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Annual General Meeting 2018
Address by Matthew Rowe
Chief Executive Officer





Thank You, Ray. Good Afternoon Ladies and Gentlemen.

It is my pleasure to speak to you today and update you on the progress **CountPlus** has made towards becoming Australia's leading network of professional accounting and advice firms, aligned through shared values, mutual success, and our sense of community.

I would like to speak to the slide presentation you can see on screen. This information has also been lodged with the ASX this morning. Kindly note the disclaimer information.

Slide Page 5 / About CountPlus

About CountPlus

Listed on the ASX since 2010, we are a network of successful professional accounting and advice firms, aligned through shared values, mutual success and our sense of community

CountPlus footprint

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Firstly, I would like to inform you that CountPlus is making progress on its two-year turnaround plan, but there is yet work to do. This slide outlines the current state of play:

- ▶ The Board has reinstated dividends of 1 cent per share for FY18
- ▶ Our underlying firm profitability has improved– EBITA is up from 12% to 15% against the FY17 period
- ▶ CountPlus now has over 440 full time employees, nationally
- ▶ Cash flow and net cash to fund growth is strong
- ▶ Our equity footprint extends to 16 firms, across five States
- ▶ A significant reduction in debt means the Company reported a net cash position for the FY18 period of \$9.0M
- ▶ And the uptake of our Owner, Driver-Partner model is developing well

Slide Page 6 / CountPlus Timeline



As I have said, the Company is making progress on its turnaround plan. We have **done what we have said we will do.**

- ▶ In May 2017, we conducted a top to bottom strategic review
- ▶ We dealt with the TFS issue on time and within provision
- ▶ The focus on working capital has meant a key metric, lock up, has improved towards our optimal 85 days target
- ▶ Also, the net cash position (from net debt of \$19.3M FY16 to net cash of \$9M, FY18)
- ▶ 80 per cent of firm leadership has been refreshed across our network
- ▶ The Owner, Driver- Partner model is successfully implemented
- ▶ **A new member firm has been introduced to CUP – O'Brien. I will talk more about this strategic investment in a moment**
- ▶ So, what's next? It's clear – we must maintain a disciplined eye to our member firm margins, improving lock up. Fiscally responsible capital management, and growth through organic and inorganic means (e.g. tuck-ins) maintains a focus on our profit margin

And in the Medium Term?

- ▶ Broadly, we see a **convergence trend of quality financial advice and accounting**
- ▶ This convergence plays to our strengths, as we seek a community of firms consistently performing on key measures (revenue per FTE, lock-up, EBITA margin and sustainable earnings growth)
- ▶ In other words, sustainable earnings profile based on ANNUITY STYLE FIRM REVENUE

Slide Page 7 / Owner, Driver – Partner

Owner, Driver-Partner and Acquisition strategy



Owner, Driver-Partner model

The new 'Owner, Driver - Partner' allows the individual firm principals to own and drive their firms without loss of identity, while partnering with CountPlus using agreed team rules, shared processes and controls, improved funding and economies of scale, all of which provides security within a competitive market

CountPlus partners with selected accounting and advice firms to amplify their success without loss of ownership, drive, identity or control. This partnership allows firms to better meet current and future challenges by providing strategic support, funding capital, scalable benefits and succession planning, as well as access to a professional community who want to protect and grow what they have worked hard to create

Acquisitions

CountPlus will expand by partnering with firms that fit its "family photograph" and share a focus on our key strategic drivers.

We are and highly selective in who we seek to partner with and will only consider firms where we believe we could **add significant value**

CountPlus has successful Owner, Driver – Partner investments in the following firms:

- The MBA Partnership;
- Mogg Osborne;
- Robson Partners;
- Specialised Business Solutions;
- Kidman Partners;
- Hunter Financial Planning; and
- Hood Sweeney

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I am pleased to report that our Owner, Driver-Partner approach is on track, and yes, there is also more to do.

- ▶ However, I am pleased to report that the seven (7) firms listed on the right currently participate in the ODP model
- ▶ We are in the process of putting in place the ODP model with a further eight (8) firms
- ▶ Firms that meet a range of quantitative and qualitative measures qualify to be offered an equity buyback arrangement.
- ▶ And so, in the next 3-4 years, we expect to enact our in-principle agreements with the remaining talent who are each clear on what they need to achieve (and be assisted to achieve) using the ODP model with us.

In terms of Acquisitions?

