

26 February 2015

Equity Trustees – Strong Half Year Result

Equity Trustees Limited (ASX: EQT) today releases its audited results for the six months to 31 December 2014, and confirms a strong lift in half year profit compared with the prior corresponding period.

	6 months to 31 Dec 2014 \$m	6 months to 31 Dec 2013 \$m	% Change Fav (Unfav)
Operating Revenue	41.1	26.1	57.4
Operating Expenses	(27.6)	(19.2)	(43.6)
Operating profit before tax and amortisation of intangibles	13.5	6.9	95.6
Income Tax Expense	(3.8)	(1.9)	
Operating profit after tax (before amortisation of intangibles)	9.7	5.0	92.3
Amortisation of intangibles	(0.8)	(0.1)	
Non-operating items (net of tax)	(1.3)	0.5	
Net profit after tax	7.6	5.4	41.7
Earnings Per Share (¢)	39.77	52.82*	(24.7)
Underlying Earnings Per Share (¢)	50.65	49.58*	2.0
Interim Fully Franked Dividend (¢)	46.0	46.0	-
Operating Margin (%)	32.8	26.4	

* The EPS for 6 months to 31 December 2103 has been restated to reflect the rights issue in April/May 2014. The previously reported EPS was 58.3 cps. The previous underlying EPS was 54.7 cps.

EQT Chairman, Mr Tony Killen, said the operating profit was particularly pleasing. “Before we acquired ANZ Trustees Limited, Equity Trustees was a business valued at around \$150m. The acquisition virtually doubled that, but despite the significant staff time and resources devoted to the very involved integration project, and before the material synergy benefits begin to flow, the company still managed to virtually double its first half operating performance.”

Mr Killen confirmed that the interim fully franked dividend will be maintained at 46 cents per share, representing a payout ratio of approximately 90% on the underlying operating earnings. Any shortfall in DRP participation will be underwritten at the DRP price.

Despite the large increase in shares issued to fund the acquisition, underlying earnings per share has increased by 2% from 49.58 to 50.65 cps.

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26 February 2015

-2-

Managing Director, Mr Robin Burns said: “The acquisition of ANZ Trustees is an exciting event for EQT. The integration is well under way and proceeding to plan. We are confident that the objectives we set out as our goals at the start of the acquisition process will be achieved. In addition I am glad to note that organic business growth continued in the existing business units.”

He added: “We have increased our operating margin from 26% to 33%, achieved further growth in total Funds under Management and Administration, which at December were 21% higher than the previous December, and retain a strong balance sheet with no debt. We are well placed and confident about our ability to continue to grow the company in both the corporate services and private wealth sectors and provide attractive rewards for all stakeholders.”

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Equity Trustees Limited (EQT)

Half Year Results to 31 December 2014



Overview – HY to 31 December 2014

- **Group Operating Profit \$13.5m (H1 FY2014, \$6.9m)**
- **Underlying Earnings per share at 50.65cps (H1 FY2014, 49.58cps)**
- **Net Profit after Tax \$7.6m (H1 FY2014, \$5.4m)**
- **Group Operating Margin 32.8% (H1 FY2014 26.4%)**
- **EQT BAU Revenue +12.4% on H1 FY2014**
- **Acquired ANZT business revenue and costs substantially in line with expectations for integration period. Acquisition completed on 4 July 2014**
- **H1 Dividend maintained at 46 cps, fully franked, on increased capital**
- **Surplus franking credits available**
- **Balance sheet debt free, liquid cash \$21m**

Integration Project



- **Integration Project commenced immediately following transition of ownership.**
- **Duration up to 18 months, to release \$4m in annual cost synergies at end, and cost to implement of 1 to 1.25 x synergies.**
- **The project is on track and proceeding according to plan. Managed using own staff, contractors and professional project governance support, including independent assessment of project governance and reporting processes.**
- **Confident that the overall cost synergy objectives, cost to achieve and timetable will be realised – current progress indicates the company may reach these goals before expiry of the 18-month schedule.**
- **Continuing relationship with ANZ is developing well.**
- **Some substantial steps still to take place – principally concerning systems transition and final re-structure, but proceeding satisfactorily with implementation planned pre June.**

Overview – HY group results



	Half Year 31 Dec 2014 \$m	Half Year 31 Dec 2013 \$m	Change Fav/(Unfav)
Operating revenue – EQT BAU	29.4	26.1	12.4 %
– ETWSL BAU	11.7	-	100.0 %
Total operating revenue	41.1	26.1	57.4 %
Operating expenses	(27.6)	(19.2)	(43.6 %)
Operating profit before tax (before amortisation of intangibles)	13.5	6.9	95.6 %
Income tax expense	(3.8)	(1.9)	
Operating profit after tax (before amortisation of intangibles)	9.7	5.0	92.3 %
Amortisation of intangibles (<i>nil tax</i>)	(0.8)	(0.1)	
Non-operating items (<i>net of tax</i>)	(1.3)	0.5	
Net profit after tax	7.6	5.4	41.7 %
Earnings per share (<i>cents</i>) (<i>on increased Capital</i>)	39.77¢	52.82¢ *	(24.7 %)
Underlying Earnings per share (<i>cents</i>)	50.65¢	49.58¢	2.0 %
Interim Dividend per share (<i>fully franked</i>)	46¢	46¢	
Operating Margin (%)	32.8%	26.4%	

