

CREATING AUSTRALIA'S LARGEST NON-INSTITUTIONALLY-OWNED FINANCIAL ADVICE GROUP

ACQUISITION OF SYNCHRON

Investor Presentation

14 March 2021

IMPORTANT INFORMATION

Issuer and Date

This investor presentation (**Presentation**) has been prepared by WT Financial Group Limited (ACN 169 037 058) (**WTL**) and is dated 14 March 2022.

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IMPORTANT INFORMATION

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INTRODUCTION TO WTL

Founded in 2010 and listed in 2015 with a direct to consumer (B2C) focus offering financial advice and related services



Strong dividend history – circa \$7M in dividend payments before industry disruption caused a hiatus and rethink of strategy



Successful transformational restructure to switch to B2B focus underpinned by the acquisition of Wealth Today 2018 and Sentry Group in 2021 and now Synchron



Through Wealth Today and Sentry, WTL provides a **comprehensive range of “dealer group” services to financial advisers**



Advice practices are privately-owned with their advisers acting as authorised representatives of WTL group entities

Services include:

- 1 Licensing
- 2 Compliance
- 3 Education
- 4 Training and technical support
- 5 Practice management
- 6 Development services



More than **220 advisers across 190 practices** – up from 42 when Wealth Today was acquired in 2018



Significant revenue increases, concurrently rationalised B2C operations and achieved significant cost reductions

WTL is capitalising on industry disruption created by the unravelling of institutional advice models and industry rationalisation driven by increased compliance and education standards.

CREATING AUSTRALIA'S LARGEST FINANCIAL ADVICE GROUP

Through the acquisition of its industry peer Synchron Business Services Pty Ltd (Synchron), WT Financial Group Limited (ASX: WTL) will emerge as the largest non-institutional, non-product-producing financial adviser network in Australia – headed only by institutional operators AMP and Insignia (formerly IOOF).

Combined group key metrics are forecast as follows thanks to significant integration benefits:



600+

Total Advisers



\$16Bn+

Funds Under Advice



\$360M+

In-Force Annual
Insurance Premium



\$25M+

Annual New Insurance
Premium Sales



\$170M+

Gross revenue pa

\$18M+

Gross profit pa

ABOUT SYNCHRON

Established in 1998, the Melbourne-headquartered group is Australia's largest privately-owned financial adviser group.

**Synchron advisers
specialise in:**



Risk management



Asset allocation



Aged care advice



**Financial
planning**



Budgeting



Investing



**Retirement
planning**

The sale to WTL represents a succession planning and “sell in” opportunity for the founders who will emerge as significant shareholders of WTL as they eventually move towards retirement.



KEY TERMS OF THE ACQUISITION

WTL has raised a total of \$4.05M in cash and vendor shares at a 22% premium to its 30-day VWAP - underscoring investor confidence in the acquisition and in WTL.



Summary of acquisition	\$	Funding method
To vendors at settlement – cash	\$2.46M	placement @ \$0.10
To vendors at settlement – shares*	\$1.02M	vendor shares @ \$0.10
Deferred payment at 12 months - cash	\$1.02M	from cashflow
Retention at 12 months	up to \$2.46M	various options
Total vendor consideration*	up to \$6.96M	
Deal and integration costs	\$0.53M	from cashflow
Additional integration costs	\$0.41M	from cashflow
Assumption of liabilities	\$3.05M	from drawn line of credit
Acquisition total	up to \$10.95M	
Warranty buffer/lockup *	up to \$2.0M	backed by undrawn line of credit
Total booked to goodwill	\$12.95M	

- A warranty buffer/lockup to mitigate unforeseen liabilities has been costed into the transaction by WTL. The vendors will be entitled to 50% of any warranty buffer/lockup that remains uncalled after 2 years, up to a maximum amount of \$1M, increasing total vendor consideration to up to \$7.96M.
- Vendor shares will be subject to 2-year escrow.
- Vendor shares for retention payment will be issued at the election (but not obligation) of WTL..

