Pendal Group Limited Level 14, The Chifley Tower 2 Chifley Square Sydney NSW 2000 Australia



ABN 28 126 385 822

10 May 2022

Company Announcements Office ASX Limited 20 Bridge Street SYDNEY NSW 2000

Pendal Group Limited (PDL) Interim Profit Announcement for the six months ended 31 March 2022

The following documents are attached for lodgement:

☑ Interim Financial Report and Appendix 4D

□ ASX Announcement

☐ Analyst Presentation

☐ Shareholder Update

Yours sincerely

Authorising Officer

Joanne Hawkins Group Company Secretary Pendal Group Limited

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Pendal Group Limited and its Controlled Entities

ABN 28 126 385 822

INTERIM PROFIT ANNOUNCEMENT

Appendix 4D

FOR THE HALF YEAR ENDED 31 MARCH 2022

The Directors of Pendal Group Limited (the Company) announce the results of the consolidated entity (Pendal Group or the Group) for the half year ended 31 March 2021 (previous corresponding period, the half year ended 31 March 2021 or 1H21), which have been subject to review by our auditors, PricewaterhouseCoopers.

Results for announcement to the market

	% Change	31 Mar 2022 (\$'000)
Total revenue and other income	Up 19.5%	351,932
Net profit after tax	Up 7.5%	96,713
Profit for the period attributable to members	Up 7.5%	96,713

Explanation of results:

The net profit after tax (Statutory NPAT) of the Group for the half year ended 31 March 2022 was \$96.7 million (1H21: \$89.9 million), an increase of 7.5% on the comparative period.

Net profit after tax (Statutory NPAT) includes accounting adjustments required under International Financial Reporting Standards (IFRS) for amortisation and impairment of intangible assets, gains and losses from financial assets held at fair value through profit or loss (FVTPL) and transaction and integration costs related to merger and acquisition activity. These items are not considered by the Directors to be part of the underlying earnings of the Group and therefore the Directors believe that Underlying profit after tax (UPAT) is a more suitable measure of profitability.

UPAT for the half year ended 31 March 2022 was \$131.4 million (1H21: \$82.6 million) which is an increase of 59.0% on the previous corresponding period. The uplift in profit primarily reflects the contribution of Thompson Siegel & Walmsley LLC (TSW), which was acquired during the second half of the 2021 Financial Year.

Please refer to the attached 31 March 2022 Interim Financial Report and Market Presentation for commentary and further information with respect to the results.

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Final 2021 dividend paid on 16 December 2021	24.0	2.4	30%
Interim 2022 dividend determined ¹	21.0	2.1	30%
- Ex-dividend date			19 May 2022
- Record date			20 May 2022
- Payment date			1 July 2022

¹ The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the Income Tax Assessment Act 1997.

Dividend Reinvestment Plan

The Board has determined that the Dividend Reinvestment Plan (DRP) will remain inactive for the 2022 interim dividend.

Net tangible assets

	31 Mar 2022	31 Mar 2021
Net tangible assets per ordinary security	\$1.23	\$1.32

This information should be read in conjunction with the 2021 Annual Report.

Further information regarding the Pendal Group and its business activities can be obtained by visiting the website at www.pendalgroup.com.

Pendal Group Limited Interim Financial Report

FOR THE HALF YEAR ENDED 31 MARCH 2022

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The interim financial report was authorised for issue by the Company's Directors on 10 May 2022 who have the power to amend and reissue the interim financial report.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2021 and any public announcements made by Pendal Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Pendal Group Limited Directors' Report

FOR THE HALF YEAR ENDED 31 MARCH 2022

The Directors present their report together with the financial statements of Pendal Group Limited (the Company) and its consolidated subsidiaries (together referred to as Pendal Group or the Group) for the half year ended 31 March 2022.

Directors

The following persons were Directors of the Company during the half year and up to the date of this report (unless otherwise stated):

Deborah Page AM Chair (appointed 17 January 2022) and Non-Executive Director

Nicholas Good Managing Director
Sally Collier Non-Executive Director

Ben Heap Non-Executive Director (appointed 1 March 2022)

Christopher Jones Non-Executive Director
Kathryn Matthews Non-Executive Director

James Evans Chair and Non-Executive Director (retired 17 January 2022)

Andrew Fay Non-Executive Director (retired 10 December 2021)

Principal activities

The principal activity of Pendal Group during the half year was the provision of investment management services. There has been no significant change in the nature of this activity during the half year ended 31 March 2022.

Review of operations

Business update

The net profit after tax (Statutory NPAT) of the Group for the half year ended 31 March 2022 was \$96.7 million (1H21¹: \$89.9 million), an increase of 7.5% on the prior comparative period. Underlying profit after tax (UPAT)² for the half year was \$131.4 million (1H21: \$82.6 million), an increase of 59.0%. The uplift in profit primarily reflects the contribution of US-based Thompson Siegel & Walmsley LLC (TSW), which was acquired during the second half of the 2021 Financial Year.

