

25 February 2016

EQT Holdings Limited (ASX: EQT) – Half Year Result

EQT Holdings Limited (Equity Trustees) today released its auditor reviewed results for the six months to 31 December 2015, confirming solid underlying revenue and business momentum.

| | 6 months to 31 Dec 2015 \$m | 6 months to 31 Dec 2014 \$m | % Change Fav (Unfav) |
|--|-----------------------------------|-----------------------------------|----------------------------|
| Operating Revenue | 42.6 | 41.1 | 3.6 |
| Operating Expenses | (28.5) | (27.6) | (3.3) |
| Operating profit before tax and amortisation of intangibles | 14.1 | 13.5 | 4.2 |
| Income Tax Expense | (3.9) | (3.8) | |
| Operating profit after tax (before amortisation of intangibles) | 10.2 | 9.7 | 4.2 |
| Amortisation of intangibles | (0.7) | (0.8) | |
| Non-operating items (net of tax) | (2.5) | (1.3) | |
| Net profit after tax | 7.0 | 7.6 | (8.6) |
| Earnings Per Share (¢) | 35.25 | 39.77 | (11.4) |
| Underlying Earnings Per Share (¢) | 51.19 | 50.65 | 1.1 |
| Interim Fully Franked Dividend (¢) | 34.0 | 46.0 | (26.1) |
| Operating Margin (%) | 33.1 | 32.8 | |

"The increase in revenue and operating profit in the current economic environment was particularly encouraging," said Equity Trustees Chairman, Mr Tony Killen.

"Although lower market values have adversely affected our significant asset-based revenue element, the business has been able to show positive revenue growth from organic sources. In addition, operating costs have been well contained and therefore the operating margin has increased slightly.

"As previously flagged, a number of substantial one-off projects, along with the amortisation of intangibles, impacted the bottom line performance. These projects are expected to be substantially complete this financial year. The business is in a strong position for the future and the

EQT Holdings Release



Board is confident that we are well placed to weather the current conditions and succeed for the future.”

He added: “The acquisition of ETWSL (formerly ANZ Trustees) has been a significant success for Equity Trustees. Although markets have affected the earnings growth we may have expected following the integration, the increased scale and capabilities have facilitated the one-off projects we are currently undertaking. These projects would have cost the company a very similar amount, but on a significantly lower revenue and earnings base if we had not acquired ETWSL.”

Equity Trustees’ interim fully franked dividend will be paid at 34 cents per share - a payout ratio of approximately 66% of the underlying operating earnings. This reflects the Company’s prudent approach in the current volatile market conditions, and in light of the significant non-operating and regulatory expenses being incurred in this financial period.

Managing Director, Mr Robin Burns said: “I am pleased that underlying business activity and momentum continue to be strong. Whilst our revenues have been impacted by lower financial markets, it was pleasing to see our operating margin increase slightly from 32.8% to 33.1%.

“The actual underlying position is somewhat better than this, as we have included in operating expenses, certain one-off re-structuring costs and the benefits from these will flow in subsequent periods. Given the increase in business and client activity, this helps illustrate the synergies we are achieving post integration.

“Total Funds under Management and Administration were \$56.9b at 31 December 2015, which was 19.3% higher than the prior corresponding period and we retain a strong balance sheet with minimal debt. We are pleased with progress as we build a stronger foundation for the future and remain confident about our ability to continue to grow the company in both the corporate services and private wealth sectors and provide attractive rewards for all stakeholders,” Mr Burns concluded.

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Trusted since 1888, Equity Trustees helps with the financial and emotional challenges of preserving, growing and transitioning wealth between generations. It provides a range of financial services to corporate and private clients including Wealth and Asset Management, Estate Planning and Administration, Philanthropy, Superannuation, Aged Care Advice and Placement.

EQT Holdings Limited is a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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EQT Holdings Limited (EQT)

First half results to 31 December 2015

25 February 2016

Agenda



Summary

Group Performance

Business Unit Performance

- Trustee & Wealth Services (TWS)
 - Corporate Trustee Services (CTS)
-

Conclusion

Solid 1H Performance



Summary

- Group Operating Profit up 4% to \$14.1m and Net Profit after Tax \$7.0m
- Solid growth in core business with FUM/A up 19% to \$56.9b and Group Operating Margin of 33% maintained
- Scheme of Arrangement to improve flexibility of capital structure implemented
- Three key projects on track to strengthen EQT's foundation for the future
- 1H Dividend at 34 cps, fully franked – reflects current period one-off costs and more volatile markets

Overview – 1H Group Results



| | 1H FY2016 \$m | 1H FY2015 \$m | Change |
|--|------------------|------------------|---------------|
| Operating revenue | 42.6 | 41.1 | 3.6% |
| Operating expenses | (28.5) | (27.6) | 3.3% |
| Operating profit before tax | 14.1 | 13.5 | 4.2% |
| Income tax expense | (3.9) | (3.8) | |
| Operating profit after tax | 10.2 | 9.7 | 4.2% |
| Amortisation of intangibles (nil tax) | (0.7) | (0.8) | |
| Non-operating items (net of tax) | (2.5) | (1.3) | |
| Net profit after tax | 7.0 | 7.6 | (8.6%) |
| Earnings per share (cents) | 35.25¢ | 39.77¢ | |
| Underlying earnings per share (cents) | 51.19¢ | 50.65¢ | |
| Dividend per share (fully franked) | 34¢ | 46¢ | |
| Operating margin (%) | 33.1% | 32.8% | |

