

The logo for Centrepunkt Alliance features the word "CENTREPUNKT" in a bold, white, sans-serif font. The letter "O" in "PUNKT" is replaced by a graphic of two overlapping circles: a light blue circle on top and a white circle on the bottom. Below "CENTREPUNKT" is the word "ALLIANCE" in a smaller, white, spaced-out, sans-serif font.

CENTREPUNKT ALLIANCE

Full Year 2017 Results

Centrepunkt Alliance Limited

ASX:CAF

24 August 2017

FY17 HIGHLIGHTS



\$5.3m EBITDA from continuing operations up 33%. **\$6.5m NPAT up 51%**



98 new advice firms recruited over last 2 years representing over 200 advisers



\$3.7bn in Funds under Management and Administration up 19%



\$1.1bn in gross inflows up 24%



Revenues up 11% and cost to income ratio improved 5%



\$18.0m in fully franked dividends paid or announced



Entered Accountant wealth market through strategic investment in RFE Pty Ltd



Entered Life insurance market through strategic investment in Australian Life Development Pty Ltd



Strong engagement with adviser net promoter score of +30 and staff engagement of 81%



Premium Funding sold for \$21.4m

Strategic VISION

To be the most trusted and respected wealth management organisation in Australia and in doing so, aspire to create leading business lines in:



Wealth Advice



Funds Management



Life Insurance

We believe all Australians deserve to feel financially secure and have a positive wellbeing



Attractive markets

- Demographic and regulatory driven growth
- Benefiting from adviser and client distrust of institutions



Client and Adviser driven

- Focus on each clients' needs, financial security and wellbeing
- Supporting advisers is at the core of everything we do
- Sustainable. meets regulator and community expectations
- Create an experience which generates strong advocacy



IP competitive advantage

- Use digital tools to lower costs, improve compliance and client experience
- Maintain open architecture systems and flexible curious culture enabling access to leading services and expertise



Scale advantage

- Maintain and use scale to benefit (i.e. price, expertise, financial strength) our clients, advisers and shareholders
- Use corporate expertise to deliver consistent reliable services

Centrepont's SCALE ADVANTAGE



1 in 5

Australian AFSL
advice licensees



1 in 3

non-institutional
advisers



\$25bn

in funds under
advice amongst
advisers



1 in 13

financial
advisers



50,000

prospective
accounting clients
in RFE's 1st year



\$3.7bn

in FUMA



**Largest
distributor** of life
insurance in life
insurance market



Our strategy spans the **WEALTH MARKET**



Financial Advisers



Products

Salaried Advisers

Self Employed
Advisers

Accountant
Partners

Decision Makers

Platforms

Investment
Management

Life Insurance

Adviser Services

Value Creation



Our GROWTH MODEL

NUMBER OF ADVICE FIRMS



- Competitive offering for professional advice firms
- Trusted and well recognised brand
- A culture of partnership focused on supporting each others' success
- People and systems supporting a first class experience for advisers and clients
- Ongoing adviser education and technical support

PRODUCT ADOPTION



- Quality products – investments, platforms, life insurance
- Consistent reliable service
- Advice coaching
- Advice firm marketing and sales support
- Lower risk for advisers and clients

GROW



- Partnering advice firms
- Clients utilising products
- Funds under management
- Life insurance premiums
- Revenue and shareholder value

○○○ FY17 Financial Results

\$m	FY15	FY16	FY17
Revenue	118.2	116.5	129.4
Adviser fees and commissions	(85.8)	(84.5)	(97.2)
Gross Profit	32.4	32.0	32.3
Management expenses	(27.5)	(27.5)	(26.3)
EBITDA core continuing operations	4.9	4.5	6.0
<i>Cost to income ratio</i>	<i>85%</i>	<i>86%</i>	<i>81%</i>
Share schemes	(0.4)	(0.5)	(0.7)
EBITDA ex legacy claims, continuing operations	4.5	4.0	5.3
Interest, depreciation, amortisation	(1.4)	(1.6)	(1.1)
Profit before tax ex legacy claims, continuing operations	3.1	2.4	4.2
Legacy claims	(2.4)	-	(4.0)
Tax	3.9	0.4	(0.3)
Profit after tax from discontinued operations (premium funding)	1.3	1.5	6.6
Net profit after tax	5.9	4.3	6.5



