

# VGI PARTNERS

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AFSL No. 321789 | SEC Registered

25 August 2020

ASX Market Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

## **1H20 Results Briefing Presentation**

VGI Partners Limited (ASX:VGI) will hold its 1H20 investor conference call and webcast today at 10:30am (AEST). Attached is a copy of the presentation to be given. Please pre-register for the call or use the webcast to avoid delays.

Pre-register for the call: <https://s1.c-conf.com/diamondpass/10008028-invite.html>

Webcast link: <https://edge.media-server.com/mmc/go/VGI-HY20/>

Dial-in for Australia *if not pre-registered*: 1800 908 299 (Toll Free) or +61 2 9007 8048 (Local) (ID 10008028)

Additional briefing details were provided in VGI Partners' ASX release on 10 August 2020.

A recording will be available on the VGI Partners website at [www.vgipartners.com](http://www.vgipartners.com) shortly after the event.

Authorised for release by:

**Ian Cameron**  
**Company Secretary**

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# **VGI Partners Limited (ASX:VGI)**

1H20 Investor Briefing – 25 August 2020

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## 1H20 Business Highlights

### Six months to 30 June 2020

- Normalised NPAT of \$9.9m<sup>1</sup>
- Management fees up on 1H19 given higher average FUM and end of VG1 fee waiver in April 2019
- FUM down 7% in 1H20 to \$2.9 bn largely due to performance
- \$2.9 bn of FUM as at 21 August 2020
- Minimal performance fees in 1H20
- All performance fee eligible FUM is now above or within 4% of high water marks
- Disciplined management of operating costs
- Statutory NPAT of \$3.6m impacted by negative mark-to-market of VG1/VG8 investments and amortisation<sup>1</sup>
- 1H20 dividend per share of 5.0¢ (fully franked at 27.5%), payable 14 September 2020

Six months to 30 June (\$ million) <sup>1</sup>	1H20	1H19
<b>Income</b>		
Management fees (net) <sup>1,2</sup>	22.2	12.5
Performance fees (net) <sup>2</sup>	0.1	32.8
Other income <sup>1</sup>	0.1	0.0
<b>Normalised total operating revenue</b>	<b>22.4</b>	<b>45.3</b>
Normalised EBIT	14.2	34.5
<b>Normalised NPAT<sup>1</sup></b>	<b>9.9</b>	<b>24.2</b>
Normalisation adjustments (post tax)	(6.2)	(3.6)
<b>Statutory NPAT</b>	<b>3.6</b>	<b>20.6</b>
Normalised basic EPS <sup>1</sup>	14.1¢	36.0¢
Normalised diluted EPS <sup>1</sup>	13.8¢	36.0¢
Dividend per share (fully franked)	5.0¢	25.6¢
<b>Funds Under Management (FUM) (\$ billion)</b>	<b>2.9</b>	<b>2.6</b>
<b>Average FUM (\$ billion)</b>	<b>3.1</b>	<b>2.2</b>

<sup>1</sup> Normalised NPAT adds back contra-revenue relating to the amortisation of VG1/VG8 IPO costs (1H20: \$2.5m, 1H19: -\$0.6m) and unrealised fair value losses (1H20: \$5.7m, 1H19: nil). See slide 18 for a full reconciliation to statutory NPAT and EPS calculations. 1H19 normalised NPAT has been restated as \$24.2m (was \$24.6m) due to revised accounting treatment of -\$0.6m of contra-revenue.

<sup>2</sup> Includes fees on Charitable Foundation Class (that are offset in costs); net of other charitable FUM rebates. Normalised management fees exclude operating costs of VGI Partners' funds that have been reclassified as costs (1H20: \$0.8m, 1H19: \$0.7m).

