Class Limited

31 December 2018
Half Year Results Presentation

Glenn Day, Acting CEO
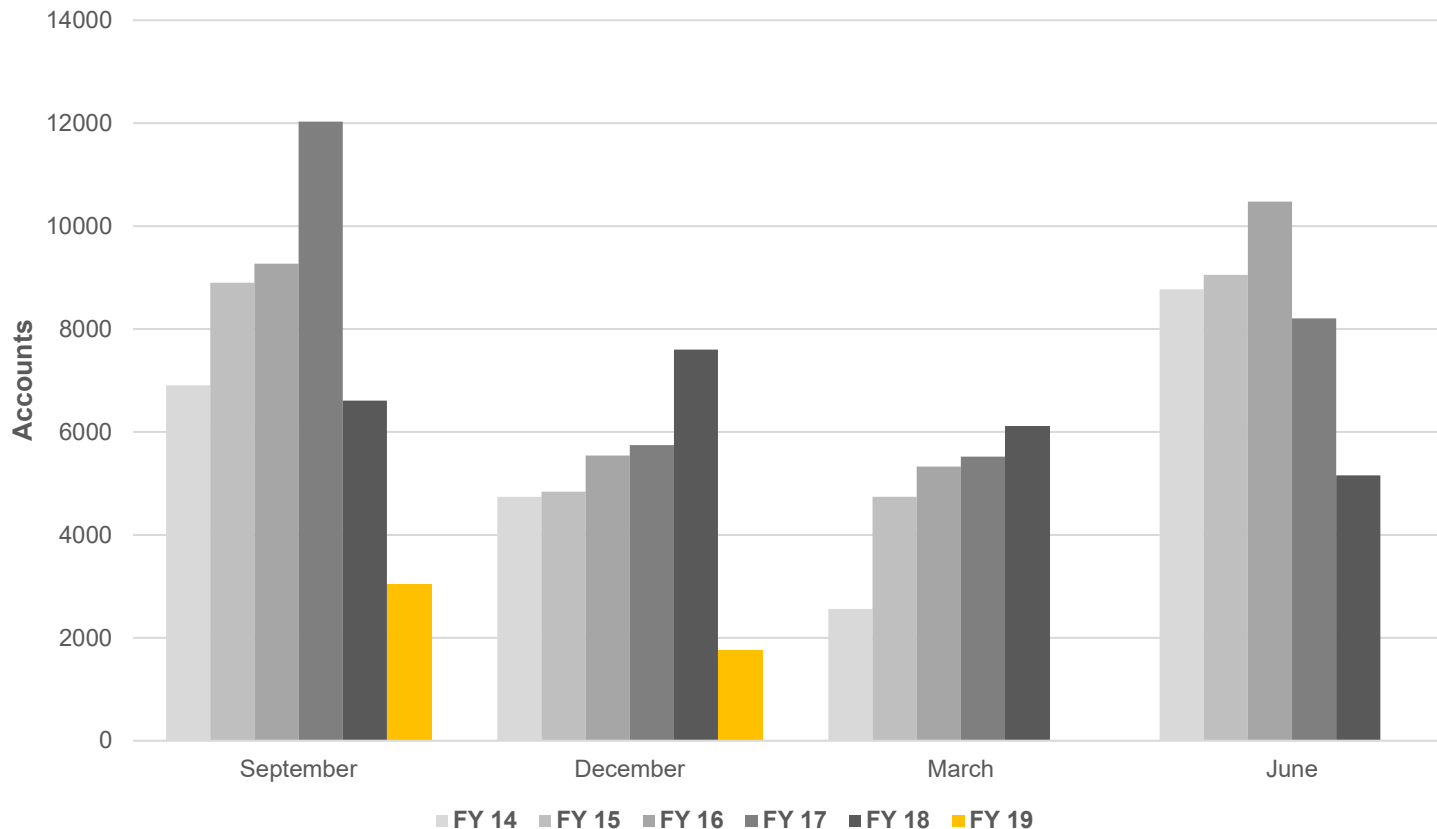14 February 2019

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- All currency amounts are in AUD unless otherwise stated.

Positioned for Success

	Existing	**New**
New	**Class Portfolio** • Increase penetration of Class Super users • Promote Class platform to financial planners	**Portfolio Engine** • Leverage Class capabilities through Portfolio Engine
Existing	**Class Super** • Continue to increase market share • New features due for release • Focus on sales & marketing • Strong lifetime value	**Strategic Alliances Program** • Integrations with wealth accounting & financial advice tools • Partner API & feature development

Markets

Products

Class

Account Growth

Account Growth (SMSF & Portfolio)

As at 31 December 2018:

