

21 February 2019

PERPETUAL LIMITED 1H19 RESULTS

Six months to 31 December 2018

Rob Adams

Chief Executive Officer & Managing Director

Chris Green

Chief Financial Officer

ABN 86 000 431 827

Perpetual 

CEO INITIAL OBSERVATIONS

5 months

Joined 24 September

MET WITH:

Clients

150, in depth

Employees

80%, various forums

Shareholders

Retail, institutional and prospective

Client

- 130+ years earning trust of our clients
 - Fiduciary responsibility in our DNA
 - Long-term relationships spanning multi-generations
 - Strong client advocacy in all divisions
-

People & Capabilities

- Highly engaged and experienced people
 - Leader in core markets
 - Broad distribution network
 - Institutional-grade systems and infrastructure
-

Brand

- Highly trusted and recognised brand
- Well-regarded reputation

CHALLENGING MACRO OPERATING ENVIRONMENT

NEAR-TERM INCREASE IN COMPLEXITY

MACRO INDICATORS

- Geopolitical uncertainty
- Low interest rate environment
- Subdued credit growth
- Increased market volatility
- Ageing population

REGULATORY CHANGE

- Royal Commission recommendations
- Minimum qualifications for financial advisors
- Productivity Commission recommendations



SECTOR CHANGE

- Sector dislocation, structural change
- Insourcing of investment management
- Participants exiting, new competitors entering industry
- Tighter lending conditions
- Performance expectations, remuneration and incentive design
- Contemporary investment structures

ROYAL COMMISSION THEMES

ESTABLISHED AND WELL POSITIONED BUSINESS MODEL



Follow the law and meet client expectations

- Mature Risk Management Framework in place
- Mature client advocacy program in place to gather and act on detailed annual feedback
- Highly qualified Financial Advisors
- Annual client review, statement of advice and fee for service model in place
- Established process to investigate, resolve and respond to customer complaints



Act in client's best interest and manage conflicts

- Established independent PP investment committee since 2015
- Independent Directors on Perpetual Superannuation Limited Board
- Less than 17% of PP FUA invested in PI products
- Negligible impact from trailing commission changes
- Downstream impact of proposed changes to Mortgage broking fees and charges to be assessed



Increased regulator and compliance activity

- Embedded three lines of defence model
- Regulatory change and compliance obligations actively monitored
- "Regtech" strategy to support our Banking and Financial services clients
- "Change fit" for future regulatory changes



Culture, governance and remuneration

- 130 year fiduciary heritage
- Experienced, stable Board and Leadership team
- Clearly defined expectations and behaviours for all staff
- Elevation of Risk and Compliance to Executive Committee
- Risk culture self assessments regularly undertaken
- Impact on remuneration and accountability frameworks underway
- Board-led Community Expectations Working Group well established



1H19 RESULTS

\$252.3m

Revenue

↓ 5% on 1H18

\$167.0m

Expenses

↑ 1% on 1H18

\$60.2m

NPAT

↓ 12% on 1H18

\$1.25

Dividend

↓ 7 % on 1H18

PERPETUAL INVESTMENTS

FUM \$27.7b

Highly regarded investments business across Australian equities, multi-asset, credit and fixed income

PERPETUAL PRIVATE

FUA \$13.7b

Clear HNW segmentation strategy and client service model, well positioned post Royal Commission.

PERPETUAL CORPORATE TRUST

FUA \$717b

Leader in securitisation and managed fund services, investing in data analytics solutions

FINANCIALS

CHRIS GREEN
CHIEF FINANCIAL OFFICER

Perpetual 

FINANCIAL PERFORMANCE – GROUP

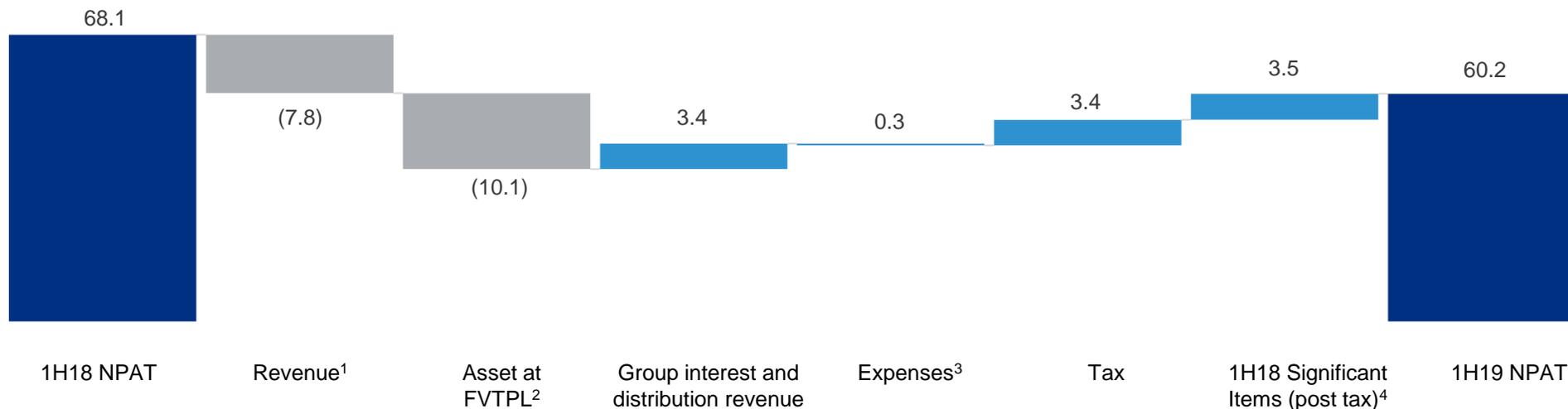
For the period	1H19 \$m	2H18 \$m	1H18 \$m	1H19 v 2H18	1H19 v 1H18
Operating revenue ¹	252.3	266.9	266.8	(5%)	(5%)
Total expenses	(167.0)	(172.2)	(165.3)	3%	(1%)
Underlying profit after tax (UPAT)	60.2	67.4	71.5	(11%)	(16%)
Significant items	-	4.7	(3.5)	NM	NM
Net profit after tax (NPAT)²	60.2	72.2	68.1	(17%)	(12%)
Diluted EPS on UPAT (cps)	128.2	144.0	153.0	(11%)	(16%)
Diluted EPS on NPAT (cps)	128.2	154.1	145.5	(17%)	(12%)
Dividends (cps)	125	140	135	(11%)	(7%)
Return on Equity on NPAT (%)	18.2%	22.1%	21.2%	(390bps)	(300bps)

¹ The Group adopted AASB 9 Financial Instruments and AASB 15 Revenue from 1 July 2018 and elected not to restate comparatives. Transitional adjustments were taken through retained earnings on 1 July 2018.

