



Fiducian Group (ASX:FID)

WILSONS RAPID
INSIGHTS

INVESTOR PRESENTATION

MELBOURNE

31 May 2018





Fiducian Group Investor Presentation

- Business Overview
- Financials
- Growth Strategy and Business Outlook
- Contacts

Profit Generating Sustainable Business Model

Funds
Management


- Process driven, client focused investment products
- 15 Managed Funds: 4 Diversified Funds, 4 Sector Funds, 7 Specialist Funds
- **\$2.29 Billion in Funds under Management (FUM)**
- Listed comparables include PTM, IFL, PPT, HFA, MFG

WRAP
Platform


- Market competitive Wrap & Managed Discretionary Accounts (MDA) Platform
- Trustee of the Fiducian Superannuation Service and Operator for IDPS, FIS
- **\$1.85 Billion in Funds under Administration (FUAdmin)**
- Listed comparables include IFL, PPT, EQT, CVW, HUB, NWL

Financial
Planning


- Respected non-bank financial planning licensee with over twenty years of experience
- 38 high quality practices, 61 representatives, national footprint
- **\$2.33 Billion Funds Under Advice (FUA)**
- Listed comparables include IFL, CVW, CUP, YBR

FinTech



- Specialist Fintech system developer
- Developer of 'FORCE' Financial Planning software & 'FASTRACK' platform administration system
- Listed comparables include IRE, CL1, BVS, PPS

Tax Agent and
Business Services


- Accounting & business service provider linked to Sydney Financial Planning office
- Accountancy outsourcing for tax returns through overseas partners
- Administration and accounting services to Self Managed Superannuation Funds (SMSF)

Note: FUMAA figures are as at 30 April 2018

Funds Management

- 15 Funds using Fiducian's Manage-the-Manager (MTM) system of Investment
- Select expert Managers – with proven performance, differing investment processes / styles
- Combine experts with different weightings – up to 40 Fund Managers
- Dynamic asset allocation and continuous management
- Obtain combined results from teams of expert fund managers not individual stars
- Delivers greater Diversification with reduced risks
- Consistently superior results against the world's best fund managers in the Australian Market



| Fiducian Funds | 1-year return (ranking) p.a. | 3-year return (ranking) p.a. | 5-year return (ranking) p.a. | 7-year return (ranking) p.a. | 10-year return (ranking) p.a. |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Growth | 9.2% (6/178) | 7.9% (3/170) | 10.8% (1/163) | 9.6% (5/154) | 6.4% (7/127) |
| Balanced | 8.1% (21/178) | 7.1% (6/170) | 9.6% (6/163) | 8.8 (13/154) | 6.2% (12/127) |
| Ultra Growth | 12.5% (1/120) | 9.7% (2/109) | 13.5% (1/102) | 11.3% (3/96) | |
| Capital Stable | 4.3% (10/113) | 4.1% (5/107) | 5.6% (5/104) | 6.1% (14/99) | 5.2% (13/81) |
| Other specialist MTM funds | | | | | |
| Technology | 14.7% | 16.0% | 25.3% | 21.7% | 14.6% |
| India | 8.5% | 13.1% | 24.2% | 16.5% | 10.4% |

The above performances are based on independent survey conducted by Morningstar survey as at April 2018

