

1. Company Details

Name of entity:	WT Financial Group Limited
ABN:	87 169 037 058
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results of announcement to the market

		\$'000
Revenue from ordinary activities	up 20% to	12,741
Operating profit (before depreciation, amortisation, interest and tax)	up 311% to	1,108
Normalised net loss before tax	down 98% to	(29)
Loss after tax from ordinary activities attributable to the owners of WT Financial Group Limited	down 8% to	(729)

This report should be read in conjunction with any public announcements made in the period by WT Financial Group Limited in accordance with ASX Listing Rules.

Commentary

Over the past two-and-a-half 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.

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

The strategic transformation has seen the Company return to positive operating cashflow and deliver a significant turnaround in operating profit. Further improvement is anticipated across FY2021 and beyond.

FY2020 Preliminary Results (unaudited)

Total Revenue & Other Income was up 20% to \$12.74M (FY2019 \$10.64M).

With B2B revenue up nearly 70% to \$8.37M (FY2019: \$4.96M), and recurring revenue up more than 30% to \$8.65M (FY2019 \$6.59M).

The Group's B2B success increased Direct Cost of Sales by 32% year-on-year to \$6.75M (FY2019 \$5.13M), in line with its strategic focus.

Total Operating Expenses (excluding depreciation, amortisation, interest and tax) were down 19% to \$4.88M (FY2019 \$6.04M), with further improvement anticipated.

Resulting in a more than 311% improvement in Operating Profit (EBITDA) to \$1.11M, as compared to an EBITDA loss of \$524k for FY2019, underscoring the success of the Group's transformational restructure.

Finance costs increased 6% to \$266k (FY2019 \$250k), while depreciation and amortisation increased 109% to \$871k (FY2019 \$417k) resulting in a normalised NPBT result of a loss of \$29k, a 98% improvement over the prior year (FY2019 loss of \$1.19M).

After accounting for a one-off write-down of the sale price of the Group's internal SMSF administration operation (detailed below) the NPAT result was a loss of \$729k, a 22% improvement on the prior year (FY2019 loss of \$929k).

Positive Cashflow

Cashflow from operating activities was positive \$321k. The Company paid down borrowings by \$210k and net cash increased by \$396k with cash and cash equivalents being \$1.41M at 30 June 2020.

Details of one-off write down impacting NPAT

In 2017, the Group sold its internal SMSF administration operations for a total consideration of \$1.695M (Sale Price). The sale agreement included a deferred consideration over time from the buyer. At the time, in accordance with AASB 15, the Group recognised a discounted amount of \$1.361M in other revenue to reflect a financing component relative to the deferred consideration.

The sale included an ongoing contractual obligation for the Group to outsource certain SMSF administration requirements of its Spring FG Accounting Pty Ltd subsidiary to the buyer for a period of not less than five-years, under a fixed price contract (SMSF Contract).

The Group has finalised the restructuring of the SMSF Contract, with the following impacts:

The annual cost of services provided to the Group by the buyer under the SMSF Contract were reduced significantly, representing a total gain for the Group of \$1.24M across FY2020 to FY2022.

This comprised a \$452k reduction for FY2020; and a further \$396k pa for each of the remaining two-years of the contract term for a total future saving to the Group of \$792k that will be realised through the Company's profit & loss statements across FY2021 and FY2022.

In consideration of the restructured arrangements, the 2017 Sale Price has been reduced to \$913,000, resulting in an outstanding vendor financed component of \$789k having been written down to zero. This amount has been recorded in the Company's FY2020 accounts as a one-off write down, negatively impacting the Company's FY2020 NPAT by a net \$709k after accounting for the resulting tax benefit.

The net cash impact of restructuring the SMSF Contract (and adjusting the Sale Price) however will be positive \$451k across the three years to FY2022 and provides the Group with considerably increased flexibility with this B2C subsidiary, in furtherance of its restructure to a predominately B2B focused enterprise.

Audited financial statements

The Company's financial statements are in the process of being audited. The Company expects to release its audited financial statements on or around 25 September 2020. It does not anticipate any material variance from the unaudited results provided herein.

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3. Consolidated Statement of Profit & Loss and Other Comprehensive Income

Year ended 30 June	2020	2019
	\$'000	\$'000
Revenue & other income	12,741	10,640
Direct costs to generate revenue	(6,746)	(5,127)
Employment expenses	(2,876)	(3,481)
Advertising & marketing expenses	(155)	(352)
Professional & consulting fees	(403)	(283)
Rental expenses	(381)	(927)
Other operating expenses	(1,072)	(995)
Total expenses	(11,633)	(11,164)
EBITDA	1,108	(525)
Finance Costs	(266)	(250)
Depreciation & amortisation	(871)	(417)
Loss on disposal of fixed assets	-	(2)
Normalised profit before income tax	(29)	(1,194)
SMSF admin sale price adjustment	(789)	-
Profit before income tax	(818)	(1,194)
Income tax benefit	89	265
Profit after income tax benefit for the year	(729)	(929)

WT Financial Group Limited (ASX: WTL)
 28 August 2020
 Appendix 4E
 Preliminary Final Report FY2020

