MA Financial Group

Level 27, Governor Phillip Tower,
1 Farrer Pl, Sydney
NSW 2000

ASX ANNOUNCEMENT

18 August 2021

Record First Half Financial Result and Upgraded Earnings Guidance

MA Financial Group Ltd ("the Group"; ASX: MAF) is pleased to present its financial results for the six months to 30 June 2021 (1H21). Key highlights include:

- **Underlying earnings per share (EPS) up 92% on 1H20 to 16.3 cents; statutory EPS up 61% to 10.0 cents**
- **Assets under management (AUM) up 21% on 1H20 to $6.1 billion**
- **1H21 net fund inflows of $506 million, well up on $158 million in 1H20**
- **Lending business achieving scale, 160% growth in loan portfolio since 1H20**
- **Record first half Corporate Advisory revenue, up 16% on 1H20**
- **Maiden interim dividend of 5 cents per share reflects strong capital position**
- **Increased FY21 guidance, with Underlying EPS expected to be up 20% to 30%[1] on FY20**

MA Financial Group today announced a 1H21 result highlighting a period of record growth across its broad operating platform. The first half was characterised by significantly increased business activity levels as the Group returned to a strong growth positioning. Significant growth in Assets under Management (AUM) supported by strong net client inflows, material loan portfolio growth, and record 1H Corporate Advisory revenue underpinned the record result.

Underlying revenue of $102.7 million was up 52% on the 1H20 result of $67.4 million, supported by strong growth across all business units. Asset Management grew underlying revenue by 94% on 1H20 driven by a 28% increase in base fees, solid transaction and performance fees and positive mark to market movements. MAF's Lending platform is beginning to show the benefits of emerging scale and investment in people and technology. Corporate Advisory & Equities benefited from an upswing in M&A activity and completion of large restructuring mandates.

[1] This forecast is subject to market conditions, deal completion rates and timing, no material regulatory changes and a gradual transition away from existing COVID-19 related restrictions as FY21 progresses

Underlying EBITDA was up 78% on 1H20 to $38.2 million. The Group's focus on balancing attractive operating margins and profitability with continued investment in people, technology and broadening our platform continues to deliver.

The Board declared a maiden fully franked interim dividend of 5 cents per share. This reflects the Group's strong capital position and consistency of earnings underpinned by the ongoing growth in revenues that are recurring in nature. The Group is targeting a combined full year dividend in excess of FY20 and towards the upper end of its target payout range of 25-50% of Underlying EPS.

Joint CEOs Julian Biggins and Chris Wyke said:

"We are pleased with the broad-based growth across the business during the half. The benefits of our long-term investment across the operating platform continues to deliver outstanding results. In particular, the strong and growing inflows into our Asset Management funds are a result of many years of investment in our distribution platform and investment strategies."

"Our Corporate Advisory & Equities business has benefited from an improving transaction environment and its pipeline continues to build. The business has also benefited from key strategic hires during the period that have already executed on significant transactions."

"We are very excited in the potential of our Lending platform. The increasing scale and ambition of our activities in this space has led to the creation of a new operating division. Substantial investment across multiple lending platforms provides significant opportunities for growth."

"The strength of our people and platform combined with our robust balance sheet has MA Financial Group well positioned to continue its strong growth momentum."

Key Financial Tables

UNDERLYING RESULTS[1]	1H21	1H20	GROWTH
Revenue	$102.7m	$67.4m	52%
EBITDA	$38.2m	$21.5m	78%
Net profit after tax	$23.4m	$12.1m	93%
Earnings per share	16.3¢	8.5¢	92%
EBITDA margin	37.2%	31.9%	
Return on equity[4]	19.2%	11.0%	
Cash at bank[5]	$68.3m	$139.6m	-51%

STATUTORY RESULTS[1]	1H21	1H20	GROWTH
Revenue[2]	$100.8m	$74.2m	36%
EBITDA[3]	$31.8m	$24.6m	30%
Net profit after tax	$14.3m	$8.9m	60%
Earnings per share	10.0¢	6.2¢	61%
Dividend per share	5.0¢	-	n.a

[1] Refer to slides 35 – 37 in the Half Year 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] Annualised for the six-month period

[5] Adjusted to reflect the total economic exposure of the Group by removing the consolidation of a MA Financial Group managed credit fund.

