

ASX Announcement

Prime Financial Group Ltd (Prime – ASX: PFG)
30 November 2020



Company Announcements Office
Australian Securities Exchange Limited

Prime Financial Group Ltd (Prime – ASX code PFG) 2020 Annual General Meeting

In accordance with the requirements of the ASX Listing Rules, Prime Financial Group Ltd (ASX: PFG) is pleased to provide a copy of the presentation to be given by Prime's Chairman and Managing Director/CEO, Mr Simon Madder, at the Company's Annual General Meeting (which will commence at 9.00am this morning).

About Prime Financial Group

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.

For more information on this announcement please contact **Simon Madder (Managing Director/CEO)** on (03) 9827 6999.

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PRIME FINANCIAL GROUP LTD
ACN 009 487 674

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2020 Annual General Meeting

Chairman's Address

Good morning Ladies and Gentlemen. On behalf of my fellow Directors, Mr Matt Murphy and Mr Tim Bennett, it gives me great pleasure to welcome you to this virtual 2020 Annual General Meeting of Prime Financial Group Limited. My name is Simon Madder, and I have the honour of being your Chairman.

I would also like to take the opportunity to welcome the members of our team who have joined us virtually this morning, as well as representatives from our auditors, EY, and from our legal advisers, HFW Australia. I would also like to welcome representatives of Computershare, who will be counting votes on resolutions to be considered this morning.

The agenda for this meeting will comprise of my address, followed by a presentation on the business and the results for the 2020 financial year. I will also provide an update for the current financial year. We will then allow time for questions on the business of Prime.

The formal business of the meeting will then be conducted which will include resolutions for the adoption of the 2020 Annual Financial Statements and the Remuneration Report, followed by the election of Mr Matt Murphy and Mr Tim Bennett as Directors of the Company.

Overview

Prime is pleased to report for the year ending 30 June 2020, a strong financial and operating result with increasing momentum in what has been and continues to be one of the most difficult, unusual, uncertain and challenging periods in the company's 22-year history.

As the COVID-19 pandemic impacts the community and all Prime stakeholders including clients, our team, accounting firm relationships and shareholders, we seek to continue to deliver advice and services to clients whilst protecting the health and safety of our team, our clients and their business and personal financial circumstances.

Without seeking to lessen or disregard the impact that COVID-19 has had on many in the Australian and Global community we are fortunate to say that the Prime team has remained safe and healthy having had a swift migration to work from home in March 2020 all whilst maintaining service and advice standards for clients in a continuous manner. This exceptional effort is a credit to our dedicated team of professionals, their capability and resilience and we thank every team member for their flexibility and continuing dedication to empowering and protecting our clients.

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Clients and Community

During H2 FY20 and the onset of COVID-19 many of Prime's clients in the community were impacted, whether it be as business owners affected by the lockdown and changed economic circumstances, or individuals and family groups with investments and superannuation / SMSF assets that have been impacted by equity market falls and volatility.

Our focus during this period has and continues to be to ensure that we continuously provide support and advice on how best to manage through these challenging times by providing comprehensive, proactive, timely and regular advice on what to do to protect and how best to navigate the various support packages provided by the state and federal government.

The rapid-fire nature of the change during H2 FY20 and beyond required our team to be ever present, to quickly evaluate and promptly act, this we feel was done and continues to be done very well. Furthermore, as part of our support for clients and the community Prime also created Business Owner, Wealth Management and Superannuation Forums for our clients and people in our clients' networks to attend free of charge to share important business and financial information and strategies. We are not seeking to overstate the importance of our programs and approach, rather acknowledge the responsibility we felt to provide as much support as possible to as many people as possible.

The Prime Board

During the onset of COVID-19 the Prime Board met regularly, led by our Interim Chairman Mr Tim Carroll and Prime Co-founder and Executive Director Mr Peter Madder along with myself. During this period, the Prime Board worked closely with the leadership team to formulate and manage a comprehensive plan to maintain Prime's momentum, support our team and clients and deliver value for our shareholders.

Tim Carroll extended his tenure as Interim Chairman providing continuity and leadership and this support has been valuable and appreciated. Having successfully navigated and positioned Prime strongly to weather future challenges and maximise opportunities for growth, Tim Carroll resigned from his role as a Director of Prime on 3 July 2020. At the same time, Peter Madder took the opportunity to announce his succession and retirement as an Executive Director of Prime, effective 31 August 2020, moving to a role of special adviser in a part-time capacity from 1 September 2020.

