



# Diverger Limited

Preliminary Unaudited Results Presentation  
**Year ended 30 June 2022**

Nathan Jacobsen  
Managing Director

Michael Harris  
Chief Financial Officer



# Divergers create positive change

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

## Disclaimer

The information contained in this presentation is not intended to be exhaustive and must be considered in conjunction with all other publicly available information disclosed by Diverger Limited to the Australia Securities Exchange from time to time.

This presentation does not take into consideration the investment objectives, financial situation or circumstances of any particular investor.

Certain statements in the presentation relate to forward-looking statements. These forward-looking statements are not historical facts, but rather are based on Diverger's current expectations, best estimates and projections, with inherent assumptions and beliefs.

Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other important factors, some of which are beyond the control of Diverger, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Diverger cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Diverger only as at the date of this presentation. Diverger does not give any representation, assurance or guarantee that actual outcomes or events expressed or implied in any forward-looking statements in this presentation will not differ materially from these forward-looking statements.

The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. Diverger has no obligation to disclose publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this presentation except as required by law or by any appropriate regulatory authority.

This presentation has not been subject to auditor review.

# Contents

Building a market leading service platform for Advice and Accounting firms

**01** Overview & Key Achievements

**02** Vision & Growth strategy

**03** FY22 Preliminary Results Analysis

**04** Business Review

**05** Financial Performance

**06** Valuation Analysis

**07** Corporate Information



# Diverger

## At a glance



### Clear Strategy – to become the leading service provider to advice and accounting firms

- Consolidate scale and services to support transformation of advice and accounting services to consumers
- Solid progress on execution, with key achievements outlined further in this presentation
- Capacity to invest in the strategy, with \$2.5m net cash after investing \$3+m of capital into growth investments during FY22 and ongoing access to a material undrawn debt facility



### Consistent Growth<sup>1</sup> - established, sustainable business model continuing to deliver

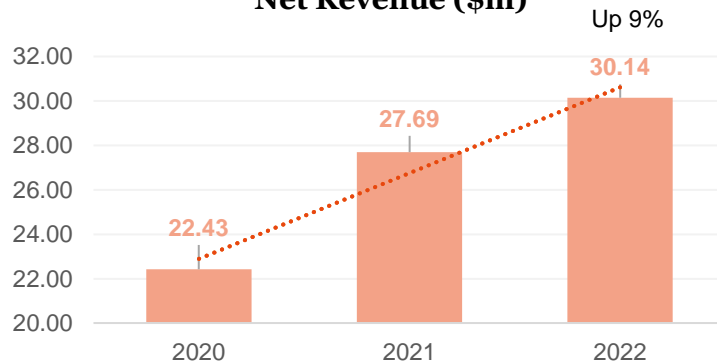
- Net Revenue from continuing operations \$30.14m, up 9%
- Attractive financial model, with 92% recurring revenue across four core products – adviser services, managed portfolios, membership and training
- Substantial customer base of 155 advice firms (223 full financial advisers), 214 limited advisers and 1,346 subscribing accounting firms
- Managing \$2.2bn of investor assets in the CARE portfolios



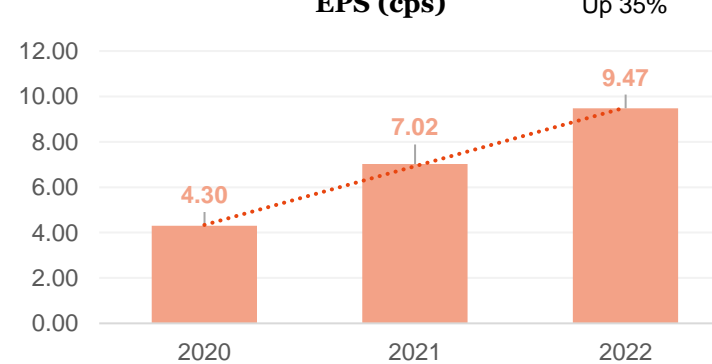
### Disciplined Execution - growth achieved with improving shareholders returns

- Statutory EBITA \$6.56m, up 18%, with strong alignment to cashflow from operations
- Underlying Profit (continuing operations) \$7.06m, up 11%
- Earnings per Share (EPS) 9.47 cents, up 35%
- Return on Equity now 9.4%, up 45% and more than doubled in two years

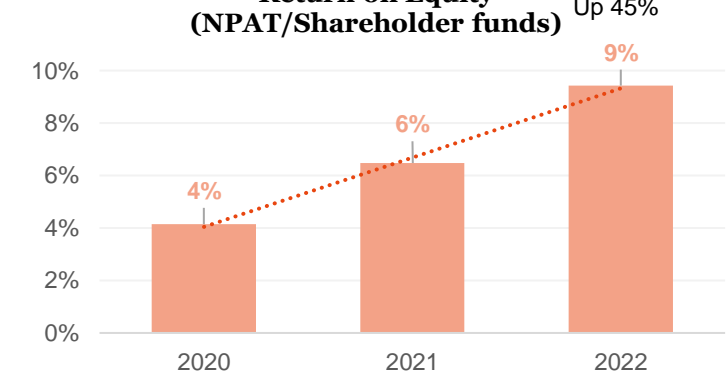
Net Revenue (\$m)



EPS (cps)

