

Via ASX Online
ASX Market Announcements Office
ASX Limited

29 November 2013

Easton Investments Limited (ASX:EAS) 2013 Annual General Meeting Presentation

Dear Sir/Madam

Please find attached a presentation that will be delivered to shareholders at the Company's Annual General Meeting to be held today.

Yours faithfully,



Mark Licciardo
Company Secretary

EASTON INVESTMENTS LIMITED

2013 Annual General Meeting

29 November 2013

Kevin White – Managing Director

Introduction

- 2013 was disappointing
 - Loss of \$3.5m after tax
 - Result impacted by \$2.0m asset write-down

- I joined the Company as Managing Director at the end of May 2013
 - Remuneration largely at risk, share based
 - Strongly aligned with the interests of shareholders
 - Primary aim is to create value for shareholders
 - To do this, we will need to **grow** the Company in a planned, disciplined manner

Initial Priorities – Progress Report

1. To put the Company on a sound financial footing

What have we done?

- Raised new capital of \$3.65m
- Made available surplus cash for growth by acquisition



2. To make the Company profitable with good long term earnings prospects

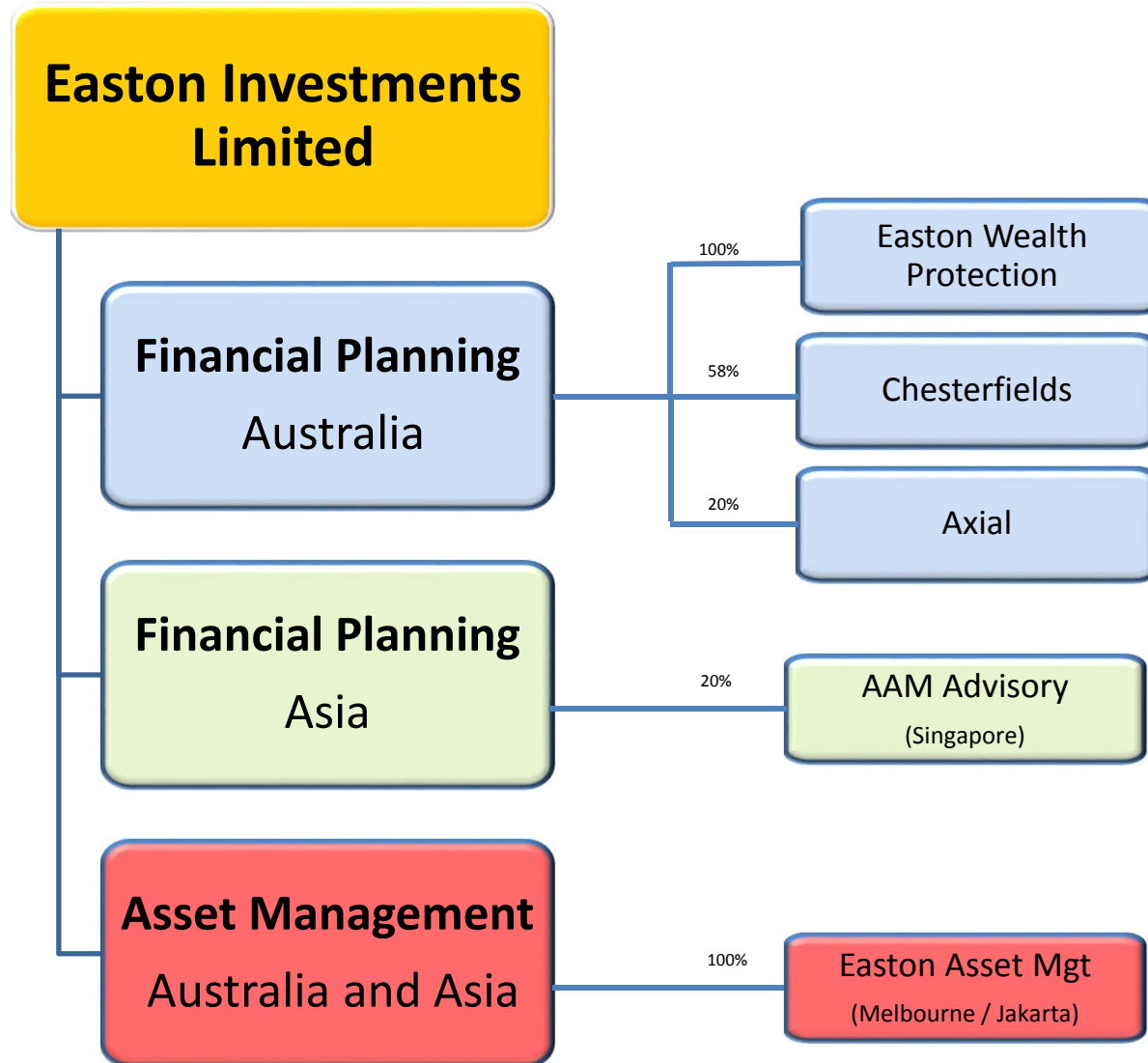
What have we done?

