

ASX ANNOUNCEMENT

FY 2019 Guidance

Sydney, Wednesday 8 May 2019

The directors of **Xplore Wealth Limited** (ASX: XPL) (Company or Xplore Wealth) provide the following update to EBITDA guidance for FY 2019.

On 13 March 2019 Xplore Wealth stated that EBITDA for FY2019 was expected to be in the range of \$7m - \$8.5m. FY19 earnings guidance assumed:

- synergies of \$3.5 million from the Linear transaction;
- the receipt of due diligence and research fees from fund managers for the new wrap of \$0.9m; and
- \$1.9m of GST refund for the forecast period.

In addition, the Board anticipated the potential receipt of an additional \$1.6m refund of GST paid pertaining to prior financial years.

The \$3.5m of synergies from the Linear transaction included a projected saving from the transition of service providers for the Linear Funds of \$1.1m. The migration of the service providers has not yet occurred and as such, the projected synergy of \$1.1m will not be achieved this financial year.

The remaining \$2.4m of synergy benefits have been successfully realised since the acquisition completed in November 2017.

The \$0.9m pertaining to due diligence and research fees from fund managers is expected to be invoiced prior to the end of the financial year.

The receipt of the GST refunds (\$1.9m and the \$1.6m) is reliant on a Responsible Entity of the Linear Managed Account lodging the application for the refund with the ATO. We are pleased to announce that the registration, and the application to follow for the refund, is expected to commence this week.

The directors of the Company consider it to be likely that these monies will be recoverable in the 2019 financial year.

A revenue shortfall resulting partly from delays in new product launches has affected EBITDA guidance by \$1.7m. The new Wrap products are expected to be launched in June.

The Company, as part of the Board's expanded growth ambitions has also invested an additional \$500k in growth initiatives and skills upgrades to support future performance. These investments are expected to generate positive returns in FY20 and beyond.

Given these changes, FY19 EBITDA guidance has now been revised as per below and assumes the receipt of due diligence and research fees from fund managers for the new wrap of \$0.9m and \$1.9m of GST refund for the forecast period:

	EBITDA
FY 19 initial guidance	\$7m - \$8.5m
Revenue shortfall	(\$1.7m)
Synergy benefits not realised as yet	(\$1.1m)
Software development costs expensed (previously forecast to be capitalised)	(\$0.3m)
Investment into growth initiatives	(\$0.5m)
Revised FY19 guidance	\$3m - \$4m

In addition, whilst the Board anticipates the receipt of a potential additional \$1.6m refund of GST, this amount is not included in the \$3 to \$4 million guidance as it pertains to previous financial years. However, the Financial Statements will include this income in the 2019 financial year.

Outlook

Xplore Wealth is executing a number of growth strategies and initiatives that aim to improve profitability. With the successful relaunch and rebrand of the Group, the Company is now well placed to actively pursue sales initiatives with the goal of driving additional revenue growth.

The Directors also expect to appoint a CEO in the near term with the role of leading and driving improved performance.

Peter Brook, Chair of Xplore Wealth

“Whilst we have made significant progress over the past year in rebranding and repositioning Xplore Wealth with an expanded product set, it is disappointing to deliver revised EBITDA guidance for the year.

With our new product launches, scalable technology and upgraded capabilities, Xplore Wealth has an exciting future.

The Linear acquisition has been a positive development for the Group expanding our opportunity set.

We look forward to FY20 with new leadership expected to drive growth, returns on investments, continued growth in FUM in the structural push away from large incumbents and a healthy pipeline of new sales initiatives.”

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