



BT Investment Management Limited

2018 General Meeting

Friday, 27 April 2018

Chairman's address

James Evans

Group Chief Executive Officer's address

Emilio Gonzalez

Sofitel Sydney Wentworth

61-101 Phillip Street, Sydney

## ADDRESS BY CHAIRMAN, JAMES EVANS

In our 10 years since being floated out of Westpac, this Company has transformed. We have achieved standalone success and carved-out an independent reputation as a diversified global asset manager.

A culture of investment independence has attracted and retained the best talent and built trust and belief in our approach to investment for our clients. Looking to the future, it is a culture which the Board and Management feels is deserving of an independent name, and a brand identity of its own.

Our objective in this exercise has been to find a name and brand identity which supports our culture and which serves our reputation and builds our brand into an asset.

We wanted a name and identity which aligns to our business strategy and that delivers on its inherent benefits while minimising the relative risks.

I would like to stress to you that this is not a decision which has been taken lightly. The BT brand has a long and respected history in Australia. It is a strong brand which has served us well over the past decade. However, after extensive research and consultation across the business, which Emilio will speak to in further detail, the Board is convinced that a change is in the best interest of the business, and therefore in the best interest of our shareholders.

The BT brand is owned by Westpac and licensed to BTIM, and as many of you would know, Westpac has its own BT-branded business, BT Financial Group. A relevant factor in the timing of this decision is that the BT license is due for renewal later this year. And - as you will know Westpac has, over the past few years, significantly reduced its shareholding in BTIM to around 10 per cent, and has signalled an intention to sell its remaining stake sometime in the future.

The time has come for us to invest in a brand identity that reflects the independent global business we have built. We will be able to use our annual expenditure of \$1 million to \$1.5 million on license fees and committed marketing as part of the licensing agreement, to invest in an asset which we own.

The name we are proposing; Pandal – reflects our heritage, while we look to the future. When the BT investment management business had to establish a nominee company to hold the assets of its first client in 1971, it created “Pandal Nominees”. As the business grew, the substantial shareholder notices for the business were under the name of “Pandal Nominees” which the market knew was BT. The success of BT was signified through the growing presence of “Pandal Nominees” on Australian and overseas company share registers.

This name brings the history of success to the forefront of our story. It encapsulates our journey from the beginning through to the modern day – spanning our history since Bankers Trust. It is a name which

preserves the strengths, values and culture of our BT history, while giving us an independent identity that reflects the successful, international investment management company we've become.

The Board considers that it is time for the Company to establish its own identity. As I wrote in my letter to shareholders, we have come of age. The decision reflects the confidence the Board and Management have in this business and its future.

## **ADDRESS BY GROUP CHIEF EXECUTIVE OFFICER, EMILIO GONZALEZ**

Last year we celebrated a milestone for the Company being our tenth year since listing on the ASX and reflected on a decade of corporate history. Today we consider another important milestone - this time, one focused on its future.

We announced in March this year our intention to change the Company name to Pandal Group Limited.

The BT name and Westpac have been very important parts of our history. Over the ten years since being spun out of Westpac, we have evolved from a domestically focused funds management business to a global funds management company. During this time, Westpac has been a supportive shareholder and we have used the BT name – which is owned by Westpac and licensed to us.

When considering the name change, two key factors impacted the timing of this decision;

- Firstly, as you know, Westpac has sold down its majority shareholding, now holding approximately 10% of the business and;
- Secondly, the BT name license agreement is due for renewal later this year.

Against this backdrop, the Company has gone from strength to strength – building a reputation for strong, long-term investment performance and a boutique business model that attracts and retains the best investment talent. We are a strong, growing and independent company looking to the future. We now see that future as one which will be best served by developing our own name and our own brand.

I will outline for you today the three overarching considerations guiding this decision:

1. The opportunity;
2. The timing of the decision; and
3. The process.

### **Opportunity**

The Board and Management see an opportunity to create and own our brand equity. In the digital age, brand equity is increasingly recognised as a valuable asset, and it is unusual for a business of our size and success to not own its brand. We see the decision to adopt a brand name which we own as a strategic and a long-term investment which will, over time, add value for shareholders.

