















# **Operational Briefing**

Presentation to Investors and Analysts

9 February 2021

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Unless otherwise specified all information is as at 31 December 2020.

Numbers are subject to rounding and may not fully reconcile.











## **About Macquarie**

Annuity-style activities

#### **NET PROFIT CONTRIBUTION**

~70% Markets-facing activities
NET PROFIT CONTRIBUTION

~30%

#### **Macquarie Asset** Management (MAM)

- Top 50<sup>1</sup> global specialist asset manager with \$A550.9b2 of assets under management, diversified across regions, products, asset classes and investor types
- Provides investment solutions to clients across a range of capabilities, including infrastructure & renewables, real estate, agriculture, transportation finance, private credit, equities, fixed income and multi-asset solutions

#### **Banking and Financial** Services (BFS)

- Macquarie's retail banking and financial services business with total BFS deposits3 of \$A76.3b<sup>2</sup>, loan and lease portfolio<sup>4</sup> of \$A84.5b<sup>2</sup> and funds on platform<sup>5</sup> of \$A97.3b<sup>2</sup>
- Provides a diverse range of personal banking, wealth management, business banking and vehicle finance<sup>6</sup> products and services to retail clients, advisers, brokers and business clients

#### Commodities and Global Markets (CGM)

Diverse platform covering more than 30 market segments, with more than 200 products

- Delivers a range of tailored specialised asset finance solutions across a variety of industries and asset classes
- Commodity market lending and financing provides clients with loans and working capital finance across a range of commodity sectors including metals, energy and agriculture
- Integrated, end-to-end offering across global markets including equities. fixed income, foreign exchange, commodities and technology, media and telecoms
- Provides clients with risk and capital solutions across physical and financial markets

#### **Macquarie Capital** (MacCap)

#### Global capability in:

- Advisory and capital raising services, investing alongside partners and clients across the capital structure, providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors
- Development and construction of infrastructure and energy projects and, in relation to renewable energy projects, the supply of green energy solutions to corporate clients
- Equities brokerage, providing clients with access to equity research, sales, execution capabilities and corporate access

#### 1H21 Net Profit Contribution

MAM

~14% CGM ~9%

~38% MacCap (~8%)

#### Risk Management Group

An independent and centralised function responsible for objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks.

#### Legal and Governance

Provides a full range of legal and corporate governance services, including strategic legal and governance advice and risk assessment

#### **Financial Management Group**

Provides financial, tax, treasury, funding and capital. corporate affairs and advisory services to all areas of Macquarie.

#### **Corporate Operations Group**

Provides technology, market operations, HR. workplace, strategy, operational risk management, data and transformation, resilience and global security services plus the Macquarie Group Foundation.

Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. All numbers in this presentation have been reclassified to reflect the transfer of Cash Equities from CGM to Macquarie Capital effective 1 Jun 20. 1. P&I Largest Money Managers 19 (published Jun 20), 2, As at 31 Dec 20, 3, BFS deposits exclude corporate/wholesale deposits, 4, The loan and lease portfolio comprises home loans, loans to businesses, vehicle finance and credit cards, 5, Funds on platform includes Macquarie Wrap and Vision, 6, Includes general plant & equipment.

# Macquarie's response to COVID-19



#### **Employees**

- Gradual return to office commenced in 82% of locations where safe to do so and in numbers that allow for social distancing
- Systems and processes have been resilient to ongoing remote working, reflecting long-term investment in technology and flexible working culture
  - Investment in leadership capability, technology and the workplace continues as we respond to the evolving culture of work and promote greater flexibility

#### Clients

- Enhanced client support and lending relief maintained since Mar. Most clients have now resumed normal payments
- Working closely with clients in the most challenged sectors on their long-term resilience and response to disruption
- Actively supporting clients in all regions in raising essential finance and capital

#### **Portfolio Companies**

- Ongoing work with MIRA and Macquarie Capital portfolio companies including projects under construction to ensure business continuity, financial resilience and employee wellbeing
- Maintained essential community services and connected best practice across assets, industries and regions
- Capacity upgrades to MIRA-managed digital infrastructure assets have left them able to handle significant activity increases resulting from shift to virtual engagement

#### Community

- \$A20m allocation to Macquarie Group Foundation to help combat COVID-19. To date, \$A17.7m has been allocated to 34 organisations around the world:
  - \$A7.2m to 24 non-profits focused on direct relief efforts providing critical food, medical support, humanitarian relief kits and information to vulnerable groups affected by COVID-19
  - \$A8.5m to eight organisations supporting workers and businesses in restarting economic activity
  - \$A2.0m to public health and clinical research

We have been agile in adapting our approach to a rapidlychanging environment in each location, capturing regular feedback from staff to address immediate needs and test and our approach to meeting their needs and ensuring their learn for longer-term shifts and opportunities.

We recognise the structural shift COVID-19 has prompted for some clients, giving rise to near and longer-term changes in ongoing access to opportunities.

Our longstanding approach to crisis planning has underpinned the ability of assets to withstand economic impacts and maintain and extend essential services, while also identifying new ways to respond to disruption on behalf of the community.

We balanced our support for urgent direct relief needs, research and investment while also being flexible in our support for existing community partners that have had to quickly respond to change and the increased demand on their services

Staff engagement<sup>1</sup>

+5%

Staff working remotely at peak

>98%

Clients accessing assistance<sup>2</sup>

peak ~13%

Daily users of essential services

~100m

Portfolio company employees

~130k

COVID-19 donation

**\$A20m** 

Allocated

\$A17.7m





- Improved trading conditions in 3Q21 across the Group
- Macquarie's annuity-style businesses' (MAM and BFS) combined 3Q21 net profit contribution<sup>1</sup> up on the prior corresponding period (pcp) (3Q20)
- FY21 year to date (YTD)<sup>2</sup> net profit contribution broadly in line with FY20 YTD<sup>2</sup> mainly due to: base and performance fees in MAM broadly in line; partially offset by BFS margin pressure, increased credit impairment charges, and higher costs to support clients as a result of COVID-19, albeit with continued volume growth
- Macquarie's markets-facing businesses' (CGM and MacCap) combined 3Q21 net profit contribution<sup>1</sup> which included the partial sale of Macquarie's interest in Nuix significantly up on pcp
  - FY21 YTD² net profit contribution broadly in line with FY20 YTD² primarily due to: stronger activity across the majority of businesses in CGM, inclusive of income recognition timing associated with transportation and storage agreements; partially offset by lower fee revenue and principal income in Macquarie Capital, albeit with a reduction in expenses





#### **Macquarie Asset Management**

~47%

#### 1H21 contribution1

- AUM of \$A550.9b at Dec 20, down 1% on Sep 20
- MIM: \$A360.6b in AUM, up 3% on Sep 20, primarily driven by market movements and positive net flows, partially offset by foreign exchange
- MIRA: \$A137.1b in EUM<sup>2</sup>, down 2% on Sep 20, driven by equity returned and foreign exchange, partially offset by new equity raised
  - 3Q21: \$A6.6b in new equity raised, \$A3.4b of equity invested and \$A6.6b of asset divestments. \$A25.7b of equity to deploy at Dec 20
- MIM entered into an agreement to acquire Waddell & Reed Financial, Inc. On closing, MAM will retain Waddell & Reed's asset management business and sell its wealth management platform to LPL Financial (LPL), resulting in an increase of ~\$US68b in AUM
- Macquarie Infrastructure Partners (MIP) II reached financial closure on the divestment of its final asset. Elizabeth River Tunnels
- Macquarie Infrastructure Corporation (MIC) sold International-Matex Tank Terminals resulting in the MIC board of directors authorising a special dividend of \$US11.00 per share
- Formal integration of GLL successfully completed in the quarter
- Macquarie AirFinance (50% owned and managed by MQG) continues to face headwinds and to work with airlines to provide relief in response to their revenue challenges

#### **Banking and Financial Services**

~14%

#### 1H21 contribution<sup>1</sup>

- Total BFS deposits<sup>3</sup> of \$A76.3b at Dec 20, up 3% on Sep 20
- Home loan portfolio of \$A62.6b at Dec 20, up 9% on Sep 20
- Funds on platform<sup>4</sup> of \$A97.3b at Dec 20, up 9% on Sep 20.
- Business banking loan portfolio of \$A9.4b at Dec 20, up 5% on Sep 20.
- Vehicle finance portfolio<sup>5</sup> of \$A12.0b at Dec 20, down 3% on Sep 20
- 1.3% of BFS clients, by loan balance, accessing assistance at 31 Dec 20





#### **Commodities and Global Markets**

~47%

#### 1H21 contribution1

- Strong client hedging and trading activity across the commodities platform driven by market dislocations and increased volatility, particularly from the oil, gas, and precious metals markets businesses
- Continued client activity in foreign exchange, credit and interest rates
- Increased client activity in Equity Derivatives and Trading, particularly in Asia and Europe
- Consistent performance from asset finance portfolio principally from the UK energy markets business. Established joint venture with Mitsubishi UFJ to grow Australian Technology, Media and Telecoms business
- Maintained ranking as No. 2 physical gas marketer in North America<sup>2</sup>
- No.1 Futures Broker on the ASX<sup>3</sup>

#### **Macquarie Capital**

**(~8%)** 

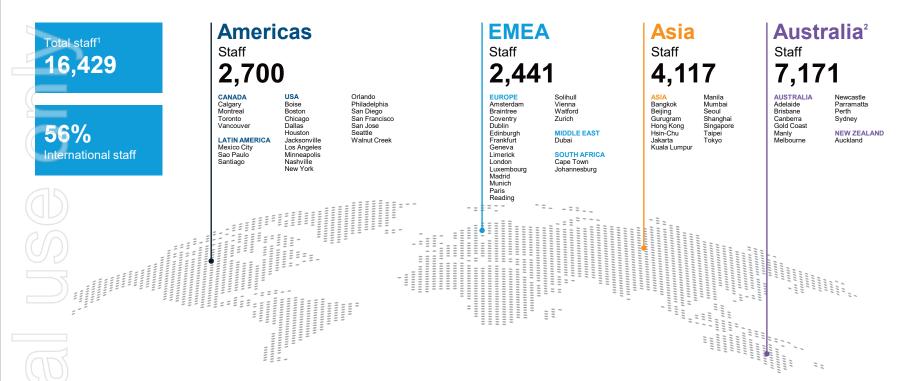
#### 1H21 contribution<sup>1</sup>

- 100 transactions valued at \$A58.4b4 completed globally, down on pcp
- Fee revenue down on pcp across advisory and DCM, marginally offset by ECM. Investment-related income up significantly on pcp
- Continued focus on green energy:
  - Over 250 projects under development and construction, with a pipeline of more than 30GW<sup>5</sup>
  - Investment across the green energy project lifecycle with 7 projects reaching FID, with a further 7 projects becoming operational<sup>6</sup>
  - Introduced investors into over 1.1GW projects as they reached FID or COD<sup>6</sup>
- No. 1 in ANZ for ECM<sup>7</sup>, IPOs<sup>8</sup> and M&A<sup>9</sup> in CY20
- Partial realisation of our interest in Nuix through an ASX IPO valuing the business at \$A1.8b. Macquarie acted as Joint Lead Manager, Bookrunner and Underwriter to the IPO, the largest ASX IPO in CY20<sup>10</sup>
- Acted as exclusive sell-side adviser on the sale of Exemplar Health Care, a UK provider of specialty care for adults with high acuity health needs, to an Ares Management Corporation managed fund
- Principal Finance committed over \$A3.4b FY21 YTD through focused investing in credit markets and providing bespoke financing solutions to sponsor portfolio companies and corporate clients across a range of industry sectors
- First acquisition in South America, a majority interest in the 206km Briceño-Tunja-Sogamoso operating toll road, one of Colombia's most critical road infrastructure assets, serving ~17m users per year
- Macquarie Electronic Execution achieved top Greenwich Asia Equities rankings with long only investors in 2020<sup>11</sup>

<sup>1.</sup> Based on 1H21 net profit contribution from operating groups as reported on 6 Nov 20. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. S&P Global Platts 32 02002. 3. ASX Futures 24 (SFE) Monthly Report Dec 20. 4. Source: Dealogic and IJGlobal for Macquarie Group completed M&A, investments, ECM and DCM transactions converted as at the relevant report date. Deal values reflect the full transaction value and not an attributed value. 5. At 31 Dec 20. 6. 1 Apr 20 – 31 Dec 20. 7. Dealogic (ex-blocks & by value). 8. Dealogic (by value). 9. Dealogic (completed by value). 10. Dealogic (apr 30 place) and Australia.



