

Magellan Financial Group

Interim Results Briefing

Half year ended 31 December 2023

Andrew Formica | Executive Chairman

Kirsten Morton | Chief Financial Officer & Chief Operating Officer



Agenda

- | | | | |
|----|---------------------------|----------------|----|
| 1. | 1H24 Overview | Andrew Formica | 3 |
| 2. | Magellan Asset Management | Andrew Formica | 7 |
| 3. | Group Financials | Kirsten Morton | 13 |
| 4. | Strategic Update | Andrew Formica | 18 |
| 5. | 2H24 Priorities + Summary | Andrew Formica | 27 |



1H24 Overview

Andrew Formica, Executive Chairman

1H24 Overview



Resolve Legacy Issues

Addressed outstanding Employee Share Purchase Plan (ESPP) loans for current employees

Resolved uncertainty on Magellan Global Fund (Closed Class) (MGF)

Transitional executive leadership structure announced

Renewed Corporate Stability

Funds Under Management (FUM) of A\$36.3 billion as at 31 January 2024

Signs of continued improvement in investment performance in Global Equities and Infrastructure, Airlie continuing strong outperformance

Group Adjusted 1H24 net profit after tax of \$93.5 million
Interim dividend of 29.4cps declared

Profitable and Rebuilding

Enhanced and refocused US Distribution platform

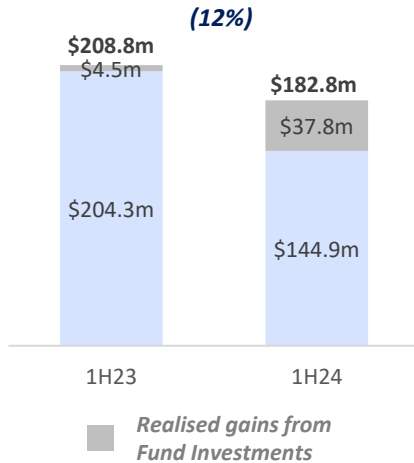
Positive contribution of associates with net profit after tax of \$3.1 million to MFG

Continue to assess strategic growth opportunities that are accretive to the business

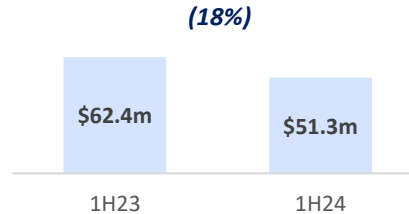
Financial Performance Overview



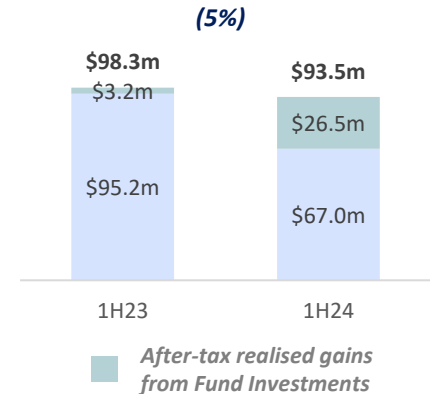
Group: Adjusted Revenue & Other Income¹



Funds Management Business: Operating Expenses



Group: Adjusted Net Profit After Tax^{1,2}



Tracking in line with full year cost guidance of \$97.5 to \$102.5 million for funds management business

[1] May not add due to rounding

[2] Adjustments are made for strategic, non-recurring, non-cash or unrealised items

Financial Strength



\$830.5 million

Net Tangible Assets (NTA)
(\$4.59 per share)

\$837.2 million

Cash, financial assets &
investments in associates

No debt

Total liabilities of \$117.9 million,
down from \$236.5 million¹, with
Group's commitments to potentially
fund the MGF Options discount
reduced to \$60.4 million



