Diverger Limited

Investor open house

15 November 2022

ASX: DVR

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Diverger creates positive change

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

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Purpose of Investor open house

1. Established business model with good foundations for growth

2. Multiple growth engines provide a sustainable and diversified core business

3. Industry outlook turning positive which is creating further demand for Diverger services

4. Having doubled EPS in two years, re-affirm on track to deliver our **FY25 target to grow EPS from 9.4c to 14-18**

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Building a market leading service platform for Advice and Accounting firms

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Management team presenting today

Craig Kouimanis

Head of Paragem and Self-Licensed Services

Lisa Armstrong

Managing Director, Accounting Solutions

Sonya Choi La Rosa

General Manager, Operations & Technology

Michael Harris

CFO

Diverger today

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Diverger today - established sustainable business model

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

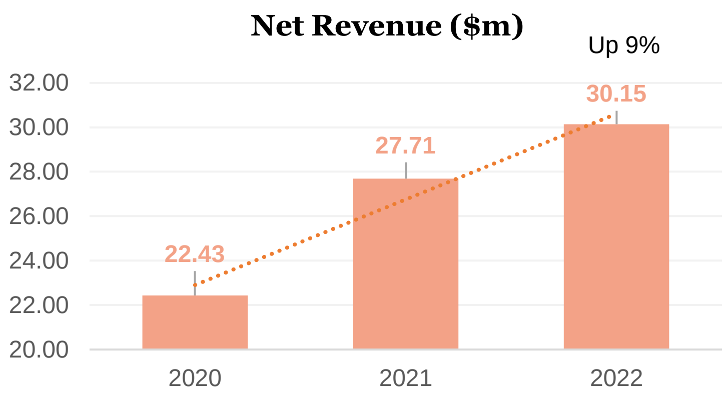
- Solid progress on execution and capacity to invest, with $2.5m net cash after investing $3+m of capital into growth during FY22
- Ongoing access to a material undrawn debt facility

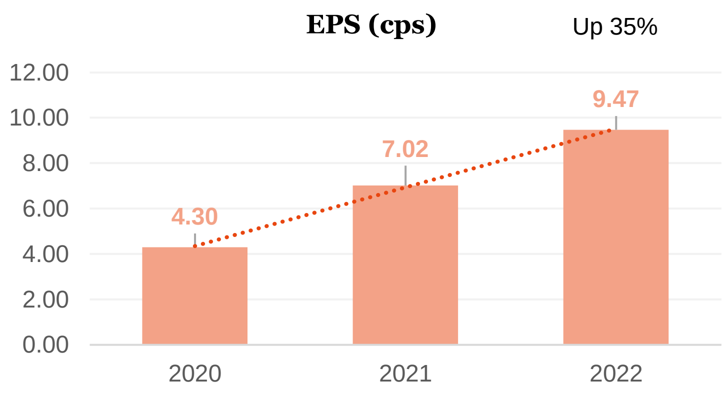
Disciplined Execution. Improving shareholders returns

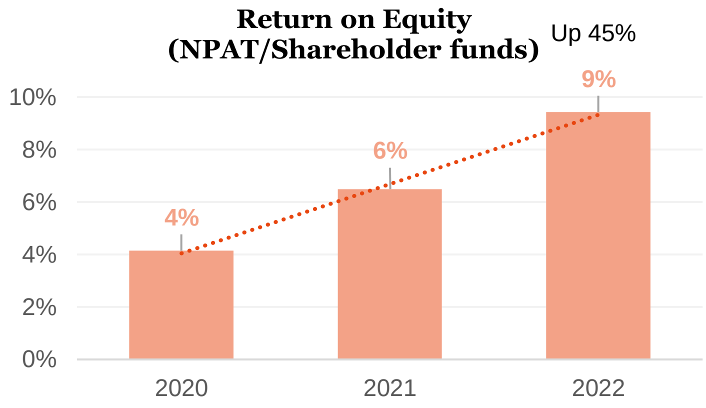
- Earnings per Share (EPS) 9.47 cents, up 35%
- Return on Equity now 9.4%, more than doubled in two years
- Increased final dividend of 3.5c and new payout ratio

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







Large established client base and a track record of growth through services

3.4k → **$8.4k** → **$28.6m**

23% EBITA Margin

Advice/Accounting Firms

+18%

3yr CAGR

(includes M&A growth)

Average revenue per Firm

Across 4 Services
(average 1.3 services per firm)

+8%

3yr CAGR

FY22 Service Revenue

(Excludes 1.6m Other Revenue)

+27%

3yr CAGR

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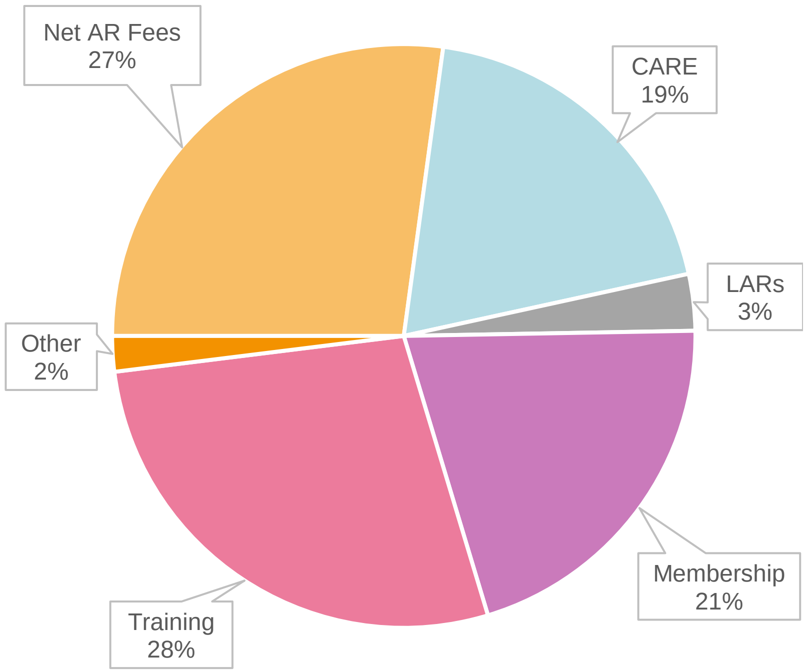
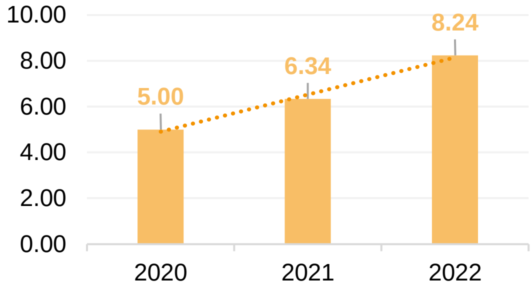
Diversified across four core services

