



# Diverger Limited

Results Presentation  
**Year ended 30 June 2022**

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Managing Director

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Chief Financial Officer

24 August 2022



# 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.

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Building a market leading service platform for Advice and Accounting firms

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# Results Overview and Outlook

# 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 - established, sustainable business model continuing to deliver

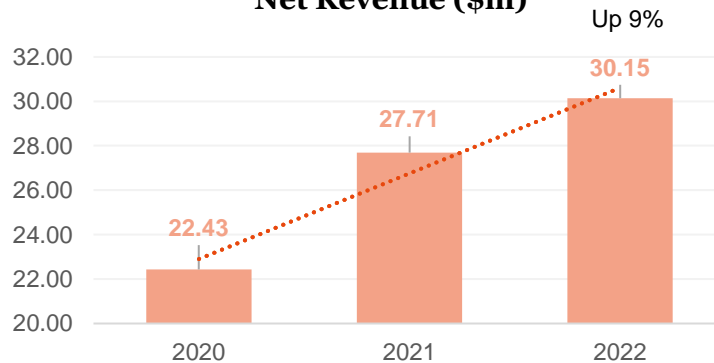
- Net Revenue from continuing operations \$30.15m, up 9%
- Attractive financial model, with 92% recurring revenue across four core products – adviser services, managed portfolios, membership and training
- Substantial customer base of 155 advice firms (221 full financial advisers), 210 limited advisers and 1,346 subscribing accounting firms
- Managing \$2.2bn of investor assets in the CARE portfolios



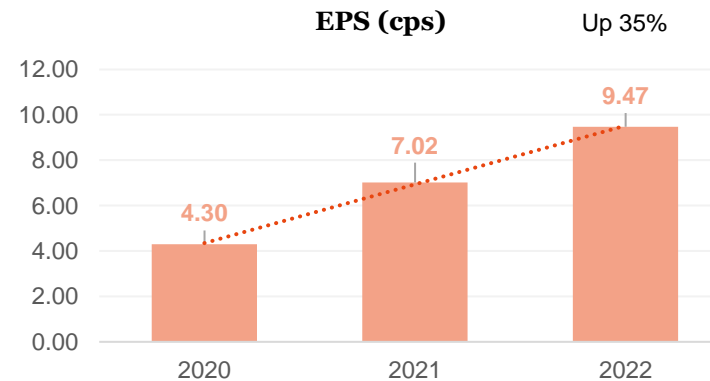
### Disciplined Execution - growth achieved with improving shareholders returns

- 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

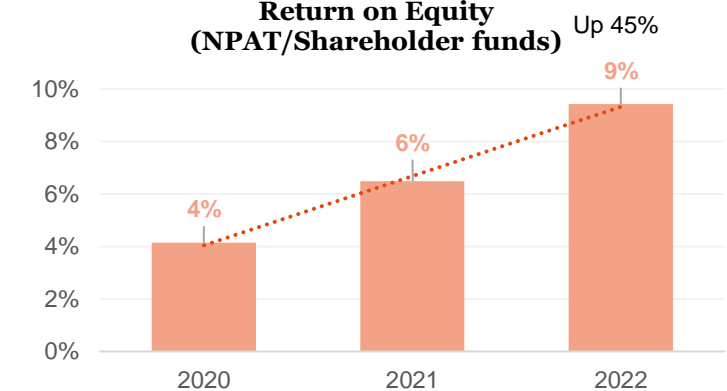
Net Revenue (\$m)



