EQUITY RESEARCH

Managed Accounts Holdings

To be renamed Xplore Wealth Ltd (XPL)

Strong Fund Inflows and Revenue growth in 1H FY19

MGP had strong combined Gross Inflows of $1,114m in the 1H FY19. While Total FUA increased by 7.0% over 12 months to $13.2b, this included a 10% fall in the 2Q FY19, due to market movements, negative sentiment and seasonal super drawdowns.

With these strong inflows and full inclusion of the recent Linear acquisition, Total Revenue increased by 96.0% to $9.3m and Gross Profit increased by 87.8% to $7.1m. While EBITDA fell by $0.3m to $1.0m, this excludes anticipated 1H Wrap fees of $0.6m and a recovery of GST entitlements of $1.3m, currently underway.

Initiatives to drive FUA growth

MGP has made 2 key acquisitions and expanded its platform, administration and technology solutions to enable MGP to offer an integrated solution to its financial planning, stockbroking and institutional clients. These initiatives cover:

Acquisition of Aracon Superannuation – Aracon is an existing Registrable Super Entity, which will provide an upgraded superannuation solution for MGP clients.

Acquisition of DIY Master - DIY Master is a super administrator and promoter, broadening MGP's capacity across both super and non-super for its existing client base, expanding to existing MGP and Aracon clients and to new clients.

Completion of a Wrap Offering – To be launched in Q4 FY19 for both superannuation and non-superannuation clients, under its new branding.

Xplore Outsourcing Solutions – To be launched in Q4 FY19, to leverage institutional and MDA clients who only require components of its offering.

Management changes – Changes to senior management and recently added resources in business development & marketing and product development.

Technology Strategy – A further upgrade to deliver an enhanced experience for advisers and clients, whilst enhancing internal efficiencies.

Rebranding to Xplore Wealth Ltd (XPL) – New branding to be rolled out for its products and services, linking all the products of the group. The listed company will also be rebranded, subject to shareholder approval.

EBITDA Guidance of $7.0m - $8.5m maintained

MGP re-affirmed guidance, with a strong 2H performance from:

- Continued strong inflows in FUA and an expected strong contribution from acquisitions and an expanded offering.
- Anticipated FY19 fees of $0.9m from the new Wrap services and a recovery of FY19 GST entitlements of $1.9m.
- A lower cost base with $3.5m of annualised synergies from the Linear integration.

Further growth is expected in FY20, with continued strong Inflows, boosted by the expanded capability, full inclusion of the acquisitions and increasing Wrap fees and GST recovery. MGP has also executed 2 MoUs with advisory firms to implement a managed account solution, with inflows expected to commence Q4 FY19.

Reasons to BUY

A BUY recommendation, maintaining a Price Target of 25¢ ps, based on:

Sector growth - Further strong growth in the MDA and Super sectors.

Growth Outlook – Margin expansion, with EBITDA highly leveraged to FUA growth.

Company Strength – A debt free Balance Sheet, with Cash of $2.3m (0.8¢ ps).

Valuation – A significant discount to other sector participants.

However, we recognise the need to deliver on its FY19 guidance and initiatives, and continue with strong FUA inflows before there is a significant re-rating.

MGP.ASX BUY

20 March 2019

Price	**$0.13**
Price Target	**$0.25**
Valuation Method	EVR
GICS Sector	Fin Services
12 Mth Price Range	$0.11 - 0.26
Market Capitalisation	$39m
Issued Capital	297m
Enterprise Value	$31m
Previous Rating	**BUY**