- **4,799** net new accounts 1H19
  - **4,167** from SMSF accounts
  - **632** from Portfolio accounts
- AMP continues to migrate off Class, suspending **~2,150** funds in 1H19
- Lower account growth due to regulatory headwinds and increased competition
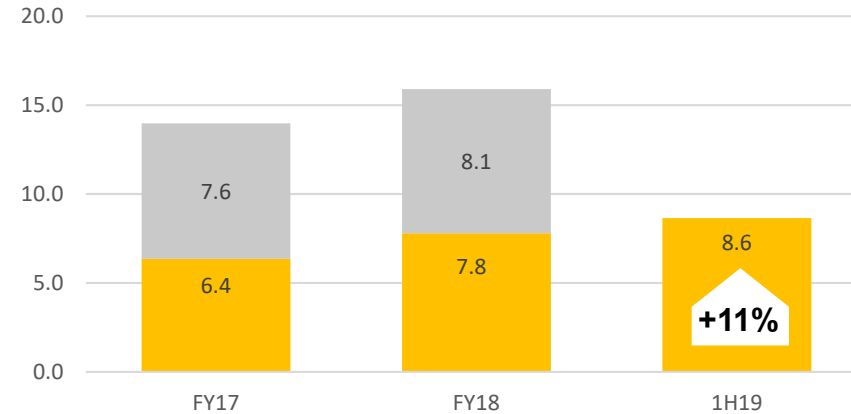- Significant new features about to be released to enhance product leadership and improve customer acquisition
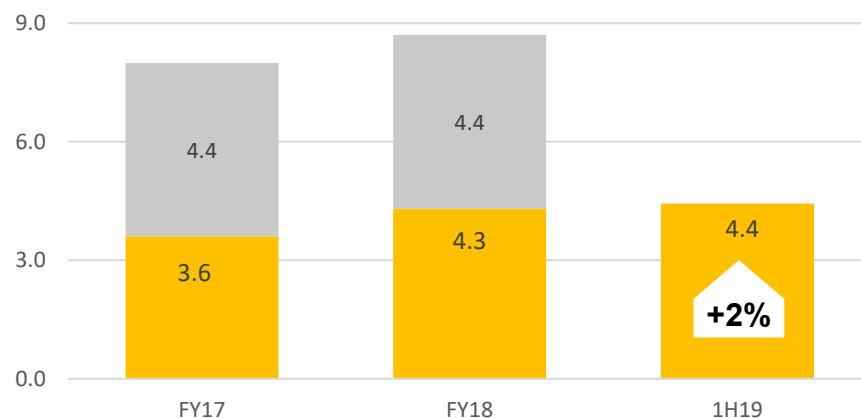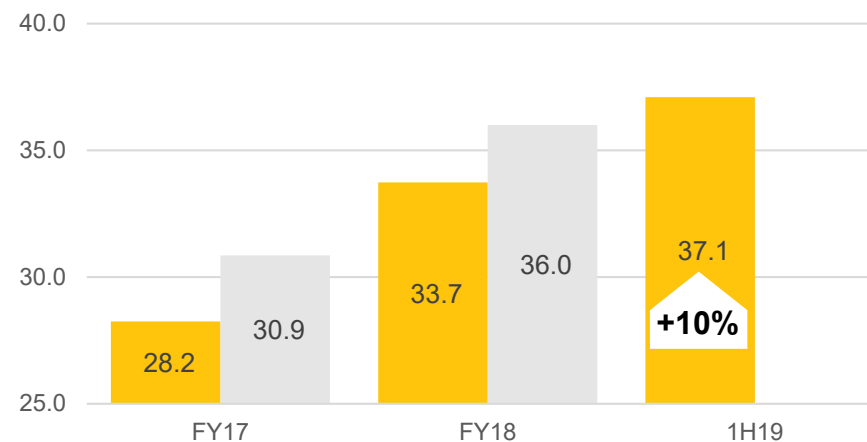
Strong Revenue & EBITDA Growth

Operating Revenue ($'Mil)

	FY17	FY18	1H19
2nd Half Year	14.9	17.0	
1st Half Year	14.0	17.0	19.0 **+12%**

EBITDA ($'Mil)

	FY17	FY18	1H19
2nd Half Year	7.6	8.1	
1st Half Year	6.4	7.8	8.6 **+11%**

NPAT ($'Mil)

	FY17	FY18	1H19
2nd Half Year	4.4	4.4	
1st Half Year	3.6	4.3	4.4 **+2%**

ARR ($'Mil)*

	FY17	FY18	1H19
1st Half Year	28.2	33.7	37.1 **+10%**
2nd Half Year	30.9	36.0	
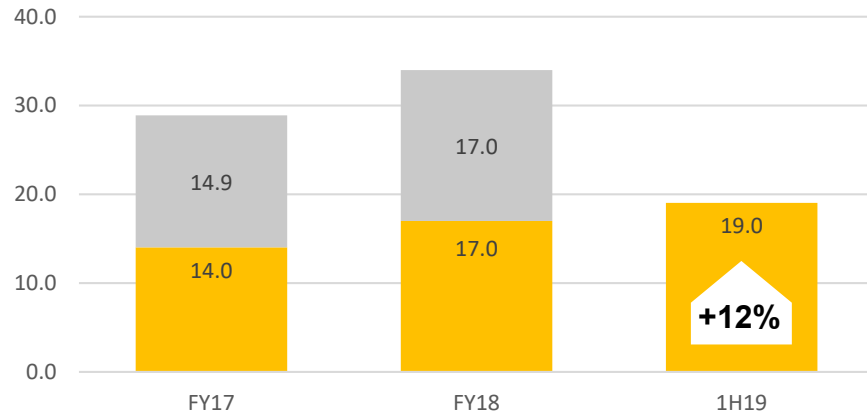
* License fees only. Excludes Partner revenue (currently $2m pa)

