



Equity Trustees

# INVESTOR PRESENTATION

RESULTS FOR HALF YEAR ENDING 31 DECEMBER 2018

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

25 FEBRUARY 2019



# AGENDA

- ( 1 ) FIRST HALF FY19 IN REVIEW**
- ( 2 ) FINANCIALS**
- ( 3 ) STRATEGY UPDATE AND OUTLOOK**
- ( 4 ) QUESTIONS**



**FIRST HALF  
FY19 IN  
REVIEW**



# STRONG PERFORMANCE CONTINUES

- Net profit after tax attributable to shareholders up 17.3% to \$11.2m
- Revenue up 7.2% to \$46.3m
- Disciplined expense management – 3.0% increase
- Pre-tax operating cash flow up 28.6% to \$15.9m
- FUMAS\* down 4.3% to \$77.0b – reflecting weaker markets
- Basic earnings per share up 16.1% to 55.13 cents
- Dividend for the half year up 4 cents to 44 cents per share
- Balance sheet remains strong – debt reduced by 20%
- Delivering for all our stakeholders

\*FUMAS: Funds under management, administration, advice and supervision  
Note: All comparisons above are with the prior corresponding period

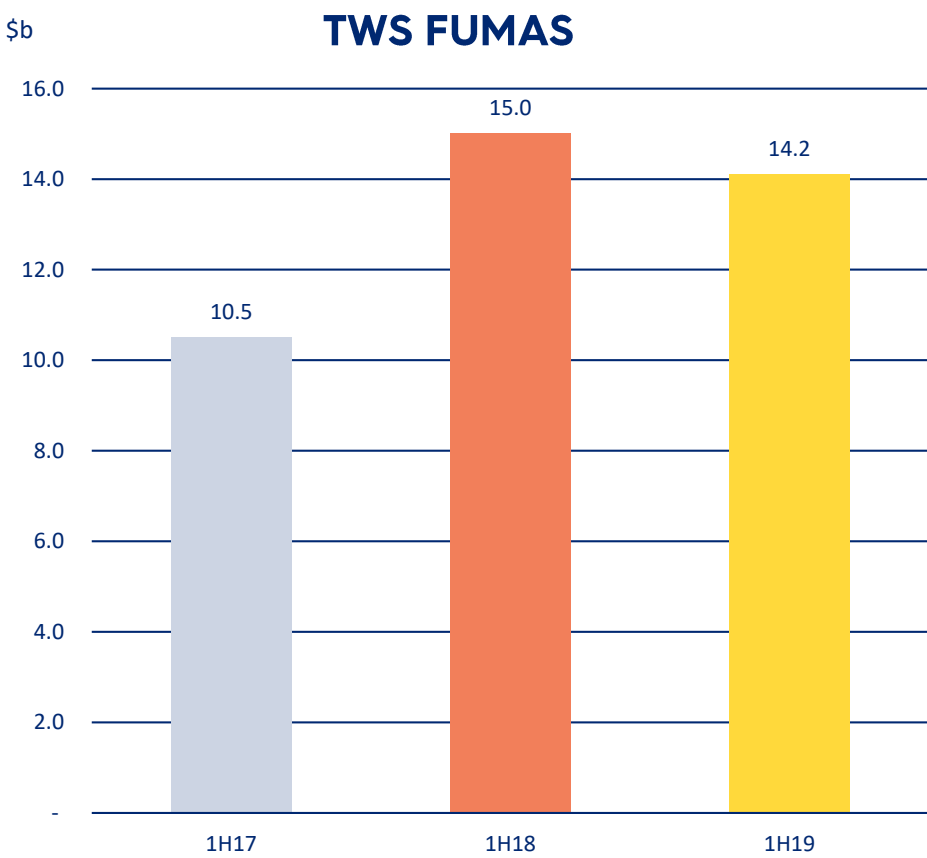
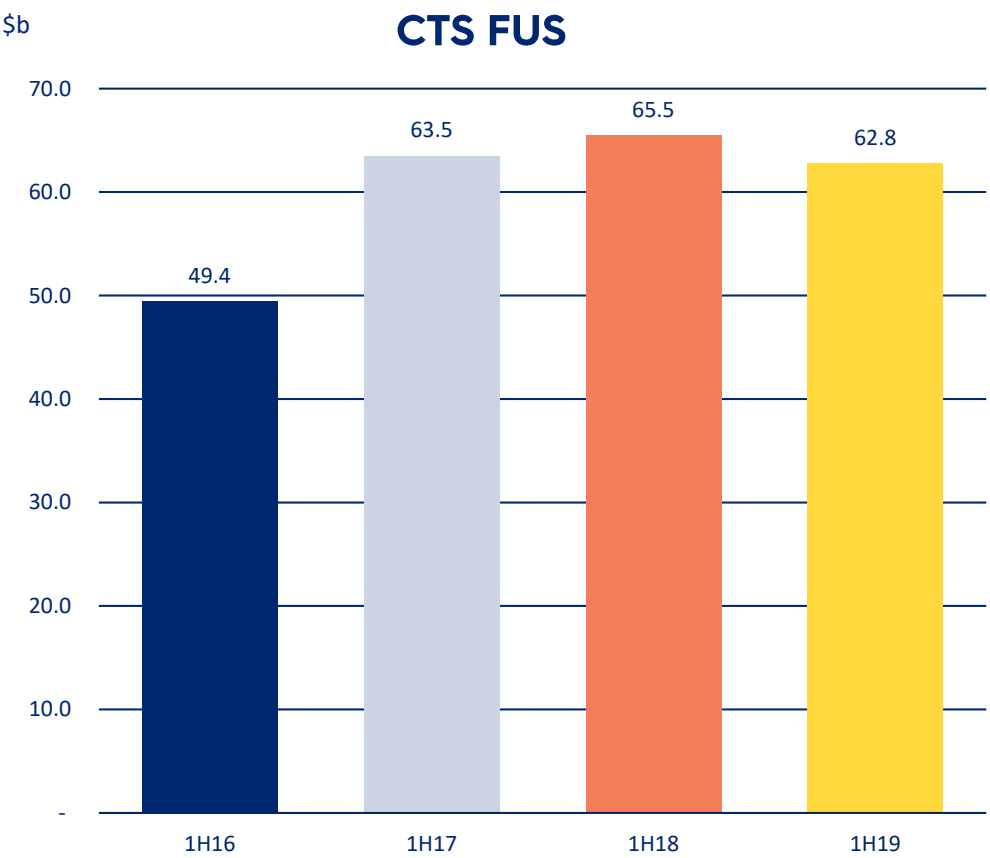


# INVESTING IN OPPORTUNITIES FOR GROWTH

- Equity Trustees independent, specialist trustee strategy aligns with Royal Commission findings
  - Increased enquiries
  - Industry environment continues to favour specialist trustee model
  - Growing pipeline of new business opportunities
- Investing heavily in capability and technology to support growth
- Sound performances from core businesses TWS and CTS
- Acquisitions and partnerships delivering
  - Equity Trustees (UK and Europe Ltd) (formerly Treasury Capital Ltd) expanding footprint
  - Aon Master Trust and OneVue RE businesses performing well



