

EQUITY STORY GROUP (ASX: EQS)

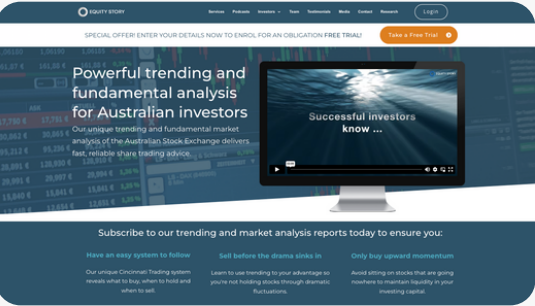
MID YEAR SHAREHOLDER UPDATE

July 2023

EQUITY STORY GROUP LTD (ASX: EQS)

THE STORY SO FAR

Founded
2014



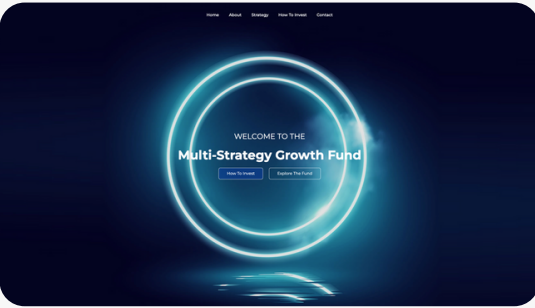
Equity Story
Investment
Advice

Commenced
2018



Cincinnati Trading
Method Investing
Education

Established
2020



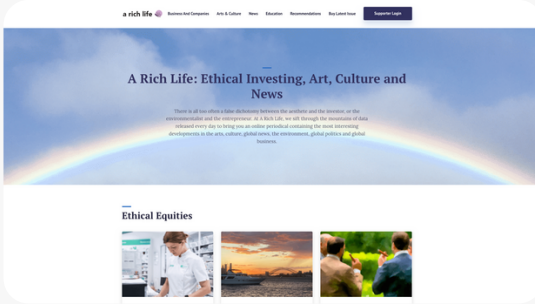
Equity Story
Growth Fund

Listed
2022



Equity Story
Group Ltd

Acquired
2022



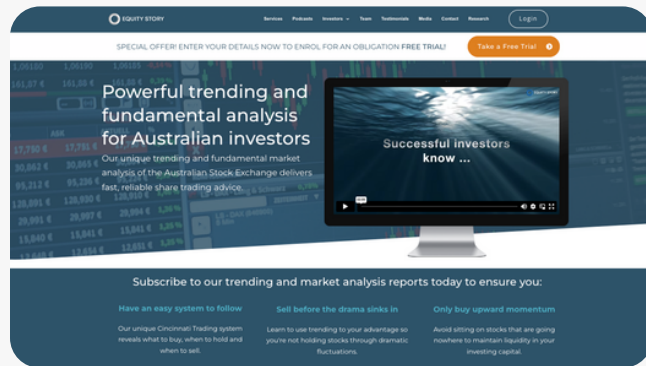
A Rich Life

Launched
2022



Equity Story
Securities

UPDATE ON ACTIVITY OF CURRENT ENTITIES



EQUITY STORY PTY LTD: INVESTING ANALYSIS & ADVICE

Strategic initiatives have been implemented to grow subscribers, including new membership levels and marketing strategies, while streamlining operating costs.

Overall subscriber numbers have increased by 20% since March 2023 following the implementation of the new strategies.



CINCINNATI TRADING METHOD EDUCATION: INVESTMENT & STRATEGY EDUCATION

Cincinnati Trading Method (CTM) continues to see moderate growth, which is expected to increase with the introduction of new sales representatives and processes. As the need for successful investing grows more critical in the current climate, so too does the need for quality education and training in successful investing strategies.



A RICH LIFE: EQUITIES AND CULTURAL CONTENT & COMMENTARY

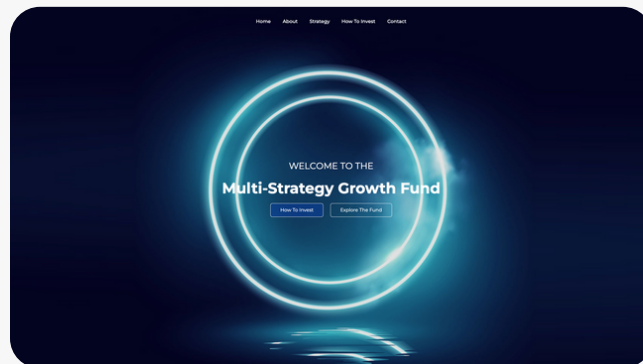
The Company's first acquisition, A Rich Life (ARL), continues to gain momentum. Lead analyst Claude Walker is continuing to raise the profile of the business with frequent guest appearances on industry specific media, while managing contributors and content to continue to provide excellent value to ARL members.

