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ASX ANNOUNCEMENT – 21 November 2018

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ASX Limited

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2018 ANNUAL GENERAL MEETING

Easton Investments Limited (**Easton** or **the Company**) will today address shareholders at its Annual General Meeting to be held in Sydney, commencing at 10:30am AEDT.

Attached is a copy of the Address to be delivered by the Chairman, Mr Kevin White, and the Presentation to be delivered by the Managing Director, Mr Greg Hayes.

Enquiries and further information:

Greg Hayes
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Mobile **0419 298 536**
Email greg.hayes@eastoninvestments.com.au



2018 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

Before taking questions, I would like to briefly address the meeting and then invite Greg Hayes, our Managing Director, to present his report to shareholders on our Company's performance over the last 12 months, provide an update on year-to-date trading and comment on the Company's outlook for the remainder of the current year and beyond.

Given the matters and material to be covered by Greg, I will limit my comments to the 3 questions which I consider to be of fundamental importance to our shareholders, namely:

- How is our Company going?
- What are its prospects?
- What are we doing about our share price?

Performing Well

First and foremost, our Company is going very well.

We are taking advantage of opportunities presented to us, both organic and inorganic.

GPS Wealth has proved to be a successful and transformational acquisition, it has significantly strengthened our position and capability in the Wealth sector and it has made a strong, first year contribution to earnings. Two other smaller acquisitions have been completed, one last year and the other this year – both are a good strategic fit and will add to earnings.

At the same time, our Knowledge Shop business continues to go from strength to strength as it grows its membership base and extends its training reach across the Accounting sector.

In addition, our Merit Wealth business has prospered as it has provided a pathway for Accountants into Wealth by offering a limited authorisation. A highlight of year-to-date trading has been the acceleration of applicants seeking a limited authorisation ahead of the 1 January 2019 timeline imposed by the relevant authority (**FASEA**).

Importantly, each of these 3 core businesses fall within the ambit of what is typically referred to as a scale business as each has a relatively fixed cost structure and all deliver services and solutions predominately on-line and on-demand. Being inherently scalable in nature means that they are each capable of generating high margins and high returns from incremental revenue growth.

Moreover, a significant portion of the revenue generated by these businesses is recurring, along the lines of annuity income, but with pronounced potential for strong annual growth for the reasons referred to below.



Well Positioned with a Breadth of Prospects

Directors believe that the Company's integrated strategy to lead the convergence of Accounting and Wealth services in Australia, combined with its scale businesses operating across both sectors, have positioned the Company for long term, sustained growth.

As we expect this growth to come from several different business units and a range of discrete opportunities within those businesses, Directors believe that the Company is on an exciting growth path and has superior prospects. Distinct growth opportunities within and across specific business units include:

- **Knowledge Shop** – as its membership base continues to grow, as its training programs and related activities are extended and expanded, including into the Wealth sector, and as new services and solutions are offered to its wide network of Accounting firms;
- **GPS Wealth** – as it expands its adviser network and as its managed accounts solution (**CARE**) continues to broaden and grow; and
- **Merit Wealth** – as it continues to provide an important Wealth solution to Accountants and as it supports the anticipated transition of Accountants to Advisers over coming years.

These opportunities highlight the significant scope for internal leverage between business units as the Accounting and Wealth sectors continue to work more closely together (converge) over time.

More broadly, external factors, such as FASEA, which imposes increased education requirements on advisers, and the pending industry-wide issue of adviser succession, which itself is likely to help drive convergence, are expected to create opportunities which our Company is ideally placed to benefit from.

Directors are also well aware, however, that the Company faces an uncertain environment in the near term with the prospect of significant regulatory change, including the imposition of more stringent oversight, surveillance and monitoring across the Wealth sector. The impact and challenges for business emanating from the Banking and Financial Services Royal Commission will only be known once findings have been handed down and recommendations adopted.

Share Price and Capital Management

Directors are openly disappointed with the performance of the Company's share price over the last 12 months.

Nonetheless, share price is not something that we can control, other than indirectly through underlying performance and capital management initiatives.

As indicated above, we believe that from a performance perspective we are on track. Legacy issues which have interrupted earnings growth in the last 2 years are behind us and we can now confidently look to more predictable and more consistent earnings growth going forward from the base level established over the last 12 months. Our year-to-date trading supports this outlook.

At the same time, we are mindful of the opportunity to enhance shareholder value through a variety of capital management initiatives.



In 2017/18, we declared a maiden (final) fully franked dividend (2 cents per share) and confirmed our intention to maintain an on-going dividend under a policy which initially encompasses a pay-out ratio of between 20% and 30% of statutory profit.

Based on year-to-date trading, we are likely to lift this dividend rate in 2018/19 by introducing an interim dividend.

We have also decided to implement a share buy-back plan which will allow the Company to buy on-market and cancel its own shares as part of our capital management strategy.

