

ASX Announcement

10 December 2024

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## Update on Scheme with KKR

Perpetual Limited (Perpetual) (ASX:PPT) today provides the following update on the proposed acquisition by an affiliate of Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "KKR") of its Wealth Management and Corporate Trust businesses via a Scheme of Arrangement (Scheme).

Following ongoing and extensive engagement with the Australian Taxation Office (ATO), Perpetual has now received written views from the ATO in relation to the tax treatment of the transaction that inform Perpetual's updated assessment of the estimated net cash proceeds to shareholders, if the Scheme is implemented.

Perpetual has been informed by the ATO that section 45B of the Income Tax Assessment Act of 1936 would apply to the Scheme. This could mean that the entire cash proceeds on disposal of the TopCo shares would be deemed to be an assessable unfranked dividend for shareholders and taxed at the applicable rate for each shareholder.

In addition, the Commissioner has declined to provide Perpetual with a binding ruling that Part IVA will not apply and has also indicated that it cannot rule out that it will apply Part IVA. If it were to apply, the assessed primary tax liability for Perpetual is estimated to be A\$488 million, without including any additional penalties and interest<sup>1</sup>. This would mean that the previously advised range in respect of taxes and duties, announced on 29 August 2024, of between A\$106 million and A\$227 million, is now estimated to be between A\$493 million and A\$529 million and the estimated cash proceeds to shareholders for the transaction would reduce from A\$8.38 to A\$9.82 per share as previously communicated, to A\$5.74 to A\$6.42 per share<sup>2</sup>.

Perpetual is extremely disappointed and disagrees with the Commissioner's views. Based on strong advice from relevant tax experts, including Senior Counsel, and following extensive Board testing and consideration, Perpetual continues to be of the view that the provisions should not apply. In Perpetual's assessment of the Scheme, it noted numerous previous scheme transactions that had been undertaken in a similar manner.

The Scheme proposed, including the expected tax consequences, is broadly consistent with the structures proposed by two previous bidders. Each potential transaction was proposed with the support of professional advisors. Moreover, these earlier proposals and the Scheme

<sup>1</sup> The additional penalties and interest could be 50% or more of the primary tax.

<sup>2</sup> The estimated net cash proceeds reflect Perpetual's current knowledge and understanding and is based on a number of assumptions, including tax and duties, transaction and separation costs, debt and net debt adjustments. The estimate is subject to further work and may be revised further.

were consistent with previous transactions involving a demerger and sale of a listed parent company, which had been accepted by the ATO.

Perpetual considers it has strong grounds to dispute this position. However, to do so, Perpetual would need to withhold sufficient funds to cover the ATO's asserted corporate tax liability amount from any shareholder proceeds under the Scheme until completion of that process, which would be protracted, would only commence once Perpetual was assessed and there would be no certainty of the outcome.

Perpetual and KKR are engaging to consider the potential impact on the transaction.

### **Business update**

In the first quarter of FY25, Asset Management's assets under management (AUM) increased by 3%<sup>3</sup> to A\$222.3 billion, Corporate Trust grew funds under administration by 1%<sup>3</sup> to A\$1.2 trillion and Wealth Management's funds under advice grew 3%<sup>3</sup> to A\$20.4 billion. Each business continues to deliver benefits to Perpetual's shareholders. Since the start of the second quarter of FY25, Corporate Trust and Wealth Management have continued their strong performance trajectory and Asset Management has delivered growth in AUM<sup>4</sup>.

Perpetual is continuing to progress and finalise the current internal separation program to establish each of Perpetual's businesses as discrete, independent businesses, with more accountability, which it continues to believe is in the best interests of shareholders. The Scheme remains subject to the satisfaction of a number of conditions precedent. Should the transaction not proceed, Perpetual's shareholders would continue to benefit from the financial stability and diversification provided by the Group's three strong businesses, as well as significant cost reduction opportunities across the Group that align with its recently announced simplification program for the business.

Shareholders are not required to take any action at this time. Perpetual will keep the market informed in line with its continuous disclosure obligations.

BofA Securities and Goldman Sachs are acting as financial advisers on the transaction. Luminis Partners is acting as independent adviser to the Board of Perpetual. Herbert Smith Freehills is acting as legal adviser to Perpetual.

-ENDS-

This announcement was authorised for release by the Board of Perpetual Limited.

### **Contacts**

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<sup>3</sup> Compared to 4Q24.

<sup>4</sup> As at 31 October 2024.

## About Perpetual Group

Perpetual Limited (Perpetual Group) is an ASX listed (ASX:PPT) global financial services firm operating a multi-boutique asset management business, as well as wealth management and trustee services businesses.

Perpetual Group owns leading asset management brands, including Perpetual, Pental, Barrow Hanley, J O Hambro, Regnan, Trillium and TSW.

Perpetual Group's wealth management business services high-net-worth clients, not for profits, and private businesses through brands such as Perpetual Private, Fordham and Jacaranda Financial Planning.

Perpetual Group's corporate trust division provides services to managed funds, the debt market and includes a growing digital business, encompassing Laminar Capital.

Headquartered in Sydney, Perpetual services its global client base from offices across Australia, as well as internationally from Asia, Europe, the United Kingdom and the United States.

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