

1 September 2016

### FY16 Investor Presentation - Updated

Please be advised that further to the ASX announcement released yesterday entitled '2016 Full Year Results Announcement & Presentation' some minor changes and additional information has been included in the presentation's slides numbered 7, 11, 12 and 13.

A revised investor presentation is attached.

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*Equity Trustees was established in 1888 to provide independent and impartial trustee and executor services to help families throughout Australia protect their wealth. As one of Australia's largest listed independent trustees, we offer a diverse range of services to individuals, families and corporate clients including aged care advice, asset management, estate planning, philanthropic services and responsible entity services for external fund managers.*

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**EQT Holdings Limited (Equity Trustees)**  
**Investor Presentation**  
**Full Year Results to 30 June 2016**

Mick O'Brien, Managing Director  
Philip Gentry, Chief Financial Officer

1 September 2016

# Agenda



**Overview**



**Financials**



**Strategy Update and Outlook**



**Q & A**

## ***Solid underlying result***

- Underlying organic revenue growth 6%
- Operating Profit Before Tax (OPBT) down 5%
- FUMAS\* up 16% to \$65b

## ***Result reflects business transition***

- Exit from non-core activities
  - Funds distribution / Superannuation administration
- Investment in business
  - Corporate restructure / Superannuation upgrade / Risk and assurance upgrade

## ***Well positioned for growth – targeting significant improvement FY17 NPAT***

- Positive early momentum
- Building on successful ANZ Trustee integration
- Further upside from operating model review

\*FUMAS: Funds under management, administration, advice and supervision

## Building for growth

- Attractive market **opportunities**
- Clear **growth drivers** in each business
- Equity Trustees aims to be the **market leader** in chosen parts of the wealth value chain
  - Corporate Trustee Services (CTS)
    - Responsible entity services
  - Trustee & Wealth Services (TWS)
    - Philanthropic business
    - Compensation Trusts
    - Indigenous Trusts
    - Trustee for Partner roles in superannuation
- **Strongly positioned** to deliver

# *Building the platform for growth*

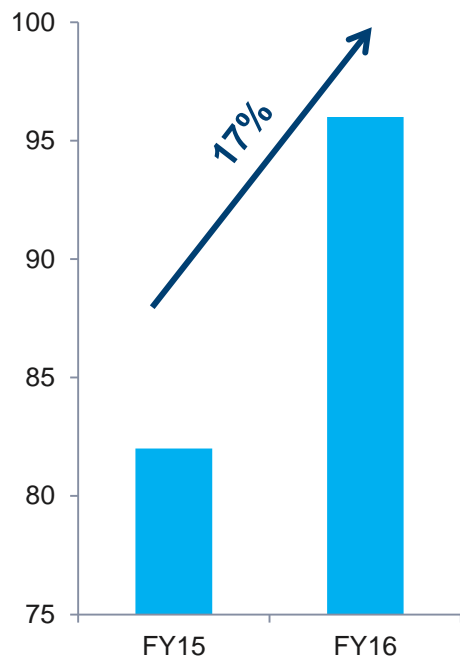


- Equity Trustees **undertook a key restructure and other initiatives** in FY16 to streamline and reposition the business for growth:
  - Corporate restructure – new holding company
  - Repricing of superannuation and outsourcing of superannuation administration
  - Exiting funds distribution
- **Operating model review** is ready for implementation
  - Simplifying the business
  - Improving productivity
  - Enhancing customer outcomes
- **Sound** capital position provides security and flexibility
- **Strong leadership**
  - Refreshed and experienced management team
  - Capable, experienced Board

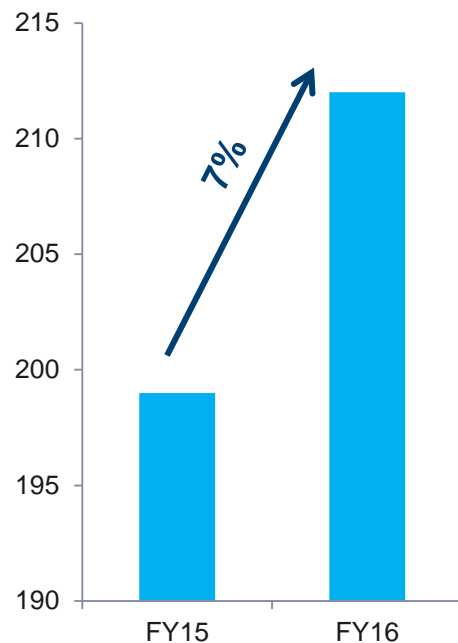
# CTS growth highlights



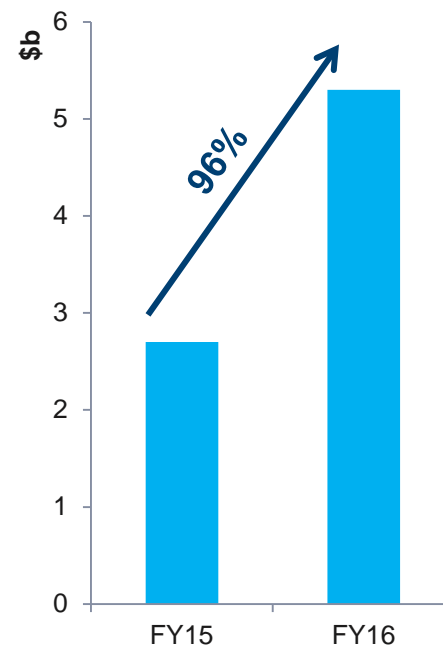
### No. Managers



### No. Funds



### New Clients FUS\*



\*FUS: Funds under supervision

# TWS growth highlights



## Superannuation

### Superannuation business upgrade

- Focus on EQT core capabilities – Trustee, Custodian, Funds Management
- Administration out-sourced
- Consolidation of funds
- Simplification of products
- Competitive pricing