² Attributable to equity holders of Perpetual Limited.

NET PROFIT IMPACTED BY : WEAKER EQUITY MARKETS AND LOWER FUM, OFFSET BY INCREASED DISTRIBUTIONS AND LOWER TAX

Movement in NPAT (\$m)



KEY DRIVERS

- Lower revenue impacted by PI net outflows and lower performance fees
- Unrealised gains/losses on FVTPL Assets now reported through the income statement previously reported in other comprehensive income
- Higher interest and distribution income on assets at FVTPL
- 1H19 expenses 1% higher than 1H18 expenses
- Effective tax rate of 29.4% compared with 29.5% in 1H18

1 Revenue includes income from structured products, realised gains on investments.

2 'Fair Value Through Profit and Loss', previously unrealised gains and losses were recognised through other comprehensive income.

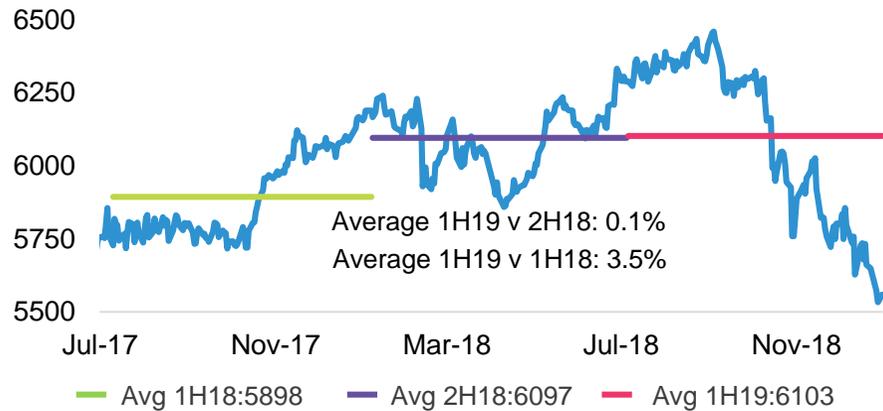
3. Expenses include interest and depreciation

4 1H18 Significant items included \$3.5m (post tax) of non-recurring legal costs

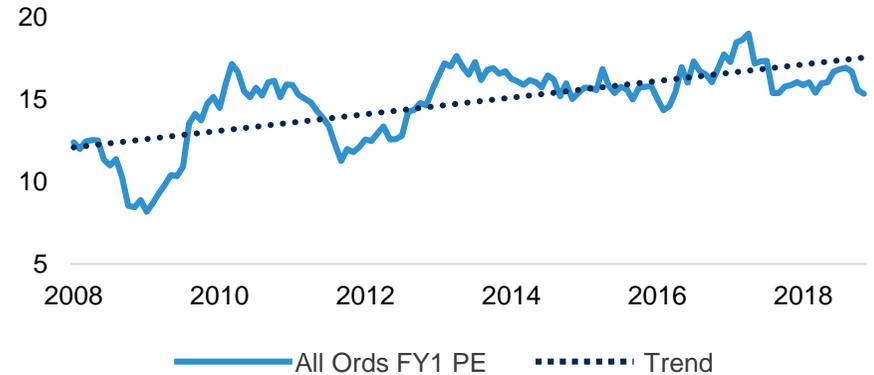
PERPETUAL INVESTMENTS – KEY DRIVERS

DECLINING MARKET AND INCREASING VOLATILITY

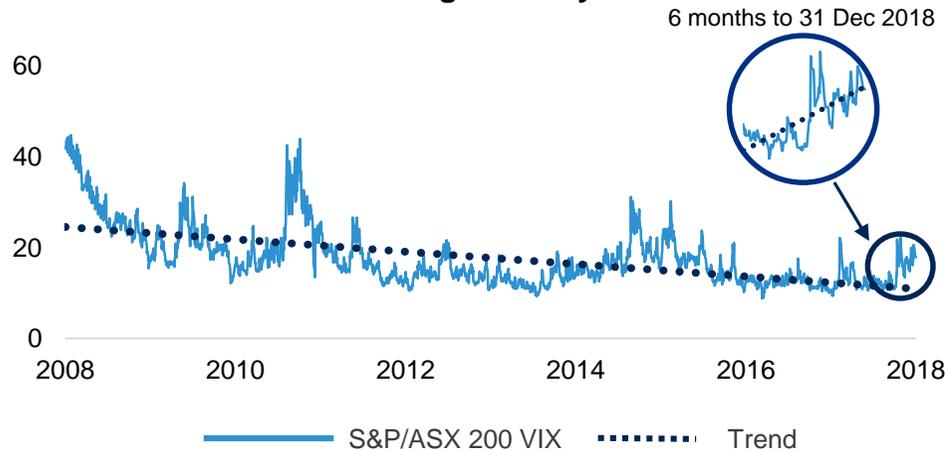
All Ordinaries Index



Valuations remain elevated



Increasing volatility



- Average All Ordinaries flat on 2H18 and up 3.5% compared with 1H18
- The current market cycle has been one of the longest periods where growth has outperformed value investing
- Value investing tends to outperform amid increased volatility, which has increased over the last six months