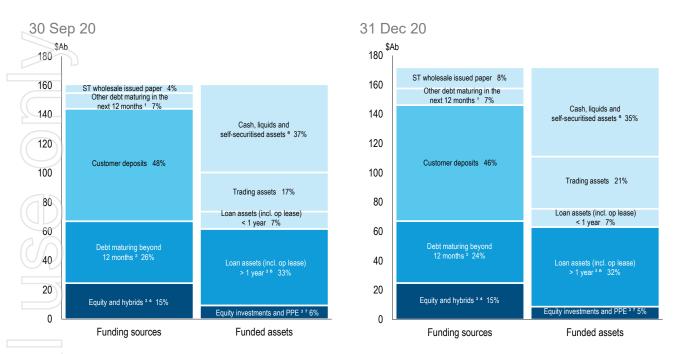
## Macquarie's global footprint

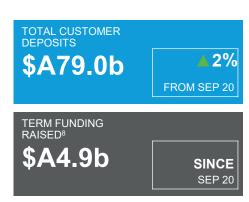




### Funded balance sheet remains strong

Term liabilities exceed term assets





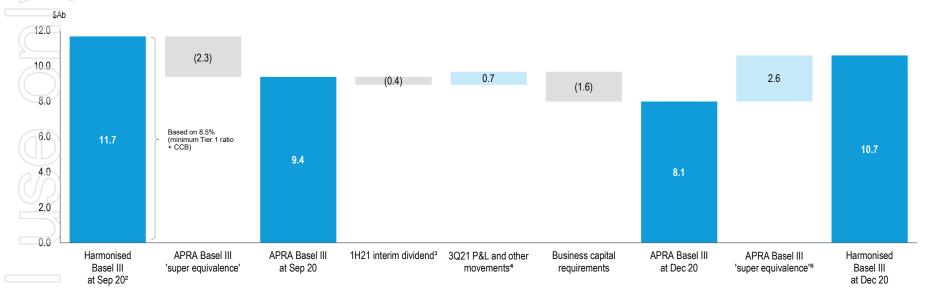
These charts represent Macquarie's funded balance sheets at the respective dates noted above . 1. 'Other debt maturing in the next 12 months' includes Secured funding, Bonds, Other loans, Subordinated debt and Net trade creditors. 2. 'Debt maturing peyond 12 months' includes Subserdinated debt, Structured notes, Secured funding (including drawn RBA Term Funding Facility), Bonds, Syndicated loan facilities and Other loans not maturing within next 12 months. 3. Non-controlling interests assere the down in 'Equity and hybrids', 'Equity investments and PPE' and 'Loan assets (incl. op lease) > 1 year'. 4. Hybrid instruments include Macquarie Additional Capital Securities, Macquarie Capital Notes 2, 3 and 4 and Macquarie Bank Capital Notes 2. 5. 'Cash, liquids and self-securitised asserts includes self-securitisation of repo eligible Australia's Committed Liquidity Facility (CEF) and Term Funding Facility (TFF). 6. 'Loan Assets (incl. op lease) > 1 year' includes Debt investments securities. 7. 'Equity investments and PPE' includes Macquarie's comment of the time of issuance and include undrawn facilities does not include undrawn facilities does not include undrawn facilities does not include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilities of the time of issuance and include undrawn facilit



### Basel III capital position

- APRA Basel III Group capital at Dec 20 of \$A24.9b; Group capital surplus of \$A8.1b<sup>1</sup>
- APRA Basel III CET1 ratio: 12.1%; Harmonised Basel III CET1 ratio: 15.5%

Group regulatory surplus: Basel III (Dec 20)

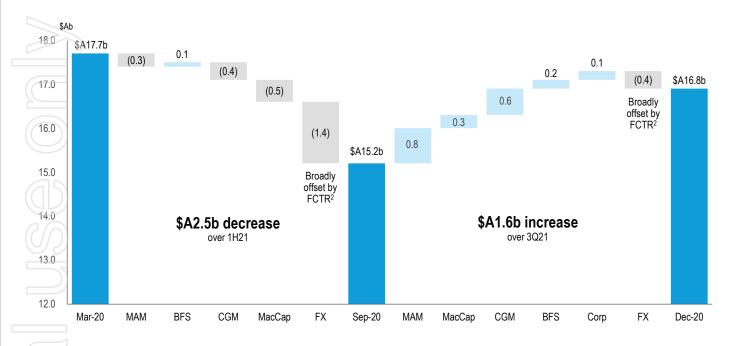


1. Calculated at 8.5% RWA including the capital conservation buffer (CCyB), per APRA ADI Prudential Standard 110. Based on materiality, the 8.5% used to calculate the Group capital surplus does not include the countercyclical capital buffer (CCyB) of ~1bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions. 2. Basel III applies only to the Bank Group and not the Non-Bank Group. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework.

3. Offset by Dividend Reinvestment Plan issuance. 4. Includes current quarter P&L, movement in the foreign currency translation reserve and other movements in capital supply. 5. APRA Basel III super-equivalence' includes the impact of changes in capital requirements in areas where APRA differs from the BCBS Basel III framework, including the treatment of mortgages \$4.10b; capitalised expectations (a possible of the capital supply). The SA0.6b.

# Business capital requirements<sup>1</sup>





#### **3Q21 KEY DRIVERS**

#### MAM

Waddell & Reed

#### **Macquarie Capital**

Principal Finance lending activity, new investments and DCM underwriting positions; offset by asset realisations

#### CGM

 Derivatives trading volumes in addition to loans and commitments

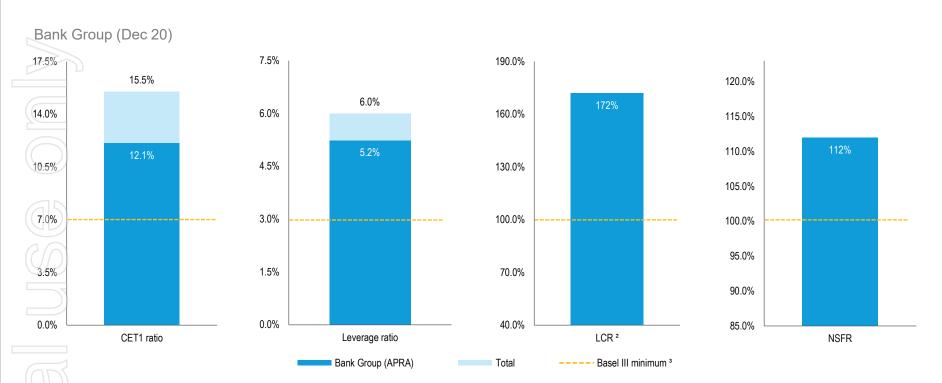
#### **BFS**

 Growth in residential mortgages and Business Banking portfolio, partially offset by runoff in vehicles financing

#### Corporate

 Transfer of the Group shared services entities, from the Non-Bank to the Bank

# Strong regulatory ratios





## Regulatory update

#### Australia

- On 8 Dec 20, APRA released for consultation its revisions to the capital framework for ADIs<sup>1</sup>. The changes are aimed at embedding 'unquestionably strong' levels of capital, APRA's stated objectives of the revisions include:

   greater risk sensitivity within the risk weighting framework, including more differentiated risk weights for different types of mortgages and reduced risk weights for small business lending:
  - providing for ADIs to hold a larger share of their required capital as buffers, enhancing the ability of the framework to respond flexibly to future stress events; and
- improving the transparency of the framework by requiring all ADIs to disclose their capital ratios on a common basis, and making it easier to reconcile the Australian framework with international standards.
- The status of the relevant regulatory changes is shown in the table below

Regulatory Change	Status	Compliance date
APS 110 (Capital Floor, CCB, CCyB, Leverage ratio)	Draft standard released 8 Dec 20	
APS 112 (Standardised credit risk)	Draft standard released 8 Dec 20	
APS 113 (IRB credit risk)	Draft standard released 8 Dec 20	1 Jan 23
APS 115 (Operational risk)	Standard finalised 11 Dec 19	
APS 117 (IRRBB)	Draft standard released 4 Sep 19	
APS 116 (FRTB)	Waiting for draft standard to be released	1 Jan 24
APS 111 (Capital treatment of banking and insurance subsidiaries)	Draft standard released 15 Oct 19, expected to be finalised 2021	TBA
APS 220 (Credit risk management)	Standard finalised 12 Dec 19, further revisions in consultation due 29 Jan 21	1 Jan 22
APS 222 (Associations with related entities) <sup>2</sup>	Standard finalised 20 Aug 19	I Jail 22

- Based on current information available, it remains Macquarie's expectation that it will have sufficient capital to accommodate likely additional regulatory Tier 1 capital requirements as a result of the proposed changes. Noting that some of them are at an early stage of review and hence the final impact is uncertain
- As previously noted, APRA is in discussions with Macquarie on resolution planning and intragroup funding. These discussions are progressing and as part of the discussions, MGSA, the main Group shared services entity for both the Bank and Non-Bank groups, was transferred to the Bank Group in Nov 20
- On 12 Nov 20, APRA released its revised remuneration standard for consultation, with responses due 12 Feb 21<sup>3</sup>. The new standard requires boards to strengthen incentives to manage non-financial risks, regularly assess for risk management failings and have deferral arrangements that allow boards to reduce remuneration for poor risk outcomes. The new CPS 511 is scheduled to be finalised in mid-2021 and to come into effect on 1 Jan 23. Increased disclosure requirements will also be required, defined through a future consultation expected late 2021
- On 17 Nov 20, APRA confirmed it intends to grant Macquarie a 12-month period of transition to 1 Jan 23 in relation to APS 222. Macquarie will undertake some restructuring of existing business activities and legal entities as a result of APS 222, however Macquarie does not anticipate this will have a material impact on results
- On 9 Dec 20, APRA announced the commencement of a further consultation for revisions to APS 220. These revisions are contingent on the Government's proposed consumer credit reforms passing legislation, where ADIs would no longer be subject to Responsible Lending Obligations which had been administered by ASIC<sup>4</sup>. APRA proposes to bring forward the implementation date for APS 220 to align to the reforms' commencement date, if earlier than 1 Jan 22, but not before 1 Apr 21
- On 15 Dec 20, APRA provided updated capital management guidance. From 1 Jan 21, while APRA will expect ADIs to continue to moderate dividend payout ratios and consider the use of dividend reinvestment plans (DRPs) and/or
   other capital management initiatives, APRA will no longer hold ADIs to a minimum level of earnings retention<sup>5</sup>

1, 'APRA seeks to enhance flexibility and resilience of ADI capital framework'; 8 Dec 20. 2. 'APRA announces new commencement dates for prudential and reporting standards'; 16 Apr 20. 3. 'APRA releases revised remuneration standard for consultation'; 12 Nov 20. 4. 'APRA issues letter to ADIs on potential changes to credit risk management'. 9 Dec 20. 5. 'APRA updates capital management quidance and releases ADI stress test results': 15 Dec 20.

