

ASX announcement



CountPlus Limited

Goldman Sachs Investor Briefing

12 May 2020 (Sydney)

A copy of the presentation is attached.

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

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CountPlus Limited (ASX: CUP)

Investor Briefing

Goldman Sachs Client Presentation 12 May 2020

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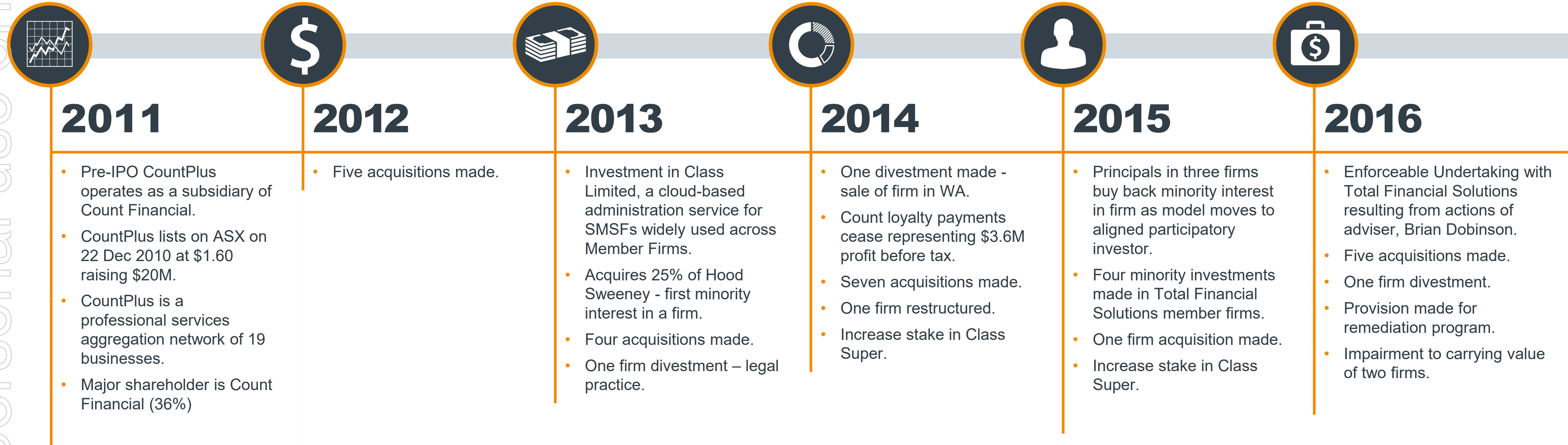
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History of CountPlus

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History of CountPlus cont.

Proud heritage – Exciting future



2017

- Matthew Rowe and Alison Ledger appointed to CountPlus Board (October 2016).
- Ray Kellerman appointed to CountPlus Board (January 2017).
- Half Year further provision made for Total Financial Solutions remediation program, Dividend reduction and net debt \$25.400M.
- Matthew Rowe appointed CEO of CountPlus (February 2017).
- Total Financial Solutions management restructure and Board refresh.
- Ray Kellerman succeeds Barry Lambert as Chairman (April 2017).
- Business Review initiated to focus on strategy, firm performance, working capital disciplines, balance sheet management, culture and leadership.
- Class Super shareholding identified as non-core and divested. Proceeds used to reduce debt.
- Divestment of Cartwright Brown.
- Kate Hill appointed to CountPlus Board (July 2017).
- Full year announce remediation provision for Total Financial Solutions of \$4.132M, further impairment on carrying value of 1 firm, impairment of carrying value of Total Financial Solutions \$2.700M, dispute with PI insurer, cease dividends and initiate new dividend policy.



2018

- Divest Twomeys Wagga Wagga office.
- Sale of equity interests in three Total Financial Solutions member firms Nixon Financial, McQueens and Financial Momentum .
- Sale of CountPlus National Audits.
- Sale of Pacific East Coast.
- Merge two Firms into one, appoint new Managing Principal.
- Refresh four out of five Managing Principals of Firms in network.
- Andrew McGill appointed to CountPlus Board (December 2017).
- Laurent Toussaint commences as CFO (January 2018).
- Refinance with Westpac, \$25.0M five-year debt facility in place.
- Robson Partners acquires Walker Andrews and Owner, Driver – Partner equity sell down to Principals takes place – sale of 30% of firm.
- Mogg Osborne Owner, Driver – Partner equity sell down to Principals takes place – sale of 35% of firm.
- Total Financial Solutions licence conditions lifted by ASIC. Remediation program completed and settlement with PI insurer for \$3.250M.
- Total Financial Solutions carrying value impairment of \$3.500M and further firm carrying value impairment of \$1.200M.
- June 2018 CBA announce demerger of wealth management business unit, Count Financial included in de-merger.
- Dividend of 1 cent per share at year end.

History of CountPlus cont.

Proud heritage – Exciting future



2019

- Acquire 40% interest in O'Brien's.
- Acquire 100% of Kerry Albert and “tuck-in” to existing firm, Unite Advisory.
- Acquire 40% of Rundles Accounting.
- Announce Count Financial Acquisition (June 2019).
- Sale of Privilege Portfolio to Morningstar.
- Impairment of Total Financial Solutions, carrying value nil.
- Full Year Net cash \$8.50M.
- Working Capital Lock-Up at 82 days (best practice 85 days).

