

ASX Release Date: 26 September 2017

Managed Accounts in advanced discussions to merge with Linear Financial

Managed Accounts Holdings Limited (“MGP” or “Managed Accounts”) is pleased to announce it has submitted a non-binding conditional proposal to undertake a merger with Linear Financial Holdings Pty Ltd (“Linear”) by acquiring 100% of the shares of Linear. The transaction will be transformative for MGP and Linear, creating a merged entity with significant operating scale, and an extended suite of products and services for the independent financial advisory market, stockbrokers, investment managers and the institutional market. The proposal has the unanimous support of the Linear Board and is being recommended by the Linear Board to Linear shareholders.

Managed Accounts also announces that it has entered into a Memorandum of Understanding with Shaw and Partners to explore partnering with the merged entity to deliver managed accounts solutions to Shaw and Partners’ clients.

Highlights

- Linear is a leading provider of platform and administration solutions in Australia, with in excess of \$9.0 billion in funds under administration
- Managed Accounts is a leading provider of managed accounts and administration solutions in Australia, with in excess of \$2.0 billion in funds under administration
- Significant increase in operating scale with combined funds under administration in excess of \$11.0 billion, including managed account funds under administration of over \$4.0 billion
- Combined revenue of approximately \$14.7 million (FY2017 actual)
- Linear’s and Managed Accounts’ products and services are highly complementary, creating the potential for the merged entity to enhance its product and service delivery to existing clients and grow revenue in the stockbroking and institutional markets
- The merged entity will be well positioned to attract new clients, supported by Managed Accounts’ recent investment in additional sales and distribution resources
- As evidence of this investment in sales and distribution capabilities, Managed Accounts has entered into a Memorandum of Understanding with Shaw and Partners to explore the provision of managed accounts solutions to Shaw and Partners clients. Shaw and Partners has approximately \$2.5 billion funds under advice that is suitable for a platform solution
- Linear is forecasting a modest profit on a standalone basis for year ending 30 June 2018
- Post FY18, the merger is expected to deliver pre-tax cost synergies of \$3.5 million following a customary period of stabilisation
- The merger is expected to be double digit earnings per share accretive to Managed Accounts shareholders, post synergies on a pro-forma basis
- The transaction has the unanimous support of Linear’s Board, including its Executive Chairman Colin Peterson and Managing Director Chris Hipkin, both significant shareholders of Linear who have confirmed they and the rest of the Linear Board are in favour of the proposed transaction.
- Linear ordinary shareholders to receive in excess of 60% of consideration in MGP shares issued at \$0.33 per share

Merger Overview

Managed Accounts today announces that it has submitted a non-binding conditional proposal to merge with Linear for an enterprise value of \$42.5 million. This comprises:

- \$20.5 million cash set aside for the settlement of liabilities to third parties redemption or repayment of third party liabilities and which includes the purchase of all outstanding preference shares;
- consideration to ordinary shareholders comprising:
 - o a minimum of \$14.0 million of MGP scrip consideration to Linear ordinary shareholders, to be issued at \$0.33 per MGP share; and
 - o up to \$8.0 million of cash consideration to Linear shareholders (which will be funded through the capital raising as set out below).

Linear is a leading provider of platform and administration solutions to the financial services industry in Australia with in excess of \$9.0 billion in funds under administration, and which generated \$7.9 million in revenue for FY2017. The company is committed to providing market leading solutions, and delivers this through its own proprietary technology. Linear has a broad client base across the independent financial advisory market, stockbrokers, investment managers and the institutional market.

Commenting on the merger, Mr Don Sharp, Managed Account's Executive Chairman, said:

"Linear has been a leading provider of platform solutions in the Australian market for some time now. The merger is in line with our strategy to focus on merger and acquisition opportunities that are complementary and leverage both parties' key services and capabilities. We believe bringing together these two businesses will provide existing and future clients with an enhanced platform and administration services."

Commenting on the merger, Mr Colin Peterson, Executive Chairman of Linear, said:

"The ability for Linear shareholders to participate in the potential upside of the merged entity was very attractive to the Linear Board. I am fully supportive of the merger and will be executing the binding transaction documents".

Chris Hipkin, Managing Director of Linear commented:

"The merger of Linear with MGP provides a highly attractive proposition to the clients of both businesses. I am excited to be part of the enlarged business with expanded capabilities and I am in favour of the merger".

Strategic Rationale

The proposed transaction is transformative for Managed Accounts and Linear, immediately taking the merged entities Funds Under Administration to in excess of \$11.0 billion. The combined entity will have enhanced scale, capabilities and expanded products and services.

Given the complementary nature of the businesses, Managed Accounts expects to realise synergies from the combined group in the order of \$3.5 million per annum post FY18. The transaction is expected to be double digit EPS accretive on a pro-forma basis following the realisation of synergies and excluding any transaction and integration costs.

Managed Accounts and Linear believe that the combined entity will be well positioned to capitalise on the positive dynamics in the non-conflicted advice market; the stockbroking market as it transforms to annuity revenue streams; and the increasing appetite for the institutional market to outsource administration and technology.

Capital Raising

Subject to the completion of due diligence and satisfaction of various conditions, customary for a transaction of this nature, Managed Accounts intends on funding the cash consideration via an equity capital raising.

The maximum cash consideration under the proposed transaction is approximately \$28.5 million. Managed Accounts will also seek to raise approximately \$5.5 million of additional capital to fund further customer acquisition and business development opportunities and to pay for transaction costs.

Based on the scrip consideration to be issued to Linear shareholders, at an issue price of \$0.33 per share, Managed Accounts will issue a minimum of approximately 42.4 million MGP shares to Linear shareholders. Linear shareholders that receive greater than \$100,000 in MGP shares at the issue price of \$0.33 per share will enter into voluntary escrow until the release of Managed Accounts' FY2018 results.

Conditions

Key conditions include:

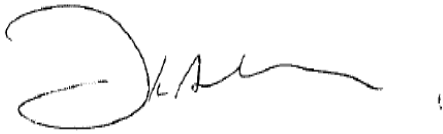
- Completion of confirmatory due diligence;
- Linear shareholders execute appropriate binding transaction documentation;
- Completion of an equity capital raising to fund the cash consideration;
- No material adverse change to the business, assets or prospects of Linear between now and execution of definitive transaction documents
- Approval from all relevant regulatory and government bodies, including from the ASX, and receipt of any relevant third party consents; and
- Approval by the Managed Accounts shareholders of the issue of MGP shares to Linear shareholders and the capital raising.

Timetable (indicative only, subject to change)

Tuesday, 26 September	Offer terms sent to Linear shareholders
By Tuesday, 3 October	Binding transaction documents executed by Linear shareholders
Friday, 13 October 2017	Dispatch of Managed Accounts notice of meeting
Thursday, 16 November	Managed Accounts shareholder meeting
Monday, 20 November	Completion and allotment of MGP shares

Managed Accounts is working with Shaw and Partners, Sirius Capital Partners, K&L Gates, Grant Thornton and Hall and Wilcox in relation to the proposed transaction.

Authorised by:



Don Sharp
Chairman
Managed Accounts Holdings Limited

About Managed Accounts

Managed Accounts Holdings Limited (ASX: MGP) is a financial services company established in 2004, specialising in non-unitised administration. Its focus as a non-conflicted specialist managed account provider allows it to create, operate and administer customised managed discretionary account solutions for a growing number of Australia's leading independent financial advisers, stockbrokers, investment managers and institutional clients. For further information, please visit: www.managedaccounts.com.au