

# Easton Investments Limited Presentation & 2017 First Half Results

*A leveraged distribution business in the  
accounting & financial services business  
channel*

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# First half summary

- Revenue and earnings experienced short term impact from loss of Harmony Distribution Agreement
  - Revenue \$8.49 m ↓ 12% PCP
  - NPAT \$0.56 m ↓ 57% PCP
  - Normalised EBITA \$1.26 m ↓ 25% PCP
- Growth in most of core businesses but they have a 2<sup>nd</sup> half earnings bias

# Underlying Performance 2017

- Key Drivers of Performance:
  - Strong growth in Merit Wealth and Referral Rights Agreements (+4) with deferred income of \$0.80m to be recognised in 2<sup>nd</sup> half 2017 and 2018 years
  - Panthercorp acquisition commenced contribution to earnings (Sept 2016) but business has a 2<sup>nd</sup> half earnings bias

<b>Underlying Profit</b>	<b>2017</b> (\$m)	<b>2016</b> (\$m)	<b>Movement</b> %	<b>2015</b> (\$m)	<b>2014</b> (\$m)
<b>1<sup>st</sup> Half</b>	1.26	1.68	(25)	1.01	(0.03)

Note: Underlying Profit = Normalised EBITA

# Cash flow from operations

- Consolidated operating businesses generating strong positive cash flow
- One off impact from finalisation of Harmony business

Cash flow	2017 (\$m)	2016 (\$m)	Movement %	2015 (\$m)
1 <sup>st</sup> Half	0.50	1.30	(62)	0.52

# Balance sheet & Funding

- A strong balance sheet
  - Cash position \$1.90 m
  - No debt
  - Bank facility line undrawn - \$5.0 m
  - Operations cash flow positive, providing further funding for growth

# Group Businesses

Wealth & Asset Management

25%

First Financial

Distribution Services

100%

Knowledge Shop

100%

Merit Wealth/ HK  
Referral Services

56%

Law Central

100%

Panthercorp

Accounting & Tax

33%

Hayes Knight NSW

# Operating highlights

- Purchase of Panthercorp business
- Completion of 4 new Referral Rights Agreements (RRAs), a total of 6 for the 2016 calendar year
- Deferred income of \$0.80m from RRAs to be recognised 2<sup>nd</sup> half 2017 and 2018 years
- Continued growth in number of accountants engaged under our Limited Authorisation offer
- Continuation of Knowledge Shop member growth
- Pay-on-demand online training platform substantially completed
- Well developed pipeline of acquisition opportunities

# Expanding our wealth distribution –4 new Referral Rights Agreements





# Next planned stage of growth



# Knowledge Shop

- Continued growth in number of subscriber firms
- Face to face training and live on online webinars to be enhanced by access to pay on demand training
  - This will increase earnings stream from training
- Member firms increasing engagement with Law Central (400+ firms)

# Accounting & Wealth segments continue to grow

- Growth consistent with sectors
- Continued growth in underlying activity
  - Funds under advice - >\$1.7 bill.
  - Risk premium income - >\$12 mill.
  - SMSFs under administration - >1200

# Acquisition activity

## Acquisitions

- Purchase of Panthercorp (Aug 2016)
- Increased stake in Law Central to a control interest (56%) (Aug 2016)

# Panthercorp & Law Central

- Combined capability now provides a broader product and service spread for the accounting market
- Mix of online and traditional distribution capability meets the engagement requirements of all accountants
- Will benefit from increased scale

# Market environment positive for business

Changes in the superannuation legislation coming into effect on 1 July 2017 should:

- Cause clients to seek advice from their accountant
- Increase the number of accountants providing SMSF advice & the need to operate under a licence
- Increase training requirements for accountants
- Increased engagement between accountants & advisers
- Increased review and updating of SMSF Deeds & constitution documents

# Outlook

- 2<sup>nd</sup> half underlying profit expected to exceed 1<sup>st</sup> half and prior corresponding period
  - Majority of businesses have a 2<sup>nd</sup> half earnings bias
  - Growth despite the loss of Harmony earnings
- Continued growth in:
  - Referral Rights Agreements increasing national wealth coverage
  - LARs subscribers
  - Knowledge Shop subscribers
  - Training through launch of pay-on-demand option
- Our document business (Panthercorp & Law Central) to make a positive contribution to earnings

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