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IOOF to acquire ANZ's OnePath Pensions and Investments business and Aligned Dealer Groups

IOOF Holdings Limited (ASX: IFL; OTC: IOOFY) today announced that it has entered into an agreement with Australia and New Zealand Banking Group Limited ("ANZ") to acquire ANZ's OnePath Pensions and Investments business and Aligned Dealer Groups for a cash consideration of A\$975m, subject to a completion adjustment

Transaction highlights

- IOOF Holdings Ltd ("IOOF") has agreed to acquire ANZ's OnePath Pensions and Investments business and four Aligned Dealer Groups: RI Advice, Millennium 3, Financial Services Partners and Elders Financial Planning (collectively "ANZ Wealth Management")
- Highly complementary business – IOOF will become the 2nd largest advice business by adviser numbers and further strengthen its position as 2nd largest advice business by Funds Under Advice ("FUAdvice"), and become the 5th largest platform provider in Australia by Funds Under Administration ("FUAdmin")
- IOOF will enter into a 20 year Strategic Alliance Agreement with ANZ to distribute IOOF wealth products through ANZ's Australian banking network
- Substantially increases scale – FUAdvice up 34%, financial adviser numbers up 71% and FUAdmin up 125%
- Pre-tax cost synergies expected to be approximately A\$65m per annum from FY2021, with further potential for enhanced revenue
- Attractive valuation based on earnings which already reflect significant legacy closed product rationalisation;
 - Price to earnings of 15.5x based on FY2017A UNPAT (9.0x including anticipated run rate cost synergies); and
 - EBIT multiple of 9.8x based on FY2017A EBIT (5.5x including anticipated run rate cost synergies)
- Anticipated mid-single digit EPS accretion in FY2019, expected to increase to ~15% in the first full year and over ~20% thereafter
- The transaction will be funded through a ~A\$450m fully underwritten institutional placement, a share purchase plan and new debt facilities
- The transaction is expected to complete in around 12 months, however every endeavour will be made to complete earlier

Highly complementary businesses

IOOF Managing Director, Christopher Kelaher commented, “This acquisition cements IOOF’s position as Australia’s leading advice-led wealth manager. ANZ Wealth Management has a natural fit with IOOF’s current business model. It presents a unique opportunity for IOOF to significantly increase scale, create value from cost synergies, and partner with an iconic Australian institution.”

Strategic Alliance Agreement to expand distribution footprint

IOOF has also entered into a 20 year Strategic Alliance Agreement with ANZ to provide wealth management solutions to their customers. This agreement provides access to ~5.6m retail banking and approximately ~0.5m corporate, business and SME customers via ANZ channels including ~286 ANZ Financial Planning advisers (in ANZ branches and over the phone) and digital channels. ANZ Smart Choice super products are integrated into ANZ’s internet banking platform which has approximately ~3m digital users daily.

Mr Kelaher commented, “We are delighted to be establishing a 20 year partnership with ANZ to deliver quality wealth management solutions to their customers. Partnering with one of Australia’s leading banks will provide IOOF with access to a significant number of customers through complementary distribution channels further strengthening and diversifying our core wealth management business.”

Increased scale to deliver significant benefits

The transaction strengthens IOOF’s position as the 2nd largest advice business in Australia by FUAAdvice and positions IOOF as the 2nd largest advice business in Australia by adviser numbers and 5th largest platform provider in Australia by FUAdmin. This increase in scale provides opportunity to eliminate duplicate back office functions and realise scale benefits.

IOOF has estimated run rate pre-tax cost synergies from the proposed acquisition to be A\$65m per annum from FY2021, which is approximately 11% of the combined cost base of IOOF and ANZ Wealth Management.

Mr Kelaher noted, “As a specialist advice-led wealth manager, IOOF is highly experienced in the management of advisory networks with a unique advice led proposition offering open architecture and additional services such as our IOOF Advice Academy. We look forward to expanding these capabilities across ANZ’s Aligned Dealer Groups.”

“We have a proven track record in realising significant synergies from acquisitions. Importantly, the alignment of ANZ products and IOOF products provides substantial opportunity for improved pricing and product features for our advisers and clients.”

“ANZ has been proactive in transitioning its platform products away from higher fee legacy products towards digital distribution. This means that earnings have already reset and the business is now efficiently positioned for future growth.”

IOOF estimates that it will incur separation costs of approximately A\$130m over three years to integrate ANZ Wealth Management.



Purchase funding

The transaction will be funded through a combination of fully underwritten equity placement, a share purchase plan and debt;

- a fully underwritten ~A\$450m institutional placement, launched today;
- Share Purchase Plan to raise up to ~A\$100m (subject to discretion of IOOF Board); and
- the balance funded through new debt facilities

The funding structure utilises IOOF's strong balance sheet and applies modest additional leverage.

Outlook

Mr. Kelaher said, "Our commitment to consistent execution of our advice-led strategy via both acquisitive and organic growth is unwavering. This transaction continues our strong track record of pursuing value accretive acquisitions."

"I am extremely confident that this transaction will deliver superior outcomes for our clients, advisers and shareholders."

Equity raising timetable

	Event	Date
Institutional Placement	Institutional Placement Trading Halt	Tuesday 17 October 2017
	Institutional Placement Conducted	Tuesday 17 October 2017
	Trading in IOOF Resumes	Wednesday 18 October 2017
	Settlement	Monday 23 October 2017
	Allotment of Institutional Placement shares	Tuesday 24 October 2017
Share Purchase Plan	Record Date for SPP	7:00pm on Monday 16 October 2017
	SPP Offer Period	Wednesday 25 October 2017 – 5:00pm on Tuesday 14 November 2017
	SPP Pricing Period	Wednesday 8 November 2017 – Tuesday 14 November 2017 (inclusive)
	Allotment and Trading of SPP Shares	Tuesday 21 November 2017

The timetable is indicative only and IOOF may, at its discretion, vary any of the above dates by lodging a revised timetable with the ASX. All times referred to in the timetable are Melbourne time.

Nomura and Gilbert + Tobin are advising IOOF.

-ENDS-



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About IOOF Holdings Limited

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 and Distribution** services via our extensive network of financial advisers and stockbrokers;
- **Platform 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; and
- **Trustee Services** including compensation trusts, estate planning and corporate trust services.

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

Not for release to US wire services

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Forward Looking Statements

This announcement may include forward-looking statements. These forward-looking statements are based on IOOF's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of IOOF and which could cause actual results to differ materially from such statements. IOOF makes no undertaking to subsequently update or revise the forward looking statements made in this announcement, to reflect the circumstances or events after the date of that announcement.