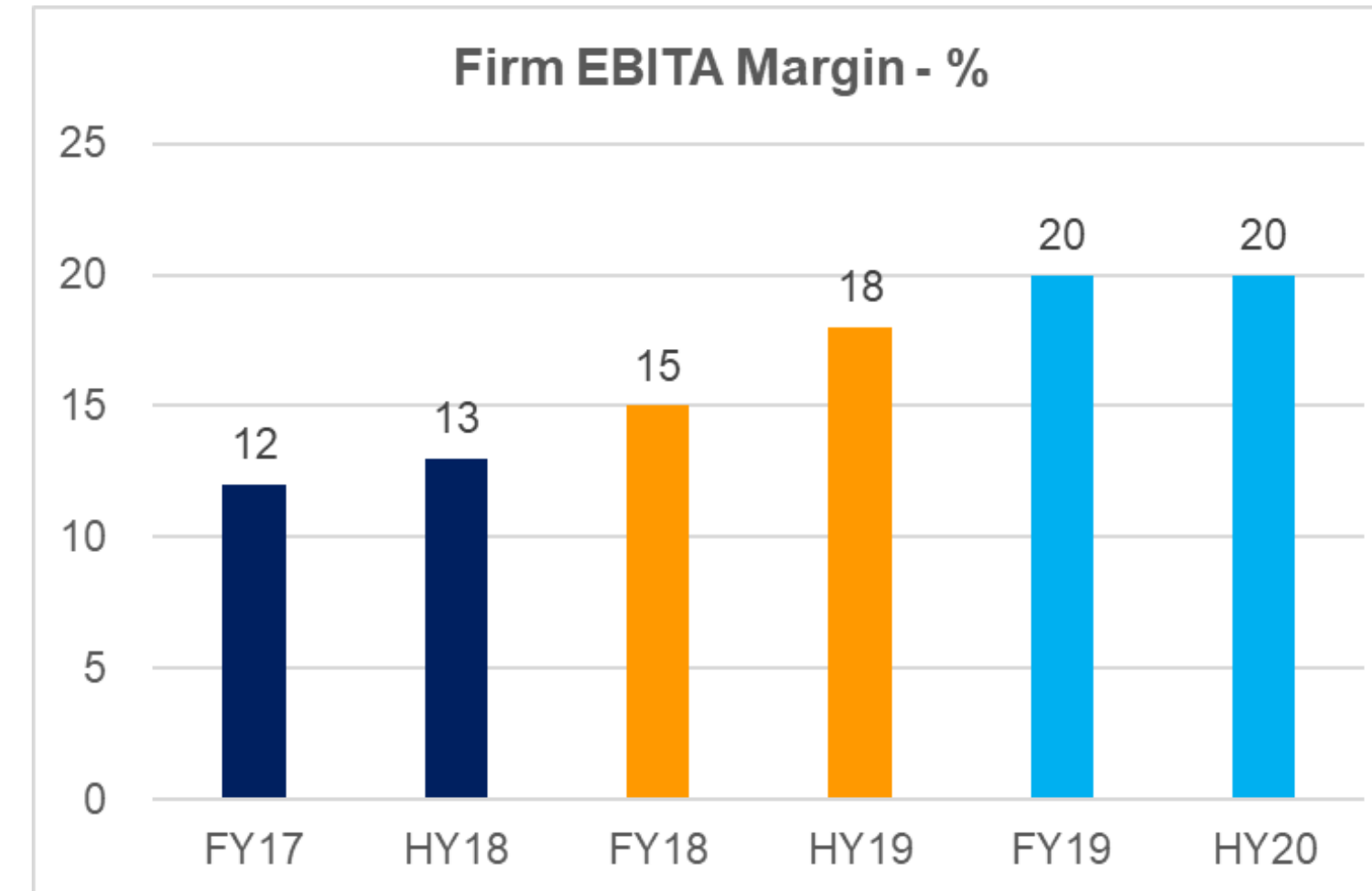
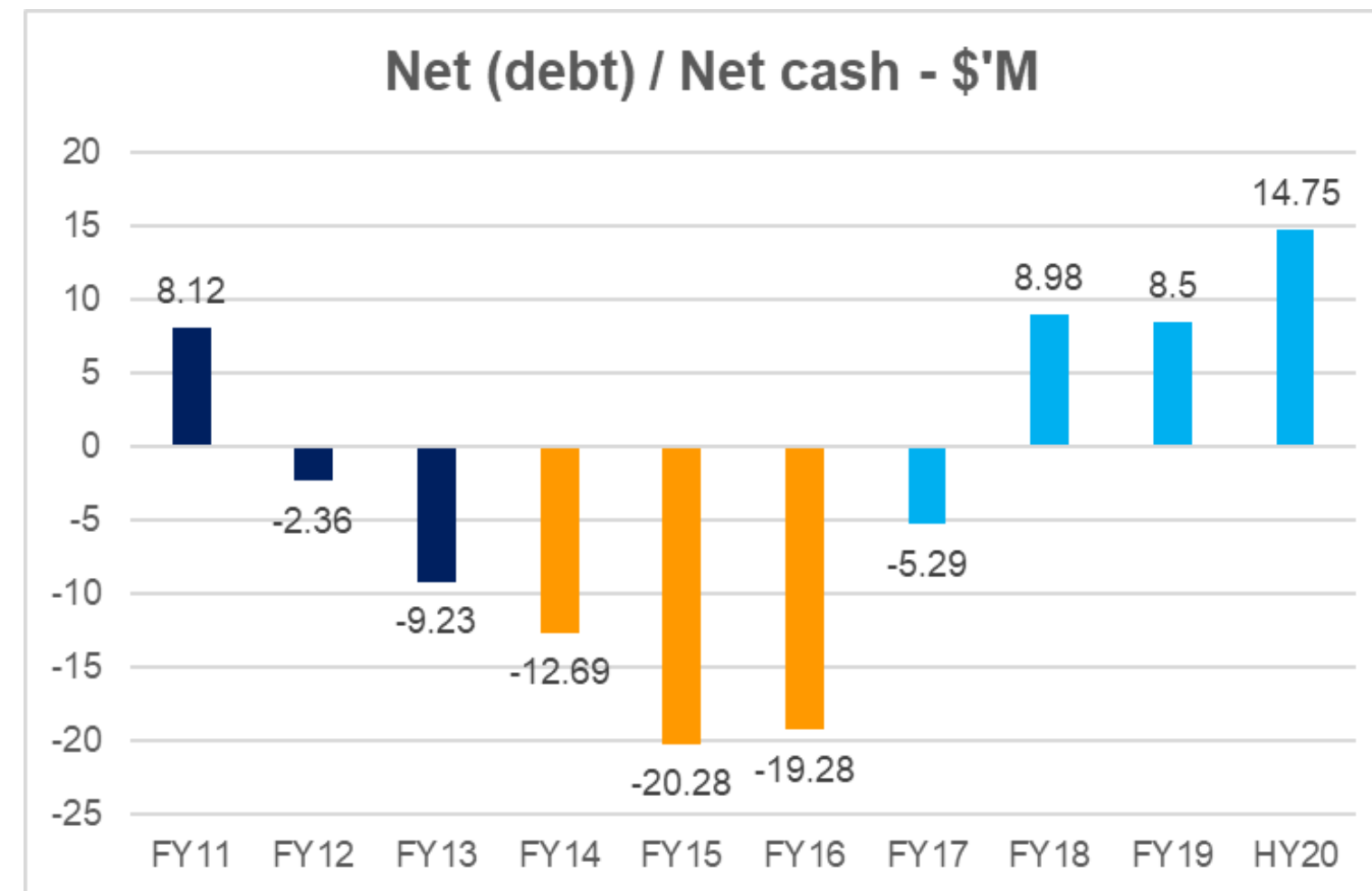
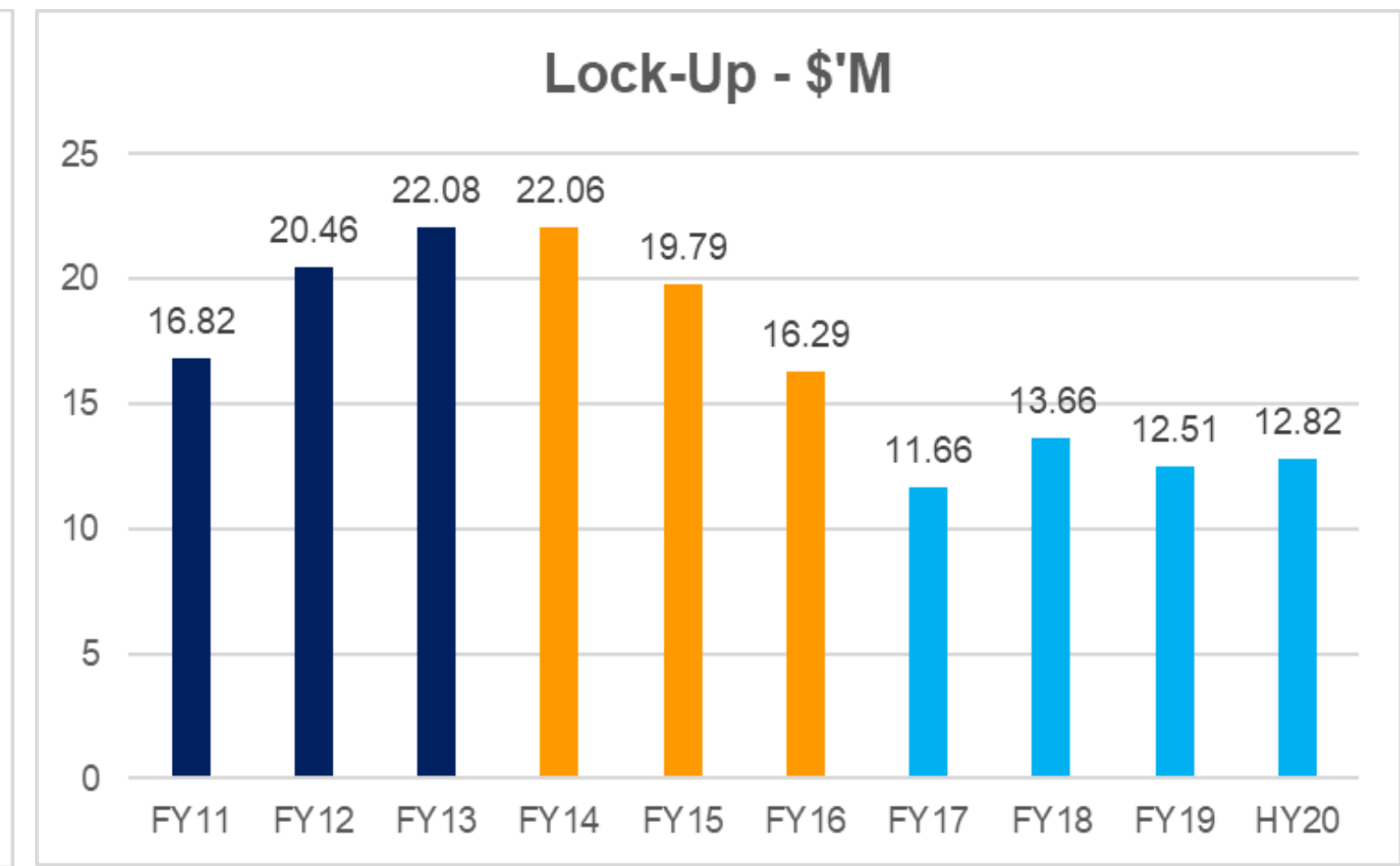
