

16 December 2021

### **Scheme Booklet registered with ASIC**

Class Limited (ASX:CL1) (**Class**) is pleased to provide the following update in relation to the proposed acquisition of all of the issued shares in Class by HUB24 Limited (ASX:HUB) (**HUB24**) by way of a recommended court-approved Scheme of Arrangement (**Scheme**). Further to the announcement yesterday in relation to the Scheme, Class has now registered the explanatory statement providing information about the Scheme and the Notice of Meeting (**Scheme Booklet**) with the Australian Securities and Investment Commission.

#### **Scheme Booklet/Independent Expert's Report**

A copy of the Scheme Booklet, which includes the Independent Expert's Report and a Notice of Scheme Meeting, is attached to this announcement. A copy of the voting / proxy form that will be sent to Class shareholders and the Scheme Meeting Online Guide is also attached.

The Scheme Booklet provides Class shareholders with information about the Scheme. Class shareholders are advised to read the Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

The Scheme Booklet includes a copy of the Independent Expert's Report prepared by Leadenhall Corporate Advisory Pty Ltd (**Independent Expert**). The Independent Expert has concluded that the Scheme is in the best interests of Class shareholders, in the absence of a superior proposal. The Independent Expert has assessed the full underlying value of Class shares at between \$2.25 to \$2.57 per Class share. The Independent Expert has assessed the implied value of the Scheme consideration to be in the range of \$2.85 to \$3.03 per Class share, which falls above the top end of the Independent Expert's assessed valuation range of Class shares.<sup>1</sup> The Independent Expert's conclusions should be read in context with the full Independent Expert's Report and the Scheme Booklet.

#### **Directors' recommendation**

The Class Board continues to unanimously recommend that Class shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a superior proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class shareholders. Each Class Director intends to vote (or procure the voting of) Class shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme resolution, subject to the same qualification.

#### **Accessing the Scheme Booklet**

The Scheme Booklet is also available for viewing and downloading at <https://investors.class.com.au/Investors/>

In addition, Class shareholders who have previously elected to receive communications electronically will receive an email to their nominated email address that will contain instructions about how to view or download a copy of the Scheme Booklet. Class shareholder who have previously elected to receive documents from Class in hard copy will receive a printed copy of the Scheme Booklet and their personalised voting/proxy form (sent by post to their registered address). Class shareholders who have not made any such elections will receive a letter (sent by post to their registered address) containing details of where they can view and download the Scheme Booklet. The above documents will be sent to applicable Class shareholders during the course of next week.

Class shareholders who wish to receive a printed copy of the Scheme Booklet may request one by calling the Class Shareholder Information Line on 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia), Monday to Friday (excluding public holidays) between 9.00am and 5.00pm (Sydney time).

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<sup>1</sup> This implied value is based on the aggregate of the cash consideration and the scrip consideration. Refer to the Scheme Booklet for further information.

**Further information**

Class shareholders can obtain further information in relation to the Scheme Booklet or the Scheme by visiting <https://investors.class.com.au/Investors/> or calling the Class Shareholder Information Line on 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia), Monday to Friday (excluding public holidays) between 9.00am and 5.00pm (Sydney time).

**ENDS****Enquiries**

For further information please contact:

Zoe Wise

Investor Relations Assistant

Email [investor@class.com.au](mailto:investor@class.com.au)

# Scheme Booklet

for a scheme of arrangement in relation to the proposed acquisition of Class Limited by HUB24 Limited

## VOTE IN FAVOUR

Your Class Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and hence in the best interests of Class Shareholders, in the absence of a Superior Proposal.

As a result of the potential health risks associated with large gatherings, and the ongoing COVID-19 pandemic, the Scheme Meeting is scheduled to be held online only at 10:00am (Sydney time) on 31 January 2022. There will be no physical Scheme Meeting.

Full details of how to participate in the online Scheme Meeting are set out in this Scheme Booklet. Class strongly encourages Class Shareholders to consider lodging a direct vote or appointing a proxy in the event they are not able to participate in the online Scheme Meeting.

This Scheme Booklet is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Scheme. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.

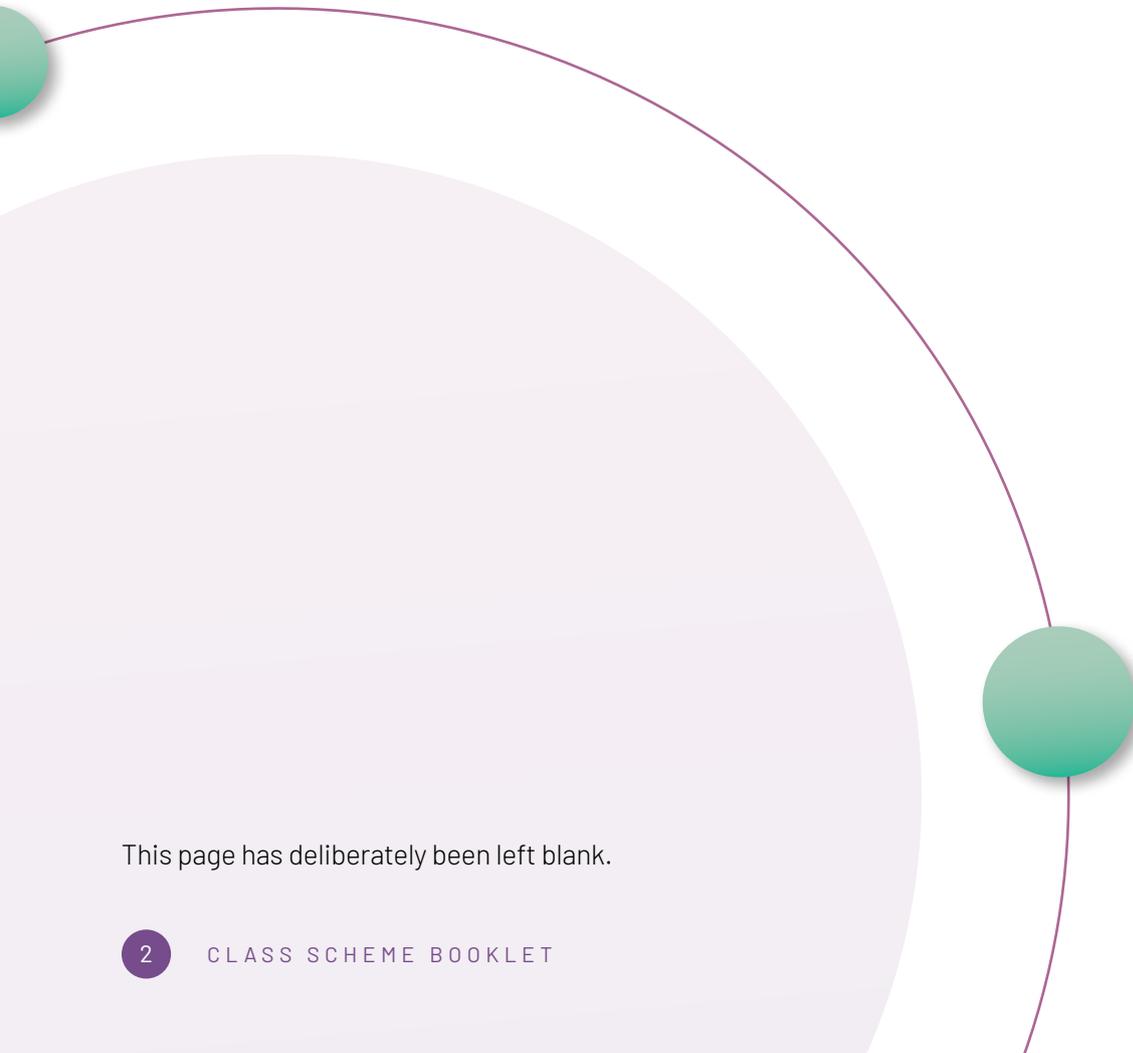
If you have any questions in relation to this Scheme Booklet or the Scheme, please contact the Class Shareholder Information Line on 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia), Monday to Friday (excluding public holidays) between 9.00am and 5.00pm (Sydney time).

Financial Adviser



Legal Adviser

Allens & Linklaters



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# Important notices

## Nature of this Scheme Booklet

This Scheme Booklet provides Class Shareholders with information about the proposed acquisition of Class Limited (ACN 116 802 058)(**Class**) by HUB24 Limited (ACN 124 891 685)(**HUB24**) by way of a scheme of arrangement between Class and the Class Shareholders.

You should review all of the information in this Scheme Booklet carefully. Section 1.2 sets out the reasons why you should vote in favour of the Scheme and Section 1.3 sets out the reasons why you may wish to vote against the Scheme.

This Scheme Booklet is not a disclosure document required by Chapter 6D or Part 7.9 of the Corporations Act.

This Scheme Booklet is prepared for persons shown on the Class Share Register as holding Class Shares. If you have recently sold all of your Class Shares, please disregard this Scheme Booklet.

## Defined terms

A number of defined terms are used in this Scheme Booklet. These terms are explained in Section 11. Some of the documents reproduced in the annexures to this Scheme Booklet have their own defined terms, which are sometimes different to those set out in Section 11.

## No investment advice

The information contained in this Scheme Booklet does not constitute financial product or investment advice and has been prepared without reference to your own investment objectives, financial situation, taxation position or particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser. Neither Class nor HUB24 are licensed to provide financial product advice. No cooling-off period applies to the acquisition of HUB24 Shares to be issued as part of the Scheme Consideration under the Scheme.

## Not an offer

This Scheme Booklet does not constitute or contain an offer to Class Shareholders, or a solicitation of an offer from Class Shareholders, in any jurisdiction.

Section 708(17) of the Corporations Act provides that an offer of securities does not require disclosure to investors if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held as a result of an order under section 411(1) or (1A) of the Corporations Act.

## Foreign jurisdictions (New Zealand)

This Scheme Booklet is not a New Zealand product disclosure statement or other disclosure document and has not been registered, filed with or approved by any New Zealand governmental agency under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). In offering HUB24 Shares under the Scheme in New Zealand, HUB24 is relying on an exemption contained in the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 and accordingly, this Scheme Booklet may not contain all the information that a product disclosure statement or other disclosure document is required to contain under New Zealand law. New Zealand investors should seek their own advice and satisfy themselves as to the Australian and New Zealand tax implications of participating in the Scheme.

## Foreign jurisdictions (Rest of World)

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside of Australia.

Scheme Shareholders that are Ineligible Foreign Shareholders will not be able to receive HUB24 Shares as part of their Scheme Consideration and will instead receive cash under the Sale Facility in respect of those HUB24 Shares that would otherwise have been issued to them.

## Regulatory information

This Scheme Booklet is the explanatory statement for the scheme of arrangement between Class and the Class Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is set out in Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Class Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to the ASX for its review in accordance with the ASX Listing Rules. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

## Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure D.

## Class Shareholders' right to appear at the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

**Any Class Shareholder may appear at the Second Court Hearing, expected to be held at 9.15am (Sydney time) on 4 February 2022 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.**

**Any Class Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Class a notice of appearance in the prescribed form together with any affidavit that the Class Shareholder proposes to rely on at least one day before the Second Court Hearing.**

It is possible that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing service. A Class Shareholder seeking to attend the Second Court Hearing should review the Court list (available at <https://onlineregistry.lawlink.nsw.gov.au/content/>) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on the ASX ([www.asx.com.au](http://www.asx.com.au)) and will also be notified on the Company Website.

## Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has directed that an explanatory statement accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Class Shareholders should vote (Class Shareholders must reach their own decision on this matter); or
- has prepared, or is responsible for, the content of the explanatory statement.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

## Disclaimer as to forward-looking statements

This Scheme Booklet (including the Independent Expert's Report) contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views, and are held, only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe Class' or HUB24's objectives, plans, goals or expectations are or may be forward-looking statements.

Any statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Class' operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by those forward-looking statements. Forward-looking statements should not be taken to be forecasts or predictions that events will occur or that objectives, plans, goals, intentions or expectations will be achieved.

The operations and financial performance of Class are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of Class and/or HUB24. Class Shareholders should note that the historical financial performance of Class provides no assurance of the future financial performance of Class (whether the Scheme is implemented or not). Those risks and uncertainties include factors and risks specific to the industry in which Class operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Class following implementation of the Scheme, as well as the actual advantages of the Scheme, may differ significantly from those that are anticipated and may never be achieved.

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Although Class believes that the views reflected in any forward-looking statements included in the Class Information have been made on a reasonable basis, no assurance can be given that such views will prove

to have been correct. Although HUB24 believes that the views reflected in any forward-looking statements included in the HUB24 Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of the Class Group, HUB24 Group, Class Group's officers, HUB24 Group's officers, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

All subsequent written and oral forward-looking statements attributable to any member of the Class Group or any member of the HUB24 Group or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, the Class Group and the HUB24 Group do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

## **Effect of rounding**

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

## **Responsibility statement**

Class has been solely responsible for preparing the Class Information. The Class Information concerning Class and the intentions, views and opinions of Class and the Class Directors contained in this Scheme Booklet have been prepared by Class and the Class Directors and is the responsibility of Class. Class and its directors and officers do not assume any responsibility for the accuracy or completeness of this Scheme Booklet (other than the Class Information).

HUB24 has been solely responsible for preparing the HUB24 Information. The HUB24 Information concerning HUB24, the Combined Group and the intentions, views and opinions of any HUB24 Group member contained in this Scheme Booklet have been prepared by HUB24 and is the responsibility of HUB24. HUB24 and its directors and officers do not assume any responsibility for the accuracy or completeness of this Scheme Booklet (other than the HUB24 Information).

Leadenhall Corporate Advisory Pty Ltd (ACN 114 534 619) (**Independent Expert**) has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is set out in Annexure A. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet (other than the Independent Expert's Report).

Allens has prepared and is responsible for the information contained in Section 9. Neither Class nor HUB24 assumes any responsibility for the accuracy or completeness of the information contained in Section 9. Allens does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet (other than as contained in Section 9).

Link Market Services Limited (ACN 083 214 537) has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Class share registry. Link Market Services has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

### **Implied value**

As a portion of the Scheme Consideration comprises new HUB24 Shares, the implied value of that portion of the Scheme Consideration is not fixed and will vary with the market price of HUB24 Shares. This also applies to Ineligible Foreign Shareholders, whose Scheme Consideration, in part, comprises HUB24 Shares, which will be remitted to the Sale Agent to sell on the Ineligible Foreign Shareholders' behalf. Any cash remitted to Ineligible Foreign Shareholders under the Sale Facility will depend on the market price of HUB24 Shares at the time of sale by the Sale Agent and will be less any applicable taxes, brokerage and other charges incurred by HUB24 or the Sale Agent in connection with the sale.

### **Privacy**

Class and its agents and representatives may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Class Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Class to conduct the Scheme Meeting and to implement the Scheme. Personal information of the type described above may be disclosed to the Class Share Registry, print and mail service providers, authorised securities brokers, HUB24 and its Related Bodies Corporate, and HUB24's advisers and service providers. Class Shareholders have certain rights to access personal information that has been collected. Class Shareholders should contact the Class Share Registry in the first instance, if they wish to access their personal information. If the information outlined above is not collected, Class may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme. The collection of certain personal information is authorised by the Corporations Act. Class Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

### **Times and dates**

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates are indicative only and are subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions Precedent to the implementation of the Scheme.

### **External websites**

Content on the websites referenced in this Scheme Booklet do not form part of this Scheme Booklet, unless expressly stated otherwise. Accordingly, Class Shareholders should not rely on any such content in making their decision as to whether to vote in favour of the Scheme.

## **Charts and diagrams**

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date. Any discrepancies in any chart, graph or table between totals and sums of amounts presented or listed therein or to previously published financial figures are due to rounding.

## **Past performance**

References to the past financial performance of Class and HUB24 are not a reliable indicator of future performance.

## **Currency and exchange**

Unless otherwise stated, all dollar amounts in this Scheme Booklet are in Australian Dollars. All security prices and trading volumes in respect of Class Shares refer to Class Shares trading on the ASX and all security prices and trading volumes in respect of HUB24 Shares refer to HUB24 Shares trading on the ASX.

## **Date of this Scheme Booklet**

This Scheme Booklet is dated 15 December 2021.

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# Indicative Key Dates

EVENT	DATE
<b>First Court Date</b>	15 December 2021
<b>Scheme Meeting voting/proxy forms to be received by the Class Share Registry</b> Last time and date by which voting/proxy forms, powers of attorney and certificates of appointment of body corporate representative must be received by the Class Share Registry or lodged online at <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a> (as applicable)	10:00am (Sydney time) on 29 January 2022
<b>Scheme Meeting Record Date</b> Time and date for determining eligibility to vote at the Scheme Meeting	7:00pm (Sydney time) on 29 January 2022
<b>Scheme Meeting</b> The Scheme Meeting will be held online only. There will be no physical meeting.  Further information about the Scheme Meeting is set out in Section 4.4(b) and in the Notice of Scheme Meeting set out in Annexure D	10:00am (Sydney time) on 31 January 2022
<b>If the Scheme is approved by eligible Class Shareholders at the Scheme Meeting and all other conditions (except for Court approval of the Scheme) are satisfied (or waived) by that time</b>	
<b>Second Court Date</b> For approval of the Scheme	4 February 2022
<b>Scheme Effective Date</b> The date on which the Scheme becomes Effective and is binding on Class Shareholders  The Court order will be lodged with ASIC and announced on the ASX  Last day of trading in Class Shares – Class suspended from trading on the ASX from close of trading	7 February 2022
<b>If the Scheme is approved by the Court and becomes Effective</b>	
<b>Scheme Record Date</b> All Class Shareholders who hold Class Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration	7:00pm (Sydney time) on 9 February 2022
<b>Implementation Date</b> All Class Shareholders will be provided the Scheme Consideration to which they are entitled on this date and transfer of Class Scheme Shares to HUB24	16 February 2022
<b>Trading of HUB24 Shares</b> HUB24 Shares issued to Class Shareholders as Scrip Consideration to commence trading on the ASX on a normal settlement basis on this date.	17 February 2022 (unless the ASX requires otherwise)

All dates are indicative only and are, among other things, subject to the Court approval process and the satisfaction or, where capable, waiver of the Conditions Precedent to the implementation of the Scheme. Any changes to the above timetable (which may include an earlier or later date for the Scheme Meeting or Second Court Hearing) will be announced through the ASX and notified on the Company Website. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

Class Shareholders who have elected to receive communications electronically will receive an email that contains instructions about how to view or download a copy of the Scheme Booklet, and to lodge their proxy online. The Scheme Booklet will also be available for viewing and downloading on the Company Website.

Class Shareholders who have not elected to receive communications electronically will receive a hard copy voting/proxy form and a letter (sent by post) containing details of where they can view and download the Scheme Booklet, as well as details about how to obtain a hard copy of the Scheme Booklet.

This Scheme Booklet will also be available for viewing and downloading on the Company Website.

# Letter from the Chairman of Class

15 December 2021

Dear Class Shareholder,

On behalf of your Board, I am pleased to provide you with this Scheme Booklet that contains information that you will need to consider in relation to the proposed acquisition of Class by HUB24.

On 18 October 2021, Class and HUB24 announced that they had entered into a Scheme Implementation Deed under which HUB24 agreed to acquire 100% of the issued capital in Class by way of a scheme of arrangement.

## Overview of the Scheme

If the Scheme is approved and implemented, Class Shareholders will receive:

- scrip consideration of 1 HUB24 Share for every 11 Class Shares held at the Scheme Record Date; and
- cash consideration of \$0.125 for every Class Share held at the Scheme Record Date.

The Scheme Consideration was valued at \$3.13 per Class Share at the time of the announcement of the Scheme, representing a 73.0% premium to Class' closing share price of \$1.81 on Friday, 15 October 2021 (being the last trading day prior to the date of the initial announcement of the Scheme on Monday, 18 October 2021).<sup>1</sup> However, it is important to note that given the Scrip Consideration component of the Scheme Consideration, the implied value of the Scheme Consideration and the premium will shift with movements in the price of HUB24 Shares up until the implementation of the Scheme and the precise value of the Scrip Consideration will not be known at the time of the Scheme Meeting.

Based on the closing price of HUB24 Shares on the Last Practicable Date (being 13 December 2021), the Scheme Consideration to be offered to Class Shareholders implies a value of \$2.74 per Class Share and a market capitalisation of \$341 million.<sup>2</sup> This represents an attractive premium for Class Shareholders of:

- 51.3% premium to Class' closing share price of \$1.81 on Friday, 15 October 2021 (being the last trading day prior to the date of the announcement of the Scheme);
- 55.9% premium to the 1-month VWAP of Class shares to Friday, 15 October 2021; and
- 52.1% premium to the 3-month VWAP of Class shares to Friday, 15 October 2021.

<sup>1</sup> The implied value of \$3.13 is based on the closing price of HUB24 Shares of \$33.06 on 15 October 2021, being the last practicable trading day prior to the initial announcement of the Scheme on Monday, 18 October 2021. The implied value of the Scheme Consideration received by Class Shareholders will depend on the trading price of HUB24 Shares on the Implementation Date. Note that at the time of the initial announcement of the Scheme on Monday, 18 October 2021, and based on the initial cash consideration of \$0.10 for every Class Share, the initial Scheme consideration had a slightly lower implied value of \$3.11 based on the closing price of HUB24 Shares on Friday, 15 October 2021 and represented a slightly lower premium of 71.6% to Class' closing share price on Friday, 15 October 2021.

<sup>2</sup> The market capitalisation of \$341 million is based on a Class Share price of \$2.74 and 124,423,456 Class Shares on issue.

## Directors unanimous recommendation and voting intention

After carefully considering the expected advantages and potential disadvantages of the Scheme, each Class Director considers the Scheme to be in the best interests of Class Shareholders and recommends that Class Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.<sup>3</sup>

Subject to those same qualifications, each Class Director intends to vote (or procure the voting of) any Class Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme Resolution. As at the Last Practicable Date, the Class Directors hold in aggregate a Relevant Interest in approximately 1.45% of all Class Shares on issue.

The Class Board considers the Scheme to be in the best interests of Class Shareholders having regard to the attractive premium to historical trading prices of Class Shares, the expected benefits from combining the strengths and technological innovation of Class and HUB24 and the outlook, risks and opportunities available for Class as a standalone entity and separately as part of the Combined Group.

Further information to assist you in determining whether to vote in favour of, or against, the Scheme is set out in Sections 1.2 and 1.3.

## Major Shareholder Support

As at the Last Practicable Date, Spheria Asset Management Pty Limited (ACN 611 081 326), which has a relevant interest in approximately 19.99% of the ordinary Class Shares outstanding, has confirmed to Class that it intends to vote, or recommend the voting, in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Class Shareholders.

## Independent Expert

The Class Directors have commissioned an independent expert, Leadenhall Corporate Advisory Pty Ltd (ACN 114 534 619), to prepare an Independent Expert's Report in relation to the Scheme.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Class Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the value of each Class Share at between \$2.25 to \$2.57 per Class Share. The Independent Expert has assessed the implied value of the Scheme Consideration to be in the range of \$2.85 to \$3.03 per Class Share, which falls above the top end of the Independent Expert's assessed valuation range of Class Shares.

A copy of the Independent Expert's Report is included in Annexure A. The Class Board encourages you to read the Independent Expert's Report in its entirety.

<sup>3</sup> You should note when considering this recommendation that Andrew Russell (Class' Chief Executive Officer and Managing Director) holds or controls 198,084 Class Shares, 971,457 Performance Rights (of which 659,980 are expected to vest subject to the Scheme becoming Effective) and 81,614 Deferred Rights (of which 81,614 are expected to vest subject to the Scheme becoming Effective). The value of those vested Performance Rights and Deferred Rights are expected to be approximately \$2.32 million (based on an implied value of \$3.13 per Class Share, noting that as stated in footnote 1, this implied value will depend on the trading price of HUB24 Shares on the Implementation Date). Further information about these arrangements are set out in Section 10.3. Despite this interest in the outcome of the Scheme, Mr Russell considers that, given the importance of the Scheme, and his role as Class' Chief Executive Officer and Managing Director, it is important and appropriate for him to provide a recommendation to Class Shareholders in relation to voting on the Scheme. The Class Board (excluding Mr Russell) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of Class and his deep industry knowledge.

## Scheme Meeting

Your vote is important. The Scheme can only be implemented if it is approved by the Requisite Majorities, being:

- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by eligible Class Shareholders present and voting at the Scheme Meeting; and
- unless the Court orders otherwise, a majority in number (more than 50%) of eligible Class Shareholders present and voting at the Scheme Meeting,

and if the Scheme is subsequently approved by the Court.

As a result of the potential health risks associated with large gatherings, and the ongoing COVID-19 pandemic, the Scheme Meeting is scheduled to be held online only at 10:00am (Sydney time) on 31 January 2022. There will not be a physical meeting where Class Shareholders or their proxies, attorneys or corporate representatives can attend in person. Further information about the Scheme Meeting is set out in the Notice of Scheme Meeting contained in Annexure D.

