



Generation Development Group

4 November 2020

Presenters:

Grant Hackett
Chief Executive Officer
Generation Life

Terence Wong
Chief Financial Officer
Generation Development Group

Felipe Araujo
General Manager of Distribution, Marketing and Operations
Generation Life

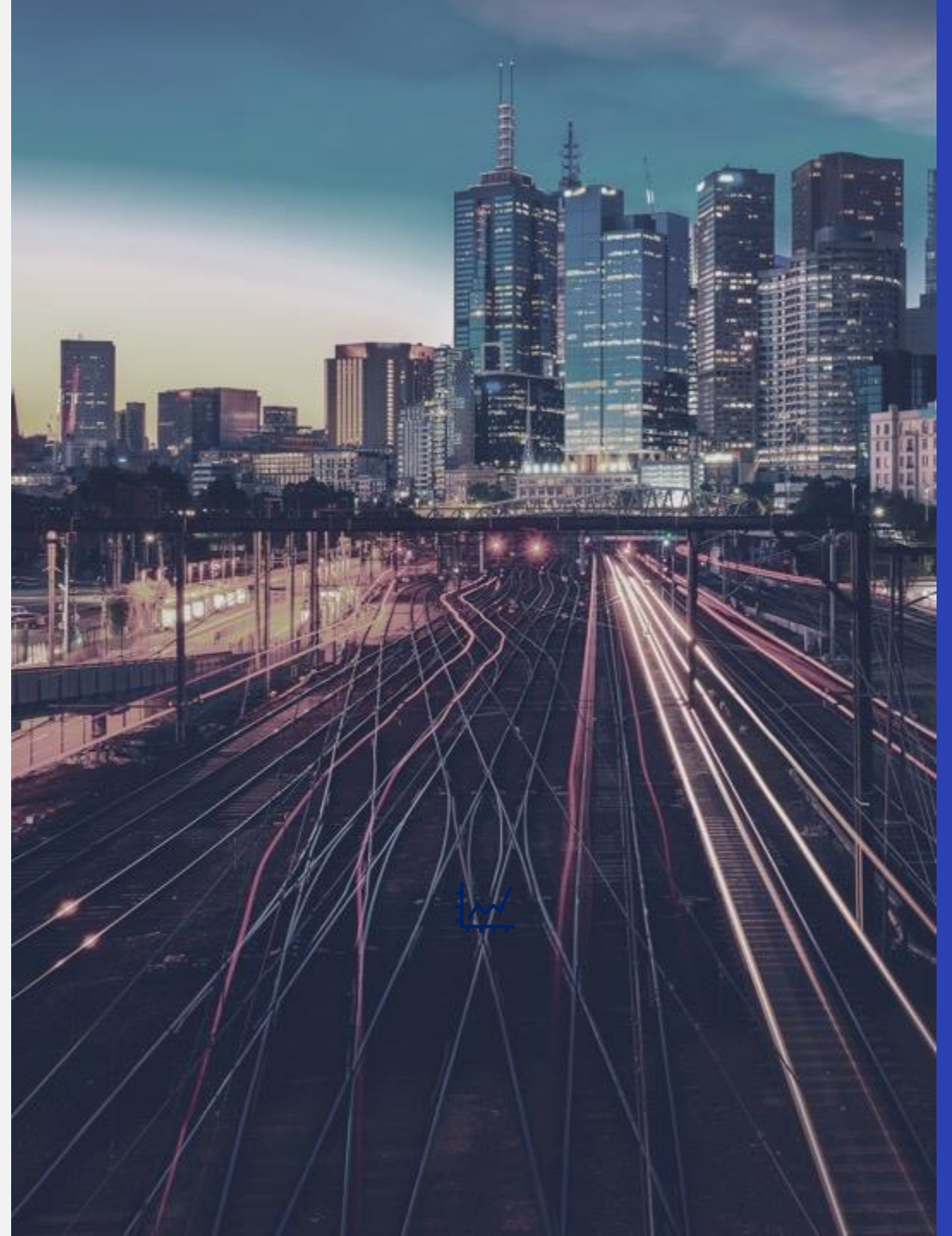
Outthinking today.

