

Company Overview

HUB24 Limited (ASX:HUB) is an Australian financial services corporate that provides integrated platform, technology, and data solutions to the wealth management fields. Established in 2007 and headquartered in Sydney, HUB24 offers a range of services aiming to empower financial advisers, accountants, stockbrokers, and their clients. Over the years, HUB24 have grown significantly, its platform funds under administration (FUA) reaching 124.1 billion dollars as of 31st of March 2025. The company is positioned as a leading provider of platform services, continuing to expand their market share in Australian wealth management sector.

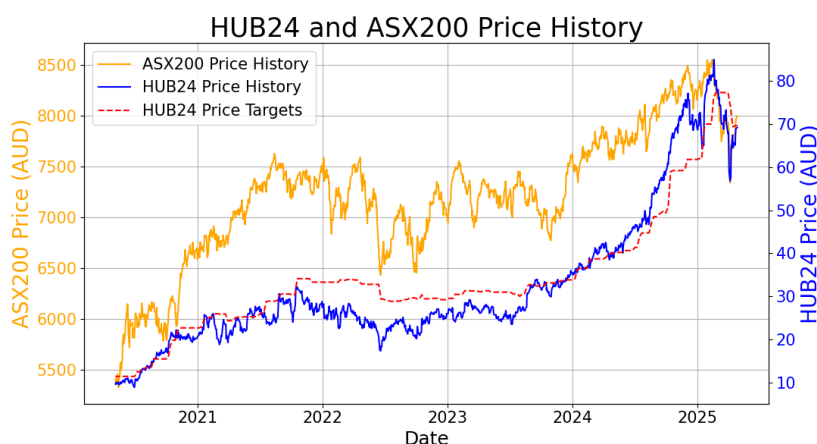
Figure 1: Key Financial Metrics

Metric	Value
Forward P/E	52.28
Debt to Equity (%)	11.80
Return on Equity (%)	11.38
Operating Margin(%)	23.88
Dividend Yield(%)	0.68

The table summarises Hub24's key financial metrics. Hub24's share price rally over the past year has been driven by strong multiple expansion, which had led to its multiple expanding to a lofty level. Unsurprisingly, the company's dividend yield has suffered as a result of this too. However, Hub24's financial position remains healthy, with Debt to Equity, Return on Equity and Operating Margin metrics at healthy levels. Therefore, the company will need to continue to grow at a rapid rate in order to support its current valuation multiple and ensure future price appreciation.

Investment Thesis

HUB24 Limited has demonstrated substantial growth in its share price, having increased ~600% over the past five years (2020 - 2025). However, analysis suggests that the stock may be overvalued with limited future returns. Investors are advised to sell HUB24 shares in mitigating potential downside risks.



Valuation Concerns

HUB24 Limited has demonstrated substantial growth in its share price, having increased ~600% over the past five years (2020 - 2025). However, analysis suggests that the stock may be overvalued with limited future returns. Investors are advised to sell HUB24 shares in mitigating potential downside risks.

Competitive Pressures

HUB24 faces strong competition within the Australian wealth management platform market, including major players like Netwealth and various larger banks holding significant market shares. HUB24's market share at 7.5% is pressured by larger competitors holding 14% on average, potentially limiting HUB24's growth prospects.

Insider Trading

Recent news on insider transactions have revealed that key executives have sold substantial amounts of their holdings; this includes Non-Executive Director Anthony McDonald, reportedly selling \$348,776 of shares in early 2025. This suggests lack of confidence in the company's future financial prospects.

Figure 2: Operating Model

Fiscal Year	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	189.51	276.31	327.3	405.25	469.9	532.42	594.11	669.4
EBITDA	70.4	102.41	118	162.45	193.5	230.05	260.43	288.77
EBIT	50.54	74.71	104.1	130.78	159.09	197.51	238.6	286.72
Interest Expense	-0.78	-1.93	-2.4	-3.1	-2.7	-2.4	-1.62	-1.55
EBT	49.77	72.78	101.7	127.68	156.39	195.11	236.98	285.17
Net Income	35.9	58.8	67.8	93.02	115.76	138.82	155.82	180.6
Cash From Operations	56.21	81.84	102.9	130.7	154.22	165.14	171.06	183.03
CAPEX	-15.21	-20.26	-24.07	-24.7	-25.02	-24.5	-24.8	-23.7
FCFF	40.46	60.23	77.15	103.83	127.31	138.96	145.12	158.24
PV of FCFF	-	-	-	102.71	118.25	121.19	118.84	121.68

The company has been valued using a Discounted Cash Flow approach, projecting Free Cash Flows to the Firm (FCFF) from FY2025 to FY2029. The base case uses a WACC of 6.5% and a TGR of 2.5%, resulting in a terminal value of \$4,055.02 million and an enterprise value of \$3,700.74 million. Sensitivity analysis was conducted across a range of WACC and TGR values. After adjusting for cash (\$88.05m), debt (\$29.98m), and netting borrowings, the implied equity value is \$3,758.81 million. With 81.01 million shares outstanding, the intrinsic share price is estimated at \$46.40. This reflects a downside of 34% relative to the current market price.

Figure 3: Distilling Share Price

Unlevered FCF in last forecast period (t)	158.24
FCF _{t+1}	162.20
Long term growth rate (g)	2.50%
Terminal value	4055.02
Present value of terminal value	3118.06
Present value of stage 1 cash flows	582.68
Enterprise value	3700.74
Cash and cash equivalents	88.05
Borrowings	29.98
Net debt	-58.07
Equity value	3758.81
Shares outstanding	81.01
Share price	46.40
Upside (Downside) potential	-33.56%

Figure 4: Sensitivity Analysis