# Regulatory update

#### **Germany**

- Macquarie continues to respond to requests for information about its historical activities as part of the ongoing, industry-wide investigation in Germany relating to dividend trading
- As previously noted, the German authorities have designated as suspects approximately 100 current and former Macquarie staff in total, most of whom are no longer at Macquarie
- The total amount at issue is not material and MGL has provided for the matter

#### **Brexit**

- In Dec 20 agreement was reached between the UK and the European Union (EU) on a new Trade and Cooperation Agreement and the UK withdrawal from the EU took effect
- As previously stated, Macquarie does not believe that the UK's withdrawal from the EU will be a material event for the Group.
- Macquarie is now operating with all required European licences in place, including a new MiFID investment firm licence in France
- Macquarie has a longstanding and deep commitment to the UK as the hub for the EMEA region's operations and this will continue to be the case. Macquarie has been in the UK for 31 years with over 1,900 staff based there as at 31 Dec 20



# Board and Management Update

#### **Macquarie Group and Macquarie Bank Boards**



Gordon Cairns





After more than six years on the MGL and MBL Boards, Gordon Cairns will step down on 7 May 21. In November 20, Mr Cairns agreed to extend his tenure to accommodate evolution of the Boards, which occurred with the appointment of Rebecca McGrath and Mike Roche in Jan 21.

#### Macquarie Bank Limited







Stuart Green

After 22 years with Macquarie, Mary Reemst has decided to retire from her role as Managing Director and Chief Executive Officer of MBL, from the MBL Board and from the MGL and MBL Executive Committees, effective 1 Jul 21. Ms Reemst, who has been on the Executive Committees for seven years, also serves as the Chair of the Macquarie Group Foundation.

From 1 Jul 21, and subject to regulatory approvals, Stuart Green will become Managing Director and Chief Executive Officer of MBL and join the MBL Board and MGL and MBL Executive Committees. Mr Green has been with Macquarie for 20 years, serving as Group Treasurer since Aug 13.

#### **Macquarie Asset Management**



Martin Stanley



Ben Way

After 16 years with Macquarie, Martin Stanley has decided to step down as Group Head of MAM and from the Executive Committee, effective 1 Apr 21. Mr Stanley, who has been on the Executive Committee for two years, will become Chairman of MAM and remain on the regional infrastructure fund investment committees and as Chairman of the Board of Directors of the NYSE-listed Macquarie Infrastructure Corporation (NYSE: MIC).

Ben Way will become Group Head of MAM and join the Executive Committee. Mr Way, who has been with Macquarie for 14 years and is a member of Macquarie's Management Committee, currently leads the Global Alternatives division in MAM and is also Macquarie Group's Asia CEO. Mr Way will continue to be based in Hong Kong.

# Factors impacting short-term outlook

#### **Annuity-style businesses**

#### **Macquarie Asset Management (MAM)**

- Base fees expected to be broadly in line with FY20
- Net Other Operating Income<sup>1</sup> expected to be significantly down, due to strong realisations in FY20 and prolonged impact of COVID-19 on Macquarie AirFinance customers

#### **Banking and Financial Services (BFS)**

Group

Banking

- Ongoing monitoring of provisioning to support clients in the COVID-19 environment
- Higher deposit and loan portfolio volumes in FY21
- Platform volumes subject to market movements
- Competitive dynamics to continue to drive margin pressure

#### Markets-facing businesses

### Macqua

#### Macquarie Capital<sup>2</sup> (MacCap)

- Transaction activity improving, although challenging markets continue to impact the time to completion for many deals. Strong ECM activity in Australia through 1H21 has not continued in 2H21 to date
- FY21 expected to be significantly down on FY20, however 2H21 expected to be significantly up on 2H20

# 3anking Group

#### Commodities and Global Markets<sup>3</sup> (CGM)

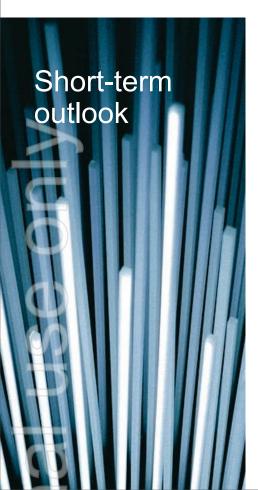
- 2H21 market conditions expected to be more favourable than previously anticipated given increased levels of volatility experienced in 3Q21
- We now expect 2H21 to be slightly down on 1H21
- Consistent contribution from Specialised and Asset Finance linked to annuity flows; notwithstanding reduction in balance sheet
- Product and client sector diversity expected to provide some support through ongoing uncertain economic conditions in FY21

#### Corporate

Compensation ratio expected to be within the range of historical levels

• The FY21 effective tax rate is expected to be broadly in line with FY20





Market conditions are likely to remain challenging, especially given the significant and unprecedented uncertainty caused by the worldwide impact of COVID-19 and the uncertain speed of the global economic recovery, making short-term forecasting extremely difficult

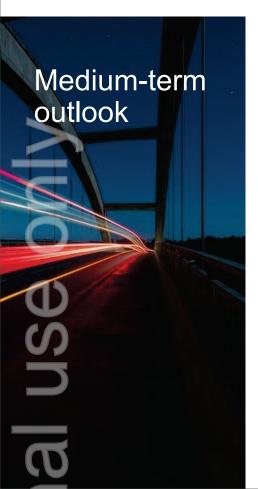
We currently anticipate the FY21 result to be slightly down on FY201

The range of factors that will influence our short-term outlook include:

- The duration and severity of the COVID-19 pandemic
- The uncertain speed of the global economic recovery
- Global levels of government support for economies
- Completion of period-end reviews including asset impairment and expected credit loss allowances
- The completion rate of transactions
- Geographic composition of income
- The impact of foreign exchange
- Potential tax or regulatory changes and tax uncertainties
- Market conditions and the impact of geopolitical events

We continue to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment





Macquarie remains well-positioned to deliver superior performance in the medium term

Deep expertise in major markets

Build on our strength in business and geographic diversity and continue to adapt our portfolio mix to changing market conditions

- Annuity-style income is primarily provided by two Operating Groups' businesses which are delivering superior returns following years of investment and acquisitions
  - Macquarie Asset Management and Banking and Financial Services
- Two markets-facing businesses well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
  - Commodities and Global Markets and Macquarie Capital

Ongoing program to identify cost saving initiatives and efficiency

Strong and conservative balance sheet

- Well-matched funding profile with minimal reliance on short-term wholesale funding
- Surplus funding and capital available to support growth

Proven risk management framework and culture



### Medium term

Banking Group

#### **Annuity-style businesses**

#### **Macquarie Asset Management (MAM)**

Leading specialist global asset manager, well-positioned to respond to current market conditions and grow assets under management through its diversified product offering, track record and experienced investment teams

#### **Banking and Financial Services (BFS)**

- Growth opportunities through intermediary and direct retail client distribution, platforms and client service
- Opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments
- Modernising technology to improve client experience and support growth

#### Markets-facing businesses

#### Macquarie Capital<sup>1</sup> (MacCap)

- Positioned to benefit from recovery in transaction activity
- Continues to tailor the business offering to current opportunities and market conditions including providing flexible capital solutions across sectors and regions
- Opportunities for project development and balance sheet investment by the group and in support of partners and clients subject to market conditions

#### Commodities and Global Markets<sup>2</sup> (CGM)

- Opportunities to grow commodities business, both organically and through acquisition
- Development of institutional and corporate coverage for specialised credit, rates and foreign exchange products
- Tailored financing solutions globally across a variety of industries and asset classes
- Continued investment in asset finance portfolio
- Growing client base across all regions



# Approximate business Basel III Capital and ROE



30 Sep 20

Operating Group	APRA Basel III Capital <sup>1</sup> @ 8.5% (\$Ab)	Approx. 1H21 Return on Ordinary Equity <sup>2</sup>	Approx. 14-year Average Return on Ordinary Equity³
Annuity-style businesses	6.6		
Macquarie Asset Management	2.2	24%	22%
Banking and Financial Services	4.4		
Markets-facing businesses	8.0		
Commodities and Global Markets	4.6	10%	16%
Macquarie Capital	3.4		
Corporate	0.6		
Total regulatory capital requirement @ 8.5%	15.2		
Group surplus	9.4		
Total APRA Basel III capital supply	24.6 <sup>4</sup>	9.5%	14%

Note Differences in totals due to rounding. 1. Operating Group capital allocations are based on 30 Jun 20 allocations adjusted for material movements over the Sep 20 quarter. 2. NPAT used in the calculation of approximately 1H21 ROE is based on Operating Groups' annualised net profit contribution adjusted for indicative allocations of profit share, tax and other corporate items. Accounting equity is attributed to businessess based on regulatory capital requirements which are based on the quarterly average capital usage from FY07 to FY20, inclusive, and has not been adjusted for the impact of business restructures or changes in internal PSL. and capital attribution. 4. Comprising of \$A20.55 of ordinary equity and \$A4.15 of hybrids.

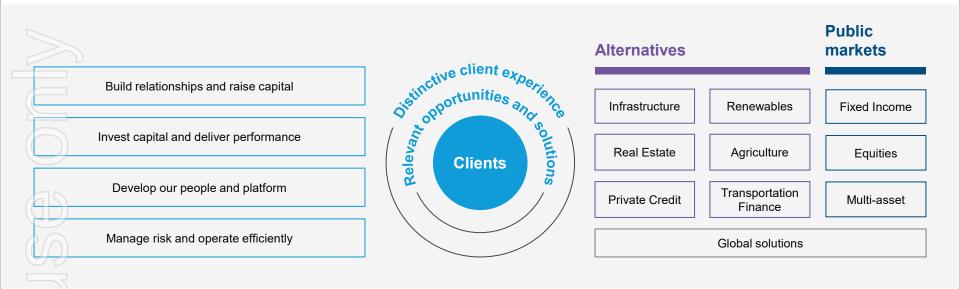






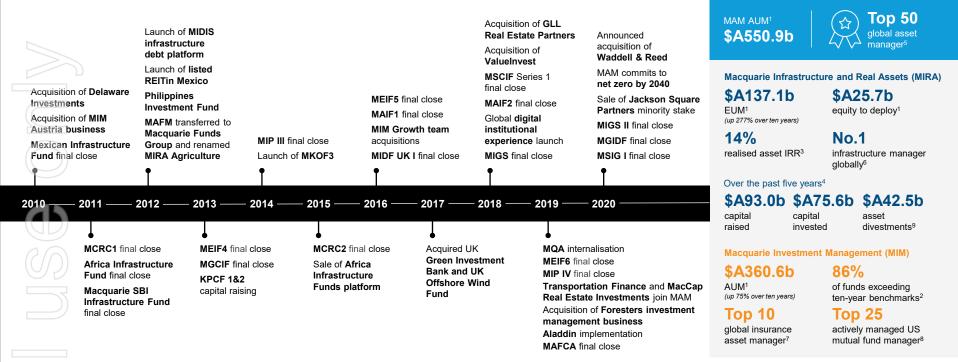
# Through our specialist investment expertise across public and private markets, we empower people to innovate and invest for a better future





# Actively evolving the platform over time

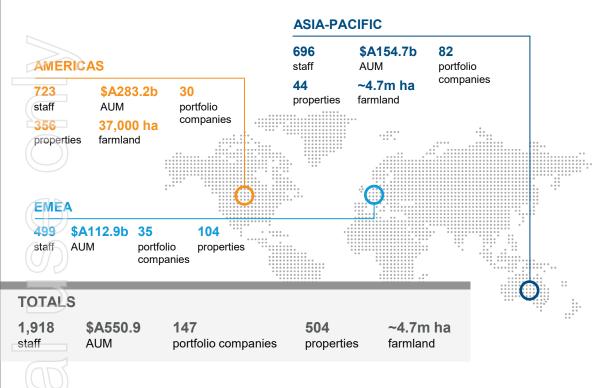






## Global platform, local presence

Providing access to investment opportunities for our clients and partners.



