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### **Important Strategic Acquisition**

The Directors of Easton Investments Limited (**Easton** or **the Company**) are pleased to announce that formal, conditional agreement has been reached to acquire a majority interest in GPS IP Group Holdings Limited which operates the national GPS Wealth business (**GPS**), from its Major Shareholders.

The Company is also making a formal, conditional offer to the Minority Shareholders to acquire all of the remaining shares in GPS on similar terms and conditions as those applying to the Major Shareholders.

Depending on the level of acceptances by the Minority Shareholders, the maximum consideration payable for GPS will be \$20.0 million (**the Consideration**). Completion is subject to a number of conditions precedent, including the approval of Easton Shareholders at an extraordinary general meeting.

The Consideration is priced on normalised earnings before interest, tax and amortisation (**EBITA**) of \$2.5 million, although this earnings rate will not be achieved until the 2<sup>nd</sup> half of 2017/18 due to the timing of identified and agreed cost savings. Additional cost synergies are expected to be achieved during 2017/18, increasing the earnings rate to \$3.0 million in the following financial year.

Directors believe the proposed Acquisition to be highly attractive as it:

- represents an excellent strategic fit with the Company's stated intent and direction;
- provides Easton with a significant up-lift in earnings, and contributing to a normalised EBITA per share increase estimated at approximately 50%, after allowing for the anticipated cost synergies referred to above;
- complements existing operations, including Merit Wealth, thereby avoiding duplicated expenditure on support infrastructure, investment platforms and best practice systems;
- offers strong potential for organic growth;
- repositions the Company with an expanded capital base and with enhanced scale and prospects; and



- involves a purchase price that is 50% satisfied by the issue of Easton Shares, thereby providing a strong alignment of interests going forward and reflecting confidence in the further growth of GPS in particular and in the future prospects of the Company more generally.

## About GPS

GPS is an unlisted public company. It was established in 2012 as a specialist AFSL licensee, providing financial services solutions for financial planning businesses and accounting firms. It presently operates out of 3 offices in Sydney (head office), Brisbane and Noosa and its activities cover financial planning, risk insurance, finance broking, superannuation and wealth management.

GPS supports financial planners operating as Authorised Representatives under its AFSL, as well as accountants operating as Limited Authorised Representatives. Under these arrangements, GPS provides client engagement services, training, licensing, investment advice and support services. This includes best practice tools and resources for referral partners, financial advisers and accountants.

These services are similar to the support services provided to financial planners and accountants by Merit Wealth, a wholly owned subsidiary of Easton. The opportunities to integrate certain operations and achieve cost and revenue synergies post-Completion are considered to be significant.

GPS has grown strongly in the last 5 years and turnover in 2016/17 is expected to exceed \$33 million. The current operating position is summarised below:

- 82 practices
- 123 Authorised Representatives (Advisers)
- 182 Limited Authorised Representatives (Accountants)
- Funds under advice in excess of \$1.7 billion, with around \$600 million on GPS's core investment platform, CARE
- Annual Risk Premiums under management of around \$36 million
- Client relationships (through licensees) with over 4,000 self-managed super funds (**SMSF's**).

GPS was awarded the IFA Dealer Group of the Year in 2015 and a finalist in 2016. A key component of GPS's success has been its strong engagement process with Advisers, Accountants and their clients, supported by proprietary technology and disciplined systems, procedures and practices.

Combined GPS and Merit Wealth will have approximately 150 Authorised Representatives and more than 400 Limited Authorised Accountants. Group funds under advice will be in excess of \$3.4 billion, with annual risk premiums of \$48 million. Licensed practices and aligned businesses will have client relationships with more than 6,000 SMSFs.

Easton is proposing to acquire 100% of GPS, although the exact interest acquired will depend on the level of acceptances received from the Minority Shareholders. Subject to the conditions precedent being satisfied, the Company will, as a minimum, acquire a controlling interest in GPS.



## Funding the Acquisition

The Consideration is to be satisfied by 50% cash and 50% Easton Shares, which shares will be subject to voluntary escrow restrictions following Completion, as follows:

- 50% of the Easton Shares issued will be escrowed for a period of 12 months; and
- 50% of the Easton Shares issued will be escrowed for a period of 24 months.

Bank borrowings, together with surplus cash held by the Company over and above its working capital requirements, will be applied to fund the cash component of the Consideration.

On Completion of the Acquisition, Mr Grahame Evans, the Managing Director of GPS, will be invited to join the Board of the Company as an executive director and will assume responsibility for the performance and growth of the Company's Wealth Management operations. Mr Evans is a highly experienced and respected executive in the wealth management sector who brings with him a strong and capable management team.

## Strategy and Direction

The Company's strategic intent is to build a significant wealth management and distribution capability in the Australian accounting and financial services sector. Directors believe that the underlying strategy and related business plans have the potential to create Shareholder value given the prominent position and strong client relationships that accountants and financial planners have in the increasingly important SMSF and high net worth markets.

The Acquisition is consistent with the Company's strategic intent and represents an excellent next step in creating an important wealth management and distribution business with significant scale.

It is also aligned with Directors' objective of creating a company with sustainable earnings, having excellent longer term growth prospects and having high strategic value.

GPS and Merit Wealth in particular are both well placed to continue to grow organically in the wealth management sector. At the same time, both businesses offer strong cross-sell referral opportunities to other Easton businesses, as well as the potential to leverage other service lines in the financial services sector.

The Acquisition will provide an important platform to accelerate the Company's growth ambitions, including a strengthened management structure and team.

The outlook for sustained growth over coming years, both organic and by acquisition, is considered by the Directors to be significant.

## Next Steps

The Acquisition is subject to a number of conditions, including the approval of Easton Shareholders in relation to the issue of shares to the GPS Vendors.

Directors propose to convene an extraordinary general meeting (**EGM**) of Easton Shareholders as soon as practicable. A formal Notice of EGM and an accompanying Explanatory Memorandum will be forwarded to shareholders in advance of that meeting.



If approved by Shareholders and subject to no unforeseen delays, the Acquisition is expected to take effect on or around 10 August 2017.

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