



# Easton Investments Limited

1<sup>st</sup> Half 2021

Results Presentation

18 February 2021

# Easton Investments

Reshaped & repositioned to build on strengths and market opportunities

Hub24 strategic relationship

Growth momentum accelerates

Strong 1<sup>st</sup> half result Underlying profit +72% PCP

- Accounting Solutions revenue +98%
- Wealth Solutions *circa* 250 full authorised representatives, recognised as a market leader by Core Data

# Reshaped & Repositioned

- **Strategic review initiated October 2019**

- Grant Samuel engaged as Easton Investments' corporate adviser
- Confirmed the need to simplify the Company and achieve meaningful scale
- Range of strategic options and alternatives investigated

- **Initial decision to simplify and reposition the Company** creating a clearer, more concentrated focus on core businesses

- **Several non-core businesses and interests divested**

- 70% interest in EWA Finance (Aug-20) [Easton retains a small equity interest]
- 25% interest in First Financial (Aug-20)
- 33.3% interest in Hayes Knight (NSW) (Oct-20)
- 60.2% interest in Law Central (Dec-20)
- 100% interest in Panthercorp (Feb-21)

**No further  
divestments  
contemplated at this  
time**

# Reshaped & Repositioned

- **Balance Sheet strengthened**
  - Financial position improved significantly with surplus net cash of \$1.20m at 31 December 2020 compared with net debt of \$8.15m at 30 June 2020
  - Loss of earnings from divestments offset by acquisition of a 60% interest in TaxBanter in January 2020
- **Strategic relationship entered into with HUB24**
  - Transformational transaction
  - Details summarised on the following slide
- **Appointment of a new Managing Director, Nathan Jacobsen, on 1 February 2021**
  - Prior senior executive role with HUB24 as head of Licensee business and data and technology solutions
  - A capable and experienced executive with relevant sector knowledge
- **Appointment of a new non-executive director, Tony McDonald, on 1 February 2021**
  - Successful business leader and director adding Board depth and capability



# Strategic Relationship HUB24

## **HUB24 identified as an attractive strategic partner following review**

- Market size (~ \$1.7bn market cap)
- Innovative ASX listed company with deep tech resources and capabilities
- Complementary market positioning

## **HUB24 announced its intention to make a takeover offer for 1 out of every 3 Easton shares on 21 December 2020**

- HUB24 Offer remains open for acceptance until 22<sup>nd</sup> February 2021

## **Strategic relationship with HUB24 expected to provide significant benefits to Easton, including**

- Provision of innovative technology and data solutions
- Focus on operational efficiency, practice management and client engagement
- Acknowledges the ever-increasing importance that technology plays in professional advice markets

