

15 March 2011

## THE TRUST COMPANY COMPLETES ACQUISITION OF GUARDIAN TRUST FOR AUD31.6 MILLION (NZD42 MILLION)

Further to previous announcements, The Trust Company Limited (ASX: TRU) today announced that it has completed its acquisition of The New Zealand Guardian Trust Company Limited (Guardian Trust) following receipt of approval from the Overseas Investment Office (OIO) of New Zealand.

This acquisition represents a significant milestone on TRU's path to becoming the region's pre-eminent independent trustee. TRU CEO, Mr John Atkin, noted that "Guardian Trust is the leading trustee in New Zealand and is an excellent addition and fine complement to our existing business in Australia. The expanded footprint and cross-jurisdictional expertise provided from the Guardian Trust acquisition strengthens our service offering to all our clients, particularly international banks, fund managers and property groups."

### Commercial terms of acquisition

TRU has acquired Guardian Trust with commercial effect from 1 March when the parties entered into escrow settlement arrangements pending approval from the OIO.

TRU acquired Guardian Trust for AUD31.6 million (NZD42 million) at a multiple of less than 5 times Guardian Trust's forecast normalised EDITDA for 12 months ending June 2011. The acquisition is projected to be earnings per share (EPS) accretive from year one and will be paid for in cash in two instalments. The first instalment of NZD21 million was paid from existing cash reserves via an escrow facility on 1 March 2011 while the second instalment of NZD21 million will be payable on 30 June 2011 from cash reserves and, to the extent required, from a committed term debt facility.

### Guardian Trust – New Zealand's pre-eminent trustee

Guardian Trust is widely recognised as New Zealand's pre-eminent trustee with leading Corporate Clients and Personal Clients business lines. It employs approximately 200 staff in 14 locations across the North and South Islands of New Zealand, and boasts a well-credentialed senior management team led by Managing Director Mr John Botica. Mr Botica will continue in this role and the group will continue to trade under the name Guardian Trust in New Zealand, having been established under that name in 1882.

Guardian Trust brings with it assets under administration (AUA) of approximately AUD4.8 billion (NZD6.5 billion), including over AUD370 million (NZD500 million) in charitable funds and assets under supervision (AUS) of over AUD43 billion (NZD58 billion).

Full year 2011 revenues for Guardian Trust (as at 30 June 2011 and normalising out discontinued revenue streams) are forecast to be



approximately AUD27.4 million (NZD37.0 million) with net assets on completion projected to be AUD2.6 million (NZD3.5 million).

### **The Trust Company - FY11 operating results**

Preliminary management accounts indicate that TRU's operations pre-tax have performed strongly in the second half of FY11 and TRU has finished the year ended 28 February 2011 in line with guidance given in October. However, as previously noted and as required by accounting standards, the FY11 results will be impacted by acquisition expenses (non tax-deductible) of approximately AUD1.5m that will be charged to TRU's FY11 earnings.

### **Financial Outlook**

Over the last 12 months, TRU's Corporate Clients business has benefitted from the close integration of its Singaporean and Australian operations creating a market leading position in the rapidly growing MIT sector. In Singapore, TRU has also developed a growing position in the Corporate Bond Trustee business with new trustee appointments on market leading bond issues for Singapore Airlines and CapitaMalls Asia. The broader coverage provided with Guardian Trust's New Zealand business will further strengthen synergies and client relationships across the SE Asia region although the lower growth NZ market and the expiry of some significant mandates in Australia during the latter part of FY11 will temper FY12 growth in Corporate Clients.

Guardian Trust has a strong Personal Clients business, having implemented a significant restructuring of its operations over the last two years. Commenting on the benefits of the merger, John Atkin said, "Applying the client focused operating model adopted by Guardian Trust across our entire Personal Clients business should allow us, over time, to unlock the undoubted potential of that business and provide a more sophisticated international wealth management solution across the region. At the same time, the acquisition and consequent increased scale of our operations allows us to enjoy greater cost synergies from the introduction of new information systems across our expanded business platform in three countries thereby reducing servicing costs for our client base."

Notwithstanding the new income stream and the positive scale benefits and expanded footprint in the Personal Clients business from the acquisition of the Guardian Trust business, the FY12 results for Personal Clients will be affected by the absence of significant but non-recurring revenue from the capital commissions project in continuing estates which has boosted revenues in FY11. That project, essentially improved inventory management initiated in FY10, is now complete and the absence of that revenue will detract from the Personal Clients result in FY12.

Speaking about integrating the two businesses as his top priority for FY12, Mr Atkin cited the benefits he saw accruing to TRU from the strong cultural alignment between the two companies, the potential revenue synergies and the scale benefits as sources of significant optimism. "The

Guardian Trust staff are very excited to be joining a group whose core focus is the provision of professional trustee services. Our clients, not only in New Zealand and Australia but importantly the large Northern Hemisphere investment funds, have readily seen the rationale for the merger and are enthused by the opportunities it presents,” he said.

Mr Atkin added, “The strong contribution we expect from Guardian Trust will also be particularly welcome at a time when we are investing significantly in the transformation of our business. Having said this, we are very conscious of the need to ensure we capture for shareholders all the benefits coming from the acquisition, both on the revenue and cost side of the equation.”

TRU’s results for FY11 will be announced on 19 April 2011. Further details about the business of Guardian Trust and the acquisition will be provided at that time.

**ENDS**

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