



2013/2014 Full Year Results

Chris Price – Managing Director

Tim Rogers – Chief Financial Officer

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The information contained in this document is not intended to be exhaustive and must be considered in conjunction with all other publicly available information disclosed by the Company to the Australian Stock Exchange from time to time

Strategic Focus of Last Six Months

Business Stabilisation For Future Growth

- Clarity of vision and strategy
- Enhanced positioning by individual Firms for target markets
- Clearer focus on client value and staff retention

Simplified Operating Structure

- Improved decision making
- Lowered management costs

Firm Empowerment with Clearer Overall Strategic Intent

- Focus on benefits of belonging to a major accounting and financial planning network

Principal Re-engagement and Re-alignment with Vision and Strategy

- Internal measures demonstrate significant improvement

Improved operating cash flow utilised to reduce net debt

Mission

Why we exist

It will always be about helping our people and our clients achieve their goals

Vision

What we aim to achieve

Every person, every day, supported towards growing a dynamic, integrated advisory business

Guiding Principles

How we plan to achieve vision
Group, Firm and Team

Growing great relationships
Pride in belonging
Seriously connected to our clients and communities

Living Our Trademarks

What we stand for and how we behave

Courage
Ownership
Unity

Enduring Foundations

How we differentiate from our competition,
what you do locally

Talented People, developed, empowered
Client Centric Culture
Operational Excellence

Crowe Horwath Australasia



About Crowe Horwath International



Results Overview

Earnings

- Normalised EBITA of \$16.3m in line with guidance. FY13 \$26.5m
- Business Services revenue down 3% on pcp. SME sector remains subdued
- Financial Services revenue down 2% on pcp. Underlying revenue up 6%
 - Sale of 50% of Melbourne Financial Services business to its advisors completed in February 2014
- Non-cash impairment charge of \$90.7m booked recognising the period required to rebuild earnings and the current market capitalisation
 - Following impairment net asset backing per share now 64.9 cents
- NPAT excluding non cash impairment is \$2.5m (FY13: \$7.0m)
 - Overall cost savings offset inflationary pressure but not full impact of revenue decline

Improved Cash Flow

- Operating cash flow at \$14.4m is \$3.7m better than pcp. Working capital stronger

Financial Position

- Net Debt at \$46.3m. Down \$6.2m from FY13: \$54.5m.
- No final dividend recognising business performance for FY14
- Future dividends - policy of 70% of cash earnings unchanged but subject to ongoing review

Full Year Operating Performance

Operating Revenue		2013/14 \$m	2012/13 \$m	Growth %
■ Business Services	(1)	301.8	311.3	(3)%
■ Financial Services	(2)	92.4	94.6	(2)%
Total Revenue		394.2	405.9	(3)%
less Expenses	(3)	(364.5)	(369.7)	(1)%
Net Contribution from Member Firms		29.7	36.2	(18)%
less Overheads	(3)	(13.4)	(9.7)	38%
Normalised EBITA		16.3	26.5	(38)%
less Transaction Costs (net of tax)		(0.4)	(0.9)	
less Redundancy Costs (net of tax)		(1.1)	(4.2)	
less Rebrand Costs (net of tax)		(0.7)	-	
less Non-Cash Onerous Lease (net of tax)		(0.8)	-	
EBITA		13.3	21.4	(38)%
less Interest Expense		(4.7)	(4.8)	(2)%
less Tax		(3.2)	(6.9)	(54)%
less Amortisation of Intangible Assets		(2.9)	(2.7)	7%
Net Profit before impairment of goodwill		2.5	7.0	(64)%
less Impairment of goodwill	(4)	(90.7)	-	-
Net Profit		(88.2)	7.0	-
Full Year Dividend per share	(5)	-	5.5¢	-

(1) Difficult conditions in the SME sector ongoing. Residual impact of slightly higher Principal turnover in recent years

