



Equity Trustees

# INVESTOR PRESENTATION

RESULTS FOR YEAR ENDED 30 JUNE 2020

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

19 AUGUST 2020



# AGENDA

- ( 1 ) 2020 IN REVIEW**
- ( 2 ) FINANCIALS**
- ( 3 ) STRATEGY UPDATE AND OUTLOOK**
- ( 4 ) QUESTIONS**



# **2020 IN REVIEW**



# STRONG FUNDS GROWTH IN CHALLENGING ENVIRONMENT

## GROWTH STRATEGY UNDERPINS STEADY FINANCIAL PERFORMANCE

- FUMAS up 19% to \$101 billion
- Substantial investment in capability underpinning success
- New wins and pipeline of opportunities provide growth momentum
- Capitalising on industry trend for companies to outsource fiduciary role and focus on their core capabilities
- Fulfilling our purpose as a trusted specialist fiduciary serving both our clients and the community

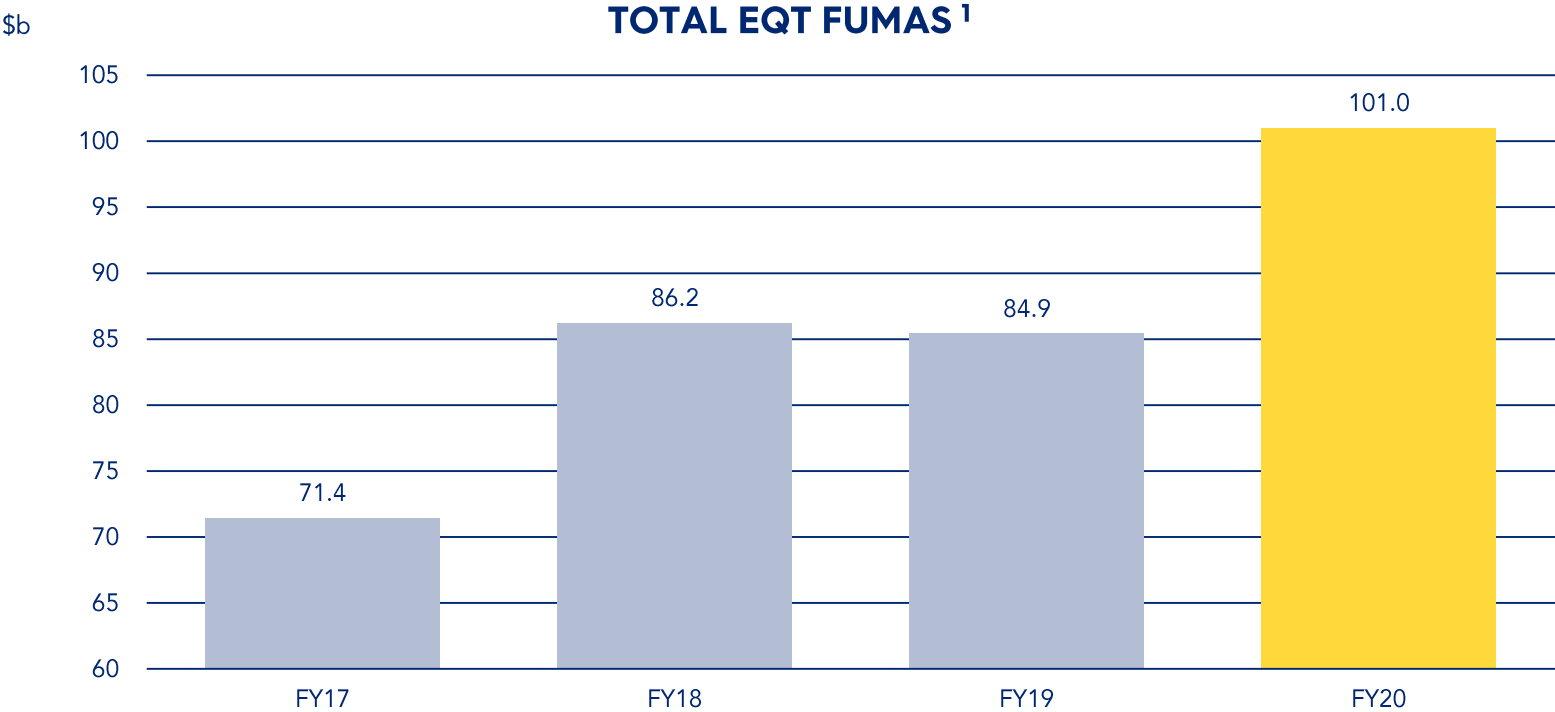


# STEADY FINANCIAL PERFORMANCE

## RESULTS DEMONSTRATE OUR RESILIENCE

- Revenue up 3.2%, notwithstanding equity market downturn in second half
- Net profit before tax \$30.3m compared with \$31.3m in FY19
- Net profit after tax \$19.2m, including provision for longstanding tax matter
- Underlying earnings per share 5.5% lower at 102.7 cents
- Total dividend for the year 90 cents, consistent with FY19
- All areas of business producing strong underlying results and good growth

# FUMAS EXCEEDS \$100B, UP 19%

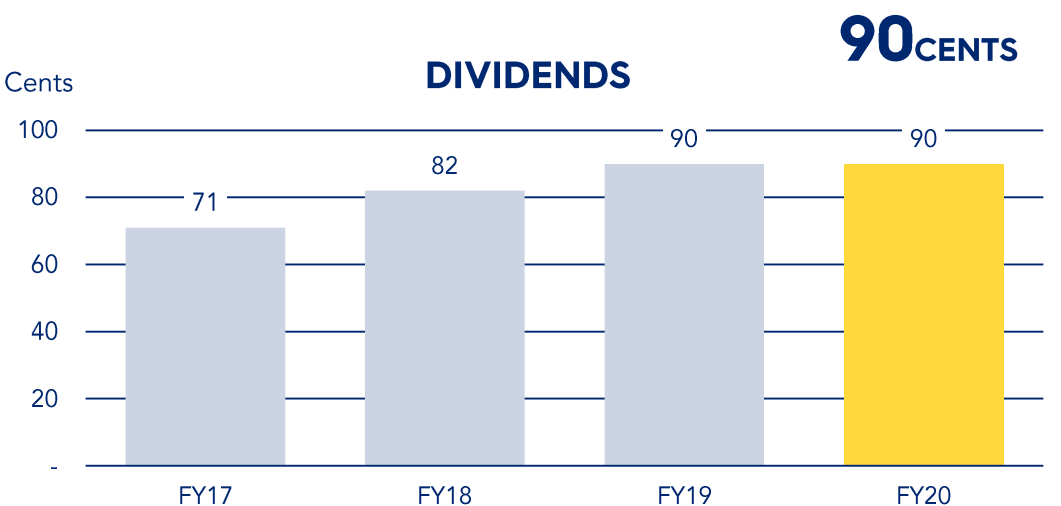
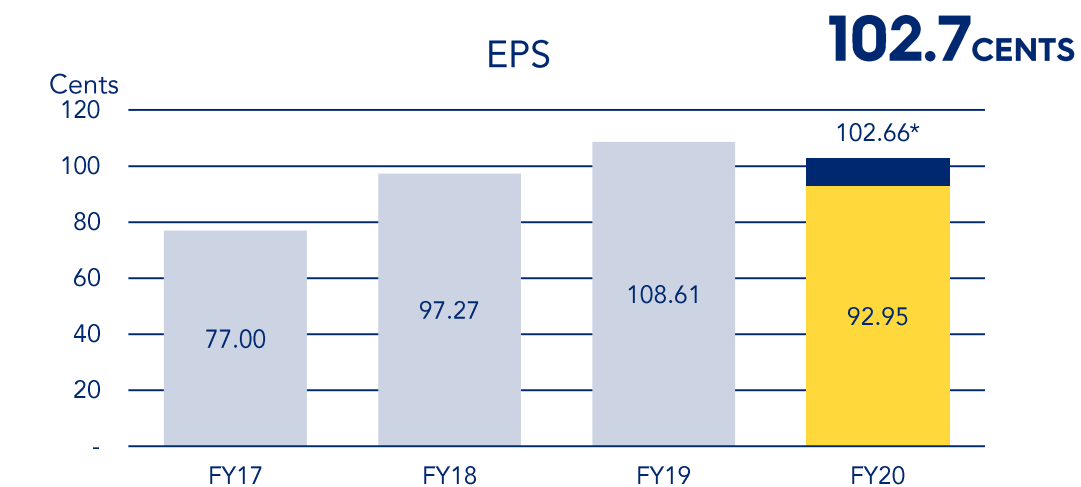
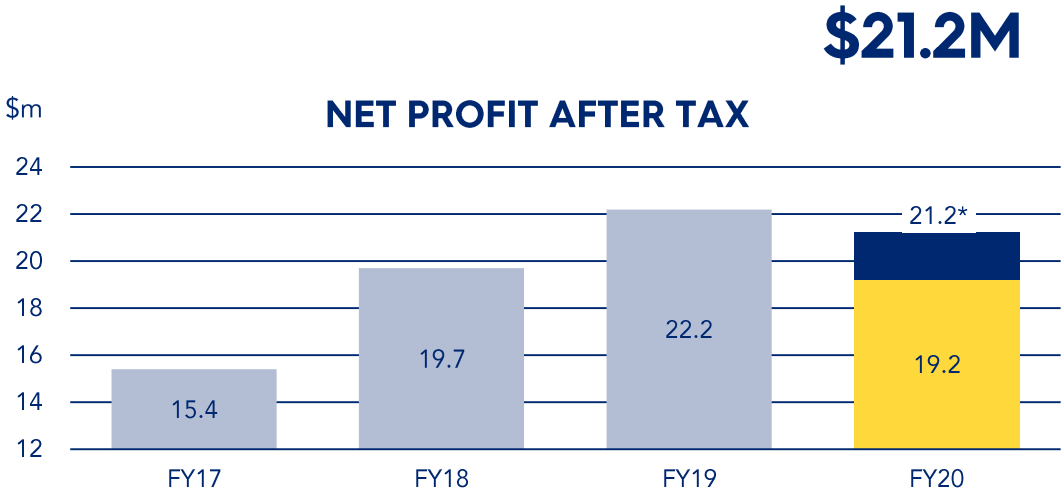
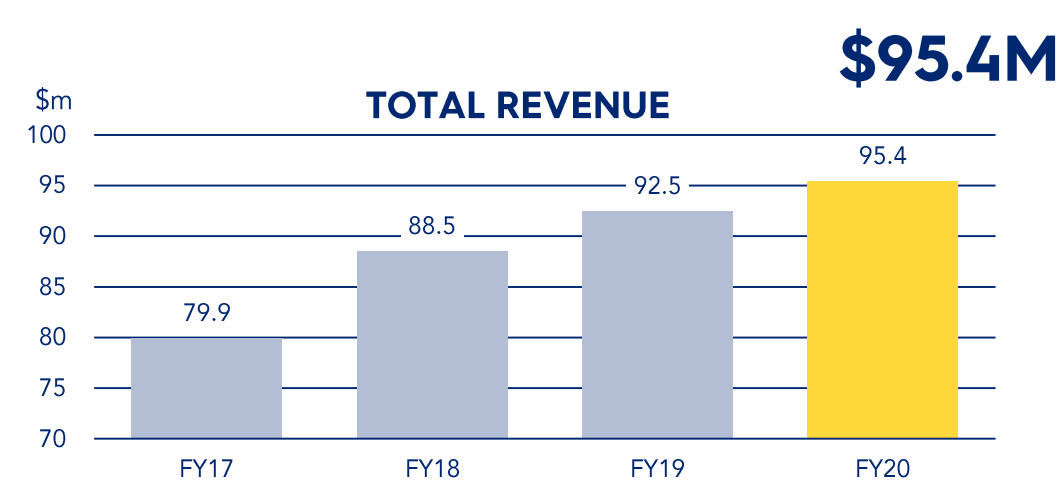


