CI FINANCIAL CORP.

FOURTH QUARTER 2019 RESULTS

CONFERENCE CALL

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PRESENTATION

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

Good morning and welcome to the fourth quarter earnings call for CI Financial. I will be joined by Doug Jamieson, our Chief Financial Officer. On slide three is our agenda for today's call. First, I will review the highlights and challenges for the quarter, followed by Doug who will discuss our financial results for the quarter and the fiscal year. After that, I will update you on our sales for the month of January, and on our corporate strategic priorities and select strategic initiatives that are now underway. Then we will take your questions.

We had strong financial results in the fourth quarter with record earnings per share of $0.66 cents. This represents an increase of 10% from the previous quarter, and 16% from the fourth quarter of 2018. This was driven in part by significant reduction in our SG&A expenses as we focus on controlling costs while continuing to invest in new strategic initiatives, and other areas of growth. In fact, our SG&A at $113.8 million was significantly below our target of $120 million. This helped to generate a 16% increase in free cash flow to $168 million.

Our sales remain in net redemptions, but there were some very encouraging developments in the fourth quarter. There was a dramatic change in our Canadian retail net flows which improved by $1 billion over the third quarter and by $1.9 billion over the fourth quarter of 2018. Unfortunately, this was offset by redemptions in the institutional space, which included two large redemptions that we disclosed several months ago in advance of them occurring. We continue to see success in our ETF business, which has had record quarterly gross sales of $1.7 billion. We ended the year with ETF assets of $8.6 billion and have seen continued growth in January. On our last quarterly call, we announced that we will be acquiring WisdomTree Canada's ETF business. This transaction is expected to close next week, and post-close our combined ETF businesses will have over $10 billion in AUM.

Our wealth management businesses, Assante, Stonegate and WealthBar, continue to experience sales in asset growth. We ended the year with record assets under advisement of $49.8 billion. During the quarter, we repurchased $6.9 million of shares worth $142 million, and remain active in buying back shares. The board also declared a quarterly dividend of $0.18 cents per share, with a record date of June 30th. As a reminder, last quarter, the board declared a quarterly dividend of $0.18 cents per share with a record date of March 31.

On our last earnings call, I introduced a new strategic direction for the company. Later in the call I will recap our strategic priorities and discuss the progress we've made in executing that strategy. As part of that I will share additional details on three key initiatives that we have underway.

Now, I'll turn the call over to Doug who will discuss our financial results.

Doug Jamieson, Chief Financial Officer, CI Financial

Thank you, Kurt. CI's fourth quarter average assets under management of $130.9 billion were up 1% from both the third quarter and the fourth quarter last year. Ending assets at $132.1 billion were up 2% over the quarter and up 6% from December 2018. Assets under advisement grew 5% during the quarter and are up 19% from one year ago. This is due to net sales and recruited assets in the Assante channel. Net income of $147.5 million was up 6% from last quarter's $139 million and up 5% year-over-year. Earnings per share of 66 cents was up 6 cents per share from the third quarter and 9 cents per share from one year ago. Free cash flow was up 16% to $168.3 million from $144.7 million last quarter, and up 8% from $156.5 million in the fourth quarter last year. This jump was driven by the increase in earnings and a reversal of future tax provisions recorded in the past two quarters.

CI’s SG&A in the fourth quarter was $113.8 million, down 8% from $123.5 million in the fourth quarter last year and down from $124.6 million last quarter. The asset management segment was down $10 million to $88.7 million compared to the third quarter. This was due to lower compensation expenses, negotiated reductions with vendors, and the reversal of accrued discretionary spend on advertising and promotion. SG&A in the asset administration segment was $25.2 million, down from $26 million last quarter.

Next, we are comparing the level of free cash flow to the amount paid out as dividends and buybacks for the past five quarters.

The level of buybacks moderated to $142 million from $150 million last quarter, but we have now front loaded the purchase of $15.5 million shares out of the $21.7 million normal course issuer bid that runs until mid-June. These shares were purchased at an average cost of $20 per share, and at a price earnings multiple of between eight and nine. CI trades now at around 10 times trailing 12-month earnings and we still see the stock as undervalued.