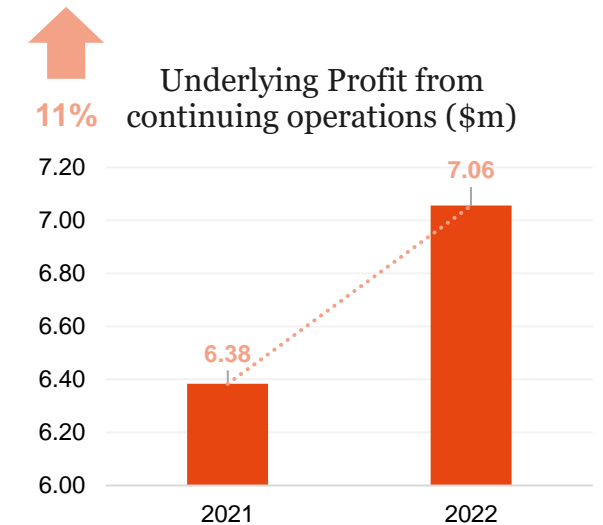
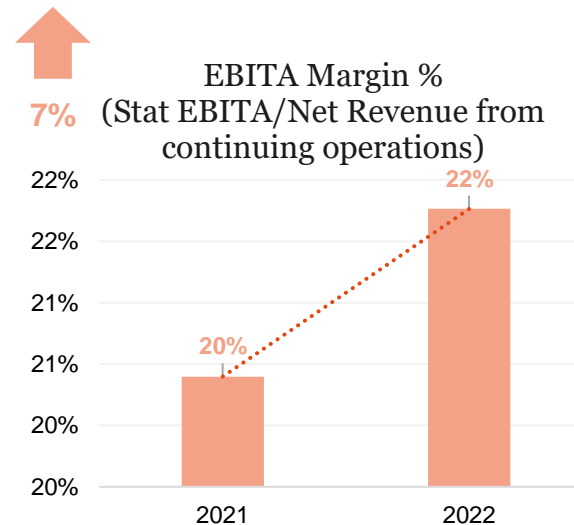
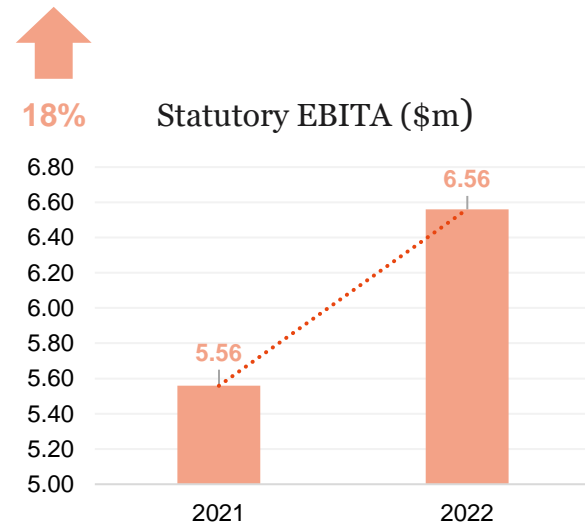
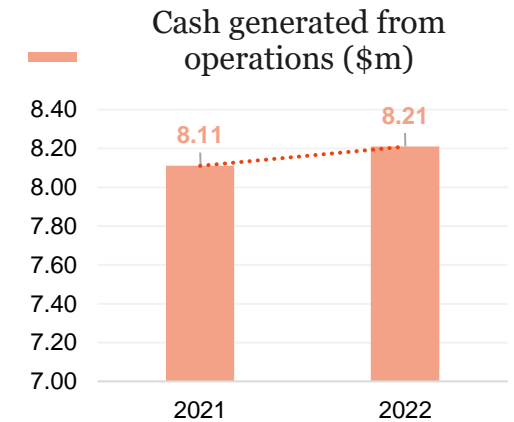
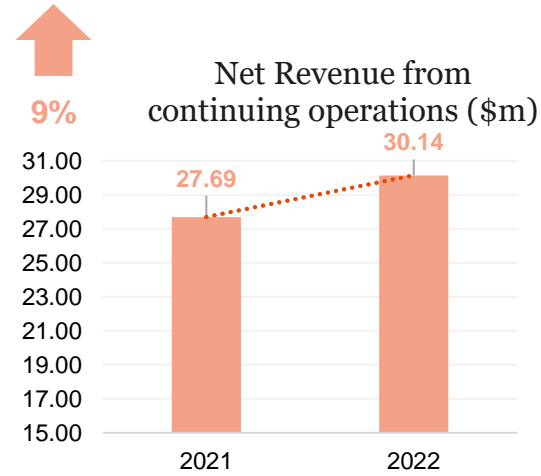
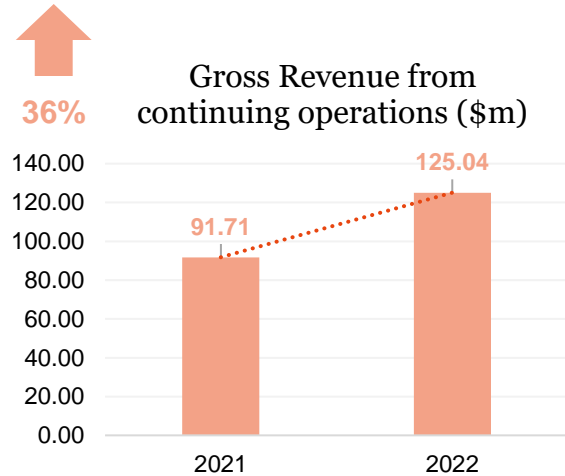


Return on Equity (NPAT/Shareholder funds)



1. FY22 Preliminary results unaudited

# Strong Financial Performance



Statutory EBITA includes contributions from discontinued operations

# FY22 Key Achievements

Areas to Win	Opportunity	Key achievements – FY22
<b>Leadership position in scale and capability</b>	Improve operating leverage and capacity to invest	<ul style="list-style-type: none"><li>• Completed a company re-brand and corporate entity rationalisation</li><li>• Investment in various internal resources providing additional capabilities</li><li>• Negotiated call option and made offer to acquire CAF</li></ul>
<b>Service expansion</b>	Buy, build or partner to expand services beyond existing product set	<ul style="list-style-type: none"><li>• Made equity investment into an advice practice</li><li>• Launched pilot Knowledge Shop education platform into advice market</li><li>• Launched governance offer to self licensed advice practices</li><li>• Launched offshoring service through partnership with Atlas Outsourcing</li></ul>
<b>Customer experience</b>	Invest in technology and services infrastructure to enhance customer experience and lower cost to produce advice	<ul style="list-style-type: none"><li>• Extended HUB24 analytics platform across all licensee businesses</li><li>• Launched beta practice benchmarking and automated compliance analytics</li><li>• Enhanced adviser service platform using Salesforce</li></ul>

