



Prime Financial Group Ltd (ASX: PFG)

Full Year 2019 ('FY19') Results Presentation



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Key Points & Outlook



Momentum and positive growth outlook as one consolidated and integrated firm




Completion of Restructure and Repositioning in FY19 – divestment/completion of final minority equity interests & investment vehicle. PWM plus consolidation of structure & repositioning



Now ‘One Connected’ professional services firm across offices in Melbourne, Sydney & Brisbane



Focus – one simplified business & client experience, continued organic growth and earnings improvement



Increased earnings for members/shareholders and improved organic revenue growth

Key Financial Metrics

FY19 versus FY18

FY19 Financial Highlights*	Prime Financial – Members/Shareholders			Prime Financial – Group		
	FY19	FY18	Change	FY19	FY18	Change
Underlying						
Revenue - contracts with customers	\$20.7m	\$19.7m	↑ 5%			
Revenue - total	\$21.8m	\$21.3m	↑ 3%			
EBITDA**	\$4.1m	\$3.8m	↑ 9%	\$5.4m	\$5.5m	↓ (2%)
Margin	19%	18%	↑ 1%	25%	26%	↓ (1%)
NPAT	\$2.4m	\$2.2m	↑ 8%	\$3.3m	\$3.5m	↓ (5%)
Diluted EPS (cents per share)	1.39	1.29	↑ 8%			
Reported						
NPAT	\$1.3m	(\$1.1m)	N/A	\$2.2m	\$0.1m	N/A
Diluted EPS (cents per share)	0.77	(0.67)	N/A			
Dividends paid (cents per share)	0.40	0.90	↓ (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 the non-cash items such as depreciation, amortisation and one-off items, and focuses on the earnings available to shareholders

FY19 Underlying EBITDA for members/shareholders includes non-recurring expenses of \$1.6 million – please refer to slide 8 for further information

*Please see slide 9 for reconciliation of Reported and Underlying EBITDA to NPAT.

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

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

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FY19 Highlights

Priorities & Deliverables:

Organic revenue growth accelerating (contracts with customers) ✓

- H1 FY19 revenue was 2% higher than H1 FY18
- H2 FY19 revenue was 9% higher than H2 FY18
- FY19 revenue was 5% higher than FY18

Integration has been prioritised over acquisition ✓

Divest final minority equity interests ✓

Closure of PWM finance structure ✓

Create consolidated and integrated firm ✓

Double digit earnings growth for members/shareholders; ✓

- Underlying EBITDA increased by 9% in FY19 vs FY18
- Reported NPAT for members/shareholders increased from a loss of (\$1.1) million to a profit of \$1.3 million in FY19

Key Takeaways

- ✓ **Completion of Restructure & Repositioning**
- ✓ **Focused Earnings & Revenue Growth**
- ✓ **Integration Accelerating**
- ✓ **Leveraging existing Services Platform, Team & Cost Base**

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Performance by Segment

Prime has two reporting segments from previously one reporting segment;

- **Wealth Management & SMSF** – Wealth Management, Financial Planning plus SMSF services and advice
- **Accounting, Business Advisory plus Capital** – Accounting, Tax and Advisory services, plus Capital and Corporate advice

FY19	Wealth & SMSF \$m	ABA & Capital \$m	Corporate \$m	Group \$m
Segment Revenue	10.3	10.5	-	20.8
Other & Interest Income	0.5	0.5	-	1.0
Total Segment Revenue	10.8	11.0	-	21.8
Segment Expenses	(8.3)	(8.4)	(1.0)	(17.7)
Segment Profit/(Loss)	2.5	2.6	(1.0)	4.1

Key Takeaways

- Segment performance is evaluated based on segment profit/loss. The Group's financing, taxes, depreciation and professional fees, are managed on a Group basis and are not allocated to reporting segments

Please refer to Note 30 in the Prime FY19 Financial Report for further information and analysis on performance

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

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Revenue

Contracts with Customers

Analysis of Revenue Growth – FY17 to FY19

Revenue (AUD million)				
	FY17	FY18	FY19	FY19 vs FY18 % increase
Wealth Management & SMSF	9.4	9.9	10.3	+3%
Accounting, Business Advisory plus Capital	8.5	9.8	10.5	+7%
Total Revenue from Contracts with Customers	17.9	19.7	20.8	+5%

How are we growing?

