

10 April 2014

\$150m acquisition of ANZ Trustees Limited and underwritten equity raising

Equity Trustees Limited (ASX: EQT) has agreed to acquire ANZ Trustees Limited ('ANZ Trustees') from the Australia and New Zealand Banking Group Limited ('ANZ') for \$150 million, subject to certain conditions, approvals and adjustmentsⁱ, which is being funded by a fully underwritten equity raising to be conducted by EQT.

Highlights

ANZ Trustees provides the following key advantages for EQTⁱⁱ:

- **Value improvement for EQT shareholders**
 - Combined business has higher margins, significant cost synergies and revenue growth opportunities
- **Cements EQT as a leader in personal trustee services**
 - Major player in philanthropy services
- **Exclusive long term referral relationship established with ANZ for trustee services**
 - EQT and ANZ have entered into a 5-year agreement
- **ANZ Trustees broadens EQT's geographic and business diversity**
 - A significant portion of ANZ Trustees' revenue is enduring in nature
 - Facilitates EQT's business development projects in trustee services with improved national reach
- **Significantly increases EQT's funds under management, advice and administration**
 - Private Wealth Services FUM/A to increase by \$2.7bn
- **Funding structure improves EQT's investment appeal**
 - Equity raising will broaden EQT's shareholder base
 - Potential for inclusion in S&P/ASX 300 indexⁱⁱⁱ

ANZ Trustees

ANZ Trustees is a leading Australian licensed trustee company with expertise in the provision of private trustee services. Founded in 1878 as the Trustees Executors & Agency Company, ANZ Trustees is the oldest trustee company in Australia.

EQT's Chairman, Mr Tony Killen OAM, said: "The acquisition of ANZ Trustees cements EQT as Australia's largest independent ASX listed company with a dedicated trustee service. ANZ Trustees is headquartered in Melbourne, is well known to us and fits logically with our existing business model. The culture and values of both companies are also closely aligned, which we regard as very important for the successful merger of the two companies. Together, the combined business should create exciting opportunities for the staff of both companies and for enhanced offerings for clients."

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Strategic relationship with ANZ

EQT will benefit from a long-term exclusive referral agreement with ANZ. The key terms are:

- Exclusive referral agreement for 5 years
 - Additional renewal for a further 5 years may be mutually agreed
- Provision of services for ANZ Private Bank clients
 - Philanthropic administration and execution
 - Estate administration
 - Trust administration and execution
- No fees or commissions are payable either way

The Managing Director and CEO of EQT, Mr Robin Burns, said: “We believe that this strategic relationship with ANZ is unique. It will not intrude on either party’s own strategic development plans or other relationships. It will also enable the clients of both companies to have access to specialised high-quality and professional services for their financial needs, sourced from one company or the other. The partnership is fully consistent with EQT’s strategy of providing independent advice to our valued clients and partnering with trusted advisers to distribute trustee products and services.”

EQT and ANZ have also agreed to explore other areas of mutually beneficial interest under a commitment regarding strategic opportunities, including:

- Other product areas that could be provided by ANZ on competitive terms;
- Development of annuity-style products relevant to retirees and aged care; and
- Aged care advice and placement services.

The Business, Management and Integration

ANZ Trustees has a 136 year long operating history with a multi-generational, established client base along with a Melbourne heritage. It has a similar business model in the execution of key services and a consistent approach to client care and the implementation of fiduciary obligations. This will facilitate effective integration of the business with EQT, which has a long operating history of 126 years.

ANZ Trustees principally provides advice on private estates and trusts, philanthropy and asset management. The business contains a significant proportion of enduring revenue and has a large will bank of approximately 45,000 wills, which will diversify EQT’s current revenue mix and is expected to help reduce earnings volatility. The business has been assessed by EQT as high-quality, low risk and well-managed.

EQT is acquiring the majority of the current ANZ Trustee business. ANZ will retain certain functions and capabilities that are closely integrated with its Private Bank activities.^{iv}

EQT proposes to make employment offers to current ANZ Trustees employees (approximately 60) on terms no less favourable than they are currently employed. They will transition to EQT on the completion date, following settlement, which is expected to be in early July 2014.

ANZ and EQT will work closely together to ensure a smooth transition of the business. This will allow EQT to implement the transition and minimise the associated execution risks.

Financials

Based on due diligence provided, EQT has estimated ANZ Trustees' pro-forma FY14 revenue of \$23m and EBIT of \$11m^v. EQT expects the ANZ Trustees businesses to continue to grow strongly under EQT management driven by a range of growth initiatives and expense management.

Additional incremental earnings are expected from the provision and marketing of EQT's broader range of services to ANZ Trustees' current client base and further from the referral arrangements with ANZ, as outlined above.

EQT is targeting \$4 million per annum of cost synergies (pre-tax) to be achieved within 18 months. This is to be primarily sourced from a reduction in operating expenses through the creation of a combined back office and integration of IT systems. Integration costs approximating up to 1.25 times a full year's cost synergy benefits are expected to be incurred over the integration period.

The purchase price represents a transaction multiple of 10x EBIT (after cost synergies). This compares favourably with EQT's current trading multiple^{vi}.

Transaction costs (excluding those associated with the capital raising) are approximately \$3 million.

