

19 January 2021

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HUB24 Limited

Diversified Financials

BUY

HUB A\$23.02 **TARGET PRICE A\$25.81**

HUB24's investment and superannuation platform offer a comprehensive range of investment options, with enhanced transaction and reporting solutions, for all types of investors – Individuals, companies, trusts, associations or self-managed super funds.

Company Data

Number of shares	67.0M
Market Capitalisation	\$1541.3M
Free float (%)	68.3
12-month high/low	\$23.45/\$6.4
Average Daily Turnover (\$m)	2.3327
% S&P/ASX200	0.08
DDM Ranking	328
% All Ordinaries	0.067
GICS Industry Group	Diversified Financials

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	110.3	134.2	164.5	192.2
EBITDA (\$M)	24.0	34.9	54.0	67.4
Reported NPAT (\$M)	8.2	15.8	29.7	40.3
Adjusted NPAT (\$M)	10.1	19.6	31.3	41.0
Reported EPS (c)	12.9	23.4	44.3	60.3
Adjusted EPS (c - FD)	15.8	29.7	46.5	60.7
Adjusted EPS growth (%)	-38.3	63.6	25.3	9.9
Adjusted P/E (x)	22.8	13.9	11.1	10.1
Dividend (c/sh)	7.0	11.7	20.9	30.0
Gross yield (%)	0.4	0.7	1.2	1.8
Net yield (%)	0.3	0.5	0.9	1.2
ROIC (%)	23.5	17.8	24.3	0.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

December Quarter FY21 Update

On 19th January 2021, HUB24 Limited (HUB) announced their December Quarter 2021 updates with the following highlights:

- Custodial Platform Funds Under Administration (FUA) of \$22 billion as a 31 December 2020 (up 38.7% on pcp) with total FUA of \$31 Billion.
- Record platform quarterly net inflows of \$1.7 billion (an increase of 36.7% on pcp) up \$360 million from the September quarter
- Completed Ord Minnett Portfolio Administration Reporting Service (PARS) acquisition in November.
- Proposed Xplore Wealth acquisition progressing well with first court hearing completed in December.
- Executed transaction implementation deed, technology partnership agreement, and Paragem Share Sale Agreement for Easton transaction in December.
- Completed \$50 million fully underwritten institutional placement and \$20 million Share Purchase Plan.
- Announced agreement with IOOF to develop a range of product solutions.

Net Inflows and Growth in FUA

- Record platform quarterly net inflows for the December quarter of \$1.7 billion
- Average monthly net inflows to date of \$514 million, up from \$412 million for FY20 (+25%)
- Custodial Platform FUA for the quarter increased by \$3 billion to \$22 million, up 16% including positive market movement of \$1.2 billion.

Earnings changes

HUB reported a 25% increase of average monthly net inflows to date of \$512 million, which is up from \$412 million for FY20. Furthermore, HUB reported 36.7% increase in the platform's net inflow for December quarter 2020 compared to December quarter for the previous period.

This growth exceeds market expectations, hence, we have made positive earnings revisions of 5% for FY21 and future periods.

Valuation

We are initiating on HUB24 Limited with a 12-month price target of \$25.81 and a BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Valuation Methodology

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)