

# CountPlus Limited (ASX: CUP)

**Results Presentation**

**For the Half-Year Ended 31 December 2019**

**PRESENTED BY**

**Matthew Rowe, Chief Executive Officer**

**Laurent Toussaint, Chief Financial Officer**

**19 February 2020**



This document is a presentation of general background information about the activities of CountPlus Limited (“CountPlus”) current at the date of the presentation. The information contained in this presentation is for general background information, is in summary form and does not purport to be complete.

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## Pro-forma financial information

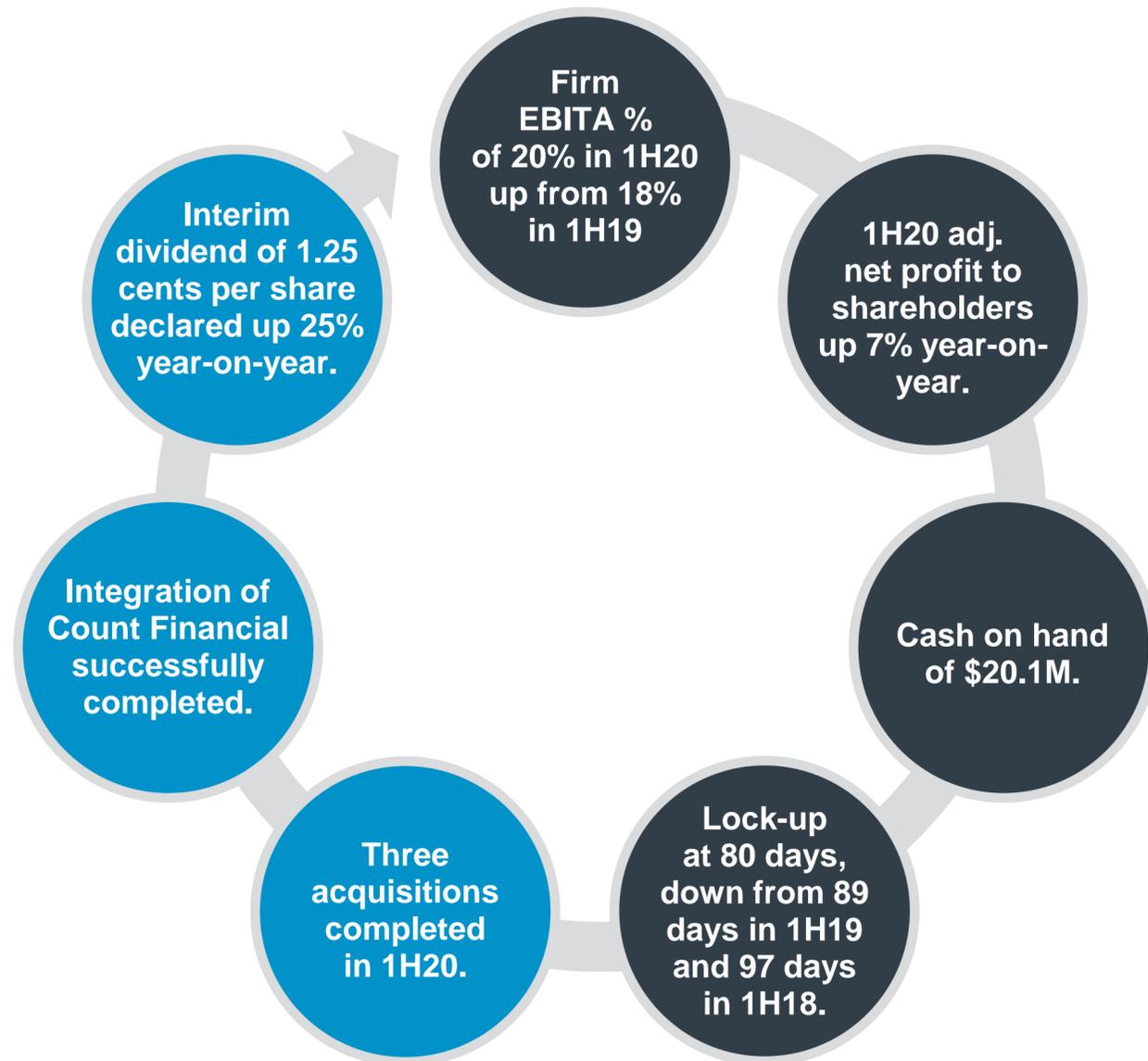
CountPlus uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as non-IFRS (“International Financial Reporting Standards”) financial information. CountPlus considers that this non-IFRS financial information is important to assist in evaluating CountPlus’ underlying performance. The information is presented to assist in making appropriate comparisons with prior periods and to assess the underlying operating performance of the business.

All dollar values used in this document are in Australian dollars (A\$) unless otherwise stated.

