

# Full Year Results Centrepont Alliance Limited

30 June 2016  
ASX:CAF

# Our competitive advantage

- **Centrepont Alliance is uniquely positioned as a leader in Australia's contemporary financial advice industry**
  - early mover to service financial planners as a professional advice services business
  - capturing the benefits from industry disruption and the move to 'fee for service' advice
- **A trusted partner to its community of 500 independent and non-aligned financial planning firms comprising over \$25bn in funds under advice**
  - Centrepont uses its scale and expertise to design and deliver world class services and open architecture investment solutions
- **Centrepont continues to benefit and grow as financial planning clients and their advisers seek out non-aligned trusted solutions, in contrast to institutions who use advice firm relationships for product distribution**

# Highlights

- Group EBITDA up 56% to \$6.4m. Wealth EBITDA up 54% to \$7.4m and Lending up 13% to \$2.7m
- Centrepont Alliance recruited 59 professional wealth advice firms, up 34% on the prior year
- Centrepont continues to lead the industry being an early promoter of Managed Accounts now recognised as the solution of choice for clients and advisers
- Centrepont's Managed Account solution launched in FY15 continues to gain solid momentum
- Continued enhancement of services, technologies and solutions across both Wealth and Lending
- Increased GI and mortgage broker relationships by 11% and 13% respectively, a good indicator of future volume growth
- Rebranding and new website successfully completed

# Group Financial Results

\$m	2H15	1H16	2H16	2H16 v	FY15	FY16	FY16 v
				2H15			FY15
				(%)			(%)
Revenue	63.6	64.6	65.8	3%	132.9	130.4	-2%
Gross profit	19.1	21.4	20.1	5%	41.8	41.5	-1%
EBITDA	(0.2)	2.4	4.0	21x	4.1	6.4	56%
Underlying Profit before tax	2.7	3.2	4.3	59%	7.0	7.5	7%
NPAT	3.0	0.7	3.6	20%	5.9	4.3	-27%
ROCE p.a.	-6%	12%	18%	4x	6%	14%	133%

- Revenue growth, gross profit and cost to income ratios steadily improving each half year period
- Operating efficiencies continue to be delivered and significant reinvestment occurring in launching new solutions, services and salaried advice
- FY16 NPAT includes deferred tax asset recognition of \$1.3m (FY15 \$4.3m) and an onerous lease provision of \$1.0m (FY15 nil)