\$61.8 million

Net cash flow from operating
activities excluding MGFO
transaction costs in 1H24

51.6 cps

Group adjusted diluted earnings
per share (EPS) for the half year

29.4 cps Interim Dividend

Strong cash flows allowing
dividend payout of 95% of
Funds Management profit

[1] At 30 June 2023



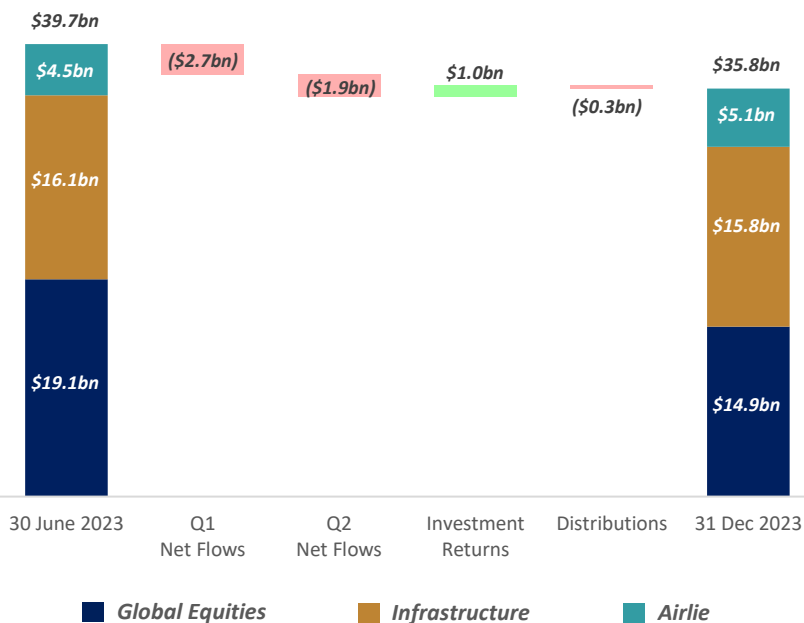
Magellan Asset Management (MAM)

Andrew Formica, Executive Chairman

Funds Under Management



Funds Under Management¹ (FUM) (A\$ billion)



Global Equities

- Represented the majority of net outflows in 1H24 with ~\$4.5 billion
- Investment returns added ~\$0.5 billion in FUM
- Institutional FUM of ~\$3 billion

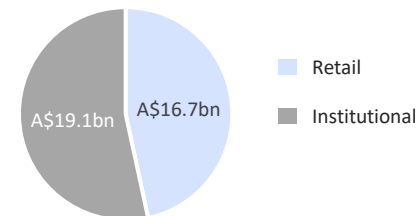
Infrastructure

- Net outflows of ~\$0.3 billion in 1H24
- Investment returns broadly flat over the period, with an immaterial contribution to FUM

Airlie

- Net inflows of ~\$0.1 billion in 1H24
- Strong investment outperformance, with investment returns adding ~\$0.5 billion in FUM

Retail vs. Institutional FUM

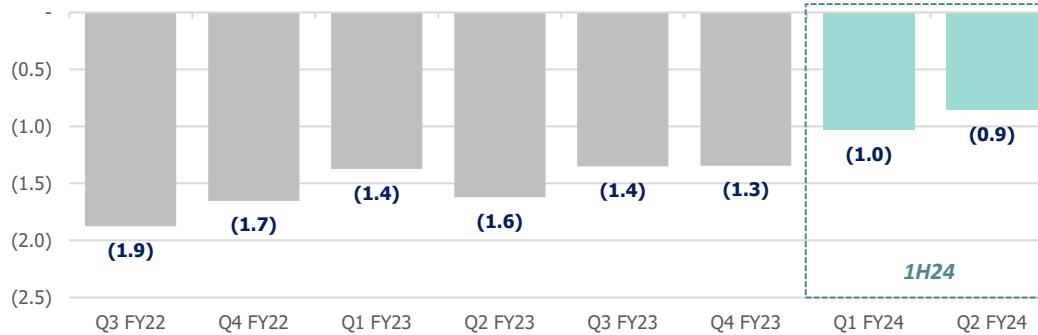


[1] For full breakdown of net flows, investment performance and distributions by investment strategy see the Performance Overview in the 1H24 Interim Report

Quarterly Net Flows

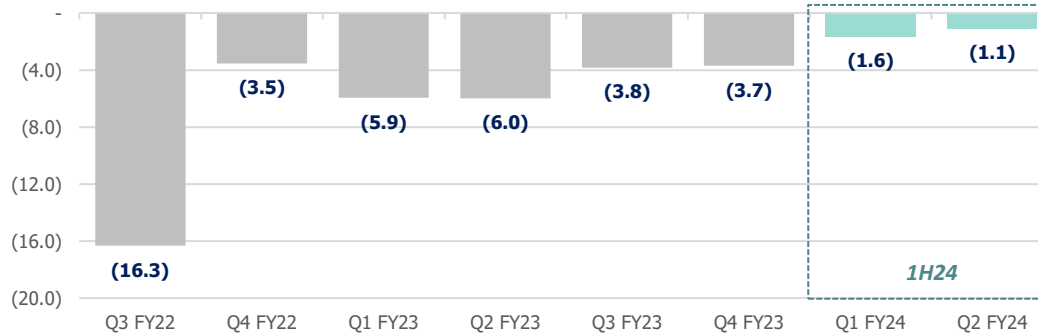


Retail Flows (A\$ billion)



