

CountPlus Limited

2020 Full Year Results Presentation and Investor Discussion Pack

28 August 2020 (Sydney)

A copy of the presentation is attached.

This presentation has been authorised for release to the ASX by the Board of CountPlus Limited.

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CountPlus Limited (ASX: CUP)

**Results Presentation
For the Year Ended 30 June 2020**

PRESENTED BY

Matthew Rowe, Chief Executive Officer and Managing Director
Laurent Toussaint, Chief Financial Officer



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All currency amounts are in AUD unless otherwise stated.

CountPlus FY2020 Summary



Adjusted EBITA **\$12.391M**.

Firm average profit margin maintained at **20%** in FY2020.

Financial Services Segment Adjusted EBITA **\$4.396M** showing positive contribution from Count Financial.

FoFA 'grandfathered' revenue & commissions banned **47%** of FY2020 Count Financial revenue (\$5.249M) to cease in FY2021.

Earnings from Associate Firms under Owner, Driver – Partner model **\$2.179M** – 40% increase on FY2019.

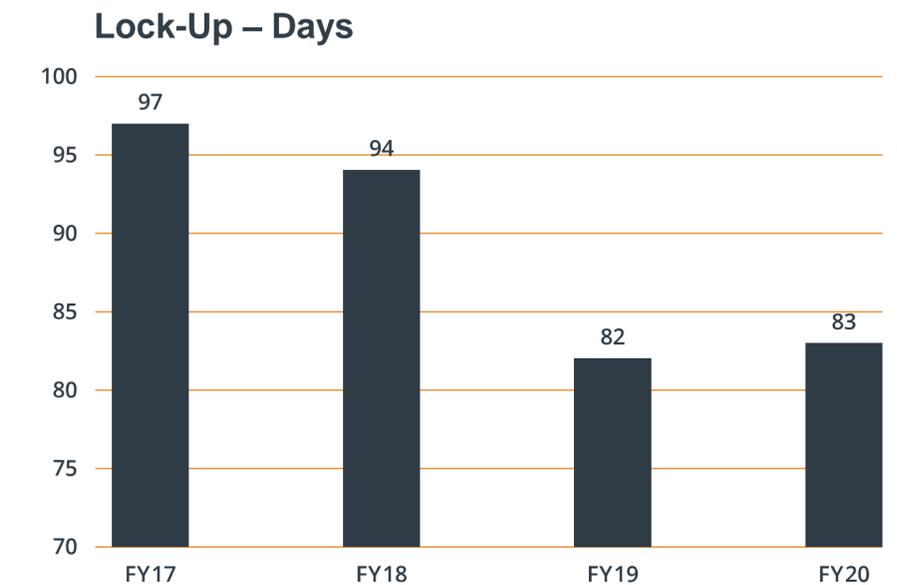
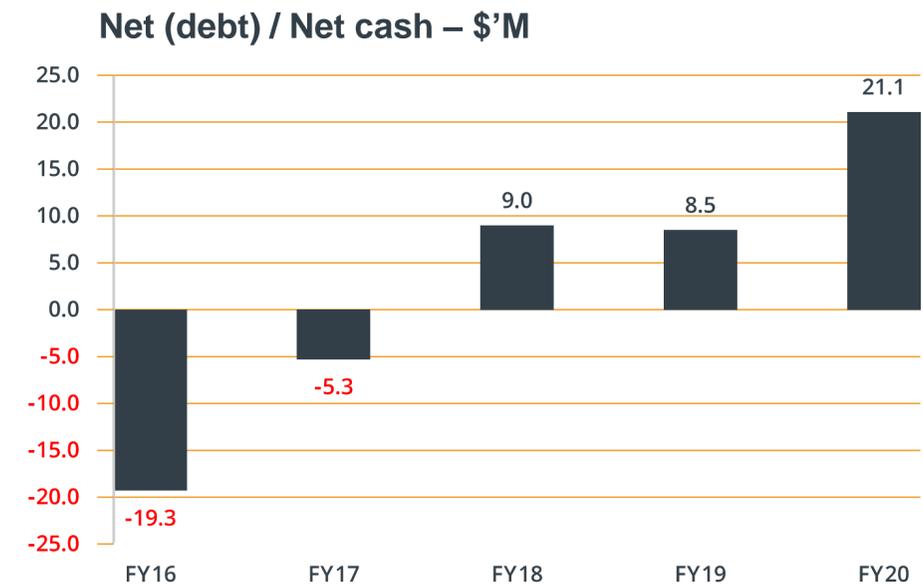
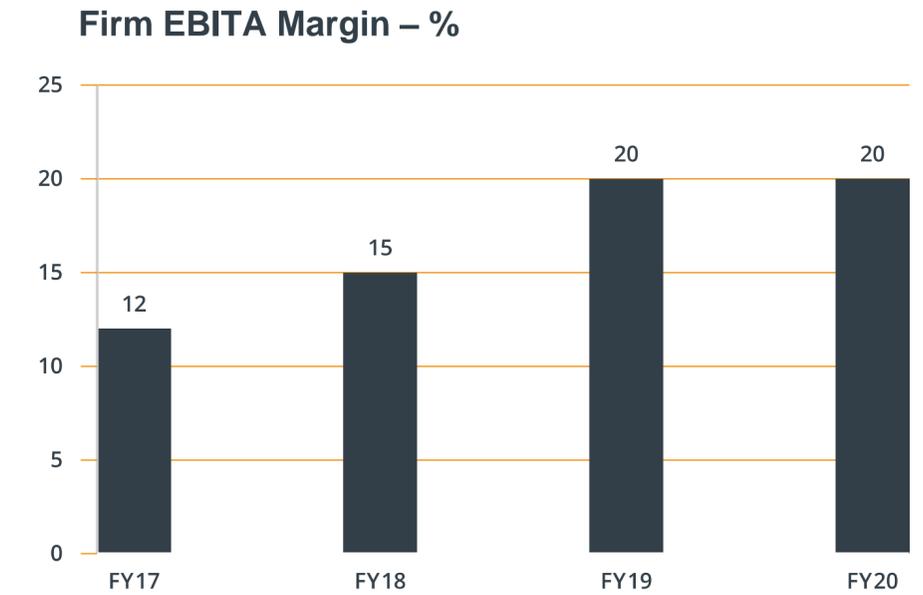
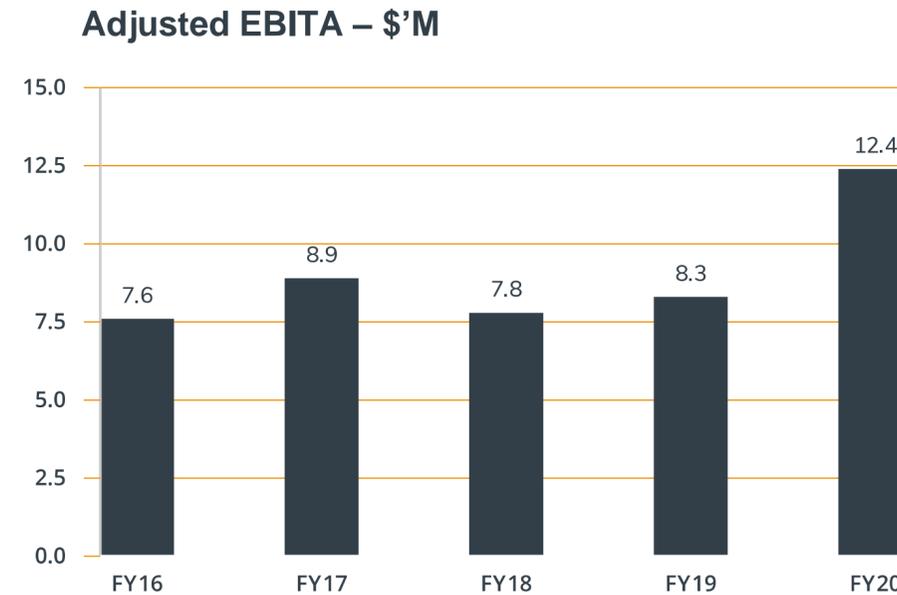
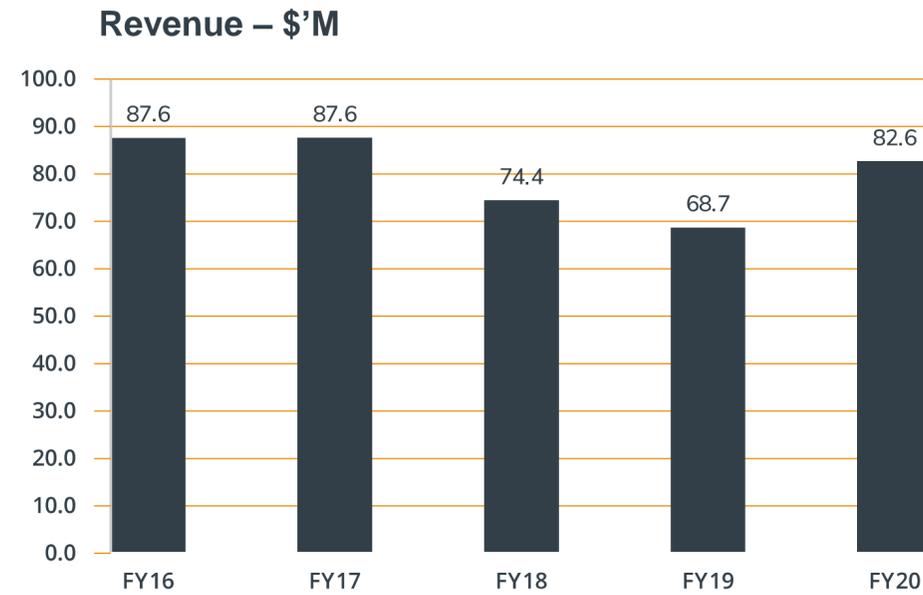
Adjusted earnings per share **5.37** cents – 61% increase on FY2019.

