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ASX ANNOUNCEMENT

17 February 2022

MA Financial reports Record Full Year Financial Result

MA Financial Group Ltd ("the Group"; ASX: MAF) is pleased to present its financial results for the year to 31 December 2021 (FY21). Key highlights include:

- **Underlying earnings per share (EPS) up 52% on FY20 to 38.2 cents**
- **Statutory EPS up 21% on FY20 to 22.3 cents**
- **FY21 net fund inflows of $1.1 billion, well up on $0.4 billion in FY20**
- **Assets under management (AUM) up 28% on FY20 to $6.9 billion**
- **Continued to build and scale Lending business, with loan portfolio up 44% on FY20**
- **Record Corporate Advisory & Equities revenue, up 29% on FY20**
- **Full year dividend of 17 cents per share, up 70% on FY20**
- **Reaffirm FY22 guidance. Underlying EPS expected to be up 10% to 20%[1] on FY21**

MA Financial Group today announced a FY21 result highlighting a period of record earnings and growth as well as strategic delivery. The year was characterised by increased business activity levels across all three operating divisions. Strong net fund inflows, loan portfolio growth, and record Corporate Advisory revenue underpinned the record result.

Underlying Revenue of $232.4 million was up 45% on the FY20 result of $160.1 million, reflecting increased contributions from each division. Asset Management grew Underlying Revenue by 57% on FY20 underpinned by strong transaction and performance fees, base fee growth and positive mark to market movements. The Group's Lending division continues to expand its loan portfolio whilst building a scalable platform for long-term growth. Corporate Advisory & Equities benefited

[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.

from an upswing in M&A activity over the year and broadened capability following strategic investment in talent.

FY21 Underlying Net Profit After Tax of $54.9 million and Underlying EPS of 38.2 cents were up 53% and 52% on FY20 respectively. 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 fully franked final dividend of 12 cents per share. The full year dividend of 17 cents per share (including the Group's maiden interim dividend of 5 cents per share) was well up on the FY20 distribution of 10 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 FY21 payout ratio of 45% balances returns to investors with the retention of earnings to fund further growth initiatives.

Joint CEOs Julian Biggins and Chris Wyke said:

"We are extremely pleased with the strength and breadth of our record result in FY21. The Group continues to grow and diversify, and this was reflected in our change of name during the year to MA Financial Group.

It is particularly pleasing that we were able to deliver strong growth whilst continuing to invest in our business platform and capability. We added to our real estate capabilities with the acquisition of RetPro, broadened our Corporate Advisory offering with selective senior hires and added strategically important infrastructure to our Lending business, announcing in December that we would acquire mortgage aggregator Finsure.

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]	FY21	FY20	GROWTH
Revenue	$232.4m	$160.1m	45%
EBITDA	$88.5m	$60.5m	46%
Net profit after tax	$54.9m	$36.0m	53%
Earnings per share	38.2¢	25.1¢	52%
EBITDA margin	38.1%	37.8%	
Return on equity	21.2%	15.5%	
Cash at bank[4]	$241.1m	$112.2m	115%

STATUTORY RESULTS[1]	FY21	FY20	GROWTH
Revenue[2]	$228.7	$161.1m	42%
EBITDA[3]	$72.2m	$61.4m	18%
Net profit after tax	$32.0m	$26.5m	21%
Earnings per share	22.3¢	18.5¢	21%
Dividend per share	17.0¢	10.0¢	70%

[1] Refer to slides 39 - 41 in the FY21 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] Adjusted to reflect the total economic exposure of the Group by removing the consolidation of two MA Financial Group managed credit funds.

Performance Review of Business Activities

Asset Management

The Asset Management division contributed 69% of the Group's Underlying EBITDA before corporate costs in FY21. Underlying EBITDA was up 50% on FY20 to $73.2 million due to strong growth in base fees, performance and transaction fees and positive mark to market movements.

Base management fees rose 33% on FY20 to $72.0 million. The acquisition of retail shopping centre manager RetPro, on 1 April, added $8.2 million to base fees during the year. AUM was up 28% over the year to $6.9 billion, driven by strong net fund inflows of $1.1 billion. Net inflows were well up on the $430 million received in FY20, largely due to a 768% or $400 million increase in flows from Domestic High Net Worth (HNW) and retail clients. Net inflows from Foreign HNW clients remained strong and increased 29% on FY20 to $646 million.

Transaction-based revenue was up 58% on FY20 to $42.6 million as transactional activity normalised following COVID-19 impacted operating conditions in FY20. Transaction fees benefited from increased activity in the year and a growing contribution from real estate credit funds. The strong performance of the Group’s Hospitality assets and Equities strategies were the main contributors to performance fees. 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.