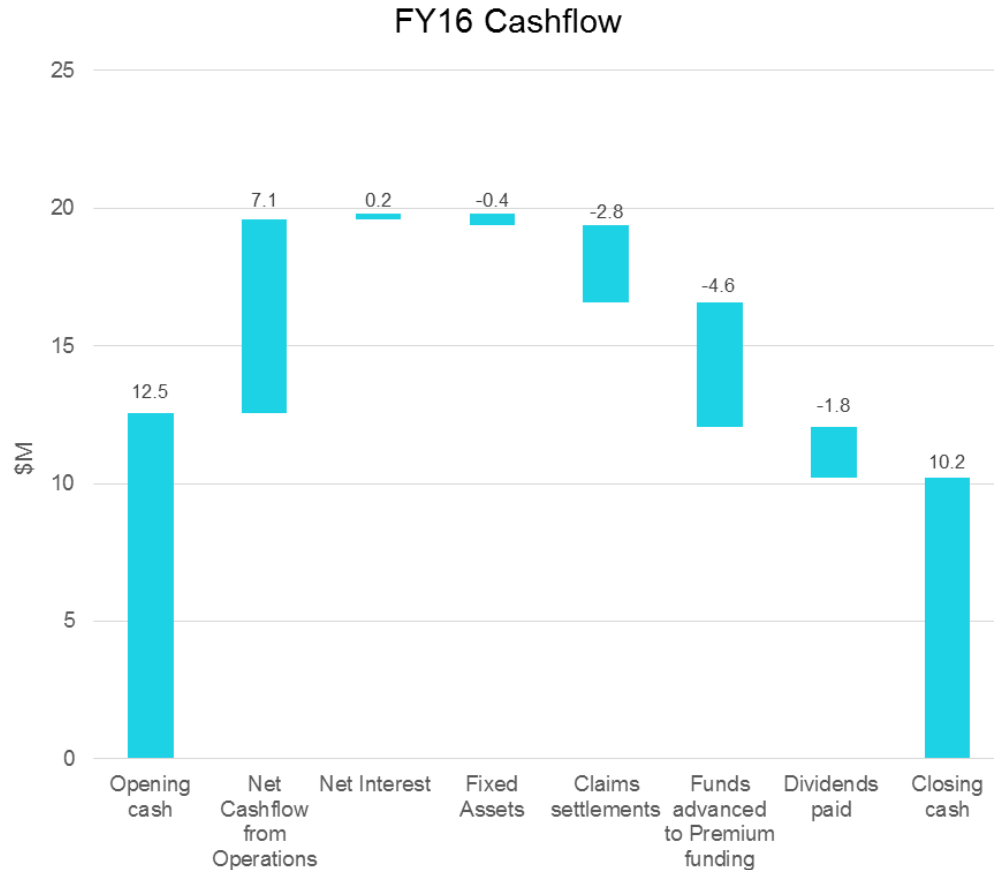
# Operating Segment Results

\$m	Funds Management and Administration			Licensee and Advice Services			Wealth			Lending		
	FY15	FY16	%	FY15	FY16	%	FY15	FY16	%	FY15	FY16	%
Revenue	11.0	11.4	4%	99.2	98.2	-1%	110.2	109.6	-1%	26.5	25.1	-5%
Gross profit	6.0	6.7	12%	24.1	23.1	-4%	30.1	29.8	-1%	11.7	11.7	0%
Operating expenses	2.9	2.9	0%	22.4	19.5	-13%	25.3	22.4	-11%	9.3	9.0	-3%
EBITDA	3.1	3.8	23%	1.7	3.6	112%	4.8	7.4	54%	2.4	2.7	13%
Underlying Profit before tax	3.7	3.8	3%	3.4	4.3	26%	7.1	8.1	14%	2.5	2.8	12%

Note. Table excludes Corporate EBITDA in FY16 of -\$3.8m (FY15 -\$3.0m)

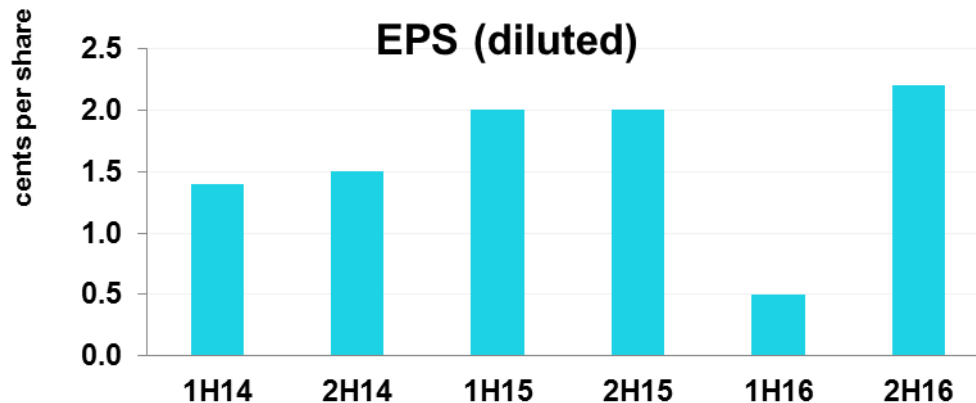
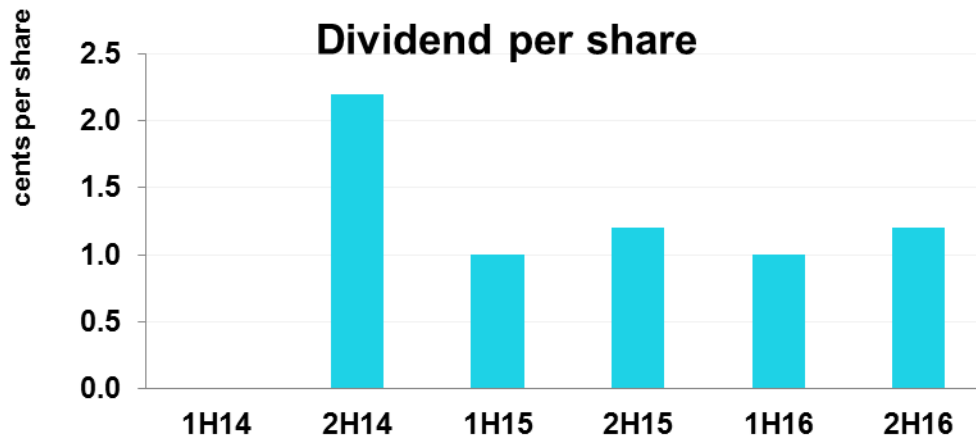
- All operating segments showed improved EBITDA
- Funds management and administration EBITDA up 23% due to increased adoption by advisers of new contemporary solutions. Revenue impacted by run off/closure of legacy products
- Composition and quality of Licensee and Advice Services revenue improving as business transitions to professional advisers and contemporary business model. Benefited from lower legacy costs (claims) in FY16
- Expense management supporting EBITDA growth
- Lending EBITDA continues to improve with improved pricing and cost management in a challenging market

# Strong cash position



- Strong cash position of \$10m able to fund organic and inorganic growth
- Operating net cash flow strengthened to \$7.1m (2015: \$6.5m) with improved operational performance
- Adviser claim settlements significantly lower
- Based on new bank loan covenants additional cash can be released from premium funding at short notice to enhance cash position

# Dividends



- The Board has declared a final dividend of 1.2 cents per share fully franked
- Record date is 26 September 2016 with payment on 19 October 2016
- The Board have agreed not to offer the DRP due to strong cash position
- There are distributable earnings of \$19.5m and franking account reserve of \$26m (equivalent to \$61m of fully franked dividends)
- 1H16 EPS impacted by onerous lease and deferred tax assets being reviewed in 2H16

# Wealth



# Integrated Wealth Strategy for Professional Advisers

## Leader in Non-Aligned Adviser Services

- Centrepont Academy - scalable on-line CPD training, technical services, conferences, professional education
- Outsourced services – licensee services, compliance and practice administration, HR and legal services
- National client consulting business development and benchmarking capability