Net Cash increased to **\$21.111M** at FY2020.

Dividend payable of **1.25** cents per share at FY2020, an increase of 25% over same period last year.

CountPlus Headline Results

Turnaround in performance for CountPlus has been delivered



Source: CountPlus Annual Reports : FY11 – FY20
CountPlus analysis

CountPlus Financial Track Record



Improved earnings; strengthened cash position

Financial Results summary	FY20	FY19	Movement – FY20 vs FY19	
	\$'000	\$'000	\$'000	%
Revenue from operating activities	82,607	68,646	13,961	20
Adjusted Earnings before interest, tax and amortisation (“EBITA”)	12,391	8,262	4,129	50
Adjusted Net profit after tax (“NPAT”)	7,684	5,002	2,682	54
Adjusted Net profit attributable to CountPlus shareholders	5,950	3,681	2,269	62
Adjusted Net profit after tax before amortisation (“NPATA”)	9,086	6,442	2,644	41
Share of associates earnings	2,179	1,553	626	40
Cash at bank	25,842	10,258	15,584	Large
Reported earnings per share – cents	14.30	1.48	12.82	Large
Adjusted earnings per share – cents	5.37	3.33	2.04	61
Net tangible assets per share – cents	35.78	22.65	13.13	58

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

For FY20: Split of EBITA between 1H and 2H is \$5.091M and \$7.300M representing a split of 41% and 59%.

For FY19: Split of EBITA between 1H and 2H is \$4.716M and \$3.546M representing a split of 57% and 43%.

CountPlus Profit Reconciliation



Statutory profit reconciliation

NPAT analysis – Adjusted	FY20	FY19	Movement
	\$'000	\$'000	% change
Net profit after tax – Reported	17,448	2,956	
Deduct: Gain on bargain purchase	(10,952)	–	
Add: One-off M&A transaction costs	215	1,752	
Add: Transition Costs – Count Financial	2,092	–	
Deduct: AASB9 & AASB15 one-off adjustments to insurance trail commissions	(689)	–	
Add: Impairment of intangible assets	–	1,060	
Deduct: Net gain on sale of product / investments	–	(901)	
Deduct: Gain on deferred consideration	(88)	–	
Add: One-off litigation costs	–	58	
(Deduct) / Add: Tax impact of adjustments above	(342)	77	
Adjusted NPAT	7,684	5,002	54%
Adjusted minority interest	(1,734)	(1,321)	
Adjusted NPAT attributable to CountPlus shareholders	5,950	3,681	62%

CountPlus Segment Report



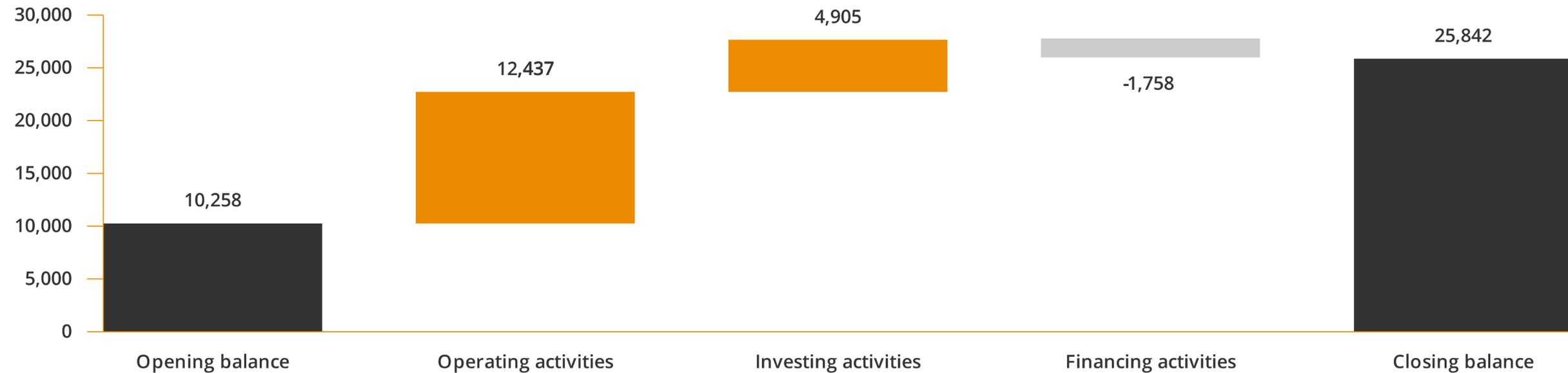
Acquisitions including Count Financial have improved group profitability