**\$750m** ↑

additional funds managed by Equity Trustees

### Trustee for partner strategy

- Encouraging pipeline of opportunities



## Private Clients

8 new **Compensation Trusts** ↑ **8%** \*

**156** estate management clients – up 3%

35 new **advice clients** ↑ **9%** \*

**83** new **Testamentary Trusts** – up 9%\*

\*% Increases are based on total client numbers

## Philanthropy

↑ **13** new **Perpetual Charitable Trust Clients** (up from long-term average of 3 to 4 p.a.)

Implementation of **new Grant and Program Evaluation Strategy** to strengthen client proposition

**\$71m**

distributed via ~3,000 individual grants, donations and distribution



# *Financials*

*Philip Gentry, Chief Financial Officer*



# Group financial performance



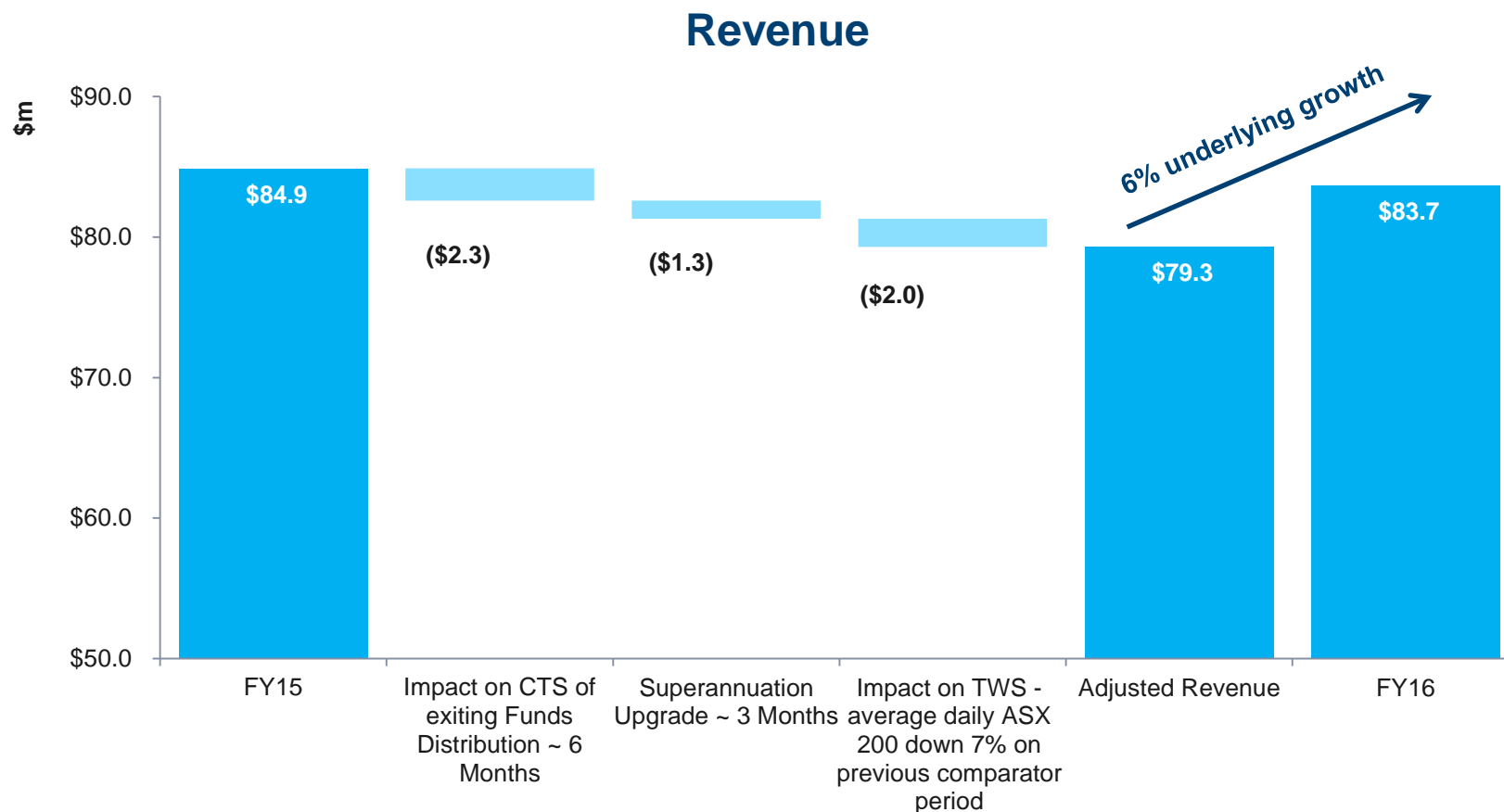
	FY16 \$m	FY15 \$m	FY16 v FY15 %
Revenue	83.7	84.9	(1.4)
Operating Expenses	57.0	56.7	0.5
OPBT	26.7	28.2	(5.1)
Projects	6.4	4.0	58.4
Redundancy	1.4	-	100.0
NPBT	18.9	24.2	(21.7)
Tax	5.6	7.2	(21.9)
NPAT	13.3	17.0	(21.6)
OPAT*	18.8	19.8	(5.1)
Diluted EPS on OPAT (cps)	93.9	101.9	(7.9)
Diluted EPS on NPAT (cps)	66.5	87.2	(23.7)
Dividends (cps)	68.0	94.0	(27.7)
ROE on OPAT (%)	7.8	8.2	(0.4)

