



Equity Trustees

# INVESTOR PRESENTATION

RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2020

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

18 FEBRUARY 2021

ersonal use only





# AGENDA

- ( 1 ) 1H21 OVERVIEW**
- ( 2 ) FINANCIALS**
- ( 3 ) STRATEGY UPDATE AND OUTLOOK**
- ( 4 ) QUESTIONS**





# 1H21 OVERVIEW





# STRONG FUNDS GROWTH CONTINUES

- FUMAS \$128b – up 27% on previous half
- Equity market recovery under way but not yet to pre-pandemic market levels
- Industry trend to outsource fiduciary roles continues to benefit EQT
- Investing heavily in people capability and technology to support further growth
- Fulfilling our purpose of trust – caring for people and enriching the broader community





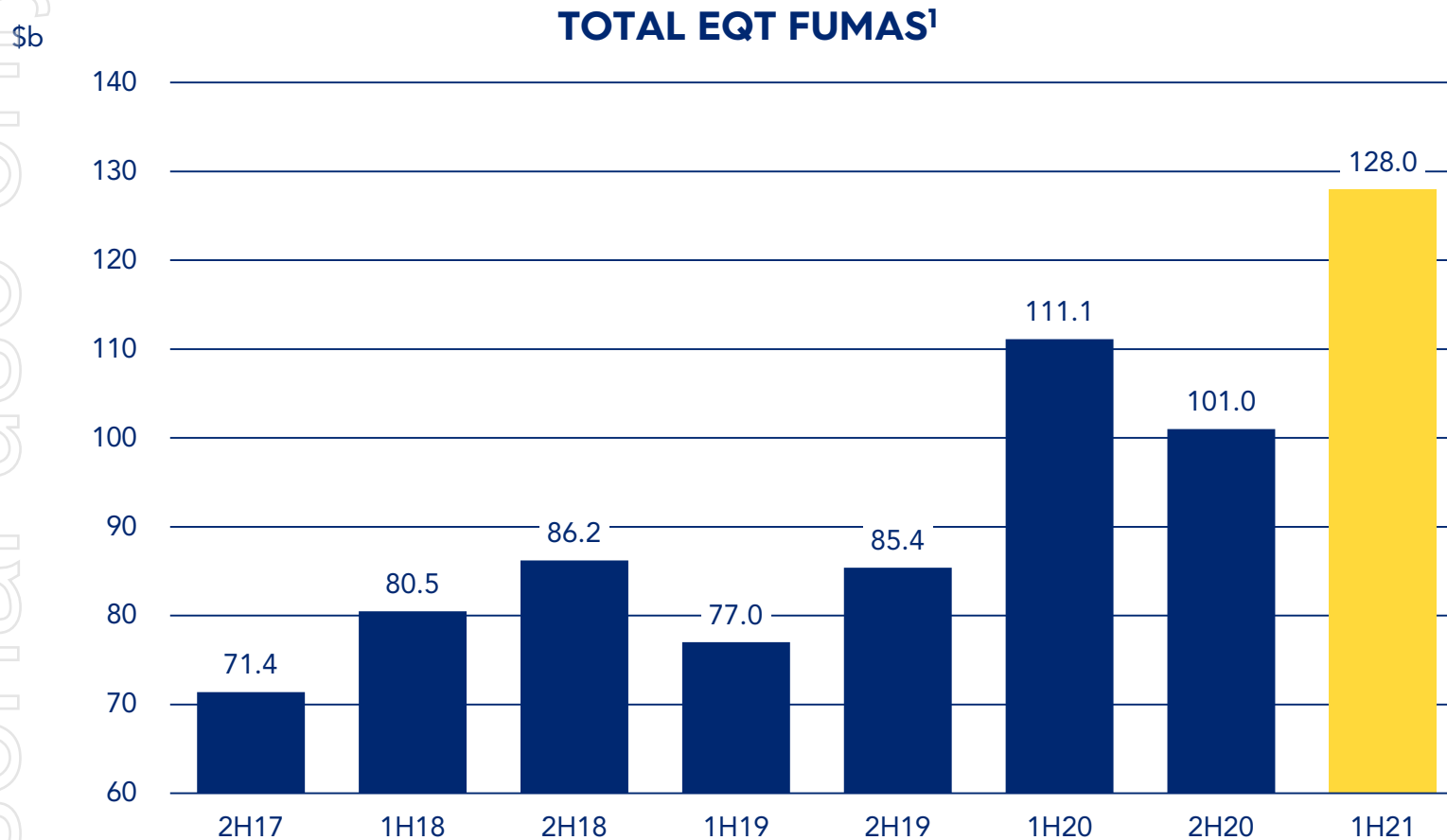
# SOLID FINANCIAL PERFORMANCE

- Earnings steady and reflect ongoing impact of volatile markets and organic growth
  - Revenue up 3.7% on previous half and down 1.3% on 1H20
  - Statutory NPAT of \$9.8m, up 27.4% on previous half and down 14.5% on 1H20
  - Underlying NPAT of \$10.7m adjusted for \$1.7m of M&A project costs and \$0.8m tax provision recovery up 8.7% on previous half and down 6.5% on 1H20
- Fully franked interim dividend of 44c per share
- Statutory earnings per share of 47.2 cents, up 26.9% on previous half and down 15.5% on 1H20
- Underlying earnings per share of 51.2c – up 7.8% on previous half and down 7.6% on 1H20
- Balance sheet remains strong with low gearing and strong liquidity





# FUMAS GROWTH CONTINUES – UP 27% ON 2H20



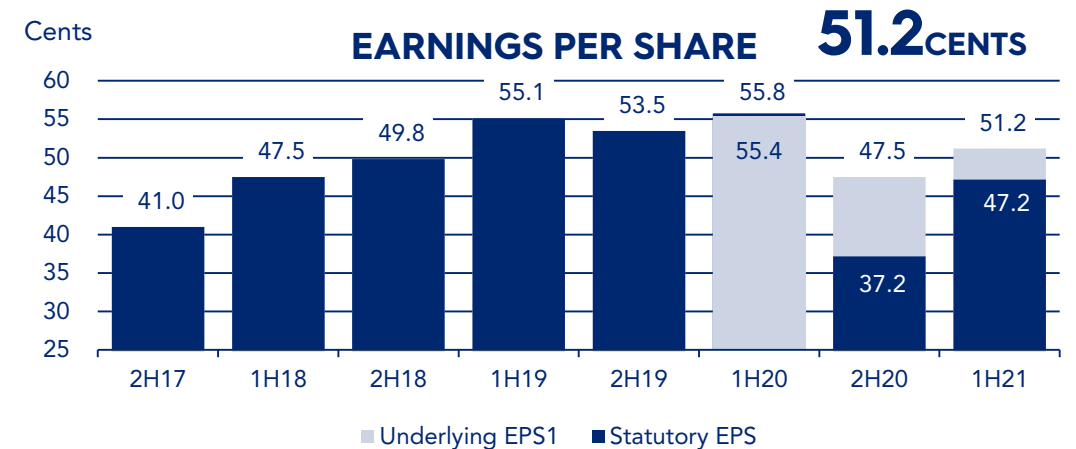
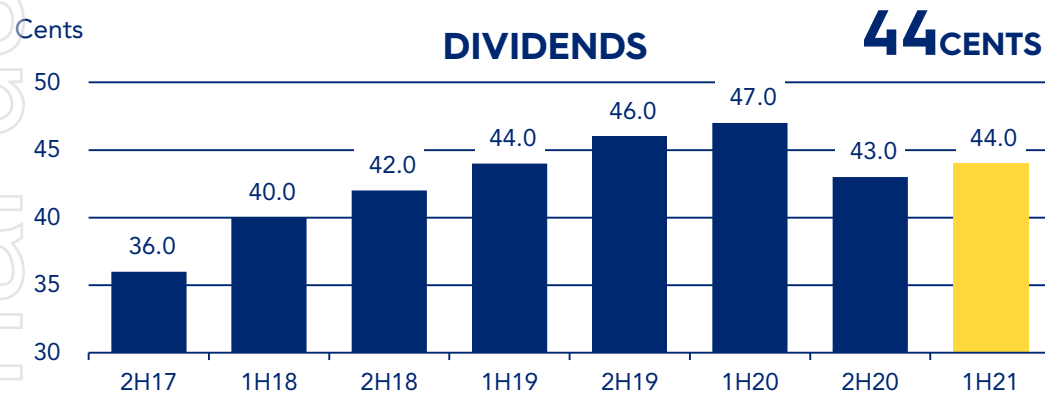
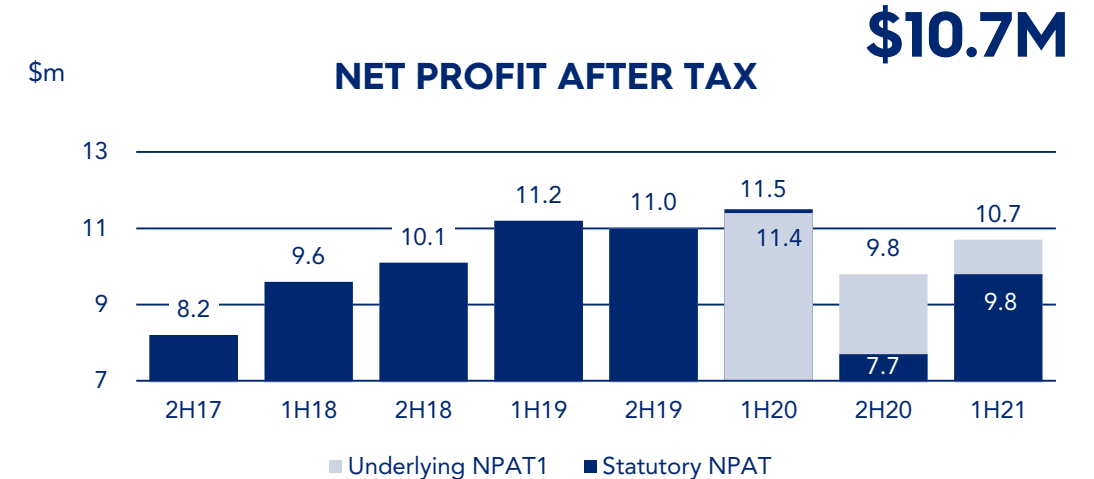
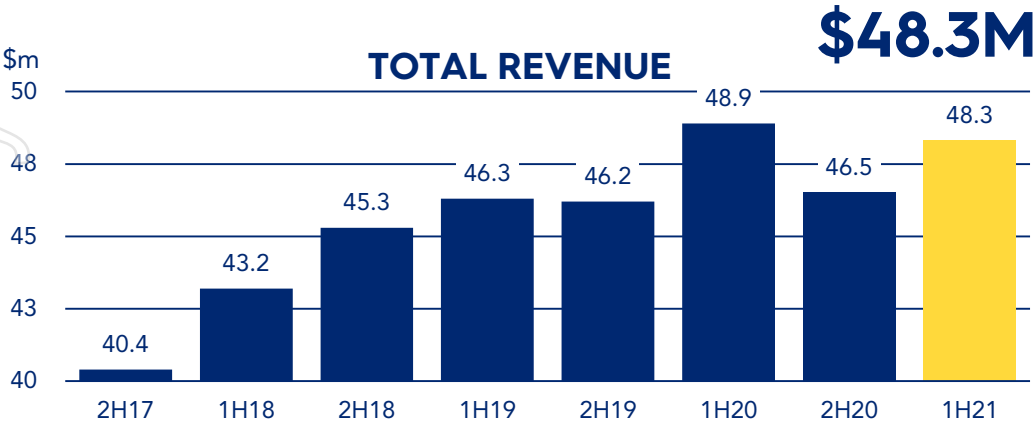
<sup>1</sup> FUMAS: Funds under management, administration, advice and supervision

