

MGP Presentation for Ord Minnett Clients

26 September 2017



Disclaimer

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FY17 Overview

Managed Accounts Holdings delivered continued FUA and earnings growth in FY2017.

FY2017 Results Highlights

- Company revenue up 25% to \$6.9 million
- Funds under administration (FUA) up 17% to \$2.1 billion
- Normalised net profit before tax of \$1.5 million (up 20% over pcp)
- Unfranked dividend of 0.8 cents per share

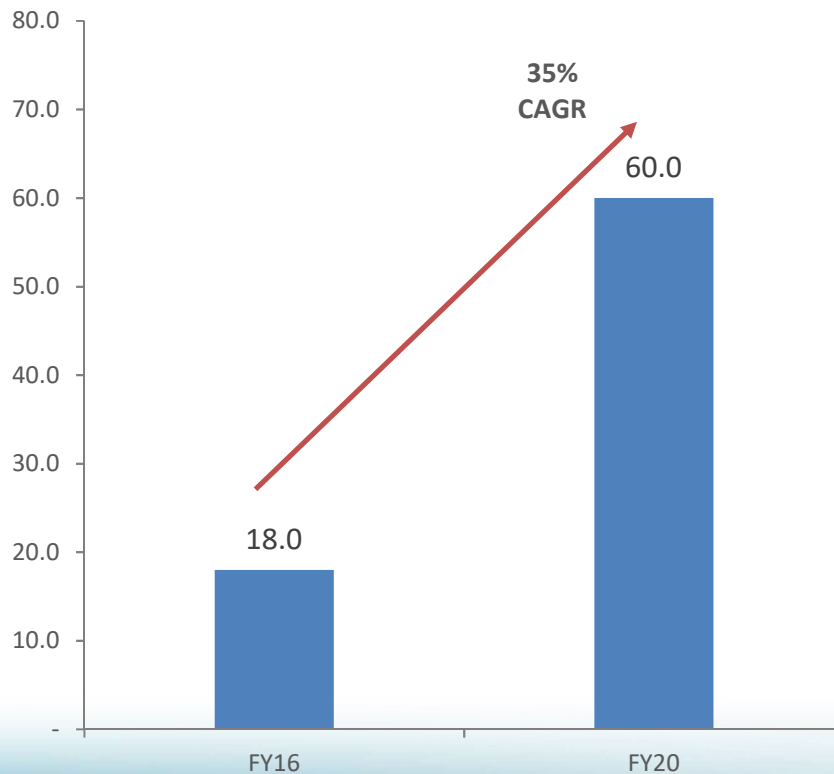
FY2017 Operational Highlights

- Partnership with specialist technology firm Capital Road to provide enhanced client and adviser experience
- Investment in distribution capabilities, including the appointment of a Head of Distribution and Marketing
- ASX Sponsorship and Settlement Participant approval
- Enhanced cash solution implemented

Industry Overview

Managed Account's is well positioned to benefit from organic growth in the funds management industry, increasing adoption of SMAs and shift away from aligned service providers.

Addressable Market Size & Growth⁽¹⁾



Industry Trends

- Shift away from aligned advice models – advisers now branching out and attaining own AFSL
- FoFA continues to drive changes in advice operating models leading to greater demand for managed accounts
- Managed accounts seen as enabler of annuity-based business models and cost efficiencies for advisers and stockbrokers
- Financial planning practice valuation models continue to move away from a revenue based models towards earnings based models, creating more focus on costs and efficiency where managed accounts have a distinct advantage
- Clients demanding greater transparency, beneficial ownership and tax advantages

Notes:

(1) Morgan Stanley Asia Insight Report (June 2016)

SMA and Managed Account Comparison

MGP supports both Separately Managed Accounts ('SMA') and a Managed Account.