Acquisition Funding

The acquisition will be funded via:

- Approximately \$37 million placement to professional and sophisticated investors within the Company's capacity under ASX Listing Rule 7.1^{vii} at an underwritten floor price of \$17.00 per new share ('Placement'); and
- 3-for-4 fully underwritten accelerated, pro-rata non-renounceable entitlement offer to raise approximately \$123 million at an offer price of \$17.00 per new share ('Entitlement Offer').

Approximately 9.4 million new EQT shares will be issued as part of the Placement and Entitlement Offer. The shares to be issued will be entitled to EQT's final FY2014 dividend.

The Placement and Entitlement Offer is fully underwritten by Baillieu Holst Limited and Credit Suisse (Australia) Limited.

The record date under the Entitlement Offer for eligible retail shareholders is 7.00pm (AEST) on 15 April 2014. In addition, eligible retail shareholders may apply for Additional New Shares in excess of their entitlement through the Top Up offer, with such over-subscriptions to be satisfied out of shortfall shares, subject to Board discretion and potential scale-back.

The Offer Price represents a 14.3% discount to the theoretical ex rights price^{viii} of \$19.83.

Details of the Placement and Entitlement Offer are also set out in an investor presentation which EQT has provided to the ASX today. The investor presentation contains important information, including key risks and foreign selling restrictions with respect to the Placement and Entitlement Offer.

Placement and Entitlement Offer key dates

EQT has requested a two-day halt in the trading of its shares on the ASX whilst details of its proposed equity raising programme are disseminated and the institutional component is initiated.

The indicative key dates for the Placement and Entitlement Offer are as follows:

Event	Date
Institutional Placement and Entitlement Offer opens	10 April 2014
Institutional Placement and Entitlement Offer closes	11 April 2014
Institutional Bookbuild	11 April 2014
Record date under the Entitlement Offer - 7.00pm (AEST)	15 April 2014
Retail Entitlement Offer opens	22 April 2014
New institutional shares commence trading	24 April 2014
Retail Entitlement Offer closes	7 May 2014
Settlement of New Shares issued under the Retail Entitlement Offer	13 May 2014
Allotment of New Shares issued under the Retail Entitlement Offer	14 May 2014

The expected settlement date for the acquisition is 4 July 2014.

Advisers

Lion Capital is acting as the financial adviser to EQT and Allens is its legal adviser.

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This announcement contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of EQT the outcome and effects of the Entitlement Offer and the use of proceeds. The forward looking statements contained in this announcement are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of EQT, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the risks section of the Investor Presentation for a summary of certain general and EQT specific risk factors that may affect EQT.

EQT makes no representation or warrant, express or implied, that the material contained in this announcement will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of EQT, its officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the material contained in this announcement and excludes all liability whatsoever (including for negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this announcement or any error or omission there from. EQT accepts no responsibility to update any person regarding any inaccuracy, omission or change in the information in this announcement nor any other information made available to a person not any obligation to furnish to the person which any further information.

The information in this announcement is in summary form only and does not contain all the information necessary to fully evaluate the transaction or investment. It should be read in conjunction with EQT's other periodic and continuous disclosure announcements lodged with the ASX. The announcement does not constitute an offer, invitation or recommendation to subscribe for or purchase any securities and does not form the basis of any contract or commitment. All persons should consider seeking appropriate professional advice in reviewing this announcement.

Footnotes

ⁱ EQT will pay ANZ \$150m subject to final adjustment for the value of Net Tangible Assets in ANZ Trustees at settlement date. Completion of the transaction is subject to the Ministerial approval required to acquire >15% interest in a licensed trustee company and customary closing conditions.

ⁱⁱ Details of these highlights are contained in the investor presentation issued by EQT on 10 April 2014.

ⁱⁱⁱ Index eligibility based on the estimated post-equity raising theoretical market capitalisation. EQT stock liquidity would also need to meet S&P liquidity thresholds in order for EQT to be admitted into the S&P ASX 300 index.

^{iv} Certain of the business activities currently carried on by ANZ Trustees and the associated employees will remain with ANZ. This relates to philanthropic advisory services, estate planning and investment management products to ANZ Private Bank clients.

^v ANZ Trustees earnings are based on ANZ's year end of 30 September 2014, and adjusted for the business activities not being acquired by EQT, additional costs to be incurred by EQT to replace ANZ centralised functions and certain employees who are not transitioning.

^{vi} EQT is currently trading on 13.4x FY14 EBIT utilising current consensus forecast EBIT of \$15.10m, sourced from S&P/CapitalIQ as at 9 April 2014, and a share price of \$22.58.

^{vii} Subject to an ASX waiver provided that permits EQT to calculate the number of ordinary shares which it may issue without shareholder approval pursuant to the Placement on the basis that the shares issued under the Entitlement Offer are included in variable A of the formula in ASX Listing Rule 7.1.

^{viii} The theoretical ex rights price ('TERP') is a theoretical price at which EQT shares trade immediately after the ex-date for the Entitlement Offer assuming 100% take up of the Entitlement Offer and the Placement. The TERP is a theoretical calculation only and the actual price at which EQT shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP. TERP is calculated by reference to EQT's closing price of \$22.58 per share on 9 April 2014.