

Prime Financial Group Ltd (ASX: PFG)

Full Year 2021 ('FY21') Results Presentation

20 August 2021

aspire, innovate, grow

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FY21 Key Financial Highlights



Underlying EBITDA
Growth (members/
shareholders)

+22%



Margin Growth
(members/
shareholders)

+4% to 30%



Increase in net operating
cashflow

+48%



Final dividend up

+60%



Revenue Growth

+4%



Total expenses lower

-3%



Reduction in Net Debt

**-27% to 1.0 times
Underlying EBITDA
(members/shareholders)**

Who We Are

Service

Integrated Accounting & Business Advisory, Wealth Management, SMSF and Capital Services with over \$1.1 billion of client funds under management (FUM)

Purpose

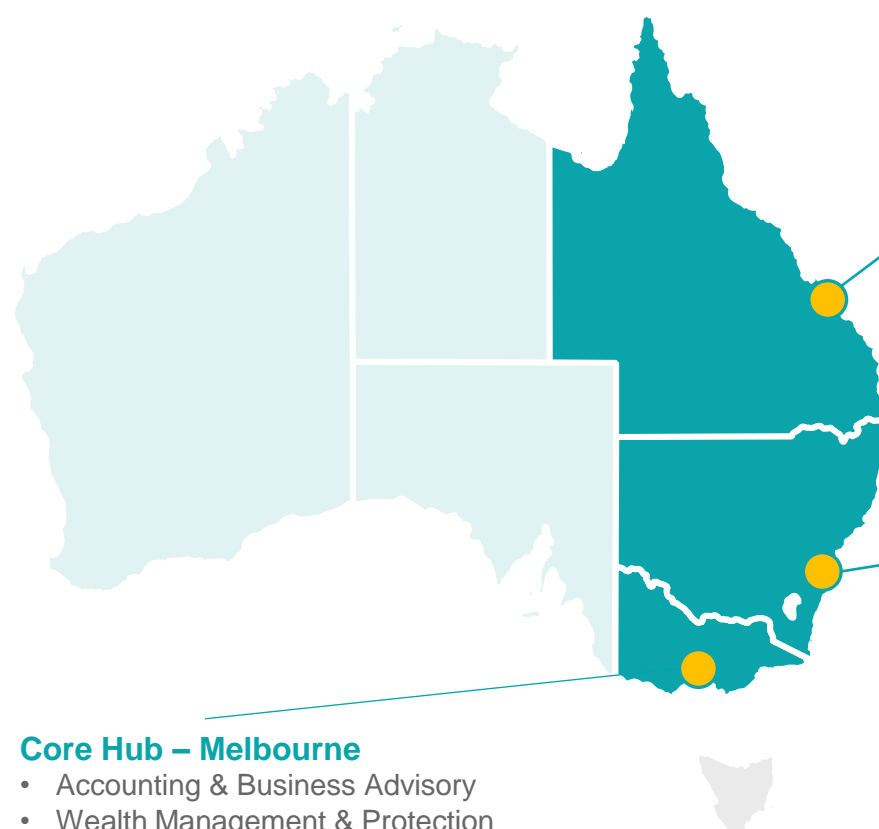
Empowering you to achieve your aspirations

Operations

90+ team members primarily across Melbourne, Sydney and Brisbane

Continued focus on growing three core hubs in Melbourne, Sydney and Brisbane for all four service lines

Centralised Services (IT, Finance, Marketing & HR) based in Melbourne plus an increasing presence in Manila (Philippines) to support back office functions



Core Hub – Brisbane

- Accounting & Business Advisory
- Wealth Management & Protection
- SMSF
- Capital & Corporate Advisory

Core Hub – Sydney

- Wealth Management & Protection
- SMSF
- Capital & Corporate Advisory

Core Hub – Melbourne

- Accounting & Business Advisory
- Wealth Management & Protection
- SMSF
- Capital & Corporate Advisory

