

EVANS DIXON

11 November 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam,

Evans Dixon Limited (ASX code: ED1) – 2020 Annual General Meeting (AGM)

The following announcements to the market are provided:

1. **Chairman and CEO Addresses**
2. AGM Presentation

Yours faithfully,



Paul Ryan
Chief Financial Officer & Company Secretary
(Authorising Officer)

**EVANS
DIXON**

Mayfair Building
171 Collins St
Melbourne VIC
Australia 3000
P +61 3 9631 9888

Level 15
100 Pacific Hwy
North Sydney NSW
Australia 2060
P 1300 852 017

Evans Dixon Limited
ACN 609 913 457

Chairman's Address

David Evans

FY20 delivered outcomes

This is our company's third Annual General Meeting as a publicly listed company. I and the non-executive directors of your board are conscious that our business has faced challenges since listing. During the year we have been actively addressing these challenges and specifically focusing on improving three key areas in our business. At the heart of all our decisions is strengthening the business to drive long-term value for our shareholders.

1. Governance was a priority. We have now completed firm-wide improvements in our company's corporate governance framework and practices. At the Board level, we increased the number of independent directors from 3 to 4 out of 5. Peter will speak to other governance improvements in a few minutes.
2. Secondly, we implemented a new senior management team beginning with the appointment of Peter Anderson as our CEO in July 2019. Following Peter's appointment, we made a number of other executive changes which Peter will also talk to in further detail in his CEO's address.
3. And finally, we focused on refining our business model, overseeing a significant change in strategy and operations to address legacy issues within the Dixon Advisory business and establish a sustainable base from which to grow.

FY20 result recap

While the global economy and community withstood extraordinary challenges, we had our own to meet. The 2020 financial year was a period of substantial transition for the business. The year was marked by the financial and operational challenges arising in the second half from the COVID-19 pandemic, which, combined with the deliberate business model transformation we have pursued, has led to a softer but relatively resilient financial performance.

Net revenue for the Group was down 10% compared to FY19, impacted by pandemic driven weaker second half revenues in E&P and Funds Management. The Group delivered underlying EBITDA of \$37.2 million for FY20, which is 16% lower than the prior year on a like for like basis when adjusting for the introduction of the new lease accounting standard AASB 16.

Underlying earnings per share was 5.9 cents, down 40% on FY19 reflecting the lower profitability and higher interest expense. Our balance sheet remains strong, with a cash position of \$37.6 million at 30 June 2020 and no debt. However, the softer result and high level of economic uncertainty prevailing at year end as a result of COVID-19 led to non-cash impairments to our balance sheet.

In light of this uncertainty, the board determined not to declare a final dividend to preserve liquidity until financial performance is more certain. As a result, dividends per share of 2.5 cents were 69% down on FY19. Importantly, the Board remains committed to an annual target dividend payout range of 75-85% of NPATA over the long term.

Pleasingly, while the 2020 financial year delivered an extraordinary set of challenges, many of the key underlying business drivers have remained resilient.



Mayfair Building
171 Collins St
Melbourne VIC
Australia 3000
P +61 3 9631 9888

Level 15
100 Pacific Hwy
North Sydney NSW
Australia 2060
P 1300 852 017

Evans Dixon Limited
ACN 609 913 457

- Funds under Advice at 30 June 2020 was flat compared to 12 months prior at \$20.1 billion, with largely stable total client numbers as modest client exits from Dixon Advisory were offset by growth in the Evans and Partners high net wealth client base.
- Second half revenue for E&P was significantly impacted by the COVID-19 pandemic as market volatility and reduced business confidence resulted in lower revenues from M&A and Capital Markets transactions. Overall, revenue in E&P was down 15% compared to FY19. The business has rebounded strongly in the early part of FY21 notwithstanding ongoing COVID-19 uncertainty and we are very confident of the growth potential of the E&P business.
- Our funds under management was down 1% compared to 30 June 2019 with growth in our institutionally focussed solar infrastructure business, US Solar Fund, and strong performances across core equities portfolios, offset by asset sales and portfolio write downs in URF.

Re-brand to E&P Financial Group Limited

As presented in Resolution 5 and subject to shareholder approval, the Group intends to re-brand to E&P Financial Group Limited.

