

**Via ASX Online****ASX ANNOUNCEMENT – 24 February 2023**

ASX Market Announcements Office

ASX Limited

**2022/23 First-Half Results – increased interim dividend to 2.0cps**

Diverger Limited (**Diverger** or **the Company**) releases its results for the half-year ended 31 December 2022. The Company has delivered continued revenue growth and material progress towards the FY25 growth targets outlined at the 15 November 2022 Open House presentation, including completion of three accretive acquisitions. Reflecting this progress, Diverger has increased its interim dividend to 2.0cps in line with the Company's previously announced Capital Management Policy.

Nathan Jacobsen, Managing Director said, "In a challenging and volatile economic environment we are pleased the Company has continued revenue growth whilst at the same time executing substantial work to expand our capability and create new sources of future growth, in line with the FY25 growth strategy. During this time the Diverger team has expanded from 80 to 110 staff, materially grown its client base and increased the product set from four to five. As outlined at the 2022 AGM, this investment and the more challenging market conditions has impacted underlying EBITA in the short term. We anticipate that many of the factors that have affected earnings will moderate in the 2H, resulting in a stronger 2<sup>nd</sup> half and forward earnings run rate."

**CONSISTENT GROWTH AND SUSTAINABLE BUSINESS MODEL**

- Revenue from ordinary operating activities \$64.15m, up 7%
- Net Revenue from operations \$15.68m, up 6%
- Substantial inflows into CARE portfolios of \$474m, now managing \$2.47bn of investor assets
- Continued growth in membership firms and addition of 160 self-licensed firms, representing a large, sustainable client base of more than 311 licensed/self-licensed advice firms and 1,352 subscribing accounting firms
- Attractive financial model, with 90+% recurring revenue now across five core services – adviser services, managed portfolios, membership, training and technology/cyber support services

## **SUBSTANTIAL PROGRESS TOWARDS FY25 GROWTH STRATEGY**

Strategy is to grow Net Revenue to \$45m in FY25, through growing scale, service expansion and technology driven transformation.

Materially ahead of run rate on FY25 M&A target, with completion of three accretive acquisitions:

- Established a solid footprint in the fast growing self-licensed sector of the advice market, through the acquisition of AFSL Compliance Pty Ltd (**AFSLC**) and a client base of 160 advice firms
- Added a new source of growth through extension into cyber and managed technology services, with the acquisition of Priority Networking Pty Ltd (**PNET**)
- Now participating in the advice margin through a minority investment in advice firm McGregor Wealth Management (**MWM**), backing the principal to further accelerate growth in a highly favourable supply and demand imbalance in the favour of advisers
- Negotiations continuing with an active pipeline of opportunities to accelerate growth in shareholder returns in line with our stated strategy

Further investment into core operations to broaden product mix and support continued growth:

- Addition of more business development staff to support growth in training and membership
- Re-introduction of face-to-face conference and events to support adviser and accountant advocacy
- Steady growth in back-office services provided through offshoring partnership launched 2H FY22
- First advice firm onboarded to Knowledge Shop education platform
- Further investment into the HUBConnect compliance automation platform, now in production and providing regular reporting to compliance committees on a growing set of risk management indicators
- Launched new version of GPS client engagement software to pilot firms, with the expectation that this assists with advocacy and growth within the GPS licensee

## **FOCUS ON GROWING SHAREHOLDER RETURNS OVER THE MEDIUM TERM**

- Increased fully franked interim dividend to 2.0cps, up 33%. This is consistent with the Company's Capital Management Policy and represents a payout ratio at the lower end of the nominated range recognising the need for ongoing planned investments
- Underlying Profit (normalised EBITA) \$2.93m (down 13%), following lower revenue growth in more challenging market conditions, planned investment to support the FY25 growth strategy and higher operating costs, reflecting the current employment environment

## **OUTLOOK**

It is expected there will be an earnings skew to the second half of the year resulting from both continued growth in revenue streams and returns on recent investments in operations, as well as the full period benefit of recent acquisitions.

Whilst it is expected that there will be a 2H earnings skew, Directors note the current uncertain market conditions that may impact the rate of growth in the short term and expect that the underlying earnings outlook is now likely to be flat relative to FY22.

Diverger's strategy is to grow returns for shareholders while maintaining a conservative capital structure. With recurring revenues, high cash conversion, and capital light operations, the Board has set the following capital management guidelines:

- 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
- Dividend payout ratio to be 40% - 60% of NPATA, which is statutory Net Profit After Tax, adjusted for non-cash amortisation and other non-cash fair value adjustments, with available franking credits
- Conservative capital structure: target range of 1.0 - 1.5x Net debt / EBITDA leverage
- Board to retain flexibility outside of these guidelines based on value accretive opportunities

In line with this policy, Board and management continue to explore value accretive organic and inorganic opportunities to enhance returns to shareholders, consistent with our track record over the last two years. Whilst more transformational transactions remain strategically relevant, we remain focused on proceeding only where the returns to shareholders on invested capital are justified.

### **The following information has been released to the market:**

1. Appendix 4D – Diverger's Half-Year Report for the 6 months ended 31 December 2022;
2. Directors' Report and Interim Financial Report for the 6 months ended 31 December 2022; and
3. 1H23 First-Half Results Presentation dated 24 February 2023.

**Ends**

Authorised for release by the Board of Diverger Limited.

### **Further information**

For all enquiries, please contact Diverger at 1300 655 695 and [info@diverger.com.au](mailto:info@diverger.com.au).