Wealth 51% / Accounting 49%

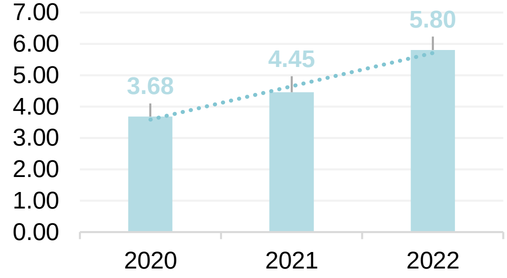
Net Revenue Mix



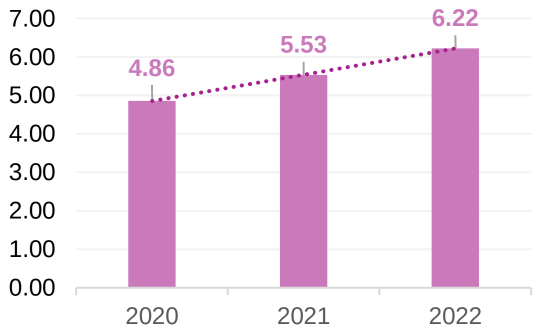
Net AR Fees ($m)



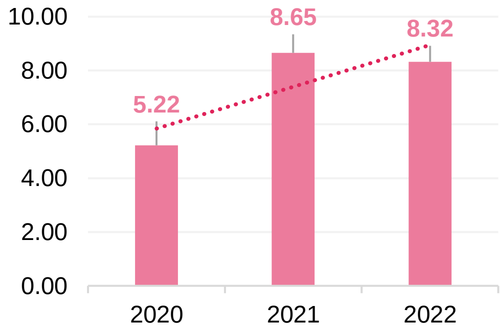
CARE Revenue ($m)



Membership ($m)



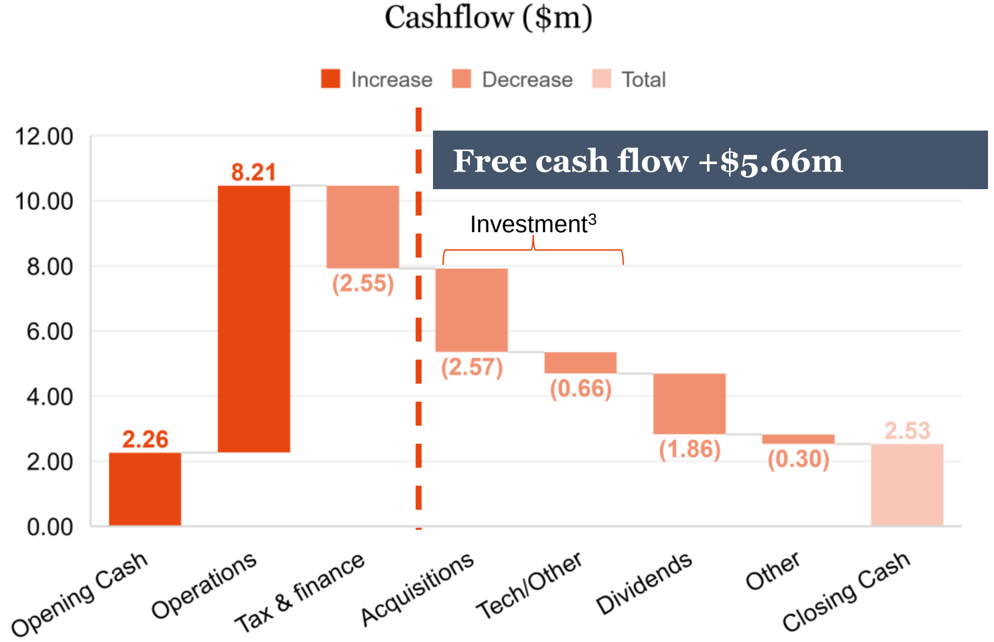
Training ($m)



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.

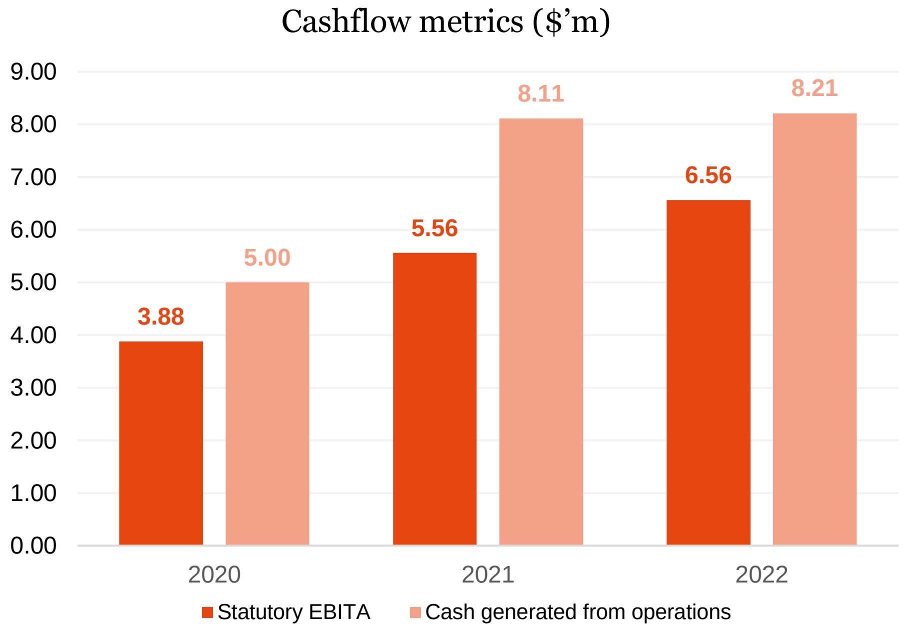
We can self fund our organic growth plans

Trends	3yr CAGR
Statutory EBITA[1]	15%[5]
Cash generated from Operations[2]	26%



Strong alignment to Earnings

Most income streams are received by cash in advance or in line with service delivery[4]



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.
5. Statutory EBITA CAGR growth rate of 15% has been adjusted to remove impairment and non operating fair value adjustments in 2019 and 2020 when Group undertook simplification of non-core assets. .