- Additional group services to existing clients
- New client growth through specialist skills and direct marketing
- Additional Wealth Management, SMSF and Capital services to clients of Prime's 30+ Accounting Firm relationships

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

Restructure & Repositioning

Non Recurring Expenses

In FY19, Prime have **(1)** sold the remaining minority equity interests and non core assets **(2)** closed the financing structure PWM **(3)** closed, relocated and consolidated offices **(4)** restructured the Wealth Management operating structure (post Hayne Royal Commission) and non-core services, and **(5)** streamlined the centralised/corporate office structure

Prime's final stage of its restructure and repositioning has cost \$1.63 million in FY19 in non-recurring expenses:

	Expense
Sale of assets and acquisition related costs (7 assets)	\$414,627
Office closures & relocations (4 offices) including Melbourne	\$248,367
Wealth Management and service line repositioning	\$781,869
Centralised services and the corporate office consolidation	\$187,456
TOTAL	\$1,632,319



Key Takeaways

- Reported earnings and cashflow from operations are both expected to improve materially due to the elimination of non-recurring expense items in FY20
- Prime's reported and underlying EBITDA for members/shareholders are expected to closely align in FY20

EBITDA & NPAT

Attributable to Members/Shareholders Reconciliation

\$000 AUD	FY19	FY18
Reported net profit after tax from operations (Group)	2,227	131
Add: Tax expense	350	431
Add: Interest expense/(income)	559	503
EBIT (Group) *	3,136	1,065
Add: Depreciation	255	235
Add: Amortisation	887	699
Reported EBITDA (Group) **	4,278	1,999
Adjustments:		
Restructure & Repositioning non-recurring expenses	1,632	660
Share based payment expenses/(benefit)	(519)	(284)
Fair value movements/adjustments on Financial assets/contingent consideration	-	88
(Profit)/Loss on disposal of investments	(35)	689
Impairment/Credit Loss Expense	-	2,303
Underlying EBITDA (Group)	5,356	5,455
Underlying EBITDA (Members/Shareholders)	4,099	3,772
Reported EBITDA (Members/Shareholders)	3,021	315

* EBIT is defined as earnings before interest and tax.

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

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Balance Sheet, Cash Flow & Net Debt



Balance Sheet

Group (AUD million)	At 30 June 2019	At 30 June 2018
Cash	0.2	0.9
Total assets	55.5	60.5
Borrowings	(9.6)	(8.6)
Total liabilities	(16.0)	(20.7)
Net assets	39.5	39.8
Non-controlling interests	1.2	6.1
Equity attributable to members/shareholders	38.2	33.7
Group net debt	(9.4)	(7.7)

Cash Flow

Group (AUD million)	FY19 Reported	FY18 Reported
Operating cash flow	1.6	2.7
Investing cash flow	(2.6)	(0.7)
Financing cash flow	0.3	(1.7)
Net cash flow - for financial year	(0.7)	0.3
Cash	0.2	0.9

Key Takeaways

- Operating cash inflow difference largely due to the increase in non-recurring expenses (refer to slide 8)
- Investing cash outflow of \$2.6 million includes business acquisitions & disposals and dividends to non-controlling interests
- Finance cash inflow was substantially the drawdown of the debt facility & sale of treasury shares partially offset by dividends paid to members/shareholders
- Prime is targeting a net debt to underlying EBITDA ratio of 2 - 2.5 times. At 30 June 2019 this was 2.3 times

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

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Dividends

- Dividends to be paid from operating cashflow
- Target dividend payout ratio of 40 – 60% of reported and maintainable earnings
- FY19 final dividend of 0.20 cents per share ('cps') (fully franked)
- FY19 payout ratio of 52% of reported earnings for members/shareholders
- Dividend reinvestment Plan ('DRP') implemented in April 2019 and continuing for the final dividend
- With anticipated improvement in operating cashflow and the overall debt position, Prime expect dividends to increase in FY20



Key dates for dividend and DRP

Record Date 27 September 2019

Payment Date 1 November 2019

DRP:

**Last date for
election notices** 2 October 2019

**DRP pricing
period** 3 to 16 October 2019
(inclusive)

Wealth Management – Regulatory & Operations

- Prime supportive of transparent and open process of Hayne Royal Commission
- Long term positive for clients, Prime's business, advice and growth model
- Prime's Restructure & Repositioning in FY19 included a review of Wealth Management operations including compliance, controls, client approach and fees for service (incorporated in restructuring and repositioning cost of \$781,869)
- Prime are well positioned to deliver additional value for our ideal clients
- Prime focuses on individuals and family groups typically seeking an ongoing service arrangement, strategic advice and investment management
- Managing + \$1billion of clients funds under management (FUM) through a combination of Separately Managed Accounts (SMA's) and client instructed accounts substantially on platform with ongoing minimum fee and service arrangements



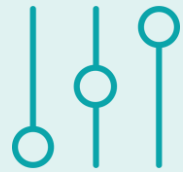
Key Takeaways

Enhanced controls, efficiency, compliance procedures through business intelligence and enablement software and systems in one connected environment

Outlook for Members/Shareholders – FY20



Continued organic
growth



Strong cost control



Grow earnings



Align underlying
EBITDA to reported
EBITDA



Prioritise people, client
service & compliance



Improve cash flow



Reduce debt



Increase dividends



Accelerate
integration



Do less, better

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Appendices

Who We Are



Service

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



Purpose

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



Operations

100+ 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) and 70% of national team in Melbourne

Capital Structure & Comparisons

Prime's capital structure

Shares on issue (includes treasury shares) at 30 June 2019	190.9 million
Market Capitalisation at 5.50 cents on 28 August 2019 closing	\$10.5 million

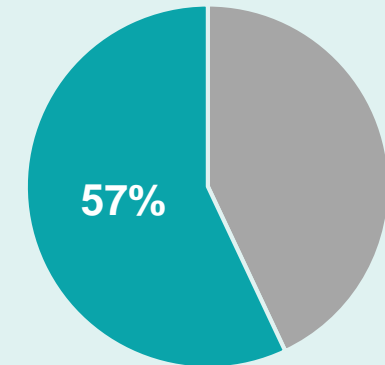
Investment information

FY19	
Share Price*	5.50 cents
Underlying EPS	1.39 cps
Underlying EPS multiple	4.0 times
Reported EPS	0.77 cps
Reported EPS multiple	7.1 times
Dividend Paid	0.40 cps
Dividend Yield (fully franked)	7.3%

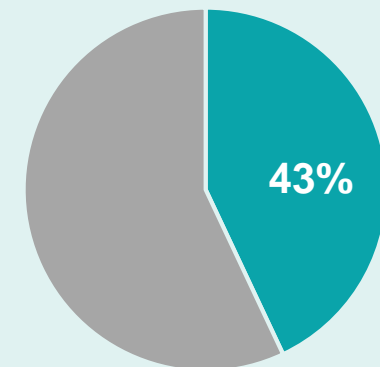
Prime's comparable companies

Company	ASX Code	Market Cap*
Kelly Partners Group	KPG	\$41 million
Centrepont Alliance	CAF	\$19 million
Countplus	CUP	\$91 million
Easton Investments	EAS	\$34 million
Sequoia Financial Group	SEQ	\$21 million
Fiducian Group	FID	\$164 million

Top 20 Shareholders



Staff & Associate Shareholders



* Share Price taken at 28 August 2019 closing
** Market Capitalisation taken at 26 August 2019 closing