## Integrated Technology

- Compass – based on leading adviser workbench and practice workflow combined with a an expert implementation and support team
- Salesforce.com – leading international sales and CRM solution

## Best of Breed Investment Solutions

- Managed accounts – leading SMA solution provider
- Wrap/Mastertrust platforms – white labelled versions of Australia’s leading institutional platforms
- Wide range of world class fund managers
- Extensive range of insurance products



Superior customer outcomes – quality best interest advice, combined with best of breed products and services

# Benefiting from disruption and early adoption of Contemporary business model

Dealer Group Fees	Traditional Value Chain (bps)	New world Contemporary Model (bps)	Centrepoin't's position
Direct Dealer Group Fee	5-20	5-15	Moved to dollar based fee for service
Volume rebate from Platforms	20-40	0 (Grandfathered)	Managing run-off and offering services to self licenced market
Practice administration and communication support (platforms)	0	10-20	Enhancing current Adviser Services offer to best of breed
Product - Portfolio packaging	0	10-30	Leader in establishing Managed Accounts
<b>Target fees</b>	<b>5-40</b>	<b>5-50</b>	<b>Transitioning to improved market position</b>

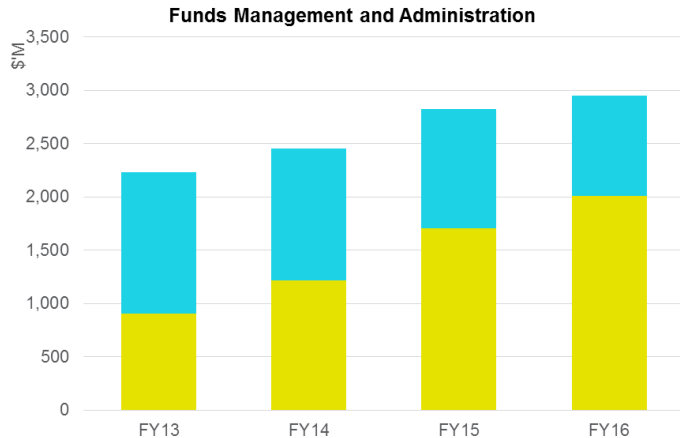
Source: Morgan Stanley Research Disruptors: Australia Financial Managed Accounts – Evolution or Revolution June 22, 2016

# Funds Management and Administration

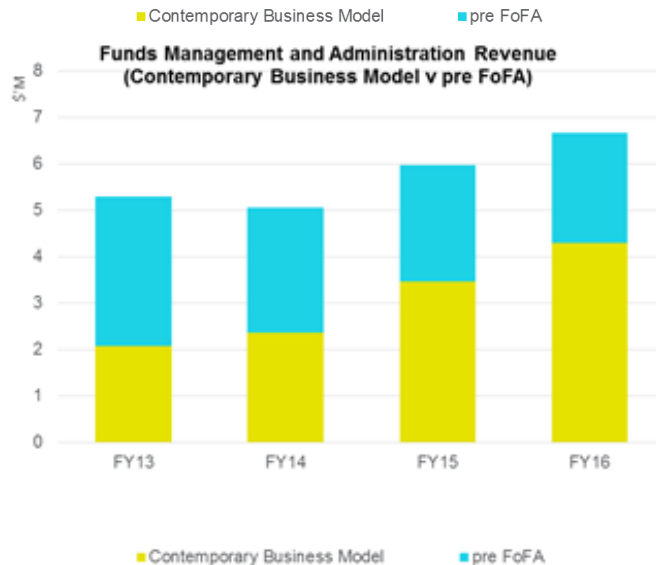
\$m	2H15	1H16	2H16	2H16 v		FY15	FY16	FY16 v	
				2H15	(%)			FY15	(%)
Revenue	5.6	5.7	5.7	2%	▲	11.0	11.4	4%	▲
EBITDA	1.8	1.8	2.0	11%	▲	3.1	3.8	23%	▲
Funds Under Management and Administration	2,829	2,856	2,948	4%	▲	2,829	2,948	4%	▲
Gross Inflows	370	381	379	2%	▲	789	760	-4%	▼
Net Flows – FuM & FuAd	86	88	107	24%	▲	211	195	-8%	▼
Market impact	79	-50	-23	-129%	▼	82	-73	-190%	▼

- Stronger profit results with EBITDA improving 23%
- New flows down on last year driven by overall industry wide drop in client activity during FY16. Activity returned in 4Q16
- Closure and run off of legacy products has limited FUM and Admin growth as composition changes towards contemporary products
- Weekly inflows into managed accounts has roughly doubled each 6 months since launch in 2H15