Year Ended June 30		17A	18A	19E	20E	21E
FUA	**$bn**	**11.5**	**13.1**	**15.1**	**16.8**	**20.7**
FUA Growth	*%*		*13.8*	*15.5*	*11.0*	*23.5*
Operating Revenue	**$m**	**6.9**	**15.1**	**20.2**	**23.8**	**28.0**
Revenue growth		*25.4*	*119.7*	*33.3*	*18.1*	*17.3*
Gross Op Profit	**$m**	**5.4**	**12.0**	**16.5**	**19.6**	**23.0**
GOP Growth	%	25.6	121.2	37.0	18.5	17.6
EBITDA	**$m**	**1.5**	**2.9**	**7.6**	**8.3**	**9.8**
EBITDA Growth	*%*	*40.4*	*90.8*	*163.9*	*9.3*	*18.6*
EBITDA Margin	*%*	*21.8*	*18.9*	*37.4*	*34.6*	*35.0*
NPAT	**$m**	**1.0**	**-0.1**	**3.4**	**4.6**	**6.7**
NPAT Growth	*%*	*16.3*	*-107.1*	*na*	*35.1*	*44.1*
NPAT-Cash*	**$m**	**1.1**	**2.7**	**7.9**	**8.6**	**10.1**
EPS	**¢ps**	**0.7**	**0.0**	**1.1**	**1.6**	**2.2**
EPS growth	*%*	*17.3*	*-104.0*	*na*	*36.3*	*44.1*
EPS-Cash *	**¢ps**	**0.8**	**1.1**	**2.6**	**2.9**	**3.4**
DPS	**¢ps**	**0.8**	**0.0**	**0.2**	**0.6**	**1.4**
Franking	%	0.0	0.0	0.0	0.0	0.0
Y/E Share Price	**¢ps**	**35.0**	**13.2**	**13.2**	**13.2**	**13.2**
PER	**x**	**49.0**	**-463.9**	**11.6**	**8.5**	**5.9**
PER-Cash	**x**	**43.8**	**11.6**	**5.0**	**4.6**	**3.9**
EV/EBITDA	**x**	**29.3**	**11.8**	**4.1**	**3.3**	**1.3**
Dividend Yield	**%**	**2.3**	**0.0**	**1.5**	**4.5**	**10.6**
NTA/share	¢ ps	3.0	3.0	4.2	6.0	7.6
Gearing (D:E)	%	0.0	0.0	0.0	0.0	0.0
P/OCF	x	28.8	10.8	5.5	4.9	4.1
ROE	%	15.0	9.4	15.4	16.0	17.9

May be subject to Rounding errors ** excludes Amortisation

MGP v XSO (S&P/ASX Small Industrial Index)

Activities

An independent operator of licensed Managed Discretionary Accounts and other financial platforms

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XPLORE WEALTH

Managed Accounts Holdings (MGP) — Current Price: $0.13 ps — Target Price $0.25

to be renamed Xplore Wealth (XPL)

PROFIT & LOSS

Year ended 30-06		2017A	2018A	2019E	2020E	2121E
Sales Revenue	**$m**	**6.9**	**15.1**	**20.2**	**23.8**	**28.0**
Cost of Goods Sold	$m	-1.5	-3.1	-3.7	-4.3	-5.0
Gross Operating Profit	**$m**	**5.4**	**12.0**	**16.5**	**19.6**	**23.0**
Expenses	$m	-3.9	-9.2	-8.9	-11.3	-13.2
EBITDA	**$m**	**1.5**	**2.9**	**7.6**	**8.3**	**9.8**
Depreciation	$m	0.0	-0.1	0.0	0.0	0.0
Amortisation	$m	-0.1	-2.7	-4.4	-3.9	-3.4
EBIT	**$m**	**1.4**	**0.1**	**3.1**	**4.3**	**6.4**
Interest Paid	$m	0.1	0.0	0.3	0.3	0.3
Pre Tax Profit	**$m**	**1.5**	**0.1**	**3.4**	**4.6**	**6.7**
Tax	$m	-0.5	-0.1	0.0	0.0	0.0
Normalised Profit	**$m**	**1.0**	**-0.1**	**3.4**	**4.6**	**6.7**
Significant Items (Net)	$m	-0.3	-2.4	0.0	0.0	0.0
Reported Profit	**$m**	**0.7**	**-2.5**	**3.4**	**4.6**	**6.7**
Profit - Cash*	**$m**	**1.1**	**2.7**	**7.9**	**8.6**	**10.1**

