

ASX Release Date: 23 July 2020

June 2020 Quarterly Activity Report and Appendix 4C

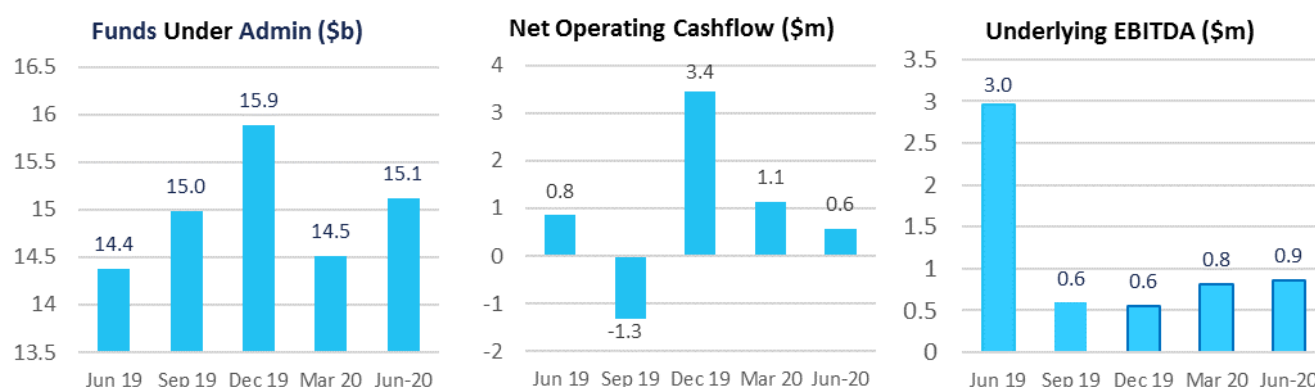
Xplore's 3-year strategy – INTEGRATE, GROW & OUTPERFORM – beginning to deliver benefits, with more to follow

Xplore Wealth Limited (ASX: XPL) (the Company or Xplore) is pleased to provide preliminary unaudited financial results for the year ending 30 June 2020 (ahead of Xplore's Appendix 4E and audited annual report) and the Appendix 4C cash report for the quarter ended 30 June 2020.

Quarterly highlights

- Strong growth in Funds Under Administration (FUA), up 5.1% prior comparable period (pcp);
 - Despite recent market volatility FUA is up \$0.74b to \$15.12b as at June 2020 from \$14.38b pcp;
- The One Platform program has completed key initiatives which are expected to deliver recurring cost savings of \$1.1m per annum with more anticipated;
 - Integration now means Xplore has one custodian, one transactional backend and one IT infrastructure;
- Our first clients, MDA and Xplore's Super & Pension Wrap were migrated to Xplore's One Platform;
- We continue to successfully navigate COVID-19 to be "safely" open for business for our clients and staff; and
- Positive cashflow from operations of over \$3.8m for the year with elevated trading levels and higher than average cash holdings.

Mike Wright, Chief Executive Officer noted, "It is pleasing to start seeing the benefits and cost savings of the first phase ("INTEGRATION") of our 3-year strategy materialising. We expect the benefits to accelerate as we complete the One Platform program anticipated by mid FY2021. Encouragingly, as we work through the integration phase, we continue to see further opportunities to grow now and well into the subsequent strategic phases of, GROW and OUTPERFORM to drive shareholder value."



1. FY20 unaudited financial results

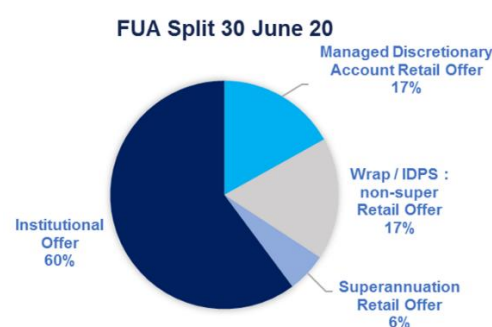
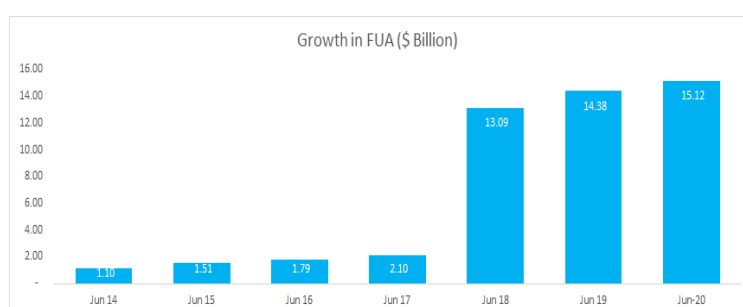
	FY20	FY19
Total revenue	\$22.9m	\$20.8m
Gross profit	\$17.4m	\$16.0m
Gross Margin %	76.0%	76.9%
Other income	\$0.4m	\$0.6m
Other costs	(\$15.0m)	(\$13.8m)
Underlying EBITDA (*)	\$2.8m	\$2.8m
EBITDA Margin %	12.2%	13.4%
Depreciation & Amortisation	(\$2.4m)	(\$5.0m)
Write off the carrying value of software	(\$10.8m)	-
Interest	-	\$0.1m
Non-recurring income	-	\$2.0m
Non-recurring expenditure	(\$1.8m)	(\$1.7m)
Employee share scheme	(\$0.3m)	
Net Profit / (Loss) Before Tax	(\$12.5m)	(\$1.8m)