- Revenue up 11%
- Management expenses down 4%
- EBITDA ex legacy claims, continuing operations up 33%
- Cost to income ratio improved by 5%
- NPAT up 51%
- Cash provided by operations of \$5.4m

○○○ Supporting Professional Advisers

 Key Performance Indicator	FY15	FY16	FY17
Number of New Firms (Gross)	37	59	39
Number of Advice Firms	507	493	489
Firm Satisfaction (NPS)	n/a	n/a	30
Licensee revenue per Advice Firm (\$k)	59	65	66
Gross Inflows per Advice Firm to Centrepont Solutions	\$1.6m	\$1.8m	\$2.3m



Strategic Goal

- Grow the number of advisers utilising our wealth management solutions



How

- Provide a more profitable and attractive proposition for advisers
- Support advisers to grow their businesses and client base
- Deliver quality solutions to them and their clients which reduces their risk
- Assist our advisers to personally grow with education and business development programs

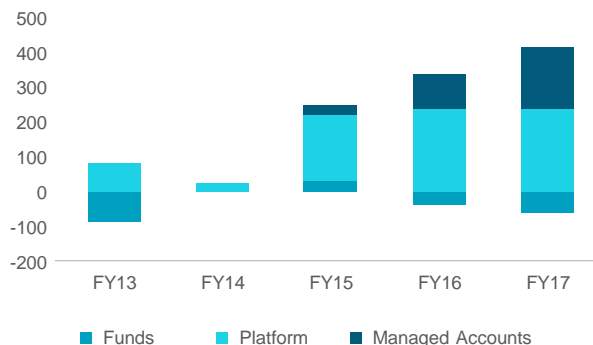


FY17 Highlights

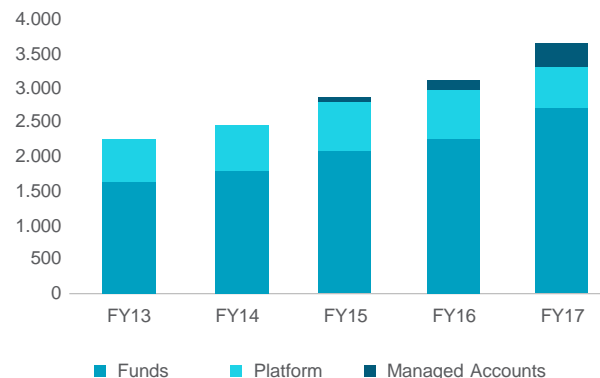
- 98 new advice firms recruited in past 2 years.
1 firm alone had over \$1bn in funds under advice
- Increased alignment with 28% increase in product usage per advice firms
- Legacy advisers/firms not consistent with our target client experience exited and ideally clients purchased by another firm
- Finalist in the CoreData Independent Licensee of the Year Awards
- Strong adviser net promoter score in Centrepont's first independently conducted client survey
- 102 positive media articles covering Centrepont. Adviser approaches up over 1000% and advice firm onboarding time reduced by 55%
- As a direct result of Centrepont intervention, \$21m in life insurance claims paid to clients

Growth in FUMA ○○○

FUMA – NET FLOWS (\$M)



FUMA (\$M)



- Accelerating growth in FUMA, up 19%
- Consistent growth in net flows year on year
- Increase in advisers utilising solutions up 14%, and usage per firm up 28%
- 55% of net flows attributable to managed accounts

○○○Funds under Management and Administration



Strategic Goal

- Grow funds under management and administration and deliver consistently good outcomes for clients




How

- Core of what we and advisers do for clients
- Increase likelihood of clients achieving their financial goals with minimal risk
- Consistent delivery of investment philosophy leading to satisfied advisers and clients
- Good value offerings and returns supported by transparency, effective communication and first class experience



