



Prime Financial Group Ltd (ASX: PFG) – Half Year 2018 Results Presentation

28 February 2018

Overview

H1 2018 Key Highlights

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

* 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.

H1 2018 Key Highlights

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 sponsorship 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

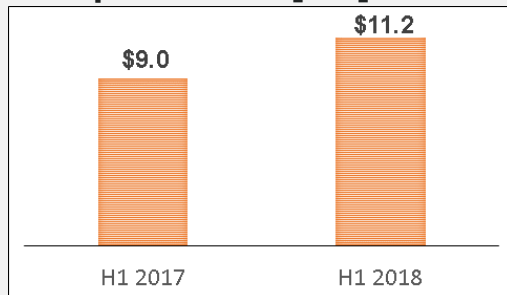
Building Partnerships

- 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 to Prime's Accounting & Business Advisory, Wealth Management and Capital divisions

Financial Information

H1 2018 Performance Highlights

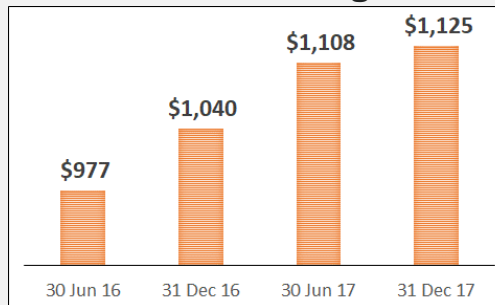
Group Revenue [\$m]



+25%
Vs H1 2017

Significant revenue growth driven by impact of Altezza Partners acquisition and strong organic growth

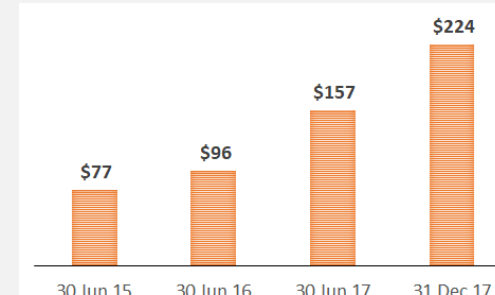
Funds Under Management (FUM) [\$m]



+2%
Vs 30 June 2017

FUM growth was muted in H1 2018 but Prime remains confident of strong organic and inorganic growth

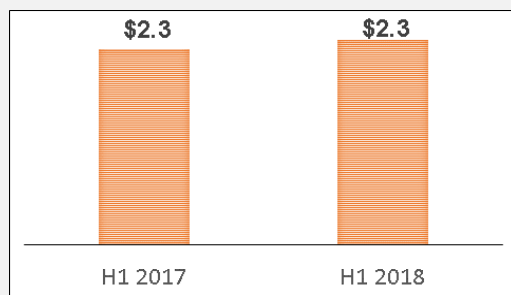
Separately Managed Accounts (SMA) FUM [\$m]



+43%
Vs 30 June 2017

SMA strategy successfully delivered with benefits including margin efficiencies, a better product offering for clients and a platform for growth

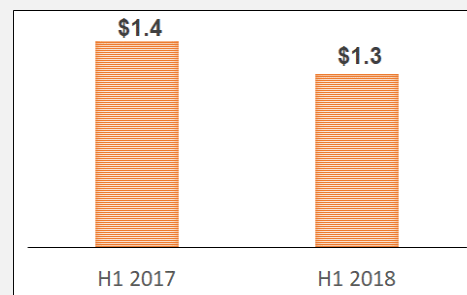
Underlying EBITDA attributable to members [\$m]



Flat
Vs H1 2017

Underlying EBITDA remained consistent with H1 2017 despite investment in New Products/Services, Finance, IT, Data and Business Development

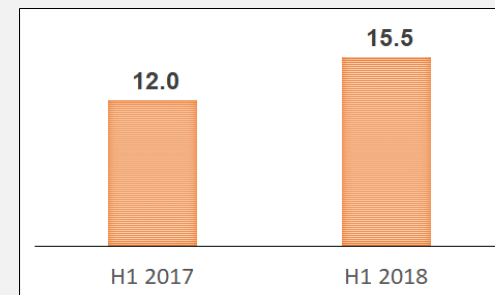
Underlying NPAT attributable to members [\$m]



