

# **Class Limited**

**Annual General Meeting**

21 October 2019



## **Agenda**

1. Chairman's Address
2. CEO's Update
3. Business of the Meeting
4. Questions



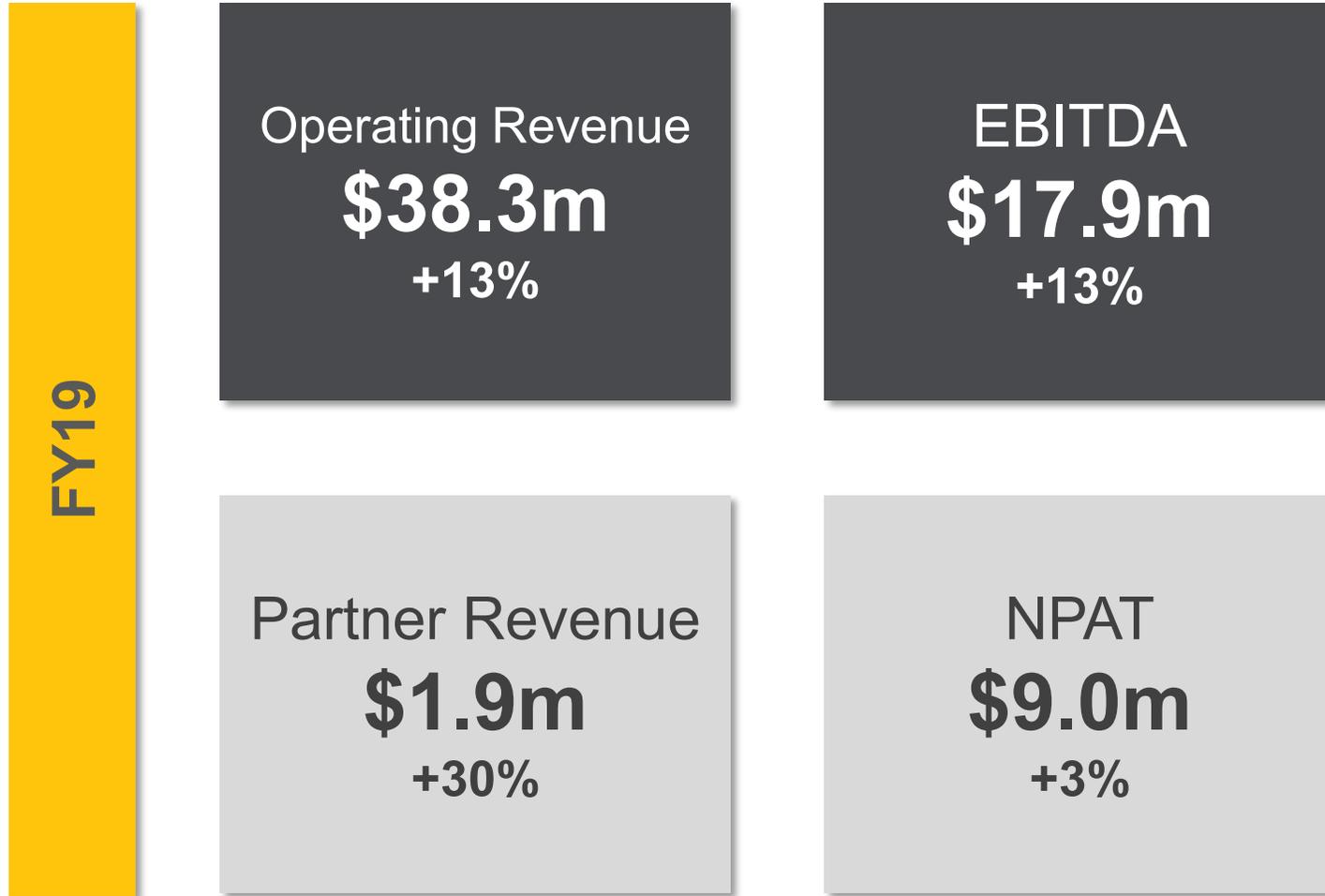


**Mr Matthew Quinn**



**Mr Andrew Russell**

# FY19 Financial Metrics

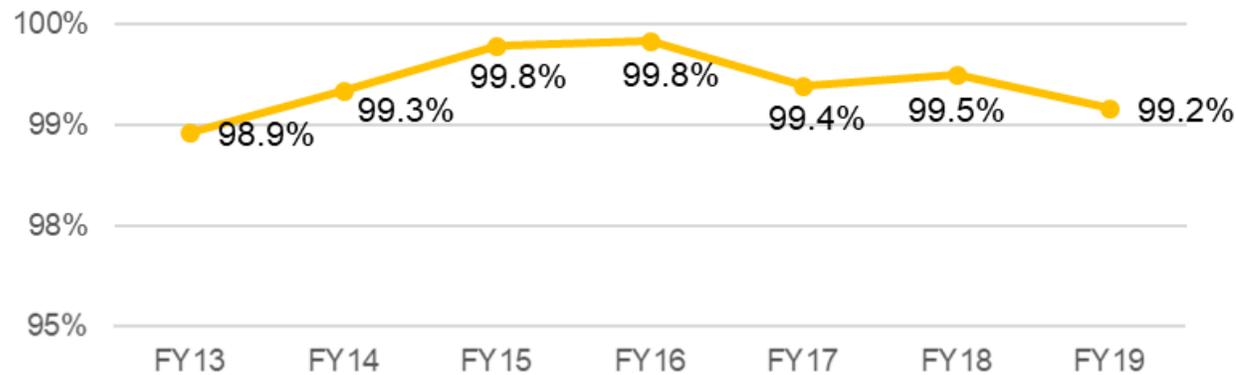


# Strong Client Retention & Product Recognition



- **2019 Investment Trends Winner<sup>1</sup>:**
  - 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*)