# Funds Management and Administration



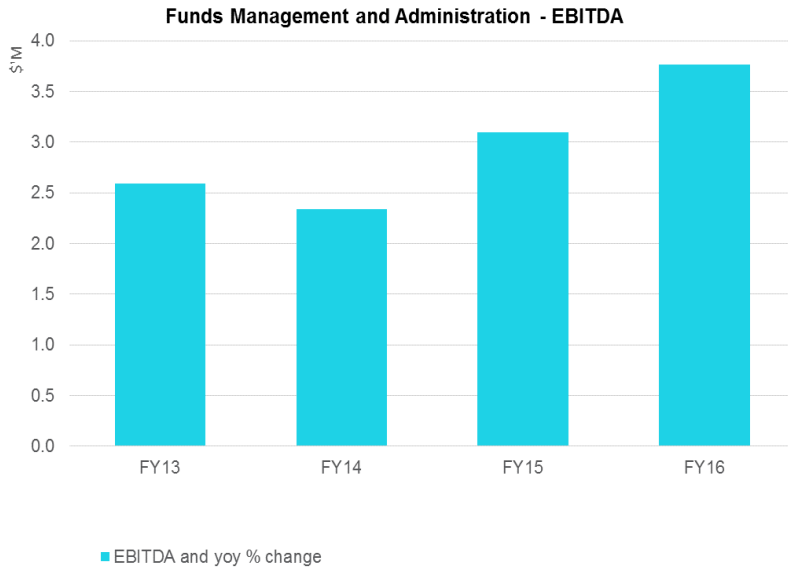
- Contemporary FUM/Admin grew 18% YOY due to higher flows into partnered platforms and managed accounts
- Pre FoFA funds and All Star funds in run-off



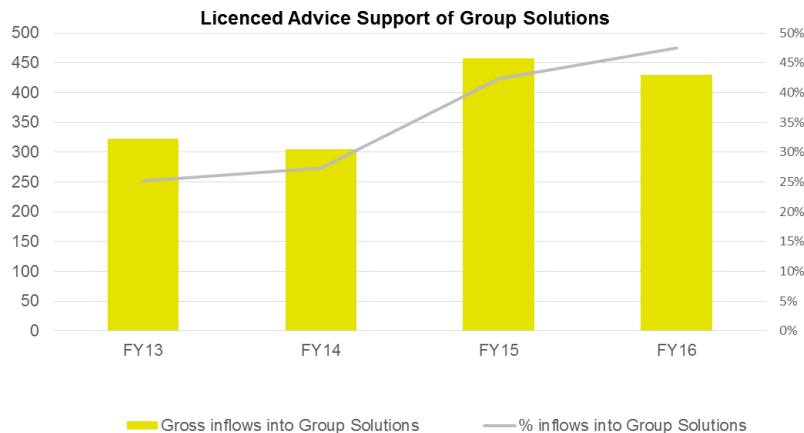
- Contemporary revenue increased 24% due to support of managed accounts
- Quality of revenues and margins improving with transition to contemporary business

Note: Contemporary business represents post FoFA sustainable client centric solutions and revenues

# Funds Management and Administration



- Focus on growing quality sustainable revenues from solutions designed for the needs of customers and independent advisers
- 23% growth in EBITDA in FY16



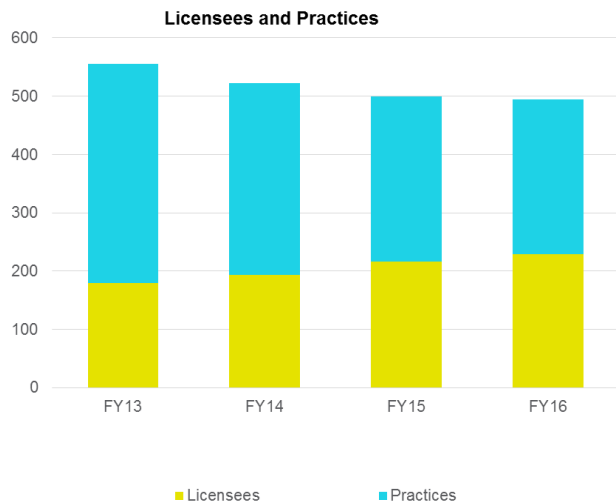
- Increasing Adviser support of Group solutions (48%) on lower gross inflows driven by industry wide factors

# Licensee and Advice Services

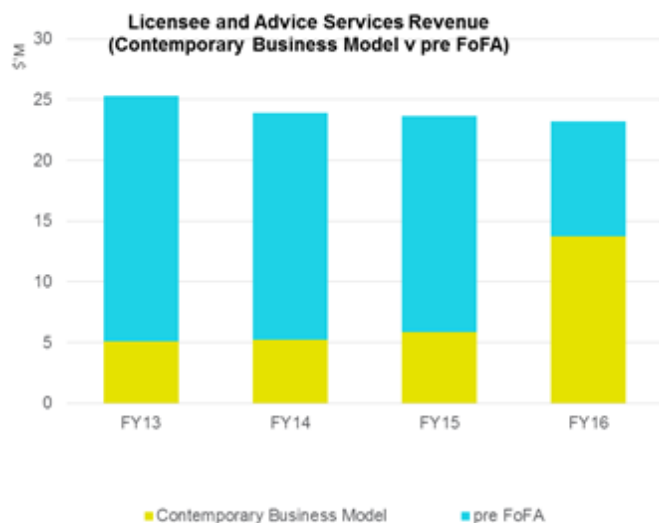
\$m	2H15	1H16	2H16	2H16 v		FY15	FY16	FY16 v	
				2H15	(%)			FY15	(%)
Revenue	48.1	47.3	50.9	6%	▲	99.2	98.2	-1%	▼
EBITDA	-1.4	0.9	2.7	293%	▲	1.7	3.6	112%	▲
New Firms	19	19	40	111%	▲	44	59	34%	▲
Funds Under Distribution Agreements	7,955	8,067	7,738	-3%	▼	7,955	7,738	-3%	▼
No of Advisers (estimated)	1,609	1,598	1,629	1%	▲	1,609	1,629	1%	▲

