

Xplore Wealth Limited (XPL)

Previously Managed Accounts Holding Limited (MGP)

Reduced FY19 Guidance

XPL has reduced midpoint EBITDA guidance by 54% from \$7.0m - \$8.5m to \$3.0m - \$4.0m, due to:

- > A \$1.7m Revenue shortfall related to the delayed introduction of new products.
- > A \$1.1m EBITDA shortfall from delays in realising synergies from the Linear acquisition.
- > Around \$0.8m in additional development and growth related costs.

The new guidance includes \$0.9m in due diligence and research fees to be invoiced in June and \$1.9m in FY19 GST refunds from the ATO to be recovered in June, but excludes \$1.6m in GST refund related to previous years to be collected in FY19. The majority of both Revenue and EBITDA shortfalls will be reversed in FY20.

Strong Gross Fund Inflows for 3Q FY19

XPL experienced a recovery in gross FUA inflows to \$854.9m in Q3, post Royal Commission, across:

Retail - Gross FUA inflows increased by 20.5% during Q3 FY19 to \$227.4m (YTD +\$626.7m). Net inflows were lower at \$34.4m, impacted by FUA outflows from a larger client, outside the control of the Group.

Retail FUA increased by 7.6% over Q2 to \$4.96b, representing a 5 year Proforma CAGR of 29.8%. Increasing Retail FUA remains the main driver of Revenue and EBITDA growth.

Institutional - Gross Inflows increased by 81.4% over Q2 to \$627.5m (YTD +\$1,342.5m), although Net Inflows were lower at \$157m. Growth was mainly in PAS, from inflows into existing accounts and the addition of new accounts.

Underlying FUA increased by between 5% and 6% during Q3 to \$8.33b.

Forecasts reduced to reflect new guidance

While we retain a positive outlook, with the benefits from strong fund inflows, rebranding and new product launches, scalable technology and upgraded capabilities, we have reduced our forecasts with the change in guidance as follows:

FY19 - Reduced Revenue forecasts by 6.5% to \$18.9m (1H \$9.3m), and EBITDA by 53.9% to \$3.5m (1H \$0.1m) to reflect reduced guidance, with higher costs and lower Revenue.

FY20 - Reduced Revenue by 3.9% to \$22.9m and EBITDA by 4.6% to \$7.9m.

FY21 - Reduced Revenue by 1.7% to \$27.5m and EBITDA by 2.4% to \$9.6m.

Recommendation

We maintain a medium term BUY recommendation, with a lower Price Target of 20¢ ps (previously 25¢ ps), based on: sector growth; a strong growth outlook; financial strength and debt-free Balance sheet; and valuation.

However, XPL needs to deliver on its FY19 guidance, launch its Wrap platform and Xplore Outsourcing Solutions, fully realise Linear synergies, continue with strong FUA inflows and appoint an appropriate CEO, before there is a significant re-rating.

XPL.ASX

BUY

21 May 2019

Price		\$0.10				
Price Target		\$0.20				
Valuation Method		EVR				
GICS Sector		Fin Services				
12 Mth Price Range		\$0.11 - 0.26				
Market Capitalisation		\$30m				
Issued Capital		297m				
Enterprise Value		\$25m				
Previous Rating		BUY				
Year Ended June 30		17A	18A	19E	20E	21E
FUA	\$bn	2.1	13.1	13.5	15.1	16.8
<i>FUA Growth</i>	%		521.3	3.1	11.8	11.3
Operating Revenue	\$m	6.9	15.1	18.9	22.9	27.5
<i>Revenue growth</i>		25.4	119.7	24.6	21.2	20.3
Gross Op Profit	\$m	5.4	12.0	15.0	18.2	21.7
<i>GOP Growth</i>	%	25.6	121.2	24.7	21.2	19.5
EBITDA	\$m	1.5	2.9	3.5	7.9	9.6
<i>EBITDA Growth</i>	%	40.4	90.8	22.3	126.2	20.8
<i>EBITDA Margin</i>	%	21.8	18.9	18.5	34.6	34.8
NPAT	\$m	1.0	-0.1	-0.6	4.3	6.4
NPAT-Cash*	\$m	1.1	2.7	3.8	8.2	9.9
<i>NPAT Cash Growth</i>	%	25.4	154.5	39.7	116.2	20.0
EPS	cps	0.7	0.0	-0.2	1.4	2.2
EPS-Cash *	cps	0.8	1.1	1.3	2.8	3.3
<i>EPS Cash growth</i>	%	26.3	42.8	11.3	118.0	20.0
DPS	cps	0.8	0.0	0.0	0.6	1.2
Franking	%	0.0	0.0	0.0	0.0	0.0
Y/E Share Price	cps	35.0	21.5	10.0	10.0	10.0
PER	x	49.0	na	na	6.9	4.6
PER-Cash	x	43.8	18.8	7.9	3.6	3.0
EV/EBITDA	x	29.3	20.5	7.1	2.6	0.8
Dividend Yield	%	2.3	0.0	0.0	6.0	12.0
NTA/share	¢ ps	3.0	3.0	3.4	5.4	7.2
Gearing (D:E)	%	0.0	0.0	0.0	0.0	0.0
P/OCF	x	28.8	17.5	9.0	3.9	3.2
ROE	%	15.0	9.4	7.6	16.0	17.9

