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### Important Strategic Partnership with HUB24

The Directors of Easton Investments Limited (**Easton or the Company**) are pleased to advise that the Company has entered into a binding Heads of Agreement with HUB24 Limited (**HUB24**) which contemplates:

- a strategic investment by HUB24 by way of a placement of 11.71 million Easton shares at \$1.20 per share. In addition, HUB24 will be issued 1.7 million options to acquire further shares in Easton at an exercise price of \$1.20, exercisable at any time over the next two years;
- a technology partnership and distribution arrangement between Easton and HUB24, with the intention of Easton becoming a leading provider of re-imagined support services and solutions for financial advisers, licensees and accountants by benefiting from technology built by HUB24
- the acquisition by Easton from HUB24 of Paragem Pty Limited (**Paragem**), a licensee entity, for a consideration of \$4.0 million, which will be satisfied by the issue of 3.33 million Easton shares at a price of \$1.20 each;
- the opportunity for Easton shareholders to sell approximately a third of their Easton shares at a price of \$1.20 per share under an equal access, off-market, share buy-back offer, together with the payment of a special fully franked dividend of \$0.05 per share. The combination of the buy-back price and the fully franked dividend represents a premium of 44% over the last trading price for Easton shares of \$0.87; and
- the appointment of Nathan Jacobsen as Easton's managing director, a position currently held on an interim basis by Easton's Chairman, and HUB24 having the right to nominate two directors to join the Easton Board.

Following the placement of Easton shares to HUB24, the acquisition of Paragem and the proposed buy-back, HUB24 will hold an interest of up to 40% in Easton, with its actual interest dependent on the level of shareholder acceptances of the buy-back offer.

The placement to HUB24, the Paragem acquisition and the share buy-back will be interdependent and all will be subject to Easton shareholder approval, satisfactory mutual due diligence and execution of formal transaction documents.

The Easton Board regards the proposed transaction as an exciting, transformational opportunity for Easton, with clear and compelling benefits for our shareholders.

### Strategic Review and Transaction Rationale

Following a strategic review, the Directors have explored a range of strategic options and alternatives over the last 12 months for the purpose of identifying a transformational transaction that is considered capable of significantly enhancing the Company's earnings and growth potential, thereby contributing to a re-rating of the Company and its share price.

In the course of its investigations, the Company entered into discussions with HUB24, an ASX listed company with a market capitalisation of around \$1.4 billion and a track record of outstanding growth on the back of the delivery of innovative and technology-based solutions to the financial services sector.

It became evident to the Easton Board that HUB24 would make an excellent partner given its size, resources, capabilities and an aligned culture on people and client servicing, as well as having complementary businesses with strategic overlap.

In essence, it is proposed that HUB24 will acquire a shareholding of up to 40% in Easton and Easton shareholders will be given an opportunity to sell approximately one third of their shares into a share buy-back offer at a significant premium to the prevailing share price. Shareholders will also be able to participate in the future growth of the Company with the

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backing and support of a much larger ASX listed company as a substantial shareholder. Importantly, this support extends to access to HUB24's technology development capabilities, specifically focused on repositioning Easton with a competitive advantage in the delivery of efficient, cost-effective solutions and services to advisers, accountants and their clients.

The current industry landscape and prevailing market dynamics, which are summarised at Annexure A hereto, provide a compelling opportunity for Easton to become a market leader in licensee and adviser services and support.

This position, combined with Easton's deep engagement with the accounting market, provides Easton with outstanding growth prospects as it partners with HUB24 to develop, deploy and distribute technology solutions focused on operational efficiency, practice management and client engagement. This intent recognises the ever-increasing importance that technology plays in all advice markets.

### **Key Features and Benefits of the Proposed Transaction**

The proposed transaction will, if approved by Easton shareholders and completed, provide the following important outcomes and benefits to Easton:

#### ▪ **Liquidity Event**

Easton shareholders will be given the opportunity to liquidate approximately one-third of their shares through an equal access off-market buy-back offer at \$1.20 per share. In addition, Easton shareholders will receive a special fully franked dividend of \$0.05 per share in advance of the placement to HUB24 and the buy-back offer. Easton shareholders' residual shareholding will allow them to participate in the future growth of the Company with the strong support and backing of a much larger listed entity as a substantial shareholder and an important technology partner.

