ASX Release – 22 August 2024

Insignia Financial FY24 Results

Simplifying the business, laying foundations for long-term sustainable growth

Overview:

- Underlying Net Profit After Tax (UNPAT) from continuing operations of $216.6 million, up 13.6% on the prior corresponding period (pcp)
- Statutory Net Loss After Tax (NPAT) of $185.3 million, impacted by increased remediation provisions and transformation and separation costs
- $71 million gross in-year Optimisation program benefits achieved in FY24 (ahead of guidance) delivering net cost reduction of $24 million; program expected to deliver $60-65 million net reduction in operating costs in FY25
- Successful migration of MLC Wrap to Expand platform delivering scale and savings
- Delivery of Expand product enhancements including Separately Managed Accounts, adviser productivity and insight tools
- Successful restructure of Advice from loss making to EBITDA positive, enhanced by the separation of Rhombus Advisory, creating an innovative partnership for self-employed advisers and enhancing our focus on our wholly owned and operated Advice businesses, Bridges and Shadforth
- Sale of non-core businesses (IOOF Ltd; Millennium3; general insurance business and Godfrey Pembroke) - reducing complexity within the business
- New operating structure and executive team to drive accountability and profitability
- Dividend paused to provide strategic and balance sheet flexibility

FY24 Financial Key Metrics

	FY24	FY23	% CHANGE
Net Revenue	$1,392.8m	$1,379.7m	0.9%
Operating Expenses	($1,011.5m)	($1,035.7m)	2.3%
EBITDA	$381.3m	$344.0m	10.8%
Cost to Income	72.6%	75.1%	2.5%pts
UNPAT (Continuing)	$216.6m	$190.7m	13.6%
Statutory NPAT *(includes $500.8m of remediation and transformation costs and penalties)*	($185.3m)	$51.2m	Large
Full-year dividends	9.3cps	19.8cps	-53.0%
Average Funds under Management and Administration (FUMA)	$301.2b	$291.8b	3.2%
Closing FUMA	$311.3b	$295.0b	5.5%

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Insignia Financial Ltd (ASX: IFL) ("Insignia Financial" or the "Company") today announced its 2024 financial year results (FY24). The Company reported **UNPAT** from continuing operations of $216.6 million, up 13.6% on FY23.

Statutory Net Loss after Tax was $185.3 million compared to FY23 Statutory NPAT of $51.2 million, primarily reflecting:

- the impact in FY24 of $257.7 million of transformation and separation costs;
- remediation costs and penalties of $243.1 million provided for in FY24; and
- the inclusion in FY23 Statutory NPAT of the gain on sale of AET of $43.2 million after-tax.

Insignia Financial Chief Executive Officer, Scott Hartley said: *"It is pleasing to report strong underlying net profit after tax growth of 13.6% to $216.6 million, underpinned by a net reduction in costs of $24 million. Notwithstanding the positive momentum in the underlying business, NPAT was impacted by an increase in remediation provisions, as well as strategic investments.*

"We acknowledge the pause in dividend payments will be disappointing for some of our shareholders however, at this time, we must prioritise strengthening our balance sheet.

"As an organisation we have delivered on our FY24 priorities, which have further simplified our business and reduced costs. We remain on-track and committed to delivering our FY24-26 commitments and, in addition, accelerating our cost optimisation program and reviewing our Master Trust end state operating model.

"Over the last 12 months we have successfully migrated MLC Wrap to Expand, restructured our Advice business, and divested non-core assets demonstrating our strong track record of execution. We continue to simplify our business and the recently announced new operating structure will drive enhanced accountability and improve efficiency.

"Insignia Financial's strong, scalable positions across the wealth management value chain create the opportunity to deliver long-term sustainable growth for our shareholders and improved outcomes for customers."

Financials

Group Net Revenue increased 0.9% from $1,379.7 million in FY23 to $1,392.8 million in FY24, driven by growth in Net Revenue across Platforms, Advice and Corporate underpinned by higher average FUMA and divestment gains.

Operating Expenses declined 2.3% from $1,035.7 million in FY23 to $1,011.5 million in FY24, reflecting the benefits of the Cost Optimisation program offsetting business as usual growth and investment in cyber and governance capability.

