

16 May 2012

**SFG AUSTRALIA LIMITED**  
**ASX RELEASE**  
(ASX: SFW)

**PRESENTATION TO THE 2012 GOLDMAN SACHS  
EMERGING COMPANIES CONFERENCE**

Today, SFG Australia Limited's Managing Director, Mr Tony Fenning, will be presenting the attached Investor Presentation to the 2012 Goldman Sachs Emerging Companies Conference.

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**About SFG Australia Limited**

SFG (formerly Snowball Group Limited) is a leading non-aligned client focused financial advice and end-to-end wealth management firm, listed on the Australian Securities Exchange.

SFG 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, and corporate superannuation services.

# SFG Australia Limited Goldman Sachs Emerging Companies Conference

16 May 2012

# Important Notice & Disclaimer



This presentation is for general information purposes only and should be read in conjunction with the Appendix 4D lodged by SFG Australia Limited (**SFG**) with the Australian Securities Exchange (**ASX**) (ASX: SFW) on 27 February 2012. SFG was formerly known as Snowball Group Limited (ASX: SNO). This presentation does not purport to provide recommendations or opinions in relation to specific investments or securities.

The merger of Shadforth Financial Group Holdings Limited (**Shadforth**) and SFG (then Snowball Group Limited), and the relative size of Shadforth compared to SFG meant that the merger was treated as a reverse acquisition for accounting purposes. This means that the prior comparative period results in the statutory income statement reported by SFG is the statutory income statement results of Shadforth only. To provide a more meaningful overview of the Group going forward, this presentation primarily illustrates the Pro forma result of the merged group for the prior comparative periods, as if SFG and Shadforth had been combined for the periods disclosed in this presentation.

This presentation has been prepared in good faith and with reasonable care. Neither SFG nor any other person makes any representation or warranty, express or implied, as to the accuracy, reliability, reasonableness or completeness of the contents of this presentation (including any projections, forecasts, estimates, prospects and returns, and any omissions from this presentation). To the maximum extent permitted by law, SFG and its respective officers, employees and advisers disclaim and exclude all liability for any loss or damage (whether or not foreseeable) suffered or incurred by any person acting on any information (including any projections, forecasts, estimates, prospects and returns) provided in, or omitted from, this presentation or any other written or oral information provided by or on behalf of SFG.

It is not intended that this presentation be relied upon and the information in this presentation does not take into account your financial objectives, situations or needs. Investors should consult with their own legal, tax, business and/or financial advisers in connection with any investment decision.

All numbers are as at 31 December 2011 unless otherwise stated.

# Agenda



Group overview

Key drivers

Looking forward

Appendix – Definitions

# GROUP OVERVIEW

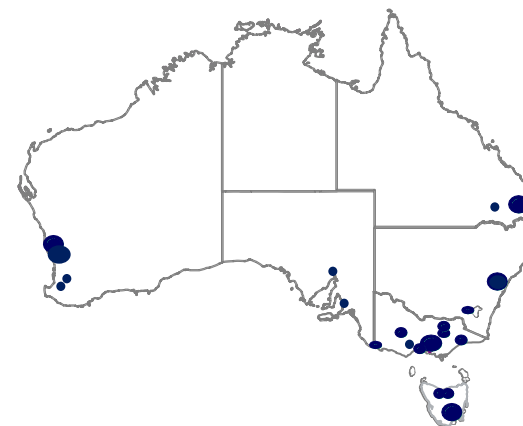
# Group overview



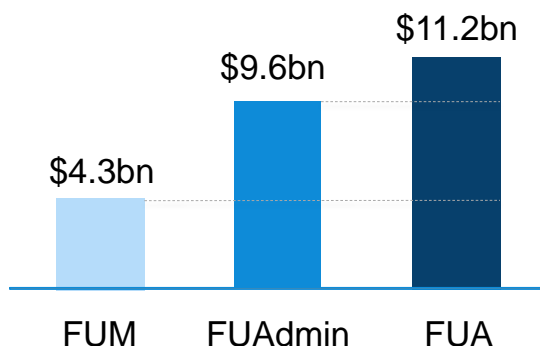
**A unique, quality financial advice & wealth management firm of scale**

- Complementary, quality and professional HNW financial advice business models – fee for service
- Integrated advice implementation services across the client value chain (see “Revenue by Service” in below chart)
- Significant scale, footprint and industry presence
- Market capitalisation: \$248m<sup>1</sup>; FY11 Pro forma Net Operating Revenue: \$117m; FY11 Pro forma Operating EBITDA: \$39m
- Experienced management team, with strong transaction execution and integration credentials
- Aligned interests of management, advisers and staff with shareholders

