

ASX Release – 25 August 2022

Disciplined execution leads to strong result and provides solid foundation for growth

Insignia Financial (ASX:IFL) today announced underlying net profit after tax (UNPAT) for the year ended 30 June 2022 (FY22) of \$234.5 million, an increase of 59% on FY21. Statutory net profit after tax (NPAT) in FY22 was \$36.8 million, including discontinued operations.

Overview

- UNPAT \$234.5 million, up 59% on FY21.
- Gross margin of \$1.48 billion (ex-AET), up 102.8%, driven by acquisition of MLC, growth in funds under management and administration (FUMA) and realisation of synergies.
- NPAT \$36.8 million for the full year ended 30 June 2022.
- Turnaround in platform flows continues with \$3.1 billion improvement in flows up on prior year on proforma basis.
- Ex-ANZ Aligned Licensees have achieved target break-even on annualised basis.
- FY22 synergies of \$124 million exceeded target of \$100-120 million:
 - In period synergies of \$78 million reflected in full year FY22 result.
 - \$218 million synergy run rate target to be largely achieved by end 1H23.
- Sale of AET executed for \$135 million, with completion expected by end of CY2022.
- Final dividend of 11.8 cents per share fully franked, payable on 29 September.
- Achieved enterprise carbon neutral status in FY22, in line with ESG strategy.

Commenting on the result, Insignia Financial Chief Executive Officer, Renato Mota said, “We delivered strong financial outcomes from the disciplined execution of our strategic priorities, and particularly from realising the benefits of the MLC acquisition.

“We experienced a 59% uplift in UNPAT, a marked turnaround of \$3.1 billion improvement in platform flows (on a proforma basis), and integration is expected to be achieved 18 months ahead of plan.”

Flows

FY22 saw a \$3.1 billion improvement in net flows on the prior year on a proforma basis. Mr Mota commented, “The strong inflows into our scalable, proprietary Evolve platform underscores the competitiveness of the product set. We have seen continued improvement in the contemporary priced MLC book, as well as stabilisation of Pension & Investments (P&I) flows, which follows action on strategic product initiatives.

“Importantly, with continued focus on executing on our priorities, we anticipate achieving net positive flows in FY23.”

- Enhancements in MLC MasterKey drove \$1 billion improvement in net flows on the prior year.

- Repricing in OneAnswer in October 2021 drove \$0.4 billion improvement in net flows on prior year.
- The Evolve Wrap suite attracted \$2.8 billion of net inflows.
- In the fourth quarter, platform net inflows of \$592 million were achieved. The net flows momentum was most evident in the Workplace and Advised channels, while in the Personal segment there has been a positive trend with three consecutive quarters of improvement in net flows.

Integration and simplification

Accelerated synergy realisation was achieved, with \$124 million of annualised synergies attained during FY22, of which \$78 million was reflected in the FY22 result.

The synergy target of \$218 million will be largely realised by the end of first half 2023. MLC integration is expected to be delivered in 18 months, ahead of the original plan of 3 years – reinforcing Insignia Financial’s ability to execute.

Further savings beyond the original \$218 million target are expected and will be included in business cases for platform simplification.

Mr Mota stated, “Simplification is key to unlocking the long-term benefits of scale, lowering the cost to serve, and translating to growth through improved client experience. We are pleased with our progress on simplification to date.”

Business Unit Overviews

Platforms

Mr Mota said, “A solid FY22 has provided continued validation of our strategy. We achieved a positive turnaround in flows through our focus on platform simplification, product enhancements, investment in Evolve and third-party platforms to improve client outcomes.”

In Workplace Super we delivered strong growth with more than \$500 million in flows and 15 new employer mandates.

In the Personal segment, there are \$31 billion of superannuation savings across more than 475,000 members.

In the Advisory segment, we have \$104 billion of superannuation and investment funds across 480,000 clients.

The Evolve wrap suite (which includes eXpand, Essential and Shadforth Portfolio Service) achieved \$2.8 billion of net inflows.

During the year, more than 114,000 accounts and \$23.6 billion of funds were successfully transferred across the Evolve 21 and Integra migrations, reducing our platforms from 8 to 6.

Mr Mota added, “We have clear priorities now delivering superior client outcomes, enhanced functionality and profitability. We will continue to invest in both our proprietary technology and third-party platforms to bring more contemporary offers to market.”

Advice

Mr Mota said, “Insignia Financial is committed to reshaping an affordable and accessible advice offering across the advice spectrum.”

