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Managed Accounts Announces Positive Progress with Linear Integration

Highlights

- Linear integration on track against plan
- Early stage achievement of synergies on track against expectations of annualised \$3.5 million
- Appointment of senior sales resource to drive growth in the stockbroking channel
- Appointment of experienced Head of Risk and Compliance to Executive Team
- New business MOU pipeline for September quarter up by 40% since 30 June 2017
- Conversion of four additional Memorandum of Understanding (MoUs) in the December 2017 quarter to date
- December 2017 quarter seeing significant uplift in FUA inflows

Managed Accounts Holdings Limited (ASX: MGP, “the Company”), one of Australia’s leading financial services managed account and investment administrators, is pleased to report to shareholders on the status of integration following the recent acquisition of 100% of the shares in Linear Financial Holdings Pty Ltd (Linear) and merger of the businesses. Management have found that the overall transition of staff and operations has been progressing smoothly and efficiently during the first thirty day period of the integration process.

MGP CEO David Heather commented, “*The first thirty days has pleasingly tracked to plan. The expected synergies to date have been realised, key clients have been engaged and action plans put in place for positive change, staff integration is well advanced, projects to deliver strategic product initiatives are underway and the sales and relationship management model for the merged business have been formulated for implementation in January 2018.*”

Synergy Update

The Company has previously flagged to the market that the merger process will result in the delivery of \$3.5m in synergies through the merger integration process. These synergies cut across occupancy costs, service provider costs, executive team salaries and other savings. Progress has been made across several streams:

- **Occupancy Costs**

New accommodation has been reviewed for the existing Melbourne Office and a Heads of Agreement is currently being negotiated, with Heads of Agreement expected to be finalised in December 2017 and the lease expected to be finalised by end of January 2018.

David Heather continued, “*The implementation of this arrangement will deliver annualised savings of approximately \$400,000 from 1 June 2018. Additionally, the superior layout will provide efficiencies in the running of the business, as identified by staff who have been actively involved in the process.*”

- **Executive Salaries**

The previous Linear Managing Director, Chris Hipkin, Chief Operating Officer, Don Worland and Chief Information Officer, Rick Pezzimenti, have formed a new consulting firm and contracted back their services to MGP for a minimum period of twelve months. The consulting firm is playing a key role in the transition of the Linear business into the broader MGP business, working with the Executive Team on the formulation and delivery of strategic product initiatives and the design and



implementation of solutions for new clients. It is expected that the consulting firm will also play a key role in the growth of the business over the next twelve months.

In addition, the Company announced that the previous Linear Executive Chairman, Colin Peterson and previous Linear non-Executive Director, Stephen Reed, were added to the MGP Board in November 2017.

The annualised total saving in salaries achieved to date is \$840,000, which is offset by fixed consulting fees of \$804,000 over the next twelve months.

David Heather continued, *“We are confident that the cost of the consulting fees will be offset by additional revenue to MGP and as such, could lead to an ongoing long-term arrangement for the consulting arrangement. Importantly however, any continuation of the consulting arrangement will be based on a positive net contribution versus our forecasts for 2019.”*

Stockbroking Market Strategy

Following the recent finalisation of MGP’s ASX Participation capability, MGP now has an expanded capability to efficiently deliver a Portfolio Administration Service (PAS) to ASX Participants and non-ASX Participants, with the ability to service non-ASX Participants a niche value proposition. To underpin growth in the stockbroking channel, the Company is pleased to announce the appointment of Richard Carr as Business Development Manager to focus on sales to both ASX participants and shadow brokers. Richard will be able to match a wide range of MGP services and capability to further increase the recurring income streams of advisers.

Richard joins MGP from Powerwrap, where he was Head of Sales across Separately Managed Accounts, Wrap and Execution Services and led the sales activity and in turn growing FUA to more than \$7 billion on the Powerwrap platform.

Prior to being Head of Sales, Richard was formerly Head of Product and Client Services at Powerwrap. Prior to Powerwrap, Richard spent ten years managing teams in leading businesses across stockbroking, private client wealth management and funds management.

Appointment of Head of Risk and Compliance to the Executive Team

Following on from the merger, the CEO, David Heather continues to finalise the Executive Team to complement Tony Nejasmic as Head of Distribution and Marketing.

Craig Giffin, who has been on a contract basis with MGP since February 2017, has moved into a permanent role as MGP’s Head of Risk and Compliance. Craig has over 30 years’ experience in risk management and compliance having previously held global and Australian/ Pacific leadership and director roles across in firms specialising in asset management, wealth management and integrated financial services businesses.

Other roles in the Executive Team will be announced as suitable candidates are appointed.

Quarterly MGP Outlook

The appointment of Tony Nejasmic as Head of Distribution in late May 2017 has led to a 40% increase in the pipeline of potential IFA clients since 30 June 2017 quarter. This is in addition to the two previously announced MoU's with Shaw and Partners and the unnamed wealth manager which continue to be active. The enhanced pipeline has resulted in an additional four MoU's being executed during the December 2017 quarter to date, with over sixty prospect client leads in the pipeline as at 30 November amounting to over \$9 billion in Assets under Administration.

Prior to the addition of Linear net inflows. MGP expects the quarter ending December 2017 to reflect a significant uplift in FUA net inflows as against previous quarters over the past twelve months. This will be updated to the market in the Quarterly Update in late January 2018.

Executive Chairman Don Sharp commented, *"We are very pleased with the progress of integration with Linear and the significant long-term shareholder value that we will be able to achieve."*

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About Managed Accounts Holdings Limited

Managed Accounts Holdings Limited is a specialist provider of investment administration services with a specialisation in managed accounts. Established in 2004, it provides superior administration and technology solutions to some of Australia's leading stockbrokers, wealth managers, and financial advisory firms. Following the merger with Linear Financial, Managed Accounts is responsible for funds under administration of approximately \$11.5 billion.

Authorised by:



Don Sharp
Chairman
Managed Accounts Holdings Limited