Major appointments secured during the year

- totalled >\$19b of funds
- expected to contribute ~\$2.5m in annualised revenue in first year<sup>2</sup>

<sup>1</sup> FUMAS: Funds under management, administration, advice and supervision  
<sup>2</sup> Annualised Revenue is measured in its first full year and increases in future years

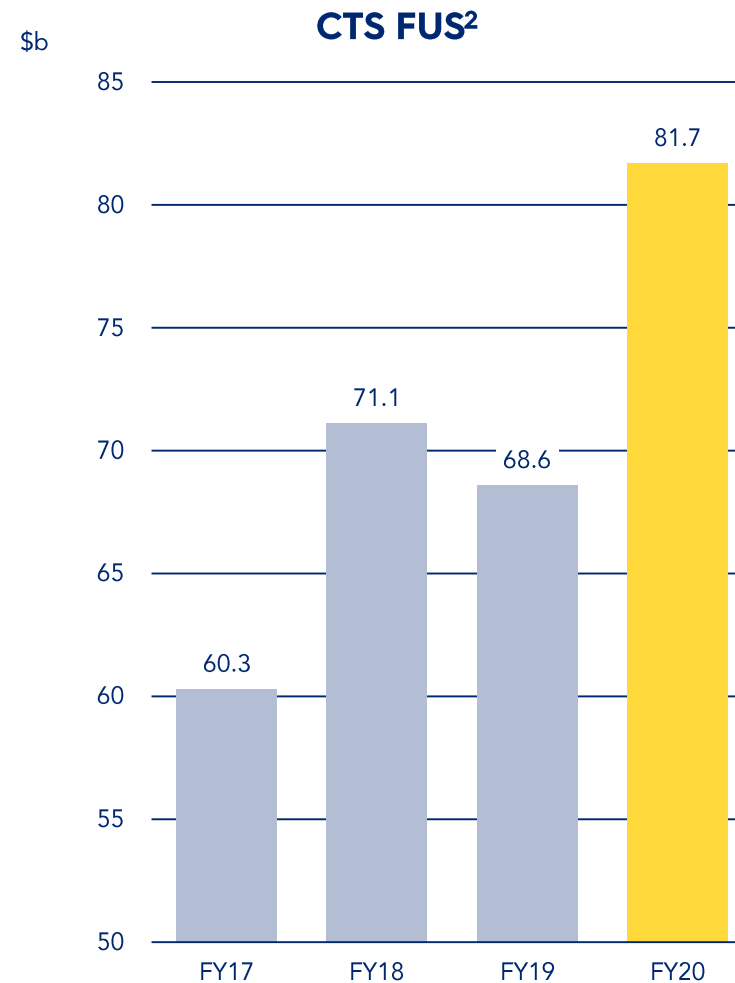
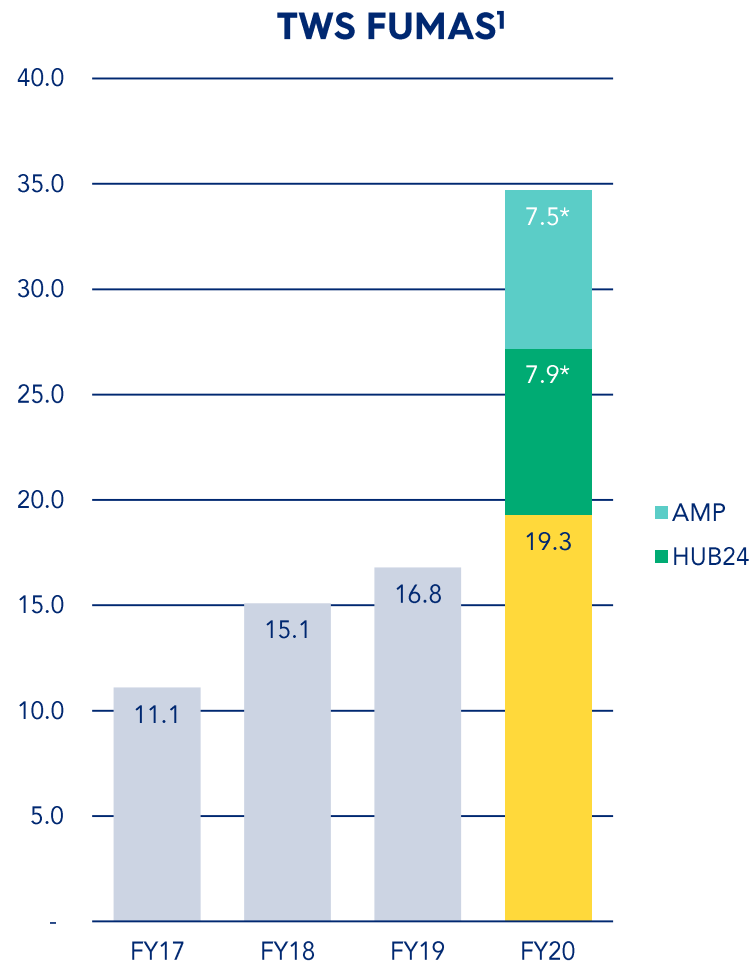
# CONSISTENT PERFORMANCE



\*underlying EPS and NPAT- excluding tax provision



# FUMAS ON GROWTH TRAJECTORY



1 FUMAS: Funds under management, administration, advice and supervision

• AMP Life and HUB 24 appointments post balance date.

2 FUS: Funds under supervision

- Strong growth in TWS driven by large superannuation trustee appointments
- Good momentum in CTS including Corporate Trust and Securitisation services and UK/ Ireland
- Two major appointments post balance date





# STRONG GROWTH MOMENTUM

## DRIVEN BY INCREASING DEMAND FOR INDEPENDENT TRUSTEE MODEL

- Superannuation
  - Appointment as trustee of AIA/CMLA super funds ~\$4.5b
  - Post year-end appointments as trustee for AMP Life super funds (1 July) ~\$7.5b and HUB24 super (1 August) ~\$7.9b
- Corporate Trustee business
  - Appointment as Trustee of AIA/CMLA funds ~ \$10.5b
  - Appointment as Authorised Corporate Director (ACD) to suite of River and Mercantile funds ~\$3.9bn
  - Appointment as RE to Listed Investment Trust for Partners Group ~\$550m
- AIA/CMLA, R&M, Partners Group, AMP Life and Hub24 collectively expected to generate revenue of ~\$5-6m in FY21

# POSITIONED FOR CONTINUING GROWTH



- Investing heavily in people capability and technology to support further growth
  - Key board and management appointments ensure increased depth and capacity to service existing business and new opportunities as they arise
  - Targeted technology investment
  - Continuing emphasis on governance and risk management to underpin performance
- Organic growth supplemented with non-organic initiatives
  - Selective M&A
  - Expanded markets – Ireland
  - Flexibility to fund opportunities

# DELIVERING FOR ALL STAKEHOLDERS

**T1**

IMPROVING  
CLIENT  
SATISFACTION

**T2**

LIFTING  
EMPLOYEE  
ENGAGEMENT

**T3**

GROWING  
SHAREHOLDER  
VALUE

**T4**

DEEPENING  
COMMUNITY  
IMPACT



## MEASUREMENT:

**T1**

Net promoter score  
Net loyalty score

**T2**

Engaged and  
enabled staff

**T3**

Earnings per  
share growth and FUMAS  
growth

**T4**

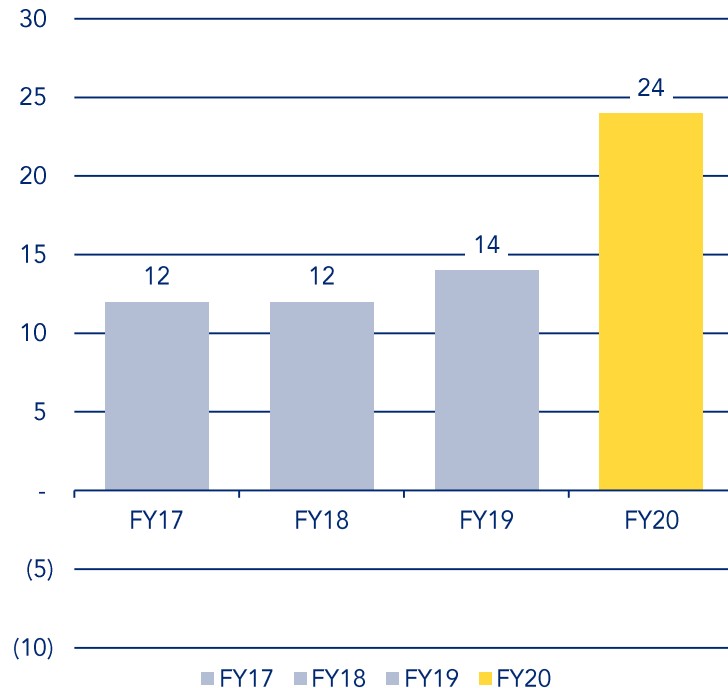
Granting and pro bono/  
volunteering



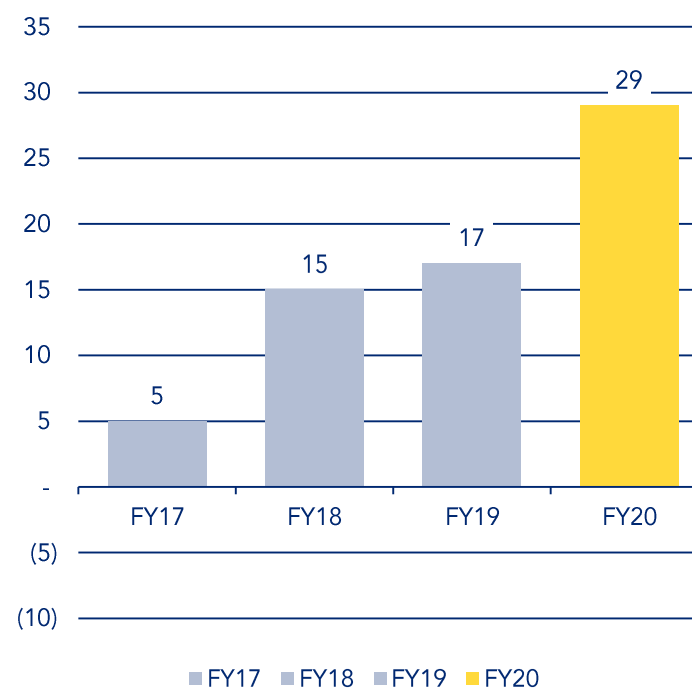
# T1 – IMPROVING CLIENT SATISFACTION

- Very good client satisfaction results, notwithstanding the remote working environment
- Digital strategy focused on significantly improved client experience
- Investment in business development, front-line capabilities and enhanced client reporting

