

Half Year Results Presentation

26 February 2014

Helping Clients Build Wealth and Protect Assets



- **What is the opportunity for Prime?**

Clients

- Estimated that only 20% - 40% of Australians receive Financial Advice. Superannuation asset pools continue to grow and Australians are increasingly becoming more engaged in their financial future.
- The opportunity is to deliver more advice to a growing number of prospective advisory clients including the more affluent market segment.

Accountants

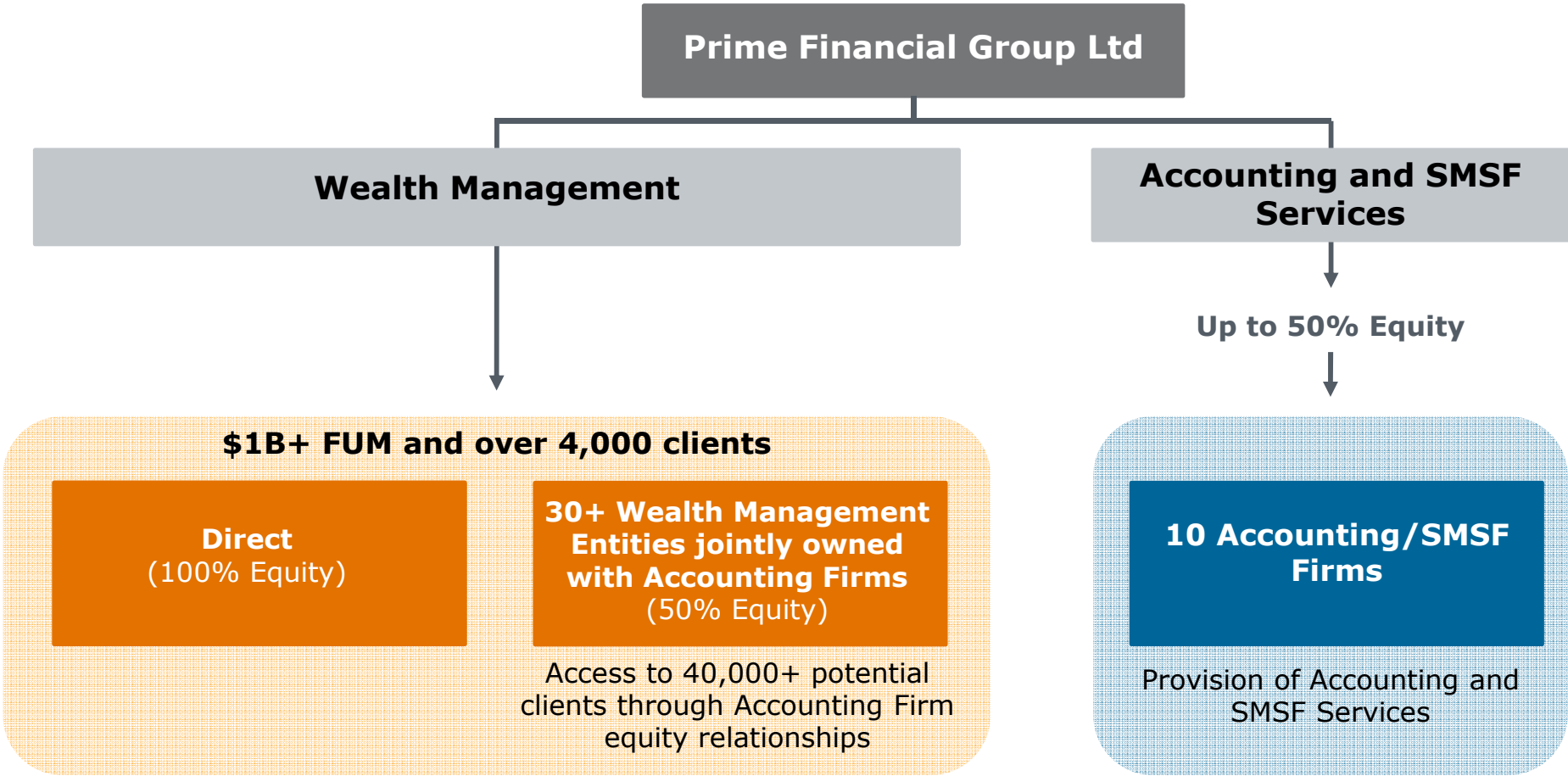
- There are up to 2,000 Accounting Firms in Australia that meet Prime's key partner profile - Prime currently partners with 30+ Accounting Firms.
- No one ASX listed or unlisted financial services company typically has more than 20-30 underlying Accounting Investees. The opportunity is to become the 'Premier' provider of Growth, Succession and Integrated Wealth Management solutions for the Accounting Industry.