We expect to acquire the remaining $6 million shares under the issuer bid in the first and second quarters, absent the need to direct cash flow elsewhere or a significant change in CI's valuation. With a reduction in shares outstanding in each quarter, the $0.18 cents of dividends paid has declined from $45 million one year ago to $41 million in this past quarter.

In the fourth quarter, dividends and share buybacks exceeded free cash flow by $14 million. CI's gross debt moved up $35 million during the quarter to $1.6 billion and net debt up $42 million to $1.38 billion.

The increase in annualized EBITDA to $888 million lowered CI's debt to EBITDA ratio to 1.8 times. We anticipate the completion of announced acquisitions and the share repurchase plan will not significantly increase CI's net debt over the next two quarters. I will now hand it back to Kurt.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

Thanks, Doug. This slide shows our preliminary sales results for January. Note that January has historically been a difficult month for net sales for CI due to the fact that RRIF withdrawals and other redemptions are often made at the start of the year, which impacts our large legacy business. Our Canadian retail net redemptions were $366 million, which represents an improvement of $340 million over January of last year. Our Canadian institutional business had $111 million in net redemptions, while our international business had a very strong month with $239 million in net sales. In total, we had $382 million in net redemptions in January, an improvement of $706 million over January of 2019.

We are encouraged by the recent signs of improvement in our sales, and believe that better fund performance, an updated distribution and marketing strategy powered by advanced analytics, and enhancements we've made to our product line-up should generate stronger sales this RSP's season compared to last year's. Given that our new strategy was rolled out just last quarter, I thought it'd be helpful to provide a brief recap of our strategic priorities.

The three strategic priorities are modernizing our asset management business, expanding our wealth management platform, and globalizing our company. These priorities are designed to maintain and extend CI's leadership in the rapidly changing asset and wealth management industries.

This slide shows you a timeline of our key strategic initiatives that we've embarked on since last September and their alignment with our strategic priorities. While all of the initiatives on this page had been disclosed publicly on an individual basis, I thought it'd be helpful to show the extent of the changes collectively on one slide. Keep in mind that while these are our highest profile initiatives, there are many other initiatives underway within CI as we work to transform our business. For example, new product launches and improvements to our operational efficiencies.

Now, I'd like to provide more depth on three initiatives that support our corporate strategy. First, I will discuss our DoubleLine relationship. I'm sure you've heard of DoubleLine and Jeffrey Gundlach, who's one of the world's most influential and successful asset managers and the most well-known bond investor globally. In this exclusive partnership, we will be working with DoubleLine to launch three new income mandates for CI, modelled on funds they offer in the U.S. These include the firm's flagship strategy, the total return bond fund, as well as the income fund, and the core plus fixed income fund.

We expect to launch these mandates in mutual funds and ETF structure within a couple of months. We have received very positive response from advisors following this announcement, and based on the strategies we've chosen, we expect to see strong demand.

The launch of the DoubleLine funds will diversify our line-up and help promote our entire suite of fixed income solutions. We want to be recognized for the strong expertise and the significant presence that we have in fixed income today. Currently CI is one of Canada's largest fixed income managers with about $40 billion in assets under management.

Turning now to our partnership with Doctor Joseph Coughlin. He is the Founder and Director of the MIT AgeLab and the most recognized global expert on aging and longevity.

Dr. Coughlin offers unique research driven insights into how retirement is changing and how this may impact investing in financial planning. This partnership will position CI to become the leading provider of solutions to the retirement marketplace. We will leverage his expertise in research to develop new investment solutions and products, enhance our financial planning services to include aging and longevity planning, and educate advisors and investors on how to best plan for and live well in retirement. This unique partnership and his world-class expertise also help to differentiate CI relative to our competitors.

Lastly, I will discuss our RIA strategy, which is a critical part of our globalization initiative. On our last call, I outlined the reasons for entering the U.S. RIA market and positioning CI as an RIA aggregator.

To briefly recap, the RIA market represents a tremendous opportunity for CI. It accounts for 23% of the U.S. wealth management market and is growing at 18% a year. Because it is highly fragmented, there's great potential to realize economies of scale. In addition, these businesses are profitable and cashflow positive starting in the year of the acquisition.

CI is a strong fit with these businesses because of our existing capabilities in wealth management and our financial strength, which will provide them with stability and capital to accelerate their growth. In addition, this is allowing us to offer robust cross border solutions to our existing Canadian client base.

