



Prime Financial Group Ltd (ASX: PFG)

# Half Year 2020 ('H1 FY20') Results Presentation

14 February 2020



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## Key Message

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**Continuing momentum and positive growth outlook as 'One Connected' and integrated firm**



# H1 FY20 Highlights

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## H1 FY20 vs H1 FY19:

Organic revenue growth 6% (contracts with customers)

Third successive period of organic revenue growth

Operating expenses flat

Non-recurring expenses 62% lower

### Earnings for members/shareholders;

- Underlying EBITDA increased by 15%
- Excluding the impact of AASB 16 Leases, Underlying EBITDA decreased by 10%

## Debt Facility:

Refinanced debt facility for a 5.5 year period on favourable terms

## Key Takeaways

- ✓ Focused Organic Growth
- ✓ Integration Accelerating
- ✓ Leveraging Existing Services Platform, Team & Cost Base

\*The AASB introduced a single accounting model for recognising and measuring lease arrangements (AASB 16). This standard requires all leases to be recognised on the balance sheet, unless the underlying asset is of low value or a term of 12 months or less. Prime elected to transition to AASB 16 on 1 July 2019, using the modified retrospective approach and has recognised a "right-of-use" asset (ROU) representing its right to use the asset and a "lease liability" measured as the present value of future lease payments. The income statement includes depreciation of the ROU assets and interest expense on the lease liability over the lease term. The impact to EBITDA is approximately +\$525k favourable in H1 FY20.

# Key Financial Metrics

H1 FY20\* vs H1 FY19



H1 FY20 Financial Highlights*	Prime – Members/Shareholders			Prime – Group		
	H1 FY20	H1 FY19	Change	H1 FY20	H1 FY19	Change
<b>Underlying</b>						
Revenue - Contracts with customers	\$11.1m	\$10.4m	↑ 6%			
Revenue - Other	\$0.0m	\$0.7m	N/A			
Revenue - Total	\$11.1m	\$11.1m	-			
<b>EBITDA**</b>	<b>\$2.4m</b>	<b>\$2.1m</b>	<b>↑ 15%</b>	\$2.9m	\$2.9m	-
EBITDA*** (excluding impact of new lease standard)	\$1.9m	\$2.1m	↓ (10%)	\$2.3m	\$2.9m	↓ (18%)
Margin	22%	19%	↑ 3%	26%	26%	-
<b>NPAT</b>	<b>\$1.2m</b>	<b>\$1.3m</b>	<b>↓ (13%)</b>	\$1.5m	\$1.9m	↓ (21%)
<b>Diluted EPS (cents per share)</b>	<b>0.67</b>	<b>0.79</b>	<b>↓ (15%)</b>			
<b>Reported</b>						
<b>NPAT</b>	<b>\$0.6m</b>	<b>\$0.7m</b>	<b>↓ (16%)</b>	\$0.9m	\$1.3m	↓ (27%)
<b>Diluted EPS (cents per share)</b>	<b>0.35</b>	<b>0.43</b>	<b>↓ (19%)</b>			
Dividends paid (cents per share)	0.20	0.20	-			

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

H1 FY20 Underlying EBITDA for members/shareholders includes non-recurring expenses of \$0.25 million

\*Please see slide 7 for reconciliation of Reported and Underlying EBITDA to NPAT.

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

\*\*\*EBITDA excluding the impact of the new IFRS leasing standard (AASB 16) provides a more comparable basis for analysis.

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

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# Revenue

## Contracts with Customers

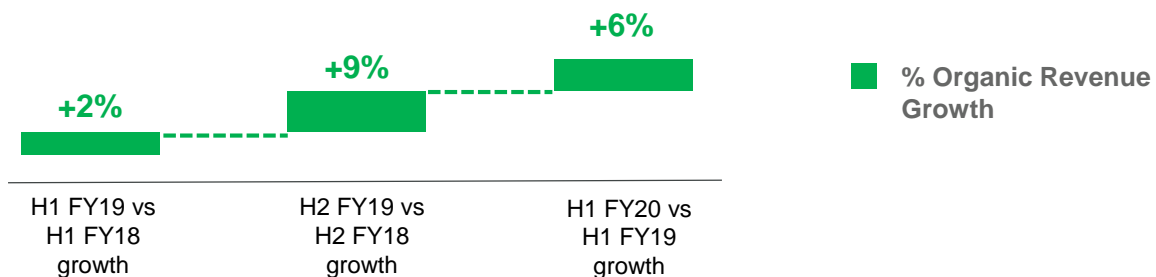


### Analysis of Revenue Growth – H1 FY20 vs H1 FY19

Revenue			
	H1 FY20 \$m	H1 FY19 \$m	H1 FY20 vs H1 FY19
Wealth Management & SMSF	4.9	5.0	(3%)
Accounting, Business Advisory & Capital	6.2	5.4	14%
<b>Total Revenue from Contracts with Customers</b>	<b>11.1</b>	<b>10.4</b>	<b>6%</b>