## Key Points

- **Solid underlying** revenue growth offset by exit from funds distribution, upgrading of superannuation business and adverse equity markets
- **Disciplined** expense control
- **One-off** projects largely complete
- **Final dividend of 34cps** in line with interim dividend

\*OPAT is OPBT tax affected

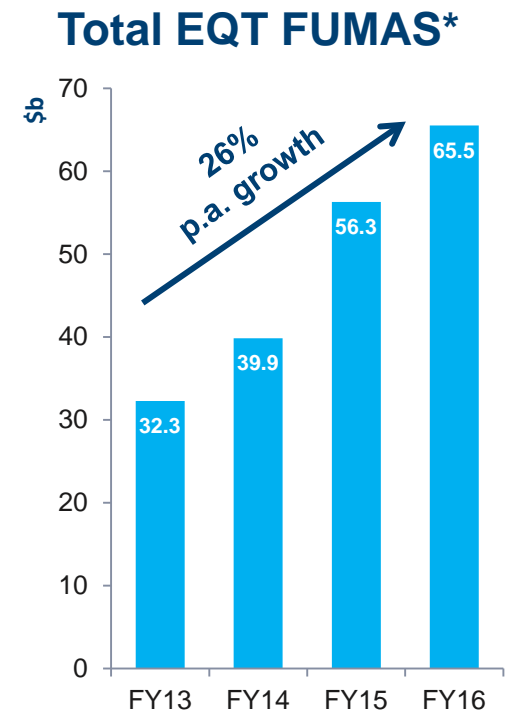
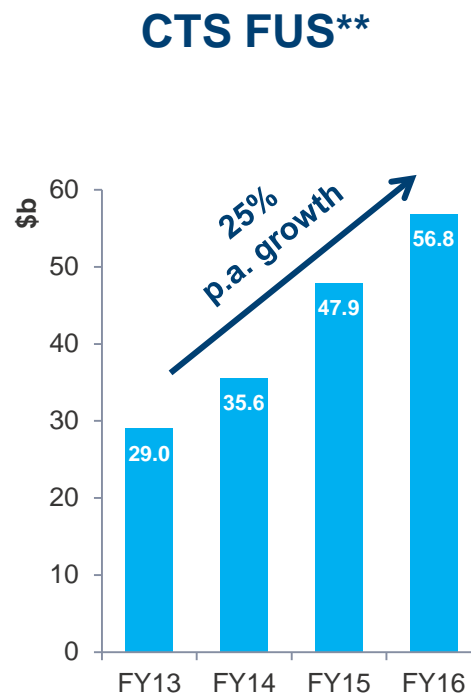
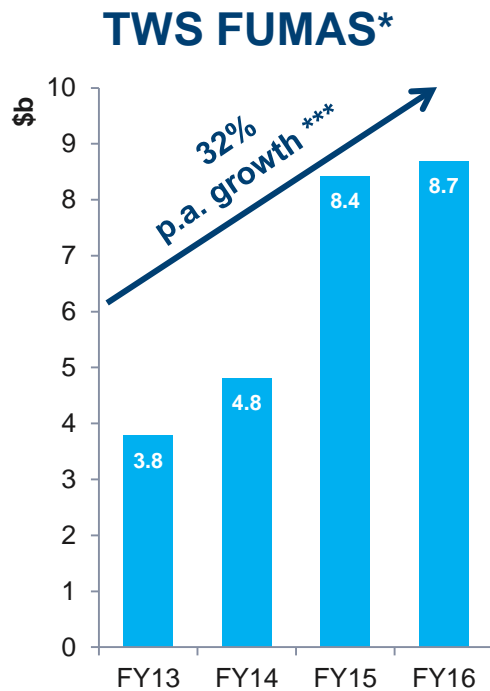
# Solid underlying revenue growth



# Strong growth in funds



**Strong growth** in funds under management, administration, advice and supervision



\*FUMAS: Funds under management, administration, advice and supervision

\*\*FUS: Funds under supervision

\*\*\*Note – Increase in TWS FUMAS from FY14 to FY15 was largely due to the acquisition of ANZ Trustees

