

Via ASX Online

ASX Announcement – 20 November 2023

ASX Market Announcements Office

ASX Limited

2023 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 10:30am (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.

Via ASX Online

ASX Announcement - 20 November 2023

ASX Market Announcements Office

ASX Limited

**Diverger Limited 2023 Annual General Meeting
Chairman's Address**

Good morning and welcome to the Diverger Limited Annual General Meeting.

We are pleased that you could join us in person or remotely. We will update you on Diverger's business, tell you what we have been working on and hopefully be able to answer any questions that you have.

I will provide the helicopter view and Nathan will take you through the texture. We will then conduct the formal part of the meeting with three proposed resolutions before shareholders. Lastly, we will open the meeting to shareholders for questions.

The financial markets over the previous financial year created significant uncertainty, with increasing interest rates and significant cost of living pressure. I am pleased that Diverger held up well, delivering revenue growth of 19%. Underlying earnings were flat at \$6.9m, following a difficult 1H and a year of investing into the core business, completing four acquisitions that committed \$8m in capital with an expected return of 17%. These investments:

- Lift our technology capabilities for both internal transformation and for service provision to our target clients
- Enable us to provide a more robust defence to cyber threats
- Recognise and participate in the growing self licenced market
- Launch our equity participation in advice practices to facilitate growth and succession

We have previously communicated our medium term FY25 objectives. I am pleased to be able to inform you that we are well on the way to achieving our earnings targets with FY 24 looking to come in at the higher end of the forecast range.

We also indicated that we were open to participating in larger scale transformative transactions. In that context, Diverger has been both hunter and more recently, hunted, by invitation. From the time of my appointment to the Diverger board I had heard from investors and commentators what a great initiative it would be to bring together the several similar sized and focussed businesses in our space. It's a great thesis that makes sense for shareholders and one that my board wholeheartedly supports. We have run the numbers on and spoken to

most of the players on many occasions with the view to consolidation. We all seemed to have similar characteristics: lumpy registers, low stock liquidity and undervalued.

It was gratifying for the Diverger Board to have announced the proposal by Count for the acquisition of all of the shares in Diverger by Scheme of Arrangement with a combination of cash and scrip consideration. That process went through several stages and price negotiations before being announced on 22 September for an implied price of \$1.14 per Diverger share. In the period following that announcement, Diverger has worked collaboratively with Count and Diverger shareholders to ensure the success of the scheme and has been able to identify delivery of greater value such that we were able to announce last Friday morning an improved offer from Count with an implied value of \$1.365 per share. Securing the inclusion of the ability to pay a Permitted fully franked special dividend should provide additional value to shareholders.

Nathan will take you through the stages of the Scheme process but the successful completion of the Scheme of Arrangement, which we expect, would occur in early February 2024.

In the interim we will continue to run the Diverger business and expect to declare a 2 cent per share interim dividend to be paid in late January 2024.

This year has been hectic. The Board and management have strived on numerous fronts to deliver value for Diverger shareholders.

- We have held our own in a poor FY23 market and built momentum coming into FY24, with materially higher earnings expected
- We have undertaken several acquisitions and integrations adding services and value
- We have assertively sought out consolidation opportunities both as acquirer and acquiree
- We have negotiated and progressed the current Count scheme proposal which we consider is in the interests of Diverger's shareholders.

This frenetic activity takes a toll. On behalf of the Board, I want to thank our staff who have ridden several roller coasters mostly with only partial knowledge due to confidentiality requirements but often with the uncertainty of outcome for their employment. Yet still they stayed engaged and delivered a solid FY23 that has positioned us well for FY24. The Board also specifically calls out Nathan Jacobsen and Michael Harris for their full-blooded attention to business as usual and the transformation opportunity. On my own behalf I want to acknowledge my appreciation for my co Directors for the collegiate approach to all issues and the healthy candour of our meetings, without rancour or umbrage, focussed on delivering shareholder value.

This will not be the last time we meet. A scheme meeting will be scheduled for late January 2024. I urge you to carefully consider the explanatory material that will be sent to you, and recommend, in the absence of the emergence of a superior offer, you to vote in favour of the scheme.

Authorised by the Chairman of Diverger Limited.



