

**VGI
PARTNERS**

VGI Partners Limited (ASX:VGI)

1H19 Investor Briefing – 27 August 2019

1H19 Business Highlights

Six months to 30 June 2019

- IPO completed in June 2019. Now 80% owned by key management. No selldown and majority of founder shareholding in 5 year escrow
- IPO exclusively for participants in the VG1 raising. Increases alignment of interests. VGI shares up well over 100% on \$5.50 listing price
- FUM of A\$2.6 billion on 30 June 2019, including \$0.3 billion raised in VG1 in June
- Normalised EBIT of \$35.1 million; normalised NPAT of \$24.6 million. These do not reflect the run-rate of management fee revenues^{1,2}
- Go-forward annualised net management fees from 31 July of c.\$38m. Run-rate uses FUM at that date of c.\$2.6 billion - see slide 11
- Fully franked DPS of 25.6¢, payable 16 Sep 2019
- Intention to launch a new Asian fund LIC, VG8

Six months to 30 June (\$ million) ¹	1H18	1H19
Income		
Management fees (net) ^{1,3}	8.4	12.5
Performance fees (net) ³	39.5	32.8
Other income	0.3	0.6
Total operating revenue (statutory)	48.2	45.9
Normalised EBIT	39.8	35.1
Normalised NPAT²	28.6	24.6
Non-recurring equity raising costs (post tax)	0.0	(4.0)
Statutory NPAT	28.6	20.6
Normalised basic EPS ²	NM	36.6¢
Dividend per share (fully franked) ⁴	NM	25.6¢
Funds Under Management (FUM) (\$ billion)	2.0	2.6
Average FUM (\$ billion)	1.8	2.2

¹ Given VGI's Initial Public Offering (IPO) in June 2019, new VG1 FUM raised, VGI/VG1 raising costs and the VG1 fee waiver (which finished c.25 April 2019), 1H19 earnings are not representative of future run-rates.

² Normalised NPAT adds back "non-recurring raising costs" (\$5.7m, tax affected at 30%) but has no other adjustments. Normalised basic EPS is Normalised NPAT divided by an average of 67.1m shares in 1H19 (i.e. uses the number of shares on issue post VGI's IPO on 21 June 2019) whereas statutory EPS includes pre-IPO shares and adjustments. See slide 19 for a full reconciliation to statutory NPAT and EPS.

³ Include fees on Charitable Foundation Class (that are offset in costs); net of other charitable FUM rebates

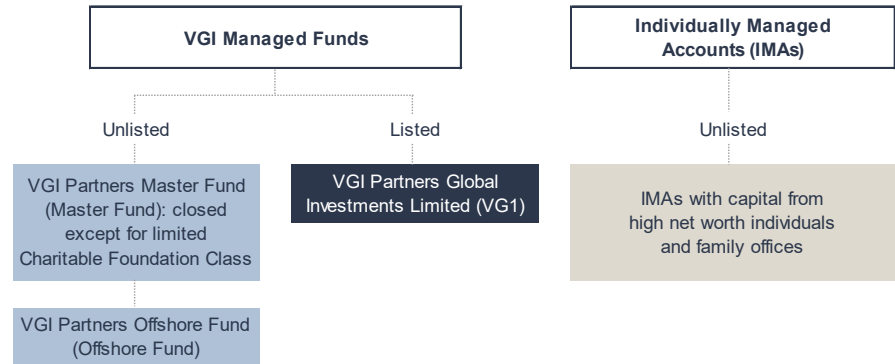
⁴ Dividend per share (DPS) reflects any dividend declared to shareholders post VGI's listing in June 2019.

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Business Overview

VGI Partners Overview

- Specialist manager focusing on global equities. Long biased, concentrated strategy with selective shorting. Minimal to no leverage utilised
- Post IPO in June 2019, 80% owned by Robert Luciano, Douglas Tynan and Robert Poiner
- 28 staff in Sydney, New York and Tokyo
- Currently deploys a single investment strategy across two unlisted funds (AUD and USD), Individually Managed Accounts (IMAs) and VG1
- VGI Partners is closed to new investment into its unlisted funds and IMAs. VGI Partners' global long/short equities strategy is now only accessible via investing in VG1 shares or the Charitable Foundation Class, which has limited remaining capacity
- Strong 11 year track record