# FUMAS REFLECTS MARKET DOWNTURN UNDERLYING GROWTH CONTINUES

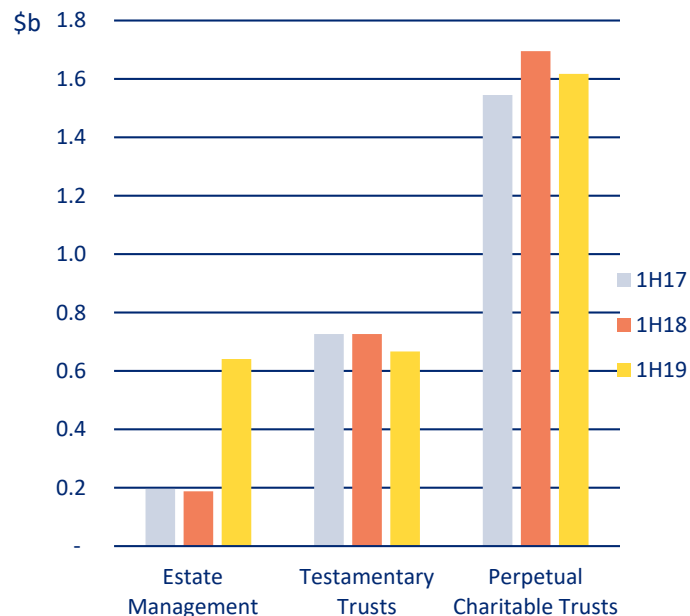


\* FUS: Funds under supervision  
\*\*FUMAS: Funds under management, administration, advice and supervision  
Note: Excludes EQT ( UK and Europe ) client FUS

# TWS HIGHLIGHTS

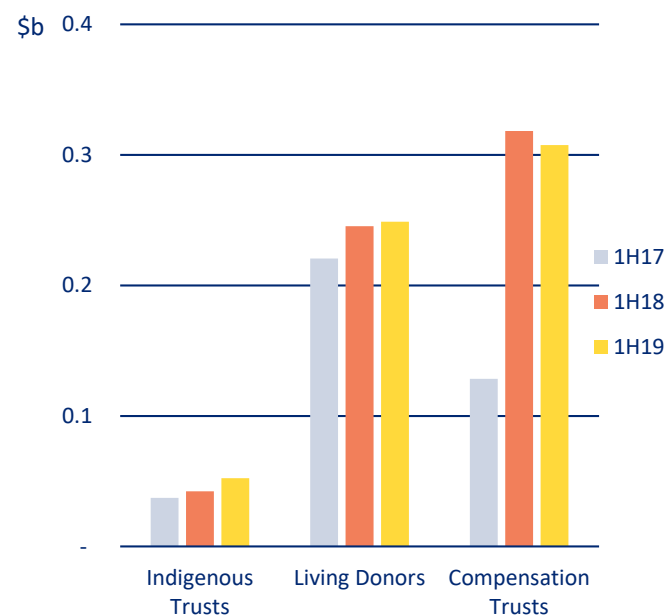


## CORE TRUSTEE SERVICES (FUMAS\*)



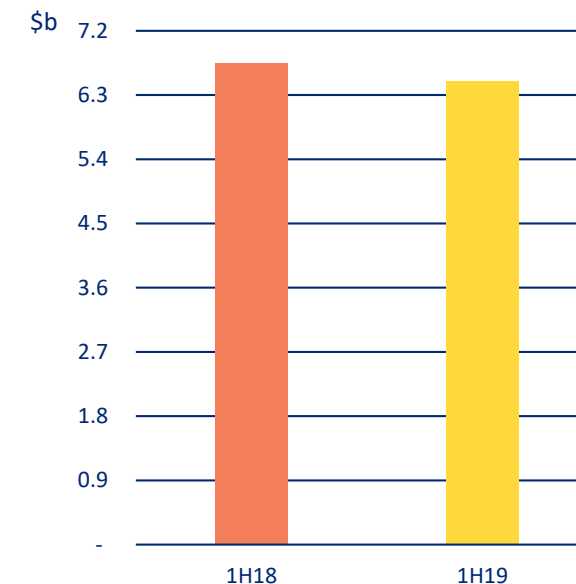
- Focus on high value, complex estates
- 29 new Testamentary trusts partially offset vesting of one large trust
- 5 new perpetual charitable trusts

## NEW SERVICES (FUMAS\*)



- Indigenous trusts – FUM up 23.6% on pcp - good growth and significant opportunities
- 2 new living donor clients - recent investment showing promise
- 8 new compensation trusts - 6% increase

## SUPERANNUATION TRUSTEE SERVICES (FUS\*)



- Appointment to Aon Master Trust provides greater scale
- Crescent Wealth increased FUS\*
- FUS impacted by markets

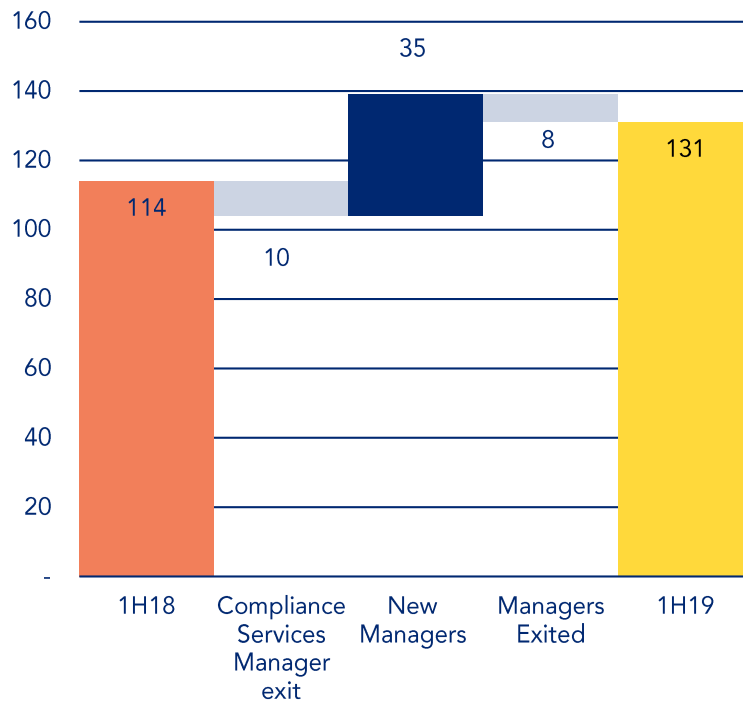
\*FUMAS: Funds under management, administration, advice and supervision  
Pcp: previous corresponding period  
FUS: Funds under supervision



