Australian Shareholders' Association

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Company	IOOF Holdings
Code	IFL
Meeting	AGM virtual
Date	25 November 2020
Venue	Online Lumi platform
Monitor	Alan Hardcastle assisted by Christine Haydon

Number attendees at meeting	38 shareholders and 353 guests
Number of holdings represented by ASA	130
Value of proxies	$3.65m
Number of shares represented by ASA	0.986m
Market capitalisation	$2.41b
Were proxies voted?	Yes
Pre AGM Meeting?	Yes, with chair Allan Griffiths, non-executive director John Selak and CEO Renato Mota

Shareholder angst with share dilution and price fall on display in media and AGM

Shareholder angst over share dilution and a fallen share price following a large capital raising was on display in the media and at IOOF's (IFL) annual general meeting (AGM). Despite the 'protest votes' by what was described as a 'rebel' shareholder body, comprised of both retail and institutional shareholders, all resolutions were passed.

The Lumi virtual AGM was well conducted with 'live' video used for the chair and chief executive officer's (CEO) presentations. Virtual attendance included 37 shareholders, 1 proxy and 353 guests (guests may have included shareholders who had already voted). At last year's AGM there were 56 shareholders, 8 proxy representatives and 39 guests, reflecting the pulling power of virtual AGMs.

Chair and CEO presentations

In August 2020 IFL announced it was to acquire MLC Wealth from NAB for $1.44b in order to create a wealth industry market leading position with $510m funds under management and administration (FUMA) and more than 1800 financial advisors. The acquisition was funded largely by an accelerated non-renounceable entitlement offer (ANREO) of 1 for 2.09 shares at $3.50, complemented with a share purchase plan (SPP). A very low take-up by smaller retail shareholders resulted in significant shareholding dilution as well as marketplace unease, reflected in a share price that fell to as low as about $3 by late October, early November.

The significant smaller retail shareholder dilution is reflected in ASA members' votes totalling the 17th largest holding on the company's 2019 annual report register whereas post the large capital raising it could be assumed ASA members' votes total in the top 30 at best in 2020.

The ASA's AGM questions and comments (some five in all) were presented in full and all received thorough answers. Activist Stephen Mayne also found voice with a handful of questions and comments, largely pertaining to the MLC Wealth acquisition and its concomitant capital raising.

Mr Mayne's refrain was that IFL had overpaid for MLC Wealth and that 'overpaying in takeovers is the easiest way to destroy shareholder value'. The chair seemed comfortable in batting away the criticisms as well as inviting non-executive director (NED) John Selak to comment. Mr Selak emphasised it's not just 'the deal price' that needs to be considered; and that independent advisors were consulted during the buying process.

Suggestions that the large capital raising was a cynical exercise in taking advantage of a Covid-driven regulation change were also addressed in the media. An ASX spokesman, quoted in an Australian Financial Review's article (25 November 2020) about a pending 'rebel' action at the AGM, said the IFL capital raising was "allowed under the rules as they then were" and that the waiver was not limited to equity raisings specifically linked to the public health crisis. He added, IFL had disclosed the purpose of the raising and that other companies, including fellow wealth manager Perpetual and retailer Home Consortium, had also used the waiver to assist with acquisition-focused raises.

In response to the ASA's concerns regarding the new remuneration scheme's limited financial hurdles, the chair stated that "all non-financial hurdles have a direct correlation to financial hurdles" and incentives (for key management personnel) could not be realised without them achieving non-financial hurdles. The chair did add that the scheme will be "reviewed from time to time". The ASA also queried NED Elizabeth Flynn's lack of 'skin in the game' but the chair rightly pointed out she had been buying shares at significantly higher prices ($8 per share plus), pre-MLC Wealth acquisition and capital raising.

The CEO updated shareholders on a number of financials. As at 30 September the company had made $1.4b (177,000 requests) payments of federal government early release of superannuation; while its Evolve platform was administering nearly $13b as at 30 June with subsequent ongoing significant inflows. The P&I business is on track to deliver $68m per annum in total synergies by FY22 on an annualised basis while the MLC business will generate "more than 20% earnings per share accretion in future years underpinned by $150m per annum of targeted pre-tax synergies by the third full year of ownership."

The CEO also revealed that the sluggish remediation process for advice customers will take at least another two years to complete (by FY22).

The resolution voting produced mixed outcomes, reflecting splits in the ‘rebel’ group’s voting. The grant of performance rights to the CEO was passed 98% for; financial assistance passed 92% for; remuneration report passed 80% for; and the re-election of NEDs John Selak and Elizabeth Flynn passed 83% for and 75% for respectively. The ASA voted ‘for’ all resolutions. It’s understood the ‘rebel’ group included ex-IFL senior executives and Bruce Neil, the largest individual retail shareholder.

AGM Voting results