- Revenue down 1% on prior year and up 6% on 2H15. EBITDA up 112% on prior year
- Excellent growth in new firms off the back of new business model targeted at independent professional advice firms
- New standards have resulted in the exiting of a significant number of advisers and closure of products which are no longer competitive or do not meet Centrepoin's expectations
- Full year impact in FY16 for transition to lower adviser fee (fee for service) basis. Whilst lower revenue the new fee basis helped in attracting new firms

# Licensee and Advice Services

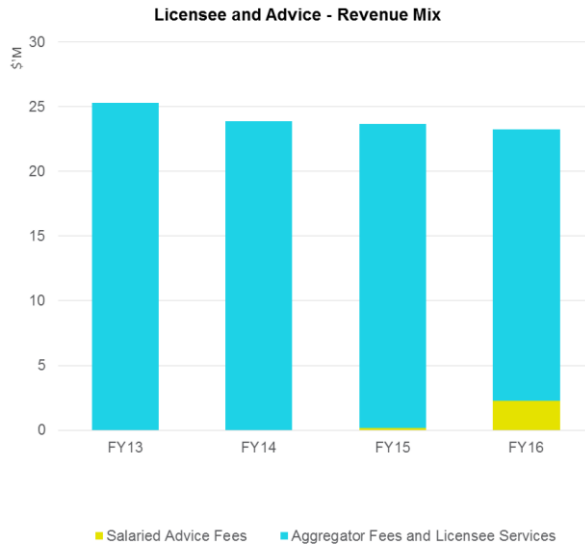


- Strongly improved quality of our client firms in FY16
- Good growth in new firms attracted by quality of Centrepoint's service, product offering and people

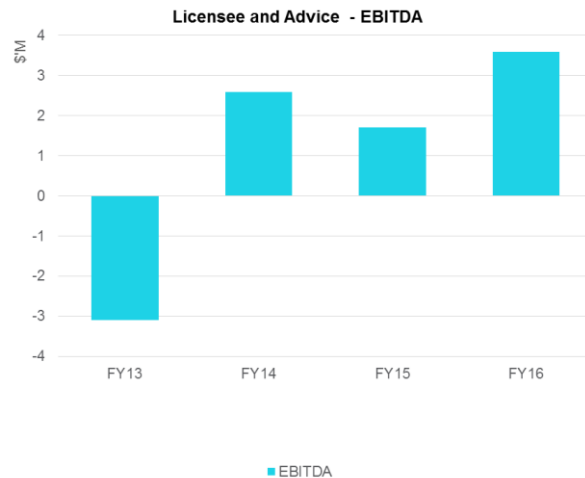


- There has been a significant shift to the Contemporary Business model due to growth in salaried advice and self licenced clients. Offset by run-off of grandfathered revenues and passive income streams.

# Licensee and Advice Services



- Revenue base transforming to contemporary business model to dollar based fee for service
- Revenue base diversifying with salaried advice commencing late FY15 and emerging as revenue stream in FY16



- The quality and professionalism of Centrepont as a licensee and advice services business is a significant differentiator in the market
- 112% EBITDA growth after the investment being made in salaried advice



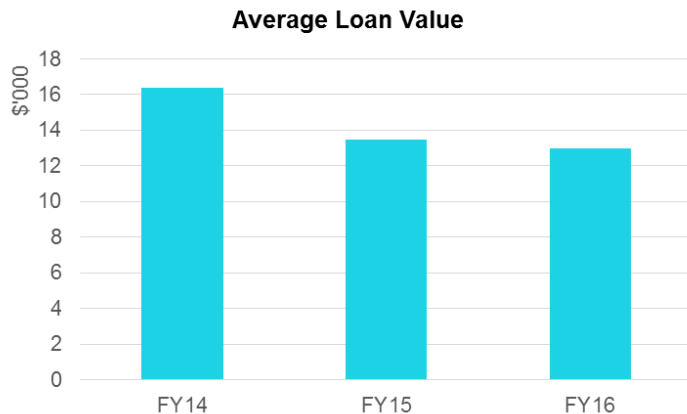
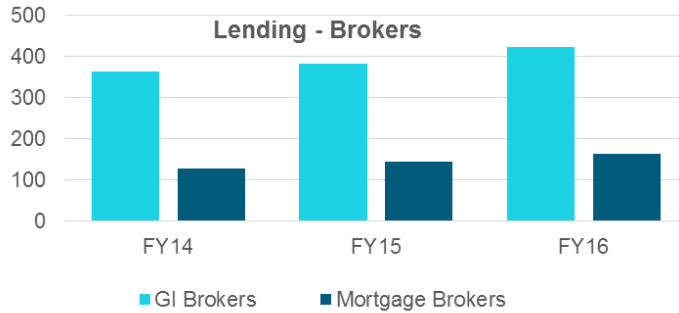
# Lending

