



Results Presentation and Strategy Update
for the Half-Year ended 31 December 2020

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April 2021

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All numbers are as at 31 December 2020 unless otherwise stated. Numbers may not add up due to rounding.

GENERAL BUSINESS HIGHLIGHTS

Financial Results

- Gross revenue \$36.5m, up 11%
- EBITDA \$2.168m (PCP \$1.096m), up 98%
- NPAT of \$720k (PCP \$-183k)
- Net cash from operations up 65% to \$3.309m
- Strengthening of balance sheet with net assets increasing by 5% (or \$686k) to \$14.6m, with a reduction in borrowings of \$2.415m or -18%

Operational Results

- 185 advisers, up 11%
- Funds under Advice of \$8.1Bn, up 8.1%
- Funds under Management of \$370m, up 3%, with SMAs up 121%

Strategy Execution

- Group wide regulatory Business Health Check nearing completion
- Platformplus AMS and RMS (adviser & revenue management software) complete, WRAP investment solution to launch soon
- Change to management of the Alpha unit trusts made in readiness for relaunch as diversified trusts

Priorities

- Continued organic growth of our Advisory network (B2B) with continued evolution of Infocus Advisory (B2C) to advance 'best practice' advice operations
- Release of Platformplus product suite to the external market
- Release of operational roll-up program

Financial Services Landscape

- Annual revenue decline of -0.3% from 2016 and 2021, with an expected growth rate of 2.1% from 2021 to 2026 (Source: IBISWorld, October 2020).
- Continued theme of industry dislocation, with the speed of 'post Hayne Royal Commission' dislocation accelerating. The industry is experiencing an unwinding of vertically integrated business models as the major banks have exited from, or substantially reduced their capacity for, delivering wealth advisory services.
- Industry wide adviser numbers down 27% or >8,000 in last 2 years, with this trend expected to accelerate in calendar year 2021 as the deadline looms for new educational requirements (Source: Adviser Ratings Musical Chairs Report 2020 Q4).
- The industry is dealing with ever increasing levels of regulation, which is driving change in business and advisory models.
- ASIC supervisory costs up >160% per adviser in the past 2 years.
- 16% of advice businesses considering changing AFS Licensee in the next 12 months (Source: Adviser Ratings Musical Chairs Report 2020 Q4).
- Advisers estimate they spend 47% of their time on non client-facing activities.
- Professional indemnity insurance market is hardening with some underwrites pulling out of the market altogether. Expect premium rises (and denial of cover) for some advice businesses.
- Australian Financial Complaints Authority (AFCA) demonstrating a willingness to accept complaints outside their jurisdiction.

Infocus Outcomes

- The continued industry dislocation provides good organic growth opportunities to Infocus. This has driven revenue, profitability, adviser numbers, funds under advice, and technology users to record highs during the period.
- Infocus is 1 of only 7 of the Top 30 advisory networks in the country to record positive growth over H1 FY2021 (Source: HFS Consulting), with a strong pipeline of additional quality organic growth opportunities. Exiting advisers has slowed net growth (up 6 net, to a total of 185, for half-year to 31 December 2020 compared to 167 in previous corresponding period "PCP"). Incoming advisers generate an average revenue of 2.2 times the average revenue of the exiting advisers.
- Grandfathered commissions were legislated to cease on or before 1 January 2021 following a Hayne RC recommendation, resulting in a loss of ~\$100k per month in gross revenue to Infocus. A number of product manufacturers ceased paying legitimate product revenue sharing agreements off the back of the Hayne RC recommendation previously noted, resulting in a loss to Infocus of ~\$195k per month from December 2020.
- The enhancement development of Platformplus AMS and RMS to drive advisory efficiency gains with the development of Platformplus WRAP, utilising our scale to drive down the costs of advice to both advisers and their clients.
- The group wide regulatory Business Health Check (BHC) initiative resulted in a provision of \$350k in non-recurring remediation costs in the half-year accounts, whilst also driving the modernisation of the client engagement process.