## Customer Retention by Accounts (%)<sup>2</sup>

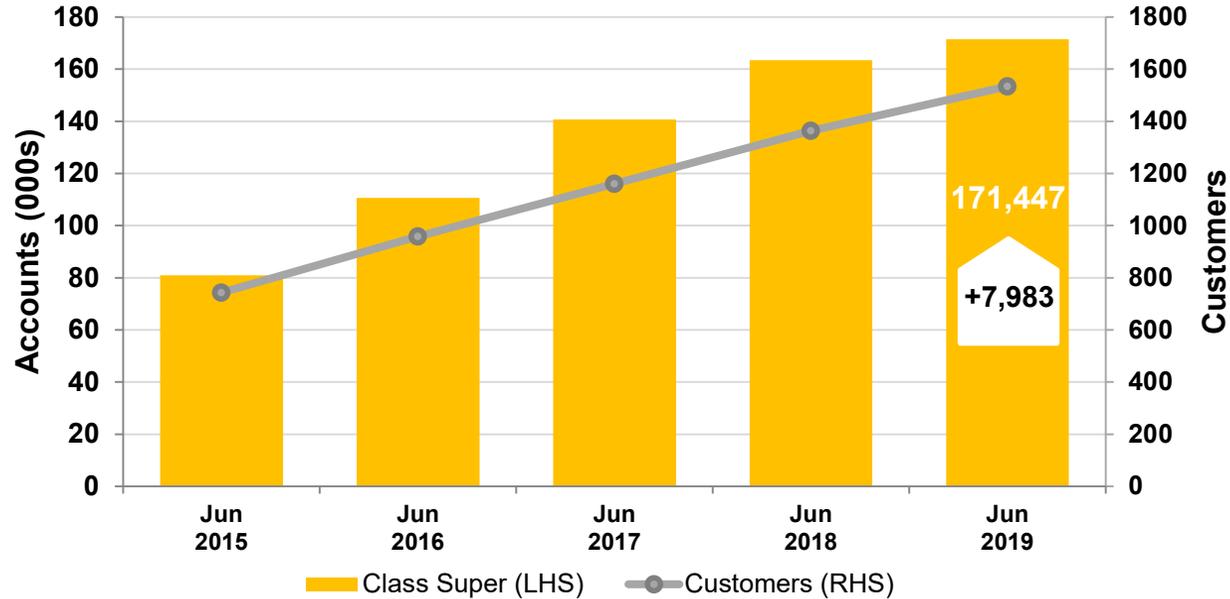


**High retention rates & customer satisfaction give us a solid base on which to build**

1. Source: Investment Trends 2019 SMSF Accountant Report, based on a survey of 644 accountants in public practice.

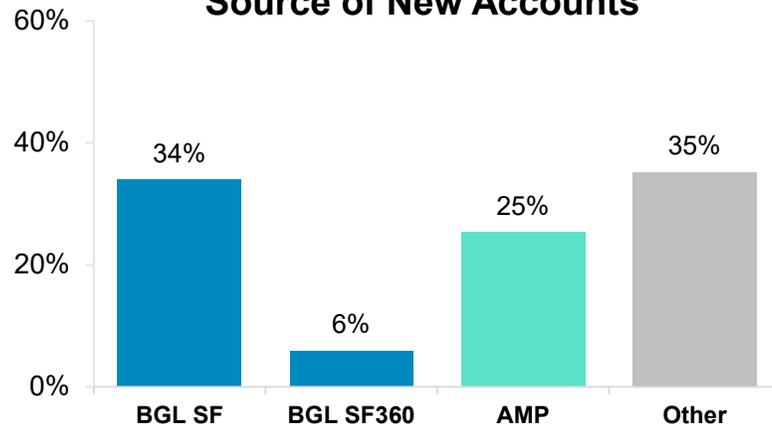
2. Rate is ex-AMP who had ~5,100 funds on Class and made up ~2.5% of Annual Recurring Revenue, if AMP's ~3,200 suspensions were included retention rate would be ~97.3%

