

1H12 Results for 6 months ended 31 December 2011

Geoff Lloyd
Managing Director & CEO

Roger Burrows
Chief Financial Officer

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Perpetual 

Disclaimer

Important information

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All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated. All references to Statutory NPAT, UPAT etc. are in relation to Perpetual Limited ordinary shareholders.

Note:

1H11 refers to the financial reporting period for the six months ended 31 December 2010

2H11 refers to the financial reporting period for the six months ended 30 June 2011

FY11 refers to the financial reporting period for the 12 months ended 30 June 2011

1H12 refers to the financial reporting period for the six months ended 31 December 2011

2H12 refers to the financial reporting period for the six months ending 30 June 2012

FY12 refers to the financial reporting period for the 12 months ending 30 June 2012

Agenda

- Group highlights Geoff Lloyd Managing Director & CEO
- Financials Roger Burrows Chief Financial Officer
- Key priorities Geoff Lloyd Managing Director & CEO

125 years of experience and performance - disciplined process - talented team

Managing for new capabilities; down net 98 FTEs, employment costs down 14% in 1H12

Drive existing growth strategy for each business unit

Perpetual Investments
Restructured Global equities approach
Exited smartsuper
Key hires in new capabilities
Restructured retail distribution approach

Perpetual Private Wealth
Project ICE
Developed new insurance capability
Significantly improved client advocacy

Perpetual Corporate Trust
Trustee of choice for new asset class in covered bonds
Productivity initiatives well progressed

Accelerating delivery across the entire Group

1. Refinement of growth strategy

2. Further meaningful cost reductions

3. Reinvigoration of sales and distribution

New initiatives – commencing immediately

Formed dedicated internal team to work with newly appointed international consulting firm to identify further cost reduction initiatives – commencing immediately

Formal evaluation of all existing IT arrangements commenced. Calling for RFPs for IT infrastructure, including hardware, networks and application software.

1H12 Overview

- **1H12 Statutory NPAT \$22.9m (1H11: \$35.0m; 2H11: \$27.0m)**
 - \$10.2m restructuring costs
 - \$2.2m loss on market-linked investments
 - \$0.6m gain on disposal of smartsuper

- **1H12 UPAT \$34.7m (1H11: \$41.0m; 2H11: \$31.9m)**
 - Market-linked revenues adversely impacted by 11% decline in average All Ords relative to 2H11; offset by:
 - Reduction in expenses and exit from non-performing activities; and
 - Reduction in equity remuneration expense in relation to various performance based hurdles

- Completed \$70m off-market share buy-back for 7.5% of shares on issue at \$20.90 per share

- FY12 interim dividend 50 cps fully franked (FY11 interim: 95 cps f.f; FY11 final: 90 cps f.f)

Reconciliation of UPAT to Statutory NPAT can be found on page 21

Off-market share buy-back in 1H12 increases return on equity and enhances FY12 interim dividend level

For the period ended	1H11 \$m	2H11 \$m	1H12 \$m	1H12 v 1H11	1H12 v 2H11
Underlying profit after tax (UPAT)	41.0	31.9	34.7	(15%)	9%
Significant items	(6.0)	(4.9)	(11.8)		
Statutory Net profit after tax (NPAT)	35.0	27.0	22.9	(35%)	(15%)
Diluted EPS on Statutory NPAT (cps)	80.1	60.8	53.8	(33%)	(12%)
Diluted EPS on UPAT (cps)	93.9	71.8	81.5	(13%)	14%
Annualised ROE on UPAT (%)	22.6	17.4	21.6	(100bps)	420bps
Dividend fully franked (cps)	95.0	90.0	50.0		

Reconciliation of UPAT to Statutory NPAT can be found on page 21

Perpetual Investments – expense initiatives offset impact of lower investment markets