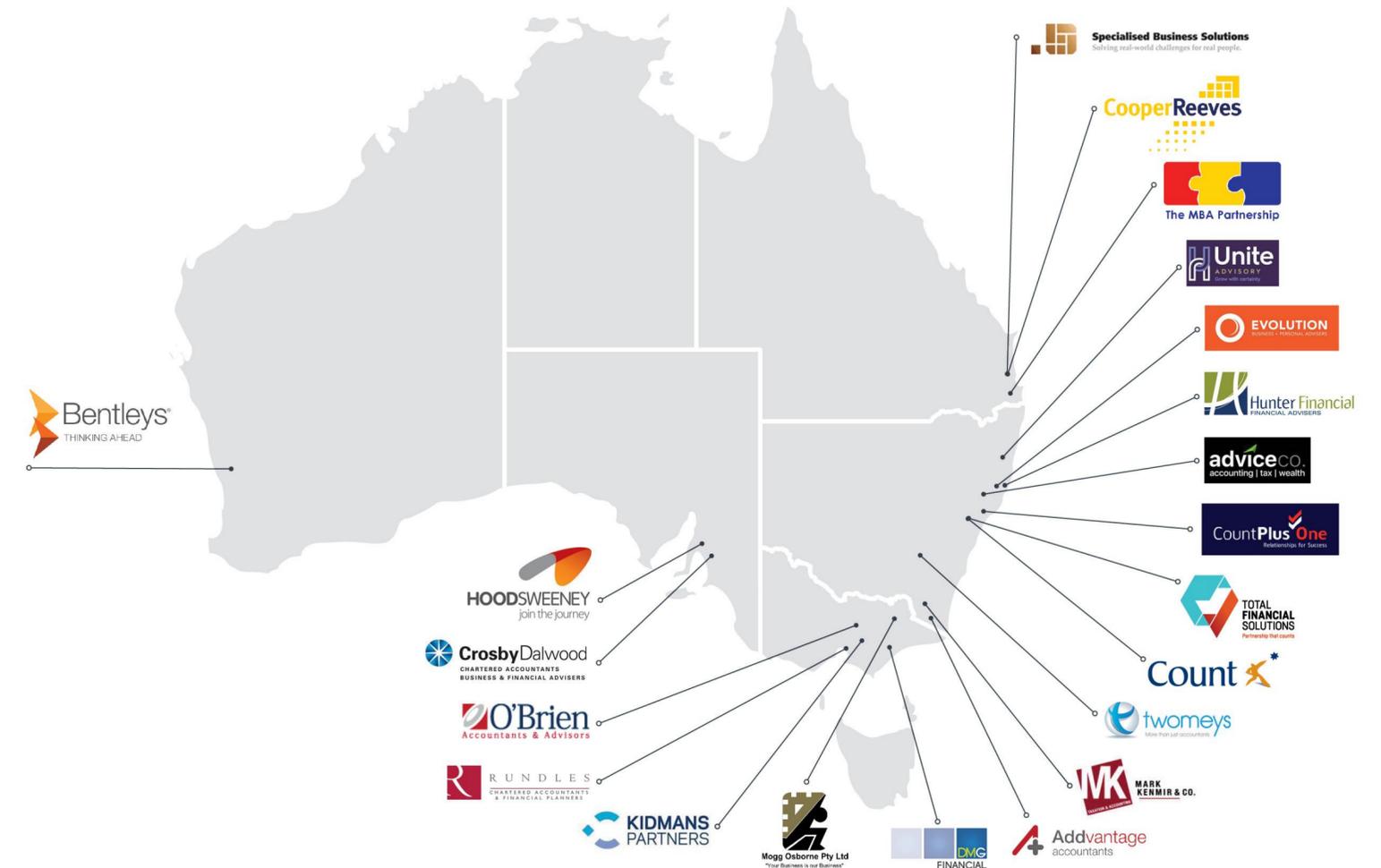
# Key Performance

Our approach will continue to focus on making a decent profit, decently

Listed on the ASX since 2010, we are a network of successful professional accounting and financial advice firms, **aligned through shared values, mutual success and our sense of community.**



## CountPlus footprint



# Financial track record

## Improved earnings growth; strengthened cash position

Financial Results summary	1H20	1H19	Movement – 1H20 vs 1H19	
	\$'000	\$'000	\$'000	%
Revenue from operating activities	38,852	35,997	2,855	8
Adjusted Earnings before interest, tax and amortisation (“EBITA”)	5,091	4,716	375	8
Adjusted Net profit after tax (“NPAT”)	2,785	2,630	155	6
Adjusted Net profit attributable to CountPlus shareholders	2,042	1,907	135	7
Adjusted Net profit after tax before amortisation (“NPATA”)	3,464	3,483	(19)	–
Share of associates earnings	1,055	608	447	74
Cash on hand	20,140	11,423	8,717	76
Reported earnings per share – cents	11.83	1.73	10.10	large
Adjusted earnings per share – cents	1.85	1.73	0.12	7
Net tangible assets per share – cents	29.69	26.12	3.57	14