So far, we've announced the acquisition of majority stakes in two RIAs. Surevest Wealth Management and One Capital Management.

Surevest has offices in Arizona and California, and about $400 million U.S. in assets. It is focused on high net worth clients and has experienced, ambitious leadership. This acquisition has closed recently.

One Capital is based in California and has about $1.7 billion USD in assets. It has excellent capabilities across wealth management with divisions focused on athletes and entertainers, and an existing cross border service offering. This transaction is expected to close next month.

I'm also pleased to announce today that we've signed letters of intent to acquire two additional RIAs in strategic locations in the U.S. I look forward to disclosing more details on these firms in the coming weeks. And with that we'll be pleased to take your questions.

Operator

Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. And we'll take our first question from Jeff Howarth with RBC Capital Markets.

Jeff Howarth, RBC Capital Markets

Good morning. I was thinking about the RIA strategy and how that has the potential to accelerate the net sales turnaround, penetrating the AUA with CI's AUM. But just wanted to get your thoughts in that there's generally a tendency for home country bias to invest in funds of your own country as well as the fiduciary standard. What CI products do you think could candidates to add to the RIA shelf?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

As it relates to the RIA marketplace, there's really two parts to the overall strategy. The first one is to scale the business to an appropriate size to start to think about launching local products. I believe after we've completed the next two acquisitions we have signed letters of intent for, we will be in a position to start to look at local products in that marketplace.

As we think about what we're bringing to market, I would say it's not going to be existing products that we have here, but they will be customized and bespoke products that we would launch for those RIAs, leveraging the capabilities that we have in house today.

So, you're right on the domestic bias. Canadian investors tend to have a heavy invest domestic bias towards Canadian strategies that wouldn't work as well in the U.S. But when you look across our global investment platform and the underlying capabilities that we have, all the building blocks are there to offer customized and bespoke solutions for the RIAs that we're working with today.

Jeff Howarth, RBC Capital Markets

And would the lack of the track records impact, in terms of what you can roll out, or is there another way that you would address any sort of fiduciary questions around new fund launches?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

The way that the most markets work today, particularly in the U.S. with RIAs, and part of the real strength of the business model, is to focus on clients and to focus on financial planning. Clients essentially complete their financial plan and go through the robust planning process with their advisor, and then the advisor is left to choose a series of individual products or building blocks that may or may not fit with that plan specifically.

What we'll be doing is launching customized strategies that are designed to meet the specific outcomes of the financial plans that clients have with their particular advisor. We wouldn't be launching a U.S. large cap equity mutual fund, as an example. There are a lot of choices in that marketplace but think of it as more of an investment solution designed to help that investor meet the outcomes of their plan.

As an example, part of the reason we are so excited with partnering with Dr. Coughlin from MIT is because of his unique perspectives on retirement, aging, and longevity. We'll be using those insights to not only enhance our planning process, but then also to be more thoughtful about how we're delivering retirement outcomes to investors. We would use those insights to help build products.

So, when you think about it in that context, the track record isn't necessarily as important. We will have underlying track records in each of the building blocks and the components that make up the fund, but the fund itself will be new and bespoke, or the strategy itself will be new and bespoke to the investor.

Jeff Howarth, RBC Capital Markets

Got it. Second question was on the SG&A doing better than what may have expected, or what you were looking for. Was the full impact of those expense reductions in the run rate that we saw in Q4, so there's going to be some incremental benefit that we'll see in Q1-20, and if so, any guidance for SG&A on 2020.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

If you unpack the SG&A, savings mainly came from the asset management business, as you heard from Doug. It was primarily driven by three things: some renegotiating and repricing vendor relationships, some restructuring that we had done internally, and then compensation impacts.

I think it was important for us to right size the cost space to reflect the rapidly changing marketplace that we're in today. Looking forward, I think we're going to continue to realize operational efficiencies through our productivity transformation currently underway.

We're also going to be using some of the savings to be more offensive strategically as we execute against our three corporate strategic priorities.

I would say we realized part of the savings in advance of making the investments, and now you'll see us continuing to push productivity while we invest in growth of our business.

Jeff Howarth, RBC Capital Markets

And, do you have any sort of outlook or guidance crystal ball for 2020, what's the SG&A might look like?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

No crystal ball, but I would say the guidance that we've provided to you historically is probably an appropriate range to think about it.