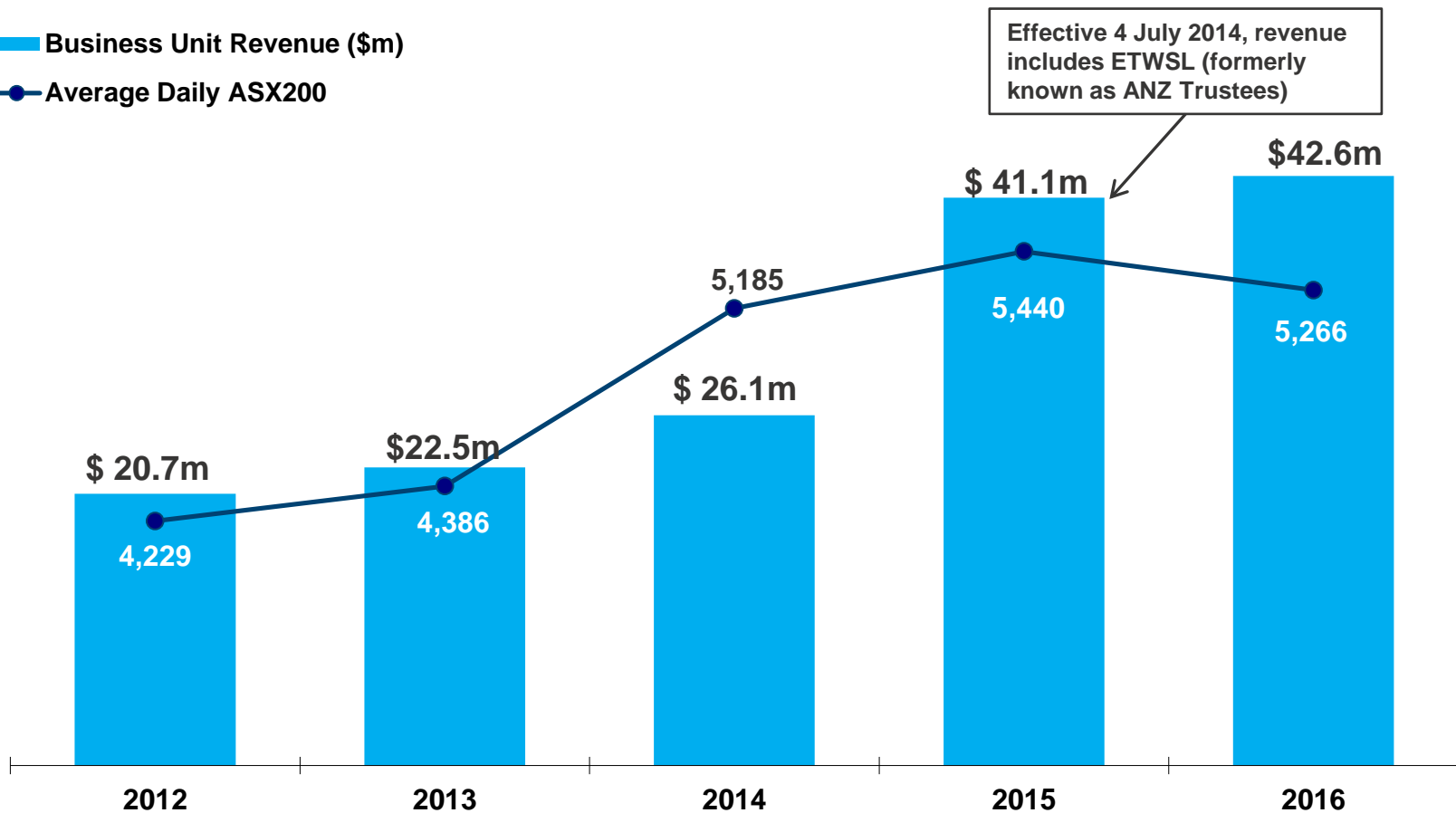
1H Revenue up 4% in Declining Equity Markets



