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19 August 2009

The Manager  
Company Announcements Office  
ASX Limited

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WHK Group Limited  
ABN 93 006 650 693

### **Company Presentation – 2008/09 Full Year Results**

Attached is a presentation in relation to the Company's 2008/09 full year results which were released earlier today.

**Bruce Paterson**  
*Company Secretary*

better advice for a better life



## 2008/09 Full Year Results August 2009

**Kevin White – Managing Director**  
**Chris Price – Chief Financial Officer**

The information contained in this document is not intended to be exhaustive and must be considered in conjunction with all other publicly available information, as disclosed by the Company to the Australian Stock Exchange from time to time.

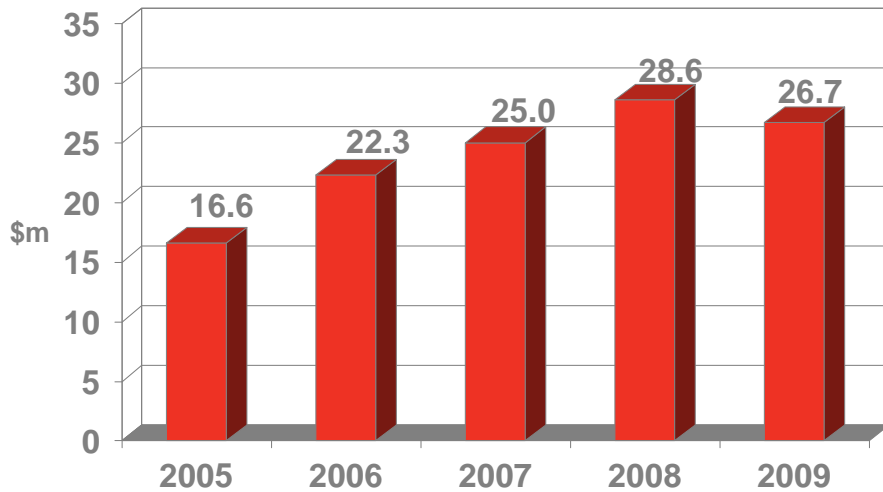
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## Results Overview

- Strong cash flow from operations – \$32.8m (2008: \$21.0m), \$27.7m in the 2<sup>nd</sup> half without acquisitions
- Continued revenue growth – up 7% to \$421.2m
- Business Services
  - Net Contribution up 12% to \$55.8m (2008 : \$49.8m)
- Financial Services
  - Net Contribution down 37% to \$16.1m (2008 : \$25.7m) due to \$10.6m revenue fall in Financial Planning following a sharp correction in financial markets
- Profit from Continuing Operations down 2% to \$47.0m (2008 : \$48.1m)
- Cash earnings per share of 10.2 cents (2008 : 11.2 cents), down 9% on higher interest charge
- Two significant transactions completed – strategic partnership with Macquarie and sale of interest in NEXT Financial (impairment charge of \$17.5m as previously reported)
- Strong Balance Sheet
  - Commercial bills paid down by \$42m to \$50m, gearing at 26%, net debt at \$68.7m (including \$30m of 5-year unsecured notes) and un-drawn bank facilities of \$70m
- NPAT of \$6.5m following non-cash impairment charge
- Final dividend of 1.5 cents fully franked – brings full year dividend to 3.0 cents p.s.

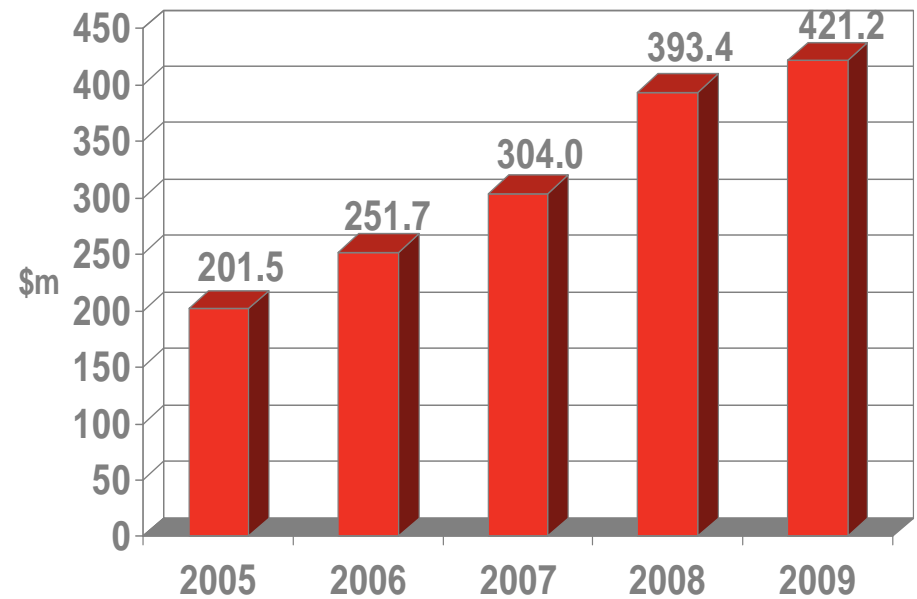
# Results Overview (cont'd)

