MA Financial Group

Level 27, Brookfield Place
10 Carrington Street
Sydney NSW 2000

ASX ANNOUNCEMENT

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MA Financial Reports Record Full Year Result, Dividend up 18% to 20cps

MA Financial Group Limited ("the Group"; "MA Financial"; ASX: MAF) is pleased to present its financial results for the 12 months to 31 December 2022 (FY22). Key highlights include:

- **Record Underlying revenue, up 41% on FY21 to $302 million.**
- **Record Underlying earnings per share (EPS) up 29% on FY21 to 38.3 cents (Statutory EPS up 26% to 28.0 cents)**
- **FY22 gross fund inflows of $1.5 billion, driven by strong flows into credit funds**
- **Assets under management (AUM) up 13% on FY21 to $7.8 billion ($8.0bn in Feb-23)**
- **Finsure managed loans up 37% on FY21 to $91 billion**
- **Full year dividend of 20 cents per share, up 18% on FY21**

MA Financial today announced a record full year result, highlighting the Group's ability to grow through market cycles given its strength and diversity.

Underlying revenue of $301.8 million was up 41% on FY21 driven by a strong performance by the Group's Asset Management business.

FY22 Underlying net profit after tax of $61.4 million and Underlying EPS of 38.3 cents were up 44% and 29% on FY21 respectively. Importantly, the Group was able to deliver this strong earnings growth alongside significant investment in people, technology and product development which we believe will be key drivers of long-term growth.

Asset Management delivered 78% of the Group's EBITDA (before Corporate costs), up 78% on FY21 due to strong performance fees and 36% growth in recurring revenue. Gross fund inflows of $1.5 billion over the year underpinned the growth in recurring revenue with nearly 80% of the flows being allocated to Credit Investing funds.

The Group's ongoing strategic development of a vibrant Residential Lending Marketplace within the Lending & Technology division significantly increased its reach and expertise. The successful integration of Finsure and the acquisition of the remaining 52.5% of MKM before its restructure and rebrand to MA Money in November materially grew our scale in this important business. Finsure added over 500 brokers to its platform in 2022, now 2,640 brokers in total, and increased its Managed Loans by 37% to $91 billion.

Corporate Advisory & Equities proved resilient acting on a diverse range of transactions highlighting the division's broadened capability following investments in talent. Corporate Advisory fees were down 7% on FY21, impacted by weaker ECM activity and the delayed completion of multiple transactions that are expected to close in 1Q23.

The Board has declared a fully franked final dividend of 14 cents per share. The full year dividend of 20 cents per share is up 18% on FY21, representing a payout ratio of 52%. This reflects the Group's strong capital position and consistency of earnings 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 72 cents per share in fully franked dividends.

Joint CEOs Julian Biggins and Chris Wyke said:

"We are very pleased with how the business has performed, delivering a record financial result in 2022 alongside continued investment into future growth. This performance reflects our deliberate strategy to build a diversified business that can grow through market cycles."

"Particularly pleasing is the growth and performance of the Credit Investing business. Client inflows into credit funds almost doubled to $1.1 billion in 2022. Our expertise in originating and management of credit assets has proved attractive with clients seeking to benefit from higher yielding investment funds. We believe credit fund investing will continue to benefit from structural and demographic growth drivers for some time yet."

Key Financial Tables

UNDERLYING RESULTS[1]	FY22	FY21	GROWTH
Revenue	$301.8m	$214.8m	41%
EBITDA	$106.7m	$70.9m	51%
Net profit after tax	$61.4m	$42.6m	44%
Earnings per share	38.3¢	29.6¢	29%
EBITDA margin	35.4%	33.0%	
Return on equity	15.9%	16.5%	
Cash at bank[4]	$98.8m	$237.2m	(58%)

STATUTORY RESULTS[1]	FY22	FY21	GROWTH
Revenue[2]	$332.9	$228.7m	46%
EBITDA[3]	$118.9m	$72.2m	65%
Net profit after tax	$44.9m	$32.0m	40%
Earnings per share	28.0¢	22.3¢	26%
Dividend per share	20.0¢	17.0¢	18%

[1] Refer to slides 43 - 45 in the FY22 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 46-48 in the FY22 Result Presentation for reconciliation to Statutory Balance Sheet.

Performance Review of Business Activities

Asset Management

The Asset Management division delivered a record result with Underlying EBITDA up 78% to $103.5 million, driven by strong performance fees and a 36% increase in recurring revenues partly offset by the businesses continued investment in platform and capability.

Recurring revenues were driven by a 28% increase in base management fees to $92.4 million as average AUM grew and margin improved, plus an 81% increase in Credit Funds income to $25.7 million.

Credit Funds income includes interest income earned from Priority Income Fund strategies (PIF) previously reported in the Lending division and Real Estate Credit Fund (REC) loan arranger fees. PIF income is now more appropriately reported in Asset Management given the income relates to third-party managed fund vehicles and REC loan arranger fees have been reclassified from transaction fees given the fund is continually originating new real estate backed loans as others are repaid or inflows permit additional loan originations. The strong growth in these items highlights the significant inflows into the Group's credit funds during the year.

Performance fees increased 116% on FY21 to $54.0 million, largely due to the strong performance of the Group's Hospitality assets during the year. It is expected that performance and transaction fees will continue to be material and consistent earnings contributors, albeit FY22 was an exceptionally strong period for performance fees.

