



EQT Holdings Limited

Half-Year Results to 31 December 2017

Mick O'Brien, Managing Director

Philip Gentry, Chief Financial Officer and Chief Operating Officer

Released 20 February 2018

Agenda



Overview

Financials

Strategy and Outlook

Questions

Overview



Substantial lift in performance



- Net profit after tax (NPAT) up 33% to \$9.6m
- Revenue growth up 9%
- Disciplined expense management
- Dividend up 14% to 40 cents per share
- FUMAS* up 8% to \$78.6b
- Basic earnings per share (EPS) up 32% to 47.47 cents

Substantial lift in performance



Result built on strong core businesses

- Particularly strong Trustee and Wealth Services (TWS) performance
- Consistent Corporate Trustee Services (CTS) performance

and successful business transition

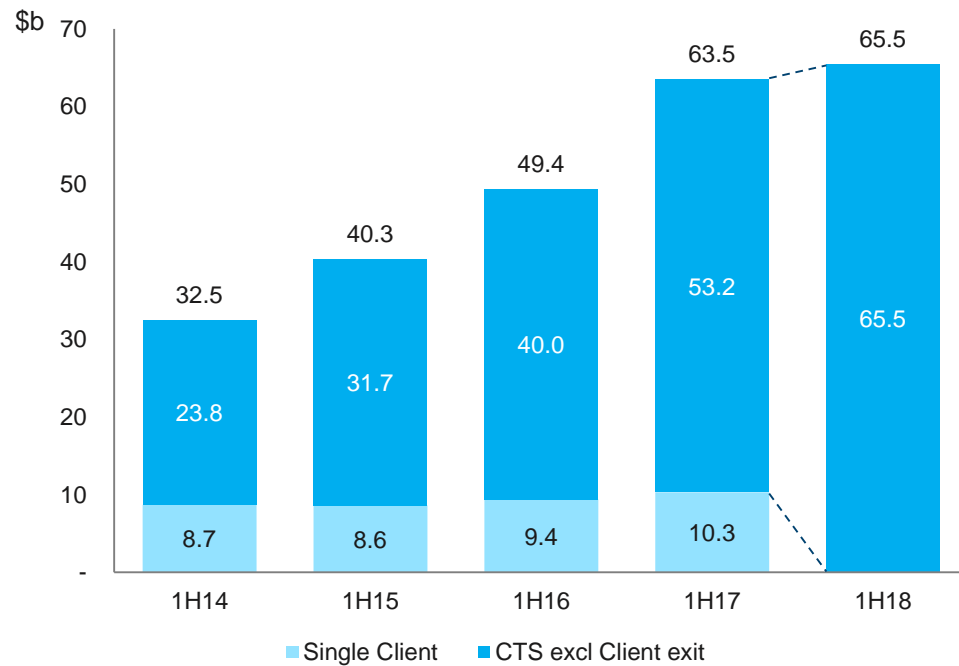
- Corporate restructure delivering expected benefits
- Sandhurst acquisition fully integrated and earnings accretive from 1 July 17
- New chairman – Hon. Jeffrey Kennett AC
- Significant improvement in staff engagement and client satisfaction

Growth to record levels



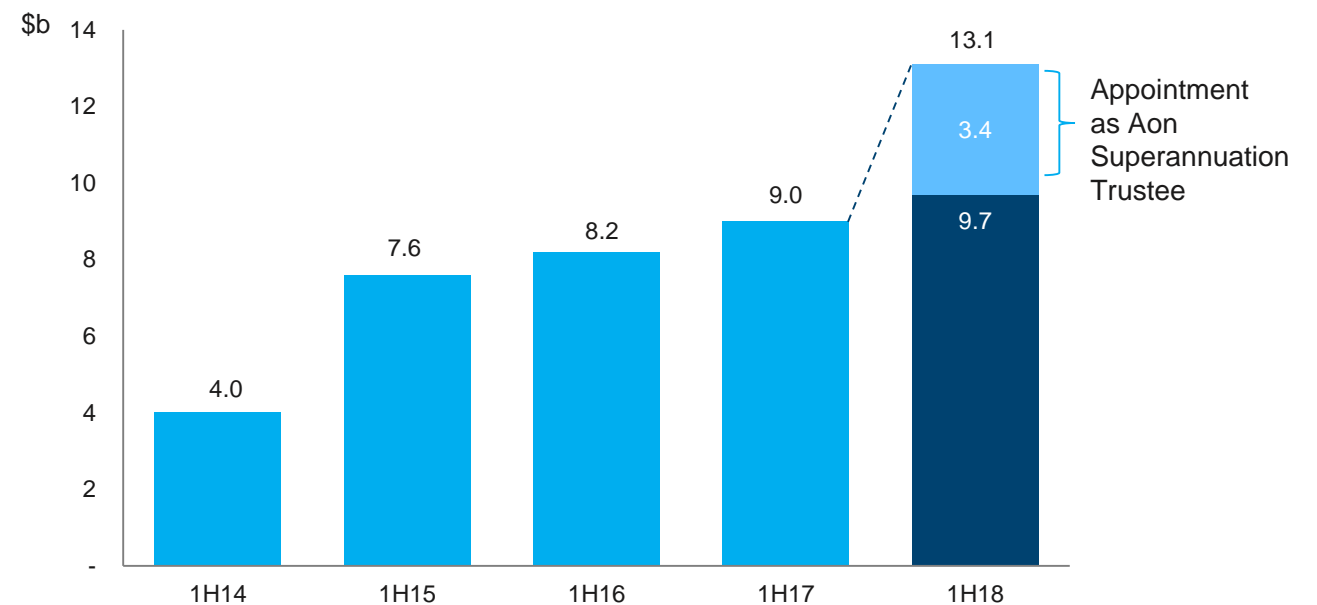
CTS FUS*

23% Growth excl. Client exit (on pcp***)



TWS FUMAS**

46% Growth (on pcp***)



* FUS: Funds under supervision
 **FUMAS: Funds under management, administration, advice and supervision
 *** pcp prior corresponding period
 Note -TWS FUMAS - Increase in TWS FUMAS from FY14 to FY15 was largely due to the acquisition of ANZ Trustees

