



Diverger Limited

First-Half 2022
Results Presentation



Divergers create positive change

We step outside our comfort zone to
create **more possibilities** for our clients.

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This presentation has not been subject to auditor review.

Diverger Limited today

Leading service provider to accountants and financial advisers

Brands

GPS Wealth

Merit Wealth

SMSF Expert

Paragem

CARE

Core Services

Licensing & compliance

Back office outsourcing

Client engagement and advice systems
/ processes

Practice consulting & peer networking

Equity investment into practices

Managed portfolio services (CARE)

Wealth Solutions

159 financial advice firms
485 financial advisers²

Diverger provides services that enable accountants and financial advisers to grow their business

Accounting Solutions

Circa 3,000 accounting firms

Brands

Knowledge Shop

Taxbytes

TaxBanter¹ (moved to 100% ownership 31 January 2022)

Core Services

Technical member services

Workpapers, knowledge base

Technical training (inhouse and online)

¹ On 31 January 2022, the Group increased its equity interest to 100% by acquiring the remaining 40% from the minority shareholders.

² 460 licensed advisers (full and limited), plus 25 self licensed advisers

2025 goal

Become the leading non-institutional provider of services to financial advisers and accountants



Triple Net Revenue



Grow client base in the high margin Accounting Solutions business by 40%



Grow EBITA¹ in Wealth Solutions to 40% by extending into new services and transforming advice systems and processes

1. Margin on net revenue

This goal involves materially growing our share of a large market



Circa 17,600 advisers Diverger market share 2.7%

- Diverger's current target market is externally licensed IFA's, which represent circa 33% of the total adviser population
- Extending services to self licensed practices (where we currently have limited market share) increases our target market to 80% of total advisers
- Adding new services for advisers over time will materially extend our reach into the overall \$10B revenue pool

Our goal is to grow both services and footprint across licensed and self licensed advisers

Circa 10,000 accounting firms Diverger market share 24%

- Diverger's current target market is small and mid tier accounting firms
- Currently 24% market share in technical support (Knowledge Shop membership) and 19% market share of professional education (both public practice and in house)
- Extension into adviser professional education is early stage and progressing well

Our goal is to grow education services to accountants and extend the same services to financial advisers

1H Highlights



Organic momentum on key revenue drivers

Net revenue up 11% on pcp

+64% average licensee net revenue per adviser
+13% Knowledge Shop membership revenue
+37% growth in CARE managed portfolio FUM



Improving business margins

Statutory EBITA up 5% on pcp (21% 3yr CAGR)

Wealth Solutions margin¹ grown to 25% and forecast to improve further
Accounting Solutions sustaining pleasing margins of circa 39%
56% 3yr CAGR² in Cashflow from Operations



Continuing investment to prepare for higher growth

Strengthened governance and capability

Underlying profit down 5% on pcp
Higher corporate costs (from a low base) through strategic MD hire, strengthened board & investment in HR, finance & technology to drive growth
Aligned key talent with creation of a share incentive scheme and investment to launch new product initiatives

1. Margin refers to segment EBITA relative to Net Revenue
2. CAGR: Compound annual growth rate.

Group Profit Analysis

| Segment Result | 1H22 (\$m) | 1H21 (\$m) | Increase/ (decrease) (%) |
|---|---------------|-------------------|--------------------------------|
| Wealth Solutions | 7.52 | 5.80 | 30 |
| Accounting Solutions | 7.26 | 7.47 | (3) |
| Net Revenue - Continuing Operations | 14.78 | 13.27 | 11 |
| Wealth Solutions | 1.86 | 1.42 | 31 |
| Accounting Solutions | 2.85 | 3.06 ¹ | (7) |
| Underlying Profit – Continuing Divisional Operations | 4.71 | 4.48 | 5 |
| Corporate Overheads | (1.37) | (0.95) | (44) |
| Underlying Profit - Continuing Operations | 3.34 | 3.53 | (5) |
| Add: Discontinued Operations | - | 0.39 | (100) |
| Group Underlying Profit inc. Discontinued Operations | 3.34 | 3.91 | (15) |
| Normalisations | (0.14) | (0.86) | 84 |
| Statutory EBITA inc. Discontinued Operations | 3.20 | 3.05 | 5 |

