

ASX Release Date: 31 July 2018

## June 2018 Quarterly Business Update

### Highlights

- 2018 EBITDA expected to be in the upper range of the 2018 EBITDA guidance
- Merger integration process on track and merger synergies largely realised against plan
- Combined group gross inflows exceeding \$486.2m and net inflows of \$56.7m for the quarter ended 30 June 2018
- Combined group Funds under Administration (FUA) as at 30 June 2018 was \$13.09 billion
- Appointment of Chief Financial Officer complete
- Wrap strategy execution on track
- Expanded footprint in Distribution with South Australia based Business Development Manager
- MGP Finalist at the IMAP Managed Accounts Awards in the Innovation category

**Managed Accounts Holdings Limited** (ASX: MGP or the Company) one of Australia's leading managed account and investment administrators, provides an update on the Company's activities and business for the three months ending 30 June 2018.

MGP CEO David Heather commented, "This quarter has continued to see MGP evolve the merger with Linear Financial Holdings Pty Ltd (Linear). Though net flows for the quarter were hampered by one off impacts, it is pleasing to see strong gross inflows for the quarter and growth in Funds under Administration whilst we continue to integrate the businesses, focus on the implementation of new products and services, complete strategic reviews and continue to add quality senior people to the Executive Team. Management is pleased with performance over the quarter and look forward with the expectation to continue delivering synergies and business growth despite the competition occurring across the platform sector."

### 2018 Earnings Guidance

On 25 June 2018, MGP advised that the FY18 underlying EBITDA, before acquisition costs of Linear, was expected to be in the upper range of \$1.5-\$2.3 million.

### Strong Group Quarterly Inflows and Funds Under Administration (FUA) Growth

Combined group FUA as at 30 June was \$13.09 billion.

Gross inflows for the June 2018 quarter were a strong \$486.2m. Net inflows for the June 2018 quarter were \$56.7m, down from \$237.8m in the March quarter. A number of one-off factors contributed to the reduction in net inflows during the quarter including:

- one client of over \$50 million was transitioned from a Linear Service during the quarter, with minimal impact on revenue
- one advisory firm experienced client loss as a result of their participation in the Royal Commission into Financial Services
- as flagged in past ASX updates prior to the merger with Linear, some groups were consolidating platforms and were transitioning out of the MDA solution, with this transition being completed in the June 2018 quarter.

The Company does not believe the lower net inflow numbers for the quarter are a trend and they are not expected to continue into future quarters.

Gross inflows continued to be a blend of inflows from existing clients and the transition of new clients from other platforms following clients going live with new arrangements.

In addition, there was a small reduction in the number of accounts into the Portfolio Administration Service (PAS) during the June 2018 quarter.

Capability	Revenue Stream	Net Inflows	Gross Inflows	Net New Accounts	FUA
Pre-Merger MGP MDA and Super Services	Fees as percentage of FUA	\$4.2m	\$119.3m	N/A	\$2.47bn
All Linear Services except for the Portfolio Administration Service (PAS)	Fees as percentage of FUA	\$52.5m	\$366.9m	N/A	\$5.04bn
Portfolio Administration Service (PAS)	Fees per Account	N/A	N/A	(21)	\$5.58bn
<b>Total</b>		<b>\$56.7m</b>	<b>\$486.2m</b>		<b>\$13.09bn</b>

There remains significant FUA suitable for transition across all products and services from existing clients.

### Executive Team Additions

Recruitment of the Chief Financial Officer (CFO) has been finalised, with Mark Pozzi to commence in the CFO role on 6 August 2018. The CFO will be based in Melbourne.

Mark has over 29 years' experience in Finance and Accounting with over 20 years' experience as an executive across small, medium and large multinational organisations, managing stakeholder relationships and communications, creating and implementing strategy, driving financial performance and developing accountability frameworks. Mark has an extensive background in financial services and Software as a Service (SaaS) businesses including IRESS.

### Distribution Team Expansion

The Distribution team footprint was expanded in late May with the appointment of Lisa Ng as a Business Development Manager based in Adelaide.