For the period ended	1H11 \$m	2H11 \$m	1H12 \$m	1H12 v 1H11	1H12 v 2H11
Revenue	112.8	112.2	99.1	(12%)	(12%)
Operating expenses	(65.2)	(65.8)	(55.2)	15%	16%
EBITDA ⁽¹⁾	47.6	46.4	43.9	(8%)	(5%)
Depreciation and amortisation	(2.7)	(2.7)	(2.0)	26%	26%
Equity remuneration expense	(6.8)	(8.5)	(4.2)	38%	51%
Profit before tax	38.1	35.2	37.7	(1%)	7%
Margin on revenue (%)	34%	31%	38%	400bps	700bps
Closing FUM (\$b)	27.5	27.2	22.9	(17%)	(16%)
Average FUM (\$b)	27.5	28.0	24.3	(12%)	(13%)
Average revenue margin (bps)	79 bps	77 bps	79 bps	-	2bps

Key themes:

- Revenue margins remain strong
- Appointed Wellington Management as manager to International Share Fund and closed Dublin
- Sold smartsuper
- Increasing capability through new hires across asset classes to deliver new products
- New Retail Distribution model focused on key clients and influencers
- Secured offshore sub-advisory role for Global Resources Fund strategy

(1) EBITDA represents earnings before financing costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense and significant items

Perpetual Investments delivers superior returns across all asset classes

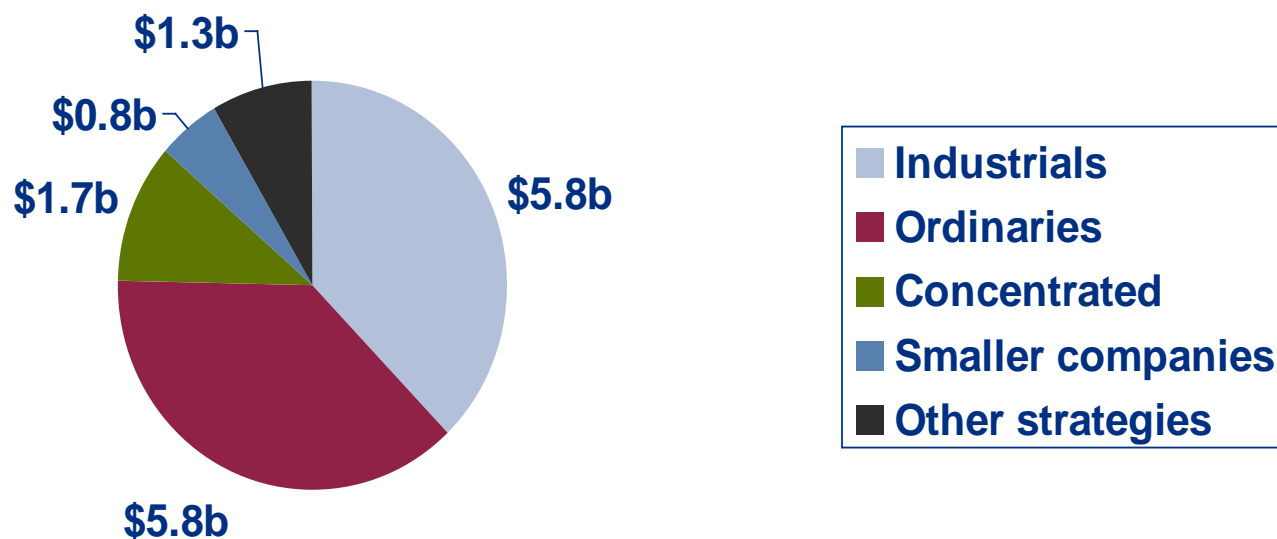
% Excess/(under) performance p.a. – gross as at end December 2011

Period	Industrial Share Fund	Australian Share Fund	Smaller Companies Fund	Concentrated Equity Fund	Global Resources Fund	Diversified Income Fund	Share Plus Fund	Ethical Share Fund	International Share Fund
1 year	+2.1	+5.9	+8.9	+7.9	+9.9	+1.6	+7.6	+6.7	+3.3
3 year	+2.5	+5.2	+9.6	+5.5	+13.7	+3.7	+6.4	+12.1	-1.8
5 year	+2.8	+3.8	+7.1	+5.0	+9.8	-0.8	+5.4	+4.3	+1.1

10 year performance: Industrial Share Fund +3.3%; Australian Share Fund +3.8%; Smaller Companies Fund +6.1%; Concentrated Equities Fund +4.8%.

