



Equity Trustees

# **EQT HOLDINGS LTD**

**ASX: EQT**

Presentation to ASX CEO Connect  
Mick O'Brien, Managing Director  
15 June 2021

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# Why (invest in) EQT

- Income – dividend yield of 3.7% - 5.3% fully franked
- Heritage Australian-made brand delivering consistent performance
- Only pure-play trustee company on the ASX
- Focused on markets with high growth rates
- Be a part of a company that is one of Australia's leading sources of philanthropic funding



**Our purpose  
is to help people take  
care of their future**

# About EQT



- Providing trustee services to private clients, fund managers, corporates and superannuation fund originators
- Operating under Equity Trustees brand
- 130+ years of experience
- \$128bn assets under supervision (1H21)



# An oldie but a goodie: time-honoured Trustee worth a second look

TIM BOREHAM



The walls of Equity Trustees' Melbourne headquarters are adorned with the portraits of former prime ministers, premiers and governors-general who have served on the board of the stately 133-year-old institution.

The roll call of dignitaries includes 19th century premier Sir Charles Sladen, prime ministers Stanley Bruce and Robert Menzies and former governor-general Ninian Stephen.

In March former Abbott/Turnbull era cabinet minister Kelly O'Dwyer joined the board, filling a seat vacated by former Victorian premier and Hawthorn Football Club president Jeff Kennett.

(Kennett's great grandfather Edward Fanning was a director for 30 years from 1888 to 1917.)

But while most ex-politicians hailed from the conservative side, Equity Trustees CEO Mick

O'Brien insists they don't have to be right on the political spectrum.

"It's important for us to have some government experience," he says. "We are doing what regulators want and it's important we are close to them and understand them," he says.

Behind the old world veneer, Equity Trustees has been transforming from a funds custodian for the landed gentry to a leading player in the arcane but expanding superannuation trusteeship sector.

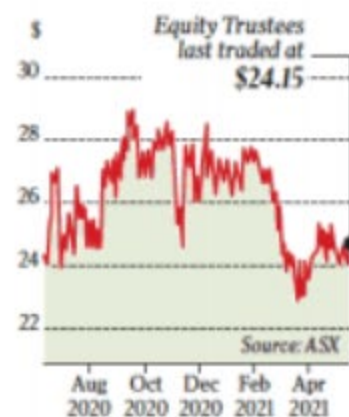
The company recently picked up the mandates for investment platform HUB24, AMP Life (after being sold to Resolution Life) and CommInsure (when sold to AIA Australia).

"We have had incredible success with superannuation in the last two years," he says.

Equity Trustees is now the custodian of \$30 billion of super. A year ago it was \$12 billion and four years ago a little over \$1 billion.

Early last year its key rival, Sargoon, entered voluntary administration, having bought the Diversa Trustees business from listed platform provider OneVue.

But O'Brien says the biggest competitor is the status quo: the internal model. Most super trustee



functions remain in-house, including the subsidiaries of the large wealth managers and the industry super funds.

These providers avoid conflicts of interest by appointing independent directors – a process scrutinised by regulators in the post-Hayne (banking royal commission) climate.

But O'Brien argues that, individuals being individuals, the risks are greater than appointing an external trustee specialist such as, er, Equity Trustees.

These days Equity Trustees enjoys the status of the only listed pure-play trustee company. Its equivalent, the Trust Company of Australia, was subsumed by Per-

petual in 2013 after a spirited takeover tussle with Equity Trustees.

Perpetual is predominantly a fund manager, but competes with Equity Trustees for private clients and corporate trustee gigs (Perpetual sold the acquired Trust Company of Australia super business to OneVue, which on-sold it to Sargoon).

IOOF owns Australian Executor Trustees, while Tasmanian Perpetual Trustees was rolled into MyState in 2009.

The trustee sector is still archaically state-based, with Equity Trustees strong in Melbourne but Perpetual stronger in Sydney and AET dominating Adelaide and Perth. The Queensland market is "up for grabs", so watch this space.

As with Perpetual, Equity Trustees is also prominent in philanthropy, overseeing \$100m of annual distributions from long-standing charitable trusts.

The biggest include the \$200 million Viertel Foundation (medical research), the \$130 million William Buckland Foundation, the Felton Bequest (artwork) and the Harry Lyon Moss Trust Fund (Royal Children's Hospital).

