infocus

2020 Annual General Meeting

30 October 2020

AGENDA

01. Chairman’s Welcome & Address — Roy McKelvie

02. Managing Director’s Update — Darren Steinhardt

03. Financial Results — Mike Laffoley

04. AGM Ordinary Business — Roy McKelvie

Chairman:
Roy McKelvie

OVERVIEW

FY2020 Objectives: Last year we said…

- ✓ Continue strong growth via organic recruitment in our B2B National Advisory Network, maintaining our standard of only QUALITY candidates being considered.
- X Obtain modest growth in our B2C Financial Advisory business, in financial advice, lending advisory, property advisory and accounting.
- – Appropriate acquisitions to boost scale.
- ✓ Launch our new range of Separately Managed Accounts (SMAs).
- ✓ Launch capital markets capability
- ✓ Introduce a "collegiate" adviser model, continue the development of our advice process.
- ✓ Acquisition of Easy Dealer and a soft launch of Platformplus to the IFA market.

Progress Made…

- B2B adviser numbers increased by 12% to 180 at 30 June 2020, our QUALITY standards saw us turn away far more adviser than we accepted.
- Unfortunately we didn't obtain the growth we sought from our B2C Financial Advisory business, the turnaround of this part of our company has been far more complex than anticipated. We've refreshed our team and appointed new, capable, personnel in each division of the this business unit.
- Without our B2C business operating according to plan, it was not appropriate to consider acquisitions. We accepted a number of clients of two self-employed practices who were unable to satisfactorily meet their client service obligations.
- The Alpha SMA's are now available on the Praemium, Hub24 and Macquarie platforms with ~$75million of FUM at 30 June 2020 (30 Sept. $130m)
- We've expended our highly capable Investment Management team that has enabled us to launch our capital markets capability.
- Our collegiate model is directed via our Adviser Council which is working well, assisting with significant system improvements to the advice process.
- Easy Dealer acquired, code upgrade to a more contemporary solution, we have secured a number of external AFSL clients with ongoing marketing activities to drive growth.

OVERVIEW

FY2020 Objectives
Last year we didn’t say:

- There would be a worldwide pandemic that would effect millions, kill hundreds of thousands, send economies around the world into recession, stop people travelling, close down business and wreak havoc on financial markets.

Progress Made

✓ No interruption to systems and support services provided to our adviser network and their clients.

✓ All staff able to operate from home.

✓ Professional development initiatives delivered on-line using Zoom.

✓ Savings in time and $ due to less travel.

✓ Investors in the Alpha SMA’s had their portfolios promptly reviewed and rebalanced as necessary to take account of changing markets. Advice updates were provided automatically with no work required from advisers.

X No Business Leaders Forum or iCON20 conference.

THE YEAR AHEAD

Regulatory Environment

- ASIC currently under pressure re internal scandal
- A strong focus on ‘why not litigate’ remains
- Governments focussing on stimulus packages to support economies

Industry Response/Impact

- Major banks will complete their exits from financial advice (MLC to IOOF)
- More than just grandfathered commissions being turned off
- Focus will be on affordability of advice
- Continued flight to quality by advisers, with older / low quality advisers exiting

Strategic Direction

- Transitioning from ‘fixing’ the business to ‘growing’ it
- Leverage off our capabilities in 3 key areas being Advice, Infrastructure and Investment Management

Financial Implications

- B2B recruitment will continue to be the driver of revenue growth
- Will need to replace revenue from legacy commissions / rebates
- Continued focus on expense management
- Capital funding required for investment in new platform capability

Managing Director:
Darren Steinhardt

FY2020 HIGHLIGHTS

A record year in difficult circumstances, achieving each of our Key Priorities

- Successful SMA launch with $77m in SMAs invested with a total of $144m in SMAs advice written.
- Strong B2B recruitment with 49 new advisers joining our network, with 30 advisers exited.
- Solid progress made in the enhancement of our B2C advisory business.

Gross Revenue	EBITDA (normalised)	NPAT	Bank Debt
↑	↑	↑	↓ 👍
$66.220m, up 14%	$3.048m, up 33%	$509k, up 9%	$7.957, down 12%, banking covenants met
Financial Advisers	**Offices**	**Funds under Advice**	**Funds under Management**
↑	↑	↑	✓
180, up 12% + 29 mortgage brokers	125, up 25%	$7.515Bn, up 27%	$77m SMA invested, program

TURN-AROUND STRATEGY

1. Strategic review of business model and strategic plan

Engagement with bankers re banking breaches, resolution of ATO liabilities, raise capital

2. Focus on working capital management, debt reduction and sale of non-core assets

3. Refreshed leadership in key roles

Reeng...

4. Stabilis... an...

...ing EBITDA

...nagement, restructure group debt, working capital management

...enhance B2B recruitment. Further sustained increase in underlying EBITDA and associated margins, improvement in cash position

...rengthening ...alance sheet , resumption of investment activities (B2C, B2B, PF+, Network Collaboration).

