Diverger Limited

Full Year 2023
Results Presentation

Stepping outside our comfort zone to create more possibilities for clients

ASX: DVR

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Contents

Growing through services to financial advice and accounting firms

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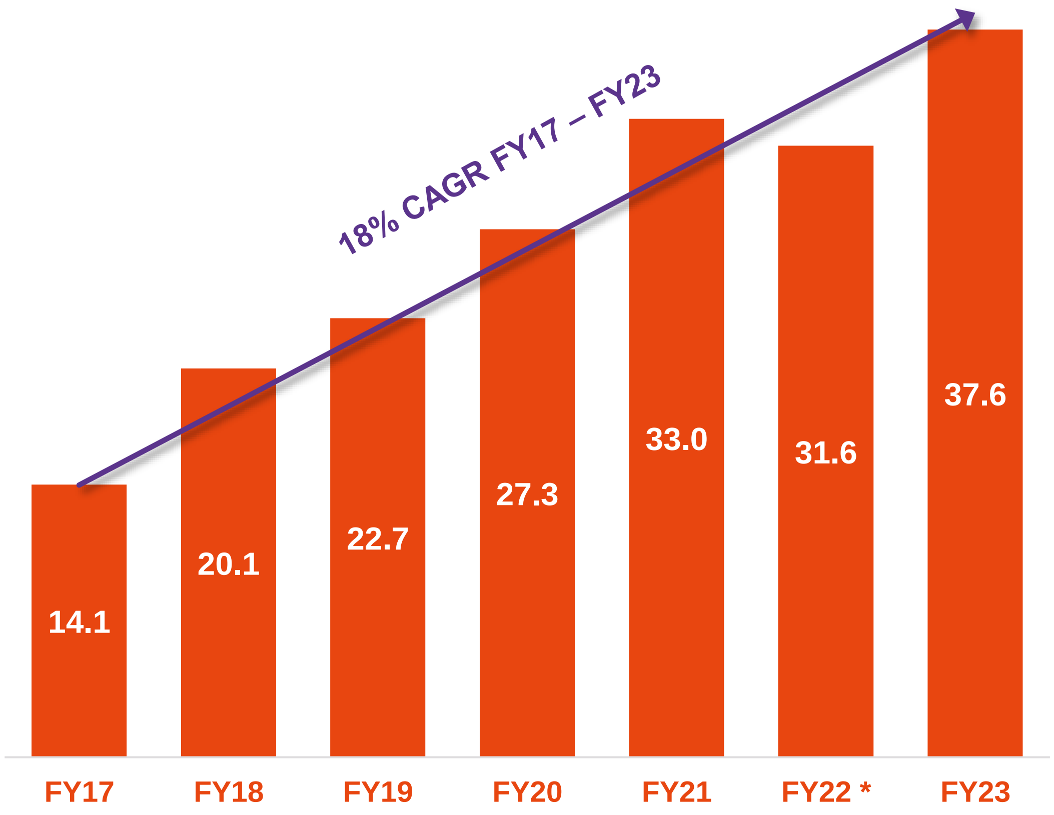
Diverger at a glance

Highlights:

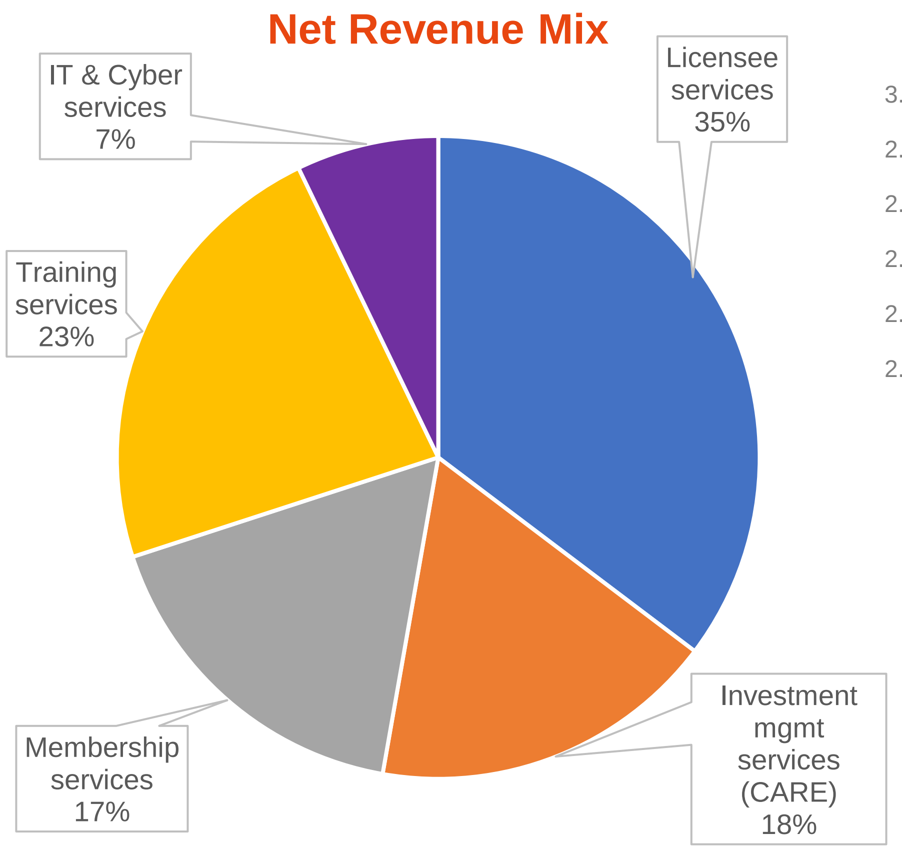
- Diversified revenue model, with >90% recurring revenue across five core services and growth track record
- 4,100 firms (clients), up 8%
- Profitable, cash generative operations enabling $2.1m dividend and $4.1m capital invested in FY23
- $2.7bn of investor assets in Diverger managed portfolios
- Supporting licensed advisers to produce 31,000 advice documents for 16,000 consumers and $12bn FUA
- Continued contribution from high margin training & membership services to the accounting market
- Growing track record executing on the substantial growth opportunity in the financial advice market

