11 November 2019

Chairman's Address
David Evans

It gives me great pleasure to address you today as Chairman of Evans Dixon Limited at our company's second Annual General Meeting as a publicly listed company.

I would like to start by acknowledging that the financial year ending 30th June 2019 was challenging for you, our investors and staff. It has been a year of dedication and hard work by many and I believe we are now ultimately a stronger business as a result of the learnings and changes we have made.

Today I will take you through the achievements and challenges and then Peter Anderson our CEO will make some comments.

During the 2019 financial year the business delivered EBITDA of $37.1 million, consistent with the guidance we provided in May, and a full year dividend distribution of 8 cents per share.

The key achievements of the year included an increase in client numbers, funds under advice, funds under management and institutional equities market share.

We also saw:

- The successful integration of the Fort Street Advisers business; and
- Leveraged our solar expertise to raise our first internationally listed and institutionally backed fund, the US Solar Fund.

But I will not gloss over the challenges, they have been real and significant.

The share price performance of Evans Dixon over the period is of great disappointment to the Board and to the management and all of us at Evans Dixon. Several factors have contributed to this underperformance, including weaker financial performance relative to the prior year; concerns related to the performance of the US Masters Residential Property Fund (or URF); and industry-wide pressures arising from the Financial Services Royal Commission.

Firstly, on the financial services industry. The sector as a whole has been under significant scrutiny, and as a result, the Wealth Management and Advice markets are changing. Might I add, we think they are appropriate and important changes. While the growing compliance regime, along with increased educational requirements and insurance costs, are impacting productivity and profitability across the industry, ultimately, we believe the changes will benefit both clients and the sector. Given our long-term internal standards, we already meet, if not exceed the regulatory requirements – but we are cognisant that there are some additional pressures and costs for the business in the near term.

This year has also been a difficult 12 months for our US property business, URF, and contributed to disappointing returns for our Dixon Advisory clients. Your company's board and management are committed to restoring returns for clients and are closely monitoring the implementation of the strategy by the reinvigorated team leading the business.

Taking all these factors into account we made the decision to consider what we could be doing better in each of these areas and across the business.

To date we have:

1. Set an adjusted course in strategy for the business in these changing times;
2. Appointed new management to better implement strategy and arrest the decline in the security price of URF; and
3. Started implementing changes that will improve returns for investors.

These changes include a new management team:

- Peter Anderson was appointed CEO; and
- An executive search for a new CFO is well advanced.

Management has completed a Group-wide operational review, and implementation is underway.

- It focuses on delivering efficiencies and improving business integration; and
- Achieving significant cost savings, which Peter will talk to today.

With respect to the US Masters Residential Property Fund:

- New leadership is implementing the Responsible Entity's strategy to reduce leverage and close the share price to NAV gap; and

- There has been increased engagement with unitholders, namely monthly webinar updates and investor roadshows.

Finally, we are implementing opportunities to leverage greater financial and operational discipline across the business.

Many of these measures were initiated in the final weeks of the 2019 financial year and have already brought enhanced surety and confidence to the business.

Turning to the Group's financial performance in FY19. Our underlying EBITDA of $37.1 million was down 26% on a very strong FY18 year. The prior period saw a significant flow of transactions which led to the business outperforming prospectus forecasts by 18%. This level of activity was not sustained in FY19, impacting capital markets revenues in Wealth Advice and Corporate & Institutional and transaction-based fees in our Funds Management business.

Additionally, a significant investment in growth around the time of the IPO and increased regulatory and compliance costs led to an 8% increase in fixed costs. Addressing the cost base has been one of the priorities of the new management team and business efficiency will remain a strong focus moving ahead.

In August, we declared a 3 cents per share final dividend, resulting in a full year distribution of 8 cents per share. This was at the upper end of our stated target payout range, recognising the strength of our balance sheet and our commitment to providing income to our shareholders whilst we reset the business to a growth footing.

Despite the disappointing headline numbers and challenging environment, it is important to acknowledge that the core drivers of the Evans Dixon business, which as I mentioned at the start of my comments, continued to trend positively over the year.