- Reviewed each of the Company's businesses and investments
 - Interests in Incito Wealth and API Capital divested
 - Easton Asset Management restructured
- Reviewed the Company's operations and overheads
 - Dealer group services rationalised
 - Corporate structure streamlined and overheads reduced
- Reviewed and refined the Company's strategic direction and plan
 - Intention is to build a major distribution business in financial services
 - First strategic acquisition announced

2.0m options to be cancelled



Current Operations



Financial Performance

- EBITA (unaudited) - \$167k loss for the 4 months ended 31 October 2013
 - Impacted by redundancy payments and one-off costs relating to restructuring and acquisitions
- Normalised EBITA (unaudited) - \$78K loss for 4 months ended 31 October 2013
 - Further improvement expected in the 2nd half as impact of restructuring and business simplification initiatives cut in

Financial Position

- Cash position at 31 October 2013 (unaudited) - \$3.8m
 - Provides scope for growth
 - Compares with amount raised of \$3.65m (since 1 June 2013)
- Borrowings at 31 October 2013 (unaudited) - \$0.8m secured against Wealth Protection business

Future Direction

- ❑ **Narrow focus on building a meaningful distribution capability in financial services in Australia**
- ❑ **Aim is to acquire interests in quality and aligned accounting and financial planning businesses**
 - Accountants are the “gate keepers” with key client relationships in the HNW and SME sectors
 - A network achieves scale, where scaled distribution has strategic value
 - Provides access to the high growth SMSF sector
- ❑ **Apply a different (superior) business model to others in the sector**
 - Prefer “meaningful” interests, not 100% ownership
 - Eliminates many of the issues others in the sector have to deal with, such as remuneration and retention
 - Provides benefits of listed company involvement and broad network of firms with similar businesses, aspirations and cultures

Important Strategic Acquisition

- ❑ Easton has reached in principle agreement to acquire the following interests (**the Acquisition Businesses**):
 - 100% of Knowledge Shop
 - 100% of Merit Wealth and Hayes Knight Referral Services (**HKRS**)
 - 30% of Hayes Knight NSW (**HKNSW**)
 - 50% of Supersentials Administration Services

- ❑ The proposed acquisition is subject to the approval of Easton Shareholders at an EGM to be held in early 2014

- ❑ If approved by shareholders, the proposed transaction will take effect from or around 1 February 2014

Strategic Transaction

- ❑ Represents an excellent strategic fit with Easton’s stated intent to “build a significant distribution capability in the Australian Accounting and Financial Services Sector”
- ❑ Offers strong potential for organic growth
 - especially Knowledge Shop and Merit Wealth
- ❑ Opens opportunities for prospective acquisitions in the Accounting and Financial Services Sector
 - Easton will be well placed to build a network of compatible accounting and financial planning firms
 - Able to offer an attractive value proposition, including brand, professional and practice management support, expanded service capability and access to capital to fund future growth and succession
- ❑ Repositions Easton with an expanded capital base with enhanced earnings and earnings prospects
- ❑ The purchase price to be mainly paid in shares and thereby provides strong alignment between shareholders and vendors going forward

Transaction Details

- The transaction involves:
 - the purchase of the Acquisition Businesses
 - an up-front consideration of \$10.86m, plus an earn-out of up to \$2.25m over 3 years
 - the up-front consideration is to be satisfied by:
 - cash \$3.11m
 - Easton shares \$7.75m
 - ~43m shares at 18 cents each
 - Representing an interest in Easton of 30.9% of post completion capital
 - Escrow provisions are to apply:
 - ⅓ not escrowed
 - ⅓ escrowed for 12 months
 - ⅓ escrowed for 24 months