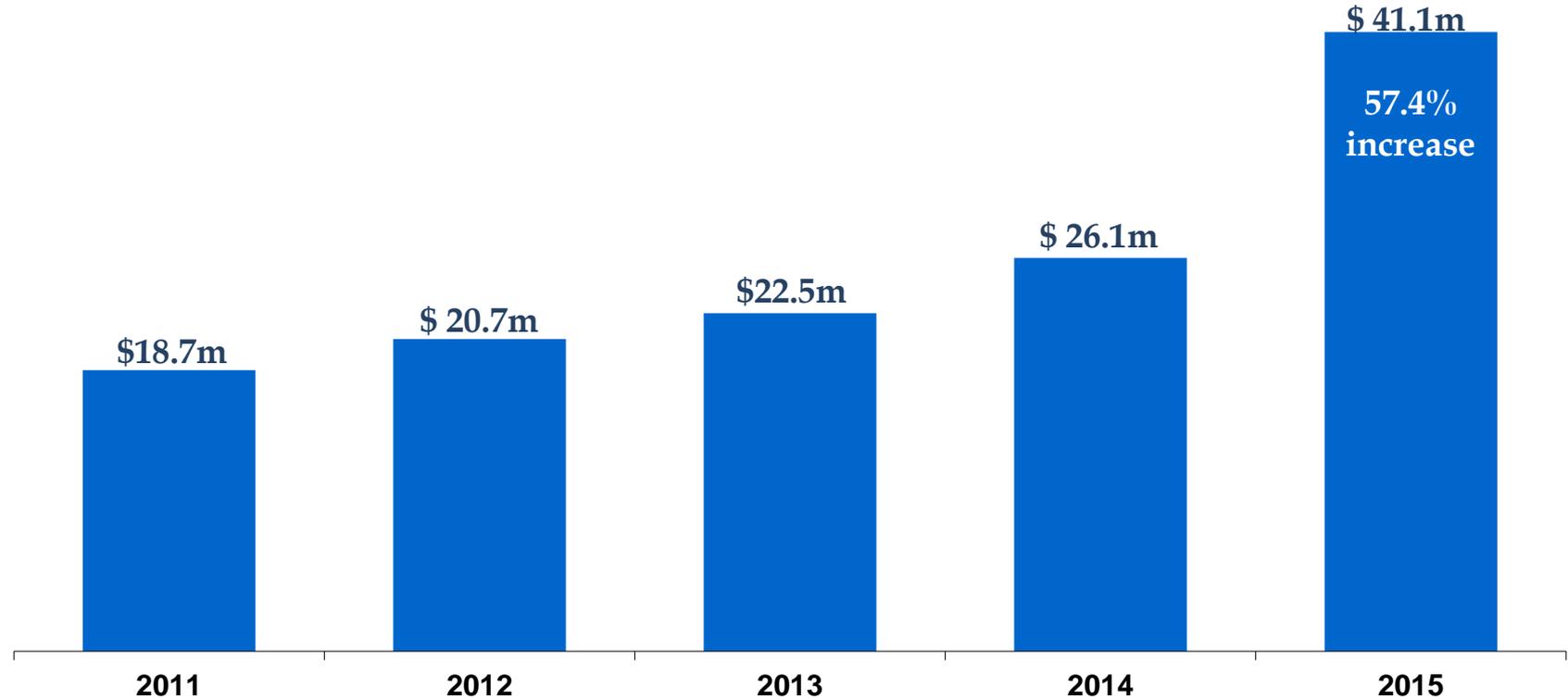
* Dec 2013 EPS has been restated to reflect a Rights issue in April/May 2014. The previously reported EPS was 58.30 cps. The previous underlying EPS was 54.7 cps.