Subject to rounding

A diversified portfolio across Australian equities



- Australian Equities FUM as at 31 December 2011 was \$15.4b (c.70% of total FUM of \$22.9b)
- Around 30% of FUM sourced from the institutional channel
- Around 70% of institutional FUM invested in the Ordinaries strategy

Private Wealth - well placed for accelerated growth

For the period ended	1H11 \$m	2H11 \$m	1H12 \$m	1H12 v 1H11	1H12 v 2H11
Market related revenue	39.4	39.7	38.4	(3%)	(3%)
Non-market related revenue	17.5	19.6	18.4	5%	(6%)
Total revenues	56.9	59.3	56.8	0%	(4%)
Operating expenses	(45.1)	(49.3)	(48.4)	(7%)	2%
EBITDA ⁽¹⁾	11.8	10.0	8.4	(29%)	(16%)
Depreciation & amortisation	(3.0)	(3.3)	(3.1)	(3%)	6%
Equity remuneration expense	(1.1)	(1.1)	(0.4)	64%	64%
Profit before tax	7.7	5.6	4.9	(36%)	(13%)
Margin on revenue (%)	14%	9%	9%	(500bps)	-
Closing FUA (\$b)	8.8	8.7	8.1	(8%)	(7%)
Average FUA (\$b)	8.5	8.8	8.2	(4%)	(7%)
Average margin (bps)	93	90	94	1bps	4bps

Key themes:

- Maintained good margin on FUA
- Increasing contribution from non-market related revenue through wider customer penetration
- Significant improvement in client advocacy
- Project ICE implementation progressing
- New hires in non-market revenue streams
- Delivery of new Super Wrap to clients in late 2H12

(1) EBITDA represents earnings before financing costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense and significant items

Corporate Trust - maintaining our leading position

For the period ended	1H11 \$m	2H11 \$m	1H12 \$m	1H12 v 1H11	1H12 v 2H11
Trust and Fund Services	26.9	27.6	24.9	(7%)	(10%)
Mortgage Services	25.4	17.3	17.8	(30%)	3%
Total revenues	52.3	44.9	42.7	(18%)	(5%)
Operating expenses	(35.4)	(32.7)	(31.9)	10%	2%
EBITDA ⁽¹⁾	16.9	12.2	10.8	(36%)	(11%)
Depreciation & amortisation	(1.3)	(1.9)	(1.8)	(38%)	5%
Equity remuneration expense	(0.3)	(0.3)	0.3	200%	200%
Profit before tax	15.3	10.0	9.3	(39%)	(7%)
Margin on revenue (%)	29%	22%	22%	(700 bps)	-
Closing FUA (\$b)	209.4	205.8	205.7	(2%)	-
PLMS matters ('000s)	131	108	120	(8%)	11%

Key themes:

Trust & Fund Services

- New issuance keeps FUA stable but new business at lower margins due to client mix
- Appointed trustee on three out of the four covered bond programs
- Regulatory change and enhanced marketing efforts benefiting Funds Services

Mortgage Services

- 1H12 volume benefits from seasonal pick-up in mortgage activity
- Productivity initiatives contribute to lower operating expenditure