Segment Services & Revenue

- Prime operates a direct client advice model under the Prime brand (78% of revenue) and a Wealth Management Joint Venture model with Accounting Firms (co-branded) (22% of revenue).
- 80% of total revenue is generated from existing customers on a recurring basis

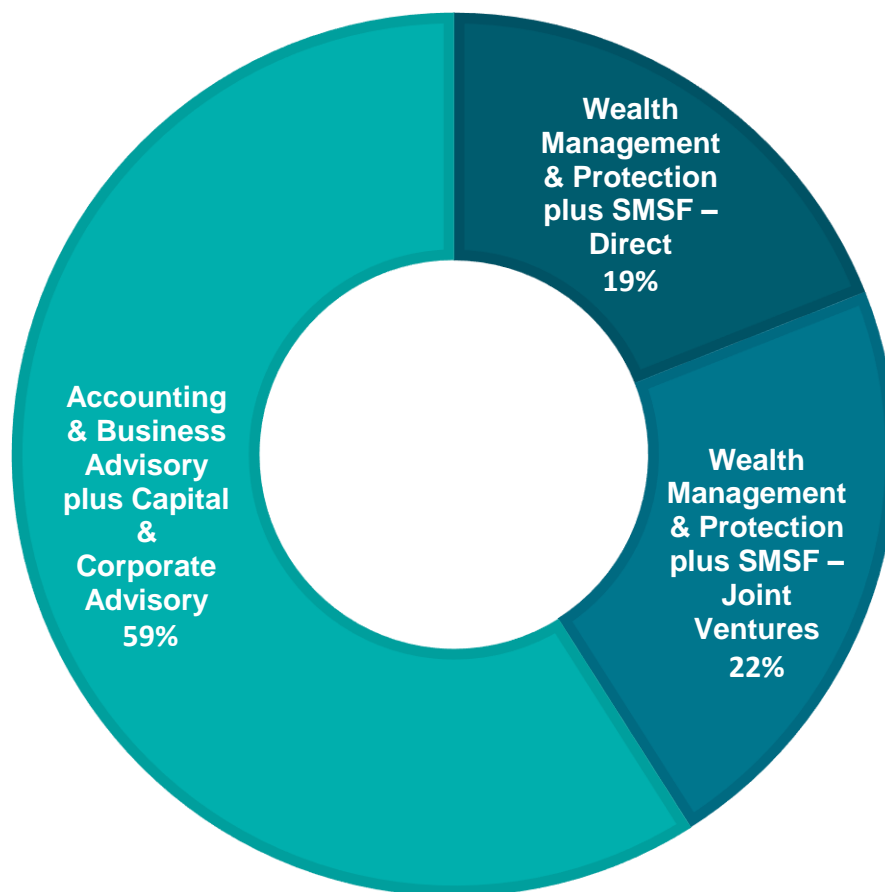
Accounting & Business Advisory plus Capital & Corporate Advisory – 59%

Accounting

- Accounting and Tax Compliance
- Business Growth Advisory & Strategy
- Outsourced CFO & Accounting Services
- Grants & R&D Tax Incentives
- Innovation & Commercialisation Advice

Capital & Corporate Advisory

- M&A Advisory
- Capital Raising
- Other Capital & Corporate Development Services



Wealth Management & Protection plus SMSF – 41%

- Financial Planning & Strategic Advice
- Retirement Planning
- Superannuation Advice
- Investment Advice
- Life Insurance
- SMSF Establishment, Advice, Administration & Compliance

→ Wealth Management & Protection plus SMSF – Direct – 19%

- Prime liaises directly with clients under the Prime brand

→ Wealth Management & Protection plus SMSF – Joint Ventures – 22%

- Joint ventures with small and mid-sized accounting firms
- Most joint ventures are 50% owned by Prime and all are included in Prime's consolidated financial results
- Joint ventures are operated and staffed by Prime's but co-branded with accounting firms

