

ASX Announcement

27 August 2020

Generation Development Group FY20 Financial Results

Generation Development Group Limited (ASX: GDG) is pleased to announce its financial results for the 12 months to 30 June 2020 (FY20).

Highlights:

- Underlying revenue \$19.9m - up 25.5%;
- Underlying NPAT of \$2.8m - up 25.1%; and
- Final dividend of 1.0 cents per share, or 2.0 cents per share for the year.

Underlying Result Summary

Year ended 30 June	2020 (A\$'000)	2019 (A\$'000)	Change (%)
Total Revenue including Income Tax Benefit	19,900	15,860	25.5
Total Expenses	(17,084)	(13,610)	(25.5)
Underlying Profit After Tax	2,816	2,250	25.1
Ascalon net operational costs	(2,349)	(1,150)	nm
Extraordinary items	(2,104)	4,186	nm
Statutory Profit After Tax	(1,637)	5,286	nm

FUM Growth

FUM increased by \$222m to \$1,295m at 30 June driven by life product sales of \$332m and lower redemption rates notwithstanding the sharp market correction in March 2020, highlighting the resilient demand for investment bonds, underpinning the recurring and growing revenue generating FUM. Net flows of \$254m, for the year were up 85% on previous period. GDG's sales outperformed the market with a 38% share of market in flows lifting GDG's overall market share to 15%¹.

NPAT

Underlying NPAT was \$2.8m and 25.1% higher than prior period. Combined revenue and income tax benefit grew 25.5% on the back of record sales and increase in FUM. Expense growth for the period included higher costs associated with our response to COVID-19 to ensure we continued to meet our customer needs and maintain consistency in our sales efforts. There has also been an increase in

¹ Plan For Life, Actuaries and Researchers Investment Bonds Report for the period ended 31 Mar 20.

expenses from the move to mandates, for which the full benefits will only be realised in future income years.

Operational Highlights

FY20 saw the delivery of a number of initiatives including:

- Retention of Generation Life's Highly Recommended rating with Zenith and the award of a Highly Recommended rating from Lonsec, the only investment bond provider in the market to hold both ratings;
- Implementation of the workflow system, which enabled better tracking of application status, reducing double handing and allowing for a better reporting of service level standards;
- Implementation of the straight through processing of online applications;
- Completed the system automation of 125% opportunity contribution to advisers and investors;
- Updated our tax management process, which allowed a new administrative structure to address operational and tax leakages of unit trusts and present after-tax benefits to investors; and
- Implemented a new telephony system which facilitates more efficient interactions with clients in accordance with service level standards.

FY21 Outlook

GDG has seen continued strong sales momentum in FY21 from a record sales quarter in June 2020. While we expect to at least maintain sales at FY20 levels via a virtual sales strategy, it is subject to continued uncertainty brought on by COVID-19. We will continue to develop new products including a tax effective regular income product and those addressing longevity risks. We are also actively pursuing emerging acquisition opportunities that are complementary or well positioned for future growth in the financial services sector.

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Appendix

A Summary of the Group's Consolidated Financial Results for FY20 is as follows, including reconciliation between underlying and statutory results.

FY20 Consolidated Financial Results

	Statutory	Ascalon	Non Recurring	Non segment Benefit Funds	Underlying results	
	Results				2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Life & services*	4,032	(75)	-	9,749	13,706	11,088
Other income	(31,782)	(10)	(2)	33,346	1,552	1,524
Total revenue	(27,750)	(85)	(2)	43,095	15,258	12,612
Personnel	(9,653)	1,782	76	-	(7,795)	(5,820)
Occupancy	(211)	135	-	-	(76)	(618)
Communication	(138)	20	1	-	(117)	(121)
Finance	(105)	5	1	-	(99)	(23)
Dealing and settlement*	(4,648)	-	-	440	(4,208)	(3,327)
Marketing and promotional	(349)	-	-	-	(349)	(524)
Depreciation and amortisation	(816)	7	-	-	(809)	(431)
Impairment	(110)	105	-	-	(5)	-
Administration expenses	(4,621)	380	456	159	(3,626)	(2,746)
Management fees paid*	-	-	-	-	-	-
Members withdrawals	(141)	-	-	141	-	-
Total expenses	(20,792)	2,434	534	740	(17,084)	(13,610)
Income tax benefit Life	15,449	-	1,572	(12,379)	4,642	3,248
Attributable to policy holders	31,456	-	-	(31,456)	-	-
Profit after income tax	(1,637)	2,349	2,104	-	2,816	2,250
Ascalon operational costs					(2,349)	(1,150)
Non recurring items (net of applicable tax)						
Deferred tax on carry forward losses					(1,572)	891
Unsuccessful transaction costs					(456)	-
Redundancy payments					(76)	-
Ausdef remediation costs					-	(68)
Fixed assets Impairment					-	(534)
Unsuccessful product development costs					-	(298)
Gain on acquisition of Ascalon					-	4,195
Total Non Recurring					(4,453)	3,036
Statutory profit after tax					(1,637)	5,286

For FY20, and going forward, the management fees paid by the statutory funds to Generation Life are eliminated on consolidation. In prior periods they were reflected separately in the consolidated statement of profit or loss as additional revenue and expense items. As a result, both "Life & services" income and "Dealing and settlement" expense are \$875,032 (\$526,835 in FY19) higher in FY20 than if they were not eliminated on consolidation.