

## WT FINANCIAL GROUP LIMITED (ASX: WTL)

### ASX Release 28 February 2020

#### Half-year to 31 December 2019 – Financial Statements

##### *Restructure and growth deliver turnaround and return to profitability*

WT Financial Group Limited (the Company or the Group) today released its Interim Report for the half-year to 31 December 2019, which in line with recent guidance show a return to profitability, with continued revenue growth and further reductions in operating expenses having delivered a significant turnaround in financial performance.

Key components of the results are provided below. All comparisons are to the prior corresponding period (PCP) of the six months to 31 December 2018.

##### **Summary results**

- Total revenue and other income increased 25.4% to \$6.22M (H1FY2019: \$4.96M) with revenue from ordinary activities increasing 23% to \$6.03M (H1FY2019: \$4.92M)
- Operating expenses were down 21% to \$2.56M (H1FY2019: \$3.23M) as the Group continued its restructuring efforts, with the most significant improvement in employment expenses which were down 31% to \$1.32M. Rental expenses were steady (down 2%) to \$446k, reflecting current contractual lease commitments (further below).
- Cost of goods sold increased 25% to \$3.19M (H1FY2019: \$2.55M) in-line with revenue growth and primarily reflecting revenue share paid to non-salaried advisers in the Group's Wealth Today operations.
- The above resulted in an EBITDA profit of \$466K, as compared to an EBITDA loss for the PCP (H1FY2019 loss \$821K).
- Finance costs were down 11% on the PCP to \$119k, and depreciation & amortisation was up 7% on the PCP to \$241k.
- Resulting in a NPBT of \$107k, a significant turnaround as compared to a NPBT result of a loss of \$1.18M for the PCP.
- Income tax expenses were \$45K (H1FY2019: benefit \$324K) resulting in a consolidated profit of the Group after providing for income tax for H1FY2020 of \$61,431 (H1FY2019: loss \$855,471).

##### **Matters impacting the Results**

Over the past two years the Group has undergone a transformational restructure to reduce its focus and reliance on business-to-consumer (B2C) and non-recurring revenue, to emerge as a primarily business-to-business (B2B) focused enterprise targeting predominately recurring revenue lines.

Central to its strategic transformation has been the acquisition of the Group's Wealth Today Pty Ltd (Wealth Today) subsidiary which provides a comprehensive range of "dealer group" services to financial advisers who are independent business operators acting as authorised representatives. Wealth Today adviser numbers have nearly tripled over the past 18 months and now exceed 120 advisers.

The Company's strategic transformation is enabling it to capitalise on the industry disruption created by the unravelling of institutional advice models which is seeing literally thousands of advisers search for a new dealer group, and providing a substantial expansion opportunity for the Company as was more fully detailed in a market update provided by the Company on 26 August 2019.

##### **Further information:**

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The Director's consider that advisers are choosing to join Wealth Today because of its commitment to adviser and consumer education and training, its significant range of client engagement and client recruitment tools, and its collaborative approach to supporting their practices.

Concurrently the Group has rationalised its B2C financial advice and wealth management operations conducted under the Spring Financial Group banner, which has helped deliver the significant cost reductions noted above.

The Directors consider that there remains further room for cost reductions with significant reductions in rental expenses over time as the Group exits existing surplus office accommodation, which it has appointed Sydney and Melbourne agents to actively market. Once exited (over the next 12-18 months) the Directors expect total rental expense to reduce by around 50% to circa \$30k per month.

#### **About WT Financial Group Limited**

WT Financial Group is a diversified financial services group. Its advice and product offerings are delivered primarily through a group of independent financial advisers operating as authorised representatives under its Wealth Today Pty Ltd subsidiary. The Group's B2C division delivers a range of services directly to wholesale and retail clients through the Spring Financial Group brand, encompassing financial planning, accounting & tax services, mortgage finance services, and investment and asset management. The B2C division also operates the *mymoney247* personal financial management "fintech" platform.

The Group offers market-leading financial education and market information services for advisers and consumers through the operation of its sharecafe.com.au website, regular seminar programs, and the publication of its Wealthadviser library of more than 100 financial literacy eBooks on a broad range of financial an investment market topics.

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