

Managed Accounts Holdings

Continued strong Fund Inflows in Q1 FY19

MGP reported strong combined Gross Inflows of \$516.6m, with FUA as at 30/9/18 increasing by 5.2% in the period and 19.7% over the last 12 months to \$13.77b. This continues the strong growth record with Proforma CAGR in FUA of 26% over the last 5 years. FUA changes comprise:

MDAs – A 22.5% increase to \$7.72b, across both MGP (\$107m) and Linear (\$408m).

PAS – A 16.3% increase to \$6.05b with 27 new accounts and a reversal of the loss of accounts in Q4 FY18.

MGP has also executed 2 Memoranda of Understanding with advisory firms to implement a managed account solution, with inflows expected to commence Q3 FY19.

Acquisition of RSE to expand superannuation offering

MGP has acquired Aracon Superannuation, an existing Registrable Superannuation Entity to provide an upgraded superannuation solution to its financial planning, stockbroking and institutional client base. Aracon will also add FUA of \$300m, once transitioned to MGP.

Further Initiatives to drive FUA growth

MGP has outlined further initiatives to be implemented in Q3 FY19, across:

Rebranding – New branding to be rolled out for its products and services.

Wrap Offering – A complete offer for both superannuation and non-superannuation under its new branding.

Super Administration – MGP is looking at additional member administration capability to supplement the Aracon acquisition.

Technology Strategy – A further upgrade to deliver an enhanced experience for advisers and clients whilst enhancing internal efficiencies.

Additional Resources – MGP has recently 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.

To fully deliver Linear Synergies

MGP re-iterated its expectations to fully deliver the \$3.5m in expected Synergies by the end of FY19, with remaining synergies focused on service provider rationalisation and cost improvement underway. This excludes possible Revenue synergies from its expanded product offering.

Forecasts

With the benefit from recent initiatives, realisation of synergies on track, strong Fund inflows and a strong pipeline, we have retained the following Forecasts:

FY19 – FUA growth of 19.9% to \$15.7b and EBITDA growth of 186.7% to \$8.2m on Revenue growth of 80.6% to \$27.4m.

FY20 – FUA growth of 16.1% to \$18.2b and EBITDA growth of 45.6% to \$12.0m on a 23.0% increase in Revenue to \$33.6m.

