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Monday 22 August 2022

## **EQT Holdings Limited announces \$135m acquisition of Australian Executor Trustees Limited and \$125m equity raising**

**A transformative acquisition with compelling strategic and economic rationale**

### **Highlights**

- EQT Holdings Limited ("EQT") to acquire Australian Executor Trustees Limited ("AET") for total cash consideration of \$135 million
- To be funded through a \$125 million fully underwritten equity raising and new debt facility
- Strategically and financially compelling acquisition that delivers significant growth for EQT
- Complements EQT's TWS private client business, adding scale, expertise and geographic spread
- Adds \$5.4 billion<sup>1</sup> in FUMAS, boosts overall revenue and EBITDA by more than a third<sup>2</sup>, and expected to be earnings accretive<sup>3</sup>
- Synergies expected from restructure of platform service business and additional investment revenues in relation to the Trustee Services business
- Balance sheet remains strong, retaining flexibility for the future

EQT Holdings Limited (ASX: EQT) ("Equity Trustees") today announced it would acquire AET from SFG Australia Limited, a wholly owned subsidiary of Insignia Financial Limited (ASX:IFL) ("Insignia") for total cash consideration of \$135 million.

The acquisition will be funded through a combination of debt and equity, including \$125 million from an equity raising, comprising a \$40.4 million institutional placement and a \$84.6 million 1 for 6 accelerated pro-rata non-renounceable entitlement offer ("Equity Raising"), and \$40 million from the drawdown of an additional debt facility with Australia and New Zealand Banking Group Limited ("ANZ").

EQT's Chair Carol Schwartz said, "This is a transformative acquisition that enhances Equity Trustees' capability in private client trustee services while growing shareholder value."

EQT's Managing Director Mick O'Brien said, "AET is a strong strategic fit with Equity Trustees. The business is highly complementary and provides geographic diversity, establishing a presence in Adelaide and significantly increasing our presence in Western Australia, as well as expanding our presence in Queensland and New South Wales.

<sup>1</sup> AET FUMAS \$6.9bn adjusted for reduction in FUMAS post Platform Services Restructure

<sup>2</sup> Boosts overall revenue by 35% and EBITDA (proforma) by 41% in FY22 including Net Synergy Potential

<sup>3</sup> EPS in first full year of ownership. Excludes amortisation of Management Rights and integration costs. Includes fully realised synergies of ~\$3.5m p.a. from Platform Services Restructure at the EBITDA level and excludes Additional Investment Revenue in relation to the Trustee Services business from the internal management of FUMAS (full year revenue and EBITDA impact of \$3.3m). This statement reflects the expected EPS accretion before the adjustment contemplated in AASB 133 under which EPS is positively adjusted to reflect the bonus element of the Entitlement Offer

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“The acquisition delivers significant growth for Equity Trustees adding \$5.4 billion in FUMAS<sup>4</sup> and boosting our overall revenue and EBITDA by more than a third<sup>5</sup>, and it is expected to be earnings accretive<sup>6</sup>.”

“It adds scale to our Trustee and Wealth Services (“TWS”) private client offering, particularly in our Indigenous and health and personal injury businesses, and supports our ongoing commitment to investment in products, services and technology.”

## Overview of AET

AET is a well recognised provider of professional private client trustee services in Australia, with more than 140 years of experience in providing specialised estate and trustee services.

In FY22 AET oversaw more than \$6.9 billion in Funds Under Management, Administration, Advice and Supervision (“FUMAS”) <sup>7</sup>. On a standalone basis, in FY22 AET generated revenue of \$38.1 million.

The business offers a comprehensive range of services across Australia through two divisions – Trustee Services and Platform Services. EQT’s primary focus is the Trustee Services division. Platform Services comprise AET’s Self-Managed Super Funds (“SMSF”) and Portfolio Management Services (“PMS”), which EQT intends to exit. EQT intends to retain the client management and trustee role for Small APRA Funds (“SAF”) (together, the “Platform Services Restructure”).

## Acquisition Strategic and Economic Rationale

The acquisition has compelling strategic and economic rationale for EQT.

