

Prime Financial Group Ltd (ASX:PFG)

ShareCafe Presentation

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aspire, innovate, grow

2022 Highlights

Financial Performance

PFG's (Prime) 2022 full year report summarises our activities and performance for the financial year ended 30 June 2022. It provides a snapshot of our strategy and our operations across all areas of our business.

+15% to
\$7.8m

Underlying EBITDA* Growth

+18% to
\$26.3m

Revenue Growth

+14% to
1.93 cps

Reported Earnings
Per Share (EPS)

+57% to
1.10 cps

Full Year Dividend Up

30%

Margin Maintained

-26% to \$5.2m
(0.67X EBITDA*)

Reduction in Net Debt

+11% to
\$6.1m

Increase in Net
Operating Cashflow

*Underlying EBITDA (members/shareholders)

Other Important Information

Team has grown by 30%+ (flexible operating structure) plus Melbourne office space reduced by 50% (\$300k+ annual saving)

Organic and inorganic initiatives are accelerating as part of Prime's program to scale and differentiate our offering

Full year dividends increased by 57% in FY22 – forecast to increase by 36% in FY23

Share buyback ongoing – 5m shares purchased and approximately \$900k spent to date*

*03 October 2022 closing

Prime's 5 year Performance

- Positive momentum across all metrics

	2022	2021	2020	2019	2018
Underlying EBITDA to members/shareholders (\$,000's)*	7,770	6,778	5,533	4,099	3,772
Reported Profit/(loss) after tax attributable to members/shareholders (\$,000's)	3,814	3,074	2,132	1,315	(1,135)
Basic earnings per share (cents)	1.93	1.69	1.21	0.77	(0.67)
Dividend per share (cents)	1.10	0.70	0.45	0.40	0.90
Share price at the end of the financial year (\$)	0.170	0.097	0.070	0.065	0.125

*Excluding the impact of AASB-16 lease standard for 2019 and prior years.

| Who we are



BRISBANE

SYDNEY

MELBOURNE

Purpose

Empowering you to achieve your aspirations.

Our Services

Integrated Accounting & Business Advisory, Wealth Management, SMSF and Capital Services with over \$1.1 billion of client funds under management (FUM).

Our Operations

Advisory & Capital Group with 130+ team members primarily across Melbourne, Sydney and Brisbane.

Continued focus on growing Melbourne, Sydney and Brisbane for all four service lines.

Centralised Services (IT, Finance, Marketing & HR) based in Melbourne plus an increasing presence in the Philippines to support team growth.

How we are growing

‘Our goal is to double group revenue over three years to \$50 million (FY22: \$26 million) through organic and inorganic activity’



01.

Organically (Across all 4 Service Lines - New Clients & Cross-Referral)



02.

New Revenue Contributors (Accountants & Advisers with an existing client base joining Prime)



03.

New Service Lines (Develop New Services appropriate for Prime's Business, Corporate & Family Group client base)



04.

Acquisitions (Like Intello - First acquisition in 4 years completed on 4 October 2022 - SMSF)



Recent Announcements: October 2022

Prime acquires 100% of Intello

On 4 October 2022 Prime completed the 100% acquisition of Queensland based Intello, a market leading B2B SMSF Administrator providing services to Accountants, Financial Advisers and their clients across Australia

Key transaction details

- Revenue of approximately \$3.0 million per annum
- Full year EBITDA contribution of \$900,000 + (once fully integrated)
- Highly EPS accretive transaction providing strong earnings growth in FY23 and beyond
- Purchase price of approximately \$4.6 million (subject to standard closing adjustments)
- Cash transaction (funded from operating cash flow plus existing and new facilities, whilst remaining within the target Debt to EBITDA range of 0.5 – 1.0 times as measured annually)
- 70% of consideration paid upfront and 30% subject to performance over a twelve month period

Approximately 10% (\$2.8 million) of Prime's FY22 revenue was generated through the SMSF service line. With the addition of Intello (\$3.0 million of annualised revenue) the SMSF service line will represent approximately 20% of group revenue

A photograph of a modern glass skyscraper facade, showing a grid of windows reflecting the sky and surrounding buildings. The image is used as a background for the top half of the slide.

