ASX Announcement

Perpetual UPAT $67.6 million, Transformation 2015 On Track

- Impact of lower equity markets and outflows on UPAT partially offset by strong cost discipline
- FY12 statutory NPAT of $26.7 million reflects expenses associated with cost reduction and transformation programs
- IT infrastructure and applications outsourcing agreement signed
- Fully franked FY12 final dividend of 40 cents per share

30 August 2012

Perpetual Limited (Perpetual) today announced a statutory Net Profit After Tax[1] (NPAT) of $26.7 million and an Underlying Profit After Tax[2] (UPAT) of $67.6 million for the 12 months to 30 June 2012 (FY12). The NPAT result is at the upper end of the guidance range provided by the Company at the announcement of its Transformation 2015 strategy on 25 June 2012, while UPAT is slightly above the provided range.

The underlying profit performance reflects the impact of increased investor caution and lower equity markets on flows in the Australian funds management industry, but benefited from a number of initiatives implemented by the Company during the year, including a Group-wide cost reduction program, the exiting of a number of non-performing businesses, and lower variable remuneration expenses. Costs related to these initiatives, as well as after tax restructuring costs associated with Transformation 2015, were the main factors impacting NPAT[3].

The Board of Perpetual has resolved to pay a FY12 final fully franked dividend of 40 cents per share, resulting in total fully franked dividends of 90 cents per share for FY12.

Results Overview

Perpetual's CEO and Managing Director Geoff Lloyd noted that another period of weak market performance, with the All Ords index down 11% in FY12, had not helped demand for investment products and wealth advice. "While the environment remains difficult, I have made it clear previously that we do not intend to wait for markets to turn," Mr Lloyd said.

"We have implemented a significant cost reduction during the period and continued to work on driving growth in our businesses, but our overall performance in FY12 confirms the need for an accelerated and more fundamental change. The Transformation 2015 strategy, which will simplify and refocus our operations, sets out to achieve this and our delivery on its objectives is making good progress," he said.

IT Outsourcing Agreement

Perpetual today also announced the signing of an outsourcing agreement for its IT functions with Fujitsu Australia Limited. The partnership allows Perpetual to modernise its IT infrastructure and applications, and enables a number of service and capability improvements. The new structure will create a more variable cost base and deliver the IT cost savings included in the Transformation 2015 strategy. Stage 1 of the outsourcing process will occur in 2H13.

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Business Unit Overview

Subdued revenues at **Perpetual Investments**, in line with negative industry fund flows, led to a decline in profit before tax (PBT) in FY12 to $72.0 million. The result was supported by a significant reduction in total expenses in the business, by $33.2 million, as a consequence of a number of strategic initiatives executed during the year and lower variable remuneration.

Perpetual Investments exited the smartsuper self managed superannuation fund administration services business, closed its Dublin-based International Share funds manufacturing capability, and appointed Wellington Management Company, LLP (Wellington Management) to manage the funds. The business also revised its retail distribution operating model to enhance its focus on key clients and influencers in the retail funds market.

Mr Lloyd said: “The new retail distribution structure is fully operational. It improves our ability to put what continue to be consistently outperforming and industry-leading funds in front of decision makers. Early evidence of its impact are the strong rating we obtained for the Share Plus Fund and the inclusion of the Australian Share and Diversified Income strategies on one of Australia’s largest distribution platforms,” he said.

FY12 PBT for **Perpetual Private**, at $8.3 million, was down $5.0 million on FY11. The decline reflected the ongoing investment in the business (primarily in Project ICE, the modernisation of the business’ service offering) and subdued revenues as investors remained cautious.

During the period, Perpetual Private launched its new Super Wrap product and stepped up the penetration of new customer sub-segments, such as trustee services for native title trusts. Investment also continued in more diversified non-market related revenue streams such as investment placements, estate planning, life risk sales and financial plan fees. Margins on market related revenue improved from 91 to 95 bps[4] as a result of a review of product revenue structures.

“Perpetual Private is a quality business, but it has not been helped by an investor tendency to remain on the sidelines,” Mr Lloyd noted.

Corporate Trust’s FY12 PBT decreased by $4.1 million to $17.4 million. These figures do not include the contribution from its mortgage processing services business PLMS, which was sold after the end of the reported period in line with the objectives of Transformation 2015.

The main influence on the Corporate Trust result was the continued decline in revenue sourced by its Trust & Fund Services business from the RMBS[5] securitisation market, which remained largely closed during FY12. While the business was successful in attracting mandates in the new covered bond asset class, fees earned from it are significantly lower. These negative impacts were partially offset by a decrease in operating expenses as a result of strong cost discipline and reduced variable remuneration.

“Corporate Trust made good progress on cost control in FY12, lowering operating expenses by about $1 million,” Mr Lloyd said. “That discipline will be maintained in what is – following the PLMS sale – a much more purpose-driven business.”

Transformation 2015 Update

On 25 June 2012, Perpetual announced it would embark on a strategy to significantly simplify its corporate structure, refocus its operational activities and capture new opportunities for growth, dubbed Transformation 2015.

