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ASX ANNOUNCEMENT

25 August 2022

MA Financial reports Record First Half Financial Result

MA Financial Group Ltd ("the Group"; ASX: MAF) is pleased to present its financial results for the six months to 30 June 2022 (1H22). Key highlights include:

- **Underlying earnings per share (EPS) up 42% on 1H21 to 17.6 cents**
- **Statutory EPS up 29% on 1H21 to 12.9 cents**
- **Assets under management (AUM) up 18% on 1H21 to $7.2 billion**
- **1H22 gross fund inflows of $574 million**
- **Significant growth and investment in Lending business:**
    - **91% growth in Loan Book to $718 million since 1H21**
    - **Finsure Managed Loans up 25%, from $67 billion to $84 billion since Dec 21**
- **Corporate Advisory revenue of $27.8 million, up 12% on 1H21**
- **Interim dividend of 6 cents per share, up 20% on 1H21**
- **Reaffirm FY22 guidance. Underlying EPS expected to be up 30% to 40%[1] on FY21**

MA Financial Group today announced a record first half result. The result highlights the diversity of the business and its ability to grow despite challenging market conditions.

Underlying Revenue of $146.2 million was up 54% on 1H21 with increased contributions from each division. Asset Management grew Underlying Revenue by 58% on 1H21 underpinned by strong transaction and performance fees and growth in base management fees. Gross fund inflows of $574 million were highlighted by strong inflows into the Group's credit funds.

[1] This forecast is subject to market conditions, deal completion rates and timing, no material regulatory changes and no further significant COVID-19 related disruptions. Excludes unrealised mark to market movements on investments. Including unrealised mark to market movements on investments, FY22 Underlying EPS is anticipated to be up 10% to 20% on FY21, unchanged from prior expectations.

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The Group's Lending division broadened its capability with the successful integration of Finsure. MA Financial's Loan Book increased by 91% on 1H21 to $718 million, driven by strong organic growth and the acquisition of the remaining 52.5% of residential lender MKM in March.

Corporate Advisory & Equities benefited from solid M&A activity, led by the Group's role advising Consolidated Press Holdings (CPH) on its stake in Crown Resorts, and broadened capability following strategic investments in talent.

1H22 Underlying Net Profit After Tax of $28.1 million and Underlying EPS of 17.6 cents were up 58% and 42% on 1H21 respectively. The Group continues to focus on balancing ongoing attractive operating margins and profitability with investment in people, technology and brand which we believe are key drivers of long-term growth.

The Board declared a fully franked interim dividend of 6 cents per share, up 20% on 1H21. This reflects the Group's strong capital position and consistency of earnings underpinned by the continued growth in revenues that are recurring in nature.

Joint CEOs Julian Biggins and Chris Wyke said:

"We are extremely pleased with how the business has performed during the period, highlighting the increasingly diversified nature of our business. Asset Management credit funds, our Hospitality assets and our Lending business have demonstrated strong growth in a rising interest rate environment. Corporate Advisory has continued to deliver on its strong transaction pipeline.

It is particularly pleasing that we were able to achieve this growth whilst continuing to invest in our platform and capability. During the half we have made significant investments in people, new business premises and into our Residential Lending business that will help sustain future business growth."

Key Financial Tables

UNDERLYING RESULTS[1]	1H22	1H21	GROWTH
Revenue	$146.2m	$94.8m	54%
EBITDA	$49.6m	$30.3m	64%
Net profit after tax	$28.1m	$17.8m	58%
Earnings per share	17.6¢	12.4¢	42%
EBITDA margin	33.9%	32.0%	
Return on equity	14.9%	14.6%	
Cash at bank[4]	$73.5m	$68.3m	8%

STATUTORY RESULTS[1]	1H22	1H21	GROWTH
Revenue[2]	$153.7	$100.8m	53%
EBITDA[3]	$48.5m	$31.8m	53%
Net profit after tax	$20.5m	$14.3m	44%
Earnings per share	12.9¢	10.0¢	29%
Dividend per share	6.0¢	5.0¢	20%

[1] Refer to slides 37 - 39 in the 1H22 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 40-42 in the 1H22 Result Presentation for reconciliation to Statutory Balance Sheet.

Performance Review of Business Activities

Asset Management

The Asset Management division contributed 69% of the Group's Underlying EBITDA before corporate costs in 1H22. This was despite the exclusion, for the first time, from Underlying earnings of unrealised mark to market movements on Group investments, which was equivalent to a $10.0m gain in 1H22 (1H21: $7.9m).

Underlying EBITDA was up 74% on 1H21 to $42.4 million due to strong growth in base management fees, transaction and performance fees. Base management fees increased 35% on 1H21 to $45.7 million, driven by AUM growth, increased hotel operator fees and the inclusion of a full period of RetPro retail shopping centre management fees.

Assets under Management (AUM) rose 4% over the period and was up 18% on 1H21 to $7.2 billion. Gross fund inflows of $574 million remained strong, driven by flows into the Group's credit funds. Positive net inflows of $415 million were achieved despite the successful realisation of Hollywood Plaza shopping centre and two private equity investment assets, with the subsequent return of capital to clients in June.

