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PENDAL
GROUP

5 November 2021

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Pendal Group Limited Full Year Profit Announcement for the 12 months ended 30 September 2021

The following documents are attached for lodgement:

Appendix 4E



ASX Announcement

Annual Report

Analyst Presentation

Shareholder Update

Appendix 4G

Corporate Governance Statement

Corporate Sustainability Report

Yours sincerely



Authorising Officer

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ASX Announcement

Pendal Group Full Year 2021 Financial Results

Sydney, Australia, 5 Nov 2021 - Pendal Group ("Pendal" or "the Group") (ASX: PDL), a leading independent, diversified global investment manager, today announced its results for the twelve months to 30 September 2021.

Statutory Net Profit After Tax (Statutory NPAT) increased by 42 per cent to \$164.7 million, compared to the previous corresponding period (pcp), reflecting growth in fee revenue on increased funds under management (FUM) and favourable mark-to-market movements on the Group's seed investments. Underlying Profit After Tax (UPAT) also increased during the year to \$165.3 million, up 25 per cent compared to pcp.

The Board declared a final dividend of 24 cents per share (cps) which brings the total dividend for Financial Year 2021 (FY21) to 41 cps, up 11 per cent compared to FY20.

Results overview

	FY20 ¹	FY21	FY21 v FY20
Statutory NPAT	\$116.4m	\$164.7	42%
UPAT	\$132.6m	\$165.3	25%
Average FUM	\$94.8b	\$107.9b	14%
Fee revenue	\$474.8m	\$581.9m	23%
Base management fees	\$458.1m	\$522.8m	14%
Performance fees	\$13.4m	\$57.5m	>100%
Base management fee margin	48bps	48bps	Steady
Operating expenses	\$306.9m	\$377.8m	23%
Operating profit	\$167.9m	\$204.1m	22%
Operating margin %	35%	35%	Steady
Underlying EPS	41.1 cps	48.2 cps	17%
Total Dividends	37.0 cps	41.0 cps	11%
Closing FUM	\$92.4b	\$139.2b	51%

Group CEO commentary

Pendal Group Chief Executive Officer, Mr. Nick Good, said, "The 25 per cent increase in UPAT reflects a substantial uplift in annuity income from base management fees, a four-fold increase in performance fees and the step-change in FUM as a result of the acquisition in July of Thompson, Siegel & Walmsley ("TSW"), a US-based value-oriented investment management company.

"The acquisition of TSW has created immediate value and more than doubled the Group's US FUM. The acquisition is expected to deliver double-digit EPS accretion in the first full-year post completion.

“The TSW acquisition also creates a long-term opportunity to generate new FUM by doubling Pendal’s addressable market in the US and creating the ability to bring both TSW and JOHCM investment strategies to clients through an expanded distribution network.”

Commenting on the operating environment, Mr. Good said, “With the strongest 12-month growth in global equity markets for 30 years, Pendal’s scale and diversified global business means we have been well positioned to benefit, delivering a significant increase in FUM, revenue, profitability and shareholder returns.

“Conversely, it has been another challenging year for individuals, businesses and society as the impact of COVID-19 continued, however with the rollout of vaccines a pathway to normality has opened up. Nonetheless, it has affected the rhythm of our lives and operation of our businesses, creating both complexity and uncertainty.

“There has been heightened volatility in client sentiment and changes to investment strategy preferences. However, our people have continued to service and support our clients, delivering robust investment across a broad range of our strategies. As a business we have made important strides during the year to better position us to take advantage of emerging opportunities and drive efficiencies, in order to deliver long-term shareholder value.”

COVID-19

Mr. Good said, “In a year of much change, and particularly in the face of continuing difficulties and uncertainties in relation to COVID-19, I would like to thank our people for their ongoing commitment and hard work.

“We are a people business, and our talented people are central to our success – our achievements this year are testament to their dedication and expertise. Equally from my perspective, the health and welfare of our people, and their continued ability to serve our clients, remains paramount.

“In the US, Europe, UK and Asia our offices have in the last three months largely returned to normal working arrangements. In Australia, with the achievement of the requisite vaccination rates, our team is beginning to return to the office again.

“Pendal remains committed to creating a secure, flexible workplace that supports our people and safeguards their physical and mental wellbeing.”

Financial results

UPAT increased by 25 per cent to \$165.3 million on pcp, as a result of a substantial uplift in annuity income from base management fees and a four-fold increase in performance fees.

