



ASX ANNOUNCEMENT

24 August 2023

MA Financial delivers record 1H23 inflows – up 66%. AUM climbs to \$8.9 billion

MA Financial Group Limited (“the Group”; “MA Financial”; ASX: MAF) is pleased to present its financial results for the 6 months to 30 June 2023 (1H23):

OPERATIONAL HIGHLIGHTS

- Record first half Asset Management gross fund inflows of \$953 million, up 66% on 1H22
- Assets under management (AUM) up 20% on 1H22 to \$8.6 billion. Grown to \$8.9 billion by mid-August
- Annualised recurring revenue run rate up 22% on 1H22 to \$178 million
- Finsure managed loans up 18% on 1H22 to \$99 billion
- Loan book grew 59% on 1H22 to \$564 million driven by accelerating growth of MA Money
- Significant increase in recurring revenue offset lower market related Corporate Advisory, performance fee revenue and planned strategic investment in MA Money

FINANCIAL RESULTS

- Underlying revenue, down 12% on 1H22 to \$128 million
- Underlying earnings per share (EPS) down 13.6% on 1H22 to 15.2 cents (Statutory EPS down 16.3% to 10.8 cents)
- Fully franked interim dividend of 6 cents per share declared, in line with 1H22

For personal use only

MA Financial today announced its first half result for 2023, highlighted by strong growth in the Group's recurring revenue streams, record first half fund inflows, ongoing growth in Finsure and accelerating loan volume growth for MA Money. The challenging macro environment led to lower transactional activity impacting performance fees and corporate advisory revenue.

Although Underlying revenue of \$128 million was down 12% on 1H22, the 22% growth in Group recurring revenue was very significant. The reduction in performance fees relative to an elevated 1H22 contribution and softer corporate advisory activity reflects the difficult current economic climate, in particular the rapid increase in market interest rates. In 1H23, recurring revenue represented 65% of Underlying revenue versus 47% in 1H22, highlighting the significantly improved composition of earnings in the period.

1H23 Underlying Net Profit After Tax of \$24.4 million and Underlying EPS of 15.2 cents were both down 13.2% and 13.6% respectively on 1H22. Importantly, this was delivered whilst making a significant investment for future growth in residential lender MA Money and against the backdrop of a significantly weaker transactional environment.

Asset Management delivered 79% of the Group's EBITDA (before Corporate costs), with a significantly improved earnings mix as 14% growth in recurring revenue and tighter expense management largely offset a \$21.5 million decline in performance fees relative to an elevated contribution in 1H22.

Asset Management received record first half gross fund inflows of \$953 million in 1H23, up 66% on 1H22, due to investor interest in the Group's Private Credit funds and a strong initial raising for the MA Marina Fund, a new alternative asset class for MA Financial. The acceleration in inflows and growth in AUM to \$8.6 billion at 30 June 2023 provides strong embedded growth in recurring revenue for future periods.

The Group's strategic development of a Residential Lending Marketplace within the Lending & Technology division continued to build momentum in the half. Finsure grew its managed loans by 18% on 1H22 to \$99 billion, as it added over 200 new brokers to its platform during the half. Pleasingly, Finsure continues to increase its market share.

Following the launch of its new product set early in 1H23, MA Money continues to build momentum in the Australian residential mortgage market. MA Money grew its loan book by 85% on 1H22 to \$421 million and the rate of growth has accelerated in early 2H23.

Corporate Advisory & Equities (CA&E) EBITDA was down 28%, as difficult macroeconomic conditions and market volatility impacted equity capital markets (ECM) activity and increased execution risks and timing on advisory transactions. Post balance date, the transactional environment has shown some signs of improvement and the transaction pipeline has strengthened.

The Board has maintained a fully franked half year dividend of 6 cents per share, representing a conservative payout ratio of 40%. This reflects the Group's strong capital position underpinned by the ongoing growth in recurring revenues. Since listing at \$2.35 per share in 2017, MA Financial will have paid to its shareholders an aggregate of 78 cents per share in fully franked dividends.

Joint CEOs Julian Biggins and Chris Wyke said:

"We are very pleased with the underlying momentum in the business which positions MA Financial for strong future growth. The composition of our earnings improved significantly with growth in recurring revenue and expense management largely offsetting the decline in performance fees.

"Despite the challenging economic backdrop, we continue to see the benefits of our diversified business model, and our intentional strategy to build a business that can deliver for investors through the economic cycle.

The expansion and success of our Private Credit business is very pleasing. MA Financial's credit funds are among Australia's fastest growing. Advisors and investors continue to value our expertise in originating and managing credit assets, highlighted by the 74% growth in the Assets Under Management of our Private Credit Funds over the last 12 months.

