

ASX Announcement

30 August 2019

Generation Development Group FY19 Financial Results

Generation Development Group (ASX:GDG) is pleased to announce its financial results for the 12 months to 30 June 2019 (FY19).

Highlights:

- Underlying NPAT of \$2.3m – up 48%;
- Statutory profit after tax of \$5.3m – up 1,262%;
- Acquisition of Ascalon Capital Managers - \$5.1m gain on investment;
- Sales of \$224m – with 32% share of market inflows, GDG now has the 2nd largest market share of the investment bond market (5th a year ago)¹;
- Active advisers up 928 – 21% increase; and
- Final dividend of 1.0 cents per share, or 2.0 cents per share for the year.

Underlying Result Summary

Year ended 30 June	2019 (A\$'000)	2018 (A\$'000)	Change (%)
Total Revenue	12,085	10,001	21
Total Expenses	(13,085)	(11,536)	13
Income Tax Benefit	3,250	3,053	6
Underlying Profit After Tax	2,250	1,518	48
Ascalon net operational costs	(1,150)	n/a	nm
Extraordinary items	4,186	(1,130)	nm
Statutory Profit After Tax	5,286	388	1,262

GDG Executive Chairman, Robert Coombe, said, “2019 has been a seminal year for Generation Development with NPAT up 48%. A highlight was the investment in Ascalon Capital Managers, which has provided us with more than \$4m in cash and equivalent, and an opportunity to set up a fiduciary fund to access Asia Pacific hedge funds. Our investment bond business has continued to excel with funds under management up 21% to \$1,073m from \$887m last year.”

¹ Source: Strategic Insights for the period ended 31 March 2019.

FUM Growth

Total revenue was up 21% to \$12.1m for FY19 driven by increased FUM of \$186m to more than A\$1billion. Increase in FUM was driven by sales of \$224m and investment growth of \$48m. Net flows were up \$137m, an improvement of 3% on the prior year due to below average historical withdrawals/maturities of \$87m. GDG's sales outperformed the market with a 32% share of market in flows lifting GDG's overall market share of FUM by 3% to 13.5%.

NPAT

Underlying NPAT increased by 48% from prior period with revenue increases of 21% outpacing increase in expenses of 13%. Revenue to expense growth ratio improved from 1.2x in FY18 to 1.8x in FY19, highlighting a material uplift in operational leverage².

Operational Highlights

FY19 saw the delivery of a number of initiatives including:

- Improvements to product and payment features;
- A permanent tiered pricing structure, PDS rollover and new adviser calculators;
- Addition of 14 new funds to the menu to 49 including the first of it's kind Tax Effective Australian Share Fund;
- Retention of Highly Recommended rating with Zenith and the award of a Highly Recommended rating from Lonsec, the only investment bond provider in the market to hold both ratings; and
- Delivery of a customer portal and automation of rebalancing for investment bondholders.

Ascalon acquisition

Investment in Ascalon Capital Managers Limited was completed on 8 February 2019. The transaction was highly profitable for GDG, with \$5.1m flowing through as a bargain purchase and more than \$4m in cash and equivalent flowing through to Ascalon. The highly rated team at Ascalon has since received a Type 9 License approval in Hong Kong allowing it to commence formal marketing for the Ascalon Growth Catalyst Fund (AGCF). The successful launch of AGCF will provide investors with structure access to Asia Pacific hedge funds through seeding and acceleration investments. This will be transformative for GDG and will generate an additional and substantive income stream. An update on the progress of AGCF will be provided at GDG's Annual General Meeting in November 2019.

²Excluding Dealing and Settlement costs from both expenses and revenue, which is a pass through cost reflecting the financial adviser fee that is charged to the client for their advice.

FY20 Outlook

Based on a strong start to the year, GDG expects even stronger sales in FY20. July 2019 sales was the highest on record and we are currently seeing an improving sales pipeline for the rest of the calendar year. We are continuing to invest in the business, but expect the percentage growth in expenses to be lower in 2020 than 2019. We will continue to look for investment opportunities that are complementary or that are well positioned for future growth in the financial services sector.

For further information please contact:

Terence Wong

CFO

Telephone: +61 3 8601 2021

Appendix

Change in Financial Disclosure

Following recent ASIC guidance, GDG is intending to disaggregate the assets, liabilities, income and expenses of its 100% owned subsidiary, Generation Life and present a line-by-line consolidation for FY19. Historically, profit attributable to policyholders, as well as policyholder assets and liabilities were included as single line items in the consolidated financial statements of GDG with further details included in the notes to the accounts. Comparable disclosure for the period ended 30 June 2018 will also be provided.

There will no changes to the net assets or profit of GDG as a result of this change in disclosure.

A Summary of the Group's Consolidated Financial Results for FY19 is as follows, including reconciliation between underlying and statutory results.

FY19 Consolidated Financial Results

	Statutory	Ascalon	Non segment		Underlying	
	Results		Non Recurring	Benefit Funds	results	results
	2019					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Life & services	10,675	(114)	-	-	10,561	9,085
Other income	84,054	(29)	(5,106)	(77,395)	1,524	916
Total revenue	94,729	(143)	(5,106)	(77,395)	12,085	10,001
Personnel	(7,032)	849	363	-	(5,820)	(5,624)
Occupancy	(680)	63	-	-	(618)	(565)
Communication	(137)	16	-	-	(121)	(127)
Finance	(25)	2	-	-	(23)	(18)
Dealing and settlement	(3,143)	-	-	343	(2,800)	(2,334)
Marketing and promotional	(530)	6	-	-	(524)	(375)
Depreciation and amortisation	(1,033)	17	584	-	(431)	(208)
Administration expenses	(4,145)	342	942	115	(2,746)	(2,285)
Management fees paid	(7,924)	-	-	7,924	-	-
Members withdrawals	(166)	-	-	166	-	-
Total expenses	(24,815)	1,295	1,889	8,548	(13,083)	(11,536)
Income tax (expense)/benefit	(18,194)	(2)	-	18,194	(2)	-
Income tax benefit Life	4,219	-	(969)	-	3,250	3,053
Attributable to policy holders	(50,653)	-	-	50,653	-	-
Profit after income tax	5,286	1,150	(4,186)	-	2,250	1,518
Deferred tax on carry forward losses					891	1,517
Ausdef remediation costs*					(68)	-
Fixed assets Impairment*					(534)	-
Unsuccessful product development costs					(298)	-
Net gain on Ascalon Investment					4,195	-
Termination benefits					-	(173)
Share based payments					-	(2,302)
Rebranding expense					-	(172)
Total Non Recurring					4,186	(1,130)
* Tax effected						