

**Increased offer for TRU to be declared unconditional.
EQT recommends TRU shareholders
accept EQT's offer and vote against Perpetual
at the Scheme meeting on 28 November.**

Wednesday, 13 November 2013

Increased and unconditional offer

Equity Trustees Limited (ASX: EQT) announces its intention to increase its offer for The Trust Company (ASX: TRU). The Board of EQT has approved an increase in the offer ratio from 37 to 39 shares for every 100 TRU shares. EQT's offer will also be declared free from all conditions. Formal documentation in respect of these matters will be released shortly.

Benefits for TRU shareholders

Mr Tony Killen, Chairman of EQT said, "This increase is based on the significant long-term benefits that can be achieved for all shareholders from the logical and compelling combination of the two companies. EQT is a focused business that will provide all TRU shareholders with an ongoing investment in a pure-play trustee company."

"EQT's offer is demonstrably superior for TRU shareholders seeking longer-term value, higher dividends and greater ownership. Importantly, shares in EQT are less exposed to the risk of the current equity markets than Perpetual's large funds management business." Mr Killen said.

EQT's assessment criteria ⁽ⁱ⁾	EQT offer	PPT proposal
Ownership by TRU shareholders	✓ 62.2%	✗ 8.4%
TRU's share of synergies	✓ \$9.3m p.a.	✗ \$1.3m p.a.
Influence of TRU shareholders	✓ Up to 2 directors	✗ No direct influence
Business strategy	✓ 'Focused' trustee	✗ Diversified financial
Dividends for TRU shareholders	✓ Superior growth	✗ Lower
Tax triggered	✓ CGT roll-over possible ⁽ⁱⁱ⁾	✗ Full tax on cash component
Overall value	✓ Significant upside	✗ Highly priced shares
SUPERIOR PROPOSAL FOR TRU	✓ YES = Accept	✗ NO = Reject

Higher synergies confirmed

EQT considers that cost synergies of up to \$15 million can be achieved (pre-tax per annum). Additionally, EQT has identified opportunities to increase revenue from cross selling products across the diversified customer base.

Mr Robin Burns, CEO and Managing Director of Equity Trustees, said “EQT is confident that we can achieve significant cost and revenue synergies with TRU. This has been reinforced after a further assessment of the areas of overlap between our businesses.

TRU shareholders will own more and have greater influence with EQT

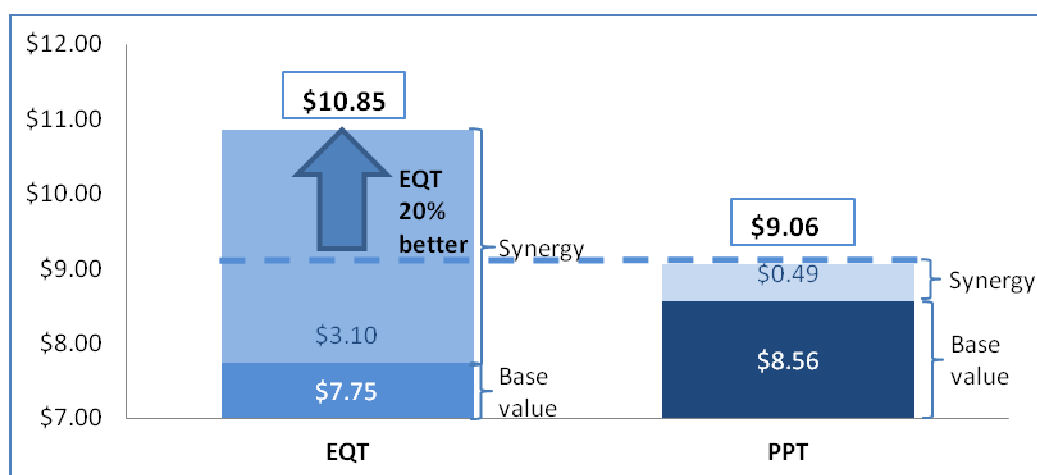
TRU shareholders will own more than 62% of EQT. This compares with a much lower level of ownership (between 8.4% and 13%) of Perpetual depending on the level of cash selected by TRU shareholders.

EQT intends to invite up to two current TRU directors to join the EQT Board. This will allow a continuity of skills and knowledge from the TRU Board in the interests of all shareholders. In contrast, there has been no such offer from Perpetual and the direct influence of TRU shareholders will be diminished as they have diluted ownership in a much larger company.

