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24 November 2016

## 2016 Annual General Meeting

Please find attached a copy of the presentation materials that will be addressed by the Chairman and the Managing Director at the Annual General Meeting of IOOF Holdings Limited today.

-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 independent 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 estate planning and corporate trust services.

Further information about IOOF can be found at [www.ioof.com.au](http://www.ioof.com.au)

## **Chairman's address to Annual General Meeting**

Thursday, 24 November 2016

Ladies and Gentlemen

I am extremely pleased to report another successful year for IOOF in 2016. It has been a year of resolution, consolidation and growth. Most importantly, the year entrenched our capacity to deliver significant long term value for our shareholders.

Specifically, statutory profit for the year was up 42 per cent to \$197 million with underlying profit broadly stable at \$173 million. These results are backed by the generation of \$210 million in cash from operating and investing activities, allowing us to pay a record total dividend for the full year of 54.5 cents per share. The fully franked final dividend was paid to our shareholders on 13 October 2016.

This year, our shareholders received 95 per cent of IOOF's underlying after tax profits as dividends, demonstrating the company's continued commitment to deliver meaningful yields to shareholders.

In short, our three-pillared strategy of organic growth, efficiency and accretive acquisitions has proven extremely resilient in the face of the turbulent market conditions experienced in 2016 and has delivered a solid financial result.

## **Growth**

Turning to Growth. A key indicator of our organic growth performance this year was the net inflow of \$1.8 billion of client funds under management, administration and advice.

With our latest funds announcement released in October, we are now at 15 consecutive quarters of net platform inflows, a tremendous achievement, demonstrating consistent, sustained organic growth. This is particularly pleasing when industry flows have been significantly challenged during the year. It provides great insight to the quality of our products and the strength of our relationships with advisers and members.

Our Managing Director, Chris Kelaher, will provide further detail on this achievement in his address.

In respect to growth through acquisition, we remained active in identifying and pursuing opportunities in 2016. In my view, what distinguishes IOOF is the disciplined approach to

assessing and valuing potential acquisition targets. We have a demonstrated track record of swiftly and prudently integrating acquired businesses.

Above all, market participants understand that we are a highly credible counterparty and have the experience and expertise to realise material synergies. These factors, combined with a strong balance sheet, place us in a leading position to capitalise on further opportunities when they arise.

## **Consolidation**

I just mentioned the material synergies that come from skilful acquisition, which leads me to discuss consolidation.

This year's result is a testament to the company's continuing ability to undertake transformational projects of real scale, generate sustained organic growth, and successfully consolidate acquisitions into the broader group.

The acquisitions we have undertaken, particularly since 2009, have built a resilient business with complementary offerings and significant diversification across geographies and client segments.

Specifically, Shadforth is now fully integrated into the IOOF Group. Pleasingly, we have realised \$30 million in annual synergies from this acquisition, significantly exceeding our combined initial estimates of \$20 million. This was a perfectly timed acquisition which provided us with increased diversification as markets became more volatile and I am confident it will make an important contribution to our business for many years to come.

During 2016 we also undertook a number of strategic activities in order to transform and simplify our core business. A stand-out was the transfer of tens of thousands of client accounts and billions in client funds from our TPS platform to IOOF Pursuit. This was one of the largest platform consolidations ever completed in Australia and was a significant milestone for the business. This further demonstrated our experience in integration and ability to successfully undertake transformational activities of significant scale.

## **Resolution**

And now to resolution of outstanding matters. Last year I reported that IOOF was subjected to a number of inaccurate and irresponsible media articles.

In July this year, ASIC finalised its inquiries into allegations made against IOOF. In its formal media statement, ASIC announced that no further action would be taken in relation to these issues, taking great care to note that any concerns were confined to a period which is close to a decade past.

We worked proactively with ASIC and fine-tuned a number of our policies and procedures.

As a result of the irresponsible media reporting, Maurice Blackburn announced they were seeking expressions of interest from our shareholders to launch a class action against IOOF.

Supreme Court Orders recently restrained Maurice Blackburn from proceeding with prosecuting this proposed class action.

