



Fast growing company that needs to extend its transparency to its Remuneration policies.

Company/ASX Code	Hub24/HUB
AGM date	Thursday 26 November 2020
Time and location	1pm AEDT Warrane Theatre, Museum of Sydney, Corner of Bridge and Phillip Street, Sydney
Registry	Link
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Allan Goldin assisted by Sue Howes
Pre AGM Meeting?	Yes with Chair Bruce Higgins

One of the individuals (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

This is the first year that HUB has been covered by the ASA. The company listed in 2007. The company is a portfolio management platform, licencing and software provider to financial planning and adviser providers. The company has gradually moved into profitability over the last four years and this year is the first franked dividend it has paid having worked through its accumulated losses.

Competitive edge is ability to construct statements of advice capturing the entire wealth of a client efficiently, while due to the absence of legacy systems they are able to offer a greater variety of financial instruments in a more efficient and cost effective manner, than the old financial institutions

One of their newer innovations this year, in conjunction with Aberdeen Standard Investments is to launch a digital client engagement and advice tool, integrated with the HUB24 platform to provide a solution for advisers to efficiently service clients with smaller balances, than they would be able to do on other platforms.

The nature of the business means that they have not been as affected by COVID as others. As such no director or senior employee pay cuts have occurred at HUB. The company has not entered into any deferred payment arrangements and has not received any government or third party concessions in relation to the COVID-19 pandemic.

The company has a refreshing approach to Board recruitment in that they try not to pull from the pool of directors already occupying multiple ASX listed Board seats. As a result they have a Board with ample time available for the business of the organisation.

HUB is currently in the process of raising funds, even though the Company is trading near its all-time high, primarily to fund its Xplore acquisition, one of three they are undertaking:

- Xplore Wealth - \$60m;
- Ord Minnett's PARS portfolio service; and
- A 40% stake in Easton, a financial services firm.

The company could have performed these transactions separately and over a time period, but decided that the distractions of multiple raisings in short succession made it more straightforward to wrap up all the capital raising into one transaction.

While all this is going on they entered an agreement to be ClearView's strategic wrap form provider. The agreement includes the development and launch of a ClearView white-label version of HUB24 Invest and HUB24 Super, along with the addition of ClearView's managed portfolio and insurance products to the HUB24 Invest and HUB24 Super retail platform offer. Under the arrangement, more than \$1 billion in Funds under Administration (FUA) from the current ClearView Wealth Solutions wrap platform will migrate to HUB2

Governance and culture

The Board is currently 17% female with the hire of the most recent director. The company has a focus on Board diversity and is interested in hiring further directors from diverse backgrounds.

The ASA discussion covered the provision of a Board Skills Matrix and employee information and statistics in the annual report and this will be considered for future years. Hopefully next year will also see a 5 year financial review. In the Annual Report

Financial performance

The total shareholder return for FY20 was -21%. This is somewhat misleading, however, as the company had both the highest NPAT and UPAT in its history, had FUA grow by 34% to 17.2 Billion, posted its first fully franked dividend (\$0.07 per share) and has had a share price bounce back since the low at the end of the FY.

Key events

As discussed above, the company has been recently raising capital to support its expansion with three new acquisitions. The raise was announced in October 2020 and comprised a \$50m placement with institutional and sophisticated investors as well as a \$10m SPP at \$20 per share, a 4.6% discount to the then share price. The placement has been filled and the SPP plan has just been released. The company has also entered into a three year \$12.5m debt security with ANZ to assist its expansion plans.

Key Board or senior management changes

In February the Board appointed Ruth Stringer, who is standing for election at this AGM.

The CFO resigned on short notice during the year and Ms Kitrina Shanahan was appointed on September 7th as Chief Financial Officer (CFO) and Joint Company Secretary.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	8.2	7.2	7.4	18.9*	(1.2)
UPAT (\$m)	10.1	6.8	5.4	2.4	(1.2)
Share price (\$)	9.30	11.880	11.520	6.220	3.670
Dividend (cents)	7.0	5.0	0.0	0.0	0.0
TSR (%)	(21.00)	3.20	85.00	69.60	23.60
EPS (cents)	13.1	11.5	12.3	35.0	(2.3)
CEO total remuneration, actual (\$m)	0.739	NA	NA	NA	NA

For FY20, the CEO's total actual remuneration was **8.03 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

Item 2	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

CEO rem. Framework for FYXX	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.520	32%	0.520	9%
STI - Cash	0.390	24%	0.390	7%
STI - Equity	0.000	0%	0.000	0%
LTI	0.712	44%	4.570	83%
Total	1.622	100%	5.480	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Actual remuneration for the CEO is not included in table form in the annual report. The Remuneration is set out in a manner that is not as transparent as what we see from many other companies and therefore makes comparison difficult.

STI

The STI has a great many criteria that are being measured but it appears that only somewhere between 25 and 32.5% are based on external measurable targets. ASA would prefer a more objective set of measures that align with shareholder experience.

