

Magellan Financial Group Limited Full Year Results

For the year ended 30 June 2022





Chairman Update

Hamish McLennan

Chairman Update

Governance

- Strengthened independence and governance
- Hamish McLennan appointed as 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
- Board review and renewal program underway
 - New NED appointments to be made
 - Skills aligning to the needs of our core Funds Management business and strategic direction

Chairman Update

Leadership & team

- Appointment of David George as CEO and Managing Director
 - Over 20 years' experience across analytical roles, investment management and organisational leadership
 - Most recently was Deputy Chief Investment Officer, Public Markets at the Future Fund
- Appointment of Kirsten Morton as COO, in addition to existing role as CFO
- Hamish Douglass to return to the business in a new consultancy role from 1 October 2022
- Implementation of staff retention initiatives (subject to standard conditions around vesting & continued employment)

Chairman Update

Delivery on capital management initiatives announced at 1H22 Interim Results

- Announced and commenced implementation of an on-market buy-back of up to 10 million shares
 - 626,960 shares bought back as at 30 June 2022 at an average price of \$12.43 per share
- Completed the issue of Bonus Options to shareholders on a 1-for-8 basis for nil consideration
 - \$35.00 exercise price per Option
 - 5 year-term (expiry in April 2027)
- Focused on core Funds Management business
 - Sale of shareholding in Guzman y Gomez for cash consideration of \$140 million
- No further investments in Magellan Capital Partners
 - Regard investment in Barrenjoey Capital Partners a long-term strategic shareholding



Business Performance Update

David George

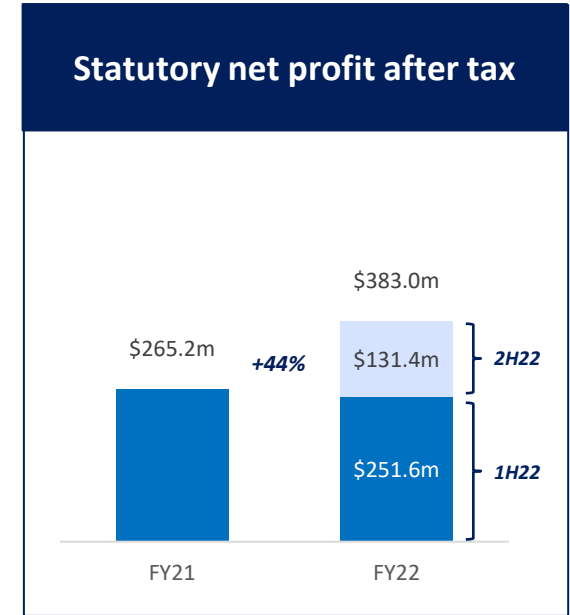
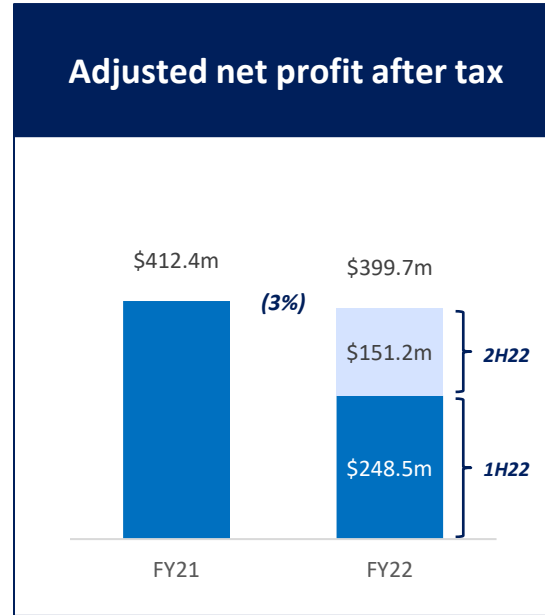
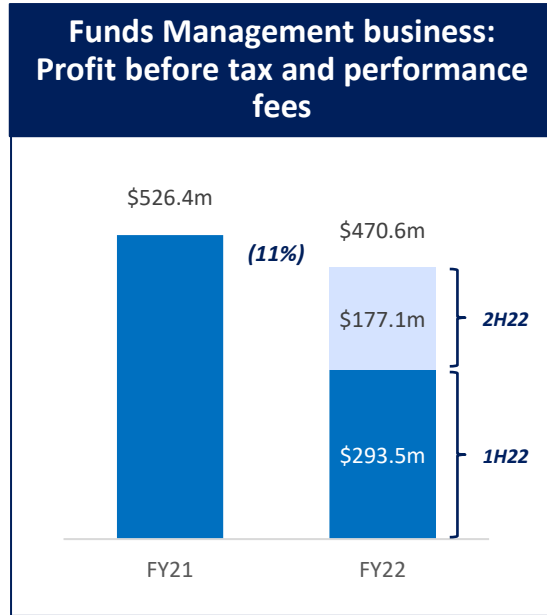
CEO and Managing Director