We had always maintained that the action was misconceived both factually and at law and are pleased that this matter has now been fully resolved and firmly behind us.

## **Investment in People**

Ladies and Gentleman, paradoxically, the financial services sector is more about human emotion rather than raw numbers. Trust, confidence, commitment, passion are all defining features of success in this industry. So, I want to make some remarks about the investments we make in people, both within the company and outside.

First for me to do is to pay special tribute to our tremendous staff who consistently display professionalism, dedication and an unwavering focus on the needs of our clients. To each one of you, please accept my personal thanks and those of the entire Board. This year's success simply would not have occurred without your extraordinary efforts.

We continue to recognise the need for ongoing professional development to ensure the highest of standards is maintained. To this end, we were delighted to launch the IOOF Advice Academy in July of this year.

The goal of the Academy is to be the pre-eminent training resource for the financial planning industry and I will look forward to watching it expand and develop over time.

We also recognise the significant diversity of talents of our people and the importance of innovation to our continued success. Given that understanding, we have been holding innovation events which encourage our people from every area of the business to work together and use their diverse talents and experience to generate and develop ideas for service improvement and new products.

In regard to people within the broader community, I'm proud of the work of the IOOF Foundation.

Since its formal establishment fifteen years ago, the Foundation has donated more than \$12 million to community groups across Australia. It financially supports programs that assist the aged, disadvantaged families, children and young people. In 2016, the Foundation also committed to focusing on programs that improve financial literacy.

As always, I encourage you to familiarise yourselves with the tremendous work done by the IOOF Foundation in our Environmental, Social & Governance Report which is within the Annual Report.



On behalf of the Board of IOOF, I thank the Chair of the Foundation, Angie Dickshen and all the Board members along with the hard working staff of the Foundation for their tireless contributions through the year and the many hours of commitment they give to the work of the Foundation.

## **Board changes**

Turning to your Board.

As you are aware, I will be retiring from the Board after today's AGM. It has truly been a privilege to serve as a Director of IOOF for a period of 15 years, firstly as Deputy Chairman from the time of our initial ASX listing in 2002, and more recently as your Chairman over these past four years.

I have seen the company go from strength to strength, achieve significant growth and deliver consistent results for our shareholders. Indeed over this 15 years, we have seen IOOF grow from around \$2.9 billion in Funds Under Management and Administration to around \$138.1 billion in Funds Under Management, Administration, Advice and Supervision currently, and profits increase from around \$8 million per annum to nearly \$200 million currently.

Shareholders have been well served over this period in terms of the returns on their investment with an average TSR of 12% per annum on a compounding annualised basis over the 15 years.

While I believe that IOOF still has a long way to go in terms of building its Funds Under Management and its profits, with many more acquisitions that can be done to extract further synergies for the business, I have decided that now is the right time for me to pass the responsibility of Board leadership to my successor.

Having made that decision, I am delighted to have George Venardos succeed me as Chairman of IOOF. George is a very experienced Company Director with a wealth of experience in the financial services industry and an intimate knowledge of IOOF. He has brought valuable insight to all of our Board deliberations and I am confident that IOOF and the Board will be in very capable hands under George's Chairmanship.

I am also very pleased to have recently announced the appointment of John Selak to the Board as an Independent Non-Executive Director. I will outline John's background and qualifications later in the meeting when you will have the

opportunity to hear from John and vote on his appointment to the Board.

### **Positioned for future growth**

To close, in my final address as Chairman, I want to restate that 2016 has clearly demonstrated the resilience of our business model and the benefits of disciplined and consistent execution of our long-term strategy.

That ability, combined with organic growth and the capacity to transform and simplify our business, is what distinguishes us from our peers and places IOOF as Australia's leading independent wealth manager in terms of revenue, profitability and strategy.

I leave safe in the knowledge that IOOF has a very experienced Chairman, a highly skilled Board and an extremely capable and committed executive team expertly led by our Managing Director. I am confident that IOOF will forge ahead, continue to grow and will deliver meaningful returns for our shareholders.