FINANCIAL RESULTS

FINANCIAL RESULTS

Half-year Ending 31 December	2020 Current Yr \$'000	2019 Prior Yr \$'000	% Change
Gross Revenue	36,422	32,884	Up 10.8%
Less Brokerage Paid	(28,102)	(23,954)	
Other Income	346	103	
Net Revenue	8,666	9,033	Down 4.1%
Labour	4,377	4,845	
Client Remediation Costs	350	635	
Other Direct	571	119	
Overheads	1,200	2,338	
Total Expenses	6,498	7,937	Down 18.1%
EBITDA	2,168	1,096	Up 97.8%
Depreciation and Amortisation	(874)	(911)	
Finance Costs	(415)	(451)	
Income Tax Benefit / (Expense)	(159)	83	
Net Profit After Tax	720	(183)	
Less minority interest	(42)	(38)	
Attributable to Shareholders of Infocus	678	(221)	
<i>Earnings per share (cents)</i>	1.6	(0.5)	

Earnings impacted by non-recurring external factors

Revenue

- Continued solid uplift in gross revenue as a result of continuing to recruit quality new advisers in our B2B division.
- Reduction in net revenue is as a result of the continued work being undertaken to complete the turnaround of our B2C division.
- Other income includes \$250k profit on disposal of client books.

Expenses

- Wages and overheads significantly down on prior year with COVID-19 related initiatives taken to reduce costs.
- One-off non-recurring provision for client remediation costs of \$350 (see next slide).

EBITDA

- Current half-year EBITDA of \$2,168 impacted by a number of non-recurring items:-
 - \$250k upside from sale of client books
 - \$350k downside from client remediation costs
- Adjusted EBITDA after normalising for these one-off items is \$2,268k

New Provision for Client Remediation Costs

During the period we instigated the running of remediation programs that will result in refunds to financial planning clients and/or former clients who may not have received all of the services they were entitled to under ongoing client service agreements. These circumstances under which these obligations arose are as follows:-

Business Health Check

- As a result of guidance provided by the regulator we proactively instigated a Business Health Check (BHC) initiative across our network in mid 2020 to ensure that all clients with ongoing service agreements had received required and appropriate advice / services each year. Where it was found that required and appropriate services had not been provided in line with the ongoing service agreement, or cannot be demonstrated, we instigated the refunding of the appropriate portion of fees that had been paid and if appropriate switching-off future ongoing fees.
- Our advisory network have overwhelmingly found the resulting engagement with clients to be positive, with many taking the opportunity to modernise and renegotiate fee arrangements and service levels where appropriate.
- Within our salaried advisory practice we found a disproportionate number of clients who had not received the appropriate levels of service, with changes in advisory personnel exacerbating the problem. Further work is required to correctly ascertain the amount of refunds payable in each case, but we have made a provision to incur \$350k of costs in this regard.

NB. This is a one-off provision, we are not expecting to have to repeat this provision in future periods.

Material Prior Period Error

Overcharging by Former Self-employed Adviser

- We have also made provision for remediation costs expected to be paid to clients of one of the Group's former self-employed advisers who was found to be overcharging clients. We became aware of this practice in October 2019 at which time we terminated the adviser's authority to issue advice, and issued a breach notice to ASIC who subsequently issued a banning order to the adviser.
- As licensee we assumed direct responsibility for the provision of financial advice to all of the clients who wished to continue to be advised. An extensive investigation is underway to determine the extent of the overcharging. The estimated amount to be paid out in remediation to clients is \$635k.
- Management had made an incorrect judgement at that time as to how the Group's insurance policy was likely to respond with respect to these remediation payments. This matter has now been corrected with full provision recognized in the half-year to 31 December 2019.

Balance Sheet and Cash Flows

Balance Sheet Movements (for the half-year to 31 December 2020)

- Net assets up \$686k to \$14.6 million
- Total borrowings down \$2.4million to \$10.7 million
- Bank borrowings down \$1.4 million to \$7.5 million

Cash Flows (for the half-year to 31 December 2020)

- Net cash from operations up 65% to \$3.309 million
- \$356k invested in capex (IT)

STRATEGY UPDATE and OUTLOOK

Infocus reset its strategy in July 2020, with our 2020 Strategy Refresh revolving around the unbundling of advice and infrastructure to build profitable business units that can operate stand alone, but are stronger synergistically.

