

# Annual Results – June 2009

Investor Presentation

Managing Director, Chris Kelaher

26<sup>th</sup> August 2009



# Disclaimer

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# Basis of preparation

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- Whole numbers have been rounded for presentation purposes. However, percentages have been calculated on numbers prior to rounding.
- Unless otherwise stated, the information in this presentation removes the interests of the Benefit Fund members from those of shareholders in IOOF Holdings Ltd. This unaudited, supplementary information on the operations and financial position of the consolidated IOOF Group does not comply with the consolidation requirements of IFRS.

# Company overview

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- IOOF is the purest independent wealth management company in Australia
- We are focused on platform, superannuation, investment management and advice
- While this presentation covers FY08/09 performance necessarily, heavy focus is given to FY09/10
- Underlying theme of simplification throughout

# Operational overview

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- Underlying profit of \$23.1m; 4 cents per share dividend (fully franked)
- All businesses performing well in an uncertain environment
- Remain on track to deliver IFL merger synergies of \$20m after tax within 12 months – have made good progress in a short time
- Integration focus has also included GlobalOne (formerly Skandia)
- IOOF is well placed to respond to various industry reviews
- IOOF has maintained strong net cash balances throughout the year

Decisive action, early results

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# Synergies update

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## **IFL merger synergies**

- \$10m annualised after tax savings achieved since 1 May 2009
- On track to achieve \$20m after tax synergies

## **GlobalOne (Skandia) merger synergies**

- \$13m annualised after tax savings achieved since acquisition
- Remaining synergies achieved mainly via product rationalisation
- Internal savings target to be achieved by end of 3rd quarter FY09/10

# Integration update

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## What has happened

- Sale of non-core assets
  - MacarthurCook stake
  - Intech
  - Progressing the life company sale
- Determined a roadmap for product rationalisation
- Commenced unification of suppliers
- Reviewed material contracts – outsourced services brought in-house

## On the agenda

- Property rationalisation under favourable market conditions
- Senior management team refreshed and upgraded
- Underlying theme of simplification
- Primary focus on integration and consolidation
- Management remain vigilant for further opportunities



David Coulter

Acting Chief Financial Officer

# Financial overview



	Reported			Full 12 Months		
	FY 2009	FY 2008	Change	FY 2009	FY 2008	Change
Statutory NPAT	\$15.8m	\$23.3m	-32%			
Underlying* EBITA	\$34.0m	\$38.1m	-11%	\$86.6m	\$154.4m	-44%
Underlying* NPAT	\$23.1m	\$25.9m	-11%	\$52.1m	\$104.8m	-50%
Underlying* EPS (cents)	20.1	37.9	-47%	45.0	132.6	-66%
DPS (cents)	4.0	30.0	-87%	4.0	30.0	-87%

- Reported – 12 months IOOF, 4 months GlobalOne and 2 months AWM
- Full 12 months – all three entities for the current and prior financial years on an underlying basis
- All analysis to follow uses full 12 months data
- Special dividend of 13 cps paid 31 July 2009 is not included in final dividend for 2009
- Solid progress on identifying and valuing intangibles

EBITA equates to profits before interest, tax, amortisation and asset sales/revaluations

\* Underlying results exclude the impact of significant items. Refer to Appendix A

# Financial overview (cont'd)



## Contribution by business (full 12 months)

	IOOF		AWM		Global One	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Underlying* EBITA	\$23.4m	\$38.1m	\$65.9m	\$113.6m	-\$2.7m	\$2.7m
Underlying* NPAT	\$18.3m	\$25.9m	\$38.4m	\$77.0m	-\$4.5m	\$1.9m

- Combined FY2009 Underlying EBITA of \$86.6m and NPAT of \$52.1m earned predominantly through ex AWM businesses
- All 2009 results adversely impacted by market impacts on FUMA and margins
- IOOF represents those businesses which were part of the group from 1 July 2008
- GlobalOne was made profitable from May 2009 via stringent cost reductions

EBITA equates to profits before interest, tax, depreciation, amortisation and asset sales/revaluations

\* Underlying results exclude the impact of significant items. Refer to Appendix A

