

25 August 2016

Attention: Company Announcements  
 ASX Limited

*By E-Lodgment*

## Audited Financial Results for FY2016 (extract)

InvestSMART Group is pleased to announce its audited FY2016 results showing an increase in operating profits from \$131,204 in FY15 to \$2,407,079 in FY2016 in line with management efforts to restructure costs through business consolidation.

Below is a summary of our audited accounts for FY2016 with prior period comparisons shown on a consolidated basis to assist in understanding our underlying performance:

<b>FY2016 FINANCIAL PERFORMANCE*</b>	<b>FY15 Q4</b>	<b>FY15 FY</b>	<b>FY16 Q4</b>	<b>FY16 FY</b>
	(to June 2015)	(to June 2015)	(to June 2016)	(to June 2016)
Commissions	2,025,040	8,517,513	1,882,930	7,907,634
Subscriptions	972,694	3,361,576	1,775,424	4,207,421
Consulting Fees $\Delta$	152,230	650,619	414	40,414
Other Income $\Theta$	295,169	693,912	64,091	247,986
<b>Total Income</b>	<b>3,445,133</b>	<b>13,223,620</b>	<b>3,722,859</b>	<b>12,403,455</b>
Rebates Paid	648,093	2,456,823	420,533	1,862,126
Employee Costs	1,428,383	5,790,685	1,533,773	4,830,356
Other Expenses $\S$	2,056,304	4,844,908	1,115,269	3,303,894
<b>Total Operating Expenses</b>	<b>4,132,780</b>	<b>13,092,416</b>	<b>3,069,575</b>	<b>9,996,376</b>
<b>Operating Profit Before Tax, Amortisation and EBE</b>	<b>(687,647)</b>	<b>131,204</b>	<b>653,284</b>	<b>2,407,079</b>
<b>Amortisation and Employee benefit expense</b>		(565,636)		(2,160,716)
<b>Gain (loss) on investments</b>		(7,490,036)		6,872
<b>Tax benefit (expense)</b>		625,904		(78,075)
<b>Reported profit/(loss)*</b>		<b>(7,298,564)</b>		<b>175,160</b>
<b>Cash at Bank (end of period)</b>	<b>3,292,828</b>	<b>3,292,828</b>	<b>4,986,827</b>	<b>4,986,827</b>

\*Annual results are audited and quarterly results have been prepared by management and are unaudited. 2015 results are based on reviewed consolidated accounts.

$\Delta$  Consulting fees in 2015 include fees from AWI Funds and Forager contracts that have now been cancelled.

$\Theta$  Other Income includes revenue from AWI Ventures (now sidelined) and from interest earned on cash-at-bank.

$\S$  Other Expenses excludes tax, LTIP costs and amortisation of intangibles in YTD FY16. FY15 includes Webabout termination cost of \$800,000.

## Commentary on financial performance for FY2016

FY2016 was a year of business consolidation, cost restructuring and systems development. Improving services to members was a core focus and sets the scene for organic growth in member engagement and revenue in FY2017.

On 4 April 2016, the Group completed the acquisition of Eureka Report Pty Ltd using existing cash reserves. This is a very important strategic acquisition which enables us to scale up both member services and distribution and has doubled our registered members to over 700,000, increasing paying members by nearly 30% and increasing total revenue by circa 28%.

It is pleasing to note that despite market deterioration we were still able to post an overall modest growth of 2% in our core revenue streams of commissions on funds under administration and subscriptions.

The following commentary provides a brief breakdown on significant line items within our audited accounts:

### **Commissions**

Revenue resulting from funds under administration fell from \$8,517,513 in FY2015 to \$ 7,907,634 in FY2016 in line with deteriorating market conditions in FY2016 where the All Ords dropped approximately 3%.

### **Subscriptions**

Revenues from subscriptions continued to grow in FY2016 from both organic growth and after taking into account the 3 months of subscription revenue from the Eureka Report acquisition.

### **Consulting fees and Other income**

Consulting and other income revenue dropped substantially from previous year as a result of business consolidation and discontinuation of fund manager advertising contract and AWI Ventures. Revenue from these sources decreased YoY by \$1,056,131.

### **Rebates Paid**

Commissions rebated to members as part of our cashback services reduced both in line with deteriorating market conditions and the final flow through of reductions in our cashback scheme.

### **Employee costs and other operating Expenses**

Employee costs and other operating expenses reduced significantly as a result of business consolidation due to a reduced level of senior staff, despite the inclusion of 3 months of Eureka expenses.

## Earnings per share (extract from Audited Accounts)

Basic earnings per share was 0.16 cents, and diluted earnings per share was 0.14 cents per share, compared to (6.48) for FY2015 and (8.07) for FY2014 for basic and diluted earnings.

The net profit of \$175,160 for FY2016 includes the non-cash deductions for amortisation of intangibles acquired in subsidiaries of \$1,597,839 and the employee benefit expense of \$562,877 relating to the Long Term Incentive Plan, and a net corporate tax expense of \$78,705. The tax expense was net of an R&D development grant received of approximately \$277,000. The gain on investments shown above relates to the mark to market of the Group's investments in its Separately Managed Account portfolios.

## Business Update

### Core product performance metrics and commentary FY2016

Performance in our key metrics for the June 2016 quarter was as follows:

	Q1 FY2016	Q2 FY2016	Q3 FY2016	Q4 FY2016
	(to 30 Sept 2015)	(to 31 Dec 2015)	(to 31 March 2016)	(to 30 June 2016)
Unique visitors	488,210	446,271	567,926	807,713
Customers*	27,067	27,595	27,896	38,543
ARPC (\$) **	\$ 449	\$409	\$386	\$371

\*Strong member growth and addition of Eureka Report resulted in large increases in customers in Q4 FY16

\*\*Average annualised gross revenue per customer per annum (ARPC)

Unique visitors to our websites continue to grow as we improve our member services across the board, integrate systems and improve search engine marketing.

