



28 July 2021

IOOF Q4 FY2021 Business Update

IOOF Holdings Limited (ASX: IFL) is pleased to provide this quarterly business update covering the three months ended 30 June 2021 (Q4 FY2021), a period that saw continued growth in IOOF's Funds Under Management, Advice and Administration (FUMA).

FUMA as at 30 June 2021 was \$213.3 billion, up \$9.4 billion¹ over Q4 FY2021. MLC Assets Under Management and Funds Under Administration (AUM/FUA) were \$301.2 billion, up \$11.4 billion over Q4 FY2021². IOOF and MLC currently use different reporting methodologies. An aligned approach will be presented at the full year results in August and reported in FY22.

Overview of Q4 2021 FUMA – IOOF (excluding MLC):

- **Market movements:** \$5.3 billion uplift due to favourable market conditions.
- **Portfolio & Estate Administration:** \$606 million net inflows.
- **Financial Advice:** \$1.8 billion net outflows for the period to 31 May 2021³ reflecting the transformation program and consisting of:
 - Inflows of \$0.4 billion from new self-employed advisers joining IOOF licensees and organic inflows.
 - Outflows of \$2.2 billion from 33 advisers departing IOOF's self-employed advice businesses as envisaged under IOOF's Advice 2.0 programme.
- **Investment Management:** Turnaround in flows with robust net inflows of \$90 million.
- **Pensions & Investments (P&I):** \$895 million net outflows⁴; broadly consistent with the outflow profile in previous quarters.

Mr Renato Mota, CEO of IOOF, said: "Ongoing positive organic flows into Portfolio & Estate Administration were experienced, achieving quarter-on-quarter positive flows for the last 34 quarters, as well as a positive turnaround in flows into Investment Management during the quarter.

"The successful completion of the MLC acquisition has transformed our business in terms of size, scale and reach. The 'new IOOF' has over \$200 billion of funds under administration across its platforms, in excess of \$200 billion of investment funds across its multi-manager and direct investment portfolios, and relationships with more than 9,000 financial advisers, supporting more than two million Australians with their retirement and investment decisions.

"This gives us a strong platform for future growth, including the enhanced ability to attract new FUMA through our extended scale and reach."

¹ Including a \$6.6 billion reclassification of FUM in P&I (see page 5 for further detail).

² Previous quarter per NAB Appendix 4D (released to the ASX 6 May 2021), page 74.

³ Due to the transition of the MLC financial advisers into IOOF's advice licensees on 1 June 2021, Funds Under Advice has been presented as at the end of May to maintain presentation on a like for like basis with previous disclosures.

⁴ Excluding reclassification of FUM in P&I (see page 5 for further detail).

Overview of Q4 FY2021 FUMA – MLC:

- At completion, as at 1 June 2021, MLC had \$296.3 billion of AUM/FUA. MLC does not record Funds Under Advice and therefore these funds are not included in this metric.
- 406 MLC advisers joined IOOF Advice licensees including 256 self-employed and 150 employed advisers.
- Initial analysis since completion shows that MLC has been performing consistently within IOOF's expectations from the time of announcement in August last year, including the one-month period since completion.

MLC go-forward reporting:

- IOOF intends to provide an update on the go-forward treatment and methodology with respect to both MLC and Financial Advice segment metrics at its full year results in August 2021.
- IOOF also intends to provide a pro-forma 12 month profit and loss statement for MLC for FY21 to allow for the baseline 12 month performance of the IOOF Group to be established.

Business update

IOOF Portfolio & Estate Administration:

Portfolio & Estate Administration achieved net inflows of \$606 million during the quarter, and total Funds Under Administration (FUAdmin) in this segment increased by \$2.4 billion, up 5.2%, to \$48.4 billion, including organic inflows and market movements.

IOOF remains on track to consolidate all IOOF legacy products onto its new proprietary super and investments platform, Evolve, by the end of this calendar year, having successfully completed the first phase of the migration with the transfer of 38,827 accounts and approximately \$5 billion of funds during June 2021. This successful migration provides the blueprint for future platform rationalisation of the acquired P&I and MLC platforms over the coming years.

Mr Mota said: "It has been pleasing to see the continued inflows into our flagship advised and workplace products during the quarter.

"Growth in the number of accounts opened and total numbers of licensees utilising our contemporary Evolve-based solutions continued, with the total number of accounts now exceeding 55,000 and the number of supporting licensees standing at over 600. Importantly, we also continued to expand our reach in the independent financial adviser market."