Growth

		2017A	2018A	2019E	2020E	2121E
Revenue	%	25.4	119.7	33.3	18.1	17.3
COGS	%	24.5	114.0	19.0	16.2	16.0
Gross Operating Profit	%	25.6	121.2	37.0	18.5	17.6
Expenses	%	20.8	132.8	-2.6	26.4	16.9
EBITDA	%	40.4	90.8	163.9	9.3	18.6
Normalised Profit	%	16.3	-107.1	na	35.1	44.1
EPS	%	17.3	-104.0	na	36.3	44.1

P&L Ratios

		2017A	2018A	2019E	2020E	2121E
Gross Operating Profit / Sales	%	78.9	79.5	81.7	82.0	82.2
EBITDA / Sales	%	21.8	18.9	37.4	34.6	35.0
Effective Tax Rate	%	0.0	185.2	0.0	0.0	0.0
Interest Cover	x	na	na	na	na	na

FUA

		2017A	2018A	2019E	2020E	2121E
Year End	$b	**2.11**	**13.09**	**14.13**	**15.68**	**17.24**
Growth	%	17.38	521.26	7.94	10.97	9.95
Revenue to Av FUA	%	**0.066**	**0.163**	**0.148**	**0.160**	**0.170**
EBITDA to Av FUA	%	**0.077**	**0.038**	**0.042**	**0.052**	**0.060**

Per Share

		2017A	2018A	2019E	2020E	2121E
Year End Share Price	**¢ps**	**35.0**	**13.2**	**13.2**	**13.2**	**13.2**
Issued Shares	m	133.7	301.8	296.8	296.8	296.8
Issued Shares (Wt Avg)	m	133.7	238.4	299.3	296.8	296.8
EPS	**¢ps**	**0.7**	**0.0**	**1.1**	**1.6**	**2.2**
EPS-Cash *	**¢ps**	**0.8**	**1.1**	**2.6**	**2.9**	**3.4**
Operating Cash Flow ps	¢ps	1.2	1.2	2.4	2.7	3.2
Free Cash Flow	¢ps	0.0	0.6	1.7	2.1	2.7
DPS	¢ps	0.8	0.0	0.2	0.6	1.4
Franking	%	0.0	0.0	0.0	0.0	0.0
Dividend Payout Ratio	%	112.0	0.0	17.5	38.5	62.4

Parameters

		2017A	2018A	2019E	2020E	2121E
PE Ratio	**x**	**49.0**	**na**	**11.6**	**8.5**	**5.9**
PER-Cash*	**x**	**43.8**	**11.6**	**5.0**	**4.6**	**3.9**
Enterprise Value / EBITDA	x	29.3	11.8	4.1	3.3	1.3
Enterprise Value / Revenue	x	6.4	2.2	1.5	1.1	0.9
Cash Flow ratio	x	28.8	10.8	5.5	4.9	4.1
Dividend Yield	%	2.3	0.0	1.5	4.5	10.6

VALUATION

Valuation Method	$	Discount to Current Price (%)	
EVR	0.25	47.4	
DCF	0.38	65.6	
Current Price	0.13		
Market Capitalisation	$39.3m	**Enterprise Value**	$30.7m

Source: MGP (Act), Veritas (Est)