EQT’s offer provides higher long-term value ⁽ⁱⁱⁱ⁾

TRU shareholders receive higher long-term value from the EQT offer. This is because the level of synergies estimated by EQT and Perpetual are similar^{iv} but the level of ownership for TRU shareholders is much larger under EQT’s offer. The long-term value of EQT’s offer is estimated around \$11 per TRU share – versus closer to \$9 under Perpetual’s proposal:

Long term value – EQT offer vs Perpetual’s proposal



Note: numbers do not add exactly, due to rounding.

Refer to the Assumptions and Disclaimer contained in this announcement for calculations.

CGT roll over relief may be available under EQT's offer ^(v)

Eligible TRU shareholders who derive a capital gain as a result of accepting EQT's offer are likely to be able to claim CGT roll-over relief if EQT acquires 80% or more of Trust Company shares.^(vi)

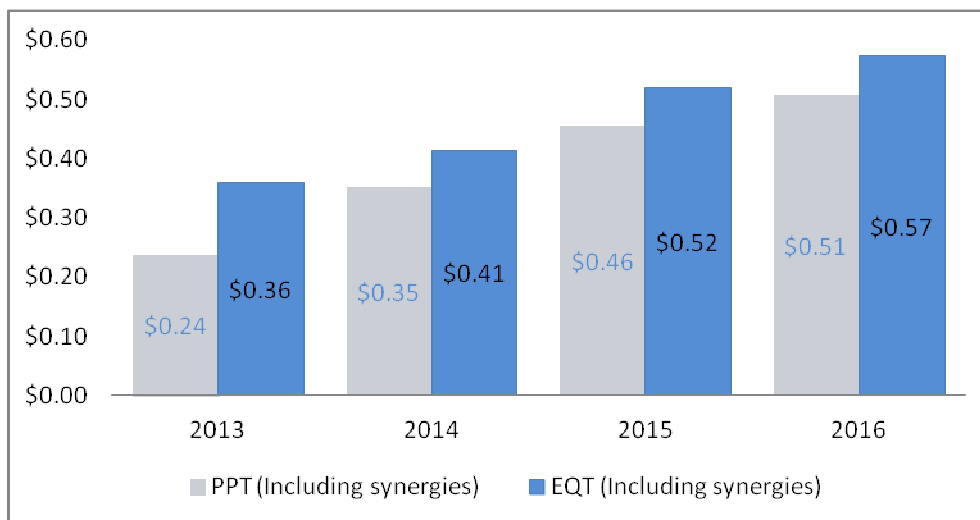
In contrast, TRU shareholders who elect to take the cash alternative under Perpetual's proposal will face a taxable event.

EQT's offer may lead to higher dividends ^(vii)

EQT's dividend yield has been higher than Perpetual's over recent years. Based on FY13 dividends and current share prices, EQT's fully franked dividend yield is 4.8%. This is significantly higher than Perpetual's 2.8% dividend yield on the same basis.

Following the acquisition of TRU, EQT is likely to generate a higher dividend per TRU share than Perpetual. Including the uplift from synergies, equivalent dividends from EQT for TRU shareholders are estimated at 50 cents per TRU share on average from 2014 to 2016 – 14% higher than Perpetual (based on consensus forecasts of analysts).

Dividend per TRU share – EQT offer compared with Perpetual



Note: Refer to the Assumptions and Disclaimer contained in this announcement for calculations.

