



Easton Investments Limited

FY21

Results Presentation

26 August 2021

Strong year of growth, positioned for step change

24% growth in Net Revenue, driven by momentum in both segments

Elimination of all debt and material improvement in free cash flow

Backing of a new significant shareholder & appetite to invest

Strategic intent to triple Net Revenue in next three years

Financial Highlights

Materially strengthened operating business

Net Revenue ¹	A\$27.71 m	▲	+24% PCP
Underlying Profit ²	A\$6.81 m	▲	+20% PCP
Net cashflow from operations	A\$6.26 m	▲	+142% PCP
NPAT	A\$2.98 m	▲	+70% PCP
Basic EPS	7.02 cents	▲	+63% PCP

Strengthened balance sheet with surplus funds of \$2.26m, (2020: Net Debt \$8.15m)

1 Net revenue = operating revenue from continuing operations less Adviser revenue share and cost recoveries (ASIC levy and adviser systems)

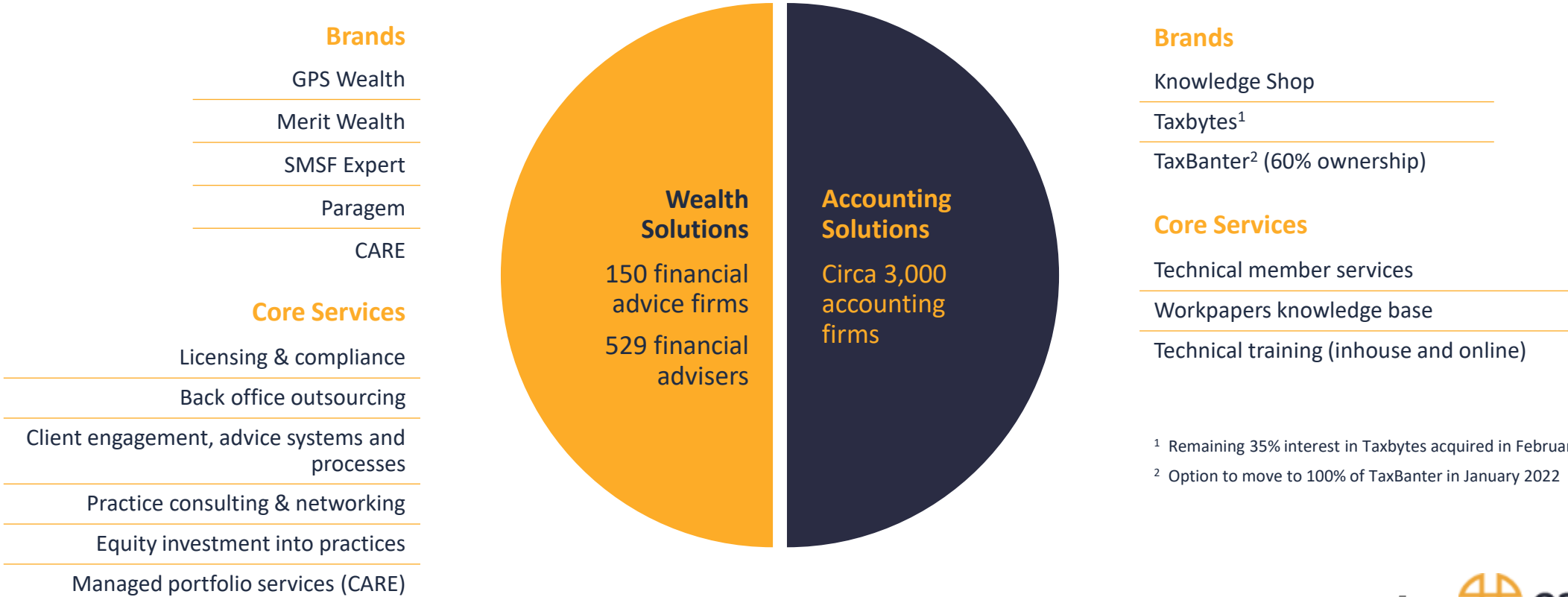
2 Underlying Profit = Normalised EBITA, which is Normalised Earnings before Interest, Tax and Amortisation. Underlying Profit is an unaudited, non-IFRS measure and is used by the Company to assess performance as it excludes non-cash amortisation, acquisition/divestment and recapitalisation costs, restructure costs, impairment and fair value adjustments, gains/losses on divestments and lease accounting under AASB 16 Leases.



