

10 November 2021

## Chairman's address to 2021 Annual General Meeting

**David Evans, Executive Chairman, E&P Financial Group Limited**

Good morning Ladies and Gentlemen,

Given it is now 9.00am, I welcome you to the Annual General Meeting of E&P Financial Group Limited. My name is David Evans and I'm the Executive Chairman of your Company. I am again disappointed we are unable to meet in person this year and thank you for taking the time to attend our virtual meeting.

After a challenging couple of years, I am pleased to be able to share that financial year 2021 was a year of consolidation for the Company. It saw significant progress made in both resolving legacy issues and also executing structural improvements required to drive medium and long term growth.

Like all Australian businesses, the impacts of the COVID-19 pandemic presented their own set of challenges for our clients and staff across FY21. Pleasingly, our ongoing investment in technology and sophisticated advice systems over the years, together with our agile workforce, meant our high client service levels were maintained. I am particularly proud of the way our staff have supported one another across the period. They have successfully assisted our clients to navigate an extraordinary period of market volatility and uncertainty as well as capitalise on market opportunities in unprecedented circumstances. Notwithstanding the challenges, I believe we have emerged with professional and long-term client relationships that are indeed stronger than ever and will serve us well in the future.

Before I move on to today's shareholder update, I would also like to take this opportunity to acknowledge the commitment and hard work of the team at E&P Financial Group and the ongoing loyalty and support of our clients and shareholders.

### **FY21 Achievements**

As many of our shareholders will know, over the past year the Company has been focused on executing the growth plans of our core business divisions. This followed a period of significant organisational transformation led by your Board and CEO, Peter Anderson, to address legacy issues and establish a firm foundation for ongoing growth. Financial year 2021 saw significant progress in this respect across each of our three divisions.

In E&P Wealth we established and have commenced the transition of clients to the Evans & Partners Retail Wealth Management and DA Private service offerings. In E&P Capital we continued to expand our capability in targeted market segments and established our Hong Kong office. In E&P Funds we progressed the delivery of value and liquidity outcomes for investors in our real asset funds as well as investment in external distribution capability for our core equities funds. Finally, as we did last year, we continued to invest in our Risk & Compliance capability and advice systems and in line with more recent strategic goals we've implemented a comprehensive, enterprise wide ESG program.

We have made management and governance changes across Dixon Advisory and the Group to ensure that clients' best interests are inarguably at the heart of everything we do. Our independently chaired Investment Committee made meaningful progress during the year in re-shaping Dixon Advisory client portfolios, leveraging the Group's significant intellectual property and investment in our research capability to guide our advisers in delivering improved portfolio performance. The Company also commissioned an external independent review of governance practices and implemented all resulting recommendations during the year.

Providing high-quality service to our clients is our priority. As mentioned, we continue to address remaining legacy issues and have made solid 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 comprehensive plan that we are systematically implementing to achieve these outcomes during the 2022 financial year.

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During financial year 2021, we also successfully defended a hostile and opportunistic takeover offer for the Group. We now have a more stable share register with the introduction of private equity fund Mercury Capital as our strategically aligned major shareholder.

### **FY21 Result Recap**

Over the year we saw strong results in the medium-term drivers in each of our 3 operating divisions, with funds under advice up 22% in the twelve months to 30 June 2021 to a total of \$24.4 billion, funds under management steady at \$6.7 billion and E&P Capital net revenue 26% higher to a total of \$57.4 million.

Together with the changes I've just mentioned, this contributed to improved underlying financial performance for the Group. In financial year 2021, the Company delivered Adjusted EBITDA of \$32.0 million and Adjusted Net Profit After Tax before Amortisation of \$11.3 million. These results represent an improvement in underlying profitability of 2% and 22% respectively when compared to the 2020 financial year. The adjusted profit measures account for the suspension of the Group's employee share plans and Dixon Projects which is in wind-down.

Adjusted earnings per share was 5 cents, up 22% on financial year 2020, reflecting the robust performance of our underlying business. Strong performances from the E&P Capital and the Evans & Partners businesses were the key drivers of the improvement in core earnings. The E&P Capital team had a very busy year marked by a record number of transactions, driven by an uplift in ECM activity and a number of large M&A engagements. The result was supported by positive investment outcomes on principal positions and growth in core equities funds under management, which helped offset a softer performance in the Dixon Advisory wealth business in a period impacted by regulatory proceedings and related costs.

