

# **CENTREPOINT ALLIANCE LIMITED**

## **Investor Presentation**

21 October 2015

# Corporate snapshot

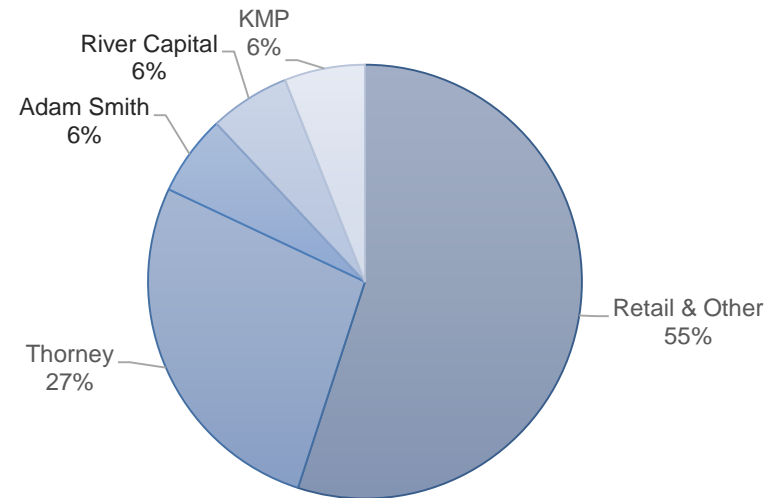
## Capital Structure

Share price (15 October 2015)	\$0.40
Fully paid ordinary shares	150.6m
Options and performance rights	4.1m
Market capitalisation	\$60.2m
Cash (30 June 2015)	\$12.5m
Drawn corporate debt (30 June 2015)	\$0.3m

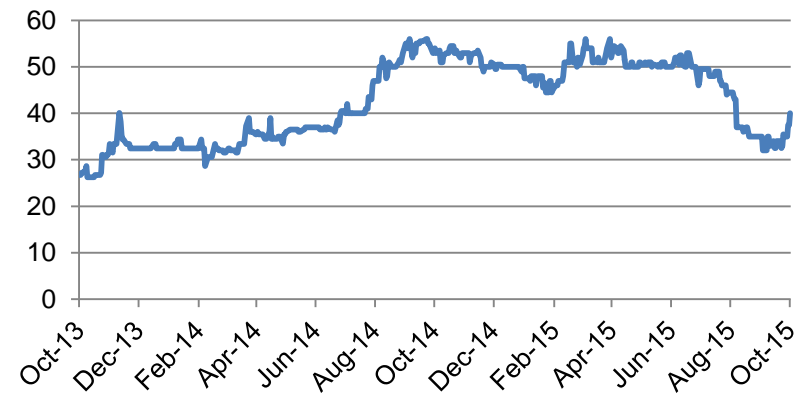
## Valuation (based on last price)

Enterprise value	\$48.0m
Statutory FY15 EPS	4.1cps
FY15 P/E	9.8x
FY15 total dividend	2.2cps
FY15 dividend yield	5.5%

## Shareholder structure



## Share price (2 years)



# Centrepoint has two operating segments

## Centrepoint Alliance

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graph TD; CA[Centrepoint Alliance] --- CW[Centrepoint Wealth]; CA --- CF[Centrepoint Funding];
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### Centrepoint Wealth