- Quarterly retail net outflows at lowest level in two years
- Majority of net outflows coming from Global Equities
- Airline recording monthly net inflows

Institutional Flows (A\$ billion)



- Institutional net outflows moderating in 1H24
- Net institutional inflows recorded in August and December 2023
- Larger institutional outflows in 1H24 generally the result of individual client redemptions

Fund Performance (as at 31 Dec 2023)



Investment Performance



| As at 31 December 2023 | 6 months (%) | 1 year (%) | 3 years (% p.a.) | 5 Years (% p.a.) | Since Inception (% p.a.) ¹ |
|---|--------------|------------|------------------|------------------|---------------------------------------|
| Magellan Global Fund | 3.32% | 22.05% | 7.05% | 9.45% | 10.65% |
| MSCI World NTR Index (\$A) | 4.93% | 23.03% | 11.76% | 13.51% | 7.67% |
| Excess | (1.61%) | (0.98%) | (4.71%) | (4.06%) | 2.98% |
| Magellan Infrastructure Fund | 1.12% | 3.47% | 3.90% | 4.45% | 6.80% |
| Infrastructure Benchmark (\$A) ² | 0.83% | 3.38% | 5.98% | 5.61% | 5.05% |
| Excess | 0.29% | 0.09% | (2.08%) | (1.16%) | 1.75% |
| Airlie Australian Share Fund | 10.66% | 15.39% | 12.08% | 13.65% | 10.84% |
| S&P/ASX 200 Accum. Index | 7.57% | 12.42% | 9.24% | 10.28% | 8.41% |
| Excess | 3.09% | 2.97% | 2.84% | 3.37% | 2.43% |

As at 31 December, all flagship strategies outperforming benchmarks since inception

¹ Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007 and the inception date for Airlie Australian Share Fund is 1 June 2018.

² The Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure and Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged).

Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Source: MSCI, UBS, S&P, Bloomberg, Magellan Asset Management Limited.

Fund Performance (as at 31 Jan 2024)



Investment Performance



| As at 31 January 2023 | 6 months (%) | 1 year (%) | 2 years (% p.a.) | Since Inception ¹ (% p.a.) |
|--|--------------|------------|------------------|---------------------------------------|
| Magellan Global Fund | 10.02% | 26.16% | 6.10% | 11.01% |
| MSCI World NTR Index (\$A) | 7.35% | 24.71% | 7.42% | 7.91% |
| Excess | 2.67% | 1.45% | (1.32%) | 3.10% |
| Magellan High Conviction Fund (Class A) | 13.26% | 35.71% | 4.19% | 11.98% |
| MSCI World NTR Index (\$A) | 7.35% | 24.71% | 7.42% | 13.25% |
| Excess | 5.91% | 11.00% | (3.23%) | (1.27%) |
| Magellan Unconstrained Fund | 9.09% | 30.32% | 8.99% | 7.39% |
| MSCI World NTR Index (\$A) | 7.35% | 24.71% | 7.42% | 5.94% |
| Excess | 1.74% | 5.61% | 1.57% | 1.45% |

Global Equities team has delivered strong and improving performance over last two years

Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Source: MSCI, UBS, S&P, Bloomberg, Magellan Asset Management Limited.

[1] Inception date for the Magellan Global Fund is 1 July 2007; for the Magellan High Conviction Fund (Class A) is 1 July 2013; and for the Magellan Unconstrained Fund is 1 January 2022.