Performance Overview

FY22 results highlights

- Adjusted net profit after tax down 3% to \$399.7 million
- Statutory net profit after tax up 44% to \$383.0 million
- Average funds under management (“FUM”) for the year down 9% to \$94.3 billion
- FUM as at 30 June 2022 of \$61.3 billion
- Management fee revenue down 7%, broadly in line with average FUM
- Profit before tax and performance fees of Funds Management business down 11% to \$470.6 million

Overview of FY22 Results



Material outflows have meaningfully impacted profitability in the second half of FY22 and will affect FY23

Investment Performance

For the periods to 30 June 2022

	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.) ¹
Magellan Global Fund	(11.8)	2.1	8.4	10.2
MSCI World NTR Index (\$A)	(6.5)	7.7	10.1	6.7
Magellan Infrastructure Fund	6.6	1.5	5.5	7.5
Global Listed Infrastructure Benchmark (\$A) ²	9.4	2.4	4.2	5.4
Airlie Australian Share Fund	(7.4)	8.0	-	7.8
S&P/ASX 200 Accum. Index	(6.5)	3.3	-	6.1

- Long history of safeguarding and growing wealth for clients
- Global equities strategy has underperformed in recent years
 - Key priority will be strengthening processes and improving investment performance
- Infrastructure strategy continues to deliver solid long-term performance, underscored by a unique approach to defining investment grade infrastructure
- Airlie maintains an exceptional 3 year track record

¹ Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007 and the inception date for Airlie Australian Share Fund is 1 June 2018.

² The Global Listed Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure and Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged).

Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Source: MSCI, UBS, S&P, Bloomberg, Magellan Asset Management Limited.

