



ASX Release

Spring FG Limited (ASX: SFL)

26 November 2018

Spring FG Limited – 2018 Annual General Meeting

Financial services company Spring FG Limited (Spring FG or the Company or Group, ASX: SFL) provides the following for the attention of the market being the transcript of the chairman and managing director's addresses for its 2018 Annual General Meeting (AGM) to be held today at 9.30am.

Chairman's address

Good morning and welcome to Spring FG Limited's fourth AGM as a listed company.

Thank you for your attendance.

I am the Company's chairman, Guy Hedley - and I am joined today by our newly appointed auditors Rothsay, represented by Daniel Della and Frank Vrachas

I am also joined by managing director Keith Cullen, his fellow executive director Chris Kelesis, retiring non-executive director Jeff Zulman and the Company's secretary Ian Morgan.

Over the past year in particular, the financial services industry has experienced considerable upheaval.

Various structural changes that have been developing over time have been brought into the spotlight by the Royal Commission and in many cases the Royal Commission is now accelerating those changes.

The vertically-integrated model of product manufacturing being coupled with advice/sales, that has been the centrepiece of the majority of the industry in the past two decades is now disintegrating, with nearly all the major banks moving to re-evaluate or exit their financial advice operations.

This *state of flux* creates an interesting and significant opportunity for the Company.

Most notably in our Wealth Today dealer group operations, as the reputational damage suffered by the largest of advice brands and uncertainty as to the nature of the future operations of their advice businesses, has many advisers aligned to them needing to contemplate their future.

Since acquiring Wealth Today in January 2018, we have restructured operations in readiness for growth, and as Keith Cullen will explain in his managing director's report that is an area that we will focus on during FY2019 and beyond.

The Company has of course not been immune from the challenges the industry has faced, as has been borne out in the Group's financial performance for FY2018.

Revenue and other income declined to \$9.35M (from \$12.54M) resulting in an operating loss of \$(2.43)M (after an FY2017 operating profit \$2.10M).

And after accounting for various one-off write-downs and impairment charges NPAT was \$(4.33)M (after a \$968K NPAT in FY2017).

Keith will explain where this impact was greatest in his address.

To address these challenges the management team has implemented key strategic changes.

These include significant costs reductions, which now exceed more than \$2.8M on an annualised basis. Of course, we will continue to look for rationalisation where possible.

Most importantly the Company is focussed on adapting to and exploiting the new landscape that is emerging in financial services, and to summarise the key areas of opportunity as well as explaining the ongoing challenges ahead of us I will hand to Keith Cullen for a brief address before returning to the various formal agenda items for today.

Managing director's address

Thank you Guy. And welcome everyone. Thank you for your attendance.

The turmoil created by the Royal Commission continues to present both challenges and opportunities for Spring FG Limited.

Of course, there have been factors beyond the Royal Commission that have impacted the Company over recent times.

Our greatest hurdle has been in our core Spring FG Wealth financial advice operations that operates exclusively with salaried advisers.

Going back to 2017 changes to superannuation rules and over more recent times APRA policy moves to rein in residential property lending have now proven to be more than short-or-midterm cyclical.

With our core specialisations being in SMSF and also residential property investment these market developments have been significantly amplified in our salaried adviser business and have led us to undertake a restructure of operations.

Earlier this year we implemented a significant management restructure and reduced overhead further through a scaling back of our direct marketing and new client recruitment campaigns.



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Within these operations further rationalisation is being pursued with an eye to realigning and increasing our resources and efforts in servicing our existing clients, with growth targeted through existing clients and referrals from those clients.

We have a significant existing client base and our attention needs to increase on servicing that client base and making sure we are achieving optimum outcomes for our clients and through that for the Company.

The reputational damage to the value of “brand” in financial advice that has stemmed from the Royal Commission is a dual-edged sword for the Company. It clearly negatively impacts the value in the brand that Spring Financial Group has been building.

Wealth Today

On the opportunity side of the equation we think that consumers will – for several years to come – now both consciously and sub-consciously seek out independent financial advisers, those with a local feel, where the adviser has their name on the door or the brand is aligned with the immediate locality.

Far from a “brand” being something to represent strength and to aspire to alignment with (for IFAs and clients), it seems likely that a “brand” has become more likely a liability, as consumers seek comfort in dealing with the “local guys”.

We think we will see the rise and rise of the independent financial adviser over coming years and that of course presents incredible opportunity for our Wealth Today dealer group. Wealth Today operates a model that supports the advisers in the group promoting their own brand.