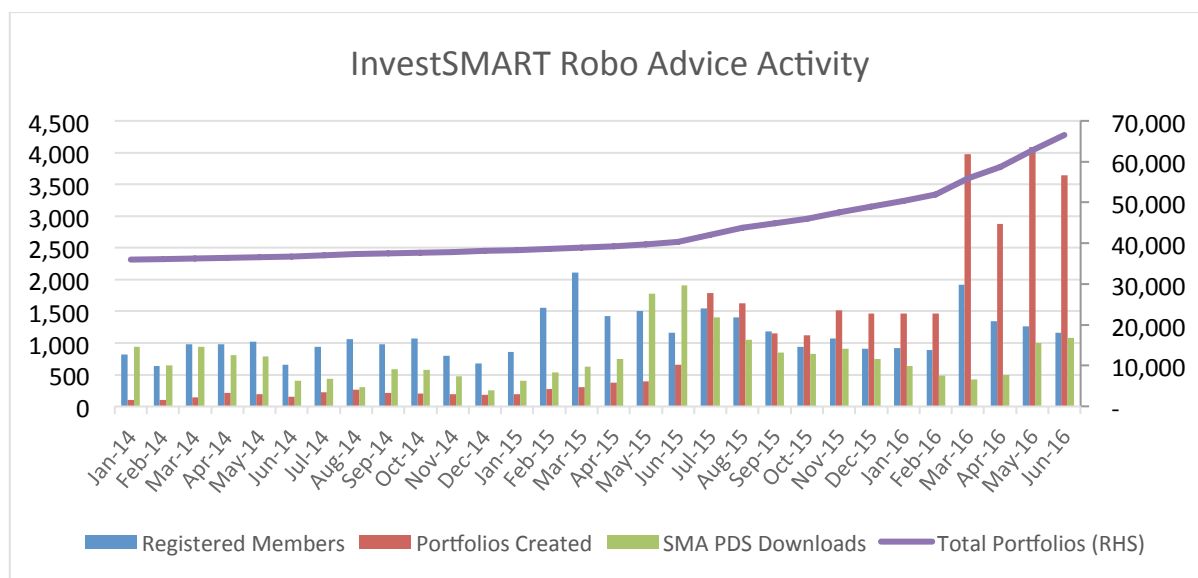
Paying customers have organically grown quarter on quarter for the year, with a marked increase in Q4 FY2016 customer numbers due to the Eureka Report acquisition. Further consolidation of Eureka Report systems, services and members into the larger group is ongoing and will provide continued growth over FY2017.

Promotion of our “3 in 1” offer in May where registered members were offered InvestSMART, Intelligent Investor and Eureka Report as bundle deal for \$495 was a huge success. Over 2,300 members either took up the offer or extended their membership for 12 months which confirmed that marketing the right products and services to our very large distribution base has the potential to yield very promising results.

Average revenue per customer (ARPC) has fallen in line with a lower subscription price for Eureka subscribers. As discussed in previous updates, we remained focused on converting existing non-paying members to paying members and more targeted marketing to our 700,000 registered members has started yielding promising results.

### Automated Investment Advice initiatives are delivering tangible results

Engagement activity across our automated investment advice tools has markedly increased over the months up to June 2016. Improved scalability, systems and content services have started to demonstrate our ability to reach the mass market of Australian retail investors. We expect this enhanced engagement will convert into paying clients over time as our members continue to build trust in our products and services.



InvestSMART differentiates itself from all other digital wealth advisers through proprietary software which helps members construct better weighted portfolios against their risk profiles. InvestSMART analyses over 8,000 managed funds, super and listed securities to show members where they are underweight or overweight a particular asset class. Members are then able to invest in our low cost direct Australian equity and asset class specific ETF portfolios to better diversify their overall investment portfolio.

### Major FY 2017 Initiatives

Our proprietary Portfolio Manager continues to drive our automated investment advice services, filter content, and deliver improvements in members' portfolio construction through the use of InvestSMART and Intelligent Investor proprietary investment funds. Further enhancements to the Portfolio Manager over the next six months will provide further automation, better reporting and the ability for members to track their portfolio performance against their investment goals.

With over 45,000 members monitoring over 65,000 investment portfolios, InvestSMART offers a unique insight into where members may require further value added services. For example, we know our members currently hold more than \$1.2 billion in cash, most of which is in term deposits. Providing services that allow our members to easily roll their term deposits at maturity is an exciting project currently underway.

Our members also hold over \$6.5 billion in Australian equities, \$1.6 billion in managed funds and \$5.3 billion in property. Our members continue to be underweight in international equities and fixed interest, which provide further opportunities for new products and research in these spaces over the next 12 months.

InvestSMART will launch a mobile app in the first quarter which will provide increased engagement to portfolio manager users and subscribers. The Group is also looking at expanding its research coverage into other areas of interest to retail investors – fixed interest and residential property – which will lead to deeper engagement with the client base. In turn, this will lead to higher inflows into the InvestSMART and Intelligent Investor funds, and assist in subscriber retention.

### FY2017 Guidance

The following guidance is a reasonable expectation of what we believe InvestSMART will achieve in FY2017:

- Revenue expected to grow by circa 28%
- Operating PBTA expected to grow by circa 30%

The revenue forecast is dependent on reasonable market conditions, particularly within the Australian equity market, and assumes the subscriber base remains stable.

For further information or comment, please contact myself or Ron Hodge, Managing Director and CEO, at InvestSMART Group on 02 8305 6000



**Paul Clitheroe AM**  
Chairman