The combined buy-back offer price of \$1.20 and fully franked dividend of \$0.05 per share represents a significant premium over the recent trading range of Easton shares:

- a 44% premium to the last trading price for Easton shares on 27 October 2020 of \$0.87;
- a 46% premium to the volume weighted average price for the month to 27 October 2020 of \$0.856; and
- a 58% premium to the volume weighted average price for the three months to 27 October 2020 of \$0.792.

Easton shareholders will have the right to accept for all or some of their shares under the proposed buy-back offer, but with a pro rata scale back to a level that would see no more than 11.71 million shares bought back in aggregate. Under this flexible arrangement, some shareholders will possibly be able to sell a higher number of shares than the threshold minimum number, should other shareholders not accept for their pro rata offer entitlement.

The number of Easton shares on issue at the completion of the proposed transaction will depend on the final level of acceptances under the equal access buy-back offer. If the full 11.71 million shares were bought back, HUB24's shareholding in Easton would be 40%. If fewer shares were bought back, HUB24's shareholding would be less than 40%. On the assumption that the full 11.71 million shares were bought back, the Company's issued capital would not change materially.

#### ▪ **Strategic Partnership**

HUB24 will become a strategic technology partner and will provide Easton with access as an anchor partner to technology to be developed by HUB24 with the aim of delivering market leading licensee solutions to financial planning firms and advisers.

For the reasons outlined above (Transaction Rationale), there is a clear and significant opportunity for Easton to grow strongly over coming years with the financial backing and support of HUB24, in particular through an enduring advantage from the delivery of technology enabled back office and front-end solutions and services to advisers and their clients, together with technical support for the on-going development of services and solutions delivered to accountants.

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- **Additional Scale**

The acquisition of Paragem is an excellent strategic fit with Easton's Wealth Solutions division and will provide increased scale, synergistic benefits and a strengthened management team.

The proposed combination of Paragem with Easton's existing wealth businesses will increase the total number of advisers on license to 760, representing the 5<sup>th</sup> largest dealer services group in Australia by the number of advisers, comprising 250 full advisers and 510 limited advisers.

Paragem's revenue in FY21 is budgeted to be \$31m and the business is expected to be marginally profitable on the basis of normalised earnings before interest, tax and amortization. After allowing for anticipated synergies, Paragem is expected to make an increased earnings contribution in FY22.

The total purchase price for Paragem of \$4.0 million reflects the assessed enterprise value of the Paragem business of \$3.0 million, plus surplus cash on hand at the date of acquisition of not less than \$1.0 million.

Easton's Chairman, Kevin White, commented that "*Paragem is an important acquisition for Easton having regard to both the capability and know-how of its staff and the high quality of its professional network of advisers*". More generally, the proposed acquisition of Paragem is consistent with Easton's strategic direction to become a leading non-institutional provider of adviser and licensee services. It also provides additional scale to support planned investment in technology to improve efficiencies and to add new revenue generating services.

On a consolidated basis, Easton's revenue will exceed \$100m at the completion of the acquisition of Paragem.

- **Accelerated Growth Opportunities**

- **Training & Continuing Professional Development (CPD)**

With the benefit of an expanded adviser network, a key component of Easton's strategy will be to escalate the Company's plans to compete strongly in the Wealth CPD training market by further expanding Knowledge Shop's online and technical capability. Knowledge Shop is a wholly owned subsidiary of Easton and has a significant presence in the accounting market and a growing presence in the wealth market, both in terms of providing technical support and training.

- **New Advisers**

In addition, the Company will be well placed to accelerate the growth of its adviser network on the back of technology enhanced services and solutions to advisers.

This prospect is further supported by Core Data's recent recognition of GPS Wealth as the 2020 Licensee of the Year. GPS Wealth is a wholly owned subsidiary of Easton and has developed a wide range of client engagement tools and adviser support services, as well as aligned investment solutions.