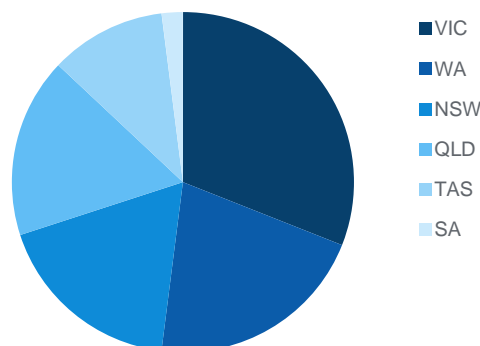
## Unique adviser footprint



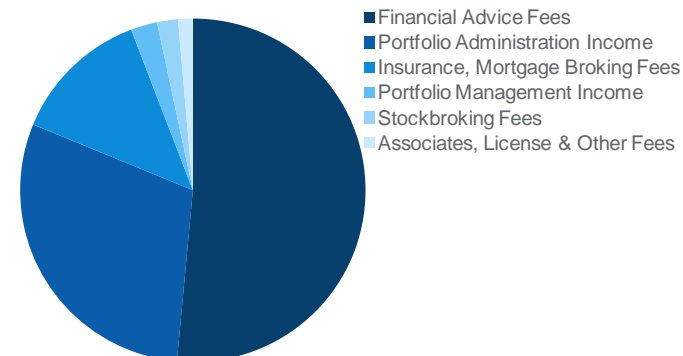
## Mar-12 FUMA



## 1H12 Revenue by State



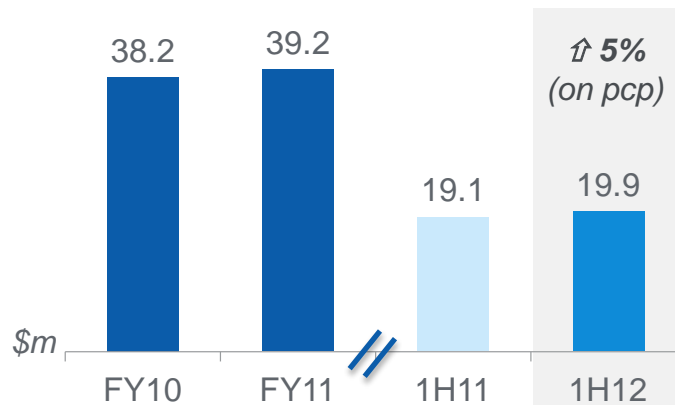
## 1H12 Revenue by Service



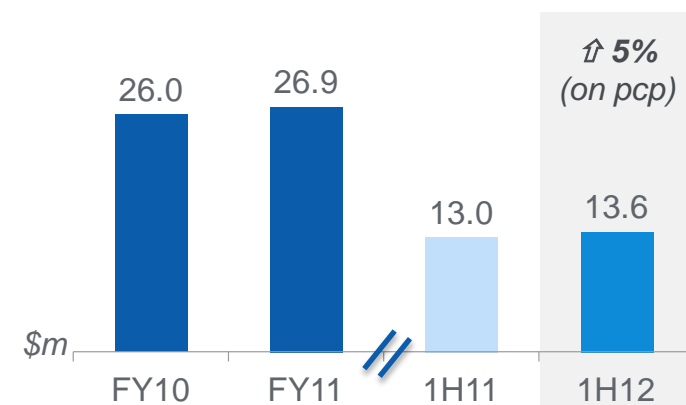
# Historical performance

Pro forma<sup>1</sup> performance strong during prolonged weak market conditions

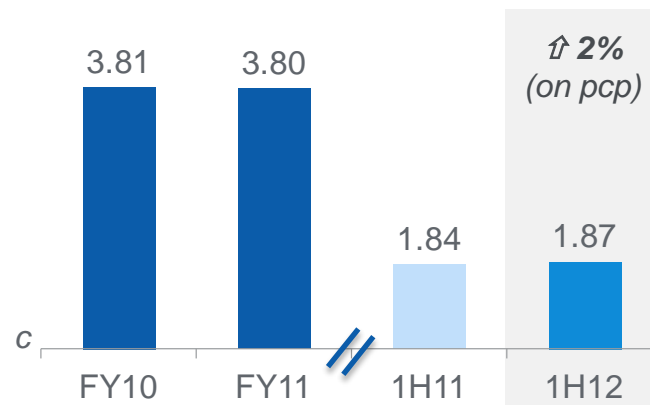
## Operating EBITDA



## Underlying NPAT



## Underlying EPS



## Balance sheet – 31-Dec-11

Cash <sup>2</sup>	\$13.1m
Total Assets	\$198.9m
Total Liabilities	\$37.5m
<b>Net Assets</b>	<b>\$161.4m</b>
<b>Net Cash<sup>3</sup></b>	<b>\$11.3m</b>

1. See Disclaimer & Appendix 4D, issued 27/2/12 regarding pro forma explanations. 2 & 3. Adjusts for \$2.8m in cash held on trust for clients. 3. Post balance date, interim dividend payment of \$7.3m paid; note increased regulatory capital requirement of \$5m for the Responsible Entity business effective 1-Nov-12; and deferred tax amount is subject to change, pending the outcome of the government's announcement on RTFI (refer further explanation in Appendix 4D, issued 27/2/12).

