

Half Year 2023 ('H1 FY23')

Results Presentation

Prime Financial Group Ltd (ASX:PFG)

17 February 2023

aspire, innovate, grow & impact



| Who we are

Purpose

Empowering you to achieve your aspirations

Our Services

Integrated Accounting & Business Advisory, Wealth Management, SMSF and Capital Services with over \$1.1 billion of client funds under management (FUM)

Our Goal

'To be the leading Integrated Advice & Capital Group of the future'

Our Operations

Advisory & Capital Group with 150+ team members primarily across Melbourne, Sydney and Brisbane

Continued focus on growing Melbourne, Sydney and Brisbane for all four service lines

Centralised Services (IT, Finance, Marketing & HR) based in Melbourne plus an increasing presence in the Philippines to support team growth

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H1 FY23 Highlights

+31% to
\$16.1m

Revenue Growth

+9% to
\$3.7m

Underlying EBITDA
(members/shareholders) Growth

23%

Operating Margin

+33% to
0.88 cps

Reported Earnings Per
Share (EPS)

+40% to
0.70 cps

Interim Dividend Up

Net Debt \$9.1m
(\$3.2m relates to
Intello Acquisition)

-13% to
\$2.4m

Net Operating Cashflow
Decrease

Announcements & Information

Expansion of Revenue Base & Growth Strategy

- Introduction of Debt Capital Markets Advisory
- Expansion of Wholesale Client Property Offering
- Environmental, Social & Governance (ESG) Consulting Services
- Organic and Inorganic initiatives are accelerating and on target to achieve \$50.0m in Group revenue by 2025

Prime Acquires 100% of Intello Pty Ltd (Intello)

Prime completed the 100% acquisition of Queensland based Intello, a market leading B2B SMSF Administrator providing services to Accountants, Financial Advisers and their clients across Australia

- Revenue of approximately \$3.0m per annum
- Full year EBITDA contribution of \$900,000+ (once fully integrated)
- Highly EPS accretive transaction providing strong earnings growth in FY23 and beyond
- Purchase price of approximately \$4.6m (subject to standard closing adjustments)
- Cash transaction (funded from operating cash flow plus existing and new facilities, whilst remaining within the target Debt to Underlying EBITDA (members/shareholders) range of 0.5 – 1.0 times as measured annually)
- 70% of consideration paid upfront and 30% subject to performance over a twelve-month period
- In FY23, the SMSF service line will represent approximately 20% of group revenue

Completion of New Acquisition Facility

- To enable the completion of the Intello acquisition, Prime agreed a new \$10.0m financing facility with Westpac Banking Corporation (Westpac)
- Prime now have a total limit of approximately \$20.3m
- The facility is to be used for future acquisitions

Dividends

- Interim dividend +40% to 0.70 cps (paid March 2023) and Final dividend +33% to 0.80 cps (paid September 2023)

ESG

- Commencing implementation of Prime's own internal ESG Plan

Buyback

- Share buyback ongoing – 5.2m shares purchased and \$937k spent to date (15 February 2023 closing)

Growth, Strategy & Values

‘Our goal is to double group revenue over three years to \$50.0m (FY22: \$26.0m) through organic and inorganic activity’

Growth

01. Organically

Across all 4 Service Lines - New Clients & Cross-Referral

02. New Revenue Contributors

Accountants & Advisers with an existing client base joining Prime

03. New Service Lines

Develop New Services appropriate for Prime’s Business, Corporate & Family Group client base

04. Acquisitions

Like Intello (SMSF) (October 2022) – first acquisition in 6 years

Strategy

01. Prime Place to be

People and culture strategy

02. Compel the Client

Growth, OneConnected and Integrated Solutions

03. Simplify the Business

Business efficiency

04. Grow Revenue Streams

Organic and acquisitions

Values

01. Accountable

For the impact we create for people and the planet

02. Professional

Providing best in class game changing financial services and capital solutions to our clients

03. Proactive

Global citizens

04. Relationship focused

Form the right partnerships to help enable our people and clients to aspire, innovate, grow and impact

Prime's 5 year Performance

Positive momentum across all metrics

	H1 2023	H1 2022	H1 2021	H1 2020	H1 2019
Underlying EBITDA to members/shareholders (\$000's)*	3,707	3,408	2,841	2,411	2,089
Reported profit/(loss) after tax attributable to members/shareholders (\$m)	1.7	1.3	1.0	1.2	1.3
Basic earnings per share (cents)	0.88	0.66	0.58	0.67	0.79
Dividend per share, paid to members/shareholders (cents)	0.60	0.40	0.25	0.20	0.20
Share price at the end of the half year (\$)	0.23	0.18	0.09	0.08	0.10

*Excluding the impact of AASB-16 lease standard for 2019 and prior years.

