CI FINANCIAL CORP.

FIRST QUARTER 2017 RESULTS

CONFERENCE CALL

May 11, 2017

CI Financial

This presentation contains forward-looking statements concerning anticipated future events, results, circumstances, performance and/or expectations with respect to CI and its products and services including its business operations, strategy and financial performance and condition. Although management believes that the expectations reflected in such forward looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. For further information regarding factors that could cause actual results to differ from expectations, please refer to management's discussion and analysis available at www.cifinancial.com. This presentation includes several non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. However, management believes that most shareholders, creditors, other stakeholders and investment analysts prefer to include the use of these financial measures in analyzing CI's results. These non-IFRS measures and reconciliations to IFRS, where necessary, are included in management's discussion and analysis available at www.cifinancial.com.

CORPORATE PARTICIPANTS

Peter Anderson
Chief Executive Officer, CI Financial

Doug Jamieson
Chief Financial Officer, CI Financial

Neal Kerr
President, CI Institutional Asset Management, and Executive Vice-President, Investment Management, CI Investments

Steven Donald
President, Assante Wealth Management

Rohit Mehta
President, First Asset Investment Management

Roy Ratnavel
Executive Vice-President, Retail Sales, CI Investments

CONFERENCE CALL PARTICIPANTS

Gary Ho
Desjardins

Geoff Kwan
RBC Capital Markets

Graham Ryding
TD Securities

Scott Chan
Canaccord Genuity

Tom MacKinnon
BMO Capital

PRESENTATION

Peter Anderson, Chief Executive Officer, CI Financial

Thanks very much and welcome to the CI Financial conference call for the first quarter of 2017. Joining me is Doug Jamieson, our CFO. He will be providing a financial review of the quarter and answer your questions. Also available are Steve Donald, President of Assante; Neal Kerr, President of CI Institutional, Rohit Mehta, President of First Asset; and Roy Ratnavel, Executive Vice-President, Retail Sales, CI Investments.

At the last quarter's call, I said we were seeing positive signs of improvement in all of our business lines, despite headwinds in the asset management industry. Q1 results continue to support this message. Sales in all of our business lines, retail, institutional, and ETFs, are stronger. Short- and long-term performance of our portfolio management team has improved significantly; and finally, our advisory business, Assante and Stonegate, continue to provide strong and consistent growth. I'll provide more detail after Doug's talk.

Before Doug takes over, I wanted to mention a change in management in one of our businesses. We're very pleased to announce that Rohit Mehta will be taking over as President of First Asset. Rohit has been with the Company for over eight years, most recently as Head of Sales and Marketing. As we more closely integrate the First Asset and CI Investment businesses together, Barry Gordon has decided it's time to step to one side. Barry was also a member of CI's Executive Committee and will be missed. I wanted to thank Barry for his contribution to CI during the initial integration of First Asset, and CI looks forward to working more closely with him in his future projects.

Doug will now take over to talk about CI's financial results. Doug?

Doug Jamieson, Chief Financial Officer, CI Financial

Thank you, Peter. Looking at Q1 compared to Q4, average AUM grew 4 percent to $119.4 million, and a good part of that is due to the inclusion of Grant Samuel for a full quarter. Reported net income was $134.2 million, or $0.51 per share, up from net income of $121 million, or $0.45 a share last quarter. Adjusting last quarter for the provisions brings net income to $140.6 million, or $0.53 per share, and first quarter income is down 5 percent from that level, or 2 percent on a per-share basis. Primary reasons for the decline are the drop in other income, as we had performance fees and income on seed capital investments in the fourth quarter, and that the slight decline in margin and two fewer days in the quarter more than offset the increase in average assets under management.

Adjusted EBITDA of $219.5 million, or $0.83 per share, was down 3 percent and 2 percent, respectively. Free cash flow was steady at $154 million, as were dividends paid at $0.345 cents per share.

