



ABN 53 000 364 465

19 June 2020

## **Euroz and Hartleys Set to Join Forces / Trading Update**

### **Euroz and Hartleys Sign Non-Binding Term Sheet**

Euroz Limited (“Euroz” or “the Company”) (ASX: EZL) is pleased to announce it has entered into a non-binding term sheet with Hartleys Limited (“Hartleys”) for a proposed transaction to combine two of Western Australia’s most prominent stockbroking, corporate finance, institutional and wealth management firms.

Under the proposed transaction, Euroz will issue up to 33 million shares at a deemed issue price of \$0.915 per share as consideration for 100% of Hartleys, with Hartleys shareholders owning up to approximately 17% of the combined group. As part of the proposed transaction, key Hartleys staff will be subject to appropriate staff retention measures, with a portion of the share consideration provided by Euroz subject to forfeiture if those retention arrangements are not satisfied. It is expected upon completion of the transaction, two Hartleys nominees will be appointed to the Euroz board.

It is anticipated completion under any potential transaction would be subject to certain conditions including, a 90% minimum acceptance condition, and no material adverse change occurring in relation to Hartleys prior to completion.

The transaction is expected to be completed in accordance with Chapter 6 of the Corporations Act. The parties will endeavour to execute formal binding agreements prior to 10 July 2020 and then complete the appropriate transaction documentation.

Euroz notes while both parties expect the transaction to proceed, there is no certainty at this stage it will. This is primarily due to the fact the term sheet is currently non-binding and the parties may not achieve the execution of formal binding agreements (the execution of which is subject to completion of due diligence). Euroz also notes the binding agreements, and any subsequent bid, will be subject to conditions still to be agreed between the parties.

Hartleys, founded in 1955, is a leading Western Australian-based stockbroking, corporate finance, institutional and wealth management firm with Funds Under Management (FUM) exceeding \$1 billion. In October 2003 the Hartleys staff completed a management buy-out of the Western Australian broking and corporate finance operations of Hartleys from the listed company, JDV Limited. This restructure returned Hartleys to management and employee ownership and for the past 17 years the firm has been one of the pre-eminent Western Australian broking firms.

Euroz, established in 2000, has a proven track record of consolidation in the WA marketplace having acquired Blackswan Equities in 2014 and Entrust Wealth Management in 2015.

Euroz Executive Chairman, Andrew McKenzie, commented: "Hartleys has an excellent reputation as a leading stockbroking, corporate finance, institutional and wealth management business. Combining our firms will create a dominant Western Australian based financial services company with a strong balance sheet, critical scale, solid and sustainable revenue, with significant cost and operational synergies. This transaction would bring together mutual respect and similar cultures that, if combined, will focus on delivering positive outcomes for clients and shareholders alike."

Hartleys Executive Chairman, Ian Parker, said: "Our goal has always been to build Hartleys to be the pre-eminent stockbroking business in Perth, delivering exceptional outcomes for our clients; this transaction offers a further step in achieving that goal. Our entire team is excited by the opportunity to potentially join with Euroz under one firm, and, importantly, to build on our current service offering. We are confident in our ability to integrate the two firms and leverage the successful cultures of both to create a significant stockbroking and wealth management business with a bright and prosperous future."

Shareholders should note there is no certainty a transaction will proceed or complete, however both parties will endeavour to work towards the execution of binding agreements and then completion. Euroz will immediately advise the market upon the execution of formal binding agreements and/or if such agreements will not or have not been executed.

### **Trading Update**

Euroz provides the following trading update and commentary, since the Company's last release on 9 April 2020.

Euroz reports underlying cash profits after tax of \$6.7 million for the 11 months to 31 May 2020.

On a headline basis, Euroz reports an unaudited net loss after tax (attributable to members) of approximately \$4 million for the 11 months to 31 May 2020. Underlying cash profits after tax of \$6.7 million are offset by \$2.7 million in "non cash" after tax losses from the mark to market on investments and \$8 million from the previously reported costs associated with the closure of the Prodigy businesses.

Euroz Securities has experienced good recent trading conditions, resulting in solid brokerage and corporate revenue since the last business update.

Group FUM has increased from \$1.3 billion at 31 March 2020 to \$1.5 billion at 31 May 2020.

The Company's balance sheet has zero debt and the cash balance of \$47.7 million has improved with modest profitability and the sale of all direct investments in the Prodigy funds.

Total cash and investments as at 31 May 2020 are \$110 million (based on WIC and OZG share prices) or \$123 million (using WIC and OZG reported NTA's).

Given the realisation of the Prodigy investments and a stronger cash position the Board can now inform shareholders the Company intends to pay a final dividend of 6 cents per share, fully franked.

**ENDS**

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*This announcement is authorised for release by the Board of Euroz Limited.*