

# Managed Accounts Holdings

## Realised synergies drives profit above expectations

The Underlying EBITDA exceeded the upper end of previous guidance, with continued organic growth and initial integration benefits from the transformational merger with Linear Financial (Linear), completed in November 2017. MGP reported an 81.4% increase in EBITDA to \$2.9m on a 119.7% increase in Revenue to \$15.1m, with underlying growth in base operations and inclusion of 7 months from Linear.

Strong Revenue growth was from increases in total FUA from \$2.1bn to \$13.1bn with Linear and the transition of FUA from new and existing clients to the Group's platform:

**MGP** - Revenue grew by 21.1% to \$8.4m, with a 17.2% increase in FUA to \$2.5bn.

**Linear MDA** - Inclusion of Linear Revenue for the 7 months to 30/6/18. Linear MDA added FUA of \$5.0bn, representing proforma growth in FY18 of around 26.5%.

**Linear Portfolio Administration Services (PAS)** – Proforma FUA increased by 4.3% to \$5.6bn, slowed by disruption from the merger and client loss.

**Other Income** - \$0.5m in Other Income related to a R&D Cash Rebate.

The stronger EBITDA result was from initial realisation of synergies, which finished 2H FY18 at an annualised rate of \$1.8m.

**Cash Flow** – Net Cash Flow rose by \$3.6m to \$3.3m with the Net \$33.2m Capital Raise, mostly offset by \$31.2m in Linear outgoings and \$1.2m in Capitalised Software.

**Balance Sheet** – Changed significantly with the acquisition of Linear and the Capital Raise, with an increase in Net Assets of \$43.1m to \$49.7m, mainly a \$37.9m increase in Intangibles to \$40.5m.

## Outlook

Continued strong growth in Fund Inflow, FUA and Revenue is expected from:

**Strong Inflows** – With on-going growth in Super and MDAs and the continued transition of funds from recent and new Licensees, helped by the recent introduction of Retail Super and an Enhanced Cash Solution.

**Pipeline** – Implementation of the new MOUs, with a significant number of further MOUs under consideration.

**Revenue synergies** - With the Linear merger, MGP has the ability to deliver a multi-market, multi-currency, multi-custodian wrap, SMA and managed account solution or via non-custodial, using its ASX membership.

With the Revenue growth, identified synergies at an annualised rate of \$3.5m and leverage of its fixed cost base, a major expansion in EBITDA margins is expected. This excludes the benefits from expected Revenue and Technology synergies.

## Forecasts

**FY19** - MGP re-iterated guidance for FY19 of an Underlying EBITDA range of \$7.5m to \$8.5m, helped by strong inflows and expected synergies, without one-off factors.

**FY20** – With continued growth, a further increase in EBITDA of 46.3% to \$12.0m. With over \$11.5m of Net Deferred Tax Benefits from the Linear merger, limited tax will be paid over the next few years, supporting high Cash Flow conversion.

## Reasons to BUY

A BUY recommendation, maintaining a Price Target of 45¢ ps, based on:

**An attractive Operating Model** – With advantages over competing models.

**Sector growth** - Further strong growth is expected in the MDA and Super sectors.

**Growth Outlook** – With EBITDA growth highly leveraged to FUA growth and a low asset, low working capital model, margins will continue to expand. .

**Company Strength** – A debt free Balance Sheet, with Cash of \$6.0m (2.0¢ ps).

MGP.ASX

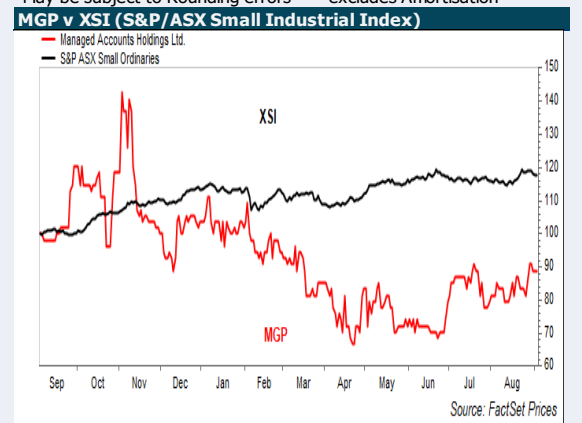
BUY

6 September 2018

<b>Price</b>	<b>\$0.24</b>
<b>Price Target</b>	<b>\$0.45</b>
Valuation Method	EVR
GICS Sector	Fin Services
12 Mth Price Range	\$0.17 - 0.39
Avg Monthly Share Turnover	5.6m
Market Capitalisation	\$72m
Issued Capital	300m
Enterprise Value	\$62m
Previous Rating	<b>BUY</b>