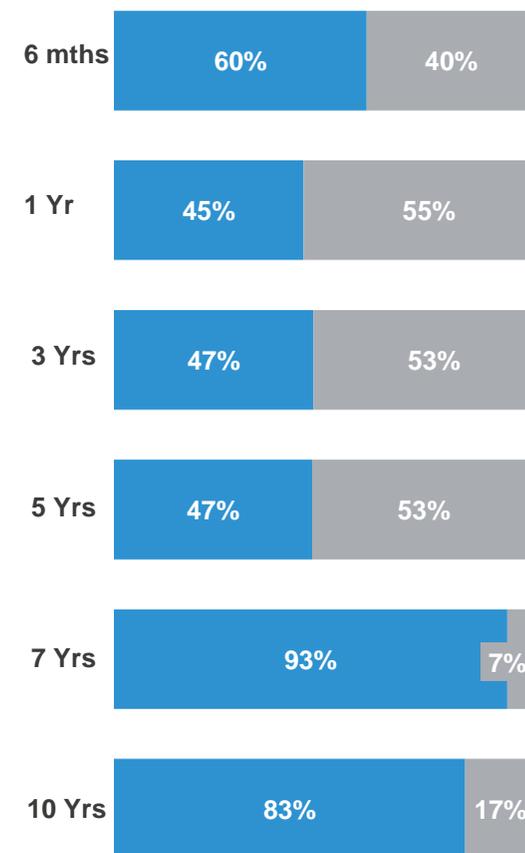
PERPETUAL INVESTMENTS

LONG-TERM PERFORMANCE REMAINS STRONG

Quartile Rankings¹ periods ending December 2018

		6 mths	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Australian Equities	Perpetual W Australian	1	3	4	4	4	2
	Perpetual W Concentrated Equity	2	3	3	3	2	1
	Perpetual W Ethical SRI	4	4	4	3	1	1
	Perpetual W Geared Australian	4	4	4	4	1	1
	Perpetual W Industrial	2	4	4	3	2	1
	Perpetual W SHARE-PLUS Long-Short ²	3	4	3	2	1	1
	Perpetual W Smaller Companies	1	3	3	3	2	1
	Perpetual Pure Equity Alpha	1	1	1	2		
	Perpetual Pure Microcap	2	4	1			
Global Equities	Perpetual Global Share Fund - Class A	3	3	3			
	Perpetual Global Share Fund - Hedged	4	4				
Multi Asset	Perpetual W Balanced Growth	1	2	3	4	2	3
	Perpetual W Conservative Growth	1	1	2	3	1	1
	Perpetual W Diversified Growth	1	1	3	4	2	3
	Perpetual Diversified Real Return	1	1	1	2	2	
Credit and Fixed Income	Perpetual W Diversified Income	3	3	2	2	2	2
	Perpetual Active Fixed Interest	3	2	1	1	1	1
	Perpetual Pure Credit Alpha	1	1	1	1		
	Perpetual Wholesale Dynamic Fixed Income	3	2	2	2	2	
	Perpetual High Grade Treasury	2	2	1	1	1	

% of funds quartile ranking over 6 months – 10 years



■ 1st & 2nd Quartile ■ 3rd & 4th Quartile

1. Perpetual funds included in the Mercer wholesale survey – quartile ranking.

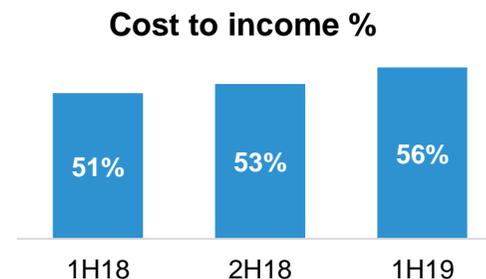
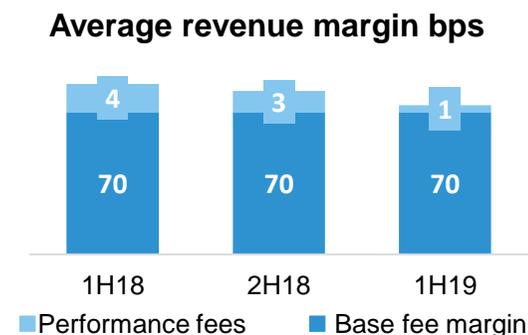
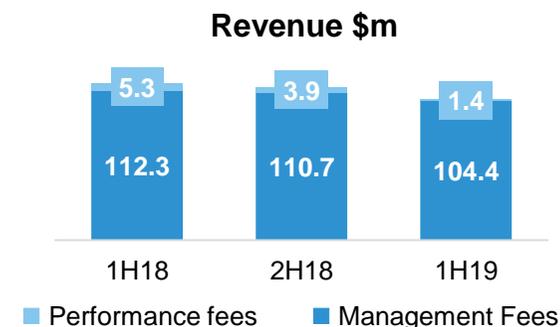
2. From March 2018 the Share Plus Fund is no longer included in Mercer Survey. Quartiles have been estimated.

3. Mercer institutional survey - Australian Shares Absolute Return (Net) universe which is not an official Mercer universe release

PERPETUAL INVESTMENTS

LOWER REVENUE DUE TO NET OUTFLOWS AND PERFORMANCE FEES

For the period	1H19 \$m	2H18 \$m	1H18 \$m	1H19 v 2H18	1H19 v 1H18
Revenue	105.8	114.6	117.6	(8%)	(10%)
Operating expenses	(54.3)	(55.6)	(54.9)	2%	1%
EBITDA ¹	51.5	59.1	62.7	(13%)	(18%)
Depreciation & amortisation	(1.4)	(1.2)	(1.3)	(18%)	(10%)
Equity remuneration	(3.6)	(3.5)	(3.4)	(3%)	(6%)
Profit before tax	46.5	54.4	58.1	(15%)	(20%)
PBT Margin on revenue (%)	44	47	49	(3pts)	(5pts)
Closing FUM (\$b)	27.7	30.8	32.8	(10%)	(16%)
Average FUM (\$b)	29.7	31.4	31.6	(5%)	(6%)
Net flows (\$b)	(1.3)	(1.7)	(0.8)	29%	50%
Average FUM revenue margin (bps)	71	73	74	(2bps)	(3bps)