- Strong growth in TWS driven by large superannuation trustee appointments:
  - AMP Life Trustee appointment from 1 July 2020
  - Hub 24 Trustee appointment from 1 August 2020
- Good momentum in CTS including Corporate Trust and Securitisation services





# CONSISTENT IMPROVEMENT ON PREVIOUS HALF



Footnote 1 Underlying EPS and NPAT adjustments as follows:

- 1H20 - excluding \$0.1m tax adjustment
- 2H20 - excluding \$2.1m tax provision
- 1H21 - excluding \$1.7m M&A costs and \$0.8m tax provision write-back.



# 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

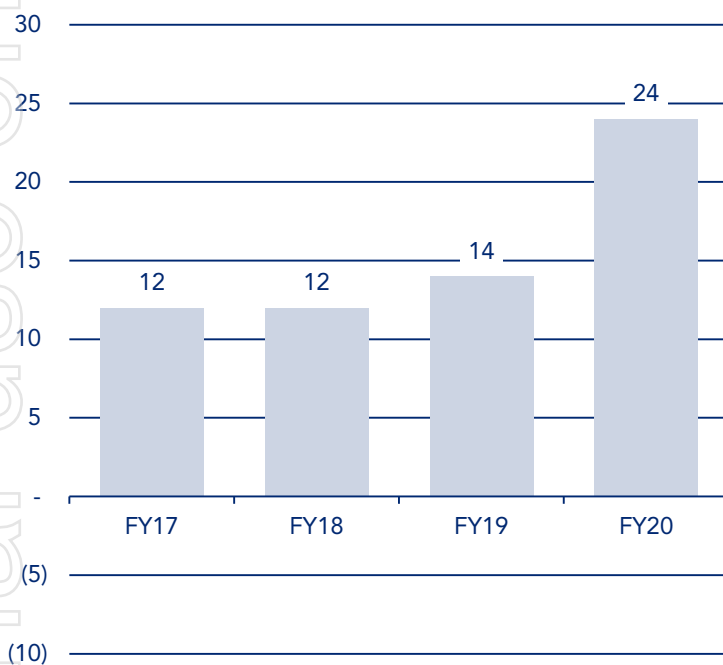
**T4**

Granting and pro bono/  
volunteering

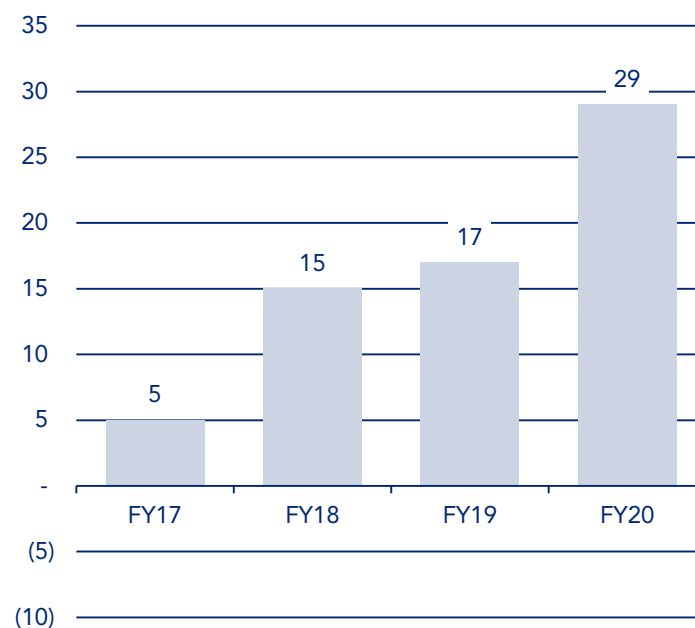


# T1 – IMPROVING CLIENT SATISFACTION

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.



- Very good client satisfaction results. Expect continuation despite remote working environment
- Digital strategy focused on significantly improved client experience
- Investment in business development, front-line capabilities and enhanced client reporting
- Simplification and modernisation of investment product range