## **Acquisition by Easton Investments of Paragem, a licensee entity, on 1 February 2020**

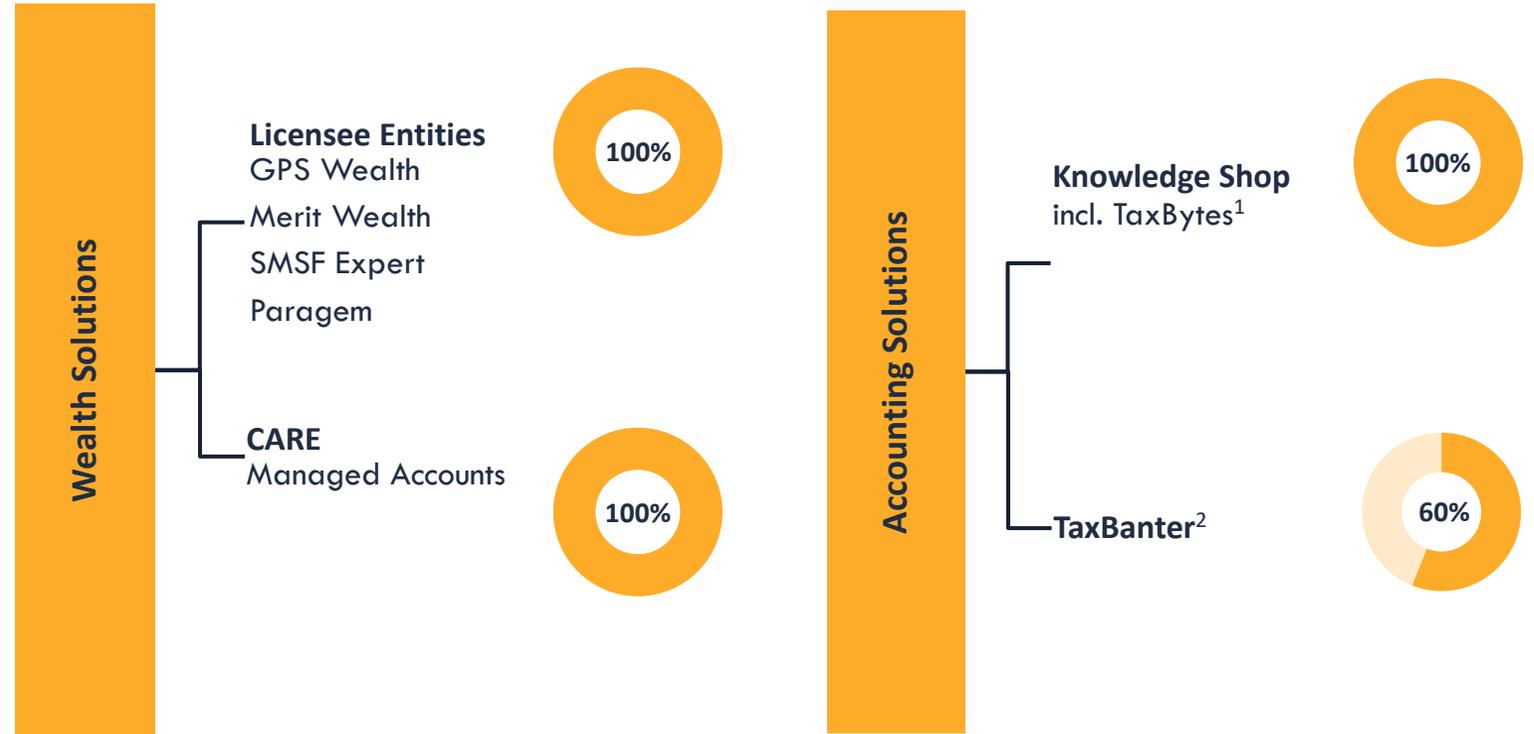
- Strong strategic fit – consistent with direction to become a leader in the provision of adviser and licensee services
- Provides additional scale – 76 new advisers

# Easton Investments Today

## Concentrated focus on core business

**Easton Investments is a leading provider of integrated accounting and wealth solutions and services**

The Company provides services and solutions to over 3,000 accounting practices, circa 150 financial planning firms and around 640 licensed advisers and their clients



<sup>1</sup> Minority interest in Taxbytes acquired 15 February 2021

<sup>2</sup> Option to move to 100% of Tax Banter in January 2022

# Strong 1st Half Result

Revenue	A\$41.30m	21% PCP
Statutory Profit	A\$1.81 m	70% PCP
Underlying Profit <sup>1</sup>	A\$3.91 m	72% PCP
Underlying Profit / Share	11.4 cents	74% PCP
Dividend - Interim	1.5 cps	same PCP

<sup>1</sup> 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 one-off and non-operational items.