HY Revenue



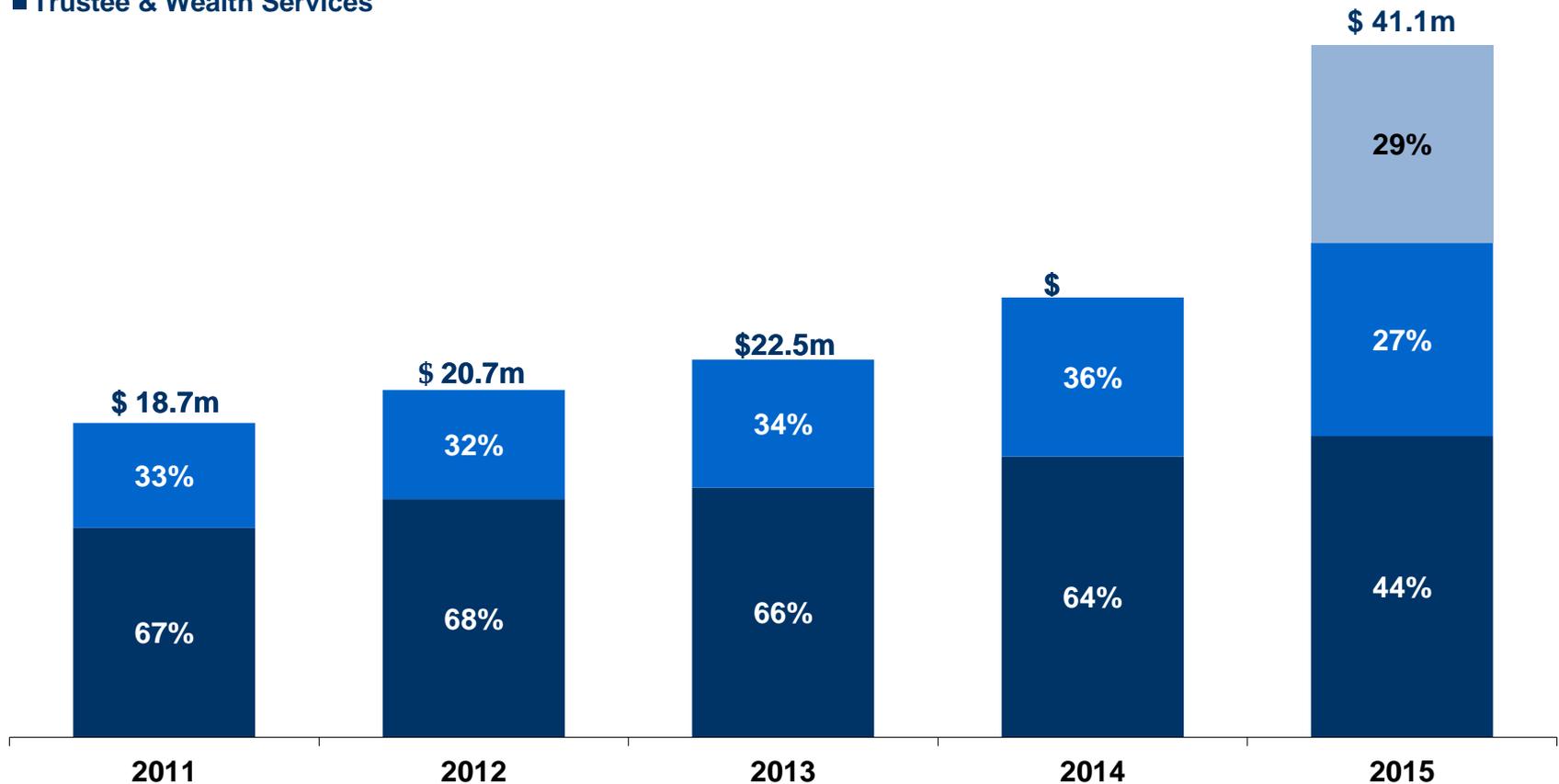
Operating Revenue increased 57.4%

■ Business Unit Revenue (\$m)