# CTS HIGHLIGHTS

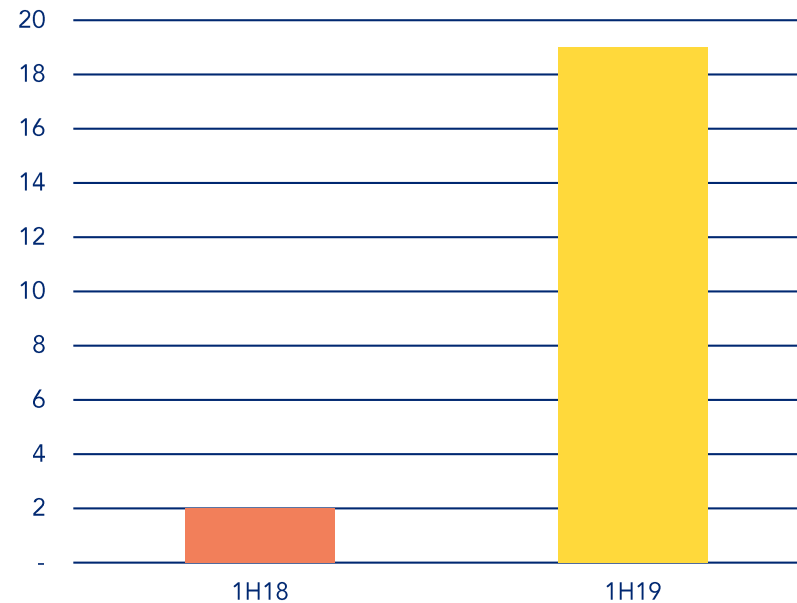
## CONTINUING GOOD MOMENTUM

### FUND MANAGER MOVEMENTS



- 14.9% net increase in fund manager clients

### DEBT CAPITAL AND LOAN MARKETS DIVISION NUMBER OF DEALS



- Positive momentum in a relatively new business, albeit from a low base

## NEW CLIENTS INCLUDE

### AUSTRALIA

Federation

Colonial Mutual Life

Elston

### UNITED KINGDOM

Ardevora

### UNITED STATES OF AMERICA

Heitman

Western Asset Management



# DELIVERING TO ALL STAKEHOLDERS

## CLARITY OF PURPOSE: T4 TARGETS

**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**

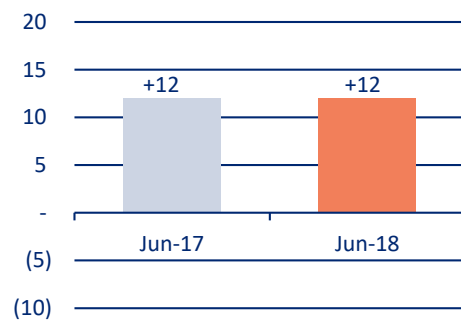
Granting and  
volunteering

# T4 TARGETS

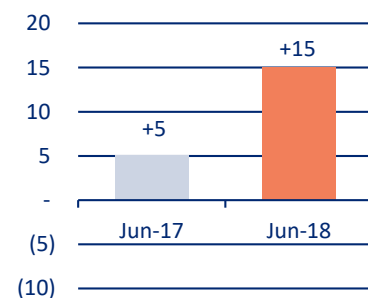


(T1)

## NET PROMOTER SCORE

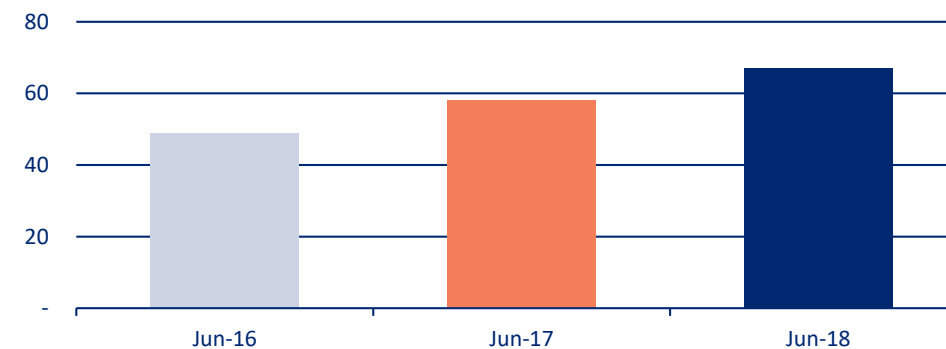


## NET LOYALTY SCORE



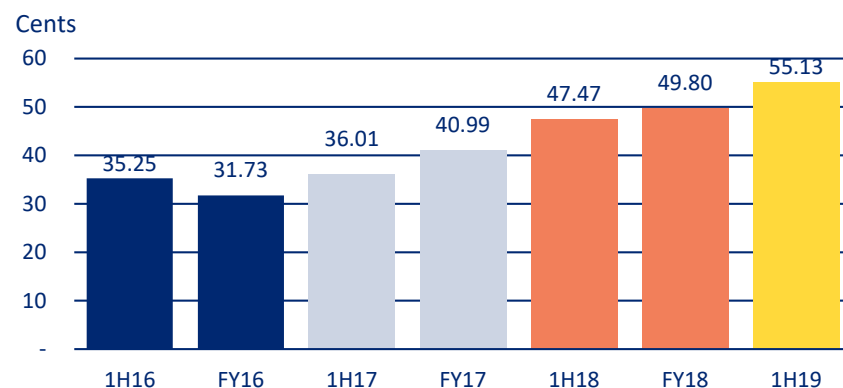
(T2)

## ENGAGEMENT



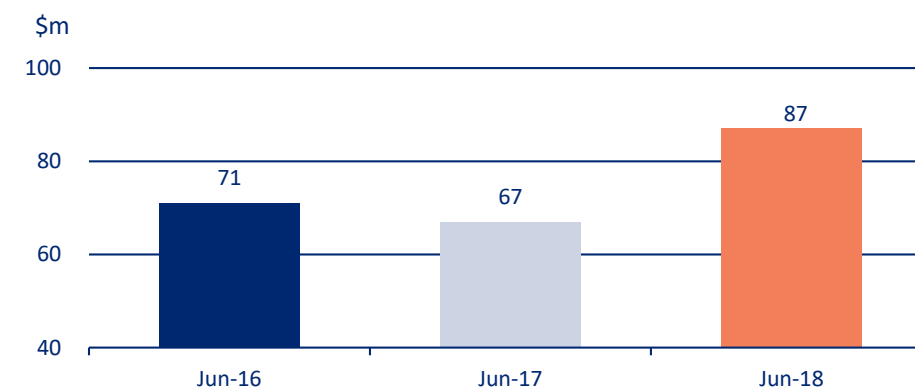
(T3)

## EARNINGS PER SHARE



(T4)

## GRANTING





# FINANCIALS



# STRONG FINANCIAL PERFORMANCE

HALF YEAR ENDED 31 DECEMBER	HY19	HY18
Total revenue (\$m)	46.3	43.2
Expenses (\$m)	30.1	29.2
<b>Net Profit Before Tax (NPBT \$m)</b>	<b>16.2</b>	14.0
NPBT margin (%)	34.9	32.3
Effective Tax rate (%)	32.7	31.5
<b>Net Profit After Tax (NPAT \$m)</b>	<b>11.2</b>	9.6

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Earnings Per Share (EPS) (cents)	55.13	47.47
Diluted EPS on NPAT (cents)	54.81	47.33
Dividends (cents per share)	44	40
Return on Equity (ROE) (% p.a.)	8.7	7.7

HY19 VS HY18 %	
▲	7.2
▲	3.0
▲	16.0
▲	8.1
▲	3.8
▲	17.3

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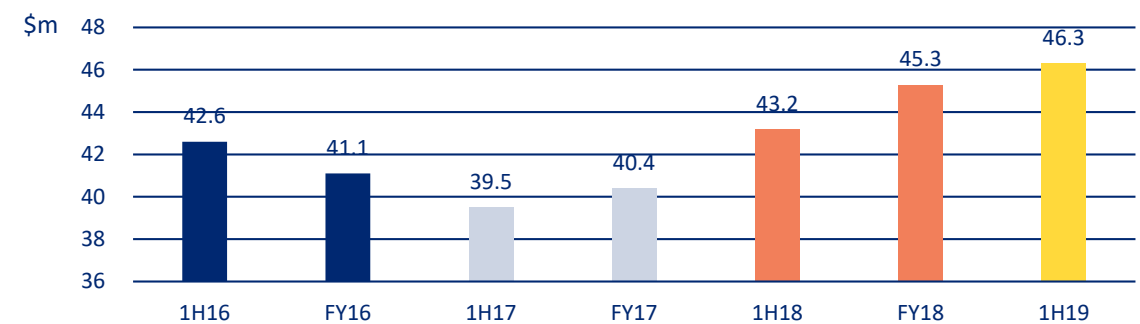
▲	16.1
▲	15.8
▲	10.0
▲	13.0