Key Financial Information

H1 FY23 vs H1 FY22

Prime's key profitability measure is Underlying EBITDA for members/shareholders. This removes the impact of financing costs, movements in items such as depreciation, amortisation and one-off items, and focuses on the earnings available to shareholders

H1 FY23 Underlying EBITDA (members/shareholders) includes non-recurring expenses of \$0.18m vs \$0.89m (that included a \$0.52m one-off lease modification) in H1 FY22

*Please see slide 17 for reconciliation of Reported and Underlying EBITDA to NPAT

**EBITDA is defined as earnings before interest, tax, depreciation and amortisation

Note: Rounding is to nearest AUD \$m and as such subject to rounding differences when calculating variances and totals

Financial Highlights*

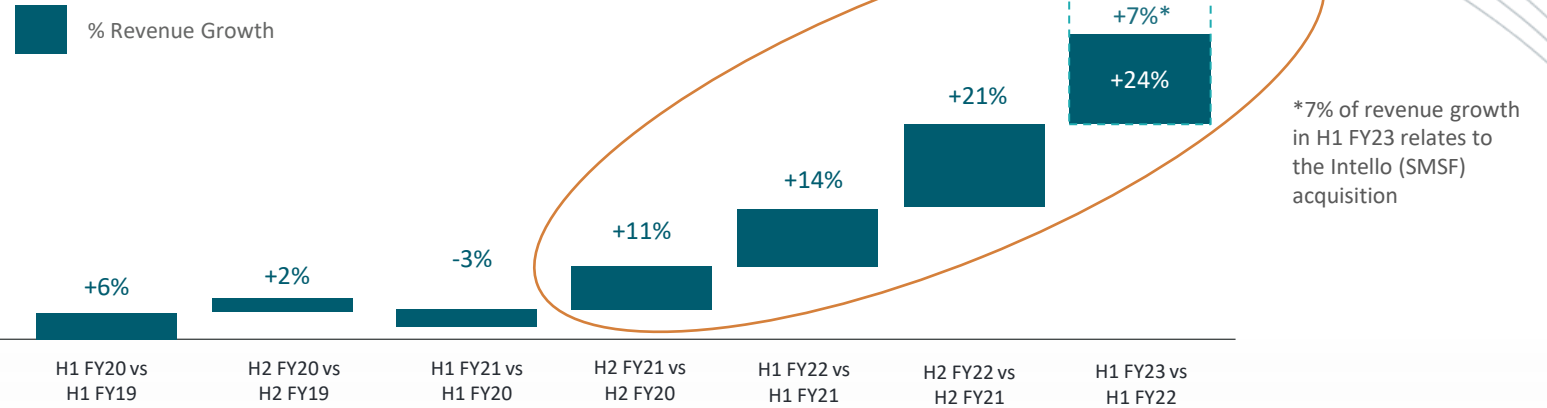
Prime – Members/Shareholders

	H1 FY23	H1 FY22	Change
Underlying			
Revenue – Contracts with Customers	\$16.0m	\$12.2m	31% ↑
EBITDA**	\$3.7m	\$3.4m	9% ↑
Margin	23%	28%	-5% ↓
Reported			
EBITDA	\$3.5m	\$2.5m	40% ↑
NPAT	\$1.7m	\$1.3m	39% ↑
Diluted EPS - cents per share (cps)	0.88	0.66	33% ↑
Final Dividend paid (cps) – 30 September 2022	0.60	0.40	50% ↑
Interim Dividend declared (cps) – to be paid 31 March 2023	0.70	0.50	40% ↑

