EQUITY RESEARCH

Fiducian Group

1H25 result review – "Compound baby - compound.."

Features include: -

- Fiducian reported a strong result for 1H25.
- Operating revenue was up 14% to $44.3m.
- Underlying EBITDA (ex-lease rents) was up 22% to $13.7m from $11.2m pcp.
- Underlying NPAT(A) was up 20% to $9.87m (vs $8.2m) pcp.
- Reported NPAT was up 26% to $8.6m from $6.8m pcp.
- Basic EPS was up 26% to 27.4 cps.
- DPS (declared) was 21.9 cps ff (fully franked) vs 18.2 cps ff pcp
- Cashflow from ops +$9.6m vs +$8.4m pcp.
- The business has $28.9m cash on the balance sheet.
- FUMAA rose to $14.4bn vs $13.51bn (30th June 2024)
- All IT costs were expensed.
- Clear articulation of growth strategies was provided, including generating IFA platform volume, pursuit of bolt-on acquisitions and some targeted internalisation of external platform FUM (subject to strict clients' best interests).
- Other initiatives include dealing with residual $400m zero fee FUM and lifting below-average financial planning fees (over time) to reflect the value provided and move towards market rates.

Valuation /commentary: - Upwards – buy retained

- We are raising our estimates. EPS increased by 8.1% for FY25 and 9.1% for FY26, driven by increased FUMAA and a well-managed and leveraged cost base (refer to body of note for more details). DPS forecast have also been increased.
- We move up the implied multiple for the platform business within our SOP valuation and conduct a combo valuation on a higher EPS—the valuation is now $11.32 (vs. $9.26).
- We also believe Platforms can pinch a bit of market share with high service levels compared to the "mega" players.

Risks – (include but are not limited to): adverse regulatory change, orderly management succession, loss of advisers, cost inflation, client claims, financial markets, legal problems, new financial products (AI/cryptocurrency/ETFs), cyber security, maladministration, access to acquisitions, pricing errors, increased competition, perceived or absolute competition with others, corporate action risk, poor performance of investments, APRA performance testing regime, internal asset consultant risk, technology risks, adverse and reliability of Fiducian platforms and an inability to access/ (cost of) insurance.

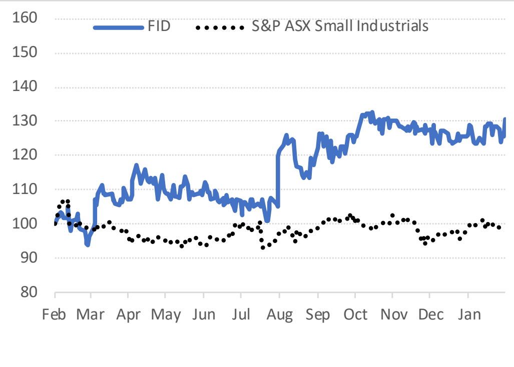
FID.ASX Buy

19 February 2025

Share Price	$10.13
Price Target	$11.32
Valuation Method	DCF/EV/EBITDA
Market capitalisation	$319m
Enterprise value	$284m
Sector	Financial services/advice
12 month price range	$6.48-$10.20
Ave.vol - 250 days units	18,800
Shares in issue	31.5m
Top 20 holders	68%
Previous rating	Buy

June y/e $m		FY24A	FY25E	FY26E	FY27E
Sales	$m	80.8	90.7	99.9	110.1
Growth	%	10.2	12.3	10.1	10.2
EBITDA	$m	26.1	31.4	35.6	39.9
Margin	%	32.2	34.6	35.7	36.2
NPAT (report)	$m	15.0	18.9	22.2	25.4
NPATA	$m	17.7	21.6	24.9	28.1
EPS (norm)	¢ps	56.2	68.4	78.8	88.9
EPS (report)	¢ps	47.6	59.9	70.3	80.4
CFPS	¢ps	61.4	73.1	78.8	88.8
DPS	¢ps	39.3	44.5	49.0	51.0
Franking	%	100%	100%	100%	100%
Dividend Yield	%	3.9%	4.4%	4.8%	5.0%
PER (adust)	x	18.0	14.8	12.9	11.4
EV/EBITDA	x	10.9	9.1	8.0	7.1
EV/EBIT	x	13.3	10.5	9.0	7.8
Net Cash	$m	26.6	34.7	43.1	54.1

Fiducian vs. ASX Small Industrials



source - Factset - noting price spike post result

Fiducian Group (FID) – financial advice business. Fiducian owns and operates specialist financial planning and advice network (both salaried/franchised), funds management (manager of managers) and Platform administration (developed in-house). Services include direct portfolio, SMA, client admin, IT /technology and specialised distribution.