In the six months to 31 March 2022, Pendal Group's FUM decreased by 10.3% to \$124.9 billion (30 September 2021: \$139.2 billion). Strong investment performance and higher markets in the December 2021 quarter were followed by a correction in the March 2022 quarter as inflation concerns, tightening monetary policy and geopolitical tensions affected global equity markets. Currency movements detracted another \$3.6 billion from FUM over the six-month period, as the Australian dollar strengthened against the US Dollar (+3.8%) and the British Pound (+6.4%).

There were net outflows of \$7.5 billion in the half year with notable redemptions from two UK institutional clients (-\$5.1 billion), primarily in the Global Opportunities strategy, a US sub-advisory client (-\$1.2 billion) and Australian institutional clients (-\$1.0 billion). The Group's US mutual fund range continued to grow with net inflows of +\$0.4 billion during the period, while the expanded range of Regnan sustainable and impact strategies attracted further inflows of +\$0.1 billion in the EUKA region.

Reconciliation of Statutory NPAT to UPAT	Half year ended 31 Mar 2022 \$'000	Half year ended 31 Mar 2021 \$'000
Statutory NPAT	96,713	89,925
Add back/(deduct):		
Amortisation and impairment of intangibles ³	17,289	5,341
Net (gains)/ losses on financial assets held at FVTPL ⁴	22,995	(15,173)
Transaction and integration costs ⁵	995	
Tax effect	(6,555)	2,549
UPAT	131,437	82,642

 $^{^{\}rm 1}$ $\,$ The previous corresponding period is the half year ended 31 March 2021, referred to as 1H21.

Net profit after tax (Statutory NPAT) includes accounting adjustments required under International Financial Reporting Standards (IFRS) for amortisation and impairment of intangible assets, gains and losses from financial assets held at fair value through profit or loss (FVTPL) and transaction and integration costs related to merger and acquisition activity. These items are not considered by the Directors to be part of the underlying earnings of the Group and therefore the Directors believe that UPAT is a more suitable measure of profitability.

Amortisation and impairment of intangibles primarily relates to fund and investment management contracts.

⁴ Net gains or losses on financial assets held at FVTPL primarily relate to seed investments in pooled funds managed by Pendal Group.

 $^{^{5}}$ Transaction and integration costs relate to the acquisition of TSW.

Pendal Group Limited Directors' Report

FOR THE HALF YEAR ENDED 31 MARCH 2022

The Group's operating revenue for the half year increased to \$362.6 million (1H21: \$277.0 million). Base management fees were \$317.7 million (1H21: \$234.8 million) as average FUM increased by 37.3% to \$133.3 billion (1H21: \$97.1 billion), reflecting the Group's FUM growth through higher average market levels and the acquisition of TSW. Average base management fee margins were 48 basis points which were stable versus the fee margins through the 2021 Financial Year.

Performance fees realised during the period were \$44.5 million (1H21: \$41.1 million). The performance fees represented outperformance across six J O Hambro Capital Management (JOHCM) investment strategies over the year ended 31 December 2021, with notable contributions from the Global Select, Asia (ex-Japan) and Global Emerging Markets strategies.

Total operating expenses increased by 20.1% to \$209.6 million (1H21: \$174.4 million) which includes the full contribution of TSW in the period. Excluding TSW, operating expenses were 3.7% higher as a more prudent approach was taken to cost management to reflect trading conditions. On a constant currency basis, fixed costs were 5.0% higher while variable costs were broadly flat over the period, noting that seasonality exists in business activity that sees fixed costs typically trend higher in the second half of each year. The Group continues to invest in its strategic initiatives with a measured approach in the current market environment.

Non-operating revenue decreased by \$28.2 million from the prior corresponding period substantially due to net losses on the Group's seed investments of \$23.1 million (1H21: \$15.2 million gains), as a result of a decline in market levels.

The Group's financial position is strong and remains well supported by significant cash reserves and financial assets. Recognising that the Pendal share price was being undervalued, the Board conducted a capital management review during the March quarter. The Board determined that an on-market share buy-back was the most efficient way to deliver an earnings per share accretive return of capital to shareholders while maintaining flexibility to fund future growth initiatives and Pendal's dividend policy. It is expected that the share buy-back will commence from 11 May 2022.

Strategic priorities

During the period, the Group progressed its strategic priorities which centre around attracting and retaining talent, investing in distribution in key growth markets, enhancing the Group's core infrastructure and expanding its ESG/RI capabilities.

The acquisition of TSW in July 2021 has brought scale and diversification benefits to the Group via new investment strategies and distribution channels. During the half year, TSW funds were added to the Group's proprietary mutual fund range and the combined US sales team began working together on cross-selling opportunities.

The Group's ESG/RI product offering was expanded with the launch of the Regnan Sustainable Water and Waste strategy for the UK and European markets. The strategy has received encouraging initial client support, attracting \$124 million in funds by the end of the half year. The Regnan Global Equity Impact Solutions strategy, launched globally in the 2021 Financial Year, continued to be well supported, with over \$500 million in total FUM at 31 March 2022.

The Global Executive Committee welcomed two new members, strengthening global functional representation on the Committee, with the addition of Mr Justin Howell, Group Chief Operations Officer (previously Chief Operating Officer of Pendal Australia) and Ms Claudia Henderson, Group Chief Human Resources Officer. These appointments bring extensive experience and proven leadership skills to execute the Group's global strategy across the regionally diverse operating platform and workforce.

