



# IOOF Holdings Limited

**Christopher Kelaher** | Managing Director

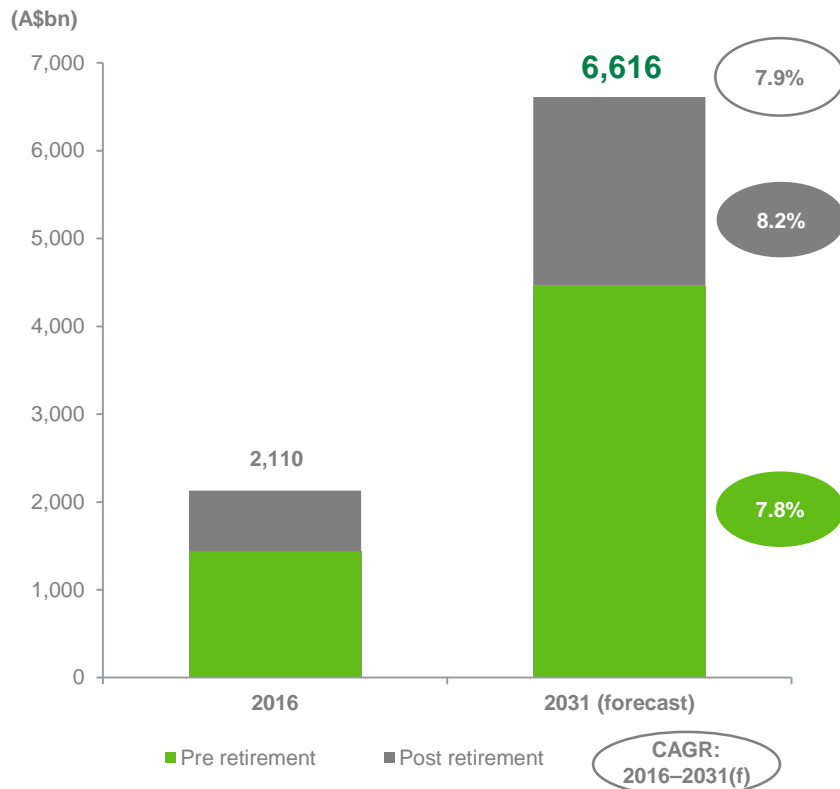
4 May 2017

# Strong superannuation system with attractive growth forecasts



Australia has the 4<sup>th</sup> largest superannuation system in the world<sup>1</sup> ... and is growing

## Australian superannuation funds under management<sup>2</sup>



- Compulsory superannuation regime has underpinned a CAGR of ~9%<sup>3</sup> in Australian superannuation assets over the past decade

- Compulsory employer contributions

- Beneficial tax treatment encourages additional contributions

- Structured and highly regulated industry drives the need for advisers, trustees and administrators

- Retirement income products expected to grow above industry, driven by baby boomers

***“Over the past 10 years, Australian superannuation assets have grown faster than all other large superannuation systems globally and all other financial sector assets in Australia”*** KPMG

1. Willis Towers Watson's Global Pension Assets Study 2017. 2. Rice Warner, Superannuation Market Projections Report 2016 (nominal dollars). 3. To 30 June 2016.

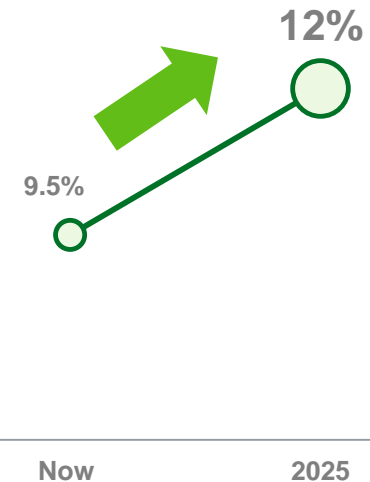
# Positive fundamentals and demographic trends support the industry growth



## Industry Fundamentals

- Strong bi-partisan political support and increasing economic imperative for financial independence
- Compulsory contribution legislated to increase to 10% from July 2021 and to 12% from July 2025<sup>1</sup>
- Lowering of non-concessional contributions cap from 1 July 2017 to A\$100k per year with 3 year “bring forward” period
- Positive reforms pending on retirement incomes and modern awards

## SG Contribution



**Increased complexity and constant change drives need for financial advice**



## Demographic Trends

- Ageing population
- High per capita wealth
- Significant intergenerational wealth transfers occurring

1. Legislated to increase to 10% from July 2021 and to 12% from July 2025.



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

## Key Information

~ 170yrs

Helping Australians secure their financial future

~ 600,000

Clients partnered with IOOF

> 2,000

Employees across Australia and New Zealand

>A\$143bn\*

Funds under management, administration, advice and supervision

## Strategic focus

Non-bank aligned

Specialists in superannuation, investment and trustee services

Supporting advisers for Best Advice

\* As at 31 March 2017


# IOOF's strategy is about realising our purpose

Purpose

understand me | look after me | secure my future

Strategy

Delivering advice-led wealth management

Business pillars	 Our clients	 Our business	 Our people
Strategic initiatives	ClientFirst	Business Simplification	Purpose
	Advice Academy		Engagement
	Open Architecture	Governance	Culture
Financial objectives			
Consistent returns to shareholders		Reinvestment into organic growth	Reinvestment through acquisitions



# Organic growth accelerates

	YTD 16/17*	YTD 15/16*	YTD 14/15*	YTD 13/14*
<b>Opening FUMA</b>	\$104,128m	\$104,707m	\$77,110m	\$70,400m
Flagship Platform net flows	\$671m	\$365m	\$1,249m	\$990m
Platform (Transition) net flows	\$36m	(\$147m)	(\$87m)	(\$343m)
<b>TOTAL Platform net flows</b>	<b>\$707m</b>	\$218m	\$1,162m	\$646m
Investment Management net flows	\$242m	\$123m	\$781m	\$81m
Funds Under Advice net flows**	\$1,410m	\$944m	\$1,447m	\$442m
<b>TOTAL Net flows</b>	<b>\$2,359m</b>	\$1,285m	\$3,390m	\$1,169m
Acquired FUMA	-	-	\$19,542m	-
Investment returns / Other	\$6,282m	(\$4,483m)	\$6,438m	\$3,915m
<b>Closing FUMA</b>	<b>\$112,769m</b>	\$101,510m	\$106,480m	\$75,484m

