

Generation Development Group

# FY21 Results Pack



**Presenters:**

**Grant Hackett OAM**

Chief Executive Officer and Managing Director of Generation Life

**Terence Wong**

Chief Financial Officer of Generation Development Group

**Outthinking today.**





## Generation Development Group A compelling shareholder value building model

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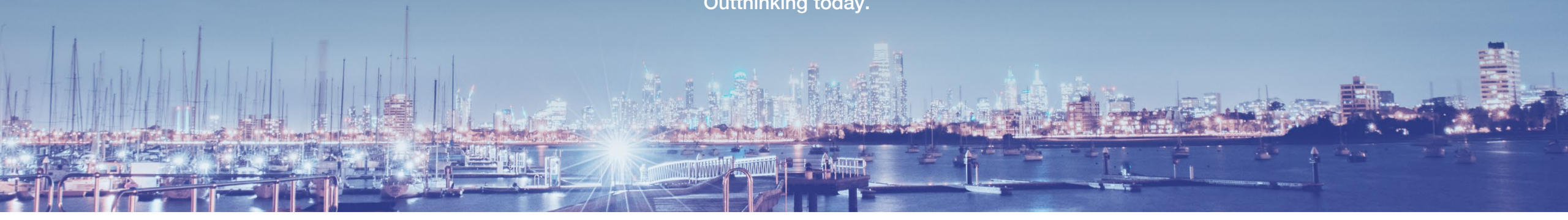
**Generation Development Group (ASX:GDG)** is a licensed Pooled Development Fund (PDF) that delivers tax free capital gains and tax-exempt dividends.

Invested in rapidly growing segments of the financial services industry.



**Lonsec**

Outthinking today.



# Why Generation Development Group?



## Number one inflows for three years running

21%\* sales growth, 26%\* FUM growth



## Strong and sustained NPAT growth

39%\* underlying NPAT growth in the investment bond business



## Resilient business model with 'sticky FUM' even through market downturns

15.7 years average duration



## Track record of product innovation

Launched Tax Aware Series and Generation Life Tax Effective Equity Income Fund, and now developing new investment-linked lifetime annuity product



## Licensed PDF delivering tax-free capital gains on shares and tax-exempt dividends



## Capital light business model



## Positive sales outlook

25%\* growth in Active Financial Advisers



## Utilise our life insurance licence to pursue future growth opportunities in financial services

Imminent launch of investment-linked lifetime annuity for the Australian retirement market

\* 3-year CAGR from June 2018 on a full year basis



# FY21 Financial result summary

## Generation Development Group



	FY21	FY20	Change	Change %
Revenue* (A\$'000)	26,043	19,900	6,143	31
Expenses* (A\$'000)	(21,993)	(17,084)	(4,909)	(29)
<b>Underlying NPAT (A\$'000) – Life/Admin business</b>	<b>4,050</b>	<b>2,816</b>	<b>1,234</b>	<b>44</b>
Income from associates (A\$'000)	580	-	580	nm
Product development costs (net of tax) (A\$'000)	(1,262)	-	(1,262)	nm
<b>Underlying profit after tax (A\$'000)</b>	<b>3,368</b>	<b>2,816</b>	<b>552</b>	<b>20</b>
DPS (A\$)	0.02	0.02	-	-
FUM (A\$'bn)	1.8	1.3	0.5	38
Cash and cash equivalent** (A\$'000)	21,903	11,678	10,225	88

\* Underlying excluding Benefit Funds, Ascalon and non-recurring, including income tax benefit

