

Acquisition of Sentry Group Pty Ltd

A highly complementary and transformational acquisition

Scale and efficiencies expected to deliver a strong profit result from year one

FY2022 guidance >\$2.0M NPAT

Expanded board and management team

Restructured balance sheet to provide clear runway for FY2022

Placement bookbuild overbid at 25% premium

WT Financial Group Limited (the **Company** or **WTL**) is pleased to announce it has entered into a share purchase agreement (**SPA**) to acquire all of the issued capital of national financial advisory dealer group, Sentry Group Pty Limited (**Sentry**), for an initial purchase price of \$7M (**Acquisition**). This will be provided to the Sentry selling shareholders (**Sellers**) as to 50% in cash and 50% in the form of WTL shares (**Shares**).

The cash consideration payable on completion of the acquisition (**Completion**) is being funded through the placement of new Shares to investors identified by the Company at an issue price of \$0.075 per Share (**Placement**), representing a 25% premium to the closing price of WTL on 9 June 2021. The Company is raising a further \$1.5M in cash to fund acquisition and integration costs, bringing total cash to be raised under the Placement to \$5M. The Company has received firm bids for 25% greater than the available Placement total. It has closed the bookbuild to further bids and is yet to finalise the allocation.

The Placement and issue of Shares to the Sellers is subject to WTL shareholder approval, which will be sought at a general meeting of shareholders scheduled for 16 July 2021. The Company's board has also determined that it is appropriate that shareholders consider a resolution to approve the acquisition of Sentry. A notice of meeting and explanatory memorandum (**Booklet**) will be despatched to shareholders on or about 16 June 2021.

Subject to achievement of a revenue performance hurdle for the financial year ending 30 June 2022 (**FY2022**), up to a maximum of a further \$3M (**Upside Consideration**) will be payable to the Sellers (which will be satisfied by a combination of cash and Shares).

Scale and efficiencies to deliver strong profit result year one

The Acquisition is transformational for WTL, is substantially accretive and will position the Company well for future organic and inorganic growth. The inherent synergies of the Acquisition, and the resulting scale, are expected to result in NPAT for the post-Transaction Group of greater than \$2M FY2022.

Total revenue of more than \$70M is anticipated for FY2022, with B2B revenue expected to represent more than 95% of total revenue and recurring and recurrent revenue representing more than 75%.

The synergistic nature of the Acquisition is expected to provide significant post-Acquisition Group operating expense reductions totalling up to \$2M on an annualised basis once fully implemented.

As set out below, the Company intends to make appropriate adjustments to (and recognise contingencies in) its balance sheet to provide management a clear runway for FY2022.

FY2022 depreciation and amortisation is expected to total around \$300k, while post-acquisition interest expense for the Group is anticipated to be approximately \$275k.

The emergent efficiencies from the Acquisition are expected to deliver a platform capable of supporting significant organic growth on the resulting cost base indicating the potential for considerable NPAT upside beyond FY2022.

A powerful combination of complementary IP, skills, and experience

On Completion, the Company will emerge with around 275 advisers across 200 practices Australia-wide. Both the Company and Sentry broadly provide the same suite of licensing solutions within their respective dealer group operations. However, as each entity has restructured its operations over the past three years it has focused on perfecting different key aspects of the critical supports essential to advice practices in the modernised industry.

Importantly, each has a philosophy founded on a collegiate approach to the licensee-adviser relationship that places advisers and their clients at the centre of what they do. Alignment on these key philosophical and operational issues,

Note: The discussion of the anticipated impact of the Acquisition and the Placement on the Company herein and in the supporting materials assumes that Completion occurs on or around 19 July 2021. Shareholders and investors are reminded that past performance is not a reliable indicator of future performance. Non-IFRS measures such as NPAT and EBITDA are used in herein. References to 'pro-forma' information are non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in June 2016. Non-IFRS financial information has not been subject to audit or review. This release includes forward-looking statements. Shareholders are referred to the Important Notices Section at the beginning of the presentation materials released to market today for a discussion of such statements.

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coupled with the complementary nature of the IP, skills, and experience of WTL and Sentry, presents for a seamless integration to the benefit of advisers and their clients.

Expanded board and management team

On Completion, the ranks of the Company's board and its management team will be expanded considerably with the addition of a range of highly experienced individuals and skills sets.

Sentry shareholder and director Michael Harrison will join the Company's board as a non-executive director. Mr Harrison is an accomplished financial services executive and businessman. He is chairman at leading financial services growth consultant Peloton Partners, and chairman of Mainstream, one of the world's largest barramundi breeders and suppliers. Michael played a key role in the formation and growth of ASX-listed Shadforth's ahead of its acquisition by IOOF in 2014.