CASH FLOW

Year ended 30-06		2017A	2018A	2019E	2020E	2121E
Operating EBITDA	**$m**	**1.5**	**2.9**	**7.6**	**8.3**	**9.8**
Net Interest Paid	$m	0.1	0.1	0.3	0.3	0.3
Tax Paid	$m	0.0	0.0	0.0	0.0	0.0
Chg WorkCap	$m	0.3	0.0	-0.7	-0.5	-0.5
Other	$m	-0.2	-0.1	0.0	0.0	0.0
Operating Cash Flow	**$m**	**1.6**	**2.9**	**7.2**	**8.1**	**9.6**
Capex	$m	-0.1	-0.2	-0.2	-0.2	-0.2
Capitalised Developmen	$m	-1.6	-1.2	-2.0	-1.5	-1.5
Free Cash Flow	**$m**	**-0.1**	**1.5**	**5.0**	**6.4**	**7.9**
Acquisitions/Asset Sale	$m	-0.5	-31.3	-1.5	-1.0	-1.0
Dividends Paid	$m	-1.1	-0.3	0.0	-1.8	-3.7
Equity Raised	$m	-0.3	33.2	-1.1	0.0	0.0
Debt (change)	$m	-0.2	0.0	0.0	0.0	0.0
Other (Term Deposits)	$m	1.9	0.1	0.0	0.0	0.0
Change in Net Cash	**$m**	**-0.3**	**3.3**	**2.4**	**3.6**	**3.2**

BALANCE SHEET a

		2017A	2018A	2019E	2020E	2121E
Cash/Term Deposits	$m	2.8	6.2	8.6	12.1	15.3
Receivables	$m	1.0	2.5	3.3	3.9	4.6
Inventory	$m	0.0	0.0	0.0	0.0	0.0
Other Current Assets	$m	0.0	0.0	1.4	1.7	2.0
Current Assets	**$m**	**3.8**	**8.7**	**13.3**	**17.7**	**21.9**
Investments	$m	0.5	0.6	0.7	1.0	1.2
Property, Plant & Equ	$m	0.1	0.3	0.5	0.8	1.0
Intangibles	$m	2.6	40.5	39.6	37.2	35.3
Other NC Assets	$m	0.6	4.3	4.5	4.8	5.2
Non Current Assets	**$m**	**3.8**	**45.8**	**45.3**	**43.8**	**42.7**
Total Assets	**$m**	**7.6**	**54.4**	**58.6**	**61.5**	**64.6**
Payables	$m	0.6	2.1	2.2	2.3	2.5
Current Debt	$m	0.0	0.0	0.0	0.0	0.0
Other Current Liabili	$m	0.2	1.0	1.2	1.3	1.4
Current Liabilities	**$m**	**0.8**	**3.1**	**3.4**	**3.6**	**3.9**
Non Current Debt	$m	0.0	0.0	0.0	0.0	0.0
Other NC Liabilities	$m	0.1	1.6	3.6	3.0	2.8
Non Current Liabiliti	**$m**	**0.1**	**1.6**	**3.1**	**3.0**	**2.8**
Total Liabilities	**$m**	**1.0**	**4.7**	**6.5**	**6.6**	**6.7**
Shareholder Funds	**$m**	**6.7**	**49.7**	**52.1**	**54.9**	**57.9**

BALANCE SHEET R

		2017A	2018A	2019E	2020E	2121E
Receivables turn	x	5.8	4.7	7.0	6.6	6.6
Net Debt	$m	0.0	0.0	0.0	0.0	0.0
Current Ratio (CA / CL)	x	4.6	2.8	3.9	4.9	5.6
Net Assets	¢ps	5.0	16.5	17.5	18.5	19.5
Net Tangible Assets	¢ps	3.0	3.0	4.2	6.0	7.6
Cash	¢ps	2.1	2.0	2.9	4.1	5.2
Return On Assets	%	18.6	9.0	13.4	13.7	15.5
Return on Equity	%	15.0	9.4	15.4	16.0	17.9

MAJOR SHAREHOLDERS

Don Sharp	m	32.1	11%	Exec Ch
Colin Scully	m	31.6	11%	Former Director/founder
Investors Mutual	m	20.2	7%	Institution
Argo Invest	m	18.8	6%	Listed Equity Fund
PARMMS Enterprises	m	17.8	6%	Former Dir (Paul Collins)
Top 20 (20/08/18)	m	219.1	74%	