2017 FundSource Awards – International Equity Sector

Winner: **Fiducian Funds management** - Technology Fund

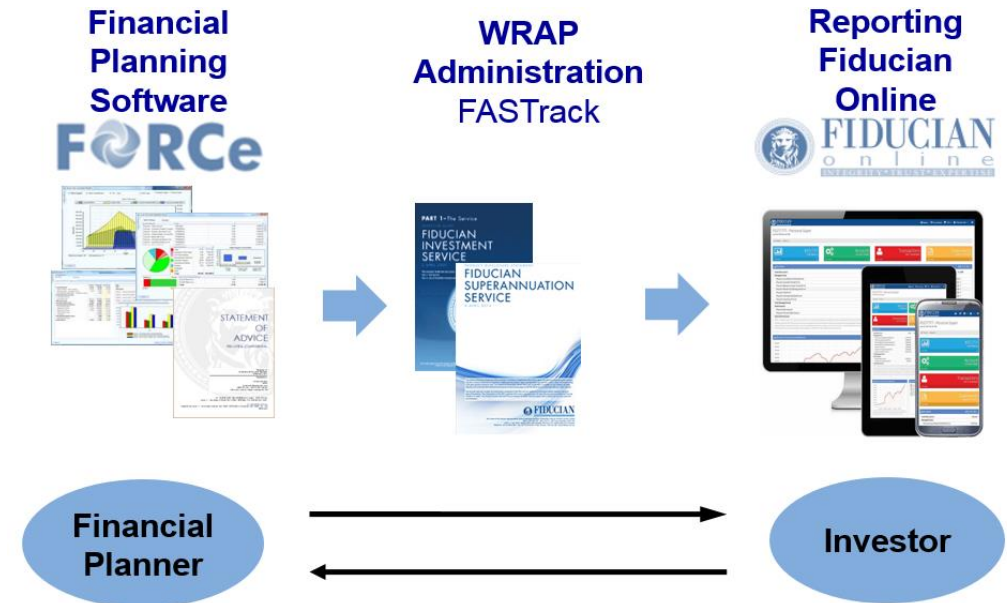
Finalist: **Fiducian Funds management** - India Fund





WRAP Platforms (FSS/FIS) – FinTech (FORCe & FASTrack)

- Public offer “Superannuation Fund”
- Investor Directed Portfolio Service (IDPS)
- 15 – Multimanager Funds using the Fiducian Manage-the-Manager system
- 57 – Single Manager Fund Choices
- 13 – Managed Discretionary Accounts (Direct Share Ownership)
- Investments are held by external parties – National Australia Bank, for security and safe keeping
- Administration for SMAs, IMAs and MDAs
- Competitive Fees, Flexible Structure



Fully Integrated Fintech Solution
for Advisers and Clients

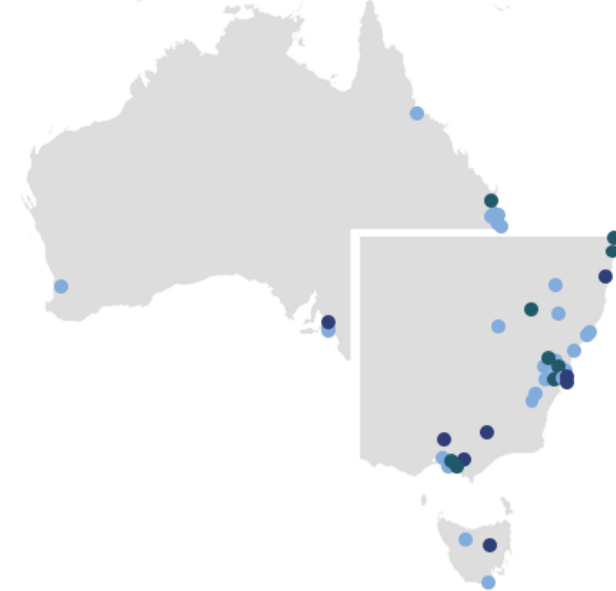
Financial Planning – Focus on Quality and Expertise

- We are selective in recruiting Financial Planners
- National footprint with 38 practices, 61 representatives