# Financial overview (cont'd)



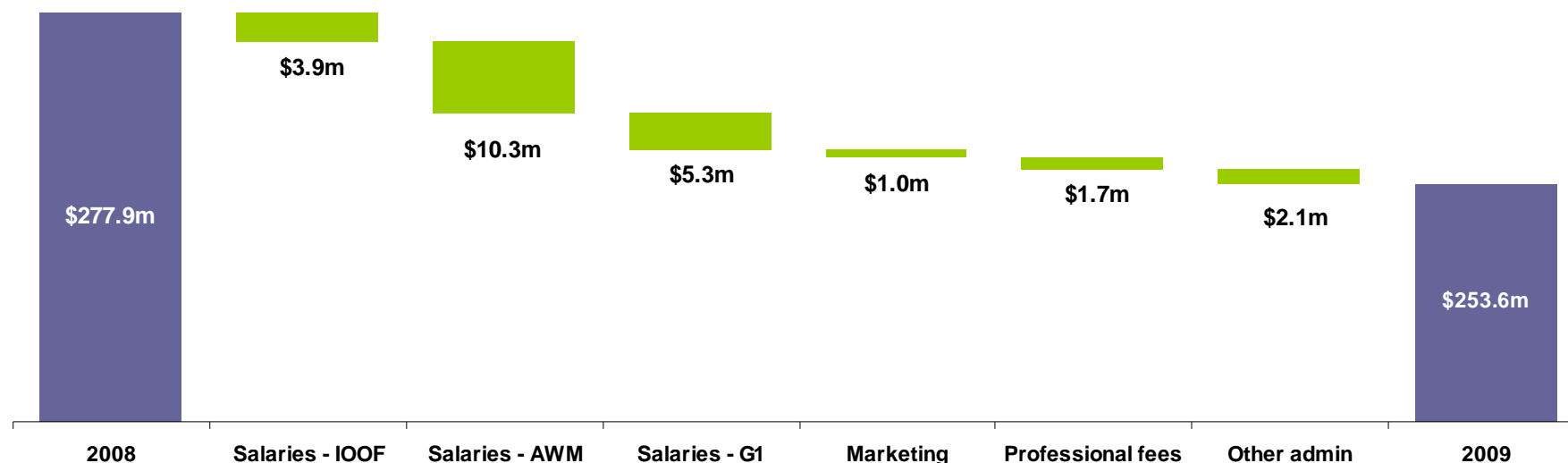
## Contribution by line Item (full 12 months)

	FY 2009	Underlying FY 2008	Change	
<b>Gross Margin</b>	<b>285.7</b>	<b>342.3</b>	<b>(56.6)</b>	<b>-17%</b>
Other revenue	64.4	97.1	(32.7)	-34%
Equity accounted profits	5.1	7.9	(2.8)	-36%
Operating expenditure	(253.6)	(277.9)	24.3	9%
Net non cash*	(15.0)	(15.1)	0.1	1%
<b>Underlying EBITA</b>	<b>86.6</b>	<b>154.4</b>	<b>(67.8)</b>	<b>-44%</b>

- Gross margin impacted by market impacts on FUMA
- Other revenue decline driven largely by market impact on brokerage activity
- Favourable movement on operating costs includes proactive pre merger activity in AWM and decisive restructuring of IOOF and GlobalOne

\* Net non cash includes depreciation, amortisation of Deferred Amortisation Costs, doubtful debts provisions and share based payments with no material variance in these items from year to year

# Operating costs – by category



- IOOF restructuring is only 2 months towards completion and Global One only 4 months
- AWM commenced restructuring activities prior to the 2009 financial year
- Further cost savings expected from planned product rationalisation program scheduled for the 2010 financial year

Other admin includes a component of shareholder liability revaluation which is not considered a significant item: 2009 \$1.2m; 2008 \$2.4m