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Market Opportunity & Growth strategy

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Attractive growth market for services to professional firms

Circa 16,000 advice / accounting firms, $20b revenue

Strong underlying firm growth

Reducing regulatory change

Ageing demographic and economic environment driving demand

Reduction in advisers & tight labour market limiting supply of professionals

Capacity constrained

Firms require critical services to operate

Majority of advice & accounting firms are too small to internalise all required capabilities

High demand for Services

Growth and capacity constraints creating demand for services – Diverger's market opportunity

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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

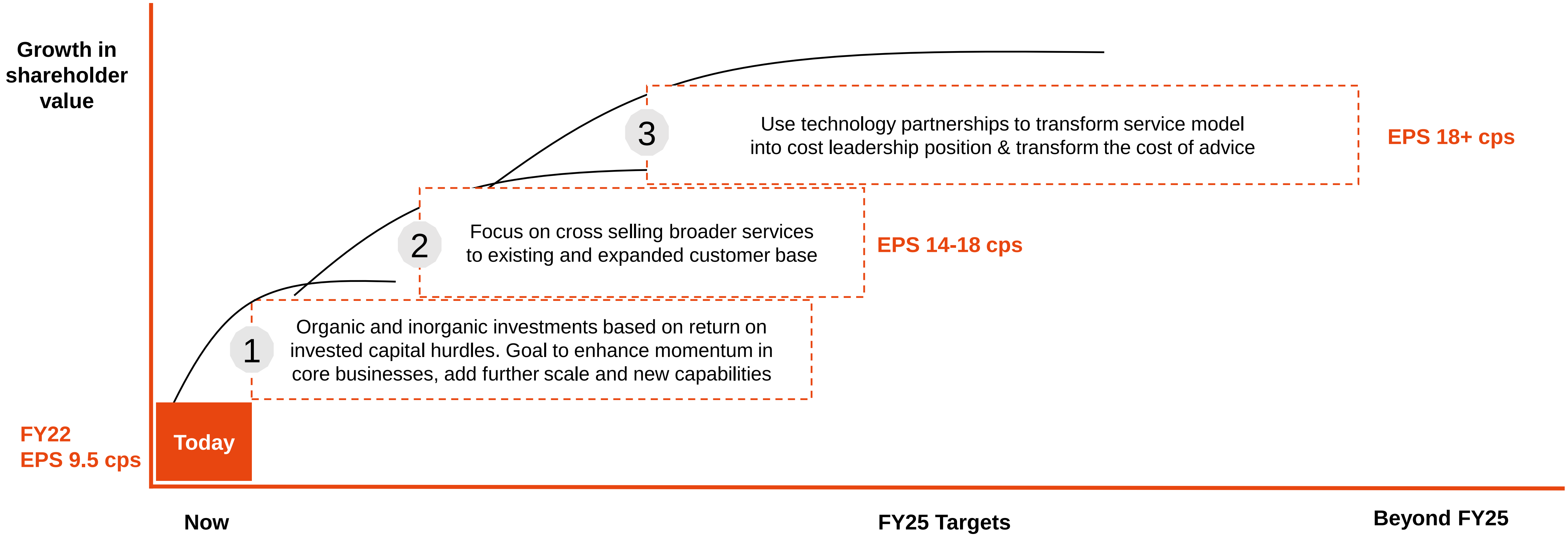
Expand services per customer

- 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

Targeting growing value for shareholders through to FY25 and onward



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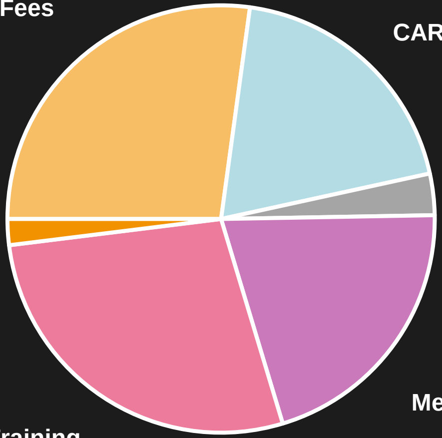
Sustainable core business



Craig Kouimanis
Lisa Armstrong

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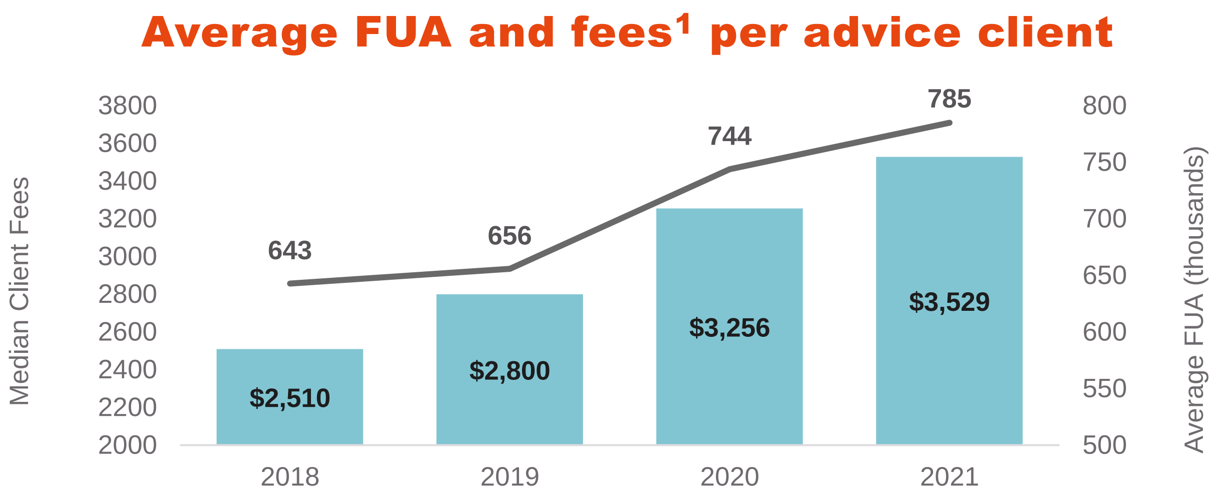
Advice practices are growing, fueling demand for services



