

29 August 2022

Company Announcements
Australian Securities Exchange

CLIME INVESTMENT MANAGEMENT LIMITED (ASX:CIW)

FY22 Results and Dividend Announcement

Clime Investment Management Limited (“Clime”, “CIW” or “Clime Group”) today announced a \$1.29 million profit (before depreciation, amortisation and tax) representing a 70% decrease on the FY21 result.

Revenue of \$13.68 million was lower than FY21 due to the volatility in markets in the second half of FY22.

The reported result was also affected by negative movements in the 30 June market value of the company’s holding of Clime Capital shares.

The Board has declared a **final dividend of 0.4 cents per share fully franked**.

The financial year ending 30 June 2022 (FY22) for CIW was challenging as markets and asset prices retreated significantly in the June half year. The results reflect this, with reported Net Profit before Tax declining to \$0.2 million (\$3.1 million in FY21).

FY22 Key points

- Funds under management and advice (FUM&A) steady at \$5.1 billion
- Profit (before depreciation, amortisation and tax) decreased to \$1.29 million (FY21 \$4.24 million)
- Revenue down 13% to \$13.7 million
- Final dividend paid at 0.4 cents fully franked
- No performance fees generated during FY22 compared to a healthy performance fee of \$2.3 million during FY21
- Non-cash depreciation, amortisation charges of \$1.0 million compared to \$1.1 million in FY21
- As at 30 June 2022, CIW had \$13.3 million cash and listed investments

Financial performance

Summary of major movements affecting reported profit

A high-level summary of the major movements and resulting reported numbers appears below:

- In FY21, profit of approximately \$1.1 million was recorded as net realised and unrealised gains on financial assets at fair value through profit or loss. Marked to market movements from these investments in FY22 amounted to a loss of approximately \$0.875 million. This significant turnaround of \$1.9 million was to the detriment of reported earnings. The market movements reflected the share price change of our significant investment in Clime Capital Limited (CAM). As of 30 June 2022, the market value of investments in CAM was \$5.1 million.
- Performance fees reported in FY21 were a very healthy \$2.3 million. In contrast, for FY22 no performance fees were received by CIW.
- Dividend and income received (cash receipts) from investments rose from \$299,000 (FY21) to \$321,000 (FY22).
- Non-cash depreciation and amortisation charges declined slightly from \$1.1 million in FY21 to \$1.0 million in FY22. These amounts represent non-cash expenses that adjust CIW's profits downwards each year.
- Government COVID support payments of \$436,000 were recognised as revenue in FY21, whereas no payments received in FY22.

Therefore, the following adjustments to reported profit are presented to shareholders to compare FY22 to FY21:

- Net Profit Before Tax (NPBT) reported in FY22 was \$0.213 million (FY21 \$3.1 million)
- NPBT pre "non-cash" depreciation and amortisation (NPBTA) in FY22 was \$1.3 million (FY21 \$4.2 million)
- NPBTA pre "mark to market" movements in FY22 were \$2.2 million (FY21 \$3.1 million); and
- Finally, by deducting Government assistance received, the results in FY22 were \$2.2 million, which can more accurately be compared to FY21 of approximately \$2.7 million (pre-Government assistance)

If shareholders track the above analysis, they can ascertain that the quality or the recurrent nature of reported FY22 earnings was in fact superior to that of FY21. The reported cash earnings in FY21 were substantially boosted by performance fees which occur in certain years in CIW results.

As previously reported, Funds Under Management and Advice (FUM&A) as at 30 June exceeded \$5.1 billion.

This comprises of:

- Direct funds under management via IMAs, SMAs and managed funds of \$1.2 billion
- Funds under advice within the Madison network of \$3.9 billion

The above FUM&A numbers were struck at 30 June and before the acquisition of MTIS Wealth Management (MTIS) effective 1 July, see below (Strategic Initiatives). At the date of this report FUM&A exceeds \$5.5 billion.

A highlight of Clime investment products was the strong performance of our income product solutions – particularly the Clime Australian Income Fund and Sustainable Income portfolios. Clime's Australian Income Fund as at 31 July 2022 was ranked in the top 3 funds of its Morningstar category over 1, 3 and 5 years out of a universe of over 100 funds.

Over FY22, Clime growth funds and IMA strategies lagged index returns as the group's focus on quality and value was trumped by a rotation to lower quality, cyclical components of the market.

In FY23 (July and August), there has been a strong recovery in equity markets with our growth funds producing above index returns.

We believe that Clime's focus on quality and value will deliver strong returns over the medium term. Our funds management team continue to reposition our portfolios to benefit from this investing environment, where value based active investing will be strongly rewarded.

Madison Financial Group (MFG)

Over FY22, MFG attracted adviser growth of 10% in comparison to an industry decline of approx. 20%. The increase in adviser numbers and MFG's ability to provide support for internal succession, has assisted with the stability of the FUA. To some extent, adviser growth has also meant that FUA has grown in MFG as markets declined by an average 15% in both equity and bond markets. Both the current pipeline and the level of interest from prospective advisers to join the MFG licensed network is encouraging.

In mid-2021, the Group launched a Wholesale Advice Service post a successful pilot program. This service incorporates investment research, advice process implementation and investment consulting solutions. There has been a strong uptake within the Group. The service has also attracted high quality professional advice firms, seeking support for their high-net-worth clients.

Strategic opportunities

As previously advised on 17 August, the company completed the acquisition of MTIS Wealth Management (MTIS). The acquisition brings approximately \$380 million of FUM into CIW with approximately \$3 million of revenue. The acquisition will deliver synergies as Clime Private Wealth Melbourne is merged into the MTIS offices.

Following the acquisition of 75% of Ralton Asset Management (RAM) , we are pleased to announce that Marcus Today has awarded Ralton a mandate to manage its SMA service. Overall, RAM manages approximately \$340 million of SMA mandates with all 4 equity SMA strategies outperforming their relevant benchmarks.

We have seen an increase in demand for bespoke investment solutions and portfolios from our investors and advisers. RAM provides scale efficiencies across the entire investment management process, enabling advisers to streamline operations, strengthen compliance and serve their clients more effectively. The access to Clime's investment consulting expertise continues to create synergies for the Company.

Outlook

The Group expects that FY23 will see a strong recovery in cash earnings in FY23. Reported earnings will be subject to the direction of asset markets and the performance of our managed wealth solutions.

The acquisition of MTIS and RAM will generate solid earnings as the company embarks on its strategic initiatives to:

1. Move into the SMA space providing investment solutions to clients and advisors
2. Drive synergies from the MTIS acquisition and merger with our Private Wealth business in Melbourne
3. Bolster our Investment team and wealth solutions both in-house and through strategic alliances (for eg. Torica Capital in fixed income)

The Group continues to undertake a strategic review of its services and operations to meet the constantly changing landscape in both wealth solutions and financial advice.

After a year of restructuring to drive operating excellence in the Group, the Board believes that the Group is uniquely positioned to provide high quality solutions to our private wealth clients, high quality dealer services to our advisory network and solid returns to our owners.

We thank shareholders, investors, clients, employees and advisers for their ongoing support.

Annick Donat
Chief Executive Officer

This announcement is approved by the Board of Directors of CIW for release to the ASX. For enquiries, please contact Annick Donat on 1300 788 568 or email at info@clime.com.au.