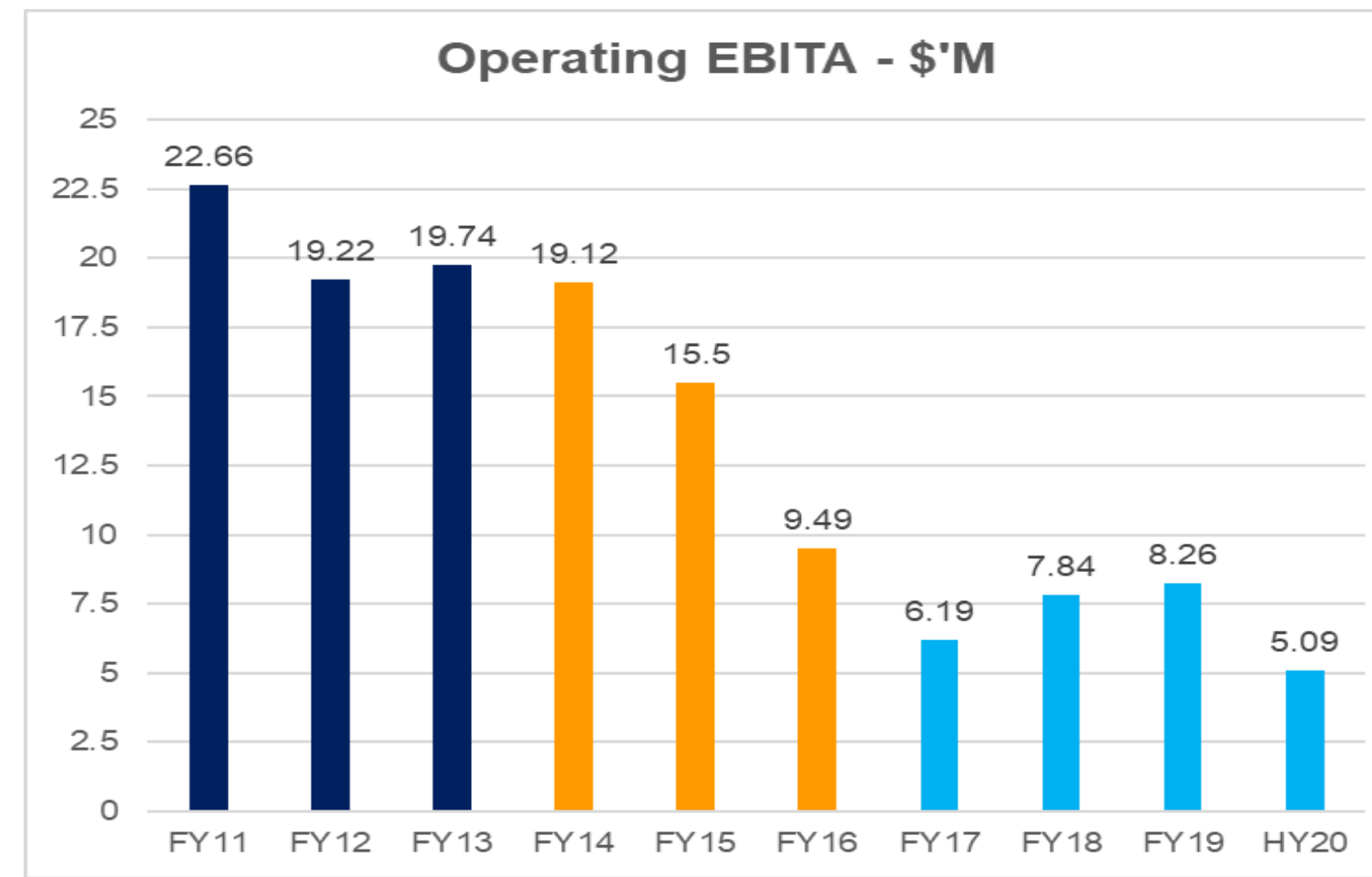
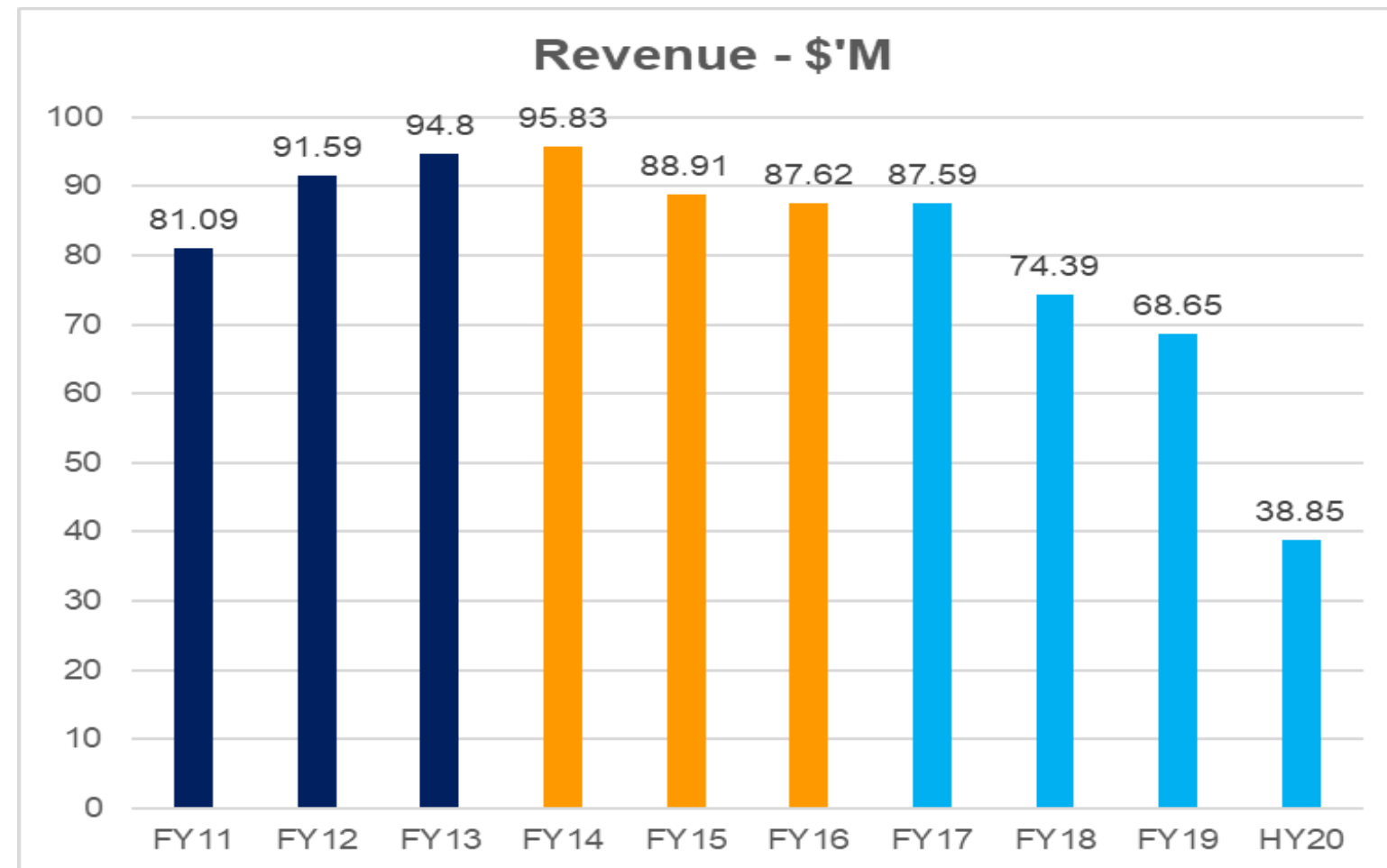


