

Prime Financial Group Ltd (ASX: PFG)

Full Year 2020 ('FY20') **Results Presentation**

21 August 2020



Important Notice & Disclaimer

This investor presentation (**Presentation**) has been prepared by Prime Financial Group Limited (**Prime**).

Summary Information

This Presentation contains summary information about Prime. The information in this Presentation is general background information and does not purport to summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with Prime's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au or www.primefinancial.com.au. Not all assets depicted in the Presentation are necessarily owned by Prime or any entity managed by Prime. Figures may not sum due to rounding. Currencies are generally presented in Australian dollars and times are references to Melbourne times except where the context requires otherwise.

Forward Looking Statements

This Presentation contains forward looking statements which may be subject to significant uncertainty outside of Prime's control. No representation is made as to the accuracy or reliability of the forecasts or the assumptions on which they are based. Actual future events may vary from these forecasts. Users of this information are cautioned against placing undue reliance on any forward looking statements.

Not Investment Advice

This Presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire entitlements or shares. This Presentation is not a prospectus or a product disclosure statement under the *Corporations Act 2001* (Cth) (**Corporations Act**) nor is it an offering document under any other law, and has not been lodged with ASIC. The information in this Presentation has been prepared without taking into account the investment objectives, financial circumstances, taxation position or particular needs of investors. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate legal, financial and taxation advice appropriate to their jurisdiction.

Disclaimer

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Presentation. To the maximum extent permitted by law, none of Prime nor any of its related bodies corporate, shareholders or respective directors, officers, employees, agents or advisors (collectively, **Related Parties**), nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this Presentation. To the fullest extent permitted by law, Prime and its Related Parties:

- do not accept any responsibility for any interpretation that any recipient or any other person may place on this Presentation or for any opinion or conclusion that any recipient or any other person may form as a result of examining the information contained in this Presentation; and
- do not accept any liability, whether direct or indirect or consequential, for any loss, damage, cost, expense, outgoing, interest, loss of profits or loss of any kind (**Losses**) suffered or incurred by any person (whether foreseeable or not) as a result of or by reason of or in connection with the provision or use of information contained (or not contained) in this Presentation, or of any recipient or its representatives or advisers acting on or relying on any information provided or referred to in or omitted from this Presentation or any other written or oral opinions, whether the Losses arise in connection with any negligence, default or lack of care on the part of Prime and its Related Parties or any other cause.

Any recipient of this presentation acknowledges and agrees that:

- they will rely entirely upon their own assessment and advice in relation to the business, assets, financial position and affairs of Prime, including conducting independent inquiries, due diligence or analysis with appropriate legal, financial, taxation and other advice, as required; and
- any opinions expressed in this presentation are based on the knowledge and approach of the persons forming the opinion at the date that the opinion was formed and may have ceased or may in the future cease to be appropriate in the light of subsequent knowledge or attitudes.

Key Message

Continuing momentum and increased earnings during difficult period

FY20 Highlights

Key Takeaways:

- ✓ Strong financial & operating result
- ✓ Focus on clients & team
- ✓ One Connected services platform for growth



Earnings Growth for members/shareholders



- Underlying EBITDA* up 35%
- excluding the impact of AASB 16 Leases, Underlying EBITDA up 9%



Organic revenue growth

up 4% (contracts with customers)



Fourth successive half of organic revenue growth



Operating expenses lower

down 8% & non-recurring expenses 76% lower



Exceeded earnings guidance despite COVID-19 pandemic



Focus on clients and team



Increased dividends

up 13%



Refinanced debt facility

5.5 year period on favourable terms



*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 +\$1.1 million favourable in FY20.

