

Magellan Financial Group Limited

2019 AGM Presentation

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Magellan Financial Group Full Year Results

\$ million	30 June 2019	30 June 2018	% change
Management and services fees	472.5	385.8	22%
Performance fees	83.6	39.8	110%
Other revenue	21.1	27.1	(22%)
Adjusted revenue	577.3	452.6	28%
Adjusted expenses	(104.0)	(101.0)	3%
Adjusted net profit before tax	473.2	351.6	35%
Adjusted net profit after tax	364.2	268.9	35%
Transaction costs related to strategic initiatives (after tax)	(10.9)	(55.7)	n/m
Amortisation expense of intangible assets	(4.5)	(1.4)	n/m
Net unrealised change in fair value of financial assets (after tax)	28.1	0	n/m
Net profit after tax	376.9	211.8	78%
Key statistics			
Diluted EPS (cents per share)	213.1	122.0	75%
Adjusted diluted EPS (cents per share)	205.9	154.9	33%
Interim and Final Dividends (cents per share)	151.8	119.6	27%
Annual Performance Fee Dividend (cents per share)	33.4	14.9	124%
Total Dividends (cents per share)	185.2	134.5	38%
Franking	75%	100%	

Adjusted financial measures are adjusted for non-cash items (amortisation expense and unrealised gains/losses) and transaction costs related to strategic initiatives (Magellan Global Trust Unit Purchase Plan costs, Magellan Global Trust DRP discount funding costs (current year only) and net offer costs relating to the Magellan Global Trust IPO)

Dividends

- Dividend policy¹ :
 - Interim and Final dividends based on 90%-95% of net profit after tax of Funds Management segment excluding crystallised performance fees
 - Annual Performance Fee Dividend of 90%-95% of net crystallised performance fees after tax
- Total dividends for 2019 up 38% to 185.2 cents per share (75% franked)
 - Interim dividend of 73.8 cents per share
 - Final Dividend of 78.0 cents per share
 - Performance Fee Dividend of 33.4 cents per share

1. Subject to corporate, legal and regulatory considerations.

Expenses

- View costs associated with strategic initiatives as outside day-to-day operating expenses
 - Excluded from Funds Management business
 - Excluded from dividend payout
- Employee expenses account for ~60% of operating expenses
 - Expect modest headcount increases from organic growth – scalability
- Other expenses can vary depending on FUM, foreign exchange movements, unitholder activity, etc
- Cost to income ratio (excluding performance fees) of 21.3% in the 2019 financial year
 - Key driver of profit is not expense movements, but FUM movements
- Expect Funds Management segment expenses in 2020 financial year to be \$115-\$120 million

Balance Sheet

As at 30 June 2019

- Cash and liquid assets of \$539.3 million¹
- No debt - undrawn debt facility sized at \$50 million
- Net tangible assets of \$609.5 million
- Institutional Share Placement raised \$275 million in August 2019

\$'000	30 June 2019	30 June 2018	30 June 2017
Cash and cash equivalents	198,188	169,095	146,243
Receivables	123,812	108,622	71,290
Financial assets	341,093	276,539	264,888
Share purchase plan loans	11,219	12,642	9,757
Intangible assets	124,508	105,018	-
Other assets	1,471	3,027	1,803
Total assets	800,291	674,943	493,981
Payables and provisions	35,649	22,826	24,025
Income tax payable	19,355	29,702	4,863
Deferred tax liabilities	9,151	-	15,651
Deferred lease incentives	2,114	1,982	1,831
Total liabilities	66,269	54,510	46,370
Net assets	734,022	620,433	447,611

¹ Calculated as cash and cash equivalents and financial assets

Source: Extracted from the Consolidated Statement of Financial Position included in Magellan Financial Group's audited financial statements for the year ended 30 June 2019

Institutional Share Placement

- In August 2019, raised \$275 million via an institutional share placement of 4.98 million shares
- Placement represented ~2.8% of shares outstanding prior
- Funds raised will be used to:
 - Fund costs associated with the Magellan High Conviction Trust IPO (~\$55 million)
 - Support new retirement product under development (\$50 million)
 - Seed new investment strategies and funds currently under development
 - Provide significant flexibility for future growth opportunities