Net debt was up about a hundred million dollars during the quarter at $673 million due to an increase in working capital for the seasonal cash outflow of taxes and compensation and the settlement of provisions made in the fourth quarter, and because the $11 million was paid out to shareholders by way of dividends and buybacks over and above free cash flow for the quarter. CI's debt level is still below 1:1 debt-to-equity, and we expect that absent any cash acquisitions this level would increase to the extent that dividends and buybacks exceed free cash flow, and this depends on the opportunities we see to repurchase shares, given the current low valuation.

Now, looking at year-over-year highlights, average assets under management were up 11 percent from $107.3 billion in last year's first quarter. Adjusted net income was up 6 percent from $126.1 million last year and up $0.05 on a per-share basis, or 11 percent. Adjusted EBITDA was up 3 percent, and EBITDA per share was up $0.06, or 8 percent. Free cash flow was up 7 percent, and dividends paid were up 5 percent year-over-year.

CI's overall net management fee has dipped to below 97 basis points this quarter. However, this decline is entirely due to the inclusion of First Asset and now GSFM for a full quarter. The net management fee at CI Investment has actually increased to 101 basis points due to last quarter's loss of significant very low fee institutional mandates. GSFM's retail fees are comparable to our F-Class fees. Only one-third of their assets are retail, and on the institutional side, their average fee is quite low. In fact, the loss of revenue on the institutional redemption of $424 million is entirely offset by the revenue earned on the $93 million of retail net sales.

CI's SG&A was 36.7 basis points, up from 35.5 in the fourth quarter and 36.1 in the first quarter last year. Spending in dollar terms was up $5.6 million over last quarter. Once we net out GSFM and First Asset spend, the increase was $4 million, up from $95.3 million last quarter. This is primarily due to items that increased annually, including base compensation, rent, and other licenses, as well as a full quarter of the larger sales team now in place. As well, the cost of portfolio management generally grows with growth in our AUM.

The SG&A efficiency margin looks at an available pool of management fees less trailer fees and DSC and how much of that pool remains after deducting SG&A spend. In the last 12 months, CI has retained just under 69 percent of that pool. The inclusion of First Asset for the past 15 months and now Grant Samuel is the largest factor in the recent decline, given their higher proportion of SG&A to management fee revenue, and so their SG&A efficiency margins are at less than half of CI's levels. We expect to see the benefit of scale as these businesses grow and we manage them accordingly.

CI's quarterly free cash remains strong at $154 million this quarter, and the steady cash flow you see here forms the basis for CI's ability to pay dividends and buy back shares. Looking at that return to shareholders, the first column shows the last 12 months of operating cash flow, adjusted for the after-tax provisions taken in the past year and the deferred sales commission paid to get to free cash flow of $615 million. CI paid out all of that free cash and more in the form of dividends and share buybacks at $669 million. In the first quarter, CI increased its buybacks from the level of the previous quarter and returned its free cash flow plus $11 million to shareholders.

The dividend increase that was announced today, in conjunction with the share buybacks that are reducing our share count, will keep our dividend payout in the neighborhood of $92 million in the second quarter. CI has a history of returning cash to shareholders in a tax effective manner, and our policy has been dynamic as tax rates have changed over the past couple of decades. With dividend tax rates approaching 40 percent, dividends are now a less efficient means of returning cash to shareholders compared to share buybacks.

I will now turn it back to Peter.

Peter Anderson, Chief Executive Officer, CI Financial

Thanks, Doug. As I said earlier, the changes we made in 2016 continue to show positive results with all our business lines at CI. However, the industry is facing significant change that will impact all firms, such as fee pressure, regulation, overcapacity of active managers, new competition, and the ongoing discussion of the value of active management. At CI, we continue to believe scale is a key advantage for our business and industry consolidation is inevitable. We're very optimistic about the position of our Company.

Let's review our business lines. At CI investments for Q1, our retail business had a very solid rebound over the results of 2016. Moving a fund company from redemptions to positive sales is not easy. However, our large sales team and focus on key distribution channels is working. We are seeing significant improvement in gross and net sales from Q4 to Q1. We have just begun a large cross-Canada road show reintroducing Signature Global Advisors and expect to host approximately 3000 advisors in 30 cities throughout May. The early feedback has been very positive.

