

Case Study

Netwealth: perfectly aligned

The wealth management platform has had a great run since it listed 18 months ago, handsomely rewarding investors.

By Alexandra Cain

Netwealth Investments has wowed the market since its stunning debut in November 2017, impressing investors so much they're lining up to appear on the share register.

Joint managing director Matt Heine says the decision to invest will often centre on price. "We are fortunate there are a lot of people interested in the company and keen to hear the story and understand where the industry's heading and the size of the growth opportunity."

Matt and his father Michael Heine have worked together in the business for 20 years. "We've built the company from the ground up and we've been involved in every facet of the business. Having said that, we recognised early on our relative strengths and weaknesses and we've complemented each other throughout the growth of the business."

While Matt is focused on sales, marketing, product development and IT development, Michael concentrates more on legal, operations, compliance and financial management. "That is not to say we don't crossover, but day-to-day that's how we divide our time and we always work on strategy together."

Matt says they both have equal say in the business and they work best as joint MDs rather than splitting their duties into a chair and MD relationship. "It's been an important part of our success."

Initially the Heines and CFO Grant Boyle attended every investor meeting, but they tend to "divide and conquer" now and the Heines split meetings between them, although Boyle attends every one.



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Matt Heine, Netwealth

"It means we don't live on a plane," says Matt.

"It's been really important to meet the research analysts and fund managers as many times as they wanted, particularly in that first year. The better the investment community understands the story and the business and growth drivers, the higher the quality of research reports and the more informed investment decisions will be," he adds.

There's limited free float in the register, with the Heines owning 65 per cent of the business, with institutions making up 25 per cent and the rest held by staff and

retail shareholders. Matt says investors appreciate that the family has skin in the game.

"It doesn't get much better than having a management team completely aligned to the company's performance. They understand we're long-term investors aligned to the longer-term vision, not our next bonus, and this has attracted shareholders with long-term investment horizons."

Many local investors are familiar with the Netwealth story. "We're fortunate in that we're not selling iron ore or running complex mining operations. We operate in the same industry as our investors. We have worked with many of them for the last 20 years because their funds have been available on our platform. It makes our job domestically a lot easier," says Matt.

They have had to work harder to tell the story overseas. "We've spent time in Auckland, Hong Kong, Singapore and the US trying to explain superannuation and the wealth management industry in Australia. It can be hard at times and you need to take it back to basics, particularly given the significant changes occurring at the moment."

With a market cap of around \$2 billion, Netwealth punches above its weight in the number of analysts who cover the stock, with 10 publishing research reports on the business. Others have indicated they intend initiating coverage over next few months.

While Matt concedes the financial services royal commission has been tough for the industry, he sees it as an opportunity for Netwealth.

"We are a beneficiary as the industry converts from an institutionally-dominated advice model to an independent advice force – it has effectively doubled our contestable market. The royal commission has created more activity and catalysts for change than I've ever seen."

Matt's advice for other relatively newly-listed businesses is to spend time educating the market and with the right investors.

"Make sure you're out in the market in good times and bad. It's critical the market is fully informed and understands your thinking and if the news is bad, what's sitting behind it. Tell it as it is, don't try to hype up the story or talk it down, keep it real."

It's good advice not just for market newbies, but for all ASX-listed businesses.