infocus

2019 Annual General Meeting

30 October 2019 – Novotel Twin Waters

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

FY2019 Objectives Last year we said:-		Progress Made
The Royal Commission is likely to present both opportunities and challenges.	✓	We have made great progress in recruiting new offices and the pipeline is strong. The regulatory environment is dragging on resources
Strong Dealer Group recruitment, only QUALITY growth will be considered.	✓	We have been turning away far more than we have recruited
Valuable additions to Executive Team, significantly enhancing capability.	✓	3 experienced new members of joined the Executive Team in FY2019
Roll-out of uniform advice model for all of Salaried Advice channel.	X	We have standardised our service and pricing offerings across our B2C offices and are part way through implementing across the client base
Realise revenue synergies from Announcer acquisition.	X	It is taking longer than we envisaged to reap the benefits
Re-focusing of portfolio and investment solutions.	✓	Approval of the model portfolio SMA's on key Platforms
Focus on cash generation and repayment of debt.	✓	Net bank debt down by $1.6m
A quality business well positioned for future growth.	✓	We have all the building blocks in place to be able to capitalise on the growth opportunities arising from quality advisers seeking a new dealer group

THE YEAR AHEAD

Regulatory Environment	• Agenda being driven by populism (politicians and media) • More litigation (from regulators and class actions) • Expect higher Professional Indemnity premiums
Industry Response/Impact	• Major banks exiting from financial advice • Slow-down in bank lending • Lower valuations for advice businesses • Many advisers (both salaried and self-employed) seeking new Licensees
Strategic Direction	• Seize opportunity for quality growth in B2B • Systems and solutions to make advisers more efficient • Leverage off our strengths
Financial Implications	• Capital employed only where it is most useful • B2B recruitment to deliver strong returns in FY2021 • Growth in variable revenue with a largely fixed cost base • Strong operating cashflows directed towards debt reduction

Managing Director
Darren Steinhardt

TURN-AROUND STRATEGY

1. Strategic review of business model and strategic plan

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

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

3. Refreshed leadership in key roles

   Successful reengagement with B2B stakeholders and refresh of Investment Philosophy

4. Stabilisation of B2B and Investment Management activities (and revenues)

   Increase in underlying EBITDA

5. Organic growth in B2B, finalisation of Announcer acquisition, integration of B2C operations, resolved legacy complaints

   Sustained increase in underlying EBITDA

6. Building capability for organic growth

   Restructure of B2C, reset fess in B2B, release new capability in Investment Management, restructure group debt, working capital management, resolution of banking breaches (maybe)

7. Stabilisation of B2C activities and revenues

   Launch SMAs, enhance B2B recruitment

   Further sustained increase in underlying EBITDA and associated margins, improvement in cash position