Capital Structure & Comparisons

Prime's Capital Structure

Shares on issue (includes treasury shares) at 30 June 2021	195.3m
Market Capitalisation at 11.5 cents at closing on 16 August 2021*	\$21m
Net debt at 30 June 2021	\$7.1m

Investment Information

FY21	
Share Price**	11.5 cents
Reported EPS	1.69 cps
Reported EPS multiple**	7 times
Dividend per share	0.70 cps
Dividend Yield**	6.1%

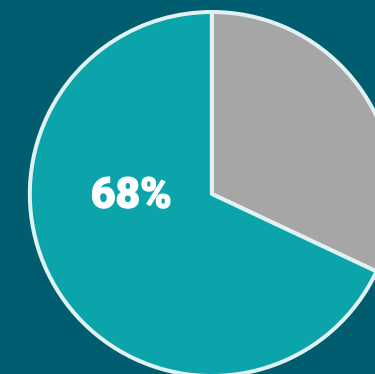
Prime's Comparable Companies

Company	ASX Code	Market Cap*
Kelly Partners Group	KPG	\$153 million
Centrepont Alliance	CAF	\$35 million
Countplus	CUP	\$135 million
Easton Investments	EAS	\$43 million
Sequoia Financial Group	SEQ	\$87 million
Fiducian Group	FID	\$250 million

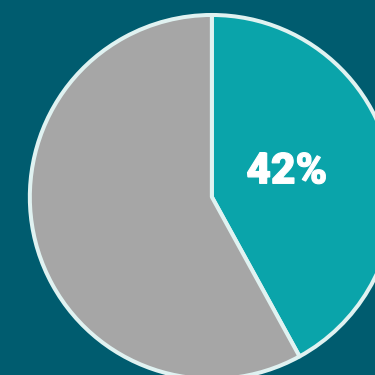
* Market Capitalisation taken at 16 August 2021 closing

** Share Price taken at 16 August 2021 closing

Top 20 Shareholders



Staff & Associate Shareholders



Key Financial Information

FY21 vs FY20



Financial Highlights*	Prime – Members/Shareholders			Prime – Group		
	FY21	FY20	Change	FY21	FY20	Change
Underlying						
Revenue - Contracts with customers	\$22.3m	\$21.5m	4% ↑			
EBITDA**	\$6.8m	\$5.5m	22% ↑	\$7.6m	\$6.4m	18% ↑
Margin	30%	26%	4% ↑	34%	30%	4% ↑
Reported						
EBITDA	\$6.2m	\$5.2m	19% ↑	\$7.1m	\$6.1m	15% ↑
NPAT	\$3.1m	\$2.1m	48% ↑	\$3.7m	\$2.8m	32% ↑
Diluted EPS - cents per share (cps)	1.69	1.21	39% ↑			
Interim Dividend (cps)	0.30	0.20	50% ↑			
Final Dividend (cps)	0.40	0.25	60% ↑			
Full year Dividend (cps)	0.70	0.45	56% ↑			

Prime's key profitability measure is Underlying EBITDA for members/shareholders

Underlying EBITDA for members/shareholders removes the impact of financing costs, movements in items such as depreciation, amortisation and one-off items, and focuses on the earnings available to shareholders

FY21 Underlying EBITDA for members/shareholders includes non-recurring expenses of \$0.52 million vs \$0.39 million in FY20.

*Please see slide 18 for reconciliation of Reported and Underlying EBITDA to NPAT.

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

Note; rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals.