Strong momentum



Strategic initiatives strengthening platform for growth

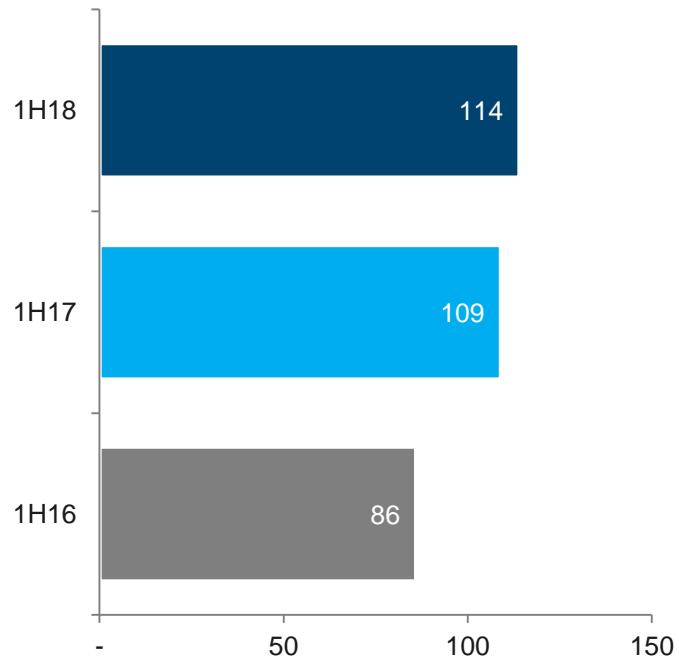
- Sandhurst acquisition fully integrated and performing well
- Acquisition of majority stake in UK-based Treasury Capital Limited (TCL)
 - Tapping into global expansion opportunity
 - Positioning EQT as provider of independent fiduciary services to fund managers globally
- Strategic alliance with Aon – appointment as Trustee to the Aon Master Trust
 - Doubles the scale of Superannuation Trustee business
- Acquisition of OneVue Responsible Entity (RE) business
 - Strengthening position as leading provider of Responsible Entity services in Australia

CTS highlights



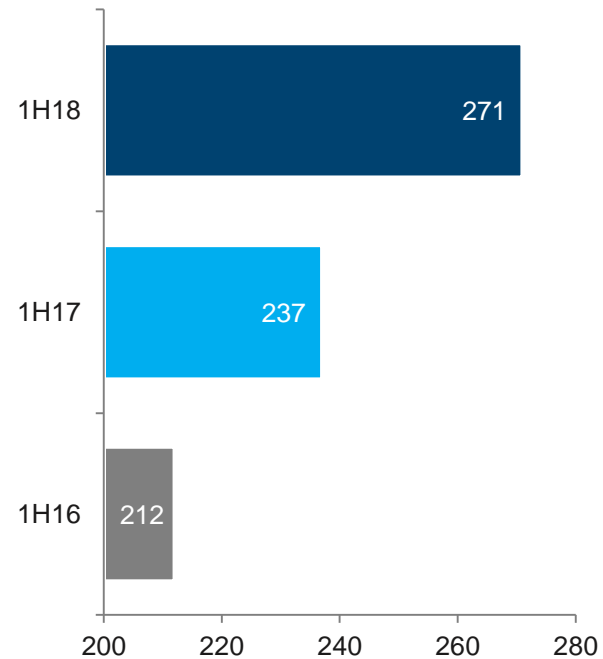
No. of Managers

↑ 4.6% on pcp*



No. of Funds

↑ 14% on pcp*



New clients include:

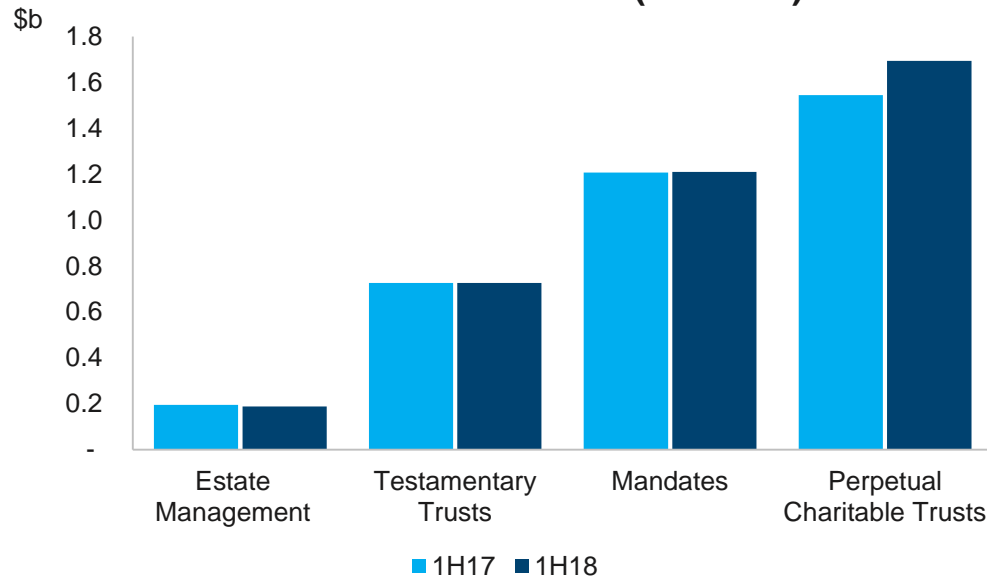
- Milford Asset Management
- Redpoint Investment Management
- Citadel LLC
- Investible Prime Early Stage Management

