

DIVERSA

GROUP

25 November 2014

ASX MARKET RELEASE

CEO's Address to Annual General Meeting

The presentation by Mr Vincent Parrott, Diversa's Chief Executive Officer to the Annual General Meeting to be held today is attached.

Angus Craig
Company Secretary



Diversa Group

Presentation to the Annual General Meeting

25 November 2014

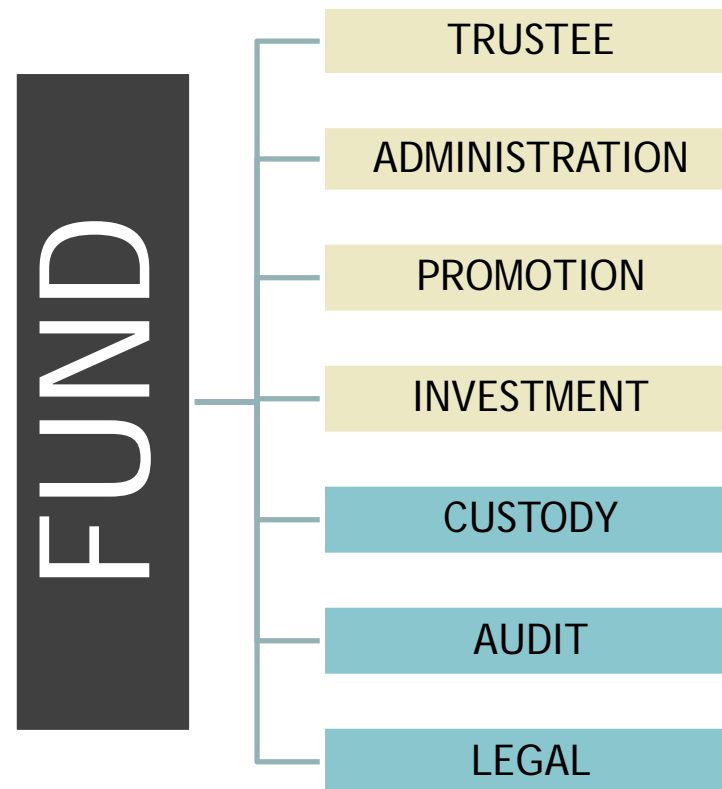
Vincent Parrott - CEO

DIVERSA
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Overview

- Diversa is a superannuation company
- The Group provides specialist services to superannuation funds
- Specifically:
 - Trustee
 - Fund Administration
 - Fund Promotion and Product Management (including Life & Salary Continuance insurance products)
 - Investment Consulting
- In addition the Group also promotes its own public offer Superannuation Master Trust

Services provided to a superannuation fund



DIVERSA: Services & Products

Operation	Trustee Services	Fund Administration	Promotion & Product Management	Investment Services
Services	Act as a third party commercial trustee for a wide range of super funds	Provide administration services for super funds, including insurance administration	Provide promotion services and product management for administered funds (incl insurance products)	Provide investment consulting services to funds for which the Group acts as trustee
Clients	31 Funds	5 Funds	4 Funds	2 Funds
Assets ⁽¹⁾	\$4.9bn	\$0.3bn	\$0.3bn	\$0.1bn

⁽¹⁾ Assets as at 31 October 2014. Some client funds are provided more than one service and if so are included in each relevant service total.

Target Market

Diversa clients fall mostly in the 'independent' sector of the superannuation market

- Retail superannuation master trusts
 - specifically established to be independent of and compete with the institutionally owned platforms
 - Trustee Services
- Smaller corporate, retail or industry super funds
 - specific desire to remain independent of the major groups and large funds
 - Trustee Services
 - Fund Administration
 - Fund Promotion and Product Management
 - Investment Consulting
- Small employer groups and SMSF's
 - seeking independence from the large industry suppliers
 - Superannuation Master Trust
 - Life and Salary Continuance insurance products

Competitive Advantage

- In this 'independent' segment of the superannuation market Diversa has and can sustain a competitive advantage:
 - Our services are specifically targeted to clients seeking independence from the major institutional groups and large industry suppliers
 - We can be flexible, responsive and innovative
 - To a degree we tailor our services to clients specific needs
 - Competitive fees
 - A distinguishing feature is our ability to offer our range of services as a package from a single provider. Few other competitors offer this same proposition to 3rd parties.

