

**EASTON INVESTMENTS LIMITED**

# **Full Year 2018 Results Presentation**

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**(ASX: EAS)**



# 2018: A Transformational Year

## SIMPLIFY

A tighter **focus created by simplifying** the company into Wealth Solutions and Accounting Solutions divisions

## EXPAND

GPS Wealth **acquisition creates critical scale** and allows the Wealth Solutions division to provide a compelling offer to both Advisers and Accountants

## LEAD

A clear focus on the **convergence of Accounting and Wealth** in Australia

## GROW

Strong 2<sup>nd</sup> half year growth delivered. Our **inaugural dividend** announced

# 2018 summary

Revenue	\$50.79 m	▲	195% PCP
NPAT	\$1.77 m	▲	20% PCP
Underlying Profit	\$4.36 m	▲	32% PCP

- Revenue profile change flows from acquisition of GPS Wealth
- Strong 2<sup>nd</sup> half earnings bias – 64%, flowing from GPS Wealth contribution together with natural 2<sup>nd</sup> half bias from all businesses

Note: Underlying Profit = Normalised EBITA, which is Normalised Earnings before Interest, Tax and Amortisation. Underlying Profit is an unaudited, 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



- GPS Wealth acquisition completed, with integration and synergy savings being realised
- Strong growth in adviser numbers to 574 with another 53 in transition – now a top 10 Advisory group in Australia by adviser numbers
- Our Managed Account solution CARE grew by 49% to \$938 million
- One of the largest cohorts of accountants under Limited Authorisation in Australia – over 400
- Continued growth in training hours delivered – up 17%
- Release of KS IQ our interactive, competency based video training model for accountants

# Inaugural Dividend Declared



- Our inaugural dividend – a final dividend for the 2018 year of 2 cents per share, fully franked
- Record date 3 September 2018 with payment on 20 September 2018
- Dividend policy to reflect a payout ratio in the range of 20-30% of Statutory Profit
- Dividend policy to be subject to annual review