- Average fees per client up 40% in three years, as demand for advice at 3m households exceeds population's capacity to deliver, at 2m households
- Adviser numbers stabilizing at 15-16k, with limited further regulatory drivers of reducing numbers. PY candidates growing
- Operational complexity and supply/demand imbalance driving firm consolidation and profitability, with >70% of 5+ adviser firms generating >20% profitability

Source notes:
1. Adviser Ratings 2020 & 2021 Australian Financial Landscape Report

The need for licensing underpins growth in services to advisers

LEAD WITH LICENSING

Core need of financial advisers (even when self licensed)

BUILD TRUST

The licensee role, if done well, builds trust

ACCELERATE

Strategic planning clarifies support needs

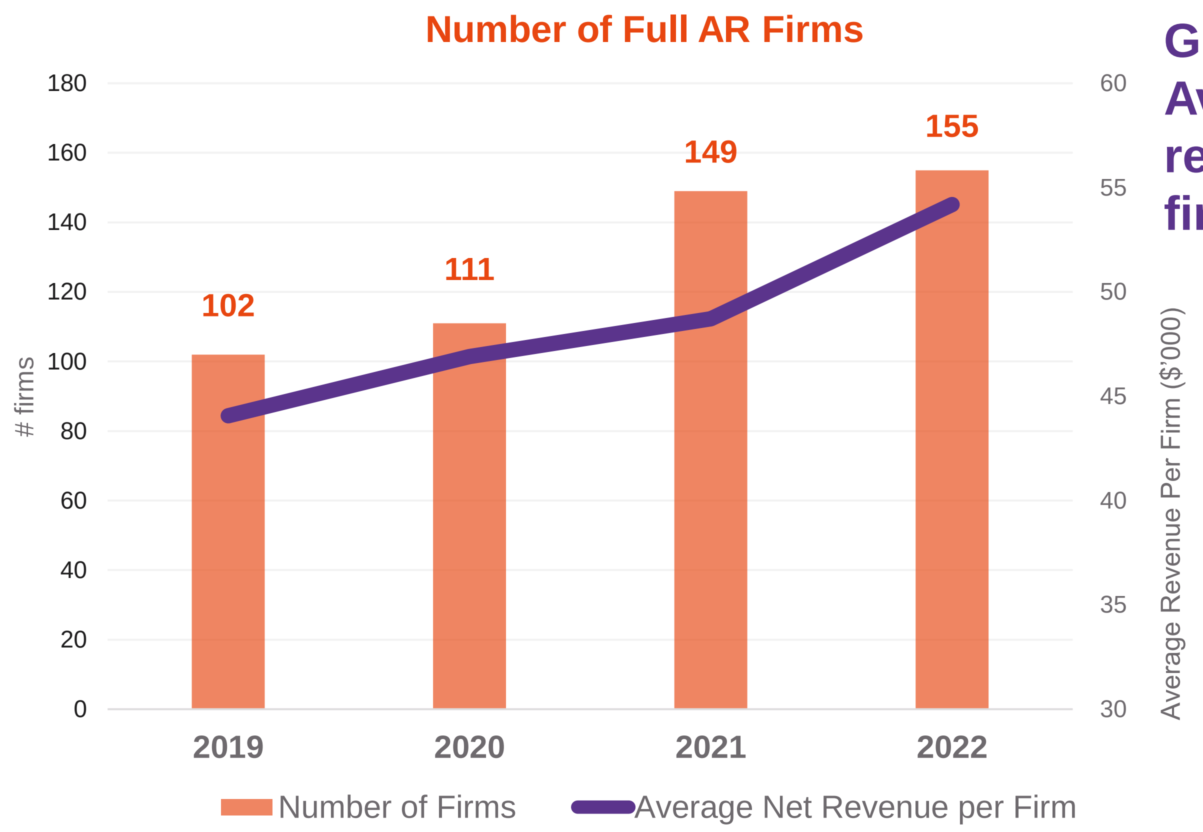
SERVICE EXPANSION

Growing service menu to help solve core challenges – CARE, back office, equity, training, technical services

GROW WITH PRACTICE

Practice growth and depth of relationship grows lifetime value

Growing number of advice firms drives growth in services



Growing Average net revenue per firm

Proven value proposition in adviser services, with a track record of steady growth

Growth in advice firms constrained by reform driven industry departures, offset by continued growth in average revenue per firm.

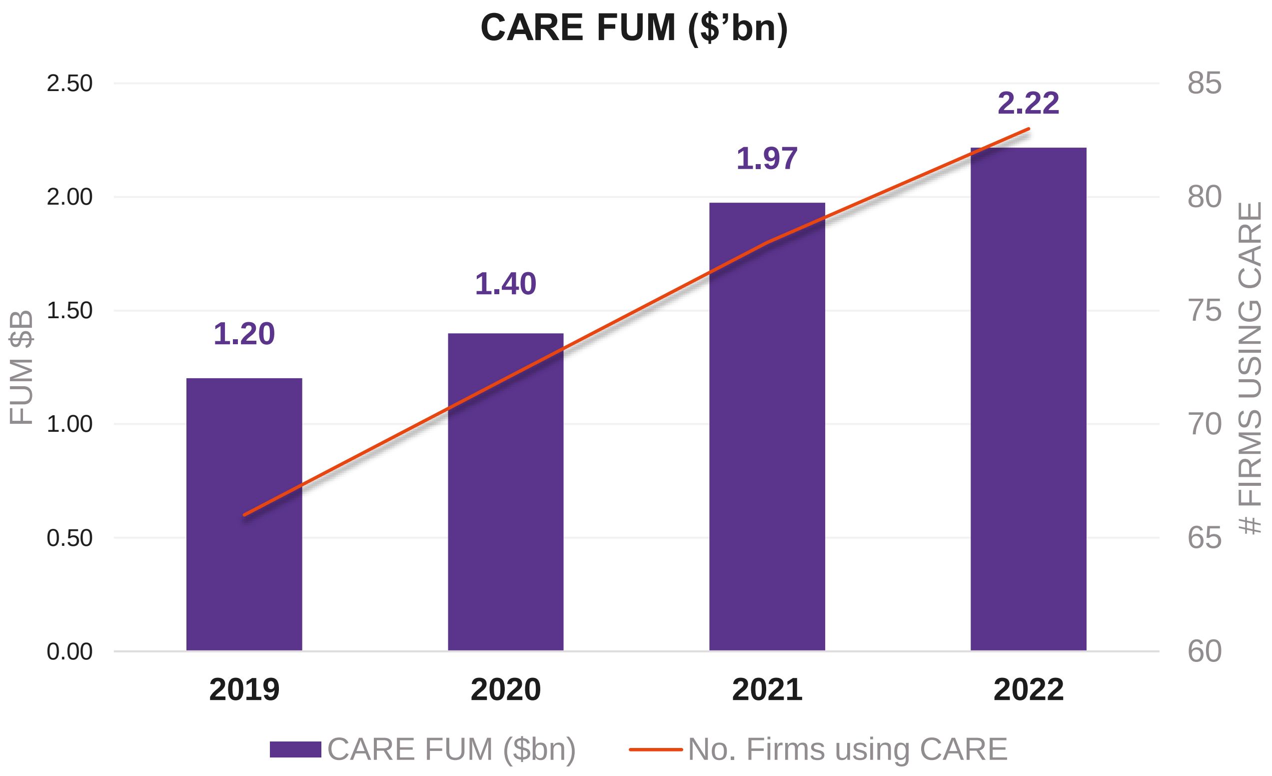
CARE delivers efficient, outsourced portfolio services for advice firms