Managing Director's Report

Nathan Jacobsen

20 November 2023

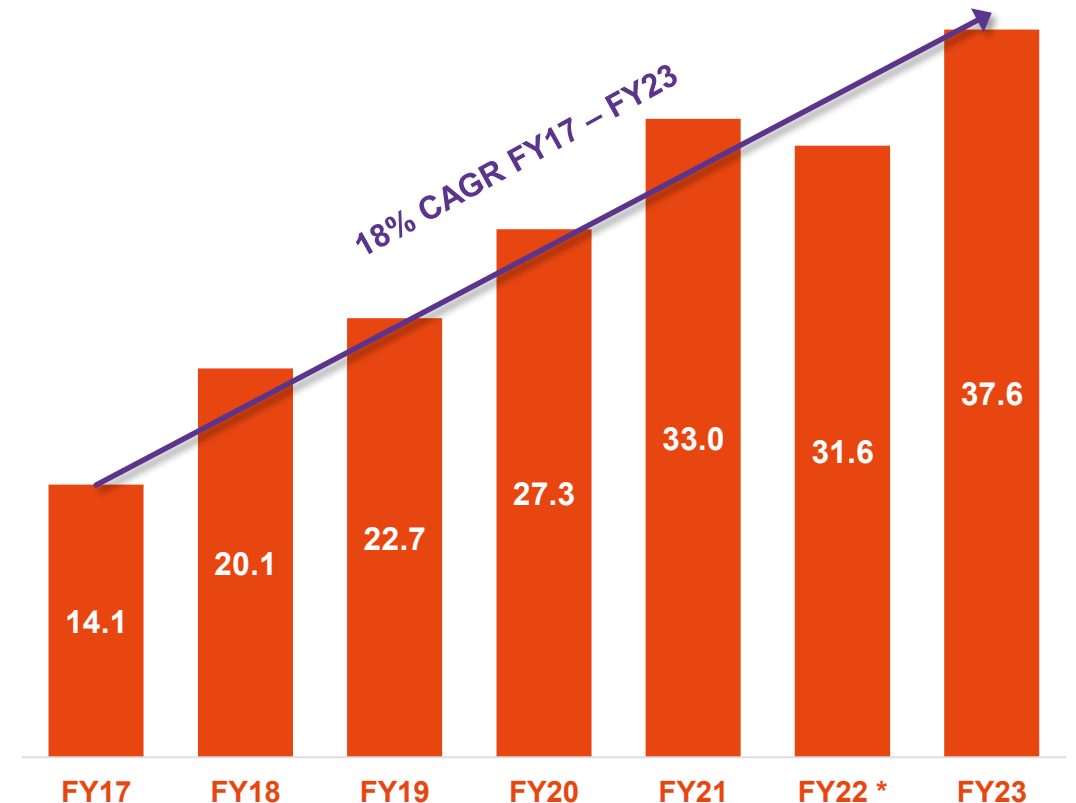


Diverger at a glance

Highlights:

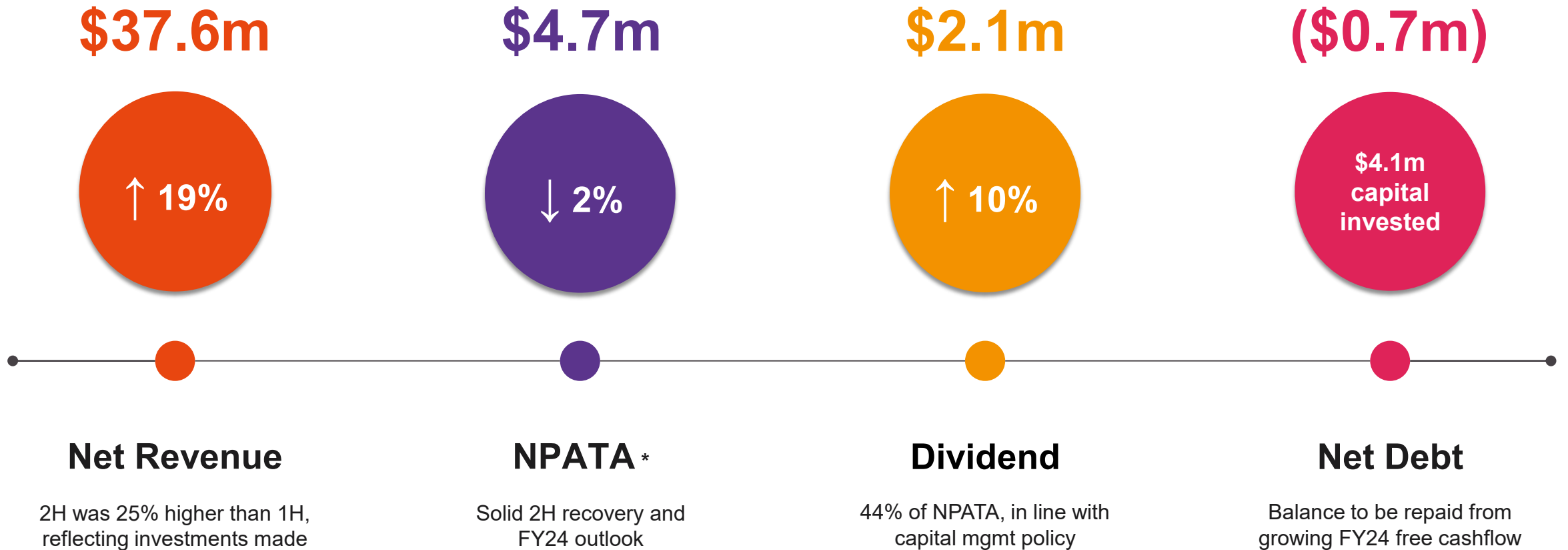
- Diversified revenue model, with >90% recurring revenue across five core services and growth track record
- 4,100 firms (clients), up 8%
- Profitable, cash generative operations enabling \$2.1m dividend and \$4.1m capital invested in FY23
- \$2.7bn of investor assets in Diverger managed portfolios
- 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.

FY23 Performance Dashboard



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

FY23 M&A supports solid EBITA growth

FY23 and FY24

\$

Acquisitions in FY23

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%

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.

Diverger re-confirms 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.

Transaction progress

Revised offer agreed with Count

Draft Scheme booklet and Independent Expert Report to ASIC this week

First Court Hearing scheduled for mid Dec

Shareholder documents distributed mid to late Dec

Scheme meeting mid to late January 2024.

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 Diverger to the Australian 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 Diverger'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 Diverger, 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

Nathan Jacobsen

Managing Director

Phone: +61 2 8074 8599