At Easton we share an ambition with financial advisers and accountants to create positive industry change

Easton Investments today - leading service provider to accountants and financial advisers

The Company provides services to circa 3,000 accounting practices, 150 financial planning firms and 529 licensed advisers



¹ Remaining 35% interest in Taxbytes acquired in February 2021
² Option to move to 100% of TaxBanter in January 2022

Business Highlights

Accounting Solutions Record Growth

40% growth in Net Revenue

51% growth in Underlying Profit through:

- continued strong growth in membership
 - shift to higher margin online training
 - full year contribution of TaxBanter
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Growing market leadership position in training & member services to accounting firms

Wealth Solutions Growing Leadership

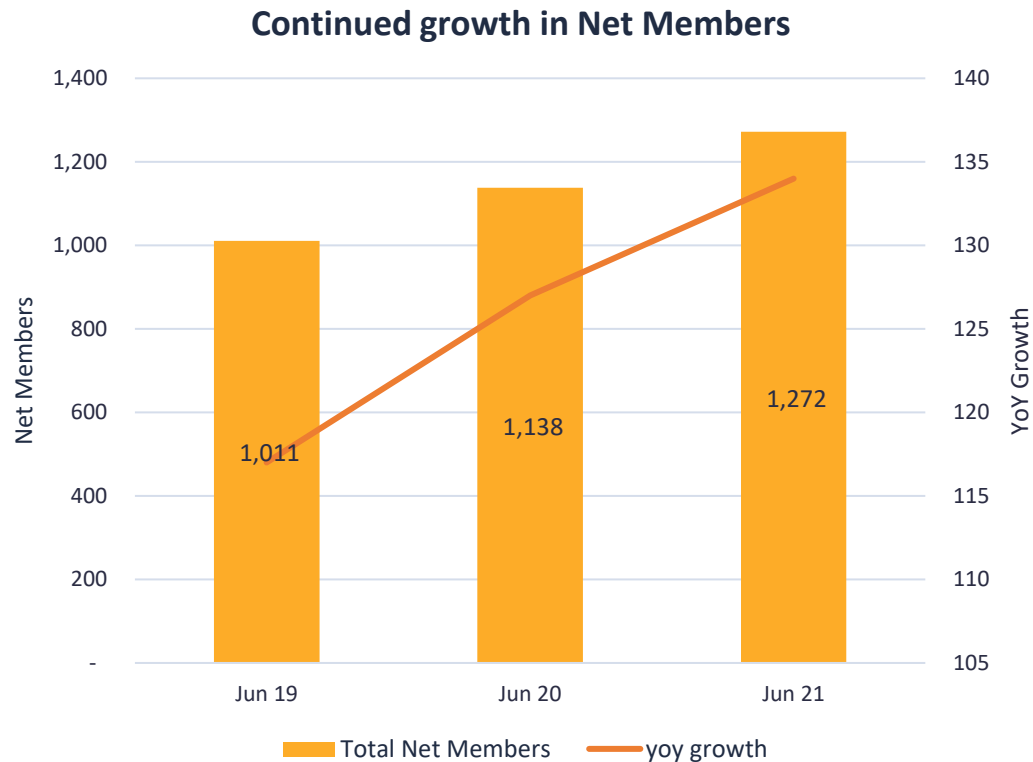
9% growth in Net Revenue

13% growth in Underlying Profit

Awarded Licensee of the Year 2020 (GPS) and acquired Paragem, a leading boutique licensee

Record FUM in CARE managed portfolios, finalist in the IMAP managed accounts awards

