



Prime Financial Group Ltd (ASX: PFG)

Half Year 2019 ('1H19') Results Presentation

27 February 2019



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Key Points

- ✔ Organic revenue growth from new services and past acquisitions materialising
- ✔ Integration prioritised over acquisition in following 12 months
- ✔ 100% owned and operated full-service firm across Melbourne, Sydney and Brisbane
- ✔ Hayne Royal Commission recommendations a net positive for Prime
- ✔ Target double digit earnings growth with improving 2H19 revenue
- ✔ Positive growth outlook as one consolidated and integrated firm

1H19 Highlights



01

Focused Growth

- Revenue growth materialising
- Scaling through team and client integration
- Selectively acquiring (pause for 12 months)
- SMSF and Capital Advisory key growth components in 1H19



02

Leveraging existing Platform

- Three core hubs in Melbourne, Sydney and Brisbane are the focus, with room to grow
- Only core capability not available across key hubs is Accounting & Business Advisory in Sydney



03

Integration to Accelerate

- Acquisition of Corporate Advisory entities (July 2018) complete and growing
- Melbourne office co-location on 1 June 2019 (70%+ of Prime National team) will facilitate better integration



04

Divestments and Focus on Core

- Divestment of minority equity interests in Accounting Firms and investment vehicle (PWM) to complete by June 2019



05

Key Takeaways

- Strong existing client base
- Most existing client's only receive 1 of 3 possible services
- Next 12 months will be internally focused before considering next round of acquisitions
- Priorities include; client and team integration, operating cashflow, net debt reduction and margin improvement

Key Financial Metrics

1H19* versus 1H18:

Company	1H19	1H18	Movement***		
Revenue - contracts with customers (Reported)	\$10,448k	\$10,278k	↑	\$170k	2%
Total Revenue (Reported)	\$11,104k	\$11,172k	→	(\$68k)	(1%)
EBITDA** – Members (Reported)	\$1,693k	(\$1,092k)	↑	\$2,785k	255%
EBITDA** – Members (Underlying)	\$2,090k	\$2,311k	↓	(\$220k)	(10%)
NPAT – Members (Reported)	\$734k	(\$1,309k)	↑	\$2,042k	156%
NPAT – Members (Underlying)	\$1,336k	\$1,310k	↑	\$27k	2%
Diluted EPS – Members (Reported)	0.43 cents per share	(0.76) cents per share	↑	1.20	157%
Diluted EPS – Members (Underlying)	0.79 cents per share	0.76 cents per share	↑	0.03	3%
Interim Dividend	0.20 cents per share	0.45 cents per share	↓	(0.25)	(56%)

*Note the P&L metrics included above have been derived from the 1H19 Financial Report 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 slide 8 for reconciliation of Reported and Underlying NPAT and EBITDA

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

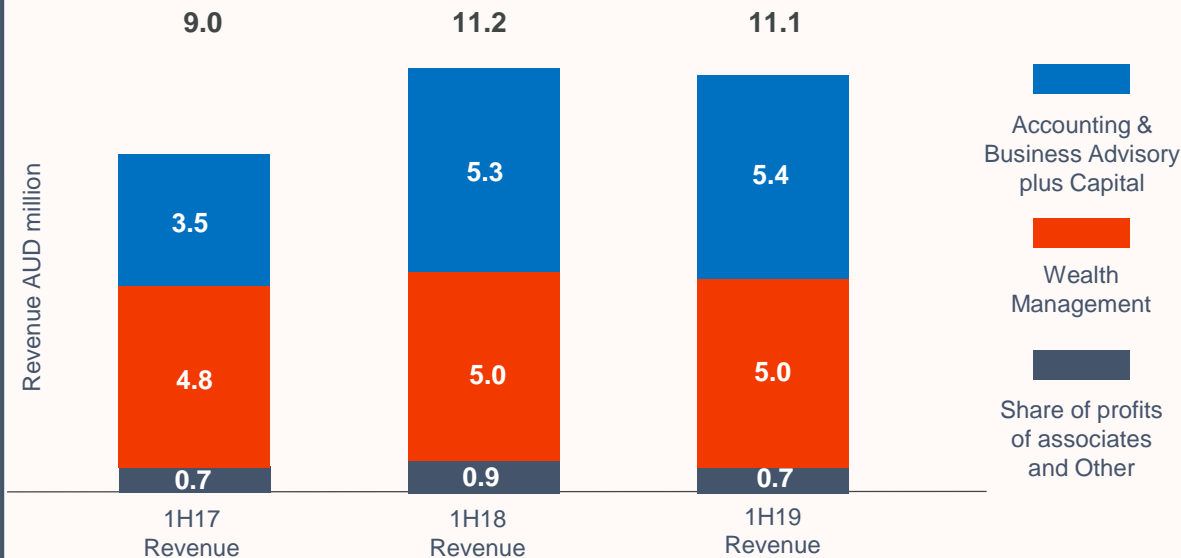
***Note to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