MLC Advice was successfully integrated with Bridges, and the Bridges brand was refreshed, providing a consistent client experience, shared technology, and improved economies of scale.

Importantly, as anticipated, the ex-ANZ Aligned Licensees achieved break-even in the second half.

“We have also facilitated more than 20 intra-group acquisitions and mergers as part of our adviser succession planning. This has ensured retention of both clients and revenue, and increased the scale of those self-employed practices.

“We are focused on expanding the capability of technology to shape client experience and drive personalisation, while pursuing the opportunity to reach Australians who do not currently receive financial advice.

“We believe innovation and technology will help us work towards delivering advice across various digital channels. This includes leveraging our proprietary Wealth Central technology to enhance the client and adviser experience, streamline the advice process, and increase the productivity of face-to-face engagement.

“We want to foster a range of advice models to suit the continuum of needs. This means creating a viable way to grow a healthy and resilient sector, expand client relationships with us, and improve the financial wellbeing of more Australians,” commented Mr Mota.

Asset Management

Mr Mota said, “It is pleasing to have delivered strong performance across multi-asset and single asset class capabilities, with 87% of funds under management (FUM) exceeding objectives over 5 years.”

Retail flows improved for the year and the IOOF MultiSeries offering achieved net inflows of \$700 million in FY22, underpinned by strong performance and platform inflows. The expansion of MLC’s separately managed accounts capability saw net inflows of \$400 million, with FUM reaching \$600 million as at 30 June 2022.

Institutional flows were impacted by irregular mandate wins and losses. In the fourth quarter, portfolio rebalancing and asset allocation changes driven by investment market volatility also impacted flows.

In June, the MLC and IOOF investment teams were integrated, bringing the diversified multi-asset portfolios under a single Chief Investment Officer. Importantly, all research houses reaffirmed their ratings across the retail and corporate product suite.

Remediation

Significant acceleration of client payments under the advice and product remediation programs was achieved in FY22. We expect payments of approximately \$356 million to be paid to clients between 30 June 2021 and 30 September 2022.

Assessments under the ‘Fee for No Service’ remediation program are expected to be completed by 30 September 2022. Conclusion of the overall advice remediation program is subject to finalisation of the ‘Quality of Advice’ program relating to 16 advisers and the quality of their advice.

The P&I product remediation program is expected to be completed by the end of 1H23, while the MLC product remediation program is underway and will continue into 2023.

Australian Executor Trustees (AET) sale

As announced on 22 August, the sale of AET to EQT Holdings Limited (Equity Trustees) was executed for \$135 million, with completion expected by end of 2022.

Commenting on the transaction, Mr Mota said, “We are pleased to have found a highly complementary and aligned owner in Equity Trustees for the AET business. The sale of AET is another key deliverable in achieving our simplification agenda.”

Outlook

Against the backdrop of a growing superannuation sector and the largest intergenerational wealth transfer in history, Insignia Financial is well-positioned to deliver quality outcomes for clients and shareholders.

Capitalising on these structural tailwinds, the organisation will broaden the wealth proposition to address the growing demands across life stages, and enhance its product suite, supported by leading technology capabilities.

Mr Mota commented, “Our results demonstrate we are pursuing the right strategy and implementing it with focused and accelerated execution. Across all three businesses, we are realising our competitive advantage by leveraging scale and expertise, and delivering growth through simplification.

“Our transformation process has fundamentally changed our business, and we have built strong foundations to take advantage of the opportunities we see ahead.

“We will use our voice and scale to advocate for, and help shape, the industry to improve access to affordable financial help, guidance and advice for Australians.”

Mr Mota concluded, “We are building a business that is relevant, resilient and poised to deliver financial wellbeing for all Australians.”

– Ends –

This announcement was approved for release by the Board of Insignia Financial Ltd.

Investor Enquiries

Andrew Ehlich
GM Capital Markets
Insignia Financial
M: +61 407 223 044
E: andrew.ehlich@insigniafinancial.com.au

Media Enquiries

Kristen Allen
GM Corporate Affairs
Insignia Financial
M: +61 412 759 753
E: kristen.allen@insigniafinancial.com.au

About Insignia Financial Ltd

Insignia Financial has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the Australian financial services industry.

Insignia Financial provides advisers and their clients with the following services:

- **Platforms** for advisers, their clients and hundreds of employers in Australia;
- **Advice** services via our extensive network of financial advisers; and
- **Asset Management** products that are designed to suit any investor’s needs.

Further information about Insignia Financial can be found at www.insigniafinancial.com.au