2020 so far

- 99.79% of eligible shareholders vote in favour of Count Financial acquisition – 26 August 2019.
- Count Financial Acquisition completed – 1 October 2019.
- Kidman Partners acquires Latitude Advisory.
- Acquire 30% of DMG.
- Announce closure of Total Financial Solutions and transition of selected advisers to Count Financial.
- Half Year net cash \$14.75M (gross cash \$20.14M).
- Half Year Working Capital Lock-Up at 80 days (best practice 85 days).
- Half Year Dividend of 1.25 cents per share.
- Half Year Average Firm Margin 20%.
- COVID-19 – Business Continuity Plan activated, all head office staff and firms working safely and remotely.

History of CountPlus – key numbers

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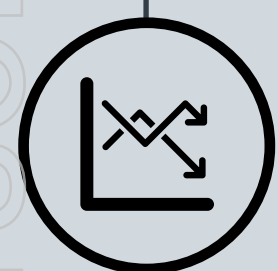


Source: CountPlus Annual Reports : FY 11 – FY19
CountPlus 1H20 Financial Statements
CountPlus analysis

CountPlus transformation update

The evolution of CountPlus over three years is evident

CountPlus three years ago



Number of **underperforming** and **non-core** firms in the CountPlus stable.



Balance sheet with \$19.3M of net **interest-bearing debt**.



100% ownership of firms, **entrepreneurs become employees**.



CountPlus currently



Scope for further **margin improvement**.



Cash on hand **\$20.1M** – 31 December 2019.



11 firms have Owner, Driver – Partner model in place.



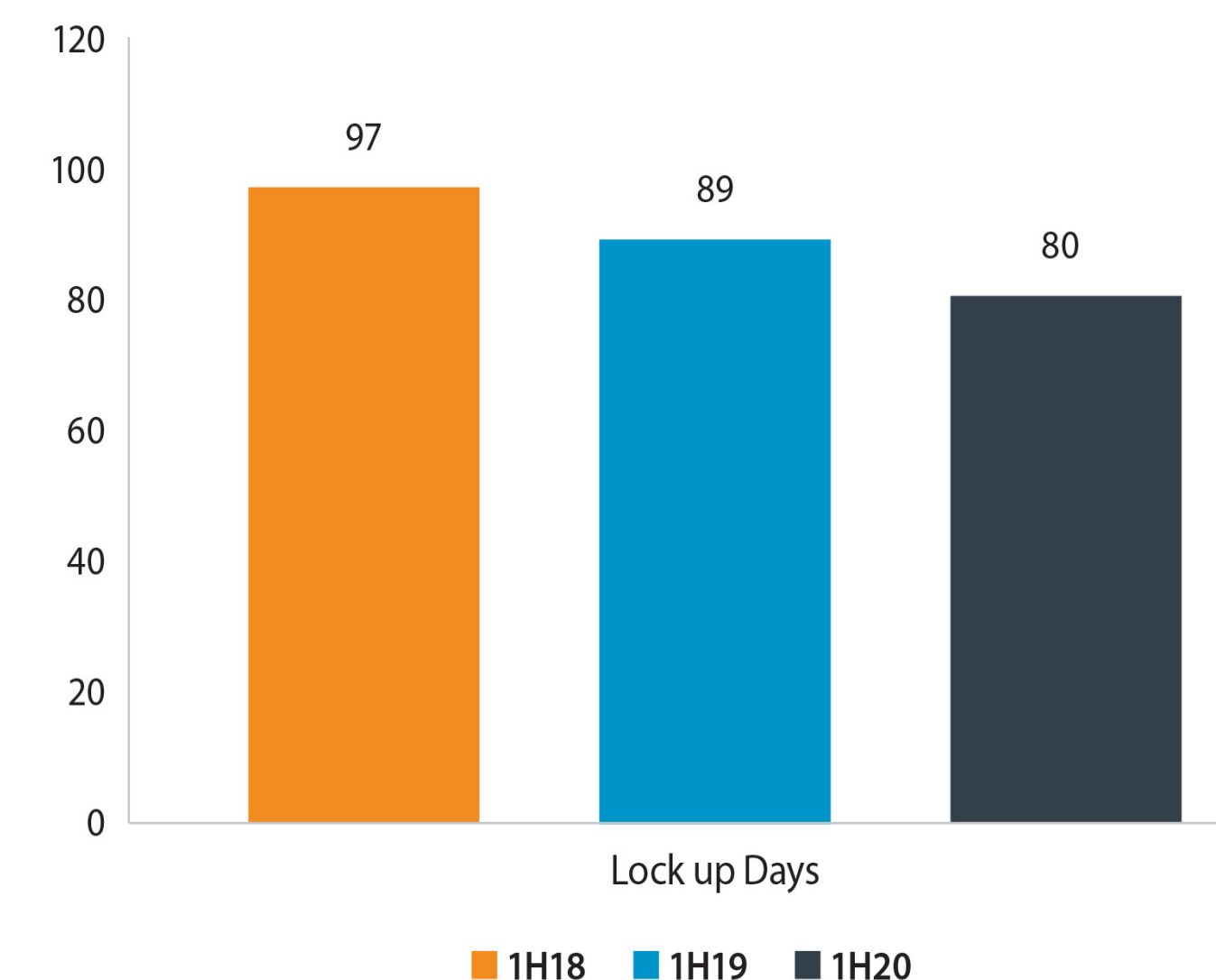
Six acquisitions completed in the past two years with over \$11M being deployed. The marquee acquisition of Count Financial was completed on 1 October 2019.

