

Via ASX Online

ASX Announcement - 11 November 2022

ASX Market Announcements Office

ASX Limited

2022 AGM – Chairman’s Address and Managing Director’s Presentation

Diverger Limited (**Diverger** or the **Company**) will today address shareholders at its Annual General Meeting, commencing at 11:30am (AEDT).

In accordance with ASX Listing Rule 3.13.3, please see attached the Address to be delivered by the Chairman, Peter Brook and the Presentation to be delivered by the Managing Director, Nathan Jacobsen.

ENDS

Authorised by the Managing Director of Diverger Limited.

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**Diverger Limited 2022 Annual General Meeting
Chairman's Address**

Good Morning, especially to our loyal shareholders.

We are pleased you could join us here in Sydney (or remotely). We look forward to updating you on the business and answering questions you may have.

This meeting follows a successful year for Diverger, which like many other Australian businesses, has had to navigate challenging and volatile market and social conditions while managing costs and investing in the future. While Diverger is not immune to these market conditions, the strength of the advice industry and the demand and need for financial advice by Australians, provides some resilience and affirms our business model.

In many ways, the ongoing challenging economic conditions and post-COVID recovery, including rising interest rates and cost of living pressures, drive home the relevance of financial advice and the role it must play in maximising Australians' wealth. Overlay this with the demographic change sweeping through Australia such as the inevitable retirement of Baby-Boomers, the transfer of wealth and the growing numbers of Millennials (aged 26-41 years and who incidentally are advice seekers), emphasises the growing need for supported and quality financial advice in Australia.

Importantly, through these changing conditions, accountants are also in high demand to advise and manage constant changes to tax, superannuation and Self-Managed Super Fund legislation. That demand translates into the need for quality, practical training and education.

The ongoing transformation of the Australian financial services industry has certainly added another layer of challenges to the operating environment for licensees, financial advisers and accountants as they continue to adapt to both ongoing regulatory and educational requirements as well as the pressure to establish and access the infrastructure required to compete in the market and provide advice to Australians.

But while the demand for advice has increased, adviser numbers have decreased, putting even more pressure on the industry to look to scale to support advice. Smaller practices are looking for scale, efficiency and equity solutions to grow their practices.

Licensees, advisers and accountants are seeking the support of a service platform such as Diverger, which can fill the gaps in their infrastructure, necessary to compete and facilitate cost effective advice. This is particularly so following the exit of the larger institutions such as banks from wealth management, and the focus that conflicted service and remuneration has rightly attracted. Diverger's mission is to create an environment that supports advisers' value propositions and accordingly their clients.

We know these professionals make a huge difference to the way Australians save and accumulate wealth as well as deal with the curve balls that life can throw at us. Our support of financial advisers and accountants, to ensure they can provide advice in an efficient and cost-effective manner, that is accessible and valued by clients, is OUR value proposition.

As we reported, Diverger has delivered strong results over the 2022 financial year and Q1 of 2023 appears to be maintaining this operating momentum.

We are proud to have delivered a 35% increase in Earnings per Share and an increase in Return on Equity, up 45% to 9.4%, a figure that has doubled in two years and which has led to the payment of an increased dividend. We have also maintained focus on our strategic agenda which included acquiring full ownership of a profit contributing subsidiary, the first adviser equity investment for practice growth and the rationalisation of the Company brand and corporate entities.

This work has been achieved while continuing our investment in technology capabilities and delivering new services for financial advice and accounting practices.

We have also acted upon M&A where it has presented scale and strategic prospects, and we remain confident that the right growth opportunities can be delivered to shareholders. In this regard, we have introduced a Capital Management Plan to guide the consideration of development opportunities and capital deployment and dividend payout.

Continuing to invest in our proposition is important to remaining competitive and relevant in an evolving marketplace, and Diverger has added internal resources, staff training and enhanced incentive and retention schemes in what is a very competitive market for talent. We have also expanded our training services with an educational platform to support professionals, as well as a governance offer to self-licensed practices to assist them with compliance.

We note that as we move from one challenging environment, we step into another and acknowledge the backdrop of rising interest rates and cost of living pressures with economic forecasts such as GDP expectations and talk of a global recession, which are now shaping the outlook for many companies.



Our work to build strong professional relationships, which are based on trust and value, lays a solid foundation for the future. While we cannot dissociate ourselves from the economic environment, the ecosystem we are building, supports financial advisers and accountants for necessary and in demand services, providing some insulation or resilience against headwinds. We believe it is a progressive business model for our industry which is a key point of difference in the marketplace.

Our strategy is well articulated. We will continue to invest in our proposition, innovate, consider organic and M&A growth opportunities and seek to deliver service excellence and value to our clients. The Board and management are aligned and excited about Divergers' direction and its future.