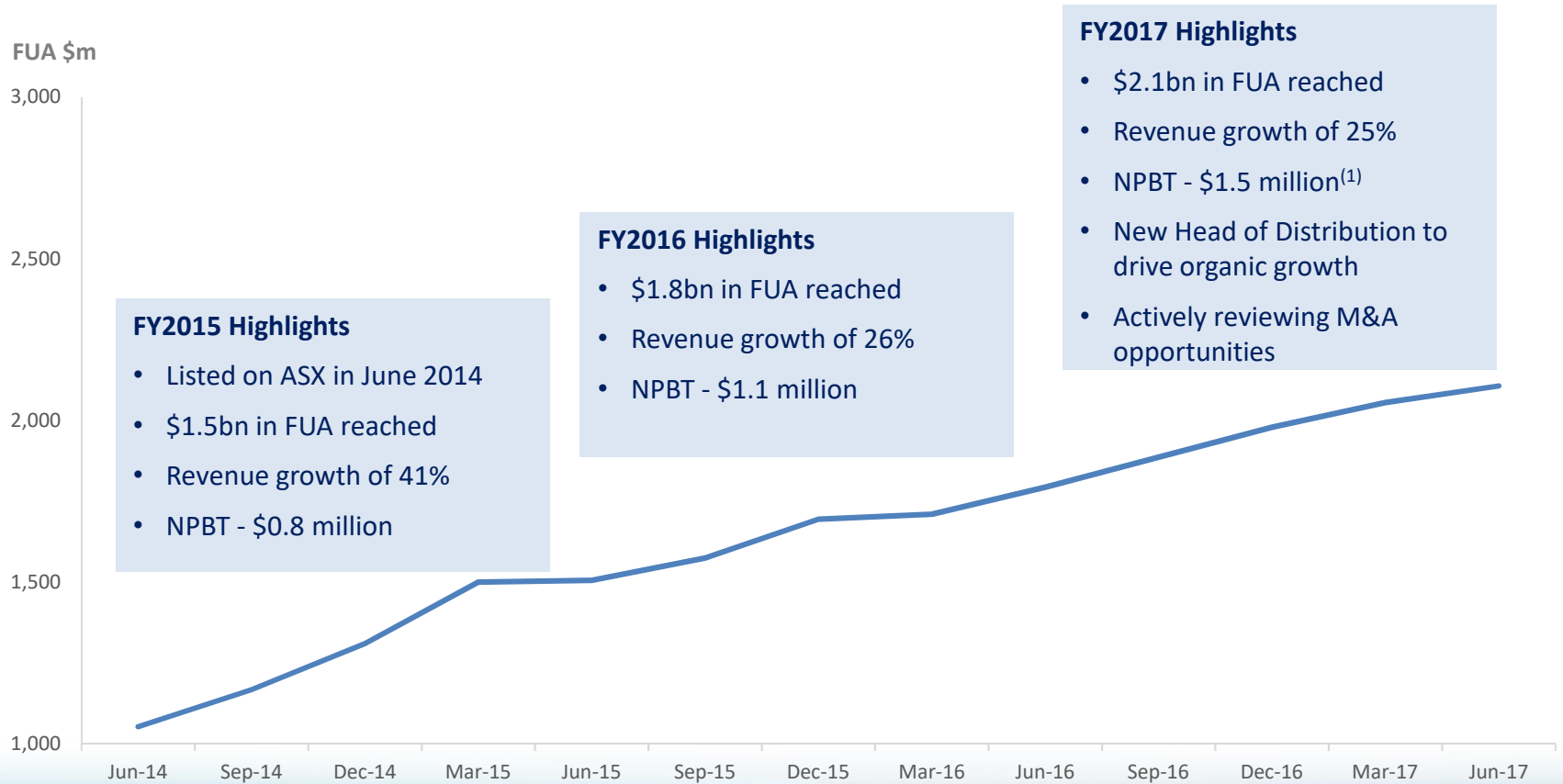
SMA	Managed Account
Model portfolio approach, limited / if any discretion with the manager	Discretionary
Liquid listed securities or daily priced managed funds only	Range of security types including cash, managed funds of any price frequency, TDs, OTC bonds, listed securities
Model based approach with limited or no discretion provided to manager for rebalancing or trade executions	Target asset and target weight approach with additional client input if required, manager controls timing of rebalance and execution through brokers of choice
One size fits all approach, smaller client balance solution	Customised to client as required, more suited to high net worth clients
Part of client solution, generally need to complement with a Wrap or similar solution	Whole of client solution