-10%
Vs H1 2017

Underlying NPAT attributable to members reduced mainly due to the investments in key areas, increased depreciation and interest expense

Share Price [cents per share]



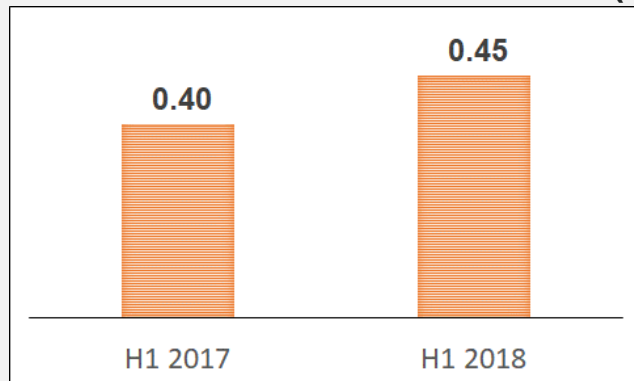
+29%
Vs 1 January 2017


Share price increased by 29% over the past 12 months from 01 January 2017 to 31 December 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 reconciliation of Underlying NPAT and Reported NPAT

Dividends

H1 2018 versus H1 2017 Dividend (cents per share):




+12.5%
Vs H1 2017

Key Dividend Dates:

Interim dividends:

Record date for determining entitlements to the dividend
Payment date for Interim dividend

Date

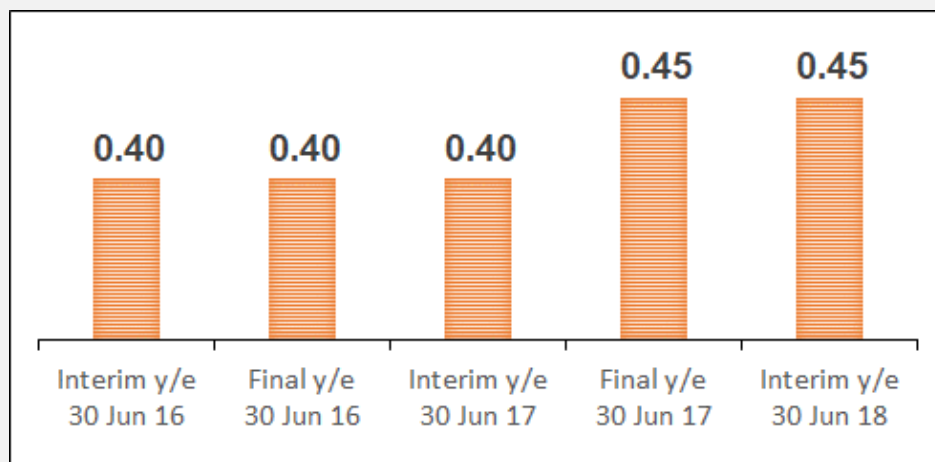
3 April 2018
27 April 2018

Final dividend:

Expected payment date for final dividend

October 2018

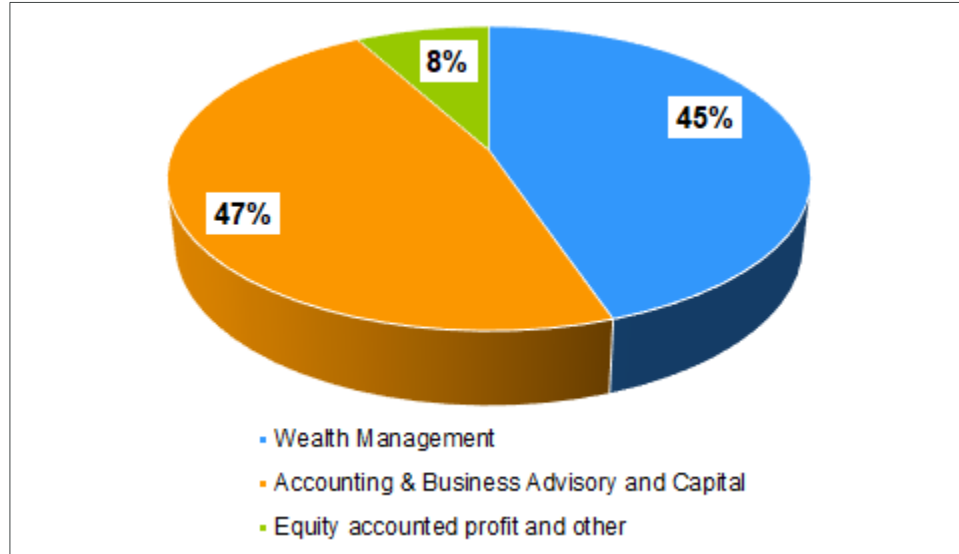
Analysis of Dividend (cents per share) from FY16 to H1 2018:



*All of the dividends
were fully franked*

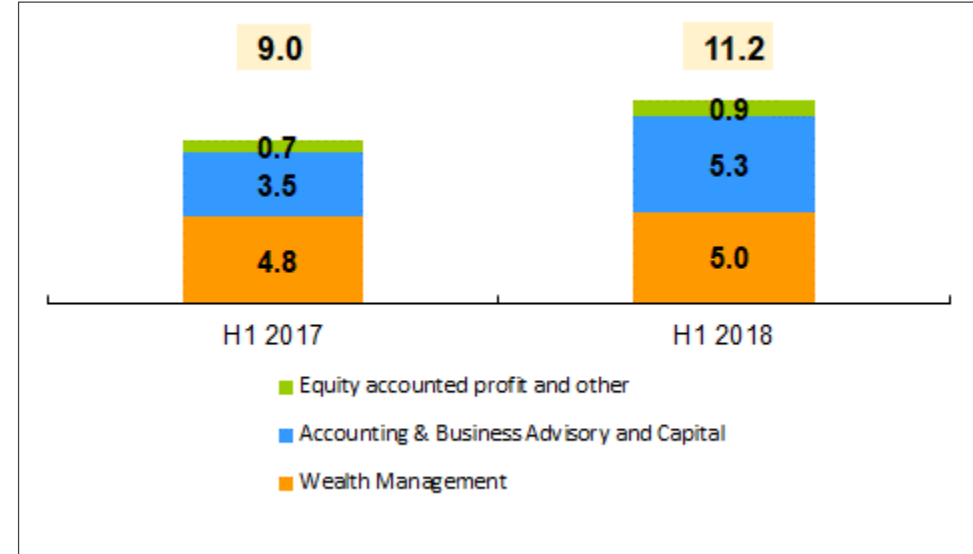
H1 2018 Revenue

H1 2018 Revenue by Source (%):



- FY17 acquisition activity has diversified Prime's revenue base with Accounting & Business Advisory and Capital revenue growing to 47% of total revenue in H1 2018
- More than 90% of Group revenue continues to be generated from recurring revenue streams
- In H1 2018 there was continued development of new products and services in particular in business advisory, wealth management and capital

H1 2017 vs H1 2018 Revenue by Source (\$m):



- Revenue growth across all divisions including above inflation growth in core areas
- Strong pipeline of sell side capital mandates

H1 2018 Balance Sheet & Cash flow

- Balance sheet remains strong
- Group net debt at 31 December 2017 was \$0.4 million higher than 30 June 2017
- Operating cash flow for H1 2018 was \$1.7 million

Balance Sheet

\$m Group	At 31 Dec 2017	At 30 Jun 2017 *
Cash	0.6	0.6
Total assets	61.7	64.1
Borrowings	(9.0)	(8.6)
Total liabilities	(17.2)	(16.6)
Net assets	44.4	47.5
Non-controlling interests	5.5	5.9
Equity attributable to members of the parent	38.9	41.6
Group net debt	(8.4)	(8.0)