Record growth in Accounting Solutions



Record year for acquisition of new members

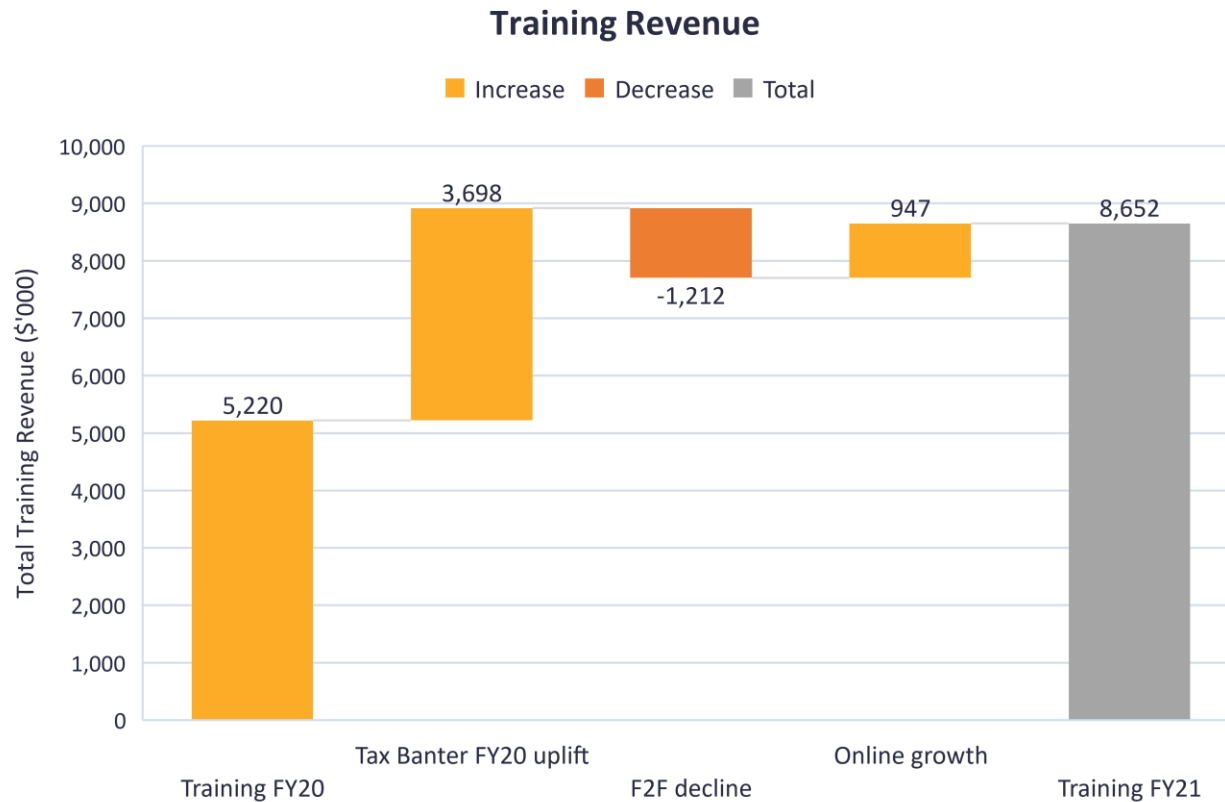
Technical services to accounting firms

12% increase in net members

Continued track record of scalable growth

Finalist in Australian Accounting Awards for Thought Leader of the Year

Paradigm shift as high margin online training becomes “new normal”



Training revenue increased 66%

Full year contribution from TaxBanter

Cancellation of face to face (F2F) events due COVID-19

Conversion to online format with +55% increase in online attendees

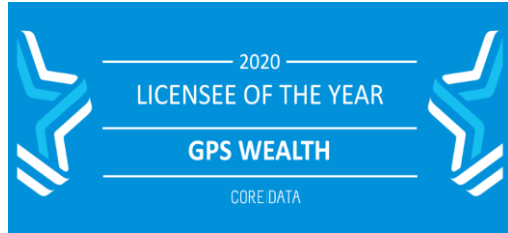
Improved training margin and efficiency

FY21 higher margin online training more than offsets decline in face-to-face (F2F) training (due to COVID-19)

Continuing trend shifting to high margin online previously delivered by F2F

Scalable simultaneous delivery to multiple national locations without the cost of travel and venue hire.