Segment Services & Revenue

Accounting & Business Advisory plus Capital & Corporate Advisory – 48%

Accounting

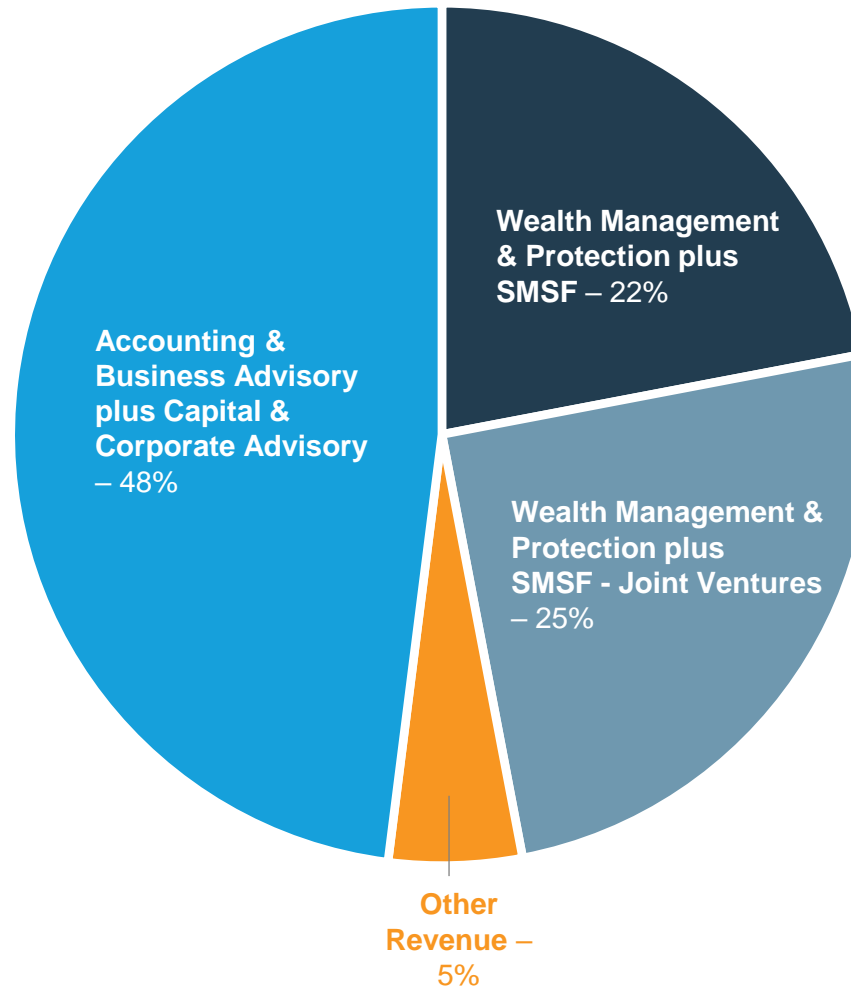
- Accounting and Tax Compliance
- Business Growth & Strategy
- Outsourced CFO & Accounting Services
- Grants & Tax Incentives
- Innovation & Commercialisation Advice

Capital & Corporate Advisory

- Business Sale & Advice
- Corporate Advisory
- Capital Raising

Other Revenue – 5%

- Minority equity investments (equity accounted)
- Other income



Wealth Management & Protection plus SMSF – 47%

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

Wealth Management & Protection plus SMSF – 22%

- Prime liaises directly with clients under the Prime brand

Wealth Management & Protection plus SMSF - Joint Ventures – 25%

- 30+ 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 but co-branded with accounting firms

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



Self-Managed Super Funds

- Personalised SMSF administration
- Provide Financial Advisers with personalised service and specialist support and offer bespoke outsourced services to Accounting Firms



Wealth Management & Protection

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



Capital & Corporate Advisory

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

Strategic Plan

PURPOSE, GOAL & HOW

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

AREAS & OBJECTIVES

Customer

Provide clients with advice, growth opportunities and wealth management services

Financial

Align and grow reported and underlying EBITDA for members/shareholders, improve cashflow and reduce debt whilst improving dividends

People

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

Technology

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

FY20 KEY PRIORITIES

Organic Growth

- Integrate Prime's Accounting & Business Advisory and Wealth Management client bases
- Deliver additional business and corporate advisory services for Business Owners and Businesses
- Promote Prime's Wealth Management & SMSF capability
- Improve and grow Prime's Accounting relationships

