Class Limited

FY19 Results Presentation

20 August 2019

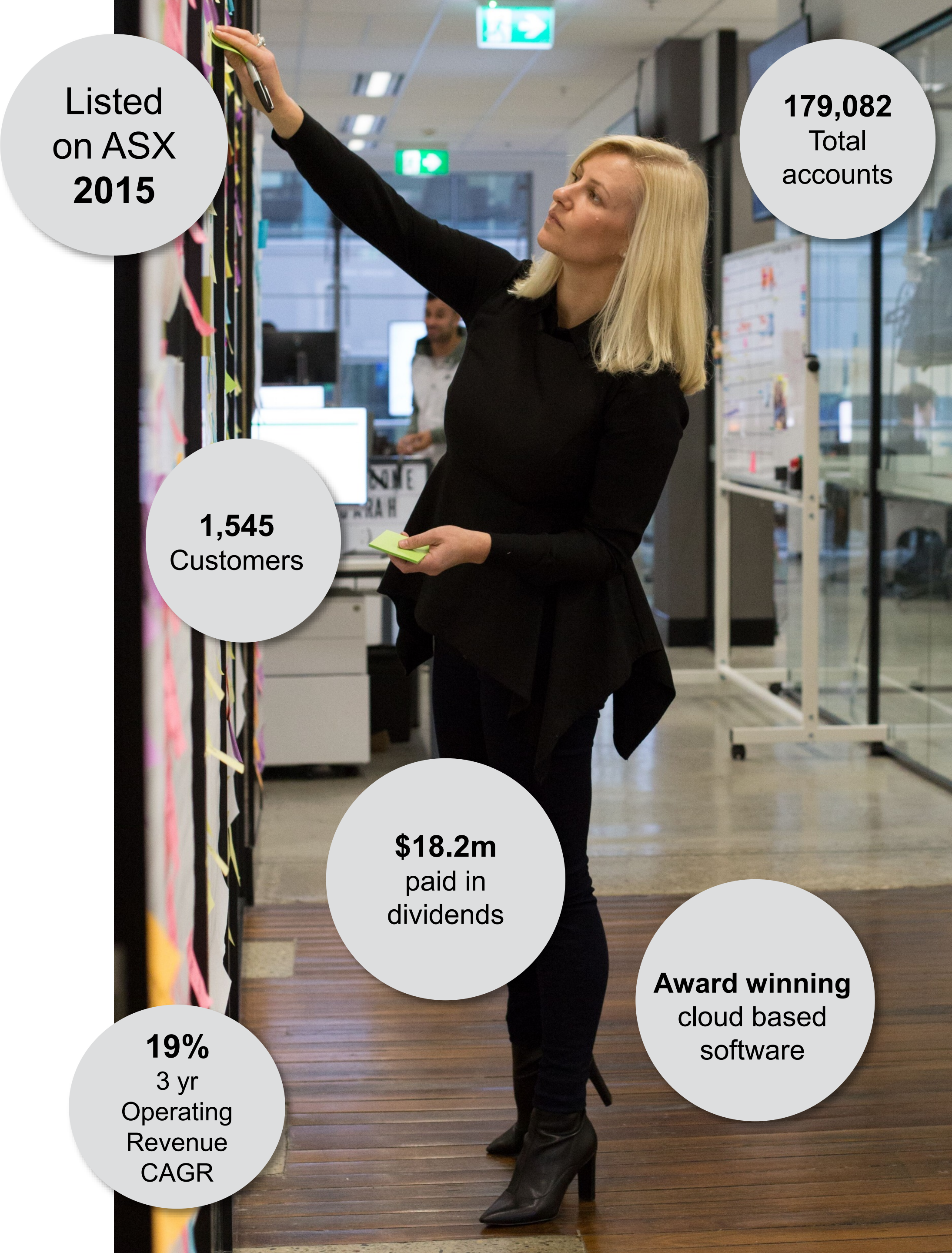
We will reimagine a more simple, automated world for our customers and they will love it!

