

ASX Release 1 October 2019

FY2019 – Results Announcement

Successful transformational restructure delivers significant turnaround

Revenue from ordinary activities up more than 42%

Spring FG Limited (the Company or the Group) last night lodged its audited financial statements for FY2019 with the results in line with the Company's preliminary unaudited results as released on 26 August 2019.

Continued improvements in revenue (and reductions in expenses) throughout the year produced a result that was a considerable turnaround on FY2018. The Company expects this positive trend to continue across FY2020 and beyond as its focus on business-to-business (B2B) activities (which involve predominately recurring revenue) increases further, signalling a return to sustainable profitability.

The Group's total revenue from ordinary activities was up by 42% on the prior year to \$10.45M (FY2018 \$7.38M). Total revenue and other income (which in FY2018 included \$1.83M from the Group's sale a risk insurance register) was up 13.7% to \$10.64M (FY2018 \$9.35M).

Cost of sales increased 57% year-on-year to \$5.13M (FY2018 \$3.27M) reflecting the significant increase in Revenue from Ordinary activities and the Group's increased B2B focus and success.

For FY2019 total operational expenses (excluding depreciation, amortisation, interest expense and tax) were down by 28% to \$6.03M (FY2018 \$8.52M), with H2 FY2019 being down nearly 10% on the first half, as rationalisation measures continued to be implemented and flow through as cost reductions.

Continued improvements in revenue (and reduction in expenses) throughout the year resulted in an operating profit (before depreciation, amortisation, interest and tax) of \$0.295M for H2 (H1 loss of \$0.820M) and therefore a full year operating loss of \$0.525M, a significant turnaround from the prior year (FY2018 loss of \$2.434M). NPAT for the full year was \$(929)k, against a H1 FY2019 NPAT of \$(855)k, thanks to intra-year improvements, and a significant turnaround from the FY2018 full year loss of \$4.33M.

Transformational restructure

Over the past 18 months the Group has undergone a successful transformational restructure of its business and operations to reduce its focus and reliance on business-to-consumer (B2C) and non-recurring revenue, to emerge as a primarily business-to-business (B2B) focussed enterprise targeting predominately recurring revenue lines, through the Group's Wealth Today Pty Ltd subsidiary which has nearly tripled its adviser numbers in the past 18 months to more than 110 advisers.

Concurrently the Group has rationalised its B2C financial advice and wealth management operations conducted under the Spring Financial Group banner (that employ salaried personnel), and achieved significant reductions in fixed overheads, in particular across employment expenses, and B2C advertising & marketing costs.

Unprecedented expansion opportunity

Upheaval in the financial advice industry, fuelled in large part by the revelations and findings of last year's Royal Commission into the industry, has seen the beginning-of-the-end of institutionally-owned advice as it has been known, creating significant expansion opportunity for the Company.

Financial product manufacturers, including AMP, NAB-owned MLC and other major banks are now drastically reducing, closing or selling their advice networks. This unwinding of networks is leaving many highly experienced and qualified advisers and countless of their clients "homeless". They will need a professional, efficient dealer group to support their businesses.

The Company's strategic transformation has positioned it to capitalise on this industry disruption and it is anticipating further significant growth in adviser numbers, and revenue over the next 12-18 months.

SPRING FG LIMITED - (ASX: SFL)

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To reflect its strategic transformation, and to ensure it is best positioned to capitalise on the growth opportunities before it, the Company is undertaking a series of material corporate actions, as summarised below and as were fully detailed via releases and notices lodged with the ASX last Friday, 27 September 2019.

Extraordinary General Meeting (EGM)

The Group has lodged a draft Notice of Extraordinary General Meeting (EGM) to be held on or about Friday 8 November 2019 with the ASX for approval. The matters to be put to the meeting are as follows:

Name change (and pending new ASX code)

The first resolution to be put to the meeting will be to change the name of the Company from Spring FG Limited to WT Financial Group Limited to reflect the evolution of the Group to include a much greater focus on the provision of licensing and support services on a “business-to-business” basis.

The Company has reserved the ASX code of WTL for use subject to, and from the date of, approval of the name change.

Convertible Note issue

The second resolution to be put before the meeting will be to approve the issue of Convertible Notes to raise up to \$2.6M. If approved and fully subscribed the notes will be issued to wholesale and sophisticated investors and will be convertible to up to a maximum of 40,000,000 shares at between \$0.065 and \$0.085 per share.

Share Purchase Plan

The Company has also lodged a notice of a Share Purchase Plan (SPP) to provide shareholders who were on the register as at 26 September 2019, including those who would not be able to participate in the Convertible Note issue, the opportunity to acquire a minimum of \$2,000 and up to \$30,000 of new fully paid ordinary shares in the Company with no transaction or brokerage costs.

Eligible shareholders who participate in the SPP will be able to acquire the Company’s shares at an issue price of A\$0.05 per share, which represents a discount of 9.8% to the closing price on 26 September 2019, and a 30% discount to the minimum conversion price of the proposed Convertible Note issue.

The SPP is scheduled to open on Friday 4 October 2019 and is expected to close on Tuesday 22 October 2019.

The terms and conditions of the SPP will be set out in an offer booklet which is expected to be dispatched in electronic and printed forms to eligible shareholders later this week.

ENDS

Further information:

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