who came along

and offered a better product, uh, and took market share off.

Big incumbent players, somewhat helped

by the Royal Commission and the desegregation in

financial service that went on.

But still a great success story.

Not many markets in Australia have challenges come in

and stolen that much market share,

but nevertheless, we felt we could beat them.

And that was where our focus on managed accounts came in.

We just, you know, as a business, we had a view

that managed accounts were gonna,
they were the most efficient way to manage a platform.
And for an advisor to manage a portfolio, in the end,
they would dominate the market
and we would have the best managed account solution.
So that is the first thing.

We do have a very good managed account solution,
but when I got here, I said, you can't be all things
to all people 'cause we're not as big as them.
They're gonna have more to invest.

We've gotta specialize
and what we need to specialize in
is this high net worth segment.

Uh, and there was two big reasons for that.

One is, first of all, it is the fastest growing segment
because as the advice pool has shrunk,
advisors have increasingly moved themselves into
the high net worth segment.

They don't have to attract retail clients to be profitable.

And indeed the, um,
the retail clients won't pay them the \$8,000 a year
that they want in fees anymore.

So, uh, advise.

So high net worth is the fastest growing segment
amongst the advisor who, who, who we sell to.

But the second reason is we were very good at it.

You know, we'd built up as a high net worth platform.

We'd always had the sort of reporting

that high net worth people want, you know, better.

Not just here's how much you earn, how, here's how much you got, but better attribution analysis, better recording of

the complex asset positions they were holding.

Mm-hmm. We also had, on our platform, we had a much broader spread of assets available to the advisors, which is something high net worth people want.

We had, uh, much better tax planning tools.

In fact, some of the other platforms still don't have tax planning tools.

They're still, they're basically, they do the tax, but they're basically pre-tax platforms.

And finally, we had a very important, uh, non-custodial business, a business where we could manage the assets that high net worth people hold off platform, which is a big part of the market.

You know, the high net worth segment is, is typically defined as a, about a \$4 trillion segment.

There's only 1.2 trillion on platform in total.

And a lot of that is not high net worth money, it's retail money.

Yeah. So high net worth investors are holding still 70%, 80% of their money not on platform.

And our non custody reporting service is a very important part of giving them a whole of wealth view.

So there were all these features in our, in our business

and in our, um, technology that made us, uh, better suitable
for high net worth.

And even against Hub and Netwealth,
we can now go into a high net worth advantage.

So we'll give you a better tax reporting,
we'll give you a broader spread of assets,
we'll give you better performance reporting
and attribution analysis,
and we'll give you a better non-custodial solution
so you can manage their whole book.

And that does resonate, uh, with high net worth.

And because we narrowed the focus high net worth gradually,
our salespeople are more familiar with that message.

You know, when we talk before about
what are the four things you gotta get right to sell
and to grow your market share.

Yeah. Your sales force was one of the four,
and it's getting your sales force to really understand how
to talk to the advisors that we wanna sell to.

Yeah. Um, yeah, you've, you've,
you've touched on high net worth a few times here
and just hearing you say some of those figures here,
it just makes perfect sense
and it, it always strikes me as one non-obvious mistake
that a lot of companies make in, in the, in the realm
of software development is this desire
to be everything to everyone.

Where this is more a biased sort

of personal viewpoint than anything else,
but I, I feel as though trying
to be exceptional in one area usually tends to be the, the,
the better, uh, approach there.

Um, and what did you say, 70%
of high Netwealth funds aren't on platform at the moment?

Yeah. The high net worth segment, the people that we class
as high net worth, which, uh,
is a million dollars in investible assets.

So it's not your home, it's not your business.

It's a million dollars. You got to invest Mm.

Uh, that, that segment in Australia,
which is about 680,000 households in Australia in
that category, uh,
and they've got, uh,
collectively about \$4 trillion in assets.

And the fact that platforms are 1.2 trillion, not all
of which is that high net worth segment.