Key financial metrics

Improved earnings growth; strengthened cash position

| Financial Results summary | 1H20 | 1H19 | Movement 1H20 vs 1H19 | |
|--|--------|--------|--------------------------|-------|
| | \$'000 | \$'000 | \$'000 | % |
| Revenue from operating activities | 38,852 | 35,997 | 2,855 | 8 |
| Adjusted Net profit attributable to CountPlus shareholders | 2,042 | 1,907 | 135 | 7 |
| Cash on hand | 20,140 | 11,423 | 8,717 | 76 |
| Reported earnings per share – cents | 11.83 | 1.73 | 10.10 | large |
| Adjusted earnings per share – cents | 1.85 | 1.73 | 0.12 | 7 |
| Net tangible assets per share – cents | 29.69 | 26.12 | 3.57 | 14 |

Lock up days – 1H18 to 1H20

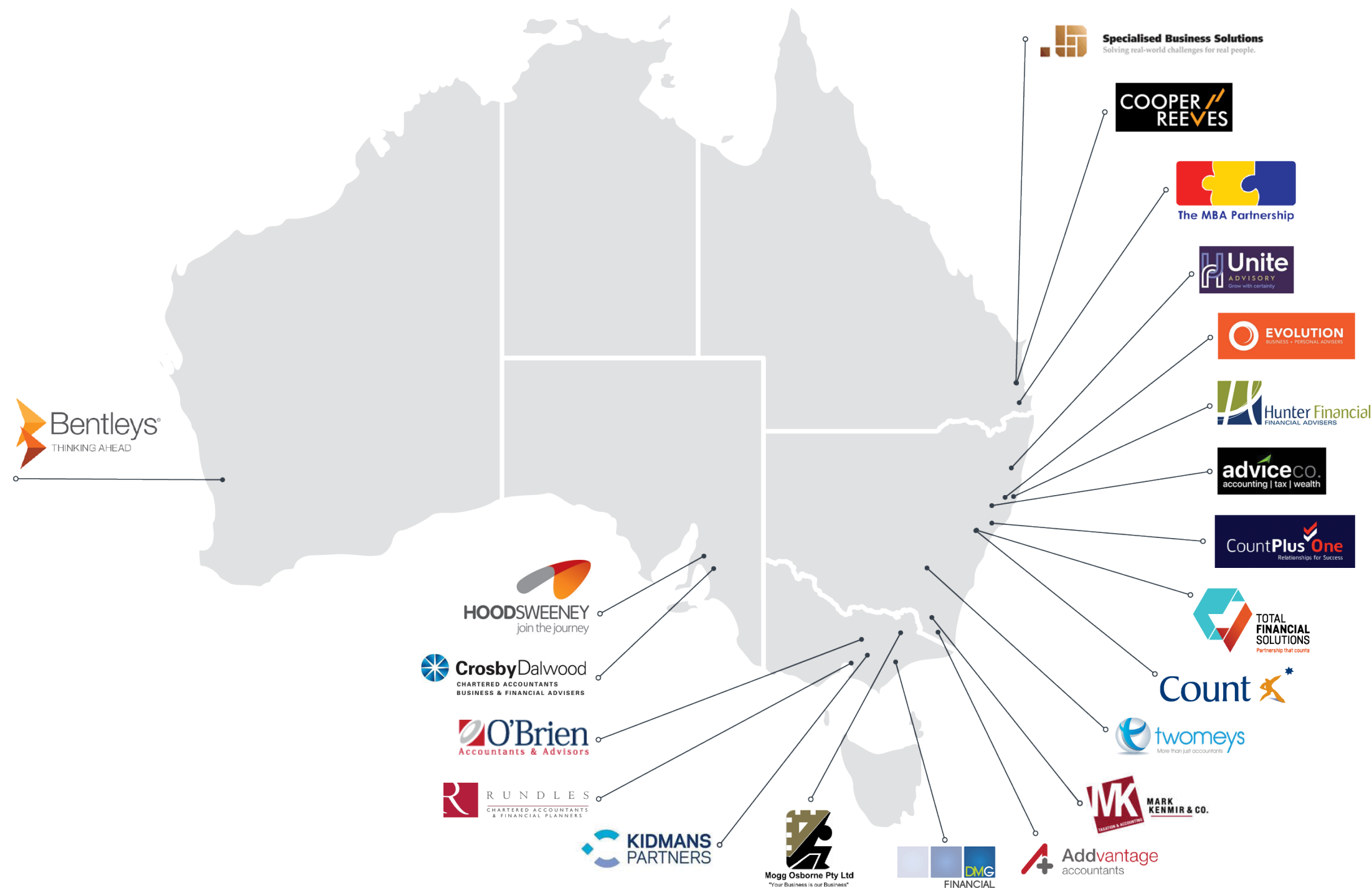


| Operating cash flows reconciliation | 1H20 | 1H19 | Movement |
|--|------------|------------|----------|
| | \$'000 | \$'000 | % |
| Normalised cash flow from operating activities | 4,137 | 3,694 | 12 |
| Operating cash conversion to adjusted EBITA | 81% | 78% | 3 |