Directors have taken this decision as we believe that shares in Easton are under-valued by the market and represent excellent value at current trading levels.

The effect of buying back and cancelling shares will be to lift earnings per share and, of course, eliminate the need to pay dividends on cancelled shares. All shareholders, both current and future, will benefit from this decision.

Clearly, capital management involves a balance between retaining sufficient funds to invest appropriately in the on-going growth of our businesses, to take advantage of strategic acquisition opportunities as we have done in recent years and to reward shareholders, both directly through dividends and indirectly through initiatives such as the share buy-back plan. Our dividend policy and our investment in the buy-back must necessarily have proper regard to these competing factors.

The introduction of a share buy-back plan, coupled with the on-market purchase of shares personally by Directors over the last 12 months, reflects the Board's confidence in the Company, its prospects and its outlook.

Creating Value Remains our Focus

Your Directors are significant investors in the Company and remain focused on creating value for our shareholders. To this end, we confirm that our primary focus will remain on capitalising on the organic growth opportunities within each of our core businesses, but we will also continue to be alert to accretive acquisition opportunities which are strategically aligned with our direction and plans, as well as ways to enhance shareholder value by the prudent management of our capital.

We are strongly of the opinion that this approach will result in an up-lift in share price over time.



2018 ANNUAL GENERAL MEETING

MANAGING DIRECTOR'S PRESENTATION

Good morning ladies and gentlemen and thank you for joining us today.

I will now take you through my presentation, which provides a review of fiscal 2018, a brief update on 1st quarter progress and the outlook having regard to our strategic growth goals and the related drivers of growth over the remainder of this year and beyond.

– Presentation follows –

EASTON INVESTMENTS LIMITED

2018 ANNUAL GENERAL MEETING

Greg Hayes
Managing Director
21 November 2018



(ASX: EAS)



FY18 RESULTS

REVENUE	\$50.79 mill – up 195% PCP
NPAT	\$1.77 mill – up 20% PCP
UNDERLYING PROFIT ¹	\$4.36 mill - up 32% PCP
DIVIDEND	Inaugural dividend 2 cents per share paid September 2018, and dividend policy intent provided

¹ Underlying Profit = 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 amortisation, share based payment charges and one-off or non-operational items.

FY18 BUSINESS HIGHLIGHTS

Business **SIMPLIFIED** into two key divisions

Accounting and Wealth solutions

CREATED scale in our wealth unit

Acquisition of GPS Wealth

ACCELERATED the engagement of accountants with wealth advice

Growth in number of Limited Authorised Representatives (LARs)

EXPANSION of training capability

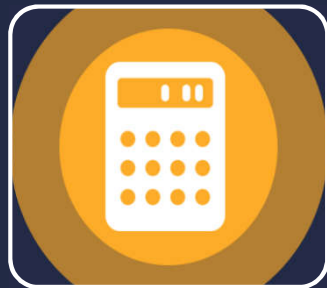
Acquisition of Taxbytes and launch of KSIQ

FY18 EARNINGS GROWTH DRIVERS



New income sources

- Significant growth in wealth income
- Increased subscription income from growth in LARs
- Revenue from new training formats
- CARE managed accounts