1. EBITDA represents earnings before interest costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.

PERPETUAL PRIVATE

CLIENT GROWTH CONTINUES DESPITE INDUSTRY HEADWINDS



New client growth across HNW and Fordham continues

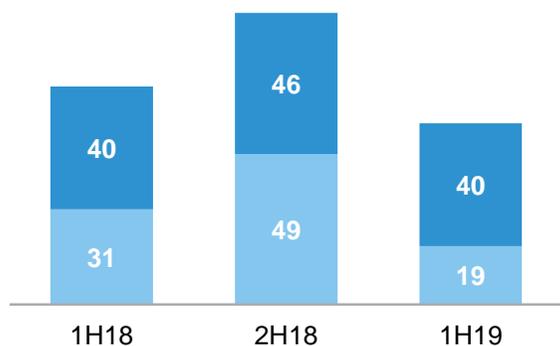


Continued growth in new Fordham clients



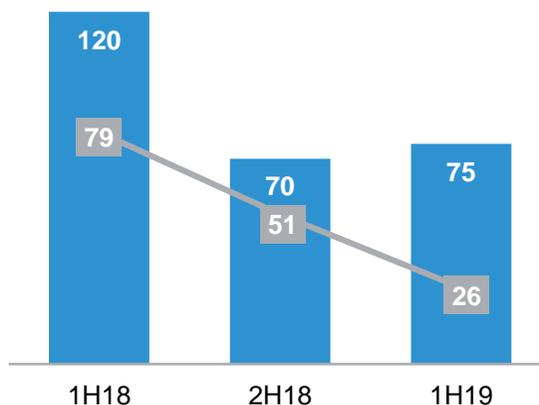
11th consecutive half of positive flows

Net New Clients – HNW ex Fordham



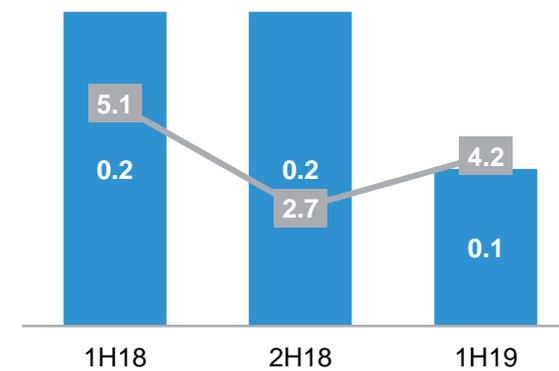
Medical HNW

New Clients - Fordham



New Clients Fordham Referrals (\$m)