Raise additional capital

9. Turnaround completed

Generating acceptable sustainable earnings and responsible deployment of capital to drive future growth. Resolution of banking breaches. Resumption of dividends from operating cash flow

Dec 2017 → **June 2020**

COMPLETED

Legend

Completed	WIP	To Do

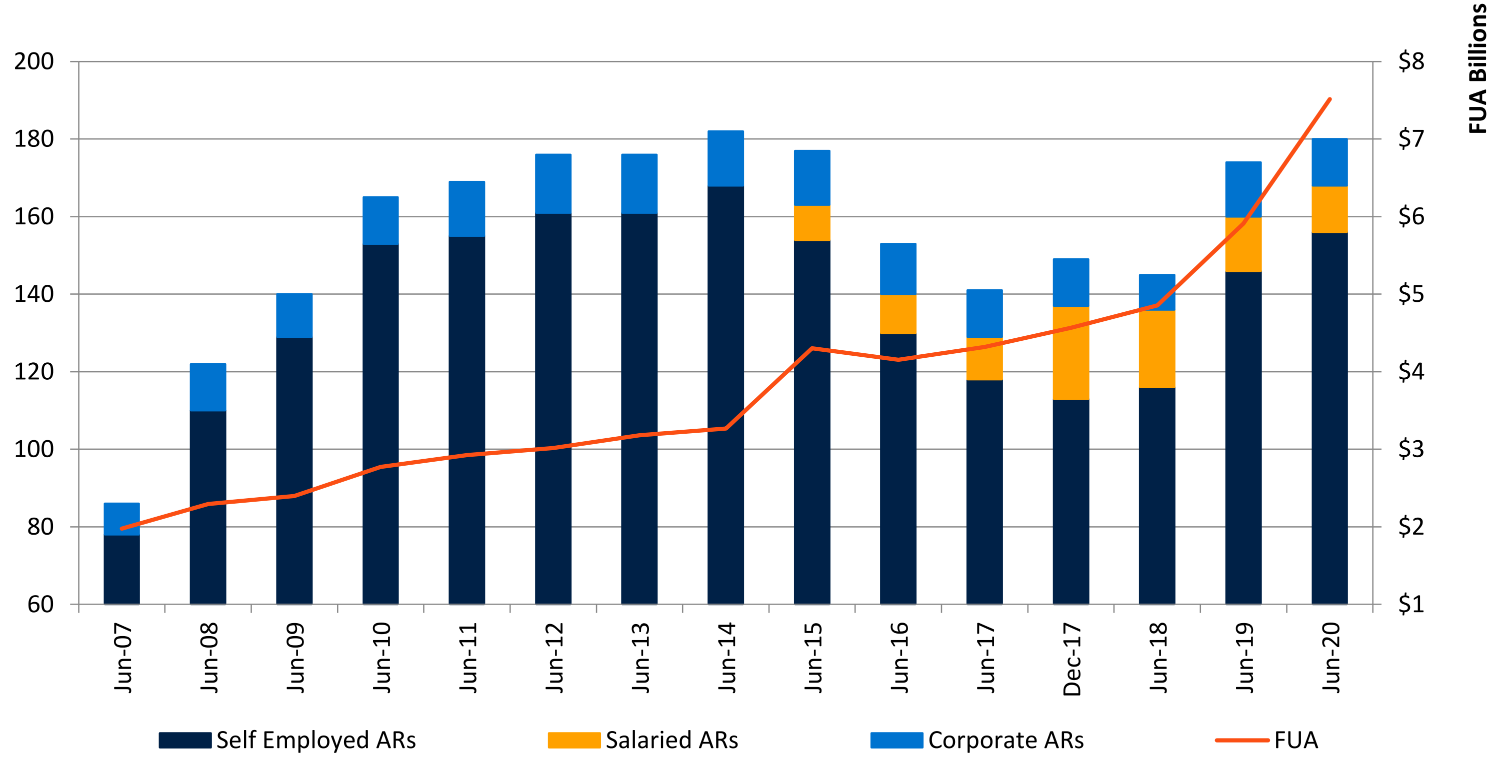
BUSINESS and FINANCIAL TURN-AROUND

Basis of Performance: Our key operational numbers now position us for profitable, sustainable, and quality growth

