



# IOOF 1H18 Results

16 February 2018



**ORD MINNETT**



## Result overview

### Consistent execution of advice-led wealth management strategy **delivers**

- UNPAT of **\$94.8m - up 19%** vs \$79.4m
- Interim fully franked dividend of **27 cents per share – up 4%** vs 26cps
- **\$1.6b** net inflows in six months - **up 15%**
- Disciplined cost control - **reduced** operating expenditure by **\$8.9m**
- Cost to income ratio **53.8%**, improved **9%**
- Group net operating margin 23bps, **increased 2bps**
- **Transformational acquisition** of ANZ Wealth Management announced in October 2017 - progress well advanced

*Note: All comparisons are to prior comparative period (pcp) 1H17 unless otherwise stated*

# Significant UNPAT growth in all segments

## Financial Advice & Distribution

1H18 UNPAT: **\$38.6m**

1H17: \$36.6m: **up 6%**

- Advice-led strategy attracts advisers - 47 new Meritum advisers to date with significant incremental FUA
- IOOF Advice Academy fully subscribed – focusing on quality of financial advice
- Offering choice via unique open architecture – acting in clients best interests

## Platform

1H18 UNPAT: **\$41.2m**

1H17: \$35.5m: **up 16%**

- Cost reduction of \$4.7m - benefitting from prior periods' focus on on-line transacting capability
- Client first capability rolled out to all major geographies
- Net operating margin up 2 bps to 32bps

## Investment Management

1H18 UNPAT: **\$17.9m**

1H17: \$15.9m: **up 13%**

- Award winning multi-manager investment solutions through IOOF MultiSeries and IOOF MultiMix
- Complementary business with no exposure to institutional volatility and key person risk
- Successful management transition via internal succession

## Trustee Services

1H18 UNPAT: **\$3.6m**

1H17: \$3.0m: **up 19%**

- Acquisition of NATL (now AETS) complete
- AET is now largest compensation trust provider in Australia
- Strong long term sector growth prospect - leading participant in a consolidating industry

Contribution to  
1H18 UNPAT<sup>1</sup>



41%



43%



19%

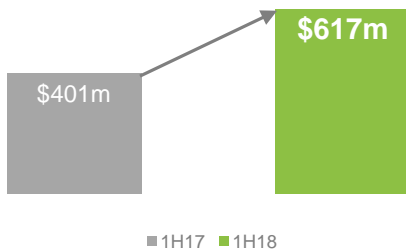


4%

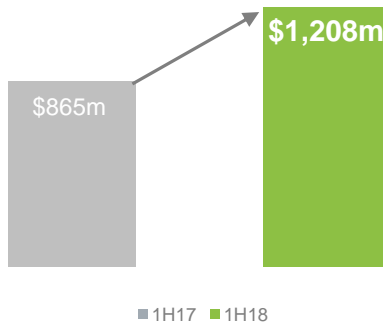
1. Sum of total contribution equates to 100% when Corporate segment is included - 1H18 UNPAT: (\$6.5 million)

## Strong flows momentum complemented by growing adviser numbers

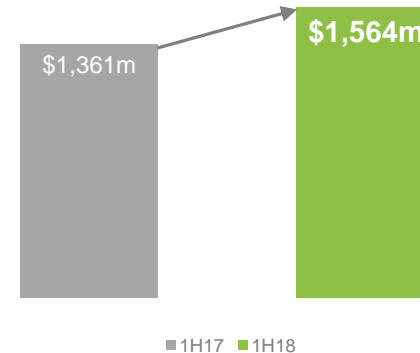
Platform net inflows  
**+54%**



Advice net inflows  
**+40%**



Total net inflows  
**+15%**



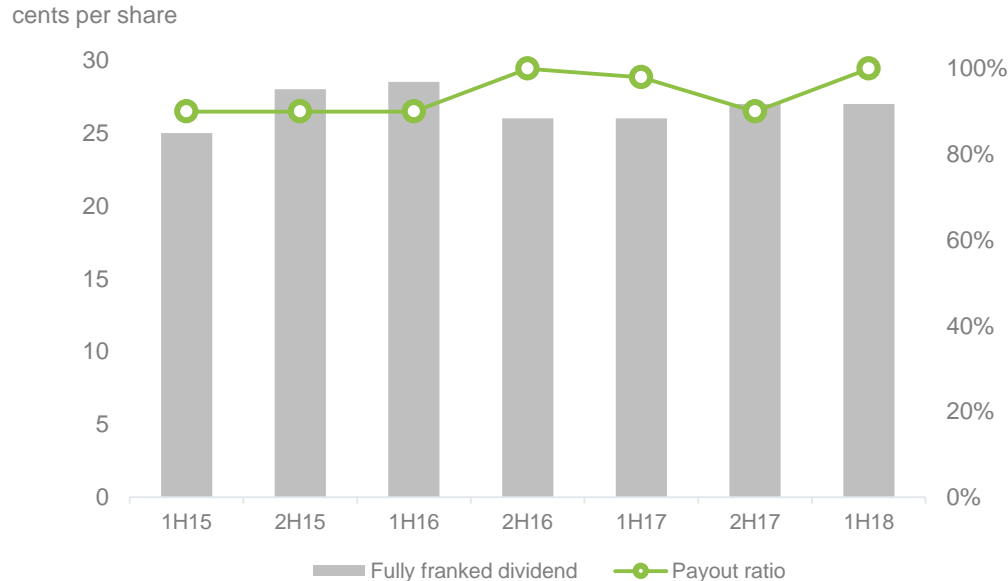
- ✓ 5 consecutive years of net inflows
- ✓ Investment in modular, micro-service IT architecture

- ✓ Offering choice and acting in clients best interests
- ✓ Open architecture distinguishes us from our peers

- ✓ Advisers continue to be attracted to IOOF licences
- ✓ Business is well positioned for integration with ANZ Wealth Management

# Delivering for our shareholders

## DIVIDEND ANALYSIS



- Dividend profile meets **commitment** to shareholders following Oct 2017 equity raise
- 1H18 dividend of **27cps** fully franked
- Dividend commitment results in **100% payout ratio** in 1H18
- Payment date **14 March** 2018



## **IOOF 1H18 Results** | Financials

**David Coulter** | Chief Financial Officer

## Result highlights

	1H18	2H17	1H17	CHANGE ON PCP	
Underlying NPAT	<b>\$94.8m</b>	\$90.0m	\$79.4m	\$15.4m	19%
Underlying EBITA	<b>\$130.3m</b>	\$129.7m	\$111.7m	\$18.7m	17%
Underlying EPS (cents)	<b>29.8cps</b>	30.0cps	26.5cps	3.4cps	13%
Cost to Income %	<b>53.8%</b>	53.3%	58.9%	(5.1%)	-9%
FUMA	<b>\$120.0b</b>	\$114.6b	\$109.4b	\$10.6b	10%
Gross Margin %	<b>0.45%</b>	0.48%	0.48%	(0.03%)	-5%
Net Operating Margin %	<b>0.23%</b>	0.24%	0.21%	0.02%	7%
Dividend per share (cents)	<b>27.0cps</b>	27.0cps	26.0cps	1.0cps	4%
Statutory NPAT	<b>\$45.2m</b>	\$41.8m	\$74.2m	\$(29.0m)	-39%

## P&L breakdown

\$'m	1H18	2H17	1H17
Gross Margin	266.9	266.7	257.6
Other Revenue	23.8	19.3	22.8
Operating Expenditure	(156.4)	(152.6)	(165.3)
Equity Accounted Profits	1.3	1.3	2.1
Net Non Cash	(5.3)	(5.1)	(5.6)
<b>Underlying EBITA</b>	<b>130.3</b>	129.7	111.7
Net Interest	1.2	(1.4)	(1.0)
Income Tax & NCI	(36.7)	(38.3)	(31.2)
<b>Underlying NPAT</b>	<b>94.8</b>	90.0	79.4
Significant Items/Amortisation	(49.6)	(48.2)	(5.2)
<b>Statutory NPAT</b>	<b>45.2</b>	41.8	74.2

