

24 August 2021

## FY21 Results Announcement

ASX Announcement

### Summary for the year to 30 June 2021:

#### Key financial highlights:

- Resilient underlying performance driven by E&P Capital, continued strong contribution from the Evans & Partners business and gains on private equity principal investments.
- Adjusted EBITDA of \$32.0 million, up 2% on pcp; Adjusted NPATA of \$11.3 million up 22% on pcp<sup>1</sup>.
- Net revenue of \$187.9 million, down 2% on pcp driven by lower contribution from real asset strategies in E&P Funds.
- Statutory loss of \$18.8 million following \$11.2 million non-cash impairment of goodwill in E&P Wealth driven by regulatory impacts, plus other non-underlying items including the costs of regulatory matters and takeover defence.
- Balance sheet remains strong – cash balance of \$50.8 million and no debt as at 30 June 2021, supported by \$32.5 million in financial assets, available for sale assets and equity accounted investments.
- Employee Share Plans (ESP) suspended in FY21 – no change to employee total remuneration but cash bonuses higher than prior periods, an overlap of cash bonuses and historical ESP expenses exists until ESP run-off completed.
- No final dividend given penalty expected to be paid in settlement of ASIC's legal proceedings against Dixon Advisory & Superannuation Services Pty Limited (DASS).

#### Key divisional highlights:

- **Group:** significant progress against strategy delivered structural improvements positioning the business to execute growth initiatives.
- **E&P Wealth:** funds under advice (FUA) up 22% in the year to 30 June 2021 to \$24.4 billion with good growth across the Evans & Partners platform and formal launch of the E&P Retail Wealth Management and DA Private service offerings.
- **E&P Capital:** net revenue up 26% vs FY20 attributable to the successful integration of institutional, capital markets and corporate businesses and high levels of market activity.
- **E&P Funds:** progressed several major structural initiatives to achieve value and liquidity for investors in internally managed Real Asset funds, while investing for growth in core equities external distribution and branding.

#### Other matters:

- On 8 July 2021, DASS entered into a Heads of Agreement with ASIC to resolve the legal proceedings commenced by ASIC. DASS agrees to pay to the Commonwealth a pecuniary penalty of \$7.2 million and ASIC's costs relating to the legal proceedings agreed at \$1.0 million. The terms of the agreement are subject to completion of certain steps and the approval of the Court, with a likely hearing date in late October to December 2021, subject to Court availability.
- 360 Capital's takeover offer was unsuccessful having received acceptances of approximately 0.7%. The EP1 Board unanimously recommended that shareholders reject the offer. Mercury Capital, a Sydney based Private Equity firm, has subsequently acquired a 19.9% interest in EP1 from 360 Capital. The Board welcomes Mercury Capital to the register.

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<sup>1</sup>On 18 December 2020, the Company announced the suspension of its Employee Share Plans (ESP). Aside from Key Management Personnel, E&P does not intend to grant further deferred equity to E&P employees as part of the Company's discretionary bonus awards. Adjusted EBITDA and Adjusted NPATA, which adjust for the suspension of the ESP and businesses in wind-down (Dixon Projects) are presented to assist with like-for-like comparison with prior periods.

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Chief Executive Officer, Peter Anderson said “We are pleased to report that over the year to 30 June 2021 the Group delivered a resilient underlying result from our core businesses despite a softer contribution from E&P Funds following deliberate structural changes made to our real asset funds. During the period, EP1 continued to successfully execute on its clearly defined strategy, implementing several operating platform enhancements, positioning the business to execute its growth initiatives.

In E&P Wealth, we established the Evans & Partners Retail Wealth Management and DA Private service offerings to increase our presence in the underserved mass affluent retail market to complement our core high net wealth offering.

In E&P Capital we continue to execute on our business plan by expanding our capability within targeted market segments, enhancing ECM deal origination and distribution and executing our international strategy through E&P Hong Kong.

In E&P Funds, we are accelerating the external distribution of our high performing core equity funds through rebranding and business development hires after optimising the structure of our investment funds.”

### **E&P Wealth**

E&P Wealth’s net revenue of \$83.9 million was down 5% on pcp. Growth in Evans & Partners advice and services revenue helped to partially offset a reduction in the contribution from Dixon Advisory in a period impacted by regulatory proceedings. Brokerage revenue was softer compared to the strong prior period which benefitted from higher trading volumes resulting from COVID-19 market volatility. E&P Wealth Adjusted EBITDA of \$15.5 million was down on the pcp by \$2.9 million.

Over the period, E&P Wealth had great success in the rollout and growth of the new Evans & Partners Retail Wealth Management FUA-based service model. This is an important step towards improving the quality of earnings, by expanding the Evans & Partners financial advice offering across our client base and increasing exposure to FUA-based revenue. Operating expenses for E&P Wealth remained stable as lower remuneration expenses were offset by higher insurance and advertising expenses.

Key E&P Wealth operational highlights for the year include:

- The total number of E&P Wealth clients as at 30 June 2021 was largely stable at approximately 9,200 clients.
- Successful rollout of Retail Wealth Management offering – \$709m of FUA across 365 clients at 30 June 2021.
- Several advisers are now dual authorised to provide advice across both Dixon Advisory and Evans & Partners.
- 90% of Advisers have passed the FASEA exam, targeting 100% by calendar year end.
- The formal launch of the Evans & Partners Family Office service offering.
- Implementation of a comprehensive ESG strategic plan that is integrated into the advice process.
- Establishment of the Dixon Advisory Client Advisory Board.
- Transitioned primary platform provider to HUB24 and key third-party SMSF technology partner to BGL 360, both bringing several key benefits across the client experience and provision of service.