# End-to-end business model



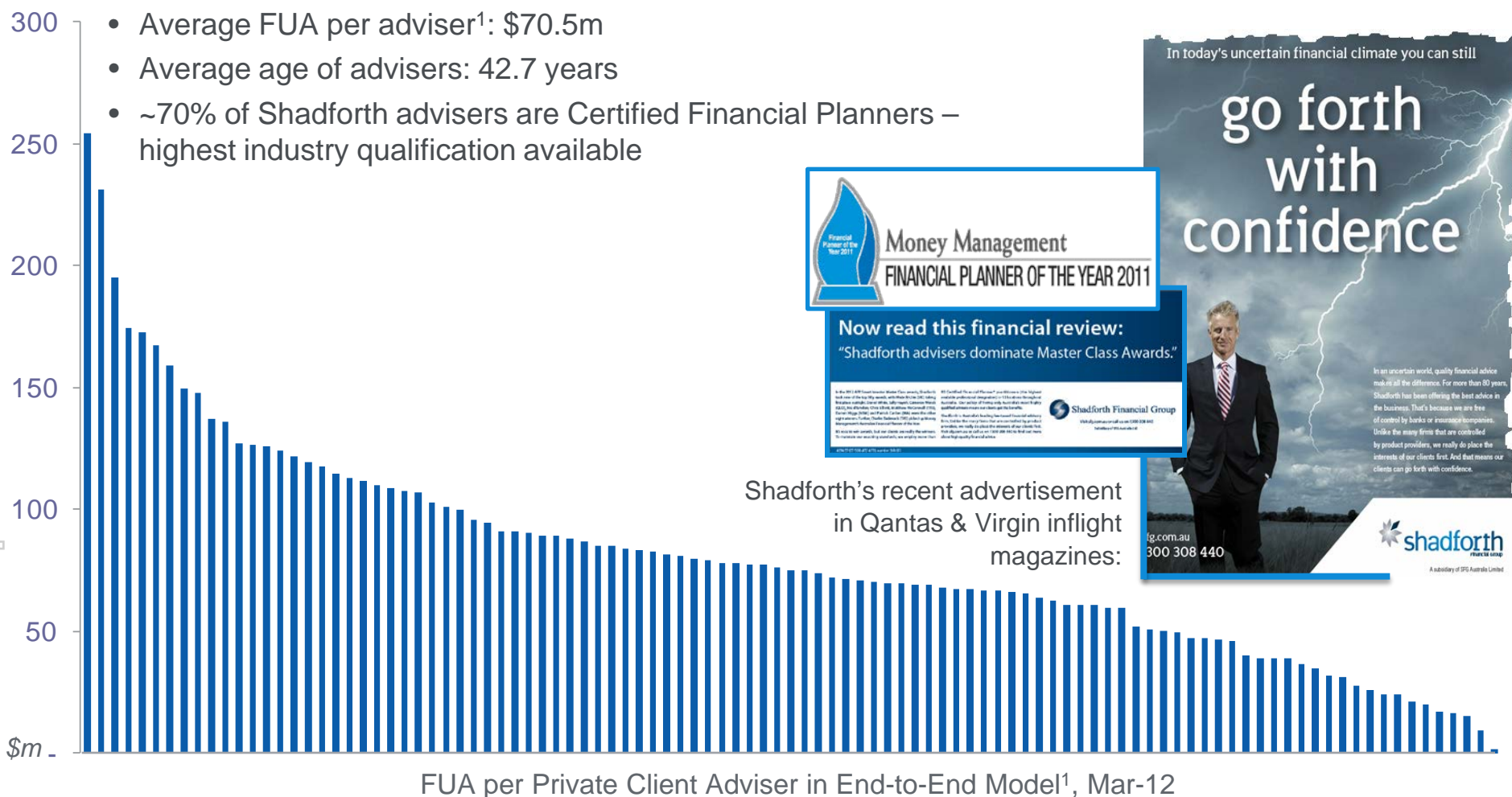
We aim to be the leading provider of financial advice in Australia



# Quality financial advisers

## Industry leading financial advisers across key metrics

- Average FUA per adviser<sup>1</sup>: \$70.5m
- Average age of advisers: 42.7 years
- ~70% of Shadforth advisers are Certified Financial Planners – highest industry qualification available



# “Best Advice”



Continuous improvement, best of breed culture supporting the provision of quality advice

