

WT | FINANCIAL GROUP

# THE FUTURE OF QUALITY ADVICE

WTL - Acquisition of Sentry Group Pty Ltd

Sharecafe Hidden Gems Webinar

Friday, 9 July 2021

# IMPORTANT INFORMATION

## Issuer and Date

This investor presentation (**Presentation**) has been prepared by WTL Financial Group Limited (ACN 169 037 058) (**WTL**) and is dated 10 June 2021. It has been prepared in relation to a proposed capital raising comprising an issue of new fully paid ordinary shares in WTL (**New Shares**), and on the basis that prospective applicants under the offer (**Offer**) are "sophisticated" or "professional" investors" (in accordance with subsection 708(8), (10) or (11) of the Corporations Act). The following notice and disclaimer apply to this Presentation. You are advised to read it carefully before reading or making any other use of this Presentation or any information contained herein. By accepting this Presentation, you represent and warrant that you are entitled to receive it in accordance with the restrictions, and agree to be bound by the limitations, contained within it.

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## Financial data

All references to dollar values, cents, \$, AUD, or A\$ in this Presentation are to Australian dollars (**\$**), unless otherwise stated. This Presentation contains certain financial information being the pro forma consolidated balance sheet as at 31 December 2020 assuming completion of the Offer and the acquisition of Sentry Group Pty Limited (**Acquisition**) (net of WTL's associated after-tax transaction costs) (the **Pro Forma Historical Financial Information**).

The Pro forma Historical Financial Information was derived from the consolidated financial statements of WTL for the half year ended 31 December 2020, which were reviewed by its auditors in accordance with Australian Auditing Standards, and on which an unqualified opinion was issued. The Historical Financial Information has been prepared using the recognition and measurement requirements of Australian Accounting Standards (**AAS**) adjusted for pro forma adjustments relating to the Offer and the Acquisition less associated after-tax transaction costs as if they had occurred as at 31 December 2020.

The Pro Forma Historical Financial Information has been prepared by WTL in accordance with the measurement and recognition requirements of AAS other than it includes adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they had occurred as at 31 December 2021.

The Pro forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS, the International Financial Reporting Standards (including the interpretations of the International Financial Reporting Interpretations Committee) (**IFRS**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Pro Forma Historical Financial Information provided in this presentation is for illustrative purposes only and is not represented as being indicative of WTL's views on its, nor anyone else's, future financial condition and/or performance.

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Several figures, amounts, percentages, estimates and calculations of value in this Presentation are subject to the effect of rounding.

# IMPORTANT INFORMATION

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No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including WTL or any of its advisers). Except as required by law or regulation (including the ASX Listing Rules), WTL disclaims any obligation or undertaking to update forward looking statements in this Presentation to reflect any changes in expectations in relation to any forward looking statement or change in events, circumstances or conditions on which any statement is based.

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This Presentation contains a pro forma consolidated historical balance sheet. Past performance and pro forma historical financial information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Group's views on its future financial performance or condition. Investors should note that past performance, including past share price performance, of WTL cannot be relied upon as an indicator of (and provides no guidance as to) future WTL performance including future share price performance.

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To the maximum extent permitted by law, you agree to release and indemnify WTL their advisers from and against all claims, actions, damages, remedies or other matters, whether in tort, contract or under law or otherwise, arising from or which may arise from or in connection with the provision of, or any purported reliance on, this Presentation and you covenant that no claim or allegations will be made against any of the them in relation to this Presentation.

You acknowledge and agree that determination and eligibility of investors for the purposes of all or any part of the Offer is determined by reference to a number of several matters, including legal and regulatory requirements and the discretion of WTL. You further acknowledge and agree that WTL expressly disclaims any duty or liability (including for negligence) in respect of the exercise of that discretion, to the maximum extent permitted by law.

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WTL reserves the right to withdraw the Offer or vary the timetable for the Offer without notice. All references to time are to AEST, unless otherwise indicated.