As at 30 June 2024 the Company had **Net Debt** of $371 million; $281 million of **Corporate Cash**[1] and $318 million of **Undrawn Senior Debt** providing capacity to fund remediation costs and strategic investments. **Advice and product remediation** programs impacted cash, provisions and deferred tax assets during the year. These included $70 million of cash payments to Advice clients in FY24 and $75 million of cash payments to Product remediation clients as well as increases in

[1] As defined in Syndicated Financing Agreement, excludes cash held for AFSL and Operational Risk Financial Requirements (ORFR)

provisions for both remediation programs. **Free Cashflow** improved by $193 million in 2H24 compared to 1H24.

Business Unit Update

Platforms

Master Trust & Wrap key metrics ($m)	FY24	FY23	% Change
Net Revenue	961.5	952.8	0.9%
Operating Expenses	(622.3)	(606.2)	(2.7%)
EBITDA	339.2	346.6	(2.1%)
UNPAT (continuing)	230.5	233.3	(1.2%)
Closing FUM ($b)	222.0	209.0	6.2%
Average FUM ($b)	213.7	203.8	4.9%
Net flows ($b)	(1.5)	(0.6)	Large

Platforms Net Revenue increased by 0.9% in FY24 driven by higher average FUMA from market growth which more than offset the decline in margins following strategic repricing initiatives. Operating expenses increased by 2.7% reflecting increased costs in cyber security, governance capability and responding to licence conditions. Net flows for the year declined primarily due to a one-off increase in outflows ahead of the MLC Wrap migration to Expand which was partially offset by consistent ongoing inflows in the Expand Wrap suite and strength in the Workplace offering.

Asset Management

Asset Management key metrics ($m)	FY24	FY23	% change
Net Revenue	210.0	223.7	(6.1%)
Operating Expenses	(118.6)	(120.9)	1.9%
EBITDA	91.4	102.8	(11.1%)
UNPAT	64.1	72.9	(12.1%)
Closing FUM ($b)	89.4	85.9	4.1%
Average FUM ($b)	87.5	88.0	(0.6%)
Net flows ($b)	(1.9)	(0.4)	Large

Asset Management Net Revenue decreased 6.1% in FY24 mainly due to the changes in the commercial relationship with JANA in 1H23; repricing of investor mandates and divestment of IOOF Ltd in 1H24. Operating Expenses decreased by 1.9% as a result of benefits derived from the Cost Optimisation program which were partially offset by increased investment in technology and other enablement functions. The decline in net flows was driven by institutional client rebalancing in Fixed Income and Global Equities capabilities and higher outflows in multi-asset managed funds from Wrap migration, which was partially offset by strong uptake of Managed Accounts.

Advice

Advice key metrics ($m)	FY24	FY23	% change
Net Revenue	205.7	204.6	0.5%
• Continuing *(Shadforth & Bridges)*	174.9	170.0	2.9%
• Rhombus Advisory *(self-employed partnership)*	22.8	22.1	3.2%
• Divested businesses *(Godfrey Pembroke; Lonsdale, Millennium3, GI)*	8.0	12.5	(36.0%)
Operating Expenses	(202.6)	(240.5)	15.8%
EBITDA	3.1	(35.9)	Large
UNPAT	(4.1)	(33.9)	87.9%
Advisers (#)	1,086	1,413	(23.1%)
Practices (#)	322	461	(30.2%)

Advice Net Revenue increased 0.5% in FY24 primarily as a result of:

- Strong new client growth across Advice and improved client retention in Bridges
- Higher asset-based income fee income in Shadforth
- Focus on higher value clients

This Net Revenue growth was partially offset by divestments and non-renewal of low fee paying clients. Operating expenses reduced by 15.8% during the year due to the realisation of Cost Optimisation program benefits.

Adviser numbers decreased predominantly due to the divestment of Millennium3, the exit of Godfrey Pembroke, closure of the Lonsdale licence and the right sizing of the Bridges adviser numbers.

