

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

Thursday, 26 November 2015

Thank you Roger and good morning ladies and gentlemen.

## **Business Performance**

I'm pleased to report that our proven, consistent strategy has delivered another year of record profits.

Underlying profit after tax for 2015 was \$174 million, up 41 per cent on the prior year. This lift in profit was accompanied by increased cash flows, enabling the Board to declare a total dividend for shareholders of 53 cents per share fully franked.

The strong performance is reflected across each of our business with all segments reporting an increase in profit on the prior year.

The value of funds we manage for clients grew by 29 per cent to \$124 billion by the end of the year. While this includes the impact of the SFG acquisition, the underlying organic growth achieved was 8 per cent. This is a particularly pleasing outcome. It shows our business is performing well and benefiting from a range of product initiatives introduced during the year and increased service levels for clients.

At the same time as delivering top line growth we have maintained tight control over costs. This has been a hallmark of our performance for many years. In 2015, tight control over labour and discretionary costs enabled us to make a modest increase to our investment in information technology, while achieving a cost to income ratio of 57.5 per cent, an improvement of 1.4 per cent on the prior year.

In recent years our business has absorbed the impact of regulatory change that has resulted in significant change in the superannuation and advice industries. The internal resources previously allocated to addressing these new requirements are now being turned to more proactive and productive initiatives that we believe will genuinely enhance the role we play in building wealth for our advisers and clients. This investment in new value-add initiatives will support our continued organic growth and this remains an important aspect of our strategy.

## **Successful integration of SFG**

The successful integration of SFG has been a key highlight for the year. The immediate value of this business for shareholders was evident in the financial result with the realisation of \$13 million in synergies and a contribution to earnings of 3.6 cents per share. We are on track to

deliver ongoing synergies of at least \$20 million as a result of this acquisition in the current financial year.

The longer term, strategic benefits of the acquisition are also readily apparent. SFG is one of Australia's most successful high net worth advisory businesses. It has delivered scale to IOOF's business and further diversified our earnings base.

Scale and efficiency are critical drivers for the successful delivery of our strategy. They enable us to invest in both our product offering and the essential governance environment to protect and foster the continued trust of our clients.

Acquisitions such as SFG also help us to evolve and improve the way we operate. With every acquisition we strive to integrate the best elements of the old and the new right across our entire business. This "best of breed" approach to integration continually challenges and refreshes the way we operate and how we deliver value, quality and service to meet the needs of our advisers and clients.

An important development during the year was the adoption of revised education standards for our new advisers. These standards are consistent with the recommendations of the Financial Services Inquiry and we will be applying them across our existing advisers so that all advisers are compliant with the requirements by 2018.

During the year we also divested a number of non-core Perennial investment management boutique businesses. Whilst one of these businesses in particular had been quite successful, the sale enabled us to realise a value that exceeded our view of their future within the IOOF group and allowed us to refocus on our core businesses.

## **Strategy and outlook**

Turning to outlook.

We remain committed to our strategy and will continue to pursue organic growth and growth through acquisition. Our financial position is strong and will enable us to respond as acquisition opportunities arise. Our criteria that acquisitions must complement our business model and be value accretive remains intact, and we will continue to be disciplined in how we approach and execute on these opportunities.

Our commitment to organic growth is equally strong. We are investing in new products and new service levels to improve our relationship with advisers and the products we offer clients. Last month we released an update on funds flow for the September quarter, which showed that the momentum of our organic growth remains undiminished. The strong flows into our advice businesses were particularly pleasing and show continued strong support for IOOF's products and brands.

## **In Summary**

So in summary, we have delivered another strong result and lifted returns for shareholders.

Our consistent strategy is delivering to plan and we will continue to implement it with discipline and energy.

I would like to publicly acknowledge the efforts of my management team and our valued employees for their hard work and achievement this year. I thank you also for your continued support.

Your company is in a strong position and we look forward to the future with confidence.