Net Flows - FUA \$b



Net Flows Avg New Bal HNW \$m

PERPETUAL PRIVATE

STEADY IN A CHALLENGING ENVIRONMENT



FUA in line with 1H18 despite market volatility

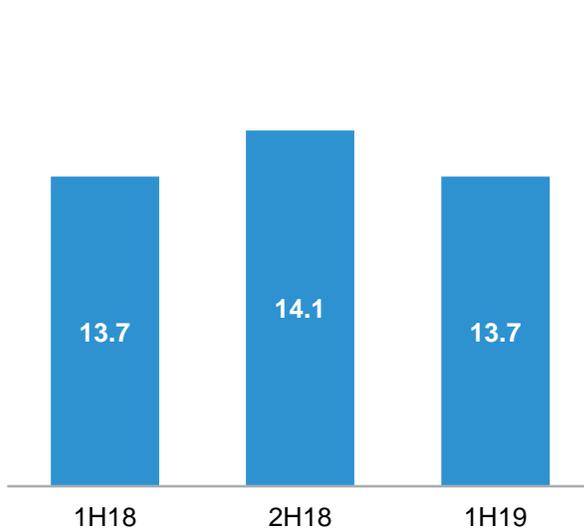


1% growth in PP Funds Under Management vs 1H18

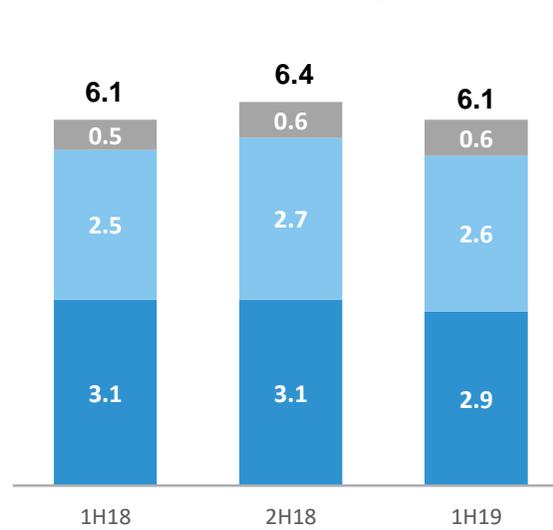


Margins in-line with 2H18

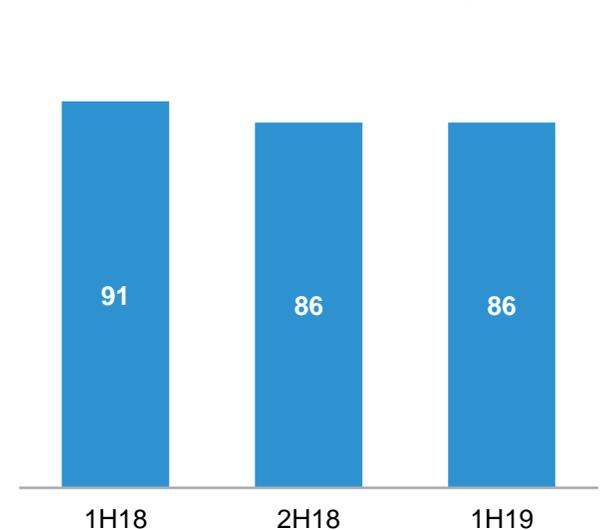
Funds Under Advice \$b



Funds Under Management \$b



Market Related Revenue Margin bps

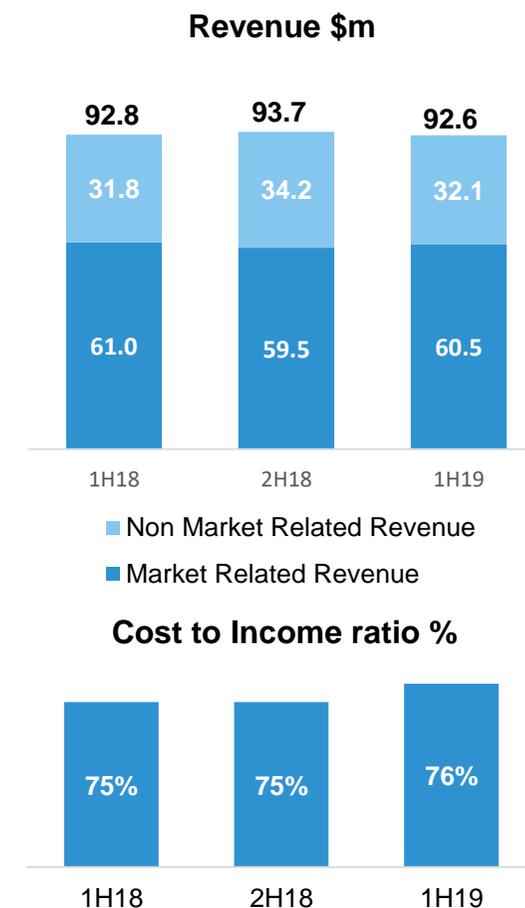


■ Select ■ Implemented ■ Opportunities Funds

PERPETUAL PRIVATE

CONSISTENT RESULTS, WELL POSITIONED FOR FUTURE GROWTH

For the period	1H19 \$m	2H18 \$m	1H18 \$m	1H19 v 2H18	1H19 v 1H18
Market related revenue	60.5	59.5	61.0	2%	(1%)
Non-market related revenue	32.1	34.2	31.8	(6%)	1%
Total revenues	92.6	93.7	92.8	(1%)	-
Operating expenses	(63.6)	(64.8)	(63.6)	2%	-
EBITDA ¹	29.0	28.9	29.2	-	(1%)
Depreciation & amortisation	(4.8)	(4.6)	(4.4)	(6%)	(9%)
Equity remuneration	(1.5)	(1.3)	(1.6)	(15%)	6%
Profit before tax	22.6	23.0	23.1	(2%)	(2%)
PBT Margin on revenue (%)	24%	25%	25%	(1pt)	(1pt)
Closing FUA (\$b)	13.7	14.1	13.7	(3%)	-
Average FUA (\$b)	14.1	13.8	13.4	2%	5%
Net flows (\$b)	0.1	0.2	0.2	(43%)	(43%)
Market related revenue margin (bps)	86	86	91	-	(5bps)



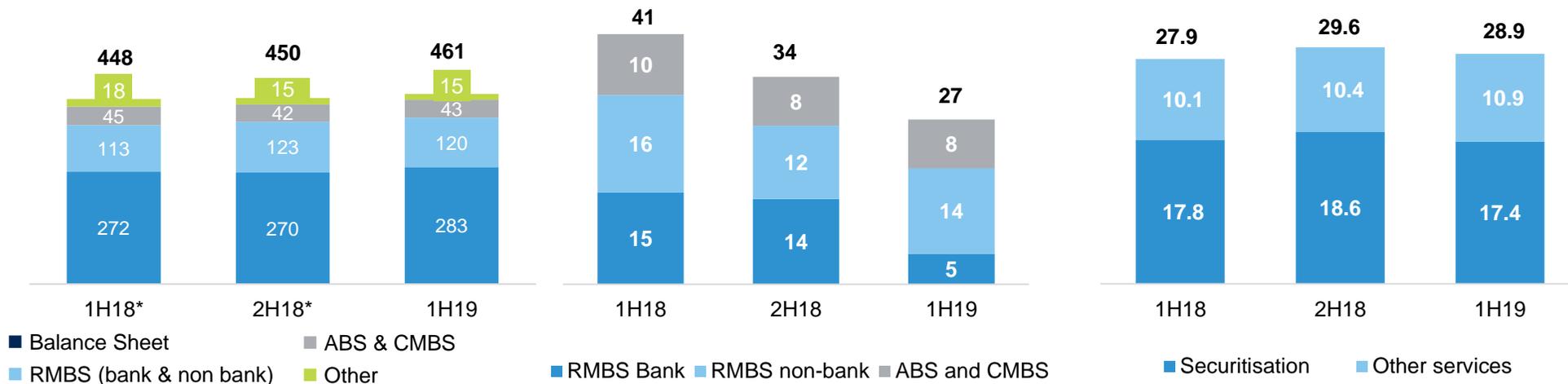
1. EBITDA represents earnings before interest costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.

PERPETUAL CORPORATE TRUST – DEBT MARKET SERVICES (DMS) EXTENSIONS OFFSETTING LOWER MARKET SECURITISATION ISSUANCES

DMS FUA \$b

Market Securitisation Issuance \$b

DMS Revenue Composition \$m



SIGNIFICANT TRANSACTIONS 1H19



Residential Mortgage Backed Securities
National RMBS Trust 2018-1

\$2b FUA

Trustee, Security Trustee and
RBA Data Services



Triton Trust No 8 Bond Series 2018-1 Residential
Mortgage Backed Securities

AUD\$571m & USD\$100m
Class A1-US notes

Trustee, LOR², Custodian, and Standby Servicer,
RBA Reporting, Investor Reporting, Sub Manager



