

WT Financial Group Limited (ASX: WTL)
Appendix 4E - Preliminary Final Report FY2022
26 August 2022

1. Company Details

Name of entity:	WT Financial Group Limited
ABN:	87 169 037 058
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results of announcement to the market

		\$'000
Revenue from ordinary activities	up 664% to	103,629
Operating profit (before depreciation, amortisation, interest and tax)	up 10,734% to	3,923
Normalised net profit before tax (prior year loss)	up 383% to	2,823
Statutory net profit before tax (prior year loss)	up 160% to	2,351
Profit after tax from ordinary activities attributable to the owners of WT Financial Group Limited (prior year loss)	up 157% to	1,874

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.

2.1 Commentary

Over the past three financial years WT Financial Group Limited (“**WTL**”, “**the Company**” or “**the Group**”) has undergone a transformational restructure to reduce its previous 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.

The Group’s restructure commenced with the FY2018 acquisition of Wealth Today Pty Ltd (“**Wealth Today**”) which was followed by the acquisition of both Sentry Group Pty Ltd (“**Sentry**”) (completed 19 July 2021) and Synchronised Business Services Pty Ltd (“**Synchron**”) (completed 15 March 2022).

WTL’s success with the integration of these acquisitions has seen it establish itself as the largest non-institutionally-owned, non-product producing financial adviser network in Australia and has enabled it to achieve a strong revenue and profit result during the period.

A summary of FY2022 results is provided in the commentary below. FY2021 comparisons should be read in the context of the aforementioned material acquisitions. It should be noted also that the Company’s *Revenue & Other Income* of more than \$103M includes a nearly \$35M contribution from Synchron from just three and a half months of the financial year.

2.2 FY2022 Preliminary Results (unaudited)

The Company’s FY2022 *Consolidated Statement of Profit & Loss and Other Comprehensive Income* is included in Section 3 of this Appendix 4E.

Total Revenue & Other Income was up 664% to \$103.63M (FY2021 \$13.56M), with Direct Cost of Sales of \$92.56M (FY2021 \$9.05M).

Total Operating Expenses (excluding depreciation, amortisation, interest and tax) were \$7.15M (FY2021 \$4.77M), resulting in an Operating Profit (EBITDA) of \$3.92M (FY2021 \$36K).

Depreciation & Amortisation (inclusive of Depreciation of Right-of-Use Assets) totalled \$503k (FY2021 \$419k), and underlying Net Interest Expense (including Lease Liability Finance Costs but excluding

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acquisition-related debt restructuring) was \$598k (FY2021 \$615k) resulting in an underlying operating Net Profit Before Tax of \$2.82M (FY2021 NPBT a loss of \$998K).

After accounting for one-off debt restructuring of \$472k (associated with the Synchron acquisition), statutory Net Profit Before Tax was \$2.35M (FY2021 NPBT loss of \$3.89M after accounting for \$2.89M of restructuring costs).

With the benefit of carried-forward tax losses of more than \$9M no cash tax liability will arise; however, the Company's statutory tax calculation was \$477k (FY2021 tax benefit of \$605k) resulting in a statutory Net Profit After Tax of \$1.87M (FY2021 loss of \$3.29M).

2.3 Segment Reporting

The Company's FY2022 Segment Reporting is included in Section 5 of this Appendix 4E. The Group's primary *B2B Segment* recorded NPBT of \$3.34M (FY2021 \$927k) while its *B2C Segment* recorded NPBT of \$340k (inclusive of a one-off debt restructuring charge of \$294k) (FY2021 loss of \$425k).

2.4 Cashflow

The Company's FY2022 *Consolidated Statement of Cash Flows* is included in Section 5 of this Appendix 4E. Cashflow from operating activities was negative \$2.17M inclusive of the payment of more than \$2.75M of restructuring costs that were expensed in the prior year and costs associated with acquisitions.

The Company's cash balance on 30 June 2022 was \$3.38M (FY2021 \$1.25M), with additional undrawn facilities of \$2.12M (FY2021 nil) available to it.