Finally, the Diverger team, many of whom are here or on-line today. They are at the core of our success and our ability to keep delivering. I would like to thank the whole team who have simply been tremendous, bringing their professional skills to the fore, not only to service our clients, but to help define and shape our model of the future of financial services.

Authorised by the Chairman of Diverger Limited.



Managing Director Report

Nathan Jacobsen

11 November 2022



Diverger today - established sustainable business model



Clear Strategy. To become the leading service provider to advice and accounting firms

- Solid progress on execution and capacity to invest, with \$2.5m net cash after investing \$3+m of capital into growth during FY22
- Ongoing access to a material undrawn debt facility



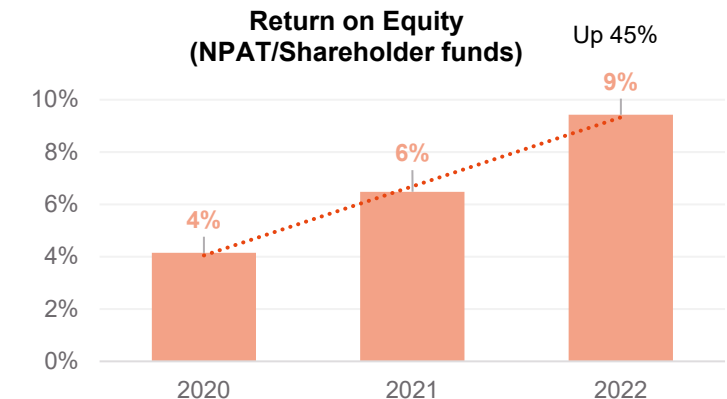
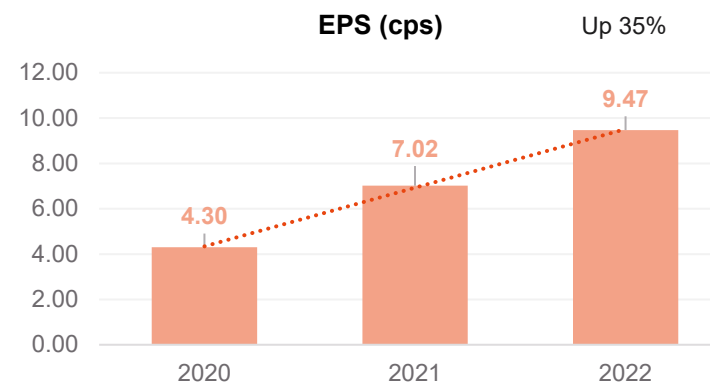
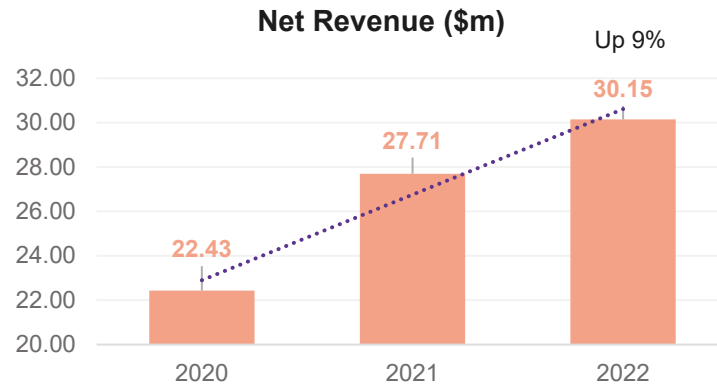
Disciplined Execution. Improving shareholders returns

- Earnings per Share (EPS) 9.47 cents, up 35%
- Return on Equity now 9.4%, more than doubled in two years
- Increased final dividend of 3.5c and new payout ratio