Some of that's retail money.

People have got, you know, basically just their super
that's built up over the years
and probably an average of about half a million,
that would be at least half the platform segment.

So the platform segment, the high net worth component of
that is about 600 bill of 4 trillion.

So you can see there, that's only 15% of their money.

85% of their money is not on platform.

And where are they?

One of the things we do when we go to our advisors

is we say, you know what you've got in high net worth
money on platform
because you, you talk
to your clients about it on a regular basis
to earn your advice fee,
but do you know where they've got the rest of their money
and they know they're talking to clients
and they might say, we're managing a three
or a \$5 million portfolio for you.

Mm-hmm. But they know this person's
worth more than 3 million.

They've got money elsewhere that Mm,
they've got a stockbroker, you know,
a full service stockbroker or whatever,
and I don't know where they've got their assets.

And when you go in and you talk to advisors,
I've been in a room with four
or five advisors who work as part of the same practice
and they look at each other
and say, yeah, where are, where is all this money?

Right? So it's a big selling point for us to say,
you could go to your clients
and you could say, we can offer you
a noncustodial reporting service as well.

And that's much better than just turning up
to your accountant and getting your account
to do it once a year Yeah.

As part of your tax return.

Yeah. Gosh. Love it.

Um, got the hours going by really quickly here.

One of the things I wanted to ask you on,

because it was, it was, um,

more recent at the time was the OneView acquisition.

So, um, pretty much tucked in, do you think at this point?

Yeah, we've migrated most of the money from the, um,

OneView platform to our platform.

There's still about of the,

there was about 20 clients all up or firms using it.

Yeah. We're down to about the last four

or five now that we're gonna migrate across.

So, uh, that'll happen in the next, our final deadline

of is about the middle of October.

That's 18 months

after we bought it, you know,

bought on the 15th of April last year.

So 18 months was the term of the,

the transitional service agreement we got

with the vendor Iris.

Uh, so we want to be done by then.

So, uh, we'll, we'll, uh, be finished up in the next month

or two, but most of the money's transitioned.

And, uh, and the acquisition, you know, for those

who might remember, it was always predicated on the basis

that we could decommission all of the OneView tech

and put all of the clients on the premium technology.

Is there something I haven't looked, Anthony,

so I'm sorry, question without notice on this regard,

but one of the interesting, um, nuances for,
or an accounting sort of look through is
that when you have an acquisition, which, uh,
as it sounds like, you know, you're basically buying the
clients and, and the funds there, you don't,
you don't need anything else
but the account, the, there are, uh,
amortization requirements for acquired lists and, and,
and customer sets and the rest of it.
Um, but it often strikes me that those amortization, um, um,
rates don't often reflect reality.

The accountants have to put something in
and they're gonna have to always occur to uh, uh, uh,
err towards something more conservative.
I might be picking at something that's not there, but it,
but is there something, is there some nuance there
that you would encourage sort of the spreadsheet jockeys
amongst us to sort of look at what at,
at your financials in, in that regard?

Might maybe more of a question
for the cfo, but, but what do you think?

Yeah, no, we c
'cause we bought it so cheap, there's not a lot
of goodwill in the purchase.

You know, we bought it from a million dollars
with an earnout at the end of the 18 months.

Right, right. So, um,
the earnout will emerge on the 15th of October.

You know, that'll become clear to everyone. Yeah.

Uh, although in the accounts,

there'll be some provision in our accounts which come out in

August about

what the account think the earn out's likely to be.

Yeah. Uh, so we'll update that.

We've had that in the account so to now.

So we'll update that based on the latest flows

and information as at the 30th of June.

Okay. But there's not much amortization, uh, given

that we only paid a million dollars for the business.

Uh, beyond that you're going above my knowledge

of accounting, so No,

It's, it's course it was a, it was a nerdy question.

No, no, that's fine.

