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4 May 2016

**IOOF HOLDINGS LIMITED**  
**Macquarie Australia Conference Presentation**

Attached is the presentation to be given today by David Coulter, Chief Financial Officer, at the Macquarie Australia Conference in Sydney.

Ends

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# IOOF Holdings Limited

**David Coulter**  
Chief Financial Officer

4 May 2016

# Overview

IOOF is one of the largest independent financial services groups in Australia

## Key Information



~ **170yrs**

Helping Australians  
secure their  
financial future



~ **650,000**

Clients partnered  
with IOOF



> **2,000**

Employees across  
Australia and  
New Zealand



**\$131bn\***

Funds under  
management,  
administration, advice  
and supervision

Strategic focus

Independent,  
non bank aligned

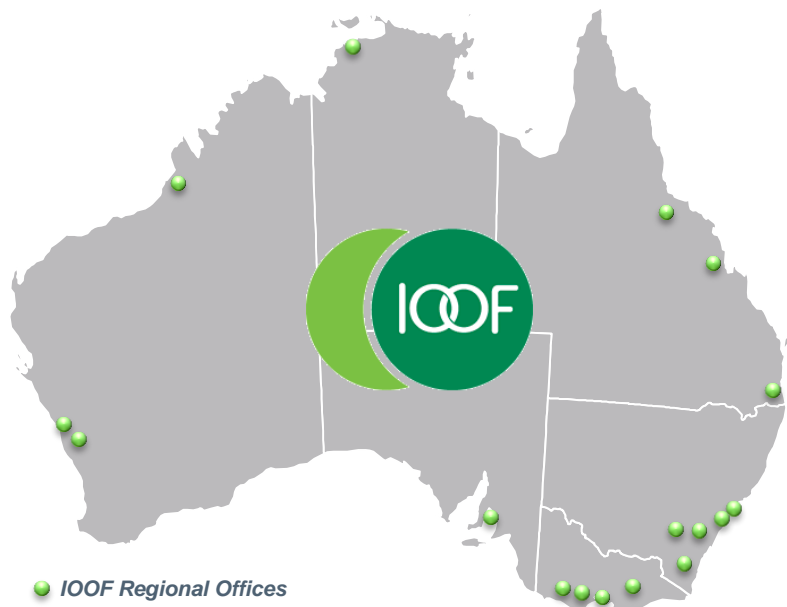
Specialists in  
superannuation, investment  
and trustee services

Supporting advisers  
for best advice

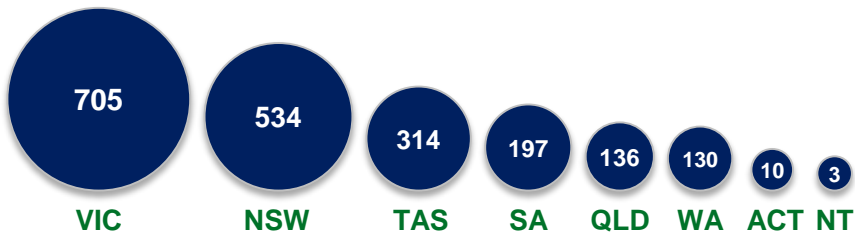
\* At 31 March 2016



# IOOF operates a multi-brand strategy with nationwide distribution



## Staff numbers by state



Financial advice and distribution

Platform management and administration

IOOF Pursuit

IOOF Alliances IOOF Employer Super

Investment management

IOOF MultiMix IOOF QuantPlus

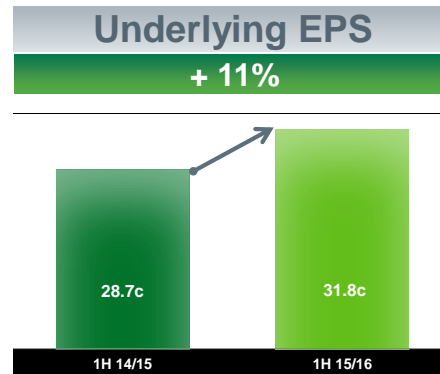
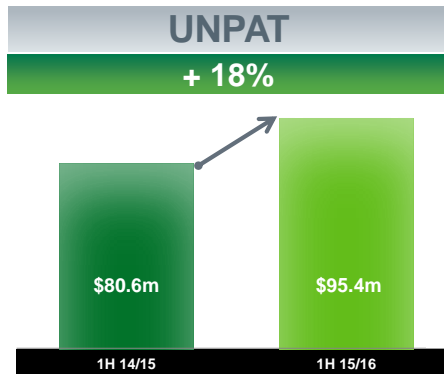
IOOF WealthBuilder

Trustee services

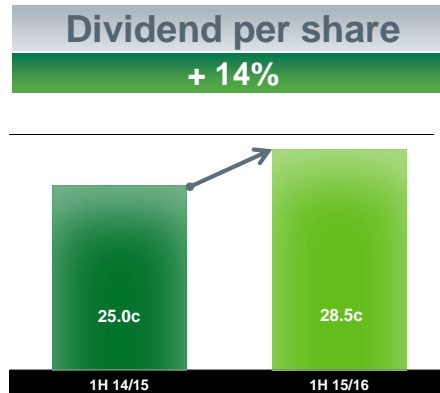
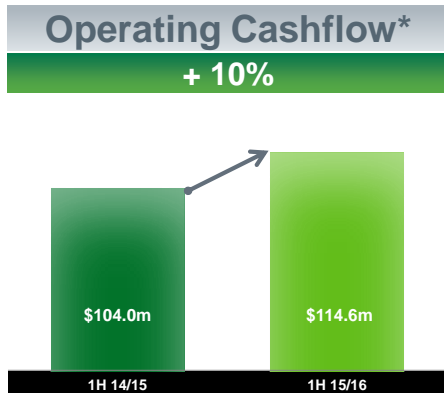
Australian Executor Trustees

- Corporate Trust
- Private Client Services
- Superannuation

# Record performance



- Record 1H UNPAT of \$95.4m
- Broadened earnings base has offset volatile market conditions
- Shadforth fully integrated
- Investment Management business reshaped
- Low net debt
- Well positioned to pursue future opportunities



\* Pre-tax operating cash flow

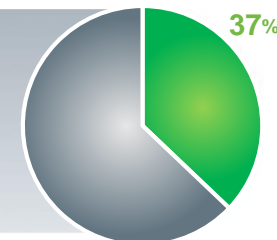
# Servicing clients across the value chain

% FUMAS by segment

## FINANCIAL ADVICE AND DISTRIBUTION

### Funds Under Advice: \$48.6bn

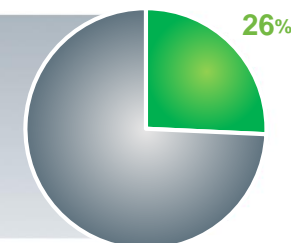
- Provision of financial planning advice supported by investment research, training and compliance support services
- ~1,000 advisers aligned to IOOF
- Need for financial advice increasing