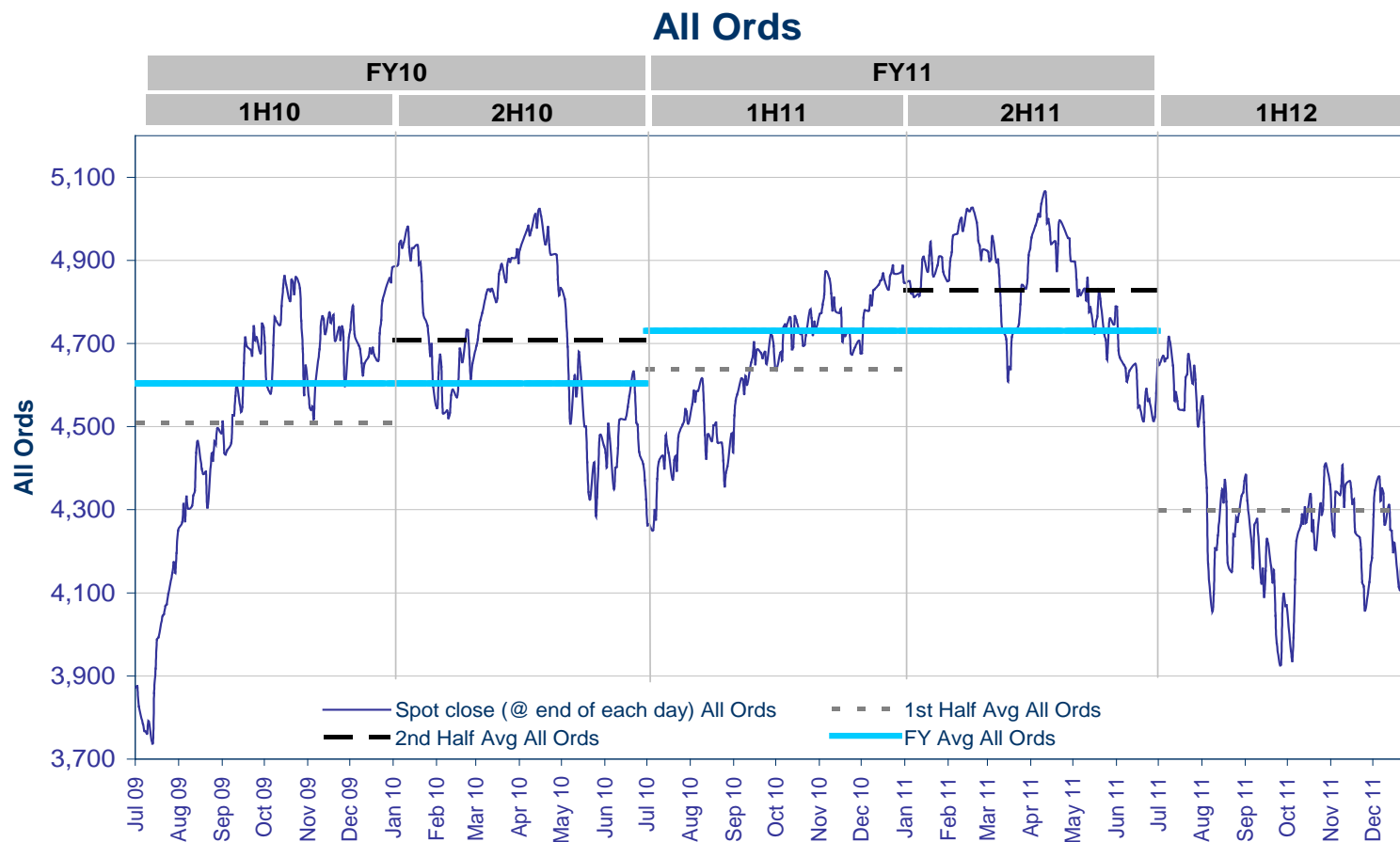
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FINANCIALS