### Cash Earnings



% Increase    28%    34%    12%    14%    (7)%

### Operating Revenue



% Increase    28%    25%    21%    29%    7%

## Full Year Operating Performance

	2008/09 \$m	2007/08 \$m	Growth %
Operating Revenue			
- Business Services	318.8	287.4	11%
- Financial Services	102.4	106.0	(3)%
<b>Total Revenue</b>	<b>421.2</b>	<b>393.4</b>	<b>7%</b>
<b>Net Contribution</b>	<b>72.0</b>	<b>75.5</b>	<b>(5)%</b>
<i>less Profit Share accruing to Principals</i>	(16.3)	(19.1)	(15)%
<i>less Corporate Expenses</i>	(8.3)	(7.3)	(14)%
<i>less Imputed Cost of Performance Rights</i>	(0.3)	(1.0)	(71)%
<b>Profit from Continuing Operations</b>	<b>47.0</b>	<b>48.1</b>	<b>(2)%</b>

- Fall in Net Contribution due to drop in Financial Planning revenue
- Business Services and other Financial Services lines experienced continued growth
- 85% of revenue is not directly related to financial markets
- Corporate expenses significantly lower in the second half
- The use of Performance Rights has been discontinued with effect from 15th July 2009

# Full Year Profit Performance

	2008/09	2007/08	Growth
	\$m	\$m	%
<b>Profit from Continuing Operations</b>	<b>47.0</b>	<b>48.1</b>	<b>(2)%</b>
<i>less</i> Interest Expense	(8.6)	(6.0)	44%
<i>less</i> Tax	(11.7)	(13.5)	
<b>Cash Earnings</b>	<b>26.7</b>	<b>28.6</b>	<b>(7)%</b>
<i>add</i> Contribution from NEXT Financial	0.2	2.4	
<i>less</i> Amortisation of Intangible Assets	(2.1)	(1.7)	
<i>less</i> Loss on Interest Rate Swap Contract (a)	(0.9)	-	
<b>Net Profit Before Impairment Charge</b>	<b>24.0</b>	<b>29.2</b>	<b>(18)%</b>
<i>less</i> Impairment Charge (b)	(17.5)	-	
<b>Net Profit</b>	<b>6.5</b>	<b>29.2</b>	<b>(78)%</b>
<b>Cash Earnings Per Share</b>	<b>10.2 ¢</b>	<b>11.2 ¢</b>	<b>(9)%</b>
<b>Final Dividend Rate</b>	<b>1.5 ¢</b>	<b>3.0 ¢</b>	<b>(50)%</b>

(a) Non-cash mark to market loss on a fixed interest rate swap contract – will reverse going forward

(b) Non-cash write-down of the book carrying value of the Group's interest in NEXT Financial

## Operating Cash Flow Summary

	<b>2008/09</b>	<b>2007/08</b>	<b>Increase/ (Decrease)</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Profit from Continuing Operations</b>	47.0	48.1	(1.1)
<i>plus</i> Contribution from NEXT	0.2	2.4	(2.2)
<b>EBITA</b>	47.2	50.5	(3.3)
<i>plus</i> Depreciation	7.9	7.1	0.8
<b>EBITDA</b>	55.1	57.6	(2.5)
<i>less</i> Working Capital Movement			
- Organic	2.9	(0.4)	3.3
- Acquisitive	(3.4)	(11.2)	7.8
<i>less</i> Interest Paid	(6.4)	(6.4)	-
<i>less</i> Other adjustments for non-cash items	0.2	(1.4)	1.6
<b>Pre Tax Cash Flow from Operations</b>	<b>48.4</b>	<b>38.2</b>	<b>10.2</b>
<i>less</i> Tax paid	(15.6)	(17.2)	1.6
<b>Cash Flow from Operations</b>	<b>32.8</b>	<b>21.0</b>	<b>11.8</b>

