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Via ASX Online

ASX ANNOUNCEMENT – 26 August 2021

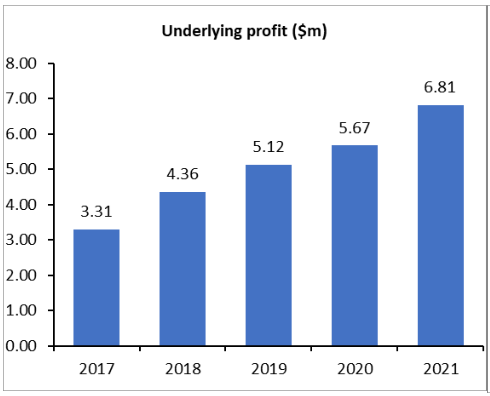
ASX Market Announcements Office
ASX Limited

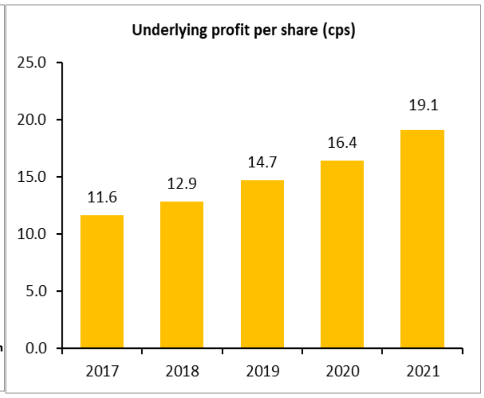
2020/21 Full Year Results

Easton Investments Limited (**Easton** or **the Company**) releases its results for the year ended 30 June 2021.

Performance Highlights – significant growth across all financial measures

- Revenue from continuing operations up 33%[4] to $91.71m (2020: $69.01m)
- Net Revenue[1] up 24% to $27.71m (2020: $22.43m)
- Statutory Profit[2] up 70% to $2.98m (2020: $1.75m)
- Underlying Profit[3] up 20% to $6.81m (2020: $5.67m)
- Net cashflow from operating activities up 142% to $6.26m (2020: $2.59m)
- Strengthened balance sheet with surplus funds of $2.26m after divestment of non-core assets (2020:Net Debt $8.15m)
- A final dividend of 2.5 cents per share, fully franked – bringing the full year dividend rate to 9 cents per share, fully franked including a special dividend of 5 cents paid in January 2021
- Underlying Profit[3] contribution from Wealth Solutions up 13% to $2.78m (2020: $2.45m)
- Underlying Profit[3] contribution from Accounting Solutions up 51% to $5.86m (2020: $3.89m)





[1] Net Revenue is Operating revenue from continuing operations less Adviser revenue share, less cost recoveries (ASIC levy and adviser systems).

[2] Statutory Profit is Net Profit after Tax.

[3] 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, acquisition/divestment and recapitalisation costs, restructure costs, impairment charges, fair value adjustments, gains/losses on divestments and lease accounting under AASB 16 Leases.

[4] Unless stated otherwise, comparative numbers relate to the previous corresponding period.

[5] Net Debt = Borrowings less cash reserves.

Results Overview

Easton has achieved a record year of growth in FY21 as a result of:

- Material growth in Net Revenue & Underlying Profit, driven by momentum in both segments
- Elimination of all debt and material improvement in free cashflow
- Backing of a new significant shareholder with an appetite to invest for growth

Easton is a market leading service provider to the accounting and financial advice industries, providing these services to around 3,000 accounting firms, 150 financial planning firms and 529 financial advisers. The Company's two core divisions – Accounting Solutions and Wealth Solutions – delivered an additional $5.28m in Net Revenue, up 24% to $27.71m.

The full year contribution of TaxBanter and Knowledge Shop's continued strong membership growth delivered a record 40% growth in Net Revenue for Accounting Solutions. With a continued shift to online training due to the challenges of COVID-19 the businesses saw a 55% uplift in online attendees and an improvement in average margin. As workplaces and work habits continue to evolve in response to the global pandemic, and consumer expectations continue to shift as a result, we predict continued growth in online training and an ongoing margin opportunity. This year we also continued our extension into providing training to financial advisers, responding to growing demand for assistance with preparing for the new Financial Adviser Standards and Ethics Authority (FASEA) exam.

The Wealth Solutions business delivered 9% growth in Net Revenue and further improvement to net contribution margin. This division changed markedly in FY21, with implementation of a new pricing structure and the acquisition of Paragem, a boutique licensee of high quality, holistic financial advisers. This growth was partially offset by departures of limited advisers (accountants authorised for SMSF advice) due to rising industry costs and FASEA education reforms. The net outcome from this shift is a change in adviser mix towards a growing number of full advisers. The average Net Revenue per full licensed adviser improved by 17% over the year. Our service quality continues to be recognised by advisers, with the GPS license awarded 2020 Licensee of the year by CoreData Research Australia, an industry researcher.
The CARE managed portfolios delivered 21% growth in revenue, with almost $2b funds under management (**FUM**) and most portfolios achieving 2nd quartile portfolio performance over 5 years. The performance of the CARE portfolios was also recognised by the industry through selection as a 2021 finalist in the IMAP Licensee managed account category.

Material improvement in cash flow

Net cash flow from operating activities was $6.26m, a 142% improvement on the prior year. This is in line with both acquired and organic revenue growth as well as strong working capital management and demonstrates the growing, underlying strength of the operating businesses.

Surplus cash was principally applied to extinguish debt, dividend payments, capital expenditure and capital management in the form of an on-market share buy-back plan where 180,000 shares were purchased on-market and cancelled during the year.

Financial Position – removal of all debt

In a significant turnaround, Easton was able to eliminate $8.15m Net Debt[5] from the business and end the year with positive cash reserves of $2.26m. This represents a circa $10m improvement in our cash position, providing sound footing for pursuing our growth strategy.

Strong dividends to shareholders

Directors have declared a final dividend of 2.5 cents per ordinary share, fully franked, bringing the annual dividend rate to 9 cents per share. The record date for this dividend is 10 September 2021 and it will be paid to shareholders on 24 September 2021.

Easton Investments today – simplified, re-focused

Following the 2019 strategic review, Easton has now completed its simplification process, with no further divestments planned. Our core businesses are all growing strongly and we remain focused on the opportunity to use our recent acquisitions and partnerships to continue to rapidly scale our capabilities and profitability. Completion of the strategic partnership with HUB24 on 1 February 2021 provides Easton with a significant shareholder that is supportive of Easton pursuing a step change in scale.

Outlook and Strategic Intent

Looking forward to the next phase of growth for Easton, our view is that the financial advice and accounting industries represent highly attractive investment sectors in the next 5 years. This investment opportunity is central to our thinking and how we are positioning Easton for the next phase.

Directors confirm their intent to pursue this change in scale, capability and associated growth in shareholder value which is at the forefront of the Company's reset strategic plan and will be pursued via four strategic priorities:

1. Triple Net Revenue in 3 years
2. Grow client base in the high margin Accounting Solutions business by 40% in the next 3 years
3. Grow EBITDA margin in Wealth Solutions to 40% (on Net Revenue) within 4 years
4. Become the leading non institutional provider of services to both self-licensed and licensed advice practices

Other Information

The following information has been released to the market:

1. Annual Report for the year ended 30 June 2021;
2. Appendix 4E for the year ended 30 June 2021; and
3. 2020/21 Full Year Results presentation dated 26 August 2021.

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