Insignia™ Financial

Insignia Financial

FY23 Results Presentation

Thursday, 24 August 2023

Renato Mota, Chief Executive Officer
David Chalmers, Chief Financial Officer

Overview

Renato Mota

FY23 Highlights[1]

Integration milestones achieved and path set for unlocking growth

$51 million
NPAT[2], up 39% on pcp

$191 million
UNPAT, down 15% on pcp

5%
Reduction in operating expenses to $1,036m

$667 million
Positive FUMA net inflows[3]

9.3 cents per share
Final Dividend

Synergies & Integration

- ✓ $218m synergy program completed
- ✓ System separation of P&I business from ANZ completed
- ✓ ~50% of MLC TSA schedules exited

Portfolio Focus

- ✓ Sale of AET completed
- ✓ Reset of JANA relationship
- ✓ Divestment of investment bond business (IOOF Ltd)

Strategy Refresh

- ✓ New $175m – $190m p.a. synergy and cost optimisation target announced
- ✓ Creation of Advice services partnership model for self employed licensees including RI Advice, Consultum, TenFifty
- ✓ Master Trust solution announced

Notes: (1) Items shown on a continuing operations basis unless otherwise noted. (2) NPAT includes discontinued operations. (3) FUMA net inflows exclude JANA.

Unlocking our potential FY24-26

Strategy to drive focus, prioritisation and sustainable growth

Our purpose: understand me, look after me, secure my future

Our strategies to deliver sustainable performance & outcomes

Improving our clients' financial wellbeing

- Connect clients to relevant financial advice & support
- Leverage technology to engage at scale
- Competitive net returns

Deepening our partnerships with advisers & employers

- Top 3 Wrap, serving range of adviser needs
- Strengthen #1 position in Employer Super
- Portfolio construction expertise

Simplifying our business

- MLC separation
- Simplified products, platforms & investments
- Digitised ways of working

Building a safe & trusted business together

- Effective board & business governance
- Strong risk culture
- Proactive compliance by design

Insignia Financial way

be human

deliver what matters

stronger together

keep it simple

do what's right, not what's easy

Our ambition: to create financial wellbeing for every Australian

Platforms

Delivering on simplification and growth through enhanced client experience

Workplace

- $55.6b in super FUA and ~600k members
- Serving 11/30 largest ASX companies
- Growing client base amongst larger, more sophisticated employer plans: 12 new employer mandates ~$0.5b
- 1st quartile MLC/Plum MySuper investment performance over 3 & 5 years[1]

Personal

- $34.1b in super FUA and over 460k members
- Focus on wellbeing and engagement, leading to member retention
- One of Australia's largest pools of retirement assets across Personal and Advised channels

Advised

- $112.6b in super and investment FUA, and supporting over 485k clients
- $57.8b in FUA advised by independent financial advisers[2]
- $32.6b in FUA on the Evolve wrap suite[3] continues to grow, with $1.9b of net flows
- Managed Accounts FUA $6.4b across our suite
- Over 3k Advisers with FUA on Expand platform

Key Metrics

$209.0b[4]	Funds Under Administration
$952.8m	Net Revenue (0.47% of FUA)
$606.2m	Expenses
$346.6m	EBITDA
0.17%	EBITDA Margin

Highlights

- Continued strength in Workplace flows, including $2b in net flows in FY23
- Expand platform rated Top 4 for overall adviser satisfaction by Wealth Insights[5]
- Expand Essential Pension rated 5 Apples and Expand Extra nominated for Advised Product of the year by Chant West
- Enhancements released for products on Evolve wrap suite
- Continued product simplification with P&I legacy product transition

Notes: (1) MLC/Plum MySuper Growth portfolio Q1 performance over 3 and 5 years, SuperRatings survey June 2023. (2) Advisers not operating under an Insignia Financial group licence. (3) Expand Extra and Essential, Shadforth Portfolio Service. (4) Includes Closed/Transition channel, $6.7b. (5) Wealth Insights 2023 Annual Service Level Report.

Advice

Focus on Professional Services, emerging opportunities and new partnership model

Professional Services	Self-Licensed	Advice Services
• Wholly owned and operated advice networks • 242 salaried advisers supporting over 19.8k clients • Servicing high net worth clients through the Shadforth brand • Broad range of Australians accessing Bridges	• Services advisers operating under their own licence • Provides bespoke service packages to 485 self-licensed advisers across 97 practices • Leverages the service model that supports other channels, without licence risk	• Advisers operating their own business under an Insignia Financial licence • Supporting 686 self-employed advisers across 364 practices • Advice Service Co ('ASC') will include RI Advice, Consultum, TenFifty • Godfrey Pembroke to be returned to advisers • Exploring sale for Millennium3 *New partnership model*

Key Metrics

1,413	Advisers
461	Practices
$204.6m	Net Revenue
$240.5m	Expenses
($35.9m)	EBITDA

Highlights

- New advice services partnership model announced for self-employed licensees
- Completion of structured Advice remediation progressing well, no provision increases in 2H23
- 9 advisers recognised in Barron's Top 100 Financial Advisers and Top Adviser at Women in Finance Awards
- Record 500+ new high net worth clients onboarded in Shadforth
- Professional Year program supporting 20 graduating advisers and another 42 underway

Asset Management

Strong investment performance and improved product mix

Multi-Asset

- Manufactures diversified multi-asset and multi-manager investment solutions
- **$35b in FUM** across IOOF and MLC branded product offerings
- **$1.1b in net flows** predominantly retail multi-asset managed funds and SMAs
- Growing separately managed accounts (SMAs), over **$1.2b in FUM**
- Highly scaled capability, **$107b in FUM** managed on behalf of Platforms business (not reported in FUM)[1]

Direct Capabilities

- Manages assets directly across a range of asset classes
- **$51b in FUM** across Antares, MLC Private Equity and Alternatives, Orchard Street, Fairview and Intermede brands
- Core Australian Equities and Australian Fixed Income capability through Antares managing over **$30b in FUM**
- Differentiating MLC Private Equity & Alternatives capability, over **$7b in FUM** with developing growth opportunities
- Top tier Global Equities offering through Intermede with **over $1b in net flows**

Key Metrics

$85.9b	Funds Under Management
$223.7m	Net Revenue (0.25% of FUM)
$120.9m	Expenses
$102.8m	EBITDA
0.12%	EBITDA Margin

Highlights

- MLC MySuper a strong performer with the 5th highest return in the SuperRatings MySuper 3 year period[2]
- Industry recognition with awards from Financial Standard Leadership Awards, Canstar, and Money magazine Best of the Best Awards
- Reset of commercial relationship with JANA including divestment of remaining 45% equity stake
- Broadened distribution of key capabilities with multi-asset SMAs onto new platforms and launch of the MLC Global Private Equity Fund

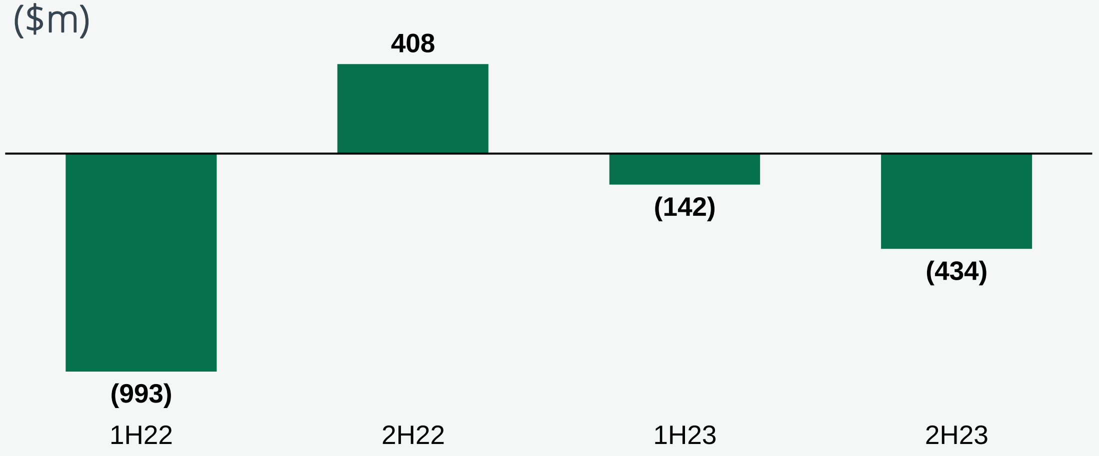
Notes: (1) Asset Management manages multi-asset investment options (including MySuper) on behalf of Plum, MLC MasterKey and ex.ANZ P&I Master Trust platforms. The FUMA, net revenue, and operating expenses in relation to the management of these investment options are recognised in the Platforms segment. (2) Based on the SuperRatings MySuper SR50 survey, June 2023.