Revenue Growth & Service Lines

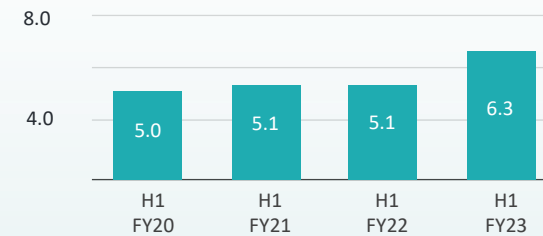
- 80%+ of total revenue is generated from existing customers on a recurring basis
- Revenue growth has accelerated over the past 2 years vs the prior periods
- OneConnected firm growing revenue 4 ways:
 - Organically
 - New Revenue Contributors
 - New Service Lines
 - Acquisitions

Analysis of Revenue Growth (Contracts with Customers) by Period

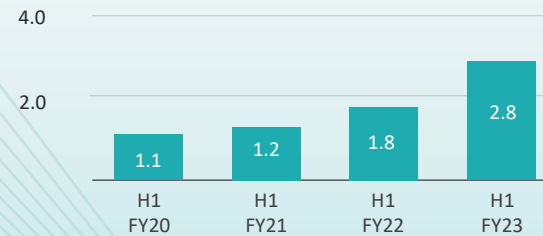


Analysis of Revenue Growth by Service Line (\$m)

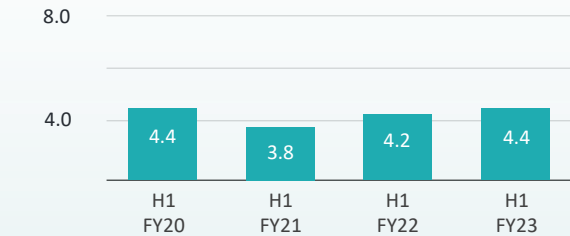
Accounting & Business Advisory



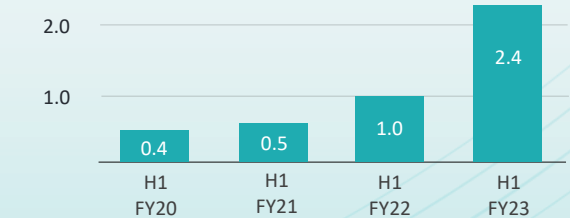
Capital & Corporate Advisory



Wealth Management & Protection



SMSF



Expenses & EBITDA

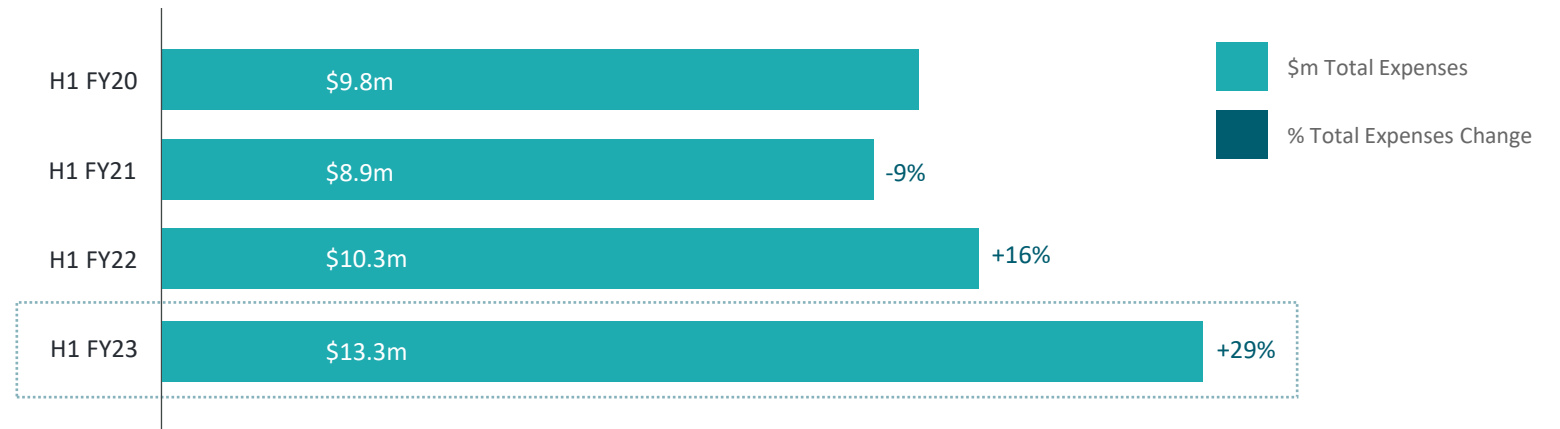
The increase in expenses was substantially due to:

- Increased labour costs to support revenue growth (now 150 team members up from 100, 12 months prior)
- Cost of sales increase, directly related to revenue growth
- Intello (SMSF) operating expenses

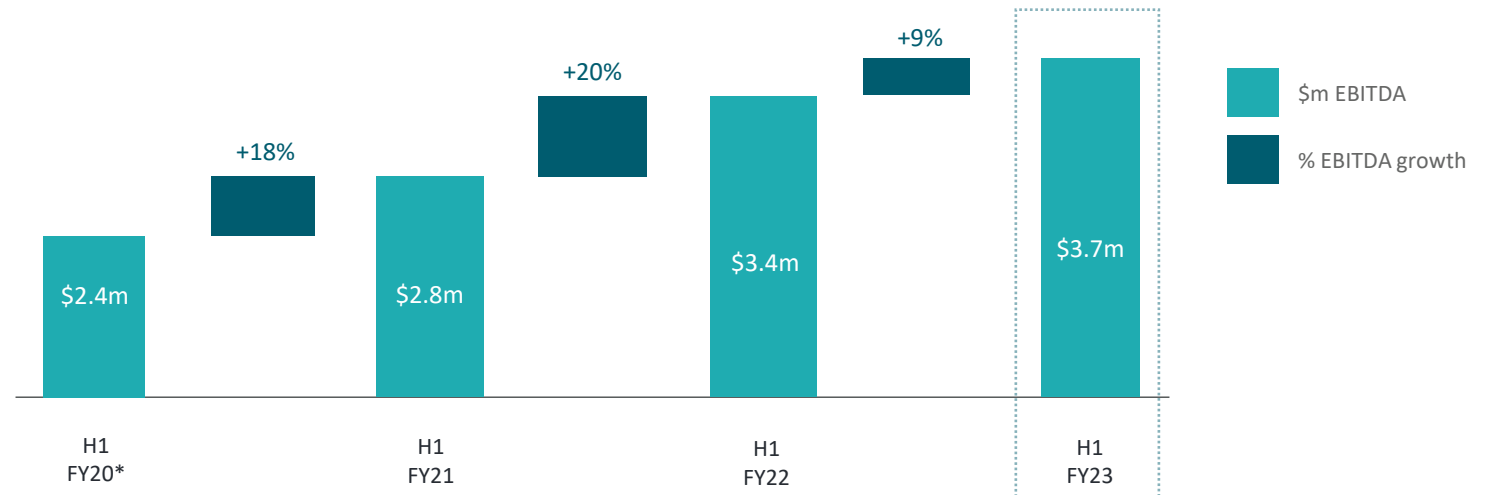
Note: Rounding is to nearest AUD \$m and as such subject to rounding differences when calculating variances and totals

*FY19 pre AASB16 Leases Accounting Standard change

Total Expenses by Period



Underlying EBITDA (members/shareholders) by Period



Margin, Cashflow & Net Debt

The H1 FY23 operating margin of 23% is down vs H1 FY22 due to higher operating costs as we invest for growth plus lower transactional revenue in Wealth Management vs the prior corresponding period (PCP)

Total net debt at 31 December 2022 was \$9.1m

At 31 December 2022 (excluding Intello) net debt was \$5.9m, 7% lower than 31 December 2021

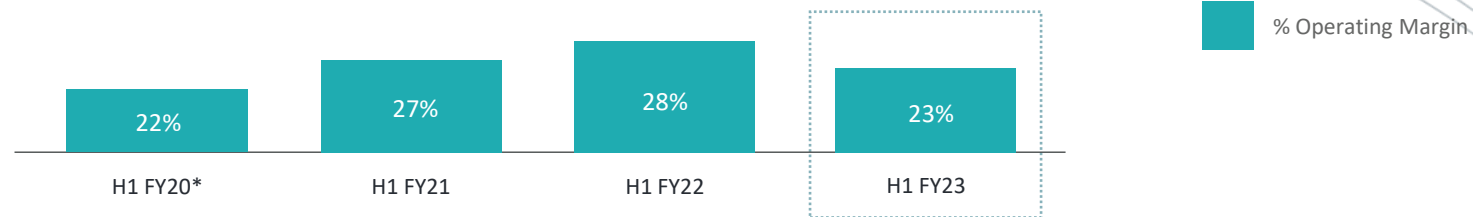
Net debt measured annually at 30 June is expected to be in the forecast range of 0.5 – 1.0X Underlying EBITDA (members/shareholders)