UPDATE ON ACTIVITY OF CURRENT ENTITIES



EQUITY STORY SECURITIES: CORPORATE CAPITAL RAISING & DISTRIBUTION

Equity Story Securities (ESS) is currently finalising agreements with Sanlam Private Wealth Pty Ltd and FinClear Pty Ltd to launch the Company's wealth management division. This is a very exciting development for the business, with promising potential for growth through funds under advice. From a capital raising perspective, ESS continues to provide clients with strictly vetted, quality offerings which are being well received.



EQUITY STORY GROWTH FUND: MANAGED WHOLESALE & RETAIL GROWTH FUND

With strong performance against the Small Cap Ordinaries Index and ASX200 in the first quarter 2023, the Fund has commenced work on mandates that could enable larger inflows of investor funds. As the Fund heads toward its three-year mark, this will help facilitate larger inflows of investor funds.

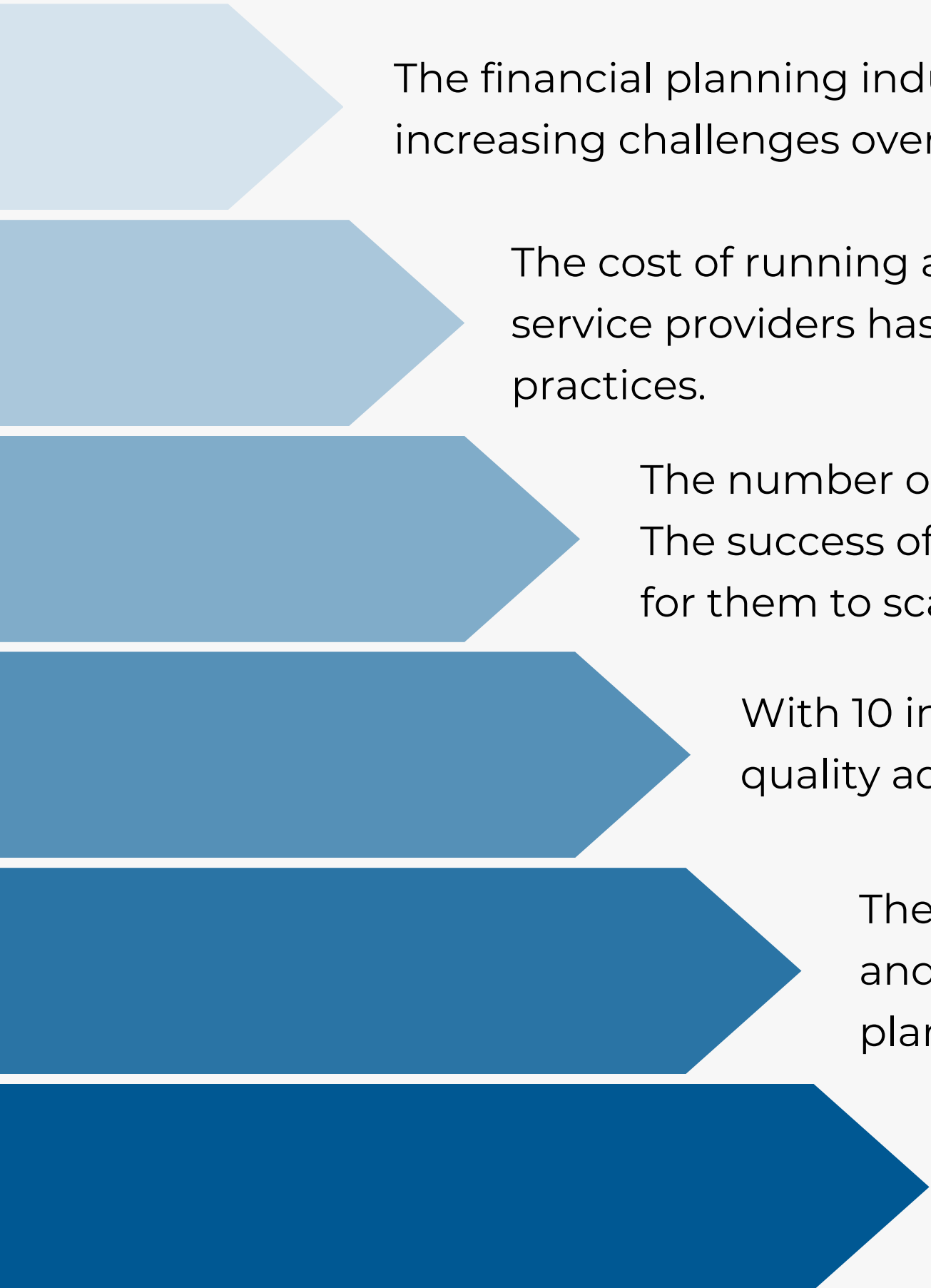


EQUITY STORY

FINANCIAL PLANNING

Equity Story Group is now launching Equity Story Financial Planning – an additional complementary business unit and next step in the Company's blueprint to grow through strategic acquisitions in the financial services space.

THE OPPORTUNITY IN FINANCIAL PLANNING



The financial planning industry has gone through significant change and has faced increasing challenges over the last 5-10 years.

The cost of running a practice has increased, while staff retention and support from service providers has decreased, resulting the need for corporatised, scalable practices.

The number of advisors has decreased, resulting in more client demand per advisor. The success of practices will depend on finding a partner to provide the infrastructure for them to scale effectively and to provide succession planning.

With 10 interest rate rises in less than 12 months and rising inflation, the need for quality advice is more critical than ever.

The opportunity is to consolidate and merge multiple boutique wealth management and financial planning practices to take advantage of dislocation in the financial planning market.

Practices will require capital and expertise to achieve this, but there is a substantial growth opportunity and investment return possible for the consolidator, including operating synergies and cross-selling potential.

EQUITY STORY GROUP'S POSITION IN THIS LANDSCAPE