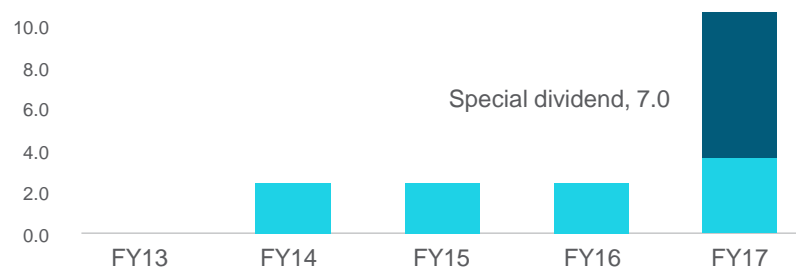
FY17 Highlights

- Gross inflows up 24%
- FUMA grew by 19%
- Net margin maintained whilst reducing prices to clients
- Launched new model managers – Dimensional, Bennelong, Russell
- Appointed a Chief Investment Officer to oversee development of fund management strategy

 Key Performance Indicator	FY15	FY16	FY17
Gross Funds Inflows (\$m)	206	237	322
Net Funds Flow (\$m)	56	77	125
Funds Under Management (\$m)	751	804	970
Gross Platform Inflows (\$m)	611	656	782
Net Platform Flows (\$m)	191	227	222
Platform Funds (\$m)	2,094	2,282	2,694
Total Funds under Management and Administration	2,845	3,086	3,664
Net Margin (bps)	22.8	22.9	23.2

Capital management

DIVIDEND PER SHARE (cents per share)



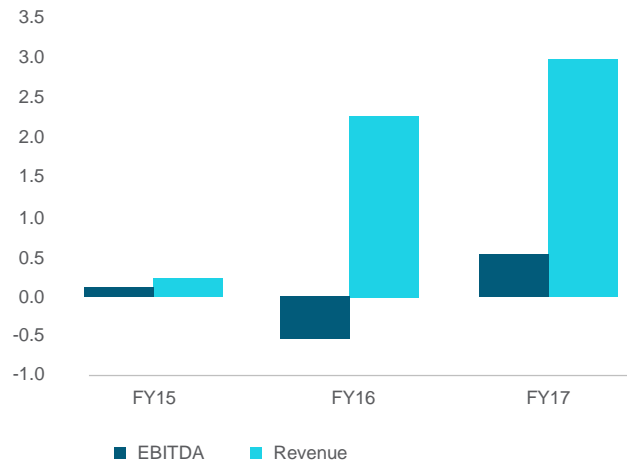
- Following the sale of premium funding on 30 December 2016 for \$21.4m, the Group has held surplus capital
- Following the FY17 final ordinary and special dividends the Group will hold:
 - \$18m in cash
 - Have distributable earnings of \$12m and franking account reserve of \$18m (equivalent to \$43m of fully franked dividends)



Dividends

- Following a review of strategic options the Board has determined to pay:
 - a final ordinary dividend of 1.2 cents per share fully franked. Record date is 25/9/17 with payment on 9/10/17
 - a special dividend of 7.0 cents per share fully franked. Record date is 25/9/17 with payment on 9/10/17
- The Group has paid or declared \$18.0m in fully franked dividends combined during FY17
- The Board has also set a new dividend policy beginning FY18 of 50-80% of NPAT to be paid semi annually
- Following the dividends there are distributable earnings of \$12m and franking account reserve of \$18m (equivalent to \$43m of fully franked dividends)
- The Group has on balance sheet tax assets of \$9.0m and off balance sheet revenue losses of \$29.6m and capital losses of \$36.0m. The off balance sheet tax assets are subject to fractional utilisation

XSEEDWEALTH - REVENUE & EBITDA (\$M)

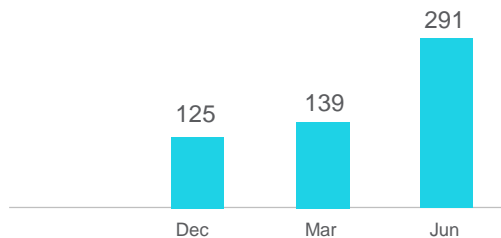


Salaried Advice

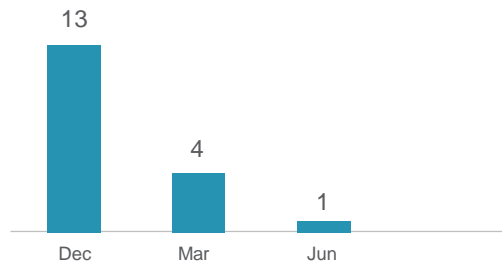
- Revenue up 32%
- EBITDA up 183%
- Melbourne and Queensland offices established in FY17
- Adviser numbers increased from 4 to 7
- FY17 EBITDA negatively impacted by early adoption of hybrid life insurance commission and away from upfront commission. Medium term this shift is advantageous