STANDARDS



COMMUNICATION



PROCESS



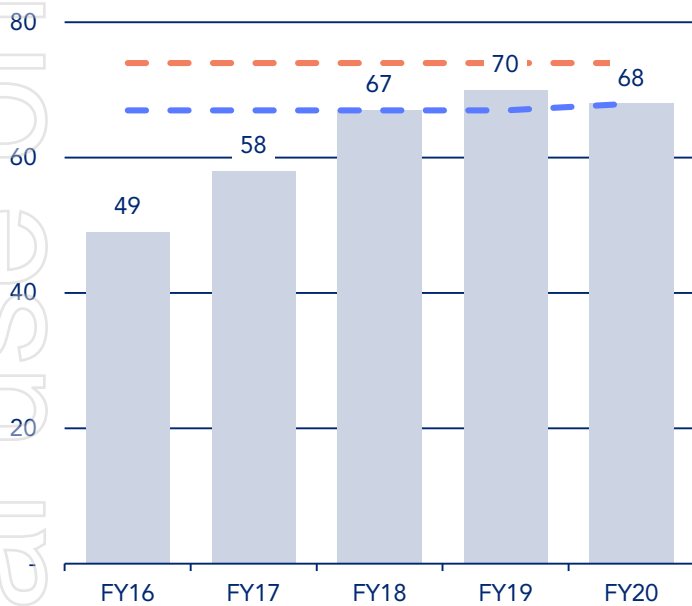
TRAINING



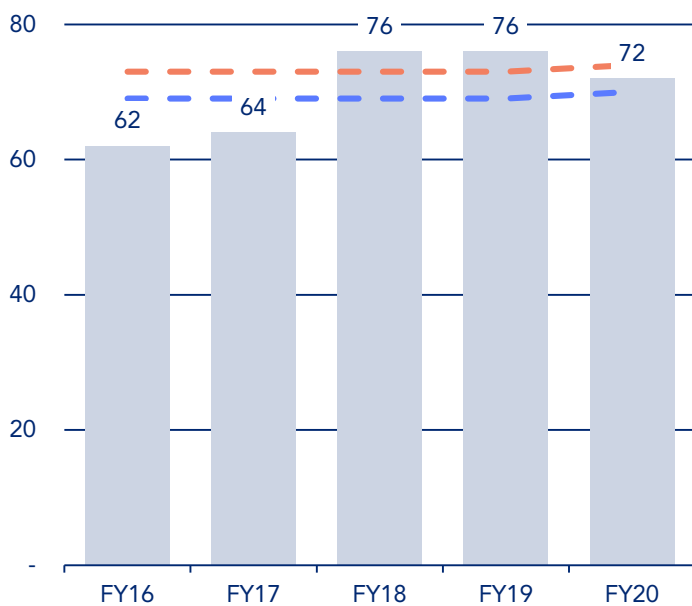
# T2 – SOLID EMPLOYEE ENGAGEMENT



EMPLOYEE ENGAGEMENT



EMPLOYEE ENABLEMENT



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

Note: FY20 EQT scores post-pandemic commencement

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

EMPLOYEE BENEFITS

TRAINING

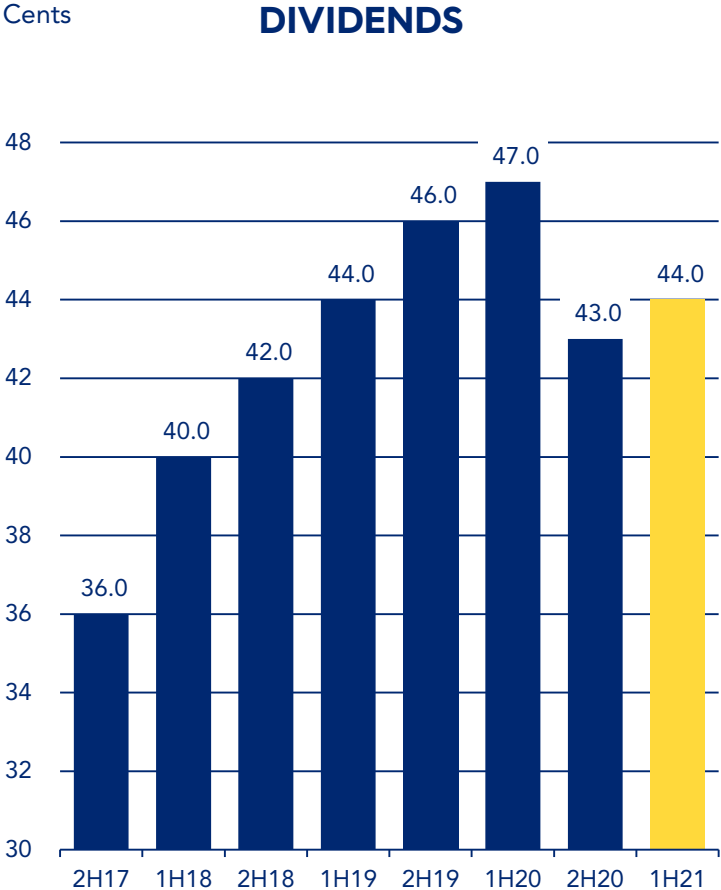
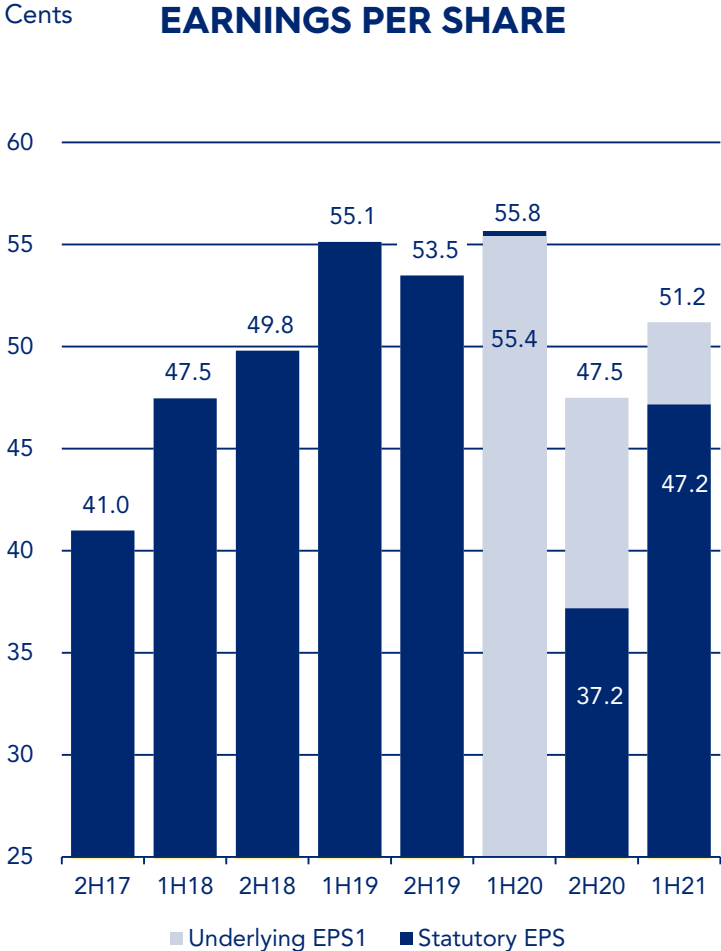
WORK STRUCTURE AND PROCESS

RESOURCING





# T3 – GROWING SHAREHOLDER VALUE



- Resilient earnings in challenging environment
- Reliable dividends

Footnote 1 Underlying EPS adjustments as follow:

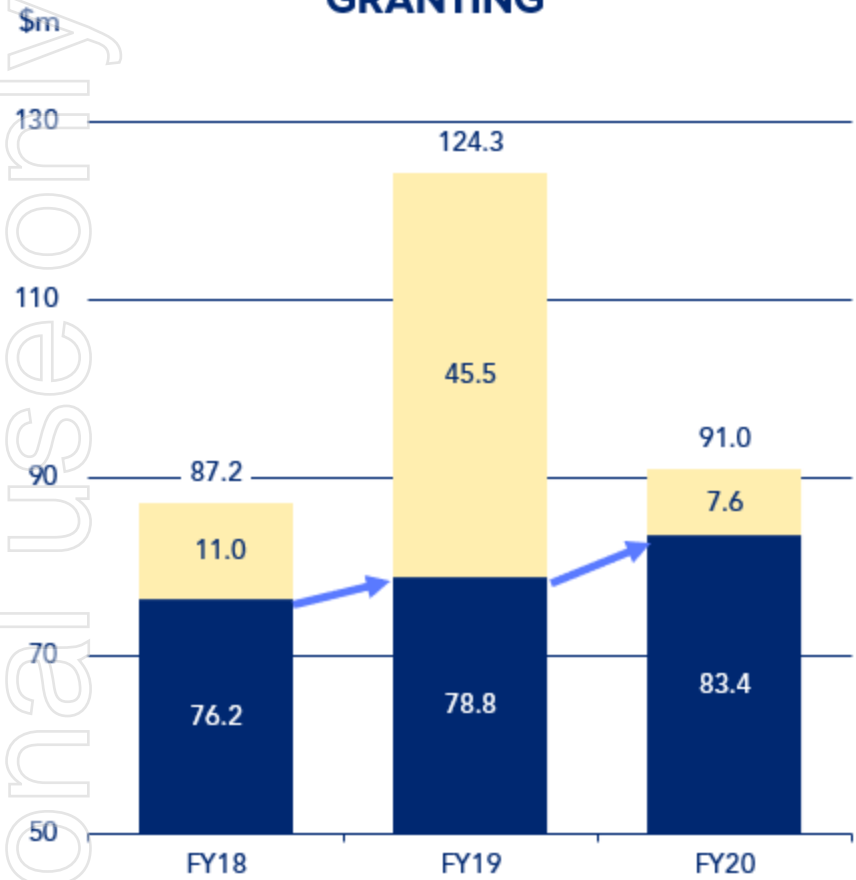
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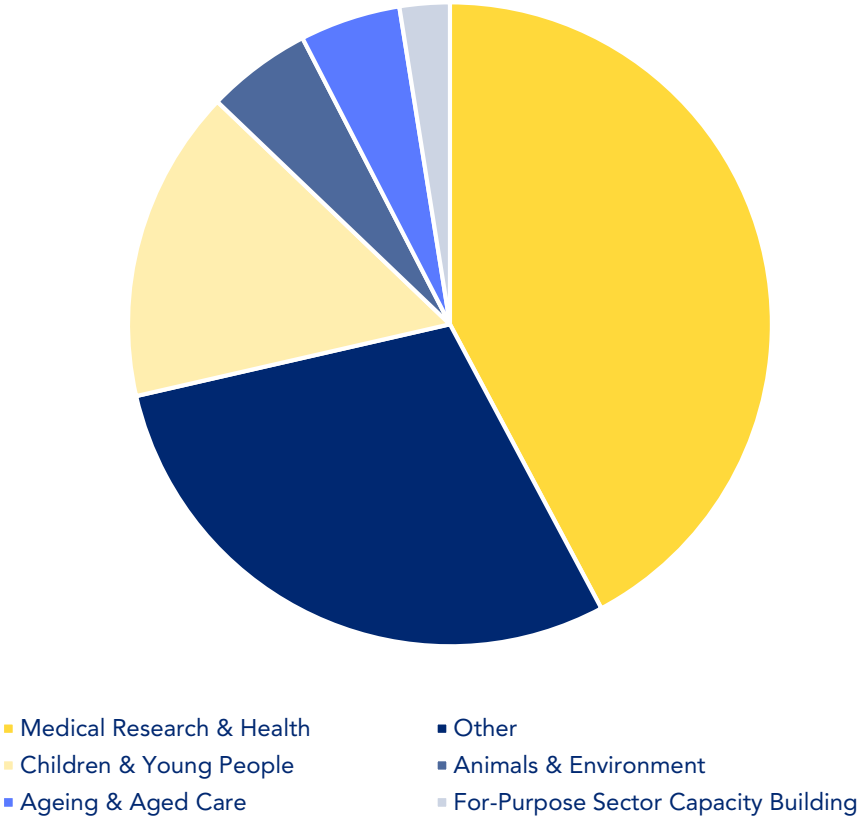
# T4 – DEEPENING COMMUNITY IMPACT



GRANTING



CHARITABLE TRUSTS BY GRANT TYPE



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





# FINANCIALS



# POSITIVE FINANCIAL PERFORMANCE



FOR THE PERIOD	1H21	2H20	%	1H20	%
Total revenue (\$m)	48.3	46.5	3.7%	48.9	(1.3%)
Total expenses (\$m)	35.2	32.4	8.5%	32.7	7.5%
Net profit before tax (NPBT \$m)	13.1	14.1	(7.3%)	16.2	(18.9%)
Income tax expense (\$m)	3.7	6.8	(45.6%)	5.0	(26.0%)
Net profit after tax (NPAT) (\$m)	9.8	7.7	27.4%	11.5	(14.5%)
Underlying net profit after tax (UNPAT) (\$m)	10.7	9.8	8.7%	11.4	(6.5%)
Statutory earnings per share (EPS) (cents)	47.2	37.2	26.9%	55.8	(15.5%)
Underlying earnings per share (EPS) (cents)	51.2	47.5	7.8%	55.4	(7.6%)
Dividends (cents per share)	44	43	2.3%	47	(6.4%)

