

# DIVERSA

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GROUP

31 August 2015

## ASX MARKET RELEASE

### FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2015

#### Key points:

- Transformational acquisitions completed
- Continued strong growth in underlying FUTMA
- Successful capital raisings completed
- Financing facilities established
- Underlying operations are now profitable

The board of Diversa Limited (ASX: DVA) ('Diversa') has today released its financial results for the year ended 30 June 2015.

#### Transformational acquisitions

During the year the Company completed two acquisitions which have transformed the Group.

In September 2014, Diversa completed the acquisition of The Trust Company (Superannuation) Limited (TTCSL) from Perpetual Limited. TTCSL is a third party superannuation trustee business which has been successfully integrated with the Group's existing superannuation trustee operation, CCSL Limited, which was of similar operational size. At 30 June 2015, the combined business unit currently provides trustee services to 34 funds with approximately \$6.2 billion under trusteeship.

In September 2014, Diversa also acquired a 30% interest in Tranzact Financial Services Pty Ltd (TFS) which provides administration, promotion and investment services to the Smartsave 'Member's Choice' Superannuation Master Plan, a \$205m retail superannuation fund. On 30 June 2015, Diversa acquired the remaining 70% of TFS.

Following completion of this acquisition, and operational and managerial control passing to Diversa, the TFS operations are in the process of being merged with Diversa's existing superannuation administration, promotion and investment services operations located in Sydney.

These acquisitions are consistent with Diversa's ongoing growth objective, including through acquisition when suitable opportunities arise. The transactions materially strengthen the Group's current trustee and administration operations, and enhance the platform to continue to grow in these areas.

A summary of the Group's service offering and client numbers can be found at Appendix 1.

#### Continued Growth in Funds

As advised on 31 July 2015, the Group's funds under trusteeship, management and administration (FUTMA) serviced by the Diversa Group continue to experience growth with FUTMA serviced as at 30 June 2015 growing to \$6.7 billion compared to \$1.5 billion at 30 June 2014. Growth achieved this year has been through a combination of the acquisitions of TTCSL noted above, solid contribution inflows and investment returns.

Since the acquisition of TTCSL on 1 September 2014, FUTMA has grown at an annualised rate of approximately 35%.

In addition to the growth in underlying FUTMA, during the year Diversa was appointed as trustee of the Smartsave 'Member's Choice' Superannuation Master Plan and was granted a MySuper authorisation by APRA for the Fund.

## Funding

To fund these key acquisitions, Diversa has raised equity as follows:

- \$7.45m by way of a placement and entitlement offer in July and August 2014
- \$4.38m by way of a placement and entitlement offer in June and July 2015

Diversa has received strong support from existing shareholders and new investors with both capital raisings being oversubscribed.

Diversa also negotiated \$10m in funding facilities with Macquarie Bank Limited as follows:

- A \$5 million Bank Guarantee Facility to 30 June 2016 to satisfy regulatory capital requirements for TTCSL; and
- A \$5 million term loan facility to fund regulatory capital requirements for clients for whom TTCSL acts as trustee. The Facility has a maturity of 30 June 2016 and a mechanism to negotiate and roll forward for 12 month periods, subject to terms as agreed.

Macquarie Bank holds security over certain group assets and equity interests in relation to these funding facilities.

## Financial Performance

A summary of the Group's financial performance is as follows:

	12 mths to June 2015	6 mths to June 2015 <sup>1</sup>	6 mths to Dec 2014	12 mths to June 2015 (excl TFS contribution <sup>1</sup> )
Revenue	\$9.5m	\$6.1m	\$3.4m	\$7.5m
Results from operating activities	(\$1.0m)	(\$0.4m)	(\$0.6m)	(\$0.8m)
<i>Earnings from underlying operations</i>	<i>\$0.6m</i>	<i>\$1.1m</i>	<i>(\$0.5m)</i>	<i>\$0.4m</i>

A more detailed analysis and explanatory notes can be found at Appendix 2.

The result (excluding TFS) is consistent with the expected result for FY2015 as advised on 12 June 2015. The results are influenced by the acquisitions noted but also by increasing operational efficiency. When the result (ex TFS) is compared to the prior year, revenue is up from \$4.4m to \$7.5m and the loss from operations has improved from (\$3.9m) to (\$1.0m). Importantly the underlying operations of the Group (excluding TFS) were cash flow positive at the end of the year, demonstrating continued improvement in the performance of the underlying business and successful integration of TTCSL.

As of July 2015, the Group has annualised contracted revenue of approximately \$12m per annum, and expects that this will continue to increase as its client's funds continue to experience growth and additional revenue streams are secured.

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<sup>1</sup> TFS has been consolidated for the period 1 January to 30 June 2015 due to the accounting treatment required given the nature of the contractual agreements between the vendor and Diversa, however Diversa did not have operational control of TFS until 30 June 2015 when it became the 100% owner.