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# TODAY'S AGENDA

**Introduction to WT Financial Group Limited (WTL)**

**What's happening with financial advice in Australia**

**Acquisition of Sentry Group Pty Ltd**

**Expanded board and management team**

**Peer comparisons**

**Q & A**

# 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



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



**Advisers are independent business operators** acting as authorised representatives of WTL

## Services include:

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



More than **120 advisers across 105 practices** – up from 42 when Wealth Today was acquired



**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.

# 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



## 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**

Source: Oliver Wyman, Citi, FirstLinks

# UK EXPERIENCE SHOWS GROWTH AHEAD

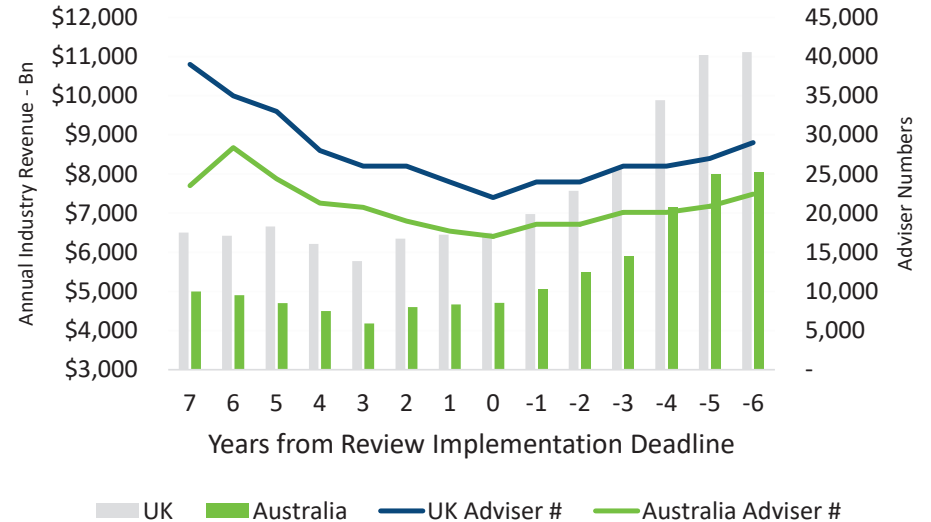


**9.4%pa**

Growth in revenue 2021-26, based on UK post-review experience

*The Australian industry is in upheaval following a decade of regulatory reform and the revelations of the Royal Commission – similar upheaval occurred in the UK following the RDR (Retail Distribution Review) and this ultimately led to growth for the industry.*

## UK Experience post 2006-2012 regulatory review period



Source: Oliver Wyman, FPA, Deloitte

# OPPORTUNITIES FOR INDEPENDENTS\*

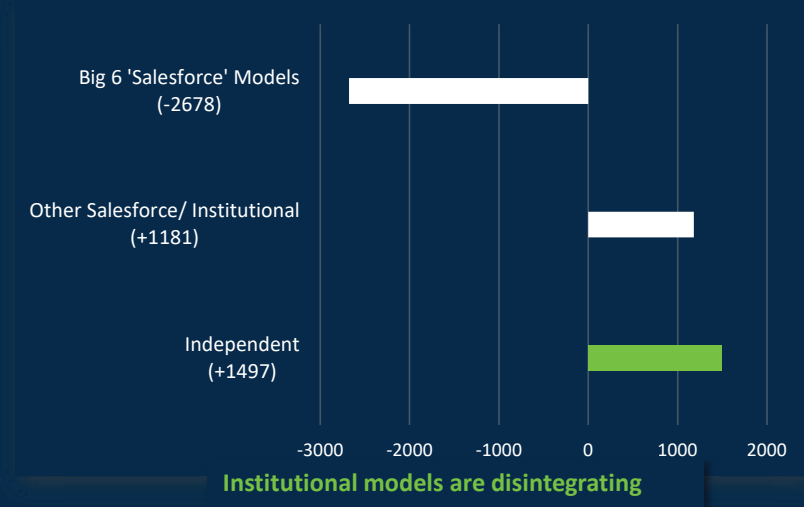
Industry upheaval has led to the disintegration of institutionalised “sales forces” and a rotation to genuine advice networks. This modernization of the industry is essential to meeting the growing needs of consumers.