# Funds overview

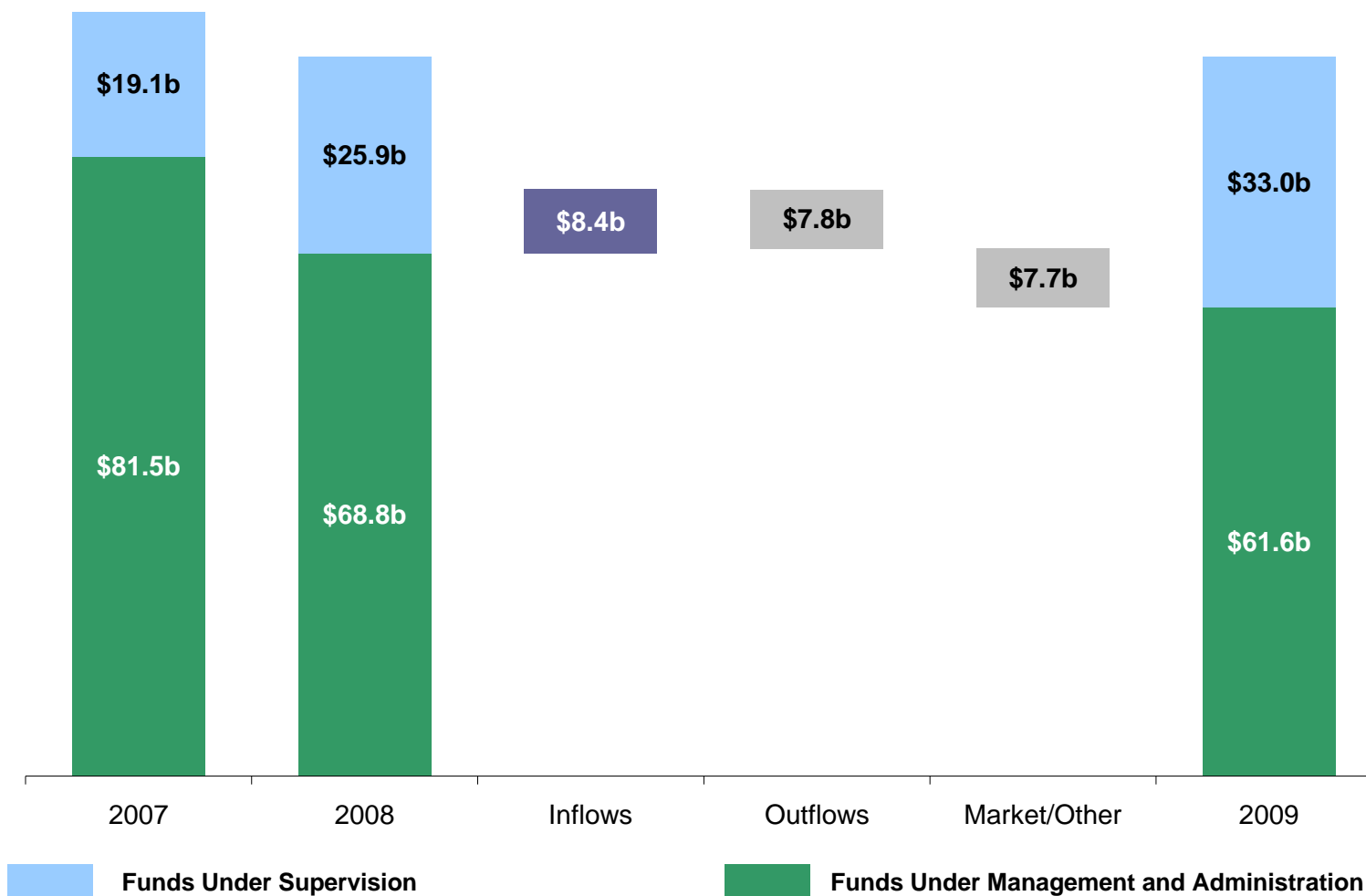
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