

24 February 2022

1H22 Results Announcement

ASX Announcement

Summary for the six months to 31 December 2021

Key financial highlights:

- Solid underlying performance driven by growth in core business divisions.
- Net revenue of \$110.4 million, up 11% on pcp; Underlying EBITDA of \$20.7 million, up 16% on pcp; Underlying NPATA of \$9.7 million up 63% on pcp.
- Statutory NPAT of \$4.1 million impacted by non-underlying expenses associated with regulatory proceedings and net decrease in value of non-core investments.
- Solid balance sheet with net cash balance of \$56.7 million as at 31 December 2021, supported by investments, noting cash balance largely committed.
- No interim dividend for FY22 declared as the Board has determined it prudent to continue the dividend pause while legacy issues are addressed but remains committed to reverting to a full year dividend payout range of 75–85% of NPATA in a normal operating environment.

Key divisional highlights:

- **Group:** further significant progress achieved in reshaping platform for growth and in addressing legacy issues.
- **E&P Wealth:** funds under advice (FUA) up 5% in the six months to 31 December 2021 to \$25.6 billion with growing momentum in Retail Wealth Management complementing market leading high net wealth service offering.
- **E&P Capital:** net revenue up 30% vs 1H21 attributable to the uplift in both M&A and ECM transactions.
- **E&P Funds:** funds under management (FUM) down 3% in the six months to 31 December 2021 to \$6.5 billion with strong growth in core equities FUM offset by planned reductions in real asset funds.

Managing Director and CEO, Peter Anderson said “We are pleased to report that over the six months to 31 December 2021 the Group delivered a solid underlying result driven by growth in our core businesses and successful strategy execution.

In E&P Wealth, the ongoing rollout of the E&P Retail Wealth Management service offering is increasing our presence in the underserved mass affluent retail market to complement our core Evans & Partners 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 capital markets 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 further investment in distribution capability in line with the strategic focus on growing third party capital from a diverse investor base.”

E&P Wealth

E&P Wealth’s net revenue of \$45.9 million was up 8% on previous corresponding period (pcp) led by consistent growth in Evans & Partners Advice and Services revenue and stronger Capital Markets activity during the period. E&P Wealth Underlying EBITDA of \$8.1 million was up 4% on pcp and despite the revenue growth, the division’s underlying EBITDA margin remained in-line with

pcp due to the short-term impact of Evans & Partners adviser transitions and decreased Dixon Advisory revenue.

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

- Successful rollout of Retail Wealth Management offering – \$1.4 billion of FUA across 734 clients at 31 December 2021.
- All advisers are now authorised under the Evans & Partners AFSL.
- Updates to the client portal to include stock specific environmental, social and governance (ESG) data and reporting.
- Continued the transition of 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.
- Comprehensive review of Marketing function and appointment of new Marketing Director.
- Support for the bespoke offering Evans & Partners Family Investment Office.

E&P Capital

E&P Capital recorded net revenue of \$36.4 million, up 30% on pcp, leading to an increased Underlying EBITDA of 25% on the pcp to \$8.7 million for the half, attributable to successful execution of E&P Capital's strategy supported by strong M&A and Capital Markets activity compared to 1H21.

E&P Capital's institutional business continued to perform well in a competitive environment during the period. The E&P Hong Kong institutional desk is now providing an institutional sales and distribution presence in the Asian market and is contributing to the execution of E&P Capital's strategy.

E&P Funds

E&P Funds net revenue was down 2% on pcp to \$28.1 million, and Underlying EBITDA of \$10.1 million was up 7% due to non-recurring non-FUM based revenue. The period saw excellent progress made with respect to the structural changes in E&P Funds, noting that FUM-based revenue from Real Asset funds is expected to reduce and be offset by growth in core equities fund revenue over time.