We are told that the CEO received 82% of his potential STI and the other eligible KMP's a similar amount but if that was based on financial criteria or non-financial criteria being met or both we are unsure because we run into the first of our transparency issues.

The company has a reasonable allocation of total remuneration to STI, however pays this 100% (33% at time of grant, 33% 6 months later and the remainder at the end of the year) in cash and allows, at its discretion, employees to convert into equity. The Board are not allowing STI to be taken as equity this year.

Virtually all companies that ASA monitors pay a proportion in equity so that there is real alignment with shareholders.

LTI

The criteria for LTI is firstly the growth in FUA which is a very logical and meaningful measurement and the targets seem very fair. The second criteria is Total Shareholder Return which from a shareholder's perspective is OK, not as good as comparative TSR, but still good. From this point the LTI plunges.

Firstly the term is 3 years, short for a real long term, but a fast growing company in a rapidly changing industry so there is an acceptable argument. But then if it is not met there is a retest, absolutely ridiculous, firstly you set targets and then if you don't make it we will give you another shot.

But even worse we are told when the award is created it is based on 100% of the CEO's Fixed Annual Remuneration which would be true, if the number of performance rights and options granted were based on the actual share price at the time. Instead the Company has used an outdated concept of Fair Value to artificially inflate the number of performance rights and options. What's more, this methodology destroys any transparency as the actual value at the time of creating the award is an unpublished number.

In Resolution 5 we will report on the Special performance rights, however for the reasons discussed above we will not be voting any undirected proxies we receive in favour of this resolution.

Item 3	Re-election of Anthony McDonald as a Director
ASA Vote	For

Summary of ASA Position

Mr McDonald was first appointed to the Board in 2015 and chairs the Remuneration and Nomination Committee. The ASA considers him to have the skills and abilities suitable for his role on this Board and considers him to be independent.

Mr Mc Donald holds two other listed Board roles, and thus has sufficient time and energy available to devote to this role. At the end of FY20 he held \$161,578 worth of shares, but as indicated earlier, the share price had dipped down at the end of the FY. Generally he holds more than one year's fees in shares.

Item 4	Election of Ruth Stringer as a Director
ASA Vote	For

Summary of ASA Position

Ms Stringer was appointed to the Board in February 2020 to fill a temporary vacancy. She is now standing for election at the AGM and serves on the Audit, Risk and Compliance Committee. Her background in financial services and law, as well as her gender, broadens the skill set and diversity of the Board and the ASA therefore consider her to be a good addition as well as being independent.

Ms Stringer has already commenced share acquisition with 2,550 shares at the end of FY20.

Item 5	Approval of issue of options and performance rights to Andrew Alcock
ASA Vote	Against

Although it is not stated anywhere, this is a resolution that at the time of creating the bonus results in a bonus of approximately \$4.5 million, based on the share value at the time of allocation.

The first part is for the LTI we discussed earlier: good criteria, meaningful targets, but then an unfair retest and no real transparency, then there is the 270,000 Special Performance Rights that can vest over 5 years. Although for some reason this is framed over two criteria when it could just as easily be over one, what it means is, for full vesting to occur over 5 years the compound annual growth rate needs to be 307% which relates to an increase of Funds Under Administration of \$70 billion. A great target.

This bonus is obviously structured as a carrot to keep the CEO, which is a great idea. What the Company has not done is inform us that at the time of creating this bonus it was worth \$3,858,300 and potentially considerably more if the target is reached in 5 years.

Unfortunately again the shareholders are kept in the dark about the actual value at the time of creation of the award, so again it is because of this lack of transparency we will be voting against this resolution.

Item 6	Approval of employee share option plan
ASA Vote	For

Summary of ASA Position

This plan allows employees to participate in the equity of the company, thereby theoretically aligning employee behaviour with shareholder outcomes. We are supportive of this plan.

Item 7	Adoption of amended Constitution
ASA Vote	Against

Summary of ASA Position

The Constitutional changes are pretty standard. However there is one that ASA takes exception to: the provision allowing Virtual Meetings.

Currently companies are holding Virtual meetings because, due to the Covid health crisis ASIC is not questioning if you have the right to do so in your constitution. We question the need for this provision, as unless there is like the current situation (a ban on physical meetings) there is no need for a totally virtual meeting. If such an event occurs again, like now, there will be an exception granted.

Indeed for the Company to hold a Virtual meeting in normal times, there needs to be a change in legislation which may or may not happen when a review is conducted after the AGM season, so this proposed change is putting the cart before the horse and is something that should be looked at after the review. For this reason we will be voting our undirected proxies against this resolution.

Item 8	Increasing the maximum aggregate remuneration of non-executive directors
ASA Vote	For

Summary of ASA Position

The company wishes to increase the maximum annual total amount payable to directors from \$800,000 to \$900,000. This is a very reasonable request and we are supportive of this resolution.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.