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Sequoia Financial Group Limited

ASX Code: SEQ

Results Presentation 2020

August 2020

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FY20 Highlights

Short term pain to achieve long term scale and profitability

Cash positive with strong growth momentum and outlook. Acquisitions consistent with strategy of providing licensee services to financial advice market and adding value through cross-sell and proprietary offerings

MAJOR RECOVERY

- FY 20 saw a major recovery in the business that was reflected in operating profit (EBITDA), cash flows and NPAT

STRONG GROWTH MOMENTUM

- Adviser numbers increased from 231 to 405 throughout FY20
- Morrison Securities monthly value of trading transactions increased by over 300% moving it from loss making to month to month profitability from March 2020
- The Corporate team appointed in early 2020 commenced forming relationships with the planning network in the last quarter

CASH POSITIVE

- Very strong operating cash flow allowed the company to reduce debt and fund the cash component of all acquisitions without need to raise capital

ACQUISITIONS

- Libertas (Aug 2019)
- Yellow Brick Road advisers (Apr 2020)
- Philip Capital advisers (Jul 2020)
- Total Cover Australia (Jul 2020)

OUTLOOK

- Providing licensee services to 10% of the financial planning advisory market within the next 5 years
- Achieve internal 15% return on equity targets in Direct business units in 2021 and exceed this level for Wealth, Professional Services and Equity markets units
- Achieve Target 20-50% dividend payout ratio

Operating Cash Flow, Operating Profit (EBITDA) & NPAT margin continued improving over each of the last 6 month periods

OPERATING PROFIT

- EBITDA of \$4.8m up 341 % versus pcp of \$1.1m
- By Division Wealth and Equity Markets contributed \$3.9m with Direct and Professional Services \$0.9m

NPAT

- FY20 NPAT of \$1.9m on \$85m Revenue with a fully franked dividend payable of 0.4 cents per share - a 26% pay out ratio

MARGIN EXPANSION

- Operating margin increased from 1.3% in 2019 to 5.7% on similar revenue

INCREASING SCALE

- The increased scale in Wealth and Equity Markets has significantly improved margins in these businesses

Despite the uncertain economic outlook we are targeting revenue growth of >15% via increased market share, cross-selling and providing additional licensee services to premium adviser practices

Long-term Mission

- Build a brand for advisers that the community recognizes as the premier financial services advisory business in the country
- Provide a service to 25% of 3rd party AFSL holders
- Provide licensing for 10% of the available wealth advisory market under a Sequoia owned AFSL .
- Have a meaningful business relationship with more than 30% of the approximately 10,000 accountants in Australia.
- Interact with an increasing number of sophisticated and self-directed investors
- Increase NPAT towards 5% of total revenue
- Increase the share of profit paid to shareholders in the form of dividends from 25% towards 50% of NPAT over time

Short-term Mission

- Increase profit after cost of sales by more than 20% in Wealth, Professional Services and Equity Markets
- Generate more than 15% operational profit on the current Group equity of \$33 million in 2021
- Improve the financial performance of the Direct division in 2021
- See more staff and advisers of the business become shareholders of the Group so they share in our future success.
- Continue to improve the service offering to our customer base of advisers, accountancy firms and 3rd party AFSL holders

Strong Growth Momentum in 2H20 EBITDA

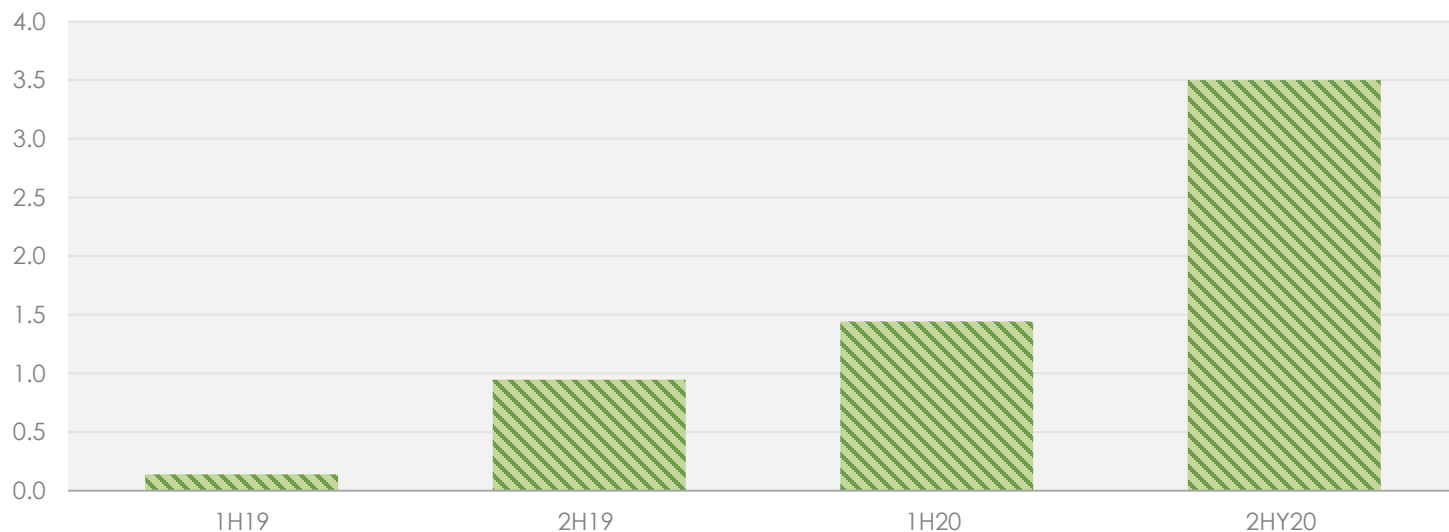
Late 2018 – Business Improvement Process commences