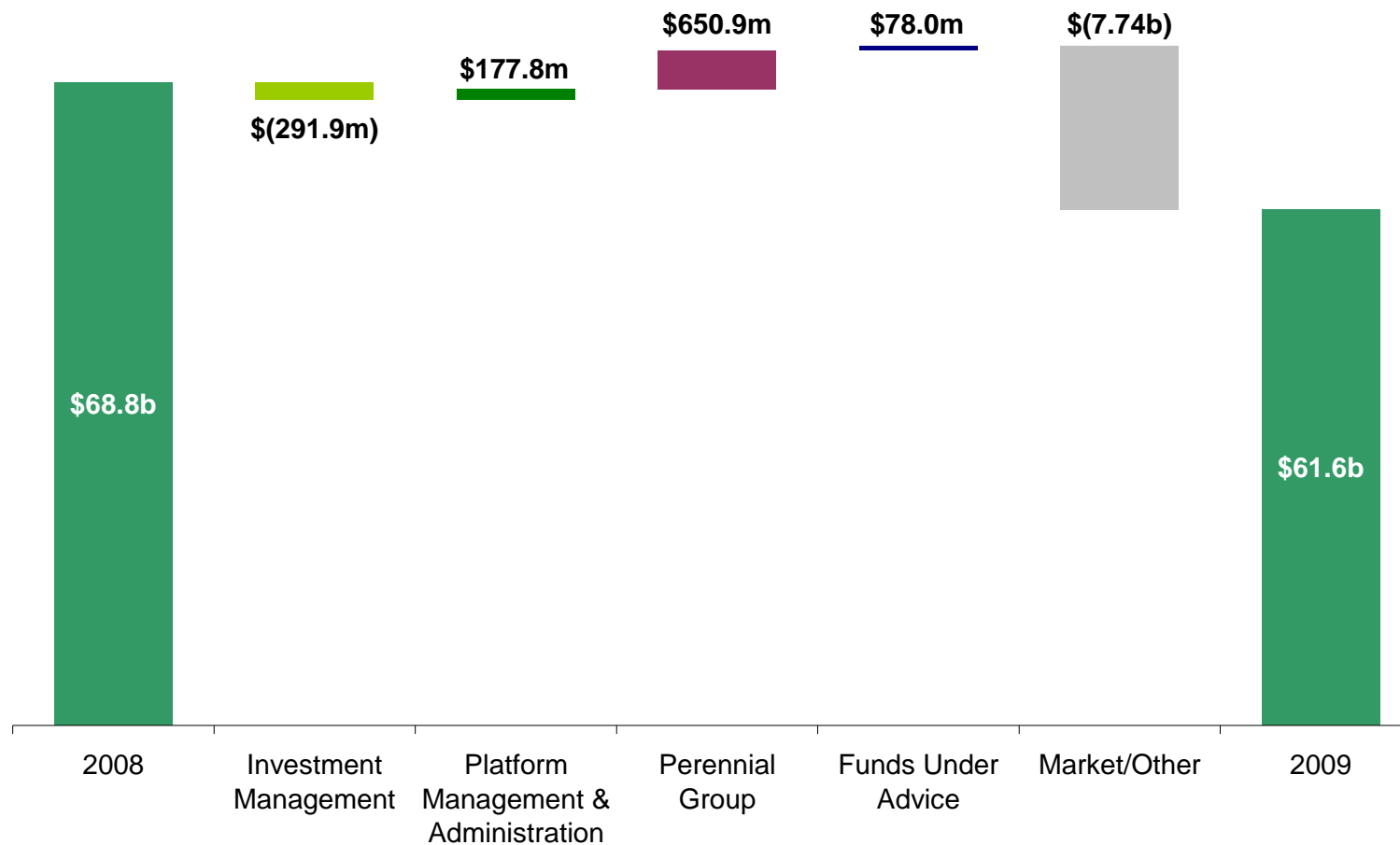
All amounts full 12 months (IOOF, AWM, GlobalOne 2009 v 2008)

