

## FY 2017 results conference call transcript

Thank you for joining us this morning for the 2017 financial year results. My name is Connie Mckeage and I am the Managing Director of OneVue Holdings. OneVue's CFO Ashley Fenton is also present with me today and will later take you through the financial highlights. After the presentation both Ash and I would be happy to field any questions you may have.

Before we get into the body of the presentation let me start with some fundamental beliefs that have helped shape OneVue's strategy and business model. These are 6 structural trends we took into consideration before we began to systematically build our market position to benefit from these changes.

1. Regulators, advisers, fund managers and investors are calling for greater transparency of Platform costs and revenues drivers
2. It is increasingly difficult to differentiate between various platform participants on products and features alone. A differentiated platform strategy is required to create a sustainable market advantage in an increasingly commoditised sector
3. The total cost to client must come down
4. As regulation has become more complex there is a growing trend to outsource back office functions to third party specialist providers particularly in the areas of superannuation member administration, fund administration and Trustee Services
5. There is large scale disintermediation occurring across sectors globally. Financial services is being forced to disintermediate where little to no value is being created and lastly
6. Fund Managers have borne the greatest margin diminishment of all Platform participants despite potentially creating the most value to the end investor.

These structural shifts create industry tail winds for us and you will start to see the benefits of our systematic design of our strategy in our financial year 17 growth and profit performance as well as our confidence in continued growth as we enter 2018.

*Let's now turn to page 5.*

I don't propose to spend much time on this page however I would like to take the time to reinforce our competitive strength and key point of differentiation.

OneVue's differentiator is that we are an integrated offering with three complementary businesses. We are not solely a platform business but a business where the sum of the parts of Platform, Fund Services and Trustee Services is greater than if each of the businesses operated in isolation.

The OneVue business is about driving synergies across the Group.

The Fund Services business is the clear market leader in the provision of outsourced fund administration and has just exceeded 489 billion in funds under administration, The Platform Services business has experienced record growth in funds under administration reaching \$4b this financial year and Trustee Services has continued to grow post OneVue's acquisition of Diversa leading the Trustee in Partnership market with \$9.4 billion under Trusteeship.

*I will now turn to page 6.*

2017 was a defining year with profitability, positive cash flow and earnings momentum. Not only have we had strong revenue growth of 53% but the revenue growth has translated to a significant profit uplift with positive and increasing margins and positive cash flow through the year. Importantly it has resulted in an uplift in earning per share of 2.29 cents to 0.08 cents. Ash will delve further into these numbers in a few minutes.

*Let's now move on to 7.*

An important part of our culture is to be held accountable for our performance. We started the year with a number of strategic priorities.

1. To deliver further scale within the respective businesses
2. To drive out synergies post the Diversa acquisition
3. Deliver profitability and to
4. demonstrate client support for our products and services.

As you can see from the following I am delighted to report that we have delivered on all of our key priorities. Let me however call out a couple of highlights.

1. After 2 years of intense due diligence we completed negotiations and signed a material five year contract with NAB Asset Servicing. This deal has the potential to more than double OneVue's current number of fund managers, funds and number of items processed. It's a good news story and great validation of the strength of Fund Services fund administration business.
2. The Diversa post acquisition synergies were delivered 14 months ahead of schedule further affirming our core capability of integration and synergy realisation post transactions. As well as growing organically Diversa accelerated our scale in both superannuation member administration and Trustee Services and enhanced our earnings. The business is now fully integrated.

*Let's turn to page 8 and go into slightly more detail around the Diversa synergies.*

This integration roadmap sets out the timing of the integration steps OneVue undertook to deliver the foreshadowed synergies. From 2018 we will see the full contribution of the Diversa business as well as the full year \$4m cost realisation.

*Let's now turn to page 9*

A second strategic imperative was driving margin expansion through the Fund Services business. We have delivered 65% revenue growth whilst raising our service level achievement across all clients to over 98%. Our scale is driving operating leverage and our EBITDA margin increased to 17.5% in the second half of the financial year exceeding expectations. We expect further margin improvements over the 2018 financial year.

