

# DIVERSA

GROUP

29 August 2016

## ASX MARKET RELEASE

### FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016

#### Key points:

- ) Continued strong growth in underlying FUTMA
- ) Total revenue for the year increased by 46% to \$13.9 million from the prior corresponding period
- ) EBITDA of \$3.0 million, a \$3.2 million improvement from the prior corresponding period
- ) Maiden profit from operating activities of \$2.0 million

The board of Diversa Limited (ASX: DVA) ('Diversa') has today released its financial results for the year ended 30 June 2016.

#### Financial Performance

A summary of the Group's financial performance is as follows:

	12 mths to June 2016	6 mths to June 2016	6 mths to Dec 2015	12 mths to June 2015
Revenue	\$13.9m	\$7.4m	\$6.5m	\$9.5m
Results from operating activities	\$2.0m	\$1.6m	\$0.4m	(\$1.0m)
<i>EBITDA</i>	<i>\$3.0m</i>	<i>\$2.1m</i>	<i>\$0.9m</i>	<i>(\$0.2m)</i>
<i>Earnings from underlying operations</i>	<i>\$3.1m</i>	<i>\$2.1m</i>	<i>\$1.0m</i>	<i>\$0.6m</i>

A more detailed analysis and explanatory notes can be found at Schedule 1.

#### Integration of transformational acquisitions

During the prior year, the Company completed two acquisitions, which have transformed the Group, materially strengthening the Group's trustee and administration operations, namely:

- ) The acquisition of Diversa Trustees Limited (formerly The Trust Company (Superannuation) Limited) a third party superannuation trustee business in September 2014. This business has been successfully integrated with the Group's existing superannuation trustee operation.
- ) The acquisition of Tranzact Financial Services Pty Ltd (TFS) which provides administration, promotion and investment services to the Smartsave Member's Choice Superannuation Master Plan. This acquisition was completed in stages, with Diversa gaining 100% control on 30 June 2015, and since that time the operations have been merged with the Group's existing superannuation administration, promotion and investment services operations.

The financial impacts of these acquisitions can be seen in the improvement in the financial results for the 2016 financial year. Most pleasingly, the continued trend of improvement in revenue, results from operations, and EBITDA is highlighted in the second half of the year, demonstrating the successful integration and continuing improvements in operational efficiency.

## Continued Growth in Funds

As advised on 22 July 2016, funds under trusteeship, management and administration (FUTMA) serviced by the Diversa Group continue to experience growth with FUTMA serviced as at 30 June 2016 growing to \$8.7 billion compared to \$7.0 billion at 30 June 2015 (including the TFS acquisition which settled in 30 June 2015). Growth achieved this year has been through a combination of solid contribution inflows and investment returns.

FUTMA serviced has grown at an annualised rate of approximately 35%, since the acquisition of the Diversa Trustees business in September 2014.

A summary of the Group's service offering and client numbers can be found at Schedule 2.

## Funding

To partly fund the acquisitions noted and to provide working capital, Diversa has raised \$2.36m by way of an entitlement offer in July 2015.

Diversa also sourced funding to meet some prudential capital requirements in relation to its trustee business including:

- Further advances from a \$5m loan facility with Macquarie Bank Limited
- Entering into funding arrangements with the Promoters of three client superannuation funds to provide funding relating to these funds totalling \$2.7m
- The provision of a further \$1.1m of cash from its existing resources

As a result of the funding noted above, the Group holds approximately \$10.0m for prudential and regulatory capital purposes, in the form of cash and cash equivalents, as at 30 June 2016 (30 June 2015 \$3.4m). The external funding arrangements are at no net cost to Diversa.

During the period, the Group had a bank guarantee facility with Macquarie Bank Limited in the amount of \$5m to satisfy a RSE Licence condition for Diversa Trustees. The bank guarantee facility expired on 30 June 2016, and as a result of achieving the Operational Risk Financial Requirement compliance, this facility is no longer required. This will result in significant cash flow savings for the Group from 1 July 2016 (the cost in 2015 was \$0.5m).

## Proposed Merger with OneVue

On 14 June 2016, the Company and OneVue Holdings Limited (OneVue) announced that they had entered into a Scheme Implementation Deed, under which it is proposed that OneVue will acquire all of Diversa's ordinary shares under a Scheme of Arrangement (Scheme). The proposed Scheme will bring together two businesses with a shared vision of capitalising on the growth in the superannuation services market by offering comprehensive and quality superannuation, trustee and fund administration services. The Boards of both Diversa (in the absence of a superior proposal) and OneVue have each unanimously agreed to support the transaction. The proposed Scheme is anticipated to be implemented in October 2016, subject to fulfilment of certain conditions, including obtaining the approval of Diversa shareholders at a meeting to be held on 20 September 2016, and obtaining Federal Court orders approving the Scheme.