**Note:** Adjusted is defined as reported results adjusted for one-off, non-recurring items.

# Profit Reconciliation

## Adjusted to statutory profit reconciliation

<b>NPAT analysis – Adjusted</b>	<b>1H20</b>	<b>1H19</b>	<b>Movement</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>% change</b>
Net profit after tax – Reported	13,459	2,630	
Less: Gain on bargain purchase	(12,489)	0	
Add: One-off M&A transaction costs	215	0	
Add: Transition Costs – Count Financial	2,102	0	
Add: AASB15 adjustment to Insurance Trail Commissions – Count Financial	200	0	
Deduct: Tax impact of adjustments above	(702)	0	
<b>Adjusted NPAT</b>	<b>2,785</b>	<b>2,630</b>	
<b>Adjusted minority interest</b>	<b>(743)</b>	<b>(723)</b>	
<b>Adjusted NPAT attributable to CountPlus shareholders</b>	<b>2,042</b>	<b>1,907</b>	<b>7</b>

# Financial services segment performance

## Turnaround of Count Financial



Financial Services Segment – Count Financial and TFS	1H20
	\$'000
Statutory EBITA	(1,176)
Add: Transition Costs – Count Financial	2,102*
<b>Adjusted EBITA – Financial Services segment</b>	<b>926</b>

**Note:**

\* Transition costs are once off in nature and have contributed to a successful integration of Count Financial.

### Key points

- Count Financial has begun the transition to a user pays model from 1 December 2019. Under the old model, costs for software, selected research tools and professional indemnity insurance were not recovered. The one-off impact of this is reflected in the transition costs for Count Financial.
- In total, approximately 60% of Count Financial's revenue relates to grandfathered revenue arrangements which will likely cease from January 2021. We are also seeing a reduction in grandfathered commissions as clients move to other products.
- Colonial First State announced that it was ending grandfathered revenue arrangements early, which means approximately \$1.5m of grandfathered revenue payable to Count Financial will be redirected to clients in July 2020, and we must prepare for others bringing forward their plans.
- To mitigate the impact of the changes to these grandfathered arrangements we are well advanced in our plans to have our new pricing model embedded by 1 July 2020.

