

# Full Year Results Presentation

## 27 August 2012

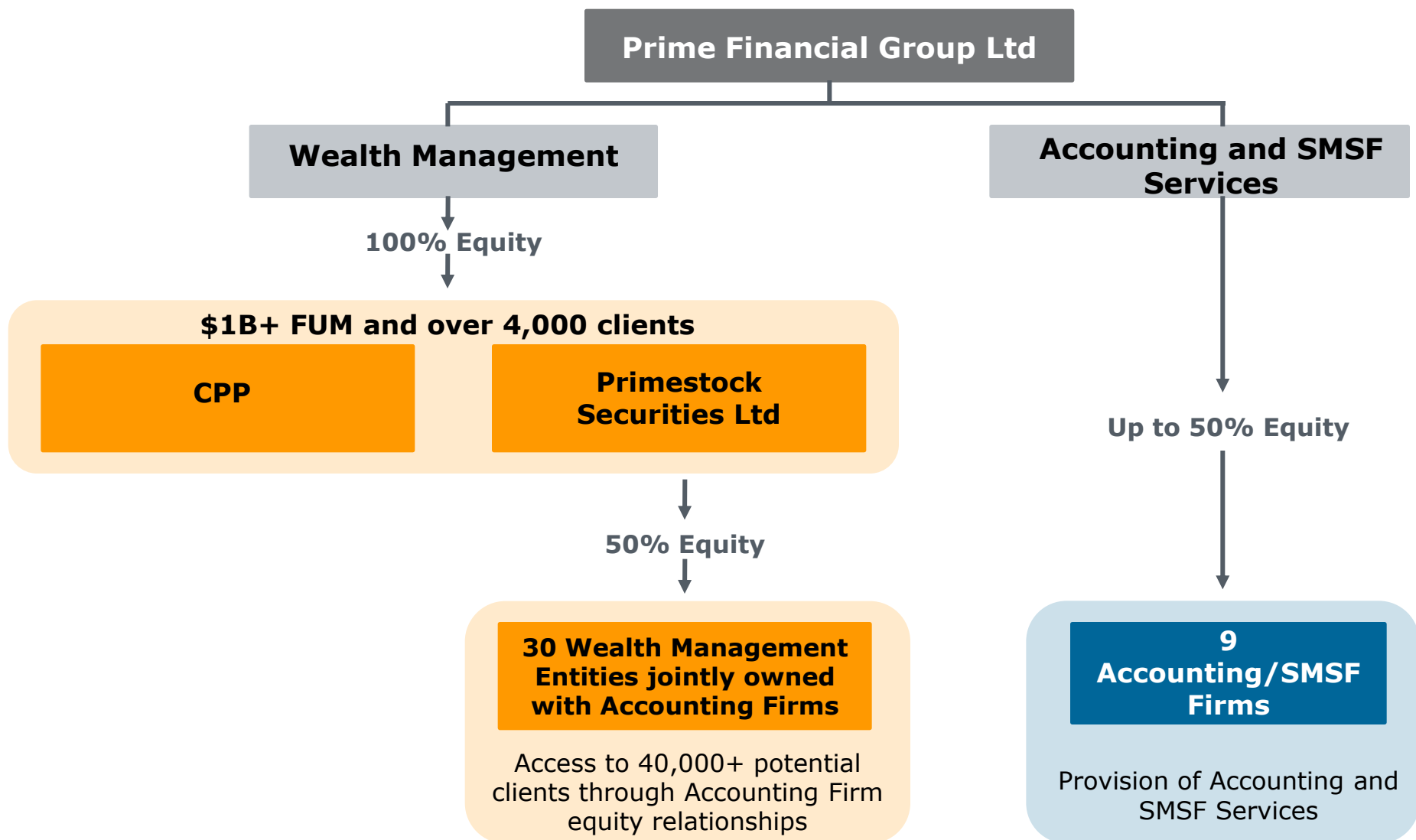
*Helping Clients Build Wealth and Protect Assets*



- **What do we do?**
  - Provide Integrated Wealth Management Services
    - Financial Planning
    - Investment Advice
    - Life Insurance
    - Asset Protection Advice incorporating Legal Services
    - Superannuation, including Self Managed Superannuation, and
    - Accounting Services
- **To whom do we provide these services?**
  - To Prime's own direct clients, and by;
  - Licensing Prime's Client Engagement Model to Accounting and Advisory Groups;
    - Operated and managed through equity relationships (50/50)
  - Over 4,000 clients across Australia