Year Ended June 30		16A	17E	18A	19E	20E
<b>FUA</b>	<b>\$bn</b>	<b>1.8</b>	<b>2.1</b>	<b>13.1</b>	<b>15.7</b>	<b>18.4</b>
<i>FUA Growth</i>	%		17.4	521.3	20.0	17.0
<b>Operating Revenue</b>	<b>\$m</b>	<b>5.5</b>	<b>6.9</b>	<b>15.1</b>	<b>27.4</b>	<b>33.6</b>
<i>Revenue growth</i>		26.3	25.4	119.7	80.9	22.5
<b>Gross Op Profit</b>	<b>\$m</b>	<b>4.3</b>	<b>5.4</b>	<b>12.0</b>	<b>22.4</b>	<b>27.5</b>
<i>GOP Growth</i>	%	26.8	25.6	121.2	86.0	22.6
<b>EBITDA</b>	<b>\$m</b>	<b>1.1</b>	<b>1.6</b>	<b>2.9</b>	<b>8.2</b>	<b>12.0</b>
<i>EBITDA Growth</i>	%	46.6	48.0	81.4	185.9	46.3
<i>EBITDA Margin</i>	%	19.4	22.9	18.9	29.9	35.8
<b>NPAT</b>	<b>\$m</b>	<b>0.8</b>	<b>1.0</b>	<b>-0.1</b>	<b>6.0</b>	<b>9.8</b>
<i>NPAT Growth</i>	%	46.7	16.3	-107.1	na	63.4
<b>NPAT-Cash*</b>	<b>\$m</b>	<b>0.9</b>	<b>1.1</b>	<b>2.7</b>	<b>8.5</b>	<b>12.3</b>
<b>EPS</b>	<b>¢ps</b>	<b>0.6</b>	<b>0.7</b>	<b>0.0</b>	<b>2.0</b>	<b>3.3</b>
<i>EPS growth</i>	%	47.1	17.3	-104.0	na	63.5
<b>EPS-Cash *</b>	<b>¢ps</b>	<b>0.6</b>	<b>0.8</b>	<b>1.1</b>	<b>2.8</b>	<b>4.1</b>
<b>DPS</b>	<b>¢ps</b>	<b>0.8</b>	<b>0.8</b>	<b>0.0</b>	<b>0.4</b>	<b>0.8</b>
<i>Franking</i>	%	0.0	0.0	0.0	100.0	100.0
<b>Y/E Share Price</b>	<b>¢ps</b>	<b>45.0</b>	<b>35.0</b>	<b>24.0</b>	<b>24.0</b>	<b>24.0</b>
<b>PER</b>	<b>x</b>	<b>73.9</b>	<b>49.0</b>	<b>-841.2</b>	<b>12.0</b>	<b>7.3</b>
<b>PER-Cash</b>	<b>x</b>	<b>71.1</b>	<b>43.8</b>	<b>21.0</b>	<b>8.5</b>	<b>5.9</b>
<b>EV/EBITDA</b>	<b>x</b>	<b>52.0</b>	<b>27.8</b>	<b>23.2</b>	<b>7.6</b>	<b>4.4</b>
<b>Dividend Yield</b>	<b>%</b>	<b>1.8</b>	<b>2.3</b>	<b>0.0</b>	<b>1.7</b>	<b>3.3</b>
NTA/share	¢ ps	4.5	3.0	3.0	4.6	7.0
Gearing (D:E)	%	0.0	0.0	0.0	0.0	0.0
P/OCF	x	48.1	28.8	19.5	9.4	4.9
ROE	%	11.0	15.0	9.4	16.3	21.0

May be subject to Rounding errors \*\* excludes Amortisation



## Activities

An independent operator of licensed Managed Discretionary Accounts and other financial platforms

[www.managedaccounts.com.au](http://www.managedaccounts.com.au)