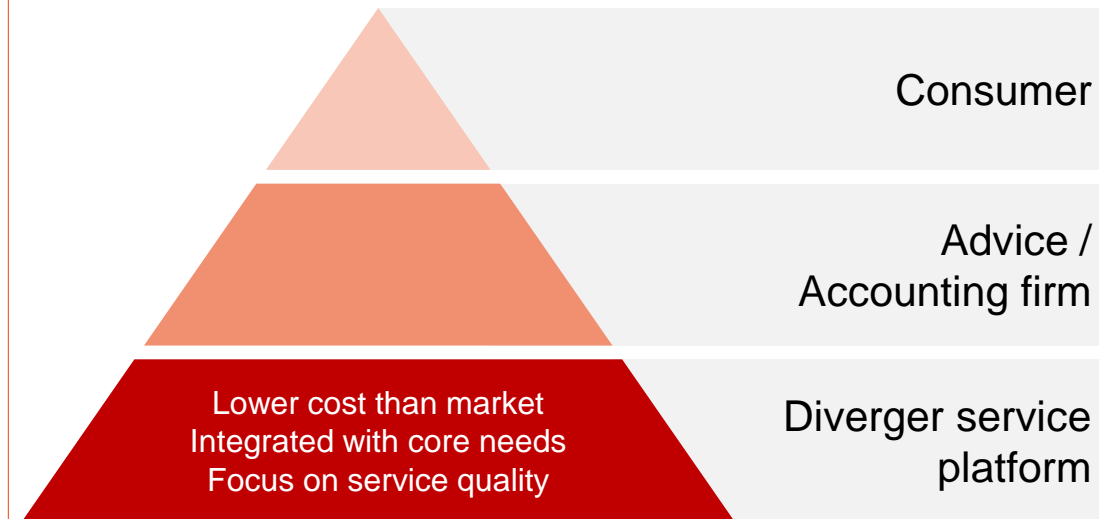
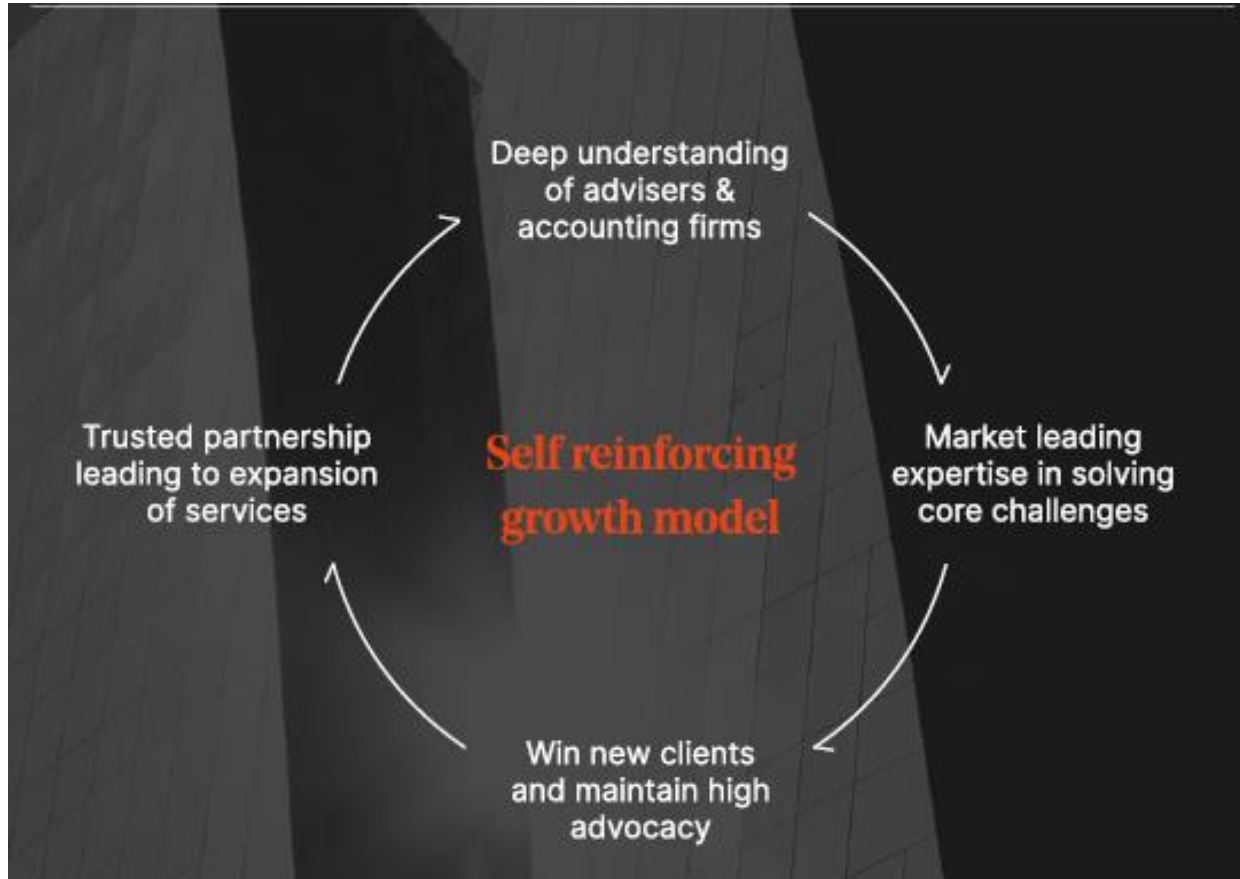




# Vision and Growth Strategy



# Our vision – building a strong future for advice



Building a market leading scalable back-office service platform that allows advice & accounting firms to lower the cost of services and focus on their clients

# Growth Strategy



## Increase scale and capability

- Maintain growth momentum in core products
- Pursue acquisitions that meet return on capital objectives, deliver Top 3 market share and/or provide critical capabilities for advice & accounting firms
- Use growing scale to grow margin advantage and support further investment into growth



## Expand services per customer

- Evaluate further equity investments into advice practices
- Grow back-office services
- Take to market Knowledge Shop membership offer to advice firms
- Extend managed portfolio services
- Explore other service expansion opportunities



## Transform customer experience

- Continue to build out analytics platform to enhance insights to customers
- Expand service automation platform
- Progress customer experience initiatives across all business lines

# The Benefits of Consolidating Market Leadership

**Diverger has made a non-binding indicative offer to acquire Centrepont Alliance (ASX: CAF)**

Specifically, the combined group would benefit from:

- 01** a significantly strengthened market leading position with greater operational scale with services being provided to an advisor footprint of more than 1,400 advisors post completion;
- 02** an expansion of core client services utilising the skill and expertise of both Diverger's and Centrepont Alliance's existing operations team and combined product offerings;
- 03** a platform for enhanced market liquidity for both organisations; and
- 04** a shared ability to leverage the technology capability and learnings from Diverger's technology partnerships.

