

Wednesday, 26 May 2021

ASX:AEF

Earnings guidance and business update for the year ending 30 June 2021

ASX ANNOUNCEMENT

Earnings guidance for the financial year ending 30 June 2021

Australian Ethical Investment (ASX:AEF) advises that Underlying Profit after Tax (UPAT) before performance fees for the year ending 30 June 2021 is expected to be between \$8.8 million and \$9.3 million. On an equivalent basis (pre performance fees) full year FY20 UPAT was \$7.0 million. This represents a mid-point increase of 29% on the 12 months ended 30 June 2020.

Any current year performance fee from the Emerging Companies Fund will only crystallise on 30 June 2021 if the Fund outperforms the Small Industrials Index benchmark.

This earnings guidance is based on unaudited management accounts to 30 April 2021 and anticipates no significant market movements during the remainder of the financial year. It also includes the impact of expensing cloud based software development costs, an estimated \$0.4 million¹ which would previously have been capitalised, in line with recent IFRIC guidance on AASB138 Intangible Assets. More information will be provided when full year results are announced on 25 August 2021.

FUM movement since 31 March 2021

FUM increased to \$5.68 billion as at 30 April 2021, up 5% from \$5.41 billion as at 31 March 2021, and up 40% from 30 June 2020. The increase in April was driven by investment performance of \$0.17 billion and continued solid netflows of \$0.1 billion.

Fee reductions

Australian Ethical is committed to making ethical investing as accessible as possible for all Australians. This includes sharing the success of its increasing scale through strategic fee reductions.

Australian Ethical will reduce fees across targeted super options and managed fund products from 1 June 2021. These fee reductions are expected to reduce the average revenue margin by approximately 0.04% p.a.² but improve the competitiveness of Australian Ethical products and contribute to long-term growth in FUM.

Business update

Australian Ethical is seeing great momentum as its strategy delivers outcomes including:

- Record YTD flows of \$0.8 billion, with FUM up 40% since June 2020
- Continued strong investment returns with the Australian Shares super option ranked first over 1 year, 5, 7 and 10 years³

¹ Net of depreciation, tax and community grant.

² The revenue margin at 31 December 2020 was 1.05% p.a.

³ SuperRatings SR50 Australian Shares Index – April 2021 Survey.

- Above benchmark returns for the Australian Shares Fund and the Emerging Companies Fund, returning 15.1% and 18.6% above their benchmarks respectively⁴
- Extraordinary momentum in the adviser channel with flows up 177% on the same period last year – including reaching a significant milestone of \$1 billion in advised FUM
- Customer numbers up 17% since June 2020
- The launch of a new brand identity, website and consumer brand movement
- A new Customer Experience Platform which includes a CRM and data warehouse
- Bringing the customer contact centre inhouse to significantly enhance customer engagement and customer experience

Outlook

John McMurdo, Australian Ethical CEO, said: “We are seeing unprecedented interest and demand for ethical investing as Australians open their eyes to how our products deliver attractive investment returns and make a positive difference in the world. Looking ahead, we expect this growth in ethical investing to accelerate.

“We are already seeing the benefits of the strategic investments we have made so far to strengthen our operating platform, diversify our acquisition channels and improve our customer experience. We recognise the opportunity to extend our market leadership position through further investment in deepening our investment expertise, brand and marketing to improve brand awareness, technology to enhance customer experience and expanding our product offering to meet demand and further our positive impact.

“Our momentum to date gives us confidence in our strategy and confirms that now is the time to cement our market leadership. Expense growth in the short term will be reflective of our investment to capture the acceleration in demand.

“In the medium to longer term we expect higher levels of profitability as we realise the anticipated benefits of investing in our business and operating leverage from achieving greater scale.”

This announcement is authorised by the Board.

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About Australian Ethical

Australian Ethical is Australia’s leading ethical investment manager. Since 1986, Australian Ethical has provided investors with investment management products that align with their values and provide competitive returns. Investments are guided by the Australian Ethical Charter which shapes its ethical approach and underpins both its culture and its vision.

Australian Ethical has \$5.68 billion in funds under management across managed funds and superannuation as at 30 April 2021.

Visit: www.australianethical.com.au

⁴ Represents returns of the wholesale funds for FYTD to 30 April 2021. The benchmark for the Australian Shares Fund is the S&P/ASX 300 Accum and for the Emerging Companies Fund it is the S&P/ASX Small Industrials.