## PLATFORM MANAGEMENT AND ADMINISTRATION

### Funds Under Administration: \$33.7bn

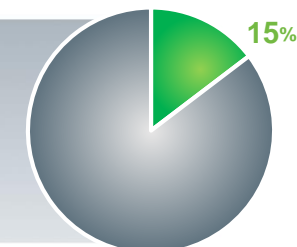
- Administration and management services through master trust platforms, offering single access point to a range of investment products
- IOOF's platforms are highly regarded – top 5 position in Wealth Insights adviser survey since 2010



## INVESTMENT MANAGEMENT

### Funds Under Management: \$19.2bn

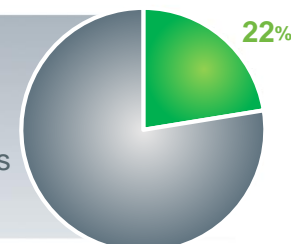
- Multi-manager capabilities, utilising sector specialist fund managers with the aim of providing above median performance at low risk
- Top quartile performance in Multi-manager funds
- Award winning boutique fund manager



## TRUSTEE SERVICES

### Funds Under Supervision: \$29.4bn

- Provision of estate planning, estate administration and fiduciary services
- Corporate trust business provides custodian, security trustee and agency services as well as acting in structured finance and staff equity transactions
- Leading participant in a consolidating industry



Note: FUMAS figures as at 31 March 2016

# Resilience across all businesses

## FINANCIAL ADVICE AND DISTRIBUTION

UNPAT **\$40.6m** ↑ 52%

Benefiting from completed integration and full realisation of synergies  
Resilient and sustainable business model in the face of market volatility

## PLATFORM MANAGEMENT AND ADMINISTRATION

UNPAT **\$42.7m** ↓ 1%

Gross margin stable, net operating margin up on 2H15  
Reinvesting in the customer experience, including enhanced IT

## INVESTMENT MANAGEMENT

UNPAT **\$16.4m** ↓ 3%

Focusing on a strong multi-manager offering, including Shadforth  
Reduced exposure to volatile institutional funds flow

## TRUSTEE SERVICES

UNPAT **\$3.4m** ↑ 8%

Investment in organic strategy paying dividends  
Strong long term sector growth prospects

The Corporate segment recorded an UNPAT of **(\$9.8m)** 1H 15/16 , **(\$10.2m)** 1H 14/15

# Creating shareholder value



\* For 9 month period ended 31 March 2016

\*\* Based on 20 day VWAP to 22 February 2016



# Funds and flows performance

|   | YTD 15/16*    | YTD 14/15*      | YTD 13/14*    |
|---|---------------|-----------------|---------------|
| Opening FUMA                              | \$104,707m    | \$77,110m       | \$70,400m     |
| <b>Flagship Platform net flows</b>        | <b>\$365m</b> | <b>\$1,249m</b> | <b>\$990m</b> |
| Platform (Transition) net flows           | (\$147m)      | (\$87m)         | (\$343m)      |
| <b>Total Platform net flows</b>           | <b>\$218m</b> | <b>\$1,162m</b> | <b>\$646m</b> |
| Investment Management net flows           | \$123m        | \$781m          | \$81m         |
| Funds Under Advice net flows <sup>^</sup> | \$944m        | \$1,447m        | \$442m        |
| Acquired FUMA                             | -             | \$19,542m       | -             |
| Investment returns / Other                | (\$4,483m)    | \$6,438m        | \$3,915m      |
| Closing FUMA                              | \$101,510m    | \$106,480m      | \$75,484m     |

- Thirteenth consecutive quarter positive net flows
- Financial Advice now has similar scale to Platform business
- Flows to flagship platforms impacted by outflows from large, low margin corporate super account
- Platform consolidation on track

\* Perennial FUM and flows have been removed from these figures as IOOF is a non-controlling equity holder in the remaining business.

<sup>^</sup> Shadforth Advice YTD 15/16 net flows \$202m

# Shadforth embedded and accretive

Shadforth is a leading client focused advice and wealth management firm

## FINANCIAL

4.1cps accretive in 1H 15/16  
UNPAT up 57% on PCP  
\$13m pre-tax cost synergies realised in the half

Exceeded targeted annual **\$15m** pre-tax recurring cost synergies

## OPERATING

Strong net advice flow of \$202m\*  
New CEO and stable management team

## STRATEGIC

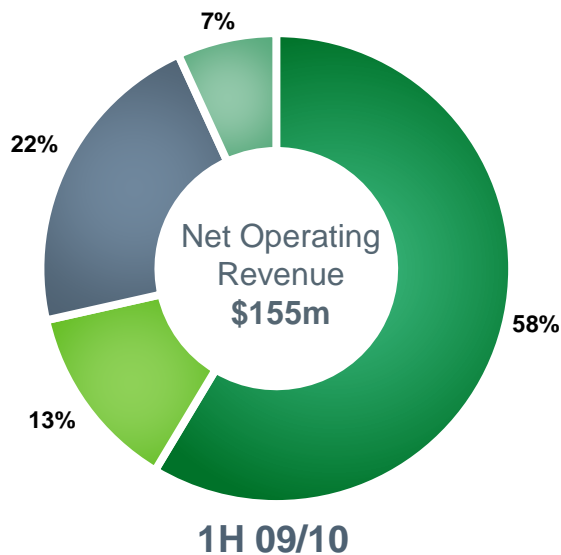
Enhanced scale  
Diversified earnings base  
Best Advice adopted across group