Performance Review of Business Activities

Asset Management

The Asset Management division contributed 71% of the Group's Underlying EBITDA before corporate costs in 1H21. This was down from 79% in 1H20, as earnings from the Lending business were reported separately for the first time.

Underlying EBITDA was up 119% on 1H20 to $31.6 million due to strong growth in base fees, performance and transaction fees and positive mark to market movements.

Base management fees rose 28% on 1H20 to $33.6 million, with AUM up 21% over the last 12 months to $6.1 billion. This was an increase from $5.4 billion at FY20, driven by strong net fund inflows of $506 million during the half. The acquisition of retail shopping centre manager RetPro, on 1 April, added $2.5 million to base fees in the half.

Transaction-based revenue was up 123% on 1H20 to $18.5 million as transactional activity normalised following COVID-19 impacted operating conditions in 1H20 and performance fees benefited from the strong performance of the Group's Hospitality assets and Equities strategies. Performance and transaction fees are expected to continue to be material and consistent earnings contributors as the Group's investment strategies continue to scale and mature.

An $8.2 million positive mark to market movement was driven by a $7.6 million valuation uplift for the Group's holding in Redcape Hotel Group (ASX: RDC). The RDC portfolio was independently valued at 30 June 2021 with strong venue earnings growth and tightening cap rates underpinning an increase in Directors NAV[1] from $1.22 to $1.31.

1H21 net fund inflows of $506 million, were well up on $158 million in 1H20. This was driven by strong growth in flows from Foreign High Net Wealth (HNW) investors, from within and outside the Significant Investor Visa (SIV) program, and increasingly consistent flows from Domestic HNW investors. MAF now manages capital on behalf of Foreign HNW clients from 25 different countries.

The Group also launched its first credit funds for retail investors following the granting of a retail AFSL[2] by ASIC in April.

Proposed delisting of Redcape Hotel Group

Redcape Hotel Group Management Limited, the responsible entity of the Redcape Hotel Group (ASX:RDC), today announced that it will seek shareholder approval to delist Redcape Hotel Group from the ASX. The proposal seeks to take RDC back to being an unlisted fund and provide RDC security holders with a less volatile pricing structure that more closely reflects the underlying valuation of RDC's assets.

MAF[3] has been working with the Independent Board of RDC over the last six months on strategic options and believes that the delisting proposal is the best approach for all securityholders to realise the value of their holding.

MA Financial Group, its associated funds and executives own more than 44% of RDC and are long term supporters of the business, maintaining a high conviction in the investment fundamentals of the asset class.

---

[1] Net Asset Value
[2] Australian Financial Services Licence
[3] Via RDC's appointed investment manager and hotel operator, MA Hotel Management Pty Ltd

Security holders will have the option to either retain their existing holding, increase their holding through participating in a $1.15 rights issue or sell their securities via a buyback facility at $1.15, representing a 22% premium to RDC's last closing price.[1] MA Financial Group and its directors intend to retain their respective investments in RDC post delisting.

Investors who choose to remain invested will maintain their exposure to RDC's high quality portfolio and experienced management team in a higher yielding unlisted fund structure with an ability to realise liquidity on a quarterly basis at a price benchmarked to NAV. Under the proposed unlisted structure there will be no change to RDC's existing corporate entities and management arrangements.

Lending

The Group's Lending business today reported as a distinct unit for the first time. This reflects its increasing scale and significance to the Group's results. The Lending business operates multiple discrete proprietary lending platforms. It is also a funder of high-quality loan portfolios originated by third parties. Net interest income earned by the business was previously reported through Principal Investments income within the Asset Management division.

1H21 Underlying EBITDA of $6.4 million was up 39% on proforma 1H20 and represented 14% of the Group's Underlying EBITDA before corporate costs. This was driven by 160% growth in its total loan portfolio to $375 million over the 12 months to 30 June 21.

