

CapitalConnect  
Investor Forum May 2007

**Snowball Group Limited**

Tony McDonald, Group Managing Director

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Outline

- About Snowball
- Why M&A is critical
- A valuation model
- Fitting the family photo
- M&A policy and application
- Conclusions

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Who we are

- Integrated financial education, guidance & advice organisation
- Listed, corporatised, scale & critical mass
- Multiple sales & revenue drivers
- Proven track record in acquisitions and integration

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- Employed fps
  - corporate
  - credit unions
  - industry funds
- Principal-owned "franchised" fps
  - Greater focus on retirement planning
  - Dealer group structure

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Our industry – the realities

- 1 in 2 advisers will sell over the next 3-5 years
- Talent shortage
- Cottage industry, SME capacity constraint legacy
- Scale is becoming important
  - Branding = trust
  - Margin changes
  - Compliance and back-office cost increases
  - "New" competitors

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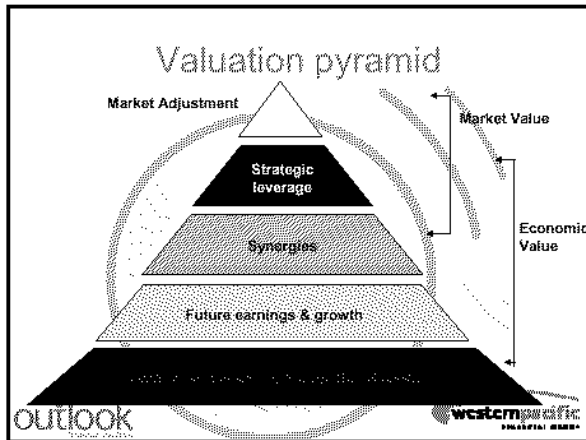
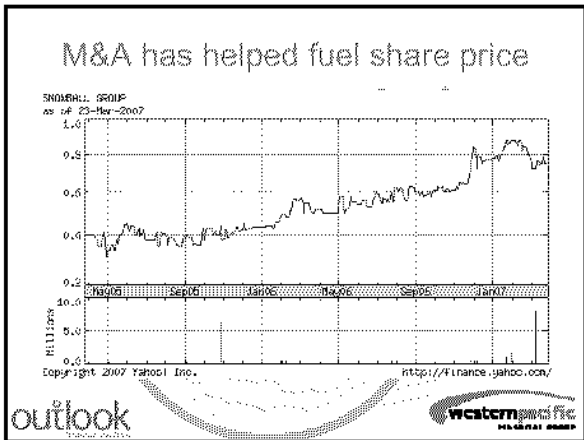
### Our growth strategies

- Continued organic growth from 2 channels
- Recruit selected additional advisers
- Wholesale our "owned" advice model
  - Corporations like Alcatel, Fuji-Xerox
  - Credit Unions like Queensland Teachers' & mecu
  - Industry & public sector funds like Sunsuper & Avsuper
  - Afinity partner JVs like Washington H Soul Pattinson
- Acquisitions and mergers in 3 ways
  - "Aspires" (Outlook) and "Vermont" (Western Pacific)
  - Other dealer groups and advisory businesses

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### Where we've come from

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# Rule #1

## Fitting The Family Photo

### Our Core Values

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## Our Core Values - What are they?

Our sporting analogy  
*We are all the 'best and fairest' in a premiership team.*

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## We win and we care about how we win

We are passionate about winning at everything we do

We are proactive we engage as to how we can constantly improve

We focus on quality, professionalism & sustainability

Our sporting analogy  
*We score the winning runs on match day.*

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## We engage with respect

Our sporting analogy  
*We travel to the game on the team bus, discuss the game plan together openly.*

We want to work and deal with people who feel the same way

We take what we get from each other and are responsible about simple clear communication

We look out for each other

We listen, debate and engage with empathy & transparency

We respect individual differences & traits

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## We play by the rules

**THE FAMILY VALUES**

Our sporting analogy  
*We turn up to every training session in the right "kit"*

We play "hard" but follow the letter and spirit of the law

We embrace issues such as compliance & governance

We see process and procedure as core and follow them

**We play by the rules**

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## M&A policy

(Since 2002)

**Part A: Tuck-in acquisitions**

- ⊗ Retiring principals
- ⊗ Renewing capacity constraints

**Benefits sought:**

- ⊗ Cash flow accretion
- ⊗ Strengthening share price (pre-breakout)
- ⊗ Fractional operating capability
- ⊗ Low risk synergies (platform uplift)
- ⊗ Leverage corporatised infrastructure

**Preferred targets:**

- ⊗ FP firms
- ⊗ Accounting practices with financial planning
- ⊗ Small to medium or corporate super
- ⊗ Standardised platform & products
- ⊗ EBITDA > \$100k, ideally between \$200-500k
- ⊗ High compliance
- ⊗ Platform synergies/turnover

**A case study**

**\$100M FUA tuck-in**

- ⊗ Retiring partner
- ⊗ Capacity constrained
- ⊗ Platformed
- ⊗ Direct share capability
- ⊗ SE Melb corridor
- ⊗ "Inheritors" wanted scrip and filled the family photo
- ⊗ 2.5-3X recurring
- ⊗ 40% cash, 20% shares day 1
- ⊗ 40% deferred shares Y1

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## M&A policy

**Part B: Next level**

- ⊗ Western Pacific
- ⊗ \$1.8 billion FUA
- ⊗ 55 advisers
- ⊗ \$14.5M revenue

**Part C: 3<sup>rd</sup> distribution arm**

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## Hypothetical case study

	A	B	C
Existing EBIT	Med	Low	Med
Synergies	Med	High	High
Strategic	High	High	Low
Value of existing EBIT	45%	3%	52%
Value of synergies	23%	58%	55%
Value of strategic	32%	39%	-7%
Times post synergy EBIT	6	7	4


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Our valuations look like this

Revenue growth Y1	RR multiple pre-synergy
Revenue growth Y2+	RR multiple ex-synergy
Expense growth	% FUA
Discount rate	EBIT multiples
Revenue (inc. synergies)	Forward purchase terms
Expenses (inc. integration costs)	Cash v shares
EBT NPV	Assumed consideration

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## In conclusion

- Industry rationalisation equals M&A activity
- M&A is **one** of our **four** growth platforms
- We have a proven track record in M&A
- Simple recurring revenue multiples are a guideline, not the driver

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