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Australia  
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**PENDAL**  
GROUP

10 May 2021

Company Announcements Office  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

**Pendal Group Limited (PDL) Interim Profit Announcement for  
the six months ended 31 March 2021**

The following documents are attached for lodgement:

- ☐ Interim Financial Report and Appendix 4D
- ☒ **ASX Announcement**
- ☐ Analyst Presentation
- ☐ Shareholder Update

Yours sincerely



Authorising Officer

Joanne Hawkins  
Group Company Secretary  
Pendal Group Limited  
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# ASX Announcement

## Financial results for the half year ended 31 March 2021

**Sydney, Australia, 10 May 2021** - Pendal Group ("Pendal" or "the Group") (ASX: PDL), a leading independent global investment manager, today announced its results for the six months to 31 March 2021.

Statutory Net Profit After Tax (Statutory NPAT) was \$89.9 million, up 64 per cent on the previous corresponding period (pcp), with significant contributions from mark-to-market movements in seed capital investments. Underlying Profit After Tax (UPAT) was \$82.6 million, an increase of eight per cent compared to pcp<sup>1</sup>.

## Results overview

	1H20	2H20	1H21	1H21 v 1H20	1H21 v 2H20
<b>Average FUM</b>	<b>\$98.9b</b>	<b>\$89.5b</b>	<b>\$97.1b</b>	<b>(2%)</b>	<b>9%</b>
<b>Base management fee margin</b>	<b>49bps</b>	<b>48bps</b>	<b>49bps</b>	<b>Steady</b>	<b>+1bps</b>
Base management fees	\$240.9m	\$217.2m	\$234.9m	(3%)	8%
Performance fees	\$0.6m	\$12.8m	\$41.1m	>100%	>100%
<b>Fee revenue</b>	<b>\$243.3m</b>	<b>\$231.5m</b>	<b>\$277.0m</b>	<b>14%</b>	<b>20%</b>
<b>Operating expenses</b>	<b>\$145.6m</b>	<b>\$161.3m</b>	<b>\$174.4m</b>	<b>20%</b>	<b>8%</b>
<b>Operating profit</b>	<b>\$97.7m</b>	<b>\$70.2m</b>	<b>\$102.6m</b>	<b>5%</b>	<b>46%</b>
<i>Operating margin %</i>	<i>40%</i>	<i>30%</i>	<i>37%</i>	<i>-3ppts</i>	<i>+7ppts</i>
<b>UPAT</b>	<b>\$76.6m</b>	<b>\$56.0m</b>	<b>\$82.6m</b>	<b>8%</b>	<b>47%</b>
<b>Statutory NPAT</b>	<b>\$54.8m</b>	<b>\$61.6m</b>	<b>\$89.9m</b>	<b>64%</b>	<b>46%</b>
<b>Underlying EPS</b>	<b>23.7cps</b>	<b>17.4cps</b>	<b>25.5cps</b>	<b>8%</b>	<b>47%</b>
<b>Dividend</b>	<b>15.0cps</b>	<b>22.0cps</b>	<b>17.0cps</b>	<b>13%</b>	<b>-22%</b>
<b>Closing FUM</b>	<b>\$86.0b</b>	<b>\$92.4b</b>	<b>\$101.7b</b>	<b>18%</b>	<b>10%</b>

## Group CEO commentary

Pendal Group Chief Executive Officer, Mr. Nick Good, said, "This robust result was due to a significant uplift in performance fees, higher global equity markets, and a discernable turnaround in flows across most channels in the second quarter of FY21.

"There was a notable improvement in investment performance with 83 per cent of Pendal's FUM outperforming their benchmarks over the last 12 months, and J O Hambro Capital Management (JOHCM) performance fees were \$41.1 million, up from \$0.6 million in the prior year.

"With our improving investment performance, increasingly positive investor sentiment, and the implementation of our multi-year strategic investment program, we are well placed to take advantage of the growth opportunities we see ahead."

<sup>1</sup>All comparative numbers to prior corresponding period (pcp) 1H20, restated for comparative purposes on a UPAT basis

## Financial results

UPAT for 1H21 was \$82.6 million, an increase of eight per cent on pcp, reflecting significantly higher performance fees of \$41.1 million (1H20: \$0.6 million) offset by higher operating expenses.

The base management fee margin was 49 basis points, up one basis point when compared to 2H20. Base management fees of \$234.9 million were three per cent lower on pcp. However, there was a marked rebound in base management fees during the half, up eight per cent compared to 2H20, due to improved asset mix and higher FUM.

Operating expenses of \$174.4 million were 20 per cent higher compared to pcp, and eight per cent higher than 2H20. This increase primarily reflects higher employee costs as a result of increased performance fees and costs associated with Pandal's strategic investment program announced in November 2020.

