

# Allco Equity Partners Limited

31 December 2007 Half Year Results Presentation

13 February 2008

partnership / determination / ingenuity

Allco Equity Partners



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- Net profit after tax of \$13.4 million
  - ❖ 5.0% increase over 2006 corresponding period
- Interim dividend of 5.0 cents per share, fully franked
- IBA transaction completed, with AEP as a key cornerstone investor
- Signature and Baycorp tracking as expected

# 1H FY08 Financial Results

	Consolidated 31/12/2007	Consolidated 31/12/2006
Total consolidated revenue and operating income (\$m)	58.4	47.8
Profit before financing costs, depreciation, amortisation and tax (\$m)	32.9	26.7
Profit before financing costs and tax (\$m)	26.4	20.0
Net profit before tax (\$m)	21.1	14.2
Net profit after tax (\$m)	13.4	12.8
Earnings per share <sup>1</sup>	13.7 cents	12.5 cents
Interim dividend per share declared, fully franked	5.0 cents	3.0 cents
Net assets at balance date <sup>1</sup>	\$5.53 per share	\$5.46 per share
Net tangible assets at balance date <sup>1</sup>	\$4.12 per share	\$4.15 per share

- Interim dividend of 5.0 cents per share, fully franked
- Record date – 29 February 2008
- Payment date – 7 March 2008
- Brings total dividends to 51 cents per share since formation
- Dividend reinvestment plan not activated
- Nature of activities means a regular dividend is not expected to be paid

# Net Assets per Share

	<b>\$ per AEP Share</b>
▪ Cash and cash equivalents	1.46
▪ IBA Health Group equity accounted investment, convertible notes and loan	3.10
▪ Baycorp equity accounted investment and shareholder loan	0.41
▪ Signature Security Group consolidated net assets before debt funding	1.54
▪ Signature Security Group net debt funding	(0.98)
<b>Net Assets per Share at balance date</b>	<u>5.53</u>
<b><i>Add back dividends per share paid to date</i></b>	0.46
<b><i>Net Assets per Share pre dividends paid to date</i></b>	<u><u>5.99</u></u>

- Cash funds
  - ❖ Preserved for use in transactions
  - ❖ Placed on interest bearing deposit with major banks
  
- Debt facilities
  - ❖ Considered on a transaction by transaction basis
  - ❖ Recourse to underlying investments only
  - ❖ The Company has no borrowings at 31 December 2007

# Debt Position of Portfolio Companies at 31/12/2007

Allco Equity Partners



<b>Entity</b>	<b>Balance \$m</b>	<b>Term Remaining</b>	<b>On AEP Consolidated Balance Sheet</b>	<b>Recourse Only to Assets of Underlying Investment</b>
Signature Security Group	95	3½ years	Yes	Yes
Baycorp	56	4½ years	No	Yes
IBA Health Group <sup>1</sup>				Yes
Debt Facility	200	4 years	No	
Contract Financing	91	Life of contracts	No	
Loan from AEP	56	12 months	No	

<sup>1</sup>Source: IBA announcement to ASX on 22 January 2008



# On-Market Share Buy-Back

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- Announced 25 May 2007
- Completed 30 January 2008
- Bought back and cancelled 5% of issued shares at a cost of \$21.1 million
- Issued capital now 96.7 million ordinary shares



# Signature Security Group

<b>Business Description</b>	Supplier of electronic security services in Australia and New Zealand. Services include the installation, monitoring, sale and leasing of electronic security equipment to residential and commercial customers. Expanded into medical and personal emergency monitoring following Radius acquisition.
<b>Acquired</b>	January 2006
<b>Ownership</b>	96%; consolidated entity (4% held by management)
<b>Enterprise Value at Acquisition (excluding costs)</b>	\$138.0 million
<b>AEP Equity Cost</b>	\$55.0 million
<b>Employees</b>	400+ (FTE)

<b>Financial Results</b>	<b>6 months to 31/12/07 \$m</b>	<b>12 months to 30/06/07 \$m</b>
Revenue	34.2	64.4
EBITDA	11.1	22.3
EBIT	4.6	8.4
Cash Flow from Operating and Investing Activities <sup>1</sup>	(7.6)	10.0
Net Assets at Balance Date	54.0	54.8

<sup>1</sup>December 2007 includes cost of Radius acquisition

## Strategy

- Grow direct and indirect sales channels
- Further control customer attrition
- Secure further “bolt on” acquisitions

## Investment Merits

- Defensive sector expected to grow
- Stable cash flows
- Solid market position as one of three major national firms

## Achievements

- Renewed authorised dealer programme
- Customer care and save initiatives introduced
- Three “bolt on” acquisitions to date with others under consideration