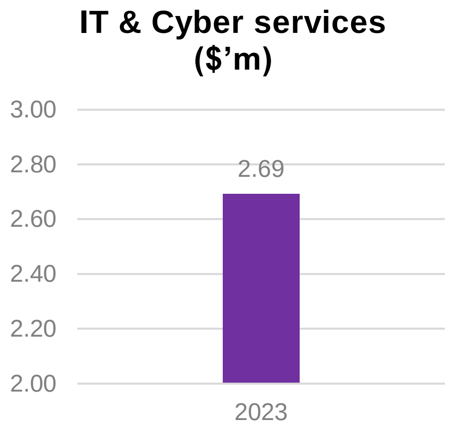
Track record of Net Revenue growth ($m)

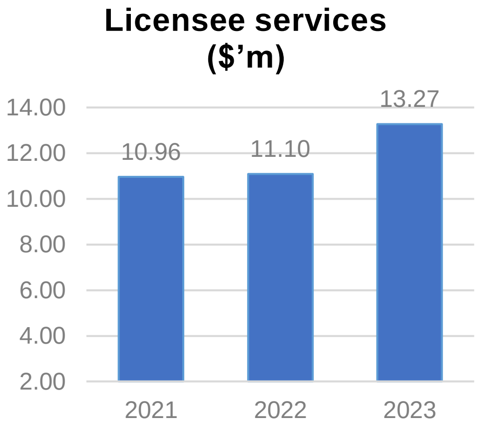


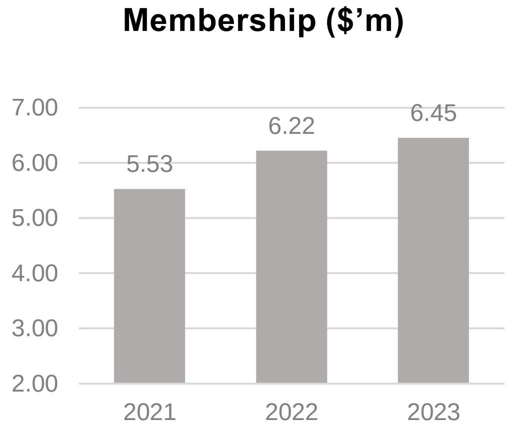
* FY22 Net Revenue impacted by reversal of an accrued ASIC levy recovery based on a higher rate at the end of FY21.

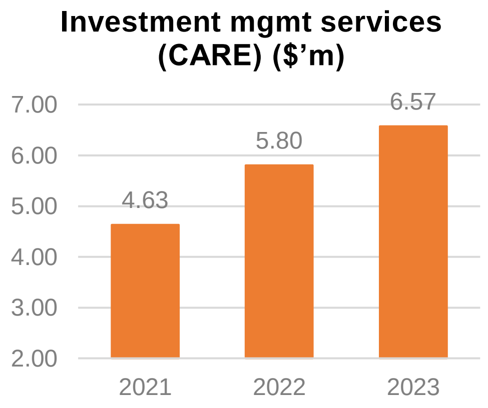
Revenue diversified across five core services

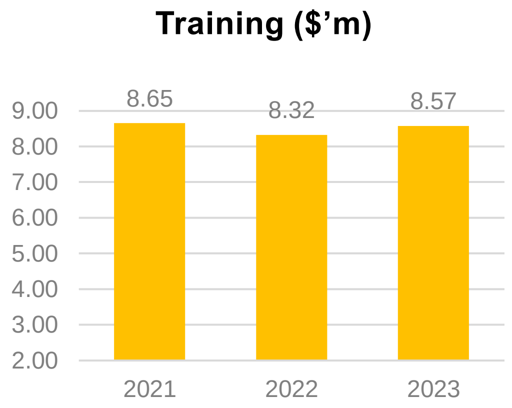












1. Licensee services - fees from full & limited authorised representatives for licensee and related support services, after paying the adviser revenue share. Includes outsourced services (paraplanning, virtual administration & business coaching) and education partner revenue.
2. Investment mgmt. services (CARE) refers to the gross investment manager fee received for portfolio construction services to clients of advisers.
3. Membership subscription revenue received by Knowledge Shop from accountants for a help desk and technical support service.
4. Training includes revenue for the provision of inhouse training, public face to face and online formats.
5. IT & Cyber services includes revenue from hardware & software sales, consulting and managed service fees.

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FY23 Performance Dashboard

Net Revenue	NPATA *	Dividend	Net Debt
$37.6m	$4.7m	$2.1m	($0.7m)
↑ 19%	↓ 2%	↑ 10%	$4.1m capital invested
2H was 25% higher than 1H, reflecting investments made	Solid 2H recovery and FY24 outlook	44% of NPATA, in line with capital mgmt policy	Balance to be repaid from growing FY24 free cashflow

