

ASX Announcement

Prime Financial Group Ltd
(Prime – ASX:PFG)

aspire, innovate, grow & impact

11 June 2024

1. Binding Agreement to Acquire Leading Remuneration and Employee Share Plan Business
2. Execution of an NBIO for Wealth Management Business Acquisition
3. Concurrent Launch of \$3.3M Fully Underwritten Entitlement Offer

Highlights:

- Prime Financial Group Limited ("Prime" or "PFG") has entered into a binding agreement to acquire 100% of Equity Plan Management Pty Ltd and the associated business conducted by Remuneration Strategies Pty Ltd (collectively "EPM")
- EPM is a leading Australian remuneration and employee share plan business located in Melbourne, Australia
- EPM has a favourable financial profile with strong recurring revenues and margins; expected to add revenue and EBITDA run rate of \$2.2+ million and \$1.3+ million per annum, respectively
- Total consideration of up to \$5.7 million; initial consideration of \$2.8 million and potential deferred payments of up to \$2.9 million (over 2 years)
- The acquisition will deliver on Prime's strategy of growth through complementary and EPS-accretive acquisitions, further expanding its Business Advisory & Consulting capability, and increasing customer diversification with significant cross-sell opportunities into the wider group
- While the acquisition of EPM is likely to represent a significant change to the scale of PFG's activities in the context of Listing Rule 11.1, ASX has confirmed that PFG is not required to obtain shareholder approval for the transaction
- PFG has also executed a confidential non-binding indicative offer (NBIO) for the potential acquisition of an Australian-based business in its Wealth segment
- Fully underwritten non-renounceable entitlement offer to raise approximately \$3.3 million to fund the EPM acquisition (and associated transaction costs), the costs of the offer and provide working capital
- Investor Webinar at 12:00PM AEST, 11 June 2024

Prime Financial Group Ltd (Prime – ASX:PFG), an Advice, Capital and Asset Management Group, has entered into an agreement to expand its Business Advisory & Consulting capability via the acquisition of the leading Australian remuneration and employee share plan administration business conducted by Equity Plan Management Pty Ltd and its associated entity Remuneration Strategies Pty Ltd (collectively "EPM").

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About Equity Plan Management and Remuneration Strategies

EPM is one of the most experienced remuneration and employee share plan management administrators in Australia. As well as complete outsourcing of remuneration and employee share plan management and administration, EPM provides training, implementation and support services.

EPM currently administers around 100 employee share plans and employs four staff. Referrals account for 70% of its client base and plan revenues are 'sticky' as there is a high level of client retention.

Strategic Rationale

The acquisition marks PFG's entry into the remuneration and employee share plan management sector and delivers on its strategy of growth through complementary, EPS-accretive acquisitions and expanding its capability within its Business Advisory segment focus for Emerging Businesses.

The acquisition is also complementary to Prime's existing Capital & Corporate Advisory capability and supports Prime's ambition to accelerate growth and provide clients with additional solutions across a diversified range of services, with significant cross-selling opportunities across PFG.

The EPM business has a favourable financial profile with strong recurring revenues and margins. It is expected to add revenue and EBITDA run rate of \$2.2+ million and \$1.3+ million per annum, respectively.

Prime's CEO, Managing Director & Chairman, Mr Simon Madder said: "We are delighted to be expanding our Emerging Business segment offering through the acquisition of EPM, a market leader in its category.

"Entering into the employee share plan management sector is a logical next step for Prime. It provides us with a highly complementary product suite that adds to our existing Business Advisory offering and provides significant cross-sell opportunities across our combined client base.

"The acquisition of EPM will not only give us ownership of a leading Australian remuneration and employee share plan provider, but also provide us with strong profitability and a suite of well-established and loyal clients.

"We look forward to bringing our two businesses together with a respect for the legacy that EPM Director John Day has built as the Company's founder. PFG has a successful track record of working with founders and has at least 17 founders as part of its leadership team. We warmly welcome the well-established and capable EPM team to PFG."