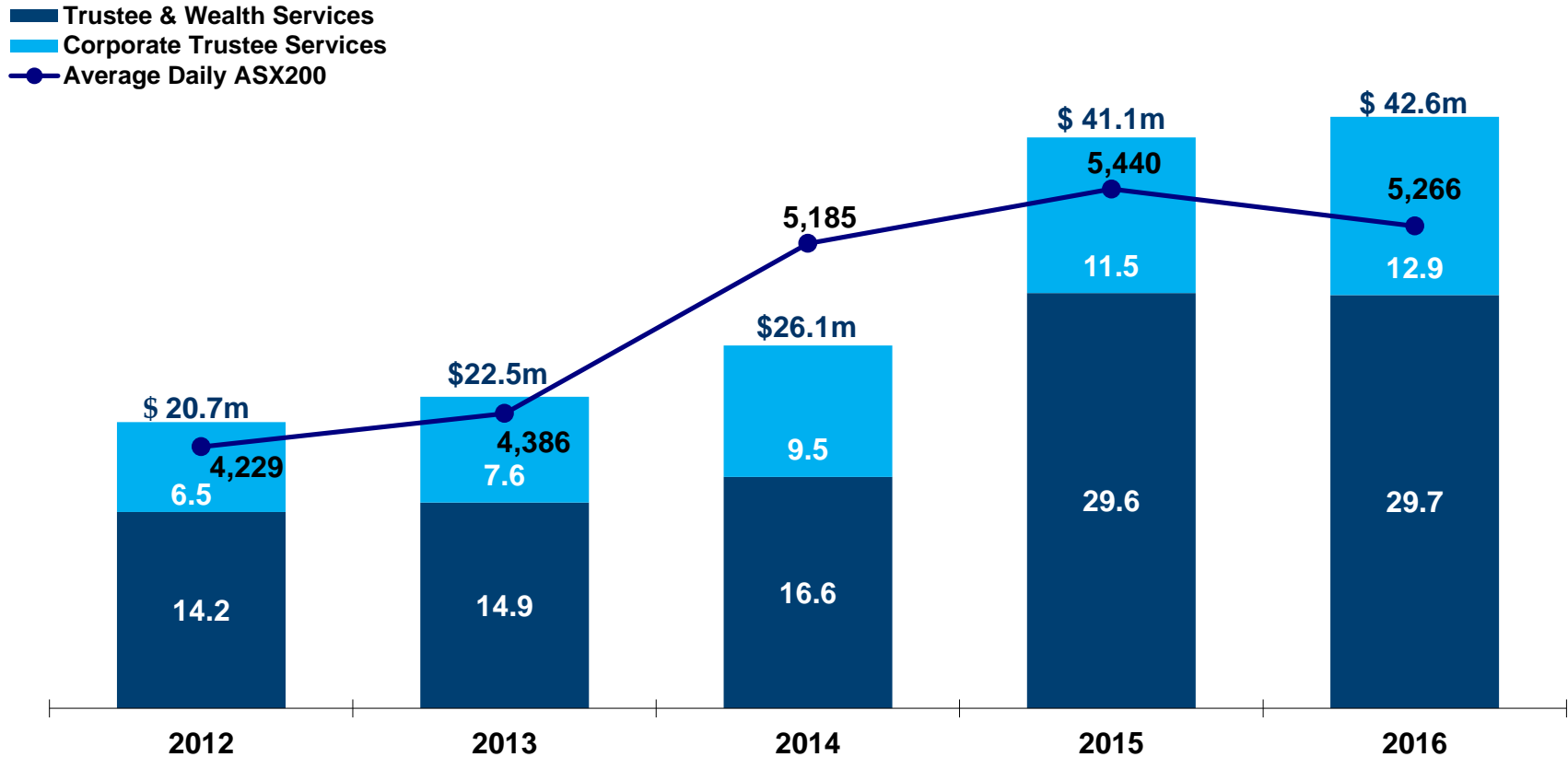
Operating revenue up 4% to \$42.6m

Business Unit Revenue (\$m)

Average Daily ASX200



1H Revenue – Composition

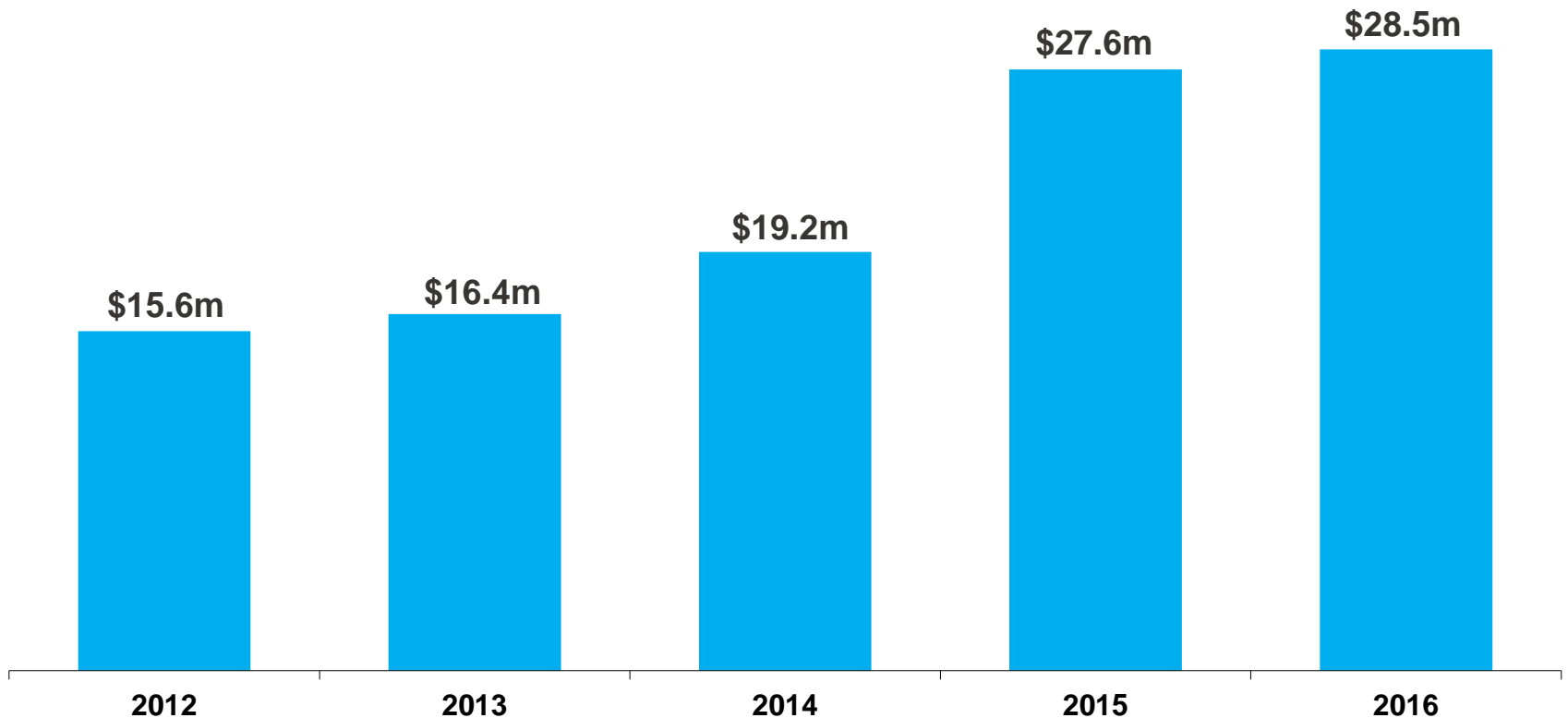


- CTS: +/-1% change in global equity markets = ~ +/- 0.5% change in revenue
 +/-1% change in A\$ = ~ +/- 0.70-0.75% change in revenue
- TWS: +/-1% change in ASX = ~ +/- 0.5-0.6% change in revenue