8. Strengthening balance sheet , resumption of investment activities (B2C, B2B, PF+, Network Collaboration)

   Raise additional capital

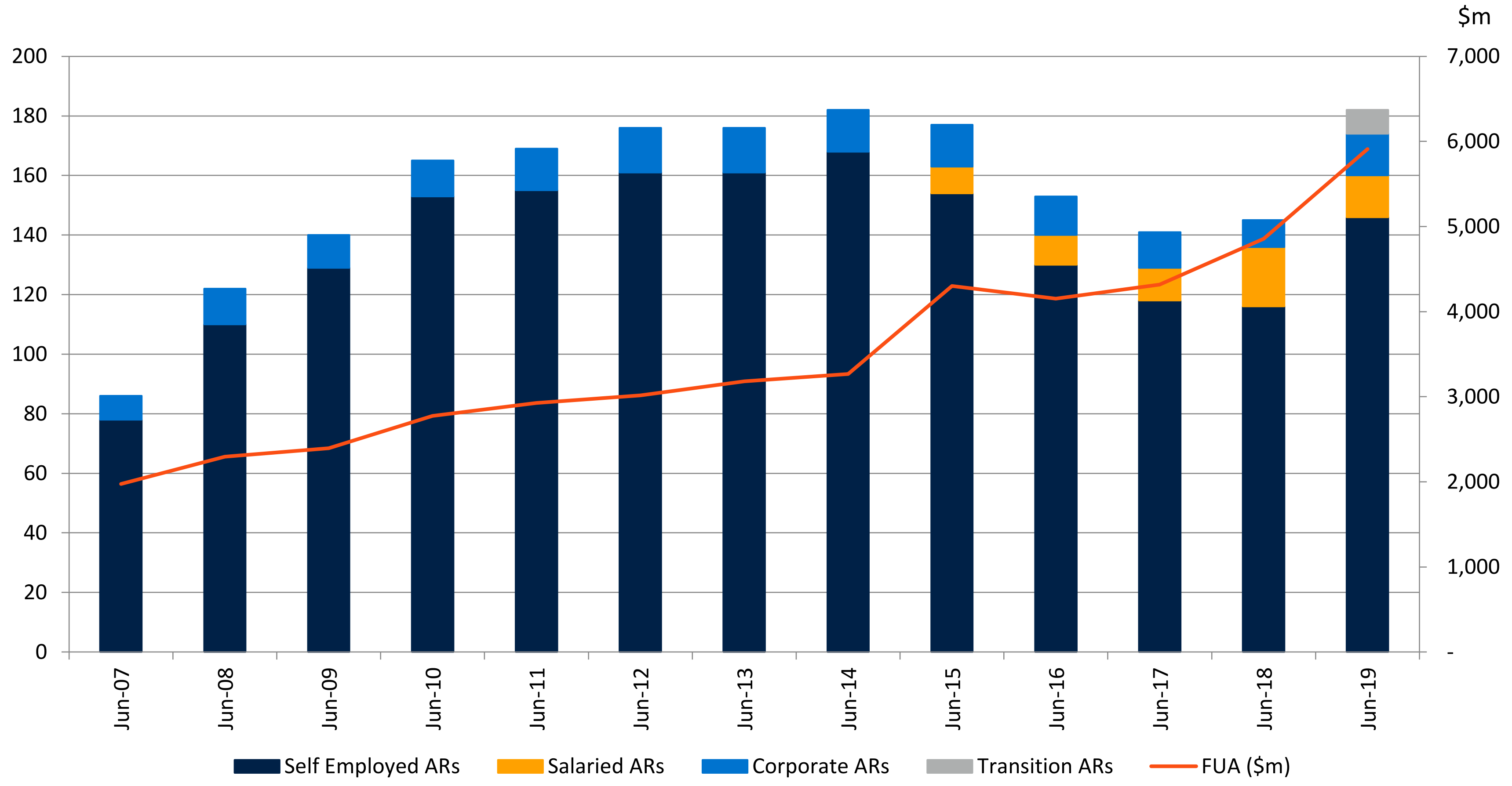
9. Turnaround completed

   Generating acceptable sustainable earnings and responsible deployment of capital to drive future organic and inorganic growth. Resolution of banking breaches.

   Resumption of dividends from operating cash flow

Dec 2017 → **June 2018** → **Dec 2018** → **June 2019** → **Now** → **Now** → **Dec 2019**

GROWTH METRICS- June 2019



FUA - $5.91b (as at June 19)
RPUA - $87.3m (as at June 19)
Auth. Reps – 182 (incl. transition)
Auth. Credit Reps. – 28

B2C

Financial Advisers – 14
Credit Representatives – 4
Accountants – 1
Property Advisers – 1

B2B

Financial Advisers – 154 (including 8 advisers in transition)
Credit Representatives – 22