*pcp - prior corresponding period

TWS highlights

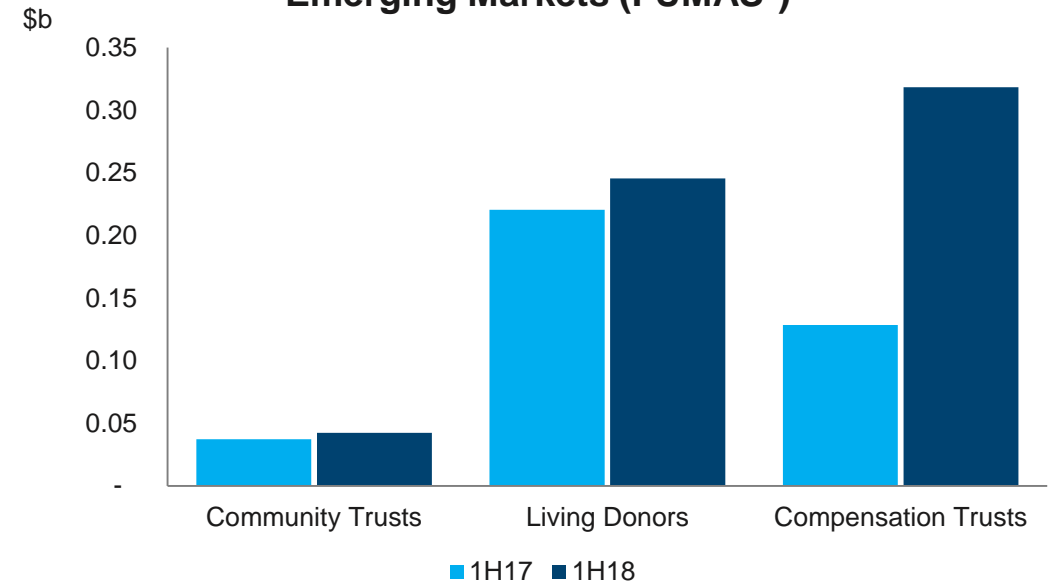


Core Trustee Services (FUMAS*)



- Estate administration productivity up significantly
- 42 new testamentary trusts, 4% increase
- 6 new perpetual charitable trusts, 1% increase

Emerging Markets (FUMAS*)



- Community trusts – steady growth
- 6 new living donor clients, 4% increase
- 11 new compensation trusts, 8% increase

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

Focus on six key drivers



Driver		Current Measure	% change on pcp	Next reviewed
T1	Improve Client Satisfaction (NPS)	+12	n/a	April 2018
T2	Lifting Employee Engagement	58%	18% increase	April 2018
T3	Increase Total FUMAS	\$78.6b	8.4% increase	June 2018
T4	Growing Sales Value	CTS# TWS#	– 10 new funds managers, 38 new funds – Private Clients – 946 new clients* – SPS ~ 100,000 new members	
T5	Enhancing EBITDA Margin	37%	20% increase	June 2018
T6	Deepening Community Impact	\$66.5	4% decrease (Norm ² +6%)	June 2018

**EPS
Growth
32%**

NPS = Net promoter score
New clients for the 12 Months to 31 Dec 2017

* Total of new Estates, Wills, Trusts, Advice, Philanthropic and NFP Mandate Clients
² Normalised adjusts for inclusion of one off grant in FY16 of \$8m

Financials

Philip Gentry

Chief Financial Officer and Chief Operating Officer



Strong financial performance



	1H18	1H17	1H18 vs. 1H17 %
Operating revenue (\$m)	43.2	39.5	9.4
Operating expenses (\$m)	28.1	27.0	4.1
Non-operating expenses (\$m)	1.1	2.1	(47.6)
Net Profit Before Tax (NPBT) (\$m)	14.0	10.4	34.6
EBITDA margin (%)	37.2	31.0	20.0
Net Profit After Tax (NPAT) (\$m)	9.6	7.2	33.3
Earnings Per Share (EPS) (cents)	47.47	36.01	31.8
Diluted EPS on NPAT (cents)	47.33	35.98	31.6
Dividends (cps)	40	35	14.3

- Solid revenue growth driven by organic growth, strategic initiatives and positive markets
- Disciplined approach to operating expenses
- Non-operating expenses contained
- Significant increase in EBITDA margin to 37.2%
- Strong increase in NPAT and dividend

Non-operating expenses well managed



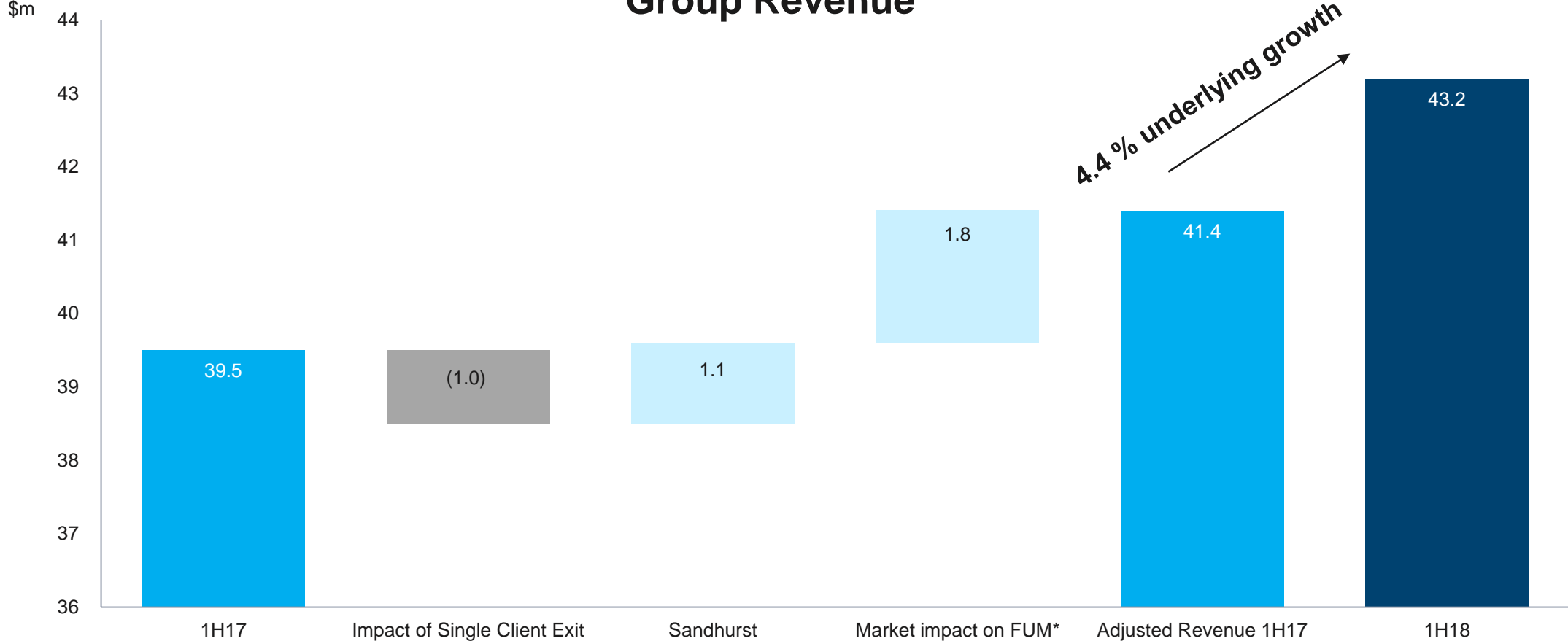
Non-operating expenses (\$m)	1H18	2H17	1H17	2H16	1H16
M&A Activity	0.7	0.6	0.1	0.6	0.4
Restructuring costs	0.3	0.3	1.3	1.0	1.3
Business Assurance Project	-	-	0.7	0.7	1.2
Other	0.1	-	-	1.3	1.3
Total	1.1	0.9	2.1	3.6	4.2