Roger Burrows
Chief Financial Officer

Perpetual 

1H12 - Challenging operating environment, with average All Ords down 11%

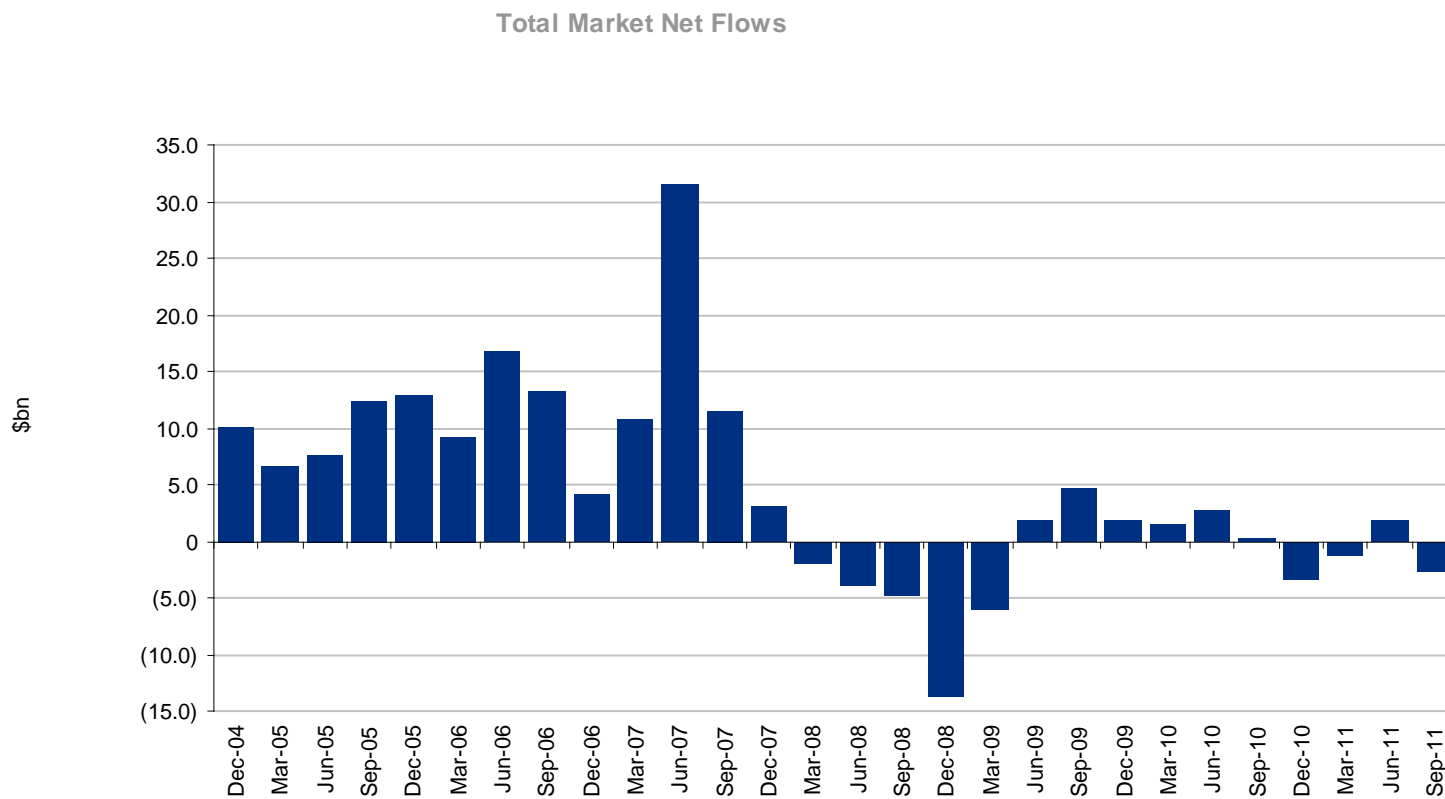


**AS AT 31 DECEMBER 2011, A 1% MOVEMENT IN THE ALL ORDINARIES INDEX CHANGES
ANNUALISED REVENUE BY APPROXIMATELY \$1.5M-\$2.0M**

All Ords refers to the S & P / ASX All Ordinaries Price Index



Funds industry returned to net outflow



Source: Plan for Life September 2011

Perpetual Investments FUM impacted by net flows and decline in Australian equity market

At end of	1H11 \$b	2H11 \$b	Net Flows \$b	Other ⁽¹⁾ \$b	1H12 \$b
Institutional	8.3	8.7	(1.7)	(0.3)	6.7
Intermediary (master fund and wrap)	13.1	12.6	(0.8)	(0.7)	11.1
Retail	6.1	5.9	(0.5)	(0.3)	5.1
All channels	27.5	27.2	(3.0)	(1.3)	22.9
Australian equities	19.1	18.7	(2.0)	(1.3)	15.4
Global equities	1.3	1.0	(0.1)	-	0.9
Equities	20.4	19.7	(2.1)	(1.3)	16.3
Cash & fixed income	5.8	6.0	(0.8)	0.1	5.3
Other	1.3	1.5	(0.1)	(0.1)	1.3
All asset classes	27.5	27.2	(3.0)	(1.3)	22.9

