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Authorisation

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Platinum Asset Mgmt Ltd (PTM)

FUM lower with market falls

Recommendation

Hold (Sell)

Price

\$2.09

Target (12 months)

\$1.90 (previously \$2.08)

GICS Sector

Diversified Financials

Expected Return

| | |
|-----------------------|--------------|
| Capital growth | -8.9% |
| Dividend yield | 9.6% |
| Total expected return | 0.7% |

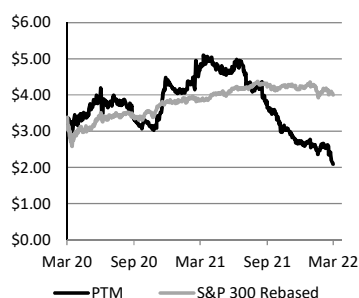
Company Data & Ratios

| | |
|------------------------|----------------------|
| Enterprise value | \$1.04bn |
| Market cap | \$1.23bn |
| Issued capital | 579m |
| Free float | 100% |
| Avg. daily val. (52wk) | \$10.4m |
| 12 month price range | \$2.09-\$5.10 |

Price Performance

| | (1m) | (3m) | (12m) |
|----------------|-------|-------|-------|
| Price (A\$) | 2.58 | 2.65 | 4.55 |
| Absolute (%) | -19.0 | -21.1 | -54.1 |
| Rel market (%) | -17.3 | -17.4 | -56.6 |

Absolute Price



SOURCE: IRESS

Monthly flows, and mark to market changes to forecasts

The company saw funds under management (FUM) lower at \$21,118m, driven by outflows of \$205m or 0.9% and a reduction due to market levels of \$1,140 or 5.1%.

While the outflows were only slightly below our forecasts of 0.7% per month, the market move is material and therefore we have taken the opportunity to mark our forecasts to market. This reduces our expected FUM by 6.2% in 2022. Our revenue forecast reduces by 2.1% for 2022, 6.2% for 2023 and 6.4% for 2024. EBITDA reduces by 3.1% in 2022, 9.8% for 2023 and 11.1% for 2024.

Investment view: Hold, Valuation \$1.90 per share

Our target price is reduced to \$1.90 per share (previously \$2.08), set using a DCF valuation. This is 8.6% below our previous forecast due entirely to the 9.8% lower EBITDA forecast.

Our recommendation moves to HOLD, in accordance with our ratings structure. The next news event is the Annual Investor and Advisor presentation due later this month.

Should there be a resolution or peace agreement in Ukraine, we would hope to see markets stabilise and recover back towards previous levels, which could trigger a corresponding rebound to our forecasts and valuation. With markets remaining fluid, we would look for more certainty before revisiting the shares. With this update our earnings forecasts reduce by 3.1% for FY22, 9.9% for FY23 and 11.1 for FY24.

Earnings Forecast

| Year end June 30 | 2021a | 2022e | 2023e | 2024e |
|------------------------|--------|--------|--------|--------|
| Sales revenue (A\$m) | 269.2 | 258.0 | 231.8 | 217.6 |
| EBITDA (A\$m) | 190.2 | 171.3 | 140.4 | 121.3 |
| NPAT (adjusted) (A\$m) | 129.9 | 117.1 | 96.3 | 81.5 |
| EPS (adjusted) (cps) | 22.2 | 19.8 | 16.0 | 13.8 |
| EPS growth (%) | -11.5% | -10.6% | -19.4% | -13.7% |
| PER (x) | 9.6 | 10.7 | 13.3 | 15.4 |
| EV/EBITDA (x) | 5.5 | 6.1 | 7.5 | 8.7 |
| Price/CF (x) | 8.7 | 10.2 | 12.6 | 14.6 |
| Dividend (cps) | 24.0 | 20.0 | 17.0 | 15.0 |
| Franking (%) | 100.0% | 100.0% | 100.0% | 100.0% |
| Yield (%) | 11.3% | 9.4% | 8.0% | 7.1% |
| ROE (%) | 39.3% | 34.0% | 28.1% | 24.2% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

February FUM update

Key figures

- Funds under management at end February were \$21,112m, 6.0% lower than \$22,463m reported at the end of January.
- \$205m of the fall or 0.9% was from outflows, of which \$142m was from the trust funds.
- Market movements were negative \$1,140m or down 5.1%.

