

# Full Year Results Presentation

## 28 August 2014

**Integrated Wealth Management**

*Helping Clients Protect Assets and Build Wealth*



- **What is the opportunity for Prime?**

### Clients

- Estimated that only 20% - 40% of Australians receive Financial Advice. Superannuation asset pools continue to grow and Australians are increasingly becoming more engaged in their financial future.
- The opportunity is to deliver more advice to a growing number of prospective advisory clients including the more affluent market segment.

### Accountants

- There are up to 2,000 Accounting Firms in Australia that meet Prime's key partner profile - Prime currently partners with 30+ Accounting Firms.
- No one ASX listed or unlisted financial services company typically has more than 20-30 underlying Accounting Investees. The opportunity is to become the 'Premier' partner to Accountants for Growth, Succession and Integrated Wealth Management.

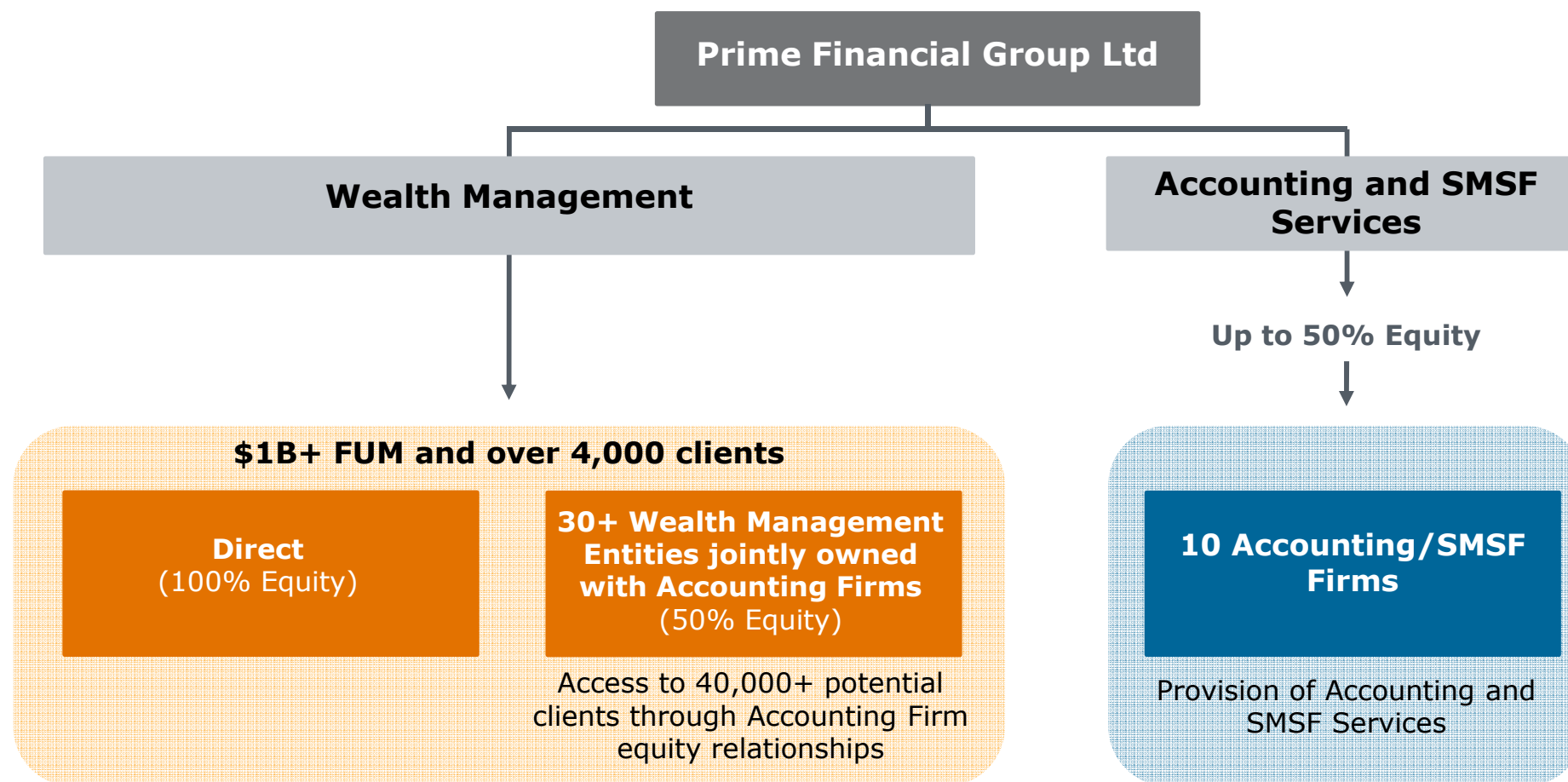
- **How does Prime grow?**

- More consistently implement Prime's Wealth Management Client Engagement Model with Accounting Firms (More New Leads & New Client Appointments)
- Increase Funds Under Management (FUM)
- Deliver more services to existing clients through structured systems and engaging advice
- Increasingly target the more affluent market segment with Prime's Private Client Family Group approach
- Offer additional asset class exposure to clients – [See Prime's New Commercial Property Investment Management Offering](#)
- Recruit new Accounting Firms for Wealth Management JV's
- Acquire more ([Now 10, up from 9 at 30 June 2013](#)) non-controlling equity interests of 15% - 50% in Accounting Firms (Building the acquisition pipeline) – [Expansion Plan has commenced with first new investment of 20% in Accounting Firm](#)
- Selectively target tuck-in acquisitions
- Build Prime's brand

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| <ul style="list-style-type: none"><li>• <b>Why are we successful and why will we become more successful?</b></li></ul> | <ul style="list-style-type: none"><li>• Key roadmap to Growth (Organic &amp; Acquisition)</li><li>• Clear focus on what our ideal Clients and Partners look like and, increasingly how to access them</li><li>• Access to a ready pool of new clients</li><li>• Scalable Operating Model</li><li>• Personalised Service delivered in a repeatable manner</li></ul> |
