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Loss of the Harmony Distribution Agreement

The Directors of Easton Investments Limited (**Easton** or **the Company**) advise that Momentum Global Investment Management Limited (**Momentum**) has given notice of its decision to not renew the distribution agreement relating to the Harmony suite of products (**the Harmony Distribution Agreement**) with Easton when it expires on 31 August 2016.

The Harmony Distribution Agreement, which covers SE Asia and the Middle East, will contribute approximately \$1.3 million to current financial year earnings (normalised EBITA) and failure to renew will result in an impairment (non-cash) charge of approximately \$2.8 million (before tax) as at 30 June 2016.

Mr Greg Hayes, the Managing Director of Easton, said that “Directors are surprised and extremely disappointed with Momentum’s decision not to renew the Harmony Distribution Agreement after a successful 5 year relationship.”

“Whilst this decision is an unexpected setback to short term earnings growth, the distribution business, based mainly in SE Asia, is not a core activity and the Company will now be able to focus entirely on its core Australian operations which have excellent medium to long term growth prospects.”

“Based on current, preliminary forecasts, Directors do not anticipate a material decline in year-on-year earnings (normalised EBITA) in the 2017 financial year despite the loss of the Harmony Distribution Agreement. Given the strong near term outlook for our core businesses, there are reasonable prospects that the Company will continue to annually increase earnings and earnings per share over coming years.”

“In this regard, the Company will continue to look to invest its surplus cash and undrawn bank facilities in attractive acquisition opportunities to complement organic earnings growth and in line with Easton’s strategic intent to build a significant distribution business in the Australian accounting and financial services sector.”

Greg Hayes
Managing Director

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