Distribution Update



Deep Relationships



- ✓ Team maintains deep stakeholder relationships across:
 - financial advisers and brokers,
 - dealer groups, platforms,
 - researchers and consultants
- ✓ Strong client engagement

Brand Strength



- ✓ Significant global and local brand awareness across Magellan Global Equities and Infrastructure strategies
- ✓ Airlie Funds Management brand and profile growing, aided by strong investment outperformance
- ✓ Continued client engagement with sentiment improving on the back of improved investment performance

Proactive Engagement



- ✓ Team continues to have regular, face-to-face interactions with client base
- ✓ Over 2,000 meetings with advisers, researchers and consultants in 1H24; over 90 meetings with institutional clients
- ✓ Client meetings supplemented by timely and relevant communications across variety of mediums
- ✓ Annual Global Equities and Infrastructure Investor Roadshow in March 2024; Airlie roadshow held during 1H24
- ✓ New Magellan website launched this week



Group Financials

Kirsten Morton CFO + COO

Reported Earnings



| \$ million | 31 Dec 2023 | 31 Dec 2022 | % change |
|---|--------------|--------------|--------------|
| Management and services fees | 130.3 | 181.1 | (28%) |
| Performance fees | 0.1 | 0.1 | (14%) |
| Other revenue and income | 52.4 | 27.6 | 90% |
| Adjusted revenue and other income | 182.8 | 208.8 | (12%) |
| Adjusted expenses | (53.9) | (64.8) | (17%) |
| Adjusted net profit before tax | 128.9 | 144.0 | (10%) |
| Adjusted tax expense | (38.4) | (37.6) | 2% |
| Share of after tax profit/(loss) of associates | 3.1 | (8.1) | nm |
| Adjusted net profit after tax¹ | 93.5 | 98.3 | (5%) |
| Net (expenses)/benefits related to MGF Options | 22.1 | (2.4) | nm |
| Transaction costs related to strategic initiatives | (0.1) | (0.0) | nm |
| Amortisation expense of intangible assets | (0.7) | (2.3) | nm |
| Net non-cash remeasurement of SPA loans | 1.7 | (0.9) | nm |
| Non-cash employee share option expense ² | (1.5) | (2.0) | nm |
| Gain on dilutions and disposals of associates | 0.1 | - | nm |
| Net unrealised change in fair value of financial assets & liabilities | (11.1) | (6.9) | nm |
| Statutory net profit after tax¹ | 104.1 | 83.8 | 24% |
| Key statistics | | | |
| Diluted EPS (cents per share) | 57.4 | 45.6 | 26% |
| Adjusted diluted EPS (cents per share) | 51.6 | 53.6 | (4%) |
| Interim dividend (cents per share) | 29.4 | 46.9 | |
| Franking | 50% | 85% | |

- Management and services fees decreased by 28%, reflecting the 31% reduction in average FUM
- Other revenue and income driven primarily by realised capital gains of \$37.8 million
- Adjusted expenses down 17% to \$53.9 million
- Associates recorded an after-tax profit of \$3.1 million
- Adjusted net profit after tax down 5% to \$93.5 million
- Recorded \$22.1 million benefit related to acquisition of MGF Options and change in value of obligation to fund exercise
- Adjusted diluted EPS of 51.6cps down 4%, in line with decrease in adjusted net profit after tax
- Effective tax rate of 29.2%
- Interim Dividend of 29.4 cps, 50% franked

[1] May not add due to rounding [2] Relates to the stock options issued to employees in April 2022 as part of a broad retention program.

Adjusted financial measures are adjusted for strategic, non-recurring, non-cash or unrealised items (refer to section 3.1 of the Directors' Report and note 2 in the financial statements for the breakdown of these items).

Funds Management Business – MAM



| \$ million | 31 Dec 2023 | 31 Dec 2022 | % change |
|--|--------------|--------------|--------------|
| Revenue¹ | | | |
| Management fees | 129.7 | 179.1 | (28%) |
| Performance fees | 0.1 | 0.1 | (14%) |
| Services fees | 0.6 | 2.0 | (70%) |
| Other revenue and income | 0.9 | 1.3 | (34%) |
| | 131.2 | 182.5 | (28%) |
| Expenses | | | |
| Employee expenses | 34.1 | 45.5 | (25%) |
| Other expenses | 17.2 | 16.9 | 2% |
| | 51.3 | 62.4 | (18%) |
| Profit before tax¹ | 79.9 | 120.0 | (33%) |
| Profit before tax and before performance fees² | 79.9 | 119.9 | (33%) |