## Looking forward

Looking forward Diversa will continue with the consolidation of its existing business operations and infrastructure. Client's funds are expected to continue to grow however noting that FUTMA is also partly a function of the future direction of financial markets.

Diversa is well placed to further capitalise on its strengthened infrastructure and capability, quality service offering and improved financial position and will continue to attract new clients and provide additional services to existing clients where appropriate.

It is currently expected that the Group will record revenue in the range of \$12.5m to \$13.5m for the 2016 financial year and EBITDA in the range of \$2m to \$2.5m.

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### **About Diversa:**

*Diversa Ltd (ASX: DVA) is an ASX-listed superannuation and investment company. Diversa provides superannuation trustee, administration, promotion and investment services to wholesale clients such as super fund trustees and super fund promoters, including financial advisers and corporates; and also uses those services to provide superannuation and insurance products directly to its retail clients.*

## Schedule 1

### Summary of the Group's client numbers and FUTMA

Services provided area as follows:

- Trustee Services: acts as a third party commercial trustee for a wide range of superannuation funds
- Fund Administration: provides administration services for superannuation funds including insurance administration
- Promotion and Product Management: provides promotion services and product management for administered funds (including insurance products)
- Investment Services: Provides investment consulting services to funds for which the Group acts as trustee

	Trustee Services	Fund Administration	Promotion & Product Management	Investment Services
<b>Excluding TFS acquisition (completed 30 June 2015)</b>				
Employees (FTEs)	17	13	2	2
No. of Clients <sup>(1)</sup>	34	5	4	2
Total FUTMA <sup>(1)</sup>	\$6.2bn	\$0.3bn	\$0.2bn	\$0.1bn
<b>Post TFS acquisition</b>				
Employees (FTEs)	17	24	4	3
No. of Clients <sup>(1)</sup>	34	6	5	3
Total FUTMA <sup>(1)</sup>	\$6.2bn	\$0.5bn <sup>(2)</sup>	\$0.4bn	\$0.3bn

Notes:

(1) Some clients are provided more than one service and may be included in more than one business unit

(2) Fund administration revenue may be earned on a number of, and combination of, basis, not only based on FUTMA.

Data as at 30 June 2015.

## Schedule 2

### Analysis of reported Profit and Loss

Financial Period	2015 audited 12 mths	June 15 extrapolated 6 mths	Dec 14 audit reviewed <sup>(1)</sup> 6 mths	2014 audited <sup>(1)</sup> 12 mths
	\$m	\$m	\$m	\$m
<b>Revenue</b>	<b>9.5</b>	<b>6.1</b>	<b>3.4</b>	<b>4.4</b>
Administrative expenses	(2.6)	(1.6)	(1.0)	(1.4)
Amortisation and depreciation	(0.8)	(0.8)	nm <sup>(2)</sup>	(0.4)
Occupancy expenses	(0.5)	(0.3)	(0.2)	(0.3)
Personnel expenses	(6.2)	(3.5)	(2.7)	(3.9)
Impairment losses	nm <sup>(2)</sup>	nm <sup>(2)</sup>	nm <sup>(2)</sup>	(2.3)
Other expenses	(0.4)	(0.3)	(0.1)	(0.1)
<b>Results from operating activities</b>	<b>(1.0)</b>	<b>(0.4)</b>	<b>(0.6)</b>	<b>(3.9)</b>
Net finance expenses	(1.0)	(0.6)	(0.4)	(0.9)
Profit/loss of associates	nm <sup>(2)</sup>	(0.1)	0.1	nm <sup>(2)</sup>
<b>Statutory Loss before income tax</b>	<b>(2.0)</b>	<b>(1.1)</b>	<b>(0.9)</b>	<b>(4.8)</b>
<b>Results from underlying operations<sup>(3)</sup></b>	<b>0.6</b>	<b>1.1</b>	<b>(0.5)</b>	<b>(1.1)</b>

#### Notes:

- (1) Audited or audit reviewed financial results as reported to ASX.
- (2) nm means not meaningful: in this case less than \$50k.
- (3) Results from underlying operations is the Results from operating activities adding back 'Amortisation and depreciation', Impairment losses and, 'Other expenses' which includes non-operating costs related to acquisitions, due diligence and legal costs and other corporate transaction costs. The TFS Results from underlying operations also added back certain non-recurring expenses incurred by the former owner of the business.
- (4) TFS has been consolidated for the period 1 January to 30 June 2015 due to the accounting treatment required given the nature of the contractual agreements between the vendor and Diversa, however Diversa did not have operational control of TFS until 30 June 2015 when it became the 100% owner.  
Some numbers may not add exactly due to rounding.