*Discussions with CAF are continuing and currently inconclusive.*



# FY22 Preliminary Results Analysis

(unaudited)

# Consistent Growth

Segment Result	2022 (\$m)	2021 (\$m)	Increase/ (decrease) (%)
Wealth Solutions	15.42	12.98	19%
Accounting Solutions	14.72	14.73	-
<b>Net Revenue - Continuing Operations</b>	<b>30.14</b>	<b>27.71</b>	<b>9%</b>
Wealth Solutions	4.20	2.78	51%
Accounting Solutions	5.85	5.86	-
<b>Underlying Profit – Continuing Divisional Operations</b>	<b>10.05</b>	<b>8.64</b>	<b>16%</b>
Divisional Operating Margin % (UP/Net Revenue)	33%	31%	
Corporate Overheads	(2.99)	(2.26)	(32%)
<b>Underlying Profit - Continuing Operations</b>	<b>7.06</b>	<b>6.38</b>	<b>11%</b>
Underlying Profit Margin %	23%	23%	-
Add: Discontinued Operations	-	0.43	
<b>Group Underlying Profit inc. Discontinued Operations</b>	<b>7.06</b>	<b>6.81</b>	<b>4%</b>
Normalisations	(0.50)	(1.25)	
<b>Statutory EBITA inc. Discontinued Operations</b>	<b>6.56</b>	<b>5.56</b>	<b>18%</b>

Net Revenue is defined as Gross Revenue less adviser revenue share and expense recoveries.

## Group

- Net Revenue from continuing operations \$30.14m, up 9%.
  - Gross Revenue up \$125.04m, 36%
- Divisional operating margin increased to 33%, Underlying Profit \$10.05m, up 16%
- Underlying Profit from continuing operations up 11% to \$7.06m, more than compensating divestments
- Statutory EBITA up by 18% to \$6.56m with more alignment to Underlying Profit due to fewer one-off costs incurred
  - Normalisations in the current year include costs associated with M&A activity including proposed acquisition of Centrepont Alliance. In the prior year primarily relating to divestment of non-core assets and the HUB24 transaction

**Wealth** - strong growth in Net Revenue and Underlying Profit driven off the back of:

- Growth in net adviser revenue with full year benefit of Paragem, improved fee models and costs to serve, additional firms
  - Strong organic fee growth within Adviser practices of 17%
- Growth in CARE FUM by 13% to \$2.22bn

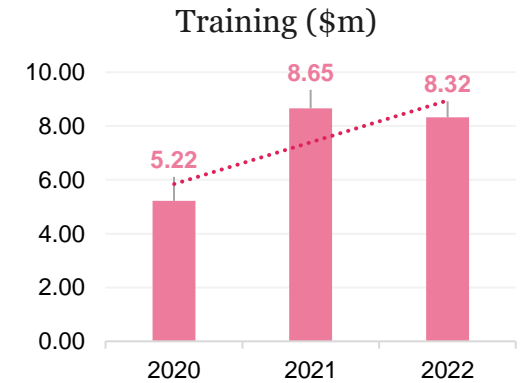
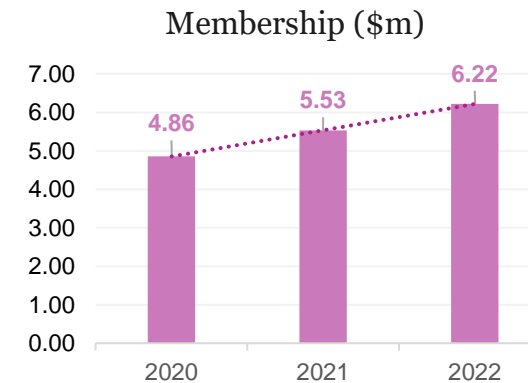
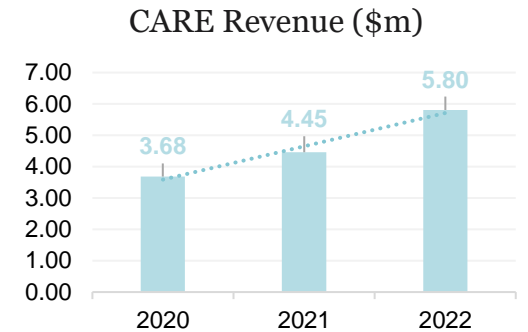
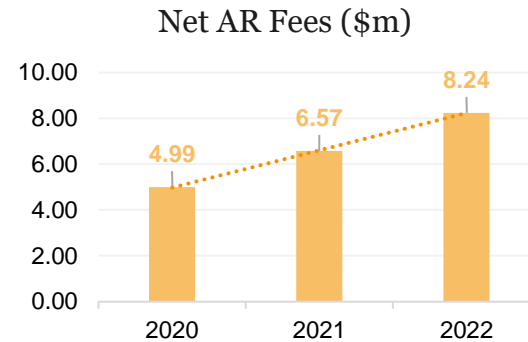
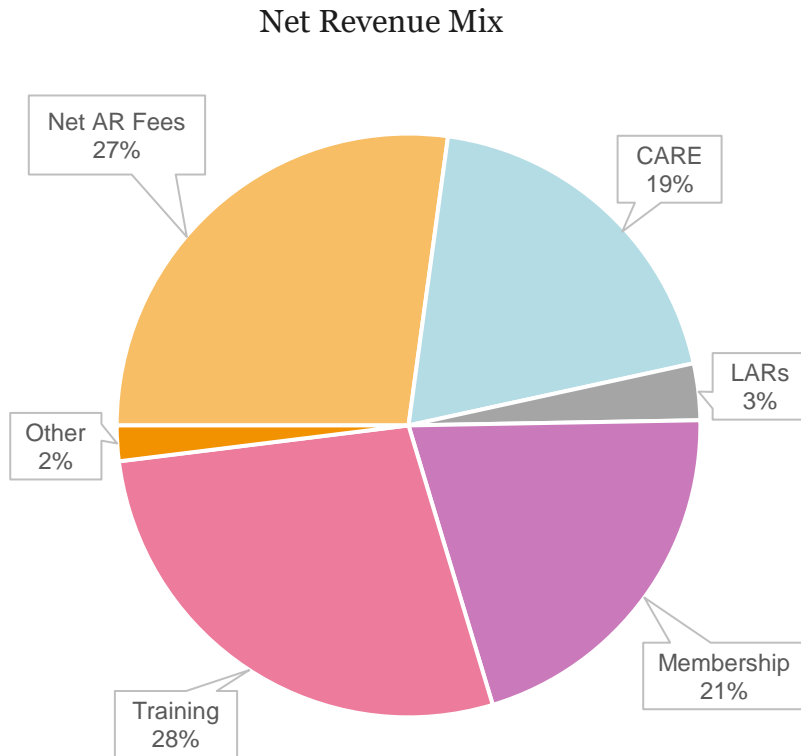
**Accounting** – sustained results from pcp, which was unusually strong.