Early 2019 – Investment made in targeted businesses to improve scale

2019 / 2020 – Group wide Expense reduction process continues to improve profitability

FY20 – Significant growth in customer base drives the Groups strongest HY Profit jump to \$3.4M

Operating Profit EBITDA (\$m)



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2018 Business Improvement Process included a goal to reduce head office and shared services cost base with improved operational efficiency across all Divisions



HEAD OFFICE COST BASE REDUCTION

- In FY20, we significantly improved cost allocation. Head office and shared services costs are now allocated using a mixture of headcount and revenue based methodology.
- By focusing on underlying profit or EBITDA, the Directors have been able to make more informed decisions about all businesses within the Divisions.
- Our focus on expenses has seen Head Office costs reduced 45% from last year. This was achieved by imposing stricter authorization and control on discretionary spending, a tighter recruitment policy and further staff reduction during 2H20.



ADOPT A SHARED SERVICES MODEL in 2H20

- Our operational governance was significantly enhanced in both risk and compliance, thus reducing costs incurred due to errors and omissions etc.
- All job descriptions were re-cast to ensure there was no duplication of roles
- Process reviews were undertaken in all Divisions to reduce wastage
- Customer service levels were monitored to improve operational efficiency and customer experience

Sequoia Financial Group operates across four business segments:
Wealth, Equity markets, Professional Services and Direct



WEALTH

- Provides authorised representatives a choice of 3 AFSLs" for their licensee support across all areas of financial services.
- 400+ advisers with FUA in excess of \$4 billion covering various asset classes both on a direct basis and via managers and platform providers



EQUITY MARKETS

- Provides first-class clearing and equity market execution services in Australian & International shares, ETOs (options) for AFSL holders such as financial adviser networks, boutique broking firms, fund managers, online trading companies and corporate advisory firms
- Structured Investments for bespoke investment solutions



PROFESSIONAL SERVICES

- Provides the accounting & financial planning industry with technology solutions for establishing new companies, trusts, SMSFs and other Legal Structures.
- Leading provider of SMSF administration services, general insurance and finance.



DIRECT

- Direct-to-consumer services including:
 - Sequoia Direct (online no advice broking)
 - Sequoia Asset Management (general advice business for self-directed investors)
 - Finance News Network (Australia's leading media platform for daily market news, company webinars & events, exclusive CEO interviews and Managed Fund marketing)

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405 Advisers are spread across 245 offices around Australia .

InterPrac/Sequoia Wealth offices :