We believe Private Credit investing will continue to benefit from demographic and structural growth drivers for many years."

Key Financial Tables

UNDERLYING RESULTS ¹	1H23	1H22	GROWTH	STATUTORY RESULTS ¹	1H23	1H22	GROWTH
Revenue	\$128.3m	\$146.2m	(12.2%)	Revenue ²	\$172.9m	\$154.7m	11.8%
EBITDA	\$45.7m	\$49.6m	(7.9%)	EBITDA ³	\$75.7m	\$48.5m	56.1%
Net profit after tax	\$24.4m	\$28.1m	(13.2%)	Net profit after tax	\$17.3m	\$20.5m	(15.6%)
Earnings per share	15.2¢	17.6¢	(13.6%)	Earnings per share	10.8¢	12.9¢	(16.3%)
EBITDA margin	35.6%	33.9%	1.7pps	Dividend per share	6.0¢	6.0¢	-
Return on equity	12.2%	14.9%	(2.7pps)				
Cash at bank ⁴	\$56.2m	\$73.5m	(23.5%)				

¹ Refer to slides 45 - 47 in the 1H23 Result presentation for a reconciliation of Statutory to Underlying Results.

² Statutory Revenue refers to total income on the consolidated statement of profit or loss and other comprehensive income.

³ Statutory EBITDA is not a recognised IFRS measure but has been presented to give a comparable measure to the Underlying Result.

⁴ Represents Operating Balance Sheet cash. Refer to page 48-50 in the 1H23 Result Presentation for reconciliation to Statutory Balance Sheet.

Performance Review of Business Activities

Asset Management

Underlying EBITDA from Asset Management was down 8% on 1H22 to \$42.9 million as a consequence of a largely anticipated \$21.5 million decline in performance fees. However, the 14% growth in recurring revenue together with cost discipline largely offset the impact of lower performance fees.

Recurring revenues were driven by a 10% increase in base management fees to \$50.3 million as average AUM rose 16% plus a 37% increase in credit funds income to \$16.9 million.

As a consequence of the innovative structure of the Group's major Private Credit Funds they generate predictable interest income from the Priority Income Fund strategies (PIF) and consistent loan arranger fees from our Real Estate Credit Fund (REC). The strong growth and predictability of these items highlights the strong inflows into the Group's Private Credit funds over the last 12 months.

Performance fees decreased 75% from 1H22 to \$7.3 million, largely due to the prior period recording an elevated performance fee contribution from the Group's Hospitality assets which was not anticipated to be received in the current year.

Assets Under Management (AUM) were up 20% to \$8.6 billion over the 12 months to 30 June 2023. Gross fund inflows of \$953 million were up 66% on 1H22, predominately driven by flows into the Group's Private Credit funds. Net inflows of \$666 million were up 60% on 1H22.

The growth in client inflows is increasingly being driven by the Group's success in securing investment from domestic investors. In 1H23, gross flows from this category was up 77% on 1H22. Much of these flows were directed to Private Credit funds and the establishment of the MA Marina Fund. MA Financial funds are increasingly benefitting from positive research ratings, their presence on investment platforms and inclusion in adviser group model portfolios. Only 4% of 1H23 gross inflows went to migration related funds.

Flows from international high net wealth (HNW) non-migration fund related clients grew 62% to \$314 million in 1H23, highlighting the power of the Group's international distribution network beyond the Group's offer of migration funds. This capability was further enhanced with the opening of the Group's new Singapore office during the half. The diversification of fund inflows and strong growth reflects the Group's significant investment in its distribution platform over many years.

Expenses of \$41.9 million down 16% on 1H22 reflecting strong cost discipline, slowing investment in platform and the timing of revenue related compensation.

Lending & Technology

The Lending & Technology business continues to be the focus of significant investment as the Group executes on its strategy to build an integrated Residential Lending Marketplace. Underlying EBITDA was down 15% on 1H22 to \$6.8 million. The continued growth in Finsure was offset by increased investment in platform and lower revenue from Specialty Finance as the Group's balance sheet successfully exited a credit asset in 2H22.

Financial Technology comprises Finsure, a tech-enabled mortgage aggregation platform, and the emerging Middle technology platform, a digital tool that assists brokers to collect verified financial information for loan applications.

Financial Technology grew its Underlying revenue by 27% as Finsure grew its Managed Loans to \$99 billion in 1H23, up 18% on 1H22. It increased total brokers on its platform to 2,846, adding a further 206 brokers in the half as it continues to gain market share. Expenses were up 58% on 1H22 due to investment to facilitate continued growth in Finsure and the rollout of Middle to brokers, which is expected to become revenue generating in 4Q23.