1H19 Revenue

How are we growing?

- Focus on integration of own operations in Accounting & Business Advisory, Wealth Management and Capital Services in Melbourne, Sydney and Brisbane
- Improve and grow partnerships with Accounting Firm's
- Expansion of SMSF and Capital Services to direct clients and Accounting Firm clients

Analysis of Revenue Growth – 1H17 to 1H19

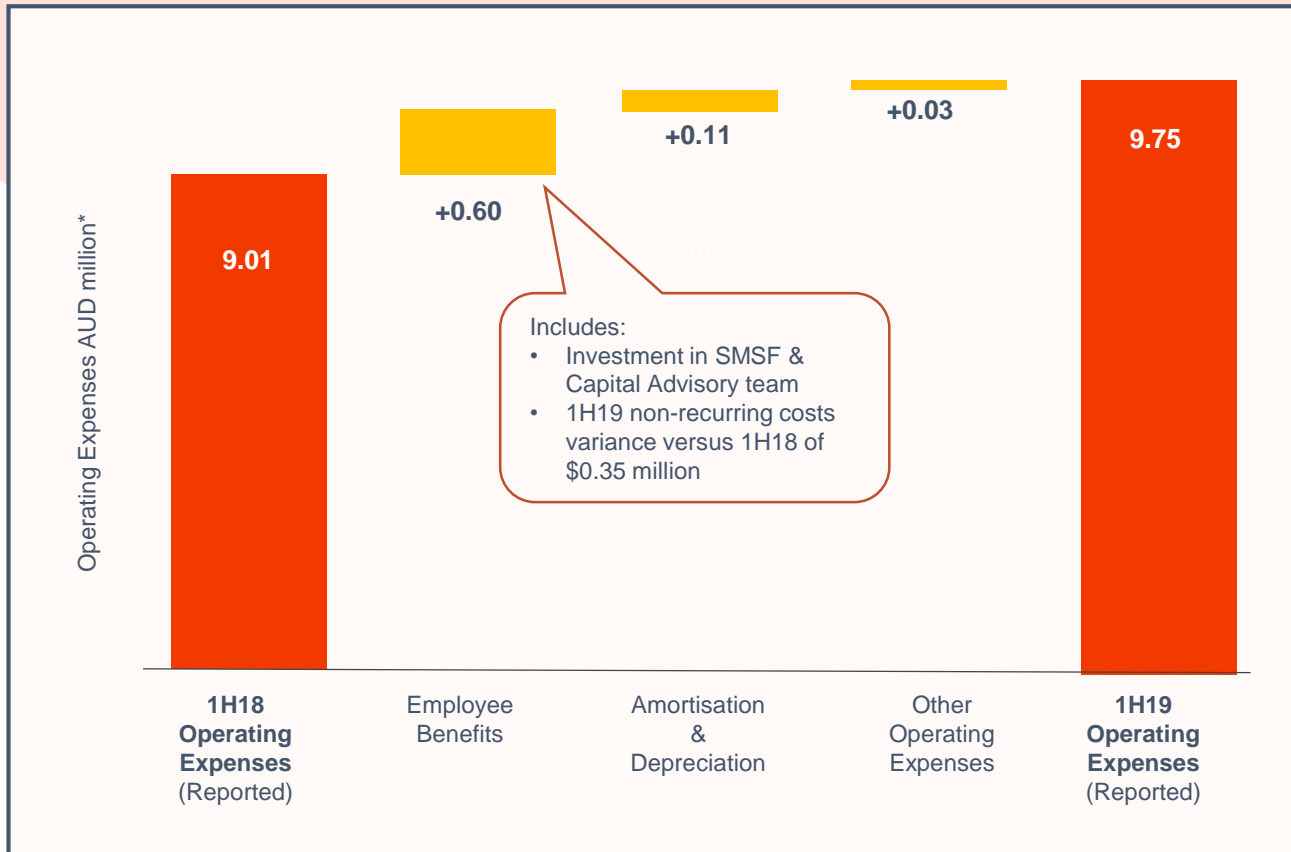


- Expect (subject to timing) 2H19 revenue to be in line with 1H19 (up on 2H18)
- SMSF services (Wealth Management) growing with +\$700k of additional revenue expected over the next 12 months
- Capital Advisory acquisition and organic growth has seen new business pipeline triple versus 1H18

1H19 Expenses



Of the \$0.74 million increase in expenses, 81% relates to employee benefits of which half are non-recurring in nature



EBITDA & NPAT Attributable to Members **Reconciliation**

EBITDA reconciliation:

\$000 AUD	1H19	1H18
Profit after tax from operations (Group)	1,286	(637)
Add: Tax expense	325	(273)
Add: Interest expense/(income)	281	247
EBIT *	1,892	(663)
Add: Depreciation	129	117
Add: Amortisation	435	338
EBITDA **	2,455	(208)
Adjustments:		
Business acquisition costs, restructuring costs and non-recurring professional fees	653	329
Share based payment expenses/(benefit)	(267)	(48)
Fair value adjustment on contingent consideration	10	46
Loss on disposal of investment	-	773
Impairment losses	-	2,303
Underlying EBITDA **	2,852	3,195
Underlying EBITDA attributable to members	2,090	2,311

NPAT attributable to members reconciliation:

\$000 AUD	1H19	1H18
NPAT attributable to members - Reported	734	(1,309)
Business acquisition costs, restructuring costs and non-recurring professional fees	653	329
Share based payment expenses/(benefit)	(267)	(48)
Fair value adjustment on contingent consideration	10	46
Loss on disposal of investment	-	773
Impairment losses	-	2,303
Amortisation	435	338
Tax on above items and alignment of underlying tax rate to 27.5% (1H18: 30%)	(229)	(1,122)
NPAT attributable to members - Underlying	1,336	1,310

1H19 Balance Sheet & Cash Flow

- ✓ Operating cash flow was +\$1.6 million
- ✓ Investing cash flow of (\$3.2) million includes the PWM share buy-back and dividends paid out
- ✓ Finance cash flow was substantially the drawdown of the debt facility