- Good revenue growth despite more volatile markets
- Driven by organic growth, strategic initiatives and markets
- Disciplined approach to expenses
- Increase in effective tax rate due primarily to higher non-deductible items
- Increase in NPBT margin to 34.9%
- Strong increase in NPAT and dividend

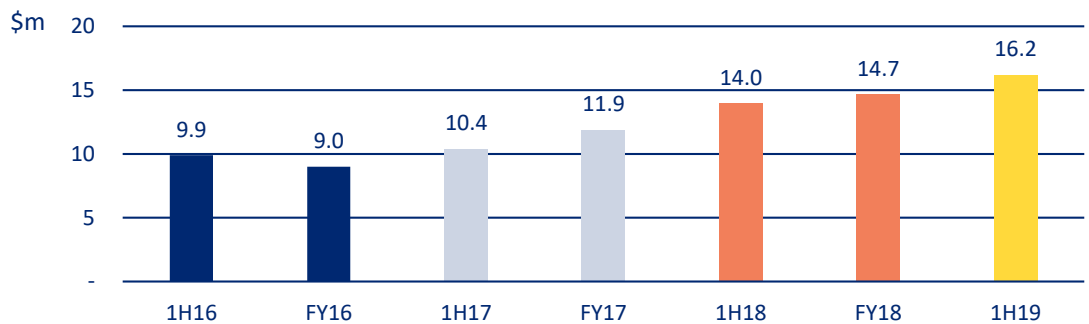
# STRONG HALF ON HALF PERFORMANCE



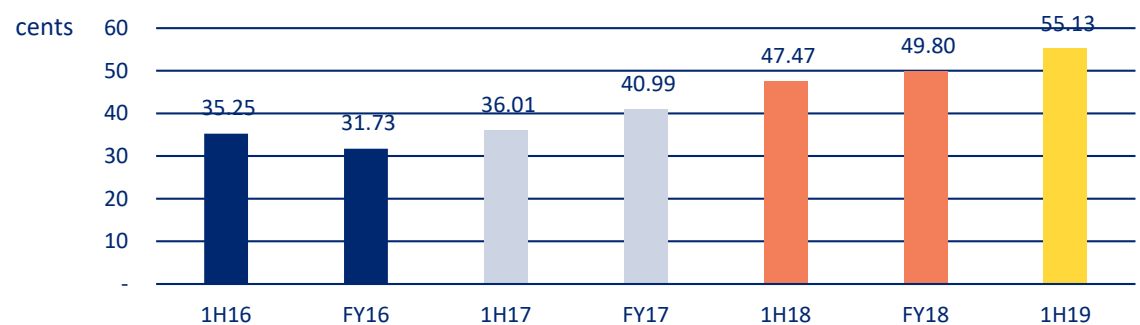