Advice firms free to choose portfolio solutions from a broad approved product list

CARE portfolio services in operation as one of those options since 2015

Consists of a set of scalable, efficient separately managed accounts (SMA) operating on market leading platforms

Majority of FUM growth driven by inflow, reflecting market competitive performance and pricing



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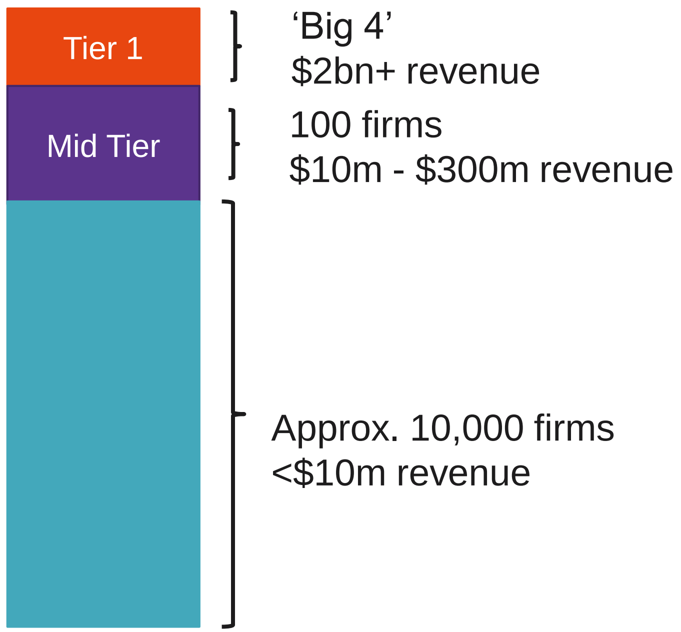
Accounting firm resource gaps fueling demand for external services

No. accounting firms



- Stable demand for accounting services
- COVID revenue growth at mid tier and below
- Approx. 87% firms < 3 principals
- Growth of SME firms impeded by ability to recruit and depth of expertise
- Risk exposure from increasingly complex technical environment
- Mandated CPD requirements:
  - 1.7m CPD hours across Tax & BAS agents p.a.
  - 350k hours for financial advisers

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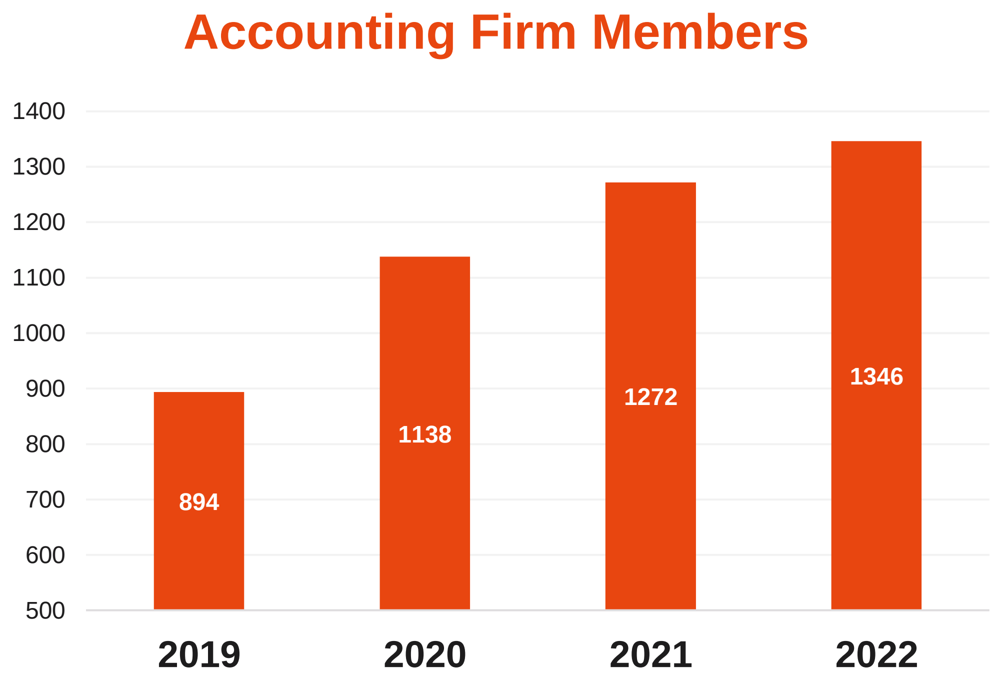
Membership is a high quality, successful business providing technical service for accounting firms

Now leveraging proven model and expertise into advice

01 DEEP, PRACTICAL DOMAIN EXPERTISE

02 PROVEN, SCALABLE SALES PROCESS

03 RETENTION AND GROWTH EXPANSION



Training transitioning to post COVID 'new normal'

	2019	2020	2021	2022
Total no. of firms engaged with training	1,637	3,108	3,402	**2,920**
Average training revenue per firm ($'000) [1]	1.5	1.8	2.5	**3.0**
Recurring revenue %	64%	73%	76%	**78%**

Av. training revenue per firm range:
- $1k for non-contracted, non-recurring firms to
- $13k for firms taking in-house training

2m mandated training hours across accounting & advice

COVID accelerated adoption of online learning

- Pre COVID 50% in-person
- Significant shift to online, +70% gross margin

Growth through learning & development (L&D)

