



**ASX Release**  
**Spring FG Limited (ASX: SFL)**  
**28 February 2018**

### **Spring FG Limited Interim Report**

Financial services company Spring FG Limited (Spring FG or the Company, ASX: SFL) provides the following information and commentary in supplement to the Company's Interim Report and Appendix 4D for the half-year to 31 December 2017 as lodged with the ASX today.

The Company and its controlled entities (the Group) recorded an operating loss (before interest, depreciation & amortisation and tax) of \$1.677M for the half-year to 31 December 2017 (PCP: EBITDA profit of \$1.118M), in line with indications provided to the market previously.

Given the loss, which is the first incurred by the Group in any period since it commenced commercial operations in FY2012, the Company determined it prudent to bring forward its annual impairment testing of goodwill and, additionally, to consider write-downs of the carrying value of certain other intangible assets, as advised to the market previously. Further details of the resulting impairments and write-downs arising from that review are provided below.

The consolidated loss of the Group after providing for interest, depreciation & amortisation (inclusive of one-off impairments and write downs on intangible assets) and income tax (benefit) amounted to a loss of \$3.494M (PCP: profit of \$702K).

#### **The key components contributing to the results are as follows:**

Revenue and other income decreased 38.2% to \$3.786M (PCP: \$6.121M). Details of matters impacted the results, and strategic measures undertaken to return the Group to profitability are provided below.

Total operating expenses increased 9.2% to \$5.463M (PCP \$5.002M). Details of measures to rationalise costs are provided below.

Depreciation and amortisation (excluding one-off impairments and write-downs) totalled \$266K (PCP \$173K).

A one-off impairment charge to the carrying value of goodwill totalled \$1.250M (PCP: \$0)

A one-off write-down of \$852K associated with the disposal of intangible assets (PCP: \$0)

A one-off write-down of other intangible assets of \$266K (PCP: \$0)

Income tax benefit of \$961K (PCP: expense \$217.5K)

#### **Matters Impacting the Results**

As previously advised the Group faced significant external challenges associated with two of its key areas of specialisation, being self-managed super and residential property investment advice, during the previous financial year (FY2017).

These external factors included changes to superannuation rules, the threat of changes to negative gearing, and APRA policy moves to rein in residential property lending, in particular relating to the SMSF market. These factors restricted the ability of some prospective and existing clients to enter the market, and had considerable operational impact.

Whilst increased certainty now exists around these factors, and they are not expected to impact the Group's long-term prospects, management had underestimated their operational and revenue impact that ultimately extended into the FY2018 year with a material negative impact on the results for the period.

The Company continues to implement operational and structural change to return the Group to profitability.

#### **Review of carrying values of goodwill and other intangible assets**

The Company brought forward its annual impairment testing of goodwill and conducted a full review of the carrying value of certain other intangible assets.

Accordingly, the Company determined it appropriate to write-down the carrying value of goodwill of its financial advice CGU (cash generating unit) from a cost base of \$4.278M to a revised carrying value of \$3.028M with an impairment charge of \$1.250M being recorded.

The carrying value of the Group's insurance and investment client register has been written down by \$852K, following the successful sale of servicing obligations, rights and revenue arising from existing the Group's risk (insurance) clients to Fairbridge Financial Services Pty Ltd in late December 2017.

A full review of other intangible asset carrying values has resulted in further one-off write downs of intangibles of \$266K.

Total one-off impairment charges and write-downs for the period were \$2.368M.



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### **Management restructure**

The Group has undertaken a review of management structure and personnel and reports a number of new appointments and departures.

As previously advised, the Group's head of specialist investments, Mr Jack Standing, has been appointed as national head of client acquisition.

Mr Michael Pelosi, has been appointed as national head of client strategy management, with primary responsibility for existing clients, and has also been appointed as a responsible manager of Spring FG Wealth Pty Ltd.