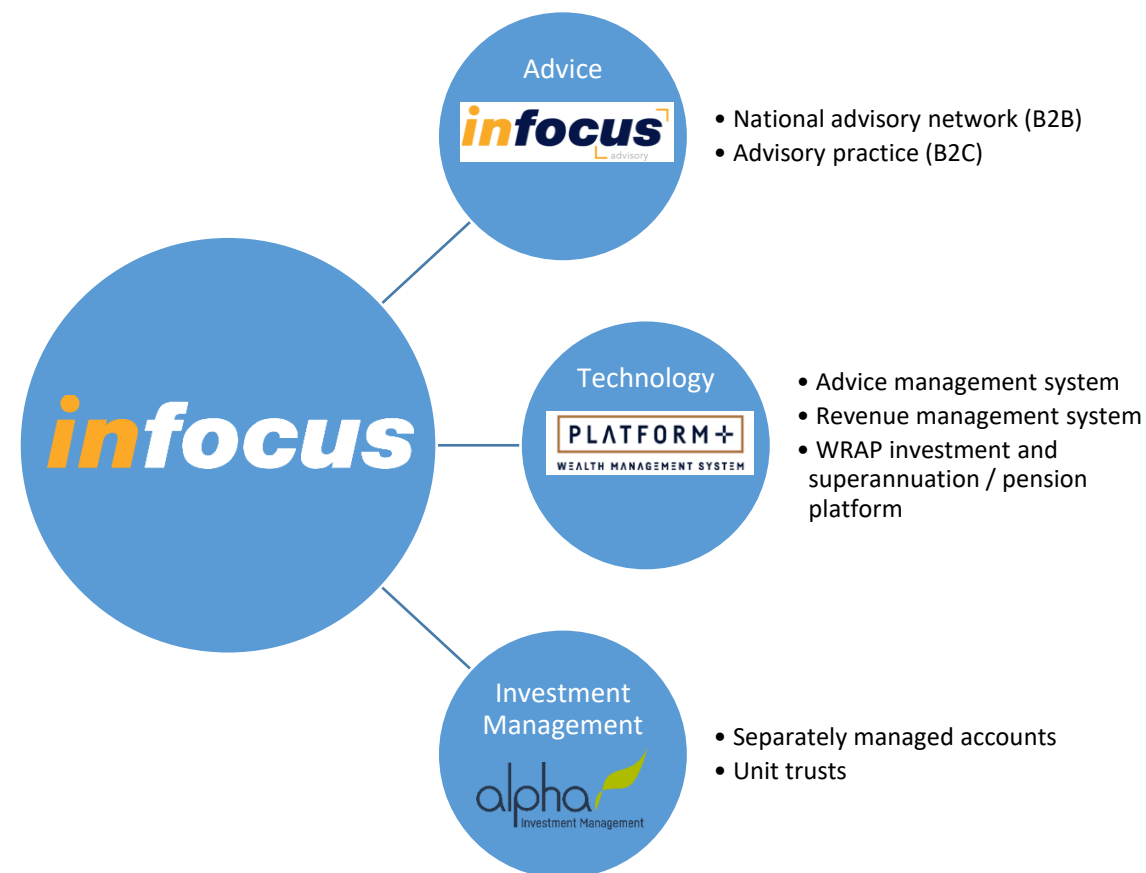
EXTERNAL ENVIRONMENT and OPPORTUNITIES

Industry dislocation is accelerating and providing an opportunity for strong, quality growth. This industry dislocation provides a unique opportunity for Infocus as our CVP, which revolves around helping advisers be better advisers and run better businesses, resonates with our target audience.

STRATEGY CONSIDERATIONS

Key drivers of growth – industry dislocation, increasing business complexity, increasing regulatory requirements, enhanced regulatory surveillance, increasing consumer demand for quality advice, and financial advisers wanting to belong to something special.

Priorities – deliver a compelling CVP, service our clients exceptionally, be an essential part of our clients success, to identify and deliver benefits that are only available through scale, attract and retain great people through our culture and environment.



We're an advice business. The key to the success of our 2020 Strategy Refresh is to provide the best systems and support to our aligned advisory network to enable the efficient provision of quality advice to their clients.

Our drivers of success are simple, they are **SCALE** and the appropriate **UTILISATION OF THAT SCALE** for the benefit of all stakeholders.

Our scale must focus on more than simply the size of our business as measured by numbers of advisers, clients and FUA, it must be about harnessing and utilising the opportunity presented by this scale. We will expand our scale by the continued evolution of the Infocus Advisory Network (B2B) with organic growth, and by growing Infocus Advisory (B2C) by organic and non-organic means. We will also expand our target market (and therefore SCALE) to include self-licensed, boutique and mid-sized AFSLs.

