

Prime Financial Group Ltd (ASX:PFG)



# Half year 2022 ('H1 FY22') Results Presentation

18 February 2022

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# H1 FY22 Key Financial Highlights



Underlying EBITDA Growth  
(members/shareholders)

**+20%**

**to \$3.4m**



Revenue Growth

**+14%**

**to \$12.2m**



Reported Earnings  
per Share (EPS)

**+14%**

**to 0.66cps**



Interim dividend up

**+67%**

**to 0.50cps**



Margin Growth  
(members/shareholders)

**+1%**

**to 28%**



Increase in net  
operating cash flow

**+2%**

**to \$2.8m**



Reduction in  
Net debt\*

**-11%**

**to \$6.3m**

# Other Important Information

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## Melbourne sublease update:

Melbourne office footprint reduced (December 2021) accommodating a balanced office and work from home environment and improving future annual cash flow:

- Annual cash flow to improve by \$300k+
- Subletting unneeded office space created an unfavourable one-off lease modification accounting treatment (non-cash) impacting H1 FY22 EPS by 0.19cps
- Reported EPS H1 FY22: 0.66cps +14% (EPS of 0.85cps excluding lease modification)

## Buyback update:

From 1 October 2021 to 11 February 2022 closing, PFG purchased and cancelled 1.40 million PFG shares (\$251,000 in value) at an average of 17.1 cents.

- 
- BRISBANE**
- Accounting & Business Advisory
  - Wealth Management & Protection
  - SMSF
  - Capital & Corporate Advisory

- SYDNEY**
- Accounting & Business Advisory
  - Wealth Management & Protection
  - SMSF
  - Capital & Corporate Advisory

- MELBOURNE**
- Accounting & Business Advisory
  - Wealth Management & Protection
  - SMSF
  - Capital & Corporate Advisory

# Who We Are

## Service

Integrated Accounting & Business Advisory, Wealth Management, SMSF and Capital Services with over \$1.1 billion of client funds under management (FUM).

## Purpose

Empowering you to achieve your aspirations.

## Operations

110+ team members primarily across Melbourne, Sydney and Brisbane.

Continued focus on growing Melbourne, Sydney and Brisbane for all four service lines.

Centralised Services (IT, Finance, Marketing & HR) based in Melbourne plus an increasing presence in Manila (Philippines) to support back office functions.

# Capital Structure & Comparisons

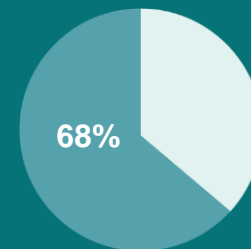
## Prime's Capital Structure & Investment Information

Market Capitalisation at 18.0 cents at closing on 11 February 2022*	<b>\$36.3m</b>
Net debt at 31 December 2021	<b>\$6.3m</b>
Share Price*	18.0cents
Reported EPS**	1.73cps
Reported EPS Multiple**	10 times
Annual (Final + Interim) Dividend Per Share	0.90cps
Annual Dividend Yield (Fully Franked)***	5.0%
Shares on Issue at 31 December 2021	<b>200.3m</b>

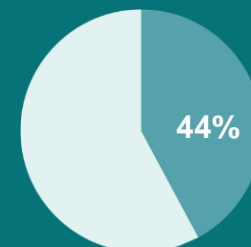
## Prime's Comparable Companies

Company	ASX Code	Market Cap*
Kelly Partners Group	KPG	\$242 million
Centrepont Alliance	CAF	\$49 million
Countplus	CUP	\$102 million
Diverger	DVR	\$40 million
Sequoia Financial Group	SEQ	\$94 million
Fiducian Group	FID	\$252 million

## Top 20 Shareholders



## Staff & Associates Shareholders



\*Taken at 11 February 2022 closing

\*\* Uses H2 FY21 + H1 FY22 Earnings

\*\*\*Share price taken at 11 February 2022 closing and dividend per share uses Final paid + Interim declared