Lisa will be responsible for driving sales and managing existing and new relationships within the South Australian and Western Australian markets. Lisa has worked in the financial services industry for 20 years including roles at a boutique financial planning firm, Deloitte, Zurich Investments and Centrepont Alliance.

## **Wrap Strategy**

The Company has previously flagged its intention to rollout a competitively priced Wrap solution to the market in the September 2018 quarter, with this strategy being driven by the Head of Product and Head of Distribution.

This project continues to be on track for delivery.

## **Competitor Administration Fees**

Following the launch of the revised BT Panorama fee model, a number of inquiries have been received from the market regarding the impact on MGP.

MGP can confirm it has reviewed its current pricing and believes it continues to be well placed to be able to compete with existing and new market entrants.

MGP's non-Superannuation products and services have consistently been competitively priced against peers. This, coupled with the higher returns on cash offered via MGP over its competitors, provides for the MGP non-Super rate card to be very competitive against any competitor including BT Panorama for balances up to \$1.5 million. For balances above \$1.5 million, MGP has previously identified the need for fee capping, with this intended for implementation in FY2019 and already included in the FY2019 earnings guidance.

From a Superannuation perspective, MGP has previously announced to the market its intention to acquire a Registrable Superannuation Entity (RSE). The completion of this acquisition will enable MGP to own the delivery of the Superannuation solution including pricing, which is intended to be competitively priced against its peers.

## **Royal Commission into Financial Services**

MGP continues to closely monitor the proceedings at the Royal Commission into Financial Services. As an independent platform and administration provider, MGP is well positioned to take advantage of any adviser movement from large institutions to the smaller independent platform providers. This positioning will be enhanced through the roll out of the wrap solution, targeted for launch in the September 2018 quarter.

## **Technology Strategy**

Significant progress has been made on the review of the future optimal technology environment for MGP. The market will be informed of the outcome of this review in August 2018.

## **MGP Announced as a Finalist in the Institute of Managed Account Provider (IMAP) Awards**

MGP has been announced as Finalist in the Institute of Managed Account Professionals (IMAP) awards under the Innovation category. MGP is the first and only MDA provider in the market to be able to offer a non-custodial MDA solution to advisory firms, allowing clients to hold ASX listed equities in their own name and maintain the ability to trade through any broker.

## Synergy Update

The Company has previously flagged to the market that the merger process is expected to result in the delivery of \$3.5m in synergies through the merger integration process. Synergies have been largely achieved with the current status outlined below.

Target annual pre-tax cost synergies \$3.5 million <sup>(1)</sup>	Salaries	<ul style="list-style-type: none"> <li>Complete</li> </ul>
	Occupancy costs	<ul style="list-style-type: none"> <li>Complete</li> </ul>
	Service provider management	<ul style="list-style-type: none"> <li>Review completed of all service providers for rationalisation opportunities. \$500,000 synergies achieved with action plan in place to achieve a further \$600,000</li> </ul>
	Centralised functions	<ul style="list-style-type: none"> <li>Complete with recent recruitment of Chief Financial Officer</li> </ul>
Not included in above target synergies	Technology synergies	<ul style="list-style-type: none"> <li>Optimal technology solution review commenced early April 2018 with an update to the market targeted for August 2018</li> </ul>
	Revenue synergies	<ul style="list-style-type: none"> <li>Discussions have identified cross sell opportunities to existing Linear clients. These will be quantified as realised</li> <li>Linear international capability to pre-merger MGP clients now in ready to go live state</li> <li>Addition of MGP MDA capability to Linear administration now in ready to go live state</li> </ul>

(1) Excludes one-off implementation costs and potential technology cost synergies and incremental revenue streams that may be generated by the Company following integration.

This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the Company's other ASX announcements and releases.

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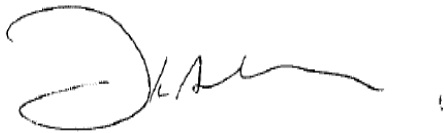
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### About Managed Accounts Holdings Limited

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 \$13 billion.

### Authorised by:



**Don Sharp**  
Chairman  
Managed Accounts Holdings Limited