- Solid half on half revenue growth
- Expense growth, excluding \$1.7m M&A project expenses, contained
- NPBT excluding \$1.7m M&A project expenses is \$14.8m, up 5% half on half
- UNPAT in 1H21 adjusts for \$1.7m of M&A project expenses and \$0.85m write-back of tax provision following settlement of tax matter
- UNPAT in 2H20 adjusts for \$2.0m tax provision for the disputed tax matter
- Increase in NPAT, EPS and dividend half on half, though down on PCP principally due to market impacts

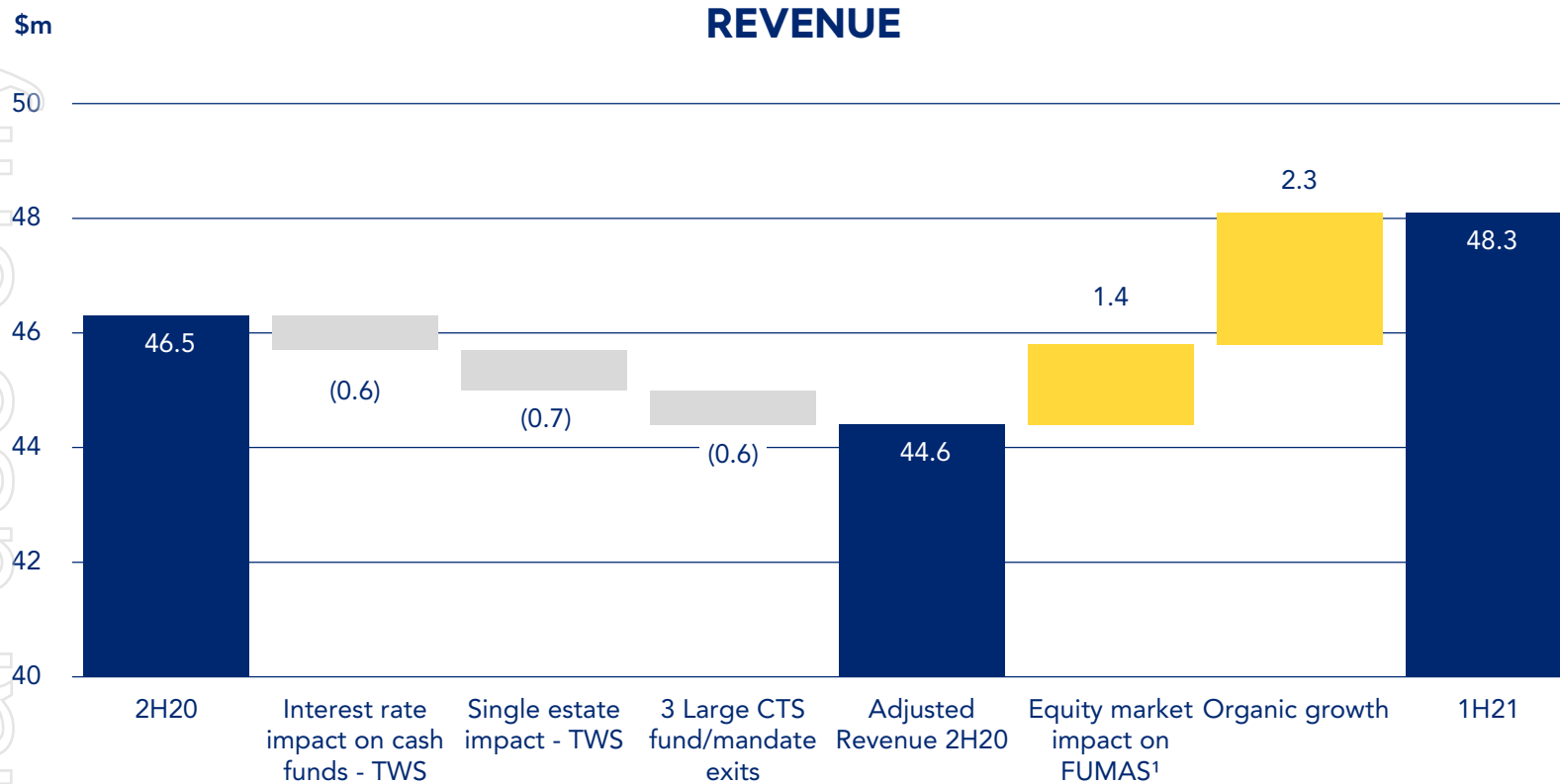
Underlying EPS and NPAT adjustments as follows

- 1H20 - excluding \$0.1m tax adjustment
- 2H20 - excluding \$2.1m tax provision
- 1H21 - excluding \$1.7m M&A costs and \$0.8m tax provision write-back.





# SOLID HALF ON HALF REVENUE GROWTH



3.7% headline half on half revenue growth driven by:

- Good organic revenue growth, especially in TWS - Superannuation
- Positive markets assisting FUMAS growth, particularly in CTS

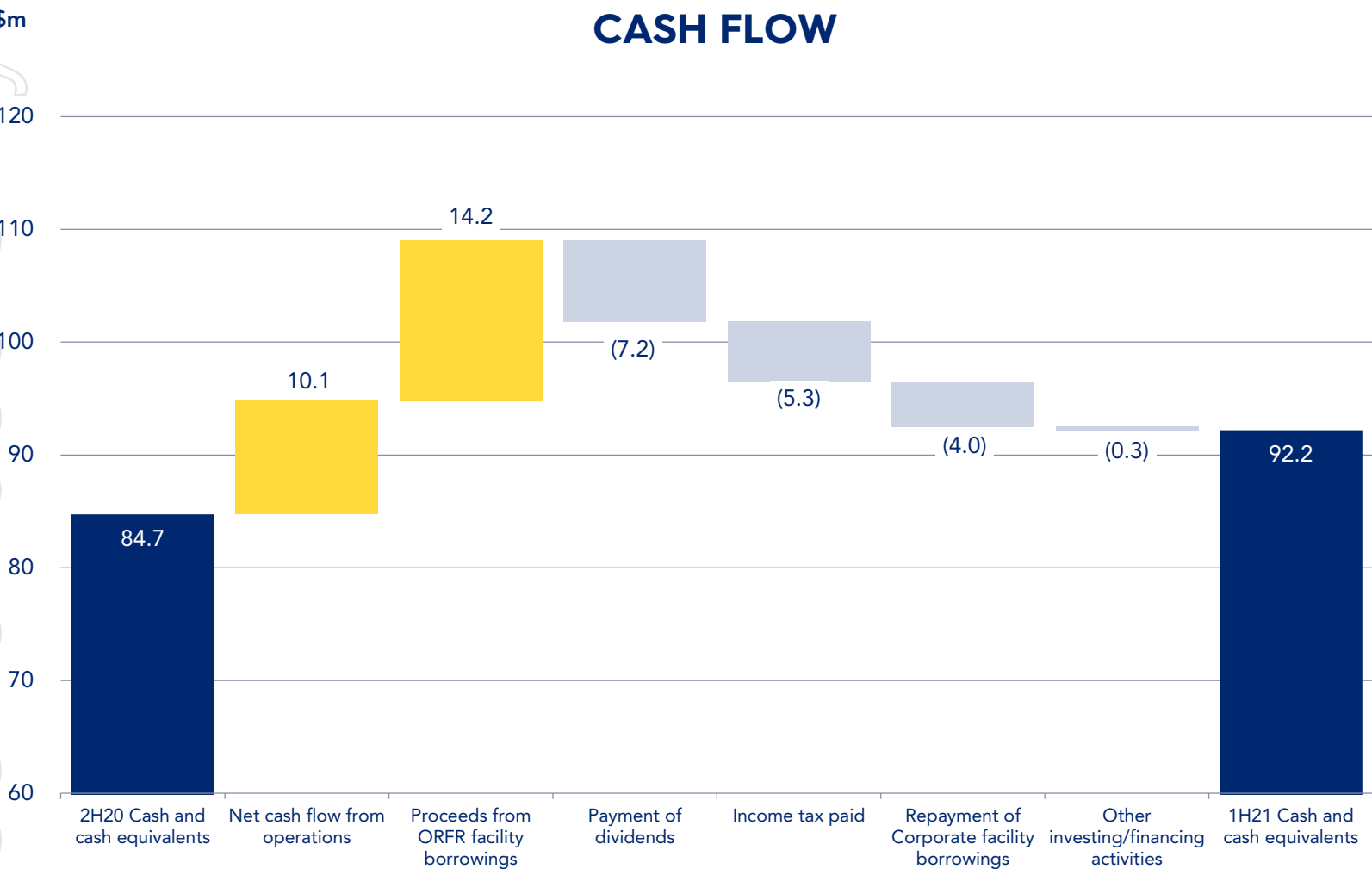
<sup>1</sup> FUMAS: Funds under management, administration, advice and supervision

-Market impact on FUMAS links 50% to 60% of TWS revenue to the average ASX200 and approx. 50% of CTS revenue to the average MSCI World and ASX200 index.