MGP Key Differentiators

- Seamlessly support multiple operating models including investment approaches (SMA or IMA), legal structures, custodians, brokers, branding, fee structures to support non-unitised investment administration to any entity
- Breadth of assets that can be supported and how assets can be held (particularly in equities – held in custody or held directly by client HINs)
- Portfolio implementation and execution by appointed investment managers akin to an institutional mandate using brokers of choice

Corporate History

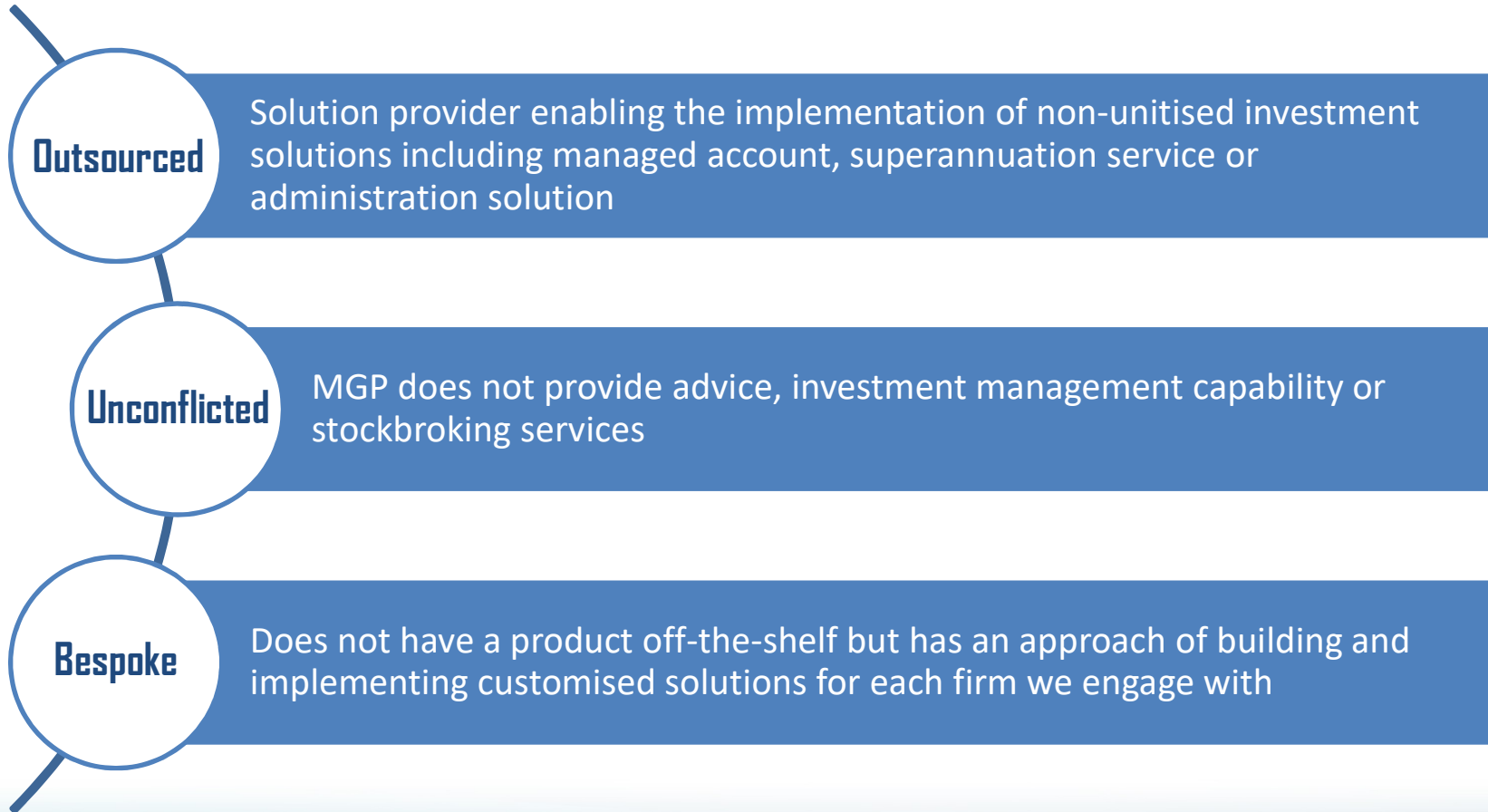
MGP was founded in 2004 as a specialist Managed Discretionary Account (MDA) provider and secured its first IFA client in FY2007.