- Interim fully franked dividend 2.5c declared

- NPAT growth at 2% due to investment in product

■ 1st Half Year
■ 2nd Half Year

Growth % is relative to prior corresponding period (PCP)

Class

Class Super Growth

Class Super Growth
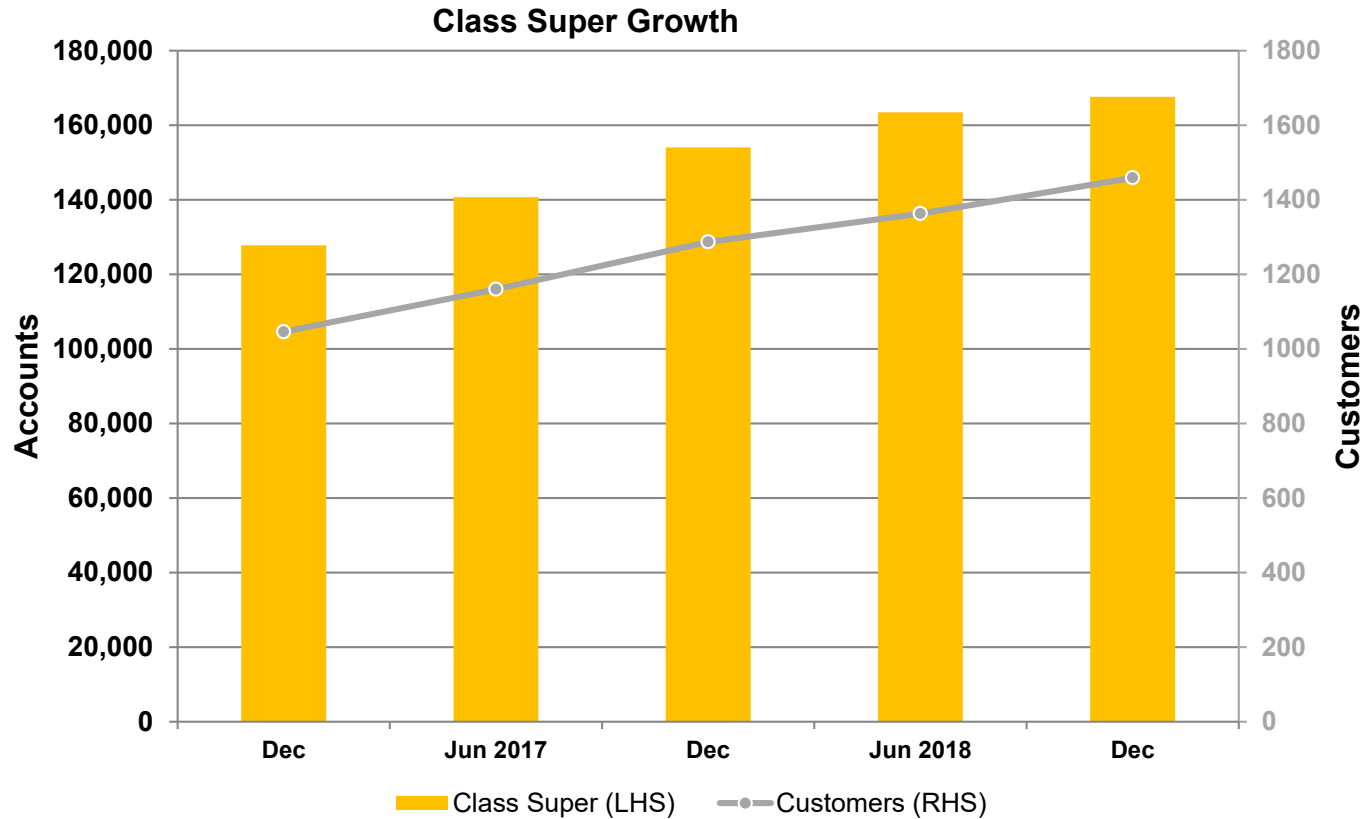
As at 31 December 2018:

- **167,631** SMSFs

- **+4,167** 1H19 (6,317 gross of AMP)

- **1,459** Class Super customers

- **$216** ARPU

- CAC **$177**

[1] Estimated SMSF market 598k

Investing in Product

- Product Investment **$4.4m**[1] in 1H19, **+$1.6m**

- Significant new features due for release:

  - Tax statement automation → *increased efficiency*

  - Adviser Dashboard → *dedicated adviser tool*

  - New and enhanced data feeds and corporate actions → *increased automation*

  - Enhanced support for Managed Accounts → *increased automation*

  - TBAR Reporting → *increased compliance and efficiency*

  - Partner API platform → *enabling more meaningful integrations*

- Forecast FY19 D&A ~**$5.9m**

  - Development & Fixed Assets ~$5.1m

  - AASB 15 ~$0.8m

"The automated data feed from Class to XPLAN is fantastic!"

