

28 February 2018

Company Announcements Office
Australian Securities Exchange Limited

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Prime Financial Group Ltd (Prime – ASX code PFG)
H1 2018 Key Highlights

Key financial highlights for the half year ended 31 December 2017:

1. **Strong revenue growth** – revenue increased 25% compared to H1 2017 driven by acquisition of Altezza Partners and strong organic growth
2. **Underlying EBITDA consistent with prior year despite investments in growth initiatives**
3. **Increased dividend** - interim dividend per share increased by 12.5% to 0.45 cents per share
4. **One-off items** - Reported EBITDA and Net Profit After Tax (NPAT) impacted by one-off items

Metric	H1 2018	Comment
Consolidated Proforma H1 2018 Total Revenue	\$11.2 million	Up 25% v H1 2017
Funds Under Management (FUM)	\$1,125 million	Up 2% v 30 June 2017
Underlying EBITDA attributable to members *	\$2.3 million	Flat v H1 2017
Group Underlying EBITDA margin *	29%	Down 6% v H1 2017
Underlying NPAT attributable to members *	\$1.3 million	Down 10% v H1 2017
Reported NPAT attributable to members	\$(1.8) million	Impacted by one-off items
Underlying EPS to members *	0.78 cents	Down 16% v H1 2017
Dividend per share	0.45 cents	Up 12.5% v H1 2017

* Note the P&L metrics included above have been derived from the H1 2018 Financial Statements and exclude share based payment expenses/(benefits), fair value adjustments on contingent consideration, amortisation of intangibles and non-recurring items including: business acquisition costs, restructuring costs, non-recurring professional fees, losses on disposal of investments and impairment losses. Please see Appendix for reconciliations of Reported NPAT to Underlying EBITDA and Reported NPAT Attributable to Members to Underlying NPAT Attributable to Members.

In H1 2018, Prime made continued progress on delivering its strategy. Key highlights include the following:

Investments in Growth Initiatives

In H1 2018, as reported in the FY17 investor presentation, Prime has continued to invest in future growth through:

1. **New Products & Services** – in H1 2018, five new products and services were developed to increase organic growth;

2. Building a Scalable Platform For Growth – Prime has invested in Finance, IT and Data teams and systems to build the infrastructure to maximise value from the current and future acquisitions; and

3. Prime has enhanced its Business Development investment.

The initiatives are yielding results and are expected to accelerate over the next 12-18 months through increased revenue and enhanced revenue/expense synergies.

Organic Growth

- **New Products & Services** – attract new clients and deliver more value to existing clients.
- **Accounting & Advisory Partnerships** – provide additional services to network of 30+ partner firms
- **Efficiency Benefits** – reduction in overheads as scale and efficiency initiatives are delivered
- **Separately Managed Accounts (SMA) strategy** – successfully delivered with benefits including scalability, margin efficiencies and an enhanced product offering for clients
- **Brand** – increased brand presence including sponsorships of associations, partnerships and community based initiatives

Acquisitions

- **Integration of Acquisitions** – completed the onboarding and integration of FY17 acquisitions
- **Acquisition Pipeline** – advanced discussions with acquisitions that would deliver scale, expertise and earnings growth

Building Partnerships

Prime is investing in the future by creating strategic partnerships with Groups which provide both:

- 1. Sources of Capital** for Prime's business owner and entrepreneur clients; and
- 2. Alternative Investment Opportunities** for Prime's wealth management clients.

Two new capital partnerships were agreed in H1 2018 with VentureCrowd (a crowdfunding and alternative asset investment platform) and Investible (an early-stage investment group that supports high potential founders).

These partnerships are expected to deliver organic growth in Prime's Accounting & Business Advisory, Wealth Management and Capital divisions.

Employee Share Plan Accounting, Prior Period Restatements and H1 2018 Impairments

In H1 2018, Prime made a significant investment in its finance function and, in January 2018, appointed Ernst & Young as its auditor. The benefits of these changes included an increased level of scrutiny and governance in financial reporting, a stronger focus on data analytics and business intelligence and enhanced systems. The increased scrutiny resulted in certain prior period restatements and H1 2018 impairments. In aggregate the prior period restatements increased profit after tax for the year ended 30 June 2017 by \$325,666 and increase net assets at 30 June 2016 and 30 June 2017 by \$943,992 and \$1,654,050 respectively. These adjustments are not expected to recur and provide a more robust baseline for growth.

Prime's previous auditors, William Buck Audit (Vic) Pty Ltd, issued a Disclaimer of Opinion Audit Report on Prime's FY17 Annual Report. The disclaimer was limited to queries in relation to the accounting for the Prime Financial Group Employee Share Plan ('PFG ESP'). The accounting treatment of the PFG ESP has now been finalized. The prior period adjustments referenced above include adjustments in relation to the accounting for the PFG ESP. These PFG ESP related restatements resulted in net assets increasing at 30 June 2016 and 30 June 2017 and a reduction in profit in FY17. The adjustments are substantially non-cash items. Please see Notes 7 and 9 of the Financial Report for the half year ended 31 December 2017 for further details.

About Prime Financial Group

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

For more information on this announcement please contact **Simon Madder (Managing Director / CEO) on (03) 9827 6999.**

Appendix - Reconciliations of Reported NPAT to Underlying EBITDA and Reported NPAT Attributable to Members to Underlying NPAT Attributable to Members

EBITDA Reconciliation:

<i>\$000 AUD</i>	H1 2018	H1 2017
Profit after tax from operations	(637)	2,148
Add: Tax expense	(273)	603
Add: Interest expense/(income)	247	140
EBIT *	(663)	2,891
Add: Depreciation	117	42
Add: Amortisation	338	-
EBITDA **	(209)	2,933
Adjustments:		
Business acquisition costs, restructuring costs and non-recurring professional fees	329	33
Share based payment expenses/(benefit)	(48)	155
Fair value adjustment on contingent consideration	46	-
Loss on disposal of investment	773	-
Impairment losses	2,303	-
Underlying EBITDA **	3,194	3,121
Underlying EBITDA attributable to members	2,311	2,251

* EBIT is defined as earnings before interest and tax

** EBITDA is defined as earnings before interest, tax, depreciation and amortisation

NPAT attributable to members reconciliation:

<i>\$000 AUD</i>	H1 2018	H1 2017
NPAT attributable to members - Reported	(1,309)	1,539
Business acquisition costs, restructuring costs and non-recurring professional fees	329	33
Share based payment expenses/(benefit)	(48)	155
Fair value adjustment on contingent consideration	46	-
Loss on disposal of investment	773	-
Impairment losses	2,303	-
Amortisation	338	-
Tax on above items	(1,122)	(56)
Adjustment to align H1 2017 tax rate to 30%	-	(222)
NPAT attributable to members - Underlying	1,310	1,449