FY20	Subsidiary Accounting Firms	Share of Associates earnings	AFSL	Other, corporate, consol adj.	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	63,927	-	17,919	761	82,607
Contribution	30,204	-	7,344	-	37,548
Adjusted EBITA	11,230	2,179	4,396	(5,414)	12,391

FY19	Subsidiary Accounting Firms	Share of Associates earnings	AFSL	Other, corporate, consol adj.	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	62,791	-	5,235	620	68,646
Contribution	29,183	-	2,383	-	31,566
Adjusted EBITA	10,913	1,553	465	(4,669)	8,262

CountPlus Cash Flow Bridge

Positive cash flows through operations and the acquisition of Count Financial



Operating cash flows reconciliation	FY20	FY19
	\$'000	\$'000
Cash flow from operating activities – Reported	12,437	5,949
(Less) / Add: Vendor financing	(567)	1,057
Add: Transition costs – Count Financial	2,092	–
Less: Supervision and Monitoring & Best Interest Duty upfront payment	(794)	–
Less: Unearned Education partner revenue	(471)	–
Adjusted cash flow from operating activities	12,697	7,006
Operating cash conversion to adjusted EBITA	102%	85%

Partner Firms – 100% aggregation of converged accounting & financial planning firms



Acquisitions to drive growth

Pro forma P&L analysis	FY20	FY19	Movement
	\$'000	\$'000	%
Total Revenue from operating activities	102,263	89,852	14
Operational Salaries	(56,793)	(48,322)	(18)
Contribution margin	45,470	41,530	9
Other income	2,859	1,255	128
Operating expenses*	(28,132)	(25,093)	(12)
Firm EBITA	20,197	17,692	14
Interest income	27	28	(4)
Amortisation	(642)	(815)	21
Interest expense*	(1,052)	(491)	(114)
Profit before tax	18,530	16,414	13
Income tax expense	(5,546)	(5,194)	(7)
Net profit after tax	12,984	11,220	16

Key points to note:

- The scale of CountPlus has increased due to acquisitions. The group has grown from 15 partner firms to 18 partner firms (excluding Count Financial and Total Financial Solutions).
- This analysis is prepared by aggregating all CountPlus entities at 100% including associates excluding Count Financial, Total Financial Solutions 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 “same firm” comparison.

Note:

* The introduction of AASB16 – Leases has resulted in a \$749,000 increase in interest expense previously disclosed as operating expenses.

For FY20: Split of Revenue between 1H and 2H is \$50.898M and \$51.365M representing a split of 50% and 50%.
For FY19: Split of Revenue between 1H and 2H is \$44.164M and \$45.688M representing a split of 49% and 51%.

Challenges in FY2021

COVID-19 and regulatory changes in the financial services sector expected to create a challenging environment

COVID-19

- The impact of COVID-19 has not fully revealed itself in our core small business client segment. FY2021 revenue and earnings may be adversely impacted if economic conditions deteriorate.
- We expect to see a deterioration in payment terms for receivables as our firms move to support long standing clients experiencing financial hardship. Whilst we prudently make full provision for clients under financial duress, we may see an increase in provision for bad and doubtful debts in FY2021.
- The impact of COVID-19 and the move to work from home negatively impacted firm productivity, workflow and revenue in March and April. If further business lock downs occur this may negatively impact firm revenue and earnings.
- In FY2020 some member firms qualified for government assistance in the form of JobKeeper, COVID-19 cash boost and payroll tax rebates, totalling **\$2.315M** (\$1.549M for subsidiaries and \$766K for associates). In FY2021 a reduced number of firms may continue to be eligible for further government assistance at an estimated amount of **\$267K** (nil for associates).