#### **Diverse team of professionals**

#### Global staff

1,918 39

staff languages spoken

#### Alternatives investment professionals

310 15 207
infrastructure agriculture real estate professionals professionals professionals

53 15

private credit transportation finance professionals professionals

#### Public markets investment professionals

114 105
fixed income equity investment investment professionals professionals

13 multi asset investment professionals

alternatives investment professionals

All data as at 31 Dec 20.

# Building sustainable value for clients and communities

Leadership in sustainability is driven by our people





MAM announces net zero by 2040 commitment



~12.5 GW

green generation capacity managed globally





Member since 2016<sup>2</sup>



Signatory since 20203



employees and contractors at MIRA portfolio companies



~100 m

people use MIRA-managed essential services daily

#### **Enhancing resilience** of infrastructure



Geo-hazard early warning systems and weather-resilient cooling towers at geothermal plant in the Philippines



Endeavour Technology to monitor vegetation encroachment on power lines to reduce risk of bushfires in Australia



Under grounding 26,000km of electricity cables in Finland to minimise disruption caused by extreme weather events



Precision farming techniques being used to improve soil health and combat land degradation in Australia



Led the construction of flood barriers prior to taking ownership of an asset in the United States

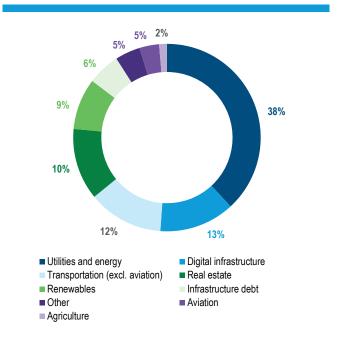


## Resilient performance in the face of COVID-19



UPDATE SINCE THE INTERIM RESULT

### Our alternatives portfolio<sup>1</sup>





#### Utilities and energy: 38%

Critical nature of services supports continued resilience. Electricity demand not materially impacted. Continued focus on energy transition



#### Digital infrastructure: 13%

Remote and flexible work practices supporting increased usage and demand for connectivity



#### Transportation (excl. aviation): 12%

Road traffic has rebounded following earlier impacts. Port volumes following economic cycle, with resilient goods sector and normalising trade driving rebound



#### Real estate: 10%

Online shift supporting resilience of logistics/industrial real estate. Mixed impact on office with WFH offset by rising space per worker due to social distancing



#### Renewables: 9%

Continued generation, albeit with lower power prices in some areas (partially offset by regulatory/revenue support). Delays to some construction projects due to supply chains



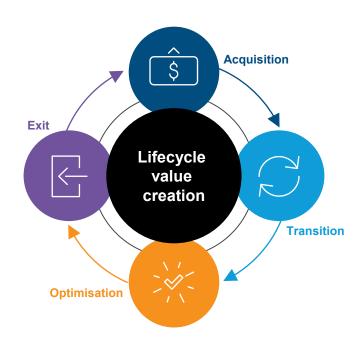
#### Aviation: 5%

Airports serving commercial aviation sector materially impacted by travel restrictions. Macquarie Air Finance working closely with customers and stakeholders

1. Based on AUM at 31 Dec 20.



- Long-term investment approach, delivering positive outcomes for clients, portfolio companies and communities
- Boutique active public investments teams with deep sectoral expertise across equities and fixed income.
- Diverse alternatives team with deep industry and operational experience to manage and enhance real asset businesses
- Global scale, technical expertise and networks allow us to undertake increasingly complex transactions
- ESG considerations embedded within our investment decision making and asset management frameworks



#### **CASE STUDY**

Philippine Coastal Storage & Pipeline Corporation

Supported the development of the Philippines' largest oil storage terminal over a six-year investment

- Elevated employee health and safety practices to international standards
- Put in place senior leadership team and governance structure
- Led numerous expansions, increasing capacity from 4.7m to 6.0m barrels
- Optimised capital structure to underpin long-term growth
- Generated EBITDA CAGR of 8% Divested in Jan 2021, delivering a 28% IRR / 4.0x money multiple

UPDATE SINCE THE INTERIM RESULT

MACQUARIE ASSET MANAGEMENT

MACQUARIE CAPITAL

CORPORATE OPERATIONS GROUP

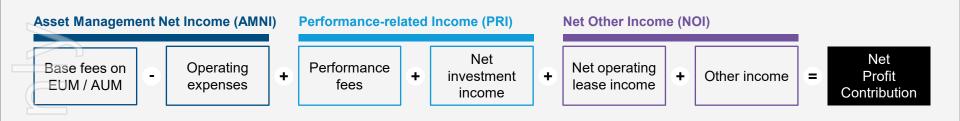
**APPENDIX** 

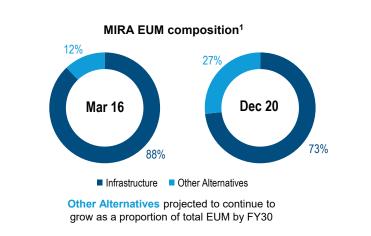
# A long-term history of growth

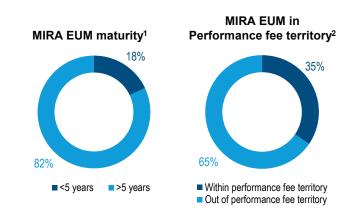




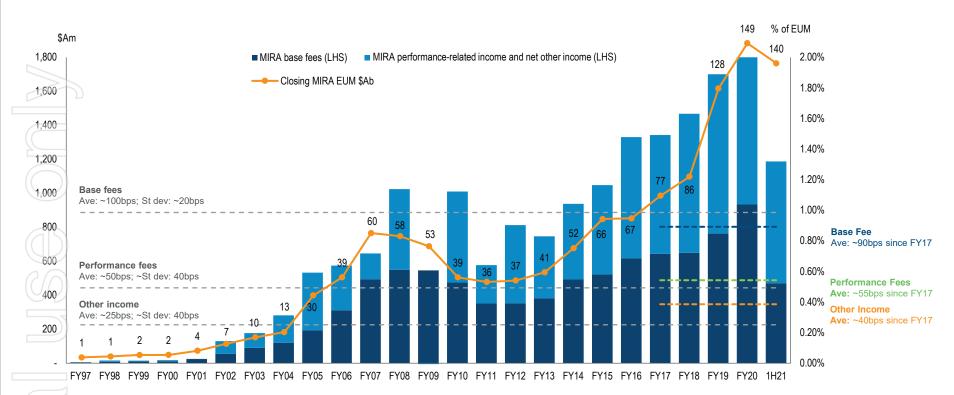
# Composition of income







### **MIRA Historical Income**



# Our risk management approach

Strong risk culture and effective risk management

Macquarie Asset Management has a strong focus on its fiduciary responsibilities and a client-centric culture embedded in its businesses and senior leadership teams



# Disciplined approach

A disciplined approach to risk management underpinned by a strong culture, conduct mindset and control environment.

Risk is owned and managed at the business level with independent oversight provided by Macquarie's Risk Management Group.



# Resilient risk culture

COVID-19 has both **tested** and **demonstrated** the strength of our risk culture.

Our focus on risk and the interests of our **clients** and **stakeholders** has continued throughout, with staff owning risk across our teams and investments in a rapidly evolving environment.

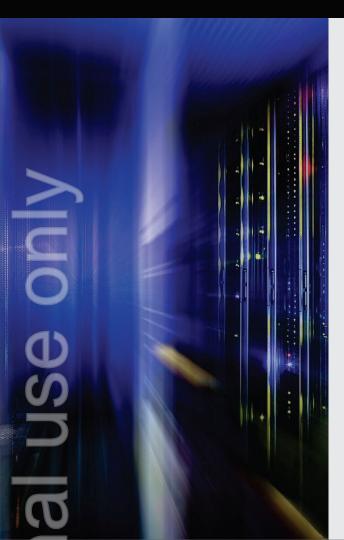


# Risk management

We manage a broad range of **financial** and **non-financial risks** at both the corporate and fund level with robust due diligence, strong governance, portfolio management and stress testing.

Work health and safety is at the forefront of our asset management strategy.





### **Delivering positive impact**

A focused strategy for the future

Ben Way

Head of MIRA - Global Alternatives

**Shawn Lytle** 

Global Head of Macquarie Investment Management

### Market environment







Allocation diversification



Importance of technology



Fee compression



Search for alpha and yield



Focus on responsible investment



Desire for strategic partnerships



Increased expectations for client experience

More than

\$US17t

alternative assets

AUM by 2025²

~80%
of investment managers
expect to see greater
influence of ESG in
investment practices
by 20251

\$US501b global energy transition investment in 2020<sup>3</sup>

31% of the revenue opportunity from 2020-2024<sup>4</sup>

**US** retail represents

### Building on the past and investing for the future

Maintaining momentum with a focused growth strategy





Build on

our leading position in infrastructure



Grow

our alternatives offerings



Advance

our public investments platform

#### Key enablers



Invest in our

people and culture to foster greater innovation and growth



Invest in the MAM brand and elevate the client experience



Keep sustainability at the heart of our business



Maintain disciplined risk management approach



Invest in data and technology to enable scalable growth





### Our infrastructure business

The world's largest infrastructure equity manager, with a portfolio of investments relied on by more than 100m people each day

#### Supportive market environment

Global infrastructure sector AUM expected to be over \$US1t1 by 2024

- Pressure on government finances creates significant opportunity for private capital
- Increasing allocations from institutional investors
- Growth in wholesale distribution channels

Investment opportunities across global mega-trends: urbanisation, digitalisation and energy transition

#### Growth in core strategies with expansion into adjacencies

- · Continued growth of regional closed end 'flagship' funds
- Increased scale of open-end or longer term global funds
- Further expansion into new adiacencies, including new sectors and geographies
- Targeted use of balance sheet to catalyse new strategies and for alignment with clients

#### Lifecycle focus on delivering positive impact

- Long-term investment approach to deliver positive outcomes for clients. portfolio companies and communities
- Exceptional origination and execution capabilities
- Value creation throughout the ownership period, leveraging our deep investment experience and inhouse industrial expertise and other specialist skills

#### **CASE STUDY**

#### AirTrunk

Leading Asia-Pacific hyperscale data centre provider, capable of delivering a total planned capacity of ~750MW across six data centres in five tier one markets