Accounting Partnerships ○○○

REVENUE (\$K/Qtr)



ACCOUNTING FIRMS



- Revenue up 109% in June qtr
- RFE established 18 Accountant joint ventures in 1st year

RFE GROUP

- Since new regulations were implemented in July 2016, accountants must be licensed to provide financial advice. RFE establishes JV's with SME Accounting businesses to provide advice
- In October 2016, Centrepont made an initial \$1.5m investment and in July 2017, provided a further \$1m via a convertible note for a combined potential 25% equity interest
- RFE ceased marketing to new accounting firms in Mar17 quarter following strong initial demand to ensure quality experience
- Marketing and new joint ventures have begun in Sep17 quarter



ALD is a new Australian life insurance business focused solely on the IFA retail life insurance market

Business comprising product design, branding, promotion, distribution, underwriting and premium processing, claims management and all aspects of client and adviser interaction. Products will be issued by a fronting insurer and reinsured with a highly rated leading global insurer

ALD is a standalone business with a separate management team of highly experienced market leading experts

The product offering will be comprehensive, well rated and comparable to other market offerings. The key differentiator will be adviser and client service experience, and pricing

Business designed in the 21st century for the 21st century – best in class systems, online, easy to interact with and fast

Centrepont has provided seed funding of \$5m (\$1.25m investment via convertible note in February 2017 and \$3.75m post balance date in July 2017). This represents a minimum 30% economic interest

Centrepont has four options to purchase an additional total 20% economic interest over the period to January 2020 with potential to go to 80%

Product will be launched to market in 1H FY18



SUMMARY AND OUTLOOK

Centrepoint delivered an outstanding outcome for shareholders in FY17 with 33% growth in EBITDA, \$18m in dividends declared or paid, a strong balance sheet, new investments performing well and is superbly positioned to further capitalise on the opportunities within the Australian wealth market

The business is expected to have another strong year of recruitment with over 100 advice firms in the recruitment pipeline at the beginning of the FY18

The business has multiple initiatives underway partnering with advice firms to help improve their businesses and at the same time increase the adoption of our solutions designed specifically for advisers and their clients

Centrepoint has laid the foundation in both the life insurance and accountant wealth advice markets with the seeding of new start ups

These solid foundations also enable Centrepoint to grow scale via M&A should the right opportunities arise





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Operating segment results

CONTINUING OPERATIONS

\$m	 Funds Management and Administration			 Licensee and Advice Services			 Corporate			 Total		
	FY16	FY17	%	FY16	FY17	%	FY16	FY17	%	FY16	FY17	%
Statutory Revenue	11.6	12.6	9%	104.6	116.4	11%	0.3	0.4	33%	116.5	129.4	11%
Gross Profit	6.8	7.8	15%	24.9	24.1	-3%	0.3	0.4	33%	32.0	32.3	1%
Operating Expenses	3.0	3.7	23%	20.8	19.5	-6%	4.2	3.8	-10%	28.0	27.0	-4%
EBITDA ex Claims	3.8	4.1	8%	4.1	4.6	12%	-3.9	-3.4	13%	4.0	5.3	33%

- Revenue up 11% due to recruitment of quality advice firms in FY16. Revenue from new firms is typically delayed by 6-12 months from the time of on boarding
- Gross profit steady as licensee revenues decline due to pre-FOFA grandfathered income running off at 10-15% pa resulting in a \$1.1m revenue/EBITDA impact in FY17. This was offset by increase in salaried advice revenues and recruitment of new firms

- Expenses up 23% in Funds Management and Administration business due to \$0.3m investment in additional sales and transition support team members
- Greater proportion of fixed costs and management overheads (e.g. software, property and insurance, boards) now being absorbed by continuing business lines following the sale of premium funding. Offset by efficiency gains in other areas

