



CHAIRMAN'S ADDRESS & CEO UPDATE
2019 ANNUAL GENERAL MEETING OF CLASS LIMITED
21 OCTOBER 2019 AT HILTON SYDNEY

Introduction

Good morning ladies and gentlemen. I am Matthew Quinn, Chairman of Class, and it is my pleasure to welcome you all to our 2019 AGM.

It is now 3:00pm, and as the necessary quorum is present, I declare the meeting open.

Welcome

I would like to begin by introducing my fellow Directors – Chris Cuffe, Kathryn Foster, Rajarshi Ray, Nicolette Rubinsztein and Andrew Russell, who is also the CEO.

Members of the Class executive management team are also here:

- Glenn Day, Company Secretary & Chief Financial Officer
- Glenn Poynton, Chief Strategy Officer
- Panos Alexandratos, Chief Operating Officer
- Jason Wilson, Chief Product & Marketing Officer
- Dan Coutts, Chief Technology Officer, and
- Jacqui Levings, Chief People Officer

In addition to asking questions at the meeting, you will also have the chance to meet and talk to the Directors, our CEO and the management team in a more informal environment following the meeting.

I would also like to welcome Matthew Leivesley from Grant Thornton, our auditors, who will be available to answer any questions on the audit.

Matthew will also act as scrutineer to oversee fair and proper procedures on the collection of shareholder votes.

Voting Procedures

I would now like to summarise the voting procedures for this meeting.

As a significant number of our shareholders now vote by proxy, the Board considers it appropriate to recognise the votes both of those shareholders present today and those who have voted by proxy.

Accordingly, I will not call for a show of hands on each item. Instead, items set out in the Notice of Meeting will be put to a poll. I will now open the poll and ask you to place your voting card in the boxes that will be brought around during the meeting.

If you need to leave early you can place your card in one of the boxes at the registration desk outside.

If you need assistance with completing your polling card, please ask one of the Link Market Services staff members at the registration desk.

Class Directors and Executives identified as Key Management Personnel will not be voting undirected proxy votes given to them for items 2 and 3.

On all items of business, where undirected proxies have been given in favour of the Chairman, I will be voting those proxies in favour.

You may cast your votes at any time from now until the close of the poll.

A representative of Link Market Services will act as returning officer for the purposes of conducting and determining the results of the poll.

Later in the meeting, the proxy results will be displayed on the screen behind me. The results of the poll will be released to the ASX and the Class website as soon as they are available.

When we get to the formal part of the meeting and the resolutions, I will address the meeting regarding my re-election.

We will then take questions from shareholders on all resolutions.

Please note only persons holding yellow or blue admission cards are entitled to ask questions and visitors holding a red card are not eligible to vote or speak.

Results

Andrew will cover the financial and operational results of Class in his presentation. Before handing over to him, I would like to highlight a few achievements from the past year.

As reported in our September Shareholder Update, Class passed the 180,000 total account milestone last quarter, this has doubled since our IPO in December 2015. Our SMSF market share has also increased significantly from 16% to 28% in that time.

Our core product Class Super has cemented a very strong position in this sector and is highly valued by our clients. This has delivered excellent returns for our shareholders over the years and continues to generate a strong recurring revenue line for the business with a retention rate of over 99%.

We see a great opportunity to use our product development skills and strong customer engagement in the SMSF space as a launch pad to broaden in to other parts of accounting, administration and wealth manage to significantly increase our revenue over the next few years.

Announcing our Reimagination Strategy has created a new level of energy and excitement within the team.

The team has already gained traction in broadening our product offering and are working closely with major clients to pilot a solution which will fully automate and simplify trust accounting. This is a large market opportunity, one that we believe over time will be just as valuable as Class Super.

We are making important strategic steps and are excited about what the future holds.

We would like to thank our 1,500 customers, and we look forward to bringing you enhanced features and new products with a commitment to keeping customers at the forefront of everything we do.

To my fellow Directors, the Class executive team and employees, thank you for your hard work and dedication to the company.

I'd like to take this opportunity to thank Rajarshi Ray who steps down from the Board today after 10 years with the company. Raj played a key role as CEO of the business and was instrumental in positioning the company for listing in 2015. We wish him all the best.

And finally, thanks to our shareholders for your continued support.

I'll now hand over to Andrew.

CEO Update – Andrew Russell

I'd like to add my thanks to those of Matthew's to the shareholders, customers and our staff.

I'd also like to acknowledge the board for their continued support and commitment to Class.

Today, I will present to the following agenda, a summary of our full-year results and business update, some insights on our Reimagination Strategy and some key takeaways and our outlook for the future of the business.

It is clear after my short time with Class that the business has a solid recurring revenue flow, but the growth of the business has not accelerated over the past couple of years, despite the underlying potential. For Class to achieve accelerated growth and the potential that we believe can be realised, we need to execute a clearly articulated strategy and growth pathway and commit to invest in product and capability to deliver against our strategy.

