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**PENDAL**  
GROUP

4 November 2022

Company Announcements Office  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

**Pendal Group Limited (PDL) Full Year Profit Announcement for  
the twelve months ended 30 September 2022**

The following documents are attached for lodgement:

- Appendix 4E
- ASX Announcement**
- Analyst Presentation
- Shareholder Update
- Annual Report
- Appendix 4G
- Corporate Governance Statement
- Sustainability Report

Yours sincerely



Authorising Officer

Joanne Hawkins  
Group Company Secretary  
Pendal Group Limited  
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# ASX Announcement

## Pendal Group Full Year 2022 Financial Results

- Solid financial result in a challenging market environment
  - Underlying profit after tax up 17% to \$194.2m
  - Statutory net profit after tax down 32% to \$112.8m impacted by mark-to-market movements on seed investments year on year
  - Underlying earnings per share up 5% to 50.7 cents per share (cps)
- Second-half performance more subdued in line with current market environment
- Operating margin increased to 36% (up 1% on FY21), supported by TSW's higher operating margin and tight cost management across the Group
- Measured investment continued across global distribution, ESG and RI and the Group's operating infrastructure
- Proposed transaction with Perpetual remains on track for completion in January 2023.

**Sydney, Australia, 4 November 2022** - Pendal Group Limited ("Pendal" or "the Group") (ASX: PDL), today announced its full-year results for the twelve months to 30 September 2022. The 2022 Financial Year saw an uplift in the Group's revenue, underlying earnings per share (EPS) and underlying profit after tax (UPAT) and included the first full-year contribution of Thompson, Siegel and Walmsley (TSW), a US value-oriented investment manager acquired in 2021.

### Results overview

	FY21	FY22	FY21 vs FY22
UPAT	\$165.3m	<b>\$194.2m</b>	17%
Statutory NPAT	\$164.7m	<b>\$112.8m</b>	(32%)
Fee revenue	\$581.9m	<b>\$629.7m</b>	8%
Operating expenses	\$377.8m	<b>\$403.2m</b>	7%
<i>Operating margin</i>	<i>35%</i>	<i><b>36%</b></i>	<i>+1%</i>
Underlying EPS	48.2 cps	<b>50.7 cps</b>	5%
Average FUM	\$107.9b	<b>\$124.3b</b>	15%

Nick Good, Pendal Group's CEO, said: "Pendal has delivered a solid result for FY22 with increased UPAT and underlying EPS as well as an improved operating margin. This has been achieved against a backdrop of significant challenges that are buffeting the asset management sector.

"We have not been immune to the effects of rising geopolitical tensions and investor concerns about potential inflation-induced recessions. As a result, investors remain cautious, which is cutting asset values and fund inflows worldwide.

"We have been judicious with our investments in growth areas while demonstrating strong cost management as markets turned at the beginning of the calendar year and as investor sentiment diminished during the remainder of 2022." said Mr Good.

## Financial results

The Group's EPS for the year increased five per cent to 50.7 cents per share (cps) from 48.2 cps in the prior corresponding period (pcp).

UPAT rose 17 per cent to \$194.2m from \$165.3m, while Statutory net profit after tax (Statutory NPAT) declined from \$164.7 million to \$112.8 million, primarily a result of significant seed investment gains in 2021 that reversed in the current year as global equity markets declined.

Operating revenue increased by eight per cent in the 2022 Financial Year to \$629.7m (FY21: \$581.9m). Base management fees were \$577.0 million, a 10 per cent increase on pcp on the back of higher average FUM levels (+15 per cent), as base management fee margins declined two basis points (bps) to 46bps (FY21: 48bps), reflecting the addition of TSW and its lower margin institutional book. Performance fees were \$51.9m (FY21: \$57.5m) with notable contributions from the JOHCM Global Select and Pandal MicroCap strategies.

The Group's operating profit margin increased one per cent to 36 per cent, supported by TSW and tighter cost management in response to difficult trading conditions.

## Funds under management

During the year, the Group's funds under management (FUM) declined by 25 per cent to \$104.5 billion (2021: \$139.2 billion), impacted by a weaker market environment and net outflows of \$14.0 billion, with all regions adversely impacted.

For the 12 months to 30 September 2022, global equity markets were notably lower with the MSCI All Countries World Index in local currency terms declining 18 per cent.

The US saw net redemptions of \$5.6 billion as clients repositioned their international equity portfolios in response to rising geopolitical tensions and inflationary concerns.

In the EUKA region, there were outflows of \$3.9 billion substantially across global equities and the UK and European strategies. Flows did see an improvement in the September 2022 quarter, and there were positive inflows into the impact and sustainable product range through the year.

Australia also experienced net outflows of \$4.5 billion, particularly from larger institutional clients, while there were positive flows in the higher margin wholesale channel, a pleasing outcome given the challenging environment.