- Investments made in new Chief Investment Officer, salaried advisers and direct marketing. Corporate activity included sale of premium funding, establishment of new partnerships with RFE and ALD and other unsuccessful M&A activity during the year

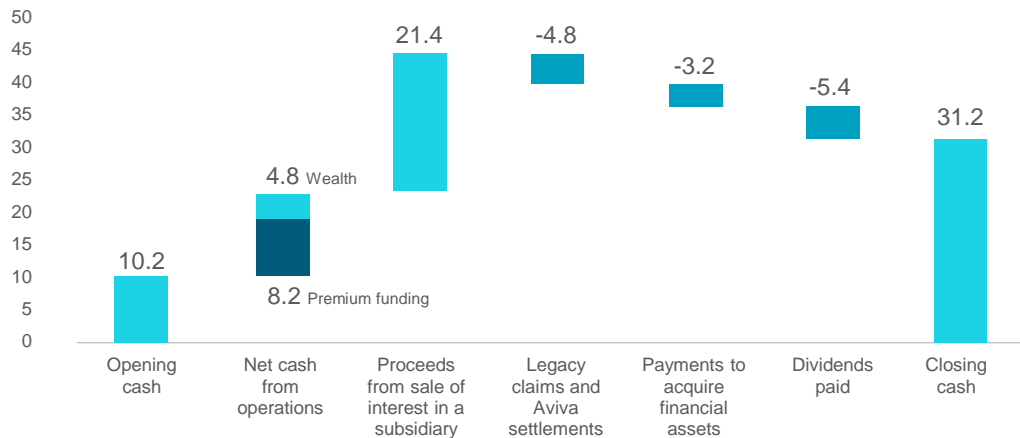
Group balance sheet

\$m	FY16	FY17	FY17 v FY16 (%)
→ Cash and Term Deposits	10.2	31.2	206%
→ Current Interest Bearing Receivables	125.8	0.3	-100%
→ Intangible Assets and Goodwill	3.8	2.2	-42%
→ Other Assets	28.7	26.3	-8%
→ Total Assets	168.5	60.0	-64%
→ Interest Bearing Liabilities	84.0	0.0	-100%
→ Other Liabilities	45.0	18.4	-59%
→ Total Liabilities	129.0	18.4	-86%
→ Net Assets	39.6	41.6	5%
→ Net Tangible Assets	26.3	30.4	16%
→ Net Tangible Assets (cents per share)	16.9	19.4	15%
→ ROCE	14%	16%	14%



Strong Cash position

FY17 CASHFLOW (\$M)



- A strong cash position of \$31m at 30 June 2017 is able to fund a special dividend and organic/ inorganic growth
- Operating net cash flow strengthened to \$13.0m (FY16: \$7.1m) with improved operational performance
- \$4.8m in net cash includes \$5.4m in operating cash offset Property Plant & Equipment, and Intangibles
- Legacy claims and Aviva settlement costs \$4.8m
- Investments in RFE and Australian Life Development of \$2.75m and purchase of a small book of business of \$0.35m

Our advice network

184 (WA) →	141 (SA) →	557 (NSW) →
Self Licensed 141	Self Licensed 97	Self Licensed 395
Corp-Licensed 38	Corp-Licensed 31	Corp-Licensed 91
Salaried 0	Salaried 1	Salaried 7
Mortgage brokers 5	Mortgage brokers 12	Mortgage brokers 64

376 (VIC) →	630 (QLD) →	10 (ACT) →	18 (TAS) →
Self Licensed 285	Self Licensed 371	Self Licensed 6	Self Licensed 5
Corp-Licensed 59	Corp-Licensed 153	Corp-Licensed 0	Corp-Licensed 13
Salaried 0	Salaried 2	Salaried 0	Salaried 0
Mortgage brokers 32	Mortgage brokers 104	Mortgage brokers 4	Mortgage brokers 0

Total (as at 30 June 2017)*

~1,900

Licences 234 practices (~1300)

Corp-Licensed 255 practices (~385)

Salaried 10






Mortgage Brokers 221

Total ~1,900





* Complied based on internal management reports and reference to the ASIC Database