# Financial Highlights



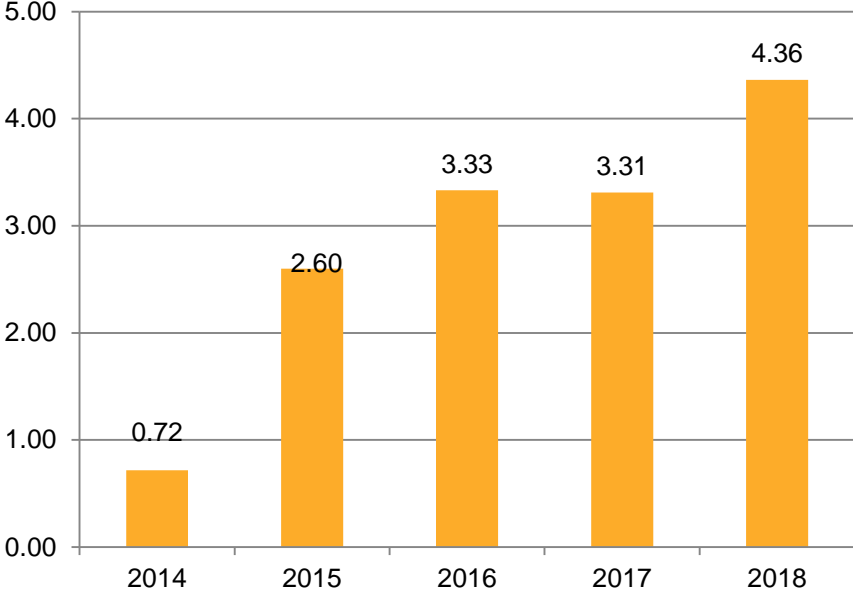
# Underlying Performance 2018

## Key drivers

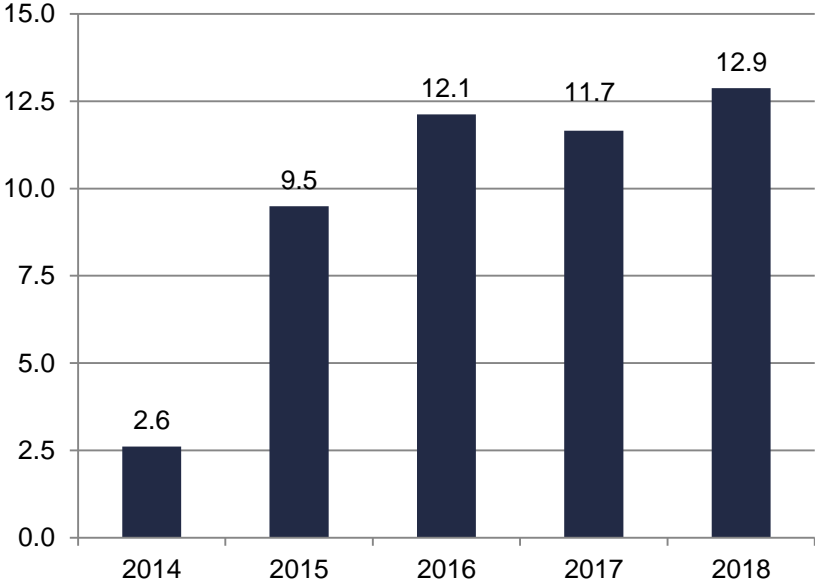
	2018 (\$m)	2017 (\$m)	Movement %	2016 (\$m)	2015 (\$m)
<b>Underlying Profit</b>	4.36	3.31	32	3.33	2.60
<ul style="list-style-type: none"><li>• GPS Wealth part year contribution</li><li>• Wealth solutions division taking synergy savings with GPS integration</li><li>• Accounting solutions division steady growth off Knowledge Shop membership &amp; training</li></ul>					

# Underlying profit growth – strategy delivering results

Underlying Profit (\$m)



Underlying Profit per share (cps)





# Earnings contribution from our two Divisions

	2018 (\$m)	2017 (\$m)	Movement
Accounting Solutions	3.07	2.82	+9%
Wealth Solutions	3.07	1.95	+57%
Corporate costs	(1.78)	(1.46)	+22%
Underlying Profit	4.36	3.31	+32%

- Steady growth in Knowledge Shop & training
- KS IQ development costs fully expensed
- Part year contribution from GPS Wealth
- Growth in Limited Authorised Representative subscription revenue

# Balance Sheet & Funding

## Sound financial position

- Loan facilities \$10 million initially drawn down to assist in funding the GPS acquisition
- Net debt at balance date \$6.78million
- Treasury function offsets our operating cash flow against debt
- Cash position and undrawn facility \$3.28 million
- Anticipated positive cash flow from operations will allow progressive debt reduction together with funding for growth

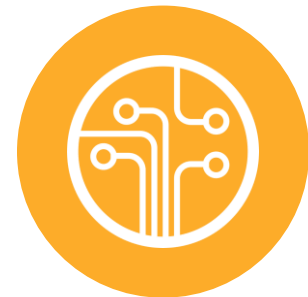


# Operational Highlights



# Wealth Solutions

- GPS integration substantially complete
- A single back office model to support both GPS and Merit Wealth
- Synergy savings will continue to flow into 2019 year
- GPS Wealth winner of the Core Data 2018 Independently owned Licensee of the Year
- Total adviser numbers now 574, with another 53 in transition
- Continued growth in Limited Authorised Representative model, with over 400 accountants on licence – a pathway for accountants into wealth advice



# Accounting Solutions

- Steady growth in Knowledge Shop membership
- KS IQ training program launched – a first of its kind on demand, interactive video based training tailored to competency levels
- Taxbytes acquisition completes our training offer with the widest range of training formats now available
- Continued growth in training hours delivered +17%
- No growth in document businesses but model enhanced with a subscription support offer