- Continued growth in Knowledge Shop membership subscription
- Training business sustained strong revenue and earnings result from pcp

**Corporate** - Growth in corporate costs driven by investment in Board, leadership team and additional supporting functions to align with current and future scale

# FY22 Revenue Composed of Four Core Services

Wealth 51% / Accounting 49%

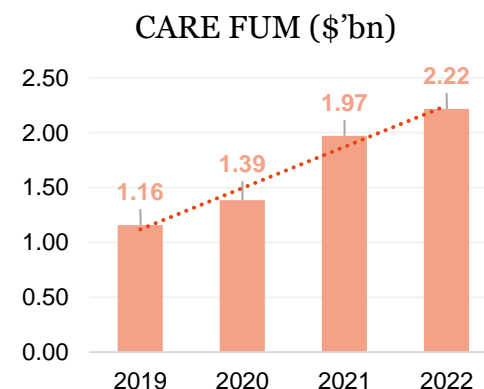
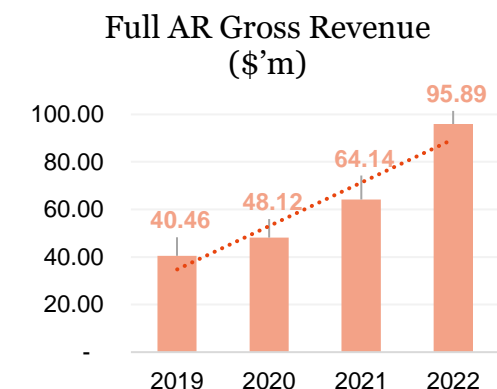
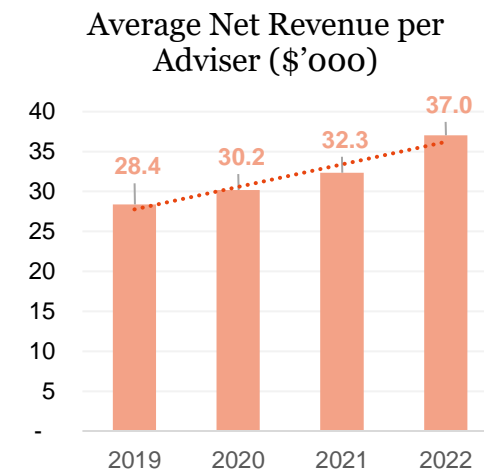
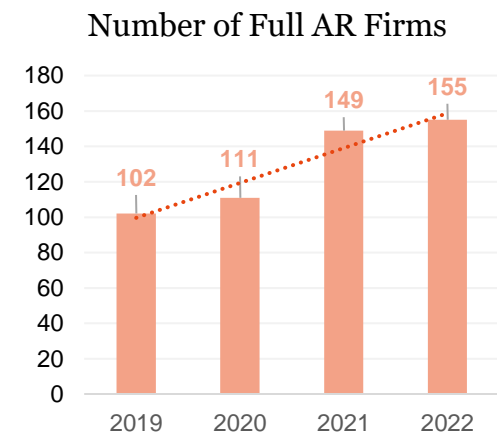


1. Net AR Fees is the Net Revenue received by the Company from full authorised advisers for licensee and related services, after paying the adviser share of gross customer fees.
2. CARE refers to the gross investment manager fee received for wholesale investment services to clients of advisers.
3. LAR is a monthly subscription revenue for limited authorised advisers for limited licensee services.
4. Membership is a monthly subscription revenue received by Knowledge Shop from accountants for a help desk and technical support service.
5. Training includes revenue for the provision of inhouse training, public face to face and online formats.



# Performance Dashboard - Wealth

Performance drivers		2019	2020	2021	2022
Total Net Revenue (\$'m)		11.28	11.90	12.98	<b>15.42</b>
Full Advisers (ARs)	Gross Revenue (\$'m)	40.46	48.12	64.14	<b>95.89</b>
	Net Revenue (\$m)	4.49	5.00	6.34	<b>8.24</b>
	Number of firms	102	111	149	<b>155</b>
	Net Revenue %	11%	10%	10%	<b>9%</b>
	Average number of Advisers per firm	1.7	1.5	1.5	<b>1.4</b>
	Average Net Revenue per Adviser (\$'000)	28.4	30.2	32.3	<b>37.0</b>
	Adviser net retention %	114%	96%	137%	<b>100%</b>
CARE	Net Revenue (\$m)	2.89	3.68	4.46	<b>5.80</b>
	FUM (\$'bn)	1.16	1.39	1.97	<b>2.22</b>
	Number of advice firms utilising CARE for clients	66	72	78	<b>83</b>
	Average FUM per firm (\$m)	16.26	18.45	22.40	<b>26.03</b>
Other revenue (\$m)		3.90	3.22	2.18	<b>1.38</b>
Recurring Revenue %		100%	100%	100%	<b>100%</b>
EBITA Margin %	EBITA/Net Revenue	25%	21%	21%	<b>27%</b>