# Lending

\$m	2H15	1H16	2H16	2H16 v 2H15 (%)		FY15	FY16	FY16 v FY15 (%)	
Revenue	12.1	13.2	11.9	-2%	▼	26.5	25.1	-5%	▼
EBITDA	0.7	1.4	1.3	86%	▲	2.4	2.7	13%	▲
Premiums Funded	169	212	167	-1%	▼	384	377	-2%	▼
Active Brokers	382	389	423	11%	▲	382	423	11%	▲
Number of loans	13,749	15,002	14,021	2%	▲	28,451	29,023	2%	▲
Average loan value (\$)	12,282	13,985	11,901	-3%	▼	13,485	12,976	-4%	▼
Credit costs, % of O/S	0.4	0.3	0.4	0%	▬	0.6	0.6	0%	▬
Net Margin (%)	2.6	2.5	2.9	12%	▲	2.6	2.7	4%	▲
New Mortgages \$m	361	364	348	-4%	▼	733	712	-3%	▼
No of Mortgage Brokers	145	148	164	13%	▲	145	164	13%	▲

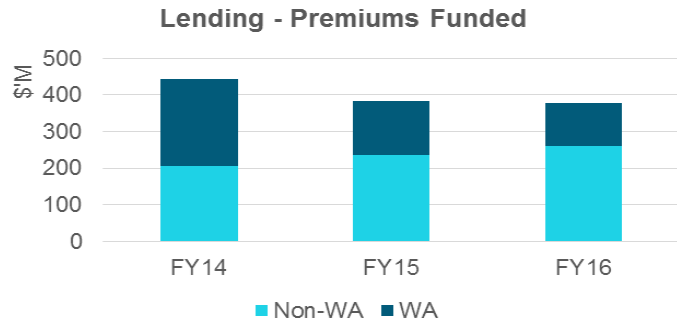
- Despite challenging markets with commercial general insurance premiums falling for the 2<sup>nd</sup> year, team delivered strong results with EBITDA up 13% on prior year and 86% on 2H15
- Significant improvements implemented in pricing, funding and expense management
- A number of business efficiency and technology enhancements introduced in FY16 to improve client and broker experience

# Lending



- Distribution support continues to build with GI brokers up 11% and mortgage brokers up 13%
- Significant improvements in technology and processes to improve the client and broker experience
- Mortgage aggregator back office processing has been outsourced to improve adviser experience and profitability
- Lead referral system implemented to increase business and strengthen client relationships
- Average loan value has declined over the last two years largely due to soft general insurance premiums

# Lending



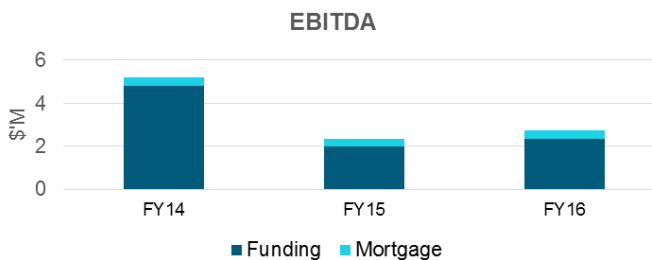
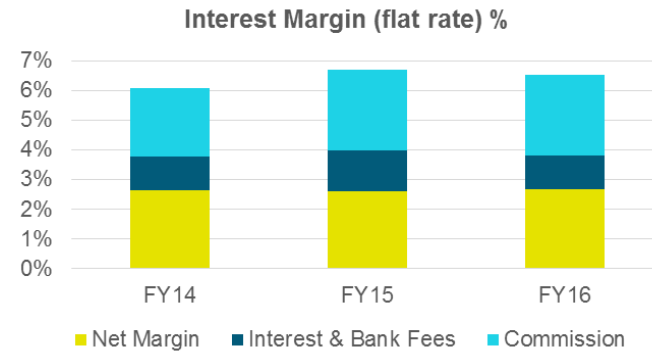
- Maintained market share in a tough market. Industry statistics show a drop in commercial insurance premiums of 6% [1]
- Eastern states have continued to grow strongly. WA volume has declined due to competitor activity and a weak mining sector

- Centrepont remains the 3<sup>rd</sup> largest funder and leading independent

- Net margin improved despite higher broker commissions. Cost of funds improved with new banking terms (October 2015) and lower interest rates

- From 1 July 2016, a new facility agreement has been entered into with further significant reductions to borrowing costs

- Initiatives in place to improve revenue include operational improvements, targeted pricing strategies and enhanced marketing activity



[1] Taylor Fry Radar 2016 Insights for insurance leaders

[2] IPFA results calendar year 2015

# Outlook

- Centrepont is strategically well positioned and benefitting from the disruption occurring across financial services as regulatory, technology and consumer driven change occurs
- Centrepont is ahead of the curve in creating a differentiated contemporary client centric wealth advice business and leveraging its scale as the leading independent non-aligned player
- The FY16 growth in professional advice firms and increasing support for Centrepont Investment Solutions will flow through to our financial results
- Lending business continues to grow strongly in the eastern states and remains the leading independent player with a well diversified national business
- Mortgage broking has transformed and is growing strongly amongst wealth advice firms
- Centrepont continues to explore further opportunities to transform the wealth advice market

# Disclaimer

This presentation is for general information purposes only and should be read in conjunction with the Appendix 4E lodged with the Australian Securities Exchange by Centrepont Alliance Limited (ASX:CAF) on 23 August 2016. This presentation does not provide recommendations or opinions in relation to specific investments or securities.