Source: CountPlus Results Presentation 1H20

CountPlus Operational Update

COVID-19 Update



Source: CountPlus website

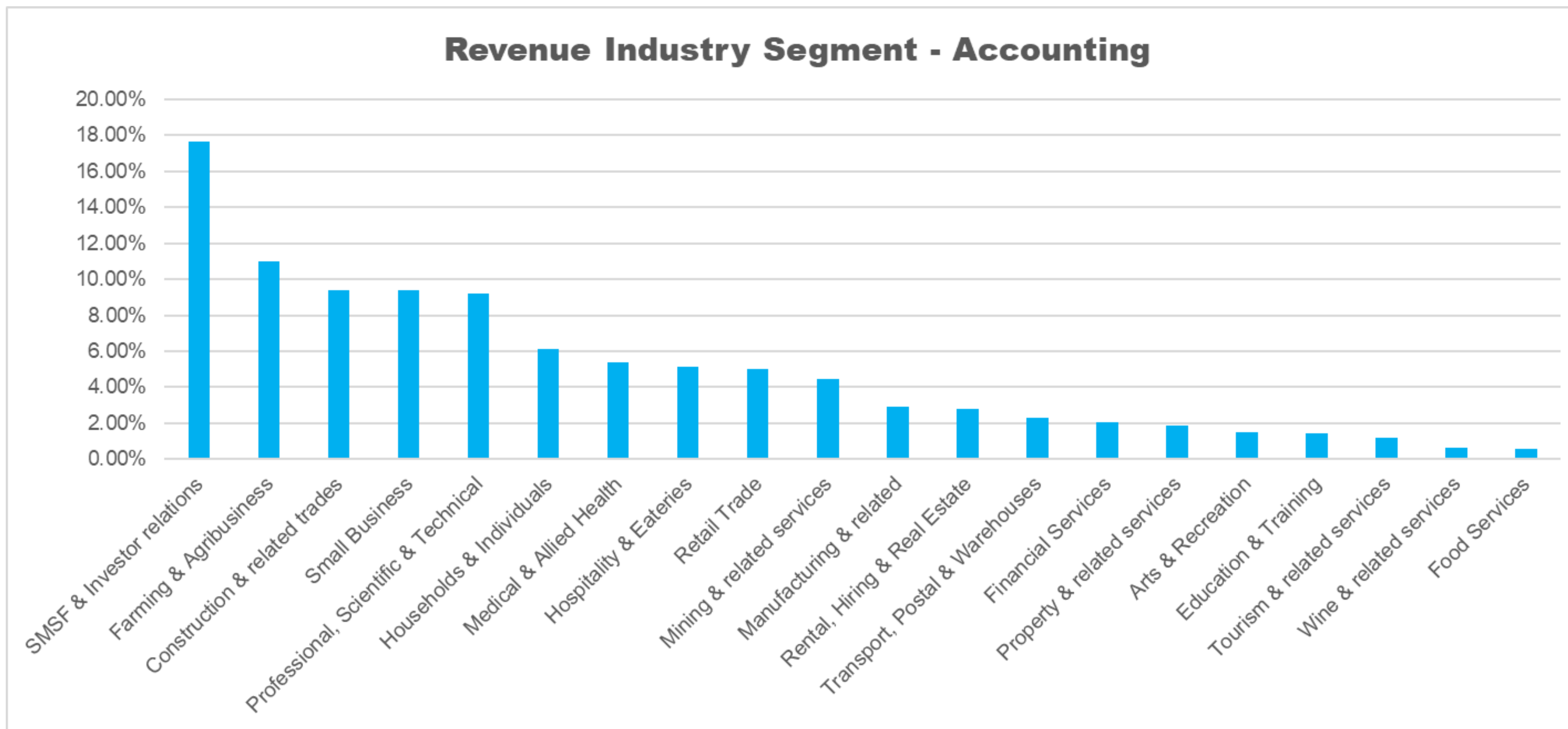
CountPlus does not provide earnings guidance or forward-looking statements regarding financial performance.

At an operational level, we provide the following comments as we navigate the challenges of the COVID-19 operating environment:

- Staff and firms have been working remotely since early March 2020.
- There has been some disruption to firm productive capacity in March 2020 with the shift to remote working, but firms are now finding their new operating rhythm and focussing on assisting clients.
- We anticipate “lock-up” days will stretch out, particularly receivables, as we support clients through current challenges.
- Our firms are geographically spread, including regional and metropolitan based.
- Approximately 70% of Count member firm revenue is fixed fee, i.e. not asset based.
- Cash at Bank at 31 March 2020 stood at \$19.9M, we have net cash of \$14.6M.
- No more than 0.5% of overall revenue is exposed to any individual client.

Revenue Segmentation - Accounting

Diversified revenue base



Source: CountPlus analysis

- Clients are diversified across a wide range of segments.
- There is low concentration risk – no one industry segment represents more than 20% of revenue and all but two industry segments represent less 10% of revenue.

History of Count Financial

A platform for growth

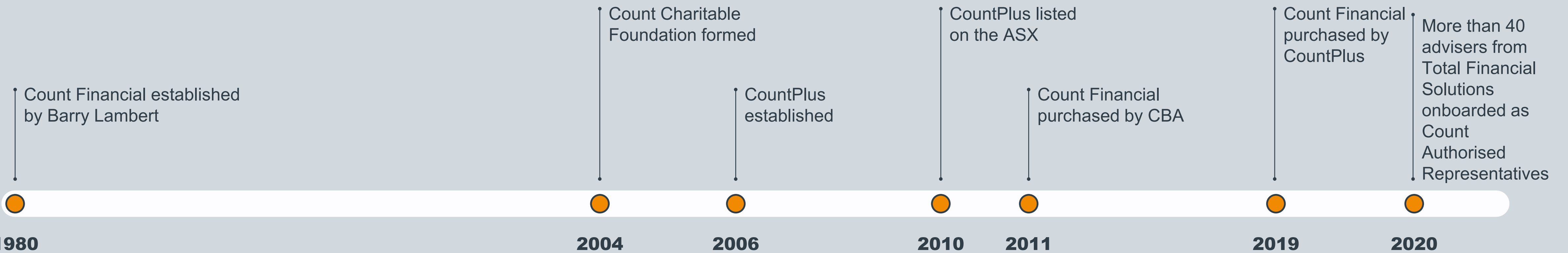


In August 2020, Count Financial will celebrate 40 years of providing financial advice to Australians.

Over 40 years a lot has changed in the financial advice landscape and yet Count Financial continues when many others have ceased to exist.

How it all started...

Count Financial was founded by Barry Lambert in 1980. What started with an idea for accountants to provide financial advice has transformed into a network of expertise and experience with 40 years of history.



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Background – Count Financial

A strategic acquisition

Acquisition of Count Financial from the CBA

Count Financial was acquired on the 1st October 2019 for \$2.5m.
Key items of the transaction include:

- Purchase price represents a discount to net tangible assets of Count Financial.
- Balance sheet had net assets of \$15M, nil debt and net cash of \$12M.
- \$200M CBA indemnity to cover remediation of past conduct
- Count Financial had 359 financial advisers and 160 firms. Funds under administration of \$8.1 billion.

Additionally:

- CBA has reimbursed the Company for the cost of system/process uplifts being Best Interest Duty being the implementation of recommendations for improvements by KPMG, at \$500,000; and Supervision and Monitoring Framework being matters arising from CBA's internal audit review of Counts supervision and monitoring framework at \$750,000.
- CBA has confirmed its intention to sell down its 35.85% equity interest in CountPlus.

Challenges we face

User Pays

From 1 December 2019 Count Financial transitioned to a user pay model for authorised representatives (i.e. Financial Advisers). Under the previous model, costs for software, selected research tools and professional indemnity insurance were subsidised via platform rebates. Count Financial Adviser retention rates post this first stage of pricing review stand at 81%.

