

ASX Announcement - 14 March 2022

WTL TO ACQUIRE LEADING FINANCIAL ADVISER GROUP SYNCHRONISED BUSINESS SERVICES PTY LTD

WT Financial Group Limited (ASX:WTL) (WTL, the **Company**) is pleased to announce that the Company has entered a Sale and Purchase Agreement (**Acquisition**) to acquire 100% of the issued capital of Australia's largest privately-owned financial adviser group, Synchronised Business Services Pty Ltd (**Synchron**).

The Acquisition is highly synergistic and accretive to earnings. On settlement of the Acquisition (**Completion**), which is scheduled to occur this week, the Company's B2B operations will encompass Wealth Today; Sentry Group; and Synchron - making WTL the largest non-institutionally-owned, non-product producing advice network in Australia.

Highlights

- Established in 1998 and headquartered in Melbourne, Synchron is Australia's largest privately-owned national financial adviser group.
- The Acquisition is highly synergistic and accretive to earnings, with WTL providing FY2023 guidance of EBITDA of \$7M+ and NPAT of \$4M+.
- The Company will update its FY2022 guidance following settlement.
- WTL will emerge as the largest non-institutionally-owned, non-product producing financial adviser network in Australia - creating significant combined metrics:
 - 600+ total advisers
 - \$16Bn+ funds under advice
 - \$360M+ in-force annual insurance premium
 - \$25M+ new insurance premium sales per annum
- The total vendor consideration for the Acquisition is up to \$7.96M, payable over two-years in a combination of cash and shares, and subject to various terms and conditions.
- WTL will assume liabilities of circa \$3M and expects to incur transaction and integration costs of between \$1-2M bringing the anticipated total value of the acquisition to \$12-13M.
- To assist with funding the Acquisition, as announced on 11 March 2022, WTL has completed a placement of 30.5M new shares at \$0.10 each to institutional and professional investors to raise \$3.05M – the placement is at a significant premium to WTL's 30-day VWAP – underscoring investor confidence in the Company and the financial advice sector.
- Synchron founders Don Trapnell and John Prossor will continue working in the business with Mr Trapnell assuming the role of chairman of WTL's Synchron subsidiary.
- WTL will be enhanced through the addition of Synchron's state manager line, adding significant experience and resources to the broader group operations to support the Company's advisers across its Wealth Today and Sentry adviser groups.
- WTL will also expand Synchron's NextGen program across the group. The program, that supports the professional development of new market entrants, has resulted in an average age of 47 for Synchron advisers.

- Synchron advisers will benefit from the rollout of WTL's adviser education and training programs, its comprehensive practice management tools and programs, and its enhanced risk management framework.

Commenting on the Acquisition WTL CEO, Keith Cullen, said:

"The Acquisition cements WTL as the largest non-institutionally-owned, non-product producing financial adviser network in Australia and establishes the right scale of operations to enable us to provide the critical supports advisers in our modernised industry demand.

It is a highly synergistic acquisition and is significantly accretive to earnings - the resulting scale will set the course for future expansion and more depth in our offerings for advisers.

"WTL will benefit from Synchron's line of talented state managers who will add significant value to the overall group structure. We're delighted too that Synchron founders Don Trapnell and John Prossor will continue to work within the business, helping support the integration with WTL's existing operational structure, and retention and growth of the existing adviser base".

Demand for advice continues to grow across Australia with millennial inheritance from 2020-2040 forecast to reach \$3,500bn, with superannuation assets expected to double by 2029, and the largest cohort ever to enter aged care. The landscape within the financial advice sector has a strong outlook, and the synergies created from the Acquisition position us for further growth.

"Thanks to the Acquisition structure, the Synchron founders will maintain investment exposure to Synchron by holding shares in WTL as we continue to advance as a leader in the Australian financial advice sector."