### Delivers significant growth for the group

- Adds \$5.4 billion of TWS Private Client FUMAS (post Platform Services Restructure)
- Boosts overall revenue by 35% and EBITDA (proforma) by 41% in FY22 including Net Synergy Potential<sup>8</sup>
- EPS accretive – expected to generate mid to high single digit EPS accretion in FY24 on a pro-forma basis<sup>9</sup> and double digit accretion when Additional Investment Revenue in relation to the Trustee Services business of \$3.3 million is included
- Access to synergies - Platform Services Restructure is expected to produce a net EBITDA benefit of ~\$3.5 million p.a. (on a fully realised basis) and significantly reduce operational complexity from the exit of PMS and SMSF businesses. There is also an opportunity to generate Additional Investment Revenues in relation to the Trustee Services business from internally managing some investments (where in the best interest of clients); expected to generate \$3.3 million of additional revenue and EBITDA in FY24, with some potential for this to increase in subsequent years (“Additional Investment Revenue”) (collectively, “Net Synergy Potential”)

<sup>4</sup> AET FUMAS \$6.9bn adjusted for reduction in FUMAS post Platform Services Restructure

<sup>5</sup> Boosts overall revenue by 35% and EBITDA (proforma) by 41% in FY22 including Net Synergy Potential

<sup>6</sup> EPS in first full year of ownership. Excludes amortisation of Management Rights and integration costs. Includes fully realised synergies of ~\$3.5m p.a. from Platform Services Restructure at the EBITDA level (from the rationalisation of activities) and excludes Additional Investment Revenue in relation to the Trustee Services business from the internal management of FUMAS (full year revenue and EBITDA impact of \$3.3m). This statement reflects the expected EPS accretion before the adjustment contemplated in AASB 133 under which EPS is positively adjusted to reflect the bonus element of the Entitlement Offer

<sup>7</sup> Includes FUMAS associated with Self-managed Superannuation Funds (“SMSF”) and Portfolio Management Services (“PMS”) businesses which EQT intends to exit in FY23/24

<sup>8</sup> Includes fully realised synergies of ~\$3.5m p.a. (being the expected sustainable EBITDA benefit from the Platform Services Restructure) and Additional Investment Revenue in relation to the Trustee Services business from the internal management of FUM (full year revenue and EBITDA benefit of \$3.3m p.a.), on a post-AASB16 basis

<sup>9</sup> EPS in first full year of ownership. Excludes amortisation of Management Rights and integration costs. Includes fully realised synergies of ~\$3.5m p.a. from Platform Services Restructure at the EBITDA level and excludes Additional Investment Revenue in relation to the Trustee Services business from the internal management of FUMAS (full year revenue and EBITDA impact of \$3.3m). This statement reflects the expected EPS accretion before the adjustment contemplated in AASB 133 under which EPS is positively adjusted to reflect the bonus element of the Entitlement Offer



### Complements EQT's TWS private client business

- Strengthens EQT's TWS private client business by establishing a presence in South Australia and bolstering its presence in Western Australia, NSW and Queensland, as well as adding scale to the existing private trustee service offerings
- Access to a number of experienced private client staff with deep technical experience to support client service delivery
- Increased scale will support investment in products, services, technology and operational systems to enhance the experience for both EQT and AET clients and employees

### Enduring revenues and balance sheet strength

- A material proportion of the revenue acquired is enduring and long-term in nature
- The combination of new equity and debt will ensure that EQT's balance sheet strength and flexibility are maintained

### Strategic Alliance Agreement

EQT and Insignia have entered into a strategic alliance agreement which will enable each party to leverage their best of breed products and services. It is envisaged that the combined scale of the two entities will allow EQT and Insignia to reach a broader set of clients with a broader product offering. As part of the agreement, EQT intends to support existing adviser relations within Insignia.

### Acquisition Detail

EQT is acquiring AET from SFG Australia Limited, a wholly owned subsidiary of Insignia Financial Limited, for total cash consideration of \$135 million, subject to certain conditions, approvals and adjustments.

The purchase price represents an implied acquisition multiple of ~12.0x FY23 Standalone EBITDA of \$11.2 million<sup>10</sup> and ~9.1x FY23 pro-forma EBITDA<sup>11</sup>, assuming fully realised synergies from the Platform Services Restructure but excluding Additional Investment Revenues in relation to the Trustee Services business.

The acquisition is targeted to close at the end of November 2022, subject to Ministerial approval to acquire AET's trustee licence.