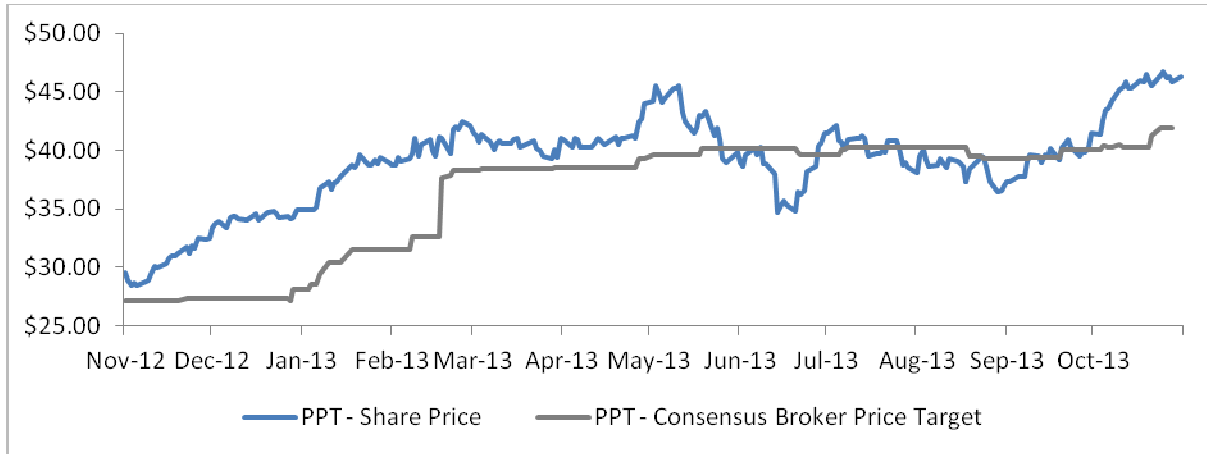
Perpetual's proposal is based on highly priced shares

TRU shareholders that accept Perpetual's proposal are buying into a company that is highly priced. EQT considers that Perpetual's shares are highly priced based on the following information:

- Perpetual's price-to-earnings ratio ^(viii) is 19.3 times FY14 consensus analyst forecasts, which is 18% higher than EQT at 16.3 times.
- 12 out of the 14 analysts ^(ix) who cover Perpetual have lower target prices than its current share price. This means that 86% of brokers consider that there is price risk for Perpetual.

- Perpetual is currently trading 9% ahead of the consensus mean target price of \$41.91^(x), as shown in the following chart:

Perpetual share price vs Consensus Broker Price Target

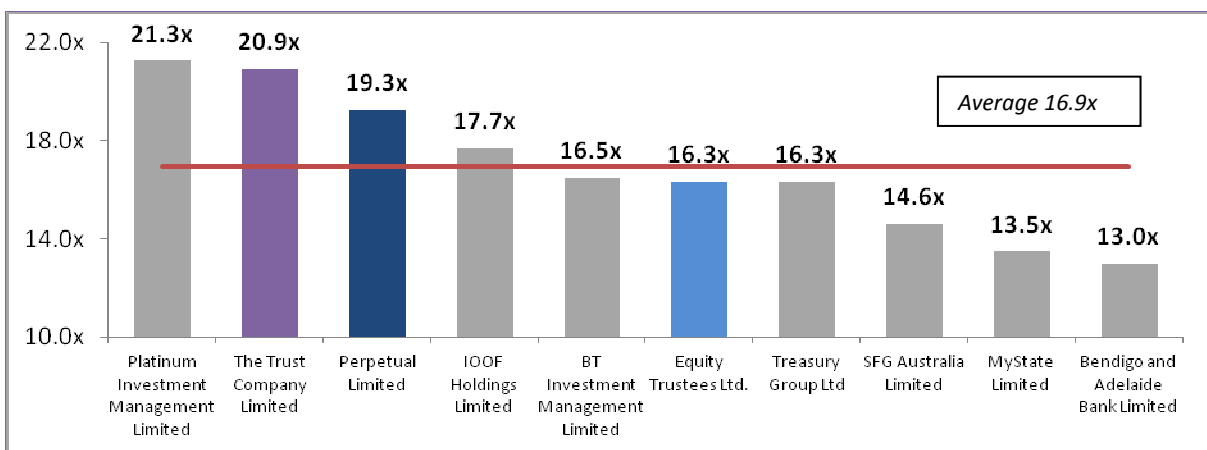


Source: S&PCapitalIQ

EQT remains relatively undervalued

EQT trades at a price-to-earnings multiple comparable with other relevant financial services companies. EQT considers that there is potential for its shares to increase in value as a result of acquiring TRU, due to the cost and revenue synergies that will become available to it, the likely increase in the scale of its business and greater liquidity in the trading of EQT shares.

FY14E PE Trading Comparables



Source: S&PCapitalIQ, Baillieu Holst Research (EQT, 30 August 2013)

TRU shareholders who want cash can sell on market

Since early September, over 14% of the TRU share register has traded on the ASX^(xi). This indicates that a significant number of TRU shareholders who wanted cash may have already sold their shares. As EQT's offer consideration remains 100% shares, any TRU shareholders who wish to obtain cash consideration are currently able to sell their TRU shares on the ASX.