Jeff Howarth, RBC Capital Markets

Okay. Thank you.

Operator

Next we have Gary Ho, Desjardins.

Gary Ho, Desjardins Capital

Thanks. Just continuing with that SG&A theme, maybe I can ask it the other way. So, you mentioned there's a few kinds of investment opportunities in fiscal '20 for your new strategy. Can you lay out kind of what those or maybe the bigger ticket items are and kind of walk us through the timing of that as well?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

Sure. Since rolling out the new strategic priorities, we're trying map everything we do back to at least one, if not more, of those overall priorities. So, whether it's M&A, whether it's new product launches, whether it's platform enhancements, everything should map back to the overall strategic priority as we look to really advance and progress and differentiate ourselves relative to our competitors.

I would say Gary, given the nature of our business, there's nothing that would require a significant financial investment outside the realm of what you've seen historically. It's obviously a capital-light business as well, so I'd say we're continuing to make progress against each of these different priorities and to use the guidance we've given in the past as an appropriate range. Anything more meaningful than that, we would provide an update as we start down that path.

I think we've demonstrated since we've launched that strategy that we can do a lot with a little amount of cash flow and a lot of creativity, and we'll keep doing that as we progress going forward.

Gary Ho, Desjardins Capital

And so just to clarify the previous guidance you talked about that $120, is that what you're thinking and looking out for 2020 on a quarterly basis?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

It's probably in the range of that. I think there's really two things at work – one is our ability to achieve the savings from the productivity transformation, and then the timing by which we make some investments strategically. What we wanted to do was first, right size the cost base, get below the $120 million.

Now it'll be a combination of strategically investing, but also realizing savings as the productivity transformation takes a little bit longer to take shape.

I'd say in that range is a reasonable way to think of it.

Gary Ho, Desjardins Capital

Got it. Okay. And then switching gears, maybe we talk about the institutional business a bit. I'm thinking you guys have roughly $15 billion or so in AUM. You know, we saw the $1.4, $1.5 billion outflow this quarter. And when I look back, I think for the full year of 2019, the number was $2.4 billion.

Kurt, just wondering how you think about the institutional business. My understanding is it's a bit of a different animal. You need different sales distribution team kind of just dealing with the consultants, etcetera. Just want your thoughts on that please.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

Absolutely. We are in the process, as part of this overall transformation on modernizing our asset management business, of leaning into our institutional capabilities. As you mentioned Gary, we had some redemptions in 2019 most of it was driven by firms internalizing those mandates. What we're looking to do now is to really build out a modern institutional distribution strategy. Combination of targeting asset consultants, which not only benefit you in Canada, but also benefit you globally, given all those capabilities, funds, and products are screened, but then we'll be selectively adding to our institutional distribution team as well.

I'm very optimistic over time about our prospects, about being successful in the institutional marketplace. I think it will require us to refresh some things which we currently have underway, but over the medium and long-term I'm very excited about the prospects there.

Gary Ho, Desjardins Capital

Great. And then, just the last one from me, the net management fee declined roughly one basis point sequentially, now a bit of a bigger decline than I had expected. Is there anything to call out in the quarter, what drove that shift and how should we think about the evolution over the next coming year?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

That was primarily, if not entirely, driven by mix shift. It was just what investors were choosing to purchase from us. As you know, depending on market cycles, market conditions, as investors take on more risk or reduce risk, you should see our management fee flex up and down a little bit based on that. I would say it depends on the market conditions and then how people are choosing to put their cash to work.

Gary Ho, Desjardins Capital

So, the previous kind of guidance, roughly two to three basis points, that still holds over the course of a year.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

Yes.

Gary Ho, Desjardins Capital

Okay. Great. Thank you.

Operator

We'll go next to Graham Ryding with TD securities.

Graham Ryding, TD Securities

Hi, good morning. Can I start with the new fixed income manager that you're doing a partnership with, how do you position that manager with your existing fixed income sort of line-up and management teams? Is there any over-lap there?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

The way we see it, given the mandates that we've chosen and the partnership that we struck with DoubleLine, it's highly complementary to what we're doing in fixed income today. One of the things that surprised me when I look within our organization, we have phenomenal fixed income capabilities and manage over $40 billion in the asset class today. The market perception of us in the fixed income isn't as great as our size. So, you'd almost want to be opposite to that – you want your brand to be bigger than your capabilities.