I encourage you to carefully consider all the information set out in this Scheme Booklet when deciding whether to vote in favour of the Scheme and urge you to participate in this important decision by following the process set out in Section 3 or, if you are unable to attend, by lodging a direct vote or appointing a proxy ahead of the Scheme Meeting.

If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

If you require any further information in relation to the Scheme, please call the Class Shareholder Information Line on 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia).

On behalf of the Class Board, I would like to take this opportunity to thank you in advance for your ongoing support of Class. The Class Board believe that the proposed Scheme makes strong commercial and strategic sense and is in the best interests of Class Shareholders.<sup>4</sup> The Class Board encourages you to vote in favour of the Scheme and look forward to your participation in this important decision.

Yours sincerely,



**MATTHEW QUINN**

Chairman  
Class Limited

<sup>4</sup> You should note when considering this recommendation that Andrew Russell (Class' Chief Executive Officer and Managing Director) holds or controls 198,084 Class Shares, 971,457 Performance Rights (of which 659,980 are expected to vest subject to the Scheme becoming Effective) and 81,614 Deferred Rights (of which 81,614 are expected to vest subject to the Scheme becoming Effective). The value of those vested Performance Rights and Deferred Rights are expected to be approximately \$2.32 million (based on an implied value of \$3.13 per Class Share, noting that as stated in footnote 1, this implied value will depend on the trading price of HUB24 Shares on the Implementation Date). Further information about these arrangements are set out in Section 10.3. Despite this interest in the outcome of the Scheme, Mr Russell considers that, given the importance of the Scheme, and his role as Class' Chief Executive Officer and Managing Director, it is important and appropriate for him to provide a recommendation to Class Shareholders in relation to voting on the Scheme. The Class Board (excluding Mr Russell) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of Class and his deep industry knowledge.

# Letter from the Chairman of HUB24

15 December 2021

Dear Class Shareholder,

As Chairman of HUB24 and on behalf of the HUB24 Board, I am excited about the opportunities presented by the combination of HUB24 and Class, and I am very pleased to present this Transaction to Class Shareholders. Our strategy for the Transaction outlined in this Scheme Booklet is compelling, bringing together two market leading wealth technology businesses which provides an opportunity to deliver enhanced value to both Class Shareholders and HUB24 Shareholders, whilst enabling financial professionals to empower better financial futures for their customers.

HUB24 and Class are highly complementary businesses with a track record of innovation and aligned culture and values. Both companies are strategically focussed on the delivery of solutions that support financial professionals to implement investment, tax and strategic advice. By leveraging the combined capabilities there is potential to deliver increased value, efficiency and product solutions for both new and existing customers, as well as provide a compelling competitive advantage and diversification of revenue for both companies.

Though it is intended that Class will operate as a business unit within HUB24 with its own leadership team and under the Class brands, following the completion of the Transaction there is an opportunity for the teams across both businesses to work together to develop innovative product solutions. Additionally, HUB24 will continue to invest in the Class business and enable Class to deliver on its multi-product software-as-a-service strategy.

The combined business is expected to benefit from increased scale, capabilities, product offering, distribution reach and technology resources.

Through ongoing commitment to product innovation and customer service excellence, HUB24 has been recognised as Australia's Best Platform by Investment Trends in the 2020 Platform Competitive Analysis and Benchmarking Report and voted No.1 in 2021 by advisers in the Wealth Insights Platform Service Level Report. Funds under administration (**FUA**) have grown by 66% compound annual growth rate and revenue by 36% over the last 5 years to 30 June 2021.

HUB24 has a strong track record of delivering returns to shareholders. The Scrip Consideration will enable Class Shareholders to participate in future returns and potential opportunities delivered by leveraging the collective capabilities of HUB24 and Class.

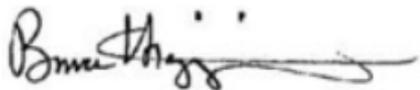
With this Transaction, we see the opportunity to further strengthen our position as a leading provider of integrated platforms, technology and data solutions for financial professionals including financial advisers, accountants, private banks, licensees, stockbrokers and their clients, and accelerate HUB24's platform of the future and data services market leadership strategies.

This Scheme Booklet provides important information in relation to the Transaction, including an overview of HUB24 and its key business units, a profile of the Combined Group and HUB24's intention for the Combined Group. On behalf of the HUB24 Board I encourage you to:

- read this Scheme Booklet carefully; and
- vote in favour of the Scheme at the Scheme Meeting to be held at 10:00am (Sydney time) on 31 January 2022.

On behalf of the HUB24 Board, I am excited by the opportunities that lie ahead for the combined HUB24 and Class businesses. I look forward to welcoming you as a HUB24 Shareholder following successful implementation of the Scheme.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bruce Higgins', with a long, sweeping underline.

**BRUCE HIGGINS**

Chairman

HUB24 Limited

# 1 Key considerations relevant to your vote

## 1.1 Introduction

The Scheme has a number of advantages and disadvantages which may affect Class Shareholders in different ways depending on their individual circumstances. Class Shareholders should seek professional advice on their particular circumstances, as appropriate. Class Shareholders should also read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting.

Section 1.2 provides a summary of some of the reasons why the Class Directors unanimously recommend that Class Shareholders should vote in favour of the Scheme. This should be read in conjunction with Section 1.3, which sets out other reasons why you may wish to vote against the Scheme. While Class Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme outweigh the disadvantages.

As at the Last Practicable Date, the Class Directors hold in aggregate a Relevant Interest in approximately 1.45% of all Class Shares on issue. Each Class Director intends to vote (or procure the voting of) any Class Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.

As at the Last Practicable Date, Spheria Asset Management Pty Limited (ACN 611 081 326), which has a relevant interest in approximately 19.99% of the ordinary Class Shares outstanding, has confirmed to Class that it intends to vote, or recommend the voting, in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Class Shareholders.

## 1.2 Reasons to vote for the Scheme

This section summarises the reasons why the Class Directors have formed the view that the Scheme is in the best interests of Class Shareholders.

### (a) The Scheme Consideration represents an attractive premium to historical trading prices of Class Shares

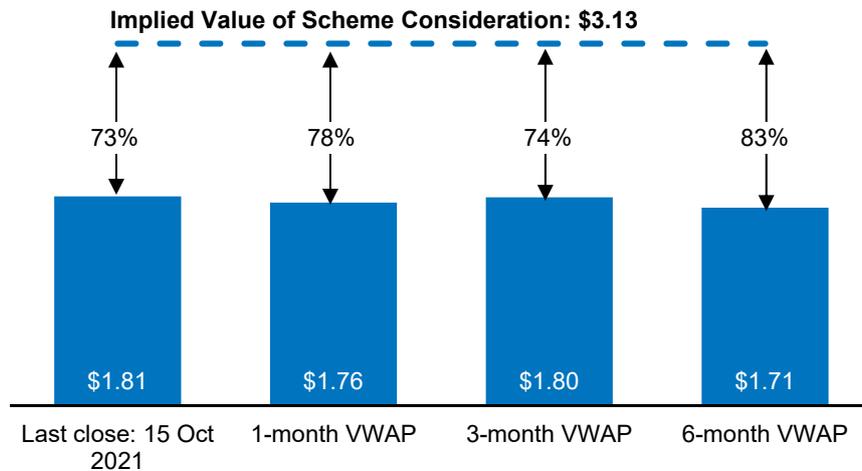
If the Scheme is approved and implemented, Class Shareholders will receive:

- scrip consideration of 1 HUB24 Share for every 11 Class Shares held at the Scheme Record Date; and
- cash consideration of \$0.125 for every Class Share held at the Scheme Record Date.

The Scheme Consideration to be offered to Class Shareholders has an implied value of \$3.13 per Class Share representing a 73.0% premium to Class' closing share price of \$1.81 on Friday, 15 October 2021 (being the last trading day prior to the date of the initial announcement of the Scheme).<sup>5</sup> However, it is important to note that given the Scrip Consideration component of the Scheme Consideration, the implied value of the Scheme Consideration and the premium will shift with movements in the price of HUB24 Shares up until the implementation of the Scheme.

<sup>5</sup> The implied value of \$3.13 is based on the closing price of HUB24 Shares of \$33.06 on 15 October 2021, being the last practicable trading day prior to the initial announcement of the Scheme on Monday, 18 October 2021. The implied value of the Scheme Consideration received by Class Shareholders will depend on the trading price of HUB24 Shares on the Implementation Date. Note that at the time of the initial announcement of the Scheme on Monday, 18 October 2021, and based on the initial cash consideration of \$0.10 for every Class Share, the initial Scheme consideration had a slightly lower implied value of \$3.11 based on the closing price of HUB24 Shares on Friday, 15 October 2021 and represented a slightly lower premium of 71.6% to Class' closing share price on Friday, 15 October 2021.

**Figure 1. Scheme Consideration premium to historical trading prices<sup>6</sup>**



**Source: IRESS as at 13 December 2021**

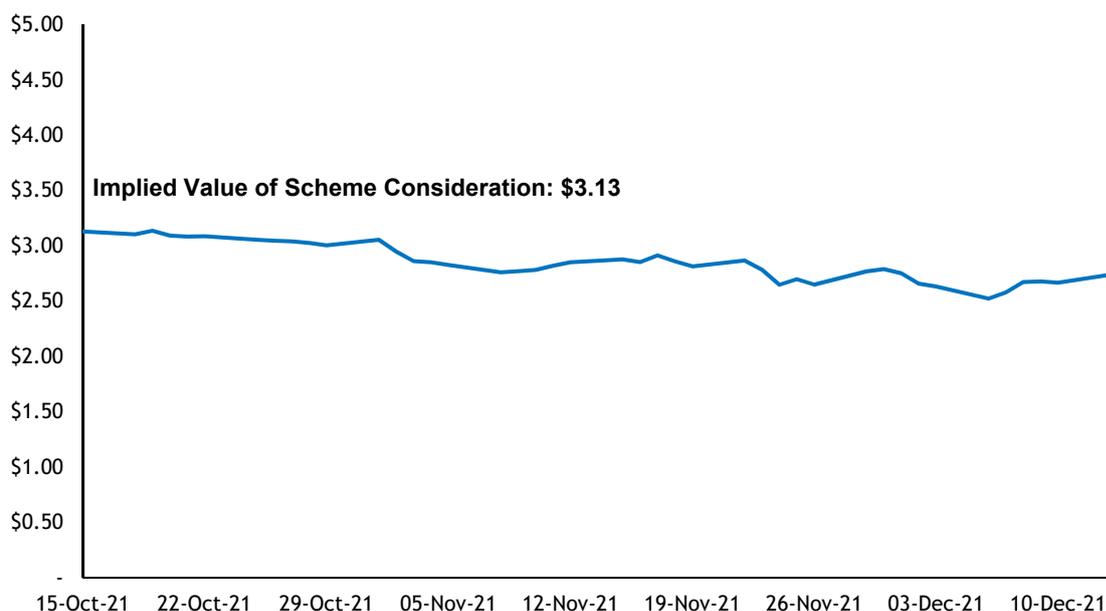
Based on the closing price of HUB24 Shares on the Last Practicable Date (being 13 December 2021), the Scheme Consideration to be offered to Class Shareholders implies a value of \$2.74 per Class Share and a market capitalisation of \$341 million. This represents an attractive premium for Class Shareholders of:

- 51.3% premium to Class' closing share price of \$1.81 on Friday, 15 October 2021 (being the last trading day prior to the date of the announcement of the Scheme);
- 55.9% premium to the 1-month VWAP of Class shares of \$1.76, to Friday, 15 October 2021; and
- 52.1% premium to the 3-month VWAP of Class shares of \$1.80, to Friday, 15 October 2021.

Since the announcement of the Scheme to the Last Practicable Date, the HUB24 share price has traded in a range of \$25.96 to \$34.72, and the value of the Scheme Consideration has shifted accordingly as follows:

<sup>6</sup> The implied value of \$3.13 is based on the closing price of HUB24 Shares of \$33.06 on 15 October 2021, being the last practicable trading day prior to the initial announcement of the Scheme on Monday, 18 October 2021. The implied value of the Scheme Consideration received by Class Shareholders will depend on the trading price of HUB24 Shares on the Implementation Date. Note that at the time of the initial announcement of the Scheme on Monday, 18 October 2021, and based on the initial cash consideration of \$0.10 for every Class Share, the initial Scheme consideration had a slightly lower implied value of \$3.11 based on the closing price of HUB24 Shares on Friday, 15 October 2021 and represented a slightly lower premium of 71.6% to Class' closing share price on Friday, 15 October 2021. The '1-month VWAP', '3-month VWAP' and '6-month VWAP' are determined with reference to the date of 15 October 2021.

**Figure 2. Implied value of the Scheme Consideration since announcement of the Scheme<sup>7</sup>**



**Source: IRESS as at 13 December 2021**

**(b) Unanimous Class Board Recommendation**

The Class Directors believe that the Scheme is in the best interests of Class Shareholders and unanimously recommend that Class Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.<sup>8</sup>

In arriving at their recommendation, the Class Directors have considered the advantages and disadvantages of the Scheme, including information contained in the following sections:

- reasons why you should vote in favour of the Scheme (Section 1.2);
- reasons why you may wish to vote against the Scheme (Section 1.3); and
- risks and Australian tax implications (Sections 8 and 9).

The Class Directors consider that the Scheme Consideration recognises fair value for Class. Subject to the same qualifications as the Class Directors' voting recommendation, each Class Director intends to vote (or procure the voting of) Class Shares held or

<sup>7</sup> The implied value of \$3.13 on 15 October 2021 is based on the closing price of HUB24 Shares of \$33.06 on 15 October 2021, being the last practicable trading day prior to the initial announcement of the Scheme on Monday, 18 October 2021. The implied value of the Scheme Consideration received by Class Shareholders will depend on the trading price of HUB24 Shares on the Implementation Date. Note that at the time of the initial announcement of the Scheme on Monday, 18 October 2021, and based on the initial cash consideration of \$0.10 for every Class Share, the initial Scheme consideration had a slightly lower implied value of \$3.11 based on the closing price of HUB24 Shares on Friday, 15 October 2021 and represented a slightly lower premium of 71.6% to Class' closing share price on Friday, 15 October 2021.

<sup>8</sup> You should note when considering this recommendation that Andrew Russell (Class' Chief Executive Officer and Managing Director) holds or controls 198,084 Class Shares, 971,457 Performance Rights (of which 659,980 are expected to vest subject to the Scheme becoming Effective) and 81,614 Deferred Rights (of which 81,614 are expected to vest subject to the Scheme becoming Effective). The value of those vested Performance Rights and Deferred Rights are expected to be approximately \$2.32 million (based on an implied value of \$3.13 per Class Share, noting that as stated in footnote 1, this implied value will depend on the trading price of HUB24 Shares on the Implementation Date). Further information about these arrangements are set out in Section 10.3. Despite this interest in the outcome of the Scheme, Mr Russell considers that, given the importance of the Scheme, and his role as Class' Chief Executive Officer and Managing Director, it is important and appropriate for him to provide a recommendation to Class Shareholders in relation to voting on the Scheme. The Class Board (excluding Mr Russell) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of Class and his deep industry knowledge.

controlled by him or her at the time of the Scheme Meeting in favour of the Scheme Resolution. As at the Last Practicable Date, the Class Directors hold in aggregate a Relevant Interest in approximately 1.45% of all Class Shares on issue.

**(c) The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme is in the best interests of Class Shareholders**

The Class Directors appointed Leadenhall Corporate Advisory Pty Ltd (ACN 114 534 619) as the independent expert to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is fair and reasonable and in the best interests of Class Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Class Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the value of each Class Share at between \$2.25 to \$2.57 per Class Share. The Independent Expert has assessed the implied value of the Scheme Consideration to be in the range of \$2.85 to \$3.03 per Class Share, which falls above the top end of the Independent Expert's assessed valuation range of Class Shares.

A copy of the Independent Expert's Report is included in Annexure A. The Class Directors encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether to vote in favour or against the Scheme.

**(d) The Scheme provides opportunities to continue the transformation of Class and for future growth**

The Scheme offers a number of expected benefits from combining the respective strengths and technological innovation of Class and HUB24, which will help accelerate the transformation and growth opportunities of both businesses.

Class will be able to leverage the enhanced scale, capabilities, distribution, product offering and technological development of the Combined Group to deliver on its strategic initiatives of increasing value, efficiency and enhancing product solutions for both existing and new customers.

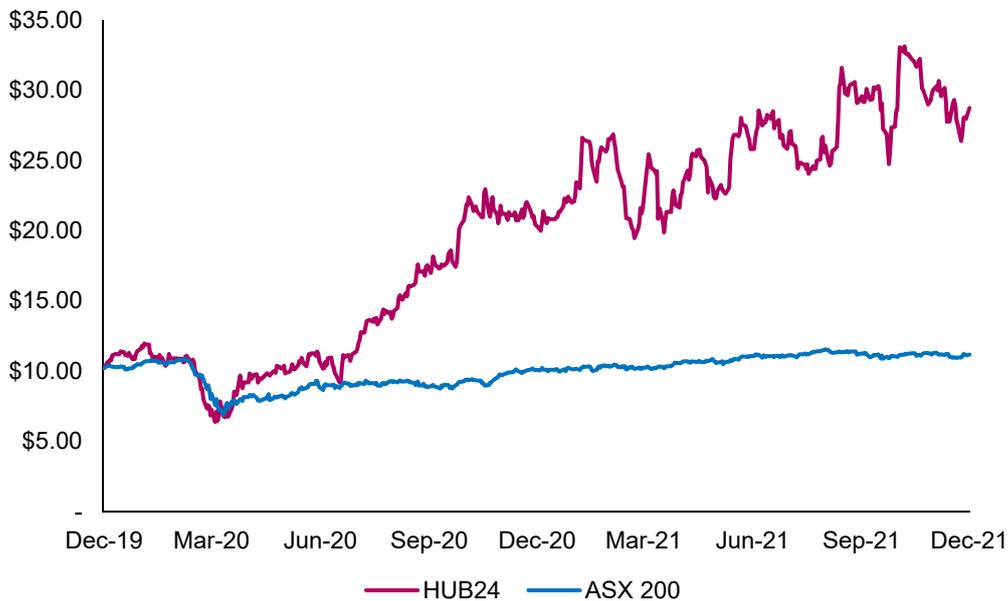
**(e) Receiving HUB24 Shares as part of the Scrip Consideration provides Class Shareholders with the opportunity to become shareholders in a leading specialist platform provider and share the proposed benefits created by the Scheme**

The structure of Scheme Consideration provides an opportunity for Class Shareholders to share in any future upside and combination benefits with HUB24. Receiving HUB24 Shares will provide Class Shareholders with ongoing exposure to the Class business as well as to the business of the Combined Group, which will provide diversification of revenue. The benefits of the Scheme include:

- an opportunity to enhance the value proposition for customers of both businesses, by delivering a greater range of product offerings for existing and new customers and delivering future revenue opportunities;
- exposure to a larger and diversified company which has pro forma FY21 revenues of \$163 million and pro forma FY21 EBITDA of \$59 million with a significant growth profile; and
- Class Shareholders wishing to fully realise their investment will benefit from the higher level of liquidity of HUB24 Shares compared to Class Shares given the pro forma market capitalisation of more than \$1.973 billion and HUB24's higher level of daily trading volumes.

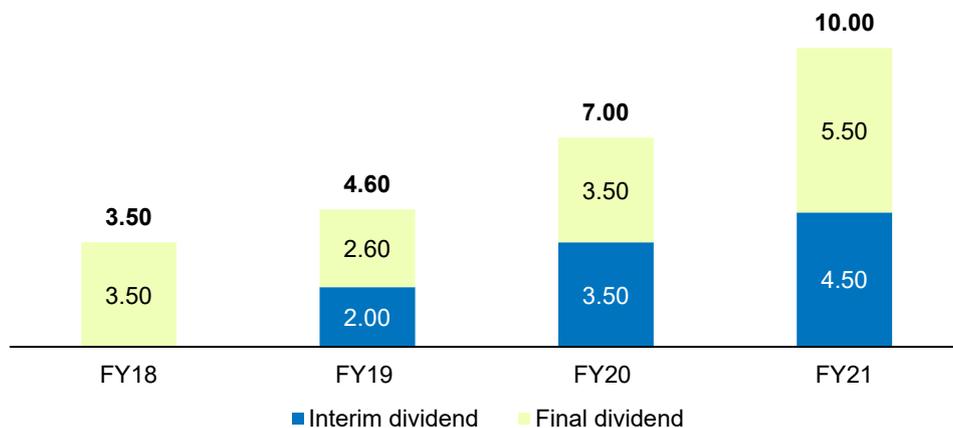
HUB24 has also significantly outperformed the ASX200 over the short, medium and long term and has a history of consistent dividend payment and growth. However, it should be noted that historical performance is not indicative of future performance.

**Figure 3. HUB24 share price performance versus the ASX200 (rebased to HUB24 price)**



Source: IRESS as at 13 December 2021

**Figure 4. HUB24 dividends over time (cents per share)**



**(f) Since the announcement of the Scheme, no Superior Proposal has emerged**

Since the announcement of the Scheme on 18 October 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and, as at the date of this Scheme Booklet, the Class Directors are not aware of any Superior Proposal that is likely to emerge.

The Scheme Implementation Deed prohibits Class from soliciting and responding to a Competing Proposal, other than in certain circumstances, and requires Class to notify HUB24 of any Competing Proposal and its terms. Class will notify Class Shareholders if a

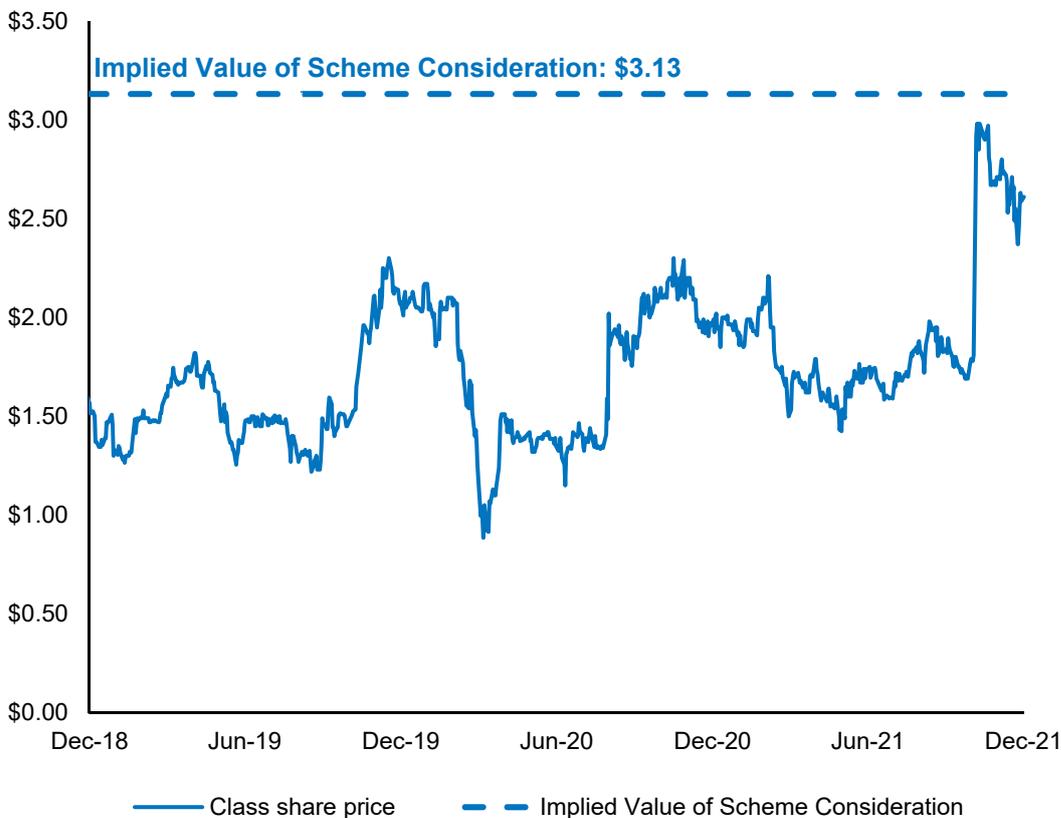
Superior Proposal is received before the Second Court Date. Further information about the details of the exclusivity obligations of Class is set out in Section 10.5(c).

**(g) If the Scheme does not proceed, and no Superior Proposal emerges, the Class share price may fall in the near-term**

Prior to the announcement of the Scheme, on Friday 15 October 2021, the closing price of Class Shares was \$1.81 per share.

If the Scheme is not implemented, and in the absence of a Superior Proposal, the price of Class Shares on the ASX may fall, including to a price that is significantly below the implied value of the Scheme Consideration on the Last Practicable Date, being \$2.74 per Class Share, and below the price at which Class Shares have traded prior to announcement of the Scheme on 18 October 2021.