● 31 Franchise Offices

● 7 Salaried Offices

Total 61 Authorised Representative



Wealth Creation



Retirement Planning



Superannuation



Investment Advice



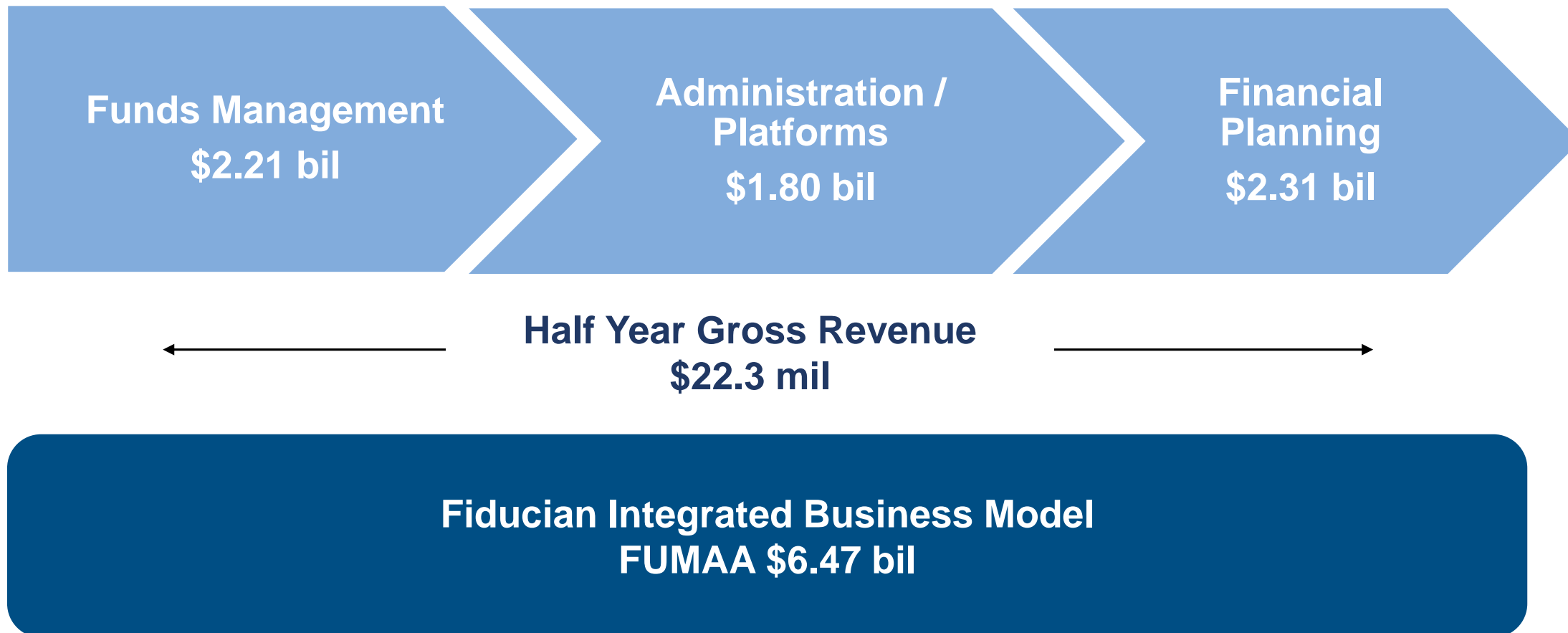
Estate Planning



Personal Insurance

Integrated Business Model

Our clients experience the Fiducian difference:



Note: FUMAA figures are as at 30 April 2018

FINANCIALS



Financial Highlights

Financial Highlights

| Half Year Ending 31 December (\$ in thousands) | 2017 | 2016 | % Change |
|--|---------------|-----------------|------------|
| Operating Revenue | 22,349 | 19,903 ↑ | 12% |
| Fees and Charges paid | (6,020) | (5,041) | |
| Net Revenue | 16,329 | 14,862 ↑ | 10% |
| Gross Margin | 73% | 75% | |
| Underlying EBITDA | 7,019 | 5,610 ↑ | 25% |
| Depreciation | (44) | (44) | |
| Tax on underlying earnings | (2,004) | (1,550) | |
| Underlying NPAT (UNPAT) | 4,971 | 4,016 ↑ | 24% |
| Amortisation | (635) | (617) | |
| Income from Client Servicing Rearrangement (net of tax) | | 35 | |
| Statutory NPAT | 4,336 | 3,434 ↑ | 26% |
| Basic EPS based on UNPAT (in cents) | 15.9 | 12.9 ↑ | 23% |
| Basic EPS based on NPAT (in cents) | 13.9 | 11.0 | |
| Funds under Management, Advice and Administration or FUMAA (\$ in millions) | 6,266 | 5,130 ↑ | 22% |