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Fiducian Group $ 10.13 — **Valuation: $11.32 ps**

Financial Performance (A$m)

June 30	FY24A	FY25E	FY26E	FY27E
Sales	**80.8**	**90.7**	**99.9**	**110.1**
Operating costs	54.7	59.3	64.2	70.2
EBITDA	**26.1**	**31.4**	**35.6**	**39.9**
Depreciation and amortis	(4.6)	(4.4)	(3.9)	(3.6)
EBIT	**21.4**	**27.0**	**31.7**	**36.2**
Net interest*				
Pre-tax Profit	**21.4**	**27.0**	**31.7**	**36.2**
Tax	(6.4)	(8.1)	(9.5)	(10.9)
Profit attributable to min	15.0	18.9	22.2	25.4
One off items (post-tax)	0.0	0.0	0.0	0.0
Reported profit to ho	**15.0**	**18.9**	**22.2**	**25.4**
Add back amortisation	2.7	2.7	2.7	2.7
Normalised NPAT	**17.7**	**21.6**	**24.9**	**28.1**

* taken as revenue

Cash Flow Statement

June 30	FY24A	FY25E	FY26E	FY27E
	0.0	0.0	0.0	0.0
NPAT	**15.0**	**18.9**	**22.2**	**25.4**
Add: D&A	4.6	4.4	3.9	3.6
Work K/other	(0.2)	(0.0)	(1.1)	(0.2)
CF from ops	**19.5**	**23.5**	**25.2**	**29.0**
Maintenance Capex	(0.1)	(0.4)	(0.4)	(1.0)
Acquis/exp capex	0.6	(1.0)	(1.0)	(1.0)
Investing Cashflow	**0.5**	**(1.4)**	**(1.4)**	**(2.0)**
Dividends	(11.4)	(14.0)	(15.4)	(16.1)
Equity/other/debt	(1.7)	0.0	0.0	0.0
Financing CF	**(13.1)**	**(14.0)**	**(15.4)**	**(16.1)**
Net Increase/(decrease)	7.0	8.1	8.4	11.0
check	7.0	8.1	8.4	11.0

Balance Sheet (A$m)

June 30	FY24A	FY25E	FY26E	FY27E
Cash	26.6	34.7	43.1	54.1
Receivables	8.2	9.2	10.1	11.2
Financial assets	0.0	0.1	0.1	0.1
Current Assets	**34.9**	**43.9**	**53.3**	**65.3**
Property, Plant & Equipm	3.0	1.8	1.0	1.1
Intangibles	25.7	23.9	22.2	20.4
Other non current assets	7.8	8.8	9.7	10.7
Non Current Assets	**36.6**	**34.6**	**32.9**	**32.2**
Total Assets	**71.4**	**78.5**	**86.2**	**97.5**
Payables	11.8	13.2	14.6	16.1
Provisions	3.2	3.8	3.1	3.5
Borrowings	0.0	0.0	0.0	0.0
Other liabilities	1.7	2.0	2.2	2.4
Total Liabilities	**16.8**	**19.0**	**19.9**	**21.9**
Shareholder Funds	**54.6**	**59.5**	**66.3**	**75.6**
	0.0	0.0	0.0	0.0

Directors	Shares	Holding
Mr Indy Singh (founder) Exe.Chair	10.9m	34.6%
Mr F Khouri - NED	0.3m	0.9%
Mr S Hallab - NED	0.1m	0.4%
Ms K Skellern - NED	0.01m	0.0%
Total	**11.3m**	**35.9%**

Key Mgt personnel

Mr Rahul Guha - Exe Chair - Financial Ser

Major Shareholders	Shares	Holding
Mr Indy Singh (founder)	10.9m	34.8%
HSBC - Noms	1.2m	3.9%
JP Morgan Noms	1.2m	3.8%
Total	**13.4m**	**42.5%**

Valuation Metrics

	Valuation	Premium
Price Target (ps) - DCF	$11.32	12%
Share Price (ps)	$10.13	
FY24 EV/EBITDA (x)	9.1	
Implied FY25 EV/EBITDA (x)	10.3	
Implied FY26 EV/EBITDA (x)	9.0	
Market Capitalisation (A$m)	318.9	
Enterprise Value (A$m)	284.2	
Share count (m)	31.5	
Franking credits ($m) - 30th June 24	29.8	

Valuation Multiples

June 30	FY24A	FY25E	FY26E	FY27E
P/E (x) - NPATA	18.0	14.8	12.9	11.4
P/E (x) - report	21.3	16.9	14.4	12.6
Price/Cash Flow (x)	16.4	13.6	12.7	11.0
EV/EBITDA (x)	10.9	9.1	8.0	7.1
EV/EBIT (x)	13.3	10.5	9.0	7.8
Equity FCF yield (%)	6%	7%	8%	9%
Dividend yield (%)	3.9%	4.4%	4.8%	5.0%
Price to book value (x)	5.9	5.4	4.8	4.2

