



Prime Financial Group Ltd (ASX: PFG) - Full Year 2017 Results Presentation

28 August 2017

Important Notice and Disclaimer

This investor presentation (**Presentation**) has been prepared by Prime Financial Group Limited (**PFG**).

Summary information

This Presentation contains summary information about PFG. The information in this Presentation is general background information and does not purport to summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with PFG's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au or www.primefinancial.com.au. Not all assets depicted in the Presentation are necessarily owned by PFG or any entity managed by PFG. Figures may not sum due to rounding. Currencies are generally presented in Australian dollars and times are references to Melbourne times except where the context requires otherwise.

Forward Looking Statements

This Presentation contains forward looking statements which may be subject to significant uncertainty outside of PFG's control. No representation is made as to the accuracy or reliability of the forecasts or the assumptions on which they are based. Actual future events may vary from these forecasts. Users of this information are cautioned against placing undue reliance on any forward looking statements.

Not investment advice

This Presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire entitlements or shares. This Presentation is not a prospectus or a product disclosure statement under the *Corporations Act 2001* (Cth) (**Corporations Act**) nor is it an offering document under any other law, and has not been lodged with ASIC. The information in this Presentation has been prepared without taking into account the investment objectives, financial circumstances, taxation position or particular needs of investors. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate legal, financial and taxation advice appropriate to their jurisdiction.

Disclaimer

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Presentation. To the maximum extent permitted by law, none of PFG nor any of its related bodies corporate, shareholders or respective directors, officers, employees, agents or advisors (collectively, **Related Parties**), nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this Presentation. To the fullest extent permitted by law, PFG and its Related Parties:

- do not accept any responsibility for any interpretation that any recipient or any other person may place on this Presentation or for any opinion or conclusion that any recipient or any other person may form as a result of examining the information contained in this Presentation; and
- do not accept any liability, whether direct or indirect or consequential, for any loss, damage, cost, expense, outgoing, interest, loss of profits or loss of any kind (**Losses**) suffered or incurred by any person (whether foreseeable or not) as a result of or by reason of or in connection with the provision or use of information contained (or not contained) in this Presentation, or of any recipient or its representatives or advisers acting on or relying on any information provided or referred to in or omitted from this Presentation or any other written or oral opinions, whether the Losses arise in connection with any negligence, default or lack of care on the part of PFG and its Related Parties or any other cause.

Any recipient of this presentation acknowledges and agrees that:

- they will rely entirely upon their own assessment and advice in relation to the business, assets, financial position and affairs of PFG, including conducting independent inquiries, due diligence or analysis with appropriate legal, financial, taxation and other advice, as required; and
- any opinions expressed in this presentation are based on the knowledge and approach of the persons forming the opinion at the date that the opinion was formed and may have ceased or may in the future cease to be appropriate in the light of subsequent knowledge or attitudes.

Who We Are

- Prime is an Integrated Accounting, Wealth Management and Capital Advisory firm that operates a B2C direct client advice model and a B2B partnership model with Accounting & Advisory firms
- Prime's goal is for clients to receive complete Accounting, Wealth Management and Capital advice

Prime At A Glance



ASX Listed

- Established in 1998
- Accounting & wealth management heritage



National Presence

- Significant growth in FY17
- 90+ team members across five locations
- Personalised and integrated advice
- Leading innovation partner to entrepreneurs



Business Model

- Prime offers integrated accounting, business advisory, wealth management and capital services
- \$1.1 billion funds under management
- Partner to 30+ accounting firms