Class

About Class

- Class enables accountants, administrators and advisers to increase profitability, fuel business growth and deliver better client service
- Flagship product, **Class Super**, launched in 2009, was the first cloud-based SMSF administration solution
- **Class Portfolio**, for trusts, investment companies and direct investments, launched in October 2015
- Publicly listed on the ASX 18 December 2015
- **$18.2m** returned to shareholders in dividends since listing
- **179,082** accounts are now administered on Class by 1,545 customers

Developing and delivering award winning cloud software solutions for the Australian wealth accounting market since 2009



Agenda

1. Full Year Results Summary
2. Business Update
3. Our Reimagination Strategy
4. Key Takeaways
5. Q&A

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FY19 Financial Metrics

FY19

Operating Revenue	EBITDA
$38.3m	**$17.9m**
+13%	**+13%**

Partner Revenue	NPAT
$1.9m	**$9.0m**
+30%	**+3%**

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Business Update

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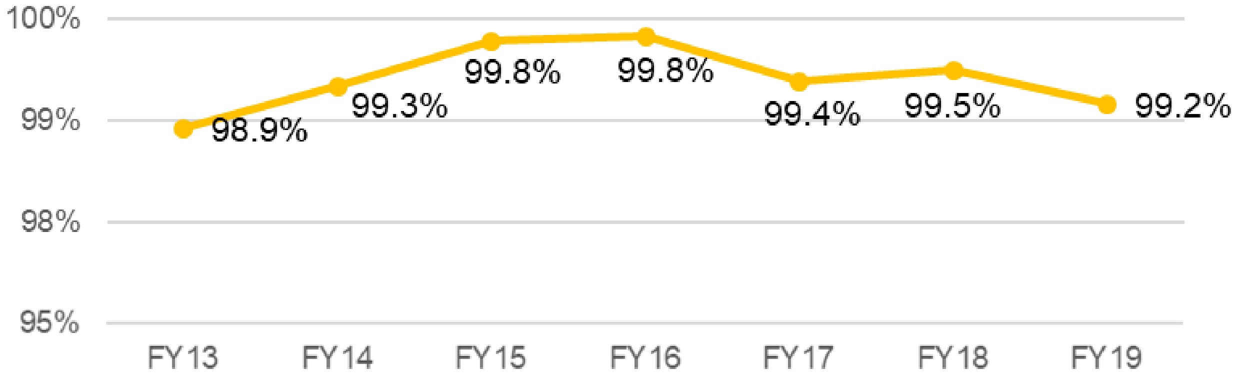
Strong Client Retention & Product Recognition

Customer Retention by Accounts (%)[2]