The Group's head of workplace education services, Mr Tony Pelosi, has also been appointed as a responsible manager of Spring FG Wealth Pty Ltd.

Each will join an executive committee (along with executive director, Mr Chris Kelesis) now reporting directly to group managing director, Mr Keith Cullen.

Subsequent to the half-year end, the Group accepted the resignations of its general manager of its core wealth management operations, Mr Mitchell Ansiewicz, and its group CFO, Mr Russell Scott. In accordance with their executive service agreements their employment will conclude in April 2018. The Group accepted the resignation of its former chief operating officer and head of advice, Mr Frank Paul, whose employment formally concluded in early January 2018.

Under the restructured management arrangements, Mr Ansiewicz's and Mr Paul's positions will not be replaced.

### **Rationalisation of operating costs**

The Group has implemented reductions in employment, occupancy and other costs to deliver annualised savings in excess of \$1.5M. The Directors consider that the integration of the Group's recent acquisition of Wealth Today Pty Ltd (as more fully discussed below in this Directors' Report) presents further opportunity for operational efficiencies.

### **Expanded distribution model and fintech initiatives**

The Group has moved to significantly expand its distribution channels through its dealer group model (including its recent acquisition of Wealth Today) to reduce future reliance on direct revenue channels.

The Group's dealer services offering (through Wealth Today) enables it to leverage existing infrastructure and augment revenue from its salaried-adviser distribution, upon which it has previously been completely reliant.

The Group has also moved to diversify its range of revenue streams through exposure to "fintech" opportunities, as exemplified by through the December 2017 launch of MyMoney247.com.

MyMoney247.com is a personal financial management platform that provides consumers with digital services to manage their income, investments, bill payment, budgeting and tax requirements, on a paid subscription basis, presenting a significant long-term recurring revenue opportunity for the Group.

The Group is initially targeting the platform at its extensive online community comprising more than 160,000 subscribers to its sharecafé.com.au and wealthadviser.com.au digital content.

The Group continues to explore the addition of online home loan and other financial product sales, presenting further revenue upside for the Group in addition to the long-term recurring subscription revenue potential presented by the platform.

### **Acquisition of Wealth Today**

On 2 January 2018 the Group completed its acquisition of all of the issued capital of financial services dealer group Wealth Today Pty Ltd (Wealth Today). The acquisition followed the Group's launch of a comprehensive range of dealer group services in October 2017.

Established in 2008, Wealth Today has some 40 authorised representatives with circa \$200M in funds under advice and \$9.5M of in-force insurance premiums.

The Directors expect that the acquisition will contribute more than \$4M pa in revenue and that it provides a platform to accelerate its dealer group growth, which will be concentrated under the Wealth Today brand (which will be retained), and play a key role in the Group's return to profitability.

The Group has retained an experienced and dedicated team of head-office personnel and authorised reps, and an established brand to build the Group's dealer group operations under.



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With its head-office in Perth and numerous authorised reps in Western Australia and South Australia (as well as Victoria, NSW and Queensland) the acquisition has extended the Group's reach considerably beyond its existing Eastern seaboard concentration.

From a corporate perspective, the Directors believe the acquisition will enable the Group to leverage its existing infrastructure and augment its targeted growth through its existing Spring-branded company offices.

#### **Insurance business operations and intangible asset sale**

On 23 December 2017 the Group entered into an exclusive business relationship with leading specialist risk advisory practice, Fairbridge Financial Services Pty Ltd (Fairbridge), to expand the resources it is able to offer its direct clients in the area of personal insurance services (risk services).

Under the arrangements entered into Fairbridge assumed exclusive responsibility for the fulfilment and implementation of risk strategies and insurance policies for all Spring FG Wealth clients and assumed responsibility for all insurance services related overhead in delivering services to Spring FG Wealth salaried-adviser clients.

Fairbridge will pay Spring FG Wealth a portion of gross advice, insurance commission and renewal fees generated through new clients under the arrangements on an ongoing basis.