In our case, our capabilities in fixed income far exceed our brand awareness. Part of the reason for the partnership with DoubleLine and Jeffrey was to create awareness of CI as a market leader in this space which we are today.

The second reason was he's an absolutely world-class investor and the best-known bond investor, so it'll help to create awareness and also complement what we're doing with his specific strategies. We see it internally as all additive to what we're doing today.

The other important piece as we try to be the most consumer-centric asset and wealth management company, we're trying to make sure that we're bringing strategies to market that are available in a variety of different structures for how people want to invest. So, the plan is to simultaneously launch them in both mutual funds and ETFs, which you'll see us doing a lot more of across fixed income in the rest of our product line-up.

Graham Ryding, TD Securities

Makes sense. My second question would just be the U.S. RIA market. Your comment around it's fragmented and there's opportunity for economies of scale. Can you elaborate on that a little bit? You know, how do you actually integrate wealth management and offices that are in perhaps different locations in different states in the U.S. and where did the economies from scale actually come from?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

Sure. On the fragmentation piece, about 90% of all RIAs in the U.S. have no, call it corporate owner, or major platform backing or supporting them. Relative to what you would see in the traditional wealth management space, it’s incredibly, incredibly fragmented, which creates a lot of opportunities for us to grow. As we think about the economies of scale, and this is part of what makes us such a unique buyer, and part of the reason we've been able to move so quickly in the space relative to other firms that are looking at it. We really have four different synergy opportunities that are very appealing to RIAs that help to drive our economies of scale.

The first is asset and licensing-based synergies. The larger you get, the cheaper things get, right. So, whether it's custody fees, software licenses and things like that. without essentially doing anything, it's a matter of just acquiring them and moving those relationships from the RIA up to the parents. Things get cheaper for them which is the first cost synergy.

The second piece is as you look across the different RIAs, all of these are individual businesses today. They have to do their own HR, and legal, and payroll, and admin, and benefits, and things like that – think of the total suite of corporate services.

As soon as we complete an integration, we have the ability to essentially offload those services onto us and realize some efficiencies there as well.

So, you have the asset and licensing-based synergies, then you also have the corporate services synergies. Where we really start to differentiate ourselves relative to everybody else is we have the ability to provide expertise in both asset allocation and investment management.

With these firms, some of the corporate services are responsible for doing their own asset allocation, manager due diligence, manager selection and things like that. Upon acquisition, they can either outsource that to us, or partner with us for that, so whether it's cost savings in the short-term or cost avoidance in the long-term, that's certainly something that's interesting to them as well.

Then the fourth synergy we get, where we're the only firm that gets this synergy, is cross border. If you look at our wealth management businesses in Canada today, we're the primary financial advisor for over 300,000 Canadian families. Most of those families are mass affluent, high net worth or ultra-high net worth, and at or near retirement age.

Most Canadians that fit that profile spend a significant amount of their time in the U.S., and what we found is that for our high net worth and ultra-high net worth clients, they actually have fragmented advisor relationships. They have their Canadian money in Canada, and they have separate advisor relationships in the U.S.

Now that we've acquired these two firms in the U.S., plus specifically One Capital in this instance, which has a great cross border capability and service today, we'll be able to service clients north and south of the border, and keep a larger share of their wealth than what we've had historically.

So, to recap four synergies: have the asset and licensing synergies, you have the corporate services synergies, you have the asset allocation and asset management synergies, and lastly, we have the cross-border opportunity as well. All four of those generate economies of scale for us.

Graham Ryding, TD Securities

Great. I appreciate the thorough answer. My last quick question if I could, lots of acquisitions that are closing in Q1, can you give us an update of how much capital you're deploying or and how you're going to fund it?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

We won't speak specifically about the financials of the acquisitions because they're not material, but what I would tell you is if you look forward the next couple of quarters, we have enough cash flow to complete all the acquisitions we've announced, all the letters of intents that we have signed, pay our dividend, and complete the remaining buyback. So, I'd say we're in very good shape. But that should give you a sense for, you know, kind of in total how much these are costing.