IBAL Covered Bond Program

\$7.5b Program size

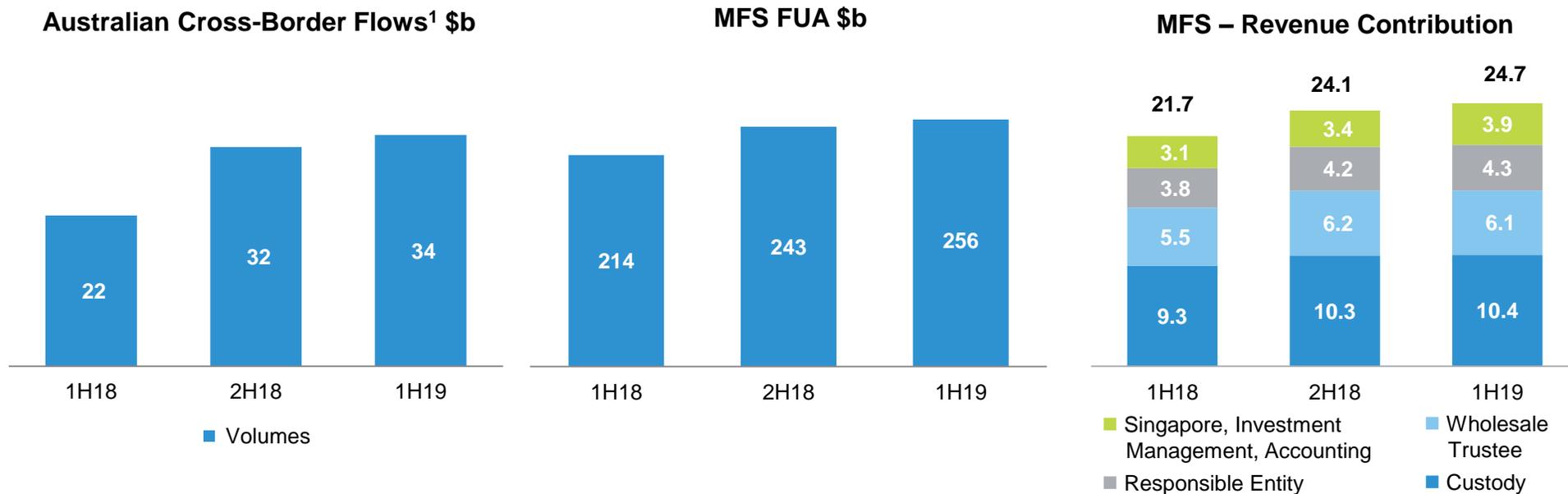
Trustee and Covered Bond Guarantor

1 Other services includes Document Custody, Standby Servicing, Trust Management, Accounting, Agency, Data Services (RBA, Investor and Intermediary Reporting)

2 LOR – Lender of Record

* 1H18 and 2H18 DMS FUA have been restated to include other debt services FUA

PERPETUAL CORPORATE TRUST – MANAGED FUND SERVICES (MFS) CONTINUED DIVERSIFICATION SUPPORTING GROWTH



SIGNIFICANT TRANSACTIONS 1H19



Vitalharvest Freehold Trust – ASX listed investment trust

\$185m FUA

Responsible Entity and Custody



ASX listed dedicated commercial real estate trust

\$231m FUM

Responsible Entity, Custody and Security Trustee



ASX listed High Conviction trust

\$440m FUM

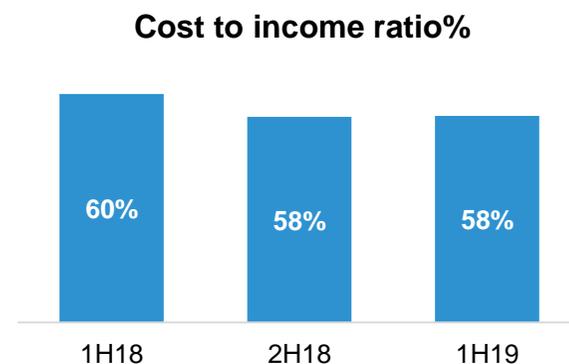
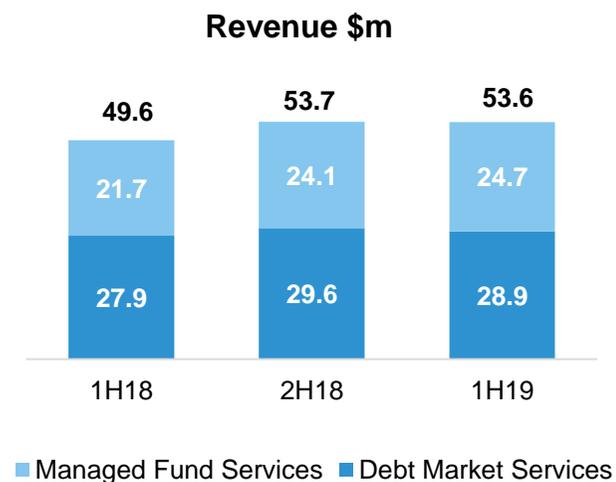
Responsible Entity

1. Australia All Property Types – Cross Border Volume (\$b); Source: Real Capital Analytics, Inc..

PERPETUAL CORPORATE TRUST

STRONG DIVERSIFIED BUSINESS WITH CLEAR STRATEGY

For the period	1H19 \$m	2H18 \$m	1H18 \$m	1H19 v 2H18	1H19 v 1H18
Debt Market Services revenue	28.9	29.6	27.9	(2%)	4%
Managed Fund Services revenue	24.7	24.1	21.7	3%	14%
Total revenues	53.6	53.7	49.6	-	8%
Operating expenses	(27.0)	(27.3)	(25.9)	1%	(4%)
EBITDA¹	26.6	26.4	23.7	1%	12%
Depreciation & amortisation	(3.6)	(3.4)	(3.1)	(5%)	(14%)
Equity remuneration	(0.6)	(0.3)	(0.7)	(90%)	21%
Profit before tax	22.4	22.8	19.8	(1%)	13%
PBT Margin on revenue (%)	42	42	40	-	(2pts)
Closing FUA (\$b) – Debt Market Services	461.2	450.3	448.3	2%	3%
Closing FUA (\$b) – Managed Funds Services	255.8	242.9	214.2	5%	19%