May be subject to Rounding errors ** excludes Amortisation

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



Activities

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XPLORE Wealth (XPL)

Current Price: \$0.10 ps

Target Price \$0.20

PROFIT & LOSS

Year ended 30-06		2017A	2018A*	2019E	2020E	2121E
Sales Revenue	\$m	6.9	15.1	18.9	22.9	27.5
Cost of Goods Sold	\$m	-1.5	-3.1	-3.9	-4.7	-5.8
Gross Operating Profit	\$m	5.4	12.0	15.0	18.2	21.7
Expenses	\$m	-3.9	-9.2	-11.5	-10.3	-12.2
EBITDA	\$m	1.5	2.9	3.5	7.9	9.6
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	-0.9	4.0	6.1
Interest Paid	\$m	0.1	0.0	0.3	0.3	0.3
Pre Tax Profit	\$m	1.5	0.1	-0.6	4.3	6.4
Tax	\$m	-0.5	-0.1	0.0	0.0	0.0
Normalised Profit	\$m	1.0	-0.1	-0.6	4.3	6.4
Significant Items (Net)	\$m	-0.3	-2.4	1.6	0.0	0.0
Reported Profit	\$m	0.7	-2.5	1.0	4.3	6.4
Profit - Cash**	\$m	1.1	2.7	3.8	8.2	9.9

Growth

		2017A	2018A*	2019E	2020E	2121E
Revenue	%	25.4	119.7	24.6	21.2	20.3
COGS	%	24.5	114.0	24.6	21.2	23.2
Gross Operating Profit	%	25.6	121.2	24.7	21.2	19.5
Expenses	%	20.8	132.8	25.4	-10.7	18.5
EBITDA	%	40.4	90.8	22.3	126.2	20.8
NPAT Cash	%	25.4	154.5	39.7	116.2	20.0
EPS Cash	%	26.3	42.8	11.3	118.0	20.0

P&L Ratios

		2017A	2018A*	2019E	2020E	2121E
Gross Operating Profit / Sales	%	78.9	79.5	79.5	79.5	79.0
EBITDA / Sales	%	21.8	18.9	18.5	34.6	34.8
Effective Tax Rate	%	0.0	185.2	0.0	0.0	0.0
Interest Cover	x	na	na	na	na	na

FUA

Year End		2017A	2018A*	2019E	2020E	2121E
Year End	\$b	2.11	13.09	13.50	15.10	16.80
Growth	%	17.38	521.26	3.13	11.83	11.31
Revenue to Av FUA	%	0.35	0.25	0.14	0.16	0.17
EBITDA to Av FUA	%	0.077	0.038	0.027	0.055	0.060

Per Share

		2017A	2018A*	2019E	2020E	2121E
Year End Share Price	¢ps	35.0	21.5	10.0	10.0	10.0
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	-0.2	1.4	2.2
EPS-Cash**	¢ps	0.8	1.1	1.3	2.8	3.3
Operating Cash Flow ps	¢ps	1.2	1.2	1.1	2.6	3.1
Free Cash Flow	¢ps	0.0	0.6	0.4	2.0	2.6
DPS	¢ps	0.8	0.0	0.0	0.6	1.2
Franking	%	0.0	0.0	0.0	0.0	0.0
Dividend Payout Ratio	%	112.0	0.0	0.0	41.6	55.4