- **How do we provide these services?**
  - Through 20 highly qualified Financial Advisers
    - Located in hubs in VIC, NSW, WA and QLD
    - Providing cost effective, transparent and consistent advice
    - Combining Wealth Management Advice with Accounting client relationships
- **How do we access new clients**
  - Through our own direct channels but substantially through Accounting Firm Equity Partners & Accounting Investees
    - 40,000+ Accounting Clients to access for Wealth Management
- **Why are we successful?**
  - Independent and Scalable Operating Model, providing Personalised Service to a Captive Client Base, in a Cost Effective Manner

'Advising clients how to Build Wealth & Protect Assets'



## Introduction

- The Financial Services sector has experienced a difficult 12 months to 30 June 2012. Domestic economic uncertainty saw the Australian stockmarket retreat 11% from July 2011 to June 2012 resulting in declining investor confidence. Furthermore, regulatory reforms and economic uncertainty across the globe have collectively placed pressure on margins for Financial Services companies
- Whilst Prime has been affected by these factors, Prime's diversified model across Wealth Management, Accounting and Self Managed Superannuation has proved to be resilient. In addition, a focus on diversifying revenue and building a scalable Wealth Management Licensing Model has proved to be beneficial
- In FY2012 Prime has delivered consistent Revenue compared to the prior year. Growth and expansion across Wealth Management delivered an increase in revenue of 11%. This was offset by a decrease in underlying revenue in Accounting and SMSF Services by 5% plus no revenue recorded in Corporate Revenue within Accounting and SMSF Services

## Introduction.. cont

- Prime's Normalised EBIT (excluding one-off's) has declined 9% versus the previous corresponding period and Normalised NPAT (excluding one-off's) has declined 8%. Included in these results is an increase in Group Overheads of 6% reflecting an investment in Prime's Wealth Management operations for future growth
- In FY2012 Prime experienced a capital loss of \$0.7M (not tax deductible) relating to a non-core Accounting Firm investee. As a result, Prime's NPAT has declined 27% when compared to FY2011
- The final dividend has been reduced to 0.25 cents per share bringing the full year dividend payment to 1.00 cents per share reflecting a 46% payout ratio against normalised earnings per share. This short-term reduction in dividend has been implemented to help fund Prime's growth initiatives which commenced and were reflected in FY2012

## **Wealth Management Licensing Model**

- Prime has developed a highly scalable and integrated Client Engagement Model which is delivered through a Wealth Management Joint Venture Licensing structure
- In FY2012 Prime launched this licensing strategy with existing Accounting Firm Partners and has been used, and will continue to be used in FY2013 and beyond, to recruit Accounting Firms and Financial Advisory Groups to Prime. Under the licensing model, these groups pay a fee for the services, processes, structure, resources, operating model and intellectual property that has been developed

## **Prime Managed Portfolio Service (Prime MPS)**

- As part of Prime's plans to expand our Investment Advice offering for clients, and consistent with Prime's overall growth plans, Prime launched in FY2012 The Prime MPS – a new managed discretionary account service
- The Prime MPS allows clients to hold a portfolio of investments managed within a separately managed account, according to an investment strategy selected by clients and their advisers, but managed by Prime

## Prime Legal Services

- In FY2012 Prime established a Legal Services division that supports Prime's delivery of Asset Protection products and services such as loan agreements, buy/sell agreements, shareholders agreements and wills and estate planning
- Although in its infancy Prime's Legal Services will increasingly contribute to revenue but importantly will become a complimentary service for clients allowing Prime to offer a completely integrated service

## New Brand

- To better represent Prime and its business objectives, Prime undertook to refine and reposition its brand in FY2012
- Prime's new brand identity represents:
  - the integrated and client focused nature of advice across service lines,
  - the depth and layers to our group / team approach,
  - the interconnected relationship between Prime, our Accounting Firm Business Partners and Clients, and
  - Prime's growth objectives for the future