### Acquisition Funding

The total purchase consideration of \$135 million (subject to completion adjustment), \$8 million in estimated transaction costs and \$22 million in estimated integration costs will be funded via a combination of proceeds from an Equity Raising and an additional debt facility of \$40 million.<sup>12</sup>

The \$125m Equity Raising is fully underwritten and comprises a:

- ~\$40.4 million institutional placement to new and existing investors; and
- ~\$84.6 million 1 for 6 accelerated pro-rata non-renounceable entitlement offer

The Equity Raising will be conducted at a fixed price of \$24.00 per new share ("Offer Price"), representing a:

- 5.7% discount to the last close of \$25.46 as at Thursday, 18 August 2022
- 4.7% discount to the theoretical ex-rights price ("TERP")<sup>13</sup> of \$25.17 as at Thursday, 18 August 2022

<sup>10</sup> Reflects EQT management's view of AET FY23 EBITDA, including costs required to run the business on a standalone basis. Excludes Net Synergy Potential (Platform Services Restructure and Additional Investment Revenues in relation to the Trustee Services business). Presented on a post-AASB16 basis

<sup>11</sup> Includes fully realised synergies of ~\$3.5m p.a. (being the expected sustainable EBITDA benefit from the Platform Services Restructure)

<sup>12</sup> Additional \$40m debt facility, of which \$40m is expected to be utilised

<sup>13</sup> The TERP is a theoretical price at which an EQT share will trade immediately after the ex-date for the Entitlement Offer assuming 100% take up of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which EQT shares will trade immediately after the



## Debt Facility

ANZ has provided EQT with a binding commitment, subject to finalising documentation for a \$40 million additional debt facility<sup>14</sup> which will be utilised to partially fund the acquisition.

EQT will have sufficient headroom to operate the business in the normal course post acquisition and equity raise, as it will continue to have at least \$30 million of debt headroom in its existing debt facility limits, post-acquisition. The Leverage Ratio following completion of the acquisition and equity raise will remain conservative at 0.8x EBITDA on a pro-forma FY22 basis. Additionally, AET is fully capitalised with respect to regulatory capital, with sufficient regulatory capital to be transferred with AET as part of the acquisition. Overall, the conservative debt funded component provides future flexibility for EQT.

## Details of Equity Raising

The placement and entitlement offer will result in ~5.2 million new fully paid ordinary shares being issued ("New Shares"), representing ~24.7% of EQT's existing issued capital. New Shares issued under the Equity Raising will rank equally with all existing fully paid ordinary EQT shares on issue and will be entitled to the EQT final FY22 dividend of 49 cents per share, payable on Monday, 10 October 2022.

### Placement

The fully underwritten placement of ~\$40.4 million will be offered to sophisticated and institutional investors in Australia and certain overseas jurisdictions at the Offer Price. The placement is being conducted today, Monday 22 August 2022. ~1.7 million New Shares will be issued as part of the placement, representing ~8.0% of EQT's existing issued capital.

### Entitlement Offer

The fully underwritten Entitlement Offer of ~\$84.6 million will consist of a 1 for 6 accelerated pro-rata non-renounceable entitlement offer.

The Entitlement Offer is non-renounceable, and entitlements will not be tradeable on the ASX or be otherwise transferable. Eligible shareholders who do not take up their full entitlement under the Entitlement Offer will not receive any value in respect of those entitlements not taken up. Eligible retail shareholders that take up their full entitlement may also apply for additional New Shares in excess of their entitlement (subject to scale-back, at EQT's discretion).

### Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place today, Monday 22 August 2022. Eligible institutional shareholders may opt to take up all, part or none of their entitlement. Institutional entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to eligible institutional investors.

### Retail Entitlement Offer

Eligible retail shareholders with an address on the EQT share register in Australia or New Zealand as at 7.00pm on Wednesday, 24 August 2022 will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as under the Institutional Entitlement Offer.

Eligible retail shareholders will be sent an information booklet ("Retail Offer Booklet") including a personalised entitlement and acceptance form on Monday, 29 August 2022. The Retail Offer Booklet

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 \$25.46 per share on Thursday, 18 August 2022

<sup>14</sup> Note that EQT have a pre-existing \$40m debt facility with ANZ, which currently has \$30m undrawn



will provide the details of how to participate in the Retail Entitlement Offer. A copy of the Retail Offer Booklet will also be lodged with the ASX on Monday, 29 August 2022. Eligible retail shareholders may opt to take up all, part or none of their entitlement.