Banning of Grandfathered Commissions

To mitigate the impact of the changes to these grandfathered arrangements we have provided support, calculators and tools to our adviser network to better understand the impact of these changes on a client by client level. We are well advanced in our plans to move to the “new world” of adviser remuneration in 2020 and 2021.

New FASEA Education Standards

It is estimated that 82% of financial advisers will need to undertake some form of further education. Only 12% of Counts adviser network will require significant effort in meeting the education standards, compared to a top 20 licensee average of 41%*.

* Adviser Ratings

Adviser Retention and Growth

Adviser numbers currently stand at 294. In the three years preceding CountPlus ownership, nil new firms were recruited by Count. Since December 2019 we have recruited 2 new quality Count member firms and we have a growing pipeline of inbound inquiry levels.

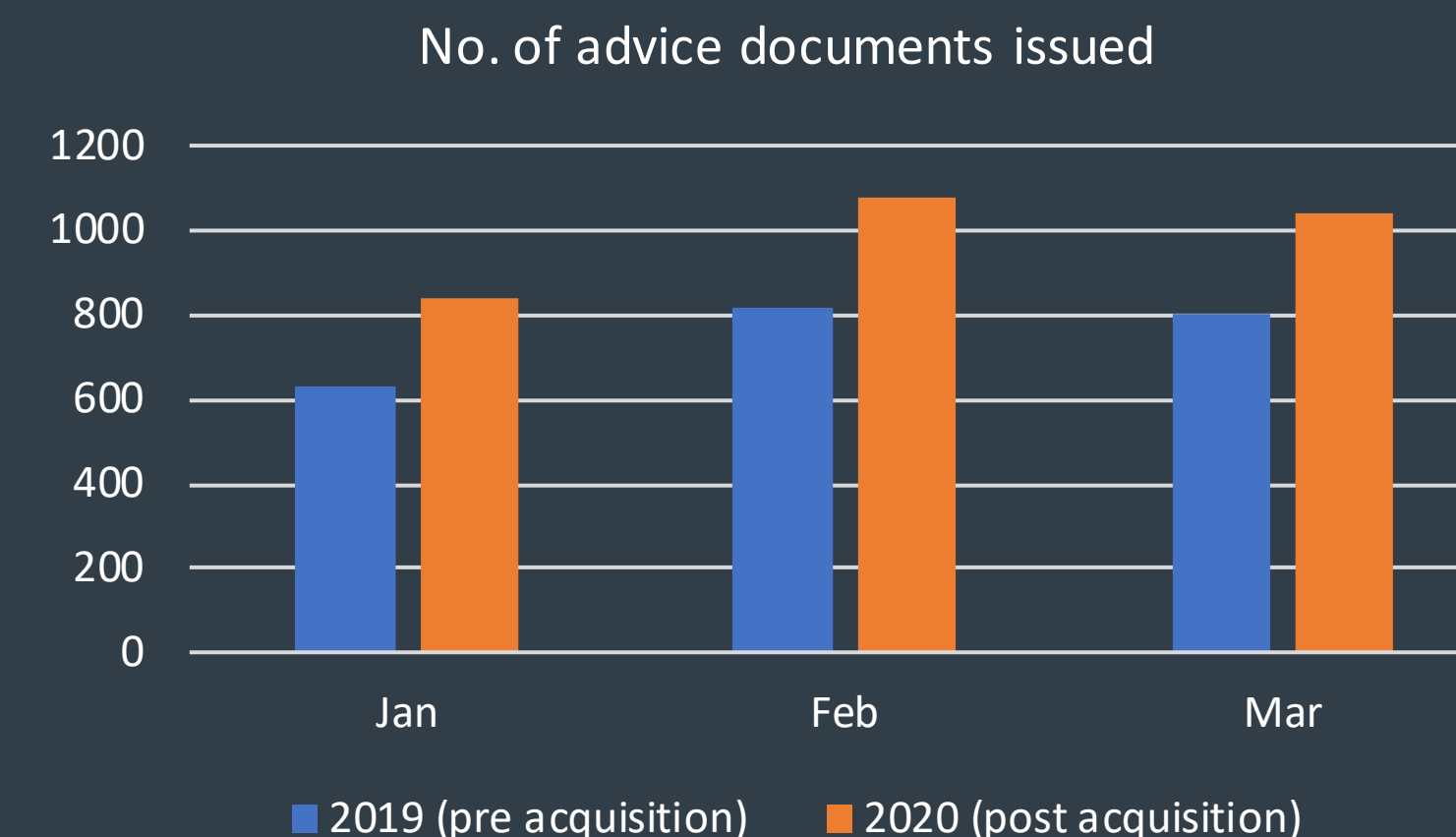
Count Financial Operational Update

Count has delivered some key business enhancements during Q1 2020

In recent years, Count Financial has not been profitable. Count Financial is now trading profitably.

Since acquisition, we have enhanced the business as follows:

- In January 2020, Count upgraded its Financial Planning technology infrastructure and software which has resulted in an immediate increase in adviser efficiency and a time saving of 12,000 hours per annum in the preparation of Statement of Advice documentation to advise customers.
- In February 2020, Count provided its advisers with access to digital advice client engagement tools which are integrated with Count's financial planning software. This integration has benefited advisers through less double entry and increased efficiencies in the generation of advice. Over 18,000 hours in time savings have been achieved and a superior customer experience has been delivered.
- The resolution of a longstanding Xplan issue has resulted in a time saving of up to one hour per Statement of Advice/Record of Advice or 7,000 hours of additional capacity to the network on an annual basis.
- We have simplified and enhanced our quality assurance processes around the provision of advice. This has resulted in an average uplift of 31% in the number of advice documents issued by our advisers between January and March 2020 (as set out in the chart opposite). The transfer of TFS advisers to Count during the quarter, has rounded out our core adviser base in Count.
- We have developed a new adviser training program, including the launch of Count's Professional Year support program to assist the development of young advisers and support growth within firms.
- The number of Count financial advisers has decreased from 315 on 1 October 2019 to 294 at 31 March 2020. Count Financial member firms have decreased from 141 on 1 October 2019 to 139 on 31 March 2020. The drop in adviser numbers and firms was anticipated and is largely due to the changes in the regulatory environment and pricing models resulting in firms opting out of the financial services sector.
- Funds under administration ("FUA") for Count Financial currently stands at an estimated \$9.1 billion.



Our market opportunity

Doubling down on financial advice



A Culmination of known events

Hayne Royal Commission

Legislative and regulatory changes

The exit of once dominant vertically integrated institutional players

New education and professional standards

Supply side

Financial Advisers are exiting the industry at record rates, with 15% leaving over the first 10 months of 2019 and 17% annualised. This is 70% more than the adviser exits of 2018.

The five-year forecast remains on track for the financial advice market to shrink to 15,000 financial advisers.

82% of Financial Advisers will need to undertake some form of study.

Currently 17% of financial advice firms are willing sellers – some 1,500 firms. Many sellers are under financial stress and for those with sub-\$500k in revenue there is limited demand to acquire.

Culling of unprofitable clients and attrition by under-serviced clients reduced average client numbers per adviser by 8% from 102 to 94.

Demand side

There is an increasing unmet need for financial advice.