Wealth Solutions operates Australia's top-rated licensee business



GPS licensee - highest adviser satisfaction rating in the market & awarded licensee of the year, 2020 by CoreData Research¹

Acquisition of Paragem, a leading boutique licensee

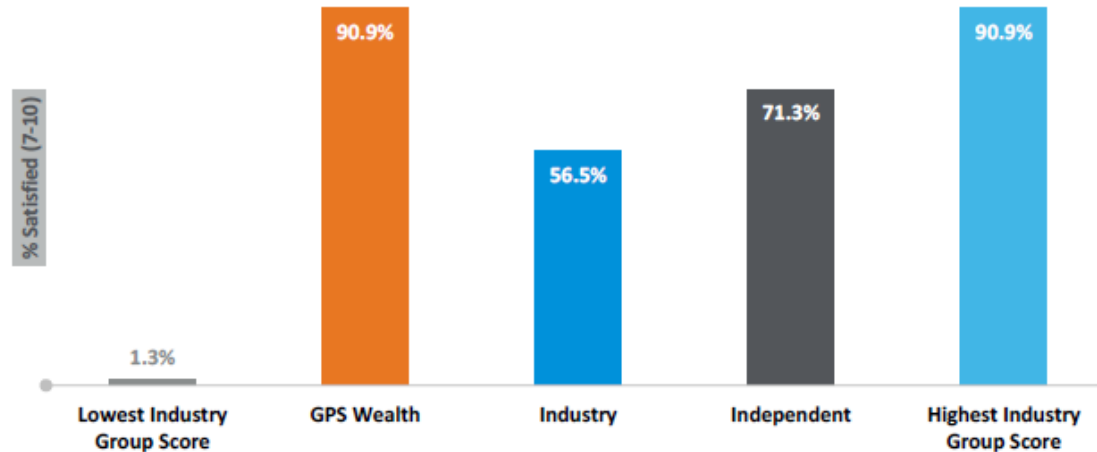
Key drivers of result

Communication

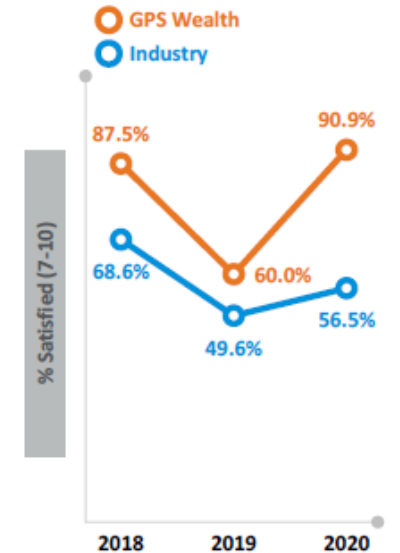
Education & training

Technical services including investments

Overall, how satisfied are you with your licensee?



n = 44 (GPS Wealth), 662 (Industry), 296 (Independent)



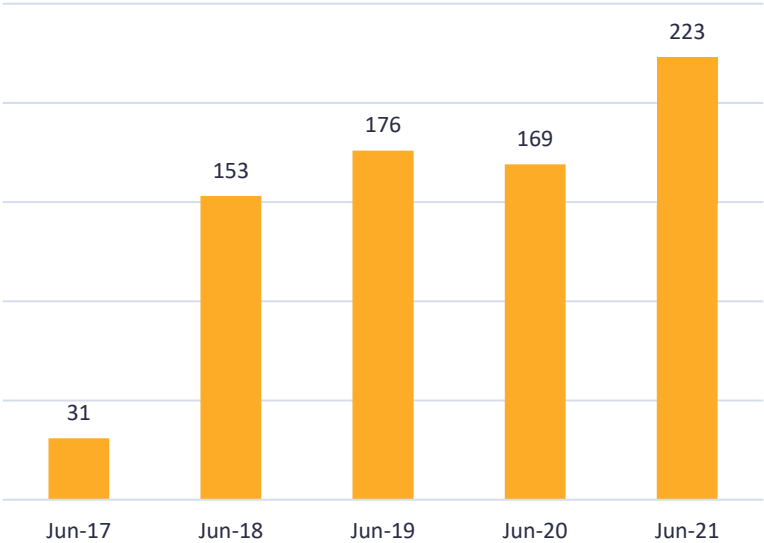
n = 2018: 24 (GPS Wealth), 1,118 (Industry)
 2019: 10 (GPS Wealth), 647 (Industry)
 2020: 44 (GPS Wealth), 662 (Industry)