# The latest in training - KS IQ

- Competency based video training – the first of its kind for small to medium accounting firms
- Online, interactive, tested & packaged to cover key learning areas for accountants at different experience levels
- Accessible 24/7 through a range of mediums
- Full visibility for participant and employer
- Intermediate and Principal program launched – Graduate & Seniors program available late 2018



**You can have the training you need  
Anywhere you want  
Any time you want**

**Introducing  
Knowledge Shop IQ**

Targeted. Measureable. Better

**On-demand, interactive video based PD for firms of every size is now a reality.**

Objectives of the law  
Why do the Personal Services income rules exist?  
As a general principle, when income is derived from someone's personal skills or efforts, then that person should absolutely pay the tax on that income.

# Operating metrics 2018

Accounting solutions	Wealth solutions
Knowledge Shop accounting channel (subscribers + training) : 2,669 firms (↑ 13%)	Funds under advice : \$3.41 bill (↑ 101%)
Training hours delivered : 37,632 (↑ 17%)	Risk premium : \$60.05 mill (↑ 408%)
On line documents delivered : 7,734 (0% movement)	LARs : 406 + 53 applications in transition (↑ 51%)
Accounting firms signed up to Law Central : 634 (↑ 31%)	Funds in CARE Managed Accounts : \$938mill (↑ 49%)