Peter Madder's vision for Prime and entrepreneurial spirit have been the hallmark of the Prime culture which will continue as we grow Prime for the benefit of all stakeholders. The Board thanks both Tim Carroll and Peter Madder for their leadership and vision.

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On 3 July 2020 Mr Matt Murphy and Mr Tim Bennett were appointed to the Prime Board as Executive Directors. Matt Murphy leads Prime's Accounting & Business Advisory division, a material contributor to Prime's earnings, and is personally an accomplished business adviser and accountant. Matt has been with Prime since 2016 and is a member of the leadership team and is an important part of Prime's vision as 'One Connected' professional services firm.

Tim Bennett leads Prime's Capital & Corporate Advisory division which he established 3 years ago and is now a strong earnings contributor to Prime and an important service for Prime's Business & Corporate clients, plus those larger family owned and entrepreneur led businesses. As an experienced corporate adviser, business leader and originator Tim Bennett continues to form an important part of the Prime leadership team.

I would like to welcome both Matt and Tim to the Prime board.

I will now elaborate further on the performance of Prime and our financial results for the year.

Simon Madder

Chairman

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Prime Financial Group Ltd (ASX: PFG)

AGM Presentation

30 November 2020



Welcome

Directors



Simon Madder

Chairman, Chief Executive
Officer & Managing Director



Matt Murphy

Executive Director



Tim Bennett

Executive Director



Auditors

EY



Legal Advisors

HFW



Share Registry

Computershare Investor Services

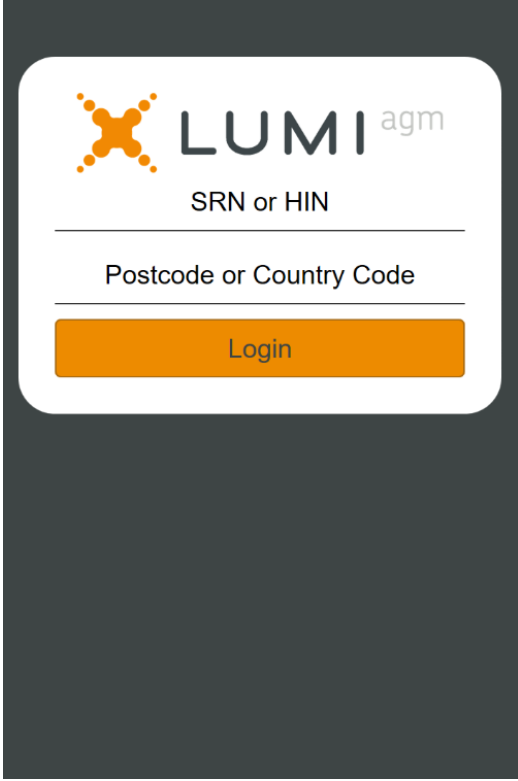
Agenda

1. Chairman's Address – Simon Madder
2. Managing Director / CEO's Presentation – Simon Madder
3. Business of the Meeting

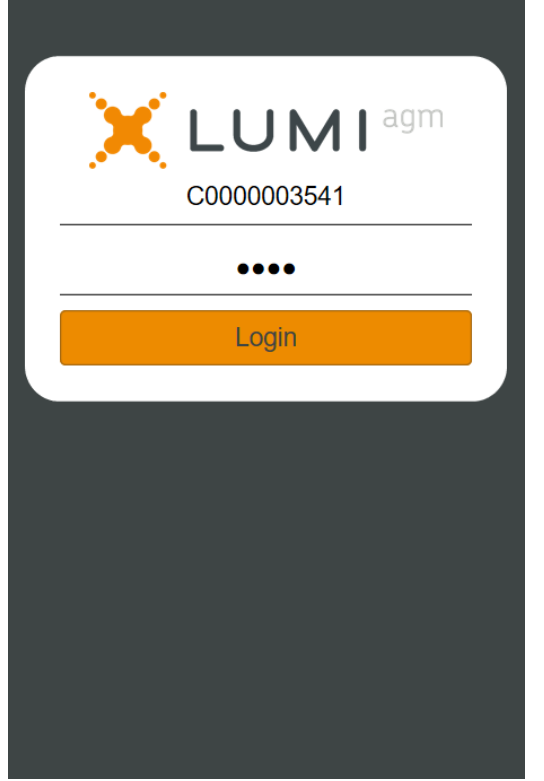
Online attendees voting process

Visit web.lumiagm.com/328860000

Enter Username (SRN or HIN) and Password
(Postcode or Country Code).