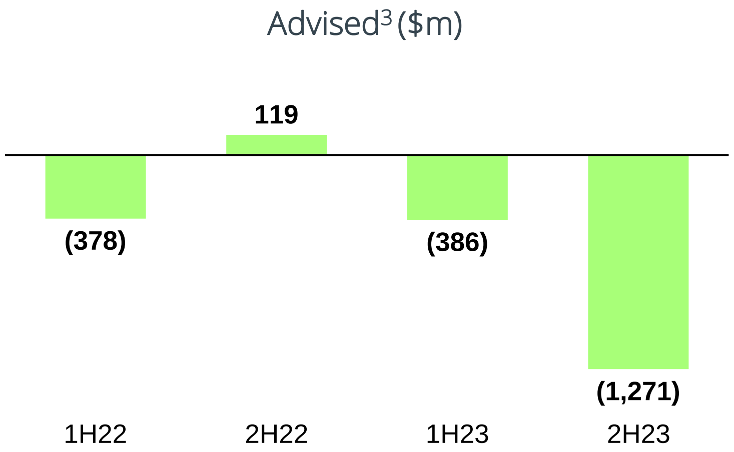
Flows: Platforms[1]

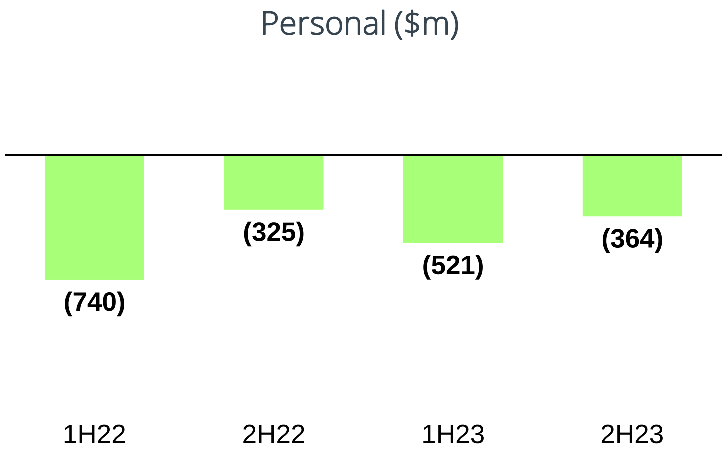
Channel diversification supports flows and positive momentum in underlying key products

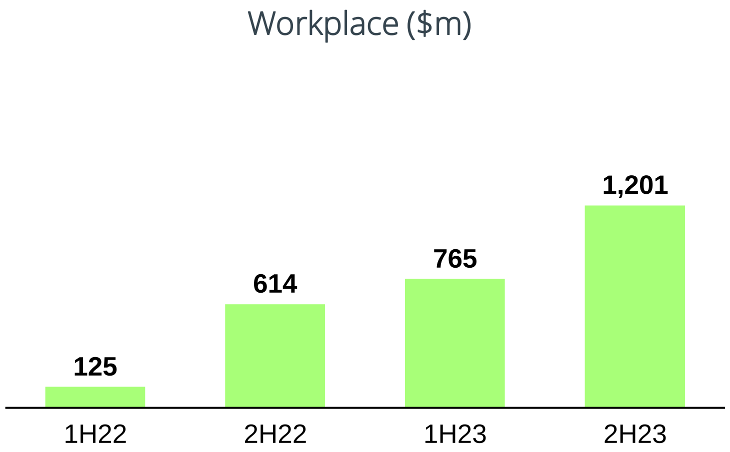
Platforms

- Total Platforms broadly flat due to challenges in Advised channel
- Positive flows in Expand and challenges across other brands in Advised channel
- Stabilising flows in Personal with focus on wellbeing, engagement, and enablement
- Strong growth in Workplace due to business wins, retention and improved engagement
- Improvement in annualised net flows from FY21(PF) to FY23, $3.2b[2]









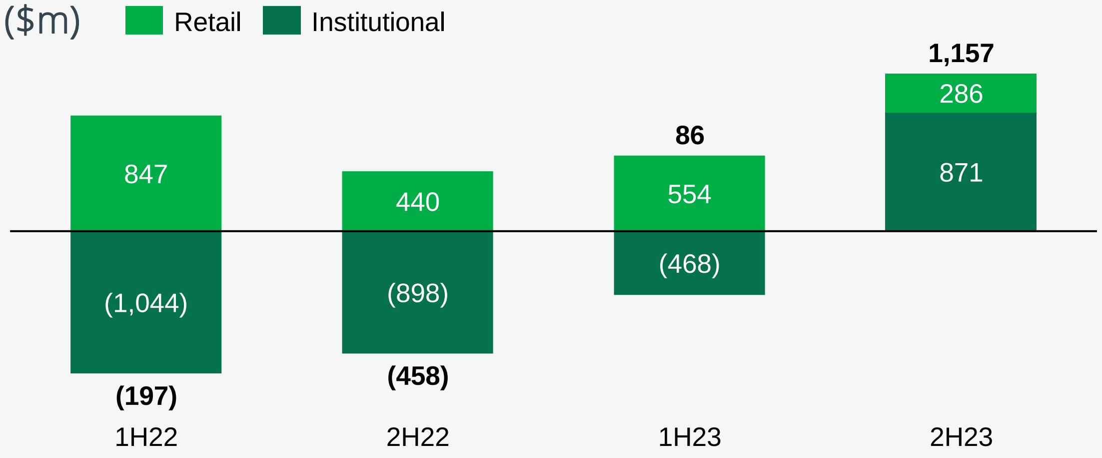
Notes: (1) Excludes AET. (2) Excludes early release of super in FY21 pro forma. (3) Includes Closed/Transition channel.

Flows: Asset Management[1]

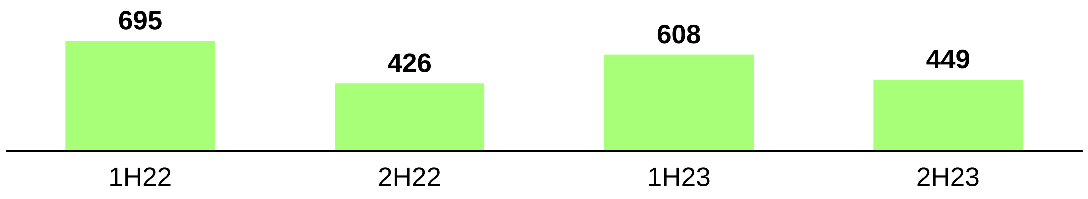
Positive momentum offset by institutional volatility from client rebalancing

Asset Management

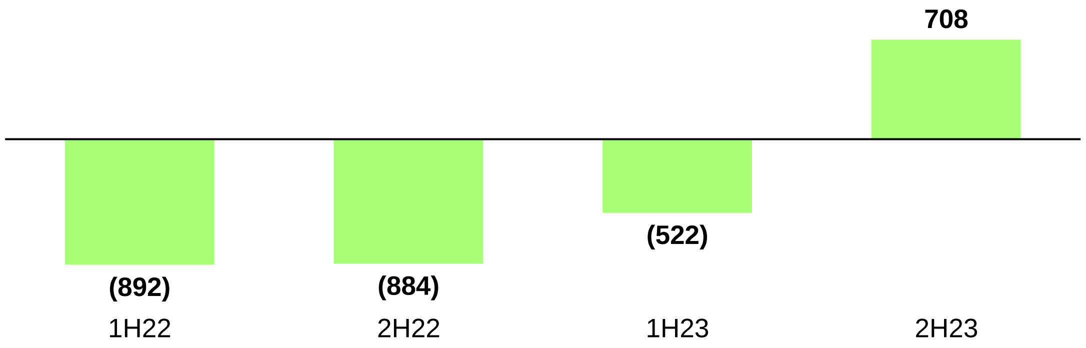
- Total Asset Management benefitting from positive momentum across both Retail and Institutional flows
- Strong uptake in Multi Asset largely due to retail multi-asset managed funds and managed accounts
- Direct capability flows driven by continued growth in Intermede and Alternative flows offset by institutional client rebalancing in Antares Fixed Income
- Improvement in annualised net flows from FY21(PF) to FY23, $1.9b



Multi Asset ($m)



Direct Capability ($m)



Notes: (1) JANA net flows excluded across all periods.

Financial Results

David Chalmers

FY23 Financial Summary[1]

Profit & Loss	FY23 $m	FY22 $m	FY23 v FY22
Net Revenue	**1,379.7**	1,484.1	(7.0%)
Operating Expenses	**(1,035.7)**	(1,095.6)	5.5%
EBITDA	**344.0**	388.5	(11.5%)
UNPAT	**190.7**	224.0	(14.9%)
UNPAT (incl discontinued ops[2])	**194.9**	234.5	(16.9%)
NPAT (incl discontinued ops[2])	**51.2**	36.8	39.2%
UNPAT EPS (cps)	**29.0**	34.5	(15.9%)
Dividends (cps)	**19.8**	23.6	(16.1%)

Key Metrics	FY23	FY22	FY23 v FY22
Net Revenue margin (bps) *(Net Revenue as a % of average FUMA)*	**47.3**	47.8	(0.5 bps)
EBITDA margin (bps) *(EBITDA as a % of average FUMA)*	**11.8**	12.5	(0.7 bps)
Cost to Income (%)	**75.1**	73.8	1.3%
Closing FUMA[3] ($b)	**295.0**	290.6	1.5%
Average FUMA[3] ($b)	**291.8**	310.5	(6.0%)

Actual FY23 v FY22:

- Net Revenue decline attributable to impact of lower average FUMA from negative Q4 2022 investment markets and business unit portfolio changes in Asset Management (JANA and Presima)
- Net Revenue also impacted by:
  - Strategic platform repricing and Product and Platform Simplification
  - Integration of MLC Advice into Bridges and subsequent reshaping of the service proposition as low-fee paying clients have moved off fixed term service agreements and lower Shadforth Financial Group (SFG) market related revenue
- Operating Expenses decline driven primarily by synergy benefits offsetting BAU cost growth, normalisation of spend post COVID, and regulatory related expenses
- NPAT increase driven by gain on sale from the AET disposal and a stabilisation of additional remediation costs offsetting an increase in transformation costs

Notes: (1) Items shown on a continuing operations basis unless otherwise noted. (2) Discontinued operations is the Australian Executor Trustees business (AET). (3) FUMA represents Funds under Management (FUM) and Funds under Administration (FUA).