Consolidated growth in continuing operations

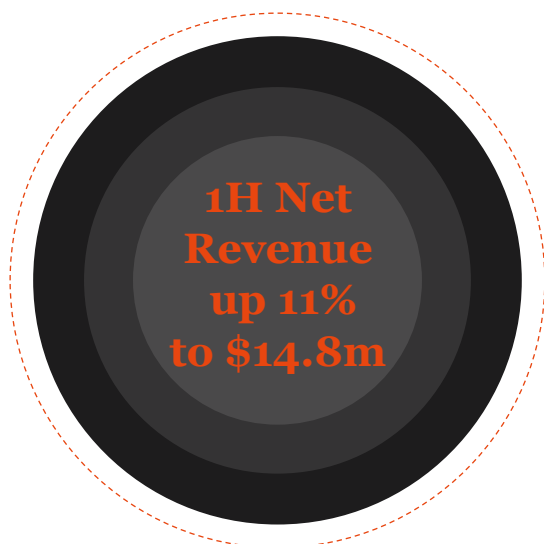
Continued growth in Net Revenue and Underlying Profit primarily coming out of the Wealth division. Accounting Solutions sustained the result achieved in prior corresponding period, which was unusually strong.

Growth in corporate costs driven by investment in Board and leadership team to drive improved growth

Underlying Profit more aligned to Statutory profit with fewer one-off costs incurred as the business consolidates core assets

1. Prior period for Accounting Solutions included \$369k stimulus payments for TaxBanter (partially owned), which enabled that business to maintain its full complement of staff. Adjusting for this stimulus payment achieves the same margin result for group underlying profit as 1H22.

Organic momentum on key revenue drivers



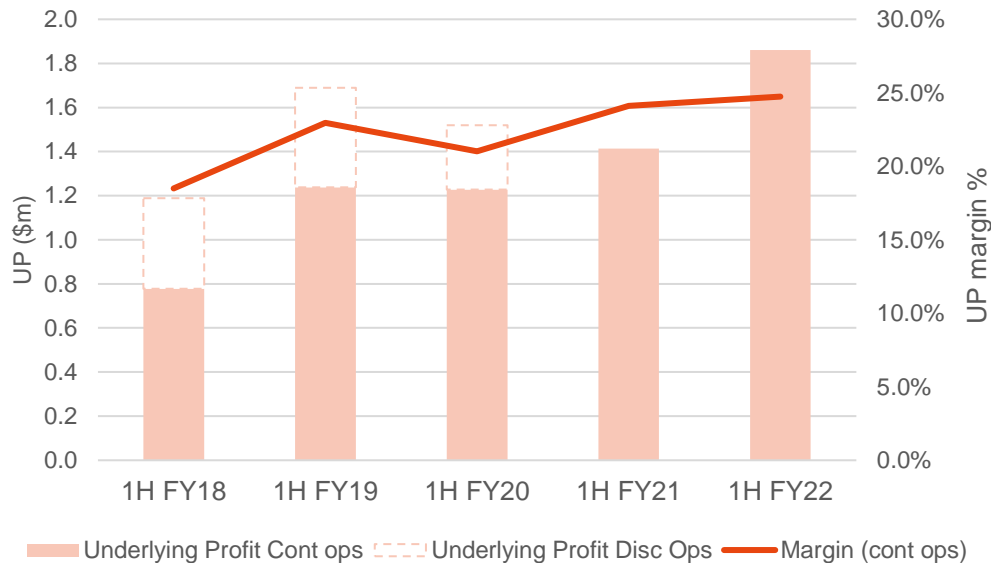
| Key revenue drivers | 1H22 | 1H21 | % change pcp |
|---|--------|--------|--------------|
| Average licensee net revenue per adviser ¹ | \$10k | \$6k | +64% |
| Licensed advisers ¹ | 460 | 563 | (18%) |
| CARE managed portfolio FUM | \$2.3B | \$1.7B | +37% |
| Knowledge Shop member revenue | \$3.1m | \$2.7m | +13% |
| Training ² | \$4.2m | \$4.4m | (5%) |