Count Financial

- CountPlus 'Most Favoured Nation' platform rebate expired October 2019, **\$1.2M** per annum paid in FY2020 and FY2019.
- FoFA 'grandfathered' revenue & commissions banned **47%** of FY2020 Count Financial revenue (\$5.249M) to cease in FY2021.
- "Clean" licensee model (no product subsidisation) requiring pivot to user pay model may see further reduction in Count Financial adviser numbers.
- Structural change to "clean" model – anticipating **earnings reduction** in FY2021 as new value proposition, systems and culture is embedded.

Dividends

25% increase in dividend compared to FY2019

- FY20 dividend of 1.25 cents per share, fully franked (25% increase from same period last year).
- Target dividend pay-out ratio of 60% to 90% of maintainable net profit after tax, attributable to CountPlus shareholders for FY21.
- Pay dividends out of operating cash flow generated, per company policy.
- The Board may consider varying the amount of dividends to be paid or to be declared having regard to economic and industry conditions as well as potential acquisition requirements.

Key dates for FY20 dividend

Ex-Dividend date	Record date	Payment date	Franking credits at 30 June 2020 amount to \$7.0M (FY19: \$6.7M)
Thursday 24 September 2020	Friday 25 September 2020	Wednesday 14 October 2020	



Count

Professional Partnerships, Trusted Advice

Financial services – segment performance

Count Financial has traded profitably under CountPlus ownership



Financial Services Segment	FY20
	\$'000
Statutory EBITA	2,873
Add: Transition Costs – Count Financial*	2,092
Less: AASB9 & AASB15 one-off adjustments to insurance trail commissions	(689)
Add: Professional Indemnity – Total Financial Solutions	120
Adjusted EBITA – Financial Services segment	4,396

Note:

Financial Services Segment includes Count Financial and Total Financial Solutions. Total Financial Solutions ceased operating during FY2020.

* Transition costs are one-off in nature and relate to the integration of Count Financial.

Count Financial was acquired 1 October 2019 for \$2.5m.

The transaction:

- Purchase price discount to net tangible assets of Count Financial (a gain on purchase of \$10.952M).
- Balance sheet included net assets of \$15M, nil debt and net cash of \$12M.
- \$200M CBA indemnity to cover remediation of past conduct **increased to \$300M on 30 July 2020.**
- CBA reimbursements:
 - \$500,000 for system/process uplifts (Best Interest Duty); and
 - \$750,000 for rebuild of the Count Financial supervision and monitoring framework.
- CBA to scan and upload to Xplan Count Financial member firm client and advice records.
- On the 7th of August 2019, the CBA stated, in an ASX announcement, that “CBA intends to sell its 35.9% shareholding in CountPlus in an orderly manner subject to market conditions.” On the 12th August 2020, the CBA announced that it was “exploring alternatives” for its shareholding in CountPlus as part of its Divestment Program.

Provision for client remediation and CBA indemnity

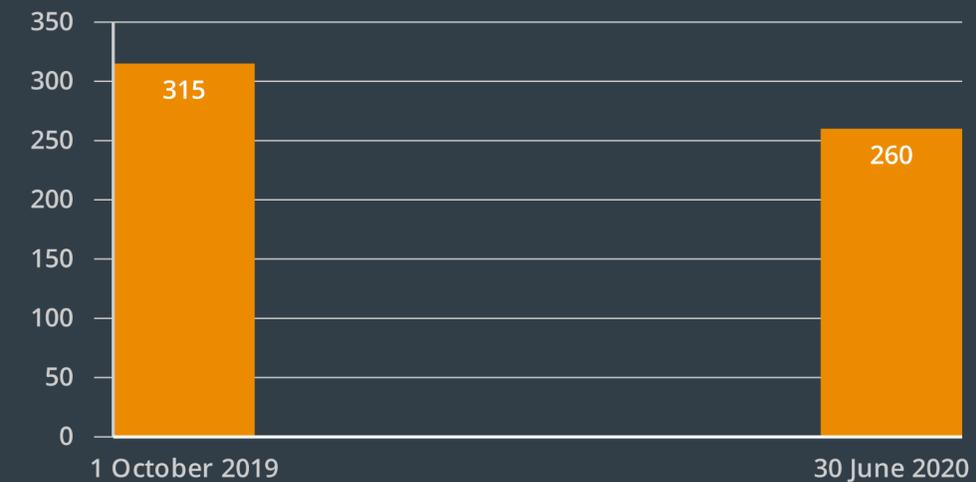
- Provision increased to \$195M based on new calculation relating to perimeter (population); compound interest and addition of “straight to pay” for low value claims.
- CBA increased indemnity to \$300M. Leaves excess of \$105M above provision made.
- To date (FY2020) 2,055 client remediation matters relating to Count Financial assessed by CBA with \$898K in client detriment payments made.