Generation Development Group

A compelling shareholder value
building model

Generation Development Group (ASX:GDG) is a licenced Pooled Development Fund (PDF) owning a recurring revenue producing life/investment income with a market capitalisation of \$106m* and net cash of \$23m*. GDG also holds a 37% equity of Lonsec Holdings Pty Ltd, which is one of Australia's largest qualitative research firms whose research ratings is used by many Fund Managers, Superannuation Funds, and Dealer Groups & IFAs

* As at 3 November 2020



Why Generation Development Group?



Sustained track record of delivering increased sales and FUM

Number one in inflows for two years running



Consistent NPAT growth underpinned by recurring revenue producing life/investment income



Resilient business model with “sticky FUM” even through market downturns



Track record of product innovation

Increased product features and investment options

Development of new tax effective options



Licensed PDF delivering tax-free capital gains on shares and tax exempt dividends



Capital light business model



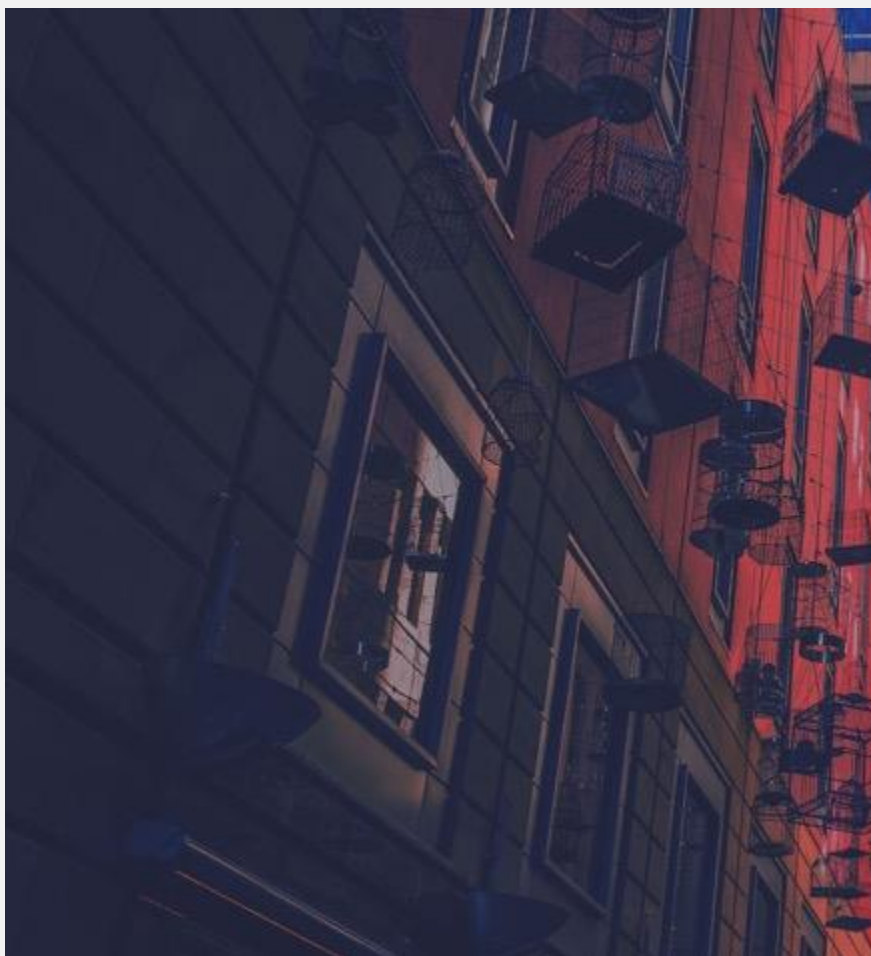
Positive sales outlook and active pursuit of investment opportunities