## Funds under management (FUM)

Closing FUM was \$101.7 billion as at 31 March 2021, 10 per cent higher than 2H20 (\$92.4 billion). The increase in FUM was primarily the result of positive market movements and strong investment performance. Negative foreign currency movements of \$1.8 billion impacted FUM as the US dollar depreciated 6.9 per cent against the Australian dollar.

There was a turnaround in flows during the March 2021 quarter, particularly in Europe and UK, as a number of investment strategies benefited from the recent market rotation to value. Additionally, there was early support for the Group's recently launched Regnan Global Equity Impact Strategy, which attracted \$0.2 billion in flows during the period.

## Investment performance

There has been a significant turnaround in investment performance during the period, with 83 per cent of FUM outperforming benchmarks over the one-year period to 31 March 2021, and 85 per cent outperforming benchmarks over the last five-year period.

Of note was the strong performance in the UK and European funds with UK Growth, UK Equity Income, Continental Europe and European Select Values all top quartile versus their peer groups for the last 12 months. Two standout performers across the Group were the Pandal MicroCap fund and JOHCM UK Growth fund which achieved 36.9 per cent and 47.1 per cent above their respective benchmarks for the period.

As at 31 March 2021, Pandal Australia's performance fees for the 30 June 2021 performance period were tracking at \$16.8 million. The performance fees are not determined until 30 June 2021 and therefore could vary significantly up until that time.

## Strategic initiatives and achievements

At the FY20 results in November, Pandal announced the need to increase the pace of investment in strategic initiatives to position the company for future growth.

The key areas identified as offering the best growth potential were product diversification particularly in ESG and responsible investment, expanding the Group's global distribution footprint and improving the global operating infrastructure across the Group.

Significant progress was made during the period including:

#### **Global Product and Distribution**

- Launched the Regnan Global Equity Impact Solutions strategy in three regions, attracting early client support with \$0.2 billion in flows and a robust pipeline
- Appointed Regnan investment team to manage a global equities water and waste strategy
- Onboarded a dedicated Head of Distribution for Europe, UK and Asia at JOHCM

#### **Infrastructure**

- Successfully transitioned away from Westpac registry services and onto a new Australian provider
- Established a group-wide cloud-based data warehouse
- Selected a new global custodian for the Pandal Group

## **COVID-19 update**

While the severe impacts of the COVID-19 pandemic have abated, compared to this time last year, it continues to affect the working arrangements for many of our people and our clients, particularly in the Northern Hemisphere.

The rollouts of the COVID-19 vaccine programs across the globe provides hope of returning to normalcy, albeit at different paces in different jurisdictions.

Pandal remains committed to creating a secure, flexible workplace that supports our employees across various jurisdictions and safeguards their physical and mental wellbeing. Our people continue to step up to ensure business continuity and support for our clients.

## **Dividend**

The Board understands the importance of dividends to our shareholders, and with the uplift in earnings, the Board has declared an interim dividend of 17.0 cps which is 13 per cent higher than pcp. The interim dividend will be 10 per cent franked and paid on 1 July 2021 to ordinary shareholders at a record date of 14 May 2021. The Dividend Reinvestment Plan will be deactivated for the interim dividend.

## **Looking to the future**

Mr. Good commented, “There was good momentum in the execution of our strategic initiatives in 1H21. During the next half, our focus will be on developing our global distribution capabilities by enhancing our licensing arrangements in Europe, establishing a continental European office, and boosting our digital marketing and sales to improve efficiencies and client outcomes.

“In terms of new products, the Regnan global equities water and waste strategy will be launched in the UK and European markets and we will be taking the Regnan Global Equity Impact Solutions strategy to the US market.

“To support these growth initiatives, the transformation of our global infrastructure will continue to drive efficiencies, which in the next half, will include the transition of our US mutual fund range onto a proprietary platform.”

Looking to the future, Mr. Good said, “After successfully expanding our global presence in the past decade, especially in the US and UK, we have committed to a multi-year strategy to deliver long-term sustainable FUM and earnings growth.

“The acquisition of TSW, announced today, accelerates this strategy and expands our successful diversified business model in the largest equity market in the world. TSW is a highly successful and

complementary business, which will double Pendal's addressable market in the US and expand our global distribution capabilities. The acquisition will create immediate value and will be double digit EPS accretive in the first full year post completion.

"Our strategic investment program, including the acquisition of TSW, is testament to our commitment to sustainable, long-term growth. This, combined with the significant improvement in investment performance, and the turnaround in flows in most channels during the March quarter, supports our confidence in our strategic trajectory and future potential."

For further information, please contact:

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## Appendix: Reconciliation of Statutory NPAT to UPAT

\$ million	1H20	2H20	1H21
Statutory NPAT	54.8	61.6	89.9
Add back (Deduct):			
Amortisation and impairment of intangibles	2.9	3.2	5.3
Net (gains) / losses on financial assets	24.7	(10.4)	(15.2)
Tax effect	(5.8)	1.6	2.6
Underlying Profit After Tax (UPAT)	76.6	56.0	82.6