# CARE Managed Accounts

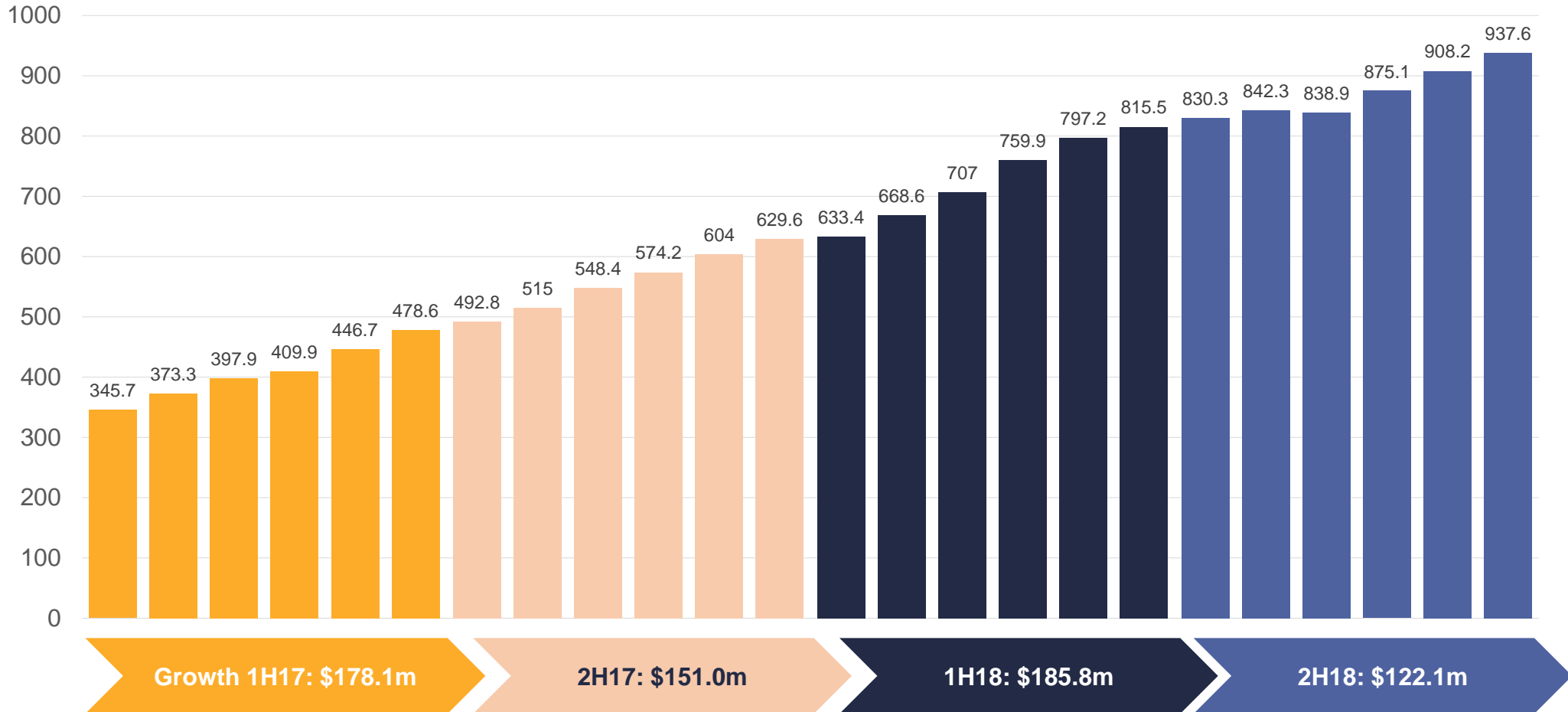


- Uses 10 different fund managers to create client portfolios
- Leading fund managers such as Vanguard, State Street and Standard & Poors Global
- Portfolios tailored to client risk profile and goals
- Our own investment philosophy managed by a high quality Investment Committee
- Available on HUB 24 and Netwealth platforms



# Growth in CARE

CARE FUM (\$m)



# Group strategy

To lead the **convergence** of accounting and wealth services in Australia, with an integrated and modern approach

# Convergence – the way of the future

Accounting and wealth capability coming together as an integrated client solution



## Accounting solutions

engagement with more than 3,000 accounting firms across Australia



## Wealth solutions

Approximately 600  
Authorised representatives  
91% engaged with  
accounting firms

# The environment **going forward**

- We support a regulatory environment that enhances client advice outcomes
- The Royal Commission likely to result in systemic change in the sector
- Education and training requirements under FASEA will change the adviser landscape
- Technology will continue to disrupt, but also an enabler
- Succession within the accounting and advice professions will promote convergence
- The environment supports Easton's direction and capability



# FY19 Outlook

## Fundamentals for growth in place

- Full year contribution from GPS Wealth
- CARE Managed Accounts to continue its growth
- Training to continue to grow through KS IQ and full year contribution from Taxbytes
- Growth in Limited Authorised Accountants coming off FASEA changes
- Knowledge Shop member growth

# Key Growth Pillars

## Measure and progress



**Unlock** opportunities to distribute wealth solutions within the accounting sector

Have the largest LAR adviser network in Australia by 2020

Ranked # 2 LAR network and growing



**Expand** reach and drive growth of business across all our service offerings

CARE to \$2.5b of funds under management by 2020

FUM \$937.6 million at 30 June 2018



**Innovate** through delivery of enhanced web-based training programs and client engagement tools

Deliver 65,000 training hours per annum by 2020

37,632 hours delivered in 2018



Be the accounting markets first choice of **trusted partner** for accounting and wealth solutions

Be recognised as the leader in accounting & wealth convergence in Australia

Only listed ASX company that bridges the gap

# About Easton

**Easton Investments is the only ASX listed company focused solely on providing integrated accounting and wealth management services to the Australian market.**

