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IOOF FY21 financial results
A new IOOF delivers scale, synergies and a platform for growth

IOOF Holdings Ltd (IOOF) Financial Results for year ending 30 June 2021 (FY21)

- Underlying net profit after tax (UNPAT) from continuing operations $147.8 million up 19% on the previous corresponding period
- Revenues of $770m up 31% including full 12-month contribution from P&I and one month of MLC
- Statutory net loss after tax (NPAT) from continuing operations of $143.5 million due primarily to the previously reported non-recurring costs associated with:
  - non-cash goodwill write-down due to changes in open architecture arrangements and ceasing of grandfathered revenues; and
  - the acquisition and integration costs associated with the MLC acquisition.
- Group pro forma results allowing for a 12-month contribution from MLC recorded:
  - Group pro forma revenue of $1.48 billion
  - Group pro forma UNPAT of $213 million
- Final franked dividends of 11.5 cents per share:
  - 9.5 cents per share interim ordinary dividend, 2.0 cents per share special dividend
  - Total FY21 dividends of 23 cents per share; made up of 17.5 cents ordinary dividends and 5.5 cents per share special dividends

Comments from IOOF Chief Executive Officer, Mr Renato Mota:

“This year has been transformational with the successful completion of the MLC acquisition on 31 May. The increase in our revenue and UNPAT evidences our commitment to growth, both through transformation as well as the benefits of recent acquisitions. We realised organic growth in FY21 with $3.3bn net flows into the Evolve retail advisory platform at a time when the retail industry continues to experience outflows.

“We believe we have a substantial opportunity to improve the financial wellbeing of all Australians. We are focused on growing a profitable sustainable business model that delivers accessible and affordable advice that caters for all client life-stages. Everything we have achieved this past year is strategically aligned to that objective.

“The MLC acquisition is proceeding well and our integration plans remain on track. The combination of IOOF and MLC has created a new IOOF that has scale, diversity and growth opportunities through wide-ranging capabilities and technical expertise. We are excited about the future potential of the combined group.

"Our balance sheet remains very strong. Our senior debt gearing ratio is at 0.6 - well below our target range. This strong financial position has allowed us to maintain an attractive level of fully franked dividend payments and gives us confidence in our outlook.

"Importantly, the acquisition process did not distract us from delivering on the strategic initiatives that we had outlined as our objectives for the business. We delivered significant simplification and synergies across the group from our ANZ P&I acquisition, we restructured and repositioned our Advice businesses through our Advice 2.0 program, we achieved scale on our Evolve platform and we remain on track with the Evolve21 migration onto the new platform by the end of December. This successful migration and decommissioning represents the blueprint for further repositioning of products onto contemporary platforms and the decommissioning of legacy ANZ P&I and MLC platforms across the expanded group."

The statutory results recorded a significant loss due to two major contributors. As previously advised, these consisted of the $200 million in non-cash goodwill write downs associated with finalisation of the BT platform arrangements, for which cash compensation was received in the first half, and the cessation of grandfathered revenues across the industry. Substantial integration and acquisition costs associated with the MLC acquisition were also incurred in line with budgeted expenditure.

P&I integration and MLC completion

IOOF significantly progressed its integration activities and delivered an additional $38 million in annual run-rate synergies by 30 June, resulting in a cumulative total of $56m p.a. with $44 million attributable to ANZ P&I and $12 million of initial synergies attributable to MLC.

Mr Mota said; "As we move forward as a single business, we will look to combine our two acquisition streams into a single integration programme. We are targeting a synergy run-rate for the FY22 financial year of $80-$100 million, representing a cumulative $136m-$156m towards our goal of $218m p.a. by FY2024."

Advice 2.0

Mr Mota commented: "As part of our commitment to delivering a step-change in the quality and affordability of advice and constructing a sustainable long-term advice model, it was pleasing to welcome another 406 MLC advisers who have elected to join our Advice businesses."