The H1 FY23 operating cashflow is 13% lower than H1 FY22 due to an increase in working capital which has funded the 31% growth in revenue

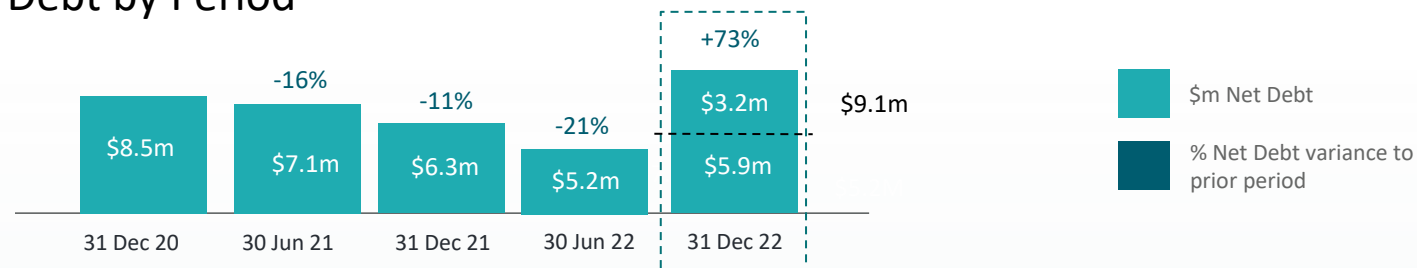
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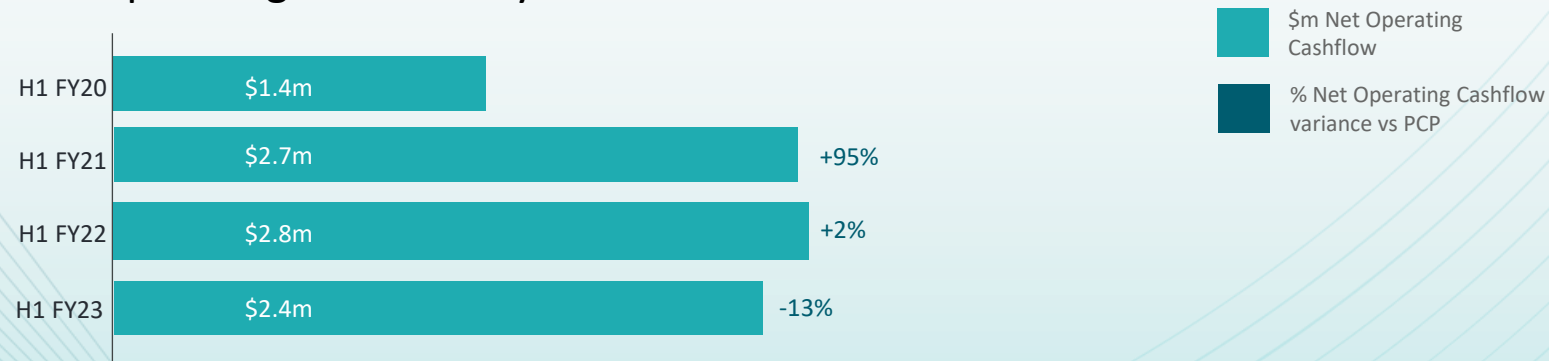
Analysis of Operating Margin by Period