- Wealth Advice grew its Funds under Advice by 10%, supported by good net client growth in the Evans & Partners business and stable client numbers in Dixon Advisory.
- Corporate and Institutional advised and executed on transactions worth nearly $15 billion and grew revenue by 22% as the acquisition of Fort Street Advisory delivered ahead of expectations.
- Funds under management grew 21% to $6.8 billion, supported by positive investment markets, but also some significant new fund launches, including our London listed US Solar Fund.

Once again, I would like to recognise and acknowledge the resilience and dedication of our wonderful staff. They have responded exceedingly well to a period of significant change. They continue to serve clients and, in turn, shareholders' best interests.

I am encouraged by management's progress and believe that the future for our business is positive. As we continue to address the challenges outlined, we have improved our processes and investment capability. With more collaboration, the investment skills and expertise evident in many parts of our business will be leveraged into our Investment Committee processes and be available for the benefit of all clients.

In a moment I will invite our new CEO Peter Anderson to talk about the future direction of the business, however before that, I would make the following comments from the Board's perspective.

We are delighted with the start Peter Anderson has made to restore value to shareholders and improve clients returns.

However, we also acknowledge the challenges and opportunities we face to deliver improved returns for shareholders.

As I have mentioned, Financial Services has become a more challenging sector. Higher costs and an evolving regulatory environment mean we will have to be more efficient and continue our focus on placing every client at the heart of what we do.

The current low interest rate environment provides opportunities, but challenges as well. For investors seeking strong yields, the prospects and opportunities have narrowed. Achieving the sort of investment returns that clients require will be a challenge in this climate. But success will contribute to the many reasons why our clients choose Evans Dixon.

More than ever, the protection of our client's wealth will need to be front of mind in this challenging environment.

Finally, I want to thank our loyal shareholders. I am acutely aware that the year we have delivered is not good enough. However, I hope you will see here today, and after Peter speaks, the changes and the determination to drive the improved returns that we all expect.

I will now hand over to our Chief Executive Officer, Peter Anderson.

CEO's Address

Peter Anderson

Thank you, David, and good morning ladies and gentlemen.

It's a pleasure to address you at my first AGM as Chief Executive Officer of Evans Dixon. I joined the Board of ED1 in April and I accepted the role of CEO just over two months later because I believe that Evans Dixon has a unique and attractive business proposition supported by a high calibre team of market leading investment professionals.

As David has noted and as we have all seen, the financial services sector has been subject to considerable scrutiny over the last 12 to 24 months. Notwithstanding this scrutiny and the resulting increase in regulatory activism and associated compliance costs, we believe there is a clear opportunity for financial services businesses that have a strong focus on their clients and provide a differentiated service offering to win market share.

We believe that there is a significant opportunity to better leverage the existing strengths and expertise across each of our business divisions for the benefit of all our clients.

We remain of the firm belief that our clients come to our firm to access the wealth of innovative and market leading financial and investment expertise available and we will continue to invest in that expertise to ensure our clients retain a broad range of investment options to suit their individual needs and circumstances.

As a proven trusted adviser, distributor, trader and manager of capital for individuals, institutions and corporates we believe Evans Dixon is well placed to succeed and grow in the current environment.

Importantly, Evans Dixon has a number of characteristics which mean it is well placed to improve its financial performance over the coming years. These include:

- a highly scalable Wealth and Funds management infrastructure;
- longstanding clients with strong loyalty to the firm;
- a base of recurring revenue business;
- exceptional depth and breadth of investment expertise; and
- a high quality team.

Other features which ensure that Evans Dixon is well-positioned to succeed in the post Royal Commission financial services environment include:

- a long-established fee for service advice model;
- high quality compliance, risk management and operating systems; and
- highly educated and qualified investment advisers.

Upon commencement in the CEO role, I led an operational review of the business at both the Group and Divisional level. This review involved senior management and included a critical assessment of the Group's business model followed by the development of strategies to stabilise the business, establish a platform for growth and, ultimately, implement longer term growth initiatives.

We looked at how capital was deployed across the business and the returns achieved. And sought to identify the shortcomings and the opportunities in each part of the business.

