

ASX Release Date: 3 October 2017

## **Managed Accounts announces Lead Managers to support \$34m capital raising to acquire 100% of the shares of Linear**

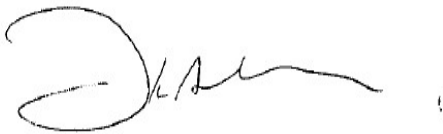
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On 26 September 2017, Managed Accounts Holdings Limited ("MGP" or "Managed Accounts") announced it had submitted a non-binding conditional proposal to undertake a merger with Linear Financial Holdings Pty Ltd ("Linear") by acquiring 100% of the shares of Linear. The transaction will be transformative for MGP and Linear, creating a merged entity with significant operating scale, and an extended suite of products and services for the independent financial advisory market, stockbrokers, investment managers and the institutional market. The proposal has the unanimous support of the Linear Board and is being recommended by the Linear Board to Linear shareholders.

Managed Accounts wishes to announce that Shaw and Partners and Evans and Partners have been appointed as Joint Lead Managers and Veritas Securities has been appointed as Co-Lead Manager to support the \$34m capital raising required for the acquisition.

MGP Management are presenting the attached Investor Presentation this week.

### **Authorised by:**

A handwritten signature in black ink, appearing to read "Don Sharp", with a long horizontal flourish extending to the right.

**Don Sharp**  
Chairman  
Managed Accounts Holdings Limited

### **About Managed Accounts**

Managed Accounts Holdings Limited (ASX: MGP) is a financial services company established in 2004, specialising in non-unitised administration. Its focus as a non-conflicted specialist managed account provider allows it to create, operate and administer customised managed discretionary account solutions for a growing number of Australia's leading independent financial advisers, stockbrokers, investment managers and institutional clients. For further information, please visit: [www.managedaccounts.com.au](http://www.managedaccounts.com.au)

# Management Presentation

October 2017



# Disclaimer

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## **Summary information**

This presentation contains summary information about Managed Accounts Holdings Limited (Company) (ASX: MGP) and its activities as at the date of presentation. The information in this presentation is of a general nature and does not purport to be complete or contain all information that a prospective investor should consider when evaluating an investment decision in the Company or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Cth) (Corporations Act). This presentation should be read in conjunction with the Company's other periodic news releases or ASX disclosure documents as available from time to time.

## **Forward looking statements**

This presentation contains forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks that may cause the actual results, performance or achievements of the Company to be materially different from the statements in this presentation. Actual results could differ materially depending on factors such as the availability of resources, regulatory environment, the results of advertising and sales activities and competition.

## **Not an offer of securities or financial products**

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# Introduction

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## **DON SHARP (EXECUTIVE CHAIRMAN)**

- Co-founder of Managed Accounts, Don previously co-founded Bridges Financial Services which established, the Portfolio Service, one of the first investment platform solutions in Australia
- Qualified accountant and Executive Chairman of Integrated Payment Technologies Limited (ASX: IP1)
- Former Chairman of Investors Mutual, Global Value Investors, and Premium Investors Limited (ASX: PRV) and a former Director of Countplus Limited (ASX: CUP) and Treasury Group Ltd (ASX: TRG)



## **DAVID HEATHER (CHIEF EXECUTIVE OFFICER)**

- Over 28 years experience in the Australian financial services industry
- Previously held executive roles at Permanent Trustee, Trust Company and Aegis in Distribution, Custody, Operations, Information Technology, Investment Administration and Managed Accounts
- Joined Managed Accounts in 2008 as Head of Distribution and in 2014 was appointed Chief Executive Officer

## Section: 1

### Introduction to MGP



# MGP Snapshot



**19.8%** increase in  
Normalised NPBT of  
**\$1,466,519**



Company revenue up  
**25%**



Funds Under  
Administration (FUA)  
**OVER**  
**\$2.1 Bn**



Annual unfranked dividend of  
**\$0.008**



FUA growth of **17.4%**  
for the 2016/17 financial year



Rollout of **twelve**  
Superannuation Services



**Reinvestment**  
in Distribution resources



**Successful  
implementation**  
of Enhanced Cash Solution



**ASX  
Sponsorship**  
and Settlement approval



Now  
as a Managed Accounts and  
Administration Provider  
**Positioned**

## Differentiators

- Seamlessly support multiple operating models including investment approaches (SMA or IMA), legal structures, custodians, brokers, branding, fee structures to support non-unitised investment administration to any entity
- Breadth of assets that can be supported and how assets can be held (particularly in equities – held in custody or held directly by client HINs)
- Portfolio implementation and execution by appointed investment managers akin to an institutional mandate using brokers of choice