1. EBITDA represents earnings before interest costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.

BALANCE SHEET

STRENGTH PROVIDES OPPORTUNITIES

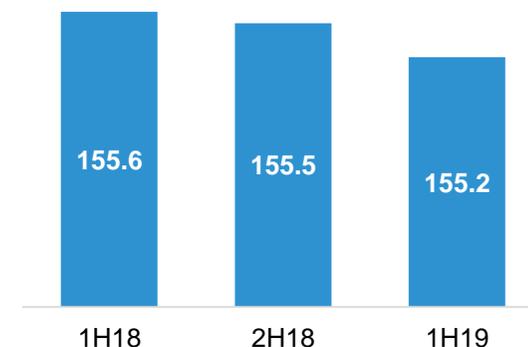
For the period ended	1H19	2H18	1H18	1H19 v 2H18	1H19 v 1H18
Cash	279.8	320.2	270.1	(13%)	4%
Liquid investments (FVTPL)	63.4	75.0	83.7	(15%)	(24%)
Goodwill & other intangibles	346.9	327.7	327.8	6%	6%
Other	237.7	240.1	176.2	(1%)	35%
Total assets¹	927.8	963.0	857.8	(4%)	8%
Corporate Debt	87.0	87.0	87.0	-	-
Other liabilities	180.1	214.8	123.7	(16%)	46%
Total liabilities¹	267.1	301.8	210.7	(11%)	27%
Net assets	660.7	661.1	647.1	-	2%
Net Tangible Assets (NTA) per share	\$6.43	\$6.68	\$6.59	(3%)	(1%)

1.Excludes the assets and liabilities for the Perpetual Exact Market Cash Fund (EMCF) structured products

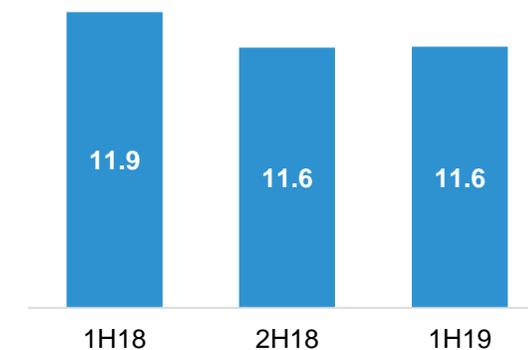
2.Operational risk including regulatory capital requirements

3.Corporate Debt /(Corporate Debt + Equity)

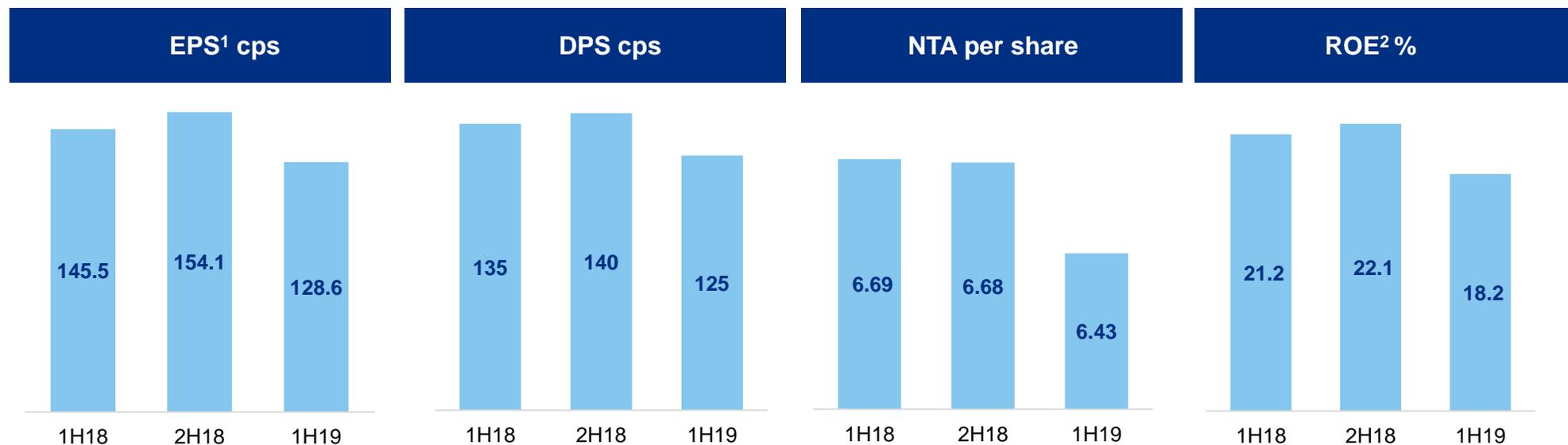
Regulatory Capital²



Gearing ratio³



FINANCIAL INDICATORS



\$1.25

FULLY FRANKED DIVIDEND

97%

PAYOUT RATIO³

29 March

DIVIDEND PAYABLE

1. Fully diluted

2. ROE is calculated using NPAT attributable to equity holders of Perpetual Limited for the period divided by average equity attributable to equity holders of Perpetual Limited

3. Dividends paid/payable as a proportion of NPAT on ordinary fully paid shares at the end of each reporting period.

STRATEGIC PRIORITIES

ROB ADAMS

CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR

Perpetual 

POSITIONING FOR NEXT PHASE OF GROWTH



Leadership and capability

- Stable and experienced leadership team
- Employer of choice
- Completed key appointments to drive our business forward
- Deep investment experience and tenure



Brand and reputation

- Deepen our strong existing client relationships
- Better leverage our trusted brand strength across portfolio
- Use our strengths to execute the right inorganic opportunities
- Reinvigorate distribution channels to unlock new avenues of growth



Sustained quality growth

- Pursue complementary growth opportunities in a disciplined manner
- Committed to diversified portfolio of businesses
- Use our strong balance sheet when and where appropriate
- Consider geographic expansion in a risk controlled manner
- Continue to diversify revenue streams to counteract market volatility

PERPETUAL INVESTMENTS

NEW DIRECTION THAT COMBINES BOUTIQUE CULTURE WITH INSTITUTIONAL GRADE INFRASTRUCTURE

OUR STRENGTHS

- Active value investing philosophy and approach
- Quality, long-term relationships
- Unrivalled 50+ years of investing experience
- Experienced Portfolio Managers
- Long-term returns remain strong
- Recognised and trusted investment brand
- Established distribution footprint



WHAT WILL BE DIFFERENT

- Diversification to accelerate growth
- Expand beyond a “value” investment style only approach
- Embrace new asset classes & investment styles
- Promote boutique culture within each investment team
- Refresh distribution strategy



