

ASX Release: 21 August 2014

HUB24 TO ACQUIRE BOUTIQUE LICENSEE PARAGEM

HUB24 (ASX:HUB) is pleased to announce it has executed an agreement to acquire the independently owned financial planning licensee Paragem Pty Ltd (**Paragem**).

Paragem is a leading boutique dealer group, founded by Ian Knox and Charlie Haynes that has grown strongly to license 20 high quality financial advisory practices across Australia, which advise on more than \$2.5 billion of client funds.

HUB24 and Paragem are highly complementary with minimal overlap and share a common goal to create strong financial advice practices and a platform group not aligned to product manufacturers. With over 40 years of combined industry experience, Mr Knox and Mr Haynes will continue to grow the Paragem business and add significant depth of experience to the HUB24 executive team.

Transaction highlights

- HUB24 has executed an agreement to acquire 100% of the shares in Paragem.
- Completion is planned to occur over the next few weeks subject to satisfaction of conditions precedent including that acquisition arrangements are agreed between Paragem advisers and HUB24 to the satisfaction of the parties.
- Cash consideration of \$1m at completion with a deferred cash payment at 12 months of up to \$1m (subject to customary adjustments) to be funded from existing cash resources.
- Capped earnout consideration of up to an additional \$6m subject to financial performance measured over 3 years and paid in HUB24 ordinary shares no later than 30 September 2017 (with the number of shares determined by reference to the 60 day VWAP until today's announcement of 92.47 cents).
- Paragem is currently self-funding and has been cashflow positive over the past two financial years.
- The Paragem business had gross revenues (inclusive of payments to advisers) of \$20.2m in FY14, has operated on a break even basis and is in a strong growth phase.
- Ian Knox and Charlie Haynes will enter into executive service agreements - remuneration and performance incentives will be similar to existing HUB24 executives.

The acquisition of Paragem is consistent with HUB24's strategy to pursue significant growth by partnering with quality independently minded financial advisers (IFAs). Working together with Paragem and HUB24's existing highly valued advice licensees, the company will continue to develop solutions for the benefit of the IFA market and consumers. Given the level of industry consolidation occurring in the licensee space, HUB24 is pleased to be able to work with Paragem, whilst continuing to strengthen existing relationships. Together we will provide a compelling home for like-minded financial advisers who value choice and the ability to freely run their own business, while working with HUB24 to develop better, more cost effective client outcomes.

Both HUB24 and Paragem will retain their existing brands and will continue to operate independently. Importantly, Paragem will retain its open architecture approach to approved products and platforms and HUB24 will maintain its focus on supporting the growth and prosperity of its existing licensee clients and pursuing new client opportunities with its market-leading platform solution.

HUB24 CEO Andrew Alcock stated, “We see this acquisition as being consistent with HUB24’s core proposition of providing high value services to licensees and advisers. We were also determined to ensure any entry into the advice space would result in a further enhancement of HUB24’s rapid growth, diversification of the company’s revenue stream and continued improvements to platform functionality, which will be highly valued by the broader IFA market. In addition to providing our HUB24 retail products to advisers, we will continue to focus on our core business providing white labels to financial planning groups, accountants and stockbrokers whilst also developing and supporting the Paragem business”.

He added, “HUB24’s platform will enable Paragem advisers to act in the best interests of their clients. We offer a pathway to a broad investment universe, free of product issuer conflict, utilising direct securities, managed accounts, traditional managed funds as well as multiple term deposit and insurance providers. We are not aligned with product manufacturers and therefore not constrained in the products we offer.”

Paragem Managing Director, Ian Knox, agreed saying “Paragem’s client base is well suited to Separately Managed Account (SMAs) investments that are professionally constructed and managed and we reviewed the entire market before determining HUB24 was the most suitable partner. We wanted to embrace an independent technology-based product provider at the forefront of SMAs and managed accounts, not one that was just thinking about the concept.”

An important consideration in acquiring Paragem is the cultural alignment between the two businesses. The fusion of advice and technology supports the ability to deliver exceptional customer service outcomes and adviser practice efficiency. In addition, both Paragem and HUB24 understand the importance of existing relationships and the acquisition is not expected to alter these in any way.

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About HUB24

HUB24 is a financial services company listed on the Australian Stock Exchange (ASX: HUB). The business is focussed on the delivery of the HUB24 platform, which supports the achievement of superior superannuation and investment outcomes for investors. HUB24 is a next-generation service with state-of-the-art portfolio management, transaction and reporting solutions for licensees, financial advisers, accountants, stockbrokers and institutions. HUB24 is not aligned to any major bank, manager or institution. HUB24 is an independent organisation with award winning technology and a growing number of respected and high profile financial services companies as its customers.

For further information, please visit: www.HUB24.com.au

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About Paragem

Paragem is a boutique licensee comprising 20 high-value fees based practices across Australia who advise on more than \$2.5 billion in client assets. Paragem has been built through rigorous adherence to licensing of pre-existing firms with the highest level of compliance, asset and revenue performance. The business has grown rapidly in recent years due to its focus on a clear value proposition around advice quality and consumer outcomes.

Paragem has developed a clearly differentiated and open architecture position in relation to supplier relationships, ensuring their firms have access to the most advanced technology and product solutions possible. The business will continue to grow through focus on culturally aligned businesses that promote the highest possible level of advice and financial outcome. The management team enjoy a high profile in consumer and adviser advocacy through regular engagement with government and industry bodies.

For further information, please visit: <http://www.paragem.com.au/>

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