**NET PROMOTER SCORE (NPS)\***



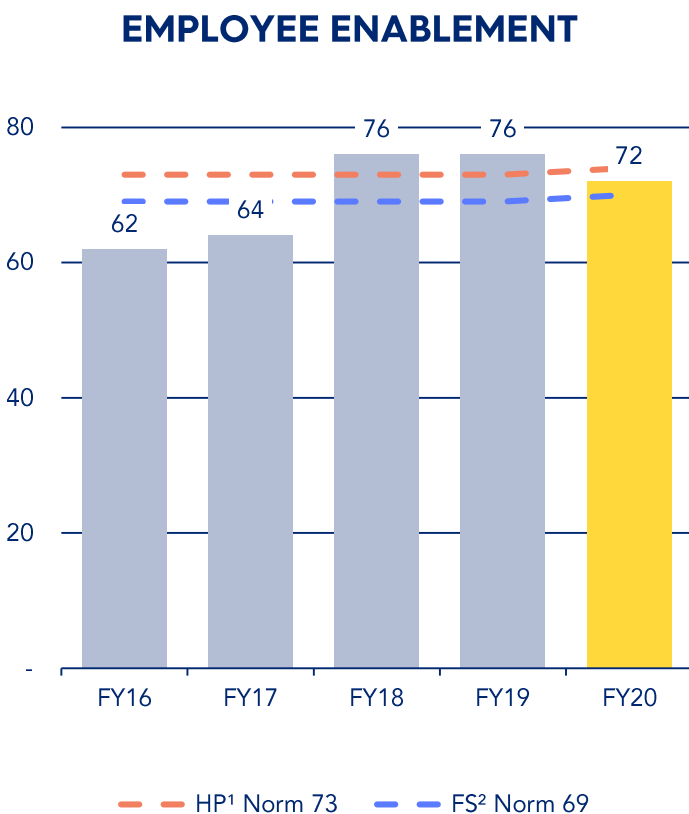
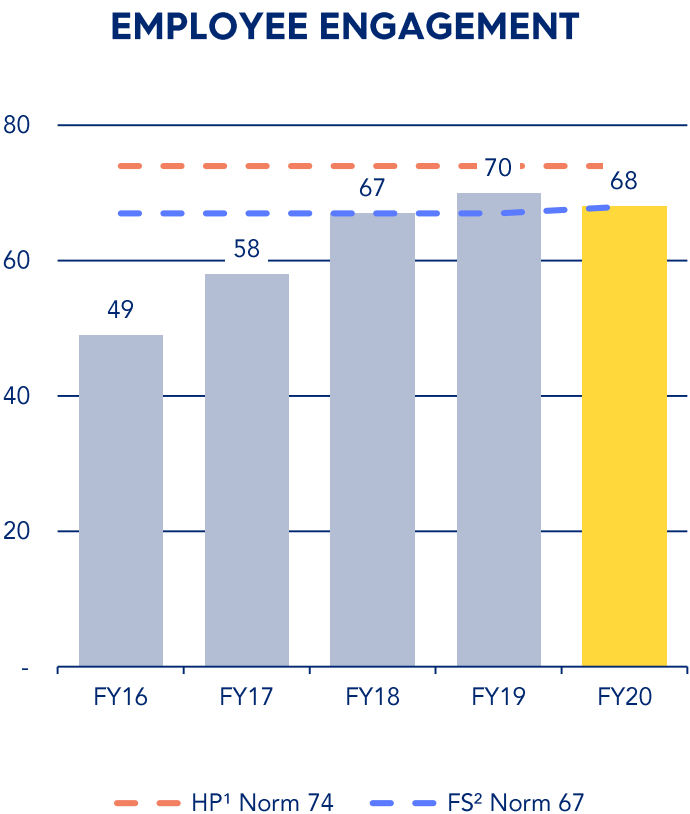
**NET LOYALTY SCORE (NLS)\*\***



\*Net Promoter score – net measure of clients willing to recommend EQT

\*\*Net Loyalty score – net measure of clients prepared to purchase another EQT product or service.

# T2 – SOLID EMPLOYEE ENGAGEMENT



- Employee Engagement and Enablement maintained above Financial Services Norm despite remote working environment.



EMPLOYEE BENEFITS



TRAINING



WORK STRUCTURE  
AND PROCESS



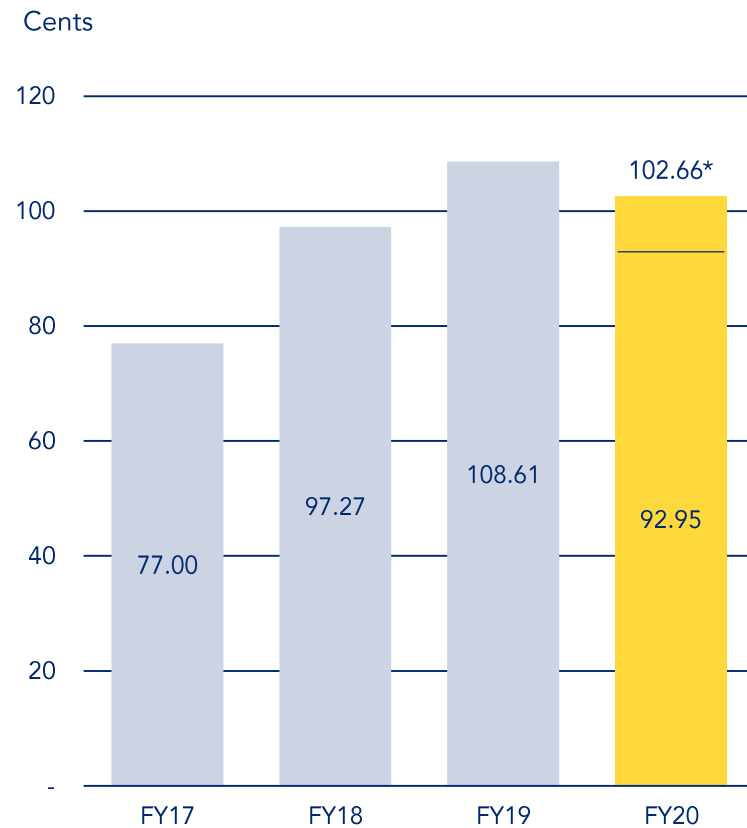
RESOURCING

<sup>1</sup> High Performing Norm (pre COVID-19)  
<sup>2</sup> Financial Services Norm (pre COVID-19)