### Analysis of Revenue Growth by Half vs Prior Period

#### Three consecutive halves of organic revenue growth



### How are we growing?

- ✓ Additional group services to existing clients
- ✓ New client growth through specialist skills and direct marketing

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

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# EBITDA & NPAT

## Attributable to Members/Shareholders Reconciliation

\$000 AUD	H1 FY20	H1 FY19
<b>Reported net profit after tax from operations (Group)</b>	<b>943</b>	<b>1,286</b>
Add: Tax expense	325	325
Add: Interest expense/(income)	280	281
<b>EBIT (Group) *</b>	<b>1,548</b>	<b>1,891</b>
Add: Depreciation	568	129
Add: Amortisation	469	435
<b>Reported EBITDA (Group) **</b>	<b>2,585</b>	<b>2,455</b>
<b>Adjustments:</b>		
Non-recurring expenses, including FY19 Restructure & Repositioning	251	653
Share based payment expenses/(benefit)	13	(267)
Fair value movements/adjustments on Financial assets/contingent consideration	16	10
(Profit)/Loss on disposal of investments	-	-
Impairment/Credit Loss Expense	-	-
<b>Underlying EBITDA (Group)</b>	<b>2,865</b>	<b>2,851</b>
<b>Underlying EBITDA (Members/Shareholders)</b>	<b>2,411</b>	<b>2,090</b>
<b>Reported EBITDA (Members/Shareholders)</b>	<b>2,131</b>	<b>1,693</b>

\* EBIT is defined as earnings before interest and tax.

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

# Balance Sheet, Cash Flow & Net Debt



## Balance Sheet

Group	At 31 Dec 2019 \$m	At 30 June 2019 \$m
Cash	0.1	0.2
Total assets	59.1	55.5
Borrowings	(10.2)	(9.6)
Total liabilities	(19.7)	(16.0)
Net assets	39.4	39.5
Non-controlling interests	(0.9)	(1.2)
Equity attributable to members/shareholders	38.5	38.2
<b>Group net debt</b>	<b>(10.1)</b>	<b>(9.4)</b>

## Cash Flow

Group	H1 FY20 Reported \$m	H1 FY19 Reported \$m
Operating cash flow	1.4	1.6
Investing cash flow	(1.3)	(3.2)
Financing cash flow	(0.2)	0.8
Net cash flow – H1 FY20	(0.1)	(0.8)
<b>Cash</b>	<b>0.1</b>	<b>0.1</b>

## Key Takeaways

- Refinanced debt facility for a 5.5 year period on favourable terms
- Operating cash inflow \$1.4 million
- Investing cash outflow includes business acquisitions & disposals and dividends to non-controlling interests
- Finance cash outflow was substantially due to dividends paid to members/shareholders, repayment of borrowings and lease liabilities, partially offset by drawdown of the debt facility
- Prime is targeting a net debt to underlying EBITDA ratio of 2 - 2.5 times (currently 2.1 times)

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

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# Dividends

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- Dividends to be paid from operating cashflow
- Target dividend payout ratio of 40 – 60% of reported and maintainable earnings
- H1 FY20 interim dividend of 0.20 cents per share ('cps') (fully franked) vs interim dividend of 0.20 cps in H1 FY19
- H1 FY20 payout ratio of 61% of reported earnings for members/shareholders
- Dividend Reinvestment Plan ('DRP') continues for the H1 FY20 Interim dividend
- With anticipated improvement in cashflow in H2 FY20 and an improvement in the debt position, Prime expect dividends to increase in H2 FY20



## Key dates for dividend and DRP

**Record Date** 3 April 2020

**Payment Date** 1 May 2020

### DRP:

**Last date for election notices** 6 April 2020

**DRP pricing period** 8 April 2020 to 23 April 2020 inclusive

# Outlook for Members/Shareholders – FY20

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Continued organic  
earnings growth

- Revenue from contracts with customers 5% + (vs FY19)
- Reported EBITDA 30% + (vs FY19)
- Underlying EBITDA 5% + (vs FY19)



Improved cash flow  
& dividends

- Group operating cashflow + \$1.5 million (vs FY19)
- FY20 Interim dividend matching H1 FY19 Interim Dividend (0.20 cents per share) & Final dividend expected to increase (subject to debt reduction)



# Outlook for Members/Shareholders – FY20

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Reduce debt

- Reduce Group net debt by up to 5% (vs FY19)
- Target net debt to underlying EBITDA ratio of 2.0 - 2.5 times (currently 2.1 times)



