



# Sequoia Financial Group Limited

**ASX Code: SEQ**

FY21 Annual Results Presentation

20 August 2021



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# Key Financial Indicators 2021

## REVENUE

Up 37% to  
\$116.4M

## EBITDA

Up 138% to  
\$11.5M

## OPERATING PROFIT

Return on Equity  
28.0%

## NPAT

Up 187% to 5.5M

Fully Franked  
Dividend on pay out  
ratio of 28%

Up 150% to \$0.01

## NET ASSETS

Up 23% to \$41M

# Business Overview

**Four divisions supporting advisers, accountants and third party AFSL holders.**



## WEALTH

- Provides 400+ authorised representatives licensee support services.
- 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)

# Achievements

## Delivering on stated business plan objectives

### Increased scale across all four operating divisions

All four Operating Divisions exceeded management's operating profit budget for the FY21 period.

Strategic acquisitions across divisions added improved scale to support more sustainable operating cashflow margins.

The stated objective to achieve an internal target of 15% operating return on equity in each division has been exceeded .

Revenue growth of 37% is consistent with the Group's longer-term target to reach \$400M by 2025 at a target operating cashflow margin above 8% of revenue.

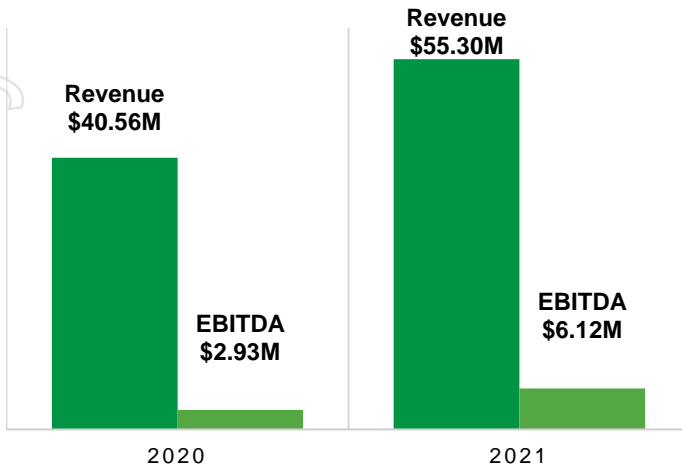


# Divisional Results

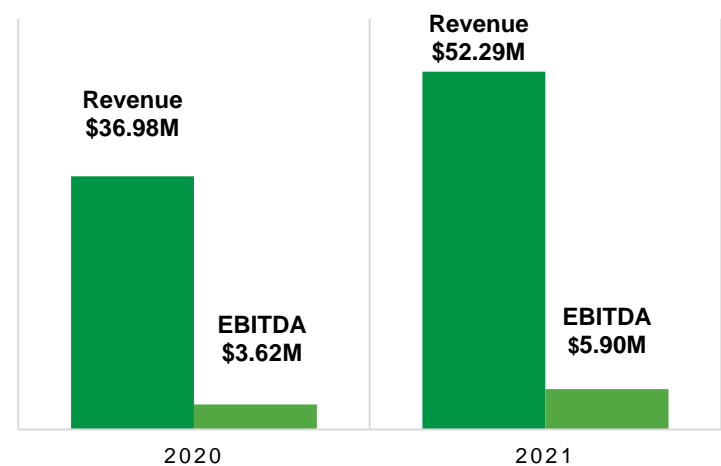
(Exclude Head Office Shared Costs)