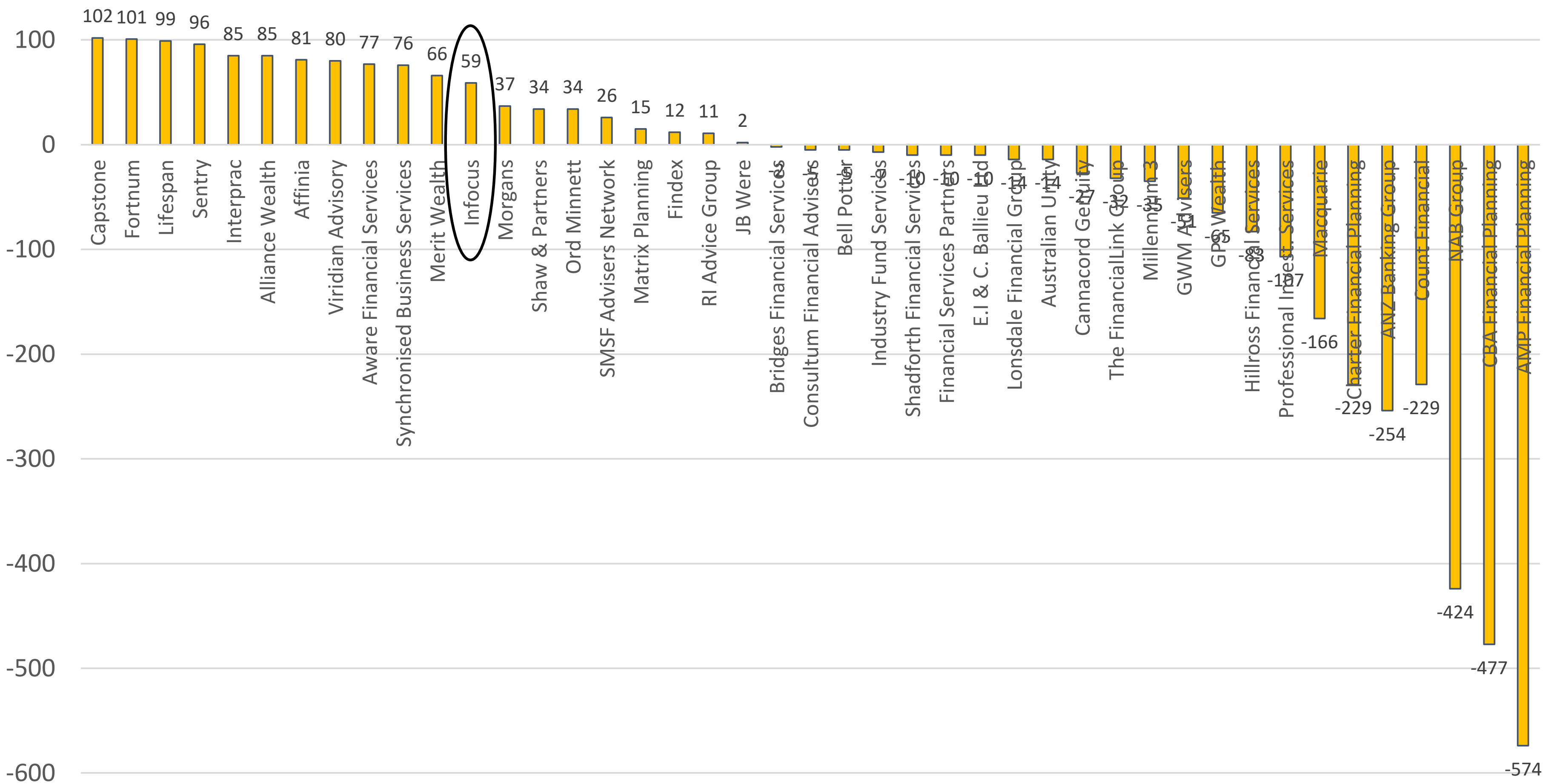
- Advisers up 12% for FY20 to 180 (plus ~20 in transition), and up 49% from the commencement of our Turn-around strategy.

- FUA up 27% for the FY and 65% from the commencement of our Turn-around strategy at ~$7.515Bn. The growth in FUA highlights the material growth of our advisory network during FY20, noting that financial markets fell 10.4% during the year (as measured by the All Ordinaries Index).

- RPUA is up ~20% for the FY and ~30% from the commencement of our Turn-around strategy.