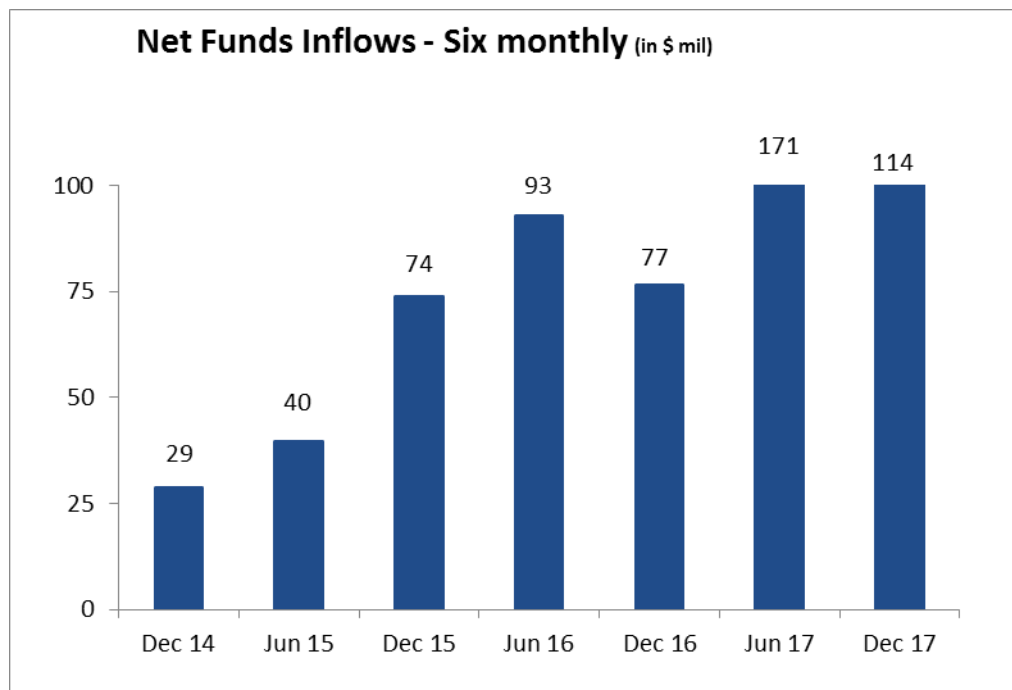
Segment Update

| | |
|-------------------------------|---|
| Funds Management | Revenue for the half-year is \$6.1 mil Top quartile performance has driven significant inflows Benefitting from scaled fees from underlying managers |
| Administration | Revenue for the half-year is \$8.3 mil Operational efficiencies through scale benefits |
| Financial Planning | Revenue for the half-year is \$7.7 mil Strong organic growth across salaried and franchisee network |
| Business Services | Revenue for the half-year is \$0.2 mil Generated cross referrals to Financial Planning business |
| Corporate | Experienced management team and board in place Reduction of Cost to Income ratio through scalability (2013: 70%, 2018 H1: 57%) |
| Information Technology | Significant investment in developing end-to-end Straight Through Processing Administration capabilities Upgrades to accommodate SMA administration and 'user pays' process |

Cash Flow

- Cash Flow in line with expectations for Jul – Mar 18:
 - \$37.2 mil Receipts from Customers
 - \$7.1 mil Net Operating Cash Flow after expenses and tax
 - \$10.9 mil Cash at end of the period
- Reinvestments into business:
 - \$0.7 mil payments for Client acquisitions
- Dividend payments for FY 17-18 H1:
 - 9.0 cent final dividend totalling \$2.8 mil