Impact of prior year transactions

- Major focus on working capital management reaping benefits – lockup at 100 days (2008 :101 days)
- Interest Paid is different to Interest Expense due to timing differences

## FY09 – Significant Transactions

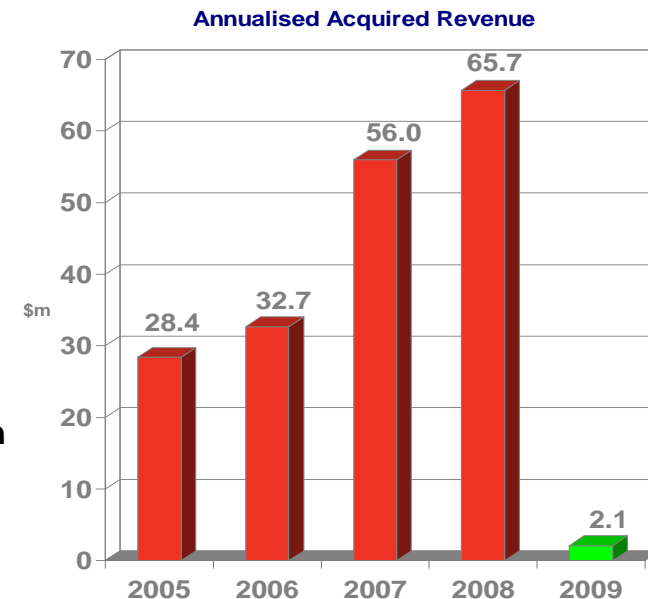
- **Sale of 30% interest in NEXT**

- interest acquired in May 2007
- a number of factors impacted earnings and the value of our investment
- rationale for sale : make better use of the sale proceeds elsewhere
- sale consideration of \$11m (\$7.4m April 09; \$3.6m July 2010)

- **Issue of Convertible Notes to Macquarie Bank**

- Strategic Partnership
  - Supports our TFS strategy
  - Involves an investment by Macquarie in WHK of \$30m
    - 5 years unsecured if not converted
    - even stronger balance sheet if converted – pro forma gearing at 13%
- Rationale : help capture the value of our distribution network and underpin our future growth

- **Acquisitive activity slowed in FY09 to focus on consolidation and integration of prior year acquisitions**





# Balance Sheet Analysis

	As at 30/06/09 \$m	As at 30/06/08 \$m
Cash	24.3	20.8
Plant and Equipment	29.2	28.7
WIP and Trade Debtors (net)	88.8	93.0
<i>Average Lockup Days</i>	100	101
<b>Borrowings</b>		
• Current	1.0	0.3
• Non-current		
- Secured Bank Loans	51.9	93.0
- Unsecured Convertible Notes (face value)	30.0	-
Leasing & HP	10.1	10.4
<b>Net Debt</b>	68.7	82.9
Shareholder Funds	263.6	263.0
<b>Gearing (Net Debt / Shareholder Funds)</b>	26.1%	31.5%

Bank Borrowings at ~60% of Working Capital

Undrawn bank facilities of \$70m at 30/06/2009

Net secured debt at \$38.7m and pro-forma gearing at 13% if 5 year unsecured Notes excluded

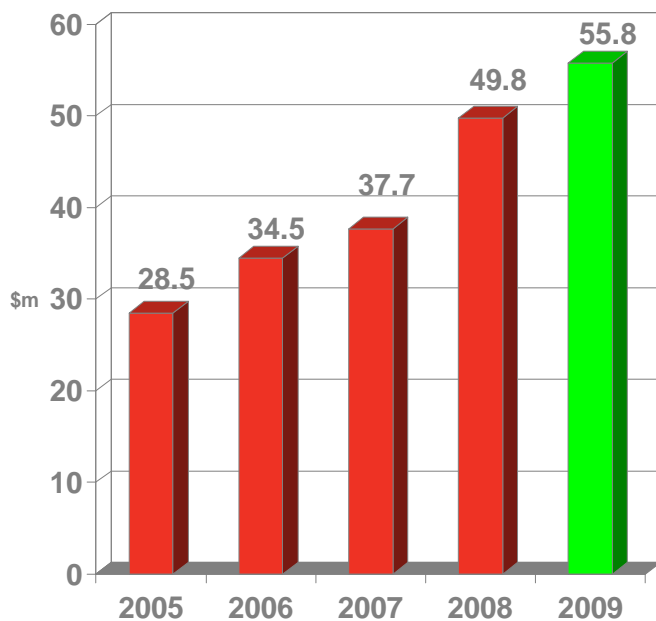
- Commercial bills paid down by a further \$5m to \$45m since year end