Key outcomes: 2013/2014

- 2013: Secured contracts to supply all services to LESF Super
- 2013: Achieved the conversion of \$6.1m of convertible notes into ordinary shares
- 2013: Changed the composition of the board and executive team
- 2014: Commenced administration services to The Super Money Eligible Rollover Fund
- 2014: Acquired The Trust Company (Superannuation) Ltd - superannuation trustee services
- 2014: Acquired a stake in Tranzact Financial Services Ltd - administration, promotion and investment services to the Smartsave 'Member's Choice' Super Plan
- 2014: Raised approximately \$7.45m to complete the above acquisitions
- 2014: Arranged a \$5m bank guarantee with Macquarie Bank Limited to satisfy regulatory capital requirements
- Ongoing reduction in underlying operating cost achieved
- Increase in FUTMA serviced from \$2.0bn in October 2013 to \$5.6bn in October 2014

Financial Performance

- A key objective since inception has been to establish Diversa's service platform at the lowest capital cost. This has largely been accomplished
- Revenue capture over this period has been increasing steadily. However the Group was still in a loss making position, recording a \$1m loss from underlying operations to June 2014
- The main focus now is accelerating revenue growth through new business and providing additional services to existing clients

	2012 ⁽³⁾	2013	2014
Revenue	4,034	4,566	4,387
Result from operating activities	(5,937)	(1,630)	(3,925)
Add back non-cash items ⁽¹⁾	3,775	447	2,857
Underlying loss from operations ⁽²⁾	(2,162)	(1,183)	(1,068)
Net cash used in operating activities ⁽⁴⁾	(2,255)	(933)	(601)

⁽¹⁾ Non cash items include: amortisation and depreciation, share based payments expense and impairment losses

⁽²⁾ Used as a 'proxy' for cash operating result although timing of actual cash flows may differ

⁽³⁾ 2012 was the first full year of ownership of the trustee services business

⁽⁴⁾ Net cash used in operating activities as disclosed in the audited consolidated statements of cash flows for the respective periods

Recent Acquisitions

- Since the end of the financial year, two significant acquisitions have been completed:
 - 100% interest in The Trust Company (Superannuation) Ltd - superannuation trustee services
 - A 30% stake (and option to acquire the remaining 70%) in Tranzact Financial Services Ltd - administration, promotion and investment services to the Smartsave 'Member's Choice' Super Plan.
- These two acquisitions will have a very substantial impact on the Group and immediately address our revenue requirements and bring the business scale necessary to leverage the establish service infrastructure
- Post completion of the acquisitions the Group will have doubled its number of employees and customers, and more than doubled its revenue and FUTMA.
- The Group is expected to record improved underlying performance and reach cash flow break even in FY15
- Integration of The Trust Company with existing trustee services business is well progressed
- FY15 is a critical transition year as these two acquisitions are integrated

Overview of Acquisitions - TTCSL

	Acquisition 1 - TTCSL
Business	Acquisition of The Trust Company (Superannuation) Limited ⁽¹⁾ (TTCSL)
Services	Independent superannuation trustee
Size	\$3.1bn FUT ⁽²⁾
Scale	15 Funds
Employees	11 ⁽³⁾ (based in Melbourne)
Financials	Revenue of \$2.3m pa ⁽⁴⁾ (based on annualised contracted revenue derived from the existing clients as at 30 April 2014)

⁽¹⁾ The business acquired was a wholly owned subsidiary of the formerly ASX-listed The Trust Company Limited which was acquired by Perpetual Limited in 2013

⁽²⁾ Funds Under Trusteeship at the time of entering into the acquisition agreement. Actual FUT for these clients at 31 October 2014 is \$3.7bn.