There were 2 key limbs to the resulting strategic framework under which all identified initiatives sit. Those were:

- Improved financial discipline. Which includes a firmwide focus on Return on Equity; and
- Enhanced integration of our business divisions to optimise operating leverage and resulting financial performance.

There now exists within each of our divisions a clearly articulated road map to follow which will ultimately lead to significantly improved financial performance.

- In Wealth Advice, we will leverage the strong advice platform and systems we already have in place tailored appropriately to take advantage of a changing industry framework.
- In Corporate & Institutional, we will drive improved collaboration between our corporate advisory and institutional equities business and leverage the strong client relationships across both businesses.
- In our Funds Management business, as with our Wealth business, we will look to leverage our existing infrastructure and strong investment performance and expertise by diversifying our distribution into new areas including IFA and institutional markets. The successful listing of our US Solar Fund on the London Stock Exchange earlier this year is an excellent example of this.

We acknowledge the disappointing performance of URF in recent years but are very pleased with the progress that newly appointed joint CEOs, Kevin McAvey and Brian Disler, have made in improving the operating performance of the fund in a short space of time.

Whilst dissatisfied with the performance of URF and acknowledging the Responsible Entity's commitment to improve the financial outcome for URF shareholders it is important to note that the majority of our investment products have performed very well over the medium term, to the benefit of our customers.

So what of progress to date in terms of implementation of the findings of the operational review?

Each division has a specific, detailed operating plan for management to implement. Management incentives will be determined by progress against the plan, amongst other qualitative measures.

We have closed non-core operations, including Dixon Projects in Australia, scaled back operations in the US as the URF renovation pipeline runs off, ensured that there is no duplication of support services as well as refined our non-customer facing activities.

These actions along with a number of other measures have allowed us to make significant expense reductions, which include reducing our headcount by 100 since April 2019 with minimal impact on customer facing operations. We will continue to implement further cost saving measures where possible. This includes rationalising our office space and extracting other unrealised cost synergies.

A key focus of the operational review is improving business integration and leveraging our strengths across the platform. We have already started to put in place forums and reporting structures to improve collaboration and the sharing of expertise and experience.

It is early days, but this process is underway, and I expect improvements, including in financial performance, will be more evident as the 2020 financial year progresses.

As mentioned earlier in my address, the sequencing of our key strategic objectives is to:

1. Stabilise the business, which I believe has largely been achieved;
2. Consolidate a platform for growth; and
3. Drive growth.

Our key focus for FY20 is the implementation of the business improvement opportunities identified by our operational review. I have outlined significant measures that have already taken place and multiple further initiatives will be undertaken over the balance of the financial year. These measures will lay the platform for the future growth of the business.

Improving the financial performance and capital structure of URF is also a key priority for our Funds Management division. Tomorrow we begin a comprehensive investor roadshow to report on the progress new management has made on the implementation of the URF strategy and what the future looks like for URF investors. I will be attending these sessions and look forward to reassuring investors of our commitment to URF unit holders.

I also plan to continue the increased engagement with clients, staff and shareholders which has been undertaken since I commenced as CEO in July.

As outlined at our recent results announcement, our current expectation is that the Group's FY2020 financial performance will be broadly in line with FY2019.

This assumes a continuation of stable market conditions and is predicated on our current assessment of the probability of success on a number of initiatives and transactions, but two months on from results, we believe this result is achievable.

In closing I would like to thank all of my Evans Dixon colleagues for their commendable commitment and devotion to the business and its customers over the last 12 months in the face of challenging and unsettling public scrutiny. I am confident that Evans Dixon has the right team in place to achieve the long-term objectives we have laid out for the business.

Thank you for your attendance today. It is a pleasure to see you here and I look forward to engaging further with you as we drive the business forward.

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About Evans Dixon Limited

Evans Dixon is an Australian Securities Exchange listed financial services group. Operating through the Evans & Partners, Dixon Advisory and Walsh & Company brands, Evans Dixon provides a diverse range of financial services. In Wealth Advice we service over 9,300 clients, representing over $20 billion in funds under advice. In Corporate & Institutional we are an advisor to many leading Australian institutions through the provision of research, corporate advisory, equity capital market and debt capital market services. In Funds Management, we manage $6.8 billion of assets across a diverse range of asset classes.