Loan portfolio growth was the result of strong growth in Loan Portfolio Funding initiatives, the acquisition of an initial 47.5% interest in residential mortgage lender MKM Capital in October 2020 and growth in Legal Disbursement Funding.

Loan Portfolio Funding includes a funding partnership with a major domestic bank announced in February 2021 and the MA Priority Income Fund, in which the business funds 10% of a growing credit investment portfolio managed by the Asset Management business.

In 1H21, the business generated an annualised return on its average capital invested of 16.5%, ahead of the Group's target.

Corporate Advisory & Equities (CA&E)

1H21 underlying EBITDA for CA&E was $6.5 million, up 20% on 1H20, driven by a record first half underlying revenue contribution of $27.9 million (up 6% on 1H20).

Corporate Advisory fees were up 16% to $24.8 million, benefiting from a recovery in M&A activity, completion of large restructuring mandates and an increase in private financings. The business advised on $3.7 billion worth of transactions during the period.

Following a strong start to 2H21 and a significant transaction pipeline for the remainder of FY21 the business remains on track to be within its targeted annual range of $1.1 million to $1.3 million of revenue per advisory executive for the year.

Equities commissions were down 38% on 1H20 to $3.1 million as significant market volatility in the prior corresponding period drove elevated trading volumes and commissions.

---

[1] Closing price of $0.94 on 17 August 21

For personal use only

Balance sheet and capital management

As at 30 June 2021, the Group had Net Assets of $249 million, including $68 million of operating cash. The operating cash balance was down from $112 million at 31 December 2020 as cash was successfully deployed into a variety of growth investment initiatives. This follows a defensive positioning in FY20 given COVID-19 related uncertainty and softer transactional activity.

It is anticipated that over $60 million of asset investments will recycle back into cash during 2H21 and will be available to facilitate further growth initiatives.

The Board declared a fully franked interim dividend of 5 cents per share, reflecting the Group's strong capital position and increased earnings consistency as recurring revenue business continues to grow.

The Group is targeting a combined full year dividend in excess of FY20 and towards the upper end of its target payout range of 25-50% of Underlying EPS.

Post balance date activity

Strong business momentum has carried into 2H21, in spite of current COVID-19 related lockdown restrictions.

Our staff have seamlessly transitioned to work from home arrangements and business activity levels remain high. The most significant impact is in relation to the Group's hospitality business where all New South Wales based hotel venues have been affected by current COVID-19 lockdown restrictions. This is anticipated to impact distribution income and hotel operator fees in 2H21, whilst MAF continues to absorb the ongoing cost of venue management.

Positively, over the first six weeks of 2H20 the business has:

- completed corporate advisory and ECM work that is expected to deliver $18 million of fees in 2H21, subject to usual closing conditions
- received net fund inflows of approximately $185 million, evenly split between domestic and foreign clients
- settled on $20 million of hotel accommodation assets for MA Real Asset Opportunities Fund; with a further $255 million of asset acquisitions announced in 1H21 still to settle and add to AUM in 2H21; and
- signed a conditional contract for the sale of a Venture Capital fund investment anticipated to deliver a $4 million performance fee in 2H21

Outlook

Given the strong 1H21 result and continued momentum into 2H21, the Group now expects that FY21 Underlying EPS will increase between 20% and 30% on FY20. The previous expectation was for a 10% to 20% increase on FY20.

In providing this outlook, additional factors considered were:

- Increasing certainty in positive business momentum, inclusive of current lockdown impacts
- Expected growth in AUM given recent asset acquisitions and a strong pipeline of expected fund inflows
- Corporate Advisory pipeline supportive of productivity target of $1.1m to $1.3m revenue per executive

This outlook is subject to market conditions, deal completion rates and timing, no material regulatory change and a gradual transition away from existing COVID-19 related restrictions as FY21 progresses.

A conference call for analysts and investors will be held at 2pm today with Joint CEOs, Julian Biggins and Chris Wyke, and CFO, Graham Lello. You can access the webcast of the event by CLICKING HERE

Authorised for release by the Board of MA Financial Group Limited

For further information, please contact:

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

Media:
Bryce Corbett
+61 410 711 999
bryce@domestiqueconsulting.com.au