

Magellan Financial Group Limited Interim Results

For the half year ended 31 December 2020



Introduction

Interim Highlights¹

- Average funds under management up 9% to \$100.9 billion
- Management and services fees revenue up 8% to \$311.4 million
- Profit before tax and performance fees of the Funds Management business up 8% to \$256.2 million
- Net profit after tax up 3% to \$202.3 million
- Adjusted net profit after tax decreased by 2% to \$213.1 million
- Interim dividend up 5% to 97.1 cents per share, 75% franked

Kirsten Morton, CFO: 1H21 Financial Results

Brett Cairns, CEO: Business Overview

Q&A: Hamish Douglass, Brett Cairns & Kirsten Morton

1. Percentage changes are relative to six month period ended 31 December 2019.



1H21 Financial Results

Kirsten Morton, Chief Financial Officer

Magellan Financial Group Interim Results

\$ million	31 Dec 2020	31 Dec 2019	% change
Management and services fees	311.4	288.2	8%
Performance fees	12.4	41.7	(70%)
Share of after tax results of equity accounted investments	(6.1)	-	n/m
Other revenue and income	9.4	7.1	31%
Adjusted revenue and other income	327.1	337.1	(3%)
Adjusted expenses	(52.6)	(56.0)	(6%)
Adjusted net profit before tax	274.5	281.0	(2%)
Adjusted net profit after tax	213.1	216.8	(2%)
Transaction costs related to strategic initiatives (after tax)	(2.9)	(37.7)	(82%)
Amortisation expense of intangible assets	(2.3)	(2.3)	(2%)
Net unrealised change in fair value of financial assets and liabilities (after tax)	(5.6)	18.9	(130%)
Net profit after tax	202.3	195.7	3%
Key statistics			
Diluted EPS (cents per share)	110.6	108.2	2%
Adjusted diluted EPS (cents per share)	116.4	119.9	(3%)
Interim dividend (cents per share)	97.1	92.9	5%
Franking	75%	75%	

Adjusted financial measures are adjusted for non-cash items (amortisation expense and unrealised gains/losses) and transaction costs related to strategic initiatives

Tax and Dividends

- Effective tax rate for the six months to 31 December 2020 is 22.2% (Offshore Banking Unit)
- Dividends:
 - Interim dividend of 97.1 cents per share (75% franked)
 - Pay dividends promptly – 25 February 2021
 - Dividend policy¹:
 - Interim and Final dividends based on 90%-95% of profit of Funds Management business 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.

Expenses

- Costs associated with strategic initiatives considered as outside day-to-day operating expenses
 - Excluded from Funds Management business
 - Excluded from dividend payout
- Cost to income ratio (excluding performance fees) of 16.8% during the period
 - Key driver of profit is not expense movements, but FUM movements
- Expect Funds Management business expenses in 2021 financial year to be at the lower end of the \$110-\$115 million range



Business Overview

- 1. Funds Management Business***
- 2. Business Resilience and Diversification Update*