Simplify

Efforts to simplify the Company’s management structure and aggressively manage central costs have resulted in a significant reduction in FTE roles, from 1,480 as at the end of FY11 to 1,053 as at 1 August 2012[6].

Mr Lloyd’s new and smaller leadership team is taking shape, with Rebecca Nash already joining as Group Executive People and Culture. Mark Smith and Gillian Larkins, appointed as Group Executives Perpetual Private and Transformation Office respectively, will be joining in coming months, while an announcement regarding the Perpetual Investments Group Executive role is expected shortly.

“We need the right skills and experience to both run the business day-to-day and execute the transformation. The team we are assembling will bring these qualities, as well as their energy and passion, to Perpetual’s broader leadership team,” Mr Lloyd said.

Refocus

In addition to the stronger emphasis of Corporate Trust on corporate fiduciary services following the sale of PLMS and its third party registry services, the signing of the IT outsourcing agreement and the review of its unit registry operations will further enhance Perpetual’s focus on its core strengths.

In Perpetual Private, a realignment of the advice model is underway to commit more strongly to a limited number of targeted client segments and build services and capabilities specifically for these segments. Marketing for the Super Wrap offer launched in April will be stepped up as the full roll-out of the new platform offering in 2H13 nears. A designated project team has also been created to oversee the integration of Perpetual Investments’ and Perpetual Private’s investment capabilities.

“As a Group, we have the capability to build client-focused investment solutions that can then be distributed to targeted clients, whether they are institutional investors, independent financial planners, high net worth individuals, or fiduciary clients. We believe that we can enhance the quality of advice and at the same time deliver greater profitability,” Mr Lloyd observed.

Grow

Mr Lloyd also noted that the desire to grow the business by capturing new opportunities needed to be based on an honest assessment of where Perpetual’s competitive advantages are situated.

“In Perpetual Investments, we are recognised for our unrivalled performance, but we can’t be all things to all people. We will concentrate on selected, specialised areas of asset management. If we identify a need we cannot address ourselves, we will partner, as we did via the relationship with Wellington Management, first for international equity and more recently for global fixed income capabilities.

“The objective is to achieve model portfolio inclusions in core funds and grow funds under management in select satellite strategies, such as the recently launched Pure Equity Alpha product,” he indicated.

In Perpetual Private, a designated native title trusts team has been established to explore opportunities created by the recent trend to have a professional trustee manage native title royalty payment funds. The response to Perpetual’s services has been very positive, with three initial trust appointments totalling $40 million in FY12. With the appointment of a National Manager for Life Risk, Perpetual Private has also enhanced its ability to provide a life risk offer for its target segments.

“We are developing a truly differentiated and targeted high net worth offer, built around wealth advice, in which we have unrivalled scale and advocacy, but also incorporating new activities where we have a clear advantage,” Mr Lloyd said.

In the refocused Corporate Trust, growth is being pursued by profitably extending the services already provided by the business. Perpetual recently launched MARQ Services, a partnership with Oliver Wyman and Morgij Analytics that will provide data reporting and analytics services for Australian RMBS and covered bond markets, in which Corporate Trust already has a leading share as a trustee.

Next Steps

In concluding his overview, Mr Lloyd acknowledged the progress made during the reported period, but cautioned more needed to be done. “While first steps have been taken towards fundamental improvement in FY12, it was not sufficient to match the difficult environment our industry currently is in. We are attempting to control what we are able to control. We have strong credentials and capabilities, but we need Transformation 2015 to accelerate our progress and deliver permanent benefits for the Company and its shareholders,” Mr Lloyd said.

“Clearly, there is a significant task ahead for Perpetual. We must maintain our focus on the quality of the products and services we provide to our clients, and at the same time implement what we acknowledge to be fundamental measures to transform this Company and achieve our vision to be Australia’s largest independent wealth manager of choice,” he concluded.

Notes to this statement:

The information contained in this document should be read in conjunction with the Group's audited consolidated financial statements and associated notes, and the Management's Discussion and Analysis of Financial Condition and Results of Operations for FY12. Additional information is available on the Group's website www.perpetual.com.au.

1: Attributable to equity holders of Perpetual Limited
2: UPAT attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the Group as determined by the Board and management. 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. UPAT attributable to equity holders of Perpetual Limited has not been reviewed by the Group's external auditors, however the adjustments to NPAT attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been audited.
3: Cf. results summary and overview of significant items in attached Fact Sheet
4: Basis points (0.01 of 1%)
5: Residential mortgage backed securities
6: 1 August 2012 total excludes FTEs in discontinued operations (PLMS)

FY11 refers to the financial reporting period for the 12 months ended 30 June 2011
FY12 refers to the financial reporting period for the 12 months ended 30 June 2012
2H13 refers to the financial reporting period for the six months ending 30 June 2013

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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.