In consideration of the exclusive appointment; and the sale of servicing obligations and revenue arising from existing Spring FG Wealth risk clients Fairbridge is required to pay Spring FG Wealth cash of a total of up to \$1.8M which was satisfied as an initial payment of \$1.44M at settlement with a deferred component of \$360K payable subject to revenue targets in January 2019.

The arrangements with Fairbridge relate to the Group's direct salaried-adviser operations under its Spring Financial Group brand with no impact on authorised reps under its dealer group operations, or those under its newly acquired Wealth Today Pty Ltd operations.

#### **Part Sale of Digital Publishing Subsidiary and New Digital Publishing Joint-Venture**

On 27 February 2018 the Group completed the sale of a 50% stake in its Sharecafé and Sharescene digital news and information subsidiary, Spring FG Digital Pty Ltd (Spring FG Digital) to digital publisher, the Informed Investor Pty Ltd (Informed Investor).

Under the terms of the sale Informed Investor has acquired 50% of the issued capital of Spring FG Digital for a cash consideration of \$225,000

The Group and Informed Investor have established a joint-venture relationship to develop and expand the content and advertising sales of Sharecafé and Sharescene and Informed Investor managing director, Tim McGowen has joined the board of Spring FG Digital. He assumes responsibility for driving the joint-venture between the Group and Informed Investor

Significantly, the Group will retain its access to advertising across Sharecafé and Sharescene to promote its own Group-operated products and services at no charge for a period of 4-years.

#### **Financial position**

The financial position of the Group as 31 December 2017 are summarised as follows:

Cash and current cash receivables were \$7.383M (30 June 2017: \$9.803M) inclusive of cash and cash equivalents of \$2.756M (\$2.598M at 30 June 2017).

Net assets were \$11.982M (30 June 2017: \$16.437M), with net tangible assets (NTA) of \$5.836M (30 June 2017: \$7.889M), and NTA backing per ordinary share \$(0.04) (30 June 2017: \$0.06).

The Group had drawn receivables financing facilities of \$2.33M (FY2017 \$(2.0M)).

Cash flows from operating activities were \$(1.861M) (PCP \$1.340M) while cash flows from investing activities were \$1.61M (PCP \$(277)K).



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**Dividends**

No dividends were paid by the Company in the period (PCP: 1.0 cents per share) and no dividend is proposed by the Directors.

The Company has a track record of paying dividends, having paid a total on more than \$6.3M in fully-franked dividends since formation as the ultimately holding company of the Group in 2014.

The Directors retain their policy of paying dividends at least annually, subject to profitability and the cash reserves to support such dividends.

**Results Presentation and Conference Call**

A results presentation that will include a discussion of the Group's strategic and operational changes to return it to probability will be conducted via conference call in the near future. Shareholders and interested parties are invited to attend. Date and time details, a copy of the presentation and dial-in details will be released to market in due course.

**About Spring FG Limited - [springFG.com](http://springFG.com) - ASX: SFL**

Spring Financial Group (Spring FG) is a diversified financial services group offering financial planning and investment advice; wealth management; insurance and superannuation; finance; and tax & accounting services. Its advice and product offerings are broad and include a specialisation in self-managed superannuation funds (SMSFs); and residential real estate investment.

The Group has offices in Sydney, Melbourne, Brisbane, Canberra, Newcastle and Wollongong. It has also launched a diverse range of dealer group services for the financial advice industry, through its recently acquired Wealth Today operations. The Group also operates a range of leading "fintech" services including its spring247 personal financial management and mymoney247 platforms.

With an online community of more than 160,000 subscribers, the Group's digital operations offer financial education and market information services free-of-charge through regular seminar programs, the publication of its Wealthadviser library of more than 95 eBooks on a broad range of subjects, and the operation of content-rich websites, including industry-leading sharecafé.com.au and wealthadviser.com.au.

**Further information:**

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