Macquarie Asia-Pacific Infrastructure Fund 2 (MAIF2) and its partners reached financial close on the acquisition of an 88% stake in AirTrunk in Apr 20

Key progress since acquisition:

- 300MW+ hyperscale data centre campus launched in Tokyo with an initial 60MW phase targeted to open in late 2021
- Two data centres opened in Singapore and Hong Kong in Dec 20, with a combined capacity of more than 80MW
- 110MW+ hyperscale data centre campus launched in Sydney (second AirTrunk site in Sydney)
- Over \$A1b capex deployed since Apr 20
- Range of new contracts signed with major global hyperscale customers



### No. 1

Infrastructure manager globally<sup>2</sup>



Global team of

**310** professionals<sup>3</sup>



\$A100.4b

equity under management<sup>3</sup>



portfolio companies<sup>3</sup>



\$A18.6b of capital to deploy<sup>3</sup>



~12.5GW

green generation capacity managed globallv<sup>3</sup>



### Our real estate business

Global business with deep networks, broad capabilities and strong track record

Global commercial real estate AUM of ~\$A5t1 continues to grow

investor appetite for real estate remains strong with increasing allocations and attractive yield spread to bonds

Global mega-trends are both disrupting and accelerating real estate investment opportunities

- Urbanisation
- Changing demographics
- Digitalisation

Global business providing investors access to investment opportunities across the real estate risk-return spectrum

Experienced team of over 200 that capitalises on long-term trends to create value for clients and partners:

- Beds. sheds. bytes. desks
- Develop-to-core strategies capitalising on attractive development yield spreads and strong sector/ market fundamentals
- Partnerships with leading global investors in management platforms

#### Focused on two key strategies:

- Core / core-plus
  - Investing in and managing office, logistics and retail assets
  - Driving performance through disciplined market selection and active asset management
- **Opportunistic**
- Investing in and partnering with specialist real estate platforms targeting sectors supported by structural tailwinds or market dislocation
- Leveraging principal investment track record

#### **CASE STUDY**

### LPC

US logistics platform

- Established in Feb 18. majority owned by MIRA Real Estate alongside management team
- Strategy to create a fully integrated development and investment management logistics platform to capitalise on the long-term demand being created by the growth in ecommerce
- ~\$US280m balance sheet commitment to acquire and warehouse seed portfolio for initial 'develop-to-core' venture
- \$US1b LPC Venture 1 capital raise completed in 2020 with global real estate investors, with a projected portfolio end value of +\$US2.5b
- Since inception, the platform has grown from 11 employees to 50 employees today







specialists<sup>2</sup>



28 locations globally<sup>2</sup>

## MACQUA

### Our private credit and asset finance businesses

Global businesses with proven track record of matching private market capital to growing asset classes

#### **Private credit**

Growing market for private credit funds, with AUM of ~\$US900b and forecast to grow to ~\$US1.5t by 20251

Capital spans the full risk spectrum, from quasi sovereign (local government, social housing) to high yield and bank capital relief financings

Zero losses or impairments to date

Impactful investments are a core part of the business and include:

- Green energy debt investments that have financed over **15GW of clean energy**<sup>2</sup>
- 22,000+ affordable housing units<sup>2</sup>

MAM's Private Credit business is expanding further within infrastructure as well as into adjacencies, including Secure Income Real Estate

# 9

~\$A12b assets under management<sup>2</sup>



120+
investment

#### Transportation finance

MAM's Transportation Finance has a **15-year track record** of investing in movable transportation assets, including aircraft, rail and helicopter assets

MAM remains committed to the sector and is working with selected partners for co-investment. With deep experience across markets and through cycles, the Transportation Finance team is well placed to identify the opportunities which will deliver long-term value to investors

Near term, these markets to benefit from current trends, including in particular:

- Dislocation in the aviation equity and debt markets, resulting from COVID-19 disruption
- Transition to lower emissions fuels and technologies across all transportation sectors





300+ aviation assets

#### **CASE STUDY**

Sub-Investment Grade infrastructure debt Strategy

- ~€1.2b raised from institutional investors
  - of which ~€730m via the flagship Macquarie Infrastructure Debt (Sub-Investment Grade) Fund
- Invested across the utilities, energy, renewables and transport infrastructure sectors
- Invested in 14 borrowers in the United Kingdom, United States, Italy, Finland, and the Netherlands
- Majority of assets negotiated on a bilateral basis and sourced through MAM proprietary channels
- Attracted interest from 21 pension funds and insurance companies across the United Kingdom, Korea, Japan, Italy, and Portugal



### Our public investments business

Diversified active professionals offering differentiated public investment capabilities across institutional and retail clients

### \$A360.6b assets under management<sup>6</sup>



- ■Equity (\$A151.5b)
- Fixed Income (\$A199.3b) Solutions
- Multi-asset (\$A8.7b)
- Alternatives (\$A1.1b)

### By region

- ■Americas (\$A232.5b)
- ■EMEA (\$A13.0b)
- Australia (\$A107.1b)
- ■Asia (\$A8.0b)

#### Strength of global platform

- Continuing efforts to globalise the business
- Leveraging the MAM enterprise
- Creation of MAM Client Solutions Group
- Aladdin live in all major regions
- Significant wins in cornerstone markets - Australia Institutional
- Named Investment Manager of the Year by the Financial Standard<sup>1</sup> and "Best Investment Manager 2020" by Money magazine<sup>2</sup> in Australia

#### Focus on growth

Evolving to meet future client needs with transformative growth initiatives:

- Advancing additional specialist active capabilities into "flagship" status
- Inorganic initiatives for continued business scale and capability expansion
- Further investments in technology, data & analytics, and automation
- Focus on investment intermediaries and Expansion of 'Cornerstone' channels
- Delivering alternatives and nontraditional capabilities to global retail channels

#### CASE STUDY

Waddell & Reed Financial, Inc.

- Increased scale and complementary investment capabilities to the existing Delaware Funds by Macquarie mutual fund line-up
- Strategic partnership with LPL complements strong existing US wholesale relationships within the independent broker dealer channel, fastest growing and largest opportunity
- Opportunities to grow new product flagships in one of the largest and fastest growing channels in the US
- At close of transaction, MAM will become Top 25 US mutual fund manager<sup>3</sup>

# Top 25 actively managed mutual fund manager<sup>3</sup>



### Top 10

global insurance asset manager<sup>4</sup>



#### Four

new product launches and **three** new investment strategies



86% of funds

exceeding ten-year benchmarks<sup>5</sup>



### A compelling combination

#### Waddell & Reed today

Founded in 1937 in Kansas City, Waddell & Reed has been serving the financial needs of families, individuals and businesses for more than 80 years

#### Asset management



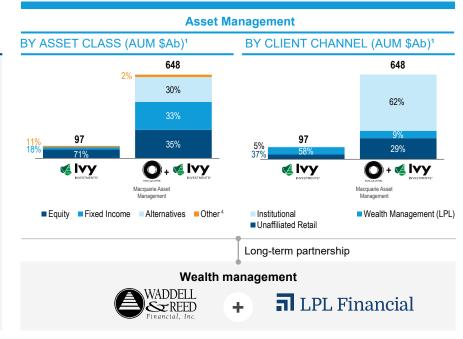
- Active portfolio management across a variety of asset classes utilizing proprietary fundamental research distributed to retail and institutional clients under the Ivy Investment umbrella
- AUM: \$A97b<sup>1</sup>
- ~100² investment professionals across
   PMs, research and investment support
- Top strategies by AUM:
  - Science & Technology Midcap Growth
  - Large Cap Growth
  - High Yield Fixed Income
  - International Core Equity

#### Wealth management



- National network of financial advisors providing comprehensive, personal financial planning services to clients across the US
- AUA: \$A90.5b<sup>1</sup>
- ~1,300¹ advisors and advisor associates
- ~4,000² client accounts across advisory and non-advisory
- ~60% of client assets invested in Ivy funds, with the balance in variable annuity and other insurance related products as well as unaffiliated funds

#### Future combination with Macquarie<sup>3</sup>



### Well-positioned for growth





Global platform providing access to specialist investment expertise



positive outcomes for our clients



Investing in our people, culture and brand



Build on our leading position in infrastructure



Grow our
presence in
alternatives



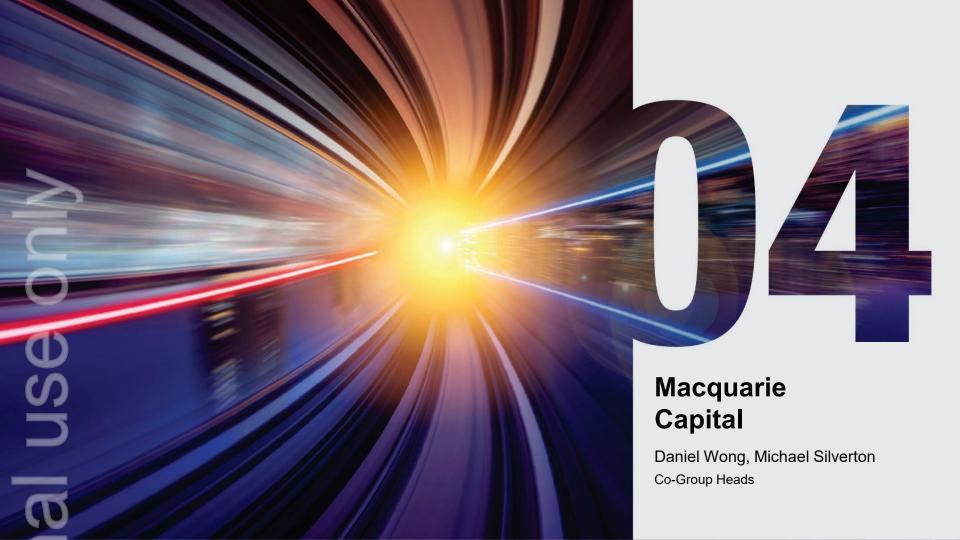
Advance our public investments platform



Investing to deliver positive impact for everyone









### Macquarie Capital combines expert advice with access to capital



We empower our people, clients and partners to innovate and invest for a better future

#### Mergers & acquisitions

UPDATE SINCE THE INTERIM RESULT

Strategic advice at significant moments for clients:

- Acquisitions
- Divestments
- Restructuring

#### **Capital markets**

Access to flexible and timely capital solutions:

- Equity capital markets
- Debt capital markets
- Private capital

#### **Equities**

Access to deep liquidity and speed of execution in key markets:

- Equities sales & trading
- Equities research



#### **Principal**

Ability to invest alongside clients and ideas:

- Growth equity & venture capital
- Minority & control equity

#### **Development**

Co-creation of assets and investible projects:

- Development capital
- Investment in new technologies

#### Lending

Supporting growth of clients through provision of flexible capital:

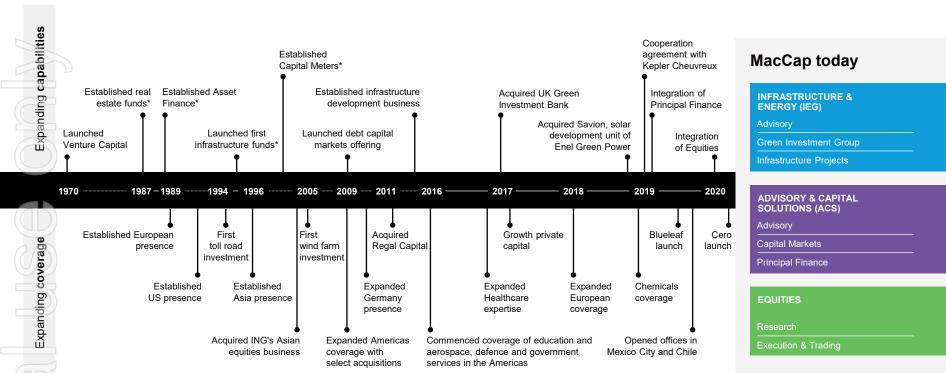
Private credit



# MACQUARIE

### **Evolution of Macquarie Capital**

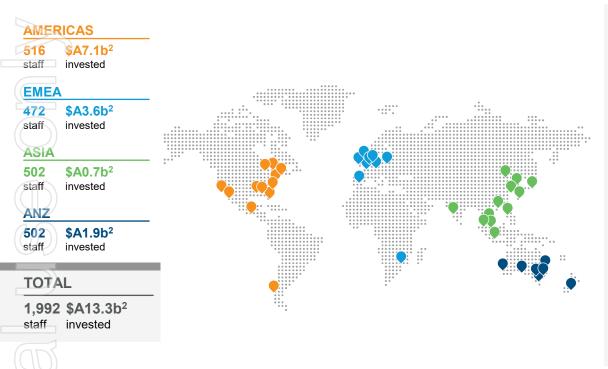
MacCap has been the incubator for many successful Macquarie Group businesses

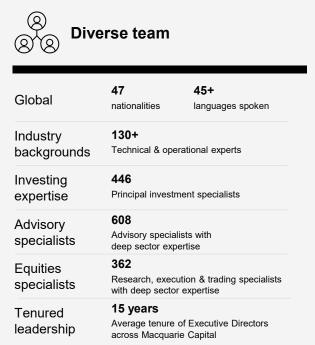




### Global team of industry experts

Our clients have access to a global network of 1,992 specialist staff<sup>1</sup> across 24 markets, that provide a unique combination of financial, technical and operational expertise





# MACQUARIE

### Approach to risk management and risk culture

Risk is owned within the business, with independent sign off by Risk Management Group



- Credit and equity risk critical component of investing and underwriting businesses
- Seek to understand worst case scenarios
- Intensive diligence focus on fundamentals analysis and risk assessments on position by position basis
- Group-wide stress testing overlay
- Continued asset management and review of positions



- A well established and effective risk culture
- Focus areas include: Operational Risk, Compliance, Work Health and Safety, Environment, and Anti-Bribery and Corruption (internally as well as within investments and developments)
- Significant investment in Work, Health, Safety and Environment systems, procedures, training and oversight
- Conduct specific non-financial risk due diligence
- Engage specialist internal and third-party subject matter experts
- Comprehensive ongoing monitoring





# Infrastructure & Energy Group

**Daniel Wong** 

Global Co-Head of Macquarie Capital Group

Mark Dooley

Global Head of Green Investment Group

Kate Vidgen

Global Head of Energy Principal

### We're building a better future



The global transition to a lower carbon, more connected world is driving a once in a generation opportunity to re-build the world for a better future



#### **Decarbonisation**



#### **Digitalisation**



#### **Urbanisation**

#### **\$US3t+** p.a.

average annual energy system investment required over 2016-2050 to meet Paris Agreement objectives<sup>1</sup>



#### \$US2.3t p.a.

average annual direct investments in digital transformation from 2020 to 2023<sup>2</sup>

#### \$US600b p.a.

average annual transport & infrastructure investment required over 2015-2030<sup>3</sup>

#### MacCap activity



Developing and building up to 2.5GW of capacity at Formosa offshore wind farms in Taiwan



Developing solar projects in Wisconsin that will provide 200MW of solar power<sup>4</sup>



Created Onivia, Spain's largest independent wholesale only FTTH network



Commercialising a state-of-theart fibre network in Kentucky



Advised the Pulse consortium for the Cross-River Rail Tunnel, Stations and Development PPP



Built 384 homes in the Dublin region under Ireland's Social Housing plan

Driven by our team of industry experts...

130+⁵

Technical and operational experts

#### 200+

Specialists in our development platforms

Examples of technical expertise:



Engineers Geologists<sup>6</sup>



ts<sup>6</sup> Project managers



Surveyors



specialists

Green energy operations



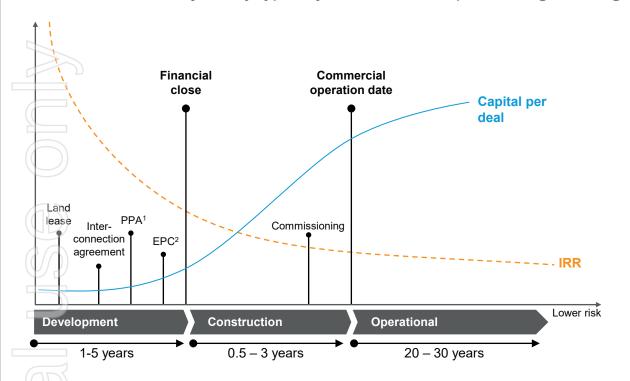
energy Digital infra ations operations

1, IRENA 'Global energy transformation A roadmap to 2050 (2019 edition). 2. International Data Corporation (IDC) White Paper, 'Data Age 2025', May 20. 3. OECD. 4. Development is being undertaken by an operationally segregated subsidiary. 5. Headcount as at 30 Sep 20. 6. IEG leverages ACS and CGM resourcing.

### We're building the future one project at a time



The asset creation journey typically starts at development stage, through construction, and into operations



**Case study: Murra Warra wind farm** 





### We're meeting the needs of our clients

We support our clients and partners with market-leading advice and access to development capital

#### Our clients



Infrastructure funds have raised \$US200b global unlisted infrastructure dry -powder<sup>1</sup> to invest in infrastructure opportunities



















#### **Governments and cities**

Governments and cities need to replace, upgrade and deliver sustainable and more resilient infrastructure to support their populations













Colombia

How we help...

#### Infrastructure Advisory



Advised **Snowv Hvdro** on raising \$A3.5b corporate financing associated with the Snowy 2.0 expansion of the Snowy Hydro Scheme



Advised First Sentier on its acquisition of the UK's largest energy-from-waste portfolio



Co-advised OPC Energy on its acquisition of Competitive Power Ventures from Global Infrastructure Partners

#### **Infrastructure Principal & Projects**



Investina in Briceño-Tunia-Sogamoso toll road in Colombia



Working with Transport for London to create Silvertown Tunnel – the first new Thames River road crossing in 30 years



Delivered a world class court facility for the Australian Capital Territory Law Courts, under the ACT's first PPP

1. Pregin as at Dec 19

# MACQUARIE

### Green Investment Group

One of the leading renewable energy developers and investors in the world – with a team of 450+ green energy experts<sup>1</sup> committed to accelerating the green transition



#### **Developing & investing**



#### **Platform companies**



#### **Powering clients**

### Scale & strength in established technologies

\$A2b+

Current commitments<sup>2</sup>

250+
projects in developm

projects in development and construction

\$A12.6b+

cumulative capital invested or arranged over the last 3 years<sup>3</sup>

30+ GW

Global development and construction pipeline<sup>4</sup>

#### Regional development platforms

- Regionally focused: platforms in US, Europe and the Asia Pacific region
- Technology focused: platforms focused on utility-scale and C&I solar, energy storage or distributed energy

Supporting clients achieve sustainability goals

>3**GW** 

Green energy projects supported by PPAs with our corporate customers<sup>5</sup>

18

corporate customers provided with green energy via PPAs

#### Large industrial partnerships



16(9



Our platforms





#### **Example customers**



















1. Includes Macquarie Group employees operating under the GIG brand and operating platform employees. Operating platforms are companies operating as operating as operationally segregated subsidiaries of GIG or companies where GIG has entered a joint venture with another partner. 2. Commitments as at 30 Seip 20. 4. Includes year period from 1 Sep 17 to 31 Aug 20. 4. Includes projects being developed directly by GIG or through operating platforms (as defined in footnote 1). 5. Total capacity of renewable energy projects in development, construction or operation where GIG or Macquarie Capital (either directly or via operating platforms) have contributed equity investment, which is supported by PPAs structured by GIG, Macquarie Capital or its operating platforms.

### Accelerating the energy transition



Continuing to pioneer the development of decarbonisation technologies that need significant investment to bring them to commercial scale

#### Accelerating less established technologies



Green hydrogen



Carbon capture, use & storage



Distributed energy & storage

#### Spotlight on renewable hydrogen

Potential to revolutionise the energy value chain:



Solution for hard to abate sectors



Capital efficient



Increasing government support

Vital to repurposing and decarbonising conventional energy assets

#### Examples of our activity...



Invested in **esVolta**, a North American utilityscale storage developer with a >600MWh portfolio and >2GWh development pipeline



Invested in **In-Charge Energy**, a provider of turnkey, commercial electric vehicle infrastructure solutions, to enable the company to meet the growing demand for fleet electrification

#### **Decarbonisation Case Study**

Port of Southampton, UK



- Industry and transportation decarbonisation opportunity
- Could utilise carbon capture and hydrogen-based technologies
- Funding commitment from gas network company **SGN** and **GIG**
- Feasibility study commissioned



# **Advisory & Capital Solutions**

#### **Michael Silverton**

Global Co-Head of Macquarie Capital Group

#### Sam Shah

Head of Software & Services, ACS Co-Head of Industry Coverage, Americas, ACS

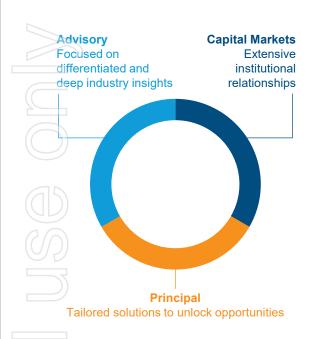
#### Florian Herold

Global Head Principal Finance, ACS

### We unlock opportunities by combining ideas and capital



We evolve with our clients and areas of opportunity





Abundant capital looking for increasingly diverse ways to access non-public market opportunities

## Tech-enabled innovation

Technology is transforming industries, evolving business models and leading to convergence between sectors

# Principal investment

Supporting clients with principal investment, combined with advisory and capital market capabilities and industry insights

#### Sub-sectors we're working in

FINANCIAL SPONSORS | GROWTH EQUITY | FAMILY OFFICES SOFTWARE | DATA | SERVICES | EDUCATION | FINTECH | HEALTHCARE PRIVATE CREDIT | PRIVATE EQUITY | GROWTH EQUITY | REAL ESTATE

#### Market backdrop

\$US6.5t

private market AuM has grown nearly threefold since 2010<sup>1</sup>

42% increase

in the percentage of PE dry powder in growth equity strategies since 2016<sup>2</sup> \$A3.4b

Principal Finance committed YTD through Q3 FY21

### We create opportunities for our clients



#### **Our clients**



We provide advice and access to capital markets to help corporates achieve their strategic priorities

#### Investors and institutions

We offer unique investment opportunities to pension funds, family offices, institutions and financial investors of all types

### **Financial** sponsors

We work with financial sponsors and their portfolio companies, as advisor and capital provider, to identify and execute investment opportunities and at exit through sales and IPOs

### **Entrepreneurs and** management teams

We deliver for growing companies, through solutions such as direct lending and growth equity

### How we help...

#### Advising on transformational deals



Financial advisor to TPG Telecom on the creation of Australia's leading full service telecommunications challenger through the merger of TPG Telecom and Vodafone Hutchinson Australia

### thyssenkrupp

Advisor to the Advising Bloomreach supervisory board of on an investment to fund the ongoing thyssenkrupp AG on the €17.2b sale arowth of its of its Elevator digital ecommerce Technology business experience platform

#### **Matching institutions with ideas**





permanent capital

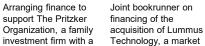
recapitalisation of

base, in its

STV Group







Technology, a market leading provider of process technologies for petrochemicals

RHÔNE LUMMUS

#### **Delivering insights and solutions**





Facilitating the provision of specialist nursing care in the United Kingdom as financial advisor on the sale of Exemplar Health Care

#### Investing to support growth



Partial realisation of

our interest in Nuix

through an ASX IPO.

