ASX Announcement

Perpetual releases Transformation 2015 strategy to achieve vision of becoming Australia's largest independent wealth manager of choice

- Simplify operating and cost structure, refocus on areas of competitive advantage and leverage existing core businesses for new growth
- $50 million of pre-tax annualised run-rate cost reductions in FY15, equal to 18% of FY12 normalised cost base
- Selling PLMS – sale process well advanced
- Industry-leading investment management capabilities unaffected
- FY12 UPAT[i] expected to be $63 - $67 million
- FY12 statutory NPAT[ii] expected to be $22 - $29 million - includes Transformation 2015 costs of $25 - $28 million after tax
- New and smaller leadership team and Transformation Office established to execute changes
- Reduction in non-executive director remuneration

25 June 2012

Geoff Lloyd, CEO and Managing Director of Perpetual Limited (Perpetual), today announced the outcome of a comprehensive strategic review of the Company's operations.

Over the next three years, Perpetual will embark on a transformation strategy that will significantly simplify its corporate structure, refocus its operational activities and capture new opportunities for growth. The Company will be reshaped as a large independent boutique wealth manager that will best leverage its leading position in Australia's financial services market place.

Mr Lloyd said: "Perpetual is a company with significant capabilities and heritage. We have been trusted by our clients for generations throughout our 125-year history. We are well positioned in an industry that is experiencing long-term structural growth, together with increased demand for quality independent advice and superior investment returns. This strategy simplifies the Company's operating and cost structure, refocuses on areas of competitive advantage and leverages existing core businesses for new growth."

Mr Lloyd said the transformation strategy was the result of a careful and in-depth assessment of the issues, challenges and opportunities Perpetual is facing. Even though short-term market and macroeconomic conditions have influenced investor sentiment and profit, the future is compelling for Perpetual. "We needed to take an honest look at our business and it was clear our operating model was not sustainable and our operational structure not optimal," he said.

"Since becoming the CEO in February this year it has become clear to me that Perpetual's rapid expansion over the last ten years has added unnecessary complexity. It is now time to shed that complexity and refocus on our core strengths.

"The program we are announcing today will deliver ongoing annual cost savings of $50 million pre-tax in FY15 through a program of asset sales and business reorganisation. These cost savings are equivalent to 18% of the FY12 normalised cost base[1]," Mr Lloyd said.

[1] Excluding PLMS

“Perpetual enjoys industry-leading investment performance and scale in asset management. We have a strong position in terms of client advocacy, capability and scale in the High Net Worth advice segment, and our refocused Corporate Trust business is a market leader. Transformation 2015 includes the Corporate Trust team focusing on corporate fiduciary services and an exit from administration activities.

“Transformation 2015 will deliver a leaner corporate centre, focused on supporting the business units and driving client initiatives. The program will enable us to extract more value from these recognised and unique attributes,” Mr Lloyd said.

Simplify, Refocus, Grow

The initial priority of the Transformation 2015 strategy is to achieve a simpler, leaner and more efficient corporate structure and refocus the company on activities where Perpetual has a substantial competitive advantage. These changes will enable Perpetual to identify and better exploit growth opportunities, namely leveraging its core businesses to expand its product suite and client offering. They will also position the Company very well to capture and leverage future opportunities.

Progress has already been made towards this objective over the past 12 months, with a $7 million or 3% reduction of the FY12 normalised cost base already realised by entering into an agreement with Wellington Management Company, LLP and closing the loss-making Dublin-based international share funds manufacturing capability. Additional activities Perpetual has completed include:

- Issued Requests for Proposals for potential IT outsourcing arrangements, with vendor negotiations nearing conclusion
- Sold the third party registry services business in Corporate Trust
- Launched the Improving Client Experience (ICE) program to outsource the portfolio and fiduciary administration services in Perpetual Private
- Launched its Super Wrap superannuation offer in Perpetual Private
- Sold the smartsuper SMSF administration services business
- Reorganised its investment product distribution function to focus on key clients and decision makers in the retail funds market
- Completed a $70 million off-market share buy-back for around 7.5% of shares on issue.

Today, Perpetual advised that it intends to sell Perpetual Lenders Mortgage Services (PLMS), its mortgage processing business, and confirmed a sale process is well advanced. As at 31 May 2012, PLMS employed around 280 full time equivalent roles (FTE).

Transformation 2015 will result in an additional reduction over the next two years of around 300 FTE.

Dedicated transformation function

Perpetual has created a Transformation Office to oversee the timely delivery of the program. “By bringing in-house the expertise required to execute this large change program, we will allow the businesses to maintain their focus on clients,” Mr Lloyd observed.