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

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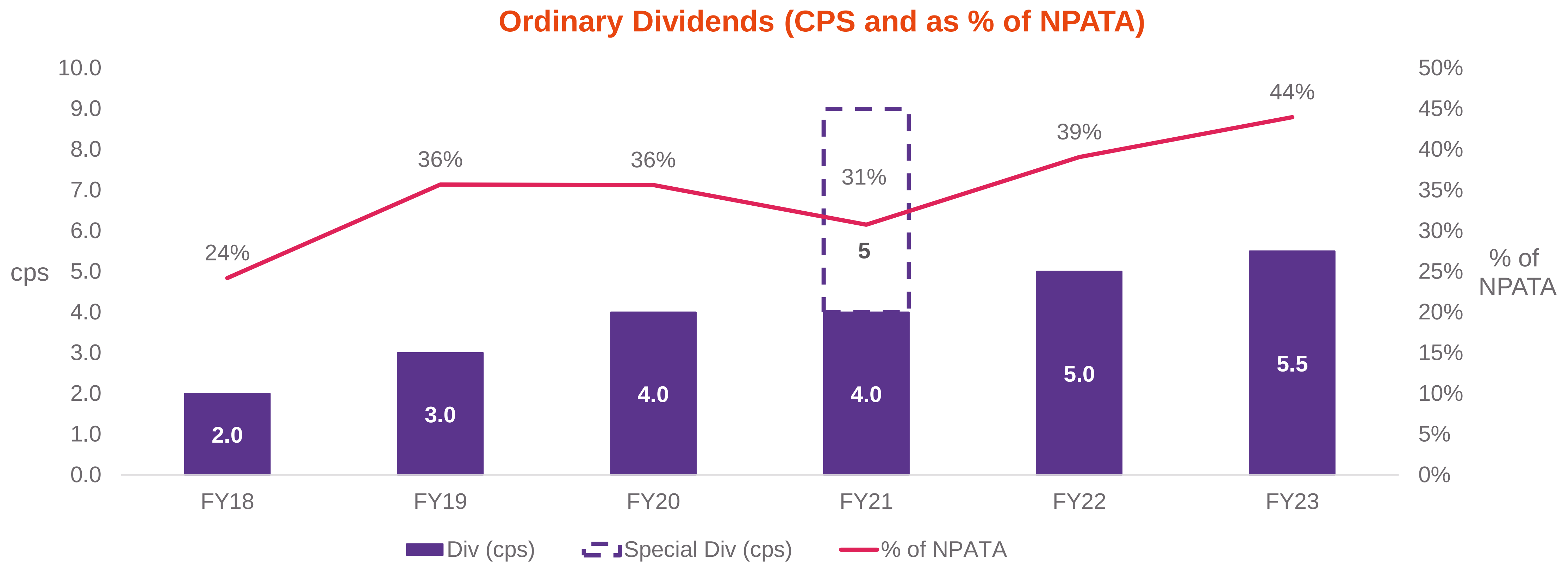
Continued dividend growth

Targeted payout ratio* of 40-60% of NPATA



* As per Board approved Capital management policy
Note - no dividends declared for the 5 years preceding FY18.

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Material progress against strategic priorities

Strategic Priority	Opportunity	Key achievements – FY23
Scale the business	Improve capacity to invest in growth	• Net revenue up 19% to $37.6m • Grew client base 8% to 4,100 firms • Continued gross inflows into CARE portfolios of $863m
Expand services & cross sell	Leverage substantial client base through greater cross sale	• Established footprint in fast growing self licensed market • Added new capability - IT infrastructure and cyber services • Completed two investments in advice firms, leveraging DVR to the growth opportunity in this sector • 13 advice firms onboarded to Knowledge Shop Wealth
Invest in digital transformation	Take advantage of new capabilities to enhance customer experience	• Expanded technology bench strength to circa 30% of headcount • HUBConnect compliance analytics in production • New version of GPS client engagement software to pilot firms • Launch of new adviser technology roadmap & service model

FY23 M&A supports solid EBITA growth

FY23 and FY24	$
Capital invested	$5.6m
Contingent consideration due	$2.4m
Total Capital FY23/24	$8.0m
Expected EBITA contribution	$1.4m
Expected return on capital (before interest costs)	17%

Acquisitions in FY23

Extend core service into new market →	**AFSL Compliance (AFSLC):** entry into self licensed advice market and doubled addressable market for licensee services
Add new service for existing market →	**Priority Networking (PNET):** IT infrastructure and cyber services, a core need of accounting & advice firms
Participate more deeply in advice economics →	**35% investment in McGregor Wealth Management (MWM), and 55% in Atkinson Saynor Private Wealth (ASPW):** partner on succession and firm growth, with a growing return on invested capital. Key pipeline opportunity.

Remaining $1.7m contingent consideration due to be paid in FY25/26 is self funding through higher EBITA contribution i.e. depends on achievement of further growth in earnings.

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Improving outlook for FY24

Net Revenue target $41 - 43m

- Improving sales momentum in membership, with higher base supporting revenue growth
- Training and licensing business growth subdued due to market factors
- CARE growth to continue through net inflows, subject to material market corrections

Underlying EBITA target $8 - 9m

- Targeted focus on cost-base + licensee fee re-pricing in 1H
- EBITA margin expected to remain flat, with improving Wealth & Accounting margin offset by lower margin IT services business line
- Growing contribution from FY23 / FY24 acquisitions

Expect a continued 2nd half skew to earnings in FY24.

Growth Strategy

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Attractive market for services to professional firms

