

SelfWealth Ltd reports strong uplift in profit

Melbourne, Australia – 27 August 2024: SelfWealth Ltd (ASX: SWF) (“Selfwealth” or “the Company”), a leading Australian fixed-cost low-cost broker, today announced its financial results for the year ended 30 June 2024 (‘FY 24’).

Selfwealth achieved a strong uplift in profitability following on from its maiden profit in FY 23. Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$5.5 million, was up 36% from \$4.0 million in the previous corresponding period (pcp) and Net Profit After Tax (NPAT) was \$3.4 million, compared to \$0.1 million pcp.

Key metrics:	FY 24	FY 23	pcp %
Underlying EBITDA ¹	\$5.5 m	\$4.0 m	+36%
NPAT	\$3.4 m	\$0.1 m	+3,596%
Net operating cash flow	\$2.6 m	\$2.5 m	+4%
Operating revenue	\$27.6 m	\$29.4 m	-6%
Gross profit Margin	70.5%	69.0%	+2%
Cash at bank	\$11.4 m	\$12.4 m	-8%
Funds under administration ²	\$10.7 bn	\$9.5 bn	+13%
Restricted client trust funds for trading ³	\$382 m	\$456 m	-16%
Number of active traders	128.7 k	129.4 k	-1%
Trading volumes	741 k	850 k	-13%

Commenting on the result, Selfwealth’s Chair Christine Christian AO said: “It is pleasing that Selfwealth reported a strong profit this year, following on from our maiden profit in FY23.

“This result is testament to the effectiveness of our transformation program. During the year have continued to right-size the business, reducing operational expenses by 16.6%, and at the same time the new leadership team has pivoted to a more customer-led business; one focussed on service and platform enhancements to support our customers wealth building aspirations.

“We have maintained our loyal customer base with approximately 129,000 Active Portfolios in a softer trading market, and achieved 13% growth in Funds under Administration (FUA) to \$10.7 billion. Our revenue of \$27.6 million was affected by weaker macro-economic conditions, being 6% lower than last year.

¹ Underlying EBITDA adjusted to exclude non-recurring expenses, which include impairment and cost reduction implementation expenses. The adjustments comprise \$1.9 million in FY 24 of one-off transformational cost reduction expenses and in FY 23, \$2.9 million impairment of intangible assets.

² Aggregate customer assets held on the Selfwealth platform including cash balances and securities with ASX, NYSE, Nasdaq & HKEX exchanges, with all financial amounts expressed in Australian Dollars.

³ Previously called Customer cash.



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“Our financial position remains sound with year-end cash at bank at \$11.4 million. We have no debt. This, combined with Selfwealth’s strong cashflow management and healthy balance sheet, allows the business to effectively fund and execute our long-term strategy for growth. “

FY 24 results overview:

A strong net profit of \$3.4m, compared to \$0.1 million pcp, was achieved through maintaining a steady-state business while the company focussed on its transformation program to right-size our operations as well as embedding a customer-led approach.

Underlying EBITDA was \$5.5 million, up 36% from \$4.0 million in the previous corresponding period (pcp). Total FUA was up 13% to \$10.7 billion, from \$9.5 billion pcp, an average of \$83k per active portfolio, notwithstanding a significant decline in broader market equity trading volumes.

Operating expenses⁴ were down 16.6% pcp or \$2.9m from \$17.5m to \$14.6m. The reduction was largely attributed to lower selling and marketing costs, reduced headcount, and lower supplier expenses.

Revenue was \$27.6m, 6% lower than last year, was affected by weaker macroeconomic environment of higher cost of living and interest rate pressures.

Cash generated from Operating Activities was \$2.6m, up 4% pcp, as the company continued to invest to execute its transformation program and long-term strategy, with the business continuing to be well-funded with \$11.4m cash at bank and no debt.

Craig Keary, Selfwealth’s Chief Executive Officer, commented: “Since joining Selfwealth in October 2023, I have been focussed on three things: accelerating our transformation program; putting in place the best leadership team to take the company forward, and driving the growth agenda for Selfwealth. I have done this by meeting and listening to our customers and shareholders.”

Transformation

Mr Keary commented, “Our emphasis has been on the transformation from a technology-based business to a customer led growth business by providing customers with superior customer service, improving efficiencies and functionality in our trading platform and exploring opportunities for relevant product adjacencies that will meet customer needs.

⁴ Operating Cost Base excludes non-recurring expenses, which include impairment and cost reduction implementation expenses.



“FY 2024 saw the first part of our transformation program near completion, with focus being on right sizing the business as well as enhancing our platforms and customer experience and reducing the cost to serve.