⁽³⁾ Number of full time employees at the time of acquisition

⁽⁴⁾ Revenue based on contracted revenue at the time of entering into the acquisition agreement annualised, as provided by the vendors

Overview of Acquisitions - TFS

	Acquisition 2 - TFS
Business	Staged purchase of 100% of Tranzact Financial Services Pty Limited (TFS) initially acquiring 30% with an option for the remaining 70% ⁽¹⁾
Services	Smartsave 'Member's Choice' Superannuation Plan <ul style="list-style-type: none"> • Fund and insurance administration • Fund promotion • Investment management
Size	\$208m FUMA ⁽²⁾
Scale	11,000 members (approx.)
Employees	18 ⁽³⁾ (based in Sydney)
Financials	Revenue of \$4m pa ⁽⁴⁾ (based on annualised contracted revenue as at 30 April 2014) Minimum revenue of \$0.7m pa based on "guaranteed" earnings from 30% ownership, i.e. vendor has underwritten the value of earnings whilst DVA is a 30% shareholder

⁽¹⁾ The business being acquired formed part of the former ASX-listed Tranzact Financial Services Ltd which was the subject of a successful takeover offer in Q1 2014

⁽²⁾ Funds under management and administration

⁽³⁾ Number of full time employees at the time of acquisition

⁽⁴⁾ Revenue based on contracted revenue at the time of entering into the acquisition agreement annualised, as provided by the vendors

Impact of Acquisition: TTCSL

	Trustee Services			
	Diversa	TTCSL	Combined	% increase
Employees (FTEs)	7	11 ⁽²⁾	15	114
No. of Customers	16	15	31	94
FUT ⁽¹⁾	\$1.1bn	\$3.1bn	\$4.2bn ⁽¹⁾	280
Revenue based on FY14	\$1.6m	\$2.3m ⁽³⁾	\$3.9m	144

⁽¹⁾ Funds Under Trusteeship at the time of entering into the acquisition agreement. Actual FUT at 31 October 2014 is \$4.9bn.

⁽²⁾ Number of full time employees at the time of acquisition

⁽³⁾ Revenue based on contracted revenue at the time of entering into the acquisition agreement annualised, as provided by the vendors

Impact of Acquisition: TFS

	Diversa	TFS ⁽¹⁾	Combined	% increase
	Fund Administration			
Employees (FTEs)	14	16	30	114
No. of Customers	5	1	6	20
FUA	\$322m	\$208m	\$530m	65
Members	131,600 ⁽²⁾	11,000	142,600	8
Lives insured	7,800	11,000	18,800	141
Revenue based on FY14	\$2.6m	\$1.9m	\$4.5m	73
	Promotion & Product Management			
Employees (FTEs)	3	2	5	67
No. of Customers	4	1	5	25
FUA	\$258m	\$208m	\$466m	80
Revenue based on FY14	\$0.3m	\$1.1m	\$1.4m	3.7x
	Investment Services			
Employees (FTEs)	1	4	3	200
No. of Customers	2	1	3	50
FUM	\$122m	\$208m	\$330m	170
Revenue based on FY14	\$0.2m	\$0.9m	\$1.1m	4.5x

(1) For illustrative purposes, assumes 100% ownership of TFS, information provided by the vendor

(2) Includes approximately 116,000 members in an Eligible Rollover Fund

Summary

- Over the past 5 years the Group has built its service platform and capabilities via acquisition and subsequent enhancement and integration. The build is largely complete.
- The Group now has a very scalable infrastructure and is well placed to participate in the continued strong growth of the superannuation sector generally, and specifically a growing share of its target market
- There has been a meaningful improvement in the company's balance sheet enabling the strong organisational capability that has been built up to be better leveraged for business growth initiatives
- Diversa's growth over the medium term will be driven by:
 1. Continued legislated growth in the level of super contributions
 2. Growth in investment markets
 3. Providing further services to existing customers
 4. Market share growth of specific client funds
 5. Increasing the number of employers selecting our superannuation master trust
 6. Further acquisition and consolidation within our target market

Investment Highlights

Track Record	Diversa has built a strong service platform and capabilities via acquisition, subsequent enhancement and integration
Large Attractive Market	Diversa is well placed to capitalise on its established operations and participate in the continued strong growth of the superannuation sector
Scalable Infrastructure	Client capture has been increasing steadily, with the focus now on accelerating this over the next few years
Inflection point	The Group is expected to post improved underlying performance in FY15 with strong sustainable growth thereafter
Improved Balance Sheet	Improved balance sheet enables the strong organisational capability that has been built up to be better leveraged for business growth initiatives
Organic Growth	The Group continues to work on a number of additional revenue streams including attracting new clients and revenue growth through offering additional services to existing clients
Growth by Acquisition	Current acquisitions will add significant scale and synergistic benefits to Diversa's existing operations. Further acquisitions will be considered as opportunities arise



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