- **\$2.4bn of inflows** in 9 months to 31 March
- Adviser numbers growing with **over 50 advisers** committed to joining since 31 December 2016
- Strong market reputation in offering **advice-led** wealth management solutions
- FuA growth trend to **accelerate** in 2H17
- Platform merger and business simplification initiatives completed, resulting in **strong organic growth**

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

\*\* YTD 16/17 Includes \$154m of funds under advice from an initial cohort of advisers joining the Group in March 2017

# Creating shareholder value



**STRONG INDUSTRY FUNDAMENTALS | WELL POSITIONED TO PURSUE FUTURE GROWTH OPPORTUNITIES**

1. For 9 months ended 31 March 2017

2. For 6 months to 30 June 2016. 1H17 UNPAT foregone due to divestments A\$3.3m vs pcp

# IOOF operates across four key divisions



## Financial Advice & Distribution

FUA<sup>1</sup>: A\$55.7bn

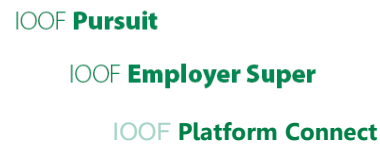
- Multi-brand strategy and nationwide presence >1,000 advisers
- Resilient and sustainable business model in the face of market volatility
- Adviser numbers growing - over 50 new advisers from other institutions



## Platform

FUAdmin<sup>1</sup>: A\$36.8bn

- IOOF's platform offering is highly regarded
- Delivering choice through unique open architecture
- Consolidation of flagship platforms completed in June 2016
- Reinvesting in the customer experience



## Investment Management

FUM<sup>1</sup>: A\$20.2bn

- Top quartile performance in award winning Multi-manager funds
- Strongly differentiated multi-manager, including Shadforth and MDA
- Highly efficient cost to income ratio



## Trustee Services

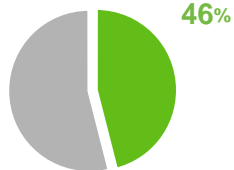
FUS<sup>1</sup>: A\$30.6bn

- Trustee capability directs administration funds (e.g. IDPS, Native Title, Compensation Trusts) to IOOF platforms
- Strong long term sector growth prospect
- Leading participant in a consolidating industry