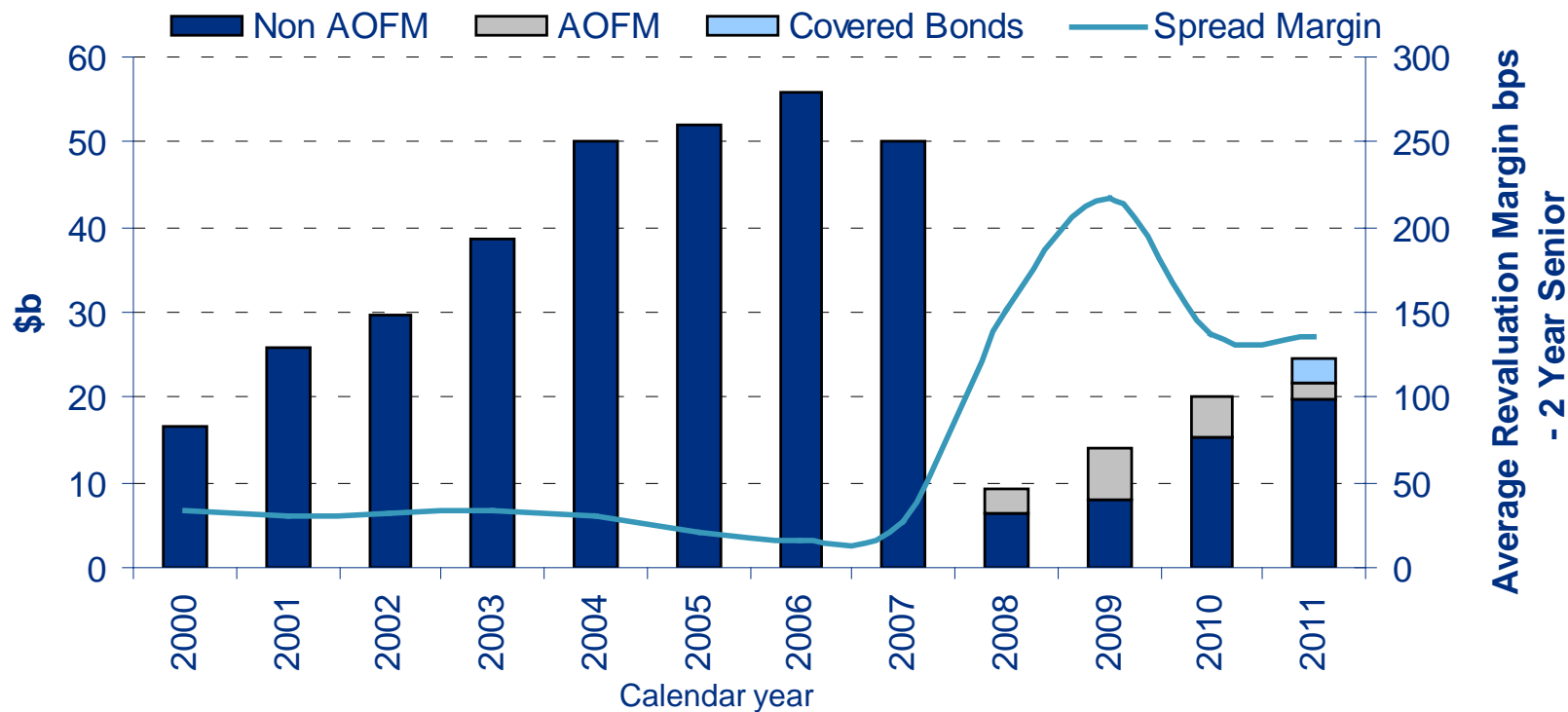
(1) Includes reinvestments, distributions, income and change in market value

Private Wealth FUA delivers good revenue margins but client sentiment affecting implementation of their financial plans