Sentry managing director (and shareholder) David Newman will assume the role of the Company's joint-chief operating officer (while remaining as managing director of Sentry) - focussing his attention on business development and management of west coast operations; with the Company's current COO, Frank Paul, focussing on east coast operations and group risk management processes. The Company's current head of advice Jack Standing; current Sentry head of legal (and in-house counsel) Shelly Radford; and current Sentry head of finance, Ricton Jones, will each assume expanded responsibilities across the Group.

Key terms of the Acquisition

Under the SPA, the Company will acquire all of the issued shares of Sentry for the aggregate of:

- a) cash consideration of \$3.5M payable on Completion;
- b) the issue of 46,666,667 Shares at an issue price of \$0.075 per Share at Completion; and
- c) the Upside Consideration (if any).

The Upside Consideration is payable only if base fee revenue contributed by Sentry in respect of FY2022 exceeds an agreed milestone as certified by the Company's auditor. Details of the milestone and calculation of the Upside Consideration will be included in the Booklet.

The Upside Consideration will be paid as to 50% by the issue of Shares up to a maximum of 20M Shares. The balance of the Upside Consideration will be paid in cash. The issue price for these Shares (**Upside Shares**) will be 85% of the volume weighted average price at which Shares trade on ASX (**VWAP**) over the 30 days up to the date of determination of the Upside Consideration. The issue of the Upside Shares is conditional, to the extent necessary, on receipt of Shareholder approval and, if Shareholder approval is not obtained, by payment in cash.

The Shares to be issued to the Sellers will be subject to voluntary escrow restrictions for a period of 2 years with respect to the Shares to be issued on Completion and 12 months with respect to the Upside Shares (if any).

Completion of the Acquisition and Placement are conditional on receipt shareholder approval and other conditions consistent with a transaction of this nature. Further information regarding the terms of the Acquisition will be included in the Booklet.

Acquisition timetable

Step	Target date
ASX announcement regarding transaction	Tuesday, 15 June 2021
Despatch of Notice of Meeting and Explanatory Memorandum	Wednesday, 16 June 2021
General Meeting of WTL Shareholders	Friday, 16 July 2021
Completion of the Placement	Monday, 19 July 2021
Completion of the Acquisition	Monday, 19 July 2021

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Proforma Balance Sheet and Adjustments

A proforma balance sheet for the post-Transaction Group (**Proforma Balance Sheet**) is provided in the attached Investor Presentation and presented in comparison to a summary form of the audit reviewed statement of financial position of the Company as at 31 December 2020 (as released by the Company on 11 March 2021).

The Proforma Balance Sheet reflects adjustments to take into account Completion of the Acquisition and Placement (including assumption of the full potential liability for the Upside Consideration), and a series of expenses and contingencies including those associated with the Transaction, key components of which summarised below:

1. Integration costs of \$460k associated with implementing post-completion cost savings which have been specifically identified will be reflected in the Company's FY2021 balance sheet as contingent liabilities.
2. Acquisition-related transaction costs are expected to total \$150k. Expenses incurred prior to 30 June 2021 will be reflected in the Company's profit & loss statement for FY2021 with the balance reflected as a contingent liability.
3. Early surrender payments of circa \$350k and make-good costs of circa \$320k across surplus office accommodation in Sydney and Melbourne, to reduce total annual office accommodation costs from circa \$900k pa to circa \$300k pa (pre-Acquisition). Early surrender and make good expenses incurred prior to 30 June 2021 will be reflected in the Company's profit & loss statement for FY2021 with any balance reflected as a contingent liability.
4. A contingency of \$962k against revolving advances against future dividends provided to shareholder entities associated with the Company's founding executive directors who had historically agreed not to draw salaries and bonus payments totalling \$3.67M. The Company intends to terminate the revolving advance against dividend arrangements and is in the process of finalising mutual release of any claim relating to that termination, the historical undrawn salary and bonuses, and the revolving advances. The contingency will be included in the Company's FY2021 balance sheet and is reflected in the Proforma Balance Sheet.

The Proforma Balance Sheet and adjustments are intended to be illustrative only and neither reflect the actual position of the Company as at the date of this announcement nor on implementation of the Transaction.

About WT Financial Group Limited

WT Financial Group Limited 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 Group offers market-leading financial education services for advisers and consumers through regular seminar programs and the publication of its Wealthadviser library of more than 100 financial literacy handbooks and manuals on a broad range of financial and investment market topics.

Authorised for release by and for further information:

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