20 August 2020

ASX Announcement

Perpetual Announces 2020 Full Year Results

- FY20 NPAT of $82.0 million, a decrease of 29% on FY19 impacted by lower revenue reflecting net outflows for Perpetual Investments, the challenging conditions due to impacts from COVID-19 and increased investment in strategic initiatives
- FY20 UPAT[1] of $93.5 million with target operating model implementation and Trillium completion costs treated as significant items
- Fully franked final ordinary dividend of $0.50 per share which brings the total FY20 dividends to $1.55 per share, representing a 94% of NPAT payout ratio[2]
- Significant progress in executing strategy despite challenging external conditions
- New target operating model in place delivering expense savings at the top end of targeted range, combined with disciplined expense management limiting expense growth to 1% on FY19
- Completion of Trillium Asset Management acquisition materially increases FUM and provides exposure to the fast growth ESG market
- Perpetual Private recorded the seventh consecutive year of positive net flows supported by strong growth in adviser numbers
- Perpetual Corporate Trust maintained positive momentum throughout FY20, delivering growth in PBT of 16%
- Diversified business model and robust balance sheet positions Perpetual well to continue to pursue organic and inorganic growth opportunities across its business lines

Perpetual Limited (Perpetual) has today announced its results for the full year ended 30 June 2020, recording a statutory net profit after tax (NPAT) of $82 million, down 29% on the prior year. FY20 revenue was down 5% to $489.2 million, primarily reflecting lower levels of funds under management (FUM) driven by net outflows and the impacts associated with the COVID-19 pandemic.

The Board has determined to pay a final dividend of 50 cents per share, resulting in a fully franked total dividend for the full year of $1.55.

Commenting on the full year result, Perpetual Chief Executive Officer and Managing Director, Rob Adams, said, "While our increasingly diversified business has provided some protection against the extreme volatility seen in global investment markets, our overall FY20 financial results have been impacted due to COVID-19 effects and net outflows from Perpetual Investments.

"The S&P/ASX All Ordinaries Price Index closed the year 10% lower than FY19 which had a direct impact on the Group's market-related revenues generated by Funds Under Management (FUM) in Perpetual Investments and Funds Under Advice (FUA) in Perpetual Private in the second half. In addition, net outflows from Perpetual Investments, whilst slowing through the year, led to lower revenue for the full year.

"Our diversified business model has provided some protection against market volatility, with Perpetual Corporate Trust in particular continuing its growth momentum and delivering record results this year. Despite the challenging external conditions, we made strong progress in executing our strategy during the year with our acquisition of Trillium completed, the acquisition of Barrow Hanley, Mewhinney & Strauss, LLC (**Barrow Hanley**)[3] announced, and strong growth in adviser numbers plus the

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1. UPAT is NPAT adjusted to remove significant items which do not to reflect the normal operating activities and are material in nature. Subject to Board approval, from FY21 this definition will be expanded to include amortisation of acquired intangibles. UPAT is attributable to shareholders of Perpetual. UPAT is not subject to audit by the Group's external auditors, however the adjustments (actual and proposed) will be extracted from the books and records that will be subject to audit.

2. Dividends payable as a proportion of annual NPAT and based on the estimated number of shares at time of payment (including the approximately 7.4 million shares allotted under the institutional placement and the pending issuance of shares under the Share Purchase Plan).

3. Subject to regulatory and customary approvals including Barrow Hanley client consents.

acquisition of Priority Life in Perpetual Private. Our new operating model was firmly embedded ahead of COVID-19, driving efficiencies across the firm, delivering cost savings at the top end of the estimated range of $18-$23 million[4] and providing a more scalable platform to support our expected future growth."

Business Unit Overview

Perpetual Investments

Perpetual Investments generated a profit before tax (PBT) of $55.4 million, down 31% on FY19, primarily driven by a decline in revenue due to lower average FUM resulting from net outflows, lower performance fees, and COVID-19 related market volatility in the second half.

Mr Adams said, "Notwithstanding the challenging external environment, our active investment approach positioned us well during this period of extreme market volatility, particularly in February and March when a number of our funds generated returns in excess of their benchmarks, including our Multi Asset funds, Global Innovation Fund and several Australian Equities strategies. Our Credit and Fixed Income strategies had recovered well after credit spreads widened in the third quarter, with medium and long-term performance remaining strong.