**15.4%**

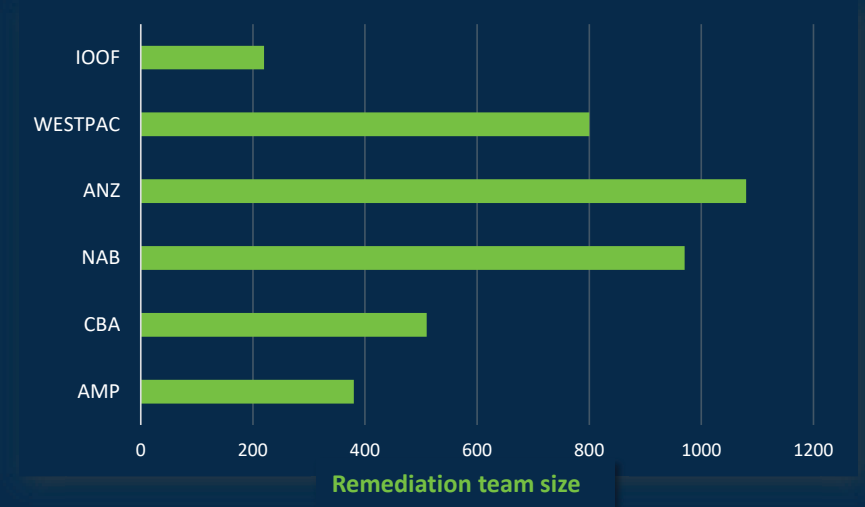
of advisers shifted to independents since 2018

**#1 reason:**

Big-6 using compliance as a weapon rather than an asset



Source: Adviser Ratings, ASIC Register



Source: Adviser Ratings

\*For the purposes of this presentation “independents” are defined as groups whose primary business is not the manufacture of financial products for distribution via their own “advice networks”. Also known as non-aligned groups.



# ACQUISITION OF SENTRY GROUP

Following the success of its Wealth Today acquisition, WTL is now acquiring the dealer group Sentry Group Pty Ltd (Sentry) to leverage its B2B transformation, deliver an immediate return to strong profitability, and set a platform for significant share price appreciation.



Established in WA in 2005, Sentry provides dealer group services Australia-wide



More than 155 authorised representatives, across 95 advice practices

- 1 **Strategic transformation over the past three years** under a new highly-experienced board and executive
- 2 **Evolved from an acquisition-based growth strategy**, tied to a (now redundant) commission and volume rebate revenue model
- 3 Now a **pure organic growth strategy with a modernised revenue model**
- 4 **Success has seen it win several coveted industry awards** and enabled it to attract high quality practices and advisers



WTL will pay

**\$7.0M**

to acquire 100% of Sentry comprised

50% cash

50% vendor shares



Subject to **performance hurdles**, up to a **maximum of a further \$3.0M will be payable in 12-months** - which may be satisfied by up to 50% in shares



**Purchase price is in line with industry multiples of 2-times recurring (net) dealer group revenue**, presenting significant accretive value to WTL

# TRANSACTION AND PLACEMENT

## Key transaction details

Settlement consideration	\$7.0M
Cash (by share placement)	\$3.5M
Vendor shares	\$3.5M
Additional cash raised	\$1.5M
Total shares to be issued	113.3M
Issue price	7.5 cents
Upside payment	up to \$3.0M

## Metrics post-acquisition

FY2022 revenue guidance	>\$70.0M
FY2022 NPAT guidance	>\$2.0M
Indicative shares on issue	280.5M
Pro-forma market cap at issue price	\$21.0M
PE on FY2022 guidance	<10.5

Past performance is not a reliable indicator of future returns.