KEY STATISTICS

| | 31 Dec 2023 | 31 Dec 2022 | % change |
|--|-------------|-------------|----------|
| Average FUM (\$ billion) | 36.9 | 53.8 | (31%) |
| Average base management fee (bps) | 70 | 66 | 6% |
| Average AUD/USD exchange rate | 0.6536 | 0.6706 | (3%) |
| Average number of employees | 111 | 128 | (13%) |
| Employee expense/total expense | 66.4% | 72.9% | |
| Cost/Income | 39.1% | 34.2% | |
| Cost/Income (excl performance fees) ¹ | 39.1% | 34.2% | |

- Funds Management segment represents the core business that drives profits and dividends
- Profit before tax and performance fees down 33%, driven by 31% decrease in average FUM
- Increase in average base management fee to 70bps driven by change in FUM mix towards retail
- Employee expenses down 25% reflecting:
 - Reduction in average number of employees, and
 - Lower staff cash retention payment expenses in 1H24 compared to 1H23
- Cost to income ratio of 39.1%

[1] May not add due to rounding [2] Adjusts for the current period performance fee impact on revenue and expenses for the six-month period.

Funds Management Business – MAM (cont.)



Expenses



- ✓ Cost to income ratio (excluding performance fees) of 39.1% during the period
- ✓ 1H24 Funds Management business operating expenses of \$51.3 million tracking to guidance range of \$97.5-102.5 million
- ✓ During the period, announced additional retention payments to current employees
 - Total payments now estimated at \$6.5 million, of which \$1.7 million to be recognised in FY24 – previously reported as approximately \$7.7 million and \$2.5 million respectively when initiative was announced in October 2023
- ✓ Continue disciplined approach to cost management

Fund Investments



Magellan has set a pre-tax hurdle of 10% p.a. over the business cycle for the Fund Investments portfolio

| FUND INVESTMENTS PORTFOLIO | | |
|---|------------------|--------------|
| Investment (\$ million) | 31 December 2023 | 30 June 2023 |
| Cash | 0.2 | 0.4 |
| Investments in: | | |
| Magellan Funds ¹ | 351.2 | 412.9 |
| Net seed portfolios | 5.0 | 7.0 |
| Other ² | 0.2 | 0.2 |
| Total | 356.6 | 420.5 |
| Net deferred tax ³ | (22.1) | (28.5) |
| Net Fund Investments | 334.5 | 392.0 |
| Net Fund Investments per share (cents) ⁴ | 184.8 | 216.1 |

| INVESTMENT RETURNS | |
|-----------------------------------|--------|
| Time Period (to 31 December 2023) | Return |
| 1 Year | 23.0% |
| 3 Years p.a. | 7.2% |
| 5 Years p.a. | 9.4% |
| Since Inception p.a. ⁵ | 10.3% |

1. Investments are set out in note 6 of the Financial Statements; 2. Comprises receivables and payables; 3. Arises from changes in the fair value of financial assets.

4. Based on 181,034,501 ordinary shares on issue at 31 December 2023 (30 June 2023: 181,431,899 ordinary shares). 5. Return excludes previous investment in MFF Capital Investments Limited. Inception date of 1 July 2007.



Strategic Update

Andrew Formica, Executive Chairman

Delivering on Strategic Priorities



Colleagues



- ✓ Transitional leadership structure announced with Executive Chairman role to remain during transitional period
- ✓ Announced appointment of Sophia Rahmani as Managing Director of main operating subsidiary, Magellan Asset Management Limited (MAM)
- ✓ Announced additional retention payments to be paid to current employees with Employee Share Purchase Plan (ESPP) loans, which will close out these loans for the vast majority of staff by September 2025
- ✓ Progressed development of Employee Equity Plans
- ✓ Successful launch of new Magellan values – *Our People... Put Clients First; Take Ownership; Are Authentic; Succeed Together*
- ✓ Continued to embed Magellan values into the organisation
- ✓ Staff survey undertaken in Dec '23 showed there is work still to do on improving employee morale and engagement. Employee engagement score of 52%
- ✓ A number of internal promotions within our Investment and Distribution Teams