The table in Figure 1 summarises the movement in recent months as well as our forecasts for 2022 through 2024. The lower market levels feed through to lower FUM. Our 2022 forecast FUM is now \$20,092m, a reduction of 6.2% lower than our previous forecast of \$21,428m. This fall in FUM forecasts drives lower revenues and lower EBITDA.

Figure 1 - Monthly FUM moves (A\$m)

| | FY21 | | | | | | | 1H22 | | | | | | | FY22 | FY23 | FY24 |
|----------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jun-22 | Jun-23 | Jun-24 |
| | A | A | A | A | A | A | A | A | A | A | E | E | E | E | E | E | E |
| FUM (A\$m) | | | | | | | | | | | | | | | | | |
| Total Fum | 21,385.0 | 23,523.0 | 23,020.0 | 23,244.0 | 22,826.0 | 21,579.0 | 22,050.0 | 23,523.0 | 22,006.0 | 22,463.0 | 21,118.0 | 21,111.0 | 21,103.9 | 21,096.9 | 23,523.0 | 20,092.9 | 19,015.6 |
| Open | -2,318.0 | -28.0 | -66.0 | -292.0 | -246.0 | -183.0 | -168.0 | -983.0 | -134.0 | -205.0 | -147.8 | -147.8 | -147.7 | -147.7 | -1,913.0 | -1,684.7 | -1,579.9 |
| Flows | -997.0 | | | | | | | 0.0 | | | | | | -997.0 | -997.0 | -997.0 | |
| Distributions | 5,453.0 | -475.0 | 290.0 | -126.0 | -1,001.0 | 654.0 | 124.0 | -534.0 | 591.0 | -1,140.0 | 140.8 | 140.7 | 140.7 | 140.6 | -520.1 | 1,604.5 | 1,128.5 |
| Market | 23,523.0 | 23,020.0 | 23,244.0 | 22,826.0 | 21,579.0 | 22,050.0 | 22,006.0 | 22,006.0 | 22,463.0 | 21,118.0 | 21,111.0 | 21,103.9 | 21,096.9 | 20,092.9 | 20,092.9 | 19,015.6 | 17,567.2 |
| Close | | | | | | | | | | | | | | | | | |
| Flows as a % of open | -10.8% | -0.1% | -0.3% | -1.3% | -1.1% | -0.8% | -0.8% | -4.2% | -0.6% | -0.9% | -0.7% | -0.7% | -0.7% | -0.7% | -8.1% | -8.4% | -8.3% |
| Market % | 25.5% | -2.0% | 1.3% | -0.5% | -4.4% | 3.0% | 0.6% | -2.3% | 2.7% | -5.1% | 0.7% | 0.7% | 0.7% | 0.7% | -2.2% | 8.0% | 5.9% |

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Forecasts and changes to forecasts

Forecasts

We show our forecasts and the changes to our forecasts in the following Figures.