CHANGING FACE OF ADVICE – Dec. 2017 to Sept. 20

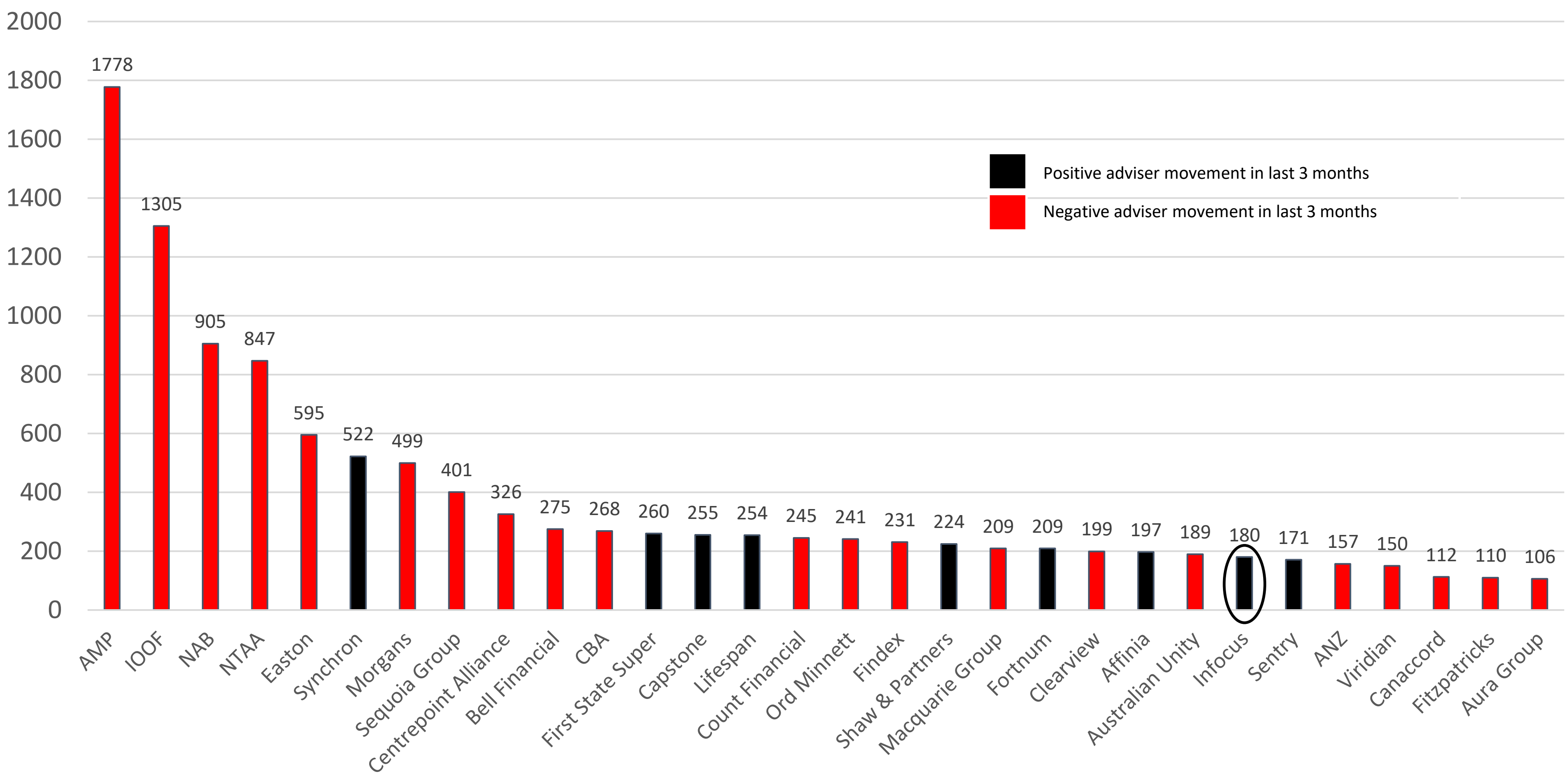


Data is provided by HFS Consulting.

Disruption has been the key theme over the past 3 years

- Significant adviser market change with a loss of 4,064 advisers:
  - FY21 Q1, -1.2%
  - FY20, -10.0%
  - FY19, - 15.4%
  - FY18, +11.3%
- Most licensees going backwards.
- Infocus' growth was 49%, with net growth of 59 advisers, the 12th best performing licensee in net growth of adviser numbers in the period.

MARKET SHARE – Sept. 20



Infocus ranks at #24 out of a total of 2,149 AFSLs, based on adviser numbers

- The Top 30 AFSLs are responsible for 54% of all advisers, indicating a large pool of self-licensed financial advice practices and / or sub-scale boutique dealer groups.

- Infocus market share based on financial adviser numbers is 0.84% with 180 advisers.

Data provided by HFS Consulting.

COVID-19 RESPONSE

Execution Clarity

- Coordinate and scale the response
- Engage the entire business
- Empower each member of your team
- Lead with purpose and integrity

1. Team Health and Safety
   - Reduce risk of transmission
   - Support those who are / may be infected
   - Reduce stress and boost morale
   - Ensure compliance with regulatory requirements
2. Business Strength
   - Preserve top line and build trust with customers
   - Adapt resources to meet business needs
   - Monitor and respond to market dynamics
   - Prepare for bounce back scenarios
3. Financial Resilience
   - Manage cash and liquidity
   - Ensure cost discipline
   - Revise budget and perform scenario-based stress testing

OUTLOOK – INDUSTRY SNAPSHOT

Industry Snapshot

Industry Overview	Operating Environment	Opportunities for Infocus
Primary Market • Financial advice revenue $4.7Bn # • 2,149 AFSLs * • 21,712 financial advisers * • Fragmented industry • Significant demand for advice off the back of superannuation savings **Secondary Markets** • Platform market $5,590Bn in household assets ^ • Fintech market $21,712 financial advisers # • Invest. management revenue $10.3Bn # • Mortgage broking revenue $2.5Bn # • Accounting revenue $20.3Bn #	• Banks and the major financial institutions exiting advice • The continuing increase / evolution of laws and regulation, with an assertive regulator • Enhanced education professional standards raising the barrier to entry • The ending of the conflicted and subsidised 'old world' revenue and operating models (increased costs) • Financial adviser dislocation leading to change and/or exit • A large and growing need for succession planning	• Growth of our advisory network as a result of the exit of the banks and major institutions • Growth of our advisory network as a result of the exit / failure of sub-scale and under-resourced competitors • Levering our scale to drive improved outcomes for all stakeholders • Partnering with small and self-licensed advisers re the provision of infrastructure (fintech, platforms, investment management) • Playing a bigger game

