

# DIVERSA

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GROUP

2 June 2016

ASX MARKET RELEASE

## INVESTOR PRESENTATION

Attached is a presentation provided to the UBS Australian Emerging Companies Conference in Sydney today by Mr Vincent Parrott, Managing Director of Diversa Limited (ASX:DVA).

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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

UBS AUSTRALIAN EMERGING COMPANIES CONFERENCE

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# Diversa Group

Diversa is a superannuation company that provides specialist services to superannuation funds and promotes its own funds to employer groups and retail investors.

We focus on small to medium sized funds in the ‘independent’ sector of the super industry.

# The Superannuation Industry

- Australia has the fourth largest retirement savings pool in the world.<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>
- Growth will be driven by government regulation including increasing superannuation guarantee rate and investment returns.
- Sectors<sup>(2)</sup>
  - SMSF - 30.1%
  - Retail - 27.2%
  - Industry - 22.1%
  - Public Sector - 17.8%
  - Corporate - 2.8%

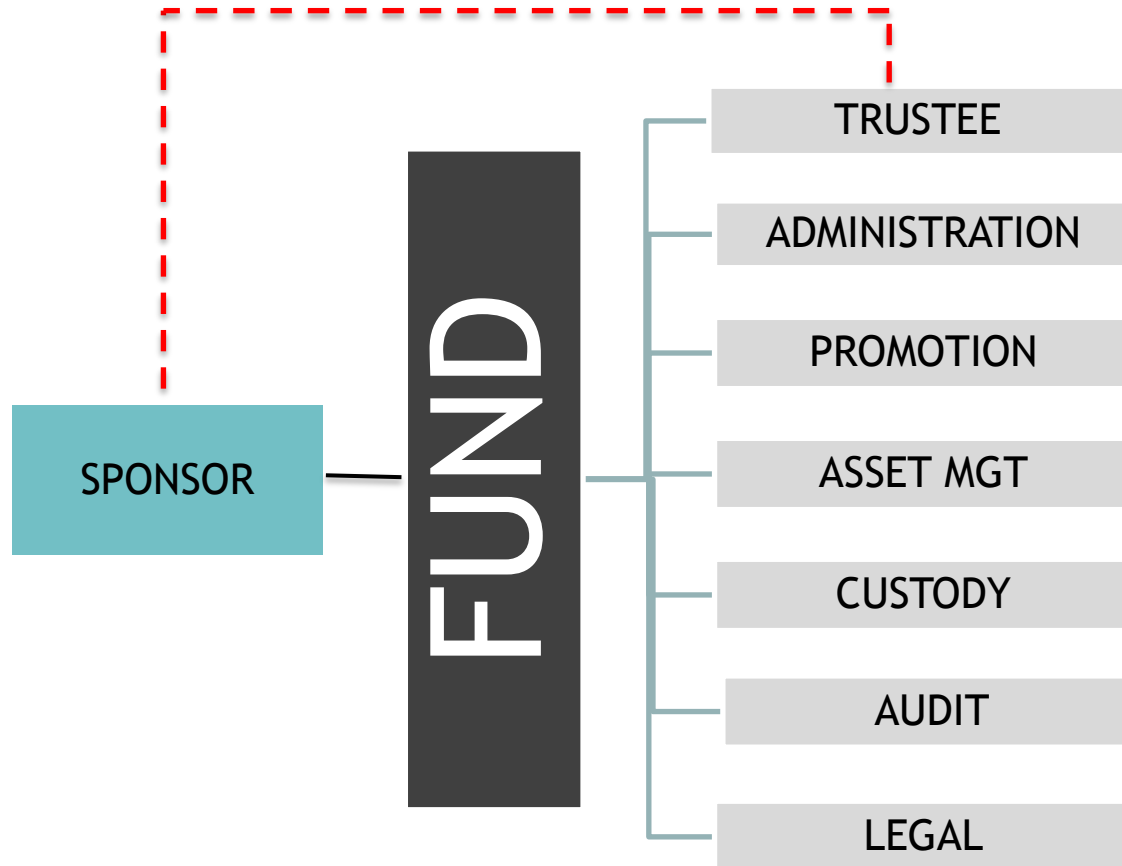
## Notes:

(1) Towers Watson Global Pension Asset Study 2015

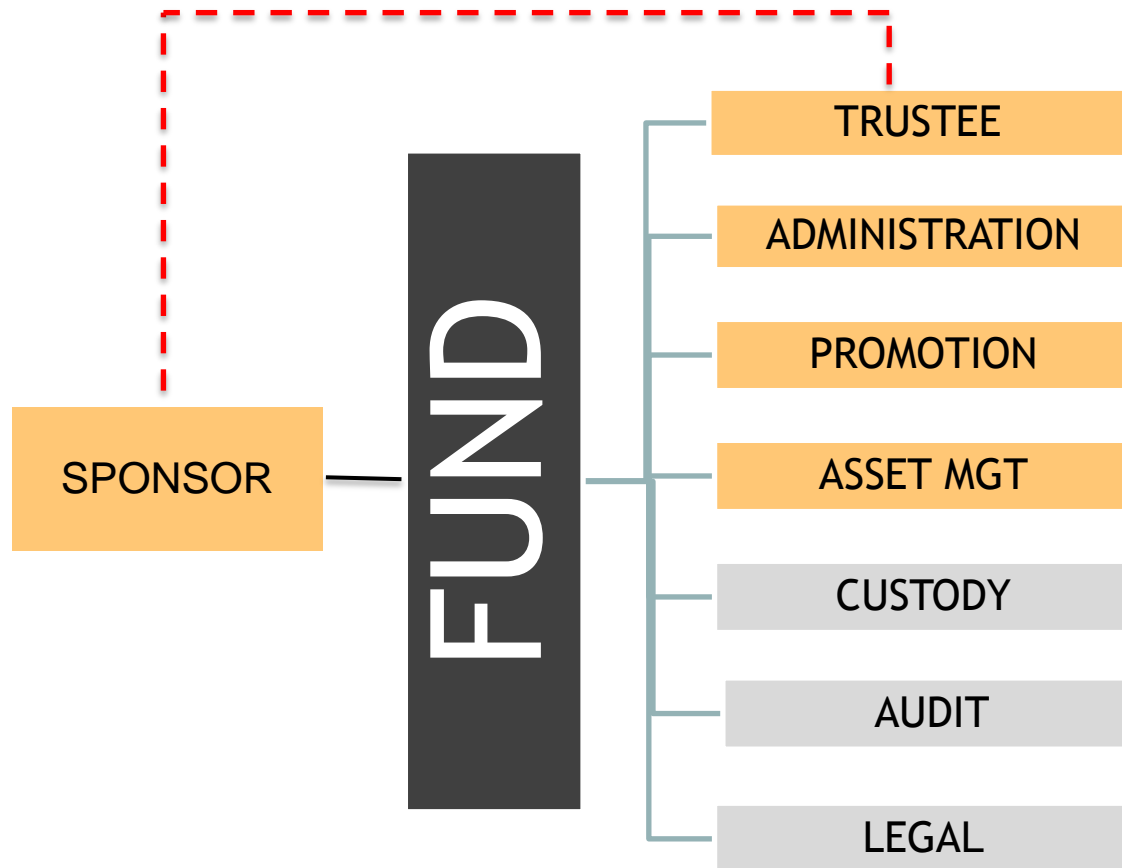
(2) Sourced from APRA Superannuation Bulletins

(3) Based on data from Rice Warner 2015

# Superannuation Services



# Diversa Superannuation Services



# Diversa Business Model

- Revenue is mostly generated as a percentage of funds under trusteeship, management and administration (FUTMA) and to a lesser degree client/member numbers.
- Specialist capability has been built to be available to clients separately or in combination.
- This provides the Group with the potential for multiple revenue streams from a single client/fund through cross selling opportunities.
- Trustee service is typically the gateway to introducing additional services to existing clients.
- The Groups trustee service is now the pre-eminent outsourced commercial trustee providing services to APRA regulated funds.

