

# DIVERSA

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GROUP

8 March 2016

## ASX MARKET RELEASE

### INVESTOR PRESENTATION

Attached is a presentation to be provided to existing and potential investors in Diversa Limited (ASX:DVA) following the release of the Half Yearly Financial Report.

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***About Diversa:***

*Diversa Ltd (ASX: DVA) is an ASX-listed superannuation and investment company. Diversa provides superannuation trustee, administration, promotion and investment services to wholesale clients such as super fund trustees and super fund promoters, including financial advisers and corporates; and also uses those services to provide superannuation and insurance products directly to its retail clients.*

# Diversa Group

INVESTOR PRESENTATION

March 2016

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# Diversa Summary

- Diversa is a superannuation company. The Group provides specialist services to superannuation funds. Specifically:
  - Trustee
  - Fund Administration
  - Fund Promotion and Product Management (including Life & Salary Continuance insurance products)
  - Investment Services

In addition the Group also promotes its own public offer superannuation fund.

- These operations are carried out through 2 business units:
  - Trustee Services - Trustee and Investment Services
  - Superannuation Services - Fund Administration and Promotion and Product Management Services (including insurance products)

# The Superannuation Sector

- Australia has the third largest retirement savings pool in the world (behind USA and UK)<sup>(1)</sup>.
- Superannuation assets have experienced a CAGR of over 11% since 2004<sup>(2)</sup>.
- As at June 2015 superannuation assets total over \$2 trillion, and are forecast to grow to approximately \$3.7 trillion by 2029<sup>(3)</sup>.
- Diversa's exposure is predominantly to the retail sector of the superannuation industry which accounts for approximately 28% of the sector. This is expected to grow to over 32% over the next decade.
- Growth will be driven by government regulation including increasing superannuation guarantee rate and investment returns.

Notes:

(1) Towers Watson Global Pension Asset Study 2015

(2) Sourced from APRA Superannuation Quarterly Bulletins

(3) Based on data from Rice Warner 2015

# Diversa Strategy

- Specialist capability available to clients separately or in combination.
- Potential for multiple revenue streams from a single client/fund.
- Trustee service is typically the gateway to providing other client services.
- Trustee service is now the pre-eminent outsourced commercial trustee providing services to APRA regulated funds.
- The future growth of the business will be driven by a combination of the following factors:
  1. Continued legislated growth in the level of super contributions
  2. Growth in investment markets
  3. Providing further services to existing customers
  4. Market share growth of specific client funds
  5. Increasing the number of employers selecting Diversa's superannuation fund
  6. Further acquisition and consolidation within the industry and our target market

# Financial performance

## Historical financial results & guidance

	2013 \$m	2014 \$m	2015 <sup>(3)</sup> \$m	Dec 2015 6 mths \$m	2016 Guidance
Revenue	4.6	4.4	9.5	6.5	12.5 - 13.5
Expenses	(6.2)	(8.3)	(10.5)	(6.1)	
Results from Operating Activities	(1.6)	(3.9)	(1.0)	0.4	
EBITDA <sup>(1)</sup>	(1.4)	(3.5)	(0.2)	0.9	2.0 - 2.5
Results from underlying operations <sup>(2)</sup>	(1.3)	(1.1)	0.6	1.1	

### Notes:

Complete P&Ls for FY2014, FY2015 and 6 mths to Dec 2015 can be found at Appendix 1.

- (1) EBITDA is earnings before interest, tax, depreciation and amortisation
- (2) Results from underlying operations is EBITDA adding back impairment losses and other expenses - which includes non-operating costs related to acquisitions, due diligence and legal costs and other corporate transaction costs and any non-recurring expenses.
- (3) 30% of TFS was acquired on 1 September 2014. This investment was equity accounted during the 6 mths to Dec 2014 then consolidated for the period of Jan to Jun 2015 due to the nature of the contractual arrangements. The remaining 70% was acquired on 30 June 2015.