- **How does Prime grow?**

- More consistently implement Prime's Wealth Management Client Engagement Model with Accounting Firms (More New Leads & New Client Appointments)
- Increase Funds Under Management (FUM)
- Deliver more services to existing clients through structured systems and engaging advice
- Increasingly target the more affluent market segment with Prime's Private Client Family Group approach
- Offer additional asset class exposure to clients – [See Prime's New Commercial Property Investment Management Business – PDS Available March 2014](#)
- Recruit new Accounting Firms (3 New Wealth JV's with Accounting Firms in FY2013, 1 in 1H2014 – target to grow beyond FY2013 in FY2014)
- Acquire more ([Now 10, up from 9 at 30 June 2013](#)) non-controlling equity interests of 15% - 50% in Accounting and/or SMSF Firms (Building the acquisition pipeline) – [Expansion Plan has commenced with first new investment \(subject to DD\) of 20% in Accounting Firm](#)
- Selectively target tuck-in acquisitions
- Build Prime's brand

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- **Why are we successful and why will we become more successful?**
 - Key roadmap to Growth (Organic & Acquisition)
 - Clear focus on what our ideal Clients and Partners look like and, increasingly how to access them
 - Access to a ready pool of new clients
 - Independent and scalable Operating Model
 - Personalised Service delivered in a repeatable manner
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'Advising clients how to Build Wealth & Protect Assets'



1H2014

- EBIT UP 10% to \$1.84M compared to 1H2013;
- NPAT UP 14% to \$1.16M compared to 1H2013;
- EPS UP 6% to 0.67 CPS;
- Interim Dividend UP 60% to 0.40 CPS (60% payout ratio) from 0.25 CPS;
- Overheads DOWN 16% (excluding interest) on 1H2013;
- Operating Cash Flow UP \$1.0M (approx.) on 1H2013;
- New FUM +\$39M;
- Lost FUM for 1H2014 of approx. \$117M of which \$93M related to the restructuring;
and
- Total FUM 31 December 2013 = \$1.077B (DOWN \$21M from 30 June 2013)

1H2014 – Wealth Management (WM)

- 84% of Revenue;
- Revenue DOWN 9% (including CEM Licensing Fees) compared to 1H2013; and
- Revenue UP 3% (excluding CEM Licensing Fees)

1H2014 – Accounting & SMSF Services (AS)

- 16% of Revenue; and
 - Revenue UP 1% compared to 1H2013
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Key Developments - Operational & Investment Focus 1H2014

1H2014

- Restructuring the Cost Base - \$1.3M benefit to flow through in FY2014 (ON TARGET);
- Improvement in traditional Wealth Management Revenue (New Business & Recurring Revenue, excluding Licensing Revenue from Prime's Client Engagement Model (CEM)) (UP 3% on 1H2013);
- Building the pipeline and recruiting new Accounting Firm Wealth Management JV Partners for Prime's CEM (3 in FY2013, versus 1 in 1H2014 with the expectation recruitment will be weighted to 2H2014);
- Commencing the expansion plan for further investment in Accounting & Self-Managed Superannuation investees (FIRST INVESTMENT MADE – 20% staggered investment in a Melbourne based Accounting & Advisory Firm incorporating a 50% investment in Wealth Management);
- FUM;
 - New FUM (+\$39M for 1H2014 - lower run rate but expected to increase)
 - Lost FUM for 1H2014 of approx. \$117M of which \$93M related to the restructuring

Key Developments - Operational & Investment Focus 1H2014 (cont...)