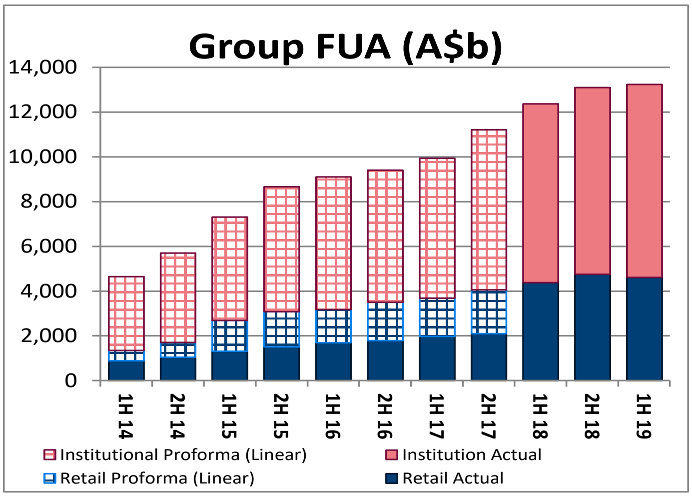
DIRECTORS / MANAGEMENT

DIRECTORS		MANAGEMENT	
Peter Brook	NE Ch	Don Sharp	Acting CEO
Alexander Hutchison	NE Dir	Tony Nejasmic	Head Distr & Mking
Don Sharp	Exec Dir	Pamela Wilson	COO
Stephen Reed	NE Dir	Sanja Petrovic	Head of IT
Pamela McAlister	NE Dir	Jillian McGregor	Co Sec
* Excludes Amortisation		Kobie Turner	Head of Product

Strong Gross Fund Inflows for 1H FY19

1H Fund Gross Inflows of $1.1bn

Fund Inflows – MGP received strong combined Gross Inflows of $1,114m in the 1H FY19, split $399m across Retail and $715m across Institutional. However, this included a slowing in Q2, with negative market sentiment and continuing repercussions from the Financial Services Royal Commission.



Source:MGP

FUA of $13.2b at 31/12/19, CAGR of 28.5% since 2014

Funds under Administration - FUA as at 31 December 2018 increased by 7.0% over the 12 months to $13.22b, representing a Proforma CAGR of 28.5% since 2014. However, this included a 10% fall in the 2Q FY19, due to market movements, seasonal super drawdowns, negative sentiment and FUA loss by a client.

The Total FUA of $13.32b is split $8.91b in Institutional (Administration Fee only) and $4.61b in Retail (Full Service) and includes $2.6b in global securities on over 28 exchanges worldwide. This is spread across over 150 financial groups, including IFAs, stockbrokers and institutions.

Revenue boosted by full inclusion of Linear

Profit & Loss

6 Mths to 31/12 ($m)	1H 18	1H 19	% Ch
Total Revenue	**4.7**	**9.3**	**96.0**
Cost of Goods Sold	-1.0	-2.2	127.6
Gross Operating Profit	**3.8**	**7.1**	**87.8**
Expenses	-3.4	-7.0	107.2
EBITDA	**0.4**	**0.1**	**-73.3**
Significant Items (Net)	-1.3	-0.3	
Reported Profit	**-1.2**	**-1.0**	**-12.7**
Gross Operating Margin (%)	79.5	76.1	
EBITDA Margin (%)	8.5	1.2	
EPS (¢ ps)	0.1	-0.2	-329.8
Cash Flow (¢ ps)	0.6	-0.3	-146.4
DPS (¢ ps)	0.0	0.0	

Cash Flow

6 Mths to 31/12 ($m)	1H 18	1H 19	% Ch
Operating Cash Flow	**1.1**	**-0.8**	**-178.3**
Capex	0.0	0.0	382.7
Capitalised R&D	-0.6	-1.1	
Equity	32.5	-1.1	
Debt	-5.4	0.0	
Dividends	-0.3	0.0	
Net Cash Flow	**1.5**	**-3.9**	**-360.5**
Cash (¢ ps)	2.8	1.6	-44.8
NTAV (¢ ps)	2.3	2.3	2.7
Gross Fund Inflows ($m)	0.92	1.11	21.1
FUA ($b)	**12.36**	**13.22**	7.0
Revenue : Average FUA (%)	1.28	1.42	10.5

Source: MGP

Revenue growth of 96% with inclusion of Linear

Revenue – Increased by 96.0% to $9.3m with a combination of full inclusion of Linear (1½ months in 1H FY18) and organic growth.