At CI Institutional, as we mentioned on our last call, the pipeline continues to be very strong. Year-to-date, we have won 40 new mandates—and the screen says 30, but it is actually 40—generating very strong sales. Most of these wins have not been funded, but will be in Q2 and Q3 of this year. We continue to be in a solid number of searches, although there is always uncertainty in the number of searches that convert to wins. We remain very confident in our pending opportunities.

Our portfolio management teams continue to have very strong long-term returns, with a majority of our assets in the top two quartiles over three, five, and 10 years. We have also seen much stronger short-term performance in the past few quarters. Performance results are one key driver of sales in our business, and we're very pleased with the results of each of our portfolio management teams today.

GSFM, our Australian acquisition, continues to perform as expected. Although we had two redemptions in Q1 from their institutional business, the revenue earned on these is only a percentage of an already low fee. The more profitable retail business continues to do very well and has had positive sales through 2017. GSFM plans to broaden the breath of their lineup this year with a number of new portfolio management teams, including offerings from CI's Cambridge and Signature teams.

At First Asset, AUM for the ETF platform reached an all-time high at the end of Q1 and now exceeds $3 billion. This was bolstered by strong growth in actively managed ETFs, as this product rose to greater acceptance in the broker channel. The market share of First Asset in the Canadian market also increased in Q1, despite a number of new entrants into the market.

Our Assante and Stonegate groups continued to post very positive growth. Assante have grown to over $40 billion, thanks to new advisors joining the company and strong sales, which are 10 percent higher than the same period a year ago.

We continue to see strong growth with high net worth investors. Seventeen billion dollars of the $40 billion are investors with over a million dollars invested with our company. That grows to over $25 billion with investors holding between $500,000 and a million dollars. We continue to invest in this platform, and we'll be launching separate accounts, tiered pricing, SMA's and other high net worth offerings throughout this year. We're extremely excited about the future of Assante and Stonegate.

In terms of new initiatives for 2017, we're very excited to launch a new robo-platform to distribute CI and First Asset products. This will not compete with our current advisors, but it will complement them. We have purchased the perpetual rights in Canada to a U.S.-based robo-platform. We believe this will allow advisors the ability to let technology support their younger and smaller clients. It will open the door to new potential investors to CI by an advisor, who will want to have the ability to manage their investments online. We think this is a direction many investors are heading, not just because of price, but because of ease of use. We expect this to be in the market by the end of Q4 of this year.

On May 1, we launched a new pricing schedule for CI, which acknowledges investors and households with more assets managed by our company. This has been a long and detailed project, but is the direction of the industry. Although the cost is not material for CI Financial, investors with over $150,000 in assets will see reductions in the overall fees they are charged. We are only a couple of weeks into the rollout and will provide you more details on our Q2 call.

To summarize, 2017 is beginning much stronger than the same time in 2016. To significantly increase our gross and net sales over Q4, is in my opinion, a very positive trend. We still have a lot of work to do within a very challenging industry, but I'm very pleased with the results so far, including our retail sales, our institutional sales, First Asset's strong start to 2017, GSFM's solid retail results, Assante and Stonegate's impressive growth in both sales and assets, and finally, the performance of our portfolio managers, a key ingredient to ongoing growth.

With that, I conclude my remarks and we'll be pleased to take your questions. Operator?

QUESTION AND ANSWER SESSION

Operator

Our first question is from Gary Ho from Desjardins. Please go ahead.

Gary Ho, Desjardins

Thanks, good afternoon. Maybe just to start off with the average management fees, a lot of moving parts - it sounds like it was down more than expected, for me, at least, this quarter and you attributed that to Grant Samuel for the full quarter. So, just looking out with the automatic preferred pricing starting earlier this month, if I think about the evolution of the average management fee, could we see another three to four basis points decrease as we exit 2017, especially with more institutional mandates coming on board here?