Board renewal

In January 2022, Mr James Evans retired as Chairman of Pendal Group Limited, having served on the Board since 2010 and as Chairman since 2013. During this time, Mr Evans played a valuable role in developing the business from an Australian-only fund manager into a global asset management business, with the Group acquiring the UK-headquartered J O Hambro Capital Management (JOHCM) which then expanded into the US market, and most recently acquiring the US-based TSW in 2021.

Mrs Deborah Page AM was appointed as Chair of the Board of Pendal Group effective on Mr Evans' retirement. Mrs Page was appointed as an independent non-executive Director of Pendal Group in 2014 and as Chair of the Audit and Risk Committee in 2016.

Mr Andrew Fay stepped down from the Board in December 2021, having been appointed as an independent non-executive Director in 2011. Mr Fay made a meaningful and significant contribution to the Group as Chair of the Audit and Risk Committee and subsequently as Chair of the Remuneration and Nominations Committee.

Mr Ben Heap was appointed as an independent non-executive Director of Pendal Group Limited effective 1 March 2022. Mr Heap is an experienced ASX-listed company director and brings to the Board experience in new technologies and international experience in the asset management industry.

COVID-19

The COVID-19 pandemic has continued to impact the communities in which the Group operates during the half year. The Group's global workforce can operate remotely as and when required, without disruption to core functions. Pendal Group has continued its focus on the health and safety of the Group's employees and maintaining our ability to service our clients and continue to manage their portfolios.

Pendal Group Limited Directors' Report

FOR THE HALF YEAR ENDED 31 MARCH 2022

Dividends

The Directors have resolved to pay a partly franked interim dividend of 21.0 cents (10% franked⁶) per share (1H21: 17.0 cents per share – 10% franked) on ordinary shares. The amount of dividend, which has not been recognised as a liability at 31 March 2022, is \$80.5 million (1H21: \$55.1 million).

Events subsequent to reporting date

On 4 April 2022, the Group announced that it had received a conditional, non-binding indicative proposal from Perpetual Limited (ASX: PPT) to acquire 100% of the shares in Pendal Group Limited by way of Scheme of Arrangement. On 12 April 2022, the Board announced that it had assessed the proposal and determined that it was not in the best interests of shareholders.

On 12 April 2022, the Group announced that it intends to commence an on-market share buy-back of up to \$100 million commencing from 11 May 2022.

No other matter or circumstance which is not otherwise reflected in this interim financial report has arisen since 31 March 2022 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Rounding of amounts

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This Report is made in accordance with a resolution of Directors.

Deborah Page AM

Chairman

10 May 2022

Nicholas Good

Managing Director and Group Chief Executive Officer

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10 May 2022

⁶ The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act* 1997.



Auditor's Independence Declaration

As lead auditor for the review of Pendal Group Limited for the half-year ended 31 March 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pendal Group Limited and the entities it controlled during the period.

Brett Entwistle

Partner

PricewaterhouseCoopers

Sydney 10 May 2022

Pendal Group Limited Consolidated Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 MARCH 2022

	Notes	31 Mar 2022 \$'000	31 Mar 2021 \$'000
Revenue			
Investment management fees		318,113	235,881
Performance fees		44,498	41,112
Total revenue	3	362,611	276,993
Other income	3	(10,679)	17,459
Expenses			
Employee expenses			
Salaries and related expenses		118,953	96,605
Amortisation of employee equity grants		21,448	23,599
Amortisation of employee deferred remuneration		13,905	8,632
Depreciation, amortisation and impairment		23,084	10,156
Information, technology and data		12,985	11,550
Fund administration		12,251	9,328
Professional services		8,353	6,694
Business development and promotion		7,690	5,255
General office and administration		6,929	6,441
Investment management		1,435	1,457
Finance costs		1,154	667
Total expenses		228,187	180,384
Profit before income tax		123,745	114,068
Income tax expense	4	27,032	24,143
Profit after tax attributable to shareholders		96,713	89,925
Earnings per share for profit attributable to shareholders		Cents	Cents
Basic earnings per share		27.3	30.4
Diluted earnings per share		26.7	29.8
		\$'000	\$'000
Profit after tax for the period		96,713	89,925
Other comprehensive income for the financial period Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	12	(39,106)	144
Gain / (loss) on derivative hedging instruments	12	6,379	(698)
Hedging gains reclassified to profit or loss	12	(1,440)	_
Other comprehensive income, net of tax		(34,167)	(554)
Total comprehensive income for the financial period attributable to shareholders		62,546	89,371

 $The above \ Consolidated \ Statement \ of \ Comprehensive \ Income \ should \ be \ read \ in \ conjunction \ with \ the \ accompanying \ Notes.$

