

Magellan Financial Group Limited Interim Results

For the half year ended 31 December 2021





Group Update

Hamish McLennan

Group update

Board and governance

- Strengthened independence and governance
- Hamish McLennan appointed independent non-executive Chairman of Magellan Financial Group (“Magellan”)
- Robert Fraser appointed Deputy Chairman of Magellan and continues as independent non-executive Chairman of Magellan Asset Management, Magellan’s core business
- Process underway for additional independent non-executive director

Group update

CEO and management

- Interim CEO, Kirsten Morton, is doing an outstanding job
- Core business operations are stable and operating very effectively and profitably
- Addition of Chris Mackay to senior management adds further depth of experience and support to Interim CEO
- Board will make CEO appointment when appropriate, after concluding process

Attractive capital management

- Intention to progress with a 1-for-8 bonus issue of options to Magellan shareholders
 - Exercise price \$35 per option
 - 5 year term – exercisable at any time until expiry
 - Prospectus expected to be lodged in March 2022
 - An application will be made with ASX to have the options quoted on ASX
- Intention to progress with an issuance of ~10 million unlisted options to be issued to Magellan staff (\$35 exercise price, 5 year term)
- Board considering on-market share buy-back
- Dividend policy confirmed – 90-95% payout
- DRP suspended
- No plans for further investments in Magellan Capital Partners



Funds Management Update

Chris Mackay

Funds Management update

- Unchanged fundamental, proven investment discipline since inception
 - Strong, consistent investment results for clients with downside protection
 - Minimise risk of material permanent capital loss across market cycles
 - Help clients maintain quality investments during volatility and noise
- Deeply experienced investment teams (40+ people) continue to deliver
 - Global well above target 9% p.a. after fees since inception and lower volatility
 - Infrastructure and Airlie maintain excellence
 - MFG Core Series, ESG/Sustainable and **FuturePay** immense potential
- Investment philosophy, disciplines and objectives unchanged
- **Key priority is to sharpen investment processes to improve investment performance**
- Recognise MGF discount. Fund buy-back represents ~30% of volumes. Benefit to exiting and continuing unitholders
- Excellence across the organisation including operations, business support and distribution to support our clients' needs



Interim Results

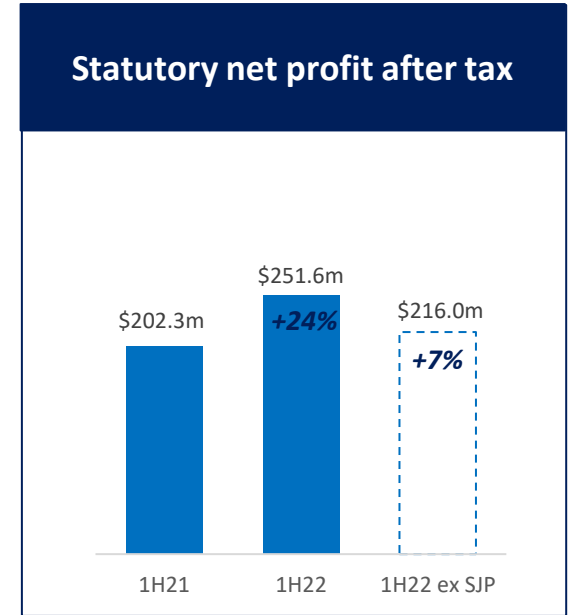
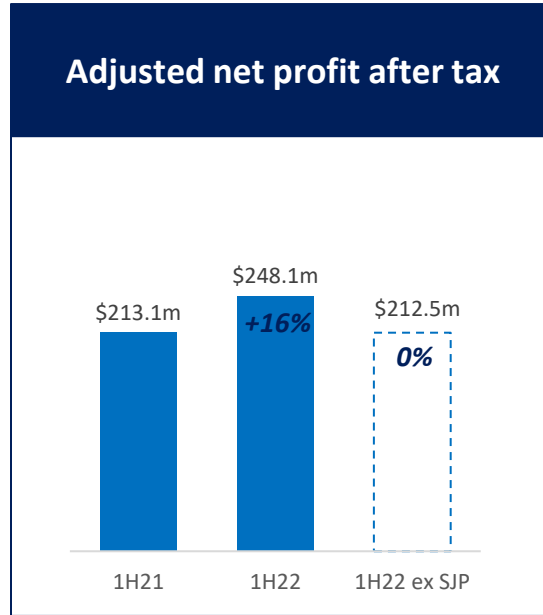
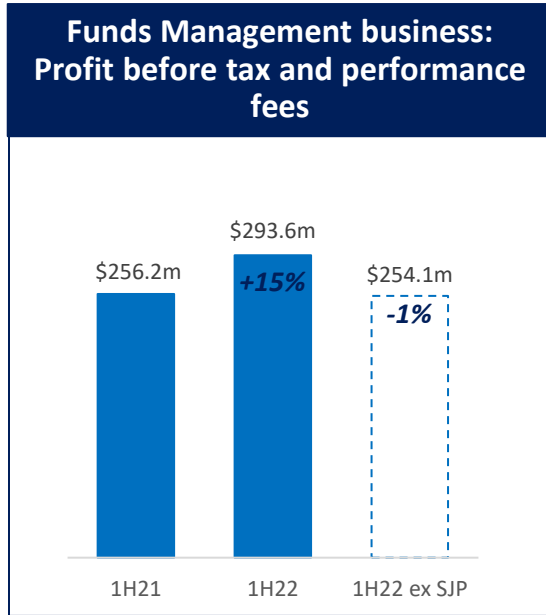
Kirsten Morton