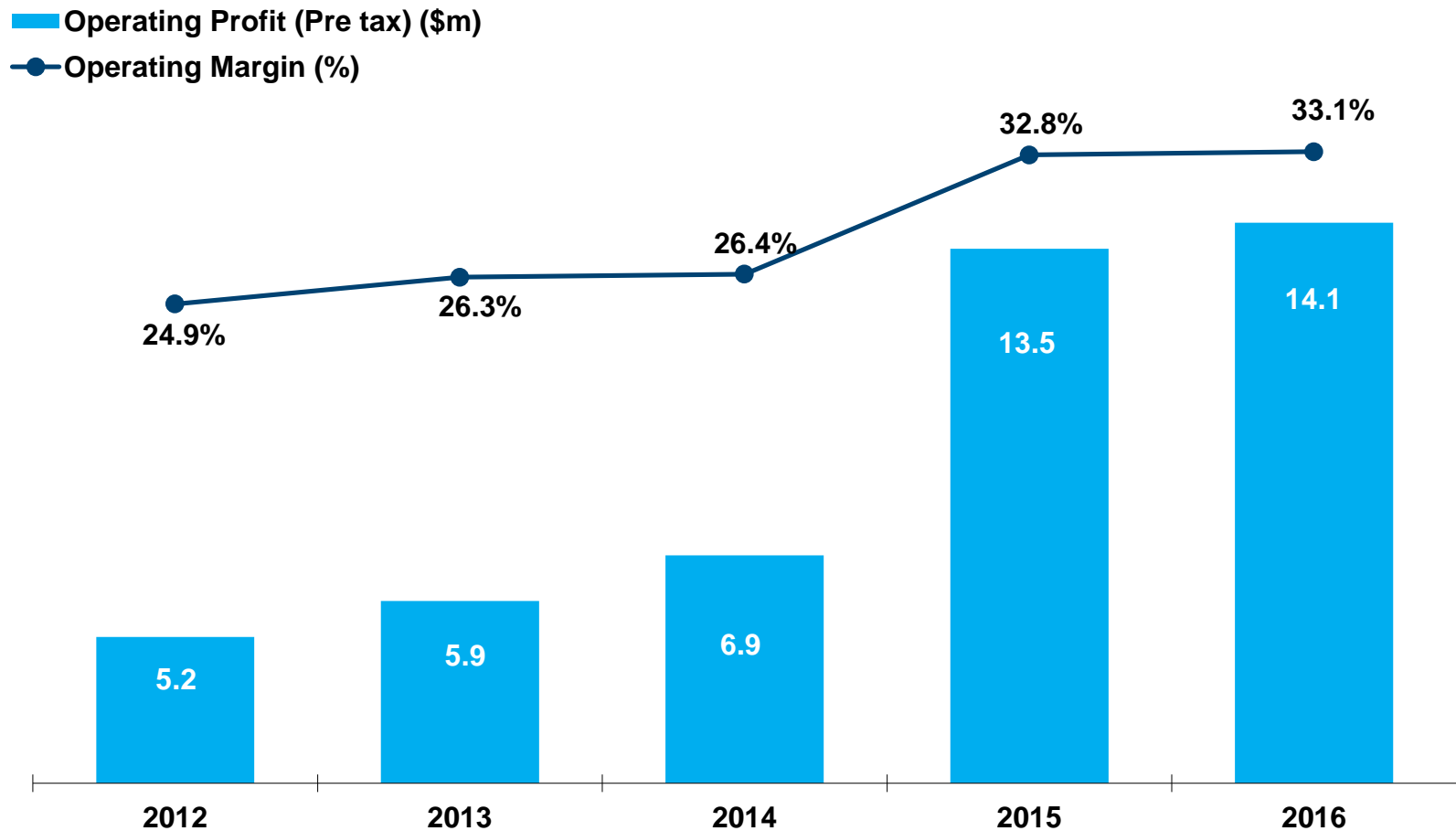
1H Operating Expense Growth Contained to 3 %



