

ASX Code: AEF

8 January 2015

## **Australian Ethical Investment Limited**

### **Earnings guidance**

Australian Ethical Investment Limited advises that Net Profit after Tax (NPAT) for the 6 months ended 31 December 2014 is expected to be between \$0.80 million and \$0.97 million. NPAT for the six months ended 31 December 2013 was \$1.216 million.

Increased market values and strong flows into Australian Ethical products have been offset by fee reductions that were introduced at 30 June 2014 resulting in revenues being in line with the prior corresponding period. These fee reductions have been previously disclosed and are aimed at improving the competitiveness of our products.

Costs are forecast to be 4.8% higher than the prior corresponding period. Contributors to this increase include higher marketing costs, costs associated with restructuring of the IT infrastructure and timing impacts associated with the transition to the new remuneration model for our people.

With regard this latter item, as foreshadowed in our recent Remuneration Report we are making the following adjustments to our employee incentive structure:

- Short term incentives – these will no longer be partly paid as performance rights bringing forward some of the expense impact.
- Long term incentives – these will now be issued by issuing shares into an employee share trust rather than through the issue of performance rights. Whilst the vesting period remains as 3 years, under the new scheme the full cost of the shares is expensed on issue rather than being amortised over the 3 year vesting period as was the case previously.

Each of these has a timing impact on current year's NPAT, the total of which is illustrated in the table below.

Underlying Profit after Tax (UPAT) for the 6 months ended 31 December 2014 is expected to be between \$0.95 million and \$1.16 million. UPAT for the 6 months ended 31 December 2013 was \$1.42 million.

This profit expectation is based on unaudited management accounts to the end of November 2014. More information will be provided in the announcement of the half yearly results in late February 2015.

Phil Vernon, Managing Director of Australian Ethical said “We are committed to fee reductions within our Superannuation product in order to improve our competitiveness whilst maintaining returns to shareholders. The continued strong net flows and new clients are indicators that we are building sustainable growth in the business.”

### Underlying Profit After Tax

Net Profit After Tax (NPAT) and Underlying Profit After Tax (UPAT) are reconciled as follows:

	<b>1HFY13 (\$'000)</b>	<b>This guidance 1HFY14 (\$'000)</b>	<b>% Increase/ (Decrease)</b>
<b>Net profit after tax</b>	1,216	885	(27%)
Adjustments (gross)			
– Add back employment restructure expenses	296	-	
– Add back transition to new staff incentive model	-	348	
Tax on adjustments	(89)	(176)	
<b>Underlying profit after tax</b>	<b>1,423</b>	<b>1,057</b>	<b>(26%)</b>

### *Explanation of items removed from UPAT*

*In calculating UPAT we reverse the impact on profit of certain, predominantly non-cash or non-recurring, items to provide a better understanding of operational results. Items adjusted include:*

- *Employment restructure expenses: Restructuring for long term gains;*
- *Transition to new employee remuneration model: Timing impacts of transitioning to new employee remuneration model;*
- *Tax on adjustments: Income tax applicable to adjustment items.*

End/.