Count Financial Operational Update

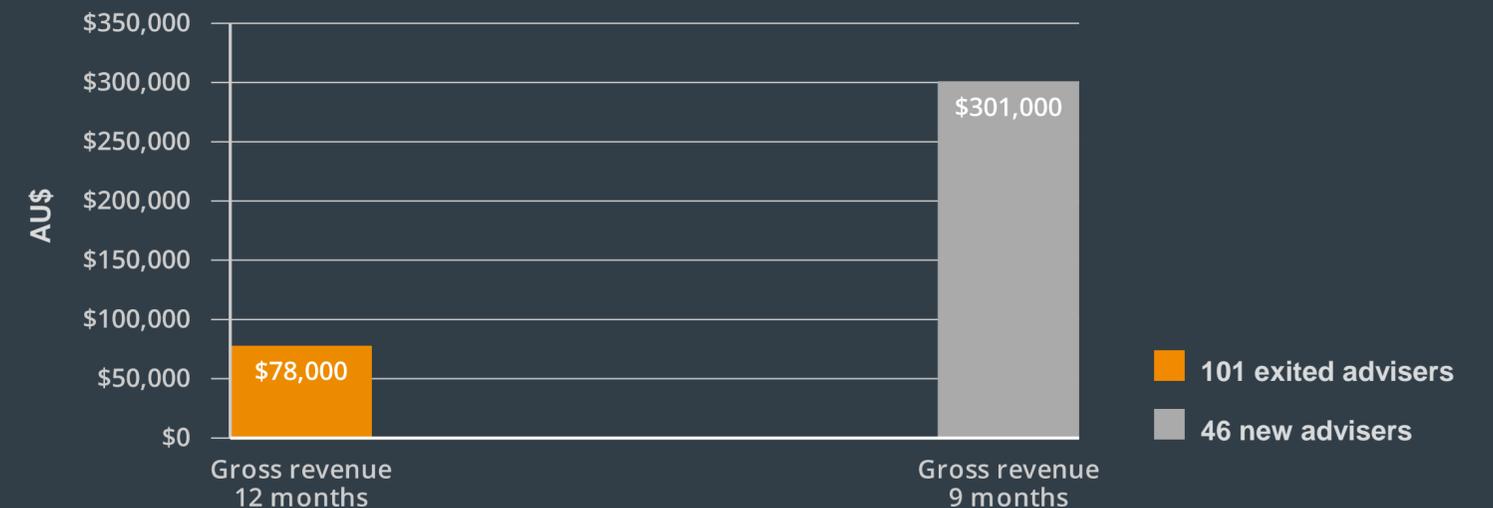
Count Financial has delivered some key business enhancements during 2020

- The number of Count financial advisers has decreased from 315 on 1 October 2019 to 260 at 30 June 2020.
- Over the first 9 months of CountPlus ownership of Count Financial 101 Financial Advisers have left Count Financial. These Financial Advisers generated total financial advice gross revenue of \$7.83M in the preceding 12-month period at an average of \$0.078M per adviser. Over the same 9 months, 46 Financial Advisers joined Count Financial. Those joining Count Financial generated \$13.825M total financial advice gross revenue in the preceding 12-month period at an average of \$0.301M per adviser.
- Of the 101 Financial Advisers that have left Count Financial; 54 have retired or ceased providing financial advice, 32 joined another licensee due to cost, 11 changed employers and 4 were terminated for not meeting Count Financial Professional Standards.