HY Operating revenue – composition

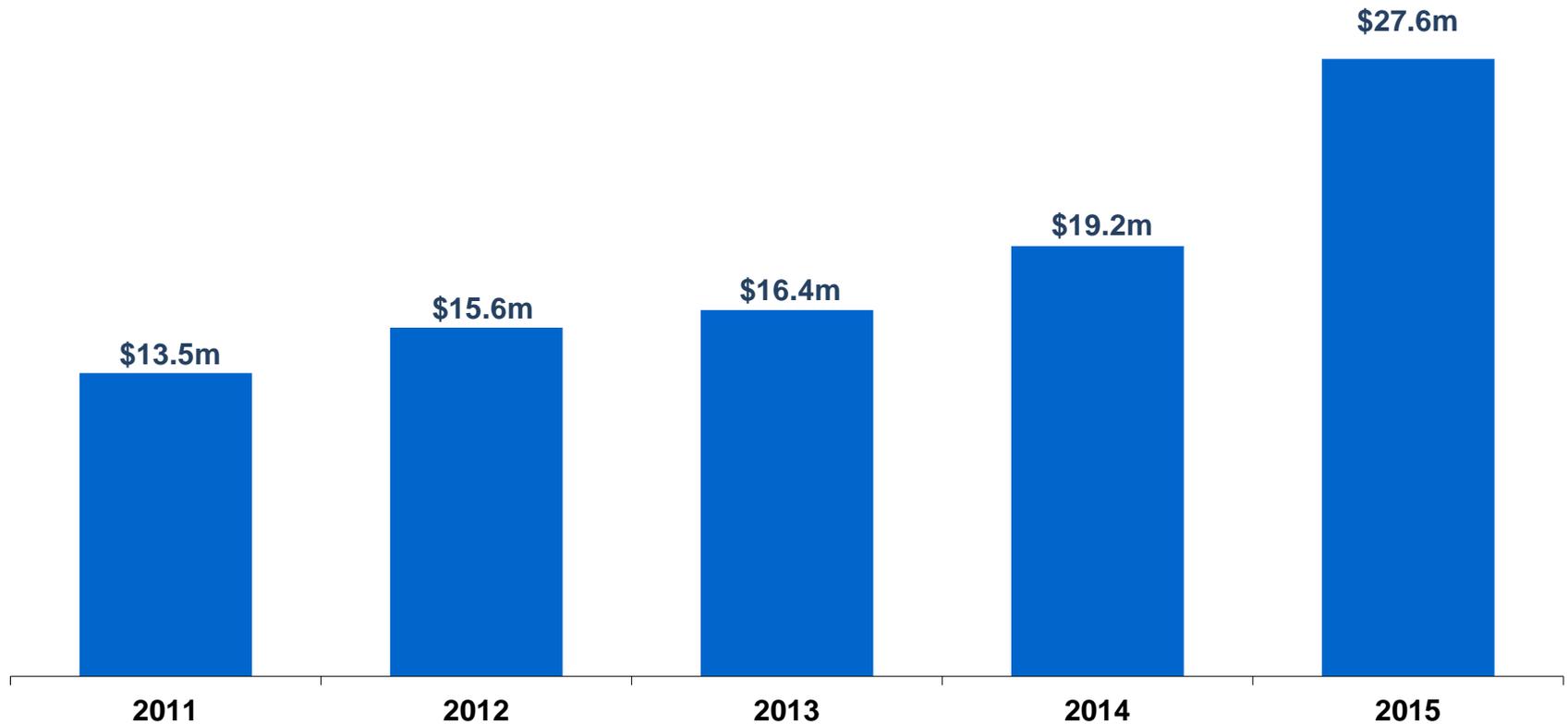
- Equity Trustees Wealth Services Ltd (formerly ANZ Trustees)
- Corporate Trustee Services
- Trustee & Wealth Services