- There is a market opportunity to build a professional services financial planning practice. There are large numbers of advisers leaving the industry, changes of advisers between AFSL groups and self licensees trying to find an appropriate home moving forward.
- The industry is dominated by singular individual practice leaders who have personal relationships with clients.
- A large number of Australians do not have, or cannot access, financial advice. The question is, who will look after them? Consolidating a group of planner practices over time makes sense to address what will be a growing need for financial advice.
- EQS's strategy for acquisitions will be to acquire majority (51%+) or significant minority stakes to ensure the practice planner vendor and team stays engaged and shares in the upside growth in a larger practice context.
- EQS is well placed as a listed entity in the wealth management environment to acquire stakes in practices and complementary services.

WHAT IS EQUITY STORY GROUP PLANNING ON DOING?

As per the Key Business Strategies of the Company (as outlined in its listing prospectus), EQS is looking to pursue non-organic growth opportunities, including value adding acquisitions and expansion into new verticals and adjacent businesses. As such EQS is proposing to acquire either +51% stakes in financial planning businesses, or significant minority stakes with a pathway to control.

Any acquisition will be funded by a combination of equity and debt funding.

The long-term goal is for EQS to:

- consolidate revenue and earnings
- cross sell core services
- increase funds under advice/management
- offer new opportunities to planning clients
- offer related services to all clients
- seek ASX valuation reassessment based on comparable multiples

CREATING SHAREHOLDER VALUE THROUGH STRATEGIC ACQUISITION

Companies Growing Through Strategic Acquisitions

COMPANY NAME	PE MULTIPLE
Kelly Partners Group Holdings Limited (ASX: KPG)	45.40
CountPlus Limited (ASX: CUP)	38.93
AUB Group Limited (ASX: AUB)	32.98
Focus Financial Partners Inc (NASDAQ: FOCS)	27.00
Average PE Multiple	36.08

Examples of Viable Acquisitions

COMPANY NAME	PE MULTIPLE
Practice 1 20% stake to build to 50% over 18 months with targeted acquisitions within business. Practice Revenue: \$2.8m; EBITDA \$1.1m	9.7
Practice 2 51% stake with seller to use proceeds to co-invest in subsequent acquisitions in the pipeline. Practice Revenue: \$1.2m, EBITDA \$0.7m	9.6
Practice 3 100% stake, strategic purchase. Practice Revenue: \$0.5m, EBITDA \$0.2m	4.9
Average PE Multiple	8.06