We will then utilise this scale through the infrastructure of Technology and Investment Management, to extract benefits for all stakeholders via:

- **TECHNOLOGY:** The Platformplus Wealth Management System (WMS) represents an enormous opportunity to drive efficiency, to reduce risk, to reduce cost (to all stakeholders), and to drive revenues. We'll commence the licensing of the Platformplus WMS to external parties, including our soon to be released Platformplus WRAP.
- **INVESTMENT MANAGEMENT:** We have a robust investment philosophy, solid investment management framework and capability, with proven success. Additional scale will allow us to continue to drive down the cost of investment management, with this benefit flowing directly to all stakeholders. We'll also extend our Investment Management capabilities to support our adviser partners.

TECHNOLOGY IS A KEY ADVANTAGE

UTILISATION OF SCALE via TECHNOLOGY

Platformplus is the best kept secret in our industry, it's now market ready and its time has come. Platformplus is the 'spine' of our business and now represents an enormous opportunity to drive efficiency, to reduce risk, to reduce cost (to all stakeholders), and to drive revenues.

- Licensing of Platformplus WMS to external parties, specifically boutique and mid-sized AFSs.
- Development and release of a 'game changing' superannuation / pension / investment platform fully integrated into Platformplus.

Platformplus is proprietary software, developed in-house by advisers for advisers. It's an integrated, end-to-end wealth management system and gauging by our Net Promoter Score, our clients like it.



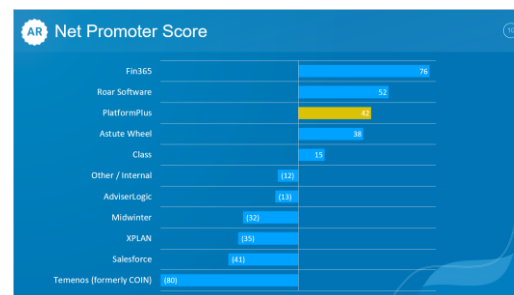
- Core CRM and advice generation / management software
- Key to delivering compliant advice
- Used by all Infocus advisers
- Now available to external advisers



- Brokerage management solution (receipts and payments)
- Used by Infocus and external AFS Licensees



- Fully functional full service Wrap for investment, superannuation and pension accounts
- Multiple investment options including managed funds, direct shares, term deposits, annuities and separately managed accounts
- Fully integration with Platformplus AMS



- Net promoter score (NPS) of +42 from Adviser Ratings 2020 survey, consistent with NPS score from 2018 survey.
- Highest rated fully functioned wealth management software, and only fully functioned wealth management software with a positive NPS.

UTILISATION OF SCALE via INVESTMENT MANAGEMENT

Our investment philosophy defines principles and beliefs that inform our approach to the allocation of capital. The philosophy is predicated on the preservation of capital and its purchasing power, and then taking risk only where the assessed returns are adequate to compensate for the risk being taken.

Our investment framework is robust, incorporating a comprehensive and well researched approved product list, a risk profiling function, with model portfolios covering all risk profiles.

Model portfolios are implemented, monitored and managed via SMAs and managed accounts, as well as bespoke solutions.



CAPITAL and FUNDING - INVESTING FOR THE FUTURE

In order to take advantage of financial services industry disruption and to utilise our SCALE, we have made (and continue to make) a significant investment in people and financial resources towards the development of our technology and investment solutions.

