

ASX release – 22 February 2024

## Insignia Financial 2024 Half-Year Results

**Strong progress against strategic priorities, building on foundation for growth**

### Overview

- Underlying net profit after tax (UNPAT<sup>1</sup>) of \$95.5 million, up 1.2% on the prior corresponding period (pcp).
- Statutory net profit after tax (NPAT) of (\$49.9) million, compared to +\$45.1 million in pcp<sup>2</sup>.
- Net revenue increased 0.6% on pcp to \$695.7 million, driven by higher average funds under management and administration (FUMA) from positive investment markets, partly offset by product and platform simplification repricing.
- Expenses were largely flat on pcp, with \$18 million in-period optimisation benefits offsetting annual salary growth and investment in cyber security and governance.
- Closing FUMA increased by \$15.5 billion (+5.4%) on pcp to \$300.6 billion, supported by strong investment markets.
- Remediation provisions of \$72.6 million raised during the period, with required net funding from corporate cash and debt reduced to \$24.8 million after tax and Trustee approved funding.
- Optimisation program delivered \$18 million of benefits in 1H24 and is on-track to deliver full-year benefits of \$60-70 million and \$175-\$190 million per annum by the end of FY26.
- MLC separation, MLC Wrap to Expand transition and separation of Rhombus Advisory all on-track.
- 1H24 interim dividend of 9.3 cents per share, payable on 3 April 2024.

Insignia Financial (ASX: IFL) today announced UNPAT for the six months ended 31 December 2023 (1H24) of \$95.5 million, an increase of 1.2% on 1H23. NPAT in 1H24 was a loss of \$49.9 million (1H23: +\$45.1million) reflecting expenditure on strategic initiatives and remediation.

Commenting on the result, Insignia Financial Chief Executive Officer, Renato Mota said:

“We are pleased to deliver a solid half year result, as we continue to execute on our strategic priorities.

“Following the acquisitions of ANZ’s Pensions & Investments business in 2020 and MLC in 2021, Insignia Financial is now one of Australia’s leading wealth managers. These acquisitions have played a key role in transforming the business and establishing a foundation for sustained growth. We have a diversified business model with a unique combination of capabilities delivering scale and value.

“Through disciplined execution we have delivered synergy benefits, integrated and simplified our product and operating structure, and enhanced our offering to clients, members, and advisers. The current period profit result reflects significant investments in future growth and our desire to complete the remediation programmes.

“It’s pleasing to see strong early progress against our FY24-26 strategic initiatives as we strengthen our foundation for growth and deliver the benefits of scale to our members, clients, and shareholders.”

1 Reconciliation of NPAT to UNPAT included in slide 34 of the Results Presentation. 2 Statutory NPAT pcp includes discontinued operations of Australian Executor Trustees business. Other items shown on a continuing operations basis unless otherwise noted.

## **FY24-26 Strategic Priorities**

In August 2023, Insignia Financial announced a strategic refresh to drive focus, prioritisation and sustainable growth centred on four strategic pillars:

- Improving our clients' financial wellbeing
- Deepening our partnerships with advisers and employers
- Simplifying our business
- Building a safe and trusted business together

### **Improving our clients' financial wellbeing**

Central to its ambition to create financial wellbeing for every Australian, during the half, Insignia Financial established a dedicated Client Wellbeing Division, led by Chief Client Officer, Chris Weldon, to drive improved client and member engagement and retention. The division will also target new client acquisition, the digital delivery of advice, and opportunities arising from the Quality of Advice review.

The establishment of Insignia Financial's new advice model for its Advice Services channel, Rhombus Advisory, continues to be well-supported by advisers and is on-track for profitability and separation in 1Q25. This, together with the divestments of Millennium3 and Godfrey Pembroke, will reduce complexity and risk, and provide greater focus on the Professional Services advice businesses, Shadforth and Bridges. Expanding the scope of advice through superannuation, and the development of new technology-enabled advice delivery provide significant opportunity for Insignia Financial.

As a testament to the strength of its Professional Services advice offering, 16 Shadforth advisers were recognised in Barron's Top 100 Financial Advisers for 2023.

### **Deepening our partnerships with advisers and employers**

During the period, Insignia Financial continued to enhance and develop the Expand platform suite ahead of the migration of MLC Wrap to Expand, which remains on-track for completion in April 2024.

The migration will result in over \$83 billion on the platform, supporting over 336,000 clients and used by over 6,000 financial advisers, and will deliver further scale, savings and enhanced functionality to an already highly rated platform.

### **Simplifying our business**

In July 2023, Insignia Financial announced that having undertaken an extensive assessment, it would pursue a two-platform strategy for its Wrap and Master Trust offerings, leveraging a shared technology ecosystem.

The foundational design for re-platforming the Master Trust ecosystem has been completed and the build of these components has commenced.

Solutions to replace the enterprise capabilities currently provided through the Transitional Services Agreement (TSA) with National Australia Bank (NAB) are expected to be in place by late 2024, prior to the end of the TSA in May 2025.

The optimisation program, announced in July 2023, is on-track to realise gross FY24 in-year benefits of \$60-\$70 million and \$175-190 million of annualised benefits by the end of FY26, with \$18 million of delivered benefits in 1H24, and 80% of FY24 initiatives implemented.