- FUMAS (Funds Under Management, Administration, Advice and Supervision) stable at \$94.6b
- FUMA (excl supervision) of \$61.6b down \$7.2b (average down \$12.2b)
- Positive net flows of \$615m
- Adverse market movement accounted for \$7.7b of the decline in FUMA
- Average % gross margin stable at 45 bps

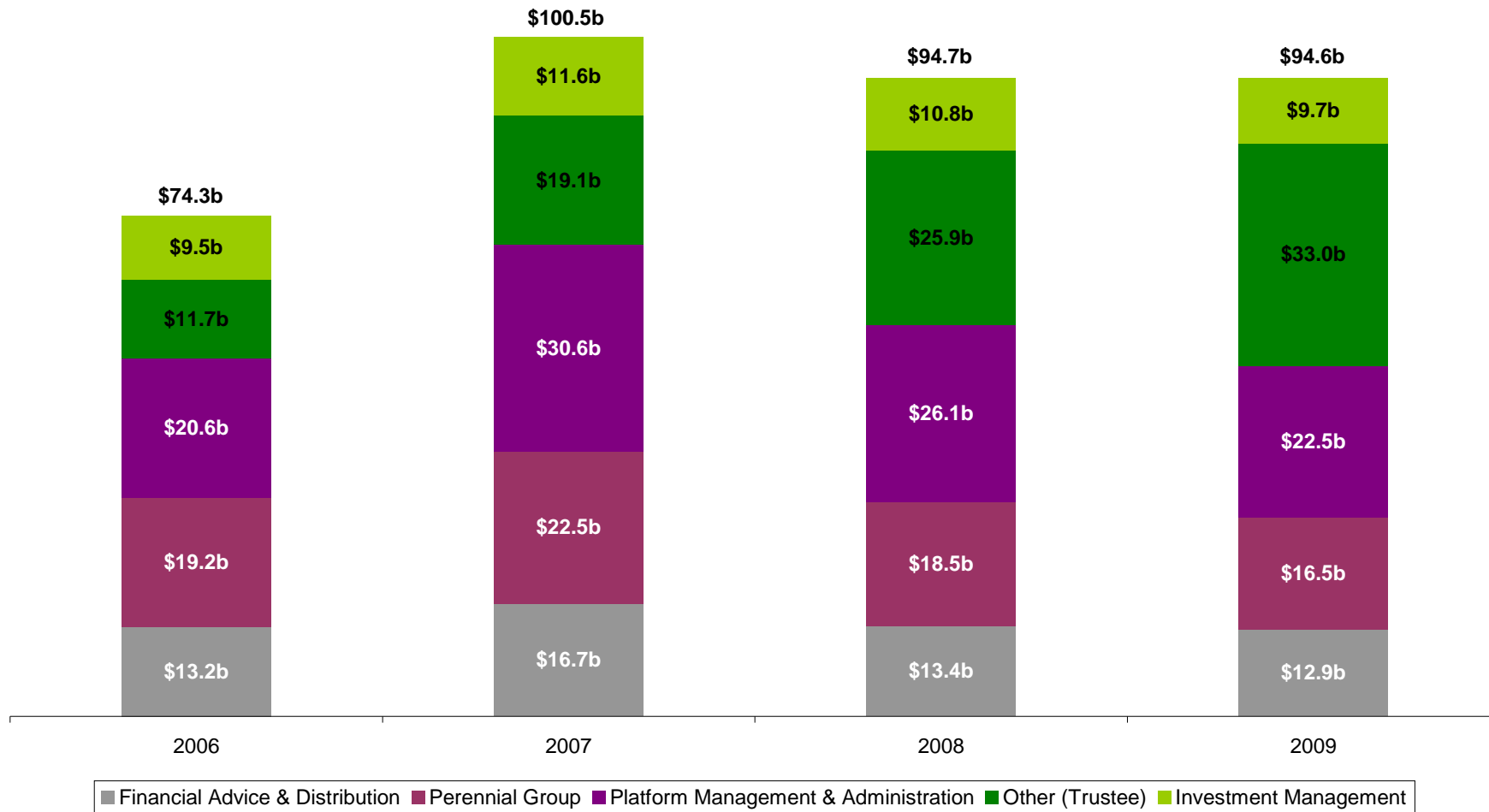
# Funds movement



# Funds movement by segment



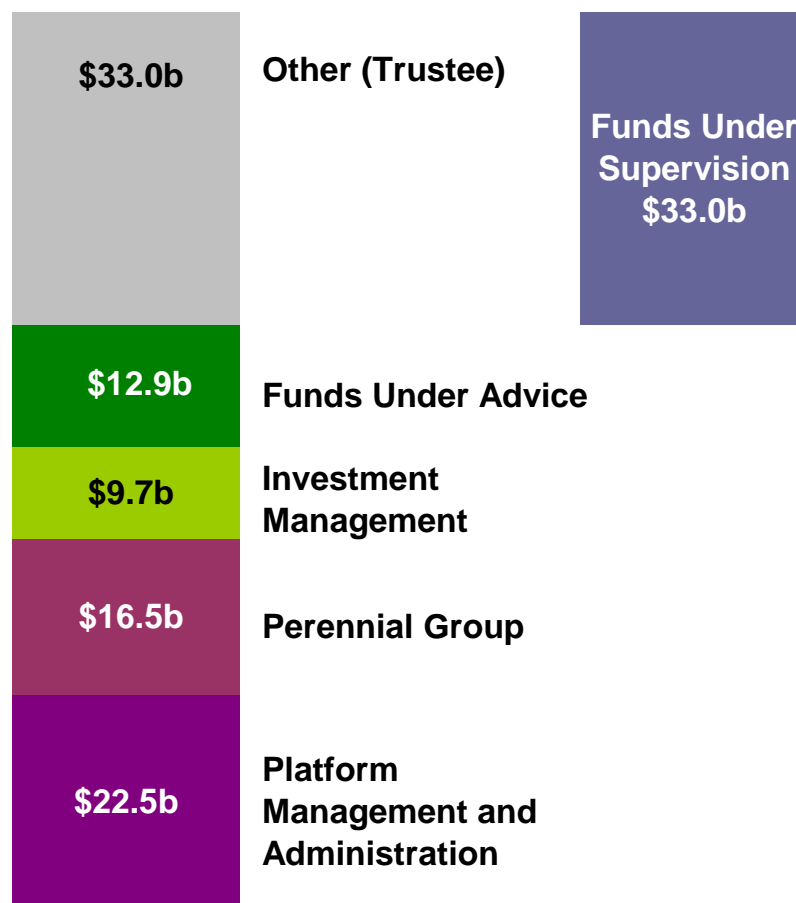
# Funds by Segment



# Funds by asset class

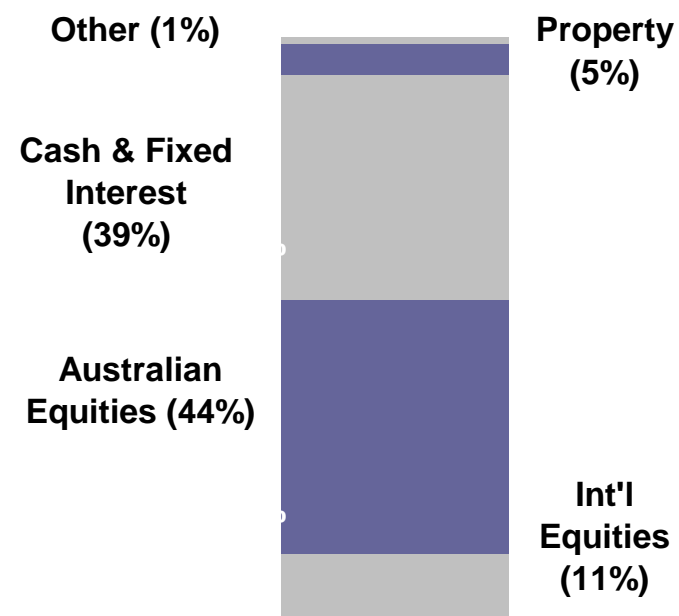