- 5<sup>th</sup> largest accounting group in Australasia by revenue
- Largest service provider to the mid tier, SME, HNW market with > 200,000 clients

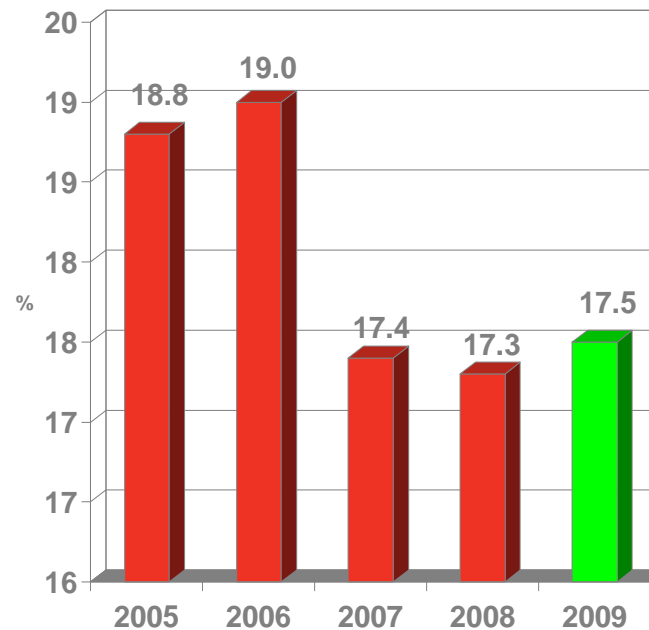
## Business Services Performance

	2008/09	2007/08	Growth
	\$m	\$m	%
Total Business Services Revenue	318.8	287.4	11%
Business Services Net Contribution	55.8	49.8	12%
Net Contribution Margin	17.5%	17.3%	

Net Contribution - Business Services



Net Contribution Margin - Business Services



Pleasing Result

Softer performance in 2<sup>nd</sup> half due to weaker economic conditions impacting specialist services in capital city firms

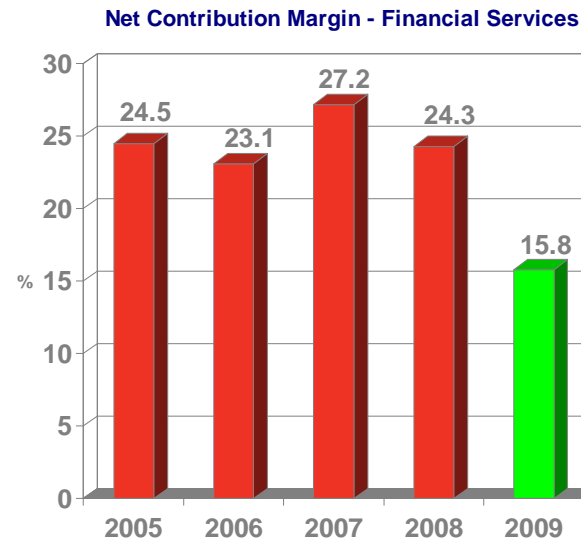
- 17<sup>th</sup> largest Financial Planning group in Australia by FUA

Huge potential to leverage large Business Services client base

## Financial Services Performance

	2008/09	2007/08	Growth
	\$m	\$m	%
<b>Revenue</b>			
Financial Planning – on-going	53.6	59.7	(10)%
Financial Planning – up-front	8.3	12.8	(35)%
<b>Total Financial Planning</b>	<b>61.9</b>	<b>72.5</b>	<b>(15)%</b>
Risk Insurance	6.2	5.8	8%
General Insurance	2.2	1.2	81%
Finance Broking	9.8	9.0	9%
Self Managed Super Administration	22.2	17.3	28%
Other	0.1	0.2	-
<b>Total Financial Services Revenue</b>	<b>102.4</b>	<b>106.0</b>	<b>(3)%</b>
<b>Financial Services Net Contribution</b>	<b>16.1</b>	<b>25.7</b>	<b>(37)%</b>
<b>Net Contribution Margin</b>	<b>15.8%</b>	<b>24.3%</b>	

- Fall in Net Contribution driven entirely by Financial Planning
- Continued growth in other service lines, particularly Self Managed Super Administration



Excludes contribution from NEXT Financial

Stronger 2<sup>nd</sup> half performance due to cost initiatives and better markets

