



**CEO Letter**  
Matthew Rowe



**Taking care of our clients, our people and making a positive difference in our community.**



## Dear fellow shareholder,

On behalf of the executive team, I am pleased to report on the progress achieved by the Company for the half-year to 31 December 2018.

We are confident that our turnaround strategy for the Company is almost complete. The improvement in financial results derives in large part from the adherence by our member firms to shared values and non-negotiable team rules, among them taking care of our clients, our people and making a positive difference in our community.

These shared values and team rules underpin the cultural change being embedded at all levels by a refreshed leadership team. Culture has the greatest role to play in the realisation of our vision to become Australia's leading network of professional accounting and advice firms, aligned through shared values, mutual success and our sense of community.

Cultural change is hard. A key learning in this change process is we will only "get" what we accept or tolerate. I have included in this letter a case study on cultural change in one of our firms – it is but one positive story amongst many in our firms. It's a story of resilience, leadership and personal courage to call out poor behaviour. It's a fine example of the effort and focus that underpins a revitalised CountPlus. I encourage you to read the story of a remarkable turnaround for this firm - called 360 Financial Advantage – and I trust you may feel as inspired by it as I do about our collective future ahead.

## KEY PERFORMANCE

CountPlus posted a net profit after tax (NPAT) of \$2.6 million for the six months to 31 December 2018. This compares favourably to a \$3.3 million loss incurred for first-half in 2018. On a reported NPAT basis, earnings per share increased to 1.73 cents from a loss per share of 2.05 cents in the prior comparable period.

We are pleased to announce a one cent dividend per share to shareholders for the period. The dividend is one of several healthy signs of a revitalised CountPlus, but there is more for us to do.

Our strategy has been underpinned by disciplined financial controls, cultural and leadership change in our firms, governing the things that matter and a focus on our core business activities.

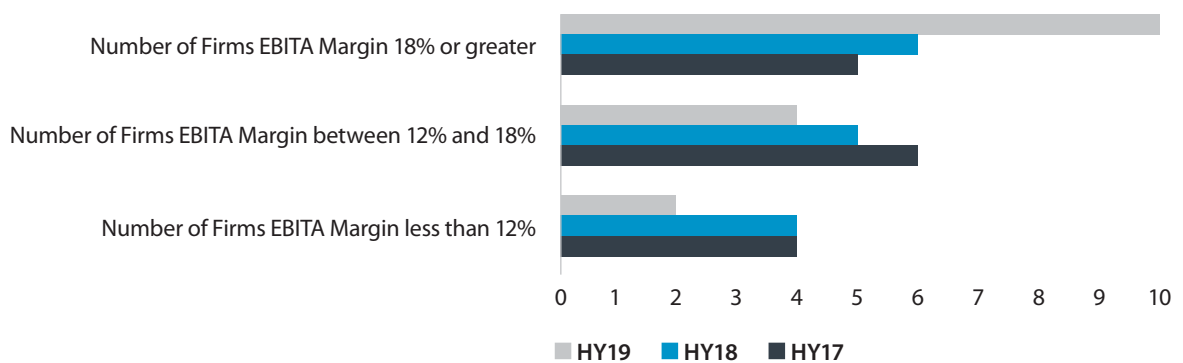
Reflecting these disciplines, CountPlus has achieved earnings before interest, tax, and amortisation (EBITA) of \$4.7 million for the six-month period.

We expect our EBITA measures to improve as the profitability of member firms improves.

The EBITA margin of member firms rose to 18% in the first half ended 31 December 2018, up from 15% for the same period a year ago and 12% when we commenced our turnaround plan.

Within the CountPlus network, 10 firms achieved EBITA margin of greater than 18%. The Company is aiming to improve EBITA margins to 25% in the medium term, which will also underpin our future profitability.

### EBITA margin



## **STRONGER BALANCE SHEET**

Underpinning a stronger balance sheet, CountPlus held net cash of \$10.2M at 31 December 2018, up from \$9.0M at 30 June 2018.

A key aspect is to raise the focus on working capital. All member firms have accelerated their cash conversion cycle. This 'cycle' refers to the process of beginning a job, completing it, invoicing, and receiving payment. It is measured as the number of "lock-up days" and this measure can also be considered as a proxy for client satisfaction.

CountPlus member firms now have an average of 89 days lock-up at 31 December 2018, down from 94 days at 30 June 2018. We expect to see average lock-up fall to 85 days in the short term.

Employment costs to revenue fell to 62% for the first half of the 2019 financial year, down from 66% as at 30 June 2018. Our target is to achieve 60% or lower over the medium term. Revenue per full-time employee at the firm level rose to \$192,000 in the first half of the 2019 financial year, up from \$182,000 as at 30 June 2018. Improving productivity within the firms comes from operational and cultural change.

Other improvements include an increase in associate's earnings.

This is expected to keep growing as a result of improved performance from underlying associate firms as well as onboarding investments in new firms.