Notes:
(1) Normalised

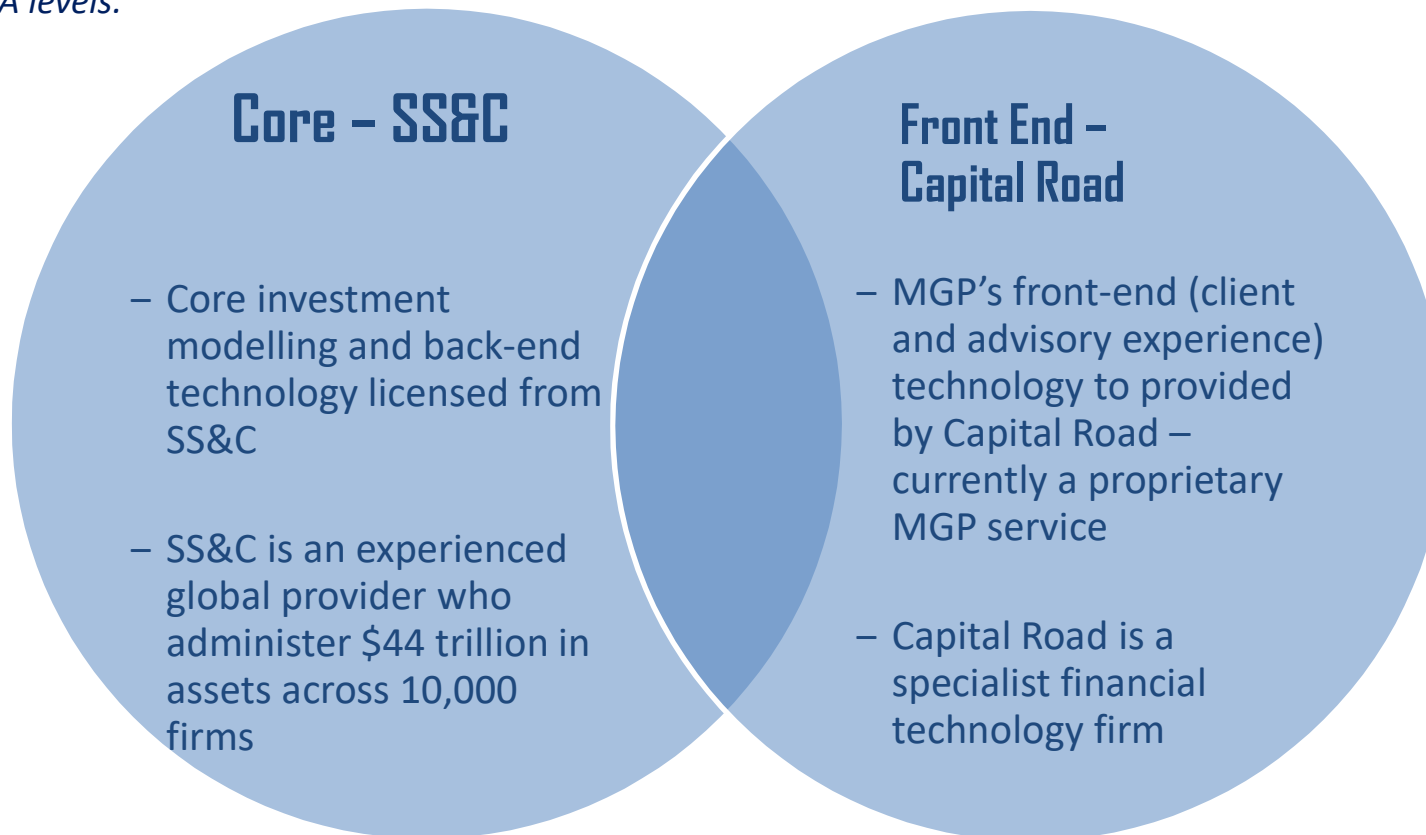
Operating Model

MGP's operating model provides outsourced administration solutions that are unconflicted, bespoke and scalable.



Technology Strategy

MGP's outsourced technology strategy provides a scalable solution that has enabled profitability at lower than peer FUA levels.