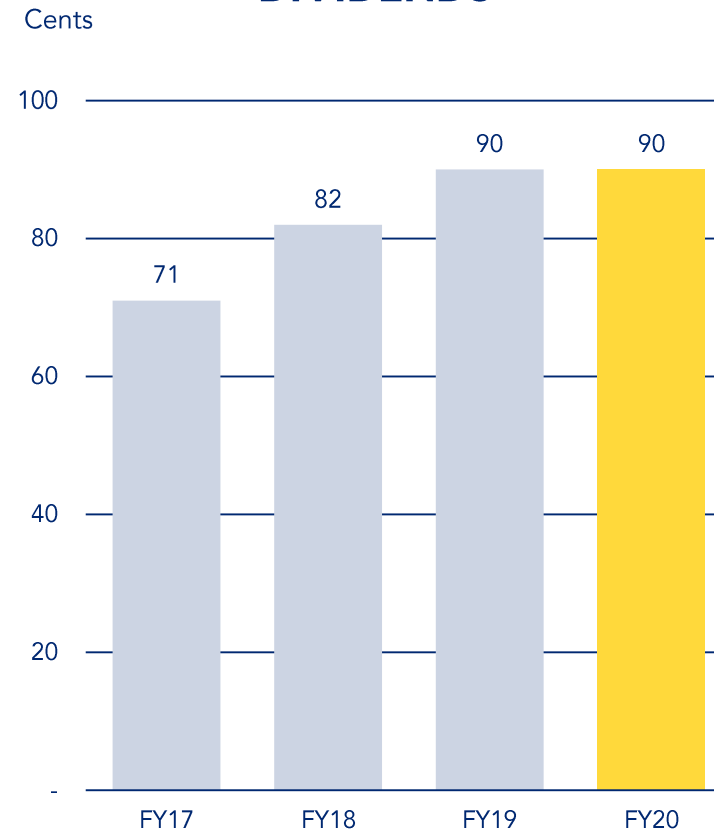


# T3 – GROWING SHAREHOLDER VALUE

## EPS



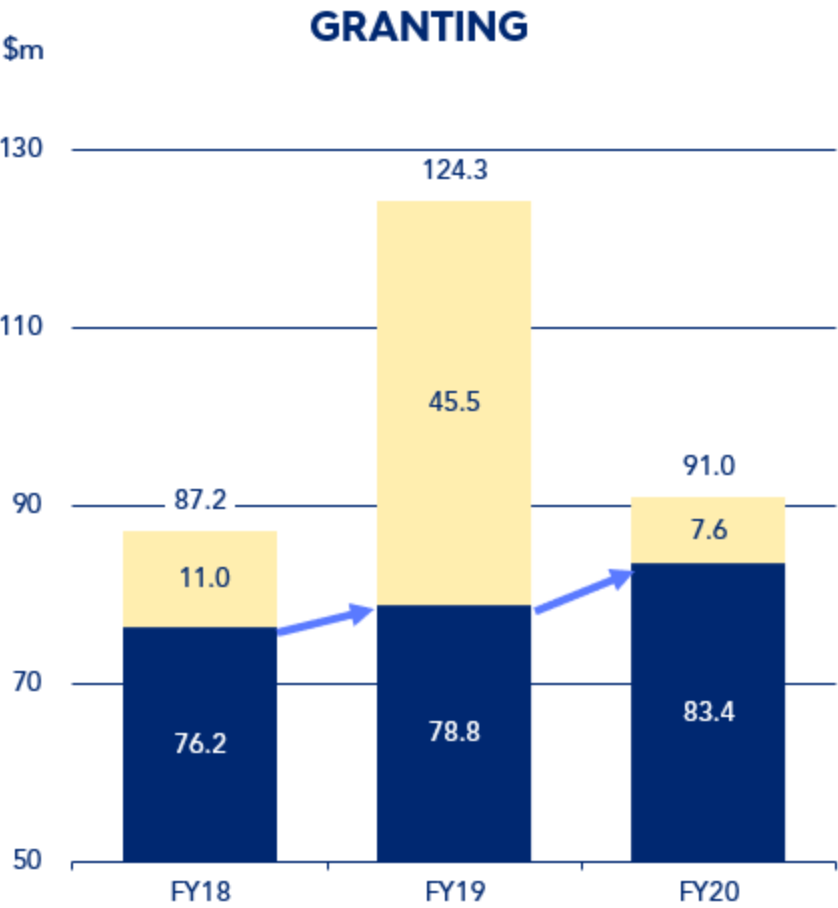
## DIVIDENDS



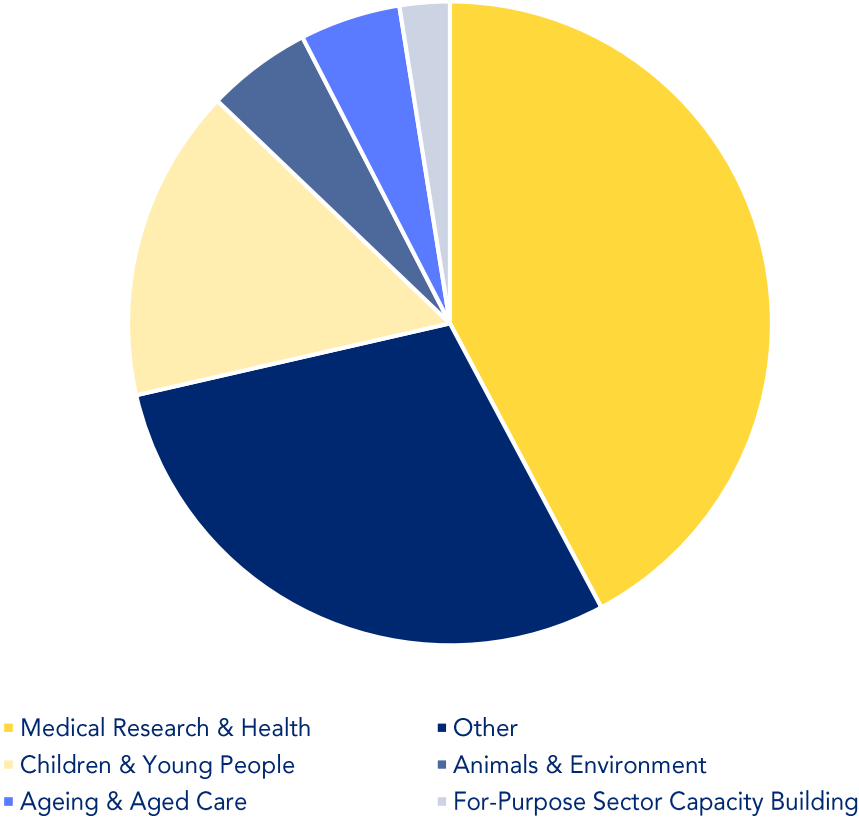
- Resilient earnings in challenging environment
- Consistent dividend for FY20 on FY19

\*underlying EPS – excluding tax provision

# T4 – DEEPENING COMMUNITY IMPACT



**CHARITABLE TRUSTS BY GRANT TYPE**



- Annual granting program to ~3,000 beneficiaries
- 1200 hours of pro bono work
- 40 volunteering days

■ Granting from estates and trusts

■ Granting from testamentary and perpetual charitable trusts



# FINANCIALS





# SOLID FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE	FY20	FY19	FY20 VS FY19 %
Total revenue (\$m)	95.4	92.5	▲ 3.2
Expenses (\$m)	58.8	56.5	▲ 4.1
Finance costs (\$m)	1.0	0.8	▲ 25.0
Depreciation and amortisation (\$m)	5.3	3.9	▲ 35.9
Net profit before tax (NPBT \$m)	30.3	31.3	▼ (3.3)
NPBT margin (%)	31.8	33.9	▼ (6.2)
Effective tax rate (%)	39.0	31.8	22.6
Net profit after tax (NPAT) and non-controlling interests (\$m)	19.2	22.2	▼ (13.4)
Earnings per share (EPS) (cents)	92.95	108.61	▼ (14.4)
Diluted EPS on NPAT (cents)	92.58	107.85	▼ (14.2)
Dividends	90.0	90.0	-
Underlying EPS (excluding tax provision)	102.66	108.61	▼ (5.5)

- Solid revenue growth
- Driven by organic growth – adversely impacted by markets in the second half
- Targeted investment offset by cost-containment elsewhere
- NPBT margin of 31.8%
- Higher effective tax rate due to provision for tax in relation to a 2010 acquisition (previously a contingent liability)
- Underlying EPS to 102.7cents



# HALF ON HALF PERFORMANCE

## CONSISTENT WITH YEAR-ON-YEAR TREND

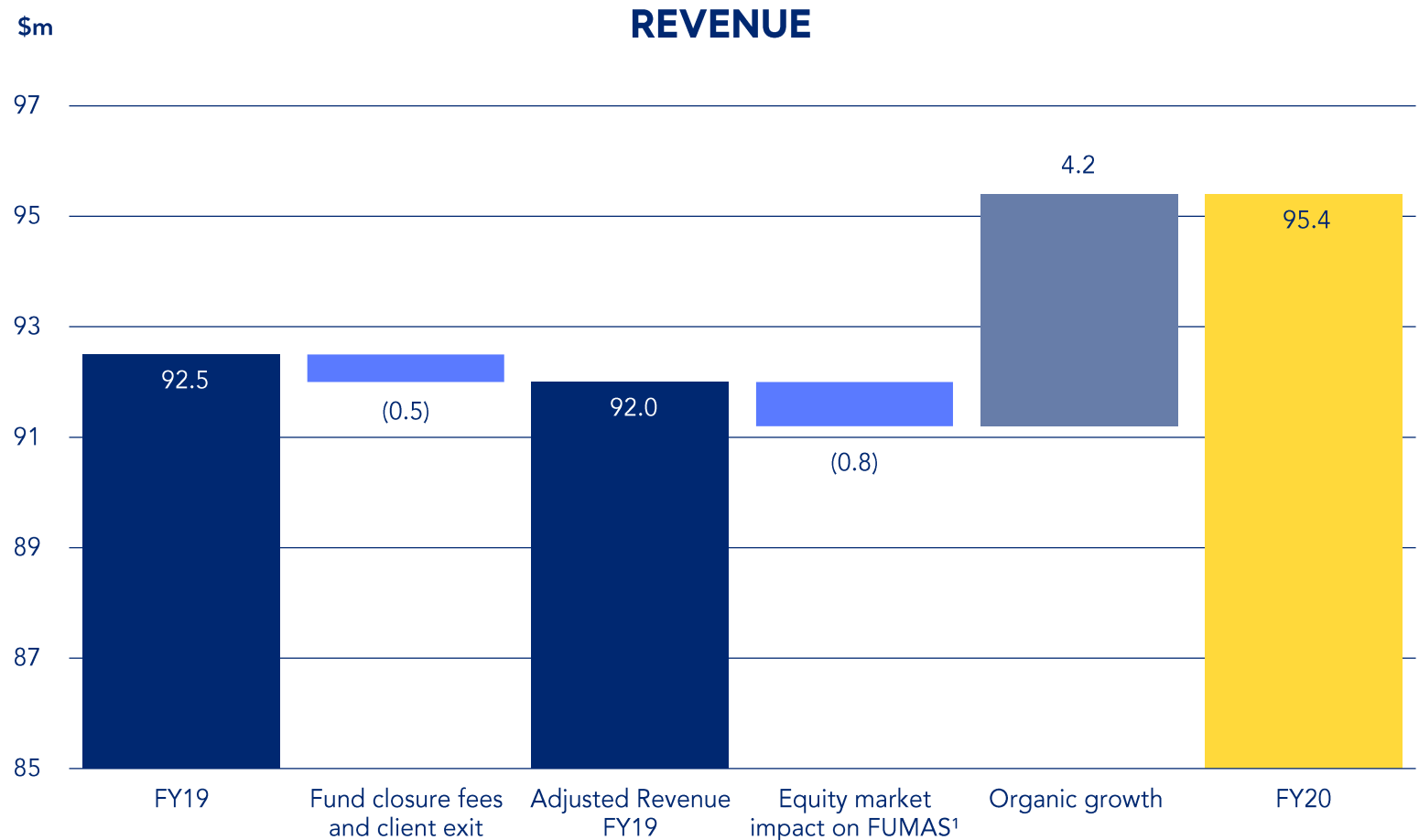
	2H20	1H20	2H19	1H19
Total revenue (\$m)	46.5	48.9	46.2	46.3
Total expenses (\$m)	32.4	32.7	31.1	30.1
Net profit before tax (NPBT \$m)	14.1	16.2	15.1	16.2
NPBT margin (%)	30.3	33.1	32.7	35.0
Net profit after tax (NPAT) and non-controlling interests (\$m)	7.7	11.5	11.0	11.2
Underlying Net profit after tax (NPAT) and non-controlling interests (\$m)	9.7	11.5	11.0	11.2
Dividends (cents per share)	43	47	46	44

Slower 2H20 due to:

- Increasing investment in the TWS – STO business
- Impact of adverse equity markets on revenues along with lower interest rates reducing CMT fees
- TWS – PC revenue seasonality and one-off expenses ~\$1m combined adverse impact