**Figure 5. Class share price performance for the last 3 years to Last Practicable Date<sup>9</sup>**



**Source: IRESS as at 13 December 2021**

**(h) Scheme Shareholders will not incur any brokerage charges on the transfer of their Class Shares if the Scheme proceeds**

Scheme Shareholders will not incur brokerage charges on the transfer of their Class Shares to HUB24 pursuant to the Scheme. If you dispose of your Class Shares other than under the Scheme, you may incur brokerage charges.

<sup>9</sup> The implied value of \$3.13 is based on the closing price of HUB24 Shares of \$33.06 on 15 October 2021, being the last practicable trading day prior to the initial announcement of the Scheme. The implied value of the Scheme Consideration received by Class Shareholders will depend on the trading price of HUB24 Shares on the Implementation Date. Note that at the time of the initial announcement of the Scheme on Monday, 18 October 2021, and based on the initial cash consideration of \$0.10 for every Class Share, the initial Scheme consideration had a slightly lower implied value of \$3.11 based on the closing price of HUB24 Shares on Friday, 15 October 2021 and represented a slightly lower premium of 71.6% to Class' closing share price on Friday, 15 October 2021.

### 1.3 Why you may wish to vote against the Scheme

Although the Scheme is recommended unanimously by the Class Directors and the Independent Expert, who have concluded that the Scheme is in the best interests of Class Shareholders (in each case in the absence of a Superior Proposal), this section summarises some factors which may lead you to consider voting against the Scheme.

**(a) You may believe that there is potential for a Superior Proposal to be made in the foreseeable future**

Since the announcement of the Scheme on 18 October 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged. However, Class Shareholders may consider that a Superior Proposal with better long-term prospects for Class could emerge in the foreseeable future. The Scheme becoming Effective and being implemented will mean that existing Class Shareholders will not receive the benefit of any such Superior Proposal.

The Scheme Implementation Deed prohibits Class from soliciting a Competing Proposal, other than in certain circumstances, and requires Class to notify HUB24 of any Competing Proposal and its terms. Class Shareholders will be notified if a Superior Proposal is received before the Second Court Date.

**(b) You may disagree with the Class Board's unanimous recommendation or the Independent Expert's conclusion**

You may disagree with the conclusion of the Independent Expert, who has determined that the Scheme is in the best interest of Class Shareholders, in the absence of a Superior Proposal.

Similarly, you may disagree with the unanimous recommendation of the Class Directors, who have recommended that Class Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.

**(c) You may wish to maintain your current investment profile and exposure to a business with Class' specific characteristics**

Class Shareholders may wish to keep their Class Shares and preserve their investment in a publicly listed company with the specific characteristics of Class. The asset composition and exposure, earnings mix and risk profile of Class and HUB24 on a standalone basis are different.

Implementation of the Scheme may represent a disadvantage if you do not want to change your investment profile.

Further information about the Combined Group is set out in Section 7.

**(d) You may not wish to have exposure to the HUB24 Group's portfolio, business or risk profile**

Class Shareholders (other than Ineligible Foreign Shareholders) will receive HUB24 Shares as part of their Scheme Consideration and will have exposure to the more diverse portfolio and business of HUB24 Group. You may find that the risk and investment profile of HUB24 Group may not be consistent with your investment preferences.

Section 6 summarises the business operations and strategy of HUB24. You should read that section to understand what additional businesses and assets you will be exposed to if you become a HUB24 Shareholder on implementation of the Scheme.

Additionally, there are a number of risks specific to the Combined Group which are set out in Section 8.4 and which may affect the value of HUB24 Shares.

Class Shareholders should consider these risks before deciding whether to vote in favour of the Scheme.

**(e) The future value of HUB24 Shares after the Scheme is implemented is uncertain and may move with the market and investor sentiment**

If the Scheme becomes Effective and is implemented, Class Shareholders (other than Ineligible Foreign Shareholders) will receive HUB24 Shares on the Implementation Date. The implied value of the Scheme Consideration will, in part, depending on the trading value of the HUB24 Shares on the Implementation Date.

The trading value of HUB24 Shares will depend on the price at which HUB24 Shares are trading on ASX. The price may rise or fall depending on market conditions and the financial and operational performance of the Combined Group.

Further information about the Combined Group is set out in Section 7.

**(f) If the Scheme is implemented and you receive HUB24 Shares, the dividend income received on HUB24 Shares may be lower than the dividend income received by Class Shareholders historically**

HUB24 has a history of consistent dividend payment and growth. Whilst HUB24 has indicated an expectation of increased future cash generation and an ambition to increase future dividends as cash generation grows, there is no guarantee that Class Shareholders will receive a similar amount of dividend income if the Scheme is implemented as they receive under Class' current dividend policy.

**(g) The tax consequences of the Scheme may not suit your current financial situation**

Implementation of the Scheme may trigger different or adverse tax consequences for certain Class Shareholders. The tax treatment may vary depending on the nature and characteristics of each Class Shareholder and their specific circumstances. The tax consequences of the Scheme may not suit an individual Class Shareholder's financial position.

Class Shareholders should read the tax implications of the Scheme outlined in Section 9, which is general in nature. However, you should obtain advice with your own tax advisers for detailed tax advice regarding the Australian and, if applicable, foreign tax implications for participating in the Scheme in light of the particular circumstances which apply to you.

**(h) The Scheme may be subject to conditions that you consider unacceptable**

In addition to Class Shareholder approval and Court approval, the implementation of the Scheme is subject to a number of other Conditions Precedent. If these conditions are not satisfied or waived (where capable of waiver), the Scheme will not be implemented, and Class Shareholders will not receive the Scheme Consideration.

The Conditions Precedent to the Scheme are summarised in Section 10.5(a) and are set out in full in clause 3.1 of the Scheme Implementation Deed. Notwithstanding the fact that the Scheme is not subject to any financing or further due diligence conditions, you may consider those conditions to be unacceptable. However, you should note that the Scheme will not be implemented unless those conditions are satisfied or waived (where capable of waiver).

## 2 Frequently asked questions

QUESTION	ANSWER	MORE INFORMATION
<b><i>This Scheme Booklet</i></b>		
<b>Why have I received this Scheme Booklet?</b>	<p>This Scheme Booklet has been sent to you because you are a Class Shareholder and you are being asked to vote on the Scheme Resolution.</p> <p>This Scheme Booklet is intended to provide Class Shareholders with relevant information in relation to the Scheme in order to assist you in deciding how to vote on the Scheme Resolution at the Scheme Meeting.</p> <p>If you have recently sold all of your Class Shares, please disregard this Scheme Booklet.</p>	N/A
<b><i>Scheme Overview</i></b>		
<b>What is the Scheme?</b>	<p>The Scheme is a scheme of arrangement, which is a statutory procedure that is commonly used to enable a company to acquire an ASX-listed company.</p> <p>The Scheme is between Class and the Scheme Shareholders and will effect the acquisition of Class by HUB24.</p>	Section 4
<b>What will happen to the Class Group if the Scheme becomes Effective and is implemented?</b>	If the Scheme becomes Effective and is implemented, Class will be acquired by HUB24. and an application will be made for the termination of the official quotation of Class Shares on the ASX and to have Class removed from the official list of the ASX.	Section 4.4(g)
<b>Are there conditions to the Scheme proceeding?</b>	Implementation of the Scheme is subject to the satisfaction or waiver (where capable of waiver) of a number of Conditions Precedent. These Conditions Precedent are summarised in Sections 4.2 and 10.5(a). The Conditions Precedent do not include any due diligence or financing conditions.	Sections 4.2 and 10.5(a)
<b>Are there any termination rights?</b>	The Scheme Implementation Deed contains standard termination rights for both Class and HUB24. The termination rights are broadly summarised in Section 10.5(e).	Section 10.5(e)
<b><i>The Class Directors' recommendation, the Independent Expert's opinion and shareholder support</i></b>		
<b>Do the Class Directors recommend the Scheme?</b>	The Class Directors unanimously recommend that Class Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal	N/A

QUESTION	ANSWER	MORE INFORMATION
	and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Class Shareholders. <sup>10</sup>	
<b>Do the Class Directors intend to vote on the Scheme?</b>	As at the Last Practicable Date, the Class Directors hold in aggregate a Relevant Interest in approximately 1.45% of all Class Shares on issue.  Each Class Director intends to vote (or procure the voting of) any Class Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.	N/A
<b>What is the opinion of the Independent Expert?</b>	The Independent Expert has concluded that the Scheme is in the best interests of Class Shareholders on the basis that it is fair and reasonable, in the absence of a Superior Proposal.	Independent Expert's Report (Annexure A)
<b>Have any major shareholders indicated their intentions with respect to the Scheme?</b>	As at the Last Practicable Date, Spheria Asset Management Pty Limited (ACN 611 081 326), which has a relevant interest in approximately 19.99% of the ordinary Class Shares outstanding, has confirmed to Class that it intends to vote, or recommend the voting, in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Class Shareholders.	N/A
<b>Further details in relation to the Scheme</b>		
<b>Who is entitled to participate in the Scheme?</b>	If the Scheme Resolution is approved and the Conditions Precedent are satisfied or waived (where capable of waiver) and the Scheme becomes Effective and is implemented, all Class Shareholders on the Class Share Register at the Scheme Record Date will become entitled to the	Section 4.5

<sup>10</sup> You should note when considering this recommendation that Andrew Russell (Class' Chief Executive Officer and Managing Director) holds or controls 198,084 Class Shares, 971,457 Performance Rights (of which 659,980 are expected to vest subject to the Scheme becoming Effective) and 81,614 Deferred Rights (of which 81,614 are expected to vest subject to the Scheme becoming Effective). The value of those vested Performance Rights and Deferred Rights are expected to be approximately \$2.32 million (based on an implied value of \$3.13 per Class Share, noting that as stated in footnote 1, this implied value will depend on the trading price of HUB24 Shares on the Implementation Date). Further information about these arrangements are set out in Section 10.3. Despite this interest in the outcome of the Scheme, Mr Russell considers that, given the importance of the Scheme, and his role as Class' Chief Executive Officer and Managing Director, it is important and appropriate for him to provide a recommendation to Class Shareholders in relation to voting on the Scheme. The Class Board (excluding Mr Russell) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of Class and his deep industry knowledge.

QUESTION	ANSWER	MORE INFORMATION
	Scheme Consideration in respect of the Class Shares they hold at that time (subject to the terms of the Sale Facility applicable to Ineligible Foreign Shareholders).	
<b>What is an 'Ineligible Foreign Shareholder'?</b>	An 'Ineligible Foreign Shareholder' is a Class Shareholder whose address, as shown on the Class Share Register (as at the Scheme Record Date), is in a place outside Australia and Australia's external territories or New Zealand, unless HUB24 determines, acting reasonably, that the laws of that place permit the allotment and issue of HUB24 Shares to that Class Shareholder pursuant to the Scheme, either unconditionally or after compliance with conditions that HUB24 in its sole discretion regards as acceptable and not unduly onerous or impracticable.	Section 4.3(b)
<b>What if I am an Ineligible Foreign Shareholder at the Scheme Record Date?</b>	If the Scheme Resolution is approved, the Conditions Precedent are satisfied or waived (where capable of waiver) and the Scheme becomes Effective and is implemented, Scheme Shareholders who are Ineligible Foreign Shareholders will receive cash instead of the new HUB24 Shares they would otherwise have been entitled to under the Scheme through and subject to the terms of the Sale Facility. The cash received will be less any applicable taxes, brokerage and other charges incurred by HUB24 or the Sale Agent in connection with the sale under the Sale Facility.	Section 4.3(c)
<b>What will I receive if the Scheme becomes Effective and is implemented?</b>	<p>If the Scheme is approved and implemented, Class Shareholders will receive:</p> <ul style="list-style-type: none"> <li>• scrip consideration of 1 HUB24 Share for every 11 Class Shares held at the Scheme Record Date; and</li> <li>• cash consideration of \$0.125 for every Class Share held at the Scheme Record Date.</li> </ul> <p>Scheme Shareholders who are Ineligible Foreign Shareholders will receive cash instead of new HUB24 Shares they would otherwise have been entitled under the Scheme through and subject to the terms of the Sale Facility. The cash received will be less any applicable taxes, brokerage and other charges incurred by HUB24</p>	Section 4.3(d)

QUESTION	ANSWER	MORE INFORMATION
	or the Sale Agent in connection with the sale under the Sale Facility.	
<p><b>How will fractional entitlements be treated?</b></p>	<p>Where the number of Class Shares held by a Class Shareholder as at the Scheme Record Date is such that the aggregate entitlement of the Class Shareholder to the Scheme Consideration:</p> <ul style="list-style-type: none"> <li>• includes a fractional entitlement to a HUB24 Share; and/or</li> <li>• includes a fractional entitlement to a cent,</li> </ul> <p>then the entitlement of that Class Shareholder must be rounded up or down to the nearest number, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of HUB24 Shares or cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of HUB24 Shares or cents (as applicable).</p> <p>If a fractional entitlement to a HUB24 Share is rounded down, the amount of that fraction will be paid in cash for an amount equal to that fraction multiplied by the issue price of one HUB24 Share (calculated as the closing price per HUB24 Share on ASX as at the Scheme Record Date) and rounded down to the nearest cent.</p>	Section 4.3(e)
<p><b>What dividends will I receive for the six months period ending on 31 December 2021?</b></p>	<p>Under the Scheme Implementation Deed, Class has agreed with HUB24 that Class will not declare, determine or pay any dividends, including any dividends for the six months period ending 31 December 2021.</p>	
<b><i>Benefits, potential disadvantages and risks of the Scheme</i></b>		
<p><b>Why should I vote in favour of the Scheme?</b></p>	<p>In considering the Scheme, the Class Directors identified a number of benefits for Class Shareholders which could flow from the Scheme becoming Effective and being implemented.</p> <p>The Class Directors consider these benefits to be reasons why Class Shareholders may vote in favour of the Scheme Resolution.</p> <p>The benefits and reasons to vote in favour are set out in Section 1.2.</p>	Section 1.2

QUESTION	ANSWER	MORE INFORMATION
<p><b>Why might I consider voting against the Scheme?</b></p>	<p>In considering the Scheme, the Class Directors acknowledge there may be potential disadvantages for Class Shareholders.</p> <p>The Class Directors consider these potential disadvantages as reasons why Class Shareholders may vote against the Scheme Resolution.</p> <p>The potential disadvantages are set out in Section 1.3.</p>	<p>Section 1.3</p>
<p><b>What are the key risks associated with the Scheme?</b></p>	<p>The risks associated with the Scheme are set out in Section 8 and the potential disadvantages of the Scheme are also set out in Section 1.3. Class Shareholders should also review the tax implications of the Scheme which are set out in Section 9.</p> <p>In summary, there are three categories of risks:</p> <ul style="list-style-type: none"> <li>• general investment risks;</li> <li>• risk factors that arise from the Scheme; and</li> <li>• risk factors relating to the Combined Group.</li> </ul> <p>These and other risks (including those of a general nature) may affect the future operating performance, financial position and/or reputation of the Combined Group and/or the value of any HUB24 Shares.</p>	<p>Sections 1.3, 8 and 9</p>
<b>Meeting details, voting and approval thresholds</b>		
<p><b>When and where will the Scheme Meeting be held?</b></p>	<p>The Scheme Meeting will be held at 10:00am (Sydney time) on 31 January 2022.</p> <p>As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meeting will be online only. There will not be a physical meeting where Class Shareholders or their proxies, attorneys or corporate representatives can attend in person.</p> <p>Class Shareholders and their proxies, attorneys and corporate representatives may participate in the Scheme Meeting online only at <a href="https://meetings.linkgroup.com/CL122">https://meetings.linkgroup.com/CL122</a>.</p> <p>Class Shareholders who participate in the Scheme Meeting via the online platform will be able to listen to the Scheme Meeting, cast an online vote and ask questions online (in writing</p>	<p>Section 3.2(a)</p>

QUESTION	ANSWER	MORE INFORMATION
	<p>and verbally). Please monitor the Company Website and ASX announcements where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the meeting.</p> <p>Please see the Notice of Scheme Meeting set out in Annexure D and the Scheme Meeting Online Guide (which has been released to the ASX and will be available on the Company Website) for further details relating to the conduct of the Scheme Meeting.</p> <p>The Scheme Meeting may be postponed or adjourned, including if satisfaction of a condition precedent is delayed. Any such postponement or adjournment will be announced by Class to the ASX and on the Company Website.</p>	
<p><b>How do I vote?</b></p>	<p>You can vote:</p> <ul style="list-style-type: none"> <li>• in person by attending the online Scheme Meeting or by lodging a direct vote; or</li> <li>• by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative, to attend the online Scheme Meeting and vote on your behalf.</li> </ul> <p>You can lodge a direct vote or appoint a proxy by completing the voting/proxy form enclosed with this Scheme Booklet or by lodging your direct vote or appointing your proxy online at <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a> in accordance with the instructions there (as applicable) so that it is received by no later than 10:00am (Sydney time) on 29 January 2022.</p>	<p>Section 3.2(c)</p>
<p><b>Who is entitled to vote at the Scheme Meeting?</b></p>	<p>All Class Shareholders on the Class Share Register on the Scheme Meeting Record Date (currently expected to be 7:00pm (Sydney time) on 29 January 2022) are entitled to attend and vote at the Scheme Meeting.</p>	<p>Section 3.2(a)</p>
<p><b>What vote is required to approve the Scheme?</b></p>	<p>For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majorities, being:</p> <ul style="list-style-type: none"> <li>• at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by eligible Class</li> </ul>	<p>Section 3.2(b)</p>

QUESTION	ANSWER	MORE INFORMATION
	<p>Shareholders present and voting at the Scheme Meeting; and</p> <ul style="list-style-type: none"> <li>unless the Court orders otherwise, a majority in number (more than 50%) of eligible Class Shareholders present and voting at the Scheme Meeting.</li> </ul> <p>Even if the Scheme is approved by the Requisite Majorities of Class Shareholders at the Scheme Meeting, the Scheme is still subject to the approval of the Court.</p>	
<p><b>Why should I vote?</b></p>	<p>Voting is not compulsory. However, your vote will be important in determining whether the Scheme will proceed.</p> <p>The Class Directors recommend that you read this Scheme Booklet carefully and vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.<sup>11</sup></p>	<p>Sections 1.1 and 1.2</p>
<p><b>What choices do I have as a Class Shareholder?</b></p>	<p>As a Class Shareholder, you have the following choices:</p> <ul style="list-style-type: none"> <li>you can vote at the Scheme Meeting in person, by proxy, by attorney or, in the case of a body corporate, by duly appointed corporate representative;</li> <li>you can elect not to vote at the Scheme Meeting;</li> <li>you can sell your Class Shares prior to the Scheme Effective Date; or</li> <li>you can do nothing.</li> </ul>	<p>Section 3</p>
<p><b>If I wish to support the Scheme, what should I do?</b></p>	<p>If you are a Class Shareholder at 10:00am (Sydney time) on 29 January 2022 and you are entitled to vote on the Scheme Resolution at the Scheme Meeting and wish to support the Scheme, you should vote in favour of the Scheme Resolution.</p>	<p>Section 3.2 and Notice of Scheme Meeting (Annexure D)</p>

<sup>11</sup> You should note when considering this recommendation that Andrew Russell (Class' Chief Executive Officer and Managing Director) holds or controls 198,084 Class Shares, 971,457 Performance Rights (of which 659,980 are expected to vest subject to the Scheme becoming Effective) and 81,614 Deferred Rights (of which 81,614 are expected to vest subject to the Scheme becoming Effective). The value of those vested Performance Rights and Deferred Rights are expected to be approximately \$2.32 million (based on an implied value of \$3.13 per Class Share, noting that as stated in footnote 1, this implied value will depend on the trading price of HUB24 Shares on the Implementation Date). Further information about these arrangements are set out in Section 10.3. Despite this interest in the outcome of the Scheme, Mr Russell considers that, given the importance of the Scheme, and his role as Class' Chief Executive Officer and Managing Director, it is important and appropriate for him to provide a recommendation to Class Shareholders in relation to voting on the Scheme. The Class Board (excluding Mr Russell) also consider that it is appropriate for him to make a recommendation on the Scheme given his role in the operation and management of Class and his deep industry knowledge.

QUESTION	ANSWER	MORE INFORMATION
<p><b>What happens if I vote against the Scheme or do not vote?</b></p>	<p>If you do not vote, or if you vote against the Scheme or any of the Scheme Resolution, then the Scheme may not be approved.</p> <p>The Scheme cannot be implemented unless the Scheme Resolution is approved by the Requisite Majorities of Class Shareholders at the Scheme Meeting.</p> <p>However, even if you do not vote or vote against the Scheme Resolution, this does not mean the Scheme will not be approved.</p> <p>If you vote against the Scheme Resolution and those resolutions are approved and the Conditions Precedent are satisfied or waived (where capable of waiver) and the Scheme becomes Effective, the Scheme will be implemented.</p>	<p>N/A</p>
<p><b>Can I keep my Class Shares if the Scheme is approved, becomes Effective and is implemented?</b></p>	<p>No. If the Scheme Resolution is approved by the Requisite Majorities (even if you did not vote, or voted against the Scheme Resolution) and you are a Scheme Shareholder, and the Scheme becomes Effective and is implemented, you will be bound by the Scheme and HUB24 will acquire your Class Shares and you will receive the Scheme Consideration.</p>	<p>N/A</p>
<p><b>What happens if the Scheme Resolution is not approved?</b></p>	<p>If the Scheme Resolution is not approved, or any other Conditions Precedent are not satisfied or waived (where capable of waiver), and the Scheme does not proceed:</p> <ul style="list-style-type: none"> <li>• Class will remain listed on ASX;</li> <li>• the expected benefits of the Scheme will not be realised, and the potential disadvantages and risks associated with the Scheme will not arise;</li> <li>• Class Shareholders will retain their Class Shares;</li> <li>• Class Shareholders will not receive the Scheme Consideration;</li> <li>• the trading price of Class' Shares on ASX may fall; and</li> <li>• a Break Fee of \$3.5 million may be payable by Class to HUB24 in certain circumstances. However, the Break Fee would not be payable merely because</li> </ul>	<p>Section 4.9</p>

QUESTION	ANSWER	MORE INFORMATION
	the Scheme Resolution is not approved at the Scheme Meeting.	
<b>Can I oppose the Scheme on the Second Court Date?</b>	<p>As a Class Shareholder, you have a right to appear and make submissions at the Second Court Hearing which is scheduled to be held at 9.15am on 4 February 2022 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney.</p> <p>It is likely that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing. A Class Shareholder seeking to attend the Second Court Hearing should review the Court list (available at <a href="https://onlineregistry.lawlink.nsw.gov.au/content/">https://onlineregistry.lawlink.nsw.gov.au/content/</a>) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on the ASX (www.asx.com.au) and will also be notified on the Company Website.</p>	Section 4.4(c)
<b>HUB24 and the Combined Group</b>		
<b>Who is HUB24?</b>	<p>HUB24 is a financial services company that was established in 2007 and is a leading provider of wealth management superannuation investment platforms, technology and data solutions to the Australian market.</p> <p>HUB24 is listed on the ASX and HUB24 Shares are quoted on the ASX under the code 'HUB'. As at the Last Practicable Date, HUB24's market capitalisation was approximately \$1.973 billion and HUB24 employed 450 people on a full-time equivalent basis as at the Last Practicable Date.</p> <p>HUB24's head office is based in Sydney and HUB24 provides its products and services across all Australian states and territories.</p>	Section 6.1
<b>If the Scheme is implemented, what will the Combined Group look like?</b>	If the Scheme is implemented, the Combined Group is intended to bring together two leading wealth technology businesses to provide a compelling range of products and services for financial professionals and their clients.	Section 7.3

QUESTION	ANSWER	MORE INFORMATION
	<p>HUB24 and Class are highly complementary businesses with a track record of innovation and aligned culture and values. Both companies are strategically focussed on the delivery of solutions that support financial professionals to implement investment, tax and strategic advice.</p> <p>If the Scheme is implemented, it is intended that Class will continue to operate as a business unit within the HUB24 Group with its own leadership team and under the Class brands with continued investment to deliver on Class' multi-product software-as-a-service strategy.</p> <p>The Combined Group will provide a compelling competitive advantage and will benefit from increased scale, capabilities, product offering, distribution reach, technology resources and a diversified revenue and earnings base.</p> <p>The Combined Group will be well positioned to take advantage of growth opportunities to create future value for Shareholders.</p>	
<p><b>What will be the strategy of the Combined Group?</b></p>	<p>The Transaction is intended to accelerate current HUB24 and Class strategies for ongoing industry leadership and is intended to deliver compelling shareholder value, targeting 8% earnings per share accretive in FY23 (excluding revenue synergies and one-off implementation costs) and creating diversified revenue streams for the Combined Group.</p> <p>Opportunities for growth will arise for the Combined Group by leveraging combined capabilities with the aim of delivering increased value, efficiency and product capability for existing and new customers. It is intended that HUB24 and Class will work together, leveraging each other's capabilities and expertise to co-develop market leading technology solutions to better service the needs of both current and future customer bases of both businesses.</p>	<p>Section 7.2</p>
<p><b>Who will be the directors and senior management of the Combined Group following implementation of the Scheme?</b></p>	<p><b>Directors</b></p> <p>If the Scheme is implemented, HUB24 will be the ultimate holding company of the Combined Group.</p> <p>Given the combination of businesses may result in Class Shareholders holding up to 14.29% of HUB24 Shares, the HUB24 Board would</p>	<p>Section 7.6</p>