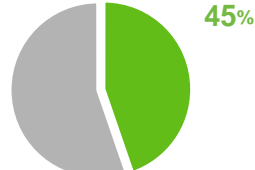


Contribution to  
FY2016 UNPAT<sup>2</sup>

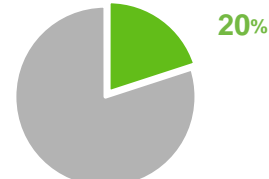
1H17 UNPAT: \$36.6m



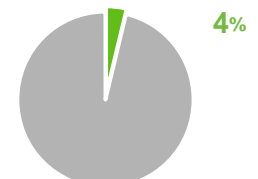
1H17 UNPAT: \$35.5m



1H17 UNPAT: \$15.9m



1H17 UNPAT: A\$3.0m



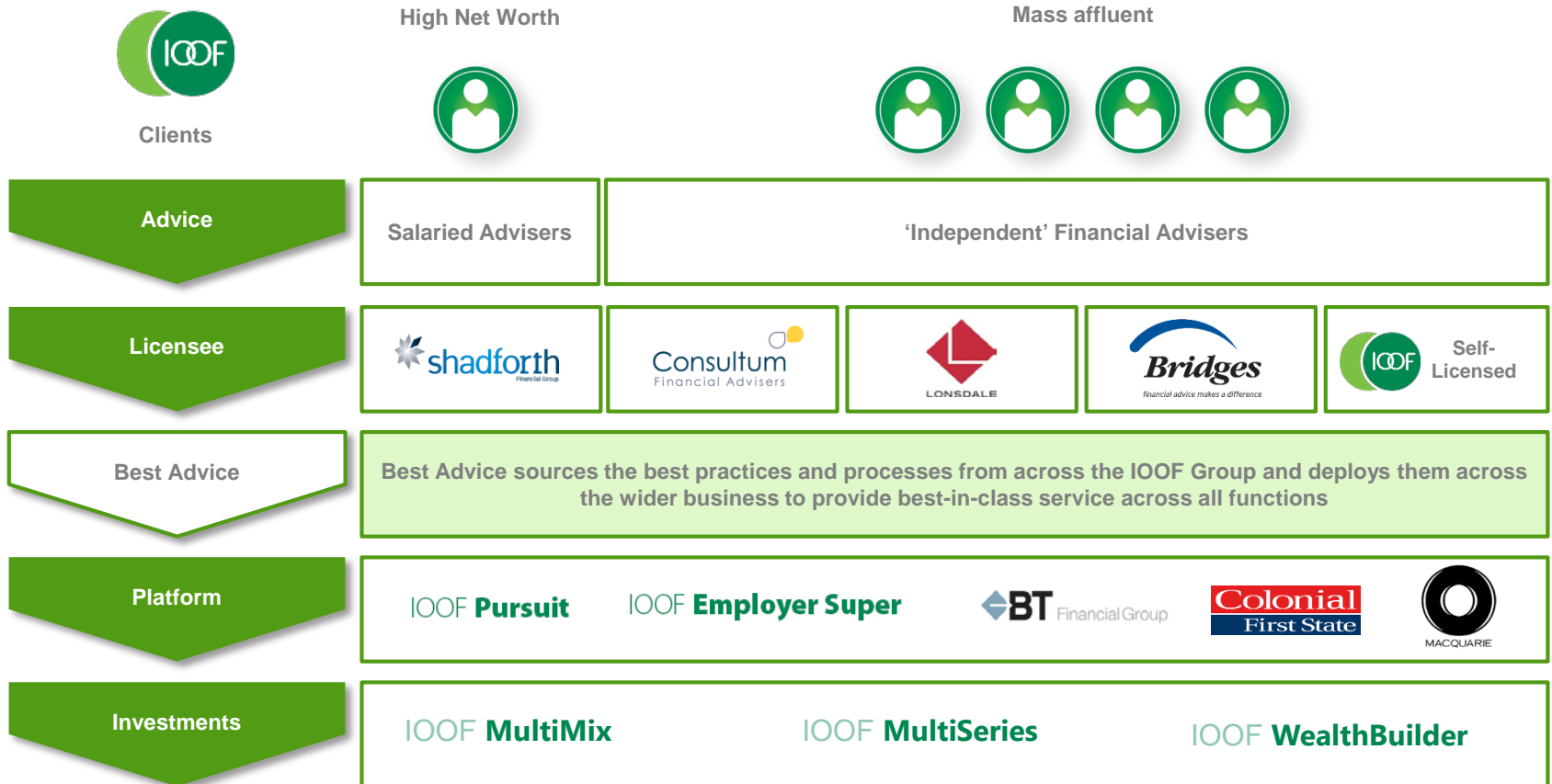
1. As at 31 March 2017

2. Corporate segment; 1H16/17 UNPAT (\$11.5m); 2H 15/16, (\$13.6m); 1H 15/16, (\$9.8m). Discontinued operations contribution to 1H 16/17 UNPAT, \$nil; 2H 15/16, \$nil; 1H 15/16, \$2.1m

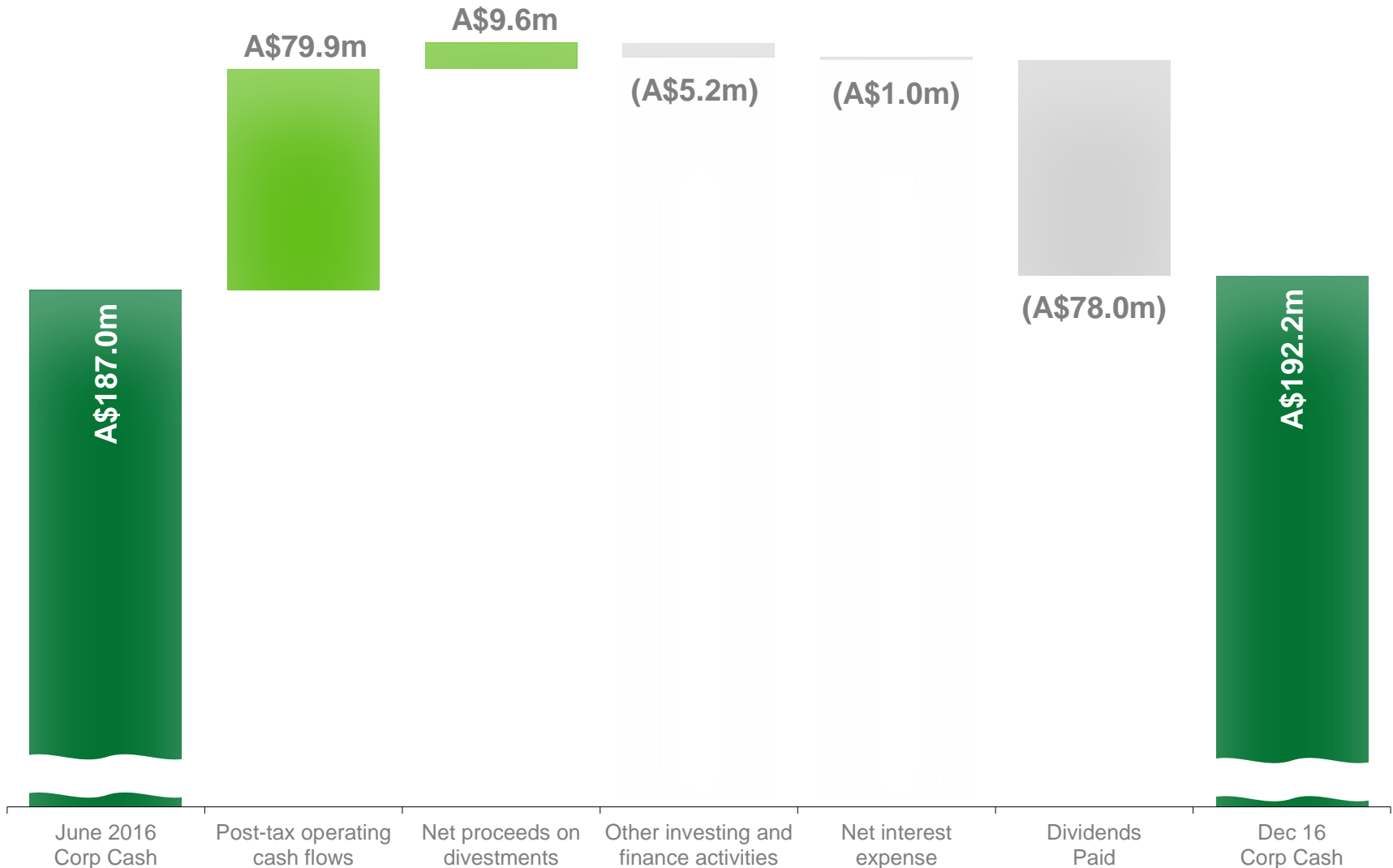


# Complementary services across the value chain

IOOF offers services across the value chain with the majority of revenue coming from the advice and platform segments

