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Sally Patten, BOSS editor *spatten@afr.com*

Patrick Durkin
Patrick Durkin is Melbourne bureau chief and *BOSS* deputy editor. He writes on news, business and leadership.
Email: pdurkin@afr.com

MOTA SETTLES IN THE DRIVER'S SEAT

Change of fortune As a young analyst, Renato Mota played a role in helping the banks enter wealth management. Now he is doing more than anyone in Australia to help them get out, writes **Aleks Vickovich**.

In the final months of 1999, as water cooler chat was consumed by the impending Y2K bug, Renato Mota was pulling long nights in the office.

Raised by hard-working Portuguese migrants in the humble Latrobe Valley town of Traralgon, the mild-mannered country boy harboured hopes of one day working on big deals in the big smoke (and owning a vintage BMW).

By 25, he had achieved the first dream and was on his way to securing the second.

Surrounded by manila folders in a war room at National Australia Bank's headquarters at 500 Bourke Street, the young analyst was tasked with crunching the numbers for the bank's looming $4.5 billion acquisition of MLC Wealth from property giant Lendlease.

"That transaction was where I really became hooked on wealth management," Mota, now chief executive of ASX-listed IOOF Holdings Limited, tells *BOSS*.

"I always had a desire to understand how money works, but for the first time I realised there's a whole industry dedicated to helping people with their money."

Two decades on, MLC has changed hands once again, and for less than a third of the price paid in 2000. And this time, Mota himself is the deal maker.

The $1.4 billion price paid by IOOF reflects the wealth management sector's fall from grace during the tortuous years of involvement by the banks, culminating in the damning Hayne royal commission.

The 1974 BMW 2002tii called "Bluey", main, to which IOOF boss Renato Mota, above, has aspired for decades. PHOTOS: EAMON GALLAGHER

Having played his part in helping the banks enter the sector – amid the global "bancassurance" mantra of institutions adding investment and insurance revenue streams – Mota is doing more than any other man in Australia to help them get out.

As IOOF's general manager of wealth management in 2018, before the Hayne inquiry ended the career of his larger-than-life predecessor, Chris Kelaher, Mota was an active player in the company's bid for ANZ's discarded financial advice, superannuation and funds management division.

The deal, complicated by the shock of the royal commission for both parties, took almost three years to complete. It is now contributing 70 per cent of the group's underlying profit and more than one third of its gross margin.

Now that it has added NAB's sprawling MLC Wealth, IOOF has become Australia's largest provider of financial advice and the largest for-profit retail player in the $3 trillion superannuation system.

It's a lofty position on the national corporate ladder for an organisation that started life in 1846 as the local branch of the Independent Order of Odd Fellows, a friendly society providing financial welfare to paying lodge members, many of whom had won or (more likely) lost fortunes in the Victorian goldfields.

Some critics baulk at the enormity of the task ahead. Analysts warn of "execution risks" and one substantial shareholder says of Mota: "He is in way over his head."

MLC's $157 billion in investment funds under management is twice the size of IOOF's and its brand is almost certainly the better known of the two.

IOOF's recent shareholder communications are littered with mentions of the company's newfound market dominance.

Mota concedes both the ANZ and MLC acquisitions were partly motivated by the thirst for size. "There is an opportunity to use scale for the benefit of members as well as shareholders," he says. "Platforms and funds management are scale businesses, the marginal cost comes down to scale."

Those two business lines – technology platforms used by financial advisers to manage client assets and the company's investment products, including its six super funds – accounted for 87 per cent of the group's earnings before interest, taxes, depreciation and amortisation and 74 per cent of its gross margin in the first half of the 2021 financial year.

We're a better business because of our interactions with APRA.
Renato Mota, chief executive, IOOF

And yet they are not the central plank of Mota's ambition to mop up the mess left by the banks and transform IOOF into Australia's leading wealth manager. Instead, he talks about being an "advice-led" company, meaning he sees the troubled business of financial advice as the core.

"Our strategy is that within that top tier, we are the firm that will have an advice orientation," he says. "That's going to be our value proposition and point of difference."

It's a claim that again has some observers rolling their eyes. "Advice doesn't matter, it's a loss-maker," one IOOF shareholder says.

Mota can't hide the fact that the vast majority of IOOF's revenue comes from financial products. And he admits that advice has traditionally been seen as a "sales channel" for those products.

Any kind of grand master plan for making financial advice profitable, however, has yet to be unveiled.

But the fact he is trying to do what the big banks concluded was impossible speaks to personal convictions decades in the making.

As a second-generation Australian, raised in a household of five run on a single blue-collar wage, Mota learnt the value of a dollar early in life.

He wanted to know more about money and went on to study commerce and finance at RMIT and Melbourne University, originally attracted to the high-flying world of corporate mergers and acquisitions.

He eventually landed a gig with blue-chip investment bank Rothschild, but his first dalliance with MLC had planted a seed.

The lure of wealth management became stronger and he joined IOOF as a strategist in the investment business in 2007, where he began to cultivate lifelong commercial relationships and personal friendships with suburban financial planning firms.