# TWS performance

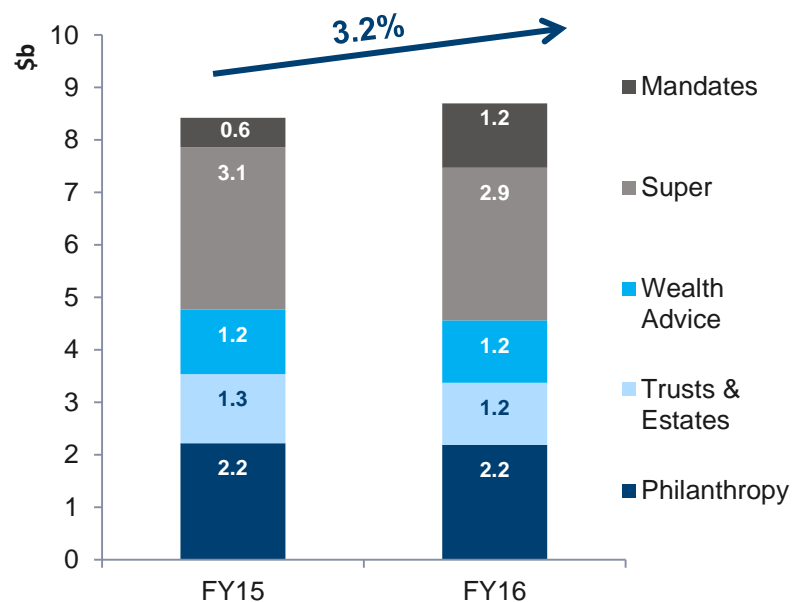


**Organic growth** offset by superannuation upgrade and declining equity markets.

## Summary Profit or Loss

	FY16 \$m	FY15 \$m	Change %
Operating revenue	58.3	60.0	(2.8)
Operating expenses	44.1	43.2	2.1
<b>OPBT</b>	<b>14.2</b>	<b>16.8</b>	<b>(15.5)</b>

## TWS FUMAS\*



\*FUMAS: Funds under management, administration, advice and supervision

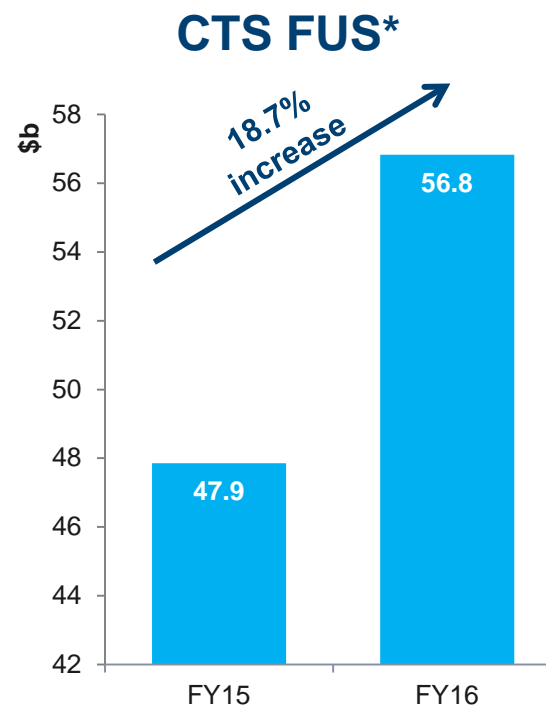
# CTS performance



**Organic growth** offsets exit of funds distribution

## Summary Profit or Loss

	FY16 \$m	FY15 \$m	Change %
Operating revenue	24.1	23.7	1.7
Operating expenses	12.9	13.5	(4.4)
<b>OPBT</b>	<b>11.2</b>	<b>10.2</b>	<b>9.8</b>



\*FUS: Funds under supervision

# Balance sheet strength provides security and flexibility



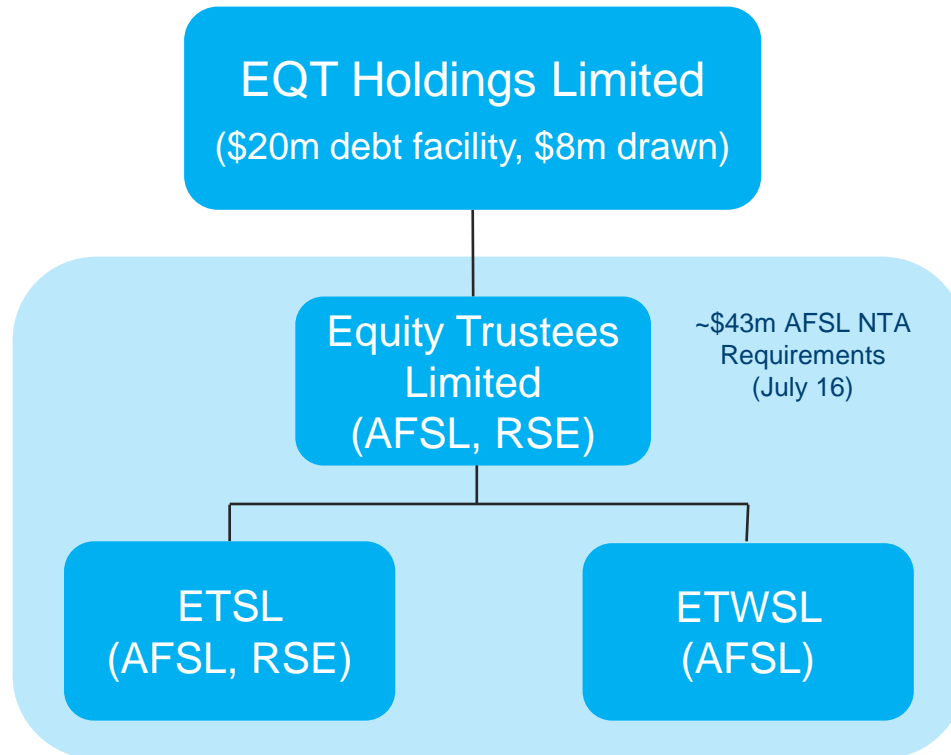
Consolidated Balance Sheet Summary	FY16	FY15
	\$m	\$m
<b>Assets</b>		
Cash and cash equivalents	48.7	25.0
Trade receivables and accrued income	16.8	16.3
Goodwill and intangible assets	185.5	188.9
Investments and Other Assets	6.8	22.0
<b>Total Assets</b>	<b>257.8</b>	<b>252.2</b>
<b>Liabilities</b>		
Trade payables and other liabilities	7.0	9.1
Borrowings	8.0	-
Other non-current liabilities	2.0	2.1
<b>Total Liabilities</b>	<b>17.0</b>	<b>11.2</b>
<b>Net Assets</b>	<b>240.8</b>	<b>241.0</b>
<b>Total Equity</b>	<b>240.8</b>	<b>241.0</b>

