



CountPlus Limited (ASX: CUP)

Results Presentation
For the Financial Year ended 30 June 2018

PRESENTED BY
Matthew Rowe, CEO and Managing Director
Laurent Toussaint, CFO and Company Secretary
27 August 2018



Disclaimer



This document is a presentation of general background information about the activities of CountPlus Limited (CountPlus) current at the date of the presentation (27 August 2018). The information contained in this presentation is for general background information and does not purport to be complete.

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Pro forma financial information

CountPlus uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as non-IFRS (International Financial Reporting Standards) financial information. CountPlus considers that this non-IFRS financial information is important to assist in evaluating CountPlus' performance. The information is presented to assist in making appropriate comparisons with prior periods and to assess the underlying operating performance of the business.

For a reconciliation of the non-IFRS financial information contained in this presentation to IFRS-compliant comparative information, refer to the Appendix to this presentation.

All dollar values are in Australian dollars (A\$) unless otherwise stated.

CountPlus transformation update



Old CountPlus

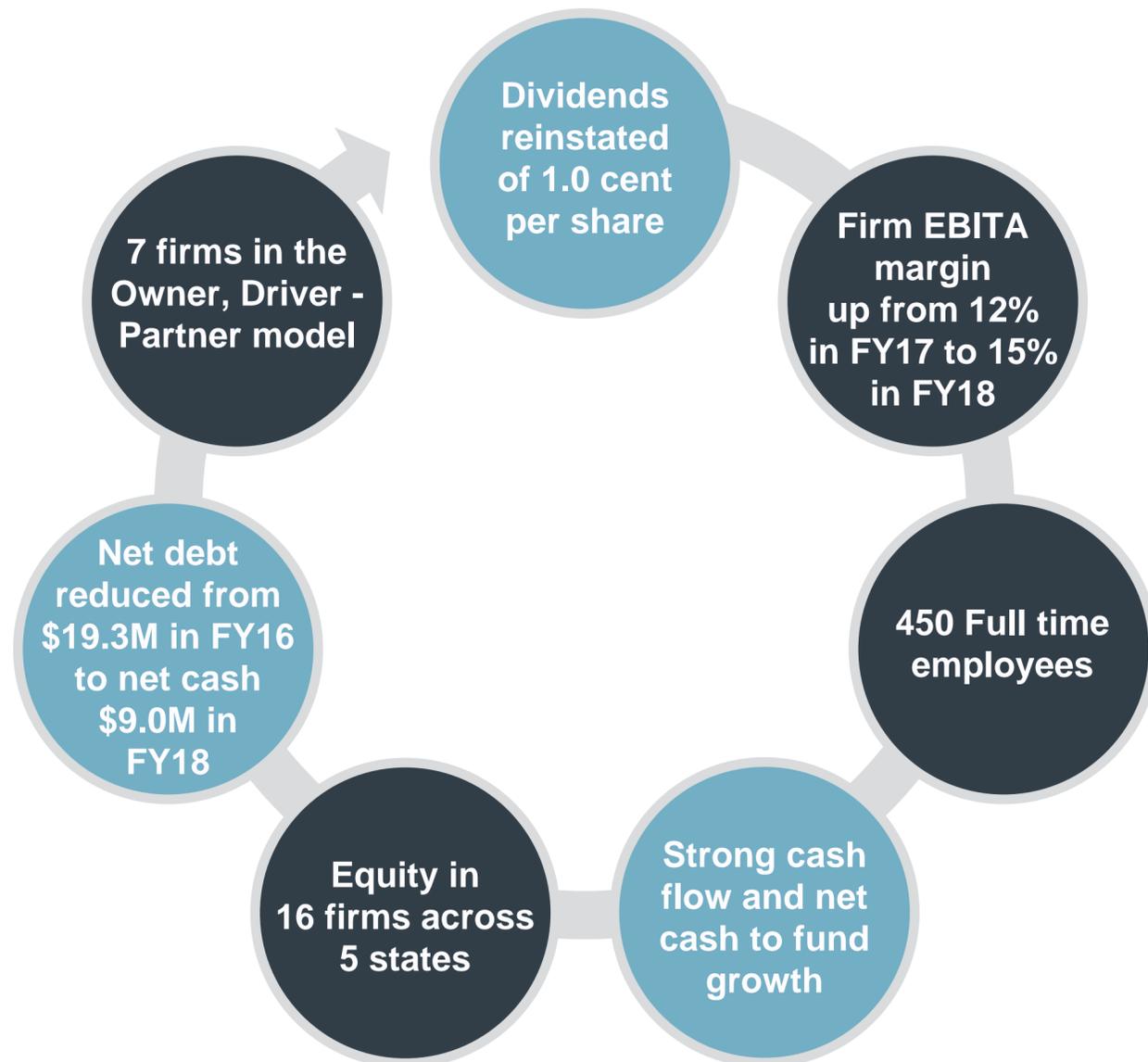
- Number of underperforming and non-core firms in the CountPlus stable
- Balance sheet with \$19.3M of net interest-bearing debt
- 100% ownership of firms, entrepreneurs become employees