Vic	103
NSW	67
WA	16
SA	15
Tas	3
ACT	1
Qld	0

Libertas offices

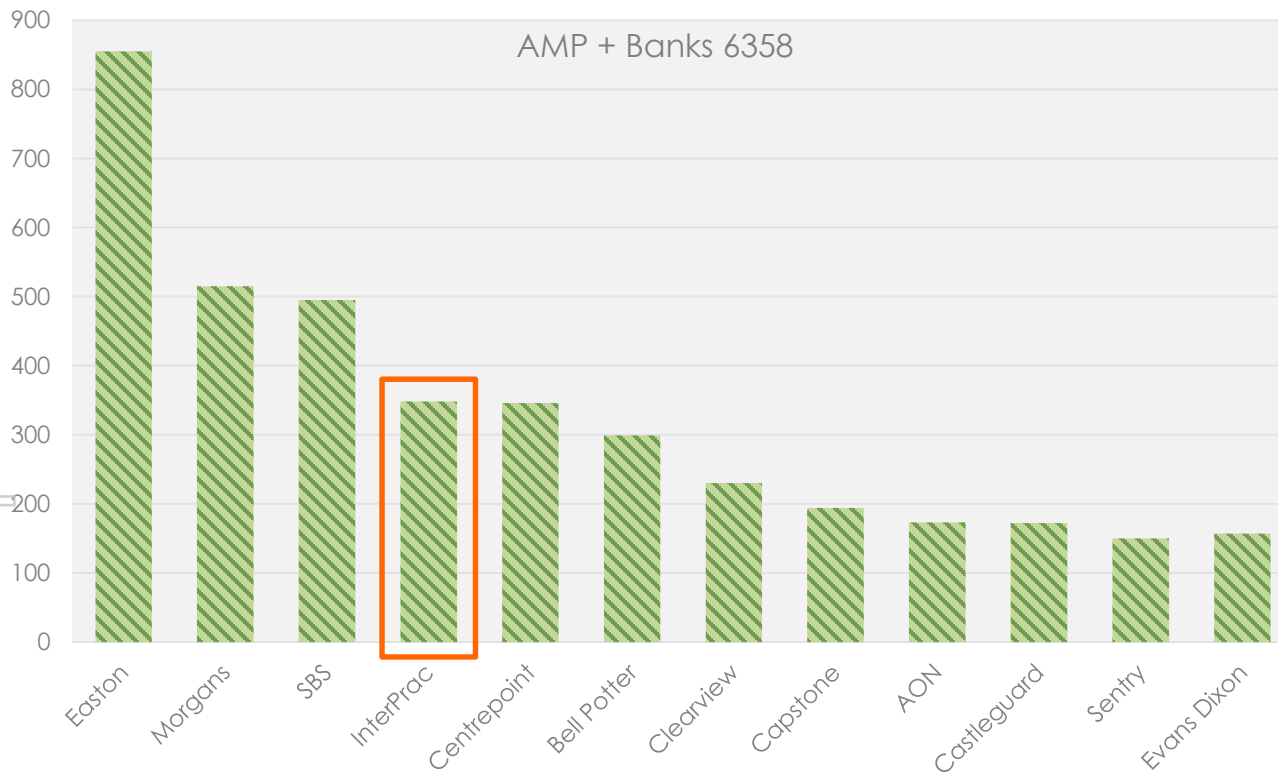
NSW	28
Qld	9
Vic	2
WA	1
Tas	0
SA	0

Growing Platform - Financial Planner Numbers

Over the the last 12 months Sequoia has developed a leading national advisory footprint of advisers, growing its adviser market share through a multi brand approach at a time the dominance of the big 4 banks and insurers is significantly reducing due to their withdrawal from the market .

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Adviser and Planners*



InterPrac	309
Libertas	61
Sequoia	35
Total	405

*Source: Professional Planner May 2019

Our positioning as Licensee of choice has resulted in increased market share.



STRONG POSITIONING

- 3 AFSL categories with >400 advisors (incl. specialists in aged care, superannuation, risk insurance), accounting firms, traditional financial planning practices and equity advisers.
- Scale permits competitive pricing and practice development and administration support including compliance, education, technical support, and proprietary investment opportunities.



RESULTS

- Strong revenue growth up <40% from \$28.7 m in FY 19 to \$42.6 m in FY 20
- Further upside expected from full period contributions in FY 21 made from acquisitions made in the 2H20.



OUTLOOK

- The opportunity from the continued closure of many bank and insurer-owned advice groups is expected to continue for the next 2-3 years - our goal is to capture the quality practices and provide licensee services for up to 10% of the overall advice market

Equity Markets achieved very strong growth in clearing and execution in 2020 as both Morrison Securities and the Specialist Investment business increased market share



STRONG POSITIONING

- In 2018/2019 we invested heavily in people, technology and systems to build out capability – this was largely completed in December 2019.
- The cost base is now stable with significant further capacity available. New business is actively being sought as marginal players exit the business.
- The Specialist Investment brand remains strong in the sophisticated and self directed market, with new products focussing on investment thematic.



RESULTS

- Morrison revenue increased from \$1.2m in 2018 to \$10.3m in 2019 up 858% vs. FY18 and to \$14.1m in 2020 up 37% on FY19 . July actual results very strong targeting revenue uplift to in excess of \$20 m in FY21.
- Specialist Investment revenue decreased by 40% as we reduced the number of products offered due to markets reaching all time highs with an uncertain outlook.