1. Source – CoreData 2020 Licensee Research Report

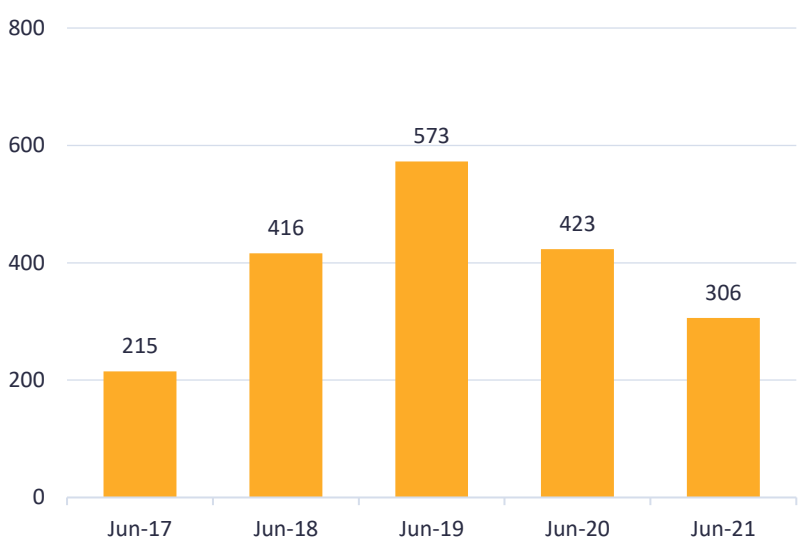
Changing adviser mix improving average revenue

The business achieved significant growth in Full Authorised Representatives (AR), as a result of the Paragem acquisition
 Continued reduction in Limited AR (accountants), who are departing the advice industry due to rising costs and FASEA education requirements
 Average Net Revenue per Limited AR is materially lower than Full ARs, so this decline has a modest impact on performance

Full Authorised Representatives (No.)



Limited Authorised Representatives (No.)