# Financial Services Analysis

	2008/09 \$m	2007/08 \$m	Growth %
<b><u>FINANCIAL PLANNING</u></b>			
<b>Funds Under Advice:</b>			
- New Business Written	543	790	(31)%
- Acquired FUA	189	683	
- Net Market Movement	(1,733)	(1,281)	
- Closing FUA Balance	7.71bn	8.72bn	(11)%
- Funds in WHK Platforms	1.95bn	2.17bn	(10)%
<b>Recurring Revenue Analysis:</b>			
- Recurring Revenue	53.6	59.7	(10)%
- Recurring Revenue/Average FUA	0.70%	0.67%	
<b>New Business Analysis:</b>			
- Up-front Revenue	8.3	12.8	(35)%
- Up-front revenue as a % of new business	1.52%	1.61%	
<b>Productivity Analysis:</b>			
- Average Number of Financial Advisers	139	136	2%
- Funds Under Advice per Adviser	55.5	64.1	(13)%
- Revenue per Adviser (\$000's)	445	533	(16)%

Market Impact

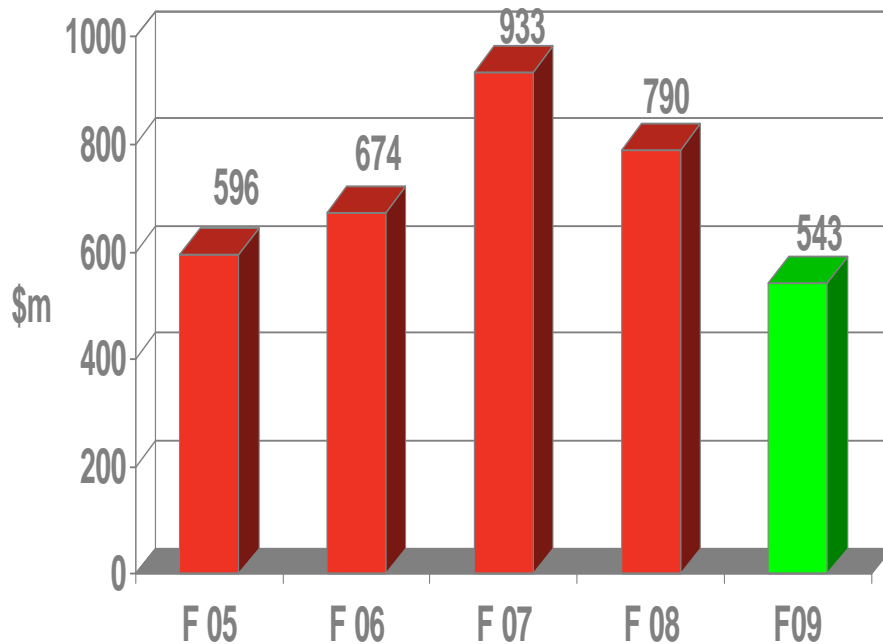
FUA at same level as 31/12/08

## Financial Services Analysis (cont'd)

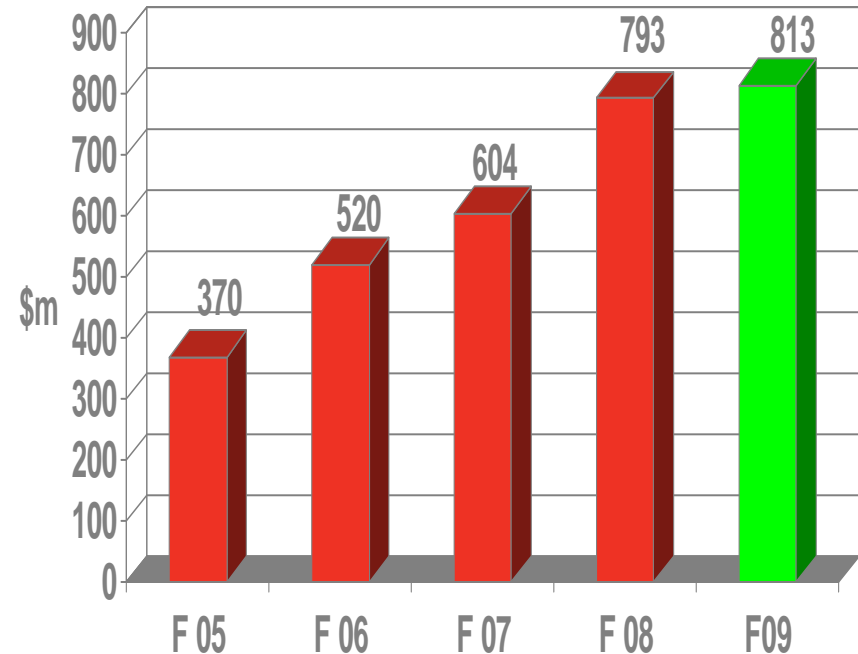
	2008/09	2007/08	Growth
	\$m	\$m	%
<b><u>RISK INSURANCE</u></b>			
- Revenue	6.2	5.8	8%
- Average number of specialists	20	19	5%
- Revenue per specialist (\$000's)	311	303	3%
<b><u>FINANCE BROKING</u></b>			
- Revenue	9.8	9.0	9%
- New Loans Written	813	793	3%
- Loans Refinanced / Repaid	(593)	(422)	
- Acquired Loans Under Administration	130	687	
- Loans Under Administration	2.67bn	2.32bn	15%
- Average Number of specialists	32	31	3%
- Revenue per specialist (\$000's)	305	290	5%
<b><u>SELF MANAGED ADMINISTRATION</u></b>			
- Revenue	22.2	17.3	28%
- Number of Funds	10,800	10,444	3%
- Revenue per Fund (\$)	2,051	1,655	24%

