

Thursday 26 February 2026

Australian Ethical Investment Limited

Half-year Financial Results to 31 December 2025

ASX announcement

AUSTRALIAN ETHICAL DELIVERS STRONG HALF-YEAR FINANCIAL RESULTS WHILE STRENGTHENING THE BUSINESS PLATFORM FOR FUTURE GROWTH

Financial highlights

- Underlying profit after tax (UPAT)¹ of \$14.4 million, up 25%
- Net profit after tax (NPAT) attributable to shareholders of \$13.3 million, up 42%
- Underlying revenue up 13% to \$65.8 million
- Operating expenses² of \$45.1 million, up 9%
- Underlying cost to income ratio improvement to 68.8%, compared to 71.4% in FY25³
- \$1.5 million provisioned for the Australian Ethical Foundation
- Underlying diluted EPS⁴ of 12.54 cents, up 24%
- Interim dividend of 8 cents per share (fully franked), up 60%
- Funds Under Management reached \$14.08 billion at 31 December 2025
- Continued positive organic net flows of \$0.26 billion, with superannuation net flows up 19% on prior comparative period
- Positive investment performance⁵ of \$0.16 billion
- Strong balance sheet, no gearing, well managed operating cash flow

Note: All metrics relate to the half year ended 31 December 2025 with comparisons to the period ended 31 December 2024, unless stated otherwise

Half-year results to 31 December 2025

Australian Ethical Investment Limited (ASX: AEF) today announced its financial results for the half-year ending 31 December 2025, with Underlying Profit After Tax (UPAT) of \$14.4 million, up 25% on the prior comparative period and Net Profit After Tax (NPAT) attributable to shareholders of \$13.3 million, up 42%.

The ethical investment manager reached a new Funds Under Management (FUM) milestone of \$14 billion during the period, ending the year at \$14.08 billion.

Over the last 5 years, Australian Ethical has seen strong growth, with FUM increasing nearly threefold, from \$5 billion in December 2020 to over \$14 billion at 31 December 2025. During this period, underlying diluted EPS has grown at a 24% compound annual growth rate over this period.

¹ Underlying profit after tax (UPAT) attributable to shareholders which does not include net profit attributable to The Foundation. Refer table on page 4 for UPAT reconciliation

² Operating expenses of the consolidated group, excluding integration and transformation costs of \$1.5 million, and amortisation costs of \$0.07 million

³ Underlying cost to income ratio is calculated as total expenses excluding UPAT adjusted expenses and excluding tax, divided by total revenue excluding UPAT adjusted revenue (excludes Foundation)

⁴ Based on UPAT attributable to shareholders

⁵ Net of fees and distributions

John McMurdo, Australian Ethical Chief Executive Officer said: "I'm incredibly proud of our strong results. We've delivered growth across our key financial metrics, transformed the business, and maintained robust fundamentals.

"We've also continued to advocate for higher standards across corporate Australia. Recent engagements include Woolworths, QBE, NAB and Westpac as we've continued to use our collective voice to encourage companies to do better.

"As pleasing as these results, is the quality business we're building, positioning us for even stronger growth. In the past six months, we've transitioned our superannuation member base to a single administration platform, laying the groundwork for enhanced member services and ongoing cost savings.

"Likewise, the continued roll out of the Charles River system will ensure we have an enhanced investment platform, laying the foundations for our second growth engine - investment products beyond superannuation."

Half-year strategic milestones

- Successfully completed of the transition of superannuation administration services to GROW, and the delivery of a single insurance product, delivering cost efficiencies and improvements to member experience.
- Completed the implementation of the Charles River front office system for Fixed Income and Equities, as part of strengthening the institutional-grade investment platform.
- Enhanced digital marketing capability and expanded direct super acquisition channels including the restoration of the Employment Hero platform functionality.
- Enhanced governance through board renewal and improved processes and frameworks – work to continue through calendar year 2026.
- Continued awards and accolades recognising leadership in ethical investing.

Funds Under Management

As already announced in our second quarter FUM update:

- Positive superannuation net flows of \$0.23 billion were up 19% on the same period last year as marketing campaigns resumed following the completion of the superannuation administration transition. Rollovers-in were up 24% and Superannuation Guarantee (SG) contributions were up 8% compared to the same period last year.
- Following the administration transition completion, the strengthening of the digital media capability, and the restoration of Employment Hero platform functionality, Australian Ethical has seen an uplift in new superannuation member joins during the second quarter of FY26. This is expected to support flow targets going forward.
- The institutional channel saw \$37 million net inflows which relates to new flows into Australian Ethical's fixed income funds.
- Following the sale of Australian Unity's (AU) banking business to Bank Australia, AU Bank redeemed its \$0.25 billion mandate with Australian Ethical. This low-margin institutional mandate has reduced annual revenue by only circa \$0.3 million.
- A negative \$41 million in capital management movements was recorded which relates to AU's capital management requirements. These movements have a minimal effect on Australian Ethical's total revenue given the low margin of the funds utilised for AU capital management.
- Despite challenging market conditions, Australian Ethical reported positive investment performance during the period, increasing FUM by \$165 million.