## **DIVIDEND PAYMENT**

CountPlus is pleased to announce that it will pay a 1 cent per share fully franked dividend for the first half of 2019. The continuing payment of dividends reflects improved underlying fundamentals and profitability of member firms.

CountPlus is targeting other high-quality accounting and advice firms to partner with and build our network.

## BUSINESS MODEL WELL POSITIONED

In the changing financial services industry landscape, CountPlus is well-positioned to grow its business model focused on professional accounting and financial advice.

We expect to see increased convergence in accounting and advice to focus on clients' best interests, removal of conflicted remuneration, and higher ethical and professional standards. Acting in our clients' best interests and the growth, encouragement and development of our people sits at the core of our changing culture.

The Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry is one driver of this convergence. Greater regulation and education standards of financial advisers is another.

Other catalysts for change include higher ethical and professional standards for financial advisers being set by the Financial Adviser Standards and Ethics Authority (FASEA), consumer expectations of improved transparency and a realignment of commercial interests as major financial institutions continue to exit wealth management businesses.

Against this backdrop, the Company is expanding through acquisitions.

A recent example is the CountPlus acquisition of a 40% interest in the O'Brien Accountants & Advisors Group (O'Brien), announced on 16 November 2018. The O'Brien acquisition is expected to be earnings accretive from the first year.

The Company is pleased to announce the acquisition of Kerry Albert & Co, a long-established and highly-regarded accounting and financial advisory firm based in Coffs Harbour, NSW.

Like the O'Brien acquisition, the Kerry Albert & Co transaction will be earnings accretive in year one. The acquisition represents a natural 'tuck-in' and alignment with the Company's existing member firm, 360 Financial Advantage.

The Company welcomes the synergies between 360 Financial Advantage and Kerry Albert & Co, which incidentally is the oldest member of the Count Financial network in the Coffs region, and looks forward to building on a natural alignment of professional culture, and the high service and ethical standards shared between the two now merged groups.

CountPlus is targeting other high-quality accounting and advice firms to partner with and build our network. The Company currently has equity in 17 Member firms across five states around Australia.

To date, seven Member firms are now participating in the **Owner, Driver – Partner model (OD-P)**, with firm principals taking an equity stake in their business, thereby 'owning and driving' their firm's profitability and growth, and the overall growth of CountPlus.

All firms have adopted CountPlus governance structures and accountability frameworks. They also have new business plans and a clear budget process for 2018-19, focusing on client value, people development and capacity, margin improvement and growth.

This will allow CountPlus to capitalise on the convergence between accounting and advice firms. Accounting firms that provide financial advice will likely flourish as consumers increasingly seek out trusted, highly-educated advisers who believe in the clear separation of genuine advice from product manufacturing.



CountPlus is primed for expansion and set to become Australia's leading network of professional accounting and advice firms as the financial services sector undergoes radical change, and convergence gains momentum.

## CULTURE CLEARS THE WAY FOR EXPANSION

Alongside improvement in our balance sheet position is a boost in staff satisfaction levels. A recent staff survey shows improvements in staff engagement and confidence in the Company's leadership at all levels.

We expect this to continue given our focus on our strategic drivers of Firms, People, Focus, Financial and Community.

We believe we have fostered a positive culture within CountPlus that is helping to drive improved productivity and profitability across the group. Our focus going forward will remain on looking after our clients, our people, member firms, the communities we serve and our shareholders.

## MORE TO DO, WE ARE READY!

The CountPlus growth program aims to bring further financial success in the 2019 financial year, as we seek to partner with new firms that fit the CountPlus "family photograph" and share our professional focus.

CountPlus is primed for expansion and set to become Australia's leading network of professional accounting and advice firms as the financial services sector undergoes radical change, and convergence gains momentum.

In the aftermath of the Hayne Royal Commission, we expect that CountPlus will become a partner of choice for consumers with its trusted advisers and accountants. CountPlus will thrive as we continue to align our member firms with the CountPlus vision through our shared values, common goals and a strong sense of community.

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 should benefit.

We thank our shareholders, who have stood by the Board and management of the Company throughout our turnaround process. We join as one community with our firms, in our belief that our results prove we are on the right path.

Thank you for being a loyal fellow shareholder in CountPlus.



**Matthew Rowe**  
CEO & Managing Director

A young girl is shown from the waist up, wearing a paper airplane costume. She has a determined expression, looking upwards and to the right with her right fist raised. She is wearing a dark leather aviator helmet with goggles and a light-colored t-shirt. The background is a clear blue sky. The entire image has a light blue tint, and there is a dark blue geometric shape in the top right corner.

# 360

## Financial Advantage

The firm's impressive client and community service record is a healthy sign of the vibrancy and commitment of a team now unified around a new, predominantly female leadership group.