The change of parent company name represents who we are as a business and is necessary to improve the market awareness of the Group's collective offering and increasingly align the current group of disparate trading brands. The change of name will improve the consistency of our messaging to investors and increase market awareness of the Company and its suite of products and services.

The decision to re-brand the parent entity is the logical next step following the successful consolidation of our Corporate Advisory, Institutional and Research businesses under the single unified E&P brand in FY20.

360 Capital takeover offer

Just after FY20 year end, 360 Capital joined the Evans Dixon register on 31 August 2020 and holds a 19.55% interest in the Company. 360 Capital communicated a desire to work with the Board and management of the Company to enhance returns to shareholders and, consequently, on 1 October 2020, the Company announced that the Board had invited Tony Pitt, Managing Director and largest shareholder of 360 Capital, to join the Board subject to shareholder approval at the upcoming AGM.

As previously communicated in our market release, 360 Capital Group subsequently made an unsolicited, unexpected and highly conditional offer to acquire via an off-market takeover all of the shares in Evans Dixon that it does not already own. We have not yet received 360 Capital's Bidder's Statement. As such, shareholders have been advised to take no action in relation to the offer from 360 Capital at this stage. We will provide further substantive information to shareholders once we have received the Bidder's Statement and assessed the terms of the offer.

As a result of the subsequent unsolicited, unexpected and highly conditional offer from 360 Capital received on 27 October 2020, the Board determined that it would be inappropriate for Mr Pitt to join the Board of the Company while the takeover offer is proposed or continuing as it would put Mr Pitt in a position of conflict between his obligations to 360 Capital Group and his obligations as a director to the Company. As a result, the Directors withdrew their support



Mayfair Building
171 Collins St
Melbourne VIC
Australia 3000
P +61 3 9631 9888

Level 15
100 Pacific Hwy
North Sydney NSW
Australia 2060
P 1300 852 017

Evans Dixon Limited
ACN 609 913 457

for the election of Mr Pitt to the Board of the Company. Yesterday 360 Capital withdrew its nomination of Mr Pitt for election as a director of the Company.

I also note that, as a pre-condition to making the offer, 360 Capital requires either the withdrawal of Resolution 6 or that Resolution 6 is voted on, but not passed, by shareholders today. The Board considers the Plan, which largely reflects the shareholder approved arrangement in place for the last 3 years and reflected in staff employment agreements as key to encouraging all employees to have a greater involvement in the achievement of the Group's objectives and to attract and retain employees essential for the continued growth and development of the Group. The Board does not intend to withdraw Resolution 6 from consideration today and will instead allow Shareholders to determine the outcome.

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



Mayfair Building
171 Collins St
Melbourne VIC
Australia 3000
P +61 3 9631 9888

Level 15
100 Pacific Hwy
North Sydney NSW
Australia 2060
P 1300 852 017

Evans Dixon Limited
ACN 609 913 457

CEO's Address

Peter Anderson

FY20 – a year of substantive change

Thank you, David, and good morning to our shareholders.

Shortly after I commenced in this role in July last year, the Evans Dixon senior management team and I undertook a comprehensive review of the operations of the Group. This review identified the need to make a number of strategic, governance and operational changes across the organisation to address significant legacy issues in the Dixon Advisory business and to establish a fully integrated groupwide operating platform from which to consolidate and grow.

This process included the restructure of our executive management team, including the appointment of Paul Ryan as Chief Financial Officer and James Wincott as Chief Risk Officer. These management changes were accompanied by important governance enhancements including the transition to an independent Responsible Entity, Walsh & Company, independently chaired by Stuart Nisbett, and the formation of a firm-wide Investment Committee, independently chaired by Patrick Farrell. We have also made important internal changes to ensure the appropriate separation of executive duties and reporting lines.

As mentioned, in addition to governance improvements, the operational review identified a number of key objectives to improve the performance of the business including the need for:

- a clearly articulated strategic plan to address legacy issues in the Dixon Advisory business and leverage the core strengths of the broader Group;
- improved integration and efficiency;
- and improved financial discipline.

Our resulting firm-wide cost review saw a reduction in Group headcount of 22% across FY21 and material cost savings. We have also rationalised or closed non-core operations allowing us to focus on driving value from our core business strengths and to fully integrate our operating divisions.

Through FY20 we completed a series of phase one initiatives in each operating division.