BALANCE SHEET

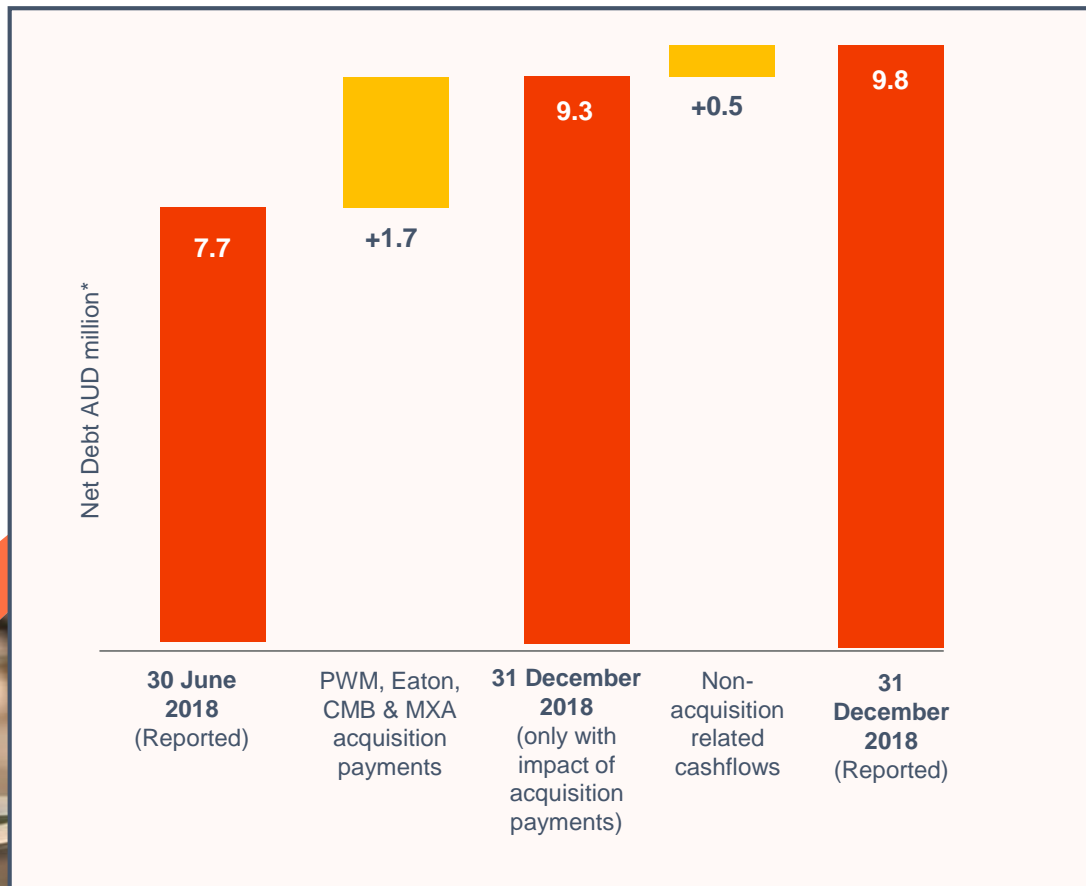
Group (AUD million)	At 31 Dec 2018	At 30 Jun 2018*
Cash	0.1	0.9
Total assets	58.9	60.5
Borrowings	(9.9)	(8.6)
Total liabilities	(20.4)	(20.7)*
Net assets	38.5	39.8*
Non-controlling interests	3.2	6.1
Equity attributable to members of the parent	35.3	33.7
Group net debt	(9.8)	(7.7)

CASH FLOW

Group (AUD million)	1H19 Reported	1H18 Reported
Operating cash flow	1.6	1.7
Investing cash flow	(3.2)	(1.2)
Financing cash flow	0.8	(0.5)
Net cash flow	(0.8)	(0.0)
Cash at 31 December	0.1	0.6

1H19 Net Debt Analysis

- Group net debt of \$9.8 million at 31 December 2018 was \$2.1 million higher (substantially due to acquisitions of \$1.7 million) than Group net debt at 30 June 2018
- Prime is targeting a net debt to underlying EBITDA ratio of 2.0 – 2.5 times over the next 12 months



Dividends

- ✓ Dividends to be paid from operating cashflow
- ✓ Target dividend payout ratio of 40 - 60% of reported and maintainable EPS
- ✓ 1H19 interim dividend of 0.20 cents per share ('cps') (fully franked) versus interim dividend of 0.45 cps in 1H18. Retaining cashflow to fund growth
- ✓ 1H19 payout ratio of 47% of reported EPS
- ✓ Dividend Re-investment Plan ('DRP') being implemented, fully supported by Key Management Personnel, including Directors, with each subscribing for 100% of entitlements

Key dates for 1H19 dividend and DRP:

Dividends:

- ✓ Record date: 5 April 2019
- ✓ Payment date: 3 May 2019

DRP:

- ✓ Last date for election notices: 8 April 2019
- ✓ DRP pricing period: 10 April to 26 April 2019 (inclusive)

