

Investor Presentation: Lachlan Partners joins SFG Australia

22 February 2013

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All numbers are as at **30 June 2012** unless otherwise stated. Numbers may not add due to rounding.

Definitions

FUA: Funds under Advice, which are funds balances upon which the Group derives a share of the advice fee.

FUAdmin: Funds under Administration, which are funds balances upon which the Group derives a share of the administration margin.

FUM: Funds under Management, which are funds balances upon which the Group derives a share of the management margin.

FUMA: Collective term for Funds under Advice, Administration and Management.

Operating EBITDA: Earnings before interest, tax, depreciation and amortisation, before one-off and non-operating items.

SMSF: Self Managed Superannuation Fund.

Underlying NPAT and EPS excludes amortisation and one-off, non-operational items from Reported NPAT and EPS. SFGA considers this to be a meaningful indicator of the underlying performance and cash generating capability of the Group.

LP or Lachlan Partners: Lachlan Partners Pty Ltd.

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Summary

Lachlan Partners joins SFGA



Enhancing the value proposition for family office, HNW & private company clients

- SFG Australia has entered into binding agreements to acquire 100% of Lachlan Partners (*LP*)
- LP is an integrated accounting, tax, business advisory, SMSF and financial advice group with over 55 accountants and financial advisors in Melbourne, Sydney and Brisbane
- LP is strategically and culturally aligned with SFGA, sharing a client first focus
- SFGA believes that the services required of accountants and financial advisors as trusted advisors to HNW client families are converging – this is the core strategic rationale underlying SFGA's interest in acquiring these capabilities
- Upfront consideration of \$23m, and a further \$9.2m in deferred consideration subject to performance hurdles. Consideration composed of a combination of cash and scrip
- Key people have executed employment contracts with SFGA, and the LP brand will be maintained
- Given the strategic nature of the acquisition, expense synergies expected to be minimal at net \$0.5m by the end of FY16¹
- Expect to achieve revenue synergies over time from the ability to enhance the LP wealth management value proposition, as well as expanding the services provided to both Shadforth and LP clients across accounting, financial advice and wealth management
- The acquisition will be effective on 1 March 2013 and is expected to be Underlying EPS accretive to SFG Australia shareholders in FY14

1. Annualised and gross of integration costs, and including the impact of planned investment spend to upgrade the merged group's technology, connectivity and systems.

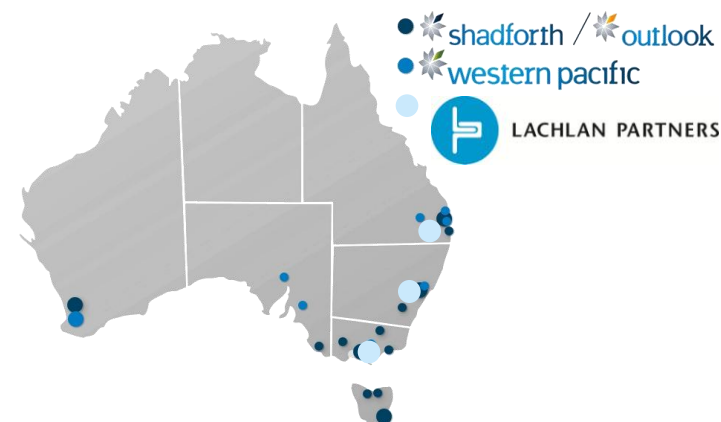
OVERVIEW OF LACHLAN PARTNERS & STRATEGIC RATIONALE

Overview of Lachlan Partners



- LP is an integrated fee for service accounting, tax, business advisory, SMSF, and financial advice group, employing over 55 accounting professionals, wealth and property advisors, as well as 33 management and support staff
- LP has been formed through the merger of complementary, quality and successful businesses, with some tracing their heritage back to 1925
- Holistic approach to advice – proven track record of cross-referral of accounting and wealth clients
- Accountants and advisors are remunerated via a salary and bonus model

