



24 February 2021

IOOF 1H21 financial results

Transformation delivers scale, strength and economic diversity

IOOF Holdings Ltd (IOOF) 1H21 result overview

- Underlying net profit after tax (UNPAT) from continuing operations \$65.9 million for the six months ended 31 December 2020 (1H21), up 17% compared to the prior comparative period (pcp)
- Gross margin \$349.3 million, up 41% vs pcp
 - Six month P&I contribution to gross margin of \$125.3 million
- Statutory net profit after tax (NPAT) from continuing operations \$54.4 million, up 96% vs pcp Total closing funds under management, administration and advice (FUMA) \$202.4 billion, up 39% compared to pcp and average FUMA \$204.3 billion up 43% compared to pcp
- Fully franked interim dividends of 11.5 cents per share with ordinary dividend of 8.0 cents per share within target 60-90% dividend payout range:
 - 8.0 cents per share interim ordinary dividend
 - 3.5 cents per share special dividend

Comments from IOOF Chief Executive Officer, Mr Renato Mota:

“This is a solid result. We grew FUMA, increased underlying profit, and achieved a significant uplift in gross margin.

“Importantly, we declared a special dividend, as well as a fully franked interim dividend, bringing the total dividend payout for the half to 11.5 cents per share.

“At IOOF, we have always focused on returns to shareholders, and this continues even as we invest for future growth.

“We have a very clear strategy for growth. It centres on scale, economic diversity, and developing end-to-end client relationships.

“This strategy responds to both the changing market dynamics and client end-to-end life stage opportunities.

“Our strategic direction is bolstered by our targeted acquisitions of P&I and MLC; the overhaul of our advice model, and simplification of our platform offerings.

“In advice, our focus is on sustainability, accessibility, and affordability, with technology as the enabler of this strategy.

“In platforms, our shift to one proprietary platform provides the benefits of efficiency, scalability while offering choice through open architecture.”

Key Points

- IOOF delivered a strong uplift in underlying profit from continuing operations, up 17% to \$65.9 million, despite the impacts from early access to superannuation withdrawals and the continued effects of the COVID-19 pandemic on the economy and client sentiment.
- Gross margin improvement: up 41% to \$349.3 million compared to pcp.
- The full six-month ownership of P&I contributed \$125.3 million of gross margin.
- Proprietary technology delivered significant inflows into the flagship advised platforms with strong organic growth reaching \$785 million net inflows.
- Payments made under the Early Release of Superannuation scheme from 1 July 2020 to 31 December 2020 totaled \$699 million.
- Scale and economic diversity delivered a 39% uplift in closing FUMA to \$202.4 billion, which included a \$15.3 billion market contribution.
- IOOF has not participated in the Jobkeeper scheme.

Advice 2.0

Mr Mota commented: “We commenced the implementation of Advice 2.0 in September which will deliver a step change in the quality and affordability of advice and construct a sustainable long-term advice model.”

IOOF remains on track to deliver on its synergy targets and key milestones with:

- The first tranche of annualised savings expected to be \$10m in 2H21.
- Breakeven self-employed advice by FY23 reaffirmed.
- Wealth Central, acquired September 2020 now utilised by 358 advisers.

Mr Mota, said: “The transformation has created a better IOOF, which remains committed to supporting advisers and their clients through unmatched technologies, choice and life stage strategies. Our extended scale and reach, along with our Advice 2.0 model, enable us to develop end-to-end client opportunities which are highly valued by advisers partnering with IOOF to support their business needs.”

Evolve

Evolve based products performed well during the half with significant net inflows seen in flagship advised offerings. The proprietary Evolve platforms are administering over \$14 billion in FUAdmin and the Managed Accounts solution, MPS surpassed \$1 billion in FUAdmin.

IOOF simplified the Cash Management Trust administration in support of better returns to clients.

Mr Mota said: “At a time where the retail industry continues to experience significant outflows, we saw organic growth delivered as a result of the simplification of our technology. We remain on track to complete the consolidation of the Evolve21 platform by 31 December 2021.

“We agreed with BT to the terms for unwinding the current arrangements and continue to work with other providers in support of our open architecture approach that enables choice for our clients.