-Exchange rates are not considered



# STRONG OPERATING CASH FLOW

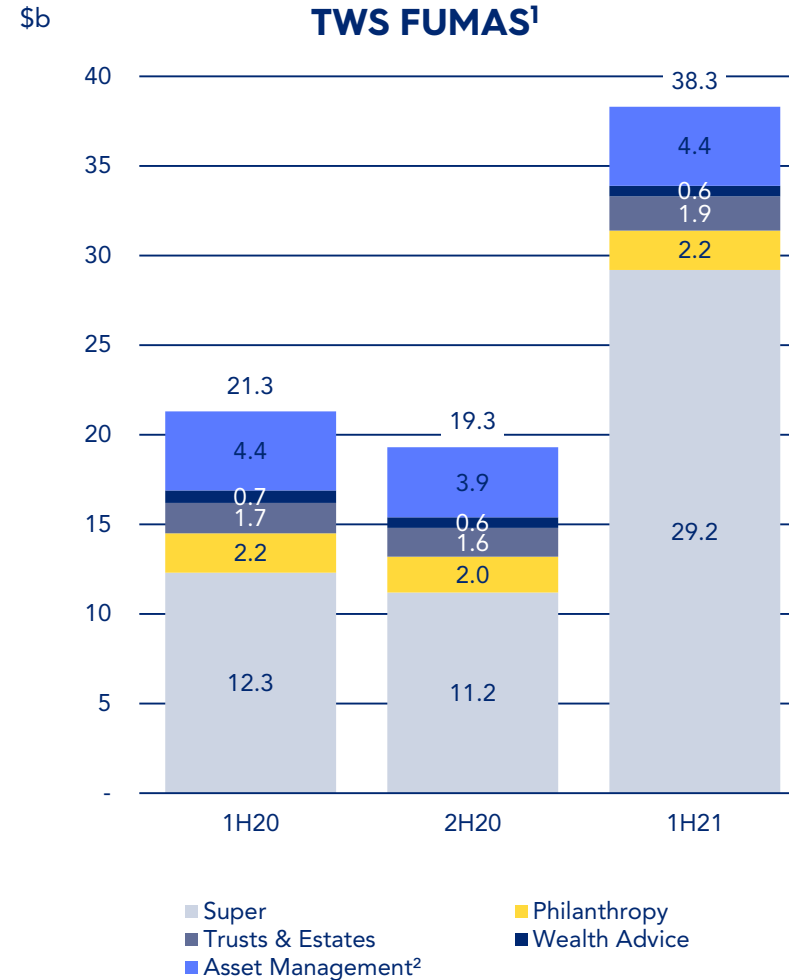
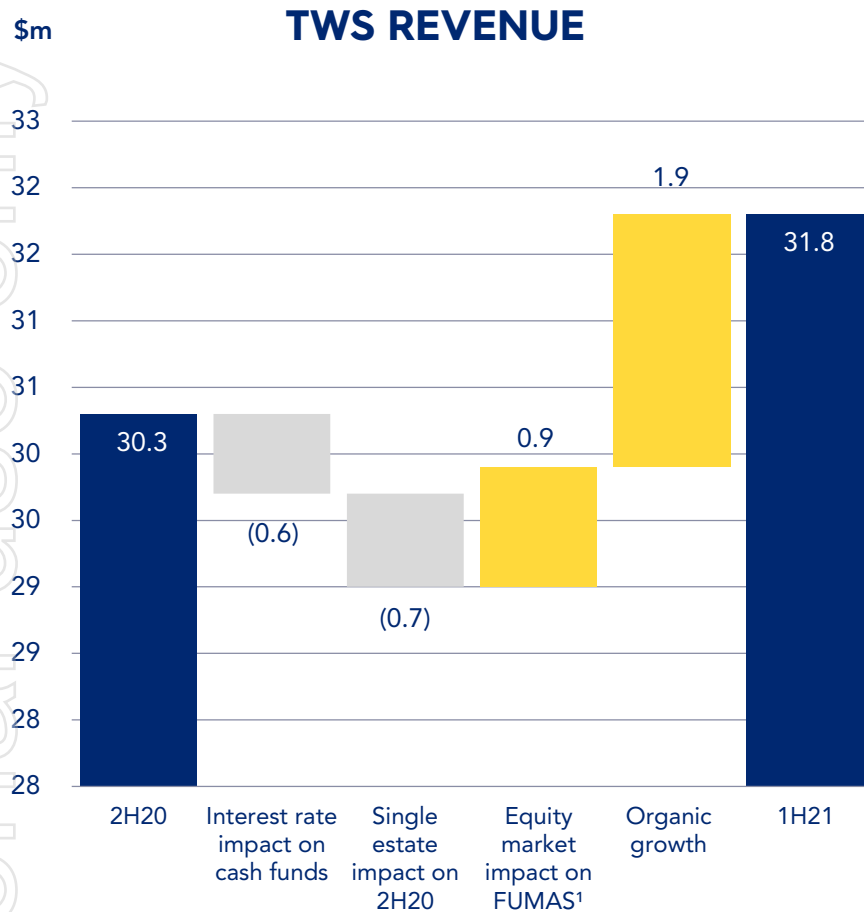


- Consistent, high quality cash generation
- Cash principally used for tax payments, dividends and debt repayment
- Negligible bad debts
- ORFR borrowings increased to support Superannuation Trustee activity





# TWS - GOOD MOMENTUM



- Headline revenue up 5.0% half on half
- Driven by good organic growth, in TWS – Superannuation and positive equity markets

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

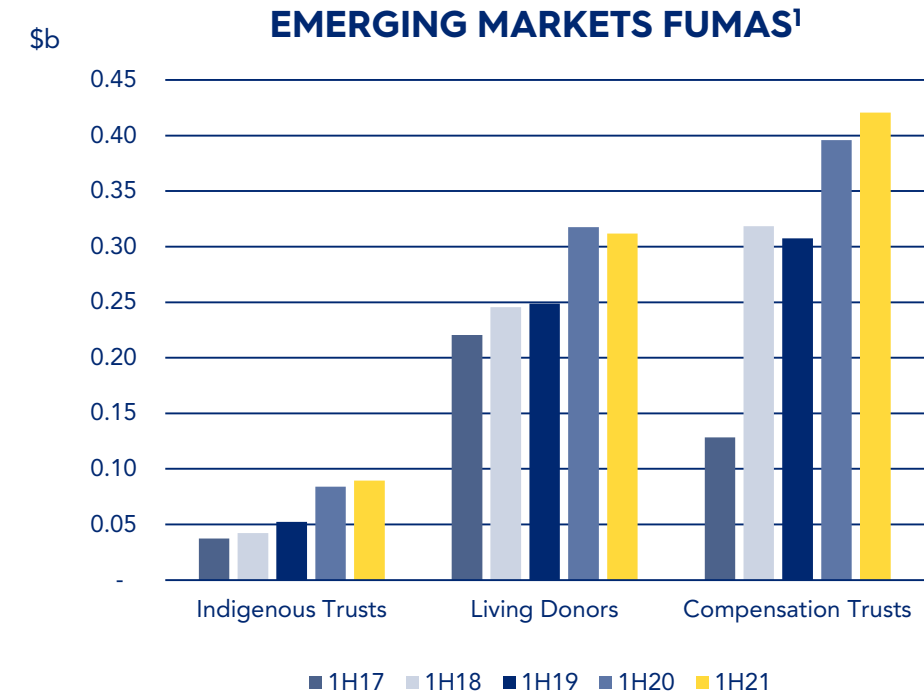
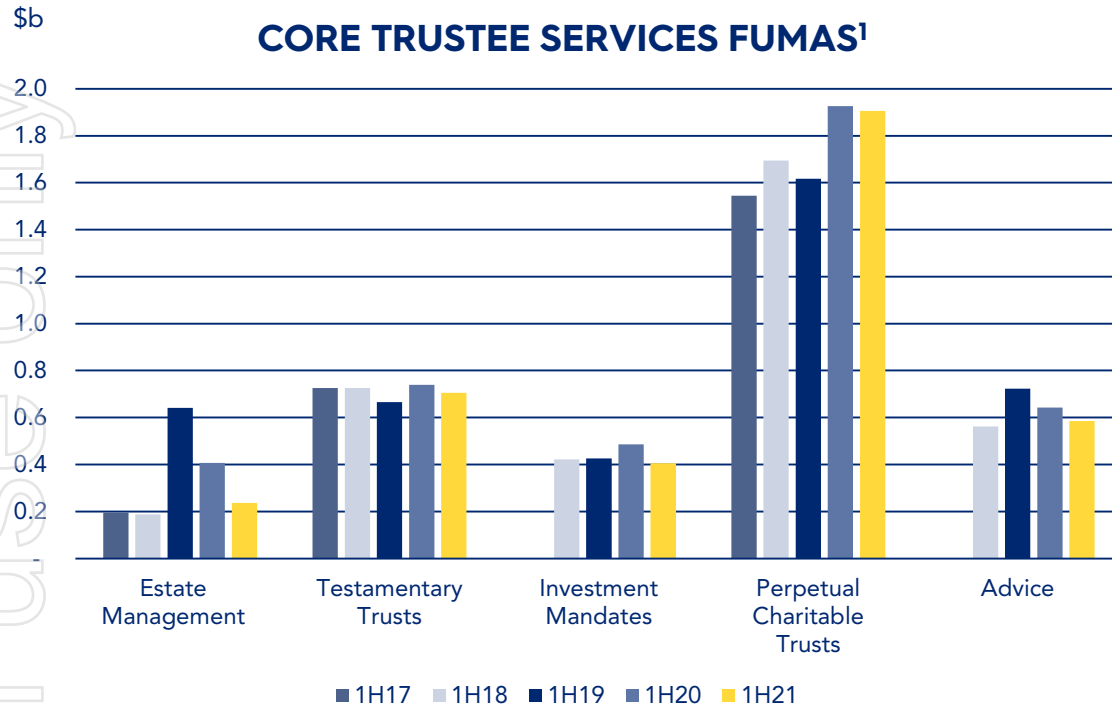
-Market impact of FUMAS links 50% of TWS revenue to the average ASX 200 index

