



30 July 2020

IOOF Q4 2020 FUMA and FY20 business and remediation update

Resilient business model - FUMA grows to over \$200 billion

Q4 FY20 FUMA update

Funds Under Management, Advice and Administration (FUMA) grew to \$202.3 billion, an increase of \$6.7 billion or 3.4%, for the quarter to 30 June 2020

- **Financial Advice:** \$93 million net outflows (prior comparative period (pcp): \$853 million net outflow).
- **Portfolio & Estate Administration:** \$398 million net inflows, excluding Early Release of Super (pcp: \$561 million net inflow).
- **Investment Management:** \$51 million net outflow (pcp: \$181 million net outflow).
- **Pensions & Investments (P&I):** \$183 million net outflows, excluding Early Release of Super (pcp: outflow profile improving compared to broadly observed flows profile under ANZ ownership).

IOOF Chief Executive Officer, Renato Mota, said, “The milestone of over \$200 billion in FUMA is testament to IOOF’s increased scale and the benefits of the diversification of our business. The transformative acquisition of the P&I business contributes to our business model resilience and will be important as we look to a post COVID-19 recovery and supporting long-term growth in FUMA and earnings.

“The recent recovery in equity markets has been the major contributor to the \$6.7 billion uplift in FUMA and pleasingly, we have continued to attract strong flows into our platforms. That said, the impacts of the COVID-19 pandemic are continuing. Our advisers are seeing first-hand client concern and uncertainty around macro-economic conditions. This client sentiment is particularly apparent through withdrawals associated with the Early Release of Superannuation scheme and subdued flows in Financial Advice.

“The COVID-19 pandemic is causing disruption, and considerable distress to many Australians.

“IOOF was created over 170 years ago with a clear mission to serve the community, particularly those who are most vulnerable. We believe that organisational purpose and obligation to the community is as relevant today as it was then.

“Providing the community with guidance and support is at the core of IOOF. In the face of economic uncertainty and financial stress the value and importance of financial advice, for all Australians, has never been more evident.

“Our advice network has stepped up in these challenging times through participation in IOOF’s Community Offer initiative, which has seen advisers commit to more than 25,000 hours of at-no-cost financial guidance to those that need it the most in their communities.

“As a Board and management team we also recognise that COVID-19 has had an impact on business outcomes and returns to shareholders. In this context, it is appropriate that no discretionary short-term incentives will be paid to the Executive Team for the year to 30 June 2020. In addition, IOOF’s Chairman and I will take a 20% reduction in base pay for 6 months from 1 August 2020. All other IOOF Holdings Ltd Directors and our CFO will take a 10% reduction in base pay for the same period.”

Impact of Early Release of Superannuation on net flows

Payments made under the Early Release of Superannuation scheme from 20 April to 28 June 2020 have impacted Q4 2020 net flows. IOOF (including P&I) has paid 99,174 requests totalling approximately \$743 million in relation to the Early Access to Superannuation scheme:

- IOOF (excluding P&I) has paid 21,818 requests totalling \$170 million.
- The P&I business has paid 77,356 requests totalling \$573 million.

IOOF’s ClientFirst approach ensured that 97% of all payments were paid to clients within 5 business days. For P&I, 83% of payments were made within 5 business days.

Segment net flow performance

Financial Advice

For the June quarter there were net outflows of \$93 million in Financial Advice.

This was primarily the result of off-boarding two advice practices from the ex-ANZ Advice Licensees during the quarter, resulting in \$155 million in outflows.

In addition, there were 12 sub-scale, single adviser, practices off-boarded which had \$115 million of funds under advice in total. This was offset by a number of practices joining the Group.

In a COVID-19 environment, client concern and uncertainty around macro-economic conditions impacted inflows, which were flat.

Mr Mota commented, “In this environment, we have seen rapid changes in client sentiment and market volatility, which has led to previously unseen levels of investor uncertainty and caution.

“The value and importance of advice is heightened in a period of economic uncertainty. Through the IOOF Community Offer, we are supporting our financial advisers as they support those in need in their local communities. For many, the Community Offer will be the first time they have had the opportunity to access professional financial advice. Broadening access to financial advice is a key objective of our financial advice transformation.”

Portfolio & Estate Administration

Portfolio & Estate Administration continued to see significant net inflows of \$398 million (excluding Early Release of Superannuation).

Mr Mota said, “The contemporary IOOF Essential, eXpand and Shadforth Portfolio Service products have continued to grow in popularity with advisers, which is reflected in strong inflow momentum during the quarter. This is particularly pleasing as these products were all developed on our proprietary owned and designed technology platform which is enabling our platform transformation, Project Evolve21.

“We continued to develop and release new functionality on these new products. During the quarter, we released new and enhanced adviser and client reporting, together with enhanced online withdrawal functionality.”

Investment Management

We have seen strong investment performance with the IOOF MultiMix Balanced Growth Trust placed fourth in the Chant West Top 10 performing growth funds for the 2019/20 financial year. IOOF is also a finalist in the Money Management Fund Manager of the Year Awards.