“We are now underway with part two of the program which will focus on upgrading our systems and a robust strategy to ensure appropriate risk controls around customer security, privacy and data protection. With evolving disruptor technology including AI, there is a need for an intensified and broader assessment of risk - spanning cyber security, fraud, and identity and access management. This program also recognises and is designed to meet the evolving regulatory requirements across the sector. It is anticipated that this work will take 12 to 18 months.”

Technology and Customers

The transformation of Selfwealth’s existing trading platforms cloud-based foundation layer will be finalised by the end of August 2024. This will enable SelfWealth to deliver faster improved functionality and upgraded security and the ability to add new product streams with a lower software development cost base.

During the period the company has invested in building out its customer service team with the addition of customer relationship managers to support customers and grow Selfwealth’s long-term customer base. This provides extra capability to offer superior and enhanced services to both our direct customers and Advisor/ SMSF customers.

Leadership

The refresh of the Board completed in calendar year 2023 with the appointment of Adam Lewis in November 2023, a former managing partner at McKinsey & Company - Australia & New Zealand, an active investor and an experienced Non-executive Director.

This year the Board and the new CEO has this year put a lot of effort into bringing together the best executive leadership team for the company. The new team are highly experienced industry executives and have the expertise Selfwealth needs to manage the business and execute its strategy to maintain a strong financial position and grow profitably, to deliver long-term shareholder returns.

In October 2023, Craig Keary joined Selfwealth as Chief Executive Officer and Paul Cullinan was appointed Chief Commercial Officer.

Senior leadership appointments made by Mr Keary since becoming CEO are: Cameron MacDonald, Chief Technology Officer (CTO); Samantha Powell as Head of Marketing and Communications; Janelle McQueen-Price, Chief Experience Officer and Gavin Wood as Chief



Risk and Compliance Officer. The executive leadership team reset was completed in May 2024.

Capital Management

During the year Selfwealth embarked on two share buy-backs, with the small parcel share buyback of 1,205,437 shares being acquired and cancelled being completed in December 2023. In May 2024, it commenced the on-market share buyback of up to 10% of its ordinary shares over a 12-month period and at 30 June 2024, a total of 2,083,493 shares had been acquired and cancelled.

In total, across the two share buyback programs, a total of 3,288,930 shares or 1.4% of the issued capital of the company, have been acquired and cancelled on 30 June 2024. Both share buybacks were funded from existing cash reserves and cost \$443,644 combined.

Change in accounting treatment of customer cash (Restricted client trust funds for trading)

We have considered the accounting treatment of customer cash in light of industry and regulatory focus on client monies, and because the company is entitled to the economic benefit of customer cash, we have made a change in accounting policy judgement. The Financial Statements now recognise customer cash as a current asset; Restricted client trust funds for trading, and an offsetting equivalent current liability; Restricted client trust funds for trading.

We have made an accounting policy judgment change only and the legal trust structure and customer rights to the cash accounts have not changed. The company holds customer cash in bare trustee on behalf of the trust's beneficiaries, being Selfwealth customers, and Selfwealth does not control customer cash accounts, bares no credit risk and the company can not use these funds in the situation of a liquidation.

Outlook:

Craig Keary, Selfwealth's Chief Executive Officer, commented: "While trading conditions remain subdued, volumes have picked up from a low in November 2023 and have remained stable since. Investor trading in the US market has seen solid rebound in FY24.

"Wealth building Australians are increasingly attracted to Selfwealth, joining the thousands of satisfied customers who have come to rely on consistently trading on a stable and simple to use platform at a flat \$9.50 trading fee, with no hidden commissions.

"As the first online trading platform in Australia to implement a flat fee, this feature is one of many that sets us apart from other providers.



“The new leadership team and I are cognisant of the power of this competitive advantage, and our strong challenger brand position in the market, as we focus on opportunities to increase revenue, margins and deliver new features and products to our loyal customer base.”

Selfwealth Chair Christine Christian AO commented on the Company’s outlook: “With our transformation program delivering the desired results, our increased net profit performance and the new leadership team now in place, the company will be able to nimbly adapt to shifting investment trends, respond to customer expectations and capitalise on its strong brand and service offering.

“Selfwealth is in a solid financial position and will continue to focus on its core business activities, including supporting our strong customer base and particularly, attracting and retaining high value customers.

“The Board will act decisively and in a fiscally disciplined manner to support long-term growth, maximise the Company’s value and deliver growing shareholder returns.”

The Board of SelfWealth Limited has authorised the release of this announcement to the market.

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