1. Average licensee net revenue is a composite of full authorised representative (AR) net revenue and limited AR (LAR) net revenue, collectively referred to as 'adviser'. Adviser departures occurred primarily in LAR numbers, due to industry wide FASEA impacts

2. Training continuing to be impacted by pandemic related delays in face-to-face training and higher than usual prior period result, expected to recover as businesses return to work

Improving contribution from business segments

Wealth Solutions (continuing operations) Margin growth trend to continue

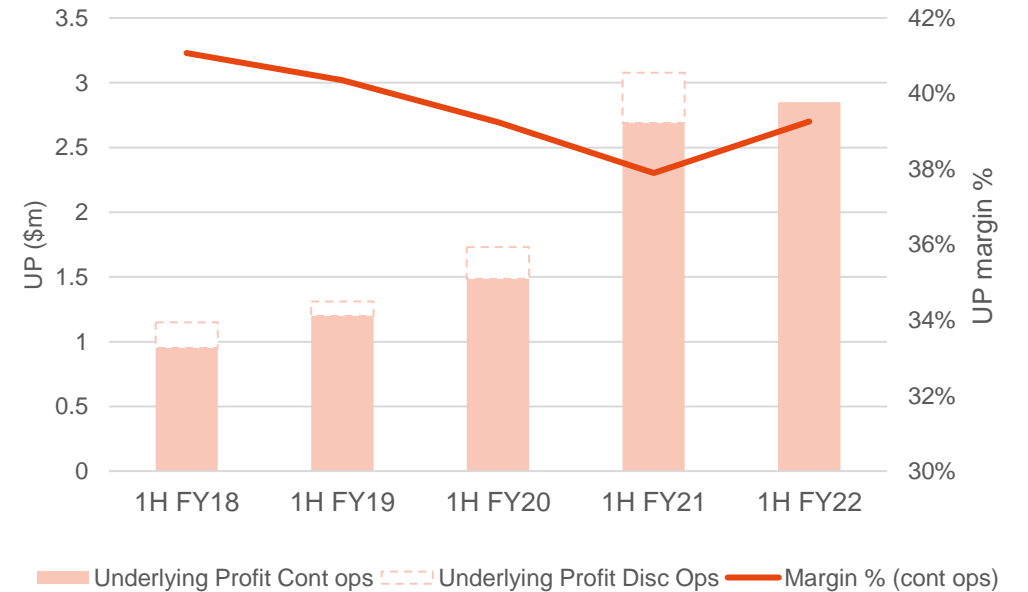


Continued strong performance of CARE managed portfolios

Improving revenue per adviser

Growing scale benefits from Paragem acquisition

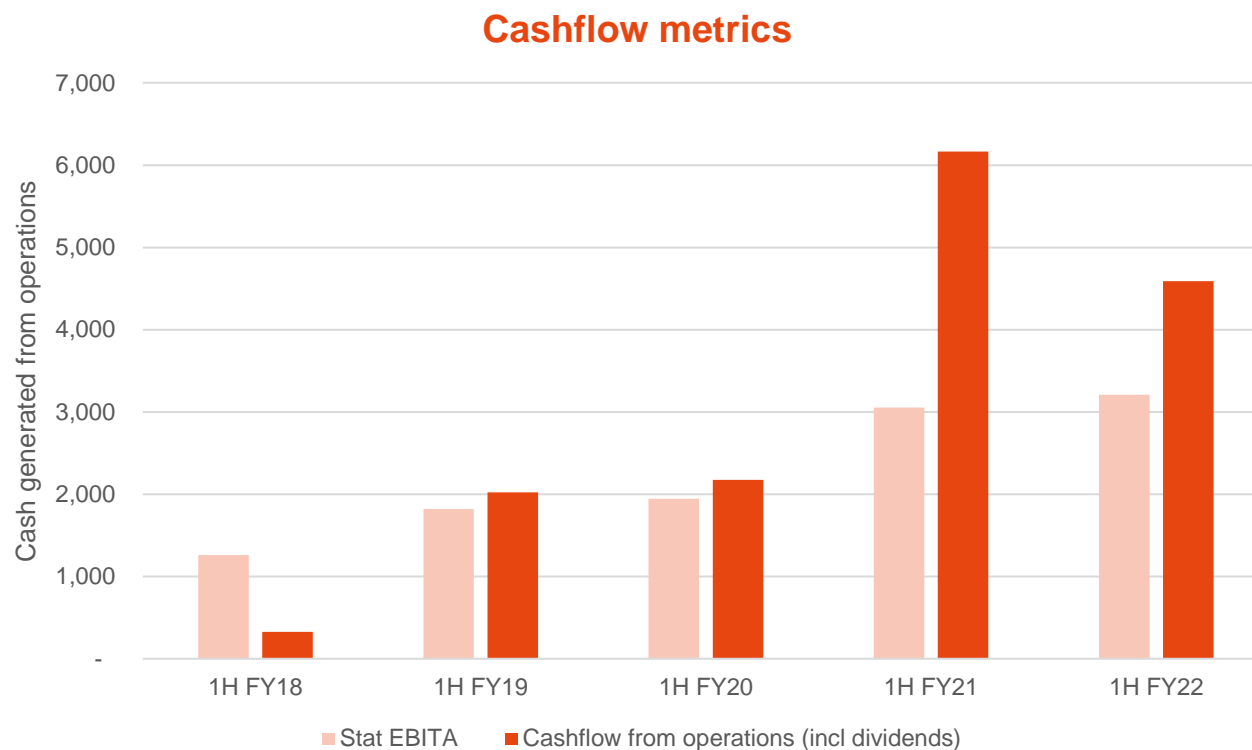
Accounting Solutions (continuing operations) Sustained high margin



Continued EBITA growth
Sustaining high margins at 38-40%

Underlying Profit represents segment contribution from continuing operations and pre corporate costs. Accounting Solutions 1H FY21 Underlying Profit result adjusted to remove \$369k stimulus payments, on the basis this represents a 'like for like' representation of underlying business performance Margin represents Underlying Profit divided by Net Revenue from continuing operations for that segment.

Multi year sustained growth in EBITA and cashflow from operations



Trends

3yr CAGR

| | |
|---------------------------------------|-----|
| Statutory EBITA ¹ | 21% |
| Cashflow from Operations ² | 31% |


Growing cashflow, adjusting for one off reduction in working capital in pcp

The Group has a strong cash alignment to earnings with most income streams being received by cash in advance of delivery of services

