

Half Year Results Presentation 25 February 2016

Who we are

Prime Financial Group is an ASX Listed Integrated Wealth Management Firm for business owners and family groups

Prime's goal is to become the Premier Partner to Accountants for Growth, Succession and Integrated Wealth Management and to deliver personalised advice to clients for a secure financial future

PERSONALISED **ADVICE**



ASX LISTED



**TRULY INTEGRATED
WEALTH MANAGEMENT**

\$1BILLION+
**CLIENT FUNDS
UNDER MANAGEMENT**

**INDEPENDENT
OF 'BIG 4' AU BANKS**

ESTABLISHED 1998

Accounting Heritage

PREMIER
ACCOUNTING FIRM PARTNER

30+ ACCOUNTING FIRM EQUITY PARTNERS

1H2016 Results Summary

- Consolidated Entity
 - Profit Before Income Tax up 32% to \$2.95M compared to 1H2015 of \$2.23M
 - Profit After Income Tax up 56% to \$2.34M compared to 1H2015 of \$1.50M
- Members of the Parent Entity (After Outside Equity Interest)
 - Profit Before Income Tax up 11% to \$1.92M compared to 1H2015 of \$1.73M
 - Profit After Income Tax up 39% to \$1.61M compared to 1H2015 of \$1.16
- Earnings Per Share (EPS) 1.12 CPS up 42% compared to 1H2015 of 0.79 CPS
- Interim Dividend 0.40 CPS consistent with 1H2015
- 1H2016 Operating Margin of 31%, up from 29% in 1H2015
- Group Overheads down 7% on 1H2015
- Net Debt \$2.53M (down 66%) @ 31 December 2015, down from \$7.4M at 30 June 2015
- New Funds Under Management (FUM) for 1H2016 of approx. \$31M
- Lost FUM for 1H2016 of approx. \$44M
- Total FUM at 31 December 2015 of \$0.964B, down \$87M from 30 June 2015 (including outflow from sale of business of \$46M)

1H2016 – Wealth Management (WM)

- 76% of Revenue, excluding Profit on Sale of Investments
- Revenue steady on 1H2015 (excluding CEM Licensing Fees)
- Revenue down 5% on 1H2015 (including CEM Licensing Fees)

1H2016 – Accounting & SMSF Services (AS)

- 20% of Revenue, excluding Profit on Sale of Investments
- Revenue up 22% compared to 1H2015

1H2016 Results Summary

FINANCIAL RESULTS	1H16 \$M	1H15 \$M	% CHANGE 1H16 v 1H15
Consolidated Entity			
Profit Before Income Tax	2.95	2.23	+32%
Profit After Income Tax	2.34	1.50	+56%
Members of the Parent Entity (After Outside Equity Interest)			
Profit Before Income Tax	1.92	1.73	+11%
Profit After Income Tax	1.61	1.16	+39%
Basic & Diluted Earnings (cents per share)	1.12	0.79	+42%
Dividend Paid & Proposed (cents per share) (Fully franked)	0.40	0.40	-

1H2016 Results Summary

DETAILED FINANCIAL RESULTS	Note	1H16 \$M	1H15 \$M	% CHANGE 1H16 v 1H15
Wealth Management – New Business Revenue	Note 1	1.10	1.03	+7%
– Recurring Revenue	Note 2	3.64	3.69	-1%
– Licensing Revenue		0.08	0.35	-77%
Total Wealth Revenue		4.82	5.07	-5%
Accounting Revenue – Share of Profit		1.28	1.05	+22%
Other Income		0.21	0.20	+5%
Profit on Sale of Investments		0.46	-	-
Total Accounting & Other Income		1.95	1.25	+56%
Total Revenue		6.77	6.32	+7%
Less Group Overheads		(3.82)	(4.09)	-7%
Profit Before Income Tax		2.95	2.23	+32%
Less Non-Controlling Interest		(1.03)	(0.49)	+110%
Members of the Parent Entity (After Outside Equity Interest)				
Profit Before Income Tax		1.92	1.73	+11%
Profit After Income Tax		1.61	1.16	+39%