Both the Capital Road and SS&C arrangements are linked to revenue meaning future technology development will not require MGP to fund significant internal IT development resources which will reduce the need for future capex for technology enhancements.

Solution Toolkit

MGP can provide a turnkey custodial managed account solution, or bespoke solutions to intermediary or institutional clients.



Distribution Channels

MGP has and targets the following four distribution channels:

Independent Financial Advisory Firms (IFAs)

- Independently owned boutique advisory firms
- New business model - margin replacement and efficiency drivers

Private Wealth Managers / Stockbroking firms

- Shift from brokerage model to FUA model – ongoing convergence of the traditional stockbroker model with the financial planning/ wealth management model and conversion from brokerage to annuity revenue streams

Investment Managers

- New managers choosing not to adopt unitised structures - seeking to access wholesale and retail investors directly through mandates
- Existing managers needing to implement

Institutions

- Private banks, smaller platform providers, industry funds and other institutional investors
- Outsource vs own technology and administration strategy

Revenue Streams

MGP's service offering generates the following revenue streams:

Implementation Fees	Administration Fees	Transaction Fees	Cash Holding Fees
For new service implementations (IP / project management / implementation cost recovery)	Assets under administration, basis points charged with tiering for larger clients	Trading of assets, typically fixed cost per trade per client	Cash administration, basis points charged

Growth

MGP's intends to drive growth both organically and inorganically.

Organic

- MGP recently re-invested in its sales team to drive to new business growth
 - Recently appointed Head of Distribution and Marketing
 - Additional Business Development resources
- Strong pipeline of new clients including:
 - Previously announced MoU with significant independent private wealth manager who represents \$3.0 billion
 - Newly signed MoU with Shaw and Partners. Shaw has ~\$2.5 billion funds under advice that is suitable for a platform solution

Acquisition

- Consolidation is a critical market initiative and MGP has committed to be a driver of change
- Several unlisted peers are unprofitable or borderline profitable due to lack of scale, sub-optimal operating models and technology to deliver the required solution
- FUA vs profitable FUA compromising some players
- Synergy recognition with improved business model and a 1 plus 1 equals 3 approach

Proposed Linear Transaction

- MGP has submitted a non-binding conditional proposal to **merge with Linear** for an **enterprise value of \$42.5 million**. This comprises:
 - \$20.5 million set aside to meet third party liabilities
 - consideration to ordinary shareholders comprising:
 - **a minimum of \$14.0 million of MGP scrip consideration** to Linear ordinary shareholders, to be issued at \$0.33 per MGP share, and
 - **up to \$8.0 million of cash consideration** to Linear shareholders
- The transaction has the unanimous support of Linear’s Board
- Linear ordinary shareholders to receive in excess of 60% of consideration in scrip
- Customary conditions include:
 - Completion of confirmatory due diligence
 - Approvals of Linear and MGP shareholders
 - No material adverse changes, and
 - Approval from all relevant regulatory and government bodies, including from the ASX, and receipt of any relevant third party consents

About Linear and Strategic Rationale

About Linear

- Leading provider of platform and administration solutions to the financial services industry in Australia in excess of **\$9.0 billion FUA**
- Delivers its solutions through its own proprietary technology
- Broad client base across the independent financial advisory market, stockbrokers, investment managers and the institutional market
- Forecasting a modest profit in FY2018 on a standalone basis