New CountPlus

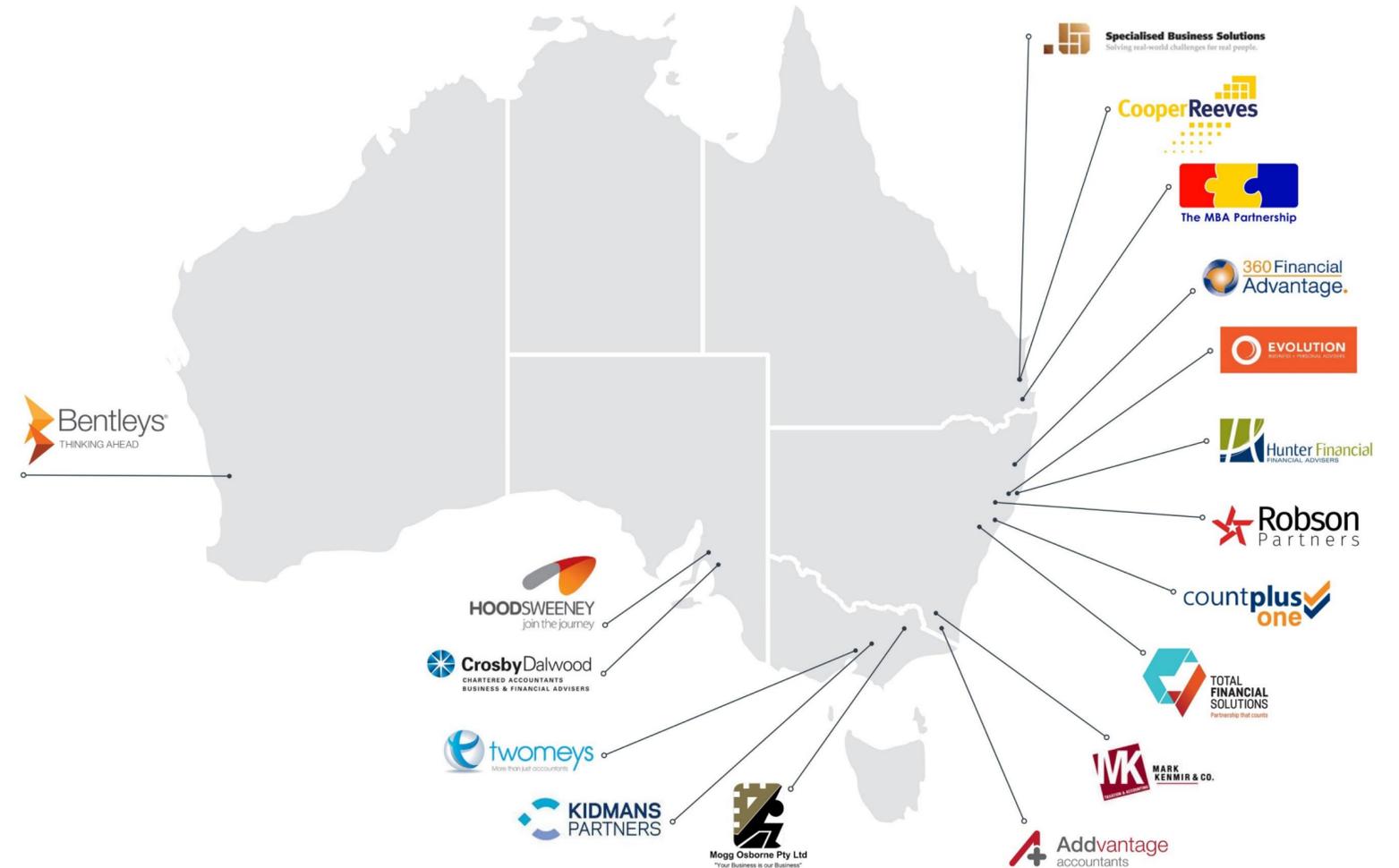
- Transformation well underway and on track – one year into our two-year turnaround plan
- Scope for further margin improvement
- Net cash of \$9.0M
- Building a simpler, more resilient and profitable CountPlus
- Making good progress with more focused structure, aligned partnership model, new practice leaders with strong team focus and client first culture
- 7 firms have Owner, Driver – Partner model in place
- Enhanced, competitive and ethical value proposition
- New growth opportunities are emerging – well placed to deliver profitable growth in a dislocating advice sector. Expected changes suit CountPlus