"The sector will chew up every dollar you give them, whereas if you set up a properly structured

vehicle it will keep giving forever," O'Brien says.

"Sixty years ago Harry Moss could have given a million pounds to the hospital and it would be spent by now. But he set it up as a trust that's giving away \$3 million-\$4 million a year and it will be forever."

More broadly, he says, billions of dollars of wealth is transitioning from expiring pre-war and baby boomer generations "and we hope a lot of this will end up with philanthropy".

Equity Trustees posted a \$9.8 million net profit in the half-year to December, down 14 per cent, with funds under administration, advice and supervision lifting 27 per cent to \$128 billion.

Paying a 4 per cent yield (5.4 per cent fully franked), Equity Trustees could be viewed as a low risk (albeit lower growth) alternative to the banks or listed fund managers.

The only broking analyst covering the stock, Ord Minnett's Nick Burgess, says super has been the "standout area" for the company over the last 12 months. "That said, new business wins can be lumpy and difficult to predict."

He adds: "We believe Equity Trustees is a well run, high quality

company with a strong financial position and leverage to an ongoing recovery in global equity markets."

Burgess says the company trades on an "undemanding" earnings multiple of 23 times, although that makes it dearer than the banks or asset managers such as Perpetual and Pandal and wealth managers such as AMP.

The company's share performance has been solid but not spectacular: a 20 per cent gain over the last year and a 70 per cent increment over the last five and 10 years. We're sure the 133 year price graph looks quite decent.

Having served for two decades at Axa – formerly National Mutual – O'Brien says the culture of the rarefied trusteeship world is far removed from that of the old foot-in-the-door life insurance sales culture. "The interesting thing about a trustee company is that almost all of your clients really need your services," O'Brien says. "It's not as if you have to sell them."

How olde worlde is that?

Tim Boreham edits *The New Criterion*.

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# Three core service streams

**CORPORATE TRUSTEE SERVICES (CTS)**

**SUPERANNUATION TRUSTEE OFFICE (STO)**

**TRUSTEE & WEALTH SERVICES PRIVATE CLIENTS (TWS)**

# Specialist trustee services matched to defined clients



	CLIENT TYPE	SERVICE
CORPORATE TRUSTEE SERVICES (CTS)	Fund Managers & Asset Owners	Responsible Entity Services (RE) and like services in the UK and Ireland
	Corporates	Loan & Debt Capital Markets: Security Trustee, Facility Agent, Note Trustee, Paying Agent, Registrar Securitisation: Issuer Trustee, Security Trustee and Trust Manager Custody: Real Estate, Escrows, Share Schemes
SUPERANNUATION TRUSTEE OFFICE (STO)	Superannuation Fund Originators	Superannuation Trustee Services
TRUSTEE WEALTH SERVICES PRIVATE CLIENTS (TWS)	Private Clients	Estate Planning, Estate Management, Testamentary and Compensatory Trust Management, Powers & Appointments, Philanthropy, Advice, Asset Management
	Charities & NFPs	Asset Management
	Indigenous Communities	Community Trusts





# Responsible Entity Services

Unrivalled access & buying power through our network of quality partnerships and experience managing third party service providers

## CUSTODIANS



## AUDITORS



## ADMINISTRATOR / UNIT REGISTRY



Note: Excludes UK & Ireland





# Superannuation Trustee Services

Unmatched core capability & experience in selection & oversight of third party service providers

## ADMINISTRATORS



## ASSET CONSULTANTS



## INSURERS



CommInsure



hannover re



## PROMOTERS



CVBS Superannuation Fund





# Trusted by major financial service providers



Acquired by **Resolution Life**



**Partners Group**  
REALIZING POTENTIAL IN PRIVATE MARKETS





# Our strengths

- Best practice focus on trust, governance and fiduciary responsibility
- Specialist skills and people
- Unrivalled suite of required licences
- Providing independent governance
- Strong lightly-gearred balance sheet



# 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%)

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.