## Culture and leadership drive a genuine financial advantage

A new leadership team, driving a purposeful agenda for empowered, ground-up change has seen CountPlus member firm 360 Financial Advantage deliver a compelling improvement in all key performance metrics for the period December 31, 2018.

The results highlight the tangible benefits of aligning a client-centric, people culture with strong leadership.

Based in the mid north coast region of NSW, 360 Financial Advantage enjoys a growing reputation with clients for its community focus, professionalism and personalised results.

An active member of three communities in and around the towns of Port Macquarie, Macksville and Coffs Harbour, the firm has managed to not only recalibrate its business focus but also find time for a long list of charitable efforts and fund raising, notching up a record donation amount just shy of \$40,000 for the year to December 2018.

The firm's impressive client and community service record is a healthy sign of the vibrancy and commitment of a team now unified around a new, predominantly female leadership group.

Headed by Managing Principal Victoria Studley, under the guidance of Firm Chair Julie Berry, the notion of 'service to others' flows through to the very leadership style that Victoria has enacted with her teams.

"The 'servant leadership' approach means my role as the firm Principal is to lead by example. It is also about finding ways to 'serve' my team that empowers and supports them to be the best they can be, in turn delivering a high standard to the clients and communities we serve," said Victoria.

"It has created a practical foundation for re-energising the firm: re-stating what we stand for, our values as a team and the goals we want to achieve, together. By truly empowering our people this way, we have in fact harnessed a multiplier effect, driving stronger client outcomes while also lifting our own workplace standards as a home of professional collaboration and discretionary effort that is recognised and celebrated.

"These mostly internal cultural signposts show us that our people turn up to their roles every day feeling like they are heard, and they are making a genuine difference," she said.

The shift in performance and mood at the firm is real, in fact, palpable. A recent internal survey of 360 Financial Advantage staff shows an enviable internal reputation of almost universal pride in the firm, and recognition of the very positive attributes of fairness, respect and the guidance of a strong leadership team and culture.



**From left to right**  
Victoria Studley, Hilary Acheson,  
Julie Berry and Sharon Miles.

## Financial advantages

Any discussion about the financial performance of a professional services firm needs to first begin with the client. Satisfied and happy clients will often translate into a viable business, generating profitable income results.

Are clients on board and happy? The words of accounting client Todd perhaps best illustrate the rising tide of positive client experience under the Studley leadership:

“I don’t often do this. But I just want to recommend 360 Financial Advantage to everyone. Brilliant service, wonderful people. Every day at my job I need to deal with local, national and international businesses, and I’m amazed at how many of these lack professionalism and customer service. It was refreshing to see this local business offer exceptional advice and wonderful customer service. If you are looking for an accountant, look no further,” he said.

Financial and business results? The December 2018 reporting period shows, not incremental, but measurable leaps forward on key metrics.

Compared with the previous 12-month period, a key earnings indicator, EBITA margin, shows the firm record a margin of 15.30% (up from 6.21% the previous year). In other words, the firm is sustainable, generating strong cash flow and has more than doubled its earnings margin under the new leadership.

**“The firm now has a business plan built from the bottom up - all team members are involved in strategic planning. We have a very clear aspiration and now have the map to get us there.”**

In another sign of an improving balance sheet, 360 Financial Advantage decreased its level of interest-bearing debt owed to CountPlus by \$1m from a \$3m debt facility in 2016. The repayment of \$1m was made from improving operating cash flow – something the firm has struggled to achieve in the past.

A focus on empowering team members to improve efficiency, client focused job turnaround and process protocols has created another impressive metric: lock-up. This is the term given to the aggregate number of days a firm takes to carry out a job from start to finish including payment. Lock-up is also seen as a proxy for client satisfaction.

That number for 360 Financial Advantage is down to an impressive 83 days in December 2018 (or in other words, now at best practice levels). The lock-up results in December 2017, was a sub-standard 153 days.

As Victoria herself says: “The firm now has a business plan built from the bottom up - all team members are involved in strategic planning. We have a very clear aspiration and now have the map to get us there.

“These are good results based on an excellent, and growing, team culture of support and care for each other. I’m genuinely proud of the turnaround to date and look forward to seeing what new benchmarks we can achieve in the future,” she said.

## Leaving the past behind

The positivity of 360 Financial Advantage in 2019 stands in contrast to its recent past, labouring under high debt, low profitability, and lacking a basic business plan. Its people worked within a poor management culture and lacked the motivation, role models and encouragement to fulfil their professional goals.

But that was then. A new management team under Victoria, a refreshed approach to ‘servant leadership’ and an overriding focus on professional services standards to clients and the community are the hallmarks of a quality firm undergoing an important transition.

“We are proud of the firm that has combined its strengths and rallied around a strong vision and purpose for what we can achieve,” Victoria said.

It’s encouraging to be part of this revitalisation, and whilst the financial and business benefits are beginning to emerge, the real rewards are in hearing how much the clients, the team and the CountPlus management are supporting and valuing the progress we have begun.”