## Looking forward

In the event that the proposed merger does not proceed, Diversa will look to further capitalise on its strengthened infrastructure and capability, quality service offering and improved financial position, and will continue to attract new clients and provide additional services to existing clients where appropriate. Client's funds are expected to continue to grow however noting that FUTMA is also partly a function of the future direction of financial markets.

In the event that the proposed merger does proceed, OneVue have outlined their intentions for the combined group in the Scheme Booklet dated 12 August 2016.

Given the proposed merger with OneVue, and the changes that are likely to result from that merger, no financial guidance for FY2017 is being provided at this time.

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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.*

## Schedule 1

### Analysis of reported Profit and Loss

Financial Period	2016 Audited 12 mths	June 16 Extrapolated 6 mths	Dec15 Audit reviewed <sup>(1)</sup> 6 mths	2015 Audited <sup>(1)</sup> 12 mths
	\$M	\$M	\$M	\$M
<b>Revenue</b>	<b>13.9</b>	<b>7.4</b>	<b>6.5</b>	<b>9.5</b>
Administrative expenses	(3.1)	(1.3)	(1.8)	(2.6)
Amortisation and depreciation	(1.1)	(0.5)	(0.5)	(0.8)
Occupancy expenses	(0.6)	(0.3)	(0.3)	(0.5)
Personnel expenses	(6.8)	(3.5)	(3.4)	(6.2)
Impairment losses	Nm <sup>(2)</sup>	Nm <sup>(2)</sup>	Nm <sup>(2)</sup>	Nm <sup>(2)</sup>
Other expenses	(0.3)	(0.2)	(0.1)	(0.4)
<b>Results from operating activities</b>	<b>2.0</b>	<b>1.6</b>	<b>0.4</b>	<b>(1.0)</b>
Net finance expenses	(1.7)	(0.9)	(0.8)	(1.0)
Profit/loss of associates	-	-	-	Nm <sup>(2)</sup>
<b>Statutory Profit/(Loss) before income tax</b>	<b>0.3</b>	<b>0.7</b>	<b>(0.4)</b>	<b>(2.0)</b>
<b>EBITDA</b>	<b>3.0</b>	<b>2.1</b>	<b>0.9</b>	<b>(0.2)</b>
<b>Results from underlying operations<sup>(3)</sup></b>	<b>3.1</b>	<b>2.1</b>	<b>1.0</b>	<b>0.6</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) Results from underlying operations is the Results from operating activities adding back 'Amortisation and depreciation', Impairment losses and, 'Other expenses' which includes non-operating costs related to acquisitions, due diligence and legal costs and other corporate transaction costs. In 2016 a non-cash and non-operating fair value adjustment recognised as revenue has also been deducted. In 2015, results from underlying operations also added back certain non-recurring expenses incurred by the former owner of the TFS business.
- (4) TFS was consolidated for the period 1 January to 30 June 2015 due to the accounting treatment required given the nature of the contractual agreements between the vendor and Diversa, however Diversa did not have operational control of TFS until 30 June 2015 when it became the 100% owner.

Some numbers may not add exactly due to rounding.

## Schedule 2

### Summary of the Group's client numbers and FUTMA

Services provided area as follows:

- Trustee Services: acts as a third party commercial trustee for a wide range of superannuation funds
- Fund Administration: provides administration services for superannuation funds including insurance administration
- Promotion and Product Management: provides promotion services and product management for administered funds (including insurance products)
- Investment Services: Provides investment consulting services to funds for which the Group acts as trustee

	Trustee Services	Fund Administration <sup>(4)</sup>	Investment Services
<b>30 June 2015<sup>(3)</sup></b>			
Employees (FTEs)	17	28	3
No. of Clients <sup>(1)</sup>	34	6	3
Total FUTMA <sup>(1)</sup>	\$6.2bn	\$0.5bn <sup>(2)</sup>	\$0.3bn
<b>30 June 2016</b>			
Employees (FTEs)	17	24	3
No. of Clients <sup>(1)</sup>	31	4	2
Total FUTMA <sup>(1)</sup>	\$7.8bn	\$0.5bn <sup>(2)</sup>	\$0.4bn

Notes:

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

(2) Fund administration revenue may be earned on a number of, and combination of, basis, not only based on FUTMA.

(3) Includes TFS acquisition completed 30 June 2015.

(4) Includes promotion and product management activities and insurance administration services.

Data as at 30 June 2016.