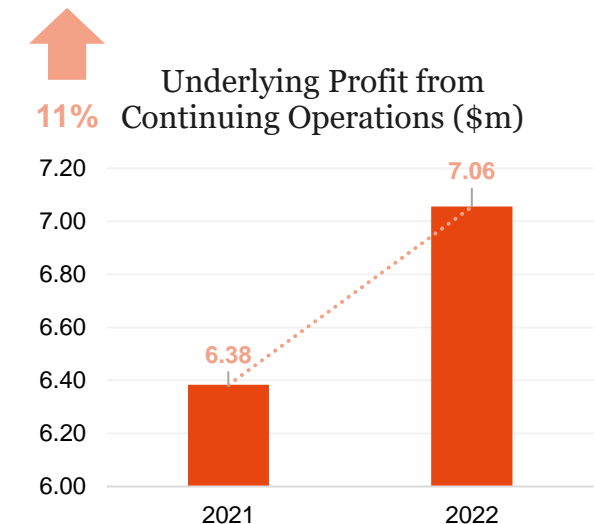
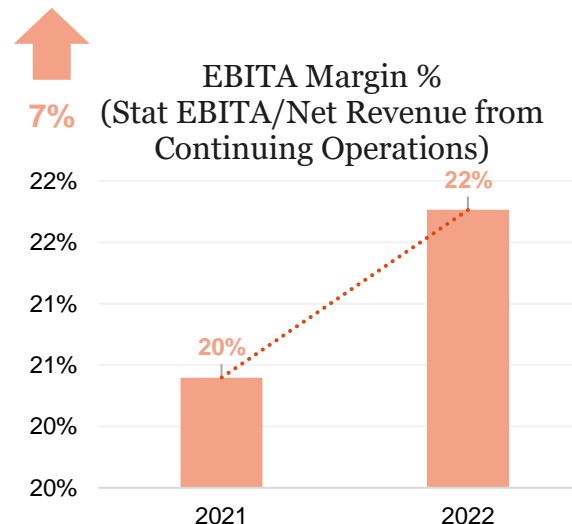
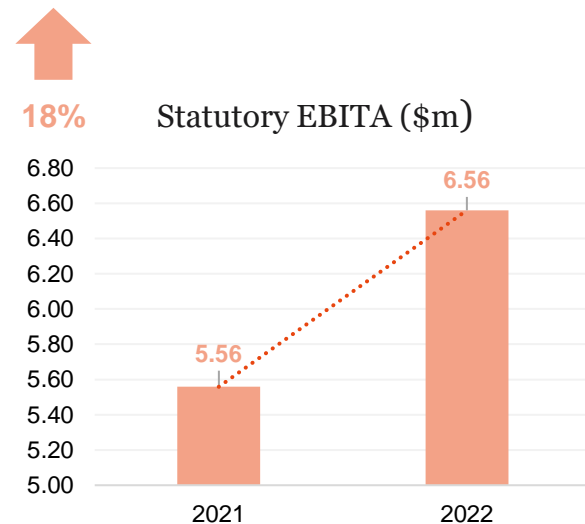
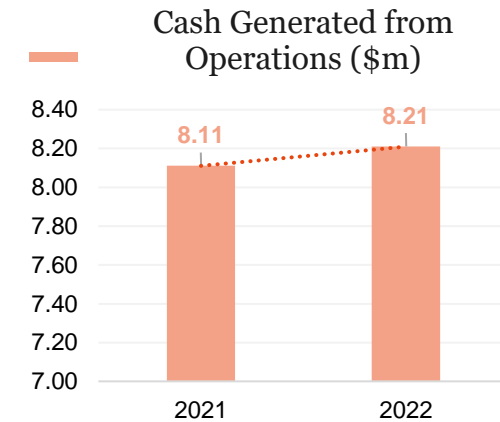
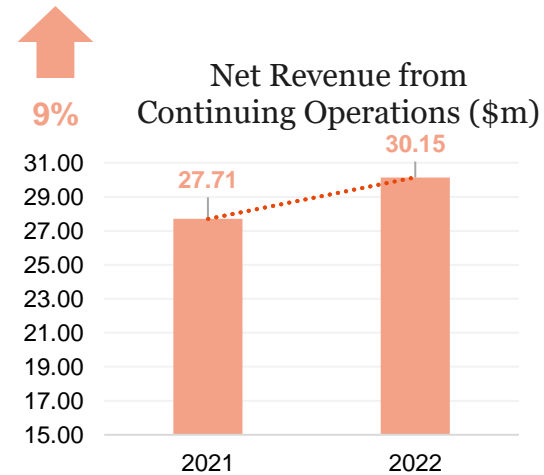
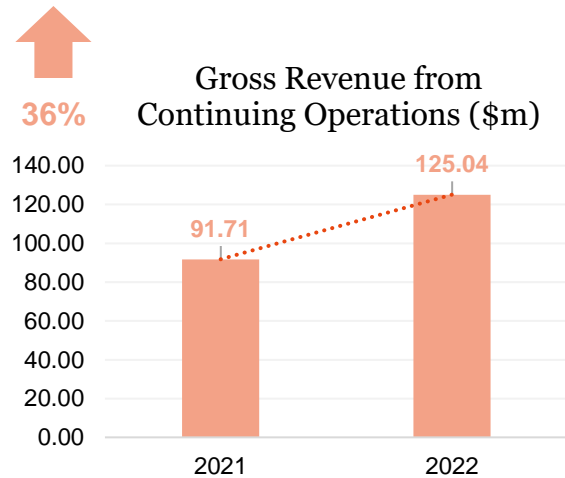
EPS (cps)



Return on Equity (NPAT/Shareholder funds)

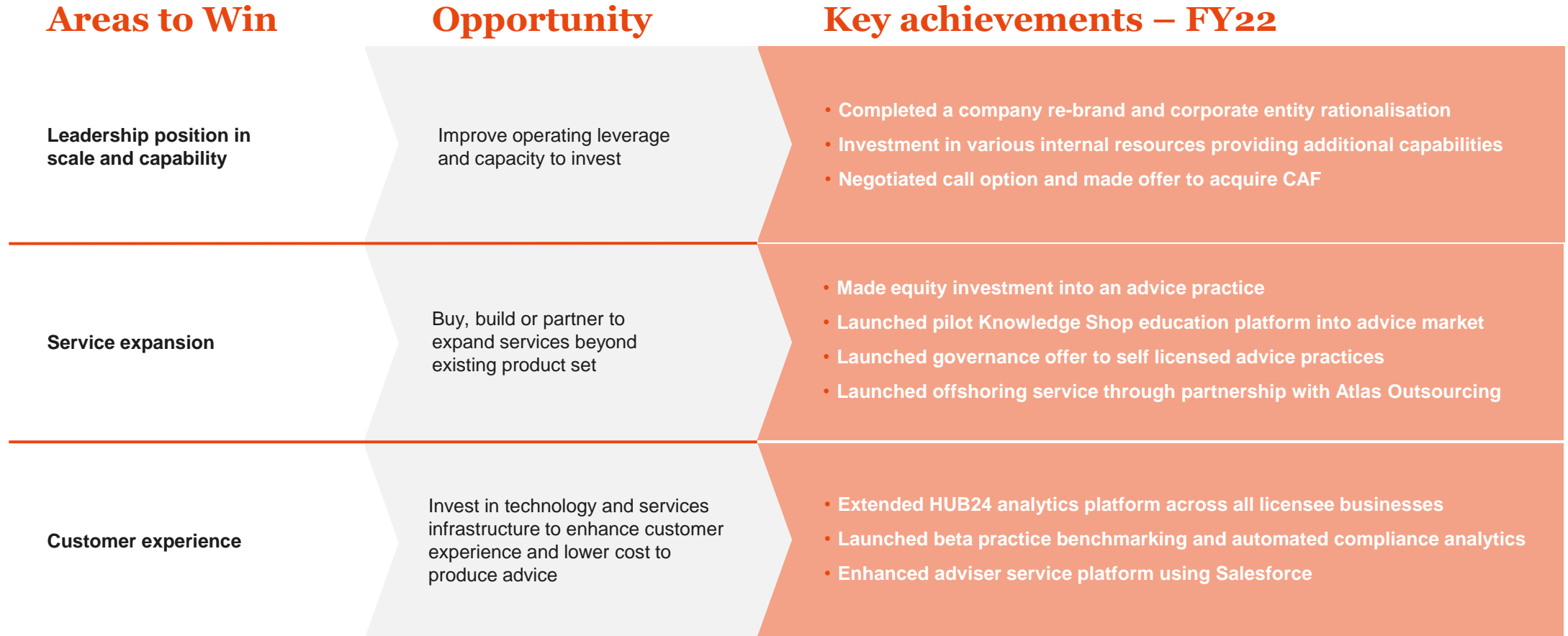


# Strong Financial Performance



Statutory EBITA includes contributions from discontinued operations

# FY22 Key Achievements





# Disciplined execution of key strategic initiatives to drive shareholder returns

Key strategic initiatives	Timeframe	Shareholder benefits
Equity investment into financial advice practices to assist with accelerating growth	FY23 - 25	Return on Invested Capital Enhanced adviser advocacy and retention
Continued growth in core services – membership, training, Net AR fees and CARE managed portfolios	Immediate	Improving margins in Wealth Solutions Return to Net Revenue growth in Accounting Solutions
Grow average revenue per customer through extending services further into back-office processing, complying professional development, portfolio construction and technology services	FY23 onwards	Margin growth and increasing scale
Technology transformation of core business and adviser service models through a buy/build/partner strategy	FY24 onwards	Enhanced operating leverage