Recent Announcements: October 2022

Completion of new Acquisition Facility

On 4 October 2022

- Prime agreed a new \$10.0 million financing facility with Westpac Banking Corporation (Westpac)
- The facility is to be used for future acquisitions, the first of which was Intello (announced on 4 October 2022 for \$4.6 million)
- Prime now have a total limit of approximately \$20.6 million
- Prime intends to remain in the target Debt to EBITDA range of 0.5 – 1.0 times (measured annually)

Capital Structure & Comparison



Prime's Capital Structure & Investment Information

Market Capitalisation at 20.0 cents at closing on 03 October 2022	\$40.7m
Net debt at 30 June 2022	\$5.2m
Share Price*	20.0 cents
Reported EPS*	1.93 cps
Reported EPS Multiple	10 times
Full Year (Interim + Final) Dividend Per Share	1.10 cps
Full Year Dividend Yield (Fully Franked)	5.5%
Shares on Issue at 30 June 2022	201.6m

Prime's Comparable Companies

Prime's Comparable Companies	ASX Code	Market Cap*
Kelly Partners Group	KPG	\$224m
Centrepont Alliance	CAF	\$48m
Countplus	CUP	\$83m
Diverger	DVR	\$37m
Sequoia Financial Group	SEQ	\$73m
Fiducian Group	FID	\$217m

*At 3 October 2022 closing

Key Financial Information

FY22 vs FY21

Prime's key profitability measure is Underlying EBITDA for members/shareholders. This removes the impact of financing costs, movements in items such as depreciation, amortisation and one-off items, and focuses on the earnings available to shareholders

FY22 Underlying EBITDA (members/shareholders) includes non-recurring expenses of \$0.84 million (this includes a \$0.52 million one-off loss on the derecognition of Right-of-use (ROU) Asset) vs \$0.53 million in FY21

*Please see slide 16 for reconciliation of Reported and Underlying EBITDA to NPAT