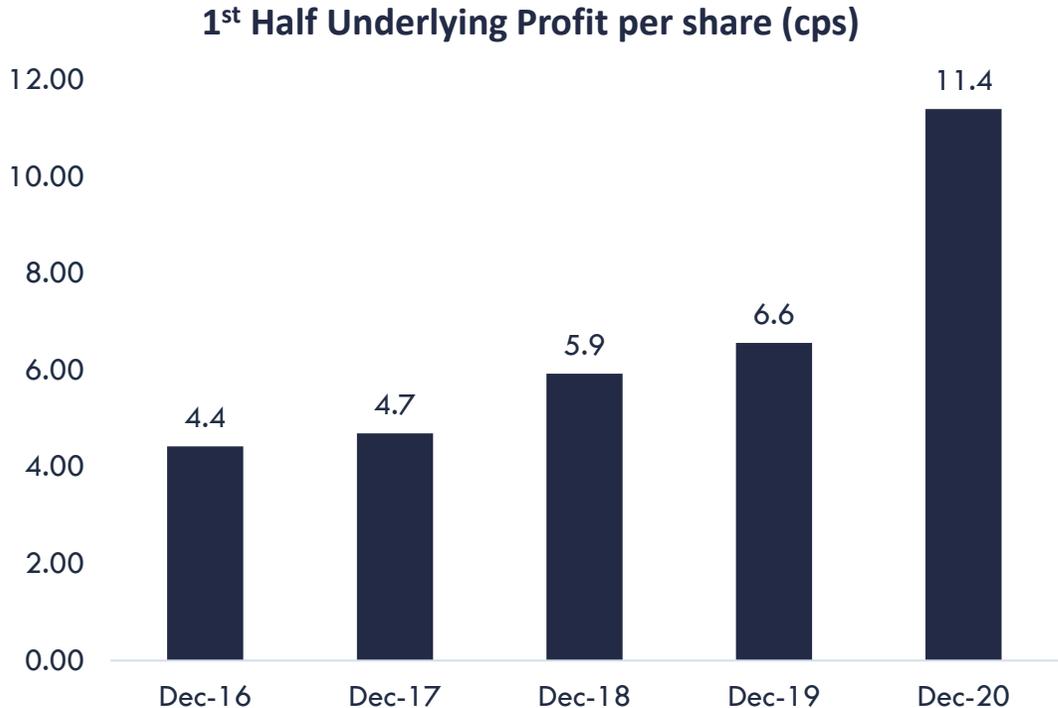
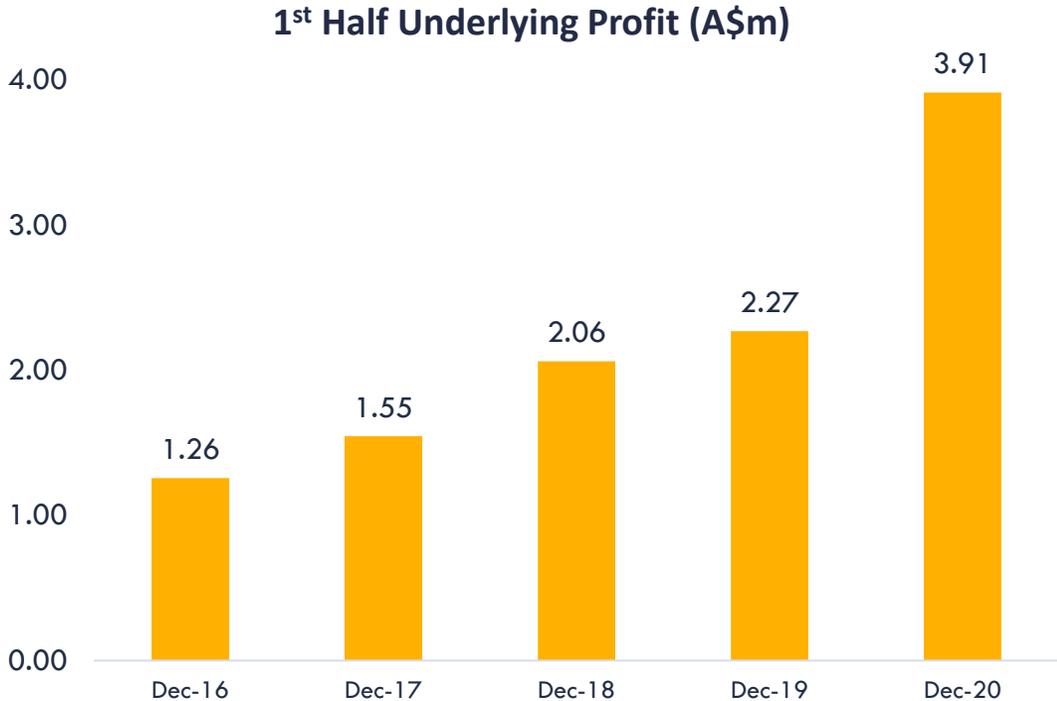
## Dividend Payments:

- FY20 Final Dividend of 2.5 cps<sup>2</sup> – paid on 25 September 2020
- Special Dividend of 5.0 cps – paid on 21 January 2021
- Interim Dividend of 1.5 cps – payable on 3 May 2021 (record date 19 April 2021)
- Total Dividends paid during FY21 of 9.0 cps, fully franked

<sup>2</sup> cps = cents per share

# Growth Momentum Accelerates

5 consecutive years of growth



# Accounting Solutions

## Underlying performance

A\$m	1H21	1H20	Mvmt (%)
Revenue	9.81	5.75	71%
<b>Underlying Profit:</b>			
– Organic Result	2.11	1.49	42%
– <i>plus</i> : Acquired Operations	0.95	-	-
<b>Continuing Operations</b>	<b>3.06</b>	<b>1.49</b>	<b>106%</b>
– <i>plus</i> : Discontinued Operations	0.39	0.24	-
<b>Underlying Profit</b>	<b>3.45</b>	<b>1.73</b>	<b>99%</b>

### 1<sup>st</sup> half result key influencing factors

- COVID-19 increased demand for online training, delivering enhanced profit margins
- Continued strong demand for Knowledge Shop Membership services
- Contribution from TaxBanter acquired in January 2020 and not included in PCP
- Some loss of earnings from discontinued operations and adverse impact of COVID-19 on face-to-face and in-house training

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

# Accounting Solutions

## Knowledge Shop

**Knowledge Shop has successfully positioned itself as a leading resource service for accounting and converged practices – its resilience and relevance has been highlighted during COVID-19**

### Knowledge Shop Membership

- Continued strong increase in member acquisition +126 firms (net +96)
- +13% growth in subscription revenue to A\$2.70m
- Large membership base of practices ~1,350
- +20,000 technical help desk queries answered

# Accounting Solutions

## Training

- **Revenue +227% to A\$4.36m (A\$1.33m PCP)**
- Annualised revenue approaching A\$10m with strong earnings contribution
- **COVID-19 impact** - all face-to-face training cancelled - offset where possible with virtual and online delivery. Some residual negative impact
- **Knowledge Shop**
  - Strong market demand for training within increased number of accountants working remotely
  - *Circa* 11,000 online training attendees
  - Diversification to wealth sector with FASEA exam prep and related training
- **TaxBanter** (60% interest) acquired January 2020
  - Leading training company with national presence
  - Option to move to 100% interest in January 2022

# Wealth Solutions

## Underlying performance

A\$m	1H21	1H20	Mvmt (%)
<b>Revenue</b>	<b>31.50</b>	<b>28.43</b>	<b>11%</b>
<b>Underlying Profit:</b>			
– Organic Result	1.41	1.23	15%
– <i>plus:</i> Acquired Operations	-	-	-
<b>Continuing Operations</b>	<b>1.41</b>	<b>1.23</b>	<b>15%</b>
– <i>plus:</i> Discontinued Operations	-	0.29	-
<b>Underlying Profit</b>	<b>1.41</b>	<b>1.52</b>	<b>(7)%</b>

### 1<sup>st</sup> half result key influencing factors

- Introduction of a new pricing model for advisers and revenue growth within adviser practices
- Continued growth in CARE managed accounts
- Loss of earnings from discontinued operations

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

# Wealth Solutions

## Dealer Group Services

### **Wealth revenue +11% to A\$31.5m**

- Reflecting the impact of the new pricing model for ARs, growth in adviser business and CARE Managed Accounts