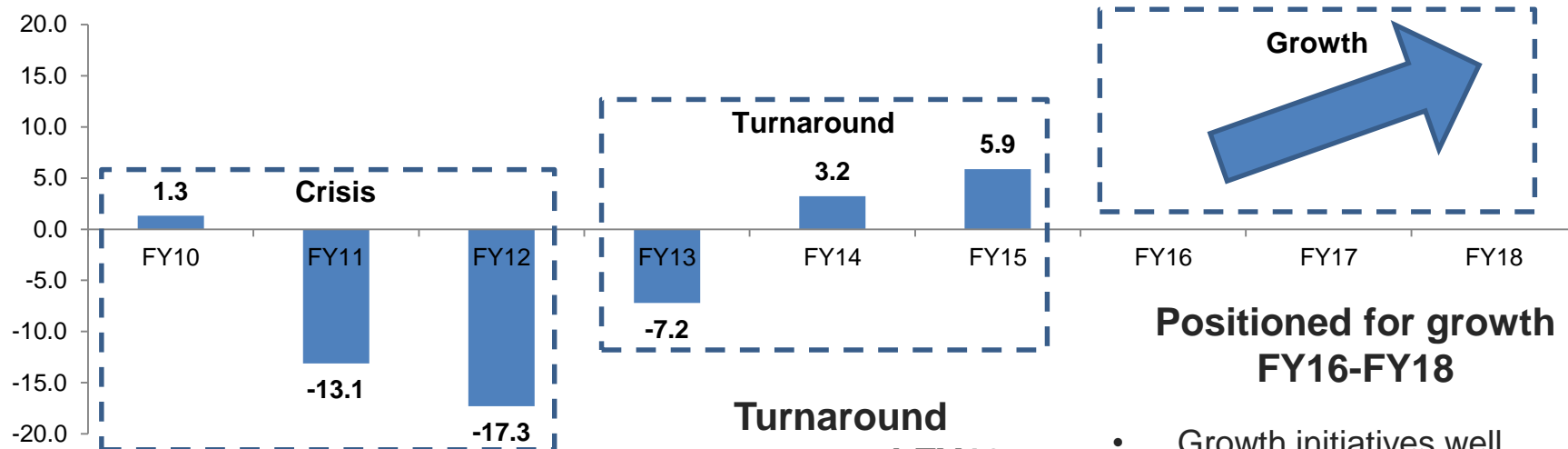
- Provides tools and services to ~1500 advisers and practices using fee for service model
- Cross sells high margin 'fund of funds' management (\$700m) and administration (\$2.1bn)

### Centrepoint Funding

- Largest independent provider of insurance premium funding to SMEs
  - ~400 broker clients
  - ~28,000 loans funded
- Boutique mortgage aggregator predominantly servicing Wealth clients
  - Licensee for ~130 brokers
  - \$4bn of mortgages

# Turnaround snapshot

Statutory NPAT from Continuing Operations (\$m)



## Crisis bottomed in FY12

- NPAT collapsed to -\$17.3m
- Wealth division faced major structural challenges
- Funding WA dominated
- Last dividend paid in 2007
- Claims provision of \$22.1m

## Turnaround commenced FY13

- NPAT rebounded to \$5.9m
- New management
- Growing FUM/FUA
- Funding expanded into East Coast market
- Dividends declared
- Legacy claims in run-off

## Positioned for growth FY16-FY18

- Growth initiatives well underway
- Full benefits of Wealth realignment will take some time to be realised
- Significant investment made in personnel and IT
- Balance sheet strong
- Inorganic opportunities

# Turnaround scorecard

- ✓ Reposition Wealth as compelling partner for client focussed advisers
- ✓ Design and build new salaried adviser offering
- ✓ Repair relationships with regulator and other key stakeholders
- ✓ Identify obligations and minimise legacy claim costs
- ✓ Improve Funding's revenue mix by expanding geographic reach
- ✓ Cut corporate overheads - down >50% from FY12 to FY15
- ✓ Standardise financial reporting, business systems and processes
- ✓ Strengthen balance sheet and reinstate dividends
- ✓ Begin to implement growth programs
- ✗ Realise full benefits from turnaround (ongoing)

# Transitioning to Growth Mode

- Financial investment and management time related to turnaround now largely complete
  - Full benefits of realignment will still take some time to be realised (particularly in Wealth)
- Company has transitioned to growth strategy
  - Repositioned Wealth platform provides numerous opportunities to grow both organically and inorganically in a sustainable way
  - Funding business expansion to East Coast, NZ and Steadfast broker network provides opportunities to expand addressable market
  - Repositioned mortgage broking to focus on selling to existing Wealth relationships
- Balance sheet is strong enough to support investment into various organic growth strategies and bolt-on acquisition opportunities
- Scale benefits of investment in systems and processes beginning to be realised

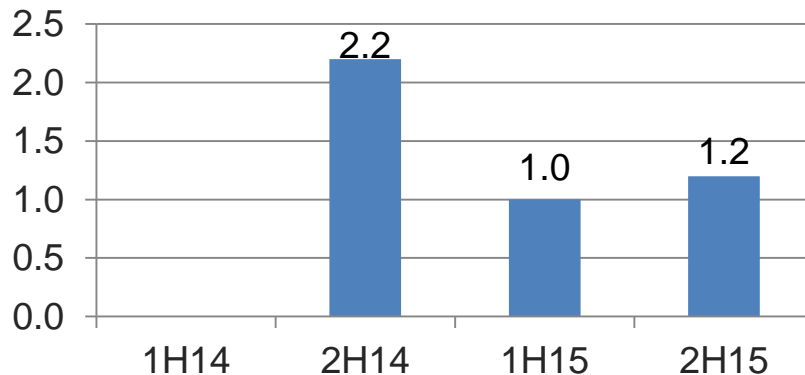
# FY15 - Performance highlights transitional phase