FY23 UNPAT Performance by Segment[1]

Platforms ($m)

FY23	FY22	*FY23 v FY22*
233.3	273.5	*(14.7%)*

UNPAT decreased by $40.2m from FY22:

- Net Revenue decrease of $64.2m on FY22 driven by lower average FUA due to market performance, and product and platform simplification, partially offset by the benefit of provision releases
- Expenses decrease of $4.4m due to synergy realisation offset by regulatory related expenses

Advice ($m)

FY23	FY22	*FY23 v FY22*
(33.9)	(55.3)	*38.7%*

UNPAT loss improved by $21.4m from FY22:

- Net Revenue decrease of $17.8m against FY22 mainly driven by the reshape in service offering following the Bridges integration with MLC Advice and lower SFG market related revenue
- Expenses decrease of $42.8m largely delivered through advice-specific simplification initiatives

Asset Management ($m)

FY23	FY22	*FY23 v FY22*
72.9	73.6	*(1.0%)*

UNPAT decreased by $0.7m from FY22:

- Net Revenue decrease of $20.0m driven by changes in the JANA relationship (equity sale and RE transfer) in December 2022, the divestment of Presima in June 2022 and lower Private Equity performance fees
- Expenses decrease of $16.3m a result of synergy initiatives and the divestment of Presima

Corporate ($m)

FY23	FY22	*FY23 v FY22*
(81.6)	(67.8)	*(20.4%)*

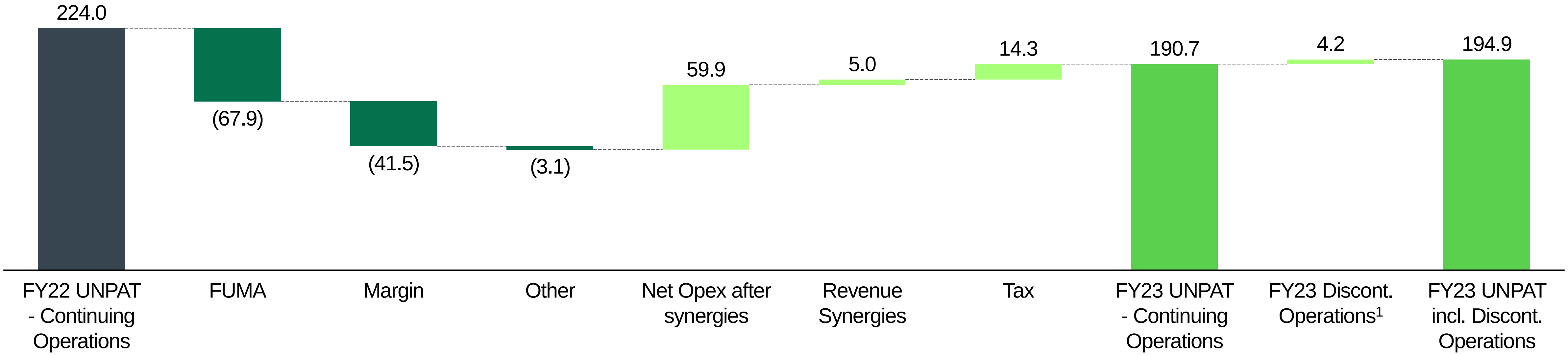
Corporate includes centralised expenses and funding costs; net funding costs increased $18.8m due to higher interest rates and higher funding requirements, this is partially offset at Group level by increased net interest revenue of $10.9m across the other segments.

Notes: (1) Excludes AET.

Group UNPAT Analysis

Decline driven by lower opening FUMA balances partially offset by synergy benefits

($m)

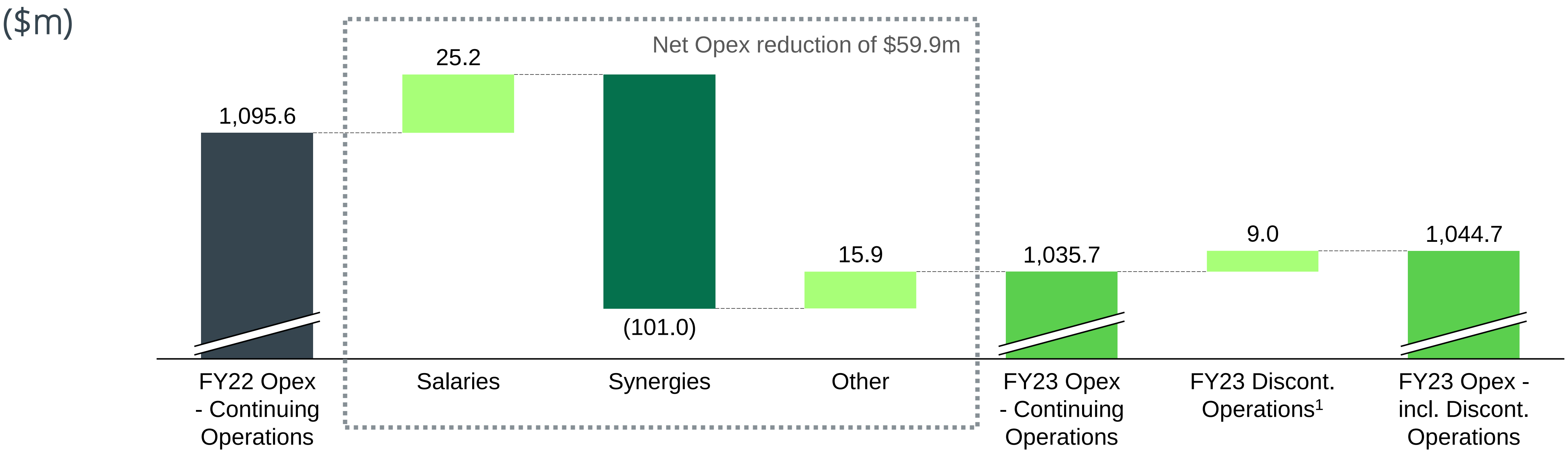


- Lower FUMA-linked revenue driven by lower opening FUMA balances from negative investment market performance during Q4 2022 and business unit portfolio changes in Asset Management (JANA and Presima)
- Lower net revenue driven by product and platform simplification, integration of MLC Advice into Bridges, and lower Shadforth market related revenue
- Other includes: increase in net funding costs as a result of the increased costs of borrowing and higher debt balances, offset by lower impairment charges

Notes: (1) Discontinued operations is the Australian Executor Trustees business (AET).