FUMAS \$94.6b



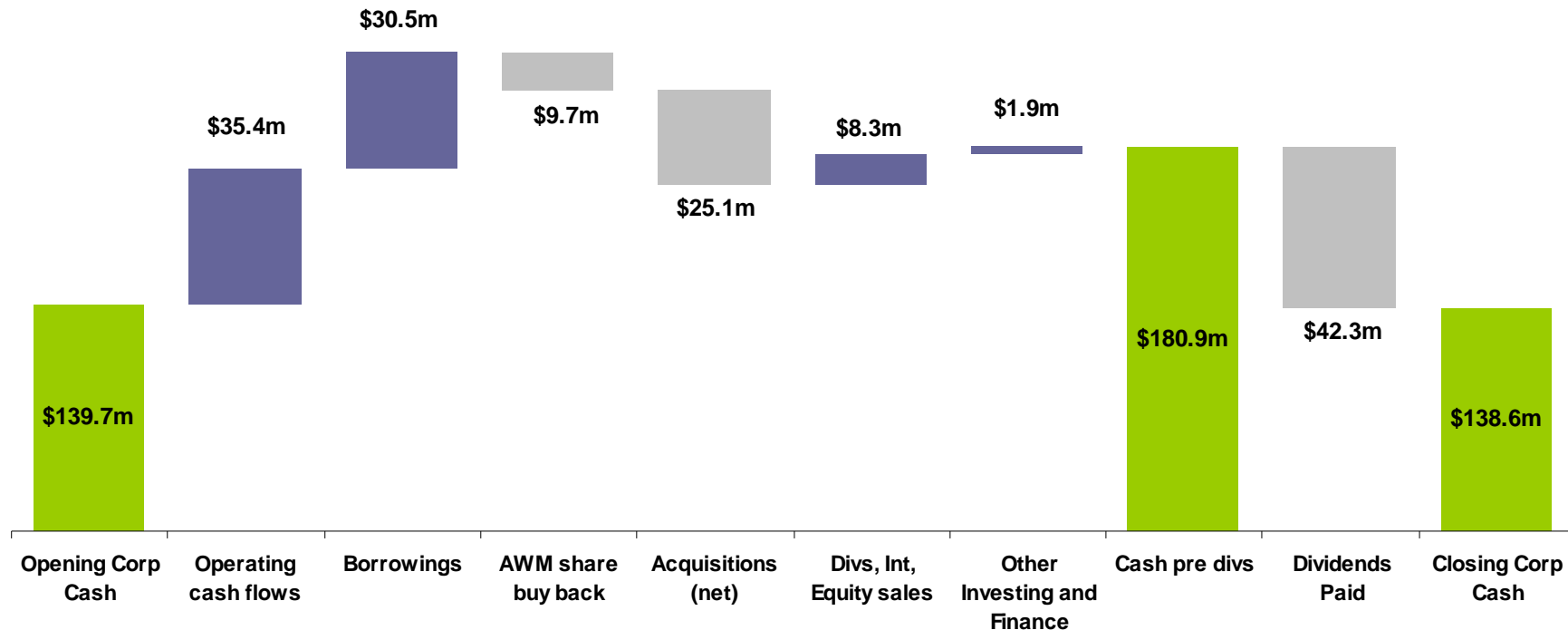
FUMAS by Segment 2009

FUMA \$61.6b



Asset Allocation June 2009

# Financial overview - cash flows



- Shows IOOF and AWM for full 12 months treating GlobalOne as an acquisition given cash outflows to non related vendor
- Regulatory cash requirement and internal reserving at 30 June 2009 approx \$80m

Cash flow shows all activities i.e. includes those significant items which are excluded when presenting underlying profitability.