\*\* Includes term deposits, excluding cash attributable to Benefit Funds





# FY21 highlights and key performance measures

Generation Development Group



## Life Business FUM

\$1.79 billion  
Up 38%



## Life Product Sales

\$404 million  
Up 22%



## Market Share

42.1% of inflows\*  
(rolling 12-month average)  
31 March 2021



## APL's

505  
Up 20%



## Product Rating

Highly Recommended  
Zenith  
Highly Recommended  
Lonsec



## Active Financial Advisers

1,522  
Up 25%



## New Bond Numbers

14,603  
Up 53%



## Savings Plan

\$50 million  
Up 40%



## 61 Investment Options

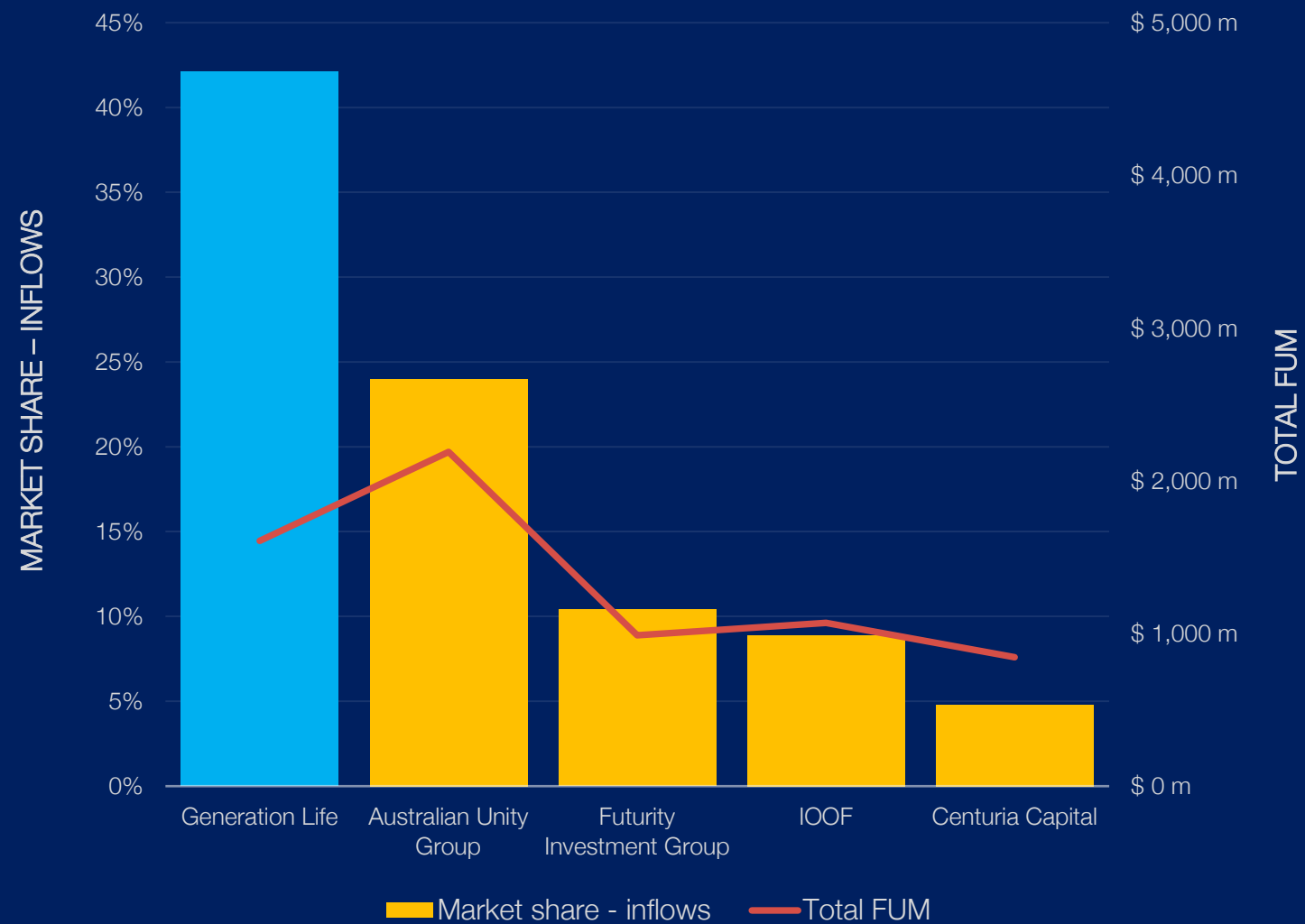


## Average Investment Term

15.7 years

\* Strategic Insight Actuaries & Researchers

**No. 1 in inflows**  
Generation Life  
2<sup>nd</sup> in total FUM

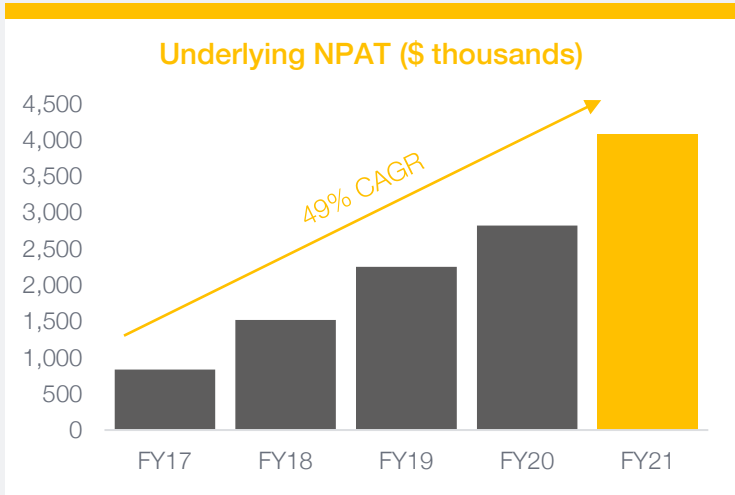
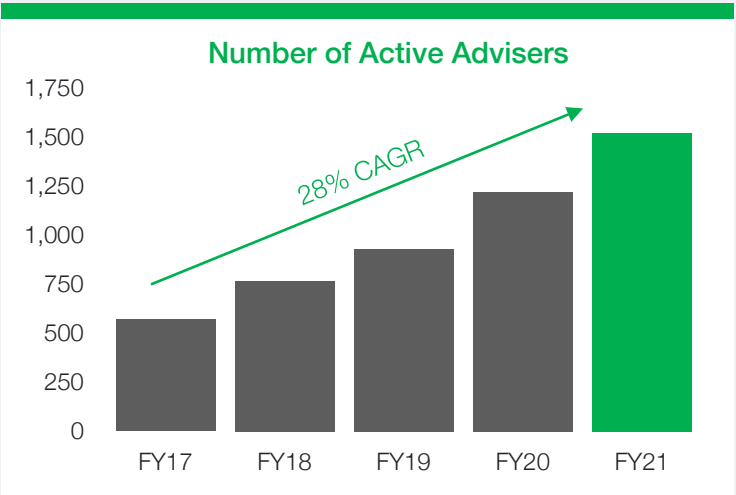
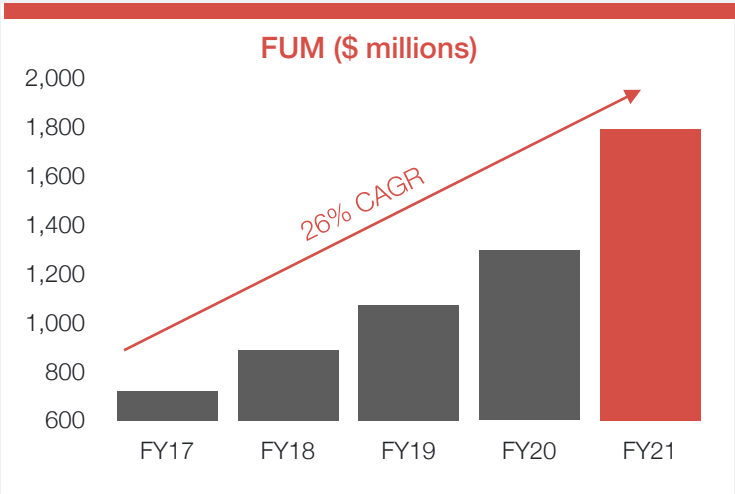
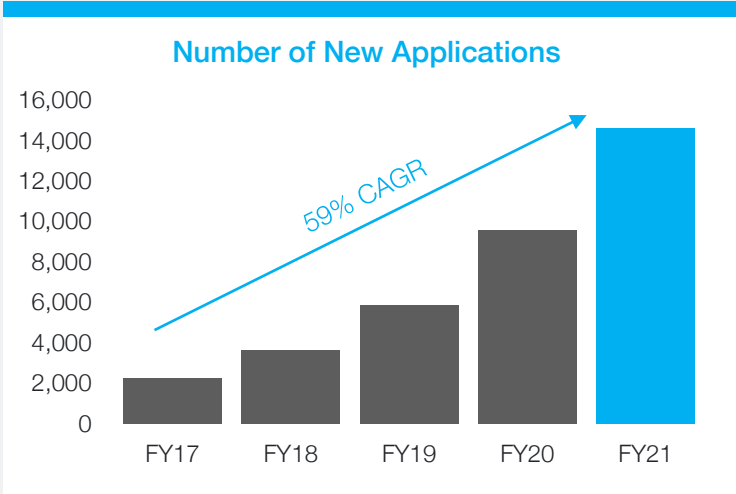
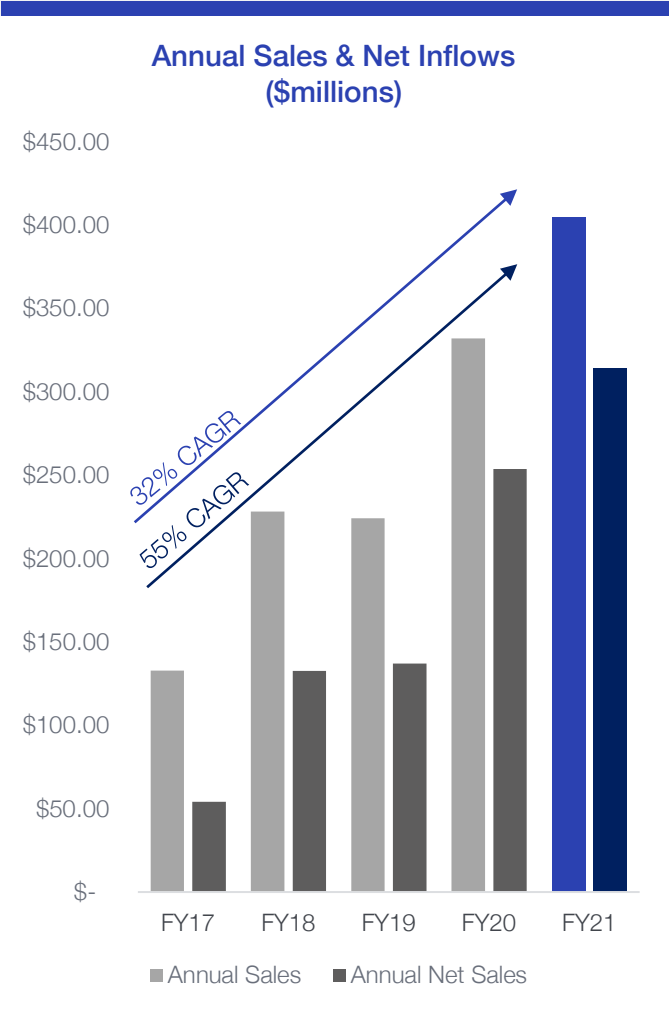