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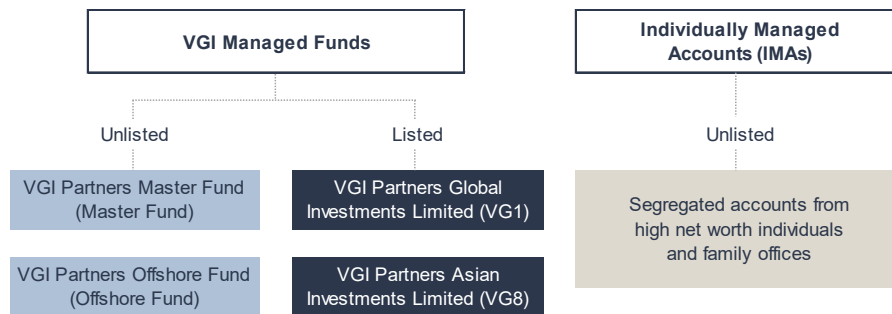
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# Business Overview

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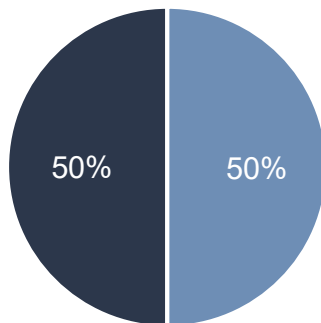
## VGI Partners Overview

- Specialist manager focusing on global equities. Long biased, concentrated strategy with selective short selling. Minimal to no leverage utilised
- Offices in Sydney, New York and Tokyo
- FUM of \$2.9 bn<sup>1</sup>
- Two investment strategies:
  - Global strategy with 12 year track record
  - Asian strategy launched in 2019
- The Manager is closed to net new investment into its unlisted funds and segregated accounts. Other than limited capacity in a Charitable Foundation Class, **VGI Partners' strategies are now accessible only via investing in VG1 or VG8 shares**



<sup>1</sup> FUM as at 30 June 2020. Data is unaudited and based on VGI Partners' estimates.

## Funds Under Management on 30 June 2020 of \$2.9 bn Half in Listed Investment Companies



- FUM in unlisted funds/IMAs
- FUM in listed investment companies

	Master Fund	Offshore Fund	Individually Managed Accounts	VG1	VG8
FUM (A\$m) at 30 June 2020	\$800m	\$250m	\$380m	\$900m	\$555m
Launch date	January 2009	May 2012	Various	September 2017	November 2019
Currency	A\$	US\$	A\$ and US\$	A\$	A\$
Investment strategy	Global	Global	Global	Global	Asian region
Performance fee calculation date	Annually on 30 June	Annually on 31 December	Annually on 30 June	Semi-annually on 30 June and 31 December	Semi-annually on 30 June and 31 December
Entity type	Unlisted	Unlisted	Unlisted	Listed Investment Company (LIC)	Listed Investment Company (LIC)

Source: VGI Partners and Citco Fund Services.

### VGI Partners

## Philosophy and Alignment of Interests

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

#### Alignment of Interests

- All operating costs of VG1 and VG8 (where permitted) paid by VGI
- Founders of VGI Partners reinvest their pro-rata amount of VG1 and VG8 performance fees (after tax) back into VG1 and VG8 shares
- VGI Partners is an ongoing buyer of VG1 and VG8 at discounts to NTA. Total investment now stands at \$35m (at NTA)

