snowball GROUP LIMITED

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SNOWBALL GROUP LIMITED
ABN 81 006 490 259
ASX: SNO

SNOWBALL SETS UP STRONG SHELTERS TO WEATHER STORMY ECONOMY

HIGHLIGHTS

- Target of 15% growth in organic EBITDA achieved in 2008
- F08 acquisitions added over $700 million to FUA and expected to deliver annual EBITDA of at least $2 million in F09
- FUA insulated from full impact of market downturn
- Careful expense management YTD cushions impact from unfavourable markets
- Strong corporate super inflows in F09 supporting our strategy to grow sector
- Completion of Duncan Dovico transaction and new revenue initiatives reduce reliance on FUA-based revenue
- Acquisition of Brisbane based financial planning firm by end of the calendar year
- F09 EBITDA expected to be at least 90% of F08 *
- F08 dividend expected to be maintained in F09 *

** Assumes average FUA for the remainder of FY09 is consistent with 31 October levels and accounting treatment of intangible assets in FY09 is consistent with FY08.*

In his address to shareholders at the company's AGM, Snowball Group Limited managing director Tony McDonald today acknowledged the company's achievement in the 2008 financial year of meeting its organic EBITDA guidance in the face of deteriorating markets and outlined a number of factors that will continue to shelter it from the full impact of continuing adverse economic conditions going forward.

"The Snowball model has passed the test that 2008 dished up to financial services business models, proving the worth of our overall business strategy," said Mr McDonald. "In spite of unfavourable trading conditions, our organic business achieved an EBITDA result of $10.846 million in 2008, up 15% on the 2007 financial year, against guidance of $10.833 million."

"The advice revenues derived from our two key distribution channels, Outlook and Western Pacific, are well supplemented by income from our share of platform administration and asset management fees. Going forward we expect to see increased contribution from corporate super, insurance and accounting-related services. The merger between Outlook Tax & Accounting Solutions and leading NSW-based accounting business Duncan Dovico that took effect on 1 July has significantly extended our reach into specialist accounting, tax and self-managed super operations."

"Our acquisition strategy came into its own during 2008. Five earnings-accretive transactions delivered more than $700 million in incremental funds under advice (FUA) and are expected to contribute annual EBITDA of at least $2 million," he said.

"In spite of the heightened and prolonged deterioration in investment markets, the resilience and revenue diversification that stood Snowball in good stead in 2008 are providing a firm base for 2009," he said, in highlighting the company's achievements since the end of the 2008 financial year.

FY09 Progress

Group EBITDA was only 5% below internal targets to 31 October, as the adverse impact on financial planning revenue from unfavourable markets was mostly offset by a strong performance from non FUA dependent revenue and judicious expense management. "Year-to-date operating expenses are 8% favourable to budget."

Mr McDonald also highlighted that Snowball portfolios and FUA are insulated from the full impact of the market downturn. "The market impact on our FUA is 13%, which compares very favourably to the 25% decrease in the All Ords since 1 July."

"Corporate super flows are strongly positive to budget, a clear endorsement of our strategy to continue to grow in that sector, and we have not experienced any unusual level of client departure. Insurance revenue continues to grow and is 26% higher than in the same period in F08. In addition, contribution from F08 acquisitions is also partly offsetting the impact of the downturn."

FY09 Guidance *

In outlining guidance for the 2009 year, Mr McDonald noted that:

- notwithstanding strong corporate super and insurance performance to date, a substantial proportion of revenue remains FUA-based and directly impacted by market conditions;

- further close management of costs for the remainder of F09 is expected to deliver an expense ratio in line with F08;

- the rollout of new revenue initiatives and the contribution from the Duncan Dovico transaction will reduce reliance on FUA-based revenue;

- Snowball has a strong, lowly geared balance sheet (net debt $2 million) and an enhanced bank facility which is available to fund future acquisitions, and these will be utilised in continuing to pursue the proven acquisition strategy, thereby increasing scale and earnings by buying quality firms at historically low prices; and

- specifically in relation to acquisitions, Snowball has a number of opportunities in the pipeline, including the acquisition of a Brisbane based financial planning business which is expected to be completed by the end of this calendar year.

"Given the challenging market conditions, provision of specific guidance for FY09 is almost impossible, however assuming average FUA for the remainder of F09 is consistent with 31 October 2008 levels, EBITDA is expected to be at least 90% of F08. Further, if this guidance is achieved, the dividend paid in respect of F08 is expected to be maintained in F09."

** FY09 guidance, as detailed above, assumes accounting treatment of intangible assets in FY09 is consistent with FY08.*

Looking forward

Summing up the business environment in which the company operates, Mr McDonald observed the financial services industry will increasingly come under fee and cost structure pressure, as clients' investments achieve lower real rates of return. "We believe advice organisations that are close to their clients, who already deliver cost-efficient advice and packaged product solutions and who are constantly on the lookout for further efficiency gains, will ultimately benefit from the mooted reforms. Inefficient advisers will be driven out altogether, or into the arms of more efficient operators."

"We see this climate as fostering exciting opportunities for Snowball in the context that our scale, efficiencies, diversified business and proven M & A strategy all contribute to our capacity and readiness to increase our footprint in what continues to be a growth industry, ripe for further consolidation," concluded Mr McDonald.

For further enquiries:

Mr Tony McDonald
Managing Director
Snowball Group
(02) 9250 1515
0416 117 031

Mr Carl Scarcella
Chief Operating Officer
Snowball Group
(02) 9250 1502
0438 020 034