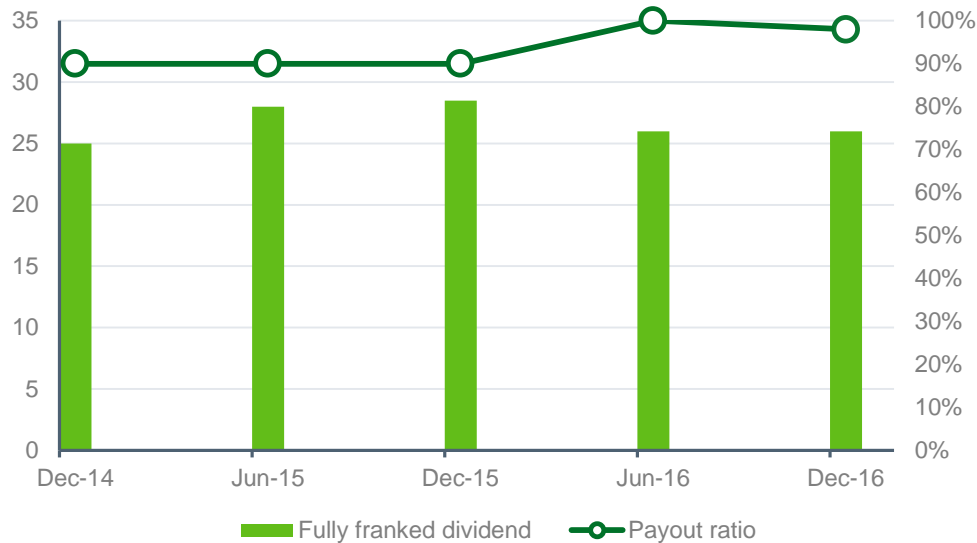


# Strong free cash flow generates high dividend yield



# Reliable, recurring earnings deliver value

## DIVIDEND ANALYSIS



- 1H16/17 dividend of 26cps fully franked
- Consistent returns to shareholders at the top end, or exceeding, 60-90% payout ratio
- Dividend payout ratio of 98% for 1H16/17 backed by strong cash flows

# Balance sheet strength provides opportunities for growth

(A\$m)	31 December 16	30 June 16	31 December 15
Gross Borrowings	206.9	207.0	207.4
<b>Net Debt</b>	<b>14.8</b>	<b>20.0</b>	<b>29.0</b>
Debt to Equity	13.0%	13.0%	12.8%
<b>Net debt to Underlying EBITDA (times)</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>

- Strength provides security and ability to capitalise on opportunities
- Borrowings primarily used to fund acquisitions (DKN, Plan B and Shadforth)
- Surplus borrowing capacity and substantial headroom in covenants
- Continued active and disciplined approach to significant wealth management M&A



# Appendices

# Financial overview

	1H16/17	2H15/16	1H15/16	CHANGE ON IPP		CHANGE ON PCP	
Underlying EBITA	\$111.7m	\$110.8m	\$128.7m	\$0.9m	1%	\$(17.0m)	-13%
Underlying NPAT*	\$79.4m	\$78.0m	\$95.4m	\$1.4m	2%	\$(16.0m)	-17%
Underlying EPS (cents)~	26.5cps	26.0cps	31.8cps	0.5cps	2%	(5.3cps)	-17%
FUMA	\$109.4b	\$104.1b	\$103.4b	\$5.3b	5%	\$6.0b	6%
Average FUMA	\$106.8b	\$102.7b	\$104.9b	\$4.1b	4%	\$1.9b	2%
Gross Margin %	0.48%	0.51%	0.52%	-0.03%	-6%	-0.04%	-8%
Net Operating Margin %	0.21%	0.22%	0.25%	-0.01%	-4%	-0.04%	-15%
Cost to Income %	58.9%	58.5%	55.5%	0.4%	1%	3.4%	6%
Dividend per share (cents)	26.0cps	26.0cps	28.5cps	-	0%	(2.5cps)	-9%

^ Discontinued operations Statutory NPAT impact – 1H16/17, \$nil; 2H15/16, \$nil; 1H15/16, \$58.9m

\* Discontinued operations UNPAT impact – 1H 16/17, \$nil; 2H 15/16, \$nil; 1H 15/16, \$2.1m

~Discontinued operations Underlying EPS impact – 1H 16/17, \$nil; 2H 15/16, \$nil; 1H 15/16, \$0.7cps

# P&L breakdown

\$'M	1H16/17	2H15/16	1H15/16	CHANGE ON IPP		CHANGE ON PCP	
Gross Margin	257.6	258.8	275.1	(1.2)	0%	(17.5)	-6%
Other Revenue	22.8	17.2	22.1	5.6	33%	0.6	3%
Operating Expenditure	(165.3)	(161.7)	(165.2)	(3.6)	-2%	(0.1)	0%
Equity Accounted Profits	2.1	2.0	2.8	0.1	6%	(0.7)	-24%
Net Non Cash	(5.6)	(5.5)	(6.1)	(0.1)	2%	0.6	-9%
<b>Underlying EBITA</b>	<b>111.7</b>	<b>110.8</b>	<b>128.7</b>	<b>0.9</b>	<b>1%</b>	<b>(17.0)</b>	<b>-13%</b>
Net Interest	(1.0)	(1.1)	(1.3)	0.0	4%	0.3	21%
Income Tax & NCI	(31.2)	(31.7)	(34.1)	0.5	2%	2.9	9%
<b>UNPAT excl. Discontinued Operations</b>	<b>79.4</b>	<b>78.0</b>	<b>93.3</b>	<b>1.4</b>	<b>2%</b>	<b>(13.9)</b>	<b>-15%</b>
Discontinued Operations	-	-	2.1	-	-	(2.1)	-100%
<b>Underlying NPAT</b>	<b>79.4</b>	<b>78.0</b>	<b>95.4</b>	<b>1.4</b>	<b>2%</b>	<b>(16.0)</b>	<b>-17%</b>
Significant Items/Amortisation	(5.2)	(15.1)	38.6	9.9	66%	(43.8)	-113%
<b>Statutory NPAT</b>	<b>74.2</b>	<b>62.9</b>	<b>134.0</b>	<b>11.4</b>	<b>18%</b>	<b>(59.8)</b>	<b>-45%</b>