Cash flow

\$m Group	H1 2018 Reported	H1 2017 Reported
Operating cash flow	1.7	1.9
Investing cash flow	(1.2)	(2.2)
Financing cash flow	(0.5)	(0.7)
Net cash flow	(0.0)	(1.0)
Cash at 31 December	0.6	0.3

Update on Employee Share Plan Accounting

- **Loan Plan Summary**

- Prime has provided executive directors and employees with loans to acquire Prime shares
- No more shares are expected to be allocated to the Prime Employee Share Plan (ESP) loan scheme, and in July 2017 shareholders approved a new Performance Rights Plan
- At 31 December 2017, the balance of the loans was \$4.0 million. Prime expects these loans to be repaid on the loan repayment dates. This will provide Prime with future funding for growth

- **Disclaimer of Audit Opinion**

- 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 ESP accounting
- Prime was very disappointed with the disclaimer audit report, particularly considering the previous auditor's issuance of unqualified audit opinions in each of the last four years

- **Resolution of Disclaimer Audit Opinion / ESP Accounting Review**

- Prime took the following actions to resolve the disclaimer of audit opinion:
 - Appointed an independent expert to provide advice on the accounting of the ESP and valuation of share options
 - Strengthened Prime's finance function
 - Appointed Ernst & Young as Prime's auditor to address audit quality concerns

- **Impact of ESP Accounting Review**

- The accounting treatment of the PFG ESP has now been finalised and resulted in a restatement of Prime's FY17 financial statements
- The restatement resulted in net assets increasing at 30 June 2016 and 30 June 2017 and a reduction in profit in FY17. The profit adjustments are substantially non-cash items

Strategic Update

Strategic Objectives

Purpose	Prime exists to support business owners, entrepreneurs and growth orientated people to realise their dreams, build and manage their wealth and access capital
Goal	To be the leading integrated advice firm of the future
How	Prime helps its clients and business partners access advice, services, grants, networks, education, expertise and capital
Area	Strategic Objective
Financial	Grow revenue to \$50 million, FUM to \$3 billion and increase Prime’s underlying EBITDA and earnings per share
Clients	Provide clients with access to growth oriented opportunities and wealth management
People	Build a team that adds value to clients through proactive, goal oriented advice
Technology	Invest in the future by utilising data and technology to improve the client experience and deliver Prime’s business strategy

Strategic Initiatives

Key Strategic Initiatives	
Organic Growth	Deliver strong organic growth across all areas and improve Underlying EBITDA margin via cost efficiencies from scale and technology investment
Acquisitions	Execute acquisitions which are earnings accretive, strategically important, improve scale or create additional value for Prime's clients
Capital & Partnerships	Become the partner for entrepreneurs and high growth businesses by providing access to advice, services, networks, education, expertise and capital
Wealth Management	Provide clients with wealth management advice and unique growth opportunities whilst protecting their capital
People	Embed a client first growth culture to provide an integrated offering which continually adds value
Data	Enhance data analytics to deliver real time insights and identify actions to add value to clients and Prime's team
Systems	Build systems and automation to improve efficiency and client experience

Organic Growth Strategy

Prime's Organic Strategy will be driven by the following:

- Becoming the primary capital and services partner to entrepreneurs and business owners (Dream to Realisation)
- Delivering more services, advice and value to new and existing clients
- Build and source unique products and services for growth oriented people
- Develop an operating platform to support higher margin organic growth by leveraging scale and technology
- Planned technology enhancements will provide both internal efficiencies and revenue opportunities through better client visibility
- Continued development of relationships with 30+ accounting firm network, primarily in relation to superannuation and wealth management advice, but also grants and capital
- Identification of new business partners to join the Group
- Embedding a client first, business development and entrepreneurial culture which continually adds value for clients
- Create more partnerships such as VentureCrowd and Investible to help deliver cross divisional organic growth
- Recruit experienced team members including M&A professionals for the Capital division