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

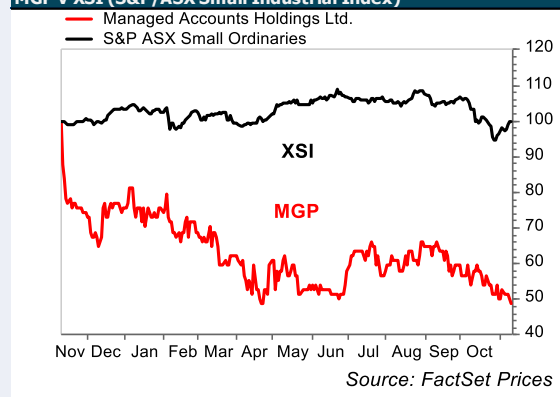
BUY

13 November 2018

| | | | | | | |
|----------------------------|-------------|---------------|-------------|---------------|--------------|-------------|
| Price | | \$0.19 | | | | |
| Price Target | | \$0.45 | | | | |
| Valuation Method | | EVR | | | | |
| GICS Sector | | Fin Services | | | | |
| 12 Mth Price Range | | \$0.17 - 0.34 | | | | |
| Avg Monthly Share Turnover | | 6.3m | | | | |
| Market Capitalisation | | \$55m | | | | |
| Issued Capital | | 298m | | | | |
| Enterprise Value | | \$46m | | | | |
| Previous Rating | | BUY | | | | |
| Year Ended June 30 | | 16A | 17E | 18A | 19E | 20E |
| FUA | \$bn | 1.8 | 2.1 | 13.1 | 15.7 | 18.2 |
| <i>FUA Growth</i> | <i>%</i> | | <i>17.4</i> | <i>521.3</i> | <i>19.9</i> | <i>16.1</i> |
| Operating Revenue | \$m | 5.5 | 6.9 | 15.1 | 27.4 | 33.6 |
| <i>Revenue growth</i> | | <i>26.3</i> | <i>25.4</i> | <i>119.7</i> | <i>80.6</i> | <i>23.0</i> |
| Gross Op Profit | \$m | 4.3 | 5.4 | 12.0 | 22.4 | 27.5 |
| <i>GOP Growth</i> | <i>%</i> | <i>26.8</i> | <i>25.6</i> | <i>121.2</i> | <i>85.6</i> | <i>23.1</i> |
| EBITDA | \$m | 1.1 | 1.5 | 2.9 | 8.2 | 12.0 |
| <i>EBITDA Growth</i> | <i>%</i> | <i>46.6</i> | <i>40.4</i> | <i>90.8</i> | <i>186.7</i> | <i>45.6</i> |
| <i>EBITDA Margin</i> | <i>%</i> | <i>19.4</i> | <i>21.8</i> | <i>18.9</i> | <i>30.0</i> | <i>35.5</i> |
| NPAT | \$m | 0.8 | 1.0 | -0.1 | 5.1 | 8.8 |
| <i>NPAT Growth</i> | <i>%</i> | <i>46.7</i> | <i>16.3</i> | <i>-107.1</i> | <i>na</i> | <i>73.8</i> |
| NPAT-Cash* | \$m | 0.9 | 1.1 | 2.7 | 8.5 | 12.3 |
| EPS | eps | 0.6 | 0.7 | 0.0 | 1.7 | 3.0 |
| <i>EPS growth</i> | <i>%</i> | <i>47.1</i> | <i>17.3</i> | <i>-104.0</i> | <i>na</i> | <i>74.8</i> |
| EPS-Cash * | eps | 0.6 | 0.8 | 1.1 | 2.8 | 4.1 |
| DPS | eps | 0.8 | 0.8 | 0.0 | 0.4 | 0.8 |
| Franking | <i>%</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> |
| Y/E Share Price | eps | 45.0 | 35.0 | 18.5 | 18.5 | 18.5 |
| PER | x | 73.9 | 49.0 | -648.5 | 10.9 | 6.3 |
| PER-Cash | x | 71.1 | 43.8 | 16.2 | 6.5 | 4.5 |
| EV/EBITDA | x | 52.0 | 29.3 | 17.4 | 5.6 | 3.3 |
| Dividend Yield | % | 1.8 | 2.3 | 0.0 | 2.2 | 4.3 |
| NTA/share | <i>¢ ps</i> | <i>4.5</i> | <i>3.0</i> | <i>3.0</i> | <i>4.8</i> | <i>7.6</i> |
| Gearing (D:E) | <i>%</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> |
| P/OCF | <i>x</i> | <i>48.1</i> | <i>28.8</i> | <i>15.0</i> | <i>6.7</i> | <i>4.6</i> |
| ROE | <i>%</i> | <i>11.0</i> | <i>15.0</i> | <i>9.4</i> | <i>16.5</i> | <i>21.6</i> |

May be subject to Rounding errors ** excludes Amortisation

MGP v XSI (S&P/ASX Small Industrial Index)



Activities

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Managed Accounts Holdings (MGP)

Current Price: \$0.19 ps Target Price \$0.45

PROFIT & LOSS

| Year ended 30-06 | | 2016A | 2017A | 2018A | 2019E | 2020E |
|-------------------------------|-----|-------|-------|-------|-------|-------|
| Sales Revenue | \$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 |
| Gross Operating Profit | \$m | 4.3 | 5.4 | 12.0 | 22.4 | 27.5 |
| Expenses | \$m | -3.3 | -3.9 | -9.2 | -14.1 | -15.6 |
| EBITDA | \$m | 1.1 | 1.5 | 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 | -3.4 | -3.4 |
| EBIT | \$m | 1.0 | 1.4 | 0.1 | 4.8 | 8.5 |
| Interest Paid | \$m | 0.2 | 0.1 | 0.0 | 0.3 | 0.3 |
| Pre Tax Profit | \$m | 1.2 | 1.5 | 0.1 | 5.1 | 8.8 |
| Tax | \$m | -0.4 | -0.5 | -0.1 | 0.0 | 0.0 |
| Normalised Profit | \$m | 0.8 | 1.0 | -0.1 | 5.1 | 8.8 |
| Significant Items (Net) | \$m | -0.1 | -0.3 | -2.4 | 0.0 | 0.0 |
| Reported Profit | \$m | 0.7 | 0.7 | -2.5 | 5.1 | 8.8 |
| Profit - Cash* | \$m | 0.9 | 1.1 | 2.7 | 8.5 | 12.3 |