VGI Partners Philosophy and Alignment of Interests

Capital Preservation	Do not lose money
Long-Term Compound Growth	10-15% p.a. net of fees
Portfolio Concentration	Invest in best ideas

Alignment of Interests

- VGI Partners meets establishment costs of new listed investment companies (VG1 and the proposed VG8) and VGI Partners met all costs in the recent VG1 equity raising
- Founders of VGI Partners reinvest 100% of their pro-rata amount of VG1 performance fees (after tax) back into VG1 shares

Staff

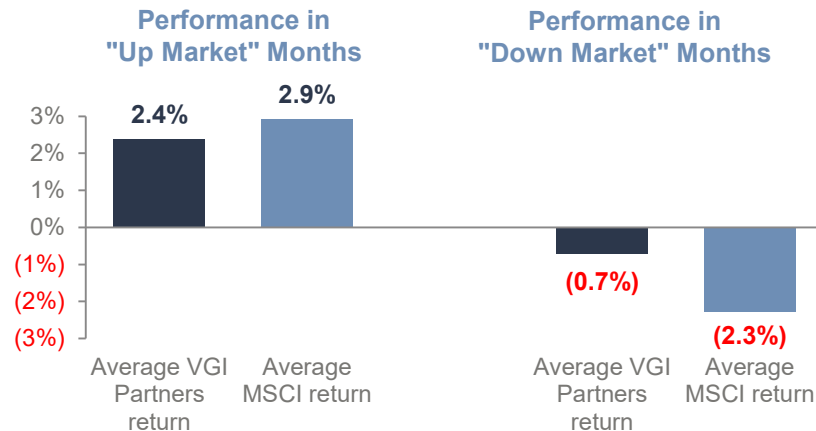
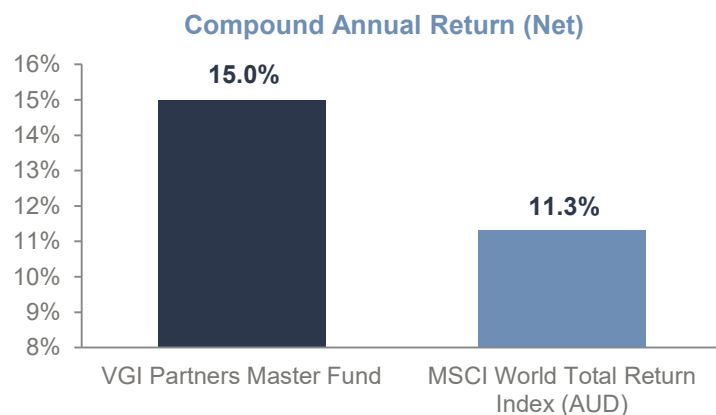
- Prohibited from buying securities outside of the Manager's funds and VGI Partners itself
- The entire investment team invests a material proportion of their net worth in VGI Partners and VGI Partners' funds
- Staff ownership of VGI and VG1

VGI Partners Master Fund Long-Term Performance Objectives Achieved

Annual Compound Returns (% p.a.) To 30 June 2019	VGI Partners Master Fund Performance	Performance Objective Achieved (10-15% p.a.)
1 year	13.1%	✓
2 year rolling (p.a.)	16.6%	✓
3 year rolling (p.a.)	12.9%	✓
4 year rolling (p.a.)	12.9%	✓
5 year rolling (p.a.)	17.6%	✓
6 year rolling (p.a.)	16.2%	✓
7 year rolling (p.a.)	17.7%	✓
8 year rolling (p.a.)	16.1%	✓
9 year rolling (p.a.)	16.4%	✓
10 year rolling (p.a.)	15.5%	✓
Since inception (p.a.)	15.0%	✓

Source: VGI Partners and Citco Fund Services. Performance is shown after all applicable management and performance fees charged. The VGI Partners Master Fund inception date was 20 January 2009 and the Fund is AUD denominated. Past performance is not indicative of future performance.

VGI Partners Master Fund: Capital Preservation Performance in Up/Down Months



Source: Citco Fund Services and Bloomberg. Performance is shown after all applicable management and performance fees charged. In the period to 30 June 2019 (a total of 126 months since inception), there has been 78 "up market" months and 48 "down market" months. MSCI = MSCI World Total Return Index (AUD).