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*'Advising clients how to Protect Assets & Build Wealth'*

## Structure Chart



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### **FY2014**

- EBIT DOWN 1% to \$3.72M compared to FY2013;
  - NPAT DOWN 6% to \$2.63M compared to FY2013;
  - EPS DOWN 5% to 1.8 CPS;
  - Full Year Dividend UP 7% to 0.80 CPS (54% payout ratio) from 0.75 CPS;
  - Overheads DOWN 15% (excluding interest) on FY2013;
  - New FUM +\$84.4M;
  - Lost FUM for FY2014 of approx. \$150M (\$117M 1H2014 and \$33M 2H2014);
  - Total FUM 30 June 2014 = \$1.058B (DOWN \$40M from 30 June 2013)
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### **FY2014 – Wealth Management (WM)**

- 85% of Revenue;
- Revenue DOWN 14% (including CEM Licensing Fees) compared to FY2013; and
- Revenue DOWN 7% (excluding CEM Licensing Fees)

### **FY2014 – Accounting & SMSF Services (AS)**

- 15% of Revenue; and
  - Revenue UP 8% compared to FY2013
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## Key Developments - Operational & Investment Focus FY2014

### FY2014

- Reduce the Cost Base – 15% drop and \$1.3M benefit flowed through in FY2014;
- Building the pipeline and recruiting new Accounting Firm Wealth Management JV Partners for Prime's Client Engagement Model;
- Commencing the expansion plan for further investment in Accounting investees (FIRST INVESTMENT MADE - 20% staggered investment in a Melbourne based Accounting & Advisory Firm 'MPR Group' incorporating a 50% investment in Wealth Management);
- FUM;
  - New FUM (+\$84M for FY2014)
  - Reduce lost FUM run rate (\$117M 1H2014 & \$33M 2H2014)
- Commercial Property Investment Management – Protus Prime;
  - Design and complete the first client offering and Product Disclosure Statement (PDS); and
- Increase the full-year Dividend to 0.80 CPS up from 0.75 CPS



## Summary Full Year Results

### Financial

	FY14	FY13	% Change
<b>Earnings Before Interest &amp; Tax (EBIT) (\$M)</b>	<b>3.72</b>	<b>3.74</b>	<b>-1%</b>
<b>Net Profit After Tax (NPAT) (\$M)</b>	<b>2.63</b>	<b>2.78</b>	<b>-6%</b>
Basic & Diluted Earnings (cents per share)	1.8	1.9	-5%
Dividend Paid & Proposed (cents per share) (fully franked)	0.80	0.75	+7%

### Operational

	FY14	FY13	% Change
<b>Group Operating Margin</b>	<b>29%</b>	<b>30%</b>	<b>-3%</b>
<b>Total FUM (\$B)</b>	<b>1.058</b>	<b>1.098</b>	<b>-4%</b>
<b>Net Debt (\$M)</b>	<b>6.10</b>	<b>5.90</b>	<b>+3%</b>