2.5 Balance Sheet

The Company's FY2022 *Consolidated Statement of Financial Position* is included in Section 4 of this Appendix 4E. The Company's Net Assets position at 30 June 2022 was \$20.06M (FY2021 \$5.96M).

Current Liabilities include \$4.93M of accruals that represent the maximum amounts that may be payable for upside, retention and deferred acquisition-related payments associated with its acquisition of both Sentry and Synchron. The Company has the contractual right to satisfy up to \$3.16M of any such payments by way of the issue of ordinary shares (for which shareholder approval and relevant ASX waivers have already been granted).

2.6 Changes in Equity

The Company's FY2022 *Consolidated Statement of Retained Earning and Changes in Equity* is included in Section 6 of this Appendix 4E. As at 30 June 2022 there were a total of 321,080,842 fully-paid ordinary shares on issue (30 June 2021 167,171,900).

2.7 Dividends

No dividend will be declared for the period as the Directors consider it prudent to retain cash to satisfy components of upside, retention and deferred acquisition-related payments. However, the Company retains its policy to pay fully-franked dividends at least annually, as and when available profit and cashflow provide.

Notwithstanding its carried-forward tax losses, the Company has a franking credit balance in excess of \$1.4M which will enable it to pay future franked dividends in advance of any cash tax liability arising.

2.8 Audited financial statements

The Company's financial statements are in the process of being audited. The Company expects to release its audited financial statements and FY2022 Annual Report on or around 23 September 2022. 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

	2022	2021
	\$	\$
Revenue	101,722,351	12,765,460
Other income	1,907,186	790,045
Total Revenue	103,629,537	13,555,505
Direct cost of sales expenses	(92,558,156)	(9,052,866)
Gross Profit	11,071,381	4,502,639
Employee benefits expense	(4,660,566)	(2,331,612)
Advertising & marketing expenses	(375,153)	(68,324)
Consulting & professional fee expenses	(451,463)	(439,115)
Rental expenses	(253,267)	(397,589)
Other operating expenses	(1,407,806)	(1,229,788)
EBITDA	3,923,126	36,211
Depreciation & amortisation of plant & equip.	(31,343)	(264,747)
Depreciation of right-of-use assets (leases)	(471,215)	(154,893)
Finance costs on lease liabilities	(145,509)	(50,806)
EBIT	3,275,059	(434,235)
Interest expense	(452,233)	(564,591)
Normalised profit/(loss) before income tax	2,822,826	(998,826)
Restructuring Expenses	(472,156)	(2,893,287)
Statutory profit/(loss) before income tax	2,350,670	(3,892,113)
Statutory income tax (expense)/benefit	(477,143)	604,615
Profit/(loss) after income tax benefit for the year	1,873,527	(3,287,498)

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4. Consolidated Statement of Financial Position

	2022	2021
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,384,884	1,246,269
Trade and other receivables	7,341,219	748,187
Other assets	1,799,936	182,094
TOTAL CURRENT ASSETS	12,526,039	2,176,550
NON-CURRENT ASSETS		
Property, plant and equipment	2,099,844	76,944
Deferred tax assets	3,047,545	3,654,101
Intangible assets	31,096,472	5,744,085
TOTAL NON-CURRENT ASSETS	36,243,861	9,475,130
TOTAL ASSETS	48,769,900	11,651,680
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	11,920,513	2,000,240
Acquisition (vendor payment) accruals	4,933,400	-
Provisions	485,538	148,432
Borrowings unsecured	-	479,118
Borrowings secured	-	513,595
Assets under lease	549,629	76,944
TOTAL CURRENT LIABILITIES	17,889,080	3,218,329
NON-CURRENT LIABILITIES		
Provisions	4,315,755	175,476
Borrowings secured	4,700,000	1,185,880
Deferred tax liabilities	269,439	1,116,356
Assets under lease	1,533,899	-
TOTAL NON-CURRENT LIABILITIES	10,819,093	2,477,712
TOTAL LIABILITIES	28,708,173	5,696,041
NET ASSETS	20,061,727	5,955,639
EQUITY		
Issued capital	32,375,273	20,142,712
Reserves	26,659	26,659
Accumulated Dividends	(6,827,069)	(6,827,069)
Accumulated Losses	(5,513,136)	(7,386,663)
TOTAL EQUITY	20,061,727	5,955,639

