

# Market Release

19 August 2025

## Challenger announces FY25 results<sup>1</sup>

Strong result and delivery against growth strategy

### FINANCIAL STRENGTH

#### Strong performance and continued delivery against targets

- Normalised net profit after tax (NPAT)<sup>2</sup> \$456 million, up 9% and in-line with earnings guidance<sup>3</sup>
- Statutory net profit after tax \$192 million, up 48%
- Normalised basic earnings per share (EPS) 66.3 cents per share, up 9%
- Normalised post-tax Return on Equity (ROE) 11.8%, up 110 bps and above ROE target<sup>4</sup>
- Full year dividend 29.5 cents per share fully franked, up 11%

### SIMPLIFICATION

#### Focused on core capabilities; leveraging scale of digital transformation partners

- Re-platforming customer and investment technology to enable next phase of growth

### GROWTH

#### Sales remix improving future earnings

- Total Life sales \$8.6 billion
- Life book growth 1.9%; annuity book growth 4.9%
- Record retail lifetime annuity sales \$1.1 billion, up 26%
- Record Japanese annuity sales \$984 million, up 39%

#### Successfully executing strategy

- New retirement partnerships to deliver guaranteed income at scale
- Broadening credit asset origination capability
- Launching innovative income platform to issue new ASX listed income notes

**Challenger Limited (ASX:CGF)** today announced its full-year financial results for 2025, with normalised net profit after tax of \$456 million up 9% and in-line with earnings guidance.

Managing Director and Chief Executive Officer, Nick Hamilton said:

“In FY25, Challenger delivered against its key priorities – reporting a strong result as we achieved our financial targets, executed our strategic initiatives and progressed a digital transformation that will underpin the next phase of our growth strategy.

“Our business continued to demonstrate its standing as a retirement income leader. Record retail lifetime and Japanese annuity sales reflects the success of our strategy to grow longer duration, more valuable business and contributed to total Life sales of \$8.6 billion.

“We strengthened our relationships across the retirement market, adding new partnerships with superannuation funds, wealth managers and platforms. Most recently, our partnership with Insignia Financial demonstrates our ability to deliver retirement solutions for large clients, at scale.

“As we continue to innovate our customer solutions, we are excited to be launching our new income platform that will issue ASX listed income notes, pairing the best of our investment capability to meet Australians’ demand for quality, dependable income. Designed to be issued periodically, these notes provide higher income with the benefits of a fixed term debt security.

“Our asset origination capability is the engine of our growth plans. Investment in our platform has helped deliver higher yield for the balance sheet and, more broadly, provided clients with access to very attractive assets.

“Reflecting Challenger’s strong performance this year, the Board determined a fully franked dividend of 29.5 cents per share, an increase of 11% on last year.

Mr Hamilton also noted the positive outlook for Challenger:

“Challenger has a clear strategy and is executing against it. With our digital transformation well underway, we are becoming a simpler, customer-focused and higher-returning business that’s moving to the next phase of growth.

“More broadly, our business has the ambition to meet the retirement ‘megatrend’ and benefit from structural market growth and regulatory reform. APRA’s capital standard reforms for annuity products will lower insurers’ capital requirements, support industry growth and improve balance sheet resilience. Importantly, reform will also help ensure guaranteed income is an essential building block of retirement plans for millions more Australians.

“Our strong progress in FY25, combined with market drivers, ensures that Challenger is in great shape for the coming year. We will maintain our financial strength, deliver a compelling customer experience and broaden our range of retirement and income solutions that will drive growth and shareholder value.”

## **Group financial performance**

Normalised NPAT was up 9%, driven by higher earnings and includes management’s actions to simplify the business model and structurally change the expense base.

Statutory NPAT increased 48% to \$192 million and includes the impact of unrealised Australian office revaluations and performance of the alternatives portfolio.

Normalised basic EPS was up 9% to 66.3 cents per share, reflecting the increase in normalised NPAT.

Normalised ROE increased 110 bps to 11.8%, exceeding the ROE target.

The Challenger Board determined a fully franked full year dividend of 29.5 cents per share, an increase of 11%.

## Life

Challenger Life is Australia's leading retirement income brand and provides customers with certainty of income and the confidence to spend in retirement.

Life normalised NPAT increased 6% to \$461 million driven by an increase in normalised cash operating earnings (COE), at the same time as the business invests for future growth. Normalised COE margin increased 7 bps to 3.19% and normalised ROE increased 80 bps to 13.5%.

Total Life sales of \$8.6 billion included record retail lifetime and Japanese (MS Primary) annuity sales, which supported annuity book growth of 4.9% and total Life book growth of 1.9%.

Exceptional retail lifetime annuity sales of \$1.1 billion were up 26% and demonstrates the growing demand for guaranteed income as more Australians enter retirement and aged care. This also reflects Challenger's successful strategy to grow longer tenor, more valuable annuity sales.

Japanese annuity sales grew strongly increasing 39% to \$984 million which was double the FY25 annual minimum target<sup>5</sup>.

Fixed term annuity sales increased by 2% to \$3.0 billion, with an inverted yield curve driving investor preference for shorter duration products.

Challenger Index Plus sales were \$3.4 billion. The outlook for this offering remains positive, demonstrated by the business winning a new long-term mandate of up to \$500 million with a leading global investment manager.

The tenor of new business annuity sales was 6.3 years<sup>6</sup> and continues to support an improvement in overall Life book composition.

