

Australian Ethical Investment Limited

Half-year Financial Results to 31 December 2024

ASX announcement

GROWTH STRATEGY CONTINUES TO DELIVER STRONG RESULTS ACROSS ALL KEY METRICS FOR AUSTRALIAN ETHICAL

FUM reached \$13.26 billion, Revenue up 21%, UPAT up 35%, NPAT¹ up 50%

Half-year results to 31 December 2024

Australian Ethical Investment Limited (ASX: AEF) today announced its financial results for the half-year ending 31 December 2024, with Underlying Profit After Tax (UPAT) of \$11.5 million, up 35% on the prior comparative period and Net Profit After Tax (NPAT) attributable to shareholders of \$9.3 million, up 50% on the prior comparative period.

The ethical investment manager reached a new Funds Under Management (FUM) milestone of \$13 billion during the period, ending the year at a record \$13.26 billion. This was 27% up on 30 June 2024 and 37% up on 31 December 2023.

Australian Ethical has been implementing its current growth strategy for five years and has grown more than threefold, from \$3.87 billion FUM in December 2019 to over \$13 billion today, with underlying EPS growing at a 21% compound average growth rate over this period.

During the first half of FY25, the organisation has gained further momentum, not only delivering a strong uplift on all key financial metrics but also completing the acquisition of the Altius Asset Management (Altius) business and laying the business foundations for further organic and inorganic growth over the coming years.

John McMurdo, Australian Ethical Chief Executive Officer said,

“This is a strong first half result for Australian Ethical, and evidence that our growth strategy is delivering.

“Compared to the first half of FY24, we’ve seen FUM grow by 37%, revenue grow by 21% and underlying profit growth of 35%. These are strong financial metrics that we can feel very proud of. Our growth has been underpinned by organic activity with strong results across our direct and values aligned channels as well as inorganic activity with the acquisition of Altius.

“From an operational perspective the first half of FY25 has also seen the transitions from Mercer to GROW Inc for our super administration and from NAB to State Street for our custodian services to support the continued growth and cost efficiency of our business.”

¹ NPAT attributable to shareholders

Financial highlights

- Record underlying profit after tax (UPAT) of \$11.5 million, up 35%
- Net profit after tax (NPAT) attributable to shareholders of \$9.3 million, up 50%
- Total revenue up 21% to \$58.8 million
- Operating expenses of \$41.5 million up 14% (excluding integration and transformation costs of \$2.8 million, and due diligence and transaction costs of \$0.86 million)
- Underlying cost to income ratio improvement to 72% compared to 74% in FY24²
- Underlying diluted EPS³ of 10.11 cents, up 34%
- Interim dividend of 5 cents per share, fully franked, up 67%
- Strong balance sheet, no gearing, well managed operating cash flow

Operating Highlights

- FUM reached \$13.26 billion at 31 December 2024, up 27% compared to 30 June 2024
- Continued positive retail and wholesale net flows despite impact of the limited-service period during the superannuation administration transition
- Funded customer numbers over 132,000 at 31 December 2024
- Positive investment performance⁴ of \$0.68 billion
- Acquisition of Altius business completed in late September 2024, increasing FUM by \$1.93 billion, and expanding fixed income capability
- \$1.02 million provisioned for the Australian Ethical Foundation
- Transition of superannuation administration services to GROW Inc for Mercer cohort of members and successful transition of custody and investment administration services from NAB Asset Servicing to State Street, both delivering cost efficiencies
- Continued awards and accolades across multiple areas of the business

Note: All metrics relate to the half year ended 31 December 2024 with comparisons to the period ended 31 December 2023, unless stated otherwise

Funds Under Management

Superannuation

Australian Ethical reported positive superannuation net flows of \$194 million, predictably below the comparative half as the regular marketing program was scaled back during the 7-week limited-service period covering the transition of the Mercer superannuation administration services to GROW Inc. Pleasingly however, Australian Ethical reported record superannuation guarantee contributions during the period which partially offset the impact of the limited-service period.

Investment products

Investment products net flows (excluding institutional) contributed \$75 million, with positive inflows from the values-aligned channel where sales efforts have increased, and a solid pipeline has been built. This channel focuses on not-for-profit organisations including charities and foundations, as well as values-aligned businesses looking to invest their funds with an aligned fund manager.

² Underlying cost to income ratio is calculated as total expenses excluding UPAT adjusted expenses and excluding tax, divided by total revenue excluding UPAT adjusted revenue (excludes Foundation)

³ Based on UPAT attributable to shareholders

⁴ Net of fees and distributions

The institutional channel saw net outflows for the period of \$58 million. As part of the acquisition of the Altius business, Australian Ethical now serves a number of institutional clients, including Australian Unity (AU). AU utilises short-term Altius fixed income funds for working capital management. As such, these funds experience seasonal fluctuations (inflows and outflows) as capital requirements change for AU. The Altius fixed income funds are lower-margin funds, with the volatility of FUM having only a small impact on revenue.

