



ASX Release Date: Wednesday 30 May 2018

## Conference Presentation

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Attached is a presentation to be given by David Heather, the Chief Executive Officer of Managed Accounts Holdings Limited (ASX: MGP), today at the Shaw and Partners Emerging Leaders Conference.

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# Shaw and Partners Emerging Leaders Conference Presentation

30 May 2018



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## Disclaimer (continued)

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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

# Evolution of the Business

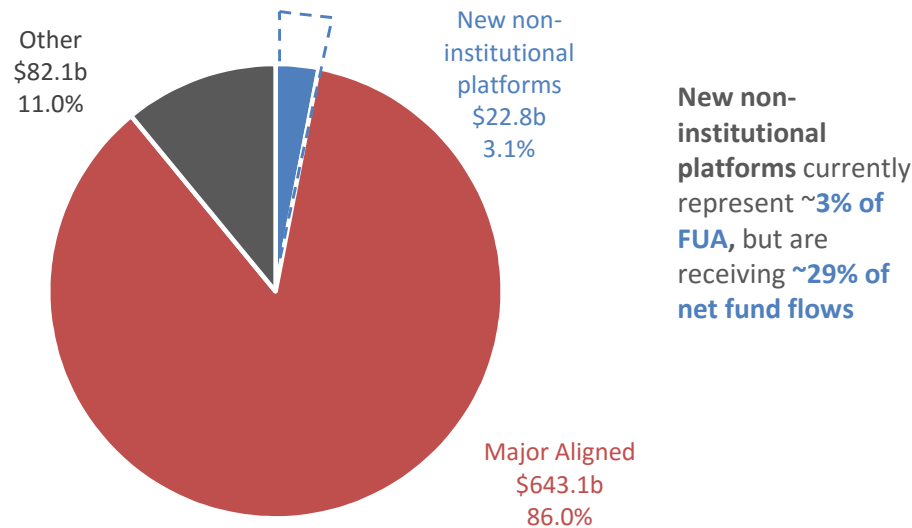
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- Established in 2004
- ASX listed entity, Managed Accounts Holdings Limited (ASX: MGP) from June 2014 as a specialist custodial managed account provider for financial advisory firms
- Acquired 100% of the shares in Linear in November 2017 and now provide solutions to some of Australia's leading stockbrokers, wealth managers, in addition to investment managers and financial advisory firms
- Now have the ability to deliver a wrap, SMA and managed account solution using multiple custodians or via non-custodial using its ASX Participant status

# Industry Drivers

The Company is well positioned to benefit from continued growth in superannuation inflows, increased growth in the independent platform segment and increasing adoption of managed accounts.

## Platform Market Size ~\$750b<sup>(1)</sup>



- FoFA and increased regulation driving shift away from aligned advice models
- Advisers increasingly obtaining own AFSL and moving FUA onto independent platforms

(1) Strategic Insights. Analysis of Wrap, Platform and Master Trust Managed Funds at March 2017