**Brent Mitchell 03 86054830**

[bmitchell@veritassecurities.com.au](mailto:bmitchell@veritassecurities.com.au)



**Managed Accounts Holdings (MGP)**

**Current Price: \$0.24 ps Target Price \$0.45**

**PROFIT & LOSS**

Year ended 30-06		2016A	2017A	2018A	2019E	2020E
<b>Sales Revenue</b>	\$m	5.5	6.9	15.1	27.4	33.6
Cost of Goods Sold	\$m	-1.2	-1.5	-3.1	-5.0	-6.1
<b>Gross Operating Profit</b>	\$m	4.3	5.4	12.0	22.4	27.5
Expenses	\$m	-3.3	-3.9	-9.2	-14.2	-15.5
<b>EBITDA</b>	\$m	1.1	1.6	2.9	8.2	12.0
Depreciation & Amort	\$m	0.0	0.0	-0.1	0.0	0.0
Amortisation	\$m	0.0	-0.1	-2.7	-2.5	-2.5
<b>EBIT</b>	\$m	1.0	1.5	0.1	5.7	9.5
Interest Paid	\$m	0.2	0.0	0.0	0.3	0.3
<b>Pre Tax Profit</b>	\$m	1.2	1.5	0.1	6.0	9.8
Tax	\$m	-0.4	-0.5	-0.1	0.0	0.0
<b>Normalised Profit</b>	\$m	0.8	1.0	-0.1	6.0	9.8
Significant Items (Net)	\$m	-0.1	-0.3	-2.4	0.0	0.0
<b>Reported Profit</b>	\$m	0.7	0.7	-2.5	6.0	9.8
<b>Profit - Non-Cash</b>	\$m	0.9	1.1	2.7	8.5	12.3

**Growth**

		2016A	2017A	2018A	2019E	2020E
Revenue	%	26.3	25.4	119.7	80.9	22.5
COGS	%	24.7	24.5	114.0	61.0	22.0
Gross Operating Profit	%	26.8	25.6	121.2	86.0	22.6
Expenses	%	21.4	18.3	137.5	54.8	8.9
EBITDA	%	46.6	48.0	81.4	185.9	46.3
Normalised Profit	%	46.7	16.3	-107.1	na	63.4
EPS	%	47.1	17.3	-104.0	na	63.5

**P&L Ratios**

		2016A	2017A	2018A	2019E	2020E
Gross Operating Profit / Sales	%	78.8	78.9	79.5	81.7	81.8
EBITDA / Sales	%	19.4	22.9	18.9	29.9	35.8
Effective Tax Rate	%	0.0	0.0	185.2	0.0	0.0
Interest Cover	x	na	1445.9	#DIV/0!	na	na

**FUA**

		2016A	2017A	2018A	2019E	2020E
<b>Year End</b>	\$b	1.80	2.11	13.09	15.71	18.38
Growth	%	19.2	17.4	521.3	20.0	17.0
Revenue to Av FUA	%	0.33	0.35	0.20	0.19	0.20

**Per Share**

		2016A	2017A	2018A	2019E	2020E
<b>Year End Share Price</b>	¢ps	45.0	35.0	24.0	24.0	24.0
Issued Shares	m	134.4	133.7	301.8	299.9	299.9
Issued Shares (Wt Avg)	m	134.8	133.7	238.4	300.1	299.9
EPS	¢ps	0.6	0.7	0.0	2.0	3.3
EPS-Cash *	¢ps	0.6	0.8	1.1	2.8	4.1
Operating Cash Flows	¢ps	0.9	1.2	1.2	2.5	4.9
Free Cash Flow	¢ps	0.3	0.0	0.6	2.0	4.2
DPS	¢ps	0.8	0.8	0.0	0.4	0.8
Franking	%	0.0	0.0	0.0	100.0	100.0
Dividend Payout Ratio	%	131.3	112.0	0.0	20.0	24.5

**Parameters**

		2016A	2017A	2018A	2019E	2020E
<b>PE Ratio</b>	x	73.9	49.0	na	12.0	7.3
<b>PER-Cash</b>	x	71.1	43.8	21.0	8.5	5.9
Enterprise Value / EBITDA	x	52.0	27.8	23.2	7.6	4.4
Enterprise Value / Revenue	x	10.1	6.4	4.4	2.3	1.6
Cash Flow ratio	x	48.1	28.8	19.5	9.4	4.9
Dividend Yield	%	1.8	2.3	0.0	1.7	3.3