Adviser numbers



Average gross revenue per adviser – exited advisers vs. new advisers



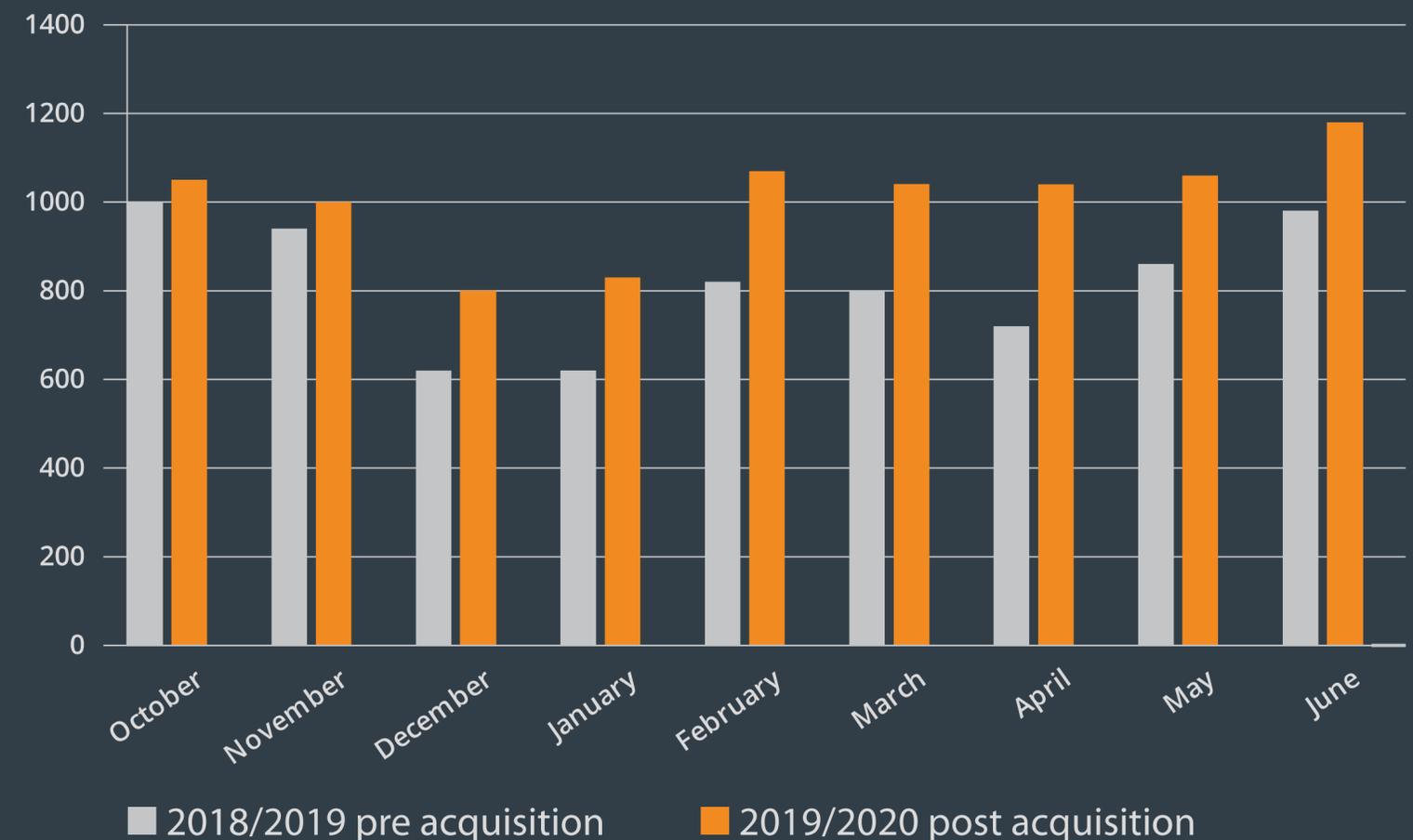
Count Financial Operational Update



Count Financial has delivered some key business enhancements during 2020

- A recent Count Financial member survey show that 83% of respondents would actively refer Count Financial to a Financial Adviser looking to change licensee.
- Production of advice documents has increased under CountPlus ownership from 7,357 to 9,105 in the 9 months of ownership as shown in the graph opposite, representing an increase of 24% on the previous period. We are producing more advice documents with less Financial Advisers.

Number of Advice Documents Produced



What sets us apart



Our Vision

To become Australia's leading network of professional accounting and advice firms, aligned through shared values, mutual success and our sense of community.

Our Values

Trust

Earned through character, competence and coachability.

Commitment

We do what we say we will do.

Teamwork

We believe in the collective wisdom of the team.

Strategic Drivers and Key Goals

Clients

We deliver advice that secures financial wellbeing.

Firms

We provide financial and intellectual investment capital.

People

We invest in people and build leaders.

Focus

We believe in excellence = process x culture.

Financial

We will make a decent profit, decently.

Community

Our reputation is the sum of what the community thinks of us.

Priority outcomes

Clients

We will act fairly and in the best interest of clients.
We deliver value in line with agreed client expectations.
We make a positive difference in the financial wellbeing of our clients.

Firms

All principals are aligned owners with CountPlus.
CountPlus is a participatory investor in professional advice firms.
We add value through strategy, people systems, structure & governance, culture and leadership.

