NAVIGATOR
GLOBAL INVESTMENTS

ASX Announcement

20 November 2019

Business and earnings update

FY20 earnings guidance

It is generally the Navigator Global Investment Limited (‘Navigator’) Board’s policy not to provide forward earnings guidance, due to the nature of our business and the significant impacts external factors such as global market conditions can have on future financial performance. However, with a recently completed restructuring of staffing requirements, coupled with an update in our expectations of the impact of overall net flows for the first half of this financial year, the Board considers that it is appropriate to update the market as to our expectations of the financial performance of the Navigator Group for this financial year.

After taking into account:

- year-to-date actual results to 31 October 2019;
- the impacts of cost rationalisation as outlined below; and
- known subscriptions and redemptions for the December 2019 quarter

the Navigator Group expects to deliver a full year **FY20 EBITDA[1] of approximately $33.5 million**. This full year result would be materially consistent with the $17.6 million of EBITDA achieved by the Navigator Group in the second half of the previous financial year. We highlight that this estimate is sensitive to a number of assumptions regarding future investment performance and net fund flows which are difficult to accurately predict.

Cost rationalisation

As noted in our ASX announcement of 15 October 2019, Navigator continues to rationalise its cost structure by identifying the level of overall resources needed for the business. As part of this exercise, we have taken steps to reduce our headcount by the end of November 2019. At that time, we anticipate total Navigator Group headcount will be 115. The Group will incur approximately $0.8 million of severance costs in relation to the redundancies, with this non-recurring expense recognised in the current half year period. Excluding the impact of these severance costs in the first half, the redundancies result in a reduction to employee expenses (excluding bonuses) of:

- approximately $1.2m or 9.7% in the 2nd half of the financial year as compared to the 1st half; and
- approximately $3.5m or 12% for FY20 as compared to FY19.

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[1] Included in EBITDA is approximately $1.7m of ‘Lease Depreciation Expense’ which is broadly the equivalent of the rent payable on office premises that was previously classified as occupancy costs prior to the implementation of AASB 16 *Leases* from 1 July 2019. We consider that this provides the most reliable comparison of EBITDA to prior year results.

MAS Asset acquisition update

As noted in our 30 June 2019 Annual Report, based on the current level of assets, we do not expect to make any future earn-out payments for the acquisition of these assets. The transaction was structured in such a way to protect us from paying any consideration for these assets, given the inherent risk of on-going redemption attached to them, until Navigator generated certain annual profit levels.

At this point, the level of redemptions experienced on the acquired assets has been higher than what we anticipated when we closed the transaction on 1 July 2018. However, shareholders can be assured that despite this, the transaction has delivered significant value to the Company and we expect the assets retained will continue to contribute to future financial performance.

We do anticipate some additional redemptions on the remaining legacy MAS AUM through the end of this calendar year, which will bring total AUM to approximately $2.1 billion.

The legacy MAS assets earn an average management fee of approximately 0.65%pa, and with the rationalised cost base our expectation is that on a direct contribution basis (i.e. MAS revenue less directly attributable MAS expenses) that they will achieve an EBITDA margin consistent with the overall Navigator business from 1 January 2020 onwards.

Platform business update

We continue to have a number of high-quality conversations across our commingled and custom funds, as well as our platform offering. In particular, we have seen more than $300 million of inflows on the platform from existing clients over the past month and anticipate further inflows in the first quarter of the 2020 calendar year. We are also in the midst of in-depth discussions with several global asset owners about utilising our platform. We are excited about the overall level of these discussions and the general acceptance of the value of managed accounts, which we believe validates the work that we have put into building our platform over the last 15 years.

Amber Stoney
Chief Financial Officer & Company Secretary
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All amounts are in US Dollars unless otherwise indicated.