At end of	1H11 \$b	2H11 \$b	Net flows \$b	Other ⁽¹⁾ \$b	1H12 \$b
Financial advisory:					
▪ Superannuation	3.5	3.5	(0.1)	(0.1)	3.3
▪ Non-superannuation	2.3	2.2	-	(0.2)	2.0
	5.8	5.7	(0.1)	(0.3)	5.3
Fiduciary services:					
▪ Philanthropic	1.2	1.2	-	(0.1)	1.1
▪ Trusts and estates	1.8	1.8	(0.1)	-	1.7
	3.0	3.0	(0.1)	(0.1)	2.8
Total funds under advice	8.8	8.7	(0.2)	(0.4)	8.1

(1) Includes reinvestments, distributions, income and change in market value

Corporate Trust FUA received boost from new covered bonds asset class



Source: www.aofm.gov.au; S&P, Macquarie Bank and Perpetual

Continue to make progress on costs

For the period ended	1H11 \$m	2H11 \$m	1H12 \$m	1H12 v 1H11	1H12 v 2H11
Operating revenue	227.1	221.6	202.4	(11%)	(9%)
Operating expenses	(150.6)	(154.9)	(139.9)	7%	10%
EBITDA ⁽¹⁾	76.5	66.7	62.5	(18%)	(6%)
Depreciation & amortisation		(8.3)	(7.5)	(1%)	10%
Equity remuneration expense	(7.4)	(10.1)	(4.3)	49%	57%
	(8.4)				
EBIT	60.7	48.3	50.7	(16%)	5%
Interest expense		(2.0)	(1.3)	19%	35%
	(1.6)				
UPBT	59.1	46.3	49.4	(16%)	7%

Key themes:

- Revenue down in 1H12 due to lower equity markets and FUM outflows
- Good progress on costs to counteract reduced revenue
- Exited Dublin and smartsuper and restructured Retail Distribution and Marketing
- Equity remuneration expense lower in 1H12 due to reduced likelihood of some LTIs vesting

(1) EBITDA represents earnings before financing costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense and significant items

14% decline in employment costs is key driver of reduction in 1H12 Group expenses

For the period ended	1H11 \$m	2H11 \$m	1H12 \$m	1H12 v 1H11	1H12 v 2H11
Employment					
- Operating expenses	108.9	107.6	96.7	11%	10%
- Equity remuneration expense	8.4	10.1	4.3	49%	57%
Total employment	117.3	117.7	101.0	14%	14%
Occupancy	10.4	10.5	10.4	0%	1%
Administration & general	36.7	43.3	39.0	(6%)	10%
Interest	1.6	2.0	1.3	19%	35%
Other intangibles	2.0	1.8	1.3	35%	28%
Total expenses	168.0	175.3	153.0	9%	13%

FTEs at end of 1H12 down 13% and 7% on 1H11 and 2H11 respectively

At end of	1H11 FTEs	2H11 FTEs	1H12 FTEs	1H12 v 1H11	1H12 v 2H11
Perpetual Investments	253	238	149	41%	37%
Private Wealth	407	370	404	1%	(9%)
Corporate Trust	510	441	430	16%	2%
Shared & Support services	410	431	399	3%	7%
Total FTEs	1,580	1,480	1,382	13%	7%

Key themes:

- Perpetual Investments reflects Dublin closure, sale of smartsuper and Retail Distribution restructure
- Private Wealth reflects contractors for Project ICE
- Corporate Trust reflects lower PLMS activity and improved productivity
- Operations FTEs at end of 1H12 were around 70% of Shared & Support FTEs

Shared & Support Services includes CEO Group, Group Finance, Group Risk, People & Culture, Operations (Business Technology, Retail Custody and Registry), Marketing, Group Legal, Group Company Secretariat and Board

Statutory NPAT includes actions taken to improve future performance

For the period ended	1H11 \$m	2H11 \$m	1H12 \$m	1H12 v 1H11	1H12 v 2H11
UPBT	59.1	46.3	49.4	(16%)	7%
Tax expense	(18.1)	(14.4)	(14.7)	19%	(2%)
UPAT	41.0	31.9	34.7	(15%)	9%
Restructuring costs	-	(6.4)	(10.2)		
Profit/(loss) on investments	1.6	1.9	(2.2)		
Gain on disposal of business	-	-	0.6		
EMCF gains	6.0	3.8	-		
Impairment of intangible assets	(10.6)	(4.1)	-		
Private equity proposal response costs	(3.0)	(0.1)	-		
Statutory NPAT	35.0	27.0	22.9	(35%)	(15%)

