ASX release – 24 February 2022

Insignia Financial 1H22 Results

Strong execution delivering on commitments and value to clients.

Results Overview

- Underlying net profit after tax (UNPAT) $117.9 million up 79% on the previous corresponding period.
- Result includes a 6-month contribution from the MLC business, underpinned by strong market performance, and the realisation of synergies and benefits from strategic initiatives.
- Gross Margin of $778.4 million up 122% including a 6-month contribution from MLC.
- Net profit after tax was $36.2 million for the half-year ended 31 December 2021 (half year ended 31 December 2020: $53.8 million) reflecting an increase in integration and funding costs of $35.4 million.
- Interim dividend of 11.8 cents per share fully franked, payable 1 April.
- Dividend reinvestment plan introduced with 1.5% discount.

Highlights

- FUMA increased by $7.1 billion to $325.8 billion in the 6 months to 31 December:
  - Growth driven by strong market returns.
  - Encouraging improvement in net flows during second quarter.
- Acquisition synergies ahead of plan with cumulative annualised savings of $122 million achieved:
  - 1H22 annualised savings of $66 million achieved in the half.
  - Acquisition synergies expected to be largely realised by the end of calendar year 2022, 18 months ahead of plan.
- On-track to achieve break-even of ex ANZ Aligned Licensees (ALs) advice business on an annualised basis by end of FY22.
- Advice remediation expected to be largely complete by end of FY22. P&I remediation significantly progressed and on-track to complete by the end of calendar year 2022.

Comments from Insignia Financial Chief Executive Officer, Mr Renato Mota

"Our first results as Insignia Financial delivered a strong uplift in financial performance, with significant growth in underlying profit, FUMA and gross margin.

"Our strategy for growth centres on scale, economic diversity, and a sustainable business model that delivers accessible and affordable products and services relevant to all client life-stages. While our name has changed, our ambition remains to improve the financial wellbeing of all Australians.

"The financial results for our first full six-months of MLC ownership are strong, with significant improvement in UNPAT and revenues, and we have executed on our strategic priorities whilst continuing to simplify our business and deliver improved client outcomes.

"Our focus over the half has been the integration of MLC; the simplification of platforms, including completion of the migration on to our proprietary Evolve technology, and our reshaping of the Advice business to ensure its long-term sustainability and profitability.

"As part of this strategy, targeted product enhancement and repricing is now providing clients a more attractive product suite, while higher adviser education and governance standards and use of new technologies, provides an improved advice offer to our clients.

"We have achieved these client and member enhancements whilst simultaneously taking actions to simplify our business model, deliver integration benefits ahead of schedule, identify further simplification and cost savings, and improve the sustainability of our self-employed advice channel."

To provide more consistent, simpler and insightful information for the new combined Group, we have made a number of changes to our financial reporting and have transitioned from seven operating segments to four: Platforms, Advice, Asset Management and Corporate. This change reflects the new operating structure and single-minded strategy of the Group.

Turnaround in flows

"Pleasingly there are signs our initiatives are achieving a meaningful turnaround in net flows. We recorded a $2.3 billion improvement in quarterly net flows compared to the previous quarter, in the second quarter of FY22, with total net outflows reducing to $20 million.

"Importantly, there were positive inflows into the key segments of IOOF Platforms and in MLC platforms and Pensions & Investments (P&I) Personal, there were organic inflows of $1.8 billion."

Integration and simplification

In the past six months $66 million of annualised synergies have been achieved, bringing the cumulative run-rate synergies to $122 million. Targeted FY22 annualised synergies have increased from $80-$100 million to $100-$120 million. It is now expected that $218 million synergy commitment will be largely met by the end of calendar year 2022.

Mr Mota commented: "We continue to deliver on executing our integration and simplification priorities. We expect to deliver the targeted acquisition synergies 18 months earlier than originally anticipated; MLC synergies will be delivered in 18 months compared to our original target of 3 years.

"As well as maintaining momentum on integration, we are also progressing on further operational simplification. We are delivering ahead of schedule, simplifying our business portfolio, enhancing our offerings, and we have a roadmap for accelerating the simplification of our platforms and products."

Platforms

Mr Mota said: "In December 2021 we reached an important milestone in simplifying our platform suite with the completion of the Evolve21 program. Evolve21 migrated $22.1 billion of FUA and 93,000 client accounts to Insignia Financial's proprietary, scalable technology platform Evolve. Evolve now administers $42 billion of client funds and holds over 298,000 member accounts.

"Having identified the next platform simplification opportunity we are continuing to invest in our technology with a new $40-$50 million investment to support planned future platform simplification initiatives and to enhance functionality, expected to be complete by the end of FY23.

"We have a successful blue-print for further consolidation of the acquired platforms. Evolve remains well positioned to continue to innovate to meet the changing needs of clients, advisers and employers. We are now planning the next phases of improvement, Evolve23, which involves migrating the acquired platforms, adding $40 billion of FUMA by the end of FY23.

"Aligned with our strategy of simplification, we are commencing a competitive sale process for the Australian Executor Trustees (AET) business. AET is a high-quality business adjacent to our core business and the divestment is consistent with our aim of remaining focused on realising value in our core businesses."

Advice

Mr Mota said: "Our advice offering continues to transform under the new advice model to improve the efficiency of advice practices, reduce our cost-to-serve and support the path to break-even of the Advice business.

“We have taken the actions of repricing our adviser licensing fees, and together with cost reductions, we will have the acquired ANZ self-employed adviser business at a sustainable break-even position, on a run-rate basis, by the end of June 2022.

“We are also addressing the cost-reductions required for the MLC advice channels to achieve a sustainable run-rate basis by the end of FY24.

“Inevitably we are seeing some adviser losses, particularly as smaller practices are challenged by the new industry settings. Pleasingly, we are retaining significant amounts of advised clients from advisers that are retiring or leaving the industry within our advice network.”

Asset Management

Mr Mota said: “Investment performance remains robust, with over 94% of funds meeting benchmark or objective over a rolling three-year period. Additionally, there has been continued growth in our retail offerings, further supporting our clients and members in achieving their financial goals.

“Retail flows into our core multi asset competency have been strong with $837m in net inflows over the first 6 months of FY22, aided by the build out and expansion of MLC’s multi asset separately managed account (SMA) offering. Meanwhile, we continue to leverage the combined scale of the MLC, IOOF and P&I businesses by consolidating underlying service providers and renegotiating investment management fees on more favourable terms.”

Remediation

The remediation programs continue to make sound progress, with Advice remediation on target to be largely complete by the end of the financial year. For the acquired businesses, the product remediation programs will continue into financial year 2023.

Outlook

Mr Mota said, “Our integration initiatives and early simplification efforts have proven successful to date. Our business is acutely focused on operational simplification, enhancing products and services, and delivering long term value to clients, members and shareholders.

“We are on track to deliver synergies of $100 to $120 million run-rate range by the end of June, and well on track to deliver the total cumulative synergy run-rate of $218 million of synergies by end of December 2022.

“As part of our more active approach to capital management, we are introducing a Dividend Reinvestment Plan (DRP) from the first half 2022 dividend with shareholders offered a 1.5% discount.

“Our open architecture model and scale means we are increasingly well-positioned to address the evolving and complex needs of Australians across their life-cycle, in order to support broad-based financial wellbeing.”

- Ends -

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

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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 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