

29 August 2013

**SFG AUSTRALIA LIMITED**  
**ASX RELEASE**  
(ASX: SFW)

**SFG AUSTRALIA DELIVERS DOUBLE DIGIT EARNINGS GROWTH AND  
INCREASED ANNUAL DIVIDEND PAYMENT**

**Key highlights:**

- **Strong earnings growth:** SFG Australia Limited (**SFGA** or **Group**) today announced a strong result with Operating EBITDA of \$48.1m, up 15% on the prior corresponding period (**pcp**), and Underlying NPAT of \$32.5m, up 14% on pcp.
- **Increase in funds under advice, administration, management and managed portfolios (FUMA):** FUMA growth in FY13 reflecting favorable market movements in the domestic and global equity markets, the acquisition of Lachlan Partners and several tuck-ins during the year.
- **Strategic acquisition of Lachlan Partners:** integration and the build out of combined capabilities to develop an integrated and seamless SMSF service and high net worth tax offering is underway.
- **High quality, client focused financial advice group:** Shadforth Financial Group named *Money Management* Independent Dealer Group of the Year.
- **Dividend payout lifted:** The Board has determined a final dividend of 1.40 cents per share, reflecting a 40% increase on pcp. This represents a full year payout ratio of 58% for FY13 of Underlying NPAT and is within SFGA's target range of 50-70% of Underlying NPAT.
- **Well positioned for future organic and acquisitive growth:** Strong operating cash flow and increased debt facility of \$25m with St George Bank enables SFGA to proactively seek quality, strategic, value accretive partners consistent with its M&A strategy.

Financial highlights	FY13	Δ FY12
Net Operating Revenue	\$134.3m	↑ 14%
Operating EBITDA	\$48.1m	↑ 15%
Underlying NPAT	\$32.5m	↑ 14%
Reported NPAT <sup>1</sup>	\$24.1m	↑ 113%
Reported NPAT excl. RTFI <sup>2</sup>		↑ 17%
Underlying EPS	4.45c	↑ 13%
Reported EPS <sup>1</sup>	3.30c	↑ 112%
Reported EPS excl. RTFI <sup>2</sup>		↑ 17%
Dividend per share - final	1.40c	↑ 40%
FUA	\$12.6b	↑ 16%
FUAdmin + Managed Portfolios	\$10.1b	↑ 9%
FUM	\$5.0b	↑ 15%

1. The Government reversed the Rights to Future Income (RTFI) legislation in 2H12, which has resulted in a reversal of the RTFI benefits previously booked by the Group.

2. Reported NPAT excl RTFI and Reported EPS excl RTFI illustrate the results excluding the impact of RTFI in FY12, to allow comparability with FY13.

## 2013 Results

Commenting on the result, SFGA Managing Director, Tony Fenning said the Group's result demonstrates good momentum in earnings and solid underlying performance, amidst significant regulatory change and modest but improving equity markets.

Net Operating Revenue for the Group for the year increased 14% to \$134.3m, Operating EBITDA 15% to \$48.1m, and Underlying NPAT 14% to \$32.5m. The growth in earnings reflects the realisation of synergies from the Shadforth/Snowball merger, improved equity market conditions and acquisitions.

"We have continued to grow the business through focusing on our clients and offering the best quality products and services despite being partly distracted by the introduction of extensive government reform," Mr Fenning said.

"We have made considerable progress on our strategy this year with Lachlan Partners joining the Group. We believe the services required of financial advisers and accountants are converging and government reform is also driving these professions together. Lachlan Partners brings the systems and competencies to build out our accounting strategy and expand an integrated and seamless combined service offering for self-managed super funds and high net worth tax needs.

"We invested in the business over the last year on infrastructure and productivity improvements to ensure we have the foundations in place to facilitate further growth and integrate future acquisitions."



During FY13 SFGA reinvested \$5.7m into the business, in the development of finHQ an online client consolidated reporting system, IT infrastructure mainly in Cloud technology, client and adviser systems improvement, migration of clients to better services and products and regulatory reform responses.

The reinvestment in finHQ, IT and client migration were necessary as a pre-requisite to expand our Best Advice journey with our clients into FY14 and beyond. At the heart of the reinvestments are new and improved services and products to our clients, and continued improvement in our overall corporate capabilities.

The Group's funds under advice, administration and management balances at financial year end had improved with positively performing investment markets compared to FY12. While recent acquisitions and the improvement in financial markets in the period were key contributors, the Mosaic managed investment schemes continue to grow organically, with the launch of the Mosaic Strategic Cash Plus Trust and strong net inflow into the Strategic Trusts assisted FUM to grow by 15% to \$5.0bn. Group FUA and FUAdmin balances also experienced solid gains, up by 16% and 9% respectively on FY12.

Commenting on the funds balances, Mr Fenning noted that "The overall improvement in market conditions against last year has had a welcome positive impact on our clients' portfolio balances and assisted in the Group's revenue growth. Client confidence is returning, albeit slowly. We look forward to seeing continued momentum in fiscal year 2014." said Mr Fenning.

Excluding the tax expense impact of the reversal of the RTFI legislation in FY12, NPAT and EPS for FY13 were up 17% to \$24.1m and 3.30 cents per share respectively on pcp.

Underlying EPS of 4.45 cents per share was up 13% on pcp in line with the increase in Underlying NPAT.