(2) Underlying Financial Services revenue increased by 6% on pc. Decrease in reported revenue result of sale of 50% of the Melbourne Financial Services business in February 2014

(3) Overall cost savings offset inflationary pressure but not revenue decline (some reclassification between expenses and overheads)

(4) Non-cash impairment of goodwill reflecting the recent market capitalisation and the period required to rebuild earnings

(5) No FY14 dividend was declared reflecting business performance

Operating Cash Flow Summary

	2013/14 \$m	2012/13 \$m	Increase / (Decrease) \$m
Normalised EBITA	16.3	26.5	(10.2)
<i>less</i> non-recurring cash costs (1)	(3.2)	(7.2)	4.0
<i>plus</i> Depreciation	6.1	5.7	0.4
EBITDA	19.2	25.0	(5.8)
<i>add / (less)</i> Working Capital Movement (2)	1.7	(7.1)	8.8
Cash flow from Operations before Interest & Tax	20.9	17.9	3.0
<i>less</i> Interest Paid	(4.3)	(4.2)	(0.1)
<i>less</i> Tax Paid	(2.2)	(3.0)	0.8
Cash Flow from Operations	14.4	10.7	3.7

(1) Lower one-off cash costs as prior year major projects complete

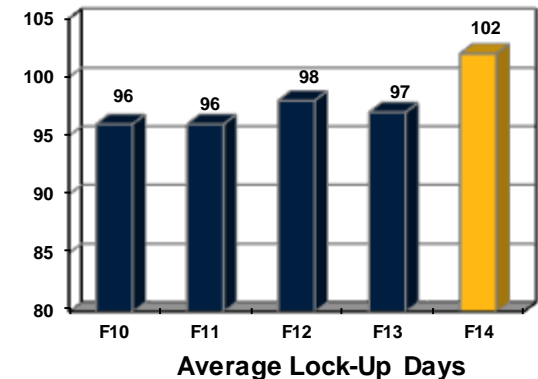
(2) Tight management of working capital during the year released operating cash

Prior year cash flow impacted primarily by FY12 and FY13 restructuring costs

Balance Sheet Analysis

Balanced Financial Position

		2013/14 \$m	2012/13 \$m
Cash		9.7	11.8
Plant and Equipment		21.9	21.1
WIP (net) and Trade Debtors (gross)	(1)	97.1	98.8
Borrowings			
Secured Bank Loans	(2)	52.4	60.1
Leasing & HP		3.6	4.3
Net Debt	(3)	46.3	52.6
Shareholder Funds		177.1	264.7
Gearing (Net Debt / Shareholder Funds)	(4)	26%	20%



(1) Year-end lock up closed at 77 days one day better than pcg

Average lock up days increased as firms managed capacity with lower staff numbers in the first half of the year. As predicted at half year lock up improved towards the end of the year as annual work completed

(2) Significant undrawn bank facilities available at year end

(3) Large reduction in net debt achieved primarily from an improvement in operating cash flow and no FY14 dividends