**VALUATION**

Valuation Method	\$		
EVR	0.45		47.1
DCF	0.67		64.2
Current Price	0.24		
Market Capitalisation	\$72.4m	Enterprise Value	\$66.5m

Source: MGP (Act), Veritas (Est)

May be s May be subject to rounding errors

**CASH FLOW**

Year ended 30-06		2016A	2017A	2018A	2019E	2020E
<b>Operating EBITDA</b>	\$m	1.1	1.6	2.9	8.2	12.0
Net Interest Paid	\$m	0.1	0.1	0.1	0.3	0.3
Tax Paid	\$m	0.0	0.0	0.0	0.0	3.1
Chg WorkCap	\$m	0.0	0.3	0.0	-0.9	-0.7
Other	\$m	0.0	-0.3	-0.1	0.0	0.0
<b>Operating Cash Flow</b>	\$m	1.3	1.6	2.9	7.6	14.7
Capex	\$m	-0.1	-0.1	-0.2	-0.2	-0.2
Capitalised Development	\$m	-0.9	-1.6	-1.2	-1.5	-1.8
<b>Free Cash Flow</b>	\$m	0.3	-0.1	1.5	5.9	12.7
Acquisitions/Asset Sales	\$m	0.0	-0.5	-31.3	-1.0	-1.0
Dividends Paid	\$m	-1.1	-1.1	-0.3	-0.6	-2.4
Equity Raised	\$m	-0.2	-0.3	33.2	-0.4	0.0
Debt (change)	\$m	0.0	-0.2	0.0	0.0	0.0
Other (Term Deposits)	\$m	0.0	1.9	0.1	0.0	0.0
<b>Change in Net Cash</b>	\$m	-0.9	-0.3	3.3	3.9	9.3

**BALANCE SHEET at 30/6**

		2016A	2017A	2018A	2019E	2020E
Cash/Term Deposits	\$m	5.0	2.8	6.0	9.9	19.2
Receivables	\$m	1.3	1.0	2.5	8.1	9.5
Inventory	\$m	0.0	0.0	0.0	0.0	0.0
Other Current Assets	\$m	0.0	0.0	0.2	1.4	1.5
<b>Current Assets</b>	\$m	6.3	3.8	8.7	19.4	30.2
Investments	\$m	0.0	0.5	0.6	0.7	1.0
Property, Plant & Equipmen	\$m	0.0	0.1	0.3	0.5	1.5
Intangibles	\$m	1.1	2.6	40.5	41.0	41.0
Other NC Assets	\$m	0.7	0.6	4.3	3.0	3.0
<b>Non Current Assets</b>	\$m	1.9	3.8	45.8	45.2	46.5
<b>Total Assets</b>	\$m	8.2	7.6	54.4	64.6	76.7
Payables	\$m	0.6	0.6	2.1	6.8	7.5
Current Debt	\$m	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	\$m	0.2	0.2	1.0	0.3	0.0
<b>Current Liabilities</b>	\$m	0.8	0.8	3.1	7.1	7.5
Non Current Debt	\$m	0.0	0.0	0.0	0.0	0.0
Other NC Liabilities	\$m	0.1	0.1	1.6	2.7	7.1
<b>Non Current Liabilities</b>	\$m	0.1	0.1	1.6	2.7	7.1
<b>Total Liabilities</b>	\$m	0.9	1.0	4.7	9.9	14.6
<b>Shareholder Funds</b>	\$m	7.2	6.7	49.7	54.7	62.1

**BALANCE SHEET Ratios**

		2016A	2017A	2018A	2019E	2020E
Receivables turn	x	4.6	5.8	4.7	5.2	3.8
Net Debt	\$m	0.0	0.0	0.0	0.0	0.0
Current Ratio (CA / CL)	x	7.6	4.6	2.8	2.7	4.0
Net Assets	¢ps	5.3	5.0	16.5	18.2	20.7
Net Tangible Assets	¢ps	4.5	3.0	3.0	4.6	7.0
Cash	¢ps	3.7	2.1	2.0	3.3	6.4
Return On Assets	%	12.6	19.6	9.0	13.8	17.0
Return on Equity	%	11.0	15.0	9.4	16.3	21.0