- Low gearing (Debt to Equity 3.3%)
- Surplus borrowing capacity
- Substantial headroom in covenants

# Strong capital position



**Equity Trustees has ~\$53m regulatory capital in key licenced entities and can comfortably meet its expected regulatory capital needs**



Regulatory capital holding*	~\$53m
Regulatory capital requirement	~\$43m
<b>Buffer</b>	<b>~\$10m</b>

\*Effective 1 July 2016



# Capital management opportunities

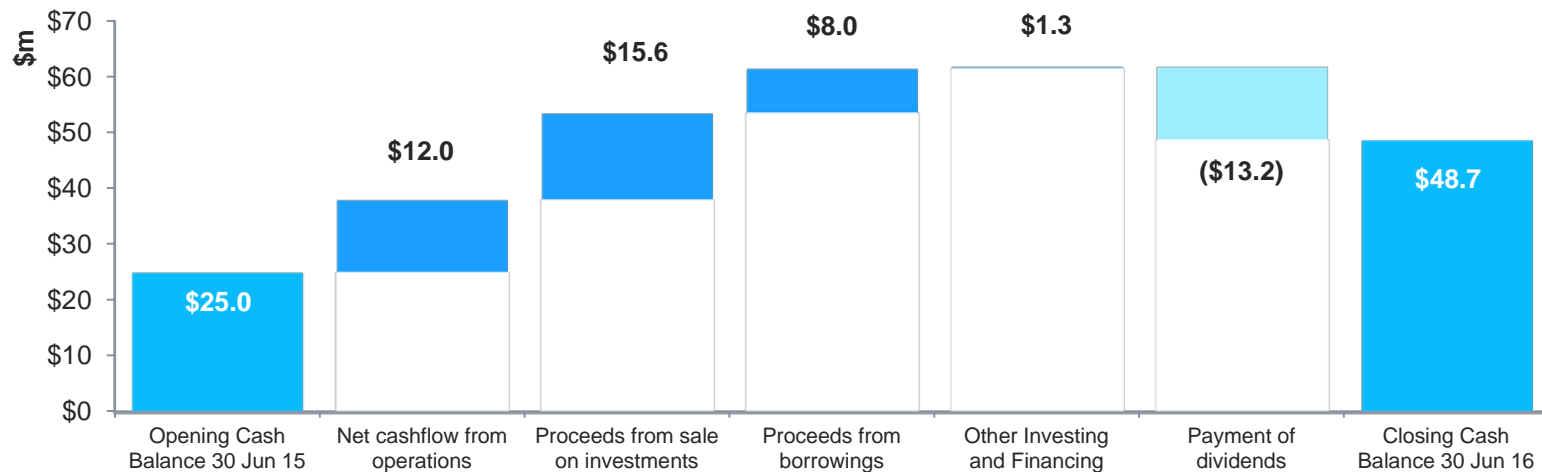


- **Capital requirement** of ~\$43m to be held 50% in cash and 100% liquid assets (ASIC requirement)
  - Buffer also held in liquid assets
- **Additional streamlining** of structures and consolidation of licences has the potential to reduce capital requirements by ~\$4m to \$5m in the near term
- A 10% sustained increase in revenue requires an additional ~ \$2m to \$3m in **longer term regulatory capital**
- Dividend policy to payout 70% to 90% of reported NPAT expected to provide sufficient **retained earnings to fund organic growth**
- Debt funding arrangements provide **additional flexibility** to support regulatory capital needs

# High cash flow conversion



## FY16 Cash Flow Bridge



Dividend policy to pay out 70 to 90% of NPAT

# Key initiatives on track



- Corporate Restructure and Superannuation Upgrade **complete**
- Business Assurance Project **on track** to complete by December 2016

Project (\$m)	Actual FY16	1HFY17 Forecast	Total
Corporate restructure	0.9	-	0.9
Superannuation upgrade	2.6	-	2.6
Business assurance (enhancing risk and regulatory management)	2.0	1.0	3.0
Other	0.9	-	0.9
Total	6.4	1.0	7.4

Non project (\$m)	Actual FY16
Non project restructuring / redundancy	1.4

# Group wide operating model review on track



## **Objective**

- **Optimise** combination of roles, skills, structures, processes, and technologies to **deliver maximum value** in client outcomes, efficiency and shareholder returns