FY 2017 Highlights

- **Strong earnings growth in FY17 v FY16**
 - Profit Before Tax for members of the parent entity up 26% to \$4.38 million *
 - Profit After Tax for members of the parent entity up 30% to \$3.59 million *
 - The profit is at the high end of the previous forecast profit provided in the market update on 20 June 2017
 - Earnings Per Share (EPS) increased 18% to 2.24 cents per share *
- **Dividend increased in FY17 v FY16**
 - Final dividend increased 12.5% to 0.45 cents per share
 - Full year dividend up 0.05 cents (6%) to 0.85 cents per share
- **Revenue increased in FY17 v FY16**
 - Revenue increased by 40% in FY17 to \$19.3 million mainly driven by the acquisition of the outside equity interests of MPR Accountants & Advisers Pty Ltd (MPR) which resulted in all revenue, expenses, assets and liabilities of MPR being consolidated, versus previously, being recognised as an equity accounted profit
- **Operating margin stable in FY17 v FY16**
 - Operating margin remained stable at 29%
- **Net debt increased mainly due to funding acquisitions and associated working capital**
 - Debt facility increased from \$7.7 million to \$12.0 million in June 2017
 - Group net debt increased by \$5.7 million to \$8.0 million at 30 June 2017 mainly due to the acquisition of MPR, together with the consolidation of MPR's working capital and the recent acquisition of Altezza Partners Pty Ltd (Altezza)
- **Group Funds Under Management (FUM)**
 - Group FUM increased by \$131 million (13%) from \$977 million at 30 June 2016 to \$1,108 million at 30 June 2017 mainly driven by stronger than normal net FUM inflows
 - Net FUM inflows were \$99 million which was \$94 million higher than the prior year

* excludes net benefit from restructuring of investments in FY16

Financial Information

FY17 Results Summary

FINANCIAL RESULTS	FY17 \$m	FY16 * Restated \$m	% Change FY17 v FY16
Consolidated Entity:			
Profit Before Tax	5.98	5.49	9%
Profit After Tax	4.75	4.13	15%
Members of the Parent Entity (After Non-Controlling Interest):			
Profit Before Tax	4.38	3.48	26%
Profit After Tax	3.59	2.77	30%
Basic & Diluted Earnings (cents per share)	2.24	1.90	18%
Dividend Paid & Proposed (cents per share) (Fully franked)	0.85	0.80	6%

Note: the FY16 comparison is based upon normalised profit which excludes the net benefit from restructuring investments in FY16 of \$0.83 million.

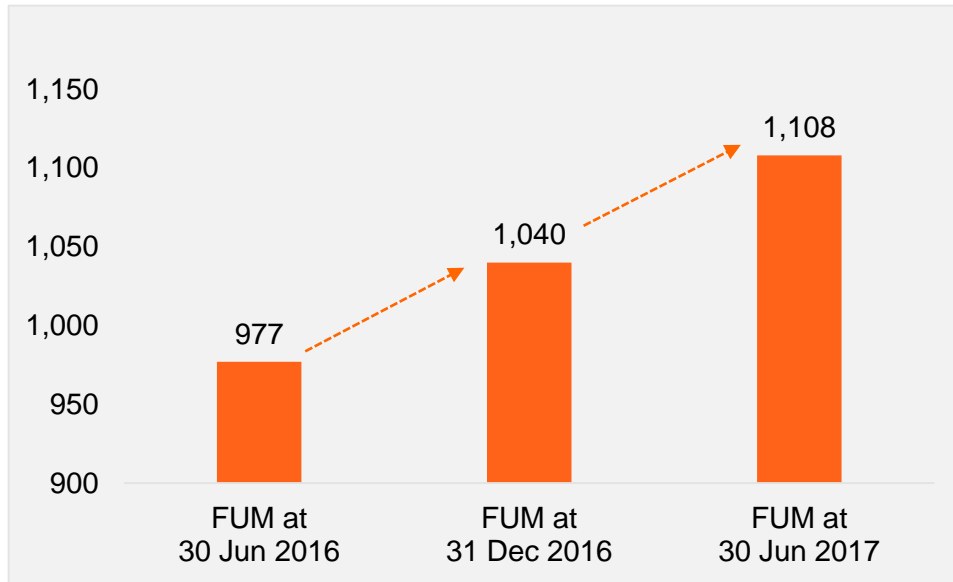
** FY16 amounts have been restated and do not correspond to amounts included in the FY16 financial statements. Please see Prime Financial Group Ltd Appendix 4E Preliminary Financial Report for the year ended 30 June 2017 for further details.*