| Figure 2 – Interim forecasts | | | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| FUM and revenue | | | | | | | | | |
| Y/e June 30 | 2020a | 1H21a | 2H21a | 2021a | 1H22a | 2H22e | 2022e | 2023e | 2024e |
| FUM movements (\$m) | | | | | | | | | |
| Open | 24,769 | 21,385 | 23,598 | 21,385 | 23,522 | 22,006 | 23,522 | 20,092 | 19,015 |
| Net-flows | -3,031 | -1,018 | -1,237 | -2,255 | -929 | -984 | -1,913 | -1,685 | -1,580 |
| Distribution | -594 | -29 | -1,030 | -1,059 | -53 | -944 | -997 | -997 | -997 |
| Market | 241 | 3,260 | 2,191 | 5,451 | -534 | 14 | -520 | 1,604 | 1,128 |
| Close | 21,385 | 23,598 | 23,522 | 23,522 | 22,006 | 20,092 | 20,092 | 19,015 | 17,567 |
| Net flow (% opening) | -12% | -5% | -5% | -11% | -4% | -4% | -8% | -8% | -8% |
| Market growth (%) | 1% | 15% | 9% | 25% | -2% | 0% | -2% | 8% | 6% |
| Growth (%) | -14% | 10% | 0% | 10% | -6% | -9% | -15% | -5% | -8% |
| Average FUM (\$m) | 23,749 | 22,241 | 24,216 | 23,167 | 22,454 | 21,285 | 21,946 | 19,982 | 18,718 |
| Management fee rate (%) | 1.16% | 1.14% | 1.14% | 1.14% | 1.17% | 1.15% | 1.16% | 1.14% | 1.14% |
| Revenue (\$m) | | | | | | | | | |
| Management Fees | 275.9 | 127.3 | 138.0 | 265.3 | 131.1 | 122.4 | 253.5 | 227.8 | 213.4 |
| Performance Fees | 9.1 | 3.7 | 0.3 | 4.0 | 2.5 | 2.0 | 4.5 | 4.0 | 4.2 |
| Administration Fees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Fees | 285.0 | 130.9 | 138.3 | 269.2 | 133.6 | 124.4 | 258.0 | 231.8 | 217.6 |

| INCOME STATEMENT | | | | | | | | | |
|-----------------------------|--------------|-------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------|
| Y/e June 30 (\$m) | 2020a | 1H21a | 2H21a | 2021a | 1H22a | 2H22e | 2022e | 2023e | 2024e |
| Sales revenue | 285.0 | 130.9 | 138.3 | 269.2 | 133.6 | 124.4 | 258.0 | 231.8 | 217.6 |
| Operating Expenses | 74.1 | 35.7 | 43.3 | 79.0 | 41.8 | 44.9 | 86.7 | 91.4 | 96.2 |
| EBITDA | 210.9 | 95.2 | 95.0 | 190.2 | 91.8 | 79.5 | 171.3 | 140.4 | 121.3 |
| Depreciation & Amortisation | -3.8 | -1.6 | -1.6 | -3.2 | -1.4 | -1.2 | -2.7 | -1.9 | -1.4 |
| EBIT | 207.1 | 93.6 | 93.4 | 187.0 | 90.4 | 78.3 | 168.6 | 138.5 | 119.9 |
| Net Interest | 1.7 | 0.3 | 0.2 | 0.5 | 0.2 | 0.3 | 0.5 | 0.6 | 0.6 |
| Pre-tax profit | 208.8 | 93.9 | 93.6 | 187.6 | 90.5 | 78.6 | 169.1 | 139.1 | 120.5 |
| Tax | -61.7 | -27.3 | -30.3 | -57.6 | -27.0 | -25.4 | -52.0 | -42.7 | -39.0 |
| Adjusted profit | 147.1 | 66.6 | 63.3 | 129.9 | 63.5 | 53.1 | 117.1 | 96.3 | 81.5 |
| Non-operating profit | 8.5 | 23.6 | 9.5 | 33.1 | -3.7 | 12.0 | 8.3 | 8.4 | 8.4 |
| Reported net profit | 155.6 | 90.2 | 72.8 | 163.1 | 59.8 | 65.1 | 125.4 | 104.7 | 89.9 |
| DPS (cps) | 24.0 | 12.0 | 12.0 | 24.0 | 10.0 | 10.0 | 20.0 | 17.0 | 15.0 |
| Franking | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

| Figure 3 – Changes to forecasts | | | | | | | | | |
|---------------------------------|-------------|------------------|----------|-------------|------------------|----------|-------------|------------------|----------|
| Earnings Revisions | FY22e (new) | FY22e (previous) | % Change | FY23e (new) | FY23e (previous) | % Change | FY23e (new) | FY23e (previous) | % Change |
| Reported revenue (US\$m) | 258.0 | 263.5 | -2.1% | 231.8 | 247.0 | -6.2% | 217.6 | 232.5 | -6.4% |
| EBITDA underlying (US\$m) | 171.3 | 176.8 | -3.1% | 140.4 | 155.6 | -9.8% | 121.3 | 136.3 | -11.0% |
| NPAT (underlying) (US\$m) | 117.1 | 120.9 | -3.1% | 96.3 | 106.9 | -9.9% | 81.5 | 91.6 | -11.1% |
| EPS (underlying) cps | 19.8 | 20.5 | -3.1% | 16.0 | 17.7 | -9.9% | 13.8 | 15.5 | -11.1% |
| Dividend (cps) | 20.0 | 21.0 | -4.8% | 17.0 | 19.0 | -10.5% | 15.0 | 16.0 | -6.3% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

