

Shareholder Update

4 November 2020

Pendal Group (ASX: PDL) Full Year 2020 Financial Results

Dear Shareholder,

It has been a tumultuous year by any measure, and events have challenged individuals, businesses, markets, economies and society generally. Of course, the COVID-19 global pandemic has had the most profound impact along with the escalation of the US/China trade war and continued uncertainty surrounding Brexit.

Statutory net profit after tax (Statutory NPAT) for the year ended 30 September 2020 was \$116.4 million, down 25 per cent on the prior corresponding period (pcp), significantly impacted by market-to-market movements in seed investments. Cash net profit after tax (Cash NPAT) was \$146.8 million, a decrease of 10 per cent on the previous year, impacted by the effects of the COVID-19 pandemic, ongoing trade wars and geo-political risk impacting markets, client confidence and flows.

Our diversified business model, supported by our financial strength, has proven resilient in this most challenging of years. As well, and importantly, our people have stepped up admirably to manage through the year's events, maintain business continuity and support our clients. We have seamlessly adapted our way of working and continued to actively manage the funds our clients entrust us with.

We saw strong investment performance in key funds, an uplift in performance fees and in the second half of Financial Year 2020 an improvement in net flows. Performance fees for the year totalled \$13.4 million, \$7.5 million higher than the previous year.

Dividend

The Board recognises how important dividends are to our shareholders, particularly in these challenging times. A final dividend of 22.0 cents per share (cps) was declared, compared to the 25.0 cps in pcp. The final dividend will be 10 per cent franked and paid on 17 December 2020 to ordinary shareholders at a record date of 4 December 2020.

The full year dividend was 37.0 cps, compared to 45.0 cps the previous year. The payout ratio for the year was 81 per cent, within the dividend policy range of 80 to 90 per cent of Cash NPAT. The Dividend Reinvestment Plan has been activated for the 2020 final dividend and will support the Group's increased pace of investment over the coming years.

Results overview

- Average FUM was \$94.8 billion, down 4 per cent (pcp: \$98.8 billion)
- Operating revenue was \$474.8 million, a decrease of 3 per cent (pcp: \$491.2 million)
- Performance fees were \$13.4 million, up from \$5.9 million on pcp
- Operating expenses were \$298.5 million, up 3 per cent (pcp: \$290.2 million)
- Cash earnings per share decreased by 11 per cent to 45.5 cps from 51.3 cps in pcp
- Final dividend of 22.0 cps bringing the full year dividend to 37.0 cps, down 18 per cent, compared to 45.0 cps in pcp

- Closing FUM as at 30 September was \$92.4 billion, down 8 per cent for the year (pcp: \$100.4 billion)
- Pandal Australia was awarded Zenith Fund Manager of the Year 2020

COVID-19 update

For Pandal our priority during this period, and into the recovery, is the health, safety and wellbeing of our people as well as managing the business and investment portfolios, servicing our clients and maintaining operational resilience.

We are committed to creating a secure, flexible workplace, as we managed through the pandemic and into the new environment. Our people have adjusted well to the new working conditions and are displaying admirable flexibility in a fluctuating environment.

New underlying profit measure from FY21

From Financial Year 2021, Pandal Group will be using “Underlying Profit After Tax (UPAT)” to report the underlying earnings of the business. Under UPAT there will be no adjustment for certain employee expenses which have historically been adjusted under Cash NPAT. This will simplify reporting and is aligned to market practice.

From the 2021 Financial Year, the dividend policy will be to payout 80-95 per cent of UPAT each year.

Looking to the future

The global economic and health crisis has accelerated a number of secular trends in the global asset management industry and highlighted the importance of ESG factors affecting the sustainability of businesses; a need to broaden distribution channels and to reduce costs in the operating model.

Pandal has already made progress in all these areas and recognises the need to increase the pace of investment in order to position the company to take advantage of the opportunities inherent in these trends and deliver long-term sustainable FUM growth. The areas where we see the most potential are product development, particularly Impact and ESG, improved data and technology capabilities and increasing our global distribution footprint.

Executing on this strategy will require a multi-year investment and our fixed costs for the 2021 Financial Year are expected to increase by eight to ten per cent, approximately \$12-16 million. We believe this strategy will deliver a more cost-effective model and increase FUM by around 50% by Financial Year 2025.

I encourage you to review Pandal Group’s Financial Year 2020 results in more detail, and to access our 2020 Annual Report, on our website: www.pandalgroup.com or under announcements on the ASX website: www.asx.com.au.

Yours sincerely



James Evans
Chairman