Finally, I would like to take this opportunity to thank you, our shareholders, for your support and trust in re-electing me as a Director of IOOF over these past 15 years. I have been grateful for the opportunity to serve you all, over this period, and hope that you have been pleased with the results that I and my Board colleagues have achieved on your behalf during this time.

That concludes my opening remarks. I will now hand over to Chris to discuss the results and operations of IOOF in more detail.

## **Managing Director's address to Annual General Meeting**

Thursday, 24 November 2016

Thank you Roger and good morning ladies and gentlemen.

### **Business Performance**

I'm pleased to report that we have delivered a highly resilient result which, as the Chairman has highlighted, was in the face of volatile market conditions, particularly over the second half of the year.

Statutory profit after tax was up 42% on year-on-year to \$197 million with a large contribution from the profits derived from the divestment of our ownership stake in two Perennial businesses. At \$173 million, our underlying profit after tax is in line with our strong performance in prior years. In particular, enhanced profitability derived from integrating the Shadforth business played a key part in delivering this result.

Pleasingly, our dividend per share was up 3% to 54.5 cents per share. This was a record total full year dividend for our shareholders. It continues a consistent trend of delivering a high fully franked dividend yield. That yield has been in excess of 5% for at least the last five halves and has been a hallmark of our strong performance.

I am extremely proud of the efforts of our staff, the leadership team and the Board delivering this result for our shareholders. Thank you very much for your efforts this year.

## **Strategy delivering results**

Our solid financial performance is the outcome of consistent, diligent execution of our strategy - organic growth, proven cost management and delivering value from acquisitions.

### **Organic growth**

On organic growth - As the Chairman has noted, total net funds inflow for the year was \$1.8 billion. Our ongoing success in attracting positive net flows was particularly pleasing given the volatile market conditions. We have now had 15 consecutive quarters of positive net flows into our platform business. This was a tremendous achievement given industry flows –were down approximately 30% relative to 2015. We've also seen sustained strong inflows into our financial advice segment with \$1.3 billion in net inflows for the year. This shows there is continuing strong support for IOOF's products and brands.

In June we completed the consolidation of our TPS Platform into IOOF Pursuit. TPS Platform was the original Bridges Platform.

This was a \$7 billion platform transformation with 40,000 client accounts transferred and a significant achievement for our business. Over time, we expect that this will deliver ongoing benefits through consistency of process, reduced operating costs and the removal of duplication.

With this platform consolidation completed, and with the positive flows continuing into the first quarter of this financial year, we are in a fantastic position to continue our organic growth momentum.

### **Cost management**

It will come as no surprise to those who have followed our company for some time, that we have maintained our strong track record on cost control. Indeed, I would suggest that we are without peer in this facet of running our business. In 2016, operating costs were reduced by 2% and we further improved our cost to income ratio, reducing it to 56.9%. This will remain a key area of focus.

### **Business simplification**

In addition to completing the platform transformation and maintaining diligent control over costs, we undertook a number of strategic internal initiatives which have allowed us to focus on our core capabilities and to strengthen the foundations for future organic growth.

The divestments of four Perennial businesses has reshaped our investment management business significantly, reducing key man risk and exposure to volatile institutional fund flows. The sales of these boutiques have realised post-tax profit on sale of \$56 million.

We also undertook a large number of smaller transactions; divesting a number of non-core businesses and associates which realised an additional \$8 million in profit. This simplification is

allowing us to further focus on our core wealth management capabilities.

We have undertaken all of these activities while remaining active in our approach to pursuing M&A opportunities which would be complementary to our core businesses and deliver improved value for our shareholders.

A prime example here was our involvement in the StatePlus transaction during the year, where regrettably, we were the bridesmaid. We were active until the very final stage, but, as far as we are aware, we lost out to a price which we would not have been prepared to pay. However, the quality of our submission was exemplary and stands us in good stead, demonstrating our ability to generate cash and debt in a short space of time to fund a substantial transaction.

## **Shadforth**

Speaking of acquisitions, this is the final time I will specifically call out the Shadforth acquisition. It is now deeply embedded within the Group.

We have realised synergies which significantly exceeded our original estimate by \$10 million. It has delivered 7.5 cents per share in earnings accretion. It has been a great buy and has significantly strengthened our resilience to market turbulence by providing us with further diversification.