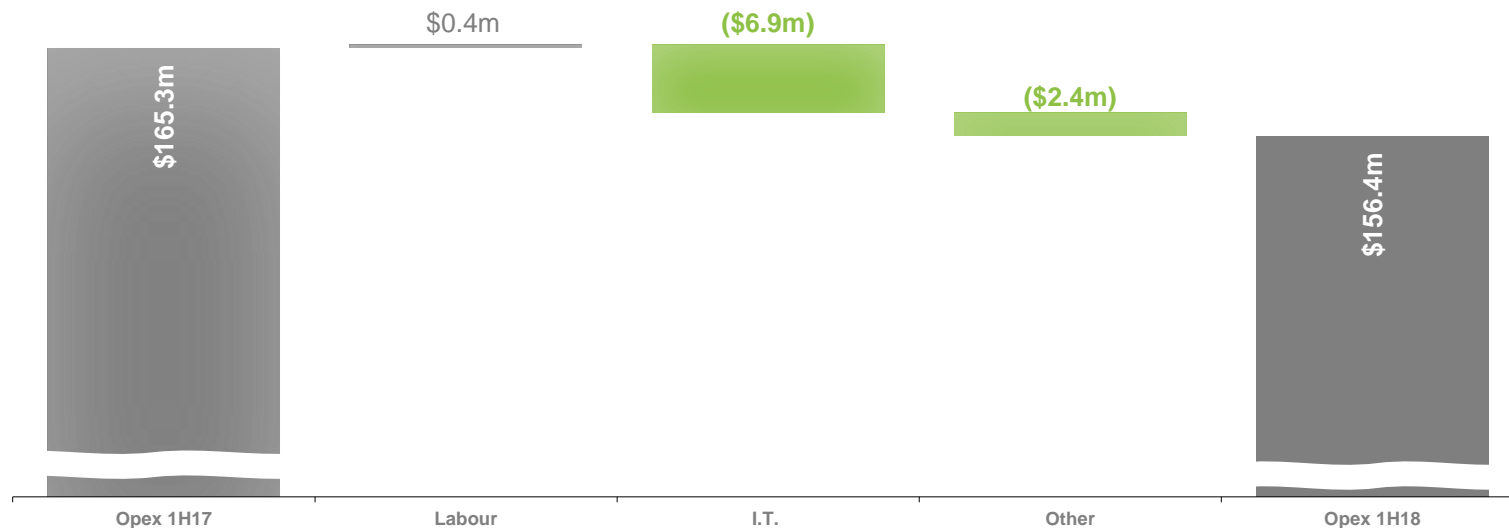
CHANGE ON PCP	
9.3	4%
1.0	5%
8.9	-5%
(0.8)	-38%
0.2	-4%
18.7	17%
2.2	-213%
(5.4)	17%
15.4	19%
(44.4)	Large
(29.0)	-39%

Detailed list and explanation of reconciling items provided in Appendix B and Appendix G



## Disciplined management of costs

- Labour - Slight increase due to higher rates of pay and transfer of consultants internally - offset by lower staff numbers following platform rationalisation efficiencies
- IT - Return to conventional recurring spend following completion of client experience enhancement initiatives and transfer of external consultants to internal employees
- Other – reduction in professional fees and administration expenses - offset by a temporary uplift in occupancy costs due to consolidation of property footprint