Accelerate  
integration & client  
service

- Empowering our clients to achieve their aspirations through additional Prime services & value



# Contact

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# Appendices



# Who We Are

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## Service

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



## Purpose

Empowering you to achieve your aspirations



## Operations

85+ 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 based in Melbourne

# Capital Structure & Comparisons

## Prime's Capital Structure

Shares on issue (includes treasury shares) at 31 December 2019	191.8m
Market Capitalisation at 7.6 cents at closing on 10 February 2020 *	\$14.7m
Net debt at 31 December 2019	\$10.1m

## Investment Information

H1 FY20	
Share Price **	7.6 cents
Underlying EPS	0.67 cps
Underlying EPS multiple***	6 times
Reported EPS	0.35 cps
Reported EPS multiple***	11 times
Interim Dividend Paid	0.20 cps
Dividend Yield	5.3%

## Prime's Comparable Companies

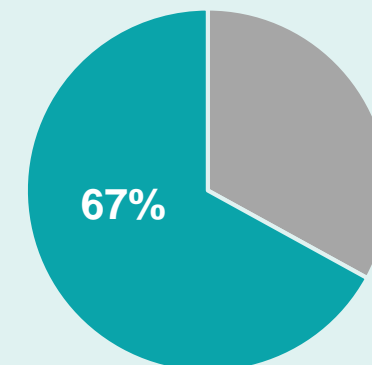
Company	ASX Code	Market Cap*
Kelly Partners Group	KPG	\$40 million
Centrepont Alliance	CAF	\$18 million
Countplus	CUP	\$140 million
Easton Investments	EAS	\$32 million
Sequoia Financial Group	SEQ	\$24 million
Fiducian Group	FID	\$181 million

\* Market Capitalisation taken at 10 February 2020 closing

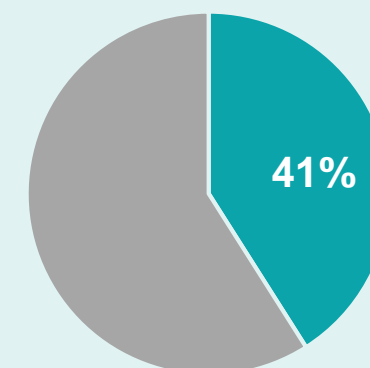
\*\* Share Price taken at 10 February closing

\*\*\* EPS multiple uses NPAT (members/shareholders) over the 12 month period 1 January 2019 to 31 December 2019

## Top 20 Shareholders



## Staff & Associate Shareholders



# Segment Services & Revenue

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

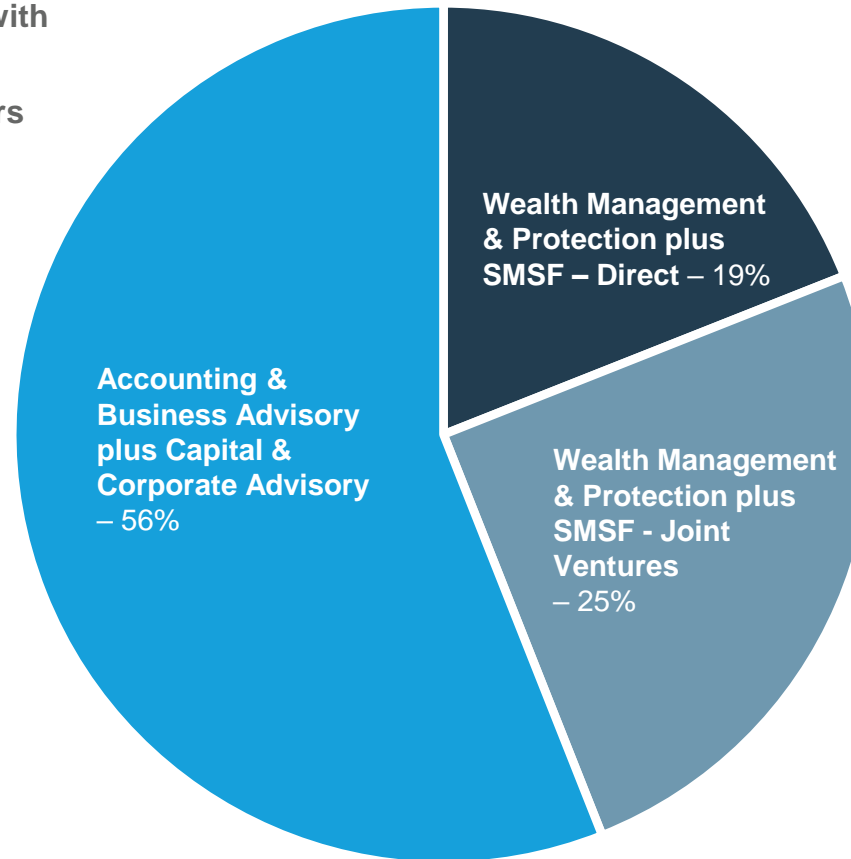
## Accounting & Business Advisory plus Capital & Corporate Advisory – 56%