For the 12-month period ended 31 March 2021.  
Source: Strategic Insight Actuaries & Researchers



# Continued improvements in all key metrics

## Generation Life



# Lonsec Holdings FY21 highlights and key performance measures

	FY21	FY20	Change	Change %
Underlying Revenue* (A\$m)	32.4	29.8	2.6	9
Underlying EBITDA* (A\$m)	8.9	7.8	1.1	14
Underlying profit after tax (A\$m)*	4.2	2.9	1.3	42
Lonsec Investment Solutions FUM (A\$bn)	2.0	0.7	1.3	197



## EBITDA Margin

Up to 27.4%



## iRate

Over 4,600 active  
advisers



## Research & Ratings

Over 1,300 products  
rated

\* Underlying excluding one off items including but not limited to government grants, impairments, tax credit for R&D



# Our investment in Lonsec Holdings

Lonsec Holdings has embarked on a strategy of accelerated growth over the next three years to drive sustainable value for its shareholders, clients and employees.

GDG increased its investment in Lonsec from 37% to 41% through a selective buy-back in July 2021. This did not impact our PDF status.

The strategy for accelerated growth will be completed in three overlapping phases.

October 2020

## GDG acquisition of Lonsec Holdings completed

November 2020 – June 2021

### 1. Transition and strengthen

- + Board review & renewal
- + New Chair
- + New Director
- + Commitment to an Accelerated Growth Strategy
- + Leadership review & renewal
- + New CEO
- + New CTO
- + Sales team review & investment