# IT investment | Spend on modular, micro-service IT architecture

Acquisition of SFG

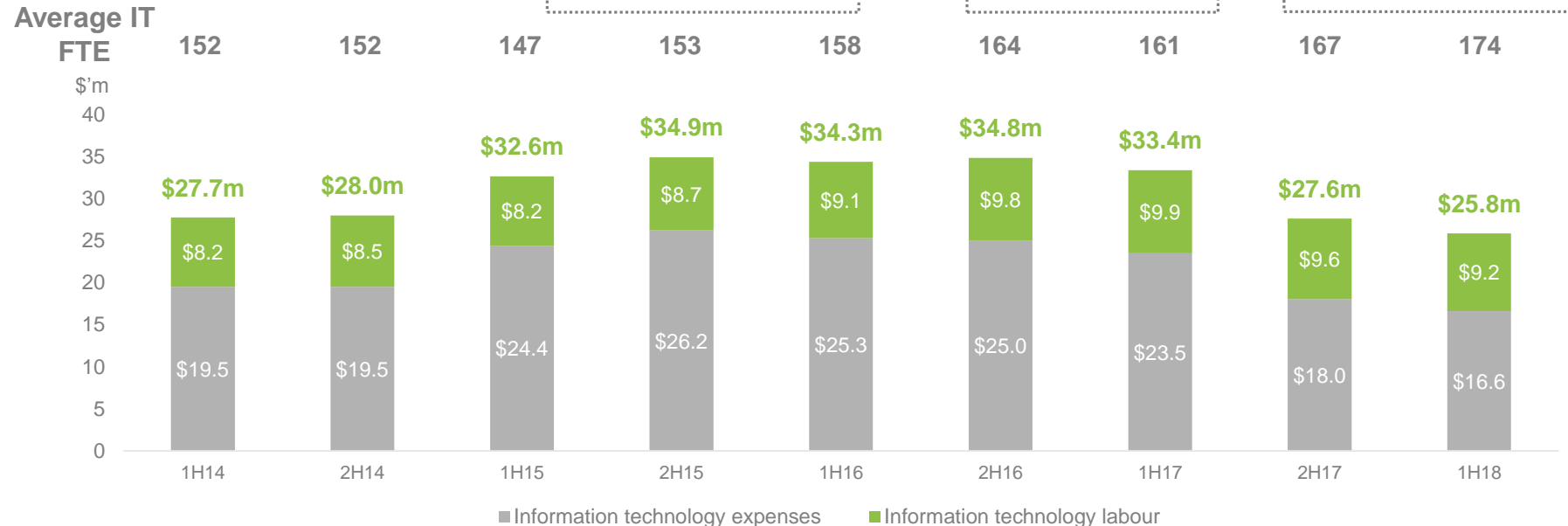
Platform rationalisation

IT consultants to in-house FTEs

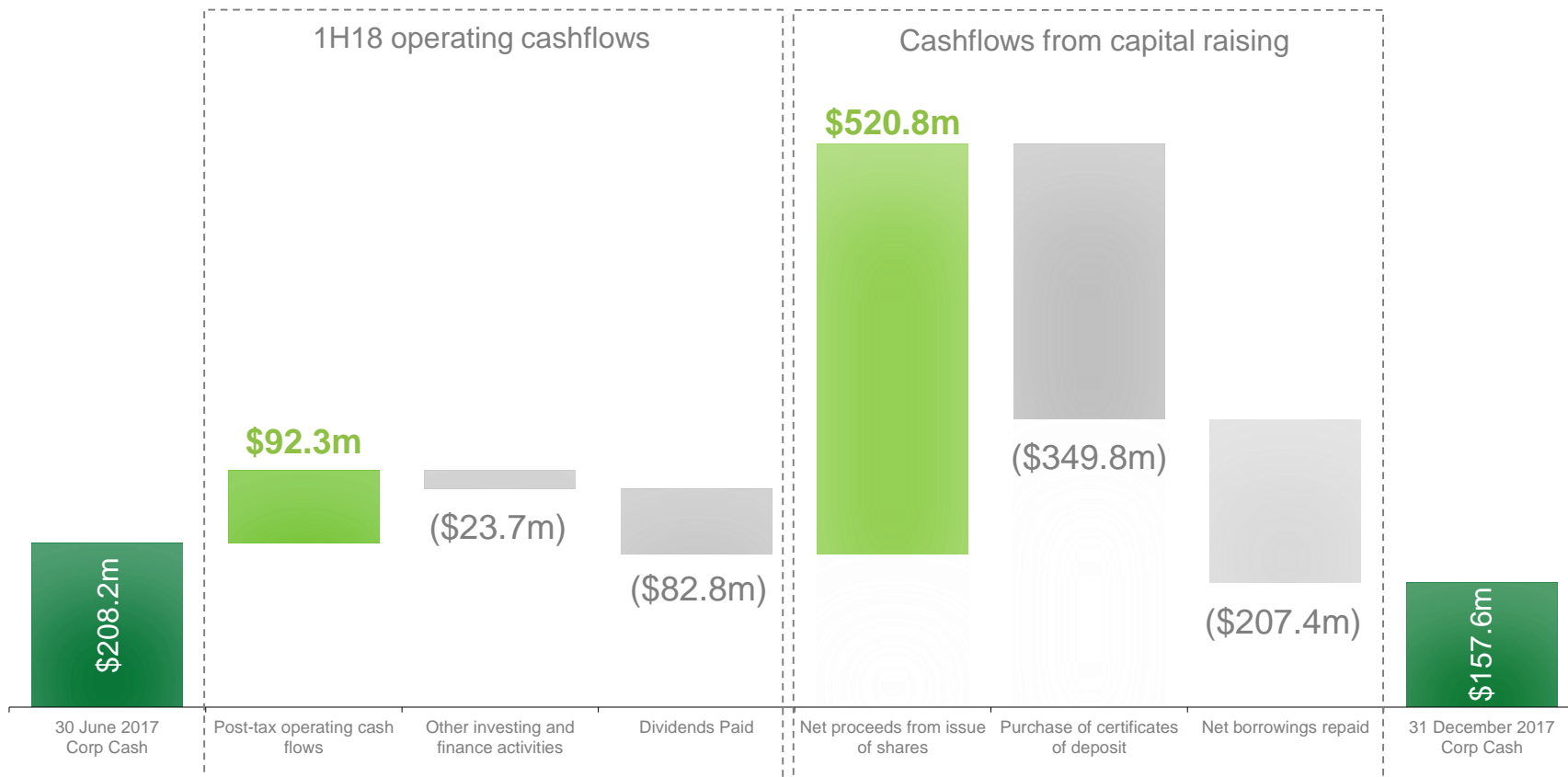
Enhanced client & adviser engagement

ClientFirst – move to online transacting

Pursuit MDA development  
~June 2018



# Strong operating cash flow and prudent capital management

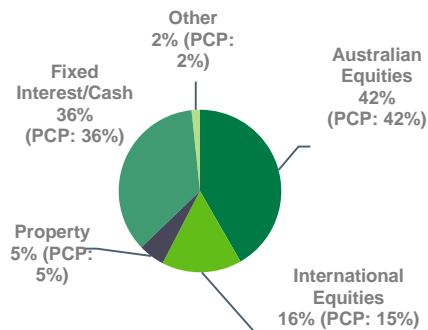


## Financial Advice | IOOF's clear differentiator

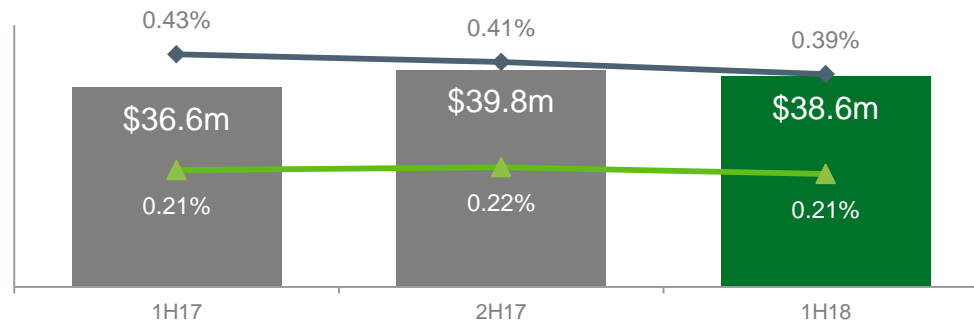
- Open architecture allows IOOF to capture significant additional FUAdvice
- Successful addition of advisers has brought new revenue streams
- Opex reduced slightly with cost savings in 2H17 offset by inflation - net operating margin stability maintained

\$'M	1H18	2H17	1H17
Revenue	188.0	180.7	174.2
Direct Costs	(73.8)	(67.6)	(62.7)
<b>Gross Margin (GM)</b>	<b>114.1</b>	<b>113.1</b>	<b>111.5</b>
<b>GM %</b>	<b>0.39%</b>	<b>0.41%</b>	<b>0.43%</b>
Other Revenue	22.8	18.8	21.4
Share of equity profit/loss	0.4	0.4	0.4
Operating Expenditure	(76.5)	(71.8)	(77.0)
Net Non Cash	(2.0)	(1.6)	(1.6)
Net Interest	0.3	0.2	0.3
Income Tax Expense/N.C.I	(20.5)	(19.4)	(18.5)
<b>UNPAT</b>	<b>38.6</b>	<b>39.8</b>	<b>36.6</b>
Average FUAdv (\$'b)	58.0	55.4	51.9
<b>NOM %</b>	<b>0.21%</b>	<b>0.22%</b>	<b>0.21%</b>

### ASSET ALLOCATION



### MARGIN ANALYSIS

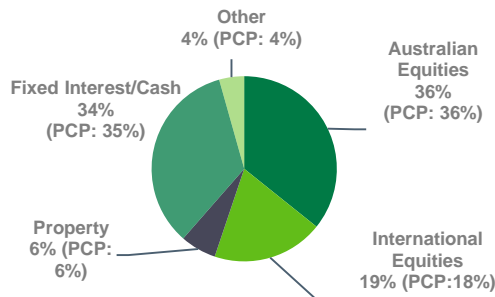


# Platform | Diligent cost management

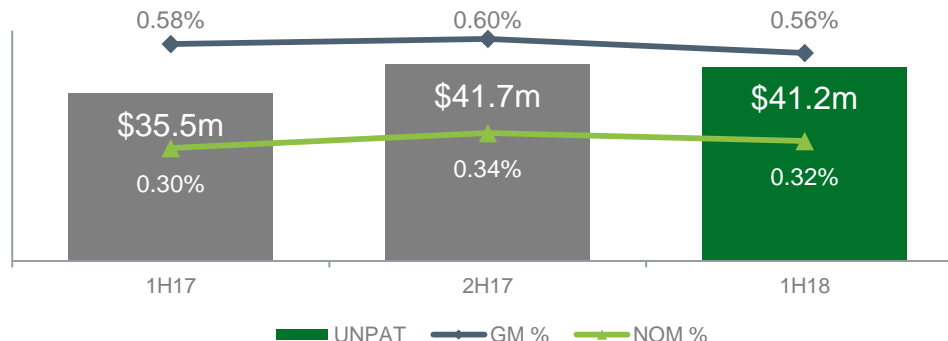
- Average FUAdmin benefited from solid organic growth
- Reduced expenses following platform rationalisation and higher IT investment in prior periods
- Rationalisation of platforms - contemporary platforms are more agile and less costly to run

\$'M	1H18	2H17	1H17
Revenue	198.8	200.6	193.2
Direct Costs	(92.5)	(91.9)	(89.5)
<b>Gross Margin (GM)</b>	<b>106.3</b>	108.7	103.7
<b>GM %</b>	<b>0.56%</b>	0.60%	0.58%
Other Revenue	0.1	-	-
Operating Expenditure	(45.1)	(46.1)	(49.8)
Net Non Cash	(2.2)	(2.6)	(2.7)
Net Interest	0.0	0.0	0.0
Income Tax Expense/N.C.I	(17.9)	(18.3)	(15.7)
<b>UNPAT</b>	<b>41.2</b>	41.7	35.5
Average FUAdmin (\$'b)	37.7	36.7	35.2
<b>NOM %</b>	<b>0.32%</b>	0.34%	0.30%

## ASSET ALLOCATION



## MARGIN ANALYSIS

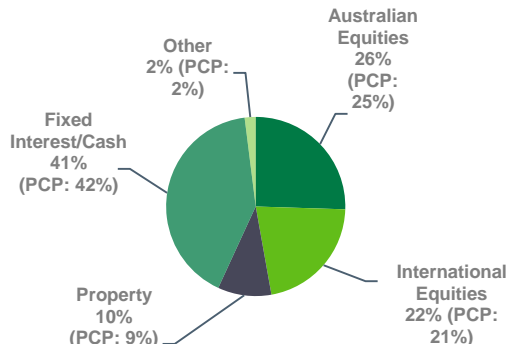


# Investment Management | Consistent complementary business

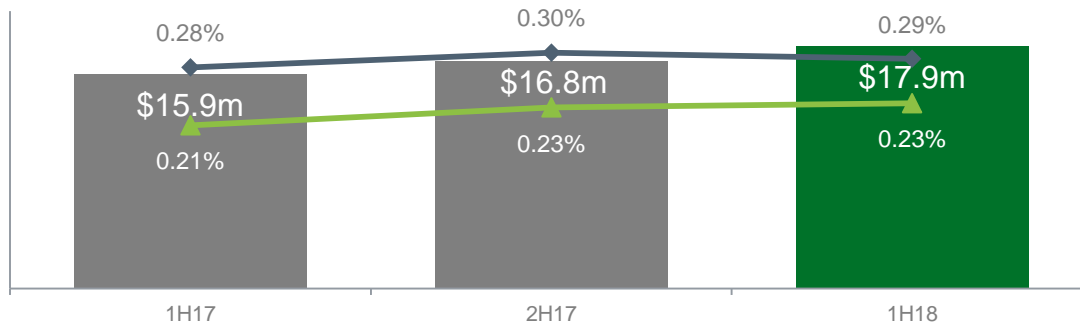
- Overall outcome improved in line with;
  - market based growth in average funds; and
  - improved pricing of underlying external fund managers
- Multi-manager business model is unaffected by trends on active to passive
- Decreased operating expenditure resulted from the divestment of Perennial Investment Management Limited

\$'M	1H18	2H17	1H17
Revenue	36.3	41.4	42.7
Direct Costs	(5.9)	(11.6)	(15.0)
<b>Gross Margin (GM)</b>	<b>30.4</b>	<b>29.8</b>	<b>27.7</b>
<b>GM %</b>	<b>0.29%</b>	<b>0.30%</b>	<b>0.28%</b>
Other Revenue	-	0.0	0.0
Share of equity profit/loss	1.0	0.9	1.7
Operating Expenditure	(5.9)	(7.0)	(7.3)
Net Non Cash	(0.3)	(0.3)	(0.4)
Net Interest	-	0.2	0.3
Income Tax Expense/N.C.I	(7.3)	(6.8)	(6.1)
<b>UNPAT</b>	<b>17.9</b>	<b>16.8</b>	<b>15.9</b>
Average FUM (\$'b)	20.8	20.2	19.7
<b>NOM %</b>	<b>0.23%</b>	<b>0.23%</b>	<b>0.21%</b>

