

Australian Ethical Investment Limited

Financial results for year ended 30 June 2019

ASX ANNOUNCEMENT

(comparisons are to financial year ended 30 June 2018)

AUSTRALIAN ETHICAL ANNOUNCES RECORD PROFIT OF \$6.5M, UP 29%

Financial highlights

- Net profit after tax attributable to shareholders of \$6.5m (up 29%)
- Consolidated statutory net profit after tax of \$6.6m
- Revenues of \$41.0m (up 14%)
- Performance fee on Emerging Companies Fund \$0.8m following strong investment outperformance
- Operating expenses of \$31.8m (up 11.3%)
- Final ordinary dividend of 3 cents per share, fully franked; total dividend for year 5c (up 25%)
- Strong balance sheet, no gearing

Operating highlights:

- Group funds under management of \$3.42bn (up 21%)
- Net inflows of \$322.1m (excluding institutional)
- Superannuation membership at 43,079 members, with funded membership growing 11%
- Strong performance across the investment portfolio recognised with multiple industry awards
- Continued uplift in net promoter scores: +62 (super) and +54 (managed funds) among the best in the industry¹
- Top quartile staff engagement score of 71%
- Strong operating cash flow

Australian Ethical Investment is pleased to announce that net profit after tax for the year ended 30 June 2019 rose 29% to \$6.5m, driven by continued super membership growth, positive inflows and strong investment performance.

Consolidated statutory net profit after tax was \$6.6m (FY18: \$5.1m), which included the results of The Australian Ethical Foundation Limited ('The Foundation').

Funds under management (FUM) for the full year increased by 21% to \$3.42bn, up from \$2.82bn reported for the previous period. Revenue arising from the increase in FUM was partially offset by the managed fund fee reductions implemented in October 2018 as the benefits of increasing scale are passed onto customers. Revenue increased 14% to \$41m, up from the \$36m recorded for the previous corresponding period.

¹ Australian Ethical brand research, Pollinate March 2019

Australian Ethical continued to achieve positive net flows with \$322.1m (excluding institutional) net flows in FY19, compared with \$372.5m in FY18. While still positive, the lower net flows in FY19 were due to lower super rollovers and reduced managed fund flows following volatile investment markets in the first half.

Membership of Australian Ethical Super continues to grow, reaching 43,079 members, with funded members growing 11% from the previous corresponding period.

Phil Vernon, Australian Ethical Managing Director, said: “For over 30 years Australian Ethical has aimed to be the proof point that you can achieve strong investment returns whilst caring for the planet and society.

“Our leadership continues following outstanding investment returns. Our super fund Growth and Balanced options were ranked first and second respectively by SuperRatings for one-year performance, our Australian Shares option ranked first over both five and seven years and all but one of our managed funds achieved above benchmark returns. A performance fee of \$0.8m was earned following the strong investment outperformance of our Emerging Companies Fund.²

“We’re proud to continue to set the standard for ethical investing in this country.”

Operating expenses increased by 11.3% to \$31.8m, up from \$28.6m for the prior corresponding period. This reflects the increase in fund-related costs driven by growing FUM and members, as well as continuing investment in the business, brand and people to ensure the business is positioned strongly for the next phase of growth.

Australian Ethical Foundation Limited

The Foundation was established in July 2015 as a vehicle to manage the portion of profits to be distributed to charitable, benevolent and conservation causes in line with the Australian Ethical Constitution. All income received and net assets of The Foundation are restricted to The Foundation’s activities and are not available for distribution to Australian Ethical Investment Limited’s shareholders.

In FY19 \$0.9m has been provisioned for impact initiatives.

Summary of Group profits

	FY19 (\$m)	FY18 (\$m)
Consolidated statutory profit	6.6	5.1
Profit attributable to The Foundation	0.1	0.1
Net profit after tax attributable to shareholders	6.5	5.0

Final dividend

The Board declared a fully franked final dividend of 3 cents per share for the full year ended 30 June 2019, bringing the total dividend for the year to 5 cents per share, an increase of 25% on the previous year. The record date for the dividend is 4 September 2019 with payment on 18 September 2019.

² The Australian Ethical Emerging Companies Fund (Wholesale) returned 16.2%, which was 9.8% above the S&P/ASX Small Industrials Accum Index benchmark

Outlook

Mark Simons, Australian Ethical Chief Financial Officer, said: “Australian Ethical continues to occupy a special place in the Australian financial services landscape. We are ideally placed to capture opportunities for growth as more people realise that our approach is achieving strong returns with positive impacts.

“In FY20 two key areas of focus will be continuing to invest in our digital platform to enhance the customer experience and invest to lift our brand awareness to maximise our reach within the ever increasing market for responsible investing.”

Australian Ethical remains committed to fulfilling the trust of a growing number of Australians and delivering the results they want for themselves and the planet.

About Australian Ethical

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

Australian Ethical has \$3.42 billion in funds under management across superannuation and managed funds – as at 30 June 2019, see [Quarterly FUM Announcement](#) dated 18 July 2019.