Gross Profit – Increased by 87.8% to $7.1m, helped by scalable administration platforms.

EBITDA – The fall in underlying EBITDA was due to the increased administration and development costs within the merged entity, before the benefit of $3.5m in expected annualised synergies. This excludes: an anticipated $0.6m in Wrap fees to be included in 2H; a $1.3m recovery of 1H GST, currently underway; and $0.7m in-off acquisition and non-recurring costs.

Balance Sheet remains strong

Balance Sheet – Remains strong, although cash levels were temporarily impacted by acquisitions, development costs and working capital support for the recent acquisitions.

Recent initiatives to support a fully integrated platform

MGP has made 2 key acquisitions and expanded its platform, administration and technology solutions to enable MGP to offer an integrated multi-asset, multi-market and multi-custodian solution covering its financial planning, stockbroking and institutional clients. These initiatives include:

Aracon acquisition boosts super capability

Acquisition of Aracon Superannuation (Aracon) - On 1 November, MGP acquired Aracon for $0.25m. Aracon is an existing Registrable Superannuation Entity (RSE), which will underpin its growth strategy in superannuation through an upgraded superannuation solution to its financial planning, stockbroking and institutional client base.

Aracon currently oversees a $300m Fund, to be transitioned to MGP from external service providers with the reconstruction of the Fund from a unitised to non-unitised structure over coming months. MGP is looking at additional member administration capability to supplement the Aracon acquisition.

DIY Master acquisition adds super administrator

Acquisition of DIY Master - On 18 November, MGP acquired DIY Master for $1.5m. DIY Master is an existing super administrator and promoter, which will broaden MGP's capacity across both super and non-super, encompassing trustee series, member administration and investment management. DIY will service its existing client base, expanding to MGP and Aracon clients and add new clients.

XPLORE WRAP

Wrap Offering Strategy - The Aracon acquisition will enable MGP to rollout a complete Wrap offering in 2H FY19, incorporating both a superannuation and non-superannuation offer, including domestic and global securities under its new Xplore Wealth branding.

Initial marketing focus will be on the small Independent Financial Advisor to drive early adoption, comprising a market of around $200m FUA of a larger $950b Australian market. Recent surveys have seen structural disruption of incumbent platforms, including a significant move post Royal Commission from major Banks and Institutions to independent platforms.

XPLORE OUTSOURCING

Outsourcing Solutions –Xplore Outsourcing Solutions will be launched in Q4 FY19, to leverage institutional and MDA clients who only require components of its offering, such as Trustee, Super or Client Administration.

Wider service offering - MGP's offering now covers:

Key Revenue Drivers	Key Profit Drivers	Growth Drivers
Xplore MDA, Managed Account, Wrap, Super & Pension		
Percentage of FUM charged to client	Scalable business	Royal Commission shift to independent platforms
Fee charged for each Transaction	Number of transactions	Market volatility
Cash margin	Model portfolio cash holdings	FUM growth
GST rebate on fees	Scale of fees	Increased FUM and transactions
Xplore Portfoilo Administration Services		
Fixed Fee per account	Number of accounts	Stockbrokers and shadow brokers outsourcing their back office administration
Cash Margin	Model portfolio cash holdings	FUM growth
Xplore Outsource Solutions		
Percentage of FUM for administration	All investments supported	Only full service offer in the market
Flat dollar or percentage fees for additional services	Ability to unbundle our standard offerings	Clients outsourcing non core functions such as administration

Source: MGP

Other measures in place to support growth

MGP has outlined further initiatives to be implemented in Q3 FY19, across:

Rebranding

XPLORE WEALTH

Rebranding to Xplore Wealth – New branding around Xplore Wealth will be rolled out for its products and services, linking all the products of the group. The listed company will be rebranded as Xplore Wealth Ltd (Code XPL), subject to shareholder approval.