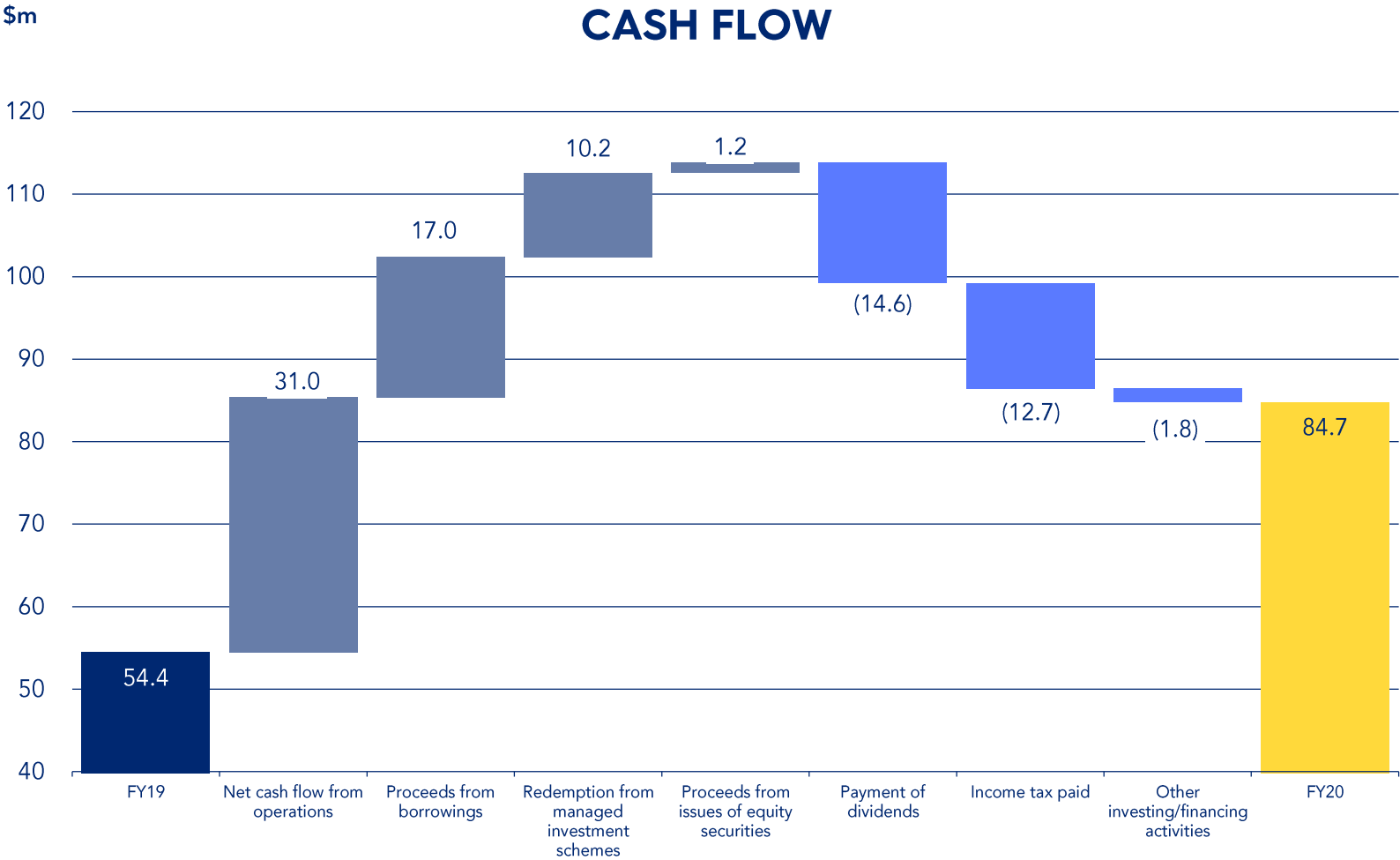
# SOLID REVENUE GROWTH



- 3.2% headline growth in revenue
- 3.7% underlying organic revenue growth
- Adverse impact from equity market downturn
- Growth achieved in all key businesses

<sup>1</sup>FUMAS: Funds under management, administration, advice and supervision  
-Market impact on FUMAS - ~50% to 60% of TWS revenue linked to the average ASX200 and ~50% of CTS revenue to the average MSCI World

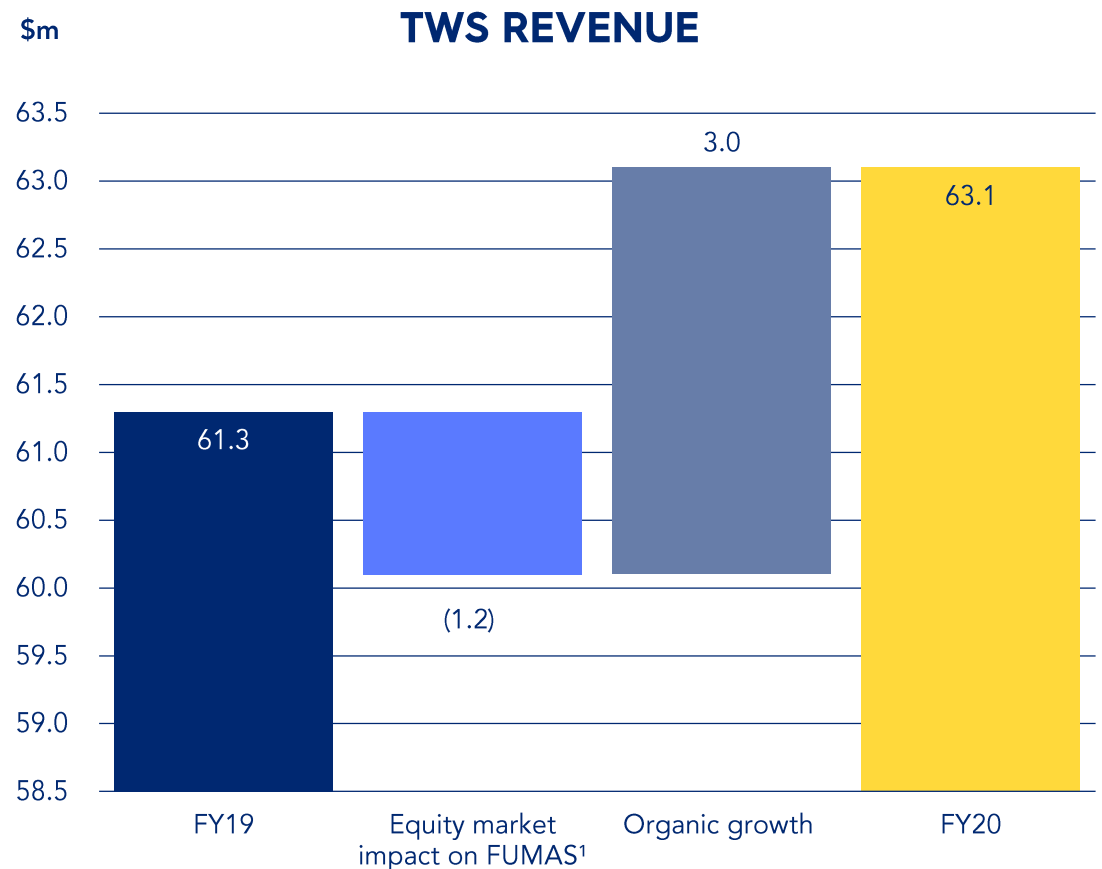
# STRONG OPERATING CASH FLOW



- Consistent, high quality cash generation
- Robust liquidity position provides resilience and flexibility
- Additional borrowings to increase liquidity and provide ORFR funding
- Cash principally used for tax payments and dividends
- Negligible bad debts



# IMPROVED TWS PERFORMANCE

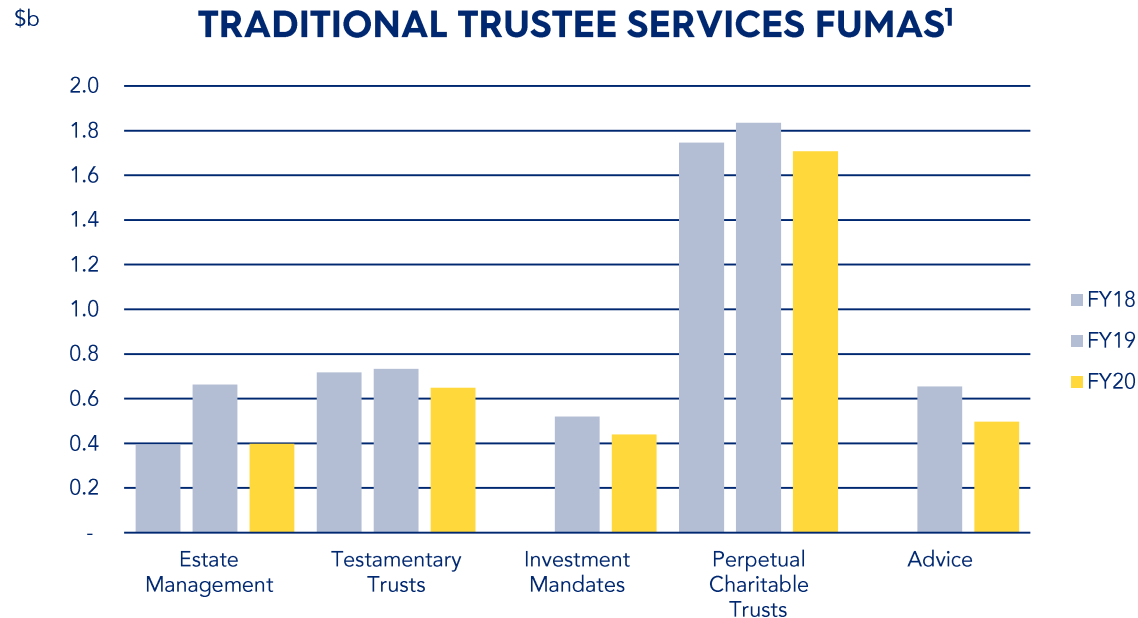


- Headline revenue up 2.9%
- Significant growth in superannuation FUS from AIA/CMLA appointment

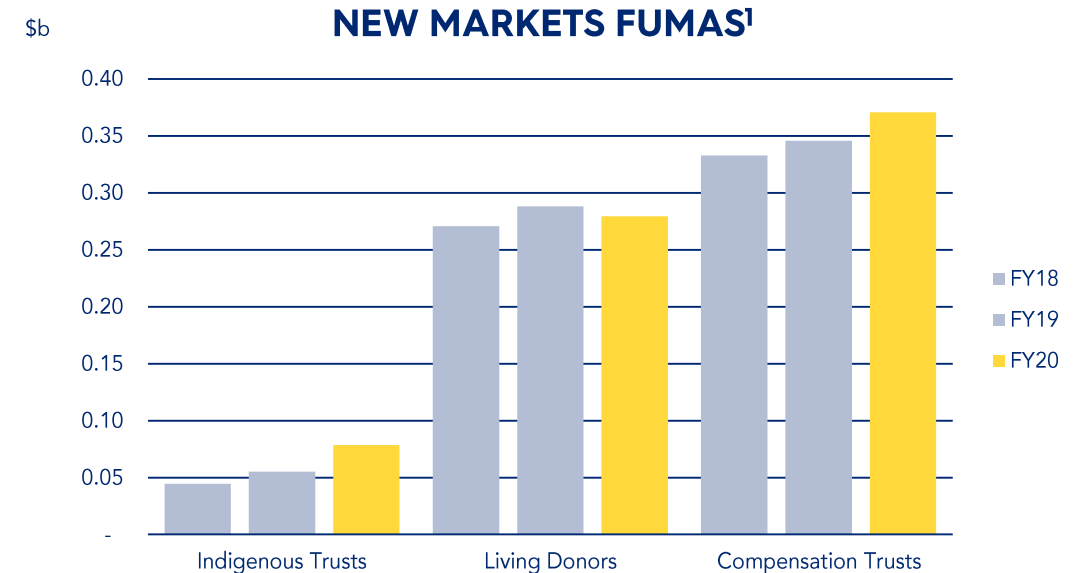
<sup>1</sup> FUMAS: Funds under management, administration, advice and supervision  
-Market impact on FUMAS links ~50% to ~60% of TWS revenue to the average ASX200 index  
<sup>2</sup> Asset Management includes TWS Investment Mandates, Superannuation Mandates and Common Funds