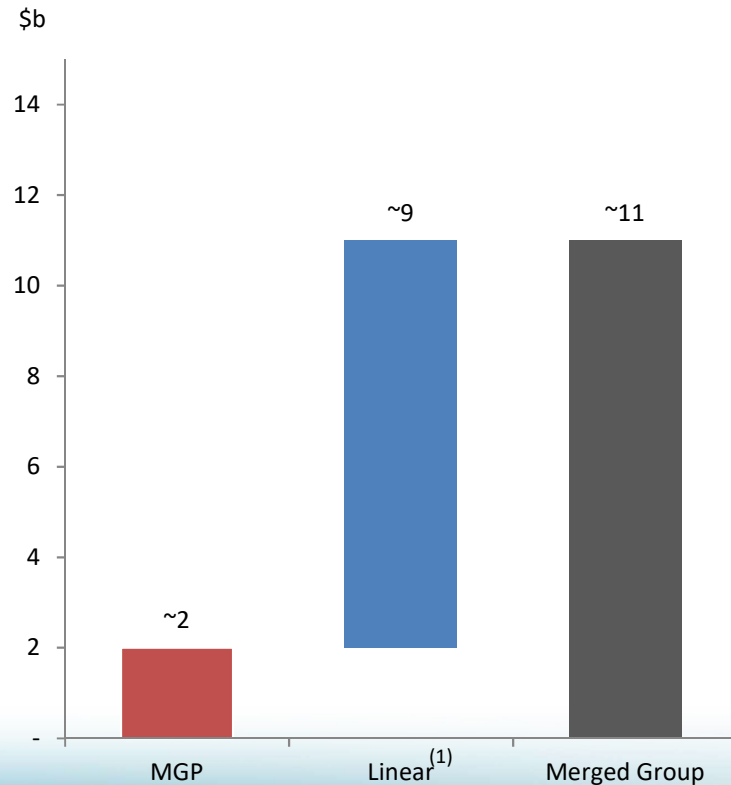
Strategic Rationale

- Linear and MGP's products and services are highly complementary, creating the potential for the merged entity to enhance its product and service offering to existing clients
- Transformative transaction for both Linear and MGP, with the merged entity to have **FUA in excess of \$11.0 billion**
- **Synergies** expected to be in the order of **\$3.5 million** per annum post FY18, making the transaction **double digit EPS accretive** on a pro-forma basis, excluding any transaction and integration costs

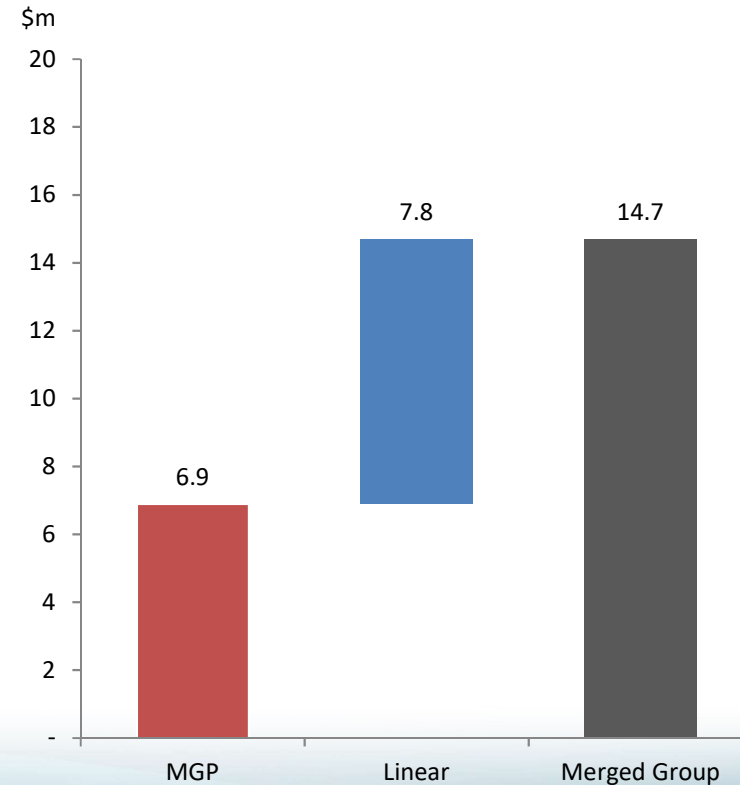
Combined Group

The proposed merger of MGP and Linear is a transformational transaction creating a 'step-change' in FUA and revenue delivering significant operating scale, and an extended suite of products and services.

Proforma FUA



Proforma revenue (FY17)



Notes:
(1) Unaudited financials

Summary

- Managed Accounts provides outsourced administration solutions that are **conflict free, bespoke and scalable**
- **Addressable market growth** expected to be **35% CAGR**, to \$60 billion in 2020⁽¹⁾
- Industry consolidation inevitable and necessary to disrupt the major providers
- Flexible and scalable business model is key to success with FUA vs profitable FUA continue to drive industry consolidation
- MGP is committed to be a driver of change in this consolidation process

Notes:

(1) Morgan Stanley Asia Insight Report (June 2016)

Questions?