Board costs lowered

Perpetual’s Board completed a review of non-executive director fees and will be reducing overall board costs by approximately 30% ($0.5 million) from 1 July 2012. Within the 30% overall reduction, the Chairman’s remuneration will be reduced by 42%. Non-executive director remuneration including committee allowances will be reduced by an average of 25%.

Perpetual’s Chairman, Peter Scott, said: “When we appointed Geoff Lloyd as CEO in February, one of the key priorities agreed with him was to achieve a meaningful reduction in the Group’s cost base. In conducting the review, the Directors have taken advice from an independent external consultant to benchmark us against comparable companies and sought feedback from shareholders on what they consider to be an appropriate approach to remuneration.”

“The reductions to the board costs show that we are committed to a company-wide review to enable Perpetual to support a return to growth in value for shareholders,” Mr Scott concluded.

Extension and future growth opportunities

"These measures will provide the foundations for the implementation of more substantive growth initiatives once the business structure is simplified. A more focussed and streamlined organisation will be better able to implement new initiatives and capitalise on their development. Perpetual will update the market on the development of growth initiatives over the next two years," Mr Lloyd said.

In the immediate future, Perpetual will drive growth through extensions of its existing activities. Perpetual Private will continue executing on the previously announced 'Path to Growth' strategy by:

- Targeting segments by source of wealth from within the defined High Net Worth market, and
- Improving the penetration and the sale of risk products, philanthropic services and fiduciary services amongst its clients.

In Perpetual Investments, further product extensions are being developed, including:

- Extending the Company's relationship with Wellington Management Company, LLP to deliver a world class global fixed income capability for clients, complementing the existing arrangement in international share funds management;
- Recently launching the Pure Equity Alpha fund, an absolute return based strategy;
- Securing a mandate for its global resources strategy via an off-shore sub-advisory agreement; and
- Expanding its distribution for the Australian Share and Diversified Income Funds through inclusion on Colonial First State's FirstChoice platform.

In Corporate Trust, Perpetual has a significant market share with growth prospects in the rapidly growing covered bond market, with around 80% of the programs in that market to-date. The business aims to capture a significant share of new issuance in the next three financial years. It is also increasing its presence in the outsourced Responsible Entity market. Importantly, Corporate Trust will refocus on its fiduciary core services to financial institutions without the distraction of the administration service businesses.

Funds Under Management

Funds under management as at 31 May 2012 were $22.9 billion, compared to $23.7 billion as at 31 March 2012.

Outlook and Dividend

Perpetual's Underlying Profit After Tax (UPAT) for the 2012 financial year is expected to be $63 to $67 million. After taking into account $38 to $41 million in significant items for FY12, the majority of which are transformation related, Net Profit After Tax (NPAT) is expected to be $22 to $29 million or around 52 to 69 cents per share.[iii]

	1H12 Actual	FY12 Guidance
	$m	$m
Underlying profit after tax (UPAT)	**34.7**	**63-67**
Less significant items after tax:		
Transformation 2015		
• Restructure Costs		(12)-(14)
• IT asset impairments		(13)-(14)
Other restructure costs[(1)]	(10.2)	(11)
Other significant items[(2)]	(1.6)	(2)
Net profit after tax (NPAT)	**22.9**	**22-29**
Diluted Earnings per share (cents per share)	53.8	52-69

(1) Includes Dublin, retail distribution and marketing

(2) Includes loss on disposal and impairment of investments and gain on sale process

The Group has already paid an FY12 interim fully franked dividend of 50 cents per share and the final dividend for the 2012 financial year is not expected to be greater than 40 cents per share. This would be outside the range of the Company's stated policy to pay dividends between 80 and 100% of statutory NPAT on an annualised basis. However, the Board will consider the following factors in relation to the FY12 final dividend: the non-cash nature of some of the transformation implementation costs included in the significant items referred to above, the strength of the Company's balance sheet and the Board's confidence in the long-term future of the business.

Conclusion

"I'm confident in our vision to become Australia's largest independent wealth manager of choice. The Transformation 2015 strategy, which will simplify, refocus and grow the Company, is a turning point for Perpetual. Our unrivalled asset management performance, strong client advocacy and scale in High Net Worth personal advice, and our significant capability in corporate fiduciary services will underpin the Company's future successes for our clients and shareholders," Mr Lloyd concluded.

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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, go to www.perpetual.com.au.

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[i] **UPAT**: Underlying profit after tax attributable to equity holders of Perpetual Limited excludes certain items, as determined by the Company, that are either significant by virtue of their size and impact on statutory NPAT attributable to equity holders of Perpetual Limited, or are deemed to be outside normal operating activities. It reflects the Company's assessment of the result for the ongoing business of the Group. UPAT has been calculated in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 - Disclosing non-IFRS financial information.

[ii] **NPAT** Net profit after tax attributable to equity holders of Perpetual Limited

[iii] **This guidance assumes no other impairments**