KEY TERMS OF THE ACQUISITION

An innovative secured debt facility from Altor Capital has enabled WTL to minimise dilution to shareholders and maximise EPS accretion



Circa \$12.95M goodwill value booked on the acquisition



Settlement date target of 16 March 2022



In addition to vendor shares, WTL has raised a total of \$3.05M for settlement and other costs at an issue price of \$0.10



Existing debt facilities have been refinanced at settlement with total drawn and undrawn debt of \$6.7M post settlement



Following completion WTL will an update to its FY2022 guidance

A COMPLEMENTARY AND HIGHLY ACCRETIVE ACQUISITION



Following the acquisition, WTL's B2B operations will encompass Wealth Today; Sentry Group; and Synchron - making it the largest non-institutionally owned advice group in Australia



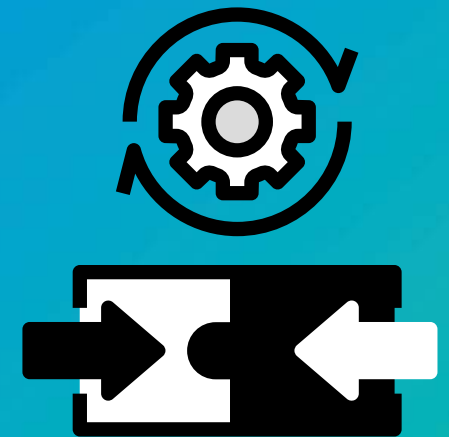
Each brand utilises a B2B business model, with advisers in networks operating under their own independent brand names



The acquisition is significant and highly transformational for both WTL and the industry as a whole



The acquisition is highly synergistic and significantly accretive to earnings - and sets the course for future expansion

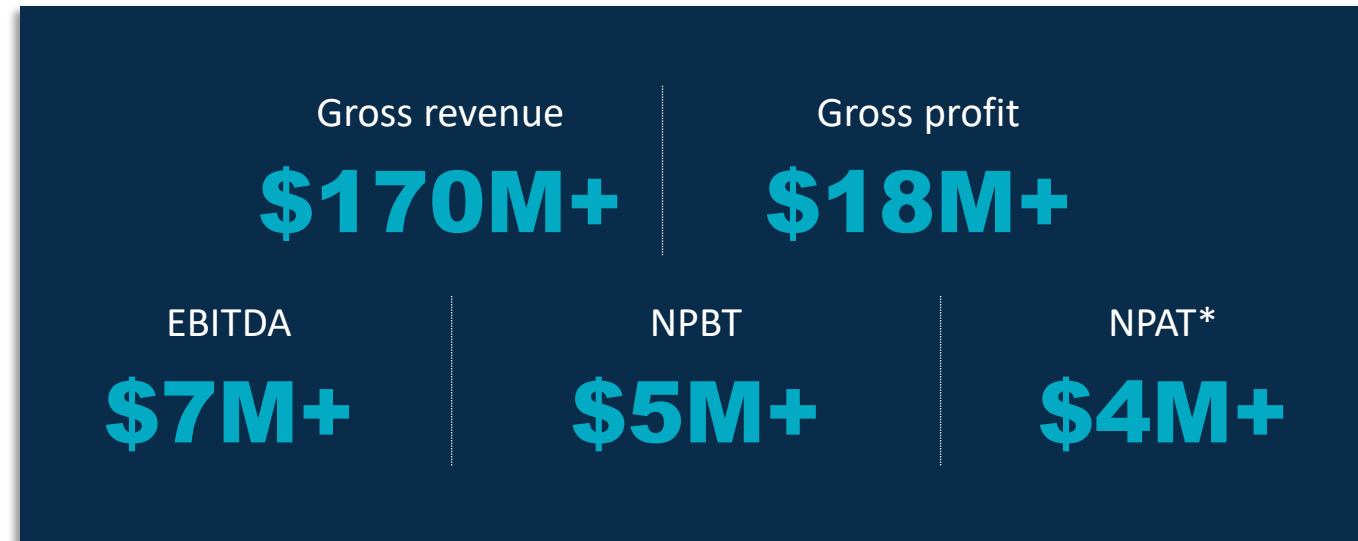


FY2023 PRELIMINARY GUIDANCE

PRELIMINARY FY2023 GUIDANCE* (assuming zero growth)



The complementary nature of the acquisition will expand WTL's offering to advisers and enable significant cost synergies that will result in a highly-accretive outcome for shareholders.



Based on this guidance market indicators for WTL peers (of 16-20 times NPAT) suggest the company will emerge with a market cap of circa **\$70-80M+**.