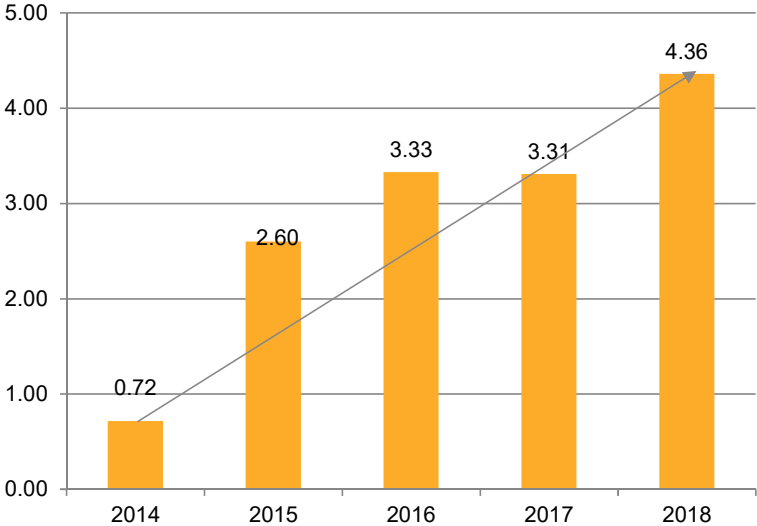


Cost savings

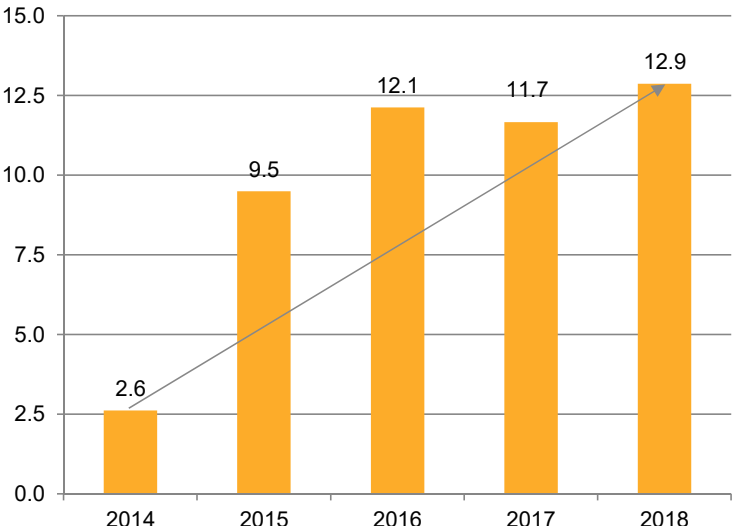
- Single back office capability for both wealth businesses

Underlying profit growth – strategy delivering results

Underlying Profit (\$m)



Underlying Profit per share (cps)



A strong management team



Michael Carruthers
Tax Director, Knowledge Shop



Lisa Armstrong
Managing Director, Knowledge Shop



Greg Hayes
Chief Executive Officer



Michael Harris
Chief Financial Officer



Garth McNally
Technical & Training Director



Grahame Evans
Managing Director Easton Wealth



Gavin Carpenter
COO Easton Wealth

STRATEGIC FOCUS

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

The convergence of accounting & wealth – where the market is heading



Key Growth Pillars

Target and progress



Unlock opportunities to distribute wealth solutions within the accounting sector

Have the largest LAR adviser network in Australia by end 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 end 2020