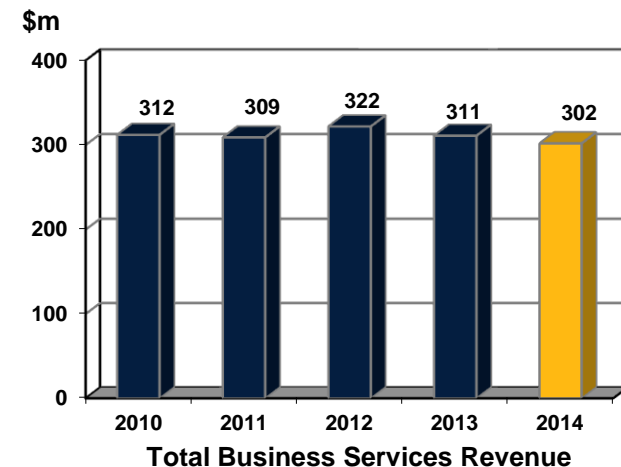
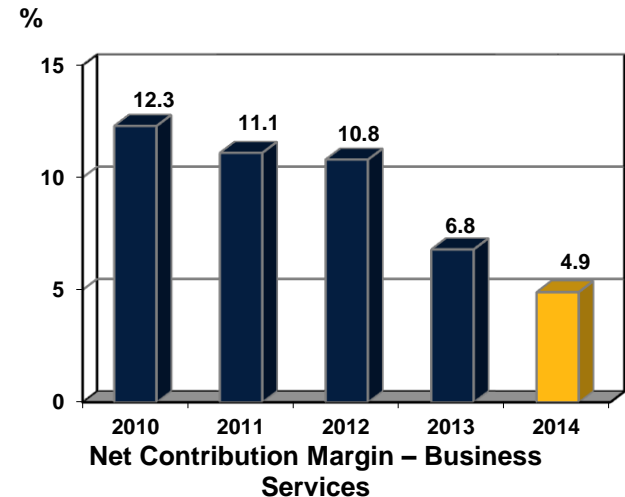
(4) Gearing increased as a result of the non-cash impairment of goodwill recorded in the year. Gearing remains in the Board approved gearing range of 10%-30%.

Business Services Performance

Business Services		2013/14 \$m	2012/13 \$m	Growth %
Revenue	(1)	301.8	311.3	(3)%
less Expenses		(287.1)	(290.2)	1%
Net Contribution		14.7	21.1	(30)%
Net Contribution Margin		4.9%	6.8%	

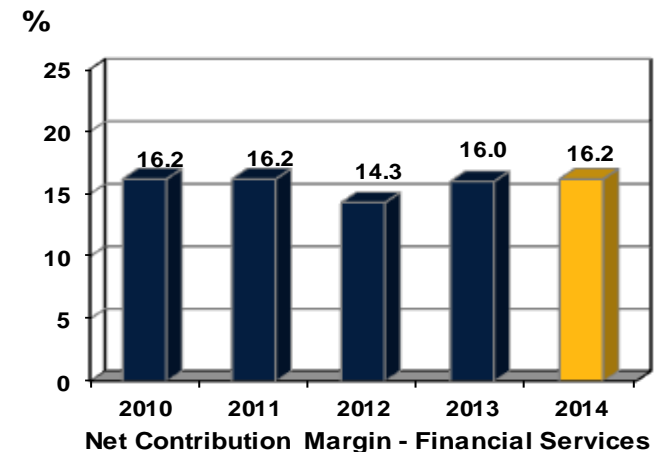
(1) Revenue and margin impacted by effects of continuing difficult advisory market and residual impact of principal departures in recent years. Some increase to corporate advisory activity towards the end of the year was encouraging.

	2013/14 \$m	2012/13 \$m	Growth %
Compliance / Advisory	216.9	225.7	(4)%
Specialist Tax	27.2	27.5	(1)%
Audit	49.4	50.7	(3)%
Corporate Advisory	8.3	7.4	12%
	301.8	311.3	



Financial Services Performance

Financial Services	2013/14 \$m	2012/13 \$m	Growth %	Underlying Growth % (continuing business)
Revenue				
Financial Planning – on-going	44.7	45.5	(2)%	9%
Financial Planning – up-front	6.1	7.2	(15)%	(10)%
Total Financial Planning	50.8	52.7	(4)%	7%
Risk Insurance	7.6	8.5	(11)%	(5)%
General Insurance	3.8	3.2	19%	19%
Finance Broking	8.0	8.0	-	12%
Self Managed Super Fund Administration	22.2	22.2	-	5%
Total Revenue	92.4	94.6	(2)%	6%
Plus Post Tax Profit Share from Joint Venture	0.4	-	100%	
less Expenses	(77.8)	(79.5)	2%	4%
Net Contribution	15.0	15.1	(1)%	11%
Net Contribution Margin	16.2%	16.0%		