Total fee revenue increased by 23 per cent to \$581.9 million, with base management fees up 14 per cent to \$522.8 million compared to pcp, primarily due to the significant uplift in FUM. A standout for the year was the uplift in performance fees that increased to \$57.5 million, from \$13.4 million in pcp with notable contributions from the International Select and Global Select strategies as well as the MicroCap and Focus Australian equity strategies.

Operating expenses of \$377.8 million were 23 per cent higher compared to pcp. This increase primarily reflects higher variable employee costs, due to the uplift in fee revenue, the inclusion of the TSW business from July 2021 and investments associated with Pendal’s strategic initiatives, announced in November 2020.

Strategic Acquisition of TSW

On 10 May 2021, Pandal announced its acquisition of US-based TSW, a highly complementary value-oriented investment manager operating primarily in long-only equities. TSW has a long-tenured and talented investment team of 20, with deep bench-strength across investment strategies. It is a natural and cultural fit with almost no overlap in investment strategies and clients, providing a platform from which to accelerate growth in the largest equity market in the world.

The acquisition garnered strong shareholder support, raising \$380 million from an oversubscribed institutional placement and Share Purchase Plan for retail shareholders.

Completion was swift with strong client support and there has been no loss of mandates or key personnel as a result of the acquisition.

Mr. John Reifsnider, the CEO of TSW, has expanded his responsibilities and been appointed as CEO of Pandal's combined US business. He has also joined Pandal's Global Executive Committee.

As at 30 September 2021 TSW had US\$23.9 billion (A\$33.1 billion) in FUM. It has a solid base of institutional and sub-advisory relationships and a track record of strong investment performance, with 91 per cent of FUM outperforming benchmarks over the past year.

Funds under management (FUM)

FUM as at 30 September 2021 was \$139.2 billion, a 51 per cent increase over the year. The growth in FUM was largely the result of the acquisition of TSW and a \$16.0 billion contribution from higher markets and investment performance. Favourable foreign currency movements of \$2.1 billion also supported FUM growth. Net outflows were \$3.7 billion for the year.

In the institutional and sub-advised channels, there was \$2.9 billion in outflows across the Group as clients took the opportunity to rebalance portfolios and take profits following the significant market appreciation through the year. This was most pertinent in the International Select strategy following a period of stellar outperformance.

Flows in the higher margin wholesale channels were mixed with strong flows in the US Pooled funds (+\$1.5 billion) and a record year in the Australian funds (+\$0.8 billion) being offset by redemptions in the OEICs (-\$1.6 billion) as UK equities remained out of favour with investors. The Regnan Global Equity Impact Solutions strategy attracted good early support from UK and European wholesale investors following its launch in the December 2020 quarter.

The Westpac book saw outflows of \$1.4 billion with the majority of this in lower margin cash strategies and was in line with expectations.

Investment performance

During the year, there was significant outperformance in several important asset classes across the Group with a notable improvement in the UK, European, Asia ex Japan and Emerging Market investment strategies.

Following a challenging year in FY20 impacted adversely by COVID-19, there was a strong rebound in UK equities with UK Equity Income, UK Growth and UK Dynamic all ranking in the top quartile for performance over the twelve months to 30 September 2021. In Australia, the Australian equity strategies continued to perform strongly with the MicroCap fund a standout achieving 20 per cent above its benchmark for the same period. TSW's US equity strategies also performed well with the TSW Opportunities and TSW Small Cap value, outperforming their benchmarks by 28 per cent and 10 per cent respectively.

As at 30 September 2021, JOHCM's performance fees for the year ended 31 December 2021 were tracking at £9.7 million (A\$18.1 million). The performance fees are not determined until 31 December 2021 and therefore could vary significantly up until that time.

Investing for growth

During FY21 significant progress was made on a wide range of strategic initiatives. There was development of Pandal's global distribution footprint in the US and Europe, expansion of Pandal's product offerings, particularly in ESG / RI, and streamlining of the global operating platform to deliver efficiencies and benefits to clients.

Key achievements include:

Global Distribution

- Doubled addressable market in the US and opened up opportunities for cross-selling
- Progressed distribution build out in Europe
- Enhanced sales leadership in Europe and Australia
- Expanded global distribution of key investment strategies

Product Diversification

- Significantly expanded range of products available to US clients
- Launched Regnan Global Equity Impact Solutions in all regions
- Onboarded Regnan Sustainable Water & Waste team and launched fund in the UK
- Deepened ESG integration and stewardship

Global Operating Platform

- Appointed Northern Trust as group-wide global custodian
- Established proprietary fund structure for US mutual funds
- Implemented cloud-based group-wide data warehouse and infrastructure
- Transitioned to new Australian registry provider.