Expense Base Analysis

Synergy program completed; 2H expenses flat on 1H

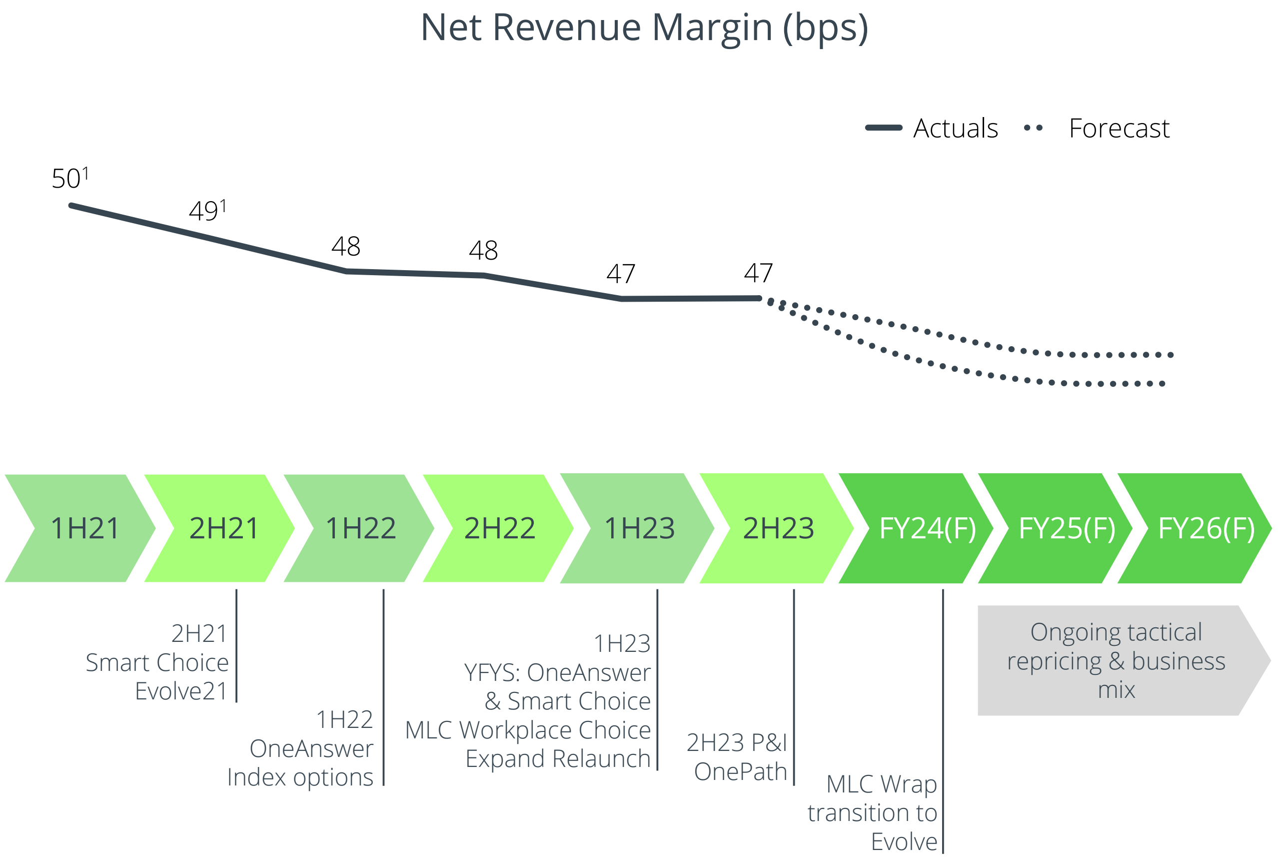


- $218m synergy program has completed with $101m of incremental in year expense synergies achieved through reductions in employee expenses from the organisational design program, property consolidation, and procurement management
- Increase in expenses from BAU cost growth, normalisation of spend post COVID (e.g. travel and entertainment, marketing) and regulatory related expenses, offset by divestment impacts

Notes: (1) Discontinued operations is the Australian Executor Trustees business (AET).

Platform Margin Outlook

Majority of the Platform portfolio pricing has been reviewed; the level of future strategic repricing and product transitions are expected to moderate



Future margin impacts

- Repricing, transitions to contemporary products, and business mix has resulted in margin decline from 1H21 of 50bps to 47bps by 2H23
- Margin decline expected to moderate post FY24
- Expected FY24 Platform net revenue margin range of 44 to 45 bps
- Ongoing tactical repricing to respond to competitive and regulatory environment rather than significant re-pricing of historical books, and business mix
- Seek to balance further repricing decisions with incremental expense savings

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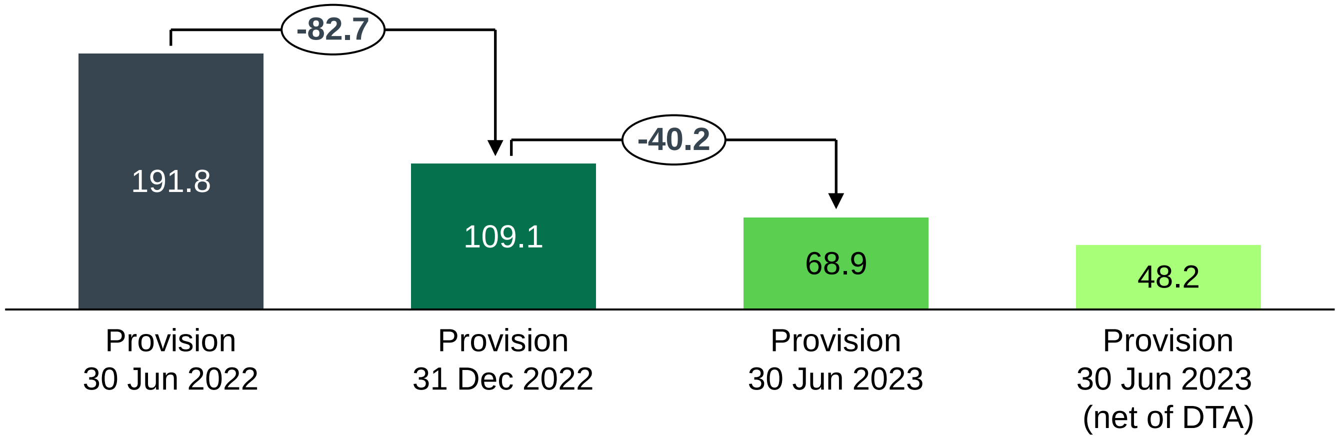
Notes: (1) Based on proforma.

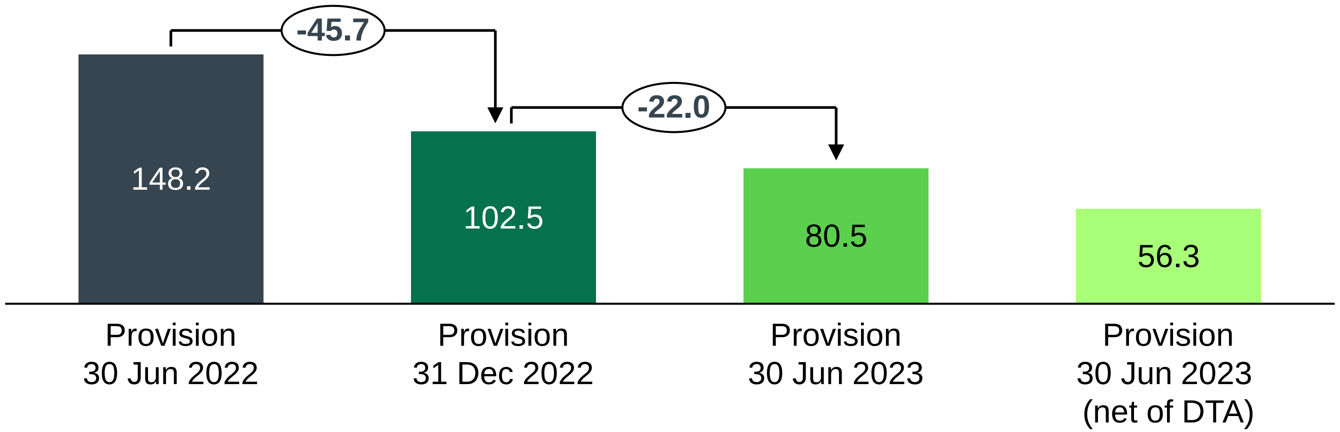
Remediation Programs

Advice remediation[1] ($m)



- Nil net 2H23 provision increases
- Net DTA balance excludes insurance receivable, $4.5m
- Program is estimated to be substantially completed by end of June 2024, subject to the finalisation of the Quality of Advice (QoA) program with 10 advisers remaining

Product remediation ($m)