Pendal Group Limited Consolidated Statement of Financial Position

AS AT 31 MARCH 2022

	Notes	31 Mar 2022 \$'000	30 Sep 2021 \$'000
Current assets			
Cash and cash equivalents	6	207,112	297,742
Trade and other receivables		79,171	96,520
Current tax assets		20,571	7,141
Derivatives	7	2,596	659
Prepayments		16,839	9,430
Total current assets		326,289	411,492
Non-current assets			
Property, plant and equipment		9,257	10,639
Right-of-use-assets		35,074	39,898
Financial assets held at fair value through profit or loss (FVTPL)	7	280,219	287,214
Deferred tax assets		27,517	42,134
Intangible assets	8	881,268	930,220
Total non-current assets		1,233,335	1,310,105
Total assets		1,559,624	1,721,597
Current liabilities			
Trade and other payables		38,562	57,002
Employee benefits		80,958	139,836
Lease liabilities		7,013	8,234
Borrowings	10	-	_
Current tax liabilities		21,780	28,707
Total current liabilities		148,313	233,779
Non-current liabilities			
Employee benefits		7,497	7,979
Lease liabilities		31,242	35,774
Borrowings	10	46,779	48,570
Deferred tax liabilities		10,116	11,263
Total non-current liabilities		95,634	103,586
Total liabilities		243,947	337,365
Net assets		1,315,677	1,384,232
Equity			
Contributed equity	11	846,702	876,333
Reserves	12	198,566	245,682
Retained earnings		270,409	262,217
Total equity		1,315,677	1,384,232

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

Pendal Group Limited Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 MARCH 2022

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2021		876,333	245,682	262,217	1,384,232
Profit for the financial period		-	_	96,713	96,713
Other comprehensive income for the financial period		_	(34,167)	<u>-</u>	(34,167)
Total comprehensive income for the financial period		_	(34,167)	96,713	62,546
Transactions with owners in their capacity a	as owners:				
Treasury shares acquired	11	(58,293)	_	_	(58,293)
Treasury shares released	11,12	28,662	(28,662)	_	-
Share-based payments		-	15,713	_	15,713
Dividends paid	5	-	-	(88,521)	(88,521)
Balance at 31 March 2022		846,702	198,566	270,409	1,315,677
Balance at 1 October 2020		471,249	205,340	219,169	895,758
Profit for the financial period		_	-	89,925	89,925
Other comprehensive income for the financial period		-	(554)	-	(554)
Total comprehensive income for the financial period		-	(554)	89,925	89,371
Transactions with owners in their capacity a	as owners:				
Treasury shares acquired	11	(29,468)	-	=	(29,468)
Treasury shares released	11,12	27,273	(27,273)	_	
Share-based payments		_	25,556	_	25,556
Dividend reinvestment plan	11	5,356	-	_	5,356
Dividends paid	5	-	-	(68,532)	(68,532)
Balance at 31 March 2021		474,410	203,069	240,562	918,041

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Pendal Group Limited Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 MARCH 2022

Notes	31 Mar 2022 \$'000	31 Mar 2021 \$'000
Cash flows from operating activities		
Fees and other income received	382,624	275,865
Interest received	20	1
Distributions from unit trusts	10,020	232
Expenses paid	(277,858)	(187,975)
Fund application settlement amounts received / (paid)	6,510	(961)
Income tax paid	(39,654)	(27,996)
Net cash inflows from operating activities	81,662	59,166
Cash flows from investing activities		
Proceeds from sales of financial assets held at FVTPL	52,854	16,897
Payment for financial assets held at FVTPL	(64,398)	(59,616)
Receipts from / (payments for) derivative hedging instruments	4,443	(361)
Payments for property, plant and equipment	(299)	(473)
Payments for IT development	(851)	(136)
Net cash outflows from investing activities	(8,251)	(43,689)
Cash flows from financing activities		
Payment of dividends	(88,521)	(63,176)
Payments for purchase of treasury shares	(58,293)	(29,467)
Payments for leases and related finance costs	(6,456)	(3,380)
Fund application settlement amounts (paid) / received	(6,510)	961
Interest and other financing costs	(451)	(25)
Net cash outflows from financing activities	(160,231)	(95,087)
Net decrease in cash and cash equivalents	(86,820)	(79,610)
Cash and cash equivalents at the beginning of the financial period	297,742	207,485
Effects of exchange rate changes on cash and cash equivalents	(3,810)	(1,821)
Cash and cash equivalents at the end of the financial period 6	207,112	126,054

 $The above \ Consolidated \ Statement \ of \ Cash \ Flows \ should \ be \ read \ in \ conjunction \ with \ the \ accompanying \ Notes.$

FOR THE HALF YEAR ENDED 31 MARCH 2022

1. Basis of preparation of the report for the half year ended 31 March 2022

This interim financial report is for Pendal Group Limited (the Company) and its controlled entities (together, Pendal Group or the Group) for the half year ended 31 March 2022. It has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Comparative revisions

Where necessary, comparative figures have been restated to enhance comparability or to conform to the presentation adopted in the current period.

New accounting standards and interpretations

Pendal Group has adopted all of the mandatory new and amended standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The mandatory new and amended standards adopted by the Pendal Group for the half year ended 31 March 2022 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact in future periods.

New and amended accounting standard not yet adopted by the Pendal Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Pendal Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Coronavirus (COVID-19)

The COVID-19 pandemic and measures implemented in response to the health emergency continue to have an impact on the economic environment in the financial markets in which Pendal Group operates, including Australia, the UK, Europe, Singapore and the United States. The Group has considered the impact of COVID-19 and related response measures in preparing its financial statements and in the exercise of critical accounting assumptions and estimates, including impacts occurring during the reporting period and the uncertainty of future effects of the pandemic.

