

infocus

INFOCUS

RESULTS PRESENTATION AND STRATEGY UPDATE

for the Half-Year ended 31 December 2023

Darren Steinhardt, Managing Director

April 2024



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All numbers are as at 31 December 2023 unless otherwise stated. Numbers may not add up due to rounding.

MISSION STATEMENT

infocus

Infocus is a national wealth management organisation.

At our heart, we're an advice business.

At our commercial core, we're the builders of a comprehensive framework offering all of the operational, infrastructural, and professional elements to successfully serve multiple levels of the developing financial advisory profession – and we achieve this in a continually evolving and complex regulatory environment.

Philosophically, we strive to be the partner of choice for successful financial advisers.

Strategically, we achieve this through our unique ability to offer a suite of services that enable advisers to engage with us in a way that serves their business model and needs.

INTRODUCTION

EXECUTIVE SUMMARY

FY2024 H1 was an exceptionally busy but generally a positive period, which has allowed us to close out 2023 in good operational shape.

The highlights over the period include:

- Our professional standards function performed exceptionally. We have maintained a very clean and low risk business with no suspected, or unknown risks.
- Off the back of the execution of our B2C strategy, what we now have is the B2C business that we want... we can now focus on profitable growth.
- We're at a record high point in B2B revenue (actually and in WIP), a record high in Funds under Advice (actually and in WIP), and a record high in Funds under Management. The development of the Ops Engine and its delivery of back-office services across our B2B network is set to generate positive results for many years to come.
- We have completed the insourcing of both our Investment Management and Infrastructure Platform functions, securing our associated revenues so we will never again suffer the massive loss of revenues we did as a result of the Hayne Royal Commission (HRC), and by doing so we have built two (2) extremely valuable assets.
- We have recovered our Investment Management revenues lost as a result of the HRC, with December 2023 revenue hitting a new high point.
- We are advanced in the rebuilding of our Platform revenues, with Funds under Administration (or FuAdmin) now building comfortably with inflows of ~\$20m per month and growing.
- We launched our Partner Program and it's highly regarded HUB mechanism across our B2B division to drive further scale growth and strengthen operational relationships in our advisory network. We have completed our inaugural transaction with others in the pipeline.
- We are imminently set to sign our first material B2D contract to our platform infrastructure, growing our scale well beyond simply the four walls of Infocus.
- We've got a genuine position of leadership in the developing profession and the associated industry.

ACTIVITY AND RESULTS

The level of activity during the period drove continued building of momentum. We hit a new record high in Funds under Management of \$1.536Bn, and we're already up >50% on FY2023. During the period we saw a reduction of Funds under Advice to \$9.172Bn as a result of adviser offboarding* and negative market movement. On a positive note, we now have 872 accounts live on our WRAP platform with Funds under Administration up >400% to \$292m with a further 200 accounts and \$50m of FuAdmin in transition.

** Our B2B advisory network commenced the period with a quality focus which saw the offboarding of sub-scale and/or higher risk advisers, H2 will see our B2B focus switch back to growth.*

INTRODUCTION

FINANCIAL PERFORMANCE

The business generated gross revenue of \$36.7m with net revenues of \$8.4m during the period. This result is largely in line with our expectations and vindicates our strategic objective and activity focus.

FYH1 EBITDA of \$646k is up \$572k or 773% over the prior corresponding period.

WHAT'S KEEPING ME AWAKE AT NIGHT

The primary concern over the past few years has been regulatory change and what this may do to the AFS Licensing / Network business model. Over 2023, the financial advisory and AFS licensing macro environment settled, which has, in my view, vindicated our previously advised position on the provision of a 'self-licensed' offer which was predominantly based around 'wait and see'. At this stage, while I expect some movement in the self-licensed or micro AFSLs to come into existence, there is now a clear understanding amongst regulators, industry associations and the adviser community that this is not the path for everyone. I now know that this component of our business model is not going to be regulated out of existence, which is comforting, but there's still a few things that keep me awake at night.

The negative:

- The B2B environment and the war for talent is fierce, which makes for a tougher organic growth program.
- We're growing across each of our divisions, but not as fast as we would like to grow.