1H2014

- Commercial Property Investment Management Business – Protus Prime;
 - Design and complete the first client offering and Product Disclosure Statement (PDS) for launch in March 2014 (ON TARGET)
- As a result of consolidating the Employee Share Plan (ESP), the trustee changed for some ESP's which resulted in historical amounts receivable now classified as treasury shares in the consolidated financial statements;
- Improving operating cash flow (approx. \$1M versus 1H2013); and
- Increase the Interim Dividend to 0.40 CPS up from 0.25 CPS (60% increase on 1H2013 and 60% Dividend Payout Ratio)

Summary Half Year Results

Financial	1H13	1H14	% Change
Earnings Before Interest & Tax (EBIT) (\$M)	1.68	1.84	+10%
Net Profit After Tax (NPAT) (\$M)	1.02	1.16	+14%
Basic & Diluted Earnings (cents per share)	0.63	0.67	+6%
Dividend Paid & Proposed (cents per share) (fully franked)	0.25	0.40	+60%

Operational	30/6/13	31/12/13	% Change
Group Operating Margin	30%	28%	-7%
Total FUM (\$B)	1.098	1.077	-2%
Net Debt (\$M)	5.9	6.4	+8%

Summary Profit & Loss

	1H13	2H13	1H14	% Change 1H13 v 1H14
Wealth Management – New Business Revenue (\$M)	1.40	1.70	1.34	-4%
Wealth Management – Recurring Revenue (\$M)	3.62	3.89	3.84	+6%
Wealth Management – Licensing Revenue (\$M)	0.92	0.60	0.20	-78%
Total Wealth Management Revenue (\$M)	5.94	6.19	5.38	-9%
Accounting and SMSF Investees (\$M)	1.04	0.65	1.05	+1%
Other Revenue (\$M)	0.14	0.17	0.17	+21%
Total Accounting, SMSF & Other Revenue (\$M)	1.18	0.82	1.22	+3%
Gross Revenue (\$M)	7.12	7.01	6.60	-7%
Less Group Overheads (excl. Interest) (\$M)	(5.02)	(4.35)	(4.21)	-16%
Less Non-controlling Interest (\$M)	(0.42)	(0.60)	(0.55)	+31%
Earnings Before Interest & Tax (EBIT) (\$M)	1.68	2.06	1.84	+10%
Group Operating Margin	26%	34%	28%	+8%
Dividend Paid & Proposed (cents per share) (fully franked)	0.25	0.50	0.40	+60%

Wealth Management Revenue

Wealth Management

Wealth Management Revenue represents 84% of Prime's Revenue

New Business Revenue	1H13	2H13	1H14	% Change 1H13 v 1H14
Investment Brokerage (\$'000)	794	1,160	815	+3%
New Issues & IPO's (\$'000)	214	297	230	+7%
Asset Protection & Life Insurance (\$'000)	349	136	238	-32%
Other (\$'000)	38	108	56	+47%
Total New Business Revenue (\$'000)	1,395	1,701	1,339	-4%

Recurring Revenue	1H13	2H13	1H14	% Change 1H13 v 1H14
Funds Under Management (FUM) (\$'000)	3,201	3,451	3,419	+7%
Asset Protection & Life Insurance (\$'000)	232	252	231	0%
Other (\$'000)	185	184	186	+1%
Total Recurring Revenue	3,618	3,887	3,836	+6%

Wealth Management Revenue

Wealth Management Licensing Revenue

	1H13	2H13	1H14	% Change 1H13 v 1H14
Licensing Revenue (\$'000)	920	600	200	-78%
Total (\$'000)	920	600	200	-78%

Commentary

Prime recruited 3 new Partners to the CEM in FY2013, one in each of Victoria, New South Wales and Queensland

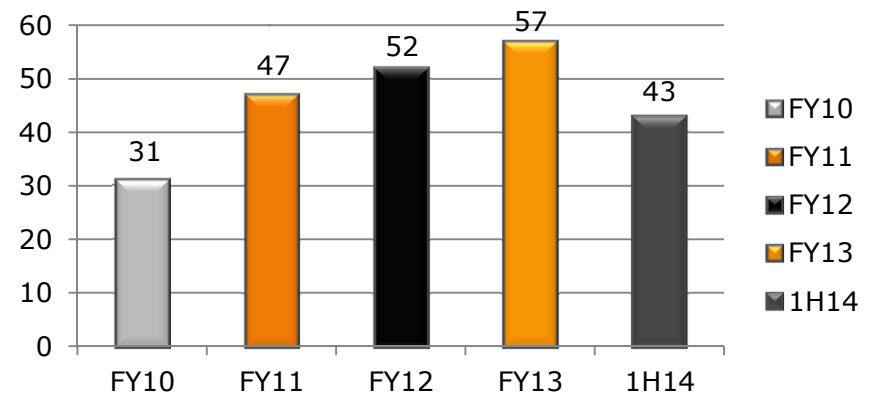
The target is to better the recruitment of 3 Partners in FY2013 – Therefore recruitment will likely be weighted more significantly to 2H2014