\*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

- Solid half on half revenue growth
- Expense growth contained (excluding \$1.7m M&A project expenses)
- NPBT is \$14.8m, up 5% half on half, excluding \$1.7m M&A project expenses
- Increase in NPAT, EPS and dividend half on half, though down on PCP principally due to market impacts



# 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>

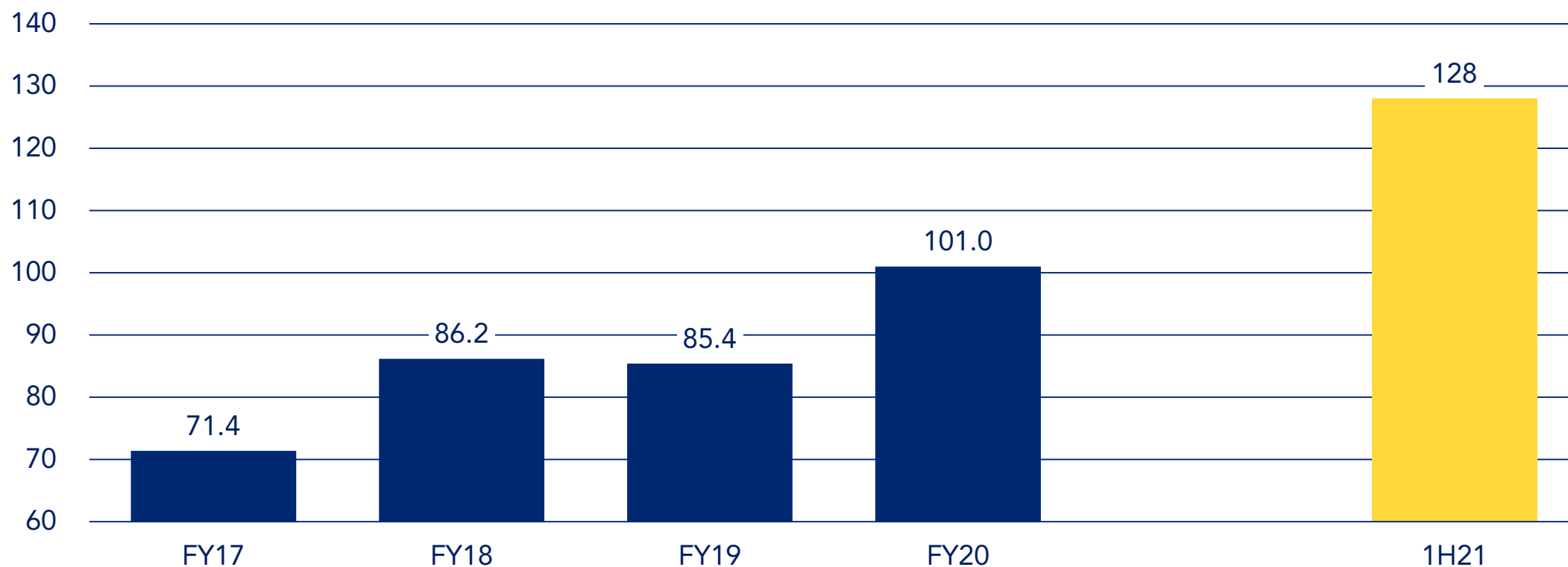
- Debt/equity 6.5% (excluding cash-backed ORFR Loans)
- Substantial headroom in covenants
- Surplus borrowing capacity
- Flexibility to take advantage of growth opportunities



