



18 February 2020

IOOF 1H20 Financial Result: Resilient organic growth and transformative opportunities

IOOF Holdings Ltd (IOOF) 1H20 result overview:

- Statutory NPAT of \$115.0 million
- FUMA up 5.2 per cent to \$145.7 billion
- UNPAT from continuing operations of \$56.6 million, in line with guidance
- \$1.4 billion in total net inflows
- Cost to income ratio of 57.8 per cent, up 12.1 per cent on 1H19, reflecting increased governance costs and impacts from legislative changes
- Completed acquisition of ANZ Pensions and Investments (P&I) for re-negotiated sale price of \$825 million, a reduction of \$125 million
- Fully franked interim dividend of 16 cents per share

IOOF Chief Executive Officer, Renato Mota, commented, “The result for the half reflects the recent focus in reshaping the business to be ‘fit for purpose’ for the opportunities ahead. It heralds a new era for IOOF with the acquisition of P&I, providing scale, economic diversification and business strength to deliver better long-term outcomes for our clients, members, advisers and shareholders.

“While funds under management, advice and administration (FUMA) was up 5.2 per cent to \$145.7 billion, earnings for the half were impacted by divestments; the reduced economic interest from the ANZ P&I coupon; an uplift in costs associated with governance and continued competitive pricing pressure.”

Statutory net profit after tax was \$115.0 million and underlying net profit after tax (UNPAT) from continuing operations was \$56.6 million, which was in line with guidance.

Mr Mota commented, “We saw continued organic growth with strong net inflows of \$1.4 billion, with net inflows during the second quarter of 1H20 being the highest since the June 2018 quarter. Portfolio & Estate Administration recorded net inflows of \$756 million and Advice \$985 million for the half. This is contrary to the retail industry trend of continued and significant outflows. I believe this reflects the competitiveness and appeal of IOOF’s proposition in market.”

A fully franked interim dividend of 16 cents per share was declared. The reduction in the dividend compared to prior corresponding period (pcp) primarily reflects the reduced pre-tax coupon interest in the period of \$8.2 million compared to \$28.9 million, pcp.

P&I acquisition provides the benefits of scale and reach

The results also highlighted the recently completed purchase of the P&I business at a renegotiated sale price of \$825 million, a reduction of \$125 million. Mr Mota said, “We believe in the importance of supporting our communities with high quality and affordable financial solutions. The acquisition of the P&I business is a step-change in scale with \$48.2 billion in funds under administration. This increased size and scale improves our ability to invest in and deliver market leading solutions, delivering more value to clients.”

IOOF announced revised cost synergies of \$68 million pre-tax per annum, compared to the previously announced \$65 million pre-tax per annum. Cost synergies are expected to be realised in full from 1 July 2023.

The acquisition is expected to deliver significant earnings per share (EPS) accretion in excess of that disclosed at the time of the initial announcement of the transaction.

Business highlights

Adding to IOOF’s extended scale and reach, eleven new advice practices joined the Advice business in the second quarter of FY20, which saw the Advice channel increase FUMA by \$985 million to \$76.6 billion.

Mr Mota commented, “It is really encouraging to see we are having continued success in attracting quality advisers committed to our purpose, our advice-led model and our open-architecture philosophy.

“This recognises the value advisers see in partnering with a well-resourced, advice-led organisation, in support of their own business needs.”

IOOF is now the second largest advice business with 1,443 advisers and the fifth largest platform provider by FUAdmin.

The new, ‘future fit for purpose’ IOOF takes shape

During the half, the company has embarked on a transformation program to focus, simplify and grow the new IOOF. This program is underpinned by IOOF’s purpose driven culture and governance.

Mr Mota said, “We are building long-term scale benefits in our business and we are committed to the reinvention of advice. ClientFirst remains a competitive advantage as we continue delivering service excellence through a simpler and more cost-effective business model.”

The key elements of the transformation program will be:

- P&I integration: Focused on satisfying client needs while lowering the cost to serve, broadening reach and deepening relationships
- Evolve 21: Simplifying the platform suite down to one contemporary platform
- Advice 2.0: Deliver more accessible and cost-effective financial advice and ensure the financial advice segment is economically viable on a standalone basis



Advice review

IOOF is continuing its review of advice to clients. Having announced a provision in August 2019 of \$223 million, further sampling and investigation has reaffirmed the appropriateness of this original estimate.

In addition, during the period, IOOF established an advice remediation capability in conjunction with Deloitte, ensuring any client detriment is dealt with appropriately and as swiftly as possible. IOOF expects payments to clients to commence by 30 June 2020.

People and culture

Following on from his appointment as CEO in June 2019, Mr Mota has led the change program to re-shape the business and recalibrate the organisational capability and culture.

Mr Mota said, “The right leadership and organisational structure are fundamental to our future growth strategy as we transform the business and look to capitalise on the rapidly evolving opportunity set post the P&I acquisition.”

Mr David Chalmers has been appointed Chief Financial Officer; Mr Lawrence Hastings, Chief Legal Officer; Ms Adrianna Bisogni, Group Company Secretary and Ms Melissa Walls, Chief People Officer.

Outlook

Mr Mota said, “The P&I acquisition has been three years in the making and I am confident that it is right for IOOF, our members, our clients, our advisers and our shareholders.

“We are an advice-led business and believe in the value of advice. IOOF is now a more significant business with the addition of P&I, improving our scale and reach and providing transformational opportunities.

“We see significant financial benefits from the step-change in scale and the synergy opportunities, supporting our ability to lower the longer-term cost base of the combined businesses while allowing for continued reinvestment.

“As we look to the future, we see changing demographics which are compelling, and at the same time changing industry dynamics where scale and diversity will be important in delivering the outcomes that members, clients and shareholders demand.

“We have listened to our stakeholders. We have uplifted our governance and have a clear strategy to transform the business for the benefit of all our stakeholders.”

-ENDS-



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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 and stockbrokers.
- **Portfolio Management and Administration** for advisers, their clients and hundreds of employers in Australia.
- **Investment Management** products that are designed to suit any investor's needs.

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

