

**ASX ANNOUNCEMENT: CUP**  
**Thursday, 10 November 2016**

**Countplus Limited**  
**ANNUAL GENERAL MEETING**  
**CEO ADDRESS**



### **Overview**

Our results reflect a record Net Profit after Tax of \$13.98m (up 41%) for the year ended 30 June 2016. This increase is due to the fair value gain on our investment in Class Limited partially offset by a \$2.7m impairment expense and higher tax expense from the tax deconsolidation of 3 member firms under our Direct Equity Plan (firm buyback). We continue our progressive restructuring program including our on-going firm buyback program which better positions our Group for the future by aligning our Principals and senior managers to share directly in their own businesses and drive improved performance.

I join with the Chairman in welcoming the appointment of Alison Ledger and Matthew Rowe to the Board and thank Philip Rix for his valuable contribution over the last 3 years.

On behalf of the Board and Management I also take this opportunity to thank our Chairman Barry Lambert for his tireless and valuable contribution since the inception of Countplus. Barry will be retiring on or before our 2017 AGM.

### **The Group**

The group maintains its diversified portfolio of businesses, represented in every mainland capital city of Australia and in a number of regional centres. Countplus is an aggregation of 18 businesses and their subsidiaries across Australia; 15 accounting/business advisory firms, one financial planning specialist, a property broking group and a financial planning dealer group. In addition, Countplus has a number of investments in Associate Firms including a 32% interest in Hood Sweeney (a large professional services business), 40% interest in Hunter Financial Planning and 3 Associate Firms of TFS. Countplus listed on the ASX on 22 December 2010.

### **2015/16 Results**

The Group announced a Net Profit after tax attributable to shareholders of \$13.39m, up 35.0% representing diluted earnings per share of 12.13 cents (up 35%).

The strong Net Profit before Tax (NPBT) performance is due to the fair value gain on our investment in Class Limited. Countplus together with its subsidiaries owned approximately 5.4% in Class Limited as at 30 June 2016. This has been an outstanding investment for Countplus following Class Limited's successful IPO in December 2015.

The Company's results also reflect continued subdued trading conditions in the accounting/business services area with flat net revenue. Our full year results have been impacted by higher provisioning charges (as a result of CUP's conservative provisioning policy), non-recurring costs relating to ADVICE389 and BLUE789 and an impairment of two of our accounting businesses.

Financial planning is continuing to see growth albeit slower (up 1.3%) across Member Firms and the group's largest firm, Total Financial Solutions, continues to benefit from the impact of new firms joining their network over the last 2 years. Including our Associate Hood Sweeney the Countplus Group has over \$5 billion funds under advice (FUA).

We increased our shareholding in our largest equity accounted associate, South Australian based firm Hood Sweeney, from 26% to 32% following a share buyback without an additional investment from Countplus.

### **Class Limited**

As at 30 June 2016, the Company had a 5.4% interest in Class Limited, a listed self-managed superannuation platform. Class continues to enjoy significant growth in billable SMSFs on its platform, is profitable and paying dividends. This has been an outstanding investment for the Company following its successful IPO in December 2015.

Our rationale to invest in Class was driven by our confidence in best of breed technology where early adoption by our member firms in 2010/11 created greater efficiencies and by allowing time with the client to discuss higher fee generating advisory work. Based on our success with Class we will continue to look for opportunities that not only provide efficiencies in our cost to serve clients but also provide opportunities for excellent investment return for our shareholders.

### **Progressive Restructuring**

We have previously advised that we are progressively restructuring our business model over a 3 year period and this may negatively impact earning and EPS in the short term. The restructuring has also impacted profits pending the reinvestment of proceeds from the Direct Equity Plan (DEP) into new investments. The Board remains committed to these restructuring initiatives and establishing an improved platform for alignment of the interests of the Principals and Shareholders.

### **Rewards, Incentives and Development**

A critical part of Countplus' strategy is to ensure that our people are appropriately incentivised to drive superior performance and have a shared common vision. Accordingly, Countplus has implemented a number of initiatives to ensure the company is driving towards the right behaviours and outcomes.

Employees of firms that attain performance targets each year have the opportunity to be rewarded with equity in Countplus through our employee share plan and our loan funded share plan.

In addition, as previously announced, we continue to promote our direct equity plan for principals and senior employees of our subsidiaries. Principals and employees will be able to acquire equity directly in the business in which they work. This is expected to promote retention of key employees, facilitate appropriate succession for Principals and better performance alignment. Countplus will retain control of these subsidiaries under the terms of the plan.

### **Growth Initiatives**

We have previously reported the establishment of our two growth initiatives BLUE789 (BLUE) to invest in market leading accounting businesses and ADVICE389 (ADVICE) a similar initiative to invest in quality financial planning businesses. This strategy involves partnering with quality accounting and financial planning businesses through a shared equity model. This is in contrast to a 100% outright ownership model.

ADVICE welcomed its inaugural member firm, Hunter Financial Planning ("Hunter") in August 2015, when a 40% equity interest in Hunter was acquired by ADVICE. Hunter is well respected in its local community and is well regarded in the financial planning industry. The business has been able to demonstrate a history of strong growth in both revenue and profit and also the ability to continue to grow.

We will continue to pursue growth through further business combinations & acquisition activities at 2 levels:

- Acquisition of initial minority stakes in stand-alone businesses at the group level through BLUE and ADVICE; and
- "Tuck-ins" or full acquisitions by existing Member Firms at the subsidiary level.

### **Collaborative Culture**

At Countplus we believe in developing a strong collaborative culture across our network of businesses. A culture where Principals and employees are willing to learn off each other to improve business

performance, whether that be through better use of technology, improved business processes, as well as shared resources and ideas.

We continue to take steps to actively involve firms that can assist each other by sharing ideas and services including the establishment of the Principals Liaison Team (PLT). The newly established PLT allows Countplus member firms to have a voice to management, working together in sharing ideas, initiatives and experiences.

Once again I would like to acknowledge all my people in the Countplus Group across our national network for continuing to provide outstanding service to their clients. I would also like to thank my small but very hard working head office team as well as the Chairman and Board of Directors for their continued support. To all our shareholders, thank you for being investors in Countplus.

### **Outlook**

Our success will come from:

- Improved performance by existing investments - our core focus.
- Selective acquisitions by CUP, BLUE789 and ADVICE389, this will initially absorb our increased earnings and consume more debt, offset in part by our progressive DEP initiative.

Phil Aris

*Chief Executive Officer/Managing Director*

Countplus Limited