Parameters

		2017A	2018A*	2019E	2020E	2121E
PE Ratio	x	49.0	na	na	6.9	4.6
PER-Cash*	x	43.8	18.8	7.9	3.6	3.0
Enterprise Value / EBITDA	x	29.3	20.5	7.1	2.6	0.8
Enterprise Value / Revenue	x	6.4	3.9	1.3	0.9	0.6
Cash Flow ratio	x	28.8	17.5	9.0	3.9	3.2
Dividend Yield	%	2.3	0.0	0.0	6.0	12.0

VALUATION

Valuation Method	\$	Premium to Current Price (%)
EVR	0.20	104.0
DCF	0.33	225.9
Current Price	0.10	
Market Capitalisation	\$29.7m	Enterprise Value \$25.0m

CASH FLOW

Year ended 30-06		2017A	2018A*	2019E	2020E	2121E
Operating EBITDA	\$m	1.5	2.9	3.5	7.9	9.6
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	-0.5	-0.6	-0.6
Other	\$m	-0.2	-0.1	0.0	0.0	0.0
Operating Cash Flow	\$m	1.6	2.9	3.3	7.7	9.3
Capex	\$m	-0.1	-0.2	-0.2	-0.2	-0.2
Capitalised Development	\$m	-1.6	-1.2	-2.0	-1.5	-1.5
Free Cash Flow	\$m	-0.1	1.5	1.1	6.0	7.6
Acquisitions/Asset Sale	\$m	-0.5	-31.2	-1.5	-1.0	-1.0
Dividends Paid	\$m	-1.1	-0.3	0.0	-0.6	-3.0
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	0.0	0.0	0.0	0.0
Change in Net Cash	\$m	-0.3	3.3	-1.5	4.4	3.6

BALANCE SHEET a

		2017A	2018A*	2019E	2020E	2121E
Cash/Term Deposits	\$m	2.8	6.2	4.7	9.1	12.7
Receivables	\$m	1.0	2.5	3.1	3.7	4.5
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	9.2	14.5	19.2
Investments	\$m	0.5	0.6	0.6	1.0	1.2
Property, Plant & Eq	\$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	45.2	43.8	42.7
Total Assets	\$m	7.6	54.4	54.4	58.3	61.9
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 Liabli	\$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	1.9	1.4	1.2
Non Current Liabiti	\$m	0.1	1.6	1.4	1.4	1.2
Total Liabilities	\$m	1.0	4.7	4.8	5.0	5.1
Shareholder Funds	\$m	6.7	49.7	49.6	53.3	56.8

BALANCE SHEET R

		2017A	2018A*	2019E	2020E	2121E
Receivables turn	x	5.8	4.7	6.8	6.7	6.7
Net Debt	\$m	0.0	0.0	0.0	0.0	0.0
Current Ratio (CA / CL)	x	4.6	2.8	2.7	4.0	4.9
Net Assets	¢ps	5.0	16.5	16.7	18.0	19.1
Net Tangible Assets	¢ps	3.0	3.0	3.4	5.4	7.2
Cash	¢ps	2.1	2.0	1.6	3.1	4.3
Return On Assets	%	18.6	9.0	6.4	14.0	15.9
Return on Equity	%	15.0	9.4	7.6	16.0	17.9

MAJOR SHAREHOLDERS

Don Sharp	m	33.3	11% Exec Dir
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

Peter Brook	NE Ch
Don Sharp	Exec Dir
Stephen Reed	NE Dir
Pamela McAlister	NE Dir

MANAGEMENT

Don Sharp	Acting CEO
Tony Nejasmic	Head Distr & Mking
Pamela Wilson	COO
Bruce Hawkins	CFO
Jillian McGregor	Co Sec

Source: MGP (Act), Veritas (Est) * Linear included for 7 months only ** Excludes Amortisation

Guidance

EBITDA guidance reduced by 54% to \$3.0m - \$4.0m

- XPL has reduced midpoint EBITDA guidance by 54% from \$7.0m - \$8.5m to \$3.0m - \$4.0m, due to:
 - \$1.7m Revenue shortfall related to the delayed introduction of new products, mainly its new Wrap products. The new Wrap platform is expected to be launched in June 2019.
 - \$1.1m Delays in realising synergies from Linear acquisition, mainly from the migration to new service providers around the simplification of Responsible Entities.
 - \$0.3m Expensing of software development costs related to new Wrap platform, previously expected to be capitalised.
 - \$0.5m Additional investment in growth initiatives and skills upgrade around Trustee and acquisitions.