ATTRIBUTES OF PROSPECTIVE TARGET PRACTICES

**Primarily
successful
boutique owner-
managed practices
looking for partial
exit to ASX-listed
partner**

**Pipeline consists
of long-standing,
industry award
winning practices**

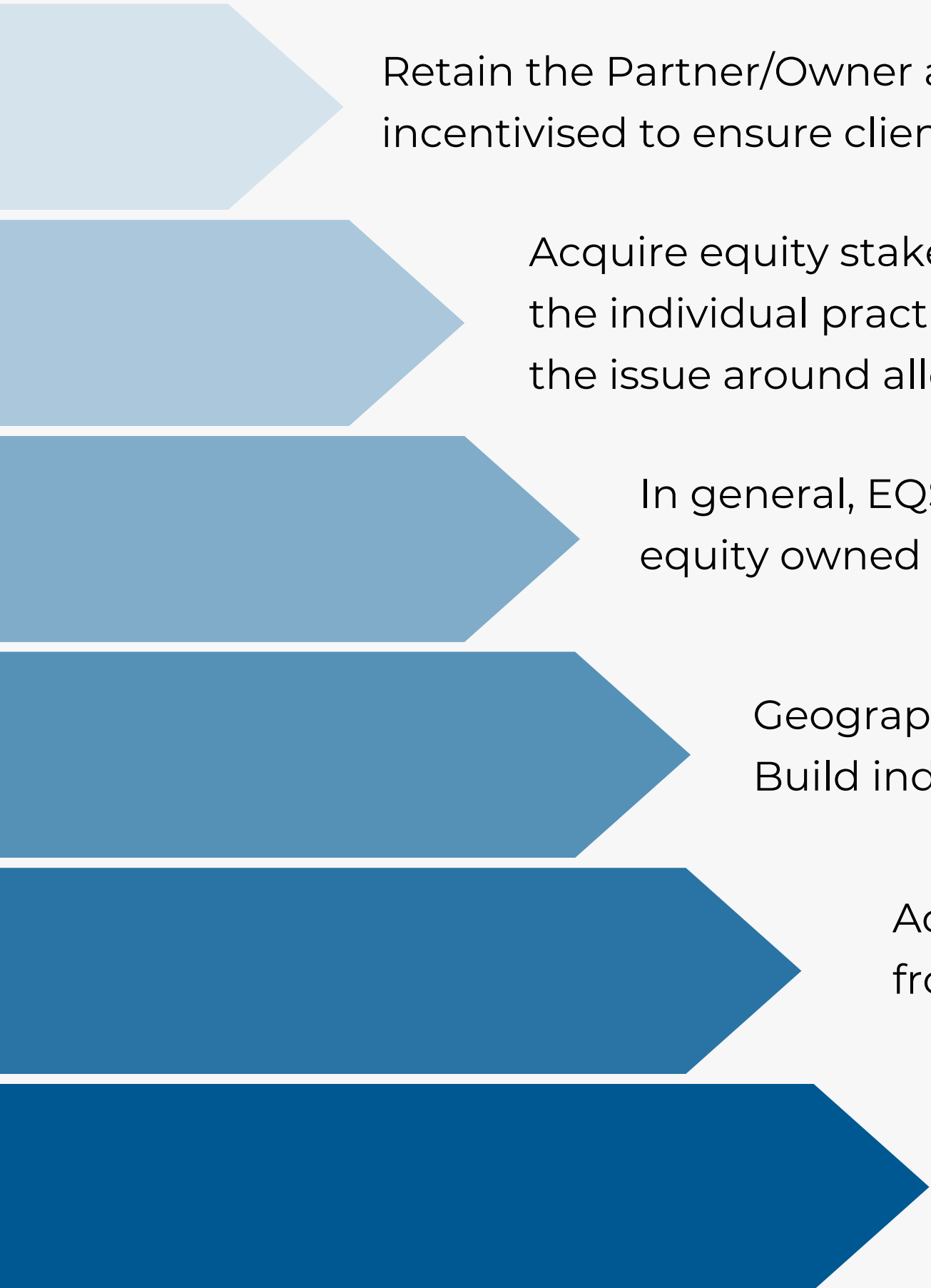
**Initial three practices
have over \$700m
Funds Under Advice
and over 1,200 client
groups**

**Initial pipeline of
over 30 practices
have expressed
interest to be part
of Equity Story
Financial Planning**

**Practices have an
average target
PE of 11x**

**Due diligence
underway on select
practices**

POST ACQUISITION PLAN



Retain the Partner/Owner as the driver for each practice: partner is appropriately incentivised to ensure client retention and growth.