# Outlook and capital management policy – focus on shareholder value

\$m	FY22	FY25 Targets	
Net Revenue (NR)	\$30.15m	\$40m - \$45m	Grow NR at CAGR of 10% - 14% p.a.
EBITA margin (%)	23%	24% - 28%	Leverage scale whilst accommodating growth investment
EPS (cps)	9.5 cps	14 - 18 cps	Growing shareholder value
Free cash flow (cps)	15.1 cps	18 - 22 cps	Available to fund growth investments as well as shareholder returns
ROE (%)	9.4%	12% - 14%	Disciplined focus on return from investments

## FY25 Targets based on organic and small inorganic growth only

### Board approved capital management policy:

- Strategy to balance growth and shareholder returns
- Investments into operations funded from free cashflow and debt at accretive ROIC (Return on Invested Capital) i.e. ahead of the Company's weighted average cost of capital (WACC), over three years
- **Stable Dividend payout ratio:** 40% - 60% of NPATA<sup>1</sup>
- **Conservative capital structure:** target range of 1.0 - 1.5 times Net debt/EBITDA
- Board to retain flexibility outside of these guidelines based on value accretive opportunities

1. NPATA defined as net profit after tax, adjusted for non-cash impairment and fair value adjustments



# FY22 Results Analysis

# Consistent Growth

Segment Result	2H22 (\$m)	1H22 (\$m)	% Change	2022 (\$m)	2021 (\$m)	% Change
Wealth Solutions	7.92	7.52	5%	15.44	12.98	19%
Accounting Solutions	7.45	7.26	3%	14.71	14.73	-
<b>Net Revenue<sup>1</sup> – Continuing Operations</b>	<b>15.37</b>	<b>14.78</b>	<b>4%</b>	<b>30.15</b>	<b>27.71</b>	<b>9%</b>
Wealth Solutions	2.34	1.86	26%	4.20	2.78	51%
Accounting Solutions	3.00	2.85	5%	5.85	5.86	-
<b>Underlying Profit<sup>2</sup> - Continuing Divisional Operations</b>	<b>5.34</b>	<b>4.71</b>	<b>13%</b>	<b>10.05</b>	<b>8.64</b>	<b>16%</b>
Divisional Operating Margin % (UP/Net Revenue)	35%	32%	3%	33%	31%	
Corporate Overheads	(1.62)	(1.37)	(18%)	(2.99)	(2.26)	(33%)
<b>Underlying Profit - Continuing Operations</b>	<b>3.72</b>	<b>3.34</b>	<b>11%</b>	<b>7.06</b>	<b>6.38</b>	<b>11%</b>
Underlying Profit Margin %	24%	23%	1%	23%	23%	-
Add: Discontinued Operations	-	-	-	-	0.43	
<b>Group Underlying Profit inc. Discontinued Operations</b>	<b>3.72</b>	<b>3.34</b>	<b>11%</b>	<b>7.06</b>	<b>6.81</b>	<b>4%</b>
Normalisations	(0.36)	(0.14)		(0.50)	(1.25)	
<b>Statutory EBITA inc. Discontinued Operations</b>	<b>3.36</b>	<b>3.20</b>	<b>5%</b>	<b>6.56</b>	<b>5.56</b>	<b>18%</b>
Amortisation	(0.52)	(0.52)		(1.04)	(0.97)	
Net Interest	(0.05)	(0.03)		(0.08)	(0.20)	
Tax expense	(0.82)	(0.87)		(1.69)	(1.26)	
Discontinued operations (Interest, tax and amortisation)	-	-	-	-	(0.15)	
<b>NPAT</b>	<b>1.97</b>	<b>1.78</b>	<b>11%</b>	<b>3.75</b>	<b>2.98</b>	<b>26%</b>