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Chris Kelaher

Managing Director

# Integrated segment overview



Segments based on best fit from existing business units within the merging companies

- Platform Management and Administration
  - AWM segment (Spectrum, TPS, AET SAFs) + Portfolio Solutions + GlobalOne
- Investment Management
  - AWM segment (United) + Investor Solutions
- Financial Advice and Distribution
  - AWM segment (Bridges, Wealth Managers, Ord Minnett) + Consultum
- Perennial – IOOF segment
- Trustee Services – AWM segment

Segments currently being refined

# Platform management & administration



	FY 2009	FY 2008	Change on pcp (%)
Segment Underlying EBITA (\$m)	53.4	97.3	-45%
Segment Underlying NPAT	49.2	94.2	-48%
Funds Under Administration (\$b)	22.5	26.1	-14%

- Market driven decline in average FUA to pcp (\$4.1b) had adverse impact of \$34m on gross margin
- Positive net flows of \$177.8m recorded in difficult economic climate
- Acquisition of Global One (Skandia) increased scale (\$3.8b)
- Further rationalisation ahead



# Investment management



	FY 2009	FY 2008	Change on pcp (%)
Segment Underlying EBITA (\$m)	20.7	27.5	-25%
Segment Underlying NPAT	20.5	27.5	-25%
Funds Under Management (\$b)	9.7	10.8	-10%

- Fund consolidation across the AWM group into United has assisted with efficiencies
- 2009 budget changes materially enhanced attraction of IOOF WealthBuilder product – well received by clients and advisers alike

IOOF MULTIMIX TRUSTS

IOOF wealthbuilder



# Financial advice & distribution



	FY 2009	FY 2008	Change on pcp (%)
Segment Underlying EBITA (\$m)	6.3	13.9	-54%
Segment Underlying NPAT	5.4	10.7	-49%
Funds Under Advice (\$b)	12.9	13.4	-4%

- Dealer groups and Ords benefitting from flight to quality
  - Increase in financial planners
  - Increase in new clients
- Early results for referral program between non-advised Spectrum clients and IOOF dealer groups encouraging
- Ord Minnett and AET combined to develop enhanced client offering



# Perennial



	FY 2009	FY 2008	Change on pcp (%)
Segment Underlying EBITA (\$m)	10.5	18.5	-43%
Segment Underlying NPAT	7.1	12.6	-44%
Funds Under Management (\$b)	16.5	18.5	-10%

- Four new products launched in response to investors changing needs
  - Perennial Cash Trust
  - Perennial Protected Cash
  - Perennial Core Australian Shares Trust
  - Perennial Tactical Income Trust
- Mandate wins more than outweigh outflows to government guaranteed products



# Trustee & Private client businesses



	FY 2009	FY 2008	Change on pcp (%)
Segment Underlying EBITA (\$m)	8.0	10.5	-24%
Segment Underlying NPAT	3.3	5.1	-36%
Funds Under Supervision (\$b)	33.0	25.9	27%

- Funds under supervision increasing despite market conditions
- Well placed to increase both revenues and funds as the market improves
- East coast estate planners now based in Ord Minnett offices – good natural fit
- Continued success at being appointed trustee for compensation trusts – source of management focus



# Summary 30 June 2009

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- Decisive action has seen early results – more to do
- Underlying businesses performing in tandem with integration activities
- Well positioned for growth in FY 2009/2010

Decisive action, early results

# Outlook 2009/10

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- Assuming no material acquisitions or material change to the expected market and industry conditions, IOOF expects to report an UNPAT in the range of \$65-75m for FY09/10
- Strong history of prudent cost management to continue
- Historically, wealth management businesses front-run the recovery
- Strong, scalable platform – potential product platform synergies will be an outcome of product rationalisation



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Questions?

