



Clime Investment Management Limited

16 August 2023

ASX Announcement: CIW

Exclusive Non-Binding Heads of Agreement

Madison Financial Group and Practice Development Group

AFSL service company created to drive growth and cost synergies

Clime Investment Management Limited (ASX: CIW) (Clime) is pleased to announce that it has signed an exclusive, non-binding Heads of Agreement with Madison Financial Group (a wholly owned subsidiary of Clime) and Practice Development Group Limited (PDG) to form a strategic operating alliance. Once formed, the alliance will consolidate the respective service offerings of each group into a single entity that will provide AFSL services to their respective adviser networks.

Combined, the licensees will have approximately \$8 billion in FUA through 130 advisers.

The alliance will involve the creation of a service company (Service Co) that is expected to generate significant operating synergies that will in turn generate strong operating leverage and greatly benefit both adviser networks.

A summary of the key elements of the non-binding Heads of Agreement (HOA) include:

- The creation of a new entity, Service Co, which will source licensee services from the combined groups and identify additional third-party services that will be both cost effective and best of breed. These will be provided to the practices who will benefit from the consolidated service. Service Co will be majority owned by advisers.
- Both groups will benefit from the buying power that flows from the increased scale of Service Co.
- The combined group will therefore be positioned to attract advisers from the broader market that are seeking an improved licensing service.
- Clime has agreed to provide “in kind” commercial services over an initial two-year period for a 10% equity position in Service Co.
- The opening carrying value of the 10% equity stake is assessed to be valued at circa \$0.4 million.
- Optimise Advice Services, a business which is currently wholly owned by Clime, will become 50% owned by Service Co and 50% by Clime and will provide advice related services to the self-licensed adviser community.
- Under the Heads of Agreement, the parties will work together on an exclusive basis over the next seven months (to 30 March 2024) to finalise the arrangement. However, the implementation of the structure is expected to be completed well within this period.



Clime Investment Management Limited

- The parties must act in good faith and use reasonable endeavours in their negotiations for the binding terms of the alliance. Either party may terminate the Heads of Agreement however the exclusivity period will remain in place until 30 March 2024.

Annick Donat, CEO of Clime, said:

“The agreement between Madison and PDG represents a significant opportunity for our advisers to build a peer led community. Both groups have a long history in advice and this arrangement will ensure they continue to prosper. Our respective advisers will benefit from increased scale and cost reduction.

“Combined the group have approximately \$8 billion in FUA through 130 advisers and the proposed structure will allow all practices to benefit from buying power synergies that will lower their costs of doing business and improve their advice offerings.

“The arrangement will also allow simplification of Clime Group’s business model and will provide enhanced opportunities to offer investment solutions, for example managed accounts and SMAs, to a broader advisory market. Advisers will also benefit from Clime’s commitment to education and marketing that is designed to encourage the community to seek qualified financial advice.

“Madison FG and PDG share a similar operating ethos and cultural alignment in relation to the advice profession. The Clime Group look forward to working closely with the team at PDG and strongly believe that advisers from outside our groups will be attracted to this service offering.”

-ENDS-

This announcement has been approved by the Board of Clime Investment Management Limited.

Media contact:

Max Hewett, Director – GRACosway

Mobile: 0432 332 215

Email: mhewett@gracosway.com.au