July 2021 – June 2022

### 2. Strengthen and grow

#### Lonsec Accelerated Growth strategy

- + 3-year growth strategy underpinned by Lonsec Investment Solutions

#### Lonsec Sales & Distribution

- + Increase sales capacity & capability
- + Leverage improved API capability

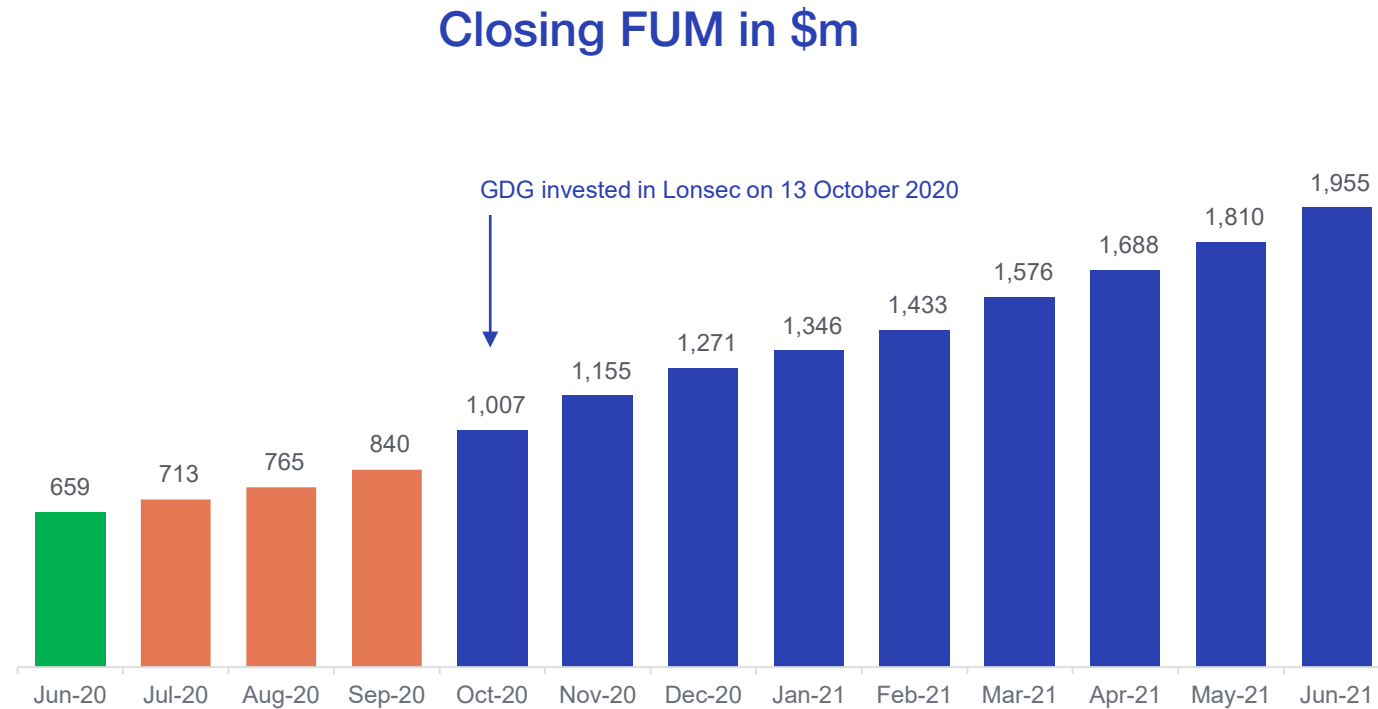
July 2022 – June 2024

### 3. Accelerated Growth

- + Accelerated Growth initiatives implemented
- + Significant, recurring, growth in Managed Account FUM
- + Achieve cost & operational efficiencies / scale

## Lonsec Investment Solutions FUM Growth

Lonsec Investment Solutions is a fast-growing emerging player catering for diversified managed account portfolios and separately managed accounts





# Generation Life investment-linked lifetime annuity

## The longevity landscape

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Key challenges facing Australians is managing the retirement risk of longevity and outliving their savings. Aiming to be the first to introduce an investment-linked lifetime annuity to address these challenges.

### People need lifetime income streams

- + Insurance against outliving savings
- + Ability to spend confidently in retirement
- + Covers the essential costs for life that frees up other savings for discretionary spending



Potential access to more of the Age Pension and additional benefits



Income guaranteed for life



Generating an additional 20-30% return in comparison to traditional lifetime annuities\*

\*Assuming the gross annual return on the underlying investment option in the investment-linked lifetime annuity is 7%; and using the average rates of traditional lifetime annuity providers with CPI of 2.5% as at 11 August 2021.