The positive:

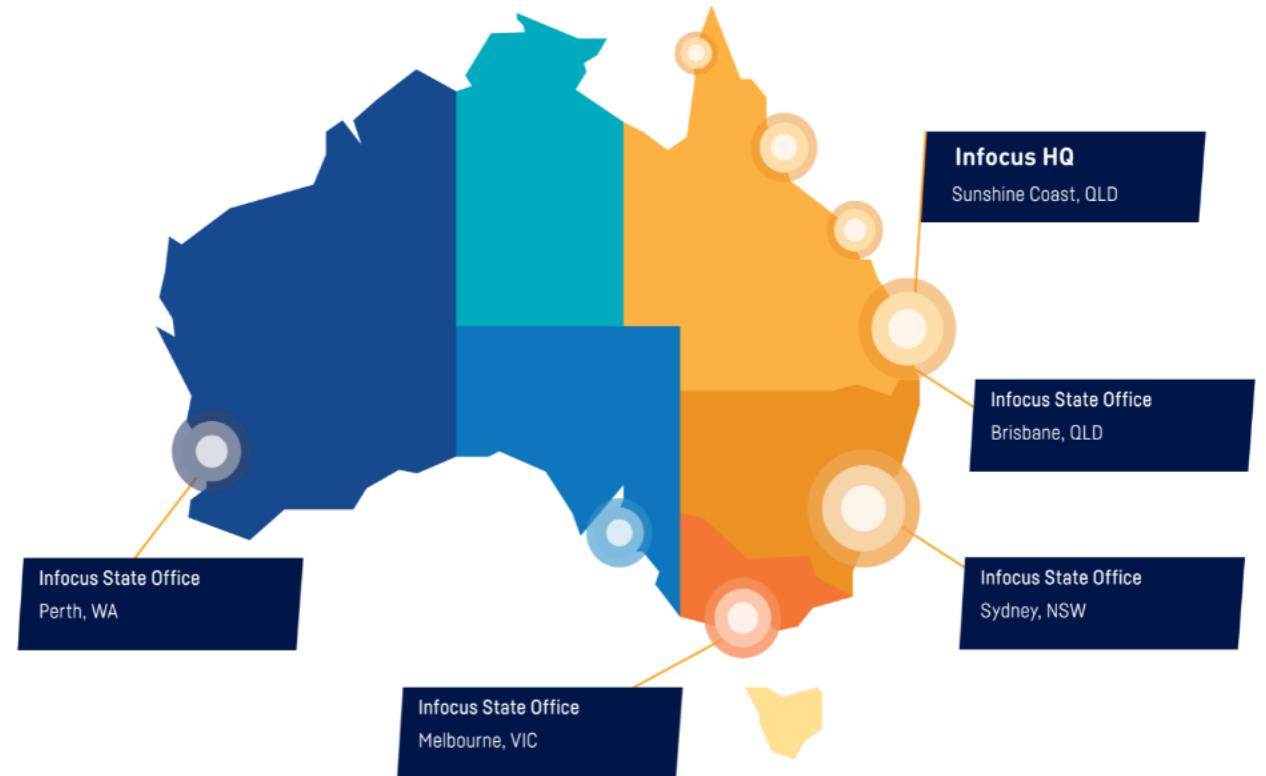
- Investment Management FUM and associated revenues are at a record high. We've now recovered all we lost from the Hayne Royal Commission and are on a path to an enormously successful outcome.
- The development and growth of PlatformplusWRAP is progressing nicely, which while building a valuable platform division, has also led to significant B2D opportunities coming our way.
- The appetite across the network for our Partner Program continues to grow.
- Our B2B organic growth focus has recommenced with transitions locked in for February, March and April 2024, with three other opportunities at various stages of the practice recruitment process.
- With all the fixing and building of the last few years complete, we're now able to explore step-change opportunities to accelerate our growth.

OVERVIEW

Founded in 1994 as a financial advisory practice on Queensland's Sunshine Coast, today Infocus is:

- An unlisted public company.
- A national advisory firm with ~165 financial advisers, mortgage brokers and accountants in >90 financial advisory practices around the country.
- Responsible for providing advice to ~16,000 clients with Funds under Advice in excess of ~\$9.2Bn.
- Firmly entrenched in the Top 20 financial advisory organisations nationally.
- One of the few advisory organisations that can boast year on year growth (post the appointment of new management in December 2017).
- A recognised leading provider of fintech and regtech infrastructure, via Platformplus.
- A recognised leading provider of investment management capability and infrastructure.
- Recognised industry standard in advice governance.

Recognised for quality, known for culture, envied for capability.



REVENUE DRIVERS

Infocus has diversified revenue opportunities covering multiple advisory segments and key components of the financial advisory value chain.

