

25 February 2014

**SFG AUSTRALIA LIMITED**

**SFG AUSTRALIA DELIVERS SOLID 1H14 RESULTS  
DOUBLE DIGIT EARNINGS GROWTH AND INCREASED INTERIM DIVIDEND  
PAYMENT**

- Strong earnings growth:** SFG Australia Limited (**SFGA** or **Group**) today announced a strong 1H14 result with Operating EBITDA of \$28.4m, up 25% on the prior corresponding period (**pcp**), and Underlying NPAT of \$19.2m, up 23% on pcp. Growth is attributed to rising equity markets, improvement in margin and increased client activity along with contribution from acquisitions.
- Increase in funds under advice, administration, management and managed portfolios (FUMA):** FUMA growth in 1H14 reflecting favourable market movements in the domestic and global equity markets and new client inflows. Group funds under advice experienced solid gains, up by 17% on 1H13. Managed Portfolios are approaching \$1b up from \$0.6b at 2H13.
- Dividend payment lifted:** The Board has determined an interim dividend of 1.40 cents per share, reflecting a 17% increase on pcp. This represents a payout ratio of 54% 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 enables SFGA to proactively seek quality, strategic, value accretive partners consistent with its M&A strategy.

Financial highlights	1H14	Δ 1H13
Net Operating Revenue	\$78.4m	↑ 23%
Operating EBITDA	\$28.4m	↑ 25%
Underlying NPAT	\$19.2m	↑ 23%
Reported NPAT	\$17.2m	↑ 62%
Underlying EPS	2.61c	↑ 23%
Reported EPS	2.34c	↑ 61%
Dividend per share - interim	1.40c	↑ 17%
FUA	\$13.6b	↑ 17%
FUAdmin	\$9.9b	↑ 2%
Managed Portfolios	\$0.9b	↑ large%
FUM	\$5.8b	↑ 23%

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## 1H14 Results

Commenting on the half year result, SFGA Managing Director, Tony Fenning said it demonstrated solid momentum in earnings and strong underlying performance, coupled with rising equity markets.

The Group's funds under advice, administration and management balances at 31 December 2013 improved with positively performing investment markets. Recent acquisitions and the improvement in financial markets in the period were key contributors, while the Mosaic managed investment schemes continue to grow organically. Funds under management (FUM) in 1H14 delivered growth to \$5.8b up 23% on pcp. While market growth assisted this figure, net inflows accounted for \$0.3b of this increase.

Group funds under advice experienced solid gains, up by 17% on 1H13. Managed Portfolios experienced substantial inflows, with FUM rising from \$0.3b in 1H13 to \$0.9b at 31 December 2013.

Commenting on the funds balances, Mr Fenning noted "Improved market conditions have had a welcome positive impact on our clients' portfolio balances and have assisted in revenue growth. It is pleasing to see that the Shadforth business has seen signs of increased client inquiry which is starting to flow through to net flows."

Net Operating Revenue for the Group for the half year increased 23% to \$78.4m, Operating EBITDA 25% to \$28.4m, and Underlying NPAT 23% to \$19.2m.

"During the past six months we have continued to invest in the business through our Best Advice 3.0 program to create the next generation of advice and implementation solutions for our clients, improve productivity, and continuous improvement in our overall capabilities." said Mr Fenning.

During 1H14 SFGA incurred \$2.2m of reinvestment costs, relating mainly to the project to move the Group's entire wealth management adviser and client base on to Xplan as a core operating system during 2014 and the Group's investment in its contact centre and web services to service direct clients in the future.

Reported NPAT for 1H14 was up 62% to \$17.2m and EPS up 61% to 2.34 cents per share respectively on pcp. Underlying EPS of 2.61 cents per share was up 23% on pcp in line with the increase in Underlying NPAT.

The Board has determined a fully franked interim dividend of 1.40 cents per share, up 17% on pcp. This represents a payout ratio of 54% of Underlying NPAT and is within SFGA's target range of 50-70% of Underlying NPAT.

The interim dividend is fully franked and is payable on 23 April 2014. The Record Date will be 25 March 2014.

As at 31 December 2013, the Group had \$29.4m in cash available to fund the interim dividend payment and other cash requirements.

