

30 August 2024

Riley Jackson
Adviser, Listings Compliance (Melbourne)
ASX Limited
Rialto, South Tower Level 50
525 Collins Street
Melbourne VIC 3000
By email: ListingsComplianceMelbourne@asx.com.au

Dear ASX Compliance,

Insignia Financial Limited (ASX: IFL): ASX Aware Letter

We refer to your letter dated 27 August 2024 (**27 August Letter**) in which you raised certain queries associated with the fall in the price of IFL securities between the close of trading on 21 August 2024 and the close of trading on 22 August 2024. As you noted in your 27 August Letter, IFL made its Results Announcement for the financial year (**FY**) ended 30 June 2024 prior to the opening of trading on 22 August 2024.

Our responses to each of the questions you raised in your 27 August Letter are set out below. Capitalised terms used in this letter that are not defined have the meaning given to them in your 27 August Letter.

- 1. Does IFL consider that any measure of its statutory or underlying earnings for Financial Year 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):**

IFL response: No, IFL does not consider that any measure of its Earnings Information disclosed in the Results Announcement differed materially from the market's expectations.

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

- 1.1 If IFL had published earnings guidance, that guidance:**

IFL response: In its FY 2023 results announcement of 24 August 2023 (**August 2023 Guidance**), IFL provided guidance on certain forecast FY 2024 revenue and cost drivers that IFL considers to be key constituent parts of IFL's UNPAT and statutory NPAT performance.

As IFL has previously disclosed, UNPAT is a non-IFRS metric that is used by IFL management to monitor the underlying financial performance of the Group. It has been the primary measure of earnings used by IFL for some years, and is the primary measure used by sell-side analysts to assess the financial performance of IFL. (UNPAT is described in detail in the “Operating and financial review” section of the “Insignia Financial Annual Financial Report” released as part of the Results Announcements.)

The revenue and cost drivers on which IFL provided guidance in the August 2023 Guidance comprised forecast IFL Group net revenue margin, Group EBITDA margin, transformation costs and gross optimisation benefits.

Aspects of the August 2023 Guidance were updated by IFL in its 1H 2024 results announcement on 22 February 2024 (**February 2024 Guidance**). The February 2024 Guidance increased both the FY 2024 Group net revenue margin and the Group EBITDA margin. In-year transformation costs and benefits were reported in the February 2024 Guidance to be on-track.

IFL provided a further update by way of its 4Q 2024 Quarterly Business Update which IFL released to the market on 22 July 2024 (**July 2024 Guidance**). In the July 2024 Guidance, IFL announced that it expected to exceed its FY 2024 earnings guidance, since it:

- expected to exceed the upgraded FY 2024 IFL Group net revenue margin and Group EBITDA margin guidance provided in the February 2024 Guidance;
- was on-track to achieve the upper end of the \$60-70 million range in gross optimisation benefits announced in the August 2023 Guidance, resulting in a net reduction in operating costs of \$20-25 million compared to FY 2023; and
- expected FY 2024 UNPAT to be in the range of \$212-218 million.

IFL also announced in the July 2024 Guidance a further pre-tax increase of \$188 million in remediation provisions (and the drivers for this increase).

IFL’s FY 2024 UNPAT result disclosed in the Results Announcements was \$216.6 million which was within the guidance range provided by IFL to the market in the July 2024 Guidance.

1.2 If IFL is covered by sell-side analysts, the earnings forecast of those analysts:

IFL response: See the response to question 2.2 below.

1.3 If paragraph 1.1 and 1.2 are not applicable, IFL's earnings for the prior corresponding period, being the 2023 Financial Year:

IFL response: Paragraphs 1.1 and 1.2 are applicable however, in the interests of completeness, IFL notes that as part of the Results Announcements, IFL did compare the Group's key financial metrics from FY 2024 against FY 2023, including comparisons in relation to:

- Net Revenue (which increased from \$1,379.7 million in FY 2023 to \$1,392.8 million in FY 2024, an increase of 0.9%);
- Operating Expenses (which reduced from \$1,035.7 million in FY 2023 to \$1,011.5 million in FY 2024, a decrease of 2.3%);
- EBITDA (which increased from \$344.0 million in FY 2023 to \$381.3 million in FY 2024, an increase of 10.8%);
- UNPAT (which, as noted above, increased from \$190.7 million in FY 2023 to \$216.6 million in FY 2024, an increase of 13.6%); and
- Statutory NPAT (which decreased from \$51.2 million in FY 2023 to (\$185.3) million in FY 2024).