Executive Chairman, David Evans said “Providing high-quality service to our clients is our priority. We are addressing legacy issues and have made progress in delivering value and liquidity outcomes for Dixon Advisory investors in our internally managed real asset funds. But there is more work to be done and we have a plan that we are systematically implementing.

We have taken important steps towards resolving the legal proceedings between ASIC and DASS. This has come at a cost to our statutory result, but we believe resolving these matters is in the interests of all.

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The Company also commissioned an external independent review of governance practices and implemented all resulting recommendations during the year. We have made management and governance changes across DASS and the Group to ensure that clients' best interests are at the heart of everything we do."

### **E&P Capital**

E&P Capital had a strong year with the division recording net revenue of \$57.4 million, up 26% on pcp. The material increase in revenue was attributable to successful integration of the institutional, capital markets and corporate advisory businesses and high levels of market activity. Adjusted EBITDA was \$15.1 million, up 49% on pcp.

The business advised on a record number of Corporate Advisory transactions during the period. The increased transaction volume, driven by an uplift in ECM activity and several large M&A transactions in targeted sectors of expertise, demonstrated the successful execution of the integrated growth strategy of the business.

E&P Capital's institutional business expanded over the year with a focus on growing its fixed income and international presence. The E&P Hong Kong institutional desk is now operational which provides access to the E&P Capital platform for international clients and is expected to contribute to the growth of E&P Capital's sales trading and ECM offerings and leverage its research capability.

E&P Capital continued to expand its targeted research offering, increasing the number of stocks under coverage by 20 to 135 companies (including 26 initiations during the period), representing 73% of the ASX200 by market capitalisation as at 30 June 2021. This included a targeted increase in small-mid cap coverage in line with the E&P Capital's core verticals focus. The business has made a significant investment in people and systems as well as the reshaping of research coverage over the past two years to optimise the research product as a key differentiator.

The quality of the Group's institutional sales, trading and equity research teams in the small-to-mid caps space was demonstrated through E&P Capital's exceptional result in the Peter Lee Associates Australian Equity Investors Report 2020. The strong result supports the investment the business has made over prior periods.

### **E&P Funds**

E&P Funds progressed several major structural change initiatives to achieve value and liquidity for investors in internally managed real asset funds, while investing for growth in our core equities platform as previously announced. Net revenue was down 19% compared to the pcp to \$46.7 million, and Adjusted EBITDA of \$12.1 million was also down 19%. A strong performance from the Group's private equity principal positions in the CD Private Equity Fund series and CVC Emerging Companies Fund I joint venture helped to offset the diminishing contribution from real asset funds, including from the closure of Dixon Projects.

Key E&P Funds operational highlights for the year include:

- Successful refinance of URF debt facilities in November 2020; asset sales continue to progress as planned with US\$113 million of asset sales completed in FY21.
  - o URF continues to explore corporate opportunities.
  - o Repayment of URF Notes III in full prior to maturity in March 2021, returning \$175 million to noteholders.
- FSREC fund merger in December 2020, Mascot asset sale (settled in July 2021) and debt reduction plus subsequent withdrawal offer returning \$95 million to unitholders.
- New Energy Solar Australian asset sales of \$288 million (settled in July 2021) with proceeds used for capital management including debt reduction and buybacks.

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- The US Solar Fund Plc continued its growth after successfully completing an upsized US\$132 million institutional equity raise May 2021.
  - The Evans & Partners International Fund was re-branded to Claremont Global Fund and secured a Lonsec “Investment Grade” rating to complement its existing SQM and Zenith ratings.
  - The Flagship series of equities funds was rebranded to Orca Funds Management and the funds were converted from listed investment trusts to unlisted unit trusts.
  - Multiple business development hires to drive external distribution of equities funds.
  - The Global Disruption and Claremont Global strategies continued to perform well with strong outperformance of their respective benchmarks over FY21.
  - FUM as at 30 June 2021 was \$6.7 billion, in line with the pcp as strong performances across the core equities portfolios were offset by a net reduction in real asset funds from asset sale programs.

## Outlook

Execution of the Group’s strategy and further implementation of the divisional growth initiatives will remain the primary focus over the near-term. The solid core business performance in FY21 has been achieved through the disciplined strategic changes and growth initiatives implemented over the past two years. As previously advised, the near-term contribution from E&P Funds is expected to reduce as realisation of structural change projects continues. The business has had a solid start to FY22 with good momentum carried through from FY21 and an encouraging pipeline for E&P Capital. Subject to market conditions remaining supportive, we expect this positive momentum in E&P Wealth and E&P Capital, coupled with lower levels of extraordinary expenses, to offset the diminishing contribution of E&P Funds.

*Further information regarding E&P Financial Group’s results is set out in the Group’s investor presentation for the year ended 30 June 2021 and is available at [www.eap.com.au](http://www.eap.com.au).*

This announcement has been authorised for release by the Board of E&P Financial Group Limited.

### Investors:

Paul Ryan  
+ 61 3 9631 9866  
[paul.ryan@eap.com.au](mailto:paul.ryan@eap.com.au)

### Media Enquiries:

Sue Cato  
+ 61 419 282 319  
[cato@catoandclive.com](mailto:cato@catoandclive.com)

## About E&P Financial Group Limited

E&P Financial Group is an Australian Securities Exchange listed financial services group. In E&P Wealth we service approximately 9,200 clients, representing \$24.4 billion in funds under advice. In E&P Capital we are an advisor to many leading Australian institutions through the provision of research, institutional sales and trading, corporate advisory, equity capital market and debt capital market services. In E&P Funds, we manage \$6.7 billion of assets across a diverse range of asset classes.