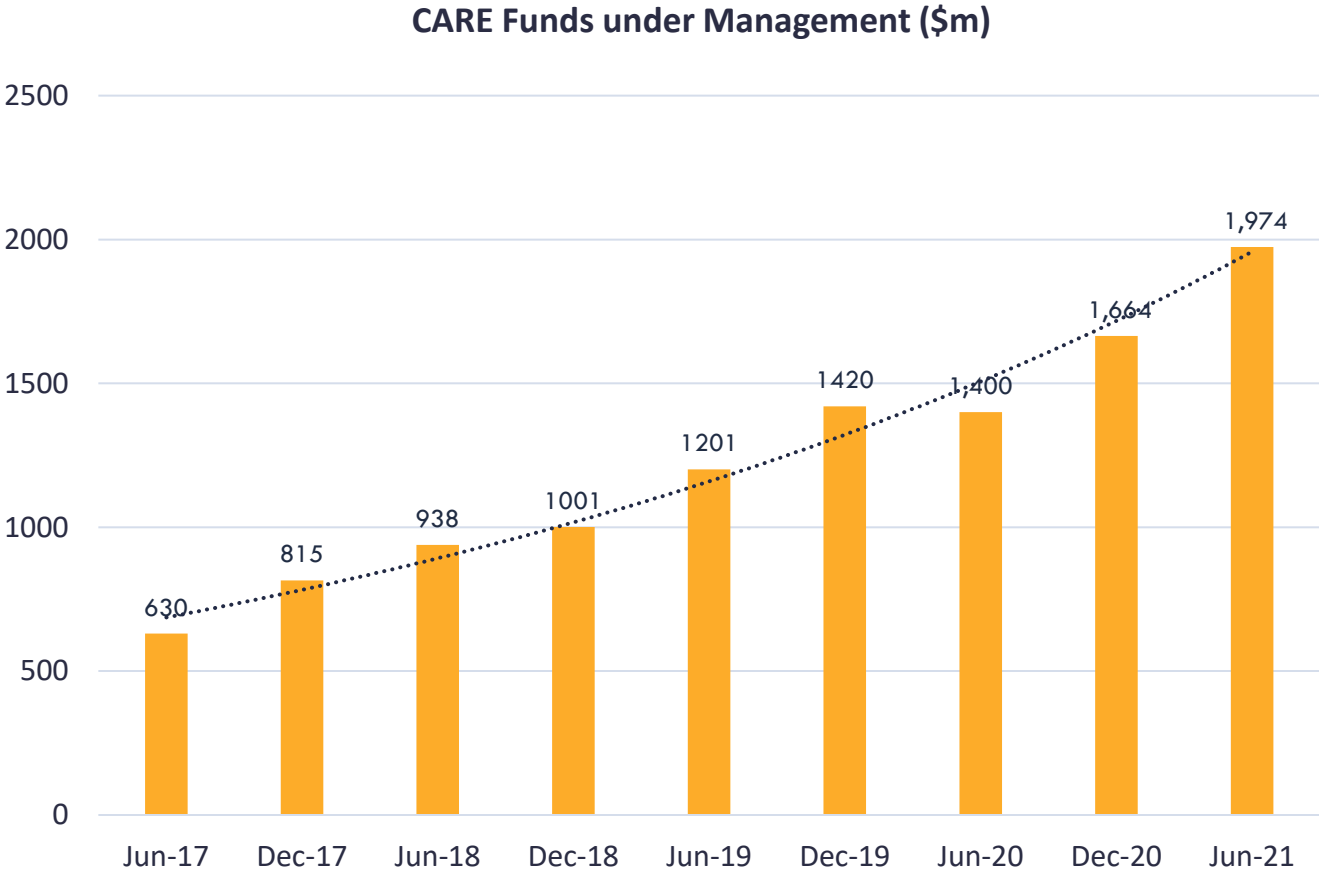


Net Revenue per Adviser

FY21	Full AR	Limited AR
Net revenue	\$6.3m	\$1.4m
Average per AR	\$28k	\$4k

Limited authorised representatives are accountants authorised for SMSF advice only
 Full authorised representatives are holistic financial advisers authorised to provide comprehensive financial advice

Sustained growth to \$2b in managed portfolios



IMAP
MANAGED ACCOUNT
AWARD FINALIST
LICENSEE MANAGED
ACCOUNT

CARE is a managed portfolio service available to advisers, providing scale, price & efficiency benefits to clients where appropriate to their needs

Strong growth: +41% in FUM, +21% in revenue

2nd quartile performance over 5 years and finalist in IMAP managed account awards

Financial Results

Group Profit Analysis

Segment Result	2021 Full Year (\$m)	2020 Full Year (\$m)	Increase/ (decrease) (%)
Wealth Solutions	12.98	11.90	9
Accounting Solutions	14.73	10.53	40
Net Revenue - Continuing Operations	27.71	22.43	24
Wealth Solutions	2.78	2.45	13
Accounting Solutions	5.86	3.89	51
Underlying Profit – Continuing Operations	8.64	6.34	36
Corporate Overheads	(2.26)	(1.94)	(16)
Add – Discontinued Operations	0.43	1.27	
Group Underlying Profit	6.81	5.67	20
Normalisations	(1.25)	(1.79)	
Statutory EBITA inc. Discontinued Operations	5.56	3.88	43

Strong business performance

Strong growth in Net Revenue and Underlying Profit in both segments, offset by completion of asset divestment program

Growth in corporate costs driven by MD and Board investment

Reduced normalisations, primarily M&A costs & intangible asset impairment

Accounting Solutions

Underlying performance

A\$m	2021	2020	Increase (%)
Net Revenue - Continuing Operations¹	14.73	10.53	40
Underlying Profit:			
– Organic Result	4.27	3.14	36
– plus: Acquired Operations ¹	1.59	0.75	112
Underlying Profit - Continuing Operations	5.86	3.89	51
– plus: Discontinued Operations ²	0.43	0.79	-
Reported Result	6.29	4.68	34

1. TaxBanter (60% interest) was acquired 23 January 2020.

2. Law Central divested 14 December 2020 and Panthercorp divested 1 February 2021. HKNSW was divested effective 30 June 2020.