² Asset Management includes TWS Investment Mandates, Superannuation Mandates and Common Funds





# TWS PRIVATE CLIENTS



- One very large complex estate finalised
- Positive investment management performance
- Adverse markets impacting performance relative to PCP

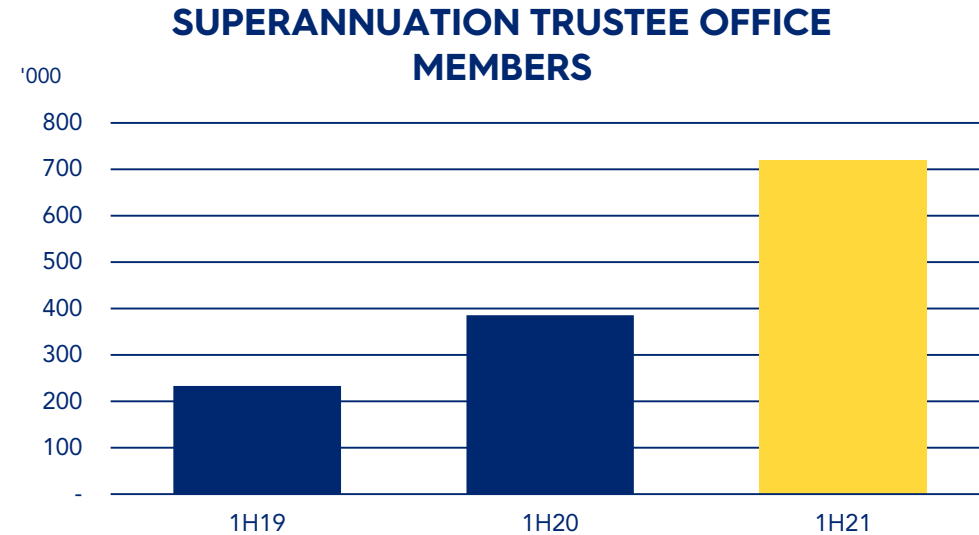
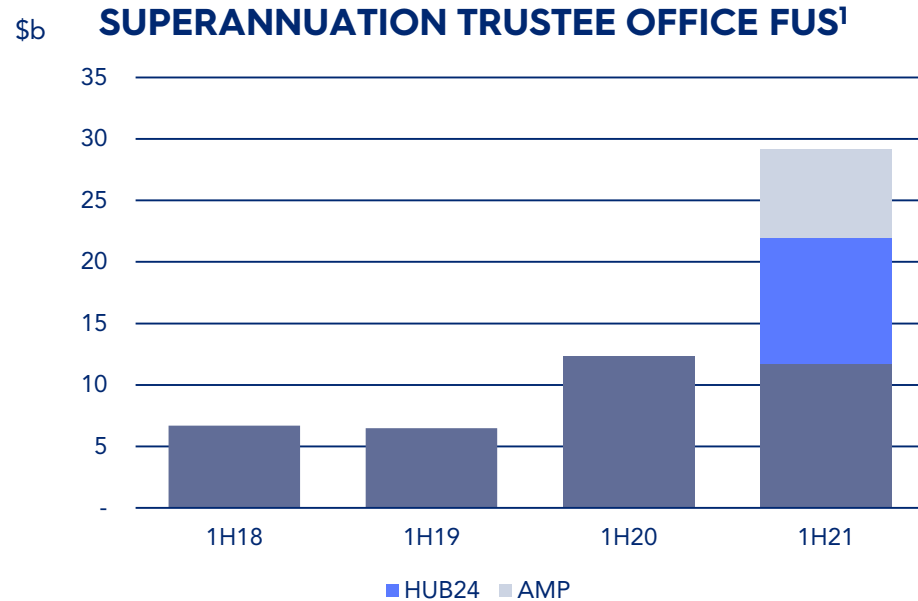
- Indigenous trusts – building momentum
- Underlying growth in living donors
- Compensation Trust activity growing

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





# TWS SUPERANNUATION – RAPID GROWTH



Major appointments new appointments include:

- AMP Life appointment on 1 July 2020 ~ \$7.5b
- HUB24 appointment on 1 August 2020 ~\$7.9b

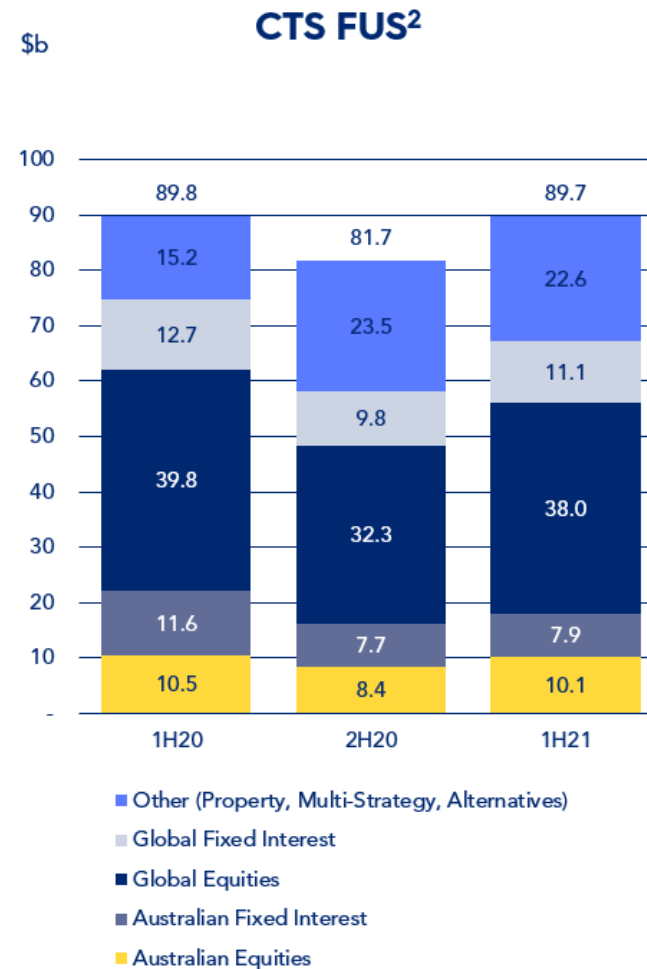
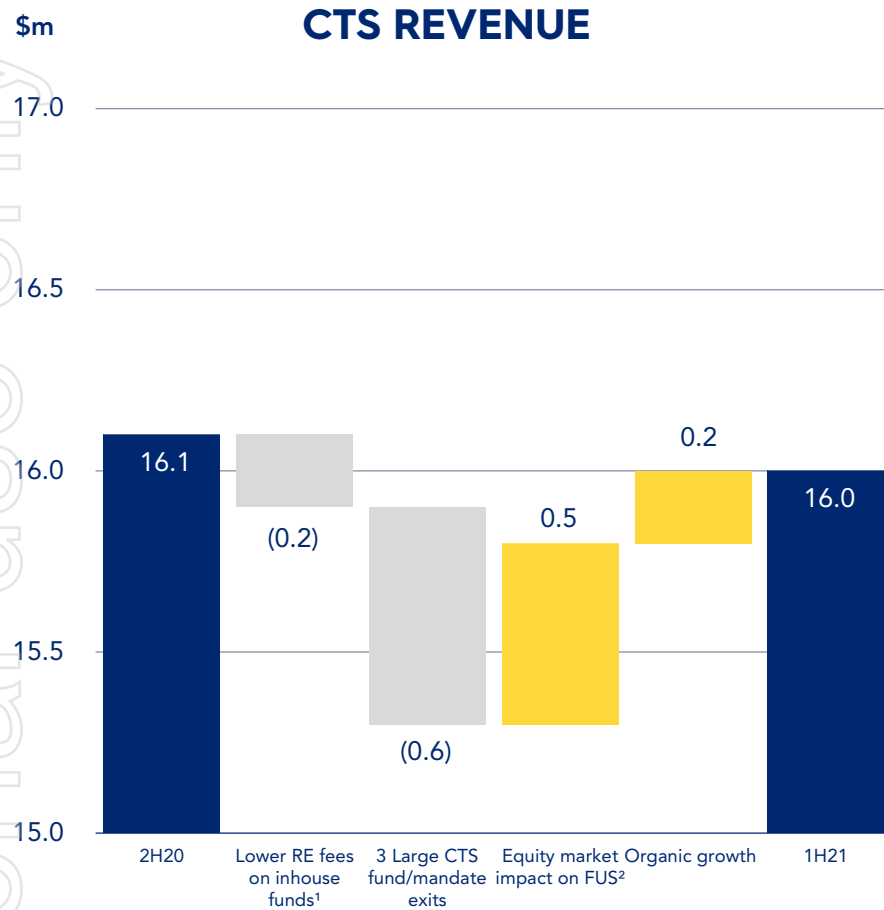
- AMP Life added 340K members
- HUB24 added 25K members

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





# SOLID CTS PERFORMANCE



- Favourable equity markets and organic growth offset by three large fund/mandate exits (~\$3.1b)
- Pipeline strong - 30-40 new funds expected in the 6-9 months
- New clients include:
  - Guardcap
  - Osmosis IM
  - Stone Door
  - AlphaSimplex

<sup>1</sup> Lower RE fees in CTS are offset by higher Investment Management fees in TWS

<sup>2</sup> FUS: Funds under supervision

-Market impact on FUS links 50% of CTS revenue to the average MSCI World and ASX200 index