B2B

All financial advice practices operating within the Infocus network pay licensee fees, including a base fee and a percentage of fee and commission revenue generated.

B2C

Fees for advice and tax/accounting, in addition to commissions for life insurance and mortgage broking.

B2D

A growing opportunity from the delivery of a range of user pays services provided to advisory practices licensed externally to Infocus.

Software

User pays license fees for PlatformplusWMS.

Platform

Revenue from investment, superannuation and pension accounts operating on PlatformplusWRAP.

Investment Management

Investment Management – revenue generated from the building and management of a series of managed funds, separately managed accounts, and consulting services.

HY24H2 KEY RESULTS

I'm not yet satisfied with our financial results, however, it is pleasing to note the anticipated improvement continues to gain momentum with notable growth in our net revenue margin off the back of success in higher margin revenue lines.

Importantly, none of our leading indicators are negative[^], with two of them significantly positive, which augers well for the future.

- Three out of five leading indicators are positive and at record levels, with the laggards being adviser and practice numbers which are (as of Q3) neutral.
- Four out of five lagging indicators are positive, with Net Revenue, EBITDA and NPAT showing notable improvements over the previous half-year. The laggard being Gross Revenue is expected to see improvement as we continue to successfully execute our growth strategy.
- We continue to see improvement in the key growth metrics right across the business.
- We continue to see the right movement in all indicators, which will continue to drive the improved success in EBITDA and NPAT that we seek.

NB: Either side of June 2023 saw our growth focus take a back seat to quality, leading to the off-boarding of a number of under-performing and/or higher risk advisers. FY2024 sees growth move back to our priority with an objective of getting to a new high-point. The March update confirms the growing success of this focus.

[^] as per March 2024 update. Results are as per FY24H1 statutory accounts.

FINANCIAL ADVISERS	PRACTICES	FUNDS UNDER ADVICE	FUNDS UNDER ADMIN	FUNDS UNDER MANAGEMENT
Leading	Leading	Leading	Leading	Leading
152, down 15%	90, down 15%	\$9.172Bn, down 8%	\$291.9m, up 403%	\$1.536Bn, up 131%
MARCH 24 UPDATE:				
Leading	Leading	Leading	Leading	Leading
160, down 11%	91, down 15%	\$10.691Bn, up 7%	\$384m, up 562%	\$1.906Bn, up 187%

* While a reduction in the number of advisers and practices over the prior corresponding period is a negative outcome, however our focus on sustained enhancement in quality and size of practices in the network is positive and delivering the right results. Over PCP, the average practice in the Infocus network has grown from FUA of \$93.7m to \$117.5m, with an average number of advisers per practice increasing from 1.67 to 1.76. While the majority of the adviser / practice exits were driven by Infocus, there were a number of regrettable losses.

GROSS REVENUE	NET REVENUE	EBITDA	NPAT	NET BORROWINGS
Lagging	Lagging	Lagging	Lagging	Lagging
\$36.723m, down 2.4%	\$8.434m, up 9.2%	\$646k, up 773%	(\$993k), up \$339k	\$12.628, down \$0.438m

FINANCIAL RESULTS	2023 \$'000	2022 \$'000	% CHANGE
Gross Revenue	\$36,723	\$37,645	-2.4%
Net Revenue	\$8,434	\$7,721	+9.2%
EBITDA	\$646	\$74	+773%

SEGMENTATION OF NET REVENUE	2023 \$'000	2022 \$'000	% CHANGE
Financial Advisory Network - B2B	\$2,947	\$3,215	-8.3%
Financial Advisory Practice - B2C	\$1,927	\$2,238	-13.9%
Investment Management	\$1,296	\$569	127.8%
Platform	\$442	\$276	60.3%
Software	\$624	\$669	-6.7%
Other	\$1,197	\$755	58.7%
Total Net Revenue	\$8,434	\$7,721	9.2%

A small reduction in B2B due to adviser / practice off-boarding during the period in line with our quality focus.

Revenue reduction in line with expectations due to the B2B divestment of the Brisbane client books. Excluding the divestment, revenue achieved a small increase and while not noted in the table, the divisional contribution increased materially due to a reduction in staff and property costs associated with exiting our Brisbane and Sydney property leases.

Solid growth off the back of solid inflows and market leading investment performance right across the full range of funds, SMAs and managed portfolios.

Strong revenue growth driven by sustained net inflows. Platform usage remains restricted to a small sub-set of advisers within the Infocus network while we continue with our soft launch.

