



MACQUARIE  
ACN 002 574 923

# Macquarie Private Wealth



## IOOF

### Business Description

IOOF Holdings Limited (IFL) is an Australian financial services provider, offering financial products and portfolio administration services including investments, superannuation, immediate and deferred annuities, and investment trusts, in addition to financial planning and advisory, stockbroking, estate planning and administration, and trustee services. At March 2011, IFL had \$104.5 billion in Funds Under Management, Administration, Advice and Supervision.

### Strategy Analysis

IFL's objective is to provide high-quality investment funds administration solutions and asset management capabilities. To ensure the company can deliver on this it offers: a range of investment management and administration solutions for investors and advisers; financial advice, technical and online services; boutique asset management through Perennial Investment Partners; and a growing financial advisory dealer group network. In line with the strategic priorities of the business, the company continues to focus on growth opportunities through the expansion of its wealth creation capabilities and distribution network. Examples include the creation of the platform product Pursuit, the launch of new investment products, and the launch of Consultum Financial Advisers, a dealer group combining Winchcombe Carson and Financial Partnership. Mergers and acquisitions with other wealth managers is a major focus, in order to drive efficiencies through economies of scale and remove duplicated back office functions. M and A also provides cross-selling opportunities as existing products can be sold to new clients and acquired products can be sold to existing clients. Scale increased significantly following the merger with Australian Wealth Management. IOOF Holdings reported NPAT up 29% to \$99.49m for the year ended 30 June 2011. Revenues from ordinary activities were \$642.65m, up 3% from last year. Diluted EPS was 42.9 cents compared to 33.6 cents last year. Net operating cash flow was \$122.2m compared to \$92.68m last year. The final dividend declared was 22 cents, taking the full year dividend to 43 cents compared with 35 cents last year. The group's Funds Under Management, Administration and Supervision (FUMAS) were \$106.3bn as at 30 June 2011, an increase of \$7.2bn, from \$99.1bn at 30 June 2010. This movement is primarily a result of increases in the market value of the assets underpinning FUMAS and positive flows to the group's actively marketed products.

27 January 2012

### Recommendation

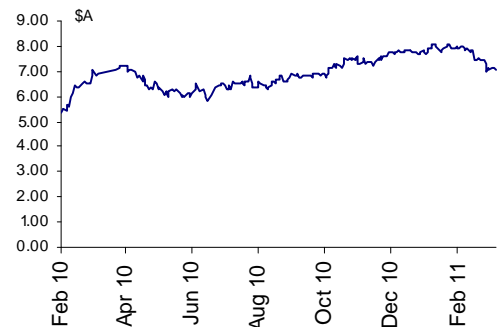
Recommendation: Outperform  
Relative to: All Ind (ex Fins)

### Investment Fundamentals

ASX code: IFL  
Stock price: \$5.64  
Market cap: \$1,296m

|              | Y/E 30/06/2012 | 2012e | 2013e | 2014e | 2015e |
|--------------|----------------|-------|-------|-------|-------|
| Reported e   | \$m            | 83.7  | 91.5  | 94.3  | 97.2  |
| Adjusted e   | \$m            | 104.8 | 115.5 | 118.3 | 121.2 |
| EPS adjusted | ¢              | 45.4  | 49.8  | 51.0  | 52.3  |
| EPS growth   | %              | -6.1  | 9.7   | 2.5   | 2.5   |
| PE           | x              | 12.4  | 11.3  | 11.1  | 10.8  |
| PE relative  | x              | 0.9   | 1.0   | 1.2   | 1.3   |
| DPS          | ¢              | 40.8  | 44.8  | 45.9  | 47.1  |
| Yield        | %              | 7.2   | 7.9   | 8.1   | 8.3   |
| Franking     | %              | 100.0 | 100.0 | 100.0 | 100.0 |

### Share Price



Source: ASX and Company accounts

### Segment Performance

| Results by Industry                  | Revenue (%)  | Return on Sales (%) | Return on Assets (%) | Annual Shareholders' Return |        |
|--------------------------------------|--------------|---------------------|----------------------|-----------------------------|--------|
|                                      |              |                     |                      | 1 year                      | 3 year |
| Platform Management & Administration | 62.3         | 45.0                | 26.7                 | -22.0%                      | 23.0%  |
| Investment Management                | 23.4         | 36.0                | 40.9                 | -8.0%                       | 0.0%   |
| Financial Advice & Distribution      | 10.7         | 7.3                 | 14.8                 |                             |        |
| Estate and trustee services          | 3.7          | 61.3                | 31.8                 |                             |        |
| <b>Total</b>                         | <b>100.1</b> | <b>149.6</b>        | <b>114.2</b>         |                             |        |
| <b>Results by Geography</b>          |              |                     |                      |                             |        |
| Australia                            | 100.0        | 100.0               | 100.0                |                             |        |
| <b>Total</b>                         | <b>100.0</b> |                     |                      |                             |        |

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**Disclosure:** In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that Macquarie Group acted as financial advisor to DKN Financial Group Limited in relation to a proposal from IOOF Holdings Limited to acquire 100% of the shares in DKN that IOOF does not already own as announced on 14 June 2011. Within the last 12 months, Macquarie Group has received compensation for investment advisory services from DKN Financial Group Limited.

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