- Operating expenses up 3% to \$28.5m
- Includes restructuring costs



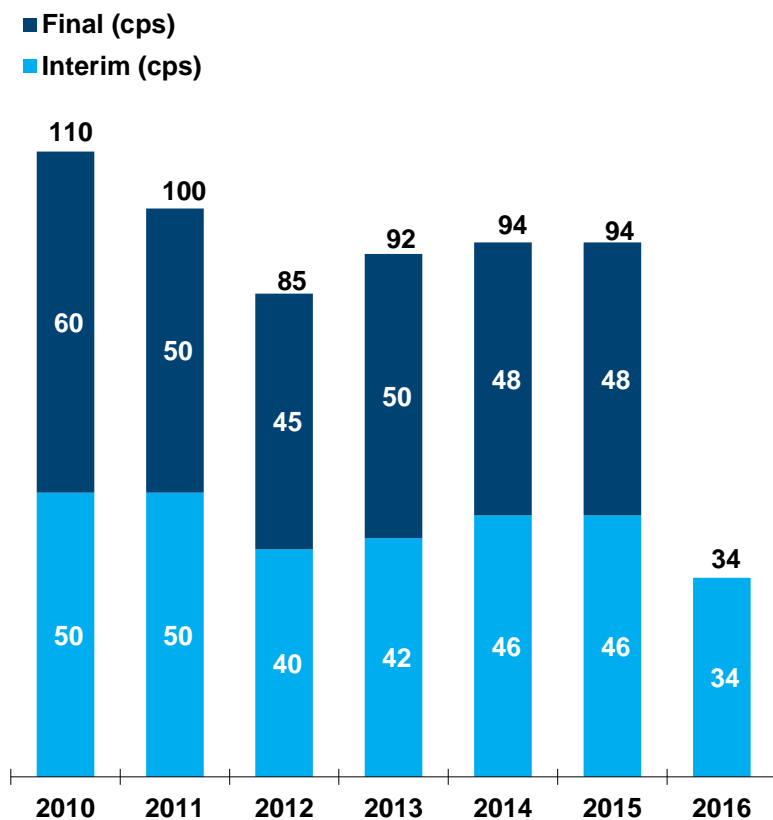
Strong Operating Margin Maintained



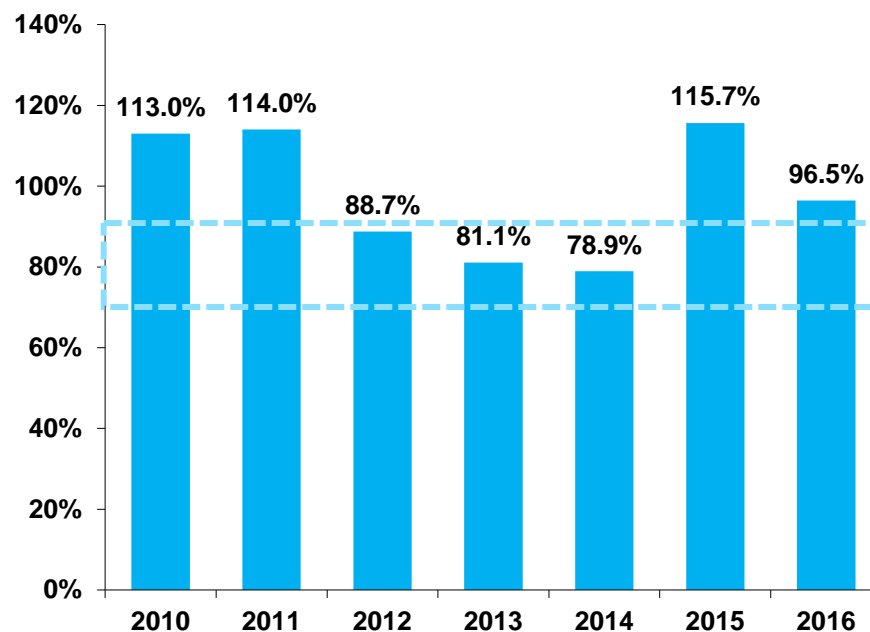
Returns to Shareholders



Dividend history



First half dividend as percentage of reported EPS



Dividend payout policy range

Business Units – 1H Performance



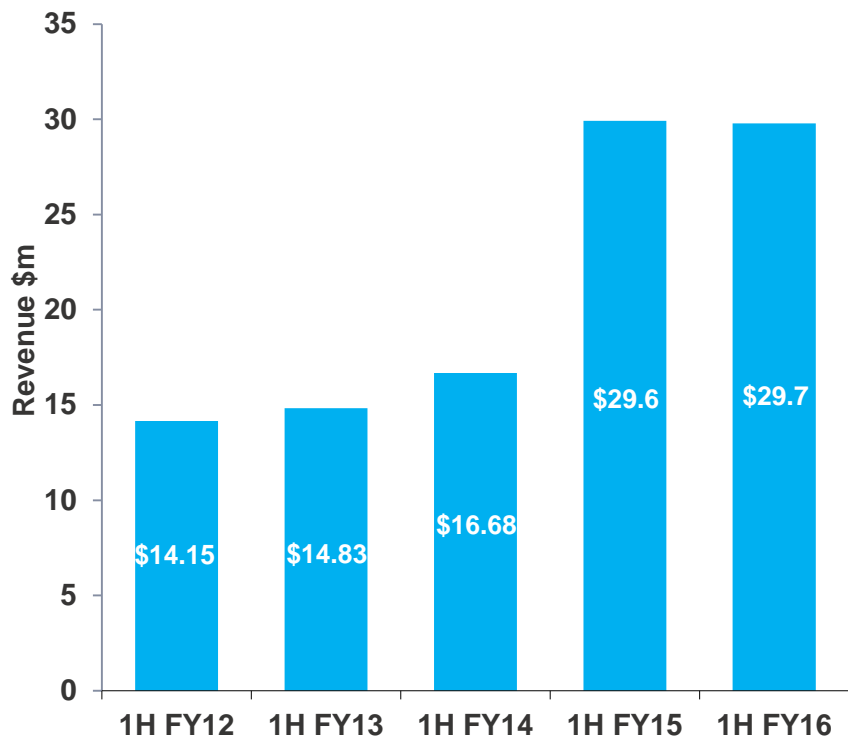
Trustee & Wealth Services (TWS)

Corporate Trustee Services (CTS)