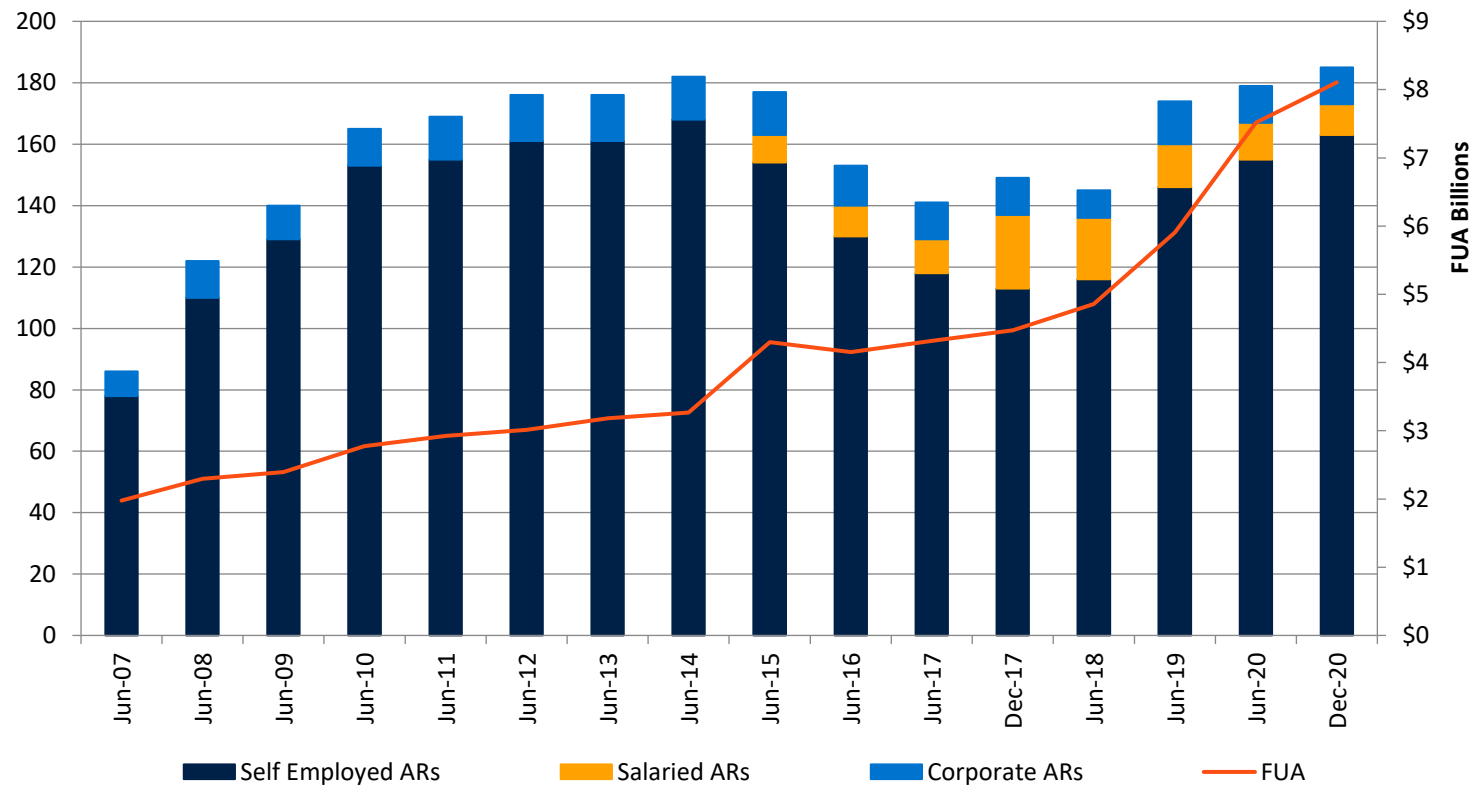
The majority of this work has been done with the existing people, resources and in-house expertise, along with select external partners. To complete this work to the standard required to have a meaningful impact to the efficiency of advice delivery and investment management requires additional monetary resources.

New Convertible Notes Issue

- The Company is proposing to make a new offering of \$5 million in Convertible Notes on terms similar to the existing Convertible Notes on issue.
- The funds raised will be used to pay-out the \$3.015 million of existing Convertible Notes that are due to mature on 6 June 2021, and to fund the development and establishment of Platformplus WRAP.
- An Information Memorandum for the proposed issue will be provided to all Shareholders and Convertible Noteholders in the near term.