Net Debt by Period



Net Operating Cashflow by Period



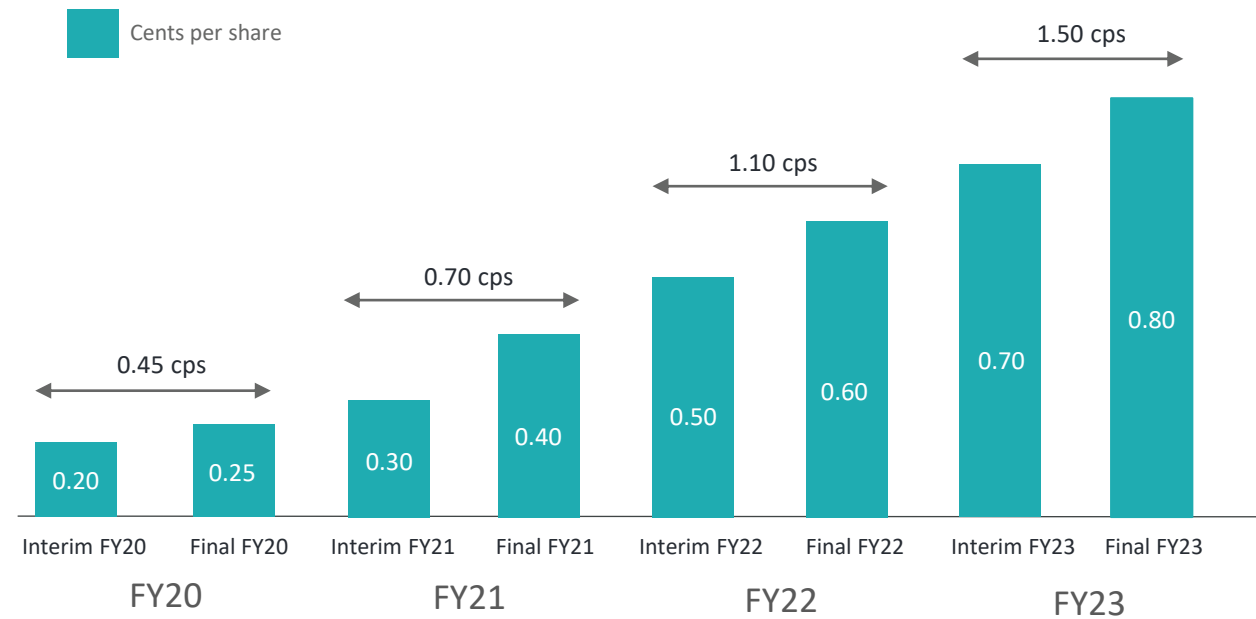
Dividends

- H1 FY23 interim dividend declared of 0.70 cps (fully franked) vs interim dividend of 0.50 cps in H1 FY22 (+40%)
- H1 FY23 payout ratio of 60% of reported NPAT (members/shareholders)
- Target dividend payout ratio of 40 – 60% of reported and maintainable earnings
- H2 FY23 final dividend of 0.80 cps (fully franked) (confirmed)

Key Dates for Dividends

Dividend	
Record Date	6 March 2023
Payment Date	31 March 2023

Analysis of Dividends by Period



Balance Sheet, Cashflows & Net Debt

- Net debt increase of 43% to \$9.1m at 31 December 2022 (-7% vs 31 December 2021, excluding debt for Intello)
- Net operating cashflow of \$2.4m (-13%)
- Investing cash outflow includes business acquisitions (Intello) and development expenditure offset by lease payment received
- Financing cash inflow was substantially due to Westpac facility offset by dividends paid to members/shareholders & to non-controlling interests, lease liabilities and buyback
- Prime continues to target a net debt to Underlying EBITDA ratio of 0.5 – 1.0 times in FY23 (measured annually at 30 June)

Note: Rounding is to nearest AUD \$m and as such subject to rounding differences when calculating variances and totals

Balance Sheet (\$m)

Group	At 31 December 2022	At 30 June 2022
Cash	0.1	0.1
Total assets	64.9	59.8
Borrowings	(9.1)	(5.4)
Total liabilities	(17.7)	(13.1)
Net assets	47.2	46.6
Non-controlling interests	0.3	0.6
Equity attributable to members/shareholders	46.9	46.0
Group net debt	(9.1)	(5.2)

Cashflows – Reported (\$m)

Group	H1 FY23	H1 FY22
Operating cashflows	2.4	2.8
Investing cashflows	(3.5)	(0.7)
Financing cashflows	1.1	(2.0)