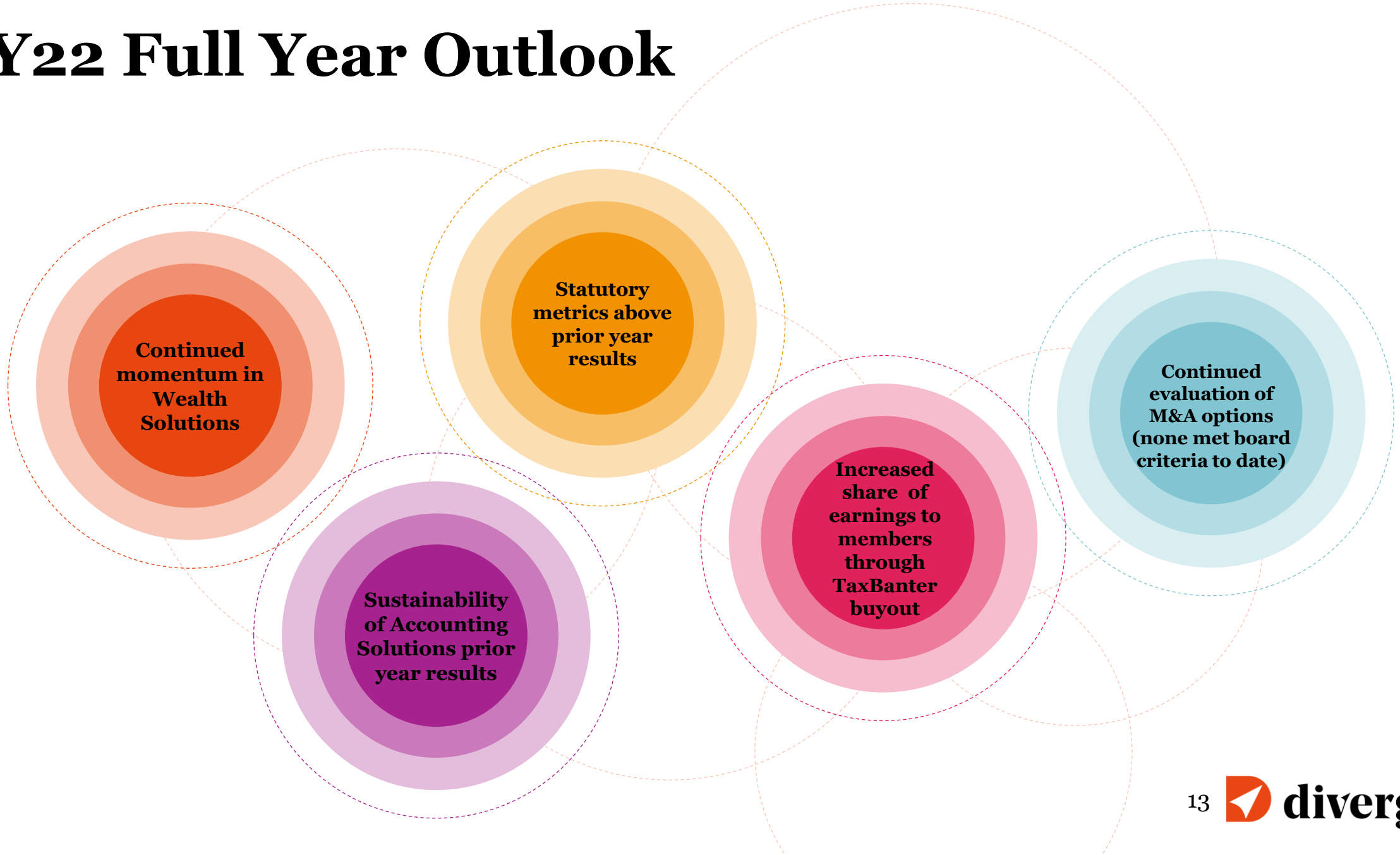
The prior corresponding period involved a major transition of fee collection processes which accelerated cash receipts for the period in Wealth Solutions. In addition, the TaxBanter business was assisted by cash receipts and cash payment deferral options under the stimulus support package

1. Statutory EBITA includes discontinued operations.
2. Cashflow from Operations is Cash generated from operations plus dividends from associates.

Continuing investment to drive higher growth

| | 1H22 | 1H21 | % change pcp | |
|--|---------|---------|--------------|---|
| Underlying Profit from continuing operations | \$3.34m | \$3.53m | (5%) |  <p>Strengthened and aligned leadership team</p> <ul style="list-style-type: none"> • Hire of MD (role was vacant in prior half) • Appointment of two new senior leaders to drive growth of GPS Wealth and TaxBanter • Share incentive scheme now in place to align key leaders to shareholders |
| Statutory EBITDA | \$3.20m | \$3.05m | 5% |  <p>Further investment in risk & governance</p> <ul style="list-style-type: none"> • Strengthened board with appointment of Tony McDonald & Peter Brook • Higher legal and compliance costs to implement final Royal Commission recommendations |
| | | | |  <p>Strengthened corporate functions</p> <ul style="list-style-type: none"> • Finance • Technology • Human Resources |
| | | | |  <p>Investment to launch strategic initiatives</p> <ul style="list-style-type: none"> • Self licenced adviser offer • Practice Equity investment model • Knowledge Shop training platform for advisers |

