CountPlus
Quality Partnerships, Leading Advice

2020

Address by
Matthew Rowe
Chief Executive Officer and Managing Director

Countplus Limited
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Contact Details

Matthew Rowe
Chief Executive Officer and Managing Director
02 8218 8778
matthew.rowe@countplus.com.au

Narelle Wooden
General Counsel & Company Secretary
02 8218 8778
narelle.wooden@countplus.com.au

CountPlus Limited
ABN 11 126 990 832
Level 8, 1 Chifley Square, Sydney, NSW 2000

This address has been authorised for release to the ASX by the Board of CountPlus Limited.

Thank You Ray

Good morning ladies and gentlemen.

I am pleased to present to you the progress that CountPlus has made in the past year and to outline the operational focus and financial discipline we bring to achieve the CountPlus vision.

As a reminder, our results at the full year show how far we have come in realising our turnaround strategy set in 2017. Our firms are now consistently profitable and generate reliable operating cash flows. We have maintained key disciplines in lock-up, firm profit margins and a prudent balance sheet that gives us flexibility to weather the economic uncertainty of the pandemic and a foundation upon which we can now grow.

The last three years have been focused on the turnaround in our firms' operating performance and the successful implementation of the Count Financial acquisition. The future is now about growth in a dislocating financial advice market and building on our strong foundations.

In overall terms, for the 12 months to 30 June 2020, CountPlus posted a net profit after tax (NPAT) attributable to shareholders of $5.95 million. This compares with the $3.68 million result for the same period in 2019. On a reported NPAT basis, earnings per share increased to 5.37 cents, an increase of 61 per cent on the 2019 financial year (or 3.33 cents in the prior comparable period).

Earnings from Associate Firms under the Company's Owner, Driver – Partner model rose to an encouraging $2.179 million, representing a 40 per cent increase on the same period for 2019.

I am pleased to update you on some key financial information at 30 September 2020. Our net cash position has improved to $23.1M, lock up remains steady at 82 days and our member firm operating margin stands at 21%. If we look at our firms in aggregate, that is, where we ignore the underlying ownership of the firm, we have seen a 13% increase in aggregate firm revenue in the first quarter of 2020 compared to the same period last year.

Whilst the performance of our firms has been resilient, we remain cautious on the economic environment our small business clients face into once government incentives and JobKeeper payments slow.

Count Financial is now operating a "clean" model bolstered for future challenges ahead. We have dealt with 1,734 legacy client remediation matters and our indemnity from the CBA increased to $300M.

We have implemented our transparent user pays pricing model with Count Financial Member Firms and repurposed our financial adviser cohort such that the base number of 245 advisers represent those that meet our cultural and professional standards and have embraced the move away from the previous business model that was reliant on conflicted product payments to deliver services to member firms.

We have completely rebuilt our adviser value proposition and as a result we are attracting record enquiries from financial advisers wishing to join Count Financial. At the time of this presentation we have had formal enquiries from 240 financial advisers seeking to join Count Financial. We remain vigilant with our growth plans and only 3 out of 5 financial advisers who get to due diligence are meeting our standards to be invited to join.

- Gross Business Earnings per Financial Adviser has increased 39% since September 2019.
- Average Funds under Administration ("FUA") per Adviser is $31.8M in September 2020 compared to $24.7M per Adviser in September 2019.
- 65% of Count Financial Advisers have sat and passed FASEA examination versus 48% industry average.
- Production of advice documents has increased by 32% on the previous period. We are producing more advice documents with less Financial Advisers.
- The improvement in our technology and processes has resulted in 90% more automation of variables in the advice process which has halved the time taken to produce advice documents compared to a year ago.
- In October 2019 there were 13,301 ongoing advice clients serviced by 360 Count Financial Advisers.
- At the 30th September 2020 there are 13,131 ongoing advice clients serviced by 245 Count Financial Advisers.

In the last financial year, significant management attention was given to successfully embedding Count Financial within CountPlus and navigating the impact of COVID-19.

The strength of our balance sheet now enables us to pursue the right type of growth opportunities. These opportunities will come from Owner, Driver – Partner investments in new firms joining our network, "tuck-in" acquisition opportunities with our existing firms and also investments in core related business opportunities. These core related businesses can enable or enhance our firm's performance and provide access to an increased network of converged accounting-financial advice firms.

We have been focused on building our own M&A capabilities and expertise with a view to taking advantage of potential opportunities that may come our way as our chosen markets experience significant dislocation and succession challenges.

A key focus for Count Financial is delivering financial advice in a sustainable and efficient way. Our focus on process and system improvements has seen a significant improvement in time being spent to produce advice documents compared to the industry standard.

At the heart of this shift is a transparent and 'clean' fee model, created to drive a sustainable advice (not product) offer matched by a supporting, future-ready technology offer and robust business process.

The 'clean' model also means that Count Financial and its member firms must pivot to charging a sustainable fee for their financial advice services.

We are prepared. Much work has been undertaken in conjunction with our member firms to prepare for the 'new world' in financial advice. This includes detailed modelling of firm client revenue and all product payments to be redirected to clients by January 2021. Count Financial has also undertaken a 'deep-dive' business diagnostic to focus on key drivers of success in professional practice and assist member firms re-purpose their value proposition.

While well advanced in our plans to move to the new world of adviser remuneration in 2021, we expect adverse impacts of this change to be felt in the financial year ending June 2021.

Count Financial is expected to continue to be profitable in the financial year ending June 2021, however a reduction in earnings in that financial year (compared with the financial year ending June 2020) may take place as these important structural changes are embedded, and a future-ready client centric advice model takes shape.

Sector-wide headwinds ahead

Consumer-focused revision of remuneration structures in the advice sector reflect a pattern of fundamental shifts now underway. Changes to 'old world' revenue models based on grandfathered commission payments have begun. The resulting pressure on the financial advice sector from this shift to a transparent fee-based model is significant.

Concurrent with this change, are the additional pressures of the departure of major institutions from the advice arena, new education, and professional standards for financial advice practitioners and increasing regulation. Data and technology also have a role to play here – competing to play effectively at this level requires scale, resources, and investment. All of these changes are driving dislocation of the traditional financial adviser value proposition and business models.

Additionally, the traditional financial adviser population in Australia has a succession problem: too few available entrants ready to succeed established operators that are exiting in large numbers.

Yet, the consumer demand for quality financial advice and services has not diminished.

CountPlus stands ready to grasp opportunity and to grow its accounting-led business model.

Prudent decisions

Underpinning our pragmatism in these difficult times of a global pandemic is a high degree of prudent decision-making. Future opportunity for investment must be weighed against our thorough due diligence process, cultural alignment, and key performance metrics.

Growth opportunities will present themselves, however CountPlus believes the interest of shareholders are best served by a highly selective, strategic value approach to what is anticipated to be a significant opportunity for quality advisers seeking a new licensee and aligned partner.

CountPlus has in place the pre-requisites for prudent expansion. With a cautious approach to managing the risk of COVID-19 our ability to realise our vision as Australia's leading network of professional accounting and advice firms is aided by the disruption affecting the financial advice sector.

To close, our successful Owner, Driver – Partner model, which governs the relationships between CountPlus and its high-quality accounting and advice firms, has at its core the principle of providing advice and services that are in clients' best interests.

This is driving the growth of the Company in the new financial landscape, from which shareholders will benefit.

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