\* For 9 month period ended 31 March 2016

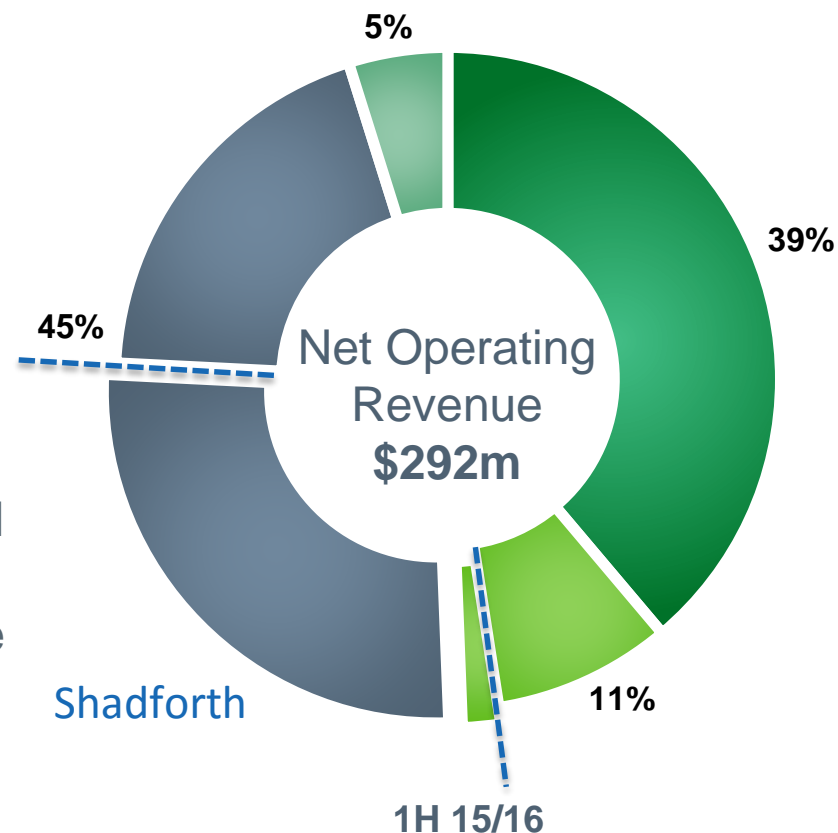
# Growing and diversifying earnings

## Key benefits of this shift

- Higher quality earnings
- Improved operating model
- Strengthened balance sheet



Strengthened recurring revenue base



- Platform
- Investment Management
- Financial Advice
- Trustee

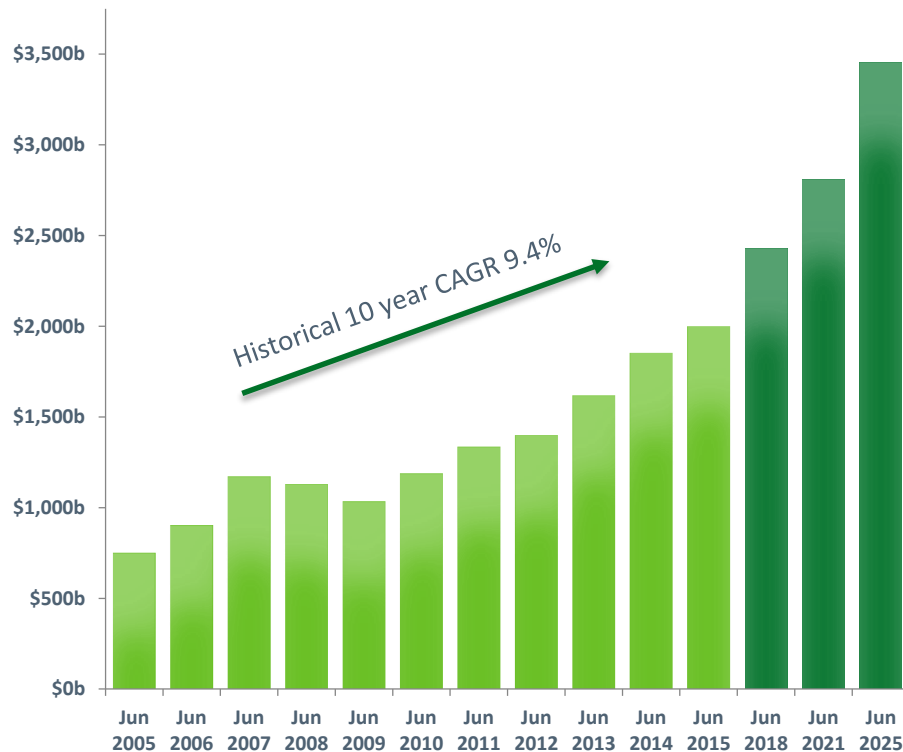


Strategy – Platform and IT

# Positive industry fundamentals

## Industry fundamentals underpinned by growing superannuation system

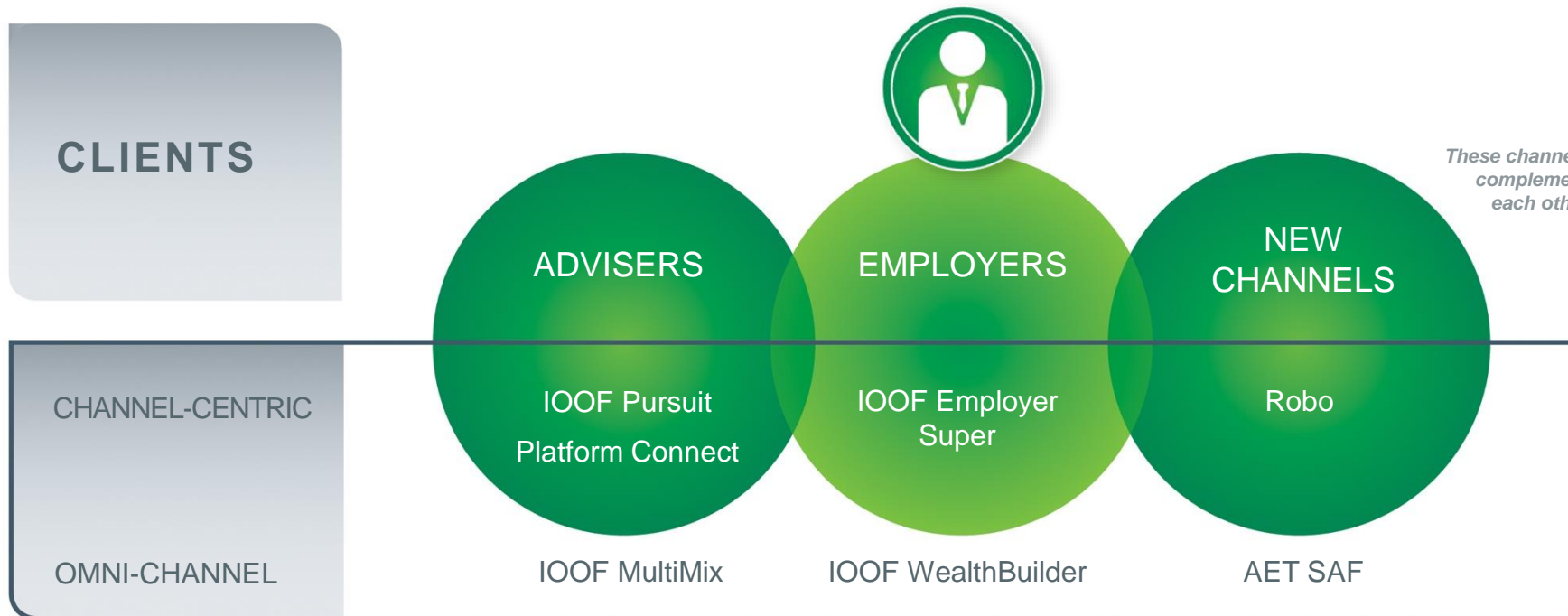
Total superannuation assets\*



- Strong bi-partisan political support and increasing economic imperative for financial independence
- Compulsory superannuation regime has underpinned CAGR of 9.4% in Australian superannuation assets over past decade
- Ageing population
- High per capita wealth
- Increasing complexity drives need for advice
- Significant intergenerational wealth transfers occurring