## Measured investment in strategic initiatives for growth

Considering difficult trading conditions and subsequent pressure on revenue, costs were managed prudently through the year, while measured investment in key growth initiatives across global distribution, product, infrastructure and talent continued.

Key strategic developments included:

### Distribution

- Enhanced European regulatory licence to MiFID status and established offices in Paris and Munich
- Leveraged broader US distribution network following acquisition of TSW in 2021
- Strengthened marketing leadership in UK & US and rolled-out high-profile brand campaign in Australia

## Product

- Continued to expand fund range into new markets globally, including Global Select in Australia, Regnan Global Equity Impact Solutions in Australia & US
- Launched Regnan Sustainable Water & Waste Fund in Europe with US launch targeted for December quarter
- Steady growth in ESG / RI FUM supported by expanded capabilities globally

## Infrastructure

- Successfully migrated Australian middle and back-office to Northern Trust
- Completed transition of all support services in Australia from Westpac to new providers
- Steady progress in migration of EUKA & US middle office to Northern Trust

## Talent

- Updated remuneration structures in the UK to align with market practice and regulatory changes
- Progressed planning related to talent development, succession planning and global mobility
- Advanced global diversity, equity and inclusion framework.

## Perpetual's proposed acquisition of Pental on track

On 25 August 2022, Pental's Board agreed to enter into a Scheme Implementation Deed with Perpetual Limited (Perpetual) under which Perpetual would acquire 100% of Pental's shares by way of a Scheme of Arrangement. The Scheme Consideration comprises 1 Perpetual share for every 7.5 Pental shares plus \$1.976 cash which is to be adjusted downwards for any final FY22 dividend paid by Pental.

Following Perpetual's initial approach at the beginning of April this year, the Board received an improved proposal, which was the result of extensive engagement between the two companies.

The Board recommends Pental shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding and continuing to conclude that the Scheme is in the best interest of Pental's shareholders.

A Scheme Booklet, which will provide more details on the offer, is expected to be issued to shareholders in November ahead of the Scheme Meeting, which is targeted for December 2022.

## Dividend

The Board has declared a final FY22 dividend of 3.5 cps, fully franked. The amount of the final dividend has been considered with regard to the proposed Scheme and expected timing of implementation, noting that the cash component of the Scheme consideration will be reduced by the amount of the final dividend.

This brings total dividends for the year to 24.5 cps and a full year payout ratio of 48 per cent. The final dividend will be paid on 15 December 2022 to ordinary shareholders on record date 2 December 2022.

## Summary

"This year has been tough for markets and global investor confidence alike. Against this backdrop, however, Pental produced a solid 2022 financial result," Mr Good said.

“We were able to achieve this by responding to changing market conditions and taking tight control of costs. Our acquisition of TSW has delivered in line with expectations both financially and through improved diversification. In parallel, we have continued to invest in growing distribution in Continental Europe, deepening our ESG/RI capabilities and streamlining our operating infrastructure. Over time we expect to see return on these investments.

“The proposed acquisition by Perpetual is expected to accelerate growth of the business and our shareholders can continue to benefit through the scrip component of the scheme consideration,” said Mr Good.

### **Investor briefing**

Pendal’s Chief Executive Officer, Nick Good, and Chief Financial Officer, Cameron Williamson, will provide an investor update at 10:00am (AEDT time) on 4 November 2022.

The presentation can be streamed live via webcast at <https://webcast.openbriefing.com/9214/>

An archived webcast will be available on the Pendal Group website at <https://investors.pendalgroup.com/Investor-Centre/> following the event.

For further information please contact:

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This announcement has been authorised for release by the Board of Pendal Group Limited.

## Appendix: UPAT to Statutory NPAT reconciliation

\$m	FY21	FY22
<b>Underlying profit after tax (UPAT)</b>	<b>165.3m</b>	<b>194.2m</b>
Adjust for:		
Amortisation and impairment of intangibles <sup>1</sup>	(12.1)	<b>(45.2)</b>
Net gains/(losses) on financial assets <sup>2</sup>	38.7	<b>(37.3)</b>
Transaction and integration costs <sup>3</sup>	(16.0)	<b>(12.4)</b>
Adjust for tax effect	(11.2)	<b>13.5</b>
<b>Statutory NPAT</b>	<b>164.7</b>	<b>112.8</b>

<sup>1</sup> Amortisation and impairment of intangibles relates to fund and investment management contracts and trademarks and is a significant increase on FY21 as a result of the acquisition of TSW.

<sup>2</sup> Net gains or losses on financial assets held at FVTPL relate to seed investments in pooled funds managed by Pandal Group.

<sup>3</sup> Transaction and integration costs relate to the acquisition of TSW during FY21 and the proposed Scheme of Arrangement with Perpetual Limited during FY22.