

22 February 2013

**SFG AUSTRALIA LIMITED  
(ASX: SFW)  
MEDIA RELEASE**

**LACHLAN PARTNERS JOINS SFG AUSTRALIA**

**ENHANCING THE VALUE PROPOSITION FOR FAMILY OFFICE, HIGH NET  
WORTH & PRIVATE COMPANY CLIENTS**

SFG Australia Limited (**SFGA** or **Group**) is pleased to announce it has entered into binding agreements to facilitate Lachlan Partners Pty Ltd (**Lachlan Partners** or **LP**) to join SFGA's group of quality, non-aligned financial advice and wealth management businesses.

Lachlan Partners is an integrated accounting, tax, business advisory and financial advice group servicing private companies, professionals, entrepreneurs, family offices, Self Managed Super Funds (**SMSFs**), and high net worth clients. LP has over 55 accountants and advisors across offices in Melbourne, Sydney and Brisbane.

This strategic transaction significantly enhances SFGA's capability to synthesise accounting, tax, and business advisory, and Lachlan Partners' in financial advice and implementation solutions. It also enhances the Group's exposure to SMSF clients, with LP administering approximately 450 SMSFs, and SFGA providing advice to more than 2,000 SMSF clients. LP also adds approximately \$606 million in funds under advice to SFGA's \$10.8bn<sup>1</sup>, over 55 accountants and financial advisors to the 109 accountants and advisors in Shadforth Financial Group<sup>2</sup>, and greater operating scale.

The LP equity business partners, accountants, advisors and employees will remain with Lachlan Partners and join SFGA, and Philip Pezzi, Lachlan Partners' Managing Director and Co-Founder, will join SFGA's Executive Management Team. The Lachlan Partners brand will remain the same and there will be limited changes to the day-to-day operations of the client facing businesses of LP.

Lachlan Partners was formed through the merger of complementary, quality and successful businesses, with some dating their heritage back to 1925. LP is highly complementary to SFGA, sharing a client first and fee for service approach to advice, with a proven track record of providing an integrated accounting, tax and wealth management offering to clients.

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<sup>1</sup> As at 30 June 2012.

<sup>2</sup> As at 31 December 2012.

John Cowan, Chief Operating Officer of SFGA, said: “We have held the view for some time that the services required of financial advisors and accountants as trusted advisors to high net worth client families are converging, but that they remain distinct underlying skill sets. We think this trend has accelerated with the continued growth of SMSFs and efforts by the industry to improve the efficiency of SMSF administration, as well as portfolio solutions to meet a SMSF client’s needs.”

“We have been developing our offers to our high net worth and SMSF clients, and have been actively reviewing SMSF administration systems and looking for the right people and capability to partner with. To date, we have aligned with Jeena Partners and Spencers Accountants, and by joining with another quality business in Lachlan Partners, we have the opportunity to achieve this integrated service offering on a greater scale.”

Philip Pezzi, the Managing Director and co-founder of Lachlan Partners, also believes advisors and accountants play a critical role in the lives of high net worth and family office clients. Lachlan Partners’ unique multi-disciplinary approach, where its knowledge, services and resources are tailored to individual client needs, enables clients to create successful businesses and maximise their wealth.

“Lachlan Partners was formed because we saw a gap in the market in terms of providing a fully integrated service offering to high net worth clients and family offices, incorporating accounting, tax, business advisory, audit, wealth and investment management services, and property advisory services, all under the one roof,” said Philip Pezzi.

“The team is really looking forward to being able to leverage the expertise across a broader, but still very specialist and boutique group, enhancing services to both our clients, as well as the clients of Shadforth. It also provides the necessary platform to expand our family office presence nationally,” he said.

Given the strategic nature of the transaction, expense synergies are expected to be minimal at net \$0.5m by the end of FY16<sup>3</sup>, with revenue synergy upside from leveraging the integrated service model through effective accountant and advisor engagement.

SFG Australia’s Managing Director, Tony Fenning, stated, “Our view on the need to provide a broader service synthesising accounting, tax and financial advice to high net worth clients is directing our interest in quality businesses with these skills, such as Lachlan Partners. We see this imperative as one of the Group’s core drivers of growth in the medium to long-term.”

Key financial elements of the transaction are:

- SFGA to pay LP \$32.2m, with \$23m payable on completion, via a combination of cash and scrip.
- Deferred consideration of \$9.2m is payable over 3 years on the achievement of business performance milestones.
- The upfront consideration equates to a historical EV/EBITDA multiple of 5.4x<sup>4</sup>.

<sup>3</sup> Annualised and gross of integration costs, and including the impact of planned investment spend to upgrade the merged group’s technology, connectivity and systems.

<sup>4</sup> Assuming historical Normalised Operating EBITDA of \$4.2m and upfront consideration of \$23m.



- The transaction will be effective from 1 March 2013 and is expected to be Underlying EPS accretive to SFG Australia in FY14.

SFG Australia was advised by Perpetuity Capital, Bonitz Advisory and Allens Linklaters. Lachlan Partners was advised by KPMG Corporate Finance, Chase Corporate Advisory and Minter Ellison.

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## About SFG Australia Limited

SFG Australia Limited is a leading non-aligned client focused financial advice and end-to-end wealth management firm, listed on the Australian Securities Exchange (ASX: SFW).

SFG Australia Limited provides a full range of wealth management services to high net worth and affluent clients, including strategic financial advice, portfolio administration solutions, portfolio construction and management services, insurance (both general and risk) solutions, finance broking, corporate solutions, accounting, tax, and other services.