Per Share Data

June 30	FY24A	FY25E	FY26E	FY27E
EPS diluted - adjusted (¢p	**56.2**	**68.4**	**78.8**	**88.9**
EPS diluted (¢ps) - report	**47.6**	**59.9**	**70.3**	**80.4**
Cash flow per share (¢ps)	61.7	74.4	79.9	91.9
Free cash flow per share (¢ps)	61.4	73.1	78.8	88.8
Cash (¢ps)	84.3	109.8	136.5	171.3
Book value (¢ps)	173.0	188.5	209.9	239.5
DPS (¢ps)	39.3	44.5	49.0	51.0
Franking (%)	100%	100%	100%	100%
Shares on issue - avg. basic (m	31.5	31.5	31.5	31.5
Shares on issue - avg. diluted (ı	31.6	31.6	31.6	31.6

Drivers ($Am)

June 30	FY24A	FY25E	FY26E	FY27E
Funds Mgt	22.0	26.5	30.8	35.1
Financial Planning	27.7	30.7	33.6	36.0
Platform admin	16.0	17.2	18.0	20.3
Corp services	15.1	16.3	17.4	18.7
Sales (net) *	**80.8**	**90.7**	**99.9**	**110.1**
FUMAA $m	**13,516**	**15,566**	**17,266**	**19,116**
change $m	1,167	2,050	1,700	1,850

Advisors (people) 80

* we now include interest in total revenue

Performance Ratios (%)

June 30	FY24A	FY25E	FY26E	FY27E
Change in sales $	7.5	9.9	9.1	10.2
Change in EBITDA $	4.6	5.3	4.3	4.3
Leverage	61%	54%	47%	42%
EBITDA Margin	32%	35%	36%	36%
Tax rate	30%	30%	30%	30%
ROE	27.5%	31.8%	33.5%	33.6%

Balance Sheet Ratios

	FY24A	FY25E	FY26E	FY27E
Net cash/(debt) ($ m)	26.6	34.7	43.1	54.1

Explicit guidance commentary Aug -24

Long term double digit earnings growth

Operating leverage and contribution of new initiatives to revenue

1H25 - no specific update to previous guidance commentary

Source: Company data, Veritas Securities Research

1H25 results précis

FUMAA (Funds Under Management, Advice and Administration) $14.4bn (Dec 2024) vs $13.516bn (June 2024) and $12.9bn pcp.

FUMAA has grown strongly over the last few years – but staff have remained flat – operating leverage

Cost growth has been less than revenue growth.

Rising FUMAA drove a 14% increase in revenue to $44.3m (vs. $39.0m PCP), with growth across sequentially and PCP (and absorbed some fee cuts in the previous period).

Reported EBITDA grew to $14.5m vs. $12.0m PCP, helped by rising revenue and controlled cost growth. Fiducian carries a trim and predictable cost base into 2H25, with a higher FUMAA balance that creates some useful "jaws." All development and IT costs are expensed.

Adjusted EBITDA (excluding lease rental costs increased to $13.7m vs $11.2m pcp. Underlying NPAT(A) increased from $9.87m vs $8.2m pcp.

We have now introduced NPAT(A) into our financial forecasts and valuation modelling, noting that this format will help reflect the business's true cash earnings power. We had previously just used reported NPAT.

Cashflow from operations increased to +$9.6m vs +$8.4m pcp, EPS (underlying) increased by 20% to 31.4 cps, and dividends were also bumped and reflect 70% payout ration of normalised EPS.

Strong results – across all three divisions of the business

Our analysis suggests that the cost base in absolute terms in a typical year is fairly even between halves (wages rise in July each year). There has been some past reinvestment in price (tier price reduction) that has been absorbed within the platform business (and this makes the revenue of $8.2m vs $7.7m PCP - result pleasing). On 1st June 2024, some fees (lower tiers) of the platform business were reduced with an annualised impact of $1m pa (offset by growth and other factors). There is also generally a seasonally strong 2H for Fiducian due to EOFY inflows (less summer distraction). We'd expect a 47%/53% style split between 1H25 and 2H25 – similar to past years and assumes reasonably steady local and offshore (in $AUD terms) financial markets.

We also note that the funds reflect a balanced portfolio with equities skew rather than pure leverage to the Australian equities markets.