## Key Performance Measures

- Rate of customer attrition
- Recurring monthly revenue

## Market Position

- Industry / Market
  - ❖ Signature one of three largest firms in Australia and New Zealand (with Chubb and ADT)
  - ❖ Remainder of the market is highly fragmented
  - ❖ Increase in security consciousness drives organic growth
- Customer Base
  - ❖ Broad and established customer base in Australia and New Zealand
  - ❖ Greater than 60% of revenues are recurring
  - ❖ Customer concentration is extremely low with over 85,000 lines





*BAYCORP*

<b>Business Description</b>	Receivables management and integrated debt recovery services in Australia and New Zealand. Holds 10.3% investment in Collection House Limited (ASX: CLH)
<b>Formed</b>	June 2006
<b>Ownership</b>	50% joint venture with a fund managed by Propel Investments. Equity accounted investment
<b>Enterprise Value at Acquisition (excluding costs)</b>	\$112.0 million
<b>AEP Equity Cost and Shareholder Loan</b>	\$37.6 million
<b>Employees</b>	390



<b>Financial Performance<sup>1</sup></b>	<b>6 months to 31/12/07<sup>2</sup></b>	<b>12 months to 30/06/07<sup>3</sup></b>
	<b>\$m</b>	<b>\$m</b>
Gross Revenue and Receipts from PDLs	42.7	79.1
EBITDA	23.3	37.2
EBIT	7.1	9.6
Cash Flow from Operations before Purchase of Debt Ledgers	21.1	32.5
Net Assets at balance date	73.2	70.5

## Strategy

- Further purchases of debt ledgers (PDLs) to grow business
- Expand customer base
- Intent to become national debt service “company of choice”

## Investment Merits

- Defensive sector
- Benefits from tighter economic conditions
- Leading market position

## Achievements

- Successful tendering for new debt ledgers
- Integration of Baycorp Collection Services and Portfolio Management Group in 2006
- Appointed to ATO panel in 2007

## Key Performance Measures

- Acquisition of PDLs
- Rate of cash collections

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## Market

Receivables management companies provide services in three distinct areas:

- **Contingency or Agency Collection**

Collects debt on behalf of clients and in return receives a commission for the debt collected.

- **Purchasing of Debt Ledgers (PDLs)**

Purchase portfolios of debts from financial institutions and telecommunications customers on a spot basis or under a term contract (forward flow).

- **Debt Recovery Services**

Involves legal processing, litigation, field agents and other services to enhance contingency and PDL activity and as standalone services.

Baycorp is a full service receivables management business in NZ. The Australian business focuses on servicing Tier 1 clients with PDL and contingency collections services.



<b>Business Description</b>	A leading global specialist healthcare IT company. IBA provides information and communication solutions to connect providers, payers, patients and communities
<b>Acquired</b>	October 2007
<b>Ownership</b>	26.4% current 30.6% on fully diluted basis if all notes converted
<b>Enterprise Value at Acquisition (excluding costs)<sup>1</sup></b>	\$ 1.1 billion
<b>Equity Cost and Shareholder Loan</b>	\$297.3 million