IOOF Financial Advice:

Outflows in Financial Advice reflect the business's transformation program, Advice 2.0, which during the two months to 31 May 2021, saw the expected transition and exit of 33 advisers with \$2.2 billion in funds under advice. This was due to a variety of reasons, including practices which IOOF believe were not suited to the economic or governance requirements of a professional advice model.

On 1 June 2021, 406 MLC advisers joined with IOOF advice licensees and as at the end of June, IOOF maintained active advice services relationships with almost 2,000 financial advisers.

| Channel | Active Advisers ¹ | % |
|----------------------------|------------------------------|-------|
| Employed | 306 | 15.5% |
| Self-Employed (Licensed) | 1,047 | 53.0% |
| Self-Licensed ² | 622 | 31.5% |

¹ Advisers actively providing advice. This excludes individuals who are listed as Authorised Representatives on the Financial Advice Register (FAR) per ASIC, but do not actively provide advice.

² Advisers not authorised under IOOF licensees, but to whom IOOF provides services through the Alliances, Dealer Associates and Connect business models.

IOOF Investment Management:

During the quarter, Funds Under Management increased by \$1.4 billion, up 6.2% to \$23.5 billion, including \$90 million in organic positive flows, and market movements.

These robust organic net inflows reflect the strong support from advisers for the IOOF MultiSeries funds, which offer competitive pricing, strong investment returns, and increasing client engagement through Investment Central¹.

IOOF – P&I:

As part of the integration of P&I, IOOF is in advanced stages of strategic activities to address the competitiveness, and outflows, within some of the acquired P&I products. Further details will be provided at the full year results in August 2021.

Transformation

During the quarter, further progress in executing IOOF's transformation program was achieved, including the completion of the MLC acquisition and the advancement of the P&I integration.

Achievements included:

- Expected \$43.6 million of annualised cost synergies realised by 30 June 2021 from the P&I integration program.
- Additional \$8.7 million of annualised revenue synergies also realised by 30 June 2021 from the P&I integration program.
- With the MLC acquisition successfully completed by 31 May 2021, MLC operations have contributed to IOOF's financial result for the month of June 2021.
- Targeted MLC synergies of \$150 million per annum have been identified, largely attributable to the removal of duplicate functions.
- Expected one-off pre-tax integration and transaction costs relating to both acquisitions of MLC and P&I over the period to end of FY24 are in line with original estimates.
- A new integrated senior leadership and management structure in place and operational as at 1 June 2021, with full redesign of some business support functions. This has allowed the delivery of a portion of the first year MLC synergies from day one of the acquisition completion.

¹ IOOF's Investment Central website that provides advisers the tools and support they need when using a multi-manager solution. Investment Central allows advisers to identify their client's risk profile and then choose a multi-manager investment solution that best suits their client's risk tolerance.

- Going forward, a single synergy target combining both the remaining P&I (\$24.3 million) and MLC (\$150 million) synergies will be reported and tracked. It is anticipated that an annualised run-rate of \$65-80 million will be achieved in the 2021-22 financial year.

Mr Mota commented: “As a result of the successful completion of the MLC acquisition, establishment of a new integrated executive team and significant achievements in the transformation program, we have strong momentum in the business and we are well placed to successfully continue on our journey of transformation and the delivery of long-term value for our clients, members and shareholders.”

Non-cash impairment:

IOOF advises that, following the completion of its year end impairment testing process, it expects to recognise a one-off non-cash impairment charge of \$200 million, subject to final audit, for the full year ended 30 June 2021.

The impairment is a non-cash accounting adjustment and will not impact IOOF’s Underlying Net Profit After Tax (UNPAT) nor the determination of its final dividend.

This one-off non-cash impairment relates to goodwill associated with Shadforth Financial Group, DKN Financial Group and Bridges Financial Services Group and primarily reflects the termination of the platform relationship with BT Portfolio Services Ltd in December 2020 and the cessation of grandfathered revenue in the advice business.

As announced 18 December 2020, IOOF received a one-off settlement of \$80 million pre-tax from BT in recognition of IOOF’s rights under the agreement and separately, agreed to a new partnership with HUB24, consistent with IOOF’s open architecture approach.

The impact of the cessation of grandfathered revenue has been previously flagged by IOOF and the industry. IOOF has been positively addressing these industry changes through Advice 2.0, creating a sustainable long-term advice model.