2. Segment information

Description of segments

Operating segments have been reported in a manner consistent with internal management reporting provided to the chief operating decision-maker (CODM) for assessing performance and in determining the allocation of resources. The CODM consists of the Group Chief Executive Officer and other members of the Global Executive Committee.

Pendal Group's business revenues are predominantly derived from a single activity, being the provision of investment management services globally. The CODM assesses the performance of the business across geographic locations. Pendal Group has determined that it has three operating segments:

- Pendal Australia, the Group's investment management business operating in Australia;
- Pendal EUKA, the Group's investment management business operating in Europe, UK and Asia; and
- Pendal US, the Group's investment management business operating in the United States of America.

The Pendal US operating segment includes the business operations and earnings of JOHCM (USA) Inc. and, for the current period, those of Thompson Siegel & Walmsley LLC (TSW) following the Group's acquisition of TSW on 22 July 2021.

FOR THE HALF YEAR ENDED 31 MARCH 2022

a) Segment information provided to the CODM:

The CODM assesses the performance of each operating segment based on operating profit before tax. This measure excludes items not considered relevant in evaluating segment performance, including the amortisation and impairment of intangible assets, transaction and integration costs associated with mergers and acquisitions and non-operating items such as gains and losses on seed investments, interest income and expense, foreign exchange gains and losses and tax.

	Pendal A	ustralia	Pendal	EUKA	Penda	al US	Total (Group
	31 Mar 2022 \$'000	31 Mar 2021 \$'000						
Revenue	74,501	68,901	108,674	95,798	179,436	112,294	362,611	276,993
Inter-segment revenue	(2,555)	(2,173)	68,967	69,003	(66,412)	(66,830)	-	_
Total segment revenue	71,946	66,728	177,641	164,801	113,024	45,464	362,611	276,993
Operating expenses	(61,532)	(62,364)	(101,593)	(95,461)	(46,477)	(16,551)	(209,602)	(174,376)
Inter-segment expense	2,895	2,692	2,080	(87)	(4,975)	(2,605)	-	_
Total segment expenses	(58,637)	(59,672)	(99,513)	(95,548)	(51,452)	(19,156)	(209,602)	(174,376)
Operating profit before income tax	13,309	7,056	78,128	69,253	61,572	26,308	153,009	102,617

Inter-segment revenue comprises investment management fees paid by Pendal Group entities in one operating segment to Group entities in another operating segment for portfolio management and distribution services provided. Inter-segment expenses comprise fees paid between segments for management, operational and administrative support services provided. Fees for intersegment services are determined using arm's length pricing methodologies and benchmarked commercial rates.

The CODM assesses the performance of the total consolidated Pendal Group using a measure of Underlying profit after tax (UPAT), which is the Group's operating profit before tax adjusted to include non-operating items such as interest income and expense, foreign exchange gains and losses and tax.

Total assets and liabilities are reviewed at a consolidated Pendal Group level, and segment assets and liabilities are not regularly reviewed by the CODM.

b) Reconciliation of total operating profit before income tax to Statutory profit before tax:

	31 Mar 2022 \$'000	31 Mar 2021 \$'000
Operating profit before income tax	153,009	102,617
Amortisation and impairment of intangibles ¹	(17,289)	(5,341)
Net gains/(losses) on financial assets held at FVTPL ²	(22,995)	15,173
Transaction and integration costs ³	(995)	_
Non-operating items	12,015	1,619
Statutory profit before income tax	123,745	114,068

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¹ Amortisation and impairment of intangibles relates to fund and investment management contracts and trademarks.

² Net gains or losses on financial assets held at FVTPL primarily relate to seed investments in pooled funds managed by Pendal Group.

 $^{^{\}rm 3}$ $\,$ Transaction and integration costs relate to the acquisition of TSW.

FOR THE HALF YEAR ENDED 31 MARCH 2022

3. Revenue and other income

	31 Mar 2022 \$'000	31 Mar 2021 \$'000
Management, fund and trustee fees	317,668	234,754
Performance fees	44,498	41,112
Other revenue	445	1,127
Total revenue	362,611	276,993
Net gains/(losses) on financial assets held at FVTPL	(23,148)	15,173
Distributions from investment funds	12,988	2,724
Interest income	20	1
Net foreign exchange loss	(539)	(439)
Total other income	(10,679)	17,459
Total revenue and other income	351,932	294,452

4. Taxation

Income tax expense

	31 Mar 2022 \$'000	31 Mar 2021 \$'000
Current income tax		
Current tax on profits for the year	19,567	16,329
Adjustments for current tax of prior periods	(1,158)	_
Total current tax expense	18,409	16,329
Deferred income tax		
Decrease in deferred tax assets	9,118	8,829
Decrease in deferred tax liabilities	(495)	(1,015)
Total deferred tax expense	8,623	7,814
Income tax expense attributable to continuing operations	27,032	24,143

The effective tax rate (ETR) of the Group for the interim reporting period, measured as income tax expense divided by net profit before tax, was 21.8% (1H21: 21.2%). The ETR differs from the applicable Australian income tax rate of 30%, due mainly to the different corporate tax rates applied in the jurisdictions in which the Group operates and earns profits. The main corporate tax rates applicable for the current period are 30% (1H21: 30%) on Australian taxable income, 19% (1H21: 19%) on UK taxable income, 21% (1H21: 21%) on US federal taxable income and 17% (1H21: 17%) on Singapore taxable income.