Key Financial Metrics

FY20* vs FY19



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 items such as depreciation, amortisation and one-off items, and focuses on the earnings available to shareholders

FY20 Underlying EBITDA for members/shareholders includes non-recurring expenses of \$0.39 million vs \$1.63 million in FY19

FY20 Financial Highlights*	Prime – Members/Shareholders			Prime – Group		
	FY20	FY19	Change	FY20	FY19	Change
Underlying						
Revenue - Contracts with customers	\$21.5m	\$20.7m	↑ 4%			
Revenue - Other	\$0.0m	\$1.1m	n/a			
Revenue - Total	\$21.5m	\$21.8m	↓ (1%)			
EBITDA**	\$5.5m	\$4.1m	↑ 35%	\$6.4m	\$5.4m	↑ 20%
EBITDA*** (excluding impact of new lease standard)	\$4.5m	\$4.1m	↑ 9%	\$5.4m	\$5.4m	→ -
Margin	26%	19%	↑ 7%	30%	25%	↑ 5%
Reported						
EBITDA	\$5.2m	\$3.0m	↑ 73%	\$6.1m	\$4.3m	↑ 43%
NPAT	\$2.1m	\$1.3m	↑ 62%	\$2.8m	\$2.2m	↑ 25%
Diluted EPS (cents per share)	1.21	0.77	↑ 57%			
Dividends declared (cents per share)	0.45	0.40	↑ 13%			

*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.

aspire, innovate, grow

Revenue

Contracts with Customers



Analysis of Revenue Growth – FY20 vs FY19

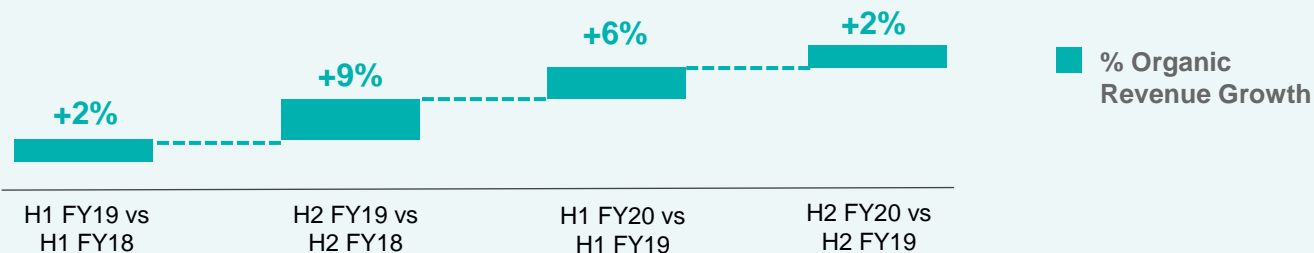
Revenue			
	FY20 \$m	FY19 \$m	FY20 vs FY19
Accounting, Business Advisory & Capital	12.0	10.4	15%
Wealth Management & SMSF	9.5	10.3	(8%)
Total Revenue from Contracts with Customers	21.5	20.7	4%

How are we growing?

- ✓ Additional group services for existing clients
- ✓ New client growth through specialist skills

Analysis of Revenue Growth by Half vs Prior Period

Four consecutive periods of organic revenue growth



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

aspire, innovate, grow

EBITDA & NPAT

Attributable to Members/Shareholders Reconciliation

\$000 AUD	FY20	FY19
Reported net profit after tax from operations (Group)	2,787	2,227
Add: Tax expense	724	350
Add: Interest expense/(income)	541	559
EBIT (Group) *	4,052	3,136
Add: Depreciation	188	256
Add: Amortisation	1,897	886
Reported EBITDA (Group) **	6,137	4,278
Adjustments:		
Non-recurring expenses, including FY19 Restructure & Repositioning	390	1,632
Share based payment expenses/(benefit)	(113)	(518)
Fair value movements/adjustments on Financial assets/contingent consideration	25	-
(Profit)/Loss on disposal of investments	-	(35)
Underlying EBITDA (Group)	6,439	5,357
Underlying EBITDA (Members/Shareholders)	5,534	4,099
Reported EBITDA (Members/Shareholders)	5,232	3,021

Excluding impact of lease standard (AASB16)

Underlying EBITDA (Group)	5,368	5,357
Underlying EBITDA (Members/Shareholders)	4,463	4,099

* EBIT is defined as earnings before interest and tax.