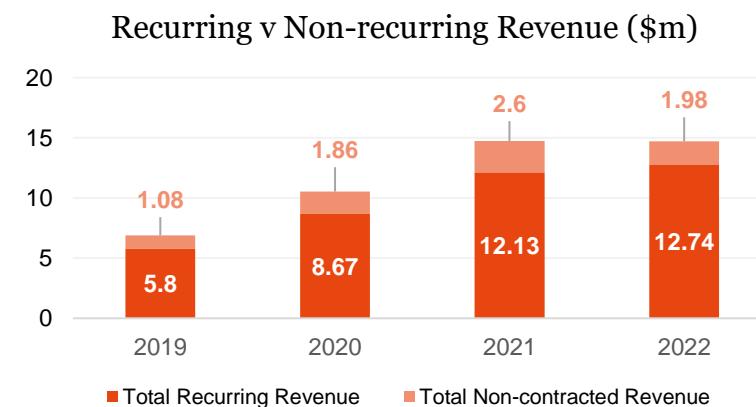
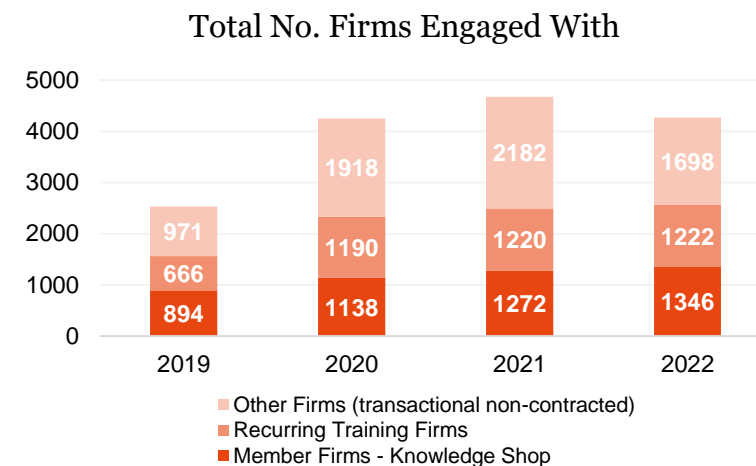


# Performance Dashboard - Accounting

Performance drivers		2019	2020	2021	2022
Total Net Revenue (\$'m)		6.88	10.53	14.73	<b>14.72</b>
Customer base (firms)	Firms engaged with Accounting Solutions	1,916	3,491	3,886	<b>3,485</b>
	Overall recurring revenue %	87%	86%	86%	<b>88%</b>
Membership (100% recurring)	Net Membership Revenue (\$'m)	4.26	4.86	5.53	<b>6.22</b>
	No. of subscribing firms	894	1,138	1,272	<b>1,346</b>
	Annual membership fee per firm (\$'000)	5	5	5	<b>5</b>
Training	Net Training Revenue (\$'m)	2.41	5.22	8.65	<b>8.32</b>
	Total no. of firms engage with training	1,637	3,108	3,402	<b>2,920</b>
	Average training revenue per firm (\$'000) <sup>1</sup>	1.5	1.8	2.5	<b>3.0</b>
	Recurring revenue %	64%	73%	76%	<b>78%</b>
Other revenue (\$'m) <sup>2</sup>		0.21	0.45	0.55	<b>0.18</b>
EBITA Margin %	EBITA/Net Revenue	38%	37%	40%	<b>40%</b>

1. Average training revenue per firm ranges from \$13k for those firms taking in-house training to \$1k for non-contracted non-recurring firms. Numbers presented above is a composite average.

2. Other revenue includes Stimulus package support received in 2020 \$312k & 2021 \$369k.



# Multi year sustained growth in EBITA and cashflow from operations

## Trends

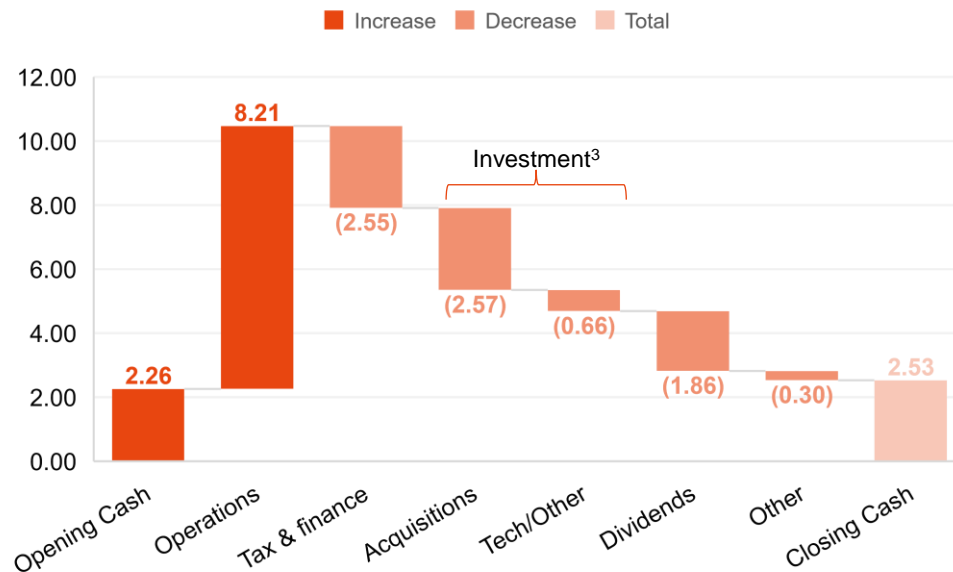
## 3yr CAGR

Statutory EBITA <sup>1</sup>	19%
Cash generated from Operations <sup>2</sup>	18%

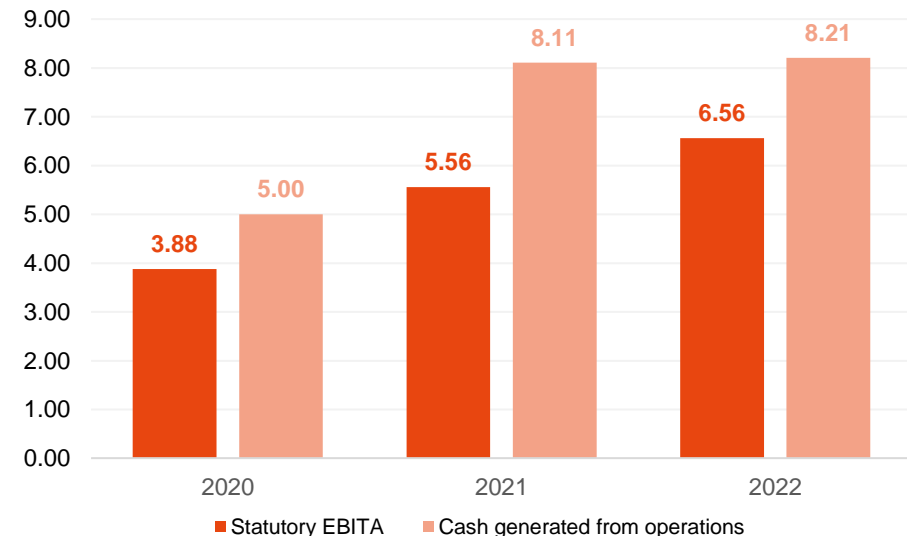
## Strong alignment to Earnings

The Group has a strong cash alignment to earnings<sup>4</sup> with most income streams being received by cash in advance of delivery of services