HY Expenses



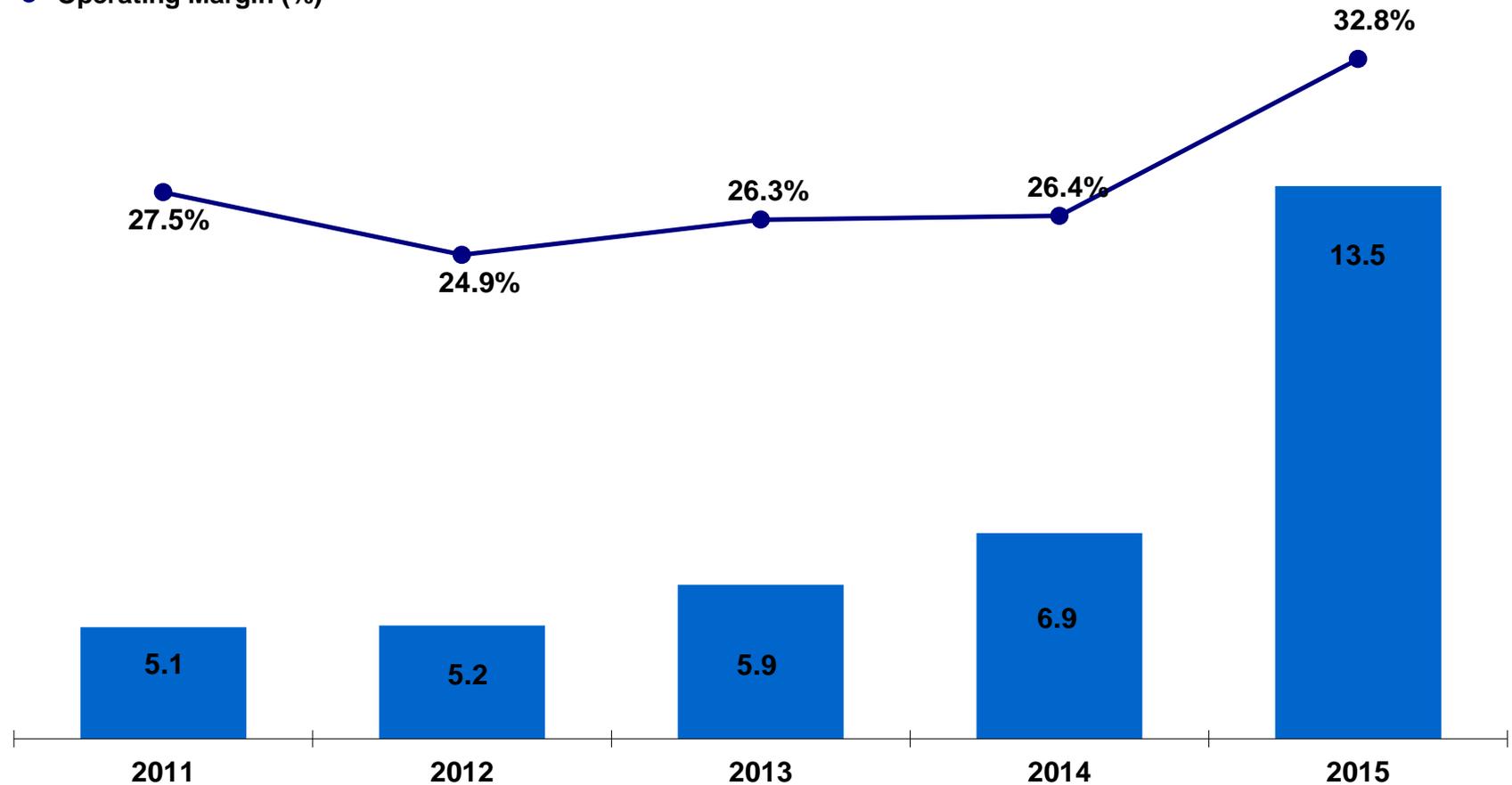
Operating Expenses



HY Operating margin

■ Operating Profit (Pre tax) (\$m)

● Operating Margin (%)

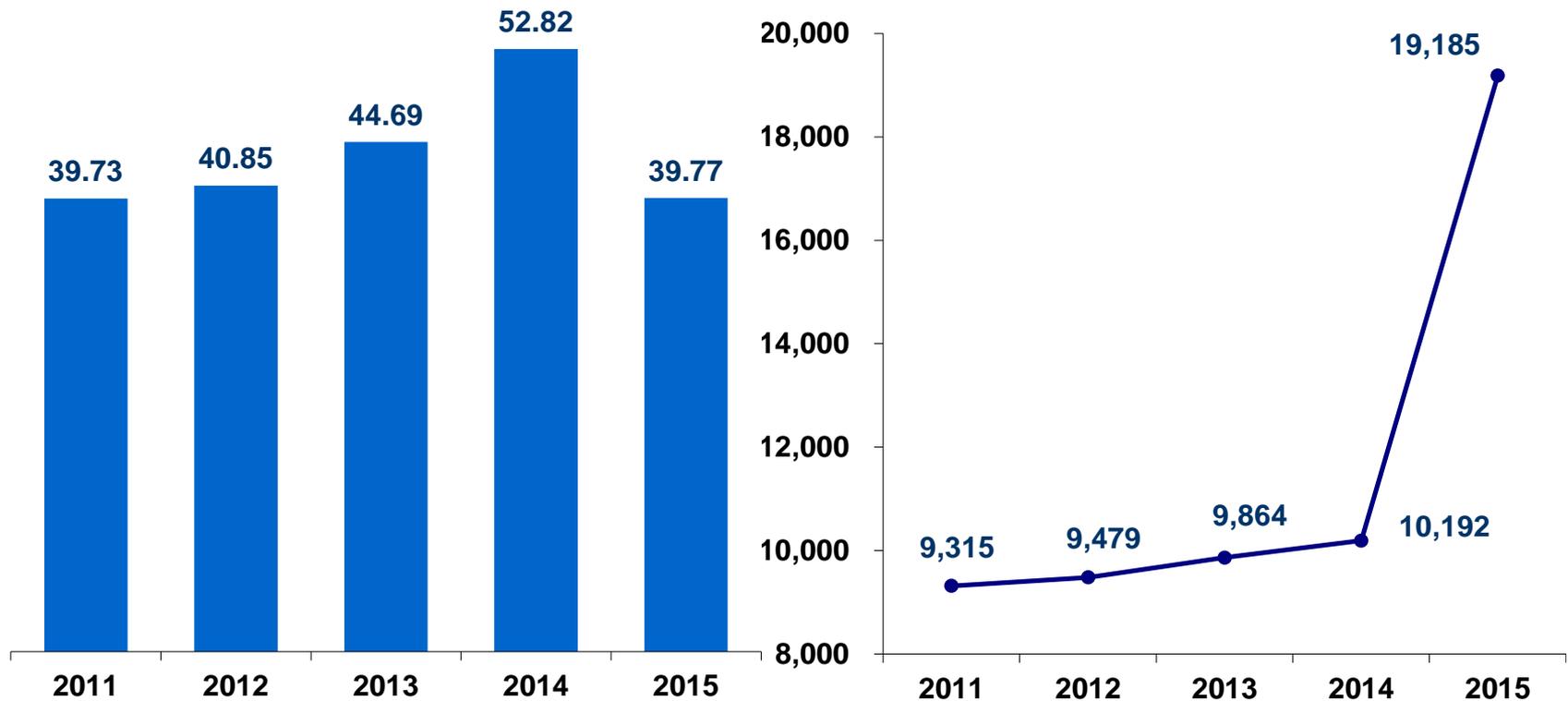


HY Reported earnings per share

Reported earnings per share at 39.8cps

■ Earnings Per Share *

● Weighted average shares on issue ('000)