A small, disappointing reduction in revenue in line with the reduction in B2B adviser numbers.

Increase as a result of profit from sale of B2C clients and improved cost recoveries.

Results are as per Infocus management reports



FINANCIAL RESULTS

FINANCIAL RESULTS

Half-Year Ending 31 December	2023 \$'000	2022 \$'000	% Change
Gross Revenue	36,723	37,645	Down 2.4%
Less Brokerage Paid	(28,712)	(29,996)	Down 4.3%
Other Income	423	72	
Net Revenue	8,434	7,721	Up 9.2%
Labour	4,740	4,888	Down 3.0%
Other Direct	1,358	847	Up 60.3%
Overheads	1,690	1,912	Down 11.6%
Total Expenses	7,788	7,647	Up 1.8%
EBITDA	646	74	Up 773%
Depreciation and Amortisation	(823)	(976)	Down 15.7%
Finance Costs	(744)	(418)	Up 78%
Income Tax (Expense)	(72)	(12)	
Net Loss After Tax	(993)	(1,332)	
Less minority interest	6	(24)	
Attributable to Shareholders of Infocus	(987)	(1,356)	
<i>Earnings per share (cents)</i>	<i>(2.0)</i>	<i>(2.8)</i>	

Results are as per FY24 audited accounts, including abnormal and non-repeating items.

Revenue continues to grow, however earnings remain to be impacted by significant external factors* which are washing through the system.

REVENUE

- Gross revenue down slightly due to reduction in B2B offices as a result of our focus on quality over the beginning of FY24.
- Net revenue up due to strong growth in investment management and platform revenue, all of which is generated and retained in-house.

EXPENSES

- Labour and overheads continue to be tightly managed.
- Other direct include outsourced costs of administration, custody and governance of PlatformplusWRAP, which have increased in line with platform growth.

EBITDA

- EBITDA is starting to grow as a result of the work we have done to rebuild platform and investment revenues. This trend is expected to increase as we go forward.
- Interest costs have increased substantially due to the increase in the RBA rate over the period.

* External factors include litigation costs as a result of resolving legacy actions.

FINANCIAL RESULTS CONT.

BALANCE SHEET AND CASH FLOWS

Balance Sheet Movements (for the half-year to 31 December 2023)

- Net assets down \$1.0 million to \$8.1 million.
- Total borrowings up \$0.8 million to \$14.5 million. Total net borrowings down \$0.4 million to \$12.6 million.
- Bank borrowings (including amount drawn on overdraft at balance date) up \$1.7 million to \$10.9 million. Bank borrowings net of cash holdings up \$0.4m.

Cash Flows (for the half-year to 31 December 2023)

- Net cash from operations down 34% to \$1.06 million.
- \$722k proceeds from sale of stake in joint venture.
- \$600k invested with Equity Trustees to support ORFR funding requirements for Platformplus Wrap Super.
- \$344k invested in capex (IT).

CONTINUED RELIANCE ON DEBT FUNDING

The Company continues to use debt to fund the necessary investment in platform and systems capability that will underpin the future profitability of the business.

We continue to have the ongoing support of our bankers, Westpac, through this period, and have also supplemented our funding needs through the issue of Convertible Notes (in mid 2023).

Whilst this debt is proving to be expensive in the current interest rate environment, we believe the long term benefit to shareholders will be improved by minimising the dilutionary impact from new share issuance, and are comfortable that the value of the Company's technology and investment management assets (the Platformplus ecosystem and Alpha funds / implemented portfolios) comfortably exceeds the current levels of debt.



APPENDIX

INFOCUS BOARD



Roy McKelvie

Non-Executive Chairman

Roy is an Independent Non-Executive Chairman of the Infocus Group and joined the board in 2016. His career spans financial markets and operational roles in the UK, Europe, Asia and Australia. His last full-time role was as CEO of Transfield Holdings. Prior to this he was the MD & CEO of Gresham Private Equity in Sydney. He previously lived and worked in Hong Kong as MD and Asian Head of Deutsche Bank Capital Partners, and in the UK as a Director of 3i Group. He is currently Chairman of Encompass Corporation. He is also the Chairman of Pathify Holdings Inc., Sonder Group Limited and Tavas Holdings Limited, and a director of a number of other companies. He has a BSc in Production Engineering from the University of Strathclyde and an MBA from the University of Edinburgh Business School.