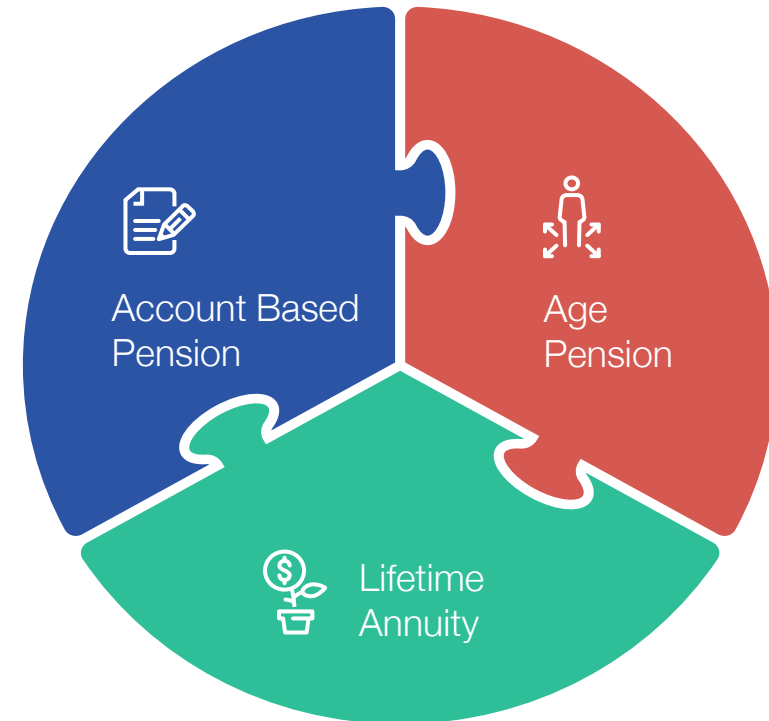
# A better lifetime annuity

## The missing piece of the puzzle

An investment-linked lifetime annuity provides:

- + Income for life
- + An income stream linked to the performance of investment markets
- + A good return on investment
- + Potential access to more of the Age Pension

Market predicted to grow to \$1.185 trillion by 2030\*



\* Deloitte Dynamics of the Australian Superannuation System – November 2019 (Updated August 2020)



# Investment-linked lifetime annuity



## Key achievements in FY21

- + Upgraded our financial technology capabilities to allow us to scale up both the annuities and investment bond businesses through increased automation:
  - + Financial Risk Solutions (FRS) for investment administration
  - + State of the art registry system (investment-linked annuity product)
- + Assembled a team that is experienced in developing innovative superannuation and retirement products, including across IT, product development and fund operations
- + Finalised product features incorporating feedback from test groups of financial advisers to maximise product appeal
- + Development of digital tools and calculators to support advisers

## Forward-looking areas of focus

- + Awaiting final APRA product approval; full submission completed
- + Reinsurance treaty with global reinsurer imminent
- + Finalising marketing and distribution strategy
- + Development of marketing collateral to promote lifetime income in line with Government's Retirement Income Review and policy



# Appendices





# Generation Life

Flagship products highly recommended for over a decade

## 61 investment options across all asset classes

- + 2 x Cash and term deposits
- + 5 x Australian fixed interest
- + 4 x International fixed interest
- + 10 x Australian shares
- + 7 x Responsible investing
- + 10 x International shares
- + 4 x Property
- + 14 x Diversified
- + 2 x Alternatives
- + 3 x Equity Income Fund



The only provider in the market to hold a 'Highly Recommended' rating with both Lonsec and Zenith Investment Partners\*

\*Refer to page 23 for further information about ratings for Generation Life Investment Bonds (ChildBuilder and LifeBuilder).





# Key features of investment bonds



Max tax rate of 30%



No distributions and access to funds at anytime



Tax paid after 10 years – tax advantages pre 10 years



125% advantage



Portability  
Tax free transfers



No personal CGT on switching



No tax file number required



Creditor protection



Can be structured as a non-estate asset

# 5 core uses of investment bonds



## Alternative or complementary to superannuation

The most tax effective investment solution after super



## Estate planning

Be in control of transferring wealth



## Trusts

Reducing distributable income within trusts



## Saving for a child

Meeting the rising costs of future generations



## Government entitlement

Improving pension entitlements



# Generation Life investment-linked lifetime annuity

<b>Capital light model</b>	<b>Pays income for life</b>	<b>Investment-linked</b> Level of income paid is based on the underlying performance of investments chosen
<b>Potential to deliver higher investor returns</b>	<b>Death Benefit</b>	<b>Potential access to more Age Pension benefits</b>
<b>Very positive adviser feedback</b> Compelling proposition to deliver more income to their clients for longer	<b>Awaiting final APRA product approval</b>	<b>Longevity risk lies with reinsurer</b> Reinsurance treaty with global reinsurer imminent





