

Prime Financial Group Ltd (ASX: PFG)

Half Year 2021 ('H1 FY21') Results Presentation

19 February 2021



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Key Message

**Growth in earnings, margins, cashflow
and dividends during difficult period**

H1 FY21 Highlights



Earnings Growth for members/shareholders



Underlying EBITDA up **18%**



Margin Growth for members/shareholders



Operating Margin of 27% up from 22% (+5%)



Reduction in Net Debt



Down **\$1.3m** to \$8.5m vs \$9.8m at 30 June 2020 (Underlying EBITDA members/shareholders of 1.4 times net debt)



Increase in operating cashflow



Up \$1.3m (+93%)



Total operating expenses lower



Down 10%



Increased dividends declared:



Interim dividend of 0.30 cps (+50%)



Continued focus on clients and team



Key Financial Metrics

H1 FY21 vs H1 FY20



Financial Highlights*	Prime – Members/Shareholders			Prime – Group		
	H1 FY21	H1 FY20	Change	H1 FY21	H1 FY20	Change
Underlying						
Revenue - Contracts with customers	\$10.7m	\$11.1m	↓ (3%)			
Revenue - Other	\$0.0m	\$0.0m	n/a			
Revenue - Total	\$10.7m	\$11.1m	↓ (3%)			
EBITDA**	\$2.8m	\$2.4m	↑ 18%	\$3.2m	\$2.9m	↑ 12%
Margin	27%	22%	↑ 5%	30%	26%	↑ 4%
Reported						
EBITDA	\$2.5m	\$2.1m	↑ 19%	\$2.9m	\$2.6m	↑ 13%
NPAT	\$1.0m	\$0.6m	↑ 69%	\$1.3m	\$0.9m	↑ 39%
Diluted EPS - cents per share (cps)	0.58	0.35	↑ 66%			
Final Dividend paid - cps	0.25	0.20	↑ 25%			
Interim Dividend declared - cps	0.30	0.20	↑ 50%			

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

H1 FY21 Underlying EBITDA for members/shareholders includes non-recurring expenses of \$0.27 million vs \$0.25 million in H1 FY20.

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

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

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

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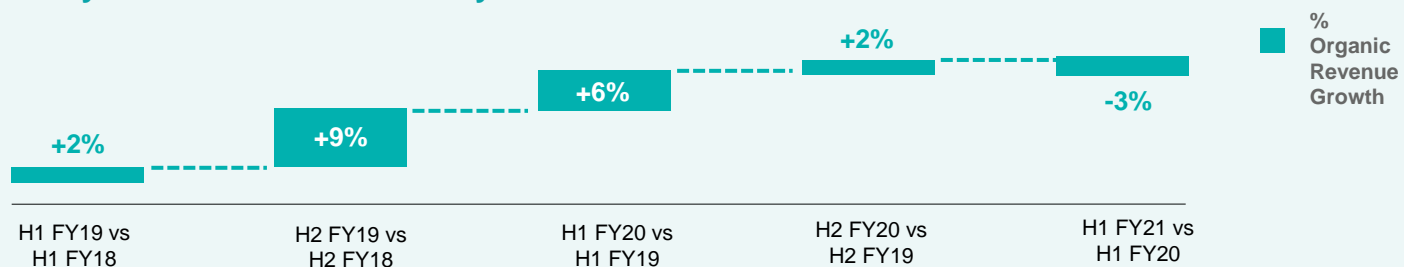
Revenue & Margins