Acquisitions Strategy

Integration of FY17 acquisitions complete and strong acquisition pipeline

Integration of MPR & Altezza

- In the last 18 months Prime has successfully acquired and integrated MPR and Altezza
- Both businesses (now part of the Accounting & Business Advisory division) are performing in line with expectations and have been a strong cultural fit for Prime
- The businesses are operating under the Prime brand

Future Acquisitions

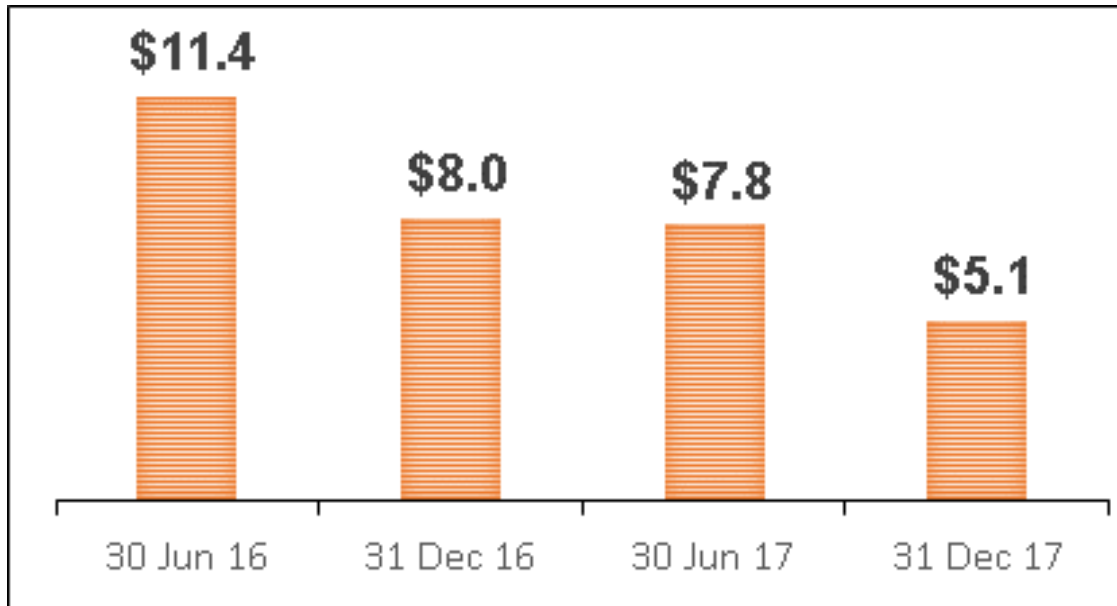
- Prime has a strong pipeline of acquisitions
- Acquisitions must be earnings accretive, strategically important, improve scale or create additional value for Prime's clients
- Prime has invested in Finance, IT and Data teams and systems to build infrastructure to maximise value from future acquisitions
- Future acquisitions are expected to be funded through issuing Prime shares
- Key criteria for potential acquisitions is as follows:
 - Prime purchases 100% or a controlling equity stake with option to purchase 100% of equity within 1-3 years
 - Portion of consideration is expected to be in Prime shares and/or deferred consideration based on agreed performance targets
 - Rationale for transaction would not usually be a succession plan for existing owners
 - Transition to the Prime brand immediately or within 12-18 months of acquisition
 - Business must have a cultural alignment to Prime

Acquisitions Strategy

Continued Progress on Divestment of Equity Accounted Investments

- Prime's acquisition strategy is to acquire operating businesses which it can integrate and grow
- Prior to FY17, Prime's strategy was to acquire minority equity stakes in accounting firms as part of its integrated advice strategy
- Prime is successfully delivering its strategy to dispose of these minority investments as demonstrated by the reduction in investments accounted for using the equity method:

Analysis of Investments Accounted For Using the Equity Method [\$m]