## TOTAL REVENUE \$46.3M



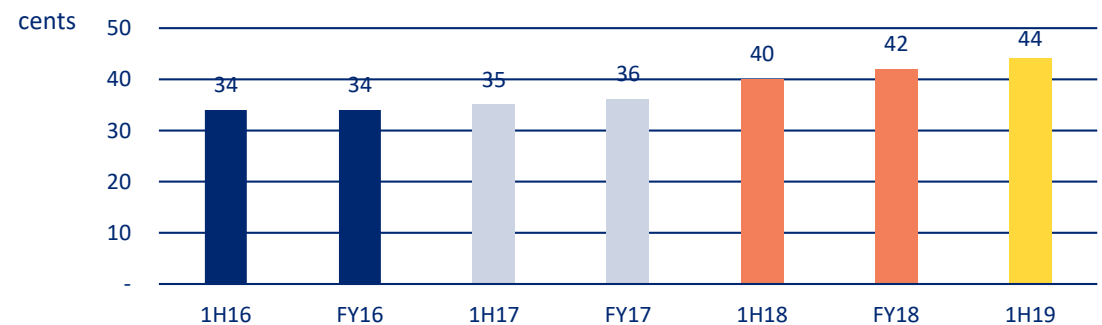
## NPBT \$16.2M



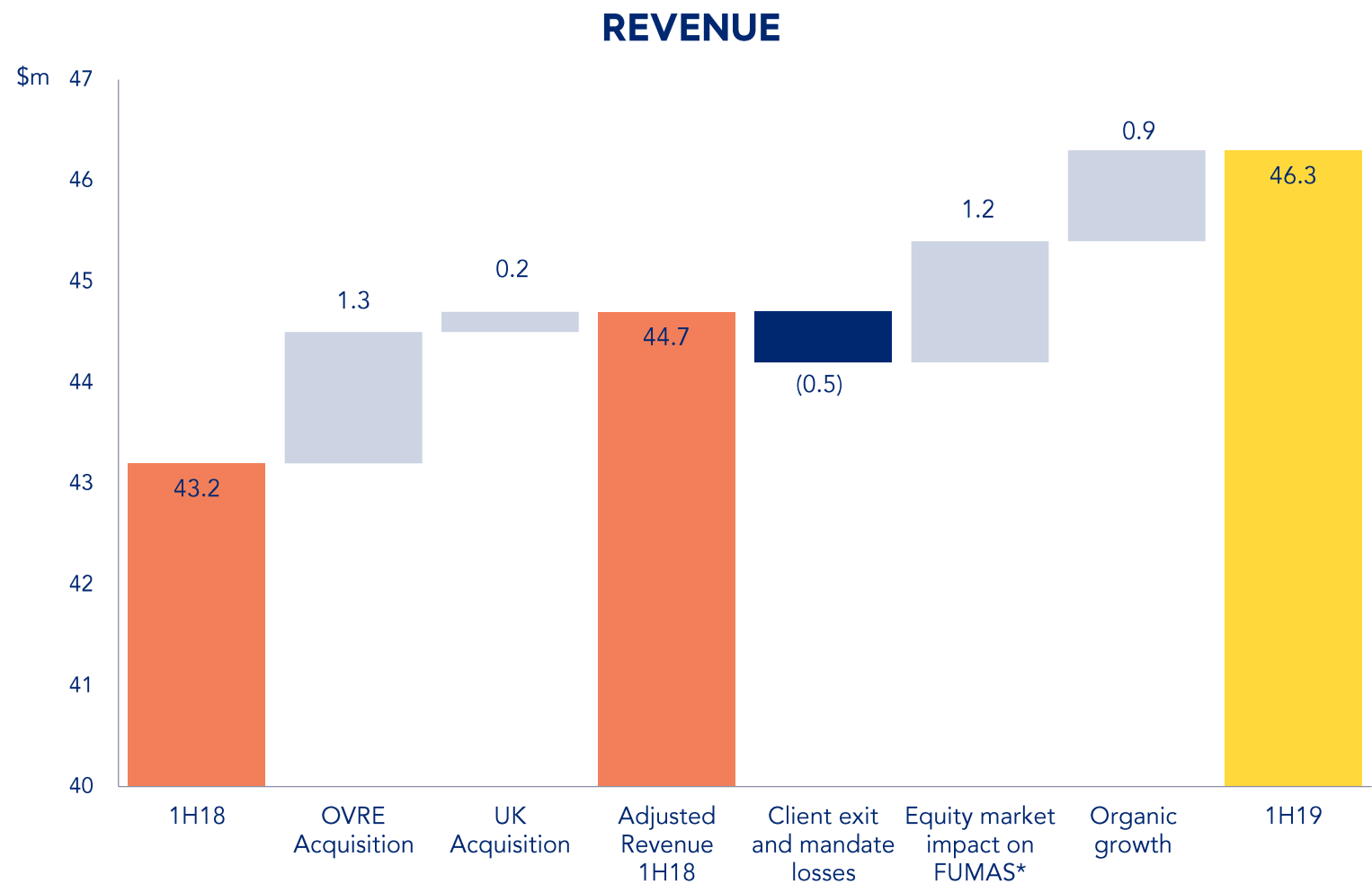
## EPS 55.13CENTS



## DIVIDENDS 44CENTS



# SOLID REVENUE GROWTH



## 7.2% HEADLINE INCREASE IN REVENUE DRIVEN BY THREE FACTORS

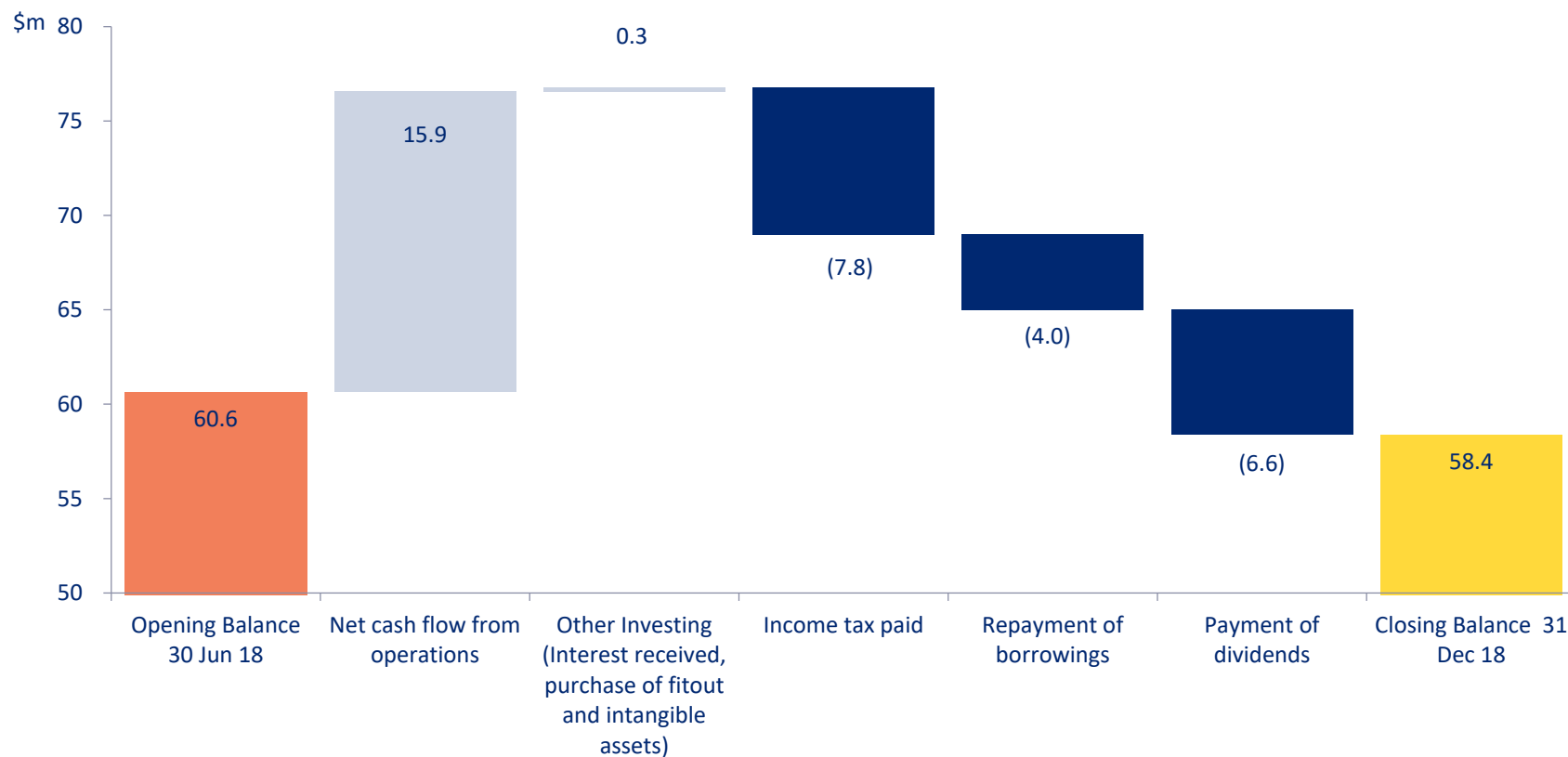
- Underlying organic revenue growth
- 2.7% market assisted growth despite increased volatility
- OneVue RE and UK acquisitions