As noted in the Results Announcements, this decrease in Statutory NPAT was attributable to (i) the impact in FY 2024 of \$257.7 million of transformation and separation costs; (ii) remediation costs and penalties of \$243.1 million that were provided for in FY 2024 (including the \$188 million pre-tax increase to the FY 2024 remediation provision announced in the July 2024 Guidance) and (iii) the inclusion in FY 2023 Statutory NPAT of the gain on sale of AET of \$43.2 million after-tax.

2. Please explain the basis for the view provided in response to question 1. In doing so, please specify how IFL determined market expectations in relation to each relevant measure of its earnings, including:

2.1 If IFL had published earnings guidance, details of (i) that guidance and when it was released to the market; and (ii) the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.

IFL response: See the response to question 1.1 for details relating to when IFL released guidance to the market.

As noted above, IFL uses (and for some years has used) UNPAT as its primary measure of earnings. UNPAT is also the primary measure used by sell-side analysts to assess the financial performance of IFL. IFL became aware with a reasonable degree of certainty what its UNPAT performance for FY 2024 would be around 22 July 2024 when it released its July 2024 Guidance. IFL disclosed in its July 2024 Guidance that FY 2024 UNPAT was expected to be in the range of \$212-218 million. IFL's FY 2024 UNPAT result disclosed in the Results Announcements was \$216.6 million.

- 2.2 If IFL used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of: (i) the method that IFL used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not IFL used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate; (ii) the entity's estimate of market expectations using that method; (iii) and the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.**

IFL response: IFL considers that market expectations around its forecast earnings are primarily set by its own earnings guidance as described above.

In addition, however, IFL is currently covered by 11 analysts. The majority of these analysts typically (but do not always) update their estimates following IFL's quarterly business updates and full-year and half-year results announcements, adjusting their forecasts to reflect movements in Funds Under Management and Administration which is a key driver of IFL's revenue. IFL translates its analysts' forecasts into an estimate of market expectations on an "Adjusted Consensus Estimate" basis that excludes estimates based on stale data and/or out-of-date estimates.

IFL is of the view that its earnings for FY 2024 as disclosed in its Results Announcements were materially consistent with the Adjusted Consensus Estimate of IFL's earnings published by those of its analysts that were relevant to determining its Adjusted Consensus Estimate (based on the methodology described above).

- 3. Does IFL consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of IFL's securities?**

Please answer separately for each measure of earnings referred to in the Earnings Information.

IFL response: No, IFL does not consider that, at any time prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for FY 2024 of a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of IFL's securities.

- 4. If the answer to question 3 is "no", please provide the basis for that view.**

IFL response: IFL provided updates and guidance (as more particularly described in the response to question 1.1) throughout FY 2024 meaning that there was no material variation between its earnings result as announced in the Results Announcement and IFL's estimate of market expectations.

5. **If the entity first became aware of the variance before the release of Results Announcements, did IFL make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe IFL was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps IFL took to ensure that the information was released promptly and without delay.**

IFL response: See the responses to questions 2 and 3 above in relation to the announcements IFL made during the course of FY 2024 and, in particular in this context, its July 2024 Guidance.

6. **Please provide details of any other explanation IFL may have for the trading in its securities following the release of the Results Announcements.**

IFL response: Any explanation IFL may proffer for the IFL share price decrease experienced on 22 August is general in nature and involves an element of speculation. Against that context, IFL considers that there are several factors that may have contributed to the trading in IFL securities following the release of the Results Announcements. Each of these factors is discussed below:

- *The decision to pause the dividend*

IFL has a long history of paying both interim and final dividends and, on occasion, has also paid special cash dividends to shareholders. IFL is of the view that this history, when coupled with the IFL Board's decision to pause payment of the dividend, may have contributed to the trading behaviours on 22 August. For completeness, IFL notes the following in relation to this decision:

- the final decision to pause the dividend was not made by the IFL Board until the evening of 21 August 2024; and
- accordingly, the proposal in relation to whether or not to pause the dividend remained strictly confidential and constituted an incomplete proposal for the purposes of ASX Listing Rule 3.1A until the Board reached a final decision on the evening of 21 August 2024.