\* KPMG Supertrends, May 2015 and APRA statistics

# Foundation operating model



## Differentiated by

Independence

Making complex easy

Choice  
(Open architecture)

Anticipating  
customer needs

## Supported by a culture of

Agility

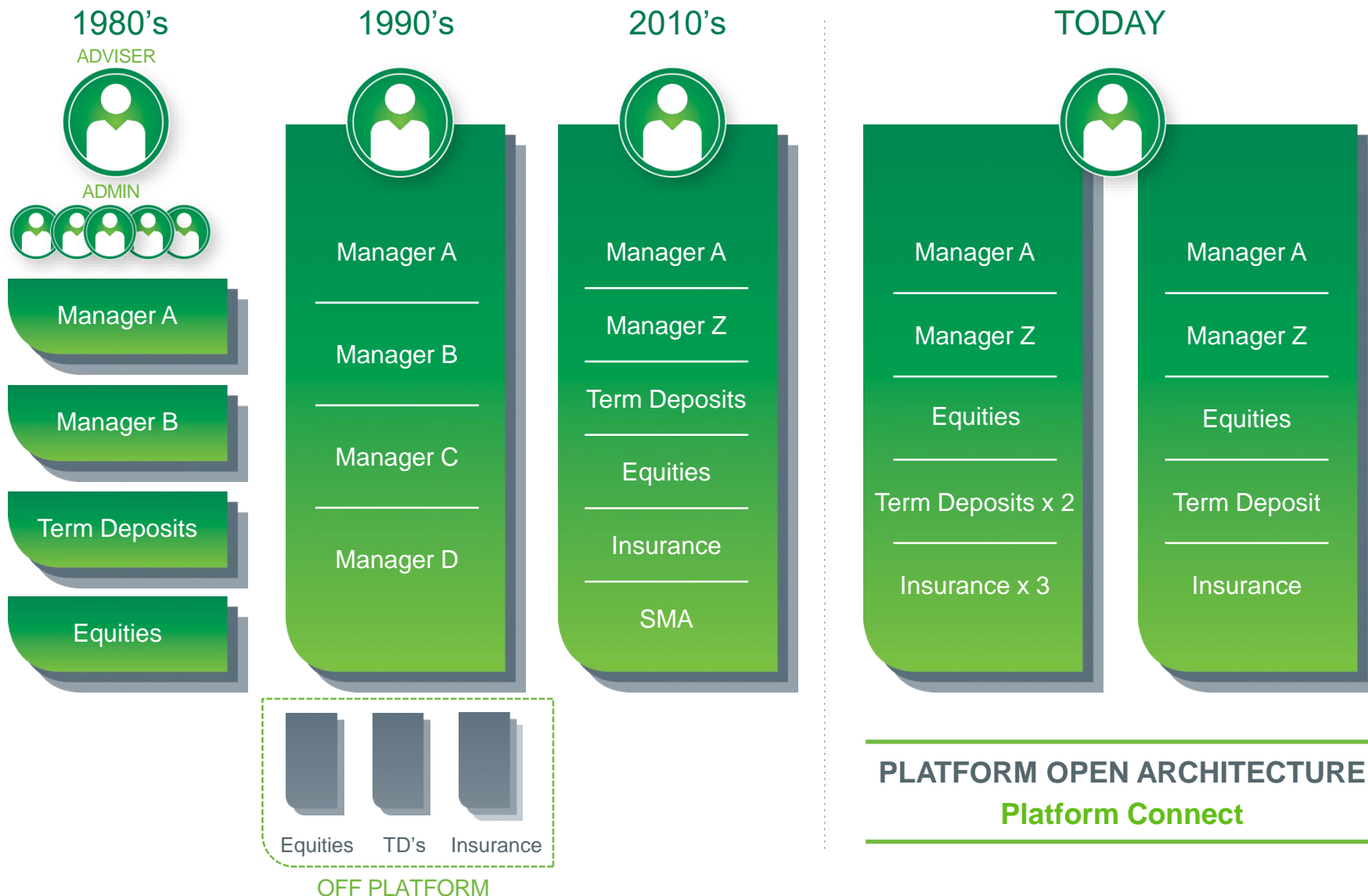
Empowerment

Collaboration

Client First

Advocacy of advice

# Open architecture network effect



# Information technology

To understand, look after and secure the future of our clients we are delivering an operating platform that is



An evolutionary approach, an agile mindset, a nimble organisation

**ATTITUDE**

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**APTITUDE**

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**ALIGNMENT**

“Any intelligent fool can make things bigger, more *complex*, and more violent. It takes a touch of genius — and a lot of courage to move in the opposite direction.”

— *Ernst F. Schumacher*



# Key Platform strategy decisions

We have three core propositions underlying our business



We believe we can best achieve the delivery of **WHAT MATTERS** to **CLIENTS** by building and owning our own technology platform and capability

- Change – it's constant and we can manage the impact of change
- Ability to prioritise what is important to the client and IOOF on our clients and our business
- Buy modules where appropriate (e.g. unit pricing) but integrate in
- No long-term, single-vendor, single technology lock-in

We have the **SCALE** to deal with these challenges

# Key considerations

## Important internal considerations

- **Governance** - decision making, priorities, risk management
- **Capability** - talent, education & learning, hiring
- **Acquisitions**
- **Financial considerations**

## Broad industry challenges and opportunities

- **Change** – technology, disruption, client needs
- **Cyber security**
- **Privacy**



## HOW

Identify

Respond

Monitor

Measure

**RISKVISION**  
Formerly Agilance

Leverage RiskVision, our integrated risk intelligence software platform

Embed these considerations into our processes

# Platform technology

## Requirements for a quality platform

Ability to service various client needs

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Ability to handle volume and scale

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Ability to operate multiple products

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Ability to integrate with other solutions and services

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Is very stable to operate – provides maximum availability

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Is highly secure

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Is able to be changed quickly – provides flexibility and responsiveness