The IOOF MultiSeries, MultiMix sector funds and Cash Management Trusts saw quarterly net inflows, offset by outflows in other investment products.

Mr Mota said, “Our strong investment performance, coupled with increasing demand from financial advisers for outsourced investment management solutions, underpins continued growth in the segment.”

P&I

Following the successful completion of the acquisition of the P&I business, and while still in the early stages of the process, IOOF remains on track with its integration activities. IOOF maintains the previously communicated expectations of total cost synergies of \$68 million pre-tax per annum (to be realised on a run-rate basis by FY22) and an overall one-off integration spend of up to \$130 million pre-tax (\$71 million incurred to date).

FY20 update

Due to the uncertainty created by the COVID-19 environment, IOOF provides an update of the expected result for FY20. All financial information in this announcement is unaudited and subject to final Board approvals.

Based on preliminary unaudited management accounts, IOOF expects to report an FY20 Underlying Net Profit After Tax (UNPAT) of approximately \$128 - \$130 million and an UNPAT from continuing operations of \$123 - \$125 million. This result has been impacted by volatility in financial markets relating to the impacts of COVID-19 pandemic, including:

- The ASX All Ordinaries closed the financial year at 10.4% lower than 30 June 2019, which directly impacts FUMA and revenues.
- Client concern and uncertainty in relation to the macro-economic environment has had a significant impact on flows.
- Substantial outflows due to the Early Access to Superannuation scheme, particularly in the P&I business.

For the 5-month period of IOOF ownership, we expect a total contribution from P&I to IOOF Group UNPAT of approximately \$25 million. This contribution has been adversely impacted by the market decline and reduction in FUMA caused by COVID-19.

IOOF will provide further details on its segment financials and key strategic initiatives when it announces its FY20 results on 31 August 2020.

Remediation Provisions and Advice Liabilities

Work on reviewing IOOF's advice remediation provisions is unaudited and subject to final Board review. Preliminary work undertaken by management indicates that:

- The total of the IOOF Advice review provision (which excludes the ex-ANZ Wealth Management Advice Licensees (ex-ANZ ALs)) is not expected to change materially from \$223 million, including costs. IOOF continues to make progress in relation to its advice review and commenced customer remediation payments during the June quarter.
- The total advice remediation provision relating to the ex-ANZ ALs is expected to increase by approximately \$80 million, however, this will be offset by a corresponding increase in an equivalent receivable from ANZ. This increase is expected to fall within the financial cap of the remediation program arrangements with ANZ. The increased provision is a consequence of a change in methodology relating to adviser categorisation, which now aligns to that used by IOOF.

As previously disclosed, IOOF has arrangements with ANZ with regard to remediation relating to the ex-ANZ ALs.

Under these arrangements, client remediation proposals are made by ANZ, up to October 2022, to affected clients for various types of adviser conduct prior to the completion of the acquisition by IOOF. The total payments made by ANZ are subject to a financial cap. If there were to be a further material increase in the provision, ANZ may not be responsible for making any proposals or payments above the financial cap.

Separate to any remediation program arrangements, ANZ has provided a capped indemnity regarding certain claims by clients made by October 2022 for various types of adviser conduct prior to the completion of the acquisition by IOOF.

Both the above arrangements are subject to various qualifications and limits and do not cover civil penalties, fines and other regulatory actions, nor are such matters included in the IOOF remediation provision.

Balance sheet and funding

IOOF's balance sheet remains strong with total debt facilities of \$670 million. At 30 June 2020, IOOF's leverage ratio is estimated to be 1.3x net debt to pro forma EBITDA¹ subject to finalisation of the annual audit. This includes debt drawn for settlement of the net assets acquired upon completion of the P&I business. This is in line with our target gearing range of 1.0-1.3x net debt to EBITDA. Under the definitions of the debt facilities agreement, pro forma EBITDA is calculated by including P&I ownership as if fully owned from 1 July 2019.

FY20 results reporting date

IOOF will present its full year results to the market on 31 August 2020.

- ENDS -

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

¹ The calculation of the leverage ratio excludes AASB16 lease liabilities

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Funds movement for the three-month period ended 30 June 2020

All amounts \$m	FUMA 31-Mar-20	Acquired/ Divested FUMA ¹	Net flow	Early Access to Super ³	Pensions	Market/ Other	FUMA 30-Jun-20
Financial Advice	51,772	0	2		-129	2,568	54,213
Ex-ANZ Advice Licensees ²	17,724	0	-95		-79	-1,227	16,322
Funds Under Advice and Distribution Total	69,496	0	-93		-208	1,341	70,535
Portfolio & Estate Administration	40,051	-553	398	-170	-238	2,500	41,989
Investment Management	21,097	0	-51			1,340	22,386
P&I - Platform	41,608	0	-233	-573	-211	2,676	43,268
P&I - Investment Management	23,303	0	50	-506		1,274	24,121
P&I Total	64,911	0	-183	-1,079	-211	3,950	67,389
Total FUMA	195,554	-553	71	-1,249	-658	9,131	202,297

