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ASX Market Announcements Office

ASX Limited

2021/22 First Half Results

Diverger Limited (**Diverger** or **the Company**) releases its results for the half-year ended 31 December 2021. Diverger continued to strengthen its financial position, whilst investing in its businesses to support the Company's growth strategy.

Organic momentum continuing to build

- Revenue from continuing operations up 54%¹ to \$59.97m (1H21: \$38.96m)
- Net Revenue² up 11% to \$14.78m (1H21: \$13.27m)

Wealth Solutions segment performing strongly:

- Net revenue up 30% to \$7.52m (1H21: \$5.80m)
- Average licensee Net Revenue per adviser up 64%, whilst adviser numbers down 18% from FASEA driven departures of limited authorised representatives (LAR)
- 37% growth in CARE managed portfolio FUM, maintaining a multi-year trend of high growth

Accounting Solutions sustaining prior year gains, with some ongoing COVID related impacts:

- Net Revenue down 3% to \$7.26m (1H21: \$7.47m), 2% up when adjusted for one-off in the prior corresponding period (**pcp**)
- Knowledge Shop membership revenue up 13%
- Training revenue down 5% due to COVID impacts in current and prior periods

Improving business margins and sustained cashflow

- Statutory EBITA up 5% to \$3.21m (1H21: \$3.05m), representing a 3-year compound annual growth rate (CAGR) of 21%
- Wealth Solutions margin grown to 25% and forecast to improve further
- Accounting Solutions sustaining pleasing margins of circa 39%
- Sustained improvement in cashflow from operations, adjusting for unusually large prior year, with surplus funds at balance date of \$3.66m (1H21: \$1.20m)
- Interim dividend of 1.5 cents per share, fully franked, with record date 19 April 2022 and payable 26 April 2022

¹ Unless stated otherwise, comparative numbers relate to the previous corresponding period.

² Net Revenue is Operating Revenue from continuing operations less Adviser revenue share, less cost recoveries (ASIC levy and adviser systems).

Continuing investment to drive higher growth

- Strategic MD hire, strengthened board and investment in HR, finance and technology to support growth strategy
- Heightened investment, notably human capital, leading to a reduction in Underlying Profit³ from continuing operations down 5% to \$3.34m (1H21: \$3.53m)
- Aligned key talent with creation of a share incentive scheme
- Investment to launch new product initiatives (services to self-licensed advice firms, equity in firms)

Wealth Solutions Overview

The Wealth Solutions division performed strongly, with Net Revenue up 30% to \$7.52m and Underlying Profit up 31% to \$1.86m.

Net Revenue from Authorised Representatives (AR) increased by 57% to \$4.04m which included a full contribution of Paragem Pty Ltd, acquired 1 February 2021, while LAR revenue fell to \$0.55m due to FASEA driven departures (expected to stabilise in 2H). The corresponding benefit from this shift was a material improvement in net licensee revenue per adviser.

The CARE managed portfolios delivered 37% growth in revenue to \$2.81m, with \$2.28bn funds under management (**FUM**) at balance date. This represents a sustained multi-year trend of high growth.

Accounting Solutions Overview

The Accounting Solutions division largely retained the uplift experienced in pcp, with Net Revenue from continuing operations at \$7.26m (1H21: \$7.47m), and Underlying Profit down 7% to \$2.85m (1H21: \$3.06m). Whilst the operating businesses performed well albeit with some reinvestment required to support prior year growth, the difference reflects the one-off stimulus received by Tax Banter in pcp. When adjusting for this, Underlying Profit from the division's continuing operations increased by 6% and Net Revenue by 2%.

Knowledge Shop continues to grow membership with revenue increasing by 13% to \$3.06m. Training revenue fell by 5% to \$4.15m, however this was primarily a result of a particularly strong pcp for the Knowledge Shop business due to higher demand for online training on the Federal Government's stimulus related topics.

Cash flow

Net cash flow from operating activities was \$3.03m (1H21: \$4.66m). This result, whilst lower, is in line with earnings and includes \$1.53m in tax payments for FY21 compared to \$0.80m in pcp. This also represents a continued multi-year improvement in cash flow generated from operations at 31% compound annual growth rate (CAGR) over three years.

³ Underlying Profit is Normalised Earnings before Interest, Tax and Amortisation. Underlying Profit is a non-IFRS measure and is used by the Company to assess performance as it excludes non-cash amortisation, acquisition/divestment and recapitalisation costs, restructure costs, impairment charges, fair value adjustments, gains/losses on divestments and lease accounting under AASB 16 Leases.

Financial Position

Diverger continues to strengthen its financial position with surplus funds of \$3.66m at balance date (30 June 21: \$2.26m) and net assets of \$39.40m (30 June 21: \$38.63m).

Continued dividends to shareholders

Directors have declared an interim dividend of 1.5 cents per ordinary share, fully franked, consistent with the previous 3 years. The record date for this dividend is 19 April 2022 and it will be paid to shareholders on 26 April 2022.

Diverger rebrand

During the period, the Company completed a rebrand and name change to Diverger Limited. The previous name, 'Easton Investments Limited', no longer reflected the activities or strategic intent of the Company. A refreshed brand with a contemporary look is in keeping with the Company's reset strategy and acknowledges feedback from shareholders.

Outlook and Strategic Intent

In the absence of abnormal events, directors anticipate the full year will see:

- Continued momentum in Wealth Solutions
- Sustainability of Accounting Solutions prior year results
- Statutory metrics above prior year results
- Increased share of earnings to members through buyout of TaxBanter

Board and management's view is that the financial advice and accounting industries represent an attractive investment opportunity in the next 5 years. This opportunity is central to our thinking and how we are positioning Diverger for the next phase, with our 2025 goal to become the leading non institutional provider of services to financial advisers and accountants, with specific targets being to:

1. Triple Net Revenue
2. Grow client base in the high margin Accounting Solutions business by 40%
3. Grow EBITA margin in Wealth Solutions to 40% (on Net Revenue)

Achieving the 2025 goal depends on both increased organic and inorganic results. The Company continues to explore M&A options to accelerate growth, however none have met Board criteria for investment to date.

Other Information

The following information has been released to the market:

1. Appendix 4D - Diverger's Half Year Report for the 6-months ended 31 December 2021
2. Directors Report and Interim Financial Report for the 6-months ended 31 December 2021
3. 1H22 First Half Results presentation dated 24 February 2022.

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