Figure 1: 1H25 vs 1H24 results - $m

Results summary June y/e $m	1H24A	1H25A	% chg	Comment
Revenue	39.0	44.3	14%	All divisions grew - helped by increasing FUMAA
EBITDA (report)	12.0	14.5	21%	Operating leverage form cost base
D&A	(2.3)	(2.2)	-4%	Remain flat / reflect past conservative accounting
EBIT	9.7	12.3	27%	Good growth
Net interest*	-	-		Taken as revenue - large cash balance helps
OPBT	9.7	12.3	27%	
Tax	(2.8)	(3.7)	32%	Normal tax rate
NPAT (reported)	6.9	8.6	25%	
Adjust -amortisation	1.3	1.3		Adds back amortisation
NPAT (normalised)	8.2	9.9	21%	
EPS normalised	26.1	31.4	20%	
DPS	18.2	21.1	16%	Continues to rise
Operating cashflow^	11.1	13.1	18%	
Op CF/EBITDA	93%	90%	-2%	Good conversion
Cash/(debt)	26.6	28.9	9%	Strong
^ Receipts less payment		* moved to revenue		

Source: Fiducian and Veritas

Fiducian notes that its funds are similar to other single-fund managers

As volumes increase – Fiducian should gain some margin leverage

Fiducian is also expanding distribution into the NZ market

Annualised revenue (after fund manager costs) 48 bp

Divisions

In terms of the three major divisions – by the numbers

Figure 2: Funds by divisions and as a total

FID AU Equity	Jun 23 Final	1H24 Final	2H24 Final	Jun 24 Final	1H25 Final
Sales $m					
Funds Mgt	19.8	10.4	11.6	22.0	12.7
Financial Planning	27.6	13.4	14.3	27.7	14.6
Platform admin	14.8	7.7	8.3	16.0	8.2
Corp services	11.1	7.5	7.6	15.1	8.8
Elimination		0.1			
Sales (net)	73.3	39.1	41.7	80.8	44.3
		9.5%	9.1%	9.3%	13.3%
Drivers					
Funds Mgt - FUM $m	4,463	4,800	5,171	5,171	5,572
Net mvt	773	337	371	708	772
BP fee of seg rev	44.4	21.7	22.4	42.5	22.8
Fin Plan- FU advice $m	4,613	4,700	4,798	4,798	4,956
Net mvt	213	87	98	185	256
BP fee of seg rev	59.8	28.5	29.8	57.7	29.5
Platform FUAdmin $m	3,273	3,400	3,547	3,547	3,845
Net mvt	423	127	147	274	445
BP fee over seg rev	45.2	22.6	23.4	45.1	21.3
Total FUMAA	12,349	12,900	13,516	13,516	14,373
Net mvt seq					857
Net mvt	1,409	551	616	1,167	1,473

Source: Fiducian 1H25 Presentation and Veritas analysis

The funds under management showed good progression, rising to $5,572m and even further to $5,747m by the end of January 2025. The additional funds should contribute a further $2m to annualised revenue to Fiducian (ceteris paribus).

This business offers the diversity of multiple fund managers to financial planning clients– accessing in a single transaction - scale and curated selection of over 40 fund managers for investors (manage the manager approach).

Stock selection is left to specialist fund managers rather than Fiduciaries. This approach to the business helpfully avoids the distraction and risk that watching/investing markets/meeting endless fund manager BDMs creates for financial planners (in the field).

Performance has been consistent over a long period, and this approach's goal is to consistently match the benchmark or better but not" shoot the lights out" in any period. This is reflected in the business's selection and use of fund managers and asset allocation mix. Most of the major fund types within Fiducian's family reported 2nd or 3rd quartile performance for the 1–year rolling period and 1st or 2nd quartile over the 5-year period.

Active fund management has been challenging recently due to the concentration of performance with large-cap momentum-based stocks for some of the major markets. All funds reported respectable absolute returns for the 1 year despite being in the 2nd and 3rd quartiles on a relative basis.

Funds Management also launched a new investment bond badged via Generation Life.

Financial Planning – there was continued growth in Funds under advice to $4,956m (Dec 2024).

This business has over $1,557m in external platforms, and selective and targeted transition work is underway to a proven and successful complaint process that is in the client's best interests.

Over $400m in non-fee-paying funds are also in the process of being engaged or removed. This might mean FUA has a reduction in reported FUA as this is dealt with (but with zero revenue impact). This zero-fee FUM includes past grandfathered balances, small balances, and perhaps clients with special needs (or all three factors). Its free nature extenuates client inertia.

Adviser numbers fell from 80 to 78 and were absorbed by other Fiducian financial planners. The average FUM per planner has increased to $64m from $60m pcp.

The unstoppable might of industry super funds has come under question by part of the media.

Generally, we see less advertising from some of these industry funds as they prioritise service and PR issues.