### Cashflow (\$m)



### Cashflow metrics (\$'m)



1. Statutory EBITA includes discontinued operations.

2. Cashflow from Operations is Cash generated from operations plus dividends from associates.

3. Investment in the current year includes the acquisition of remaining equity interest in TaxBanter, investment in technology including Knowledge Shop membership platform, and other tech related infrastructure.

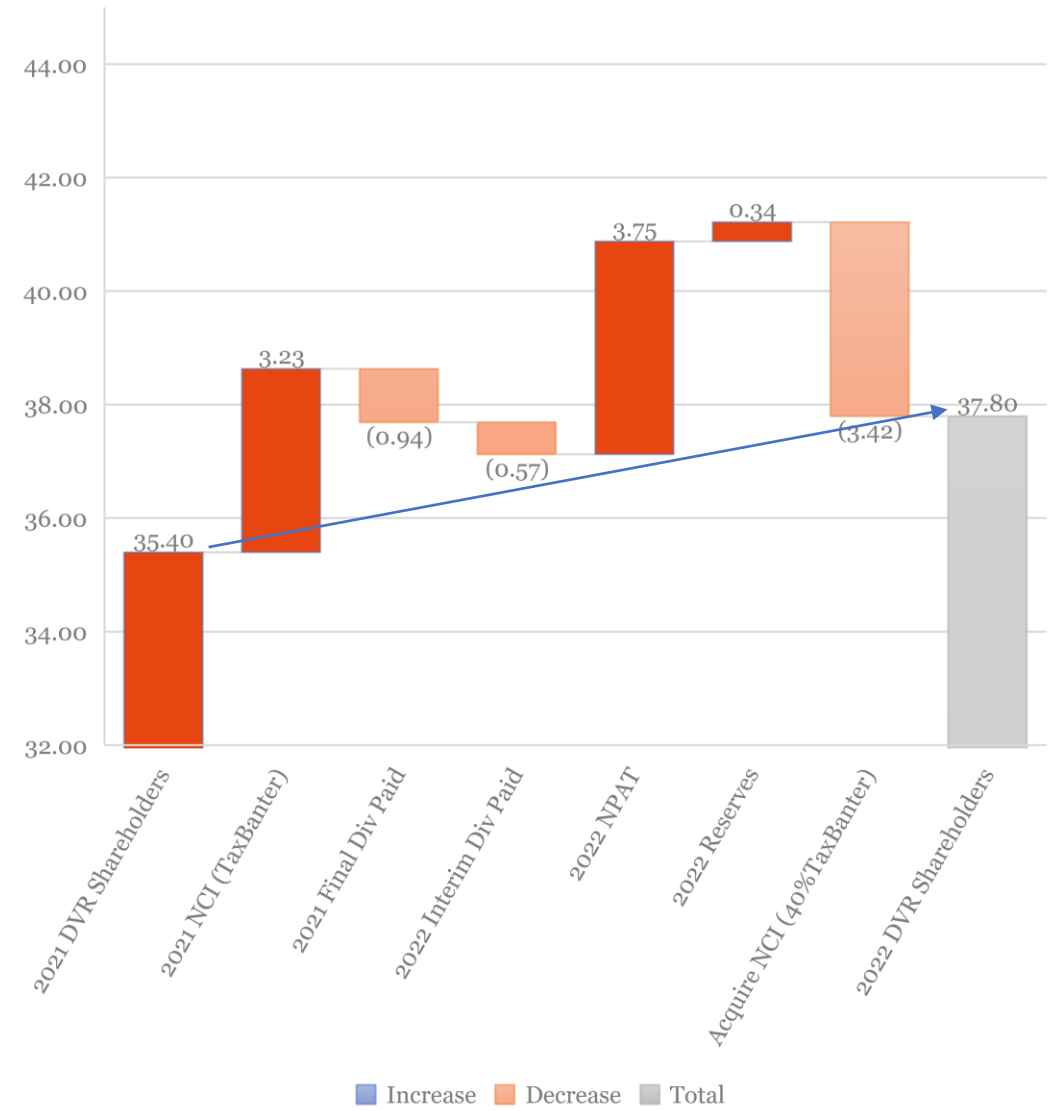
4. The prior corresponding period involved a major transition of fee collection processes which accelerated cash receipts for the period in Wealth Solutions. In addition, the TaxBanter business was assisted by cash receipts and cash payment deferral options under the stimulus support package.

# Balance Sheet

	2022 (\$m)	2021 (\$m)
Cash	2.53	2.26
Receivables & other current assets	4.52	5.13
<b>Total current assets</b>	<b>7.05</b>	<b>7.39</b>
Plant & equip and other assets	1.55	0.27
Intangible assets	43.77	44.25
<b>Total non-current assets</b>	<b>45.32</b>	<b>44.52</b>
<b>Total assets</b>	<b>52.37</b>	<b>51.91</b>
Trade payables & other current liabilities/deferred revenue	7.08	6.00
Taxation	1.14	1.44
Employee entitlements	1.27	1.25
<b>Total current liabilities</b>	<b>9.49</b>	<b>8.69</b>
Employee entitlements non-current	0.42	0.38
Net deferred taxes	3.70	4.21
Other non-current liabilities	0.96	-
<b>Total non-current liabilities</b>	<b>5.08</b>	<b>4.59</b>
<b>Total liabilities</b>	<b>14.57</b>	<b>13.28</b>
<b>Net Assets</b>	<b>37.80</b>	<b>38.63</b>
NCI (TaxBanter)	-	3.23
Equity attributed to DVR Shareholders	37.80	35.40
	<b>37.80</b>	<b>38.63</b>

Net-current liabilities of \$2.44m (2021: 1.30m), includes deferred revenue which does not have a cash outflow effect \$0.6m as well as lease liabilities under AASB16 \$0.52m, employee entitlements \$1.27m which are unlikely to be settled within 12months. The Group also has access to a debt facility for any additional liquidity requirement. Management expect continued profitability and positive cashflows to meet current liabilities.