In terms of our balance sheet, we continued to monetise our non-core legacy investment assets over the year. This has helped strengthen our financial position as liquidity remains a key focus. As of 30 June, we had cash of \$50.8 million and no debt. The Company's statutory financials were adversely impacted by several non-underlying items that are not part of our core business. This included accounting for the costs of the ASIC proceedings and likely penalty and costs associated with the takeover defence and suspension of the employee share plan. The impacts of the regulatory proceedings also led to a goodwill impairment in the E&P Wealth segment.

We fully understand that dividends are important to our shareholders but advise that in light of the expected settlement of the ASIC proceedings, we have made what we believe to be a prudent decision to not declare a final dividend in respect of the 2021 financial year. As a result, dividends per share of 2 cents were down 20% on the prior year. The Board remains committed to an annual target dividend payout range of 75-85% of NPATA over the long term.

### **Director changes**

I advise that Sally Herman has provided notice of her intention to retire as a Director of E&P, with effect from the conclusion of today's meeting. As part of the ongoing Board succession plan, the Board of the Company has nominated Sally McCutchan to replace Sally Herman as an Independent Non-Executive Director. Ms McCutchan is standing for election today and if elected, will join the Board from the completion of today's proceedings.

Ms McCutchan has extensive experience in finance, funds management and strategy, particularly in Asia Pacific Markets. She has held senior roles with Accenture, Legg Mason, Citigroup and UBS. Ms McCutchan also has exceptional ESG credentials. She is currently Executive Director and was previously the CEO of Impact Investing Australia. Ms McCutchan is a Partner and the CEO of Bridges Australia, an independent affiliate of Bridges Fund Management, an international impact fund manager. She is a member of the Expert Panel of Australia's Social Impact Investing Taskforce and the QBE Committee for Social Impact. She is also a CPA and a Graduate of the Australian Institute of Company Directors.

On behalf of the Board, I would like to thank Sally Herman for her contribution and service to Evans and Partners and then E&P over the past 10 years. Sally was on the advisory board of Evans and Partners and then was Chair of the Audit, Risk & Compliance Committee and previously Chair of the People, Nomination & Remuneration Committee since listing 3 years ago. Her unwavering support, contribution and wise counsel have been greatly valued. We wish her all the very best for the future.

Finally, I'll add that your Board is delighted that Sally McCutchan has agreed to join us as a Non-Executive Director. Ms McCutchan brings a wealth of knowledge from her impressive career particularly in the areas of investment management and environmental, social and corporate governance which will complement the existing Directors' experience very well.

I'll now hand over to our Chief Executive Officer, Peter Anderson.

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## CEO's address to 2021 Annual General Meeting

Peter Anderson, Chief Executive Officer, E&P Financial Group Limited

Thank you, David, and good morning to our shareholders.

At last year's Annual General Meeting, I spoke of the completion of phase one initiatives comprising a comprehensive review of the operations of the Group. This review identified the need to make a number of strategic, governance and operational changes across the organisation to address significant legacy issues in the Dixon Advisory business, reset our strategic objectives and consolidate to grow. As David mentioned, during this past year those changes were complemented by further operating platform enhancements necessary to enable the business to deliver the medium and long term growth we have targeted.

### Strategic priorities

Our focus in financial year 2021 was to progress our clearly defined strategies to implement structural improvements designed to drive value creation and position the business for the Australian financial services landscape of the future.

In E&P Wealth we have confidence that our strong, scalable advice platforms, systems and risk framework provide the foundations we need to augment our market leading high net worth offering by capitalising on the opportunity in the mass affluent retail advice segment, an area which is being vacated by many of our major competitors. The new service offerings align with our objective to, over time, consolidate our wealth businesses under a unified brand which will help to drive long term growth across our Wealth offering.

In E&P Capital our growth will come from further targeted, sector driven investment in our research, corporate and institutional businesses with the growth of our ECM capability a continuing key focus.

