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Tuesday 25 November 2014

ILH 2014 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS

Welcome to the 2014 Annual General Meeting for ILH Group.

My name is Matthew Driscoll, I am the Chairman of ILH Group and will be chairing this AGM.

Before commencing with the formal business of the meeting, I would like to introduce my fellow Board Members:

- CEO and Managing Director – Mr Graeme Fowler
- Executive Director – Mr David French (via skype) and;
- Company Secretary and CFO – Reena Minhas

Also in attendance at today's meeting is a representative from the companies Auditor, Ernst and Young, Mr Timothy Dachs.

The purpose of today's meeting is to deal with the formal business as set out in the Notice of Annual General Meeting and, at the close of formal business my fellow Directors and I will answer any general enquiries from the floor.

2014 has been a watershed year for ILH.

Over the past twelve months, ILH has experienced well documented financial underperformance, leading to significant organisational stress, and ultimately management worked with the Company's bankers to agree a recovery plan for the organisation.

Importantly all of this has provided a catalyst for significant organisational change, which over the last 6 months and for the immediate future has focused the Board and management on the operational fundamentals of profitability, cash flow and balance sheet management.

Whilst key milestones have generally been achieved so far in financial year 2015, there remains much to do and further milestones to deliver as we look to achieve a vastly improved 2015 as well as meet the banks requirements for debt reduction over coming months.

In October we announced that the Company had a solid start to financial year 2015, achieving satisfactory financial results in the first quarter to 30 September.

The Group achieved revenue of $8.1m for the first quarter and EBITDA of $870,000 against full year guidance of $2.5 to $3m.

Wealth Management recurring revenue grew to $940,000 for the quarter against a full year guidance of $3.6m, with funds under advice rising from $480m at 30 June 2014 to $509m at 30 September.

It is not all smooth sailing however and we continue to run into new challenges along the way, and an example of that was an overall disappointing financial performance in October.

Whilst cash receipts were very strong for the month, and Wealth Management continues to achieve target, legal services revenue was behind target, and profitability was further impacted by some one-offs costs during the month including the Independent Expert's Report, additional bank charges for legal costs, and costs generally in producing the AGM Notice of Meeting and a number of related deeds and documentation.

We remain confident of an improved financial performance in financial year 2015 and in achieving the guidance previously provided.

At same time, the new Board and Executive Management team is now beginning to focus on how we launch the Group into a new and exciting phase of development.

We need to create a vision and strategy for ILH that our Board, management, Principals, staff, shareholders and stakeholders generally can be excited and stimulated by and who as a result will be advocates for the Group in the market.

The Board has established a target of early 2015 to finalise this.

What I can say is that we will see further development of our Wealth Management areas, the continued development of our Legal Services teams, as well as the development of client synergy opportunities between these businesses.

We see Wealth Management continuing to develop into a strong and profitable East Coast dealer group.

We see a particular focus on those areas of legal services where we have differentiation and competitive advantage, including the Pacific Legal Network, Argyle Personal Legal Services, our local government services, and commercial litigation.

We will focus on developing robust and integrated platforms in each of Wealth Management and Legal Services which will allow full revenue and cost synergies to be achieved in the event of future acquisitions.

Additionally, we have a number of ideas on new business opportunities which play to, leverage off and build on our strengths in these core businesses.

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Of course significant change has already been implemented and achieved.

The change process effectively commenced in 2013 with the re-branding of the legal services businesses to Rockwell Olivier, which aimed to achieve consistency of brand across Australia and generate revenue and cost synergies.

The acquisition of the Wealth Management and Consulting businesses in September 2013 was the start of an important diversification strategy given the inherent cyclical nature of the legal services businesses. Additionally, these particular businesses were seen as having strong revenue synergy opportunities with the legal firms.

Whilst the Wealth Management business has been a successful acquisition with profitability, growth and revenue synergy opportunities being confirmed, the Eaton Consulting business did not meet expectations and is now the subject of a sale back to the vendor subject to shareholder approval at this AGM.

In May 2014, the Perth based legal firms were merged creating cost reductions, with these and other merger synergies being part of the $2.4m of cost reductions announced in June to be achieved progressively to January 2015.

In August 2014, the Company announced a fundamental shift in strategy and business model from one of aggregation to integration.

The ILH strategy was previously an aggregation or portfolio model, where acquired businesses operated largely independently within Group strategic boundaries.

The prime strategic focus of the Group was revenue growth, with cost consolidation a secondary consideration and the realisation of synergies on a best efforts basis.

This strategy and business model has not been successful and has been changed.

Under the integration model, ILH now operates as one business with a focus on maximising Group client relationship opportunities and an integrated back office targeting operational efficiencies.

A number of senior management appointments were announced as a key element of this change, aimed at ensuring increased focus and accountability.

In September, the Company announced revised bank funding arrangements.

The revised facility agreement has a maturity date of 31 January 2016 and is subject to a number of conditions.

It includes revised interest cover ratio targets which have also been reset from 1 July 2014, the first calculation period being 1 July 2014 to 31 December 2014.

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It includes a revised loan amortisation schedule with a required capital repayment of $2m by 15 March 2015, in addition to the existing $250k per quarter from December 2014 and $300k per quarter from December 2015.

We are advanced on a number of appropriate measures to ensure this new repayment is achieved.

The bank also required that deferred consideration amounts payable to the vendors of the Capricorn Investment Partners and Pentad must be satisfied by way of the issue of shares only and not in cash.

Also in September, ILH announced a number of changes to the Board of Directors, with both John Dawkins and Anne Tregonning electing to retire from the Board having been directors since the Companies inception in 2007.

In that time the Company had six profitable years and developed a track record of dividend payments and we would like to extend our warmest thanks to John and Anne Tregonning for their leadership and guidance and wish them well for the future endeavours.

Finally, I would like to sincerely thank all ILH management, Principals, staff, shareholders and stakeholders generally for their patience and ongoing support during what has been a very difficult period for everyone involved.

I would like to single out our employees in particular who have just got on with the tasks before them with continued commitment.

In closing, as a newcomer to the Group and the Board, I would like to voice my tremendous optimism for the future of ILH Group, and I look forward to a year ahead of improved profitability and renewed vigour.