Well positioned for future growth in financial services

FY-20 Financial result summary

Generation Development Group



	FY20	FY19	Change	Change %
Revenue* (A\$'000)	19,900	15,860	4,040	25.5
Expenses** (A\$'000)	(17,084)	(13,610)	(3,474)	(25.5)
Underlying NPAT (A\$'000)	2,816	2,250	566	25.1
Underlying EPS (cps)	2.24	1.80	0.44	24.4
DPS (cps)	0.02	0.02	-	-
FUM (A\$'000)	1,295,000	1,073,000	222,000	20.7
Cash and cash equivalent*** (A\$'000)	11,677	13,701	(2,024)	(14.8)

* Underlying excluding Benefit Funds, Ascalon and non-recurring, including income tax benefit

** Underlying excluding Benefit Funds, Ascalon and non-recurring

*** Includes term deposits, excluding cash attributable to Benefit Funds

FY-20

Generation Life | Highlights & Key Performance Measures



Life Business FUM

\$1,295 m

Up 21%



Life Product Sales

\$332 m

Up 48%



Market share

40.6% of inflows

June quarter 2020

Plan for Life

Rolling 12 month average



APL's

420

Up 7%



Product rating

Highly
Recommended
Zenith and Lonsec



Active Financial Advisers

1,220

Up 31%

Rolling 12 month average



New Bond Numbers

9,563

Up 64%



Saving Plans

\$35.8 m

Up 57%



49 investment options

Up 2%



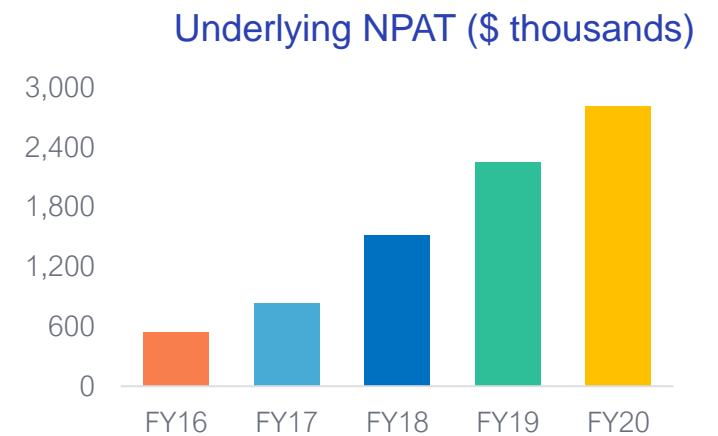
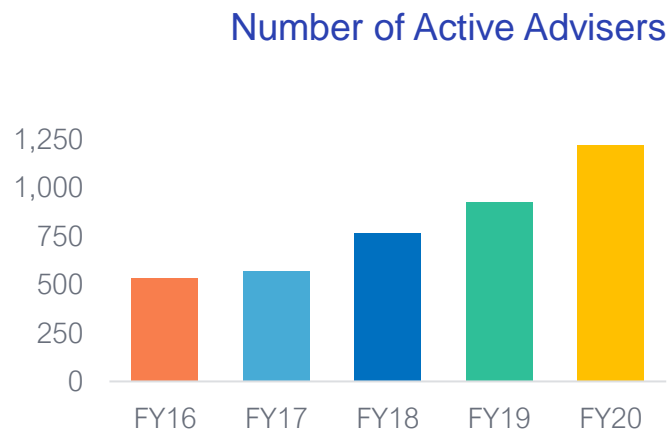
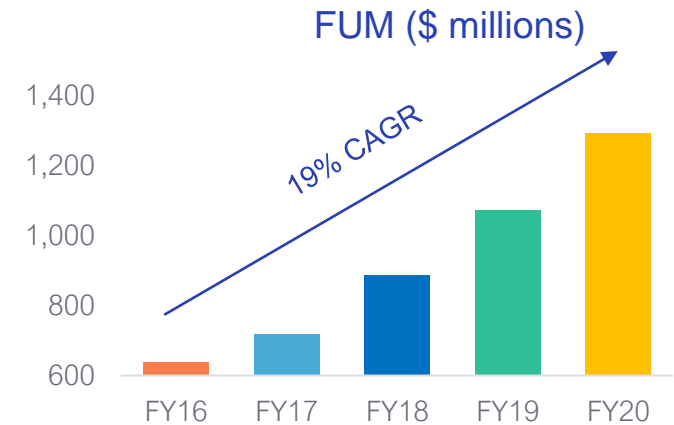
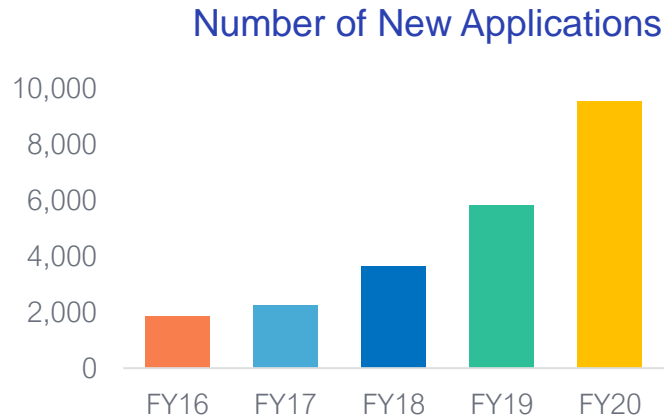
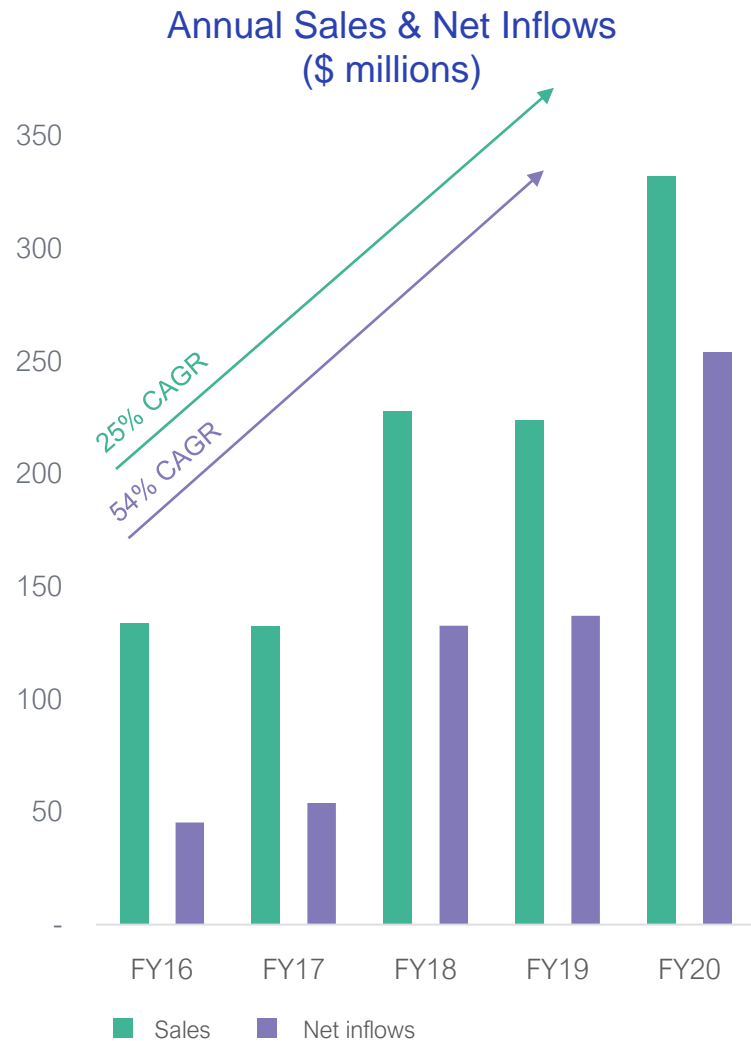
Average investment term

12.9 years

Rolling 2 year average

Continued improvements in all key metrics

Generation Life



Growth Strategy

Generation Development Group Today

Continuing to deliver record FUM growth and taking market share



Recurring income from life/investment income from investment bonds



Pooled development Fund whereby shareholders receive tax exempt dividends and capital gains



Sustained track record of delivering increased sales and FUM, growing at a 22% CAGR and 38% of market inflows