Doug Jamieson, Chief Financial Officer, CI Financial

Hey, Gary, it's Doug. Yes, I think that's definitely possible. Certainly, the more institutional weighting we get, the lower the fee will go, and the impact of preferred pricing would accelerate the trend we've already seen of larger clients moving into our PIM product. So, certainly, a basis point or two each quarter trend line that we've seen should continue.

Peter Anderson, Chief Executive Officer, CI Financial

Just one other thing on the tiered pricing; it is not a switch-on where a hundred percent of our assets are put onto tiered pricing. The dealerships have to sign on as well, so this will be gradually entered into the market.

Gary Ho, Desjardins

Perfect, and then any thoughts in maybe perhaps separating out your institutional assets or wins going forward in terms of disclosure?

Peter Anderson, Chief Executive Officer, CI Financial

We haven't done that in the past. We continually say we're going to review it and think about it. So, I'm going to say it exactly the same thing, we're going to continue and review it and assess whether that's the right thing to do.

Gary Ho, Desjardins

Perfect. Yes, that would be helpful, at least for my modeling purposes. Then, as well for Doug, in your remarks, did you mention you're more comfortable with a net debt-to-EBITDA of one times? I think historically that was 0.5 to 0.75 times. I just want to clarify that.

Doug Jamieson, Chief Financial Officer, CI Financial

Right. No, I think I said we're approaching 1:1 on a gross debt. Perhaps, since I was talking about net debt, but our gross debt is approaching 1:1, and that's a level we are comfortable with. It still gives us quite a bit of flexibility for cash acquisitions and also continuing the buyback.

Gary Ho, Desjardins

Because I think on a net debt you guys are at close to, or at that 0.75 times, so I guess my question is just on your buybacks, are you going to be still very aggressive with that, given you guys are at that net debt-to-EBITDA level?

Doug Jamieson, Chief Financial Officer

Yes.

Gary Ho, Desjardins

Okay. Then maybe just lastly, just for Peter, now that you have more time to assess the Australian landscape, are you seeing more opportunities there, or any colour on building out that platform?

Peter Anderson, Chief Executive Officer, CI Financial

Yes, I think the Australian market is actually quite interesting. It's much further down the line in terms of pricing and regulation, so it's given us a very good window on that. I do think it's an incredibly fragmented market with a lot of opportunities where we can roll other businesses into Grant Samuel or do something completely different. So, I think there are a lot of opportunities down there that we continue to assess.

Gary Ho, Desjardins

Okay, perfect. That's it for me.

Operator

Thank you. The next question is from Geoff Kwan from RBC Capital Markets. Please go ahead.

Geoff Kwan, RBC Capital Markets

Hi, good afternoon. Just the first question I had was, are you able to say with the Canadian retail business in April, given that we're kind of outside of RSP season — and to your point, and the number shows the performances picked up a little bit — are you able to say directionally were the net sales positive for Canadian retail in April?

Peter Anderson, Chief Executive Officer, CI Financial

I don't think we can say that, because we don't disclose, but I would say that we're as encouraged now as we were at the end of Q1.

Geoff Kwan, RBC Capital Markets

Okay. The other question I had was, you talked about the 40 institutional mandate wins year-to-date, and you talked about how you kind of see that funding come out in Q2 and Q3, and because you guys report the net sales on a consolidated basis, do you have any colour you can provide directional magnitude on what you think the impact—as it stands right now, like, based on your visibility on the institutional side, what that might mean from a net sales perspective in Q2 and then Q3?

Neal Kerr, President, CI Institutional Asset Management

Geoff, it's Neal here. I would like to say yes, but I can't—we don't know. Often we don't control the funding in that comes through the consultant network for these clients, so the mandates that we've won over the next six to nine months should all fund, but I don't know exactly when that's going to be.

Geoff Kwan, RBC Capital Markets

Okay, so maybe—I'm asking it another way, is net of whatever redemption as you may be aware of the institutional side, are we talking—like, the total magnitude of the six to nine months, are we talking, like, a billion dollars, two billion dollars, something else?

Neal Kerr, President, CI Institutional Asset Management

It will be $700 million to $900 million, something in that range.