FUM \$1.025 billion at 30 September 2018



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

Deliver 65,000 training hours per annum by end 2020

37,632 hours delivered in FY2018

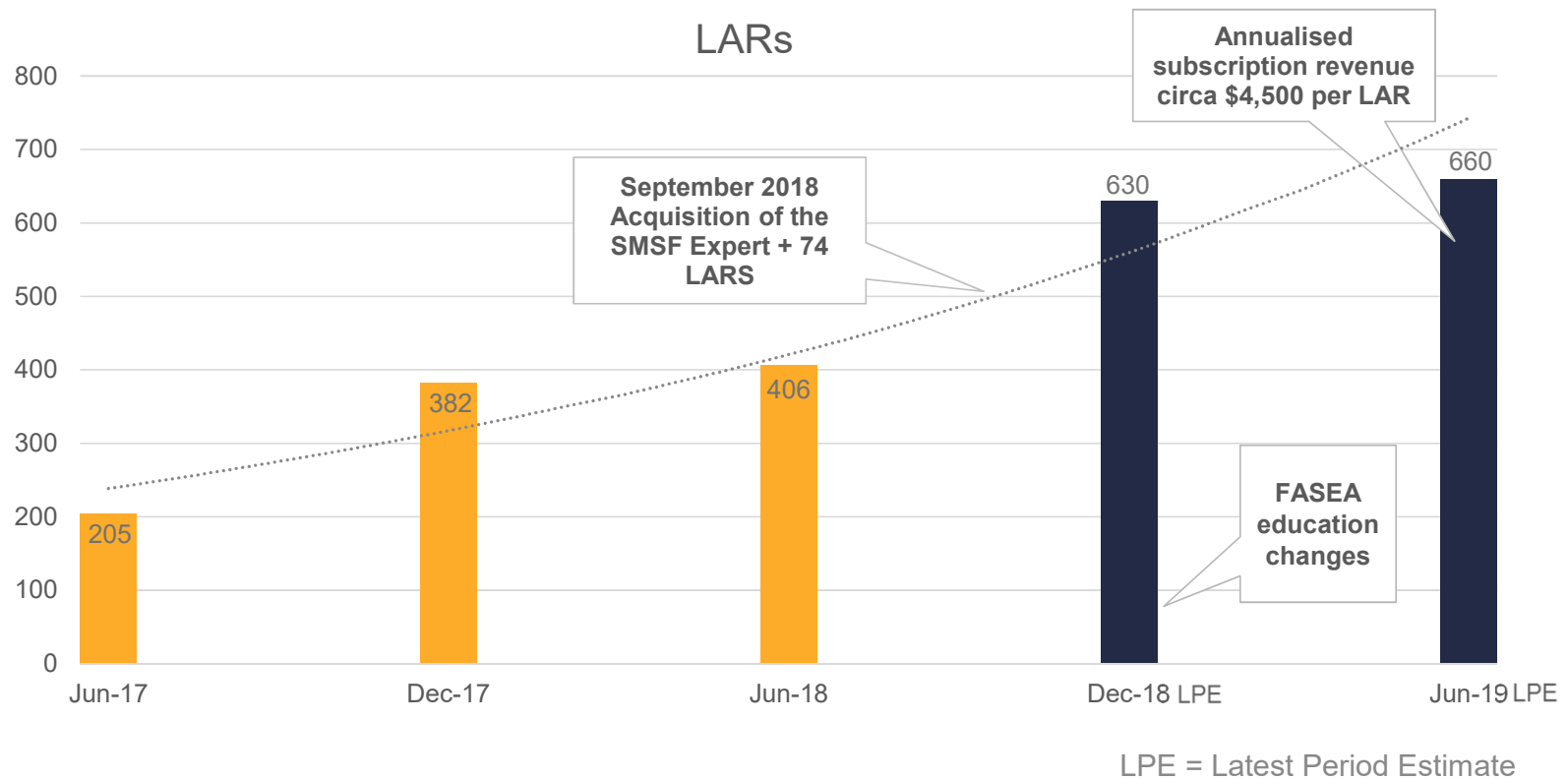


Be the accounting markets first choice of **trusted partner** for accounting and wealth solutions

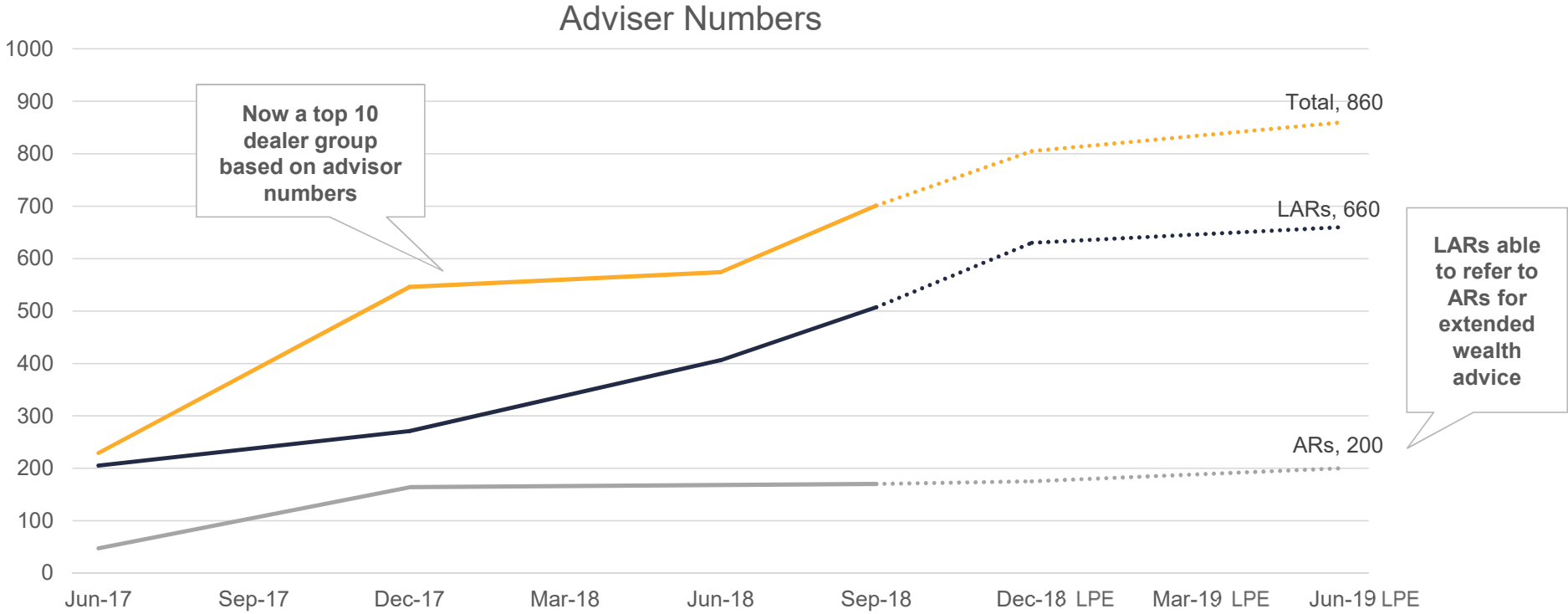
Be recognised as the leader in accounting & wealth convergence in Australia