The Board has determined a final dividend of 1.40 cents per share, up 40% on pcp. Full year dividends of 2.60 cents per share were up 30% on FY12. This represents a full year payout ratio of 58% for FY13 of Underlying NPAT and is within SFGA's target range of 50-70% of Underlying NPAT.

The dividend is fully franked and is payable on 24 October 2013. The Record Date will be 26 September 2013.

As at 30 June 2013, the Group had \$25.8m in cash available to fund the final dividend payment and other cash requirements. The Group also obtained an addition to its debt facility of \$25m from St. George Bank to fund its expansion strategy.

The strong operating cash flow position sees the Group with adequate cover to meet its regulatory capital and working capital requirements while also funding deferred acquisitions payments due in FY14.



## Strategic Initiatives and Operational Update

### ***Future of Financial Advice reforms***

The Group has successfully implemented the first phase of the Future of Financial Advice (**FoFA**) government reforms. Work continues on the Opt-in requirements and refining processes as appropriate based on observing industry and regulatory standards under the new regime.

### ***Innovative portfolio solutions experiencing strong growth***

The Group's innovative portfolio investment solutions: Managed Portfolio Service (**MPS**) and the Dynamic Portfolio Update Service (**DPU**) portfolios have a total of \$644m in client funds invested as at 30 June 2013, a solid increase against a total of \$267m invested as at 31 December 2012.

Mosaic Portfolio Advisers, the Group's portfolio construction and management business, experienced strong net inflows in the Mosaic managed investment schemes in all core Strategic Trusts during FY13. The Mosaic Strategic Cash Plus Trust launched in late 2012, following the successful launch of the Mosaic Strategic Fixed Interest Trust which now has over \$1.1bn in FUM from the Group's existing clients. The Strategic Cash Plus Trust had received over \$94m in inflows to 30 June 2013.

SFGA has obtained an IDPS license to potentially exercise its rights to become IDPS operator of the SFGA/Colonial Wrap. The Group is also considering applying for an RSE licence to become trustee of the SFGA/Colonial Wrap superannuation vehicle.

### ***Strategic mergers and acquisitions***

The Group's long standing strategy to pursue and deliver attractive transforming and tuck-in transactions continued in FY13. SFGA executed on this strategic intent with the acquisition of Lachlan Partners in February 2013. Other smaller recent tuck-ins include the acquisition of WCorp (Melbourne, January 2013) and ITS, an accounting and tax practice based in Brisbane in February 2013.

The Group recently completed the acquisition of a Western Pacific advice practice based in North Sydney, whose principal adviser joined Shadforth Financial Group in August 2013.

### ***Shadforth Financial Group achieves industry recognition***

SFGA's leading advice business Shadforth Financial Group was recognised in July when the business was named Independent Dealer Group of the Year for 2013 by industry magazine *Money Management*.

Nick Bedding, Head of Shadforth Financial Group said the award is a great milestone in being true to our passion – to be the best advice group in Australia.

“We believe this award can be attributed to our highly qualified and professional financial advisers and their ability to offer solution-based financial advice that is highly valued by our clients. We place a strong emphasis on ensuring our advisers are highly qualified and we have a high percentage of Certified Financial Planners – the industry's highest designation – in our business.” Mr Bedding said.



Winning Independent Dealer Group of the Year comes after three Shadforth Private Client Advisers were ranked in the top 10 and 16 in total recognised in the AFR Smart Investor Masterclass 2013 Top 50 Financial Planners.

### **Looking ahead**

Mr Fenning confirmed the Group's overall strategic direction.

"With the FoFA implementation largely behind the Group, we will continue to focus our efforts on valued outcomes for our clients ensuring our processes and suppliers are "best-of-breed."

"We continue to drive organic growth and to look for expansion opportunities via attractive transforming and tuck-in transactions." he said.

### ***Investor briefing***

Mr Tony Fenning, Managing Director; Mr John Cowan, Chief Operating Officer and Mrs Linda Fox, CFO and Company Secretary will hold an analyst teleconference at 11am (AEST) today, Thursday 29 August 2013.

To participate in the briefing please review the details in the Results Briefing section of the Shareholder Centre on the SFGA website: [www.sfgaustralia.com.au](http://www.sfgaustralia.com.au)

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### **About SFG Australia Limited**

SFG Australia is a leading non-aligned client focused financial advice and end-to-end wealth management firm, listed on the Australian Securities Exchange (ASX: SFW).

SFG Australia provides a full range of wealth management services to high net worth and affluent clients, including strategic financial advice, portfolio administration solutions, portfolio construction and management services, insurance (both general and risk) solutions, finance broking, stockbroking, corporate superannuation services, accounting and tax services.

**Please note: numbers may not add due to rounding.  
All percentages have been rounded to whole percentages.**



## Definitions

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

**FUAdmin:** Funds under Administration, funds upon which the Group derives a share of the administration margin – excludes Managed Portfolios.

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

**MP:** Managed Portfolios, fund balances relating to the MPS and DPU products administered by Avanteos Investments Limited, upon which the Group derives a portfolio construction fee.

**Underlying NPAT:** Underlying Net Profit After Tax excludes amortisation and one-off, non-operational items. SFGA considers this to be a meaningful indicator of the underlying performance and cash generating capability of the Group.

**Underlying EPS:** Underlying Earnings per Share, which is Underlying NPAT divided by the weighted average number of shares outstanding over the period.