The key themes from today's presentation that I hope will resonate are product development must be faster and better. There needs to be focus on increased investment to deliver new features and capabilities in support of new products and markets. This includes a refreshed marketing and sales approach to better communicate and articulate our customer benefits. We must position ourselves to accelerate growth by entering new market segments that are adjacent to the core.

FY19 Financial Metrics

To build momentum and accelerate growth, the business must invest in capability and product and either build, buy or partner to achieve our ambitions. The importance of these three themes is best illustrated in our financial results. The business operating revenue and EBITDA for FY19 have both tracked up 13% year on year. Operating revenue has been steady in the core, with growth coming from strategic partner revenue. Partner revenue is increasing, albeit from a low base.

Strong Client Retention & Product Recognition

Class remains a highly awarded product in the SMSF marketplace, and it's a credit that it continues to be recognised by both Investment Trends for client satisfaction and the Fintech Business Awards for Innovation. Our retention rate has remained steady at an impressive 99.2%

The combination of customer satisfaction and retention rate create a strong opportunity for Class to develop and build new products, which will deliver on our cost and time-saving promise to our existing customer base and new customers.

Class Super

Account growth on Class Super has slowed and the cost to acquire new business is rising. Despite this, we are still winning business and increasing market share.

It is pleasing to see that we are winning business from both desktop and cloud-based providers. With an improved sales and marketing approach over the next year, we're hoping to see that improve.

Undoubtedly, growth in the self-managed super fund sector has been impacted by the noise on policy from the election. However, the remaining addressable SMS market is finite, and we must focus on two things, investing in our product development to ensure we win market share faster in Super, and at the same time, enter the new markets to grow our marketplace.

Market Share

Our market share is growing and continues to trend upwards at a steady rate. I'd also like to note, in terms of revenue market share, we clearly dominate against our competitors, evidenced by their revenue comparisons. For us to accelerate our market share growth, we need to invest in product development to outpace our competitors and ensure a product pipeline for delivery in FY20, '21 and '22.

Class Super – Focusing on the Fundamentals

Our operational approach to deliver will be to refocus the business on the core fundamentals, which are to put the customer at the centre of our product development.

Secondly, we need to focus on our competitive advantage, producing solutions that reduce pain points, automation efficiencies which cut costs in the back office for our customers and focus and leverage our competitive advantage, which is building products that require complex, rules-based coding and which deliver on our promise of saving customers time and cost in their back office.

Class Portfolio

Turning to our Class Portfolio product, it has not performed to our expectations. This is in part due to our product development approach and that needs to change. The Portfolio product is not addressing our customers' pain points successfully enough with the current features, particularly in regard to investment reporting.

Furthermore, we have not invested enough in the product development and engaged our customers to the extent of delivering a winning product proposition. So, what are we going to do? We intend to improve and evolve the Portfolio product and launch a new product this year, focused on the trust accounting space. We believe the trust market opportunity is similar or bigger than the self-managed super fund marketplace.

Class Reimagined

I'd now like to turn to our strategy going forward.

We believe we are a customer-focused business using smart technology solutions to help our customers automate their back office. Our vision is to reimagine a more simple, automated world for our customers, and they will love it. We must continue to leverage what is proven we can deliver in the past; automation efficiencies, removing pain points for customers in their back office and developing products that require complex rules-based code. This is the basis of the Class three-year Reimagination Strategy.

Reimagination Strategy

Very simply, our strategy is to refocus and put the customer at the centre of everything we do.

We need to ensure we keep focus on the core with ongoing and faster feature improvement and development to ensure market share growth. We need to increase our market opportunity through new products and new markets and to accelerate our delivery. We need to look for strategic acquisitions or partnering opportunities to get us there faster. And for us to be able to execute, we need to invest to improve. Our investment is in people and upskilling our capability to ensure a step change in delivery and results.

To successfully deliver the Reimagination Strategy, we are uplifting our spend from \$9 million in FY19 to \$12 million in FY20. This is a 33% increase year on year to ensure we invest in our core and keep ahead of our competition, as well as to develop new products. To help us get there, we have made a number of key hires of experienced executives. We now have an energised executive team in place, which has created a new level of excitement and energy across the business.

Key Takeaways

I'd like to leave you with a few key takeaways.

The FY19 financial results for Class are solid, but for Class to be considered a world-class technology business in terms of people, process and results, using that as a benchmark, we need a step change in performance. The vision requires operational change and investment to deliver the step up in results in the immediate term. Our Reimagination Strategy requires investment to deliver new products and ensure the core product is well positioned to grow market share and to deliver to custom needs.

Our product development needs to be better, faster and more customer focused. We need to ensure we continue to improve our current products and at the same time enter new markets to increase our addressable market to drive revenue growth and EBITDA performance. To accelerate the delivery of the Reimagination vision, we must invest now.

Our approach will allow the business to build momentum and to deliver accelerated performance in both revenue and EBITDA in FY21 and beyond.

We will optimise our pathway to accelerated growth by a combination of build, acquire and partner.

The future for Class is exciting, and we are on our pathway to accelerate success to deliver value for our people, our customers and our shareholders.

Thank you, I will now hand back to Matthew for the formal part of the meeting.