PE: price to earning ratio calculated as proforma market capitalisation divided by FY2022 NPAT guidance



A completion payment of \$7.0M will be comprised of 50% cash and 50% WTL shares issued to the vendors, with the cash component funded through the issuance of WTL new shares



WTL has raised a further \$1.5M in cash to fund acquisition and integration costs, bringing total cash raised to \$5.0M at a price of 7.5 cps which at the time of the book-build was a 25% premium to the last traded price. **Shareholder meeting 16 July with settlement 19 July 2021**



The synergistic nature of the acquisition will provide immediate operating expense reductions resulting in FY2022 NPAT guidance of >\$2M



A committed group in charge with board holdings exceeding 26% and non-director executives holding more than 10%. Committed Sentry vendors will hold circa 17% post-acquisition.

# HIGHLY COMPLEMENTARY & TRANSFORMATIONAL ACQUISITION

The acquisition of Sentry provides a powerful combination of complementary IP, skills, and experience and sets the platform for further organic and strategic transactional growth as industry disruption continues.



Scale and efficiencies to deliver strong profit result year one



Expanded WTL board and management team



Restructured balance sheet to provide management clear runway



Management targeting return to dividends

*Post-acquisition WTL will emerge with around 275 advisers across more than 200 practices Australia-wide making it one of a select number of new heavyweight independent groups.*

# EXPANDED BOARD & MANAGEMENT TEAM



**Keith Cullen**  
**Managing Director**

WTL founder and largest shareholder. 36yrs 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 Wealth Today and now Sentry acquisitions.



**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 Sentry 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**  
**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 with its transformation to a B2B focussed enterprise.



**Rob Jones**  
**Advisory Committee Chair**

Significant Sentry shareholder and director. MD at Peloton Partners and an accomplished industry executive with 20yrs experience. CEO of The Money Managers, and sold into ASX-listed Shadforths where he headed M&A ahead of its acquisition by IOOF. Will chair the expanded group's internal advisory committee in a non-executive capacity.

# EXPANDED BOARD & MANAGEMENT TEAM



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

Significant Sentry shareholder and MD. 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 remain as MD of the Sentry subsidiary.



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

8yrs 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.



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

Significant WTL shareholder. 25yrs in financial advice, as a practice principal and senior executive including 7yrs 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.



**Shelly Radford**  
**Group Head Legal, In-house Counsel**

12yrs financial services legal experience, including M&A experience in the building of Sentry. Successfully navigated Sentry and its advisers through significant legislative and regulatory changes over 7yrs. Admitted to the Supreme Court of WA.



**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. Regulatory reporting and HR management experience for public and private companies in the UK and Australia. CIMA and CPA qualified.

# OLD BIG 6 BEING REPLACED BY NEW INDEPENDENT HEAVYWEIGHTS



Big Six down 54%

Group	Advisers 2018	Advisers 2020
AMP	2,607	1,808
IOOF <sup>1</sup>	1,604	1,295
NAB	1,506	584
CBA	1,501	251
WBC	957	0
ANZ	398	0
<b>Big 6</b>	<b>8,573</b>	<b>3,938</b>

Source: Money Management Top 100 Dealer Groups

1. IOOF will assume control of NAB's MLC advice networks on 1 July 2021



Top Ten Independents up 40%

Rank	Group	Advisers 2018	Advisers 2020
1	Synchronised Business Services	460	505
2	Sequoia (ASX: SEQ)	250	393
3	Centrepoint Alliance (ASX: CAF )	351	311
<b>4</b>	<b>WT Financial Group (ASX: WTL)<sup>1</sup></b>	<b>59</b>	<b>275</b>
5	Countplus Limited (ASX: CUP) <sup>2</sup>	91	268
6	Capstone Financial Planning	163	261
7	Lifespan Financial Planning	148	251
8	Easton (ASX: EAS) <sup>3</sup>	295	246
9	Fortnum Private Wealth Ltd	102	205
10	Morgans Financial Limited <sup>4</sup>	166	201
<b>Total Top Ten</b>		<b>2,085</b>	<b>2,916</b>

Source: Money Management Top 100 Dealer Groups 2020 report. Note: numbers are fluid and may have varied from publication of the Money Management report and are therefore indicative only.

1. WTL approximate number of advisers post acquisition of Sentry
2. CUP acquired Count Financial advisers from CBA in 2019
3. EAS excludes limited license accountants
4. Morgans stockbrokers are excluded



# Q&A