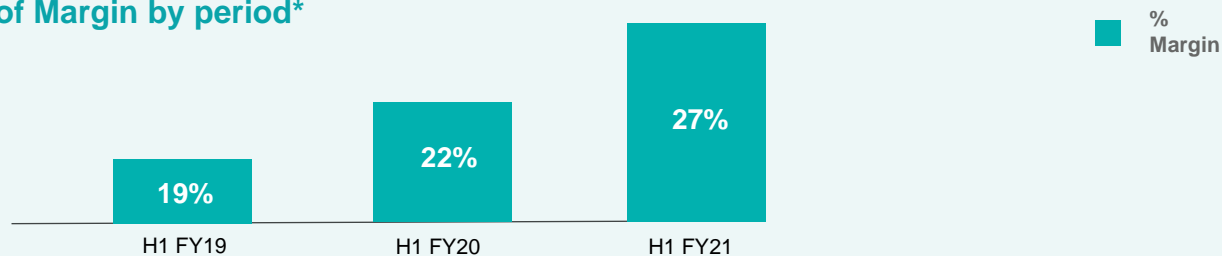
Analysis of Revenue – H1 FY21 vs H1 FY20

Revenue			
	H1 FY21 \$m	H1 FY20 \$m	H1 FY21 vs H1 FY20 (%)
Accounting, Business Advisory & Capital	6.4	6.2	3%
Wealth Management & SMSF	4.3	4.8	(11%)
Total Revenue from Contracts with Customers	10.7	11.0	(3%)

Analysis of Revenue Growth by Half vs Prior Period



Analysis of Margin by period*



How are we growing?

- ✓ Strong cost control
- ✓ Focus on core services
- ✓ OneConnected client service & team approach
- ✓ Exit unprofitable service lines
- ✓ Revenue in H1 FY21 was impacted by the fall in stock markets and exiting unprofitable service lines

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

**FY19 pre AASB16 Leases Accounting Standard change.*

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EBITDA & NPAT

Attributable to Members/Shareholders Reconciliation

\$'000 AUD	H1 FY21	H1 FY20
Reported net profit after tax from operations (Group)	1,312	943
Add: Tax expense	463	325
Add: Interest expense/(income)	222	280
EBIT (Group) *	1,998	1,548
Add: Depreciation	31	111
Add: Amortisation	880	926
Reported EBITDA (Group) **	2,909	2,585
Adjustments:		
Non-recurring expenses	273	251
Share based payment expenses/(benefit)	(21)	13
Fair value movements/adjustments on Financial assets	23	8
Fair value movements/adjustments on contingent consideration	27	8
Underlying EBITDA (Group)	3,210	2,865
Underlying EBITDA (members/shareholders)	2,841	2,411
Reported EBITDA (members/shareholders)	2,540	2,131

* EBIT is defined as earnings before interest and tax.

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

Balance Sheet, Cash Flows & Net Debt



Balance Sheet

Group	At 31 Dec 2020 \$m	At 30 Jun 2020 \$m
Cash	0.1	0.1
Total assets	57.7	58.9
Borrowings	(8.6)	(9.9)
Total liabilities	(16.3)	(17.7)
Net assets	41.4	41.2
Non-controlling interests	(0.5)	(1.2)
Equity attributable to members/shareholders	41.0	40.0
Group net debt	(8.5)	(9.8)

Cash Flows – Reported

Group	H1 FY21 \$m	H1 FY20 \$m
Operating cash flows	2.7	1.4
Investing cash flows	(0.9)	(1.3)
Financing cash flows	(1.8)	(0.2)
Net increase/(decrease) in cash & cash equivalents	0.0	(0.1)
Cash	0.1	0.1

Key Takeaways

- Net debt reduction to \$8.5m from \$9.8m at 30 June 2020
- Operating cash inflow \$2.7 million
- Investing cash outflow includes business acquisitions 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 and Treasury share transfers
- Prime was targeting a net debt to Underlying EBITDA ratio of 1.0 - 1.5 times (currently 1.4 times)