We have made the following changes to our forecasts:

- Our revenue forecast reduces by 2.1% for 2022, 6.2% for 2023 and 6.4% for 2024.
- EBITDA reduces by 3.1% in 2022, 9.8% for 2023 and 11.1% for 2024.

Valuation

DCF

Our valuation of \$1.90/sh is 8.6% lower than our previous valuation (\$2.08/sh), driven by the reduction to our EBITDA forecast above.

We value PTM using DCF valuation, with a WACC of 10.3% applied to EBITDA after tax. A summary of our valuation is shown in Figure 4.

We use our forecasts for the next 4 years and then project forward using the long-term growth rate of 3.5%.

We value the next 10 years EBITDA after tax at \$517m. We value the terminal value at \$929m, assuming long term growth of 1% plus inflation of 2.5%, which discounted to present value terms, gives a present value of \$316m. This gives a total NPV of \$833m.

Adding the forecast end 2022 net cash of \$193m and half the seed capital of \$76m, gives a value for the business of \$1.1bn or \$1.90 per share at June 2022.

Figure 4 – DCF valuation

| WACC Calculation / key assumptions | | | | | | | | | | | |
|------------------------------------|--|--------------|--|--|--|--|--|--|--|--|--|
| Risk free rate | | 4.0% | | | | | | | | | |
| Market risk premium | | 6.0% | | | | | | | | | |
| $\beta =$ beta | | 1.20 | | | | | | | | | |
| Borrowing rate | | 6.0% | | | | | | | | | |
| Tax rate | | 30.0% | | | | | | | | | |
| Target gearing | | 15.0% | | | | | | | | | |
| Cost of equity | | 11.2% | | | | | | | | | |
| Cost of debt | | 4.2% | | | | | | | | | |
| WACC / Discount rate | | 10.3% | | | | | | | | | |
| Inflation | | 2.5% | | | | | | | | | |
| Nominal growth rate | | 1.0% | | | | | | | | | |
| Long-term real growth rate | | 3.5% | | | | | | | | | |

| (\$m) | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | Beyond |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| EBITDA | 171 | 140 | 121 | 98 | | | | | | | |
| Provisions | 4 | -1 | -1 | -1 | | | | | | | |
| Tax paid | -52 | -45 | -39 | -32 | | | | | | | |
| Maintenance Capex | 0 | 0 | 0 | 0 | | | | | | | |
| Growth & Acquisition Capex | 0 | 0 | 0 | 0 | | | | | | | |
| Total Cashflow | 120 | 96 | 83 | 68 | 70 | 73 | 75 | 78 | 80 | 83 | 929 |
| Total operational NPV (AUD 000's) | 833 | | | | | | | | | | |
| Net cash/(debt) | 193 | | | | | | | | | | |
| Seed Capital (50%) | 76 | | | | | | | | | | |
| Total NPV | 1,102 | | | | | | | | | | |
| Shares in issue (m) | 579 | | | | | | | | | | |
| Value per share (AUD 000's) | 1.90 | | | | | | | | | | |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Platinum Asset Mgmt (PTM) Overview

Company description (Source: company website)

Platinum is an Australian investment manager that focuses on international shares, or, building portfolios of listed companies from around the world.

Platinum offers one core investment style, based on seeking out companies that are deemed to have true worth and prospects yet to be fully recognised by the market.

This is backed by past performance that shows its approach is one that has worked in different economic climates and withstood the test of business cycles.

Its portfolios offer a range of exposures from a general global exposure to a more tailored exposure to a geographic area or particular industry group.

Investment thesis

We find the investment thesis on Platinum weak.