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

- Continued strength of core equities offering:
 - o Claremont Global ranked #1 performing global equity manager in Australia in 2021 (+42.1% total return over the year)¹;
 - o Orca Global Disruption Fund outperformance of 7.3% p.a. since inception; and
 - o further investment in distribution capability in line with strategic focus on growing third party capital from diverse investor base.
- Execution of value and liquidity initiatives:
 - o exit of FSREC Investment Manager and withdrawal offers (totaling \$425 million across July 2021 and February 2022)²;
 - o URF asset sale program progressing as planned (US\$180 million of asset sales completed since commencement);
 - o URF Responsible Entity Administration fee waived indefinitely from 1 January 2022;

¹ Morningstar *Top-performing global equity fund managers in 2021 (Large Blend)* report.

² The FSREC Property Fund placement and withdrawal offer closed on 18 February 2022 with \$330 million in redemptions for existing unitholders funded by subscription for units by ISPT and Tarawa.

- NEW Australian asset sales of \$288 million with debt reduction / buyback; and
- CD Private Equity Funds I-III returned \$67 million in capital to investors during the half.
- Private investments provided solid returns to investors in 1H22 also benefitting the Group's principal positions in CVC Emerging Companies Fund I and the CD Private Equity Fund series.

Other matters

Representative Proceedings

EP1 announced on 4 November 2021 (ASX announcement [here](#)), and on 24 December 2021 (ASX announcement [here](#)) that representative proceedings had been commenced by Piper Alderman and Shine Lawyers respectively.

The appointment of voluntary administrators to Dixon Advisory and Superannuation Services Pty Limited (DASS), a subsidiary of the Group, means that the representative proceedings are stayed as against DASS (unless the administrators' written consent or leave of the Court is given to proceed). In due course EP1 intends to defend the proceedings, but as at the date of this release the issue of carriage of the representative proceedings (i.e. whether both or only one proceeding, and if so which one, will continue against EP1 and its former executives) is yet to be resolved.

Voluntary Administration of DASS

On 19 January 2022, the directors of DASS appointed PwC as Voluntary Administrators. Importantly, the Voluntary Administration relates to DASS only (there is no recourse for DASS liabilities to other Group entities), no client assets are at risk and it will not result in any staff changes.

The Group is facilitating the prompt transfer of DASS clients to a replacement service provider of the client's choice with minimal disruption to client service. As at 22 February 2022, 70% of DASS clients have asked to transfer to Evans & Partners, with the Group facilitating a transfer to an external service provider for 16% of clients who have expressed a desire to exit, leaving 14% of DASS clients who are yet to advise of their preference.

In coming months the Group intends to propose a Deed of Company Arrangement (DOCA) to the Voluntary Administrators as part of a wider arrangement that will provide for, among other matters, a comprehensive settlement of the Piper Alderman and Shine Lawyers representative proceedings and all other claims. The Group intends to contribute a sum equivalent to the \$8.2 million in penalties and costs agreed by DASS in the ASIC Proceeding for the benefit of creditors as part of a comprehensive settlement of all DASS and related claims.

Outlook

Execution of the Group's divisional growth initiatives and resolving the legacy issues related to DASS are the Group's priorities over the near-term. FY22 underlying profit is expected to be stronger due to continued momentum in E&P Wealth and E&P Capital and non-recurring contribution from E&P Funds in 1H22. However, as previously advised, the transition in E&P Funds is ongoing and the contribution from Real Assets is expected to reduce as structural changes continue, to be offset over time by growth in core equities fund revenue. The Board remains committed to reverting to a full year dividend payout range of 75–85% of NPATA in a normal operating environment.

Further information regarding E&P Financial Group's results is set out in the Group's investor presentation for the half year ended 31 December 2021 and is available at www.eap.com.au.

Results webcast

Managing Director & CEO, Peter Anderson and Chief Financial Officer, Paul Ryan will host a result webcast for investors at 10:30am today. The webcast can be accessed via the following link: <https://webcast.openbriefing.com/8362/>

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

Media Enquiries:

Mark Hawthorne

+ 61 418 999 894

mark.hawthorne@civicfinancial.com.au

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 9,100 clients, representing \$25.6 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 \$6.5 billion of assets across a diverse range of asset classes.