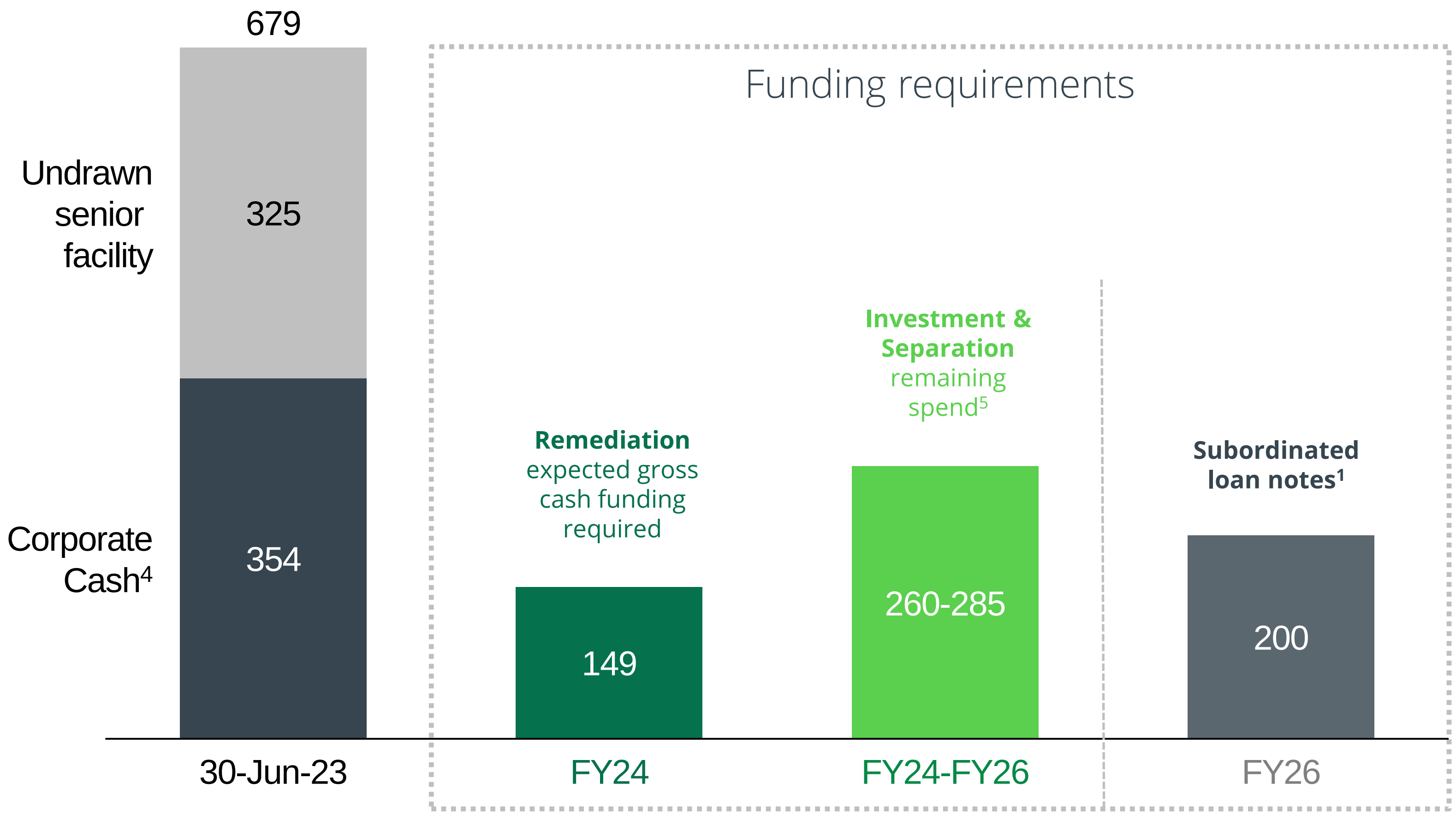


- Nil net 2H23 provision increases
- P&I and MLC remediation related to acquisitions continues to progress, with matters expected to be substantially completed by FY24

Notes: (1) Includes balances relating to structured historical remediation programs only.

Corporate Cash & Debt Facilities

Cash & undrawn debt ($m)

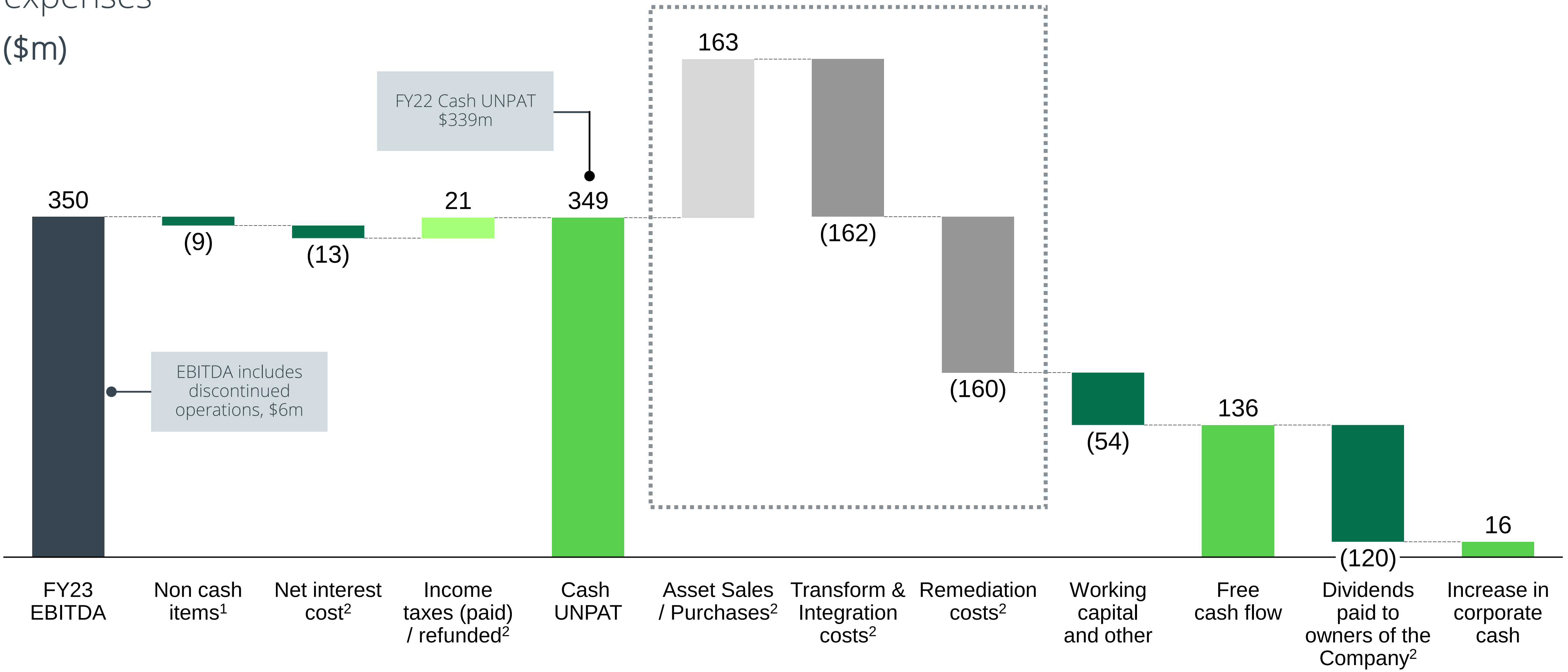


- Cash and undrawn senior facilities of $679m as at 30 June 2023
- Current and Deferred tax benefit of $79m (current tax asset $34m, deferred tax asset on remediation payments $45m) will reduce cash tax payments and offset balance of remediation, integration and simplification spend
- Senior leverage of 1.2x as at 30 June 2023
  - Net debt per Bank Facility: $317m[2]
  - EBITDA per Bank Facility: $275m[3]

Notes: (1) Face value of $200m. Excluded from net debt per terms of the syndicated facility agreement (SFA). (2) Senior drawn debt less corporate cash, excluding ORFR, regulatory requirements, cash held in subsidiaries. (3) Based on rolling 12 months and definition per SFA. (4) Excludes cash held for AFSL requirements and definition per SFA. (5) Net cash spend, includes expected release of corporate capital following fund simplification and subject to Board approvals.

Cash Flow Analysis

Cash generation remains strong, allowing funding of significant transformation and remediation expenses



Notes: (1) Share of associates profit. (2) Data discretely categorised in cash flow statement.

Strategic Investments and Gross Annualised Benefits

Funding principles:	Investments funded by existing facilities and available cash; FY24 closing senior leverage estimated to be at the lower-mid end of target leverage range[1,2].
Tracking and reporting:	All Opex savings and investment spend to be tracked and reported at an aggregate level.
Treatment of project spend / UNPAT adjustments:	The one-off costs incurred in relation to the initiatives identified below will be excluded from the calculation of UNPAT, consistent with current practice. Similar future investments will not be adjusted and will be funded inside operating expenditure.

Strategic Investment FY24-FY26

Separation and Master Trust	~\$160-\$175m
Shared foundational ecosystem investment	~\$50-\$60m
Balance of Wrap consolidation spend (Evolve23)[3]	~\$15m
Cost to deliver additional synergies	~\$70-\$75m
Advice restructure	~\$45-\$50m
Less capital release[4]	(\$80-\$90m)
	\$260-\$285m

Gross Annualised Benefits Realised FY24-FY26

Gross Opex savings from cost reduction and synergies, TSA Exit and Wrap consolidation (Evolve23)[5]	~\$140-\$150m
Advice Restructure[6] • Expected cost reduction • Advice segment profit of ~\$10m UNPAT on FY24 exit run-rate	~\$35-\$40m
	\$175-\$190m

Notes: (1) Assumes normal market conditions. (2) Assumes receipt of IOOF Ltd sale proceeds and capital release. (3) Remaining component of Evolve23 investment of \$30-35m previously announced. (4) Expected release of corporate capital currently held by IFL, following fund simplification; subject to Board approvals. (5) Evolve23 target savings of \$30-35m previously announced. (6) Assumes continued consolidation of ASC; expectation is to deconsolidate after 12-18 months.

Final Dividend

Dividend payout reflecting future funding requirements

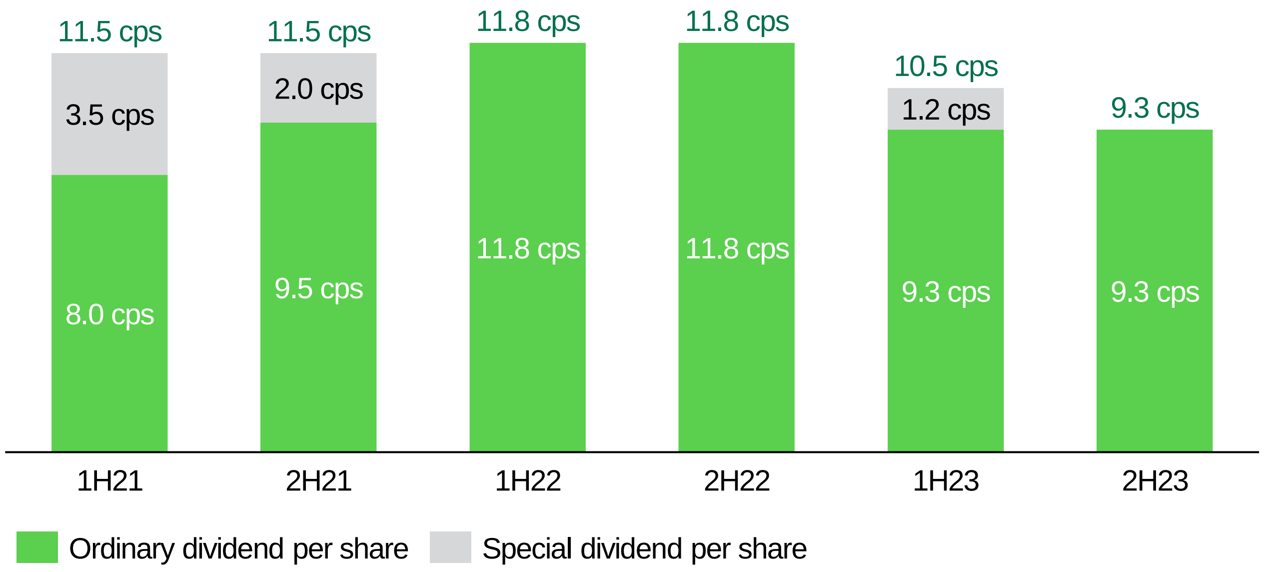
FY23 Final Dividend
9.3 cps ordinary
Nil % Franked