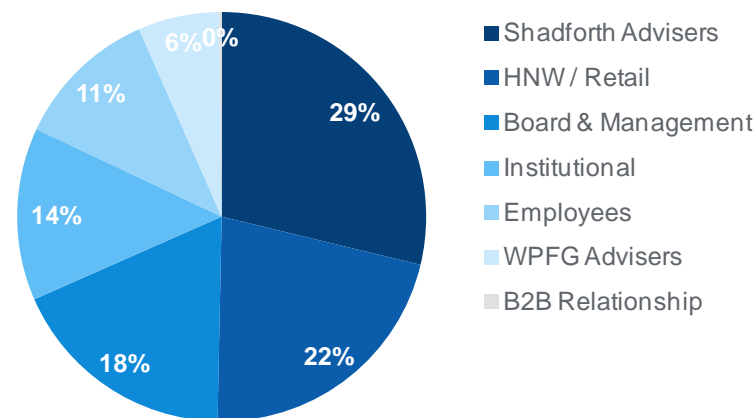


# Share register profile

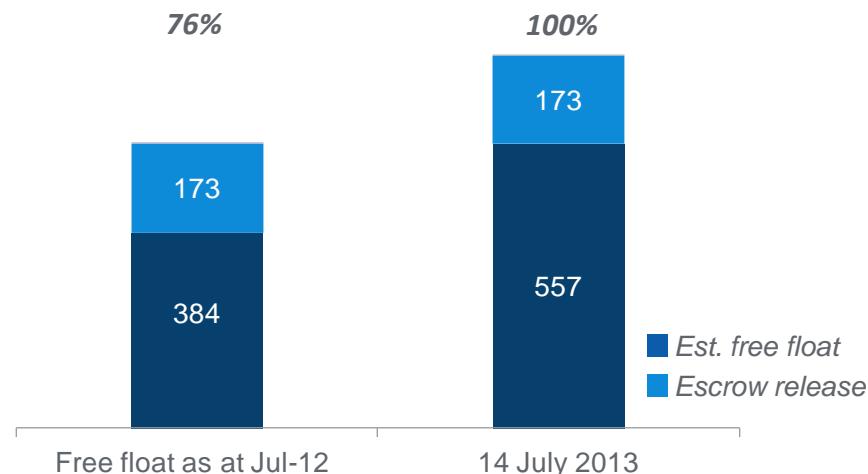


- Aligned interests of management, advisers and staff with shareholders
- Current market capitalisation equal to \$248m, assuming a share price of \$0.34<sup>1</sup>
- Current free float equal to 53% of shares outstanding, with further 173m / 23% becoming available in July 2012 following escrow release
  - Final tranche of 173m / 23% to be released on 14 July 2013
- As a large number of SFG shareholders are employees of SFG, the dealing in these shares is governed by the Employee Securities Trading Policy (lodged with ASX)
  - Next trading window will follow FY12 results announcement in late August

## Register Composition



## Free float profile, # of shares



1. As at 14 May 2012.

Register composition is composed from Top 500 Shareholders, which account for 99.4% of total shares outstanding.

# KEY DRIVERS

# Earnings drivers

Quality, diversified earnings streams with considerable profit leverage

## Revenue drivers

- Over 90% of the Group's revenue is recurring and predominantly generated via asset based fees, which are influenced by market movements, like a diversified portfolio

### FUA

- Primarily generates ongoing, asset based advice fees
- Client portfolios, incl. direct shares: balances move according to the aggregate of individual asset allocation, aggregate net flows (inflows from existing and new clients, less outflows from pension payments, client redemptions), fees and expenses

### FUAdmin

- Earn an administration fee and/or margin (asset based fee) for in-house services rendered and buying power through Group's scale
- Balances move similar to FUA

### FUM

- Earn portfolio construction margin and/or RE margin (asset based fees) on funds which Mosaic is RE
- Balances move according to fund performance and net flows – leveraged to volatility in fund asset class

### Other

- Insurance (general & risk) broking fees, stockbroking fees (back office outsourced to UBS), mortgage broking fees, accounting & tax fees, AFS License fees