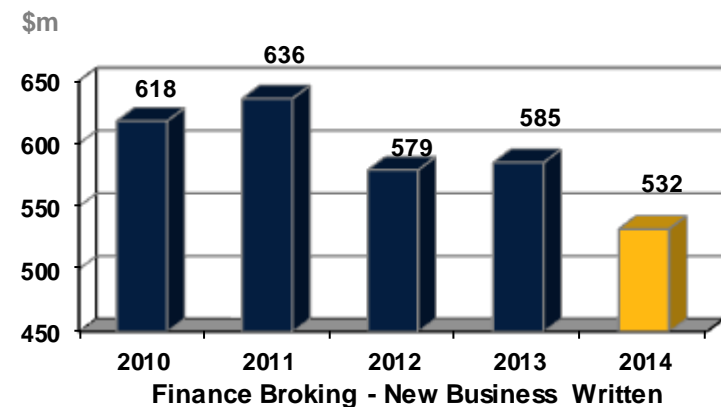
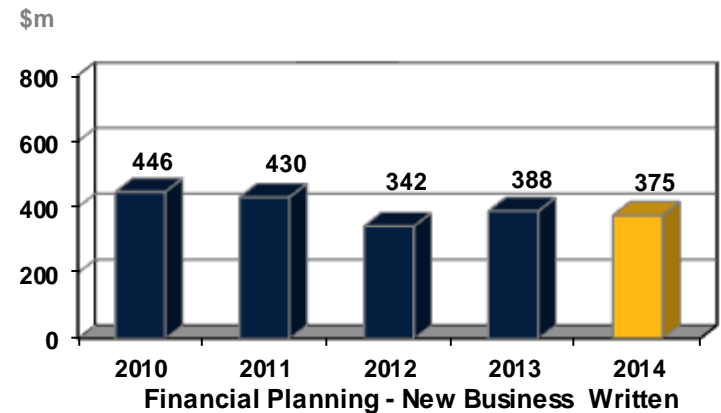


- Underlying Growth % for continuing business excludes the performance of the Melbourne Financial Services business from the prior year and the first seven months of the current year
- Strong underlying revenue growth achieved in all service lines with the exception of risk insurance
- SMSF business highly profitable. Considerable investment is occurring to re-engineer for efficiency and growth

Financial Services Analysis

Funds Under Advice	\$m
30 June 2013	6,990
▪ New business written	375
▪ Outflows	(344)
▪ Melbourne Divestment (at 100%)	(1,084)
▪ Net market movement	590
30 June 2014	6,527
50% interest in Melbourne Financial Services business	542

Loans Under Administration	\$m
30 June 2013	2,722
▪ New business written	532
▪ Loans refinanced / repaid	(466)
▪ Melbourne Divestment (at 100%)	(426)
30 June 2014	2,362
50% interest in Melbourne Financial Services business	213



FY15 Outlook

- Findex discussions ongoing
- Business confidence in the SME market remains uncertain, although there are some encouraging early signs
- Our Strategy Remains Constant with Additional Focus Areas for Next 6 Months
 - Continuing improvement in operating cash flow
 - Connectivity to international network
 - SMSF automation, cloud accounting, performance analytics
- Revenue and Margin growth expected from increased stability in Principal group
 - Increased alignment with shareholder interests through potential use of LTI's

Our service offering

Audit

- Audit and Assurance
- Corporate Governance
- Internal Audit and Risk Consulting

Tax

- Specialist Tax Advice
- Business Structuring
- GST, State and Indirect Taxation
- International Tax and Expats
- Research & Development
- Customs and Excise

Advisory

- Accounting
- Business Advisory
- Corporate Finance
- Forensic Accounting
- Business Recovery
- Performance Consulting
- Mergers and Acquisitions

Financial Advice

- Estate and Succession Planning
- Financial Advisory and Wealth Management
- Lending and Finance
- Risk and General Insurance
- Superannuation and SMSF

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