Challenger Life remained strongly capitalised with a Prescribed Capital Amount (PCA) ratio of 1.60 times the minimum regulatory requirement and \$1.7 billion excess capital, which provides financial flexibility and will support future growth.

### Retirement partnerships

Challenger has made significant progress against its objective to build partnerships with superannuation funds, wealth managers and platforms over the last three years. This has included partnerships with Telstra Super, Aware Super, Commonwealth Super Corporation and NGS Super.

Most recently, Challenger and TAL secured a pivotal retirement partnership with Insignia Financial (ASX:IFL) for their launch of MLC Retirement Boost.

## Funds Management

Funds Management is one of Australia's largest active fund managers and provides clients with a range of growth and income strategies across Fidante and Challenger Investment Management (Challenger IM).

Funds Management normalised NPAT increased by 41% to \$53 million. This was driven by higher net fee income from placement and performance fees and initiatives to structurally change the expense base.

Funds Management showed its strength and value, with Funds Under Management (FUM) of \$112.8 billion, which has grown almost six-fold over the last 15 years.

FUM includes the impact of outflows from low-margin institutional mandates across equities and fixed income, including a transitional mandate that was secured and redeemed during the period. This was partially offset by record European net flows and strong retail flows in equities and alternatives.

Investment performance remained strong, with 82% of Fidante's products rated 'Recommended' or 'Highly Recommended' and 77% of Fidante affiliates outperforming their respective benchmark over the past five years.

### **Innovative and expanded offering**

Challenger will be launching a new and innovative income platform that will issue ASX listed, unsecured fixed income notes backed by a portfolio of public and private credit. Designed to be issued periodically, it combines the features of a fixed-income investment with the accessibility of a listed security in a fixed term structure. This new offering leverages Challenger's retirement and asset management expertise and reflects the business' focus on expanding its range of income solutions.

Fidante also welcomed global long-short manager System Capital to its platform, as investors increasingly seek high quality alternative investment capabilities.

### **Leading asset origination platform**

Challenger continued to expand its highly regarded asset origination platform that will support growth across its retirement and income solutions and meet growing demand for higher yielding income strategies.

In FY25, Challenger broadened its mortgage origination and servicing platform. This included acquiring a NZ\$560 million book of New Zealand residential mortgages for Challenger Life, that represented a compelling investment opportunity and attractive risk-adjusted returns.

### **Digital transformation**

In September 2024 Challenger appointed State Street, a global leader in investment services, to provide its investment administration and custody services. Key milestones to date include successful transition of UCITS, custody services and fund administration across a number of funds.

Challenger has continued to execute its program to modernise its core customer registry and technology for the Life business, in partnership with Accenture. The program impacts over 70 systems, with progress to date including system build of our core registry system and completing the majority of workflows. The uplifted customer platform will materially improve how Challenger integrates its capabilities with advisers, platforms and superannuation funds, make it easier to do business with Challenger and enhance productivity.

### **Outlook**

From FY26, Challenger's earning guidance will move from normalised NPAT to normalised basic EPS, as it is a better reflection of shareholder returns.

In FY26, Challenger is targeting a normalised basic EPS guidance range of between 66 and 72 cents per share<sup>7</sup>, with the mid-point (69 cents per share) representing a 4% increase on FY25.

## Key metrics

	FY25	FY24	Change
Normalised NPAT (\$m)	456	417	9%
Statutory NPAT (\$m)	192	130	48%
Normalised basic EPS (cps)	66.3	60.9	9%
Statutory basic EPS (cps)	28.0	19.0	47%
Normalised ROE post-tax (%)	11.8	10.7	110 bps
Normalised cost to income ratio (%)	32.3	33.8	(150 bps)
Total Group AUM (\$bn)	123.9	127.1	(3%)
Full year dividend (cps)	29.5	26.5	11%
CLC PCA ratio (times)	1.60	1.67	(0.07x)
Annuity sales (\$bn)	5.2	5.2	-
Annuity net book growth (%)	4.9	5.5	(60 bps)
Total Life sales (\$bn)	8.6	9.1	(6%)
Life net book growth (%)	1.9	3.6	(170 bps)
Funds Management net flows (\$bn)	(11.6)	10.1	n.a

ENDS

This release has been authorised by Challenger's Continuous Disclosure Committee.

## About Challenger

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates a fiduciary Funds Management division and an APRA-regulated Life division.

Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

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<sup>1</sup> All growth rates compare the year ended 30 June 2025 against the year ended 30 June 2024 (the prior corresponding period or pcp), unless otherwise stated.

<sup>2</sup> For further detail on the normalised reporting framework refer to page 59 of the 2025 Analyst Pack.

<sup>3</sup> Updated 2025 full year guidance range for normalised NPAT of between \$450 million and \$465 million provided on 17 April 2025.

<sup>4</sup> Normalised ROE (post-tax) target of 11.2% being the RBA cash rate plus a margin of 12% less tax (equivalent to a Normalised ROE pre-tax target of ~16.4% and assumes tax rate of 31.3% in FY25).

<sup>5</sup> Reinsurance across Australian dollar, US dollar and Japanese yen annuities of at least ¥50 billion (~A\$490m based on the 3-month average exchange rate at 30 June 2024) per year for a minimum of five years, subject to review in the event of a material adverse change for either MS Primary or Challenger Life.

<sup>6</sup> Based on new business annuity sales, including term annuities and lifetime sales, excluding reinvestments.

<sup>7</sup> FY26 normalised basic EPS guidance assumes FY26 Group normalised NPAT of between \$455 million and \$495 million and no material change to the number of total issued shares.