### **Circa 250 authorised representatives (full advisers)**

- Up from 169 at 30 June 2020
- Includes transition of 76 Paragem advisers on 1 February 2020

### **New pricing model for ARs implemented on 1 July 2020**

- Consistent with current industry trend towards appropriate pricing of adviser services
- Higher fixed fee (subscription) component, lower dealer split on gross fees
- Positive impact on net contribution from ARs, up 7%

### **Continued decline in the number of limited authorised representatives (LARs)**

- 392 at 31 December 2020, 423 at 30 June 2020
- Lower subscription revenue from LARs, down 15% to \$0.79m
- Reduction in numbers due to cost and time required for training

### **Effective compliance & monitoring program**

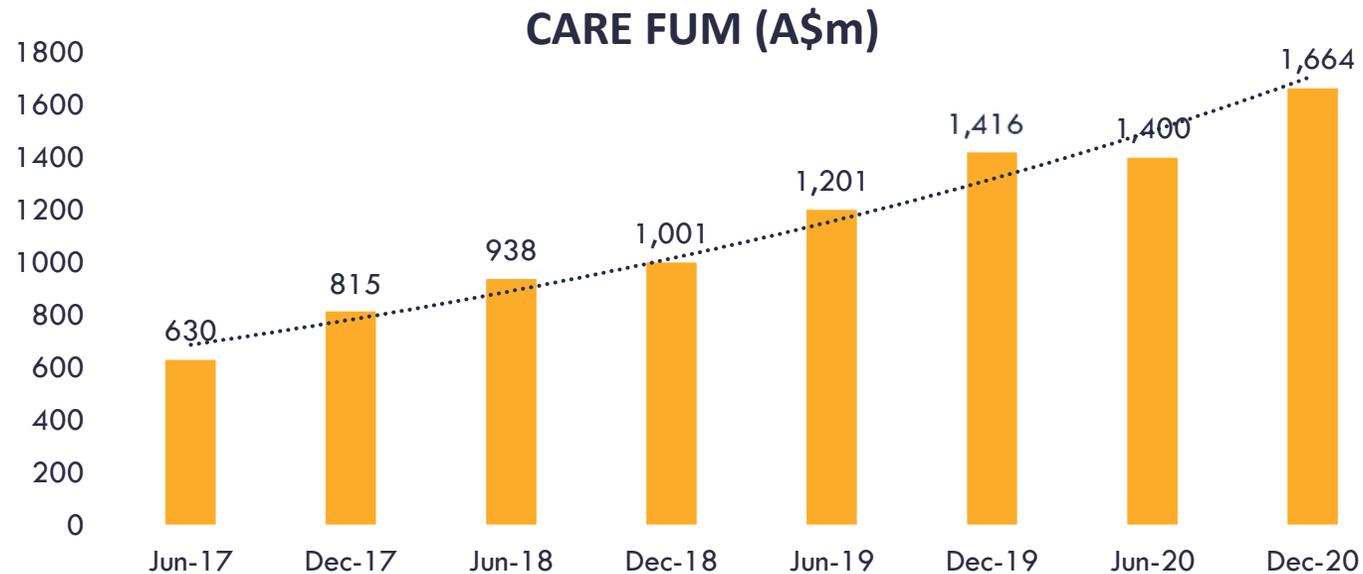
- Low case numbers requiring remediation

### **GPS Wealth recognised as a market leader by CoreData**

- 2020 Licensee of the Year

### **Strengthened position as a top 10 Dealer Group in Australia by number of advisers**

## Care Managed Accounts



### CARE continues to grow

- FUM +18%, to A\$1.66bn with net inflows of A\$98m
- Revenue +15% to \$2.06m

### Non-CARE investment portfolios

- Lower revenue as a result of the removal of licensee fees collected from platforms from 1 October 2020
- Impact has been to offset growth in CARE revenue, but not on-going beyond FY21