Commenting on the Acquisition Synchron Founder Don Trapnell, said:

"Selling Synchron into WTL represents the next stage of growth for our company. With WTL's focus on outcomes for its advisers, and its strong strategic direction, the Synchron business will benefit from integration into the WTL business - with advisers from each of the cohorts benefiting from a broader base of personnel and programs to help support and grow their businesses. Both myself and John Prossor are excited at becoming shareholders of WTL and we both look forward to contributing to the expanded group operations and to creating further value for all WTL shareholders".

Details of the transaction

Further details of the Acquisition, funding arrangements associated with it and the anticipated impact of the transactions on the Company are set out below and in the attached Investor Presentation.

Consideration to Vendors

On Completion the Vendors will receive total consideration of \$3,477,500 comprised of \$2,459,879 cash and a further \$1,017,621 by way of the issue of 10,176,210 WTL ordinary shares at an issue price of \$0.10 per share (**Vendor Shares**). The Vendor Shares are subject to 24 months escrow.

A deferred cash consideration of \$1,043,250 is payable 12 months after settlement.

A retention payment (**Retention**) of up to \$2,434,250 is also payable if base fee revenue contributed by Synchron in respect of the 12 months to 31 March 2023 exceeds an agreed milestone as certified by the Company's auditor. At its election WTL is entitled (but not obligated) to satisfy part or all of any Retention by way of the issue of WTL shares. The issue of any Retention Shares is conditional on satisfaction of all requirements under the ASX Listing Rules.

WTL and the Vendors have agreed to an accrual of \$2,000,000 as a warranty reserve (**Warranty Lockup**). To the extent that any component of the Warranty Lockup remains undrawn/unused after 2-years, 50% of the unused/undrawn portion will be released to the Vendors up to a maximum of \$1,000,000, bringing the maximum total consideration payable to the Vendors to \$7,955,000 over 2-years (assuming payment of the full Retention and release of the maximum amount of Warranty Lockup).

Completion is subject to satisfaction or waiver of a number of conditions precedent consistent with market practice for a transaction of this nature and is expected to occur this week.

Acquisition funding

To assist in funding the Acquisition and for working capital, as announced on 11 March 2022, WTL has completed a placement of 30,399,400 ordinary shares (**Placement**) to institutional and professional investors at an issue price of \$0.10 a share to raise a total of \$3,039,940. The bookbuild for the placement was handled directly by the Company and was oversubscribed. The issue price represented a 22% premium to the VWAP of WTL Shares over the past 30 trading days (\$0.082).

Further, as announced on 14 March 2022, WTL has also entered into a secured corporate debt facility (**Facility**) for up to \$6,700,000 with Altor Credit Partners, a subsidiary of Altor Capital (**Altor**). Altor is a fund focused on the active management of private credit investment opportunities in the Australian SME market.

An initial \$4,700,000 will be drawn to assist with settling the Acquisition, repayment of existing debt facilities (circa \$2.5M), and for working capital. A second tranche of up to \$2M can be drawn to satisfy any deferred consideration attributed to the Acquisition.

The Facility has a fixed term of 4-years; may be repaid at any time; and is secured by a first ranking security over the assets of the Group. The Company has also agreed to issue the lender 1,500,000 4-year options to acquire WTL shares at an exercise price of \$0.14 per share (**Options**).

WTL Managing Director, Keith Cullen said, "We have worked closely with Altor to develop an innovative and flexible funding solution for this highly synergistic acquisition that has enabled us to minimise dilution to shareholders and maximise EPS accretion.

"We look forward to continuing our relationship with the Altor team as we continue to build WTL," concluded Mr Cullen.

ASX Listing Rule 7.1

The Placement, the Vendor Shares to be issued on Completion, and grant of Options represent less than 15% of the issued capital of the Company and so are within the Company's capacity under ASX Listing Rule 7.1. The issue of these shares brings the total shares on issue in the Company to 321,080,845 (excluding the Options).

ENDS

About WT Financial Group Limited

WT Financial Group Limited has established itself as the largest non-institutionally-owned, non-product producing financial adviser network in Australia. Its advice and product offerings are delivered primarily through a group of independent financial advisers operating as authorised representatives under its Wealth Today, Sentry Group, and now Synchron subsidiaries.

WT | FINANCIAL GROUP

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.

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