Movement equity attributed to shareholders (\$'m)



# Diverger – Discount to peer valuation multiples

Both Diverger divisions are materially undervalued in the current market capitalisation

As at 22 July 2022, Diverger had a Market Capitalisation of \$37.6m and an Enterprise Valuation of \$35.1m<sup>1</sup>. This implies FY22 EV / EBITDA trading multiple of 4.7x<sup>2</sup>.

As at 22 July 2022, the median FY22 EV / EBITDA multiple of the Wealth Solutions peer set was 6.2x<sup>3</sup>.

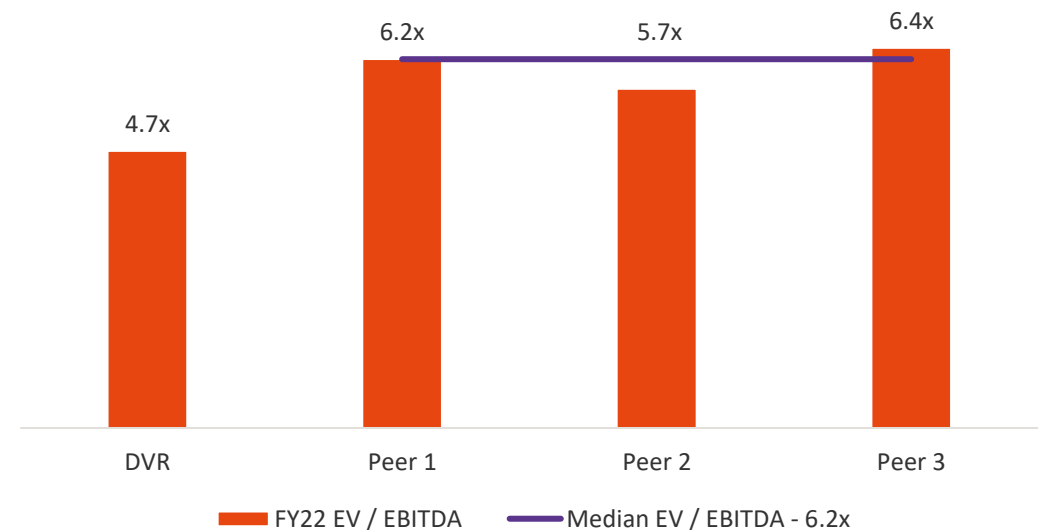
Adopting the median FY22 EV/EBITDA multiple of the Wealth Solutions peer set implies an Enterprise Value for the Wealth Solutions business of \$18.7m, approximately 53% of DVR's entire Enterprise Value.

This therefore implies an Enterprise Value for the Accounting Solutions business of only \$16.4m which equates to an FY22 EV / EBITDA multiple of only 3.6x despite contributing 60% towards DVR's EBITDA<sup>4</sup>.

Education businesses are also typically valued at higher multiples, greater than 6x EV / EBITDA<sup>5</sup>.

Applying 6x EV/EBITDA to Accounting Solutions, would add circa \$11m to market capitalisation.

FY22 Wealth Solutions Peer Valuation EV / EBITDA multiples<sup>3</sup>



Source: Factset as at 22 July 2022.

1. DVR Enterprise Value includes net cash on hand of \$2.53m as at 30 Jun 2022. Market Capitalisation based on a share price of \$1.00 as at close of trade on 22 July 2022
2. Assumes Group Adjusted EBITDA of \$7.5m which is prior to one-off costs and share based payments
3. Peer set includes CUP, IFL and CAF. Median EV / EBITDA of peers is 6.2x. CAF FY22 EV / EBITDA assumes 195.9m Ordinary Shares on Issue, FY22 EBITDA of \$7.2m (before one-off FY22 transaction costs of \$1.1m and performance rights employee expenses of \$1.6m) and Cash on hand of \$14.7m as per CAF's ASX announcement on 22 July 2022
4. DVR's corporate overheads of approximately \$3.5m have been allocated equally across the Wealth Solutions and Accounting Solutions business segments. As such the FY22 EBITDA derived for each business unit is illustrative
5. Management estimate

# Conclusions



**01**

Executing clear growth strategy – to become the leading service provider to advice and accounting firms

**02**

Market leading back-office service platform provides customers with institutional scale efficiencies

**03**

Growing customer base across accountants, wealth firms and CARE managed portfolio

**04**

Strong earnings growth and improved financial returns; 42% rise in Statutory EPS, 45% increase in ROE

**05**

Strengthened financial position to continue investing in capability, technology and customer solutions

**06**

Positive FY23 outlook - ongoing growth with higher returns for shareholders



# Corporate Information

## Investor Returns

	FY22	FY21	Change
Underlying Profit	\$7.06m	\$6.81m	+4%
Statutory EBITA	\$6.56m	\$5.56m	+18%
EPS (Basic)	9.47cps	7.02cps	+35%
Shareholder Funds	\$37.80	\$38.63m	-2%
Return on Equity <sup>1</sup>	9%	6%	+45%
Net Cash	\$2.53m	\$2.26m	

<sup>1</sup> Return on Equity is Statutory Net Profit After Tax to members divided by Shareholders' Funds

## 12 Month share price history

DVR Chart



12-month VWAP  
\$1.05  
5.6 x EV /  
Statutory EBITA

30 June closing  
Share price 81cps  
4.3 x EV / Statutory  
EBITA

## Market (as at 30 June 2022)

Shares on Issue	37.61m
Share Price (30 June 22)	81cents
Market Capitalisation (30 June 22)	\$30.47m
<b>Substantial Shareholders</b>	
HUB24	31.5%
Greg Hayes and related entities	9.4%
Pie Funds Management	6.2%
Kevin White and related entities	5.5%
Peter Hollick and related entities	5.3%



# Diverger Limited

## Contact

---

**Nathan Jacobsen**

Managing Director

[njacobsen@diverger.com.au](mailto:njacobsen@diverger.com.au)

ASX: DVR