The UK corporate tax rate on taxable income earned in the UK is legislated to increase from 19% to 25%, effective from 1 April 2023. Pendal Group has measured its deferred tax balances using tax rates and laws enacted or substantively enacted and expected to apply when temporary differences reverse.

FOR THE HALF YEAR ENDED 31 MARCH 2022

5. Dividends

Equity dividends on ordinary shares	31 Mar 2022 \$'000	31 Mar 2021 \$'000
Dividends provided for or paid during the half year	88,521	68,532
Dividends proposed to be paid subsequent to the end of the half year and not recognised as a liability	80,461	55,075

6. Cash and cash equivalents

	31 Mar 2022 \$'000	30 Sep 2021 \$'000
Cash at bank and in hand	177,901	233,061
Cash management trust units at call	29,211	64,681
Total cash and cash equivalents	207,112	297,742

7. Fair value measurement of financial instruments

(i) Fair value hierarchy

Pendal Group classifies its financial instruments using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Changes in Level 2 and 3 fair values are analysed at each reporting date. There were no transfers between Levels 2 and 3 during the financial period.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 March 2022				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds	_	253,447		253,447
Escrow units held in pooled funds ⁴	-	26,772	_	26,772
Derivatives		2,596		2,596
Total financial assets	-	282,815	-	282,815
30 September 2021				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds	_	264,061	_	264,061
Escrow units held in pooled funds ⁴	-	23,153	_	23,153
Derivatives	-	659	_	659
Total financial assets		287,873		287,873

⁴ Escrow units held in pooled funds relate to deferred employee remuneration that is held by the Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised in the Consolidated Statement of Financial Position.

FOR THE HALF YEAR ENDED 31 MARCH 2022

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

Pooled funds

During the period, Group entities managed two Open Ended Investment Companies domiciled in the United Kingdom, two UCITS funds domiciled in Ireland and an open-ended registered investment company responsible for the JOHCM and TSW mutual fund range and a Delaware Statutory Trust, both domiciled in the United States of America. Each investment vehicle is an umbrella scheme with various sub-funds, each with their own investment strategy. Each sub fund had a single price directly linked to the fair value of its underlying investments.

Pendal Australia manages unit trusts, domiciled in Australia where units are redeemable at any time for cash based on redemption price, which is equal to a proportionate share of the unit trust's net asset value.

Derivatives

The fair value of derivative foreign exchange forward contracts that are designated as hedging instruments was determined using forward exchange rates as at balance date.

(iii) Fair value of other instruments

Pendal Group also has a number of financial instruments which are not measured at fair value in the balance sheet. Due to the shortterm nature of the current receivables, and current payables, the carrying amount is assumed to approximate their fair value.

Fund and

Intangible assets

investment Other management Goodwill contracts intangibles **Total** \$'000 \$'000 \$'000 \$'000 31 March 2022 Net book value as at 1 October 2021 538,858 387,982 3,380 930,220 Additions 466 466 310 310 Acquisition of business⁵ (17,118)(14,894)(39)(32,051)Foreign exchange loss Amortisation expense (13,015)(766)(13,781)(3.896)(3,896)Impairment loss⁶ Net book value as at 31 March 2022 522,050 356,177 3,041 881,268 Represented by: 522,050 462,914 8,928 993,892 Cost Accumulated amortisation and impairment (106,737)(5,887)(112,624)

The Group acquired Thompson, Siegel & Walmsley LLC (TSW), a US-based value-oriented investment management company, on 22 July 2021. The fair value of intangible assets acquired in the prior financial period has been revised in accordance with Accounting Standard AASB 3 Business Combinations. The effect of the revision has been to increase the fair value of goodwill recognised on acquisition by \$0.3 million.

Impairment losses are due to the re-measurement of fund and investment management contracts to the lower of their carrying value or their recoverable amount and are included in the depreciation, amortisation and impairment expense in the Statement of Comprehensive Income. Reversals of impairment losses are made in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts

FOR THE HALF YEAR ENDED 31 MARCH 2022

	Goodwill \$'000	Fund and investment management contracts \$'000	Other intangibles \$'000	Total \$'000
30 September 2021				
Net book value as at 1 April 2021	476,093	48,076	2,356	526,525
Additions	_	_	40	40
Acquisition of business	53,631	337,996	1,495	393,122
Foreign exchange gain/ (loss)	9,134	8,529	29	17,692
Amortisation expense	_	(6,619)	(540)	(7,159)
Impairment loss	_	_	_	_
Net book value as at 30 September 2021	538,858	387,982	3,380	930,220
Represented by:				
Cost	538,858	483,998	8,544	1,031,400
Accumulated amortisation and impairment		(96,016)	(5,164)	(101,180)

Fund and investment management contracts

Fund management contracts relate to contractual relationships to manage JOHCM open-ended funds (OEICs). Investment management contracts comprise contractual relationships with institutional, wholesale and sub-advisory clients. The contracts were recognised by Pendal Group when it acquired JOHCM and TSW, and comprise the following:

	31 Mar 2022 \$'000	30 Sep 2021 \$'000
Fund management contracts – OEICs	39,553	44,298
Investment management contracts – segregated mandates (JOHCM)	2,114	2,699
Investment management contracts – sub-advisory and segregated accounts (TSW)	314,510	340,985
Total	356,177	387,982

The recoverable amount of fund and investment management contracts has been measured using the present value of future cash flows expected to be derived for each asset. The discount rate applied to cash flow projections (post-tax) is 11.8% (2021:11.8%), based on the cost of capital.