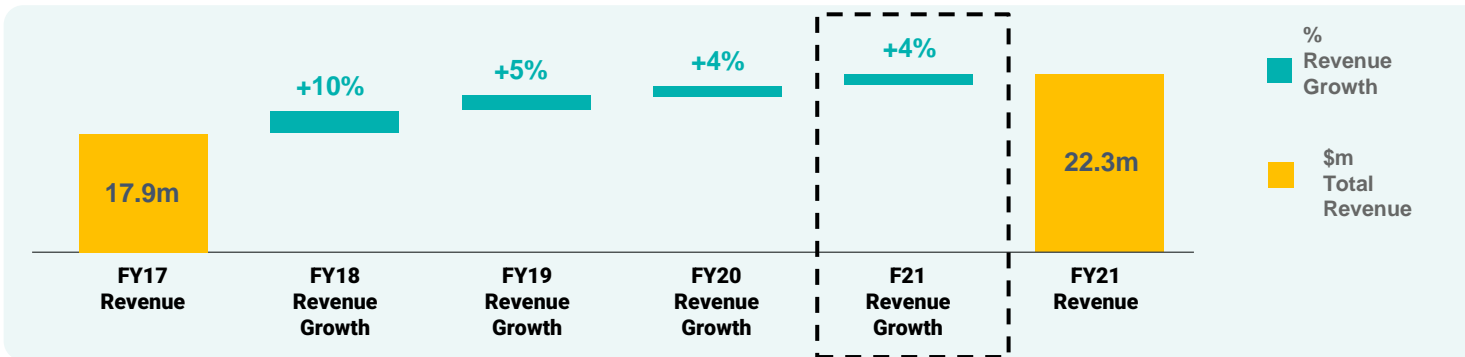
Revenue



Analysis of Revenue – FY21 vs FY20

Revenue			
	FY21 \$m	FY20 \$m	FY21 vs FY20 (%)
Accounting, Business Advisory & Capital	13.2	12.0	10%
Wealth Management & SMSF	9.1	9.5	(4%)
Total Revenue from Contracts with Customers	22.3	21.5	4%

Analysis of Revenue Growth (Contracts with Customers) by Year



Revenue Growth

- Focus on core services in growth segments:
 - Business & Corporate Advisory Services
 - Wholesale & Family Office Wealth Management
 - SMSF
- Additional services for existing clients (OneConnected)
- Expanding through tuck-in transactions in core services (e.g. Alpin Advisory)

Note; rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

**FY19 pre AASB16 Leases Accounting Standard change.*

Revenue - Inorganic Growth

Capital & Corporate Advisory Team Growth (August 2021)

Dan Taylor and David Gulson of Alpin Advisory joined Prime's Capital and Corporate Advisory team in August 2021.

Alpin Advisory (Sydney) is a complementary addition to Prime's existing team and client offering.

Prime is experiencing material growth in demand for Capital & Corporate Advisory services both internally and through external networks, the Alpin Advisory addition allows Prime to accelerate this growth.

This is a no goodwill transaction and initially structured as a revenue sharing and employment arrangement with existing Alpin Advisory engagements and work in progress being assigned to Prime, as agreed by clients.



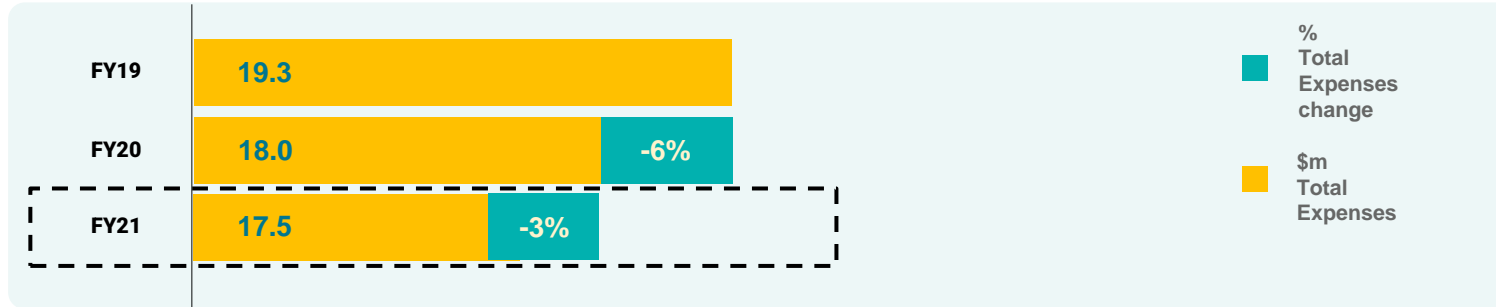
Key Takeaways

- Prime continues to scale and attract key talent and leaders across all four divisions
- A key consideration in this is Prime's ownership and alignment program with shareholders through Prime's Employee Performance Rights Plan