\$3.6m Total

The majority of the Revenue and Linear integration synergies shortfalls will be realised in FY20. This revised guidance includes the following, which are underway:

- \$0.9m Due diligence and research fees to be invoiced in June, to be recognised in Revenue and as Receivables on the Balance Sheet.
- \$1.9m GST refunds from the ATO with the registration and lodging to commence in May. Recovery is expected in FY19.

However, this guidance excludes \$1.6m of GST refunds relating to previous years, which will be included in FY19 Revenue, EBITDA and Cash Flow. We will treat this as a one-off.

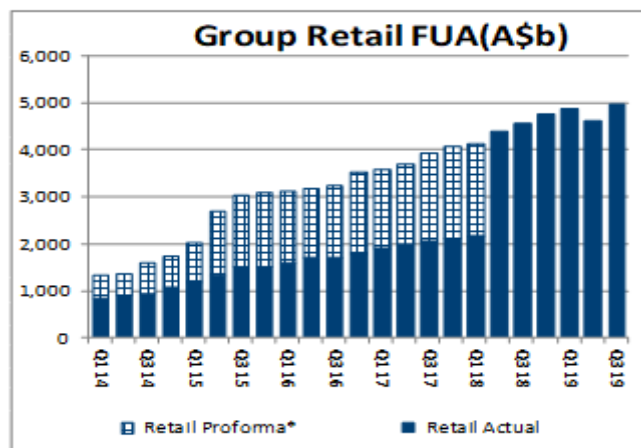
Strong Gross Fund Inflows for 3Q FY19

FUA inflows +20.5% over Q2, although impacted by a one-off

Retail - 3Q Gross FUA inflows increased by 20.5% over Q2 FY19 to \$227.4m (YTD +\$626.7m). While Net Inflows were down at \$34.4m, they would have been stronger after excluding FUA outflow from a larger client, which was outside the control of the Group. This client was impacted by the Hayne Royal Commission into Financial Services, leading to significant outflows over Q2 and Q3. These outflows will be at a lower level and expected to be completed in Q4.

Retail FUA increased by 7.6% over Q2 to \$4.96b

Retail FUA increased by 7.6% during Q3 to \$4.96b, representing a Proforma CAGR of 29.8% for the last 5 years. This does not include the potential FUA from the recent appointment by First Point Wealth Management and recent acquisition of Aracon Superannuation and DIY Master, with FUA to be transitioned over the next 12 months. This will also be boosted by potential new clients and significant FUA suitable for transition across all products and services from existing clients.



Source: XPL * Proforma covers Linear pre-acquisition

Gross Inflows increased by 81.4% over Q2, FUA of \$8.33b

Institutional - Gross Inflows increased by 81.4% over Q2 to \$627.5m (YTD +\$1,342.5m), although Net Inflows were lower at \$157m. Growth was mainly in PAS, from inflows into existing accounts and new accounts. XPL mostly recognises Revenue on the basis of \$1,000 per account and a small cash margin.

XPL has changed the basis for measuring institutional FUA, but not account numbers. Adjusting for this change, we estimate underlying FUA increased by 5% to 6% during Q3 to \$8.33b. Revenue was unaffected by this change.

Initiatives underway

With completion of the rebranding to Xplore and appointment of a new CFO, the following initiatives are underway:

Wrap Platform - XPL expects to launch its new wrap Platform in June, which will include:

- All ASX listed equities and direct international equities across 28 exchanges.
- Around 400 Managed investments and SMA model portfolios.
- Enhanced reporting and a competitive fee structure.

New CEO – with interviews underway, XPL expect to announce an appointment in Q1 FY20.

Technology Strategy – Completion of a front end upgrade in Q4 FY19, a further upgrade to deliver an enhanced experience for advisers and clients in Q1 FY20 and migration to a single infrastructure platform in Q2 FY20.

Outlook

Positive outlook, with the benefits from new clients, increased gross inflows, rebranding and new product launches, scalable technology and upgraded capabilities, including:

Retail - Growth in Retail FUA is key to Revenue growth, with Retail Revenue mainly linked to FUA, transactional activity, a cash interest margin and a GST rebate on fees. While we expect Retail sector Revenue for FY19 to equate to around 0.27% of Average Retail FUA, this is below the 0.30% to 0.35% range prior to the Linear acquisition. However, we expect Retail Revenue margin to Average FUA to move to within the historical range in FY20 and FY21, driven by:

- Continued signing of new clients and the transitioning of FUA from these clients and all products and services from existing clients. This includes clients and advisors moving from PAS to Wrap to MDA to obtain efficiencies and increase service levels.

