



**CEO Letter**  
Matthew Rowe



We have identified and will meet a growing need for quality advice in our chosen markets



# AN ACCOUNTING-LED ADVICE FUTURE

1

## Dear fellow shareholder,

On behalf of the Board and your executive team, I am pleased to announce CountPlus Limited (CountPlus) has agreed to the acquisition of the Count Financial Limited (Count Financial) business from its current owner Commonwealth Bank of Australia.

This strategic acquisition was announced to the market today, 13 June 2019.

This is a truly transformational event.

I am pleased to write to you to explain the many positive reasons, based on our own unique strategy, why the Board has recommended CountPlus pursue this strategic transaction.

It moves CountPlus into a clear leadership position within the converged Accounting and Financial Advice market in Australia.

At a time when alternate financial service business models are at a crossroads – leading some to exit from financial advice - CountPlus has a clear vision for its successful path forward and so today is investing deeper in the converged Accounting-led Financial Advice segment.

Today's announcement helps us to significantly expand the CountPlus national footprint, drive greater commercial and cultural synergies, and deliver on an exciting growth trajectory that we believe will benefit our existing network, the current Count Financial member firms and the overall future health of the combined Count Financial and CountPlus businesses for the long term.

We have identified and will meet a growing need for quality advice in our chosen markets, especially servicing demand from the small-to-medium enterprise and business owner market.

In addition, we anticipate that CountPlus shareholders will further benefit from the announcement by CBA today that it intends to divest its 35.85% shareholding in CountPlus.

Information related to this divestment can be found in the CBA ASX announcement to the market.

**“be fearful when others are greedy, and greedy when others are fearful”**

## **WHY THIS DEAL, WHY NOW?**

It is simply about CountPlus being in the right time and place to seize an opportunity. The chequered dynamics of the broader financial advice industry play to the well-defined strengths that underpin CountPlus.

To capture the potential scale of this opportunity, I am fond of a quote from legendary investor Warren Buffett: “be fearful when others are greedy, and greedy when others are fearful.”

Such investment wisdom partly explains not only our view of the current industry dynamics where institutions fear a deepening of the trust deficit that exists with their customers, it also explains our desire to back our strengths and promote our fundamental belief in the values, people and culture of CountPlus.

To leverage the latent core business, synergies and a sustainable future where others have failed - due to being lumbered by institutional cost structures, conflicted product sales-led cultures and a clear absence of placing the client first.

The current environment sees several large financial institutions in Australia having come through the recent Hayne Royal Commission knowing they must now act. Some have already exited from financial advice. Others are making hard decisions about their future positions and weighing up the cost/benefit of remaining in the advice business in Australia.

They do this not only in the face of the 76 key recommendations of the Royal Commission. They do this in the face of unprecedented higher community expectations. These include the imminent banning of commission income streams on the products they sell. The raising of the bar on financial adviser education and ethical standards where registered financial advisers across Australia must sit an exam to satisfy new and robust standards of behaviour, educational standards and practical knowledge.

---

## **OPPORTUNITY AHEAD FROM DISRUPTED INDUSTRY DYNAMIC**

Between now and 2024, the broader financial advice industry faces several critical challenges. Fault lines have already emerged within underlying business models of certain financial advice businesses. Some may withstand additional future shocks, while others are likely to succumb to these new pressures, and simply disappear.

Looming challenges include a potent mix of community, economic and regulatory pressures.

These three provide a 'perfect storm' scenario and create an environment for rapid change.

These events will combine to radically reshape the financial planning industry in Australia. As the advice market transforms under these influences, new business models will emerge to enable the delivery of financial advice that meets clients' best interests and is free from conflicts of interest.



Quality advice from well-educated advisers operating within an ethical, non-vertically integrated structure means that shareholder value and profitable advice services are not mutually exclusive

## ACCOUNTING-LED ADVICE FUTURE

Against this industry dynamic, there exists a fundamental unmet need for quality advice in Australia. CountPlus is standing up to meet that demand.

Trust is an important factor, and we know that our network of accounting practices, offering high-quality professional financial advice, is well-positioned to service this need.

Market trends will inevitably force greater convergence between financial advice and accounting practices. Increased convergence in accounting and advice will incorporate clients' best interests and meet the higher ethical and professional standards being set by the Financial Adviser Standards and Ethics Authority (FASEA).

The removal of conflicted remuneration structures will be essential to restoring public trust in the industry.

We are likely to see financial advisers adopt modes of behaviour and conduct more in-line with established norms in the accounting profession. Moreover, accounting firms that provide financial advice will likely flourish as consumers increasingly seek out client-centric, highly educated advisers who are free from conflicts of interest. As some financial advisers leave the industry, being unable to meet new professional and educational standards, the deficit will be filled by professional accountants, in whom the public holds greater confidence.

Recent evidence contained within the *CountPlus Market Intelligence Report* is clear: A key question is: how likely is a service provider to act in your best interest? Acting in a client's best interest (before the provider's interest) is the more powerful driver of trust.

Eight out of 10 mass affluent Australians (82.3%) trust an accountant to deliver best interest advice. Only four in 10 (41.2%) trust a financial adviser in the post-Royal Commission world.

The *CountPlus Market Intelligence Report* concludes that the combined effect of regulatory changes and consumer demands for better services and transparency will be to push financial planning ever closer to its desired status as a profession, converging with the accounting profession.

Quality advice from well-educated advisers operating within an ethical, non-vertically integrated structure means that shareholder value and profitable advice services are not mutually exclusive.

CountPlus is a living example of what can be achieved when an appropriate leadership, culture and standards are implemented and lived every day.

**We will continue making a decent profit, decently and continue to focus on our key drivers by which we measure success; firms, people, focus, financial strength and community**

## **A NATURAL HOME**

Why can we make the Count Financial acquisition work? Firstly, we believe CountPlus is the 'natural home' for the 359-adviser strong Count Financial community.