# IOOF | Financial Advice & Distribution overview

## Key brands

## Overview



LONSDALE

- One of Australia's first full service financial planning networks
- Working with accountants to build their aligned financial planning businesses for over 30 years



financial advice makes a difference

- National financial planning and stockbroking organisation with a strong brand name
- Key driver is its use of referral partners with a network of credit unions and building societies and other non-bank partners



- Boutique, full-service licensee providing services to a network of financial advisers
- Provides tailored support to proprietors of independently owned financial services businesses



- One of Australia's leading financial advisory firms catering to private clients, corporate and institutions
- IOOF owns 70% of Ord Minnett. The remaining 30% is owned by JPMorgan
- Full range of private wealth investment services and tailored financial solutions

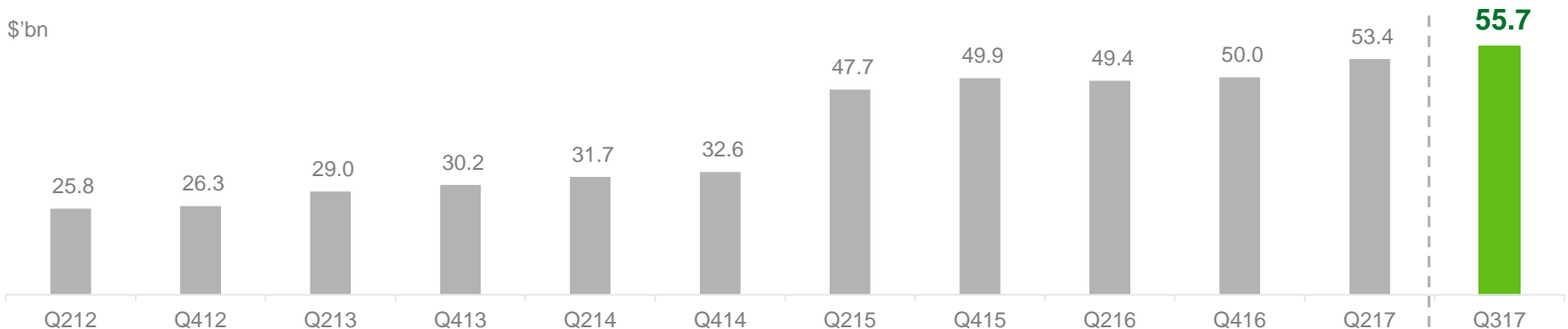


- Acquired in August 2014
- Full service wealth management business including superannuation and tax advisory services
- HNW and affluent client base

Other (Dealer Services Agreements)

- IOOF has an active relationship with independent financial advisers

## Funds Under Advice



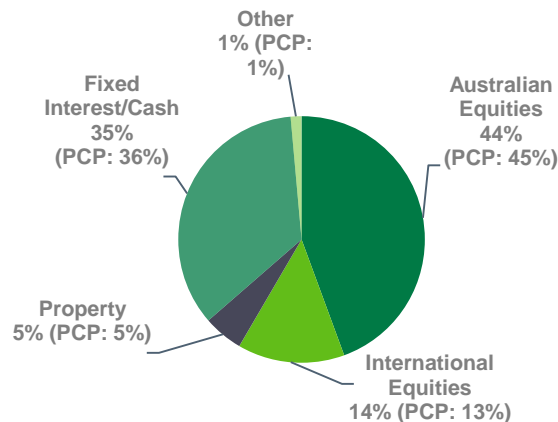


# IOOF | Financial Advice & Distribution financials

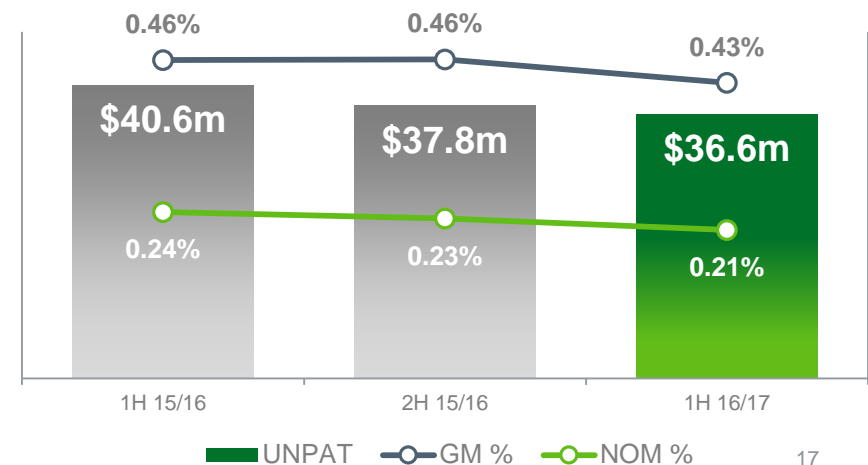
- Growth in average funds offset by
  - divestments of owned advice business into dealer groups
  - Shadforth fee mix impacts
- Net operating margin impacted -2 bps by divestments
- Opex impacted by redistribution of corporate charges post Perennial divestments in prior year

\$'M	1H 16/17	2H 15/16	1H 15/16
Revenue	174.2	173.5	181.0
Direct Costs	(62.7)	(60.9)	(64.4)
<b>Gross Margin (GM)</b>	<b>111.5</b>	112.6	116.6
<b>GM %</b>	<b>0.43%</b>	0.46%	0.46%
Other Revenue	21.4	17.2	18.8
Share of Equity profit/loss	0.4	0.5	0.6
Operating Expenditure	(77.0)	(73.3)	(74.4)
Net Non Cash	(1.6)	(1.8)	(2.2)
Net Interest	0.3	0.4	0.4
Income Tax Expense/N.C.I	(18.5)	(17.8)	(19.2)
<b>UNPAT</b>	<b>36.6</b>	37.8	40.6
Average FUA (\$'b)	51.9	49.2	50.5
<b>NOM %</b>	<b>0.21%</b>	0.23%	0.24%