## Consistent growth

- Continuing operations \$30.15m, up 9%
- Gross Revenue up \$125.04m, 36%

## Improving shareholder returns

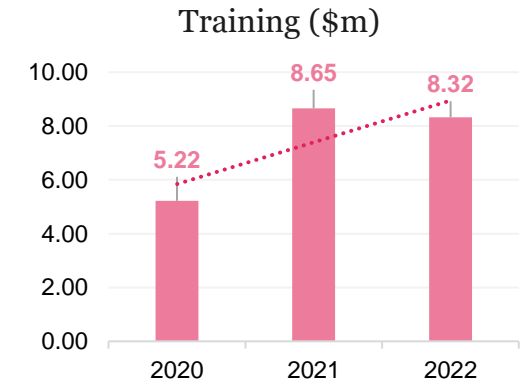
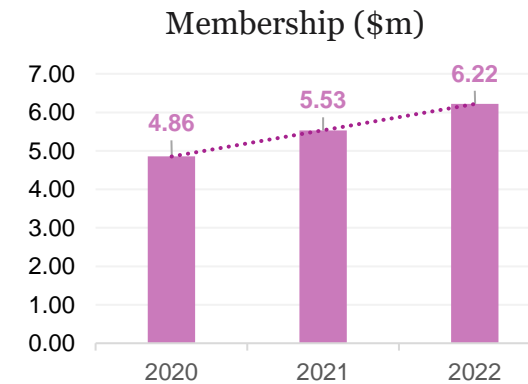
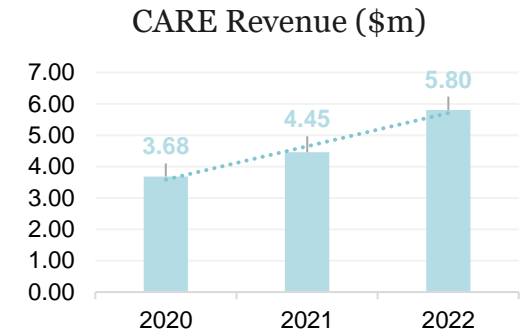
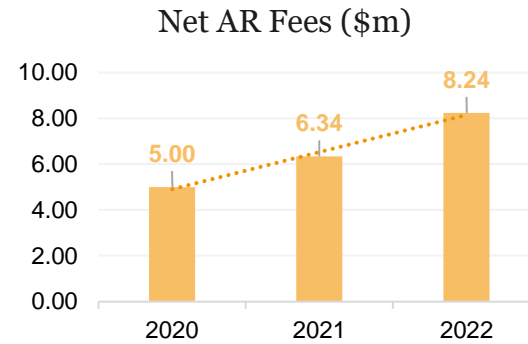
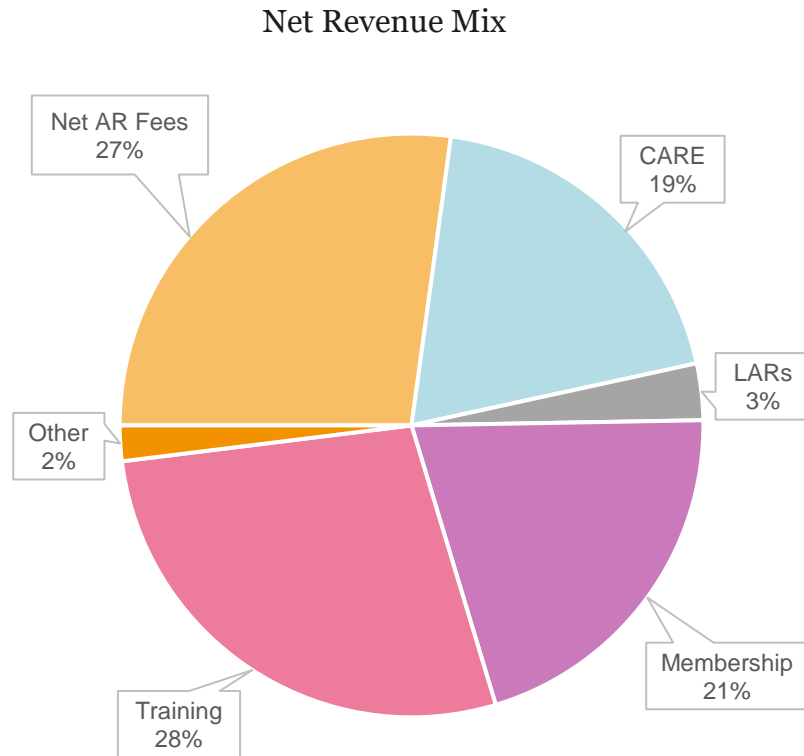
- Divisional operating margin increased to 33% and Divisional Underlying Profit up 16%
- Underlying Profit from continuing operations up 11% to \$7.06m
- Statutory EBITA up by 18% to \$6.56m
- Growth in corporate costs driven by investment in Board, leadership team and additional supporting functions
- Current year normalisations include costs associated with M&A activity as well as other one-off corporate activities. Prior year primarily relating to divestment of non-core assets and the HUB24 transaction

## Improving momentum 1H to 2H

1. Net Revenue is defined as Gross Revenue less adviser revenue share and expense recoveries.
2. Underlying Profit is Normalised EBITA. Underlying Profit is a non-IFRS measure and is used by the Company to assess performance as it excludes non-cash amortisation, acquisition/divestment and recapitalisation costs, restructure costs, impairment charges, fair value adjustments, gains/losses on divestments and lease accounting under AASB 16 Leases.

# 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.

# Wealth Solutions

A\$m	2H22 (\$m)	1H22 (\$m)	(%) Change	2022 (\$m)	2021 (\$m)	(%) Change
Net AR revenue (full advisers)	4.20	4.04	4%	8.24	6.34	30%
Existing	2.88	2.79	3%	5.67	5.01	13%
Acquired – Paragem <sup>1</sup>	1.32	1.25	6%	2.57	1.33	93%
Limited Advisers (LAR) subscription fees	0.40	0.54	(26%)	0.94	1.36	(31%)
CARE Investment management fees	2.99	2.81	6%	5.80	4.46	30%
Other platform license fees	-	-	-	-	0.39	(100%)
Other	0.33	0.13	154%	0.46	0.43	7%
<b>Net Revenue - Continuing Operations</b>	<b>7.92</b>	<b>7.52</b>	<b>5%</b>	<b>15.44</b>	<b>12.98</b>	<b>19%</b>
<b>Underlying Profit – Continuing Operations</b>	<b>2.34</b>	<b>1.86</b>	<b>26%</b>	<b>4.20</b>	<b>2.78</b>	<b>51%</b>
<b>EBITA Margin (%)</b>	<b>30%</b>	<b>25%</b>	<b>5%</b>	<b>27%</b>	<b>21%</b>	<b>6%</b>

## Adviser services growing strongly

- Gross AR revenue up 17% on a full year like for like basis – growing opportunity to provide services
- Net AR revenue up 13% on pcp (adjusting for Paragem)
- Net revenue per firm up 15% to \$37k per adviser due to implementation of new fee model and improved recoveries across the group

