

**EASTON INVESTMENTS LIMITED**

# **Presentation & 2019 First Half Results**

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21 February 2019



# First half 2019 - Highlights

**Continued  
EARNINGS growth  
Record 1<sup>st</sup> half result**

Accounting Solutions +14% &  
Wealth Solutions +42% on PCP

**EXPANSION of  
training capability**

Training expanded into the  
wealth sector

**MANAGED ACCOUNTS  
pass milestone**

CARE grows past one billion  
dollars

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**ACCELERATED engagement of  
accountants with wealth advice**

293 additional Limited Authorised Representatives  
(LARs)

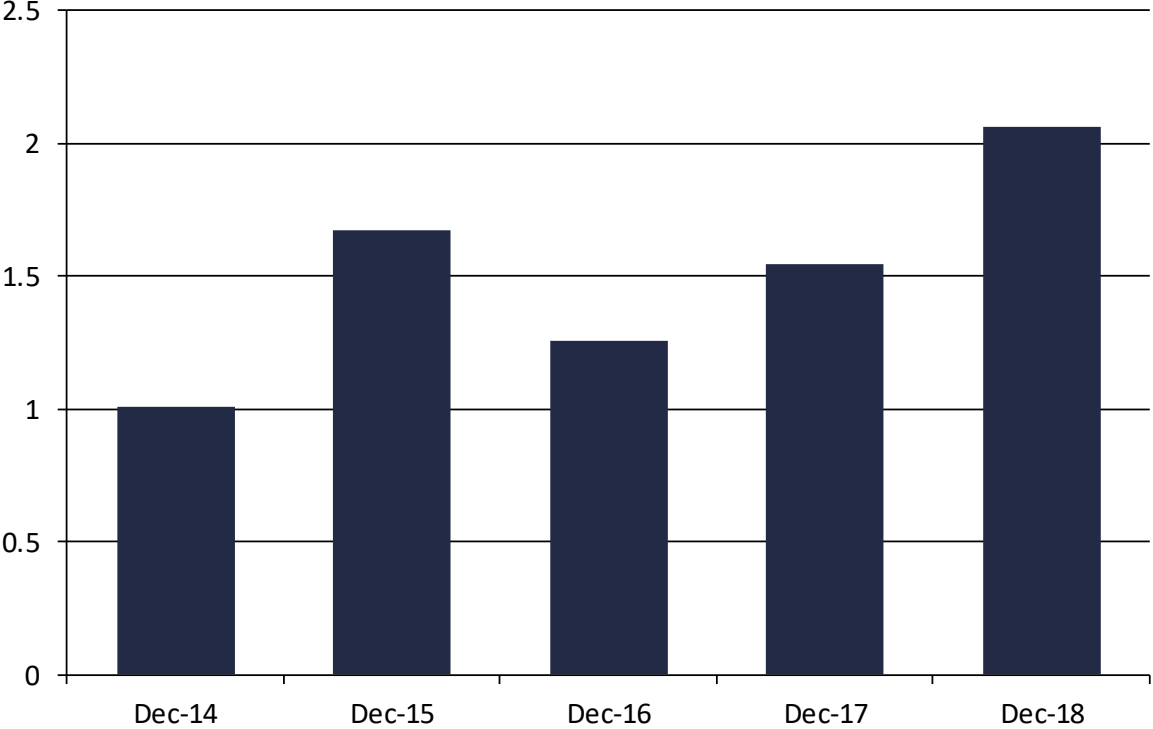
# First half 2019 - Results

REVENUE	↑	\$29.51 mill – up 33% PCP
NPAT	↑	\$1.00 mill – up 89% PCP
UNDERLYING PROFIT <sup>1</sup>	↑	\$2.06 mill - up 33% PCP
DIVIDEND		Inaugural dividend 2 cents per share paid September 2018 Interim dividend of 1 cent per share to be paid in May 2019