Each adviser's inflow target has been moved to $6m, and revenue targets for the 37 salaried advisers have been raised from 10% p.a. to 20% (noting that the working assumption is that the market increases about 6% pa. We would also note that some inflow comes from dividends and super contributions, which are offset by modest client (death/circumstances change) attrition.

Fiducian's average advice cost per client is lower than the market rate of $4,600 (we believe it will likely rise for the entire industry due to strong demand/reduced supply).

Fiducian aims to lift the fees it charges for financial advice towards the market average (or a bit less) over time.

The independent financial planning industry will aim to target large balances within the industry funds – that have received poor service.

Management notes that financial advice is the lowest margin business within their business. Fiducian and other market participants also rightly point out that the value of quality financial advice is far higher than the fees paid (even for smaller balances).

There is also a sense that investors are increasingly sceptical about some mega industry funds' value/service proposition and that Fiducian and other independent advisers can offer a better, more relevant service for those higher balances.

Fiducian is also working on a technology-based solution for lower-balance funds and will have more to say about this in the future. Fiducian and Veritas believe innovative service methods might be required for time-poor, under-serviced markets/investors – with lower balances- such as mobile planners/fly-in-fly out et al., factory floor visits, technology and podcasts.

We believe that Fiducian seeks to expand planner numbers via smaller bolt-on acquisitions of planner groups via established sales multiple formulas, training, and internal and external recruitment. In the next few years, the ideal goal is to expand this to 100 planners; ultimately, 150 will be the long-term target. Fiducian also wants planners that fit within the manage the manager framework, and this does not suit planners who wish to run their business in a different fashion from the Fiducian established process and format. Management maintains that beyond this, a degree of diseconomy of scale sets in, and control and management become harder.

We also maintain that demand remains better than ever, and the supply of planners remains constrained. This is an ideal backdrop for well-run financial advice businesses (and an accelerating nightmare for badly run players).

Platform Administration -Funds under administration have risen to $3,845m (Dec 2024). This is made up of $3,405m in the core platform and IFA/Auxilium /badges of $440m ($3845m). The core platform business Funds under admins has risen in January 2025 to $3,788m (from $3,705m in Dec 2024).

The increase FUA (for the 6 months) is expected to add $2m to revenue on an annualised basis (compared to Dec 2023) and, therefore, help the 2H25 results.

Fiducian is also working hard to get the Auxilium independent financial planner platform up and running. Management notes some green shoots in terms of independent adviser interest with $440m in FUA (including core/Auxilium and badged platforms. Techniques to lift interest include word of the month from the current IFA. Increased marketing (staff) resources to market to the IFA channel, low cost and high level of service. Fiducian distribution team, for example, works hard on vetting transition paperwork before the transition (value movement) is undertaken. This reduces the risk of chasing up busy clients AFTER) they have moved value. Fiducian benefits from having advisers within its business that can help fine-tune the technology, tailor and then make change using in-house teams compared to the now substantial platform providers chasing volume/scale as a priority.

Upside from external platform funds

Even a sliver of the platform cake – is material to Fiducian in a multifaceted way

We have modelled somewhat for the Auxilium IFA platform business. Fiducian currently has a tiny share of the platform market in terms of its financial planning network (it also has $1.4bn within competitors' platforms). However, it is a large market, and Fiducian has an internally developed, well-priced solution for both its existing in-house planners and the IFA market. We estimate that pure Auxilium/badged and Core IFA businesses have about $440m in funds under management.

Fiducian's platforms can pinch a bit of market share with high service levels compared to the "megafauna" players.

We do believe that Auxilium will benefit from increased marketing and distribution effort and that, having built the platform over time, increasing volume is a priority in the medium term.