**MAJOR SHAREHOLDERS (based on Pre-Issue Holdings)**

Don Sharp	m	32.1	11% Exec Ch
Colin Scully	m	31.6	11% Former Director/founder
Investors Mutual	m	20.2	7% Institution
Argo Invest	m	18.8	6% Listed Equity Fund
PARMMS Enterprises	m	17.8	6% Former Dir (Paul Collins)
Top 20 (20/08/18)	m	219.1	73%

**DIRECTORS**

Don Sharp	Exec Ch
Alexander Hutchison	NE Dir
Peter Brook	NE Dir

**MANAGEMENT**

David Heather	CEO
Neil Pattinson	COO
Tony Nejasmic	Distrib & Marketing

### FY18 Result boosted by the Linear Acquisition

**Linear adds Revenue of \$5.1m**

Linear was acquired on 16/11/17 for \$36.5m, including Goodwill of \$21.6m, representing the expected synergies to be obtained from the integration into MGP. Linear added Revenues of \$5.1m and EBITDA Loss of \$0.2m

Profit & Loss				Balance Sheet			
Year ended 30-06 (\$m)	2017	2018	% Ch	As at 30-6 (\$m)	2017	2018	% Ch
<b>Total Revenue</b>	<b>6.90</b>	<b>15.15</b>	<b>119.7</b>	Current Assets	3.83	8.66	
Cost of Goods Sold	-1.45	-3.11	114.0	Non-Current Assets	3.80	45.75	
<b>Operating Profit</b>	<b>5.44</b>	<b>12.04</b>	<b>121.2</b>	<b>Total Assets</b>	<b>7.63</b>	<b>54.41</b>	<b>613.2</b>
Expenses	-3.86	-9.17	137.5	Current Liabilities	0.84	3.12	
<b>EBITDA</b>	<b>1.58</b>	<b>2.87</b>	<b>81.4</b>	Non-Current Liabilities	0.13	1.56	
Depreciation	-0.03	-0.08		<b>Total Liabilities</b>	<b>0.96</b>	<b>4.68</b>	<b>646.0</b>
Amortisation	-0.08	-2.71	3309.8	<b>Shareholder Funds</b>	<b>6.67</b>	<b>49.73</b>	
<b>EBIT</b>	<b>1.47</b>	<b>0.08</b>	<b>-94.6</b>	Cash/Term Deposits(¢ ps)	2.08	1.97	-5.3
Interest Paid	0.00	0.00		Net Debt (\$m)	0.00	0.00	
<b>Pre-Tax profit</b>	<b>1.47</b>	<b>0.08</b>	<b>-94.6</b>	EV: EBITDA (x)	27.84	23.17	
Tax	-0.51	-0.15		EV:Revenue (x)	6.38	4.39	
<b>Net Profit</b>	<b>0.96</b>	<b>-0.07</b>	<b>-107.1</b>	Revenue/Working Capital (x)	15.75	23.17	
<b>Profit-Cash</b>	<b>1.1</b>	<b>2.7</b>	<b>154.5</b>	NTAV (¢ ps)	3.03	3.04	0.5
Significant Items (Net)	-0.28	-2.44		<b>Operating Cash Flow</b>	<b>1.62</b>	<b>2.93</b>	80.8
<b>Reported Profit</b>	<b>0.67</b>	<b>-2.50</b>	<b>-473.4</b>	Capex	-0.05	-0.21	
Gross Operating Margin (%)	78.94	79.49		Capitalised R&D	-1.6	-1.2	
EBITDA Margin (%)	22.93	18.94		Investment/Acquisitions	-0.52	-31.30	
Effective Tax Rate (%)	34.86	na		Equity	-0.30	33.24	
EPS (¢ ps)	0.71	-0.03	-104.0	Debt	-0.23	0.00	
EPS - Cash (¢ ps)	0.80	1.14	42.8	Dividends	-1.08	-0.27	
Cash Flow (¢ ps)	1.21	1.23	1.4	Other (Term Deposits)	1.88	0.14	
DPS (¢ ps)	0.80	0.00	-100.0	<b>Net Cash Flow</b>	<b>-0.29</b>	<b>3.31</b>	na
PER (x)	48.99	na		Fund Inflows (\$b)	0.39	0.73	86.2
Dividend Yield (%)	2.29	0.00		<b>FUA (\$b)</b>	<b>11.20</b>	<b>13.09</b>	<b>16.9</b>
Franking (%)	0	0		Revenue : Average FUA (%)	353.42	109.91	