Only listed ASX company that bridges the gap

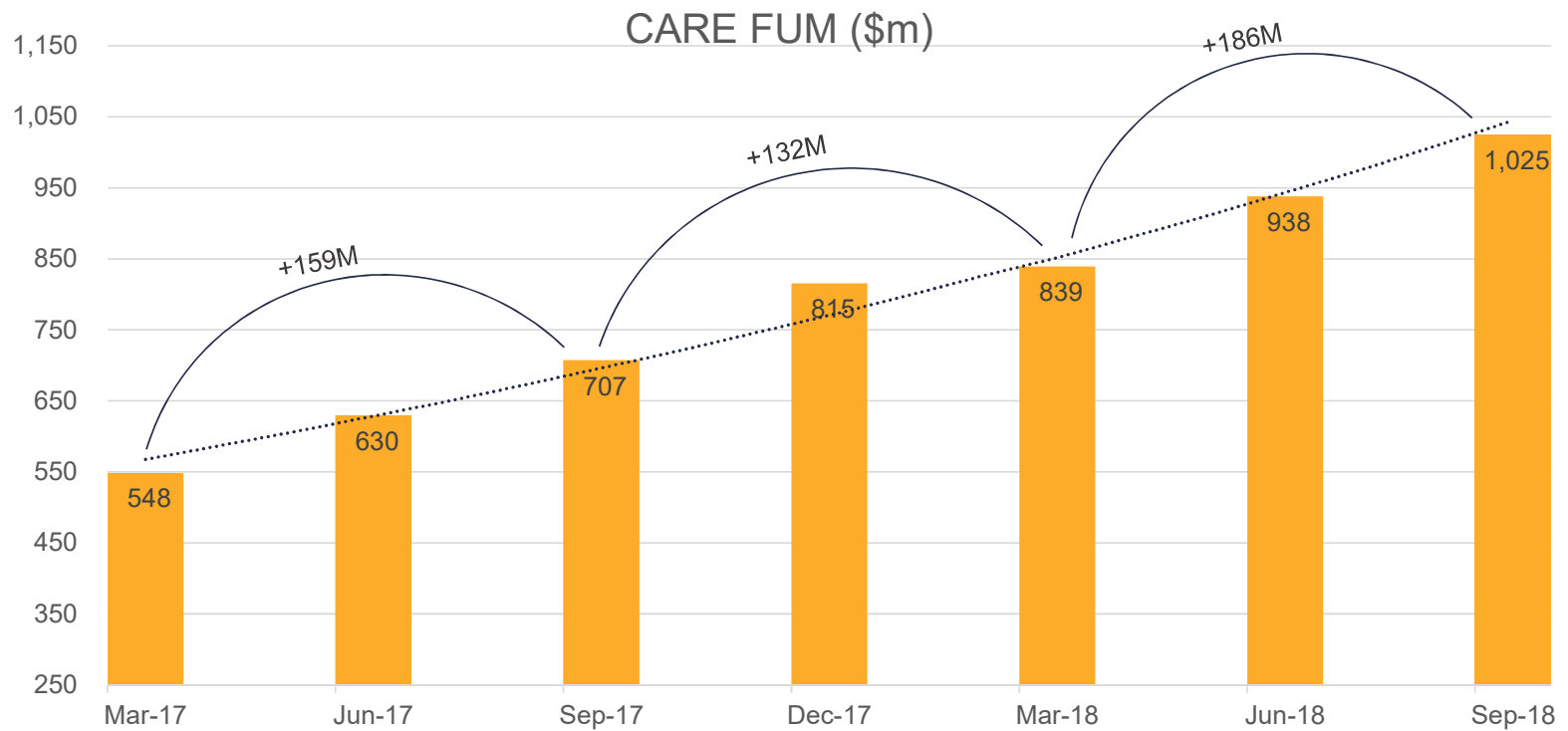
Growth in Limited Authorised Representatives