Goodwill

Goodwill has been derived from the following business combinations:

	31 Mar 2022 \$'000	30 Sep 2021 \$'000
Purchase of Pendal (formerly BTIM) effective 19 October 2007	233,300	233,300
Purchase of JOHCM effective 1 October 2011	235,728	250,810
Purchase of TSW effective 22 July 2021	53,022	54,748
Total	522,050	538,858

Goodwill is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. There has been no impairment of goodwill during the period ended 31 March 2022. The carrying values of JOHCM and TSW goodwill have been translated to Australian dollars using the 31 March 2022 British pound and US dollar spot exchange rates respectively.

FOR THE HALF YEAR ENDED 31 MARCH 2022

9. Capital management

Pendal Group's objectives when managing capital are to maintain a strong capital base in excess of regulatory requirements throughout all business cycles that supports the execution of its strategic goals, in order to optimise returns to its shareholders, while ensuring compliance with the Pendal Group's Risk Appetite Statement.

Group Capital

The Group generates capital through free cash flows from ongoing operations and predominantly consists of cash to fund working capital and regulatory capital requirements, as well as provide capital for strategic initiatives to facilitate future growth. This includes the provision of seed capital for new funds and investment strategies.

The Board regularly reviews the Group's free cash flow generation, cash and cash equivalents, borrowings, seed investments, tax and other financial factors including the share price in order to maintain an optimal capital structure.

Capital distribution

Surplus capital is typically returned to shareholders in the form of annual dividends, with the Company's current dividend policy set to pay out 80% - 95% of UPAT. At times, surplus capital may also be returned to shareholders in the form of a share buy-back where the Directors are of the opinion that the intrinsic value of the business is not reflected in the share price. On 12 April 2022, the Group announced that it intends to commence an on-market share buy-back of up to \$100 million commencing from 11 May 2022. The Board has determined that an on-market buy-back is the most efficient way to deliver an earnings per share accretive return of capital while maintaining flexibility to fund future growth initiatives and Pendal's dividend policy.

Capital risk management

Cash profits generated from offshore business units, beyond working capital, regulatory requirements and debt repayments, are repatriated back to the Company through inter-company dividends, for which a hedging program is in place to mitigate foreign exchange risk. During the period, the Group's structure of corporate entities was reorganised to streamline and enhance governance and capital efficiency within the Group.

Regulatory capital requirements

The Group operates legal entities in jurisdictions that are subject to various regulatory and capital requirements, including Australia, the United Kingdom, Ireland, Singapore and the USA. All entities complied with regulatory capital requirements at all times throughout the reporting period.

10. Borrowings

USD 3-year term debt facility

In July 2021, Pendal USA Inc. entered into a US\$35 million (\$48.6 million) syndicated debt facility agreement with HSBC Bank Australia Limited, The Northern Trust Company and Westpac Banking Corporation for a three-year term to partially fund the acquisition of TSW. The facility remained fully drawn at balance date and is guaranteed by Pendal Group Limited and certain non-regulated subsidiaries.

	31 Mar 2022 \$'000	30 Sep 2021 \$'000
Current	-	_
Non-current	46,779	48,570
Total borrowings	46,779	48,570

Multi-currency revolving loan facility

Pendal Group Limited maintains a \$25 million multi-currency revolving loan facility with HSBC Bank Australia Limited and Westpac Banking Corporation, which was undrawn throughout the reporting period.

FOR THE HALF YEAR ENDED 31 MARCH 2022

11. Contributed equity

	31 Mar 2022 \$'000	30 Sep 2021 \$'000
Ordinary shares 383,149,490 (2021: 382,677,887) each fully paid	1,021,001	1,021,001
Treasury shares 29,045,814 (2021: 24,340,538)	(174,299)	(144,668)
Total contributed equity 354,103,676 (2021: 358,337,349)	846,702	876,333

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends as declared and in the event of a winding up of the Company, to participate in the proceeds in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote per share, either in person or by proxy, at a meeting of the Company's shareholders. All ordinary shares issued have no par value.