**EBITDA is defined as earnings before interest, tax, depreciation and amortisation

Note: Rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

Financial Highlights*

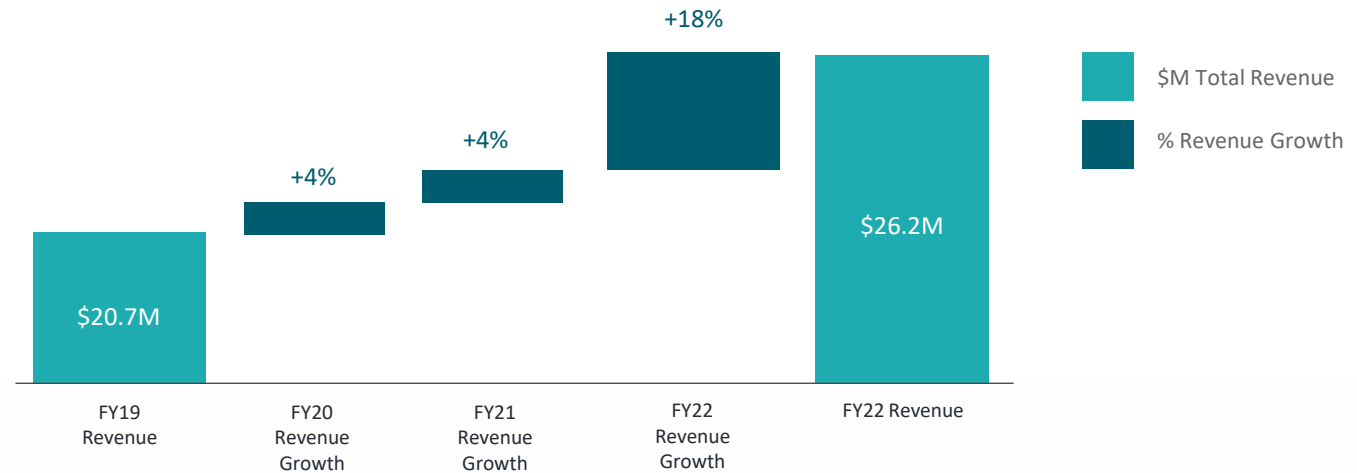
Prime – Members/Shareholders

	FY22	FY21	Change
Underlying			
Revenue – Contracts with Customers	\$26.2m	\$22.3m	18% ↑
EBITDA**	\$7.8m	\$6.8m	15% ↑
Margin	30%	30%	-
Reported			
EBITDA	\$6.9m	\$6.2m	11% ↑
NPAT	\$3.8m	\$3.1m	24% ↑
EPS - cents per share (cps)	1.93	1.69	14% ↑
Interim Dividend (cps) – 1 April 2022	0.50	0.30	67% ↑
Final Dividend (cps) – paid 30 September 2022	0.60	0.40	50% ↑

Revenue Growth & Service Lines

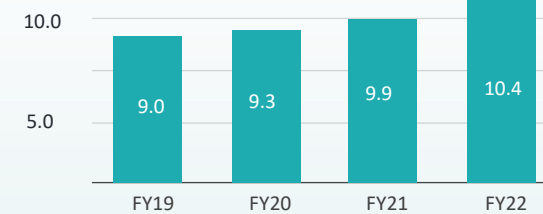
- 80%+ of total revenue is generated from existing customers on a recurring basis
- Revenue growth has accelerated in FY22 (18% - no acquisitions) versus the previous two years (4%)
- OneConnected firm growing revenue 4 ways:
 - Organically
 - New Revenue Contributors
 - New Service Lines
 - Acquisitions

Analysis of Revenue Growth (Contracts with Customers) by Year

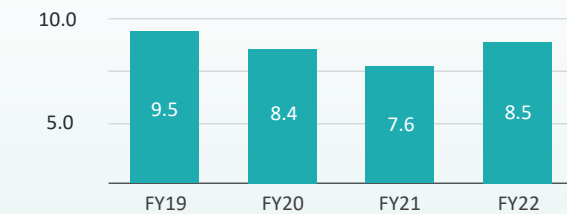


Analysis of Revenue Growth by Service Line (\$M)

