

Tuesday, 14 May 2013

Revised Proposal for Trust Company

Equity Trustees Limited (ASX: EQT, "Equity Trustees") today advised The Trust Company (ASX: TRU, "Trust Company") of a revised proposal that provides TRU shareholders with the potential for a materially higher offer. This follows EQT's original Offer, which was rejected by TRU.

A copy of EQT's letter to the Board of Trust Company detailing the Revised Proposal is attached, which should be read in conjunction with this ASX Release.

Revised Proposal is more than 12% increase from EQT's Original Offer

Subject to Trust Company providing access to due diligence and the successful completion of satisfactory due diligence, Equity Trustees proposes to increase its offer for Trust Company (the "Revised Proposal") by more than 12% to:

1. **Share Consideration:** 37 EQT shares for 100 TRU shares (up from 33 EQT shares); plus
2. **Special Dividend:** 22 cents per shareⁱ (providing new value).

The Revised Proposal reflects a continued commitment to a combination of Equity Trustees with Trust Company, consistent with discussions between the two companies over many years.

EQT is assessing a Partial Cash Offer

Equity Trustees is assessing the possibility of including a cash component in any higher offer. This may allow TRU shareholders to receive a proportion of the Revised Proposal in cash.

Superior Value of the Revised Proposal

Equity Trustees considers the longer-term value of the Revised Proposal following successful integration of the two companies and assuming achievement of potential synergies is likely to be in the order of \$8.00 per TRU shareⁱⁱ. TRU shareholders would also be well positioned to receive a materially higher dividend yield compared with Perpetual's current low dividend paymentsⁱⁱⁱ.

EQT's Revised Proposal is clearly superior to Perpetual's proposal for TRU shareholders seeking growth in total shareholder returns

Greater share of benefits for Trust Company

Under the Revised Proposal, TRU shareholders would collectively own approximately 62% of the combined group and therefore receive 62% of the value and dividend upside available. In contrast, TRU shareholders would own as low as 8% of Perpetual under its proposal^{iv} under which Trust Company would be subsumed into a much larger group with different strategic priorities.

Higher value of synergies for Trust Company

Former TRU shareholders could gain at least \$30 million higher value from a deal with Equity Trustees than with Perpetual – providing ~\$1 per TRU share in higher value^v.

The value of synergies would be superior for TRU shareholders under EQT's Revised Proposal compared with Perpetual's proposal:

Value of synergies	Equity Trustees	Perpetual
Synergies per year ^{vi} (pre-tax)	\$8m p.a.	\$15m p.a.
TRU ownership, approx.	62.1%	8.1% - 10.9%
TRU share of synergies	\$5m p.a.	\$1.2 - \$1.6m p.a.
Multiple ^{vii}	10x	12x
Value for TRU shareholders (post-tax)	\$50m	\$15 - \$20m

Request for equivalent due diligence

The cost synergy estimates supporting our original Offer were based on previous discussions with Trust Company without access to due diligence. EQT anticipates synergies may be above the original \$8m p.a. estimate following the benefit of access to due diligence as received by Perpetual. This would provide upside to the \$50m value potential for TRU shareholders as illustrated above.

Accordingly, Equity Trustees has requested access to Equivalent Information on Equivalent Terms to that received by Perpetual in order to consider proceeding with the Revised Proposal.

Next steps

Due diligence is necessary for Equity Trustees to accurately quantify the synergies and the associated implementation costs in order to proceed with the Revised Proposal. Equity Trustees considers that receiving this access from Trust Company is in the interests of all stakeholders.

Equity Trustees has requested a short due diligence period. Following that due diligence, Equity Trustees would announce whether it will proceed with the Revised Proposal.

For further information, please contact:

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Chairman
Equity Trustees Limited

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Equity Trustees Limited

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The media release was prepared by Equity Trustees Limited and is only provided for information purposes. It does not contain investment recommendations nor provide investment advice.

ⁱ To be paid by TRU, which is anticipated to be fully franked.

ⁱⁱ This is not an estimate of the current value of EQT's Revised Offer, which will ultimately depend on EQT's actual share price and the value of franking credits for TRU shareholders, noting the market will ultimately determine the value of the Revised Proposal, should it proceed.

ⁱⁱⁱ EQT's dividend yield is 5.1% based on current share prices and dividend payments for 2H12 and 1H13, materially higher than Perpetual's dividend yield of 2.0% calculated on the same basis.

^{iv} Former TRU shareholder ownership of Perpetual will depend on the take-up of the \$60m cash alternative and the Perpetual share price prior to the Scheme Meeting. Based on the PPT share price on 6 May 2013, existing Trust Company shareholders will own between 8.1% (100% cash take-up) and 10.9% (0% cash take-up) of Perpetual.

^v Depending on 100% cash take-up and the quantum of synergies, based on 34.4m fully diluted TRU shares.

^{vi} EQT's Original Offer assumed up to \$8m p.a. (pre-tax) in cost synergies. Perpetual has stated synergies of at least \$15m p.a. (pre-tax), achieved by the end of the 2nd year post acquisition.

^{vii} Multiples based on broker consensus FY14 PE of 14x for EQT and 17x for PPT and after 30% corporate tax.

14 May 2013

Mr Bruce Corlett, AM
Chairman
Members of the Board
The Trust Company Limited
Level 15, 20 Bond Street
SYDNEY NSW 2001

Dear Directors,

Revised Proposal to Trust Company

Equity Trustees Limited (“Equity Trustees”, EQT) and The Trust Company Limited (“Trust Company”, TRU) have both acknowledged the strategic merit of combining the two companies. Following extensive but ultimately unsuccessful discussions over several years, Equity Trustees announced a proposal to achieve this goal by way of a formal Offer to merge with TRU.