# Key Financial Information

H1 FY22 vs H1 FY21

Financial Highlights*	Prime - Members/Shareholders			Prime - Group		
	H1 FY22	H1 FY21	Change	H1 FY22	H1 FY21	Change
Underlying						
Revenue - Contracts with customers	\$12.2m	\$10.7m	14% ↑			
EBITDA**	\$3.4m	\$2.8m	20% ↑	\$3.8m	\$3.2m	18% ↑
Margin	28%	27%	1% ↑	31%	30%	1% ↑
Reported						
EBITDA	\$2.5m	\$2.5m	-	\$2.9m	\$2.9m	-
NPAT	\$1.3m	\$1.0m	21% ↑	\$1.5m	\$1.3m	17% ↑
Diluted EPS - cents per share (cps)	0.66	0.58	14% ↑			
Final Dividend paid (cps) – 1 October 2021	0.40	0.25	60% ↑			
Interim Dividend declared (cps) – to be paid 1 April 2022	0.50	0.30	67% ↑			

## Prime's key profitability measure is Underlying EBITDA for members/shareholders

Underlying EBITDA (members/shareholders) removes the impact of financing costs, movements in items such as depreciation, amortisation and one-off items, and focuses on the earnings available to shareholders

H1 FY22 Underlying EBITDA (members/Shareholders) includes non-recurring expenses of \$0.89 million (this includes a \$0.52 million one-off lease modification) vs \$0.30 million in H1 FY21

\*Please see slide 17 for reconciliation of Reported and Underlying EBITDA to NPAT

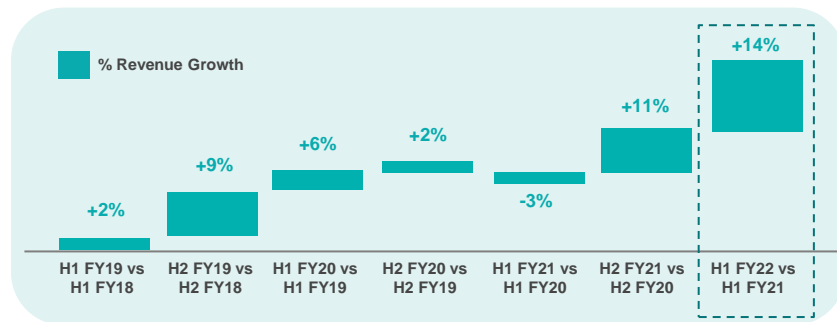
\*\*EBITDA is defined as earnings before interest, tax, depreciation and amortisation

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

# Revenue & Segment Services

- Prime operates a direct client advice model under the Prime brand (81% of revenue) and a Wealth Management Joint Venture model with Accounting Firms (co-branded) (19% of revenue)
- 80%+ of total revenue is generated from existing customers on a recurring basis
- Revenue growth has accelerated over the last two periods (averaging 12-13%) versus the previous five periods (averaging 3-4%)

