NAVIGATOR GLOBAL INVESTMENTS

ASX Announcement

24 January 2018

Update on 2018 Interim financial result

Operating expenses for H1 2018

Navigator Global Investments Limited ('Navigator' or 'the Company') advises that in determining the Navigator Group's interim financial result for the six months to 31 December 2017, there has been a $3.0 million increase in operating expenses for H1 2018 as compared to operating expenses incurred for the six months to 30 June 2017.

A number of operating expense increases were identified in the 30 June 2017 Annual Report, including:

- Higher employee costs due to an increase in employee numbers
- Higher occupancy costs due to a new office premises lease in New York; and
- Higher professional and consulting costs due to on-going operational efficiency projects and legal fees.

In addition to the above, additional increases in operating expenses have arisen for the 31 December 2017 half year period as a result of:

- Higher performance fee revenue (compared to recent historical periods), which has contributed to an increase in the Lighthouse bonus expense due to the Incentive Fee Pool component;
- An additional discretionary amount being approved by the Navigator board for the Lighthouse bonus expense to reward the significant achievements of the Lighthouse staff in winning new clients and mandates over the course of the 2017 calendar year; and
- Additional legal and professional fees associated with implementing mandate wins.

H1 2018 EBITDA guidance

Despite the higher level of operating expenses incurred in H1 2018 compared to historical periods, the Group expects to report an increase in EBITDA[1] for the half year of approximately 14% compared to that of the corresponding 2017 half year period.

We note that the Group's auditor has not completed their review procedures in relation to the interim financial statements, and that the Group intends to release its Appendix 4D and Interim Financial Report on 15 February 2018.

[1] EBITDA is earnings before interest, tax, depreciation, amortisation and impairment losses

Accounting income tax expense due to change in US Federal corporate tax rate

On 21 December 2017, the Company released an announcement providing guidance on the potential impacts of the US Tax Cuts and Jobs Act (‘TCJA’). The key change under the TCJA impacting the Group is the reduction in the US federal corporate tax rate from 35% to 21% effective from 1 January 2018.

The reduction in the tax rate is expected to create a once-off, non-cash income tax expense adjustment in H1 2018 of $36.8 million due to the restatement of the Groups US tax losses at the new tax rate of 21%. This will result in the Group reporting a statutory net operating loss after tax for the period.

Despite this once-off impact creating a statutory accounting loss, there is no change to the gross value of the US tax losses, and hence we expect only nominal changes to the future timing of incurring and paying tax liabilities in the US as a result of the TCJA. In addition, the Navigator Group expects to benefit significantly from the lower US Federal corporate tax rate of 21% once it has utilised existing NOLs and enters a tax payable position.

For further information please contact:

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