FY17 Results Summary

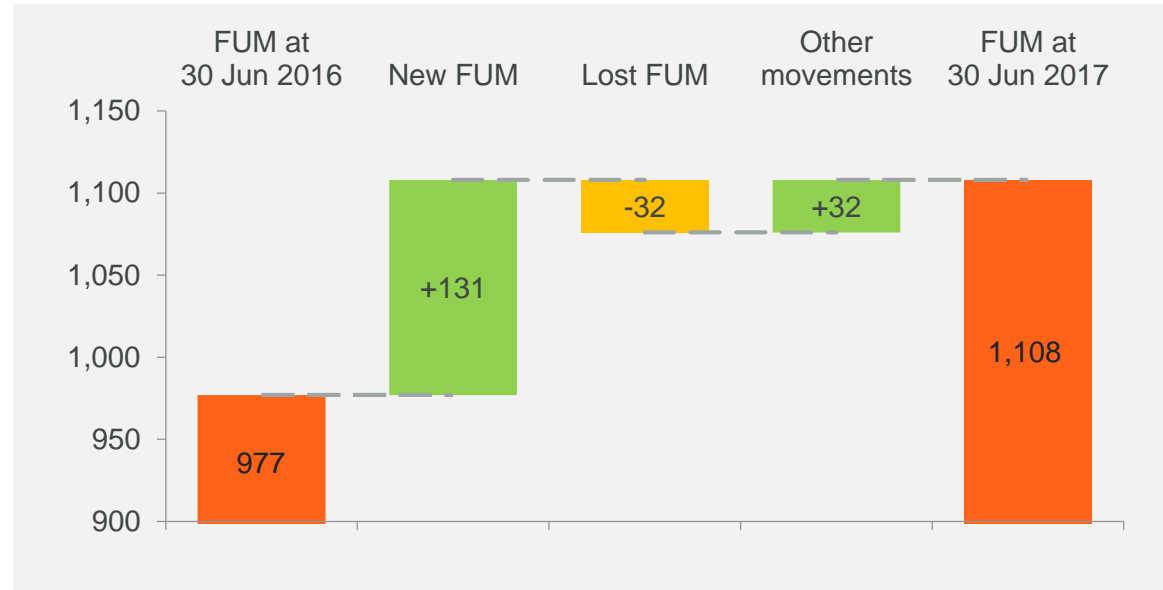
DETAILED FINANCIAL RESULTS	Notes	FY17 \$m	FY16 Restated * \$m	% Change FY17 v FY16
Revenue				
Wealth management	1	9.37	9.79	(4%)
Accounting, business advisory and capital	2	8.49	-	n/a
Equity accounted profit	3	0.97	2.72	(64%)
Other income		0.48	0.48	(0%)
Net benefit from restructuring investments		-	0.83	(100%)
Total Revenue		19.30	13.82	40%
Less: Group overheads		(13.32)	(7.51)	77%
Profit Before Tax		5.98	6.32	(5%)
Less: Non-Controlling Interest		(1.60)	(2.01)	(20%)
Members of the Parent Entity (After Non-Controlling Interest):				
Profit Before Tax		4.38	4.31	2%
Profit After Tax		3.59	3.60	(0%)
Members of the Parent Entity (After Non-Controlling Interest) – excluding net benefit from restructuring investments:				
Profit Before Tax		4.38	3.48	26%
Profit After Tax		3.59	2.77	30%
OPERATIONAL				
Group Operating Margin		29%	29%	0%

Wealth Management – Funds Under Management

Funds Under Management (\$ million)



Funds Under Management Growth (\$ million)



- **Funds Under Management (FUM)** increased by \$131 million (13%) in FY17 to \$1,108 million mainly driven by stronger than normal net FUM inflows
- **SMA FUM** increased by 64% to \$157 million at 30 June 2017
- The full impact of the FY17 FUM increase is expected to benefit FY18 revenue

Revenue

NOTE 1 WEALTH MANAGEMENT REVENUE	FY17 \$'000	FY16 \$'000	% Change FY17 v FY16
New business revenue	2,406	2,626	(8%)
Recurring revenue	6,713	6,848	(2%)
Other revenue	246	317	(22%)
Total wealth management revenue	9,365	9,791	(4%)

New business and recurring wealth management revenue (\$ '000)