Other

Corporate ARs – 14
Corporate Credit Representatives – 2

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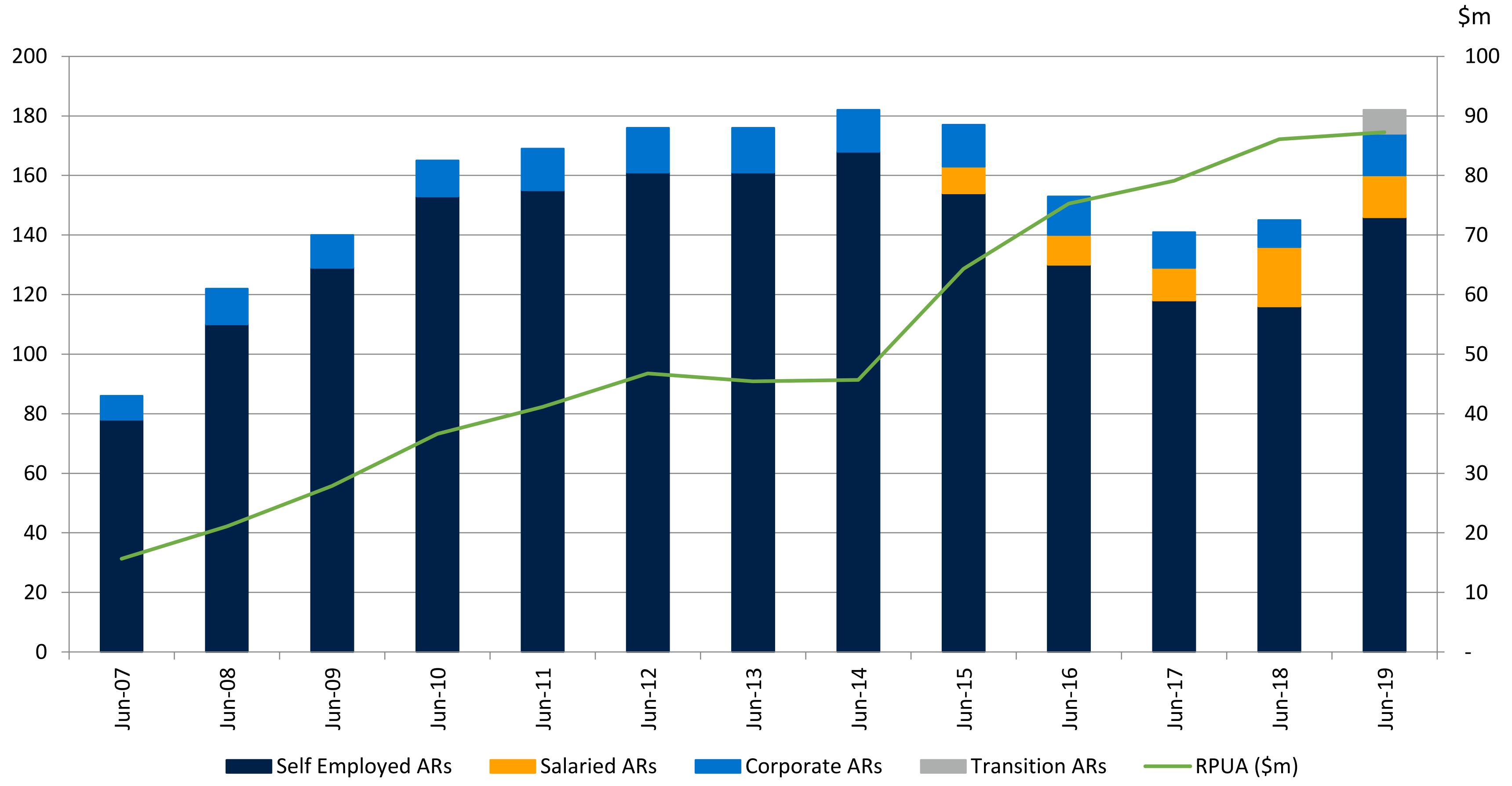

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OUR PRIORITIES FOR FY2020

SMA Launch

Separately Managed Accounts - while meeting our first and foremost obligations of client best interest, we want our B2B and B2C advisers to be both willing and able to confidently recommend and implement our SMAs.

B2B Recruitment

Recruitment – we want to grow with scale and purpose by being the preferred option for quality advisers seeking a new dealer group.

B2C Enhancement

B2C – we want our integrated holistic client service offering to be the leading advice business within our dealer group, and recognised as an outstanding advice business within the broader industry, with each division successful in their own right.

THE OPERATING ENVIRONMENT

The Advice / AFSL Environment

- The exodus of all banks and other product focused institutions from the financial advice sector is driving broad based change.
- Increased governance in increasing costs, and with the removal of product cross subsidisation revenue models are in transition.
- Sub-scale and under-resourced IFAs will fail, sub-scale and under-knowledged self-licensed AFSLs will also fail.
- Appropriately assertive regulators (ASIC, TPB, Code of Conduct Monitoring Body, PI Insurers).
- The barriers to entry are increasing while at the same time competition is reducing.

The Process of Advice

- FoFA Advice Framework (best interest duty, fee for no advice etc).
- Life Insurance Framework (reduced commissions from 110% to 60%, but to date no corresponding reduction in premiums).
- FASEA, exam (end 2020), degree (end 2023), conflicted structure.
- Code of Ethics / Monitoring (end 2019).
- AFCA, rise in volume and quantum of complaints, opening the doors to time barred complaints. Challenges with due process.
- Grand-fathered commissions (end 2020), front running by institutions enabling them to retain commissions.
- Increased costs (advice process, AFSL fees / costs, ASIC levy, CSoLR, PI Insurance) and increased complexity.

FOCUS FOR THE NEXT 12 MONTHS

B2B – Dealer Group

1. Work with network to help our advisers be better advisers and better business people during a period of material change.
2. A cap on growth at 250 advisers.

B2C - Advisory

1. Modest growth in financial advice, mortgages, property and accounting; develop operating environment to meet best practice standards.
2. Appropriate acquisitions to boost scale.

Investment Management

1. Maintain market leading Investment Management capability (via managed accounts and SMAs)
2. Launch capital markets capability.

Technology and Other

1. Introduce a 'collegiate' adviser operating model, continue the development of our advice process.
2. Acquisition of Easy Dealer and a soft launch of Platformplus to the IFA market..

