

21 February 2019

ASX Announcement

Perpetual announces 1H19 result

- NPAT of \$60.2 million, a decrease of 12% on 1H18 impacted by lower performance fees, net outflows, and change in accounting treatment of unrealised gains and losses¹
- Fully franked interim dividend of 125 cents per share, down 7% on 1H18
- Strong balance sheet, low and stable gearing ratio²
- Continued investment to leverage strengths in brand, client relationships and people across all business divisions
- CEO resets direction and agenda for growth

Perpetual Limited (Perpetual) has delivered results for the six months to 31 December 2018 with statutory net profit after tax (NPAT) of \$60.2 million, down 12% and revenue of \$252.3 million, down 5% on 1H18.

The Board has determined to pay a fully franked interim dividend of 125 cents per share, 7% lower compared to 1H18.

Perpetual's Chief Executive Officer and Managing Director, Rob Adams said, "It has been a challenging time for the industry following the outcomes of the Royal Commission and the volatile market environment. Our flows have been impacted by this environment as well as our relative investment performance. Despite the headwinds experienced in the first half of the year, we maintained our discipline around cost management and continued to invest in the business and our people to support future growth."

Mr Adams said, "Perpetual is one of the strongest brands in financial services and has been for over 130 years. Particularly during challenging and changing times for the sector, we have the opportunity to leverage this strength to drive more consistent, quality growth across all three of our businesses.

"To grow, we need to change. Hence, we are accelerating our efforts to strategically expand our capabilities and to better harness the strength of our brand and client relationships. We recognise the impact various geopolitical and macro influences are having on the industry and our business, however we also see significant opportunities arising from this."

Business Unit Overview

Perpetual Investments

In 1H19, Perpetual Investments' profit before tax (PBT) was \$46.5 million, which was \$11.6 million or 20% lower compared to 1H18. PBT was impacted by a decrease in revenue due to lower average FUM and lower performance fees earned.

¹ AASB 9 *Financial Instruments* applies from 1 July 2018. Unrealised gains and losses on assets classified as Fair Value through Profit and Loss "FVTPL" are reported through the income statement. Previously these assets were classified as "available-for-sale" with changes in fair value reported in other comprehensive income and reserves.

² Gearing ratio: Corporate Debt/(Corporate Debt + Equity)

Mr Adams commented, “The business was challenged by market uncertainty combined with fund outflows experienced in the second half of 2018.

“During a period of regulatory and industry change, we remain responsive to evolving client needs. We will be delivering new investment vehicles to market and actively pursuing organic and inorganic growth opportunities including looking to invest in new asset management capabilities.

“Building on our strong position in active value investing, we are broadening our thinking and approach when it comes to our imperative to grow. Perpetual Investments will be open to expanding its focus beyond value investing. We will manage our investment teams in a boutique-like manner and will consider adding new investment styles and asset classes to this structure over time. Each of our investment teams will have access to Perpetual’s institutional-grade business infrastructure to help them develop and grow. Of course, we remain fully committed to active value investing,” Mr Adams said.

Perpetual Private

Perpetual Private’s profit before tax was \$22.6 million, 2% lower than 1H18, a consistent result in challenging market conditions and supported by ongoing cost discipline.

Mr Adams said, “With its deep trustee heritage and financial advice client relationships across multiple generations, Perpetual Private is well positioned and growing. Our client focused business model and disciplined approach will enable us to attract the right advisers and clients who will benefit from ongoing investment in the evolution of our business, particularly at this complex time for the wider sector.

“Fordham continues to be a lead referral source to our advice business, contributing to Perpetual Private’s stable performance, adding to new client growth within the high net worth segment in 1H19.

“Our Perpetual Private strategy remains on track with the philanthropic business also playing a key role with \$2.5 billion in FUA for charitable trusts and endowment funds at the end of the first half.”

Perpetual Corporate Trust

Perpetual Corporate Trust’s profit before tax was \$22.4 million, which was \$2.6 million or 13% higher than 1H18. The result was driven by sustained market activity within commercial property and managed investment funds, together with higher asset prices.

“Perpetual Corporate Trust experienced solid growth in 1H19. We continue to provide new solutions for long term clients in debt capital markets and to also attract new business from the global asset management sector.

“Supporting the growth of our data and analytics strategy we acquired the RFi Analytics business in December last year, further enhancing our expertise in data management.

“In support of comparable and transparent markets we remain focused on delivering digital solutions to the banking and financial services sector for comprehensive reporting and analytics which PCT’s clients utilise for risk, compliance and strategic needs,” Mr Adams said.

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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, please visit www.perpetual.com.au