Delivering on Strategic Priorities



Clients



- ✓ Continued signs of investment performance improvement in Global Equities and Infrastructure
- ✓ Airlie continues its strong level of outperformance
- ✓ Program of proactive engagement with clients
- ✓ Announced intention to convert Magellan Global Fund Closed Class (ASX: MGF) into Magellan Global Fund Open Class (ASX: MGOC)
- ✓ MFG announced acquisition of up to 750 million MGF Options, reducing total potential balance sheet liability and providing source of value to clients – completed in January 2024
- ✓ Commenced preparing initial disclosures for Magellan’s first Climate Report aligned to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)
- ✓ Significant improvement in 2023 Principles for Responsible Investment (PRI) assessment score following an increased focus on ESG integration in recent years, scoring well above the median for peers
- ✓ Published first Magellan Climate Stewardship Strategy outlining approach to engagement and voting for climate-related risks and opportunities
- ✓ New Risk Management Framework for climate-related risk and opportunities adopted

Delivering on Strategic Priorities



Capabilities



Products & Distribution

- ✓ Strategic Product Committee established, comprising senior leaders from distribution, investment and corporate teams, with meetings held in December 2023 and February 2024
- ✓ Global distribution footprint enhanced with new leadership for US distribution platform

Organic Growth

- ✓ Planned launch of Magellan Unconstrained Fund managed by Alan Pullen to retail client base

Inorganic Growth

- ✓ Assessing teams and talent that would benefit from Magellan's platform including our market leading Distribution team
- ✓ US distribution platform expected to be a key growth avenue for the business
- ✓ Continue to look at attractive asset classes that can leverage our distribution and operational platform

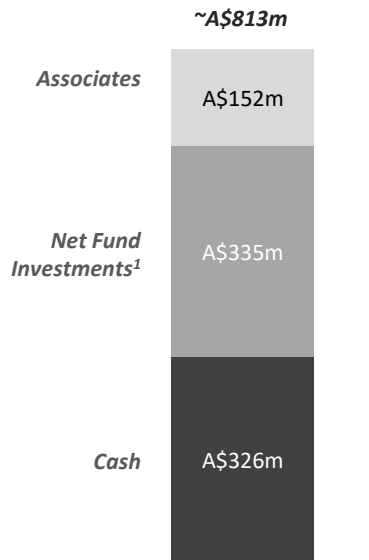
Operations & Costs

- ✓ AI working group established to identify opportunities to incorporate AI across the business, including investment
- ✓ Tracking in line with full year cost guidance of \$97.5 to \$102.5 million for funds management business. Looking forward, FY25 costs expected to be broadly in-line with FY24

Capital Management

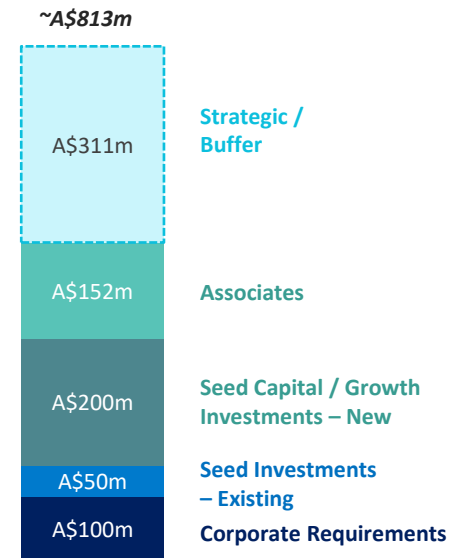


Balance Sheet as at 31 Dec 2023



- Strong balance sheet at 31 December 2023 provides strategic flexibility and optionality
 - Balance sheet consists of a mix of liquid and illiquid assets
- Currently hold approximately ~\$311 million of capital available
- Our priority is to drive organic and inorganic growth