There exists a shared history with CountPlus, and we look to a stronger future together as we re-join. The Count Financial network already fits our 'family photograph'.

The clients of Count Financial member firms can expect to benefit from minimal disruption and the security of a well-capitalised and sustainable partner and licensee company built on the principles of client centric culture, professional leadership, community focus and valued financial advisory services.

## **TRANSFORMATIONAL CHANGE, STRONG LEADERSHIP**

Aside from being a natural home for Count Financial member firms and clients, today's announcement provides a transformational opportunity to the CountPlus existing community of firms, our people, clients and you, our valued shareholders.

We will continue to strive to make a decent profit, decently and continue to focus on our key drivers by which we measure success: firms, people, focus, financial strength and community. It is through this lens that we provide the following high-level outline of the key terms of the purchase of Count Financial.

The Structure that underpins our acquisition is simple, clear and aligns with our stated Owner, Driver - Partner equity partnership arrangements.

The full 100% of Count Financial will be purchased. The majority 85% of Count Financial will be acquired by CountPlus, with the 15% balance to be acquired by a wholly owned special purpose subsidiary of the Count Member Firm Trust (CMFT).

The CMFT will be governed by a corporate trustee, and its purpose is to provide an alignment to advisers that meet select client, training, quality, compliance and financial hurdles.

Guiding this transformation will be a leadership team that I believe is second to none. The Count Financial Board will be led by Mark Rantall, the former Chief Executive of the Financial Planning Association of Australia and a known leader in the pursuit of higher professional standards in advice.

Joining him as an Independent Director will be Mr. Michael O'Neill, the former CEO of Australian Seniors and former Director of the Financial Adviser Standards and Ethics Authority.

Respected independent director and former Board member of the Financial Planning Association of Australia, Mr. Bruce Foy, will also be serving on the Board, as well as CountPlus Chairman, Mr. Ray Kellerman, and myself.

Our new Chief Advice Officer will be Mr. Michael Spurr who brings more than 20 years' experience in the financial services industry, predominantly with the Count Financial business. Michael is respected by the Count Financial accounting and financial advice network and was appointed the Acting General Manager of Count Financial in December 2018. He is a welcome and well-qualified professional on the team.

# 6

## The Acquisition in a nutshell

- ✓ Purchase price of \$2.5M funded from cash reserves
- ✓ Purchase price represents a discount to net tangible assets of Count Financial
- ✓ Sufficiently capitalised balance sheet, with \$15M in net assets, nil debt and net cash \$12M
- ✓ Indemnified: CBA has provided an indemnity against certain past regulatory and advice failure liabilities, with a remediation programme to also be managed by the CBA and to be overseen by a committee of representatives from both CBA and CountPlus
- ✓ Count Financial represents a strong network of 359 advisers, 160 accounting firms, managing \$8.1 billion in investor funds under advice



**Count Financial will have a scalable economic model based on transparency, value and positive outcomes for clients**

## **BUILDING A SUSTAINABLE FUTURE**

Today marks a pivotal moment for CountPlus. However, this is just the beginning.

We will continue to partner with firms that fit our unique framework and share our focus. We will continue to collaborate with leading accounting and advice firms for the long-term success of our clients, people and shareholders.

Count Financial will have a scalable economic model based on transparency, value and positive outcomes for clients.

CountPlus will thrive as we continue to align our member firms with the CountPlus vision through our shared values, mutual success and a strong sense of community.

Our successful Owner, Driver – Partner model, which governs the relationships between CountPlus and our high-quality accounting and advice partner firms, has at its core the principle of providing advice and services that are in clients' best interests. This is driving the impressive growth of CountPlus in the new financial landscape, from which shareholders derive benefit.

## **EXTRAORDINARY GENERAL MEETING**

Under the Listing Rules of the Australian Securities Exchanges (ASX), CBA is deemed to be a substantial shareholder of CountPlus (as it owns 35.85% of the shares in CountPlus at this time). Following consultation with the ASX, the ASX determined that Count Financial constitutes a substantial asset relative to the assets of CountPlus.

In that circumstance, shareholder approval by the shareholders of CountPlus other than the CBA must be obtained for the acquisition to proceed.

This is a requirement under ASX Listing Rule 10.1.

Also as required under ASX Listing Rule 10.1, CountPlus has engaged an Independent Expert to determine whether the acquisition is fair and reasonable to the CountPlus shareholders who are entitled to vote at the EGM. This Independent Expert's Report will be included with the Notice of Meetings to be sent to shareholders.

CountPlus will hold this meeting of shareholders in early August 2019. The Notice of Meeting, together with the Independent Expert's Report, will be sent to shareholders shortly.

## Key Timelines

### 12 June 2019

Execution of the share sale agreement by which CountPlus and CMFT agrees to acquire Count Financial subject to CountPlus shareholder approval.

---

### Early August 2019

Shareholder EGM to determine whether to approve this acquisition.

---

### 1 October 2019

Proposed completion of the acquisition of Count Financial by CountPlus and CMFT.

## THANK YOU

In closing, I wish to acknowledge the CBA for its leadership in identifying CountPlus as the 'natural home' and next custodian for Count Financial and its clients.

Moreover, we thank you, our shareholders, who have stood by the Board and management of CountPlus during our two-year turnaround process. We will focus now on the synergy benefits of Count Financial and our expanded network of converged Accounting and Advice firms as a large part of our growth strategy comes to fruition and we commence building for the next phase of future sustainability.

Thank you for being a loyal shareholder in CountPlus.



**Matthew Rowe**  
CEO & Managing Director

Thank you for being a loyal  
shareholder in CountPlus