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

# STRONG OPERATING CASH FLOW



## CASH FLOW

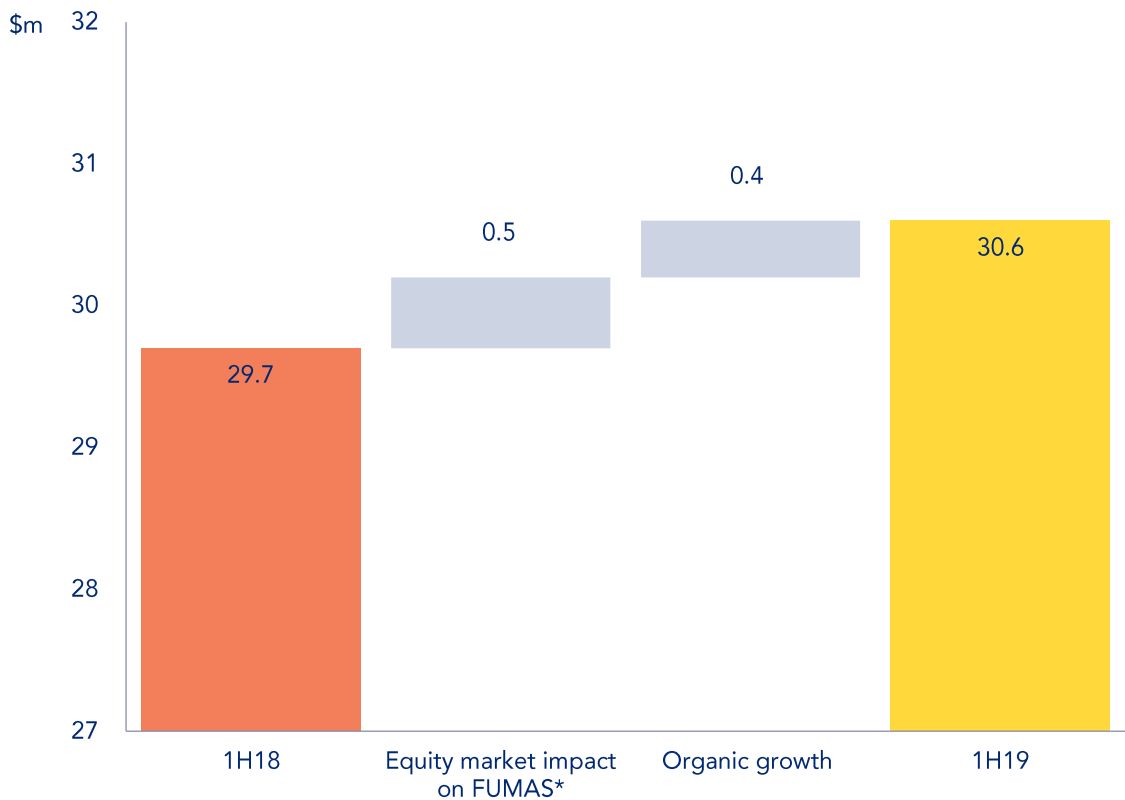


- Pre-tax operating cash flow up 28.6% on pcip
- Consistent, high quality cash generation
- Cash principally used for debt reduction, tax payments and dividends
- Negligible bad debts

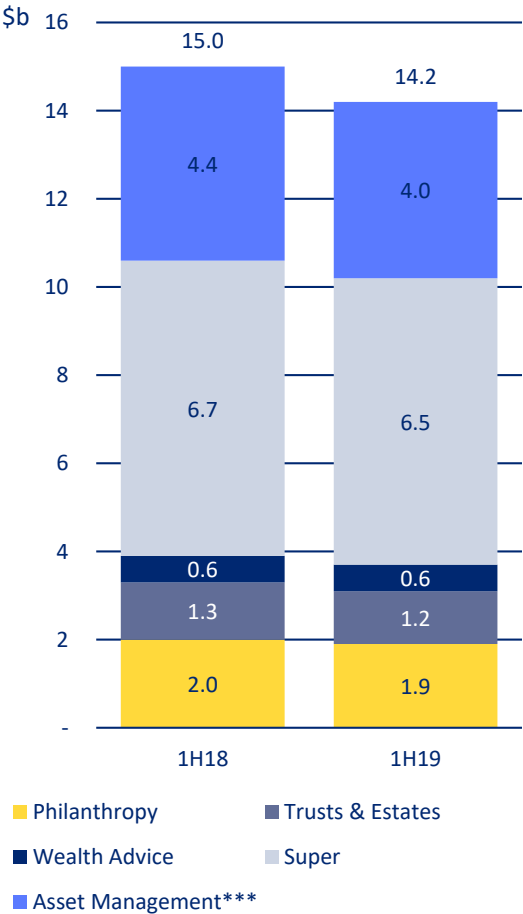
# IMPROVED TWS PERFORMANCE



TWS REVENUE



TWS FUMAS



- Revenue up 3.0%
- 1H18 vs 1H19 comparison impacted by one-off increase in estate management revenue from Sandhurst integration in 1HY18
- FUMAS impacted by weaker markets

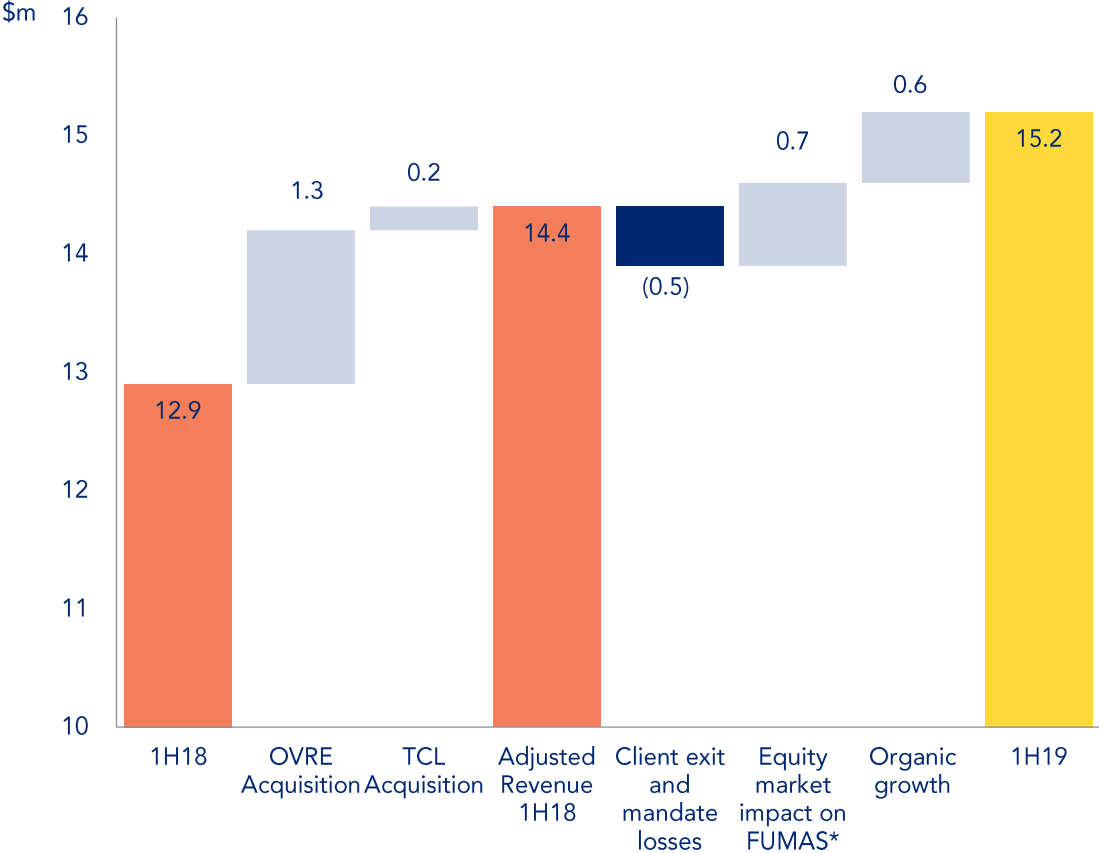
\*FUMAS: Funds under management, administration, advice and supervision  
 \*\*\*Asset Management includes TWS Investment Mandates, Superannuation Mandates and Common Funds  
 Note: TWS FUMAS has been updated to more accurately reflect underlying product data with prior periods adjusted accordingly.



