

## MEDIA RELEASE

28 February 2013

### SFG AUSTRALIA LIMITED (ASX: SFW)

#### SFG AUSTRALIA DELIVERS SOLID 1H13 RESULTS

#### CONTINUES TO ATTRACT QUALITY MERGER PARTNERS TO ENHANCE CLIENT SERVICES & SHAREHOLDER VALUE

##### Key highlights:

- **Delivered solid underlying earnings growth despite difficult market conditions:** SFG Australia (**SFGA** or **Group**) delivered a solid 1H13 result with Operating EBITDA of \$22.8m, up 14% on the prior year, and Underlying NPAT of \$15.5m, up 14%, assisted by the completion of synergies and acquisitions;
- **Growth in funds under advice:** Funds under advice, administration and management experienced good gains during the half, assisted by improving markets;
- **Executing the strategy of investing in organic growth initiatives and maintaining focus on strategic M&A opportunities:** SFGA realized remaining announced synergies from the Shadforth/Snowball merger, and recently announced the addition of Lachlan Partners to the Group on 22 February 2013;
- **WHK discussions continue:** indicative, conditional and non-binding proposal submitted to WHK.

Financial highlights	1H13	△1H12
Net Operating Revenue	\$63.5m	▲ 10%
Operating EBITDA	\$22.8m	▲ 14%
Underlying NPAT	\$15.5m	▲ 14%
Underlying EPS	2.13c	▲ 14%
Dividend per share (fully franked)	1.20c	▲ 20%
FUM	\$4.7bn	▲ 16%
FUAdmin	\$10.0bn	▲ 9%
FUA	\$11.6bn	▲ 8%



## 1H13 Results

### ***A solid result delivering underlying earnings growth***

Commenting on the result, SFGA Managing Director, Tony Fenning said it was pleasing that the company had achieved such a sound result despite the continued challenging, albeit improving market conditions.

“We have been deliberately investing in the business and our people to support our organic growth initiatives, while successfully executing on some key, strategic transactions that cement the Group’s strategy, and benefit clients, our staff and shareholders.”

“Recent improvements in market conditions have had a welcomed positive impact on our clients’ portfolio balances and if sustained, will assist in revenue growth,” said Mr Fenning.

In 1H13, the Group’s clients’ funds under advice, administration and management balances were assisted by positively performing investment markets compared to 1H12. The launch of the Mosaic Strategic Cash Plus Trust and continued strong performance of the Mosaic Strategic Fixed Interest Trust assisted Group FUM to grow by 16% to \$4.7bn. Group FUAdmin and FUA balances also experienced solid gains compared to 1H12, up by 9% and 8% respectively, mainly due to the improved market conditions.

Net Operating Revenue for the Group for the half increased 10% to \$63.5m, Operating EBITDA 14% to \$22.8m, and Underlying NPAT 14% to \$15.5m. The increases were assisted by the improved market conditions and sound contributions from the Group’s businesses, as well as the material revenue and expense synergies achieved from the completed mergers and acquisitions.

Excluding the impact of the Rights to Future Income (*RTFI*) legislation in 1H12, NPAT and EPS for 1H13 were up 6% to \$10.6m and 1.46 cents per share respectively.

Underlying EPS of 2.13c per share was up 14% in line with the increase in Underlying NPAT.

The Board has determined a fully franked interim dividend of 1.20c per share, up 20% on pcp, and consistent with the Group’s payout ratio guidance of 50 – 70% of Underlying NPAT.

As at 31 December 2012, the Group had \$22.9m in cash (net cash of \$16.5m) available to fund the interim dividend. The consideration paid for recent acquisitions has been funded by SFGA’s existing bank facility.

SFGA has now also fully achieved the upgraded synergies from the Shadforth/Snowball merger, being \$10.5m pre-tax, annualized and gross of integration costs. The full run-rate of the synergies will be evident in the Group’s FY14 earnings.





## Strategic Initiatives and Operational Update

### *Strategic mergers and acquisitions*

The Group was pleased to announce that Lachlan Partners joined the SFG Australia Group on 22 February 2013. Lachlan Partners is a highly complementary and strategically aligned integrated accounting, tax, business advisory, SMSF, and financial advice business. Lachlan Partners services family office, HNW and private company clients from its offices in Sydney, Melbourne and Brisbane.

SFGA's core strategic rationale underlying the Lachlan Partners merger is that it believes that the services required of financial advisers and accountants are converging. It is SFGA's view that HNW and private company clients are demanding a more integrated service offering that covers their accounting and tax requirements, while also effectively managing their cashflows and getting the right structure and advice when it comes to accumulating wealth, planning for their retirement and managing their estate.