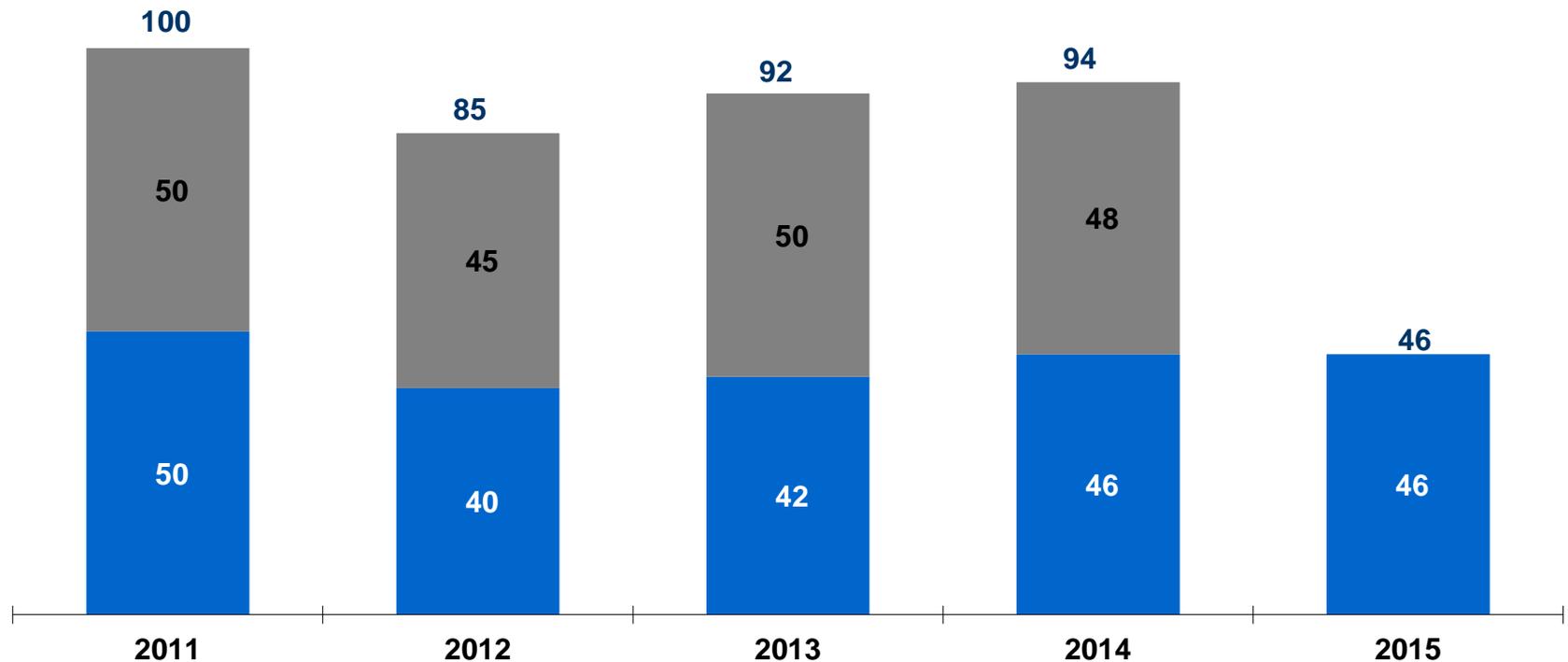


* For the years 2011 to 2014, the Earnings Per Share have been restated to reflect a Rights issue in April/May 2014.

Returns to shareholders

Maintained fully-franked interim dividend

- Final (cps)
- Interim (cps)