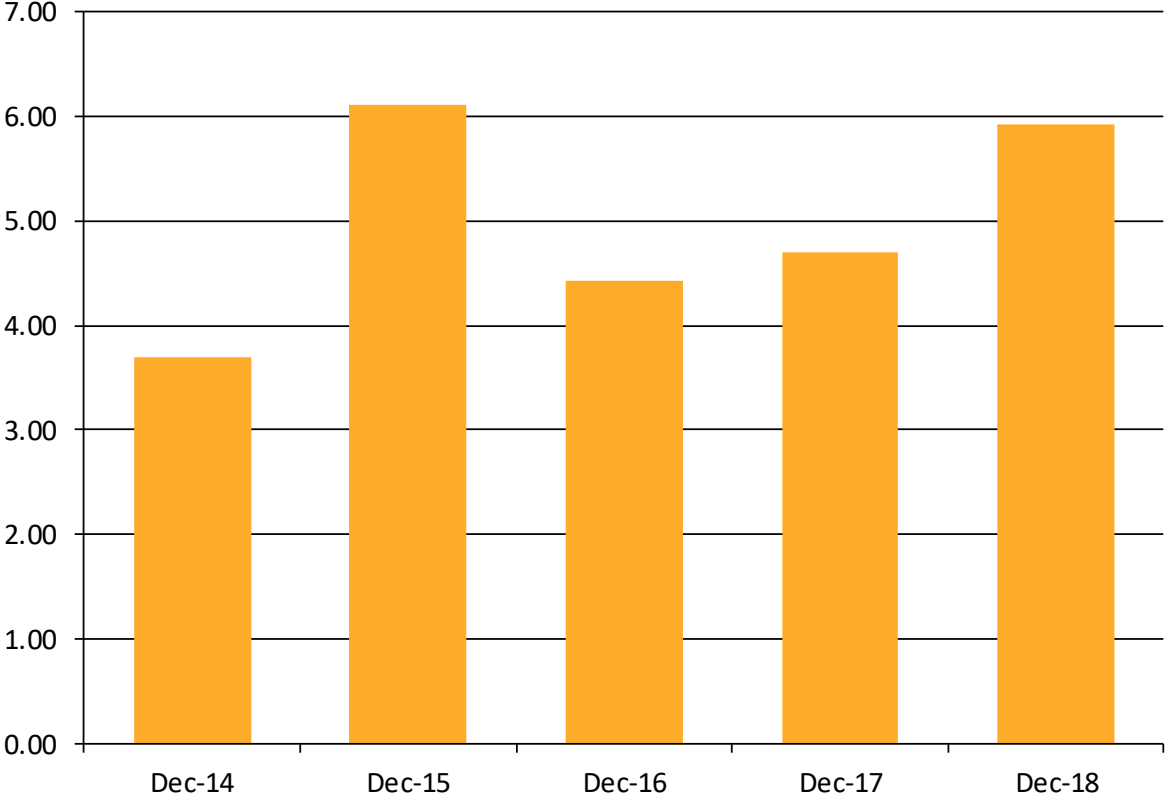
<sup>1</sup> Underlying Profit = Normalised Earnings before Interest, Tax and Amortisation. Underlying Profit is a non-IFRS measure and is used by the Company to assess performance as it excludes non-cash amortisation, share based payment charges and one-off or non-operational items.

# Underlying profit continues growth trend

Underlying profit (\$m)



Underlying profit per share (cps)



# Financial Highlights



# Underlying Performance

## Key drivers – 1<sup>st</sup> Half

Underlying Profit	2019 (\$m)	2018 (\$m)	Movement
<b>Accounting Solutions</b>			
- Revenue	5.10	4.69	+9%
- Contribution	1.31	1.15	+14%
<b>Wealth Solutions</b>			
- Revenue	24.40	17.43	+40%
- Contribution	1.69	1.19	+42%
<b>Corporate costs</b>	(0.93)	(0.79)	+17%
<b>Underlying Profit</b>	<b>2.06</b>	<b>1.55</b>	<b>+33%</b>

- Both divisions strong contributors – total contribution \$3.00m. (PCP \$2.34m.)
- Accounting solutions – growth in subscriber numbers and training
- Wealth solutions – strong growth in LAR numbers and increasing contribution from CARE

Note: Underlying Profit = Normalised EBITA

# Cash flow from operations

	H1 2019 (\$m)	H1 2018 (\$m)	Movement %
Cash generated from operations	1.21	(0.16)	856
Interest	(0.23)	(0.18)	
Tax	(0.35)	(0.30)	
Net cash from operating activities	0.63	(0.64)	

- Strong turn around in cash position
- Cash tracking closely to earnings after including cash dividends from Associates of \$0.80 mill
- No material lock up in working capital

# Balance sheet & Funding

## Sound financial position

- Effective capital management in place
- Net debt at balance date \$6.49 m
- Cash position and undrawn facility \$3.51 m
- Anticipated cash flow from operations to provide funding for:
  - Continued growth
  - Dividend
  - Share buy back