## ASSET ALLOCATION



## MARGIN ANALYSIS



# IOOF | Platform Management & Administration overview

Flagship Platforms

## Key brands

## Overview

### IOOF Employer Super

- IOOF Employer Super is directed towards the **corporate superannuation market**
- One of the biggest corporate super master trusts in Australia with direct shares capability and a choice of ~250 managed funds

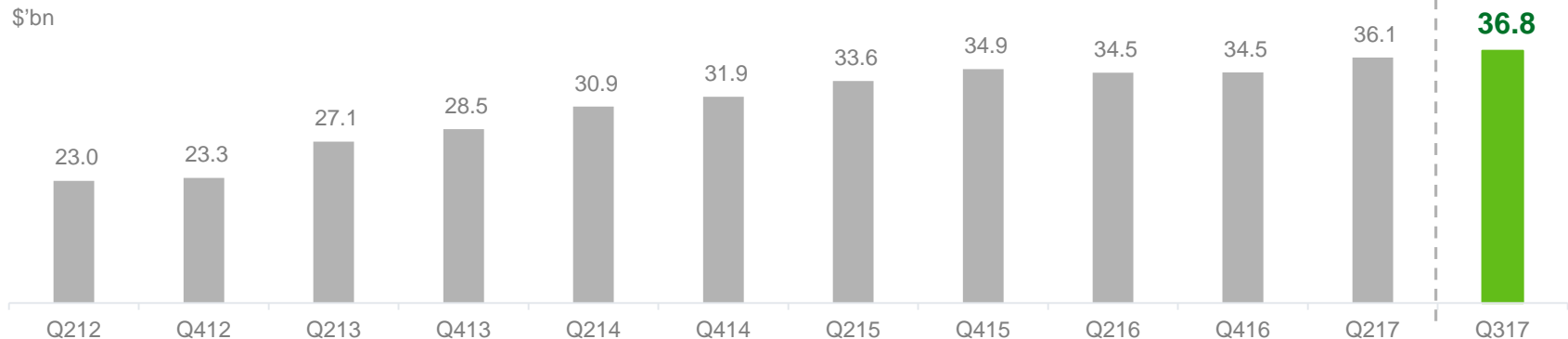
### IOOF Pursuit

- Pursuit is IOOF's **comprehensive retail platform for independent financial advisers**
- Predominantly retail super platform, includes direct shares capability and a comprehensive range of managed funds across a spread of different asset classes and styles from leading investment managers

Transition Platforms

- **Transition platforms are being phased out** as part of IOOF's business simplification process
- One of Australia's largest ever platform consolidations completed June 2016 with the merger of TPS into IOOF Pursuit

## Funds Under Administration

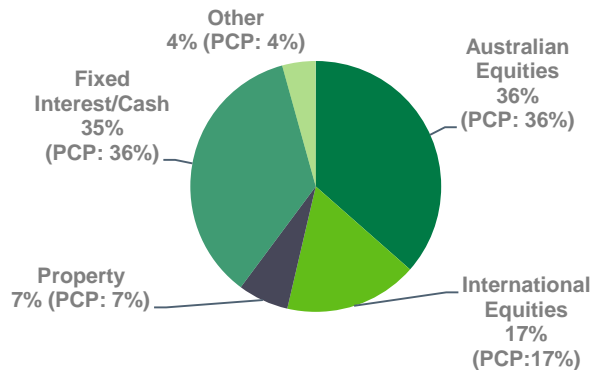


# IOOF | Platform Management & Administration financials

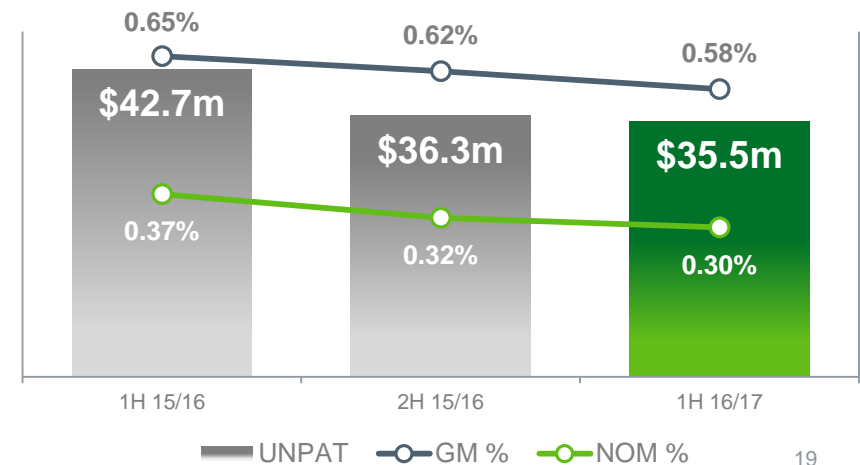
- Average FUA benefited from significantly improved organic growth complemented by positive investment returns
- Transfer of Bridges clients to Pursuit
  - Access to lower pricing tiers
- Full six months of MySuper pricing on higher account balances
- Initial rationalisation savings set to accelerate in future periods

\$'M	1H 16/17	2H 15/16	1H 15/16
Revenue	193.2	193.1	206.8
Direct Costs	(89.5)	(88.0)	(93.7)
<b>Gross Margin (GM)</b>	<b>103.7</b>	105.1	113.1
<b>GM %</b>	<b>0.58%</b>	0.62%	0.65%
Other Revenue	-	-	0.4
Share of Equity profit/loss	-	-	-
Operating Expenditure	(49.8)	(50.4)	(49.0)
Net Non Cash	(2.7)	(2.6)	(2.7)
Net Interest	0.0	0.0	0.0
Income Tax Expense/N.C.I	(15.7)	(15.8)	(19.1)
<b>UNPAT</b>	<b>35.5</b>	36.3	42.7
Average FUA (\$'b)	35.2	34.1	34.6
<b>NOM %</b>	<b>0.30%</b>	0.32%	0.37%