Net Fund In-Flows in Platform

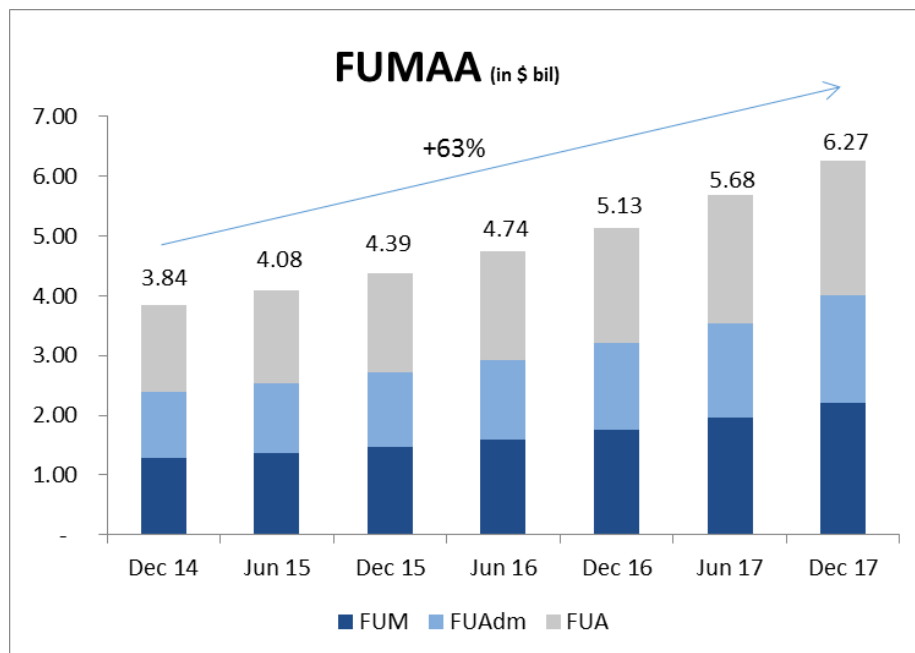


Funds Inflows and Outflows (in \$ mil)

| Years | Inflows | Outflows | Net Flows |
|--------|---------|----------|-----------|
| Dec 14 | 78 | -49 | 29 |
| Jun 15 | 88 | -48 | 40 |
| Dec 15 | 111 | -37 | 74 |
| Jun 16 | 135 | -42 | 93 |
| Dec 16 | 115 | -39 | 77 |
| Jun 17 | 290 | -119 | 171 |
| Dec 17 | 157 | -44 | 114 |

- ✓ Net In- Flows of \$114 mil during FY17-18 H1
- ✓ Both Salaried and Franchised networks contributing to the Inflows
- ✓ Combination of organic flows from active referrals and inorganic flows from strategic acquisitions

FUMAA Growth



FUMMA Closing Balance (in \$ bil)