CountPlus key statistics

Listed on the ASX since 2010, we are a network of successful professional accounting and advice firms, **aligned through our shared values and sense of community.**
CountPlus seeks to make a decent profit, decently



CountPlus footprint



Full year performance highlights – FY18

Financial Results – FY18		
\$'000		
Revenue	Adjusted EBITA	Adjusted NPATA
74,386	7,843	5,834

Firm EBITA margin	Adjusted Operating Free Cash Flow	Final dividend per share (Fully franked)
15%	6,429	1.0 cent

Notes:

- Same firm is defined as the current stable of Partner firms noting that seven firms have been exited and sixteen firms remain in the group
- Adjusted is defined as reported results adjusted for one-off, non-recurring items. Refer to the appendices for a full reconciliation of these amounts

- Same firm revenue marginally higher (\$945,000) and adjusted NPATA marginally lower (\$520,000) in a year of significant change and reorganisation
- Recognised, diversified financial services brands across Australia with many potential growth engines
- Significant restructure of the group over the past 18 months. EBITA results include restructuring costs of \$684,000 at a firm level
- New leadership team in 80% of our firms to execute on stated group strategy
- Strong base for growth in underlying FY18 adjusted profitability metrics
- Significantly improved balance sheet post restructure
- NPATA means net profit after tax but before amortisation and this measure is intended to remove the effect of non-cash charges of acquired intangibles

Full year operational highlights – FY18

Organic growth

- Restructuring of underlying firms substantially complete, positioning these firms for sustainable growth
- Disposal of non-core and underperforming businesses completed
- Deleveraged balance sheet positioned for organic and acquisitive growth

Profitability

- Underlying firm EBITA margin increased from 12% in FY17 to 15% in FY18
- Adjusted NPAT at \$3.8M in a year of significant change and reorganisation
- Group generated \$6.4M of cash at operating level (excluding vendor finance), 82% of adjusted EBITA

Capital Management

- Net cash position of \$9M. Strong balance sheet positioned for growth
- Lock up management has improved, which has strengthened cash flow position of the group
- Fiscally responsible dividend policy implemented. Dividends declared out of operating free cash flows. Target dividend pay-out ratio of 40% to 70% of net profit after tax
- Net debt reduced from \$19.3m in FY16 to net cash \$9.0m in FY18

Key issues, priorities and contributions

Key issues and priorities

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

Accounting priorities and contributions

- Improving and sustainable 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 licence 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

The CountPlus Value Proposition

CountPlus is implementing a new Owner, Driver - Partner model to attract and retain the best firms, incentivising firms to drive quality growth and generate returns for shareholders. We take our responsibility to add value to Partner firm practices seriously. We take a holistic and long-term approach to building value in Partners firms that enables firms to thrive in a difficult and fast-changing market environment

1

People

- Facilitating succession
- Human capital – talent recruitment and enhancing leadership capabilities
- Culture development and team engagement

3

Growth

- Financial capital (debt and equity) – accelerated growth through acquisition
- Network referrals
- Broadening income streams