FY22 Full Year Outlook



Corporate Information

| Investor Returns | Year to 31 Dec 21 | FY21 | Change |
|--|------------------------------------|------------------------------------|--------------------------------------|
| Underlying Profit | \$6.24m | \$6.81m | Down 8% |
| Statutory EBITA | \$5.72m | \$5.56m | Up 3% |
| EPS (Basic) | 6.86 cents | 7.02 cents | Down 2% |
| EV / Statutory EBITA (12 month trailing) | 6.6 times | 6.6 times | - |
| Dividends | FY21 Final 2.5 FY22 interim 1.5 | 9.0 cents (incl special 5c div) | Consistent excl. special dividend |
| Dividend Yield | 3.6% fully franked | 8.7% fully franked | Consistent excl. special dividend |
| Shareholder Funds | \$39.40m | \$38.63m | Up 2% |
| Return on Equity (12 month trailing) ¹ | 14.5% | 14.4% | 0.1% |
| Net Cash | \$3.66m | \$2.26m | +\$1.41m |

Market (as at 31 Dec 2021)

| | |
|----------------------------------|----------|
| Shares on Issue | 37.61m |
| Share Price | \$1.10 |
| Market Capitalisation | \$41.37m |
| Substantial Shareholders | |
| HUB24 | 31.5% |
| Greg Hayes and related entities | 9.4% |
| Pie Funds Management | 6.9% |
| Kevin White and related entities | 5.5% |

Directors believe Diverger is undervalued relative to multiples and valuations applied in recently announced transactions for comparable businesses

¹ Return on Equity is Statutory Profit divided by Shareholders' Funds



Segment result
Wealth Solutions

Wealth Solutions – growing scale and margin

| A\$m | 1H22 (\$m) | 1H21 (\$m) | Increase / (decrease) (%) |
|--|---------------|---------------|---------------------------------|
| Net AR revenue (full advisers) | 4.04 | 2.57 | 57 |
| Existing | 2.79 | 2.57 | 9 |
| Acquired – Paragem ¹ | 1.25 | - | 100 |
| Limited Advisers (LAR) subscription fees | 0.54 | 0.80 | (32) |
| CARE | 2.81 | 2.06 | 37 |
| Other platform license fees | - | 0.18 | (100) |
| Other | 0.13 | 0.19 | (32) |
| Net Revenue - Continuing Operations | 7.52 | 5.80 | 30 |
| Underlying Profit – Continuing Operations | 1.86 | 1.41 | 31 |

Key influencing factors

Advice practices growing strongly - gross practice revenue up 15% on pcp (adjusting for Paragem)

Continued growth in non-CARE revenue through transition of new fee model, growth in AR and changing adviser mix

Strong performance from CARE with \$2.28bn FUM

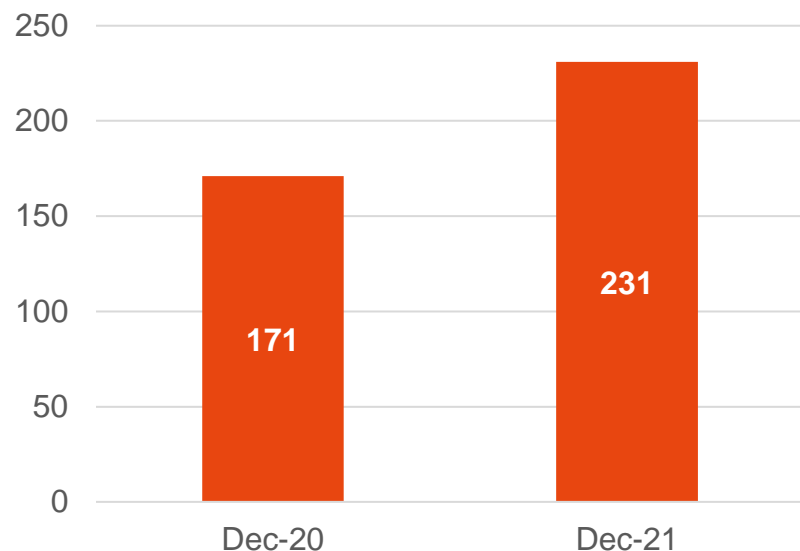
Paragem fully integrated, providing scale synergies