# Update on Count Financial

## Count Financial challenges remain

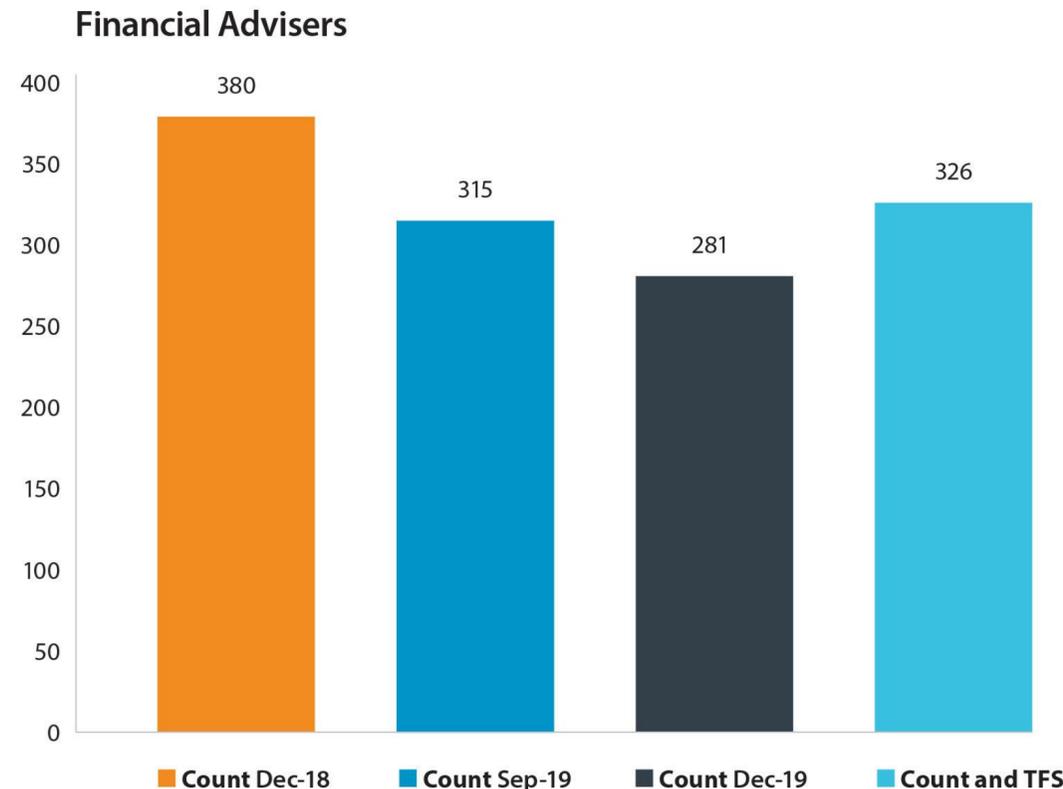


- The 100-day transition plan to integrate Count Financial into CountPlus has occurred successfully.
- Count Financial has begun a two-step transition to a user pays model from 1 December 2019. Under the old model, costs for software and professional indemnity insurance were not recovered. The one-off impact of this is reflected in the transition costs for Count Financial.
- A gain on bargain purchase of \$12.5M was recognised on the purchase of Count Financial.
- A \$143.3M corresponding asset and liability has been recognised on the balance sheet for Count Financial regarding the remediation provision for historical issues pre the purchase of Count Financial by CountPlus. The indemnity provided by CBA is capped at \$200M and there are mechanisms in place to renegotiate this amount.
- Count Financial advisers have decreased from 380 in December 2018 to 281 in December 2019. The drop in adviser firms and advisers was anticipated and is largely due to the changes in regulatory environment and pricing models resulting in firms opting out of the financial services sector. The departing firms are generally smaller firms as is evident by the increase in FUA per adviser firm in the Count Financial network.

Count transitioned successfully



- Total Financial Solutions (TFS) has 78 advisers and a decision was made to cease operations of TFS post the acquisition of Count Financial. 45 advisers and 21 adviser firms came across from TFS to Count Financial including all converged accounting firms in TFS.
- The remaining Count Financial members are high quality advisers focussed on financial planning services. Based on December 2019 adviser numbers, Count Financial combined with the TFS adviser base has 154 firms and 326 financial advisers.



# Update on Count Financial – continued

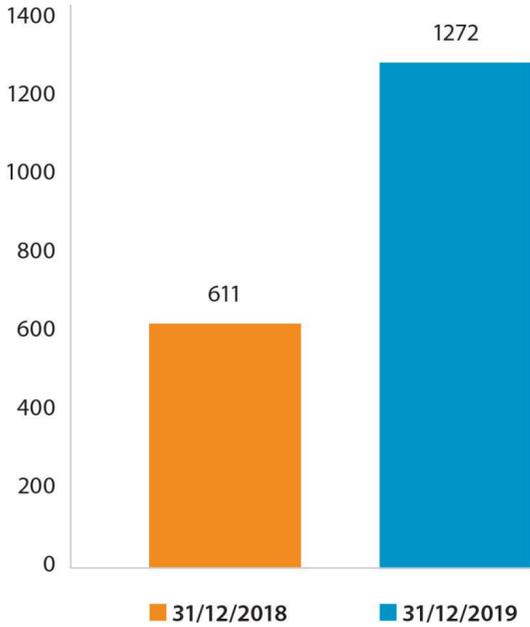
## Count Financial challenges remain

- From 1 October 2019 to 31 December 2019, Count Financial advisers produced and issued 1,272 advice documents. This is an improvement on the 611 produced in the same period last year with some 26% fewer advisers.
- The median advice fee charged to clients is well below the industry median.
- There is a significant change process underway as Count Financial begins to provide tools to our advisers to identify where revenue will be redirected to their clients that was previously subsidising the costs to serve their firm.

Production of advice documents is up by 100% with 26% fewer advisers

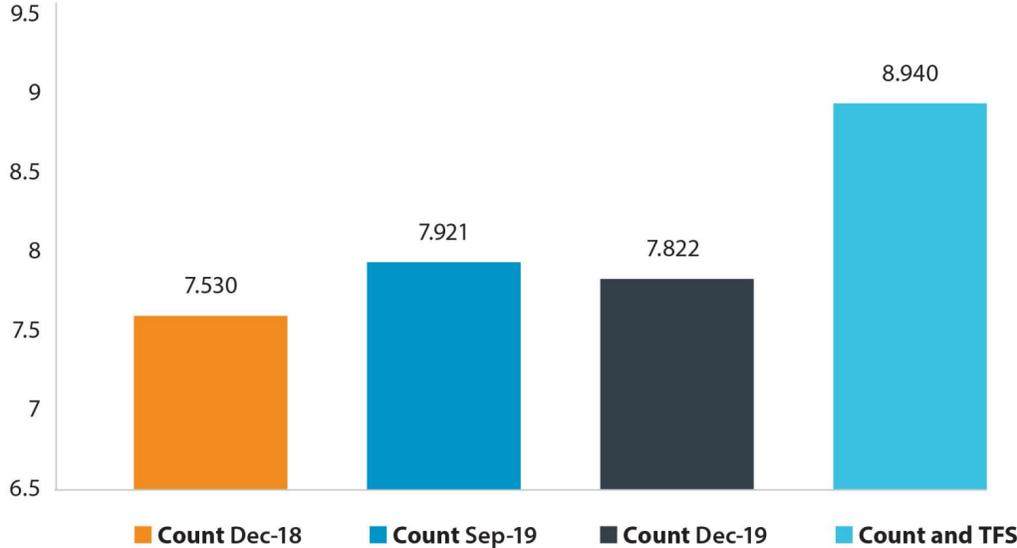


Production of key advice documents – Quarter ended



- Funds under administration (FUA) of Count Financial have increased from \$7.530B in December 2018 to \$7.822B in December 2019. The estimated combined funds under administration for Count Financial and TFS is \$8.940B.