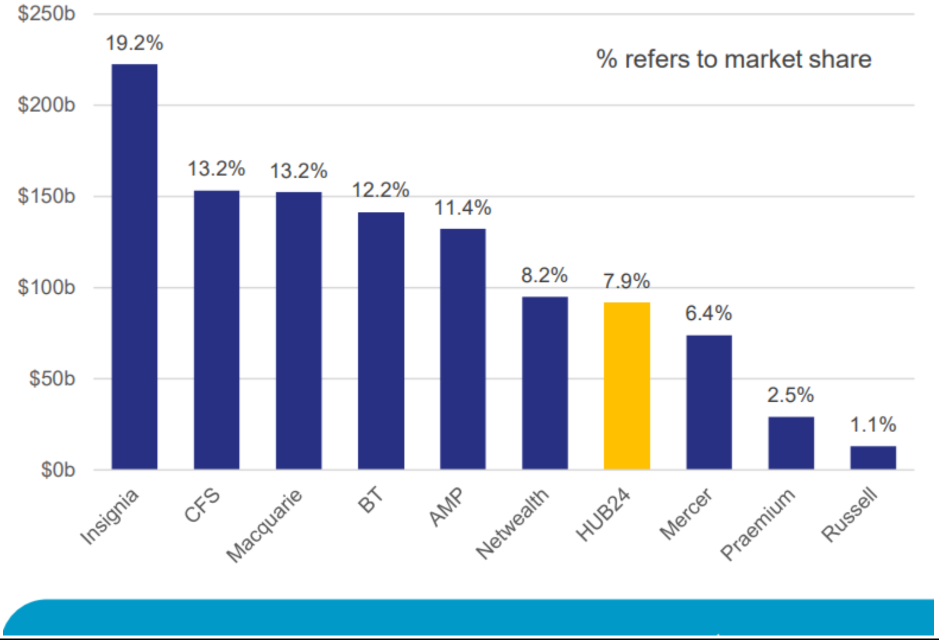
Figure 3 - What-if analysis

Auxilium	Base	Conservative	comment
Total Advisers (Aust)	16,000	16,000	Industry statistics
Addressable market	10,000	10,000	some not relevant
Target planners	1,000	1,000	only 10% of total - not all able to use
Current planners	100	100	Veritas estimate
Target %	50%	33%	Conservative assumption
Planners	500	330	No of addressable IFA
address FUM per planner $m	40	30	Conservative - FID average of $64m
Total FUM $m	20,000	9,900	
% FUA use Auxilium	20%	20%	Conservative
FUM $m	4,000	1,980	
Fee bp	20.0	20.0	Low /competitive/best interest test
Revenue uplift $m	**8.0**	**3.96**	incremental mostly profit

Source: Veritas analysis

This is a massive market. We are not suggesting that FID captures a copious amount of market share – but even a small amount is materially important to Fiducian's future service levels, ability to attract new advisers, profitability and ultimately, FID valuation.

Figure 4: Platform market statistics



Source: Hub24 – 1H25 presentation

Changes to forecasts and valuation

We are upgrading our Sales, EBITDA, NPAT(A) and profitability forecasts (as outlined in table 5 overleaf). These assumptions axiomatically affect the valuation and the higher price target for the business. We have lifted dividend forecast noting the recent policy has been to pay 70% of normalised EPS as a dividend. A strong balance sheet supports this update.

We are also transitioning our model to forecast NPAT(A) into the future. We normally prefer to forecast NPAT but given the business's cash flow performance and overall modest intangible balance, we now move to NPATA methodology.

We have lifted our Funds flow assumptions, with the strong first half lifting our forecasts ahead of the traditionally strong 2H25. All three divisions are running with higher fund balances than we previously assumed. Margins also perform well, with overall Revenue/FUMAA ticking up half on half.

The cost base is relatively stable and predictable between halves and has shown some growth, mainly due to July salary increases. We believe that salary increases are positive and will act to retain staff against cost-of-living pressures and competitive wishes to attract staff. All IT costs are expensed, which is a positive, and the NPAT truly reflects the economic performance of the business in a more conservative fashion.

The staff number was 173 (June 2024), ended the 1H25 half at 171, and was 167 in December 2023. Contrast this with the growth of FUMAA from $12.9bn (December 2023) to $14.4bn—the apparent operating leverage is clear, given the consistent investment that the business has undertaken over many years.

We have also adjusted our D&A forecasts to reflect the very low PP&E balance within the business. We have also lifted the tax rate a little. The dividend has also been lifted, reflecting the higher forecast portability of the business and continued financial strength.

Figure 5: Changes to forecasts for FY25 and FY26

Forecast changes	Old		New		change	
June y/e $m	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	87.7	94.6	90.7	99.9	3.4%	5.6%
EBITDA (report)	29.0	33.0	31.4	35.6	8.2%	8.0%
D&A	(4.4)	(4.3)	(4.4)	(3.9)	-0.6%	-8.3%
EBIT	24.6	28.7	27.0	31.7	9.8%	10.4%
Net interest*						
OPBT	24.6	28.7	27.0	31.7	9.8%	10.4%
Tax	(7.1)	(8.3)	(8.1)	(9.5)	14.6%	14.5%
NPAT (reported)	17.5	20.3	18.9	22.2	7.8%	9.3%
Adjust -amortisation			2.7	2.7		
NPAT (normalised)			21.6	24.9		
EPS reported	55.4	64.4	59.9	70.3	8.1%	9.1%
EPS normalised			68.4	78.8		
DPS	41.0	42.0	44.5	49.0	8.5%	16.7%
Cash flow from ops	22.1	23.3	23.5	25.2	6.3%	8.2%
Cash/(debt)	33.4	41.8	34.7	43.1	3.8%	3.1%

* interest taken as revenue

Source: Veritas analysis

We have also updated our model and published our implied 2HFY25 forecasts.