- Wealth management revenue was \$0.4 million (4%) lower than FY16 mainly due to a \$0.3 million reduction in investment brokerage and a \$0.1 million reduction in recurring wealth management revenue
- FY17 wealth management revenue did not fully benefit from the FY17 FUM increase as a significant portion of the FUM increase occurred in the second half of the year. The full impact of the FY17 FUM increase is expected to benefit FY18 recurring revenue
- New business and recurring revenue increased in the second half of FY17 by 9% and 2% respectively compared to the first half of the year

Revenue

NOTE 2 ACCOUNTING, BUSINESS ADVISORY AND CAPITAL REVENUE	FY17 \$'000	FY16 \$'000	% Change FY17 v FY16
Total accounting, business advisory and capital revenue (\$'000)	8,487	-	n/a

NOTE 3 EQUITY ACCOUNTED PROFIT	FY17 \$'000	FY16 \$'000	% Change FY17 v FY16
Total equity accounted profit (\$'000)	974	2,719	(64%)

- The increase in accounting and business advisory revenue mainly related to the acquisition of the outside equity interests in MPR Accountants & Advisers Pty Ltd (MPR) making MPR part of the consolidated group rather than an equity accounted investment
- On 15 June 2017, Prime acquired 100% of the voting shares of Altezza Partners Pty Ltd ('Altezza'), an award-winning accounting and advisory firm based in Queensland. Altezza's annual revenue is approximately \$2 million and it delivered \$0.3 million of revenue in FY17
- Capital division established in FY17 and delivered \$0.6 million of revenue
- The decrease in equity accounted profit was mainly due to MPR being consolidated and Prime disposing of its interest in Rothsay Accounting Services Pty Ltd in August 2016

Balance Sheet

	30 JUNE 2017	30 JUNE 2016
	\$m	Restated * \$m
SUMMARY BALANCE SHEET		
Current Assets		
Cash & Cash Equivalents	0.6	1.3
Trade & Other Receivables	3.6	1.6
Other Current Assets	2.7	1.4
Non Current Assets		
Plant & Equipment	0.5	-
Investments Accounted For Using The Equity Method	7.8	11.4
Intangible Assets	47.2	35.4
Other	0.1	0.1
Total Assets	62.5	51.2
Current Liabilities		
Payables & Provisions	5.0	2.8
Non Current Liabilities		
Borrowings	8.6	3.6
Balance outstanding on acquisition of investments	1.7	-
Total Liabilities	15.3	6.4
Equity	47.2	44.8

* FY16 amounts have been restated and do not correspond to amounts included in the FY16 financial statements. Please see Prime Financial Group Ltd Appendix 4E Preliminary Financial Report for the year ended 30 June 2017 for further details.

Key Developments

FY17 Key Developments

Wealth Management

- Changes to superannuation and a reduction in lost FUM were key drivers of stronger than normal net FUM inflows
- Continued increase in use of Prime Separately Managed Accounts (SMAs)
- SMA FUM increased by 64% to \$157 million at 30 June 2017

Prime SMA Portfolio Performance (01/07/14 – 30/06/17)

PRE-FRANKING CREDITS	3 YEAR AVERAGE
Prime Australian Equity Growth Portfolio	7.11%
S&P/ASX200 Accumulation Index	6.03%
Prime value added	1.08%
Prime Australian Equity Income Portfolio	5.31%
S&P/ASX200 Accumulation Index	6.03%
Prime value added	(0.72%)
Prime Defensive Income Portfolio	3.43%
Bloomberg Bank Bill Index	2.19%
Prime value added	1.24%
Prime International Growth Portfolio *	15.96%
MSCI World ex-Australia in AUD	14.80%
Prime value added	1.16%

* Prime International Growth Portfolio performance is for the year ended 30 June 2017 as portfolio was launched on 18 February 2016

FY17 Key Developments

Accounting & Business Advisory

- Acquisitions of outside interests of MPR and Altezza and rebranding as Prime Accounting & Business Advisory
- Brisbane presence through acquisition of Altezza
- Acquisition of MPR has enabled Prime to expand its service offering to its direct B2C clients and the clients of Prime's business partners

Capital

- New Capital Division established to provide Corporate Advisory, Transactions & Restructuring and Capital Raising Services
- Acquisition of equity crowdfunding platform (via Altezza)