Allisa Pope, Paraplanner, RA Veitch & Co.

"The new Class Tax Statement Console enhancement is another game changer!"

Paul Murray, CEO, First Class Super

[1] $4.4 total development expenditure of which $3.3m was capitalised

High Customer Satisfaction, Recurring Revenue

- As at 31 December 2018:

  - High retention rate fuels strong recurring revenue, **99.2%** on rolling 12 month basis[1]

  - ARR for software licence fees revenue was **$37.1m +10.1%** on PCP

  - Class Super retention rate driver of high LTV

  - 2018 Investment Trends[2] Winner:

    - Highest Overall Client Satisfaction: SMSF Software (*4th year running*)

    - Value for Money (*2nd year running*)

[1] *Rate is ex-AMP who had ~6,200 funds on Class and made up ~3% of ARR, if AMP's ~3,500 suspensions were included retention rate would be ~97%*

[2] *Investment Trends 2018 SMSF Accountant Report, based on a survey of 942 accountants in public practice*

Sales & Organic Growth Increase Market Share

Source of SMSF Accounts by previous software provider
Rolling 12mths to Dec 2018

[Bar chart showing: BGL 45% (SF360 and SF segments), AMP 16%, Other 39%, with y-axis from 0% to 80%]
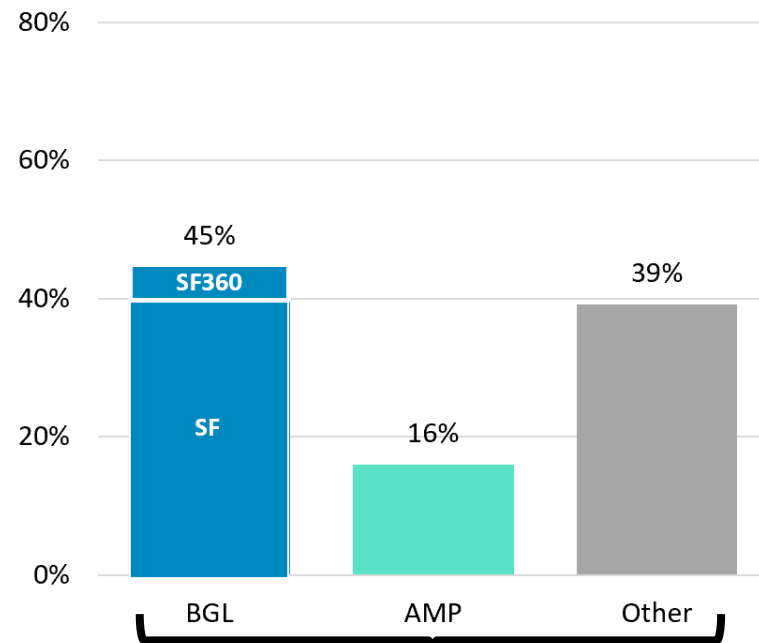
What we won
(% of new funds Class signed in previous 12 months)

- Market share[1] **28%, +3%** on PCP

- **21%** of new accounts are from other cloud products

- Class Customers continue to win market share from peers

- **33%** of growth was organic where established Class Users grew an average **4.7%** in the previous 12 months… over **2 times** SMSF industry growth rate[1] of **2.3%**

[1] Based on an estimated SMSF market at 31 Dec 2018 of 598k

Opportunity to Increase Share Remains

SMSFs Administered	SMSF Administration Segment	SMSFs in Segment	Class Super % Share of Market Segment [1]	
1	DIY Trustee	83,720	0%	83,720
< 25	General Accounting Practice	65,780	5%	62,580
25-100	**Small SMSF Practice**	**119,600**	33%	80,551
101-250	**Medium SMSF Practice**	**125,580**	36%	80,439
251-500	**Large SMSF Practice**	**95,680**	31%	66,031
501-1000	Emerging Administrator	23,920	50%	12,058
1000+	Major Administrator	83,720	46%	44,990

Key segments for Class Super growth (Small, Medium, Large SMSF Practice)