| Growth | | 2016A | 2017A | 2018A | 2019E | 2020E |
|------------------------|---|-------|-------|--------|-------|-------|
| Revenue | % | 26.3 | 25.4 | 119.7 | 80.6 | 23.0 |
| COGS | % | 24.7 | 24.5 | 114.0 | 61.2 | 22.3 |
| Gross Operating Profit | % | 26.8 | 25.6 | 121.2 | 85.6 | 23.1 |
| Expenses | % | 21.4 | 20.8 | 132.8 | 54.1 | 10.1 |
| EBITDA | % | 46.6 | 40.4 | 90.8 | 186.7 | 45.6 |
| Normalised Profit | % | 46.7 | 16.3 | -107.1 | na | 73.8 |
| EPS | % | 47.1 | 17.3 | -104.0 | na | 74.8 |

| 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 | 21.8 | 18.9 | 30.0 | 35.5 |
| Effective Tax Rate | % | 0.0 | 0.0 | 185.2 | 0.0 | 0.0 |
| Interest Cover | x | na | na | na | na | na |

| FUA | | 2016A | 2017A | 2018A | 2019E | 2020E |
|-------------------|-----|-------|-------|--------|-------|-------|
| Year End | \$b | 1.80 | 2.11 | 13.09 | 15.70 | 18.22 |
| Growth | % | 19.19 | 17.38 | 521.26 | 19.91 | 16.09 |
| Revenue to Av FUA | % | 0.333 | 0.353 | 0.163 | 0.190 | 0.198 |
| EBITDA to Av FUA | % | 0.065 | 0.077 | 0.038 | 0.057 | 0.070 |

| Per Share | | 2016A | 2017A | 2018A | 2019E | 2020E |
|-----------------------------|-----|-------|-------|-------|-------|-------|
| Year End Share Price | ¢ps | 45.0 | 35.0 | 18.5 | 18.5 | 18.5 |
| Issued Shares | m | 134.4 | 133.7 | 3018 | 298.1 | 298.1 |
| Issued Shares (Wt Avg) | m | 134.8 | 133.7 | 238.4 | 299.9 | 298.1 |
| EPS | ¢ps | 0.6 | 0.7 | 0.0 | 1.7 | 3.0 |
| EPS-Cash* | ¢ps | 0.6 | 0.8 | 1.1 | 2.8 | 4.1 |
| Operating Cash Flow ps | ¢ps | 0.9 | 1.2 | 1.2 | 2.7 | 4.1 |
| Free Cash Flow | ¢ps | 0.3 | 0.0 | 0.6 | 2.0 | 3.5 |
| DPS | ¢ps | 0.8 | 0.8 | 0.0 | 0.4 | 0.8 |
| Franking | % | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend Payout Ratio | % | 131.3 | 112.0 | 0.0 | 23.6 | 27.0 |

| Parameters | | 2016A | 2017A | 2018A | 2019E | 2020E |
|----------------------------|---|-------|-------|-------|-------|-------|
| PE Ratio | x | 73.9 | 49.0 | na | 10.9 | 6.3 |
| PER-Cash* | x | 71.1 | 43.8 | 16.2 | 6.5 | 4.5 |
| Enterprise Value / EBITDA | x | 52.0 | 29.3 | 17.4 | 5.6 | 3.3 |
| Enterprise Value / Revenue | x | 10.1 | 6.4 | 3.3 | 1.7 | 1.2 |
| Cash Flow ratio | x | 48.1 | 28.8 | 15.0 | 6.7 | 4.6 |
| Dividend Yield | % | 1.8 | 2.3 | 0.0 | 2.2 | 4.3 |

| VALUATION | | 2016A | 2017A | 2018A | 2019E | 2020E |
|-------------------------|----|---------|------------------|---------|-------|-------|
| Valuation Method | \$ | | | | | |
| EVR | | 0.45 | | 59.0 | | |
| DCF | | 0.56 | | 67.1 | | |
| Current Price | | 0.19 | | | | |
| Market Capitalisation | | \$55.8m | Enterprise Value | \$49.9m | | |