Partnerships

- Prime is investing in the future by creating strategic partnerships with Groups which provide the following:
 1. **Sources of Capital** for Prime's business owner and entrepreneur clients; and
 2. **Alternative Investment Opportunities** for Prime's wealth management clients.
- Providing access to capital solutions for clients is expected to drive organic cross divisional growth.
- The following are two new partnerships created in the half year ended 31 December 2017:



- Investible is an early-stage investment group that provides high potential founders the financial capital and entrepreneurial development and support needed to scale
- The benefits of Prime's partnership with Investible includes the following:
 - Prime clients will be able to access Investible's services and resources;
 - The arrangement includes a services arrangement whereby Investible clients will have access to Prime's services; and
 - Prime is also partnering with Investible to set up an early stage venture capital fund. The fund will provide an alternative investment option for Prime's wealth management clients and provides a potential source of capital for Prime's entrepreneur and business owner clients



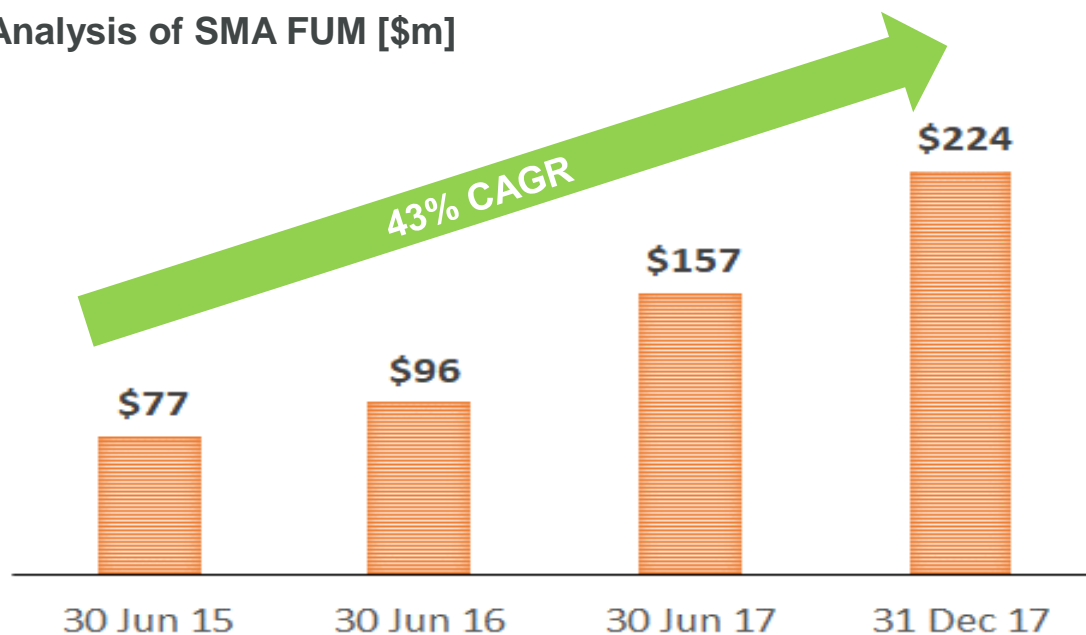
- VentureCrowd is a crowdfunding and alternative asset investment platform that provides access to investment opportunities in alternative assets
- The benefits of Prime's partnership with VentureCrowd includes the following:
 - Prime's services are promoted to entities seeking to list on its platform;
 - The VentureCrowd platform provides an additional source of capital for Prime's entrepreneur and business owner clients; and
 - VentureCrowd provides an alternative investment option for Prime's wealth management clients

Systems Strategy

Separately Managed Accounts Strategy Successfully Delivered

- Separately Managed Accounts (SMA) strategy has been successfully delivered
- The benefits include scalability, margin efficiencies and an enhanced product offering for clients
- SMA Funds Under Management ('FUM') continued to increase from \$157 million at 30 June 2017 to \$224 million at 31 December 2017

Analysis of SMA FUM [\$m]



Prime SMA Portfolio Performance (To 31 December 2017)