Brett Cairns, Chief Executive Officer

Funds Management Business

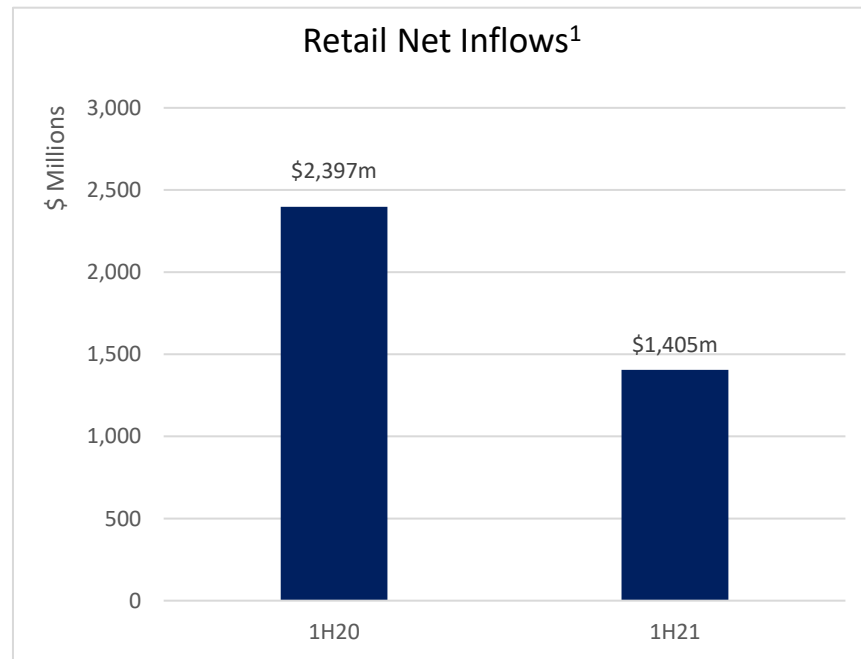
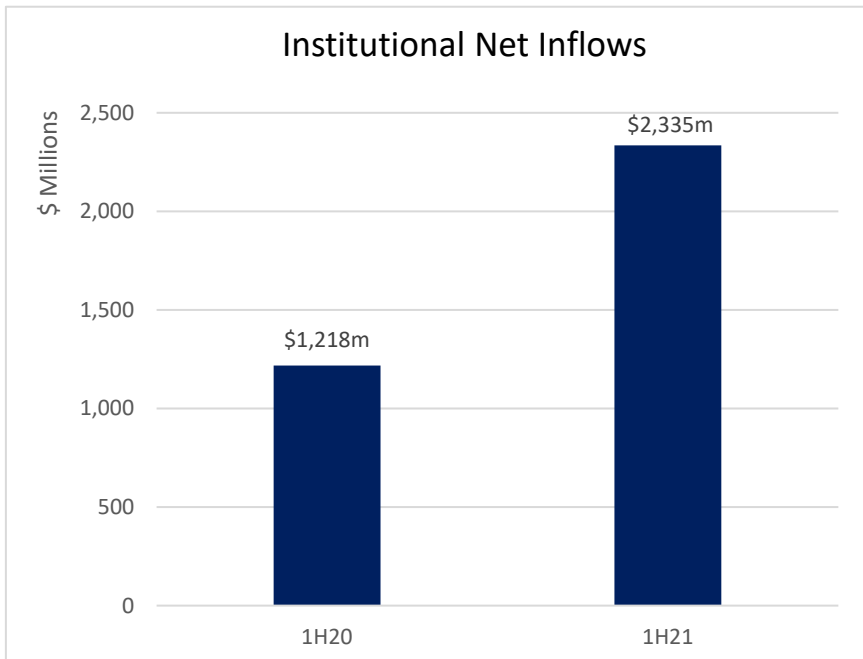
\$ million	31 Dec 2020	31 Dec 2019	% change
Revenue			
Management fees	309.4	285.9	8%
Performance fees	12.4	41.7	(70%)
Services fees	2.0	2.4	(15%)
Interest and other revenue	(3.6)	4.0	(190%)
	320.2	333.9	(4%)
Expenses			
Employee expense	34.2	36.2	(5%)
Other expense	17.4	18.7	(7%)
	51.6	54.9	(6%)
Profit before tax	268.6	279.0	(4%)
Profit before tax and before performance fees¹	256.2	237.3	8%

Key Statistics

	31 Dec 2020	31 Dec 2019	% change
Average Funds Under Management (\$ billion)	100.9	92.8	9%
Average AUD/USD exchange rate	0.7234	0.6848	6%
Avg. number of employees	132	128	3%
Employee expense/total expense	66.4%	65.9%	
Cost/Income	16.1%	16.4%	
Cost/Income (excl performance fees) ¹	16.8%	18.8%	

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

1H21 Net Flows



Total net inflows for the 6 months ended 31 December 2020: \$3.7 billion

1. Includes proceeds of the Magellan High Conviction Trust IPO in October 2019

Funds Under Management

As at 31 December 2020 (\$ billion)

Strategy	30 June 2020	Net Inflows	Investment Performance	31 December 2020 ¹
Global Equities	\$74.3	\$1.7	\$0.0	\$75.1
Global Listed Infrastructure	\$15.9	\$2.1	\$0.3	\$18.2
Australian Equities	\$7.0	-\$0.1	\$1.1	\$8.0
	\$97.2	\$3.7	\$1.3	\$101.3

1. Reflects \$0.9 billion of net distributions paid in Magellan funds
May not add due to rounding



Business Overview

1. Funds Management Business

2. Business Resilience and Diversification Update

Brett Cairns, Chief Executive Officer

Restructure of Global Equities Retail Funds

- Restructure of three Global Equities retail funds into a single trust (Magellan Global Fund) completed in December 2020
- Magellan Global Fund now has two unit classes:
 - Closed Class Units quoted on ASX under the ASX Listing Rules
 - Open Class Units quoted on ASX under the AQUA Rules and off market access
- Simplifies investment proposition whilst allowing investors greater flexibility in accessing Magellan's flagship investment strategy
- Potential for more efficient secondary trading in Closed Class Units
- Extension of progress Magellan has made to provide retail investors greater access and choice in how to invest with reduced friction

Restructure Partnership Benefits

- Following the successful restructure Magellan has now launched both the Partnership Offer and separate Bonus MGF Option Issue:
 - *Partnership Offer*: \$1-for-\$4 offer to all Magellan Global Fund unitholders to subscribe for Closed Class Units and receive additional Closed Class Units worth 7.5% of subscription value in partnership with Magellan. Closed Class Units issued under the capital raising will also have an attached option; and
 - *Bonus MGF Option Issue*: Separate bonus option issue to all Closed Class unitholders on 1-for-2 pro rata basis allowing option holders to subscribe for Closed Class Units at a 7.5% discount to NAV
- All partnership benefits and restructure costs funded by Magellan, not Magellan Global Fund or its unitholders
- Magellan to fund via existing financial resources and a corporate debt facility
- Partnership Offer closes on 23 February 2021