Our third strategic priority is to continue to grow our customer base across the business. As you can see our products and services have appealed to a large number of domestic and global premier clients. This is clearly the strongest validation of our strategy and the products and services that support it.

As we move into financial year 2018 the Board and management has clear and measureable growth priorities. I will address these later this morning after Ash's remarks in relation to the financials.

**I will now hand across to Ash, our Chief Financial Officer.**

Thanks Connie and good morning

It is pleasing to see the benefits of our growth strategies coming through in the numbers:

- with improved profitability
- positive operating cashflow and
- increased EBITDA margins

I will run through the financial highlights, including the makeup of our revenue and EBITDA growth and outline the cashflow and Balance sheet

*Let's start with the Financial Summary – page 12.*

Some highlights to mention

- Starting with revenue at the top – a strong result with \$14.3m of growth to \$40.9m – a growth rate of 53%. Organic growth and acquisitions contributed and I will expand on that shortly
- The underlying EBITDA of \$4.5m, an improvement of \$5.7m highlights the earnings momentum of the businesses. And I will also cover this more later
- Our EBITDA margin of 11% was up 15.6% on last year, with the benefits of scale and increased revenues coming through-
- The underlying EBIT positive result achieved of \$0.4m represented a \$4.5m improvement –another key improvement in profitability
- And the bottom line profit after tax was also up - by \$4.3m to \$0.2m – though we did receive a \$2.3m tax credit from acquisition accounting

I'll now turn to revenue growth – which came from all businesses and you can see that here clearly on the *next slide – page 13*.

The overall growth of 53% or \$14.3m came from:

- Fund services – growth of \$7.6m – with a growth rate of 65% - driven by new clients and acquisition revenues
- Platform services – growth of \$1.6m – with a growth rate of 11%- with strong FUA growth driving this
- Superannuation trustee services – growth of \$5.6m – representing 9 months contribution from the Diversa business

The overall revenue growth was made up of organic growth, which contributed growth of 10%, combined with the \$11.9m of acquisition revenues (Diversa and prior year Super managers)

A feature of OneVue's revenue is the quality of recurring revenues and you can see that on the *next slide – page 14*.

Recurring revenues represent 91% of total revenues – and they have remained consistent year on year.

These revenues are supported by contracts which are average around three years long. And our client retention rates are historically extremely high.

It is also worth noting that with the growth of the business the sensitivity of revenues to market volatility has reduced and 43% of revenues are now non- market based.

Turning now to the composition of EBITDA – *page 15*.

The headline EBITDA growth of \$4.5m provided an accelerating improvement of \$5.7m, importantly at a time whilst we are still investing in supporting the strong growth.

Growth came from all businesses, with benefits from scale, operating leverage and cost discipline:

- Fund services growth of \$1.9m – up 286%
- Platform services growth of \$2.2m – up 151%
- Trustee contributing \$2.2m – representing 9 months contribution from Diversa.

The margin improvements have been pleasing, with the overall uplift of 16% driven by:

- Fund Services uplift of 8% in margin
- Platform Services uplift of 12% and Trustee contributing a margin of 38.5%.

These factors are highlighted even more in the half on half performance where the earning acceleration across all businesses in the second half can be seen on the *following slide – page 16*.

The Group result shows this acceleration with \$22.4m of revenue in H2 and growth of 57%. EBITDA of \$3.6m was well up on the first half of \$0.9m

These second half results include the Diversa businesses for the full half and set a baseline for growth in FY 2018, It's worth noting that seasonality is not a material factor.

Running quickly through the businesses:

- Fund services – revenues of \$10.8m v \$8.5m, with EBITDA growth of 174% and EBITDA margin growth from 8.9% to 17.5%
- Platform services – revenue growth of 13% delivered a 171% in EBITDA
- And Trustee provided an EBITDA of \$1.5m for the second half.

