27 August 2020

EVANS DIXON

FY20 Full Year Financial Results Announcement

Summary for the twelve months to 30 June 2020:

- **FY20 was a period of substantial transition for the business including senior executive changes, implementation of a firm-wide operational review and strict cost out program**
- **The 2H20 result was impacted by the emergence of the COVID-19 pandemic which is anticipated to continue to present a challenging economic environment for the foreseeable future**
- **Net revenue of $191.8m was down 10% on pcp due to softer performance in E&P and Funds Management divisions and the impact of organisational changes resulting from the operational review**
- **Underlying EBITDA of $37.2m was down 19% on pcp after adjusting for the impact of new accounting standard for leases (AASB 16):**
    - **Wealth Advice $19.4m – up 2% on pcp after adjusting for AASB 16, benefitting from strong brokerage revenue and cost reductions**
    - **E&P $12.7m – down 43% on pcp after adjusting for AASB 16 due to the COVID-19 impact on M&A transaction levels in 2H20**
    - **Funds Management $16.4m – down 10% on pcp after adjusting for AASB 16, due to rationalisation of US business and reduction in non-FUM based revenue**
    - **Unallocated corporate expenses ($11.3m) – $3.7m lower than FY19**
- **Statutory loss of $30.5m following $38.7m non-cash impairments of goodwill, other intangibles and jointly controlled entities arising from past M&A activity – impairments the result of industry disruption, structural changes in Funds Management and the risk of a prolonged COVID-19 recovery**
- **Underlying NPATA of $13.3m and underlying EPS of 5.9 cents both 40% lower than pcp**
- **No dividend declared to preserve liquidity given COVID-19 uncertainty**

Overview

Financial services company, Evans Dixon Limited (ASX:ED1), today announced its full year results for the 12 months to 30 June 2020, with Group underlying EBITDA of $37.2 million down 19% on pcp after adjusting for the impact AASB 16.

Net revenue of $191.8 million was down 10% compared to $212.1 million in FY19 as the business delivered a softer 2H20 result in a challenging COVID-19 impacted economic environment. The softer FY20 underlying EBITDA was primarily due to a lower contribution from our corporate and institutional business, E&P, as market volatility and general economic uncertainty caused by COVID-19 caused transactional corporate advice and capital markets activity to reduce significantly during the second half. Also contributing to the softer result was a reduction in earnings from Funds Management as the business continued to wind-down its US based operations and transition away from related party activities. Offsetting this in part was a small increase in the underlying EBITDA of the Wealth Advice segment and a reduction in Corporate overheads.

As part of the firmwide operational review we have restructured our executive management team with the appointment of a new CEO, CFO and CRO (newly created role). We have improved firmwide governance with key enhancements including increased independent representation on the Evans Dixon board and the board of the Responsible Entity, which is now independently chaired. The Group's cost base was materially reduced, most significantly, Group headcount decreased by 22% over the year, the impact of these changes, which total $13.0 million of fixed remuneration savings on an annualised basis, have started to flow through in the second half result.

The Board has decided to not declare a dividend in respect of the second half of the 2020 financial year. The Board recognises that transactional corporate revenue represents a meaningful component of the Group's business and given the heightened and potentially prolonged uncertainty presented by the COVID-19 pandemic execution risks remain high. For this reason, as an interim measure, the Board considers it prudent to preserve liquidity at this time. Over the long-term the Board remains committed to an annual target dividend payout policy of 75-85% of NPATA.

Chief Executive Officer, Peter Anderson said:

"The effects of the COVID-19 pandemic have resulted in significant disruption to global financial markets and heightened uncertainty for the global economic outlook. We have implemented a number of initiatives to support our staff and clients across this turbulent period.

The 2020 financial year has been a period of substantial transition for Evans Dixon as we build a sustainable platform for future growth. The softer financial performance reflects the ongoing business model transformation coupled with the challenging economic backdrop.

In the near term we will continue to respond and adapt to the environment presented by COVID-19 as we work to complete our business model transformation, which includes pivoting away from related party activities and winding down our US operations. Our focus is increasingly turning to implementation of our medium-term growth initiatives. In our Wealth business we have a strong, scalable operating platform which we will use to capitalise on the market opportunity which exists in the post-Hayne and FASEA financial advice landscape, including the increasingly underserviced retail advice space. We are strategically recruiting in E&P to broaden and deepen our M&A and ECM/DCM capability in targeted sectors. In our Funds Management business, we are investing in external distribution capability for our strongly performing high conviction equities portfolios."

Impairments

The Group recorded non-cash impairments of $38.7 million against goodwill, other intangible assets and jointly controlled entity balances in FY20 which arose from past M&A activity. The impairments, which have impacted each of the Group's Cash Generating Units, arose from a combination of industry disruption, structural changes in our Funds Management business and the risk of a prolonged recovery from COVID-19 on transactional corporate advisory activity in E&P.

Wealth Advice

Wealth Advice delivered a solid result in a challenging economic environment. Revenue of $92.5 million was up 2% on FY19 and underlying EBITDA of $19.4 million was also up 2% on a like-for-like basis after adjusting for the impact of AASB 16 Leases. Advice & Services and Brokerage revenue increased by 3% as strong brokerage revenue driven by market volatility offset softness in Capital Markets revenue compared to FY19. The modest like-for-like underlying EBITDA growth in FY20 was pleasing given the challenging operating environment and highlights the value of the historical investment made in our systems and IT infrastructure in enabling the business to operate effectively under current conditions.