* Underlying EBITDA has been prepared to exclude non-recurring expenses and consistent with pro-forma calculations for FY19.

FY19 results have been restated from the reported FY19 results to reflect one-off items pertaining to a prior period previously included in those results to enable a meaningful comparison of results between periods. Other costs and Underlying EBITDA for FY19 have been adjusted to reflect the implementation of AAS16.

2. Funds Under Administration

Group FUA as at 30 June 2020 up 5.1% pcp from \$14.38 Billion to \$15.12 Billion, with Net Inflows of \$0.66 Billion during FY2020.



During the quarter Gross Flows were \$0.6 Billion with a strong contribution from our superannuation businesses, albeit net flows were impacted by the challenging market conditions over the quarter.

FUA (\$ Billion)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Growth on PCP
Opening FUA	13.29	14.38	14.99	15.89	14.51	
Net Flows	- 0.01	0.23	0.49	0.02	0.08	
Market Movement	1.10	0.38	0.41	1.41	0.69	
Closing FUA	14.38	14.99	15.89	14.51	15.12	5.1%
Gross Flows (\$m)						
Retail	203.0	253.1	255.9	262.4	232.5	
Institutional	537.0	565.5	669.9	482.6	317.9	
Superannuation*	5.0	15.4	92.1	141.7	54.6	
Net Flows (\$m)						
Retail	- 92.0	33.7	86.7	30.0	115.4	
Institutional	115.0	227.7	343.2	54.9	23.0	
Superannuation*	- 34.0	29.4	60.2	104.0	14.5	

* Superannuation businesses wholly owned by Xplore Wealth - Aracon Superannuation Pty Ltd and DIY Master Pty Ltd

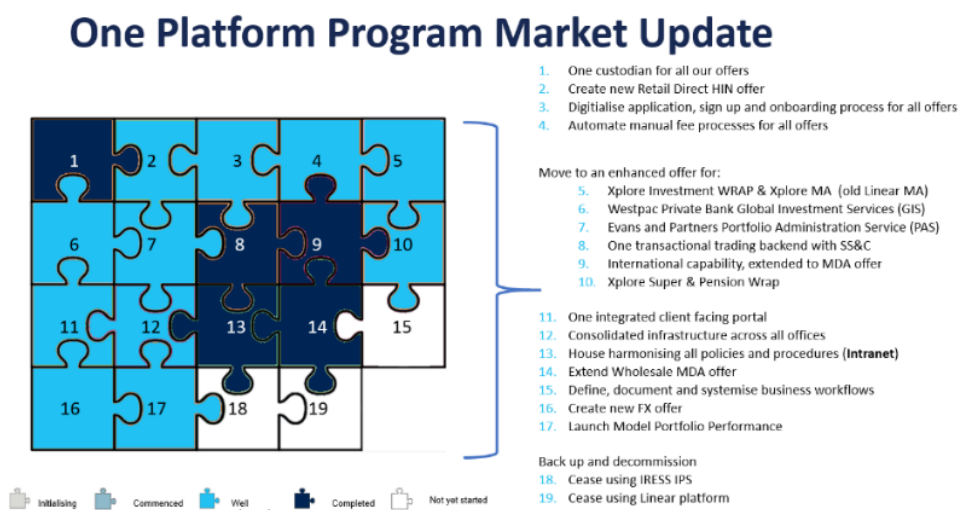
3. One Platform program

During the June quarter the One Platform program laid key foundations to ensure successful migration of all Xplore’s clients onto one fully integrated platform. The integration and consolidation of service providers and technology moves Xplore closer to end target state, now that the Company has:

- One custodian;
- One reconfigured transactional backend;
- One consolidated technology infrastructure; and
- One online application.

Two significant benefits from the integration:

- The first recurring \$1.1m pa savings locked in; and
- The first clients, MDA and Xplore’s Super & Pension Wrap migrated onto the One Platform.



The September quarter for the One Platform program is about platform readiness to migrate the below remaining clients onto Xplore’s One Platform, which we anticipate occurring mid FY2021:

- Xplore Investment Wrap;
- Xplore Managed Account;
- Evans & Partners Portfolio and Administration Reporting Service; and
- Westpac’s Private Bank Global Investment Solution.