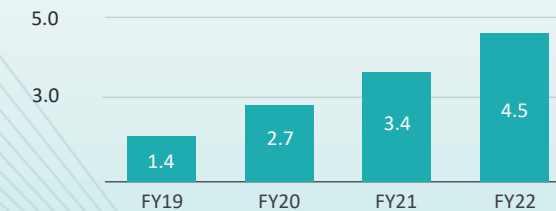
Accounting & Business Advisory



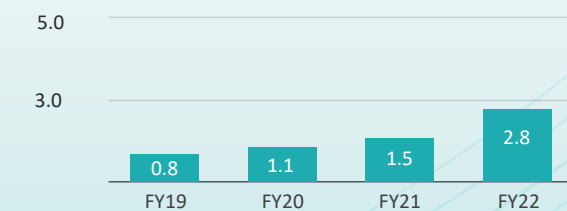
Wealth Management & Protection



Capital & Corporate Advisory



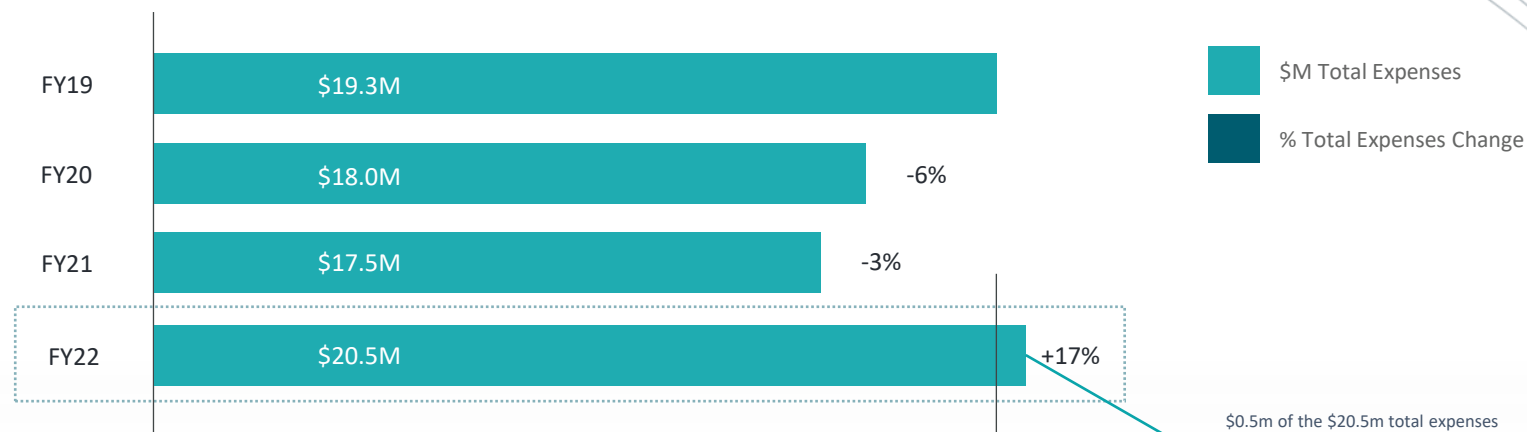
SMSF



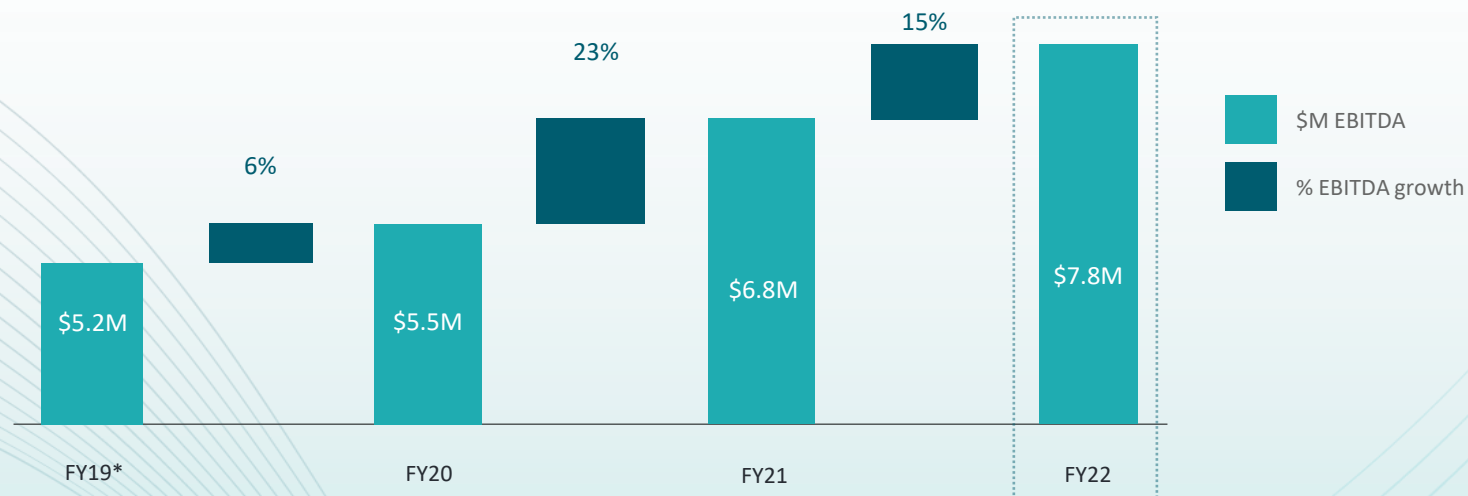
Expenses & EBITDA

- Excluding the \$0.5m loss on derecognition of the ROU Asset (a result of the one-off, non-cash, accounting treatment due to Melbourne office sublease), total expenses increased by 14%
- This increase was substantially an investment in the Prime team to enable Prime's growth strategy