PRE-FRANKING CREDITS	1 YEAR AVERAGE	5 YEAR AVERAGE
Prime Australian Equity Growth Portfolio	11.95%	11.23%
S&P/ASX200 Accumulation Index	11.78%	10.22%
Prime value added	0.17%	1.01%
Prime Diversified Income SMA*	6.15%	n/a
RBA Cash Rate + 3%	2.27%	n/a
Prime value added	3.88%	n/a
Prime Australian Defensive Income Portfolio	5.37%	5.02%
Bloomberg Bank Bill Index	1.74%	2.32%
Prime value added	3.63%	2.70%
Prime International Growth Portfolio**	18.66%	n/a
MSCI World ex-Australia in AUD	12.62%	n/a
Prime value added	6.04%	n/a

* From inception Q1 FY 2018

** From inception Q3 FY 2016

Community

Community Give Back

The Captain's Ride

Prime is proud to have been the major sponsor of this event in 2017

The Captain's Ride is the highlight of **The Steve Waugh Foundation's** annual campaign to raise significant funds and champion the stories of and provide life changing support to children and young adults affected by a rare disease

The Ride tests riders mental and physical strength, while fostering a sense of camaraderie and teamwork. The significant and symbolic route is mapped out specially to meet the objectives of a life changing experience

In addition to platinum sponsor standing on all event signage, outfits and collateral, Prime received the opportunity of having Steve Waugh AO present to the entire Prime team on leadership and teamwork

Promotion during the leadup and running of the event received substantial reach and an equivalent advertising value worth several million dollars across national TV, radio and newspaper outlets



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Appendices

Prime At A Glance



ASX Listed

- Established in 1998
- Accounting & Wealth Management heritage
- At 31 December 2017, Prime directors, team members and related parties owned c.45% of issued Prime shares



National Presence

- 90+ team members across Melbourne, Sydney, Brisbane, Perth and Cairns
- Personalised and integrated advice
- Leading capital and services partner to entrepreneurs and business owners
- Building wealth and managing \$1.1 billion for clients



Business Model

- Prime offers integrated Accounting, Business Advisory, Wealth Management and Capital services:
 - Direct to clients; and
 - Through partnerships with 30+ accounting and advisory firms which have 30,000+ clients

Services We Offer



- Accounting & Tax Compliance
- Director & Board Services
- Management Advisory
- Start Up Services
- Outsourced CFO & Accounting Services
- SME Advisory
- Grants & Tax Incentives
- Innovation & Commercialisation



- Financial & Retirement Planning
- Investment Advice
- Life Insurance
- Estate Planning, incl. Legal Services
- Superannuation incl. SMSF
- Lending & Finance
- Budgeting & Cashflow



- Corporate Advisory
- Transactions & Restructuring
- Capital Raising

Strong, Entrepreneurial & Experienced Board

The Board has the background, proven track record & vision to succeed



Simon Madder
Managing Director
& CEO

Co-founder, Managing Director & CEO of Prime Financial Group Ltd (Prime) since 1998

20 years' experience in Wealth Management & Accounting Services across Operations, Strategy & Acquisitions



Paul Cowan
Independent Non-Executive
Chairman

Executive Director River Capital (Funds Management)

Previously Director of Brumby's Bakeries Holdings Ltd and Cash Converters International Ltd

Chartered Accountant with 30+ years' experience inc. Funds Management & Corporate Advisory



Peter Madder
Executive Director
& CFO

Previously Managing Partner of two Accounting Firms

Chartered Accountant with 50+ years' experience in Corporate Structuring & Acquisitions, Finance & Operations



Tim Carroll
Independent Non-Executive
Director

CEO of BUCKiTDREAM Inc (Entertainment & Digital Marketing Company)

Previously Chief Global Marketing Officer Village Roadshow Corporation (2000 to 2011)

20+ years' experience in Marketing & Customer Relationship Management

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

EBITDA reconciliation:

\$000 AUD	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:

\$000 AUD	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

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