Movements in ordinary shares during the period:

	31 Mar 2022 Shares '000	31 Mar 2022 \$'000	30 Sep 2021 Shares '000	30 Sep 2021 \$'000
Balance at the beginning of the financial period	382,678	1,021,001	323,971	623,023
Institutional placement and Share Purchase Plan (SPP) ⁷	-	-	55,882	379,975
Shares issued as consideration for business combination ⁸	_	-	2,825	22,714
Share issuance associated costs	_	-	-	(4,711)
FLE share issuance ⁹	472	-	-	-
Balance at the end of the period	383,150	1,021,001	382,678	1,021,001

(b) Treasury shares

Treasury shares are those shares issued through the Fund Linked Equity (FLE) scheme together with those shares purchased as necessary, in order to meet the obligations of Pendal Group under its employee share plans. These represent either shares held by the employee benefit trusts for future allocation or shares held by employees within Pendal Group share plans, subject to sale restrictions. Movements in treasury shares during the financial period were as follows:

	31 Mar 2022 Shares '000	31 Mar 2022 \$'000	30 Sep 2021 Shares '000	30 Sep 2021 \$'000
Balance at the beginning of the period	(24,340)	(144,668)	(26,294)	(148,614)
Treasury shares acquired	(8,515)	(58,293)	-	=
FLE share issuance ⁹	(472)	-	-	-
Treasury shares released	4,282	28,662	1,954	3,946
Balance at the end of the period	(29,045)	(174,299)	(24,340)	(144,668)

Details of treasury shares at the end of the period were as follows:

	31 Mar 2022 Shares '000	31 Mar 2022 \$'000	30 Sep 2021 Shares '000	30 Sep 2021 \$'000
Unallocated shares held by trustees	14,234	96,563	11,622	80,821
Shares allocated to employees	14,811	77,736	12,718	63,847
Balance at the end of the period	29,045	174,299	24,340	144,668

⁷ Shares were issued under the institutional placement and SPP in order to fund the acquisition of TSW, which completed on 22 July 2021.

 $^{^{8}}$ Shares were issued to TSW employee owners as part of the purchase consideration paid to acquire TSW.

 $^{^{9}\,\,}$ Shares were issued to fund managers who operate under the FLE program.

FOR THE HALF YEAR ENDED 31 MARCH 2022

12. Reserves

	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Common control reserve \$'000	Total reserves \$'000
Balance at 1 October 2021	201,950	67,764	1,440	(25,472)	245,682
Share-based payment expense	21,448	-	-	_	21,448
Deferred tax	(5,735)	_	_	_	(5,735)
Treasury shares released	(28,662)	-	_		(28,662)
Currency translation difference	-	(39,106)	-	-	(39,106)
Gain on hedging activities	-	6,379	-	-	6,379
Hedging gains reclassified to profit or loss	-	_	(1,440)	-	(1,440)
Balance at 31 March 2022	189,001	35,037	-	(25,472)	198,566
Balance at 1 April 2021	180,909	47,698	(66)	(25,472)	203,069
Share-based payment expense	20,597	-	-	-	20,597
Deferred tax	4,389	-	_	_	4,389
Treasury shares released	(3,945)	_	-	_	(3,945)
Currency translation difference	-	22,270		_	22,270
Gain/(loss) on hedging activities	-	(2,204)	1,506	_	(698)
Balance at 30 September 2021	201,950	67,764	1,440	(25,472)	245,682

13. Contingent liabilities

Guarantee on bank borrowings

Pendal Group Limited and certain subsidiaries act as guarantors for the obligations of Pendal USA Inc. under a US\$35 million three-year term loan facility with a syndicate of financial institutions comprising HSBC Bank Australia Limited, The Northern Trust Company and Westpac Banking Corporation.

Capital guarantee

The Company has guaranteed the obligations of its subsidiary, Pendal Institutional Limited, to its institutional clients. The effect of the guarantee, which is capped at \$5.0 million, is to provide recourse to capital exceeding the minimum regulatory capital required to be maintained by Pendal Institutional Limited.

To the extent that Pendal Group, in the normal course of business, has incurred various contingent obligations at 31 March 2022, none of those contingent obligations is anticipated to result in any material loss.

14. Subsequent events

On 4 April 2022, the Group announced that it had received a conditional, non-binding indicative proposal from Perpetual Limited (ASX: PPT) to acquire 100% of the shares in Pendal Group Limited by way of Scheme of Arrangement. On 12 April 2022, the Board announced that it had assessed the proposal and determined that it was not in the best interests of shareholders.

On 12 April 2022, the Group announced that it intends to commence an on-market share buy-back of up to \$100 million, commencing from 11 May 2022.

No other matter or circumstance which is not otherwise reflected in this interim financial report has arisen since 31 March 2022 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Pendal Group Limited Directors' Declaration

FOR THE HALF YEAR ENDED 31 MARCH 2022

In the Directors' opinion:

- a) the financial statements and notes set out on pages 8 to 20 are in accordance with the Corporations Act 2001, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - ii) giving a true and fair view of the Pendal Group's financial position as at 31 March 2022 and of its performance for the half year ended on that date; and
- b) there are reasonable grounds to believe that Pendal Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board.

Deborah Page AM

Chair

10 May 2022

Nicholas Good

Managing Director and Group Chief Executive Officer

Willelan Cons



Independent auditor's review report to the members of Pendal Group Limited

Report on the Interim financial report

Conclusion

We have reviewed the Interim financial report of Pendal Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 March 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Pendal Group Limited does not comply with the *Corporations Act 2001* including:

- 1. giving a true and fair view of the Group's financial position as at 31 March 2022 and of its performance for the half-year ended on that date
- 2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2022 and of its performance for the half-

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year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

Pricewatch selapers.

Brett Entwistle Partner

Sydney 10 May 2022