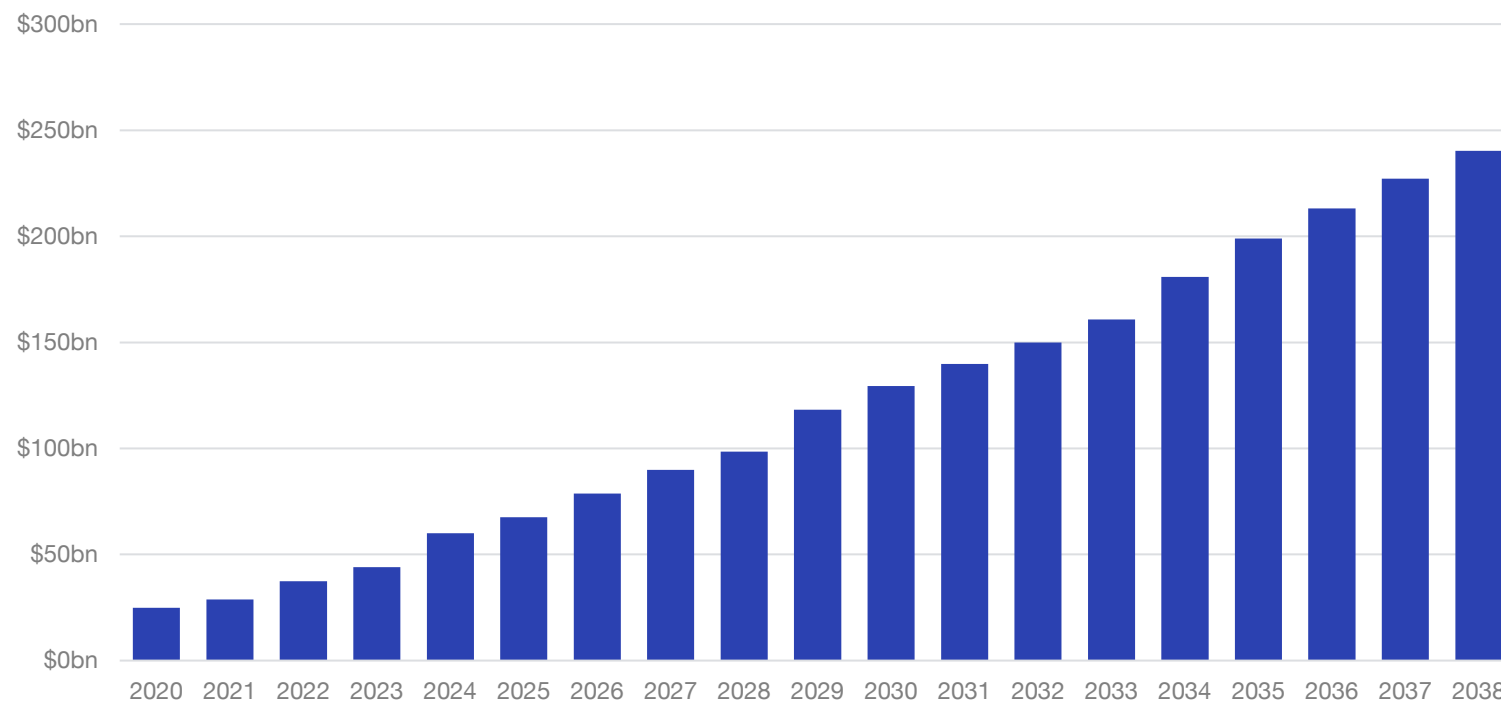
# Australian retirement income market

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Projected transition to retirement

