

**Via ASX Online**

## ASX ANNOUNCEMENT – 20 February 2020

ASX Market Announcements Office  
ASX Limited

**ASX Code: EAS**

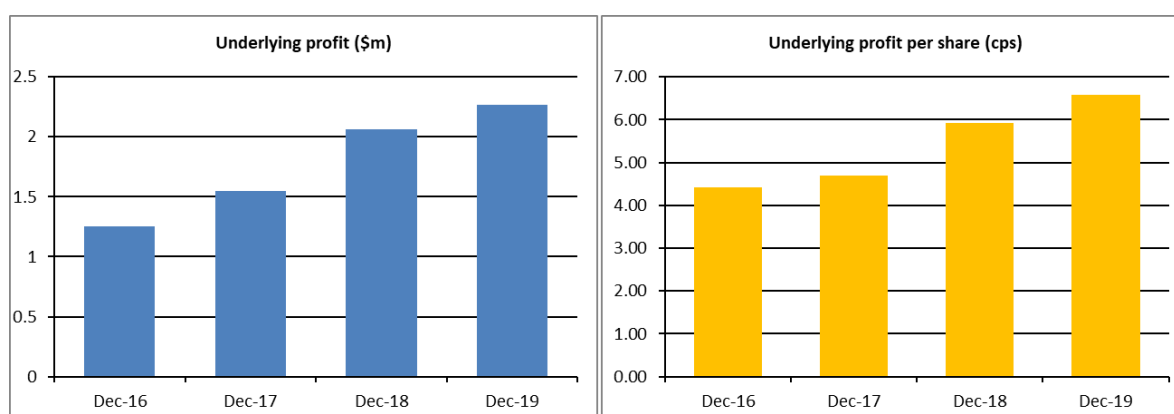
### 2019/20 First Half Results

Easton Investments Limited (**Easton or the Company**) releases its results for the half-year ended 31 December 2019.

#### Financial Highlights

An excellent first half result on the back of strong performance by the Accounting Solutions division, with a 50% increase in the interim dividend.

- ✚ Statutory Profit<sup>1</sup> up 6% to \$1.06m (2018: \$1.0m)
- ✚ Underlying Profit<sup>2</sup> up 10% to \$2.27m (2018: \$2.06m) – **another record 1<sup>st</sup> half result for the Company**
- ✚ Underlying Profit per share up 12% to 6.6 cents (2018: 5.9 cents)
- ✚ Revenue up 16% to \$34.19m (2018: \$29.51m)
- ✚ Profit contribution from the Accounting Solutions division up 32% to \$1.73m (2018: \$1.31m)
- ✚ Profit contribution from the Wealth Solutions division down 10% to \$1.52m (2018: \$1.69m)



<sup>1</sup> Statutory Profit is Net Profit after Tax.

<sup>2</sup> 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.



### Interim Dividend Increase

Based on the Company's higher earnings and outlook, Directors have declared an interim dividend of 1.5 cents per share, fully franked, an increase of 50%. This dividend will be paid to shareholders on 1 May 2020, with a record date of 17 April 2020, and follows the FY19 final dividend of 2 cents per share.

### Operating Highlights

Both of the Company's operating divisions reported revenue growth for the 1<sup>st</sup> half, and together delivered combined earnings growth. Headline outcomes included:

- ✚ Growth in the Accounting Solutions division driven on the back of an acceleration in Knowledge Shop membership (up 16%) together with strong growth in training revenue (up 37%). Training expanded in all formats together with an exciting entry into the Wealth market.
- ✚ The Wealth Solutions division increased revenue (up 17%) however earnings fell (down 10%) largely due to expenditure on a pilot Finance Broking capability, and increased expenditure in compliance, monitoring and education of Advisers. There was also a reduction in Limited Adviser (LAR) subscription income (3%), as some rationalisation followed the rapid increase in LAR numbers in the prior period. Easton continues to rank as a Top 10 advisory group in Australia by number of advisers.
- ✚ 100% of full advisers (ARs) met their continuing education requirements, for 2019, as prescribed by FASEA and 99% of advisers who sat the FASEA exam passed.
- ✚ Continued growth in CARE Managed Accounts (**CARE**) to \$1.42 billion, up by 41% on the prior corresponding period, with continuing monthly inflows supporting growth.
- ✚ Combined divisional contribution increased by 9% to \$3.25m (2018: \$3.00m) and includes on-going investment in organic growth opportunities.