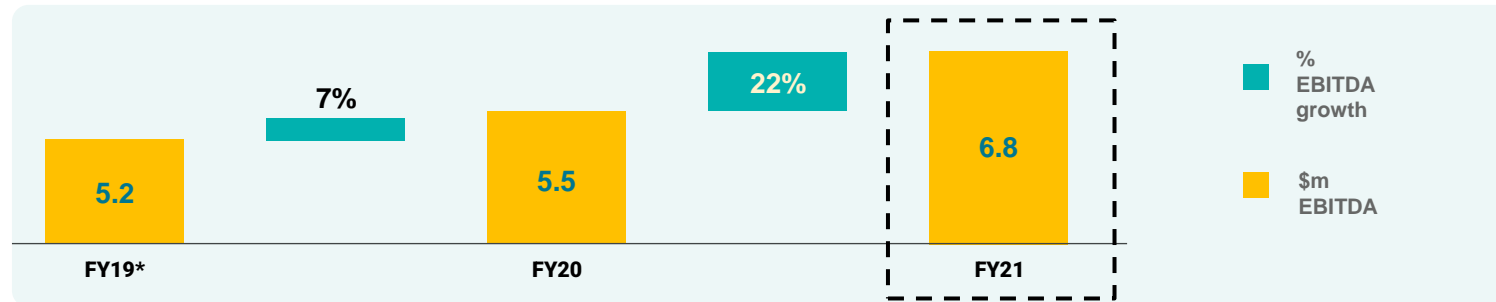


Expenses & EBITDA

Total Expenses by Year



Underlying EBITDA (members/shareholders) by Year



Expense Reduction

- Strong cost controls
- Centralised services structure
- Scaling back-office services overseas, and
- Leverage from IT investment efficiencies and better information flow

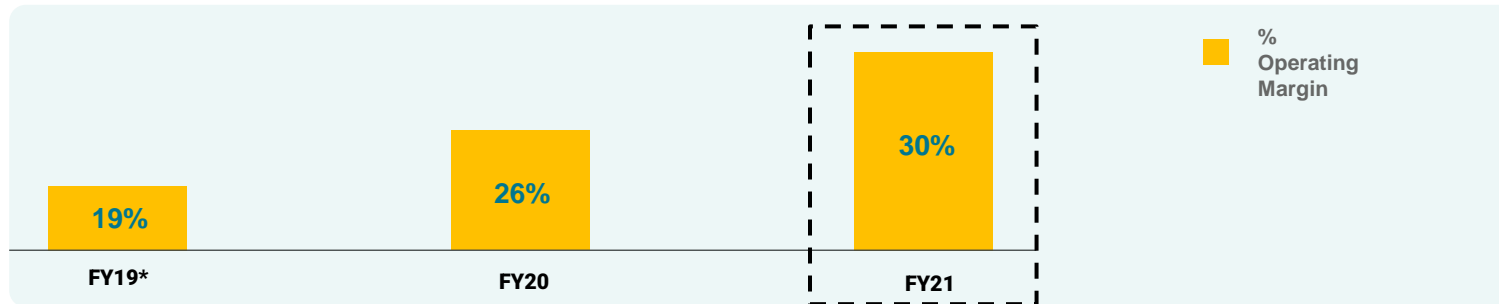
Note: rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

*FY19 adjusted to reflect AASB16 Leases Accounting standard change reflected in FY20 onwards.