Macquarie acted as

Joint Lead Manager,

Underwriter to the IPO

Bookrunner and



Connecting drivers to parking spaces. through leading SpotHero's Series D Funding

### Tech-enabled innovation



#### Aerospace, Defence & **Government Services**

Facilitating better delivery of services to and by governments



CORSAIR ZWIFT

skroutz

#### Consumer, Gaming & Leisure

Enabling eCommerce and changing at home leisure

#### Financial Institutions

Supporting new financial technologies



#### Healthcare

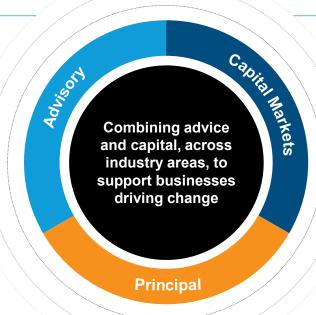
Providing insights into healthcare

#### Industrials

Using new technology for sustainability and efficiency











#### **Services**

Delivering online education to communities



♦ Informatica RECORDPOINT → Technology, Media



Facilitating easier use of data





Resources

Minerals Providing battery minerals



Infrastructure

Improving efficiency and efficacy



**Real Estate** 

Enabling and utilising data

#### **Partners**

Working with partners to identify opportunities and solutions





### Education



Technology is revolutionising education and the massive growth in online education / ed-tech is creating substantial opportunity for clients, which we facilitate with principal capabilities and industry expertise

#### **Market context**

~\$US6t

Industry globally<sup>1</sup> 2b+

More learners expected by 2050<sup>1</sup>

16%+

Forecast 6yr CAGR for edtech sector<sup>1</sup>

### Strong demand driven by

- Demographic booms
- The rise of the middle class; and
- Shift to service-based economy for many emerging countries

### Social distancing requirements supporting

- Online education
- Digital learning tools
- Educational support services; and
- Online assessment alternative

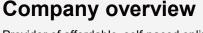
### Our opportunity

- Leading education sector expertise in US
  - 41 M&A deals (total \$US23b+ deal value)
  - \$US570m+ direct investment
  - 17 debt financings (total \$US12b+)
  - 12 equity offerings (total ~\$US3b)
- Leveraging expertise globally
- Building relationships with companies and partners earlier:
  - Completed multiple early-stage investments
  - Enables us to support clients and grow with them



### Case Study: Penn Foster

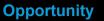




Provider of affordable, self-paced online education including high school, college and career school programs



Offers 100+ accredited degree, diploma and certification programs in fields ranging from healthcare to skilled trades



- Penn Foster provides flexible, career-focused and education programs as well as supportive coaching services
- Opportunity for Macquarie to provide capital and share its insights into the growing role of technology in education

#### **Actions**

#### 2018

- Macquarie preferred equity investment
- Positioned the company to be a crucial part of closing America's skill and equity gaps

#### 2020

- Macquarie acted as sell-side advisor
- Facilitated a competitive sales process despite COVID-related logistical challenges

#### **Outcomes**

- Macquarie facilitated a successful outcome for shareholders
- Penn Foster will continue to deliver skill-based training for more than 300,000 working learners each year
- Investment will accelerate the pairing of data science with skillsbased digital learning

### Principal Finance as a key differentiator



We invest to facilitate outcomes for our clients, communities and the firm

- Multi-strategy approach
  - Debt and equity
  - Corporate and real estate
- Multiple pathways to create value, including:
  - Long-term investing
  - Flexible capital solutions
  - Investing around sector expertise
  - Supporting clients with coinvestment capital
  - Leveraging external capital and funding partners to co-invest alongside Macquarie



Creating customised and flexible capital solutions for our clients across all industry sectors



More than 120 investment professionals with extensive experience dealing with complex deal dynamics



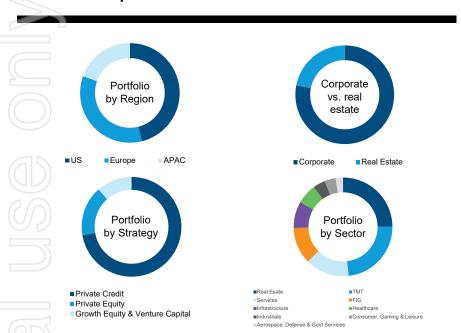
Depth of insight and collaboration across MacCap leads to opportunities for outsized outcomes

### A diversified portfolio



Aligned with focus areas, our best results come from combining sector expertise with principal capabilities

#### \$A8.7b Principal Finance Portfolio



#### Private credit

Typical investment size: \$A100-300m **Top sectors:** 







#### **FY21 Highlights**

- 43% YoY growth in debt book size
- Completed funding of Navacord, a leading Canadian Insurance Brokerage
- Lead financier to Elite Partners Capital to acquire logistics assets in Europe



LEAP



#### **Private equity**

Typical investment size: \$A100-300m

#### Top sectors:









• £33m sale of Tavis House, a long leasehold office building in London

 Investment in Illion, a data and registry business bringing together our relationships, industry knowledge and principal capabilities





### Growth equity & Venture capital

Typical investment size: ~\$A50m

#### Top sectors:







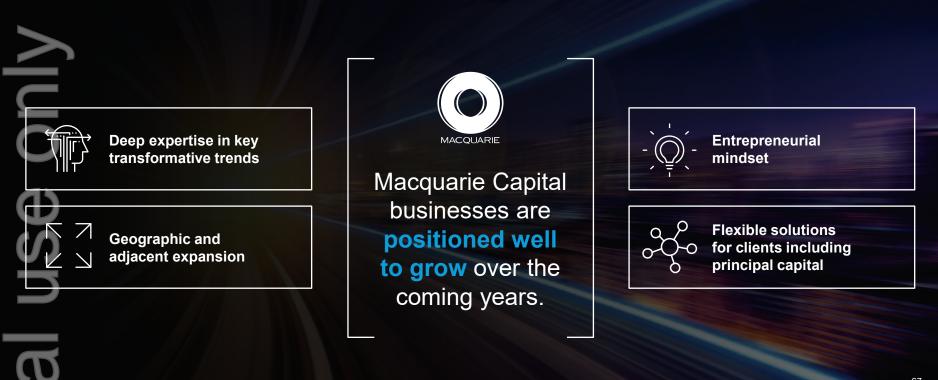
- IPO of Nuix in Dec 20 outstanding result for the MCVC team with combined effort of the ECM and TMT teams
- Majority investment in one of the leading incident reporting software providers in Europe with an expanding compliance platform





### What's next











### Delivering service excellence and transformational change, we empower people to innovate and invest for a better future



#### **Corporate Operations Group** Nicole Sorbara



Digital Transformation & Data Adam Prettejohn



Technology Justin Moffitt



**Operations** Ian Beasley



Human Resources Lynnette Sarno



Business Services Tracev Macdonald



Business Improvement 8 Strategy Mura Ryan



Macquarie Group **Foundation** Mura Ryan



Partners with divisions and groups to deliver digital solutions whilst future skilling employees with capabilities in data analytics, innovation, human centred design and eliminating failure demand. Manages core technology infrastructure including reliability and resilience of services, deploys digital and cloud-based applications, manages enterprise information. supports workplace and collaboration tools. manages cyber security, global security and fraud, and identifies emerging technology trends.

Delivers critical operational trade support services to enable the trade lifecycle for a wide range of products and businesses.

Provides operational services to support our alobal workforce including payroll, leave processing, staff queries, and learning and development administration

Our most important asset is our people and HR works in close partnership with each group to attract the best, reward success. develop and retain talent and support complex regulatory and organisational change.

Creates workplace experiences - including Sydney Metro Martin Place - that enable people. clients and communities to connect. learn. collaborate and innovate together. Delivers group procurement services and builds business resilience across the organisation.

Partners with Macquarie businesses and support areas to discover opportunities, solve problems and make change happen. Brings external insights and connections. understandings of Macquarie's businesses and builds strong crossgroup relationships.

Macquarie Group Foundation is a diverse team of experienced social impact professionals who support community organisations with fundina, volunteerina and skill sharing.

The Foundation's strategic funding is targeted at education and employment initiatives, as well as game-changing ideas.

**COG Central** Kellie Vinn



Supports the day-to-day operations of COG including specialist accounting and financial reporting services, operational risk services and staff communication and engagement activities.

Regional COOs Ange Burt (Americas), Scott Harmer (Asia) and Tim Mulvihill (EMEA)



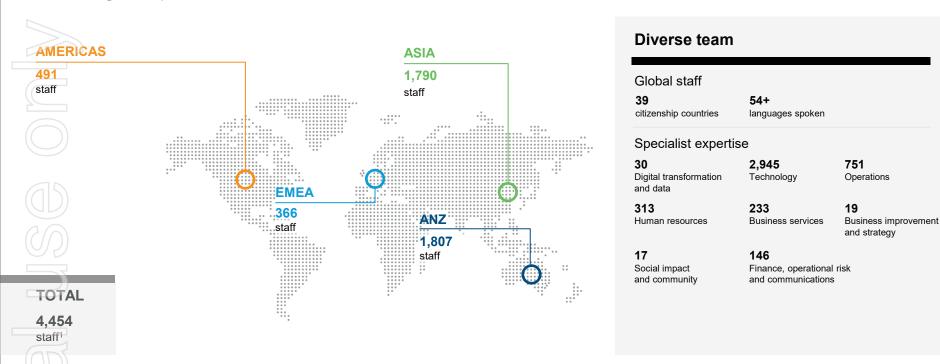




### Global team with specialist expertise



The organisation has access to a global network of more than 4,400 staff across 19 markets that provide a wide range of specialist services



UPDATE SINCE THE INTERIM RESULT

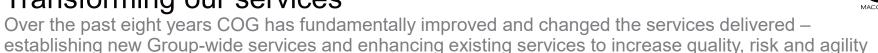
MACQUARIE ASSET MANAGEMENT

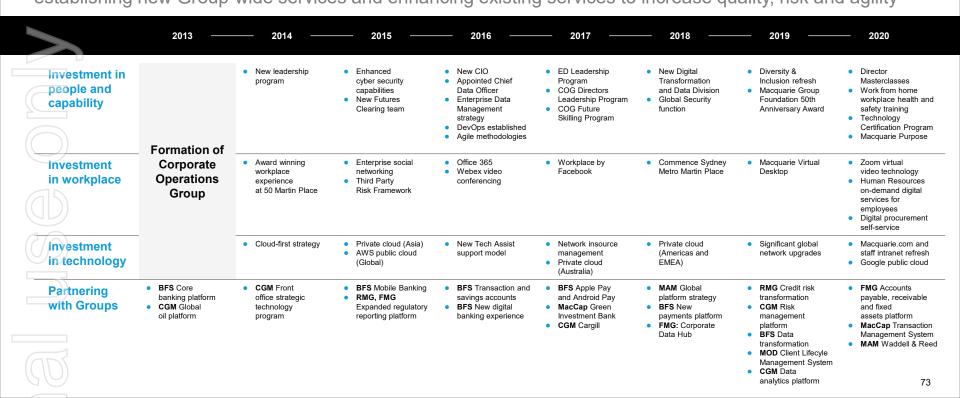
MACQUARIE CAPITAL

CORPORATE OPERATIONS GROUP

APPENDIX

## Transforming our services





## Self-funding transformation and investing in technology



Core to success has been our ability to transform ourselves, our significant investment in technology and maintaining strong operational risk culture