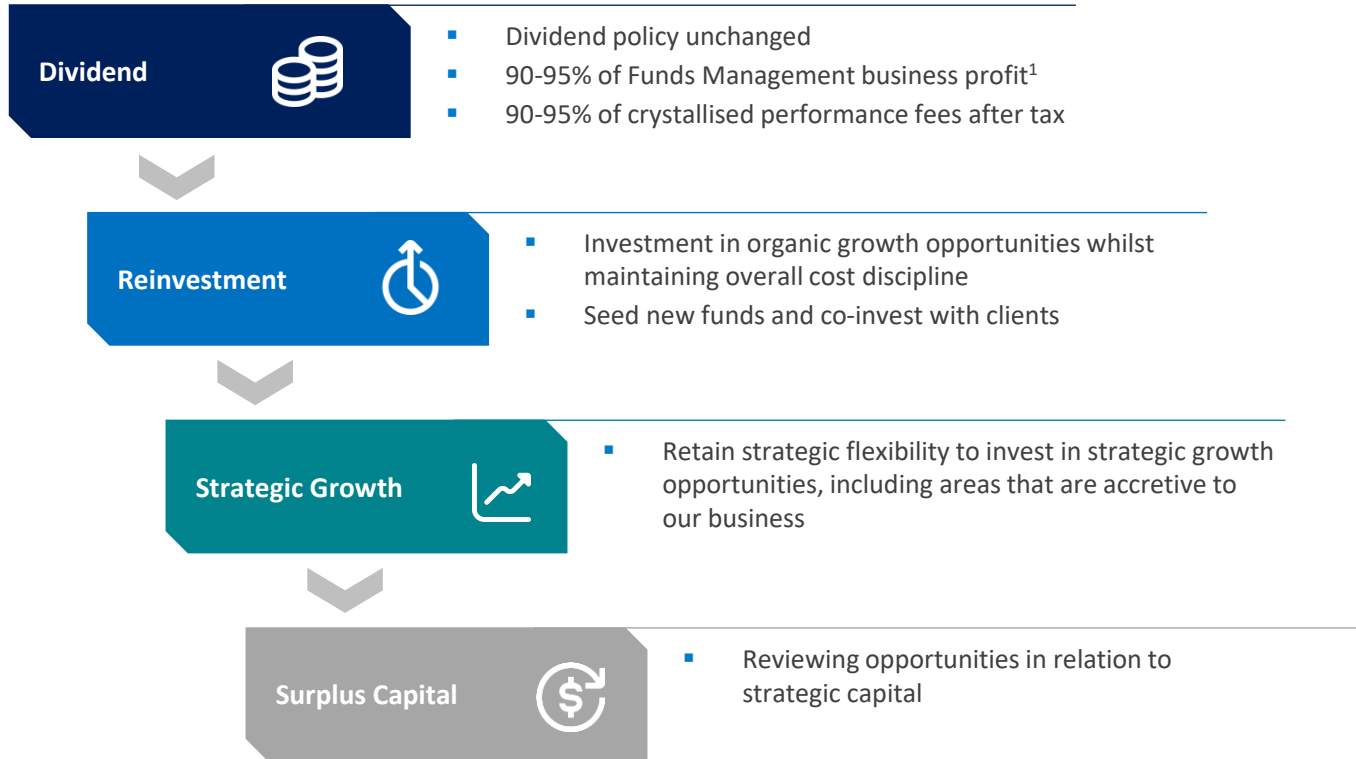
How we view capital requirements



Strong balance sheet supports strategic investments

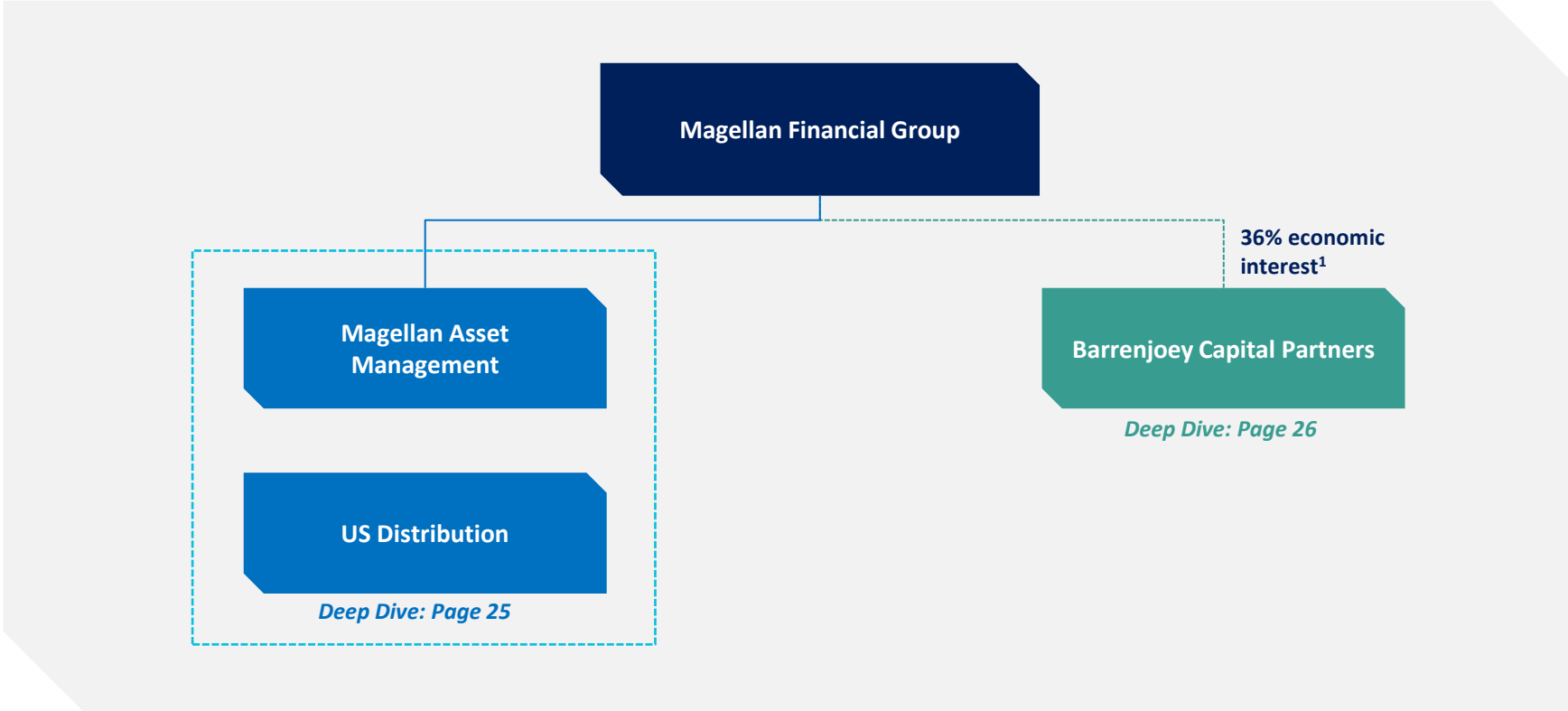
[1] Net of deferred tax liabilities

Capital Management Framework



[1] Excluding performance fees

Magellan Financial Group



[1] Economic interest (4.99% voting interest)

Deep Dive: US Distribution



Changes to US Distribution

1



Refocus and enhance US Distribution Platform with appointment of new leadership

2



US Distribution platform to be revamped as a multi-boutique business

3



Refocussed business to service and distribute Magellan's investment strategies as well as those of third-party managers in which equity stakes are acquired

Strategic Rationale

1



US remains an attractive market for Magellan to undertake a revitalised distribution strategy for existing and new products

2



Investing in third party managers through multi-boutique platform provides significant growth optionality

3




Existing infrastructure embedded in Frontier platform allows for immediate change with limited incremental expense

Opportunity to enhance US distribution capability and open Magellan to potential growth in key market

Deep Dive: Barrenjoey Capital Partners

1H24 Highlights

- **1** Growing Revenues 
 - Barrenjoey saw record revenue (up 35%)
 - Revenue growth across all its businesses in 1H24 as it continues to capture market share