## **Building our client centric culture**

During the year, we worked with our staff across all levels of the Group to understand our clients' aspirations and how that translates into our purpose. We landed on "Understand me, look after me, secure my future". That is our purpose – to best service our clients to help them meet their goals.

In order to deliver on this purpose, we need to ensure that our people are engaged. "Culture" has always been important to us and we believe it is a dynamic imperative – there is no absolute target and it is something that we will always work on to refine and improve. We are doing this in four key areas and this will lead to better outcomes for our clients.

In order to build our client-centric culture, we have embarked on a program of work with a number of initiatives which focus on improving the member experience. We believe that this will also further set us up for future organic growth. A unique point of difference to our peers is that we offer open architecture. This means that we offer non-IOOF products and services alongside our own. This means that we are genuinely serving the best interests of our clients and the service needs of their advisers. This is a fundamental differentiator in our sector. We understand that offering the best possible outcomes to our advisers and clients is the surest way to build and sustain long-term valued relationships.

In order to ensure that we are best servicing our client's needs, we have been undertaking an initiative called ClientFirst which is focused on delivering what really matters to our clients. This is an easy thing to say, but it is what will truly set us apart. We have listened to over 2,000 client calls and reviewed over 3,000 transactions to understand what really matters. Using this data, we have developed new measures and are introducing new ways of working. The early results from this work are extremely encouraging, based on feedback from clients, advisers and from our staff who are working within ClientFirst.

Keeping our clients front of mind, we have also been holding innovation events which invite staff from across the Group to work together to come up with and develop innovative ideas for client-centric services & products. The winning ideas move into a funded incubation stage for further development. The first exciting innovation is slated for release in 2017.

As the Chairman has noted, IOOF's Advice Academy was officially launched in July following a 2 year pilot program. We continue to be a strong advocate for best advice and the highest educational standards for advisers. Through this Academy, we aim to provide our Advisers with the professional development that they need to best serve their clients and help them to meet their financial goals.

## **Board changes**

As Roger has mentioned, he is retiring at this year's AGM after 15 years as a director of IOOF and as Chairman for the past 4 years. On behalf of the Board, management and staff of IOOF, I would like to thank Roger for the contributions he has made and for his distinguished record as a Director of IOOF. We all wish him well for the future.

I am looking forward to working closely with George Venardos and our new Director, John Selak. I am confident our Board will be in very capable hands under George's Chairmanship.

## **Summary**

So in summary, we have delivered an extremely resilient result in the face of turbulent market conditions.

I would like to thank you, our shareholders, for your continued support.

Our industry fundamentals remain strong and we remain extremely positive on the outlook for wealth management. We remain committed to diligent execution of our strategy and will continue to pursue both organic growth and growth through acquisition.

We are investing in new product offerings and ways of working to ensure that the product ranges and service levels that we offer to our clients clearly differentiate us from our peers.

Our financial position is extremely strong and will enable us to respond swiftly as acquisition opportunities arise. We will continue to be disciplined in how we approach and execute on these opportunities.

With all of the activities that we have undertaken during 2016, your company is in a solid position and we look forward to continuing to build a sustainable, resilient business that will deliver results for our shareholders for years to come.



# Annual General Meeting

24 November 2016

# Receipt of financial statements and reports



# Resolution 2a

## To re-elect Mr Allan Griffiths



	Number of proxies	(%)
For	95,219,134	95.42
Open	3,909,263	3.92
Against	659,723	0.66

# Resolution 2b

## To elect Mr John Selak



	Number of proxies	(%)
For	95,130,989	95.39
Open	3,929,084	3.94
Against	667,471	0.67



# Resolution 3

## Non binding advisory vote on Remuneration Report



	Number of proxies	(%)
For	84,579,007	87.74
Open	3,762,847	3.90
Against	8,054,571	8.36

# Resolution 4

## Grant of performance rights to the Managing Director



	Number of proxies	(%)
For	83,676,720	86.80
Open	3,647,961	3.78
Against	9,081,495	9.42



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