# Fees and Revenue

Operation	Trustee Services	Fund Administration	Promotion & Product Management	Investment Services	TOTAL
Fee Basis	% FUT	% FUA Member Numbers	% FUA Fixed Fee	% FUM	
Indicative fees <sup>(1)</sup>	8-10 bp	30-60 bp \$ per member pa	10-15 bp	20-30 bp	60-100 bp

## Notes:

(1) Indicative fee levels are noted for illustrative purposes. Actual amounts may be greater or lower than these indicative levels depending on the individual client circumstances.

FUT = Funds under Trusteeship

FUA = Funds under Administration

FUM = Funds under Management

bp = basis points



# Target Market

Diversa clients fall mostly in the 'independent' and retail sector of the superannuation market

- Retail superannuation master trusts (~\$75bn)\*
  - specifically established to be independent of and compete with the institutionally owned platforms
    - Trustee Services
    - Super Administration
- Smaller corporate, retail or industry super funds (~\$20bn)\*
  - specific desire to remain independent of the major groups and large funds
    - Trustee Services
    - Super Administration
    - Fund Promotion and Product Management
    - Investment Consulting
- Small employer groups (~\$5bn)\*
  - seeking independence from the large industry suppliers
    - Diversa promoted public offer super funds

\* Diversa estimates

# Diversa Operations

	Trustee Services	Superannuation Services
<b>Services</b>	Act as a third party commercial <b>trustee</b> for a wide range of super funds, including <b>investment consulting services</b>	Provide <b>administration</b> services for super funds, including insurance administration, and <b>promotion and product management services</b>
<b>Employees (FTEs)<sup>(3)</sup></b>	18	25
<b>No. of Clients<sup>(1)</sup></b>	30 funds	4 funds
<b>Total FUTMA<sup>(1)</sup></b>	\$7.6bn	\$0.5bn
<b>Projected FY16 revenue<sup>(2)</sup></b>	\$6.5m+	~\$6.0m

Notes:

(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 estimated on the actual revenue to March 2016