The $22.6 million positive mark to market movement was driven by an $18.7 million valuation uplift for the Group’s holding in Redcape Hotel Group. Redcape was successfully delisted from the ASX in 2H21, providing security holders with a less volatile pricing structure that more closely reflects the underlying valuation of its asset portfolio. This strategy has delivered a total return to investors since inception of 15.9% per annum as at 31 December 2021.

Expenses of $70.2 million were up 65% on FY20 due to the RetPro acquisition and the continued investment in people and capability to support growth.

Lending

The Group announced the separate reporting of its Lending activities from its Asset Management division in May 2021, reflecting its increasing scale and significance to the Group’s results.

Total loan portfolio grew by 44% in FY21 to $455 million at 31 December 2021, largely due to strong growth in the MA Priority Income Fund, in which the Lending business funds 10% of a growing credit investment portfolio managed by the Asset Management division. Towards the end of FY21, the division funded a number of new lending funds, including a US Dollar denominated version of the Priority Income Fund, which present attractive growth opportunities over the coming years.

Net interest income grew by 30% to $19.9 million, while FY21 Underlying EBITDA of $10.3 million was up 13% on FY20. Lending EBITDA represented 10% of the Group's Underlying EBITDA before corporate costs.

A key focus for Lending has been on building a scalable platform to position the business for long term growth. This includes significant investment in operational capabilities to support the delivery of strategic growth initiatives. FY21 included $2.1 million of operational expenditure in platforms to facilitate future growth in both residential mortgages and specialty lending. This created a near term drag on return on invested capital (ROIC) with the drag anticipated to reduce over the coming year.

In December 2021, the Group announced it would acquire Finsure, a leading Australian mortgage aggregator business for $145 million. The acquisition was completed in February 2022 and enhances the Group's exposure to recurring revenue streams in a strategic market with positive tailwinds. The Finsure acquisition is expected to accelerate the growth of the Lending division.

Corporate Advisory & Equities (CA&E)

The CA&E division delivered a record performance in FY21, with Underlying EBITDA up 58% on FY20. The result reflected strong M&A activity complemented by the ongoing investment in the advisory team and its capability. Senior hires recruited at the beginning of FY21 were integrated seamlessly within the broader team and made strong contributions to the full year earnings.

Corporate Advisory fees were up 39%, representing revenue per executive of $1.2 million, in the middle of the Group's target productivity range. Activity was broadly spread across the division's core capabilities of real estate, technology, small and mid-cap industrials and restructuring and credit.

The division advised on 25 transactions worth $5.8 billion in FY21, up on $4.2 billion in FY20. ECM activity increased in 2H21 after a quiet first half and over $1 billion was raised for clients over the year. These transactions included the highly successful $230 million equity raising for Johns Lyng Group and sole advisor role on its related acquisition of US based Reconstruction Experts.

Equities commissions were down 20% on FY20 predominately due to significant volatility driving elevated trading volumes in the prior period.

Expenses increased on the prior year as average Advisory headcount grew from 45 to 51 staff and the revenue base increased. At the end of FY21 there were 58 staff employed in the Advisory division with two new senior hires joining the team in early 2022.

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.

Balance sheet and capital management

As at 31 December 2021, the Group had Net Assets of $370 million, including $241 million of operating cash. These totals were elevated at reporting date due to the successful completion of a $100 million institutional placement in December 2021 to fund the acquisition of Finsure, which completed on 7 February 2022. The associated Share Purchase Plan for retail shareholders closed in January 2022, raising an additional $20 million.

The Group will look to maintain its average cash balance of approximately $100 million, providing strategic flexibility to fund further growth initiatives. Dynamic use of the balance sheet was a strong driver of business growth in FY21. During the year the Group recycled $80 million from prior investments back into cash whilst re-investing $60 million to support new growth and strategic initiatives.

Post balance date activity

The business has maintained its positive momentum into the start of FY22. Over the first six weeks of FY22 the business has:

- completed the acquisition of Finsure on 7 February, ahead of schedule, adding 51 new staff under the leadership of CEO John Kolenda
- continued to grow AUM supported by:
  - net fund inflows of approximately $135 million
  - the settlement of 50% acquisition of 25 Grenfell Street in Adelaide for $83 million
  - MA Hotel Brunswick Fund raising to fund the announced $68 million acquisition
- extended positive momentum in M&A acting on several announced transactions
- continued to expand its Corporate Advisory offering hiring two new Managing Directors, adding capability in mid-cap ECM origination and FinTech advisory.

Outlook

Given the ongoing positive momentum the Group reaffirms its guidance for growth in Underlying EPS of between 10% and 20% in FY22, aligned to our previously announced range of 41.5 to 45.3 cents per share. In providing this outlook, additional factors considered were:

- base management fee run rate at the end of FY21 equivalent to $89 million per annum
- a strong pipeline of expected fund inflows from Foreign 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 investment in platform and additional expense associated with new office premises

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

A conference call for analysts and investors will be held at 11am 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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