** Data provided by HFS Consulting* ** Data provided by UBS*

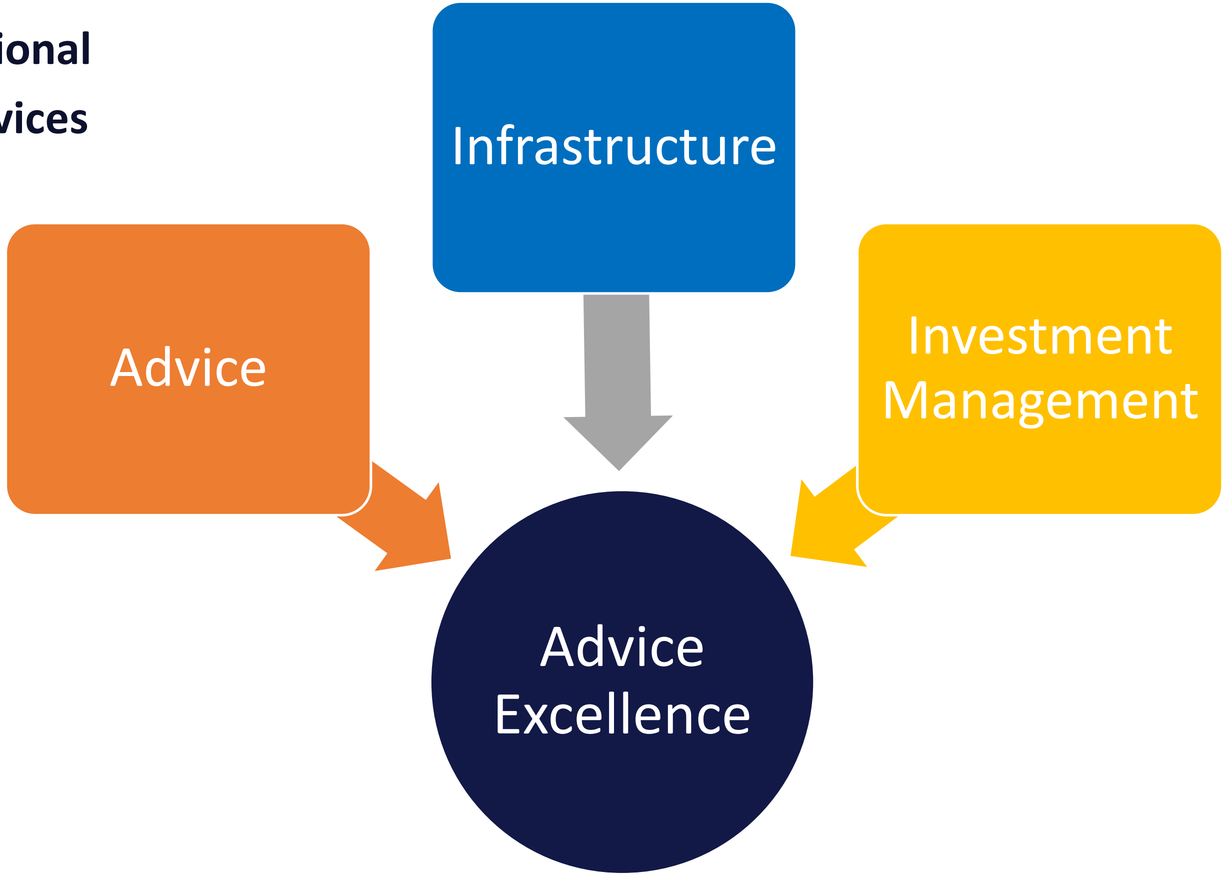
 # Data provided by IBISWorld

OUTLOOK – STRATEGY REFRESH

Our historical relationship between Advice and the Infrastructure of Technology and Investment Management allows us to develop our business with less of the operational impacts and costs imposts of the traditional financial services business model.

Our 2020 Strategy Refresh:

- Our overarching purpose if **Advice Excellence**.
- Broadens the potential client list.
- Reduces the long term embedded risk as we grow, with clients generating revenue for us but where risk (i.e. AFSL / ACL risk) is not necessarily a part of the service offering for all.
- De-risks and prepares the business in the event self-licensing becomes more appealing, either commercially or as a result of regulatory change.



OUTLOOK – STRATEGY and POSITIONING FOR SUCCESS

By June 2023, the time of the conclusion of our refreshed strategy, the Infocus Group will have evolved to a truly well respected national financial advisory business of scale. Our scale will extend well beyond our current Advisory Network model, it will incorporate a company owned large multi-disciplined Advisory Practice, a Tier 1 Advisory Network, an Investment Management function of industrial size and strength, and a Technology / Infrastructure function with meaningful market share.

Advice

- Infocus Advisory operating our ‘best practice’ advisory model, with the pillar divisions supporting the network
- A JV / partnership solution to facilitate a path for salaried advisers to move to our self-employment model.
- A Tier 1 Advisory Network
- A financial advisory community, operating in line with a collaborative ‘best practice’ business model, to drive enhanced advice and financial outcomes for all stakeholders

Infrastructure

- A market leading end-to-end financial advisory technology solution with this business unit servicing the needs of the Infocus Network, direct and indirect clients
- The launch of Platformplus Wrap, with material FUAdmin. with clients coming from inside and outside of the Infocus advice network
- A selection of infrastructure services provided to external AFSLs

Investment Management

- The continuation of the successful roll-out of our Alpha SMAs
- The evolution of our Alpha series of sector-specific investment trusts into a series of diversified trusts, aligned to the Infocus Investment Philosophy, and mirroring our SMAs in the investment trust world
- Enhanced research function to expend bespoke investment consulting for wholesale and scale opportunities, including individual adviser models