Annual flows moving from accumulation to retirement is forecasted to be

- + \$25bn in 2020
- + \$100bn by 2028
- + \$200bn by 2035



Source: Deloitte Actuaries & Consultants, 2020

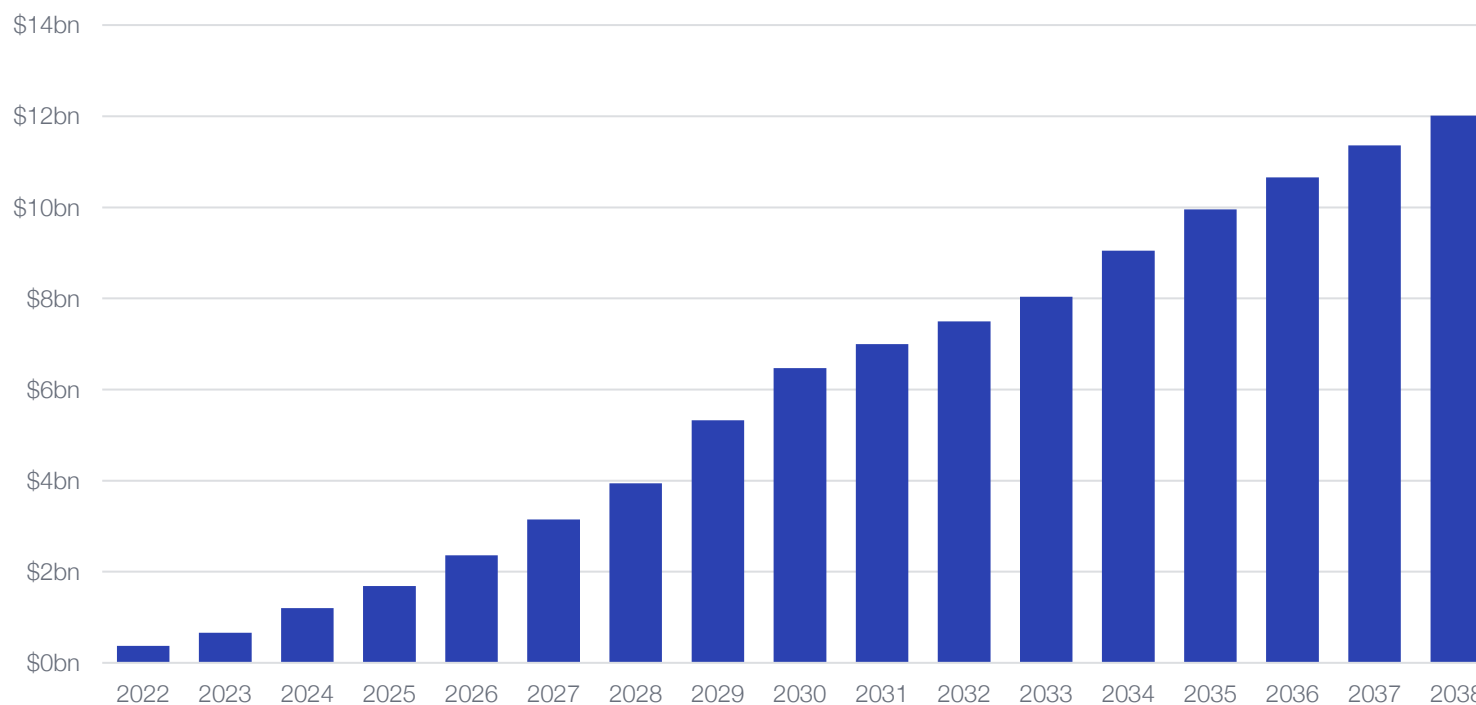
# Potential annual inflows

## Potential annual inflows

- + \$1bn (2.0% mkt share of inflows) in 2024
- + \$5bn (4.5%) in 2029
- + \$10bn (5.0%) in 2036

No assumption made on potential inflows from the post retirement assets market totaling \$566bn<sup>1</sup>

## Projected transition to retirement



Source: Assumes 1% market share in 2022, growing by 0.5% every 2 years to 5% by 2030  
 1. Deloitte Dynamics of the Australian Superannuation System – November 2019 (Updated August 2020)

# Reconciliation of statutory profit to underlying earnings

## Generation Development Group



	FY21	FY20	Change	Change %
<b>Underlying net profit after tax (A\$'000) – Life/Administration business</b>	<b>4,050</b>	<b>2,816</b>	<b>1,234</b>	<b>44</b>
Income from associates (A\$'000)	580	-	580	nm
Product development costs (net of tax) (A\$'000)	(1,262)	-	(1,262)	nm
<b>Underlying profit after tax (A\$'000)</b>	<b>3,368</b>	<b>2,816</b>	<b>552</b>	<b>20</b>
Other items (net of applicable tax):				
Ascalon (net) operating costs (A\$'000)*	(929)	(2,349)	1,420	60
Deferred tax on carry-forward losses recognised / (reversed) (A\$'000)	578	(1,572)	2,150	nm
Transaction costs (A\$'000)	(484)	(456)	(28)	(6)
Termination benefits (A\$'000)	-	(76)	76	nm
<b>Statutory profit after tax (A\$'000)</b>	<b>2,533</b>	<b>(1,637)</b>	<b>4,170</b>	<b>nm</b>

\* Gain on acquisition of Ascalon of A\$5.1m in FY19



# FUM Growth

## Generation Development Group

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	FY21	FY20	Change	Change %
Opening FUM (A\$'000)	1,295	1,073	222	21
Sales inflow (A\$'000)	404	332	72	22
Investment performance (A\$'000)	184	(31)	215	nm
Exits (A\$'000)	(91)	(79)	(12)	(15)
Closing FUM (A\$'000)	1,792	1,295	497	38





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# Thank you

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