## ASSET ALLOCATION



## MARGIN ANALYSIS

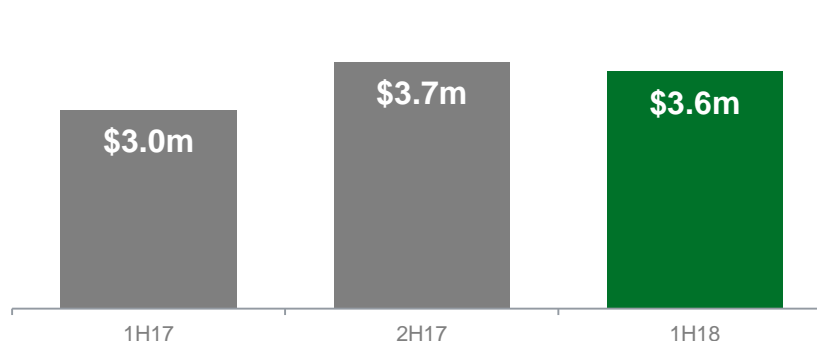


# Trustee | Acquisition enhances performance

- Revenue increase supported by higher customer numbers and AETS contribution
- Trustee capability directs administration funds from IDPS, native title, compensation & philanthropic trusts to IOOF platforms
- Increase in opex following the AETS acquisition – offset by ongoing simplification initiatives

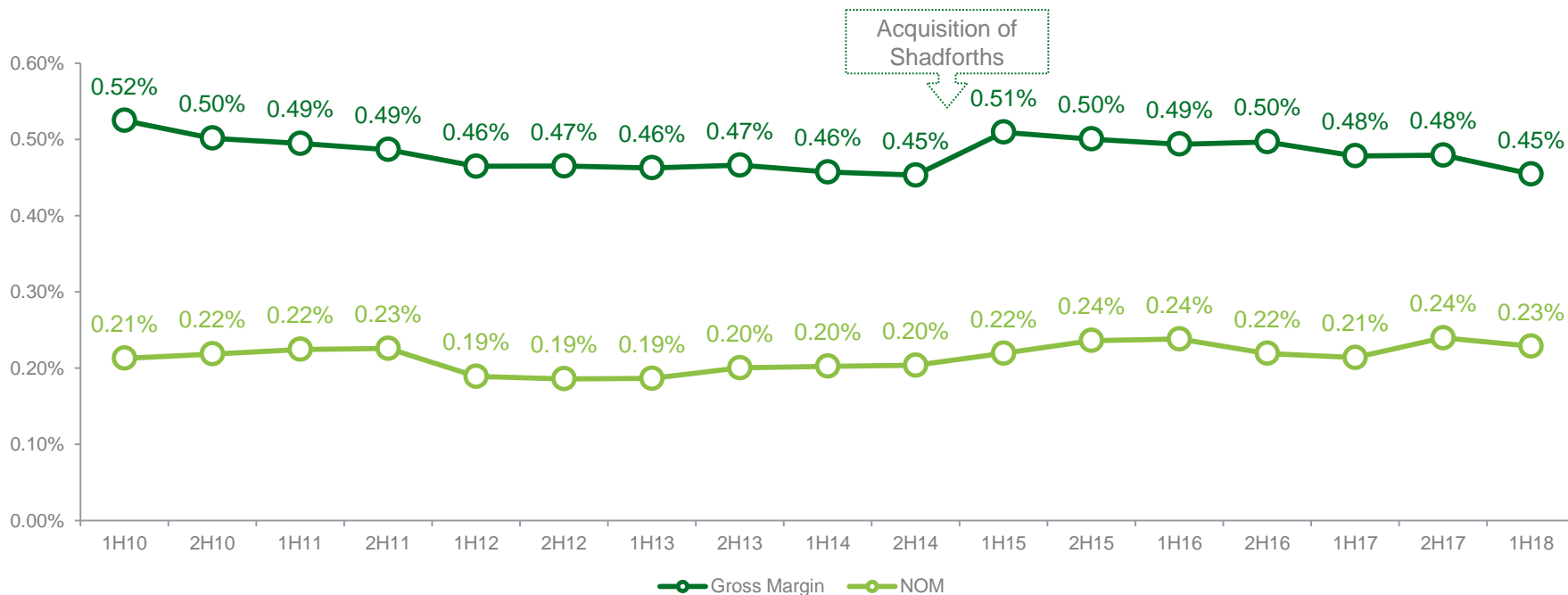
\$'M	1H18	2H17	1H17
Revenue	17.6	15.4	15.4
Direct Costs	(2.1)	(1.0)	(1.3)
<b>Gross Margin (GM)</b>	<b>15.5</b>	14.4	14.1
Operating Expenditure	(10.1)	(8.8)	(9.5)
Net Non Cash	(0.3)	(0.3)	(0.3)
Net Interest	(0.0)	(0.0)	(0.0)
Income Tax Expense/N.C.I	(1.5)	(1.6)	(1.3)
<b>UNPAT</b>	<b>3.6</b>	3.7	3.0
Average FUS (\$'b)	<b>32.9</b>	30.7	29.7

## UNPAT ANALYSIS



## Group Margins | Longer time series analysis

- Gross margin outcome a function of product mix shifts and relative line of business contribution
- Net operating margin stable and sustainable  $\Rightarrow$  Active management of portfolio of businesses



Note: Presented including discontinued operations to show a like for like comparison over a longer time series. Perennial Value Management FUM has been excluded as equity accounted profits excluded from Gross and Net Operating Margin calculation





## **IOOF 1H18 Results** | Strategy, Outlook & ANZ Wealth Management

**Christopher Kelahe** | Managing Director

# Growth drivers for IOOF



## Industry fundamentals

Positive industry tailwinds and demographic trends

- ✓ SG growth to 12%
- ✓ 8-10% system CAGR



## Adviser numbers

Growing numbers of quality advisers bring additional net inflows

- ✓ 4 of the top 15 and 14 of the top 50 per Barrons
- ✓ Further adviser growth expected



## Client satisfaction

Attraction of clients to goals based advice and superior service

- ✓ Modular, micro-service IT architecture enables superior service delivery
- ✓ Second quartile ranking from advisers (Wealth Insights)



## Acquisitions

Unmatched track record of strategic acquisitions in complementary businesses

- ✓ Transformational ANZ Wealth Management acquisition
- ✓ National Australia Trustees Limited completed in 1H18



## Market performance

Revenue generation from investment market valuations

- ✓ \$4.6b increase to FUMA in 1H18 due to market movement

## Advice-led focus on delivering superior service



### Partnership with GROW Super

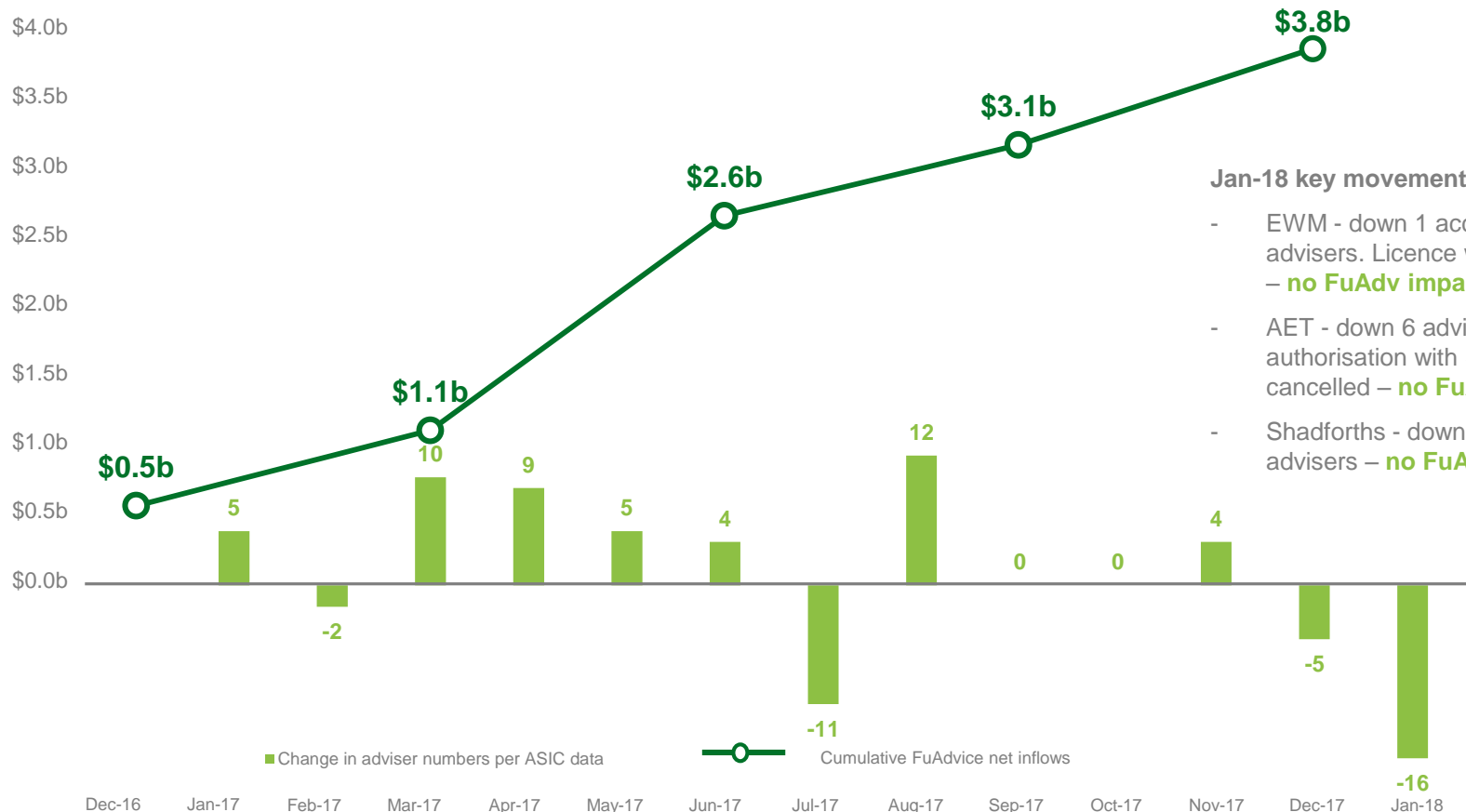
- GROW Super is one of Australia's leading digital superannuation providers
- IOOF has taken a minority stake in GROW Super as part of a broader partnership
- Opportunities to collaborate, innovate and enhance adviser and client engagement
- Emphasis on enhancing adviser's capability in younger demographic engagement through data insights and cashflow management