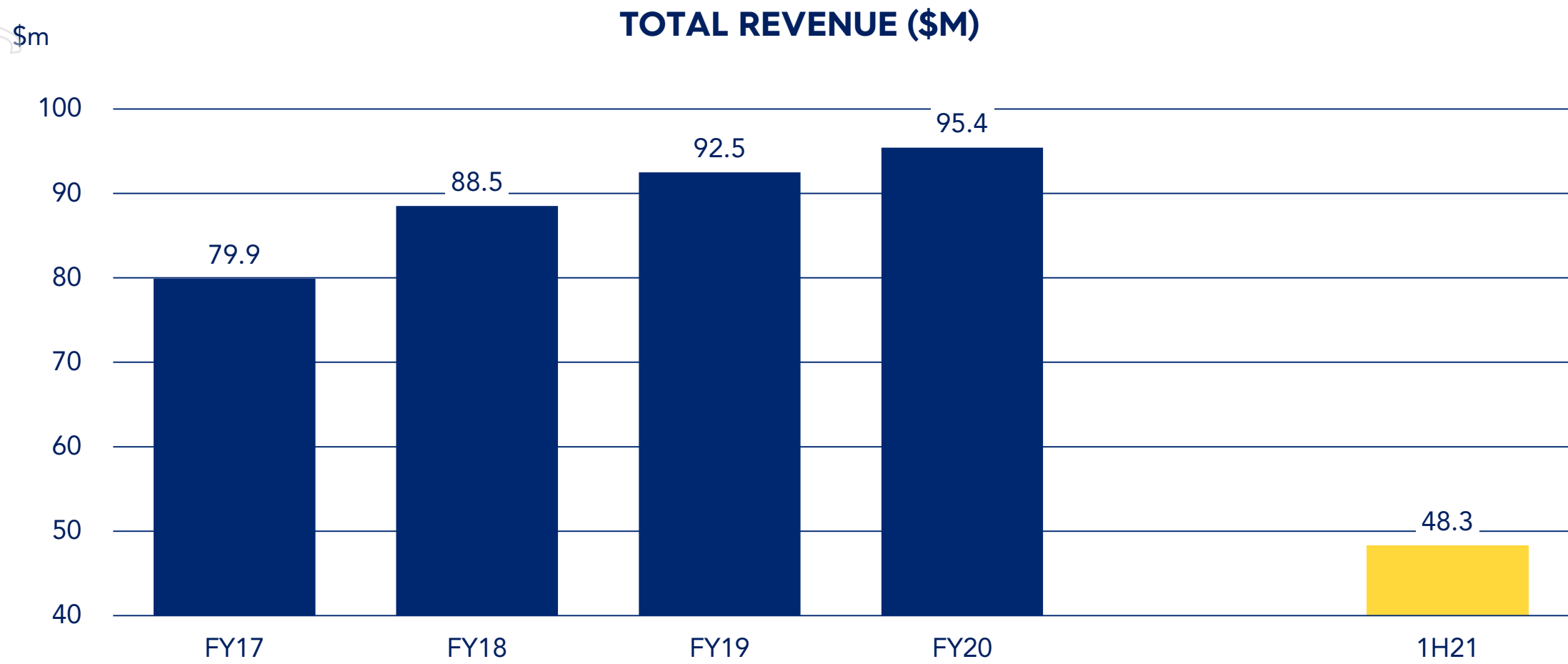
# Strong FUMAS growth – main driver of revenue



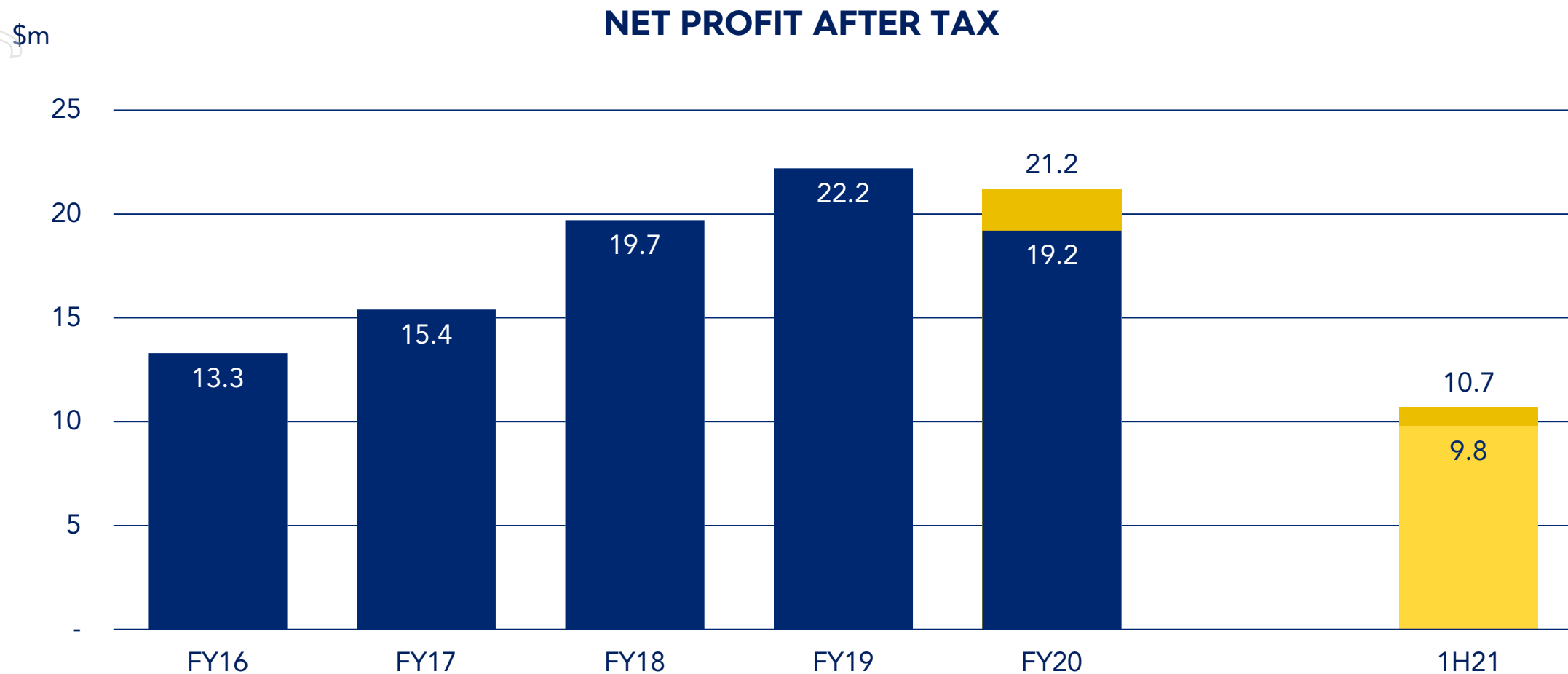
## FUNDS UNDER MANAGEMENT, ADMINISTRATION, ADVICE AND SUPERVISION (\$B)