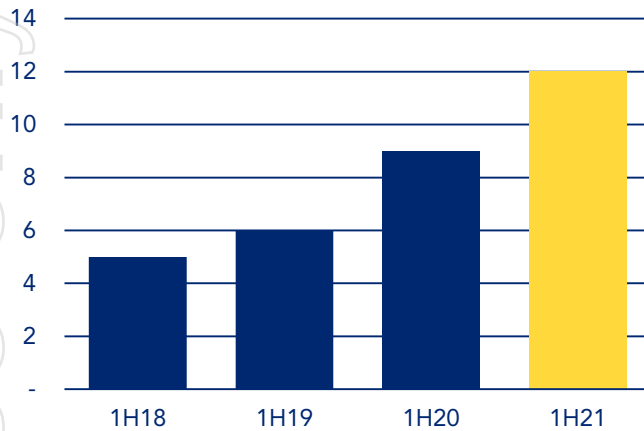
-Exchange rates are not considered



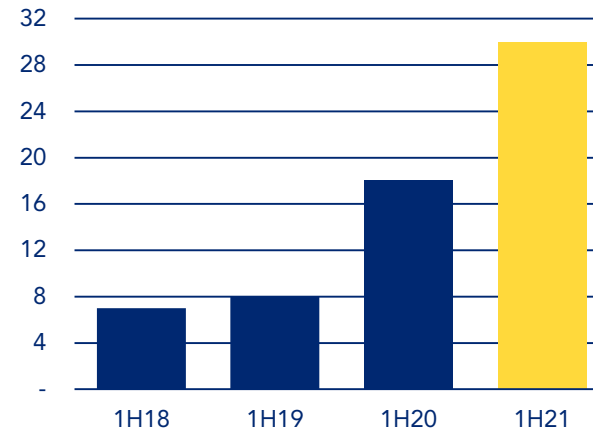


# UK/IRELAND BUILDING MOMENTUM

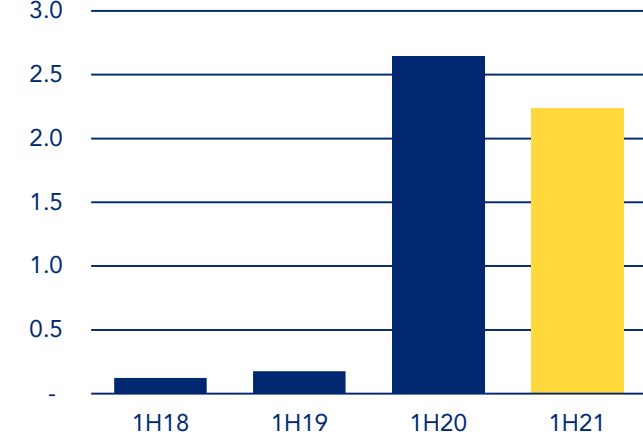
NO. CLIENTS



NO. FUNDS



£b TOTAL FUMAS<sup>1</sup>



- Increased staffing from 6 to 12 across Europe to support growth & regulatory requirements
- Established Irish ICAV<sup>3</sup> platform for wider distribution. Projects currently ongoing to launch 4 / 5 new managers to the platform
- FUMAS reduction from mandate loss
- First Irish / Australian Master Feeder product launching Q1 2021
- AllianceBernstein, River & Mercantile, Investec Wealth & Investments, Global Impact Investing, Gateway UCITS<sup>2</sup> Funds plc, key new appointments
- Pipeline of significant new opportunities in the year ahead
- ETFSI to launch first AIFM<sup>4</sup> product in Q1 2021
- Extended Brexit process and COVID-19 impacts delaying fund establishments

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

<sup>2</sup> UCITS – Undertakings for the Collective Investment in Transferable Securities

<sup>3</sup> ICAV – Irish Collective Asset-management Vehicle

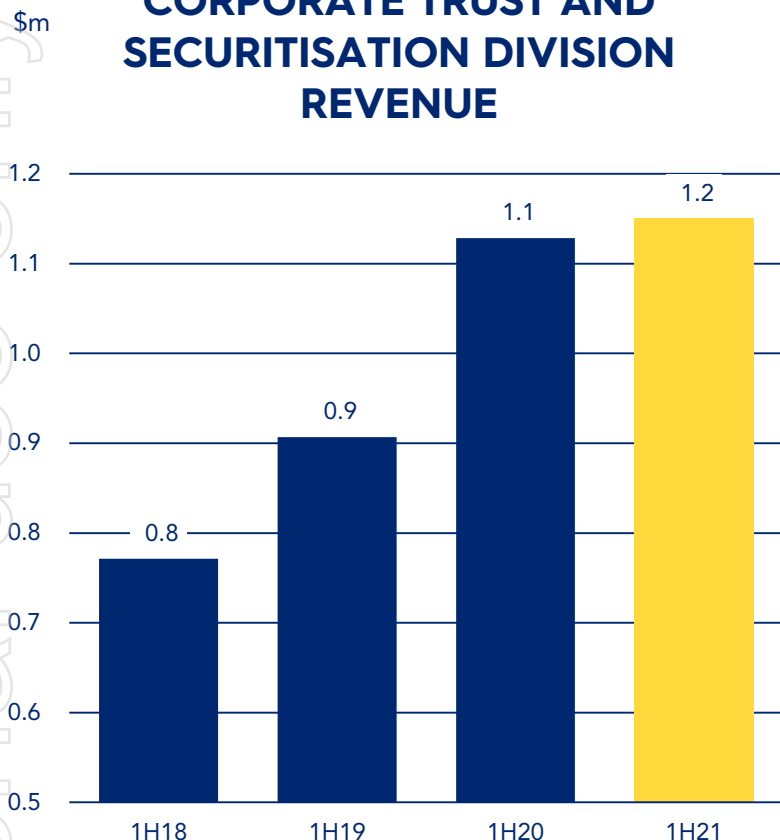
<sup>4</sup> AIFM – Alternative Investment Fund Manager



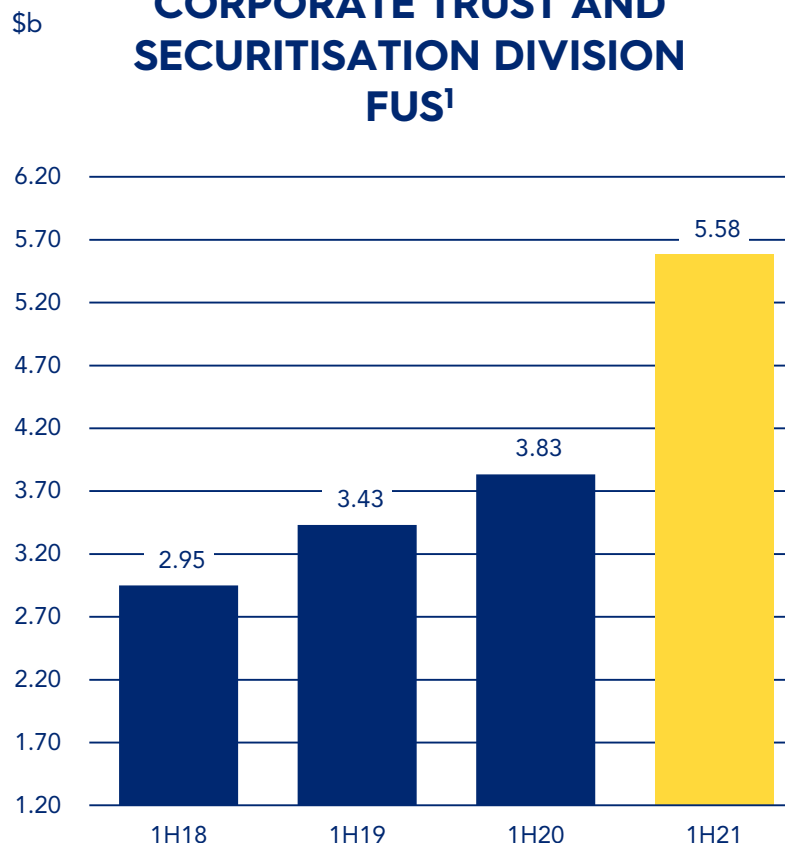
# CTS – CORPORATE TRUST AND SECURITISATION DIVISION



## CORPORATE TRUST AND SECURITISATION DIVISION REVENUE



## CORPORATE TRUST AND SECURITISATION DIVISION FUS<sup>1</sup>



- Positive momentum in a relatively new division
- Onboarding first clients with new credit license
- Continuing to grow Debt Capital Markets and loan markets client base
- Closed large Capital Notes deal for Challenger \$385m
- Investing in people and technology to support growth

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





# BALANCE SHEET STRENGTH

## PROVIDES SECURITY AND FLEXIBILITY

\$m	1H21	2H20	1H20
Assets			
Cash and liquid investments	73.9	80.7	63.6
ORFR cash	23.3	9.0	9.0
Trade receivables and accrued income	31.6	27.5	30.5
Goodwill and intangible assets	207.2	208.4	209.5
Other assets	16.0	17.1	17.5
<b>Total assets</b>	<b>352.0</b>	<b>342.7</b>	<b>330.1</b>
Liabilities			
Trade payables and other liabilities	10.4	13.8	9.7
Borrowings - Corporate Facility	16.0	20.0	10.0
Borrowings - ORFR Facilities	23.3	9.0	9.0
Other non-current liabilities	32.2	32.5	33.4
<b>Total liabilities</b>	<b>81.9</b>	<b>75.3</b>	<b>62.1</b>
<b>Net assets</b>	<b>270.1</b>	<b>267.4</b>	<b>268.0</b>
<b>Total equity</b>	<b>270.1</b>	<b>267.4</b>	<b>268.0</b>

- Debt/equity (excluding cash-backed ORFR Loans) 6.5%
- Substantial headroom in covenants
- Surplus borrowing capacity
- Flexibility to take advantage of growth opportunities





# STRONG CAPITAL POSITION

- Low gearing, healthy liquidity and net cash positive position
- Transfer of former OneVue RE clients to Equity Trustees Limited is releasing ~\$2-3m of capital
- Imminent 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 – Private Clients doesn't require additional regulatory capital<sup>1</sup>. TWS – Superannuation regulatory capital is typically provided by third parties
- 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

<sup>1</sup>Based on current portfolio of funds and activities



# SUMMARY



## RESILIENT PERFORMANCE WITH GROWTH MOMENTUM

- Strong FUMAS growth in challenging environment
- Solid half-on-half revenue growth
- Underlying EPS and NPAT marginally down on PCP reflecting adverse markets, but materially improved half on 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 purpose is to safeguard  
people's wealth and support the  
broader community.**





# A CLEAR PURPOSE

## SAFEGUARDING PEOPLE'S WEALTH AND SUPPORTING THE BROADER COMMUNITY

As Australia's leading fiduciary specialist, Equity Trustees cares for and improves the lives of people and supports the community, usually when they are least able to do so themselves.