### Managed Discretionary Account (MDA) development on IOOF Pursuit

- Offering further choice to advisers and clients
- Adding platform functionality to align with the evolution of advice value propositions
- Set for delivery ~July 2018

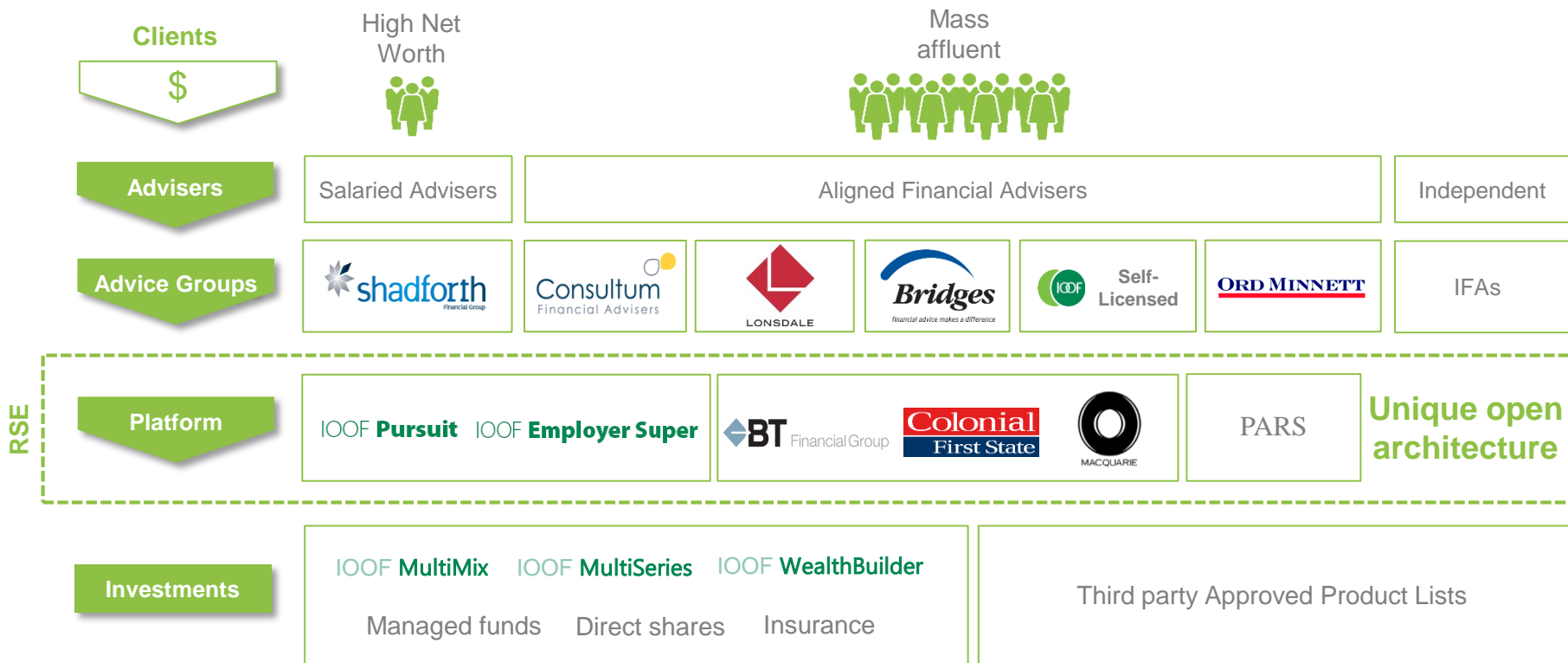
# Adviser numbers | ASIC data



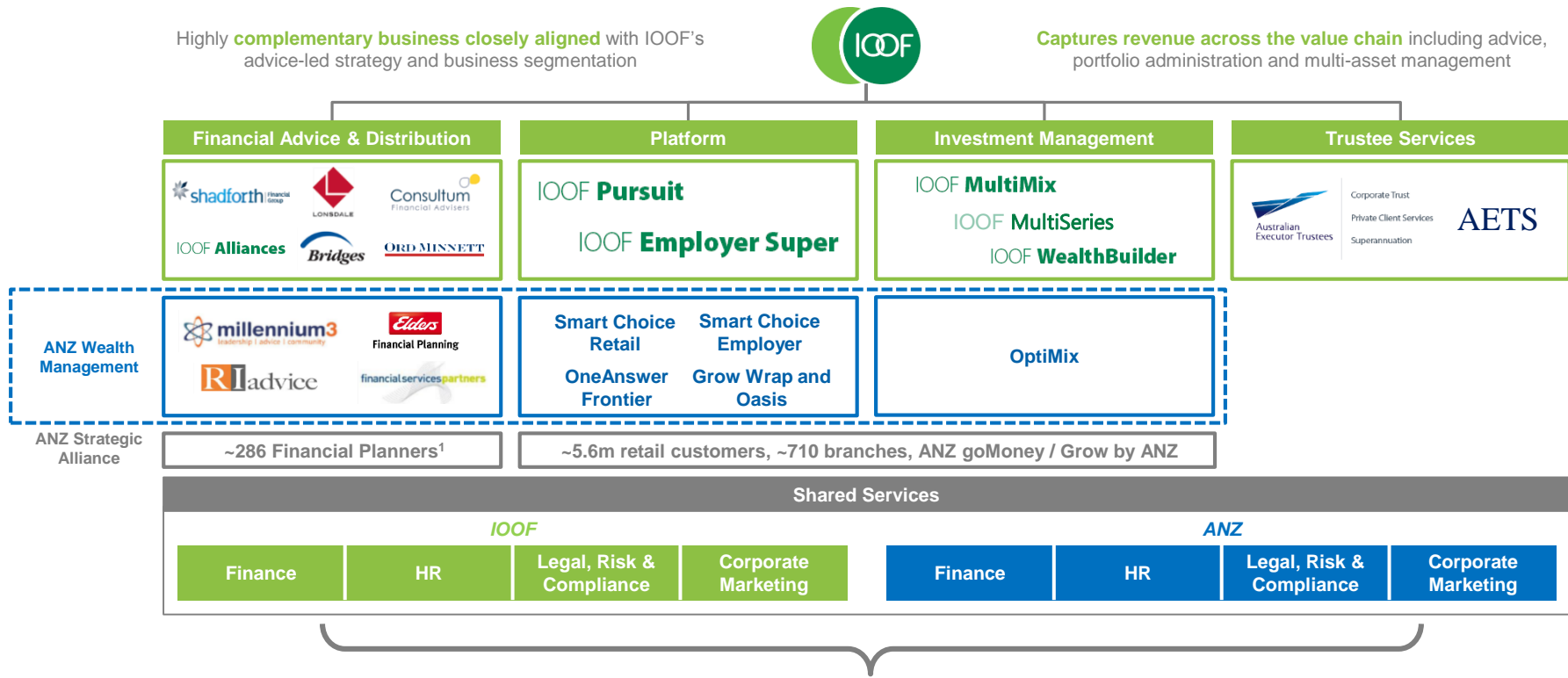
## Jan-18 key movements:

- EWM - down 1 accounting practice with 7 advisers. Licence was limited to SMSFs – **no FuAdv impact**
- AET - down 6 advisers under dual licence authorisation with Shadforth. AET licence cancelled – **no FuAdv impact**
- Shadforths - down 4 advisers. Salaried advisers – **no FuAdv impact**

# Complementary services across the value chain offer scale and efficiency



# ANZ Wealth Management is a natural fit with IOOF



Scope for rationalisation of duplicate back office functions = **Realisation of meaningful cost synergy benefits**

# ANZ Wealth Management Acquisition | Transaction highlights

1

## Transaction Overview

- IOOF Holdings Limited (**IOOF**) has agreed to acquire ANZ's OnePath Pensions and Investments business and Aligned Dealer Groups business (**ANZ Wealth Management**) for cash consideration of \$975m (subject to a Completion adjustment)
- IOOF estimates separation and integration costs of approximately \$130m to be spent over 3 years
- IOOF will enter into a 20 year Strategic Alliance Agreement with ANZ to distribute IOOF wealth products to ANZ customers (excluding private bank customers) through ANZ's Australian banking network
- Completion is expected in around 12 months from date of acquisition announcement (**Completion**)