# Appendix A – reconciliation to statutory financials (unaudited)



\$m	Stat Note Ref.	IOOF Shareholder FY 2009	AWM 10 Mths 1 July to 30 April	Global One 1 July to 6 March	Total
Management Fees & Commission Revenue	6	268.9	220.2	36.7	525.9
Commissions and Other Direct Costs	8	(126.2)	(98.8)	(15.1)	(240.2)
<b>Gross Margin</b>		<b>142.7</b>	<b>121.4</b>	<b>21.6</b>	<b>285.7</b>
Other revenue	6	16.9	47.0	0.4	64.4
Equity Accounted Share of Net Profits / (Losses)	8	5.1	0.0	-	5.1
Operating expenditure	8	(120.6)	(109.3)	(23.7)	(253.6)
Depreciation of property and equipment	8	(2.5)	(3.0)	(0.5)	(6.1)
Deferred acquisition costs amortisation	8	(5.1)	-	(0.3)	(5.3)
Provision for doubtful debts	8	(0.0)	-	-	(0.0)
Employee share based payments expense	8	(2.5)	(1.1)	-	(3.6)
<b>Underlying EBITA</b>		<b>34.0</b>	<b>55.1</b>	<b>(2.5)</b>	<b>86.6</b>
Amortisation of Intangibles	8	(1.8)	(5.2)	(0.9)	(7.8)
Profit on sale of assets	6	(0.5)	-	-	(0.5)
Finance Costs	8	(0.3)	(0.9)	(0.0)	(1.2)
<b>Profit before tax and significant items</b>		<b>31.5</b>	<b>49.0</b>	<b>(3.3)</b>	<b>77.1</b>
Significant Items	Below	(10.7)	(196.7)	(7.8)	(215.2)
<b>Profit before tax</b>		<b>20.7</b>	<b>(147.7)</b>	<b>(11.1)</b>	<b>(138.1)</b>
Income Tax	9	(3.7)	(14.7)	-	(18.5)
<b>NPAT</b>		<b>17.0</b>	<b>(162.4)</b>	<b>(11.1)</b>	<b>(156.6)</b>
OEI		(1.1)	(0.6)	-	(1.7)
<b>NPAT attributable to shareholders</b>		<b>15.9</b>	<b>(163.0)</b>	<b>(11.1)</b>	<b>(158.3)</b>

Significant Items	Component of	IOOF	AWM	Global One	Total
Write down in Investments	*	3.5	10.6	-	14.1
Redundancy Costs	Note 8	9.4	2.5	0.9	12.9
Merger Costs		-	3.6	-	3.6
PIPL Share Agreements Liability Reval	Note 8	(6.8)	-	-	(6.8)
Impairment	**	-	180.0	-	180.0
Accelerated LTI's	Share Based	2.4	-	-	2.4
Onerous Contracts Provisions	Op lease, Other	2.2	-	0.5	2.7
Software write off		-	-	6.4	6.4
		10.7	196.7	7.8	215.2
Tax Effect of Significant Items		(3.5)	(1.0)	(0.4)	(4.9)
Net impact of Significant Items		7.2	195.7	7.4	210.4
<b>UNPAT</b>		<b>23.1</b>	<b>32.7</b>	<b>(3.8)</b>	<b>52.1</b>

\* IOOF represents Macarthur Cook Available for Sale impairment at note 8, AWM relates to pre merger holdings in IOOF shares

\*\* AWM impairment relates to goodwill arising from acquisition of Spectrum Funds Management

# Appendix B – full 12 months contribution by business (unaudited)



\$m	IOOF Shareholder 2008/2009	AWM 2008/2009	Global One 2008/2009	Total
Management Fees & Commission Revenue	216.5	261.4	48.0	525.8
Commissions and Other Direct Costs	(101.8)	(117.8)	(20.6)	(240.1)
<b>Gross Margin</b>	<b>114.7</b>	<b>143.5</b>	<b>27.4</b>	<b>285.7</b>
Other Revenue	6.7	57.1	0.6	64.4
Share of Net profits / (Losses) from PVM	5.1	0.0	-	5.1
Operating expenditure	(94.0)	(130.0)	(29.6)	(253.6)
Depreciation of property and equipment	(1.9)	(3.4)	(0.8)	(6.1)
Deferred acquisition costs amortisation	(5.0)	-	(0.3)	(5.3)
Provision for doubtful debts	(0.0)	-	-	(0.0)
Employee share based payments expense	(2.2)	(1.3)	-	(3.6)
<b>Underlying EBITA</b>	<b>23.4</b>	<b>65.9</b>	<b>(2.7)</b>	<b>86.7</b>
Amortisation of Intangibles	(0.6)	(6.3)	(0.9)	(7.8)
Profit on sale of assets	(0.5)	-	-	(0.5)
Finance Costs	(0.0)	(1.2)	(0.0)	(1.2)
<b>Profit before tax and significant items</b>	<b>22.3</b>	<b>58.4</b>	<b>(3.5)</b>	<b>77.2</b>
Significant Items	(8.2)	(197.3)	(9.8)	(215.2)
<b>Profit before tax</b>	<b>14.1</b>	<b>(138.8)</b>	<b>(13.3)</b>	<b>(138.0)</b>
Income Tax	(0.6)	(17.9)	-	(18.5)
<b>NPAT</b>	<b>13.5</b>	<b>(156.7)</b>	<b>(13.3)</b>	<b>(156.6)</b>
OEI	(0.7)	(1.0)	-	(1.7)
<b>NPAT attributable to shareholders</b>	<b>12.8</b>	<b>(157.7)</b>	<b>(13.3)</b>	<b>(158.2)</b>

Refer to Appendix A for reconciliation of significant items