# Financial Services – Growth in New Business

## Financial Planning - New Business Written



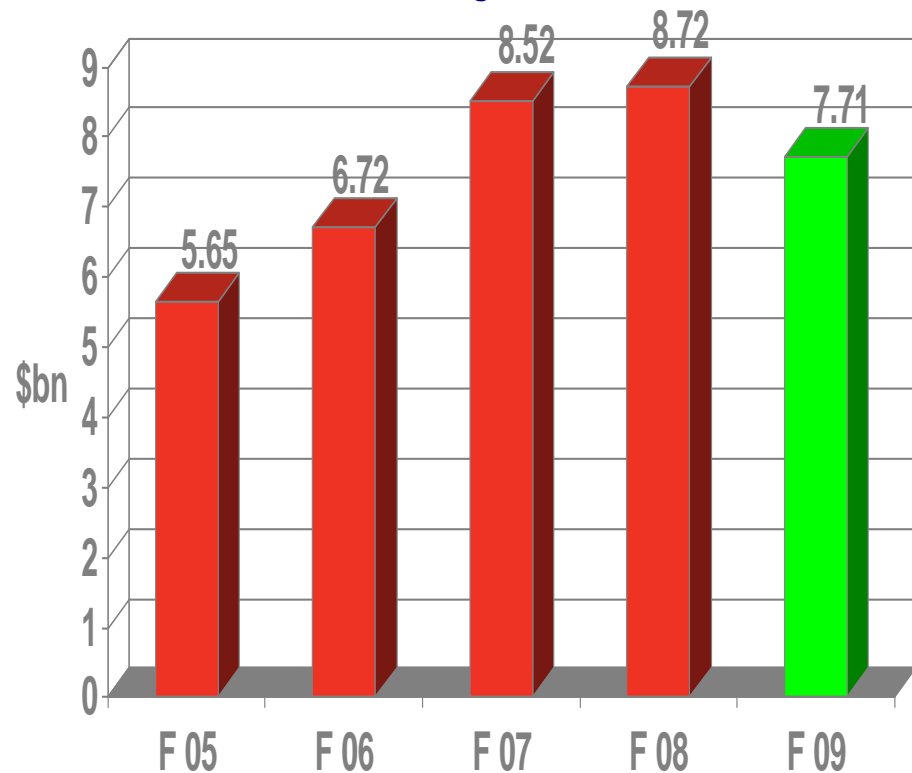
## Finance Broking - New Loans Placed



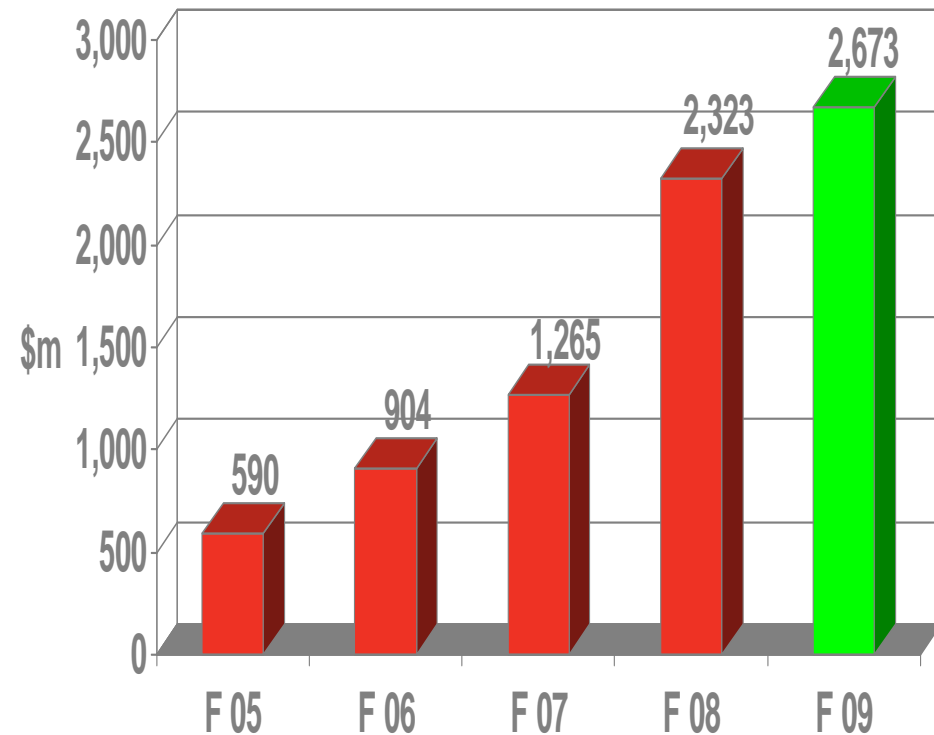
- 2007 impacted by special superannuation concessions