Source: MGP

**FUA increases by \$11.0bn to \$13.1bn**

**FUA** - Rose with FUA transitions from new and existing licencees and inclusion of Linear. The proforma increase of 16.9% was below the 4 Year CAGR of 34.5%, due to merger disruption. FY18 FUA comprised:

- *MGP* - A 17.2% increase in FUA to \$2.47bn, below the 4 year CAGR of 23.8% pa.
- *Linear MDA* - Added FUA of \$5.04bn, with proforma growth of 24.7%, below the 4 Year CAGR of 41.4%.
- *Linear PAS* - FUA increased by 4.3% to \$5.58bn, below the 4 Year CAGR of 13.0%, with client loss.

**Revenue** – The 119.7% increase comprised growth in MGP’s Revenue of 21.1% to \$8.4m and inclusion of Linear Revenue for the 7 months to 30/6/18.

**Expenses** – Rose with the merger and new appointments, mainly a 209% rise in Administration to \$2.6m and 145.0% in personnel to \$6.8m, before the full benefit of synergies, which ended the 2H FY18 at annualised savings of \$1.8m.

**EBITDA**- Underlying EBITDA of \$2.9m exceeded the guidance range of \$1.5m to \$2.3m with early realisation of synergies. The synergies generated during FY18 equate to an annualised rate of \$1.8m.

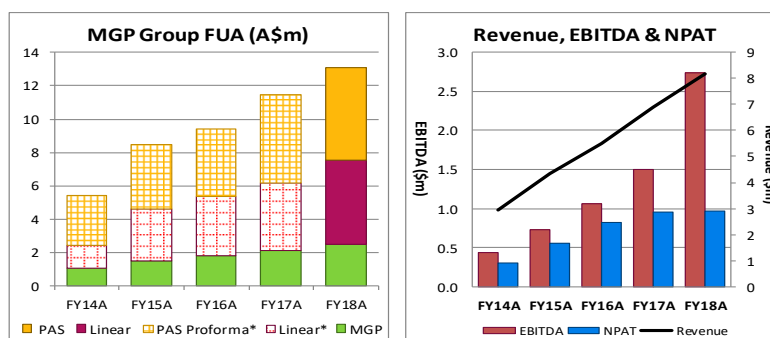
**Amortisation** – Rose with the merger, with MGP amortising Capitalised Development costs of \$14.6m over 5 years.

**Significant Items** – Includes \$1.3m in acquisition costs, a \$1.9m asset write-off mainly relating to discontinued software and non-cash employee share option expenses of \$0.3m.

**Balance Sheet** - Changed with the \$36.5m acquisition of Linear and the Capital Raise, with an increase in Net Assets of \$43.1m, mainly a \$37.9m increase in Intangible, mostly Goodwill (\$21.6m) and Capitalised Software (\$14.6m). Cash on the Balance Sheet (including Term Deposits) increased to by \$3.2m to \$6.0m (2.0¢ ps).

**Realises annualised synergies of \$1.8m**

**Strong Balance Sheet with \$6.0m in Cash**



Source: MGP \* Proforma for FY14 to FY17

Source: MGP

### Outlook

**MGP confirms EBITDA guidance for FY19 of \$7.5m to \$8.5m**

MGP has re-iterated guidance for FY19 of an Underlying EBITDA range of \$7.5m to \$8.5m, helped by strong inflows, without the impact of one-off factors, and the realisation of \$3.5m in synergies after expensing all software development costs, assuming no material downturn in global markets or adverse regulatory changes.

**Strong inflows expected**

This is based on continued strong growth in Fund Inflow and FUA from:

**Strong Inflows** – With on-going growth in Super and MDAs and the continued transition of funds from recent and new Licensees, helped by the recent introduction of Retail Super and an Enhanced Cash Solution. Strong growth is expected, with SMAs increasing by 45% to A\$59bn in CY17 and growth through to 2020 of Total Australian Superannuation Assets to over \$3.0t and Managed Accounts Industry to \$115b.