# Share buyback operational

- Share buyback commenced in December 2018
- As part of the capital management program, directors are of the view that the current share price under values the company
- At 31 December 2018, 48,872 shares purchased and cancelled
- A further 149,250 shares purchased to 31 January, 2019

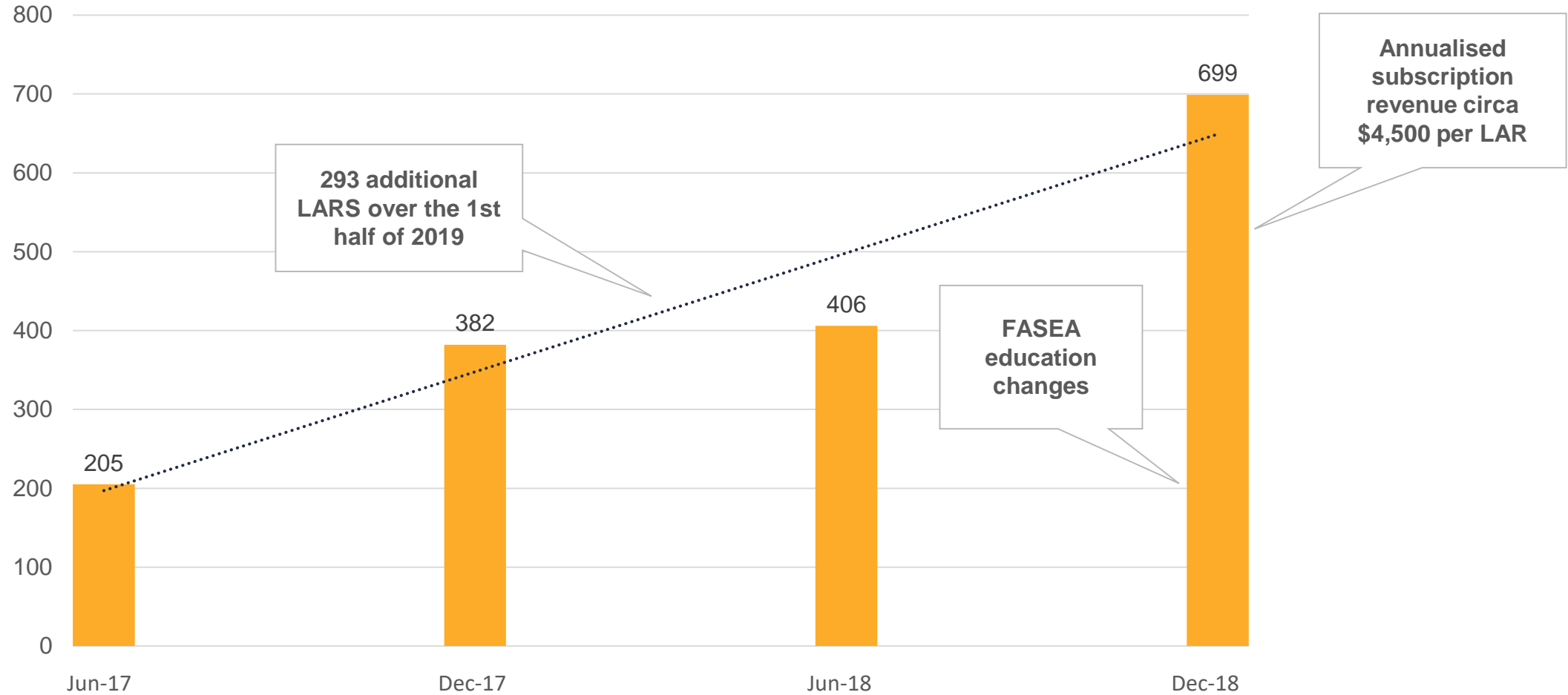
# Interim dividend for 2019 year

- Dividend policy implemented by the company
- Maiden dividend of 2 cents per share paid in September 2018
- Based on increased earnings and outlook an interim dividend of 1 cent per share to be paid on 10 May 2019