2

Strategy and Governance

- Intellectual capital – strategic support, guidance and leveraging the knowledge and expertise of the CountPlus network
- Best practice governance disciplines

4

Performance Improvement

- Improving profitability – utilising the buying power of the network
- Improving systems and processes

CountPlus Vision and Goals

Our vision is to become Australia’s leading network of professional accounting and advice firms, aligned through shared values, mutual success and our sense of community

The CountPlus Vision

Key goals	Firms	People	Focus	Financial	Community
	We provide financial and intellectual investment capital	We invest in people and build leaders	We believe in excellence = process x culture	We will make a decent profit, decently	Our reputation is the sum of what the community thinks of us
Priority outcomes	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	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	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	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	Redefine our network as a complementor to our firms success Engage with Professional Associations for best practice Establish pro-bono and philanthropic team from within our firms
Winning steps	Successful Firms	Leaders and Stars	Best Practice Enabled	Sustainable and Profitable Firms	Engaged Leaders and Teams

Financial Performance

Laurent Toussaint, Chief Financial Officer



Key metrics

Revenue, EBITA, EBITA margin, track record FY16 to FY18

FY18 transformation year as we build a more profitable CountPlus

Financial Results summary	FY18	FY17	FY16	Movement - FY17 – FY18	
	\$'000	\$'000	\$'000	\$'000	%
Adjusted same firm revenue	74,386	73,441	75,428	945	1
Adjusted EBITA	7,843	8,941	7,604	(1,098)	(12)
Adjusted net profit attributable to shareholders	3,764	4,004	2,887	(240)	(6)
Adjusted NPATA	5,834	6,354	5,283	(520)	(8)
Net cash / (debt)	8,975	(5,294)	(19,277)	14,269	270
Reported earnings per share – cents	(0.16)	(0.10)	12.13	(0.06)	(66)
Adjusted earnings per share – cents	2.48	2.75	2.03	(0.26)	(10)

Notes:

- Same firm is defined as the current stable of Partner firms noting that seven firms have been exited and sixteen firms remain in the group
- Adjusted is defined as reported results adjusted for one-off, non-recurring items. Refer to the appendices for a full reconciliation of these amounts

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

Segmental performance – Breakdown

Segmental performance	FY18	FY17	Movement - FY17 – FY18	
	\$'000	\$'000	\$'000	%
Revenue				
Accounting	54,403	60,240	(5,837)	(10)
Financial services – (Ex TFS)	12,525	14,131	(1,606)	(11)
Financial services – (TFS)	4,419	5,098	(679)	(13)
Property	0	0	0	100
Other	3,039	2,912	127	4
Total Revenue	74,386	82,381	(7,995)	(10)
Segment contribution margin				
Accounting	23,726	23,411	315	1
Financial services – (Ex TFS)	6,319	8,453	(2,134)	(25)
Financial services – (TFS)	2,394	3,084	(691)	(22)
Property	0	0	0	100
Other	1,940	(4)	1,944	48,594
Total contribution margin	34,379	34,944	(565)	(2)
Contribution margin	46%	42%		

Note:

1. Contribution is defined revenue less professional services salary costs for Accounting. Contribution for financial planning is defined as revenue less commissions
2. Underlying FY18 same firm revenue increase of \$945,000 (\$702,000 excluding Total Financial Solutions Australia Pty Ltd (TFS)) is detailed on slide 14
3. The business units of CBCFP, Change, CNA, KPEC, TAA, TWFP and Achieve are no longer part of the CountPlus in FY18 therefore the related revenue is not included in the result