Launched offer to self-licenced practices in October, with 2 new practices & 4 advisers onboarding

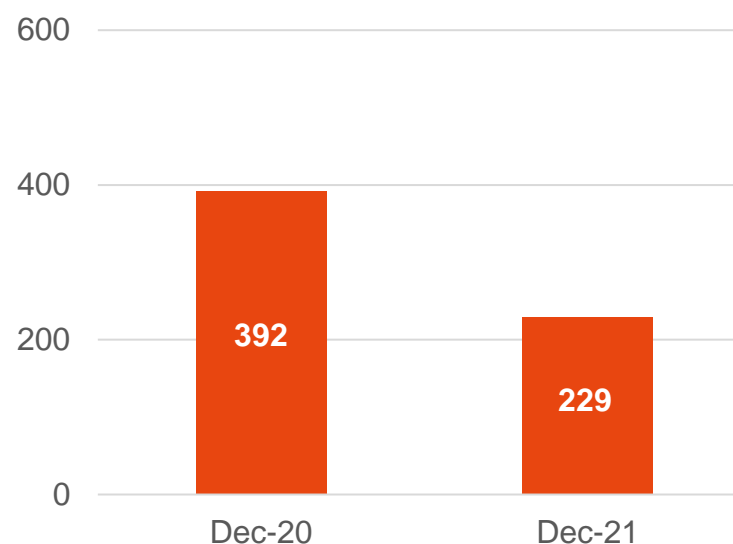
1. Paragem was acquired 1 February 2021

Changing adviser mix improving average revenue

Number of Full AR



Number of LAR



Materially changing adviser mix

- Growth in AR, primarily as a result of the Paragem acquisition
- 18 new AR onboarded, offset by FASEA driven departures (to stabilise 2H), resulting in net AR growth of 3
- Continued reduction in LAR, following industry trend due to rising costs and FASEA. Some attrition in 2H and then expected to stabilise

Improving revenue margin

- Average AR Net Revenue up 18% through refinement of pricing models
- AR now represent 50% of total advisers, up from 30% pcp
- Decline in adviser numbers occurring in lower margin LAR
- Net result is a 64% uplift in average licensee revenue per adviser (AR & LAR)

Full ARs

| | 1H22 | 1H21 | % chg |
|------------------------------------|---------|---------|-------|
| Licensee Net Revenue | \$4.04m | \$2.57m | +57% |
| Average Net Revenue per AR (6mths) | \$17.8k | \$15.0k | +18% |