74% of advised Australians are over 45 and it is estimated that financial advisers have penetrated 53% (\$1.5 trillion) of pension fund wealth and 67% (\$500 billion) of SMSF wealth.

With fewer advisers, there will a “flight to safety” by clients seeking advice business that are professional and sustainable.

Low consumer trust in advice is unsurprising but concerning, with an ASIC study revealing 37% of consumers believed that advisers did not have their customers’ best interests at heart. And yet demand is growing, with 25% intending to get advice in next 12 months and 41% making plans to engage in the future.

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Barriers to entry and regulation

Changing regulation increases barriers to entry

The accounting industry has been regulated through its professional bodies and qualifying exams. Financial Planners are now facing similar requirements. The changing regulation creates further barriers to entry. Financial Planners face three significant events:

JANUARY

2021
(or earlier)

Banning of Grandfathered Commissions

JANUARY

2022

Financial Advisers to pass the Financial Adviser Standards and Ethics Authority (“FASEA”) exam

JANUARY

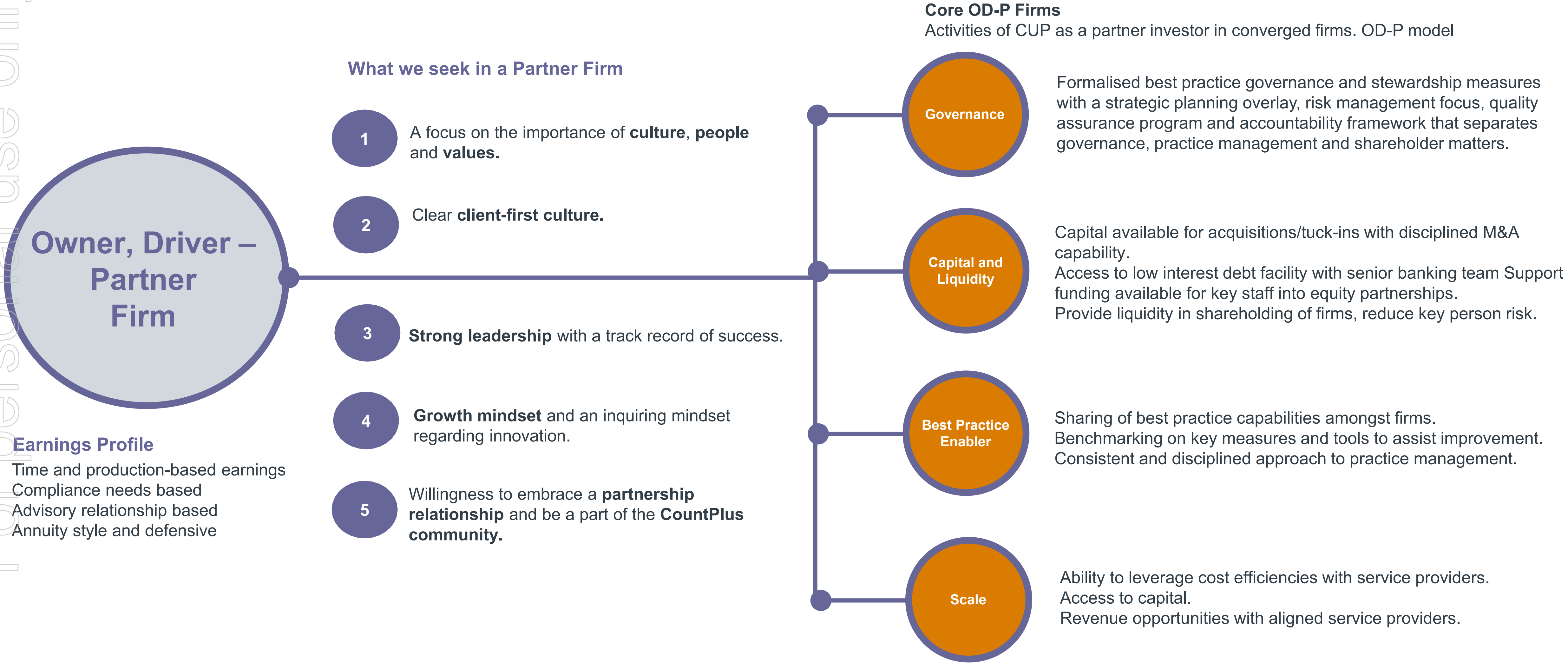
2026

Financial Advisers are to have a FASEA approved bachelors degree

Opportunities

Delivering value in an aligned partner model – Owner, Driver - Partner Firms

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Industry at a glance*

- Financial Advice Revenue \$4.7B.
- Accounting Revenue \$20.3B.
- 19,554 Financial Advice Firms.
- 34,731 Accounting Firms.
- Mature lifecycle.
- Low level of concentration.
- SMSF, Superannuation and retirement advice significant revenue segments across Accounting and Financial Advice.
- Remains an unmet need for Financial Advice.

Operating Environment

- Major institutional advice players exiting.
- Increasing regulation.
- New education and professional standards Increasing barriers to entry for financial advisers.
- Financial Adviser population dislocation and exit.
- “Old world” revenue models under pressure.
- Major succession planning challenges.
- Supply side pressures – consumer demand for financial advice stable and increasing.
- Technology and data playing role in dislocation. Scale now required to play.

Opportunities

- Major institutional advice players exiting – end of product subsidy AFSL operating models.
- Accountant and Financial Adviser succession.
- Consolidation of smaller competitors.
- Economies of scale with larger network.
- “Old world” revenue models under pressure – new model “user pay” model needed and benefits of scale becoming apparent.
- Investment in specialist tools that allow vertically integrated professional advice business – separate product and advice.
- Leverage trusted adviser status of Accountants.

Core Clients

- Mass Affluent.
- SME Family/Private Business.
- SMSF.
- SME Self Employed.

*IBIS

What sets us apart



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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.

Our Values

- Trust**
Earned through character, competence and coachability.
- Commitment**
We do what we say we will do.
- Teamwork**
We believe in the collective wisdom of the team.

Strategic Drivers and Key Goals

- Clients**
We deliver advice that secures financial well being.
- Firms**
We provide financial and intellectual investment capital.
- People**
We invest in people and build leaders.
- Focus**
We believe in excellence = process x culture.
- Financial**
We will make a decent profit, decently.
- Community**
Our reputation is the sum of what the community thinks of us.

Clients

We will act fairly and in the best interest of clients.
We deliver value in line with agreed client expectations.
We make a positive difference in the financial wellbeing of our clients.

Firms

All principals are aligned owners with CountPlus.
CountPlus is a participatory investor in professional advice firms.
We add value through strategy, people systems, structure & governance, culture and leadership.

People

A recognition culture that incentivises the demonstration of our values.
We assist firms build a bench strength of leaders and stars.
Our leaders are coaches.
We are who we promote.

Focus

We build firms that transcend generations.
Culture is our competitive advantage.
We systemise the routine, but we lead people.
We invest in technology that is additive to our core business.

Financial

Efficient and disciplined use of capital.
We invest in people that fit our family photograph.
We deliver returns to our shareholders by providing advice that makes a positive difference in the lives of our clients.

Community

Redefine our network as a complementor to our firm's success.
Engage with Professional Associations for best practice.
Establish pro-bono and philanthropic team from within our firms.

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