Based on synergies the \$12.95M fully-booked goodwill value of the acquisition represents multiples of circa **1 times net revenue; 4 times EBIT; and 5.5 times NPAT contribution to WTL from Synchron.**

Notes:

- Assumed tax will be statutory only as the company has significant carried-forward tax losses. Notwithstanding these carry-forward tax losses, WTL has a franking credit balance of circa \$1M. Hence, WTL will be able to pay fully franked dividends in excess of \$3M before it is required to pay income tax on a cash basis.
- The above guidance assumes zero organic growth and no further acquisition growth. There is significant opportunity for both.
- Post acquisition total shares on issue will be circa 322M on a fully-diluted basis.

A STRATEGIC AND SYNERGISTIC TRANSACTION

WTL's management ranks will be further strengthened through the acquisition enhancing adviser support across all states and territories.



Founders Don Trapnell and John Prossor will continue to work within the business whilst Synchron is integrated into WTL's existing operational structure, helping support retention and growth of the existing adviser base. Over time they will transition to non-executive roles as they head towards eventual retirement



WTL joint-COO's David Newman and Frank Paul will assume day-to-day responsibility for the Synchron operations and will work with Mr Trapnell and Mr Prossor to steer integration and expansion



WTL will retain Synchron's line of state managers who will add significant value to the overall group structure and assume broader responsibilities across the group in their respective states



The Synchron founders will maintain investment exposure to Synchron by holding a significant number of shares in WTL



OLD BIG 6 BEING REPLACED BY NEW INDUSTRY HEAVYWEIGHTS



Big Six down 61%

Group	Advisers 2018	Advisers 2022
IOOF ₁	1,604	1,756
AMP	2,607	1,356
NAB	1,506	99
ANZ	398	94
CBA	1,501	0
WBC	957	0
Big 6	8,573	3,304



Top Ten Non-Institutional up 62%

Rank	Group	Advisers 2018	Advisers 2022
-	Synchron	460	-
1	WT Financial Group (ASX: WTL)₁	59	610
2	Diverger Limited (ASX: DVR) ₂ (formerly EAS)	295	529
3	Centrepont Alliance (ASX: CAF) ₃	351	490
4	Sequoia (ASX: SEQ)	250	405
5	Capstone Financial Planning	163	274
6	Lifespan Financial Planning	148	259
7	Countplus Limited (ASX: CUP)	91	251
8	Fortnum Private Wealth Ltd	102	201
9	Morgans Financial Limited ₄	166	190
10	Infocus	N/A	178
Total Top Ten		2,085	3,387

Sources: Money Management Top 100 Dealer Groups reports, company annual reports and ASIC FAR and AR registers.

Note: Brands under common ownership are merged. Numbers are fluid and may have varied from publication and are therefore indicative only.

1. WTL approximate number of advisers post acquisition of Synchron.

2. EAS acquired Paragem and changed name to Diverger 2021 – numbers exclude limited license accountants.

3. CAF acquired Clearview advice operations in 2021 - numbers exclude "licensee services" clients.

4. Morgans numbers exclude stockbrokers.

DEMAND FOR ADVICE CONTINUES TO GROW

\$3.5 Trillion

The largest inter-generational wealth transfer in our history is upon us



Largest cohort ever to enter aged care



Superannuation assets to double by 2029

The nature and complexity of advice required for this wealth transfer is forcing advisers to upskill to address increased demand for:

- Estate and legacy planning
- Retirement income advice
- Aged care advice
- Strategic investment advice for the recipients

The financial advice industry has a bright future as demand continues to grow – WTL's scale is enabling it to provide the critical supports advisers need and demand.

Australian Household Assets, 2020



Residential property
\$5,498Bn



Funds under Advice
\$962Bn



Non-advised investments
\$3,648Bn



Non-advised superannuation
\$2,049Bn



Other
\$1,492Bn

Millennial inheritance
2020-2040:
\$3,500Bn

Source: Oliver Wyman, Citi, FirstLinks

BOARD & MANAGEMENT TEAM



Keith Cullen
Managing Director and CEO

WTL founder and largest (non-institutional) WTL shareholder. 37yrs experience as a corporate executive and entrepreneur across the broadcast media, technology and financial services sectors. Successfully conceived and implemented the strategy to pivot WTL to B2B through acquisition of Wealth Today, Sentry - and now Synchron.