Revenue metrics

Continuing operations

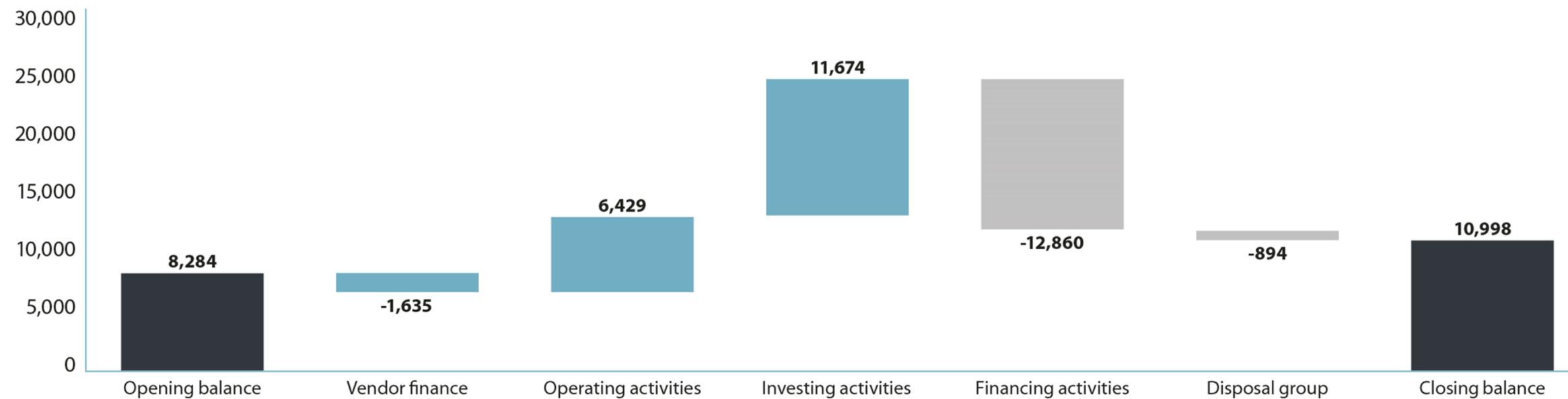


Revenue reconciliation	FY17 – FY18
	\$'000
Increase in total TFS net revenue	243
Exited firms – accounting, financial planning and other revenue	(8,940)
Increase in net revenue – same firms	702
Total	(7,995)

Same firm revenue by full time employees (FTE)	FY18	FY17	FY16
	\$'000	\$'000	\$'000
Same firm revenue	74,386	73,441	75,428
Average FTE	450	495	494
Average revenue per FTE	165	148	153
Movement (%)	11	(3)	

Cash flow statement

FY18 – Cash flow statement waterfall (\$'000)



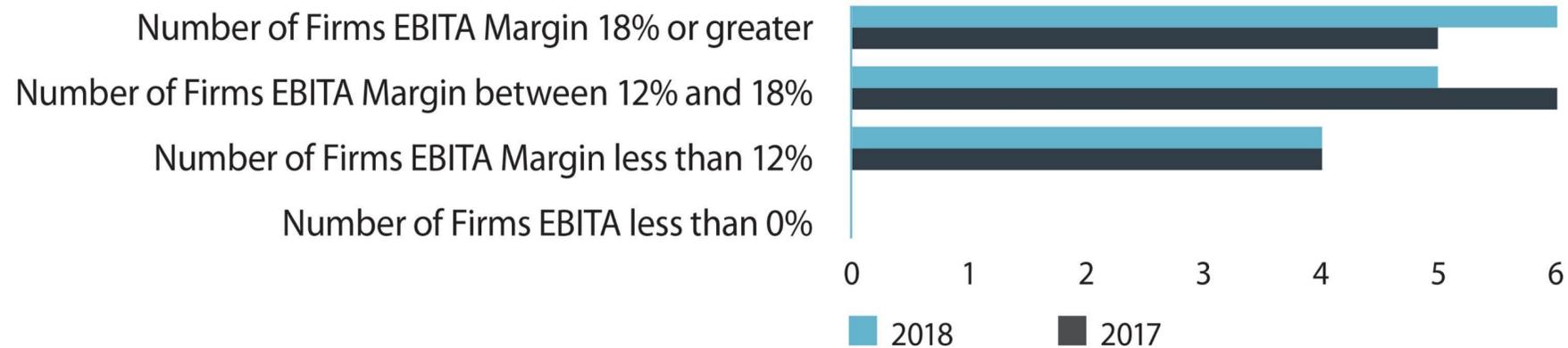
Cash flow statement adjustment	FY18	FY17
	\$'000	\$'000
Cash flow from operating activities	4,794	7,986
Less: Tax paid for prior year transactions	0	(3,741)
Add: Vendor financing ⁽¹⁾	1,635	0
Adjusted cash flow from operating activities	6,429	4,245
Operating cash conversion to adjusted EBITA	82%	47%