Figure 6: 1H and 2H forecasts

Results analysis						
June y/e $m	1H24A	2H24A	FY24A	1H25A	2H25E	FY25E
Revenue	39.0	41.8	80.8	44.3	46.4	90.7
EBITDA (report)	11.2	14.9	26.1	14.5	16.9	31.4
D&A	(2.3)	(2.3)	(4.6)	(2.2)	(2.2)	(4.4)
EBIT	8.9	12.5	21.4	12.3	14.7	27.0
Net interest*	0.7					
OPBT	9.6	11.8	21.4	12.3	14.7	27.0
Tax	(2.8)	(3.6)	(6.4)	(3.7)	(4.4)	(8.1)
NPAT reported	6.8	8.2	15.0	8.6	10.3	18.9
Adjust -amortisation	1.4	1.3	2.7	1.3	1.4	2.7
NPAT (normalised)	8.2	9.5	17.7	9.9	11.7	21.6
EPS normalised	26.1	30.2	56.3	31.4	37.0	68.4
DPS	18.2	21.1	39.3	21.1	23.4	44.5
Operating cashflow^	11.1	14.6	25.7	13.1	10.4	23.5
Op CF/EBITDA	99%	98%	99%			
Cash /(debt)	21.6		26.6	28.9	34.7	34.7

^ Receipts less payment

source - Veritas estimates

Source: Fiducian and Veritas analysis

Peer valuation – underappreciated value in Platform

We have lifted the EV/EBITDA—SOP valuation for Fiducian. This valuation technique breaks apart the three divisions and assigns a higher valuation for the platform business than the market assigns. The competing platform valuations are also rising rapidly, and this, in part, underpins the higher SOP valuation for Fiducian.

Figure 7: SOP valuation – EV/EBITDA

Segment / $m	FY25E EBITDA	Multiple (x)	Value $m
Funds Management	18.0	6.5	117
Financial Planning	4.9	6.0	29
Platform	14.6	15.0	219
Corporate	(6.2)	5.5	(34)
EBITDA	31.4		
Enterprise Value range			**332**
Less FY25F net debt/(cash)			35
Equity Value			367
No. Shares (diluted)			31.5
Value per $/share			$ 11.65

Source: Veritas analysis

Introducing our new P/E based valuation methodology.

Figure 8: P/E valuation

Segment / $m	FY25E	Multiple (x)	Value $m
NPATA	**21.6**	**15.0**	**324**
Enterprise Value range			**324**
Less FY25F (net debt)			35
Equity Value			359
No. Shares (diluted)			31.5
Value per $/share			$ 11.39

Source: Veritas analysis

We previously used a combination of DCF and EV/EBITDA valuation. We now add a P/E NPATA valuation as part of this approach. Our new blended valuation is $11.32 vs. $9.26 in our previous note.

Figure 9: Combo valuation

Blended Valuation	Value $	Weight
EV/EDITDA X	$ 11.65	33.30%
DCF	$ 10.96	33.30%
P/E	$ 11.39	33.30%
Blended	**$ 11.32**	
Current Price	$ 10.13	
Difference	11.8%	
FY25 div yield	4.8%	
TSR	16.6%	

Source: Veritas analysis

Figure 10: Peer valuation – noting prices may not be today's closing prices

Stock	Code		Price	Shares	Mkt Cap	Net Debt	EV	EV/EBITDA			P/E (X)		
Financial Advice			LC	m	$m	(cash) $ m	$m	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Centrepoint Alliance Limited	CAF-asx	$	0.32	198.9	64	-7	57	5.5	4.9	4.4	12.7	10.3	8.5
Count Limited	CUP-asx	$	0.79	168.8	133	37	170	5.3	5.1	4.7	9.6	8.7	7.9
Insignia Financial Ltd	IFL-ASX	$	4.63	670.7	3,105	496	3,601	8.6	8.1	7.9	12.2	11.4	10.9
Sequoia Financial Group Ltd.	SEQ-ASX	$	0.45	124.1	56	-16	40						
Australian Wealth Advisors (	WAG-ASX	$	0.32	74.4	24	-5	18						
WT Financial Group Ltd.	WTL-ASX	$	0.128	342.2	44	-1	43						
Prime Financial Group Limite	PFG-ASX	$	0.25	254.7	64	14	78	6.8	5.8	5.0	12.2	9.4	7.2
EQT Holdings Ltd.	EQT-ASX	$	34.60	26.8	926	-57	869	11.8	10.8	10.0	20.5	18.3	16.7
Average								**7.6**	**6.9**	**6.4**	**13.5**	**11.6**	**10.3**
Median								**6.8**	**5.8**	**5.0**	**12.2**	**10.3**	**8.5**
Fiducian Group	fid.asx	$	10.13	32	319	-35	284	9.1	8.0	7.1	14.8	12.9	11.4
Platforms/Financial services													
Netwealth Group Ltd.	NWL-ASX	$	31.78	244.8	7,779	-112	7667	47.6	38.4	32.5	71.7	57.5	47.5
HUB24 Limited	HUB-ASX	$	84.39	81.2	6,850	-43	6807	42.6	34.5	29.2	72.7	57.0	47.6
Praemium Ltd	PPS-ASX	$	0.88	477.7	420	-42	378	13.4	11.4	9.9	32.0	23.2	19.3
Kelly Partners Group Holding	KPG-ASX	$	12.97	44.9	582	76	659						
Raiz Invest Ltd.	RZI-ASX	$	0.79	105.3	83	-11	72						
SelfWealth Ltd.	SWF-ASX		Bid	230.7									
InvestSMART Group Limited	INV-ASX	$	0.130	142.7	19	-7	11						
Average								**34.6**	**28.1**	**23.9**	**58.8**	**45.9**	**38.1**
Median								**42.6**	**34.5**	**29.2**	**71.7**	**57.0**	**47.5**