Help Advisers be Advisers in a Changing World

Chief Financial Officer
Mike Laffoley

FINANCIAL RESULTS

	2,019 $'000	2,018 $'000	% Change
Gross Revenue	58,241	56,047	up 4%
Net Revenue	18,195	19,100	down 5%
EBITDA	2,584	2,991	down 13%
EBITDA (Normalised)	2,288	1,652	up 38%
NPBT	634	650	down 2%
NPAT	465	843	down 45%
Bank Debt (Net)	9,081	10,509	down 14%
Shareholders Equity	13,971	10,585	up 32%

5 YEAR SUMMARY

	FY2014/15 ($'000)	FY2015/16 ($'000)	FY2016/17 ($'000)	FY2017/18 ($'000)	FY2018/19 ($'000)	Y-o-Y change
Gross Revenue	52,920	54,616	54,295	56,047	58,241	4%
Net Revenue	12,334	14,014	14,390	19,100	18,195	-5%
Other Income	935	811	-	1,339	296	-78%
Direct Costs	(7,487)	(8,089)	(8,066)	(11,558)	(11,077)	4%
Overheads	(4,297)	(5,016)	(4,644)	(5,890)	(4,830)	18%
EBITDA	1,485	1,720	1,680	2,991	2,584	-14%
NPAT	522	451	491	843	465	-45%

FUA	$4,310m	$4,100m	$4,310m	$4,851m	$5,910m	22%
RPUA	$65.1m	$75.1m	$83.1m	$86.1m	$88.7m	3%
Offices	122	116	105	92	100	9%
Authorised Reps ("AR's")	180	157	141	149	160	7%
EBITDA per AR	$8,250	$10,955	$11,915	$20,074	$16,150	-20%
NPAT per AR	$2,900	$2,873	$3,482	$5,658	$2,906	-49%

CASH FLOW SUMMARY

	2,019 $'000	2,018 $'000
Available cash at start of year	1,193	513
Net cash from operations	1,072	5
Proceeds from sale of client books	1,462	956
Acquisition of businesses (net of cash)	0	(2,941)
Capex	(393)	(388)
Movement in net borrowings	(2,138)	3,053
Other movements	(78)	(5)
Available cash at end of year	1,118	1,193

BALANCE SHEET

$000's	30/06/2019 Actual	30/06/2018 Actual
CURRENT ASSETS		
Cash	1,118	1,193
Receivables and contract assets	7,672	6,203
Total Current Assets	**8,790**	**7,396**
NON CURRENT ASSETS		
Deferred Tax	920	1,060
Intangible Assets	22,495	24,969
Other receivables and contract assets	1,150	34
Property, Plant & Equipment	513	715
Total Non Current Assets	**25,079**	**26,778**
TOTAL ASSETS	**33,869**	**34,174**
CURRENT LIABILITIES		
Borrowings	4,281	12,853
Employee Benefits	916	1,017
Tax Liabilities	21	38
Deferred & contingent consideration	0	1,874
Payables	5,475	5,150
Total Current Liabilities	**10,694**	**20,932**
NON CURRENT LIABILITIES		
Deferred Tax	170	217
Borrowings	9,034	2,440
Total Non Current Liabilities	**9,204**	**2,657**
TOTAL LIABILITIES	**19,898**	**23,589**
NET ASSETS	**13,971**	**10,585**
EQUITY		
Issued Capital	14,190	12,517
Reserves	(489)	(489)
Retained Earnings	270	(1,443)
TOTAL EQUITY	**13,971**	**10,585**
	0	0

- Receivables now include "contract assets" for fair value of expected flows from mortgage trail book.
- Borrowings down by $1,978k year-on-year.
- Bank assurances re no intentions to call in debt mean we can classify majority of bank debt as non-current liabilities
- Shareholders equity up by $3,386k as a result of issuance of ordinary shares to extinguish deferred liability on acquisition of Announcer, and recognition of contract asset for mortgage trail book.

AGM – Ordinary Business

- Receive and consider the Financial Statements – for noting only (no resolution required)
- Resolutions for the retirement by rotation, and re-election of 2 Directors

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 2019

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 last year's financial statements, and the half-year review at 31 December).
- Whilst we have been meeting all of our contracted principal and interest repayment obligations to Westpac on the due dates, our financial results for the year ended 30 June 2019 were below the level required to satisfy the Bank's interest cover and Debt to EBITDA covenants.
- The Managing Director and CFO have been pro-actively managing this situation with the Bank with regular updates on financial results and forecasts, and the Bank have advised that they have no intention to seek early repayment or enforce any rights whilst we continue to meet our obligations.

RESOLUTIONS TO BE PASSED

- Resolution 1 – Re-election of Mr David Hasib as a Director

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

  That Mr David Hasib 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 – Re-election of Ms Karen Smith-Pomeroy as a Director

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

  That Ms Karen Smith-Pomeroy 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.