Outflows and declining profitability -The underlying funds, have a strong investment style and good long term performance, but in recent periods have seen underperformance and outflows. In turn, this loss of FUM, has seen the revenue and profitability of the business decline. Over the period 2015 to 2021, fund management revenue fell 21% from \$341m to \$269m, a CAGR of -3.9%.

Lack of diversification - The prospects of this company largely fall down to two funds, the International fund and the Asia fund, and various derivations of these two funds (as quoted LICs, Quoted managed hedge funds and UCITS umbrella funds). Other strategies represent less than 13% of FUM.

Shareholders have an interest in the underlying funds – Like many asset managers, the company seeds early stage funds which is normal. However it is also an investor in a number of its own established, sizeable and quoted funds, which we feel may not be an optimal use of shareholders money. In addition, the company appears to be holding high levels of cash on the balance sheet, compared to some of its competitors. We believe the money should either be returned to shareholders to allow them to make their own investment decisions, or utilised more effectively in the business support growth.

The shares have underperformed on falling profitability, but are not cheap – the DCF valuation is not supportive, despite a total return from the shares of -46% over the period end 2015 to end 2021. The shares do not appear to be cheap compared to competitors. This view was reflected in the Chairman's comments at the 2021 AGM.

Valuation

We value PTM using DCF valuation, with a WACC of 10.3% applied to EBITDA after tax. A summary of our valuation is shown in Figure 4.

We use our forecasts for the next 4 years and then project forward using the long-term growth rate of 3.5%.

We value the next 10 years EBITDA after tax at \$517m. We value the terminal value at \$929m, assuming long term growth of 1% plus inflation of 2.5%, which discounted to present value terms, gives a present value of \$316m. This gives a total NPV of \$833m.

Adding the forecast end 2022 net cash of \$193m and half the seed capital of \$76m, gives a value for the business of \$1.1bn or \$1.90 per share at June 2022.

Risks

PTM is subject to all of the following risks:

Key people risk: The loss of any key investment personnel may result in the loss of investment mandates.

Performance and net flows: The ability to attract and retain funds paying high levels of active management fees, depends in part upon showing a track record and on-going capability to achieve performance criteria. The recent loss of high profile accounts, and the resultant share price fall highlights this risk. **Further outflows could cause us to review downwards our profit forecasts and valuation of the group.**

Market risk: Management fees are usually based upon market values of the assets under management. Any significant movements in asset prices can have a material impact on PTM's revenue and earnings.

Currency risk: PTM operates funds in multiple currencies outside Australia, particularly US, US and Europe, in addition to operating in, recording expenses in different markets. Any major currency movements can significantly impact the FUM, Revenue and earnings and subsequently, the valuation of the group in A\$ terms.

Regulatory risk: PTM is regulated by multiple agencies in different jurisdictions and changes in the regulatory regimes under which it operates may increase compliance costs and/or increase the capital requirements of the group.

Move to index funds: clients may seek out cheaper passive alternatives in favour of active investment management.

Data, information technology and outsourcing: PTM and its investment teams rely on a wide range of data sources and technology in the day-to-day management of the Funds. Provision of such, and other functions (such as fund accounting and custody) may be outsourced to third parties. PTM may be face reputational risk and/or be liable for losses as a result of the failure of one of these parties, in its role of managing assets on behalf of its clients.

Platinum Asset Mgmt Ltd

as at 8 March 2022

Recommendation

Hold

Price

\$2.09

Target (12 months)