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

aspire, innovate, grow 7

Balance Sheet, Cash Flow & Net Debt



Balance Sheet

Group	At 30/6/20 \$m	At 30/6/19 \$m
Cash	0.1	0.2
Total assets	58.9	55.5
Borrowings	(9.9)	(9.6)
Total liabilities	(17.7)	(16.0)
Net assets	41.2	39.5
Non-controlling interests	(1.2)	(1.2)
Equity attributable to members/shareholders	40.0	38.3
Group net debt	(9.8)	(9.4)

Cash Flow – Reported

Group	FY20 \$m	FY19 \$m
Operating cash flow	3.7	1.6
Investing cash flow	(2.8)	(2.6)
Financing cash flow	(1.0)	0.3
Net cash flow – FY20	(0.1)	(0.7)
Cash	0.1	0.2

Key Takeaways

- Refinanced debt facility for a 5.5 year period on favourable terms in December 2019
- Operating cash inflow \$3.7 million
- Investing cash outflow includes business acquisitions & disposals and dividends to non-controlling interests
- Financing 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 was targeting a net debt to Underlying EBITDA ratio of 2.0 - 2.5 times (currently 1.9 times)

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

aspire, innovate, grow

Dividends

- Target dividend payout ratio of 40 – 60% of reported and maintainable earnings
- FY20 Final dividend of 0.25 cents per share ('cps') (fully franked) vs Final dividend of 0.20 cps in FY19 (+25%)
- FY20 payout ratio of 33% of reported NPAT for members/shareholders
- Dividend Reinvestment Plan ('DRP') continues for the FY20 Final dividend
- With anticipated improvement in cashflow in FY21 and an improvement in the debt position, Prime expect dividends to continue to increase in FY21 (subject to impact of COVID-19)



Key dates for dividend and DRP

Record Date	5 October 2020
Payment Date	2 November 2020
DRP:	
Last date for election notices	6 October 2020
DRP pricing period	8 October 2020 to 21 October 2020 inclusive

COVID-19

1 Overview

- Most difficult and challenging period in 22-year history
- Widespread, continuing impact on community and all Prime stakeholders

2 Clients & Community

- Focus on advice & service
- New client communication programs deployed in rapid fire change environment

3 Team

- Health & safety of team the priority
- 100% employment of team on full salary but for Board & MD/CEO where 10% pay reduction April to June 2020

4 Business Model

- Business model substantially continued uninterrupted
- Prior period technology investment allowed a swift migration to work from home (WFH) in March 2020

5 Future

- Cautiously optimistic setting
- Melbourne office closed due to lockdown (WFH), Sydney & Brisbane offices both open

Key Takeaways

- ✓ Health & safety and client service first
- ✓ Resilient operating model & team
- ✓ Cautiously optimistic

aspire, innovate, grow

Outlook for Members/Shareholders – FY21



Continued organic earnings growth

- Underlying EBITDA growth to continue



Improved cash flow & dividends

- Ongoing improvement in net cash flow
- Increasing dividends (subject to COVID-19 impact)



Reduce debt

- Debt to take a step down
- Target net debt to Underlying EBITDA ratio of 1.0 - 1.5 times (currently 1.9 times)



Accelerate integration & client service

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

Contact



Simon Madder

Managing Director/CEO
Prime Financial Group Ltd

T (03) 9827 6999
E simonm@primefinancial.com.au
W www.primefinancial.com.au



Rory McLaughlin

Group Financial Controller
Prime Financial Group Ltd

T (03) 9827 6999
E rorym@primefinancial.com.au
W www.primefinancial.com.au



Ben Priestley

Head of Finance
Prime Financial Group Ltd

T (03) 9827 6999
E benp@primefinancial.com.au
W www.primefinancial.com.au

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

Empowering you to achieve your aspirations



Operations

80+ 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 30 June 2020	195.3m
Market Capitalisation at 7.1 cents at closing on 18 August 2020*	\$13.9m
Net debt at 30 June 2020	\$9.8m

Investment Information

FY20	
Share Price**	7.1 cents
Reported EPS	1.21 cps
Reported EPS multiple	6 times
Dividend per share	0.45 cps
Dividend Yield**	6.4%