FACT SHEET

Full Year to 30 June 2012

Summary Group results

Period ended	FY11	FY12	FY11-FY12 change
Operating revenue ($m)	408.7	364.3	(11%)
UPAT ($m)	72.9	67.6	(7%)
Significant Items After Tax ($m)			
Gain/(loss) on sale/impairment of investments	3.5	(5.6)	
Impairment of assets	(14.7)	(12.5)	
Restructuring costs	(6.4)	(22.6)	
Gain on disposal of businesses	-	1.2	
Sale costs associated with PLMS	-	(1.4)	
EMCF gains	9.8	-	
Private equity proposal response costs	(3.1)	-	
Statutory NPAT ($m)	62.0	26.7	(57%)
Diluted Earnings per Share on NPAT (cents)	140.8	64.0	(55%)
Diluted Earnings per Share on UPAT (cents)	165.5	162.0	(2%)
Annualised Return on Equity (%, based on Statutory NPAT)	17.1	8.4	(870bps)
Annualised Return on Equity (%, based on UPAT)	20.1	21.3	120bps

- UPAT reflects impact of market declines and outflows on core revenues, partially offset by reduction in expenses, including lower variable remuneration, and sale of non-performing businesses
- NPAT reflects restructuring costs, including closure of Dublin, and loss on market-linked investments
- Off-market share buy-back completed in 1H12 increased UPAT-based return on equity over prior period

Movement in funds

At end of	FY11	FY12	FY11-FY12 change
Perpetual Investments Funds under Management ($b)	27.2	22.6	(17%)
Perpetual Private Funds under Advice ($b)	8.7	8.0	(8%)
Corporate Trust Funds under Administration ($b)	205.8	217.0	5%

- Flows continue to be impacted by investor caution, with funds industry returning to net outflows
- Corporate Trust FUA supported by covered bonds issuance, which now accounts for 11% of FUA

Business unit performance
Perpetual Investments financial summary

Period ended	FY11	FY12	FY11-FY12 change
Revenues ($m)	225.0	190.5	(15%)
Operating expenses ($m)	(131.0)	(107.3)	18%
Average revenue margin on FUM (bps)	78	78	-
Profit Before Tax ($m)	73.3	72.0	(2%)

- Subdued revenues offset by significant reduction in total expenses on back of cost initiatives
- Launch of Pure Equity Alpha long/short fund targeting absolute returns
- First offshore sub-advisory mandate FUA for Global Resources Fund strategy (ca. $60 million)

Perpetual Private financial summary

Period ended	FY11	FY12	FY11-FY12 change
Market related revenue ($m)	79.1	77.8	(2%)
Non-market related revenue ($m)	37.1	36.9	(1%)
Total revenues ($m)	116.2	114.7	(1%)
Operating expenses ($m)	(94.4)	(98.5)	(4%)
Profit Before Tax ($m)	13.3	8.3	(38%)

- Launch of new Super Wrap product as part of Project ICE in April 2012
- Continued investment in more diversified base of non-market related revenue streams
- Penetration of new customer sub-segments such as native title trusts, and increased focus on life risk offer

Corporate Trust financial summary

Period ended	FY11	FY12	FY11-FY12 change
Total revenues ($m)	57.2	52.0	(9%)
Operating expenses ($m)	(33.6)	(32.7)	3%
Profit Before Tax ($m)	21.5	17.4	(19%)

- Continued run-off of RMBS FUA partially offset by growth in lower margin covered bonds FUA
- PLMS sale completed on 1 August 2012.

Financial strength

At end of	FY11	FY12	FY11-FY12 change
Total equity ($m)	376.1	280.5	(25%)
Cash or cash equivalents ($m)	220.3	153.1	(31%)
Corporate debt to capital ratio (%)	10.7	13.8	310bps
Interest coverage (times)	40	46	
Net Tangible Assets per share ($)	4.50	3.23	(28%)

- Financial strength maintained following completion of $70 million off-market share buy-back
- Gross corporate debt maintained at $45.0 million - interest coverage well in excess of financial covenant requirements
- Net Tangible Assets per share lower as a consequence of buy-back

Transformation 2015 Update

Simplify

- Total FTE reduced by 29%, from 1,480 at end of FY11 to 1,053 as at 1 August 2012 (excluding discontinued PLMS operations)
- Formation of new leadership team in final stages of completion

Refocus

- Corporate Trust refocused on corporate fiduciary services following sale of PLMS and third party registry services
- IT outsourcing agreement signed
- Investigation of outsourcing options for unit registry operations
- Realignment of advice model in Perpetual Private underway
- Marketing for Super Wrap offer stepped up
- Creation of designated project team to oversee integration of Perpetual Investments' and Perpetual Private's investment capabilities

Grow

- Perpetual Investments: extension of relationship with Wellington Management to include global fixed income capability, launch of Pure Equity Alpha
- Perpetual Private: growth extensions targeted in native title trusts and life risk businesses
- Corporate Trust: targeting profitable growth through extension of existing services, launch of MARQ Services partnership with Oliver Wyman and Morgij Analytics