\$1.90

Table 1 - Financial summary

| Platinum Asset Management (PTM) | Price Target (A\$) | 1.90 | Share Price (A\$) | 2.09 | |
|--------------------------------------|--------------------|---------------|-------------------|---------------|--------------|
| | Recommendation: | Hold | Market Cap (A\$b) | 1,243.76 | |
| INCOME STATEMENT | | | | | |
| Y/e June 30 (\$m) | 2020a | 2021a | 2022e | 2023e | 2024e |
| Sales revenue | 285.0 | 269.2 | 258.0 | 231.8 | 217.6 |
| Operating Expenses | 74.1 | 79.0 | 86.7 | 91.4 | 96.2 |
| EBITDA | 210.9 | 190.2 | 171.3 | 140.4 | 121.3 |
| Depreciation & Amortisation | -3.8 | -3.2 | -2.7 | -1.9 | -1.4 |
| EBIT | 207.1 | 187.0 | 168.6 | 138.5 | 119.9 |
| Net Interest | 1.7 | 0.5 | 0.5 | 0.6 | 0.6 |
| Pre-tax profit | 208.8 | 187.6 | 169.1 | 139.1 | 120.5 |
| underlying Tax | -61.7 | -57.6 | -52.0 | -42.7 | -39.0 |
| Adjusted profit | 147.1 | 129.9 | 117.1 | 96.3 | 81.5 |
| One-off items | 8.5 | 33.1 | 8.3 | 8.4 | 8.4 |
| Reported net profit | 155.6 | 163.1 | 125.4 | 104.7 | 89.9 |
| VALUATION DATA | | | | | |
| Y/e June 30 (\$m) | 2020a | 2021a | 2022e | 2023e | 2024e |
| Net profit adj (\$m) | 147.1 | 129.9 | 117.1 | 96.3 | 81.5 |
| Adjusted EPS (c) | 25.1 | 22.2 | 19.8 | 16.0 | 13.8 |
| EPS growth (%) | -6.7% | -11.5% | -10.6% | -19.4% | -13.7% |
| P/E ratio (x) | 8.3 | 9.4 | 10.5 | 13.1 | 15.1 |
| CFPS (c) | 25 | 25 | 21 | 17 | 14 |
| Price/CF (x) | 8.4 | 8.4 | 10.0 | 12.5 | 14.4 |
| DPS (c) | 24.0 | 24.0 | 20.0 | 17.0 | 15.0 |
| Yield (%) | 11.5% | 11.5% | 9.6% | 8.1% | 7.2% |
| Franking (%) | 100% | 100% | 100% | 100% | 100% |
| EVEBITDA (x) | 5.0 | 5.5 | 6.1 | 7.5 | 8.7 |
| Price/book (x) | 3.8 | 3.5 | 3.5 | 3.6 | 3.6 |
| NTA (\$) | 0.55 | 0.59 | 0.60 | 0.59 | 0.58 |
| CASHFLOW | | | | | |
| Y/e June 30 (\$m) | 2020a | 2021a | 2022e | 2023e | 2024e |
| EBITDA | 210.9 | 190.2 | 171.3 | 140.4 | 121.3 |
| Change in provisions | 0.0 | 0.6 | 4.3 | -0.7 | -0.6 |
| Working capital change | -9.3 | 7.7 | -3.3 | 1.8 | 1.5 |
| Net interest | 1.7 | 0.5 | 0.5 | 0.6 | 0.6 |
| Tax paid | -58.8 | -57.6 | -52.4 | -45.0 | -39.0 |
| Other | 0.0 | 3.0 | 0.0 | 0.0 | 0.0 |
| Operating cashflow | 144.5 | 144.4 | 120.4 | 97.0 | 83.8 |
| Capex | -2.3 | -0.1 | -0.1 | -0.1 | -0.1 |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Asset sales | -10.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 30.2 | 28.6 | 14.9 | 8.4 | 8.4 |
| Investing cashflow | 17.3 | 28.5 | 14.8 | 8.3 | 8.3 |
| Equity raised | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends paid | -158.4 | -134.9 | -129.1 | -111.5 | -93.9 |
| Other | -11.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing cashflow | -169.5 | -134.9 | -129.1 | -111.5 | -93.9 |
| Net change in cash | -7.6 | 38.0 | 6.1 | -6.1 | -1.7 |
| Cash at end of period | 105.3 | 143.3 | 149.5 | 143.4 | 141.6 |