OUTLOOK

- A strong pipeline of new business opportunities exists with administration platforms, fund managers and white label third party AFSL offerings
- Cross-marketing opportunities emerging

Covid 19 impacted the Direct business' ability to hold events in the latter half of 2020



STRONG POSITIONING

- The Finance News Network's business content of news and videos is viewed over 85,000 times each month directly and further distributed to over 35 third party content distribution partners
- It remains the pre-eminent opportunity for CEOs and Fund Managers to market their businesses in a professional media capacity



RESULTS

- We increased the size of the customer base in the Sequoia Direct on line broking business and improved the user experience by investing further in technology and content to self directed investors
- Sequoia Asset Management increased customer base of sophisticated investors in the current period



OUTLOOK

- Revenues and profitability were disappointing in the period driven by COVID-19, consequently from April 2020 , we restructured the cost base and improved the website and technology . COVID-19 has accelerated our transition lo online experience across the business. Our pivot from physical to on line events has resulted in an optimized offering that appears more compelling providing customers access to much larger audiences and broader distribution.

The Professional Services business slowed with the impact of COVID-19. We are reinvesting in technology to capture a broader range of business in the next 12 months.



GROWTH

- Number of Superannuation funds administered increased by 14% organically to 1,400 with a target of 2,000 by June 2021 as more advisers and accountants outsource practice administration.
- It continued to provide the accounting industry insurance cover but with a broadened product range in the second half of 2020



RESULTS

- The number of accounting firms in Australia is approximately 10,000 - we already do business in some form with 25% of the market and are looking to increase the level of Sequoia services they use
- The legal documents business completed the technology build to allow accountants and legal practices to white label bespoke documents away from our standard solution. This is expected to add scale to this business.
- Redeveloped market leading technology to speed up SMSF administration fulfillment capability
- Strong turnaround in profitability 2nd half occurred on lower cost base



ACQUISITION OPPORTUNITIES

- Opportunities to roll-up competitors in legal documents, super administration and general insurance market place that create introduction to more financial advisers and accountants that need our other services

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Board, staff and management of the company are aligned shareholders with ownership of more than 35% of the company shares on issue.

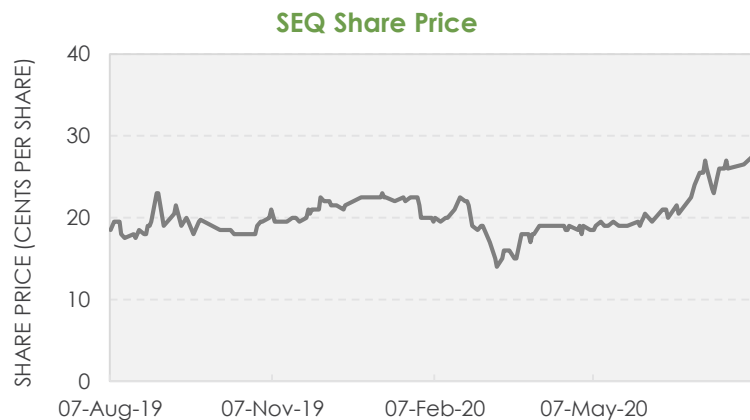
MARKET DATA

ASX code	SEQ
Ordinary shares	125.2m
Market capitalisation	\$33.2m
Last price (close at 17 Aug 2020)	\$0.275
52 week high	\$0.280
52 week low	\$0.135
Average daily volume	~279,986
GICS classification	Diversified Financials

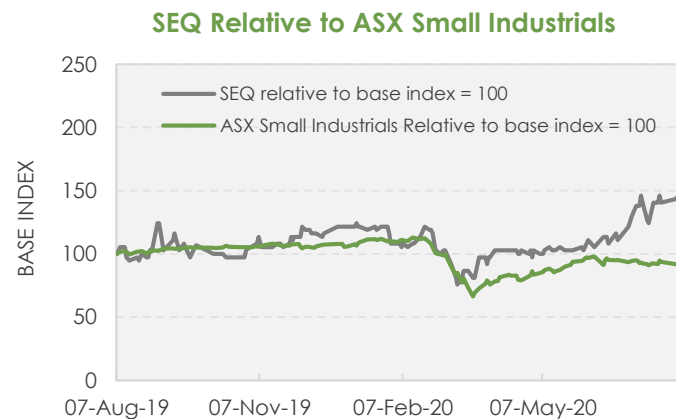
MAJOR SHAREHOLDERS AND RELATED ENTITIES

Anthony and Ryan Young	14.6%
Anthony and Vonetta Jones	11.71%
Brent and Caroline Jones	10.15%
Garry and Marina Crole	9.66%

SHARE PRICE PERFORMANCE



RELATIVE PERFORMANCE



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