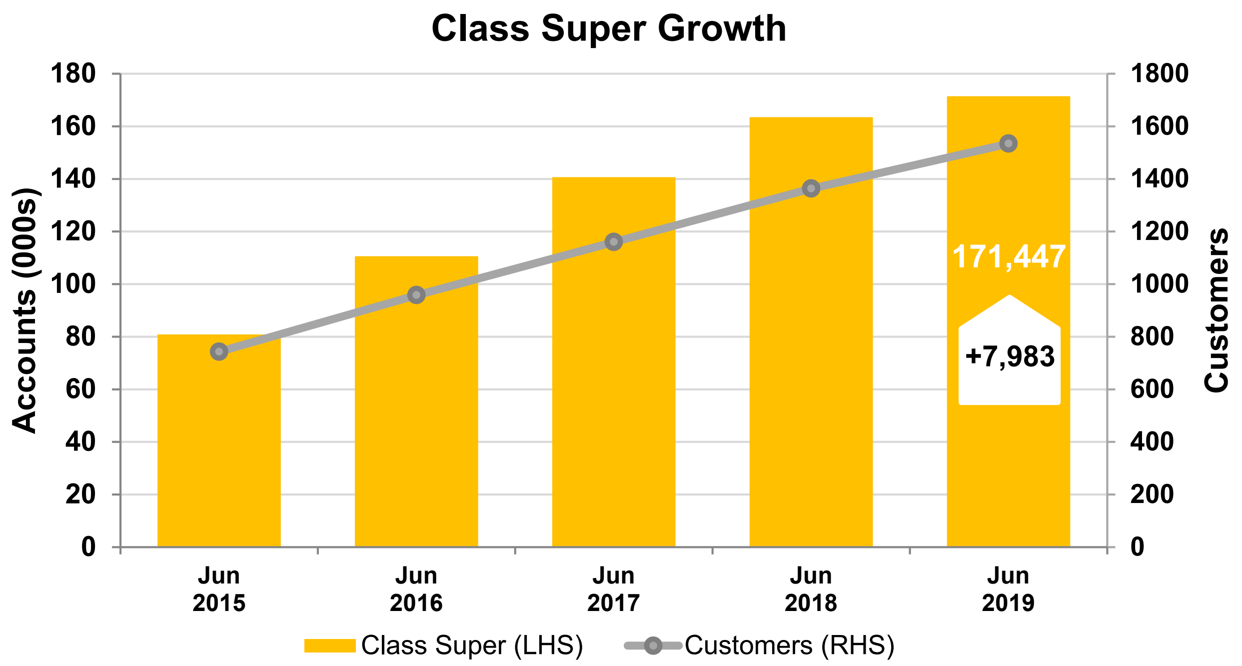


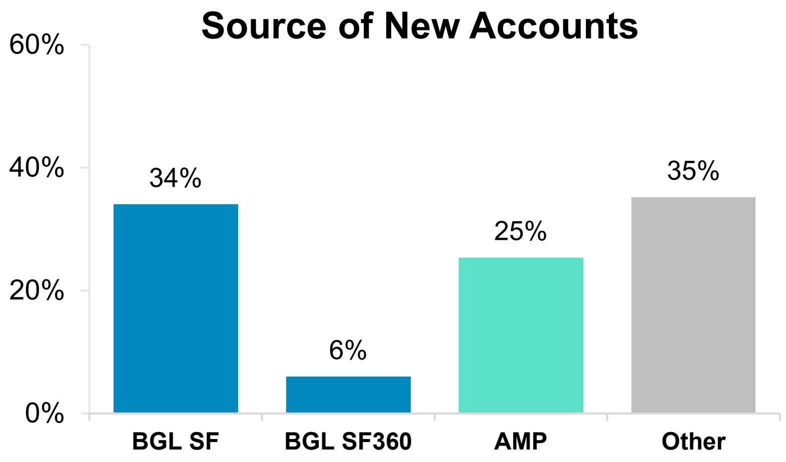
- **2019 Investment Trends Winner[1]**:
  - Highest Overall Client Satisfaction: SMSF Software (*5th year running*)
  - Value for Money (*3rd year running*)
- **2019 Fintech Business Awards**:
  - Software Services Innovator of the Year, 50 employees or more
  - Accounting Innovator of the Year (*2nd year running*)

High retention rates & customer satisfaction give us a solid base on which to build

1. Source: Investment Trends 2019 SMSF Accountant Report, based on a survey of 644 accountants in public practice.
2. Rate is ex-AMP who had ~5,100 funds on Class and made up ~2.5% of Annual Recurring Revenue, if AMP's ~3,200 suspensions were included retention rate would be ~97.3%

Class Super





- Independent surveys & awards confirm Class is the best cloud solution for SMSF administration
- During FY19 competitors offered lower prices and discounts to hold market share
- Despite having the best product, we must extend product differentiation and improve marketing to increase sales

Class Super is the best product in the market and continues to win business from both cloud & desktop providers