### **Building a safe and trusted business together**

A key component of Insignia Financial's strategy is ensuring appropriate standards of governance by lifting risk management frameworks and uplifting practices to meet the expectations of clients, members and regulators. During the period, Insignia Financial made good progress in addressing licence conditions, with all deliverables to date met on time.

## Business Unit Overviews

### Platforms

UNPAT declined \$10.6 million (-9.0%) to \$107.7 million from 1H23 driven largely by increased expenditure on cyber security, governance, and license condition rectification. Revenue increased 1.0% on pcp to \$478.1 million, driven by higher FUA, partly offset by lower revenue margins following strategic repricing and product simplification initiatives. FUA increased by 6.9% to \$215.1 billion.

Net flows into the Advised channel continue to be impacted by disruption ahead of the planned migration of MLC Wrap to Expand, partly offset by the transition of \$1.8 billion into Insignia Financial's private label, Rhythm.

The Workplace channel continues to demonstrate strength and stability in net flows, achieving \$608 million of net inflows during the period.

### Advice

The Advice segment achieved positive EBITDA of \$3.7 million in the half, while UNPAT improved by \$21.2 million to (\$0.7) million.

Revenue increased 3.8% to \$107.6 million, driven by higher ongoing client fees from repricing in Shadforth and Bridges, partly offset by cessation of third-party income.

Expenses fell 19.1% to \$103.9 million due to the realisation of optimisation benefits.

Adviser numbers declined during the period to 1,199, a reduction of 326 advisers (-21.4%) on pcp, primarily due to the sale of Millennium3, closure of Lonsdale licence, and right sizing of Bridges, as the business moves towards a sustainable, profitable base.

In February 2024, Insignia Financial executed a sale agreement with Practice Development Group to return ownership of Godfrey Pembroke (GPG) to advisers under an existing arrangement from when Insignia Financial acquired the GPG business. GPG contributed revenue of approximately \$1.8 million in FY23.

Advice is on-track to achieve the \$10 million UNPAT target on a run-rate basis from the end of FY24.

### Asset Management

UNPAT declined \$4.6 million (-13.3%) to \$30.2 million compared to 1H23, primarily driven by changes in the commercial relationship with JANA (equity sale and responsible entity transfer) in December 2022, partially offset by growth in FUM driven by investment market performance.

Expenses were broadly flat, with optimisation benefits offset by an uplift in technology and other enablement functions.

Net revenue margin declined 0.7 bps to 24.2 bps, mainly due to repricing of select higher margin private equity and alternatives investment strategies and general changes in product mix.

Net outflows of \$1.8 billion were driven by institutional client rebalancing in the Antares Fixed Income and Intermede Global Equities direct capabilities, while FUM increased 2.0% to \$85.5 billion driven by market performance offsetting unfavourable net flows and the divestment of the IOOF Ltd investment bond business.

Asset Management continues to deliver strong investment performance to clients and members, with 89% of FUM outperforming target or benchmark.

### Remediation

Structured remediation provisions as at 31 December 2023 were \$132.7 million, a reduction of \$79 million (-37.3%) on pcp. During the period, additional provisions of \$72.6 million were raised, partly offset by indemnities and other adjustments of \$8.1 million, resulting in a net provision impact of \$64.5 million (\$45.1 million post-tax). The movement in the provision is currently being partly funded by Trustee approved funding of \$20.3 million, resulting in a change in net cash funding from corporate cash and debt facilities of \$24.8 million.

The ANZ fee for no service program has been completed, and the quality of advice and structured historical product remediation programs are expected to be substantially complete by 30 June 2024.

### Interim Dividend

The Board has declared an interim dividend of 9.3 cents per share, unfranked, to be paid on 3 April 2024. The dividend represents a payout ratio of 65% of 1H24 UNPAT, in-line with Insignia Financial's aim to pay dividends within the range of 60-90% of UNPAT on an annualised basis.

Dividends are expected to remain unfranked over FY24 and FY25.

The Dividend Reinvestment Plan (DRP) is available to shareholders, offered at a 1.5% discount.

### Outlook

Insignia Financial has upgraded its full-year FY24 guidance. FY24 group net revenue margin is expected to be between 45.5 - 46.0 bps (previously 44.8 - 45.8 bps), while EBITDA margin has increased to 11.8 - 12.2 bps (previously 11.3 - 11.8 bps). In-year transformation costs and benefits remain on-track.

Mr Mota commented, "The momentum and progress we have made in 1H24 through disciplined execution positions the business for sustainable future growth. We have built a scalable and efficient business, and improved client outcomes. With Australia's growing pool of superannuation and demographic trends, Insignia Financial is well placed to support Australians with their financial wellbeing into the future."

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

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### About Insignia Financial Ltd

Tracing our origins back to 1846, today the Insignia Financial Group is a leading Australian wealth manager. Our services cover a wide range of financial needs, including:

- **Superannuation, pension and investment platforms** – as one of the largest superannuation and pension providers in Australia, we offer a number of award-winning investment solutions, used by many of Australia's largest employers and financial advisers.
- **Asset management** – we provide access to a broad suite of investment capabilities across a range of multi-asset and single asset classes.
- **Financial advice** – our advisers offer coaching, guidance and advice based on clients' needs.

Further information can be found at [www.insigniafinancial.com.au](http://www.insigniafinancial.com.au).