The strong operating cash flow position sees the Group with adequate cover to meet its regulatory and working capital requirements while also funding deferred acquisition payments due in 2H14.



## Strategic Initiatives and Operational Update

### ***Organic growth***

Organic growth remains a key focus for the Group with a series of initiatives launching in 1H14.

In October 2013 a national advertising campaign was launched aimed primarily at pre-retirees. The campaign microsite received 10,000 unique visitors in the first 8 weeks. Shadforth continues to experience growth in the level of enquiry and despite the long lead times, this is starting to be reflected in early signs of improved FUA flow.

SFGA has a program of migrating clients to more contemporary “best of breed” offers and our client migration program is currently running ahead of schedule. Over 700 clients have transitioned to improved products and services. The transition of Lachlan Partners funds under advice onto SFGA preferred platforms has commenced in 2014.

In September 2013 the Group’s third party offer to boutique dealer groups was launched for independent advisers. To date, 10 AFSLs with approximately 28 Authorised Reps have signed as B2B partners. The new platform badge Acuity Portfolio Services, renovated to target the B2B market, now has \$61m FUAdmin as at 31 December 2013. We expect to replace the loss of B2B clients to BT Select as this business model continues to grow.

Lachlan Partners brings the systems and competencies to build out our accounting strategy. In October 2013 we launched to the Shadforth network a dedicated self managed super fund administration service to expand this offering to our wider client base. To date, we have signed over 100 funds. We are also progressively opening up Lachlan’s high net worth tax offering to the wider Group.

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

The Group’s innovative portfolio investment solutions: Managed Portfolio Service (**MPS**) and Dynamic Portfolio Update Service (**DPU**) are approaching \$1.0b in client funds, a solid increase against a total of \$0.6b invested as at 30 June 2013.

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 1H14 with \$0.3b net inflows over the past six months. The Mosaic Strategic Cash Plus Trust launched in late 2012 has grown to \$118m in funds under management to 31 December 2013 up 26% from 2H13.

### ***Reinvestment***

SFGA is re-investing in its strongest businesses in order to improve efficiency, reduce costs through productivity and to improve its offer to its clients.

The Group is in the planning phase to move its entire adviser and client base on to Xplan as an operating system to manage the pace of today’s more complex SFGA business model whilst adapting to the regulatory changes. The businesses familiar with the Xplan platform will move to the new version by the end of FY14 and the Shadforth rollout will commence post 1 July 2014.





Consolidation of SFGA's market facing brands has commenced. A key project in the Best Advice 3.0 program is to leverage our current corporate identity and align our group brands under the SFG Australia umbrella to achieve business and marketing efficiencies. Our B2B business Actuate relaunched in January 2014 as SFG Alliance Services.

Outlook Financial Services consolidated under Shadforth Financial Group in February 2014. The Shadforth brand will now offer the full range of advice services from high net worth clients through to affluent clients and corporate superannuation solutions.

As we seek to further enhance our service offering to clients we are exploring the strategy to take on trusteeship. SFGA has obtained an Investor Directed Portfolio Services (IDPS) licence to exercise its rights to become IDPS operator of the SFGA/Colonial Wrap. We have commenced the process of applying for a Registrable Superannuation Entity (RSE) licence to become trustee of the SFGA/Colonial Wrap superannuation vehicle. Subject to regulatory and contractual issues, SFGA has advised Colonial of its intention to become IDPS operator and RSE with effect from 1Q15.

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

The Group successfully implemented the first phase of the Future of Financial Advice (**FoFA**) government reforms for 1 July 2013. The Coalition Government has signalled the changes it intends to make to the FoFA regime and SFGA's view is that we will have limited refinements to make as a result.

### **Looking Ahead**

Mr Fenning confirmed the Group's overall strategic direction.

"Organic growth remains a focus and the business will continue to press forward on initiatives that attract new clients. Pleasingly these are delivering increased enquiry levels to the advice businesses. The improved investment conditions are welcomed, and bode well for our clients and their portfolios.

"The Group's long standing strategy has been to pursue and deliver attractive transformational and tuck-in transactions. We continue to look for complimentary financial advice businesses or forward-looking advice oriented accounting practices as potential tuck-ins and to explore larger 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, Tuesday 25 February 2014.

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.

### **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, funds 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.

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