Metropolitan, east coast presence

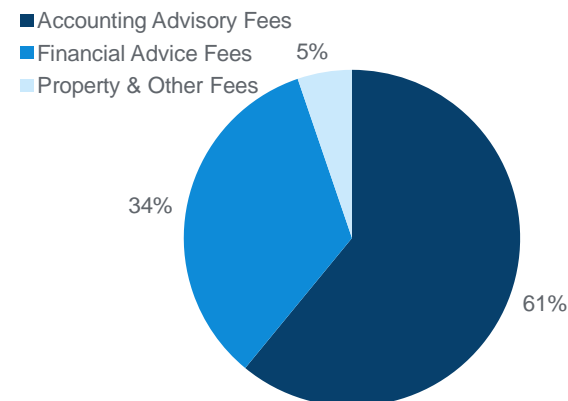


Integrated, multi-disciplinary advice model

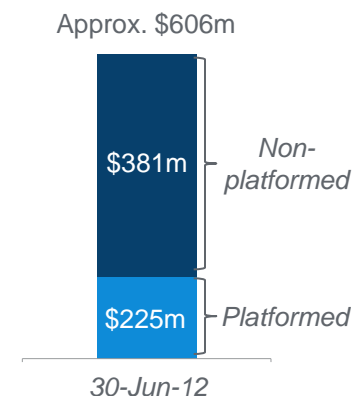
- Services provided include Accounting, Tax and Audit; Business Advisory; Property Advisory; SMSFs; Wealth Management; and Personal and Business Insurance Advisory
- Core client base consists of approximately 2,400 client groups, including private companies, professionals, entrepreneurs, SMSFs, and high net worth clients

FY12 Revenue by Service & FUA

Revenue composition



FUA



Overview of Lachlan Partners



Financial performance & revenue drivers

\$m	FY12 Normalised
Accounting Advisory Fees	9.9
Financial Advice Fees	5.5
Property Advisory & Other Fees	0.8
Total Net Operating Revenue	16.2
Personnel expenses	(8.5)
Other expenses	(3.5)
Total Net Operating Expenses	(11.9)
Operating EBITDA	4.2

Operating EBITDA Margin	26%
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- Accounting Advisory Fees are derived from typical accounting based services, including advisory, taxation, income tax returns, SMSFs and audit services
- Financial Advice Fees are predominantly fee for service: 60% are fixed fees based on an agreed amount at the commencement of a year of service, and do not move with asset values. The remaining 40% of Financial Advice Fees are asset-based
- LP has approximately \$606m in Funds under Advice as at 30 June 2012, of which \$225m is administered via platforms, which predominantly are not SFGA's main platforms. LP does not earn any Portfolio Administration or Management Fees
- Property Advisory & Other Fees represent fees generated by the provision of property advocacy, property management and fees earned on special projects

Strategic rationale



Enhancing the value proposition for family office, HNW & private company clients

- **Convergence of the services required of financial advisors and accountants as trusted advisors to HNW client families:** this is the core strategic rationale underlying SFGA's interest in acquiring quality capabilities in accounting and tax
- **Strategic & cultural alignment:** highly complementary business models and strategically aligned
- **Significantly enhances SFGA's capability, providing the opportunity to broaden and deepen service offerings:** adds to recent family office and accounting firm mergers. Proven accounting and wealth integration model can be used to expand the services provided to the combined Group's clients across accounting, tax, business advisory, SMSFs, financial advice and wealth management
- **Ability to enhance LP wealth client outcomes:** expected revenue synergy upside from enhancing the wealth value proposition of existing clients of LP with SFGA's expertise and suite of best-of-breed implementation solutions
- **Enhances exposure to SMSF clients:** LP administers approximately 450 SMSFs. SFGA provides financial advice to more than 2,000 SMSF clients. Significant opportunity to bring the SMSF administration and financial advice propositions closer together
- **Adds to the Group's scale in FUA and number of quality advisors** on the east coast of Australia
- **Greater operating scale:** similar geographic presence, operating models and shared services builds the Group's operating scale, generating expected expense synergies in the order of net \$0.5m by end of FY16¹

1. Annualised and gross of integration costs, and taking into account the impact of planned investment spend to upgrade the merged group's technology and connectivity systems.