## Analysis of Revenue Growth (Contracts with Customers) by Period

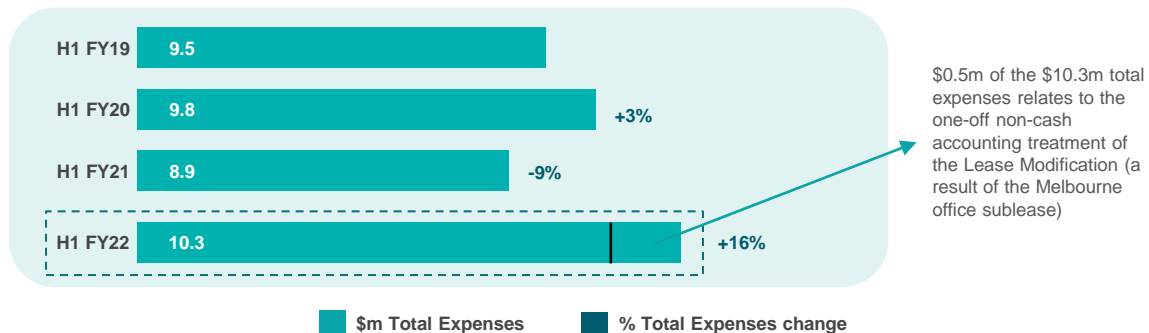


## Analysis of Revenue – H1 FY22 vs H1 FY21

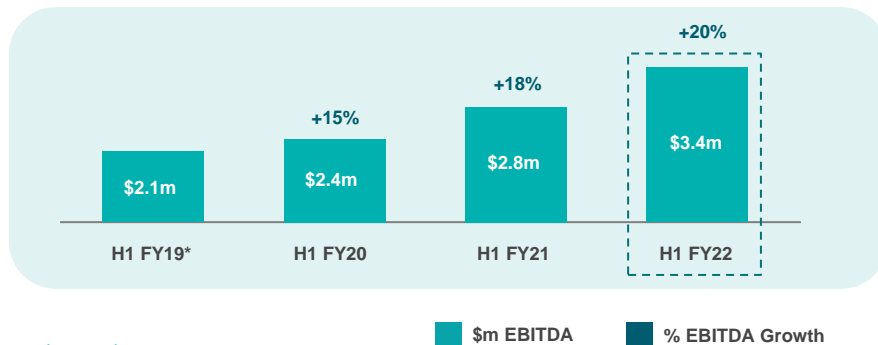
Revenue				
	H1 FY22 Weighting	H1 FY22 \$m	H1 FY21 \$m	Variance (%)
Accounting, Business Advisory & Capital	57%	6.9	6.4	+9%
Wealth Management & SMSF	43%	5.3	4.3	+22%
<b>Total Revenue</b>	<b>100%</b>	<b>12.2</b>	<b>10.7</b>	<b>+14%</b>

# Expenses & EBITDA

## Total Expenses by Period



## Underlying EBITDA (members/shareholders) by Period



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## Key Takeaways

- Excluding the \$0.5 million expense that relates to the one-off non-cash accounting treatment of the Lease Modification (a result of Melbourne office sublease), total expenses increased by 10% to accelerate revenue growth
- Revenue growth in the period was 14% versus H1 FY22
- The investment in the existing team and new revenue generators is a core strategy

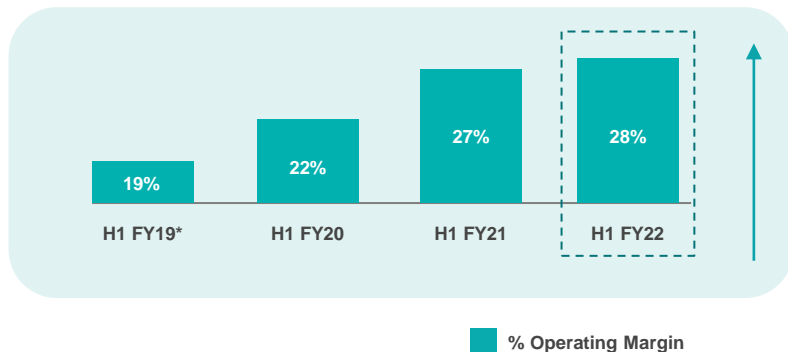
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\*FY19 pre AASB16 Leases Accounting Standard change