Regulatory – Hayne Royal Commission

- ✓ Prime supportive of transparent and open process
- ✓ Net positive for Prime's business, advice and growth model
- ✓ Prime has less than 3% of Wealth Management revenue from Grandfathered Commissions
- ✓ Opt-in for client ongoing service arrangements to annual versus every two-years. No impact on Prime's high touch service approach
- ✓ Life Insurance commission caps and review in 2021 not expected to materially impact Prime
- ✓ Prime continues to closely monitor compliance, obligations and changes to industry standards. Compliance and insurance costs may increase, but Prime believe that based on the recommendations the net impact will be positive for clients and also for Prime's simplification, growth and profitability focus

Key Points & Outlook

- ✔ **Positive growth outlook as one consolidated and integrated firm**
- ✔ Organic revenue growth from new services and past acquisitions materialising
- ✔ Integration prioritised over acquisition in following 12 months
- ✔ 100% owned and operated full-service firm across Melbourne, Sydney and Brisbane
- ✔ Hayne Royal Commission recommendations a net positive for Prime
- ✔ Target double digit earnings growth with improving 2H19 revenue

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Appendices

Who We Are (1)



Service

- Integrated Accounting & Business Advisory, Wealth Management, including SMSF and Capital Services with over \$1 billion of funds under management (FUM)



Purpose

- Advise investors, business owners and entrepreneurs on realising their aspirations, protecting and growing their wealth and accessing capital



Operations

- 90+ team members primarily across Melbourne, Sydney and Brisbane
- Continued focus on growing three core hubs in Melbourne, Sydney and Brisbane for all three service lines
- Centralised Services (IT, Finance, Marketing & HR) in Melbourne

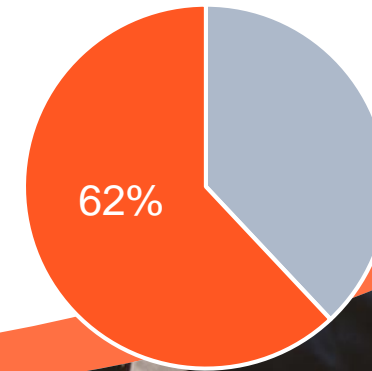
Who We Are (2)

Prime's Capital Structure

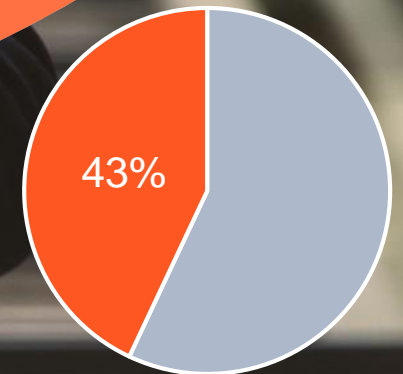
Shares on issue (includes treasury shares) at 31 December 2018	191.0 million
Market Capitalisation at \$0.095 at 25/02/19 closing	\$18.1 million
Net debt at 31 December 2018	\$9.8 million

Prime's comparable companies

Company	ASX Code	Market Cap*
Prime Financial Group	PFG	\$18 million
Kelly Partners Group	KPG	\$56 million
Centrepont Alliance	CAF	\$19 million
Countplus	CUP	\$66 million
Easton Investments	EAS	\$35 million
Sequoia Financial Group	SEQ	\$29 million
Fiducian Group	FID	\$161 million