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

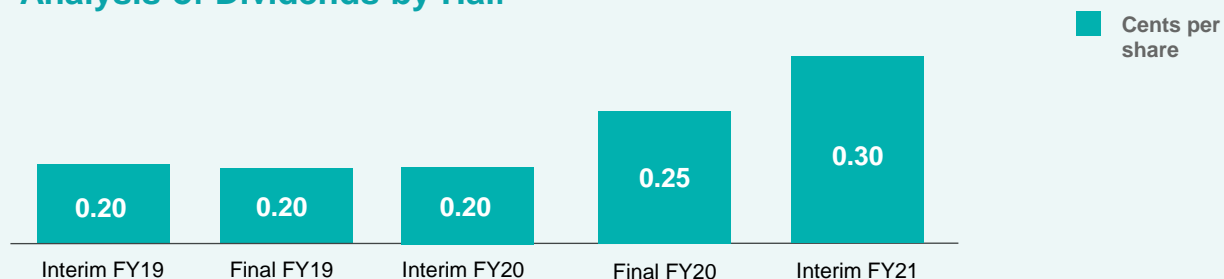
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Dividends

- Target dividend payout ratio of 40 – 60% of reported and maintainable earnings
- H1 FY21 interim dividend declared of 0.30 cents per share ('cps') (fully franked) vs interim dividend of 0.20 cps in H1 FY20 (+50%)
- H1 FY21 payout ratio of 52% of reported NPAT for members/shareholders
- Dividend Reinvestment Plan ('DRP') continues for the interim dividend
- With anticipated improvement in cashflow in H2 FY21 and an improvement in the debt position, Prime expect dividends to continue to increase in H2 FY21 vs the previous corresponding period

Analysis of Dividends by Half



Key dates for dividend and DRP

Record Date 6 April 2021

Payment Date 3 May 2021

DRP:

Last date for election notices 7 April 2021

DRP pricing period 9 April 2021 to 22 April 2021 inclusive

Outlook for Members/Shareholders – FY21



Continued organic earnings growth

On track

- Cautiously optimistic as the economic recovery begins and business conditions (overall) improve in line with the rebound in stock markets globally
- Underlying EBITDA growth expected to continue



Clients, Community & Team

Ongoing

- Continuously support clients, team and the community by being proactive, professional, accountable and relationship focused



Improved cashflow & dividends

On track

- Ongoing improvement in operating cashflow
- Increasing dividends as earnings grow



Reduce debt

On track

- Debt to continue to take a step down
- Target net debt to Underlying EBITDA ratio of 1.0 – 1.5 times (currently 1.4 times)



Accelerate integration (OneConnected)

Ongoing

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

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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

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 31 December 2020	195.3m
Market Capitalisation at 9.3 cents at closing on 15 February 2021*	\$18m
Net debt at 31 December 2020	\$8.5m

Investment Information

H1 FY21	
Share Price**	9.3 cents
Reported EPS***	1.43 cps
Reported EPS multiple	7 times
Interim Dividend	0.30 cps
Dividend Yield**	5.9%

Prime's Comparable Companies

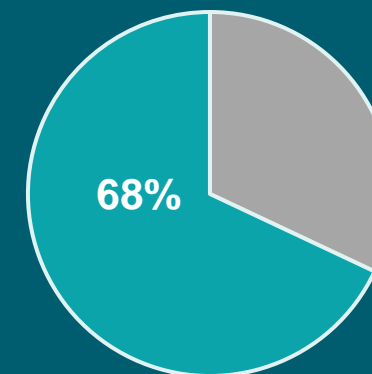
Company	ASX Code	Market Cap*
Kelly Partners Group	KPG	\$97 million
Centrepoint Alliance	CAF	\$38 million
Countplus	CUP	\$135 million
Easton Investments	EAS	\$42 million
Sequoia Financial Group	SEQ	\$64 million
Fiducian Group	FID	\$198 million

* Market Capitalisation taken at 15 February 2021 closing

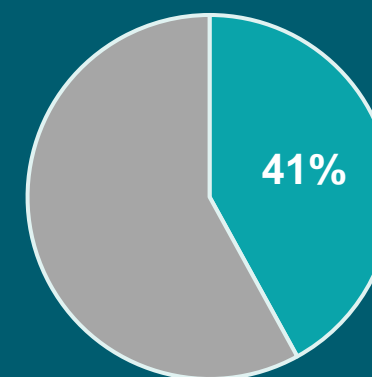
** Share Price taken at 15 February 2021 closing

*** Uses H2 FY20 + H1 FY21 Earnings

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.