- CPD a key component of staff recruitment and retention
- Permanent change to hybrid training model & outsourced L&D
- New platform provides CPD management to all clients
- Subscription launched for financial advisers
  - Over 1k advisers participated in FASEA exam prep training

Leveraging Diverger's competitive advantage

Sonya Choi La Rosa

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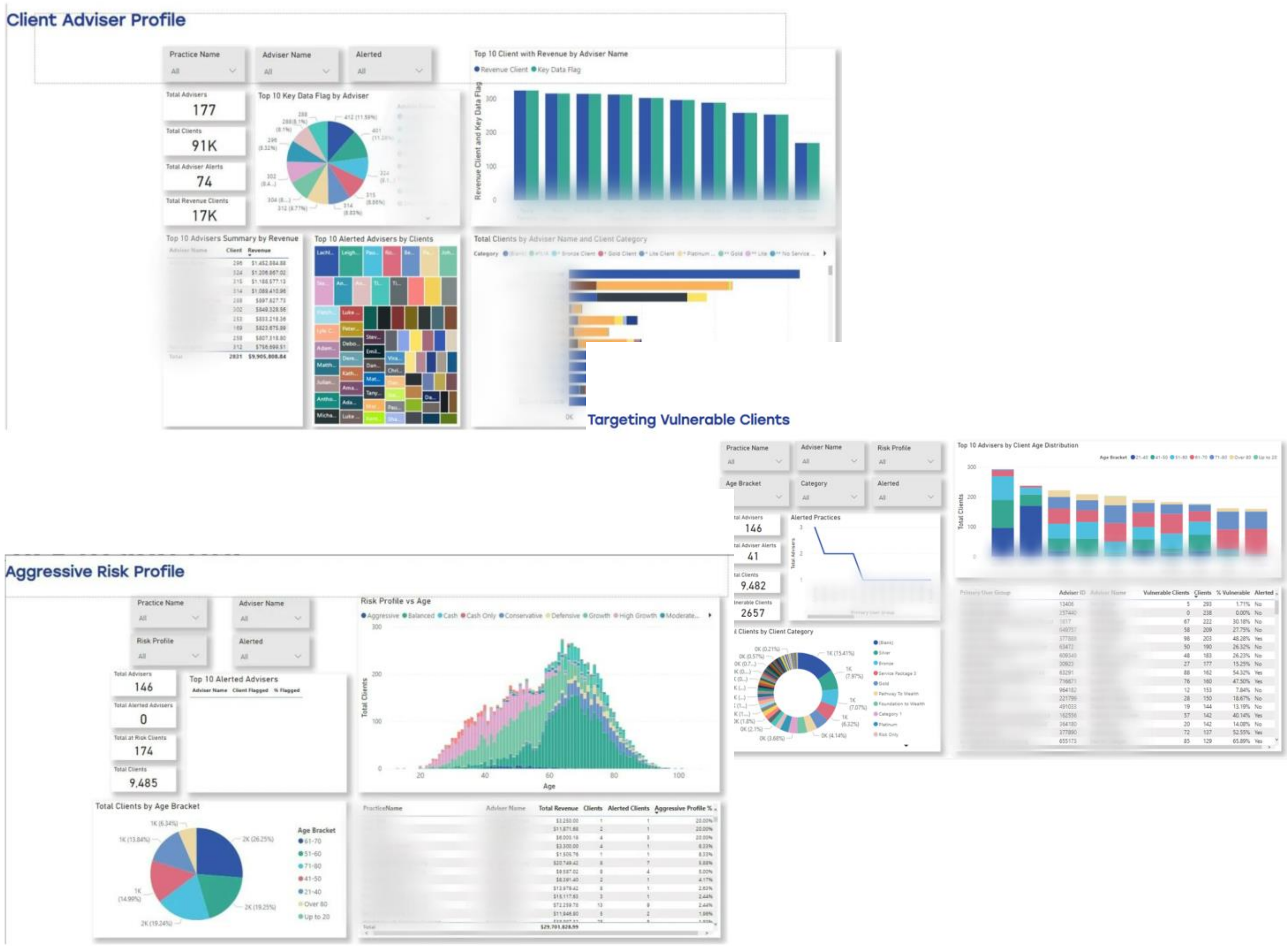
Diverger's service offer has some key features

Product Features	DVR
1. Deep **practitioner expertise** in accounting & advice	✔
2. Growth occurring in **multiple services** to both markets	✔
3. Service model able to service **all stages of firm lifecycle**	✔
4. Underpinned by **technology capability**	✔

Technology partnership enabling a shift to a data centric, digitised business over time



Technical support services to advice and accounting firms historically manual

Digitisation and automation of processing is a key opportunity

Our technology partnership provides us with a competitive advantage to pursue this transformation

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Tracking our progress

Michael Harris

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Baseline services can be modelled with simple metrics

Service	Average rate per firm/FUM	Average No. Firms	= FY22 Net Revenue
Membership	$4.8k	1,309 Firms	$6.22m
Training	$2.8k	2,920 Firms	$8.32m
Adviser services	$54.2k	152 Firms	$8.24m
CARE	27bps (before RE fees)	2.2B FUM	$5.8m
Other[1]			$1.56m
NET REVENUE			**$30.14m**

1. Other revenue includes subscription fees from Limited Authorised Representatives (LARs) $0.94m, Other Wealth revenue $0.46m and other Accounting revenue $0.15m.

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Tracking progress to our FY25 targets