Fit within the SFG Australia Group



Highly complementary business models



Advice businesses

Professional Advice Model			Affiliate, Licensed Services	B2B Advice Services
<p>LACHLAN PARTNERS</p> <ul style="list-style-type: none"> Private clients & coys Over 55 accountants & advisors 	<p>shadforth Financial Group</p> <ul style="list-style-type: none"> Private client focus 109 employed advisors & accountants <p><i>17* offices nationally</i></p>	<p>outlook Financial Solutions</p> <ul style="list-style-type: none"> Small account balance clients & Corporate Solutions 	<p>western pacific Financial Advisors</p> <p><i>16 practices & 34 advisors nationally</i></p>	<p>actuate Advice Solutions</p> <p><i>Advisor Services, Platforms & Funds</i></p>

Solutions & Support

'Best Advice': IP & Best Practice

Implementation Solutions & Corporatised Support Services

<p>mosaic Portfolio Advisers</p> <p>Portfolio Construction & Management</p>	<p>finHQ Financial Scoreboard</p> <p>Platform Services</p>	<p>shadforth Insurance Brokers</p> <p>Insurance Services</p>	<p>shadforth Financial Group</p> <p>Stockbroking</p>	<p>SFGC Corporate Services</p> <p>Corporate Services</p>
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As at 31December 2012. *LP has 3 offices.

KEY TERMS, CONSIDERATION STRUCTURE & INTEGRATION PLANS

Key transaction terms



- Effective date 1 March 2013
- No changes to Lachlan Partners' brands, and minimal changes for Lachlan Partners clients
- Key Lachlan Partners people have executed SFGA employment agreements as a pre-condition to entering into the Transaction Agreements. The employment agreements contain the Group's standard restraints of trade
- Transaction Agreements also include restraint of trade and restrictive covenants with respect to existing and prospective clients for vendor employees
- No regulatory approvals required