Graham Ryding, TD Securities

Perfect. That's all from me. Thanks.

Operator

And we'll go next to Scott Chan with Canaccord Genuity.

Scott Chan, Canaccord Genuity

Good morning. Kurt, so you talked about the two additional LOI's in the US market. Maybe you can talk about the pipeline you're seeing right now in terms of continuing to grow that wealth management in the platform.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

We have the two LOI's signed and I'm hoping to be able to announce those in the next couple of weeks. Two things that are really exciting for us at this point.

When we announced the first two transactions, we were starting from essentially a standstill – we now have momentum in the space. The marketplace has responded incredibly favourably to us and there's been a lot of local media in the U.S., particularly around the RIA marketplace, about CI entering. Our pipeline is a combination of us being very proactive. We're taking a similar approach to targeting RIAs through our advanced analytics and wholesaling effort in data.

We've acquired databases and we're doing some targeted marketing efforts there to create awareness. We're also starting to realize and receive some inbound calls. As we continue to do acquisitions, it reinforces the strategy and the value proposition and gives RIAs confidence that we're a natural buyer in this space. Over the last few weeks we've really seen the inbound pipeline increase, which is quite exciting as well.

The third piece, which is maybe the most exciting as you look at the firms that we're acquiring and one of the benefits of the strategy, is we're an acquirer ourselves, but also, we're capitalizing the firms to make other acquisitions as well.

As you look at the firms we've either announced or ones we're about to announce, we're already starting to partner with them on acquisitions of their own. So that'll take on a life of its own very quickly and there'll be another great source of leads for us I'm hopeful that the pipeline remains strong and we're being incredibly selective with who we're partnering with. We're looking for RIAs with very dynamic management teams with above-average growth rates, great capabilities, in a strategically important or unique locations for us.

Scott Chan, Canaccord Genuity

These RIAs that you're pursuing, will there typically be a competitive process for these entrepreneurs to exit, or one-offs in just dealing with CI in terms of discussions?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

It's both. Most of what we've done so far has been very targeted acquisitions and outreach. We have been included in competitive processes, and I think we show incredibly well there, given that very unique synergy profile that I just mentioned a few moments ago. I think we'll be competitive either way.

Today, given how specific we are about who we're acquiring and the capabilities that we're looking for, it's been more selection on our side. Once we have the initial infrastructure built with these really high-quality teams in the important locations, it'll be easier for us to do tuck-ins to those businesses, which then we'll probably be more active in the competitive processes as firms look to hire an advisor and sell their book

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Scott Chan, Canaccord Genuity

On the international side or Australia, just kind of noticing, , positive net sales quarter-over-quarter, now that you've bought that Redpoint, perhaps an update on that platform and where you see it going.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

The Australia market in and of itself is a very attractive market. The challenge for us has been growing and scaling the market, given it's small in size relative to our business more broadly. I would say we have a great team in place on the ground in Australia with phenomenal relationships and I think they're starting to see the power of combining what they're doing with our asset management and investment management expertise. So, we're optimistic about continued growth in the platform.

We've been pleased to see an uptick in our flows in the region and I can say for what it's worth, activity remains very, very strong. There's a lot of demand for us to be in the region with our investment professionals having conversations.

So, if that's a sign of things to come, hopefully the momentum continues

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Scott Chan, Canaccord Genuity

And just a look at capital priorities out beyond June when your NCIB expires. Any early thoughts on continuing that aggressive buybacks like you'd like CI has done over the past years?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

When I think about the buyback our approach has been opportunistic and we've been looking to take advantage of the low multiple that we have relative to our competitors.

Take the fourth quarter as an example; our approach worked out incredibly well for the investors that continued to be shareholders of CI. As you heard from Doug earlier, our average cost was around $20 a share to buy back the shares and we're in the marketplace above $24 now.

So, I'd say as long as we see a disconnect between our multiple and the multiples of our competitors, that we don't feel is warranted, you'll continue to see us actively buying back shares in the market.

Scott Chan, Canaccord Genuity

Great, Thank you very much.

Operator

Our next question from Tom Mackinnon with BMO Capital.