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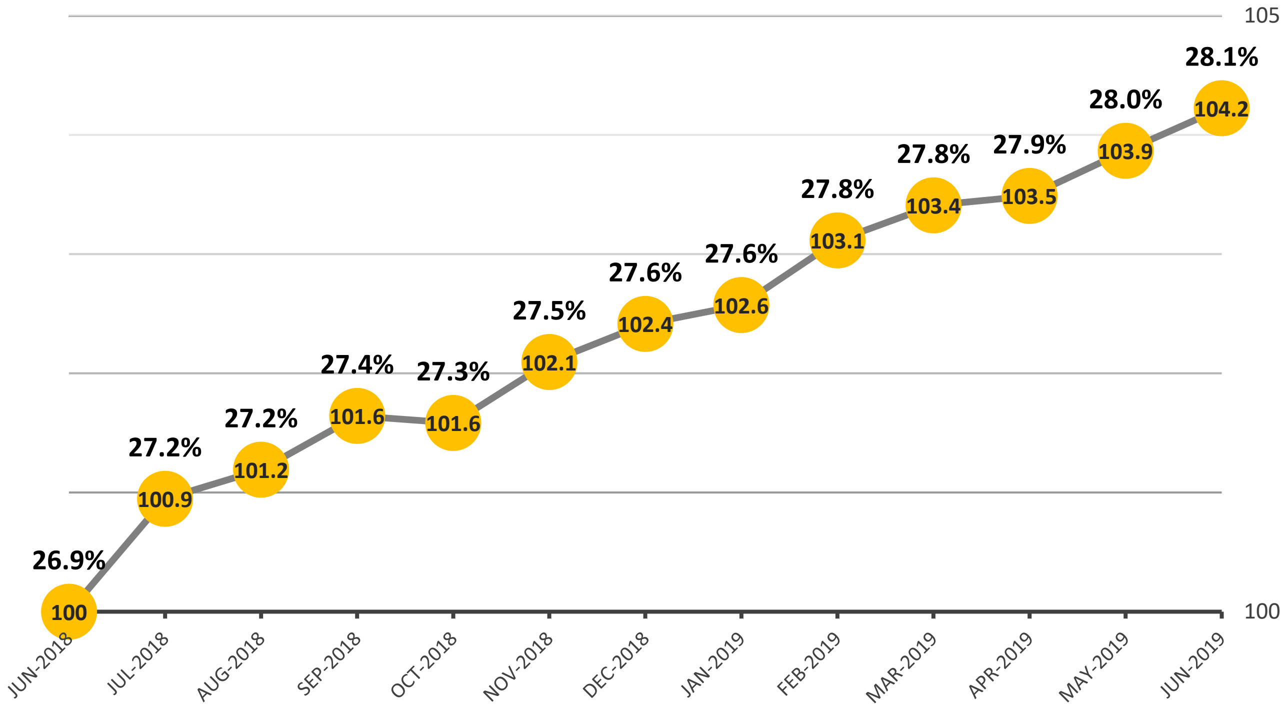
SMSF Market Share

Class Market Share Index FY19, by Accounts[1]

One year growth in market share: 4.2% or 1.2 percentage points



[1] *Methodology: See Appendices for details.*

- Our **market share continues to grow**
  - **28% market share** (+1.2% market share uplift)

To accelerate market share growth and extend the lead over our competitors, the business needs to invest more in product development

Class Super – Focusing on the Fundamentals

Product Differentiation:

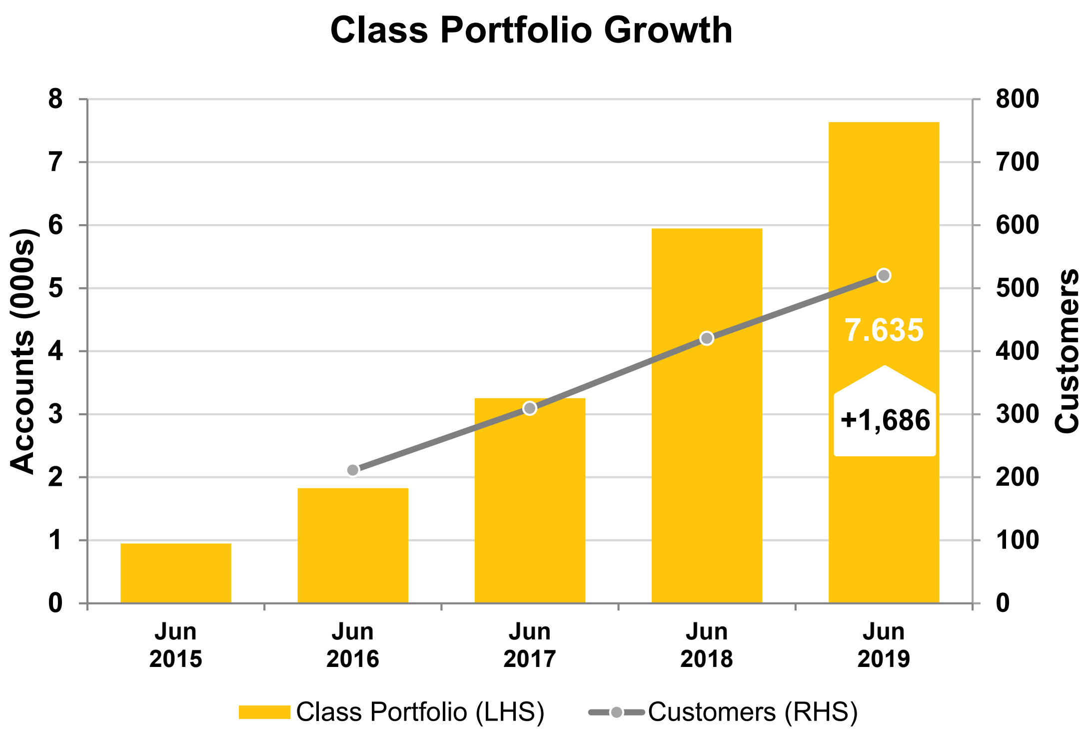
- Partner with industry leading accounting firms to develop customer focused products
- Focus on removing pain points, simplifying and automating back office processes
- Deliver against our promise of saving our customers time and cost in their back office

Marketing & Sales:

- Combining product development and marketing teams to drive focus and delivery
- More effective communication of product to existing and new customers through continuous feedback

We will significantly improve our sales, marketing and product development capability to increase the gap between Class and our competitors

Class Portfolio and the launch of Class Trust



Key learnings:

- Class Portfolio has not performed to our expectations
- Insufficient investment meant we did not address customer pain points (automation & performance reporting)
- Continue to evolve Portfolio as an investment reporting product in FY20

Expanding our product suite with Class Trust:

- Trusts are the primary wealth vehicle outside of SMSF and current accounting solutions in market are manual, time consuming and inefficient
- Working with customers to design a product that meets their Trust needs the way we have with Super

We will launch a new product in the Trust space which will increase our addressable market by a similar size as SMSF

Class Reimagined

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Reimagination Strategy

Lift Growth in Existing Markets

- Growing our core SMSF market share
- Increasing lifetime value per client

Growth in New Products & Markets

- New products to existing clients (e.g. Class Trust)
- Selling into new markets

Strengthen and Accelerate Growth

Strategic acquisition and partnership opportunities

Investing for Future Growth

Product Capability Development

Investing to deliver new features and capabilities in support of new products and new markets