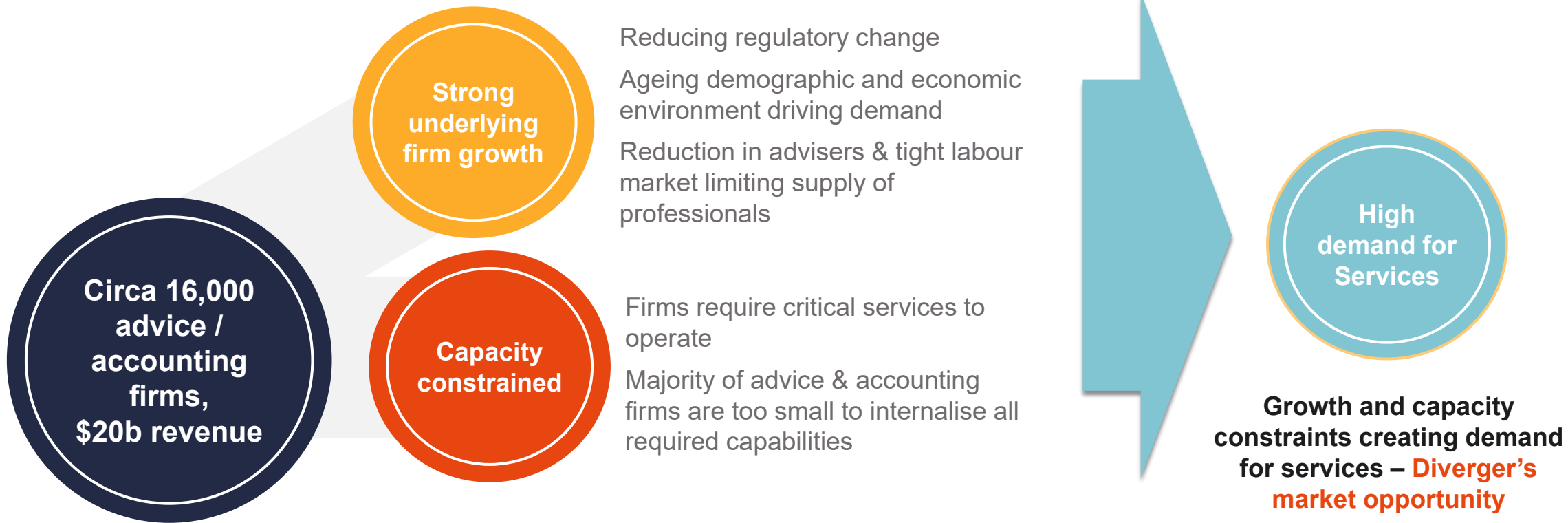


Consistent Growth. Established, sustainable business model continuing to deliver

- Net Revenue from continuing operations \$30.15m, up 9%. Attractive financial model, with 92% recurring revenue across four core services
- Substantial customer base of over 3,000 advice & accounting firms and managing \$2.2bn of investor assets in the CARE portfolios



Attractive growth market for services to professional firms



Our growth strategy is focused on leveraging this demand for services



Increase scale and capability

- Maintain growth momentum in four core services
- Pursue accelerator acquisitions that extend scale / capabilities



Expand services per customer

- Invest into advice practices
- Grow back-office services
- Extend Membership & training to advice firms
- Extend managed portfolio services
- Explore other service expansion opportunities



Transform customer experience

- Continue to build out customer analytics
- Expand service automation platform
- Progress customer experience initiatives across all businesses

Tracking progress to our FY25 targets

\$m	FY22	FY25 Targets
Net Revenue (NR)	\$30.15m	\$40m - \$45m
Underlying EBITA margin (%)	23%	24% – 28%
Underlying EBITA ¹	\$7.06m	\$10.5m - \$12.5m
NPATA ¹ EPS (cps) ²	12.25 cps	18 - 22 cps
Free cash flow (cps) ³	15.1 cps	18 - 22 cps

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)
- NPATA target used to remove the distortion of amortisation of investments
- **Stable Dividend payout ratio:** 40% - 60% of NPATA¹
- **Conservative capital structure:** target range of 1.0 - 1.5 times Net debt / EBITA
- Board to retain flexibility outside of these guidelines based on value accretive opportunities

1. Underlying EBITA is Earnings Before Interest, Tax and Amortisation adjusted for non-operation items such as M&A costs, AASB16 adjustments and non-cash fair value/impairment adjustments and a gross up of equity accounted investments to a EBITA equivalent to enable a comparison on a like for like basis with consolidated investments.

2. NPATA is statutory Net Profit After Tax, adjusted for non-cash amortisation, impairment and fair value adjustments

3. Free cashflow is defined as Net Cash from operating activities + dividends from associates

FY23 Outlook

- Good start to FY23 – revenue ahead of pcp and progressing to plan on FY25 targets
- Confident FY23 will be another year of earnings growth, however this will be weighted to 2H, with 1H modestly lower than pcp due to short term impacts & 1H strategic investments :
 - Expansion of BDM team to support increased sales momentum
 - M&A costs & higher corporate costs following investments made 2H FY22
 - Some short term impacts from rising employment costs (passed on to clients more slowly) and CARE exposure to market valuations
- 2H is expected to benefit from improving sales momentum in training, membership & adviser services including back office and Mcgregor equity investment
- M&A program building momentum, including equity participation and service extension opportunities. We remain exploratory on transformational opportunities

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 Easton 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 Easton'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 Easton, 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.

Contact

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