There is increasing interest from investment advisors post the Royal Commission and advisors seeking international exposure for their clients' portfolios.
- An expanded product set with the launch of its Wrap platform and Xplore Outsourcing Solutions.
- Additional investment in growth initiatives, including business development & marketing and further product development.
- A full contribution from the 2 recent acquisitions, plus organic growth.
- On the EBITDA front, the partial realisation of the remaining \$1.1m in identified Linear synergies and benefits from its IT strategy and increased scale. However, these will be partly offset by:
 - Increased costs, with the new CEO, CFO and other key appointments.
 - A lower level of GST refunds, with gross increases offset by an allocation to clients.

Institutional – Continued growth in the number of accounts, supporting a continued take-up of additional service across the wider XPL Platform.

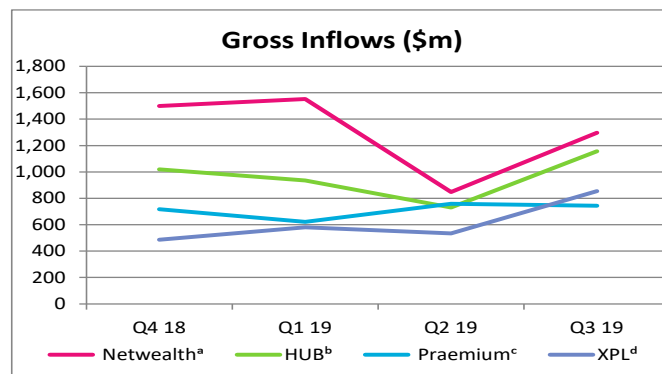
Strong growth expected in
FY20 onwards

XPL's product range, Key Revenue and Profit drivers are outlined below:

XPLORE PAS	XPLORE WRAP	XPLORE MDA	XPLORE OUTSOURCING
<p>Non-custody or custody outsourced administration and taxation service</p> <p>Any domestic and global asset via inhouse execution and trading team.</p> <p>HIN for shadow brokers</p> <p>Targeted at stockbrokers and shadow brokers</p>	<p>Investment Wrap Super and Pension Wrap – Q4 FY 19</p> <p>New flagship wrap platform with broad investment offering and true multi country and multi currency capability</p> <p>Targeted at IFAs and stockbrokers.</p>	<p>Investment MDA Super and Pension MDA</p> <p>Flexible platform solution enabling the widest possible choice of investments while allowing efficiency of execution.</p> <p>Targeted at IFAs, stockbrokers and investment managers</p>	<p>Bespoke outsourcing solutions</p> <p>An unbundled offering enabling clients to outsource non-core activities</p> <p>Targeted at Institutional clients and MDA operators.</p>
<p>Key Revenue Drivers</p> <p>Stockbrokers outsourcing Fixed Fee per account Cash Margin</p>	<p>Key Revenue Drivers</p> <p>Percentage of FUM charged to client Fee charged for each Transaction Cash margin GST rebate on fees</p>		<p>Key Revenue Drivers</p> <p>Clients outsourcing non core function: Flat dollar or percentage fees for additional services</p>
<p>Key Profit Drivers</p> <p>FUM growth Number of accounts Model portfolio cash holdings</p>	<p>Key Profit Drivers</p> <p>Increased FUM and transactions Scalable business Number of transactions Model portfolio cash holdings</p>		<p>Key Profit Drivers</p> <p>FUM growth Ability to unbundle our standard offerings All investments supported</p>

Source: MGP

There has been a recovery in Gross Inflows to listed platform operators, post the Royal Commission. This is expected to continue post the Federal Election.



^a ex Funds under Management ^b ex acquisition of Fitzpatricks ^c includes UK FUA of \$2.3b ^d includes PAS

Source: Company Announcements

Forecasts

We have adjusted our FY19 forecasts as follows:

- Reduced Revenue forecasts by 6.5% to \$18.9m (1H \$9.3m), to reflect the expected Revenue shortfall.
- Reduced EBITDA by 53.9% to \$3.5m (1H \$0.1m) to reflect reduced guidance, with higher costs and lower Revenue.