Funds movement for the twelve-month period ended 30 June 2020

All amounts \$m	FUMA 30-Jun-19	Acquired/ Divested FUMA ¹	Net flow	Early Access to Super ³	Pensions	Market/ Other	FUMA 30-Jun-20
Financial Advice	55,735	0	234		-561	-1,195	54,213
Ex-ANZ Advice Licensees ²	16,130	0	496		-349	45	16,322
Funds Under Advice and Distribution Total	71,865	0	730		-910	-1,150	70,535
Portfolio & Estate Administration	43,747	-553	1,334	-170	-927	-1,443	41,989
Investment Management	22,886	0	-444		0	-57	22,386
P&I - Platform	0	49,112	-654	-573	-351	-4,267	43,268
P&I - Investment Management	0	28,028	-187	-506		-3,214	24,121
P&I Total	0	77,140	-841	-1,079	-351	-7,481	67,389
Total FUMA	138,498	76,587	779	-1,249	-2,187	-10,131	202,297

¹ P&I FUMA as at 31 January 2020. IOOF New Zealand Integral Master Trust divested FuAdmin at 31 March 2020 as per ASX announcement dated 16 April 2020.

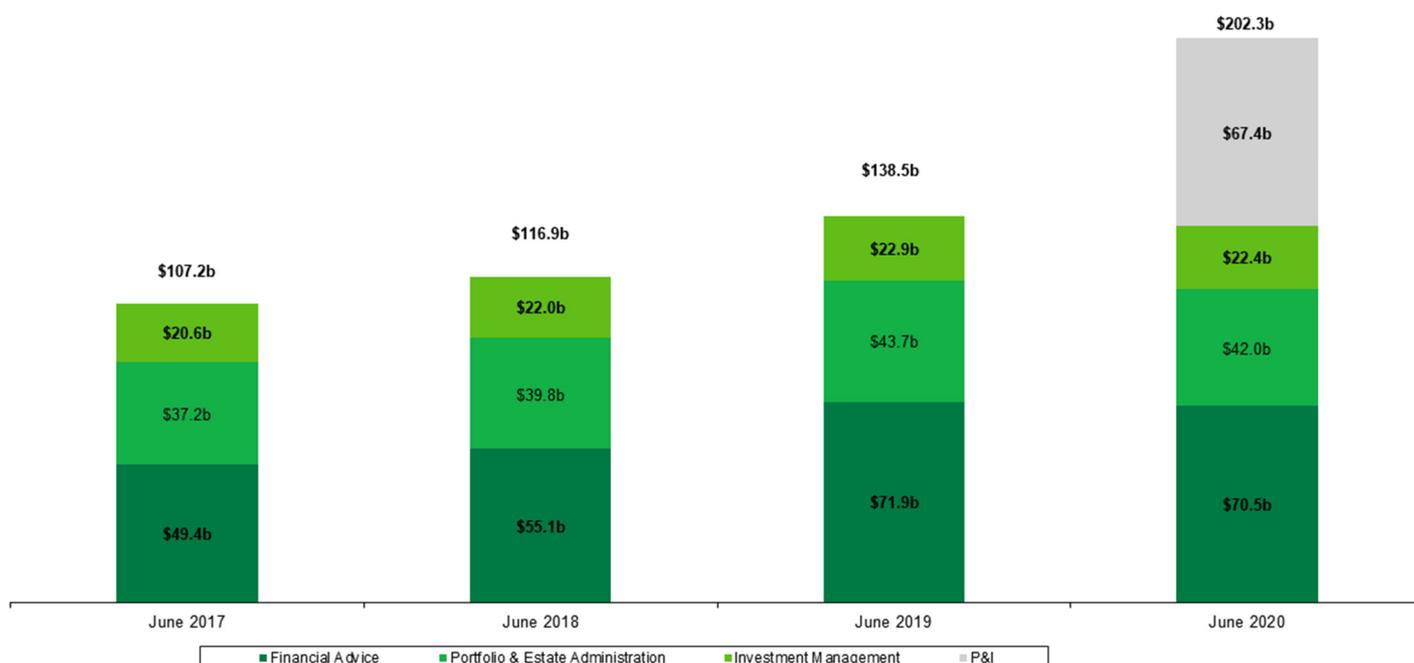
² Ex-ANZ Advice Licensees FUMA and flows are one month in arrears

³ Early Access to Super - Platform data from the period 20 April to 28 June 2020 as reported to APRA. P&I Investment Management data for the period from 20 April to 30 June 2020.

Divested during the twelve month period ended 30 June 2020

	FUMA 30-Jun-19	Acquired FUMA	Net flow	Pensions	Market/Other	Divested FUMA	FUMA 30-Jun-20
Ord Minnett	11,017	-	310	-	140	-11,467	0

Funds by Segment



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