- Regulation
  - Client needs
- 

Is adaptable

- Environmental changes

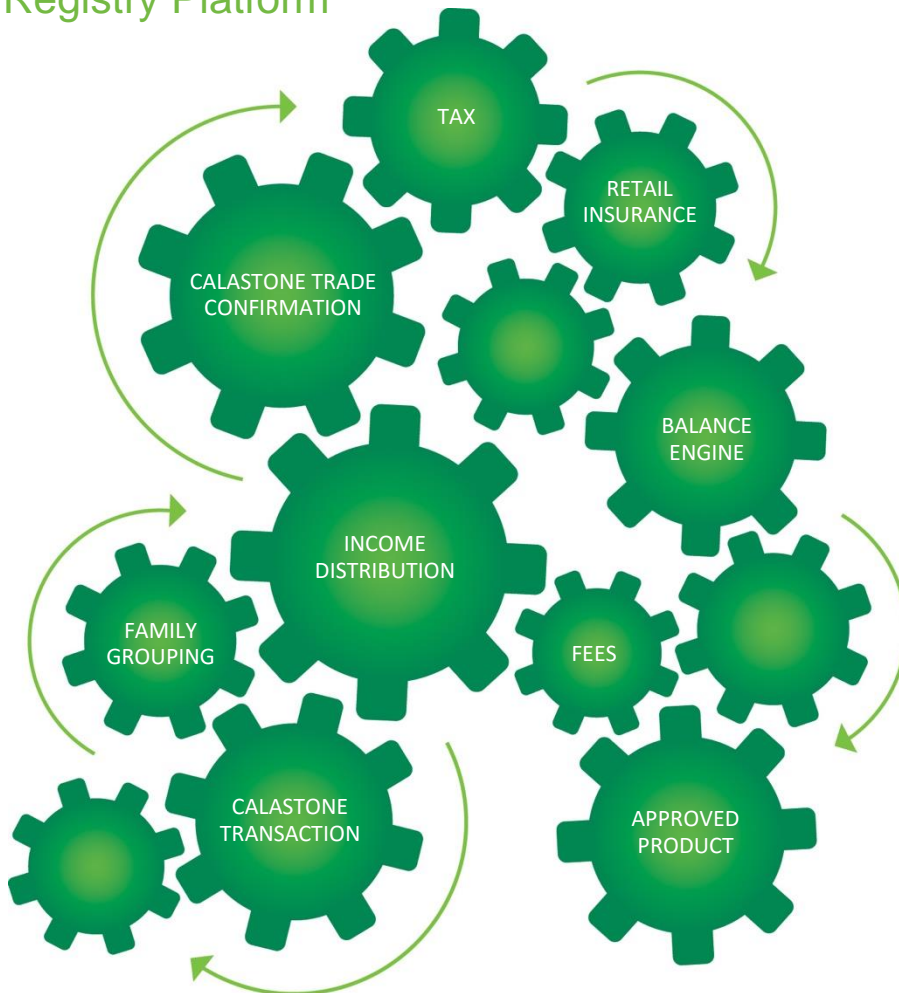
**All with high levels of efficiency and effectiveness**

**Balance the range  
of competing  
priorities**

# Platform technology - architecture

From...

Registry Platform



## A 'monolithic' architecture

- less focus on external integrations
- can be difficult to change
- challenging to scale delivery teams
- harder to release
- increased chance of cascading failures

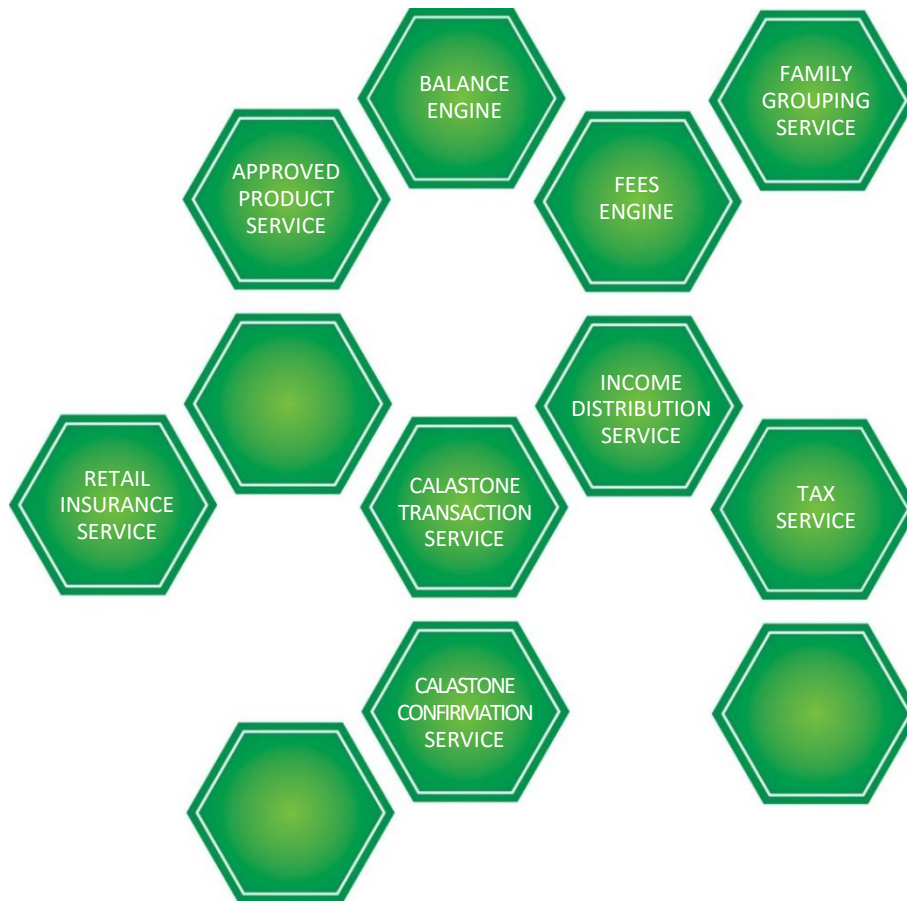
## But

- easier to design
- commonly understood
- easier to test

# Platform technology - architecture

To...

Service oriented, using web technology



## A 'microservice' architecture

- easier to scale
- faster to change
- faults can be isolated
- easier to release
- easier to maintain
- mix-n-match technology

# Summary

IOOF continues to deliver

- Recurring EPS growth
- Strong cash flows
- Consistently strong dividend yield
- Low gearing