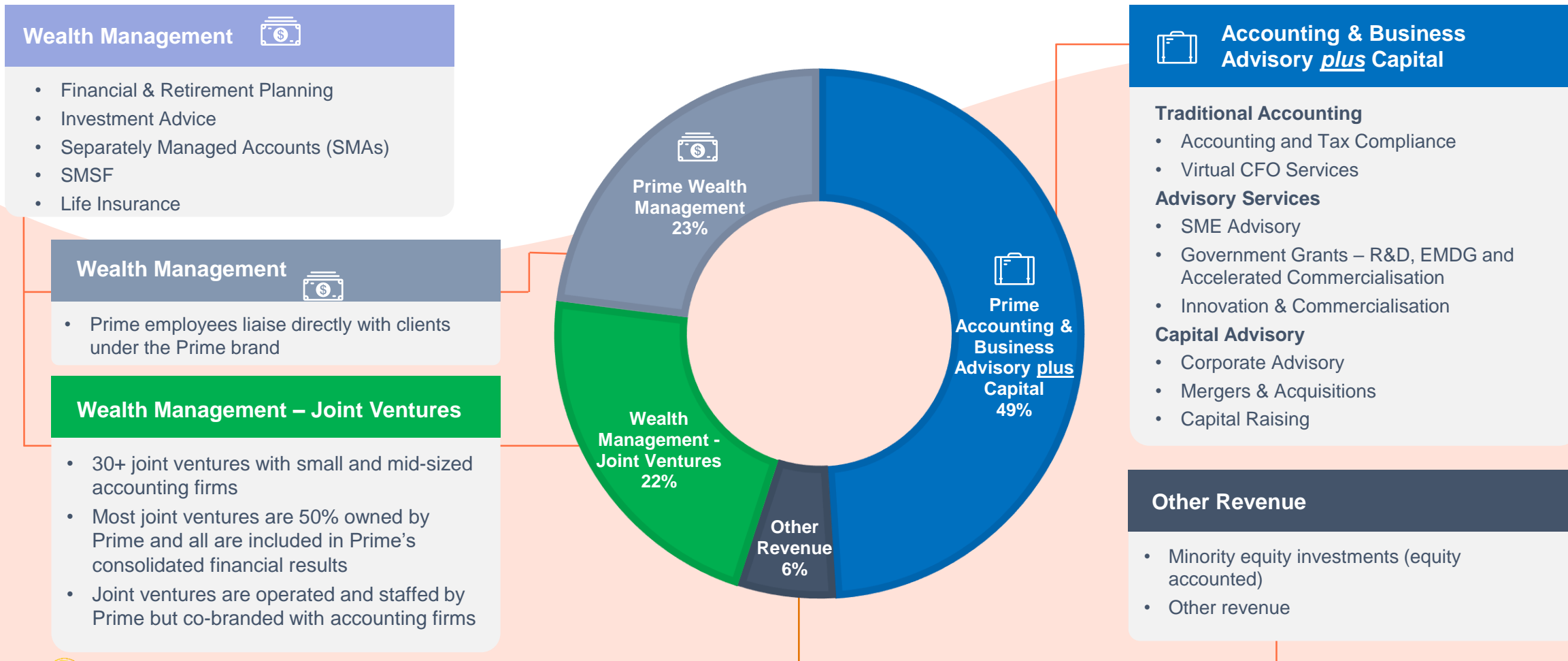
Top 20 Shareholders



Staff & Associate Shareholders

What We Do

Prime operates a direct client advice model under the Prime brand and a Joint Venture model with accounting firms (co-branded). 80% of total revenue is generated from existing customers.



Typical Clients



Accounting & Business Advisory

- Start-ups, Scale-ups and established businesses with \$1 million - \$30 million revenue
- Australian and overseas companies seeking to access Australian Government Grants



Wealth Management




- Mass affluent with \$100k - \$1 million of investible assets
- Higher net worth individuals and family groups with \$0.5 - \$30 million of investible assets, often with a SMSF



Capital Advisory

- Emerging to mid market companies with a value up to \$300 million (typically \$10 million - \$150 million)
- Industry agnostic

Strategic Plan

- 
Purpose: Advise investors, business owners and entrepreneurs on realising their aspirations, protecting and growing their wealth and accessing capital
- 
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



CUSTOMER

Provide clients with advice, growth opportunities and wealth management services



FINANCIAL

Target double digit earnings growth and scale revenue for three core service lines



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 our clients' experience and deliver Prime's business strategy

ORGANIC GROWTH

- ✓ Improve and grow partnerships, proactive client advice and a total client service

ACQUISITIONS & INTEGRATION

- ✓ Primarily integrate and leverage existing acquisitions
- ✓ Selectively consider acquisitions

PEOPLE & CULTURE

- ✓ Further develop and empower our people to confidently advise our clients and engage with prospects - client service is a priority