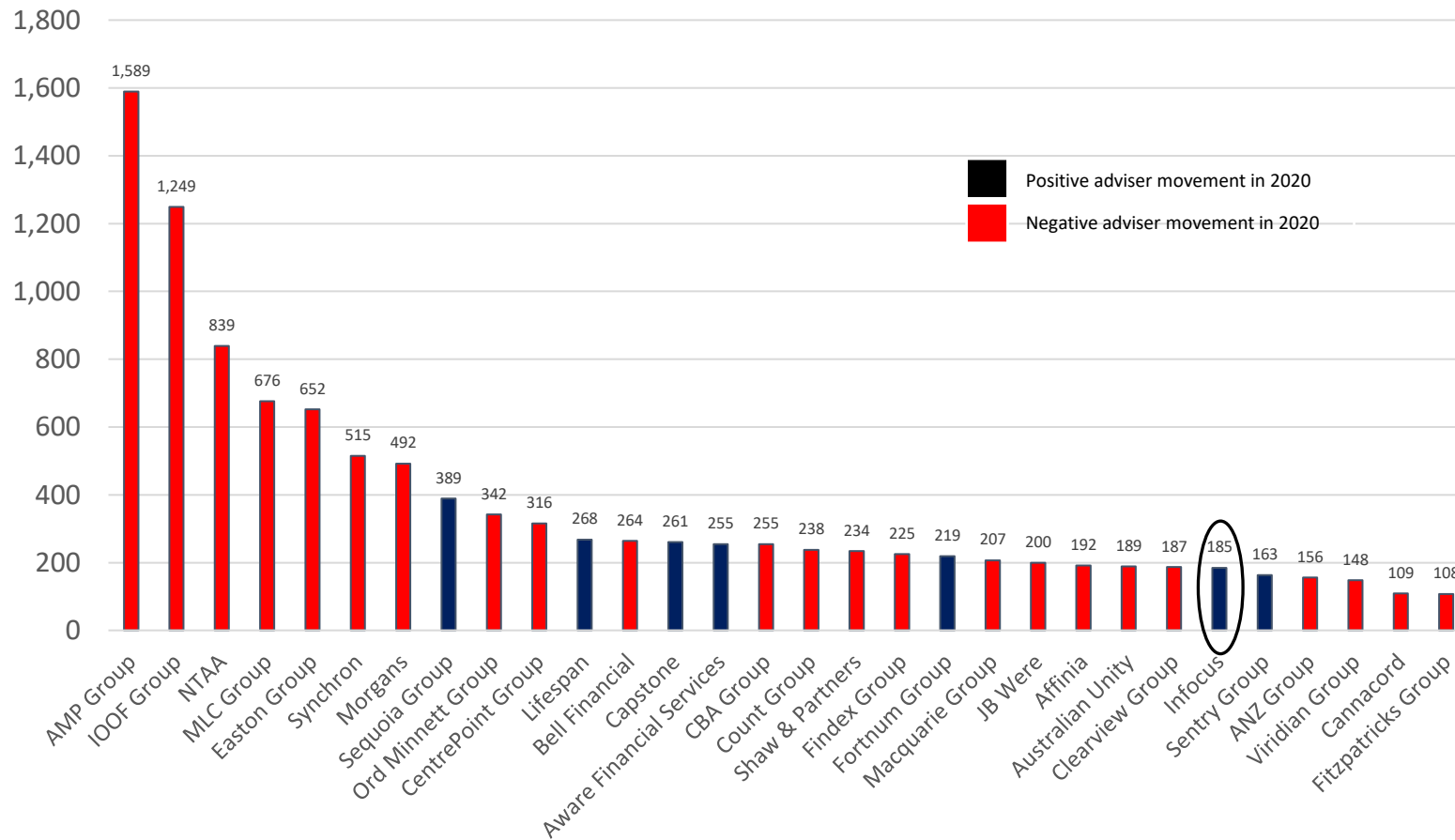
APPENDICIES

FUNDS under ADVICE and ADVISERS



- FUA in FY2021 H1 has grown 7.9% from June 2020 to \$8.1Bn, this due to sustained organic growth in the B2B channel with a stabilised investment market following the COVID-19 related market volatility earlier in calendar 2020.
- RPUA in FY2021 H1 has grown 8.2% to ~\$114m. Even though life, TPD and disability insurance premiums are at risk of reduction due to elevated lapses following material premium increases over the past 2 years, our successful organic adviser growth has more than offset lapses.
- Total authorised representative (AR) numbers continue to grow. December has total ARs at 185.

