

Pendal Group Limited
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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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Shareholder Update

10 May 2021

Dear Shareholder,

I am pleased to inform you personally of Pendal's acquisition of US fund manager, Thompson, Siegel & Walmsley LLC (TSW), as well as update you on our half year results for the 2021 financial year.

TSW – A strategic and compelling acquisition

The acquisition price of US\$320 million (A\$413 million)¹ represents 7.6x 1H21 EBITDA (annualised, excluding synergies) and is expected to be double digit EPS accretive in the first full year post completion.

The Board believes that the acquisition will fast-track growth in the US. It will deliver the opportunity to generate new FUM through the doubling of our addressable market in the US and our ability to distribute both TSW and JOHCM products through an expanded global distribution network.

Our consolidated FUM will increase by 30 per cent to more than A\$132 billion after the acquisition, with our US client FUM increasing by 112 per cent to US\$44.7 billion (A\$57.8 billion).

The acquisition of TSW is deliberately strategic and expands our successful diversified business model in the largest equity market in the world. It delivers both scale and diversification benefits across investment capabilities, asset classes and channels.

The Board believes that the acquisition will strengthen the diversity of earnings and accelerate growth and shareholder returns.

The US\$320 million purchase consideration will be funded with a combination of equity, debt and existing capital. Equity will be raised through a fully underwritten Placement and, to enable retail shareholder participation, a Share Purchase Plan (SPP).

An SPP Booklet will be mailed to eligible shareholders on 17 May and will set out full details of the SPP Offer and how you can apply to participate.

Transaction Funding

The capital raising includes a Placement component to expeditiously deliver the funds necessary to undertake the transaction with pricing certainty and a SPP component to provide eligible shareholders (with registered addresses in Australia and New Zealand at 7.00pm (AEST) on 7 May 2021) with the opportunity to participate at a price at least as advantageous as large institutions.

Pendal welcomes and encourages the involvement of its eligible shareholders on the Pendal register. With the ASIC lifting the cap on SPP applications to \$30,000, the vast majority of Pendal

¹ Based on an exchange rate of AUD: USD 0.7743 as at 4 May 2021.

shareholders will have the opportunity to take up more shares than would be the case with a rights issue.

The Board values this opportunity for smaller shareholders to increase their investment in Pental in a material way if they so choose, without any obligation to do so. The SPP subscription period will run for three weeks, giving shareholders adequate time to consider the Offer and elect whether they wish to participate.

Half Year 2021 Results overview

- **Statutory Net Profit After Tax (NPAT) was \$89.9 million**, up 64 per cent compared to the previous corresponding period (pcp) (pcp: \$54.8 million), with significant contributions from mark-to-market movements in seed capital investments.
- **Underlying Profit After Tax (UPAT) was \$82.6 million**, up eight per cent (pcp: \$76.6 million), reflecting significantly higher performance fees offset by higher operating expenses.
- **Performance fees were \$41.1 million**, up from \$0.6 million in pcp. There was a notable improvement in investment performance with 83 per cent of Pental's FUM outperforming their benchmarks over the last 12 months.
- **Fee revenue was \$277 million**, up 14 per cent (pcp: \$243.3 million).
- **Operating expenses were \$174.4 million**, up 20 per cent, (pcp: \$145.6 million), reflecting higher employee costs as a result of increased performance fees and costs associated with Pental's strategic investment program.
- **Closing FUM was \$101.7 billion** as at 31 March 2021, 10 per cent higher than closing FUM in September 2020.
- **Underlying earnings per share increased by eight per cent** to 25.5 cps up from 23.7 cps in pcp.
- **Interim dividend of 17.0 cps**, up 13 per cent from 15.0 cps in HY20.

This robust result was due to a significant uplift in performance fees, higher global equity markets, and a discernible 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 Pental's FUM outperforming their benchmarks over the last 12 months, and 85 per cent outperforming benchmarks over the last five-year period.

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

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 cps which is 13 per cent higher than the 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 Board is committed to maintaining the dividend policy range of 80 to 95 per cent of UPAT.

The Dividend Reinvestment Plan will be deactivated for the interim dividend.

Looking to the future

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 globally.

Testament to this commitment is the acquisition of TSW and the good progress we have made during the half in executing our strategic initiatives, which centre on global distribution, product diversification, Regnan, and our global infrastructure.

These growth initiatives, which are delivering strong business momentum, coupled with increasingly positive investor sentiment and robust economic outlooks, give us confidence in Pental's trajectory and growth potential.

I encourage you to review Pental Group's TSW Acquisition Announcement and Half Year 2021 Results in more detail on our website: www.pentalgroup.com, or it can be viewed under the Announcements section on the ASX website: www.asx.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Evans', with a long horizontal flourish extending to the right.

James Evans

Chairman