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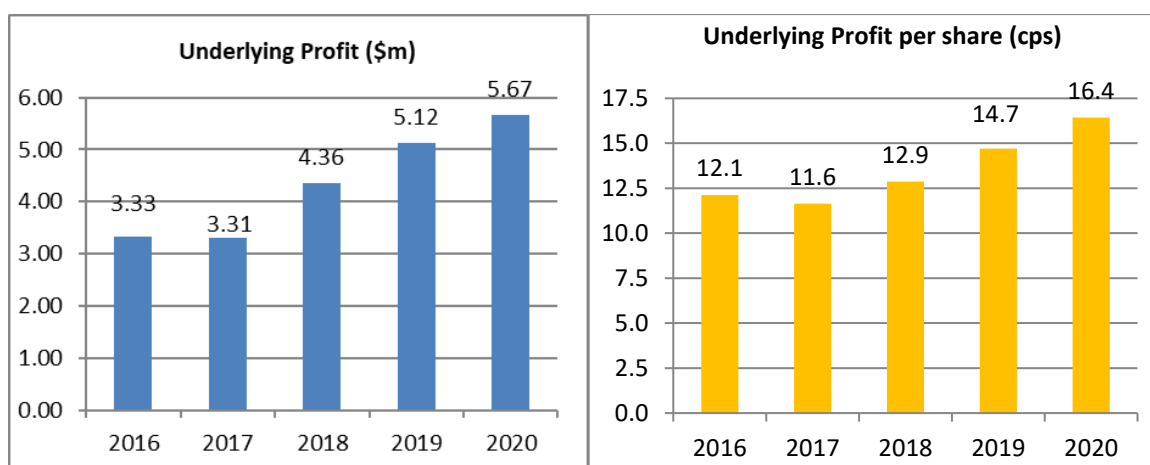
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2019/20 Full Year Results

Easton Investments Limited (**Easton or the Company**) releases its results for the 12-months ended 30 June 2020.

Performance Highlights

- ✚ Statutory Profit¹ down 36% to \$1.75m (2019: \$2.73m) – impacted by a non cash impairment charge of \$1.30m
- ✚ Underlying Profit² up 11% to \$5.67m (2019: \$5.12m)
- ✚ Revenue up 21% to \$72.24m (2019: \$59.80m)
- ✚ A final dividend of 2.5 cents per share, fully franked – bringing the full year dividend rate to 4 cents per share, fully franked, an increase of 33%
- ✚ Underlying Profit contribution from the Wealth Solutions division down 23%³ to \$2.93m (2019: \$3.81m)
- ✚ Underlying Profit contribution from the Accounting Solutions division up 51% to \$4.68m (2019: \$3.11m)



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 amortization, share based payment charges, AASB16 Leases 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 – Accounting Solutions and Wealth Solutions – continued to grow during the year with consolidated Revenue increasing by 21% to \$72.24m. Both business units were affected by the impact of COVID-19, and particularly in the 4th quarter which traditionally provides strong earnings contribution.

Despite this, Accounting Solutions grew revenue by 33% to \$14.57m with an Underlying Profit of \$4.68m, an increase of 51%.

Knowledge Shop, the primary component of this division, had a record year in membership growth and training delivery, with 145,442 training hours delivered. This included over 8,000 training hours delivered into the wealth sector. In January 2020 Knowledge Shop acquired a 60% interest in TaxBanter Pty Ltd (**TaxBanter**) which further increased training revenue and provided a positive contribution to earnings. A higher weighting of online training also improved operating margins.

The divisional result was also assisted by an improved earnings contribution by both document businesses – Panthercorp and Law Central. Whilst trading for these businesses was adversely affected by COVID-19, their full year operation, together with cost restructures completed in the 2019 year and Government support packages, produced an improved result.

Wealth Solutions had a more subdued result and whilst revenue grew by 18% to \$57.67m, Underlying Profit decreased by 23% to \$2.93m.

The result was impacted by 4th quarter financial markets movement which affected business activity and lowered growth in CARE Managed Accounts (**CARE**). Nonetheless for the year CARE grew funds under management to \$1.40bn (2019: \$1.20bn)

Limited Authorised Representative numbers also declined, however with 592 advisers on licence the Company still ranks as a Top 10 advisory group by number of advisers.

Increased investment was also made in compliance monitoring and training, in line with industry standards which contributed to lower earnings.

As previously announced the Company entered into agreements to divest its minority interest in First Financial Pty Ltd (**First Financial**) and Hayes Knight (NSW) Pty Ltd and affiliated interests (**HKNSW**). These divestments will strengthen the Company's balance sheet and provide a tighter focus around its core businesses. The First Financial transaction completed on 3 August 2020, and in anticipation of completion of the HKNSW transaction, the carrying value of this business has been reduced by \$1.30m. This charge against intangible assets is a non cash expense and aligns the carrying value to the sale value agreed and for which approval will be sought at the Company's AGM.

The combined divisional Underlying Profit contribution of \$7.61m represents an increase of 10% (2019: \$6.92m). This includes continuing investment in technology and organic growth opportunities. The company continues to grow its online engagement and delivery, positioning the business to deliver further growth and enhanced returns.



Final Dividend

Directors have declared a final dividend of 2.5 cents per share, fully franked, bringing the rolling 12-month dividend rate to 4 cents per share. The record date for this dividend is 11 September 2020 and it will be paid to shareholders on 25 September 2020.

Cash Flow

Cash flow generated from operations during the year was \$4.0m (2019: \$3.17m).

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 155,148 shares were purchased on-market and cancelled during the year.

Financial Position

At balance date, the Company had net debt of \$8.15m, up from \$5.37m at 30 June 2019. This increase was due to the acquisition of a 60% interest in TaxBanter, (\$4.18m). Sale proceeds from the First Financial and HKNSW transactions are expected to reduce net debt to less than \$2m.

Outlook

Recognising some uncertainty created by COVID-19 and the current environment the directors remain positive about the Company's strategic direction and its on-going growth prospects. We expect the next 12 months to deliver:

- ✚ A significant increase in training hours delivered with continued growth into both the accounting and wealth markets
- ✚ A full year earnings contribution from TaxBanter
- ✚ Continued growth in Knowledge Shop subscribers
- ✚ Increased earnings flowing from the Wealth Solutions division as a result of increase in adviser business and the introduction of the new fee model
- ✚ Further growth in CARE, with increased distribution channels
- ✚ The expansion of adviser service offers

The directors are mindful that the Company's share price remains weak, and in the opinion of the Directors, does not fully reflect the underlying value of the Company or its businesses. The Company continues to consider all strategic options and alternatives to enhance value. The divestment of minority interests in non core businesses and the investment in TaxBanter provides a tighter focus for the Company and a superior allocation of resources in core growth assets. This, together with organic growth in a number of the business units, should support continued revenue and earnings growth. The directors are firmly focused on all opportunities capable of delivering enhanced profitability and value to shareholders.



Other Information

The following information has been released to the market:

1. Annual Report for the 12-months ended 30 June 2020;
2. Appendix 4E for the 12-months ended 30 June 2020; and
3. 2019/20 Full Year Results presentation dated 27 August 2020.

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Authorised for release by the Board of Directors