Being able to service SFGA's clients and support our merger partners to service their clients more holistically and seamlessly is the key driver behind SFGA's interest in strengthening its quality accounting, tax and SMSF capability. SFGA has executed on this strategic intent with other recent mergers with Jeena Partners (Melbourne, Nov-11), Life Financial Services and Spencers Accountants (Ballarat, Jun-12), and most recently, a small accounting and tax practice (ITS) based in Brisbane, which shared many clients with Shadforth Financial Group in Brisbane.

The Group also announced the acquisition of a quality HNW advice practice based in Melbourne in late December, whose principal adviser and staff joined Shadforth Financial Group's Southbank office in January this year. The practice has approximately \$158m in funds under advice, which is predominantly administered on the BT platform.

As announced to the market on 25 February 2013, SFGA has provided WHK Group Limited (**WHK**) with an indicative, non binding proposal that envisages a friendly, no control merger, with shared board and management. SFGA believes a friendly scrip for scrip merger will deliver substantial synergies and unlock significant value for both sets of shareholders. The initial, indicative merger ratio is reflective of this.

SFGA and WHK are strategically aligned and highly complementary and the combined businesses would have a market capitalization of at least \$700 million, based on yesterday's closing prices.

### *FinHQ: an online client portal*

During 1H13, SFGA launched its new web-based client initiative, 'FinHQ', to select Shadforth Financial Group clients as the new online location to get access to their portfolio and consolidated reporting needs. In November 2012, FinHQ also launched its integrated, direct, online broking services to existing clients of FinHQ.





FinHQ is the Group's response to progressively changing client behaviours and the desire to access their portfolio and insurance assets "anytime, anywhere, anyhow". Over time, FinHQ will progressively become the consolidated view of a client's portfolio and an online "broker" marketplace for other financial products and services, with the next planned service release of a life insurance broking platform expected in 2H13.

The Group's badged platforms, Symetry Portfolio Service (operated by Colonial First State Custom Solutions) and BT Wrap (operated by BT) are being progressively re-branded as FinHQ. In time, the SFGA clients using the Group's main platforms will be viewing their investment details through the FinHQ portal, further strengthening the Group's relationships with these clients and building brand awareness.

### ***Innovative portfolio solutions gaining traction with clients***

The Group recently launched two innovative, tailored and transparent, fee-based portfolio investment solutions to its clients and advisers: the Managed Portfolio Service (**MPS**) and the Dynamic Portfolio Update Service (**DPU**). The MPS is a managed discretionary account service and the DPU is similar, except the client retains control of the periodic changes to their portfolio. The MPS and DPU portfolios have a total of \$267m in client funds invested as at 31 December 2012, mostly from existing clients of the Group.

Mosaic Portfolio Advisers, the Group's portfolio construction and management business, launched the Mosaic Strategic Cash Plus Trust in late 2012, following the successful launch of the Mosaic Strategic Fixed Interest Trust in 1H12, which now has over \$900m in FUM from the Group's existing clients. The Strategic Cash Plus Trust had received over \$60m in inflows to 31 December 2012.

### ***Shadforth Financial Group achieves industry recognition for quality advice***

Shadforth Financial Group is SFGA's main private client advice business. Shadforth Private Client Advisers again excelled this year in the 2013 Australian Financial Review Smart Investor Masterclass awards, with 3 Shadforth Advisers being ranked in the Top 10 nationally, and 16 Shadforth Advisers and a Western Pacific Adviser ranking in the Top 50 nationally.

### ***Developing a leading small account solution and being a trusted adviser to corporate clients***

Outlook Financial Solutions is the Group's offer to small account balance and corporate superannuation clients, supported by a scalable national team of Financial Advisers, Corporate Relationship Managers and a centralised Client Engagement team.

The advice proposition aims to provide a simple and easy way to obtain basic, scaled and timely financial advice, at the right price. The model has been specifically tailored for corporates, corporate partners, employees and for the general public, and is to ensure clients can access quality, low cost advice as they build their wealth.





## ***Governance changes***

It was announced by the Company today that, as part of the SFGA's board succession planning, current Chairman Eric Dodd, having served as Chairman for 3 years, will step aside on the 30th of April 2013 to be succeeded by current independent director Peter Promnitz. Mr Dodd will remain on the SFGA board as an independent director.

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

The Group is currently digesting the known detailed legislation and regulations, and retaining its options to deal with areas where changes are still incomplete.

---

For investor enquiries please contact:

**Tony Fenning**  
Managing Director  
02 9250 1500

**Ashleigh Nelson**  
Investor Relations  
02 9250 1527

For media enquiries please contact:

**John Hurst**  
Cannings Corporate Communications  
0418 708 663

**Laura Vize**  
Cannings Corporate Communications  
02 8284 9995

## **About SFG Australia Limited**

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

SFGA 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, accounting, tax and other services.

## **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.





**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.