Darren Steinhardt

Managing Director

Darren is the founder of the Infocus Group. Originally from Brisbane, Darren has an extensive background with 35 years' experience in the financial services industry, commencing his career in 1989. It was Darren's vision of 'being financially fit' that became the genesis of Infocus. Together with his wife Stephanie, Darren founded the business on Queensland's Sunshine Coast in 1994.

Darren, a Fellow of the Australian Institute of Management (AIM) and Member of the Australian Institute of Company Directors (AICD), has undertaken studies in finance, law and economics, and holds a Master's Degree in Applied Finance.



David Hasib

Non-Executive Director

Member, Research & Investment Governance Committee

David is a founding Director of Patron Financial Advice, which merged with the Infocus Group in 2014. With over 30 years industry experience, David has a strong track record in establishing wealth management solutions to clients and in particular, wealth advisory businesses. David has served on a number of advisory boards and prior to the formation of Patron ran a corporate practice of 15 advisers.

INFOCUS BOARD



Jon Hubbard

*Non-Executive Director
Chair, Audit and Risk Committee*

Jon is a professional company director bringing expertise in strategy, business development, industry reform and regulation, finance, risk management, accounting and audit. Jon was previously a Partner in the Advisory practice of PwC for 12 years. During this period Jon specialised in the energy, resources and infrastructure industries, in respect of which he held a number of leadership roles. His overall career with the firm spanned 24 years across the SME, Audit and Advisory practices, in the Melbourne, London and Brisbane offices. Jon was appointed to the Infocus group board on 1 July 2013. Jon is also a director of Tavas Holdings Limited, and is a former director of the Australian Energy Market Operator Limited, CS Energy Limited and Territory Generation. Jon has a Bachelor of Commerce from the University of Melbourne, is a Chartered Accountant (CAANZ), and a Graduate Member of the Australian Institute of Company Directors



Craig Holland

*Non-Executive Director
Chair, Research and Investment Governance Committee
Member, Audit and Risk Committee*

Craig is an independent non-executive director with expertise in accounting, strategy, finance, taxation and risk management. Craig is a director of Menarock LIFE, a leading residential aged care operator. Craig is also the founder director of Generation Private which services the needs of many high wealth families. Craig is a former partner of Deloitte where he spent 16 years. Craig led the Deloitte Private Tax Group in Melbourne, was a member of the Deloitte Private National Executive and was also Deloitte Private's Chief Operating Officer. Craig is also a former director of the Good Guys Retail Group and also chaired the committee which resulted in a sale of the business to JB Hi-Fi in November 2016. Craig is a Fellow of the Institute of Taxation, holds a Bachelor of Economics (Accounting) and has a Masters in Taxation (UNSW). Craig is also a Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors.

EXECUTIVE TEAM



Mike Laffoley
Chief Financial Officer

Mike is a Chartered Accountant with over 40 years of experience, predominantly in financial services with ASX listed entities. Former roles include General Manager Financial Performance at CSG Limited, senior finance roles with Suncorp, CFO of MFS Diversified Group and Managing Director of The Rock Building Society Limited.



Steve Davis
Chief Operating Officer

With over 25 years in the financial services industry, Steve joined Infocus in 2018 as an experienced financial services professional with a demonstrated capacity to develop and lead teams, to turn around organisations, drive significant change projects, develop business networks and sales, plan and implement strategic growth initiatives including acquisitions and divestments. Steve's outstanding commercial acumen and passion for quality financial advice perfectly equip him to help drive the execution of our growth plans.

EXECUTIVE TEAM



Jeff Mitchell

Chief Investment Officer

Jeff Mitchell joined Infocus as group CIO in August 2018. Prior to this he was with Australian Unity Personal Financial Services (PFS) where he led their investment research group for five and a half years. At PFS he was responsible for capital markets, portfolio construction, direct and managed investments research as well as management of the group's approved product lists. He was also a portfolio manager for PFSIM Pty Ltd, the investment management arm of PFS which runs multi strategy and direct equity Separately Managed Accounts.

Jeff is a Certified Investment Management Analyst (CIMA) and holds the following qualifications: • Graduate Diploma of Applied Finance and Investment • Diploma of Financial Planning • Diploma of Technical Analysis • Diploma of Management



Ben Beckton

Chief Commercial Officer

Ben has over 23 years in the financial services industry and is responsible for the self-employed adviser network and the Infocus salaried businesses including our lending and tax teams.

infocus



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