■ Class Share   ■ Not on Class

- Estimated remaining addressable market is **~347K**

- Plenty of potential for growth in key segments

- Expect key segments will benefit from industry consolidation

[1] Market segment graph is compiled using Class internal data and estimates

Class

Class Portfolio Growth

Class Portfolio Growth
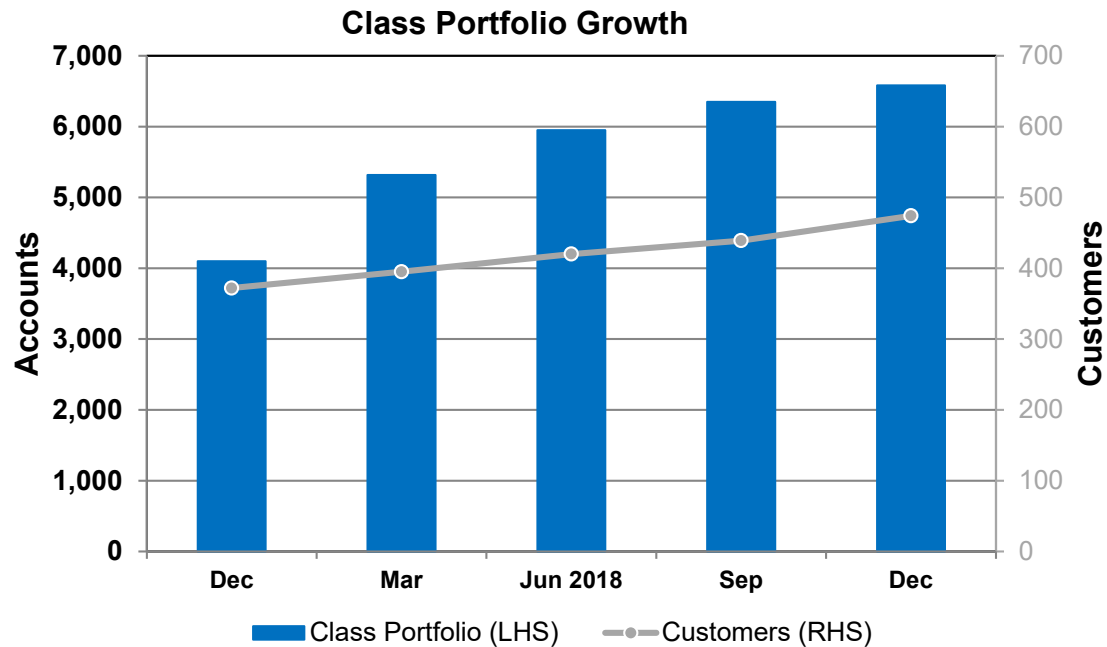
As at 31 December 2018:

- **6,581** accounts **+61%** on PCP

- **+632** 1H19 accounts, **+10.6%**

- **32%** of Class Super subscribers now use Class Portfolio, average **14** accounts per subscriber

- **$136** ARPU

- Product refinements based on planner feedback well received

- Focused on multi-disciplinary firms and integrations with financial planning solutions

- Release of Portfolio Engine

Strategic Alliances Program

- Leveraging Class capabilities and extending the Class Platform to:

  - Drive down the cost of advice and compliance within client firms

  - Support scalable growth in client firms through integrating workflows

- Partnering with innovative propositions

Adviser Solutions

financial/simplicity

myprosperity

adviserlogic

midwinter

Managed Accounts

stockspot

INVESTSMART
LET'S MAKE WEALTH HAPPEN
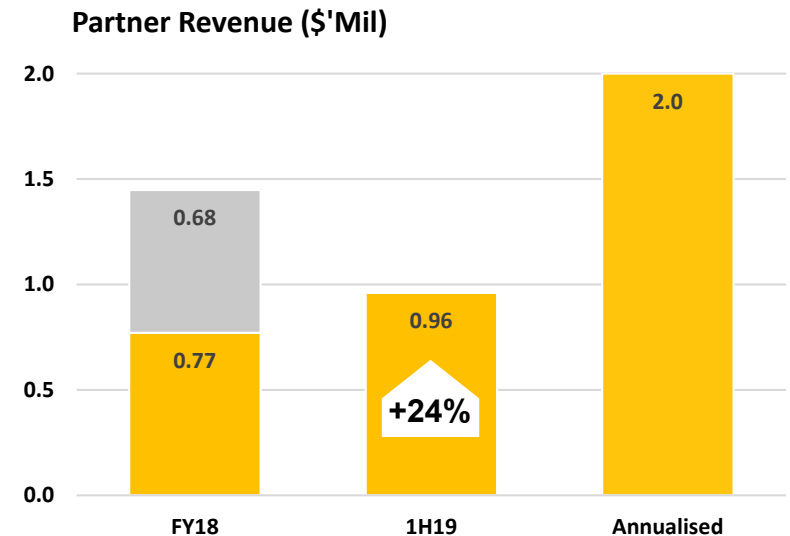
OpenInvest

FinEx WEALTH

WEALTH O2

Partner Revenue ($'Mil)

	FY18	1H19	Annualised
(grey)	0.68		
(yellow)	0.77	0.96	2.0

+24%

Class

Summary

The future for Class is positive and there are many more opportunities for continued growth.

- Strong Revenue & EBITDA Growth

- Increasing SMSF market share, now at 28%

- Well positioned to take advantage of the shift away from manual processing, the move to the cloud and industry consolidation

- Taking a more active approach towards expanding our reach into the broader wealth management space

- Account growth, along with our strong retention and ARPU, will increase our annualised recurring revenue and deliver value to shareholders