People Investment

Investing in technology development, product, marketing and sales

Invigorated Executive Leadership Team

Andrew Russell
Chief Executive Officer &
Managing Director
Commenced May 2019

Panos Alexandratos
Chief Operating Officer
Commenced June 2014

Dan Coutts
Chief Technology Officer
Commenced December 2018

Glenn Day
Chief Financial Officer &
Company Secretary
Commenced September 2008

James Delmar
Chief Sales Officer
Commenced July 2019

Jacqui Levings
Chief People Officer
Commenced February 2018

Glenn Poynton
Chief Strategy Officer
Commenced March 2018

Jason Wilson
Chief Product & Marketing Officer
Commenced July 2019

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Key Takeaways

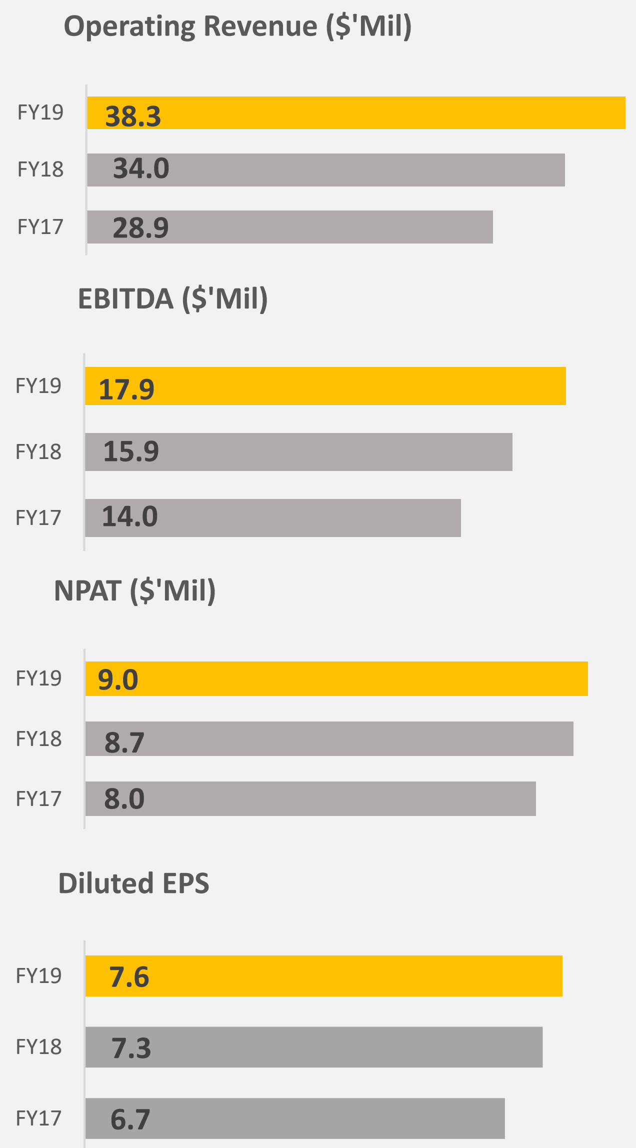
1. FY19 **results were solid** but a step change in capability and execution is required to deliver the growth we believe we are capable of
2. Product development must be **better, faster and more customer focused**. We will be improving our **current products and entering new growth segments** that are adjacent to the core to build our 'Class Suite'
3. We will increase our investment in product development and technical capability by 33% to **$12M in FY20** to set a platform for growth
4. The uplift from this investment won't be felt in FY20 but we are still targeting **10% revenue growth**
5. We expect a material uplift in revenue and EBITDA performance in **FY21 and beyond**
6. We will **optimise our pathway to accelerated growth** through a combination of "Build, Acquire and Partner"

Q & A

Appendix

Financial Operating Results

$m	FY18	FY19	
Operating Revenue	**34.0**	**38.3**	**+13%**
Employee costs	(13.1)	(14.4)	
Other costs of undertaking business	(5.0)	(6.0)	
EBITDA	**15.9**	**17.9**	**+13%**
Depreciation	(0.4)	(0.5)	
Amortisation	(3.3)	(5.2)	
Net interest benefit	0.4	0.3	
NPBT	**12.6**	**12.5**	
Income tax (expense) / benefit	(3.9)	(3.5)	
NPAT	**8.7**	**9.0**	**+3%**
Basic EPS (cents)	7.4	7.7	
Diluted EPS (cents)	7.3	7.6	
Dividend per share (cents)	4.5	5.0	