Total payout ratio
64%
of 2H23 UNPAT

2H23 Record Date
8 Sep 23
2H23 Payment Date
3 Oct 23

Dividend Reinvestment Plan
1.5% Discount[1]

Dividend History



- Payout ratio of 64% in line with the target range of 60 - 90% of UNPAT
- Future dividend franking will be impacted by lower/ nil expected 2023-2024 tax payments as remediation-related tax benefits offset future tax payments
- FY24 dividends expected to be unfranked

Notes: (1) Refer to Dividend Reinvestment Plan Rules for full details.

Outlook | FY24[1]

FY24 laying the foundations for earnings growth in FY25 and FY26

FY23 Guidance Review

	Guidance	FY23 Actual
Group net revenue margin[1]	0.5 - 1.5 bps decline on 47.8 bps (FY22)	47.3 bps (-0.5 bps)
Group EBITDA margin[1]	0.0 - 0.5 bps decline on 12.5 bps (FY22)	11.8 bps (-0.7 bps)
FUMA Net Flows	Positive net flows	+$0.7b (continuing basis ex. JANA)

FY24 Guidance

Group net revenue margin[1]	1.5 – 2.5 bps decline on 47.3 bps (FY23)	Margin decline driven by: • ~$17m margin reduction from BU portfolio changes (JANA & IOOF Ltd) • Platform updates (P&I transition to contemporary products, Evolve23, balance of Smart Choice)
Group EBITDA margin[1]	0.0 – 0.5 bps decline on 11.8 bps (FY23)	Optimisation savings partially offset by additional investment of ~$20m in • Cyber security • Governance
Strategic Investment **In year gross benefits**	In year transformation costs $150m – $160m[2] In year benefits Gross $60m – $70m[3]	• Separation and Master Trust • Foundational ecosystem • Balance of Wrap consolidation • Cost to deliver additional synergies • Advice restructure

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Notes: (1) Assuming normal market conditions. (2) Net of expected capital release of corporate capital currently held by IFL, following fund simplification; subject to Board approval. (3) Includes net revenue benefits. Excludes cyber security, governance and remuneration increases.

Priorities & Outlook

Renato Mota

Unlocking latent potential

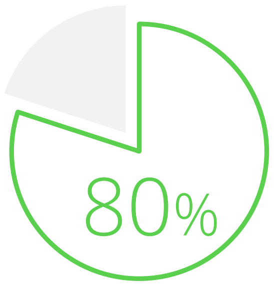
Strategic focus, leveraging industry tailwinds

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

Intergenerational wealth transfer

$3.5 trillion in assets to be transferred in Australia in the next three decades[1]

Industry giants



Australia's 10 biggest super funds will hold 80 per cent of all the retirement savings held in APRA-regulated super funds by 2025[3]

Total superannuation assets

projected to increase from

$3.4 trillion to over

$9 trillion

over the next two decades[2]

Delivering Better Financial Outcomes package[4]:

- removing onerous red tape
- expanding access to retirement income advice
- exploring new channels for advice.

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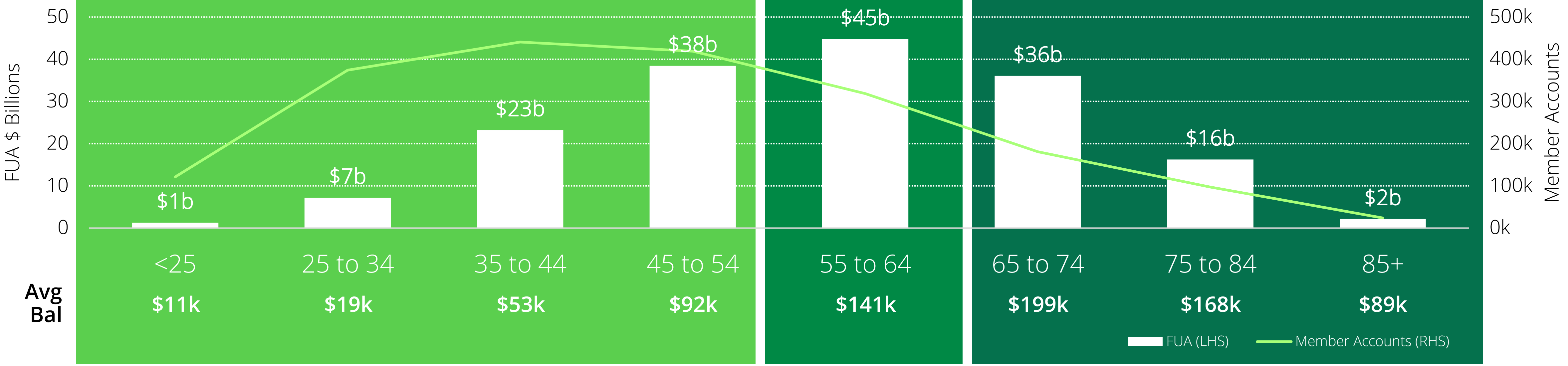
Notes: (1) Wealth transfers and their economic effects, Productivity Commission, November 2021. (2) Dynamics of the Australian Superannuation System, The next 20 years to 2041, Deloitte Actuaries & Consultants, December 2021. (3) Rainmaker Information. (4) Delivering Better Financial Outcomes, Australian Government, June 2023.

Strategic Opportunity

Opportunity to engage across the member life-cycle

Insignia Financial Group member profile[1]

Accumulation	Pre Retiree	Retiree
$70 billion FUA	$45 Billion FUA	$54 Billion FUA
1.4 million member accounts	318k member accounts	302k member accounts
69% of total accounts	16% of total accounts	15% of total accounts



Notes: (1) Source: APRA as at 30 June 2022.

Group Strategy

Strategic Pillars to drive focus, prioritisation and sustainable growth

Our purpose: understand me, look after me, secure my future

Our strategies to deliver sustainable performance & outcomes

Improving our clients' financial wellbeing

- Connect clients to relevant financial advice & support
- Leverage technology to engage at scale
- Competitive net returns

Deepening our partnerships with advisers & employers

- Top 3 Wrap, serving range of adviser needs
- Strengthen #1 position in Employer Super
- Portfolio construction expertise

Simplifying our business

- MLC separation
- Simplified products, platforms & investments
- Digitised ways of working

Building a safe & trusted business together

- Effective board & business governance
- Strong risk culture
- Proactive compliance by design

Measures	Client/Member NPS	Adviser & Employer NPS	Cost to Income	Reputation

Net funds flow | **People engagement** | **Total shareholder return**

Our ambition: to create financial wellbeing for every Australian

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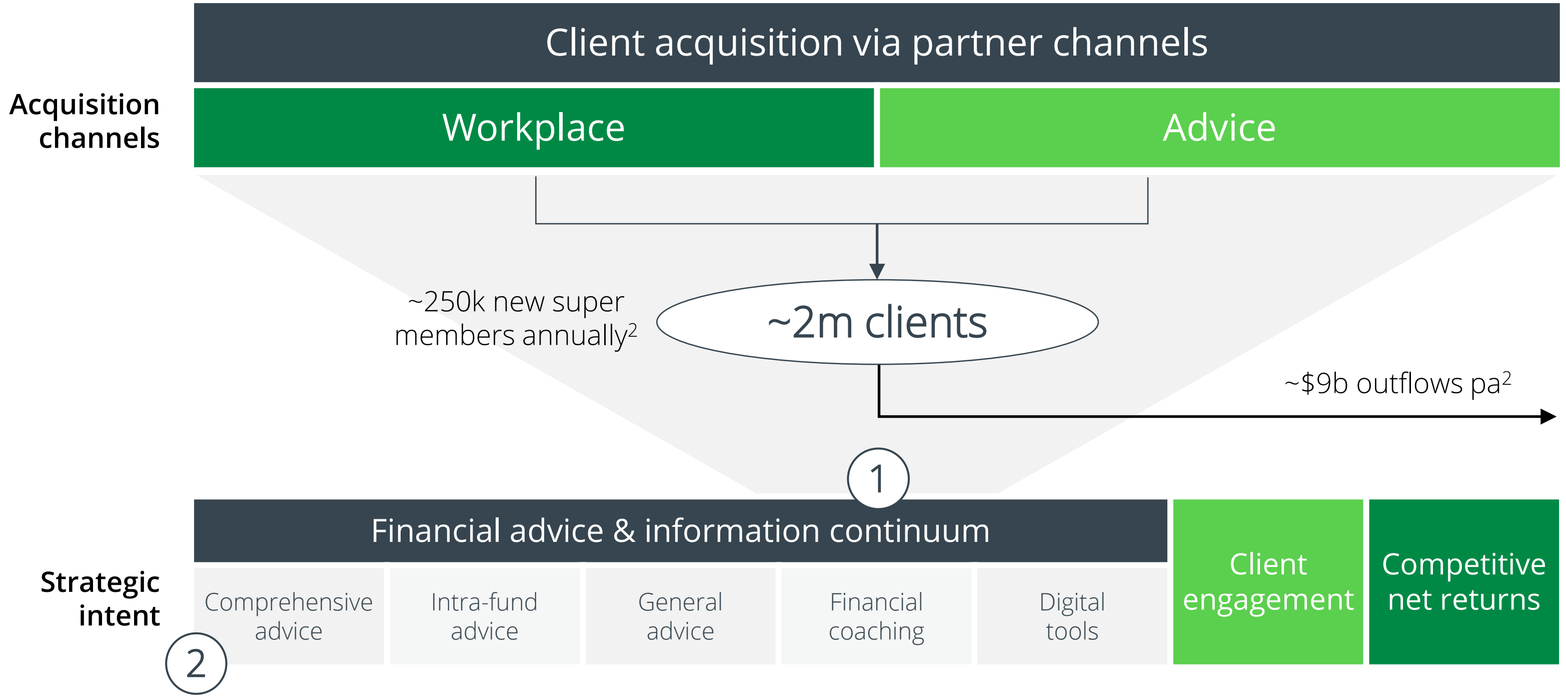
Improving our clients' financial wellbeing