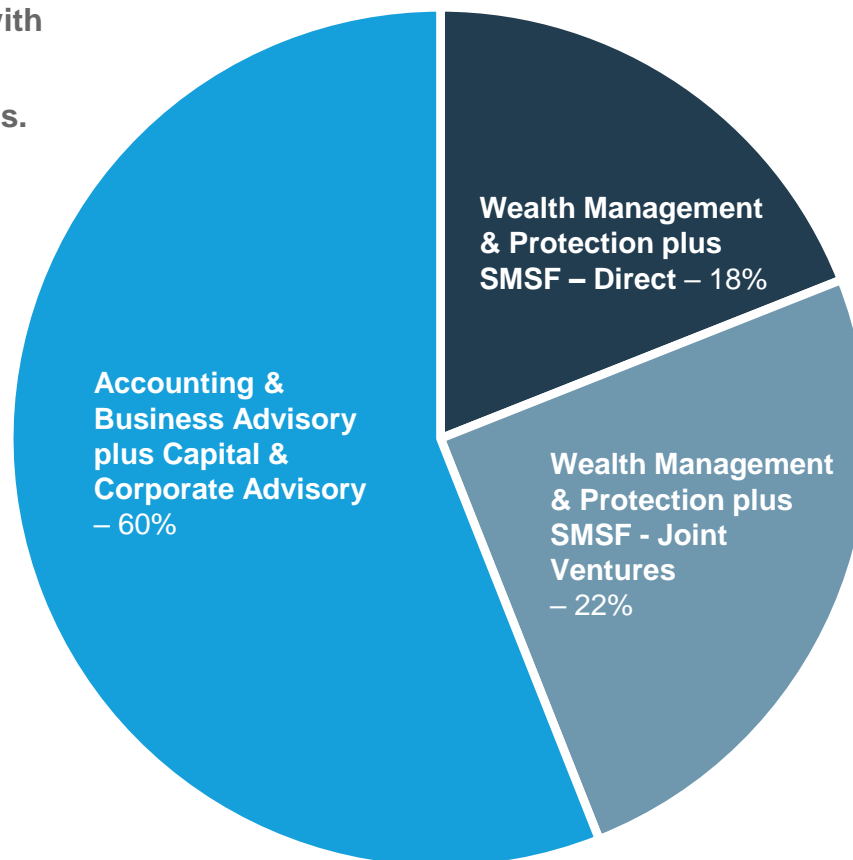
Accounting & Business Advisory plus Capital & Corporate Advisory – 60%

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 – 40%

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

→ Wealth Management & Protection plus SMSF – Direct – 18%

- Prime liaises directly with clients under the Prime brand

→ Wealth Management & Protection plus SMSF – Joint Ventures – 22%

- 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

'ONECONNECTED' PROFESSIONAL SERVICES FIRM

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 OneConnected 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 client experience and deliver Prime's business strategy

FY21 KEY PRIORITIES

Organic Growth

- Integrate Prime's client base - OneConnected 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