Technology overhaul underway

Technology Strategy - MGP is undertaking the next stage of a comprehensive technology overhaul that will deliver an enhanced experience for advisers and clients whilst enhancing internal efficiencies. This initially will include a new front end for MDA, MDA Super and Pension.

Board and Management Changes

Board and Management Changes – With the resignation of the CFO and CEO, Peter Brook is now non-Executive Chairman, with Don Sharp moving to an Executive Director Role until the new appointment of a CEO. Peter has 40 years' experience in the sector, recently as CEO and MD of Pillar Administration, a major NSW government-owned super administrator, and previous executive and director roles at StatePlus, Alinta Energy, Challenger Financial Services, MLC and Grant Thornton.

MGP has recently added resources in business development & marketing and product development. A CFO is expected to be appointed during Q4 FY19, followed by a new CEO in 1Q FY20, both expected to have strong sector experience.

MGP affirms previous guidance, with a strong 2H FY19

Confirms EBITDA guidance of $7.0m to $8.5m

MGP expects underlying EBITDA of $7.0m to $8.5m for FY19, suggesting 2H FY19 EBITDA of $6.9m to $8.4m, through a combination of:

On track to deliver $3.5m in cost synergies

Realisation of Synergies - MGP re-iterated expectations to fully deliver the $3.5m in expected synergies by the end of June 2019. Synergies related to salaries, occupancy costs and centralised functions have been achieved, with remaining synergies focused on service provider rationalisation and cost improvement by the end of H2 FY19.

This excludes possible Revenue synergies from the ability to deliver a multi-market, multi-currency, multi-custodian wrap, SMA and managed account solution or via non-custodial, using its ASX membership.

Anticipated Fees – MGP expects a total of $0.9m in fees for FY19 from the launch of the new Wrap platform during 2H FY19 and the FY19 recovery from the ATO of $1.9m in GST entitlements. We expect these fees to increase in future years.

Acquisitions - A full 2H contribution from the 2 acquisitions, plus organic growth.

Inflows - Strong Retail Gross Inflows, with the expanded capability and the launch of new branding. Also, post Royal Commission, recent surveys have seen a significant move from major Banks and Institutions to independent platforms.

Federal Labour policy – Proposals to limit the amount of franking credit rebates for SMSFs may result in a shift in inflows from SMSFs to retail super.

Further growth in Revenue and EBITDA is expected in FY20

Further growth in Revenue and EBITDA is expected in FY20, with:

- Full inclusion of 2 acquisitions.
- Further growth in Wrap and GST recovery is expected.
- Continued strong Fund Inflows with the benefit of the expanded capability. MGP has also executed 2 Memoranda of Understanding with advisory firms to implement a managed account solution, with inflows expected to commence 2H FY19 and build in FY20.

Minimal tax payable

With $19.9m in Tax Losses, MGP's tax liabilities over the next 5 years will be minimal, although it will limit the ability to pay franked dividends.

Valuation

Valuation of 25¢ ps

While we have a 12month price target of 25¢ ps, the valuation would be higher at 38¢ ps using a DCF valuation.

VALUATION		FY20			
Method		**EBITDA**	**Multiple**	**Valuation**	
EV/EBITDA Muliple		**FY20**	**x**	**$m**	**¢ps**
EBITDA	$m	8.3	8.0x	66.0	22
Net Cash FY19	$m			8.6	3
Valuation	**$m**			**74.6**	**25**
Valuation	cps			**25**	
Current Price	cps			**13**	
Valuation Premium (-)/Discount (+)				**101%**	