## Expense drivers

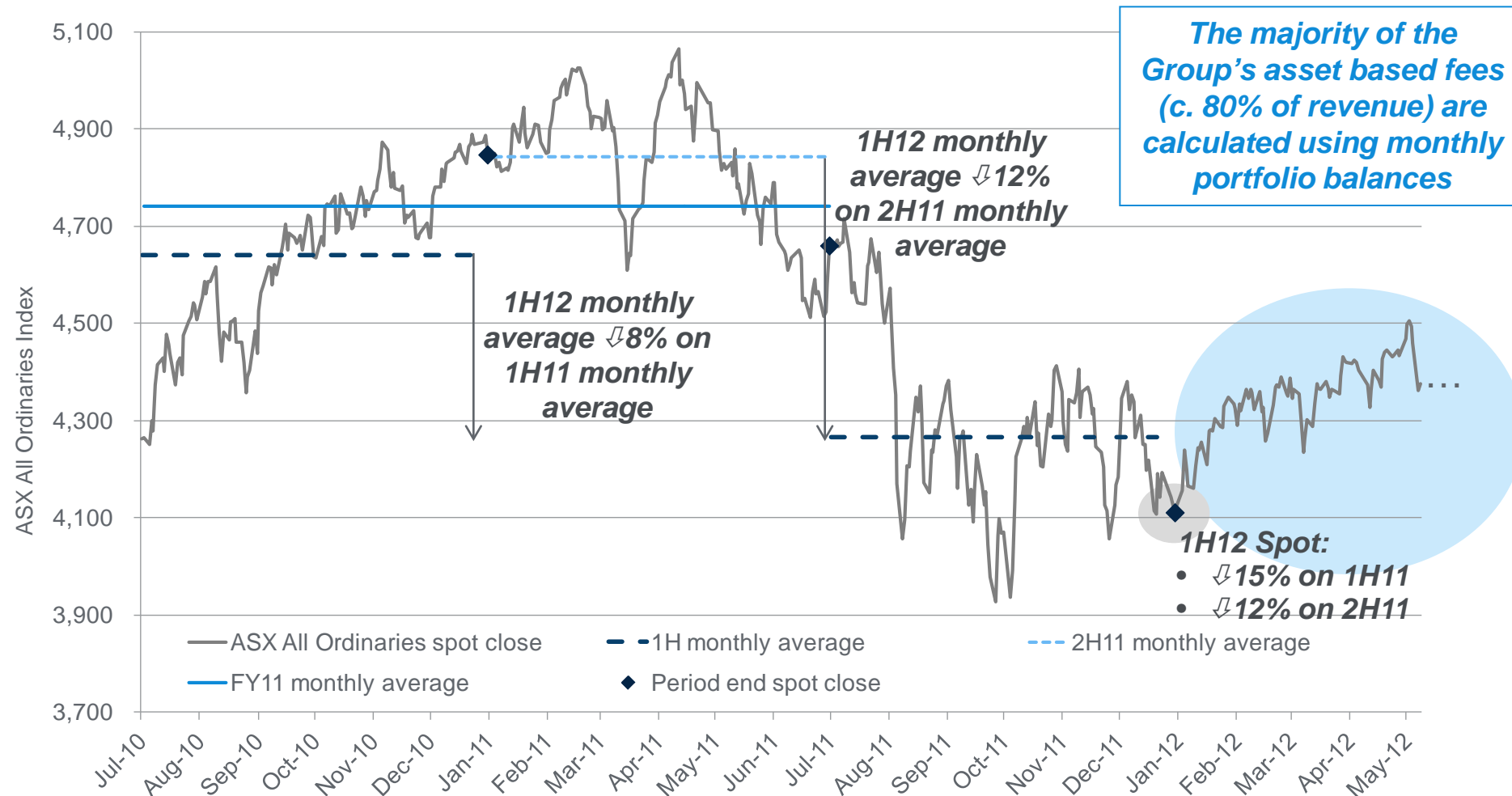
- People business: ~70% of operating expenses are personnel expenses
- Scale game: merger expense synergies expected in FY13 of \$10.5m, annualised & gross of integration costs
- Advice business model differentiation in cost to income ratio (End-to-end employed advisers to B2B model)

## Profit

- Fundamental business structure is based on fixed and variable costs, and variable revenues, providing cost leverage
- Amortisation a material item due to the Group's ongoing acquisition strategy
- Underlying NPAT (excludes amortisation and one-off, non-operational items) reported as meaningful measure of ongoing cash generating ability of the Group
- Dividend payout ratio equal to 50% – 70% of Underlying NPAT, sustaining regulatory capital requirements and funding capacity for tuck in acquisition strategy