FUA – Count Financial and TFS – \$-Billion



# Future Count Financial model

## Moving Count Financial to the new world of advice



### New world of advice

- Significant challenges come into play in the 2021 financial year as we move away from grandfathered revenue, reposition our business model, and face the risk of falling adviser numbers due to regulatory change.
- Count Financial was the second-best placed business in the Adviser Ratings top 20 licensees when it comes to the level of education its network needs to complete. Only 12% of our adviser network will require significant effort in meeting the education standards, compared to a top 20 licensee average of 41%.
- Count Financial has been late to the market in addressing the user pays trend in advice businesses.
- Significant risks remain in moving the business to user pays fee for service.

### There are challenges facing the supply side of financial advice in Australia

- Financial advisers are exiting the industry at record rates, with 15% leaving over the first 10 months of 2019 and 17% annualised. This is 70% more than the adviser exits of 2018.
- The five-year Adviser Ratings forecast remains on track for the financial advice market to shrink to 15,000 financial advisers
- Currently 17% of financial advice firms are willing sellers – some 1,500 firms.
- Culling of unprofitable clients and attrition by under-serviced clients reduced industry average client numbers per adviser by 8% from 102 to 94.
- The persistence of low consumer trust in the financial advice profession is unsurprising but deeply concerning nevertheless, with an ASIC study revealing 37% of consumers believed that advisers did not have their customer's best interests at heart. ASIC Report 627.

# Partner Firms – 100% aggregation – Core Accounting Firms

## CountPlus adds scale

Pro forma P&L analysis	1H20	1H19	Movement
	\$'000	\$'000	%
<b>Total Revenue from operating activities</b>	<b>50,898</b>	<b>44,164</b>	<b>15</b>
Operational Salaries	(26,613)	(23,847)	
<b>Contribution margin</b>	<b>24,285</b>	<b>20,317</b>	<b>20</b>
Other income	430	644	
Operating expenses	(14,531)*	(11,967)	
<b>Firm EBITA</b>	<b>10,184</b>	<b>8,994</b>	<b>13</b>
Interest income	13	11	
Amortisation	(377)	(439)	
Interest expense	(626)*	(318)	
<b>Profit before tax</b>	<b>9,194</b>	<b>8,248</b>	<b>11</b>
Income tax expense	(2,824)	(2,638)	
<b>Net profit after tax</b>	<b>6,370</b>	<b>5,610</b>	<b>14</b>

**Note:**

\* The introduction of AASB16 – Leases has resulted in a \$328,000 increase in interest expense previously disclosed as operating expenses.

**Key points to note:**

- The scale of CountPlus has increased due to acquisitions. The group has grown from 15 firms to 18 firms (excluding Count Financial and TFS).
- This analysis is prepared by aggregating all CountPlus entities at 100% including associates excluding Count Financial, TFS and Corporate Office in order to ensure comparability.
- This analysis reflects the underlying performance of all Partner firms, ignoring the impact of shareholding to facilitate a year-on-year comparison.