- M&A expenses reflect OneVue Responsible Entity and Treasury Capital Limited acquisitions
- Non-operating expenses reduced significantly over the last two years

Solid underlying revenue growth

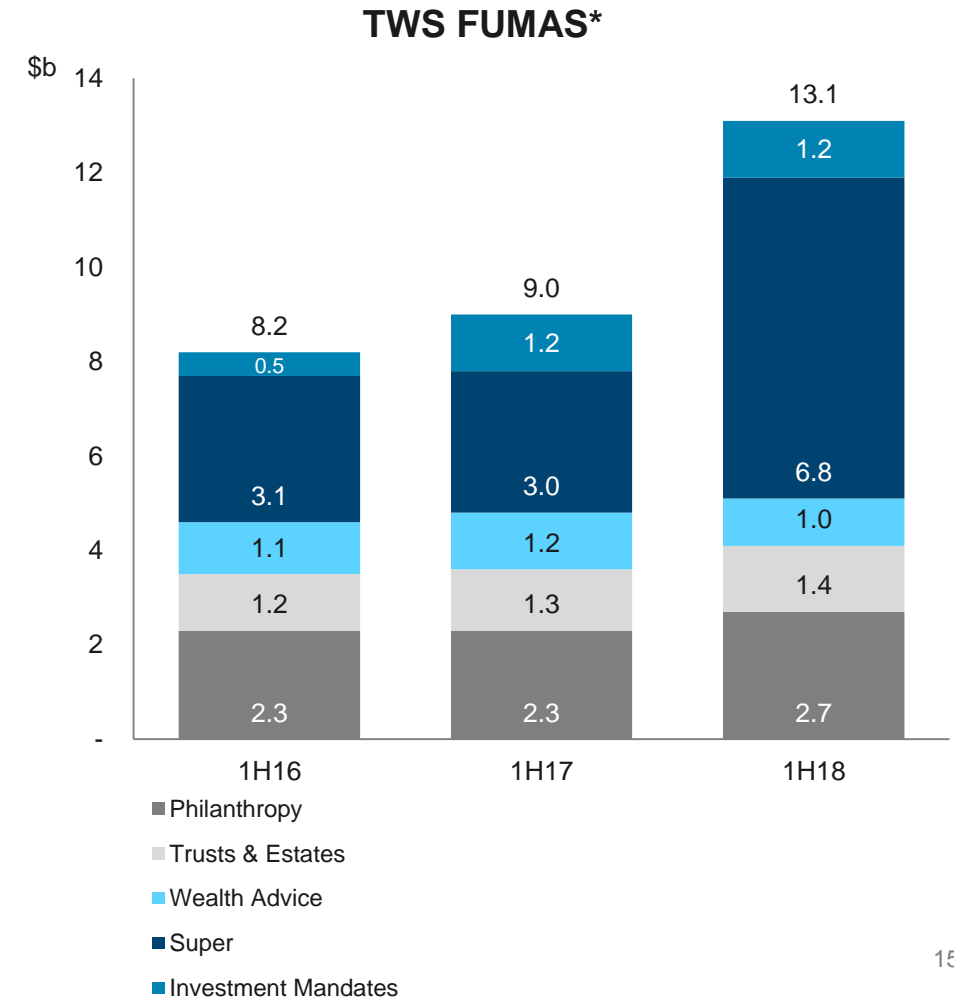
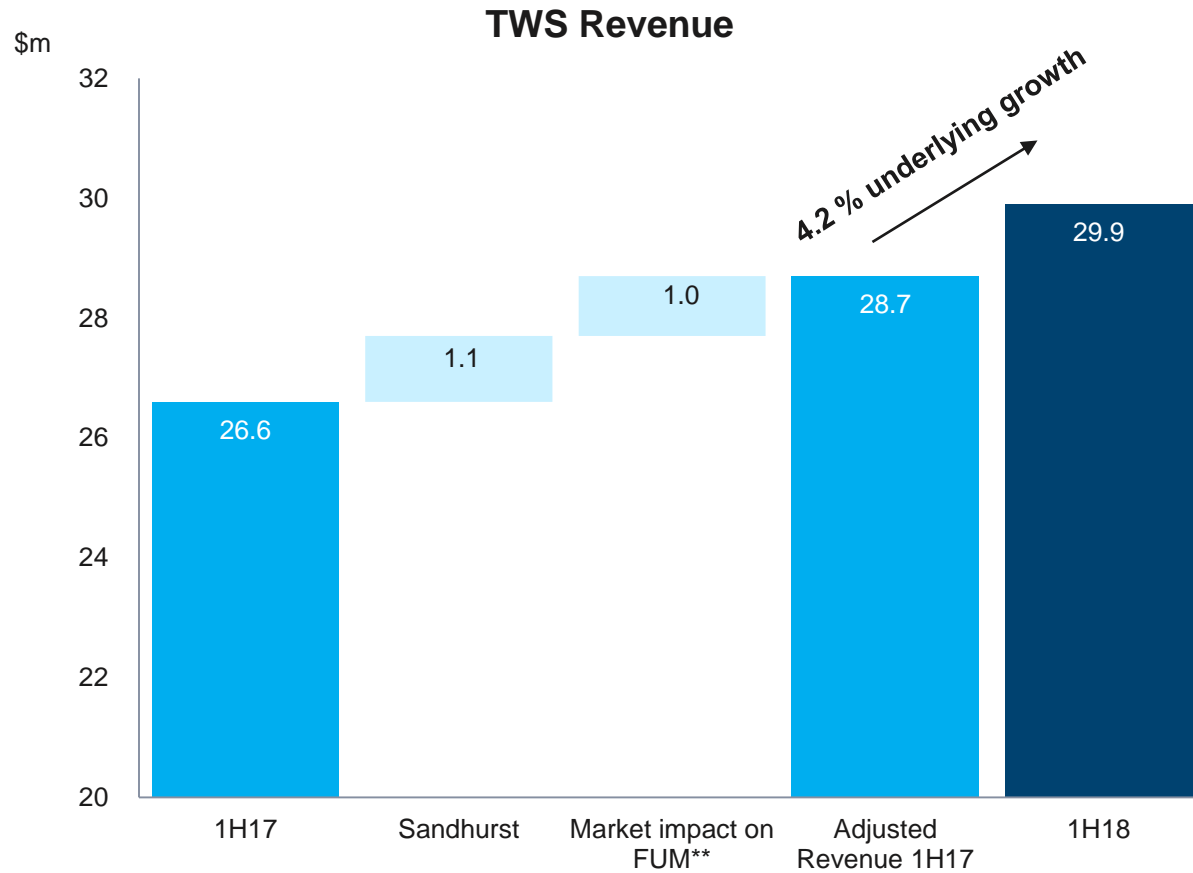