Total Expenses by Year



Underlying EBITDA (members/shareholders) by Year

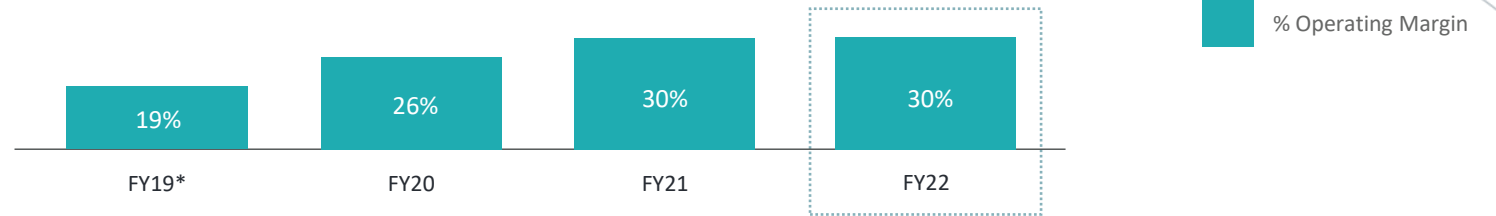


Note: Rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

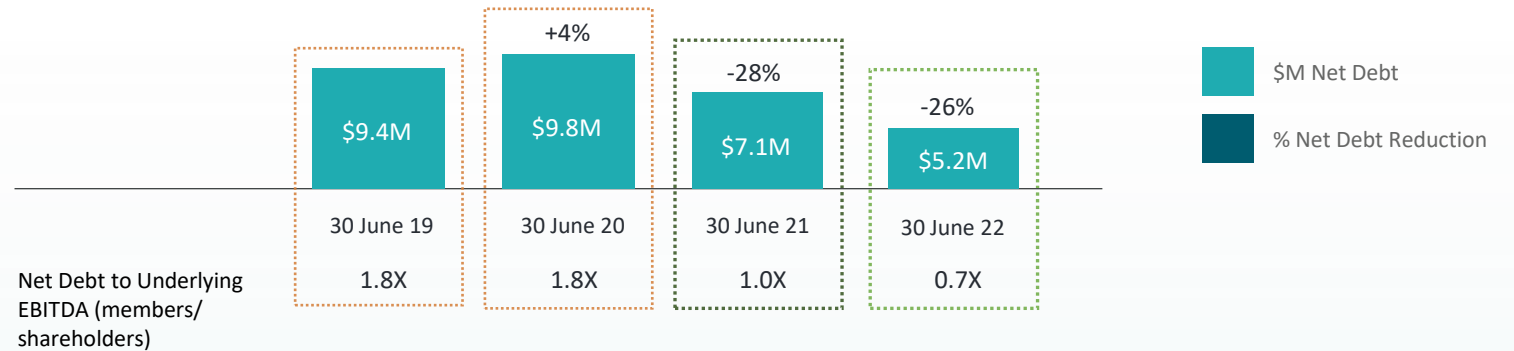
*FY19 pre AASB16 Leases Accounting Standard change