SYSTEMS & EFFICIENCY

- ✓ System enhancement plus automation to increase efficiency, reduce cost to income ratio and further our client experience
- ✓ Leverage the investment in Finance & IT infrastructure to improve ROI on acquisitions

FY19 KEY PRIORITIES

Acquisition & Divestment Strategy

STRATEGY



Expand and integrate current operations, utilising scale and existing capabilities. Selectively acquire operating businesses in three core service lines that Prime can consolidate, integrate, improve and grow



Prior to FY17, Prime's strategy was to acquire minority equity interests in accounting firms, these have substantially been sold or consolidated

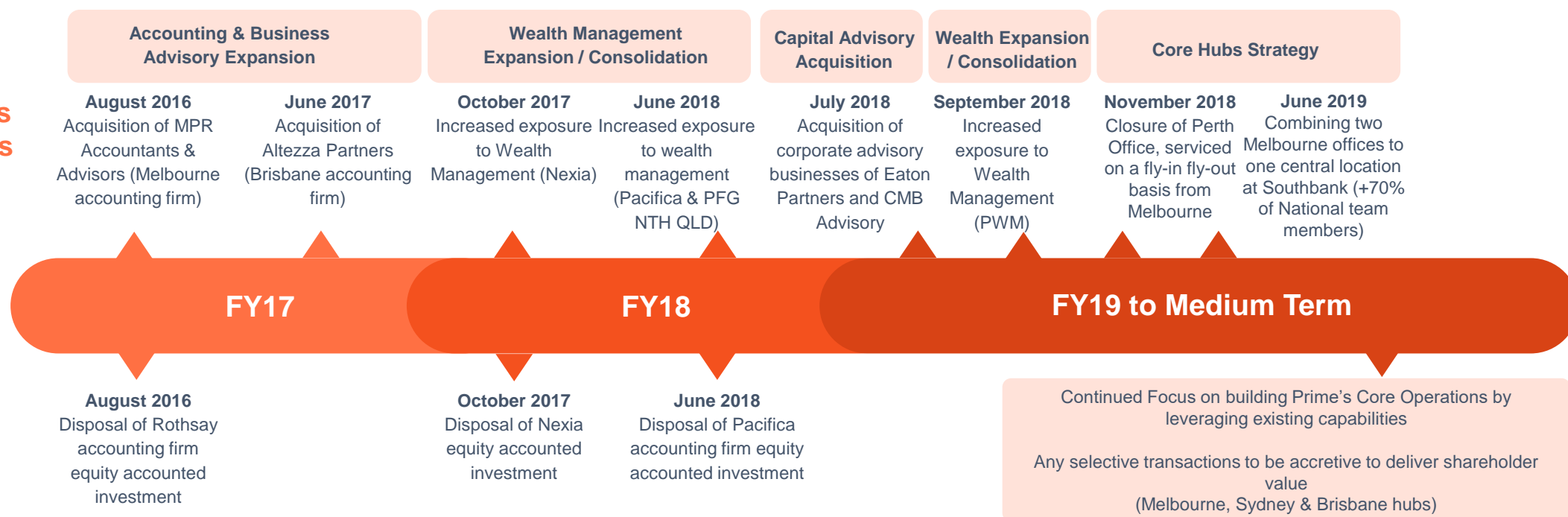


Continued focus on Melbourne, Sydney and Brisbane core hubs and 3 service line 100% owned and operated by Prime team