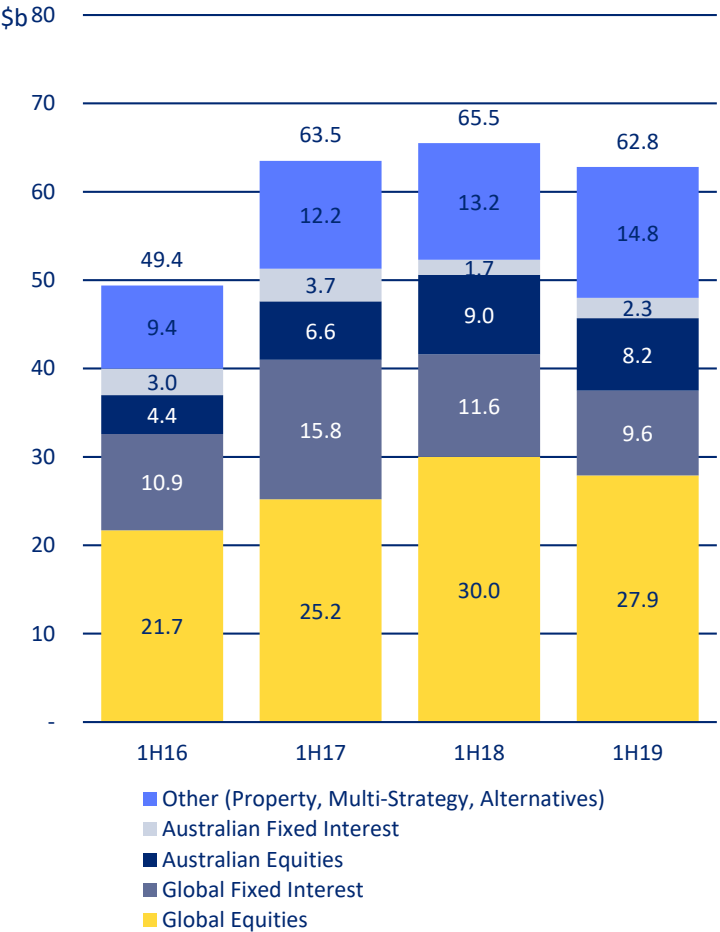
# SOLID CTS PERFORMANCE



CTS REVENUE



CTS FUS



- Revenue up 17.8% supported by OneVue RE and UK acquisitions
- Underlying organic revenue growth positive
- Impacted by loss of one client (Compliance Services) and another client's significant loss of mandates

\* FUS: Funds under supervision



# BALANCE SHEET STRENGTH

## PROVIDES SECURITY AND FLEXIBILITY

	31 DEC 18 \$M	31 JUNE 18 \$M	31 DEC 17 \$M
<b>Assets</b>			
Cash and liquid investments	65.6	67.8	56.2
Trade receivables and accrued income	23.7	23.5	22.3
Goodwill and intangible assets	211.9	213.1	211.2
Other assets	7.2	7.6	8.2
<b>Total assets</b>	<b>308.4</b>	<b>312.0</b>	<b>297.9</b>
<b>Liabilities</b>			
Trade payables and other liabilities	9.4	14.7	7.1
Borrowings	16.0	20.0	15.0
Other non-current liabilities	24.1	23.4	25.7
<b>Total liabilities</b>	<b>49.5</b>	<b>58.1</b>	<b>47.8</b>
<b>Net assets</b>	<b>258.9</b>	<b>253.9</b>	<b>250.1</b>
<b>Total equity</b>	<b>258.9</b>	<b>253.9</b>	<b>250.1</b>

- Reduced debt 20% - paid down \$4m
- Debt to equity 6.2%
- 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 \$2.4m. The objection process remains underway and EQT maintains the view that the potential outflow will ultimately not be payable.



# STRONG CAPITAL POSITION

- Planned transfer of former OVRE clients to Equity Trustees Limited will release ~\$3m of capital in FY19
  - Consolidation of licences has potential to reduce capital requirements by a further \$5m in the medium term
  - A 10%\* increase in revenue for CTS requires an additional ~\$3m in 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
  - Debt facility provides additional flexibility and selective investment/acquisition capacity
- Comfortably meeting regulatory capital requirements
  - Opportunities for further capital efficiency

\* Based on current portfolio of funds and activities



# SUMMARY

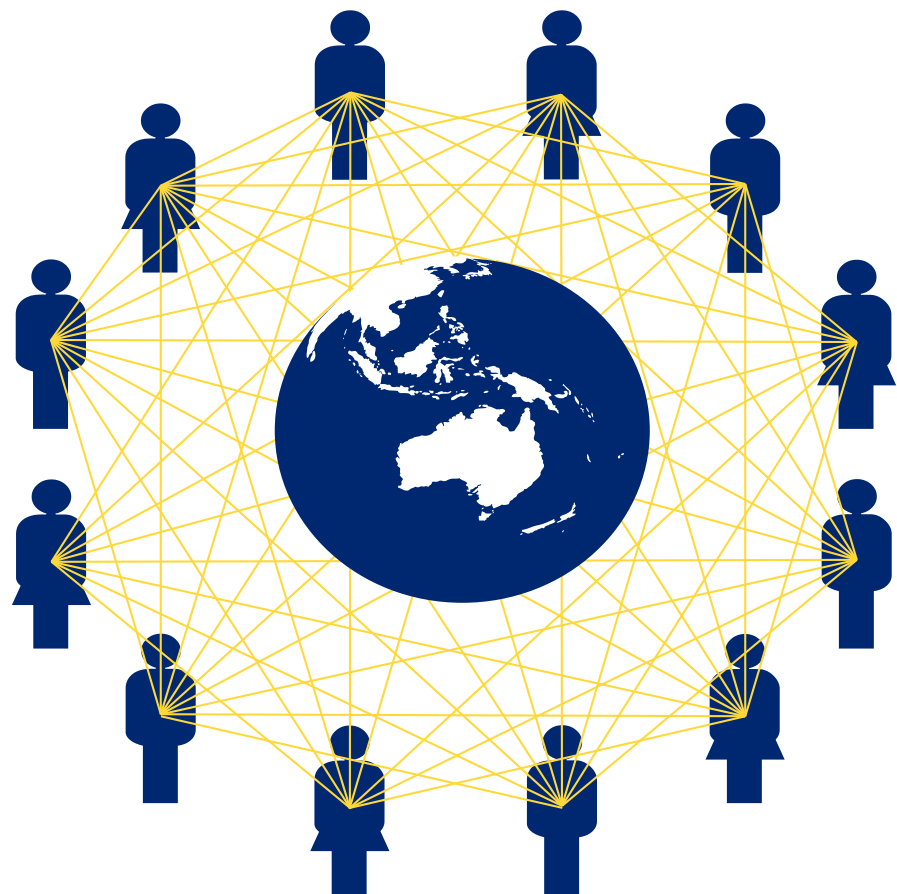
## SUBSTANTIAL IMPROVEMENT IN FINANCIAL PERFORMANCE

- Good revenue growth
- Disciplined expense management
- Operating margins enhanced
- Significant increase in NPAT and dividends
- Strategic initiatives OVRE, TCL and Aon Trusteeship delivering
  - Expected to be comfortably single digit accretive in FY19
- Encouraging and growing pipeline of opportunities
- Balance sheet strength and capital capacity to support growth plans



# STRATEGY UPDATE AND OUTLOOK

# CLEAR STRATEGY - TO BE AUSTRALIA'S LEADING SPECIALIST TRUSTEE COMPANY





# FAVOURABLE INDUSTRY DYNAMICS

- Underpinned by demographic and industry trends
  - Ageing, wealthier population with more complex needs
  - Mandated superannuation flows support ongoing growth
- Boosted by industry transformation
  - Acquisitions and divestments creating opportunities for out-sourced specialist trusteeship
  - Driving further demand for unconflicted trustee services
  - Equity Trustees specialist, independent trustee strategy aligns with Royal Commission findings
  - Continued pressure on financial services organisations to address conflicts
- Global opportunities
  - Regulatory trends towards increased independence
  - Opportunities to cross-sell to EQT global client base