Revenue

Revenue of \$65.8 million was up 13% compared to underlying revenue in the prior comparative period, driven by average FUM growth of 18% partially offset by a reduction in average revenue margin resulting from product mix changes following the acquisition of Altius Asset Management. Average FUM growth was underpinned by continued positive net flows and positive investment performance. The acquisition of the Altius business in FY25 also contributed to the increase in average FUM, as the acquired FUM was recognised throughout the current full period.

Overall average fee margin for the period was 0.91% down from 0.96% in the prior comparative period, reflecting the full period change in asset mix following the Altius acquisition in FY25 which contributed \$1.93 billion of valuable but lower margin FUM in Fixed Income products. Average fee margin at 31 December 2025 was 0.91%.

Expenses

Underlying cost to income ratio (CTI) improved from 71.4% in FY25 to 68.8% in 1H26. This improvement reflects ongoing efficiency initiatives and the realisation of expense savings during the first half. It is important to note, however, that these metrics are influenced by the timing of expenses, as expenditure in FY26 is more heavily weighted towards the second half of the financial year.

Operating expenses, excluding \$1.6 million in underlying adjustments, relating primarily to integration and transformation costs, increased by 9% compared to the first half of FY25.

Expense increase drivers:

- Employment expenses increased 8%, reflecting the run rate of FY24 hires (including the Altius team) and inflationary salary increases
- Overall fund-related expenses increased 0.7%. The key drivers of this movement included:
 - a decrease in administration and custody fees of 15%, compared to an average FUM increase of 18%, reflecting the full period of expense savings following the transitions of administration and custody services to new providers
 - partial reinvestment into strengthening the investment platform
 - the full period impact of the Altius fund related expenses
- Marketing activities for the Group returned to normal levels compared to the prior corresponding period during which activities were scaled back due to the limited-services period associated with the superannuation administration services transition. As such marketing expenses saw an increase during the first half. Full year FY26 marketing expenses are expected to remain broadly in line with FY25 given the seasonality of expenditure.
- Legal costs relating to governance enhancement initiatives and new product development drove an increase in external services expenses of \$0.5m.

Summary of Group profits

	1H2026 (\$'000)	1H2025 (\$'000)
Consolidated statutory profit after tax	13,445	9,606
Profit attributable to The Foundation	(176)	(271)
Net profit after tax attributable to shareholders	13,269	9,335
Integration & transformation costs	1,479	2,785
Other income (cost recovery linked to insurance harmonisation)	-	(629)
Due diligence & transaction costs		855
Amortisation of Altius intangibles	72	36
Tax on adjustments	(465)	(903)
Underlying profit after tax	14,355	11,479

Interim dividend

The Board declared a fully franked interim dividend of 8 cents per share for the half-year ended 31 December 2025. The record date is 6 March 2026 with payment on 23 March 2026.

Australian Ethical Foundation Limited

During the first half of FY26, Australian Ethical provisioned \$1.5 million for the Australian Ethical Foundation which will allow the Foundation to continue its philanthropic work delivering positive impact.

Each year, 10 per cent of Australian Ethical profits⁶ are allocated to not-for-profit organisations through the Foundation.

Outlook

John McMurdo, Australian Ethical Chief Executive Officer, concluded:

“Over the past five years, we have demonstrated our ability to deliver profit growth whilst also investing in our business platform.

“Looking ahead, we remain focused on executing our strategy to support the next phase of expansion - building the capabilities to further strengthen our superannuation business, and to boost our second growth engine - our investment products beyond superannuation.

“With the scale we have now achieved, we are well positioned to make these investments and continue to deliver growth in profitability.

⁶ Before deducting bonus and grant expense

“Importantly, despite a seasonally higher cost profile in the second half, we remain focused on delivering an improvement of at least 1% in our overall FY26 CTI ratio compared to FY25 CTI of 71.4%, whilst remaining mindful of short-term investment market challenges.

“Positive net flows are expected to continue in the second half of FY26, whilst revenue margins are expected to remain in line with the first half.

“In the short term, sector rotation out of technology and into materials and resource stocks has impacted our relative investment performance, however notwithstanding short-term market dynamics, we remain confident in our ethical investment approach and the medium-term outlook.

“Our long track record of investment outperformance across market, economic and political cycles, combined with our high-quality capability, strong balance sheet, enhanced business platform, trusted brand and diversified business model, positions us well for the years ahead.”

- End -

This announcement is authorised by the Board.

About Australian Ethical

Australian Ethical is one of Australia’s leading ethical investment managers*. Since 1986, Australian Ethical has provided investors with investment management products that align with their values and provide long-term, risk adjusted returns. Investments are guided by the Australian Ethical Charter which shapes its ethical approach and underpins both its culture and its vision. Australian Ethical has \$14 billion in funds under management across managed funds and superannuation. Visit: www.australianethical.com.au

*Please refer to <https://www.australianethical.com.au/why-ae/investment/#awards> for specific awards Australian Ethical has won, including the specific categories.