Another pleasing factor of our financial results was the cashflow performance- which is summarised on the *next slide – page 17*.

We had four consecutive quarters of positive cashflow and a full year result of \$5m, a \$5.2m increase. This was as a result of the EBITDA performance and benefits of working capital management (principally related to the Diversa acquisition).

Operating cashflow after \$1.7m of acquisition and restructure costs was \$3.3m.

And the operating cashflow to EBITDA conversion ratio was a healthy 11%.

The cash generatiuon has flowed to the Balance sheet and contributes to a net cash position of \$17.6m, which you can see on the *next slide – page 18*.

Our gross cash balances stand at \$26.6m, and we have \$9m of Borrowings acquired with the Diversa business - giving a net cash position of \$17.6m.

The Balance sheet remains well capitalised, having met the Diversa acquisition and integration requirements.

I should flag that we do have a \$1.9m final earnout payment for a prior Diversa acquisition due at the end of this month.

**I'll now hand back to Connie.**

Now that we have dealt with the results of 2017 I would like to turn your attention to 2018 and our forward growth outlook.

Many of you will be familiar with the big picture of the superannuation sector growth. With legislated compulsory superannuation savings set to continue we expect the sector growth to grow by about 7% per annum through to 2025. OneVue has continuously exceeded the high growth of the superannuation sector and we are confident in being able to continue to outperform sector growth in both the short and medium terms.

OneVue's superannuation growth strategy is focused on the fast growing managed account and managed fund markets with the managed account market predicted to grow at a 35% compound annual growth rate and the \$770b Platform market poised to be the fastest growing segment of the personal investment market. The launch of the FUND.eXchange service is positioning OneVue to drive structural change through the legacy platform market by creating greater fee transparency and providing lower cost more efficient access to managed funds.

*On page 20* we have outlined the growth focus for us in 2018.

I would now like to concentrate on our 2018 growth strategies as outlined on *page 21*.

Our first priority is to move across the monies in Fund Services fund administration that we have already won. There is \$6 million of organic captive revenue that all we need to do is to deliver on as per agreed transition plans bridging the 2018/19 financial years.

Secondly we have fund under administration to transition across from third party platforms to the OneVue platform. We have started to transition \$300 million in FUA from recently won new clients.

We are also focused on driving greater volume and scale from existing distributors and adding new distributors to increase our market share of the managed accounts and managed fund sectors.

The Trustee business continues to benefit from the growth in managed accounts and we want to continue to support that growth through client retention and winning new clients.

Finally, the three complementary businesses created enhanced growth opportunities through cross selling or via the OneVue ecosystem. Further accelerated growth will come via strategically aligned and compelling acquisitions.

In conclusion:

- 2017 was a landmark year for OneVue
- We delivered profitability across all business lines
- We achieved positive cashflow and both an EBITDA and margin uplift
- We delivered on the strategic growth opportunities we set out and as we face forward into 2018 we have a positive and confident outlook with an unprecedented organic pipeline of revenue already locked in.

I know a number of you are travelling and have dialed in – if you are leaving the call now thank you very much for your time. I know that you are incredibly busy at this time of year and we appreciate your interest. For those of you staying with us I will open it up to questions.

Investors will be able to access the live teleconference via a webcast URL link:

<http://www.openbriefing.com/OB/2630.aspx>

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#### **About OneVue Holdings Limited (ASX: OVH)**

OneVue is an ASX listed fintech company that partners to disrupt across the superannuation value chain. The business operates through three core divisions: Fund Services, Platform Services and Trustee Services. OneVue is #1 in Fund Services unit registry and #1 in Superannuation Trustee Services. Platform Services was recognised by Investment Trends' Platform Competitive Analysis and Benchmarking Report in December 2016 as ranking 3rd in Online Client Portal technology and received the Platform Excellence Award for 'Most New Developments'.

For further information, please visit [www.onevue.com.au](http://www.onevue.com.au)

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