Conditions of the offer

EQT has determined to waive all conditions of its offer. A formal notice regarding this will be released by EQT shortly. Once EQT has waived all conditions to its offer, shareholders who accept EQT's offer will be able to receive EQT shares as consideration within a short period of time. EQT shares will be issued to those TRU shareholders who have accepted EQT's offer already in accordance with the time period set out in the Corporations Act.

Vote against the Perpetual proposal

EQT intends to vote all TRU shares to which it becomes entitled against the proposal from Perpetual at the scheme meeting on Thursday 28 November and urges all TRU shareholders to do the same.

The benefits for TRU shareholders to accept EQT's Higher Offer remain:

1. EQT's offer provides higher long-term value than Perpetual.
2. TRU shareholders retain higher ownership and influence with EQT.
3. EQT offers a higher dividend yield than Perpetual.
4. EQT remains a 'pure play' trustee company, not a diversified financial company.

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IMPORTANT ASSUMPTIONS

ⁱ This comparative analysis assumes either EQT or Perpetual (PPT) is successful in acquiring all of TRU. Assumes full take up of PPT's cash alternative.

ⁱⁱ The availability of CGT roll-over relief depends on the matters described in section 6 of EQT's Bidder's Statement, including EQT acquiring 80% or more of TRU shares through its offer.

ⁱⁱⁱ Estimated long-term value is based on the following assumptions:

- **Base value** being calculated on the same basis as the "Value per Trust share (excluding franking credits)" as outlined in PPT's announcement dated 9 September 2013, with assumptions updated as at 12 November 2013. EQT's value per share has been calculated on the same basis, including the dividends allowed to be paid by TRU (\$0.22 special dividend).

	EQT	PPT
Share price (12 November 2013)	\$19.30	\$45.85
Offer ratio	0.39x	0.182x
Share consideration	\$7.53	\$8.34
Special dividend	\$0.22	\$0.22
Base Value per share	\$7.75	\$8.56

- **Synergy value** being calculated as estimated synergies post 30% corporate tax, capitalised at the FY14E price-earnings ratio based on earnings from S&PCapitalIQ. EQT's FY14E EPS based on latest Baillieu Holst research dated 30 August 2013. Market data is based on latest information as at 12 November 2013.

	EQT	PPT
Synergies	\$15m	\$15m
TRU % ownership (assumes full cash take-up)	62.2%	8.5%
TRU share of synergies	\$9.33m	\$1.27m
FY14E P/E multiple	16.3x	19.3x
FY14E P/E multiple (post-tax)	11.4x	13.5x
Value of synergies	\$107m	\$17m
Synergy Value per share	\$3.10	\$0.49
Total Value per share	\$10.85	\$9.06

^{iv} EQT has estimated pre-tax synergies of up to \$15m p.a., PPT has estimated at least \$15m p.a.

^v If EQT acquires 80% or more of TRU shares on issue as a consequence of the offer, a TRU shareholder who is resident for Australian tax purposes and would otherwise make a capital gain in respect of the disposal of TRU shares should be able to benefit from scrip-for-scrip roll-over relief. Further information is provided in EQT's bidder's statement (see section 6).

^{vi} The availability of CGT roll-over relief depends on the matters described in section 6 of EQT's Bidder's Statement, including EQT acquiring 80% or more of TRU shares through its offer.

^{vii} Estimated dividends for each TRU share have been calculated based on the following assumptions:

Key Assumptions	EQT	PPT
Offer Ratio	0.39x shares	0.182x shares
Synergies per annum	\$15m	\$15m
TRU share of synergies (maximum cash utilised)	62.2%	8.4%
Synergies generated	FY14 = 25% FY15 = 75% FY16 = 100%	FY14 = 25% FY15 = 75% FY16 = 100%
Tax	30%	30%
Dividend payout	90%	90%
DPS Forecasts	Most recent Baillieu Holst research dated 30 August 2013	S&P Capital IQ Consensus forecasts

The realisation of synergies assumes this is net of any implementation costs incurred for both EQT and PPT.

^{viii} Source: S&PCapitalIQ, 12 November 2013.

^{ix} Based on the listing of 14 analysts who cover Perpetual contained in S&PCapitalIQ database, 12 November 2013.

^x Source: S&PCapitalIQ, 12 November 2013.

^{xi} Source: IRESS

IMPORTANT DISCLAIMER

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