Geoff Kwan, RBC Capital Markets

Okay. No, that's helpful because I'm just trying to get ballpark magnitude what we're thinking about here. Okay, no, that's great. Thank you.

Operator

Thank you. The next question is from Graham Ryding from TD Securities. Please go ahead.

Graham Ryding, TD Securities

Yes, thanks for answering that last question. That was one of mine. The other one would just be, you know, the pricing dynamic on this robo-platform that you're going to be launching, could you maybe just give us a little bit of colour on how you're going to position that in terms of pricing and economics for you? Then, in terms of real leverage and profitability for your business, should we just—should we think of it similarly to your existing framework where First Asset and Cambridge products, that's really where the earnings leverage would come from?

Steven Donald, President, Assante

Hi, Graham, it's Steve Donald. I think that's exactly how we would approach it on the robo-platform from a manufacturing or a product perspective. We would see including First Asset, we would see including our existing fund lineup; not a discount to overall retail, because we think that there's opportunity on the administration and service side for pricing competition.

Graham Ryding, TD Securities

Will you have your Cambridge ETFs in there, or your full mutual fund lineup being offered in there?

Steven Donald, President, Assante

We're still going through the process of determining which exact products we'll go to market with, and then over time, I suspect that we would broaden out that product shelf.

Graham Ryding, TD Securities

Got it, okay. Can you give me a bit of context? When I think of your First Asset in your Cambridge ETFs relative to your F-Class mutual funds, how do these MERs compare?

Rohit Mehta, President, First Asset

So, it's Rohit Mehta here. They're a different offering on the Cambridge side for the mutual fund versus the ETF, and they're really fitting into different sort of servicing categories. So there's a pricing difference, and over time we'll see with preferred pricing, etc., that they'll become closer. With the ETF space, we see the bigger tickets that we're receiving and then less administrative and service costs as well, which ties into some of the difference.

Graham Ryding, TD Securities

Okay, and can you give me a range or a ballpark of sort of what the differential is? Are we talking sort of 20 basis points, something like that?

Rohit Mehta, President, First Asset

Depending on the size of ticket, but sort of 25 basis points.

Graham Ryding, TD Securities

Okay, and then maybe a similar question, just when I think about your tiered pricing and your high net worth funds, what is the pricing differential there relative to your—I guess you more standard priced funds?

Steven Donald, President, Assante

So again—Graham it's Steve—those schedules, I believe that they go at the top end $5 million plus tier about 20 basis points below our existing A-Class funds. It varies slightly based on asset class, but more or less tiering to savings of about 20 basis points.

Graham Ryding, TD Securities

Then what if you're $500,000, what would the savings be?

Steven Donald, President, Assante

Between 5 and 10 basis points.

Graham Ryding, TD Securities

Okay, that's helpful. Thank you.

Operator

Thank you. The next question is from Scott Chan. Please go ahead.

Scott Chan, Canaccord Genuity

Hi, good afternoon. Just on the Australian platform, with the year-to-date flows that you disclosed on the retail and institutional side, maybe kind of looking back prior to the acquisition or prior to Q1, what was the trend on both those platforms in terms of flows? Was retail positive or were both platforms positive? Any direction would be helpful.

Peter Anderson, Chief Executive Officer, CI Financial

Yes, sure. The flows … since the company started in 2008 were much more skewed to the institutional side than retail. Today the retail part of the business is growing significantly faster, and that's where we make the most money. I think today the percentage of the assets are at one-third retail, two-thirds institutional, and for us, we'd like to see that flipped. We're quite confident that that's going to happen.

The positive for us is that they—as I said in my notes – have signed on a bunch of new relationships with some firms that they're going to market for in Australia. So, they're going to have much greater breadth of product to offer, both on the institutional side and on retail. So they have a lot of extra capacity they could use with their wholesaling team, so that means it's quite positive.

Scott Chan, Canaccord Genuity

When you talk Cambridge and Signature on that platform, would that be put on the retail platform?