We see this as an opportunity to develop a brand identity which reflects our story and our value proposition. A name of our own which will:

- clarify our position and identity in the market;
- improve the impact of any marketing spend towards building our reputation;

- remove barriers to business created by market confusion between BTIM and BT Financial Group; and
- help create more direct alignment and enduring relations with employees and clients.

Of course, building a brand takes time as well as investment. But our track record gives me confidence that we have the people, commitment and structure to very quickly create, grow and define a clear market-leading investment brand.

### **The timing**

The other consideration is timing and 'why now?'. But the question I pose is: if not now, then when?

As I mentioned earlier, the BT name has been leased under agreement from Westpac, and that lease is up for renewal later this year. Part of the renewal process would be to commit for a further 5 years before another renewal is contemplated. This ongoing renewal process with no certainty in the long-term future is not ideal. The name is effectively borrowed and has an inevitable time horizon – whether it be 5 years or 50 years from now.

Then consider that Westpac is in the process of gradually selling down its stake in the Company. Consider this against the backdrop of enduring confusion between BTIM and Westpac's wholly owned BT Financial Group, which for many people have found it difficult to differentiate.

I believe the timing is right. The Company is in great shape, and we have confidence in our future. We are at a natural inflection point to adopt a brand identity that reflects our independence and success.

It is important to note that the change of name applies to the listed parent company and the Australian business only. The Group's offshore business, J O Hambro Capital Management Limited, will continue to operate under its existing name and branding. JOHCM has clients in the USA, UK & Europe, and Asia – with an established position in these markets and no compelling reason to change its name or brand at this point. However, its corporate branding will reflect that JOHCM is part of the Pandal Group.

### **The Process**

As the Chairman said, this decision was not taken lightly.

The process was fulsome and disciplined. We worked with a leading brand consultant, who has assisted developing some of Australia's most iconic brands, to not only consider what the right name should be, but how we should consider building our brand value and a strategy around that. The process involved input from key internal stakeholders in offices here and overseas, as well as deep engagement with the Board and senior management.

At the heart of the process was the need to develop a brand which resonates with our people, reflects our culture, and supports the future growth of the business, while also recognising our heritage.

This engagement project was a worthwhile exercise in that it helped us reinforce who we are as a company, and who we want to be; in order to build a brand that reflects and supports this. Through working sessions, participants brainstormed and narrowed in on key descriptors for our business. Words like independent, innovative, nimble, long-term, performance excellence, investment-led and integrity were key descriptors that resonated strongly across the business.

As the Chairman said, this process has not changed our culture – we are the same team of people, the same philosophy, the same company. But now, with the opportunity to create our own identity.

I believe the name – Pental - speaks to the integrity of this process; it is a name which reflects the values of our heritage, while positioning us for the future. If the name change is approved, we are committed to seamlessly managing the transition to make this a positive change experience for staff and clients.

We will continue to invest in our brand, but we do so knowing we are investing in an asset we own. Historically, we have spent between \$1.0 - \$1.5 million annually in licensing fees and committed marketing spend as part of the name licensing agreement. The range reflects that the license fee and the marketing commitment is linked to business revenue. On average it has been around \$1.3 million per annum which provides us with sufficient budget to continue to promote our brand without adding additional cost.

There is a one-off cost of around \$2.5 million to transition from the existing BTIM brand to Pental. This covers expenses such as:

- **legal & regulatory;** including the shareholder vote, fund name changes, trademarks and Product Disclosure Statements
- **the production of existing branded communications;** including the website, signage, new templates and stationary
- **systems changes;** such as re-coding systems where the BTIM logo resides, investment accounting and reporting
- **the project management** required to manage a successful roll out; and
- **an awareness campaign;** communicating the name to clients and customers involving additional marketing to be build recognition in the initial launch phase. This will involve a targeted marketing campaign directed at the key influencers of our fund flows; financial advisers and institutional investors, through industry publications and a digital strategy.

Ultimately, the success of the brand is based on how effectively it aligns to and delivers our business strategy; how well it activates and supports the culture that currently drives engagement, performance and preference; and how well it serves our reputation and builds our brand into an asset.

We believe that the Pandal name and its brand identity will become a valuable asset to the Company and that this name change is in the best interests of the future of the Company.