

ASX Release 30 September 2020

FY2020 Consolidated Financial Statements

Restructure delivers return to operating profit and positive operating cashflow, despite impact of COVID-19

WT Financial Group Limited (the Company or the Group) today lodged its (audited) Consolidated Financial Statements for FY2020. The results are in line with (slight improvement on) the Company's Appendix 4E Preliminary Final Report which was lodged last month.

Despite the impact of COVID-19 the Company experienced continued growth across FY2020 through its successful restructure strategy, enabling it to return to operating profit and positive operating cashflow.

Commenting on the results, managing director, Keith Cullen, said, "We are delighted to have been able to continue our growth and deliver such a significant turnaround in operating profit despite the economic headwinds of COVID-19".

He added, "Our strong revenue growth and reductions in expenses delivered a more than 331% improvement in Operating Profit (EBITDA) to \$1.21M, as compared to an EBITDA loss for FY2019".

Mr Cullen said that Total Revenue & Other Income was up 20% to \$12.80M (FY2019 \$10.64M), with Total Revenue from Ordinary Activities was up by 15% compared to the prior year to \$12.06 M (FY2019 \$10.45M).

"Significantly, B2B revenue, which is our primary focus, was up nearly 70% to \$8.37M, and recurring revenue was up more than 30% to \$8.65M, and now represents more than 80% of revenue from ordinary activities", said Mr Cullen.

The Group's B2B success increased Direct Cost of Sales by 31% year-on-year to \$6.70M (FY2019 \$5.13M), in line with its strategic focus, and restructuring delivered further cost improvements, with Total Operating Expenses (excluding depreciation, amortisation, interest and tax) down a further 19% on the prior year's reductions to \$4.88M (FY2019 \$6.03M).

Finance costs increased 12% to \$281k (FY2019 \$250k), while depreciation and amortisation increased 109% to \$871k (FY2019 \$417k) resulting in a return to underlying profitability with a normalised NPBT result of a small profit of \$60k.

This was a sharp turnaround and 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 (further details of which have been previously announced and are contained in the Consolidated Financial Statements) the NPAT result was a loss of \$401k, a 56% improvement on the prior year (FY2019 loss of \$929k). This result was an improvement over what was contained in the unaudited preliminary results due to beneficial tax treatment of the write-down.

COVID-19 Impact Statement

The Company provided a COVID-19 Impact Statement in a market release on 4 August 2020, and details are provided within the Consolidated Financial Statements. The economic impact of the pandemic negatively impacted FY2020 EBITDA by an estimated net \$125k after accounting for positive contributions from government programs.

Group operations have been able to be readily adapted during the pandemic, and the Group is well equipped from an operational and technological perspective to continue its operations should the impact of the pandemic continue.

Mr Cullen concluded, "While the risks from the COVID-19 operating environment cannot be discounted, we're confident of our ability to execute our core business strategy of growing a profitable financial adviser B2B network will continue through this period".

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Background to turnaround

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.

Annual Report and AGM

The Company expects to lodge its Annual Report later this week, at which time it will provide the date for its Annual General Meeting which it expects to hold early November.

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 and market information services for advisers and consumers through that includes the publication of its Wealthadviser library of more than 100 financial literacy manuals and handbooks on a broad range of financial and investment market topics which are available in both digital and printed form.

Authorised for release by and for further information:

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