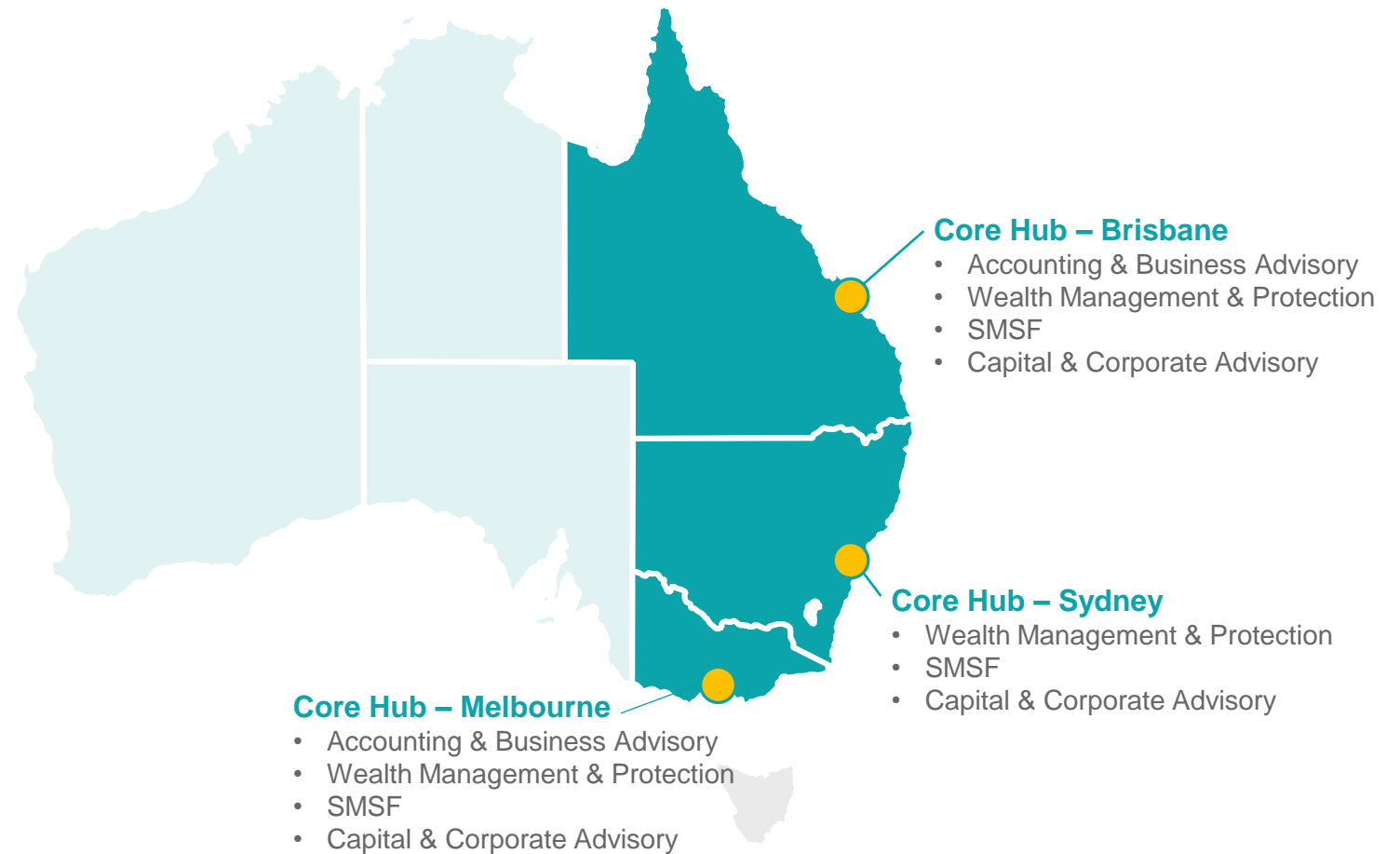
- Enhanced efficiency, service delivery and cashflow through business intelligence and enablement software and systems in OneConnected environment

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Core Hub Strategy

Melbourne, Sydney & Brisbane

Prime is a OneConnected 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



Simon Madder
Chief Executive Officer, Managing Director & Chairman

- 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: 29.1m (15.0%)**



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 OneConnected professional services firm
- Experienced Leader, Accountant and Business Adviser with 20+ years' experience across Business, Accounting and Taxation Advisory services
- **Share Ownership: 13.6m (7.0%)**



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
- **Share Ownership: 0.0m (0.0%)**