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Details of the Acquisition

- **Assets being acquired:** the business conducted by Remuneration Strategies Pty Ltd and 100% of the issued capital of Equity Plan Management Pty Ltd (collectively "**EPM**")
- **Consideration:** Total consideration of up to \$5.7 million. Initial consideration of \$2.8 million (**Tranche 1**) will be payable upon completion and \$100,000 (**Tranche 2A**) will be payable on 30 April 2025. Two additional tranches of up to \$1.4 million each (**Tranches 2 and 3**) will be payable following the first and second anniversaries of completion subject to EPM achieving specified earnings targets.
- Tranches 1, 2 and 3 will be paid 50% in cash and 50% in PFG fully paid ordinary shares (**Consideration Shares**).
- Each tranche of Consideration Shares will be subject to an escrow period of 12 months from the date of issue.
- Price of each Consideration Share:
 - Tranche 1 – \$0.213163 (being VWAP for the 30 day period ending 15 Business Days before the date the acquisition agreement was executed).
 - Tranche 2 and Tranche 3 - VWAP for the 30 day period ending on the first and second anniversary of the acquisition completion date provided that where the VWAP is less than \$0.22 PFG may, at its absolute discretion, elect to pay cash in lieu of issuing all or some of the Consideration Shares.
- PFG will not issue more than 12,727,273 Consideration Shares unless it has the capacity to do so pursuant to ASX Listing Rule 7.1 (and if necessary will pay cash in lieu of Consideration Shares).
- The cash component for the Tranche 1 payment (\$1.4 million) will be funded by PFG's existing facility with Westpac. It is proposed that funds drawn down to make the Tranche 1 payment will be offset by the proceeds of the proposed Entitlement Offer that is described below. It is proposed that the cash components of the remaining tranches will be funded by PFG's existing facility with Westpac and working capital.
- Completion is subject to the fulfilment of completion deliverables that are considered standard for transactions of this nature.

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Likely Effect of the EPM Transaction

While the acquisition of EPM is likely to represent a significant change to the scale of PFG's activities in the context of Listing Rule 11.1, ASX has confirmed that PFG is not required to obtain shareholder approval for the transaction.

PFG considers that the following reference points provide the best basis for assessing the likely impact of the acquisition:

- PFG's calendar year 2023 financial results (being the most recent period that has been subject to audit review); and
- the financial results for EPM for the 12 months ending 31 March 2024 (being the most up to date financial information).

The likely impact of the EPM acquisition, expressed as a percentage change from PFG's calendar year 23 result, is set out in the table below. PFG notes that its EBITDA and Profit Before Tax (PBT) for 1HFY24 were impacted by significant non-recurring expenses amounting to \$2.096m which are itemised in the Half Year 2024 (H1 FY24) Results Presentation released to the ASX on 20 February 2024. The same presentation shows PFG's underlying EBITDA for the period in the absence of such expenditures. The likely impact using PFG's underlying EBITDA and PBT as a reference point is shown in the right hand column of the table. PFG considers that adopting underlying results as a reference point provides a more accurate measure of the likely impact of the EPM acquisition.

	Likely impact using 2023 CY Financials	Likely impact using 2023 CY Financials and Underlying EBITDA
Revenue Test	6.46%	n/a
EBITDA Test	16.13%	12.53%
PBT Test	26.98%	18.17%
Total Asset Test	0.58%	n/a
Total Equity Test	5.82%*	n/a

*This assumes 100% of the Consideration shares are issued and does not take into account the shares that will be issued pursuant to the Entitlement Offer described below or any shares that may be issued on conversion of performance rights that are currently on issue.

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Fully underwritten non-renounceable Entitlement Offer to raise approximately \$3.3 million

PFG is launching a fully underwritten non-renounceable Entitlement Offer to raise approximately \$3.3 million at an issue price of \$0.20 per share ("**Issue Price**") ("**Entitlement Offer**") to fund the Tranche 1 payment for the EPM acquisition (and associated transaction costs), the costs of the Entitlement Offer, and to provide working capital.

The Issue Price represents:

- an approximate 2.4% discount to the closing price of PFG's shares on ASX on 5 June 2024, which was the last full day shares traded on ASX before the announcement of the Entitlement Offer;
- an approximate 4.3% discount to the 5 day VWAP to the closing price of the PFG's shares as traded on ASX up to close of trading on 5 June 2024; and
- an approximate 2.3% discount to the TERP¹ of \$0.20.

Under the Entitlement Offer, eligible shareholders with a registered address in Australia or New Zealand will be able to subscribe for 1 fully paid ordinary share for every 13.19 PFG shares that they hold at 5.00pm (AEST) on 11 June 2024 ("**Record Date**").

The terms and conditions of the Entitlement Offer will be set out in the Offer Booklet, details of which will be sent to eligible shareholders on or around 18 June 2024 (a copy of the Offer Booklet will also be released on the ASX announcements platform today).

Please note that shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Entitlement Offer. PFG will notify shareholders who are on the share register on the Record Date as to whether they are eligible to participate in the Entitlement Offer.