MARKET SHARE

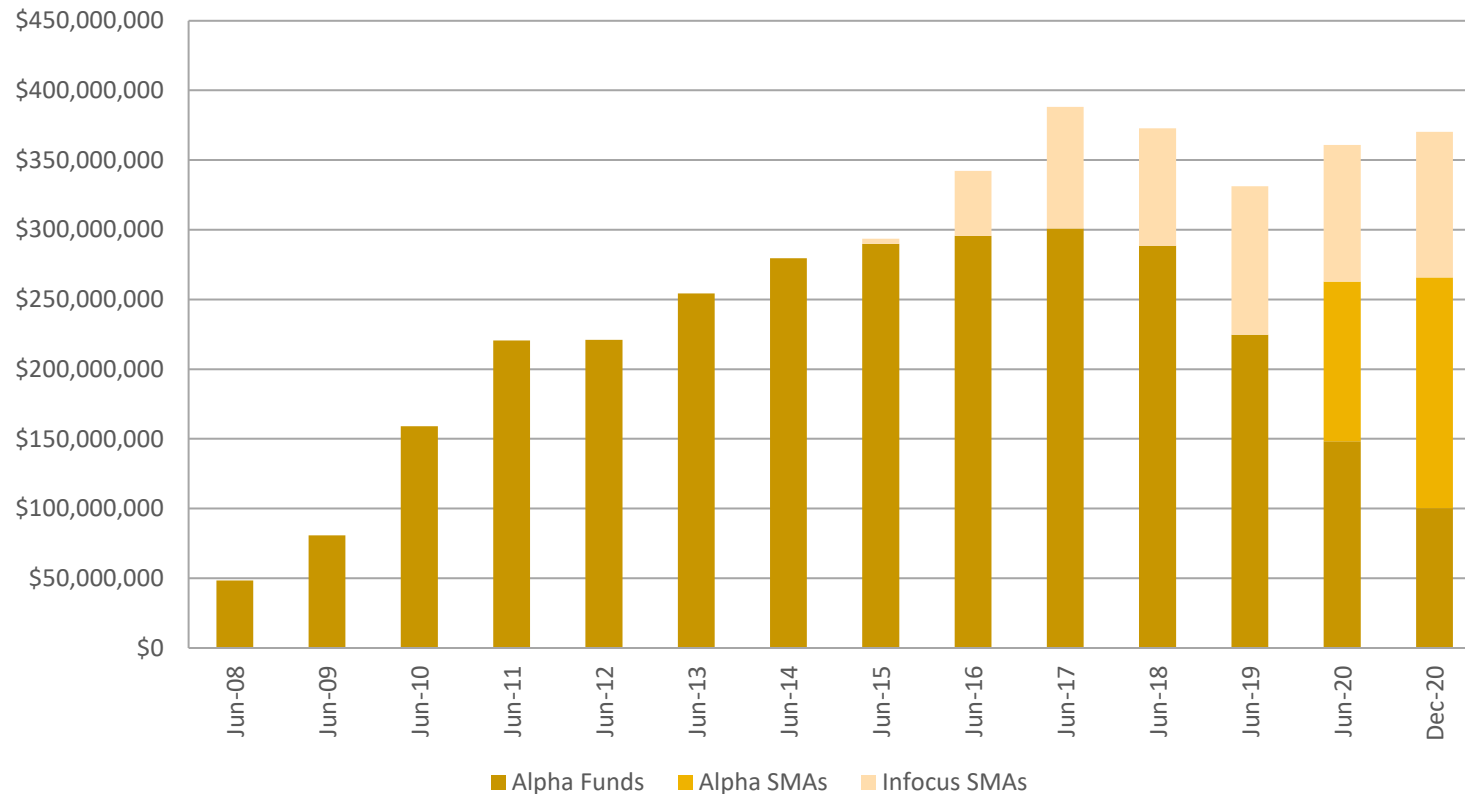


The financial adviser market size continues to decline from a high point of 28,538 financial advisers in December 2018. The 2020 calendar year saw a loss of 2,860 advisers (-12%) to 21,020.

- Infocus ranks at #26 out of a total of 2,157 AFSLs with a market share of 0.89% with 185 financial advisers.
- The Top 30 AFSLs are responsible for 52.9% of all advisers.