Margin, Cashflow & Net Debt Improvement

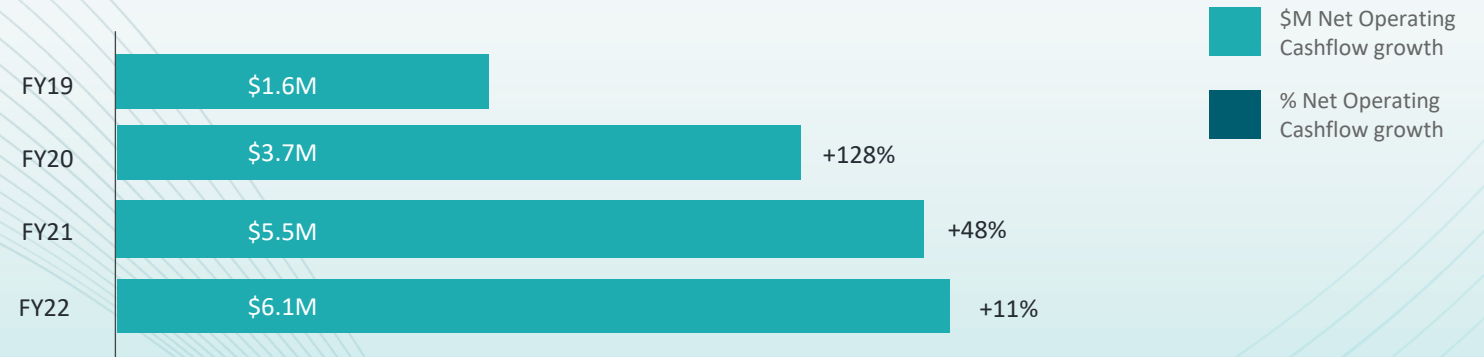
Analysis of Operating Margin by Year



Net Debt by Year



Net Operating Cashflow by Year



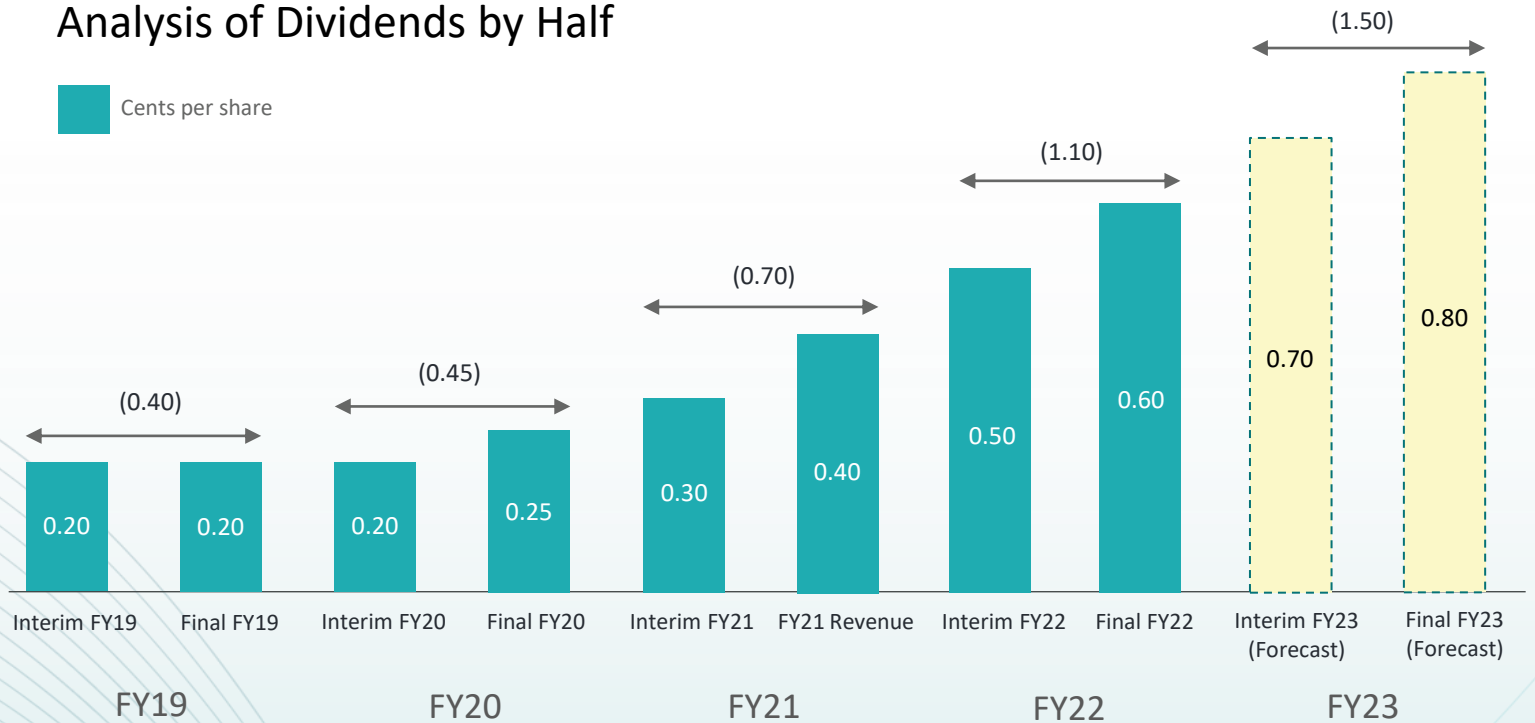
Note: Rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