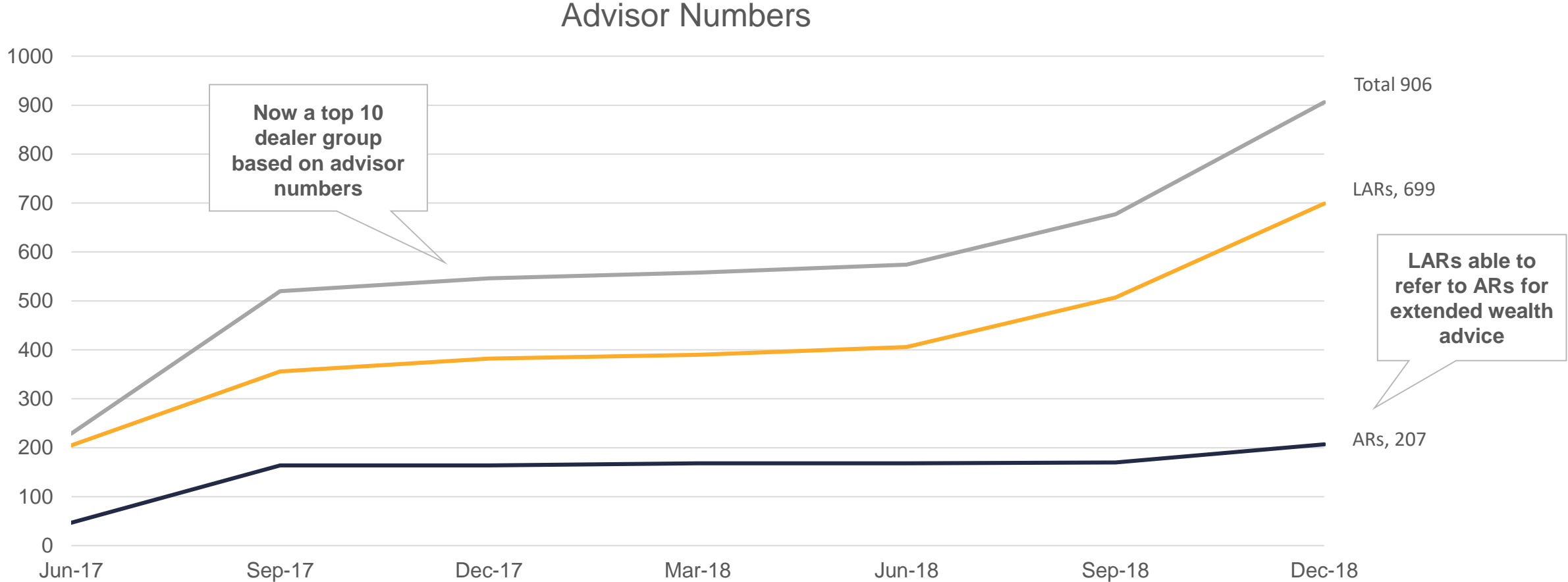
# Operational highlights



# Limited Authorised Representatives numbers exceed AGM forecast

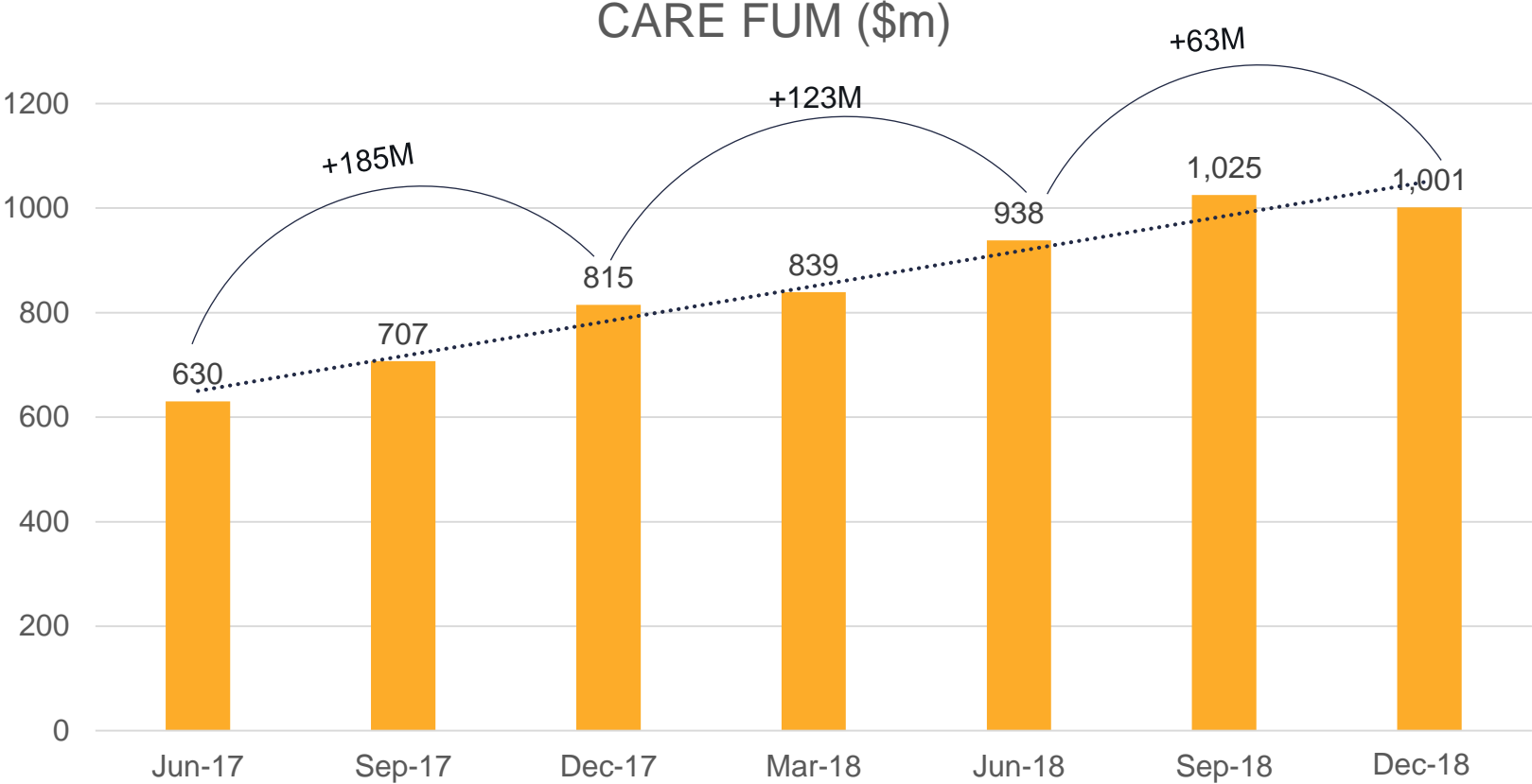


# Growth in adviser numbers



# CARE Managed Accounts

- Despite negative market movement in funds over the 1<sup>st</sup> half, continuing support maintained growth
- Growth anticipated to continue as CARE is used by more of our advisers
- Available through HUB 24 and Netwealth platforms



# First half acquisition

## SMSF Expert

A Limited Licence  
Authorisation service  
for accountants

Purchased in September 2018

Resulted in 80 additional Limited Authorised  
Representatives

- Immediate increase in subscription income circa \$400K pa
- Infrastructure to manage advisers already in place
- Business model very similar to existing LAR offer

# Growth in our training market

**Growth in  
core  
training +  
new market  
in wealth**

- Increasing take up by accountants of training offered
- FASEA has prescribed 40 hours of annual CPD for wealth advisers from 1 January – a new market for our training
- Currently developing training programs to meet the FASEA requirements
- AGM forecast for training hours (43,500) on track



# Royal Commission outcomes

- Royal Commission Report released – Government response will flow through over time
- We support an environment that enhances consumer outcomes
- The recommendations flowing from the Commission are consistent with our business model
- Increased resources have been applied to compliance and enhancing adviser behavior