Group Revenue



Market impact on FUM (Funds under management) assumes 50% of TWS revenue linked to the average S&P ASX200 and approx. 60% of CTS revenue to the average MSCI World and S&P ASX200 Indices. Exchange rates are not considered

Strong TWS performance



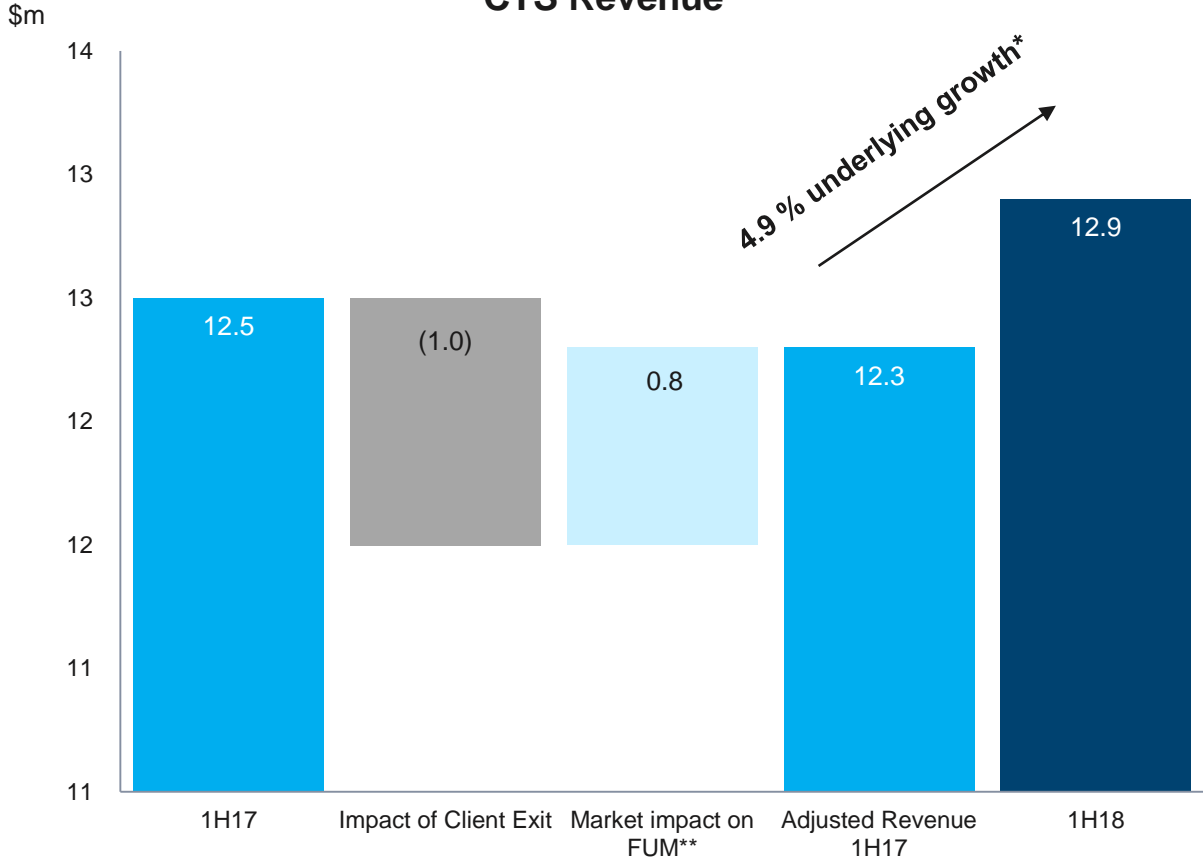
*FUMAS: Funds under management, administration, advice and supervision