Funds Under Management

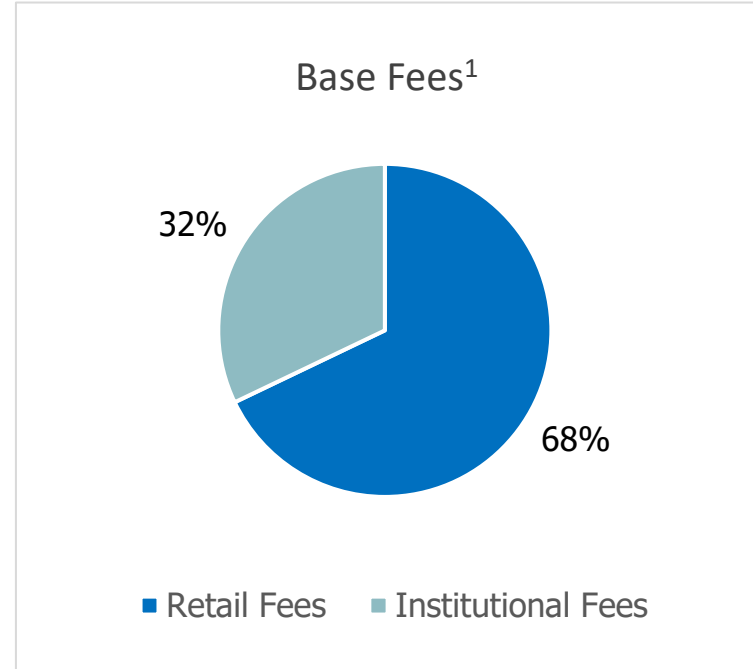
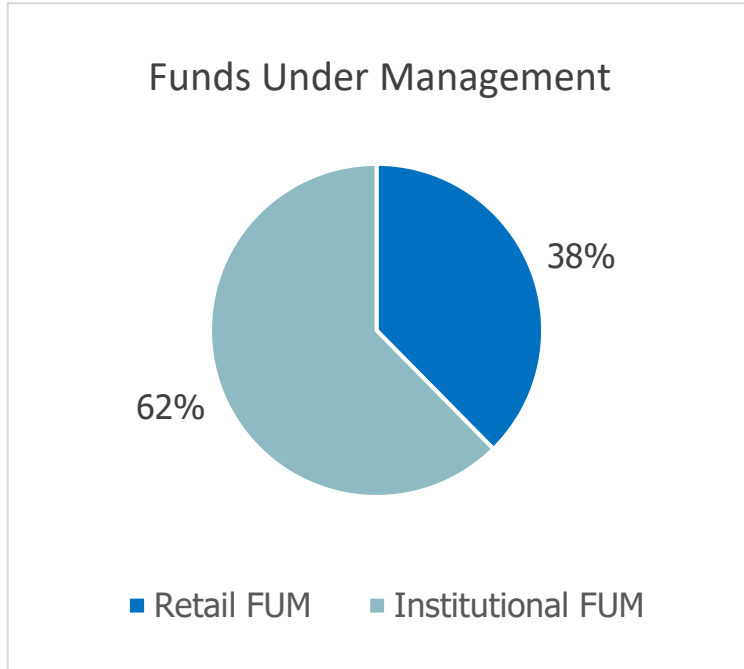
As at 30 June 2022 (\$ billion)

Strategy	30 June 2021	Net Flows	Investment Performance	30 June 2022 ^{1,2}
Global Equities	\$85.4	(\$47.6)	(\$3.8)	\$33.3
Global Listed Infrastructure	\$19.0	(\$0.9)	\$2.3	\$20.1
Australian Equities	\$9.5	(\$0.9)	(\$0.7)	\$7.9
Total ¹	\$113.9	(\$49.5)	(\$2.3)	\$61.3

1. May not add due to rounding. 2. Reflects \$0.8 billion of net distributions paid in July 2021 and January 2022 in Magellan's funds.

Business Mix

Based on FUM of \$60.2 billion as at 29 July 2022



1. Base Fees are annualised Management fees based on FUM of \$60.2 billion as at 29 July 2022

Financial Position

\$915.5 million  **4%**

Net tangible assets

\$963.3 million  **7%**

Cash, financial assets & investments in associates

No debt

Total liabilities of \$214.6 million,
predominantly relating to the Group's
commitments to fund the MGF
Options discount

\$434.6 million

Net cash flow from operating
activities during the year

179.0 cps
Full Year Dividend

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

Full Year Dividend of 179.0 cps

- Full year dividend of 179.0 cents per share comprising:
 - Interim dividend of 110.1 cents per share
 - Total dividend for 2H22 of 68.9 cents per share (80% franked), comprising Final Dividend of 65.0 cents per share and Performance Fee dividend of 3.9 cents per share
 - Franking of 80% is up from the 1H22 dividend (75%) and is expected to increase further in future years
- Record date for the 2H22 dividend of Tuesday, 23 August 2022
- Payment on Tuesday, 6 September 2022
- Dividend policy¹:
 - Interim and Final dividends based on 90%-95% of net profit after tax 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 amortisation of intangibles, expenses/benefits related to strategic initiatives and gains/losses from non-cash remeasurements