Reported earnings

\$ million	31 Dec 2021	31 Dec 2020	% change
Management and services fees	352.3	311.4	13%
Performance fees	11.5	12.4	(8%)
Other revenue and income	20.3	9.4	116%
Adjusted revenue and other income	384.1	333.2	15%
Adjusted expenses	(65.3)	(52.6)	24%
Adjusted net profit before tax and before associates	318.8	280.5	14%
Share of after tax profit/(loss) of associates	3.0	(6.1)	149%
Adjusted net profit after tax	248.1	213.1	16%
Transaction costs related to strategic initiatives (after tax)	(6.1)	(2.9)	113%
Amortisation expense of intangible assets	(2.3)	(2.3)	0%
Net unrealised gains/(loss) (after tax)	11.9	(5.6)	312%
Net profit after tax	251.6	202.3	24%
Key statistics			
Diluted EPS (cents per share)	136.3	110.6	23%
Adjusted diluted EPS (cents per share)	134.4	116.4	15%
Interim dividend (cents per share)	110.1	97.1	13%
Franking	75%	75%	

- 13% increase in management and services fees, in line with 12% growth in average funds under management
- Performance fees of \$11.5m
- Other revenue and income driven by distribution income of \$8.6m, realised capital gains of \$8.1m and net FX gain of \$2.1m
- Adjusted net profit after tax up 16%
- Adjusted diluted EPS up 15% to 134.4cps, in line with growth in adjusted net profit
- Interim dividend of 110.1cps, up 13%

Overview of 1H22 results



Not reliant on a single client and strong growth in earnings in line with growth in FUM

Financial position

\$992.8 million  **13%**

Net tangible assets

\$1,016.7 million  **13%**

Cash, financial assets and investments

No debt

Total liabilities of \$225.0 million, predominantly in relation to the Group's commitments to fund the MGF Options discount