# December 2015 - Half Year Results

	Dec 2014 6 mths \$m	Dec 2015 6 mths \$m	Change
Revenue	3.4	6.5	92%
Expenses	(4.0)	(6.1)	52%
Results from Operating Activities	(0.6)	0.4	161%
EBITDA	(0.6)	0.9	254%

- Total revenue for the half year increased by 92% to \$6.5m from prior the corresponding period
- EBITDA improvement of \$1.5m to \$0.9m from the prior corresponding period
- Maiden profit from operating activities of \$0.4m
- Funds under trustee, management and administration up 38% to \$7.9bn from the prior corresponding period
- Strengthened balance sheet with \$7.4m cash reserves (including cash held for regulatory and prudential purposes) at 31 December 2015
- On track to achieve FY16 full year earnings guidance of revenue of \$12.5m to \$13.5m and EBITDA of \$2.0m to \$2.5m.

Notes:

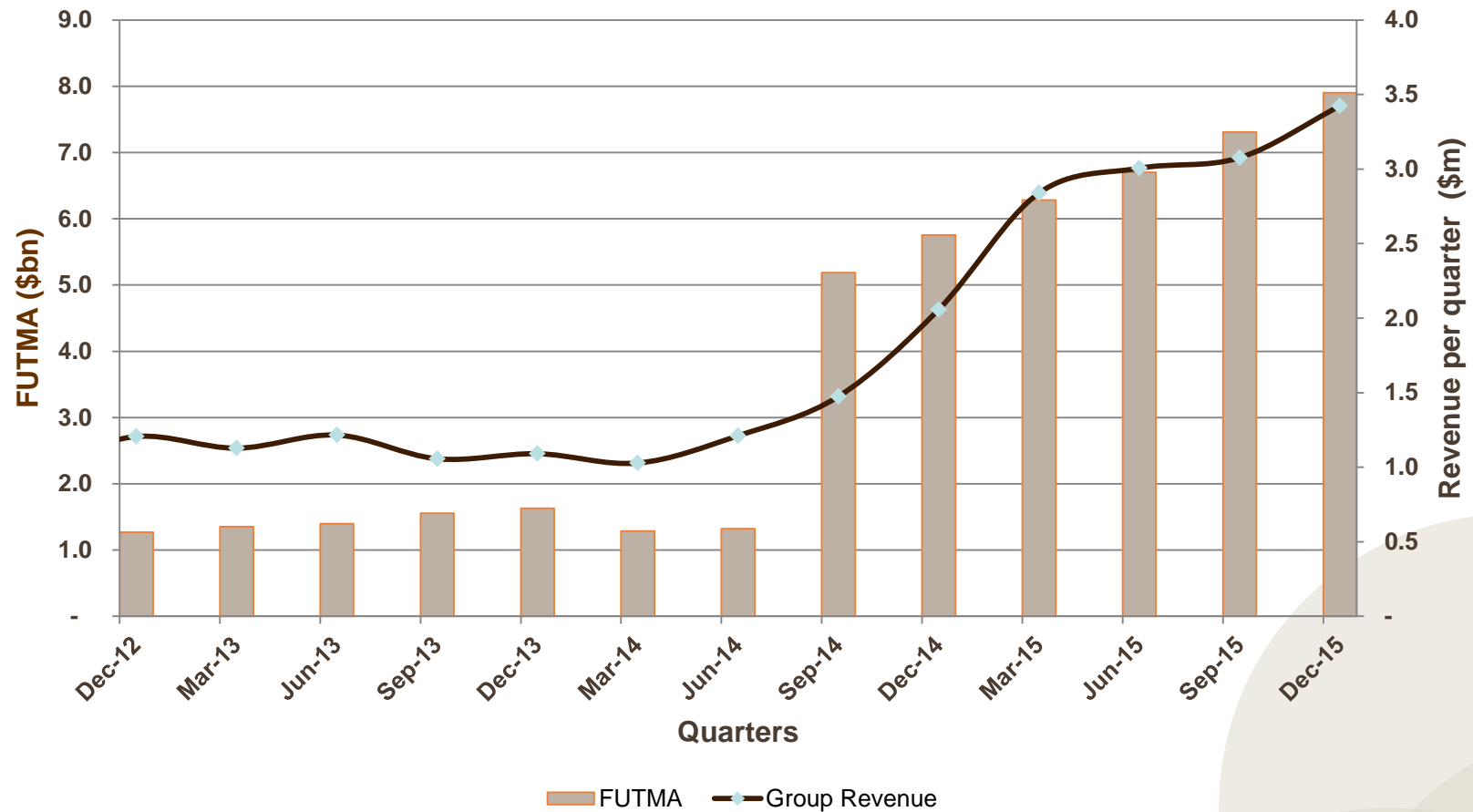
Prior corresponding period is the 6 months to December 2014.



