



# Easton Investments Limited

## 2015 Year Results

25 August 2015

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Managing Director

# Overview – A Year of Strong Growth

- Revenue grew by 72% to \$18.8 m
- Normalised EBITA grew by 263% to \$2.60m
- Profit trend (on a Normalised EBITA basis)
  - 2nd half underlying profit of \$1.59m
    - Up 133% on same period last year
    - Up 57% on 1st half underlying profit
- Net cash flows from operations \$2.43m
- Carry forward tax losses \$1.8m
- Maintained a strong balance sheet after funding \$3.29m in acquisition investments:
  - Cash of \$1.45m, borrowings of \$0.65m at balance date
  - Undrawn bank facility of \$2.5m provides access to additional funding to support future growth

# Full Year Highlights

## Operational

- Strong business unit performance
- Core business growth, and
- Organic growth opportunities initiated

## Financial

- Reported NPAT = Profit of \$1.24m (2014: Loss of \$1.63m)
- Normalised EBITA = \$2.6m (2014: \$.72m)
- Cash balance at year end = \$1.45m
- Low debt level (\$.65m), undrawn bank facility of \$2.5m

## Strategic

- Clear focus on the financial services & accounting business channel
- Completed First Financial & Law Central transactions
- Scaled distribution & leverage across business units
- Unique market position

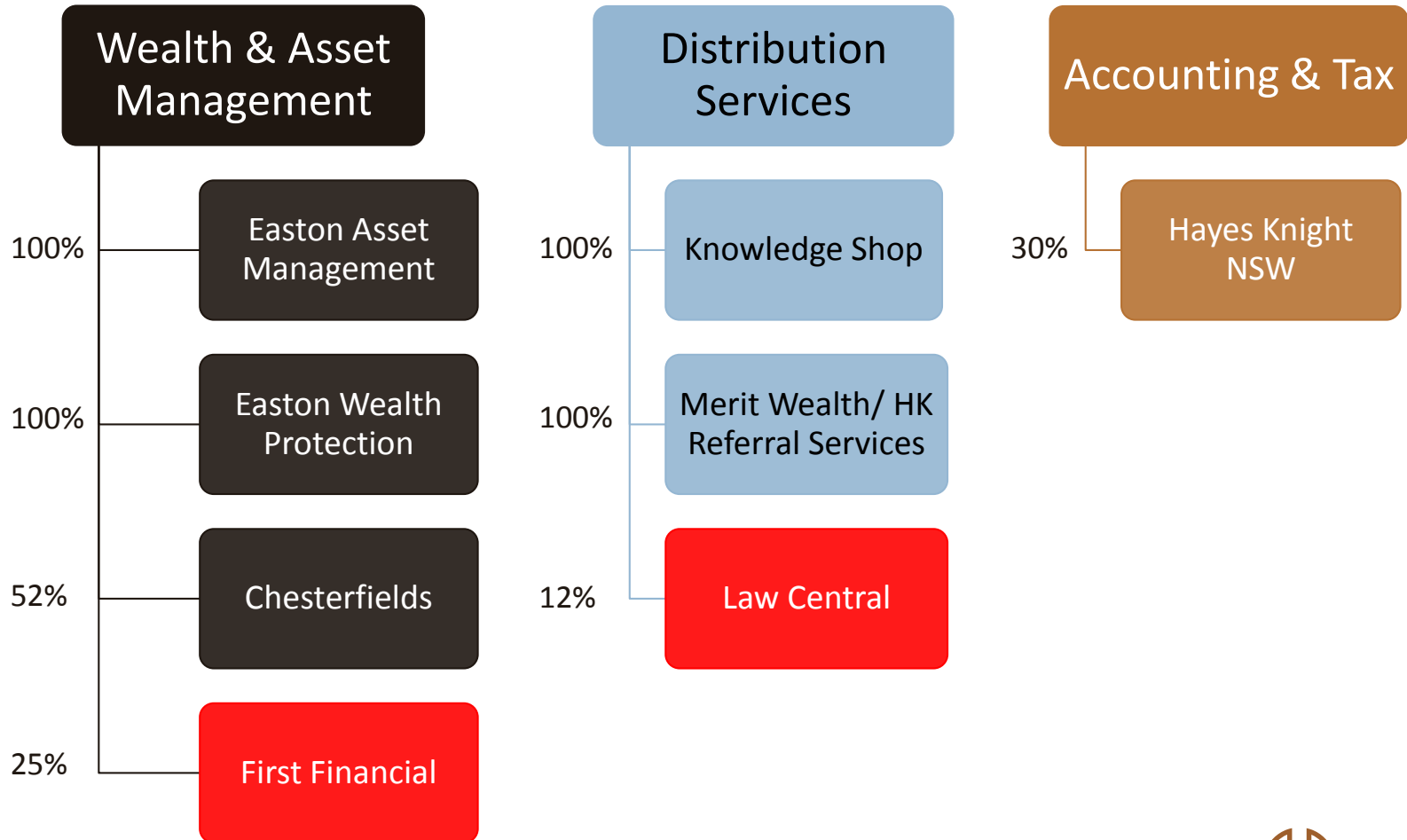
# Underlying Performance

- Key Drivers of Performance:
  - Full year contribution from Hayes Knight NSW businesses
  - Earnings growth from business units