## **Scope**

- All end-to-end operational processes and activities that contribute to the **delivery of products and services to clients** – 80% completed

## **Timetable**

- Phase 1 review and recommendations finalised by **August 2016**
- Implementation of initiatives to commence in **September 2016**

## **Status**

- **On track** and self funding
- Initial analysis indicates material **opportunities** for improvement in productivity and client outcomes.
- Targeting \$2m to \$3m productivity improvement progressively over the next 12 to 18 months

# Summary



- Current **one-off key initiatives largely completed**
  - Strengthening corporate structure, risk management framework and upgrading superannuation business
- Strong organic **growth momentum**
- Expect **organic growth** to offset impact of funds distribution exit and superannuation upgrade (~\$3.5m to \$4.0m net earnings impact in FY17)
- Group operating model review targeting **productivity improvements** and enhanced **customer outcome**
- **Fully funded** capital position and capacity to support growth plans
- Targeting **significant improvement** in reported NPAT in FY17

# *Strategy update and outlook*

*Mick O'Brien, Managing Director*



## Building for growth

***Equity Trustees aims to be the market leader in key parts of the wealth value chain***

- **Wealth protection:** Acting as responsible entity, superannuation trustee, executor and services in funds management and custody
- **Wealth transition:** Services in wills, estate planning, trusts, philanthropy, powers of attorney

### ***Growth drivers***

- **Building** the platform – restructure and reposition
- **Driving** organic growth – FUMAS\* and margins
- **Expansion** opportunities in core markets and businesses – bolt on, geographic

# An attractive and growing opportunity



Increasing shift towards wealth protection and transfer driven by

- Demographic changes due to ageing population  
“~500,000 currently over age 85 - will double in 20 years...3.5% CAGR”<sup>1</sup>
- Unprecedented wealth of Australians  
“Inter-generational wealth transfer projected to be \$85b p.a. in 2030”<sup>2</sup>
- Changing wealth plans as wealth grows  
Increasing trend to philanthropy
- Ongoing growth in mandated superannuation  
“1.1x GDP to peak at 1.6x GDP in 20 years”<sup>3</sup>