Unique platform architecture and IT capability

Well positioned for short term volatility

Long term fundamentals remain strong

Attractive M&A environment





## Questions












# Appendices



# Management Team

|  | NAME AND TITLE   | EXPERIENCE | COMMENTS  |
|--|--|------------|---|
|    | <b>Christopher Kelaher</b><br><i>Managing Director</i>   | 25+ years  | <ul style="list-style-type: none"> <li>Chris has had a 25 year career in financial services and has been Managing director of the IOOF Group since 2009</li> <li>He also has extensive capital markets experience from his time with Citicorp</li> </ul>  |
|    | <b>David Coulter</b><br><i>Chief Financial Officer</i>   | 25+ years  | <ul style="list-style-type: none"> <li>David has over 25 years' experience having worked at JP Morgan, ANZ Bank, Colonial and PwC</li> <li>He was appointed Chief Financial Officer in September 2009 and has played a pivotal role in subsequent restructuring and a series of acquisitions</li> </ul>   |
|    | <b>Gary Riordan</b><br><i>General Counsel</i><br><i>Group General Manager,</i><br><i>Trustee Services</i>          | 25+ years  | <ul style="list-style-type: none"> <li>Gary has over 25 years' experience in financial services, trustee and governance</li> <li>He joined IOOF upon the acquisition of Australian Wealth Management in 2009.</li> <li>Prior to this, Gary worked as a Partner at Holding Redlich and Cornwall Stodart and Principal with GR Financial Services and IFS Fairley.</li> </ul>   |
|    | <b>Renato Mota</b><br><i>Group General Manager,</i><br><i>Wealth Management</i>                                    | 18+ years  | <ul style="list-style-type: none"> <li>Renato has over 18 years' experience in financial services with a particular focus on senior management and corporate strategy</li> <li>He is responsible for the overall delivery of value to the group's various client segments across advice and services</li> <li>He joined IOOF in 2003 and has previously worked for Rothschild, NAB and ANZ, and is a CFA charterholder</li> </ul> |
|    | <b>Julie Orr</b><br><i>Group General Manager,</i><br><i>Corporate Development</i>                                  | 20+ years  | <ul style="list-style-type: none"> <li>Julie has over 20 years' experience in financial services gained in roles with Ernst &amp; Young, Standard &amp; Poor's, Morningstar and Intech</li> <li>Previously, Julie was IOOF's General Manager Operations, and has played a key role in integrating several acquisitions, including AWM, Skandia and SFG</li> </ul>   |
|    | <b>Andrew Todd</b><br><i>Chief Information Officer</i>   | 16+ years  | <ul style="list-style-type: none"> <li>Andrew joined IOOF in 2009, having held the same position with Australian Wealth Management since 2007</li> <li>Previously, he worked as Head of IT with Standard &amp; Poor's, and prior to that, he worked with Volkswagen Financial Services and PwC</li> </ul>   |
|    | <b>Stephen Merlicek</b><br><i>Chief Investment Officer</i>   | 30+ years  | <ul style="list-style-type: none"> <li>Stephen has over 30 years' experience and was appointed to the role of Chief Investment Officer at IOOF in October 2009</li> <li>Prior to joining IOOF, he was the Chief Investment Officer at Telstra Super for 10 years, during which time it was a top performing fund winning numerous investment awards</li> </ul>  |
|  | <b>Frank Lombardo</b><br><i>Group General Manager,</i><br><i>Client and Process</i>                                | 20+ years  | <ul style="list-style-type: none"> <li>Over 20 years experience across the financial services sector</li> <li>He previously held senior management roles at NAB and Aviva Australia</li> </ul>  |
|  | <b>Ingrid Liepins</b><br><i>Group General Manager,</i><br><i>People &amp; Culture</i>                              | 25+ years  | <ul style="list-style-type: none"> <li>Ingrid recently joined IOOF as Group General Manager, People and Culture.</li> <li>Ingrid brings over 25 years of broad industry experience in Financial Services, Information and Communications Technology, Psychology and Education</li> </ul>  |
|  | <b>Paul Vine</b><br><i>Company Secretary</i><br><i>Group General Manager,</i><br><i>Legal, Risk and Compliance</i> | 20+ years  | <ul style="list-style-type: none"> <li>Paul joined the group in August 2014</li> <li>He previously held in-house legal and governance roles at AXA, Bell Potter and Telstra, following an early career in London and Melbourne</li> </ul>   |

# Financial overview

|                             | 1H 15/16        | 1H 14/15 | Change on pcp   |
|-----------------------------|-----------------|----------|---|
| Statutory NPAT              | \$134.0m        | \$61.5m  |  118%    |
| Statutory Basic EPS (cents) | 44.7cps         | 21.9cps  |  104%    |
| Underlying EBITA            | <b>\$132.9m</b> | \$113.2m |  17%     |
| Underlying NPAT             | <b>\$95.4m</b>  | \$80.6m  |  18%     |
| Underlying EPS (cents)      | 31.8cps         | 28.7cps  |  11%     |
| FUMA*                       | <b>\$103.4b</b> | \$100.4b |  3%      |
| Gross Margin %*             | 0.52%           | 0.54%    |  -2bps   |
| Net Operating Margin %*     | 0.25%           | 0.23%    |  2bps   |
| Cost to Income %*           | 55.5%           | 59.5%    |  -4.0% |
| Dividend per share (cents)  | 28.5cps         | 25.0cps  |  14%   |

^ Shadforth July 2014 Underlying EBITA **\$4.9m**, Underlying NPAT **\$3.2m** (Shadforth acquired 1 August 2014).

\* FUMA and margin calculations exclude Perennial FUM and associated revenue & expenditure (see ASX announcement on 27/01/2016).

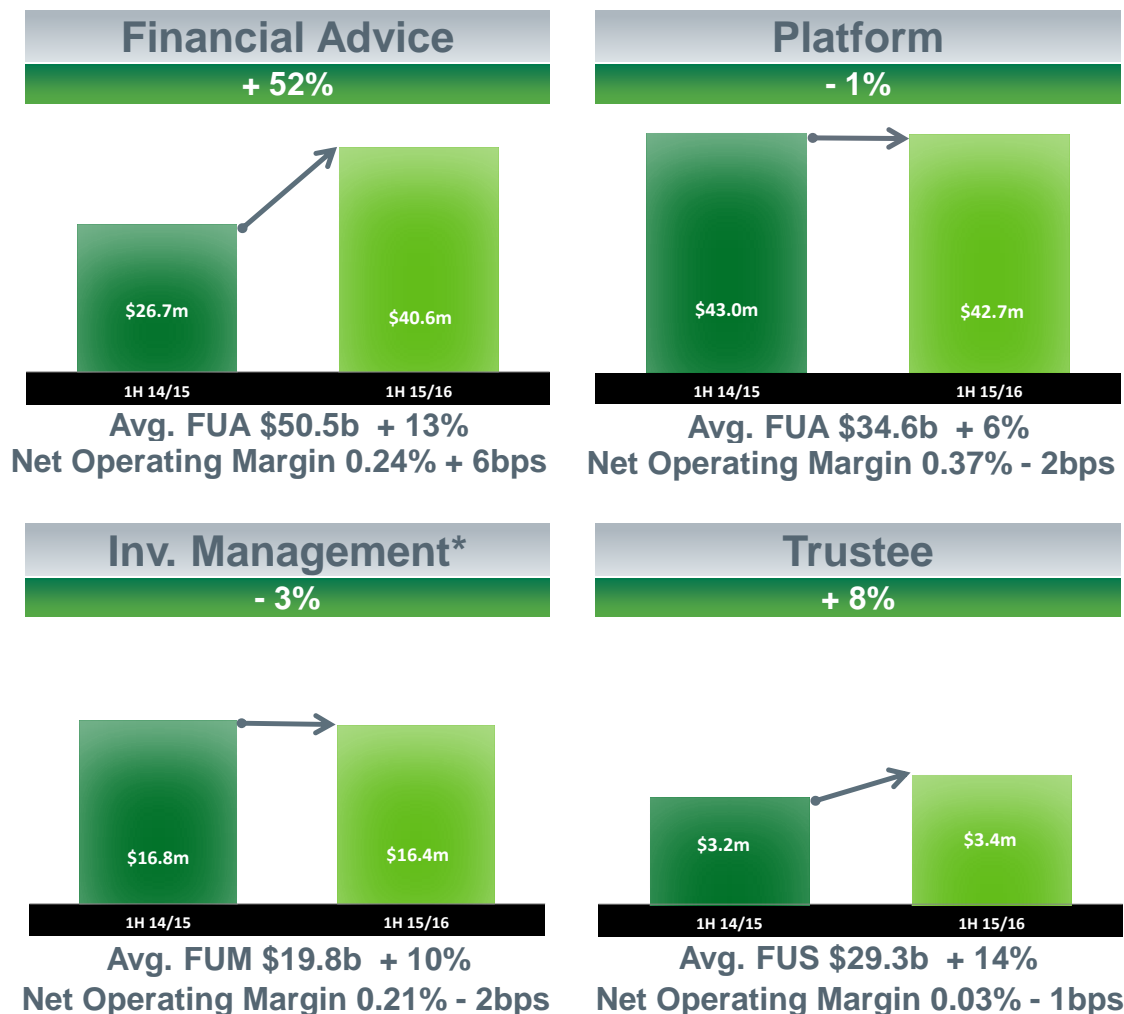
# Balance sheet strength provides opportunities for growth