Focus on retaining clients through continuum of advice and professional advice services



FY24 Priorities

- Advice efficiency & restructure
- Pre-retirement advice & retention
- Continue life-cycle engagement
- MySuper 5-year performance

Strategic choices

1 Client retention

- Creation of new Client Wellbeing division
- Prioritise pre-retirees ($4b outflows for 55+ age[1]) via intra-fund advice & proactive engagement
- Continue engagement across Client life-cycle
- Foundational investments in data & digital to enable personalisation at scale

2 Sustainable professional advice services

- Advice model restructure
- Focus on adviser productivity to drive profitability

Notes: (1) Rollovers out from super members aged 55 yrs+ 12 months to April 2023. Excludes Platform Connect and OneAnswer ($FUM). (2) APRA Annual fund-level superannuation statistics June 2022 – new member accounts & outward rollovers.

Advice Model Reset

Creation of Advice Services partnership model

A new partnership ownership model for self-employed licensees comprising RI Advice Group Pty Ltd (RI), Consultum Financial Advisers Pty Ltd (Consultum) and TenFifty

Ambition to create Australia's largest adviser-owned licensee group:

- Advice Services Co (ASC) will be owned and run for advisers, with the backing and support of Insignia Financial
- Aligned interests will allow ASC to be more focused, agile, and attractive as a partner to advisers
- ASC value propositions to evolve over time to capitalise on opportunities in a dynamic segment of the advice profession

Insignia Financial to focus on the growth of its Professional Services Advice business, expanding the scope of advice through superannuation, and the development of new technology-enabled advice delivery

Adviser Feedback

- 170 advisers responded to a survey undertaken by CoreData, August 2023
- Majority of advisers agree that ASC will enable greater input into group strategy and decision making
- Most Advisers view the partnership model as having a long-term positive impact
- Only 2% indicate that they are unlikely to continue their partnership with the group over the next 12 months

"The co-equity or partnership model "has demonstrated a potent capacity to drive business expansion in advice practices, providing a mutually beneficial partnership between licensees who have scalable access to technology, compliance and backend processes and advice firms", Adviser Ratings said."

- Money Management 4 August 2023

Deepening our partnerships with advisers & employers

Intermediated distribution model that integrates the breadth of Insignia Financial's capabilities

	Employers	Advisers	Institutional Clients
Strategic intent	Strengthen #1 position in Employer Super	Top 3 Wrap, serving range of adviser needs	Portfolio construction expertise
Strategic choices	**Retain strong employer relationships** through uplifted product design & servicing **Leveraging strong adviser network** **Standardise service proposition** to align effort to value of employer relationships	**Simplify** via Wrap consolidation **Invest in features where it matters** **Differentiate via integrated adviser proposition**	**Focus on core** investments and returns for internal super funds and platforms **Selective growth in adjacencies** like private equity and managed accounts
FY24 initiatives	• Leverage networks for growth • Embed common employer service model	• Evolve23 (MLC Wrap consolidation to Evolve) • Extend managed account capability • Promote Expand brand • Build integrated adviser proposition	• Grow managed accounts • Grow high margin Private Equity

Simplifying our business

Highly simplified and cost efficient business, unlocking benefits of scale for clients and shareholders

	Simplification	Enterprise foundations	Separation
Strategic intent	Simplified products, platforms & investments	Digitised ways of working	Separate from TSA safely
Strategic choices	**Simplification** of products, platforms, technology ecosystem and processes **Incremental cost reduction** through business optimisation	**Uplift foundational technology and capabilities**	**Transition MLC Master Trusts**
FY24 initiatives	• Wrap: Evolve23, Oasis simplification, Legacy SFT's • Master Trust: Strategy and roadmap, Target State Menu • Cost Optimisation Program • Advice model restructure • Entity simplification	Enterprise foundation uplift: • General ledger • Data platform and governance • Identity management • Content management	• TSA Separation: Progress transition of MasterKey and Plum

Building a safe and trusted business together

Responsible industry leader with effective governance & strong risk culture to protect our clients

	Operational effectiveness	Risk culture	Regulatory change
Strategic intent	Effective governance delivering high quality decisions and outcomes	Risk and compliance embedded in culture and ways of working	Proactive compliance by design
Strategic choices (non-negotiables)	**Deliver APRA licence condition commitments** **Simplify to sustain** by rationalising our licence and entity structures	**Clear accountability for risk to deliver stronger risk outcomes** through an effective 3 Lines of Accountability model **Restore client trust**	**Prioritise and effectively embed regulatory change**
FY24 initiatives	• Rectification Action Plan (Licence Conditions)	• 3 Lines of risk accountability refreshed and implemented • Complete Advice and Product remediation	• Deliver material regulatory change effectively

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Strength through execution, unlocking sustainable growth

Strengths

- Track record in execution
- Unique set of business capabilities
- Industry & demographic tailwinds
- Scale advantages

Strategy

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

Outcomes

- Sustainable growth
- Scalable and efficient business
- Improved client outcomes

Appendices

Corporate Balance Sheet[1,2]

Flexibility to fund simplification, remediation and growth

$m	30 June 2023	30 June 2022	Change
Cash	506	514	(1.6%)
Receivables	269	579	(53.5%)
Other tangible assets	579	672	(13.8%)
Intangibles & goodwill	2,503	2,606	(4.0%)
Assets held for sale[2]	43	77	(44.1%)
Assets	**3,900**	**4,448**	**(12.6%)**
Borrowings	776	771	0.6%
Provisions	365	546	(33.2%)
Other liabilities	429	720	(40.4%)
Liabilities held for sale[3]	1	10	(90.0%)
Liabilities	**1,570**	**2,047**	**(23.3%)**
Net Assets	**2,330**	**2,401**	**(3.0%)**
Equity	**2,330**	**2,401**	**(3.0%)**

- Cash of $506m, includes restricted ORFR[4] cash and cash held for regulatory requirements
- Movement in receivables and other liabilities driven by the receipt of $300m from ANZ in relation to Ex-ANZ Aligned Licensees (AL) remediation; this amount was settled at the conclusion of the program with ANZ in October 2022
- Other tangible assets include $279m in restricted ORFR[4] fixed income investments, as well as $146m in property, plant & equipment, and $59m invested in businesses accounted for as associates
- Intangibles & goodwill largely consists of assets accounted for through acquisition accounting for purchased businesses
- Borrowings includes $586m[5] senior debt and $190m[6] subordinated loan notes
- Reduction in provisions includes $203m[7] in remediation payments made to clients and program costs

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Notes: (1) Excludes balances relating to the statutory benefit funds. (2) Bank guarantees are not shown on the statement of financial position. (3) Assets and liabilities held for sale relate to: Australian Executor Trustees business at June 2022, and primarily IOOF Ltd at June 2023. (4) ORFR assets include both cash and fixed interest investments. (5) Includes borrowing costs. (6) Face value of subordinated loan notes is $200m and reflected on the balance sheet at its amortised value. (7) Includes BAU remediation costs.