Neal Kerr, President, CI Institutional

Scott, it's Neal here. Depending on the product, could be both. So, we're doing that assessment with GSFM today, and they are engaging with the different asset consultants and rating agencies in their market to help us determine whether it's going to be retail, institutional, or both for either of those teams.

Scott Chan, Canaccord Genuity

Okay, and Peter, just on the dividend, from my recollection, I think this is the first dividend increase in five quarters, or at least over a year, and it was just very modest at 2 percent, but we've had very strong tailwinds in the equity markets and your asset growth has been well over 10 percent. Why just 2 percent in this market, and does that have to do with the amended NCIB that you guys announced earlier this month?

Peter Anderson, Chief Executive Officer, CI Financial

We review how we distribute our cash flow all the time, and I think we're of a belief that a modest increase was fine. But I think we can utilize that cash in a more efficient way for shareholders, I mean, whether it's through share buyback or something else. With the current tax environment, I'm not convinced, and none of us are convinced, that there isn't a better way for us to distribute back again. We did increase the dividend, but we increased it at a much more modest level because we felt that there may be other opportunities for us to use this cash.

Scott Chan, Canaccord Genuity

I guess where CI stock is right now it makes more sense to buy back stock in this market than, I guess, to raise the dividend.

Peter Anderson, Chief Executive Officer, CI Financial

I totally agree with you.

Scott Chan, Canaccord Genuity

Okay, thank you.

Operator

The following question is from Tom MacKinnon from BMO Capital. Please go ahead.

Tom MacKinnon, BMO Capital

Yes, thanks for taking my question. I got on the call just late, so maybe you've addressed this, but the SG&A was a little bit more than we were anticipating, and when I look at it as a percentage of AUM, as you show on your slides, it's the highest level we've seen here in the last several quarters. Obviously, you've got First Asset and Grant Samuel on here as well that have bumped it up, but was there anything else unusual in the quarter, or is this what we can assume to be a normal run rate? What would you guide for 2017 if you had to, still in the 3 percent to 4 percent growth range?

Doug Jamieson, Chief Financial Officer, CI Financial

Hey, Tom, it's Doug. In my comments, I set out that in addition to GSFM and First Asset, we had seasonal increases, compensation, rent, and the like, as well as increases in portfolio management costs as our assets went up. So, it's very seasonal in the first quarter, and so I'd expect much more modest increases through the remainder of the year. I generally don't give specific guidance, but I would say instead of a $5 million increase, we're hoping to keep it to a million dollars or $2 million, at most.

Tom MacKinnon, BMO Capital

Okay, thank you.

Operator

Thank you. The next question is from Graham Ryding from TD Securities. Please go ahead.

Graham Ryding, TD Securities

Could you just give us a little bit of colour around your sales by channel? I know Assante continues to be a strong channel for you, but Sun Life, Edward Jones, IROC, credit unions, those sorts of channels you've highlighted before, can you give us a bit of context of where you're doing well and maybe on a percentage basis what they're representing?

Roy Ratnavel, Executive Vice-President, Retail Sales, CI Investments

It's Roy Ratnavel, National Sales Manager. To answer the question, yes, you're right, the Assante sales is very robust, and so have the Sun Life sales continued to be in a positive trajectory. The biggest change that we had in sales has to be in the IIROC channel, just mainly because of the focused strategy and the focused sales team that we put together in the last six months. It's really paying off. The credit unions also in positive sales this year, and so all-in-all, all channels are moving in the right direction.

Graham Ryding, TD Securities

Sun Life you said positive trajectory. Is it positive, or is it moving in that direction?

Roy Ratnavel, Executive Vice-President, Retail Sales, CI Investments

It's positive.

Graham Ryding, TD Securities

Okay, thanks.

Operator

Thank you. There are no further questions registered. I'll turn the meeting back over Mr. Peter Anderson. Please go ahead.

Peter Anderson, Chief Executive Officer, CI Financial

Thanks, Operator, and thank you very much for everybody for joining us. We're always available for questions if you have any afterwards. If not, we will chat with you at the next call in August. Thanks very much.