2

## Strategic Rationale

- Consistent with IOOF's disciplined acquisition strategy
- Highly complementary business - IOOF will become the 5<sup>th</sup> largest platform provider in Australia by FUAdmin and the 2<sup>nd</sup> largest advice group by FUAdvice and by adviser numbers<sup>1</sup>
- Substantially increases scale - FUAdvice up 34%, financial adviser numbers up 71% and FUAdmin up 125%
- Attractive 20 year Strategic Alliance Agreement provides access to ~5.6m retail and ~0.5m corporate, business and SME customers via ANZ channels including ANZ Financial Planning (**ANZ FP**) advisers (in ANZ branches and over the phone) and digital channels
- IOOF well placed to manage separation and integration and achieve meaningful operating cost synergies
  - Pre-tax cost synergies expected to be approximately \$65m p.a. from FY2021
  - Improved revenue expected through product rationalisation and alignment (excluded from EPS accretion)

3

## Financial Impact

- Attractive valuation based on earnings which already reflect significant legacy closed product rationalisation
  - Price to earnings of 15.5x based on FY2017A UNPAT (9.0x including anticipated run rate cost synergies)
  - EBIT multiple of 9.8x based on FY2017A EBIT (5.5x including anticipated run rate cost synergies)
- **Anticipated mid single digit EPS accretion in FY2019<sup>2</sup>, expected to increase to ~15%+ in the first full year and over ~20%+ thereafter<sup>3</sup>**
  - Dilutive to FY2018 cash EPS from increased share capital in period prior to Completion<sup>2</sup>

1. Sourced from Money Management Top 100 Financial planning group survey 2017.

2. Assuming Completion in around 12 months, resulting in partial contribution in FY2019.

3. Based on IOOF's share price of \$11.26 as at 16 October 2017. Assumes Completion in around 12 months. Timing of Completion and cost synergy realisation will drive final outcomes for IOOF future results.

Note: All content in this slide is taken from the ANZ Wealth Management acquisition investor presentation dated 17 October 2017

# Timeline | Progress update

Significant progress made with no change to anticipated completion date






# ANZ Wealth Management | Acquisition update

Completion of ANZ Wealth Management acquisition on track with completion work progressing to plan

<div>1</div> ANZ Wealth Management Performance	<ul style="list-style-type: none"> <li>• ANZ Wealth Management business performing in line with expectations YTD</li> <li>• Pro-active management of low productivity / high risk advisers has been completed resulting in a nominal decrease in CY2017</li> <li>• ADG inflows up 10% despite adviser numbers down 12% - departed advisers accounted for only 2% of ADG's OnePath FUA</li> </ul>
<div>2</div> Separation	<ul style="list-style-type: none"> <li>• Separation work progressing according to plan</li> <li>• Experienced teams from IOOF (68 people, ~25 FTE) and ANZ fully dedicated to completion and working collaboratively</li> <li>• Strong governance framework and regular dialogue at all levels of each organisation</li> <li>• Regulatory approvals progressing in line with expectations</li> </ul>
<div>3</div> Financing	<ul style="list-style-type: none"> <li>• Longer term financing conditionally agreed with select group of domestic and offshore banks <ul style="list-style-type: none"> <li>○ Financing available significantly exceeds IOOF requirements</li> <li>○ Facilities exceed transaction consideration requirement to fund separation and integration in addition to allowing flexibility</li> </ul> </li> <li>• Long form documentation currently being negotiated</li> <li>• Acquisition bridge facility to remain in place until long term facilities committed</li> </ul>

# Combination analysis and value comparison

The transaction will **significantly increase the scale** of IOOF's advice-led business

Key metric <sup>1</sup>		ANZ Wealth Management	Combined	Increase
Customers (#)	~500,000	~770,000 <sup>2</sup>	~1.27m	+154%
FUAdmin (\$m)	37,228	46,587	83,815	+125%
FUAdvice (\$m)	57,153	19,476 (ADGs only)	76,629	+34%
FUM (\$m)	20,600	23,708 <sup>3</sup>	44,308	+115%
Financial Advisers (#) <sup>4</sup>	1,017	717 ADGs 286 <sup>5</sup> ANZ FP (via Strategic Alliance Agreement)	1,734	+71%
Employees (#)	2,000+	~1,200	~3,200	+60%

IOOF market cap  
16 October 2017

Agreed consideration  
(s.t. completion adjustment)

**\$3,423 million**

**\$975 million**

Source: ANZ, IOOF, Money Management Top 100 Financial planning group survey 2017

1. FUAdmin, FUAdvice, FUM, adviser and employee numbers for IOOF as at 30 September 2017. Financials for ANZ Wealth Management are FY2017A for year ended 30 September 2017

2. ANZ Wealth Management reports ~770,000 active accounts for P&I business excluding Perimeter Adjustments

3. Estimate of controlled FUM. Investment Management FUM are included within the Platforms FUAdmin

4. Adviser numbers sourced from October 2017 ASIC adviser numbers, includes Ord Minnett. Adviser number for ANZ Wealth Management includes numbers from ADGs - RI, Millennium 3 (including Elders) and Financial Services Partners only

5. ANZ FP adviser number excludes Private Bank and other personnel licensed under ANZ

## The Result | Summary

### Consistent execution of advice-led wealth management strategy **delivers**

- UNPAT of **\$94.8m, up 19%**
- Interim fully franked dividend per share of **27cps – commitment to delivering value to shareholders**
- **Platform** inflows \$617m **up 54%**; **advice** inflows \$1.2b, **up 40%**

### Future outlook

- **Further** net inflows with system tailwinds, **differentiated** superior service culture and **growing** adviser base
- Continued best in sector **cost control**
- **Transformational acquisition** of ANZ Wealth Management to deliver **significant accretion** and **value** for shareholders