Consideration structure



Consideration structured to incentivise for teamwork & performance

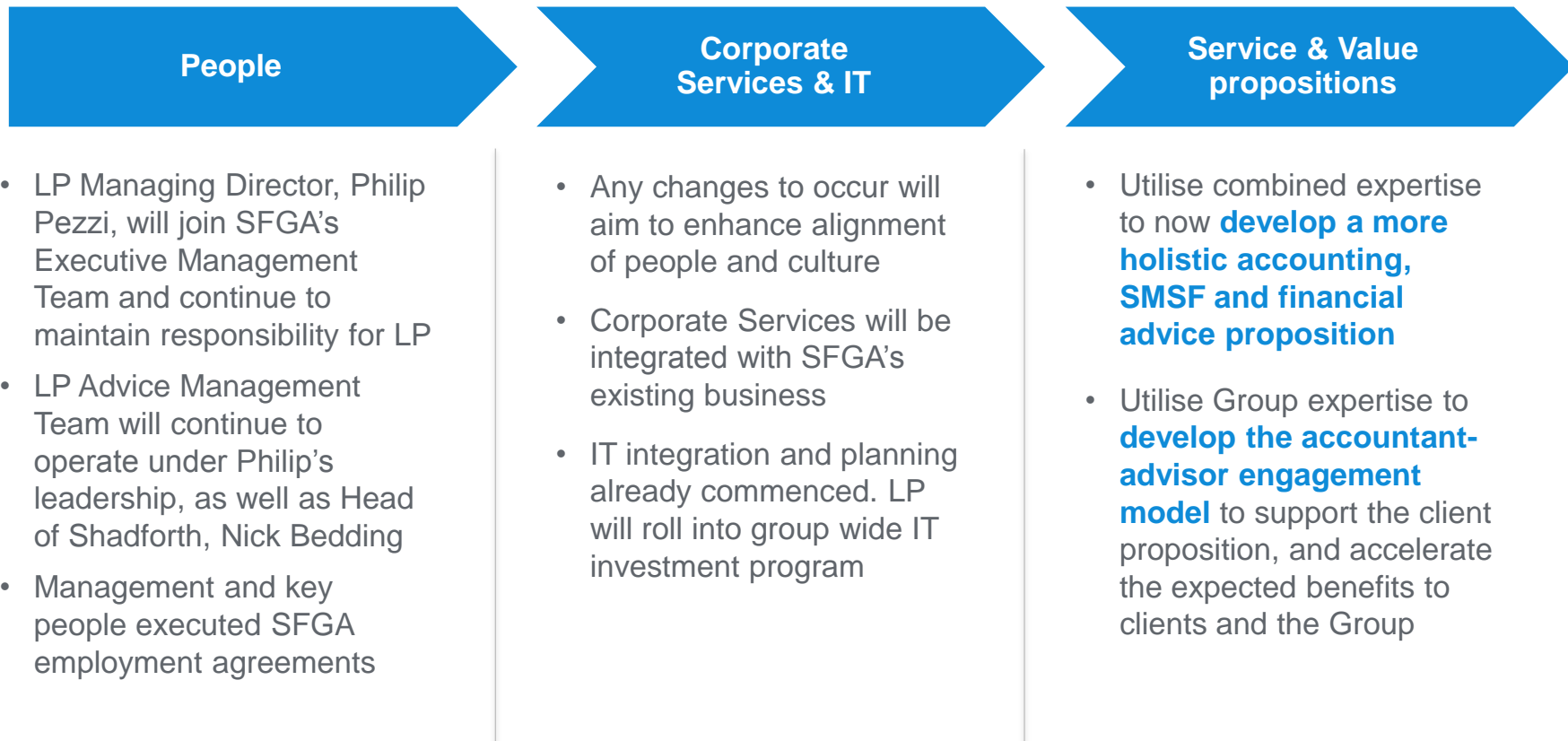
Total consideration	\$23m – \$32.2m in nominal terms
Upfront consideration	<ul style="list-style-type: none">• \$23m: \$20m in cash (funded through existing debt facility) and \$3m in scrip (4.9m shares issued on completion date¹)• Proceeds used to re-pay LP debt and remainder paid to shareholders, who are largely the partners in the business
Deferred consideration	<ul style="list-style-type: none">• \$9.2m in deferred payments subject to revenue performance hurdles, paid in scrip• Schedule of potential payments: Feb-14: \$2.8m; Feb-15: \$3.1m; Feb-16 \$3.3m• ‘Catch-up’ mechanism in place for a short fall in FY14 or FY15
Cash, scrip & escrow arrangements	<ul style="list-style-type: none">• Approximately 80% of total proceeds received by shareholders who are partners in the business will be in the form of scrip• Escrow arrangements: 50% escrowed for one year, and 50% for two years from issue
Implied historical multiples²	<ul style="list-style-type: none">• FY12 Normalised Operating Revenue: \$16.2m → Implied historical multiple of Normalised Operating Revenue: 1.4x• FY12 Normalised Operating EBITDA: \$4.2m (excluding net synergies and integration costs) → Implied historical EV/EBITDA multiple: 5.4x

1. Share issuance to be based on 30 day VWAP 5 days prior to Announcement Date. 2. Multiples are calculated based on the upfront consideration (\$23m).

High level integration plans



Integration to occur over next 12 – 18 months



SUMMARY

Summary



Strategic, + capability & scale

- Shared **client first focus**, strategically aligned and complementary business models
- **Significantly enhances capabilities** for both groups
- Continues to **build scale** in number of HNW and SMSF clients, FUA and operations

Quality people

- Increases the Group's number of **quality accountants & financial advisors**
- Key people executed SFGA employment contracts
- **Further expands SFGA's experienced management team** to drive growth

Underlying EPS accretive

- Consideration structured to **incentivise for performance**
- **Underlying EPS accretive** to SFGA shareholders in FY14 – effective 1 March 2013
- **Expense synergies** expected to be net \$0.5m by FY16¹, **with revenue synergy upside**

Maintain M&A capacity

- Integration to occur over the next 12 – 18 months
- **Continue to have funding capacity** within the Group's debt facility, to fund further M&A
- **Industry presence, quality, national management team** key to attracting right partners

1. Annualised and gross of integration costs, and net of investment spend on IT upgrade.

SFG Australia Limited

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