



WT FINANCIAL GROUP LIMITED

Equity Analysis (29 January 2025)



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Introduction

WT Financial Group Limited is an Australia-based diversified financial services company. The Company operates through two segments: Business to business (B2B) and Direct to consumer (B2C).

| | | |
|--|-------------------------|---|
| Recommendation | Speculative Buy | |
| Risk Profile | High | |
| Current Market Price (AU\$) | 0.115 | |
| 52 Week Low-High (AU\$) | 0.060 - 0.115 | |
| Market Capitalisation (AU\$) | 34.21 million | |
| Outstanding Shares | 342.19 million | |
| PE (TTM) | 8.83 | |
| EPS (AU\$) (TTM) | 0.011 | |
| Dividend Yield/Franking | 4.34%/100% | |
| Ex-Date/Pay-Date | 24 Sep 2024/15 Oct 2024 | |
| Enterprise Value (EV)/Sales (LTM)/(FY-1) | 0.2x | - |
| EV/EBITDA (LTM)/(FY-1) | 5.3x | - |
| Price/Book Value (LTM)/(FY-1) | 1.2x | - |

Performance Chart



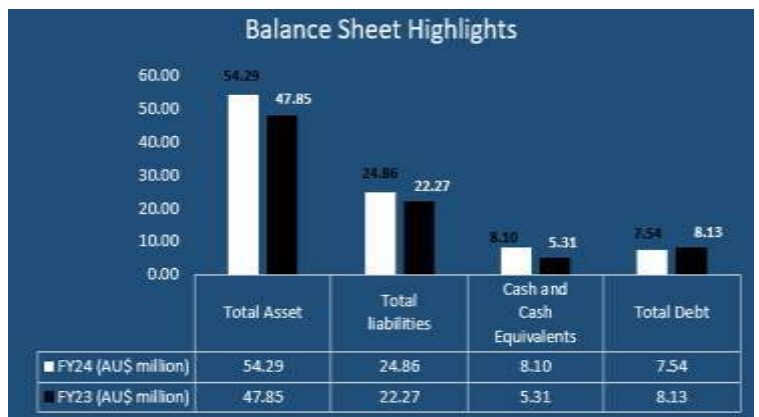
Operating Performance



Source: Company Reports, Chart Prepared by Kapitales Research

- Total revenue was AU\$185.47 million in FY24 as compared to AU\$160.52 million.
- In FY24, the company's net profit was AU\$3.85 million as compared to AU\$4.14 million in FY23.
- Cash provided from operating activities was AU\$5.46 million in FY24 compared to AU\$2.90 million in FY23.
- Cash used in investing activities was AU\$2.02 million in FY24 compared to AU\$1.78 million in FY23.
- Cash used in financing activities was AU\$0.65 million in FY24 compared to AU\$0.81 million cash provided in FY23.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitales Research

Compared to FY23, in FY24:

- Total asset increased to AU\$54.29 million.
- Total liabilities increased to AU\$24.86 million.
- Total debt decreased to AU\$7.54 million.

Ratio Analysis

| Fiscal Years | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|--|--------|---------|--------|--------|--------|
| Return on Assets (ROA) % | 0.63% | -1.81% | 7.08% | 7.28% | 6.99% |
| Return On Equity % | -6.99% | -45.82% | 14.40% | 18.15% | 14.01% |
| Return on Total Capital (ROTC) % | 0.91% | -2.58% | 12.20% | 11.62% | 10.10% |
| EBITDA Margin % | 3.85% | 3.36% | 3.39% | 3.57% | 3.11% |
| Gross Profit Margin % | 18.90% | 10.91% | 4.45% | 4.88% | 5.29% |
| Net Income Margin % | -4.92% | -25.73% | 1.84% | 2.58% | 2.08% |
| Asset Turnover | 0.8 | 1 | 3.4 | 3.3 | 3.6 |
| Days Outstanding Inventory (Avg) | - | - | - | - | - |
| Current Ratio | 1 | 0.7 | 0.7 | 1 | 1.1 |
| Days Sales Outstanding (Average Receivables) | 17.5 | 10.2 | 13.5 | 15 | 14.2 |
| Days Payable Outstanding (Avg) | 40.2 | 32.7 | 20.1 | 23.6 | 22.9 |
| Cash Conversion Cycle (Average Days) | - | - | - | - | - |

Source: Koyfin, Chart Prepared by Kapitales Research

Recent Updates

On 10 October 2024, WT Financial Group Limited has announced that they renewed the executive services agreement (ESA) of its founder and Managing Director, Mr. Keith Cullen, for a minimum term of three years starting from 1 October 2024. Under Mr. Cullen's leadership, WTL has experienced significant growth, including a 50% annual increase in underlying NPBT and a 394% rise in net assets.

Outlook

WT Financial Group Limited is well-positioned for continued growth, with a strong focus on its B2B strategy through acquisitions of key companies like Wealth Today, Sentry Group, Synchron, and Millennium3. The company has demonstrated consistent growth, delivering four consecutive years of 50%+ annual NPBT growth. With a large network of financial advisers and a robust wealth management division, WTL aims to expand its market-leading services and solutions, supporting both clients and financial advisers across Australia.

Risks

The company has exposure to the following risks-

- Market Competition
- Consumer preference risk
- Operational risk
- Technological Advancements

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

| Company Name | Ticker | Sector | CMP (AU\$) | Advisory Date | Rating | Target 1 (AU\$) | Target 2 (AU\$) | Stop Loss (AU\$) |
|----------------------------|--------|------------|------------|-----------------|-----------------|-----------------|-----------------|------------------|
| WT Financial Group Limited | WTL | Financials | 0.115 | 29 January 2025 | Speculative Buy | 0.130 | 0.140 | 0.105 |

The stock of financial services provider company WTL settled at AU\$0.115 on 29 January 2025 after a gain of nearly 15.00% from previous day's closing. It is currently trading between its 52-week price levels. The stock is trading above the significant exponential moving averages (EMA) of 20, 50, 100, and 200 weeks on a weekly time frame, indicating bullishness for the midterm. The stock is trading above its central pivot (AU\$0.085), holding a bullish momentum on a weekly time frame chart. RSI (14 weeks) is at 68, holding a bullish momentum in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.130 (pivot resistance R2) and AU\$0.140 (previous swing resistance) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$0.105 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.

Investment Summary

WTL has made strategic investments to strengthen its position in the Australian financial services industry. These include acquisitions of companies such as Wealth Today, Sentry Group, Synchron, and Millennium3, which have driven its shift to a B2B-focused model. The company's investments have contributed to compounding growth, with net assets increasing by 394% and underlying NPBT growth exceeding 50% annually. WTL continues to enhance its offerings through a large network of financial advisers and innovative wealth management services.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$0.115 as of 29 January 2025 (after-market hours).

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Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e. Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.

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