Consistent NPAT growth, 3 year CAGR of 50%
\$12m cash + nil debt



FY21 guidance for sales growth to be at least 'in line' with FY20 levels

Growth Strategy

Diversify earnings while still producing long term earnings growth



Organic growth

Innovative future products to push into attractive new market segments

- Tax effective regular income products targeting yield hungry investors
- Product that addresses longevity risk with an aging population



Investments

Target businesses that are well positioned to benefit from changes in the landscape in financial services

- Beneficiaries of strong industry and regulatory tailwinds
- Incumbent players in attractive market niches



Company overview

Investment in Lonsec

FY20 Revenue:
\$29.6 million

FY20 EBITDA:
\$7.8 million¹

Established in 1994 with
offices in Sydney and
Melbourne

Provides research and/or
ratings for over 1,900
products and funds

One of Australia's largest
qualitative research firms whose
research ratings is used by many
Fund Managers, Superannuation
Funds, and Dealer Groups / IFAs

Post the Royal Commission, Lonsec
is well positioned to independently
assess the quality of investment
processes for the benefit of funds,
advisers and investors



Lonsec Research:
Money Management Magazine research house of the year



1. Audited revenue and underlying EBITDA

Company overview

Investment in Lonsec

	Lonsec Research	 SUPER RATINGS	Lonsec Investment Solutions	iRate 
Market position	<ul style="list-style-type: none"> A leading research and ratings provider in the investment products industry 	<ul style="list-style-type: none"> A leading superannuation ratings and research provider in Australia 	<ul style="list-style-type: none"> Fast growing emerging player in burgeoning Dealer Group/ IFA need for diversified managed portfolios and SMAs 	<ul style="list-style-type: none"> Market leading investment research platform providing financial professionals with a full range of research, ratings and analytical tools.
Key Services	<ul style="list-style-type: none"> High grade qualitative investment research of close to 1,300 products across a wide breadth of asset classes and product types 	<ul style="list-style-type: none"> Superannuation research including data analysis, product ratings, performance benchmarking, market insights and consulting More than 600 superannuation and pension products rated Over 6,000 investment options surveyed monthly 	<ul style="list-style-type: none"> Lonsec branded diversified managed portfolios and separately managed accounts (SMA) Tailored/white label managed accounts Direct equity and Managed Fund models Investment consulting services 	<ul style="list-style-type: none"> Qualitative investment research with extensive depth and breadth of coverage Access to portfolio construction tools Model portfolios and dynamic asset allocation
Clients	<ul style="list-style-type: none"> Over 200 funds management groups 	<ul style="list-style-type: none"> Most industry funds, public sector funds and master trusts Investment managers, asset consultants, administrators and insurers 	<ul style="list-style-type: none"> Approx. \$659m FUM as at 30 June 2020 Major platforms ~30 groups received investment consulting services (FY20) 	<ul style="list-style-type: none"> 4,540 subscribers as at 30 June 2020
% of revenue (FY20)	<ul style="list-style-type: none"> ~55% 	<ul style="list-style-type: none"> ~23% 	<ul style="list-style-type: none"> ~9% 	<ul style="list-style-type: none"> ~12%



Solving Longevity Risk

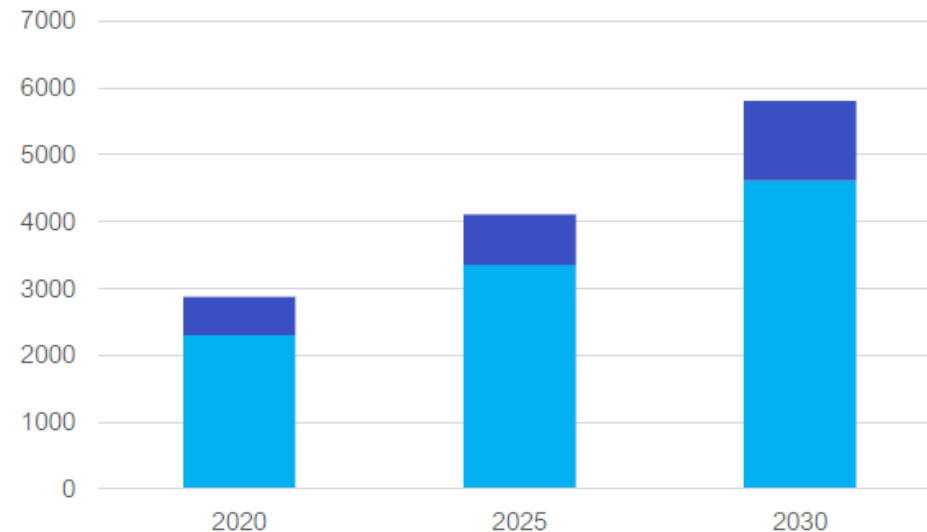
Significant market opportunity for an annuity product to address longevity risk