Technology

- Continued enhancement of IT infrastructure
- Significant progress on other projects which are expected to be completed in FY18 including transition to a new accounting system, automation of certain wealth management processes and implementation of a new business intelligence system

FY18 Key Focus Areas

Wealth Management

- Identification of new partners to join the Group
- Further development of client offering and scalable platform through technology enhancements
- Planned technology enhancements will provide both internal efficiencies and revenue opportunities
- Further develop relationships with accounting partners particularly in relation to superannuation advice

Accounting & Business Advisory

- Integration of MPR and Altezza acquisitions
- Further promotion and deployment of Prime's expanded business and service model across both owned and partner firms
- Identification of new partners to join the Group

Capital

- Increase sell side mandates
- Become a capital facilitator for early stage companies
- Develop and maximise opportunity from equity crowdfunding platform
- Continue to promote offering across owned and partner firms

Contact

Simon Madder

Managing Director/CEO

Prime Financial Group Ltd

(T) (03) 9827 6999

(E) simonm@primefinancial.com.au

(W) www.primfinancial.com.au

Additional Information

Strong, Entrepreneurial & Experienced Board

The Board has the background, proven track record & vision to succeed



Simon Madder
Managing Director
& CEO

Co-founder, Managing Director & CEO of Prime Financial Group Ltd (Prime) since 1998

20 years' experience in Wealth Management & Accounting Services across Operations, Strategy & Acquisitions



Paul Cowan
Independent Non-Executive
Chairman

Executive Director River Capital (Funds Management)

Previously Director of Brumby's Bakeries Holdings Ltd and Cash Converters International Ltd

Chartered Accountant with 30+ years' experience inc. Funds Management & Corporate Advisory



Peter Madder
Executive Director
& CFO

Previously Managing Partner of two Accounting Firms

Chartered Accountant with 50+ years' experience in Corporate Structuring & Acquisitions, Finance & Operations



Tim Carroll
Independent Non-Executive
Director

CEO of BUCKiTDREAM Inc (Entertainment & Digital Marketing Company)

Previously Chief Global Marketing Officer Village Roadshow Corporation (2000 to 2011)

20+ years' experience in Marketing & Customer Relationship Management

Services We Offer



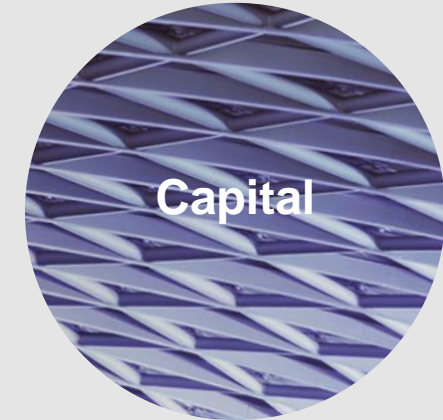
Whether you are a Business Owner, Founder, CEO, CFO – a start up; U.S. biotech looking to R&D in Australia; a small privately held business; to larger family enterprise; to unlisted or listed public company – through innovation and services we help you grow your enterprise

- Accounting & Tax Compliance
- Director & Board Services
- Management Advisory
- Start Up Services
- Outsourced CFO & Accounting Services
- SME Advisory
- Grants & Tax Incentives
- Innovation & Commercialisation



Professionals, Executive's, Business Owner's, Family Groups and Retirement orientated clients seek guidance and advice to manage and grow wealth to plan and protect for the future

- Financial & Retirement Planning
- Investment Advice
- Life Insurance
- Estate Planning, incl. Legal Services
- Superannuation incl. SMSF
- Lending & Finance
- Budgeting & Cashflow



Whether accessing Equity Capital for growth or selling to realise value, we work with you to achieve your goals and aspirations

- Corporate Advisory
- Transactions & Restructuring
- Capital Raising

Prime's Business Model

- Deliver Integrated Advice across Prime's three core service lines through Prime's national office structure to Prime's Direct Client base
- Partner with Accounting & Advisory Firms to help them deliver Integrated Advice across the three service lines, to their client base



**Accounting &
Business Advisory**
1800 317 005

Wealth Management
1800 064 959

Capital
1800 317 006