# Operating Model

*MGP's operating model provides best of breed administration solutions that are unconflicted, bespoke and scalable.*

## Best of Breed

Solution provider enabling the implementation of non-unitised investment solutions including managed account, superannuation service or administration solution

## Unconflicted

MGP does not provide advice, investment management capability or stockbroking services

## Bespoke

Does not have a product off-the-shelf but has an approach of building and implementing customised solutions for each firm we engage with

# Distribution Channels

*MGP has and targets the following four distribution channels:*

## Independent Financial Advisory Firms (IFAs)

- Independently owned boutique advisory firms
- New business model - margin replacement and efficiency drivers

## Private Wealth Managers / Stockbroking firms

- Shift from brokerage model to FUA model – ongoing convergence of the traditional stockbroker model with the financial planning/ wealth management model and conversion from brokerage to annuity revenue streams

## Investment Managers

- New managers choosing not to adopt unitised structures - seeking to access wholesale and retail investors directly through mandates
- Existing managers needing to implement to access flows

## Institutions

- Private banks, smaller platform providers, family offices, industry funds and other institutional investors
- Outsource vs own technology and administration strategy



# Revenue Streams

*MGP's service offering generates the following revenue streams:*

Implementation Fees	Administration Fees	Transaction Fees	Cash Holding Fees
For new service implementations (IP / project management / implementation cost recovery)	Assets under administration, basis points charged with tiering for larger clients	Trading of assets, typically fixed cost per trade per client	Cash administration, basis points charged

*MGP has delivered additional revenue by expanding product and service capabilities*

# FY17 Overview

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*Managed Accounts Holdings delivered continued FUA and earnings growth in FY2017 whilst continuing to enhance and broaden its offering.*

## FY2017 Results Highlights

- Company revenue up 25% to \$6.9 million
- Funds under administration (FUA) up 17% to \$2.1 billion at 30-June-17
- Normalised net profit before tax of \$1.5 million (up 20% over pcp)
- Unfranked dividend of 0.8 cents per share

## FY2017 Operational Highlights

- Partnership with specialist technology firm Capital Road to provide enhanced client and adviser experience
- Investment in distribution capabilities
- ASX Sponsorship and Settlement Participant approval
- Enhanced cash solution implemented

# Growth

*MGP's intends to drive growth both organically and inorganically.*

## Organic

- MGP recently re-invested in its sales team to drive to new business growth
  - Recently appointed Head of Distribution and Marketing
  - Additional Business Development resources
- Strong pipeline of new clients including:
  - Previously announced MoU with significant independent private wealth manager who represents \$3.0 billion
  - Newly signed MoU with Shaw and Partners. Shaw has ~\$2.5 billion funds under advice that is suitable for a platform solution

## Acquisition

- Consolidation is a critical market initiative and MGP has committed to be a driver of change
- Several unlisted peers are unprofitable or borderline profitable due to lack of scale, sub-optimal operating models and technology to deliver the required solution
- FUA vs profitable FUA compromising some players
- Synergy recognition with improved business model and a 1 plus 1 equals 3 approach

## Section: 2

### Proposed Transaction with Linear



# Proposed Linear Transaction

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- MGP has submitted a non-binding conditional proposal to **merge with Linear** for an **enterprise value of \$42.5 million**. This comprises:
  - \$20.5 million set aside to meet third party liabilities
  - consideration to ordinary shareholders comprising:
    - **a minimum of \$14.0 million of MGP scrip consideration** to Linear ordinary shareholders, to be issued at \$0.33 per MGP share, and
    - **up to \$8.0 million of cash consideration** to Linear shareholders
- The transaction is subject to a number of conditions including MGP due diligence in respect of Linear
- It has the unanimous support of Linear's Board
- Linear ordinary shareholders are to receive in excess of 60% of consideration in scrip
- To support the acquisition MGP is seeking to raise \$34.0 million
  - Shaw and Partners and Evans and Partners have been appointed to act as Joint Lead Managers
  - Veritas Securities has been appointed as a Co-Lead Manager

*Linear is a leading provider of platform and administration solutions, with an award winning proprietary technology<sup>(1)</sup> and broad client base.*

