

Australian Ethical Investment Limited

Full year earnings guidance

Australian Ethical Investment Limited (ASX: AEF) advises that Net Profit after Tax (NPAT) for the 12 months ending 30 June 2017 is expected to be between \$2.2 and \$2.6 million, a mid-point decrease of 19.4% on the prior corresponding period. Underlying Profit (UPAT) is expected to be between \$3.9m and \$4.3 million, a mid-point increase of 8.4% on the prior corresponding period.

Growth remains strong, with the significant milestone of \$2 billion in Funds Under Management achieved in late-April 2017 (refer to the separate release *Funds under Management and Net Flows 1 January to 31 March 2017* for more information).

Significant items impacting guidance

Unit price remediation

As previously reported, our results for the period have been impacted by costs relating to the remediation of the unit pricing errors that affected our superannuation fund.

The investigation into these errors was completed at the end of the 2016 calendar year and fully provided for in the half-year ended 31 December 2016. The full remediation of member accounts was completed in the quarter ended 31 March 2017.

Staff costs

In order to effectively manage operational risk in line with our growth, resources have been increased in key operational, risk and compliance roles. These have been progressively recruited throughout the year.

Reconciliation of UPAT and NPAT

Our Underlying Profit after Tax (UPAT) for the year ending 30 June 2017 varies from NPAT attributable to shareholders (ie: excluding Australian Ethical Foundation Limited) due to a number of adjustments, including those relating to the remediation of the unit pricing errors. NPAT and UPAT are reconciled as follows:

	FY17 Guidance (\$'000)	FY16 Actual (\$'000)	% Increase / (Decrease)
NPAT attributable to shareholders	2,425	3,010	(19.4%)
Adjustments			
- add back employment restructure expenses	250	-	
- add back provision for remediation	1,045	900	
- add back unit pricing project costs	1,160	-	
- add back property impairment	-	181	
Tax on adjustments	(737)	(270)	
Underlying profit after tax	4,143	3,821	8.4%

Explanation of items removed from UPAT

When calculating UPAT, to provide a better understanding of operational results, we reverse the impact on profit of certain items. Items adjusted include:

- *Employment restructure expenses unrelated to the errors*
- *Costs incurred in relation to the remediation of the unit pricing errors*
- *Tax on adjustments: Income tax applicable to some of the adjustment items*
- *Prior year accelerated impairment on AEF's Canberra premises.*

This earnings guidance is based on unaudited management accounts to the end of March 2017. More information will be provided in the announcement of the full year results in August 2017.

About Australian Ethical

Australian Ethical is Australia's leading ethical wealth manager. Since 1986, Australian Ethical has provided investors with wealth management products that align with their values and deliver strong returns. Investments are guided by the Australian Ethical Charter which both shapes its ethical approach and underpins the Company's culture and vision.

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