# Enhancing Products and Services

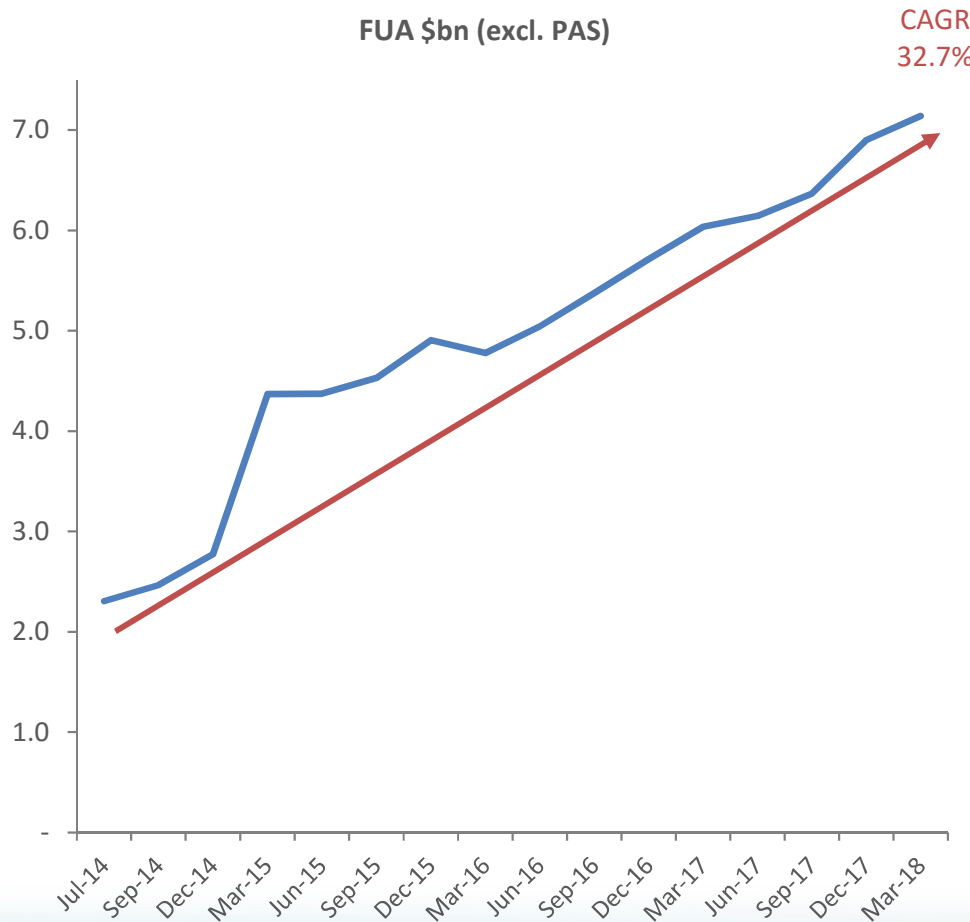
*The Company has a comprehensive product and service offering to service stockbrokers, private wealth managers, independent financial advisory firms (IFAs), investment managers and institutions to enable the efficient management of client portfolios.*

Capability		Development	Objective
<b>Portfolio Administration Service (PAS)</b>	✓	<ul style="list-style-type: none"> <li>Investment in technology and ASX participation implementation to service non-ASX participants</li> </ul>	<ul style="list-style-type: none"> <li>Deliver a market leading scalable solution to deliver ASX participants and non-ASX participants an agnostic execution solution</li> </ul>
<b>Super</b>	✓	<ul style="list-style-type: none"> <li>Well advanced in the acquisition of a Registrable Superannuation Entity (RSE) and implementation of related governance and software</li> </ul>	<ul style="list-style-type: none"> <li>Deliver a non-unitised Super solution to the market with MGP owning the value chain</li> </ul>
<b>Wrap</b>	✓	<ul style="list-style-type: none"> <li>Process and technology in place, broadening of investment menu, pricing and new PDS</li> </ul>	<ul style="list-style-type: none"> <li>Deliver a wrap solution to the market</li> </ul>
<b>SMA</b>	✓	<ul style="list-style-type: none"> <li>Broadening of investment menu, pricing and new PDS</li> </ul>	<ul style="list-style-type: none"> <li>Deliver a broad based SMA to the market in conjunction with the wrap solution</li> </ul>
<b>Managed Accounts</b>	✓	<ul style="list-style-type: none"> <li>Investment in technology and ASX participation implementation to offer HIN based managed account solution, rollout of international capability</li> </ul>	<ul style="list-style-type: none"> <li>Deliver an enhanced managed account offering to the market with assets able to held in custody or in direct HINs with international exposure</li> </ul>
<b>Institutional Solutions</b>	✓	<ul style="list-style-type: none"> <li>Investment in technology</li> </ul>	<ul style="list-style-type: none"> <li>Be the preferred provider of hosted technology and business process outsourcing for non-unitised solutions</li> </ul>



# Funds Under Administration (FUA)

The transformative merger of Linear and MGP has created a merged entity that has grown Funds under Administration (FUA) to \$12.83 billion with \$7.14 billion FUA earning revenue on a % FUA basis.