In E&P Funds our objective is to expand and diversify external distribution of our strongly performing core equities funds along with enhanced governance and improved liquidity for investors in our real asset funds. During the year, the team has continued to execute necessary structural changes across the real asset portfolios to deliver both value and liquidity for investors. This remains a key focus with several initiatives in advanced stages of execution. We look forward to providing further information on these initiatives in the not too distant future. I'll now provide an update on the performance of our three segments beginning with E&P Wealth.

### E&P Wealth

We've had a very busy year in E&P Wealth. Our work to date in establishing and rolling out our new service offerings has been successful. We've achieved steady progress on this initiative throughout the year, which is illustrated in the chart on the right-hand side of the page. By financial year end we had 365 clients under the new services, representing over \$700 million in funds under advice. This growth has continued into the new financial year as more clients have transitioned to the new offerings and we've won new business.

Another development, in line with the strategy to operate under a unified brand, is that many advisers are now dual authorised to provide advice across both Dixon Advisory and Evans & Partners. This is an important step towards both integrating our Wealth business and improving the quality of earnings by expanding the Evans & Partners financial advice offering across our client base and increasing funds under advice-based revenue. We also formally launched the Evans & Partners Family Investment Office service during the year.

E&P Wealth's financial performance in financial year 2021 was softer than the prior year, with adjusted EBITDA of \$15.5 million lower by 16%. Whilst the Evans & Partners business delivered a strong improvement in earnings, this was offset by a lower contribution from Dixon Advisory, which was impacted by regulatory proceedings and related costs, and softer brokerage revenue compared to a strong prior period which benefited from elevated COVID-19 induced trading activity.

From an operational standpoint, a lot has been achieved. Funds under advice grew 22% over the year, with strong growth from the Evans & Partners client base reflecting positive investment outcomes. Total client numbers remained largely stable as modest Dixon Advisory exits and transfers to the new services were offset by growth within Evans & Partners. As at 30 June 2021, 90% of our Advisers had passed the FASEA exam and we're on track to hit 100% by calendar year end. Finally, the business transitioned its primary platform provider to HUB24 and key third-party SMSF technology to BGL 360, both of which bring multiple advantages for our clients and advisers. These changes are consistent with our key strategic focus to build on our proprietary advice systems with third-party solutions to proactively manage regulatory changes and enhance the client experience.

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## **E&P Capital**

In E&P Capital we continued to expand our capability in targeted market segments and enhance ECM deal origination. We have also established our Hong Kong office. This is an important step to build out our institutional sales and distribution presence in the Asian market in support of our ECM and research offering. During the year we continued to expand our equity research coverage, with 135 stocks under coverage as at 30 June, representing approximately 73% of the ASX200 by market cap. The reshaping of our research offering with a focus on small to mid-cap coverage to complement the division's core verticals focus is now largely complete and will continue to be a key differentiator for E&P Capital.

E&P Capital delivered a strong result during the year. Adjusted EBITDA was \$15.1 million, representing an increase of 49% compared to the prior year driven by strong revenue growth. The business produced a meaningful uplift in deal volume and revenue compared to the prior year. This result was achieved with increased ECM activity in line with the division's growth strategy and a number of large M&A transactions in targeted sectors of expertise.

E&P Capital performed exceptionally well in the 2020 Peter Lee Associates survey. This demonstrated the quality of the division's institutional sales, trading and equity research teams, particularly in the small-to-mid cap space. This result has generated great momentum in the business which has carried through into the new financial year. We have seen a strong start to financial year 2022 as a direct result of targeted origination efforts and the business has an encouraging pipeline for the new year on which we hope to build.

## **E&P Funds**

In E&P Funds we progressed several initiatives to achieve value and liquidity outcomes for investors in our real asset funds. This has included a major refinance of URF's debt facilities and progression of its asset sale program. We initiated asset sales within New Energy Solar and completed the merger and subsequent asset sale within the Fort Street Real Estate Capital Fund, both of which have since been accompanied by capital management initiatives for unitholders of the respective funds.

These improved outcomes for investors were complemented by a series of operating platform enhancements to improve the marketability of our strongly performing strategies. Our international equities fund was re-branded to the Claremont Global Fund and has been awarded an "investment grade" rating by Lonsec to complement its existing SQM and Zenith ratings. Our Flagship series of equities funds was rebranded to Orca Funds Management and the listed funds converted to unlisted unit trusts. Finally, we focused on improving the marketability of our equities funds by investing in distribution resources and strategic marketing to promote further external distribution.

