

ASX Code: AEF

24 June 2015

Australian Ethical Investment Limited

Earnings guidance

Increased Share Price Impacts Expenses

Australian Ethical Investment Limited (ASX:AEF) has today advised that it expects Net Profit after Tax (NPAT) for the 12 months ended 30 June 2015 to be between \$1.7 and \$2.1 million. This compares with guidance provided on 30 April 2015 of NPAT of between \$2.3m and \$2.8m.

The reduction in earnings is the direct result of increased allowance for employee performance rights due to recent significant increases in the share price from \$50 (the date of the previous guidance) to \$64.995 at close of trading on 23 June 2015 (see below for explanation).

This profit expectation is based on:

- unaudited management accounts to the end of May 2015;
- the assumption that market and business conditions remain broadly in line with current conditions;
- the share price remaining in the range \$60 to \$70.

As described below, the share price impacts the expense associated with the issue of shares under the previous employee incentive schemes. As a guide to the sensitivity of earnings to the share price, based on current rights outstanding each \$10 change in the share price will impact this year's result by approximately \$350k.

Expense calculation under the previous Employee Performance Rights scheme

Previous employee incentive schemes consisted of the issue of employee performance rights as both short and long term incentives. Under Australian Accounting Standards these rights are expensed over their life between the date of "grant" and the date of "vesting" based on an estimate of the share price at the date of vesting and the probability of those rights vesting. This leads to variability in the expense provision over their life due to the variability of the share price. An increase in the share price leads to a greater provision.

The last amount of performance rights will vest at 30 June 2016. From that point all employee shares outstanding will have been issued under the new scheme.

Expense calculation under the new incentive schemes

Last year we announced that we were transitioning to a new scheme. Under this scheme shares will be issued into a trust based on the share price at the date of the grant and held in trust until they vest. This eliminates the expense volatility compared to the previous employee remuneration scheme.

Commentary on share price increase

As far as the company is aware there is no discernible reason for the recent rapid increase in the share price. Trading has been on limited volumes.

Flows and funds under management update

Flows for the June quarter are expected to be similar to the prior quarter and Funds under Management at 31 May 2015 was \$1.183bn.

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