1. ABS Population Projections 2012 Base

2. Source: AMP Natsem Income and Wealth Report

3. Rice Warner Ageing and Capital Flows



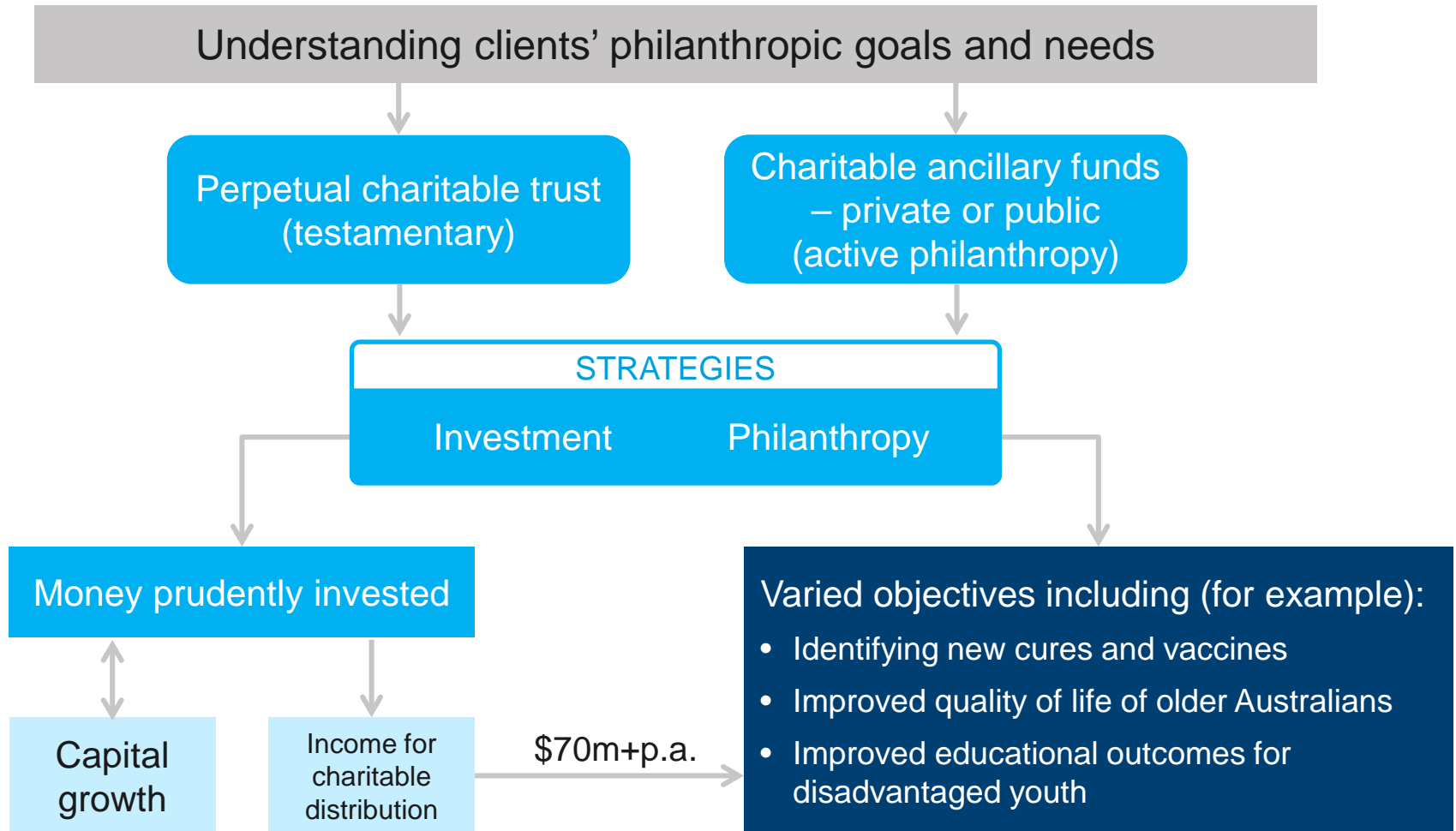
# TWS growth focus



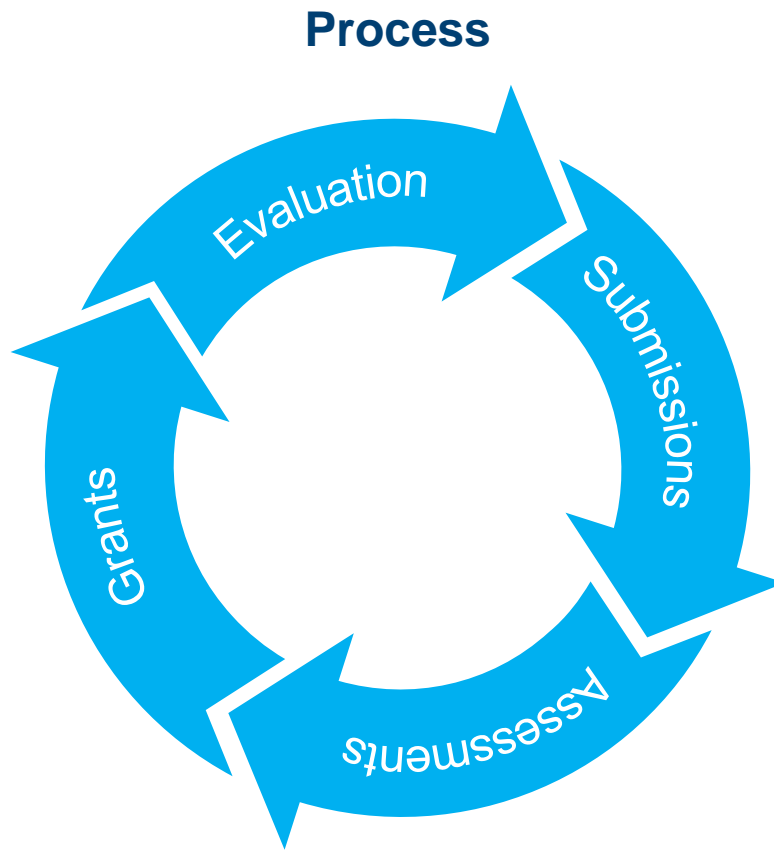
- Grow our **long-term, enduring** revenue base through targeted initiatives
  - Build and capitalise on high value Will Bank
    - 30,000 Wills with an estimated \$20b plus assets
- Target top 1 or 2 **position in selected growth markets**, including:
  - Living donors for our **philanthropy** business
  - **Compensation** trust clients
  - **Indigenous** trusts
  - Trustee for Partner roles in the **superannuation** business
- **Preferred choice** by advisers for their best clients requiring the highest level of trust
- The delivery of **client centric services** that enable cross referrals to all parts of our business



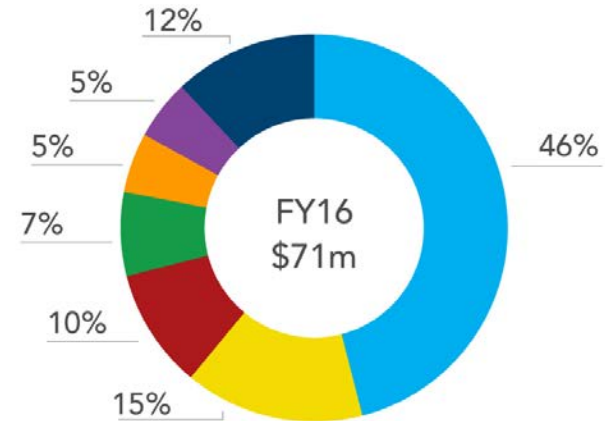
# Philanthropic services business model



# Philanthropy grants and process



Philanthropy distributed \$71m



- Medical Research & Health
- Children & Young People
- Material Aid & Welfare (Australia)
- Animals & Environment
- Family & Community
- Ageing & Aged Care
- Other\*