Key points

- Successful transformation of Bridges to a fully employed network and additional 150 advisers joining IOOF through MLC Advice.
- Advice 2.0 largely complete with 135 advisers leaving the IOOF self-employed network, and 256 additional advisers joining from MLC brands of Godfrey Pembroke and TenFifty.
- On track to FY22 break-even run-rate from ex-ANZ Advice licenses, through expense recovery and cost reduction from closure of FSP in H1 FY22.
- Servicing Independent Financial Advisers provides attractive growth prospects.
- Wealth Central, acquired in September 2020, gaining significant traction with advisers.

Mr Mota, said: “We intend to operate a sustainable advice business. This means we need to continue to drive efficiencies and technology enhancements to ensure that we operate on a sound financial basis into the future.

“We remain committed to supporting advisers and their clients through unmatched technologies, choice, and life-stage strategies.

“Our Advice 2.0 model is delivering client opportunities which are highly valued by advisers partnering with IOOF to support their business needs. While we are on track with former ANZ licensees, with the inclusion of the MLC advisers we intend to break even in support of our self-employed advice model in the FY24/25 period with continued improvement in the intervening period. The addition of MLC further extends IOOF’s scale and reach.”

Evolve

Mr Mota said: “At a time when the retail industry continues to experience significant outflows, we achieved organic growth, with $3.3bn net flows delivered into advisory Evolve platforms. This is the result of market acceptance of our contemporary offering.

“We remain on track to complete the consolidation of retail accounts through our Evolve21 platform by 31 December 2021, which will allow us to retire our legacy Orion platform in FY22.”

Key points

- Evolve operating platform is now at scale, administering over $22 billion in funds.
- Evolve21 migration provides blueprint for on-going consolidation of acquired platforms.
- 3 MLC platforms administering $126 billion of funds successfully transferred to IOOF ownership.
- Smart Choice product enhancements and re-price completed, with initiatives to reposition legacy P&I products entering execution phase.
- IOOF has simplified the Cash Management Trust administration in support of better returns to clients.
- Open architecture offering, broadened through arrangements with HUB24.

Mr Mota commented: “We have already achieved scale on our contemporary Evolve platform providing a solid base to grow, and pleasingly, our net flows into our contemporary offers is positive and growing.

“We have acquired three additional platforms from MLC, taking our total number of platforms to seven. We have a proven blueprint for platform consolidation and rationalisation, as shown by our Evolve21 program which will successfully complete in December this year.

“We are undertaking a complete product and platform review. This will see legacy product offerings upgraded onto new platforms. Revised pricing and product features are expected to be matched with efficiencies from operational and technology simplification.”

FY22 outlook

Mr Mota said, “Through the transformation of our business, we expect to deliver synergy benefits during FY22 and beyond. We continue to deliver on a programme that sees us build leading capabilities in our products and services and to focus on delivering better outcomes for clients, members and shareholders.”

Mr Mota added that there were clear and achievable priorities for the next financial year including:

- Completion of the Evolve21 migration and decommissioning of the Orion platform.
- Completion of the product and platform review, and progress on decommissioning additional legacy platforms.
- Substantial improvement in financial performance of the advice business by leveraging technology and capabilities across the advice business, and increasing revenue and cost efficiencies.
- Taking advantage of the expanded range and capabilities of the asset management business.
- Substantial further progress in the settlement of the remediation provisions.
- Delivery of annualised run-rate synergies of $80-$100 million.

Mr Mota concluded: “Longer-term, we continue to see significant opportunities through the expanding addressable market and changing demographics which are increasingly driving demand for our quality financial wellbeing advice, contemporary administration services and expanded investment capabilities.

“We also see opportunities for our shareholders to benefit as we consolidate our acquisitions, deliver efficiencies across the business and deliver growth in earnings and dividends.”

-ENDS-

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

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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 to become one of the largest groups in the financial services industry in Australia with more than 2.2 million clients nationally[1] and $450 billion in funds under management and administration.

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] As at 1 June 2021. Source: IOOF Q3 2021 Business Update (29 April 2021). Available here.