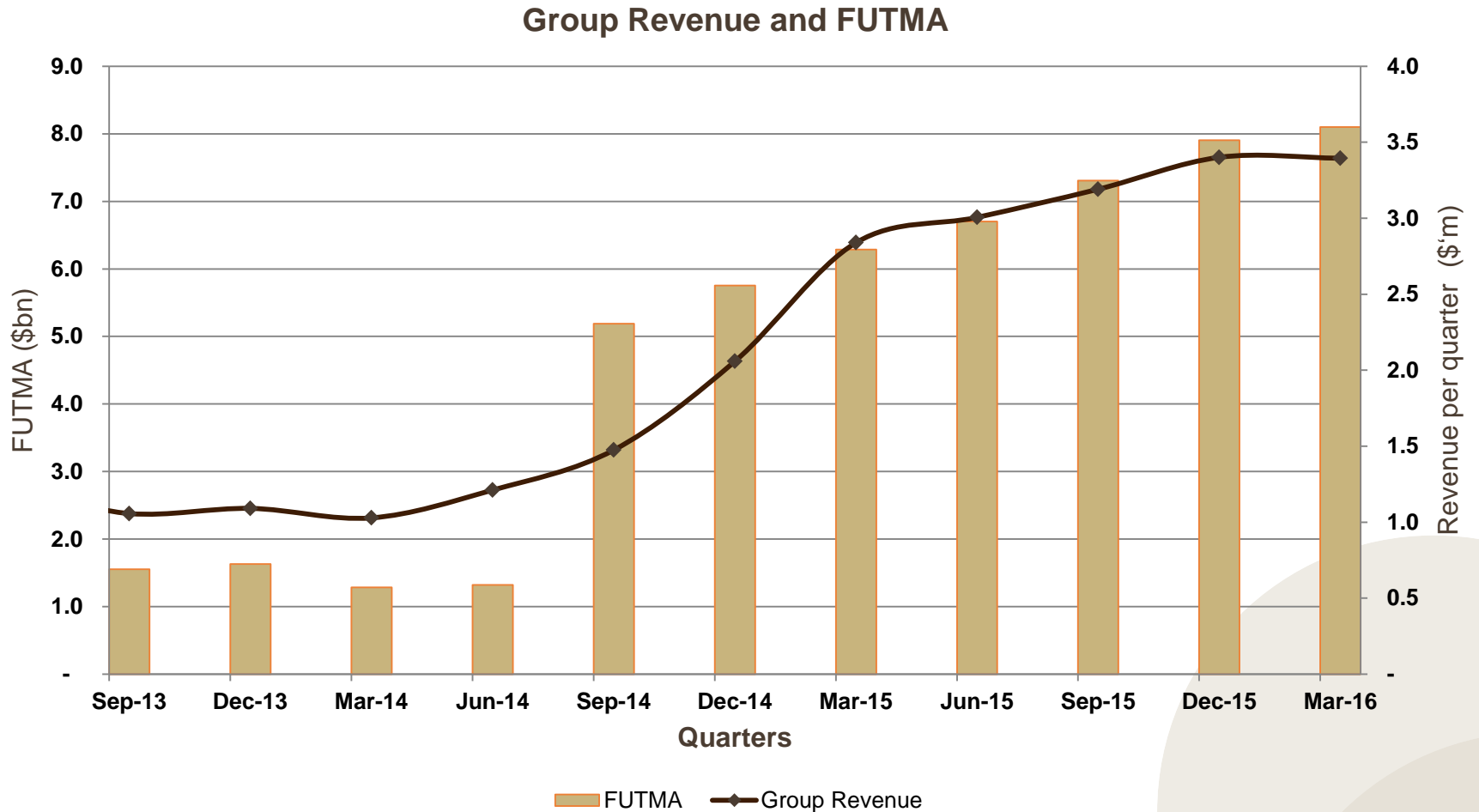
(3) Does not include directors or 3 corporate employees

Data is as at 31 March 2016

# Recent Achievements

- Transformational period for the Diversa Group.
- Increase in FUTMA serviced from \$1.5bn in July 2014 to \$8.1bn in March 2016.
- 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.
- Continued ongoing improvement in underlying financial performance.
- Cash flow positive from underlying operations from February 2015.

# Revenue and FUTMA Growth



# Financial performance

## Historical financial results & guidance

	2014 \$m	2015 <sup>(3)</sup> \$m	2016 Guidance
Revenue	4.4	9.5	12.5 - 13.5
Expenses	(8.3)	(10.5)	
Results from Operating Activities	(3.9)	(1.0)	
EBITDA <sup>(1)</sup>	(3.5)	(0.2)	2.0 - 2.5
Results from underlying operations <sup>(2)</sup>	(1.1)	0.6	

### Notes:

- (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.

# Financial performance

Financial results for the 6 months

	Dec 2014 \$m	Dec 2015 \$m	Change
Revenue	3.4	6.5	92%
EBITDA <sup>(1)</sup>	(0.6)	0.9	254%
Results from Operating Activities <sup>(2)</sup>	(0.6)	0.4	161%

- Total revenue for the half year increased by 92% to \$6.5 million from the prior corresponding period
- EBITDA improvement of \$1.5 million to \$0.9 million from the prior corresponding period
- Maiden profit from operating activities of \$0.4 million
- Funds under trustee, management and administration up 38% to \$7.9 billion 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:

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# Growth

Diversa's growth over the medium term will be driven by:

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. Securing new clients
  6. Increasing the number of employers and retail clients selecting Diversa's superannuation funds
  7. Further acquisition and consolidation within the industry and our target market.
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- Medium term revenue growth: 10-12%
  - Cost growth: 3-4%
  - EBIT margin: 30-35%

# 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



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[www.diversa.com.au](http://www.diversa.com.au)

ASX Code: DVA