

Shareholder Update

6 November 2019

Pendal Group Full Year 2019 Financial Results

Dear Shareholder,

Pendal Group Limited (ASX: PDL) today announced its financial results for the year ended 30 September 2019. Statutory net profit after tax was \$154.5 million, which compares to \$202.0 million the previous year.

Cash net profit after tax (Cash NPAT) and Cash earnings per share (Cash EPS) decreased by 19 per cent over the same period, to \$163.5 million and 51.3 cents per share (cps), respectively.

The result was characterised by significantly lower performance fees, which were down 89 per cent from \$54.5 million in the previous corresponding period (pcp) to \$5.9 million. When excluding performance fees, which can be volatile in nature, operating profit pre-performance fees of \$198.5 million was down by eight per cent compared to pcp.

Base management fees declined a modest four per cent as funds under management (FUM) remained broadly steady and fee margins contracted two basis points to 49 basis points (bps) due to a change in asset mix.

The Board has declared a final dividend of 25.0 cps, bringing total dividends for the year to 45.0 cps. The full year dividend represents an 88 per cent payout ratio for the year. The final dividend will be 10 per cent franked and paid on 19 December 2019 to ordinary shareholders at record date 6 December 2019. The Dividend Reinvestment Plan (DRP) remains inactive for the FY19 final dividend.

	FY19	FY18	Change
Full year to 30 September			
• Cash NPAT	\$163.5m	\$201.6m	(19%)
• Statutory NPAT ¹	\$154.5m	\$202.0m	(24%)
• Operating profit pre-performance fees	\$198.5m	\$216.9m	(8%)
• Fee revenue	\$491.2m	\$558.5m	(12%)
• Base management fees	\$482.6m	\$501.1m	(4%)
• Base management fee margin	49 bps	51 bps	(2 bps)
• Performance fees	\$5.9m	\$54.5m	(89%)
• Operating expenses	\$290.2m	\$316.9m	(8%)
• Operating profit margin	41%	43%	(5%)
• Cash EPS	51.3 cps	63.7 cps	(19%)
• Dividend	45.0 cps	52.0 cps	(13%)
• Average FUM	\$98.8b	\$99.5b	(1%)
As at 30 September:			
• Closing FUM	\$100.4b	\$101.6b	(1%)

¹FY18 Statutory NPAT has been restated following the adoption of new Accounting Standard AASB9 in FY19.

This year we reported a reduced profit on the previous year for the first time in eight years. The result was impacted by a significant reduction in performance fees and lower base management fees following outflows experienced during the year.

Ongoing uncertainty around Brexit affected investor sentiment, which led to outflows in our European and UK strategies. Clarity over Brexit should see investor confidence improve.

Pleasingly, our range of funds in the US continue to be well supported, and across the Group we are getting good traction on our income-generating strategies. In Australia, there were good institutional flows of \$2.0 billion, predominantly into cash and fixed interest, and US flows into the JOHCM multi-asset strategy were very encouraging. This re-emphasises the importance of our diversified operating model whereby we seek to diversify our business across investment strategies, geographies and distribution channels.

Despite a more difficult year, our financial strength and strong cash flow, positions us well to invest for growth and take advantage of opportunities.

Important to our future growth strategy was the appointment of two regional CEOs to lead our JOHCM business. Having dedicated CEOs for our US business and our Europe, UK and Asia business, will sharpen our effort and enable us to anticipate and react to changes in the market and capture growth opportunities.

This year we moved to full ownership of Regnan, a leading ESG research, engagement and advisory business. Pandal Group has a strong heritage in this area spanning more than three decades and this initiative provides further expertise in a growing segment of the market. This positions us well to offer a holistic service to clients who see stewardship as an important part of active management.

We look to the future with confidence based on a strategy of attracting, retaining and developing superior investment talent, and expanding our distribution and investment capabilities to meet our clients' needs.

I encourage you to review Pandal Group's results in more detail, and also access our 2019 Annual Report, on our website: www.pandalgroup.com or under announcements on the ASX website: www.asx.com.au.

Yours sincerely



James Evans

Chairman