Corporate

Corporate key metrics ($m)	FY24	FY23	% change
Net Revenue	15.6	(1.4)	Large
Operating Expenses	(68.0)	(68.1)	0.1%
EBITDA	(52.4)	(69.5)	24.6%
UNPAT	(73.9)	(81.6)	9.4%

Corporate Net Revenue in FY24 was impacted by asset sales and the release of provisions. Operating expenses were broadly flat with Cost Optimisation program benefits offset by inflationary impacts on centralised costs. Corporate UNPAT was impacted by the capital gains tax on the sale of IOOF Ltd.

Integration and Simplification

A key priority in FY25 is to accelerate implementation of the **Cost Optimisation program** to deliver additional cost benefits. The Company has increased its targeted benefits from the program to $205 - $220 million (increased from $175 - $190 million, previously announced) with $127 - $140 million of gross benefits anticipated to be delivered in FY25, ahead of schedule, resulting in expected net cost reduction of $60 - $65 million in FY25. The program is expected to include additional redundancy costs of approximately $35 million to deliver additional ongoing benefits of approximately $30 million p.a., compared to the original program announced in July 2023.

FY25 Priorities & Guidance

The Company expects FY25, the second year of its FY24-26 Strategy, to deliver:

- **Group Net Revenue Margin** of 42.5 bps – 43.3 bps which includes the impact of divestments, deconsolidation of Rhombus and FY24 Platform repricing initiatives
- **Group Operating Expenses** of $947 - $952 million which reflects the realisation of accelerated Cost Optimisation program benefits and anticipated investment in:
  - The continued development of the Wrap platform functionality and improved Adviser experience
  - Continue to uplift in Risk & Governance capabilities
  - Refreshing the MLC and Expand brands
  - Enhancing digital customer experience and client engagement.

Strategy Refresh & change in FY25 reporting

The Company is currently undertaking a strategic review to deliver long-term sustainable growth in FY26 onwards. Details of the strategic refresh will be provided at an Investor Day in late calendar 2024.

As a result of the new Insignia Financial operating model announced in July 2024, the Company will in FY25 be updating its business segment reporting to reflect the new structure which will now be comprised as follows:

i. Advice
ii. Master Trust
iii. Wrap
iv. Asset management
v. Corporate

Dividend

In order to enhance balance sheet flexibility, accelerate cost reduction and strategic growth opportunities and finalise remediation, the Board has decided to pause dividends. No Final 2024 dividend has been declared.

This prudent decision, in view of the macro environment outlook, will strengthen the capital structure of the Company and accelerate deleveraging. There is no change to the Company's long-term dividend target of paying 60-90% of UNPAT.

The Company will provide an update on Capital Management strategy along with details of strategic initiatives at an Investor Day later in calendar 2024.

FY24 Results Presentation

Insignia Financial will hold a briefing on FY24 results at 11:30am on 22 August 2024. Participants wishing to ask questions can register here and the webcast can be accessed here.

– Ends –

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

About Insignia Financial Ltd

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

- **Financial Advice**
  Our employed advice businesses, Bridges and Shadforth, provide financial advice options along the spectrum – from guidance and coaching to episodic and holistic advice, based on client needs.

- **Superannuation**
  As one of the largest superannuation and pension providers in Australia, we offer a number of award-winning solutions used by many of Australia's largest employers and independent advisers.

- **Wrap Platforms**
  We have built a strong and contemporary technology platform and remain committed to investing in technology and our services to support the changing needs of advisers and their clients.

- **Asset Management**
  We offer access to a broad suite of investment capabilities across a range of multi-asset and single asset classes, designed to suit a wide range of investor needs and risk profiles.

  Our investment management is driven by a highly skilled team of investment professionals, operating out of Australia, the USA and UK.

Further information about Insignia Financial can be found at www.insigniafinancial.com.au

Future performance and forward-looking statements

This announcement contains certain "forward-looking statements". Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Insignia Financial and its directors and management.

Actual results, performance or achievements may vary materially from any forward-looking statements and the assumptions on which statements are based. To the maximum extent permitted by law, Insignia Financial and its directors, officers, employees, agents, associates and advisors disclaim any obligation or undertaking to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise subject to regulatory and disclosure obligations.

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