CASH FLOW

| Year ended 30-06 | | 2016A | 2017A | 2018A | 2019E | 2020E |
|----------------------------|-----|-------|-------|-------|-------|-------|
| Operating EBITDA | \$m | 1.1 | 1.5 | 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 | 0.0 |
| Chg WorkCap | \$m | 0.0 | 0.3 | 0.0 | -0.3 | -0.2 |
| Other | \$m | 0.0 | -0.2 | -0.1 | 0.0 | 0.0 |
| Operating Cash Flow | \$m | 1.3 | 1.6 | 2.9 | 8.2 | 12.1 |
| Capex | \$m | -0.1 | -0.1 | -0.2 | -0.2 | -0.2 |
| Capitalised Development | \$m | -0.9 | -1.6 | -1.2 | -2.0 | -1.5 |
| Free Cash Flow | \$m | 0.3 | -0.1 | 1.5 | 6.0 | 10.4 |
| Acquisitions/Asset Sales | \$m | 0.0 | -0.5 | -31.3 | -1.5 | -1.0 |
| Dividends Paid | \$m | -1.1 | -1.1 | -0.3 | -0.6 | -2.4 |
| Equity Raised | \$m | -0.2 | -0.3 | 33.2 | -0.8 | 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 |
| Change in Net Cash | \$m | -0.9 | -0.3 | 3.3 | 3.1 | 7.0 |

| BALANCE SHEET at 30/6 | | 2016A | 2017A | 2018A | 2019E | 2020E |
|--------------------------------|-----|-------|-------|-------|-------|-------|
| Cash/Term Deposits | \$m | 5.0 | 2.8 | 6.0 | 9.1 | 16.1 |
| Receivables | \$m | 1.3 | 1.0 | 2.5 | 4.5 | 5.5 |
| Inventory | \$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Current Assets | \$m | 0.0 | 0.0 | 0.2 | 1.4 | 1.7 |
| Current Assets | \$m | 6.3 | 3.8 | 8.7 | 15.0 | 23.3 |
| Investments | \$m | 0.0 | 0.5 | 0.6 | 0.7 | 1.0 |
| Property, Plant & Equipmen | \$m | 0.0 | 0.1 | 0.3 | 0.5 | 0.8 |
| Intangibles | \$m | 1.1 | 2.6 | 40.5 | 39.1 | 37.2 |
| Other NC Assets | \$m | 0.7 | 0.6 | 4.3 | 4.5 | 4.8 |
| Non Current Assets | \$m | 1.9 | 3.8 | 45.8 | 44.8 | 43.8 |
| Total Assets | \$m | 8.2 | 7.6 | 54.4 | 59.8 | 67.1 |
| Payables | \$m | 0.6 | 0.6 | 2.1 | 3.8 | 4.6 |
| Current Debt | \$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Current Liabilities | \$m | 0.2 | 0.2 | 1.0 | 1.2 | 1.3 |
| Current Liabilities | \$m | 0.8 | 0.8 | 3.1 | 5.0 | 5.9 |
| Non Current Debt | \$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other NC Liabilities | \$m | 0.1 | 0.1 | 1.6 | 1.4 | 1.3 |
| Non Current Liabilities | \$m | 0.1 | 0.1 | 1.6 | 1.4 | 1.3 |
| Total Liabilities | \$m | 0.9 | 1.0 | 4.7 | 6.4 | 7.2 |
| Shareholder Funds | \$m | 7.3 | 6.7 | 49.7 | 53.4 | 59.8 |

| BALANCE SHEET Ratios | | 2016A | 2017A | 2018A | 2019E | 2020E |
|-----------------------------|-----|-------|-------|-------|-------|-------|
| Receivables turn | x | 4.6 | 5.8 | 4.7 | 7.9 | 6.7 |
| Net Debt | \$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Ratio (CA / CL) | x | 7.6 | 4.6 | 2.8 | 3.0 | 3.9 |
| Net Assets | ¢ps | 5.3 | 5.0 | 16.5 | 17.9 | 20.1 |
| Net Tangible Assets | ¢ps | 4.5 | 3.0 | 3.0 | 4.8 | 7.6 |
| Cash | ¢ps | 3.7 | 2.1 | 2.0 | 3.0 | 5.4 |
| Return On Assets | % | 12.6 | 18.6 | 9.0 | 14.4 | 18.8 |
| Return on Equity | % | 11.0 | 15.0 | 9.4 | 16.5 | 21.6 |

| MAJOR SHAREHOLDERS (based on Pre-Issue Holdings) | | | |
|---|---|-------|------------------------------|
| Don Sharp | m | 32.1 | 1% Exec Ch |
| Colin Scully | m | 31.6 | 1% Former Director/fo under |
| 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 | 74% |

| DIRECTORS | | MANAGEMENT | |
|---------------------|---------|-------------------|---------------------|
| Don Sharp | Exec Ch | David Heather | CEO |
| Alexander Hutchison | NE Dir | Neil Pattinson | COO |
| Peter Brook | NE Dir | Tony Nejsmic | Distrib & Marketing |