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Financials

Normalised Financials

Six months to 30 June 2019

- Given VGI's listing in June 2019, new VG1 FUM raised, the costs of the VGI/VG1 raisings, and the VG1 fee waiver (which finished c.25 April 2019), **1H19 earnings are not representative of future run-rates**
- Normalised NPAT adds back "non-recurring equity raising costs" (\$5.7 million, tax affected at 30%) but has no other adjustments
- Normalised basic EPS assumes an average of 67.1 million shares in 1H19¹
- The dividend per share (DPS) reflects any dividend declared to shareholders post VGI's listing in June 2019
- Slide 19 contains the reconciliation between statutory and normalised financials

Six months to 30 June (\$ million)	1H18	1H19
Income		
Management fees (net)	8.4	12.5
Performance fees (net)	39.5	32.8
Other income	0.3	0.6
Total operating revenue (statutory)	48.2	45.9
Normalised costs (ex non-recurring raising)	(8.3)	(10.5)
Normalised EBITDA	39.9	35.4
Depreciation and amortisation (D&A)	(0.1)	(0.3)
Normalised EBIT	39.8	35.1
Interest income	0.1	0.1
Normalised NPBT	39.9	35.2
Normalised tax	(11.3)	(10.6)
Normalised NPAT	28.6	24.6
Non-recurring equity raising costs (post tax)	0.0	(4.0)
Statutory NPAT	28.6	20.6
Normalised basic EPS ¹	NM	36.6¢
Dividend per share (fully franked)	NM	25.6¢

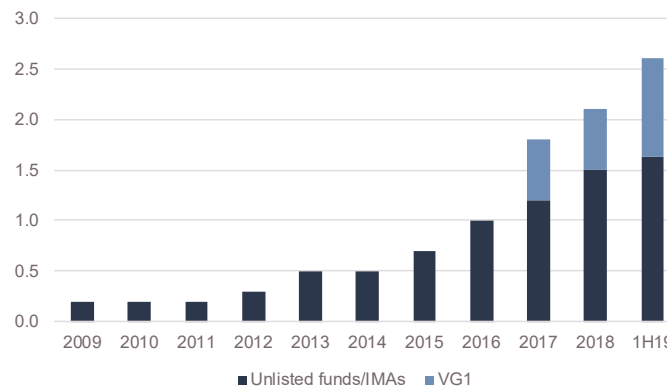
¹ Normalised basic EPS is Normalised NPAT divided by an average of 67.1m shares in 1H19 (i.e. uses the number of shares on issue post VGI's IPO on 21 June 2019) whereas statutory EPS includes pre-IPO shares and adjustments.

Revenue and FUM Six months to 30 June 2019

- FUM of \$2.6 billion up 24% over the six months (\$0.3 bn VG1 raising and \$0.2 billion performance/other)
- Gross management fees of 1.5%
- VG1 fee waiver finished c.25 April 2019
- Go-forward annualised net management fees of c.\$38 million based on FUM at 31 July 2019 of c.\$2.6 billion¹
- Net management fees of c.1.4% due to charitable FUM
- Performance fee of 15%, subject to high watermark
- Performance fees weighted to 1H given most FUM has June-year-end calculation periods
- VG1 committed that, post its \$300 million raising in June 2019, it would not issue equity for at least 3 years unless part of a value-enhancing acquisition of another LIC, or to satisfy performance fee reinvestment mechanism

¹ This is a run-rate figure; it is not intended to be a target, prediction or guidance and can be subject to uncertainties. See slide 11.

VGI FUM (\$ billion)