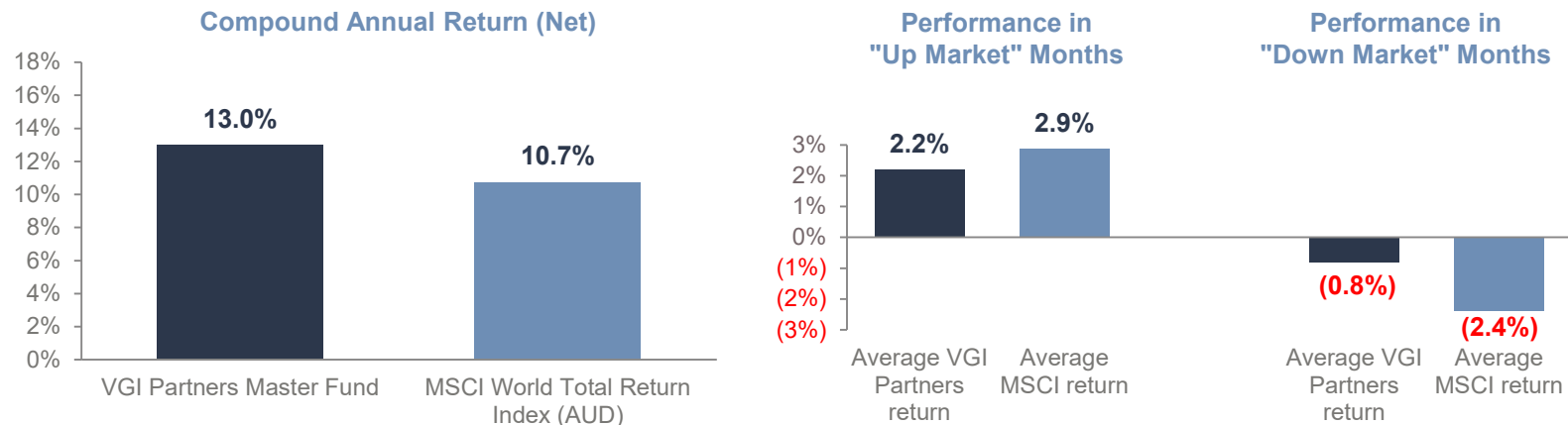
#### Staff

- 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
- Board members, staff and their families have well over \$100m invested in VGI Partners funds<sup>1</sup> and own over 77% of VGI Partners

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<sup>1</sup> Includes Master Fund, Offshore Fund, VG1 and VG8. Based on post-tax NTA of \$2.37 for VG1 and \$2.51 for VG8 as of 21 August 2020 (per the latest Weekly NTA Updates released to the ASX). Includes stakes in VG1 (c.\$8m) and VG8 (c.\$27m) owned by VGI Partners. VGI Partners is over 77% owned by VGI Partners' Board, staff and their families.

## 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 31 July 2020 (a total of 139 months since inception), there has been 87 "up market" months and 52 "down market" months. MSCI = MSCI World Total Return Index (AUD).



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# Financials

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## Normalised Financials

### Six months to 30 June 2020

- Normalised 1H20 NPAT adds back contra-revenue relating to the amortisation of VG1/VG8 IPO costs (\$2.5m) and unrealised fair value losses on the mark-to-market of VGI Partners' investments in VG1 and VG8 (\$5.7m)
- For the 1H20 normalised statement, \$0.8m of "operating costs of VGI Partners Funds" reclassified from net management fees to costs
- Slide 18 sets out the reconciliation between statutory and normalised financials
- Normalisations in 1H20 are non-cash items; free cash flow of \$21.4m

<sup>1</sup> Excluding \$2.5m in 1H20 of contra-revenue relating to the amortisation of VG1/VG8 IPO costs (1H19: -\$0.6m) and \$0.8m of "operating costs of VGI Partners Funds" (1H19: \$0.7m).

<sup>2</sup> Excluding \$5.7m in 1H20 of unrealised fair value mark-to-market losses on VG1/VG8 (1H19: nil).

<sup>3</sup> Including \$0.8m of "operating costs of VGI Partners Funds" in 1H20 (reclassified from net management fees) (1H19: \$0.7m).

Six months to 30 June (\$ million)	1H20	1H19 <sup>5</sup>
<b>Income</b>		
Management fees (net) <sup>1</sup>	22.2	12.5
Performance fees (net)	0.1	32.8
Other income <sup>2</sup>	0.1	0.0
<b>Normalised total operating revenue</b>	<b>22.4</b>	<b>45.3</b>
Normalised operating costs <sup>3</sup>	(7.8)	(10.4)
<b>Normalised EBITDA</b>	<b>14.6</b>	<b>34.9</b>
Depreciation and amortisation (D&A)	(0.4)	(0.4)
<b>Normalised EBIT</b>	<b>14.2</b>	<b>34.5</b>
Net interest and dividend income	0.1	0.1
<b>Normalised NPBT</b>	<b>14.3</b>	<b>34.6</b>
Normalised tax	(4.4)	(10.4)
<b>Normalised NPAT</b>	<b>9.9</b>	<b>24.2</b>
Normalisation adjustments (post tax)	(6.2)	(3.6)
<b>Statutory NPAT</b>	<b>3.6</b>	<b>20.6</b>
Normalised basic EPS <sup>4</sup>	14.1¢	36.0¢
Normalised diluted EPS <sup>4</sup>	13.8¢	36.0¢
Dividend per share (fully franked)	5.0¢	25.6¢