|                                       | 1H 15/16 | 1H 14/15 |
|---------------------------------------|----------|----------|
| Gross Borrowings (\$'M)               | 207.4    | 208.3    |
| Net Debt (\$'M)                       | 29.0     | 73.9     |
| Debt to Equity (%)                    | 12.8%    | 13.3%    |
| Net Debt to Underlying EBITDA (times) | 0.1      | 0.3      |
| Net Interest Cover (times)            | 97       | 38       |

- Surplus borrowing facility and substantial headroom in covenants
- Strength provides security and ability to capitalise on opportunities

# Segment performance

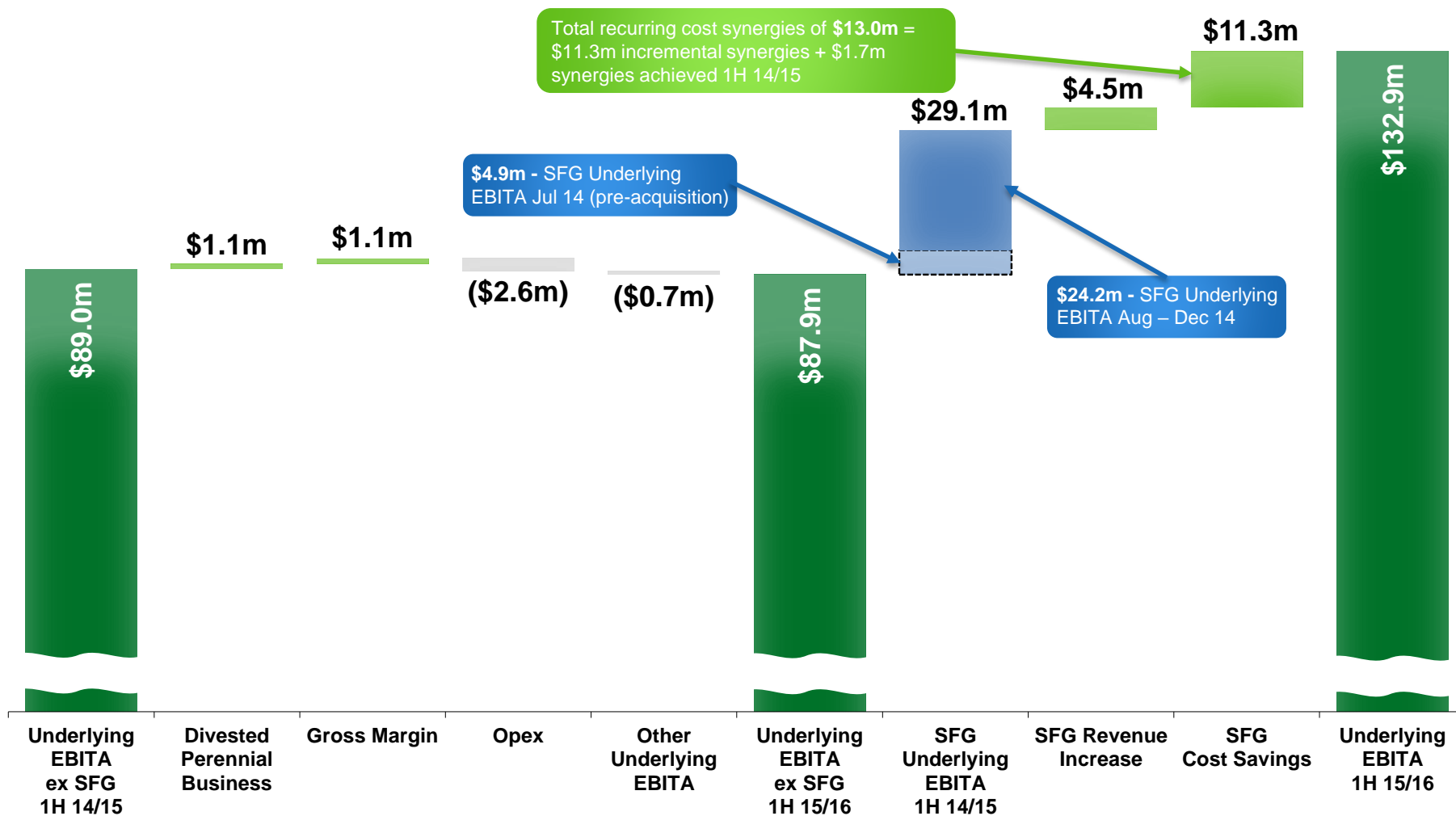


- Enhanced performance in advice attributable to synergies extracted from the Shadforth acquisition combined with strong net inflows
- Timely acquisitions have broadened and diversified our earnings, building resilience for periods of market volatility
- Reinvesting in core businesses

\* Investment Management segment results are shown exclusive of the divested Perennial business

