

29 August 2023

Company Announcements
Australian Securities Exchange

Clime Investment Management (ASX: CIW)

FY23 Results Commentary

Clime Investment Management Limited (CIW, Clime) report a pre-tax operating loss \$0.9 million for FY23. Shareholders will note that the results reported by CIW are greatly affected by non-cash amortisation and depreciation charges. In FY23 the charge was \$1.5 million (\$1.1 million FY22) which swelled the reported loss to \$2.3 million.

The operating loss of \$0.9 million corresponds to operating cash outflow, but \$0.46 million of the actual cash operating loss was attributable to a range of one-off payments, including retrenchment costs, legal costs and non-recoverable claims. These were expensed in FY23.

The statutory reported Net Loss before Tax of \$2.3 million compared to a reported \$0.2 million profit in FY22. No dividend is proposed for FY23.

Accounting movements

The financial reporting of CIW is affected by a myriad of accounting movements. These include the following:

1. Balance sheet movements (marked to market) from listed investments in FY23 amounted to a profit of \$54k (FY22 a loss of approximately \$875k). This was a significant positive turnaround to reported profits of approximately \$0.9 million. The market moves reflected the share price change of our investment in Clime Capital Limited;
2. Revenues rose to \$15.4 million (from \$13.7 in FY22), and total assets rose to \$31.2 million (from \$30.6 million in FY22);
3. Performance fees reported to revenue in FY23 were \$0.49 million. In FY22 no performance fees were received by CIW;
4. Dividend and interest income received (cash receipts) from investments rose from \$338k (FY22) to \$418k (FY23);
5. As noted above non-cash depreciation and amortisation charges rose significantly from \$1.1 million in FY22 to \$1.5 million in FY23. These amounts represent non-cash expenses that adjust CIW profits downwards each year; and
6. Shareholders may notice a substantial lift in our expenses through our cash flow reports (compared to the previous year). A significant outflow occurred during the year in paying claims that will be reimbursed in FY24. Further, the accounts note warranty claims that existed from the acquisition by CIW of Madison Financial. It was pleasing that a significant payment was received in July 2023.

Strategic initiatives

In July 2022 CIW acquired MTIS as a direct means to create scale and expertise in the Clime Private Wealth (CPW) business. MTIS is operationally based in Melbourne but has clients up the East Coast of Australia. The merger of MTIS into CPW now means that we directly advise and manage approximately \$900 million of client assets. In the main these clients are self-directed retirees managed via Individually Managed Accounts (IMA) or Separately Managed Accounts (SMA) and a range of managed funds of Clime Asset Management or external managers. CPW services clients across Australia.

The MTIS merger does bring a heightened focus on our SMA service to both internal and external clients. The SMA business has grown steadily to about \$380 million (under management) currently and there remains immense opportunity to grow this further. That opportunity was certainly enhanced recently by our nomination as Managed Account Award finalist by IMAF. This nomination acknowledges the quality of our offer and we believe that this will stimulate interest from our licensed advisers and external advisers.

We have also focused on improving our product range with the integration of CPW and MTIS with the broader Clime operations gaining momentum. We expect that the benefits of the integration will be forthcoming though they have been slower to realise than originally expected. Importantly, we are now seeing positive momentum and expect synergies to flow consistently over FY24 and beyond.

In total Clime Asset division manages over \$1.3 billion in funds across our listed investment company Clime Capital Limited), numerous Managed Funds, IMAs, SMAs and through allocations to other asset managers.

A significant recent development to create scale and quality of brand was the entering of a Heads of Agreement between CIW, Madison Financial Group (MFG) and Practice Development Group (PDG). The aim of this agreement is to create a AFSL licensing servicing business of scale that is either substantially owned or controlled by its advisers. It has been widely reported that PDG represents financial advisers that are associated with one of Australia's iconic advisory brands. It is the view of CIW that the bringing together of MFG and PDG, with all 120 advisers (with approximately \$8 billion of assets under advice) being serviced by a single entity, makes immense commercial sense.

Finally, our drive to educate and provide financial literacy for our clients took a big step forward through our agreement with Team Invest Group (ASX:TIP) to join forces in investor education services. Our "Clime Direct" business drifted with the onset of Covid and the initiative with TIP allows us to reposition Clime back into the "value based" education market. This had been Clime's traditional place and we are excited to partner with a group who also firmly believes in the power of knowledge sharing.

Our CEO Annick Donat will provide a detailed update when our Annual Report is released in September.

-ENDS-

This announcement has been approved by the Board of Clime Investment Management Limited.

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