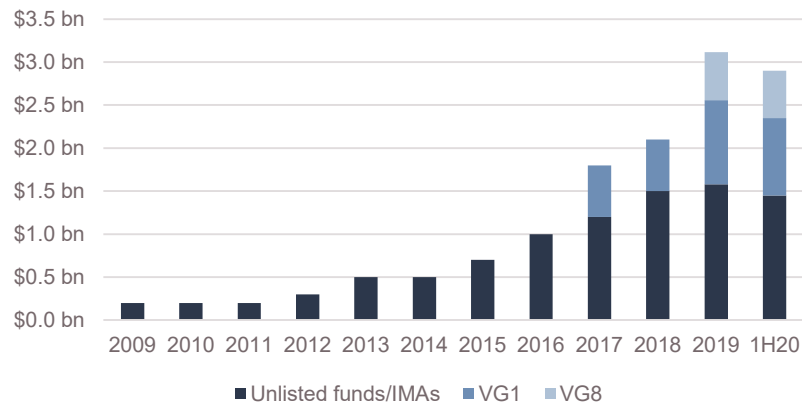
<sup>4</sup> See slide 18 for further details on EPS calculations.

<sup>5</sup> 1H19 normalised NPAT has been restated as \$24.2m (was \$24.6m) due to revised accounting treatment of -\$0.6m of contra-revenue.

## Revenue and FUM Six months to 30 June 2020

- FUM down 7% in 1H20 to \$2.9 bn
- Gross management fees of 1.5%
- Net management fees of c.1.4% largely due to charitable FUM<sup>1</sup>
- FUM of \$2.9 bn as at 21 August 2020

### VGI Partners FUM

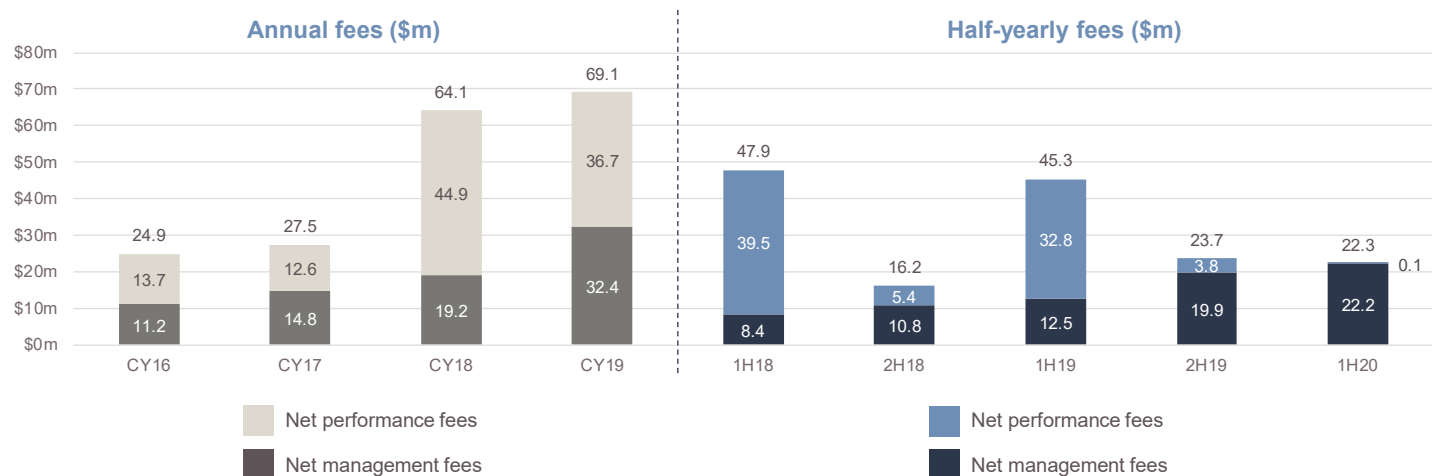


Source: VGI Partners and Citco Fund Services.

<sup>1</sup> The c.1.4% net management fee has been normalised to exclude contra-revenue relating to the amortisation of VG1/VG8 IPO costs and “operating costs of VGI Partners Funds”. See slide 18.

## Management and Performance Fees<sup>1</sup>

- Management fees have been increasing due to higher average FUM and end of VG1 fee waiver in April 2019
- Performance fees are based on absolute performance with high water marks and can vary materially from period to period
- As at 21 August, \$2.9 billion of performance fee eligible FUM is above or within 4% of high water marks



Source: VGI Partners.

<sup>1</sup>Net management fees in 2019 and 1H20 have been normalised to exclude contra-revenue relating to the amortisation of VG1/VG8 IPO costs and "operating costs of VGI Partners Funds".