But it was not until he got his own planner a few years later that he realised advice was the most valuable part of the chain.

While cynics will naturally question Mota's true commitment to a minority revenue stream, some IOOF insiders say he has long been pushing the financial advice barrow in the boardroom.

"Renato was always a big believer in and advocate for advice," says former IOOF chairman George Venardos. "He was making those noises from the first time I met him. He knows that space well."

The former chairman, who left IOOF in October 2019 after the Australian Prudential Regulation Authority unsuccessfully tried to have him and four other executives banned, declined to talk about Kelaher.

But sources said the firebrand former CEO was very much of the mindset of IOOF as a fund manager first and foremost and of planners as a means to that end. Kelaher did not respond to requests for comment.

Whatever his views on financial advice, Kelaher still looms large. Indeed, if it were not for his departure "by mutual agreement" in April 2019, Mota would not have been tapped for the hot seat.

Aleks Vickovich
Aleks Vickovich is the wealth editor. He writes about financial advice, funds management, banking and regulation, with a special interest in the next generation of investors.
Email: aleks.vickovich@afr.com

Plus, Kelaher's performance at the royal commission, in which he famously expressed "indifference" at APRA's request for IOOF to change its trustee structures and described it as a mere "aspiration" of the regulator, damaged its relationship with regulators and politicians.

Mota admits that the company was little known outside the wealth industry before Hayne, but was suddenly a household name for "the wrong reasons" after the inquiry accused IOOF of breaching its obligations to super members by "inappropriately" using contingency reserve funds to compensate customers instead of its own balance sheet.

But he is keen to shift conversation to the future and put the painful Hayne chapter to bed, particularly given the Federal Court eventually cleared IOOF and its executives of trustee breaches.

He says all of IOOF's witnesses at the royal commission were "on the whole, honest and transparent", though he admits the proceedings were "horrible to watch".

IOOF has since acquiesced to the demand to separate the super and investment trustees, established new board structures, scrapped short-term bonuses for execs and commissioned a review of advice quality.

"We're a better business because of our interactions with APRA," he says.

But IOOF still faces lawsuits over the misconduct levelled against it at the inquiry, and the corporate regulator was reminding the market of its historic misdeeds as recently as April.

As much as Mota is keen to break with the past, he is also paradoxically eager to keep the company's long-standing identity as an "odd fellow" alive.

He says IOOF has always been housed in relatively austere premises, compared to some of its big-spending peers in 101 Collins Street and Sydney's Barangaroo Towers. The fact that IOOF has never been a bank, and has therefore been unable to "subsidise its business model with cash reserves", is another anomaly by industry standards.

Tasked with rebuilding staff morale as the immediate priority after the royal commission, Mota would draw on IOOF's 175-year story. He would remind them of its genesis as a provider of pre-Federation benevolence. "The team here are probably sick of me talking about the origins," he says. "But for me personally I'm a fan of history and that has been my compass."

Mota draws inspiration not just from IOOF's origin story but its more recent corporate history.

The CEO, who says "M&A has followed him" throughout his career from investment banking to wealth, points to IOOF's bedding down not only of ANZ Wealth but a string of acquisitions since it demutualised in 2003, including Shadforth Financial Group, Plan B and Skandia Australia.

"We've done more integration than any other organisation in the space," Mota says. "Doing a deal is fine, but making it valuable for members, staff and shareholders – that's a different challenge."

But it's a challenge the 45-year-old relishes.

The son of a builder who helped to construct power stations across Gippsland as well as Melbourne landmarks such as the Melbourne Cricket Ground, Mota says he is not afraid to "get his hands dirty".

Both the ANZ and MLC assets have deep talent pools but products that were underinvested in by their owners, he says. He will close some, roll others into existing IOOF architecture and spend tens of millions of dollars revamping features and functions.

It's a process he has some experience of in his personal life.

Though the self-described country boy usually rolls around in a Volkswagen ute – the tray filled with the paraphernalia of two "active" school-age daughters – he has finally indulged his boyhood fantasy in the form of a 1974 BMW 2002tii called "Bluey".

In his limited spare time, Mota tinkers with the car in pursuit of perfecting the "era-correctness" of its features, which will be good practice for the multibillion-dollar restoration project to come. AFR

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MAKING WAVES

Hell or high water Having opened the wave park weeks before the pandemic struck, the Urbnsurf boss had to paddle hard to avoid a wipeout, writes **Patrick Durkin**.

Opening a $43 million surf wave park in Melbourne shortly before the pandemic hit was not exactly the business plan most of the investors in Urbnsurf had in mind.

But chief executive Damon Tudor is incredibly upbeat as he details the difficult birth of Australia's first wave park, near Melbourne's airport.

"Isn't it crazy, how frustrating, this is the fourth time we have been closed, shut down," Tudor tells BOSS, discussing Victoria's current lockdown.

The wave park sits on 5.4 hectares on land owned by Melbourne Airport. The pool stretches across two hectares – about the size of the Melbourne Cricket Ground – and holds 20 million litres of water. It is divided into four sections, catering for beginners (a lesson, board, wetsuit and session costs $160 on a weekend) to elite surfers, with waves up to two metres and a maximum capacity of 84 surfers an hour.