Transaction Details (cont'd)

- ❑ The up-front consideration is priced on an EBITA multiple for 2013/14 in the range of 5 to 6 times
 - EBITA performance will be materially influenced by the performance of Merit Wealth and its related entity, HKRS

- ❑ Greg Hayes, founder of the Hayes Knight Group, will become the joint Managing Director of Easton
 - Greg Hayes will be principally responsible for the performance of the Hayes Knight businesses and for identifying further accounting acquisitions
 - Kevin White will be principally responsible for Easton's existing operations and strategic acquisitions
 - The joint managing directors have complimentary skills and experience which provide a strong base for future growth, both organic and by acquisition, in the financial services sector

Knowledge Shop (100% interest)

- ❑ Provides professional support services to small to medium accounting firms
- ❑ Operates a subscription based service, encompassing:
 - an on-line precedent bank, work papers and practice management
 - a technical support help-desk
 - quarterly technical and client newsletters
- ❑ Currently has ~700 subscribing firms
- ❑ Plus deals with another 600 to 700 accounting practices annually on a transactional or ad-hoc basis
- ❑ Turnover in 2013 was \$3.35m and normalised EBITA was \$0.70m
- ❑ Earn-out payment of \$0.75m if EBITA exceeds \$0.90m in the first 12 months

Merit Wealth & HKRS (100% interest)

- ❑ Provide a financial services solution to the accounting profession
- ❑ Merit Wealth holds an AFSL and in conjunction with HKRS has established a referral service:
 - HKRS sources and engages qualified financial advisers
 - each adviser enters into a Referral Rights Agreement involving an up-front payment plus an on-going annuity fee
 - in return, the adviser is introduced to accounting firms under an on-going referral arrangement
 - the financial adviser is authorised by Merit for a standard fee of 10% of annual revenue
- ❑ Currently 7 Referral Rights Agreements in place
 - Progressive roll-out planned over the next 5 years
- ❑ Consolidated turnover in 2013 was \$3.26m and normalised EBITA was \$0.62m
- ❑ Earn-out payment of \$0.5m in each of the first 3 years if 5 or more Referral Rights Agreements achieved in each of those years (i.e. \$1.5m earn-out in total)

HKNSW (30% interest)

- ❑ Full service, Sydney based accounting firm
 - audit service provided through a separate company and not included in this transaction
- ❑ Turnover in 2013 was \$5.03m and normalised EBITA was \$1.08m

Supersentials (50% interest)

- ❑ Provides a centralised SMSF administration service
- ❑ Operates a 'White Label' platform through Class Super
- ❑ Currently administers ~400 funds
- ❑ Early stage of development
 - Operates at a small profit

Strategy and Outlook

- ❑ Easton's strategy is to build a significant distribution capability within the Australian accounting and financial services sector
- ❑ Scaled distribution in this sector is considered to have strategic value
- ❑ The Transaction represents an excellent first step in creating a distribution business with significant scale
- ❑ It also provides scope for sustained growth over coming years, both organic and by acquisition with the potential to create significant shareholder value
- ❑ The Transaction is, therefore, aligned with the Directors' objectives of building a company with sustained earnings, having excellent long term growth prospects and having high strategic value

2014 Outlook

- ❑ Sound financial position
- ❑ Existing businesses are performing satisfactorily – significant improvement in operating performance expected compared with the prior year
- ❑ Clear strategic intent
 - Realistic plans to become a leading distribution company in the accounting and financial services sector
 - A differentiated business model
- ❑ Important Strategic Acquisition announced
 - Hayes Knight NSW and related businesses
 - Provide strong earnings and significant growth potential
 - ✓ By acquisition – plenty of good opportunities
 - ✓ Organic – core business plus cross-sell
- ❑ Focus on quality acquisitions
 - Very selective and must be earnings accretive
 - Execution, alignment and culture are critical
- ❑ Intent on creating shareholder value over a 5-year planning horizon
 - Growth in earnings per share
 - Satisfactory return on capital

**Looking to
attract firms with the
right culture**

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