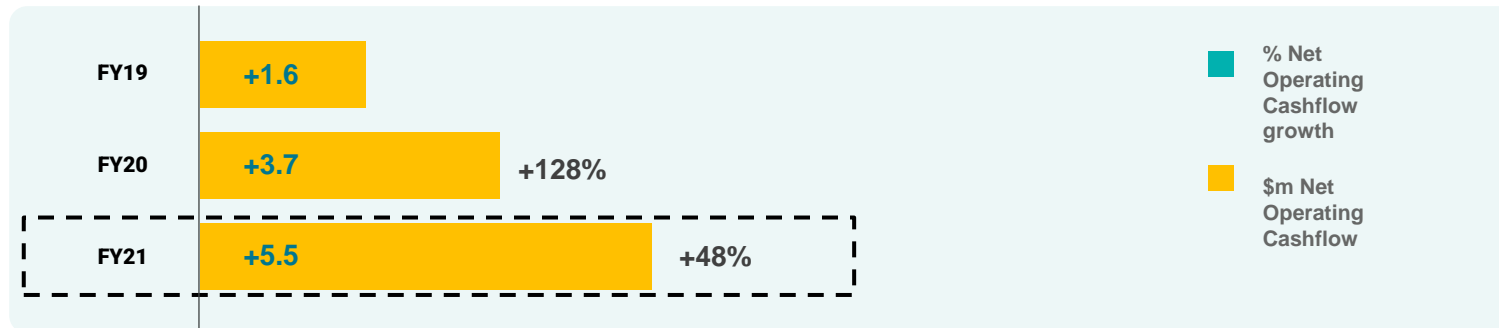


Margin & Cashflow Improvement

Analysis of Operating Margin by Year



Net Operating Cashflow by Year



Key Takeaway

- Margins have been improving through the 'positive jaws' of revenue increases and expense reduction

Note; rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

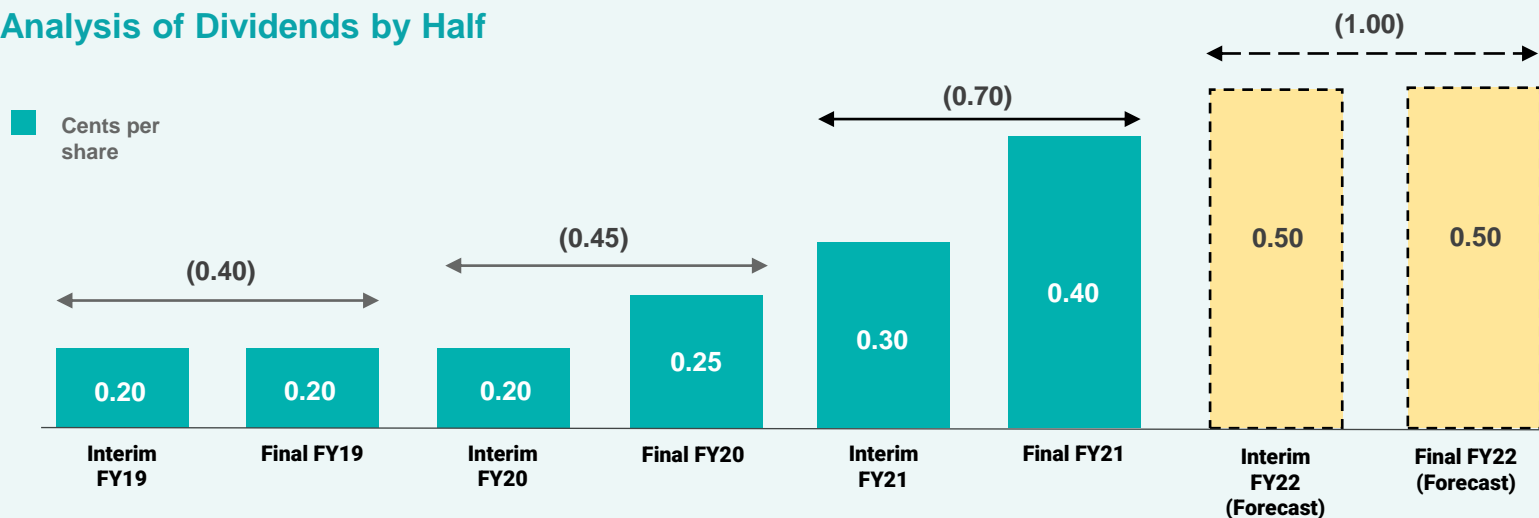
*FY19 pre AASB16 Leases Accounting Standard change.