## Strong performance from CARE with 13% growth in FUM to \$2.22bn

## Material improvement in EBITA Margin due to improved revenue and scale synergies post acquisition of Paragem

## Improving momentum 1H to 2H across all key metrics

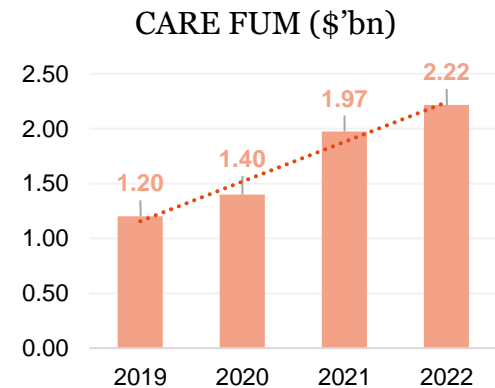
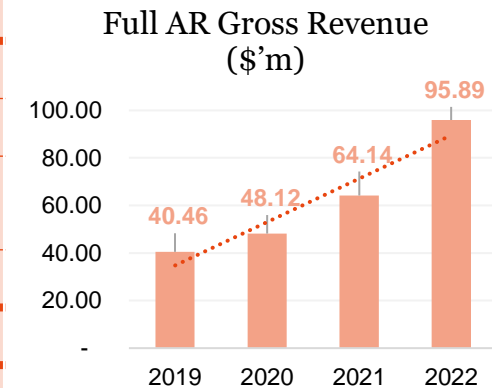
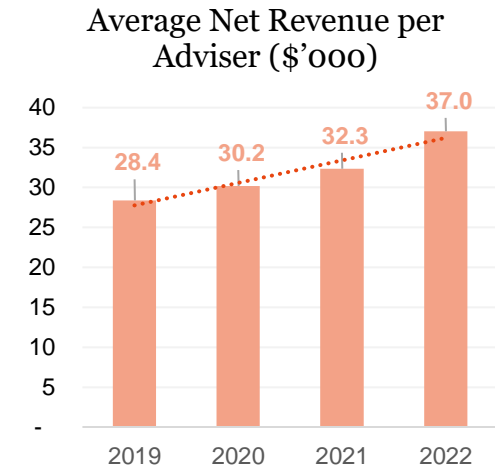
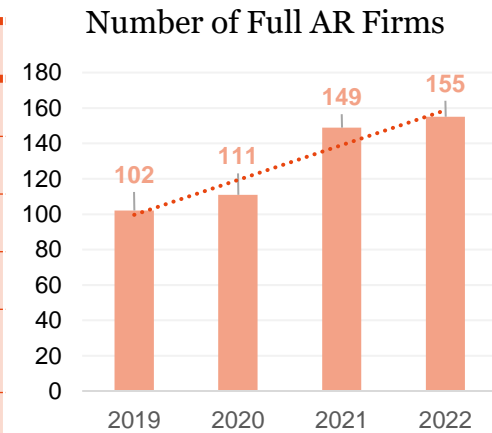
1. Net AR Revenue	2022 (\$m)	2021 (\$m)	(%) Change
Gross AR revenue	95.89	64.14	32%
Less: Adviser Share	(93.42)	(61.32)	(52)%
Fixed Licensee Fees	5.77	3.52	64%
Net AR Revenue (full advisers)	8.24	6.34	30%

1. Paragem was acquired 1 February 2021



# Performance Dashboard - Wealth

Performance drivers		2019	2020	2021	2022
Total Net Revenue (\$'m)		11.28	11.90	12.98	<b>15.44</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)	1.20	1.40	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)	16.60	18.86	22.49	<b>26.36</b>
Other revenue (\$m)		3.90	3.22	2.18	<b>1.40</b>
Recurring Revenue %		100%	100%	100%	<b>100%</b>
EBITA (\$m)		2.86	2.45	2.78	<b>4.20</b>
EBITA Margin %	EBITA/Net Revenue	25%	21%	21%	<b>27%</b>



# Accounting Solutions

A\$m	2H22 (\$m)	1H22 (\$m)	% Change	2022 (\$m)	2021 (\$m)	(%) Change
Membership	3.16	3.06	3%	6.22	5.53	13%
Training	4.17	4.15	1%	8.32	8.65	(4%)
Other <sup>1</sup>	0.02	0.05	-	0.17	0.55	(69%)
<b>Net Revenue - Continuing Operations</b>	<b>7.45</b>	<b>7.26</b>	<b>3%</b>	<b>14.71</b>	<b>14.73</b>	<b>-</b>
<b>Underlying Profit - Continuing Operations</b>	<b>2.99</b>	<b>2.86</b>	<b>5%</b>	<b>5.85</b>	<b>5.86</b>	<b>-</b>
<b>Continuing EBITA Margin %</b>	<b>40%</b>	<b>39%</b>	<b>1%</b>	<b>40%</b>	<b>40%</b>	
Add: Discontinued Operations <sup>2</sup>	-	-	-	-	0.43	(100%)
<b>Underlying Profit<sup>3</sup></b>	<b>2.99</b>	<b>2.86</b>	<b>5%</b>	<b>5.85</b>	<b>6.29</b>	<b>(7%)</b>

## Continued growth in Membership

- Members up 6% to 1,346
- 13% growth year on year, consistent with prior years

## Training sustained prior period results

- Revenue marginally down from FY21 due to unusually high demand for non-contracted online training in FY21 related to training on government stimulus package

## Underlying Profit from continuing operations was maintained compared to prior year

- Membership growth compensating for dip in training and additional investment in resources.
- Overall metrics improving 2H to 1H

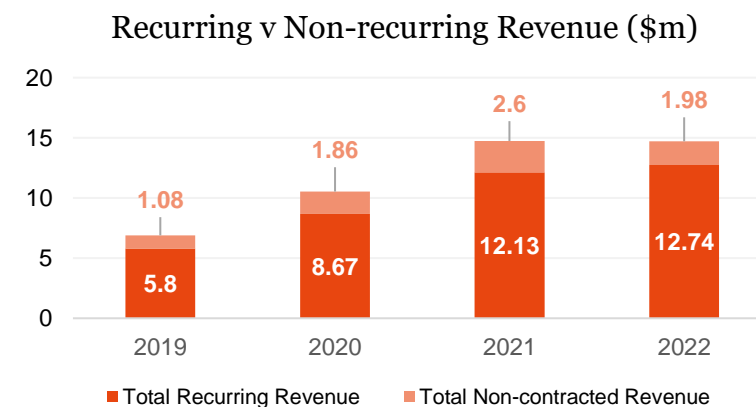
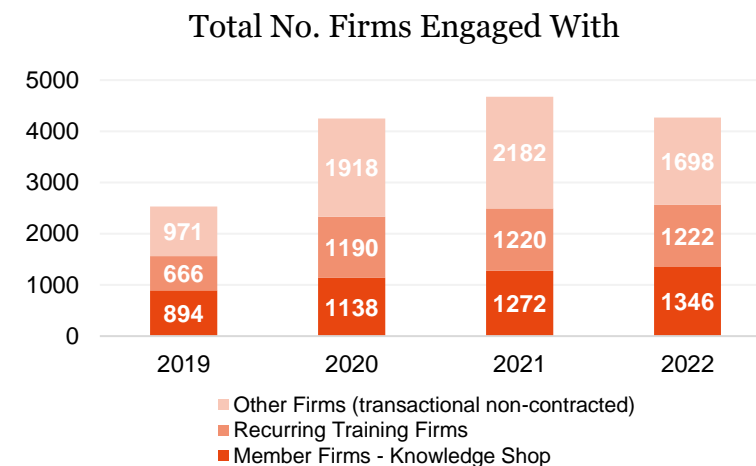
1. TaxBanter who specialises in in-house face to face training was materially impacted during Melbourne lockdowns in 2021 and received Stimulus support income of \$0.37m in 2021 (partially owned at that time).