# Financial Services – Strong Recurring Revenue Base

## Financial Planning - Funds Under Advice



## Finance Broking - Loans Under Advice

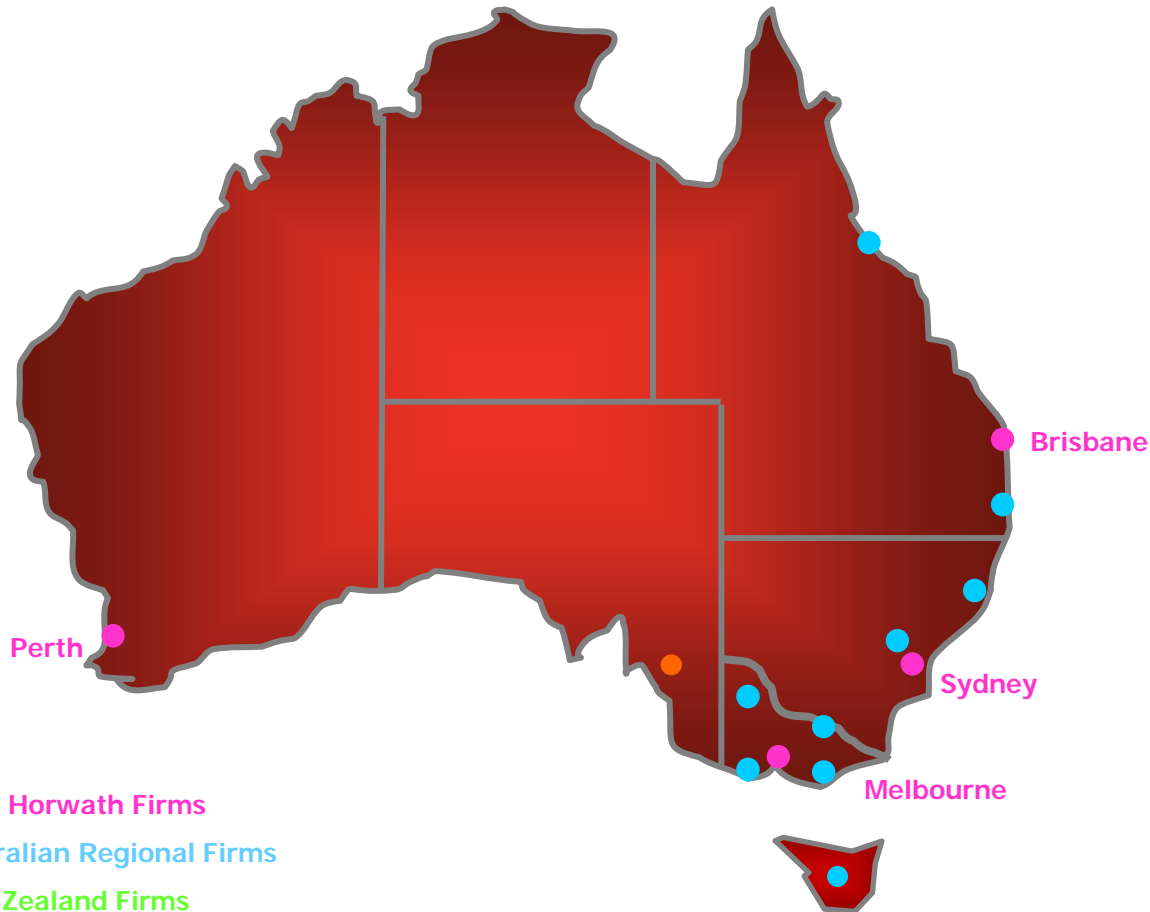


## Comments On Industry Issues

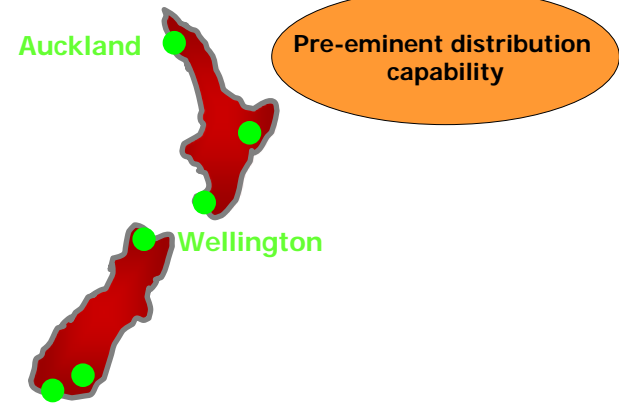
- Fees – well advanced with our Client Service Agreements and well positioned to comply with anticipated regulatory changes
- MIS – exposure to Timbercorp and Great Southern – small exposure, clear delineation between Business Services and Financial Services and rigour around WHK processes
  - Limited revenue impact
  - Benefiting from early decision to limit proper authority holders to specialist advisers, rather than general practitioners like some other groups
- Increased Compliance and Regulation
  - Strong licensing compliance and risk management framework already exists



# Distribution Network and Capability



- \$420m turnover
- 20 Member Firms
- 110 Offices
- 330 Principals
  - Less than 45% vendor principals
  - Average age – 45 y.o.
- 2,750 Staff (excluding Principals)
- 200,000 clients
- 10,800 DIY Funds
- 5<sup>th</sup> largest accounting group
- FUA \$7.7bn at 30/06/09
- LUA \$2.7bn at 30/06/09



- 4 WHK Horwath Firms
- 9 Australian Regional Firms
- 6 New Zealand Firms
- 1 Specialist Financial Planning Firm

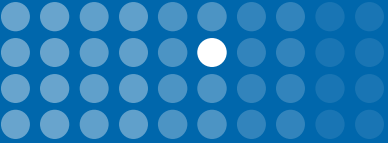
## Ongoing Strategic Priorities

- People development and a high performance culture
- Brand development
- Capital and cash management
  - working capital (lock-up) and capital expenditure
- Margin improvement in Business Services
  - empowered teams
  - knowledge sharing
  - business advisory growth
- Increased leverage in Financial Services (with strategic partner support from Macquarie)
  - improved cross sell and sales culture
  - best practice in Financial Planning
  - scale benefits in Self Managed Super Administration

- Ongoing focus on maximising cash flow from operations