People & Culture

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

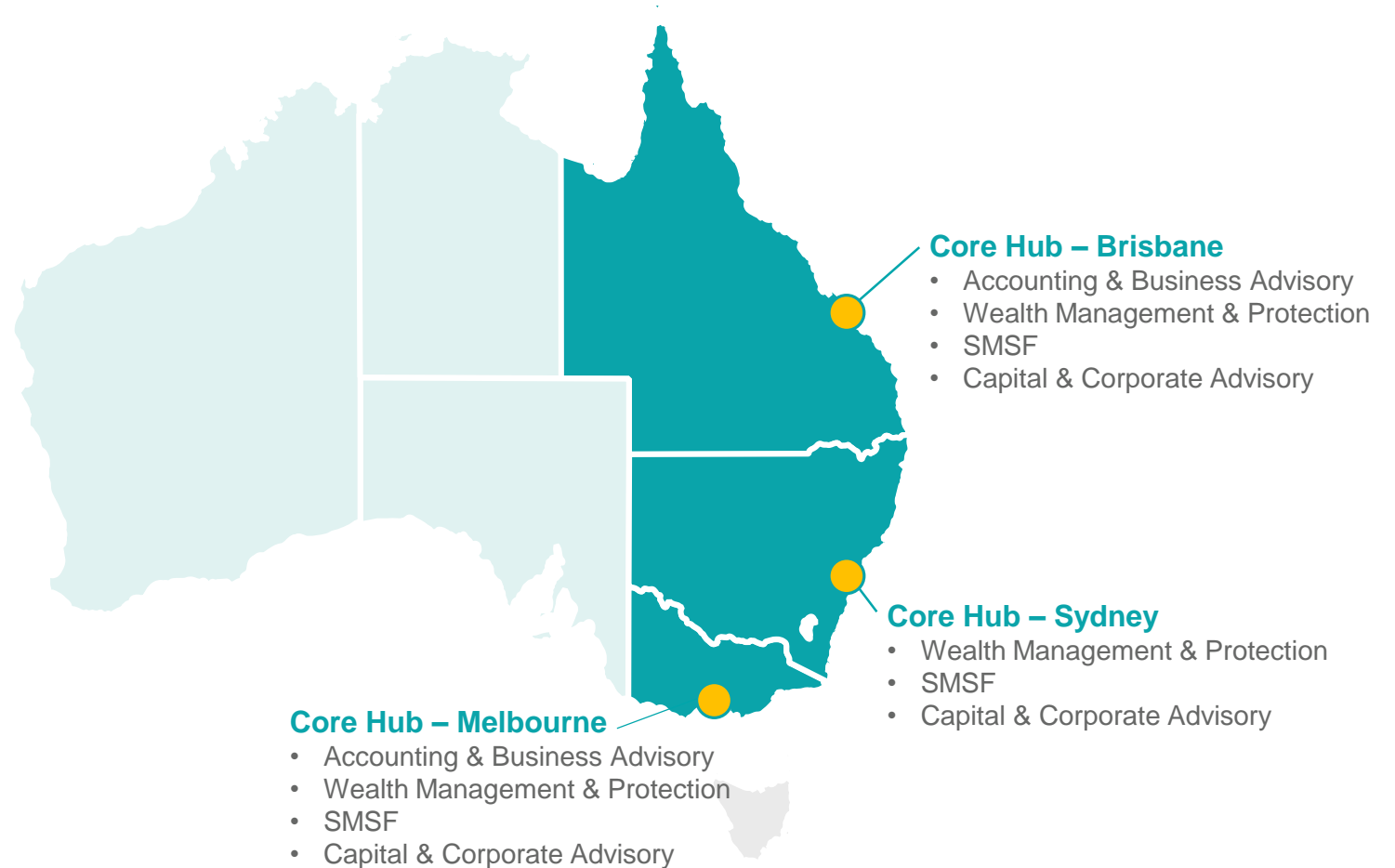
Systems & Efficiency

- Enhanced controls, efficiency, compliance procedures and cashflow through business intelligence and enablement software and systems in one connected environment

Core Hub Strategy

Melbourne, Sydney & Brisbane

Prime is 'One Connected' professional services firm, operating across four key areas in Accounting & Business Advisory, Wealth Management, SMSF and Capital in its three core locations of Melbourne, Sydney and Brisbane.



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: 28.5m (14.8%)



Tim Carroll
Independent Non-Executive Chairman

- 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%)



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: 9.9m (5.1%)