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

3. Underlying Profit is Normalised EBITA.

# Performance Dashboard - Accounting

Performance drivers		2019	2020	2021	2022
Total Net Revenue (\$'m)		6.88	10.53	14.73	<b>14.71</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>0.17</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 – Cash surplus \$2.53m

## Trends

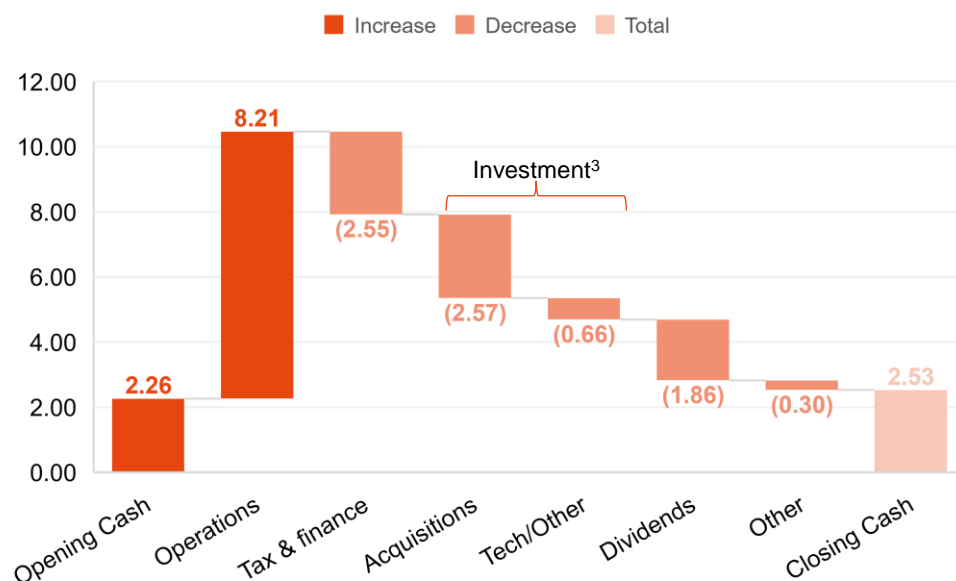
## 3yr CAGR

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

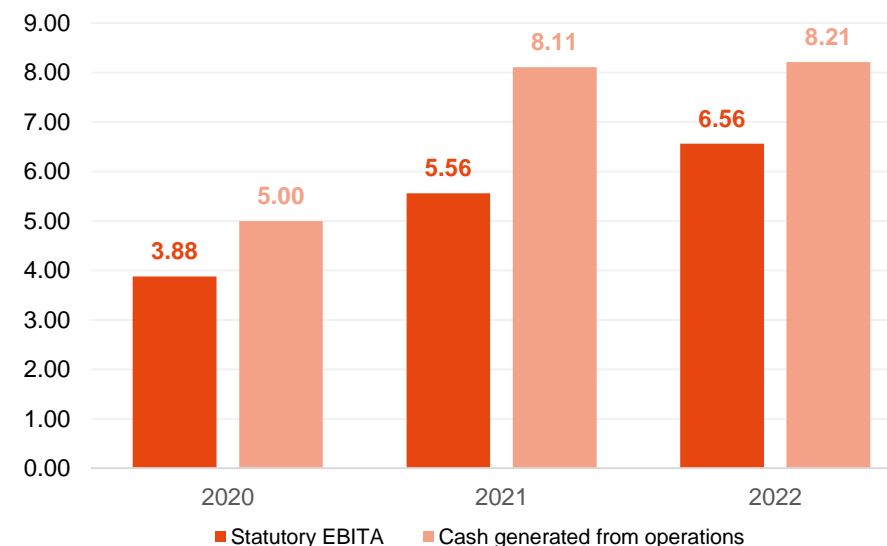
## Strong alignment to Earnings

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.

