

Via ASX Online

ASX ANNOUNCEMENT – 21 August 2019

ASX Market Announcements Office
 ASX Limited

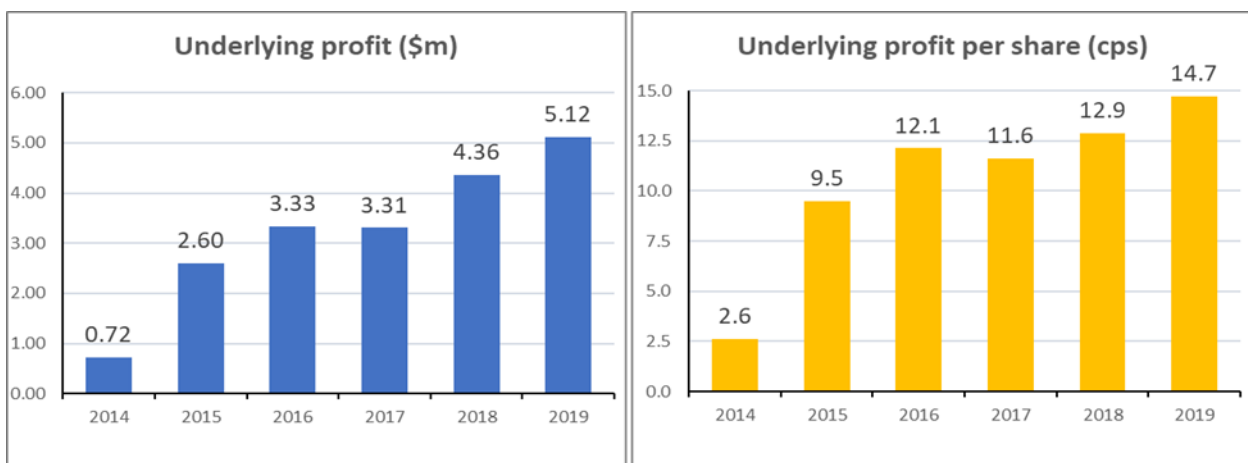
ASX Code: EAS

2018/19 Full Year Results

Easton Investments Limited (**Easton or the Company**) releases its results for the 12-months ended 30 June 2019.

Performance Highlights

- ✚ Statutory Profit¹ up 54% to \$2.73m (2018: \$1.77m)
- ✚ Underlying Profit² up 17% to \$5.12m (2018: \$4.36m)
- ✚ Revenue up 18% to \$59.8m (2018: \$50.8m)
- ✚ A final dividend of 2 cents per share, fully franked – bringing the calendar year dividend rate to 3 cents per share, fully franked
- ✚ Underlying Profit contribution from the Wealth Solutions Division up 24%³ to \$3.81m (2018: \$3.07m)
- ✚ Underlying Profit contribution from the Accounting Solutions Division up 1% to \$3.11m (2018: \$3.07m)



¹ Statutory Profit is Net Profit after Tax.

² Underlying Profit is 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.

³ Unless stated otherwise, comparative numbers relate to the previous corresponding period.



Results Overview

The Company's two core business streams – Wealth Solutions and Accounting Solutions – continued to grow during the year with consolidated Revenue increasing by 18% to \$59.8m.

Wealth Solutions delivered a strong result with an Underlying Profit contribution of \$3.81m, a rise of 24%.

This result benefited from a sharp up-lift in the number of advisers on license to 771 Authorised Representatives, 573 of which are Limited Authorised Representatives (LARs). Easton ranks as a Top 10 advisory group in Australia by the number of advisers.

It was also boosted by continued growth in CARE Managed Accounts (**CARE**) to \$1.20bn (2018: \$0.94bn).

The result included additional investment in compliance, adviser training and monitoring in line with higher industry standards.

Accounting Solutions delivered a flat result with an Underlying Profit contribution of \$3.11m, a rise of 1%.