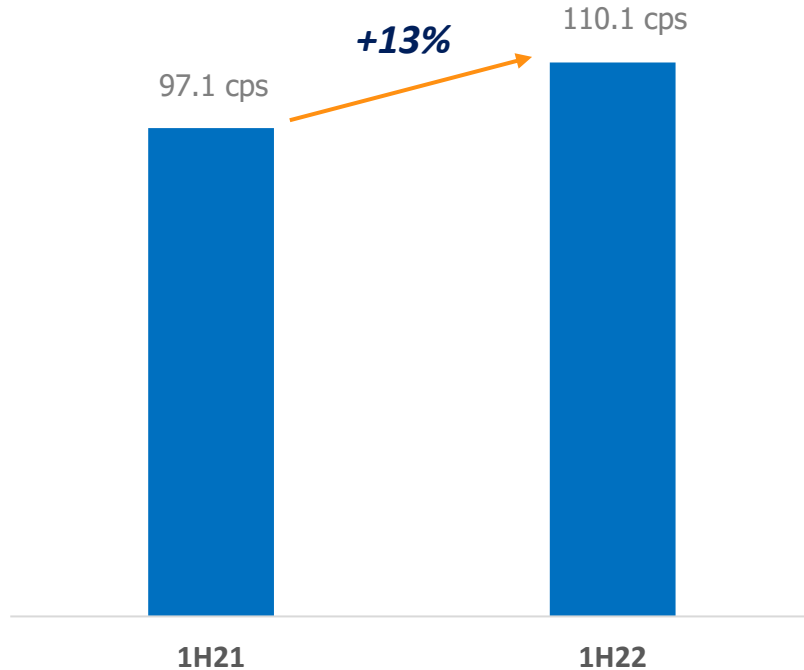
\$238.5 million

Net cash flow from operating activities during the half year

110.1 cps Interim Dividend  **13%**

Strong cash flows allowing dividend payout of 90-95% of Funds Management profit

Interim dividend up 13%



- Interim dividend of 110.1 cents per share (75% franked)
- Record date of 24 February 2022
- Payment on 8 March 2022
- DRP suspended
- Dividend policy¹:
 - Interim and Final dividends based on 90%-95% of profit of Funds Management business² excluding crystallised performance fees
 - Annual Performance Fee Dividend of 90%-95% of net crystallised performance fees after tax

1. Subject to corporate, legal and regulatory considerations. 2. Funds Management business excludes costs associated with strategic initiatives

Expenses: headroom to invest in the business

- Cost to income ratio (excluding performance fees) of 17.4% (19.6% excluding SJP contribution) during the period
- Significant headroom to continue to invest in the business
- Expect Funds Management business expenses in 2022 financial year to be in the range of \$125-\$130 million



Funds Management Business

Kirsten Morton

Funds Management business

\$ million	31 Dec 2021	31 Dec 2020	% change
Revenue			
Management fees	350.3	309.4	13%
Performance fees	11.5	12.4	(8%)
Services fees	2.0	2.0	2%
Interest and other revenue	3.3	(3.6)	191%
	367.1	320.2	15%
Expenses			
Employee expense	42.2	34.2	23%
Other expense	20.1	17.4	16%
	62.3	51.6	21%
Profit before tax	304.8	268.6	13%
Profit before tax and before performance fees¹	293.6	256.2	15%