OUTLOOK – OUR PRIORITIES FOR FY 2021

Advice Excellence

Controlling our destiny through Advice Excellence and Sustainable Growth

Platformplus External Users

25+ external users of Platformplus

Recruitment & Onboarding

150 operational offices under the Infocus AFSL

Platformplus WRAP

Launched with $750m FUA

OUTLOOK – CAPITAL and FUNDING

- One of our 3 Key Priorities for FY2021 is the build and launch of Platformplus Wrap, a key functionality component to complete our Vision for the evolution of Platformplus into an 'end to end' Fintech software platform
- We currently have $3million of Convertible Notes due to mature in June 2021
- We're seeking to introduce a new Convertible Notes facility to raise $4million, with funds coming from a combination of 'roll-overs' of the Convertible Notes from existing Note holders as well as new investors.
- The Convertible Notes structure is likely to provide the greatest level of flexibility in terms of continuing to satisfy existing investors and attract new investors, without unduly diluting ordinary shareholders
- We plan to issue an Information Memorandum before the end of calendar 2020

Chief Financial Officer:
Mike Laffoley

FINANCIAL RESULTS

	2020 $'000	2019 $'000	% Change
Gross Revenue	**66,220**	**58,241**	up 14%
Net Revenue	**18,065**	**18,195**	down 1%
Direct Costs	**10,683**	**11,077**	down 4%
Overheads	**4,334**	**4,830**	down 18%
EBITDA (Normalised)	**3,048**	**2,288**	up 33%
NPBT	**715**	**634**	up 13%
NPAT	**509**	**465**	up 9%
Bank Debt (Net)	**7,957**	**9,081**	down 12%
Shareholders Equity	**14,340**	**13,971**	up 3%

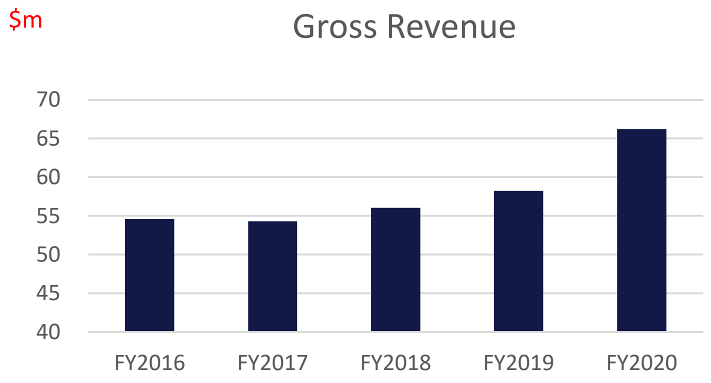
- Financial results have been normalized to adjust for the impact of AASB16 *Leases* and the impact of expensing $609k of unrecoverable legacy claims dating back to 2012 and prior.
- Gross revenue includes brokerage collected on behalf of self-employed advisers, the vast majority of which is passed through advisers.
- Net revenue year-on-year was impacted by COVID-19, less up-front revenue as advisers focussed on meeting FASEA requirements, and by the sale of the client books during FY2018/19.
- We didn't qualify for JobKeeper support, and nor did we qualify for the $100k CashBoost payment.
- In response to COVID-19 impacts and inline with our COVID-19 Response Plan, our full team (inclusive of the Board) agreed to a 20% reduction in contracted hours and associated remuneration from 1 April 2020.
- In summary, we have had to work harder for the same level of net revenue, whilst prudently managing costs. It has been a challenge.

CASH FLOW SUMMARY

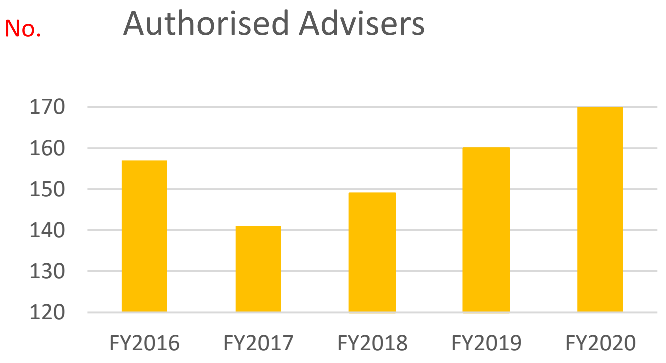
	2020 $'000	2019 $'000
Available cash at start of year	1,062	1,193
Net cash from operations	1,344	1,072
Proceeds from sale of client books	0	1,462
Capex	(1,049)	(393)
Movement in net borrowings	(26)	(2,138)
Other movements	(101)	(134)
Available cash at end of year	**1,230**	**1,062**

- Cash-flows from operations have been ploughed back into the business by way of investment in the development of our proprietary software system, Platformplus.
- In addition to the development in Platformplus, we acquired the Revenue Management software EasyDealer from Temenos (now called Platformplus RMS). The outcome of this transaction is a material saving in ongoing software licensing fees and the provision of an additional revenue stream as we were able to maintain the licensing arrangements for a number of the EasyDealer users. We will increase sales of our Revenue Management software into the future.
- There have been material movements in borrowings, both in and out, during the year. This is covered in more detail later in this presentation.