	FY14	FY15	Change FY15 v FY14	
Total revenue (\$m)	51.7	48.9	↓	(5%)
Underlying PBT(\$m)	8.3	7.0	↓	(15%)
Statutory NPAT (\$m)	3.3	5.9	↑	78%
Statutory EPS (cps)	3.1	4.0	↑	28%
Dividends (cps)	2.2	2.2		-
Net Assets (\$m)	34.5	36.7	↑	6%
Net Tangible Assets (cps)	15.5	14.8	↓	(4%)

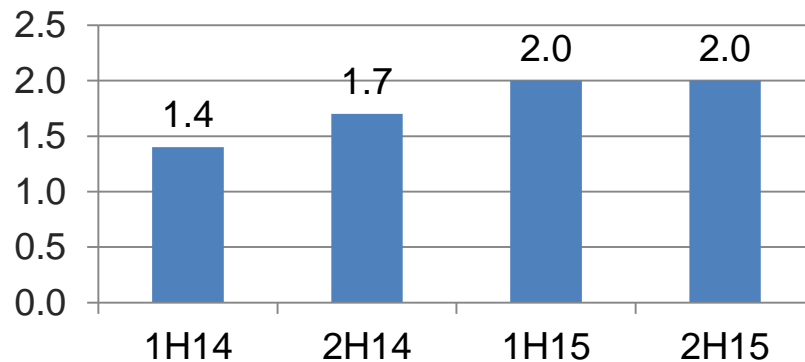
- Total revenue and profit impacted by 'soft' commercial general insurance premium market reducing revenues by \$4m
- Wealth new business model growing FUA/FUM based revenues and offsetting loss of grandfathered income
- Business simplification continuing to deliver savings and service improvements
- Strong balance sheet with \$12.5m cash and negligible corporate debt (\$0.3m)

# Dividends

**Dividends per share (cps)**



**EPS (diluted) (cps)**



- The Board declared 2.2 cents of dividends in FY15
- A Dividend Reinvestment Plan is offered with a discount of 2%
- The aim of the dividend policy is to provide shareholders with sustainable and fully franked dividends, whilst balancing the cashflow needs of the business
- An \$18m distributable dividend reserve available
- The company has franking credits of \$27m to allow franked dividends to continue to be paid
- The company has \$35m of revenue tax losses off balance sheet



# Outlook

- Wealth revenues steady as grandfathered income runs off replaced by growth in FUM/FUA and salaried advice
- Fund inflows to funds management and platforms continue to grow
- General insurance premiums stabilised. Premiums funded growing above market excluding WA which is down slightly on prior year however stabilising
- Funding performance expected to improve as expense base re-adjusts to lower general insurance premium market
- 1Q16 claims and bad debts benign
- Cost reductions executed – salaries, property and bank line fees (full benefit to be seen in 2H16)
- Continuing to pursue acquisition opportunities

# Operational Review

# Wealth –well positioned to grow

## Strong growth industry

- \$2 trillion Australian superannuation market to grow at estimated 7% pa over next 20 years

## Realignment complete

- Wealth completed its realignment in FY15
- Established as a compelling and sustainable partner for client focussed advisers

## Growing FUM and FUA

- FUM up 18% over last two years, FUAd grew by 30%. Wealth has \$2.8bn of Funds Under Management/Administration and targets substantial growth

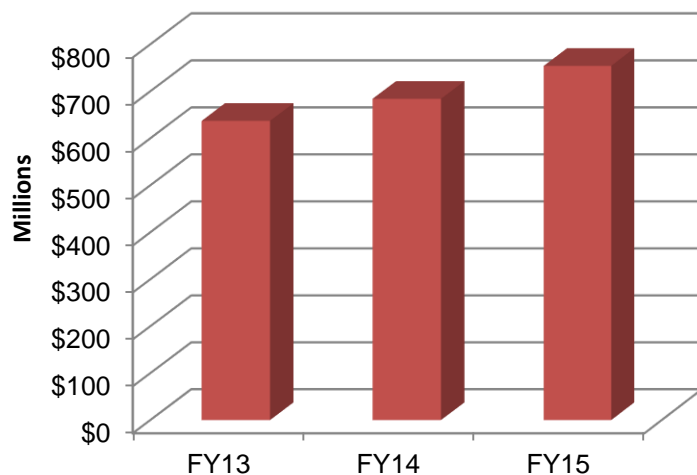
## High barriers to entry

- Difficult for small operators, offshore and fintech competitors to enter due to regulatory and tax complexities
- Wealth business well positioned to grow organically from within its existing network of advisers (>1,500) and > 500 practices