Recent Fund Initiatives

MFG Core Series

- MFG Core International Fund (CXA: MCSG / APIR: MGE3851AU), MFG Core ESG Fund (CXA: MCSE / APIR: MGE8722AU) and MFG Core Infrastructure Fund (CXA: MCSI / APIR: MGE9182AU) now available to retail investors through the Chi-X securities exchange or direct application

Magellan Sustainable Fund

- Magellan Sustainable Fund (CXA: MSUF / APIR: MGE4669AU) now available to retail investors through the Chi-X securities exchange or direct application

Retirement income

- Continuing discussions with regulators
- Seeking to launch once necessary approvals have been obtained

Principal Investments

- We view investments in our Principal Investments portfolio as either:
 - Internal investments: investments in our funds that provide alignment with our clients and allow for seeding of new strategies
 - External investments: investments outside Magellan's funds management business that meet certain criteria
- The Board has set a pre-tax hurdle of 10% p.a. (over business cycle) for the Principal Investments portfolio

Principal Investments (cont.)

External Investments Criteria

1

High quality management teams

- No operational involvement by Magellan, oversight via non-executive director representation
- No distraction from our Funds Management business

2

High quality companies with meaningful scale in their sector

3

Contributes to the intellectual capital of the business and provides meaningful optionality

4

Attractive financial returns

Magellan investment

- \$156 million investment for 40% non-dilutive economic stake (5% voting)

Business update

- Welcomed David Gonski as Independent Chairman
- Established many of the key foundations and on track to complete those that remain
- Employs ~150, assembled from ~30 different institutions
- Advisory business operating since late 2020
- Markets businesses due to go live progressively from 2Q21
- Client onboarding process has commenced
- Integration with Barclays is well progressed

Magellan investment

- \$20 million investment for ~16% (fully diluted) shareholding
- Relationship to explore initiatives to improve access and reduce friction from the investment process for investors

Business update

- Established in 2015 and now employs over 60 employees across offices in Sydney, Melbourne and Perth
- Offers a complete suite of trading and administrative functions for any business providing financial advice or wealth management services, be that an adviser, stockbroker, or fintech
- Touches more than 50% of all retail equity transactions completed in Australia each day and hosts \$7 billion for end investors on its HIN platform



ABOUT GYG



- Guzman y Gomez or “GYG” is Australia's fastest growing fast food business, **serving clean, authentic, fresh and made to order** Mexican food.
- Since opening its first restaurant in Newtown, Sydney in 2006, GYG has expanded its footprint to **148 restaurants across Australia, Singapore, Japan and the USA.**
- GYG's success is driven by a **passion and energy** that underpins everything we do, from our obsession with food and speed of service to our exceptional guest experience.
- With **significant whitespace** available in both domestic and international markets, GYG is only getting started.
- Led by Founder and CEO Steven Marks, and closely supported by CFO and COO Mike Hirschowitz, **GYG is focused on becoming the best restaurant company in the world.**



Multi-site restaurant of the year 2020

GLOBAL SNAPSHOT



margaritas

\$410m

annualised global sales¹

GYG

39%

Australian sales growth
FY21 to date

GYG

\$387m

annualised Australian sales¹

GYG

27%

Australian like-for-like growth
FY21 year to date²

GYG

nachos

>70%

of restaurants exceeding
25% ROI³

GYG

148

restaurants globally

GYG

450+

customised orders per hour

GYG

3.3m

social reach per month

GYG

1. Annualised based on the first 7 months of FY21 (July 20 - Jan 21)

2. Like-for-like (LFL) growth for the first seven months of FY21 financial year

3. Based on annualised FY21 EBITDA (excl Gov Stimulus) for all Australian restaurants

Principal Investments

Principal Investment portfolio:

Investment (\$ million)	31 Dec 2020	30 June 2020
Internal investments		
Cash	0.7	1.4
Investments in:		
Magellan Funds ¹	387.3	388.3
Seed portfolios	8.8	7.8
Other ²	0.5	7.4
External investments		
Equity accounted investments ³	170.1	-
Total	567.4	404.9
Net deferred tax ⁴	(32.5)	(31.2)
Net principal investments	534.9	373.7
Net principal investments per share (cents) ⁵	291.2	205.0

Investment Returns:

Time Period	Return
1 Year to 31 December 2020	-1.2%
3 Years to 31 December 2020 p.a.	10.8%
5 Years to 31 December 2020 p.a.	10.4%
Since Inception to 31 December 2020 p.a. ⁶	11.0%

1. Investments are set out in note 7 of the interim financial statements; 2. Comprises receivables and payables; 3. Comprises interests held in Barrenjoey Group Holdings Pty Ltd and FinClear Holdings Ltd. Excludes Guzman y Gomez (Holdings) Limited; 4. Arises from changes in the fair value of financial assets offset by the deferred tax asset relating to unused tax losses; 5. Based on 183,687,634 ordinary shares on issue at 31 December 2020 (30 June 2020: 182,280,222 ordinary shares). 6. Return excludes previous investment in MFF Capital Investments Limited. Inception date of 1 July 2007



Q&A

Hamish Douglass, Chairman

Brett Cairns, Chief Executive Officer

Kirsten Morton, Chief Financial Officer

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