Growth in adviser numbers



CARE managed accounts – strong consistent growth



CARE Investment Committee



EMMANUEL CALLIGERIS
Chairman - Investment Committee,
Easton wealth



GRAHAME EVANS
Managing Director,
Easton Wealth



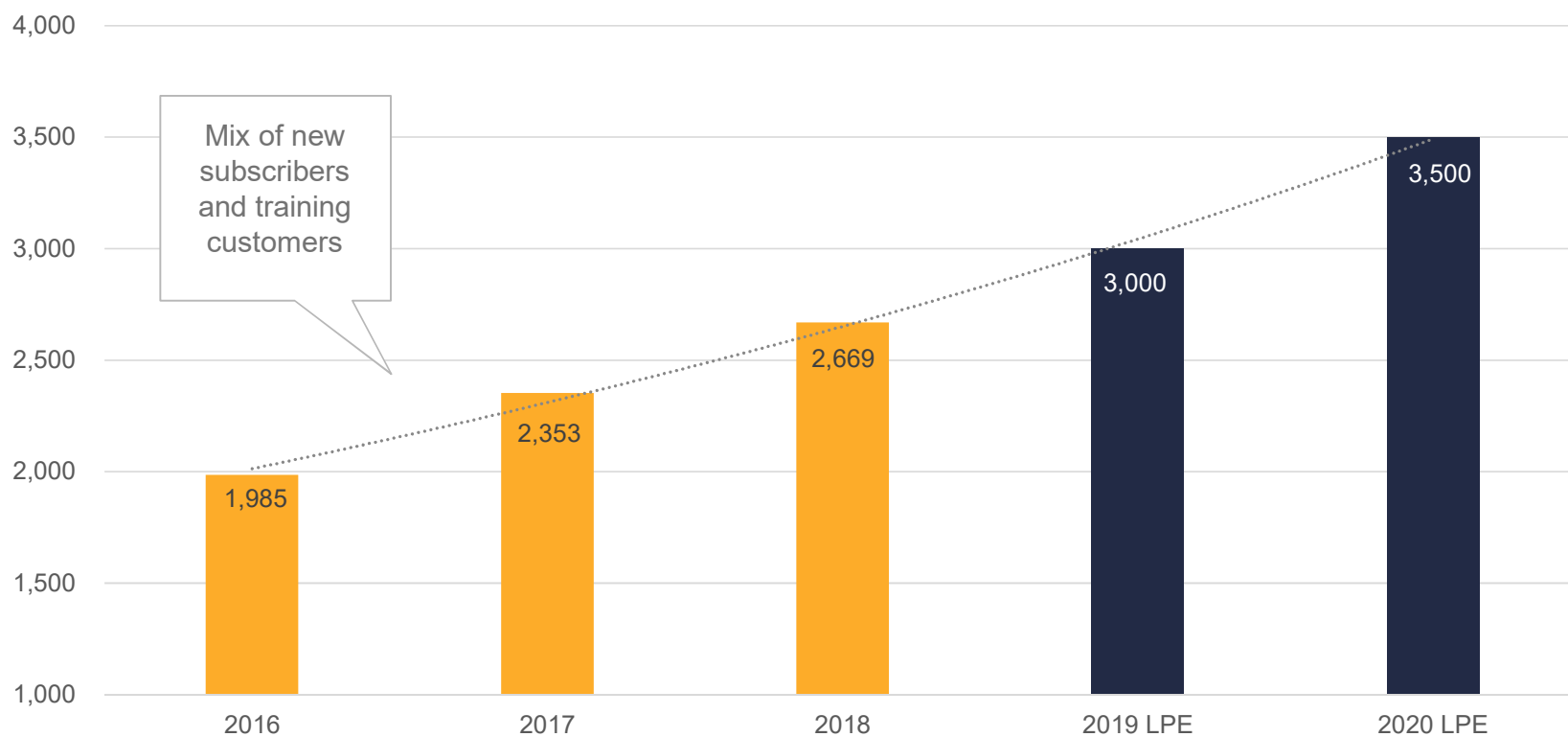
ROB MCGREGOR
Joint Founder, GPS Wealth



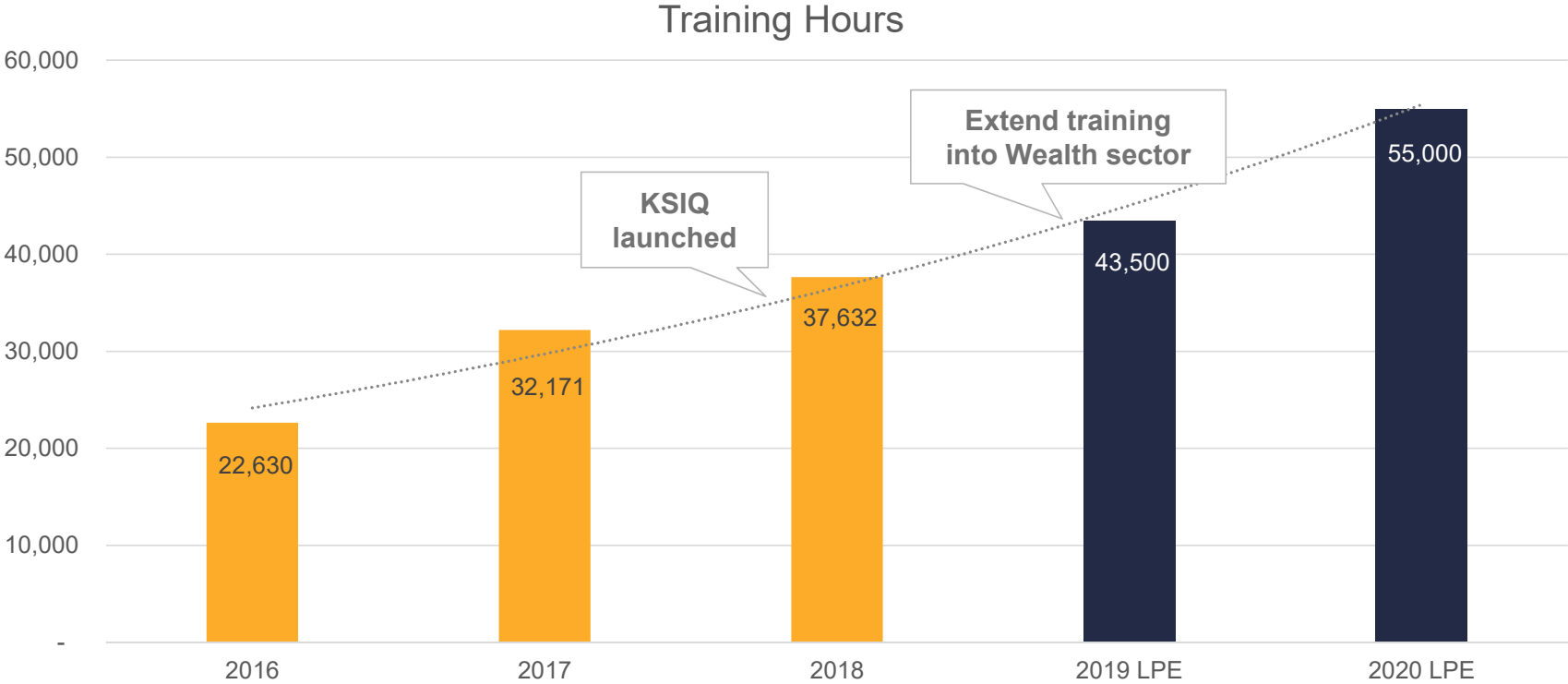
DR MARK BRIMBLE
Professor (Finance) Griffith Business School