## Class Super Growth



- 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

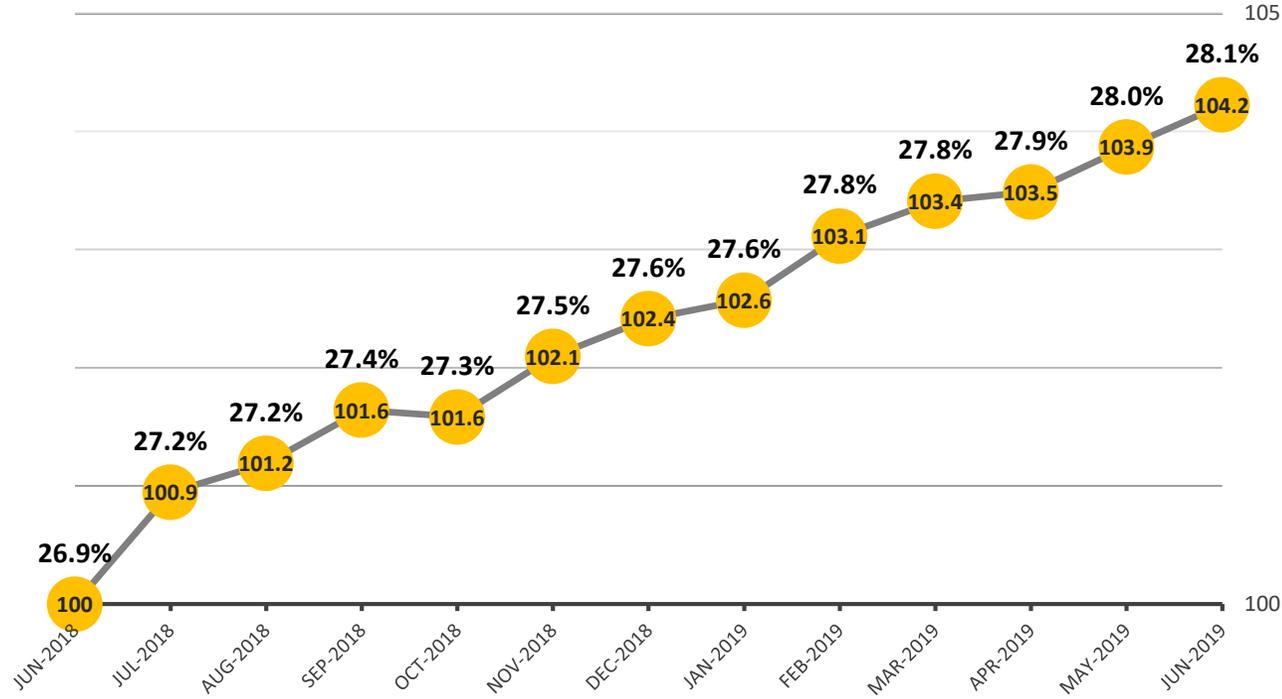
## Source of New Accounts



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

## Class Market Share Index FY19, by Accounts<sup>1</sup>

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



<sup>1</sup> 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

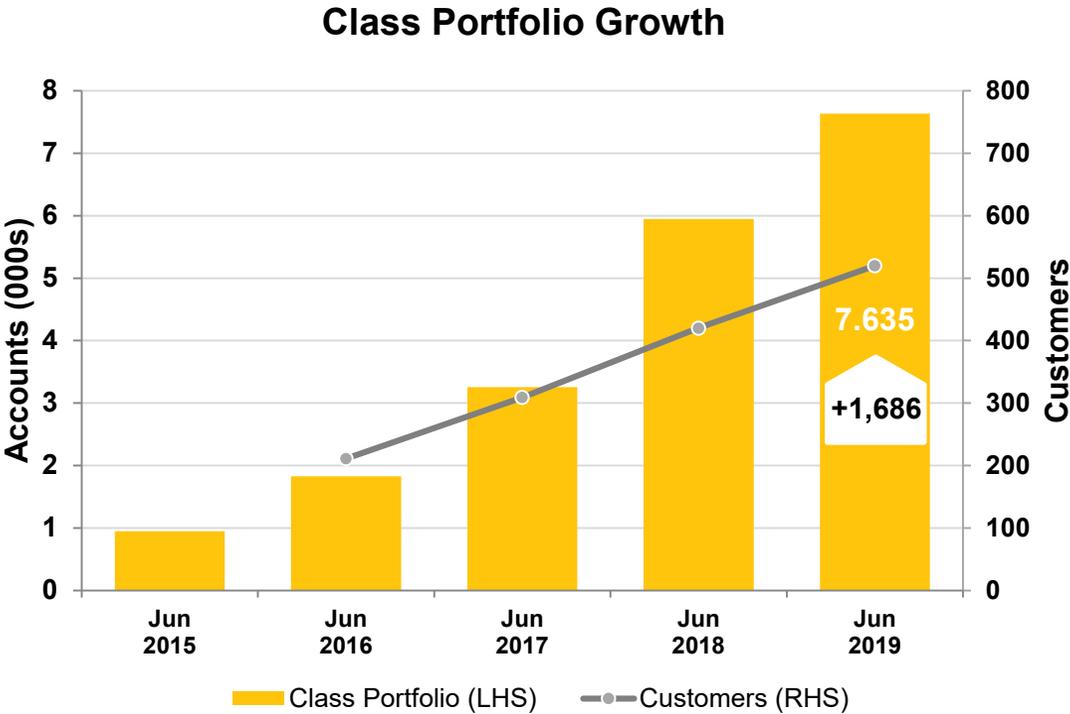
## Marketing & Sales:

- 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**

# 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

## 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"





# Formal Business

# Proxy Results

	<b>Item</b>	<b>For</b>	<b>%</b>	<b>Open</b>	<b>%</b>	<b>Against</b>	<b>%</b>	<b>Abstain</b>
1	<b>Re-election of Mr Matthew Quinn</b>	62,758,891	99.40%	240,316	0.38%	139,016	0.22%	146,880
2	<b>Remuneration Report</b>	62,691,099	99.25%	214,116	0.34%	257,755	0.41%	122,133
3	<b>Grant of Performance Rights to Mr Andrew Russell, Managing Director &amp; CEO</b>	62,595,691	99.06%	229,616	0.36%	367,603	0.58%	92,193

*Proxy forms received as at 3pm on Saturday, 19 October 2019.*



# Q & A

# 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)

# Important Information

- This presentation is provided for information purposes only. The information in this presentation is in a summary form, does not purport to be complete and is not intended to be relied upon as advice to investors or other persons. The information contained in this presentation was provided by Class Limited ACN 116 802 058 (Class) as of its date, and remains subject to change without notice. This presentation has been provided to you solely for the purpose of giving you background information about Class and should be read in conjunction with Class' Annual Report for the period ended 30 June 2019 and Class' other market releases on the ASX.
- No representation or warranty, express or implied, is made as to the accuracy, reliability, completeness or fairness of the information, statements, opinions or matters contained in this presentation. Class, its related bodies corporate, shareholders or affiliates, nor any of their respective officers, directors, employees, related bodies corporate, affiliates, agents or advisers makes any representations or warranties that this presentation is complete or that it contains all material information about Class or which a prospective investor or purchaser may require