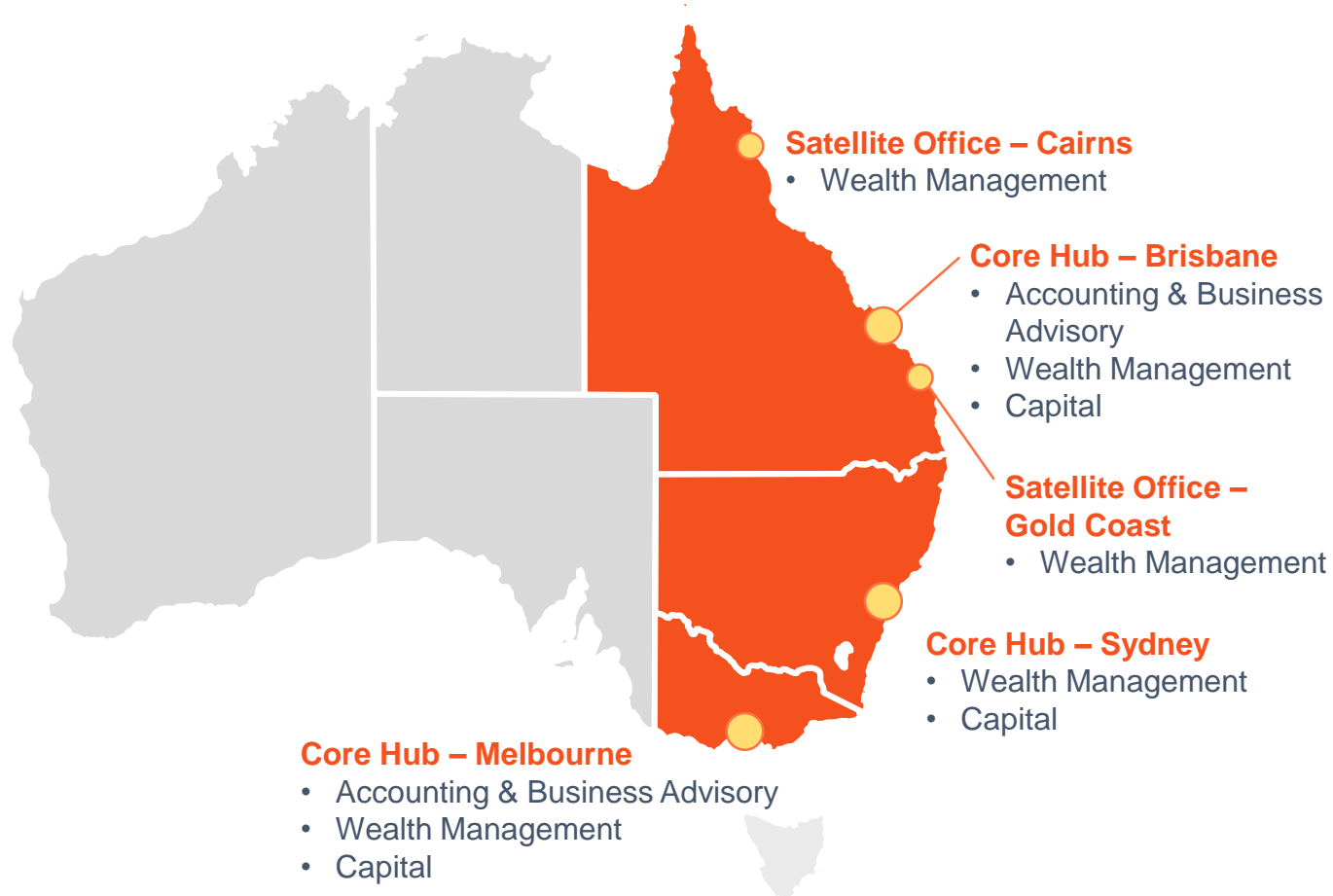
TIMELINE




Acquisitions & Core Hubs

Divestment of minority interests



Core Hub Strategy: Melbourne, Sydney & Brisbane



Division	HUB	FY17	FY18	FY19
 Accounting & Business Advisory	MEL	MPR acquisition (100%)		
	SYD			Key service opportunity
	BRI		Altezza acquisition (100%)	
 Wealth Management	MEL	Existing presence		
	SYD	Existing presence		
	BRI			Key adviser hire
 Capital	MEL		Eaton acquisition (100%)	
	SYD	Capital division set up		
	BRI		CMB acquisition (100%)	

Experienced Board



Simon Madder
Chief Executive Officer & Managing Director

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

Share Ownership: 27.7m (14.4%)



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 in Funds Management & Corporate Advisory

Share Ownership 2.1m (1.1%)



Peter Madder
Executive Director

Previously Managing Partner of two Accounting Firms

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

Share Ownership: 10.0m (5.2%)



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

Share Ownership 133k (0.1%)