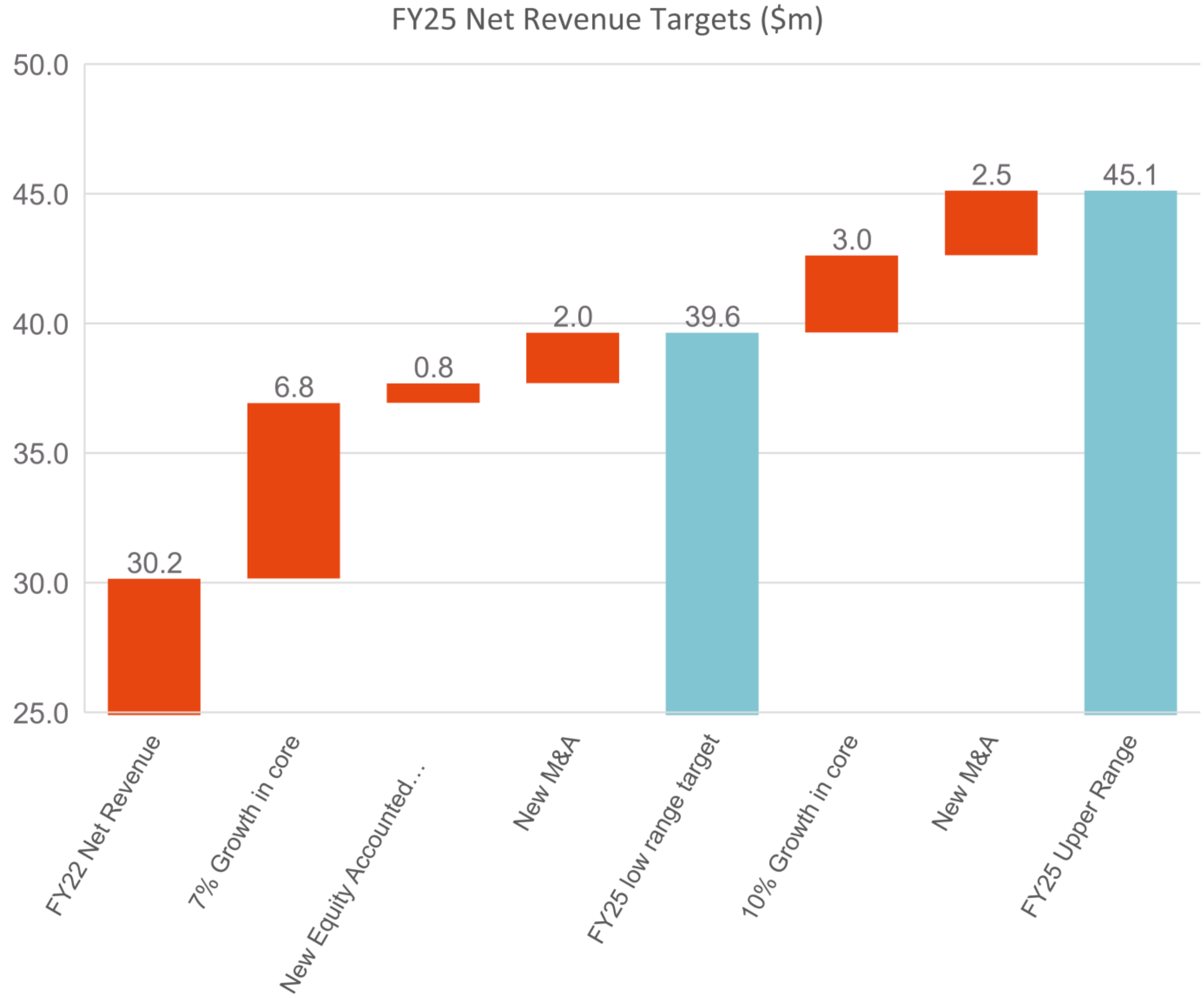
$m	FY22	FY25 Targets
Net Revenue (NR)	$30.15m	$40m - $45m (10% - 13% CAGR)
Underlying EBITA margin (%)	23%	24% - 28%
Underlying EBITA[1]	$7.06m	$10.5m - $12.5m (15% - 21% CAGR)
Free cash flow (cps)[3]	15.1 cps	18 - 22 cps

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 used to remove the distortion of amortisation of investments with strong alignment to FCF
- **Stable Dividend payout ratio:** 40% - 60% of NPATA[2]
- **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

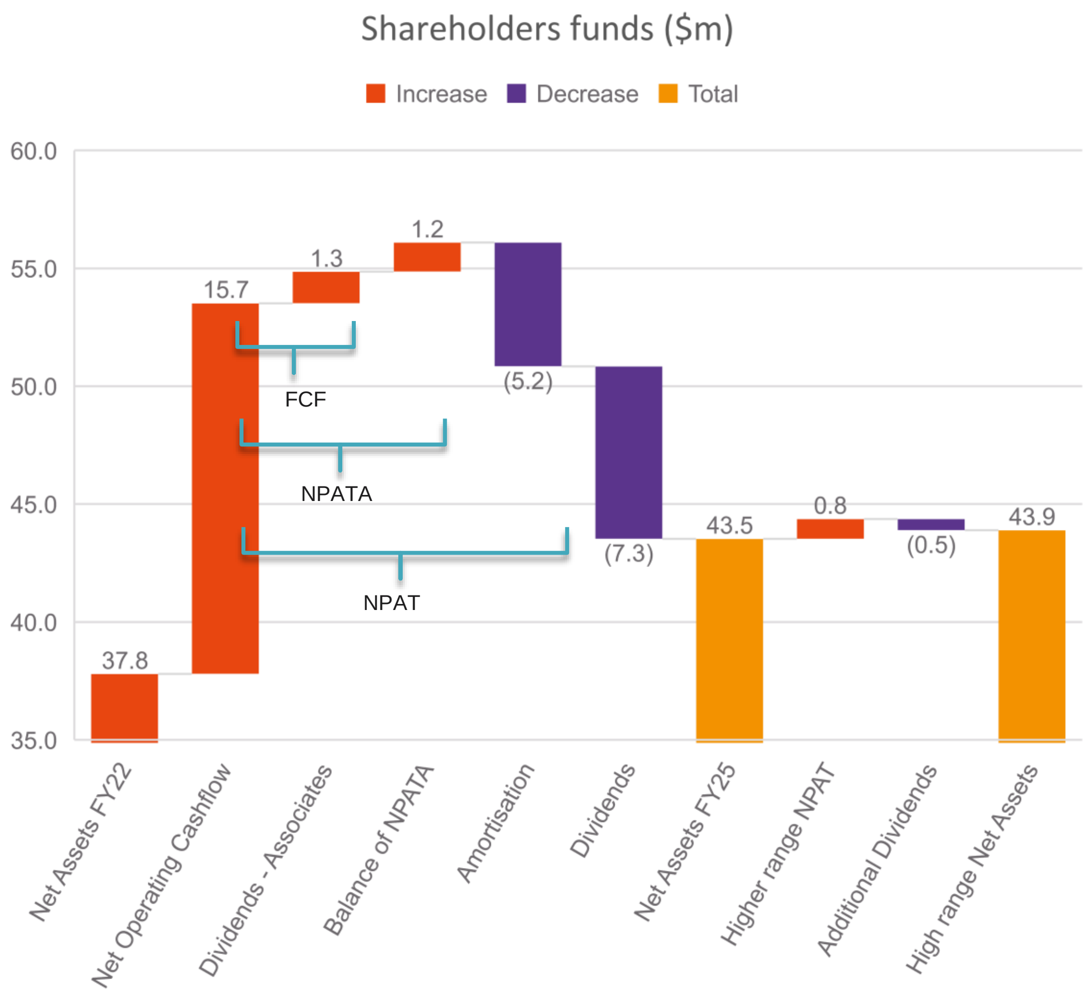
1. Underlying EBITA is Earnings Before Interest, Tax and Amortisation adjusted for non-operation items such as M&A costs, AASB16 adjustments and non-cash fair value/impairment adjustments and a gross up of equity accounted investments to a EBITA equivalent to enable a comparison on a like for like basis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