**Market impact on FUM (Funds under management) links 50% of TWS revenue to the average S&P ASX200 index

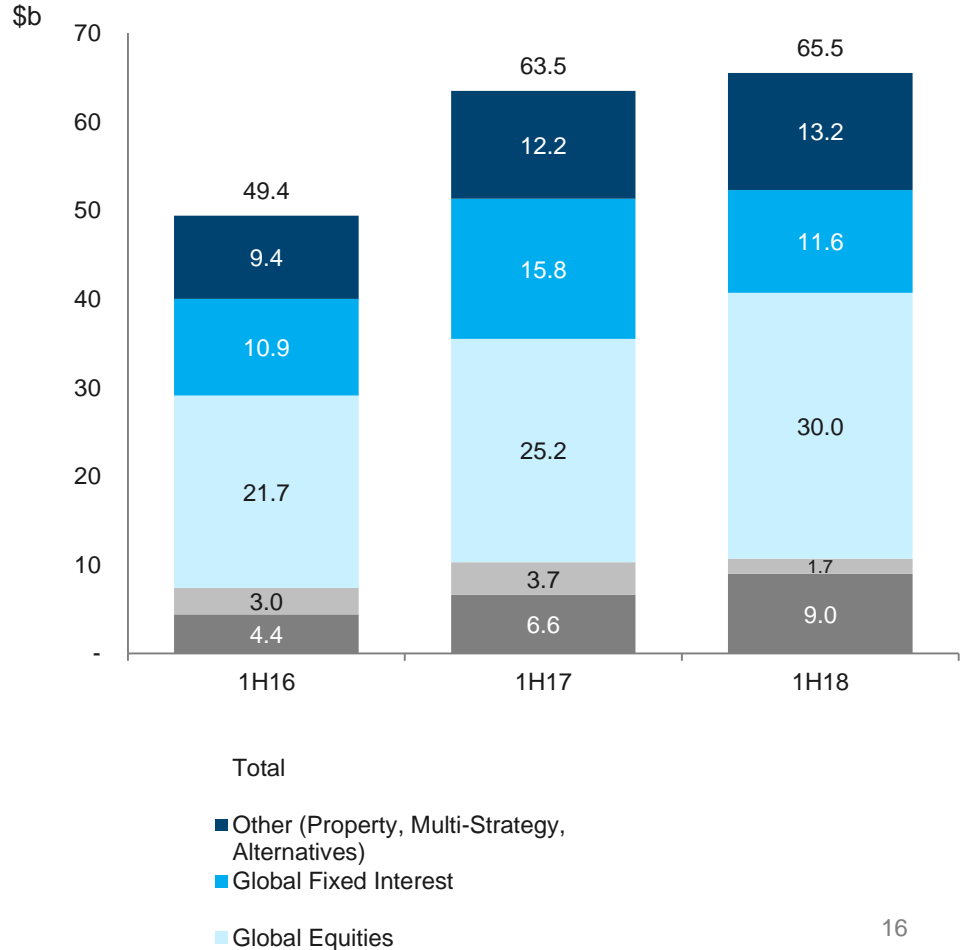
Solid CTS performance



CTS Revenue



CTS FUS*



*FUS: Funds under supervision
 **Market impact on FUM (Funds under management) links Approx. 60% of CTS revenue linked to the average MSCI World and S&P ASX200 Indices. Exchange rates are not considered

Balance sheet strength provides security and flexibility



	31-Dec-17 \$m	30-Jun-17 \$m	31-Dec-16 \$m
Assets			
Cash and cash investments	56.2	58.4	52.2
Trade receivables and accrued income	22.3	17.9	20.4
Goodwill and intangible assets	211.2	210.4	206.2
Other assets	8.2	5.4	2.5
Total assets	297.9	292.1	281.3
Liabilities			
Trade payables and other liabilities	7.1	10.2	5.3
Borrowings	15.0	15.0	12.0
Other non-current liabilities	25.7	21.7	21.4
Total liabilities	47.8	46.9	38.7
Net Assets	250.1	245.2	242.6
Total Equity	250.1	245.2	242.6

- Low gearing – debt to equity 6.0%
- Substantial headroom in covenants
- Surplus borrowing capacity
- Flexibility to take advantage of growth opportunities
- Contingent liability disclosed in financial statements*

* A contingent liability has been disclosed in the financial statements relating to an objection process with the ATO, regarding the tax treatment of an acquisition made in 2011. EQT believes it has correctly calculated the deduction made in respect of this acquisition, and had received tax advice to that effect. A possible outflow that may occur as a result of this matter is in the range of nil to \$2.1m. The objection process remains underway and EQT maintains the view that the potential outflow will ultimately not be payable.

Strong capital position



- Comfortably meet regulatory capital requirements
- Streamlining of structures and entities improving capital efficiency by ~\$2m over the next 18 months
- Consolidation of licences has potential to reduce capital requirements a further \$5m in the medium term
- A 10%* sustained increase in revenue for CTS requires an additional ~\$3m in longer term regulatory capital. TWS doesn't require additional regulatory capital
- Dividend policy to pay out 70% to 90% of reported NPAT – expected to provide sufficient retained earnings to fund regulatory capital for organic growth
- Acquisition# of OneVue RE business and 60% share of Treasury Capital Limited (TCL) comfortably funded from existing liquidity and financing arrangements
- Debt facility renewed for 3 year term and limit increased to A\$40m - provides additional flexibility to support regulatory capital needs or selective investment/acquisition

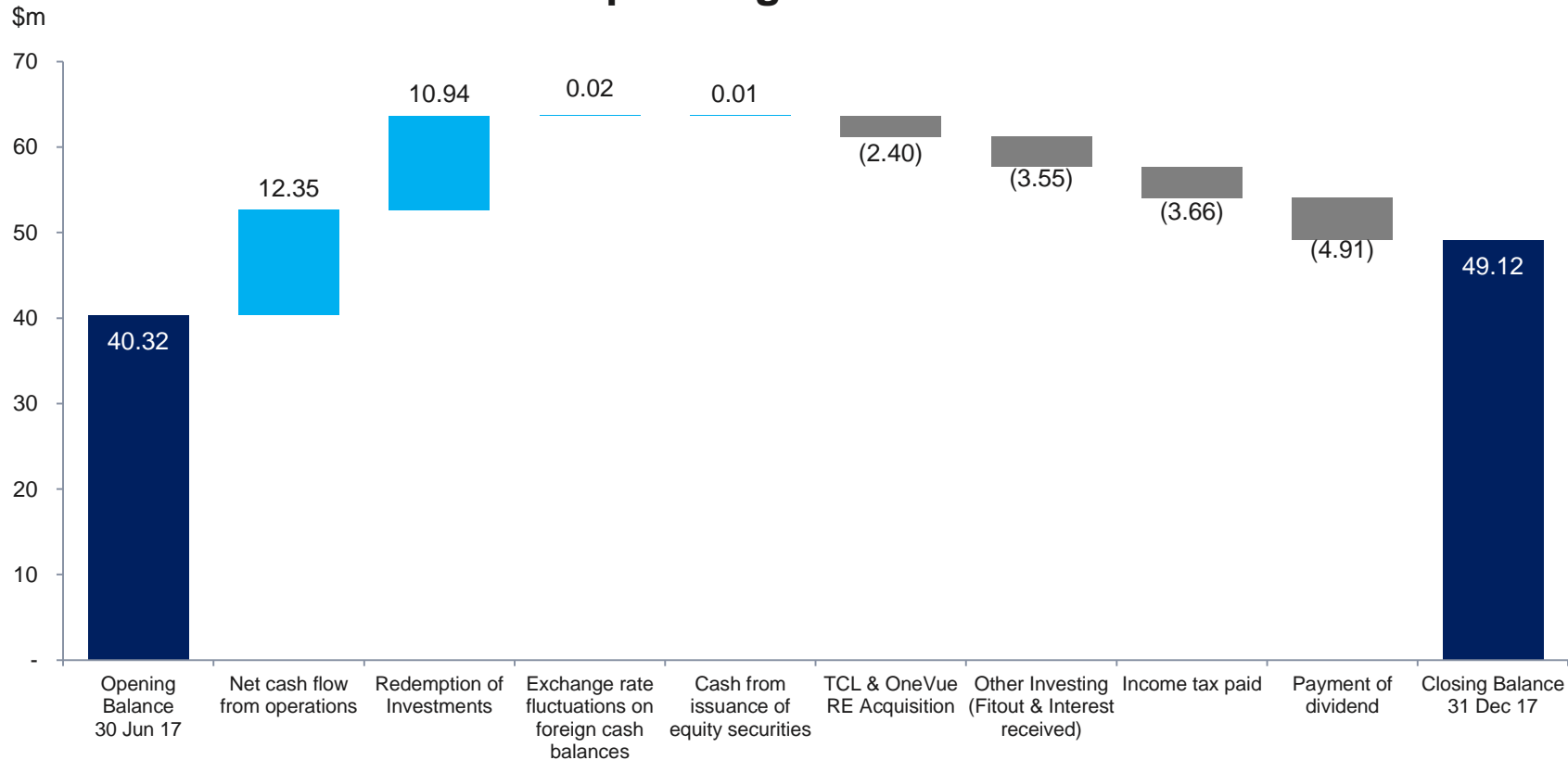
* Based on current portfolio of funds and activities