## Summary Profit & Loss

	FY14	1H14	2H14	FY13	% Change FY14 v FY13
Wealth Management – New Business Revenue (\$M)	2.27	1.34	0.93	3.10	-27%
Wealth Management – Recurring Revenue (\$M)	7.63	3.84	3.79	7.51	+2%
Wealth Management – Licensing Revenue (\$M)	0.50	0.20	0.30	1.52	-67%
<b>Total Wealth Management Revenue (\$M)</b>	<b>10.40</b>	5.38	5.02	12.13	<b>-14%</b>
Accounting and SMSF Investees (\$M)	1.83	1.05	0.78	1.69	+8%
Other Revenue (\$M)	0.38	0.17	0.21	0.31	+23%
<b>Total Accounting, SMSF &amp; Other Revenue (\$M)</b>	<b>2.21</b>	<b>1.22</b>	<b>0.99</b>	2.00	<b>+11%</b>
<b>Gross Revenue (\$M)</b>	<b>12.61</b>	<b>6.60</b>	<b>6.01</b>	14.13	<b>-11%</b>
Less Group Overheads (excl. Interest) (\$M)	(7.96)	(4.21)	(3.75)	(9.37)	-15%
Less Non-controlling Interest (\$M)	(0.93)	(0.55)	(0.38)	(1.02)	-9%
<b>Earnings Before Interest &amp; Tax (EBIT) (\$M)</b>	<b>3.72</b>	1.84	1.88	3.74	<b>-1%</b>
<b>Group Operating Margin</b>	<b>29%</b>	28%	30%	30%	<b>-3%</b>
Dividend Paid & Proposed (cents per share) (fully franked)	<b>0.80</b>	0.40	0.40	0.75	<b>+7%</b>

## Wealth Management Revenue

### Wealth Management

Wealth Management Revenue represents 85% of Prime's Revenue

<b>New Business Revenue</b>	<b>FY14</b>	<b>1H14</b>	<b>2H14</b>	<b>FY13</b>	<b>% Change FY14 v FY13</b>
Investment Brokerage (\$'000)	1,419	815	604	1,954	-27%
New Issues & IPO's (\$'000)	345	230	115	511	-32%
Asset Protection & Life Insurance (\$'000)	394	238	156	485	-19%
Other (\$'000)	113	56	57	146	-23%
<b>Total New Business Revenue (\$'000)</b>	<b>2,271</b>	<b>1,339</b>	<b>932</b>	<b>3,096</b>	<b>-27%</b>

<b>Recurring Revenue</b>	<b>FY14</b>	<b>1H14</b>	<b>2H14</b>	<b>FY13</b>	<b>% Change FY14 v FY13</b>
Funds Under Management (FUM) (\$'000)	6,747	3,419	3,328	6,652	+1%
Asset Protection & Life Insurance (\$'000)	483	231	252	484	0%
Other (\$'000)	399	186	213	369	+8%
<b>Total Recurring Revenue</b>	<b>7,629</b>	<b>3,836</b>	<b>3,793</b>	<b>7,505</b>	<b>+2%</b>

## Wealth Management Revenue

### Wealth Management Licensing Revenue

	<b>FY14</b>	<b>1H14</b>	<b>2H14</b>	<b>FY13</b>	<b>% Change FY14 v FY13</b>
Licensing Revenue (\$'000)	<b>500</b>	200	300	1,520	-67%
Total (\$'000)	<b>500</b>	200	300	1,520	-67%

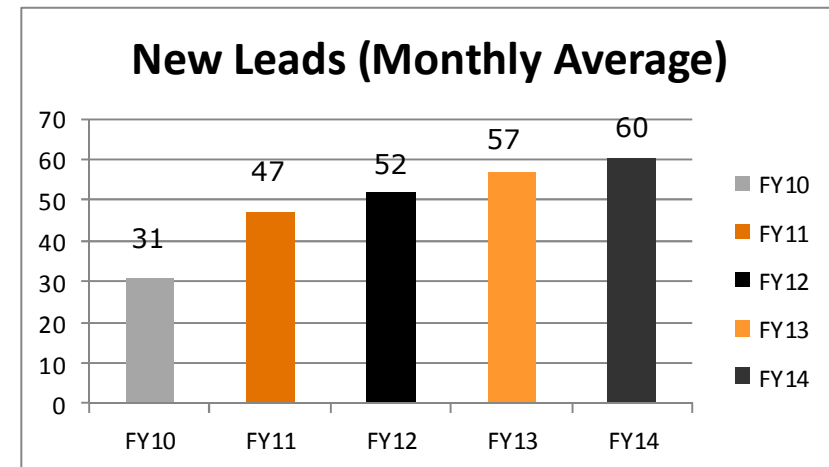
### Commentary

As expected licensing revenue was weighted more significantly to 2H2014 but lower than expected due to timing differences.