Accounting channel growth

Growth in Knowledge Shop Accounting Channel



Growth in training delivered



FY19 Trading Update



- Current year to benefit from
 - Full year contribution from GPS Wealth + synergy gains
 - Full year contribution from Taxbytes
 - Growth in subscription income from increase in LARs
- Acquisition of The SMSF Expert to increase LARs income
- 1st qtr results ahead of budget
- Expect continuation of 2nd half earnings bias – current forecast 37/63%

FY19: GROWTH

Growth Drivers

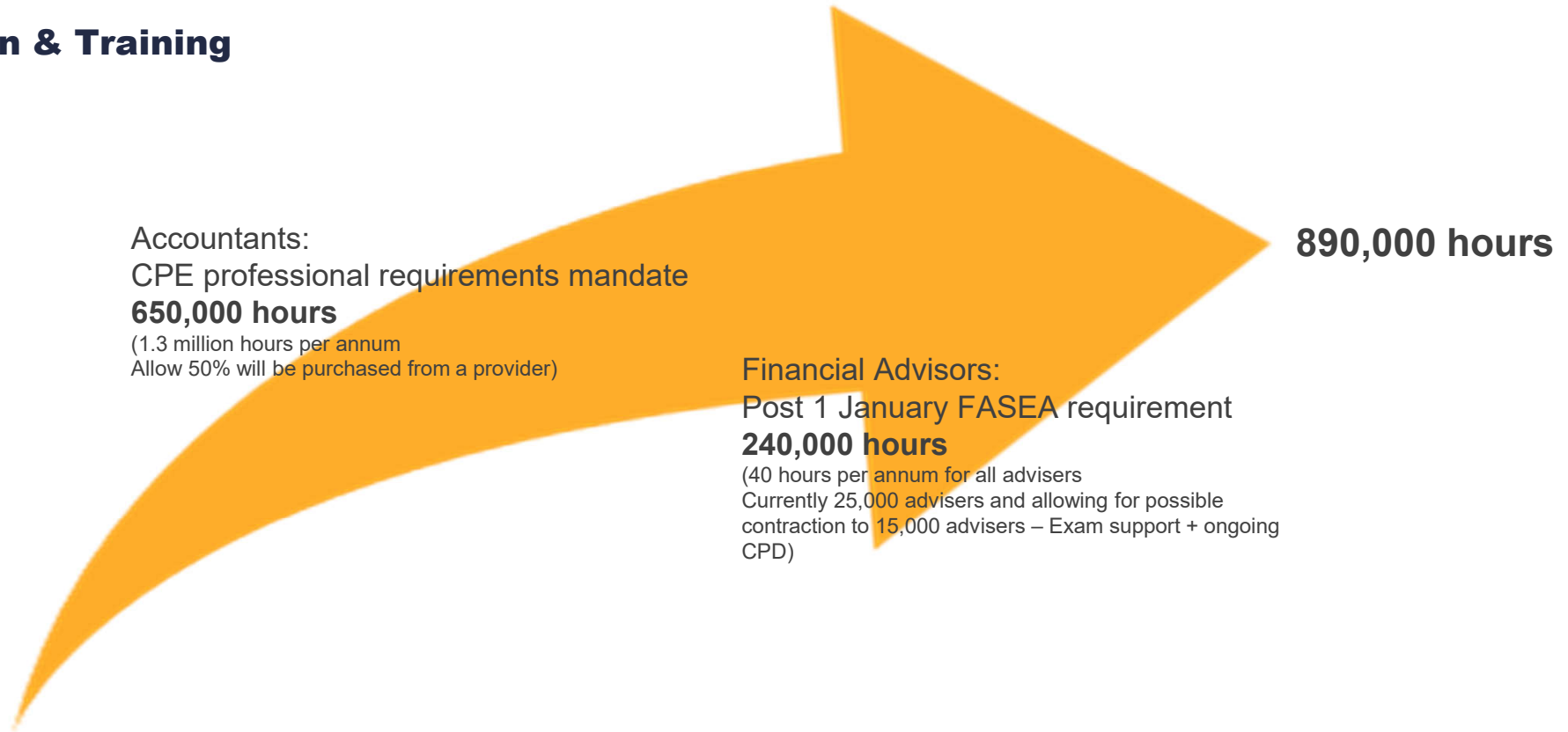
- Organic growth anticipated across all business units
- Significant growth in LARs population will drive subscription revenue
- CARE should continue to deliver growth (subject to market movements)
- Training hours expected to grow by 15%