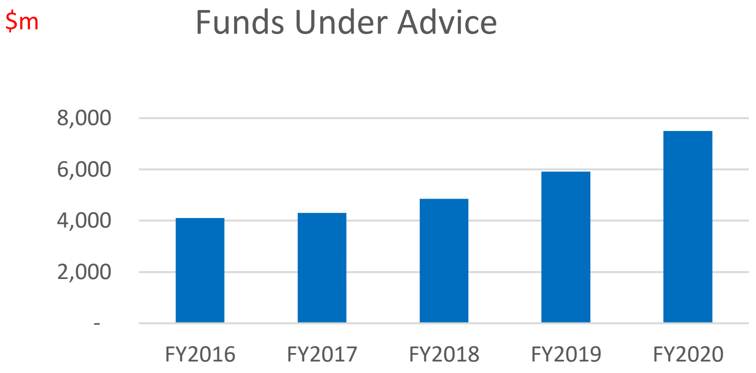
5 YEAR GROWTH METRICS



- Growth in gross revenue largely driven by growth in our B2B Advisory Network
- Advisory practices onboarded are of a higher quality and larger size that the advisory practices exited



- The decline in adviser numbers begun in 2012/13 has been well and truly reversed.
- Adviser numbers are back at records levels, and with the changing face of the financial advisory industry we expect sustained growth into the future

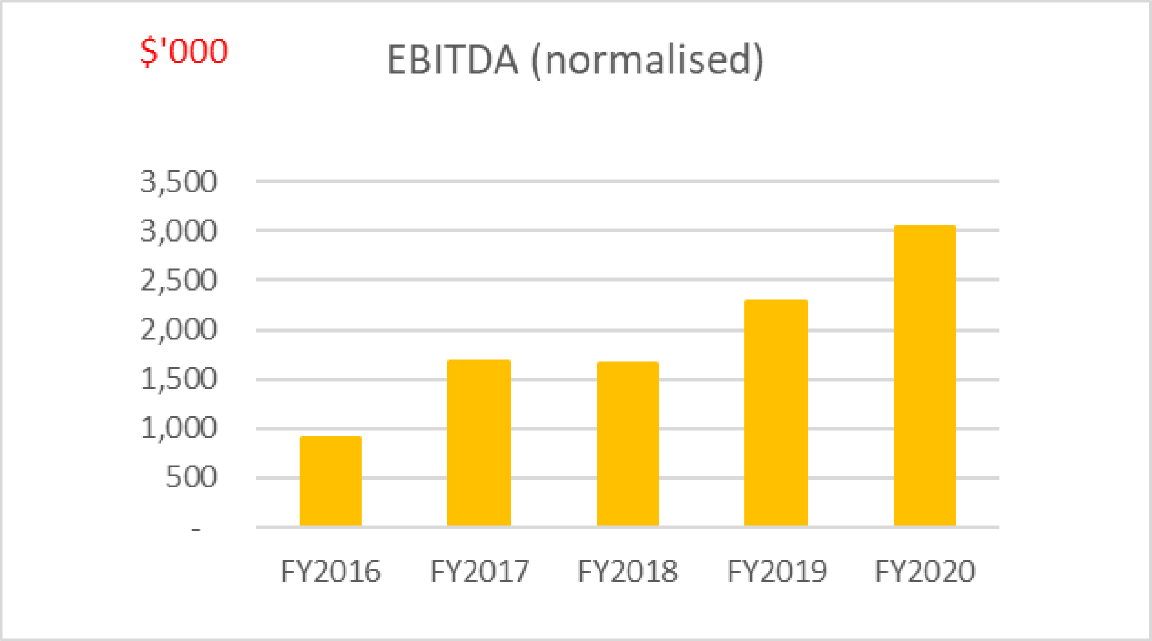


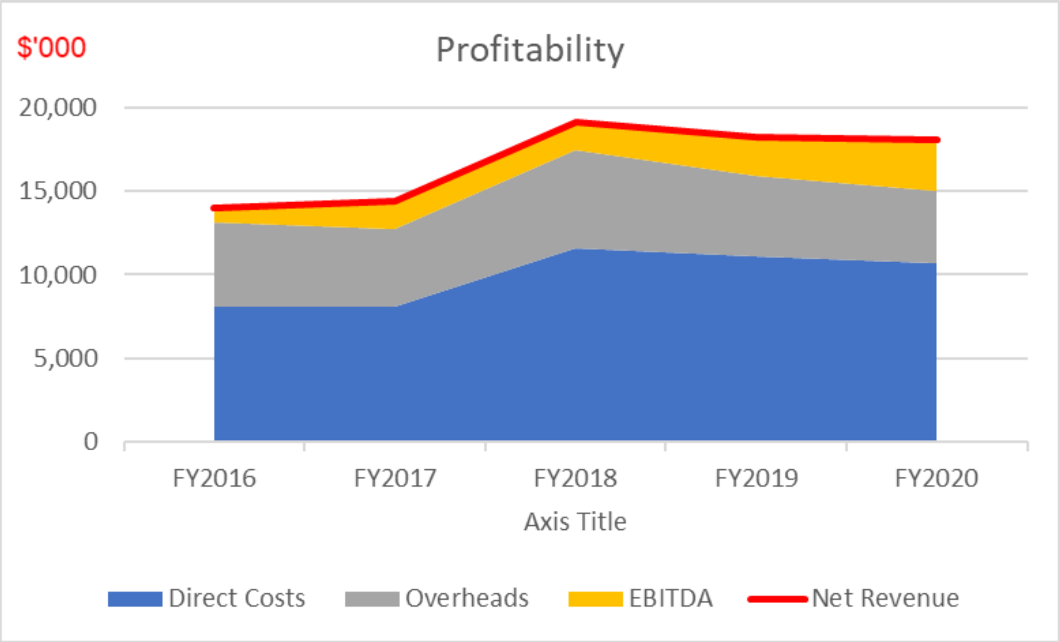
- Funds under Advice (FUA) is at an all time record.
- FUA is a good leading indicator for the direction of future revenue