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5. Consolidated Statement of Cash Flows

	2022	2021
	\$	\$
CASHFLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	90,355,806	12,078,057
Payments to suppliers and employees	(89,172,262)	(13,464,948)
Net interest paid	(603,930)	(622,445)
Payments for prior period restructuring and acquisition costs	(2,750,833)	-
Income tax	-	-
Net cash used in operating activities	(2,171,219)	(2,009,336)
CASHFLOWS FROM INVESTING ACTIVITIES		
Cash payments for acquisitions	(5,400,357)	-
Proceeds from disposal of 50% of Spring FG Digital Pty Ltd	-	125,000
Acquisition-related debt restructuring costs	(472,156)	-
Loans (to)/from related parties	-	(92,952)
Net cash (used in) / provided by investing activities	(5,872,513)	32,048
CASHFLOWS FROM FINANCING ACTIVITIES		
Issue of ordinary shares	7,660,940	850,000
Share issue costs	-	-
Net proceeds from borrowings	2,521,407	959,998
Net cash provided by financing activities	10,182,347	1,809,998
Net increase / (decrease) in cash held	2,138,615	(167,290)
Opening cash balance	1,246,269	1,413,559
Cash and cash equivalents at end of financial year	3,384,884	1,246,269

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6. Consolidated Statement of Changes in Equity

	Ordinary Shares	Accumulated Losses	Dividends	Option Reserve	Total Equity
2022	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	20,143	(7,387)	(6,827)	27	5,956
Issue of shares	12,232	-	-	-	12,232
Shares application pending allotment	-	-	-	-	-
Profits attributed to members of parent entity	-	1,874	-	-	1,874
Balance at 30 June 2022	32,375	(5,513)	(6,827)	27	20,062

	Ordinary Shares	Accumulated Losses	Dividends	Option Reserve	Total Equity
2021	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	19,293	(4,100)	(6,827)	27	8,393
Issue of shares	525	-	-	-	525
Shares application pending allotment	325	-	-	-	325
Losses attributed to members of parent entity	-	(3,287)	-	-	(3,287)
Balance at 30 June 2021	20,143	(7,387)	(6,827)	27	5,956

7. Earnings Per Share and Dividends

No dividends were declared or paid for FY2022.

	Reporting period	Previous period
Earnings per share	(cents)	(cents)
Basic Earnings per share	0.653	(2.003)
Diluted earnings per share	0.652	(2.000)

	Reporting period	Previous period
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	286,810,959	164,126,695
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	287,250,685	164,347,253

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). As no dividend was paid or declared it did not operate during the period.

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9. Net Tangible Assets

	Reporting period (cents)	Previous period (cents)
Net tangible assets per ordinary share	(4.4)	(2.0)

10. Change in control over entities

Name of Entity	Date Control Gained
Sentry Group Pty Ltd (ABN 40 125 343 384)	19/07/2021
Sentry Advice Pty Limited (ABN 77 103 642 888)	19/07/2021
Wealthsure Financial Services Pty Ltd (ABN 59 130 288 578)	19/07/2021
Sentry Credit Services Pty Limited (ABN 26 116 569 423)	19/07/2021
Sentry Financial Planning Pty Ltd (ABN 79 099 029 526)	19/07/2021
Sentry Planning Services Pty Limited (ABN 53 155 558 900)	19/07/2021
Sentry Group Services Pty Ltd (ABN 88 161 297 070)	19/07/2021
Sentry Financial Services Pty Limited (ABN 30 113 531 034)	19/07/2021
Sentry Wealth Pty Limited (ABN 17 151 866 385)	19/07/2021
ACN 633 357 481 (ABN 13 633 357 481)	20/01/2022
Synchronised Business Services Pty Ltd (ABN 33 007 207 650)	16/03/2022
Synchron Pty Ltd (ACN 141 962 307)	16/03/2022
Synchron Medical Pty Ltd (ACN 154 497 079)	16/03/2022