in evaluating a possible investment in Class or applying for, or a subscription for or acquisition of, shares in Class. To the maximum extent permitted by law, none of those persons accept any liability, including, without limitation, any liability arising out of fault or negligence for any loss arising from the use of information contained in this presentation or in relation to the accuracy or completeness of the information, statements, opinions or matters, express or implied, contained in, arising out of or derived from, or for omissions from, this presentation.
- Certain statements in this presentation may constitute forward-looking statements or statements about future matters (including forecast financial information) that are based upon information known and assumptions made as of the date of this presentation. These statements are subject to internal and external risks and uncertainties that may have a material effect on future business. Actual results may differ materially from any future results or performance expressed, predicted or implied by the statements contained in this presentation. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance. Nothing contained in this presentation nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future by Class or any other person.
- The provision of this presentation is not a representation to you or any other person that an offer of securities will be made and does not constitute an advertisement of an offer or proposed offer of securities.
- Class has not independently verified any of the contents of this presentation (including, without limitation, any of the information attributed to third parties).
- This presentation is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities in Class and neither this presentation nor any of the information contained herein shall form the basis of any contract or commitment. This presentation does not constitute financial product advice to investors or other persons and does not take into account the objectives, financial situation or needs of any particular investor. A reader should, before making any decisions in relation to their investment seek their own professional advice.
- This presentation contains non-IFRS measures which are used internally by management to assess the performance of the business and have been extracted or derived from the FY19 financial report.
- All currency amounts are in AUD unless otherwise stated.