- ▶ The primary point here is that we are **very selective**. For example, the recent O'Brien investment required us to look at a lot of firms. We subsequently entered advanced Due Diligence on just 5 firms...and in the end chose only one.
- ▶ The pipeline is encouraging. Potential firms engage with us on almost a weekly basis.

Slide Page 8 / Owner, Driver – Partner Family Photograph

Owner, Driver-Partner Family Photograph



Owner, Driver-Partner model

The expression 'fits the family photograph' defines our approach to building our aligned member firm group. Decisions to invest in, grow or exit firms will be viewed through this filter. In terms of expanding, at a high level, the right fit means member firms must show evidence of 16 attributes:

- A client value proposition
- Leadership with strong bench strength
- Strong governance structure with an Independent Chair
- Strong financial controls and management reporting in place
- An inquiring mind regarding innovation and willingness to embrace new technology and processes
- Accountability and incentive framework
- Strategic and business / operating plans in place and milestones measured against balanced scorecard
- A strong focus on culture, people and values
- Debt management and the financial health of the underlying business and principals
- Growth strategies in place with a growth mindset
- Succession planning
- Risk management framework in place
- A quality culture and framework in place with quality assurance controls and willingness to participate in ongoing peer review process
- Willingness to share best practice and be part of the CountPlus community
- A strong engagement with their respective professional community, and
- A world view that incorporates philanthropy and / or pro-bono activities.

For CountPlus shareholders our acquisition process must deliver the following:

- Earnings accretive in year one
- Firms with a growth mindset
- Firms with an Accounting and Advice "converged" business model
- Firms willing to share best practice processes within our community of firms.

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We are taking a disciplined and selective approach to our acquisition growth strategy. We refer to the "family photograph" and this slide highlights the 16 measures that must be passed before a firm joins the CountPlus community.

We are looking to deliver to shareholders a growth path and process that:

- ▶ Will be earnings accretive in year one
- ▶ Investing in firms that have a growth mindset
- ▶ Investing in firms with a converged Accounting and Advice business model
- ▶ Investing in firms that will collaborate and share ideas within our community of firms as well as be open to new ideas themselves.

Slide Page 9 / Owner, Driver – Partner Investment in O’Brien

Owner, Driver – Partner Investment in O’Brien announced 16/11/2018



Owner, Driver-Partner model

CountPlus Limited (ASX: CUP) has made clear its growth intentions with the acquisition of a 40% interest in the highly-regarded, Victorian-based O’Brien Accountants & Advisors (O’Brien)

The O’Brien investment is first of an expected round of selective growth transactions for CountPlus, signaling the opportunity to optimise the convergence trend between high quality accounting and advisory services firms

The acquisition extends CountPlus’ network from 16 to 17 Partner firms and will be earnings accretive. Consideration for the investment is a cash payment of \$1.164 million

CountPlus firms are significant contributors to the success of CBA owned Count Financial. CountPlus firms within the Count Financial group rank by size as the number 1 firm in NSW, Queensland, South Australia, and the ACT. O’Brien is the number 1 firm in Victoria

O’Brien Accountants & Advisors

O’Brien is a standout, second-generation family business with great people, a client-centric culture - and it brings a clear growth and values mindset in line with that of CountPlus

In 2017 O’Brien attained the status of number one quality firm in the Count Financial network nationally and is currently the largest Count member firm in Victoria

The existing O’Brien management and team will remain in place

Together with CountPlus, O’Brien will implement synergies between the two groups moving forward

To my last point, here is more information about the selective acquisition in the O’Brien Accountants and Advisors Group, which we announced last week.

- ▶ The firm is ‘Converged’ – meaning it offers traditional accounting and financial planning service lines
- ▶ It has experienced growth in its financial planning business
- ▶ It is the number 1 firm within the Count Financial network nationally and in Victoria

As a point of interest, this means CountPlus not only has a financial interest in the number one Count firm nationally, but also in the number one firms from NSW, Queensland, South Australia and the ACT.

Slide Page 10 / Change is coming

Change is coming But the ability to change isn't equal



Only 30% of Financial Advice Firms have a documented business plan

Only 32% of those Financial Advice Firms with a business plan believe the plans are achievable

24% of Financial Advice Firms believe their business growth will come from industry consolidation – mergers and acquisitions. Funding of acquisitions remains on ongoing issue.