Tom MacKinnon, BMO Capital

Thanks very much. I got on the call late, so I'm not sure if you gave any SG&A guide for 2020?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

We did not give any SG&A guidance for 2020, but to recap when you look at our SG&A (reduction) for the fourth quarter it came from three different places:

- renegotiating and repricing vendor relationships,
- some corporate restructuring,
- and some compensation.

We wanted to get in front and right size the cost base in our asset management business to reflect the rapidly changing market. As we move forward, I would say it's going to be a combination of strategically investing against the priorities, but also continuing down this productivity transformation that we have. I would say the range that we had quoted before is probably a reasonable range for you to think about going forward as we blend productivity, transformation, and some strategic investments.

Tom MacKinnon, BMO Capital

When you talked about your multiple relative to competitors, are those competitors banks, are those competitors a couple of the other independents, we've got some varying degrees of competitors and multiples. So yeah, can you share any colour with respect to that?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

Sure. The first lens I look at is our domestic competitors, which I would define as other asset managers. And then I look at the marketplace globally, the profile, the business mix that we have, and the cash flow that our business generates relative to firms in our industry in different markets as well that are trading at different multiples. First, domestically asset management competitors and then second globally.

Tom MacKinnon, BMO Capital

Okay. You've got some diversion and global competitors in terms of multiples as well. You've got some that do really well and some that don't. How do you make your comparison when you look at your global competitors?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

There's a lot of different global firms with different profiles. If you're looking for the easiest or the quickest comparison, there is a multiple differential between us and our domestic competitors. That's probably the first place to start.

And then I would say it's firms that are global that have a similar business mix and similar cash flow to us.

Tom MacKinnon, BMO Capital

Thanks. And then the last one is if you can give us some colour with respect to the rebound in the Canadian retail flows. Is it better penetration in the IIROC channel? Is it a better product? You know, how broad based is this? Is it sustainable?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

I don't give guidance going forward on flows, but what I would say is if you look at the trend line over the last several months, you've seen some very considerable improvements. The improvements have come from everywhere. They've come from the IIROC channel, they've come from the MFDA channel, they've come from other pockets of strategic relationships that we have in the market as well. I'd say it's a combination of improved investment performance, us strengthening and evolving our product line, and us being very active with things like

DoubleLine, with Dr. Joe Coughlin and things that can really push the envelope.

Also our new distribution strategy. We are officially rolling out our machine learning model and our advanced analytics program in March, but we've been beta testing it for a while and we've seen some very good early results in terms of our ability to get in front of people in advance of them either buying or selling and changing, shaping that conversation.

The other thing you'll see us do a lot of, which gives me a lot of great confidence, is we're really going to be leaning into digital in marketing, and really making an effort to continue to get in front of as many investors as possible there as well. I'd say it's really a combination across the board and not attributable to a segment or profile.

Tom MacKinnon, BMO Capital

Okay. Thanks for that.

Operator

And we'll take a follow-up question from Geoffrey Kwan with RBC Capital Markets.

Geoffrey Kwan, RBC Capital Markets

On RSP season, I know you mentioned your expectation of I guess, improvement year-over-year, but just wondering your take just broadly speaking of what you're seeing in the industry around this year's RSP season? Just, you know, one of your competitors that seem to have more muted expectations around what they thought the industry was going to be able to do this year.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

I try not to guess in terms of where the industry is going to go. What I would say is that when you look at how well prepared we are to capitalize on the RSP flows, I would say improved investment performance, the distribution strategy, plus a new suite of innovative products, to be very offensive. Part of our ability to grow is dependent on the industry, the other part is on taking share from others in the marketplace. I feel like part of our improvement has been us taking back share from our competitors and I think you'll continue to see us do that as we evolve our strategy, launch new products, and really kind of push the organization forward.

Geoffrey Kwan, RBC Capital Markets

Okay. And then just more from a modelling perspective on the RIA strategy, will we eventually get, I guess some numbers around, you know, ownership stakes of the various RIAs that you're acquiring, the capital that you've, used to make those investments. But as a separate one too, do you have any sort of guidance or thoughts on how to model out like the revenue per dollar of AUA?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

In terms of guidance, what I would say is that as we complete the next couple of acquisitions, so we've only closed one so far. What I wanted to do is get a couple more done, show you what the platform's going to look like, and I'll provide a lot more detail at that time.