Meeting our commitments to clients, advisers, community and shareholders

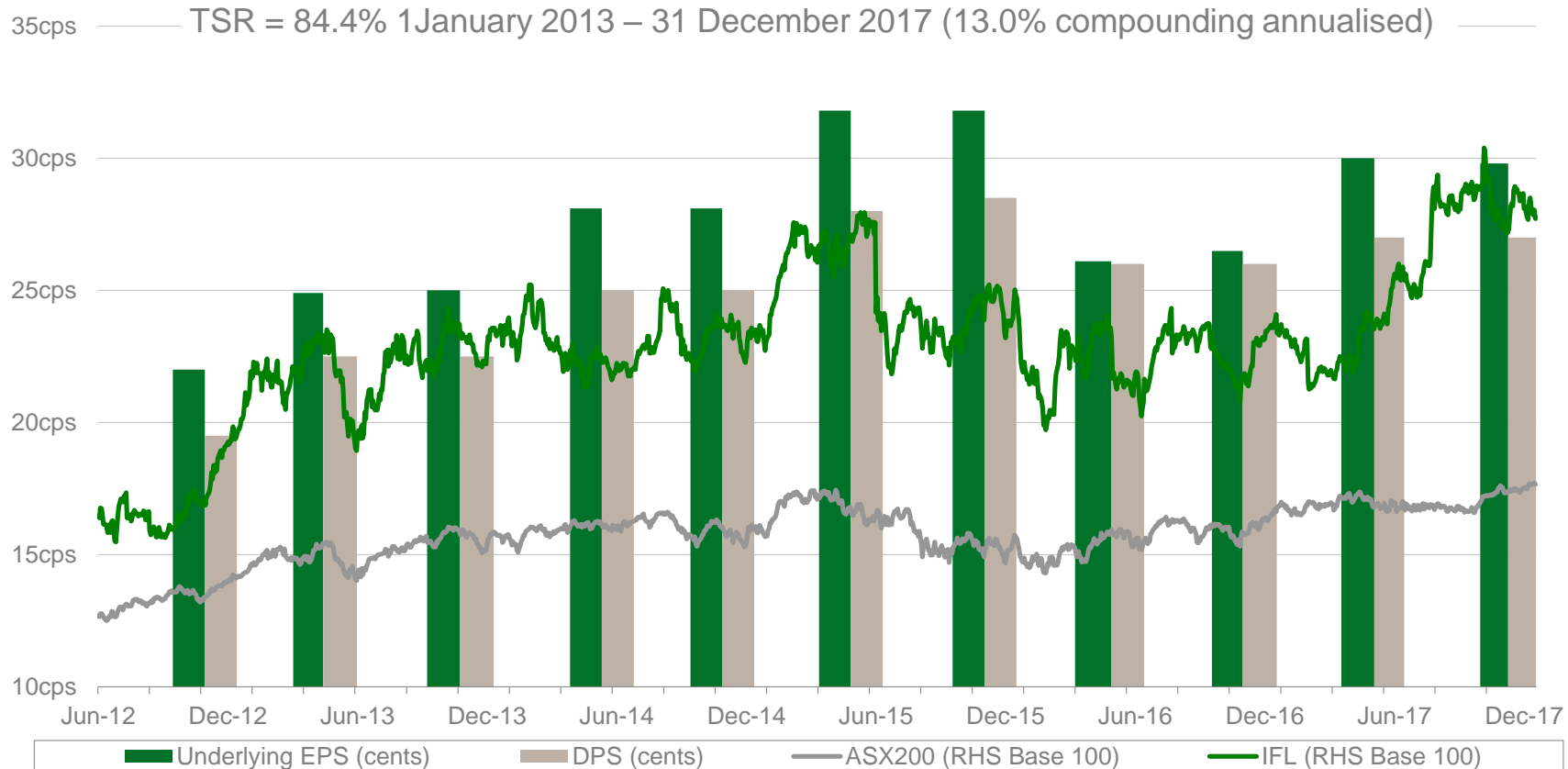


Creating financial independence since 1846



## Appendices

## APPENDIX A | Total Shareholder Return

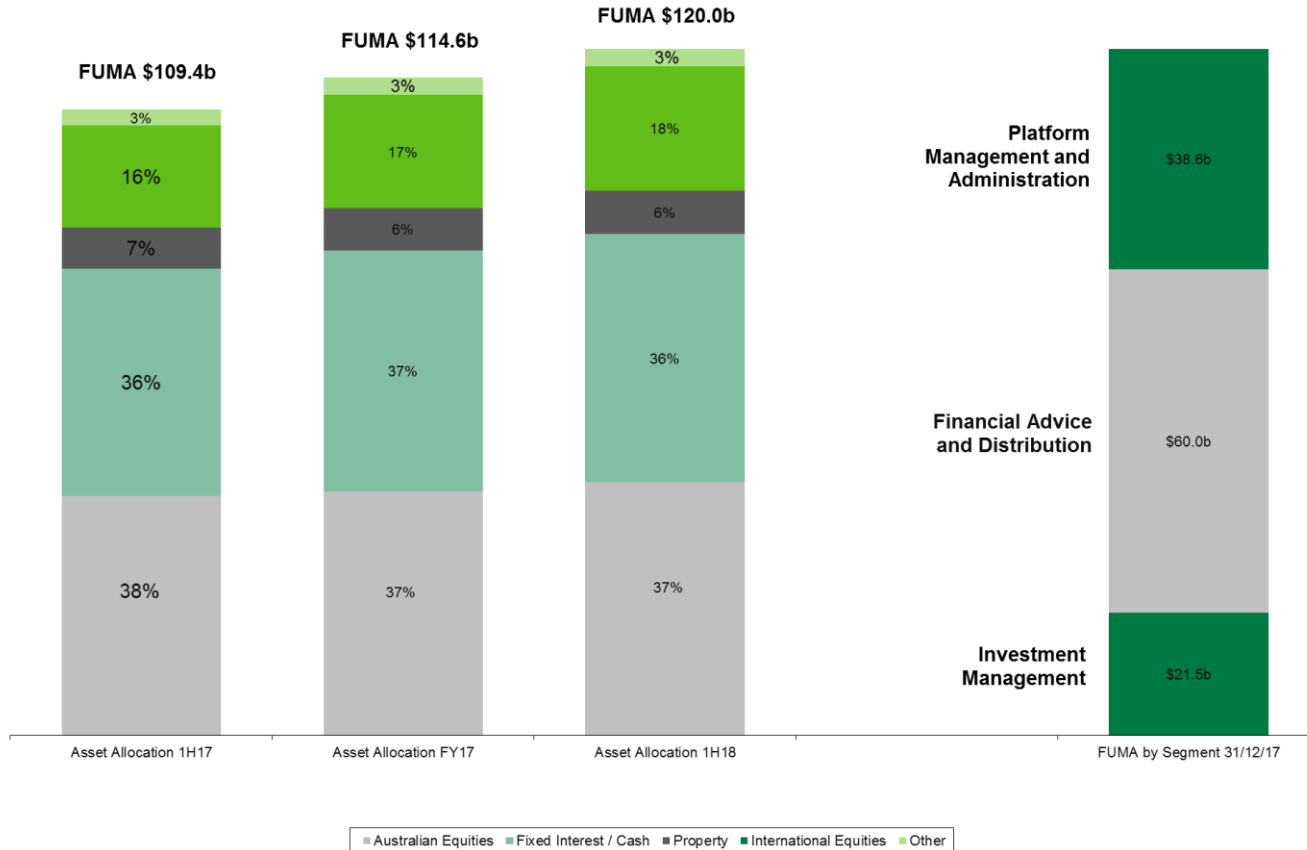


## APPENDIX B | Statutory NPAT reconciliation

	1H18	1H17
<b>Profit attributable to Owners of the Company</b>	<b>45.2</b>	<b>74.2</b>
Underlying net profit after tax (UNPAT) adjustments:		
Amortisation of intangible assets	19.6	19.3
Acquisition costs - Acquisition advisory	3.7	-
Acquisition costs - Integration preparation	1.2	-
Acquisition costs - Finance costs	0.5	-
Termination payments	1.2	3.2
Profit on divestment of subsidiaries	(0.1)	(6.3)
Profit on divestment of assets	(0.3)	(11.1)
Non-recurring professional fees (recovered)/paid	(0.9)	2.0
Onerous contracts	1.8	-
Unwind of deferred tax liability recorded on intangible assets	(5.1)	(5.0)
Impairment of goodwill	28.3	-
Other	1.3	-
Income tax attributable	(1.6)	3.2
<b>UNPAT</b>	<b>94.8</b>	<b>79.4</b>

Detailed explanation of each reconciling line item provided in Appendix G

# APPENDIX C | Group asset allocation





## APPENDIX D | Segment performance – Corporate & Other

\$'M	1H18	2H17	1H17
Revenue	0.3	0.4	0.3
Direct Costs	0.2	0.2	0.2
<b>Gross Margin (GM)</b>	<b>0.5</b>	<b>0.6</b>	<b>0.5</b>
Other Revenue	1.0	0.6	1.4
Share of equity profit/loss	-	-	-
Operating Expenditure	(18.9)	(19.0)	(21.7)
Net Non Cash	(0.6)	(0.3)	(0.5)
Net Interest	0.9	(1.8)	(1.6)
Income Tax Expense/N.C.I	10.6	7.8	10.4
<b>UNPAT</b>	<b>(6.5)</b>	<b>(12.1)</b>	<b>(11.5)</b>