50 years of age – the average age of Financial Advisers

161 - the average number of clients personally managed per Financial Adviser

New Financial Adviser Education requirements

- 46% of Financial Advisers intend to meet the new education requirements
- 29% of Financial Advisers are still unsure what is required to meet the new requirements
- 22% of Financial Advisers may exit the industry

Source: CORE DATA Research on behalf of CountPlus

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The point of this slide is that a raft of industry change, we believe, will favour CountPlus and our revitalised approach. One of the strongest points of influence is that of the consumer. My next slide brings this important 'community expectation' dynamic into focus:

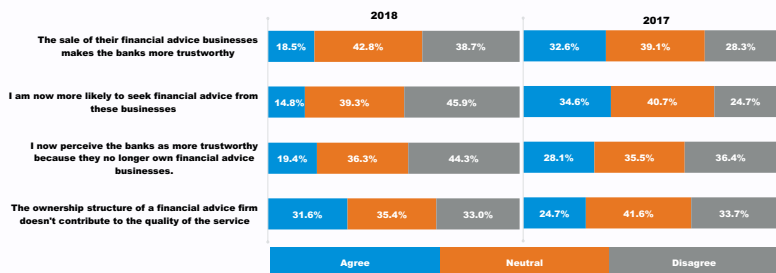
Slide Page 11 / Banks Selling Wealth Management



Banks selling wealth management
What consumers say



Proportion in agreement



Source: CORE DATA Research on behalf of CountPlus

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What we see here is a widening consumer trust gap from 2017 to 2018.

- ▶ The main point of showing you this data is to highlight how consumers feel about where they source trusted financial advice and services.
- ▶ The shift against larger institutions, we believe, creates opportunity for those that operate transparent, client centric, fee-based models.
- ▶ The CountPlus model therefore positions us well
- ▶ The Company will carefully navigate the opportunity ahead

Slide Page 12 / Adjusted profit

Adjusted profit



Adjusted profit	FY18	FY17	FY16
	\$'000	\$'000	\$'000
Profit from continuing operations before income tax	2,612	569	21,811
Impairments of intangible assets	4,700	5,001	2,672
(Gain) / Loss on sale of investments	(2,258)	660	(1,290)
Revaluation of listed investment	0	0	(16,272)
(Gain) on deferred consideration	(271)	(1,106)	(245)
Termination and redundancy costs on restructure	917	45	0
Results from exited firms	(390)	265	(2,761)
Adjusted profit before tax	5,310	5,434	3,915
Pro-forma calculation of tax at group average rate	(1,546)	(1,430)	(1,029)
Adjusted profit after tax	3,764	4,004	2,887
Adjusted EPS - cents	2.48	2.75	2.03
Number of shares on issue	114,222,559	114,222,559	114,136,787
Dividends proposed	1,142		
Dividends proposed (cents)	1.0		

Note: Revised group policy on dividends: Target dividend pay-out ratio of 40% to 70% of maintainable net profit after tax attributable to CountPlus shareholders

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I draw your attention now to the adjusted profit results on this slide. The primary point I want to emphasize is that revenues increased, even after all the change I have outlined to you today. Moreover

- ▶ Net cash improved to \$9M from a net debt position in FY16 of \$19.3M due to the sale of class shares, underperforming business units and improved working capital management.

Slide Page 13 / Key Priorities

Key issues, priorities and contributions



Key issues and priorities

- Growth of underlying member firms
- Integration of new leadership in member firms
- Growth by fiscally responsible acquisitions
- Continuation of execution of the new Owner-Driver, Partner (ODP) model with retention of key talent
- Strengthening the CountPlus network of firms encompassing a new value proposition

Accounting priorities and contributions

- Improving and sustainable organic profitability of underlying existing firms
- Organic growth strategies in place with a growth mindset
- Providing strong governance, training opportunities and ethical leadership
- Lock up days reduced to 85 days
- EBITA margin target in the short term of 20%, in the medium term our average firm margin target is 25%
- Employment costs to revenue (contribution margin) target of 60%

Financial Planning priorities and contributions

- TFS license conditions lifted by ASIC. Ongoing improvement of processes and controls
- Successful execution of the new TFS operating model
- Opportunities arising from the Royal Commission
- Providing strong governance, training opportunities and ethical leadership

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Our focus is on execution of our Owner-Driver, Partner strategy, a focus on the financial disciplines required to run successful Accounting and Advice firms, the quality of our leadership at all levels and keeping an eye to the future as to the significant changes that will be taking place in the Advice market – we believe that these changes will bring opportunity to CountPlus and our community of firms.

Thank you for being a fellow shareholder in CountPlus

Questions, please?