People

A recognition culture that incentivises the demonstration of our values.
We assist firms build a bench strength of leaders and stars.
Our leaders are coaches.
We are who we promote.

Focus

We build firms that transcend generations.
Culture is our competitive advantage.
We systemise the routine, but we lead people.
We invest in technology that is additive to our core business.

Financial

Efficient and disciplined use of capital.
We invest in firms that fit our family photograph.
We deliver returns to our shareholders by providing advice that makes a positive difference in the lives of our clients.

Community

Redefine our network as a complementor to our firm's success.
Engage with Professional Associations for best practice.
Establish pro-bono and philanthropic team from within our firms.

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
	Wholly-owned subsidiaries	%
1.	Addvantage Financial Freedom Pty Ltd	100.00
2.	Cooper Reeves Pty Ltd	100.00
3.	CountPlus One Pty Ltd	100.00
4.	Crosby Dalwood Pty Ltd	100.00
5.	Evolution Advisers Pty Ltd	100.00
6.	CountPlus FS Holdings Pty Ltd (“TFS”)	100.00
7.	Unite Advisory Pty Ltd (Previously 360 Financial Advantage Pty Ltd)	100.00

Note:

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

No.	Partner Firm	Shareholding
	Partly-owned subsidiaries	%
8.	Bentleys (WA) Pty Ltd	95.00
9.	Count Financial Limited	85.00
10.	AdviceCo CA Pty Ltd (Previously Robson Partners Pty Ltd)	65.00
11.	Mogg Osborne Pty Ltd	65.00
12.	Kidmans Partners Pty Ltd	64.15
13.	The MBA Partnership Pty Ltd	62.03
14.	Twomeys Group Pty Ltd	62.00
15.	Specialised Business Solutions Pty Ltd	61.28
No.	Partner Firm	Shareholding
	Associates	%
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

40-year anniversary of Count Financial – History of Count Financial

Count Financial celebrates 40 years of financial advice to Australians.

- Count Financial established in August 1980.
- Firm continues to deliver positive outcomes for our Member firms and their clients.
- A proud legacy of accounting-led, client centric advice

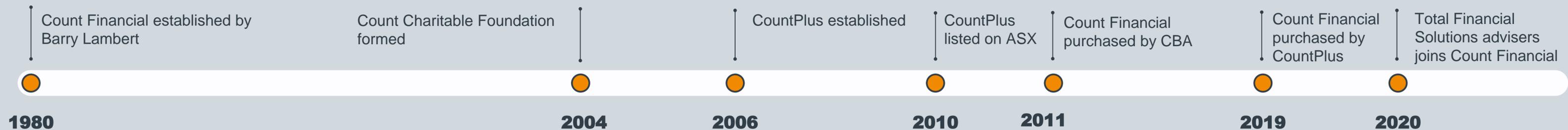
With superior client outcomes, the accounting-led financial advice model has endured for 40 years

How it began...

Count Financial founded by Barry Lambert in 1980.

Began as an idea for accountants to provide financial advice – transforming into a network of expertise and experience over 40 years.

Count Financial today is a broad, diverse network with around 127 member firms located across Australia.



Industry at a glance*

- Financial Advice Revenue \$4.7B.
- Accounting Revenue \$20.3B.
- 19,554 Financial Advice Firms.
- 34,731 Accounting Firms.
- Mature lifecycle.
- Low level of concentration.
- SMSF, Superannuation and retirement advice significant revenue segments across Accounting and Financial Advice.
- Remains an unmet need for Financial Advice.

*IBIS

Operating Environment

- Major institutional advice players exiting.
- Increasing regulation.
- New education and professional standards Increasing barriers to entry for financial advisers.
- Financial Adviser population dislocation and exit.
- “Old world” revenue models under pressure.
- Major succession planning challenges.
- Supply side pressures – consumer demand for financial advice stable and increasing.
- Technology and data playing role in dislocation. Scale now required to play.

Opportunities

- Major institutional advice players exiting – end of product subsidy AFSL operating models.
- Accountant and Financial Adviser succession.
- Consolidation of smaller competitors.
- Economies of scale with larger network.
- “Old world” revenue models under pressure – new model “user pay” model needed and benefits of scale becoming apparent.
- Investment in specialist tools that allow vertically integrated professional advice business – separate product and advice.
- Leverage trusted adviser status of Accountants.

Core Clients

- Mass Affluent.
- SME Family/Private Business.
- SMSF.
- SME Self Employed.

Thank You