## Expenses

### Six months to 30 June 2020

- Normalised operating costs of \$7.8m
- Cost decrease on pcp mainly due to lower staff bonuses reflected in decreased personnel expense
- Research, communications and IT costs fell due to contract renegotiations and reduced travel

Six months to 30 June (\$ million)	1H20	1H19 <sup>3</sup>
Personnel	3.8	5.6
Research, communications and IT	1.2	2.0
Occupancy	0.1	0.2
Donations <sup>1</sup>	0.3	0.3
Other (ex non-recurring raising) <sup>2,3</sup>	1.6	1.7
Non-recurring raising	0.0	5.7
<b>Total operating costs ex D&amp;A (statutory)</b>	<b>7.0</b>	<b>15.5</b>
<b>Total operating costs ex D&amp;A (normalised)<sup>2,3</sup></b>	<b>7.8</b>	<b>10.4</b>
Depreciation and amortisation (D&A)	0.4	0.4
Headcount (end of period)	24	24

<sup>1</sup> 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-revenue). See slide 18 for more detail.

<sup>2</sup> Statutory costs in 1H20 exclude "operating costs of VGI Partners Funds" of \$0.8m (as these were netted from 1H20 management fees per AASB 15). The \$0.8m has been included in 1H20 "normalised" operating costs.

<sup>3</sup> 1H19 statutory costs have been restated for some minor reallocations between categories and to exclude \$0.7m of "operating costs of VGI Partners Funds" (which are now netted against statutory 1H19 management fees). The \$0.7m has been included in 1H19 "normalised" operating costs and excluded from 1H19 "normalised" management fees.

## Balance sheet

### As at 30 June 2020

- \$41 million in cash as at 30 June 2020, no debt
- Financial assets represent investments in VG1 and VG8
  - \$7.3m of on-market purchases of VG1 to 30 June. \$20m IPO investment in VG8 plus \$6.3m on-market purchases to 30 June.
- Interim dividend of 5.0¢ (c.\$3.5m), fully franked at 27.5%
  - Ex date: 31 August 2020
  - Record date: 1 September 2020
  - Payment date: 14 September 2020
- Dividend payout policy targets 50-75% of normalised NPAT
- 1H20 dividend represents c.97% of statutory NPAT and c.36% of normalised NPAT; constrained by franking credit and retained earnings balances

Statutory balance sheet (\$ million)	30 Jun 2020	31 Dec 2019
Cash and cash equivalents	41.1	29.3
Trade and other receivables	4.2	8.4
Financial assets at fair value <sup>1</sup>	26.4	29.0
Contract assets <sup>2</sup>	46.6	48.5
Other assets	6.5	9.4
<b>Total assets</b>	<b>124.8</b>	<b>124.6</b>
Trade and other payables	1.6	1.2
Employee entitlements	1.9	1.8
Other liabilities	7.6	5.8
<b>Total liabilities</b>	<b>11.1</b>	<b>8.8</b>
<b>Equity</b>	<b>113.7</b>	<b>115.8</b>

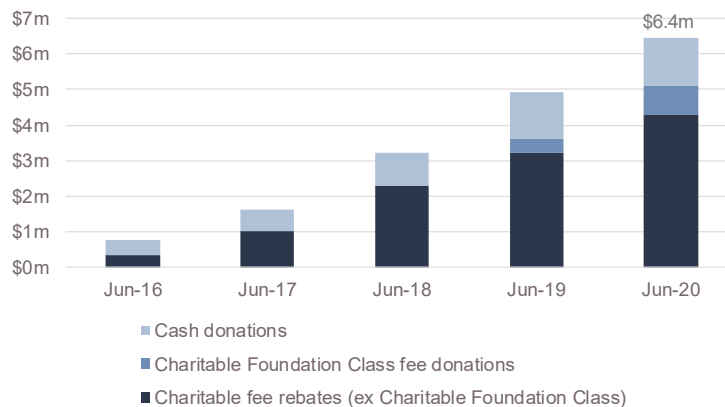
<sup>1</sup> Financial assets at 30 June 2020 comprised \$6.0m of VG1 shares (31 December 2019: \$5.0m) and \$20.5m of VG8 shares (31 December 2019: \$24.0m).

<sup>2</sup> VG1/VG8 IPO costs recognised as contract assets (creating contra-revenue amortisation over 10 years).