Note:

1. The vendor financing relates to equity in two associates disposed of that were part of the TFS Group

EBITA margins

EBITA / Revenue Performance same firm analysis



Note: Analysis excludes TFS

Key takeaways:

- 80% of firms have a new Managing Principal
- 95% of firms have a new Firm Chair
- EBITA results include restructuring costs of \$684,000 at a firm level
- Revenue on same firm analysis at \$74.3M is an increase of \$0.95M on 2017, even with the significant people changes that have taken place
- Disposed firms (excluding KPEC) had EBITA margins below group average. In FY17, three firms were incurring EBITA losses, none in FY18
- All firms have new business plans, a new governance structure and accountability frameworks
- All firms have a new budget process for 2019 focussing on capacity, margin expansion and growth
- New working capital policies in place relating to WIP, Debtors and Lock Up

Key execution priorities



- Well placed to capitalise on market moves in the financial planning space;
- Increase in EBITA (Earnings before interest, tax and amortisation) margin as the restructuring is progressing well;
- Group lock up (Debtors days and work in progress days) of 85 days;
- Significant minority stake acquisitions (40%);
- Tuck in acquisitions / partnerships (Partner firm of CountPlus directly makes an acquisition);
- Owner, Driver – Partner of firms (alignment with talent in CountPlus Partner firms); and
- Higher return on balance sheet assets

Capital management and dividends

- Resumption of dividends for FY18
- FY18 final dividend of 1.0 cent per share (fully franked)
- Target dividend pay-out ratio of 40% to 70% of maintainable net profit after tax attributable to CountPlus shareholders
- Pay dividends out of operating cash flow generated per company policy
- **Key dates for FY18 dividend:**
 - Ex date 27 September 2018
 - Record date 28 September 2018
 - Payment date 17 October 2018
- Franking credits at 30 June 2018 amount to \$6.5M

FY19 outlook and summary

Key deliverables

- Well on track to meet our two-year turnaround strategy;
- Scope for further margin expansion;
- We have a high quality, motivated 450 strong team to build trust with clients and in society;
- Grow organically and by acquisition;
- Create and capture value that is ethical, sustainable and responsible; and
- Continue with increasing dividends if operating cash flows allow for it



A photograph of two children dressed as superheroes. The child on the left is a boy with short hair, wearing a dark mask and a dark t-shirt. He has his right arm raised and is holding the left arm of the child on the right. The child on the right is a girl with curly hair, also wearing a dark mask and a dark t-shirt. The background is a gradient from light blue on the left to a darker blue on the right. The overall tone is heroic and aspirational.

Corporate Index – CountPlus

Appendices

Appendix 1

Corporate Details



Snapshot	
CountPlus Limited ticker	ASX:CUP
ABN	11 126 990 832
Shares on issue	114,222,559
Share price – 23 August 2018	\$0.675
Market capitalisation (\$'M)	77.1
Number of investments	16
Net cash – 30 June 2018	\$9.0M

Appendix 2

Adjusted to statutory reconciliation

NPATA and EBITA analysis – Adjusted	FY18	FY17	FY16
	\$'000	\$'000	\$'000
Net profit after tax – Per AFS	847	875	13,980
Add / Deduct: Loss / (Gain) from discontinued operations	1,465	(1,075)	0
Add: Impairments of intangible assets	4,700	5,001	2,673
(Gain) / Loss on sale of investments	(2,258)	660	(1,290)
Deduct: Revaluation of listed investment	0	0	(16,272)
Deduct: Gain on deferred consideration	(271)	(1,106)	(245)
Add: Termination and redundancy costs on restructure	917	45	0
Deduct / Add: Results from exited firms	(390)	265	(2,761)
Add: Statutory income tax	300	769	7,831
Deduct: Pro-forma calculation of tax at group average rate	(1,546)	(1,430)	(1,029)
Adjusted NPAT	3,764	4,004	2,887
Add: Adjusted Amortisation	2,070	2,350	2,396
Adjusted NPATA	5,834	6,354	5,283
Add: Finance charges	463	1,157	1,293
Add: Pro-forma calculation of tax at group average rate	1,546	1,430	1,029
Adjusted EBITA	7,843	8,941	7,604