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

Strong underlying firm growth

Reducing impact of regulatory change

Ageing demographic and economic environment driving demand

Reduction in advisers & tight labour market limiting supply of professionals

Capacity constrained

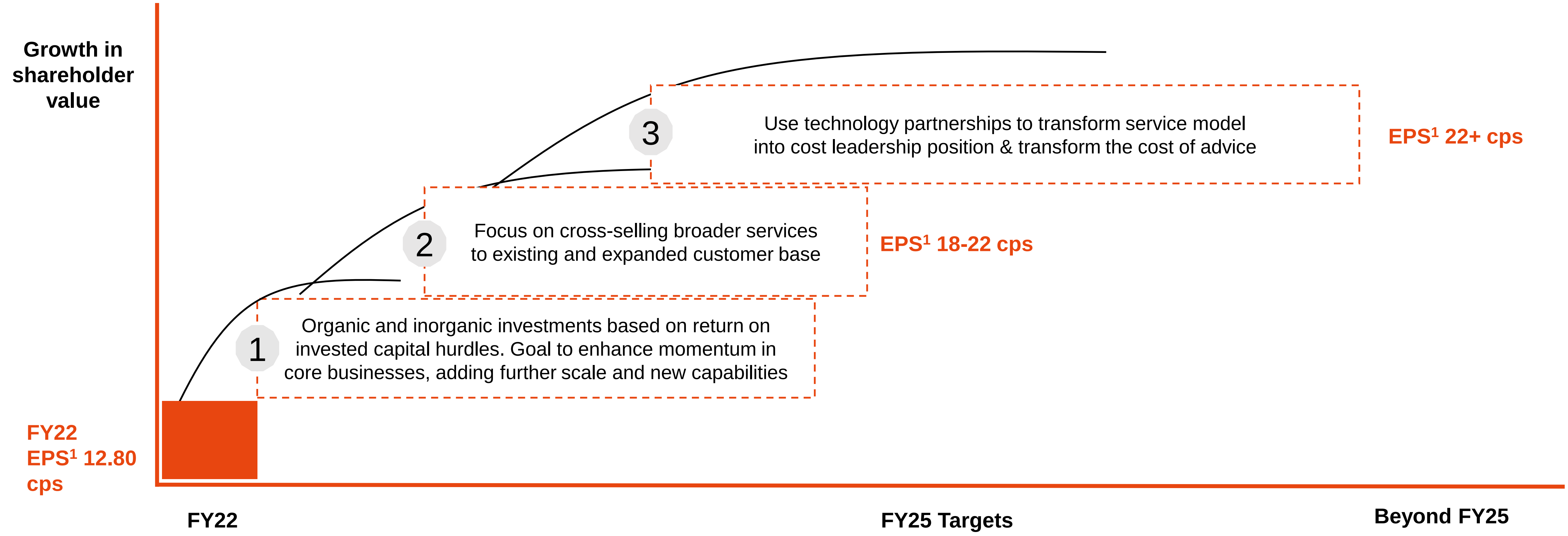
Firms require critical services to operate

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

Targeting growing value for shareholders through to FY25 and onward



1. Adjusted EPS (as per AGM presentation), based on NPATA.

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Committed to achieving FY25 targets

	FY23	FY23 exit run rate	FY25 Target	Gap to low range FY25 target
Net Revenue (NR)	$37.6m	$43.2m	$40m - $45m	**On track**
Underlying EBITA[1]	$6.9m	$8.2m	$10.5m - $12.5m	**$2.3m**
NPATA	$4.7m	$5.0m	$7.0m - $8.3m	**$2.0m**
Adjusted EPS (NPATA/SOI)[2]	12.5 cps	13.2 cps	18 - 22 cps	**4.8 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 non-cash amortisation and other fair value adjustments for a 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. Refer to Appendix for a reconciliation to Statutory NPAT.
2. Adjusted EPS is NPATA/shares on issue. Refer to Appendix for detailed calculation of NPATA.

FY23 Financial Analysis

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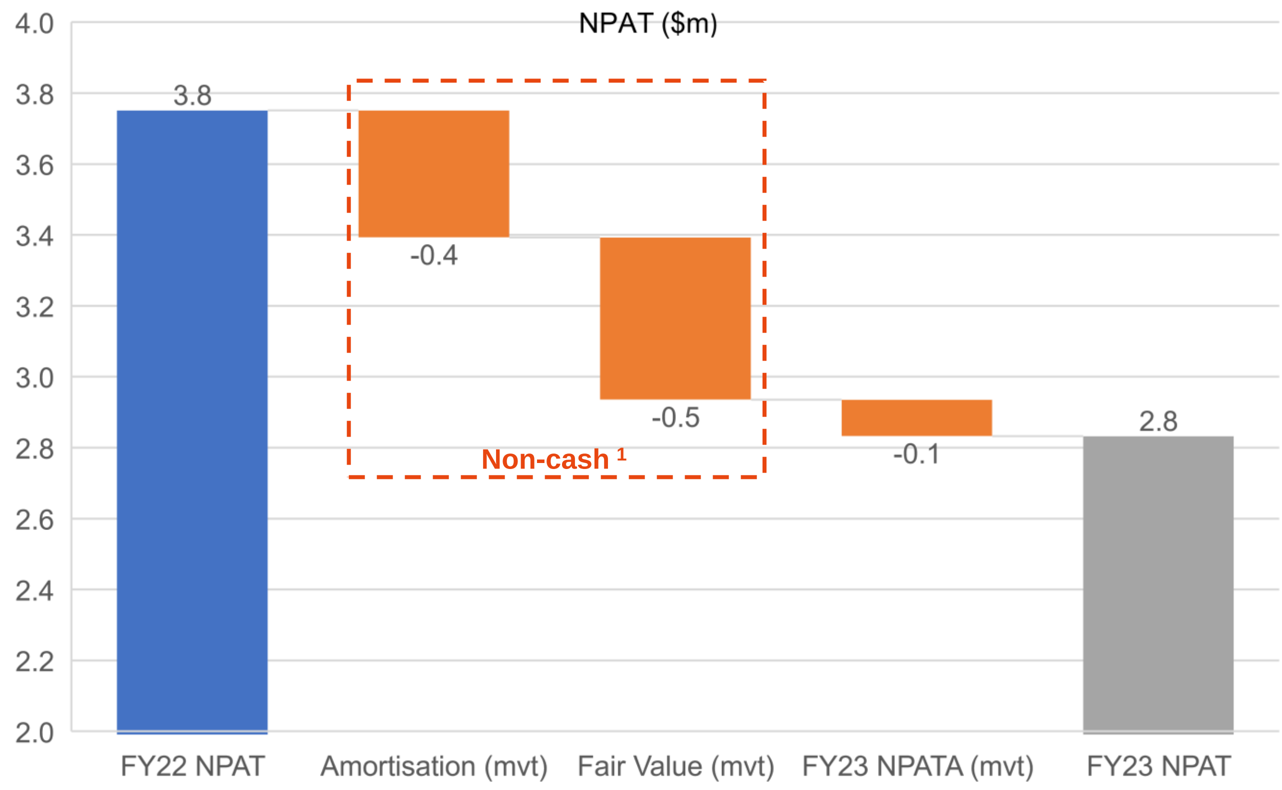
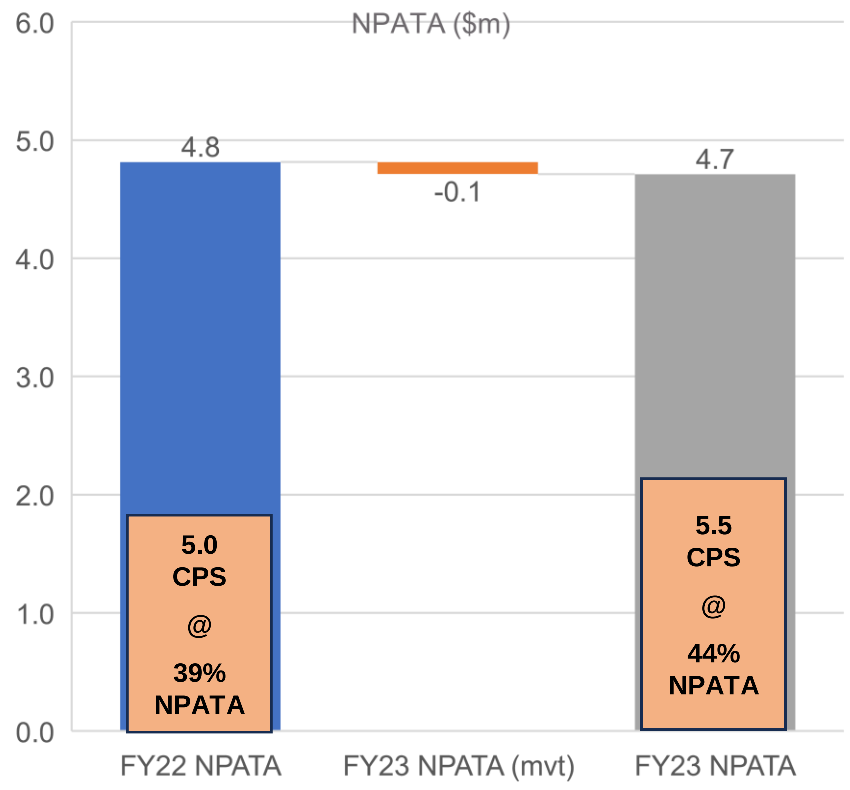
Focus on NPATA v NPAT