E&P Funds produced an adjusted EBITDA of \$12.1 million which was 19% lower than the prior year. Deliberate structural changes, which include no longer seeding real asset funds internally and ceasing related party activities, have resulted in softer earnings compared to the prior period.

Highlights over the year included the strong outperformance from the Orca Global Disruption Fund and the Claremont Global strategies. Furthermore, strong performance across the CD Private Equity Fund series and CVC Emerging Companies Fund I led to a significant increase in the value of our principal positions. Our London listed US Solar Fund continued to grow after successfully completing an upsized US\$132 million institutional equity raising in May 2021 with proceeds used to acquire a further 25% interest in the Mount Signal 2 solar plant and for capital management initiatives.

## **Outlook**

Looking ahead, continuation of the Group's strategy execution and further implementation of the divisional growth initiatives will remain our primary focus. In E&P Wealth this will be achieved through leveraging the scalable retail advice platform the Company has built to increase presence in the underserved mass affluent retail market to complement our core high net wealth offering. In E&P Capital, the Company will focus on increased advisory and ECM deal flow supported by continued recruitment to complement the existing platform and the division's recent expansion into Hong Kong. In E&P Funds, the Company will seek to grow through a greater focus on the external distribution of core equities offerings as well as near-term initiatives to improve outcomes for investors in internally managed Real Asset funds. In financial year 2021 we implemented the second stage of our operational review program which will help underpin our growth initiatives. This includes our ESG offering as well as a structured staff development program and career mapping to foster and retain talent.

The solid core business performance in financial year 2021 has been enabled by the disciplined strategic changes and growth initiatives implemented over the past two years. As previously communicated, the near-term contribution from E&P Funds is expected to reduce as the realisation of structural change projects continues. The Group has had a solid start to the new year, with good momentum carried through from last year 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 to offset the diminishing contribution of E&P Funds.

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We have taken important steps towards resolving the legal proceedings between ASIC and Dixon Advisory, with a court hearing to approve the terms of settlement agreed with ASIC scheduled for 25 November 2021. This has come at a cost to our statutory result, but resolving these matters is essential to moving the business forward.

Finally, last Thursday 4 November 2021, we announced the commencement of a representative proceeding against DASS, EP1 and Alan Dixon by Piper Alderman on behalf of named Applicants and group members who were retail clients of DASS. The proceeding alleges certain breaches by DASS in connection with personal advice provided by DASS representatives to the Applicants and group members in respect of the US Masters Residential Property Fund. The proceeding joins EP1 on the basis of the alleged conduct and knowledge of certain former executives of the Group. We are reviewing the Statement of Claim and intend to defend the proceeding. Given the proceeding is before the Court, we do not propose to provide any further commentary in relation to the proceeding at this time.

As shareholders will recall from our briefings over the past two years, the Group has made considerable changes to its governance structures, senior management and business model since the time of the alleged breaches. As a further step, during the year we commissioned an external independent review of governance practices and implemented all resulting recommendations.

### **Solid foundation for ongoing growth**

I'd like to conclude by reminding shareholders of the high-quality business we are building for the long term. Through our initiatives in recent years, we've consolidated E&P Financial Group into a fully integrated financial services delivery platform which we think is truly differentiated from those of our competitors. Our Wealth business has a leading market presence across the high net wealth and mass affluent retail client spectrum, underpinned by a scalable advice platform. E&P Capital is a leading provider of corporate advisory, capital markets and investment research solutions in our chosen sectors, occupying a unique position in the market due to its client relationships, scale and focus. In our Funds business we are building a high-quality suite of thematic equity strategies with a diversified investor base.

Our journey over the past 2 years has required multiple ongoing structural change initiatives, particularly in Funds, which need to be seen to their conclusion, but we are at the point where Management's focus is increasingly on core business growth initiatives. We are confident that the financial performance of the business will respond in due course. We continue to work hard as a team every day to realise the strategic and financial objectives of the Group and look forward to updating shareholders as we progress.

Thank you for your attendance today. I look forward answering your questions later in the meeting.

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

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### **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.