Guy Hedley
Non-Executive Chairman

15yrs as head of Macquarie Bank global private banking unit and BNP Private Banking, now Chair at Stoic Asset Management and Atlas Advisors Australia. Has helped steer WTL through industry upheaval and supported management team with its transformation to a B2B focussed enterprise.



Michael Harrison
Non-Executive Director

Significant WTL shareholder and director. 20yrs industry experience. Chairman of leading financial services growth consultant Peloton Partners. Chairman of Mainstream, one of the world's largest barramundi breeders and suppliers. Played a key role in the formation and growth of ASX-listed Shadforths ahead of its acquisition by IOOF in 2014.



Chris Kelesis
Non-Executive Director

Foundation director and significant shareholder of WTL with 15yrs experience as an equities trader and technical analyst. Private and wholesale client adviser roles with Spring Equities, Ark Equities and the Rivkin Group. Has helped steer WTL through its transformation to a B2B focussed enterprise.

BOARD & MANAGEMENT TEAM

**David Newman****Joint COO, MD of Sentry subsidiary**

Significant WTL shareholder and MD of Sentry subsidiary. 35yrs in financial services, specialising in strategic planning and execution incl 8yrs at Sentry in key roles. Joint-COO focussing on business development operations and management of west-coast operations. Will assume a lead role in overseeing Synchron Integration.

**Frank Paul****Joint COO, Group Head of Risk**

Significant WTL shareholder. 25yrs in financial advice, as a practice principal and senior executive including 8yrs with WTL in head of advice and COO roles. Joint-COO of the expanded group, focussing on east coast operations and group risk management processes. Will assume a lead role in overseeing Synchron Integration.

**Jack Standing****Group Head of Advice, Responsible Manager**

9yrs with WTL in key B2B and B2C advice roles. Responsible for adviser training and education, and oversight of advice creation within WTL's innovative peer review and risk management framework. Responsible manager, and member of compliance and investment committees.

**Ricton Jones****Group Head of Finance**

Broad experience in financial accounting, treasury, audit coordination and tax in technology and financial services, including 7yrs with Sentry Group prior to its acquisition by WTL. Regulatory reporting and HR management experience for public and private companies in the UK and Australia. CIMA and CPA qualified.

**Danny Maher****Regional Head, East Coast**

Industry executive with a broad range of experience across 40yrs in financial services in GM, RM and head of distribution roles with Tower (TAL) and Netwealth – and most recently 9yrs as at Sentry Group with responsibility for eastern seaboard advisory network.

BOARD & MANAGEMENT TEAM



Don Trapnell

Chairman of Synchron subsidiary

50yrs in financial services, and an Honorary Lifetime Member of the Australian and NZ institute of Insurance and Finance. Has been a principal of financial services distribution organisations since 1989. Will remain as a director (and chairman) of the Synchron subsidiary and will become a significant WTL shareholder.



John Prossor

Director of Synchron subsidiary

Financial adviser for more than 35yrs and has worked in financial services for over 50yrs. He hold responsibilities across compliance, regulatory and professional indemnity insurance matters. Will remain as a director of the Synchron subsidiary and will become a significant WTL shareholder.



Sarah Congdon

State Manager, Victoria

20yrs experience in financial services in roles including insurance adviser for MLC Insurance before joining Synchron as State Manager. Has built a career on initiating, managing, strengthening and maintaining strong client relationships, and a drive for new challenges. Will hold broader responsibilities in the expanded group.



Bernie Fernandes

State Manager, Western Australia

20+yrs experience as an underwriter, in business development, and in risk and funds management – has won multiple awards for new-business inflows and retention. Joined Synchron in 2012 and has grown the WA network from 14 to around 100 advisers. Will hold broader responsibilities in the expanded group.

BOARD & MANAGEMENT TEAM



Ben Donohue
State Manager, Queensland

Commenced in financial services in 2005. Experience across retail life insurance, retirement income and aged care, with the majority of his professional life spent at Asteron Life and Challenger. Was appointed to the position of QLD State Manager for Synchron in 2021 and will now hold broader responsibilities in the expanded group.



Matt Wallis
State Manager, New South Wales

Following a successful cricket career established his own financial planning business which he built over 6 years before joining Synchron in 2015 as State Manager, NSW. Face-to-face client experience adds real value to the role of supporting advisers in growing their own practices. Will hold broader responsibilities in the expanded group.

CONTACT

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