We do that by forming trusted relationships to look after the interests of beneficiaries, members and investors.

Today we:

- Ensure more than \$100 billion in savings held by investors, beneficiaries and members is looked after securely
- Manage and care for more than 3,000 private estates and trusts
- Authorise grants and distributions totalling more than \$90 million to charitable causes.



# TRUST IS IN DEMAND



## BENEFITING FROM OUR FOCUS ON INDEPENDENCE AND EXPERTISE

- The financial services environment is increasingly demanding an independent fiduciary model, driven by
  - A shift from in-house to outsourced models in Australia's superannuation system
  - Royal Commission findings that highlighted industry conflicts and structural issues
  - COVID-19 and industry changes driving companies to focus on their core capability
- COVID-19's impact on financial markets highlighted the benefits of a trusted, stable fiduciary
- Community expectations of corporate behaviour and trust are growing
- Global trends also support Equity Trustees' outsourced model





# CAPTURING THE OPPORTUNITIES

## OUR INVESTMENT IN PEOPLE AND TECHNOLOGY IS PAYING OFF

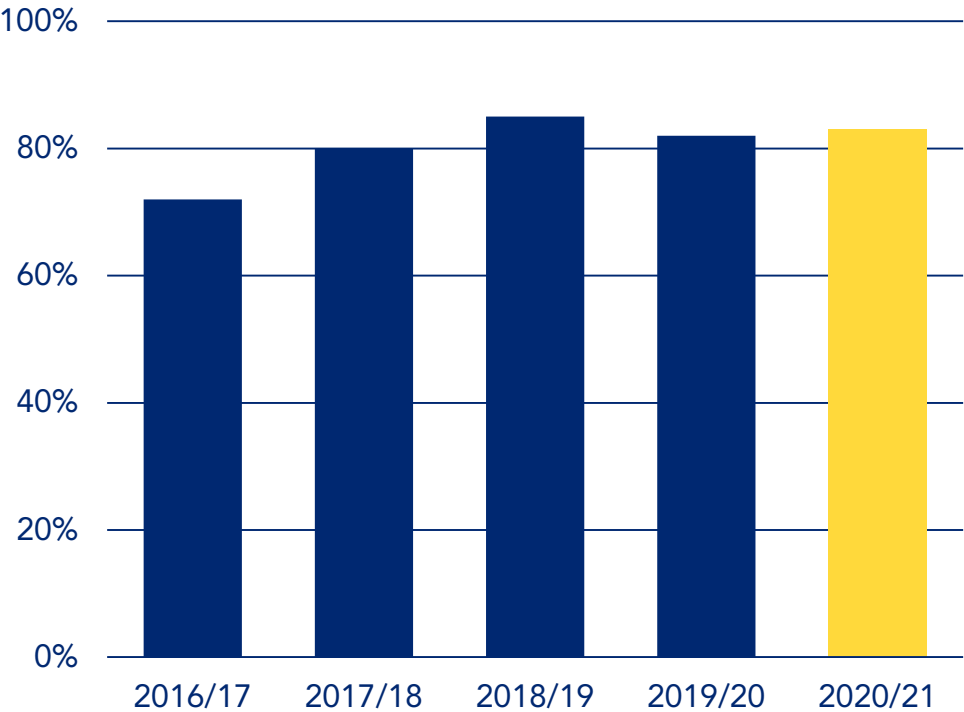
- Equity Trustees' expertise cannot be replicated overnight
- Substantial investment in people and technology has enabled us to manage strong growth
- Early investment has allowed us to maintain high quality standards and competitive edge
- Continuing to make key hires across management and client-facing roles
- Technology enhancements are improving productivity, service delivery and quality
- Higher costs in short-term but still performing well and long-term benefits should be significant





# ENHANCED RISK MANAGEMENT IN LESS CERTAIN ENVIRONMENT

## RISK CULTURE - PROPORTION OF POSITIVE RESPONSES<sup>1</sup>



<sup>1</sup> across EQT averaged across all questions

## OPERATIONAL RESPONSE

- No material interruption to operations or client service through working remotely

## RISK & COMPLIANCE PRIORITIES

- Elevated focus on fraud and cyber-security threats in altered operating environment
- Continued investment in and strengthening of risk management capability
- Investment in new technology to support risk management activity across the Group
- Responding promptly and appropriately to regulatory developments



# INVESTING IN GOVERNANCE AND CAPABILITY



## RESPONDING TO THE HIGHER RISK ENVIRONMENT

- Carol Schwartz AO appointed chair of EQT Holdings Ltd
- New roles for key leaders to target Superannuation Trustee and Corporate Trustee growth in Australia and Europe
- Expanded corporate trust and securitisation team
- Safe return to office in line with government advice
  - Remote work caused no material interruption to operations or client service
- Continued investment in and strengthening of risk management capability, including new technology
  - Elevated focus on fraud and cyber-security threats in altered operating environment
- Responding promptly and appropriately to regulatory developments





# INVESTING IN TECHNOLOGY

## PROVIDING A FIRST-CLASS CUSTOMER EXPERIENCE

### 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





# TWS PRIVATE CLIENT FOCUS

## IMPROVED CLIENT ENGAGEMENT, CROSS-SELLING AND BUSINESS DEVELOPMENT

- Targeted business development through strategic partners (legal industry, planners, HNW advisors)
- Increasing focus on non-wealth transition market segments
- Cross-selling services through Will Bank, Estate Planning, Estate Management, Advice and Philanthropy
- Commitment to philanthropic sector through launch of third Giving Review
- Enhanced communication and engagement programs to suit post-COVID world
- Continuing other initiatives to focus on excellent client service and engagement through use of technology
- Increasing segmentation of client base to provide superior service to HNW clients
- Re-engineering operational processes to improve service, reduce risk and provide operational leverage





# TWS SUPERANNUATION FOCUS

## LEVERAGING OUR INDEPENDENT TRUSTEE MODEL

- Industry changes and potential conflicts of interest continue to drive strong demand for independent governance capability
- Super FUS<sup>1</sup> boosted to over \$29b after appointment to AMP Life (\$7.5b) and HUB24 (\$7.9b)
- Continue to build capability by investing in people and technology to meet expected growth
- Maintaining an independent trustee office for the benefit of over 700,000 members

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



# EMPOWERING INDIGENOUS COMMUNITIES

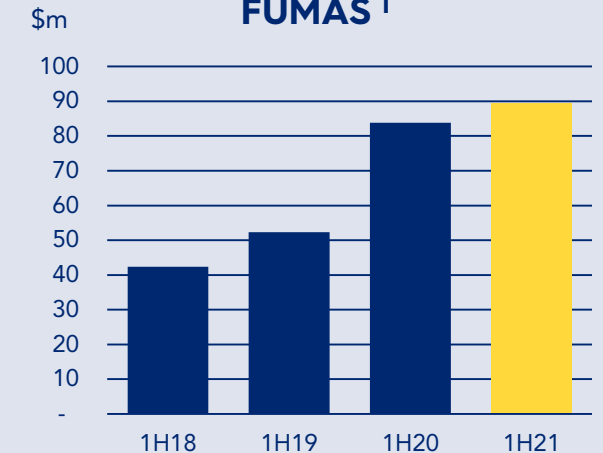
## CONTRIBUTE TO GREATER SOCIAL AND ECONOMIC PARITY BETWEEN OUR FIRST AUSTRALIANS AND THE BROADER COMMUNITY

- **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
- **Capacity Building**
  - Our aim is to build capacity and empower Aboriginal communities to increase participation in the management of their wealth
- **Wider footprint**
  - Now have clients across 4 states and territories (WA, SA, NT and Queensland)



## GOOD PIPELINE OF OPPORTUNITIES

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



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



# CTS FOCUS



## 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
  - Continue building listed offers to assist managers in expanding distribution
- Continuing to extend into new markets in Australia
  - Structured finance offerings (debt offers, securitisations and real estate trusts)
  - Early wins encouraging and building momentum
- Build on momentum in growing UK and Ireland business



# POSITIVE OUTLOOK



## STRATEGY CONFIRMED AND MOMENTUM CONTINUES

- Ongoing FUMAS growth and earnings resilience confirm strategy
- Trend to outsource fiduciary services continues to transform industry and benefit Equity Trustees
- Stabilising equity markets positive for earnings
- Growth in securitisation and related products provide further opportunities
- People and technology investments position group to capitalise on future opportunities, supported by strong balance sheet
- Positive outlook for FY21





# QUESTIONS







**THANK YOU**



# DISCLAIMER



The Board has authorised that this document be given to the ASX

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