Market opportunity

- One of the key challenges facing Australians is managing the retirement risk of longevity or in other words outliving savings for retirement
- GDG has identified the opportunity for a product to address longevity risk
- As at 30 June 2020, post retirement assets total \$566 billion¹
- Deloitte predicts that this market will grow to \$1.185 trillion by 2030¹
- Lifetime annuities represent just ~1% of post retirement assets²
- A significant opportunity to develop a lifetime income stream solution that advisers are happy to include in their clients' retirement income portfolios
- An allocation of 5% of post-retirement assets to lifetime annuities would represent a potential \$59 billion FUM opportunity by 2030

Retirement Landscape

Super Assets pre and post retirement



(Deloitte Dynamics of the Australian Superannuation System – updated 7/8/2020)

1. Deloitte Dynamics of the Australian Superannuation System – November 2019 (Updated August 2020)
2. Plan for Life Retirement Income Market as at December 2019

Solving Longevity Risk

Introducing the proposed GDG Lifetime Annuity Product

GDG has identified a significant market opportunity supported by Financial Adviser testing and is in the process of developing an innovative product to capitalise on this opportunity – a market linked lifetime annuity

GDG Lifetime Annuity Initiative

- ✓ Capital light model
- ✓ Pays income for life
- ✓ Investment linked where level of income paid is based on the underlying performance of investments chosen by the client and their adviser which means the income can fluctuate from year to year
- ✓ Potential to deliver higher customer returns
- ✓ Death benefit
- ✓ Ability to link and access the age pension
- ✓ Very positive adviser feedback who see the proposition as compelling and a way to deliver more income to their clients
- ✓ Commenced discussions with regulators and signed term sheet with partner
- ✓ Longevity risk lies with reinsurer
- Indicative initial capital requirement of ~\$10 million
 - \$5.0m product development costs (salary, consulting, IT build, etc)
 - \$5.0m regulatory capital
- Development timeframe – approx. 12 months subject to regulatory approval

Adviser feedback

Current Products

- Poor rates on current products are a 'big turn off'
- Current products are expensive
- Past solutions "way too complex"

Quotes from Financial Advisers

- *"Having an investment choice is good"*
- *"Very much needed in the market"*
- *"Sound simple – clients like simple"*
- *"Volatility manageable – "that's what we do (explain volatility)"*
- *"The potential for greater income through choice is good"*

Appendices



Possibilities beyond Managed Funds

Key features of Investment Bonds



Max tax rate of 30%



No limits on contributions and access to funds at anytime



Tax paid after 10 years – tax advantages pre 10 years



125% advantage



Tax free transfers



No personal CGT on switching



No tax file number required



Creditor protection



Can be structured as a non-estate asset



5 core uses of Investment Bonds



Alternative to superannuation and managed funds
The most tax effective investment solution after super



Estate planning
Be in control of transferring wealth



Trusts
Reducing distributable income within trusts



Saving for a child
Meeting the rising costs of future generations



Government entitlement
Improving pension entitlements



Generation Life

Highly recommended for over a decade



49 investment options across all asset classes

- + Cash and term deposits
- + Australian fixed interest
- + International fixed interest
- + Australian shares
- + International shares
- + Property
- + Balanced
- + Alternatives



The only provider in the market to hold a “Highly Recommended” rating with both Lonsec and Zenith Investment Partners



Thank you

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