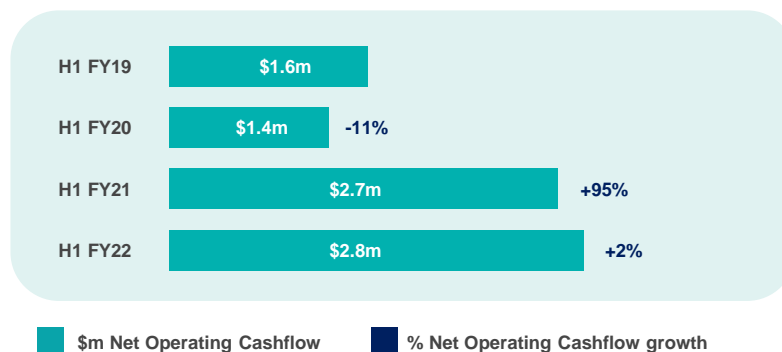


# Margin, Cash Flow & Net Debt Improvement

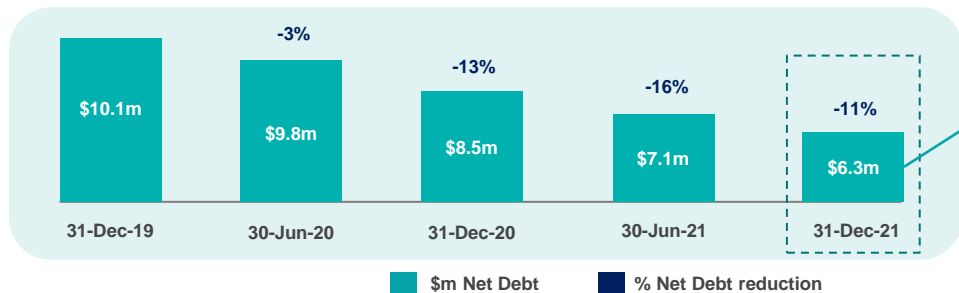
## Operating Margin by Period



## Net Operating Cash Flow by Period



## Net Debt by Period



Debt to Underlying EBITDA (members/shareholders) currently 0.9 times

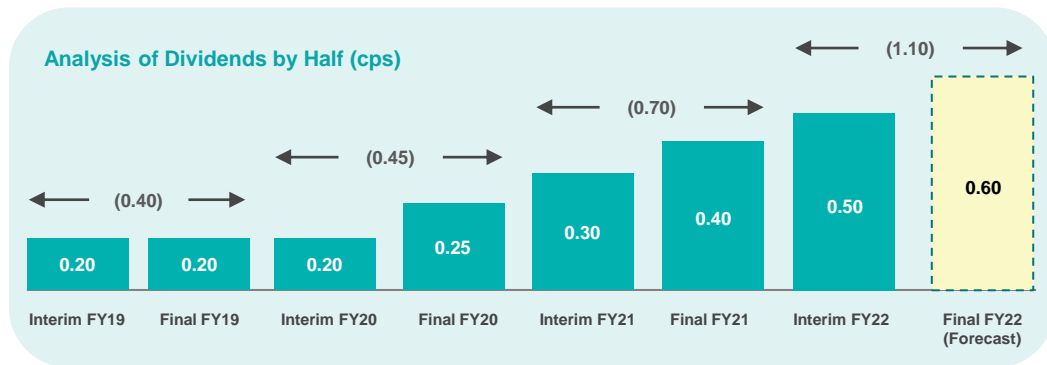
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\*FY19 pre AASB16 Leases Accounting Standard change

# Dividends

- Target dividend payout ratio of 40 – 60% of reported and maintainable earnings
- H1 FY22 interim dividend declared of 0.50 cents per share ('cps') (fully franked) vs interim dividend of 0.30 cps in H1 FY21 (+67%)
- Excluding the Loss on Lease Modification of \$515,880, the payout ratio is 61%
- H1 FY22 payout ratio of 80% of reported NPAT (members/shareholders)
- Dividend Reinvestment Plan ('DRP') continues for the interim dividend
- Prime forecasts dividends to continue to increase in FY22 (+57%) vs FY21



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## Key Dates for Dividend and DRP

### Dividend

Record Date	7 March 2022
Payment Date	1 April 2022

### DRP

Last date for election notices	8 March 2022
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DRP pricing period	10 March 2022 to 23 March 2022 inclusive
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# Balance Sheet, Cash Flows & Net Debt

## Balance Sheet

Group	At 31 December 2021 \$m	At 30 June 2021 \$m
Cash	0.1	0.1
Total assets	57.7	58.3
Borrowings	(6.5)	(7.2)
Total liabilities	(13.1)	(14.6)
Net assets	44.6	43.7
Non controlling interests	0.3	0.8
Equity attributable to members/shareholders	44.3	42.9
<b>Group net debt</b>	<b>(6.3)</b>	<b>(7.1)</b>

## Cash Flows - Reported

Group	H1 FY22 \$m	H1 FY21 \$m
Operating cash flows	2.8	2.7
Investing cash flows	(0.7)	(0.5)
Financing cash flows	(2.0)	(2.1)
Net increase/(decrease) in cash & cash equivalents	0.1	-
<b>Cash</b>	<b>0.1</b>	<b>0.1</b>

## Key Takeaways

- Net debt reduction to \$6.3m (-11%) from \$7.1m at 30 June 2021
- Net operating cash flow of \$2.8 million
- Investing cash out flow includes business acquisitions and development expenditure
- Financing cash out flow was substantially due to repayment of borrowings, dividends paid to members/shareholders & to non-controlling interests and lease liabilities, partially offset by Treasury share transfers
- Prime is targeting a net debt to Underlying EBITDA ratio of 0.5 – 1.0 times in FY22 (currently 0.9 times)

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

# Clients and the Community

## Clients

- In calendar year 2021, [Prime's Net Promoter Score \(NPS\) improved by 34%](#), a top quartile performance when measured against the 2019 survey.
  - ✓ **Accounting & Business Advisory +54** (an improvement of 15)
  - ✓ **Wealth Management NPS +41** (an improvement of 12)
- As part of supporting Prime clients and their broader network and community, Prime continued delivering Forums and regular education to empower better decision making. All of these sessions were available free of charge for participants and their networks.