# APPENDIX E



## DETAILED HALF ON HALF BREAKDOWN

	1H18	1H18	1H18	1H18	1H18	1H18	1H17
	Platform \$'m	IM \$'m	FAD \$'m	Tstee \$'m	Corp \$'m	Group TOTAL \$'m	Group TOTAL \$'m
<b>Gross Margin</b>							
Management and Service fees revenue	195.9	35.1	180.3	15.5	-	387.2	374.1
Other Fee Revenue	2.9	1.3	7.7	2.1	0.3	14.1	15.7
Service and Marketing fees expense	(89.6)	(3.4)	(69.0)	(0.0)	0.2	(122.1)	(119.7)
Other Direct Costs	(2.7)	(2.5)	(4.8)	(2.1)	0.0	(12.1)	(12.2)
Amortisation of deferred acquisition costs	(0.2)	-	(0.1)	-	-	(0.2)	(0.3)
<b>Total Gross Margin</b>	<b>106.3</b>	<b>30.4</b>	<b>114.1</b>	<b>15.5</b>	<b>0.5</b>	<b>266.9</b>	<b>257.6</b>
<b>Other Revenue</b>							
Stockbroking revenue	-	-	47.9	-	-	47.8	44.3
Stockbroking service fees	-	-	(27.4)	-	-	(27.4)	(25.1)
Dividends and distributions received	-	-	0.0	-	0.6	0.6	0.5
Net fair value gains/(losses) on other financial assets at fair value through profit or loss	-	-	-	-	0.1	0.1	0.1
Profit on sale of financial assets	-	-	0.6	-	-	0.6	17.4
Other revenue	0.1	-	2.3	-	0.4	2.7	2.9
Other Revenue adjustments	-	-	(0.6)	-	-	(0.6)	(17.4)
<b>Total Other Revenue</b>	<b>0.1</b>	<b>-</b>	<b>22.8</b>	<b>-</b>	<b>1.0</b>	<b>23.9</b>	<b>22.8</b>
<b>Equity Accounted Profits</b>							
Share of profits of associates and jointly controlled entities accounted for using the equity method	-	1.0	0.4	-	-	1.3	2.1
<b>Total Equity Accounted Profits</b>	<b>-</b>	<b>1.0</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>2.1</b>
<b>Operating Expenditure</b>							
Salaries and related employee expenses	(8.7)	(2.3)	(43.6)	(7.0)	(39.7)	(101.3)	(101.0)
Employee defined contribution plan expense	(0.7)	(0.1)	(3.0)	(0.5)	(2.9)	(7.2)	(7.1)
Information technology costs	(0.2)	(0.4)	(6.8)	(0.3)	(8.9)	(16.6)	(23.5)
Professional fees	(0.2)	(0.1)	(1.7)	(0.0)	(2.4)	(4.4)	(6.1)
Marketing	(0.6)	(0.0)	(3.4)	(0.1)	(0.9)	(5.1)	(4.9)
Office support and administration	(0.0)	(0.1)	(3.7)	(0.2)	(2.5)	(6.6)	(8.8)
Occupancy related expenses	(0.0)	(0.0)	(5.1)	(0.1)	(7.2)	(12.4)	(10.4)
Travel and entertainment	(0.3)	(0.1)	(1.2)	(0.2)	(1.2)	(2.9)	(3.4)
Corporate recharge	(34.3)	(2.7)	(8.0)	(1.7)	46.7	(0.0)	-
Other	-	-	(0.0)	-	(0.0)	(0.0)	(0.0)
<b>Total Operating Expenditure</b>	<b>(45.1)</b>	<b>(5.9)</b>	<b>(76.5)</b>	<b>(10.1)</b>	<b>(18.9)</b>	<b>(156.4)</b>	<b>(165.3)</b>
Loss on disposal of non-current assets	-	-	(0.0)	-	0.0	(0.0)	-
<b>Total Operating Expenditure</b>	<b>(45.1)</b>	<b>(5.9)</b>	<b>(76.5)</b>	<b>(10.1)</b>	<b>(18.9)</b>	<b>(156.4)</b>	<b>(165.3)</b>
<b>Net non cash (Ex. Amortisation from acquisitions)</b>							
Share based payments expense	(0.2)	(0.1)	(0.5)	(0.0)	(0.6)	(1.3)	(0.9)
Depreciation of property, plant and equipment	(1.7)	(0.2)	(1.5)	(0.3)	-	(3.6)	(3.8)
Amortisation of intangible assets - IT development	(0.4)	-	-	-	-	(0.4)	(0.9)
<b>Total Net non cash (Ex. Amortisation from acquisitions)</b>	<b>(2.2)</b>	<b>(0.3)</b>	<b>(2.0)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(5.3)</b>	<b>(5.6)</b>
<b>Net Interest</b>							
Interest income on loans to directors of controlled and associated entities	-	-	-	-	0.1	0.1	0.1
Interest income from non-related entities	0.0	-	0.3	-	2.8	3.1	2.2
Finance Costs	-	-	(0.0)	(0.0)	(2.0)	(2.0)	(3.4)
<b>Total Net Interest</b>	<b>0.0</b>	<b>-</b>	<b>0.3</b>	<b>(0.0)</b>	<b>0.9</b>	<b>1.2</b>	<b>(1.0)</b>
<b>Income Tax &amp; NCI</b>							
Non-controlling Interest	-	-	(2.7)	-	-	(2.7)	(2.1)
Income tax expense	(17.9)	(7.2)	(17.1)	(1.5)	16.4	(27.3)	(27.3)
NCI adjustments	-	-	-	-	-	-	-
Income tax expense adjustments	-	(0.1)	(0.7)	(0.0)	(5.8)	(6.7)	(1.9)
<b>Total Income Tax &amp; NCI</b>	<b>(17.9)</b>	<b>(7.3)</b>	<b>(20.5)</b>	<b>(1.5)</b>	<b>10.6</b>	<b>(36.7)</b>	<b>(31.2)</b>
<b>Underlying NPAT</b>	<b>41.2</b>	<b>17.9</b>	<b>38.6</b>	<b>3.6</b>	<b>(6.5)</b>	<b>94.8</b>	<b>79.4</b>

Note: Segment results include inter-segment revenues and expenses eliminated on consolidation

IFL - Average weighted number of shares on Issue				
EARNINGS PER SHARE CALCULATION				
Half year ended 31 December 2017				

## Ordinary Shares Weighted Average - Opening Balance

From	To	Days	Share Issue	Shares on Issue
01-Jul-17	23-Oct-17	115	-	300,133,752
24-Oct-17	20-Nov-17	28	43,478,261	343,612,013
21-Nov-17	31-Dec-17	41	7,464,014	351,076,027
				351,076,027
Weighted average treasury shares on issue				(331,620)
<b>Weighted average shares on issue</b>				<b>317,738,008</b>

## Ordinary Shares - Closing Balance

	Underlying NPAT	Statutory NPAT
Net Profit Attributable to Members of the parent entity	\$94.8m	\$45.2m
<b>Basic Earnings Per Share</b>	<b>29.8cps</b>	<b>14.2cps</b>

## APPENDIX G | Explanation of items removed from UNPAT

In calculating its Underlying Net Profit After Tax pre-amortisation (UNPAT), the Group reverses the impact on profit of certain, predominantly non cash, items to enable a better understanding of its operational result. A detailed explanation for all significant items is provided below.

**Amortisation of intangible assets:** Non-cash entry reflective of declining intangible asset values over their useful lives. Intangible assets are continuously generated within the IOOF Group, but are only able to be recognised when acquired. The absence of a corresponding entry for intangible asset creation results in a conservative one sided decrement to profit only. It is reversed to ensure the operational result is not impacted. The reversal of amortisation of intangibles is routinely employed when performing company valuations. However, the amortisation of software development costs is not reversed in this manner.

**Acquisition costs - Acquisition advisory:** One off payments to external advisers for corporate transactions, such as the acquisition of AETS and ANZ Wealth Management, which were not reflective of conventional recurring operations.

**Acquisition costs - Integration preparation:** Staff and specialist contractor costs related to integration preparation for the acquisition of ANZ Wealth Management.

**Acquisition costs - Finance costs:** Costs in relation to securing finance for the acquisition of ANZ Wealth Management.

**Termination payments:** Facilitation of restructuring to ensure long term efficiency gains which are not reflective of conventional recurring operations.

**Profit on divestment of subsidiaries:** The IOOF Group partially divested a subsidiary during the period. (pcp: Perennial Investment Management Ltd and partial divestment of a subsidiary).

**Profit on divestment of assets:** Divestments of non-core businesses, client lists and associates.

**Non-recurring professional fees (recovered)/paid:** Recovery of certain litigation related pcp costs via successful insurance claim. (pcp: Costs relating to specialist service and advice providers enlisted to assist the IOOF Group in better informing key stakeholders. These services were required following negative media allegations. In particular, but not limited to, process review, senate inquiry support, government relations, litigation defence and communications advice. This type and level of support was not required on a recurrent basis).

**Impairment of goodwill:** A non-cash impairment of \$28.3m has been recognised in relation to goodwill allocated to Perennial Investment Partners Limited. Reduced profitability from lower revenue has led to calculated value-in-use declining to below the carrying value of the aggregate goodwill and investment balances. Revenue decline has arisen due to institutional outflows. These outflows reflect changing market dynamics where larger institutions now weight a greater proportion of funds to indexed products. This has combined with below benchmark performance in 2012 which adversely affected 5 year fund performance numbers.

**Onerous contracts:** Non cash entry to record the estimated present value of expected costs of meeting the obligations under contracts where the costs exceed the economic benefits expected to be received pursuant to the contracts.

**Unwind of deferred tax liability recorded on intangible assets:** Acquired intangible asset valuations for AASB 3 Business Combinations accounting are higher than the required cost base as set under tax consolidation rules implemented during 2012. A deferred tax liability (DTL) is required to be recognised as there is an embedded capital gain should the assets be divested of at their accounting values. This DTL reduces in future periods at 30% of the amortisation applicable to those assets which have different accounting values and tax cost bases. The recognition of DTL and subsequent period reductions are not reflective of conventional recurring operations and are regarded as highly unlikely to be realised due to the IOOF Group's intention to hold these assets long term.

**Other:** Deferred consideration revaluation relating to pcp divestment of Perennial businesses.

**Income tax attributable:** This represents the income tax applicable to certain adjustment items outlined above.

TERM	DEFINITION
ADG	Aligned Dealer Group
Cost to Income Ratio	Ratio of underlying expenses relative to underlying operating revenues exclusive of the benefit funds and discontinued operations
Flagship Platforms	IOOF Employer Super, IOOF Pursuit. The Portfolio Service consolidation into IOOF Pursuit completed June 2016.
FUMA	Funds Under Management, Administration and Advice
FUMAS	FUMA plus Funds Under Supervision, primarily Corporate Trust clients
Net Operating Margin	Ratio of underlying revenues excluding net interest less underlying operating expenses relative to FUMA
PCP	Prior Comparative Period – Six months to 31 December 2016
Return on Equity	Calculated by dividing annualised UNPAT by average equity during the period
TSR	Total Shareholder Return – change in share price plus dividends paid per share in a given period
UNPAT	Underlying Net Profit After Tax Pre Amortisation, see Appendix G for a detailed explanation of reconciling line items
Underlying EBITA	Underlying Earnings Before Interest, Tax and Amortisation
Underlying EPS	Calculated with the same average number of shares on issues as the statutory EPS calculation utilising UNPAT as the numerator, a detailed calculation is provided in Appendix F
VWAP	Volume Weighted Average Price

## Important disclaimer

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Forward-looking statements in this presentation are based on IOOF's current views and assumptions and involve known and unknown risks and uncertainties, many of which are beyond IOOF's control and could cause actual results, performance or events to differ materially from those expressed or implied. These forward-looking statements are not guarantees or representations of future performance and should not be relied upon as such.

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