Funds under advice (FUA) at 30 June 2020 of $20.1 billion was similar to FUA 12 months prior, however down 4% since last reported at 31 December 2019. The total number of Wealth clients as at 30 June 2020 of approximately 9,200 was largely stable compared to the prior corresponding period. A small reduction in Dixon Advisory client numbers was offset by growth in the Evans & Partners client base.

During the year, the business implemented a raft of initiatives to leverage its strong advice platform, systems and risk framework to drive growth. This included a merger of support teams, sharing of infrastructure and efficiency improvements which served to strengthen the business and client offering. The Group established an integrated Evans Dixon Investment Committee which replaced the previously distinct Evans & Partners and Dixon Advisory Committees and strengthens the governance measures in our advice processes.

E&P (formerly Corporate & Institutional)

During the year our Corporate & Institutional businesses consolidated under a single unified brand, E&P, to leverage our high-quality capability to build an integrated business targeting key sectors. E&P delivered a softer result in FY20 with transactional corporate advice and capital markets activity subdued in the second half of the year due to COVID-19 volatility and general economic uncertainty. Despite this, E&P advised and executed on a total of 25 M&A and capital markets mandates over the full year. E&P generated a record level of equities research during the period which supported strong institutional trading activity and brokerage revenue in 4Q20. Net revenue for the period of $45.6 million was down 18% on FY19 and EBITDA of $12.7 million was down 43% after adjusting the prior corresponding period EBITDA for the impact of AASB 16 Leases.

Funds Management

The FY20 contribution from our Funds Management business was down 10% on FY19 as management began to transition the division to a sustainable long-term model. The strategic exit from non-core operations, including the wind down of Dixon Projects and pivot from related party revenues has impacted the full year result. Net revenue of $57.9 million was down 17% on the prior period as non-FUM based net revenue (primarily from US based operations) reduced by 58%.

FUM-based net revenue, primarily derived from investment management, responsible entity and administration fees, increased by 14% over the prior year to represent 76% of FY20 total net revenue, up from 55% in FY19. Funds Management recorded underlying EBITDA of $16.4 million in FY20, down 10% after adjusting FY19 for the impact of AASB 16 Leases.

Funds under management (FUM) at 30 June 2020 was $6.7 billion, down 1% compared to 12 months prior. FUM benefited from growth in the company's institutionally focused solar infrastructure business, US Solar Fund (USF.LSE), and strong performances across the business' core equities portfolios. The Evans & Partners International Fund and Evans & Partners Global Disruption Fund in particular delivered strong double digit returns over the 12 months to 30 June

2020. The decrease in FUM was driven primarily by reductions in the gross asset value of the US Masters Residential Property Fund (URF) due to strategic asset sales, repayment of debt and write downs to the fair market value of URF's real estate portfolio.

Outlook

In the near term we expect our Wealth Advice business to remain resilient. We are confident there exist excellent medium-term growth opportunities to leverage the business's high-quality, scalable operating platform to capitalise on the market opportunity which exists in the post-Hayne and FASEA financial advice landscape, including the increasingly under-serviced retail space.

Within E&P, we are also confident that the growth prospects for the business over the medium term are strong, however near-term earnings are likely to continue to be undermined by COVID-19 uncertainty and associated reduced transaction levels.

The contribution from Funds Management is expected to reduce as the business undergoes necessary permanent structural changes. These include no longer seeding new real asset funds from our retail client base, reducing the URF portfolio to optimise returns for unitholders and winding down Dixon Projects. Our medium-term growth in our Funds business will come from the investment we are making in external distribution capability for our strongly performing core direct equities strategies.

We know that we will incur substantially higher insurance costs in FY21, with these costs up $3.7m on FY20. This outcome is in line with industry trends as underwriters withdraw capacity from Australia in both D&O and professional indemnity markets. In addition, we continue to enhance the company's compliance and regulatory capability which requires additional investment.

In summary, notwithstanding the resilience of our Wealth business, near-term financial performance of the Group will be impacted by COVID-19 uncertainty within E&P, necessary permanent structural changes in Funds Management and increased firmwide insurance costs. The medium-term growth prospects of the business remain strong and will be an increasing focus of management as the business model transformation nears conclusion. Noting the level of economic uncertainty resulting from the pandemic it is impractical to provide specific earnings guidance for FY21.

Further information regarding Evans Dixon's results is set out in the Group's financial results presentation for the full year ended 30 June 2020 and is available at www.evansdixon.com.au.

Annual General Meeting

The Company advises that its Annual General Meeting will be held on or about 11 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch.

Result Webcast

Evans Dixon Limited will host a results webcast for investors and analysts at 11:00am that will be available at: https://webcast.openbriefing.com/6293/.

Alternatively, you may wish to pre-register for the call at the link below. Once registered, you will receive an email containing a calendar invitation and dial-in details. Pre-register here.

This announcement has been authorised for release by the Board of Evans Dixon.

For further information, please contact

Investors:	**Media Enquiries:**
Paul Ryan	Sue Cato
+ 61 3 9631 9866	+ 61 419 282 319
paul.ryan@evansdixon.com.au	cato@catoandclive.com

ENDS

About Evans Dixon Limited

Evans Dixon is an Australian Securities Exchange listed financial services group. Operating through the Evans & Partners, E&P, Dixon Advisory and Walsh & Company brands, Evans Dixon provides a diverse range of financial services. In Wealth Advice we service approximately 9,200 clients, representing $20.1 billion in funds under advice. In E&P we are an advisor to many leading Australian institutions through the provision of research, corporate advisory, equity capital market and debt capital market services. In Funds Management, we manage $6.7 billion of assets across a diverse range of asset classes.