## Community

- Prime were pleased to support OzHarvest in FY22, Australia's leading food rescue organisation.
- For our team we continued with our Employee Giveback Program, offering a paid voluntary leave day to support a preferred charity of the team member's choice.

Note: Net Promoter Score (NPS) is a widely used market research metric that takes the form of a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service to a friend or colleague.

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## Accounting & Business Advisory NPS

2019



2021



## Wealth Management NPS

2019



2021



## What is a good NPS score?



# 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



## Area & Objectives

### Financial

Grow Underlying EBITDA (members/shareholders) whilst improving dividends and scaling the firm

### 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

### Clients & Community

Provide clients with advice and services through OneConnected firm. Positively contribute to our community delivering value through an evolving set of programs



## FY22 Key priorities

### Growth

- Continue to 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 Wholesale & Family Office Wealth Management plus SMSF capability
- Inorganic growth and tuck-in opportunities

### People & Culture

- Further develop and empower our people to confidently advise our clients and engage - client service is a priority
- Increase team ownership and alignment with shareholders through Prime's Performance Rights Plan

### Systems & Efficiency

- Enhance efficiency, service delivery and growth through business intelligence and enablement software and systems in OneConnected environment

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# Outlook for Members/ Shareholders – FY22



## Increased Earnings & Revenue Growth

- Growth in Underlying EBITDA (members/shareholders) 5% to 10%+
- Accelerating Revenue Growth +10% to 15%



## Actively exploring Growth Opportunities

- Organic and Inorganic Initiatives are accelerating as part of Prime's program to scale and differentiate our offering



## Increased dividends - Forecast to increase from 0.70cps (FY21) to 1.10cps (FY22) +57%

- Confirm Interim Dividend +67% to 0.50cps (H1 FY22) vs 0.30cps (H1 FY21)
- Interim Dividend payable 1 April 2022
- Forecast Final Dividend +50% to 0.60cps

# Outlook for Members/ Shareholders – FY22



## Debt to Underlying EBITDA (members/ shareholders) to decrease

- Target range 0.5 to 1.0 times
- Currently 0.9 times



## Capital Management initiatives

- Buyback commenced on 1 October 2021
- Approx. \$250k spent on the buyback since inception at an average share price of 17.1 cents
- Continue to buyback shares when the share price does not reflect fair value



## Other Items

- Melbourne office footprint reduced (December) accommodating a balanced office and work from home environment and improving cash flow by +\$300k per annum
- Prime's Team, Equity and Business ownership structure continues to provide alignment and incentive for growth, recruitment, retention and performance improvement

# | Appendices

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# EBITDA & NPAT

## Attributable to members/shareholders reconciliation

\$'000 AUD	H1 FY22	H1 FY21
<b>Reported net profit after tax from operations (Group)</b>	<b>1,536</b>	<b>1,312</b>
Add: Tax expense	354	463
Add: Interest expense/(income)	164	222
<b>EBIT (Group)*</b>	<b>2,055</b>	<b>1,998</b>
Add: Depreciation	21	31
Add: Amortisation	817	880
<b>Reported EBITDA (Group)**</b>	<b>2,893</b>	<b>2,909</b>
<b>Reconciliation of Reported to Underlying EBITDA</b>		
Non-recurring employee benefits	330	273
Share based payment expense/(benefit)	-	21
Fair value movements / adjustments on financial assets / contingent consideration	45	50
Loss on lease modification (Sublease of Office Space)	516	-
<b>Underlying EBITDA (Group)</b>	<b>3,784</b>	<b>3,210</b>
<b>Underlying EBITDA (members/shareholders)</b>	<b>3,408</b>	<b>2,841</b>
<b>Reported EBITDA (members/shareholders)</b>	<b>2,518</b>	<b>2,540</b>

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

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

# Board



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

- Co-founder, Managing Director & CEO of Prime Financial Group Ltd (Prime) since 1998
- 23 years' experience in Wealth Management & Accounting Services across Operations, Strategy & Acquisitions
- **Share Ownership: 29.1m (14.5%)**



**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 (6.8%)**



**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%)**

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# Contact



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