# Group Result

## Underlying profit

A\$m	1H21	1H20	Mvmt (%)
<b>Continuing Operations:</b>			
- Accounting Solutions	3.06	1.49	106%
- Wealth Solutions	1.41	1.23	15%
<b>Divisional Result</b>	<b>4.47</b>	<b>2.72</b>	<b>65%</b>
less: Corporate Overheads	(0.95)	(0.98)	(3)%
<b>Underlying Profit – Continuing Operations</b>	<b>3.52</b>	<b>1.74</b>	<b>103%</b>
<b>Underlying Profit – Discontinued Operations</b>	<b>0.39</b>	<b>0.53</b>	<b>-</b>
<b>Underlying Profit</b>	<b>3.91</b>	<b>2.27</b>	<b>72%</b>

# Statutory Profit Reconciliation

A\$m	Continuing Operations	Discontinued Operations	1 <sup>st</sup> Half FY21
<b>Underlying Profit</b>	<b>3.52</b>	<b>0.39</b>	<b>3.91</b>
Normalisation Adjustments <sup>1</sup>	(0.35)	(0.51)	(0.86)
<b>Statutory EBITA</b>	<b>3.17</b>	<b>(0.12)</b>	<b>3.05</b>
Net interest expense	(0.14)	-	(0.14)
Amortisation of intangible assets	(0.46)	-	(0.46)
<b>Statutory Operating Profit before Tax</b>	<b>2.57</b>	<b>(0.12)</b>	<b>2.45</b>
Income tax expense	(0.52)	(0.12)	(0.64)
<b>Statutory Profit after Tax</b>	<b>2.05</b>	<b>(0.24)</b>	<b>1.81</b>
Net Profit after Tax attributable to non-controlling interests	0.33	-	0.33
<b>Net Profit After Tax attributable to Members</b>	<b>1.72</b>	<b>(0.24)</b>	<b>1.48</b>

<sup>1</sup> Restructuring, acquisition & disposal costs \$(0.64)m; Write-down of intangible assets to fair value \$(0.53)m; Write-back of deferred consideration \$0.37m; Other \$(0.06)m

# Strategic Plan Realignment **Priorities**



Opportunities arising from the **strategic relationship with HUB24**



Opportunities provided by **industry landscape and market dynamics**



Opportunities to **integrate and leverage**



**Acquisition opportunities**

Easton Investments is a leading provider of integrated accounting and wealth solutions and services – it has an exciting future with a new Managing Director to further position itself as a leader in licensee and adviser services and support, including training and education

# Full Year Outlook

- **2nd half outlook**
  - Expected to be more in line with PCP
- **Divestments**
  - Likely to temper on-going organic growth and normal 2nd half skew
- **Paragem**
  - Plans to make the business profitable involve cost and revenue synergies
- **Strategic relationship**
  - Expected to yield material benefits, but likely to be realised over time
- **FY21 full year outlook**
  - Underlying Profit expected to be materially greater than FY20, but not to the same extent (in % terms) as achieved in the 1st half

# Corporate Information

## INVESTMENT (Year to 31 December 2020)

• Underlying Profit	A\$7.31 m
• Underlying Profit per Share	21.3 cents
• EV / Underlying Profit (12 month trailing)	5.1 times
• FY20 Final Dividend	2.5 cps
• FY21 Interim Dividend	1.5 cps
• Dividend Yield	3.5% fully franked
• Shareholders Funds	A\$34.5m
• Return on Equity (12 month trailing) <sup>1</sup>	21.2%
• Surplus Cash / (Net Debt)	A\$1.2m

<sup>1</sup> Return on Equity is Underlying Profit divided by Shareholders Funds

## MARKET (as at 31 December 2020)

Shares on Issue	34.28m
Share price	A\$1.13
Market capitalization	A\$38.7m
Substantial shareholders <sup>2</sup> :	
• Greg Hayes & related entities	17.2%
• Kevin White & related entities	8.9%
• Pie Funds Management	8.6%

**Special Dividend  
of 5.0 cps paid on  
21 January 2021**

<sup>2</sup> Substantial shareholder interests have changed since 31 December 2020 as a result of the HUB24 Offer, including the addition of HUB24

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# Easton Investments