Gross inflows from Domestic clients continued to build momentum, up 61% on 1H21 reflective of the Group's significant investment in its domestic distribution platform. Gross inflows from International HNW clients were impacted by a reduction in flows arising from International Migration Investor applicants as visa processing was temporarily interrupted by COVID related lockdowns in China and Hong Kong. This was partly offset by a 53% increase in gross inflows from International Non-Migration HNW clients as the Group focusses on leveraging its expanding network of International HNW clients.

Transaction-based revenue was up 107% on 1H21 to $37.9 million, lifted by growth in performance fees largely arising from the strong performance of the Group's hospitality assets. Transaction fees benefited from continued growth of the Group's Real Estate credit funds.
It is expected that performance and transaction fees will continue to be material and consistent earnings contributors, albeit 1H22 was an exceptionally strong period for performance fees.

Expenses of $47.3 million were up 46% on 1H21 due to continued investment in people and capability to support growth and a full six months of RetPro expenses.

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Lending

The Group's Lending business continued to build scale. Our Lending business experienced strong organic growth coupled with investment into our residential lending platform to position it for long-term growth.

Total Loan Book grew by 91% on 1H21 to $718 million at 30 June 2022, due to strong organic growth in principal and specialty finance activity and the acquisition of the remaining 52.5% of residential mortgage lender MKM. Net interest income grew by 23% on 1H21 to $12.5 million, with the net interest margin lower at 4.1% due to Loan Book growth trending towards more scalable but lower margin principal and residential lending activity.

In February 2022, the Group completed the acquisition of leading mortgage aggregation platform Finsure. The business has exceeded expectations in 1H22, adding 282 new brokers and increasing its Managed Loans by 25%, from $67 billion to $84 billion.

Finsure delivered 1H22 underlying revenue of $12.7 million comprising:

- $7.3 million of recurring subscription fees and trail commissions
- $2.1 million of activity based upfront commissions and other fees; and a
- $3.3 million positive movement in the net present value of future net trail commissions.

A key focus for Lending continues to be building a highly scalable platform to position the business for long-term growth. During 1H22 the business has made a significant investment in its residential lending business across people, platform and technology. This has resulted in a reduction in Return on Invested Capital (ROIC) to 12.8% from 16.5% in 1H21, however it positions the business to take advantage of the significant opportunity for long-term growth in the residential mortgage market.

Corporate Advisory & Equities (CA&E)

1H22 Underlying EBITDA for CA&E was $6.7 million, up 3% on 1H21, driven by a record first half contribution from Corporate Advisory fees.

Corporate Advisory fees were up 12% to $27.8 million, benefiting from solid M&A activity led by the Group's role advising CPH on its stake in Crown Resorts. The business advised on $10.9 billion of transactions during the half, up from $3.7 billion in 1H21. There was limited ECM activity in the half as market conditions were challenging.

Following a positive start to 2H22 and a solid transaction pipeline for the remainder of FY22 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, subject to market volatility and completion rates.

The Group will continue to develop and grow the division but will remain selective in its approach to hiring, always paying regard to its revenue per head target range and the consistency of earnings productivity in the business over the long-term.

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Balance sheet and capital management

As at 30 June 2022, the Group had Net Assets of $391 million, including $73.5 million of operating cash. In addition, the Group added additional balance sheet flexibility agreeing a $40 million unsecured revolving corporate facility with a major domestic bank.

The dynamic use of the balance sheet continued to be a strong driver of business growth in 1H22. During the half the Group recycled $50 million from prior investments into cash whilst re-investing $45 million to support new growth and strategic initiatives.

The Board declared a fully franked interim dividend of 6 cents per share, up from 5 cents per share in 1H21, reflective of the Group's strong capital position and increased earnings consistency.

Post balance date activity & Outlook

The business has made a positive start to 2H22 with significant business activity over the first seven weeks of the half. Key highlights for the business have been:

- $354 million of gross fund inflows into Asset Management funds, including 2 new institutional credit mandates of $136 million in aggregate
- Finsure achieved record monthly loan settlements of $3.7 billion in July
- Corporate Advisory completed work on transactions expected to deliver $17 million of fees in 2H22.

Given its ongoing positive momentum the Group reaffirms its guidance for growth in Underlying EPS of between 30% and 40% in FY22. This is equivalent to the range of 38.5 to 41.5 cents per share highlighted at the Group's investor day in June. This guidance excludes unrealised mark to market movement on investments, in line with the Group's new underlying earnings methodology.[1]

Several key factors provide confidence in the FY22 outlook:

- a positive start to 2H22 and the strength of the Group's underlying growth momentum
- a strong pipeline of expected fund inflows from International HNW clients and momentum in Domestic client inflows
- Corporate Advisory pipeline is supportive of productivity target of $1.1 to $1.3 million revenue per executive
- the Group's strong cash position provides strategic flexibility to fund growth initiatives
- the continued platform investment and additional expense associated with new premises

This outlook is subject to market conditions and the potential impact of significant volatility, no further significant COVID-19 related disruptions, the timing and completion of Corporate Advisory transactions and no material regulatory change.

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1 Including unrealised mark to market movement, previously stated guidance for Underlying EPS growth of 10 to 20% in FY22 also remains unchanged.

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A conference call for analysts and investors will be held at midday 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 a Sub-Committee of the Board of MA Financial Group Limited

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