**Introducing a new wrap platform**

**Initiatives** - MGP is well advanced with the acquisition of a Registrable Superannuation Entity to grow superannuation revenue streams from a consolidating sector.

Also, MGP expects growth from the super solutions and the roll out of the wrap platform during September to meet a growing demand for independent platforms as they shift to non-bank aligned business models. Recent survey have seen a significant move from major Bank and Institutions to independent platforms.

**Revenue synergies in addition to Forecasts**

**Pipeline** – Implementation of the new MOUs, with a significant number of further MOUs under consideration.

**Revenue synergies** - With the Linear merger, MGP has the ability to deliver a multi-market, multi-currency, multi custodian wrap, SMA and managed account solution or via non-custodial using its ASX status participant. This strengthens its range of services to both intermediated and institutional market. These synergies are not included in our Forecasts.

**Adds additional resources**

**Additional Resources** – MGP has added resources in business & marketing, business development and product development to drive the stockbroking channel delivery and growth, and develop new opportunities in WA and SA

**Strong margin expansion expected**

**Positioning** - MGP is well positioned for Royal Commission outcomes, with a diverse suite of products and services and no grandfathered commissions.

**EBITDA** - With the Revenue growth, identified synergies at an annualised rate of \$3.5m to be fully realised in 2H FY19 and leverage of its fixed cost base, a major expansion in EBITDA margins is expected. However, this excludes the benefit from expected Revenue and Technology synergies and changes to the treatment of Reduced Input Tax Credits. Progress with the synergies is outlined below:

		Status
Target annual pre-tax cost synergies \$3.5 million <sup>(1)</sup>	Salaries	• Complete <span style="float:right">✓</span>
	Occupancy costs	• Complete <span style="float:right">✓</span>
	Service provider management	• Review completed of all service providers for rationalisation opportunities. \$500,000 synergies achieved with action plan in place to achieve a further \$600,000 <span style="float:right">🔄</span>
	Centralised functions	• Complete <span style="float:right">✓</span>
Not included in above target synergies	Technology synergies	• Optimal technology solution review commenced early April 2018 with an update to the market in September quarter 2018 <span style="float:right">🔄</span>
	Revenue synergies	• Discussions have identified cross sell opportunities to existing Linear clients. These will be quantified as realised <span style="float:right">✓</span> • Linear international capability to pre-merger MGP clients at live state <span style="float:right">✓</span> • Addition of MGP MDA capability to Linear administration at live state <span style="float:right">✓</span>

(1) Excludes one-off implementation costs and potential technology cost synergies and incremental revenue streams that may be generated by the Company following integration.

### Forecasts

**EBITDA growth of 199.2% in FY19, followed by 46.3% in FY20**

**FY19** – With the above guidance, we have maintained Forecasts for FY19 of EBITDA growth of 185.9% to \$8.2m on Revenue growth of 80.9% to \$27.4m. The Revenue Forecast reflects growth of 31.7% over 2H FY of \$10.4m annualised, while the EBITDA forecast comprises 2H EBITDA of \$2.5m annualised, full realisation of the balance of the \$3.5m in Synergies and organic growth.

This assumes a conservative increase in proforma FUA of 20.0% to \$15.71bn, mainly from an increase in combined MDA of 25.1% to \$9.62bn.

**FY20** – With continued growth, a further increase in EBITDA of 46.3% to \$12.0m on a 22.5% increase in Revenue to \$33.6m, with a further increase in FUA of 17.0% \$18.38bn.

**Substantial Tax Losses**

With over \$11.5m of Linear Tax Losses and Net Deferred Tax Benefits, limited tax will be paid.

## Valuation

Price Target of \$0.45 ps

We maintain a 12 month Price Target to 45¢ ps, based on a FY20 Enterprise Value/EBITDA ratio of 10.5x. We believe this is conservative, being well below sector average and given the strong growth profile of the sector and MGP.