Acquire equity stakes in a number of different practices. This way there is direct alignment between the individual practice performance and the dividend/return for the adviser. Additionally, this removes the issue around allocated fixed costs.

In general, EQS would seek to own at least 51% of each practice with the remaining equity owned by the practice, with all key advisers retaining equity in the business.

Geographic or industry focus split for each practice (eg: Sydney, Melbourne, Perth, Regional). Build industry expertise and client-centric solutions attributed to particular industries.

Achieve scale and improved shareholder returns through growth of each practice from a primarily 1 or 2 adviser practice to a mid-tier firm.

Apply skill and expertise to build out practice scale and identifying organic growth opportunities, financial planners and client books to bring together.

EXPERIENCED LEADERSHIP DRIVES SUCCESS

Michael Peters will be appointed CEO of Equity Story Financial Planning.

Michael brings enormous depth of experience and expertise in Financial Planning having spent over 30 years in wealth management, M&A and finance. Michael has a substantial presence in the industry and has nurtured connections that will be invaluable to this enterprise.

Michael holds a Masters of Business and a Bachelor of Commerce (Honours) working at Ernst & Young and PWC in New York. He then moved into roles in multinational organisations: ING (Head of Financial Services & Accounting); CBA (Head of Corporate Finance); ANZ (Head of Lending and M&A, Global Wealth); and consulted to Macquarie Bank for the acquisition of wealth management businesses.

Following this, Michael branched out to establish his own financial planning and accounting practice.

On the back of this, he joined Quantum (now part of Paragon Care Ltd, ASX: PGC) as CFO and to lead business restructuring, investor relations and acquisitions which resulted in growth from a \$17 million valuation to over \$90 million across 3 years.

Michael is integral to the implementation of the overall financial strategy and fiduciary obligations of Equity Story Group to its shareholders, and his transition into management of the Financial Planning division is expected to be seamless.



"I'm looking forward to replicating the results achieved with Quantum and confident in the potential of solid growth through sensible acquisition of reputable and profitable financial planners."

PROPOSED FUNDING FOR THE STRATEGY

- The Company intends funding its strategy in tranches as required, depending on the timing of acquisition opportunities.
- EQS is planning to initially to raise debt funding of up to \$5.0 million via a fixed coupon bond issue from sophisticated and wholesale investors.
- Fixed Coupon Bonds will have a 5-year tenor and an annual coupon of 10% plus free attaching options.
- EQS is currently in discussions with multiple investors, brokers and advisors for distribution of the Bonds.
- The Bond Issue is expected to be finalised by the end of July 2023.

FROM THE EQUITY STORY GROUP CEO



Over 20 years
business & executive
experience

BA (Hons)

BSc (Hons)

Diploma in Financial
Markets through the
Securities Institute
of Australia

"The addition of Equity Story Financial Planning as another subsidiary of the Group will add as additional revenue model to the Company. We note the success of Kelly Partners and AUB Group over the last five years, using similar models.

With Equity Story's core business in share trading advice, education, and securities we are even more excited about the synergies and potential for clients to take advantage of the complete suite of financial and education services that these acquisitions will provide.

Overall, the sentiment in the market is for a move away from companies that trade in paper dreams to companies that enjoy dependable, recurring revenues like financial planners.

Equity Story Group expressed its strategy to grow through profitable acquisitions in its Prospectus, focusing on opportunities with potential for growth through creating market-leading practices, dedicated to delivering client-centric solutions under Michael Peters' skilled guidance and using his industry expertise."

David Tildesley

SUMMARY

- EQS is expanding its investment advice services by moving into financial planning and wealth management.
- This is a logical extension of the core business units and consistent with the strategy outlined prior to the Company listing on the ASX in May 2022.
- There are many boutique planner practices that are seeking to consolidate and would benefit from merging into a diversified platform such as EQS, which offers a range of investment services.
- Many Australians, especially younger generations, are not accessing financial advice currently and this is expected to be a growth market in the decade ahead.
- EQS has the expertise to acquire and operate financial planning practices, led by experienced executive, Michael Peters.
- The Company has engaged in acquisition discussions over recent months with multiple targets and has a clear plan to grow the new unit in stages.
- EQS is undertaking a bond issue to raise funding for the initial acquisitions, to be completed by the end of July 2023.
- Further updates will be provided by the Company as it progresses the strategy further.

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