- Leading provider of platform and administration solutions to the financial services industry in Australia in excess of **\$9.0 billion FUA**
  - 100% growth since July-14
- Delivers its solutions through its own award winning<sup>(1)</sup> proprietary technology
- Broad client base across the independent financial advisory market, stockbrokers, investment managers and the institutional market
- Forecasting a modest profit in FY2018 on a standalone basis



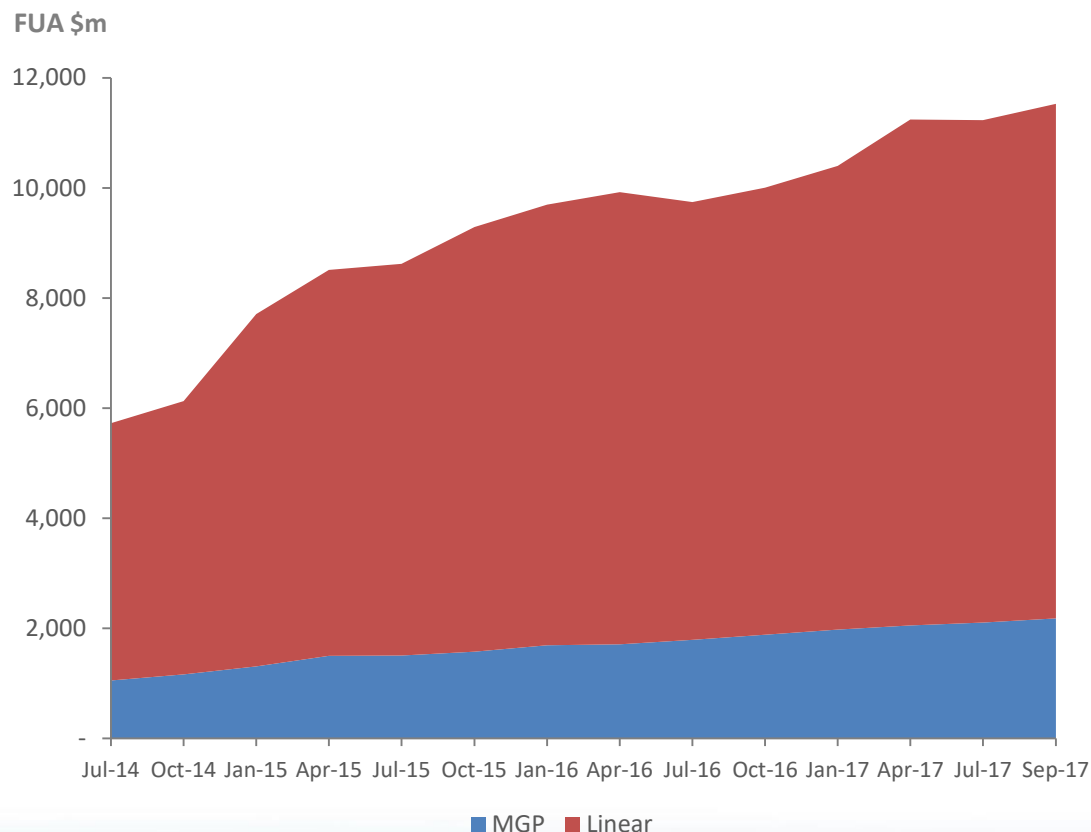
(1) Linear Financial won the 2014 Investment Trends awards for:

- Online Business Management
- Best Platform SMA Functionality

2014 was the last year Linear participated in the Investment Trends awards program.

# Combined FUA

*Transformative transaction for both Linear and MGP, with the merged entity to have FUA of \$11.5 billion.*



- The combined entity has grown FUA from \$5.7 billion to \$11.5 billion since July 2014
  - MGP growth of \$1.1 billion FUA to \$2.2 billion, 87% growth since July-14
  - Linear growth of \$4.7 billion in FUA to \$9.3 billion, 100% growth since July-14
- Strong historical and pipeline<sup>(1)</sup> FUA growth despite both MGP and Linear having under invested in sales and distribution
- MGP expanded its sales and distribution capability in May-17 which can be leveraged by the combined group

(1) MGP has a pipeline of FUA growth from MOUs signed with an independent private wealth manager and Shaw and Partners

# Strategic Rationale

*Linear and MGP's products and services are highly complementary, creating the potential for the merged entity to enhance its product and service offering to existing clients.*