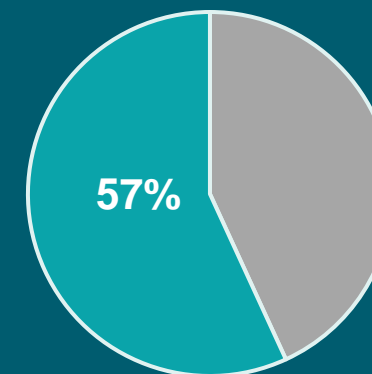
Prime's Comparable Companies

Company	ASX Code	Market Cap*
Kelly Partners Group	KPG	\$45 million
Centrepont Alliance	CAF	\$14 million
Countplus	CUP	\$106 million
Easton Investments	EAS	\$29 million
Sequoia Financial Group	SEQ	\$35 million
Fiducian Group	FID	\$184 million

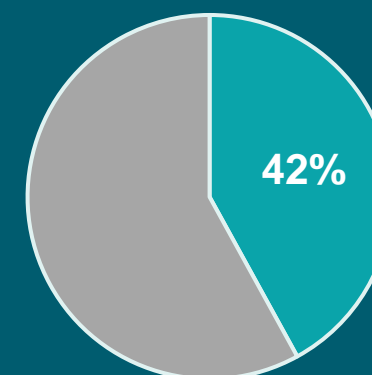
* Market Capitalisation taken at 18 August 2020 closing

** Share Price taken at 18 August 2020 closing

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.

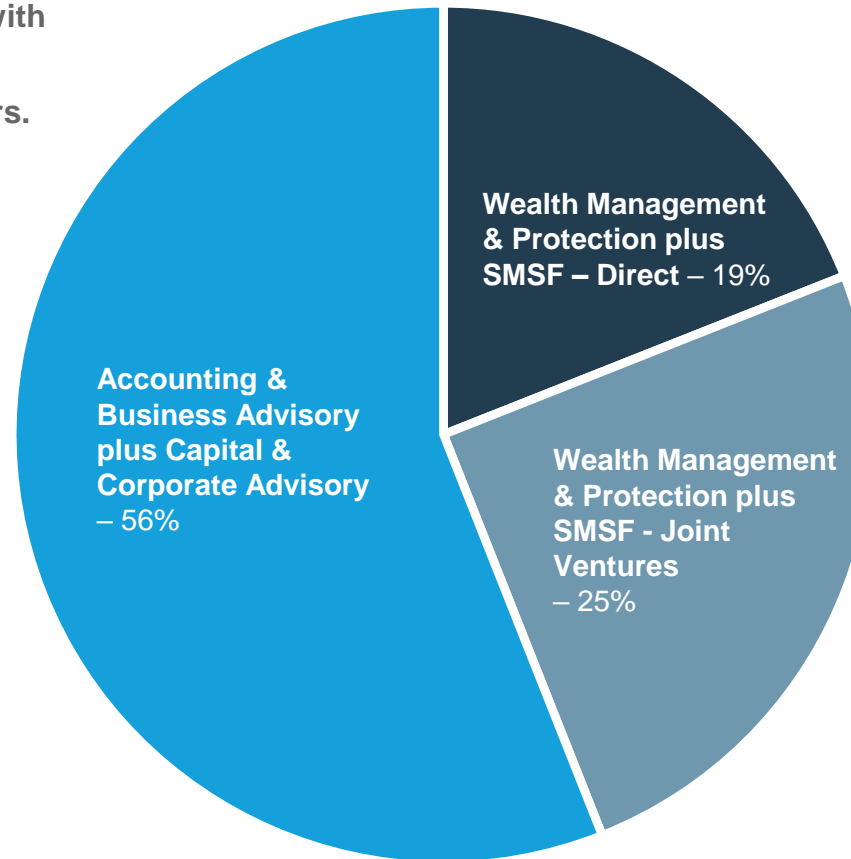
Accounting & Business Advisory plus Capital & Corporate Advisory – 56%

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

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 and services through One Connected firm

Financial

Grow 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 continue to improve performance and client experience, and deliver Prime’s business strategy

FY21 KEY PRIORITIES

Organic Growth

- Integrate Prime’s client base - One Connected firm and service offering
- Deliver additional business and corporate advisory services for Business Owners and Businesses
- Promote Prime’s Wealth Management & SMSF capability