FID - we now use underlying earnings
EZL has a huge cash /investment balance
BFG and MA - have debt set against investment portfolios - we have made some estimates of corporate cash
We have excluded very high and negative numbers

source - Factset

Source: Factset and Veritas analysis

Risks – (include but are not limited to): adverse regulatory change, orderly management succession, loss of advisers, cost inflation, client claims, financial markets, legal problems, new financial products (AI/cryptocurrency/ETFs), cyber security, maladministration, access to acquisitions, pricing errors, increased competition, perceived or absolute competition with others, corporate action risk, the poor performance of investments, APRA fund performance testing regime, internal asset consultant risk, Technology risks, adverse and reliability of Fiducian platforms and an inability to access/ (cost of) insurance.

Summary

Fiducian heads into 2H25 and beyond with: -

1. A materially higher 1H25 FUMAA balance of $14.4bn that will underpin future years.
2. Growth from fund management contributing potentially an additional annualised revenue of +$5m vs (1H24 /Dec 2023)
3. Platform administration could potentially contribute an additional $2m annualised vs. the 6 mth average (Dec 23/1H24).
4. Recent seasonality (helped by consistent growth) suggests a recent historical outcome of a c46%/c54% split in reported EBITDA between the first and second half.
5. We upgraded our forecasts using seasonal splits, higher FUMAA, and strong platform administration results.
6. Operating leverage from past investment and the current cost base.
7. More benign competition and an undersupplied and disrupted financial planning market provide a helpful background.
8. Industry funds have their service levels and value proposition publicly questioned by the press and regulators.
9. We believe there is increasing latent value in Fiducian's platform business (including Auxilium).
10. Buy rating retain – valuation lifted from $9.26 to $11.32.

Fiducian description

1. **Financial planning: -** provides specialised financial planning with 45 locations (across all of the major capital cities and many regional centres within Australia). This business is split about 50% / (37 people) as salaried advisers and about 50% (41 people) as franchisees and has 78 financial advisers. Financial planning had $4.737bn in Funds Under Advice (FUA). Fiducian also acquired the PCCU[1] financial advice businesses during FY22. By owning and controlling the financial planning business (not offering AFSL services/licensing), Fiducian is different from others. Over many years, Fiducian has retained consistently high levels of compliance and control over this planning/advice, its activities, and its client base.

2. **Platform administration:** This division offers portfolio wrap administration for superannuation and investment services to Fiduciary Financial advisers and their investor clients. The software was developed in-house and has been in use for many years. The products include the "manage the (fund) manager" products and SMAs, which offer direct access to a small number of shares and funds separately managed for investors. Many products are used in-house; some have an increasing external adviser re-badged potential to independent financial planners.

   Fiducian has developed a platform administration business called Auxilium for the external independent financial planner market. This will compete with Netwealth, Hub24, and Praemium, and it has been labelled as disruptor to the disruptors (of the legacy platforms).

3. **Funds Management: -** Fiducian has developed a "manage the manager" system of investments and manager selection. This has been developed through in-house expertise and does not rely on external asset consultants. The track record of fund manager selection has been extremely strong. Fiducian puts considerable expertise, time, experience, and research into picking high-quality fund managers that blend well with their current roster and reflect the underlying investor's needs. Fiducian is the entity responsible for managing investment schemes and SMAs. The group is the registrable superannuation entity of a public offer superannuation fund, which is then offered by the wrap platform. The Fiducian group is also the operator of an investor-directed portfolio service.

[1] PCCU – People's Choice Credit Union (PCCU) – Financial advice business

Disclaimer and rating information

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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