

ASX release Xplore Wealth Limited Half Year FY20 Unaudited Results Update and Appendix 4C

Thursday 30 January 2020

Xplore Wealth Limited (ASX: XPL) (the Company or Xplore Wealth) is pleased to provide its preliminary unaudited revenue, gross margin, Earnings Before Interest Tax Depreciation & Amortisation (EBITDA) and Net Profit Before Tax (NPBT) results for the half year ending 31 December 2019. These unaudited results are ahead of the release of its Appendix 4D and final auditor reviewed half year report in late February 2020.

The Company is also releasing its Appendix 4C (attached) providing a quarterly update on its cash position for the December 2019 quarter.

Key points H1 FY20

- Revenue \$11.3m, a rise of 21% compared to H1 FY19. Revenue growth assisted by the acquisitions of Aracon Superannuation and DIY Master in FY19
- Strong growth in Funds Under Administration (FUA) and platform inflows over the period compared to H1 FY19
- Delivering on key strategic priority with the One Platform program on track. Affirm expected cost savings in H2 FY20 and beyond. In anticipation of synergy benefits, Linear software carrying value fully written down (\$10.8m)
- Underlying EBITDA up 45% on H1 FY19
- Cashflow positive in H1 FY20 with an uplift in cash holdings of \$1.25m

Mike Wright, CEO noted, *“The investments we have made to expand our people capabilities and the number of markets we compete in, are beginning to have a positive impact on our financial results. We are pleased to deliver 21% revenue growth, 45% EBITDA growth and positive cashflow for the half year versus the prior corresponding period. This is very encouraging considering we are in the process of upgrading our business model and transitioning to One Platform, which should deliver additional benefits for shareholders. With our upgraded capabilities and enhanced customer offering we plan to sustainably grow our business in 2020. “*

Xplore Wealth, a new generation specialist platform provider and investment administrator

Xplore Wealth is one of Australia’s longest serving independent Specialist Platform Providers (SPP) and investment administrators, with extensive expertise in managed accounts. Xplore Wealth also fully owns an APRA regulated Registrable Superannuation Entity (RSE) licensee, Aracon Superannuation Pty Ltd, the trustee of Aracon Superannuation Fund.

Xplore Wealth positions its distinctive Investment Platform, broad Managed Account offer and Superannuation Services to some of Australia’s leading financial advisory firms, full service stockbrokers and wealth managers.

CEO commentary

Since joining Xplore Wealth in September 2019 we have committed to a new vision for the Company. I am encouraged to report we are making solid progress in upgrading our business, capabilities, customer offerings and financial performance (see below).

One key priority to upgrading our business model will be to deliver on our One Platform program. The single platform will be fully integrated, with one custodian, digitalised and further systemised to support the next expected wave of Retail Platform change and growth, which we call “Regulatory Confidence”.

Renegotiation of key contracts, driving operational efficiency, cost savings and enhanced scalability are expected to provide additional synergies to the \$3m pa already achieved. This will be on top of the business being cashflow positive for the 6 months to 31 December 2019. Encouragingly, cash held in the Bank has increased by \$1.25m.

Finally, as a result of the decision to move to One Platform, we have prudently decided in FY20 to write off the carrying value of the Linear software. The write down of \$10.8m does not impact EBITDA or cashflow, however it negatively impacts NPBT in FY20. As these assets were being amortised over a five-year period, the write down will have a positive impact on NPBT in FY21, FY22 and FY23.

1H20 Unaudited financial results

Period ending 31 December	H1FY19	H1FY20	Growth
Funds Under Administration (FUA)	\$13.220b	\$15.894b	20.2%
Total revenue	\$9.308m	\$11.257m	20.9%
Gross profit	\$7.088m	\$8.548m	20.6%
GM%	76%	76%	-
Other income	\$0.163m	\$0.093m	(43%)
Other costs	(\$6.460m)	(\$7.495m)	16.0%
Underlying EBITDA (*)	\$0.791m	\$1.146m	44.9%
Depreciation & Amortisation	(\$2.433m)	(\$1.339m)	Large
Write off the carrying value of Linear software	-	(\$10.800m)	One off
Interest	\$0.017m	(\$0.009m)	
Non-recurring expenditure	(\$0.667m)	(\$1.065m)	
Net Profit Before Tax	(\$2.292m)	(\$12.067m)	

* Underlying EBITDA has been prepared to exclude non-recurring expenses for 1H 2020 and consistent with pro-forma calculations for 1H 2019. Results for H1 2019 have been modified to account for the implementation of ASS 16 which was implemented with effect from 1 July 2019 for comparison purposes.

The Company's Appendix 4D and final half year financial results are expected to be released towards the end of February 2020.

Please note that the financial results shown in this release are not audited and may be subject to change once the auditor's review of the report has been completed.

This Results Update and the attached Appendix 4C (Quarterly report) have been authorised for release by the Board of the Company.

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Investors should be aware that certain financial measures included in this announcement are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information / non-GAAP financial measures include EBITDA and EBIT. The Company believes the non-IFRS financial information / non-GAAP measures provide useful information to users in measuring the financial performance and conditions of the Company. The non-IFRS financial information / non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information / non-GAAP financial measures included in this presentation.

This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the Company's other ASX announcements and releases.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Xplore Wealth Limited

ABN

34 128 316 441

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,985	12,819
1.2 Payments for		
(a) research and development	(282)	(470)
(b) product manufacturing and operating costs	(1,645)	(3,702)
(c) advertising and marketing	(20)	(36)
(d) leased assets	(145)	(276)
(e) staff costs	(2,754)	(5,943)
(f) administration and corporate costs	(203)	(1,384)
1.3 Dividends received (see note 3)		
1.4 Interest received	21	40
1.5 Interest and other costs of finance paid	(40)	(65)
1.6 Income taxes paid	(2)	(3)
1.7 Government grants and tax incentives		300
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	2,915	1,280

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(79)	(104)
(b) businesses (see item 10)		
(c) investments		(12)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		25
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material) Agreements		
2.6 Net cash from / (used in) investing activities	(79)	(91)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		73
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		1,000
3.6 Repayment of borrowings	(1,000)	(1,000)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)	(4)	(4)
3.10 Net cash from / (used in) financing activities	(1,004)	69

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	367	941
4.2 Net cash from / (used in) operating activities (item 1.9 above)	2,915	1,280
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(79)	(91)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(1,004)	69

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	2,199	2,199

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,199	367
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,199	367

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

128

Directors' fees – 106
Director's consultant fee – 22 (inclusive of GST)

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

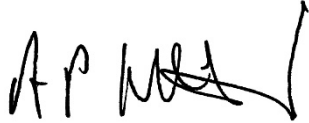
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	199
9.2 Product manufacturing and operating costs	1,456
9.3 Advertising and marketing	23
9.4 Leased assets	144
9.5 Staff costs	3,138
9.6 Administration and corporate costs	602
9.7 Other – repayment of Government grants	594
9.8 Other – final consideration for acquisition of business entity	792
9.9 Total estimated cash outflows	6,948

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director)

Date: 30 January 2020

Print name: Alex Hutchison

Authorised by the Board of the Company

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.