And whilst the market conditions are right for significant growth in the independent financial adviser area, the increased regulatory overlay in the industry dictates that they need to be part of a group that has the scale to support them from a compliance, technology and education and training standpoint.

Our unique, centralised team-based approach to advice and service delivery presents an ideal platform for both individual advisers and brokers, as well as multi-practitioner firms who are looking to grow their practices and broaden their client offerings and revenue streams.

On acquiring Wealth Today in January 2018, it had some 42 authorised representatives. Since the acquisition we have restructured operations, increased services and support available, most notably in the areas of education and training, and consumer marketing tools. We have also both added advisers and shed some, with a net result of growing the group to around 60 advisers.

We can now set our sights on growth with an initial target is to add another 40-50 to take us above 100 advisers in the group within the next year. From there attention can turn to even more significant growth.

Evolution of real estate operations

Historically our clients’ comfort with residential real estate and their desire to build property portfolios, and our services offered through our licensed real estate operations acting as agent for vendors, have produced significant revenue.

A general softening of capital city property prices, tightening lending restrictions, the withdrawal of several lenders from SMSF lending continue to have a material impact on this historically core aspect of our business. We have also seen the emergence of regulatory pressure regarding financial advice activities involving real estate.

This has all lead us to redefine the property aspects of our business moving to acting exclusively as a buyers’ agent for our financial advice clients, rather than accepting appointments from vendors.

Having acted for and/or advised buyers and vendors on more than 1,000 transaction the Group is well placed to leverage this expertise, including through its dealer group operations also.

This same experience and expertise presents opportunities in property funds management, where the Group is exploring direct, joint-venture and asset and funds management mandate opportunities. We are exploring a number of key opportunities in this regard.

Fintech

The Group has pursued a variety of digital initiatives since inception. Its approach as previously advised has been to make “lots of small bets”, looking to leverage existing operations and databases where possible, to explore opportunities to diversify its revenue, without committing any significant capital.

During the course of FY2017 and FY2018 the Group launched two fintech initiatives. The first being its mysuper247.com, a low-cost SMSF establishment and administration service for non-advised, self-directed investors.

Due to limited uptake of the service and challenges with the delivery technology the Group has decided that to discontinue operations of [mysuper247](http://mysuper247.com) as an SMSF platform. It will consider a relaunch of the service as a retail superannuation offering in due course. Discontinuing the service will not have a material impact on either revenue or expenses.

In mid FY2018 the Group also launched MyMoney247.com, 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.



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MyMoney247's customised technology was deployed and is operated by leading fintech company MoneyBrilliant. It enables subscribers to link their various accounts, manage their finances and keep track of their cash flow, 24 hours-a-day, 7-days-a-week, via PC, tablet or smart-phone, all for a monthly subscription fee.

To date no external marketing of the service has been undertaken due to the Group's focus on restructuring its core operations. The Group remains committed to the opportunity and believes in the mid-to-longer term MyMoney247's income and expenditure tracking and tagging features present an ideal basis for the management of personal tax affairs and the addition of online tax return services to the platform.

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

During this period of restructuring and realignment we have had to focus efforts and energy elsewhere but in due course we intend to apply the right level of focus to mymoney247 to adequately test the opportunity, which we see as potentially significant.

Thank you

Before concluding and handing back to Guy Hedley for the balance of the meeting formalities and resolutions I would like to thank Jeff Zulman who retires today as non-executive director and who due to increasing business commitments is not offering himself for re-election. Jeff thank you so much for your support over the past four years.

As always, thank you for the continued support during this challenging period, and we look forward to being able to reward it as we focus on re-building long-term shareholder value and the platform for long term, sustainable growth and profitability.

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 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 and provides a diverse range of dealer group services for the financial advice industry, through its recently acquired Wealth Today operations, with more than 65 independently-owned financial advisers operating under the group.

The Group also operates a range of leading "fintech" services including its spring247 personal financial management and mymoney247 platforms.

The Group's Spring FG Digital division (now a 50% joint venture with Informed Investor Pty Ltd) offers financial education and market information services free-of-charge through the operation of content-rich websites, including industry-leading sharecafé.com.au and sharescene.com. The Group publishes a library of more than 100 eBooks on a broad range of subjects under its Wealth Adviser brand. Through these initiatives the Group has developed an online community of more than 160,000 subscribers.

Further information:

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