Note- acquisition of OneVue RE business expected to complete by 31 March 2018

Strong operating cash flow



Operating Cash Flow



- Cash principally utilised to fund acquisitions, office fit out, tax payments and dividends
- Consistent, high quality cash generation
- Negligible bad debts

Summary



- Substantial improvement in financial performance
 - Strong revenue growth
 - Expenses well managed
 - Operating margins enhanced
 - Significant increase in NPAT and dividend
- Benefits flowing from corporate restructure and operating model review
- Three strategic initiatives (OneVue RE, TCL, Aon Trusteeship) expected to be mildly EPS accretive in FY18 and comfortably single digit accretive in FY19
- Strong capital position and capacity to support growth plans

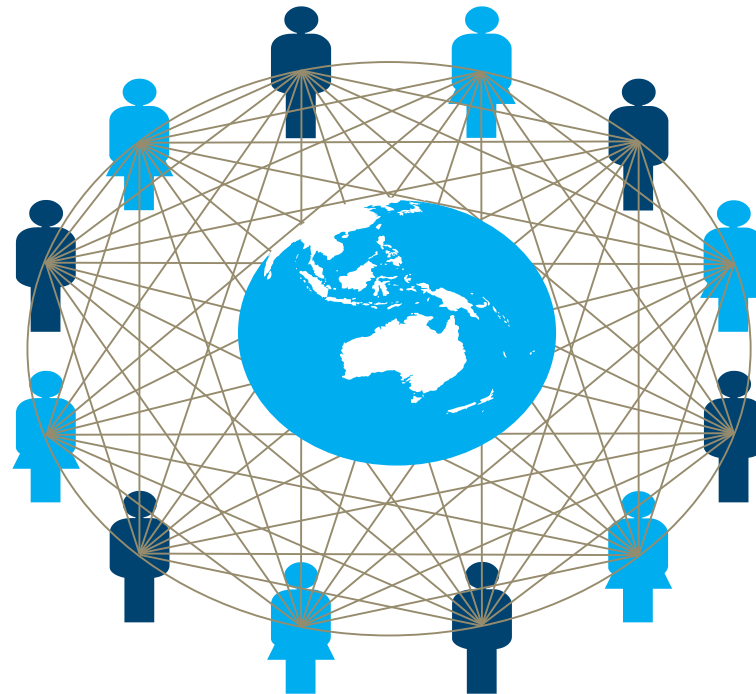
Strategy and Outlook
Mick O'Brien
Managing Director



Vision



EQT aims to be
Australia's leading specialist trustee company



Forging ahead: a growth agenda



- Targeting market leadership in areas of the wealth chain where we have competitive advantage
- Pursuing growth in all lines of business

Organic

- Developing innovative new solutions in key growth areas
- Targeting new markets
- Improved service and cross-sell across our client base
- Aligning our approach to meet increasing market globalisation

Partnerships

- Partnerships to strengthen and continue to grow our core businesses

Acquisitions

- Add-on acquisitions of similar businesses in Australia
- Offshore opportunities for Corporate Trustee Services

TWS Private Client focus



Estate planning

- Digitisation of Will bank and implementation of document management system to leverage value of will bank.
- Distribution focus on Will reviews and strategic partnerships

Estate management

- Focus on beneficiary experience
- Create increased cross sell opportunities

Trust management

- Targeting specialist areas - Compensatory trusts, Community trusts

Advice

- Leverage high client satisfaction to cross sell other EQT products and services

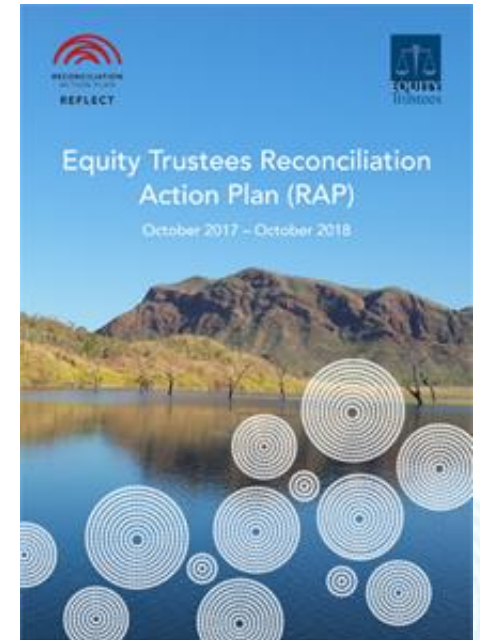
Philanthropy services

- Leverage our leading granting expertise and thought leadership to grow Living Philanthropists and not for profit mandate offerings
- Capitalise on Estate planning relationships to promote philanthropic services

Reconciliation Action Plan (RAP)



- First Reflect RAP has been formally endorsed approved by Reconciliation Australia
- RAP formalises our public commitment to:
“contribute to greater equality in social and economic outcomes between our First Australians and the broader community”
- Uniquely placed to improve social and economic outcomes for Aboriginal and Torres Strait Islander people
- Our extensive Philanthropy program continues to make a significant contribution