The image shows a mobile app interface for LUMI agm. At the top is the LUMI agm logo, which consists of an orange 'X' made of dots followed by the text 'LUMI agm'. Below the logo is a text input field containing 'SRN or HIN'. Underneath this is another text input field containing 'Postcode or Country Code'. At the bottom of the form is an orange button with the text 'Login'.

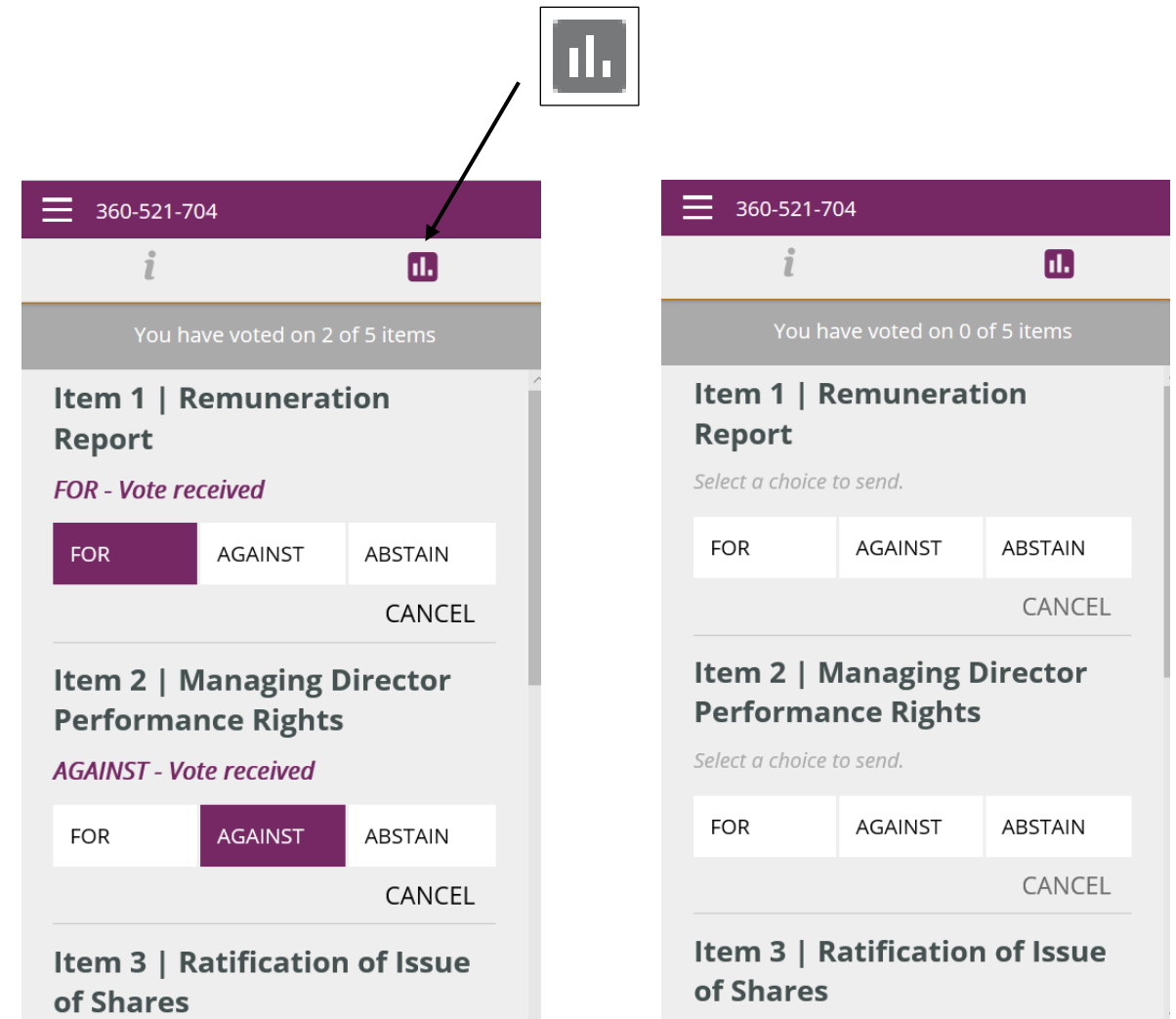


The image shows a mobile app interface for LUMI agm, identical to the one on the left. It features the LUMI agm logo at the top, followed by a text input field containing 'C0000003541', then a text input field with four dots (password field), and finally an orange 'Login' button at the bottom.

Online attendees voting process

When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen

To vote simply select the option you wish to send, the selected option will change colour. There is a message at the top of screen indicating the number of resolutions you have voted on.



Prime Financial Group Ltd (ASX: PFG)

Managing Director/CEO's Presentation



2



20

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

*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.

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%			

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Revenue

Contracts with Customers



Analysis of Revenue Growth – FY20 vs FY19

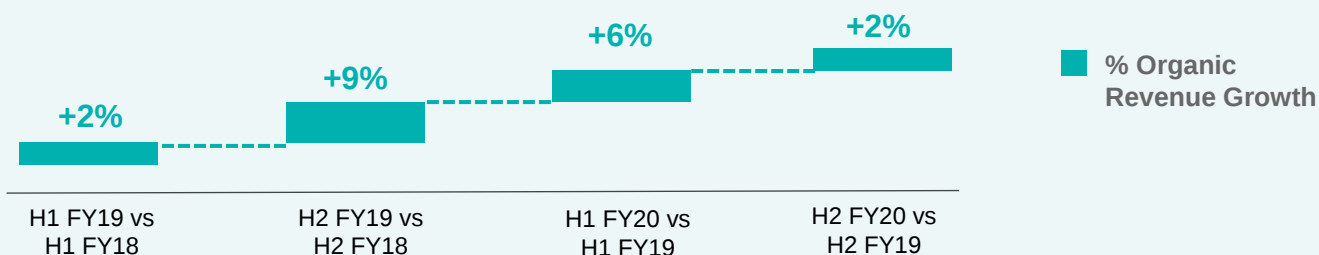
Revenue			
	FY20 \$m	FY19 \$m	FY20 vs FY19
Accounting, Business Advisory & Capital	12.0	10.4	15%
Wealth Management & SMSF	9.5	10.3	(8%)
Total Revenue from Contracts with Customers	21.5	20.7	4%

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.

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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

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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
- 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 Takeaways

- **FY20 Final dividend of 0.25 cps**