Key themes:

- Restructuring costs include \$8.9m for Dublin closure
- Further charge for FCTR in 2H12
- Balance of restructuring costs for Retail Distribution and Marketing
- \$2.2m loss on investments in 1H12 due to impact of lower equity markets on seed funds
- EMCF1 now reported in UPAT (1H12=\$1.3m after tax)

Financial strength provides flexibility – continued de-risking of the balance sheet

At end of	1H11 \$m	2H11 \$m	1H12 \$m
Total equity	371.8	376.1	290.0
Less: Intangibles ⁽¹⁾	(170.6)	(175.2)	(167.7)
Net tangible assets	201.2	200.9	122.3
Net tangible assets per share	\$4.56	\$4.50	\$2.91
Corporate debt	\$45.0m	\$45.0m	\$45.0m
Corporate debt to capital ratio	10.8%	10.7%	13.4%
Interest coverage	48x	33x	48x
Cash & Liquid investments	\$232.1m	\$274.0m	\$165.4m
EMCF assets	\$1.0b	\$0.9b	\$0.8b
Structured Products	\$160.1m	\$151.1m	\$116.4m
Risk-based capital coverage ratio	1.36x	1.82x	1.11x
Cash flow from operations	\$25.1m	\$89.4m	\$9.5m

Key themes:

- Risk based capital coverage now 1.1x – includes inbuilt capital conservation buffer
- Continue to run off EMCF1 and PPI risk assets
- Gearing still remains conservative at 13.4%
- Interest coverage remains strong at 48x
- Effect of \$70m off-market share buy-back reflected in NTA and Cash & Liquid Investments
- Group liquidity remains strong
- Operating cash flow typically skewed to second half of financial year

(1) Intangibles comprise intangible assets plus deferred tax assets less deferred tax liabilities

Risk based capital coverage ratio reflects decrease in risk assets and share buy-back

At end of	1H11 \$m	2H11 \$m	1H12 \$m
Liquid assets	201	242	138
Risk based capital	148	133	124
Coverage ratio	1.36x	1.82x	1.11x

Liquid assets = cash + 50% of liquid investments (excluding non-controlling interest in seed fund investments)

FY12 interim dividend of 50 cps fully franked in line with dividend policy

For the period ended	1H10	2H10	1H11	2H11	1H12
UPAT EPS (cps)	85.1	84.1	93.9	71.8	81.5
UPAT ROE (%) annualised	22.9%	20.6%	22.6%	17.4%	21.6%
Statutory NPAT EPS (cps)	115.0	95.6	80.1	60.8	53.8
Dividend declared (cps) fully franked	105.0	105.0	95.0	90.0	50.0
Dividend payout ratio (%)	91%	110%	119%	148%	92.9%
Statutory NPAT ROE (%) (annualised)	30.9%	23.4%	19.3%	14.7%	14.2%

Key themes:

- FY12 interim dividend reflects lower 1H12 Statutory NPAT and no variation to dividend policy
- FY12 interim dividend payable 29 March 2012
- FY12 interim dividend DRP will be satisfied by acquiring shares on market. There will be no discount applicable to the Average Market Price
- In 2H12 statutory NPAT will include reclassification of FCTR non-cash loss re Dublin. As at end of 1H12 FCTR re Dublin was \$4.8m



KEY PRIORITIES

Geoff Lloyd
Managing Director & CEO

Perpetual 

Not waiting until market conditions improve to make further progress

Drive existing growth strategy for each business unit

Accelerating delivery across the entire Group

1. Refinement of growth strategy

2. Further meaningful cost reductions

3. Reinvigoration of sales and distribution

Formed dedicated internal team to work with newly appointed international consulting firm to identify further cost reduction initiatives – commencing immediately

Formal evaluation of all existing IT arrangements commenced. Calling for RFPs for IT infrastructure, including hardware, networks and application software.