Appendix

Glossary

- **Accounts**: Class Super funds and Class Portfolio entities
- **Accounts Lost**: the maximum number of Accounts the customer had in the 12 months prior to terminating
- **API**: Application programming interface
- **APR**: Annualised Partner Revenue: calculated using known recurring Partner Revenue at reporting date multiplied by number of periods required to determine revenue over a 12 month period.
- **ARPU**: Average Revenue Per Unit: licence fee assuming any sales promotions have ended and other factors such as pricing remain unchanged
- **ARR**: Annualised Recurring Revenue: number of Accounts at the end of period multiplied by ARPU
- **CAC**: Customer Acquisition Costs: sales, marketing & implementations expenses divided by gross new Accounts added (rolling 12 month basis)
- **CAC Months**: number of months required to offset cost of acquiring an Account = CAC/(ARPU/12)
- **EBITDA margin**: calculated by dividing EBITDA by operating revenue
- **Established Customers**: practices that have been using Class for over 12 months
- **NPAT margin**: calculated by dividing Net profit after tax by operating revenue
- **NPBT margin**: calculated by dividing Net profit before tax by operating revenue
- **Retention Rate**: (average accounts for the period less accounts Lost) / average accounts for the period
- **TBAR**: Transfer balance account reporting

Summary Cash Flow & Balance Sheet

Cash flow before Financing and Taxation ($m)
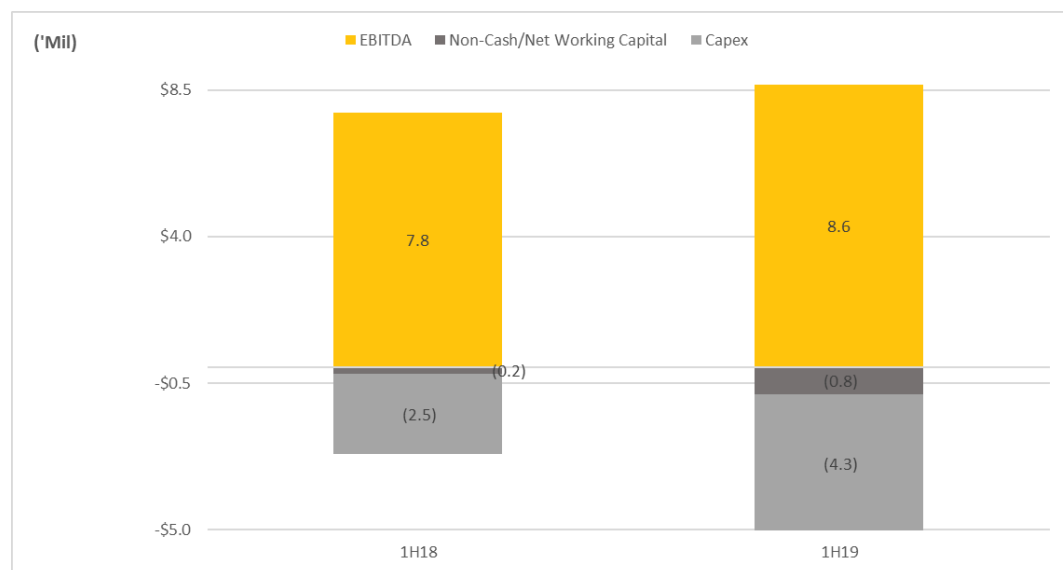
$m	1H18	1H19
EBITDA	7.8	8.6
Non-Cash/Net Working Capital	(0.2)	(0.8)
Capex	(2.5)	(4.3)
Net free cash flow	5.1	3.5
% of EBITDA	65%	41%

Balance Sheet ($m)	30-Jun-18	31-Dec-18
Current Assets		
Cash and cash equivalents	22.7	19.0
Trade and other receivables	3.2	3.7
Other current assets	0.7	2.1
Total Current Assets	**26.6**	**24.8**
Property and equipment	0.9	0.9
Intangible assets	6.4	8.0
Customer Acquisition Costs	0.0	2.0
Total Non Current Assets	**7.3**	**10.9**
Total Assets	**33.9**	**35.7**
Current Liabilities		
Trade and other payables	3.0	2.9
Provisions	0.7	0.7
Tax liabilities	1.4	0.4
Total Current Liabilities	**5.1**	**4.0**
Deferred Tax	0.9	2.0
Provisions	0.4	0.4
Total Non Current Liabilities	**1.3**	**2.4**
Total Liabilities	**6.4**	**6.4**
Net Assets	**27.5**	**29.3**

Summary P&L and Key Operating Metrics

$m	1H18	1H19	
Operating Revenue	**17.0**	**19.0**	**+12%**
Costs of undertaking business	(9.2)	(10.4)	
EBITDA	**7.8**	**8.6**	**+11%**
Depreciation	(0.2)	(0.2)	
Amortisation	(1.5)	(2.5)	
Net interest benefit	0.2	0.2	
NPBT	**6.3**	**6.1**	
Income tax (expense) / benefit	(2.0)	(1.7)	
NPAT[1]	**4.3**	**4.4**	
EBITDA margin (% of revenue)	46.0	45.9	
NPBT margin (% of revenue)	37.0	32.6	
NPAT margin (% of revenue)	25.3	23.2	

	31-Dec-17	31-Dec-18
No. of subscribers	1,291	1,470
Class Super accounts	154,053	167,631
Class Portfolio accounts	4,100	6,581
No. of accounts at end of period	158,153	174,212
ARR ($m)	33.7	37.1
APR ($m)	1.4	2.0
ARPU - Super ($)	215	216
ARPU - Portfolio ($)	139	136
CAC ($)	135	177