Growth Initiatives

- Take our training capability into the wealth space
- Finance broking capability made available to our accountants & adviser network
- Expand adviser service capability e.g estate planning
- Enhance engagement tools to attract growth centric advice businesses
- Leverage the growth in LARs with wealth advice support

Market size opportunity 1

Education & Training



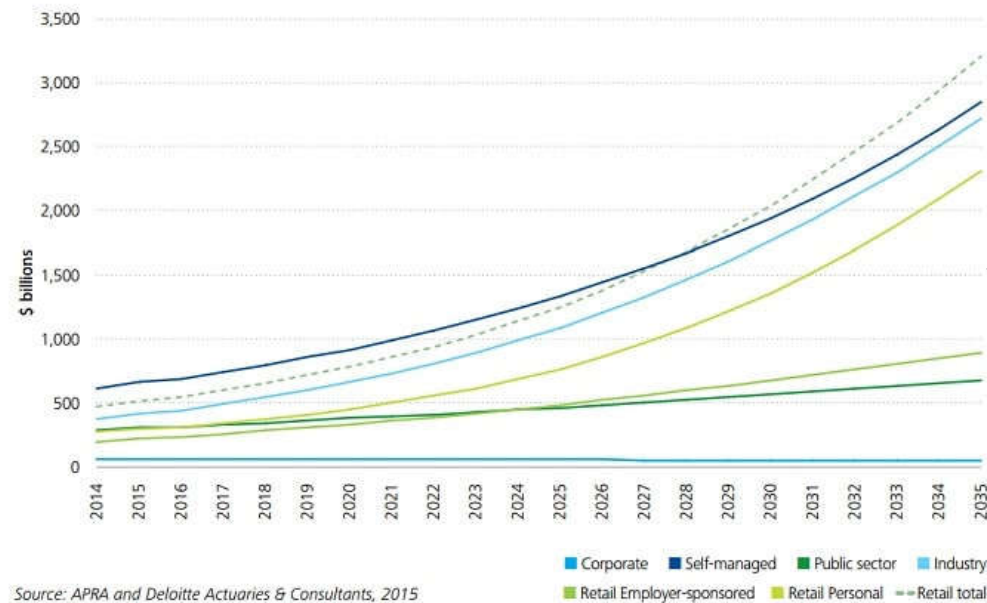
Market size opportunity 2

SMSF Advice

Growing demand, reducing advice supply

Super market growing to over \$9 trillion over next 17 years

Figure 8: Superannuation assets by market segment (Deloitte classification)



Source: APRA and Deloitte Actuaries & Consultants, 2015

Market predicting significant reduction in adviser numbers over the next 4 years. Continuing advisers to benefit from increased demand

Key environmental risk

- The Royal Commission will change the adviser landscape
- Change already occurring, but full impact will not be known until after issue of final report and Government response
- Increased focus on compliance and adviser behavior
- Will cause some disruption in the sector
- We support an environment that enhances consumer outcomes



FY19 Outlook

Strong growth in earnings & earnings per share

Dividend policy to be maintained

Continuing 2nd half of year earnings bias

Environmental influences in wealth sector (Royal Commission & FASEA) to be actively managed

Growth initiatives from 2018 to flow into current year earnings growth

Growth initiatives for 2019 should establish another layer of earnings growth for the future

Consideration of strategic acquisitions on a selective basis

Corporate Information

INVESTMENT (As at 30 June 2018)

¹ Return on Equity is Underlying Profit divided by Shareholders Funds



MARKET

Shares on Issue	34.85m
Share price	\$0.805
Market capitalization	\$28.05m
Substantial shareholders:	
Greg Hayes & related entities	16.6%
Kevin White & related entities	8.6%
Pie Funds Management	7.6%



Disclaimer



The information contained in this presentation is not intended to be exhaustive and must be considered in conjunction with all other publicly available information disclosed by Easton to the Australia Securities Exchange from time to time.

This presentation does not take into consideration the investment objectives, financial situation or circumstances of any particular investor.

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