Investment Performance

Australian Ethical reported positive investment performance during the period, increasing FUM by \$678 million.

Revenue

Total revenue increased 21% to \$58.8 million. The increase was driven by average FUM growth which was underpinned by continued positive net flows, positive investment performance and the acquisition of the Altius business. Compared to the second half of FY24, revenue was up 13%. Average FUM grew 29% in the first half compared to first half of FY24.

As foreshadowed at FY24 year end, Australian Ethical's overall fee margin for the period reflects the impact of the lower margin fixed income funds following the acquisition of the Altius business in late September 2024. The average revenue margin across all products was 0.96% for the first half compared to 1.02% for the full year FY24.

Expenses

As Australian Ethical continues to scale, operating leverage has seen further improvement. Underlying cost to income ratio (CTI) improved from 74% in FY24 to 72% in 1H25.

Expenses (excluding \$2.8 million integration and transformation costs and \$0.86 million due diligence and transaction costs), increased by 14%, driven predominantly by increased variable costs as the business grows, as well as enhanced capability as part of the execution of the growth strategy. These increases have been partially offset by operating expense savings following the operating platform enhancements.

Expense increases were primarily driven by:

- Employment expenses, following enhancement of investment team capability through the onboarding of the Altius team, as well as the run rate of FY24 hires and remuneration increases.
- Fund related expenses increased 16%, compared to revenue growth of 21% and average FUM growth of 29%.
- The increases relating to FUM and transaction volume growth was significantly offset by the new commercial rate cards following the transitions to GROW Inc for superannuation fund administration and State Street for custody and investment administration services, with the combination of these fund related fees increasing only 6%.
- The overall increase in fund-related expenses was also driven by implementation costs relating to the enhancement of our investment platform.
- IT expenses increased 29% following expenditure on a strengthened and resilient operating platform and technology infrastructure, to support current and future business growth. This increase also includes higher technology platform licence costs following business growth, partly driven by the acquisition of the Altius business.

Expense increases were partially offset by:

- A reduction in marketing expenses of 15%, primarily due to the scale back of marketing campaigns during the limited-service period as part of the superannuation administration transition to GROW Inc. Marketing expenses in the second half are expected to increase as investment in brand and acquisition campaigns resumes, to further grow the superannuation member base. Full year FY25 marketing expenses are expected to be slightly higher than FY24.

Summary of Group profits

	1H2025 (\$'000)	1H2024 (\$'000)
Consolidated statutory profit after tax	9,606	6,316
Profit attributable to The Foundation	(271)	(97)
Net profit after tax attributable to shareholders	9,335	6,219
Integration & transformation costs	2,785	2,943
Other income (cost recovery linked to insurance harmonisation)	(629)	-
Due diligence & transaction costs	855	289
Amortisation of Altius intangibles	36	-
Tax on adjustments	(903)	(970)
Underlying profit after tax	11,479	8,481

Interim dividend

The Board declared a fully franked interim dividend of 5 cents per share for the half-year ended 31 December 2024. The record date is 6 March 2025 with payment on 21 March 2025.

Australian Ethical Foundation Limited

Australian Ethical has provisioned a \$1.02 million allocation to the Foundation during the period, for its future work supporting high impact, innovative charities in their work to combat climate change in specific focus areas.

Each year, 10 per cent of Australian Ethical profits⁵ are allocated to not-for-profit organisations through the Foundation.

⁵ Before deducting bonus and grant expense

Outlook

John McMurdo, Australian Ethical Chief Executive Officer, concluded:

“We are seeing strong momentum which I expect to continue into the second half of the year, as we bed down our new super administration platform, and retain focus on our strategic priorities.

“I anticipate continued growth in brand awareness and superannuation net flows post transition to GROW as we recommence our marketing activity.

“During the second half, revenue margins are expected to stabilise, and employment expenses are moderating following the completion of the acquisition of the Altius business in late September 2024. We will also benefit from the full run rate of the improved commercial rate cards following our superannuation administration and custody transitions.

“We continue to focus on our growth strategy and will continue to enhance the maturity of our Investment Management platform, to support our growing business. The transition of our remaining super members from MUFG to GROW Inc is expected by the end of calendar 2025 rationalising and simplifying our administration arrangements.

“I’m excited about the period ahead of us. We are well positioned with a strong balance sheet, highly capable team, enhanced business platform, unique brand and deep ethical pedigree.”

- End -

This announcement is authorised by the Board.

About Australian Ethical

Australian Ethical is one of Australia’s leading ethical investment managers*. Since 1986, Australian Ethical has provided investors with investment management products that align with their values and provide long-term, risk adjusted returns. Investments are guided by the Australian Ethical Charter which shapes its ethical approach and underpins both its culture and its vision. Australian Ethical has over \$13 billion in funds under management across managed funds and superannuation. Visit: www.australianethical.com.au

*Please refer to <https://www.australianethical.com.au/why-ae/investment/#awards> for specific awards Australian Ethical has won, including the specific categories.