Reinvestment of operating efficiencies

**\$A132m** 

since FY15

Cumulative years of generating operating efficiencies has enabled COG to self-fund transformation

Investment in technology

\$A1.3b

FY20

19% of total technology investment is in change activity

Risk management

**√42%** 

in high rated incidents (since FY15)

Effective management of organisational change, regulatory complexity and risk

## COG leading Macquarie's response to COVID-19



Our long-term focus on building resilience in our people and technology enabled a global workforce of over 16,400 employees across 34 markets to work from home



### COG leading Macquarie's response to COVID-19



Our response enabled the business to continue to deliver for our clients despite global market disruption

# Enabled results to be delivered

32,400

Mortgages originated for BFS, up 17% from prior corresponding period

22.1m

trades settled, up 10% from prior corresponding period

259 MacCap¹ transactions valued

at \$A244b

# Stayed connected with our clients

3,200

MIRA Investor Contacts provided with direct access to new investor portal 250,000

new cash, business banking and wrap accounts for BFS, up 71% from prior corresponding period 1,900+

New clients onboarded to CGM

Empowered our people to innovate and invest for a better future

92%

of employees feel as or more productive than before COVID-19

92%

of employees feel same or greater belonging in their team than before COVID-19 2,500

charities supported worldwide

### Accelerating the digital future



Developing leadership, culture and technology skills in our people has been a priority because we know these capabilities empower everyone to innovate and invest for a better future

# Leadership

Deeply embedding strategic and cultural alignment



# Skills

Future skilling our people

Eliminating Failure Demand I Data Science Innovation & Human Centred Design I Leading Change Technology & Digitalisation I Critical Thinking



# **Technology**

Innovative data-driven digital clients experiences with cloud-based infrastructure







### Digital Transformation and Data Division

We partner with Groups to realise client-led opportunities and accelerate delivery of COG's digital transformation



#### **CASE STUDY**

Partnering with HR and Technology to deliver The HUB

 Accelerating on-demand digital Human Resource services to deliver client centric outcomes, operational efficiencies and employee lifecycle transformations

Partnering with Operations to automate processes using machine learning

 Leveraging eliminating failure demand, data science and human centred design practices to streamline our services



### **Technology Division**

Investing in accelerating cloud adoption, modernising systems and increasing agility, automation and scale of our services

Transforming Macquarie's technology risk profile, increasing network resilience and modernising our systems

99.9% system availability

↓24%
decline in legacy
servers (FY19 to FY20)

Accelerating public cloud adoption, leveraging the benefits of agility, automation, scale and cost

750+

people with industry recognised agile and cloud certifications

775+
production apps

in public cloud

Using data-driven insights to deliver innovative digital solutions for our clients

1b+

rows of international trade data analysed for CGM

\$A15m+

invested in automation to deliver efficiencies and improved BFS client self-service

#### CASE STUDY

Data and machine learning driving opportunities for CGM

 Using open-source software and public cloud to analyse data and develop machine learning models to make data-driven decisions

Partnering with BFS to accelerate data transformation

 Investing in public cloud technology to meet the needs of the next generation of banking technology

# **Technology Division**



Supporting new ways of working, investing in Cyber Security to detect and prevent threats and delivering front to bank transformation

Deploying web-based applications and virtual desktops across our business

>5,000

virtualised desktops in use

>1,500

staff using virtual application supporting the breadth of our businesses

Continuing to develop cyber security capabilities and deploying tools to detect and prevent threats

1,750+

cyber security assessments completed

50,000+

devices security scanned every week

Delivering transformational change by eliminating failure demand and automating manual processes and controls

Targeting elimination of

12,500+

manual data changes per year

√26%

decrease in Tech Assist support tickets

#### CASE STUDY

Automating front-to-back processes in MacCap

 Investing in software-as-a-service solutions to accelerate business process digitalisation and automation

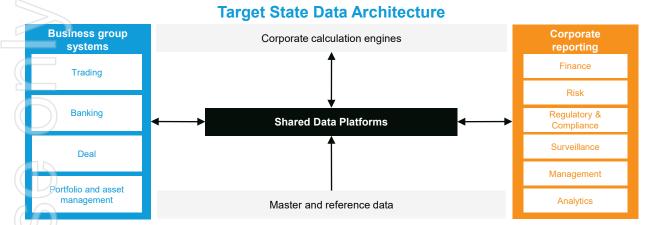
Data and digital technology driving opportunities for MAM

 Using data and digital technology to create a unified and single data platform to manage investments

# What's next: Accelerating our enterprise data and digitalisation strategy



Macquarie's enterprise data and digitalisation strategy will enable us to better serve clients, adapt to changing regulations and transform front-to-back efficiency and risk



#### **Data principles**

- True to source representation provides data to meet different consumer perspectives
- Timely data delivery to meet increasing requirements for more timely reporting

Centrally shared to increase data availability and reduce duplication

- Embedded data quality to ensure consistency and quality of data and outcomes
- Calculations at point of expertise to ensure correct application of business rules
- Shared data models and definitions to ensure consistency of data understanding
- Authoritative sources to increase consistency and accuracy of data

#### **Enabled by:**

- Empowering our people to identify and deliver transformation opportunities through a data-centric culture, future skilling and talent acquisition
- Delivering enterprise digitalisation through aligned initiatives, shared metrics and endto-end solution architecture
- Leveraging Eliminating Failure Demand techniques and the enterprise change portfolio to incrementally re-engineer processes and technologies
- Investing in our common data 'building blocks' to accelerate how we manage, share and leverage data in the future

81

# We are well positioned



We will continue to invest in our people, systems and operations to enable business outcomes and accelerate digitalisation for Macquarie

Investment in people and technology

Resilience
and
adaptability

Strong
business
results

2021: INVESTMENT TO ACCELERATE DIGITALISATION









# Glossary

H21	First Half ended 30 Sep 2020	M&A	Mergers and Acquisitions
21	Third Quarter ended 31 Dec 2020	MacCap	Macquarie Capital
DI	Authorised Deposit-Taking Institution	MAM	Macquarie Asset Management
NZ	Australia and New Zealand	MBL	Macquarie Bank Limited
APRA	Australian Prudential Regulation Authority	MEREP	Macquarie Group Employee Retained Equity Plan
ASX	Australian Stock Exchange	MGL / MQG	Macquarie Group Limited
AUM	Assets under Management	MIDIS	Macquarie Infrastructure Debt Investment Solutions
BCBS	Basel Committee on Banking Supervision	MiFID	Markets in Financial Instruments Directive
BEAR	Banking and Executive Accountability Regime	MIM	Macquarie Investment Management
BFS	Banking and Financial Services	MIRA	Macquarie Infrastructure and Real Assets
CAGR	Compound Annual Growth Rate	MW	Mega Watt
Capex	Capital Expenditure	NPAT	Net Profit After Tax
СВ	Capital Conservation Buffer	NPC	Net Profit Contribution
CET1	Common Equity Tier 1	NSFR	Net Stable Funding Ratio
CGM	Commodities and Global Markets	PCP	Prior corresponding period
OPS	Dividends Per Share	PPE	Property, Plant and Equipment
)RP	Dividend Reinvestment Plan	PPP	Public Private Partnership
OTA	Deferred Tax Asset	RMG	Risk Management Group
EMEA	Europe, the Middle East and Africa	ROE	Return on Equity
PS	Earnings Per Share	RWA	Risk Weighted Assets
EUM	Equity Under Management	SAF	Specialised and Asset Finance
X	Foreign Exchange	SME	Small and Medium Enterprise
Y21	Full Year ended 31 Mar 2021	SMSF	Self Managed Super Fund
SIG	Green Investment Group	ТМТ	Technology, Media and Telecoms
GLL	GLL Real Estate Partners	VaR	Value at Risk
FRS	International Financial Reporting Standards	YTD	Year to Date



# MIRA funds glossary

#### **Currently managed unlisted funds**

GIF II	Global Infrastructure Fund II
KPCF	Korea Private Concession Fund
KPCF2	Korea Private Concession Fund 2
KPCF3	Korea Private Concession Fund 3
KPCF4	Korea Private Concession Fund 4
LPC LV1	Logistics Property Company Logistics Venture 1
LMIF	Lombard Odier Macquarie Infrastructure Fund
MAFCA	Macquarie Agricultural Fund - Crop Australia
MAIF	Macquarie Asian Infrastructure Fund
MAIF2	Macquarie Asian Infrastructure Fund 2
MAIF3	Macquarie Asia-Pacific Infrastructure Fund 3
Tactical Club	Macquarie Asia-Pacific Real Estate Tactical Club
MAIT	Macquarie Australian Infrastructure Trust
MCRC	Macquarie China Retail Company
MCRC2	Macquarie China Retail Company 2
MCP	Macquarie Crop Partners
MEIF 2	Macquarie European Infrastructure Fund 2
MEIF 3	Macquarie European Infrastructure Fund 3

MEIF 4	Macquarie European Infrastructure Fund 4
MEIF 5	Macquarie European Infrastructure Fund 5
MEIF 6	Macquarie European Infrastructure Fund 6
MGREF2	Macquarie GIG Renewable Energy Fund 2
MGIDF	Macquarie Global Infrastructure Debt Fund
MGCIF	Macquarie Greater China Infrastructure Fund
MIP III	Macquarie Infrastructure Partners III
MIP II	Macquarie Infrastructure Partners III
MIP IV	Macquarie Infrastructure Partners IV
MIP V	Macquarie Infrastructure Partners V
MKOF	Macquarie Korea Opportunities Fund
MKOF3	Macquarie Korea Opportunities Fund 3
MKOF4	Macquarie Korea Opportunities Fund 4
MKOF5	Macquarie Korea Opportunities Fund 5
MMIF	Macquarie Mexican Infrastructure Fund
MPF	Macquarie Pastoral Fund
MRIF	Macquarie Russian Infrastructure Fund
MSIF	Macquarie SBI Infrastructure Fund
MSSits	Macquarie Special Situations Fund

MSIG	Macquarie Sub-Investment Grade Debt Fund
MSCIF	Macquarie Super Core Infrastructure Fund
MIGS	MIRA Global Infrastructure Solutions
MIGS II	MIRA Global Infrastructure Solutions II
OSWF	OffShore Wind Fund
PLP	Peel Logistics Partners
PINAI	Philippine Investment Alliance for Infrastructure
RHP	RHP Partners
SMIT	SBI Macquarie Infrastructure Trust
Stonehenge	Stonehenge
TIF	The Infrastructure Fund
UKCI	UK Climate Investments

#### **Currently managed listed funds**

MMREIT	FIBRA Macquarie
MIC	Macquarie Infrastructure Corporation
MKIF	Macquarie Korea Infrastructure Fund



















# Operational Briefing

Presentation to Investors and Analysts

9 February 2021