## Wealth Management Results

- Wealth Management Revenue grew by 11% in FY2012
- During FY2012 a new revenue stream was created by licensing Prime's Client Engagement Model to Existing and New Accounting and Advisory Groups as part of Prime's growth and expansion plan. This is a key growth area which builds long-term Wealth Management Recurring Revenue and Asset Value from Prime's equity interests
- Prime also continued the growth in new leads versus FY2011 and demonstrated the strength of Prime's network of investments by growing the new business earned from New Issues and IPO's, Life Insurance and Asset Protection Advice
- Traditional Wealth Management Revenue fell by 7% reflecting the businesses direct exposure to investor confidence and stockmarket volatility. Prime's strong market position has generated Net FUM Inflows (prior to market movement) of \$48.2 million and delivered a consistent Net FUM Margin of 0.93% for the year to 30 June 2012

## Accounting and SMSF Services Results

- Underlying Accounting and SMSF Revenue was only marginally down by 5%. However total Accounting and SMSF Services Revenue was down 36% as no Corporate Revenue was earned during FY2012

## Summary Full Year Results

<b>Financial</b>	<b>FY11</b>	<b>FY12</b>	<b>% Change</b>
<b>Normalised Earnings Before Interest &amp; Tax (EBIT) (\$M)*</b>	<b>5.50</b>	<b>5.02</b>	<b>- 9%</b>
<b>Reported Earnings Before Interest &amp; Tax (EBIT) (\$M)</b>	<b>5.50</b>	<b>4.32</b>	<b>- 21%</b>
<b>Normalised Net Profit After Tax (NPAT) (\$M)*</b>	<b>3.84</b>	<b>3.52</b>	<b>- 8%</b>
<b>Net Profit After Tax (NPAT) (\$M)</b>	<b>3.84</b>	<b>2.81</b>	<b>- 27%</b>
Normalised Basic & Diluted Earnings (cents per share)*	2.4	2.2	- 8%
Basic & Diluted Earnings (cents per share)	2.4	1.7	- 29%
Dividend Paid & Proposed (cents per share) (fully franked)	1.5	1.0	- 33%
<b>Operational</b>	<b>FY11</b>	<b>FY12</b>	<b>% Change</b>
<b>Group Operating Margin</b>	<b>43%</b>	<b>39%</b>	<b>- 9%</b>
<b>Total FUM (\$B)</b>	<b>1.055</b>	<b>1.001</b>	<b>- 5%</b>
<b>Net Debt (\$M)</b>	<b>6.4</b>	<b>7.6</b>	<b>+ 19%</b>

\* Note: Normalised reflects financial outcomes excluding a one off capital loss of \$0.7M in FY2012 relating to a non-core Accounting Firm investee.

## Summary Profit & Loss (Normalised)

	FY11	1H12	2H12	FY12	% Change FY11 v FY12
Wealth Management – New Business Revenue (\$M)	3.00	1.42	1.26	2.68	- 11%
Wealth Management – Recurring Revenue (\$M)	7.25	3.41	3.48	6.89	- 5%
Wealth Management – Licensing Revenue (\$M)	-	0.82	1.00	1.82	n/a
<b>Total Wealth Management Revenue (\$M)</b>	<b>10.25</b>	<b>5.65</b>	<b>5.74</b>	<b>11.39</b>	<b>+ 11%</b>
Accounting and SMSF Investees (\$M)	2.19	1.17	0.91	2.08	- 5%
Accounting and SMSF Corporate Revenue (\$M)	1.05	-	-	-	n/a
<b>Total Accounting and SMSF Revenue (\$M)</b>	<b>3.24</b>	<b>1.17</b>	<b>0.91</b>	<b>2.08</b>	<b>- 36%</b>
<b>Gross Revenue (\$M)</b>	<b>13.49</b>	<b>6.82</b>	<b>6.65</b>	<b>13.47</b>	<b>-</b>
Less Group Overheads (excl. Interest) (\$M)	(7.99)	(4.16)	(4.29)	(8.45)	+ 6%
<b>Normalised Earnings Before Interest &amp; Tax (EBIT) (\$M)*</b>	<b>5.50</b>	<b>2.66</b>	<b>2.36</b>	<b>5.02</b>	<b>- 9%</b>
<b>Group Operating Margin</b>	<b>43%</b>	<b>41%</b>	<b>37%</b>	<b>39%</b>	<b>- 9%</b>
Dividend Paid & Proposed (cents per share) (fully franked)	1.5	0.75	0.25	<b>1.0</b>	<b>- 33%</b>

\* Note: Normalised reflects financial outcomes excluding a one off capital loss of \$0.7M in FY2012 relating to a non-core Accounting Firm investee.