Knowledge Shop, the primary component of this division, continued to grow membership and training, with a divisional Underlying Profit contribution of \$2.34m, a rise of 6%. During the year the business made a significant investment in the development of a training capability to enter the Wealth sector and an accompanying increase in sales and technical resources.

The divisional result was adversely impacted by under-performance by both Document businesses – Panthercorp and Law Central – which were affected by generally weak markets for legal documents. Whilst Directors do not regard the current market downturn to be a permanent decline in demand, they have nonetheless considered it appropriate to reduce the book carrying value of these businesses by a combined \$0.80m. This charge against goodwill is a non-cash expense and has no impact other than to adjust the carrying value of these assets to more closely reflect the current market conditions in which these businesses operate.

A combined divisional Underlying Profit contribution of \$6.92m represents a rise of 13% (2018: \$6.14m) and includes significant on-going investment in organic growth opportunities and initiatives, the benefits of which will be derived in coming years as we position our businesses to deliver sustainable, long-term growth. This investment is consistent with the Company's clear focus on the delivery of online services and growth in recurring revenue streams.

The goodwill charge against the carrying value of the Document businesses of \$0.80m was more than offset by a one-off gain of \$1.48m on the fair value adjustment of a call option derivative financial instrument held over the Company's interest in First Financial. This gain, like the goodwill charge, is a non-cash item and both items have been treated as normalisation adjustments for the purpose of calculating Underlying Profit.



Final Dividend

Directors have declared a final dividend of 2 cents per share, fully franked, and brings the rolling 12-month dividend rate to 3 cents per share. The record date for this dividend is 13 September 2019 and it will be paid to shareholders on 27 September 2019.

Cash Flow

Cash flow generated from operations during the year was \$3.17m (2018: \$1.49m).

Surplus cash was principally applied to debt reduction, dividend payments, capital expenditure and capital management in the form of an on-market share buy-back plan where 237,347 shares were purchased on-market and cancelled during the year.

Financial Position

At balance date, the Company is in a sound financial position with net debt of \$5.37m, down from \$6.78m at 30 June 2018. The Company's \$10m credit line provides adequate cash reserves to fund operations and meet anticipated capital requirements.

Outlook

Directors remain positive about the Company's strategic direction, its market position and its on-going growth prospects. We expect the next 12 months to deliver:

- ✚ Higher earnings flowing from the Wealth Solutions division as a result of the continued growth in adviser numbers
- ✚ Continued growth in CARE, with enhanced potential as our managed accounts solution gains broader acceptance across the Company's expanded adviser network
- ✚ Further growth in Knowledge Shop's membership base and training hours delivered to the accounting profession
- ✚ Expansion of training into the Wealth space to meet the FASEA education requirements
- ✚ Improved performance of the Document businesses following a restructuring over recent months
- ✚ Contribution from extension products and services introduced into our accounting and wealth markets

Together, these organic growth opportunities provide a sound base for long term sustainable earnings growth.

At the same time the Company will be alert to strategic acquisition opportunities. Regulatory and industry changes are expected to provide both organic and non-organic growth opportunities. Nonetheless, regulatory changes and market conditions have the potential to impact business performance and general market sentiment towards our Company.

A number of factors continue to weigh on Easton's share price, some of which are Company related such as size and liquidity, and some of which are sector or industry related. Directors feel obliged to understand and evaluate these factors and to seek to identify ways and means of creating value for our shareholders. In this context Directors will continue to explore all avenues and options that are considered capable of enhancing profitability and shareholder value.



Other Information

The following information has been released to the market:

1. Annual Report for the 12-months ended 30 June 2019;
2. Appendix 4E for the 12-months ended 30 June 2019; and
3. 2018/19 Full Year Results presentation dated 21 August 2019.

Greg Hayes

Managing Director

Ph. 02 9221 6666

Mobile 0419 298 536

Email greg.hayes@eastoninvestments.com.au