### Capital Management

During the 1<sup>st</sup> half the Company continued to operate an on-market share buy-back plan, and 130,148 shares were purchased and cancelled in the 6 months to 31 December 2019

### Cash Flow and Financial Position

Cash generated from operations during the 1<sup>st</sup> half was \$1.54 million (2018: \$1.21 million). In addition, the Company received cash dividends from Associates of \$0.63 million.

This cash flow has provided adequate funds to meet capital commitments, service debt, pay dividends and allow the Company to maintain the share buy-back plan.

At balance date, net debt after including cash reserves, amounted to \$5.23 million (31 December 2018: \$6.49 million).



Post balance date the Company secured an additional \$3 million facility from its bank to assist with the acquisition of TaxBanter. At the same time terms were agreed for renewal of the existing \$10 million facility which was due for review later in the year. The \$3 million facility has been provided for a 3 year term on an interest only basis. The \$10 million facility is also being renewed for a 3 year term. Debt amortisation will be on a facility limit reduction basis, calculated over a notional 7 year term.

### **TaxBanter**

The Company acquired a 60% controlling interest in the business of TaxBanter on 23 January, 2020 for a consideration of \$4.28 million. The transaction included a Put and Call Option to acquire the remaining 40% of share capital in two years, together with a potential vendor earn out of up to \$500K, subject to achievement of hurdle growth rates.

TaxBanter is a leading national provider of in house tax training to the accounting profession. The Company considers this business to be highly complementary to the broader training services currently provided to both the accounting and wealth markets by Knowledge Shop. The acquisition significantly increases the scale of the Company's training capability, providing both increased market share and resources. Approximate turnover and EBITA for TaxBanter on an annualised and normalised basis are \$7 million and \$1.7 million respectively.

### **Strategic Review**

In the second half of last year the Company announced that it had appointed Grant Samuel Corporate Finance to undertake a strategic review of the Company, its businesses and prospects. The review confirmed that Easton is a subscale listed company. It highlighted the need for the Company to focus on its core business strengths and to continue to explore all options to create meaningful scale. The recent acquisition of TaxBanter, whilst not initiated from the review, is an example of the Company's commitment to expand its core businesses. The Board will continue to explore all available opportunities and options to streamline the Company and build scale as part of a clear strategic focus to develop, or otherwise be part of a much larger business with a strong competitive position and national market presence.

### **Outlook**

Directors expect continuing improvement in underlying performance in the 2<sup>nd</sup> half.

The Company's core businesses have a strong 2<sup>nd</sup> half bias to earnings, as reflected in prior year results. This is caused by continuing organic growth and also by a natural seasonal business skew. In addition, the Company will receive a part year earnings contribution from its investment in TaxBanter.

The Directors believe that the Company's growth path will continue to accelerate and remain extremely positive about the prospects over the medium to long term. Anticipated growth from business units includes:

- ✚ Further growth in revenue in the Wealth Solutions division as advisers continue to grow their businesses. This growth, together with the implementation of a new dealer services pricing model, is expected to result in growth in earnings contribution
- ✚ Trend growth in CARE, through continued adviser support, the launch of a CARE 'lite' option and CARE being offered to other dealer networks



- ✚ Continuity of growth in Knowledge Shop's membership base
- ✚ Significant growth in training hours delivered through the addition of TaxBanter and continuing expansion into the wealth market, with an emphasis on online delivery
- ✚ Continuing development of subscription based service models in both divisions of the Company

The Company will continue to invest in its businesses to underpin future growth and at the same time actively pursue strategic acquisition opportunities.

This focus should continue to drive earnings growth. As always regulatory changes and market conditions can affect the company and directors are mindful of their potential to impact performance.

During the 2nd half, the Company will initiate a search for a new managing director and a new non-executive director as part of an orderly process in relation to executive succession and Board renewal. As announced to the ASX on 17 February 2020, Mr Greg Hayes has confirmed his plans to retire as managing director and has agreed to remain in his role until the 2020 AGM, while Mr Rodney Green has confirmed his intention to step down as a non-executive director in the coming months.

#### **Other Information**

The following information has been released to the market:

1. Appendix 4D - Easton's Half Year Report for the period ended 31 December 2019
2. Directors Report and Interim Financial Report for the period ended 31 December 2019
3. 2019/20 First Half Results Presentation dated 20 February 2020.

**Greg Hayes**  
**Managing Director**

Ph. 02 9221 6666

Mobile 0419 298 536

Email [greg.hayes@eastoninvestments.com.au](mailto:greg.hayes@eastoninvestments.com.au)