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

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IOOF funds movement for the three-month period ended 30 June 2021

| All Amounts \$m ¹ | FUMA 31-Mar-2021 | Net Flow | OnePath trusts ² | Pensions | Market/ Other | FUMA 30-Jun-2021 |
|--|---------------------|----------------|-----------------------------|--------------|------------------|---------------------|
| Financial Advice | 46,610 | (1,783) | - | (44) | (2,652) | 42,132 |
| Ex-ANZ Advice Licensees ³ | 18,094 | (17) | - | (39) | 900 | 18,938 |
| Funds Under Advice and Distribution Total⁴ | 64,705 | (1,800) | - | (83) | (1,752) | 61,070 |
| Portfolio Estate & Administration | 46,017 | 606 | - | (217) | 2,008 | 48,414 |
| Investment Management | 22,136 | 90 | - | - | 1,282 | 23,509 |
| P&I Platform | 45,183 | (600) | - | (176) | 2,203 | 46,610 |
| P&I Investment Management | 25,810 | (295) | 6,604 | - | 1,547 | 33,665 |
| P&I Total | 70,993 | (895) | 6,604 | (176) | 3,751 | 80,276 |
| Total IOOF FUMA | 203,851 | (1,999) | 6,604 | (476) | 5,289 | 213,269 |

IOOF funds movement for the twelve-month period ended 30 June 2021

| All Amounts \$m ¹ | FUMA 30-Jun-2020 | Net Flow | OnePath trusts ² | One-off Items & Adjustments ⁵ | Pensions | Market/ Other | FUMA 30-Jun-2021 |
|--|---------------------|----------------|--------------------------------|---|----------------|------------------|---------------------|
| Financial Advice | 54,213 | (4,656) | - | (9,294) | (331) | 2,200 | 42,132 |
| Ex-ANZ Advice Licensees ³ | 16,322 | 287 | - | (622) | (226) | 3,176 | 18,938 |
| Funds Under Advice and Distribution Total⁴ | 70,535 | (4,368) | - | (9,916) | (557) | 5,377 | 61,070 |
| Portfolio Estate & Administration | 41,989 | 1,139 | - | (180) | (789) | 6,255 | 48,414 |
| Investment Management | 22,386 | (2,647) | - | - | - | 3,770 | 23,509 |
| P&I Platform | 43,268 | (2,138) | - | (519) | (668) | 6,667 | 46,610 |
| P&I Investment Management | 24,121 | (575) | 6,604 | (476) | - | 3,992 | 33,665 |
| P&I Total | 67,389 | (2,714) | 6,604 | (995) | (668) | 10,659 | 80,276 |
| Total IOOF FUMA | 202,297 | (8,590) | 6,604 | (11,091) | (2,014) | 26,061 | 213,269 |

¹ FUMA balances and reported flows are not subject to external audit.

² Reclassification of FUM in P&I: Subsequent to the change in the underlying investment manager for the Vanguard and OnePath index funds from Vanguard to Invesco and consistent with IOOF's FUMA reporting principles, the \$6.6 billion in FUM relating to these funds is now incorporated into P&I Investment Management. With the change in investment manager, the index funds have been renamed from "Vanguard" to "OnePath" effective from 24 May 2021.

³ Ex-ANZ Advice Licensees funds under advice are partially delayed in line with previous reporting cycles.

⁴ Due to the transition of the MLC financial advisers into IOOF's advice licensees on 1 June 2021, Funds Under Advice has been presented as at the end of May to maintain presentation on a like for like basis with previous disclosures.

⁵ Includes the impact of Early Release Super, transfers to IOOF Alliances and BT transfer that were disclosed separately in previous quarterly tables.

Comparative IOOF funds movement for the three-month period ended 30 June 2020

| All Amounts \$m | FUMA 31-Mar-2020 | Divested FUMA | Net Flow | Early Release Super | Pensions | Market/ Other | FUMA 30-Jun-2020 |
|--|---------------------|------------------|--------------|---------------------------|--------------|------------------|---------------------|
| Financial Advice | 51,772 | - | 2 | - | (129) | 2,568 | 54,213 |
| Ex-ANZ Advice Licensees ¹ | 17,724 | - | (95) | - | (79) | (1,227) | 16,322 |
| Funds Under Advice and Distribution Total | 69,496 | - | (93) | - | (208) | 1,341 | 70,535 |
| Portfolio Estate & Administration | 40,051 | (553) | 398 | (170) | (238) | 2,500 | 41,989 |
| Investment Management | 21,097 | - | (51) | - | - | 1,340 | 22,386 |
| P&I Platform | 41,608 | - | (233) | (573) | (211) | 2,676 | 43,268 |
| P&I Investment Management | 23,303 | - | 50 | (506) | - | 1,274 | 24,121 |
| P&I Total | 64,911 | - | (183) | (1,079) | (211) | 3,950 | 67,389 |
| Total IOOF FUMA | 195,554 | (553) | 71 | (1,249) | (658) | 9,131 | 202,297 |

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

¹ Ex-ANZ Advice Licensees funds under advice were partially delayed in line with previous reporting cycles.