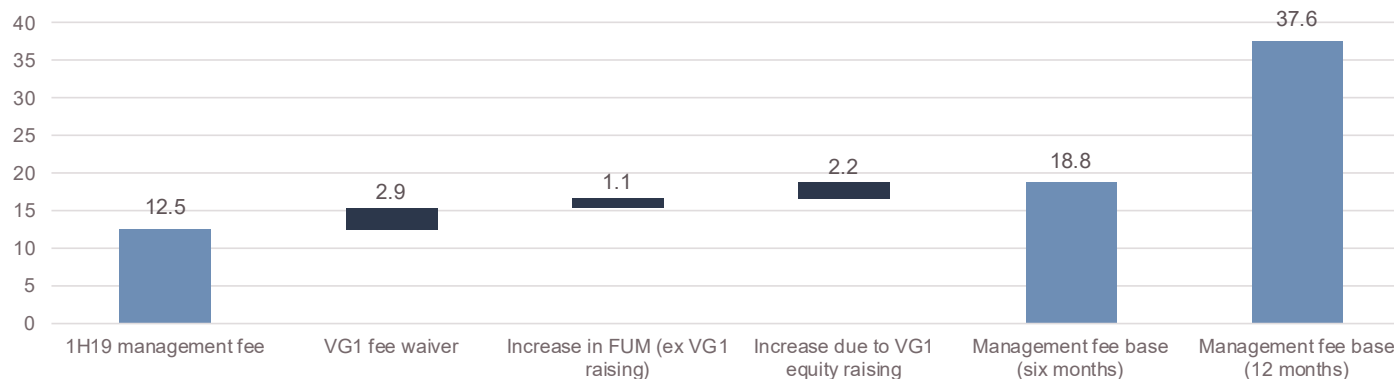
Fund

Performance fee calculation period

Master Fund	Annually on 30 June
Offshore Fund	Annually on 31 December
IMAs	Annually on 30 June
VG1	Semi-annual: 30 June and 31 December

Go-forward annualised net management fees of c.\$38 million Assumes no further capital raised

Bridge: 1H19 net management fees to “go-forward” net management fees as at 31 July 2019 (\$ million)¹



¹ The bridge reflects:

- **VG1 fee waiver:** The VGI Partners investment management agreement with VG1 provided for no management fee to be paid to VGI until total costs paid by VG1 in connection with its IPO in September 2017 were offset. VGI thus received no management fees from VG1 until c.25 April 2019. After that date, VGI receives full management fees for VG1 (1.5% of FUM).
- **Increase in FUM (ex VG1 raising):** Increase in management fees due to the increase in FUM through the seven months to 31 July 2019. FUM as at 31 July 2019 was c.\$2.6 billion.
- **Increase due to VG1 equity raising:** Incremental increase in management fees if the \$300 million of FUM raised in June was managed for a whole six months.

The above chart assumes no increase or decrease to FUM as at 31 July 2019 (from performance or flows). **The go-forward annualised net management fee is a run-rate figure; it is not intended to be a target, prediction or guidance and can be subject to uncertainties. Actual results may vary in a materially positive or negative manner.**

Expenses

Six months to 30 June 2019

- Non-recurring costs of \$5.7 million for VGI and VG1 raisings. Normalised costs (ex raising) of \$10.5 million
- Cost increase on pcp mainly due to personnel, given headcount growth
- Build-out and expansion of Tokyo office, given increased opportunities in Asia
- New roles include Investment Director (Sydney) and Data Scientist (New York)
- Staff bonuses are discretionary and not linked to performance fees
- Staff are aligned via investing in VGI funds and VGI; future bonuses may include an equity component
- Current team size has capacity to manage higher FUM

Six months to 30 June (\$ million)	1H18	1H19
Personnel	4.3	5.6
Research, communications and IT	1.8	2.0
Occupancy	0.2	0.3
Donations ¹	0.1	0.3
Other (ex non-recurring raising)	1.9	2.3
Non-recurring raising ²	0.0	5.7
Total operating costs ex D&A (statutory)	8.3	16.2
Total operating costs ex D&A (ex non-recurring raising)	8.3	10.5
Depreciation and amortisation (D&A)	0.1	0.3
Headcount (end of period)	15	24
Headcount (average)	15	22

¹ Includes Charitable Foundation Class fee rebates (an offset to revenue) and cash donations but excludes other charitable FUM fee rebates (which are treated as contra-income). See slide 14 for more detail.

² As stated in VGI's prospectus (20 May 2019), VGI agreed to pay for the costs of VG1's \$300 million equity raising in May/June 2019 as well as VGI's own IPO costs. The final combined cost was \$9.6 million, of which \$5.7 million was expensed by VGI in 1H19 and \$3.9 million deducted from VGI's equity.