And, uh, what we, what we're, you know,

we've still got a lot of, we bought, you know,

premium bought Power up too Yes.

A few years ago. So there's still quite a lot

of goodwill from acquisitions on our balance sheet,

which has to get checked every so often.

Um, the Power Wrap acquisition

could become more like one view.

It wasn't at the time, at the time,

we kept everything the same in Power Wrap.

So the Goodwill was easy to justify

because there's a, there's a \$13 billion platform portfolio

that's generating good margin and profit.

Yeah. So the Goodwill is easily covered. Yeah.

But now that we've launched Spectrum,
it could be that over time.

Right. Uh, you know, power rep clients start
to choose Spectrum, which is a better product than Power App
they won, won't do it automatically
because like you said, it's hard to shift from one platform
to another no matter how easy we make it.

Yeah. There'll be some who just say, look, power App works
for me, I don't care.

And, but if they did start to do that,
the accountants will probably tell us, oh,
you've gotta write off the Power App goodwill now.
'cause Power Wrap itself's not generating money,
but no shareholder would say, uh, you've,
you've made a big mistake
to let people shift from power wrap to Spectrum.
'cause ultimately if they all shift,
it'll lower our running costs a little bit.

Mm-hmm. Um, uh, so acqui,
while we're speaking of acquisitions, and you touched on
before, there's sort of like, sort of the, the,
the dominance and the sort of the three up
and uh, uh, commerce,
but then it it like at least what, 15 20% of,
of a long tail of, of smaller players there?
Um, not, not after specifics in any way, shape
or form, Anthony,
but just in terms of a, uh, intent or an openness.

Is, is that something that,
that premiums like got its eyes on?
Are there opportunities, well,
I suppose there are opportunities there,
but are there dial moving opportunities that, that,
that you see uh, out there in the market?
So, uh, uh, look,
I don't think there are,
but uh, the two most significant platforms
after us in size a, a business called Mason Stevens,
which recently got taken over by private equity as well.
Okay. But it, it attempted an IPO some
18 months ago or so and didn't work.
You know, it was when the markets were not, you know,
I think the IPO market's only just opening up.
Yep. Um, uh, so, you know,
you've got Mason Stevens tried an IPO didn't work,
but sold to private equity.
So we wouldn't be interested in that.
The price, private equity paid was more than we
would pay for that business.
And in any event, private equity, you know,
wouldn't be flipping it
so quickly having bought it about six months ago.
Yeah. Uh, and then the next one is a business called Dash.
And it's not immediately attractive to us
'cause it's a significant loss maker.
It is the one platform business that's losing a lot of money
and continually going to the market to raise more capital.

It's not listed, although if you wanna learn about it,
a listed entity has bought chairs in Dash, uh,
called bor.

So BOR has a I know Bailey.

Yeah, right. Okay. Yeah. Right. A Bailey door.

Of course, now that you say it. Yes, yes, yes.

So they, they invested in Dash so recently announced
that they're writing that investment up based on
Dash's most recent raising.

So it tells you two things.

Dash is still losing money 'cause they've gotta raise money,
but it also, it's still, um,
valued quite high, you know, so that it's got a,
it's not a business that we would say, look, there's a good
bolt on 'cause it would, the day we bought it,
we'd be losing more money than we, you know,
it would reduce our profit.

Um, so they're not immediately attractive. Yeah.

Then, but this non custody business that we run, uh,
there's a lot of stockbrokers who run their own back office
and it's, there is precedent
of stockbrokers selling their back office to platforms.

Ornette in fact, did that.

They sold their back office to hub.

Uh, and that's a big part of hubs, you know, uh,
services revenue now.

So we wouldn't rule that out
because that's a, a nice segment for us.

There's a high correlation
between the high net worth advisor
and the private stockbrokers
because, uh,
high net worth people often have a full service stockbroker.
So that's a good, uh, market segment for us.
And so we wouldn't rule that out.

