

**Via ASX Online**

## ASX ANNOUNCEMENT – 21 February 2017

ASX Market Announcements Office  
 ASX Limited

**ASX Code: EAS**

### 2017 First Half Results

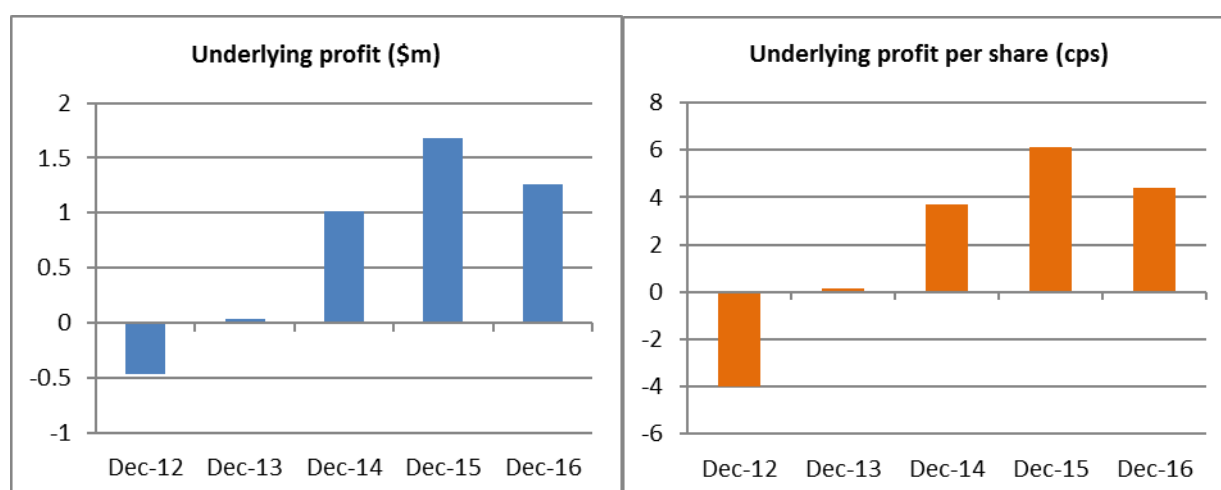
Easton Investments Limited (**Easton** or **the Company**) releases its results for the half-year ended 31 December 2016.

#### Earnings performance

Statutory Profit<sup>1</sup> was \$0.56m compared with the corresponding 2016 result of \$1.29m.

Underlying Profit<sup>2</sup> was \$1.26m compared with the corresponding 2016 result of \$1.68m.

Directors consider Underlying Profit to be a preferred measure of earnings performance over the period.



First half performance, on a comparative basis to the prior corresponding period, was affected by the loss of the Harmony Distribution Agreement (Aug 2016) and the sale of the Chesterfields business (Oct 2015). Our purchase of the Panthercorp business commenced contribution to earnings (Sept 2016), although the contribution is significantly weighted to the 2<sup>nd</sup> half of the financial year. In conjunction with the purchase of Panthercorp, we increased our equity in Law Central, moving to a controlling interest of 56%.

<sup>1</sup> Statutory Profit is Net Profit after Tax.

<sup>2</sup> Underlying Profit is Normalised Earnings before Interest, Tax and Amortisation. Underlying Profit is a non-IFRS measure and is used by the Company to assess performance as it excludes non-cash amortization, share based payment charges and one-off or non-operational items.



## Operating Highlights

- Completion of 4 new Referral Rights Agreements (RRAs) resulting in a total of 6 new agreements for the 2016 calendar year. Income recognition on the RRAs is spread over 18 months with \$0.8m of deferred revenue held at 31 December 2016, and which will be recognised over the 2<sup>nd</sup> half 2017 and 2018 years
- Commencement of the Limited Authorisation service for Accountants (LARs) on 1 July 2016, resulting in Easton now managing one of the largest accounting distribution networks in Australia, with continued growth expected
- Development of an automated platform for LAR client advice
- Purchase of the Panthercorp documents business and moving to a controlling interest in Law Central
- Knowledge Shop substantially completed work to allow for the launch of an online pay-on-demand training offer
- Good organic growth in most of our core businesses
- A well developed pipeline of acquisition opportunities

## Management Overview

The Company progressed through a transition period in the 1<sup>st</sup> half of the year. Our principal core businesses achieved organic growth which helped compensate for the loss of income from the Harmony Distribution Agreement. The Knowledge Shop business continued to grow subscribers and the company expects to launch its pay-on-demand training in April 2017. Merit Wealth had strong income growth coming off the LARs subscription income, as well as the increase in RRAs. The company will benefit, over the next 18 months, from the recognition of deferred income held against these Agreements (\$0.8m). More importantly the engagement between the LARs and advisers operating under RRAs expands the company's wealth distribution capability on a national basis.

The Hayes Knight (NSW) accounting practice and the First Financial wealth business in Melbourne are both mature businesses providing consistent earnings with growth prospects typical for their sectors.

Our businesses all now form part of an integrated strategy, creating a high level of internal leverage, with an increasing utilisation of on-line delivery. This should provide ongoing revenue growth and an increased earnings contribution.

## Sound Financial Position

At balance date, the Company is in a sound financial position with cash of \$1.9m and no borrowings. In addition it has an undrawn credit line from Westpac Bank of \$5 million. This together with the positive cash flow from existing businesses, positions us well for further acquisitions. Subsequent to balance date, the Company will settle in cash the deferred consideration of \$0.5m being the final earn-out payment relating to the original purchase of Hayes Knight Referral Services Pty Ltd.



## Outlook

Directors expect improvement in underlying performance in the 2<sup>nd</sup> half.

Our core businesses predominately have a 2<sup>nd</sup> half bias to underlying earnings contribution. This together with the continued growth in these businesses should see our 2<sup>nd</sup> half underlying earnings outperform the prior corresponding period, despite the loss of the Harmony earnings contribution.

Growth in the number of RRAs is expected to continue. The linking of these advisers to the accountants under our LARs service should increase funds under advice and risk premium income. The changes in superannuation legislation in the 2017 year will act as a further catalyst to this growth. The subscriber income stream from LARs will also continue to grow.

Knowledge Shop will deliver an enhanced training capability with a blend of face-to-face, live webinars and pay-on-demand training. This expanded training capability should accelerate earnings growth from this area of the business. Membership to our full subscriber service will also continue to grow.

Our combined document businesses, Law Central and Panthercorp, are expected to grow and make a strong contribution to earnings in the 2017 year.

From the pipeline in place it is likely that further acquisitions will be completed in the 2017 calendar year. Whilst there are a significant number of opportunities presented to the Company, the Directors will only progress acquisitions that are consistent with the Company's business strategy and which are value accretive.

## Other Information

The following information has been released to the market:

1. Appendix 4D - Easton's Half Year Report for the period ended 31 December 2016
2. Directors Report and Interim Financial Report for the period ended 31 December 2016
3. 2016/17 First Half Results Presentation dated 21 February 2017.

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