The pipeline of Wealth Management only JV's with Accounting Firms and combined Accounting Firm Investment and Wealth Management JV's continues to build – the timing of these investments however is difficult to predict

New Business Leads

- Prime's Client Engagement Model (CEM) drives the growth in new leads for Prime's Wealth Management Services. This is driven by:
 - New Client leads
 - Additional Services from Existing Clients
 - Transitioning Existing investees to this model
 - Recruiting new Accounting and Advisory investees for this model
- 'New leads' measures client meetings by service line and is a key driver of new FUM, Asset Protection and Life Insurances
- New leads were lower in 1H2014 versus 1H2013 (51 versus 43) substantially due to disruption around the restructuring

New Leads (Monthly Average)



Key Metrics – FUM Net Inflows and Net Margin

Funds Under Management (FUM)

	1H13	2H13	1H14
• Opening FUM (\$M)	1,001	1,083	1,098
• FUM - New (\$M)	47.3	34.2	38.8
• FUM - Outflow (\$M)	(12.4)	(37.4)	(117.1)
• Implied Market Movement (\$M)	47.1	18.2	57.3
FUM – Net Inflow (\$M)	82.0	15.0	(21.0)
• Closing FUM (\$M)	1,083	1,098	1,077

Commentary

- FUM decreased by (\$21.0M) substantially because of Outflow's related to the previously stated restructuring. Market movements and New FUM almost completely offset this loss

Wealth Management Net Margin

	1H13	2H13	1H14
• New Business Revenue (\$M)	1.40	1.70	1.34
• Recurring Revenue (\$M)	3.62	3.89	3.84
• Total (\$M)	5.02	5.59	5.18
• Average FUM	1.042B	1.091B	1.088B
Annualised Net Margin	0.96%	1.02%	0.95%

Commentary

- Average FUM for 1H2014 was in-line with 2H2013 however as New Business Revenue was lower the Annualised Net Margin reduced

Accounting and SMSF Services Investees

Accounting and SMSF Services Revenue

Prime's now 10 (up from 9) Accounting and SMSF Investees represent 16% of Prime's Revenue

	1H13	1H14	% Change 1H13 v 1H14
Accounting and SMSF Revenue (\$M)	1.04	1.05	+1%
Total	1.04	1.05	+1%

Note

- Prime's Accounting and SMSF Service Investees Revenue is Prime's profit from its equity (up to 50% in Investees)

Commentary

Underlying Accounting and SMSF Services Revenue was marginally up but substantially consistent with the previous period.

Prime is pleased to announce that the first investment (subject to due diligence) as part of the expansion plan for combined Accounting & Wealth Management Investments has been made. The investment, in a Melbourne based Accounting & Advisory Firm that has Revenue of approximately \$4.0M includes a staggered commitment to purchase 20% of the Accounting & Advisory Firm, plus also establish a Wealth Management entity utilising Prime's CEM.

With the addition of a new Accounting Investee, plus others over time as part of Prime's expansion plan, this Revenue line is expected to increase.

Summary Balance Sheet

	30/06/13	31/12/13
Current Assets		
Cash	0.7	0.3
Other current assets	3.8	4.1
Non Current Assets		
Receivables	5.4	3.5
Plant & Equipment	1.3	1.2
Investments	61.9	61.9
Total Assets	73.1	71.0
Current Liabilities		
Payables/Provisions	2.3	2.8
Non Current Liabilities		
Borrowings	7.7	7.8
Total Liabilities	10.0	10.6
Equity	63.1	60.4

FY2014

The plan for the remainder of FY2014 is to;

- Continue to promote Prime, communicating our difference and the distinct value we offer in all of our key markets;
- Make Prime's Commercial Property Investment Management Business (Protus Prime) available to investors (March 2014);
- Recruiting:
 - new Accounting Firm and Financial Advisory Groups for Wealth Management;
 - further Accounting Firms (Investees) for investment; and
 - new Team members that reflect our culture and commitment
- Secure new clients for Wealth Management services;
- Improve the retention of existing clients and expand the Wealth Management services provided to them;
- Continue to deliver 'Integrated Advice' to clients using Prime's Client Engagement Model;
- Further diversify revenue streams away from the stockmarket; and
- Invest in our people, processes and systems

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