"Our acquisition of US-based specialist ESG investment manager, Trillium Asset Management LLC (Trillium) was an important development for Perpetual, and now represents 20% of Perpetual Investments' FUM, increasing our exposure to the fast growing ESG market. Our recent launch of Trillium products in Australia has been very positively received and positions us strongly for future growth as does the ongoing build-out of our US distribution team.

"Combined with our recent announcement to acquire a 75% interest in Barrow Hanley, Perpetual Investments is delivering on the strategic intent to add world class investment capability at scale across a range of in-demand asset classes and strategies, whilst expanding our distribution reach to the US, Europe and Asia." Mr Adams said.

Perpetual Private

In FY20, Perpetual Private recorded PBT of $30.1 million, down 27% on our FY19 result, impacted by increased investment in supporting future business growth, combined with the economic slow-down in the second half and the sustained low interest rate environment which impact non-market revenues.

Mr Adams said "Pleasingly, Perpetual Private was able to materially grow its network of culturally aligned advisors, onboarding 20 new advisers who added more than 150 high net worth clients in FY20. Together with flows from our existing client base, it helped contribute to a record inflow of $0.6 billion and our seventh consecutive year of increased net flows.

"Our acquisition of Priority Life completed during the year is performing ahead of expectations and is beginning to deliver client referral benefits to our Private Client team. Our Community and Social Investment segment also provided a meaningful contribution to the result for the division.

"With its strong brand, Perpetual Private is uniquely positioned to benefit from ongoing industry dislocation and to continue to accelerate its growth through the pursuit of culturally and strategically aligned inorganic opportunities. Our new advisers are making a material contribution to the business and we expect that to strengthen in FY21 and beyond."

Perpetual Corporate Trust

Perpetual Corporate Trust reported a PBT of $55.2 million, 16% higher than in FY19, underlining the importance of our diversified business model. The strong performance was driven by growth from existing clients and new client mandates across all three of its business segments.

Mr Adams said, "The strong results achieved by our Debt Market Services and Data and Analytics Solutions businesses was driven by growth in private balance sheet securitisation supporting our bank clients' access to the RBA's term funding facility, as well as continued growth in public market securitisation Funds under Administration (FUA) from non-bank clients.

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4. As at 30 June 2020 on annualised basis.

"Our Managed Funds Services business, which is now trustee for more than 2,500 trusts, also performed strongly, supported by growth in new and existing clients within its core commercial property and managed investment funds segments, together with stable asset prices."

Outlook

Commenting on the outlook, Mr Adams said, "While the external environmental challenges related to COVID-19 are expected to persist in the short-term, the medium to long-term outlook for Perpetual remains positive.

"A number of strategic initiatives delivered in FY20 will provide further strength and diversification as well as opportunities for growth in new sectors and markets."

Perpetual expects the FY21 cost profile to reflect continued investment in growth initiatives across the business, partially offset by cost savings achieved via the operating model and continued discipline with discretionary expenditure while the COVID-19 environment prevails.

As we previously announced, Barrow Hanley and Trillium are also expected to have a material impact on the Group's revenue and expense profile in FY21.

"Perpetual remains well capitalised with a strong balance sheet and the financial flexibility to navigate through the challenging environment. Our strong brand is serving us well through these difficult times and we will remain focused on continuing to deliver on our strategic goals and disciplined execution in our pursuit of growth across our business lines." Mr Adams said.

Future Dividend Settings

From FY21 it is likely that future dividends will be paid on a revised Underlying Profit after Tax (UPAT) metric to reflect the changes to the Group's operating cashflows from both existing and future organic and inorganic opportunities.

The range on which future dividends may be paid will be designed to strike a balance between maximising returns to shareholders, retaining cash to fund operations and repay debt, whilst maintaining adequate cash reserves to absorb periods of economic stress. This approach will allow the Board to consider looking through non-cash transactions that impact statutory NPAT and are not reflective of the ongoing business operations.

Subject to completion of the Barrow Hanley acquisition, dividends beyond FY21 may not be fully franked given a material portion of the Group's earnings are expected to be generated overseas and subject to foreign tax requirements.

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