Adjusted NPAT measure better aligns to investor returns

Lower FY23 NPAT primarily attributed to non-cash M&A accounting impacts



Focus on NPATA enables increased dividend in line with Capital Management Policy



1. Increased Amortisation of customer lists + fair value adjustments relating to non-cash interest unwind of contingent consideration, recognised at a 12.5% discounted present value and impairment charges.

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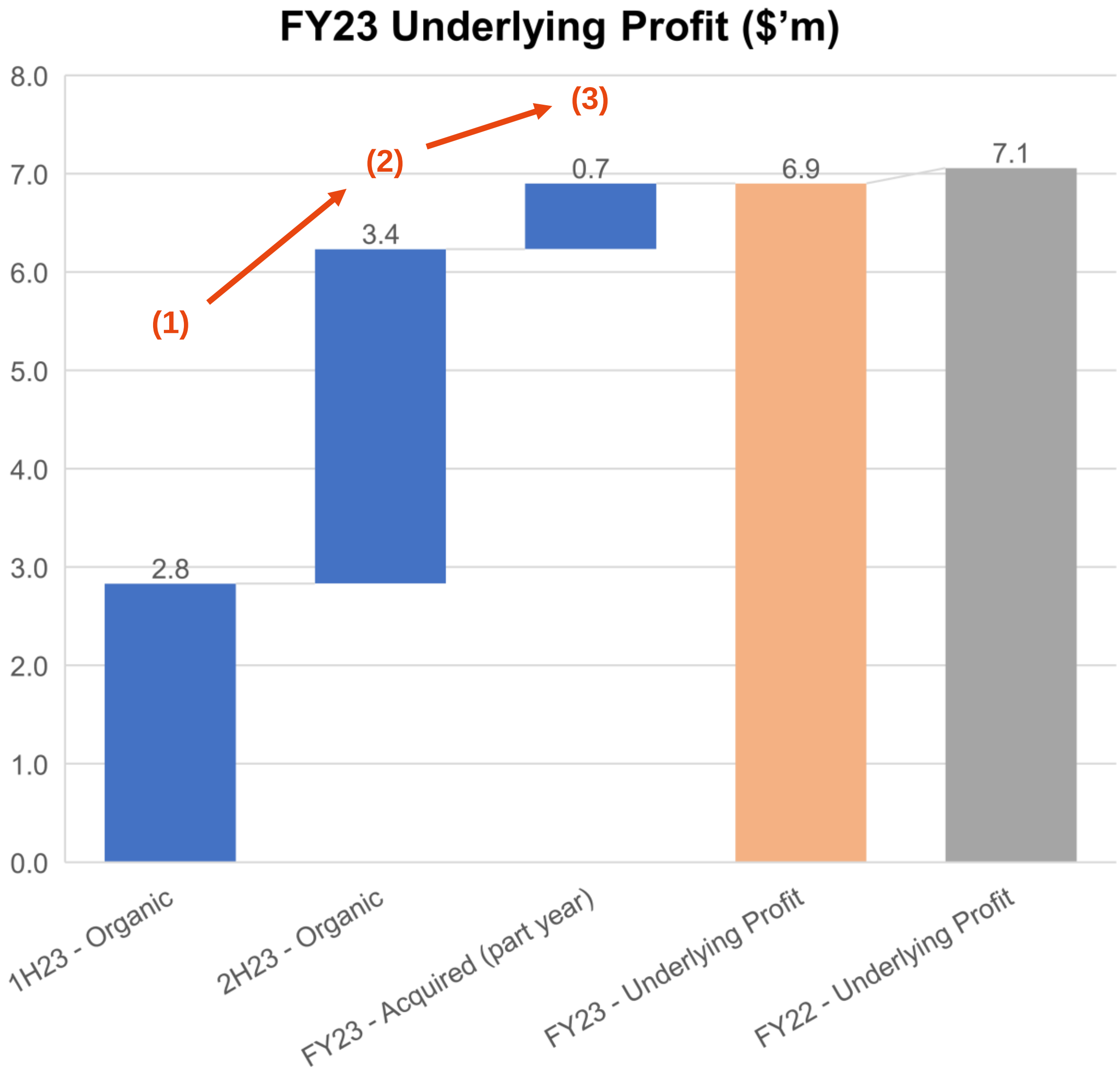
FY23 Underlying Profit – improving momentum