Funds Under Management Summary

	30 June 2017		30 June 2018		30 June 2019		30 Sep 2019 ¹	
Closing FUM (\$ billion)		%		%		%		%
Retail	15.2	30%	19.2	28%	23.2	27%	24.3	26%
Institutional	35.4	70%	50.3	72%	63.5	73%	67.8	74%
Total FUM	50.6	100%	69.5	100%	86.7	100%	92.1	100%
Average FUM (\$ billion)								
Retail	13.6		17.3		20.4			
Institutional	32.1		41.7		55.4			
Total average FUM	45.7		59.0		75.8			
Breakdown of Closing FUM (\$ billion)		%		%		%		%
- Global Equities	42.3	84%	52.7	76%	64.0	74%	67.6	73%
- Global Listed Infrastructure	8.3	16%	10.3	15%	15.2	17%	16.5	18%
- Australian Equities	-	-	6.5	9%	7.5	9%	8.0	9%
Total FUM	50.6	100%	69.5	100%	86.7	100%	92.1	100%
Average Base Management fee (bps) per annum (excl Perf Fee)		66		65		62		
FUM subject to Performance Fees (%)		38%		34%		33%		

1. Excludes \$862 million raised under the Magellan High Conviction Trust IPO

Investment Performance

For the periods to 30 September 2019

	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.) ¹
Magellan Global Fund	15.7	18.2	15.7	12.4
MSCI World NTR Index (\$A)	9.2	14.9	12.9	6.7
Magellan Infrastructure Fund	20.9	11.9	13.0	9.2
Global Listed Infrastructure Benchmark (\$A) ²	16.7	8.7	8.4	6.2
Magellan High Conviction Fund	7.3	16.2	14.7	15.7
Airlie Australian Share Fund	9.2	-	-	10.7
S&P/ASX 200 Accum. Index	12.5	-	-	13.2

1. Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007, the Magellan High Conviction Fund is 1 July 2013 and the 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 September 2019 (\$ billion)

Strategy	30 September 2018	Net Inflows	Investment Performance	30 September 2019 ¹
Global Equities	\$56.9	\$1.9	\$8.8	\$67.6
Global Listed Infrastructure	\$11.3	\$2.5	\$2.7	\$16.5
Australian Equities	\$6.4	\$0.8	\$0.8	\$8.0
	\$74.6	\$5.2	\$12.3	\$92.1