Group Financial Results

Kirsten Morton
COO and CFO

Reported Earnings

\$ million	30 Jun 2022	30 Jun 2021	% change
Management and services fees	592.6	635.4	(7%)
Performance fees	11.5	30.1	(62%)
Other revenue and income	43.1	32.5	33%
Adjusted revenue and other income	647.3	697.9	(7%)
Adjusted expenses	(132.1)	(110.5)	20%
Adjusted net profit before tax	515.2	587.5	(12%)
Adjusted tax expense	(122.0)	(133.3)	(8%)
Share of after tax profit/(loss) of associates	6.6	(41.8)	116%
Adjusted net profit after tax	399.7	412.4	(3%)
Amortisation expense of intangible assets	(4.6)	(4.5)	n/m
Net (expenses)/benefits related to strategic initiatives (after tax)	15.8	(154.1)	n/m
Net unrealised change in fair value of financial assets and liabilities (after tax)	(65.1)	11.2	n/m
Net gain on dilutions and disposals of associates (after tax)	40.4	-	n/m
Net non-cash remeasurement of SPA loans	(3.3)	0.2	n/m
Statutory net profit after tax	383.0	265.2	44%
Key statistics			
Diluted EPS (cents per share)	206.9	144.6	43%
Adjusted diluted EPS (cents per share)	215.9	224.9	(4%)
Interim and final dividend (cents per share)	175.1	199.7	(12%)
Annual performance fee dividend (cents per share)	3.9	11.5	(66%)
Total dividend (cents per share)	179.0	211.2	(15%)
Franking	77% ¹	75%	

- 7% decrease in management and services fees, reflecting reduction in average funds under management of 9%
- Performance fees of \$11.5 million
- Other revenue and income driven by distribution income of \$17.6 million, realised capital gains of \$19.4 million and net FX gain of \$3.5 million
- Adjusted net profit after tax down 3%
- Adjusted diluted EPS down 4% to 215.9cps, in line with decrease in adjusted net profit after tax
- Total dividend of 179.0cps, down 15%, but franking up

1. Reflects weighted average level of franking over 1H22 and 2H22 dividends.

Adjusted financial measures are adjusted for for strategic, non-recurring, non-cash or unrealised items (refer to section 1.4.1 of the Directors' Report and note 2 in the financial statements for the breakdown of these items)

Funds Management Segment

\$ million	30 Jun 2022	30 Jun 2021	% change
Revenue			
Management fees	588.6	631.4	(7%)
Performance fees	11.5	30.1	(62%)
Services fees	4.0	4.0	0%
Other revenue and income	5.0	(2.9)	274%
	609.1	662.6	(8%)
Expenses			
Employee expenses	86.7	69.6	25%
Other expenses	40.4	36.5	11%
	127.1	106.1	20%
Profit before tax	482.0	556.5	(13%)
Profit before tax and before performance fees¹	470.6	526.4	(11%)

Key Statistics

	30 Jun 2022	30 Jun 2021	% change
Average FUM (\$ billion)	94.3	103.7	(9%)
Average base management fee (bps)	62	61	
Average AUD/USD exchange rate	0.7257	0.7469	(3%)
Average number of employees	137	135	1%
Employee expense/total expense	68.2%	65.6%	
Cost/Income	20.9%	16.0%	
Cost/Income (excl performance fees) ¹	21.3%	16.8%	

- Represents the core business that drives profits and dividends
- Profit before tax and performance fees down 11%, driven by 9% decrease in average funds under management
- Small increase in average base management fee to 62bps
- Run rate of average base management fee based on closing FUM (of \$60.2 billion) at 29 July 2022 is 65bps

1. Adjusts for the current period performance fee impact on revenue and expenses for the 12-month period.

Expenses

- Cost to income ratio (excluding performance fees) of 21.3% during the period
- Significant headroom to invest in the business
- Funds Management business operating expenses in the range of \$125-\$130 million remain appropriate for 2023 financial year
- We continue to pay close attention to our costs and have a cost-conscious culture, however we recognise the importance of investing to support client-focused outcomes and with a view to growth