1H impact & re-investment, offset by solid 2H momentum

1H23 factors impacting Underlying Profit (1)

- Market impacts on CARE, membership and training
- Planned investment in capability to support FY25 targets, including BDM team, & corporate support including investor relations, HR and projects
- Re-instatement of pre COVID-19 spend on adviser education & travel
- Inflation pressure
- Non-continuation of other one-off P&L benefits in prior period
- Licensee market remaining low growth through FASEA attrition and shift to self-licensing

20% organic uplift 2H23 (2)

- Membership and training growth improving post transition to new BDM's
- CARE continued growth through net flows and 2H market recovery
- Tighter focus on costs in 2H

Growing contribution from four acquisitions (3)

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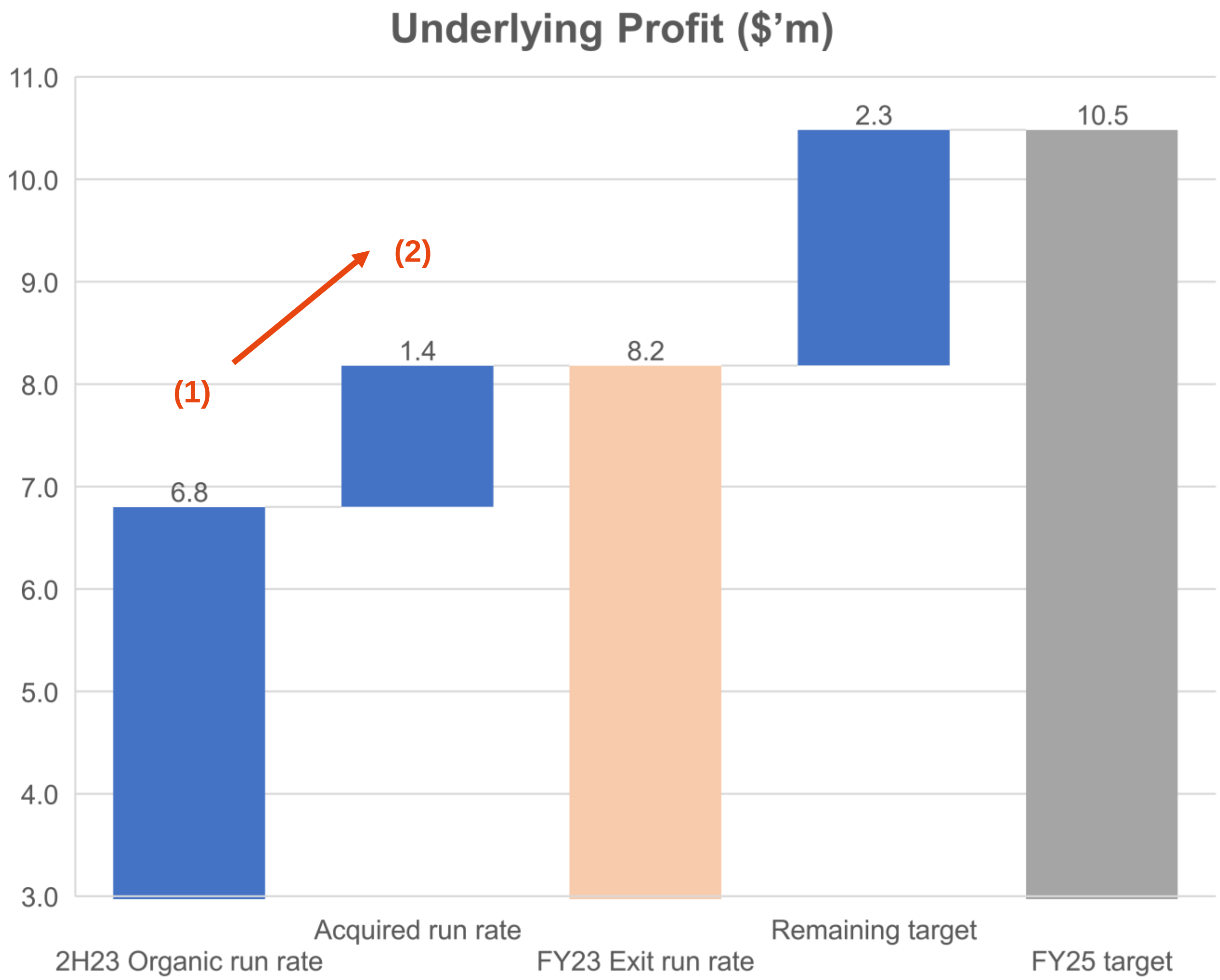
FY23 exit rate creates solid outlook for FY24



Solid FY23 exit run rate closes gap to FY25

Underlying Profit momentum

1. 2H23 organic run rate delivers annualised $6.8m
2. Acquisitions add $1.38m to forward run rate:

Acquisition	% ownership	FY23 contribution ($m)	Expected full year FY24
MWM	35%	0.14	0.20
AFSLC	100%	0.26	0.40
PNET	100%	0.27	0.45
ASPW	55%	-	0.33
Total		**0.67**	**1.38**

3. Additional $2.3m to achieve lower range target over FY24 / FY25:
   - Continuing organic growth in consecutive periods
   - Further M&A, subject to investment criteria
   - Potential offsetting risks from investment markets, inflation, attrition