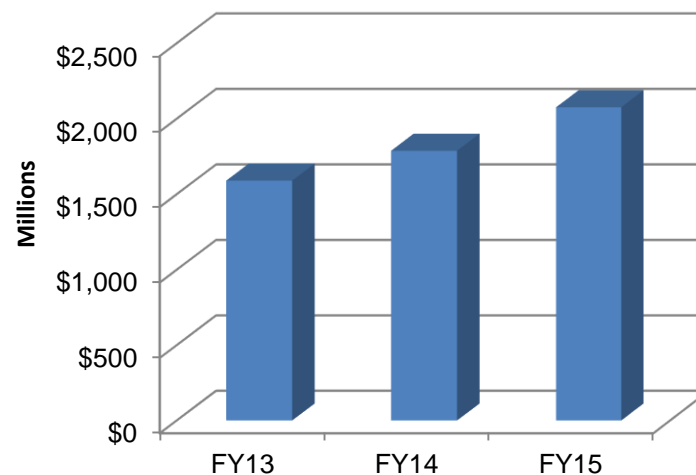
# Wealth – key metrics

\$m	FY13	FY14	FY15	Change FY15 v FY14	
Net flows, FUA	78	27	164	↑	5.1x
Net flows, FUM	(94)	(8)	47	↑	6.7x
Total net flows	(16)	19	211	↑	10.3x
Funds under administration	1,590	1,788	2,076	↑	16%
Funds under management	637	684	754	↑	10%
Total funds invested	2,227	2,473	2,829	↑	14%

**Funds under management**



**Funds under administration**



# Wealth- Growth strategy

- Wealth momentum building steadily with improved operating model
- Organic and inorganic growth opportunities available
- Turnaround initiatives complete. Scale benefits to be realised over coming years

## Organic growth

- Recruit additional practices
- Grow salaried advice offering
- Increase FUM/FUA

## Inorganic growth

- Acquire bolt on practices
- Acquire additional parts of the value chain to maximise margin

# Funding – leading independent player

## Large addressable market

- ~\$5bn pa Australian premium funding market

## Leading independent player

- Largest independent player in industry
- ~30,000 loans, ~\$400m general insurance premiums funded and \$4bn mortgages brokered

## National footprint established

- Shift from WA to national platform completed in FY15
- East Coast growth >20% pa for last three years. NZ market launched in FY16

# Funding – key metrics

	FY13	FY14	FY15	Change FY15 v FY14	
PF loan volume (\$m)	368	445	384	↓	(14%)
Active brokers, end-of-year	269	362	382	↑	6%
Loans	19,800	27,168	28,451	↑	5%
Average size (\$)	18,586	16,380	13,485	↓	(18%)
Net interest margin (%)	5.9%	5.9%	6.2%	↑	5%

- Total loan volume decreased due to soft general insurance premiums combined with competitive pressure in weak WA market
- Grew net interest margin above 6%. Increased NIM offset slightly higher commissions
- Active broker numbers increased and loan numbers increased
- Opportunity to deepen and expand offerings to brokers

# Funding – growth strategy

- Above market growth continuing excluding WA. WA market expected to begin growing in 2Q16
- Operating costs reducing over FY16 and into FY17
- Funding costs reducing as line fees reduced (1 Oct 2015) and facility restructured (Dec 15)
- Mortgage broking simplification and proposition improvement underway. Growth coming from deepening current relationships
- Continuing to pursue acquisition opportunities



# Summary

- Centrepont well positioned in long term growth markets
- Leading independent player
- Invested significantly in developing sustainable growth platforms
- Margin improvement as business builds scale
- Strong capable management team
- Attractive M&A opportunities
- Strong balance sheet
- Good fully franked dividend yield, substantial franking balance and tax assets
- Underlying profit growth expected in FY16

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