# Revenue, Lock up and other metrics

Disciplined execution of key operational metrics drives performance

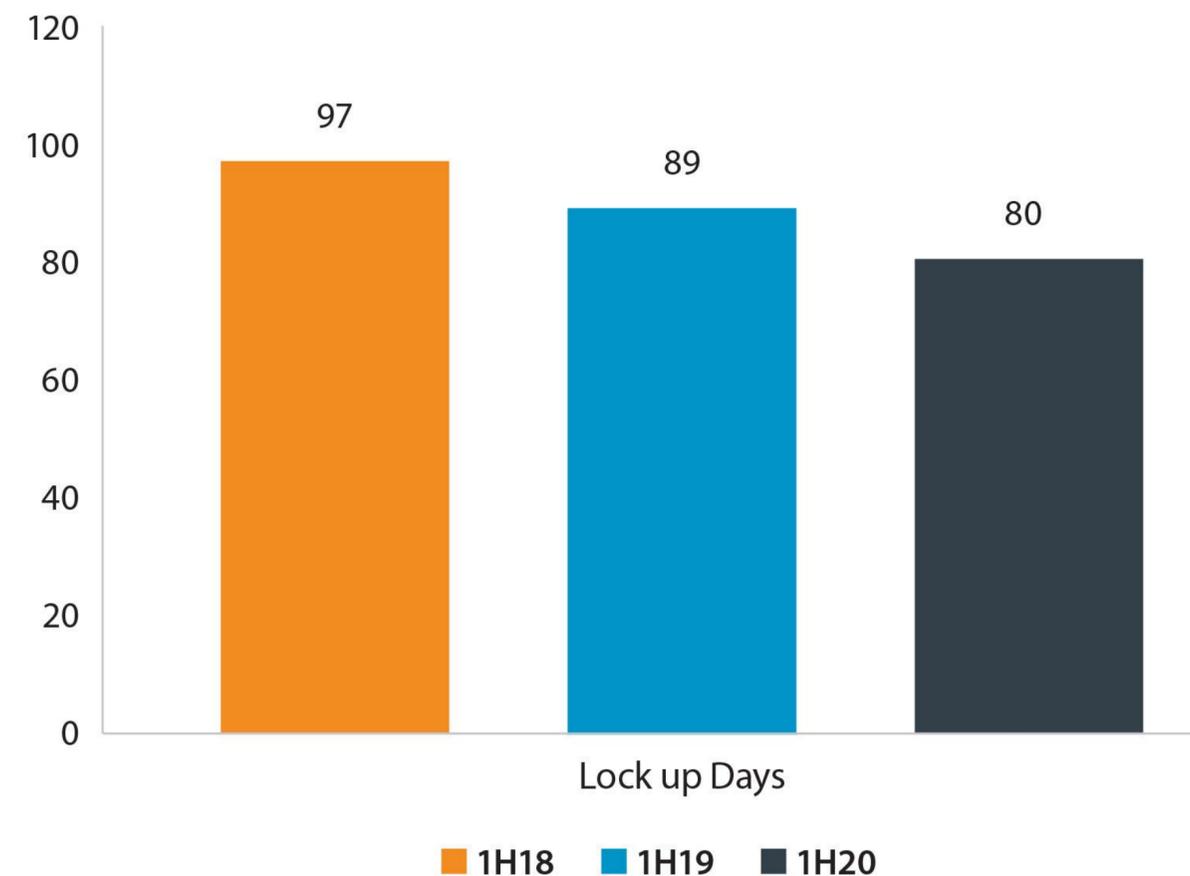
Financial metrics	1H20	1H19
	\$'000	\$'000
Revenue per full time employee (Firm level)	177	160*
Average firm EBITA margin (%)	20	18
Employment costs – % of revenue	63	62

**Notes:**

\* 1H19 has been restated to exclude TFS to ensure comparability.

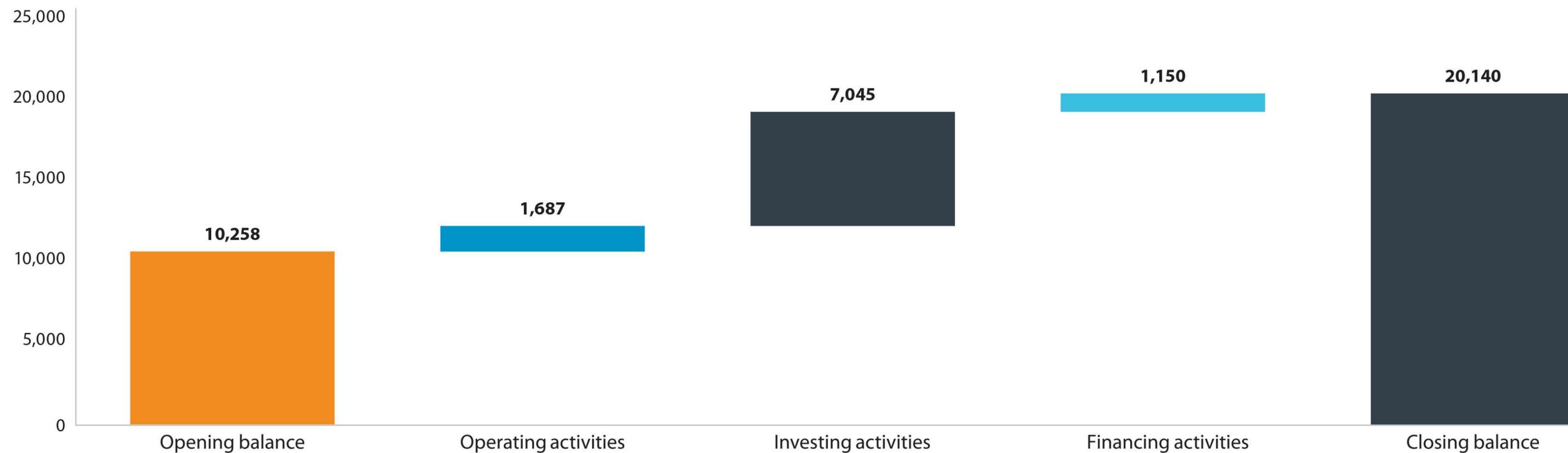
CountPlus is seeing a production shift resulting in better production and capacity planning of jobs from H1 to H2 of larger key firms.