We are well progressed in building a single integrated Wealth business. This involves merging our Evans & Partners and Dixon Advisory teams onto an integrated, scalable platform with a shared infrastructure and advice framework. The improved integration and efficiency across Wealth has helped us further focus on how to best service our clients and we are committed to continued investment in our advice systems, compliance and risk management.

The newly established firm-wide, independently chaired Investment Committee that replaced the previously distinct Evans & Partners and Dixon Advisory committees has been embraced by clients and staff as we are able to leverage industry expertise across the Group and provide the highest level of investment recommendations to clients.

The establishment of Evans & Partners Retail Wealth Management has also been positively received and allows us to further leverage the scalability of the advice business by specifically targeting the mass affluent wealth advice market which is being vacated by many of our competitors.



Mayfair Building
171 Collins St
Melbourne VIC
Australia 3000
P +61 3 9631 9888

Level 15
100 Pacific Hwy
North Sydney NSW
Australia 2060
P 1300 852 017

Evans Dixon Limited
ACN 609 913 457

Funds Management has been restructured to deliver a sustainable long-term model.

Importantly our Funds business model has changed. As previously communicated, we will not be seeding any new real asset funds into our client base and we are exiting related party services such as Dixon Projects.

Across our internally managed fund strategies, structural changes are being implemented under the governance of the independent responsible entity to improve investor liquidity and close gaps to NTA:

- For URF, a new management team developed and commenced the implementation of a turnaround plan which includes a focus on cost reductions and yield improvement, a strategic asset sale program aimed at reducing debt, and an overall debt refinancing process to lower fund interest costs, all in parallel with exploring corporate transactions. Accompanying these changes has been a significant enhancement in the quality of unitholder communications.
- For New Energy Solar, we engaged RBC to undertake a strategic review and have begun implementing the recommendations. They include the exit from the Australia renewables market via the sale of the fund's two Australian assets as well as the recent sale of New Energy Solar's shareholding in US Solar Fund plc.
- For the Fort Street Real Estate Capital Funds series, unitholders recently approved a merger to consolidate four separate funds into one. We expect this to provide greater portfolio diversification, a reduction in fund expenses both from cost savings and the reduced base management fees and improved access to capital which will ultimately facilitate better liquidity outcomes for unitholders.
- And finally, on our suite of Evans & Partners listed equities funds, we are transitioning our global and Asian strategies to unlisted unit trusts with an external responsible entity and administration function. Meanwhile we have delisted and wound down several of our domestic equity strategies, returning circa \$54 million in capital to investors.

In E&P, we consolidated our Corporate Advisory, Institutional and Research businesses under a single unified brand which was a necessary step in building an integrated market leading business. We have co-located these teams to further enhance integration and our strategic recruitment in targeted sectors will increase the breadth and depth of our M&A and capital markets capability.

Further, we continue to invest in our Research team to focus on strategic segments. This included the initiation of coverage on 18 companies over FY20 with specific focus on the expansion of our small cap capability, to the point we now have approximately 115 companies under research coverage.

Finally, at the corporate level we improved financial discipline and accountability by removing business duplication and rationalising our premises in Sydney and Manhattan.

Integration between group teams was improved with greater divisional collaboration and streamlined reporting lines.

The cost savings initiative, particularly through a reduction in our US operations, delivered an approximate \$12 million annualised fixed remuneration expense saving as headcount was reduced by 22%. Operating cost efficiencies achieved in FY20 also resulted in cost savings of over \$1.6 million on an annualised basis.



Mayfair Building
171 Collins St
Melbourne VIC
Australia 3000
P +61 3 9631 9888

Level 15
100 Pacific Hwy
North Sydney NSW
Australia 2060
P 1300 852 017

Evans Dixon Limited
ACN 609 913 457

Focused on core business strengths

In refining the strategic direction for the Group, we have clearly defined our growth strategies leveraging off the core strengths of our respective divisions.