Wealth Management Revenue

NOTE 1 NEW BUSINESS REVENUE	1H16	1H15	% CHANGE 1H16 v 1H15
Investment Brokerage (\$'000)	766	764	-
Implementation Fees (\$'000)	99	45	+120%
Asset Protection & Life Insurance (\$'000)	150	186	-19%
Plan Fees (\$'000)	43	13	+231%
Other (\$'000)	37	20	+85%
Total New Business Revenue (\$'000)	1,095	1,028	+7%

NOTE 2 RECURRING REVENUE	1H16	1H15	% CHANGE 1H16 v 1H15
Funds Under Management (FUM) (\$'000)	3,185	3,273	-2%
Asset Protection & Life Insurance (\$'000)	297	273	+9%
Other (\$'000)	161	149	+8%
Total Recurring Revenue (\$'000)	3,643	3,695	-1%

1H2016 Results Summary

OPERATIONAL	1H16	1H15	% CHANGE
Group Operating Margin	31%	29%	+7%
Total FUM (\$B)	0.964	1.031	-7%

FUNDS UNDER MANAGEMENT (FUM)	1H16\$M
Opening FUM	1,051
FUM – New	31
FUM – Outflow	(44)
FUM – Outflow from Sale of Business	(46)
Other Movements	(28)
FUM – Net Total Movement	(87)
Closing FUM	964

1H2016 Results Summary

SUMMARY BALANCE SHEET	31/12/15 \$M	30/06/15 \$M
Current Assets		
Cash	0.4	0.6
Other Current Assets	2.2	2.4
Non Current Assets		
Receivables	0.4	0.6
Investments	47.3	47.4
Total Assets	50.3	51.0
Current Liabilities		
Payables/Provisions/Borrowings	3.7	2.4
Non Current Liabilities		
Borrowings	3.0	8.0
Total Liabilities	6.7	10.4
Equity	43.6	40.6

Key Developments

Corporate Development

- Increase in investment in Accounting & Advisory Firm MPR Group Pty Ltd from 10% to 40%
- A new investment in Watermans International Holdings Pty Ltd of 40% with an option to increase to 50% equity within 12 months
- Existing Accounting Investee acquired a small parcel of Accounting Fees (2nd acquisition)
- Two other Accounting Investees are undertaking acquisition opportunities of scale

Prime Service Offering

- Ongoing communication of 3 tier Investment Advisory Service to Clients and Accounting Partners
- Introduction of a new pricing schedule reflecting the 3 tier offering for Self Directed Investors through to Full Advice Clients

Marketing & Technology

- Continued deployment of Digital & Social channel marketing strategy and content plus production capability

Limited Accountant Licensing

- Deployment of Prime's limited accountant licensing offering, combined with Wealth Management JV

Key Developments

Investment Advice

- Broadening of Prime Client Asset Allocation Model enabled by new Investment Management Technology Platform – February 2016 release of ‘International Separately Managed Account (SMA)’
- Significant Value Added by Prime’s Australian Equity SMA’s

Prime SMA’s Portfolio Performance

PRE-FRANKING CREDITS	1 YEAR	2 YEARS
Prime Australian Equity Growth Portfolio	6.9%	20.4%
S&P/ASX200 Accumulation Index	2.9%	8.3%
Prime value added	4.0%	12.1%
Prime Australian Equity Income Portfolio	5.4%	13.1%
S&P/ASX200 Accumulation Index	2.8%	8.3%
Prime value added	2.6%	4.8%

- New FUM + \$31M and reduction in lost FUM to \$44M (from \$55M)

FY2016 Focus

The plan for the remainder of FY16 is to:

- Establish new Wealth Management JVs with Accounting Firms
- Invest in new Accounting Firm Investees and apply Prime's Wealth Management JV Structure
- Assist existing Investee Accounting Firms to expand via acquisitions (find, fund & grow)
- Introduce the global resourcing model to Investee Accounting Firms
- Secure new clients for Wealth Management services
- Retain existing clients and expand the Wealth Management services provided to them
- Continue to invest in new technology for client engagement and personalised service, plus utilise technology for increased internal efficiencies
- Rollout limited licensing for Prime Accountants as part of our Wealth Management JV structure

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