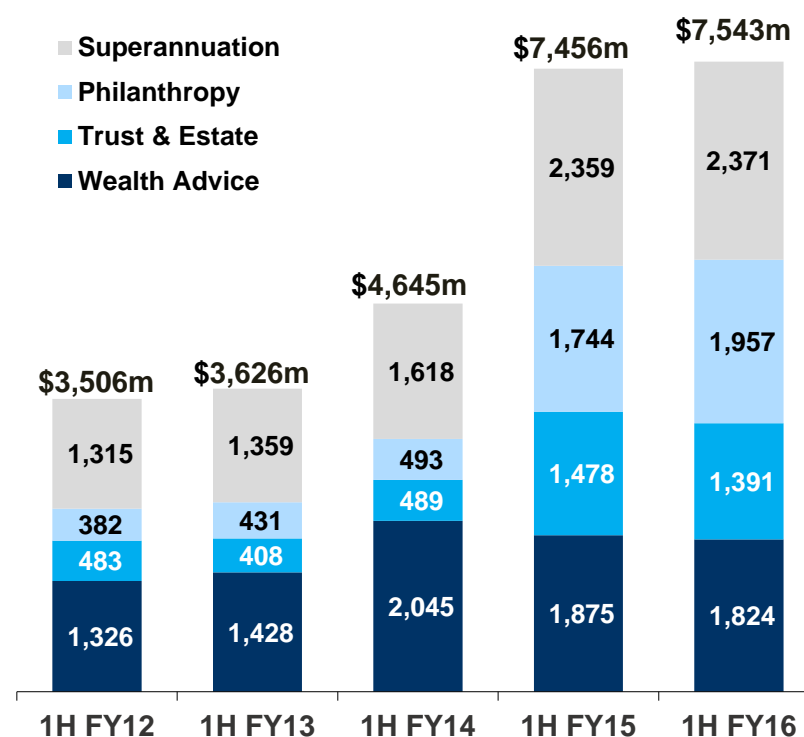
Business Unit 1H Overview – TWS



Underlying growth offset by declining markets



FUM/A at 31 December 2015 up 1% to \$7.5b



Note: FUM/A categorised by individual business

Repositioning the Superannuation Business for Growth



- Pursuing scale through the integration of EQT Super funds with KPMG Executive fund
- Outsourcing administration to KPMG – focus on growing FUM as Trustee, Custodian and Asset Manager
- Building specialist capability to continue to grow superannuation business through Trustee for Partner strategy (refer to FUM/A increase – slide 11)
- Decrease in revenue through exit of superannuation administration and insurance to be offset by consolidation of smaller funds, asset management opportunities and new business
- Reduction in regulatory risk and avoids future substantial cost impost from stronger super

Business Unit 1H Overview – TWS



Operating revenue

\$30m

FUM/A now totals

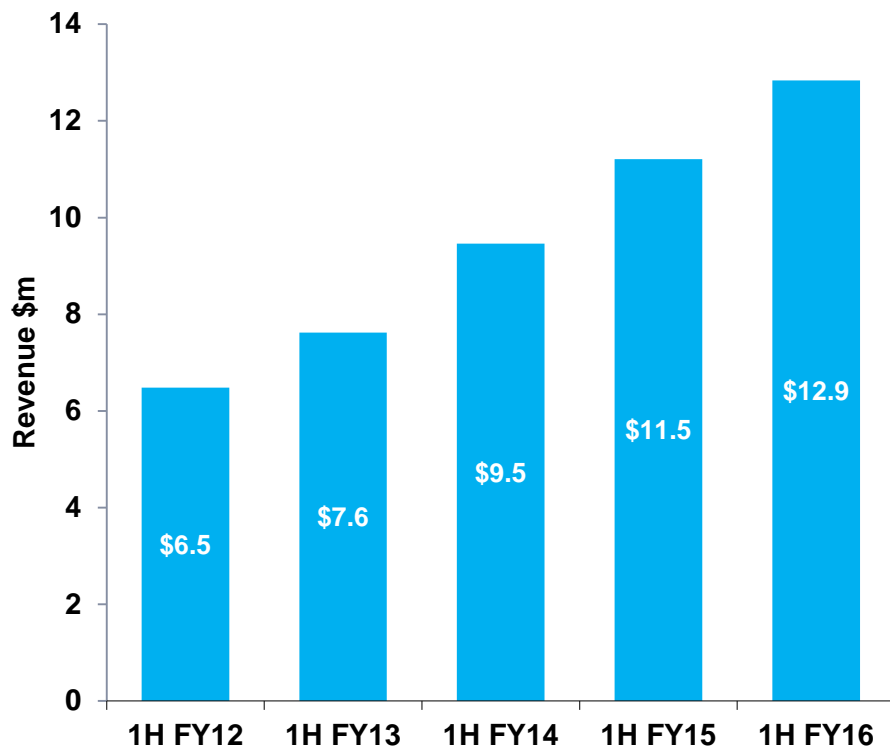
\$7.5b

- Strong growth in compensation trusts through external referral networks
- External referrals for estate planning up 25%
- Campaign to internal will bank clients underway
- Superannuation Trustee business continues to perform well through the establishment of Superannuation Portfolio Services and Trustee for Partner strategy
- Excellent client retention from acquired base, almost 100% and ANZ relationship working well
- Deploying Client Centric Operating Model
- Organic revenue growth offsetting exit of superannuation administration (3 months reduction of revenue in FY16) and volatile markets