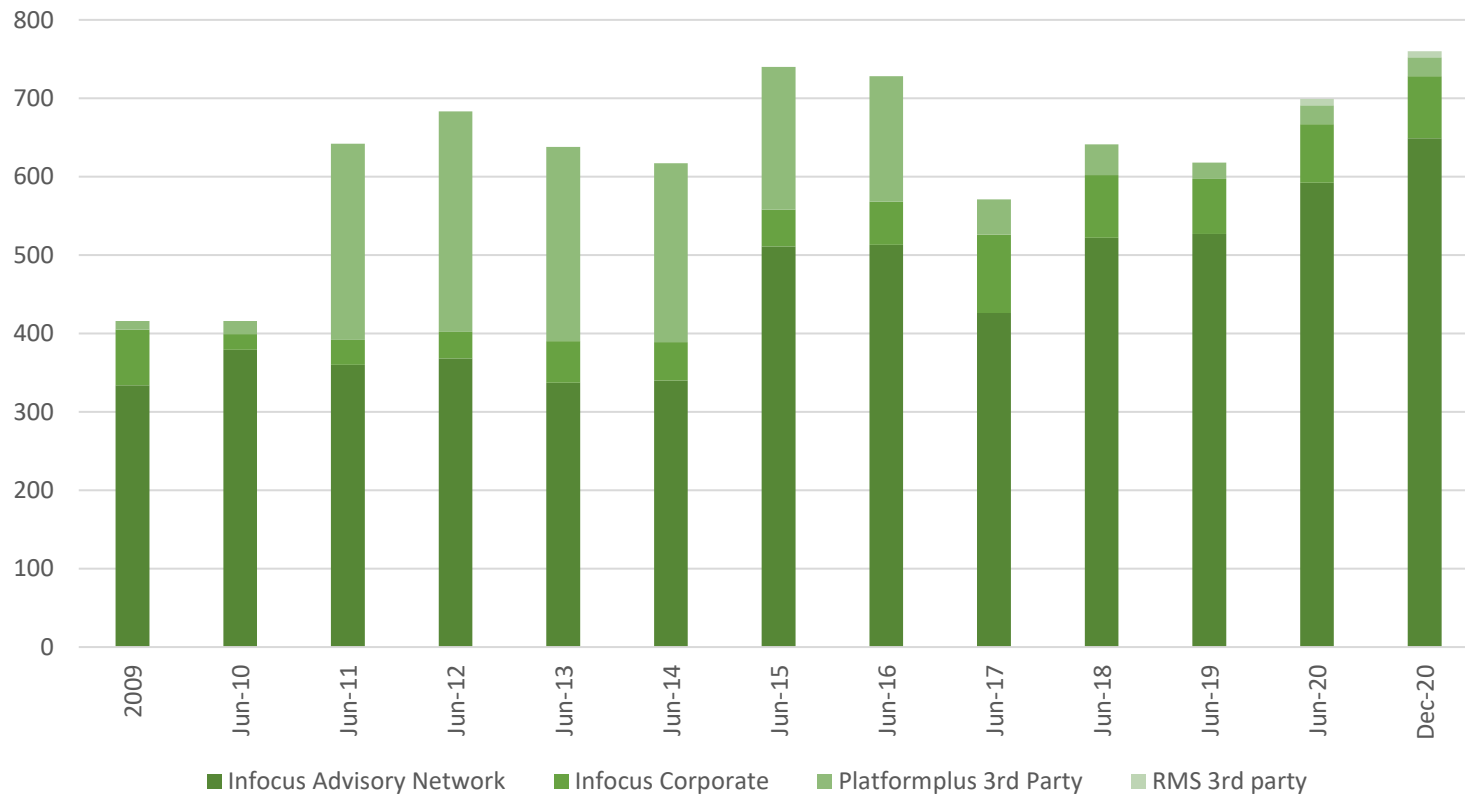
Tier	No. of AFSL Entities		
	Dec-18	Oct-19	Dec-20
Top >500 advisers	18	10	3
Large 100 to 499 advisers	31	28	38
Medium 10 to 99 advisers	285	236	222
Small 2 to 9 advisers	1,010	1,053	1,087
Single 1 adviser	867	844	807
Totals	2,211	2,171	2,157

FUNDS under MANAGEMENT



- Alpha Managed Funds have been in long-term outflow, this was exacerbated by the decision to remove the funds from the investment menu of an external product provider. Work to turn this around is well in hand with the 1st step of the renovation program now complete and the 2nd step underway. We expect FY21 to be the year when outflows cease and the FUM bottoms out, following which we'll recommence rebuilding scale.
- Alpha SMAs continue to work their way into the recommendations of advisers with penetration now >32% of the advisory network. FUM as at December was \$165.5m, recommendations made in FY21 H1 were ~\$90m, for a total of ~\$253m since inception. We continue to expect solid growth in this investment solution well into the future.
- The FUM in the Infocus SMAs sits at \$104.5m, and is expected to grow steadily.

WEALTH TECHNOLOGY



Growth of external users of Platformplus WMS is a Key Priority for the business over FY21. While we'll continue to obtain growth from internal users, we'll license Platformplus AMS and RMS directly.

- Total user numbers 760, up 8.7% from June 20 and a record in total number of users surpassing the previous record set in June 2015.
- Internal user numbers are at 728, being 649 financial advisers (plus support) and 79 corporate users.
- External users consistent at 32, being 24 with AMS and 8 using RMS.



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