1. Excludes \$862 million raised under the Magellan High Conviction Trust IPO

Magellan High Conviction Trust

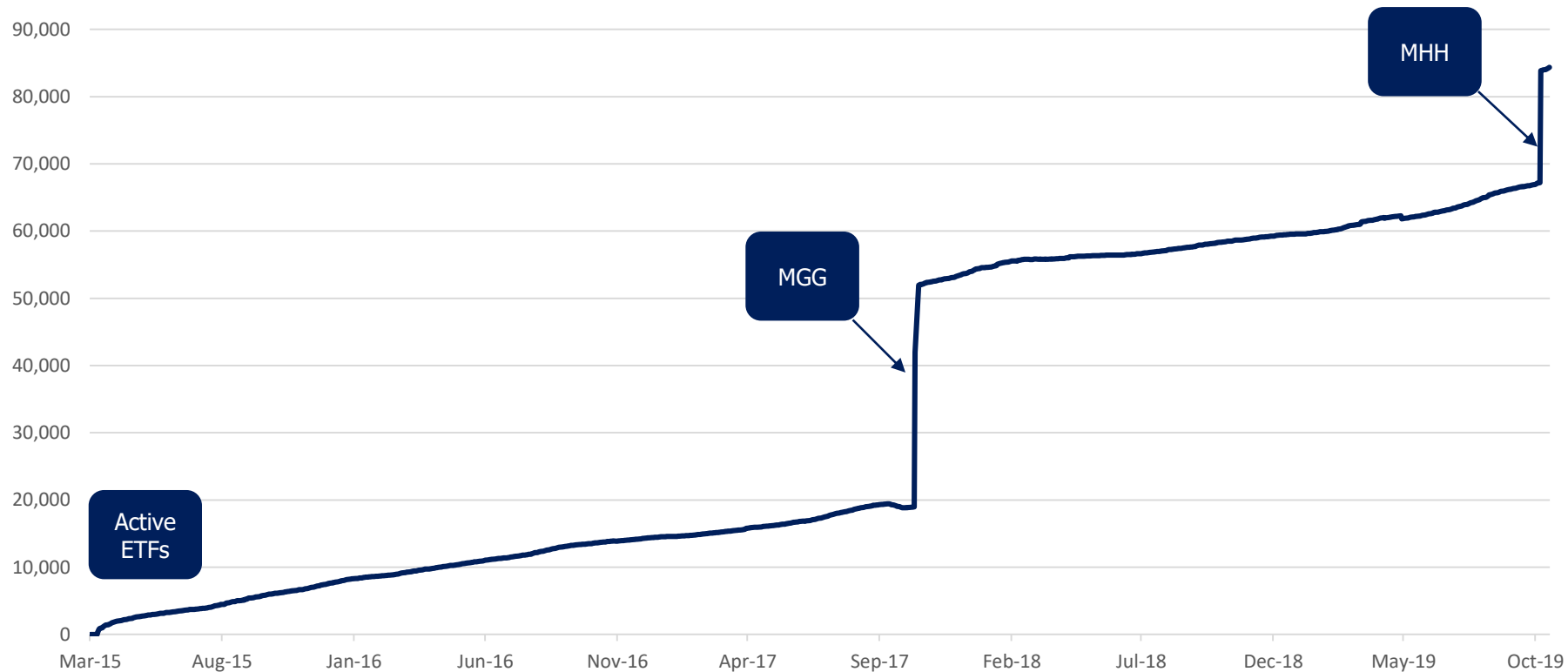
- Raised ~\$862 million
 - Priority Offer: \$632 million
 - General Public/Wholesale Offers: \$230 million
- Approximately 17,000 registered unitholders
- One-off costs of ~\$55 million, including Loyalty and IPO Foundation Units
- No fees paid to brokers or advisers to handle the offer

Investor Partnership and Simplification

Listed funds

	Closed-ended	Open-ended
FUM	\$3.2 billion	\$2.1 billion
Funds and number of unitholders	MGG: ~35,000 MHH: ~17,000	MGE: ~22,000 MHG: ~1,250 MICH: ~9,500
Benefits	Partnership benefits, with Magellan paying for the discount UPP at 5% discount to NAV DRP at 5% discount to NAV	Simplification, CHES Live pricing Tight spread to NAV Ample liquidity
Progress, but more to be done		

Listed Unitholder Growth



Number of registered unitholders across Magellan Global Equities Fund (ASX: MGE), Magellan Global Equities Fund (Currency Hedged) (ASX:MHG), Magellan Infrastructure Fund (Currency Hedged) (ASX: MICH), Magellan Global Trust (ASX: MGG) and Magellan High Conviction Trust (ASX: MHH) to 18 October 2019

Growth Areas

- **Sustainable:** approaching 3 year track records, meaningfully above benchmark, ~US\$20bn theoretical capacity¹
- **Infrastructure:** solid interest, great long-term track record, unique definition, remaining capacity of ~US\$6bn
- **Self-directed retail:** continued emphasis, Magellan High Conviction Trust IPO, partnership with investors. Active ETF regulatory review
- **Airlie:** early days
- **Retirement income:** making progress, but not done. Difficult problem, but significant interest
- **Other early stage seedings**

1. Magellan carefully takes into account the investment universe, the market capitalisation established for the strategy and liquidity requirements in ascertaining the theoretical capacity of each of our strategies. This theoretical capacity is not static and should be approximately indexed to changes in the values of world equity markets over time. Broadly this theoretical capacity should be indexed for world market movements, subject to the impact of price movements on our investment universe. The stated capacity number is purely theoretical and should in no way be taken as a forecast or indication as to the level of funds under management the Group may have in the future.

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