Principal Investments

Kirsten Morton
COO and CFO

Fund Investments

The Board has set a pre-tax hurdle of 10% p.a. (over the business cycle) for the Fund Investments portfolio

Fund Investments Portfolio:

Investment (\$ million)	30 June 2022	30 June 2021
Internal investments		
Cash	0.3	0.5
Investments in:		
Magellan Funds ¹	374.0	441.5
Net seed portfolios	4.7	10.6
Other ²	0.3	0.3
Total	379.3	452.9
Net deferred tax ³	(20.9)	(45.4)
Net Fund Investments	358.4	407.5
Net Fund Investments per share (cents) ⁴	193.6	221.7

Investment Returns:

Time Period	Return
1 Year to 30 June 2022	(11.9%)
3 Years to 30 June 2022 p.a.	2.0%
5 Years to 30 June 2022 p.a.	7.8%
Since Inception to 30 June 2022 p.a. ⁵	9.8%

1. Investments are set out in note 7 of the financial statements; 2. Comprises receivables and payables; 3. Arises from changes in the fair value of financial assets offset by the deferred tax asset relating to unused tax losses; 4. Based on 185,088,872 ordinary shares on issue at 30 June 2022 (30 June 2021: 183,793,753 ordinary shares). 5. Return excludes previous investment in MFF Capital Investments Limited. Inception date of 1 July 2007.

Magellan Capital Partners

- Share of after-tax profits of Magellan Capital Partners (“MCP”) investments of \$8.4 million
- Barrenjoey Capital Partners
 - Delivered a modest profit for the year, ahead of the original plan
 - Further investment by Barclays of \$75 million strengthens Barrenjoey’s balance sheet and underpins the value of Magellan’s 36% economic stake
 - Net gain of \$17.6 million as a result of Barclays’ investment (not included in MCP segment profit)
- Guzman y Gomez
 - Completed sale of shareholding for cash consideration of \$140 million, representing a 36% premium to entry price in January 2021
 - Pre-tax profit on sale of \$33.7 million (not included in MCP segment profit)
 - Sale consistent with strategy to focus on our core funds management business
- FinClear
 - FinClear booked a material one-off profit on the gain on acquisition of Pershing Australia
- No plans to make further investments in MCP segment



First Impressions and Outlook

David George

CEO and Managing Director

First Impressions

- Challenging year for the business and its stakeholders
- Client confidence has been impacted by changes in leadership team and personnel and underperformance of the Global Equities strategy
- Impressed with the resilience and commitment of the team
- Focus is on core funds management business, strengthening processes and driving consistent and improved investment performance
- We are determined to rebuild value for clients and shareholders

Strong Platform for Growth



Fund Manager of Significant Scale

- **\$60.2bn** across a large diversified client base¹
- Three core strategies – each of scale and with capacity to deliver new products that leverage existing investment expertise



Deep Client Base

- Relationships with **>9,500** financial planners & all major stockbroking firms
- **>105,000** direct unitholders
- Reputation for safeguarding and growing wealth over many years



Robust Balance Sheet & Profitability

- **\$963.3m** of cash, financial assets & investments in associates, and no debt
- **\$399.7m** adjusted net profit after tax in FY22



Strong & Capable Team

- Deeply experienced team with tremendous pride to deliver for clients
- **35** person investment team²
- **36** distribution & marketing professionals

¹ As at 29 July 2022

² Excludes investment team of Airlie Funds Management

Key Priorities

- Work closely with investment team to focus on efficiency, effectiveness and excellence in investment activity
- Engage with, and listen to, stakeholders including clients, shareholders and our people
- Remain highly focused on the core Funds Management business
 - Further stabilisation of business in short-term
 - Opportunities for growth in the medium to long-term
- Look forward to updating shareholders further in October 2022



Q&A

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