sequoia
FINANCIAL GROUP

2023 Half Year Results Presentation

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27 February 2023

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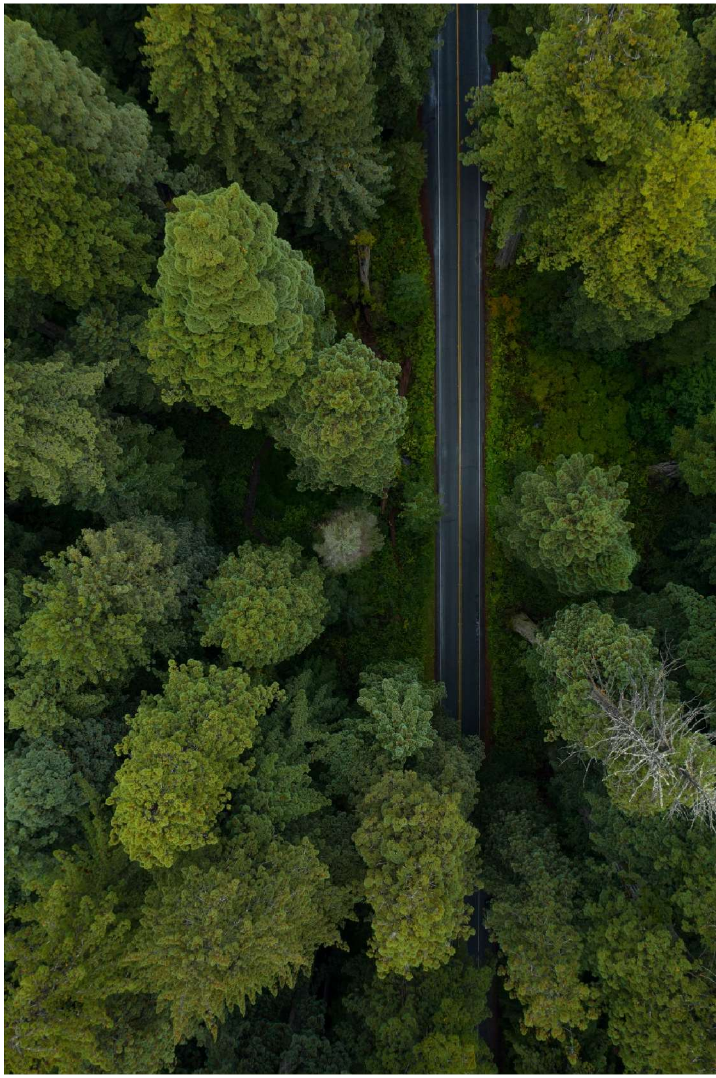
All numbers are as at 31 December 2022 in Australian Dollars (A$) unless otherwise stated. Financial data may be subject to rounding.

Agenda

1. Financial performance
2. Divisional breakdown
3. Business update
4. Questions



Financial Results   Half year 31 December 2022

Revenue:	**December 2022**	**December 2021**
Total Income	$61.1m	$79.1m
Gross Profit	$16.3m	$17.9m
Profit:		
EBITDA (Operating Profit)	$3.2m	$5.5m
NPBT	$1.6m	$3.8m
NPAT	$0.6m	$2.6m
*Abnormal	>$2.0 m	
Dividend	0.7 cents	0.5 cents

Cash balance at December 31, 2022 excluding client money over $15m with no debt

Licensee Services Division

Total Revenue $34.8m compared to $32.9m in PCP

Gross Profit $6.2m compared to $5.9m in PCP, EBITDA $2.0m (which included heavy remediation costs – see later) compared to $2.5m of EBITDA in PCP. This confirms our opinion that excluding abnormal items, the business has improved across the current period. Our ambition remains to increase market share to 4% of the available adviser market, which currently stands at 16,000.

CONSOLIDATE the number of AFS licences to 3 to improve Divisional margin. This involves closure of the Libertas AFSL in 2H23 due to insufficient scale. We will focus on organic recruitment towards our goal of 4% market share within the next 3 years. We currently support 355 advisers or 2.2% of the market, up from 1.8% in 2021

INCREASE market presence in our Corporate Finance and Wealth Management businesses in 2H23, and continue to acquire retiring advisers practices. This will require recruitment of more salaried financial planners into InterPrac Securities as well as an expansion of the Family Office business.