Dividends

- Target dividend payout ratio of 40 – 60% of reported and maintainable earnings
- FY21 final dividend declared of 0.40 cents per share ('cps') (fully franked) vs final dividend of 0.25 cps in FY20 (+60%)
- FY21 payout ratio of 41% of reported NPAT for members/shareholders
- Dividend Reinvestment Plan ('DRP') continues for the final dividend
- Prime forecasts dividends to continue to increase in FY22 (+40%) vs the previous corresponding period

Analysis of Dividends by Half



Key dates for Dividend and DRP

Dividend

Record Date 6 September 2021

Payment Date 1 October 2021

DRP

Last date for election notices 7 September 2021

DRP pricing period 9 September 2021 to 22 September 2021 inclusive

Balance Sheet, Cash Flows & Net Debt



Balance Sheet

Group	At 30 June 2021 \$m	At 30 Jun 2020 \$m
Cash	0.1	0.1
Total assets	58.3	58.9
Borrowings	(7.2)	(9.9)
Total liabilities	(14.6)	(17.7)
Net assets	43.7	41.2
Non-controlling interests	0.8	1.2
Equity attributable to members/shareholders	42.9	40.0
Group net debt	(7.1)	(9.8)

Cash Flows – Reported

Group	FY21 \$m	FY20 \$m
Operating cash flows	5.5	3.7
Investing cash flows	(0.8)	(1.4)
Financing cash flows	(4.7)	(2.4)
Net increase/(decrease) in cash & cash equivalents	-	(0.1)
Cash	0.1	0.1

Key Takeaways

- Net debt reduction to \$7.1m (-27%) from \$9.8m at 30 June 2020
- Net operating cashflow of \$5.5 million
- Investing cash outflow includes business acquisitions and development expenditure
- Financing cash outflow was substantially due to repayment of borrowings, dividends paid to members/shareholders & to non-controlling interests and lease liabilities, partially offset by Treasury share transfers and drawdown of the debt facility
- Prime was targeting a net debt to Underlying EBITDA ratio of 1.0 - 1.5 times in FY21 (currently 1.0 times)

Note; rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

Clients and the Community

Clients

- In 2021, **Prime's Net Promoter Score (NPS) improved by 34%**, a top quartile performance when measured against the 2019 survey.
 - ✓ **Accounting & Business Advisory +54** (an improvement of 15)
 - ✓ **Wealth Management NPS +41** (an improvement of 12)
- As part of supporting Prime clients and their broader network and community, Prime continued the Business Owner and Wealth Management Forums initiated in FY20 along with regular education for SMSF trustees. All of these sessions were available free of charge for participants and their networks.

Community

- For our team we continued with our Employee Giveback Program, offering a paid voluntary leave day to support a preferred charity of the team member's choice.
- Prime were also pleased to support and sponsor the MayDay Charity Event again in FY21, which was successful in raising funds for the EB Research foundation.

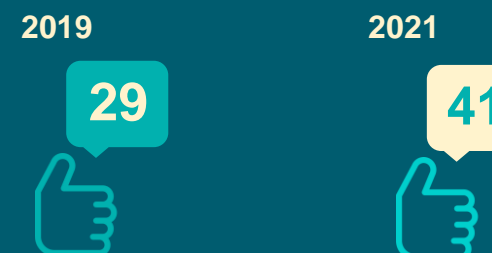
Note: Net Promoter Score (NPS) is a widely used market research metric that takes the form of a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service to a friend or colleague.