### VGI Partners Foundation Class and Charitable FUM

- VGI Partners actively supports charitable and community causes. Total donations and rebates since 2008 of \$6.4m.
- This includes \$1.3m of cash donations to select external charities.
- VGI Partners manages funds for selected foundations pro bono. Fee rebates for these have totalled \$4.3m.
- 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 Partners on the Foundation Class are donated to the VGI Partners Foundation. VGI Partners has donated \$0.8m to the Foundation to date.
- The Foundation Class had c.\$26m of FUM as at 30 June 2020.

VGI's cumulative charitable rebates and donations



#### Charitable foundations for which VGI Partners manages funds

Future Generation Global Investment Company  
Jewish Holocaust Centre Foundation  
Australian Philanthropic Services Foundation  
Sydney Swans Foundation

## Shareholder Engagement

**Please elect electronic communications to stay informed**

Half-year and full-year result conference calls

Annual General Meeting (AGM) in April

Annual national roadshow each October – will be virtual this year

Notes from Berkshire Hathaway and Daily Journal meetings

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Manager's semi-annual VG1 and VG8 letters in January and July each year

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**Questions**

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# **Appendices**

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## Appendix A: Reconciliation Normalisation adjustments

- Normalised 1H20 NPAT adds back contra-revenue relating to the amortisation of VG1/VG8 IPO costs (\$2.5m) and unrealised fair value losses on the mark-to-market of VGI Partners' investments in VG1 and VG8 (\$5.7m)
- For the 1H20 normalised statement, \$0.8m of "operating costs of VGI Partners Funds" reclassified from net management fees to costs
- All normalisation adjustments tax-effected at 30% except for amortisation of VG8 IPO alignment share costs (which are not tax-deductible and thus no tax impact is applied)

Six months to 30 June (\$m)	1H19 normalised <sup>1</sup>	1H20 statutory	Adjust.	1H20 normalised
<b>Income</b>				
Management fees (net)	12.5	18.9	2.5 + 0.8	22.2
Performance fees (net)	32.8	0.1		0.1
Other income	0.0	(5.5)	5.7	0.1
<b>Total operating revenue</b>	<b>45.3</b>	<b>13.4</b>		<b>22.4</b>
Operating costs	(10.4)	(7.0)	(0.8)	(7.8)
<b>EBITDA</b>	<b>34.9</b>	<b>6.4</b>		<b>14.6</b>
Depreciation and amortisation	(0.4)	(0.4)		(0.4)
<b>EBIT</b>	<b>34.5</b>	<b>6.0</b>		<b>14.2</b>
Net interest and dividend income	0.1	0.1		0.1
<b>NPBT</b>	<b>34.6</b>	<b>6.1</b>		<b>14.3</b>
Tax	(10.4)	(2.5)	(1.9)	(4.4)
<b>NPAT</b>	<b>24.2</b>	<b>3.6</b>	<b>6.2</b>	<b>9.9</b>
Basic EPS <sup>2</sup>	36.0¢	5.2¢		14.1¢
Diluted EPS <sup>2</sup>	36.0¢	5.1¢		13.8¢
Dividend per share (fully franked)	25.6¢	5.0¢		5.0¢

<sup>1</sup>1H19 normalised NPAT restated as \$24.2m (was \$24.6m) due to revised accounting treatment of -\$0.6m of contra-revenue.

<sup>2</sup> Normalised 1H19 EPS assumes that the shares outstanding at VGI Partners' IPO date on 21 June 2019 (67.1m) were on issue from 1 January 2019 to the IPO date of 21 June 2019. This is used in the calculation of the weighted average of 67.1m shares (basic) and 67.2m shares (diluted).

## Appendix B: Performance

### Since 1 July to 21 August 2020

Fund	Performance <sup>1</sup>
VGI Partners Master Fund	+5.1%
VGI Partners Offshore Fund	+6.5%
VGI Partners Global Investments Limited (ASX:VG1)	+4.4%
VGI Partners Asian Investments (ASX:VG8)	+0.7%

Source: VGI Partners.

<sup>1</sup> Figures are unaudited and based on VGI Partners Limited's estimates. Performance for VG1 and VG8 refers to post-tax net tangible assets, which is calculated after tax on realised gains/losses, deferred tax assets and deferred tax liabilities, but before allowing for deferred tax liabilities/deferred tax assets on unrealised gains/losses.

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#### **Normalisation adjustments**

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