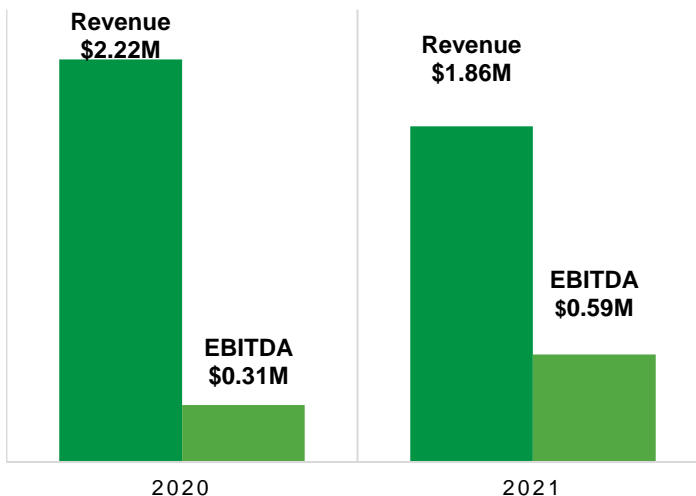
## • Wealth



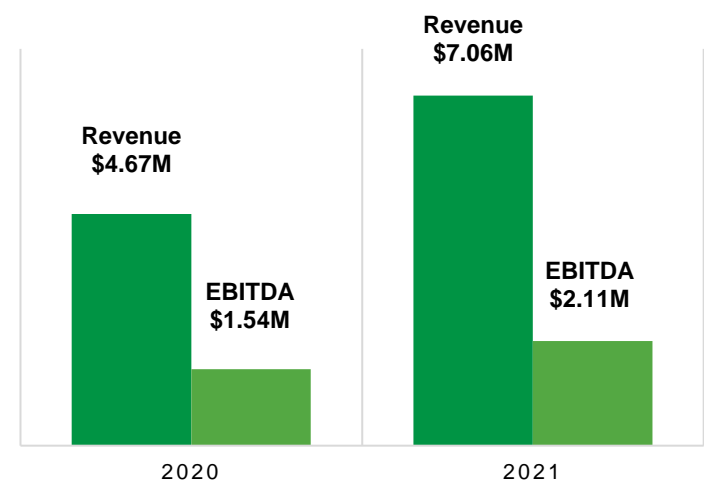
## • Equity Markets



## • Direct

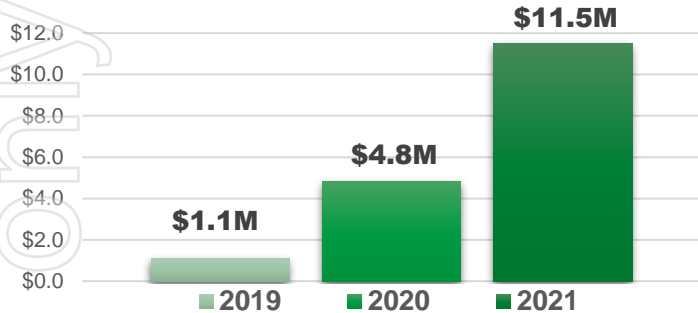


## • Professional Services

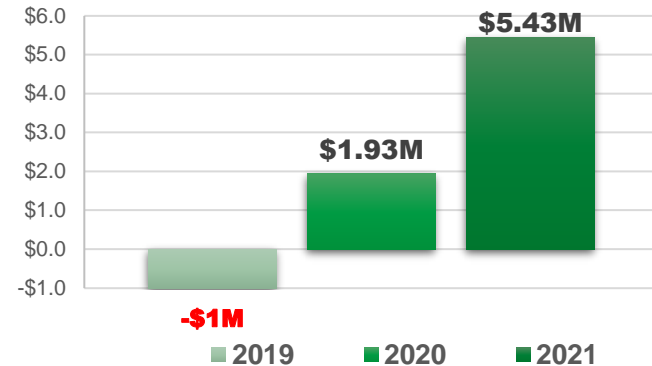


# FY21 Results Growth Trajectory

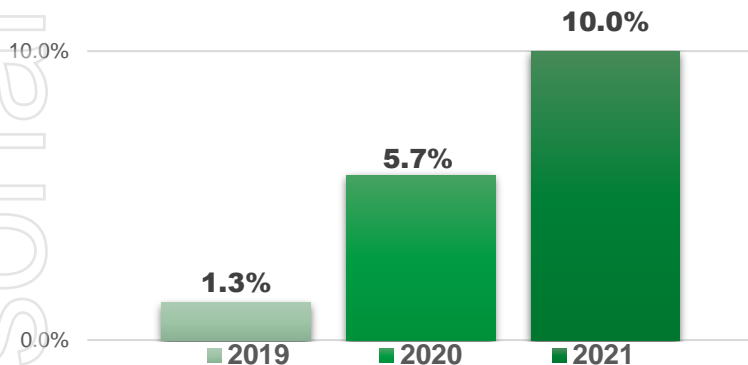
## Operating Profit / EBITDA



## NPAT



## Operating Margin on Revenue

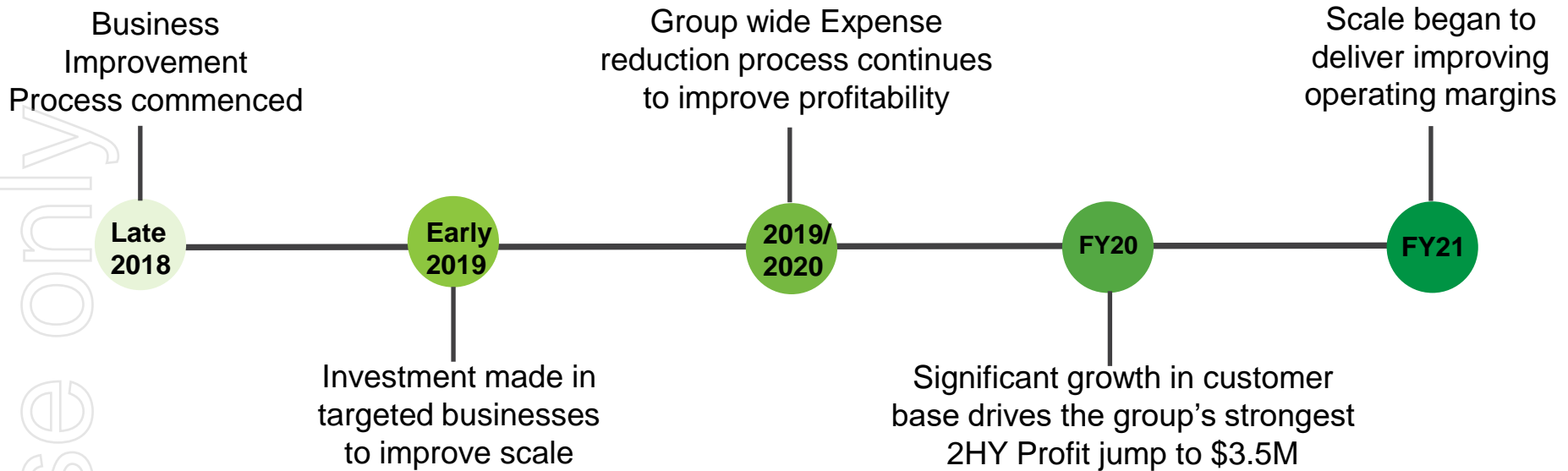


## Operating Profit Reflective of Cash Flow

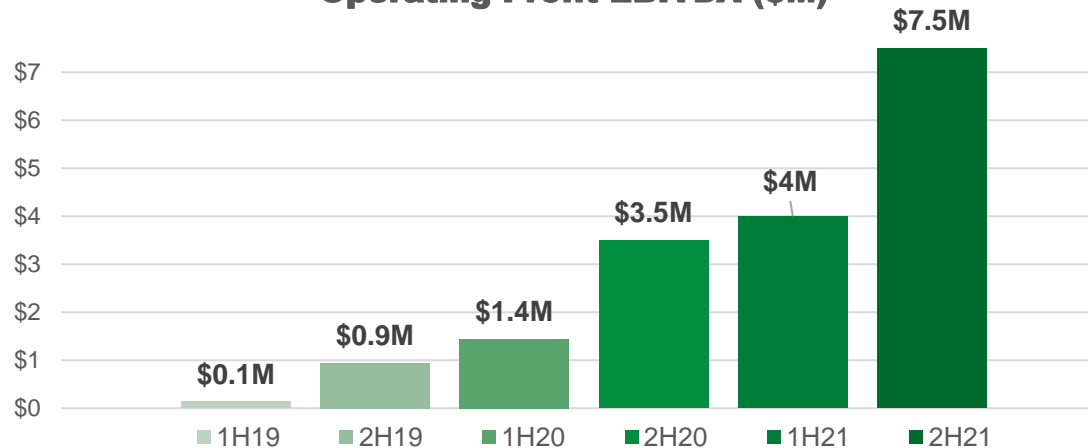


Operating Profit feeds directly to cashflow allowing cash at bank and liquid investments to rise above \$15M during the period. This allowed for cash funding of acquisitions in 2021 without any need to raise capital.

# Half Yearly Momentum continued in 2<sup>nd</sup> Half



**Operating Profit EBITDA (\$M)**







# Wealth Management

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



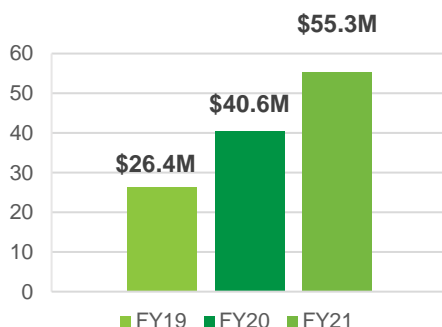
## STRONG POSITIONING

- AFSL's service >400 advisors, including specialist advisers in aged care, superannuation, risk insurance as well as a licensing solution for accounting firms, traditional financial planning practices and equity advisers.
- Scale permits competitive pricing practice development and administration support including compliance, education, technical support, and proprietary investment opportunities.