<b>Underlying Profit</b>	<b>2015</b> (\$m)	<b>2014</b> (\$m)	<b>Improvement</b> (\$m)
<b>1<sup>st</sup> Half</b>	1.01	.03	.98
<b>2<sup>nd</sup> Half</b>	1.59	.69	.90
<b>Full Year</b>	2.60	.72	1.88

Note: Underlying Profit = Normalised EBITA

# Operating Divisions



# Acquisitions



# 25% stake in First Financial

- Established Melbourne based, financial services business
- Team of approximately 60 people
- Client base primarily High Net Worth (HNWs), SMEs and SMSFs
- Services include financial planning, risk insurance, SMSF administration, & finance broking
- 2015 revenue, circa \$12.5 million

# 12% stake in Law Central

- Perth based online document provider
- Primary documents include company incorporation, trust deeds and SMSF deeds
- Client base primarily accountants & financial planners
- Also entered into distribution agreement for supply of company products to the accounting channel
- Performance hurdles under distribution agreement, if achieved, allow us to increase our stake in the company to 30%



# Key Metrics on Combined Businesses

Funds under advice > \$1.5 billion

Funds under contract distribution \$538 million

SMSF administration services > 1,000 funds

Service support to accounting firms > 2,000 firms

Training delivered to the accounting profession 22,079 hours to 7,390 attendees

# Segment Performance

# Divisional (Segment) Performance

Segment Result	2015 (\$m)	2014 (\$m)	Change (\$m)
<b>Wealth &amp; Asset Management</b>			
• Revenue	10.33	7.73	+34%
• Normalised EBITA	2.44	1.31	+87%
<b>Distribution Services</b>			
• Revenue	8.40	3.00	+180%
• Normalised EBITA	1.09	.30	+267%
<b>Accounting &amp; Tax</b>			
• Normalised EBITA	.33	.05	+613%
<b>Corporate Costs</b>	(1.26)	(.94)	+34%
• Other revenue	.08	.22	-63%
<b>Total Segment Result</b>			
• Revenue	18.81	10.95	+72%
• Normalised EBITA	2.60	.72	+263%

# Wealth & Asset Management

## Easton Asset Management

- Distribution of the Harmony suite of products
- Primary market SE Asia and Middle East
- Funds under distribution \$538m (2014 \$330m)
- Strong growth & earnings contribution

## Easton Wealth Protection & Chesterfields

- Risk book located in Melbourne & a financial planning business based in Perth
- Earnings contribution at budget
- No real growth during the year

Note: No material contribution from First Financial as only acquired in June 2015

# Distribution

## Knowledge Shop

- Practice support & training for accounting firms
- Strong growth year, outperforming budget by 25.6%
- Earnings contribution \$1.36m
- Growth in member firms & increasing online training

## Merit Wealth & HKRS

- Financial services delivery through the accounting channel
- Revenue grew, but under performed on earnings (contribution loss of \$0.29m)
- Slower roll out of Referral Rights Agreements
- Investment in business model for Limited Authorisation for Accountants

Note: No contribution from Law Central as only acquired in June 2015

# Accounting & Tax

## Hayes Knight NSW

- Sydney based accounting firm (30.6% stake)
- Strong revenue growth – up 16%
- Earnings contribution \$0.33m
- Integrated ‘tuck in’ from June 2014
- Establishment of a specialist SMSF division servicing circa 500 SMSFs

# Business & Growth Opportunities



# Knowledge Shop


- Increase number of webinar programs with higher average audience
- Extend online programs from programmed sessions to pay on demand
- Distribution of Law Central products




# Merit Wealth

- Launch of Limited Authorisations for Accountants
  - Removal of the Accountants Exemption under Corps Act 1 July 2016
- Aiming for 500 accountants under Limited Authorisation by 2nd half 2016
  - Will create an annuity revenue stream + referral into our adviser team
  - Should generate a positive material earnings impact into the 2017 year

# Organic Growth – creating real value



Invest in our  
businesses to  
maximise organic  
growth



Only make  
acquisitions where  
we see organic  
growth opportunity

# Strategic Intent & Business Model

We are a growth company

A leading distribution provider in the accounting business channel

Will be a strong distribution company in the financial services sector

Strong distribution footprint in:

- Financial services -
- Accounting -
- SMSF -

Differentiated business model with business units that can cross leverage

# Outlook

- Strong improvement in underlying performance expected 2016
- Continued growth in profits and earnings per share
  - increasing contribution from core businesses,
  - contribution from investments made in 2015, plus
  - Organic growth opportunities should monetise over the next year
- Continued focus on quality acquisitions

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