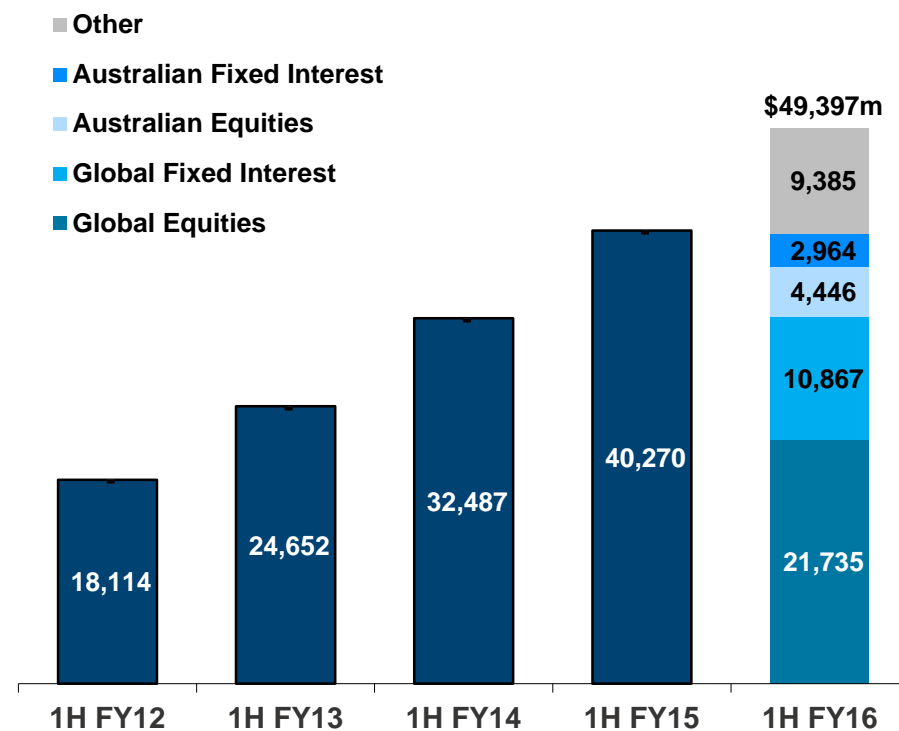
Business Unit 1H Overview – CTS



Operating revenue up 12.2% to \$12.9m



FUM/A at 31 December 2015 up 22.7% to \$49.4b



- Exit of distribution business represents loss of retail margin on ~ \$4.4b (but keeping Responsible Entity margin)
- Strong organic customer growth – expected to replace distribution margin within 6-12 months

Business Unit 1H Overview – CTS



Operating revenue
up by
12.2%
to **\$12.9m**

FUM/A up by
22.7% to
\$49.4b

- Acting as fiduciary for 212 funds across 86 fund manager clients; a net increase of 13 funds and 4 clients
- FUM from new clients of \$2.6b
- Further expansion and diversification in range of fiduciary roles
- PIMCO and SG Hiscock internalised sales & distribution operations (Responsible Entity roles retained)
- Expecting core organic revenue growth to offset loss of distribution revenues

Building a Foundation for Growth

Key Projects on track



| One-off Key Projects (\$'m) | Actual | Forecast | Forecast |
|--|-------------|-------------|-------------|
| | 1H FY16 | 2H FY16 | 1H FY17 |
| Corporate Restructure | 0.77 | 0.30 | - |
| Superannuation Restructure | 1.41 | 0.89 | - |
| Business Assurance (Enhancing Risk & Regulatory Management) | 1.34 | 1.16 | 0.75 |
| Other | 0.60 | 0.15 | 0.20 |
| Total | 4.12 | 2.50 | 0.95 |
| Tax | (1.62) | (0.75) | (0.29) |
| Total (net of tax) | 2.50 | 1.75 | 0.66 |

Business Assurance Project: Building for Growth



Continuing to address the rapidly changing and increasingly complex regulatory and compliance environment:

- Enhancing the Risk Management and Regulatory Compliance framework to ensure EQT remains highly competent in Risk Management
- Updating and harmonising all policies, procedures and practices enterprise wide
- Robust foundation to respond to the challenges in a volatile and fast changing market
- Project completion by December 2016

Conclusion



- Clear strategy with good momentum in core business
- Corporate Trustee Services
 - Achieving strong organic growth with significant FUM and new customer increases
- Trustee & Wealth Services
 - Growth in core business enduring revenues partially offset by the decline in equity markets
 - Growth through Trustee for Partner strategy and cross-sell of core products to expanded client base progressing well
- Organic revenue growth expected to broadly offset exit of CTS distribution business and repositioning of superannuation business in FY16
- Key projects to improve flexibility of capital structure along with enhancing the risk management, regulatory and compliance framework are on track and creating a stronger foundation for growth