Accounting & Business Advisory NPS



Wealth Management NPS



Strategic Plan

'ONECONNECTED' PROFESSIONAL SERVICES FIRM

Purpose

Empowering you to achieve your aspirations

Goal

To be the leading integrated advice firm of the future

How

Helping our clients and business partners access advice, services, grants, networks, education, expertise and capital

AREAS & OBJECTIVES

Financial

Grow Underlying EBITDA for members/shareholders whilst improving dividends and scaling the firm

People

Build a team that adds value to clients through proactive, goal oriented advice

Technology

Utilise business operations data and technology to continue to improve client experience and deliver Prime's business strategy

Customer & Community

Provide clients with advice and services through OneConnected firm

Positively contribute to our community delivering value through an evolving set of programs

FY22 KEY PRIORITIES

Growth

- Continue to integrate Prime's client base - OneConnected firm and service offering
- Deliver additional business and corporate advisory services for Business Owners and Businesses
- Promote Prime's Wholesale & Family Office Wealth Management plus the SMSF capability
- Inorganic growth and tuck-in opportunities

People & Culture

- Further develop and empower our people to confidently advise our clients and engage - client service is a priority
- Increase team ownership and alignment with shareholders through Prime's Employee Performance Rights Plan

Systems & Efficiency

- Enhance efficiency, service delivery and growth through business intelligence and enablement software and systems in OneConnected environment

Outlook for Members/Shareholders – FY22

- ✓ Increased Earnings & Revenue Growth
- ✓ More actively exploring Growth Opportunities
- ✓ Increased dividends - Forecast to increase from 0.70cps (FY21) to 1.00cps (FY22) +40%
- ✓ Debt to decrease from 1.00 times Underlying EBITDA for members/shareholders to 0.50 – 1.00 times
- ✓ Consideration of Capital Management initiatives
- ✓ Closer alignment between shareholders and the Prime team through equity and business ownership
- ✓ Review of the existing Board Structure, and
- ✓ Continued prioritisation of people, client service and compliance

Appendices

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EBITDA & NPAT

Attributable to Members/Shareholders Reconciliation

\$'000 AUD	FY21	FY20
Reported net profit after tax from operations (Group)	3,690	2,787
Add: Tax expense	1,160	724
Add: Interest expense/(income)	443	541
EBIT (Group) *	5,293	4,052
Add: Depreciation	54	188
Add: Amortisation	1,734	1,897
Reported EBITDA (Group) **	7,081	6,137
Non-recurring expenses	523	390
Share based payment expenses/(benefit)	(28)	(113)
Fair value movements/adjustments on financial assets / contingent consideration	37	25
Gain/(Loss) on lease modification	(1)	-
Underlying EBITDA (Group)	7,612	6,439
Underlying EBITDA (members/shareholders)	6,778	5,534
Reported EBITDA (members/shareholders)	6,247	5,232

* EBIT is defined as earnings before interest and tax.

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

Experienced Board



Simon Madder
Chief Executive Officer, Managing Director & Chairman

- Co-founder, Managing Director & CEO of Prime Financial Group Ltd (Prime) since 1998
- 23 years' experience in Wealth Management & Accounting Services across Operations, Strategy & Acquisitions
- **Share Ownership: 29.1m (15.0%)**



Matt Murphy
Executive Director (effective 3 July 2020) & Managing Director – Accounting & Business Advisory

- Joined Prime in 2016 and an important part of Prime's vision as OneConnected professional services firm
- Experienced Leader, Accountant and Business Adviser with 20+ years' experience across Business, Accounting and Taxation Advisory services
- **Share Ownership: 13.6m (7.0%)**



Tim Bennett
Executive Director (effective 3 July 2020) & Managing Director – Capital

- Established the Capital & Corporate Advisory division. Prior to joining Prime, Tim was a partner at a 'Big 4 Firm' leading a Mergers & Acquisitions group
- Chartered Accountant with 13+ years' specialist M&A experience having advised on a range of transactions, across all industry sectors
- **Share Ownership: 0.0m (0.0%) – equity forecast to be received in October 2021**

Contact



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