Tudor was brought in during 2019 when the park was still a big, muddy mess and the cost had blown out on what originally was scoped to be a $28 million project.

Urbnsurf eventually opened in January last year to much fanfare, with the likes of movie star Chris Hemsworth and racing driver Lewis Hamilton adding their celebrity status.

But just 11 weeks later, COVID-19 hit and the tourist attraction was shut for most of last year. The park managed to reopen for three weeks last June, before Victoria's second wave struck and it was shut again until October 11.

"Our casual staff were put off, we renegotiated contracts and put everything into hibernation, the full-time staff were dialled back to two days a week and JobKeeper helped us keep 22 full-time staff on," says Tudor.

"But we went from a massive launch and media exposure to hibernation in days – it was just crazy."

The park faced another circuit-breaking lockdown in February and was shut again this week.

Tudor jokes it has now been open more than shut, although the current lockdown throws that equation again into the balance. The wave park is also headed into winter, although the company is working on ways to take the cold edge off the water.

Tudor says the crisis has forced the business to quickly pivot. About 2.5 million Australians are regular or recreational surfers but the park has proved even more popular with beginners.

Schoolchildren love it and the business has been pleasantly surprised to find 25 per cent of customers are women, and it is also popular with surfer dads who no longer can find the time.

"We lost international tourism and domestic tourism has been schizophrenic. We had to pivot the business to focus on families, mums and kids and lessons to attract a broader audience," Tudor says. "We had 4000 schoolkids over the summer, we are doing ladies-only sessions to open up surfing to new audiences."

"Since we opened in January, we have had over 80,000 unique guests," he says. The aim is to get more than 120,000 people through the gate each year.

"About 40 per cent of the customers come twice or more. So we want to look after our loyal surfers but it breaks down a lot of the barriers for those who have never surfed before. You don't have sharks or stingers, you don't have currents and you are not going to get swept out to sea," he says.

Urbnsurf chief executive Damon Tudor: "We went from a massive launch and media exposure to hibernation in days." PHOTO: EAMON GALLAGHER

"We call it a church to surfing, but it is more like a gym because you can go for an hour. I'm almost 50 and have young kids, so to do a half a day to the beach is a big time drain, whereas I can go to the lagoon, go for an hour and catch 10 perfect waves."

Despite the wild and costly ride, the business still has ambitious plans to roll out similar parks across Sydney, Perth and Brisbane as it sees huge pent-up demand following the pandemic.

"Sydney was a year delayed because of COVID," he says. "We have a signed lease with Sydney Olympic Park Authority, on the old Olympic site at Homebush. We are in the final stages of the capital raise and hoping to break ground in the third quarter this year, with a deadline for the summer of 2022-23.

"We have a bid for a site in Perth in an area called Cockburn and we are in negotiations with a major land holder in Brisbane. We would love to have the four parks open in the next five years."

Tudor acknowledges the difficult birth of the project, even before the pandemic hit.

It was the vision of founder Andrew Ross in 2012, when he met the creators of Spanish wave pool technology Wavegarden. The Melbourne park has, in layman's terms, "46 big, steel doors which move water left and right, almost like a snake. It works the same as a beach, the wave starts to break when the water gets more shallow."

"It is still a very new industry," Tudor says, pointing to The Wave in Bristol in Britain, and a new park in Korea with 56 steel doors, as among a handful of comparable parks around the world.

But amid the cost blowouts and growing pains, Ross left the business to join US adventure and leisure developer and investor Aventuur, which has obtained its own licence to build a wave park in Auckland and become a direct competitor.

Ross had spent the best part of 2017 hitting up investors with the help of corporate adviser David Williams of Kidder Williams. Other early investors included Merchant Group's Andrew Chapman and Veris director Adam Lamond.

But it soon became apparent more money was needed to complete the park and an intervention needed to get the project back on track. Tudor had been working in Dubai for US brewing company Anheuser-Busch over the previous decade.

He was planning to return home to Sydney when he was approached by Urbnsurf's former chairman, David Wakeley. The two had been "through the wars together" on the demutualisation of NRMA into an insurance arm in 2000.

"I told him I really wanted to take a break but David said, 'listen, it's a surf park'. He knew I was a surfer and how to twist my arm," Tudor says.

"My mandate was to build the commercial, HR and marketing teams, everything to run the business and get it on track. That was challenging, we did have to raise additional funds to complete the park because of the cost blowouts."

Despite all the lockdowns and turmoil, Tudor remains positive, which he says is essential for both the team and the success of the business.

"I spent all of last year on weekly Zoom calls with the whole team even though there may not have been much to say. Just constantly portraying that positive message: we're going to get through this, look after yourself, look after your mental health," he says. "We are delivering an experience that is unique, it's focused on the customer, it actually helps people.

"There are more and more studies which show the health benefits of surfing, so if we are going to realistically portray that to our customers, we have to have our internal team just believing in the cause." AFR