## ASSET ALLOCATION



## MARGIN ANALYSIS



# IOOF | Investment Management overview

## Investment Management Overview

### Key brands

### Overview

#### IOOF MultiMix

- **Premium** award-winning range of fully-active multi-manager solutions designed specifically for those who don't want to compromise on active management

#### IOOF MultiSeries

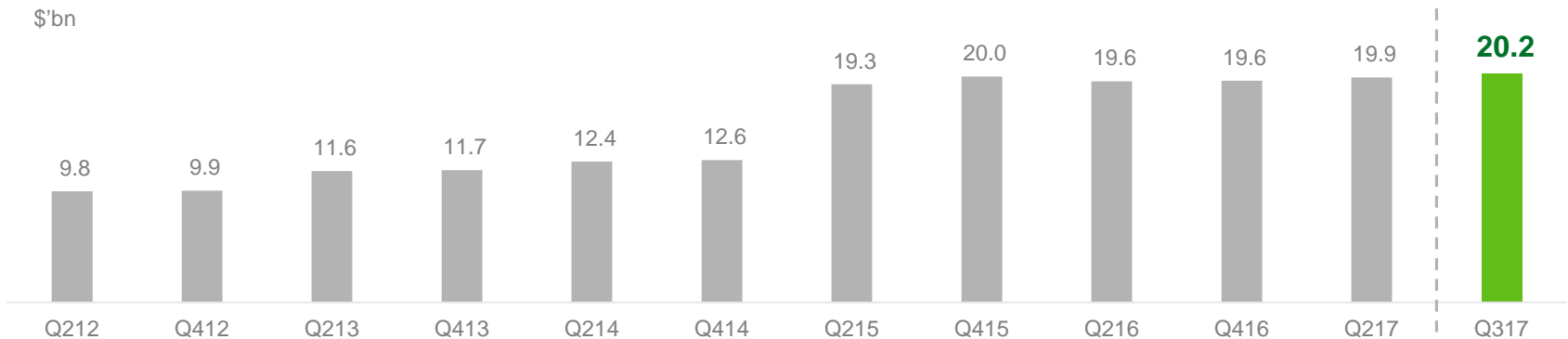
- **Multi-manager investment solutions** which are predominantly actively managed and offered at a lower cost when compared to other fully-active multi-manager funds

#### IOOF WealthBuilder

- **Investment bonds** via WealthBuilder – a tax-effective, accessible and flexible investment option

## Funds Under Management

\$'bn

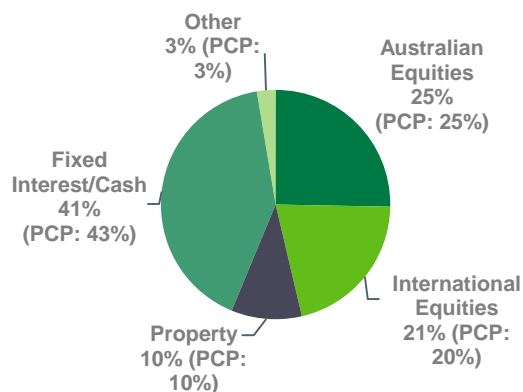


# IOOF | Investment Management financials

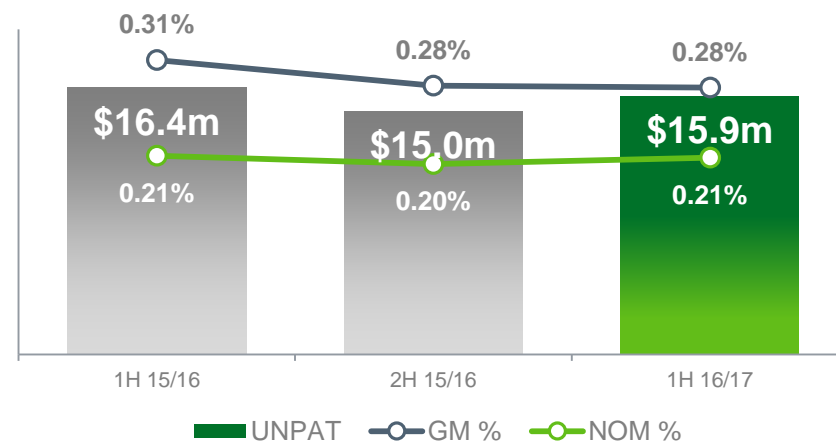
- Revenue and direct costs impacted by divestment activity
- Decreased opex from lower allocation of group services costs following the divestment of Perennial

\$'M	1H 16/17	2H 15/16	1H 15/16
Revenue	42.7	47.6	53.6
Direct Costs	(15.0)	(20.5)	(23.0)
<b>Gross Margin (GM)</b>	<b>27.7</b>	27.1	30.7
GM %	0.28%	0.28%	0.31%
Other Revenue	0.0	(0.0)	1.9
Share of Equity profit/loss	1.7	1.5	2.2
Operating Expenditure	(7.3)	(7.9)	(11.8)
Net Non Cash	(0.4)	(0.7)	(0.7)
Net Interest	0.3	0.8	0.4
Income Tax Expense/N.C.I	(6.1)	(5.9)	(6.2)
<b>UNPAT</b>	<b>15.9</b>	15.0	16.4
Average FUM (\$'b)	19.7	19.4	19.8
<b>NOM %</b>	<b>0.21%</b>	0.20%	0.21%