And we keep looking at what opportunities there might be
for buying, uh, the back office books of various, um,
stockbroking firms.

Very interesting. Um,
just coming down the final few minutes, Anthony, so let,
let, let me try and, and sort of summarize it.

You know, we've, we've got a, a business here that's
invested a lot into fleshing out a good product set.

There's a big structural shift underway.

There's a big opportunity to capture more
of that market share.

And, and I suppose the focus at this point is
just execution. Is, is that a fair comment?

Yes, it is. I, I, I could be wrong.

Like, you know, we tend
to tell people when we put out our results,
whether it's quarterly flows data
or the, uh, half yearly financials and full year financials
and just on those, you know, that's, we're coming
to the market in a formal way seven times a year.

We've got four quarterly flows releases, we've got half year
and full year results, and we've got the A GM.

Yep. Uh, but of all of those, given how important I think flows are to your market cap, it's interesting that the quarterly flows is probably the most significant.

That's an aside, um, unlike a lot of companies where the financials are the big driver.

But anyway, that's an aside. Yeah, yeah.

But, um, when I, when we do it, we always say, here are our five areas of strategic focus and it's product operations, which operations includes tech for us.

Uh, service I've mentioned earlier, you gotta get service, right?

It's big word of mouth market, uh, superannuation. 'cause that's still of the, all the trillion of dollars on in the wealth market.

Super. Still the biggest part.

And then m and a, which we've just touched on. Yep.

And when I talk to people, I say if I miss something, if there's not, if there's some area of strategic focus that we should have that we are not talking to you about.

Tell me. 'cause you know, we're not, you know, we're not geniuses.

We don't have all the answers, but nobody's yet said either.

The one thing you gotta get right is this.

The one thing we do get is that operations, as long as you're broadly defining it to include technology and it's all of your operations,

because technology's a huge opportunity at the moment.

The power of technology has never been greater.

And you've gotta utilize and take advantage of that.

So when you say, okay, well, you know, management

by my own admission are not geniuses,

but they tell us this is where they're gonna focus,

then it does just come down to executing.

If we did those five areas, right, if we can close the gap

between ourselves and Hub, uh, ourselves and Hub

and Netwealth on net funds flow, uh, people would have

to say, it's gotta be worth more.

'cause you'd have to close the gap with Hub

and Netwealth on Market Cap, and it's a big gap.

You know, they're worth 7 billion, you know, to the two

of them are worth \$14 billion.

Um, so if, you know, I would love to just say,

just make a fairer split between us and Hub

and Netwealth on market Cap.

You don't have to change the 14 billion,

but if suddenly we were 20% of it

and they were 80% of it,

then we'd be worth 10 times what we are now.

So yeah, we've just gotta execute that strategy.

If we've missed something in a strategy,

I'm sure our shareholders will tell us,

but, uh, we've just gotta execute now.

And I, I say that, but if it was easy

and people had more confidence in it,

we'd already be worth more.

Well, uh, yeah, you reminded me of, uh, what is it?

Buffett says simple but not easy. Simple to articulate.

You know, that's, you know, it's like saying I'm gonna lose 20 kilos.

It's easy to say, right? Yeah.

It's all, it's all in the execution.

But, um, yeah, uh, Anthony, you've laid it out really well

for us there, and, and, um, I, I, I, I can see the passion.

I, I can see the vision. It, it all makes sense.

And, and look, we'd love to touch base in another year or so

and, and, and keep an eye on things

and yeah, all I can really say is, uh, keep up the good,

good work and, um, to all, all good things to,

to those that wait, I suppose.

Yeah. Well, thanks again, Andrew.

It's good talking to you. And you've got a good, uh, cohort of people there have joined your, your business.

It's tremendous what you're doing.

And so good luck to everyone.

I hope you have a good FY 26 in your portfolios

and thanks for tuning in.

Cheers. Cheers to that. Yes, thank you very much.

Okay. See you later. Thanks Anthony. I.