## Lock up days – 31 December 2017 to 31 December 2019



# Cash flow waterfall

Strong cash flow funds growth investments and dividends



Operating cash flows reconciliation	1H20	1H19	Movement
	\$'000	\$'000	%
Cash flow from operating activities – Reported	1,687	3,694	
Add: Transition Costs – Count Financial	2,102	0	
Add: AASB16 interest	348	0	
Normalised cash flow from operating activities	4,137	3,694	12
<b>Operating cash conversion to adjusted EBITA</b>	<b>81%</b>	<b>78%</b>	<b>3</b>

# Dividends

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- 1H20 interim dividend of 1.25 cents per share, fully franked (25% increase from same period last year).
- Target dividend pay-out ratio of 40% to 70% of maintainable net profit after tax, attributable to CountPlus shareholders.
- Pay dividends out of operating cash flow generated, per company policy.
- **Key dates for 1H20 dividend:**
  - Ex-Dividend date      Thursday, 19 March 2020
  - Record date            Friday, 20 March 2020
  - Payment date          Wednesday, 15 April 2020
- Franking credits at 31 December 2019 amount to \$8.1M (FY19: \$6.7M).

# Conclusion

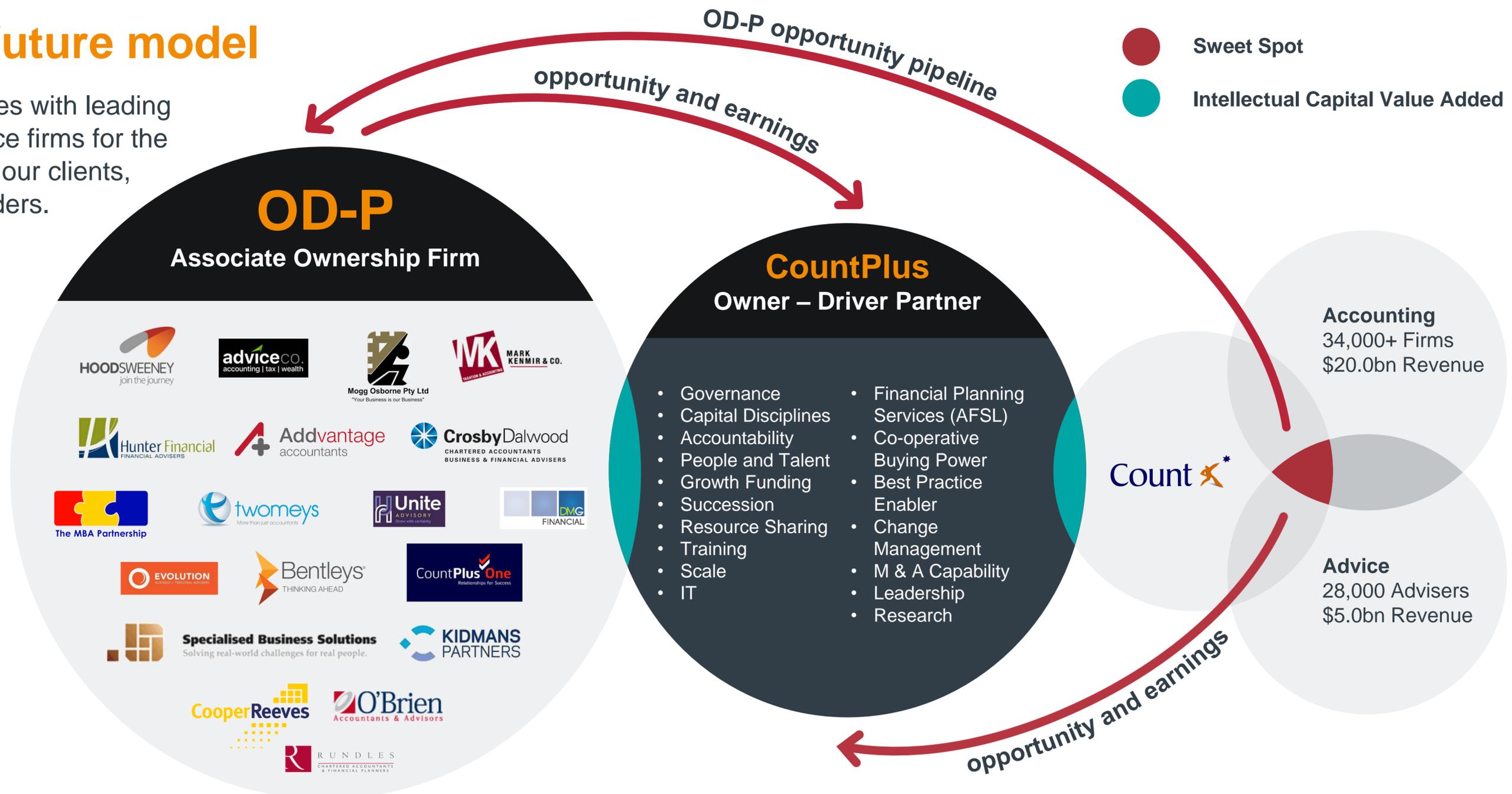
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- An increase in the dividend payable by CountPlus to our shareholders to 1.25 cents per share, an increase of 25% over the same period last year
- Strong balance sheet, cash available to fund growth aspirations
- Full period earnings from recently acquired associates and organic growth from existing associates have increased share of associates earnings by 74%
- Count Financial acquisition successfully integrated
- Adjusted earnings per share up 7%
- Disciplined execution of clear strategy delivering firm performance; firm EBITA margin up from 18% in 1H19 to 20% in 1H20
- The methodology developed during the turnaround phase position CountPlus for growth
- Well positioned for sustainable performance as the leading accounting led advice provider.