Subsequent to our Offer on 21 February 2013 we continued dialogue with the mutual objective of agreeing a deal in the best interests of shareholders of both companies.

On 7 May 2013, Trust Company announced that it had executed a Scheme Implementation Agreement with Perpetual Limited (“Perpetual”). We note that Perpetual received due diligence information from Trust Company over more than a month in order to put forward its proposal.

Equity Trustees had based our original Offer assuming up to \$8m p.a. in synergies. This was consistent with the quantum of synergies stated by Trust Company in your non-binding merger proposal to Equity Trustees dated 6 December 2011. After due diligence, Perpetual has announced at least \$15m p.a. in synergies from acquiring Trust Company. Prima facie, most of the expense-based synergies available to Perpetual should also be available to Equity Trustees.

Revised Proposal

Subject to the successful completion of satisfactory due diligence, Equity Trustees would be prepared to improve the offer for Trust Company (“Revised Proposal”) to:

- Share Consideration: 37 EQT shares for 100 TRU shares; plus
- Special Dividend: 22 cents per share paid by TRU (anticipated to be fully franked).

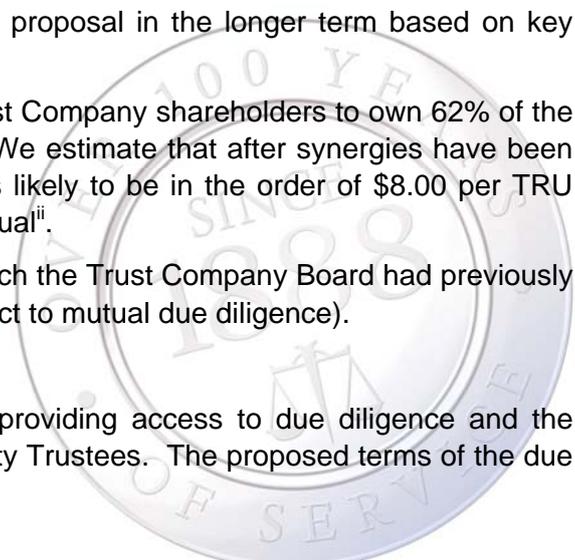
EQT’s Revised Proposal is clearly superior to Perpetual’s proposal in the longer term based on key aspects of shareholder value – share price and dividends.

Our Revised Proposal would create the opportunity for Trust Company shareholders to own 62% of the merged company and participate in 62% of the benefits. We estimate that after synergies have been extracted, the equivalent value of our Revised Proposal is likely to be in the order of \$8.00 per TRU shareⁱ and with higher dividends per share than with Perpetualⁱⁱ.

EQT’s Revised Proposal is also higher than the level at which the Trust Company Board had previously indicated it would recommend (being 37 EQT shares, subject to mutual due diligence).

Due Diligence

The Revised Proposal is conditional on Trust Company providing access to due diligence and the successful completion of satisfactory due diligence by Equity Trustees. The proposed terms of the due diligence are:



- EQT and TRU enter into confidentiality arrangements on no more onerous terms than TRU has agreed with other parties, including Perpetual (“Equivalent Terms”).
- TRU provides EQT with access to the same information it has provided to other parties, including Perpetual (“Equivalent Information”).
- EQT has access for approximately one week to the Equivalent Information.

Providing Equivalent Information on the basis of Equivalent Terms ensures a level playing field for Equity Trustees to consider proceeding with the Revised Proposal. We consider this process is in the interests of the shareholders of Trust Company so they can consider any Revised Proposal.

Culture and Values

Following our Offer in February and the earlier discussions, one thing remains paramount: the compelling logic of combining our two companies. We consider that this provides the most material benefits for all stakeholders – being both sets of shareholders, employees and customers.

We believe that a properly structured deal between Equity Trustees and Trust Company is likely to provide benefits that significantly exceed the benefits likely to accrue from a takeover by Perpetual – which will instead result in Trust Company being subsumed and your shareholders becoming a small minority in an entity with different strategic priorities. Trust Company’s culture will have markedly less, if any, influence over the future of Perpetual – with Perpetual’s integration costs of ~\$30m implying a wholesale restructure of Trust Company.

In contrast, EQT proposes up to two board positions for TRU, merit-based employment opportunities for TRU management and staff, and recognition of the Trust Company name and brand in the identity of the combined company going forward. We consider these are all important steps in preserving and promoting TRU’s heritage, identity and values, which we consider important for maximising ongoing staff motivation and client retention and growth.

We hope that by working together, Equity Trustees and Trust Company will create a strengthened company with the scale, resources and capabilities to better compete in the ever evolving financial services landscape.

Please note that to comply with legal requirements and to keep all stakeholders appropriately informed, Equity Trustees will be releasing this letter to the ASX.

I look forward to your earliest response.

Yours sincerely,



J A Killen OAM
Chairman
Equity Trustees Limited

ⁱ The ultimate value of the Revised Offer will depend on EQT’s future share price, estimation of synergies and the value of franking credits for each TRU shareholder. The Revised Proposal implies a value of \$8.02 per TRU share based on the EQT share price of \$17.00 at 13 May 2013, full value for franking credits and a capitalised value of \$8m p.a. of synergies.

ⁱⁱ EQT’s dividends expectations for the combined company will depend on the quantification of synergies and integration costs following due diligence. EQT’s current dividend yield is 5.1% based on current share prices and actual dividend payments for 2H12 and 1H13, materially higher than Perpetual’s dividend yield of 2.0% on the same basis. Based on this, it is possible that TRU shareholders may face a reduction in dividends per share should they accept the proposal from Perpetual.