VALUATION		FY20			
Method	EBITDA	Multiple	Valuation		
EV/EBITDA Multiple	FY20	x	\$m	¢ps	
EBITDA	\$m	12.0	10.5x	126.0	42
Net Cash FY19	\$m			9.9	3
<b>Valuation</b>	<b>\$m</b>			<b>135.9</b>	<b>45</b>
<b>Valuation</b>	cps				<b>45</b>
<b>Current Price</b>	cps				<b>24</b>
<b>Valuation Premium (-)/Discount (+)</b>				<b>89%</b>	

Source: Veritas

MGP is also attractive on a comparative basis to overseas companies involved in the sector, with an Enterprise Value/EBITDA and Enterprise Value/NPAT well below the weighted average for FY19 of 33.4x and 24.5x, as well as offering an attractive yield of 3.3% in FY20.

Company	Code	Price	*Mkt Cap	*Ent Val	*EV/Revenue (x)			*EV/EBITDA (x)			*PER (x)			Yield (%)		
					A\$	A\$m	A\$m	18A	19E	20E	18A	19E	20E	18A	19E	20E
<b>Managed Accounts</b>	<b>MGP</b>	0.24	<b>72</b>	<b>66</b>	<b>4.4</b>	<b>2.4</b>	<b>2.0</b>	<b>23.2</b>	<b>7.6</b>	<b>4.4</b>	<b>na</b>	<b>12.1</b>	<b>7.4</b>	<b>0.0</b>	<b>1.7</b>	<b>3.3</b>
<b>Cash based (Exc Amortisation)</b>								<b>26.6</b>	<b>8.5</b>	<b>5.9</b>						
Class	CL1	1.97	237	214	6.2	5.5	4.8	13.4	11.5	9.9	27.2	26.2	21.8	2.5	2.7	3.1
HUB 24	HUB	13.26	820	802	9.5	7.7	6.3	71.4	39.0	24.6	151.9	53.4	33.9	0.2	0.8	1.2
Netwealth	NWL	8.21	1997	1975	24.6	19.0	15.3	49.4	36.7	28.4	73.1	53.4	41.4	1.2	1.4	1.8
Mainstream	MAI	0.76	82	85	2.0	1.6	1.5	13.2	10.2	9.1	47.2	17.1	15.2	2.0	2.9	3.2
OneVue	OVH	0.80	217	200	4.1	3.2	2.7	27.5	16.0	11.9	21.7	30.3	19.2	0.0	0.6	2.3
Praemium	PPS	1.00	420	408	9.7	7.9	6.6	49.1	31.5	22.7	244.8	61.6	39.7	0.0	0.2	0.8
<b>Weighted Average</b>					<b>17.0</b>	<b>13.3</b>	<b>10.8</b>	<b>50.1</b>	<b>33.4</b>	<b>24.5</b>	<b>107.9</b>	<b>52.2</b>	<b>36.7</b>	<b>0.8</b>	<b>1.1</b>	<b>1.7</b>
<b>Average</b>					<b>9.4</b>	<b>7.5</b>	<b>6.2</b>	<b>37.3</b>	<b>24.1</b>	<b>17.8</b>	<b>107.7</b>	<b>43.2</b>	<b>28.5</b>	<b>0.7</b>	<b>1.2</b>	<b>2.1</b>

Source: Veritas, FactSet

\* Based on a current Enterprise Value and Market Capitalisation.

Sales

Robert Scappatura +61 2 8252 3240  
 Andrew McCauley +61 2 8252 3260  
 Patrick Ford +61 2 8252 3211  
 Clay Melbourn +61 2 8252 3220  
 Bryce Reynolds +61 2 8252 3215

Research

Industrials  
 Brent Mitchell +61 3 8605 4830  
 Levi Hawker +61 3 8676 0689

Resources

Piers Reynolds +61 3 8601 1196

RATING

BUY – anticipated stock return is greater than 10%  
 SELL – anticipated stock return is less than -10%  
 HOLD – anticipated stock return is between -10% and +10%  
 SPECULATIVE – High risk with stock price likely to fluctuate by 50% or more

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Veritas Securities Limited	Sydney	Melbourne
A.B.N. 94 117 124 535	Level 4, 175 Macquarie Street	Level 8, 350 Collins Street
AFSL No. 297 043	Sydney, NSW, 2000	Melbourne, VIC, 3000
GPO Box 4877, Sydney, NSW, 2001	Tel: (02) 8252 3200	Tel: (03) 8601 1196
www.veritassecurities.com.au	Fax: (02) 8252 3299	Fax: (03) 8601 1180