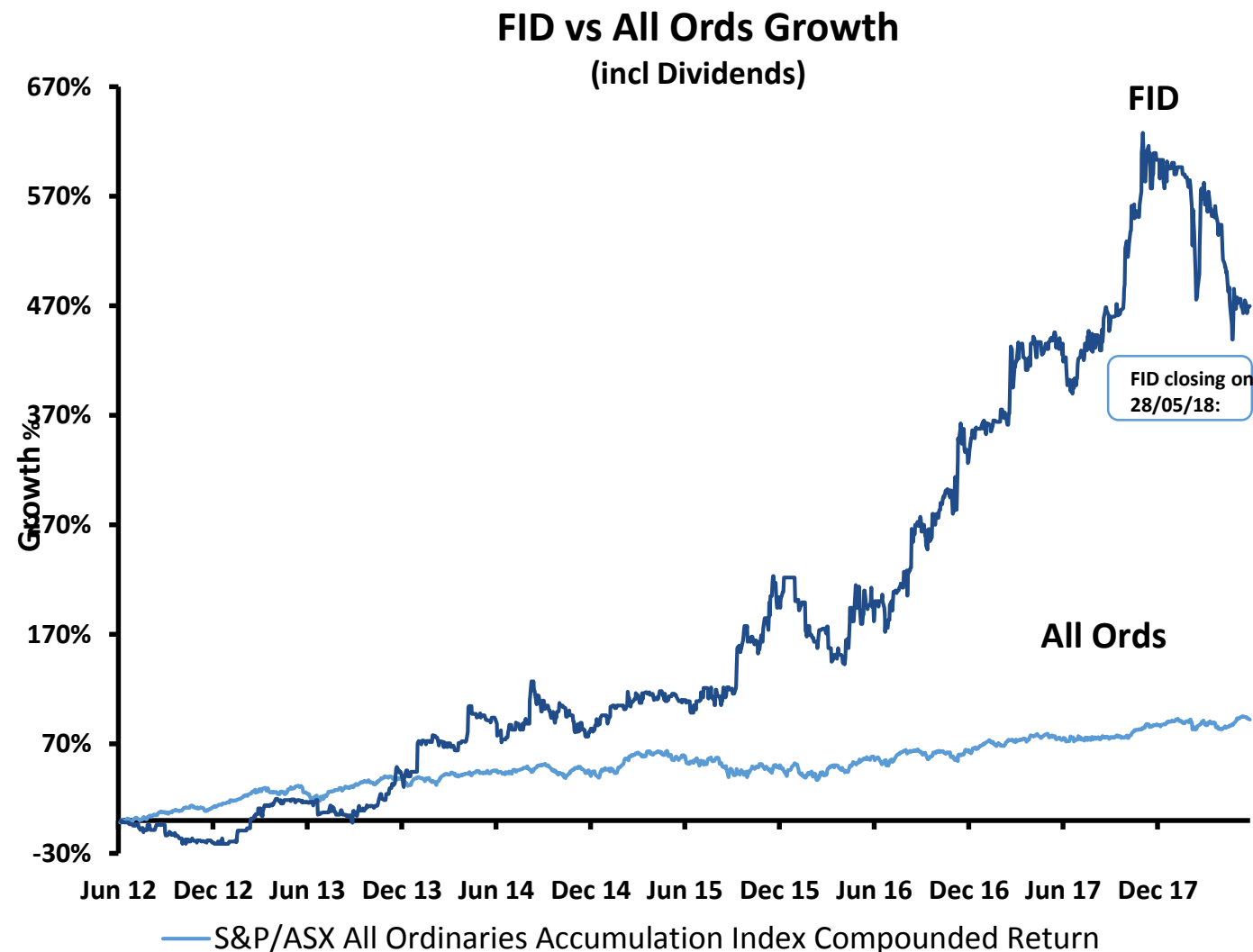
| Years | FUM | FUAdm | FUA | Total |
|--------|------|-------|------|-------|
| Dec 14 | 1.28 | 1.11 | 1.46 | 3.84 |
| Jun 15 | 1.37 | 1.17 | 1.54 | 4.08 |
| Dec 15 | 1.47 | 1.25 | 1.66 | 4.39 |
| Jun 16 | 1.59 | 1.32 | 1.82 | 4.74 |
| Dec 16 | 1.76 | 1.45 | 1.92 | 5.13 |
| Jun 17 | 1.96 | 1.58 | 2.14 | 5.68 |
| Dec 17 | 2.21 | 1.79 | 2.26 | 6.27 |

- ✓ Consistent FUMAA growth contributed by strong organic and inorganic inflows and market improvements
- ✓ \$41 mil acquisition announced by Fiducian for Franchisees and salaried offices in H1: strengthens retention
- ✓ Increase in FUA as proportion of FUMAA reflects recent acquisition

Explanatory Notes:

- FUM includes cross holdings from diversified funds into the sector / specialised funds
- FUA includes assets held in Fiducian and External platforms
- FUAdm includes aligned advisers and IFAs

FID outperformance against All Ords Accum



- Since Jun 12, outperformance 383% including dividend
- Dividend pay-out policy 60-70% of Net Profit After Tax
- Double digit EPS growth in 14 out of 18 years since listing
- H1 dividends 9.0 cents – 27% growth over comparable period

STRATEGY & OUTLOOK



Growth Strategy

| | | |
|---|-------------------------------|--|
| ✓ | Funds Management | Leverage of successful Manage-The-Manager model and expand in new markets where profitable |
| ✓ | Administration | Distribute SMA capabilities, offer Badged solutions to IFA market and Build SMSF Administration |
| ✓ | Financial Planning | Continue to attract high quality planners and expand through value accretive acquisitions |
| ✓ | Business Services | Increase cross-referrals between Planning & Accounting and Expand SMSF Accounting offerings |
| ✓ | Corporate | Re-invest in business growth and Active share buy-back while supporting existing dividend policy of 60-70% of NPAT |
| ✓ | Information Technology | Enhance STP functionalities and commercialise Financial Planning software |