- **Partnership Benefits**

The opportunity more broadly for Easton to achieve strong growth, both organically and inorganically, as a direct consequence of HUB24's support, commitment and financial backing is considered to be most significant, while the opportunity for Knowledge Shop and Easton Wealth in particular to benefit from Easton's repositioning is substantial.

The Easton Board is particularly pleased that Nathan Jacobsen has accepted the Company's invitation to become the managing director of Easton upon completion of the proposed transaction. Mr Jacobsen is currently a senior executive with HUB24 and holds the dual roles of managing director of Paragem and Head of HUB24's Data and Technology Solutions.

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Mr White stated that “we feel very fortunate to have attracted Nathan to our Company to lead Easton through its next growth phase. We are confident that he has the requisite experience, knowledge and abilities to capitalise on both the opportunities presented by the strategic partnership with HUB24 and Easton’s broader integrated growth strategy across the accounting and wealth markets. Nathan clearly has a strong connection with Paragem staff and advisers, who we look forward to welcoming into our Company once the Paragem acquisition is completed.

“We also look forward to strengthening our Board with the appointment and contribution of 2 directors nominated by HUB24. Our four person Board will benefit from a wider diversity of backgrounds and experiences and, again, we see this as further underpinning the strategic partnership with HUB24.”

#### **About HUB24**

HUB24 is an ASX listed company with a clear focus on the delivery of innovative and technology-based solutions to the financial services sector. The company has achieved exceptional growth on the back of its investment and superannuation platform which provides broad and flexible product choice and a market-leading experience for advisers and their clients. HUB24 currently has a market capitalisation of around \$1.4 billion with funds under administration of \$18.9 billion at the end of September 2020.

Easton has an existing strong relationship with HUB24 as a leading platform provider.

#### **Transaction Timetable and Next Steps**

The proposed transaction is subject to a number of conditions precedent, including due diligence, no material adverse change, long form documentation and the approval of Easton shareholders at a special (extraordinary general) meeting of the Company, which is expected to be held in late January 2021. To help with their assessment, shareholders will be provided with a report from a suitably qualified independent expert as to the fairness and reasonableness of the proposed transaction in advance of that meeting.

An indicative timeline and next steps are set out below:

• Day 1	ASX announcement
• Day 45	Notice of EGM, Explanatory Memorandum and Independent Expert’s Report sent to Easton shareholders
• Day 76	EGM held
• Day 79	Record date for payment of special dividend of \$0.05 per share (pre-share placement to HUB24)
• Day 81	Share placement to HUB24 and acquisition of Paragem completed
• Day 81	Last day that shares can be acquired to be eligible for buy-back
• Day 105	Buy-back offer opens
• Day 127	Buy-back offer closes

Under this timeline, the transaction would be completed around the end of February 2021.

#### **Concluding Remarks**

Easton today is a relatively small listed company with some excellent businesses.

The proposed transaction with HUB24 acknowledges the quality of those businesses and, at the same time, gives the Company a clear growth path to become a more substantial entity with the financial backing and operational support of a larger company with proven technical capability.

It will take some months to complete the proposed transaction, which gives the parties ample time to prepare and plan for Easton’s next step change.





Authorised for release by Kevin White, Executive Chairman.

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**ANNEXURE A**

**THE HUB24 TECHNOLOGY PARTNERSHIP  
MARKET LANDSCAPE AND DYNAMICS**

The partnership with HUB24 acknowledges the industry and market environment that has emerged over recent years and exists today, being characterised by:

- The rising cost of advice due to heightened regulatory and compliance requirements
- The reduction in adviser numbers due to greater training and education obligations at a time of growing demand for quality, professional financial advice
- The resultant increasing demand from advisers for new technology to provide lower cost, more efficient advice and service solutions
- Under-investment generally by non-institutional licensees in technology due to a lack of scale, profitability and financial backing
- A common focus on product rather than advice, with an accompanying over-reliance on subsidised income from product rebates which have been gradually declining and which are, with minor exceptions, mandated to cease in coming months
- The exiting or scaling back of operations in the wealth sector by the larger, institutional licensees, with an escalating trend to non-institutional licensing and self-licensing.