# Consistent financial performance



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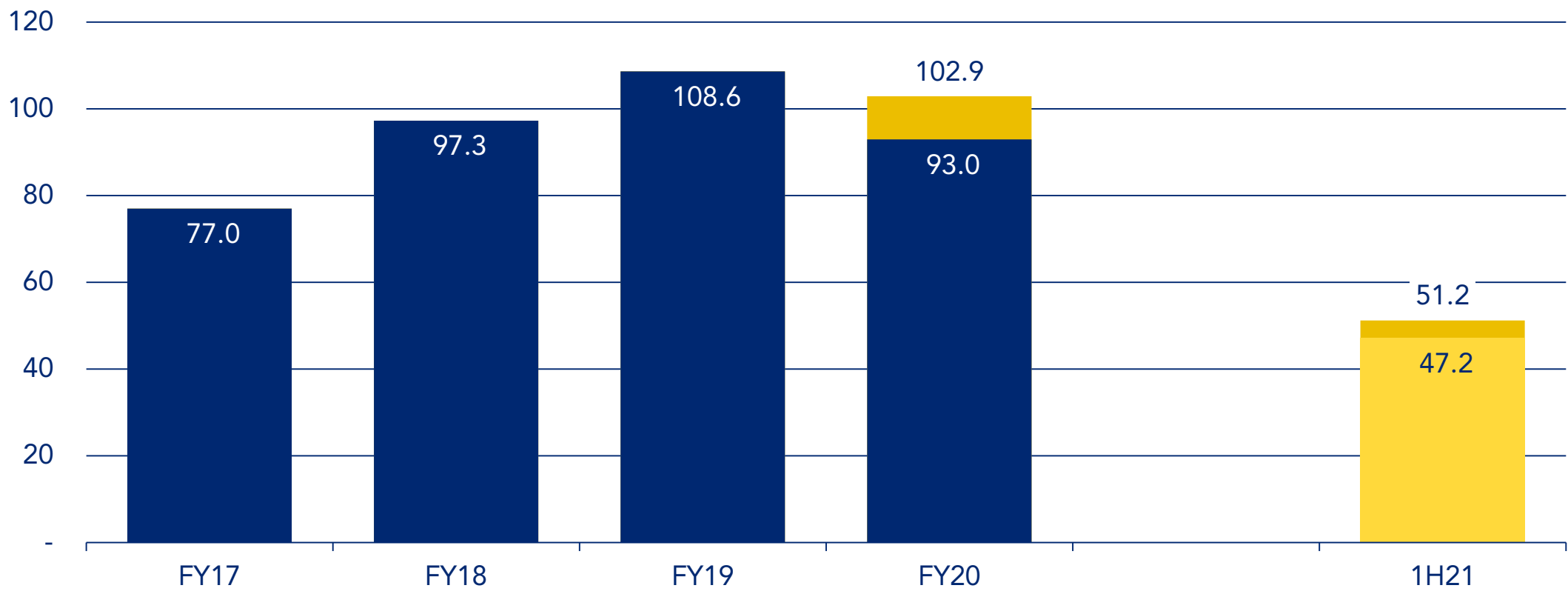
\* underlying NPAT – excluding tax provision