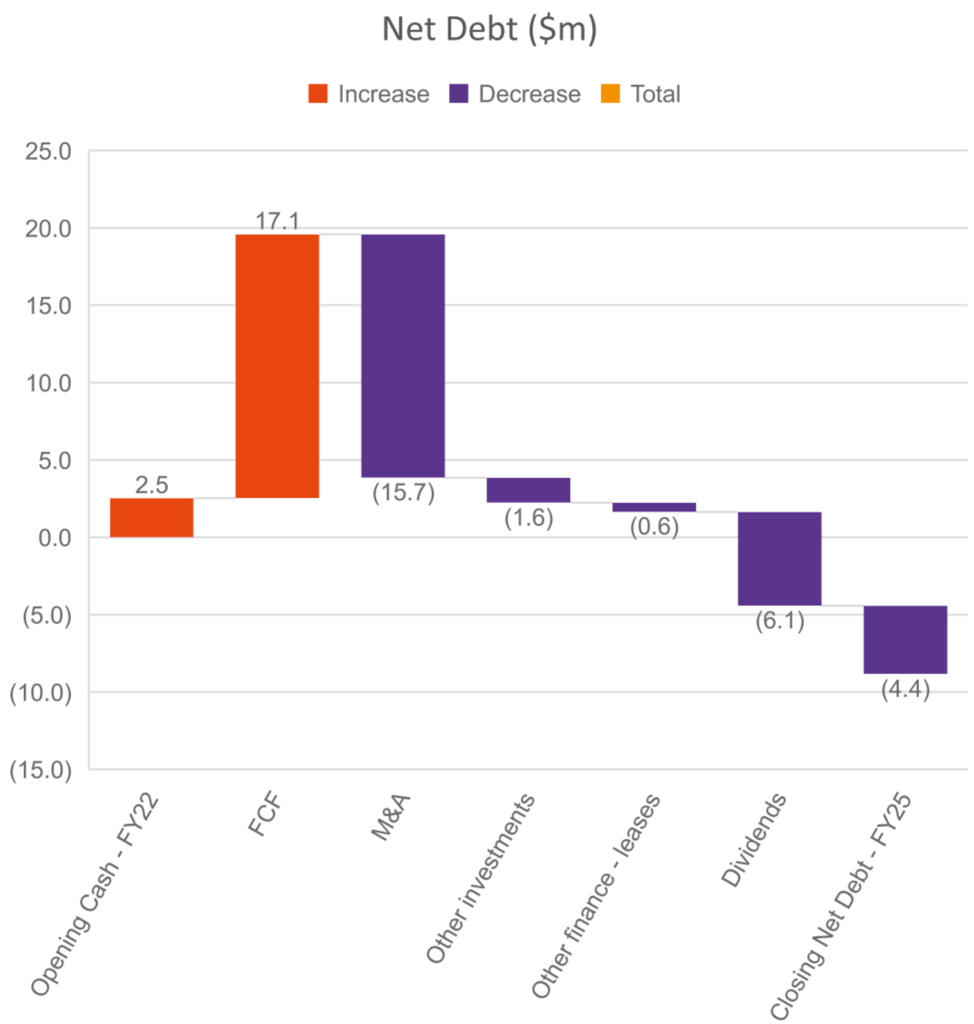
Core business can indicatively deliver the FY25 targets, with M&A required for upper end



- Bottom end of the range requires 7% 3yr CAGR growth in core business and $2.8m acquired revenue
- Upper end of the range requires 10% 3yr CAGR growth in core business and $5.3m acquired revenue
- Management confident in achieving organic growth targets
- Solid progress on M&A pipeline consisting of equity investments and service provider acquisitions:
  - Agreed nonbinding terms on 2 small deals
  - Active negotiations with a growing pipeline of 5+ deals
- Funding - upper range M&A target would require circa $14m capital, funded from free cashflow and debt facility, resulting in forecast Net Debt < $5m

Indicative FY25 Shareholders funds & Net Debt





Note shareholders funds based on dividends provided for, whereas Net Debt allows for the timing of paid dividends.

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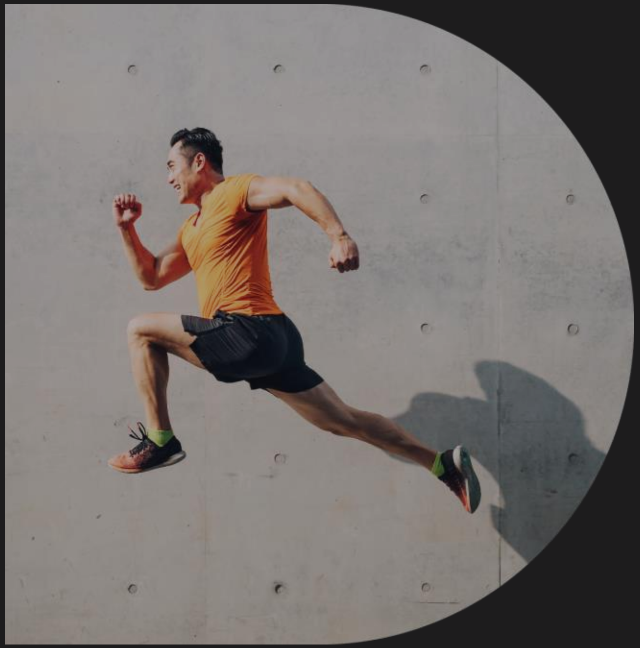

Diverger Limited

Contact

Nathan Jacobsen
Managing Director
njacobsen@diverger.com.au

ASX: DVR

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