Assets under Management (AUM) rose 13% over the year to $7.8 billion at 31 December 2022. Gross fund inflows of $1.5 billion were up 17% on FY21, driven by flows into the Group's credit funds. Net inflows of $1.1 billion were impacted by $109 million of capital returns related to asset realisations in FY22 (FY21: $9m). Excluding these FY22 net inflows were up 12% on the prior year.

Gross inflows from non-Migration related sources were up 70% during the year, reflecting strong growth in flows from domestic, institutional and international high net worth (HNW) non-migration related clients. Non-migration flows represented 82% of total gross inflows in FY22. International HNW migration flows were down 52%, impacted by COVID lockdowns in China and Hong Kong.

It was pleasing that our increased focus on directing client inflows from non-migration related channels, and in particular non-migration related foreign high net worth investors offset the softness in migration related flows.

Gross inflows for International HNW channels unrelated to migration were up 97% on FY21 to $509 million. The Group continues to invest to grow this channel, with the opening of a new office in Singapore imminent. Domestic client flows continued to build momentum, up 26% to $609 million from $482 million in FY21. This is reflective of the Group's significant investment in its domestic distribution platform and the growing popularity of the Group's credit product offerings.

Expenses of $94.3 million were up 27% on FY21 due to the continued investment in people and capability to support growth as well as the inclusion of a full 12-month period of RetPro. FY22 was an elevated year for investment in the platform and the pace of new hiring and investment is reducing as the platform benefits from its increased scale and capability.

Lending & Technology

The Lending & Technology business, with the Priority Income Fund strategies now more appropriately reclassified to the Asset Management division, was the focus of major investment in the year as the Group executed on its strategy to build an integrated Residential Lending Marketplace.

In February 2022, the Group completed the acquisition of mortgage aggregation platform Finsure, followed by the acquisition of the remaining 52.5% of residential mortgage lender MKM in March 2022. MKM was restructured and rebranded MA Money in November 2022, following significant investment in people, technology and product structure.

Following the successful integration of these two businesses, the division now has two components:

- Financial Technology - comprises Finsure's tech-enabled aggregation platform and the emerging Middle technology platform, a digital tool that assists brokers to collect verified financial information for loan applications.
- Lending Platforms – comprises residential mortgage lender MA Money and Specialty Finance which is focused on high-margin specialised lending capabilities, including legal disbursement finance activities.

Divisional Underlying EBITDA grew by 100% to $15.6 million due to the addition of Finsure in February 2022.

Financial Technology delivered Underlying EBITDA of $16.4 million in FY22, as Finsure exceeded expectations growing broker numbers by 24% and increased its Managed Loans by 37%, from $67 billion to over $91 billion.

Lending Platforms grew its loan book by 98% in FY22 to $393 million at 31 December 2022. However, the significant investment made in MA Money was a drag on overall performance, leading to a $0.8 million EBITDA loss in FY22. This drag is expected to continue in 2023 as the business scales and positions itself to take advantage of the substantial opportunity for long-term growth in the residential mortgage market. MA Money is targeting a break-even earnings run rate by 1Q24.

Through its investment, 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.

Corporate Advisory & Equities (CA&E)

The Corporate Advisory & Equities (CA&E) Underlying EBITDA was down 37% on FY21 to $13.9 million largely due to challenging equity capital market conditions and Equities revenue being impacted by softer market volumes.

Corporate Advisory fees were resilient despite weaker ECM, down 7%, representing revenue per executive of $1.0 million, slightly below the Group's target productivity range of $1.1 to $1.3 million. The business advised on $13.9 billion of transactions during the year, up on $5.8 billion in FY21. This was led by the Group's role advising Consolidated Press Holdings on its stake in Crown Resorts in 1H22. Activity was broadly spread across industry segments highlighting the increased breadth of capability in the business following recent key hires.

Expenses were in line with the prior year despite average Advisory headcount growing from 51 to 58 employees. The Group will continue to develop and grow the division but will remain selective in its approach to hiring, always paying regard to the maintenance of its revenue per head target range, cost discipline and the consistency of earnings productivity in the business over the long term.

Balance sheet, capital management and dividend

As at 30 June 2022, the Group had Net Assets of $409.6 million, including $98.8 million of operating cash. In addition, the Group added additional balance sheet flexibility during the year 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 FY22. During the year 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.

The Board declared a fully franked final dividend of 14 cents per share, up from 12 cents per share in 2H21, reflective of the Group's strong capital position and increased earnings consistency. The full year dividend of 20 cents per share is up 18% on FY21 and represents an underlying payout ratio of 52%.

Post balance date activity

Business momentum has remained strong in early FY23. Key highlights for the business have been:

- Record gross fund inflows of $252 million for the first six weeks of the year
- AUM reached $8 billion in February
- MA Money commenced offering its new residential mortgage products to a strong initial response, with $20 million of loan settlements in the first three weeks of February and another $80 million of applications currently outstanding. This is ahead of our expectations.

- New digital broker/borrower experience Middle has been launched to market following a successful pilot program.

Looking ahead across the remainder of the year we anticipate:

- Strong growth in Asset Management recurring revenue and slowing expense growth, set against a normalisation of performance fees
- Ongoing growth in Finsure's revenue and MA Money targeting break even run rate by 1Q24
- Corporate Advisory revenue per executive of $1.1 million to $1.3 million in line with 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, 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

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