ESG and Responsible Investing

ESG and Responsible Investment ("RI") presents a significant global opportunity for Pandal. There is a persistent funding gap to meet the UN Sustainable Development Goals, concurrent with growing demand for innovative ESG product offerings.

During the year, Pandal's range of ESG/RI products was expanded. The Regnan Global Equity Impact Solutions strategy was delivered to clients in all regions, attracting positive flows of approximately \$400 million in its first year. Additionally, a thematic investment team was appointed and their first fund, the Regnan Sustainable Water and Waste fund, was launched in September 2021.

In Australia, the Pandal Horizon Fund (formerly the Pandal Ethical Share Fund) and the Pandal Sustainable Australian Share Fund were enhanced to better meet changing client expectations.

As at 30 September 2021, Pandal has approximately \$5.2 billion in FUM in ESG /RI strategies across multiple asset classes.

Dividend

The Board has declared a final dividend of 24.0 cps, resulting in total dividends for FY21 of 41.0 cps, an 11 per cent increase on FY20. The final dividend will be 10 per cent franked and paid on 16 December 2021 to ordinary shareholders on record date 3 December 2021.

Summary

Mr. Good commented, "2021 has been a year of significant progress with a strong uplift in earnings and dividends for our shareholders.

"Over the past 12 months we have invested in developing our global distribution capability, optimising our global operating platform and expanding our product offering.

“Importantly, the TSW acquisition, enhances our growth trajectory and diversifies our product set and distribution network in the world’s largest equity market.

“We start the new financial year with equity markets near all-time highs. However, we see pressure on flows, particularly in the institutional channel. While this may have short-term effects, we are confident that changes made to our sales leadership during the year and ongoing development of our US and European distribution strategy, will support future growth.

“Our core strategic priorities have been developed to create the best possible environment for our investment teams to thrive, which in turn produces superior results for our clients and shareholders.

“Being nimble is key to the ability to flourish in an increasingly competitive and dynamic environment, and our unique culture - built on talent, trust and entrepreneurial spirit - remains our most valued resource in realising that potential.”

Webcast details

Pendal will present in relation to its FY21 financial results today, Friday 05 November 2021 at 10:00am AEDT. The webcast of the results announcement will be available live at <https://webcast.openbriefing.com/7929>

If you wish to view the presentation live via the webcast, it is recommended that you log in 10 minutes prior to the start time.

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Appendix: Reconciliation of Statutory NPAT to UPAT

\$ MILLION	FY20	FY21
Statutory NPAT	116,386	164,702
Add back (Deduct):		
Amortisation and impairment of intangibles ²	6,140	12,104
Net (gains)/losses on financial assets held at FVTPL ³	14,316	(38,743)
Transaction and integration costs ⁴	-	16,002
Tax effect	(4,247)	11,236
Underlying Profit After Tax (UPAT)	132,595	165,301

Notes:

¹ Relevant FY20 comparative numbers in this release have been restated on a UPAT basis.

² Amortisation and impairment of intangibles relates to fund and investment management contracts and trademarks.

³ Net gains or losses on financial assets held at fair value through profit or loss primarily relate to seed investments in pooled funds managed by Pendal Group.

⁴ Transaction and integration costs relate to the acquisition of TSW during the financial year.

About Pendal Group Limited

Pendal Group (Pendal) is an independent global investment manager focused on delivering superior investment returns for clients through active management. Pendal manages A\$139.2 billion in FUM (as at 30 September 2021) through J O Hambro, Europe, UK & Asia; JOHCM USA; Pendal Australia; Regnan and Thompson, Siegel & Walmsley (TSW).

Pendal operates a multi-boutique style business across a global marketplace through a meritocratic investment-led culture. Its experienced, long-tenured fund managers have the autonomy to offer a broad range of investment strategies with high conviction based on an investment philosophy that fosters success from a diversity of insights and investment approaches.

Listed on the Australian Securities Exchange since 2007 (ASX: PDL), the company has offices in Sydney, Melbourne, London, Prague, Singapore, New York, Boston, Richmond (VA) and Berwyn.

For further information about Pendal Group, please visit <https://www.pendalgroup.com/>