## ASSET ALLOCATION



## MARGIN ANALYSIS



# IOOF | Trustee Services overview

## Trustee Overview

### Key brands

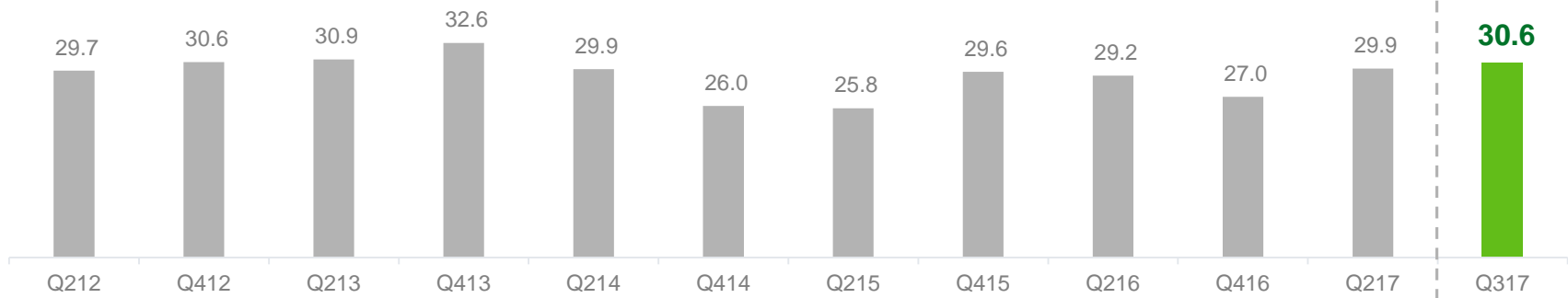
### Overview



- Australian Executor Trustees **offers trustee services** including estate planning, estate administration and fiduciary services such as acting as trustee for native title, compensation, charitable and testamentary trusts
- **Corporate trust business** provides custodian, security trustee and agency services as well as acting in structured finance and staff equity transactions

## Funds Under Supervision

\$'bn

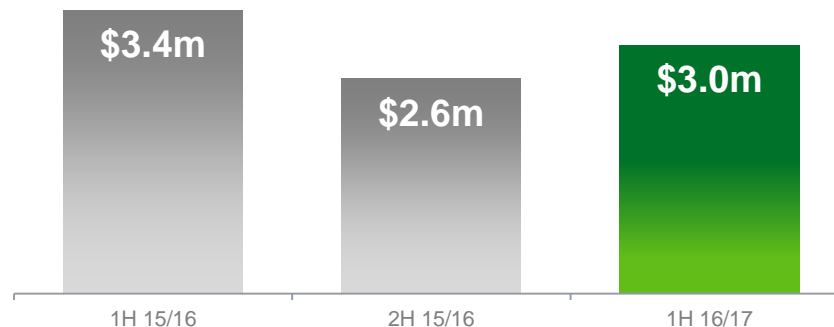


# IOOF | Trustee Services financials











- Revenue increase in line with higher client numbers
- Direct costs impacted by legal expenses
- Trustee capability directs administration funds (e.g. IDPS, Native Title, Compensation Trusts) to IOOF platforms

\$'M	1H 16/17	2H 15/16	1H 15/16
Revenue	15.4	14.7	14.9
Direct Costs	(1.3)	(1.4)	(0.8)
<b>Gross Margin (GM)</b>	<b>14.1</b>	13.3	14.1
Other Revenue	-	-	-
Share of Equity profit/loss	-	-	-
Operating Expenditure	(9.5)	(9.5)	(9.1)
Net Non Cash	(0.3)	(0.1)	(0.1)
Net Interest	(0.0)	-	0.0
Income Tax Expense/N.C.I	(1.3)	(1.1)	(1.5)
<b>UNPAT</b>	<b>3.0</b>	2.6	3.4
Average FUS (\$'b)	29.7	27.6	29.3

## UNPAT ANALYSIS



# IOOF | Management Team

	NAME AND TITLE	EXPERIENCE	COMMENTS
	<b>Christopher Kelaher</b> <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> <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> <i>General Counsel</i> <i>Group General Manager,</i> <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> <i>Group General Manager,</i> <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> <i>Group General Manager,</i> <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>Sharam Hekmat</b> <i>Chief Information Officer</i>	25+ years	<ul style="list-style-type: none"> <li>Sharam has over 25 years' experience within Information Technology including senior management positions at Aviva Australia, Kodak Australasia, Nortel Australia and Pragsoft Corporation</li> <li>Sharam most recently was Chief Technology Officer at Ezidebit and holds a PhD in Software engineering</li> </ul>
	<b>Stephen Merlicek</b> <b>(succession plan in place)</b> <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> <i>Group General Manager,</i> <i>Client and Process</i>	20+ years	<ul style="list-style-type: none"> <li>Frank has 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> <i>Group General Manager,</i> <i>People &amp; Culture</i>	25+ years	<ul style="list-style-type: none"> <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> <i>Company Secretary</i> <i>Group General Manager,</i> <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>



# Important disclaimer

This presentation is for information purposes only and contains summary information about IOOF Holdings Limited and its subsidiaries (IOOF) and its activities as at the date of this presentation.

This document may contain forward-looking statements, forecasts, estimates and projections (“Forward Statements”). The Forward Statements are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of IOOF. The Forward Statements may involve elements of subjective judgement and assumptions as to future events which may or may not be correct. No representation or warranty is given as to the reasonableness of the Forward Statements or that they will be achieved.

To the maximum extent permitted by law, IOOF and its related bodies corporate, officers, employees, representatives and advisers (“Relevant Persons”) make no representation or warranty, express or implied, as to the accuracy, completeness or reliability of the information contained in this presentation. To the maximum extent permitted by law, none of the Relevant Persons accept any liability whatsoever for (and the recipient releases, to the maximum extent permitted by law, each of the Relevant Persons from any claims in relation to) any expenses, losses, damages or costs suffered or incurred by the recipient or any other person relating in any way to this presentation.

The information contained in this presentation is not investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used as the basis for making an investment decision.



Creating financial independence since 1846