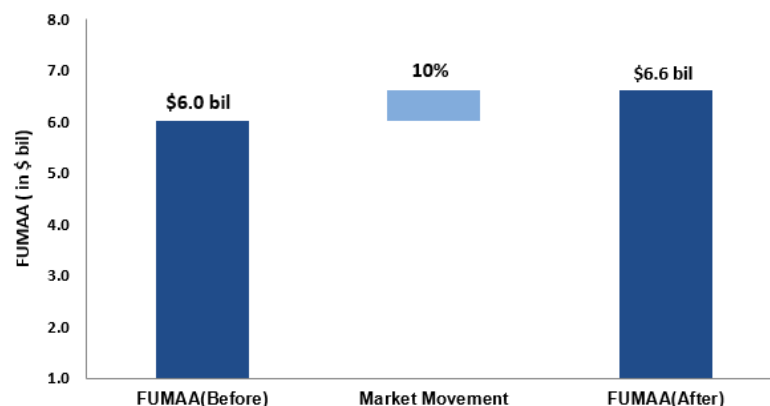
Business Outlook – 3 Revenue Streams

Revenue Growth is a function of volume of FUMAA

Example:



Plus, additional revenue growth if financial markets rise



Example:

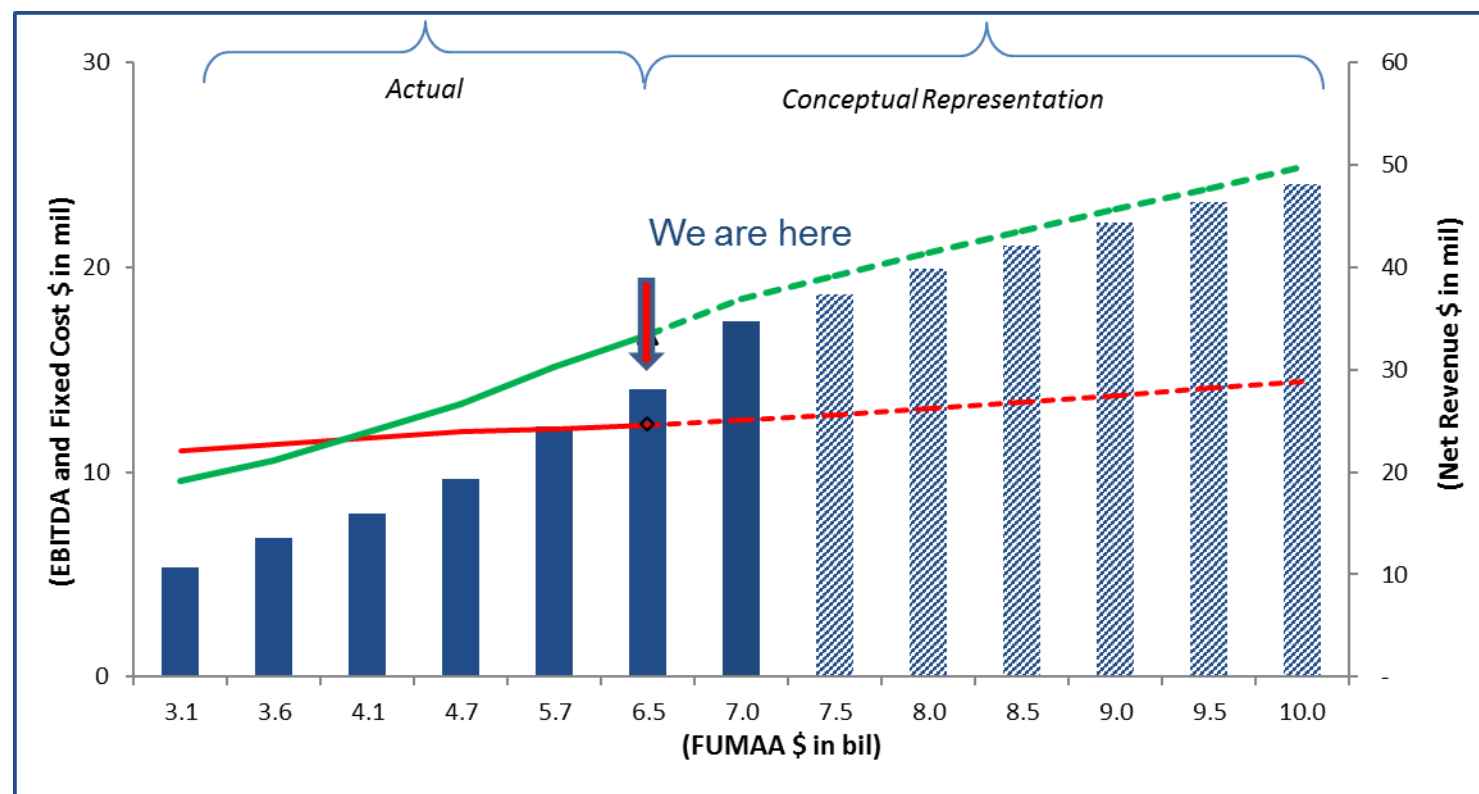
Assets rise 10%

FUMAA of \$6.0 bil rises to \$6.6 bil

Projecting the Potential: Conceptual Representation

The following is a concept extrapolation* of how increasing scale lifts EBITDA at an accelerating rate above a relatively fixed cost base:

Funds under Management, Administration and Advice (FUMAA) & EBITDA



This is simply extrapolating how revenue and EBITDA could grow and is not a forecast

*This is not a projection or a forward-looking statement, and should not be read or relied upon as such. This concept extrapolation may or may not be correct or accurate.

Regulatory overview – Vertical Integration

- Significant part of the industry is vertically integrated
 - Some Industry funds through in-sourced funds management and in-house planners
 - Some Planning groups through Separately Managed Accounts (SMAs) and white-label/badge
 - For-profit organisations (including Fiducian)
- ASIC identified the potential benefits of vertical integration in the financial advice industry in ASIC Report 562 and Round 2 submission to Hayne Royal Commission
 - the creation of economies of scale, which potentially improve cost efficiencies in the provision of services and produce savings that may then be passed on to the customer and improve access to advice
 - some customers may benefit from the convenience of dealing with a single financial institution
 - some customers may value the perceived safety of dealing with a large institution
- Fiducian's vertically integrated business model has controls in place to manage inherent conflict of interest to ensure that advice given to the client complies with the best interests duty and related obligations and is not tainted by that conflict
 - Restricted APL in our platform (15 Fiducian funds + 60 other external products) are thoroughly researched and assessed for appropriateness for our clients
 - Facilitate client diversification process through multi-manager investment products (e.g. 23 manager diversification in Balanced product)
 - Three Lines of Defence compliance framework

Regulatory overview – Grand-fathered Commissions