QUESTION	ANSWER	MORE INFORMATION
	<p>welcome Class representation and is considering inviting a suitable Class Director to join the HUB24 Board.</p> <p><b>Senior Management</b></p> <p>If the Scheme is implemented, it is intended that Class will operate as a business unit within the HUB24 Group with its own leadership team and under the Class brands. HUB24 will seek to retain the senior management team of Class. However, HUB24 intends to conduct a review of Class' operations in conjunction with the Class executive team and develop strategies to maximise opportunities across both businesses to work together to develop innovative product solutions. This may influence any final decisions about how Class and the broader HUB24 business will operate together.</p>	
<p><b>How is HUB24 funding the Transaction?</b></p>	<p>HUB24 will issue HUB24 Shares to satisfy the Scrip Consideration for which it does not require HUB24 shareholder approval.</p> <p>HUB24 will utilise its existing cash reserves to fund the Cash Consideration.</p>	<p>N/A</p>
<p><b>Implementation and other matters</b></p>		
<p><b>When will the Scheme be completed and implemented?</b></p>	<p>If the Scheme Resolution is approved and the Conditions Precedent are satisfied or waived (where capable of waiver) and the Scheme becomes Effective, the Scheme will be implemented on the Implementation Date, which is expected to be 16 February 2022.</p>	<p>Section 4.4(f)</p>
<p><b>Are there any conditions to be satisfied before the Scheme can be implemented?</b></p>	<p>There are certain conditions that will need to be satisfied or waived (where capable of waiver) before the Scheme can become Effective.</p> <p>In summary, as at the date of this Scheme Booklet, the outstanding conditions include:</p> <ul style="list-style-type: none"> <li>• approval from eligible Scheme Shareholders at the Scheme Meeting;</li> <li>• Court approval;</li> <li>• no legal or regulatory restraints on, or orders preventing, the implementation of the Scheme;</li> <li>• no Class Prescribed Occurrence or HUB24 Prescribed Occurrence occurring between the date of the Scheme</li> </ul>	<p>Section 10.5(a)</p>

QUESTION	ANSWER	MORE INFORMATION
	<p>Implementation Deed and 8.00am on the Second Court Date;</p> <ul style="list-style-type: none"> <li>• no Class Material Adverse Change or HUB24 Material Adverse Change occurring between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;</li> <li>• ASIC and ASX issuing or providing consents or approvals necessary or desirable to implement the Scheme, which have not been withdrawn or revoked before 8.00am on the Second Court Date;</li> <li>• no intervention by ASIC in relation to the AFSL held by the Class Group that is likely to result in the Class Group (or a member of the Class Group) being unable to materially carry out its business, or any material financial impact on the Class Group; and</li> <li>• legally binding arrangements being put in place so that, by no later than the Scheme Record Date, there are no outstanding Deferred Rights, Performance Rights or Options on issue.</li> </ul> <p>As at the date of this Scheme Booklet, the Class Directors are not aware of any reason why these conditions should not be satisfied or waived (where capable of waiver).</p>	
<p><b>When will I be paid any cash consideration under the Scheme and receive my new HUB24 Shares?</b></p>	<p>Subject to being provided with the funds by HUB24, Class must pay the Cash Consideration to the Scheme Shareholders on the Implementation Date, which is expected to be 16 February 2022.</p> <p>The Scrip Consideration will be issued by HUB24 to each applicable Scheme Shareholder on the Implementation Date, which is expected to be 16 February 2022. HUB24 will procure that a holding statement (or equivalent document) reflecting the issuance of the HUB24 Shares be sent to each Scheme Shareholder's registered address within five Business Days after the Implementation Date.</p> <p>Ineligible Foreign Shareholders should also note the response immediately below.</p>	<p>Sections 4.3(d) and 4.4(f)</p>

QUESTION	ANSWER	MORE INFORMATION
<p><b>When will I receive my cash if I am an Ineligible Foreign Shareholder?</b></p>	<p>Scheme Shareholders who are Ineligible Foreign Shareholders will be paid as follows:</p> <ul style="list-style-type: none"> <li>subject to being provided with the funds by HUB24, Class must pay the Cash Consideration to the Ineligible Foreign Shareholders on the Implementation Date, which is expected to be 16 February 2022; and</li> <li>in relation to the Scrip Consideration, Ineligible Foreign Shareholders are entitled to receive the cash under the Sale Facility promptly after all funds from the sale of the Sale Shares have been remitted to HUB24 (less any applicable taxes, brokerage and other charges incurred by HUB24 or the Sale Agent in connection with the sale).</li> </ul>	<p>Sections 4.3(b) and 4.3(d)</p>
<p><b>When can I start trading my HUB24 Shares received as Scrip Consideration on the ASX?</b></p>	<p>Any HUB24 Shares issued to you under the Scheme as Scrip Consideration are expected to commence trading on the ASX on a normal settlement basis from 17 February 2022 (being the first Business Day after the Implementation Date), unless ASX requires a later date.</p>	<p>Section 4.3(d)(ii)</p>
<p><b>Can I sell my Class Shares on ASX?</b></p>	<p>You can sell your Class Shares on ASX up to and including the Scheme Effective Date at the then prevailing market price (which may differ from the Scheme Consideration).</p> <p>Class intends to apply to the ASX for Class Shares to be suspended from official quotation on the ASX from close of trading on the Scheme Effective Date. You will not be able to sell your Class Shares on-market once it has been suspended from official quotation.</p>	<p>'Indicative Key Dates'</p>
<p><b>Is there a Break Fee payable?</b></p>	<p>Under the Scheme Implementation Deed, Class has agreed to pay HUB24 a Break Fee of \$3.5 million if certain specified events occur, including in circumstances where any Class Director has withdrawn their Recommendation or Voting Statement or made a public statement supporting or endorsing a Competing Proposal (subject to limited exceptions).</p> <p>However, the Break Fee will not be payable merely because the Scheme Resolution is not approved at the Scheme Meeting.</p>	<p>Section 4.9</p>

QUESTION	ANSWER	MORE INFORMATION
<p><b>What are the transaction costs associated with the Scheme?</b></p>	<p>Class Group will incur transaction costs and equity instrument payments in connection with the Scheme. Certain costs are conditional on the Scheme proceeding, and if the Scheme is implemented, these will effectively be borne by HUB24 who will have acquired Class Group. If the Scheme is implemented, Class Group estimates its aggregate transaction costs and equity instrument payments to be approximately \$9.98 million (excluding GST and disbursements) in transaction costs and equity instrument payments in connection with the Scheme. If the Scheme is not implemented, Class expects that transaction costs will be approximately \$1.675 million (excluding GST and disbursements) and there will be no related equity instrument payments. These transaction costs are primarily payable to Class Group's financial, legal and tax advisors, the Independent Expert and the Class Share Registry.</p>	<p>Section 10.15</p>
<p><b>Do I have to pay brokerage fees or stamp duty to participate in the Scheme?</b></p>	<p>No brokerage or stamp duty will be payable by Scheme Shareholders on the transfer of their Class Scheme Shares to HUB24 under the Scheme or the receipt by Scheme Shareholders of the Scheme Consideration.</p>	<p>Section 4.8</p>
<p><b>What are the tax implications of the Scheme for Class Shareholders?</b></p>	<p>The tax implications of the Scheme will depend on your personal circumstances. A general outline of the main Australian tax implications of the Scheme for certain Class Shareholders is set out in Section 9.</p> <p>This outline is general in nature. It is recommended that you consult with your own tax advisers for detailed tax advice regarding the Australian and, if applicable, foreign tax implications for participating in the Scheme in light of the particular circumstances which apply to you.</p> <p>Class has also lodged a class ruling application with the ATO to obtain the Commissioner of Taxation's views on specific Australian income tax implications for certain Class Shareholders participating in the Scheme, including the availability of CGT scrip-for-scrip roll-over relief in respect of the Scheme Consideration. The Scheme is not conditional on the receipt of the class ruling.</p>	<p>Section 9</p>

QUESTION	ANSWER	MORE INFORMATION
<p><b>Where can I get further information?</b></p>	<p>If you have any questions or require further information in relation to the Scheme Booklet or the Scheme, you can contact the Class Shareholder Information Line on 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia), between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding public holidays).</p> <p>If you are in any doubt as to what you should do, please consult the appropriate legal, financial, tax or other professional advisers.</p>	<p>N/A</p>

### **3 What you should do in relation to the Scheme**

#### **3.1 Step 1: Read this Scheme Booklet in its entirety**

This Scheme Booklet contains information that is material to your decision whether or not to approve the Scheme by voting in favour of the Scheme Resolution. Accordingly, you should read this Scheme Booklet in its entirety before making a decision on how to vote on the Scheme Resolution.

You should also consult your legal, financial, tax or other professional adviser in relation to voting on the Scheme Resolution. Answers to some common questions are set out in Section 2.

If you have any questions, please contact the Class Shareholder Information Line 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia), between 9.00am and 5.00pm (Sydney time), Monday to Friday (excluding public holidays).

#### **3.2 Step 2: Vote on the Scheme**

##### **(a) Scheme Meeting**

If you are a Class Shareholder at 7:00pm (Sydney time) on 29 January 2022, you are entitled to vote on the Scheme at the Scheme Meeting. The Scheme Resolution will be voted on at the Scheme Meeting.

In accordance with an order of the Court dated 15 December 2021, Class has convened the Scheme Meeting to be virtually held through an online platform at 10:00am (Sydney time) on 31 January 2022.

As a result of the potential health risks associated with large gatherings, and the ongoing COVID-19 pandemic, the Scheme Meeting will be virtual (online only). There will not be a physical meeting where Class Shareholders or their proxies, attorneys or corporate representatives can attend in person. Please see the Notice of Scheme Meeting set out in Annexure D and the Scheme Meeting Online Guide (which has been released to the ASX and will be available on the Company Website) for further details relating to the conduct of the Scheme Meeting.

The Scheme Resolution must be all approved by the Requisite Majorities of the Class Shareholders for the Scheme to proceed. If the Scheme Resolution is approved by the Requisite Majorities of Class Shareholders at the Scheme Meeting and all Conditions Precedent (except for Court approval of the Scheme) have been satisfied or waived (where capable of waiver), Class will apply to the Court to approve the Scheme on the Second Court Date.

##### **(b) Scheme Resolution**

For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majorities, being:

- (i) at least 75% of the total number of votes cast on the Scheme Resolution by eligible Class Shareholders present and voting at the Scheme Meeting; and
- (ii) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Class Shareholders present and voting at the Scheme Meeting.

The Court has the power to waive the requirement set out in sub-paragraph (ii).

##### **(c) How to vote**

Your entitlement to vote at the Scheme Meeting will be taken to be the entitlement of that person shown on the Class Share Register as at 7:00pm (Sydney time) on 29 January 2022, unless in respect of the Scheme Resolution, a voting exclusion applies to you.

Voting/proxy forms, powers of attorney and certificates of appointment of corporate representatives must be lodged by 10:00am (Sydney time) on 29 January 2022.

As a Class Shareholder, it is your right to vote on whether the Scheme proceeds. Your vote is important and you are strongly encouraged to vote on the Scheme Resolution.

**(d) How to attend and participate in the Scheme Meeting**

Class Shareholders and proxy holders can watch, vote, make comments and ask questions during the Scheme Meeting via the online platform at:

<https://meetings.linkgroup.com/CL122>.

To do this you will need a computer or mobile/tablet device with internet access.

**Class Shareholders:** When you log onto the online platform, you will need to provide your details (including SRN/HIN and postcode) to be verified as a Class Shareholder. Class Shareholders with a registered address outside Australia should click 'Outside Australia' and select the county of their registered address.

**Proxyholders:** when you log onto the online platform, you will need your 'Proxy Number' which will be provided to you by the Class Share Registry by email before the Scheme Meeting.

More information about how to use the Scheme Meeting online platform is available in the Scheme Meeting Online Guide, which has been released to the ASX and will be available on the Company Website and at <https://meetings.linkgroup.com/CL122>.

**(e) Other options for voting**

Class Shareholders who are unable to join the Scheme Meeting are encouraged to cast a direct vote prior to the meeting, or alternatively, to appoint a proxy to participate and vote on your behalf. If you direct your proxy how to vote, your votes will be cast at the Scheme Meeting in accordance with your directions.

Class Shareholders can cast their direct vote or appoint a proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by following the instructions on the voting/proxy form. These must be received by no later than 10:00am (Sydney time) on 29 January 2022 to be valid.

Even if you plan to participate in the meeting online, you are still encouraged to cast a direct vote or submit a directed proxy in advance of the meeting so that your votes can still be counted if, for any reason, you cannot participate online on the day.

If you cast a direct vote prior to the Scheme Meeting you may still attend the Scheme Meeting online. If you attend the Scheme Meeting online, your direct vote will not be cancelled unless you cast a direct vote live during the Scheme Meeting. If a Class Shareholder casts a direct vote live during the Scheme Meeting, they are taken to have revoked the authority of a proxy, attorney or representative to vote on their behalf on that resolution under an instrument of appointment received by Class before registering online for direct voting.

**(f) Corporations**

A Class Shareholder or proxyholder that is a body corporate may appoint a representative to attend and vote for them at the Scheme Meeting and will be required to provide, by no later than 10:00am (Sydney time) on 29 January 2022, the appropriate 'Certificate of Appointment of Corporate Representative' to evidence the appointment of the corporate representative. A form of the certificate may be obtained from the Class Share Registry.

**(g) Voting by attorney**

You may appoint an attorney to attend and vote at the Scheme Meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by Class, at its registered office by 10:00am (Sydney time) on 29 January 2022, unless it has been previously provided to Class.

If it becomes necessary to give further updates about the Scheme Meeting, information will be lodged with ASX and posted on the Company Website.

Please see the Notice of Scheme Meeting set out in Annexure D and the Scheme Meeting Online Guide (which has been released to the ASX and will be available on the Company Website) for further details relating to the conduct of the Scheme Meeting.

## **4 Overview of the Scheme**

### **4.1 Background**

On 18 October 2021, Class announced that it had entered into the Scheme Implementation Deed with HUB24, under which HUB24 has agreed to acquire all of the Class Shares on issue by way of the Scheme.

The Scheme is a statutory procedure under the Corporations Act that is commonly used to enable a company to acquire an ASX-listed company.

For the Scheme to proceed, eligible Class Shareholders must vote in favour of the Scheme by the Requisite Majorities of Class Shareholders at the Scheme Meeting and the Scheme must be approved by the Court. The Scheme is also subject to the satisfaction or waiver (where capable of waiver) of the other Conditions Precedent described in Section 10.5(a).

If the Scheme is approved by eligible Class Shareholders and by the Court, and all other Conditions Precedent are satisfied or waived (where capable of waiver), then Class will become a wholly-owned subsidiary of HUB24 and it is intended to be removed from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

If the Scheme is not approved, the Scheme will not proceed, you will not be bound by it, you will not receive the Scheme Consideration, and Class will continue as a company listed on the ASX.

### **4.2 Conditions Precedent to implementation of the Scheme**

The implementation of the Scheme is subject to Conditions Precedent which must be satisfied or waived (where capable of waiver) for the Scheme to proceed, including:

- (a) approval of the Scheme Resolution at the Scheme Meeting;
- (b) the Court approving the Scheme in accordance with section 411(4)(b) of the Corporations Act; and
- (c) certain regulatory approvals.

A summary of the Conditions Precedent is set out in Section 10.5(a). The Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed.

### **4.3 Details of the Scheme Consideration**

#### **(a) Scheme Consideration**

If the Scheme is approved and implemented, Class Shareholders will receive:

- (i) scrip consideration of 1 HUB24 Share for every 11 Class Shares held at the Scheme Record Date; and
- (ii) cash consideration of \$0.125 for every Class Share held at the Scheme Record Date.

Ineligible Foreign Shareholders will not receive any new HUB24 Shares. Instead they will participate in the Sale Facility described in Section 4.3(c) and receive cash instead of the new HUB24 Shares that they would have otherwise received (less any applicable taxes, brokerage and other charges incurred by HUB24 or the Sale Agent in connection with the sale under the Sale Facility).

#### **(b) Ineligible Foreign Shareholders**

No new HUB24 Shares will be issued to Ineligible Foreign Shareholders as Scrip Consideration. Instead, HUB24 must procure that those new HUB24 Shares to which the

Ineligible Foreign Shareholder may otherwise have been entitled, are issued to the Sale Agent and sold pursuant to the Sale Facility described in Section 4.3(c).

(c) **Sale Facility**

HUB24 Shares that would have otherwise been issued to Ineligible Foreign Shareholders as Scrip Consideration on the Implementation Date (rounded up or down, in the case of fractional entitlements, to the nearest whole number) (each a **Sale Share**) must instead be issued to the Sale Agent.

HUB24 must procure that as soon as reasonably practicable after the Implementation Date, the Sale Agent sells the Sale Shares issued to it on-market in such manner, at such price and on such other terms as the Sale Agent determines in good faith.

Promptly after the sale of the Sale Shares, HUB24 must procure that the Sale Agent pay to each Ineligible Foreign Shareholder, in accordance with the payment mechanics for Cash Consideration as set out in Section 4.3(d), an amount equal to the following:

$$A = (B / C) \times D$$

where:

**A** is the amount to be paid to each Ineligible Foreign Shareholder;

**B** is the number of Sale Shares that would have been attributable to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder, and which were instead issued to the Sale Agent;

**C** is the total number of Sale Shares issued to the Sale Agent; and

**D** is the gross proceeds of the sale of the Sale Shares, less any applicable taxes, brokerage and other charges incurred by HUB24 or the Sale Agent in connection with the sale (the **Sale Proceeds**).

As the market price of HUB24 Shares will be subject to change from time to time, the sale price of those new HUB24 Shares sold through the Sale Facility and the proceeds of that sale cannot be guaranteed. The proceeds received by Class Shareholders who participate in the Sale Facility will depend on the price at which the HUB24 Shares can be sold under the Sale Facility at the relevant time, applicable exchange rates (if sales are made in a currency other than Australian dollars) and the amount of any applicable taxes, duty or other costs and charges incurred by the Sale Agent and HUB24 in connection with sales under the Sale Facility. An Ineligible Foreign Shareholder's share of the Sale Proceeds under the Sale Facility may be more or less than the value of the new HUB24 Shares that the Class Shareholder would have received had they not been an Ineligible Foreign Shareholder.

None of Class, HUB24 or the Sale Agent gives any assurance as to the price that will be achieved for the sale of new HUB24 Shares by the Sale Agent under the Sale Facility.

In providing services to HUB24 in connection with the Sale Facility and the sale of Sale Shares, the Sale Agent is not acting as agent or sub agent of any Ineligible Foreign Shareholder, does not have any duties or obligations (fiduciary or otherwise) to any Ineligible Foreign Shareholder and does not underwrite the sale of any Sale Shares. Any Sale Agent who is appointed, together with its affiliates, will be a full service financial institution engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

Further information on the market price of HUB24 Shares is available at [www.asx.com.au](http://www.asx.com.au) (ASX:HUB).

**(d) Provision of the Scheme Consideration**

If the Scheme becomes Effective, it is intended that the Scheme Consideration will be paid as follows:

**(i) Cash Consideration**

By no later than 12:00pm on the Business Day prior to the Implementation Date, HUB24 must deposit or procure the deposit into an Australian dollar denominated trust account held with an Australian bank operated by Class (or by the Class Share Registry on behalf of Class) as trustee for the Scheme Shareholders, the aggregate of the Cash Consideration payable to the Scheme Shareholders (noting that any interest on the amounts deposited, less bank fees and other charges will be credited to HUB24).

On the Implementation Date, subject to the deposit of the aggregate Cash Consideration being made by HUB24, Class will pay to each Scheme Shareholder their Cash Consideration for each Class Share held by them as at the Scheme Record Date.

Class will make such payment either by:

- (A) where the Scheme Shareholder has made a valid election before the Scheme Record Date in accordance with the requirements of the Class Share Registry to receive dividend payments from Class by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying or procuring the payment of the relevant amount by electronic means to the bank account so nominated; or
- (B) otherwise, whether or not the Scheme Shareholder has made an election in accordance with subparagraph (A) above, dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their registered address (as at the Scheme Record Date).

**(ii) Scrip Consideration**

The Scrip Consideration will be issued by HUB24 to each applicable Scheme Shareholder on the Implementation Date in accordance with the terms of the Scheme. HUB24 will procure that a holding statement (or equivalent document) reflecting the issuance of the HUB24 Shares be sent to the registered address of such Scheme Shareholders within five Business Days after the Implementation Date.

Any HUB24 Shares issued to Class Shareholders under the Scheme as Scrip Consideration are expected to commence trading on the ASX on a normal settlement basis from 17 February 2022 (being the first Business Day after the Implementation Date), unless ASX requires a later date.

**(e) Fractional entitlements and rounding**

Where the number of Class Shares held by a Class Shareholder as at the Scheme Record Date is such that the aggregate entitlement of the Class Shareholder to the Scheme Consideration:

- (i) includes a fractional entitlement to a HUB24 Share; and/or

- (ii) includes a fractional entitlement to a cent,

then the entitlement of that Class Shareholder must be rounded up or down to the nearest number, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of HUB24 Shares or cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of HUB24 Shares or cents (as applicable).

If a fractional entitlement to a HUB24 Share is rounded down, the amount of that fraction will be paid in cash for an amount equal to that fraction multiplied by the issue price of one HUB24 Share (calculated as the closing price per HUB24 Share on ASX as at the Scheme Record Date) and rounded down to the nearest cent.

#### **4.4 Key Steps in the Scheme**

##### **(a) Overview of the Scheme approval requirements**

The Scheme will become Effective and be implemented only if it is:

- (i) approved by the Requisite Majorities of eligible Class Shareholders at the Scheme Meeting to be held at 10:00am (Sydney time) on 31 January 2022; and
- (ii) approved by the Court at the Second Court Hearing to be held on 4 February 2022.

Approval by eligible Class Shareholders at the Scheme Meeting requires the Scheme Resolution to be approved by the Requisite Majorities, being:

- (i) at least 75% of the total number of votes cast on the Scheme Resolution by eligible Class Shareholders present and voting at the Scheme Meeting; and
- (ii) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Class Shareholders present and voting at the Scheme Meeting.

The Court has the power to waive the requirement set out in sub-paragraph (ii) above.

In the event that:

- (i) the Scheme is approved by the Requisite Majorities of eligible Class Shareholders at the Scheme Meeting; and
- (ii) all other conditions (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then Class will apply to the Court for orders approving the Scheme.

Each Class Shareholder has the right to appear at the Second Court Hearing.

A summary of the Scheme Implementation Deed is set out in Section 10.5.

##### **(b) Scheme Meeting**

###### **(i) Date and time of Scheme Meeting**

In accordance with an order of the Court dated 15 December 2021, Class has convened the Scheme Meeting to be virtually held through an online platform at 10:00am (Sydney time) on 31 January 2022.

As a result of the potential health risks associated with large gatherings, and the ongoing COVID-19 pandemic, the Scheme Meeting will be virtual (online only). There will not be a physical meeting where Class Shareholders or their proxies, attorneys or corporate representatives can attend in person.

Please see the Notice of Scheme Meeting set out in Annexure D and the Scheme Meeting Online Guide (which has been released to the ASX and will be available at Class' Website) for further details relating to the conduct of the Scheme Meeting.

The purpose of the Scheme Meeting is for eligible Class Shareholders to consider whether to approve the Scheme.

The fact that the Court has ordered the Scheme Meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how Class Shareholders should vote on the Scheme Resolution. On these matters, Class Shareholders must reach their own decision. In any event, the Court must approve the Scheme at the Second Court Hearing before the Scheme can become Effective.

(ii) **Scheme Resolution**

At the Scheme Meeting, eligible Class Shareholders will be asked to consider and, if thought fit, pass the Scheme Resolution to approve the Scheme. For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majorities, being:

- (A) at least 75% of the total number of votes cast on the Scheme Resolution by eligible Class Shareholders present and voting at the Scheme Meeting; and
- (B) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Class Shareholders present and voting at the Scheme Meeting.

The Court has the power to waive the requirement set out in sub-paragraph (B) above.

(iii) **Entitlement to vote**

Each Class Shareholder who is registered on the Class Share Register on the Scheme Meeting Record Date is entitled and eligible to vote at the Scheme Meeting.

(c) **Second Court Hearing**

In the event that:

- (i) the Scheme is approved by the Requisite Majorities of eligible Class Shareholders at the Scheme Meeting; and
- (ii) all other Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (where capable of waiver),

then Class will apply to the Court for orders approving the Scheme at the Second Court Hearing.