## Wealth Management

Wealth Management Revenue represents 85% of Prime's Gross Revenue

<b>New Business Revenue</b>	<b>FY11</b>	<b>1H12</b>	<b>2H12</b>	<b>FY12</b>	<b>% Change FY11 v FY12</b>
• Investment Brokerage (\$'000)	2,417	927	658	1,585	- 34%
• New Issues & IPO's (\$'000)	-	68	301	369	n/a
• Asset Protection & Life Insurance (\$'000)	502	390	266	656	+ 31%
• Other (\$'000)	79	31	39	70	- 11%
<b>Total New Business Revenue (\$'000)</b>	<b>2,998</b>	<b>1,416</b>	<b>1,264</b>	<b>2,680</b>	<b>- 11%</b>

<b>Recurring Revenue</b>	<b>FY11</b>	<b>1H12</b>	<b>2H12</b>	<b>FY12</b>	<b>% Change FY11 v FY12</b>
• Funds Under Management (FUM) (\$'000)	6,481	3,017	3,089	6,106	- 6%
• Asset Protection & Life Insurance (\$'000)	389	205	209	414	+ 6%
• Other (\$'000)	378	185	185	370	- 2%
<b>Total Recurring Revenue</b>	<b>7,248</b>	<b>3,407</b>	<b>3,483</b>	<b>6,890</b>	<b>- 5%</b>

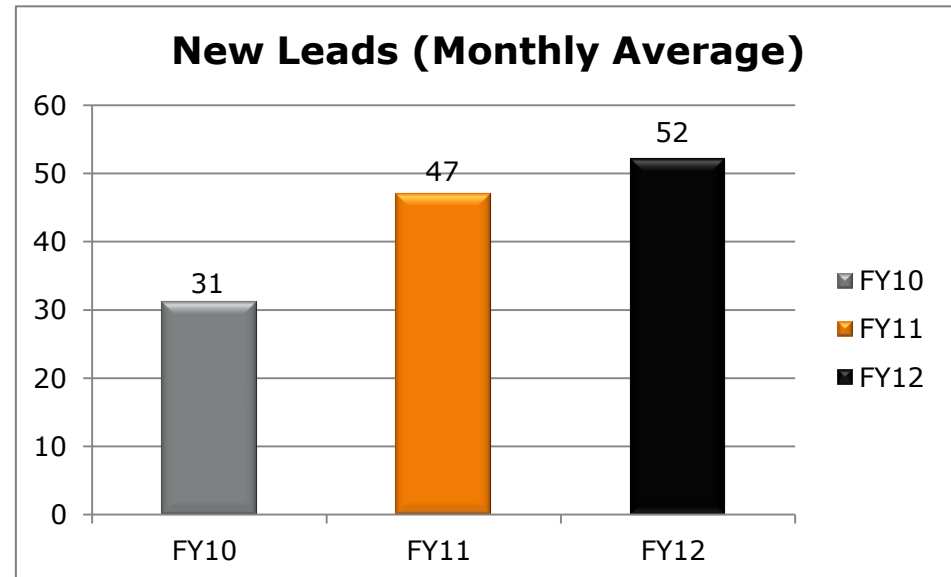
## Wealth Management Licensing Revenue

	FY11	1H12	2H12	FY12	% Change FY11 v FY12
Licensing Revenue (\$'000)	-	820	1,000	1,820	n/a
Total (\$'000)	-	820	1,000	1,820	n/a

- In FY2012 Prime commenced its licence roll out of Prime's new Client Engagement Model. This has been an important step in growing Prime's current and future Wealth Management revenue, through New Leads, New Business Revenue, Recurring Revenue and Wealth Management Licensing Revenue. It is also a catalyst to expand Prime's network of investees.
- The past 12 months has been very encouraging with this growth and expansion strategy a cornerstone component of Prime's business model development

## New Business Leads

- Prime's Client Engagement Model 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 continued to increase despite the business environment in which Prime operates