*FY19 pre AASB16 Leases Accounting Standard change

Dividends

- Target dividend payout ratio of 40 – 60% of reported and maintainable earnings
- FY22 final dividend declared of 0.60 cps (fully franked) vs final dividend of 0.40 cps in FY21 (+50%)
- Excluding the (Loss on derecognition of ROU Asset) \$0.5 million, the Full Year payout ratio is 52%
- FY22 payout ratio of 57% of reported NPAT (members/shareholders)
- Full Year FY23 dividends forecast to increase to 1.50 cps from 1.10 cps (+36%)

Analysis of Dividends by Half



Balance Sheet, Cashflows & Net Debt

- Net debt reduction to \$5.2m (-26%) from \$7.1m at 30 June 2021
- Net operating cashflow of \$6.1 million (+11%)
- Investing cash outflow includes business acquisitions and development expenditure offset by lease payment received
- Financing cash outflow was substantially due to repayment of borrowings, dividends paid to members/shareholders & to non-controlling interests, lease liabilities and buyback
- Prime continues to target a net debt to Underlying EBITDA ratio of 0.5 – 1.0 times, in FY22 this was 0.67 times

Note: Rounding is to nearest AUD \$million and as such subject to rounding differences when calculating variances and totals

Balance Sheet (\$M)

Group	At 30 June 2022	At 30 June 2021
Cash	0.1	0.1
Total assets	59.8	58.3
Borrowings	(5.4)	(7.2)
Total liabilities	(13.1)	(14.6)
Net assets	46.6	43.7
Non-controlling interests	0.6	0.8
Equity attributable to members/shareholders	46.0	42.9
Group net debt	(5.2)	(7.1)

Cashflows – Reported (\$M)

Group	FY22	FY21
Operating cashflows	6.1	5.5
Investing cashflows	(0.8)	(0.8)
Financing cashflows	(5.1)	(4.7)
Net increase/ (decrease) in cash & cash equivalents	0.1	-
Cash	0.1	0.1

| Outlook – FY23

Increased Earnings & Revenue Growth

- Revenue Growth 15%+
- Growth in Underlying EBITDA 5% to 10%
- EPS growth 15%+

Actively exploring Growth Opportunities

- Organic and inorganic initiatives are accelerating as part of Prime's program to scale and differentiate our offering

Increased Dividends - from 1.10cps (FY22) to 1.50cps (FY23) +36%

Forecast:

- Interim Dividend +40% to 0.70cps
- Final Dividend +33% to 0.80cps

Net Debt to Underlying EBITDA to remain within the target range

- 0.5 to 1.0 times

Capital Management

- Buyback commenced on 1 October 2021
- Approx. \$900k spent on the buyback since inception at an average share price of 18.0 cents
- Continue to buyback shares when the share price does not reflect fair value

Other items

- Prime's Team, Equity and Business ownership structure continues to provide alignment and incentive for growth, recruitment, retention and performance improvement



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