People & Culture

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

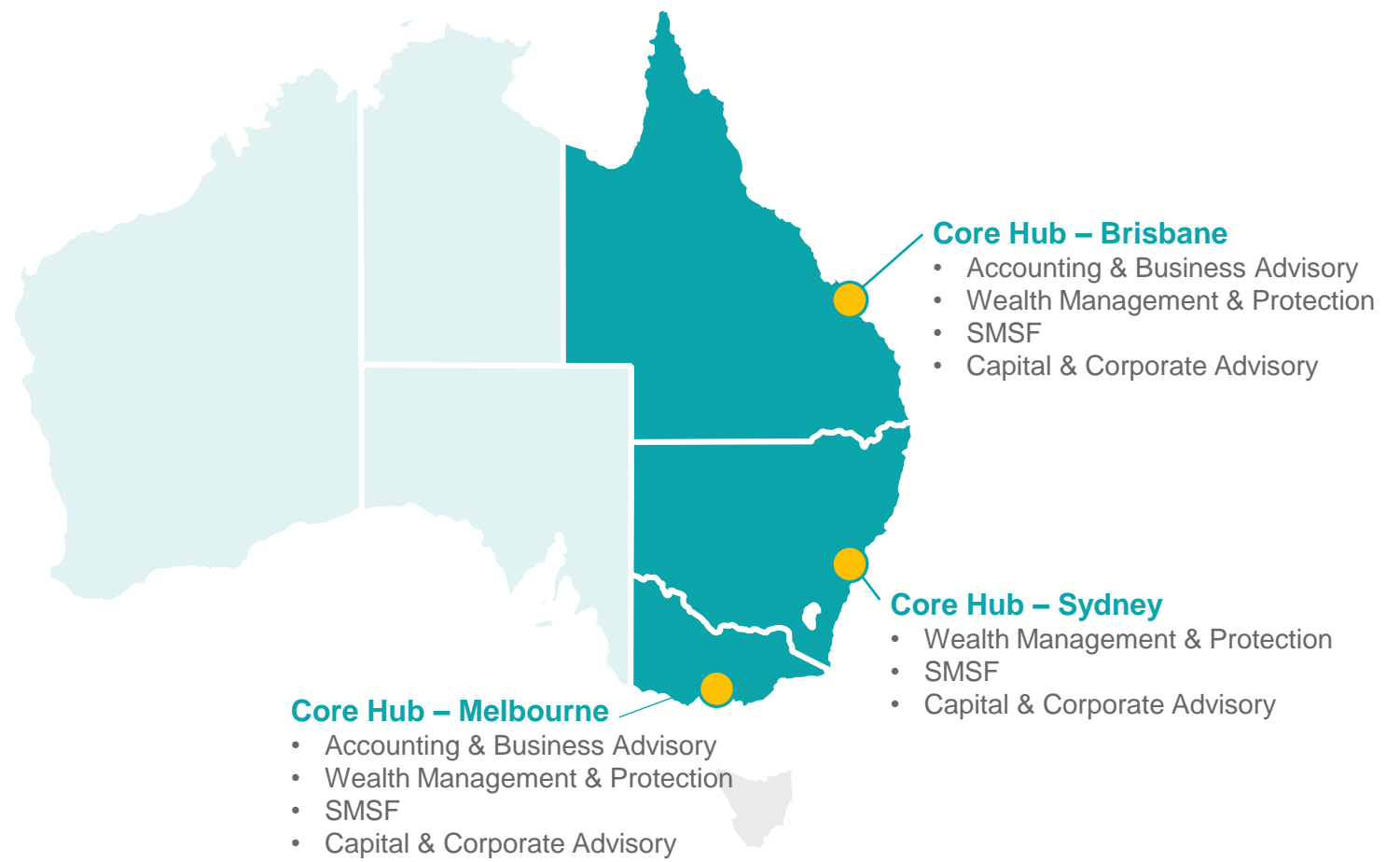
Systems & Efficiency

- Enhanced efficiency, service delivery and cash flow 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 & Protection, SMSF and Capital in its three core locations of Melbourne, Sydney and Brisbane.



Experienced Board



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 'One Connected' professional services firm
- Experienced Leader, Accountant and Business Adviser with 20+ years' experience across Business, Accounting and Taxation Advisory services



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



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 (14.6%)**



Tim Carroll

Interim Independent Non-Executive Chairman
(resigned effective 3 July 2020)

- 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%)**