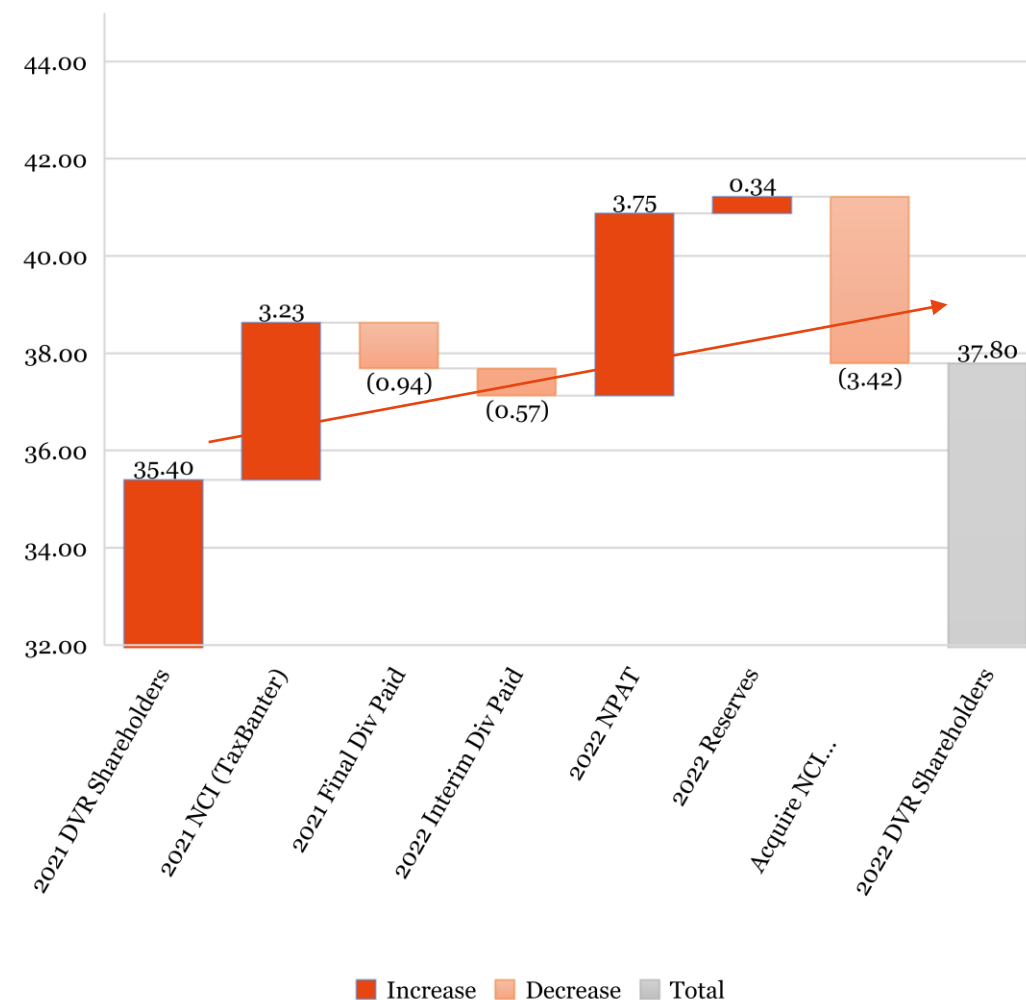
3. Investment in the current year includes the acquisition of remaining equity interest in TaxBanter, investment in technology including Knowledge Shop membership platform, and other tech related infrastructure.

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	4.53	5.13
<b>Total current assets</b>	<b>7.06</b>	<b>7.39</b>
Plant & equip and other assets	1.54	0.27
Intangible assets	43.77	44.25
<b>Total non-current assets</b>	<b>45.31</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	5.90
Taxation	1.14	1.44
Employee entitlements	1.27	1.25
<b>Total current liabilities</b>	<b>9.49</b>	<b>8.59</b>
Employee entitlements non-current	0.42	0.38
Net deferred taxes	3.70	4.21
Other non-current liabilities	0.96	0.10
<b>Total non-current liabilities</b>	<b>5.08</b>	<b>4.69</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>

Movement equity attributed to shareholders (\$'m)



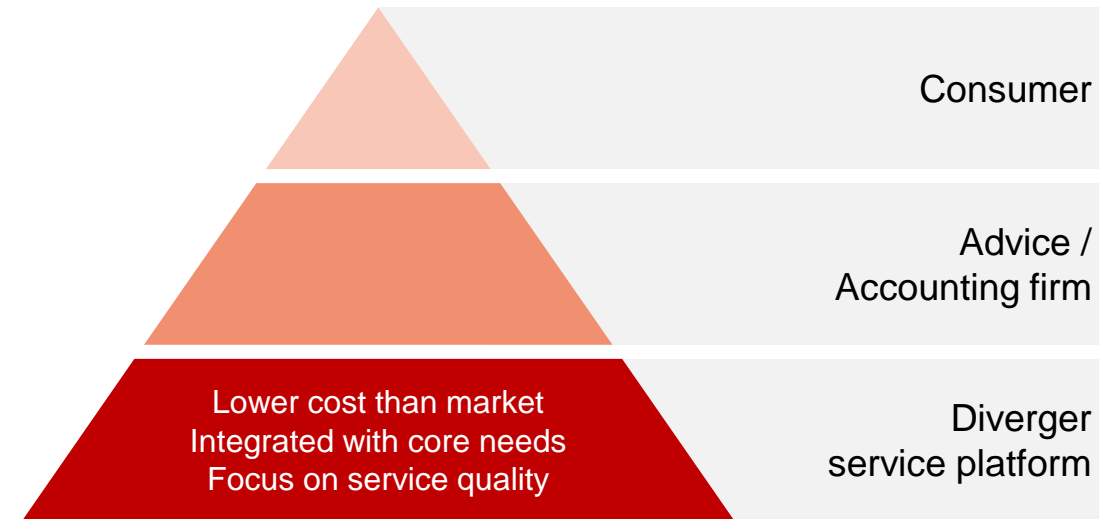
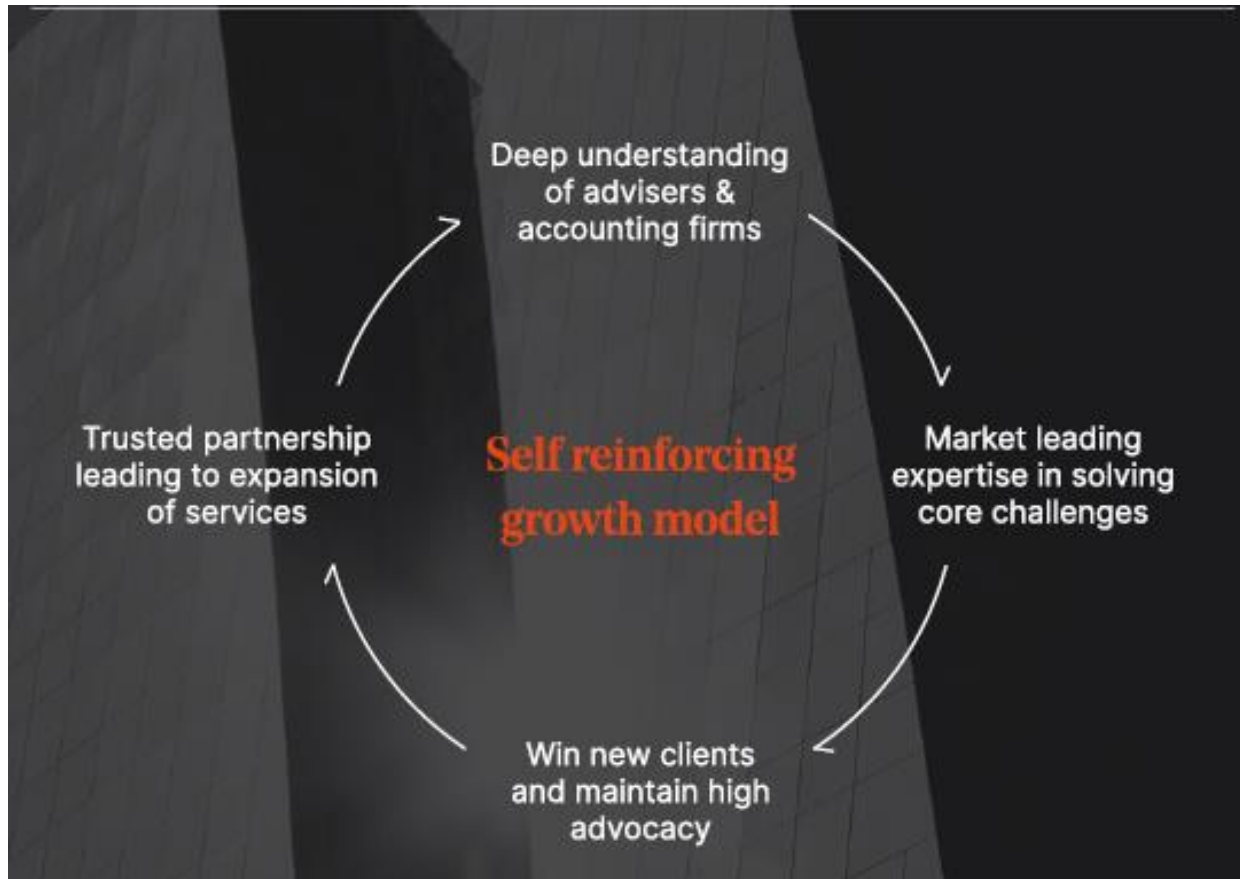
Net-current liabilities of \$2.44m (2021: 1.30m), includes deferred revenue which does not have a cash outflow effect \$0.6m as well as lease liabilities under AASB16 \$0.52m, employee entitlements \$1.27m which are unlikely to be settled within 12months. The Group also has access to a debt facility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