Services include technical help desk support, standards knowledge base, technical updates, training and professional development spanning face to face, in-house, online, and on-demand (LMS) delivery

Key influencing factors

Record demand for online training delivering enhanced profit margin

Continued growth in Membership

Some loss of earnings from discontinued operations and adverse impact of COVID-19 on face-to-face and in-house training

Wealth Solutions

Underlying performance

A\$m	2021	2020	Increase (%)
Net Revenue – Continuing Operations	12.98	11.90	9
Underlying Profit:			
– Organic Result	2.78	2.45	13
– plus: Acquired Operations ¹	-	-	-
Underlying Profit - Continuing Operations	2.78	2.45	13
– plus: Discontinued Operations ²	-	0.48	-
Reported Result	2.78	2.93	(5)

1. Paragem was acquired 1 February 2021 and broke even for the 5 months to 30 June 2021.

2. The Group's 25% equity interest in First Financial was divested effective 3 June 2020 and Easton Wealth Finance sold down 30 April 2020.

Services include a wide range of dealer services extending from basic licensing to client engagement tools, coaching and training and online investment and platform services

Key influencing factors

Introduction of a new pricing model for advisers

Continued growth in CARE managed accounts

Loss of earnings from discontinued operations

Adverse impact of a continuing decline in the number of limited authorised representatives

Strategic Intent

Simplified Business

Positioned to pursue a step change

Strategic review initiated in October 2019, initial decision to simplify the Company back to its core businesses. Several non-core businesses and interests divested throughout FY20 and FY21

Balance sheet strengthened, with surplus net cash of \$2.26m compared with Net Debt of \$8.15m at 30 June 2020

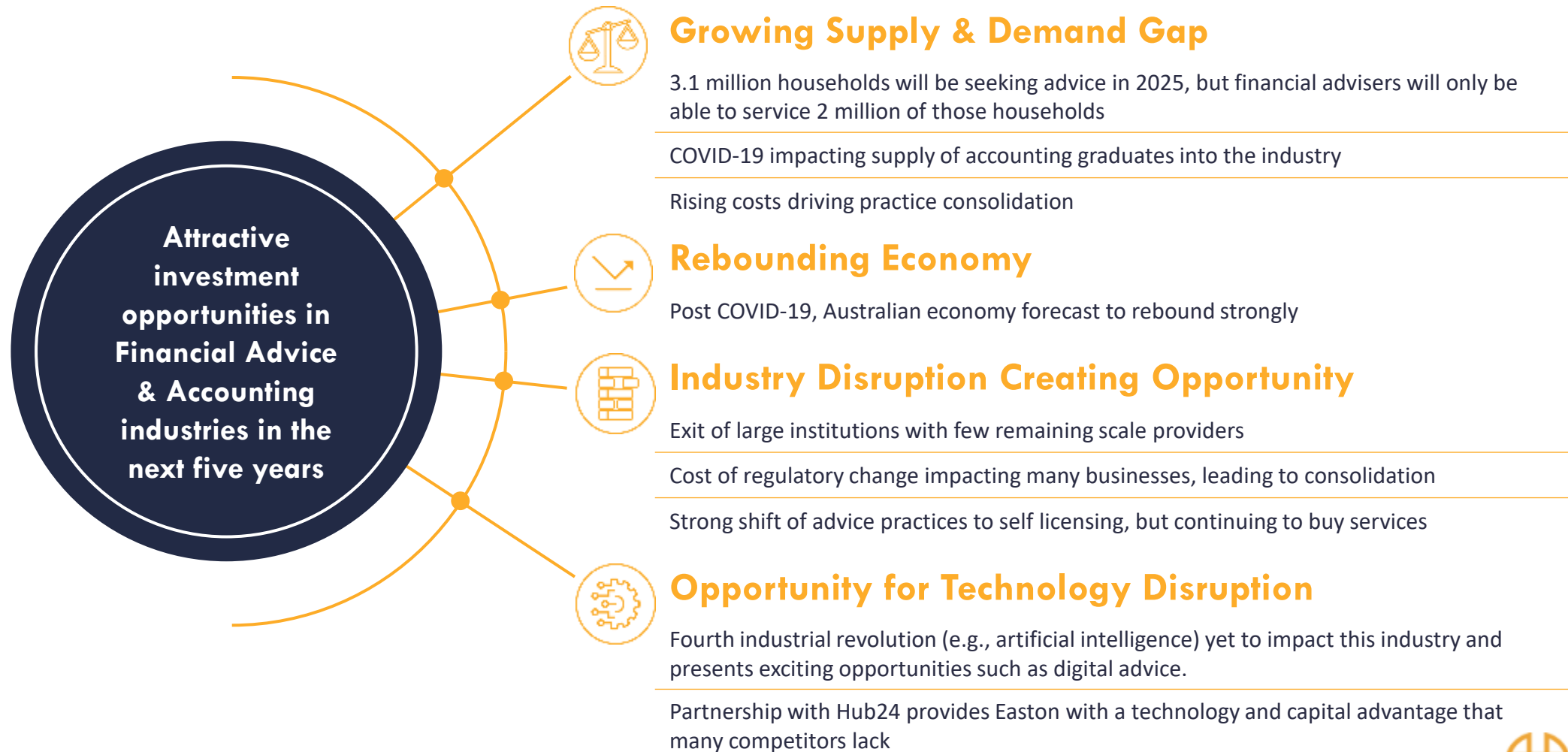
Strategic relationship formed with HUB24 and expected to provide significant benefits including:

- Backing of a supportive, well capitalized, material shareholder
 - Provision of innovative technology and data solutions
 - Acquisition from HUB24 of Paragem, a quality boutique licensee, on 1 February 2021
-

Strengthened board and management team on 1 February 2021:

- New Managing Director, Nathan Jacobsen, prior executive with HUB24 as Head of Paragem
- New non-executive director Tony McDonald

Easton considers the current market an attractive investment opportunity



Easton now pursuing 4 strategic priorities



Triple Net Revenue in the next 3 years



Grow client base in the high margin Accounting Solutions business by 40% in the next 3 years



Grow Net Contribution margin in Wealth Solutions to 40% in 2025 (on net revenue) by investing in advice systems and processes and leveraging our technology partnership with HUB24



Become the leading non institutional provider of services to both self-licensed and licensed advice practices

Undervalued based on market benchmarks, with highly attractive investment fundamentals

Investor Returns	2021	2020	Change
Underlying Profit	A\$6.81m	A\$5.67m	Up 20%
Underlying Profit per share	19.1 cents	16.4 cents	Up 16%
EV / Underlying Profit (12 month trailing)	5.4 times	6 times	-0.6 times
Total dividend per share	9.0 cents (inc 5c special dividend)	4.0 cents	Up 125%
Dividend Yield	8.7% fully franked	5.3%	Up 64%
Shareholders Funds	A\$38.63m	A\$35.69m	Up 8%
Return on Equity (12 month trailing) ¹	17.6%	15.9%	Up 11%
Surplus Cash/(Net Debt)	A\$2.26m	(A\$8.15m)	+A\$10.41m

Market (as at 30 June 2021)

Shares on Issue	37.61m
Share Price	A\$1.03
Market Capitalisation	A\$38.74m
Substantial Shareholders ²	
HUB24	31.5%
Greg Hayes and related entities	10.5%
Pie Funds Management	6.2%
Kevin White and related entities	5.5%

Directors believe Easton is undervalued relative to multiples and valuations applied in recently announced transactions for comparable businesses

¹ Return on Equity is Underlying Profit divided by Shareholders' Funds

² Holding at last substantial holder notice lodged with ASX

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Easton Investments

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