Appendix 3

Adjusted taxation reconciliation

Taxation analysis – Adjusted	FY18	FY17	FY16
	\$'000	\$'000	\$'000
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Adjusted profit before tax - (Refer to page 12)	5,310	5,434	3,915
Australian tax rate	30%	30%	30%
Tax amount at Australian tax rate	1,593	1,630	1,175
Reconciliation			
Non deductible expenses	134	167	332
Non taxable income	46	(30)	(84)
Non taxable dividends	(200)	(309)	(367)
Benefit on trail commission	(28)	(28)	(30)
Other	1	1	3
Total	(47)	(200)	(146)
Total income tax expense	1,546	1,430	1,029
Adjusted profit after tax	3,764	4,004	2,887
Effective tax rate	29%	26%	26%

Appendix 4

Abridged Statement of Financial Position

Abridged Statement of Financial Position	FY18	FY17	Movement
Cash	10,998	8,284	2,714
Interest bearing loans and borrowings	(2,023)	(13,578)	11,555
Investments in associates	9,088	11,716	(2,628)
Intangible Assets	34,228	44,994	(10,766)
Total Assets	75,277	98,546	(23,269)
Total Liabilities	(14,489)	(40,796)	26,307
Total Equity	60,788	57,750	3,038

Appendix 5

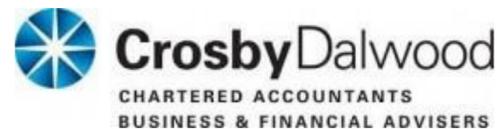
CountPlus firm survey of firms - Some of our feedback received



- Client turnover rates of less than 1%
- Client satisfaction rates in excess of 90%
- Client complaints of less than 0.1%



- Retention rate of 96%
- 161 new clients gained (6% increase)
- Client complaints: 0.2% - 4 out of 2,525 clients



- Client satisfaction rates between 89% and 94%



Mogg Osborne Pty Ltd
"Your Business is our Business"

- Recipient of the National Count Charitable Foundation 2018 Community Award
- Employees collectively donated 5,935 hours of time to assist more than 40 local community and sporting organisations, together with \$11,400 worth of pro-bono audit work
- Client turnover 2.5%
- Staff retention of 100%



- Client turnover rate of less than 1%
- No complaints registered for FY18

Appendix 6

Board and Management of CountPlus



Ray Kellerman
Independent Non-Executive Chair



Alison Ledger
Independent Non-Executive Director



Andrew McGill
Independent Non-Executive Director



Kate Hill
Independent Non-Executive Director



Matthew Rowe
Managing Director and CEO



Laurent Toussaint
Chief Financial Officer
and Company Secretary



Mark Chapman
Chief Operating Officer

Appendix 7

Managing Principals of CountPlus Firms



Victoria Studley
Managing Director – 360 Financial Advantage



Mark Kenmir
Managing Director – Advantage Accountants and Mark Kenmir and Co



Chris Nicoloff
Managing Director – Bentleys



Christine Robinson
Managing Director – Cooper Reeves



Ian George
Managing Director – CountPlus One



Helga Baxter
Managing Director – Crosby Dalwood



Jane Beverley
Managing Director – Evolution



Marisa Riccio
Managing Director – Hood Sweeney

Appendix 7

Managing Principals of CountPlus Firms



Philip Smith
Managing Director – Hunter Financial



Ross Hedrick
Managing Director – Kidmans Partners



Geoff Missen
Managing Director – MBA Partnership



Peter Mogg
Managing Director – Mogg Osborne



David Evers
Managing Director – Robson Partners



Lucas Woodbury
Managing Director – Specialised
Business Solutions



Andrew Kennedy
Managing Director – Total Financial
Solutions



Michael Twomey
Managing Director – Twomeys

Appendix 8

Salient dates



Key Dates

FY18 final dividend paid

October 2018

Annual General Meeting

November 2018

HY19 Financial Result

February 2019

THANK YOU