Investing in Product

$m	1H18	1H19
Total Development Costs	2.8	4.4
Development costs / Operating Revenue	*16.4%*	*23.1%*
Less: Development recognised as expenditure	(0.8)	(1.1)
Capitalised Development Costs	**2.0**	**3.3**
Capitalised development / Operating Revenue	*11.7%*	*17.3%*
Other Intangibles	0.4	0.4
Computer and Office Equipment & Other	0.1	0.2
Capitalised Acquisition Costs (AASB 15)	-	0.4
Total Capital Expenditure	**2.5**	**4.3**
Less: Leasehold Improvements & Fit-out/Furniture	-	(0.1)
Adjusted Capital Expenditure	***2.5***	***4.2***
Capex / Operating Revenue	*14.6%*	*22.2%*
Capex / EBITDA	*31.8%*	*48.9%*

CLASS INVESTOR PRESENTATION 1H18
CEO COMMENTARY

Good morning everyone and thanks for joining us for the presentation of our Half Year Results.

My name is Glenn Day and I'm the Acting CEO of Class. I am joined on the call this morning by our Chairman, Matthew Quinn and our Investor Relations Manager, Ebby Carson.

3. POSITIONED FOR SUCCESS

When Class Super was launched in 2009, it aimed to streamline all aspects of SMSF administration in a way that had never been done before, delivering a truly automated solution. As we celebrate Class Super's 10 year anniversary this month, we can now say that we have over 167,000 SMSFS on Class and a 28% SMSF market share.

We continue to invest in Class Portfolio and our partner program and are taking a more active approach to expand our reach and leverage the core capability and competitive advantage of our platform into the broader wealth management industry.

We have a talented workforce all looking towards the future with a common goal and the recruitment process for new leadership is reaching completion. The Board expects to announce a new CEO early next week.

4. ACCOUNT GROWTH

Despite the success of Class since the launch in 2009, there have been also been some real challenges along the way. The Super Reforms were more disruptive than we had anticipated, taking time and investment away from the innovation and new market leading features we had become so well known for.

There has also been uncertainty created around the Royal Commission, a Productivity Commission and the federal election later this year, and what that would all mean for the Self Managed Super industry going forward.

Although we have continued to grow, over the last 3 quarters our momentum has slowed. This can be attributed to the increase in competition, the uncertainty we've just mentioned and the difficulty in getting in front of the late majority adopters.

Despite a disappointing first half with lower than expected account numbers being added to the platform, Class has a very strong underlying business. We have significant market share, our retention rate is 99.2% and our Annualised Recurring Revenue has grown to $37.1m, up 10% on the previous corresponding period.

We continue to refine our sales and marketing approach for Class Portfolio, focusing on multi-disciplinary firms. We have now integrated with both the XPLAN and Midwinter financial planning solutions.

We need to continue to apply learnings as the SMSF market matures and changes and we are well positioned to take advantage of several trends that will drive our growth over the next few years. This growth, along with our strong retention and ARPU, will increase our annualised recurring revenue and deliver value to shareholders.

We know there is work to do to regain momentum and we are excited to be releasing some great new features this quarter.
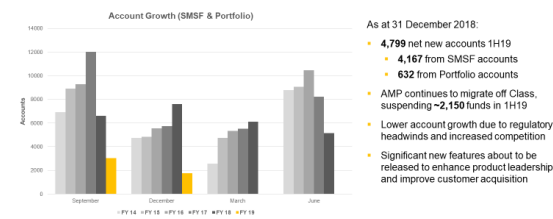
5. STRONG REVENUE & EBITDA Growth

As we've highlighted, Class remains a profitable business with solid revenue. Our 1H19 revenue was up **12%** compared to this time last year, driven by the addition of just over **30,000** funds over the past 18 months.

Expenses increased by **13%** driven mainly by investments in the Partner program and new incentive plan. CAC increased to **$177**, primarily due to lower than expected additions during the period.

This result flowed through to EBITDA with an **11%** increase.

Our increased investment in product development made over the last couple of years, and changes from AASB 15, saw a **56%** increase in depreciation and amortisation with a 2% increase in net profit after tax to **$4.4m**, a net profit margin of **23.2%.**

A fully franked interim dividend of **2.5 cents** has been declared and will be paid in March 2019
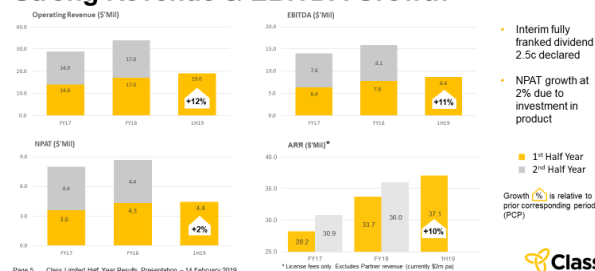
6. CLASS SUPER GROWTH

Net new Class Super accounts have grown by **4,167** for the period.

As previously advised, AMP are migrating off Class Super and they reduced our net growth by ~2,150 accounts. Excluding AMP, the 1H19 net account adds were over **6,300**.

We are operating in a highly competitive environment. Most providers are offering fee holidays and other incentives to win cloud market share and while our ARPU remains steady at $216 there is a lag with the revenue from new customers.