The Entitlement Offer will include a shortfall offer ("**Shortfall Offer**") under which eligible shareholders who take up their entitlements in full may also apply for additional shares representing up to 100% of their entitlement. There is no guarantee that applicants under the shortfall facility will receive all or any of the additional shares for which they apply. The allocation policy for the Shortfall Offer is set out in the Offer Booklet.

The Entitlement Offer will result in approximately 16,500,000 new shares being issued which will equate to approximately 6.85% PFG's total shares outstanding upon completion of the Entitlement Offer after taking into account the Consideration Shares that are to be issued as part of the Tranche 1 consideration for the EPM acquisition. The new shares will rank equally with existing PFG shares from allotment.

¹ The Theoretical Ex-Rights Price ("**TERP**") is the theoretical price at which PFG's shares should trade immediately following the ex-date for the Offer. TERP is calculated by reference to PFG's closing price of \$0.205 on 5 June 2024, being the last trading day prior to the announcement of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which PFG's shares trade immediately after the ex-date of the Entitlement Offer will depend on many factors and may not be equal to TERP.

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The Entitlement Offer is fully underwritten by Canaccord Genuity (Australia) Limited (“**Canaccord**”). Details of the underwriting agreement entered into with Canaccord are set out in the Investor Presentation also provided to the ASX today.

The PFG Board fully supports the Entitlement Offer and all 3 PFG directors have entered into an agreement with Canaccord to sub-underwrite a portion of any shortfall up to the value of \$60,000 each. The directors have agreed to waive their respective sub-underwriter fees and will therefore not receive a fee under the sub-underwriting agreement.

Indicative Timetable

Timetable	Date
Company Announces Offer, lodgement of Offer Booklet, Appendix 3B and s708AA Cleansing Notice	Tuesday, 11 June 2024
Ex date	Thursday, 13 June 2024
Record Date for determining Entitlements	Friday, 14 June 2024
Offer Opening Date Offer Booklet sent out to Eligible Shareholders and Company announces this has been completed	Tuesday, 18 June 2024
Last date to extend the Closing Date	Monday, 24 June 2024
Closing Date	Thursday, 27 June 2024
Shares quoted on a deferred settlement basis	Friday, 28 June 2024
Announcement of results of Offer including under subscriptions (if any)	Tuesday, 2 July 2024
Issue date / Shares entered into Shareholders' security holdings Lodgement of Appendix 2A	Wednesday, 3 July 2024
Quotation of Shares issued under the Offer	Thursday, 4 July 2024

The above timetable is subject to change and PFG reserves the right to withdraw or vary the timetable for the offer without notice. In particular, PFG reserves the right to extend the closing date for the Entitlement Offer, to accept late applications whether generally or in particular cases, or to withdraw the Entitlement Offer without prior notice.

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Execution of an NBIO for Wealth Management Business Acquisition

PFG has executed a confidential non-binding indicative offer ("**NBIO**") for the acquisition of a Melbourne-based company that provides investment research, portfolio and asset/fund management services ("**Potential Acquisition**"). The Potential Acquisition will complement Prime's Wealth segment and provide it with operational, client and capability synergies.

If the Potential Acquisition proceeds, the acquisition would represent a material contribution to revenue in FY25. The target is expected to generate approximately \$12 million revenue in FY24.

The Potential Acquisition is expected to be funded 50% cash and 50% shares with payments to be made over a 3-year period. The cash consideration for the acquisition, should it proceed, will be funded from the Company's debt facilities and cash reserves.

The NBIO grants exclusivity in favour of PFG and remains subject to due diligence and agreement of commercial terms.

The Potential Acquisition is incomplete and remains subject to satisfaction of further conditions including completion of due diligence, agreement of final terms, execution of final binding transaction documentation and obtaining necessary shareholder approvals.

Further Information and Investor Webinar

Further details of the EPM acquisition and the Entitlement Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks with respect to the Entitlement Offer.

PFG's Managing Director & Chairman, Mr Simon Madder, will be discussing the EPM acquisition and Entitlement Offer during a live Investor Webinar on 11 June 2024 at 12.00pm (AEST), with the opportunity for Q&A following the formal presentation.

To register for the Investor Webinar, please sign-up via the link below.

https://us02web.zoom.us/webinar/register/WN__dV3sWZZR_ylpX54G7gCJQ

After registering, you will receive a confirmation email containing information about joining the webinar.

Authorised for release by the Board of Prime Financial Group Limited.

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About Prime Financial Group Ltd (Prime – ASX:PFG)

PFG is an Advisory, Capital & Asset Management Group, operating across four key areas in Accounting & Business Advisory, Wealth Management, SMSF and Capital in its three core locations of Melbourne, Sydney and Brisbane.