# 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

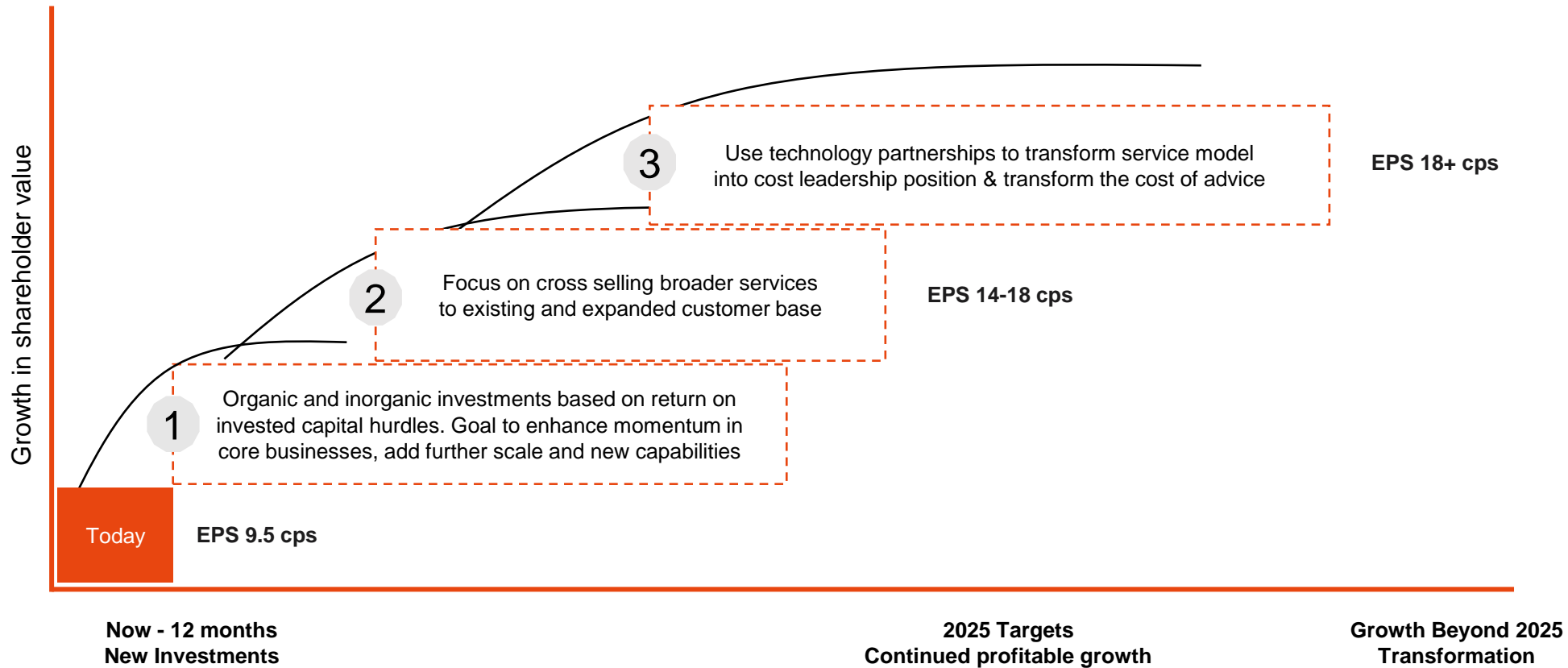
- Evaluate further equity investments into advice practices
- Grow back-office services
- Take to market Knowledge Shop membership offer to advice firms
- Extend managed portfolio services
- Explore other service expansion opportunities



## 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

# Targeted growth horizons – growing value for shareholders



Targeted growth horizons based on the successful execution of strategic initiatives.

# Record growth and improving returns to shareholders



**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	

1.Return on Equity is Statutory Net Profit After Tax to members divided by Shareholders' Funds

## 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

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