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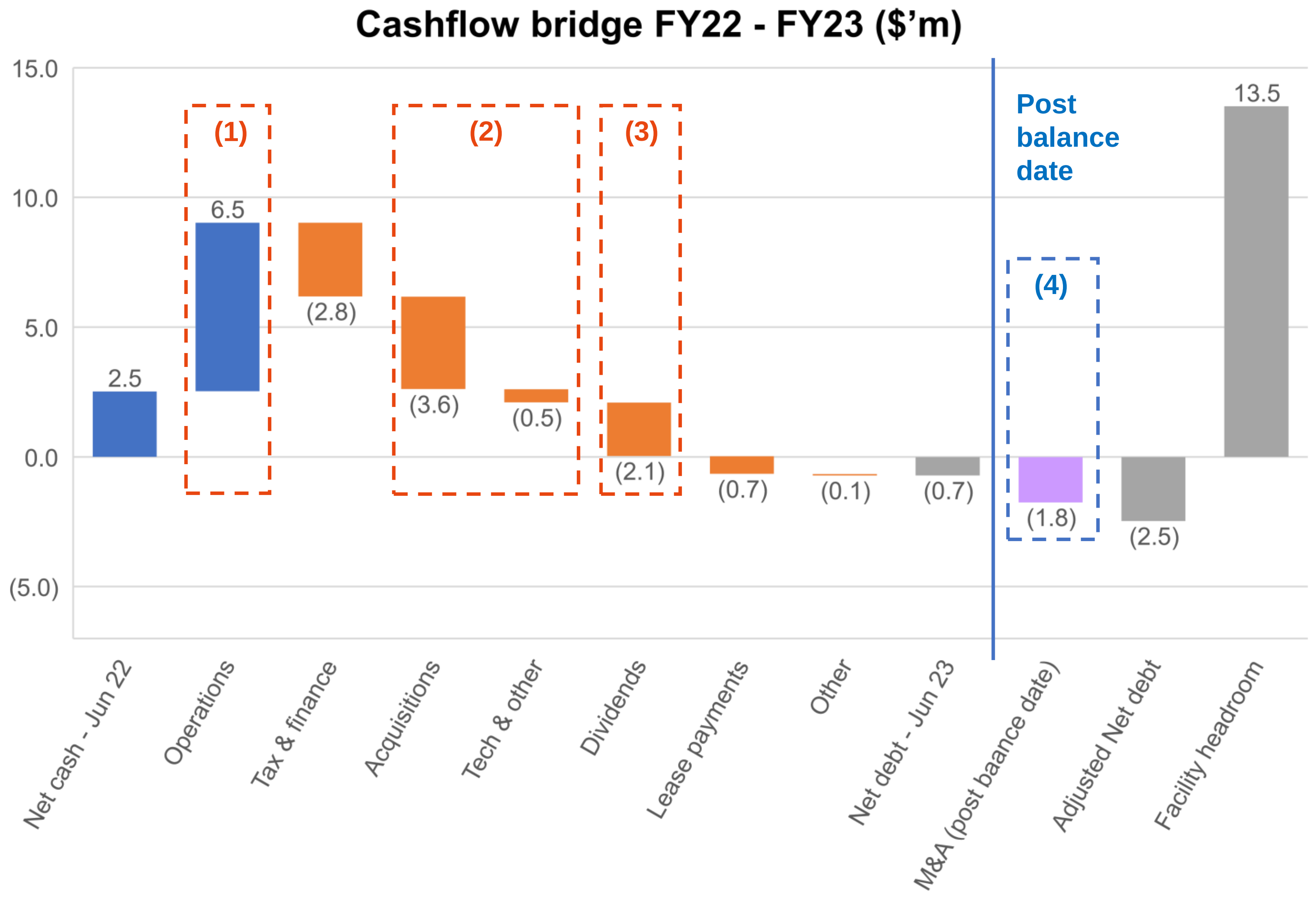
Cashflow enabled FY23 growth investment



Continued solid cashflow and capital

Self funded FY23 M&A and dividend

1. Strong cash alignment to earnings with most income streams received by cash in advance of delivery of services - $6.5m cash v $6.2m statutory EBITA (adjusted for non-cash items)
2. Investments in accretive acquisitions and technology - $4.1m
3. Dividends paid in line with Capital Management Policy (40-60% of NPATA)
4. Post balance date acquisition of 55% equity interest in financial planning firm ASPW. (upfront payment)

Continuing ability to self fund growth

- $16m new debt facility August 23
- FY24 cash alignment to earnings to continue

Strong cashflow and facility headroom sufficient to fund further investment and meet contingent consideration.

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Appendices

Group Profit Analysis

Segment Result	1H23 ($'m)	2H23 ($'m)	2023 ($'m)	2022 ($'m)	Increase/ (decrease) %
Wealth Solutions	9.15	10.30	19.45	16.90	15
Wealth Solutions - *acquired*	0.04	0.35	0.39	-	100
Accounting Solutions	7.50	7.57	15.07	14.71	2
Technology Solutions – *acquired*	-	2.69	2.69	-	100
Other – Corporate	0.01	-	0.01	-	100
Net Revenue	**16.70**	**20.91**	**37.61**	**31.61**	**19**
Wealth Solutions	1.71	2.41	4.12	4.20	(2)
Wealth Solutions - *acquired*	0.09	0.31	0.40	-	100
Accounting Solutions	2.68	2.62	5.30	5.85	(9)
Technology Solutions – *acquired*	-	0.27	0.27	-	100
Divisional - Underlying Profit	**4.48**	**5.61**	**10.09**	**10.05**	**-**
Corporate Overheads	(1.56)	(1.63)	(3.19)	(2.99)	(7)
Underlying Profit[1]	**2.92**	**3.98**	**6.90**	**7.06**	**(2)**

Solid 2H recovery

Net Revenue growth 19%

- Organic growth 9%
- Acquired 10%

Underlying Profit down 2%

- 2H 36% higher than 1H

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Wealth Solutions – broadening revenue mix

	2023 ($'m)	2022 ($'m)	Increase / (decrease) %
Net AR revenue (full advisers)	8.04	8.24	(2)
Self-Licensed (SL) subscription fees	0.53	0.02	>100
Limited Advisers (LAR) subscription fees	0.72	0.94	(23)
Expense recoveries	3.09	1.47	>100
Other revenue	0.89	0.43	>100
CARE	6.57	5.80	13
Net Revenue	**19.84**	**16.90**	**17**
Underlying Profit	**4.52**	**4.20**	**8**

Revenue model adapting to changing market

- Net AR revenue flat due to FASEA driven attrition and shift to self-licensing (with some take up of services through Diverger)
- Growing self-licensed fees uplift due to acquisition of AFSLC 1 Dec 22, now with circa 180 firms
- Limited Adviser fees down in line with reducing representatives in line with broader market
- Expense recoveries includes Xplan and ASIC Levy, up due to levy rate increase
- Other revenue growth with provision of back-office services and other support services
- Continued growth despite volatile markets. FUM up 21% to $2.68bn on pcp driven by Net-flows of $236m (Inflows $863m) and market recovery up $224m.