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act. The Second Court Hearing is scheduled to occur on the Second Court Date (currently expected to be 9.15am (Sydney time) on 4 February 2022).

Each Class Shareholder has the right to appear at the Second Court Hearing.

It is likely that, because of restrictions imposed in response to the COVID-19 pandemic, the Second Court Hearing will be conducted by remote access technology, including via a dedicated video conferencing service or telephone conferencing. A Class Shareholder

seeking to attend the Second Court Hearing should review the Court list (available at <https://onlineregistry.lawlink.nsw.gov.au/content/>) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on the ASX ([www.asx.com.au](http://www.asx.com.au)) and will also be notified on the Company Website.

**(d) Scheme Effective Date**

If the Court makes orders approving the Scheme and all other conditions have been satisfied or waived (where capable of waiver), then Class will lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. As soon as copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme will become Effective. This is expected to occur on the Scheme Effective Date (currently expected to be 7 February 2022).

If the Scheme becomes Effective, then Class and HUB24 will become bound to implement the Scheme in accordance with the terms of the Scheme and the Deed Poll.

Class will, on the Scheme becoming Effective, give notice of that event on the ASX. Class intends to apply to the ASX for Class Shares to be suspended from official quotation on the ASX, and suspension is expected to occur from close of trading on the Scheme Effective Date.

**(e) Scheme Record Date**

Scheme Shareholders will be entitled to receive the Scheme Consideration in respect of the Class Shares they hold as at the Scheme Record Date (currently expected to be 9 February 2022).

**(f) Implementation Date**

The Implementation Date is, subject to certain conditions set out in the Scheme, the fifth Business Day after the Scheme Record Date. The Implementation Date is currently expected to be 16 February 2022.

On the Implementation Date:

- (i) the Scheme Shareholders will receive the Scheme Consideration; and
- (ii) the Class Scheme Shares will be transferred to HUB24 in accordance with the terms of the Scheme.

**(g) Delisting of Class**

Following the implementation of the Scheme, Class will apply for the termination of the official quotation of Class Shares on the ASX and for Class to be removed from the official list of the ASX.

**(h) End Date**

The Scheme will lapse and be of no further force or effect (and implementation will not occur) if the Scheme Effective Date has not occurred on or before the End Date. The End Date is the date that is six months after the date of the Scheme Implementation Deed, being 18 April 2022 (or as otherwise extended as between Class and HUB24).

## **4.5 Dealings in Class Shares**

**(a) Dealings on or before the Scheme Record Date**

For the purpose of determining which Class Shareholders are eligible to receive the Scheme Consideration, dealings in Class Shares will be recognised only if:

- (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Class Share Register as the holder of the relevant Class Shares on the Scheme Record Date; and
- (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Class Share Registry by 5:00pm on the Scheme Record Date at the place where the Class Share Register is located.

For the purpose of determining entitlement under the Scheme, Class will not accept for registration or recognise any transfer or transmission applications in respect of Class Shares received after such time (or received prior to such times but not in actionable or registrable form (as appropriate)).

**(b) Dealings after the Scheme Record Date**

For the purposes of determining entitlement under the Scheme, Class will, until the Scheme Consideration has been paid to the Scheme Shareholders and HUB24 has been entered into the Class Share Register as the holder of all of the Class Scheme Shares, maintain or procure the maintenance of the Class Share Register in its form as at the Scheme Record Date. The Class Share Register in this form will solely determine entitlements to the Scheme Consideration.

From the Scheme Record Date, except as evidence of entitlement to the Scheme Consideration in respect of the Class Shares relating to that entry, each entry in the Class Share Register as at the Scheme Record Date relating to the Class Scheme Shares (other than for the entry relating to the transfer of Class shares to HUB24 pursuant to the Scheme) will cease to have any effect.

#### **4.6 Tax implications and ATO class ruling**

The tax implications of the Scheme will depend on your personal circumstances. A general outline of the main Australian income tax, GST and stamp duty implications of the Scheme for certain Scheme Shareholders is set out in Section 9. This outline is general in nature so we recommend that you consult with your own tax advisers for detailed tax advice regarding the Australian and, if applicable, foreign tax implications for participating in the Scheme in light of the particular circumstances which apply to you.

Class has also lodged a class ruling application with the ATO to obtain the Commissioner of Taxation's views on specific Australian income tax implications for certain Class Shareholders participating in the Scheme, including the availability of CGT scrip-for-scrip roll-over relief in respect of the Scheme Consideration. The Scheme is not conditional on the receipt of the class ruling.

The class ruling has not been issued by the ATO as at the date of this Scheme Booklet. Class Shareholders should refer to the class ruling once it is published. The class ruling will be available at [www.ato.gov.au](http://www.ato.gov.au).

Further information on the Australian tax implications is set out in Section 9.

#### **4.7 Timetable**

All dates are indicative only and, among other things, are subject to all necessary approvals from the Court and any other regulatory authority. Any changes to the timetable as set out in this Section 4 (which may include an earlier or later date for the Scheme Meeting or Second Court Hearing) will be announced through the ASX and notified on the Company Website.

#### **4.8 No brokerage or stamp duty**

No brokerage or stamp duty will be payable by Class Shareholders on the transfer of their Class Scheme Shares to HUB24 under the Scheme, or the receipt by Scheme Shareholders of the Scheme Consideration.

#### **4.9 Implications if the Scheme is not approved**

If the Scheme Resolution is not approved, or any other Conditions Precedent are not satisfied or waived (where capable of waiver), and the Scheme does not proceed:

- (a) Class will remain listed on ASX;
- (b) the expected benefits of the Scheme will not be realised and the potential disadvantages and risks associated with the Scheme will not arise;
- (c) Class Shareholders will retain their Class Shares;
- (d) Scheme Shareholders will not receive the Scheme Consideration,
- (e) the trading price of Class' Shares on ASX may fall; and
- (f) the Break Fee of \$3.5 million may be payable by Class to HUB24 in certain circumstances. However, the Break Fee will not be payable merely because the Scheme Resolution is not approved at the Scheme Meeting.

In these circumstances, Class will, in the absence of another proposal, continue to operate as a stand-alone entity listed on the ASX and Class Shareholders will retain their Class Shares and continue to be exposed to risks and opportunities associated with their current investment in Class.

## 5 Information about Class

### 5.1 Overview of Class

Class is an ASX Technology Index software-as-a-service company. The core product is the market leading self-managed superannuation fund administration (SMSF) software with a 29% share of the addressable SMSF administration software market. Its software solutions have gained industry recognition for product innovation and customer service excellence.

Class develops and distributes cloud-based accounting, investment, reporting and administration software for accountants, administrators, and advisers in Australia through its Class Super, Class Portfolio and Class Trust products. Class also operates in the document and corporate compliance segment through the service offerings provided through its acquired businesses NowInfinity, Smartcorp, ReconDocs and TopDocs.

Class was incorporated in 2005 and listed on the ASX on 18 December 2015. The company is based in Sydney, Australia and has approximately 7,800 customers consisting of accountants, SMSF administrators and auditors, financial advisers and lawyers in Australia. Class' customers includes SME (3,307 customers), mid-tier (608 customers) and enterprise (88 customers), excluding customers attributed to Reckon Docs and Smartcorp. Customers using the Class Super, Class Portfolio and Class Trust products represented over 190,000 portfolios and accounts as at FY21.



### 5.2 Overview of operations and strategy

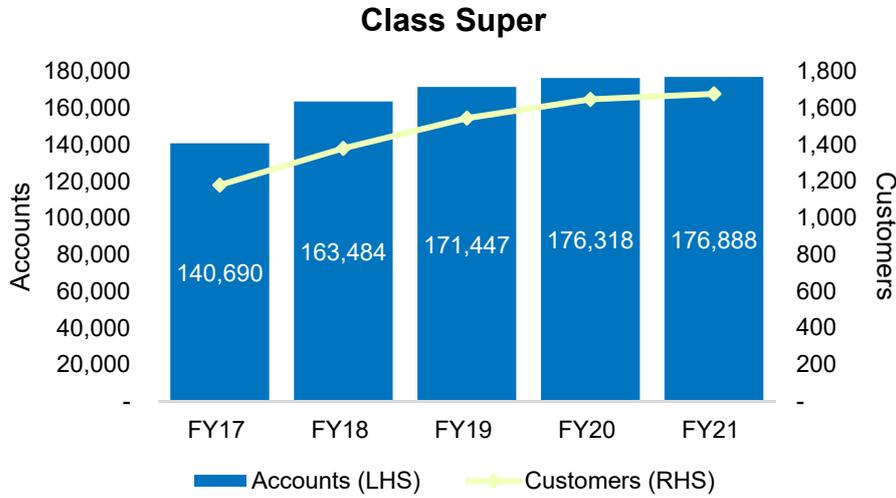
The principal activity of the Class Group is the sale and support of software solutions to the self-managed superannuation industry. Class provides four core solutions: Class Super, Class Portfolio, Class Trust and NowInfinity.

#### (a) Class Super

Class Super is Australia's leading cloud-based SMSF administration platform, offering zero-touch features, bulk processing capabilities, tax statement automation, and access to over 200 data feeds directly from the source, among other features. Core customers include accountants, administrators, financial advisers, auditors and trustees.

Class Super continues to maintain high customer retention of over 99% and is a market leader in the mature SMSF software market. As at June 2021, Class Super had over 1,600 unique customers and has administered 176,888 SMSF portfolios.

**Figure 1: Class Super accounts and customers – last five years**

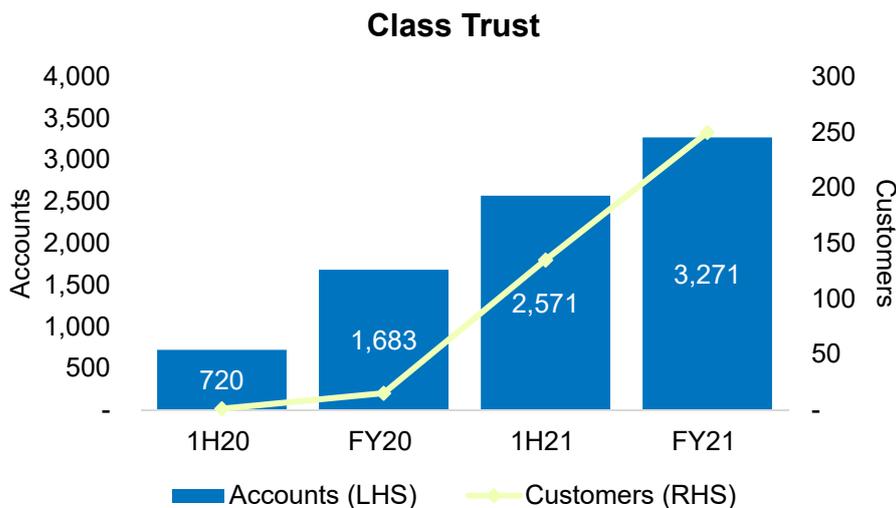


**(b) Class Trust**

Class Trust is a cloud software solution designed to simplify and automate trust accounting and administration. Class Trust assists its customers (such as accountants and beneficiaries) to standardise administration processes for discretionary, family and unit trusts.

Class Trust was launched in October 2020 and has grown its customer base by 94% in FY21 following an initial pilot program. As at 30 June 2021, there were over 250 customers and 3,271 accounts using the Class Trust software.

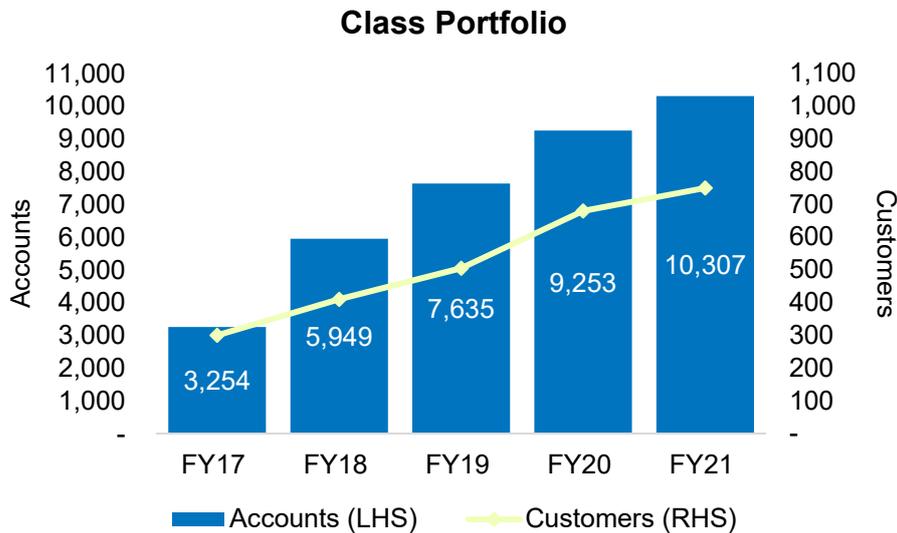
**Figure 2: Class Trust accounts and customers**



**(c) Class Portfolio**

Class Portfolio is an automated and cost-effective cloud software solution for streamlining investment portfolios, accounting, administration and reporting needs for companies, trusts and individuals. Class Portfolio is targeted at retail holders of investment portfolios, and helps automate reporting and administration functions in addition to the preparation of financial and tax statements. As at 30 June 2021, there were over 700 customers and 10,307 portfolios on the Class Portfolio platform.

**Figure 3: Class Portfolio accounts and customers – last five years**



**(d) Legal Documentation and Corporate Compliance**

Class began operating in the legal documentation and corporate compliance segment following its acquisition of NowInfinity, a cloud-based legal documents and entity management solution, in February 2020. Class subsequently announced the acquisition of Smartcorp in August 2020 and Reckon Docs in February 2021, and integrated those business offerings under the NowInfinity brand.

In August 2021, Class announced the acquisition of the legal documentation software provider TopDocs, which is similarly intended to accelerate the up-scaling of NowInfinity. These acquisitions are earnings-per-share accretive, grows Class' customer numbers and contributes to its technology strategy in providing automation to establishing, managing and administering wealth vehicles.

The legal documentation and corporate compliance segment is expected to generate in excess of \$20m in revenue during FY22.



### 5.3 Share price performance

Class Shares are listed on the ASX under the trading symbol 'CL1'.

On 18 October 2021, Class announced that it had entered into a Scheme Implementation Deed with HUB24 under which HUB24 had agreed to acquire 100% of the issued capital in Class by way of a scheme of arrangement. The closing price for Class Shares on 15 October 2021 (being the last trading day prior to the announcement of the Scheme) was \$1.81.

The VWAP for Class Shares prior to the announcement on 18 October 2021 were:

- \$1.76 for the 1-month ended 15 October 2021; and
- \$1.80 for the 3-month ended 15 October 2021.

The following chart shows the movements in the Class share price over the last 3 years through to the Last Practicable Date (being 13 December 2021).

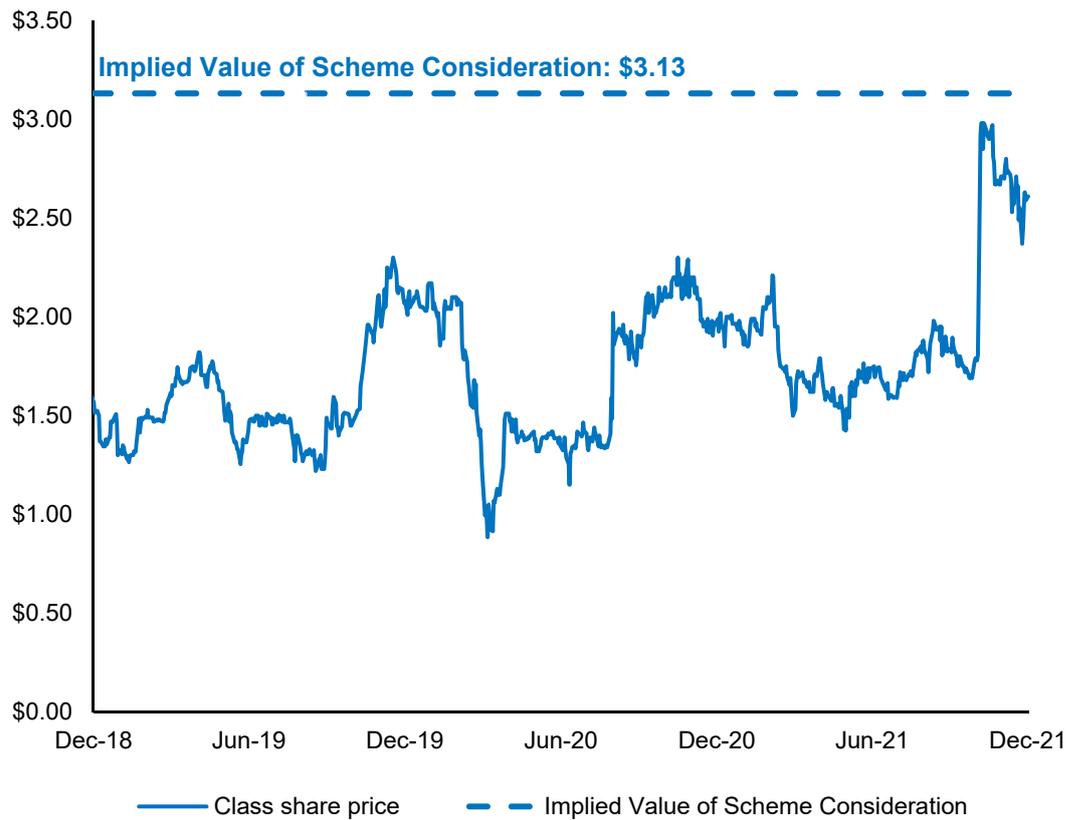
<sup>12</sup> 588 customers using multiple products equals 2,866 net unique customers.

<sup>13</sup> 1,089 customers using multiple products equals 6,387 net unique customers.

<sup>14</sup> FY21 net unique customers of 6,387 plus estimated unique TopDocs customers of 1,384 (based on DD findings) equals 7,771 unique customers.

<sup>15</sup> Proforma using FY21 numbers plus addition of TopDocs customer base.

**Figure 1: Class share price performance for the last 3 years to Last Practicable Date<sup>16</sup>**



**Source: IRESS as at 13 December 2021**

#### 5.4 Corporate history

This section provides an overview of Class' history from the commencement of its operations in 2005 to the Last Practicable Date.

Year	Event
2005	Class was established.
2009	Class launched Class Super.
2011	Class launched Class Portfolio (formerly referred to as Class Investment Reporter).
2015	Class was listed on the ASX under the trading symbol 'CL1'.
2017	The company appointed Mathew Quinn as the Non-Executive Chairman and Nicolette Rubinsztein as a Non-Executive Director.
2019	The company appointed Andrew Russell as Managing Director and Chief Executive Officer.  Class announced the 'Reimagination Strategy' in August 2019.

<sup>16</sup> The implied value of \$3.13 is based on the closing price of HUB24 Shares of \$33.06 on 15 October 2021, being the last practicable trading day prior to the initial announcement of the Scheme. The implied value of the Scheme Consideration received by Class Shareholders will depend on the trading price of HUB24 Shares on the Implementation Date. Note that at the time of the initial announcement of the Scheme on Monday, 18 October 2021, and based on the initial cash consideration of \$0.10 for every Class Share, the initial Scheme consideration had a slightly lower implied value of \$3.11 based on the closing price of HUB24 Shares on Friday, 15 October 2021 and represented a slightly lower premium of 71.6% to Class' closing share price on Friday, 15 October 2021.

2020	<p>Class announced the acquisition of NowInfinity in January 2020 and Smartcorp in August 2020.</p> <p>Class launched Class Trust in October 2020.</p> <p>Robert Bazzani was appointed as a Non-Executive Director.</p>
2021	<p>Class announced its acquisition of Reckon Docs in February 2021 and its acquisition of TopDocs in August 2021.</p>

## 5.5 Board and executive leadership team

### (a) Class Board

As at the date of this Scheme Booklet, the Class Board comprises:

#### (i) **Matthew Quinn (Independent Non-Executive Director, Chairman of the Class Board)**

*Qualifications:* Degree in Chemistry & Management Science (First Class Honours). Chartered Accountant.

Mr Quinn joined the Class Board in July 2015. Mr Quinn was formerly the Managing Director of Stockland from 2000 to 2013. He was National President of the Property Council of Australia from 2003 to 2005 and a Director of the Business Council of Australia in 2012.

He is now a Non-executive Director of CSR Limited and Elders Limited, and is Chairman of TSA Management Group Holdings Pty Ltd. Mr Quinn is involved in a number of not-for-profits and is on the board of the Australian Business and Community Network Scholarship Foundation.

#### (ii) **Andrew Russell (Chief Executive Officer & Managing Director)**

*Qualifications:* Bachelor of Economics (Economics and Political Science) from Macquarie University. Graduate of the Australian Institute of Company Directors. MBA from the Cass Business School, University of London.

Mr Russell is an experienced senior executive with expertise in developing corporate strategy, sales leadership, market entry and scale up. Mr Russell has held senior positions in international institutional and retail financial services organisations in both Australian and the United Kingdom.

In his previous role at REA Group, Mr Russell was the founding leader who spearheaded the launch and development of their financial services business. Mr Russell was GM and Interim CEO of Mortgage Choice where he led the successful launch of their financial planning business and growth of their mortgage franchise network. Mr Russell also was appointed by the Virgin Group to lead the Australian market entry for Virgin Money superannuation and mortgages.

#### (iii) **Robert Bazzani (Independent Non-Executive Director)**

*Qualifications:* Master of Business Administration (MBA), Bachelor of Law (LLB) and a Bachelor of Science (BSc).

Mr Bazzani was formerly a Partner with global consulting firm KPMG, where he served in multiple leadership roles including as a member of KPMG's National Executive Committee (NEC), which oversaw and was responsible for the firm's turnover, strategic decision making, profitability and operations.

He has significant hands-on experience in running and growing large scale and complex businesses, and is well skilled in business strategy and management, governance, accounting and law. He has worked extensively in corporate finance and advisory roles across a range of industries in both Australia and Asia Pacific. Mr Bazzani is an advisory board member and/or chairman on a number of private companies.

(iv) **Nicolette Rubinsztein (Independent Non-Executive Director)**

*Qualifications:* Bachelor of Business Science (Hons), qualified actuary (FIAA), executive MBA from the Australian Graduate School of Management and a fellow of the Australian Institute of Company Directors.

Ms Rubinsztein joined the Class Board in April 2017. Ms Rubinsztein is a non-executive Director of Zurich Australia Limited/OnePath Insurance, UniSuper, SuperEd, Greenpeace Australia Pacific Limited and CBHS Health Fund Ltd.

In her executive career, she has held senior roles at CBA / Colonial First State, BT Funds Management and Towers Perrin. Ms Rubinsztein was also President of the Actuaries Institute in 2019 and a Director of the Association of Superannuation Funds of Australia (ASFA) for eight years and chair of their Super System Design Council.

(b) **Class Senior Management**

As at the date of this Scheme Booklet, the Class senior management comprise of each of the Class Directors and the following individuals:

(i) **Andrew Russell (Chief Executive Officer & Managing Director)**

As outlined above.

(ii) **Panos Alexandratos (Chief Risk & Operations Officer)**

*Qualifications:* Bachelor of Economics (Actuarial and Computer Science) from Macquarie University. Affiliate of the Actuaries Institute.

Mr Alexandratos is a superannuation industry professional, with over 30 years' experience in management, operational, IT and software development consulting. Mr Alexandratos specialises in commercialising products for market and building operational frameworks, developing solutions and bridging the gap between business aspirations and IT capabilities.

Mr Alexandratos pioneered the establishment of a global IT consulting group's successful practices in both Australia and the United States. He has held trusted adviser roles with a variety of government departments and large institutions in the superannuation industry in both Australia and the United States.

(iii) **Jacqui Levings (Chief People Officer & Head of IR)**

*Qualifications:* Graduate Diploma in Human Resources & Industrial Relations from University of Sydney.

Ms Levings has 20 years' experience in HR executive, leadership and generalist roles with demonstrated experience in ASX listed companies. Prior to joining Class, Ms Levings held a variety of senior HR leadership roles within the Crane Group Limited and Fletcher Building group of companies.

Ms Levings' people leadership career spans a range of industries including building products, manufacturing, information management and hospitality.

(iv) **Alexis Rouch (Chief Technology Officer)**

*Qualifications:* Bachelor of Science (Honours), University of Melbourne & Graduate Diploma in Applied Information Systems, RMIT. Next Women 50, World 50.

Ms Rouch is an experienced executive with expertise in driving strategic business outcomes using technology. Ms Rouch has held a variety of senior management positions in international banking and management consulting roles, including at AMP, ANZ, First National Bank (UK), Accenture (UK) and PwC (Eastern Europe).