Key Statistics

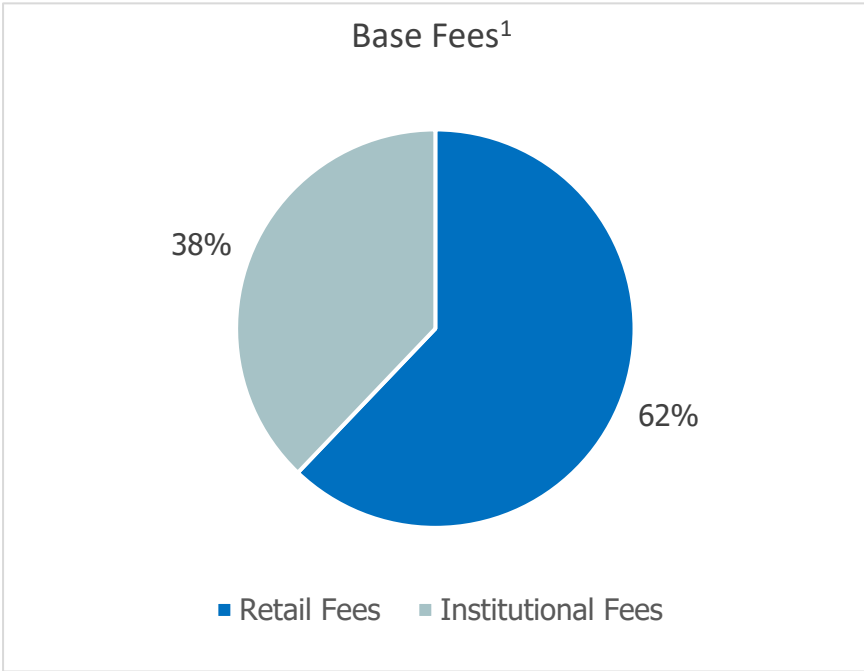
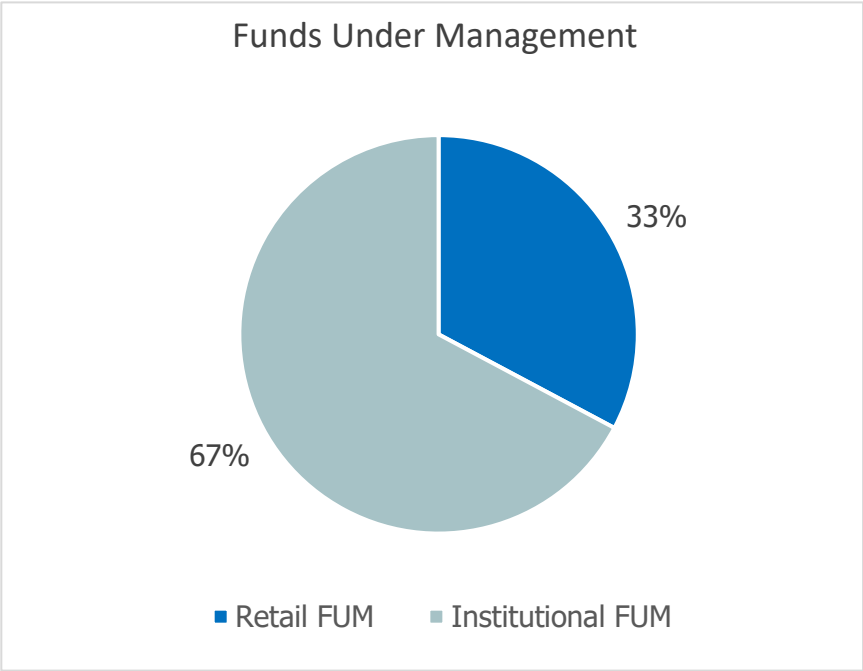
	31 Dec 2021	31 Dec 2020	% change
Average Funds Under Management (\$ billion)	112.7	100.9	12%
Average base management fee (bps)	62	61	
Average AUD/USD exchange rate	0.7319	0.7234	1%
Avg. number of employees	139	132	5%
Employee expense/total expense	67.7%	66.4%	
Cost/Income	17.0%	16.1%	
Cost/Income (excl performance fees) ¹	17.4%	16.8%	

- Core business that drives profits and dividends
- Profit before tax and performance fees up 15%, driven by 12% increase in average funds under management
- Employee expenses reflect adjustments made in the prior period due to COVID
- Small increase in average base management fee to 62bps
- Based on funds under management of \$87.1 billion as at 9 February 2022, base management fee run rate of 64bps