Accounting Solutions – continued contribution

	2023 ($'m)	2022 ($'m)	Increase / (decrease) %
Membership	6.45	6.22	4
Training	8.57	8.32	3
Other	0.05	0.17	(71)
Net Revenue	**15.07**	**14.71**	**2**
Underlying Profit	**5.30**	**5.85**	**(9)**

High margin business

- Continued Membership growth with 1,379 subscribing firms
- Slower rate of growth than pcp following transition to new BDM team, however member acquisition increased in 2H
- Some impact from accountants responding to an inflationary cost environment
- Return to modest growth in training following period of COVID-19 disruption
- Margins recovering in 2H

Technology Solutions

	2023 ($'m)
Managed service fees & consulting	1.32
Hardware & software sales	1.35
Other revenue	0.02
Net Revenue	**2.69**
Underlying Profit	**0.27**

Opportunity to expand services

- PNET acquired 1 Jan 23, results represent six-month contribution
- Significant opportunity to cross sell Cyber and managed IT support services to Diverger's network of firms
- Material enhancement to Diverger's technology capability, with addition of 30 staff
- Currently servicing 139 firms, of which 30% operate within financial services

Underlying Profit reconciliation

	2023 ($'m)	2022 ($'m)	Increase / (decrease) %
Underlying Profit	**6.90**	**7.06**	**(2)**
Add/(deduct) normalisation adjustments:			
Acquisitions & strategic options[1]	(0.77)	(0.50)	(54)
FV adjustments[2]	(0.15)	-	(100)
Equity Accounting[3]	(0.06)	-	(100)
AASB16[4] (Rent)	0.63	0.24	100+
Operating depreciation (ex AASB16)	0.11	0.06	83
Statutory EBITDA	**6.66**	**6.86**	**(3)**
Depreciation and Amortisation	(2.03)	(1.35)	(50)
Net finance costs[5]	(0.46)	(0.07)	(100+)
Tax	(1.34)	(1.69)	21
NPAT	**2.83**	**3.75**	**(25)**

Adjustments to Underlying Profit

Underlying Profit is based on an adjusted EBITA to remove non-recurring and non-cash items as well as distortion created by some statutory accounting treatments.

Supporting Notes:

1. During the year, the corporate function incurred non-recurring costs associated with acquisitions
2. Primarily relate to the write-off of a call option entered into with Thorney Holdings
3. Equity accounting adjustments are used to equate equity accounted after tax profit to EBITA for MWM
4. Remove the impact of the AASB16 Leases standard which effectively reclassifies rent costs to depreciation which at an operating EBITDA level overstates underlying performance. DVR ensures real rent costs are reflected in Underlying Profit.
5. Finance costs in FY23 includes non-cash $328k interest unwind on contingent consideration recognised at present value at a 12.5% discount rate.

Corporate Information

Investor Returns	FY23	FY22	Change
Net Revenue	$37.61m	$31.61m	Up 19%
Underlying Profit	$6.90m	$7.06m	Down 2%
NPATA	$4.71m	$4.81m	Down 2%
NPATA EPS	12.5 cents	12.8 cents	Down 2%
Statutory EPS (Basic)	7.52 cents	9.47 cents	Down 21%
EV / Statutory EBITA	5.1 times	4.3 times	Up 19%
Dividends – fully franked	5.5 cents	5 cents	Up 10%
Dividend Yield	6.9%	6.2%	Up11%
Net (Debt)/Cash	($0.72m)	$2.53m	Down $3.25m

Market	30 June 2023	23 August 2023
Shares on Issue	37.67m	37.67m
Share Price	$0.80	$0.92
Market Capitalisation	$30.14m	$34.66m

Substantial Shareholders	
HUB24	31.5%
EQT Holdings ATF the Micro Activist Fund and Associates	9.4%
Greg Hayes and related entities	8.6%

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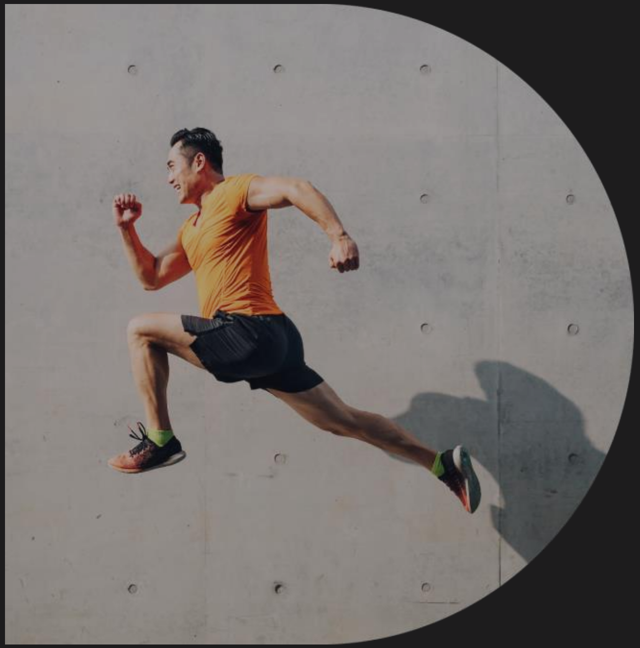

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