  - provides scope to increase the full year dividend rate in F10, with any increase likely to be made in the second half having regard to full year performance, including acquisitions and market conditions
- Continued growth in Business Services revenue and margin, but potentially tempered by economic conditions
- Improved performance in Financial Services assuming flat markets and with the benefit of cost saving measures implemented in F09
- Acquisition activity to remain relatively subdued unless excellent opportunities with hard synergistic benefits arise
- Lower interest charge on the back of lower borrowings
- Overall, expect improvement in cash earnings and cash EPS provided financial markets and economic conditions do not significantly deteriorate from current levels

## Outlook Generally

- Positive medium to long term outlook based on strong underlying fundamentals
  - high quality, substantial firms
  - strong cash-flow businesses
  - broad footprint across Australia and New Zealand
  - income and earnings diversification, both geographic and service line
  - combination of high growth sectors (Financial Services) and solid, reliable income from mature accounting businesses, both components capable of high organic and acquisitive growth
  - leading market position in the SME, high net worth sectors with in excess of 200,000 clients and a wide network of 110 offices
  - scope and scale of operations – 5<sup>th</sup> largest accounting business and 2<sup>nd</sup> largest non-affiliated financial planning business with FUA approaching \$8 billion
  - strong cash flow businesses to underpin future dividends and growth
  - strong balance sheet and long term banking arrangements
  - uniquely positioned in the high growth, self managed superannuation fund sector with an existing client base of 10,800 funds



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