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 2018 as lodged with the ASX today.

The Group has recorded substantial revenue increases and operating cost reductions over the prior corresponding period (PCP) that have brought the Group closer to a return to profitability, thanks to its successful implementation of significant management and operational restructuring and cost reductions; and strategic changes to its distribution model over the past 12-18 months.

- Total revenue and other income for the period increased 31.0% to $4.959M (PCP: $3.786M) with revenue from ordinary activities increasing 150% to $4.917M (PCP: $1.964M)
- Operating expenses were down 32% to $3.23M (PCP: $4.775M) as the Group continued its restructuring efforts.
- Cost of goods sold increased to $2.549M (PCP: $687K) reflecting revenue share paid to non-salaried advisers in the Group's Wealth Today operations.
- The above resulted in a significant improvement in overall result with a net loss for the period of $855K (PCP: loss of $3.494M) after accounting for an income tax benefit of $324K (H1FY2018: $961K).

Since completion of the Group's acquisition of financial services dealer group Wealth Today Pty Ltd in January 2018, the Group has successfully increased authorised representative numbers from 42 to 70 with further growth in adviser numbers a primary focus of the Group during the balance of FY2019 and beyond.

The state of flux in the financial advice sector resulting from the revelations and outcomes of the Royal Commission presents significant opportunity for the Group to grow adviser numbers and revenue and profitability considerably in the mid-term. The Group considers that consolidation is likely in the dealer group sector and intends actively exploring acquisition opportunities.

The Group remains focused on finalising the rationalisation of its salaried adviser operations as it continues to realign resources and efforts in servicing its existing clients, with revenue growth targeted through referrals from those clients. The Group's 32% reduction in operating expenses during the period included a 36% reduction in employment expenses to $1.9M (PCP: $2.98M). It also included a 45% reduction in marketing expenses to $184K (PCP: $334k) with further reductions targeted as contracted arrangements expire and client recruitment activity is further shifted to the non-salaried adviser group.

As noted in the Group's FY2018 Annual Report, a general softening of capital city property prices (which has accelerated in certain markets), tightening of lending, and the withdrawal of several lenders from SMSF lending have had a material impact on this historically core property aspect of the Group. The Group has also seen the emergence of regulatory pressure regarding financial advice activities involving real estate.

Accordingly, during the period the Group moved to redefine the property aspects of its business, moving to acting exclusively as a buyers' agent for financial advice clients, rather than accepting appointments from vendors. Having acted for and/or advised buyers and vendors on more than 1,000 property transactions the Group is well placed to leverage this expertise, and is exploring property funds management opportunities through direct, joint-venture and funds management mandates.

Cash from operations

Cash flows from operating activities were $670K (PCP: being cash outflow of $1.861M) and the Group paid down its debt facilitates by $420K (HY1FY2018: increased $380K). Overall cash and cash equivalents decreased $124K during the 6 months to $1.209M compared to $1.243M at 30 June 2018.

Balance sheet

Net assets were $8.662M (30 June 2018 $9.518M), with net tangible assets (NTA) $1.530M (30 June 2018 $2.270M) and NTA backing per ordinary share 1.1 cents (30 June 2018 1.6 cents). The Group had drawn receivables financing facilities of $1.520M (30 June 2018 $1.940M). NB: Commissions associated with yet-to-settle property transactions are recorded off balance sheet with the Group's future entitlement to the amounts prevailing pending settlement of the underlying transactions. Accordingly, such amounts are not reflected on the 31 December 2018 balance sheet. They will be recognised as revenue as and when settlement of the underlying transactions occurs.

ASX Release
Spring FG Limited (ASX: SFL)
28 February 2019

Dividends

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

About Spring FG Limited - 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 delivered both directly to clients through its Spring FG Wealth Pty Ltd subsidiary and through a group of independent financial advisers through its Wealth Today Pty Ltd subsidiary.

The Group also operates a range of "fintech" services including its spring247 and mymoney247 personal financial management platforms and offers financial education and market information services through regular seminar programs, the publication of its Wealthadviser library of more than 100 eBooks, and the operation of content-rich website sharecafé.com.au.

The key companies in the group are Spring FG Wealth Pty Ltd (AFSL 391655), Wealth Today Pty Ltd (AFSL 340289), Spring FG Realty Pty Ltd, Spring FG Accounting Pty Ltd and Spring FG Finance Pty Ltd.

Further information:
Keith Cullen
Founder & managing director
Spring FG Limited
Tel: +612 9248 0422
keith.cullen@springFG.com