## Key Products

Capability			Combined Group	Description	Distribution Channels
<b>Portfolio Administration (PAS)<sup>(1)</sup></b>	✗	✓	✓	<ul style="list-style-type: none"> <li>Investment and tax reporting service</li> </ul>	<ul style="list-style-type: none"> <li>IFAs</li> <li>Private Wealth / Stockbrokers</li> </ul>
<b>Super</b>	✓	✓	✓	<ul style="list-style-type: none"> <li>Non-unitised superannuation administration</li> </ul>	<ul style="list-style-type: none"> <li>IFAs</li> <li>Private Wealth / Stockbrokers</li> <li>Investment Managers</li> <li>Institutions</li> </ul>
<b>Wrap<sup>(2)</sup></b>	✗	✗	✗	<ul style="list-style-type: none"> <li>Platforms offering access to approved investment products with reporting</li> </ul>	<ul style="list-style-type: none"> <li>IFAs</li> <li>Private Wealth / Stockbrokers</li> <li>Investment Managers</li> </ul>
<b>SMA</b>	✓	✓	✓	<ul style="list-style-type: none"> <li>Provision of model portfolios where investor owns underlying asset, and reporting</li> </ul>	<ul style="list-style-type: none"> <li>IFAs</li> <li>Private Wealth / Stockbrokers</li> <li>Investment Managers</li> </ul>
<b>Managed Accounts<sup>(3)</sup></b>	✓	✗	✓	<ul style="list-style-type: none"> <li>Platform with discretion over investments and trade execution, and reporting</li> </ul>	<ul style="list-style-type: none"> <li>IFAs</li> <li>Private Wealth / Stockbrokers</li> <li>Investment Managers</li> </ul>
<b>Institutional Solutions</b>	✗	✓	✓	<ul style="list-style-type: none"> <li>Sophisticated multi-asset and multi-currency management and reporting solution</li> </ul>	<ul style="list-style-type: none"> <li>Investment Managers</li> <li>Institutional - Family Office / Private Bank / Industry Funds &amp; other platforms</li> </ul>

(1) MGP is in the process of launching a Portfolio Administration service as part of its solution toolkit.

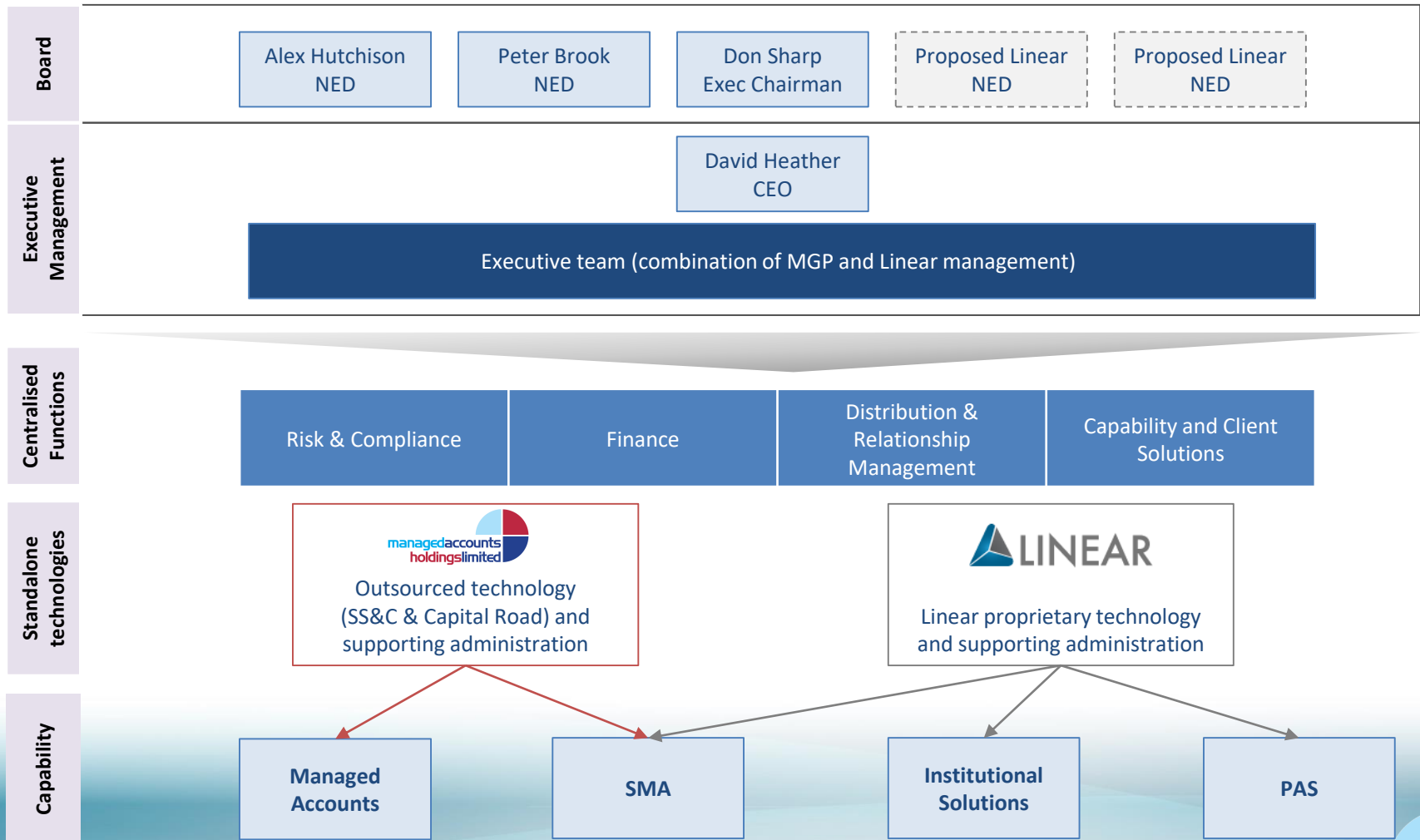
(2) MGP and Linear are currently working towards to a Wrap solution.