| PROFITABILITY RATIOS | | | | | |
| Y/e June 30 (\$m) | 2020a | 2021a | 2022e | 2023e | 2024e |
| EBIT/sales (%) | 72.7% | 69.5% | 65.4% | 59.7% | 55.1% |
| Return on assets (%) | 59.2% | 50.7% | 44.1% | 36.6% | 32.3% |
| Return on equity (%) | 46.0% | 39.3% | 34.0% | 28.1% | 24.2% |
| Dividend cover (x) | 1.1 | 1.2 | 1.1 | 1.0 | 1.0 |
| Effective tax rate (%) | 29.5% | 30.7% | 30.7% | 30.7% | 30.7% |
| LIQUIDITY AND LEVERAGE RATIOS | | | | | |
| Y/e June 30 (\$m) | 2020a | 2021a | 2022e | 2023e | 2024e |
| Net debt/(cash) (\$m) | -155.2 | -193.2 | -199.3 | -193.2 | -191.5 |
| Net debt/equity (%) | -49% | -56% | -57% | -57% | -57% |
| Current ratio (x) | 8.7 | 10.1 | 9.9 | 10.0 | 10.3 |
| INTERIMS | | | | | |
| Half end December 31 (\$m) | 1H20a | 1H21a | 1H22e | 1H23e | 1H24e |
| Sales revenue | 144.9 | 130.9 | 133.6 | 116.2 | 109.7 |
| EBIT | 104.3 | 93.6 | 90.4 | 70.3 | 60.8 |
| Pre tax profit | 105.4 | 93.9 | 90.5 | 70.6 | 61.1 |
| Adjusted profit | 73.6 | 66.6 | 63.5 | 47.8 | 41.3 |
| One-off items | 5.6 | 23.6 | -3.7 | 4.2 | 4.2 |
| Reported profit | 79.1 | 90.2 | 59.8 | 52.0 | 45.5 |
| Interim DPS (cents) | 13.0 | 12.0 | 10.0 | 9.0 | 8.0 |
| Interim adjusted EPS (cents) | 12.5 | 11.4 | 10.8 | 8.1 | 7.0 |
| ASSUMPTIONS | | | | | |
| Y/e June 30 | 2020a | 2021a | 2022e | 2023e | 2024e |
| FUM movements (\$m) | | | | | |
| Open | 24,769 | 21,385 | 23,522 | 20,092 | 19,015 |
| Flows, distributions and market | -3,384 | 2,137 | -3,430 | -1,077 | -1,448 |
| Close | 21,385 | 23,522 | 20,092 | 19,015 | 17,567 |
| Growth (%) | -14% | 10% | -15% | -5% | -8% |
| Average FUM (\$m) | 23,749 | 23,167 | 21,946 | 19,982 | 18,718 |
| Revenue (\$m) | | | | | |
| Management Fees | 275.9 | 265.3 | 253.5 | 227.8 | 213.4 |
| Performance Fees | 9.1 | 4.0 | 4.5 | 4.0 | 4.2 |
| Administration Fees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Fees | 285.0 | 269.2 | 258.0 | 231.8 | 217.6 |
| W/A shares on issue | 581.5 | 579.3 | 578.7 | 578.7 | 578.7 |
| BALANCE SHEET | | | | | |
| Y/e June 30 (\$m) | 2020a | 2021a | 2022e | 2023e | 2024e |
| Cash | 155.2 | 193.2 | 199.3 | 193.2 | 191.5 |
| Receivables | 34.7 | 27.6 | 30.3 | 28.1 | 26.2 |
| PPE | 12.7 | 9.5 | 7.0 | 5.1 | 3.7 |
| Intangibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 152.6 | 152.0 | 146.9 | 146.9 | 146.9 |
| Total assets | 355.2 | 382.3 | 383.4 | 373.3 | 368.3 |
| Payables | 5.6 | 6.2 | 5.6 | 5.2 | 4.8 |
| Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions | 5.4 | 5.9 | 10.2 | 9.5 | 8.9 |
| Other | 25.3 | 28.1 | 19.8 | 19.8 | 19.8 |
| Total liabilities | 36.3 | 40.2 | 35.6 | 34.4 | 33.5 |
| Shareholders' equity | 145.9 | 139.1 | 147.9 | 147.9 | 147.9 |
| Total shareholders funds | 319.0 | 342.0 | 347.8 | 338.8 | 334.9 |

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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