Capability	Revenue Stream	FUA
Pre-Merger MGP MDA and Super Services	Fees as % of FUA	\$2.40bn
All Linear Services except for the Portfolio Administration Service (PAS)	Fees as % of FUA	\$4.74bn
Portfolio Administration Service (PAS)	Fees per Account	\$5.69bn
<b>Total</b>		<b>\$12.83bn</b>

- Pre-merger MGP has achieved 22.9% CAGR
- Pro forma Linear % of FUA services<sup>(1)</sup> has grown at 39.5% CAGR
- The PAS (fees per Account) FUA has grown at 136% CAGR on a pro forma basis<sup>(1)</sup>

(1) Pro forma basis assumes Linear was owned as at Jul-14

# Net Flows

*Post merger, MGP has achieved quarterly net flow growth. This is expected to further increase through a combination of the investment in sales resources and an expanded and enhanced suite of products and services.*

Capability	31 December 2017 Quarter Net Flows	31 March 2018 Quarter Net Flows
Pre-Merger MGP MDA and Super Services	\$113.6m	\$55.3m
All Linear Services except for the Portfolio Administration Service (PAS)	\$74.8m <sup>(1)</sup>	\$182.5m
<b>Total</b>	<b>\$188.4m<sup>(2)</sup></b>	<b>\$237.8m</b>

(1) Flows were for the period 16 November 2017 to 31 December 2017

(2) Linear flows in this total were for the period 16 November 2017 to 31 December 2017

# Integration Update

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*Integration continues to progress well. The Executive Team continues to be finalised, new product initiatives are underway, a relationship management model continues to be rolled out to clients and staff are actively engaged through all aspects of the integration process.*

- Executive Team continues to be finalised with CFO recruitment well advanced
- Product and service initiatives including wrap implementation and super implementation on track
- Relocation completed in early May 2018 with new office and technology fit-out to better match business requirements
- Relationship management model continues to be implemented across the Linear client base using centralised Distribution and Relationship Management team
- Linear staff actively engaged through the integration process with no resignations as a result of the merger

# Synergy Update

*MGP is on track to deliver the previously mentioned full run-rate pre-tax cost synergies of \$3.5 million per annum by the end of FY19<sup>(1)</sup>.*

<p>Target annual pre-tax cost synergies <b>\$3.5 million<sup>(1)</sup></b></p>	<p><b>Executive function</b></p>	<ul style="list-style-type: none"> <li>Salary synergies identified were \$1,978,000. To date, savings realised have been \$1,618,000 inclusive of executive costs. Further synergies of \$360,000 have been identified with the timing of these to be determined</li> </ul>
	<p><b>Occupancy costs</b></p>	<ul style="list-style-type: none"> <li>Relocation complete early May 2018. Annualised total reduction in occupancy costs of \$400,000 from June 2018</li> </ul>
	<p><b>Service provider management</b></p>	<ul style="list-style-type: none"> <li>Review completed of all service providers for rationalisation opportunities. \$500,000 synergies achieved with action plan in place to achieve a further \$600,000</li> </ul>
	<p><b>Centralised functions</b></p>	<ul style="list-style-type: none"> <li>Linear and MGP staff integrated with Executive Team determining optimised use of resources whilst ensuring no loss of service or delivery to the client</li> </ul>
<p>Not included in above target synergies</p>	<p><b>Technology synergies</b></p>	<ul style="list-style-type: none"> <li>Optimal technology solution review complete and being assessed by IT consulting firm</li> </ul>
	<p><b>Revenue synergies</b></p>	<ul style="list-style-type: none"> <li>Discussions have identified cross sell opportunities to existing Linear clients. These will be quantified as realised</li> <li>Addition of Linear international capability to pre-merger MGP clients target go live in Q4FY18</li> <li>Addition of MGP MDA capability to Linear administration target go live in Q4FY18</li> </ul>

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

# Outlook

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*MGP is forecasting increasing profitability in FY19 as the merger benefits become fully realised.*

- The Company provides guidance for FY18 underlying EBITDA of \$1.5 - \$2.3 million
- The Company maintains its underlying EBITDA guidance for FY19 in range of \$7.5 - \$8.5 million
  - Full run rate synergies of \$3.5 million from the Linear transaction expected to be achieved in 2H FY19
  - Excludes any transaction or integration costs
  - Assumes all Linear development costs are expensed
  - Assumes no inclusion of amortisation of Linear software or Linear client contracts and costs of acquisition
- Key areas of management focus include:
  - Retention of existing key clients through continuous improvements in delivery and relationship management
  - Execute integration program to achieve identified synergies
  - Increased revenue from existing client base and developing new relationships from expanded capability and scale
  - Determine optimal technology solution and identify and achieve any additional cost synergies