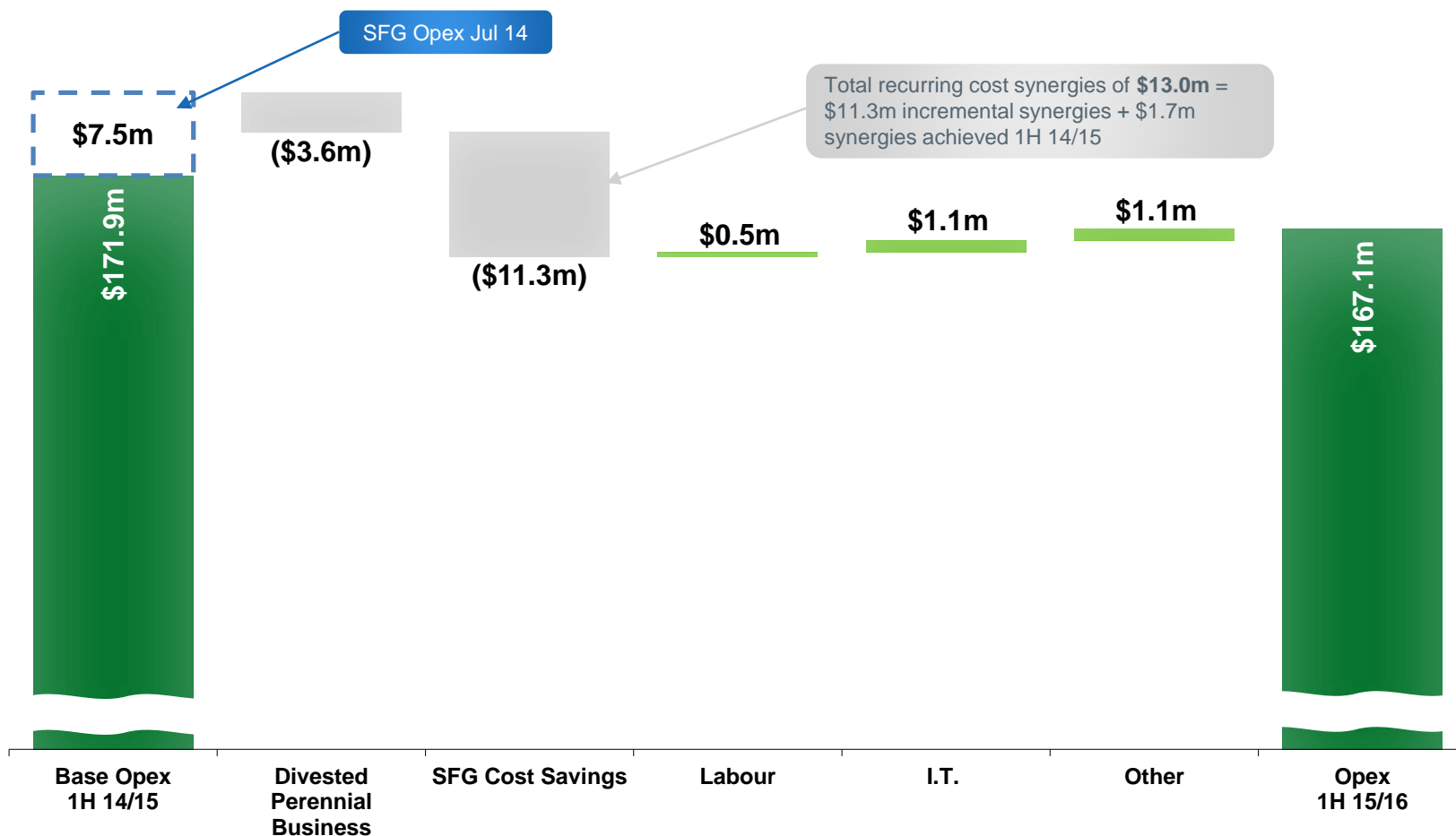
# M&A complements organic growth

- Synergies realised through increased scale and removal of duplicated functions

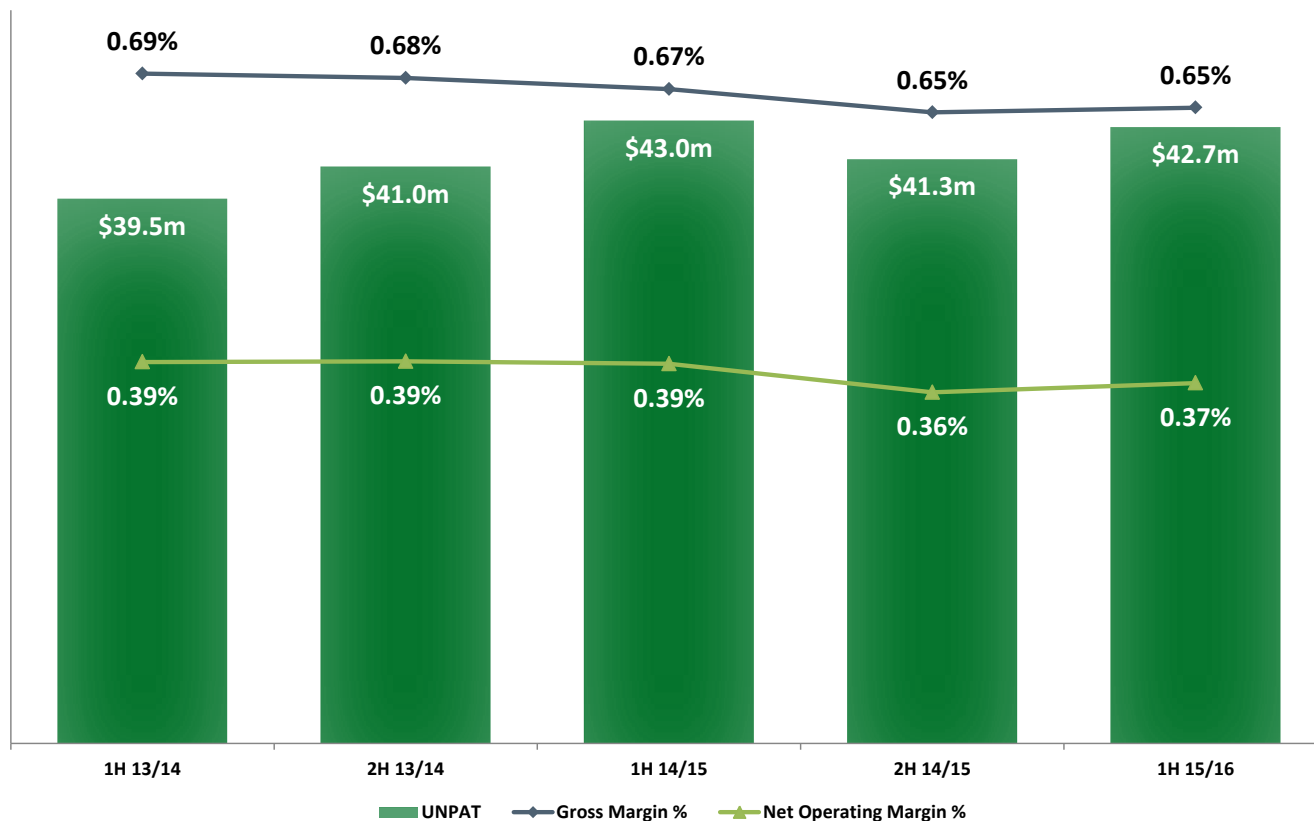


# Operating costs

- Targeting organic growth through IT investment
- Labour cost increase below inflation



# Platform profitability growth continues



- Profitability reinvested in IT to build a platform for future organic growth
- Margin is not simply about competition – newer products are more cost efficient



Creating financial independence since 1846