(3) Typically delivered through a MDA



# Post Merger Structure

*Standalone operating technologies, serviced by centralised corporate, sales and product functions to support new and existing distribution channels.*



# Integration

*MGP is targeting to deliver full run-rate pre-tax cost synergies of \$3.5 million per annum by the end of FY19, making the transaction double digit EPS accretive on a pro-forma basis<sup>(1)</sup>.*

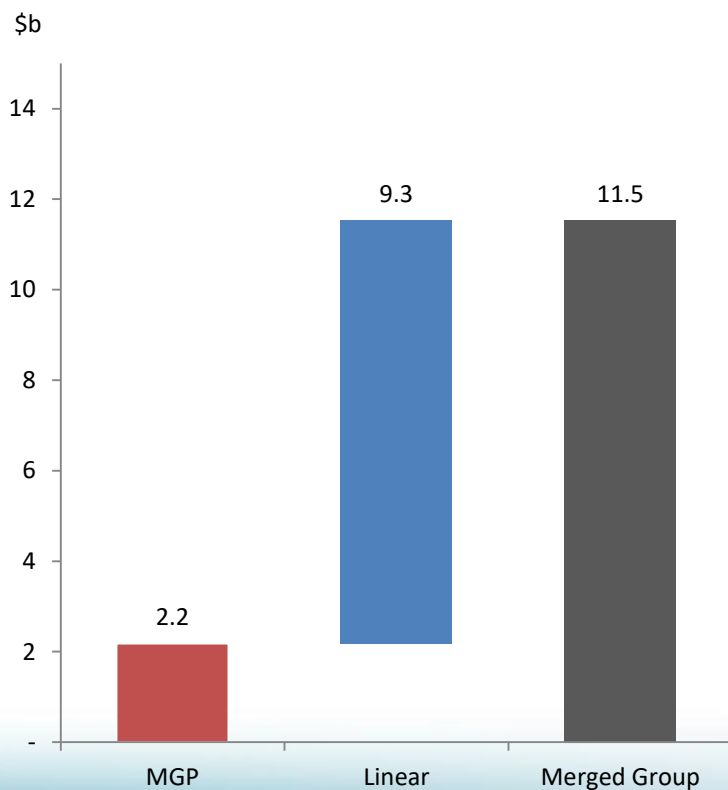
- Best-of-breed approach to integration across all aspects of the business
- Cost synergies of \$3.5 million identified across occupancy costs, service providers and duplicated management
  - Realisation of synergies to be commenced immediately following completion
  - Synergies across occupancy costs and third party service providers to be realised upon contract expiry
  - Full run rate synergies expected to be realised in 2HFY19
- Company to undertake process to identify preferred technology solution without compromising client outcomes
  - Further synergy potential following identification of preferred solution
- Opportunity to cross-sell full product service suite to the combined group's client base and leverage sales resources to target additional revenue
- Additional scale and presence in key markets of Sydney and Melbourne increasing the combined group's competitive position

(1) Excludes one-off implementation costs and potential technology cost synergies and incremental revenue streams that may be generated by the combined group following integration.

