

21 August 2018
ASX Announcement

Mainstream Group Holdings Limited final results for the year ended 30 June 2018

Mainstream Group Holdings Limited group (ASX: MAI, formerly MainstreamBPO Limited) today announced its results for the year ended 30 June 2018 (FY18).

Highlights

- Revenue of \$41.8 million (up 42% from FY17) including \$7.9 million derived from organic growth
- EBITDA* of \$6.4 million (up 49% with 2.8% Operating EBITDA Margin improvement from FY17)
- NPAT of \$1.7 million (up 22% on FY17)
- Fully franked final dividend of 1.0 cent per share
- Strong outlook to deliver 25% increase in revenue and EBITDA for FY19

Results summary

	FY18 \$m	FY17 \$m	Change
Revenue	41.8	29.3	+42%
Operating EBITDA*	10.5	6.6	+60%
Operating EBITDA Margin (%)	25.3%	22.5%	+12%
EBITDA	6.4	4.3	+49%
EBITDA Margin (%)	15.2%	14.5%	+5%
Total Dividend per Share	1.5cps	1.25cps	+20%
EPS - basic	\$0.0163	\$0.0159	+3%

The below table reconciles Mainstream's net profit after income tax of \$1.7m to its EBITDA of \$6.4m for the twelve months ended 30 June 2018 compared to the prior corresponding period.

	FY18 \$ (000's)	FY17 \$ (000's)
Profit after income tax expense	1,739	1,425
Add:		
Income Tax Expense	898	387
Amortisation and depreciation expense	1,473	998
Interest expense	935	696
Share-based payments expense	1,309	751
EBITDA	6,354	4,257
Acquisition and set-up costs**	458	254
Transition costs^	739	-
Normalised EBITDA	7,551	4,511
Full period effect of Acquisitions	410	296
Proforma EBITDA^^	7,961	4,807

* EBITDA is a non-IFRS financial measure used to highlight the operating performance of the Group. EBITDA is calculated as earnings before interest financing expense, tax, depreciation, amortisation and share based payments. Operating EBITDA is not an IFRS standard and is used to highlight Operating Margin before Corporate Costs.

** Includes acquisition and new business start-up costs.

^ Includes new client transition and global operating model costs.

^^ Proforma EBITDA is not an IFRS standard and is used to highlight notional EBITDA with expected full period effect of Acquisitions.

Funds under Administration (FuA) rose 17% during the full year to \$138 billion, from \$119 billion as at 30 June 2017. 86% of FuA growth was from organic sources, primarily existing clients' new inflows and investment performance, and 14% from acquisitions. Over the same period, the number of funds administered grew from 667 to 815 to funds.

Commenting on the results, Mainstream Chief Executive Officer Martin Smith said "Mainstream has delivered solid results alongside continued investment in key client relationships and building out our private equity capability in the US. Other highlights included the expansion of our presence in Europe and the Cayman Islands and our success in the Australian listed investment vehicle market."

Regional update

For the first time 25% of annual revenue was generated outside of our traditional Asia-Pacific market. This reflects the successful implementation of our global operating model last year as well as the full year contribution of businesses acquired in prior periods.

Australia remains a core focus via our market leading position in full service fund administration. Domestic clients were the primary beneficiaries of the \$8.2 million invested in technology, automation and processes during the period.

Acquisition update

The Group completed two successful acquisitions during FY18:

- › Trinity Fund Administration (now Mainstream Fund Services in Ireland and Cayman Islands) – delivered established operations in Dublin, Ireland and the Cayman Islands to the group, completed 30 September 2017.
- › Part of IRESS' superannuation administration business – added scale, capability and new clients to Mainstream Superannuation Services; completed 8 November 2017.

On a combined basis the two acquisitions contributed \$4.5 million of revenue to the Group in FY18 (equivalent to \$6.1 million on an annualised basis).

People update

The Group now employs more than 245 people, up 27% on FY17, in eight countries under our new 'Mainstream' brand.

Mainstream attracts and rewards employees through participation in our Employee Share Plan. In FY18, Share Based Payments increased to \$1.3 million (up from \$0.8 million in FY17), reflecting the increase in employee numbers and in consideration of meeting growth targets.

Dividend

The Board has declared a final fully franked dividend of 1.0 cent per share, bringing the total dividends for the year to 1.5 cents per share which is 0.25 cents higher than FY17.

Outlook and FY19 guidance

The Company confirms it is on track to deliver revenue of approximately \$50 million to \$55 million and EBITDA of approximately \$7.5 million to \$9.0 million for FY19, representing significant increases on FY18.

"We are very pleased with the continued growth in the business and our financial results. In the three years since we listed on the ASX, we have grown our revenue by 284%, net profit after tax by 462% and funds under administration by 165%. We look forward to continuing this momentum into FY19." said Mr Smith.

For more information

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About Mainstream Group Holdings

Mainstream Group Holdings Limited (ASX: MAI) provides fund and superannuation administration services underpinned by investment in people, processes and technology.

As at June 2018 the Group provides administration services to 815 funds and more than 100,000 investors with assets under administration in excess of AUD \$138 billion.

Mainstream employs 245 people, with operations in Australia, Singapore, Hong Kong, the United States, the Isle of Man, Malta, Ireland and the Cayman Islands.

For more information, please visit: www.mainstreamgroup.com.