1. Adjusts for the current period performance fee impact on revenue and expenses for the six month period.

Well-balanced business

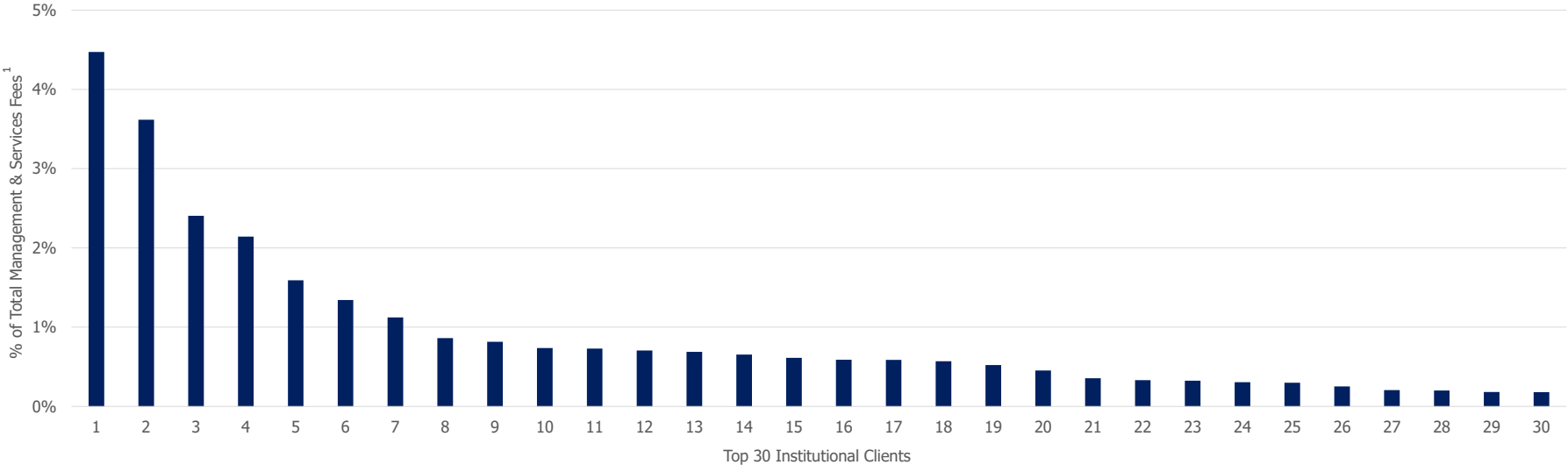
Based on FUM of \$87.1 billion as at 9 February 2022



1. Base Fees are annualised Management and Services fees based on FUM of \$87.1 billion as at 9 February 2022

Institutional client diversity

Based on FUM of \$87.1 billion as at 9 February 2022



Cumulative Total Management and Services Fees				
Top Institutional Clients	5	10	20	30
%	14	19	25	28

1. Annualised management and services fees based on FUM of \$87.1 billion as at 9 February 2022 for separately managed accounts and institutional investors in local and offshore vehicles. Excludes Performance fees.



Magellan Capital Partners

Kirsten Morton

Magellan Capital Partners

- Three financial investments which are separate, independently managed and not held for core Funds Management business synergies
- Magellan supportive of all financial investments
- No plans to make further investments
- Barrenjoey is performing ahead of its expectations and was profitable in 1H22
- Strong oversight of financial investments by Craig Wright



Looking Forward

Kirsten Morton

Our immediate priorities

Client focus and engagement

Sharpening investment processes to improve investment performance

- **Institutional**
 - Significant engagement across our institutional client base globally
 - US/UK face-to-face meetings scheduled throughout March 2022
- **Retail**
 - Researcher webinars and meetings with senior investment team members
 - Financial adviser and broker webinars with Global Equity portfolio managers
 - Boardroom briefings with senior investment team members nationwide
 - Active outreach to our adviser and broker network from our 14-person client facing retail distribution team
 - Domestic financial adviser and broker national roadshow in March 2022
 - Showcasing the breadth and depth of our investment team through a range of initiatives including video series, Magellan Minutes, and In the Know podcast
 - Ongoing investor calls with direct clients

Staff engagement

- Active staff engagement
- Employee retention a focus
- Strong financial position allows us to continue to invest, support and reward

Key messages

- Strong financial results for the half year
- Robust balance sheet
- Governance and accountability across the business
- Focused on core Funds Management business
- Deeply experienced investment team, significant depth and talent
 - Delivered strong, consistent performance since inception
 - Disciplined, proven, through-cycle processes
- Capital management to enhance shareholder value



Q&A

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