

Via ASX Online

## ASX ANNOUNCEMENT – 15 December 2020

ASX Market Announcements Office  
 ASX Limited

**ASX Code: EAS**

### Trading Update & Special Dividend

Easton Investments Limited (**Easton** or **the Company**) provides the following trading update for the 5 months to 30 November 2020.

This trading update is based on provisional management accounts and is subject to completion of the 1<sup>st</sup> half results for 2020/21 and external audit review. It is provided in accordance with the continuous disclosure requirements of the ASX Listing Rules.

### Strong YTD Trading Performance

Underlying Profit<sup>1</sup> for the 5 months to 30 November 2020 is up 98% to \$3.51m (2019: \$1.77m).

Both of the Company's operating divisions, Accounting Solutions and Wealth Solutions, have reported strong revenue and earnings growth over the period, while corporate costs have remained flat.

Underlying Profit	This Year YTD – 30 Nov 20	Last Year YTD – 30 Nov 19	Increase / (Decrease)
	<i>\$m</i>	<i>\$m</i>	<i>%</i>
Accounting Solutions	2.12	1.43	48%
Wealth Solutions	1.31	0.85	55%
Organic Divisional Result	3.43	2.28	51%
<i>plus: Acquired Businesses</i>	0.90	-	-
<i>plus: Divested Businesses</i>	-	0.34	-
Total Divisional Result	4.33	2.62	65%
<i>less: Corporate Overheads</i>	(0.82)	(0.85)	-
<b>Underlying Profit</b>	<b>3.51</b>	<b>1.77</b>	<b>98%</b>

Key factors driving the YTD result include:

- Continued growth in Knowledge Shop membership and strong demand for on-line training programs which delivered enhanced profit margins;
- The introduction of a new pricing model for advisers and continued growth in CARE managed accounts;

<sup>1</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 amortization, share based payment charges, AASB16 Leases and one-off or non-operational items.

<sup>2</sup> Unless stated otherwise, comparative numbers relate to the previous corresponding period.



- The year-to-date contribution from Tax Banter, a training business acquired in late January 2020, which has more than offset the loss of earnings from businesses divested over the last 5 months as part of the Company's drive to simplify its asset holdings and to heighten its focus on core businesses; and
- The continued tight control of corporate overheads.

Statutory Profit for the 1<sup>st</sup> half of 2020/21, being the Company's reported, audit reviewed Net Profit After Tax, will be impacted by the anticipated loss on the sale of divested businesses and related transaction costs, as well as costs associated with the proposed transaction with HUB24 Limited (**HUB24**). These costs are likely to be material but are not expected to impact Underlying Profit as they are considered to be normalisation adjustments given that they are one-off, non-operational items.

The Company's full year earnings will, of course, be dependent upon numerous factors, including any future COVID-19 impacts and movements in financial markets, and accordingly are subject to fundamental uncertainty.

Easton is not in a position, nor is it the Company's normal practice, to provide any forecasts of full year earnings. Nevertheless, directors advise that 2<sup>nd</sup> half Underlying Profit is expected to be more in line with the prior corresponding period having particular regard to anticipated trading conditions and performance, after adjusting for the estimated impact of divestments, but excluding any profit impact from the proposed Paragem transaction (as referred to below). Therefore, based on unaudited earnings for the five months ended 30 November 2020 and the Company's budgets for the remainder of the financial year (which are not forecasts), the Company expects that Underlying Profit for FY21 will be materially greater than for FY20, but not to the same extent (in percentage terms) as achieved year-to-date.

### **Strengthened Financial Position**

The improvement in Underlying Profit has been achieved in combination with a significant strengthening of the Company's balance sheet and financial position. Cash flow from operations, together with the proceeds of sale of non-core businesses, have been applied to reducing net debt from \$8.15m at 30 June 2020 to a small net cash surplus at 30 November 2020. This position would be further enhanced upon completion of proposed divestments as referred to below.

### **Special Dividend**

As previously foreshadowed, the directors have decided to declare a special dividend of 5 cents per share, fully franked. The record date for this special dividend is 23 December 2020 and it will be paid to eligible shareholders on 21 January 2021.

### **Update on Divestments and the HUB24 Transaction**

The Company advises that it expects to be in a position over coming days to provide an update on previously announced matters, including the sale of its equity interest in Law Central, the proposed divestment of Panthercorp and the proposed transaction with HUB24 (which includes the acquisition of Paragem by Easton).



The sale of Law Central and the proposed divestment of Panthercorp will impact the Company's 2<sup>nd</sup> half earnings as noted above, but will provide additional funds for future re-investment in higher growth, core business assets.

Authorised for release by Kevin White, Executive Chairman.

**Kevin White**  
**Executive Chairman**

Mobile 0403 269 193

Email [kevin.white1202@gmail.com](mailto:kevin.white1202@gmail.com)

***About Easton***

*Easton is a leading provider of integrated accounting and wealth solutions to the Australian market.*

*The Company provides support services and solutions to over 3,000 accounting practices, circa 100 financial planning firms and around 600 licensed advisers and their clients. It is ranked in the top 10 dealer (financial planning) groups in Australia by the number of advisers.*

*Accounting support services include a technical, on-line help desk, training and professional development and practice support. Knowledge Shop and Tax Banter, Easton subsidiaries, are both highly regarded, well established brands in the accounting sector.*

*Wealth support services (for accountants and financial planners) include a wide range of dealer services extending from basic licensing to client engagement tools, coaching and training and on-line investment and platform services. GPS Wealth, an Easton subsidiary, was awarded the Core Data Licensee of the Year in 2020.*

**Forward-Looking Statements**

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts, but rather are based on Easton's current expectations, best estimates and projections, with inherent assumptions and beliefs.

Forward-looking statements can generally be identified by the use of forward-looking words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'will', 'could', 'may', 'target', 'plan' and other similar expressions within the meaning of the securities laws of applicable jurisdictions.

Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Easton, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.



### **Forward-Looking Statements (Cont'd)**

Easton cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Easton only as at the date of this announcement. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. Easton has no obligation to disclose publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.