- Grandfathered Commission (“Trail Commission”, “Ongoing Commission”) is embedded within the FoFA legislation. This commission is paid out of the product / service providers’ margins to the advisers and is not contingent on providing an ongoing service by an adviser. This is not an additional costs to the clients (in most of the cases) and the product / service provider could simply retain the Commission if not paid to an adviser
- Grandfathered Commission is to be distinguished from the “Fee for No Service” issue that has also been raised by ASIC and the Hayne Royal Commission. Fee for No Service becomes an issue when an adviser has charged an “Adviser Service Fee (ASF)” or a Portfolio Review Fee (PRF)” (which could be ongoing as well), but has not provided any review service to the clients
- Due to natural attrition and product switches, grandfathered commission is a falling percentage across Fiducian. Over time, grandfathered commission has been replaced by ASF or PRF
- Fiducian continues to assess the nature of regulatory developments in this matter.

Industry consolidation and Opportunities

- A number of established participants are exiting or have announced their intentions to exit the industry
- New educational standards may expedite adviser exits planning retire in short to medium term
- Regulation and change in industry dynamics could lead to enhanced opportunities for Fiducian
- Fiducian is considering a pipeline of growth opportunities in acquisition, franchised planners, white label / badged platform clients and funds distribution
- Focus to remain on sustainable business growth increasing shareholder value and business profitability rather than chasing market share with limited benefits to the organisation

Outlook

- Grow Funds Under Advice organically and through strategic acquisitions of financial planning businesses
- Expand platform administration services and SMA capabilities to IFAs and capture market share where value accretive
- Build SMSF Admin and Accounting Services
- Continue delivering superior investment performance through Fiducian Funds and attract IFAs
- Target sustainable double digit earnings growth

Key Dates and Contacts

Key Dates

- Full Year results announcement: Thursday, 16 August 2018
- Annual General Meeting: Thursday, 25 October 2018

Contacts

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