## A COMPREHENSIVE GROWTH AGENDA



# EQUITY TRUSTEES INDEPENDENT SPECIALIST PROPOSITION IS INCREASINGLY VALUED

- Our continuous focus on trust, governance, risk management and fiduciary responsibility is the required standard
- Industry upheaval is highlighting the value of trust and good governance
  - We represent the interests of investors, unitholders and members
  - We act as a specialist trustee providing complementary services to our clients
- Key advantages of our model for clients and partners include
  - Access to professional expertise of specialist trustee – best practice model
  - Assists in achieving structural independence and reducing conflicts of interest
  - Simplifies business and enables clients to focus on their core business
  - Allows us to be responsive to current issues
  - Reduces risks
  - Generates efficiencies and cost savings
- We are seeing increased enquiries and the pipeline of new business is growing





# TARGETED INVESTMENT IN PEOPLE AND RESOURCES

## A KEY PRIORITY IS IMPROVING EMPLOYEE CAPABILITIES AND BUILDING HIGH-PERFORMING TEAMS

### **EQT HOLDINGS LIMITED BOARD**

- Tim Hammon, Non Executive Director – appointed 1 December 2018

### **EQUITY TRUSTEES SUPERANNUATION LIMITED**

- Tony Lally, Chairman – appointed 1 June 2018
- Sue Everingham, Non Executive Director – appointed 15 February 2019

### **CORPORATE**

- Owen Brailsford, Chief Risk Officer – appointed 18 February 2019

### **ASSET MANAGEMENT**

Appointed an experienced Asset Management leadership team to deliver excellent investment returns to clients

### **CORPORATE TRUSTEE SERVICES**

Expanding our global footprint with new hires in the UK and Ireland to support growth

### **TRUSTEE & WEALTH SERVICES**

#### **PRIVATE CLIENTS**

Increased expertise and specialisation in philanthropy, indigenous trusts and compensation trusts to strengthen client proposition

#### **SUPERANNUATION**

Recruited subject matter experts in superannuation trusteeship, risk and regulation to enhance capability and prepare for growth

# DEVELOPING DIGITAL CAPABILITY



**OUR VISION:**

**TO CREATE  
PERSONALISED  
MULTI-CHANNEL  
INTERACTIONS  
WITH CLIENTS**



## ENHANCED CLIENT ENGAGEMENT

Updated implementation of client engagement platform across entire business, improving client engagement and delivering efficiencies

## ROBOTIC PROCESS AUTOMATION (RPA)

Implementation of RPA software to automate repetitive or inefficient processes allowing staff to focus on clients

## ESTATE MANAGEMENT AND ESTATE PLANNING

Digitising key processes to enhance client experience and employee productivity

## WILL BANK DIGITISATION

Digitisation of the Will Bank to enable us to better understand clients' needs and facilitate regular engagement with Estate Planning clients

## ENHANCED DATA CAPABILITY

Quality  
Insights  
Governance

# TWS PRIVATE CLIENT FOCUS



## ESTATE PLANNING

- Leveraging will bank for growth
- Focus on strategic partnerships

## ESTATE MANAGEMENT

- Focus on beneficiary experience
- Create increased cross-sell opportunities

## FUNDS MANAGEMENT

- Invest in strengthening the team and capability

## ADVICE

- Leverage high client satisfaction to cross-sell other Equity Trustees services
- Embed advice offering into estate management process to grow client numbers

## PHILANTHROPY SERVICES

- Leverage leading granting expertise to grow living philanthropists and not-for-profit investment offerings
- Capitalise on estate planning and advice relationships to promote philanthropic services
- Publish our Giving Review to showcase our scale and capability

## TRUST MANAGEMENT

- Targeting specialist areas – compensatory trusts, indigenous trusts
- Improved service delivery model



# COMMITMENT TO RECONCILIATION

## CONTRIBUTE TO GREATER EQUALITY IN SOCIAL AND ECONOMIC OUTCOMES BETWEEN OUR FIRST AUSTRALIANS AND THE BROADER COMMUNITY

- Reconciliation Action Plan endorsed by Reconciliation Australia
- Equity Trustees provides trustee and investment management services to Aboriginal and Torres Strait Islander communities
- Equity Trustees directs philanthropic funds to a wide variety of programs assisting our First Australians
- Completed first full year of Reconciliation Action Plan
- Worked closely with seven Aboriginal communities to manage and distribute their wealth and retired from and appointed one Aboriginal Corporation as Trustee of their own Trust
- Won two new accounts in the Pilbara – Our first in this most important area
- Directing philanthropy granting to target indigenous need, where possible

**OUR AIM IS TO BUILD  
CAPACITY AND  
EMPOWER  
ABORIGINAL  
COMMUNITIES TO  
INCREASE  
PARTICIPATION IN  
THE MANAGEMENT  
OF THEIR WEALTH**

# TWS SUPERANNUATION TRUSTEE SERVICES FOCUS



## SPECIALIST, INDEPENDENT TRUSTEE

- Leveraging the strength of our business model and brand as Australia's leading specialist independent trustee
- Providing trusteeship to superannuation funds where trustee services are not core
- The prevalence of vertical integration and potential conflicts of interest are driving a strong appetite for our specialist, independent fund governance capability
- Strong pipeline of opportunities and investing materially in this business
- Maintaining an operationally independent trustee office for the benefit of members
- Investing "ahead of the curve" in people and digital platforms in anticipation of strong growth



## PROVIDING INDEPENDENT, SPECIALIST TRUSTEE AND FIDUCIARY SERVICES

- Grow existing business
  - Continuing promotion of core RE service to existing and new fund managers
  - Capitalise on trend for quality fund managers to enter Australian retail market
  - Utilise our specialist expertise to structure attractive trust solutions for superannuation funds
  - Be leading edge with Corporate Collective Investment Vehicle (CCIV) regulatory change
  - Acquisition of OVRE business now fully integrated
  - Focus on larger scale opportunities as fund managers and promoters consider a simpler specialist outsourced model
- Continue to extend into new markets in Australia
  - Structured finance offerings (securitisations, debt offers and real estate trusts)
  - Early wins encouraging and building momentum



# IRELAND EXPANSION ON TRACK

- Significant European opportunities in funds governance
- Equity Trustees (UK and Europe) (formerly Treasury Capital Ltd) starting to deliver
  - Winning new large US and UK fund manager clients
- Ireland expansion well underway
  - License application for the Irish Management Company approval in final stages of review by the Central Bank of Ireland
  - Dublin office opened February 2019
  - Initial staff appointed
  - Ireland expansion well advanced
- Combined UK / Ireland targeting breakeven on a monthly basis in FY20
- Breath of services means we are well placed for any Brexit outcome



# A STRONG HALF YEAR

- Substantial lift in financial performance
  - NPAT, revenue, earnings per share and dividend all higher
  - Strong operating cash flow
  - Result built on fundamentals
  - Margins increased despite volatile markets
  - Acquisitions, partnerships delivering
  - Disciplined expense management
- Equity Trustees specialist, independent trustee strategy aligns with Royal Commission findings
- Delivering for all stakeholders





# WELL POSITIONED FOR CONTINUED GROWTH

- Good momentum and clear growth agenda
  - Committed and engaged workforce
  - Attractive industry fundamentals – Australia and overseas
  - Leveraging core strengths and capabilities to grow organically and through partnerships and acquisitions
  - Investing in people and technology
  - Growing pipeline of opportunities
  - Encouraging outlook for the remainder of FY19 and beyond



# QUESTIONS



**THANK  
YOU**

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