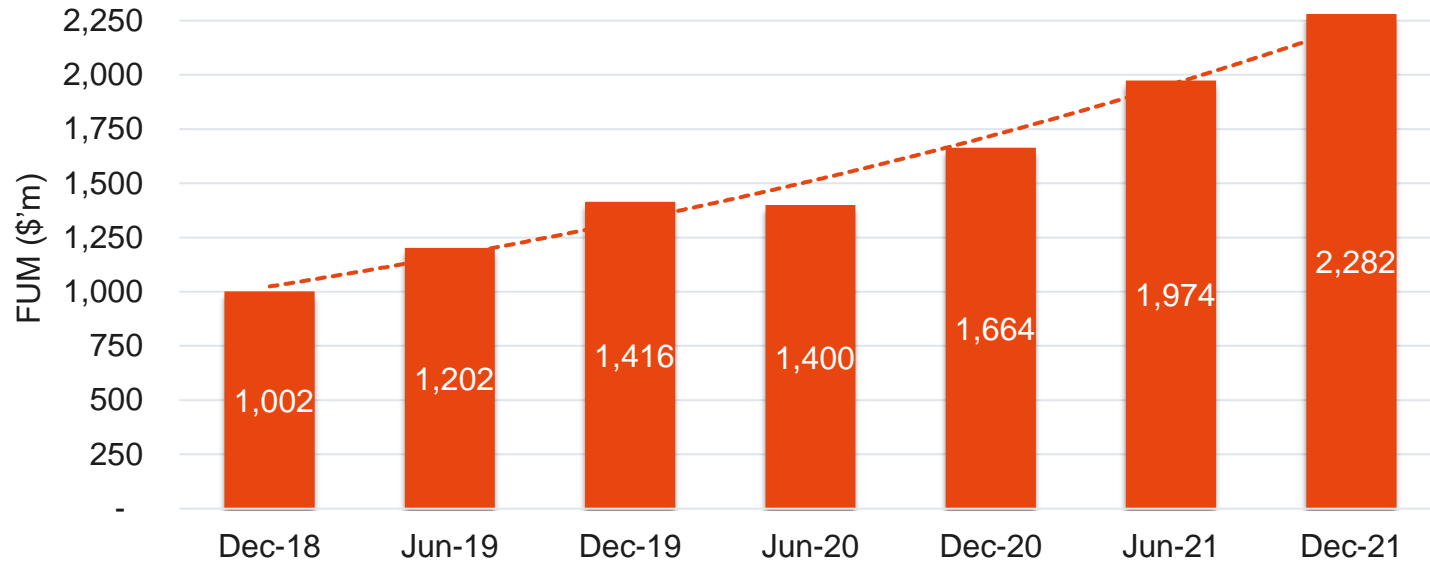
Limited ARs

| | 1H22 | 1H21 | % chg |
|-------------------------------------|---------|---------|-------|
| Licensee Net Revenue | \$0.54m | \$0.80m | (32%) |
| Average Net Revenue per LAR (6mths) | \$2k | \$2k | - |

Licensee Net Revenue excludes CARE revenue. Limited authorised representatives (LAR) are accountants authorised for SMSF advice only. Full authorised representatives (AR) are holistic financial advisers authorised to provide comprehensive financial advice

Sustained high growth in CARE managed portfolios now \$2.28B FUM

CARE Funds Under Management (\$'m)



IMAP
MANAGED ACCOUNT
AWARD FINALIST
LICENSEE MANAGED
ACCOUNT

CARE is a managed portfolio service available to advisers, providing scale, price & efficiency benefits to clients where appropriate to their needs

Sustained high growth: +37% in FUM and Revenue compared to pcp



Segment result **Accounting Solutions**

Segment highlights – Accounting Solutions

Accounting Solutions successful in sustaining prior year performance post divestments and despite continued COVID lockdowns

Training revenue down relative to an unusually strong 1H21

Development of Knowledge Shop adviser education platform nearing completion, launch in 2H22

Membership revenue continues to grow well, 13% uplift

TaxBanter integrating well, new leadership team taken over from founder. Option to acquire remaining 40% completed 31 January \$2.89m

Accounting Solutions

| A\$m | 1H22 (\$m) | 1H21 (\$m) | Increase / (decrease) (%) |
|--|---------------|-------------------|---------------------------------|
| Membership | 3.06 | 2.70 | 13 |
| Training | 4.15 | 4.36 | (5) |
| Other | 0.05 | 0.41 ¹ | (88) |
| Net Revenue - Continuing Operations | 7.26 | 7.47 | (3) |
| Underlying Profit - Continuing Operations¹ | 2.85 | 3.06 | (7) |
| Add: Discontinued Operations ² | - | 0.39 | (100) |
| Reported Result | 2.85 | 3.45 | (17) |

Key influencing factors

Continued strong growth in membership

Small decline in training revenue relative to record demand for Stimulus related topics in the prior corresponding period

Higher proportion of online training compared to face-to-face which continues to be disrupted

On a comparative basis¹, Net Revenue grew 2% and Underlying Profit¹ 6%

1. During the prior corresponding period, the TaxBanter & Taxbytes businesses received \$0.37m in the Federal government stimulus support while these businesses transitioned their affected face-to-face training events to online. On a comparative basis without the stimulus support, the division's Net Revenue grew by 2% and Underlying Profit by 6%.

2. Law Central divested 14 December 2020, Panthercorp divested 1 February 2021.

Continued growth in Knowledge Shop members



Continued acquisition of new members

Technical services to accounting firms

Revenue up 13% on pcp to \$3.06m

Continued track record of scalable growth



Diverger Limited

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