 - Fixed Income Derivatives and Equity Financing businesses live during the period – all key businesses established
- **2** Profitable in 1H24 
 - Profitability a result of ongoing revenue growth
 - Operating leverage increasing, expense base flat
- **3** Strong Capital Position 
 - Business cash generative
 - Regulatory capital >350% above requirements

Pleased with Barrenjoey's progress and a supportive shareholder



2H24 Priorities + Summary

Andrew Formica, Executive Chairman

2H24 Priorities & Summary



2H24 Priorities

Colleagues

- ✓ Launch Employee Equity Plans
- ✓ Targeted training and development of staff
- ✓ Regular Employee Pulse Survey
- ✓ Targeted engagement activities

Clients

- ✓ Conversion of Magellan Global Fund Closed Class (ASX: MGF) into Open Class (ASX: MGOC)
- ✓ Maintain strong investment performance across strategies
- ✓ Launch of re-focused US distribution strategy
- ✓ Launch Magellan Unconstrained Fund to retail client base

Capabilities

- ✓ Deliver and build upon existing ESG commitments
- ✓ Continually assess opportunities to add investment teams and talent to Magellan's platform



Summary

- ✓ Corporate stability restored to business
- ✓ Gaining momentum on strategic priorities
- ✓ Profitable business and rebuilding
- ✓ Strong balance sheet providing strategic flexibility and optionality
- ✓ Generate attractive dividends
- ✓ Well positioned for organic and inorganic growth



Q&A

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