Sustained shareholder return



Business units - HY operations & performance

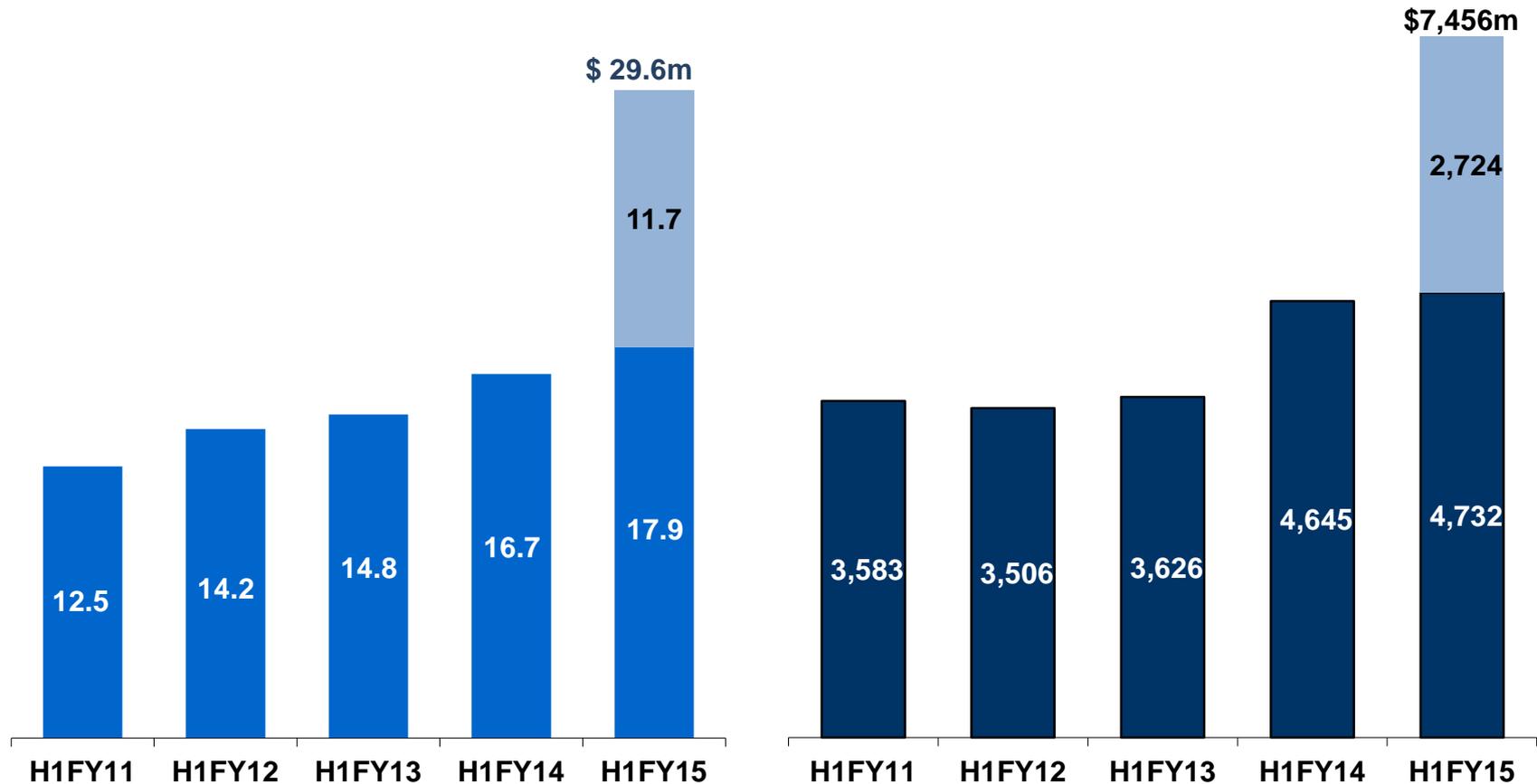
Business unit	Key services	Target market / channel	HY Revenue 31 Dec 14 vs 31 Dec 13	HY FUM/A 31 Dec 14 vs 31 Dec 13
Trustee & Wealth Services (TWS) (Incl. ETWSL)	<ul style="list-style-type: none"> • Trusts & Estates • Philanthropy • Wealth Management • Aged Care and placement • Asset Management • Portfolio Services <ul style="list-style-type: none"> • Employer Services • WRAP (Personal) 	<ul style="list-style-type: none"> • Private clients • Aged Care clients and facilities • Business to business referrals • Small-medium size corporates • Members 	<p>\$29.6m + 77.8%</p>	<p>\$7,456m + 60.5%</p>
Corporate Trustee Services (CTS)	<ul style="list-style-type: none"> • Distribution • Product management for EQT co-branded funds (managed by external specialists) • Responsible Entity • Other Corporate Trustee roles 	<ul style="list-style-type: none"> • Platforms/IDPS • Financial planners • Investment managers 	<p>\$11.5m + 21.4%</p>	<p>\$40,270m + 24.0%</p>