5 YEAR PROFITABILITY

Normalised EBITDA strips out the one-off and abnormal items including:-

- Alpha Performance Fees ($811k) - FY2016
- Fair Value of Deferred Consideration from acquisitions ($1,339k) FY2018 and ($202k) FY2019
- AASB16 Leases ($1,015k) – FY2020
- Legacy claims expense ($609k) – FY2020





- Revenue and expenses increased in FY2018 with acquisition of Announcer group of companies
- Net revenue has remained relatively flat over the past few years as we implemented our Turn-around Strategy, with increased profitability coming from prudent expenditure savings
- Appropriate reduction in both direct costs of labour and overheads

BALANCE SHEET

$000's	30/06/2020	30/06/2019	30/06/2018
ASSETS			
Cash	939	1,118	1,193
Receivables and contract assets	9,429	8,822	6,237
Assets held for sale	1,380	0	0
Intangible Assets	21,292	22,495	24,969
Property, Plant & Equipment	438	513	715
Other Assets	804	920	1,060
TOTAL ASSETS	**34,282**	**33,868**	**34,174**
LIABILITIES			
Borrowings	13,099	13,315	15,293
Payables	6,843	6,582	8,296
TOTAL LIABILITIES	**19,942**	**19,897**	**23,589**
NET ASSETS	**14,340**	**13,971**	**10,585**
Issued Capital	14,190	14,190	12,517
Reserves/Retained Earnings	150	(219)	(1,932)
SHAREHOLDERS EQUITY	**14,340**	**13,971**	**10,585**

- Receivables now include approximately $1.6million in ‘contract assets’ for fair value of expected flows from mortgage trail book
- Assets held for resale was the estimated carrying amount on the balance sheet at 30 June 2020 for some financial planning clients that we have now sold to 3 of our former salaried advisers who have now become self-employed authorised representatives
- Intangible assets include:-
  - $17.m of goodwill
  - $2.6m for client books
  - $1.6m for software

CAPITAL & FUNDING

$000's	30/06/2020	30/06/2019	30/06/2018
Bank Loans and overdraft	8,896	10,200	11,720
Other (Mostly PI Premium Funding)	1,188	1,025	1,483
Total External Borrowings	**10,084**	**11,225**	**13,203**
Convertible Notes	3,015	2,090	2,090
Total "Borrowings"	**13,099**	**13,315**	**15,293**
Shareholders Equity	**14,340**	**13,971**	**10,585**

Bank Covenant Compliance for year to 30 June 2020

Covenant	Requirement	Actual
Interest Cover (EBIT ÷ Interest expense)	Must be > 2.5 times	2.76
Debt to EBITDA (Bank debt to EBITDA)	Must be < 3.5 times	2.92

- External borrowings down by over $3m in past 2 years
- Now compliant with bank covenants
- Premium funding borrowings are (mostly) covered by collections from adviser network.
- Additional Convertible Notes issued during FY2020 to fund expansion and provide working capital buffer through COVID-19.
- Convertible Notes are quasi-equity but treated as borrowings to comply with Accounting Standards.
- Convertible Notes due for conversion/ redemption in June 2021. Depending on preferences of existing Noteholders, the intention is to extend and roll-over the Notes for a further 3 years to fund strategic growth initiatives.

AGM – ORDINARY BUSINESS

- Receive and consider the Financial Statements – for noting only (no resolution required)
- Resolution 1 – Re-election as Director – Mr Jon Hubbard
- Resolution 2 – Approval of Aggregate Maximum Amount of Board Remuneration

FINANCIAL STATEMENTS

To receive and consider the Company's financial report, the Directors' Report and the Auditor's report for the period ended 30 June 2020

Emphasis of Matter in Auditor's Report Related to Going Concern

- Drawing of attention – not a qualification. Our accounts are true and fair and continue to be prepared on a going concern basis (this item was also referred to in the last 2 years' audit reports).
- We have been meeting all of our contracted principal and interest repayment obligations to Westpac on the due dates, and the Bank has now confirmed that we were in compliance with the bank covenant requirements at 30 June 2020. In view of the fact that the $3.015 million of Convertible Notes fall due for redemption (or conversion) within the next 12 months, your directors considered it prudent to continue to draw attention in Note 2(aa) to the financial statements to the ongoing assessment of going concern. The Auditor is therefore obliged to include this as an emphasis of matter in his report to members.

RESOLUTIONS TO BE PASSED

- **Resolution 1 – Re-election of Mr Jon Hubbard as a Director**

  To consider and if thought fit, pass the following resolution as an ordinary resolution:-

  That Mr Jon Hubbard who retires in accordance with Rule 15.4 of the Company's Constitution, and being eligible for re-election , be elected as a Director of the Company.

- **Resolution 2 – Approval of Aggregate Maximum Amount – Board Remuneration**

  To consider and if thought fit, pass the following resolution, as an ordinary resolution:

  In accordance with Rule 15.10, the Company approve the Aggregate Maximum Amount for the Board remuneration, being $500,000.

INFOCUS AGM:

OTHER BUSINESS and QUESTIONS