FY23 Segment Results | Platforms[1]

Platforms	FY23 $m	FY22 $m	FY23 v FY22
Net Revenue	**952.8**	1,017.0	(6.3%)
Operating Expenses	**(606.2)**	(610.6)	0.7%
EBITDA	**346.6**	406.4	(14.7%)
UNPAT	**233.3**	273.5	(14.7%)
Net Revenue margin (bps) *(Net Revenue as a % of average FUA)*	**46.8 bps**	47.7 bps	(0.9 bps)
EBITDA margin (bps) *(EBITDA as a % of average FUA)*	**17.0 bps**	19.1 bps	(2.1 bps)
Closing FUA ($b)	**209.0**	198.2	5.5%
Average FUA ($b)	**203.8**	213.2	(4.4%)
Net flows ($b)	**(0.6)**	(0.6)	1.5%

Actuals FY23 v FY22:

- Net Revenue decline is largely attributable to the impact of lower average FUMA from negative Q4 2022 investment markets
- Net Revenue margin impacted by strategic repricing initiatives and Product and Platform simplification program, including:
  - Platform simplification driven by Evolve21 in December 2021 and Integra to Smart Choice Employer in June 2022;
  - relaunch of Expand in November 2022;
  - Choice administration fee changes in MLC Workplace and IOOF Employer Super; and
  - impacts of regulatory measures such as YFYS performance tests and APRA heatmaps
- Lower operating expenses driven by synergies achieved across the Group offset by regulatory related expenses and marketing investment
- Net flows are broadly flat to the prior period reflecting strong flows in the Workplace channel offset by challenging conditions in the Advised channel

Notes: (1) Excludes AET.

FY23 Segment Results | Advice

Advice	FY23 $m	FY22 $m	FY23 v FY22
Net Revenue	**204.6**	222.4	(8.0%)
Operating Expenses	**(240.5)**	(283.3)	15.1%
EBITDA	**(35.9)**	(60.9)	41.1%
UNPAT	**(33.9)**	(55.3)	38.7%
Advisers (#)	**1,413**	1,600	(11.7%)
Practices (#)	**461**	531	(13.2%)

Actuals FY23 v FY22:

- Net revenue decrease due to;
  - reshaping of the service offering for the Bridges business following consolidation with MLC Advice and transition of low fee-paying clients off fixed-term services
  - Shadforth Financial Services impacted by lower asset based fee income due to a decline in market performance, partially offset by record high new clients onboarded during the year
  - Advice services channel revenue impacted by non recuring client compensation payments and the closure of the Lonsdale licensee
- Operating expenses declined due to the realisation of synergy benefits from strategic initiatives including ex. ANZ Aligned Licensees break even and Bridges integration with MLC Advice
- Adviser numbers decreased primarily through reduction of smaller practices in the advice services channel and closure of Lonsdale

FY23 Segment Results | Asset Management

Asset Management	FY23 $m	FY22 $m	FY23 v FY22
Net Revenue	**223.7**	243.7	(8.2%)
Operating Expenses	**(120.9)**	(137.2)	11.9%
EBITDA	**102.8**	106.5	(3.5%)
UNPAT	**72.9**	73.6	(1.0%)
Net Revenue margin (bps) *(Net Revenue as a % of FUM)*	**25.4 bps**	25.0 bps	0.4 bps
EBITDA margin (bps) *(EBITDA as a % of FUM)*	**11.7 bps**	10.9 bps	0.8 bps
Closing FUM ($b)	**85.9**	92.3	(6.9%)
Average FUM ($b)	**88.0**	97.3	(9.6%)
Net flows – excl JANA ($b)	**1.2**	(0.7)	large
Net flows ($b)	**(0.4)**	(1.8)	80.3%

Actuals FY23 v FY22:

- Net revenue decline a result of changes in the commercial relationship with JANA (equity sale and Responsible Entity transfer) in December 2022, the divestment of Presima in June 2022 and lower private equity performance fees
- Lower operating expenses due to synergy benefits and the divestment of Presima
- Net revenue margin flat reflecting a stable Asset Management client base, the fixed bps nature of most fee structures and the minimal change in product mix
- Lower closing FUM driven by changes in the commercial relationship with JANA in December 2022 partially offset by positive market movements predominantly in multi asset
- Excluding JANA, improvement in net flows was largely driven by an improvement in direct asset management with positive flows of $0.2b in FY23, an improvement of $2.0b on FY22; this was a result of strong flows into Intermede and reduced outflows from institutional client rebalancing in Antares Fixed Income

FY23 Segment Results | Corporate

Corporate	FY23 $m	FY22 $m	FY23 v FY22
Net Revenue	**(1.4)**	1.0	(large)
Operating Expenses	**(68.1)**	(64.5)	(5.6%)
EBITDA	**(69.5)**	(63.5)	(9.4%)
UNPAT	**(81.6)**	(67.8)	(20.4%)

Actuals FY23 v FY22:

- Net revenue impacted by regulatory provisions raised
- Increase in operating expenses is due to inflationary impacts on centralised costs
- Decrease in UNPAT reflects an increase in funding costs partially offset by a lower impairment charge

NPAT to UNPAT Reconciliation

	FY23 $m	FY22 $m
Group NPAT	**51.2**	**36.8**
Less: Profit from discontinued operations	(47.0)	(9.2)
Profit/(Loss) from continuing operations	**4.2**	**27.6**
UNPAT adjustments:		
Transformation and integration costs	161.8	116.4
Amortisation of intangible assets	80.2	84.6
Remediation costs	19.1	67.1
Fair value changes	(3.6)	(4.4)
Legal settlement and penalties	-	5.0
Income tax attributable	(71.2)	(72.3)
UNPAT adjustments from continuing operations	**186.3**	**196.4**
Non-Controlling Interest	0.2	-
Group UNPAT from continuing operations	**190.7**	**224.0**
UNPAT from discontinued operations	4.2	10.5
Group UNPAT	**194.9**	**234.5**

- Profit from discontinued operations reflects the gain from sale of AET, completed in November 2022
- Transformation and integration increase mainly due to additional expenses incurred in separation of the MLC business, Evolve23 and commencement of implementation of new Master Trust strategy
- Remediation costs are expenses recognised in the Group's structured remediation provisions including client compensation and associated costs; includes any related indemnities recovered
- Fair value changes on financial instruments reflects the gains / losses from fair value movements on financial instruments held at fair value through the profit and loss

FUMA Summary

Reconciliation of FUMA and flows on total and excluding AET and JANA

		All Amounts $m	FUMA 30-Jun-22	Net Flow	Internal Transfers[1]	Pensions	Market/ Other	FUMA 30-Jun-23
FY23	Platforms	Funds under Administration (excl. AET)	198,228	(576)	(6)	(2,941)	14,328	209,033
		AET	6,938	11	0	(6)	(6,943)	0
		Total Funds under Administration	**205,166**	**(565)**	**(6)**	**(2,947)**	**7,385**	**209,033**
	Asset Management	Funds under Management (excl. JANA)	82,653	1,243	12	0	2,034	85,941
		JANA[2]	9,693	(1,602)	0	0	(8,092)	0
		Total Funds under Management	**92,346**	**(359)**	**12**	**0**	**(6,058)**	**85,941**
	Total	**Total FUMA (excl. JANA/AET)**	**280,880**	**667**	**6**	**(2,941)**	**16,362**	**294,974**
		Total FUMA	**297,512**	**(924)**	**6**	**(2,947)**	**1,327**	**294,974**

		All Amounts $m	FUMA 30-Jun-21	Net Flow	Internal Transfers[1]	Pensions	Market/ Other	FUMA 30-Jun-22
FY22	Platforms	Funds under Administration (excl. AET)	213,671	(585)	(1)	(2,938)	(11,919)	198,228
		AET	7,343	(79)	0	(40)	(286)	6,938
		Total Funds under Administration	**221,014**	**(664)**	**(1)**	**(2,978)**	**(12,205)**	**205,166**
	Asset Management	Funds under Management (excl. JANA)	85,803	(655)	0	0	(2,495)	82,653
		JANA	11,888	(1,154)	3	0	(1,044)	9,693
		Total Funds under Management	**97,691**	**(1,809)**	**3**	**0**	**(3,539)**	**92,346**
	Total	**Total FUMA (excl. JANA/AET)**	**299,473**	**(1,240)**	**(1)**	**(2,938)**	**(14,414)**	**280,880**
		Total FUMA	**318,704**	**(2,473)**	**3**	**(2,978)**	**(15,744)**	**297,512**

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Notes: (1) Internal Transfers represent the transfer of funds between products within the same superannuation fund and/or IDPS Operator. Platform transfers may not net to zero due to timing differences. Asset Management transfers represent monies transferred to/from products included in/excluded from Asset Management FUM. (2) JANA includes $474m of market gains made in Q123.

Glossary

Term	Definition	Term	Definition
FY23	Year ended 30 June 2023	K	Thousand
FY22	Year ended 30 June 2022	M	Million
ALs	Ex-ANZ Aligned Licensees	NPAT	Net Profit after Tax
b	Billion	ORFR	Operational Risk Financial Requirement
cps	Cents per share	PCP	Prior Comparative Period
CTI	Cost-To-Income	PF	Pro Forma
DPS	Dividend per share	P&I	Ex-ANZ Pension & Investments business
DRP	Dividend Reinvestment Plan	RSE	Registrable superannuation entity
EBITDA	Earnings before interest, tax, depreciation & amortisation	SFT	Successor Fund Transfer
EPS	Earnings per share	TSA	Transitional Services Agreement
FUA	Funds under Administration	UNPAT	Underlying Net Profit after Tax
FUM	Funds under Management	YFYS	Your Future Your Super
FUMA	Funds under Management and Administration	YoY	Year on year
FY	Financial Year		

Important Information

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About Insignia Financial

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 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

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