Government/regulations driving our ○○○ ADDRESSABLE MARKET

	Legislative impact	Market impact
 Increasing Retirement Savings	<ul style="list-style-type: none"> ○ Taxation changes to superannuation ○ Compulsory super ○ Increasing self reliance in retirement ○ More complex advice needs 	<ul style="list-style-type: none"> ○ Increased savings during accumulation phase ○ Larger investment balances being retained during decumulation phase
 Professionalising Advice	<ul style="list-style-type: none"> ○ Adviser Standards ○ Increasing trust and skills ○ Reducing compliance risks 	<ul style="list-style-type: none"> ○ Increasing client demand for advice ○ Encouraging advisers to exit institutions for client best interest
 Restrictions on Accountants Providing Wealth Advice	<ul style="list-style-type: none"> ○ Inability for accountants to provide financial advice post 1/7/16 without being appropriately qualified 	<ul style="list-style-type: none"> ○ Accountants either exiting advice or partnering with wealth firms to refer clients
 Increased Fund Manager Compliance	<ul style="list-style-type: none"> ○ Increasing compliance obligations on responsible entities, funds managers and model managers ○ ASIC fees on advisers 	<ul style="list-style-type: none"> ○ Increasing barriers to entry into fund manager and model manager market ○ Increasing benefits for existing scale providers
 Life Insurance	<ul style="list-style-type: none"> ○ Life Insurance reforms ○ Trail commissions increasing from 10% to 22% from 1/1/18 onwards ○ Major limitations on life insurers deferring acquisition costs from 2021 	<ul style="list-style-type: none"> ○ Once in a generation opportunity for advisers to increase trail commissions starting 2018 ○ Major cost out initiatives required for traditional life insurers prior to 2021

Definitions ○○○

 Term	 Definition
Contemporary Business Model	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
FoFA	Future of Financial Advice legislation
Pre FoFA	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
Funds Under Advice ('FUA')	Funds upon which advisers associated with the Centrepont group provide advice to clients
Funds under Distribution Agreements ('FUDA')	Funds under Distribution Agreements for which the business receives revenue
Funds Under Administration ('FUAD')	Funds where advisers invest clients' monies on Centrepont Administration Platform and Centrepont derives fees as the responsible entity or as the promoter of badged investment administration solutions
Funds Under Management ('FUM')	Funds where advisers invest clients' monies in Centrepont Investment solutions including Managed Accounts and Centrepont derives fees as the responsible entity or as the promoter of a badged funds management product
Managed Accounts	Funds invested in Ventura Managed Account Portfolio Solution (vMAPS), which is included in FUM
Funds Under Management and Administration ('FUMA')	Funds under Advice, Funds Under Administration and Funds Under Management
ROCE	Return on Capital Employed is Profit after tax divided by Average equity
Net Tangible Assets	Total assets minus any intangible assets such as goodwill
Firms	Accumulated total of licensed Practices and self-licensed Licensees in the Centrepont Group

Definitions ○○○

 Term	 Definition
Revenue	Revenue comprises financial advice and product margin revenue, service revenue and dividend and distribution income
Direct Costs	Advice and financial product fees
Gross Profit	Revenue received less Direct Costs
Operating Expenses	Expenses excluding cost of sales, interest, depreciation and amortisation
EBITDA continuing operations	Earnings before interest, tax, depreciation and amortisation excluding legacy claims (claims related to advice pre 1/7/10) adjustment. EBITDA core is adjusted for share schemes
PBT	Profit Before Tax
PCP	Prior corresponding period
PP	Prior period
NPAT	Net Profit After Tax
Basic EPS	Basic Earnings per Share is NPAT divided by average number of ordinary shares
Diluted EPS	Diluted Earnings per Share is NPAT divided by average number of adjusted for the effect of dilution
Net Margin bps	FUMA Revenue divided by Average FUMA basis points
Wealth	Funds management & administration, Licensee and advice solutions adjusted for legacy claims
Continuing operations	Funds management & administration, Licensee and advice solutions and Corporate adjusted for legacy claims



disclaimer

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All numbers are as at 30 June 2017 unless otherwise stated. Numbers may not add up due to rounding.