“We entered a new arrangement with HUB24 to act as a platform administration and custody provider for IOOF. As part of the arrangement, we will collaborate to develop a range of solutions including private label super and investment products with IOOF entities to be the responsible governing entities.”

P&I integration and MLC completion

IOOF significantly progressed its integration activities delivering an additional \$5.9 million in synergies; \$20 million annualised, bringing the total annualised synergies achieved to date to \$38 million. The company is on track to achieve our annualised \$43 million target by 30 June 2021.

Mr Mota said: “The MLC acquisition is proceeding well and remains on track for completion by its stated estimated date of prior to 30 June 2021. We are confident the combination of IOOF and MLC will contribute to the creation of a bigger and better IOOF that brings scale, diversity and growth opportunities through the wide-ranging capabilities and technical expertise that offer unmatched choice, accessibility, affordability and improved client outcomes.”

Transformation

Mr Mota commented: “Our transformation strategy to deliver benefits from scale, diversity and growth is linked to key sector trends, structural demographic changes, and continued industry disruption.

“We began this journey in 2019 and the pace over the last year has accelerated. During the half we have commenced the implementation of Advice 2.0 which will construct a sustainable long-term advice model.

“We have also simplified and restructured our proprietary Evolve platforms, ceased our relationship with BT and launched new arrangements with HUB24 and simplified our Investment Management through outsourcing our Cash Management Trust administration.”

These transformation initiatives were the primary contributors to the \$4.1 billion in net outflows.

Remediation provisions and Advice liabilities

There has been no increase to IOOF’s total advice remediation provisions. IOOF has made significant progress in relation to the review and has paid out \$9.3 million during the half, with \$5.3 million in program costs incurred.

The total advice remediation provision relating to the ex-ANZ ALs increased by \$13.7 million due to additional interest applied. This remains within the remediation cap and is offset by a corresponding increase in an equivalent receivable from ANZ.

Mr Mota commented: “We continued to reinforce our strong governance foundations focused on rollout and remediation. We completed the advice standards harmonisation across all our advice groups. We also progressed at pace the targeted adviser remediation program which remains on track for completion by 31 August 2021. This positions IOOF well to substantially complete IOOF’s remediation program by FY22.”

FY21 outlook

Mr Mota said, “Off the back of the re-emergence of economic growth and fiscally induced economic resilience, we expect a robust business outlook for the wealth management sector.

“IOOF remains well positioned to deliver on all synergy targets and key milestones for FY21.”

Mr Mota added that there were clear and achievable priorities for the next half ended 30 June 2021 including:

- Achieve \$10 million of annualised savings per annum through Advice 2.0.
- Deliver key milestones for Evolve21.
- Deliver \$43 million in annualised P&I synergies.
- Complete MLC acquisition.
- Commence work on achieving \$65-\$80 million synergies from MLC acquisition in first 12 months ownership post completion.”

Mr Mota concluded: “Longer-term, we continue to see significant changes in the market as the ageing population increasingly looks for wealth management advice, and retirement and post retirement solutions to address their complex needs.

“This combined with increasing per capita wealth and ongoing disruption in the industry to meet emerging societal and technological needs, offers good opportunities for IOOF.

“IOOF continues its transformation to be able to deliver end-to-end client relationships and offer unmatched choice and accessibility of quality financial advisory and wealth management services in response to these changes and needs.”

Webcast details

IOOF will present in relation to its 2021 half year financial results today at 10:30am AEDT. The webcast of the results announcement will be available live at: <https://webcast.boardroom.media/ioof-holdings-limited/20210223/NaN6018c9f71e241a001970cb2b>

To obtain teleconference details to participate in Q&A, please register at <https://www.speakservecloud.com/register-for-call/75dd2dbe-8bfc-461a-ab60-288501ee6674>

If you wish to view the presentation live via the webcast it is recommended that you log in to register 10 to 15 minutes prior to start time.

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This announcement was approved for release by the Board of IOOF Holdings Ltd.

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About IOOF Holdings Ltd

IOOF has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

IOOF provides advisers and their clients with the following services:

- **Financial Advice** services via our extensive network of financial advisers;
- **Portfolio & Estate Administration** for advisers, their clients and hundreds of employers in Australia; and
- **Investment Management** products that are designed to suit any investor's needs.

Further information about IOOF can be found at www.ioof.com.au