In addition to each eligible retail shareholder's entitlement under the Retail Entitlement Offer, eligible shareholders will be offered the opportunity to apply for additional New Shares (up to 50% of their entitlement and subject to scale-back, at EQT's discretion) under the oversubscription facility.

### Advisers

Greenhill & Co is acting as financial adviser and Herbert Smith Freehills as legal adviser to EQT on the acquisition and Equity Raising. Barrenjoey Markets Pty Limited and Ord Minnett Limited are acting as joint lead managers and joint underwriters to the Equity Raising, and Wilsons Corporate Finance Limited is acting as co-lead manager.

### Key dates

| EVENT  | DATE                              |
|--|-----------------------------------|
| Trading Halt   | Friday 19 August 2022             |
| Announcement of acquisition and Equity Raising   | Monday 22 August 2022             |
| Placement and Institutional Entitlement Offer opens  | Monday 22 August 2022             |
| Placement and Institutional Entitlement Offer closes   | Monday 22 August 2022             |
| Announcement of results of Placement and Institutional Entitlement Offer   | Tuesday 23 August 2022            |
| EQT shares recommence trading  | Tuesday 23 August 2022            |
| Entitlement Offer Record Date (7.00pm Melbourne time)  | 7.00pm Wednesday, 24 August 2022  |
| Retail Entitlement Offer Booklet and Entitlement and Acceptance Forms dispatched to Eligible Retail Shareholders   | Monday 29 August 2022             |
| Retail Entitlement Offer opens   | Monday 29 August 2022             |
| Settlement of New Shares issued under Institutional Entitlement Offer and Placement                                | Wednesday 31 August 2022          |
| Allotment and commencement of trading of New Shares issued under the Institutional Entitlement Offer and Placement | Thursday 1 September 2022         |
| Retail Entitlement Offer closes (5.00pm Melbourne time)  | 5.00pm Wednesday 7 September 2022 |
| Settlement of New Shares issued under the Retail Entitlement Offer   | Tuesday 13 September 2022         |
| Allotment of New Shares issued under the Retail Entitlement Offer  | Wednesday 14 September 2022       |
| Commencement of trading of New Shares issued under the Retail Entitlement Offer                                    | Thursday 15 September 2022        |
| Final dividend ex-date   | Thursday 15 September 2022        |
| Final dividend record date   | Friday 16 September 2022          |
| Last election date for Dividend Reinvestment Plan  | Monday 19 September 2022          |
| Final dividend payment date  | Monday 10 October 2022            |

Note: The above timetable is indicative only and subject to change without notice. All dates and times are Melbourne time.



### **Additional Information**

Further details of the acquisition and Equity Raising, including applicable dates are set out in the accompanying investor presentation also provided to the ASX today. The investor presentation contains important information including key risks and international offer restrictions with respect to the Entitlement Offer and Placement.

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## Investor Call / Webinar

A briefing will take place via webinar today (Monday, 22 August 2022) at 10.30am (Melbourne time). The webinar details are the same as for EQT's full year results release.

### [Register for the webinar here](#)

We recommend participants pre-register 5 - 10 minutes prior to the webinar. Participants must pre-register for the call at the link above. Following registration, you will receive a calendar invite and a unique code which is to be quoted when dialing into the call. To ask a question, participants will need to dial "\*1" (star, 1) on a telephone keypad.

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The Board has authorised that this document be given to the ASX.

## FURTHER INFORMATION

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## About Equity Trustees

Equity Trustees (ASX: EQT) was established in 1888 to provide independent and impartial trustee and executor services to help families throughout Australia protect their wealth. This history of service now dates back to 1878 through the acquisition in 2014 of ANZ Trustees - originally Trustees Executors & Agency Company Limited and Australia's first trustee company. As Australia's leading specialist trustee company, Equity Trustees offers a diverse range of services to individuals, families and corporate clients including asset management, estate planning, philanthropic services and Responsible Entity (RE) services for external Fund Managers. Equity Trustees is the brand name of EQT Holdings Limited (ABN 22 607 797 615) and its subsidiary companies, listed on the Australian Securities Exchange (ASX: EQT) with offices across Australia and in London and Dublin.

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This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of EQT, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.



You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the ongoing impact of COVID-19 as well as the military conflict in Ukraine. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of EQT's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the ongoing impact of COVID-19 as well as the military conflict in Ukraine, and except as required by law or regulation, none of EQT, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to EQT as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of EQT, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

The information in this announcement is in summary form 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.