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All numbers are as at 30 June 2016 unless otherwise stated. Numbers may not add up due to rounding.

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# Appendix



# Group balance sheet

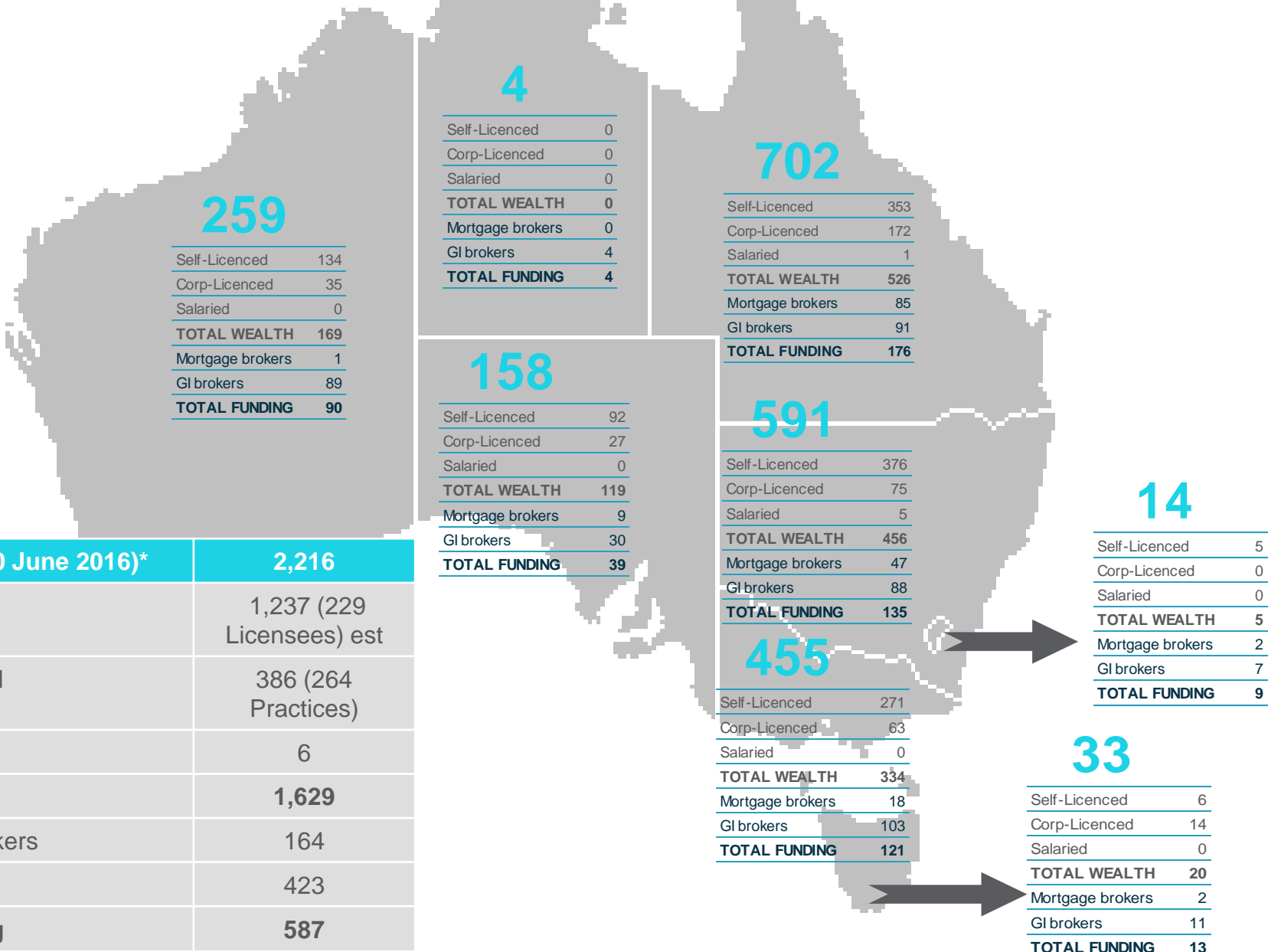
\$m	2H15	1H16	2H16	2H16 v 2H15 (%)		2H16 v 1H16 (%)	
Cash and Term Deposits	12.5	12.0	10.2	-18%	▼	-15%	▼
Interest Bearing Receivables	122.5	140.2	125.8	3%	▲	-10%	▼
Intangible assets and Goodwill	4.9	4.4	3.8	-22%	▼	-14%	▼
Other Assets	28.7	26.8	28.7	0%	-	7%	▲
<b>Total Assets</b>	168.6	183.4	168.5	0%	▼	-8%	▼
Interest Bearing Liabilities	85.3	106.0	84.0	-2%	▼	-21%	▼
Other Liabilities	46.7	40.8	45.0	-4%	▼	10%	▲
<b>Total Liabilities</b>	132.0	146.8	129.0	-2%	▼	-12%	▼
<b>Net Assets</b>	36.7	36.6	39.5	8%	▲	8%	▲
<b>Net Tangible Assets</b>	22.0	23.0	26.3	20%	▲	14%	▲
<b>Net Tangible Assets (cents per share)</b>	14.9	15.4	16.9	13%	▲	10%	▲