Appendices

1. Business Units
2. Full Year Dividend payout ratio
3. Cash Flow

Appendix 1: Business Units



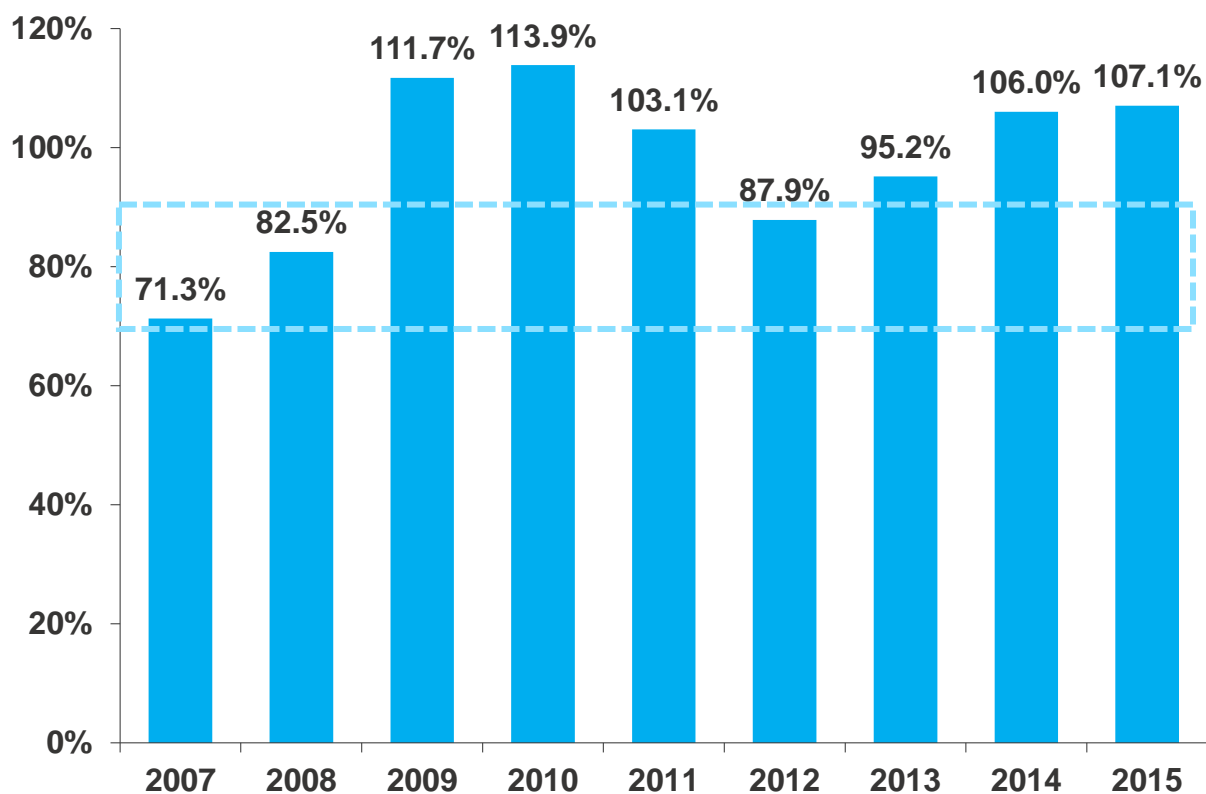
| Business unit | Key services | Target market / channel |
|--|--|---|
| Trustee & Wealth Services (TWS) | <ul style="list-style-type: none">• Personal estates & trusts• Philanthropy• Wealth management• Asset management• Aged care advisory services• Trustee for employer and personal superannuation | <ul style="list-style-type: none">• Private clients• Business to business referrals• Small-medium size corporates• Members• External distribution via planning networks |
| Corporate Trustee Services (CTS) | <ul style="list-style-type: none">• Responsible entity• Fiduciary services for institutional clients | <ul style="list-style-type: none">• Investment managers• Institutional investors• Corporate/Super Funds |

Appendix 2: Full-year dividend as percentage of reported EPS



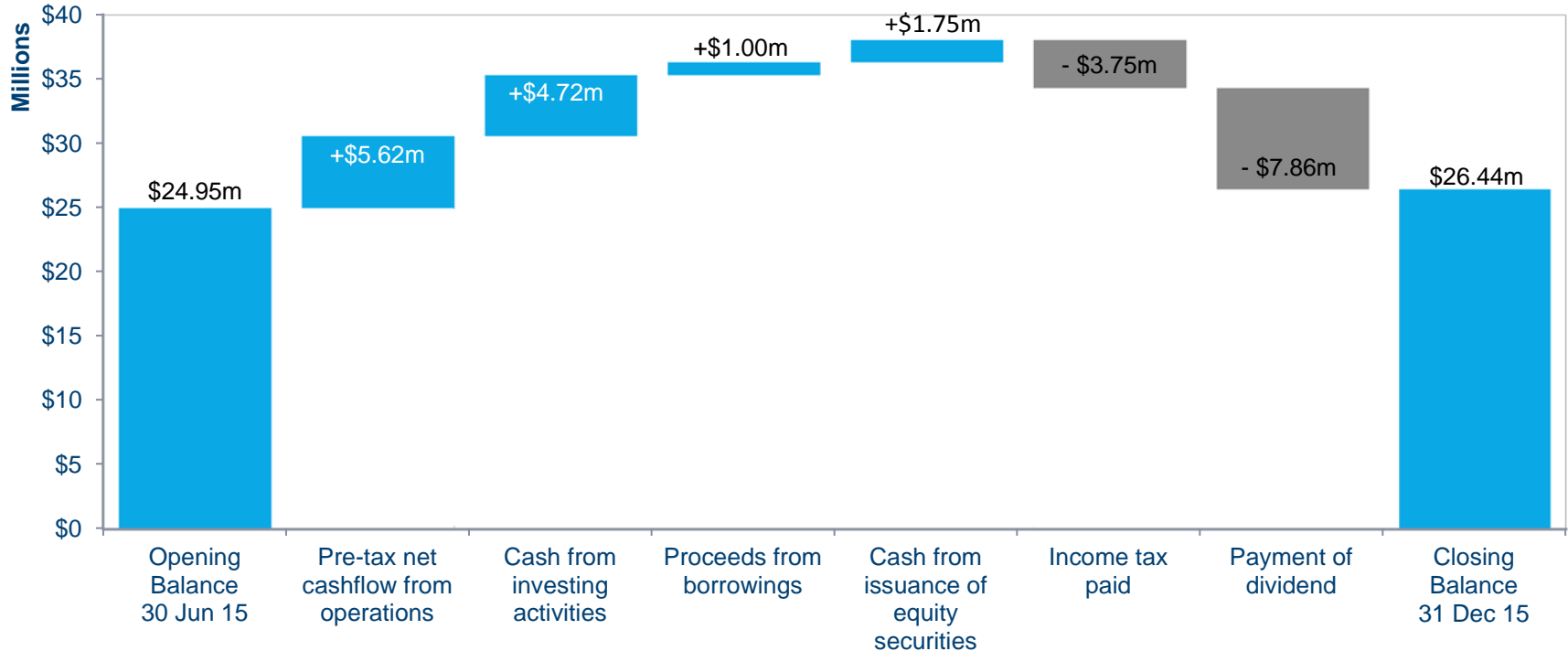
■ Dividend payout ratio on Reported NPAT EPS

Target Ratio: 70-90% of NPAT



▭ Dividend payout policy range

Appendix 3: Strong Operating Cash Flow



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