Investing in Product

$m	FY18	FY19
Total investment in product development	6.1	9.0
Development costs / Operating Revenue	*17.8%*	*23.4%*
Less: Development recognised as expenditure	(1.8)	(2.7)
Capitalised Development Costs	**4.3**	**6.3**
Other Intangibles	0.5	0.4
Computer and Office Equipment & Other	0.5	0.3
Capitalised Acquisition Costs	-	0.6
Total Capital Expenditure	**5.3**	**7.6**
Less: Leasehold Improvements & Fit-out/Furniture	(0.4)	(0.1)
Less: Capitalised Acquisition Costs	-	*(0.6)*
Adjusted Capital Expenditure	***4.9***	***6.9***
Depreciation & Amortisation – Product Development	*3.7*	4.9
Depreciation & Amortisation - AASB15	*N/A*	0.8

FY20 Depreciation and Amortisation expense is expected to be:

- ~6.4m Product Development
- ~0.8m AASB 15 Customer Acquisition
- ~0.7m AASB 16 Depreciation (effective 1 July 2019)
- TOTAL ~7.9m

Summary Cash Flow Reconciliation

$m	FY18	FY19	Movement
EBITDA	15.9	17.9	2.0
Non-Cash Items & changes in working capital	1.4	0.1	(1.3)
Capitalised product related development	(5.3)	(7.0)	(1.7)
Capitalised customer acquisition costs	-	(0.6)	(0.6)
Free cash flow (excl. Financing & tax)	**12.0**	**10.4**	**(1.6)**
Taxes Paid	(4.1)	(4.8)	(0.7)
Net Interest Received	0.4	0.4	-
Investment in Philo	-	(2.0)	(2.0)
Dividends	(5.3)	(5.9)	(0.6)
Share-related proceeds/on market acquisitions	0.2	(3.3)	(3.5)
Net cashflow	**3.2**	**(5.2)**	**(8.4)**

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Key Operating Metrics & Bal. Sheet

	FY18	FY19
No. of customers	1,367	1,545
Class Super accounts at 30 June	163,464	171,447
Class Portfolio accounts at 30 June	5,949	7,635
Total accounts at 30 June	169,413	179,082
EBITDA margin (% of revenue)	46.8%	46.8%
NPBT margin (% of revenue)	37.1%	32.6%
NPAT margin (% of revenue)	25.6%	23.5%
ARR ($m) (Class Super & Class Portfolio License fees only, excl. partner revenue)	36.0	38.2
ARPU – Super ($) – Licence Fee	215	217
ARPU – Portfolio ($) – Licence Fee	139	132
CAC ($)	144	209

Balance Sheet ($m)	**30-Jun-18**	**30-Jun-19**
Current Assets		
Cash and cash equivalents	22.7	17.5
Trade and other receivables	3.2	3.7
Income tax receivable	-	0.7
Other current assets	0.7	0.7
Total Current Assets	**26.6**	**22.6**
Investments	-	2.0
Property and equipment	0.9	0.8
Intangible assets	6.4	8.6
Customer acquisition costs	-	1.8
Total Non Current Assets	**7.3**	**13.2**
Total Assets	**33.9**	**35.8**
Current Liabilities		
Trade and other payables	3.0	3.4
Contract liabilities	-	0.4
Provisions	0.7	0.8
Tax liabilities	1.4	-
Total Current Liabilities	**5.1**	**4.6**
Deferred Tax	0.9	1.9
Provisions	0.4	0.4
Total Non Current Liabilities	**1.3**	**2.3**
Total Liabilities	**6.4**	**6.9**
Net Assets	**27.5**	**28.9**

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)
- **CAGR:** Compound Annual Growth Rate
- **Customer Retention Rate**: (average Accounts for the period less Accounts Lost) / average Accounts for the period
- **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

Methodology

Class Market Share Index Calculation

- Numerator to be based on total Class Super accounts LESS the following:
  - Duplicate ABNs (i.e. only one SMSF will be counted per ABN)
  - SMSFs with cancelled, non-complying, or indeterminate status
  - ABNs (including blanks) not validated as belonging to an SMSF

- Denominator to be based on ATO SMSF first-release figures for the end of quarter (i.e. no back-revision for subsequent ATO releases)
  - Prior to first-release figures being available, estimates will be used
  - After first-release figures become available, actuals will be used (with interpolation for intra-quarter months

- 30 June 2018 = 100 (base)

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