# Recent Achievements

- Transformational period for the Diversa Group.
- Increase in FUTMA serviced from \$1.5bn in July 2014 to \$7.9bn in December 2015.
- Acquired The Trust Company (Superannuation) Ltd - superannuation trustee services in Sept 2014.
- Acquired Tranzact Financial Services Ltd (TFS) - administration, promotion and investment services to the Smartsave 'Member's Choice' Superannuation Master Plan - 30% in Sept 2014 and 70% in June 2015.
- Raised approximately \$11.8m in equity capital to complete the above acquisitions in two stages - \$7.4m in July/August 2014 and \$4.4m in June/July 2015.
- Completed the integration of the Group's two trustee operations.
- Completed the integration of the Group's two super administration operations.
- Finalised funding arrangements with Macquarie Bank to satisfy regulatory capital requirements.
- Continued ongoing improvement in underlying financial performance.
- Cash flow positive from underlying operations from February 2015.

# Revenue and FUTMA Growth



# Current Services & Products

	Trustee Services	Superannuation Services
<b>Services</b>	Act as a third party commercial trustee for a wide range of super funds, including investment consulting services	Provide administration services for super funds, including insurance administration, and promotion and product management services
<b>Employees (FTEs)<sup>(3)</sup></b>	18	28
<b>No. of Clients<sup>(1)</sup></b>	33 funds	5 funds
<b>Total FUTMA<sup>(1)</sup></b>	\$7.0bn	\$0.5bn
<b>Projected FY16 revenue<sup>(2)</sup></b>	\$6.4m+	\$6.1m+
<b>Actual revenue 1H16</b>	\$3.4m	\$3.1m
<b>Actual EBITDA 1H16</b>	\$1.0m	\$0.6m

(1) Some clients are provided more than one service and may be included in more than one business unit

(2) Projected revenue for FY16 is based on 6 mths of actual revenue to December 2015

(3) Does not include directors or 3 corporate employees

Above table does not include the Corporate contribution of an EBITDA loss of \$0.7m for the 6 months

Data is as at 31 December 2015

# Growth Prospects & Outlook

- Trustee Services
  - Current clients have demonstrated strong asset growth<sup>(1)</sup> with collective increase of 43% in FY2013, 34% FY2014, 33% in FY2015 and 24% (annualised) for the 6 months to December 2015.
  - Has significant market position as largest (by number of clients), and most comprehensively resourced provider of outsourced trustee services.
- Superannuation Services
  - On average one new administration client has been successfully taken on every year over the last 6 years.
  - Integration of the TFS business now complete and the reconfiguration of the operations is largely complete which will enable the Group to increase the number and complexity of new clients taken on in the future.

*Capability and capacity in all service offerings are at the highest level since inception.*

- FY16 financial outlook guidance provided in August 2015:
  - Revenue: \$12.5m - \$13.5m
  - EBITDA: \$2.0m - \$2.5m

Currently on track to meet this guidance

Notes:

(1) 12 months to 30 June of each respective year, may not have been Diversa clients for the entire period

# Board and Executive

Directors	Executives
Ron Dewhurst - Non-executive Chairman	Vincent Parrott - Managing Director
Stephen Bizzell - Non-executive Director	Rob Chmielewski - Head of Trustee Services
Matthew Morgan - Non-executive Director	Andrew de Vries - Head of Super Services
Garry Crole - Non-executive Director	Angus Craig - CFO and Company Secretary
Vincent Parrott - Managing Director	

# Corporate Information

Shareholders	Number of Shares (m)	%
Directors + Executives	9.6	16%
Thorney Opportunities Ltd	7.1	12%
Empshore Pty Ltd	5.5	9%
Posse Investments	3.0	5%
Other shareholders	34.1	58%
<b>Total</b>	<b>59.3</b>	<b>100%</b>