### 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 – 44%

- 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 – 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's 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

‘One Connected’ professional services firm

## PURPOSE, GOAL & HOW

### 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

### 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

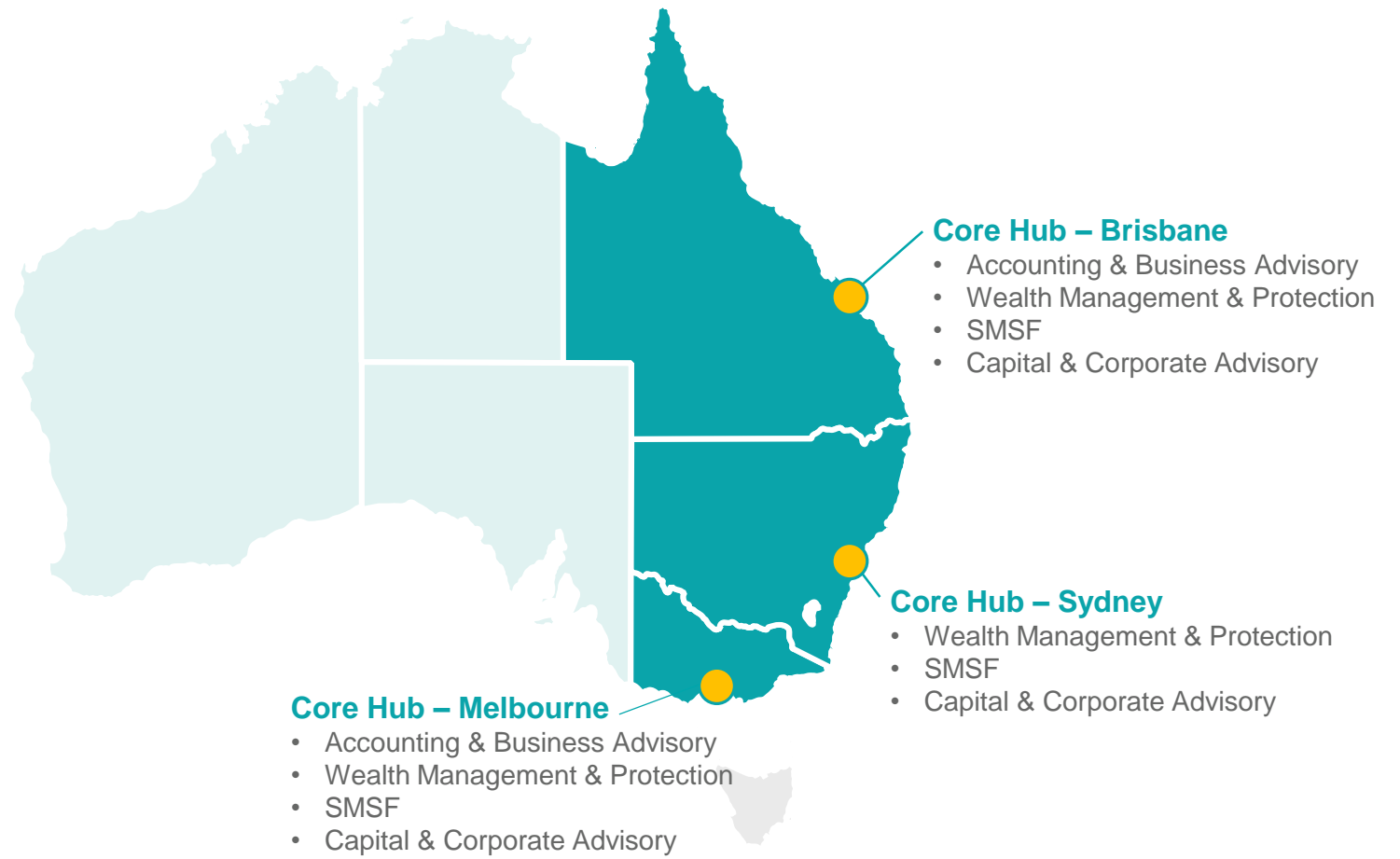
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# Core Hub Strategy

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

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**Simon Madder**  
**Chief Executive Officer & Managing Director**

- Co-founder, Managing Director & CEO of Prime Financial Group Ltd (Prime) since 1998
- 22 years' experience in Wealth Management & Accounting Services across Operations, Strategy & Acquisitions
- Share Ownership: 28.5m (14.9%)



**Tim Carroll**  
**Interim 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%)