The pipeline of Wealth Management only JV's with Accounting Firms and combined Accounting Firm Investment and Wealth Management JV's continues to build in a very encouraging manner.

### New Business Leads

- Prime's Client Engagement Model (CEM) drives the growth in new leads for Prime's Wealth Management Services. This is driven by:
  - New Client leads
  - Additional Services from Existing Clients
  - Recruiting new Accounting and Advisory investees for this model
- 'New leads' measures client meetings by service line and is a key driver of new FUM, Asset Protection and Life Insurances
- New leads were higher in FY2014 versus FY2013



## Key Metrics – FUM Net Inflows and Net Margin

### Funds Under Management (FUM)

	1H14	2H14	Total
• Opening FUM (\$M)	1,098	1,077	1,098
• FUM - New (\$M)	38.8	45.6	84.4
• FUM - Outflow (\$M)	(117.1)	(32.9)	(150.0)
• Implied Market Movement (\$M)	57.3	(31.7)	25.6
<b>FUM – Net Inflow (\$M)</b>	<b>(21.0)</b>	<b>(19.0)</b>	<b>(40.0)</b>
• Closing FUM (\$M)	<b>1,077</b>	<b>1,058</b>	<b>1,058</b>

### Commentary

- FUM decreased by (\$40.0M) substantially because of Outflow's related to the previously stated restructuring. Market movements and New FUM almost offset this loss

### Wealth Management Net Margin

	FY13	FY14	% Change
• New Business Revenue (\$M)	3.10	2.27	-27%
• Recurring Revenue (\$M)	7.51	7.63	+2%
• Total (\$M)	10.61	9.90	-7%
• Average FUM	1.050B	1.078B	+3%
<b>Annualised Net Margin</b>	<b>1.01%</b>	<b>0.92%</b>	<b>-9%</b>

### Commentary

- Annualised Net Margin for FY2014 was 9% lower than FY2013 mainly due to new business revenue being 27% lower than FY2013

## Accounting and SMSF Services Investees

### Accounting and SMSF Services Revenue

Prime's now 10 (up from 9) Accounting and SMSF Investees represent 15% of Prime's Revenue

	<b>FY13</b>	FY14	% Change FY13 v FY14
Accounting and SMSF Revenue (\$M)	<b>1.69</b>	1.83	+8%
Total	<b>1.69</b>	1.83	+8%

*Note*

*- Prime's Accounting and SMSF Service Investees Revenue is Prime's profit from its equity (up to 50% in Investees)*

### Commentary

Underlying Accounting and SMSF Services Revenue was up over the previous period as the portfolio of investees substantially enjoyed a better business environment.

Prime was also pleased to confirm the first investment as part of the expansion plan for combined Accounting & Wealth Management Investments. The investment, in a Melbourne based Accounting & Advisory Firm - MPR Group that has Revenue of approximately \$4.0M includes a staggered commitment to purchase 20% of the Accounting & Advisory Firm, plus also establish a Wealth Management entity utilising Prime's CEM.

With the addition of a new Accounting Investee, plus others over time as part of Prime's expansion plan, this Revenue line is expected to increase.

## Summary Balance Sheet

	30/06/13	30/06/14
<b>Current Assets</b>		
Cash	0.7	0.3
Other current assets	3.8	4.4
<b>Non Current Assets</b>		
Receivables	5.4	4.0
Plant & Equipment	1.3	1.1
Investments	61.9	62.4
<b>Total Assets</b>	<b>73.1</b>	<b>72.2</b>
<b>Current Liabilities</b>		
Payables/Provisions	2.3	2.9
<b>Non Current Liabilities</b>		
Borrowings	7.7	7.5
<b>Total Liabilities</b>	<b>10.0</b>	<b>10.4</b>
<b>Equity</b>	<b>63.1</b>	<b>61.8</b>



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## **FY2015**

The plan for FY2015 is to;

- Build Prime's presence by communicating the difference and distinct value Prime offers clients' in all key markets.
- Provide clients with an increasingly diversified advisory offering across asset classes.
- Recruit:
  - New Accounting Firms and Financial Advisory Groups for Wealth Management;
  - New Accounting Firms (Investees) for investment; and
  - New Team members that reflect our culture and commitment.
- Secure new clients for Wealth Management services.
- Retain existing clients and expand the Wealth Management services provided to them.
- Deliver integrated advice to clients using Prime's Client Engagement Model.
- Diversify revenue streams; and
- Invest in our people, processes and systems.

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