# Tough market conditions

## Performance of ASX All Ordinaries – impacts FUMA balances & Group Revenue

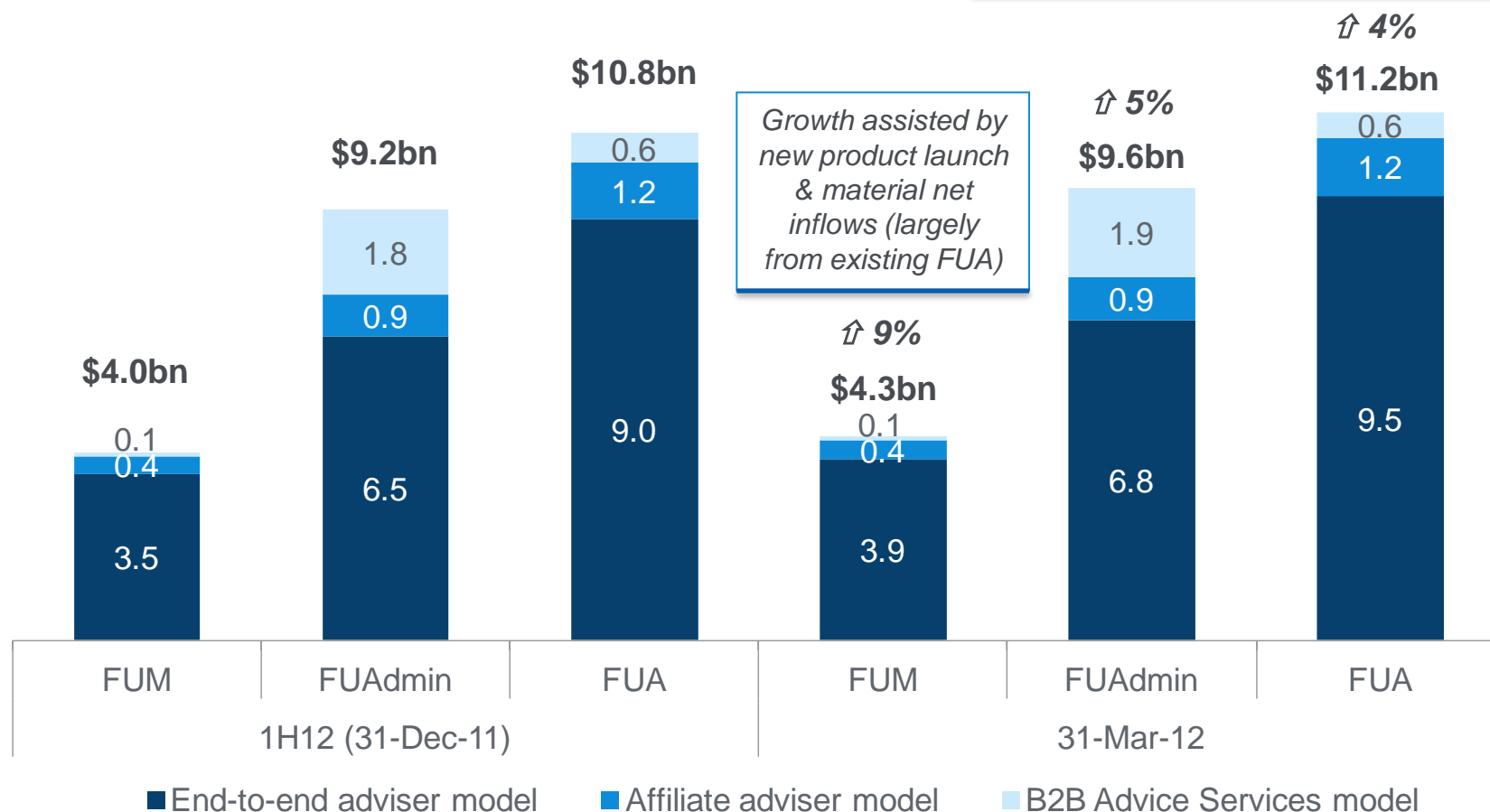


# Scale in FUMA



## Quarterly FUMA positively assisted by markets

Slight positive net inflows achieved YTD Mar-12 – movement largely attributable to asset allocation performance