- **Increased full year dividends of 0.45 cps v 0.40 cps (+13%)**
- **Expected increase in dividend in FY21**

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% base pay reduction between April and 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 reopening (January), Sydney & Brisbane offices both open

Key Takeaways

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

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 (FY20 = 1.9 times)



Accelerate integration & client service

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

Business Of The Meeting

1. Consideration of the Financial Statements

Note: There is no requirement for the shareholders to approve these statements

2. Adoption of the Remuneration Report

3. Election of Director – Mr Matt Murphy

4. Election of Director – Tim Bennett

Resolution 1

Remuneration Report

- The first item on the agenda is the resolution concerning the Remuneration Report
- Article 37.2 of the Company's Constitution states that a resolution put to the vote of a meeting is decided on a show of hands unless a poll is demanded. As Chairman I have elected that the resolution be put to vote as a poll

Resolution 2

Election of Director (Mr. Matt Murphy)

- The second item on the agenda is the resolution concerning the election of Mr. Matt Murphy as a Director of the Company
- Article 37.2 of the Company's Constitution states that a resolution put to the vote of a meeting is decided on a show of hands unless a poll is demanded. As Chairman I have elected that the resolution be put to vote as a poll

Resolution 3

Election of Director (Mr. Tim Bennett)

- The third item on the agenda is the resolution concerning the election of Mr. Tim Bennett as a Director of the Company
- Article 37.2 of the Company's Constitution states that a resolution put to the vote of a meeting is decided on a show of hands unless a poll is demanded. As Chairman I have elected that the resolution be put to vote as a poll

Contact



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