Lending Platforms grew its total loan book 59% on 1H22 to \$564m. This comprises residential mortgage lender MA Money and Specialty Finance which is focused on high-margin specialised lending capabilities, including legal disbursement finance activities.

MA Money launched its new mortgage product set early in the half and has delivered impressive growth in a highly competitive market. Its **Loan book was up 85% on 1H22 to \$421 million as monthly loan settlements accelerated over the half.** However, the significant investment made in MA Money was a drag on overall performance, leading to a \$1.6 million EBITDA loss in 1H23. This drag is expected to increase in 2H23 as the business continues to scale and position itself to take advantage of the substantial opportunity for long-term growth in the residential mortgage market.

Whilst growth in loan volumes were in line with expectations, heightened competitive pressure had an impact on loan margins. As a result, MA Money is targeting a break-even earnings run rate in early 2H24. **Notably, this heightened competitive pressure has subsided post balance date and with accelerating momentum the Group's expectation that MA Money will deliver NPAT of \$15 million to \$20 million in FY26 remains unchanged.**

Through its ongoing investment in the Lending and Technology business, the Group has built a highly scalable lending ecosystem that has the ability to generate tech-based fee income, spread income and primary investment product for its Asset Management credit funds. The scaling of this platform represents a significant opportunity for MA Financial.

Corporate Advisory & Equities (CA&E)

The Corporate Advisory & Equities (CA&E) Underlying EBITDA was down 28% on 1H22 to \$4.8 million largely due to challenging market conditions impacting transaction timelines and equity capital market activity levels.

Corporate Advisory fees were down 30%, reflective of the difficult environment for deal execution and a prior period (1H22) that was supported by the Group's role advising Consolidated Press Holdings on its stake in Crown Resorts.

Transaction timelines and execution remain difficult to predict. Work largely completed on transaction in 1H23 will deliver fees of \$5 million into 2H23 and there are early signs of improving market conditions for ECM in the current half.

Expenses were down 26% on 1H22 reflecting lower staff compensation costs in line with the softer revenue performance and a reduction in headcount due to natural attrition. Today, we have a headcount of 48 executives in this business. The business is targeting FY23 revenue in line with the bottom end of its stated target range of \$1.1 - \$1.3 million revenue per executive.

Balance sheet, capital management and dividend

As at 30 June 2023, the Group had Net Assets of \$403.3 million, including \$56.2 million of operating cash. The dynamic use of the balance sheet continued to be a strong driver of business growth in 1H23. During the half the Group recycled in excess of \$100 million from prior investments into cash whilst re-investing a similar amount to support new growth and strategic initiatives.

During 1H23, the Group successfully established a flexible capital model, enabling recycling of balance sheet assets to grow credit and lending activity. During 1H23, \$10 million of assets were recycled with a further \$17 million recycled post balance date.

The Board declared a fully franked half-year dividend of 6 cents per share, in line with 1H22, reflective of the Group's strong capital position and positive earnings outlook. This represents a conservative payout ratio of 40%.

Post balance date activity and outlook

Underlying business momentum remained strong in early 2H23. Key highlights for the business have been:

- Continued strength in fund inflows with an additional \$308 million of gross flows received in the first seven weeks of 2H23
- AUM increased to \$8.9 billion in mid-August
- Redcape Hotel Group has unconditionally exchanged sale contracts on 2 of its Queensland venues for a total consideration of \$28 million, each at a premium to book value

- Finsure delivered record monthly settlements of \$3.8 billion in July and its total Managed Loans now exceed \$100 billion
- MA Money growth continues to accelerate with a record month in July and a total \$132 million of loan settlements in the first seven weeks of 2H23
- Significant broad-based activity across corporate advisory and private capital with signs of improving market conditions for ECM

Looking ahead across the remainder of the year we anticipate:

- Continued strong growth in Asset Management recurring revenue set against subdued performance fees
- Ongoing growth in Finsure's revenue and MA Money targeting break even run rate by early 2H24
- Corporate Advisory revenue per executive at the lower end of the Group's \$1.1 million to \$1.3 million historical average

This outlook commentary is subject to market conditions, the timing and completion of Corporate Advisory transactions and no material regulatory change.

A conference call for analysts and investors will be held at 11:00am (AEDT) today with Joint CEOs, Julian Biggins and Chris Wyke, and CFO, Giles Boddy. You can access the webcast of the event at this link: <https://webcast.openbriefing.com/maf-hyr-2023/>

Authorised for release by a Sub-Committee of the Board of MA Financial Group Limited

For further information, please contact:

Investors:

Michael Leonard
+61 466 773 093
michael.leonard@mafinancial.com

Media:

Jane Clapcott
+61 409 837 484
jane.clapcott@mafinancial.com

For personal use only