# Consistent financial performance



Cents

## EARNINGS PER SHARE



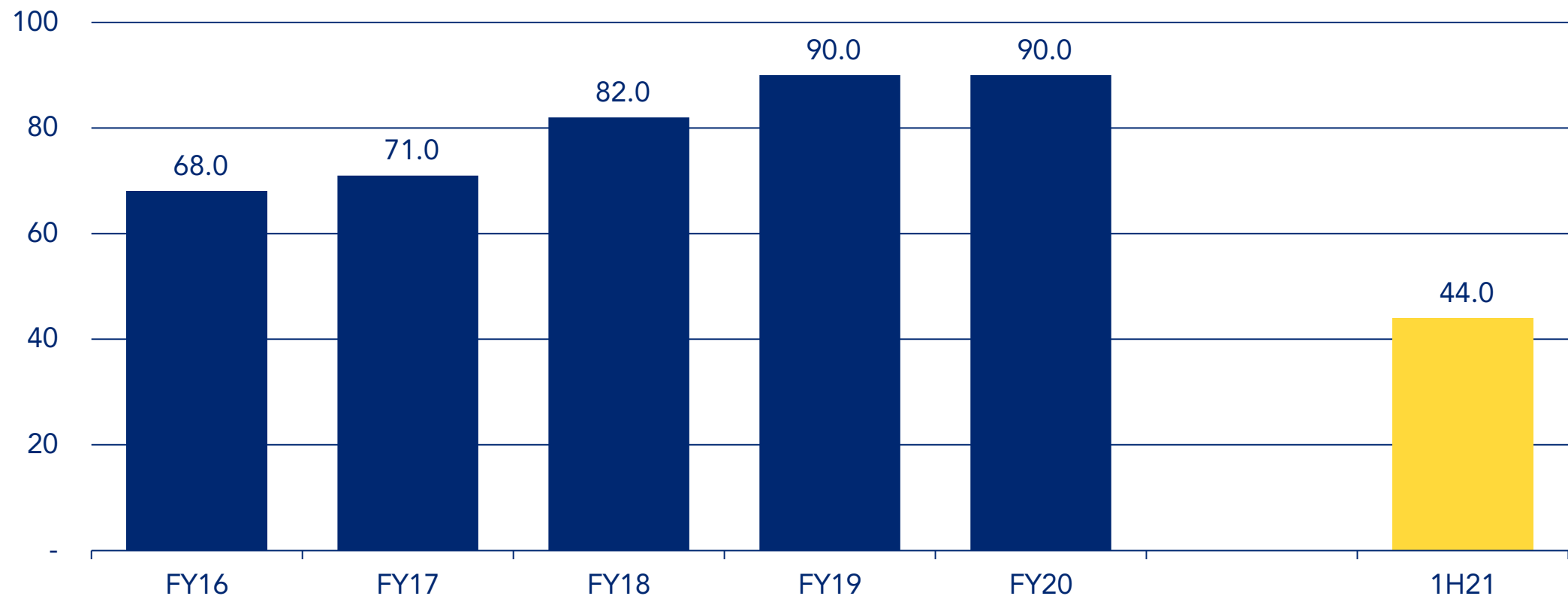
\*underlying EPS – excluding tax provision

# Consistent financial performance



## DIVIDENDS

Cents





# Outstanding industry opportunity

- Ageing, wealthier population increasing demand for our private client services
- Government mandated superannuation inflows drive growth in superannuation and fund services
- Global trend to independent trustee model





# Outstanding industry opportunity

- Financial Services Royal Commission has changed landscape
- Financial service providers under pressure to address conflicts
- Increasingly outsourcing fiduciary role
- Our unconflicted services are in high demand



# Resilience in challenging times

- Calendar year 2020 highlighted our strength and resilience
- Despite market volatility we grew revenue and maintained FY20 dividends
- Growth in FUMAS provides strong platform
- Healthy profit margins
- Balance sheet remains strong with low gearing and strong liquidity
- Critical role in supporting the community through our philanthropic services



# Positive outlook for EQT & our investors

- Clear growth agenda with good momentum
- Industry transformation providing opportunities
- Investment in capability is delivering
- Encouraging outlook for FY22 and beyond



# QUESTIONS





**THANK YOU**

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