With over 25 years' experience, Ms Rouch's career has spanned large top 20 organisations to start-ups, both locally and internationally, including executive roles in the United Kingdom, Eastern Europe and Asia.

(v) **Jason Wilson (Chief Customer Officer)**

*Qualifications:* Bachelor of Commerce (Marketing) University of Western Sydney. Harvard Business School – CBA Executive program. AGSM Influential Leadership program.

Mr Wilson is a senior executive with over 20 years' experience across a range of financial services institutions including online broking, retail banking, and wealth management. Prior to joining Class, he was a founding member of the Digital Leadership team at the Commonwealth Bank which introduced agile at scale as well as several innovations including the launch of the MyWealth investment platform.

His career spans a range of marketing, customer experience and product development roles within large institutions and start up technology businesses.

## 5.6 Capital structure

(a) **Capital structure and market capitalisation**

As at the Last Practicable Date, the capital structure of Class is set out below:

Class Security	Number on issue
Shares	124,423,456
Deferred Rights	278,116
Options	844,663
Performance Rights	2,333,973

Further information in relation to the intended treatment of the Deferred Rights, Performance Rights and Options is set out in Section 10.3.

As at the Last Practicable Date, Class had a market capitalisation of approximately \$325 million (based on a closing price of \$2.61 per Class Share and 124,423,456 Class Shares on issue).

(b) **Substantial shareholders**

The following persons hold a substantial holding (within the meaning of the Corporations Act) in Class Shares as at the Last Practicable Date, based on substantial holder notice lodgements with ASX, which are available on the ASX website ([www.asx.com.au](http://www.asx.com.au)):<sup>17</sup>

<sup>17</sup> The table excludes any shareholdings in a nominee or custodian capacity so far as is known to Class.

Substantial holder	Number of Class Shares <sup>18</sup>	Voting Power
Spheria Asset Management Pty Ltd	24,875,902	19.99% <sup>19</sup>
Troncell Pty Limited, Roderick Kibble, Peter Dorian Kibble, Michelle Kibble, and Lorraine Lester	18,239,216	15.51% <sup>20</sup>
Perennial Value Management Limited	8,579,595	6.90% <sup>21</sup>
Microequities Asset Management Pty Limited	8,660,591	7.00% <sup>22</sup>
Pinnacle Investment Management Group Limited and its related bodies corporate	7,737,515	6.30% <sup>23</sup>

## 5.7 Group structure

As at the date of this Scheme Booklet, Class was the ultimate holding company of the following Subsidiaries:

Name	Country of Incorporation	Ownership Interest
Class Technology Pty Limited	Australia	100%
Class Investment Reporter Pty Ltd	Australia	100%
NowInfinity 3505 Pty Ltd	Australia	100%
NowInfinity Pty Ltd	Australia	100%
Assuriti Pty Ltd	Australia	100%
Company Dynamics Pty Ltd	Australia	100%
Accounting and Legal Dynamics Pty Ltd	Australia	100%
TopDocs Pty Ltd	Australia	100%
TopDocs Edge Pty Ltd	Australia	100%

## 5.8 Financial information

### (a) Basis of preparation

This Section 5.8 presents summary financial information in relation to Class for the purpose of this Scheme Booklet. The information has been extracted from Class' audited financial statements for the years ended 30 June 2020 and 30 June 2021.

<sup>18</sup> This refers to the number of Class Shares in which the person or any associate has a Relevant Interest as noted in the substantial shareholder notice.

<sup>19</sup> Spheria Asset Management Pty Ltd's voting power is based on its voting power as at 18 October 2021, being the date which Class and HUB24 announced their entry into the Scheme Implementation Deed.

<sup>20</sup> As disclosed in a substantial holder notice lodged on 22 September 2017.

<sup>21</sup> As disclosed in a substantial holder notice lodged on 10 December 2021.

<sup>22</sup> As disclosed in a substantial holder notice lodged on 26 April 2021.

<sup>23</sup> As disclosed in a substantial holder notice lodged on 31 July 2020.

The financial information contained in this section is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in the annual report prepared in accordance with the Corporations Act. The financial information has not been subject to further review by an independent accountant. This financial information should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Further details on Class' financial performance and financial statements for FY21 set out in the 2021 Annual Report announced to the ASX on 17 August 2021 can be found on the ASX website ([www.asx.com.au](http://www.asx.com.au)) or the Company Website.

**(b) Historical consolidated statement of profit or loss**

Below is a summary of Class' consolidated statements of profit or loss or other comprehensive income for the years ended 30 June 2020 and 30 June 2021.

Consolidated Class Group	2021 \$'000	2020 \$'000
<b>Revenue</b>	54,784	43,904
Other income	157	148
Interest revenue calculated using the effective interest method	7	119
<b>Expenses</b>		
Employee benefits expense	(24,008)	(18,503)
Depreciation and amortisation expense	(11,438)	(8,072)
Selling and marketing expenses	(1,132)	(1,542)
Occupancy expenses	(335)	(112)
Technology, product and data costs	(3,253)	(1,876)
Acquisition and corporate advisory costs	(948)	(827)
Net loss on financial assets at fair value through profit or loss	(3,242)	-
Other expenses	(4,309)	(3,022)
Finance costs	(451)	(140)
<b>Profit before income tax expense</b>	5,832	10,077
Income tax expense	(2,166)	(3,237)
<b>Profit after income tax expense for the year attributable to the owners of Class Limited</b>	3,666	6,840
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive income for the year attributable to the owners of Class Limited</b>	3,666	6,840
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	2.97	5.75
Diluted earnings per share	2.96	5.73

(c) **Historical consolidated statement of financial position**

Below is a summary of Class' consolidated statement of financial position as at 30 June 2020 and 30 June 2021.

<b>Consolidated Class Group</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	10,363	16,488
Trade and other receivables	5,042	4,018
Other assets	1,661	1,107
Income tax receivable	2,012	-
<b>Total current assets</b>	<b>19,078</b>	<b>21,613</b>
<b>Non-current assets</b>		
Investments	175	3,276
Property, plant and equipment	858	1,004
Intangibles	58,899	35,133
Right-of-use assets	6,757	973
Customer acquisition assets	1,847	2,078
<b>Total non-current assets</b>	<b>68,536</b>	<b>42,464</b>
<b>Total assets</b>	<b>87,614</b>	<b>64,077</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	9,013	4,897
Contract liabilities	235	610
Borrowings	4,932	1,000
Lease liabilities	1,110	832
Provisions	1,765	1,345
Income tax provision	-	735
Deferred consideration	-	500
<b>Total current liabilities</b>	<b>17,055</b>	<b>9,919</b>
<b>Non-current liabilities</b>		
Borrowings	15,215	9,000
Lease liabilities	5,341	97
Provisions	850	425
Deferred tax	7,511	2,971
<b>Total non-current liabilities</b>	<b>28,917</b>	<b>12,493</b>
<b>Total liabilities</b>	<b>45,972</b>	<b>22,412</b>
<b>Net assets</b>	<b>41,642</b>	<b>41,665</b>

Consolidated Class Group	2021 \$'000	2020 \$'000
<b>Equity</b>		
Issued capital	36,513	34,414
Reserves	1,922	1,522
Retained earnings	3,207	5,729
<b>Total equity</b>	<b>41,642</b>	<b>41,665</b>

(d) **Historical consolidated statement of cash flows**

Below is a summary of Class' consolidated statements of cash flow for the financial years ended 30 June 2020 and 30 June 2021.

Consolidated Class Group	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	58,734	48,219
Payments to suppliers and employees (inclusive of GST)	(35,381)	(29,284)
Interest received	7	147
Other revenue	16	-
Interest and other finance costs paid	(451)	(140)
Income taxes paid	(3,949)	(1,580)
Net cash from operating activities	18,976	17,362
<b>Cash flows from investing activities</b>		
Payment for purchase of subsidiary, net of cash acquired	(14,997)	(12,867)
Payment for prior year business combinations	(500)	-
Payments for investments	-	(1,100)
Payments for property, plant and equipment	(486)	(414)
Payments for intangibles	(11,447)	(7,976)
Payments for security deposits	(92)	-
Net cash used in investing activities	(27,522)	(22,357)
<b>Cash flows from financing activities</b>		
Proceeds received on exercise of employee share options	174	808
Payments for share purchase by employee share trust-treasury shares	(769)	-
Proceeds from borrowings	11,830	10,000
Repayment of borrowings	(1,683)	-
Repayment of lease liabilities	(943)	(778)
Dividends paid	(6,188)	(6,011)
Net cash from financing activities	2,421	4,019
Net decrease in cash and cash equivalents	(6,125)	(976)

Consolidated Class Group	2021	2020
	\$'000	\$'000
Cash and cash equivalents at the beginning of the financial year	16,488	17,464
Cash and cash equivalents at the end of the financial year	10,363	16,488

## 5.9 Material changes to Class' financial position

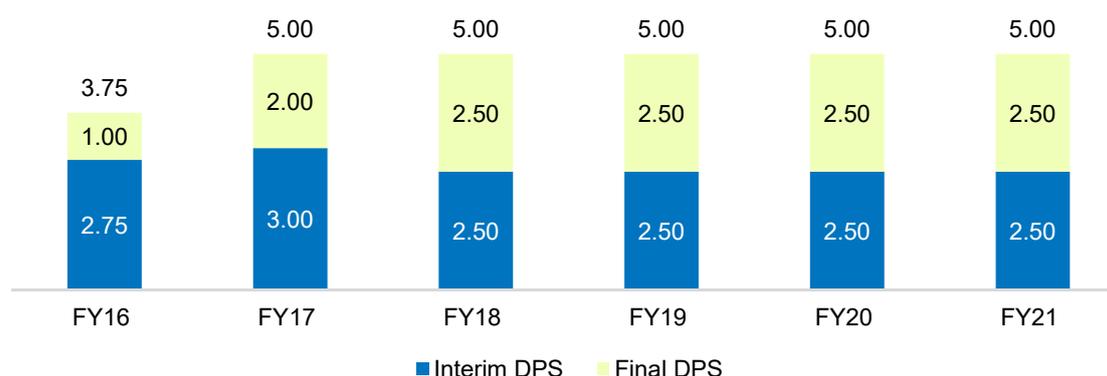
To the knowledge of the Class Directors, the financial position of Class as at the Last Practicable Date has not materially changed since 30 June 2021, being the date of Class' consolidated financial report for FY21, other than:

- the accumulation of earnings and payment of outgoings in the ordinary course of trading since 30 June 2021;
- as disclosed elsewhere in this Scheme Booklet; or
- as disclosed to the ASX by Class.

## 5.10 Dividend policy

Class has paid a full-year dividend of \$0.05 per Class Share in FY21, consistent with full-year dividends paid by Class since FY17. Historical dividends paid per Class Share are set out below.

### Historical dividends per share (cents)



## 5.11 Class Directors' intentions for the business

The Corporations Regulations require a statement by Class Directors of their intentions regarding:

- the continuation of the business of Class;
- any major changes, if any, to be made to the business of Class; and
- the future employment of the present employees of Class.

If the Scheme is implemented, HUB24 will own and control Class. On the Implementation Date, HUB24 intends to reconstitute the Class Board. Accordingly, it is not possible for the Class Directors to provide a statement of their intentions after the Scheme is implemented regarding the above matters. The current intentions of HUB24 with respect to these matters are set out in Section 7.3.

If the Scheme is not implemented, the Class Directors intend to continue to operate Class in the ordinary course of business, including with respect to the matters set out above, and for Class to remain listed on the ASX.

## **5.12 Risks**

There are existing risks relating to Class' business and an investment in Class which will continue to be relevant to Class Shareholders if the Scheme does not become Effective. A summary of the key risks relating to Class' business and an investment in Class is set out in Section 8.

## **5.13 Publicly available information**

Class is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require Class to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to participants in the market.

Once Class becomes aware of any information concerning it which a reasonable person would expect to have a material effect on the price or value of a Class Share, Class must (subject to limited exceptions) immediately notify the ASX of that information.

Publicly disclosed information about all ASX-listed entities, including Class, is available on the ASX website at [www.asx.com.au](http://www.asx.com.au).

In addition, Class is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Class may be obtained from, or inspected at, an ASIC office. Copies of these documents will also be made available free of charge following a request in writing to Class at any time before the Second Court Hearing.

Class' annual and interim reports and public announcements are also available on the Company Website.

## 6 Information about HUB24

### 6.1 Background

HUB24 is a financial services company that was established in 2007 and is a leading provider of wealth management superannuation and investment platforms, technology and data solutions to the Australian market.

Initial HUB24 products were launched to market from 2010 growing to \$1 billion in FUA in 2014. Since that time, the HUB24 business has grown to over \$63.2 billion in FUA (as at 30 September 2021) and has grown the number of financial advisers using its platforms to 3,221 as at 30 September 2021. HUB24's head office is based in Sydney and HUB24 provides its products and services across all Australian states and territories.

HUB24 is listed on the ASX under the trading symbol 'HUB'. As at the Last Practicable Date, HUB24's market capitalisation was approximately \$1.973 billion and HUB24 employs 450 people on a full-time equivalent basis as at the Last Practicable Date.

### 6.2 Overview of HUB24

#### (a) Business overview

HUB24 operates via two core revenue generating segments, being the Platform segment and the Tech Solutions segment.

##### **Platform**

The Platform segment comprises the HUB24 investment and superannuation platform, the Xplore Wealth investment and superannuation platform, and its Portfolio Administration & Reporting Services (**PARS**).

The HUB24 and Xplore Wealth platforms are used by financial professionals to efficiently administer their clients' investments held through a superannuation and investment product under custodial arrangements. In addition, HUB24 also offers PARS, a non-custody portfolio service which provides administration, corporate action management and tax reporting services for financial professionals and their clients.

The HUB24 platform offers broad product choice and a market-leading experience for financial professionals and their clients. In February 2021, HUB24 was announced as the 'Best Platform Overall', and having the 'Best Platform Managed Accounts Functionality' for the 5<sup>th</sup> year running by Investment Trends in the 2020 Platform Competitive Analysis and Benchmarking Report. It serves a growing number of respected and high-profile financial services companies and their clients.

The Xplore Wealth platform, acquired by HUB24 in March 2021, consolidates HUB24's leadership position as a specialist platform provider (**SPP**) and brings complementary capabilities including managed accounts, superannuation services and PARS capability. Xplore's products and services are used by financial advisers, boutique financial advice businesses, stockbrokers and institutional clients to look after their client's investment needs.

In November 2020, HUB24 acquired the servicing rights to Ord Minnett's PARS. This acquisition included software, related intellectual property and the transition of an experienced team of 12 full-time equivalent employees. The PARS capability acquired via the Xplore Wealth and Ord Minnett transactions facilitated HUB24 now being a leader in the non-custodial asset administration segment.

## Tech Solutions

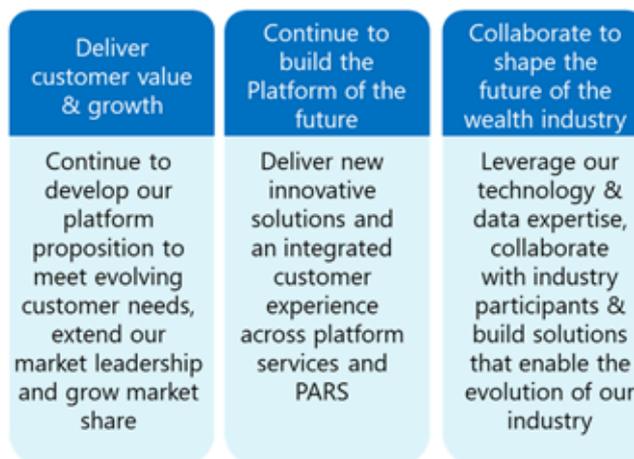
The Tech Solutions segment provides technology and data services through HUBconnect Pty Ltd (**HUBconnect**) and Agility Applications Pty Ltd (**Agility**). Tech Solutions provides technology and data services to the wealth industry, bringing innovative solutions to support licensees, advisers and stockbrokers to deliver services to their clients. The business benefits from Agility's years of experience of managing data for a large installed customer base of stockbrokers.

HUB24 is a strategic shareholder in Diverger Limited (formerly known as Easton Investments Limited), which is a diversified financial services business servicing the needs of financial professionals and their clients. Under a Distribution and Technology Partnership Agreement, Diverger Limited is a cornerstone client for HUBconnect's data and technology services.

Further information about HUB24's group structure is available in the HUB24 2021 annual report (which has been released to the ASX and is available at the HUB24 Website).

### (b) HUB24's vision and strategy

HUB24's vision is to lead the wealth industry as the best provider of integrated platform, technology and data solutions. HUB24 is focused on three strategic priorities:



HUB24 is building scale in large addressable markets with a focus on the Australian investment platform market and the Australian private client PARS market.

The Australian investment platform market has FUA of \$965.7 billion at 30 June 2021. With the acquisition of Xplore Wealth and HUB24's strong organic growth, HUB24's market share of the investment platform market is currently 4.3% (as at 30 June 2021).<sup>24</sup> HUB24 estimates the private client PARS market in Australia to have FUA of \$149 billion. The acquisition of Ord Minnett's PARS and Xplore's PARS business during FY21 facilitated HUB24's entry into this growing segment with an estimated 12% market share (as at July 2021).<sup>25</sup>

### (c) HUB24's financial performance

FY21 was a significant year of growth for the HUB24 Group, delivering record net inflows of \$8.9 million (up 82% on FY20), HUB24 Group underlying EBITDA of \$36.2m (up 47% on FY20), underlying net profit after tax of \$15 million (up 53% on FY20) and fully franked dividends totalling 10 cents per share for the financial year.

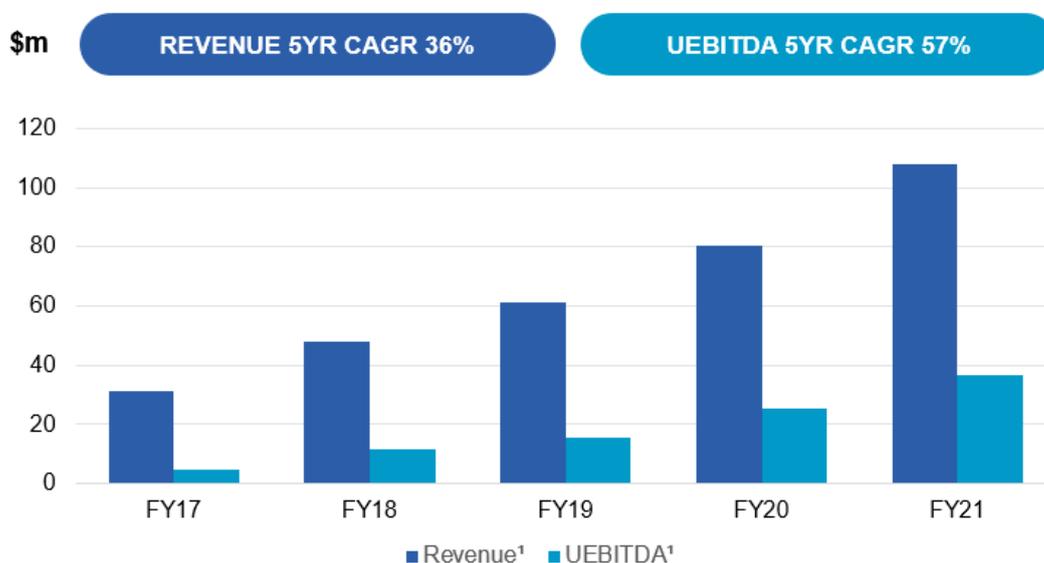
<sup>24</sup> Strategic Insights Analysis of Wrap, Platform and Master Trust Managed Funds.

<sup>25</sup> HUB24 estimates the private client PARS market to be \$149 billion based on readily identifiable participants.

HUB24 has now delivered a compound annual growth rate of 66% in FUA and grown revenue by 36% over the last 5 years to 30 June 2021.

Shareholder value has grown significantly over time in recognition of HUB24's strong financial and operating performance.

**Figure 1: HUB24 Group Revenue and UEBITDA Performance – last five years**



1. HUB24 Group operating revenue and HUB24 Group underlying EBITDA for continuing operations 5 year trend

**(d) Key Market Trends Providing Growth Opportunities**

**(i) Disruption continues in the platform market**

The investment platform market is comprised of platforms operated by large financial institutions and challenger platforms known as SPPs such as HUB24.

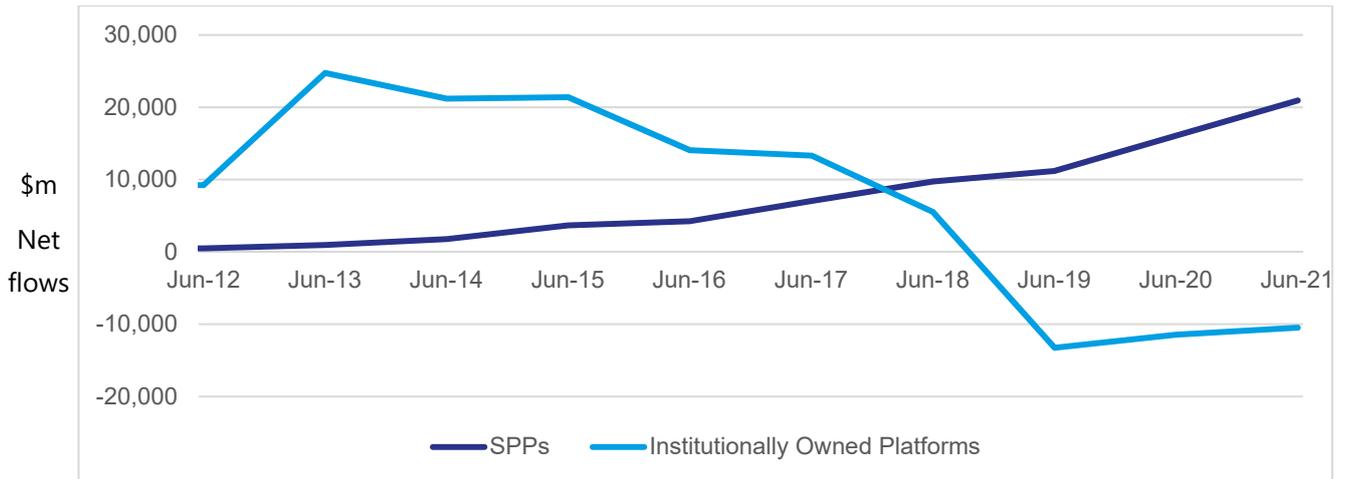
Large financial institutions have traditionally dominated the Australian investment platform market. Over recent years, however, they have been losing market share to SPPs in response to growing demand from financial professionals and their clients for choice, flexibility and innovative product solutions. Their market share was 80.70% as at 30 June 2021 but has been declining steadily since March 2014, experiencing net outflows of over \$10 billion in the past year alone.

In the last 12 months ended 30 June 2021, the shift towards SPPs continued as large financial institutions either partially or completely divested their wealth management divisions or re-evaluated their wealth management strategy.

SPPs represent 11.8% of the Australian Investment Platform market (as at 30 June 2021) and have grown at a CAGR of 43% over the last 10 years. SPPs accounted for over \$20 billion of annual net inflows in FY21. A key driver of the success of SPPs has been providing financial professionals and their clients with choice and innovative product solutions, and in particular, Managed Accounts. Managed Accounts now represent more than \$111 billion in FUA in Australia as at 30 June 2021.<sup>26</sup>

<sup>26</sup> IMAP – Milliman FUM Census

**Figure 2: Australian Investment Platform Net Inflow Trends**

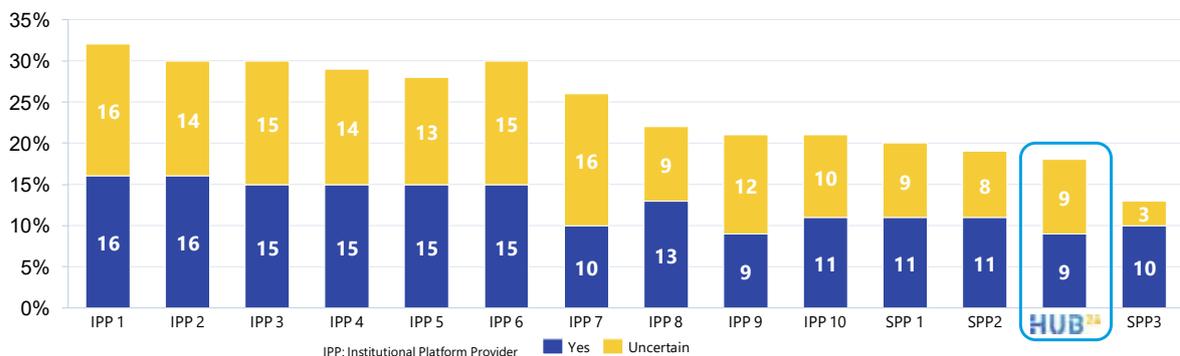


HUB24, which has built a strong base of support based on operational robustness, customer service excellence and innovative product solutions, is well placed in this environment to continue to grow market share. HUB24's market share in the platform market growing to 4.3% from 2.1% in the 12 months ended 30 June 2021 demonstrates the significant growth potential.