Source: Veritas

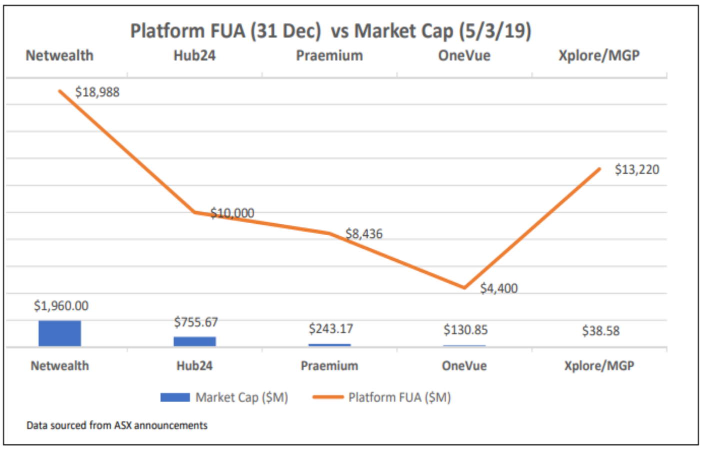
This multiple is a substantial discount to similar companies in the sector (outlined below), in terms of EV:Revenue, EV:EBITDA and PER. We attribute this to delays in completing initiatives, such as the Wrap platform, RE and administrator acquisition, variable FUA growth and lack of clear strategy post-Linear acquisition, resulting selling of acquired stock post the FY18 Capital raise.

Company	Code	Price A$	*Mkt Cap A$m	*Ent Val A$m	*EV/Revenue (x) 18A	19E	20E	*EV/EBITDA (x) 18A	19E	20E	PER (x) 18A	19E	20E	Yield (%) 18A	19E	20E
Managed Accounts	**MGP**	**0.13**	**39**	**31**	**2.2**	**1.5**	**1.1**	**11.8**	**4.1**	**3.3**	**na**	**11.6**	**8.5**	**0.0**	**1.5**	**4.5**
Cash based (Exc Amortisation)											**11.6**	**5.0**	**4.6**			
Class	CL1	1.66	195	175	5.1	4.6	4.3	10.9	10.0	9.4	22.4	23.5	23.0	3.0	3.0	3.1
HUB 24	HUB	13.73	755	868	10.3	8.6	7.1	77.2	52.7	30.8	139.8	63.8	36.7	0.2	0.5	0.9
Netwealth	NWL	8.19	1960	1938	24.2	19.5	16.0	48.5	37.9	30.2	71.7	55.7	44.2	1.2	1.4	1.7
Mainstream	MAI	0.68	87	83	2.0	1.6	1.4	12.9	10.6	8.6	50.3	18.6	15.3	2.2	2.8	3.4
OneVue	OVH	0.48	130	118	2.4	2.0	1.8	16.2	14.2	11.7	13.0	36.2	24.1	0.0	3.3	1.3
Praemium	PPS	0.58	243	220	5.1	4.7	4.0	26.4	20.3	15.3	141.5	72.9	37.2	0.0	0.2	0.8
Weighted Average					**17.1**	**14.0**	**11.5**	**50.5**	**37.6**	**27.1**	**92.1**	**57.4**	**39.4**	**0.8**	**1.2**	**1.5**
Average					**8.2**	**6.8**	**5.8**	**32.0**	**24.3**	**17.7**	**83.3**	**49.5**	**30.1**	**0.7**	**1.6**	**1.9**

Source: Veritas, FactSet * Based on a current Enterprise Value and Market Capitalisation.

Low Market Capitalisation relative to platform FUA

To further highlight the valuation discord, the table below shows the Market Capitalisation relevant to Platform FUA, which shows a low Market Capitalisation for MGP relative to FUA.



Source: MGP

Re-rating requires delivery of: guidance; initiatives; FUA growth; and key appointments

While we maintain a BUY recommendation, we recognise the need for MGP to meet its guidance for FY19, continue strong FUA growth, delivery of its Wrap platform and Xplore Outsourcing, and complete the recruitment of a suitable CEO and CFO before there is a significant re-rating.

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RATING
BUY – anticipated stock return is greater than 10%
SELL – anticipated stock return is less than -10%
HOLD – anticipated stock return is between -10% and +10%
SPECULATIVE – High risk with stock price likely to fluctuate by 50% or more

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