# Strategy and Outlook



# Group strategy

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

## Increasing wealth and accounting engagement



### Accounting solutions

engagement with more than 3,000 accounting firms across Australia

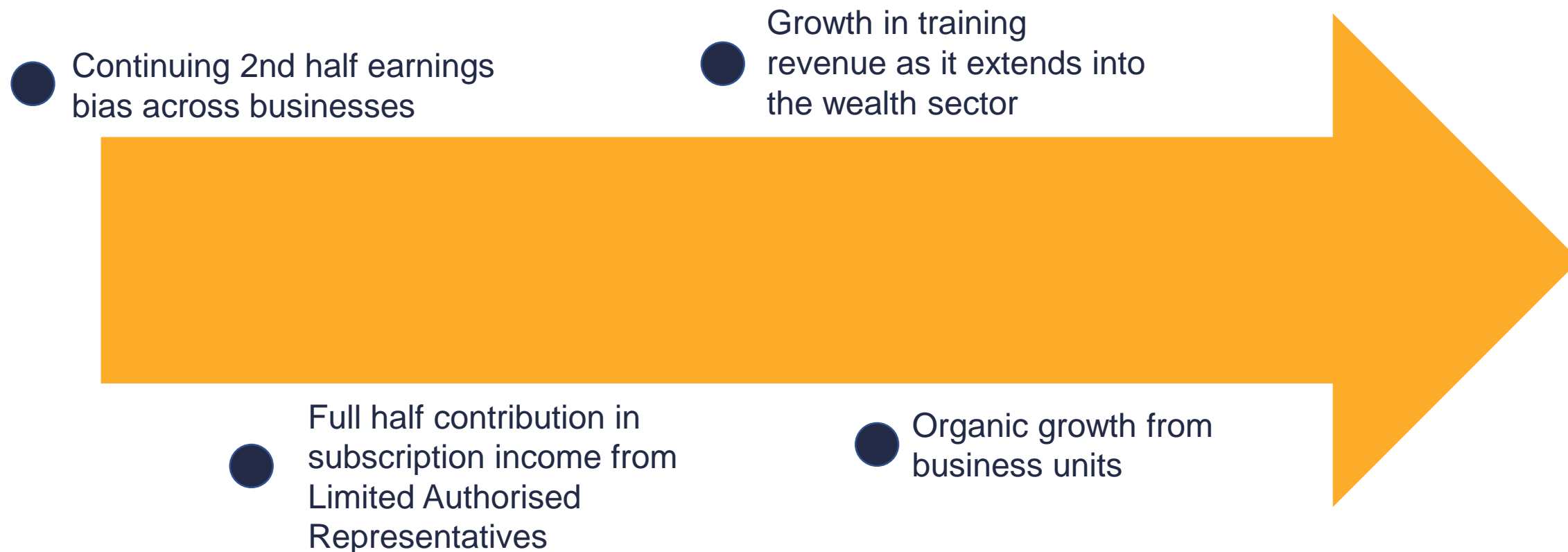


### Wealth solutions

Approximately 900 Authorised representatives  
89% engaged with accounting firms

# FY19 Outlook

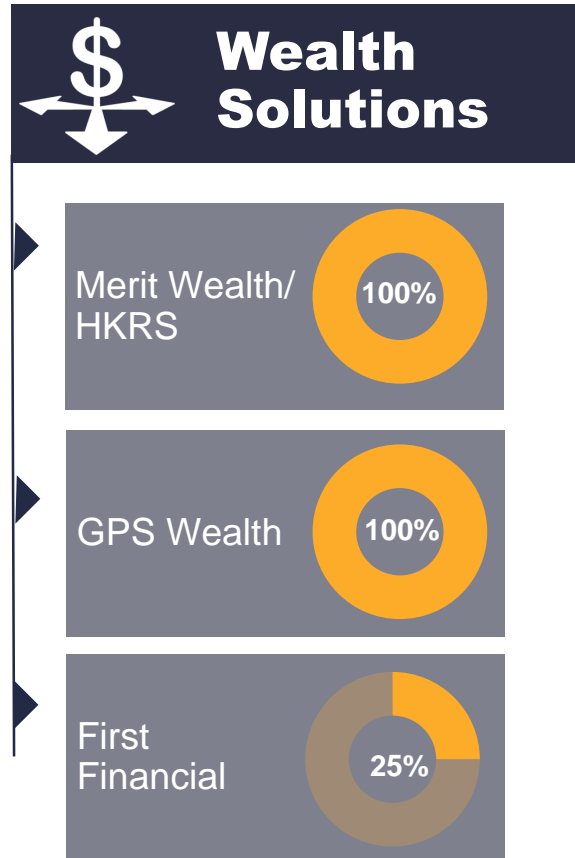
## Strong growth in earnings in 2nd half to be delivered from:



# Who we are today..

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

## Our two core business streams



# Corporate Information

## INVESTMENT (Year to 31 December 2018)

• Underlying Profit	\$4.88m
• Underlying Profit per Share	14.0 cents
• EV / Underlying Profit (12 month trailing) <sup>2</sup>	7.5 times
• Final Dividend (2018)	2.0 cps
• Interim dividend (2019)	1.0 cps
• Dividend Yield	3.4% fully franked
• Shareholders Funds	\$31.03m
• Return on Equity (12 month trailing) <sup>1</sup>	15.7%
• Net Debt	\$6.49m

<sup>1</sup> Return on Equity is Underlying Profit divided by Shareholders Funds

<sup>2</sup> EV is Market Capitalization + Net Debt

## MARKET (As at 31 December 2018)

Shares on Issue	34.80m
Share price	\$0.87
Market Capitalization	\$30.28m
Substantial shareholders:	
• Greg Hayes & related entities	16.6%
• Kevin White & related entities	8.6%
• Pie Funds Management	7.6%

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