Name of Entity	Date Control Lost
Sentry Wealth Pty Limited (ABN 17 151 866 385)	16/11/2021
SRPT Holdings Pty Ltd (ABN 65 611 176 642)	6/05/2022

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11. Control over entities

Name of Entity	2022 %-owned	2021 %-owned
Wealth Today Pty Ltd (ABN 62 133 393 263)	100	100
WT Finance Pty Ltd (ABN 55 169 386 430)	100	100
WT Financial Group Services Pty Ltd (ABN 72 169 385 755)	100	100
WT FG Services Pty Ltd (ABN 27 606 846 244)	100	100
Spring FG Accounting Pty Ltd (ABN 70 169 385 746)	100	100
Spring FG Funds Management Pty Ltd (ABN 36 611 176 517)	100	100
Spring FG Realty Pty Ltd (ABN 16 150 134 946)	100	100
SFG Private Wealth Pty Ltd (ABN 59 629 652 311)	100	100
SFGW Pty Ltd (ABN 23 146 936 763)	100	100
MySuper247 Pty Ltd (ABN 14 611 176 866)	100	100
MyTax247 Pty Ltd (ABN 30 614 110 299)	100	100
MyMoney247 Pty Ltd (ABN 51 614 110 324)	100	100
SRPT Holdings Pty Ltd (ABN 65 611 176 642)	-	100
Sentry Group Pty Ltd (ABN 40 125 343 384)	100	-
Sentry Advice Pty Limited (ABN 77 103 642 888)	100	-
Wealthsure Financial Services Pty Ltd (ABN 59 130 288 578)	100	-
Sentry Credit Services Pty Limited (ABN 26 116 569 423)	100	-
Sentry Financial Planning Pty Ltd (ABN 79 099 029 526)	100	-
Sentry Planning Services Pty Limited (ABN 53 155 558 900)	100	-
Sentry Group Services Pty Ltd (ABN 88 161 297 070)	100	-
Sentry Financial Services Pty Limited (ABN 30 113 531 034)	100	-
ACN 633 357 481 (ABN 13 633 357 481)	100	-
Synchronised Business Services Pty Ltd (ABN 33 007 207 650)	100	-
Synchron Pty Ltd (ACN 141 962 307)	100	-
Synchron Medical Pty Ltd (ACN 154 497 079)	50	-

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12. Segment Reporting

2022	B2B services	B2C services	All other segments	Total
	\$	\$	\$	\$
REVENUE				
Sales	99,622,021	1,994,697	105,633	101,722,351
Other income	6,880	-	1,880,327	1,887,207
Interest revenue	352	8,061	11,566	19,979
Total segment revenue	99,629,253	2,002,758	1,997,526	103,629,537
EBITDA				
Interest expenses	(127,108)	(185,600)	(285,034)	(597,742)
Depreciation & amortisation	(258,983)	-	(243,575)	(502,558)
One off expense	-	(294,462)	(177,694)	(472,156)
Net profit / (loss) before tax	3,335,174	340,876	(1,325,380)	2,350,670
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2021	B2B services	B2C services	All other segments	Total
	\$	\$	\$	\$
REVENUE				
Sales	10,451,185	2,290,951	23,324	12,765,460
Other income	53,600	221,394	502,168	777,162
Interest revenue	3	8,061	4,819	12,883
Total segment revenue	10,504,788	2,520,406	530,311	13,555,505
EBITDA				
Interest expenses	(10)	(378,906)	(236,481)	(615,397)
Depreciation & amortisation	(19,290)	(25,423)	(374,927)	(419,640)
One off expense	(14,846)	(143,473)	(2,734,968)	(2,893,287)
Net profit / (loss) before tax	927,083	(425,292)	(4,393,904)	(3,892,113)

13. Accounting policies

The general-purpose financial statements for the reporting period ended 30 June 2022 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 23 September 2022.

Keith R Cullen
Managing Director

26 August 2022