Professional Services Division

Total Revenue of $4.1m compared to $4.5m in PCP

Gross Profit of $3.0m improved from $2.8m in PCP as a result of increased pricing in June 2022. EBITDA of $0.9m compared to $1.1m was lower than budgeted due to unexpected increased employment, transport and marketing costs within this Division. As a result of our increased marketing campaigns in 1H23 we were able to increase the number of accountants and financial planners using one of our Professional Services by 500 over that period, to now in excess of 2,500. Our aim remains to provide a service to 4,000 advice firms, primarily made up of accountants, by 2025.

FOCUS for 2H23 is to win market share and build efficiencies to further increase GP margin, with a continued focus on M&A activity and the integration of established businesses to exponentially grow the scale of the Division, which provides very strong GP to EBITDA margins when we achieve appropriate scale.

Equity Market Division

Total Revenue $20.6m compared to $40.8m in PCP with the Morrison Securities business representing a much higher 68% of total revenue ($14.0m) in this period compared to 37% of the total revenue in the PCP.

Gross Profit was $5.9m compared to $8.5m in the PCP period. Morrison Securities gained market share against a market where equity turnover fell by approximately 30% over the period. The Morrisons business increased its technology spend by 60% compared to the PCP, partly in preparation for the replacement of ASX chess system to block chain and partly to enable an improved international equities offer, which includes more sophisticated reporting and a proposed new service in bond and yield markets .

Specialist Investments (SSI) total revenue of $6.6m was $19.2m lower than PCP following a decision made by our Executive to reduce the marketing of new product offers in the past 9 months given volatility and uncertainty in current US and European markets . We expect SSI income and EBITDA contribution will increase again in 2H23 and stabilize to approximately $10m of income and in the middle of the PCP and the period just reported in future half year periods.

Direct Investment Division

Total Revenue of $1.8m compared to $1.0m in PCP.

Gross Profit of $1.1m compared to $0.7m in PCP and the EBITDA result of $0.1m compared to $0.4m was a major disappointment following a series of acquisitions we had anticipated would add scale and EBITDA margin of $0.8m per annum. It has taken longer than anticipated to consolidate multiple media and adviser/customer information platforms in to our premium digital platform.

FOCUS remains firmly set on delivering a consolidated single source of truth platform to fund managers, ASX listed companies, AFSL holders, advisers, wholesale and retail investors which we believe can become the preferred research and information platform for the Australian advice community. Under the very experienced management team led by Tim McGowen and Paul Sanger (and the most recent addition of Winston Sammut) we expect to begin to turn the current under performance around in 2H23 with the Direct Investment Division providing an ongoing and meaningful contribution to the Group's income in the investment future.

Summary

Our 1H23 result was below expectation, mainly due to items outside of our control, however, also partly due to our underperformance in our Direct Investment Division.

In the overall market, adviser numbers have fallen from 26,000 to 16,000 over the last 18 months.

ASX equity trading volumes have fallen by 30% over 1H23.

Interest rate increases have seen consumer discretionary spending tighten.

The number of new companies being established has fallen by 24%.

The investment in advertising and IR by ASX companies and fund managers has fallen heavily throughout 1H23.

The number of New IPOs and capital market raisings has fallen sharply in 1H23.

Major impacts to Financials

Our Licensee Services business has now fully expensed over $2m of remediation costs paid to investors as a result of advice provided in 2019 by an adviser no longer with us. In this case AFCA used its discretion to hear and make a determination on matters relating to wholesale investors, which is technically outside their remit. We have now commenced a recovery of such remediation payments from our 2019 insurer.

Our Specialist Investments business revenue fell by $19.2 million compared to the PCP with EBITDA $1.8m lower as a direct result of our Executive decision to reduce the number of offers presented to the market in 1H23.

Looking forward

We forecast a much improved second half result where revenue is expected to exceed $10m per month and provide an EBITDA of $1m per month or $6m compared to the 1H23 result of $3.2m. (January results saw EBITDA exceed $1m)

We maintain an ambition to grow the business (assuming no business divestment) to $300m of revenue by 2026 .

We continue to explore acquisition opportunities in the Professional Services, General insurance broking and Licensees Services Divisions.

We confirm we are open to consider opportunities to partly / fully divest parts of the Group where the carrying value of our Asset is well below its actual market value and where that divestment improves shareholder value.

Questions?

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