## Key Metrics – FUM Net Inflows and Net Margin

### Funds Under Management (FUM)

	1H12	2H12	Total
• Opening FUM (\$M)	1,055	1,008	1,055
• FUM - New (\$M)	35.5	33.4	68.9
• FUM - Outflow (\$M)	(11.5)	(9.2)	(20.7)
• Implied Market Movement (\$M)	(71.0)	(31.2)	(102.2)
<b>FUM – Net Inflow (\$M)</b>	<b>(47.0)</b>	<b>(7.0)</b>	<b>(54.0)</b>
• Closing FUM (\$M)	<b>1,008</b>	<b>1,001</b>	<b>1,001</b>

### Commentary

- The overall decline in FUM of (\$54.0m) is reflective of the difficult domestic and global economic environment conditions that occurred in FY2012
- However, Prime's robust market position offset this negative sentiment by generating New Inflows of \$68.9m which was significantly greater than Net Outflows

### Wealth Management Net Margin

	FY11	FY12	% change
• New Business Income (\$M)	3.00	2.68	- 11%
• Recurring Income (\$M)	7.25	6.89	- 5%
• Total (\$M)	10.25	9.57	- 7%
• Average FUM	1.040b	1.028b	- 1%
<b>Annualised Net Margin</b>	<b>0.99%</b>	<b>0.93%</b>	<b>- 6%</b>

### Commentary

- Consistent with difficult domestic and global economic conditions in FY2012 the annualised net margin has decreased 6%.

## Accounting and SMSF Services Revenue

Prime's 9 Accounting and SMSF Investees represent 15% of the Prime's Gross Revenue

	FY11	FY12	% Change FY11 v FY12
Underlying Accounting and SMSF Revenue (\$M)	2.19	2.08	- 5%
Accounting and SMSF Corporate Revenue (\$M)	1.05	0	n/a
<b>Total</b>	<b>3.24</b>	<b>2.08</b>	<b>- 36%</b>

*Note*

- Prime's Accounting and SMSF Service Investees Revenue is Prime's profit from its equity (up to 50% in Investees)
- Accounting and SMSF Services Corporate Revenue was earned from varied corporate activity in relation to Prime's Accounting and SMSF Service Investees

## Commentary

Underlying Accounting and SMSF Services Revenue was marginally down which was a reflection of the more difficult business and economic environment and lower levels of Advisory work in Accounting Services. No Corporate Revenue was recorded in FY2012



## Summary Balance Sheet

	30/06/11	30/06/12
<b>Current Assets</b>		
Cash	0.4	0.3
Other current assets	6.2	4.9
<b>Non Current Assets</b>		
Receivables	1.7	4.7
Plant & Equipment	1.5	1.5
Investments	69.8	69.6
<b>Total Assets</b>	<b>79.6</b>	<b>81.0</b>
<b>Current Liabilities</b>		
Payables/Provisions	3.6	3.8
Borrowings	0.2	-
<b>Non Current Liabilities</b>		
Borrowings	7.8	9.1
<b>Total Liabilities</b>	<b>11.6</b>	<b>12.9</b>
<b>Equity</b>	<b>68.0</b>	<b>68.1</b>

## FY2013

- Drive organic growth initiatives to increase the Prime network of Wealth Management Investees and expand service offerings:
  - Continue to deliver outcomes from Prime's Client Engagement Model and Wealth Management Joint Venture Licensing structure rollout to existing and new Accounting Firms and Financial Advisory Groups
  - Grow the take-up of the Prime MPS for existing and new clients
  - Expand the service offering for Asset Protection Advice and Prime's Legal Services across the Prime Group
- Continue to work on & improve key indicators within the business that drive earnings:
  - New FUM of \$80.0M - \$100.0M + for year
  - Maintain FUM Annualised Net Margin of circa 1.00%
  - Continue growth in new client leads to beyond 300 per half
  - Improve on Group Operating Margin of 39%

## FY2013.. Cont.

- Leverage off key attributes of the Prime business:
  - Scalable centralised system
  - Vertically integrated business (Financial Planning, Investment Advice, Life Insurance, Asset Protection incorporating Legal Services, Self Managed Super & Accounting Services)
  - Extensive untapped new client network contained within business structure (Accounting Firms)
- Actively pursue the Organic Growth Plan and selectively consider investee opportunities where they make strategic sense

## Longer Term

- Target \$1.5B - 2.0B FUM

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