# TWS PRIVATE CLIENT BUSINESS – GOOD GROWTH IMPACTED BY ADVERSE MARKETS IN THE SECOND HALF



- Focus on high value, complex estates
- Excellent investment management performance
- 11 new Perpetual Charitable Trusts
- 9 new advice clients

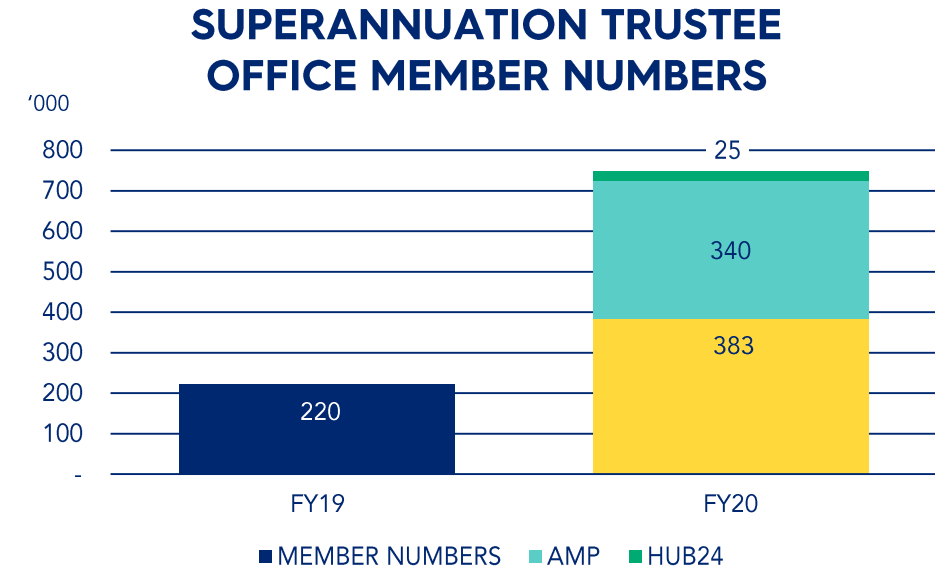
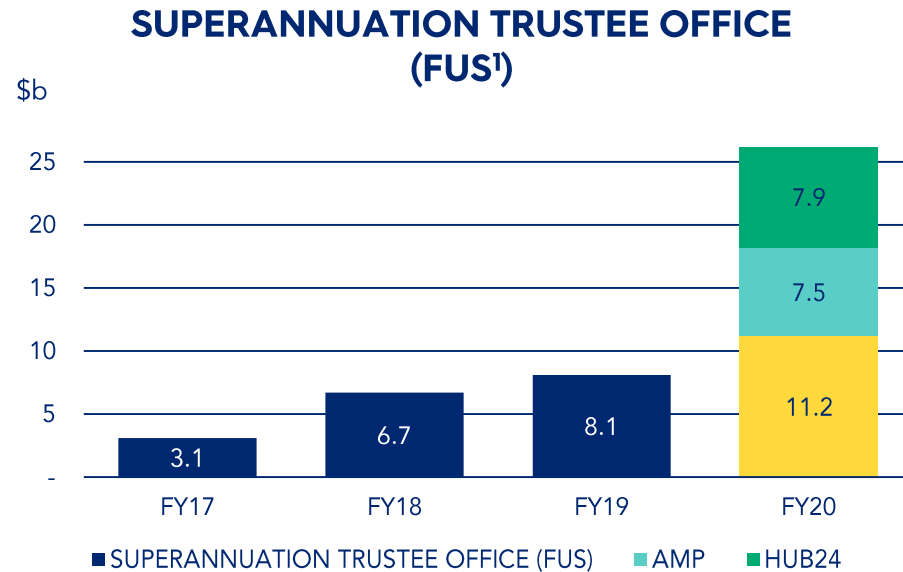


- Indigenous trusts – 8 clients and 23% increase in FUS
- 12% increase in new compensation trusts and FUMAS up 7% on pcp
- 10 Living donor new clients

<sup>1</sup> FUMAS: Funds under management, administration, advice and supervision



# TWS SUPERANNUATION BUSINESS – RAPID GROWTH



Major new appointments include:

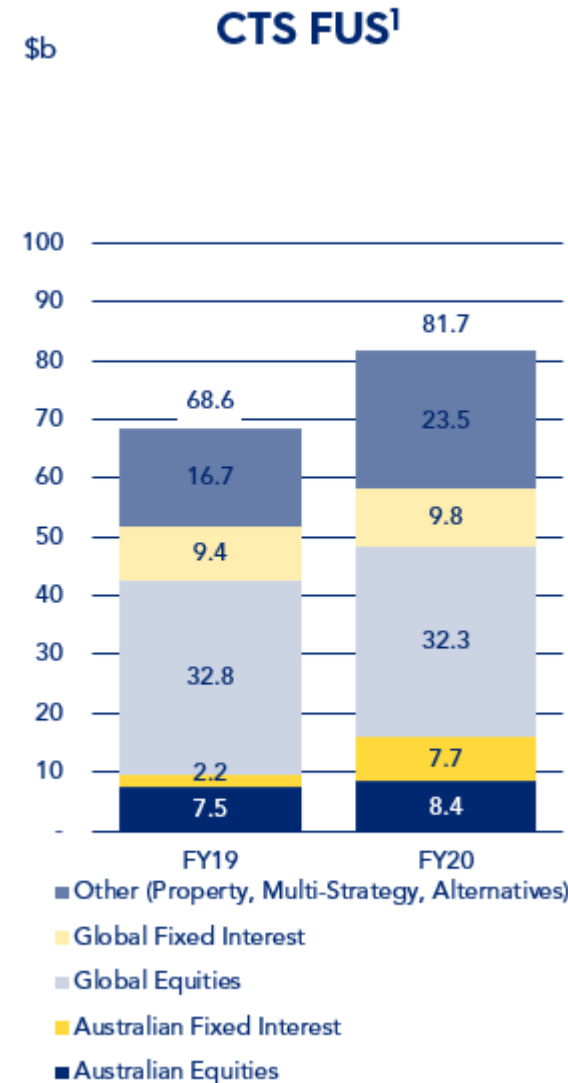
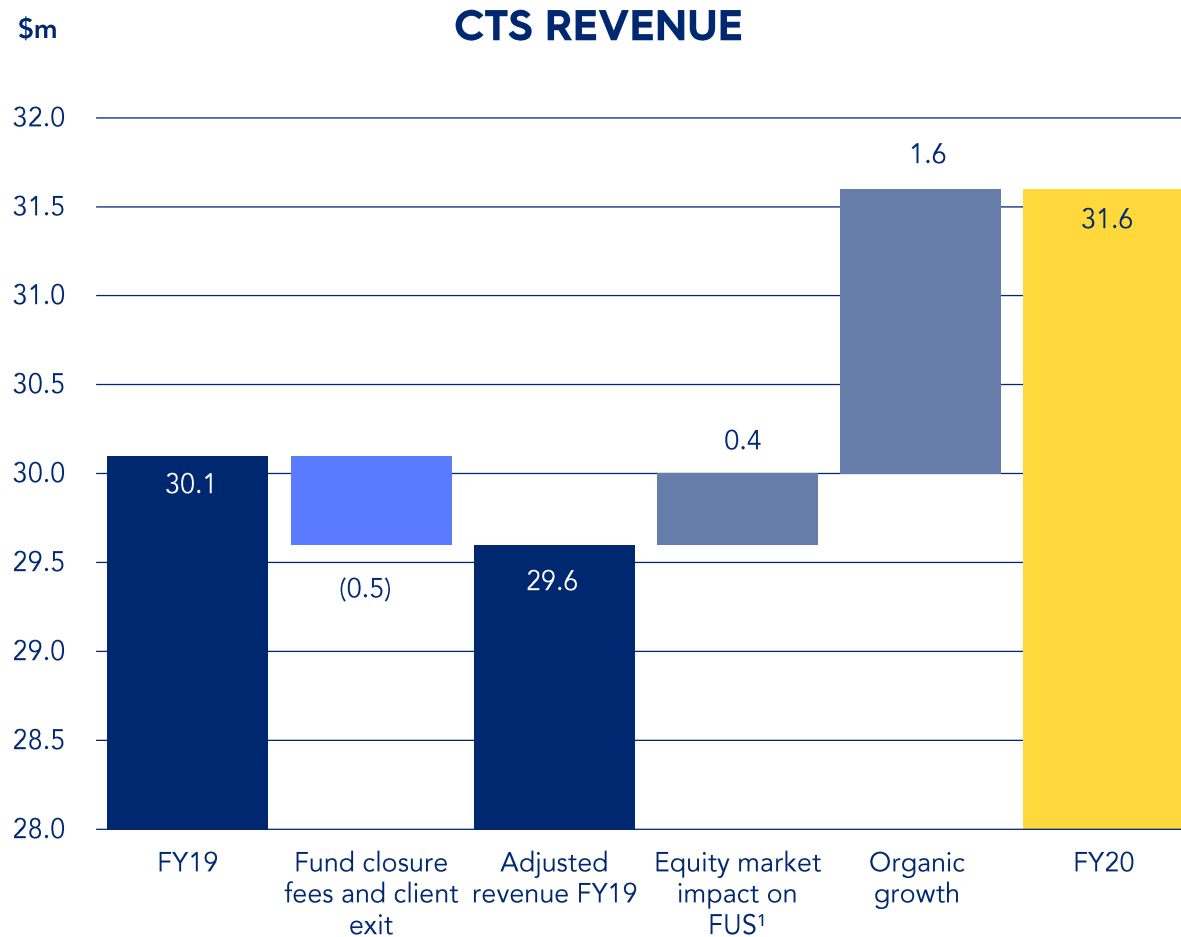
- AIA/CMLA ~\$4.5b (now \$3.9b post transfers to ATO)
- AMP Life appointment on 1 July 2020 ~ \$7.5b
- HUB24 appointment on 1 August 2020 ~\$7.9b

- AIA/CMLA added ~150K members (after Eligible Rollover Transfer of 600K members to ATO) to our existing membership of ~240k members
- AMP Life added 340K members
- HUB24 added 25K members