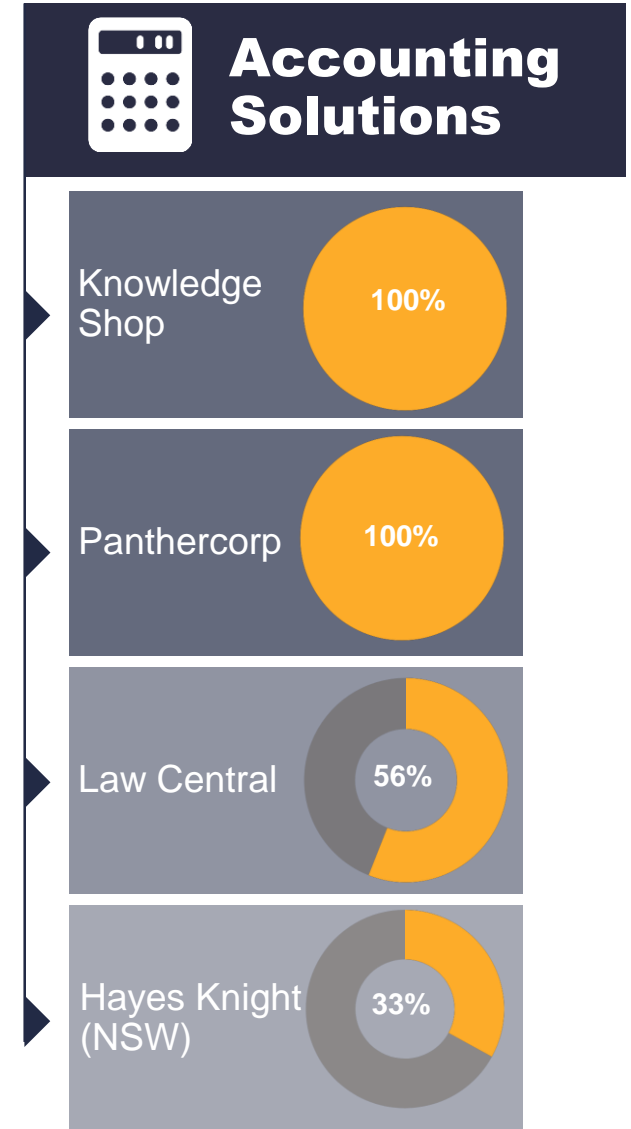
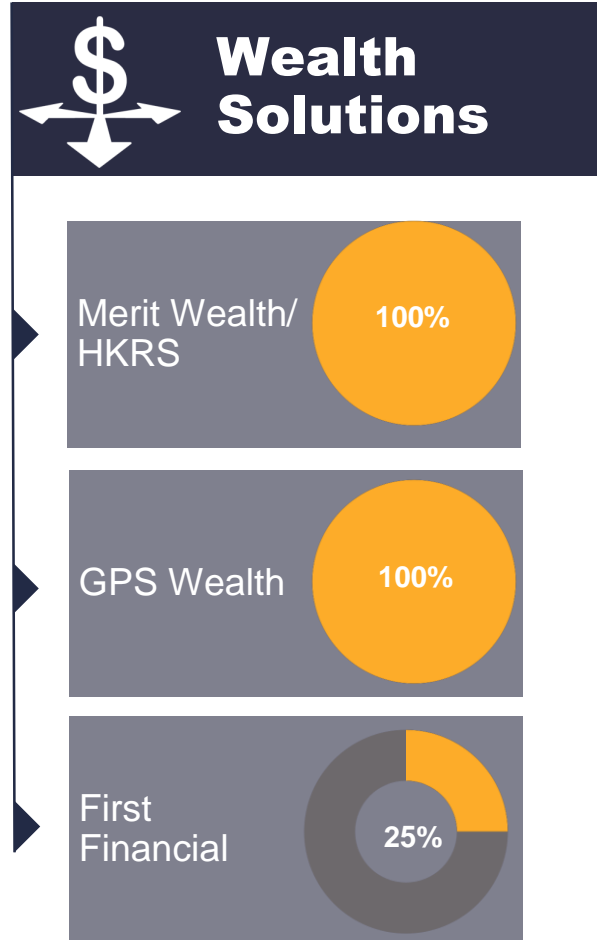


The company has established deep industry relationships through its leading network of brands that provide resources and support to over 3,000 accounting practices and 100 financial planning businesses and their clients across the country.

Easton Investments' unique business offering places it at the forefront of a growing market in the convergence of accounting and wealth management services.

# About Easton

## Our two core business streams





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