We previously scaled-up acquisition staff in expectation of higher growth. The lower actual gross account adds in the year resulted in CAC months increasing to 10. This still compares favourably with many other cloud software providers.
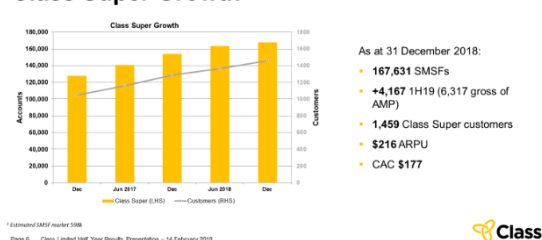
7. INVESTING IN PRODUCT

Class is committed to strengthening its product leadership over its competitors. We have increased our investment in innovation and product development which is up **+1.6M** on the previous corresponding period in support
of our strategy to provide solutions to win
new customers and enable our existing customers to deliver a superior service and grow their business.

Using the right technology is essential for accountants to effectively manage their workflow and their bottom line.
We will deliver a number of significant new features in Q3 which aim to increase automation, compliance and enable our customers to provide a better service.

8. HIGH CUSTOMER SATISFACTION, RECURRING REVENUE

We are also investing in new support systems to continue delivering award-winning satisfaction levels and value for money.

Our high retention rate and annualised recurring revenue and the ability to deliver at scale drive our high LTV and more than justify our spend on development and customer acquisition.

9. SALES & ORGANIC GROWTH

Most of our new customer wins now come through a competitive 'cloud' selection process. We are seeing a growing number of established cloud users switching to Class from other cloud software providers; 21% of our new accounts came from other cloud products in last 12 months. These are users who have tried a competitor's cloud products and typically found that they did not get the value for money or efficiencies they expected.

In the last 12 months Class users (excluding AMP) won market share from their peers and grew an average of 4.7%, more than double the industry growth rate of 2.3% accounting for **33%** of additions.

We also continue to see the shift from "other" solutions, which is predominately accountants using excel and non-specialised accounting solutions.

Given the demands of the higher regulations and tighter caps and limits, we expect to see this trend continue as manual and excel based operators move to the cloud, outsource or exit SMSF admin over the next few years.

10. OPPORTUNITY TO INCREASE SHARE

We estimate our remaining addressable market is ~347,000 funds, that is, after taking out the Class share and the dedicated 14% of trustees administering their own funds. The Super Reforms and better services from accountants have seen a small drop in the number of these accounts over the years but we do not expect this to decline in the same way that we expect the excel accounting firms to do.

Despite Q2 being the second ever highest December quarter for new customer additions, the average number of accounts per new customer (~40) was lower than usual. We do not believe that this is reflective of the remaining opportunity.

We are now in the late majority, the prospects that we are selling to are quite different to those we sold to earlier and we need to continue to adjust our Sales and Marketing approach. As the slide shows, we believe there is plenty of potential for growth in our key segments which make up **68% of our funds**.

We continue to see industry consolidation with 24 Class-to-Class consolidations in the last six months, with ~60% going to larger administration firms (>251).

Similar to the shift from non-specific or other software providers, we expect large scale admin firms will continue to grow and service financial planners and accounting firms that do not want to specialise in SMSFs, but we believe the

25-500 fund SMSF practices will continue to consolidate market share, particularly as smaller players exit the market under the weight of increased regulatory pressure.
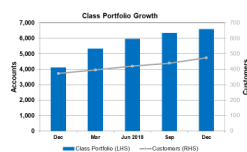
11. CLASS PORTFOLIO GROWTH

Class is continuing to promote a broadening of our wealth management platform outside Super.

32% of Class Super customers are now also using Class Portfolio with the average number of accounts per customer being 14.

The product refinements we've made based on planner feedback have been well received and we are seeing an increase in uptake.

Class has also released Portfolio Engine, which leverages the core Class Platform to provide back office software solutions for investment portfolio administration and reporting. Class has recently signed OpenInvest and InvestSMART as Portfolio Engine partners to drive their managed account offerings.

12. STRATEGIC ALLIANCES PROGRAM

Class is investing in building its Partner program to lay foundations to lift partner revenue.

We are expanding the partner network and discussions are underway with providers including practice management, advice platform and audit.

We are working with Partners to provide clients with additional benefits across integrated workflows.

We are expanding API support with a dedicated team now focused on API and partner feature development and are implementing capabilities to allow more sophisticated integrations.

There is a seasonality to Partner revenue which grew by 24% on the PCP and is now $2M on an annualised basis.
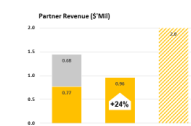
13. SUMMARY

The future for Class is positive and there are many more opportunities for continued growth.

We have strong revenue and EBITDA growth.

We are increasing our market share and are now at 28%.

We are well positioned to take advantage of the shift away from manual processing, the move to the cloud and industry consolidation and are taking a more active approach towards expanding our reach into the broader wealth management space.

Account growth, along with our strong retention and ARPU, will increase our annualised recurring revenue and deliver value to shareholders.