4. Consolidation Statement of Financial Position

As at 30 June	2020	2019
	\$'000	\$'000
CURRENT ASSETS		
Cash & cash equivalents	1,413	1,045
Trade & other receivables	1,865	1,557
Other assets	153	613
TOTAL CURRENT ASSETS	3,431	3,215
NON-CURRENT ASSETS		
Trade & other receivables	-	467
Plant & equipment	880	487
Deferred tax assets	3,406	3,326
Investments	-	325
Goodwill & intangible assets	6,852	7,027
TOTAL NON-CURRENT ASSETS	11,138	11,632
TOTAL ASSETS	14,569	14,847
CURRENT LIABILITIES		
Trade & other payables	2,021	2,013
Provisions	172	155
Borrowings	150	290
Other liabilities	237	135
Current tax liabilities	292	292
TOTAL CURRENT LIABILITIES	2,872	2,885
NON-CURRENT LIABILITIES		
Trade and other payables	345	223
Provisions	154	128
Unsecured Borrowings	555	625
Secured Borrowings	514	514
Deferred tax liabilities	1,871	1,883
TOTAL NON - CURRENT LIABILITIES	3,439	3,373
TOTAL LIABILITIES	6,311	6,258
NET ASSETS	8,258	8,589
EQUITY		
Issued capital	19,293	18,895
Reserves	27	27
Accumulated profit/loss	(4,235)	(3,506)
Accumulated dividends	(6,827)	(6,827)
TOTAL EQUITY	8,258	8,589

5. Consolidated Statement of Cash Flows

	2020	2019
Year ended 30 June	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	15,091	12,035
Payment to supplies and employees	(14,669)	(12,595)
Net interest (paid) / received	(101)	(176)
Income taxes (paid) / received	-	1,382
Net cash provided by operating activities	321	646
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant, equipment & intangibles	100	353
Payments received - related parties	(240)	(172)
Net cash (used) / provided by investing activities	(140)	181
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	(210)	(1,025)
Issue of shares	398	-
Net cash (used) / provided by financing activities	188	(1,025)
Net increase / (decrease) in cash and cash equivalents held	369	(198)
Cash and cash equivalents at the beginning of the year	1,045	1,243
Cash and cash equivalents at the end of the year	1,414	1,045

6. Consolidated Statement of Retained Earning and Changes in Equity

	Ordinary Shares	Retained Earnings	Option Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	18,895	(10,333)	27	8,589
Issue of shares	398	-	-	398
Profit attributed to members of parent entity	-	(729)	-	(729)
Balance at 30 June 2020	19,293	(11,062)	27	8,258

7. Dividends

No dividends were declared or paid for FY2020.

Earnings per share	Reporting period (cents)	Previous period (cents)
Basic Earnings per share *	(0.493)	(0.651)
Diluted earnings per share *	(0.493)	(0.651)

	Reporting period (number)	Reporting period (number)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	147,805,296	142,590,870

The Company retains its policy to pay fully-franked dividends at least annually, subject to available profit and cashflow.

8. Dividend Reinvestment Plan

The Company operates a Dividend Reinvestment Plan (DRP). The DRP was fully applicable to the FY2018 final paid during the period.

9. Net Tangible Assets

	Reporting period (\$)	Previous period (\$)
Net tangible assets per ordinary share	\$0.004	\$0.011

10. Change in control over entities

Name of entity	Spring FG Digital Pty Ltd
Date Control lost	by sale of 50% interest on 19 June 2020

11. Control over entities

Name of entities	2020 % owned	2019 % owned
Wealth Today Pty Ltd	100	100
WT Finance Pty Ltd (formerly Spring FG Finance Pty Ltd)	100	100
Spring FG Private Wealth Pty Ltd	100	100
Spring FG Accounting Pty Ltd	100	100
Spring FG Funds Management Pty Ltd	100	100
Spring FG Realty Pty Ltd	100	100
Spring FG Services Pty Ltd	100	100
SRPT Holdings Pty Ltd	100	100
MySuper247 Pty Ltd	100	100
MyTax247 Pty Ltd	100	100
SFGW Pty Ltd (formerly Spring FG Wealth Pty Ltd)	100	100
Spring FG Digital Pty Ltd (50% interest sold on 19 June 2020)	-	50

12. Segment Reporting

Year ended 30 June 2020	Financial planning, investment advice & product sales \$'000	Accounting & Tax Services \$'000	Other \$'000	Total \$'000
Segment revenue	11,098	1,174	(469)	12,741
EDITDA	2,554	603	(2,049)	1,108
Depreciation & amortisation	(71)	-	(800)	(871)
Interest expense	(143)	-	(123)	(266)
SMSF admin sale	-	-	(789)	(789)
Profit before income tax	2,340	603	(3,761)	(818)

Year ended 30 June 2019	Financial planning, investment advice & product sales \$'000	Accounting & Tax Services \$'000	Others \$'000	Total \$'000
Segment revenue	8,994	1,310	336	10,640
EDITDA	1,884	676	(3,085)	(525)
Depreciation & amortisation	(45)	-	(374)	(419)
Interest expense	(223)	-	(27)	(250)
Profit before income tax	1,616	676	(3,485)	(1,194)

13. Accounting policies

The general-purpose financial statements for the reporting period ended 30 June 2020 have been prepared in accordance with Australian Standards and the Corporations Act 2001, as appropriate for all profit-oriented entities.

14. Audit status

The financial report is in the process of being audited. The Company expects to lodge its audited financial statements on or around 25 September 2020.



Keith R Cullen
Managing Director

28 August 2020