## ANNEXURE B

### FURTHER DETAILS OF THE PROPOSED TRANSACTION

#### Transaction Components

The proposed transaction is conditional on the approval of Easton shareholders and involves the following inter-dependent components:

1. The payment to eligible Easton shareholders of a special fully franked dividend of \$0.05 per share;
2. The placement of 11.71 million Easton shares to HUB24 at an issue price of \$1.20 each to raise \$14.05 million in cash (for which Easton will seek approval from shareholders pursuant to Section 611 Item 7 of the Corporations Act and provide an Independent Expert's Report on fairness and reasonableness of the proposed transaction);
3. The right, for so long as HUB24 holds in excess of 20% of the total number of issued shares of Easton, to participate, on a pro rata basis and otherwise on terms no less favourable than those granted to other subscribers, in any future equity raisings of Easton;
4. The grant of 1.7 million Easton options to HUB24, exercisable into ordinary Easton shares on a 1 for 1 basis at any time in the next 2 years at an exercise price of \$1.20 each;
5. The acquisition of 100% of Paragem by Easton for a consideration of \$4.0 million, to be satisfied by the issue of 3.33 million Easton shares at an issue price of \$1.20 each;
6. The execution of a technology partnership and distribution agreement by HUB24 and Easton pursuant to which the parties will work co-operatively to identify, build, commercialise and distribute scale solutions with the intention of repositioning Easton as a market leader with a competitive advantage in adviser and licensee support services;
7. The implementation by Easton of an equal access off-market share buy-back plan with each Easton shareholder to be offered the opportunity to sell down all or a portion of their Easton shares at a price of \$1.20 per share;
8. The appointment of 2 HUB24 nominees to the Easton Board; and
9. The appointment of Nathan Jacobsen as managing director of Easton to replace Easton's Chairman, Kevin White, who is currently holding that position on an interim basis.

These components together constitute the proposed transaction with HUB24 (**the proposed transaction**).

#### Transaction Structure – A Staged Process

The proposed transaction has been structured to conform with regulatory requirements and is comprised of 2 separate steps, each being inter-dependent on the other and each being subject to the approval of Easton shareholders.

##### **Step 1:**

The first step involves the issue by Easton of 15.04 million shares in total for a cash raising of \$14.05 million and the purchase of Paragem, together with and the grant of 1.7 million options to acquire further shares in Easton on a 1 for 1 conversion at an exercise price of \$1.20 at any time over the next 2 years.

Prior to the Easton shares and options being issued to HUB24, Easton will declare a fully franked dividend of \$0.05 per share, which will be payable to eligible shareholders registered at that time.

At the completion of Step 1, HUB will hold a 30.5% interest in Easton (plus 1.7 million options) and Easton will have paid a \$0.05 dividend, acquired Paragem and raised \$14.05 million in cash.

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HUB will immediately nominate 2 directors to the Easton Board and Nathan Jacobsen will be appointed to the role of managing director of Easton.

**Step 2:**

The second step involves Easton conducting an equal access, off-market, share buy-back offer.

The offer will be:

- made to all Easton shareholders on an equal basis, including HUB24;
- an offer to acquire all of the Easton shares of each Easton shareholder, although shareholders will be able to accept for part (or none) of their shareholdings;
- subject to a maximum number of 11.71 million Easton shares to be bought back, being equal to approximately one-third of the shares held by each shareholder; and
- priced at \$1.20 per share.

While HUB24 will be included in this offer, HUB24 has indicated its intention not to participate. As such, in the event that Easton shareholders collectively tender into the buy-back offer more shares than the maximum number, shareholders will be scaled back on a pro rata basis and HUB's shareholding will reach the 40% cap. However, if Easton shareholders tender in total fewer shares than the maximum number, HUB's shareholding will lie in the range of 30.5% to 40% (depending on the level of acceptances) and Easton may hold surplus cash (again, depending on the level of acceptances).

Surplus cash, if any, following the buy-back, will be available to fund growth, including future strategic acquisition opportunities.