ASX information	
ASX Code	DVA
Share price <sup>(1)</sup>	\$0.51
12 month trading range <sup>(1)</sup>	\$0.39 - \$0.60
Market capitalisation <sup>(1)</sup>	\$30m

Notes:

(1) as at 29 February 2016

# Investment Highlights

Track Record	Diversa has built a strong service platform and capabilities via acquisition, subsequent enhancement and integration
Large Attractive and Growing Market	Diversa is well placed to capitalise on the continued growth of the superannuation sector
Scalable Infrastructure	Client capture has been increasing steadily. The scalable infrastructure will now enable this to accelerate over the next few years
Improved Financial Position	Profitable underlying business operations enable the strong organisational capability that has been built up over recent periods to be better leveraged for business growth initiatives
Organic Growth	The Group continues to work on a number of additional revenue streams including attracting new clients and revenue growth through offering additional services to existing clients
Growth by Acquisition	Will consider acquisitions which add scale and benefits of synergies to Diversa's existing operations

# Appendix 1: Financial Results

Financial Period	2014 <sup>(1)</sup> 12 mths \$m	2015 <sup>(1)(3)(4)</sup> 12 mths \$m	Dec 2015 <sup>(1)</sup> 6 mths \$m
<b>Revenue</b>	<b>4.4</b>	<b>9.5</b>	<b>6.5</b>
Administrative expenses	(1.4)	(2.6)	(1.8)
Amortisation and depreciation	(0.4)	(0.8)	(0.5)
Occupancy expenses	(0.3)	(0.5)	(0.3)
Personnel expenses	(3.9)	(6.2)	(3.4)
Impairment losses	(2.3)	nm <sup>(2)</sup>	nm <sup>(2)</sup>
Other expenses	(0.1)	(0.4)	(0.1)
<b>Results from operating activities</b>	<b>(3.9)</b>	<b>(1.0)</b>	<b>0.4</b>
Net finance expenses	(0.9)	(1.0)	(0.8)
Profit/loss of associates	nm <sup>(2)</sup>	nm <sup>(2)</sup>	-
<b>Loss before income tax</b>	<b>(4.8)</b>	<b>(2.1)</b>	<b>0.4</b>
<b>EBITDA<sup>(5)</sup></b>	<b>(3.5)</b>	<b>(0.2)</b>	<b>0.9</b>
<b>Results from underlying operations<sup>(6)</sup></b>	<b>(1.1)</b>	<b>0.6</b>	<b>1.1</b>

Notes:

- (1) Audited or audit reviewed financial results as reported to ASX.
- (2) nm means not meaningful: in this case less than \$50k.
- (3) TTCSL was acquired on 1 September 2014 and accordingly 10 months of operations are included in the June 2015 period
- (4) 30% of TFS was acquired on 1 September 2014. This investment was equity accounted during the 6 mths to Dec 2014 then consolidated for the period of Jan to Jun 2015 due to the nature of the contractual arrangements. The remaining 70% was acquired on 30 June 2015.
- (5) EBITDA is earnings before interest, tax, depreciation and amortisation
- (6) Results from underlying operations is EBITDA adding back impairment losses and other expenses - which includes non-operating costs related to acquisitions, due diligence and legal costs and other corporate transaction costs and any non-recurring expenses.



# Appendix 1: Balance Sheet

Balance Sheet	30 June 2015 <sup>(1)</sup> \$m	31 Dec 2015 <sup>(1)</sup> \$m
Current assets	7.3	<b>9.5<sup>(2)</sup></b>
Non current assets	13.3	<b>12.1</b>
Total assets	20.6	<b>21.6</b>
Current liabilities	8.0	<b>7.8<sup>(3)</sup></b>
Non current liabilities	2.5	<b>2.2<sup>(4)</sup></b>
Total liabilities	10.5	<b>10.0</b>
Net assets	10.1	<b>11.6</b>
Equity	10.1	<b>11.6</b>

Notes:

- (1) Audited or audit reviewed financial results as reported to ASX.
- (2) Includes \$5.1m held for regulatory and prudential purposes.
- (3) Includes deferred acquisition liabilities of \$1.3m and a loan facility for prudential purposes of \$3.8m.
- (4) Includes deferred acquisition liabilities of \$2.0m.

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