Balance sheet

Increased flexibility post IPO

- Strong balance sheet; increased flexibility post IPO
- \$76.0 million in cash, no debt
- Fully franked dividend of 25.6¢ (\$17.2 million)
 - Ex date: 2 Sep 2019
 - Record date: 3 Sep 2019
 - Payment date: 16 Sep 2019
- Dividend payout policy commencing 1 July 2019: 50-75% of normalised NPAT
- Capacity to buy VG1 shares on-market
- \$20 million proposed investment in VG8

Statutory balance sheet (\$ million)	31 Dec 2018	30 Jun 2019
Cash and cash equivalents	7.8	76.0
Trade and other receivables	8.1	39.1
Other assets	5.5	9.9
Total assets	21.4	125.0
Trade and other payables	7.9	20.3
Employee entitlements	1.8	3.5
Other liabilities	1.6	10.3
Total liabilities	11.3	34.0
Equity	10.1	91.0

VGI Partners Foundation Class and Charitable FUM

- VGI has actively supported charitable and community causes. Since its formation in 2008, VGI has made \$1.3 million of cash donations to select charities. VGI has also been managing funds for some foundations pro bono; fee rebates for these foundations have totalled \$3.6 million, bringing total donations since inception to c.\$5 million
- The VGI Partners Foundation was formed in 2018 and a new Charitable Foundation Class in the VGI Partners Master Fund
- 100% of management fees and performance fees earned by VGI on the Foundation Class are donated to the VGI Partners Foundation
- The Foundation Class as at 30 June had c.\$20 million of FUM, with limited additional capacity. This would equate to c.\$300k of donations p.a. from management fees alone (based on current FUM)

¹ Amounts based on 12 months to June for each year

VGI's charitable fee rebates and donations¹ (\$ millions)



Charitable foundations for which VGI manages funds

VGI Partners Foundation
 Future Generation Global Investment Company
 Sydney Swans Foundation
 Orah Fund
 Jewish Holocaust Centre Foundation
 Australian Philanthropic Services Foundation

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Market Commentary

General Market Commentary

- ▶ Due to the low interest rate environment, high-quality businesses continue to trade at valuations which imply unlikely levels of growth into perpetuity, combined with an expectation that interest rates will remain low forever
- ▶ We believe market volatility will provide attractive opportunities in the future
- ▶ All funds retain a high level of cash, held in USD

Shareholder Engagement

Please elect electronic communications to stay informed

Half-year and full-year result conference calls

Annual General Meeting (AGM)

Manager's semi-annual VG1 letters in January and July each year (VG1 website)

Annual national roadshow including briefings in Sydney, Melbourne, Adelaide, Perth and Brisbane. Dates announced soon.

Notes from Berkshire Hathaway and Daily Journal Meetings

Investor Relations Manager
Ingrid Groer, CFA
Phone: 1800 571 917 (inside Australia)
+61 2 9237 8923 (outside Australia)
Email: investor.relations@vgipartners.com



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Questions

Appendix: Reconciliation Normalisation adjustments

	Six months to 30 June (\$ million)	1H18 statutory	1H19 statutory	Adjust.	1H19 normalised
Income					
	Management fees (net)	8.4	12.5		12.5
	Performance fees (net)	39.5	32.8		32.8
	Other income	0.3	0.6		0.6
	Total operating revenue	48.2	45.9		45.9
	Operating costs	(8.3)	(16.2)	5.7	(10.5)
	EBITDA	39.9	29.7		35.4
	Depreciation and amortisation	(0.1)	(0.3)		(0.3)
	EBIT	39.8	29.4		35.1
	Interest income	0.1	0.1		0.1
	NPBT	39.9	29.4		35.2
	Tax	(11.3)	(8.9)	(1.7)	(10.6)
	NPAT	28.6	20.6	4.0	24.6
	Basic EPS ¹	NM	NM		36.6¢
	Dividend per share (fully franked)	NM	NM		25.6¢

¹ Normalised basic EPS is Normalised NPAT divided by an average of 67.1m shares in 1H19 (i.e. uses the number of shares on issue post VGI's IPO on 21 June 2019) whereas statutory EPS includes pre-IPO shares and adjustments.

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Indicative go-forward annualised net management fee

The indicative go-forward annualised net management fee calculation is based on VGI's FUM as at 31 July 2019 of approximately \$2.6 billion. No account has been taken of potential future changes in the terms of associated investment management agreements, or future increases or decreases in the funds under management of existing investment portfolios, or the introduction of new funds post 31 July 2019.