# The CountPlus 'Owner, Driver – Partner' model

## CountPlus future model

CountPlus collaborates with leading Accounting and Advice firms for the long-term success of our clients, people and shareholders.



A night sky with a starry Milky Way and a field at the bottom. The sky is dark with many stars, and the Milky Way is visible as a bright, hazy band of light. The field at the bottom is dark and appears to be a field of crops. There are some orange and yellow clouds in the sky, possibly from a sunset or sunrise. The overall scene is a mix of natural beauty and astronomical interest.

# Corporate Index – CountPlus

Appendices

# Appendix 1

## CountPlus wholly owned subsidiaries, partially owned subsidiaries and associates

No.	Partner Firm	Shareholding
<b>Wholly-owned subsidiaries</b>		<b>%</b>
1.	Addvantage Financial Freedom Pty Ltd	100.00
2.	Bentleys (WA) Pty Ltd	100.00
3.	Cooper Reeves Pty Ltd	100.00
4.	CountPlus One Pty Ltd	100.00
5.	Crosby Dalwood Pty Ltd	100.00
6.	Evolution Advisers Pty Ltd	100.00
7.	CountPlus FS Holdings Pty Ltd (“TFS”)	100.00
8.	Twomeys Pty Ltd	100.00
9.	Unite Advisory Pty Ltd (Previously 360 Financial Advantage Pty Ltd)	100.00

**Note:**

\* CountPlus management view the shareholding in Rundles CountPlus and Rundles Financial Planning as one investment.

No.	Partner Firm	Shareholding
<b>Partly-owned subsidiaries</b>		<b>%</b>
10.	Count Financial Limited	85.00
11.	AdviceCo CA Pty Ltd (Previously Robson Partners Pty Ltd)	65.00
12.	Mogg Osborne Pty Ltd	65.00
13.	Kidmans Partners Pty Ltd	64.38
14.	Specialised Business Solutions Pty Ltd	61.28
15.	The MBA Partnership Pty Ltd	60.00
No.	Partner Firm	Shareholding
<b>Associates</b>		<b>%</b>
16.	Hunter Financial Planning	40.00
17.	OBM Financial Services Pty Ltd (“O’Brien”)	40.00
18.	One Hood Sweeney Pty Ltd	32.36
19. (a)	Rundles CountPlus Pty Ltd*	40.00
19. (b)	Rundles Financial Planning Pty Ltd*	20.00
20.	DMG Financial Holdings Pty Ltd	30.00

# Appendix 2

## Abridged Statement of Financial Position

Abridged Statement of Financial Position (\$'000)	1H20	FY19	1H19	Movement (1H20 vs FY19)
Cash	20,140	10,258	11,423	9,882
Interest bearing loans and borrowings	(5,390)	(1,755)	(1,186)	(3,635)
Investments in associates	17,337	13,607	10,612	3,730
Intangible Assets	38,320	33,173	33,478	5,147
<b>Total Assets</b>	<b>285,415</b>	<b>77,407</b>	<b>76,084</b>	<b>208,008</b>
<b>Total Liabilities</b>	<b>(210,225)</b>	<b>(16,066)</b>	<b>(13,465)</b>	<b>(194,159)</b>
<b>Total Equity</b>	<b>75,190</b>	<b>61,341</b>	<b>62,619</b>	<b>13,849</b>

### Key points to note:

- Cash on hand has increased due to the acquisition of Count Financial and the operating cash generated by member firms.
- Investment in Associates has increased due to the purchase of DMG Financial in November 2019.
- Intangible assets have increased due to the separately identifiable assets recognised from the Count Financial acquisition.
- The adoption of AASB16 is incorporated in the assets and liabilities for 1H20.
- A provision for remediation in the Financial Services segment of \$143.3M is included in liabilities. A corresponding asset is raised due to an indemnity provided as part of the Count Financial acquisition.

# Appendix 3

## Salient dates

Key Dates	
1H20 Interim Dividend Paid	April 2020
FY20 Year End Results	August 2020
Annual General Meeting	November 2020



Thank You