<sup>1</sup>based on AEP average entry price of \$0.9477 cents per share

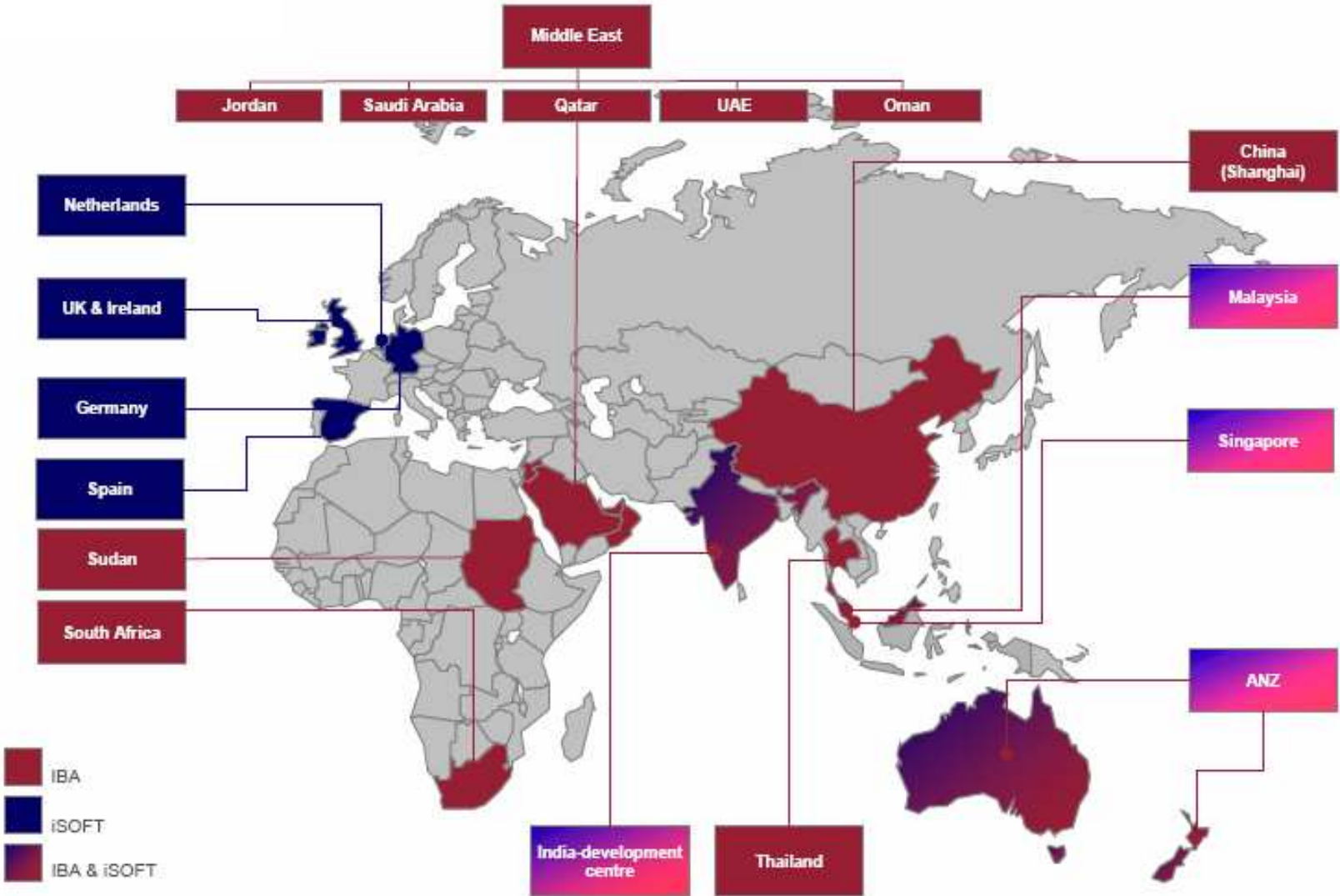
## Financial Performance

- IBA scheduled to release 1H FY08 results on 27 February 2008
- AEP has not included an equity accounted contribution to profit for this period as:
  - ❖ Prudent not to include until results are finalised and audited
  - ❖ IBA results remain subject to any impacts arising from required fair value accounting adjustments following iSOFT acquisition, if any
  - ❖ IBA has 12 months from completion of iSOFT acquisition to finalise this analysis

## Benefits to IBA of iSOFT Acquisition<sup>1</sup>

- Merger creates one of the largest providers of information systems in the rapidly growing international healthcare IT market
- Highly experienced management team drawn from both companies
- Complementary geographic footprint and product portfolio
- Clear product strategy for today and the future
- Opportunities to enhance revenue growth through cross-selling to an enlarged customer base
- Significant cost synergies
  - ❖ On track to achieve \$27 million for the 2009 financial year

# IBA Health Group Global Footprint





# Market Conditions and AEP Investment Strategy

- Debt for highly leveraged transactions harder to obtain following recent volatility
  - ❖ Medium term credit issue and liquidity issue
  - ❖ Most Australian corporates are conservatively geared
- AEP has cash available
  - ❖ All investment borrowings are non-recourse to date
  - ❖ Not reliant upon debt funding
- Still expect to see strong M&A activity with solid deal flow pipeline
  - ❖ AEP positioned to participate
- Anticipate vendor expectations and, in turn, return profiles to pare back in the medium term
- Expect to see increased investment competition from trade buyers going forward
- Anticipate secondary transactions to increase in the short to medium term

- Traditional private equity and corporate activist
- Medium to large transactions
  - ❖ Expect to achieve one or two transactions per annum
  - ❖ Target minimum equity component of \$100 million +
- Current focus on Australia and NZ markets
  - ❖ Will consider opportunities in other offshore markets on a selective basis
- Strategic positions can and will be taken whilst assessing and executing corporate opportunities

- Characteristics of target businesses
  - ❖ Proven business model
  - ❖ Attractive market dynamics and growth prospects
  - ❖ Need to be fundamentally sound
  - ❖ Experienced management team
  - ❖ Stable cash flows
  - ❖ Financial structuring to enhance business value but does not create business value
  
- Discipline important
  - ❖ Medium term investment horizon
  - ❖ Financial discipline applied
  
- Execution paramount
  - ❖ Identification, investment, management and divestment phases