

ASX Release

BT Investment Management Limited delivers record result with Cash NPAT of \$132.5 million and a 28 per cent increase in base management fees

BT Investment Management Limited (BTIM) today announced a record result for the year ending 30 September 2015 with cash net profit after tax (Cash NPAT) of \$132.5 million and statutory NPAT of \$126.4 million. Cash earnings per share (Cash EPS) were 44.0 cents and a final dividend of 20.0 cents per share was declared, an increase of 5.3 per cent on the previous corresponding period (pcp).

Underpinning the result was strong growth in base management fees and record net inflows reflecting the strength and diversity of the business. Net inflows of \$5.7 billion, investment outperformance and a lower Australian dollar all contributed to an increase in funds under management (FUM) of \$12.0 billion to \$78.4 billion, as at 30 September 2015.

Base management fee revenue increased by 28 per cent compared to pcp, with the growth in the second half of the year representing the eighth consecutive half-on-half year increase. Performance fees for the period were substantial but lower at \$51.9 million, compared to the prior year record of \$121.8 million.

	FY 2015	FY 2014	% change
Year ended 30 September:			
➤ Cash NPAT ⁱ	\$132.5m	\$127.0m	+4%
➤ Statutory NPAT	\$126.4m	\$121.5m	+4%
➤ Fee Revenue	\$436.6m	\$420.7m	+4%
➤ Base Management Fees	\$371.1m	\$289.7m	+28%
➤ Base Management Fee Margin	49 bps	46 bps	+7%
➤ Performance Fees	\$51.9m	\$121.8m	-57%
➤ Operating Expenses	\$268.2m	\$258.5m	+4%
➤ Operating Margin	39%	39%	-
➤ Cash EPS	44.0cps	42.6cps	+3%
➤ Dividends ⁱⁱ	37.0cps	35.0cps	+6%
➤ Average FUM	\$75.2b	\$63.1b	+19%
As at 30 September:			
➤ Closing FUM	\$78.4b	\$66.4b	+18%

Note: footnotes are detailed on page 4

Mr. Emilio Gonzalez, BTIM's CEO, said, "The business has been able to continue its growth path with record net inflows as a result of strong investment performance. Fund flows were driven by ongoing demand for our offshore equity funds, domestic fixed income strategies and success in new products."

"Pleasingly, our range of equity funds in the US saw excellent growth and attracted \$3.3 billion in net inflows contributing to another year of strong growth in base management fees.

Mr Gonzalez commented, "This record result reflects the ongoing success of the strategy to expand globally and benefit from a more diverse business delivering growth."

Financial Results

Cash NPAT for the year was \$132.5 million, a 4 per cent increase on pcp. Contributing to the increase was higher FUM levels as a result of record net inflows, investment outperformance, a declining Australian dollar and higher average markets during the course of the year.

Base management fees rose 28 per cent to \$371.1 million, driven by a 19 per cent increase in average FUM to \$75.2 billion and a 7 per cent expansion in the base management fee margin, from 46 basis points to 49 basis points.

In Australia, the S&P/ASX 300 Index was on average 2 per cent higher than in the 2014 financial year, while the average level of the MSCI ACWI (GBP) Index was 10 per cent higher over the same period.

Performance fees for the year were \$51.9 million, compared to \$121.8 million in the previous year. 15 investment strategies at J O Hambro Capital Management (JOHCM) earned a total of \$37.6 million in performance fees, with 7 BTIM investment strategies achieving a record year of performance fees totalling \$14.3 million.

Foreign exchange movements contributed positively to the Group's 2015 financial year earnings. The average AUD/GBP exchange rate was 0.5110, 7 per cent lower than the average AUD/GBP exchange rate of 0.5473 for the prior year.

Cash operating expenses totalled \$268.2 million, a 4 per cent increase on pcp, resulting from higher volume related costs associated with growth in FUM and revenue, and investment in growth initiatives.

Funds under management

Closing FUM was \$78.4 billion as at 30 September 2015, up \$12.0 billion from \$66.4 billion in the previous year. The 18 per cent increase in FUM resulted from net inflows of \$5.7 billion, \$5.6 billion from favourable foreign exchange movements and \$0.7 billion from an increase in the combination of investment outperformance and market movements.

JOHCM attracted \$6.2 billion of net inflows, largely through the higher margin wholesale channel, while BTIM (Australia) saw net outflows of \$0.5 billion, predominantly from its lower margin institutional cash and legacy books.

Investment strategies that garnered strong flows through the year included Global equities (+\$3.1 billion), European equities (+\$1.5 billion), Asian equities (+\$0.4 billion), and Australian fixed income (+\$0.8 billion).

Investment performance

Investment performance across the Group was strong with 97 per cent of FUM exceeding respective benchmarks over three years and 99 per cent over five years for the period ending 30 September 2015. Funds which significantly outperformed their benchmarks over the 12 month period to 30 September 2015 included the BT Wholesale Microcap Opportunities Fund with excess performance of 27.5%, JOHCM Asia ex-Japan Small and Mid-Cap Fund (+24.5%), BT Wholesale Smaller Companies Fund (+13.3%), JOHCM Global Opportunities Fund (+12.1%), JOHCM Asia ex-Japan Fund (+10.6%), and the JOHCM Global Emerging Markets Opportunities Fund (+8.6%).

Capital Management

The Board has declared a final dividend of 20.0 cents per share, up 5.3 per cent compared to pcp. Total dividends for the year were 37.0 cents per share, an increase of 6 per cent on the previous year.

The final dividend will be 40 per cent franked and paid on 18 December 2015 to ordinary shareholders on record on 4 December 2015.

The Dividend Reinvestment Plan (DRP) remains active for the final dividend with shares issued at a zero discount to the allocation price as determined by the DRP rules.

Progress on Strategy and Outlook

In commenting on BTIM's strategy, Mr Gonzalez said, "It is pleasing to see that the strategy to build-out our business into a truly global and diversified asset management business is delivering excellent results with continued growth in earnings to shareholders.

"Testament to the strength of our core business is the significant increase in base management fees which made up for the lower level in performance fees this year.

"Our focus remains on delivering superior investment performance for our clients, identifying investment talent to further diversify and provide for future growth, and investing in our global distribution channels to better leverage our investment capabilities."

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Appendix

Reconciliation of Statutory and Cash NPAT

\$ million	FY 2015	FY 2014
Statutory NPAT	126.4	121.5
Add back: amortisation of employee equity grants	41.3	32.4
Add back: amortisation and impairment of intangibles ⁱⁱⁱ	8.4	9.6
Deduct: cash cost of acquiring ongoing employee equity grants payable for the year	(45.5)	(36.4)
Add back (Deduct): tax effect	1.9	(0.1)
Cash NPAT	132.5	127.0

Notes:

ⁱ Cash NPAT comprises statutory NPAT adjusted for certain non-cash items. These non-cash items include the amortisation of employee equity grants less the after-tax cash costs of ongoing equity grants made in respect of the current year. Other non-cash items adjusted include the after-tax amortisation and impairment of intangibles, and fair value adjustments on equity settled converting notes issued at the time of the JOHCM acquisition. BTIM believes that these non-cash items do not form part of the underlying earnings of the business and Cash NPAT is a more suitable measure of profitability.

ⁱⁱ The FY 2015 final dividend of 20.0 cps is to be 40% franked and 60% unfranked. The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the Income Tax Assessment Act 1997.

ⁱⁱⁱ Amortisation and impairment of intangibles relates to JOHCM fund and investment management contracts.