<sup>1</sup> FUS: Funds under supervision



# SOLID CTS PERFORMANCE

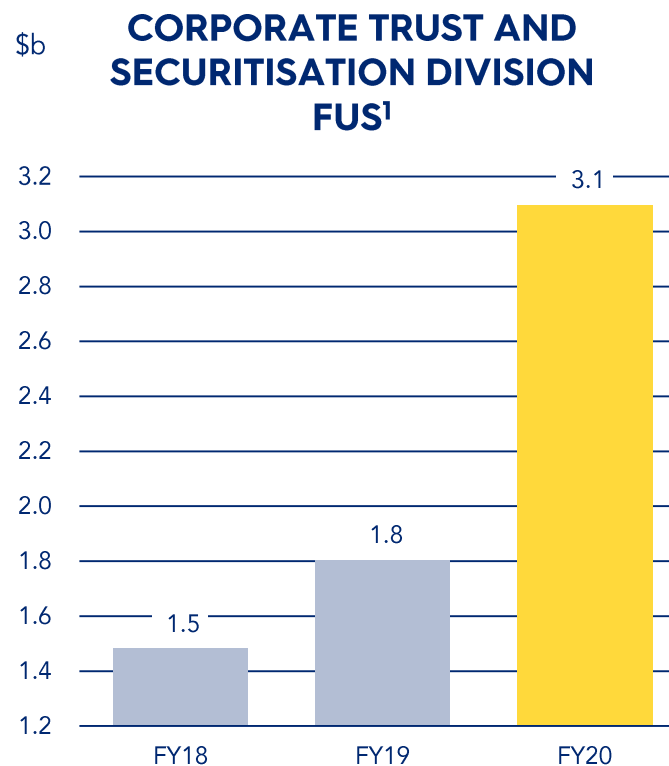
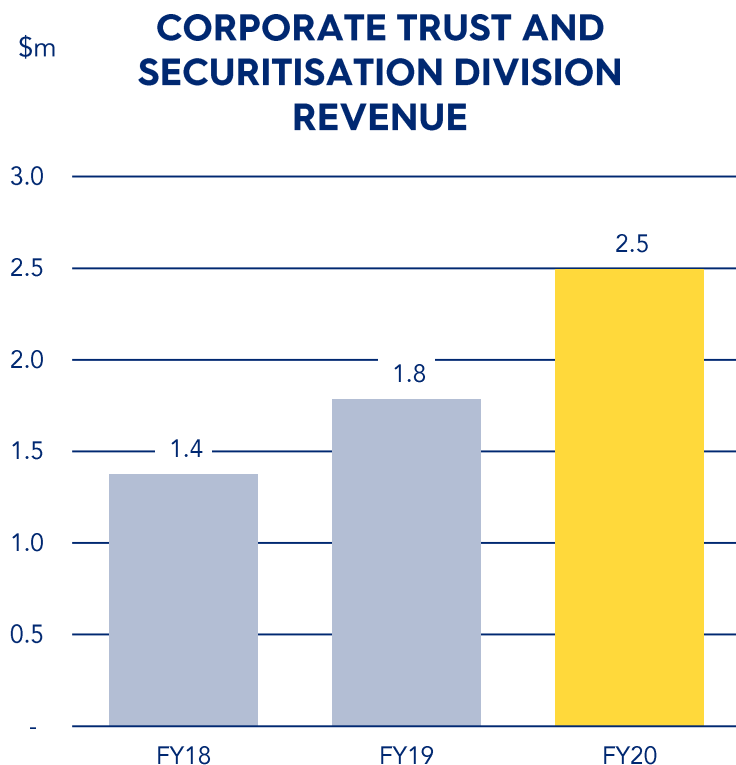


- Headline revenue up 4.9%
- Underlying organic revenue growth of 6.8%
- Impacted by loss of one client (Compliance Services) and fund manager mergers
- New clients include:
  - Australian Corporate Bond Company
  - Ethical Partners
  - Morgan Stanley
  - Quest

<sup>1</sup> FUS: Funds under supervision  
Market impact on FUS links ~50% of CTS revenue to the average MSCI World and ASX200 index  
-Exchange rates are not considered



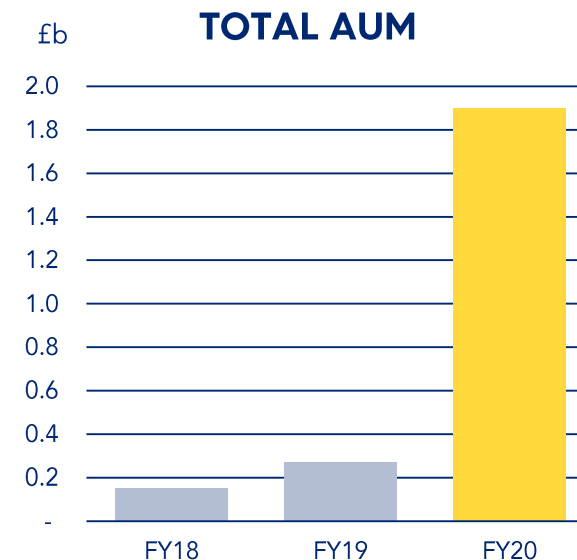
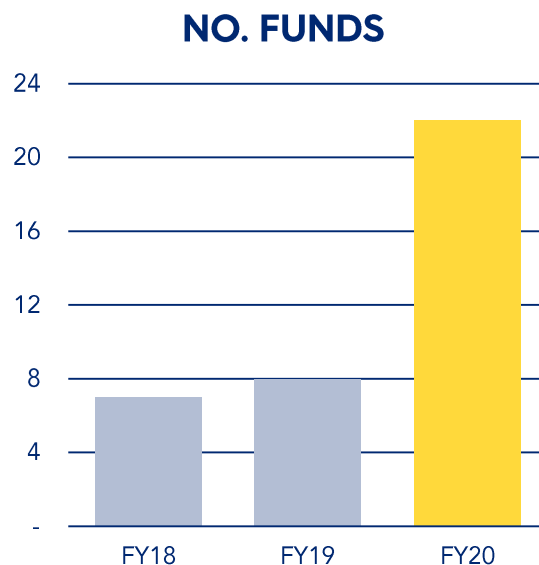
# CTS – CORPORATE TRUST AND SECURITISATION



- Strong momentum in a relatively new business
- Credit licence granted by ASIC to enhance product suite
- First securitisation deal with EQT acting as Trust Manager (as well as Issuer & Security Trustee) closed and funded
- Healthy pipeline

<sup>1</sup> FUS: Funds under supervision

# UK/IRELAND BUILDING MOMENTUM



- Lead indicators of new clients and funds beginning to accelerate
- Increased staffing from 6 to 12 to support growth

- Alliance Bernstein and River and Mercantile, key new appointments
- Established Irish ICAV platform for wider distribution
- Pipeline of significant new opportunities in the year ahead



# BALANCE SHEET STRENGTH

## PROVIDES SECURITY AND FLEXIBILITY

\$M	FY20	1H20	FY19
<b>Assets</b>			
Cash and liquid investments	89.7	72.6	69.8
Trade receivables and accrued income	27.5	30.5	22.1
Goodwill and intangible assets	208.4	209.5	210.9
Other assets	17.1	17.5	10.4
Total assets	342.7	330.1	313.2
<b>Liabilities</b>			
Trade payables and other liabilities	13.8	9.7	10.8
Borrowings	29.0	19.0	12.0
Other non-current liabilities	32.5	33.4	27.1
Total liabilities	75.3	62.1	49.9
Net assets	267.4	268	263.3
Total equity	267.4	268	263.3

- Debt to equity 10.8%
- Debt increased to enhance liquidity and support ORFR funding associated with new superannuation trustee appointments
- Substantial headroom in covenants
- Surplus borrowing capacity
- Flexibility to take advantage of growth opportunities



# STRONG CAPITAL POSITION

- Capital release of \$2-3m associated with the transfer of OVRE clients to Equity Trustees Limited completed
  - Consolidation of licences has potential to reduce capital requirements by a further \$5m in the next 12 months
  - A 10%\* increase in revenue for CTS requires an additional ~\$3m in longer term regulatory capital. TWS doesn't require additional regulatory capital
  - Borrowings for ORFR funding are effectively cash-backed and excluded from financial covenants associated with core bank funding facility
  - Core debt facility of A\$40m provides additional flexibility to support regulatory capital needs or selective investment/acquisition
- Comfortably meeting regulatory capital requirements
  - Opportunities for further capital efficiency
  - Flexibility to withstand adverse conditions
  - Capacity to invest and/or undertake selective M&A

\* Based on current portfolio of funds and activities



# SUMMARY

## RESILIENT PERFORMANCE AND GOOD GROWTH MOMENTUM

- Strong FUMAS growth in challenging environment
- Sound revenue growth despite market downturn
- Underlying EPS and NPAT marginally down reflecting adverse markets in the second half
- Continuing investment creating a foundation for more sustainable future growth
- AMP Life and HUB24 appointments support independent trustee proposition and provide momentum in FY21
- Balance sheet strength and capacity to support growth plans
- Delivering for all stakeholders



# STRATEGY UPDATE AND OUTLOOK



**Our vision is to be Australia's  
leading trustee company**

**A company with purpose,  
forming trusted relationships to  
look after the interests of  
beneficiaries, members and  
investors**



# OUR BROADER PURPOSE

## AS AUSTRALIA'S TRUSTED FIDUCIARY SPECIALIST

### CONTINUING TO SUPPORT CLIENTS AND THE COMMUNITY

- Ensured that more than \$100 billion in savings held by investors, beneficiaries and members was looked after securely
- Managed and cared for more than 2,500 private estates and trusts
- Authorised grants and distributions totalling more than \$90 million to charitable causes

### STRATEGY IS WORKING

- Representing the interests of investors, beneficiaries and members is our core business
- Industry upheaval is highlighting the value of expertise, independence and good governance
- Results demonstrate resilience and proof that our strategy is working





# OPPORTUNITIES ARE CONSIDERABLE AS INDUSTRY RESTRUCTURES

## OUR CORE STRENGTHS OF INDEPENDENCE AND EXPERTISE ARE IN DEMAND

- Changing industry environment continues to support independent trustee model
  - ~99% of all assets in Australia's superannuation system are overseen by an 'internal' trustee: as a truly independent provider, EQT is well placed to benefit from the shift from in-house to outsourced models
  - Royal Commission findings add further support
  - COVID-19 and industry changes driving companies to focus on their core capability
- Global opportunities to leverage Equity Trustees capability



# WELL POSITIONED TO CAPITALISE ON OPPORTUNITIES

## SUBSTANTIAL INVESTMENT IN PEOPLE AND TECHNOLOGY

### PEOPLE

- Building skill base and capability to manage incoming business and support revenue growth
- Key hires across management and client-facing roles
- Maintaining quality and competitive edge