APPROACH

- Committed to active value investing while open to extending to other asset classes & investment styles
- Diversify PI sources of FUM and revenue growth
- Pursue inorganic opportunities that demonstrate:
 - World class expertise
 - Global investment capabilities
 - Obvious investor demand
 - Cultural alignment
 - Shared understanding of future direction
 - Material capacity
 - Ability to sell globally
- Leverage our “institutional grade” infrastructure and distribution platform; extend beyond Australia

PERPETUAL PRIVATE

PROVEN BUSINESS MODEL WELL POSITIONED FOR FUTURE GROWTH

OUR STRENGTHS

- Targeted segment approach focused on:
 - Established wealthy
 - Business owners
 - Medical practitioners
 - Not-For-Profit
 - Native Title
- Multi-generational relationships
- Strong client advocacy highlighting trust in Perpetual
- Highly qualified and experienced advisors
- Well positioned business model post Royal Commission



WHAT WILL BE DIFFERENT

- Pursue all relevant growth options arising from industry dislocation
- Greater profile to highlight Perpetual Private's strengths and client proposition
- Accelerate pursuit of both clients and advisers that align with our business model



APPROACH

- Continue to target segments in a disciplined manner
- Focus on “quality” not “quantity”
- Continue targeted marketing campaigns
- Delivering tailored and holistic solutions for each life stage of our clients
- Seamless client experience

PERPETUAL CORPORATE TRUST

LEVERAGING STRENGTHS OF PROVEN BUSINESS MODEL TO DRIVE NEW REVENUE STREAMS

OUR STRENGTHS

- Targeted segment approach focused on:
 - Residential Real Estate
 - Mortgages
 - Australian Listed Stocks
 - Commercial Real Estate
- Long-term client relationships that have deepened over time
- Leadership position in core market
- Trusted business partner and custodian
- Industry leader in lending data stewardship



WHAT WILL BE DIFFERENT

- Drive growth in analytics
- Accelerate “Regtech” service offerings into new products and markets
- Expand Managed Funds Services business into contemporary structures and asset classes



APPROACH

- Protect leading market position in DMS and cement market leading position in MFS
- Develop digital solutions for the Banking and Financial Services industry
- Innovate collaboratively with clients to expand offering and accelerate revenue growth
- Pursue inorganic opportunities that align with our risk appetite, core competencies and client needs, including offshore

Clients

Foster our long-term relationships

Always act in the best interest of our clients

Build on our strong client advocacy

People & Capabilities

Committed to our diversified business model

Invest in new capabilities

Brand

Leverage the strength of our brand across all three business

CONTACTS

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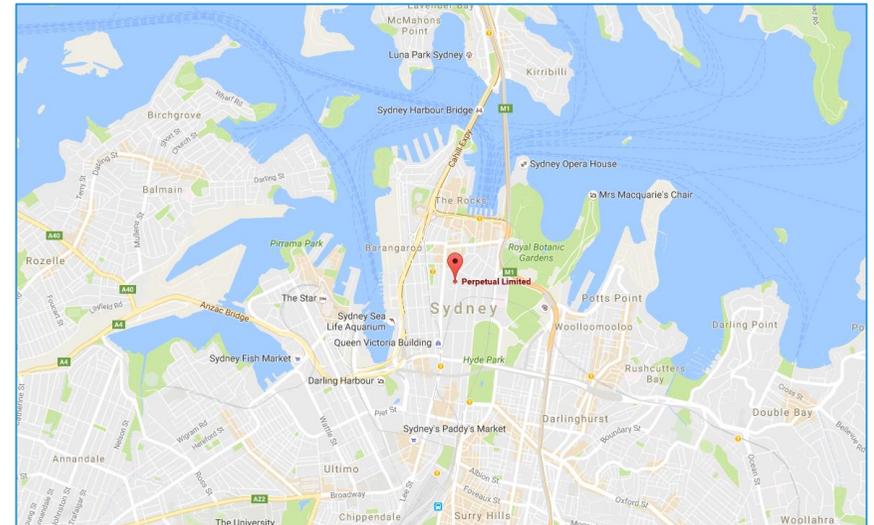
Colleen Heffernan

Investor Relations Administration

✉ colleen.heffernan@perpetual.com.au

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📍 Level 18 Angel Place, 123 Pitt Street
SYDNEY NSW 2000 Australia



About Perpetual

Perpetual is an independent financial services group operating in funds management, financial advisory and trustee services. Our origin as a trustee company, coupled with our strong track record of investment performance, has created our reputation as one of the strongest brands in financial services in Australia.

For further information, go to www.perpetual.com.au

DISCLAIMER

Important information

The information in this presentation is general background information about the Perpetual Group and its activities current as at 21 February 2019. It is in summary form and is not necessarily complete. It should be read together with the company's consolidated financial statements lodged with ASX on 21 February 2019 which have been reviewed by the Group's external auditor. The information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account your financial objectives, situation or needs. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

No representation or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained in the presentation (any of which may change without notice). To the maximum extent permitted by law, the Perpetual Group, its directors, officers, employees, agents and contractors and any other person disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may be suffered through use or reliance on anything contained in or omitted from this presentation.

This presentation contains forward looking statements. These forward looking statements should not be relied upon as a representation or warranty, express or implied, as to future matters. Prospective financial information has been based on current expectations about future events and is, however, subject to risks, uncertainties, contingencies and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. The Perpetual Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this review, subject to disclosure requirements applicable to the Group.

UPAT attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the Group as determined by the Board and management. UPAT has been calculated in accordance with ASIC's Regulatory Guide 230 - Disclosing non-IFRS financial information. UPAT attributable to equity holders of Perpetual Limited has not been reviewed by the Group's external auditors, however the adjustments to NPAT attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been reviewed.

Nothing in this presentation should be construed as either an offer to sell or solicitation of an offer to buy or sell Perpetual Limited securities in any jurisdiction.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated. All references to NPAT, UPAT etc. are in relation to Perpetual Limited ordinary shareholders. Certain figures may be subject to rounding differences.

Note:

- 1H19 refers to the financial reporting period for the six months ended 31 December 2018
- 2H18 refers to the financial reporting period for the six months ended 30 June 2018
- 1H18 refers to the financial reporting period for the six months ended 31 December 2017 with similar abbreviations for previous and subsequent periods.