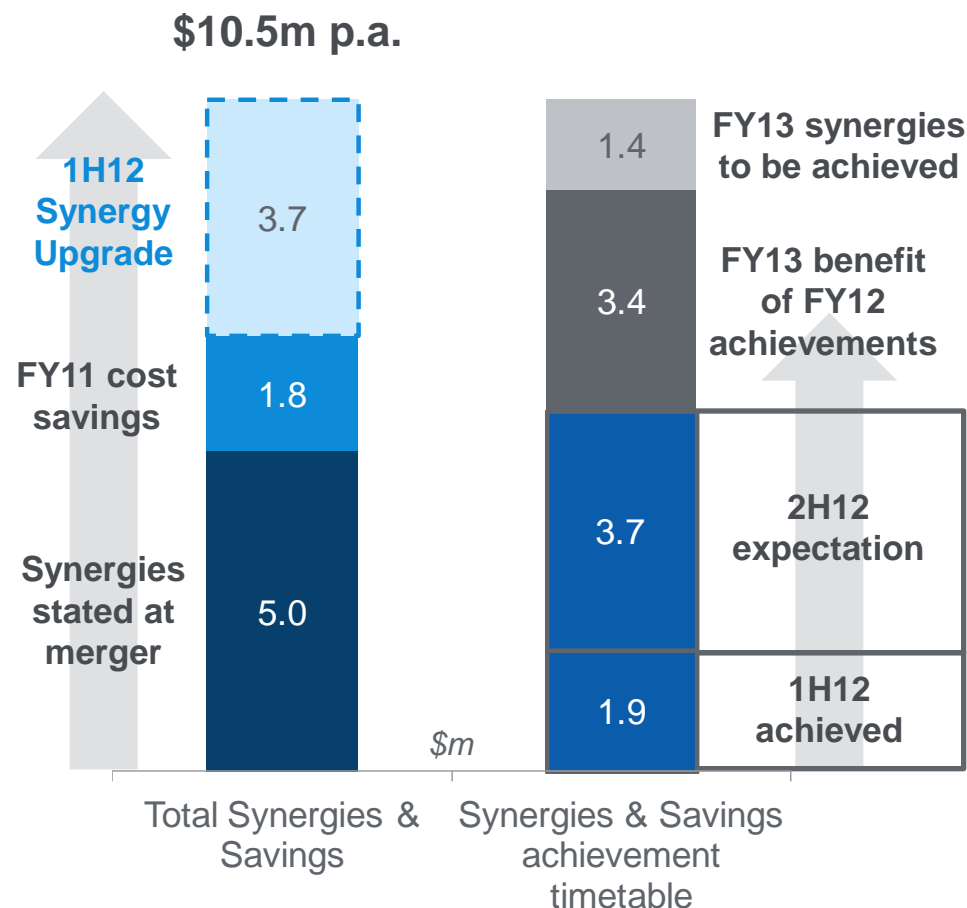


# Benefits of the merger



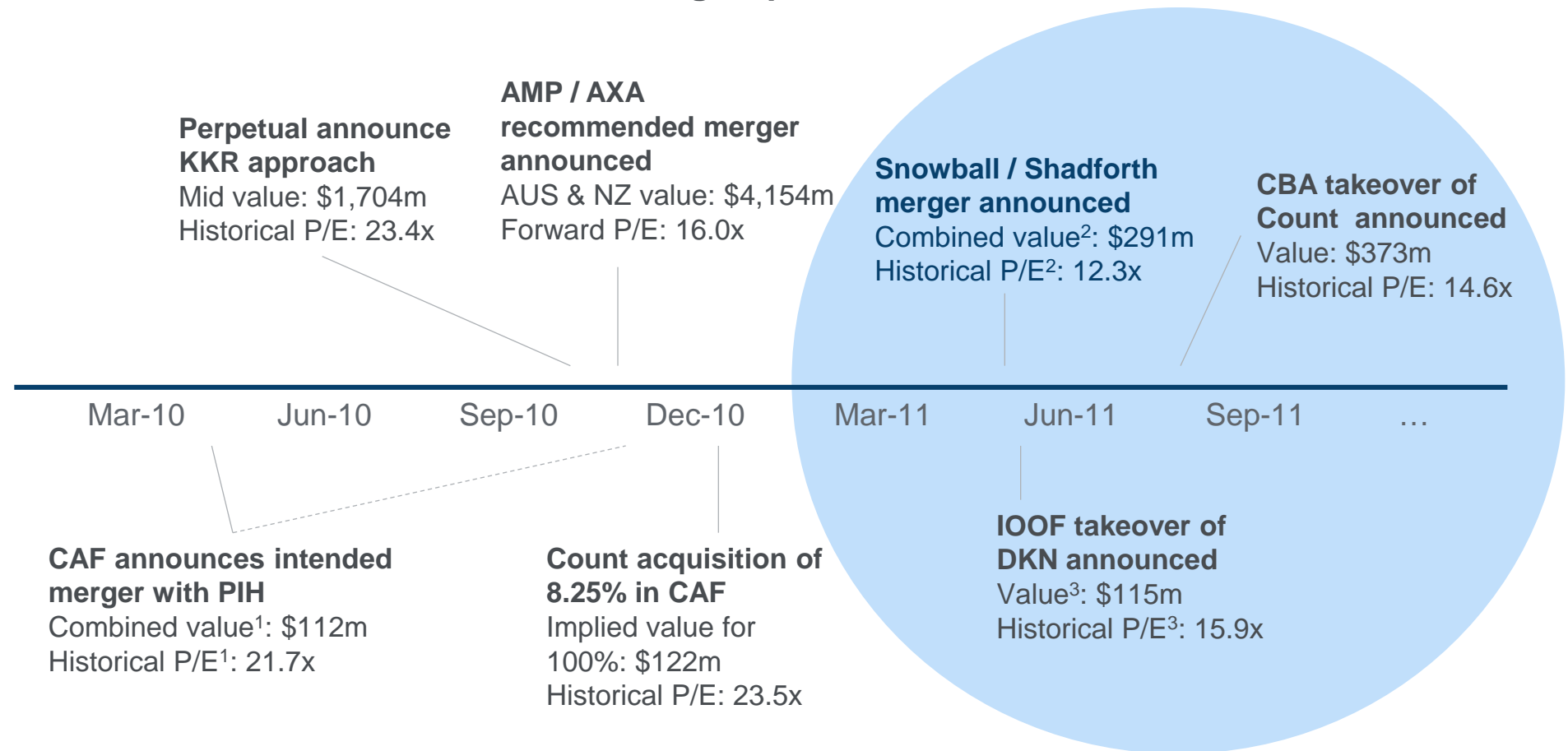
✓✓ Integration effectively complete & synergies being achieved – now in ‘renovation’ phase

- Expect to achieve stated cost savings and synergies from the merger (effective 26-Jun-11):
  - \$5m in annualised synergies per annum, gross of integration costs, by FY13
  - \$1.8m cost savings benefit in FY12 (compared to prior year)
- Re-estimation as at Dec-11 resulted in a net increase in expected synergies of approximately \$3.7m in Operating EBITDA per annum, predominantly as a result of re-negotiation of the Group’s portfolio administration supply contracts
- In 1H12, SFG achieved \$1.2m in cost savings (FY12 run rate of \$1.8m) and \$0.7m in synergies, and expects to achieve \$3.7m in total in 2H12
- With integration largely complete, the business has moved into renovation and business improvement phase. Spend on renovation, with progressive pay-off from FY13, involves some re-investment of synergies achieved (see slide 19)



# Value underpinned by strategic position

Recent consolidation of financial advice groups demonstrates value, even in current climate



# LOOKING FORWARD

# Current industry dynamics



## SFG is well positioned despite industry headwinds

### Advice fundamentals underpin long-term growth

- Ageing population
- Potential increase in Superannuation Guarantee from 9% to 12% by 2019
- Estimated that only c. 20% of adult Australians obtain financial advice currently  
.... expect demand for advice to rise

### Tough market cycle, leveraged for return

- Prolonged volatile global economic climate and investment conditions continue to impact consumer sentiment, especially propensity for consumers to invest or seek financial advice
- FUAdmin net inflows slightly positive for the 9 months to Mar-12, and material FUM net inflows through new fixed interest trust launch (largely from existing FUA)