## RESULTS

- Strong revenue growth from \$26.4M in FY19, \$40.6M in FY20 to \$55.3M in FY21.



- Further upside expected from full period contributions in FY22 from acquisitions made in the FY21.



## OUTLOOK

The opportunity from the closure of many banks 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 8% of the overall advice market which we expect to reduce to 13,000 by 2025.



# Equity Markets

Equity Markets achieved very strong growth in clearing and execution as Morrison Securities increased market share.



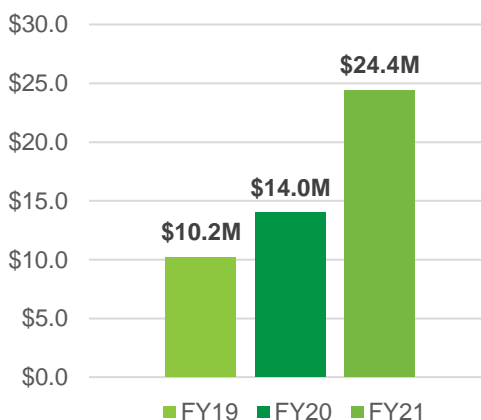
## STRONG BRANDS

- Morrison Securities invested heavily in people, technology and systems to build out capability in clearing in 2019.
- Morrison's is actively winning new business with contract note turnover up more than 300% in 2 years.
- The Specialist Investment brand offers the sophisticated and self-directed market, product that is innovative and thematic.



## HIGH GROWTH

- Morrison revenue increased from \$10.2M in 2019, \$14M in 2020 to \$24.4M in FY21



## OUTLOOK

- Stock on HIN increased from \$1.5bn to \$4bn in last 12 months.
- Increased contract notes by 200% over last 12 months.
- Cross-marketing opportunities emerging as AFSL holders using Morrison's for clearing are made aware of other Sequoia operations.



# Sequoia Direct

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



## STRONG POSITIONING

- The Finance News Network business content of news and videos is viewed over 85,000 times each month and is distributed to over 35 third party content distribution partners
- FNN is 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 online 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 throughout the early stages of COVID.

In April 2020, we restructured the cost base and improved the associated technology.

COVID accelerated our need to improve the online experience across the business which is now optimized.



# Professional Services

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



## GROWTH

- Acquisition of Panthercorp document business fully integrated
- Target to increase number of SMSF administered by 50% by June 2022
- General insurance business provides the accounting industry insurance cover broadened product range in the second half of 2020.



## ACHIEVEMENTS

- The number of accounting firms in Australia is approximately 10,000 - we 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 in HY21 operated on lower cost base.



## ACQUISITION OPPORTUNITIES

Opportunities to roll-up competitors in legal documents, super administration and general insurance marketplace.

Professional services business creates more financial advisers and accountants that need our other services.

# Operating Environment

Adviser numbers forecast to drop to 13,000 by 2025, down from over 30,000 in 2018.

The demand for licensed advice is increasing as a result of factors including an ageing population, COVID, withdrawal from banks in advice, accountants exemption removal.

Cost of the licensed advice process is increasing (PI insurance, ASIC Levy, education, regulatory)

The separation of licensee services provision from product distribution continues

The number of Licensees of sufficient scale is reducing (50 + minimum) with continued mergers of the sector driving efficiencies

The separation from advice and product is driving down the product costs.

A move to direct investment off platform is evolving as advisers look to reduce costs of advice to end consumer.

# Future Growth Initiatives

Continue to acquire mid tier licensee service businesses within InterPrac Financial planning and Sequoia Wealth Management between 10-100 advisers to achieve target to provide services to 1000 advisers by 2025.

Continue to acquire customer books into salaried advice divisions of wealth divisions InterPrac Securities and Sequoia Family Office businesses.

Acquire additional scale in general insurance broking businesses over the next 3 years.

Double the revenue of professional services division to \$15m within next 3 years.

Continue to win market share in Morrison Securities doubling the volume of clearing we provide for the advice marketplace over next 2 years.

Increase revenue in the direct division to above \$10m over the next 2 years.



# Questions?

## Contacts

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