Business unit HY overview – TWS



Operating revenue up 77.8% to \$29.6m

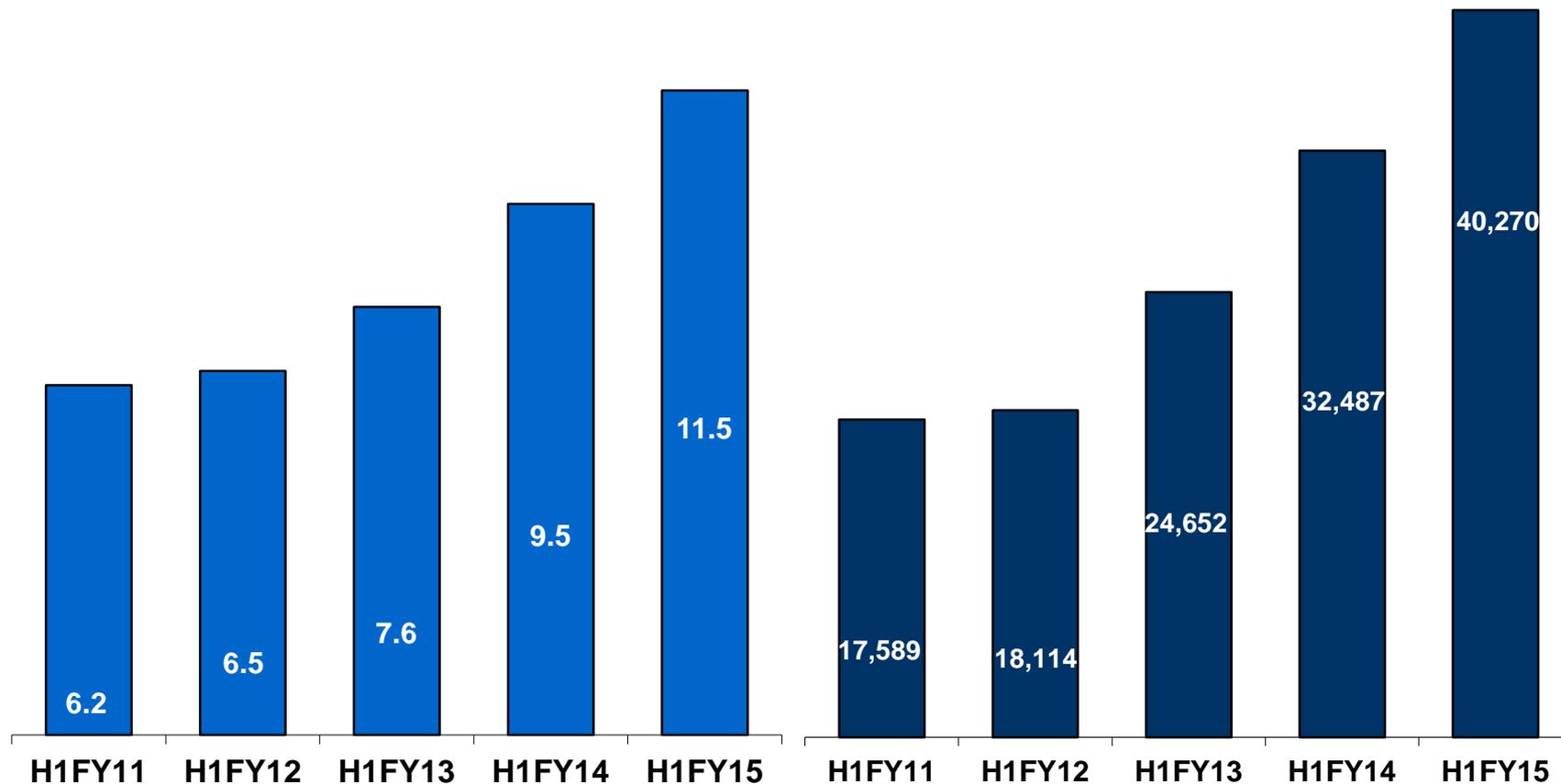
FUM at 31 December 2014 up 60.5% to \$7,456m



Business unit HY overview – CTS

Operating revenue up 21.4% to \$11.5m

FUM at 31 December 2014 up 24% to \$40,270m



Business HY update and summary



- Business performing well – focus in current period is on successful integration of acquisition.
- Organic revenue growth in main business lines continues.
- B2B distribution strategy for core personal fiduciary services (estate planning, trusts) continues – being refined as experience develops.
- CTS FUM, revenue continue strong growth path.
- Badged fund inflows well in excess of H1 FY2014, new RE roles and managers continue to be signed, some fund closures. New business wins in non RE trustee roles.
- TWS business performing well in many segments, but some headwinds in advice lines – strategy being reviewed.
- TWS ‘Like for like’ revenue up on H1 FY2014 by 7%. New business wins in independent trustee space.
- Significant continuing work to implement recent regulatory changes.

Business HY update and summary

- Looking ahead -
 - Complete the integration project – then swing focus to revenue opportunities
 - Position superannuation master trusts for new competitive environment
 - Re-focus in TWS advice business for changed conditions in specialised sectors
 - Continue with will bank growth activities – maintaining B2B strategy
 - Maintain impetus on new roles/opportunities in CTS.
- *Other factors* -
 - New ASIC requirements for RE capital commence 1 July. Growth of business means increased capital required – raising options being explored.
 - Approx. \$20m to \$25m increase required – Project to streamline licences/businesses with a view to achieving a more efficient capital and corporate structure.
 - Underwriting of FY2015 H1 dividend expected to generate a substantial part of the increase required.

Disclaimer



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