# Underlying Profit Reconciliation

\$m	FY14	FY15	FY16	Change FY16 v FY15
<b>Underlying Profit before Tax</b>	<b>8.3</b>	<b>7.0</b>	<b>7.5</b>	<b>7%</b>
Legacy claims	-1.9	-2.4	-0.2	-92%
Amortisation of intangibles	-0.9	-0.8	-0.7	-13%
Restructuring costs	-1.2	-0.2	-0.4	100%
Book acquisitions	0.0	-0.8	-0.2	-75%
Onerous lease	0.0	0.0	-1.4	100%
Other	-0.1	-0.1	0.0	-100%
<b>Statutory Profit Before Tax</b>	<b>4.3</b>	<b>2.6</b>	<b>4.6</b>	<b>77%</b>
Tax payable	-1.0	-1.0	-1.6	60%
Tax assets realised	0.0	4.3	1.3	-70%
<b>Net Profit After Tax</b>	<b>3.3</b>	<b>5.9</b>	<b>4.3</b>	<b>-27%</b>
<b>Statutory Profit Before Tax</b>	<b>4.3</b>	<b>2.6</b>	<b>4.6</b>	<b>77%</b>
Interest	-0.3	-0.5	-0.3	-40%
Depreciation and amortisation	2.0	2.0	2.1	5%
<b>EBITDA</b>	<b>6.0</b>	<b>4.1</b>	<b>6.4</b>	<b>56%</b>

- Legacy claims expense relates to an increase in the provision for claims associated with advice provided pre-July 2010. FY16 is due to an unwinding of the discounted provision balance
- Amortisation relates to prior period acquisitions with long term value and capitalized IT costs
- Restructuring costs are associated with restructuring and retention incentives
- Book acquisitions relates to clients purchased from in-house advisers to be serviced by the salaried advice team
- Onerous lease relates to recognition of the remaining lease costs associated with vacant floor space following restructuring of office premises during FY16

# Our advice network



<b>Total (as at 30 June 2016)*</b>	<b>2,216</b>
Self-Licensed	1,237 (229 Licensees) est
Corp-Licensed	386 (264 Practices)
Salaried	6
<b>Total Wealth</b>	<b>1,629</b>
Mortgage Brokers	164
GI Brokers	423
<b>Total Funding</b>	<b>587</b>

\* Management estimate as at 30 June 2016. Not reconciled to ASIC Adviser register.

# Definitions

Term	Definition
<b>Funds</b>	The collective term for Funds under Distribution Agreements, Advice, Administration, Management and Managed Portfolios
<b>Contemporary Business Model</b>	Includes assets and revenue in respect of self-licensed Firms, Salaried Advice, Licensed Practices (flat fee model), Open Administration Platforms, Managed Accounts and Open Ventura Funds
<b>Pre FoFA</b>	Includes assets and revenue in respect of Licensed Practices (excluding flat fee model), closed Administration Platforms (Mentor, Blueprint & DPM), Closed Ventura Funds and Allstar Funds
<b>Funds Under Administration ('FUAd')</b>	Funds upon which the Group derives fees as the responsible entity or as the promoter of badged investment administration solutions
<b>Funds Under Advice ('FUA')</b>	Funds upon which advisers associated with the Centrepoint group provide advice to clients
<b>Funds Under Management ('FUM')</b>	Funds upon which the Group derives fees as the responsible entity or as the promoter of a badged funds management product
<b>KMP</b>	Key Management Personnel as defined in the Corporations Act
<b>FUDA</b>	Funds under Distribution Agreements
<b>FoFA</b>	Future of Financial Advice
<b>ROCE</b>	Return on capital employed
<b>DRP</b>	Dividend Reinvestment Plan
<b>Firms</b>	Accumulated total of licensed Practices and self-licensed Licensees in the Centrepoint Group
<b>Managed Accounts</b>	Ventura Separately Managed Account Solution

# Definitions (continued...)

Term	Definition
Revenue*	Gross revenue, excluding non-operational interest income
Direct Costs*	Advice and financial product fees and borrowing expenses of the funding business
Gross Profit	Revenue less direct costs
Operating Expenses	Expenses excluding direct costs, interest, depreciation and amortization
EBITDA	Earnings before interest, tax, depreciation and amortization. NB interest related to funding client premiums is included in earnings but not treated as an interest adjustment.
PBT	Profit before tax
UPBT	Underlying profit before tax and excludes tax, amortization and one off, non-operational items
PCP	Prior corresponding period
PP	Prior period
NPAT	Net profit after tax
EPS	Earnings per share
bps	Basis points
Revenue*	Gross revenue, excluding non-operational interest income