### Regulatory reforms: still not finalised !

- 11<sup>th</sup> hour changes to previously stated positions on material issues ongoing (such as platform payments/arrangements grandfathering), despite some of the draft legislation appearing. Much of the detail, passed to ASIC or Regulation, is to follow. We believe we have strategic responses when the target stops moving
- Most changes are now effectively deferred to at least 1-Jul-13
- Reforms uncertainty continues to impact investor confidence in industry – not helpful

### Industry consolidation

- Delay in regulatory reform clarity causing temporary pause on transactions
- Industry shake out expected following reform certainty and long awaited consolidation in sector underway – SFG is proactively participating in this consolidation



# 2012 Group strategic initiatives



## Moving to business renovation & improvement phase – maintaining advice leadership

 <b>SFG Australia</b>	<ul style="list-style-type: none"> <li>Continue successful integration execution – in next phase of business renovation</li> <li>Actioning regulatory reform responses post clarity</li> <li>Group acquisition strategy – ready to review transformational deals</li> <li>Funding facility in place at 1x current Operating EBITDA</li> </ul>
  <b>End-to-end model</b>	<ul style="list-style-type: none"> <li>Deliver enhanced segmented service value propositions and begin migration of clients to better, contemporary offers</li> <li>Recently announcement new tuck in acquisition: Life Financial Services (Ballarat) and Spencers Accountants, both based in Ballarat – cements a regional hub for the Group in Victoria</li> <li>Firm tuck in pipeline remains</li> </ul>
 <b>Affiliate model &amp; B2B Services model</b>	<ul style="list-style-type: none"> <li>Best Advice / Cortex implementation: continue to deliver regularly enhanced adviser services offer and links to platforms and funds</li> <li>FY13 – considering more expansive independent dealer group and B2B offer</li> </ul>

### ADMINISTRATION

 <b>finHQ &amp; Platforms</b>	<ul style="list-style-type: none"> <li>Integration of existing main platforms via development of client facing consolidated platform and client reporting portal</li> <li>Extend innovative Managed Portfolio Service (<b>MPS</b>, a MDA type product) and Dynamic Portfolio Update Service to all advice models; Mosaic performing strategic asset allocation, manager selection and fund selection duties for the MPS</li> </ul>
 <b>Mosaic Portfolio Advisers</b>	<ul style="list-style-type: none"> <li>Refinement and rationalisation of Mosaic Portfolio Advisers strategy including Group multi and single sector portfolios</li> <li>Deliver cash-plus portfolio product</li> </ul>

### MANAGEMENT

# Looking forward

**A leading non-aligned financial advice & end-to-end wealth management firm, well positioned to capture upside when market conditions improve**

- High quality, client focused financial advice business, with a robust and flexible business model of scale
  - Platform and portfolio solutions distinguishes the Group from all smaller competitors
  - Breadth and depth of client relationships distinguishes the Group from larger competitors
- Cyclical headwinds but industry fundamentals underpin long-term growth
  - Well prepared but cautious regarding final outcomes of the regulatory reforms – ready to implement once final legislation and regulation known
- Reaping the benefits of the merger – commenced renovation and reinvestment phase to produce future growth
  - As at Dec-11, upgraded total synergies expected and on track to deliver \$10.5m in annualised cost savings and synergies in FY13, gross of integration costs
  - As at Dec-11, assuming 1H12 FUMA levels, 2H12 Operating EBITDA expected to be net \$2.0m higher than 1H12
- Net non-leveraged balance sheet (clarification on RTFI required) and strong operating cashflows
- Experienced management team ready to capture opportunities, implement regulatory reform responses and, with the integration on track, “deal ready” and considering further transformational transactions

# APPENDIX

# Definitions



Term / Note	Definition
<b>pcp</b>	Prior corresponding period
<b>FUA</b>	Funds under Advice: funds balances upon which the Group derives a share of the advice fee
<b>FUAdmin</b>	Funds under Administration (FUAd or FUAdmin): funds balances upon which the Group derives a share of the administration margin
<b>FUM</b>	Funds under Management: funds balances upon which the Group derives a share of the management margin
<b>FUMA</b>	The collective term for Funds under Advice, Administration and Management
<b>Net Operating Revenue</b>	Net Operating Revenue comprises Operating Revenue less cost of goods sold expense items to derive Net Operating Revenue to the Group. The Appendix 4D reports Operating Revenue
<b>Net Operating Expenses</b>	As above, excludes cost of goods sold type expense items
<b>Operating EBITDA</b>	Earnings before interest, tax, depreciation and amortisation, and before one-off and non-operating items
<b>NPAT</b>	Net Profit After Tax
<b>Underlying NPAT or UNPAT</b>	Underlying Net Profit After Tax. Underlying NPAT excludes amortisation and one-off, non-operational items. SFG considers this to be a meaningful indicator of the underlying performance and cash generating capability of the Group
<b>RTFI</b>	Rights to Future Income legislation

## **SFG Australia Limited**

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