### TECHNOLOGY

- Technology enhancements to improve productivity, service delivery and quality

### FINANCIAL CAPACITY

- Strong balance sheet enables us to fund investment and acquisitions
- Involves higher costs in short-term but still performing well and long-term benefits should be significant



# INVESTING IN TECHNOLOGY TO SUPPORT GROWTH

## PROVIDING A FIRST-CLASS CUSTOMER EXPERIENCE AS AUSTRALIA'S LEADING INDEPENDENT TRUSTEE COMPANY

### FOCUS FOR FY21-22

- Continuing investment in information and cyber security
- Increased process digitisation and automation
- Investment in critical client management systems to enable an enhanced client experience and proposition
- Implementation of new client portals for B2B and B2C clients, increasing capability for clients to self serve
- Implementation of new Software-as-a-Service (SaaS) platform solutions to assist the Enterprise Risk, Human Resources and Finance functions deliver better outcomes to the business.
- Improved use of data analytics to identify opportunities to deliver additional value and services to clients

**~\$1.5M PER ANNUM INCREASE IN TECHNOLOGY INVESTMENT IN FY21**



Enrich the customer and employee experience



Enhance value creation



Efficient processes & operations



# INVESTING IN GOVERNANCE AND CAPABILITY

## SIGNIFICANT INVESTMENT IN BOARDS

### New appointments to EQT Holdings Board

- Carol Schwartz AO (Chair-elect)
- Catherine Robson

### New appointments to licensed RSE Boards

- Paul Rogan
- George Zielinski

### New appointments to UK and Ireland Boards

- Deirdre O'Reilly
- Vincent Camerlynck

### New Co-Sec appointments

- Jennifer Currie, Company Secretary
- Tina Ooi, Deputy Company Secretary

## SIGNIFICANT INVESTMENT IN MANAGEMENT

### New appointments to TWS – Superannuation Trustee Office

- Head of Transformation
- Senior Client Account Manager
- Superannuation Lawyer

### New appointments to TWS PC – Business Development

- General Manager Business Development

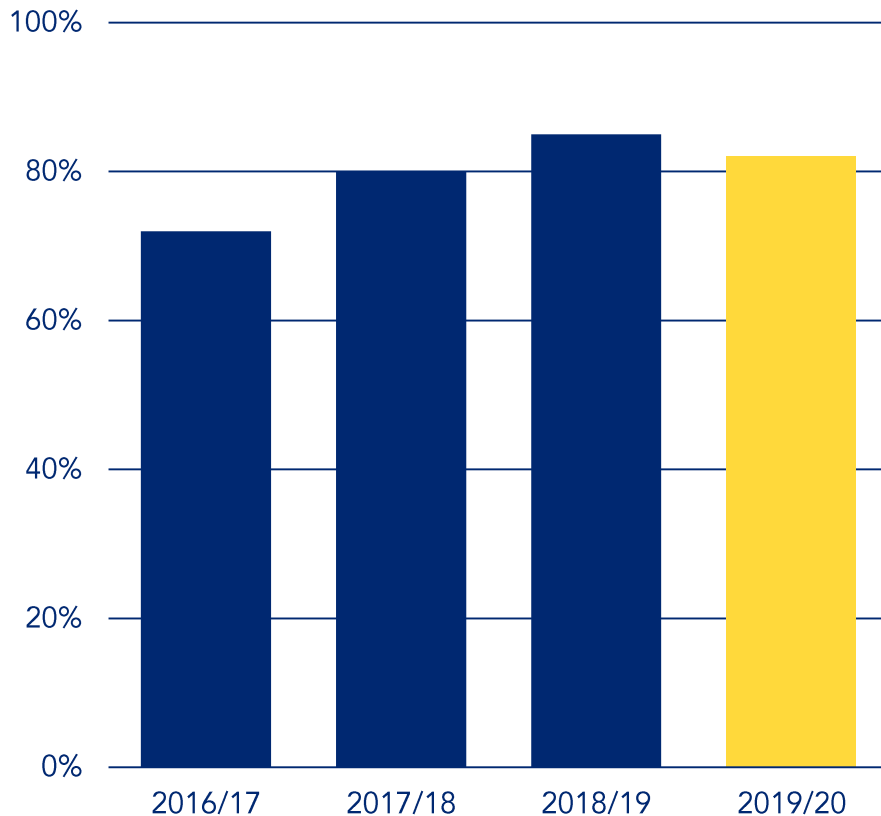
### New appointments to UK / Ireland

- Head of Operations
- Investment and Portfolio Risk Manager
- Head of Compliance (Ireland)



# ENHANCED RISK MANAGEMENT IN LESS CERTAIN ENVIRONMENT

## RISK CULTURE - PROPORTION OF POSITIVE RESPONSES\*



\* across EQT averaged across all questions

## OPERATIONAL RESPONSE

- All operations working remotely from March
- Perth, Brisbane, Sydney, Dublin have now returned to work in line with COVID safe plans
- No material interruption to operations or client service

## TRUSTEE OBLIGATIONS

Dedicated governance to oversee trustee obligations, workforce planning and financial management

- Strong focus on trustee obligations arising from market volatility
  - Liquidity
  - Equity (including timely changes in buy/sell spreads & valuations)
  - Client communications

# TWS PRIVATE CLIENT FOCUS



## PHILANTHROPY SERVICES

- Leverage
  - leading granting expertise to grow living philanthropists
  - not-for-profit investment offerings
- Capitalise on estate planning and advice relationships
- Publish the second Giving Review to showcase scale and capability
- Refocused on beneficiaries impacted by economic downturn

## ESTATE MANAGEMENT

- Focus on beneficiary experience
- Create increased cross-sell opportunities
- Launched new delivery model utilising salesforce – greatly improved our NPS

## TRUST MANAGEMENT

- Targeting specialist areas – compensatory trusts, indigenous trusts
- Improved service delivery model
- Significant investment in people and capability
- Strong growth in health & personal injury clients

## ESTATE PLANNING

- Leveraging will bank for growth
- Focus on distribution and strategic partnerships
- Launched on-line estate planning assistant, combining on-line capability with experienced and professional team

## ADVICE

- Leverage high client satisfaction to cross-sell other services
- Embed advice offering into estate management and testamentary trust processes

## FUNDS MANAGEMENT

- Invest in continued strengthening of the team and capability
- Leverage strong philanthropic market position

# TWS SUPERANNUATION FOCUS



## SPECIALIST, INDEPENDENT TRUSTEE PROPOSITION GAINING MOMENTUM

- AMP Life (\$7.5b) and HUB24 (\$7.9b) superannuation appointments on 1 July and 1 August 2020 respectively boost superannuation FUS to over \$26b
- Leveraging the strength of our business model and brand as Australia's leading specialist independent trustee
- The prevalence of vertical integration and potential conflicts of interest are driving a strong appetite for our specialist, independent fund governance capability
- Maintaining an independent trustee office for the benefit of members
- Investing in people and digital platforms

# SUPPORTING AUSTRALIA THROUGH DISASTER RESPONSE

## BUSHFIRES RECOVERY

- Supported recovery of bushfire-impacted areas through two dedicated trusts established with Business Council of Australia

## COVID-19 PANDEMIC

- Approved almost \$3m in charitable grants to more than 70 NFP organisations impacted by COVID-19, including grants for IT support/equipment, medical health supplies, equipment or research, mental health initiatives, arts-based projects and domestic violence programs
- Changed our granting approach to be more flexible, responsive and open, eg. providing untied funds to charities to support them through the pandemic





# EMPOWERING INDIGENOUS COMMUNITIES

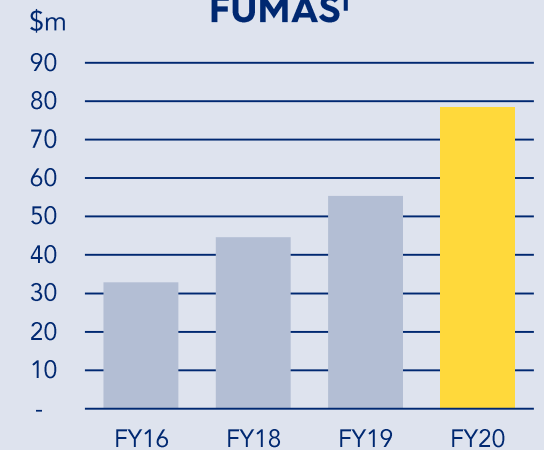
## CONTRIBUTE TO GREATER SOCIAL AND ECONOMIC PARITY BETWEEN OUR FIRST AUSTRALIANS AND THE BROADER COMMUNITY

- Innovate Reconciliation Action Plan
  - Endorsed by Reconciliation Australia
  - Providing trustee and investment management services to Aboriginal and Torres Strait Islander communities
  - Directing philanthropic funds to a wide variety of programs
- Appointed co-trustee of the Aboriginal Housing Foundation in Western Australia, the first co-trustee appointment within the sector
- Appointed as Trustee to our Queensland Community
- Our aim is to build capacity and empower Aboriginal communities to increase participation in the management of their wealth



### GOOD PIPELINE OF OPPORTUNITIES

#### INDIGENOUS TRUSTS FUMAS<sup>1</sup>



<sup>1</sup> FUMAS: Funds under management, administration, advice and supervision



## PROVIDING INDEPENDENT, SPECIALIST TRUSTEE AND FIDUCIARY SERVICES

- Growing existing business
  - Continuing promotion of core Responsible Entity service to existing and new fund managers
  - Capitalising on trend for quality fund managers to enter Australian retail market
  - Using our specialist expertise to structure attractive trust solutions for superannuation funds
  - Focusing on larger scale opportunities as managers and promoters consider a specialist outsourced model
- Continuing to extend into new markets in Australia
  - Structured finance offerings (debt offers, securitisations and real estate trusts)
  - Early wins encouraging and building momentum
  - Continue building listed offers to assist managers in expanding distribution
- Build on momentum in growing UK and Ireland business



# SUMMARY

## RESILIENT PERFORMANCE AND GOOD GROWTH MOMENTUM

- Strong FUMAS growth in challenging environment
- Sound revenue growth
- Underlying EPS and NPAT marginally down reflecting adverse markets in the second half
- Continuing investment creating a foundation for sustainable future growth
- New appointments support independent trustee proposition and provide momentum in FY21
- Balance sheet strength and capacity to support growth plans
- Delivering for all stakeholders



# POSITIVE OUTLOOK

## CLEAR GROWTH AGENDA WITH GOOD MOMENTUM

- Industry transformation continuing to provide opportunities
- Investing in people and technology to ensure we can capitalise on them
- Pursuing growth organically and inorganically
- Strengths as a respected and capable trustee increasingly recognised, with capability in high demand
- Benefits of investment are expected to continue to flow in the year ahead
- Market volatility will continue to influence outcomes
- Encouraging outlook for FY21 and beyond



**QUESTIONS**



**THANK YOU**

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