- In our Wealth business, our growth will centre on leveraging our strong, scalable advice systems and risk framework. Our differentiated service offering of highly educated advisers is supported by specialised research and investment staff. Our strong compliance and governance systems position the business well to capitalise on the post-Hayne and FASEA financial advice landscape, noting there is significant market opportunity for a well-managed and scalable advice platform, particularly in the mass affluent sector.
- In E&P our growth will come from targeted investment and recruitment in our research, corporate and institutional businesses. Our co-ordinated strategy is focused on key target sectors to leverage our strong relationships with our clients and across the industry. Our core value proposition remains based on continued investment in quality research and idea generation overlaid by our strong capability in M&A and capital markets.
- In Funds Management, in addition to the changes to our operating model outlined earlier, we are expanding and diversifying the distribution capabilities of our strongly performing high conviction direct equities portfolios and alternative investment strategies to grow funds under management from external sources.

FY21 – consolidating and transitioning for growth

FY21 will see the completion of most of the necessary business model transformation initiatives identified by the operational review and enable management to increasingly turn its attention to prosecuting medium and long-term growth initiatives.

As flagged at FY20 full year result, near term performance will be impacted by necessary permanent structural changes in Funds Management and increased insurance costs, as well as higher legal costs, however we are confident that the medium-term prospects for the business remain strong.

In Wealth, while FY21 is expected to be impacted by the cost of regulatory proceedings, we are confident there exists excellent medium-term growth opportunities to leverage the business's high-quality, scalable operating platform to capitalise on the market opportunity which exists in the post-Hayne and FASEA financial advice industry, particularly in the mass affluent segment.

In the near term we continue to expect a softer core performance from our Funds Management business as it undergoes necessary permanent structural changes. These include no longer seeding new real asset funds from our client base, reducing the URF portfolio to optimise returns for unitholders and exiting Dixon Projects. Strong unrealised gains on our cornerstone principal equity investments may benefit performance, however this remains subject to change as these investments are revalued on a mark-to-market basis.

Over the medium-term the growth in our Funds business will come from the investment we are making in external distribution capability for our strongly performing core direct equities strategies.

Within E&P, the transaction pipeline is strengthening into the second half of FY21 as our origination efforts gain traction and the impacts from COVID-19 on market activity levels



Mayfair Building
171 Collins St
Melbourne VIC
Australia 3000
P +61 3 9631 9888

Level 15
100 Pacific Hwy
North Sydney NSW
Australia 2060
P 1300 852 017

Evans Dixon Limited
ACN 609 913 457

ease. We are very confident that we have the right business model in place to grow the E&P business over the medium term.

ASIC proceedings against DASS

As we previously announced to market, on 4 September 2020, ASIC commenced legal proceedings in the Federal Court against ED1's wholly-owned subsidiary, Dixon Advisory & Superannuation Services, alleging breaches of best interest obligations in respect of personal financial product advice provided to retail clients in relation to securities in URF.

The detailed statement of claim has not yet been served so it is too early to make any fact-based assessment of the possible financial implications of the proceedings and it may not be possible to do so for quite some time.

DASS will be defending the proceedings.

As the allegations are before the court, we do not propose to provide any further commentary in relation to the proceedings at this time.

What does the future hold?

You have heard today that we have been making a number of very deliberate changes to address the legacy issues within the Dixon Advisory business and to position the business for growth off an integrated platform which is unique in the Australian financial services industry.

With the imminent rebranding to E&P Financial Group and our success to date in improving integration and operational efficiency, the company is now well positioned to achieve its ultimate objectives.

1. E&P Financial Group will be a fully integrated financial services group operating under a single unified brand that leverages the core strengths of each division.
2. We will operate a consolidated Wealth business with a leading market presence across the mass affluent retail and High Net Wealth client spectrum, underpinned by a scalable advice and compliance platform.
3. We will continue to be a leading provider of corporate advisory, capital markets and investment research solutions in our chosen segments, occupying a unique position in the market due to client relationships, scale and focus.
4. Our Funds division will be a manager of a high-quality suite of thematic investment products with a diverse investor base.

We have work to do to consolidate the progress we have achieved across FY20 but the view of management and your Board is that we are increasingly well positioned to grow the business and, ultimately, improve financial performance.

Thank you for your attendance today. It is a pleasure to have presented to you and I look forward answering your questions later in the meeting.



Mayfair Building
171 Collins St
Melbourne VIC
Australia 3000
P +61 3 9631 9888

Level 15
100 Pacific Hwy
North Sydney NSW
Australia 2060
P 1300 852 017

Evans Dixon Limited
ACN 609 913 457