- *Trading in IFL securities prior to the Results Announcement*

IFL notes that there was a significant increase in the IFL share price in the period between release of the July 2024 Guidance and the Results Announcements on 22 August. This increase may have reflected broader market volatility as well as, more specifically, volatility in the IFL share price during that period attributable to a re-rating of IFL as a result of the improved UNPAT performance disclosed in the July 2024 Guidance coupled with the impact of programmatic, speculative and short-term trading during that period. The selling activity that occurred following release of the Results Announcements may have represented a correction to the IFL share price rise experienced during that period of volatility.

- 7. Please confirm that IFL is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.**

IFL response: IFL confirms that, so far as it is aware, it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

- 8. Please confirm that IFL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of IFL with delegated authority from the board to respond to ASX on disclosure matters.**

IFL response: IFL confirms that its responses to the questions above have been authorised and approved in accordance with IFL's Continuous Disclosure Policy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J Volpe', with a horizontal line extending from the end of the signature.

Joseph Volpe

Company Secretary

Insignia Financial Ltd

T 03 83203 455

E Joseph.Volpe@insigniafinancial.com.au



27 August 2024

Reference: ODIN98681

Mr Joseph Volpe
Company Secretary
Insignia Financial Limited
Level 1 800 Bourke Street
DOCKLANDS VIC AU 3008

By email: Joseph.Volpe@insigniafinancial.com.au

Dear Mr Volpe

Insignia Financial Limited ('IFL'): ASX Aware Letter

ASX refers to the following:

- A. IFL's announcements released on the ASX Market Announcements Platform ('MAP') on 22 August 2024 in connection with its full year results ('Results Announcements'), being:
- 1.1 "IFL FY24 Financial Results Investor Presentation", released on MAP at 8:27am;
 - 1.2 "Insignia Financial FY24 Results Announcement" released on MAP at 8:26am;
 - 1.3 "Insignia Financial Annual Financial Report" released on MAP at 8:19am; and
 - 1.4 "Preliminary Final Report" released on MAP at 8:10am.
- B. The change in the price of IFL's securities from \$2.93 at the close of trading on the day prior to the release of the Results Announcements to \$2.47 at the close of trading on 22 August 2024, being a 15.7% decline over the course of that day's trading.
- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."*
- E. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.
- 3.1A** *Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1** *One or more of the following 5 situations applies:*
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*

- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

- G. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular:

"...If an entity becomes aware that its earnings for the current reporting period will differ materially (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact."...

"...An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities."...

Request for information

Having regard to the above, ASX asks IFL to respond separately to each of the following questions and requests for information:

1. Does IFL consider that any measure of its statutory or underlying earnings for Financial Year 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):
 - 1.1 If IFL had published earnings guidance, that guidance.
 - 1.2 If IFL is covered by sell-side analysts, the earnings forecasts of those analysts.
 - 1.3 If paragraph 1.1 and 1.2 are not applicable, IFL's earnings for the prior corresponding period, being the 2023 Financial Year.

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

2. Please explain the basis for the view provided in response to question 1. In doing so, please specify how IFL determined market expectations in relation to each relevant measure of its earnings, including:
 - 2.1 If IFL had published earnings guidance, details of:
 - 2.1.1 that guidance and when it was released to the market; and
 - 2.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.
 - 2.2 If IFL used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:
 - 2.2.1 the method that IFL used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not IFL used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate;

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- 2.2.2 the entity's estimate of market expectations using that method; and
- 2.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.
3. Does IFL consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of IFL's securities?
- Please answer separately for each measure of earnings referred to in the Earnings Information.
4. If the answer to question 3 is "no", please provide the basis for that view.
5. If the entity first became aware of the variance before the release of Results Announcements, did IFL make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe IFL was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps IFL took to ensure that the information was released promptly and without delay.
6. Please provide details of any other explanation IFL may have for the trading in its securities following the release of the Results Announcements.
7. Please confirm that IFL is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that IFL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of IFL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00PM AEST Friday, 30 August 2024**

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, IFL's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out above and may require IFL to request a trading halt immediately if trading in IFL's securities is not already halted or suspended.

Your response should be sent by e-mail to ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in IFL's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to IFL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that IFL's obligation

to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

ASX Compliance