During the September quarter the Company expects to deliver initiatives that will achieve additional recurring cost savings. The remaining cost savings and benefits from the program will be realised once the migration is completed.

4. June quarter Cashflow - Appendix 4C

The Company continues to deliver quarterly net positive cash from operations, at \$0.6 Million for the June quarter and \$3.8 Million for FY2020. Please note that in accordance with AAS16, property rental payments have been reclassified from Operating Cashflow to Financing Cashflow. This change was implemented for the June quarter and full year results adjusted accordingly. The quarterly Operating Cashflow chart has also been restated to reflect this change.

Overall the cash position has improved by \$1.31m from the start of the financial year, now at \$2.25m. The Company is free of debt and has an undrawn overdraft facility of up to \$250,000 in place if required.

Please refer to the Appendix 4C for a breakdown of expenditure paid out during the period. To summarise:

▪ Cost of sales	\$1.375m	▪ One platform costs	\$0.181m
▪ Administration expenses	\$1.608m	▪ Other expenses	\$0.182m
▪ Salaries & wages	\$3.069m		

About Xplore Wealth

Xplore Wealth is one of Australia's longest serving non-bank owned Specialist Platform Providers (SPP) and investment administrators, with extensive expertise in managed accounts.

Xplore Wealth fully owns an Australian Prudential Regulatory Authority (APRA) regulated Registrable Superannuation Entity (RSE) licence, Aracon Superannuation Pty Ltd (ABN 13 133 547 396, AFSL 507184, RSEL L0003384) ("**Aracon**"), the trustee of Aracon Superannuation Fund (ABN 40 586 548 205).

Xplore Wealth also fully owns Investment Administration Services Pty Limited (ABN 86 109 199 108, AFSL 284316) ("**IAS**"), a Managed Discretionary Account (MDA) Operator providing investment administration and platform services to Retail Clients who have appointed their own third-party External MDA Adviser.

Xplore Wealth's Investment Platform, broad Managed Account offer and Superannuation services provide an array of wealth management options for Australia's financial advisory firms, full-service stockbrokers and wealth managers.

During the quarter there were no material developments or changes to Xplore Wealth's business.

The Company's Appendix 4E and finalised financial results are expected to be released towards the end of August 2020.

Please note that the financial results shown in this release are not audited and may be subject to change once the audit of the annual report has been completed.

This Quarterly Activity Report and the attached Appendix 4C (Quarterly cash flow report) have been authorised for release by the Board of the Company.

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Investors should be aware that certain financial measures included in this announcement are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information / non-GAAP financial measures include EBITDA and EBIT. The Company believes the non-IFRS financial information / non-GAAP measures provide useful information to users in measuring the financial performance and conditions of the Company. The non-IFRS financial information / non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information / non-GAAP financial measures included in this presentation.

This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the Company's other ASX announcements and releases.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Xplore Wealth Limited

ABN

34 128 316 441

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,662	25,103
1.2 Payments for		
(a) research and development	(79)	(204)
(b) product manufacturing and operating costs	(1,390)	(6,602)
(c) advertising and marketing	(3)	(69)
(d) leased assets		
(e) staff costs	(2,624)	(11,347)
(f) administration and corporate costs	(1,085)	(3,408)
1.3 Dividends received (see note 3)		
1.4 Interest received	15	70
1.5 Interest and other costs of finance paid	(13)	(90)
1.6 Income taxes paid		(3)
1.7 Government grants and tax incentives	86	386
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	569	3,836
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		(792)
(b) businesses		
(c) property, plant and equipment	(13)	(140)
(d) investments		(12)
(e) intellectual property		
(f) other non-current assets	(340)	(1,235)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		25
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)	74	99
2.6 Net cash from / (used in) investing activities	(279)	(2,055)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		73
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings		1,000
3.6 Repayment of borrowings		(1,000)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (Repayment of lease liabilities)	(133)	(544)
3.10 Net cash from / (used in) financing activities	(133)	(471)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,094	941
4.2 Net cash from / (used in) operating activities (item 1.9 above)	569	3,836
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(279)	(2,055)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(133)	(471)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,251	2,251

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,251	2,094
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,251	2,094

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
90
0

Note: The payments referred to in item 6.1 relate to remuneration paid to the directors of the business. For the previous quarter, this amount was \$90,000

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements	\$250	
7.3 Other (please specify)		
7.4 Total financing facilities		

7.5 **Unused financing facilities available at quarter end** \$250k

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

XPL has finalised agreements with Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) with respect to implementing an overdraft facility of up to \$250,000 which will provide an additional financing facility should this be required in the future. The facility is secured against the assets of the business and is subject to an annual review. Interest rate on the facility is the BBSY + 2.75% margin.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	569
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,251
8.3 Unused finance facilities available at quarter end (Item 7.5)	250
8.4 Total available funding (Item 8.2 + Item 8.3)	2,597
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 23 July 2020

Authorised by the Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.