(ii) **Shift to privately-owned advice licensees**

As an intermediated business, HUB24 relies on the support of financial professionals to provide its platform services to end consumers. According to research house Adviser Ratings, the total number of financial advisers in Australia fell by 12% throughout the 2020 calendar year to 20,674. Part of this decline is driven by the exit of banks from wealth management, rationalisation occurring at large financial institutions, new financial adviser educational requirements, and regulatory change. Financial advisers aligned to institutions or broader bank-backed licensees accounted for 85% of this reduction.<sup>27</sup> As shown in the chart below, SPPs are less susceptible to the adviser market contraction impacts being experienced by institutional providers as mentioned above.

**Figure 3: Percentage of advisers who 'will' or 'may' leave the industry by platform use<sup>28</sup>**



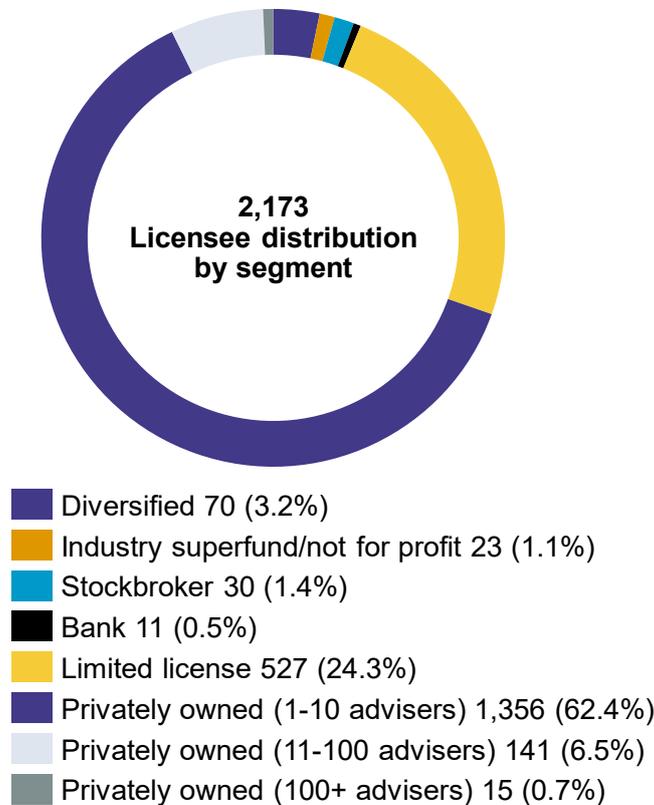
Consequently, new dominant advice segments are emerging in the wealth industry. According to Adviser Ratings, 69.6% of the adviser market is now either

<sup>27</sup> Roger Montgomery article "Financial Planner Numbers Back to Where They Were in 2015"

<sup>28</sup> Adviser Ratings Data.

self-licensed or part of a privately owned licensee. These groups are increasingly embracing the use of SPPs.

**Figure 4: Advice Industry Composition<sup>29</sup>**



HUB24 has built strong relationships in the privately owned licensee sector by collaborating with licensees to develop solutions that deliver efficiency for their advisers and create value for their clients. HUB24 has grown the number of advisers using its platforms to 3,221 at 30 September 2021 from 690 only 5 years ago.

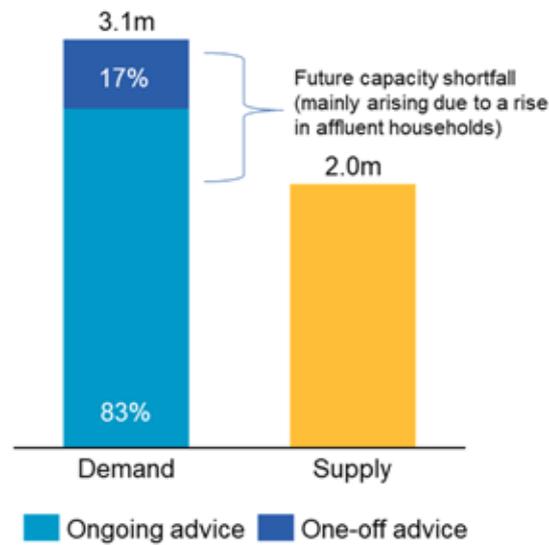
(iii) **Increasing demand for financial advice**

The demand for financial advice continues to increase and is expected to exceed the capacity of the projected adviser force. Whilst demand is increasing so is the cost of delivering financial advice with the median advice fee per client rising to \$3,240, making it inaccessible for many.<sup>30</sup>

<sup>29</sup> Adviser Ratings Data.

<sup>30</sup> Investment Trends Financial Advice Report, July 2020.

**Figure 5: Projected Supply and Demand for Advice (#households, 2025P)<sup>31</sup>**



HUB24 is well-placed to deliver innovative solutions that leverage technology to provide efficiencies to licensees and advisers to help reduce the cost of advice delivery and make financial advice accessible for more Australians. Additionally, retirement products are increasingly complex, and clients need access to professional financial advice to guide them through their retirement. By 2034 it is expected that retirement assets will make up 30% of all superannuation assets in Australia.<sup>32</sup> HUB24, through collaboration with other industry participants, is well positioned to leverage its product development expertise to deliver retirement solutions and empower advisers to help their clients reach their retirement objectives.

(iv) **Growth of Managed Accounts**

The use of Managed Accounts accelerated in FY21 with 44% of financial advisers now using them to manage their clients' investments. Allocations of new client inflows into managed accounts increased from an average of 12% to 17% in FY21.<sup>33</sup> FUA in Managed Accounts in Australia have grown to more than \$111 billion at 30 June 2021 as advisers increasingly recognise the benefits of using them to access professional investment management for their clients.<sup>34</sup> HUB24 has 19% market share of this segment as at 30 June 2021. As Australia's leading provider of Managed Accounts functionality for the 5th year running,<sup>35</sup> HUB24 expects to continue to benefit from the growth in popularity of Managed Accounts. During FY21, HUB24 launched the Managed Portfolio Academy to educate advisers on the benefits of managed portfolios to solidify its leadership position.

<sup>31</sup> NMG Research 2020.

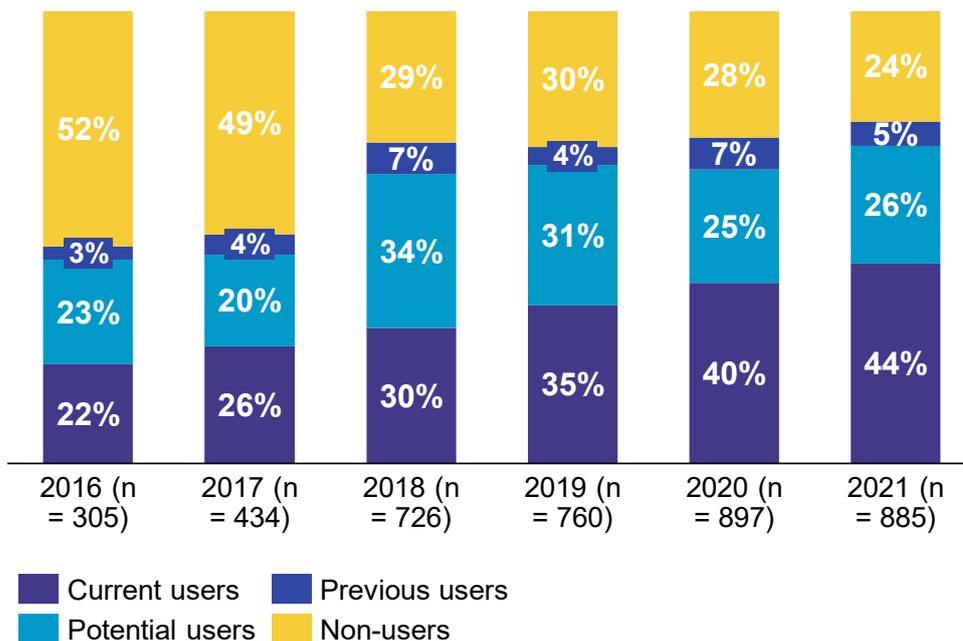
<sup>32</sup> Rice Warner market projections data.

<sup>33</sup> Investment Trends.

<sup>34</sup> IMAP – Milliman FUM Census.

<sup>35</sup> Investment Trends 2021 Managed Accounts Report.

**Figure 6: Managed account adoption by financial advisers<sup>36</sup>**



(v) **Demand for portfolio reporting solutions**

There is growing demand from licensees and advisers for integrated solutions that facilitate seamless transacting and reporting between custody and non-custody assets to provide a single view of wealth for their clients. The acquisition of Ord Minnett’s and Xplore Wealth’s PARS business during FY21 facilitated HUB24’s entry into this growing segment, with an estimated 12% market share to be a leader in this market segment. HUB24 expects that the size of the opportunity will grow as stockbroking firms look to outsource non-custodial services rather than operate them in-house as high net-worth and private clients increasingly look to use these services. HUB24 will continue to invest and develop its PARS capabilities to meet the growing demand.

(vi) **Technology & data solutions key to future of advice**

A significant challenge for licensees is the cost of compliance and the complexities associated with delivering the core functions of running an AFSL, such as governance, revenue processing, and monitoring fee disclosure statements and ongoing fee consents. Advisers also cite the compliance burden as one of their biggest challenges.

In FY21, HUB24 continued to collaborate with a group of licensees to develop solutions that leverage its HUBconnect data and technology expertise to solve key challenges in the delivery of advice and assist in reducing the cost of advice delivery. The objective is to provide advisers with the flexibility they require to choose best of breed tools and technology to help clients meet their goals and run sustainable businesses. At the same time licensees will be provided with the visibility they require to fulfil core tasks efficiently and effectively.

Consumers are looking for innovative solutions that provide an integrated view of their wealth, with advisers stating it was the second most valued feature for client

<sup>36</sup> Investment Trends 2021 Managed Accounts Report.

portals after performance reporting. HUB24 continues to leverage its HUBconnect infrastructure to extend its 'single view of wealth' capabilities to advisers and their clients.

**(e) Outlook**

In FY21, HUB24 delivered strong financial results and record levels of platform annual net inflows and FUA growth as well as completing three strategic transactions and achieving continued industry recognition as a market leader in both the platform and Managed Accounts markets. This set of record results was delivered in the context of the COVID-19 pandemic and underpinned by the continued investment in technology, the strength of HUB24's offer and the expertise and commitment of HUB24's team of people who continue to deliver outcomes for HUB24's customers and shareholders.

During the first quarter of FY22, HUB24 continued its growth momentum delivering record net inflows of \$3 billion for the quarter ending 30 September 2021; a record for both a September quarter as well as overall (excluding large client transitions). Total FUA as at 30 September 2021 has grown to \$63.2 billion, with platform FUA of \$45.4 billion (up 139% on the prior corresponding period and up 9.5% on June 2021) and PARS FUA of \$17.8 billion (up 3% on June 2021).

HUB24 believes the market conditions continue to be highly favourable for HUB24 as the wealth management industry continues to transform. As a result of continued investment and the completion of strategic transactions in FY21, HUB24 is well-placed to pursue emerging opportunities and growth in all segments of its business. To leverage these opportunities, HUB24 will focus on delivering initiatives that provide customer value and growth.

In February 2021, with the contribution from the Xplore acquisition, HUB24 increased its FY22 target platform FUA range to \$43-49 billion (excluding PARS FUA). Moving forward and subject to market conditions, HUB24 expects strong growth and increasing profitability. As a result, in August 2021 as part of its full year results announcement, HUB24 increased its target platform FUA range to \$63-\$70 billion by 30 June 2023 (excluding PARS FUA).

**(f) Board**

As at the date of this Scheme Booklet, the HUB24 Board comprises:

**(i) Bruce Higgins (Chairman, Independent Non-Executive Director)**

*Qualifications:* B Eng CP Eng, MBA, FAICD

Bruce has more than 20 years' experience as a senior executive or CEO, with companies such as Honeywell, Raytheon and listed technology companies. He is a specialist in rapid growth entrepreneurial companies, financial and software services companies, M&A and corporate governance and has also served on ASX boards as a Non-Executive Director or Chairman for more than 15 years. Bruce was awarded the Ernst & Young Entrepreneur of the Year award in Southern California in 2005 and has a Bachelor Degree in Electronic Engineering and an MBA in Technology Management. He is a Chartered Professional Engineer and Fellow of the Australian Institute of Company Directors.

Bruce was appointed as Chairman of the HUB24 Board on 19 October 2012.

**(ii) Andrew Alcock (Managing Director)**

*Qualifications:* B Bus, GAICD

Andrew joined HUB24 in 2013 as Chief Executive Officer. Since that time, funds under administration on the HUB24 platform have grown from approximately \$500m to over \$63.2 billion (as at 30 September 2021). The company is now an ASX top 200 company and is recognised as one of the market's leading specialist platform providers winning multiple industry awards for its technology, innovation and customer service.

Andrew has more than 25 years' experience across wealth management encompassing advice, platforms, industry superannuation, insurance and information technology. He holds a Bachelor of Business, Accounting from the University of Technology, Sydney. Prior to joining HUB24, he held senior executive roles at institutions within the Wealth sector including Genesys Wealth Advisers, Tyndall and Asteron. He was also the CEO of Australian Administration Services, a subsidiary of Link Market Services, providing superannuation administration for some of Australia's largest superannuation funds.

Andrew was appointed to the HUB24 Board on 29 August 2014 as Managing Director.

(iii) **Anthony McDonald (Independent Non-Executive Director)**

*Qualifications:* B Comm LLB

Anthony (Tony) McDonald co-founded financial planning firm Snowball Group Limited in 2000, which merged with Shadforth in 2011 to become ASX-listed SFG Australia Limited. Tony is a director of Diverger Limited (formerly named Easton Investments Limited). He is also a former Director of The Investment Funds Association of Australia (now Financial Services Council) and currently Chairman of a leading not-for-profit organisation and a private RegTech company, Fourth Line Pty Ltd. As a financial services executive, Tony worked in a variety of senior roles with the Snowball Group, SFG, Jardine Fleming Holdings Limited (Hong Kong), and Pacific Mutual Australia Limited. Prior to entering the financial services industry, Tony worked as a solicitor with two global law firms. He holds a Bachelor of Laws (LLB) and a Bachelor of Commerce (Marketing) from the University of NSW.

Tony was appointed to the HUB24 Board on 1 September 2015 and is the Chair of the Remuneration and Nomination Committee.

(iv) **Paul Rogan (Independent Non-Executive Director)**

*Qualifications:* FAICD, FCPA, B Bus

Paul is a senior financial services professional with a background in accounting and finance, with a proven track record for delivering results in different regions and markets. In his executive career he successfully drove businesses through rapid growth phases including with Challenger, NAB, MLC and Lendlease. Paul has more than 27 years' experience serving on entity boards and industry groups, including 13 years in the not for profit sector.

Paul was appointed to the HUB24 Board on 20 December 2017 and appointed as Chair of the Audit, Risk and Compliance Committee on 1 March 2018. Paul was appointed a member of the Remuneration and Nomination Committee effective 1 August 2020.

(v) **Ruth Stringer (Independent Non-Executive Director)**

*Qualifications:* B Sc, LLM, GAICD

Ruth is an experienced financial services lawyer with particular expertise in funds management, superannuation, life insurance and financial planning. Her diverse career has included working in significant national and international law firms, as well as serving as in-house counsel with various financial institutions and more recently, working with ASIC. Ruth is engaged as a Consultant to Herbert Smith Freehills. Ruth has served on a

number of boards and committees during her career, including the Board of Taxation's Advisory Panel and the Steering Committee of the International Pension and Employee Benefit Lawyers Association. Ruth's passion for improving the superannuation system resulted in her appointment to the CIPR (Comprehensive Income Products for Retirement) Framework Advisory Group, formed to advise Treasury on aspects of the legislative framework for new retirement income products.

Ruth was appointed to the HUB24 Board on 1 February 2020 and also serves on the Audit, Risk and Compliance Committee.

(vi) **Catherine Kovacs (Independent Non-Executive Director)**

*Qualifications:* B Com, MAppFin, GAICD

Catherine is an experienced Non-Executive Director, serving on the Board of OFX Group Limited (ASX listed), Universities Admission Centre, and Equitise. Catherine has over 30 years' experience in the financial services industry, having held senior executive leadership roles at Westpac Banking Group, Ellerston Capital, Macquarie Group and BT Financial Group. Catherine's most recent executive role was as Group Head of Business Development at Westpac until March 2019, where she was responsible for advising the Westpac Executive Committee and Board on business disruption and the future of banking and wealth strategy, as well as managing strategic partnerships. Prior to that Catherine held executive roles at BT Financial Group as Head of Equities where her responsibilities included product development and distribution of equity products to licensees, advisers and retail investors; Ellerston Capital where she was Head of Investor Relations, Sales & Marketing; and Macquarie Group as Divisions Director, Equity Markets Group. Catherine is a Graduate of the Australian Institute of Company Directors and a Member of the Association of Superannuation Funds of Australia. She holds a Bachelor of Commerce (UNSW) and a Master of Applied Finance (Macquarie University).

Catherine was appointed to the HUB24 Board on 19 July 2021 and also serves on the Audit, Risk and Compliance Committee.

(g) **Company Secretaries**

(i) **Kitrina Shanahan**

Kitrina has over 20 years of experience in finance, governance and risk. Prior to HUB24, Kitrina was Chief Financial Officer Insurance at Westpac. She has also held roles across BTFG as Deputy Chief Financial Officer and as Group Financial Controller at Westpac. With deep experience in platforms, advice and broader financial services, Kitrina has executive leadership experience delivering large strategic transformation projects. Kitrina was appointed Company Secretary and Chief Financial Officer on 7 September 2020.

(ii) **Andrew Brown**

Andrew has over 25 years' experience in the financial services industry. Prior to joining HUB24, Andrew held senior governance and compliance management positions at Challenger Limited. Andrew was appointed Company Secretary on 30 April 2021.

(h) **Executive Management Team**

The executive management team comprises of the following:

- Andrew Alcock – Managing Director
- Kitrina Shanahan – Chief Financial Officer and Joint Company Secretary

- Jason Entwistle – Director, Strategic Development
- Craig Lawrenson – Chief Operating Officer
- Paul Biggs – Chief Information Officer
- Darren Stevens – Chief Product Officer
- Wendy McIntyre – General Counsel
- Anne McDonnell – Head of Marketing

### 6.3 Share price performance

HUB24 Share price information	Price
Closing price on ASX for HUB24 Shares on 13 December 2021, being the Last Practicable Date	\$28.75
Closing price on ASX for HUB24 Shares on 15 October 2021, being the last trading day prior to the date of the announcement of the Scheme	\$33.06
Highest closing price in the 3 months prior to the announcement of the Scheme (15 October 2021)	\$33.06
Lowest closing price in the 3 months prior to the announcement of the Scheme (30 July 2021)	\$24.06
Highest closing price in the 3 months prior to the Last Practicable Date	\$33.13
Lowest closing price in the 3 months prior to the Last Practicable Date	\$24.75
Highest closing price in the 12 months prior to the announcement of the Scheme (15 October 2021)	\$33.06
Lowest closing price in the 12 months prior to the announcement of the Scheme (5 March 2021)	\$19.48

Set out below is a graph depicting the share price performance of HUB24 Shares on the ASX from the October 2018 until the Last Practicable Date.



Source: IRESS as at 13 December 2021

None of the HUB24 Share prices referred to above should be taken as an indication of the likely price of HUB24 Shares following the implementation of the Scheme.

#### 6.4 Capital structure

As at the Last Practicable Date, the capital structure of HUB24 is set out below:

HUB security	Number on issue
Shares	68,624,619
Options	802,711
Performance rights	2,045,942

#### 6.5 Substantial HUB24 Shareholders

The following persons hold a substantial holding (within the meaning of the Corporations Act) in HUB24 Shares as at the Last Practicable Date, based on substantial holder notice lodgements with ASX, which are available on the ASX website ([www.asx.com.au](http://www.asx.com.au)).

Name	Holding	Percentage
Bennelong Funds Management Group Pty Ltd	6,051,803	8.86%
Thorney Opportunities Ltd*	5,779,078	8.63%
TIGA Trading Pty Ltd*	5,779,078	8.63%
ECP Asset Management Pty Ltd	5,281,108	7.7%
Hyperion Asset Management	4,279,609	6.26%
Pinnacle Investment Management Group	4,034,685	5.9%

\*Shares held by entities identified as associates under section 12 of the Corporations Act.

#### 6.6 HUB24 Directors' Interests in HUB24 Shares

HUB24 Director	Interest in HUB24 Securities
Bruce Higgins	538,611 fully paid ordinary shares
Andrew Alcock	1,070,924 fully paid ordinary shares 139,508 options 486,147 performance rights
Anthony McDonald	18,874 fully paid ordinary shares 20,000 performance rights
Paul Rogan	40,000 fully paid ordinary shares
Ruth Stringer	3,070 fully paid ordinary shares
Catherine Kovacs	Nil

#### 6.7 Funding arrangements for the Scheme Consideration

HUB24 will issue HUB24 Shares to satisfy the Scrip Consideration, for which it does not require HUB24 shareholder approval.

The Cash Consideration will be funded by cash on balance sheet (HUB24 has \$65.0m of cash as at 31 October 2021).

## 6.8 Rights and liabilities attaching to HUB24 Shares

The rights and liabilities attaching to HUB24 Shares which will be issued to participants in the Scheme as Scheme Consideration will be the same as those attaching to existing HUB24 Shares and will rank equally with all issued fully paid ordinary shares of HUB24 from the date of their allotment. These rights and liabilities are detailed in the HUB24 constitution and are subject to the Corporations Act and the ASX Listing Rules.

The table below summarises some of the key rules in the HUB24 constitution in relation to the rights and liabilities currently attaching to HUB24 Shares. This summary does not purport to be exhaustive and must be read subject to the full text of the HUB24 constitution. A copy of HUB24's constitution is available on the ASX announcements platform or the HUB24 Website.

Class Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of HUB24 Shares in specific circumstances.

Item	Description
<b>Issue of further HUB24 Shares</b>	The HUB24 Board may, from time to time, issue any shares in the capital of HUB24.
<b>HUB24 Share transfers</b>	<p>A HUB24 Shareholder may transfer all or any of the HUB24 Shares held by them to a third party, including on the ASX, subject to customary requirements.</p> <p>Generally, the HUB24 Board must register a transfer of HUB24 Shares, unless the refusal to register the transfer is permitted under the ASX Listing Rules. If a transfer is refused, HUB24 will provide notice within 5 Business Days after the date of lodgment.</p>
<b>Meetings of members</b>	<p>Each holder of HUB24 Shares is entitled to receive notice of and to attend and vote at all meetings of members of HUB24.</p> <p>HUB24 Shareholders are also entitled to call a general meeting in accordance with the Corporations Act.</p>
<b>Voting</b>	<p>Each HUB24 Share confers the right to vote at general meetings. Each HUB24 Shareholder is entitled to be present and vote at meetings in person, or by proxy, attorney or representative.</p> <p>On a show of hands, each HUB24 Shareholder has one vote. On a poll, each HUB24 Shareholder has one vote for each fully paid ordinary share held by the shareholder and a fraction of a vote proportional to the amount paid on each partly-paid ordinary share.</p>
<b>Dividends</b>	<p>HUB24 Shareholders are entitled to receive dividends declared in respect of HUB24 Shares they hold and a fraction of the dividend proportional to the amount paid on each partly-paid ordinary share.</p> <p>The HUB24 Board may declare dividends as and when it sees fit.</p>
<b>Rights on winding up</b>	<p>Each HUB24 Share confers on its holder the right to participate equally in the distribution of the assets of HUB24 on a winding up.</p> <p>If HUB24 is wound up, the liquidator may, with the sanction of a special resolution, divide among the members all or any of HUB24's assets and for that purpose, determine how it will carry out the</p>

	division between the members but may not require a member to accept any shares or other securities in respect of which there is any liability.
<b>Sale of non-marketable parcels</b>	<p>As permitted by the ASX Listing Rules, the HUB24 constitution confers the power on HUB24 to dispose of small parcels of HUB24 Shares (being parcels of HUB24 Shares, the number of which in aggregate constitutes less than a marketable parcel of shares under the ASX Listing Rules).</p> <p>HUB24 must not sell a small parcel of HUB24 Shares unless it has given six weeks' written notice to the HUB24 Shareholder of its intention to sell those HUB24 Shares. The shareholder may ask HUB24 in writing to exempt their HUB24 Shares before the date specified in the written notice, in which case HUB24 will not sell the parcel. If HUB24 does sell the HUB24 Shares, the proceeds of the sale are remitted to the HUB24 Shareholder.</p>
<b>Variation of class rights</b>	The rights attaching to a HUB24 Share may, unless their terms of issue state otherwise, only be varied or abrogated with the sanction of a special resolution passed at a meeting of the class of holders holding shares in the class.