We have also adjusted FY20 and FY21 Forecasts, to reflect impact of lower FY19 result, as follows:

	FY19			FY20			FY21		
	Previous	Current	%	Previous	Current	%	Previous	Current	%
Revenue	20.2	18.9	-6.5	23.8	22.9	-3.9	28.0	27.5	-1.7
EBITDA	7.6	3.5	-53.9	8.3	7.9	-4.6	9.8	9.6	-2.4
NPAT	3.4	-0.6	na	4.6	4.3	-6.9	6.7	6.4	-4.1
NPAT Pre-Goodwill	7.9	3.8	-51.9	8.6	8.2	-4.5	10.1	9.9	-2.4

Source: Veritas

Valuation

Valuation of 20c ps

While we have reduced our 12 month price target to 20c ps (previously 25c ps), the valuation would be higher at 30c ps using a conservative DCF valuation.

VALUATION		FY20			
Method	EBITDA	Multiple	Valuation		
EV/EBITDA Multiple	FY20	x	\$m	¢ps	
EBITDA	\$m	7.9	6.5x	51.5	17
Net Cash FY19	\$m			8.5	3
Valuation	\$m			60.0	20
Valuation	cps				20
Current Price	cps				10
Valuation Premium (-)/Discount (+)				102%	

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, variable FUA growth and delays in realising full acquisition synergies, resulting in selling of acquired stock post the FY18 Capital raise. We believe these concerns will be eliminated in FY20.

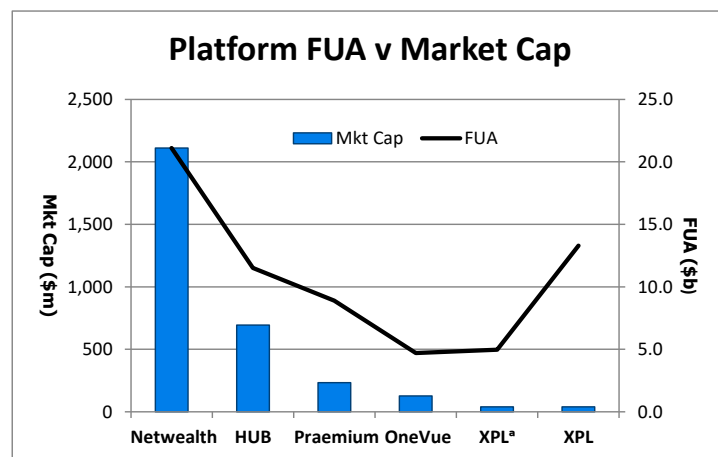
Company	Code	Price	*Mkt Cap		*Ent Val			*EV/Revenue (x)			*EV/EBITDA (x)			PER (x)			Yield (%)		
			A\$	A\$m	A\$m	18A	19E	20E	18A	19E	20E	18A	19E	20E	18A	19E	20E		
Managed Accounts	MGP	0.10	30	25	1.6	1.3	0.9	8.4	7.1	2.7	na	na	6.9	0.0	0.0	2.0			
Cash based (Exc Amortisation)								8.8	7.9	3.6									
Class	CL1	1.62	192	173	5.0	4.5	4.2	10.8	9.9	9.3	22.0	23.1	22.8	3.1	3.1	3.2			
HUB 24	HUB	13.57	694	816	9.7	8.1	6.7	72.6	49.6	29.0	128.5	58.5	33.7	0.2	0.5	0.9			
Netwealth	NWL	9.51	2,110	2,087	26.0	20.9	17.1	52.2	40.6	32.2	77.2	59.6	47.0	1.1	1.2	1.5			
Mainstream	MAI	0.68	87	82	2.0	1.6	1.4	12.8	10.5	8.5	50.3	18.6	15.3	2.2	2.8	3.4			
OneVue	OVH	0.44	127	105	2.1	1.8	1.6	14.4	14.2	12.0	12.7	47.6	31.0	0.0	3.7	1.4			
Praemium	PPS	0.43	232	204	4.7	4.3	3.8	24.5	18.8	14.2	135.1	69.6	35.5	0.0	0.2	1.1			
Weighted Average					17.2	14.0	11.5	51.2	38.0	27.3	92.6	57.7	39.3	0.8	1.1	1.5			
Average					8.2	6.8	5.7	31.8	24.3	17.7	82.1	51.4	31.2	0.8	1.8	1.9			
Powerwrap		0.35	72.0	72.0	4.9	4.5	3.7	-30.0	-13.8	-24.0	-31.3	-13.3	-19.5	0.0	0.0	0.0			

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: Company Announcements

^a Excludes PAS

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

While we maintain a BUY recommendation, we recognise the need for XPL to meet its revised guidance for FY19, continue strong FUA Inflow growth, delivery of its Wrap platform and Xplore Outsourcing, and complete the recruitment of a suitable CEO 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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