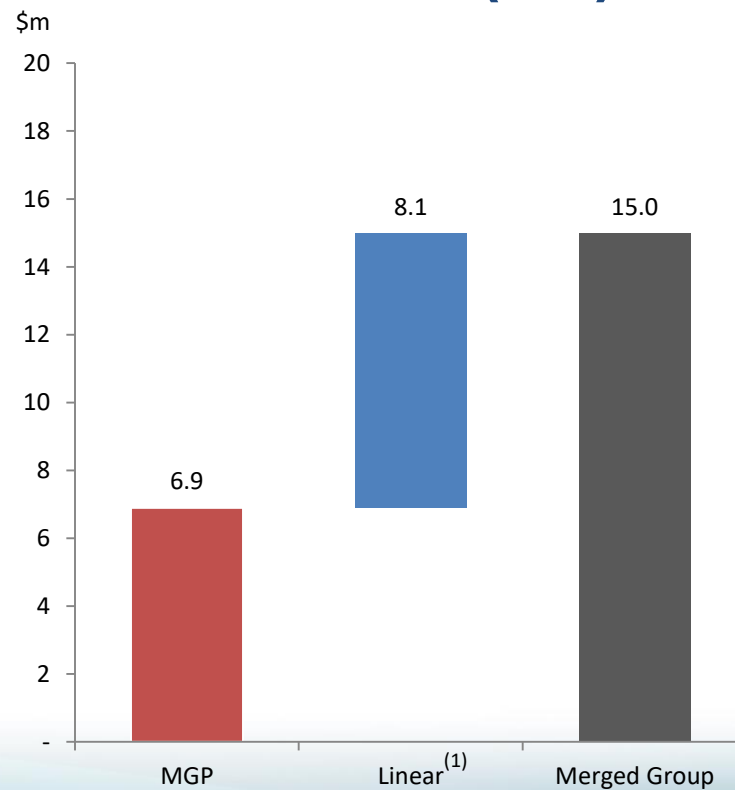
# Combined Group

*The proposed merger of MGP and Linear is a transformational transaction creating a 'step-change' in FUA and revenue delivering significant operating scale, and an extended suite of products and services.*

## Proforma FUA



## Proforma revenue (FY17)



(1) Updated for final audited accounts.

## Section: 3

### Other Transaction Details



# Key Conditions

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*Transaction is subject to due diligence and relevant approvals.*

- Key conditions include:
  - Completion of confirmatory due diligence;
  - Linear shareholders execute appropriate binding transaction documentation;
  - Completion of an equity capital raising to fund the cash consideration;
  - No material adverse change to the business, assets or prospects of Linear between now and execution of definitive transaction documents
  - Approval from all relevant regulatory and government bodies, including from the ASX, and receipt of any relevant third party consents; and
  - Approval by the Managed Accounts shareholders of the issue of MGP shares to Linear shareholders and the capital raising.

# Key Risks

Key Risks	Summary
Acquisition Funding Risk	The cash component of the Acquisition is unfunded, and is intended to be funded via capital raising. There is a risk the Company does not raise sufficient capital to fund the Acquisition.
Acquisition Completion Risk	Completion of the Acquisition is conditional on satisfaction of customary conditions and MGP and Linear shareholder approval. There is a risk that the requisite shareholder approval will not be obtained or other conditions satisfied.
Integration Risk	Assuming the Linear acquisition completes, substantial effort and cost will be required to integrate the two businesses. The anticipated benefits arising from the acquisition could either not being achieved or achievement being delayed. Anticipated benefits include the cost and revenue synergies outlined on page 17.
Regulatory changes	The investment and financial services sector is experiencing significant regulatory change. All of the combined group's product suite and services comply with current laws and regulations, however if legislation and / or policy was changed it could require a redesign of the group's systems to meet these new regulations.
Competition	Competitive pressures resulting from activities of current competitors, emergence of new competitors, changing client expectations (including an expansion of fixed price services and reduced tolerance bps charges) or other changes in the competitive landscape could result in loss of key clients, resulting in loss of revenue, and/or margin compression and a corresponding reduction in the group's profitability.
Loss of key clients	The group has client relationships with a large number of firms in Australia. The group's revenue is dependent in part upon maintenance and development of these client relationships. Consequently, loss or diminution of these relationships may adversely affect the group's financial performance.
Loss of key personnel	Many of the group's key personnel are highly qualified and highly experienced with in-depth industry and client knowledge. Any loss of key personnel may have an adverse impact on the group's client service capabilities and/or financial performance.