In terms of the economics – and Geoff, we can take more of this offline – but just at a very high level, the way to think of it as the average fee capture for an RIA is give or take a hundred basis points for the cost of financial planning and client service on the revenue line.

The cost of investment management is passed through at cost for whatever those underlying asset management firms are providing.

The real big difference between once you're looking at it from a financial perspective, from an RIA, from a traditional independent is, an independent advisor is taking a commission, and typically a very large one off the top line, where an RIA is allocating bonuses off the bottom line performance. So, you can think of it as a hundred basis points in the door relative to and from an AUM perspective and then essentially that business model ensures profitability by paying it a bonus on the bottom line as opposed to two on the top line.

I'll provide more guidance in the coming months, maybe next quarter, maybe the quarter after, depending on how quickly these close. And then some of the detailed modelling I'm happy to take offline with you and go through it.

Geoffrey Kwan, RBC Capital Markets

Would you be able to clarify, because you talked about it in the past, from an accounting perspective, would that be showing the 100 basis points or would there be a gross-up and then there's just, to the point there's that pass through. There'll be either a net number off the revenue that gets recorded separately or it's going through an expense line.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

I'm not sure I fully understand the question … if you're looking at how we're reporting our U.S. wealth management segment, we're in the process of taking a look at that. It's not material at this point, but we will give guidance in the future.

Geoffrey Kwan, RBC Capital Markets

Okay. Thank you.

Operator

At this time and we'll take a follow-up question from Graham Ryding with TD securities.

Graham Ryding, TD Securities

I'm just interested in your comments around the revised distribution strategy for your asset management business. Is there something you can elaborate on and exactly what the key changes are?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

Last quarter I had announced that we had started down the path of building an advanced analytics machine learning model to help us segment the entire Canadian universe of financial advisors. Essentially, we started that project in October and we're finishing it in the next couple of weeks. The output will be a stack ranking of all Canadian advisors that exist in the database, which is essentially exhaustive of the marketplace. It'll rank them from most attractive opportunity for us to least attractive opportunity and it will identify the source of the attractiveness. Is this a new sale or an asset retention opportunity? It will then tell us or give us guidance in terms of what specifically that advisor might be interested in. Whether it's a specific product, a specific solution or something practice management related. It'll give us guidance in terms of how to best engage with that advisor given historical behaviour.

That essentially will be a machine learning model with three different predictive elements; who we talk to, what do we talk to them about, and how do we talk to them. If you're an Amazon or a Netflix user, they have machine learning models centred around one predictive element, which is what to buy. Because you've done this in the past, because people with similar behaviours or profiles who have done this in the past, here's some things you should do in the future. We've powered that database with inputs from our sales team captured via SalesForce, all of our marketing efforts and third party demographic information.

That model will update or be refreshed on a monthly basis, which is the machine learning component. It takes a look at all the different elements that have occurred over the month. Have we engaged with them in person, have they visited our website, have we sent them an email, have they come to a conference? And we see how they respond to different things and then it refreshes and repopulates that database. Once that's done, which is very close to being done, that will power how we think about sales coverage, client coverage, territory mapping but also marketing. It allows us to be a lot more aggressive and offensive in digital marketing, which we don't do a lot of today. We'll really be ramping up those efforts, but we'll be doing it from a very informed starting point given all the data and the insights that we have captured.

I believe we will be the first and only firm in Canada using capabilities like this. In my previous role, we were the first firm globally to do it and we realized great results there and I'm very optimistic that we will have similar experience here at CI.

Graham Ryding, TD Securities

Okay. I appreciate the colour. Have you adjusted the size of your wholesale team at all?

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

We have tweaked the size and the coverage model of our wholesale team a little bit. I think that we still obviously have broad cross country coverage, but also supported by expertise and specialists, whether they're ETF specialists, asset class specialists or product specialists.

We’re also leaning into national accounts s the platform buying process has evolved quite a bit in the marketplace, and as I touched on earlier, we will be evolving our institutional strategy as well.

Graham Ryding, TD Securities

Thank you.

Operator

It appears there are no further questions at this time. Mr. MacAlpine, I'll turn the conference back to you for any additional or closing remarks.

Kurt MacAlpine, Chief Executive Officer and Director, CI Financial

I want to say thank you all for joining our call and I look forward to connecting with you next quarter. Thank you.