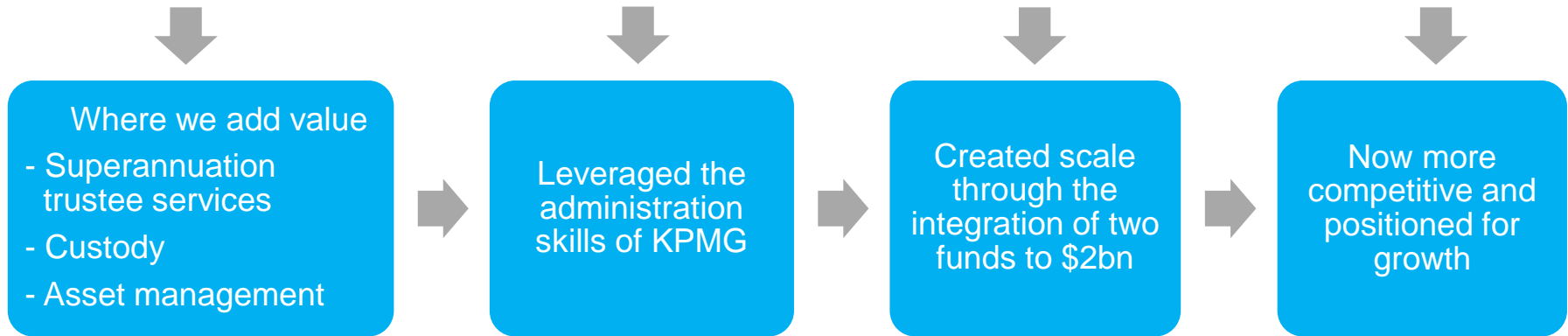
\*Other includes faith-based, arts, women, disability, material aid and welfare (international).

Note: Indigenous granting included in each category.

# TWS – upgraded superannuation business



## Improved member outcome



- Via identification and matching our strengths to the superannuation value chain

- Exited administration
- Reduced risks

- Scale has significantly reduced member fees
- Member retention is expected to improve

- More Competitive product and pricing
- Lead the *Trustee for Partner* market

# Superannuation growth initiatives



## Key drivers for growth in FY17

Superannuation Trustee Services	<ul style="list-style-type: none"><li>• Seek greater market share in existing \$10b+ Trustee for Partner market</li><li>• Preferred supplier of Superannuation trustee services</li></ul>
Trustee for Partner	<ul style="list-style-type: none"><li>• Leverage our trusted brand and strong balance sheet to create the 3rd pillar in Superannuation by partnering with:<ul style="list-style-type: none"><li>• Promoters, administrators, employers and other providers</li><li>• Superannuation fund providers where trusteeship is not core</li></ul></li></ul>
Fund consolidation	<ul style="list-style-type: none"><li>• Provide pathway for the funds who seek to consolidate via the master trust</li><li>• Leverage Equity Trustees' in-house asset management</li></ul>
Other opportunities	<ul style="list-style-type: none"><li>• Seek other integration opportunities for the master trust</li></ul>



**3 funds to 13 funds in 2 years**

**Master Trust consolidation from \$1.1b to \$1.9b in FY16**

# *TWS has strong, enduring revenue streams supported by high client retention*



Revenue type	Enduring	Maintainable	Fixed-fee
Revenue term <sup>1</sup>	10 years to everlasting	10+ years	Transactional
% TWS revenue	65%	32%	3%
Comments	<ul style="list-style-type: none"> <li>• Philanthropic trusts, PUFs and PAFs</li> <li>• Testamentary trusts</li> <li>• Compensation trusts</li> <li>• Taxation services</li> <li>• Estate management</li> </ul>	<ul style="list-style-type: none"> <li>• Wealth management</li> <li>• Indigenous trusts</li> <li>• Superannuation</li> </ul>	<ul style="list-style-type: none"> <li>• Estate planning</li> <li>• Aged care advice and placement</li> </ul>

<sup>1</sup> Reflects average historical experience

# CTS continues to have substantial growth opportunities



Growth opportunity	Strategy
<b>New product designs</b>	Attribution Managed Investment Trust (AMIT) Collective Investment Vehicle (CIV): prioritise additional fund structuring opportunities in the Australian market for existing clients
<b>SPV &amp; funds of one (F1)</b>	Leverage CTS' experience and relationships with investment managers and service providers to build new innovative funds
<b>New markets corporate trustee</b>	<ul style="list-style-type: none"><li>• Business continues to grow strongly – 150%+ revenue growth in FY16 vs. FY15</li><li>• Proposed further expansion in FY17 (Sydney)</li><li>• New client portal being developed</li></ul>
<b>Asian expansion</b>	<ul style="list-style-type: none"><li>• Growing demand from clients based in Asia</li><li>• Increased presence to be developed in the region</li><li>• Recent wins in Singapore and Korea is building momentum</li></ul>

# CTS growth initiatives



- **Expanding** into growth markets
  - Bespoke and structured corporate trustee services
  - Responsible Entity in Asia
- Significant **opportunities** with fund structures (AMIT/CIV)
- **Early wins in FY17** – 7 new managers, 18 new funds
- Targeting to more than double FUS\* **over the next 5 years**



# Equity Trustees – focus on six key drivers



-  Increase total FUMAS\*
-  Growing sales value
-  Enhancing operating margin
-  Improve customer satisfaction
-  Lifting employee engagement
-  Deepening community impact



\*FUMAS: Funds under management, administration, advice and supervision

# Conclusion and outlook



1. Attractive industry fundamentals
2. Good growth in organic revenue – encouraging start to FY17
3. Capitalising on recent investments
  - One-off Corporate Restructure
  - Superannuation Upgrade
  - Risk and Assurance Upgrade project on track
4. Leader in chosen sectors of the wealth management value chain
5. Targeting significant improvements in reported NPAT in FY17

# *Questions*

# *Disclaimer*



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# *Appendix*

# Estate planning and philanthropic services drive enduring revenues