Source: MGP (Act), Veritas (Est) Maybe: Maybe subject to rounding errors

FUA increases by 19.7% to \$13.8b

A 6.3% increase in Gross Inflows above Q4 FY18

A 16.3% increase in Pas over the during 1Q FY19

Acquisition of RSE enables a more complete offering

Operational rebrand from Q3 FY19

Launch of Wrap platform

Further technology upgrade

On track to deliver \$3.5m in synergies

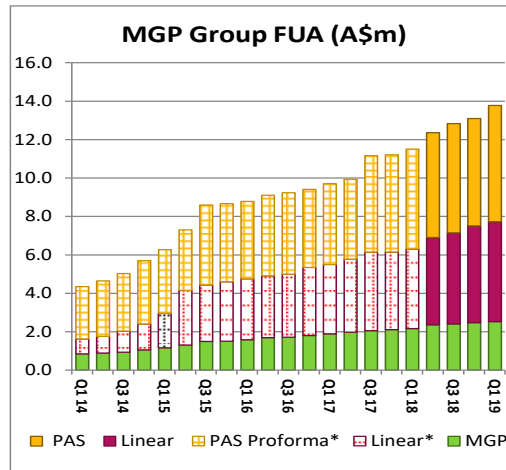
Quarterly Report shows strong Fund Inflows for Q1 FY19

Funds under Administration - FUA as at 30 September 2018 increased by 19.7% to \$13.8b. This represents a 5.2% increase over Q4 FY18 and a Proforma CAGR of 26% over the last 5 years. FUA is split:

MDAs – A 22.5% increase to \$7.72b, with combined group gross inflows of \$516.6m across both MGP (\$107m) and Linear (\$408m). Combined group Net Inflows of \$135.8m was after adjustments for normal post year-end movements within individual funds and a \$74.2m market related increase.

Note: This excludes any FUA from the Aracon acquisition

PAS – a 16.3% increase to \$6.05b with 27 net new accounts, a reversal of the loss of accounts in Q4 FY18, with the increase mainly from Evans & Partners.



Source: MGP *Proforma- Pre-acquisition

| Capability | Gross Inflows | Net Inflows | FUA | Ch v | |
|--------------|---------------|--------------|--------------|-------------|-------------|
| | (\$m) | (\$m) | (\$b) | pcp (%) | Q4 FY18 (%) |
| MGP MDA | 107.8 | 21.2 | 2.52 | 16.5 | 2.0 |
| Linear | 408.8 | 114.6 | 5.20 | 25.7 | 3.2 |
| PAS | | | 6.05 | 16.3 | 8.4 |
| Total | 516.6 | 135.8 | 13.77 | 19.7 | 5.2 |

Source: MGP

MGP has also executed 2 Memoranda of Understanding with advisory firms to implement a managed account solution with inflows and FUA uplift from these firms expected to commence Q3 FY19.

Acquisition of Aracon Superannuation

On 1 November, MGP successfully completed the acquisition of 100% of the shares in Aracon Superannuation Pty Ltd (Aracon), an existing Registrable Superannuation Entity (RSE), to underpin its growth strategy in superannuation through an upgraded superannuation solution to its financial planning, stockbroking and institutional client base.

Aracon currently oversees a \$300m Fund, to be transitioned to MGP from external service providers following the reconstruction of the Fund from a unitised to non-unitised structure over coming months. MGP is looking at additional member administration capability to supplement the Aracon acquisition.

Recent initiatives

Rebrand Strategy - A new brand for the Group and each of its products and services has been finalised and will be rolled out in Q3 FY19.

Wrap Offering Strategy - The Aracon acquisition will enable MGP to rollout a complete Wrap offering in Q3 FY19 incorporating both a superannuation and non-superannuation offer under its new branding. Recent surveys have seen a significant move from major Banks and Institutions to independent platforms.

Technology Strategy- MGP is undertaking the next stage of a comprehensive technology overhaul that will deliver an enhanced experience for advisers and clients whilst enhancing internal efficiencies.

Additional Resources – MGP has recently 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.

Realisation of Synergies

MGP re-iterated expectations to fully deliver the \$3.5m in expected synergies by the end of June 2019. Synergies related to salaries, occupancy costs and centralised functions have been achieved, with remaining synergies focused on service provider rationalisation and cost improvement by the end of H2 FY19.

This excludes possible Revenue synergies from 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.

Sales

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 Levi Hawker +61 3 8676 0689

Resources
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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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