TWS Superannuation Portfolio Services focus



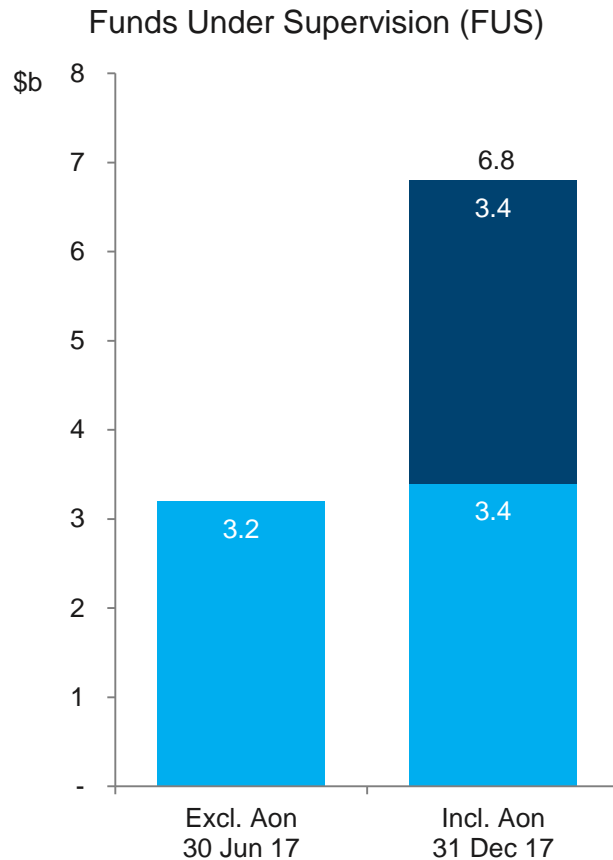
Trustee for Partner

- Leveraging the strength of our brand as the specialist independent trustee
- Partnering with superannuation fund providers where trustee services are not core
 - EQT assumes responsibility for trustee services and partners manage the superannuation offer and distribution
- Strong pipeline of opportunities

Fund Mergers

- For funds with unsustainable business models, use extensive experience to merge funds to achieve scale and consolidate providers to create better value for members

Strategic alliance with Aon



- Appointment as Trustee to the Aon Master Trust and Aon Eligible Rollover Fund
- Entered into strategic alliance to jointly develop the business
- Doubles funds under trusteeship
- Number of employer participation plans increased from 30 to 510
- Number of members increased from ~50,000 to ~150,000
- Strong endorsement of our Trustee for Partner strategy
- Consistent with our focus on select blue chip partners

Grow existing business

- Continuing promotion of core Responsible Entity service to existing and new fund managers
- Capitalise on trend for quality Australian managers to enter retail market
- Utilise our leading expertise to structure attractive solutions for superannuation fund providers
- Be at the leading edge with corporate Collective Investment Vehicle (CIV) regulatory change

Extend into new markets in Australia

- Structured finance offerings (securitisations, debt offers and real estate trusts)

Grow offshore

- Leverage skills in global fiduciary market
- Capitalise on increasing demand for independent fiduciary services
- Asian CIVs and Asian funds passport

Significant global opportunity



Fiduciary going global

- Global funds market is over US\$70 trillion with centres of CIVs in Luxembourg, Dublin, London and Cayman Islands
- Most funds management industry services are now largely global – (e.g. custody, investment management, audit)
- Fiduciary market is evolving and globalisation is accelerating

Strong rationale for independent fiduciary

- Regulatory driven – demand for increased independence
- Global connectivity, consistent service levels, established substance, proven risk & compliance frameworks

Significant opportunity for EQT

- Cross-sell to EQT global client base
- Become the ‘fiduciary of choice’ outside investment managers’ primary markets (where they are their own fiduciaries)
- Global relationship pricing
- Indifferent to domicile (Australia, Asia, Luxembourg, Ireland, UK or Cayman)

Acquisition of majority stake in TCL



Treasury Capital Limited (TCL)

- Operates in key fund centres of UK and Ireland providing Authorised Corporate Director (ACD) solutions – Responsible Entity equivalent
- Experienced, local management – fully aligned with EQT
- Similar approach to EQT (open architecture, independent model)

Acquisition strategy

- Manageable first step overseas for EQT
- Acquired 60% of ordinary equity plus 100% of preference shares – relatively small acquisition
 - UK has similar legal system and language
 - Developing EQT's position as a provider of choice for independent fiduciary services globally
- Expect good growth over time through growing TCL client base
 - Using TCL expertise, knowledge and networks
 - Providing increased service offering to EQT's existing clients

Acquisition of OneVue RE business



Strengthens position as the leading provider of Responsible Entity services in Australia

- Acquisition further builds CTS scale, contributing:
 - 26 managed investment schemes
 - ~\$2.3 billion funds under supervision
- Expect synergies from applying our expertise and generating efficiencies
- Increase of ~2 FTE
- \$3.5m purchase price plus \$5m in regulatory capital
 - Expect to recover the majority of regulatory capital when the business is integrated
 - Acquisition expected to be completed by 31 March 2018
- Equity Trustees also entered into an agreement for OneVue to provide unit registry services

Conclusion and outlook



Significant improvement in financial performance

- NPAT, revenue, earnings per share and dividend all higher

Result built on fundamentals

- Strong organic growth
- Benefits from restructuring being realised
- Full 6 months contribution from Sandhurst Estates and Trusts
- Expenses well managed

Good momentum and clear growth agenda

- Attractive industry fundamentals – Australia and overseas
- Leveraging core strengths and capabilities to grow organically through partnerships and acquisitions
- Encouraging outlook for FY18 and beyond

Questions



Disclaimer



This document was prepared by EQT Holdings Limited (ABN 22 607 797 615) and is only provided for information purposes. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. To the maximum extent permitted by law, EQT Holdings Limited, its affiliates and related bodies corporate, and their respective directors, officers and employees disclaim any liability (including without limitation any liability arising from fault or negligence) for any loss arising from any use of the presentation or its contents or otherwise arising in connection with it. Where forward looking statements have been used in this presentation the information provided is based upon current expectations of future events and is subject to risk, uncertainty and assumptions that could cause actual outcomes to differ from those forecast.

Copyright © 2018 Equity Trustees, All rights reserved.