Capital Structure & Comparison



Prime's Capital Structure & Investment Information

Market Capitalisation at 23.5 cents*	\$48m
Net debt at 31 December 2022	\$9.1m
Share Price*	23.5 cents
Reported EPS (annualised)*	2.16 cps
Reported EPS Multiple*	11 times
Interim Dividend Payable	0.70 cps
Dividend Yield (Fully Franked)*	5.5%
Shares on Issue at 31 December 2022	202.4m

Prime's Comparable Companies

Prime's Comparable Companies	ASX Code	Market Cap*
Kelly Partners Group	KPG	\$189m
Centrepont Alliance	CAF	\$45m
Countplus	CUP	\$74m
Diverger	DVR	\$36m
Sequoia Financial Group	SEQ	\$61m
Fiducian Group	FID	\$206m

*At 15 February 2023 closing



Environmental, Social & Governance (ESG) Plan

Together we Aspire, Innovate, Grow and Impact



As we accelerate our growth, we do so with a commitment to impactful corporate citizenship, and the planet in mind, all contributing to creating a just world today and for generations to come

We will do this by working with our people, partners, clients and the communities in which we operate to form meaningful and impactful partnerships

Our plan is focused on creating impact guided by these United Nations (UN) Sustainable Development Goals

| Outlook & Update | FY23

01.

Continued growth in Revenue & Earnings

- Revenue Growth 20%+
- Growth in Underlying EBITDA 5% to 10%
- EPS growth 15%+

02.

Actively exploring

Organic and inorganic initiatives are accelerating as part of Prime's program to scale and differentiate our offering (continuing)

03.

Dividends continue to increase

- Interim Dividend +40% to 0.70 cps
- Final Dividend +33% to 0.80 cps (confirmed)
- Increased Dividends – from 1.10 cps (FY22) to 1.50 cps (FY23) +36%

04.

Net Debt to Underlying EBITDA to remain within the target range

0.5 to 1.0 times, measured annually (confirmed)

05.

Share ownership

45% of shares in Prime are owned by the team & associates

06.

Capital Management

- Buyback commenced on 1 October 2021
- Approx \$937k spent on the buyback since inception at an average share price of 18.1 cents
- Buyback shares when the share price does not reflect fair value (continuing)

Appendices

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EBITDA & NPAT

Attributable to members/
shareholders reconciliation

\$'000 AUD	H1 FY23	H1 FY22
Reported net profit after tax from operations (Group)	1,992	1,536
Add: Tax expense	740	354
Add: Interest expense/(income)	314	164
EBIT (Group)	3,046	2,055
Add: Depreciation	32	21
Add: Amortisation	786	817
Reported EBITDA (Group)	3,864	2,893
Reconciliation of Reported to Underlying EBITDA		
Non-recurring expenses including Restructuring & Repositioning	315	330
Fair value movements/adjustments on financial assets/contingent consideration	(136)	45
Loss on lease modification (Sublease of Office Space)	-	516
Underlying EBITDA (Group)	4,043	3,784
Underlying EBITDA (members/shareholders)	3,707	3,408
Reported EBITDA (members/shareholders)	3,527	2,518

| Experienced Board



Simon Madder

Chief Executive Officer, Managing Director & Chairman

- Co-founder, Managing Director & CEO of Prime Financial Group Ltd (Prime) since 1998
- 25 years' experience in Wealth Management & Accounting Services across Operations, Strategy & Acquisitions
- Share Ownership: 29.1m (14.5%)



Matt Murphy

Executive Director (effective 3 July 2020) & Managing Director – Accounting & Business Advisory

- Joined Prime in 2016 and an important part of Prime's vision as OneConnected professional services firm
- Experienced Leader, Accountant and Business Adviser with 20+ years' experience across Business, Accounting and Taxation Advisory services
- Share Ownership: 13.6m (6.8%)



Tim Bennett

Executive Director (effective 3 July 2020) & Managing Director – Capital & Corporate Advisory

- Established the Capital & Corporate Advisory division. Prior to joining Prime, Tim was a partner at a 'Big 4 Firm' leading a Mergers & Acquisitions group
- Chartered Accountant with 15+ years' specialist M&A experience having advised on a range of transactions, across all industry sectors
- 3.8m Performance Rights



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