## 6.9 Historical financial information

### (a) Basis of preparation

The historical financial information of the HUB24 Group presented is in an abbreviated form and does not contain all the disclosures, presentation, statements, notes or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, AAS and other mandatory professional reporting requirements. HUB24 considers that for the purposes of this Scheme Booklet the historical financial information presented in an abbreviated form is more meaningful to Class Shareholders.

The historical financial information of the HUB24 Group are general-purpose financial statements, which has been prepared in accordance with the requirements of the Corporations Act, AAS and other authoritative pronouncements of the AASB and IFRS as issued by the IASB.

The historical financial information of the HUB24 Group has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and under the ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 (as issued by ASIC), all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated. Both the functional and presentation currency of HUB24 and its Australian subsidiaries is AUD.

The financial report has been prepared on a going concern basis. Comparative information which relates to prior periods is restated to be comparable with current year disclosures.

The consolidated financial statements comprise the financial statements of HUB24 and its Subsidiaries. Control is achieved when HUB24 is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When HUB24 has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee.

HUB24 re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date HUB24 gains control until the date HUB24 ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the subsidiaries. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with HUB24's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of HUB24 are eliminated in full on consolidation.

**(b) Consolidated historical income statements**

The following is a summary of HUB24's consolidated statement of profit or loss and other comprehensive income for the financial years ended 30 June 2021 and 30 June 2020.

For the year ended 30 June	2021 \$'000	2020 \$'000
<b>Income</b>		
Revenue	107,957	80,715
Fair value gain on contingent consideration	1,568	851
Interest and other income	856	945
Share of profit from associates	473	-
	<b>110,853</b>	<b>82,510</b>
<b>Expenses</b>		
Platform and custody fees	(10,567)	(7,689)
Employee benefits expense	(57,241)	(40,778)
Property and occupancy costs	(311)	(348)
Depreciation and amortisation expense	(6,957)	(5,280)
Administrative expenses	(20,218)	(13,794)
Impairment write-off	-	(1,000)
Interest expense	(211)	(204)
	<b>(95,505)</b>	<b>(69,093)</b>
Profit before income tax from continuing operations	<b>15,348</b>	<b>13,417</b>
Profit before income tax from discontinuing operations	<b>823</b>	<b>(590)</b>
Income tax expense	(6,402)	(4,599)
Profit after income tax for the year	<b>9,770</b>	<b>8,228</b>
Total comprehensive income for the year	<b>9,770</b>	<b>8,228</b>

Source: HUB24 Annual Report Year Ended 30 June 2021

**(c) Consolidated balance sheet**

The following is a summary of HUB24's consolidated statement of financial position as at 30 June 2021 and 30 June 2020.

As at 30 June	2021 \$'000	2020 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	63,461	33,809
Trade and other receivables	16,633	10,046
Other current assets	2,570	1,799
<b>Total current assets</b>	<b>82,664</b>	<b>45,655</b>
<b>Non-current assets</b>		
<b>Investment in associates</b>	14,519	-
Intangible assets	103,976	39,963
Loans	7,550	-
Right-of-use asset	6,093	5,437
Deferred tax assets (net of deferred tax liability)	12,761	5,101
Office equipment	1,455	1,662
<b>Total non-current assets</b>	<b>146,354</b>	<b>52,163</b>
<b>Total assets</b>	<b>229,019</b>	<b>97,818</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Provisions	(16,118)	(7,811)
Trade and other payables	(9,096)	(5,370)
Borrowings	(3,125)	-
Lease liabilities	(2,204)	(1,670)
Deferred income	(316)	(89)
<b>Total current liabilities</b>	<b>(30,859)</b>	<b>(14,940)</b>
<b>Non-current liabilities</b>		
Borrowings	(9,375)	-
Lease liabilities	(4,550)	(4,385)
Provisions	(2,348)	(1,514)
Deferred income	(776)	(587)
Other non-current liabilities	(41)	(1,568)
<b>Total non-current liabilities</b>	<b>(17,090)</b>	<b>(8,054)</b>
<b>Total liabilities</b>	<b>(47,948)</b>	<b>(22,994)</b>
<b>Net assets</b>	<b>181,070</b>	<b>74,823</b>
<b>Equity</b>		
Issued capital	199,214	100,146
Profit reserve	45,342	40,847
Reserves	11,507	8,823
Accumulated losses	(74,993)	(74,993)

As at 30 June	2021 \$'000	2020 \$'000
Total equity	<b>181,070</b>	<b>74,823</b>

Source: HUB24 Annual Report Year Ended 30 June 2021

**(d) Consolidated cash flows**

The following is a summary of HUB24's consolidated statement of cash flows for the financial years ended 30 June 2021 and 30 June 2020.

For the year ended 30 June	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	129,176	116,811
Payments to suppliers and employees (inclusive of GST)	(101,034)	(91,768)
Interest received	850	633
Interest paid on lease liability	(211)	(204)
Short term lease payments	(187)	(213)
Strategic transaction and due diligence costs	(7,167)	-
Income tax payments	(2,262)	-
<b>Net cash inflow from operating activities</b>	<b>19,165</b>	<b>25,258</b>
<b>Cash flows from investing activities</b>		
Payments for acquisitions (net of cash acquired)	(47,730)	(475)
Payments for office equipment	(588)	(498)
Payments for intangible assets	(5,458)	(6,727)
Proceeds from disposal of controlled entities, net of cash disposed	(1,332)	-
<b>Net cash (outflow) from investing activities</b>	<b>(55,108)</b>	<b>(7,700)</b>
<b>Cash flows from financing activities</b>		
ORFR loan facility advance settlement proceeds	(7,550)	2,000
Payments for capital raising costs	(1,315)	(16)
Proceeds from capital raising	70,000	-
Proceeds from issues of shares and other equity securities	3,636	1,242
Proceeds from borrowing	13,200	-
Payments for treasury share buy-backs	(5,012)	-
Repayment of lease principal payments	(2,088)	(1,614)
Dividend paid	(5,275)	(3,827)
<b>Net cash inflow (outflow) from financial activities</b>	<b>65,595</b>	<b>(2,215)</b>
<b>Net increase in cash and cash equivalents</b>	<b>29,652</b>	<b>15,343</b>
Cash and cash equivalents at the beginning of the financial year	33,809	18,466
<b>Cash and cash equivalents at end of year</b>	<b>63,461</b>	<b>33,809</b>

Source: HUB24 Annual Report Year Ended 30 June 2021

## 6.10 Material changes in HUB24's financial position

Other than:

- the accumulation of revenue in the ordinary course of trading; and
- as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by HUB24,

within the knowledge of HUB24, the financial position of the HUB24 Group has not materially changed since 30 June 2021, being the date of the HUB24 Group audited financial statements for the financial year ended 30 June 2021 (released to ASX on 24 August 2021).

## 6.11 Dividend policy

The HUB24 Board's dividend policy targets a payout ratio between 40% and 60% of the HUB24 Group's underlying net profit after tax over the medium term subject to prevailing market conditions and alternate uses of capital.

HUB24's historical dividend payments are summarised as follows:

- For FY21, HUB24 paid a fully franked final dividend of 5.5 cents per share. Together with the fully franked interim dividend of 4.5 cents per share, the fully franked full year dividend of 10.0 cents per share (FY20 7.0 cents per share) represents a 43% increase in dividends for the year and a payout ratio of 46% of underlying net profit after tax (FY20 43%).
- For FY20, HUB24 paid a full year fully franked dividend of 3.5 cents per share and an interim fully unfranked dividend of 3.5 cents per share, for a combined dividend for FY20 of 7.0 cents per share, representing a payout ratio of 43% of HUB24 Group's underlying net profit after tax for that financial year.
- For FY19, HUB24 paid a full year fully unfranked dividend of 4.6 cents per share, representing a payout ratio of 42% of HUB24 Group's underlying net profit after tax for that financial year.
- For FY18, HUB24 paid a full year fully unfranked inaugural dividend of 3.5 cents per share, representing a payout ratio of 40% of HUB24 Group's underlying net profit after tax for that financial year.

## 6.12 Employee incentive plans

### (a) Short Term Incentive Plan

The objective of HUB24's short term incentive plan is to reward valued employees in addition to their fixed remuneration, in a manner that focusses them on achieving individual and corporate goals which contribute to current strategies and to the creation and growth of sustained shareholder value.

Short term incentive plan payments are granted to employees based upon structured qualitative and quantitative scorecard measures being achieved as determined by the HUB24 Board. The scoreboard measures include 'base case' and 'stretch' targets. The allocated weighting between base case and stretch may vary among eligible employees.

### (b) Long Term Incentive Plan

Key employees may be eligible to participate in HUB24's long term incentive plans receiving options and/or performance award rights (*HUB24 PARs*) over ordinary shares.

The objective of HUB24's long term incentive plans is to recognise and incentivise key employees to deliver sustained growth in shareholder value and to enhance the HUB24 Group's ability to attract, motivate and retain appropriate personnel.

Long term incentives issued annually under HUB24's long term incentive plans have traditionally generally comprised of two performance hurdles:

- growth in FUA over a three-year period; and
- absolute total shareholder return performance over a three-year period.

The current hurdles incentivise eligible employees to build scale, drive business growth and profitability (as currently measured by the growth in FUA) as well as the success in implementing the HUB24 Group's long term strategic objectives (as currently measured by the growth in absolute total shareholder return).

Additionally, from time to time, the HUB24 Board may, at their discretion and with the approval of shareholders (as required), elect to remunerate key employees through the issue of options or HUB24 PARs outside of these plans in order to support the achievement of the HUB24 Group's long term strategic objectives, incentivise and reward key employees for their performance, and to support the retention of key employees considered instrumental to the ongoing success of the business.

### **6.13 Interests of HUB24 in Class Shares**

#### **(a) Interests of HUB24 in marketable securities of Class**

As at the Last Practicable Date, HUB24 does not hold a relevant interest in any Class Shares nor any voting power in Class or any other interest in Class Shares other than in its capacity as custodian or sub-custodian for third party clients or as otherwise set out below.

As at the Last Practicable Date, 38,173 Class Shares, representing approximately 0.03% of all Class Shares on issue, are held via the HUB24 Super Fund (ABN 60 910 190 523) where HUB24 Custodial Services Pty Ltd (ACN 073 633 664) (**HUB24 Custodial Services**) acts as an investment manager and sub-delegates to other investment managers. HUB24 Custodial Services may not vote these Class Shares at the Scheme Meeting as it is prevented from doing so when a conflict of interest arises (as will be the case in the context of the Transaction). HUB24 Custodial Services will not instruct any delegated investment manager to cause votes to be cast at the Scheme Meeting in respect of these Class Shares.

#### **(b) Dealings of HUB24 Directors in Class securities**

No HUB24 Director acquired or disposed of a relevant interest in any Class Shares in the 4 month period ending on the date immediately before the date of this Scheme Booklet apart from any acquisition or disposal as part of holding (including through independently managed funds or accounts) a diversified portfolio of shares which may include Class Shares.

#### **(c) Interests of HUB24 Directors in marketable securities of Class**

No HUB24 Director has a relevant interest in any Class Shares and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet apart from holding (including through independently managed funds or accounts) a diversified portfolio of shares which may include Class Shares.

#### **(d) Dealings by HUB24 in Class securities**

During the four months before the date of this Scheme Booklet, other than pursuant to the Scheme Implementation Deed, the Scheme and the Deed Poll, neither HUB24 nor any of its associates has agreed to provide consideration for any Class Shares under any transaction or agreement.

#### **6.14 No collateral benefits offered by HUB24 in the last four months**

During the four-month period before the date of this Scheme Booklet, neither HUB24, a HUB24 Director or any associate of HUB24 gave, or offered to give or agreed to give a benefit to another person which was likely to induce the other person or an associate of the other person to:

- vote in favour of the Scheme; or
- dispose of any Class Shares,

which benefit was not offered to all Class Shareholders.

#### **6.15 Publicly available information**

HUB24 is a disclosing entity for the purposes of the Corporations Act and as such it is subject to regular reporting and disclosure obligations. As a company listed on the ASX, HUB24 is also subject to the ASX Listing Rules which require continuous disclosure (with some exceptions) of any information which a reasonable person would expect to have a material effect on the price or value of HUB24 Shares. In addition, HUB24 is required to maintain periodic disclosure (including yearly and half-yearly financial statements) with ASIC in accordance with the Corporations Act and the ASX in accordance with the ASX Listing Rules.

The information disclosed to the ASX is available from the ASX's website ([www.asx.com.au](http://www.asx.com.au)) as well as the HUB24 Website. Copies of the documents lodged with ASIC by HUB24 may be obtained from or inspected at any ASIC office or [www.asic.gov.au](http://www.asic.gov.au).

#### **6.16 No other material information known to HUB24**

Except as disclosed elsewhere in this Scheme Booklet, so far as HUB24 is aware, as at the date of the Scheme Booklet, there is no other information that is:

- material to the making of a decision by a Class Shareholder whether or not to vote in favour of the Scheme; and
- known to HUB24, at the date of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Class Shareholders.

## 7 Profile of the Combined Group

### 7.1 Overview of the Combined Group

The Combined Group of HUB24 and Class will bring together two leading wealth technology businesses providing a compelling range of products and services for financial professionals and their clients.

HUB24 and Class are highly complementary businesses with a track record of innovation and aligned culture and values. Both companies are strategically focussed on the delivery of solutions that support financial professionals to implement investment, tax and strategic advice.

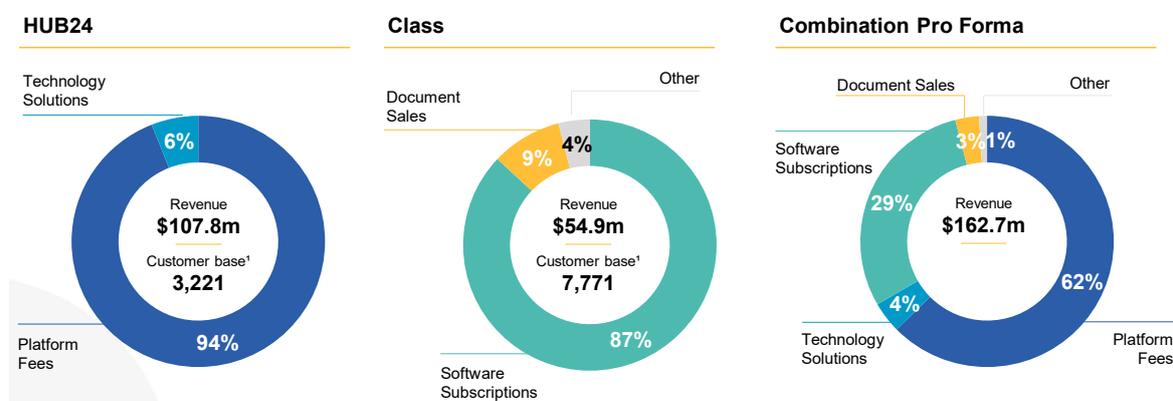
Following the implementation of the Scheme, it is intended that Class will continue to operate as a business unit within the HUB24 Group with its own leadership team under the Class brands with continued investment to deliver on Class' multi-product software-as-a-service strategy.

The Combined Group is expected to create a compelling, competitive advantage compared to other industry participants and should benefit from increased scale, capabilities, product offering, distribution reach, technology resources and a diversified revenue and earnings base.

Leveraging the strengths of both Class and HUB24 is expected to further accelerate HUB24's platform of the future strategy, consolidating HUB24's position as a leading provider of integrated platforms, technology and data solutions for financial advisers, accountants, private banks, financial services licensees, stockbrokers and their clients. This is expected to result in an opportunity with the aim of delivering increased value, efficiency and product solutions for both existing and new customers.

The Combined Group should be well positioned to take advantage of growth opportunities to create future value for HUB24 Shareholders.

**Figure 1: HUB24 and Class Revenue and Customer Base<sup>37</sup>**



### 7.2 Overview of strategic rationale for the Scheme

The proposed acquisition of Class aligns to HUB24's purpose to empower better financial futures together (for financial professionals and their clients), and supports HUB24's strategic objectives, positioning HUB24 for ongoing success and providing long term growth for shareholders. It is intended to:

- accelerate HUB24's platform of the future and data services market leadership strategy;
- accelerate current HUB24 and Class strategies for achieving ongoing industry leadership;

<sup>37</sup> The HUB24 customer base represents financial advisers as at 30 September 2021. The Class customer base represents the customer base as at 30 June 2021, with the addition of the TopDocs customer base.

- deliver growth opportunities by leveraging combined capabilities of the two businesses to increase value and efficiency for existing customers and new customers;
- deliver shareholder value through diversification of revenue, opportunities for growth and a compelling competitive advantage;
- combine market leading businesses and teams with a track record of innovation; and
- provide greater capacity for ongoing investment in technology and innovation.

If approved and once implemented, the strategic transaction will strengthen and further consolidate HUB24's position as a leading provider of integrated platforms, technology & data solutions to the Australian wealth industry.

The Transaction, should it proceed, is expected to return approximately 8% improvement in earnings per share to HUB24 Shareholders in FY23 (excluding revenue synergies and one-off implementation costs).<sup>38</sup>

### **7.3 Intentions in relation to Class and the Combined Group upon the Scheme being approved**

This Section sets out the intentions of HUB24 in relation to the continuation of the business, any major changes to the business, and the future employment of the present employees of Class and any redeployment of the assets of Class, in each case if the Scheme is implemented.

The statements in this Section regarding HUB24's intentions are based on information concerning Class and the general business environment which are known to HUB24 at the time of the preparation of this Scheme Booklet. Final decisions regarding these matters will be made in light of all material information, facts and circumstances at the relevant time if the Scheme is implemented. Accordingly, it is important to recognise that the statements set out in this section are statements of current intention only and may change as new information becomes available or circumstances change.

If the Scheme is implemented, HUB24 intends to work with Class' executive team to optimise the prospects and operating performance of the business of the Combined Group, including new potential growth opportunities. It is intended that Class will operate as a business unit within the HUB24 Group with its own leadership team and under the Class brands. HUB24 will seek to retain the senior management team of Class.

In order to achieve these outcomes, HUB24, as part of its integration planning process (currently underway), intends to undertake a detailed review of Class' operations in conjunction with Class executive team covering strategic, financial, compliance and commercial operating matters.

HUB24 intends to review all opportunities that may optimise capital deployment decisions, operating returns and other opportunities to improve the business of the Combined Group and maximise value for all HUB24 shareholders. For example, there may be instances where a compelling logic exists to integrate existing Class operations or processes where there is duplication to either realise savings or enhance service and capability.

### **7.4 Prospects of the Combined Group after implementation**

HUB24 and Class are two highly complementary businesses with aligned culture and values. Both HUB24 and Class are strategically focused on the delivery of solutions that support financial professionals to implement investment, tax and strategic advice.

Opportunities for growth are anticipated to arise for the Combined Group by leveraging combined capabilities with the aim of delivering increased value, efficiency and solutions for existing and

<sup>38</sup> This is inclusive of expected cost synergies of circa \$2m p.a.

new customers. It is intended that HUB24 and Class will work together, leveraging each other's capabilities and expertise to co-develop market leading technology solutions to better service the needs of both current and future customer bases of both businesses.

The Combined Group should accelerate current HUB24 and Class strategies for achieving ongoing industry leadership and is intended to deliver compelling shareholder value, targeting 8% earnings per share accretive in FY23 (excluding revenue synergies and one-off implementation costs) and creating diversified revenue streams for the Combined Group.

## 7.5 Capital structure and ownership

If the Scheme is implemented, HUB24 will issue up to 11,439,663 HUB24 Shares to Scheme Shareholders who are entitled to receive HUB24 Shares.

As a result of the Scheme, the number of HUB24 Shares on issue will increase from 68,624,619 (being the number on issue as at the date of this Scheme Booklet) to up to 80,064,282 as illustrated below:

Type of Security	Number on issue
<b>Quoted Securities</b>	
Ordinary Fully Paid Shares	80,064,282
<b>Unquoted Securities</b>	
Options expiring various dates	802,711
Performance rights	2,045,942

Upon implementation of the Scheme, Class Shareholders are expected to own up to 14.29% of the Combined Group with HUB24 Shareholders owning the remaining approximately 85.71% of the Combined Group.

## 7.6 Combined Group board and management

### (a) Directors

If the Scheme is implemented, HUB24 will be the ultimate holding company of the Combined Group.

Given the combination of businesses may result in Class Shareholders holding up to 14.29% of HUB24 Shares, the HUB24 Board would welcome Class Director representation and is considering inviting a suitable director from Class to join the HUB24 Board. It is intended that the Combined Group will continue to comprise a majority of independent directors, including an independent chair.

### (b) Senior management

If the Scheme is implemented, it is intended that Class will operate as a business unit within the HUB24 Group with its own leadership team and under the Class brands. HUB24 will seek to retain the senior management team of Class. However, HUB24 intends to conduct a review of Class' operations in conjunction with the Class executive team and develop strategies to maximise opportunities across both businesses to work together to develop innovative product solutions. This may influence any final decisions about how Class and the broader HUB24 business will operate together.

## 7.7 Combined Group pro forma historical financial information

### (a) Overview

This section contains the following pro forma financial information in respect of the Combined Group:

- unaudited pro forma historical consolidated statement of financial position of the Combined Group (***Combined Group Unaudited Pro Forma Historical Statement of Financial Position***);
- unaudited pro forma historical consolidated income statement of the Combined Group (***Combined Group Unaudited Pro Forma Historical Income Statement***); and
- unaudited pro forma historical consolidated statement of cash flows of the Combined Group (***Combined Group Unaudited Pro Forma Historical Statement of Cash Flows***),  
  
(together, the ***Combined Group Unaudited Pro Forma Historical Consolidated Financial Information***).

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information should be read together with the:

- basis of preparation as set out in Section 7.7(b);
- risk factors set out in Section 8.4;
- historical financial information of Class and HUB24 as set out in Sections 5.8 and 6.9 respectively; and
- other information contained in this Scheme Booklet.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

### (b) Basis of preparation

#### ***Overview***

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information set out in this Section 7.7 has been prepared for illustrative purposes to provide Class Shareholders with an indication of the financial performance, financial position and cash flow of the Combined Group as if the Scheme had been implemented prior to 1 July 2021 in respect of the financial performance and cash flow, and prior to 30 June 2021 in respect of the financial position. The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information does not reflect the actual performance, financial position or cash flow of the Combined Group at the time of implementation. It has been prepared for illustrative purposes only for this Scheme Booklet.

The Combined Group Pro Forma Historical Financial Information presented in this Section 7.7 comprises;

- Class' audited statutory historical consolidated financial information as at, and for the 12 months ended 30 June 2021 (presented in Section 5.8 of this Scheme Booklet);

- HUB24 audited statutory historical consolidated financial information as at, and for the 12 months ended 30 June 2021 (presented in Section 6.9 of this Scheme Booklet); and
- pro forma adjustments described in this Section 7.7 (***Pro Forma Adjustments***).

The Combined Group Unaudited Pro forma Historical Consolidated Financial Information for the year ended 30 June 2021 is based on Class' Audited Statutory Historical Consolidated Financial Information for FY21 and HUB24's Audited Statutory Historical Consolidated Financial Information for FY21.

The Class audited statutory historical consolidated financial information presented in this Section 7.7 has been derived from the audited consolidated financial statements of Class for the financial year ended 30 June 2021. The audited consolidated financial statements of Class for the financial year ended 30 June 2021 have been prepared in accordance with the recognition and measurement principles of AAS (including the Australian Accounting Interpretations), issued by the AASB which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

The HUB24 audited statutory historical consolidated financial information presented in this Section 7.7 has been derived from the audited consolidated financial statements of HUB24 for the financial year ended 30 June 2021. The audited consolidated financial statements of Class for the financial year ended 30 June 2021 have been prepared in accordance with the recognition and measurement principles of AAS (including the Australian Accounting Interpretations), issued by the AASB which are consistent with IFRS and Interpretations issued by the IFRS.

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in AAS, other than that it is presented on a pro forma basis as if implementation of the Scheme had already occurred. The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information is presented in abbreviated form and consequently does not contain all the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

#### ***Basis of pro forma consolidation***

From an accounting perspective HUB24 will gain control over Class and therefore, under AASB 3 *Business Combinations* (***AASB 3***), the Combined Group will be required to recognise the identifiable net assets of Class at fair value within the Combined Group's financial statements. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets of Class will be recognised as goodwill.

Under AASB 3, the Combined Group will have 12 months from the date of HUB24 gaining control over Class to undertake a purchase price allocation exercise to determine the fair value of goodwill and identifiable assets (including intangible assets) and liabilities related to the acquisition of Class. As at the date of this Scheme Booklet, it is not possible to reliably determine the fair values of the acquired assets and liabilities of Class. For the purposes of preparing the Combined Group Pro Forma Historical Statement of Financial Position, the Scheme Consideration (assumed as \$15.7 million cash consideration and \$378.1 million share consideration) less Class' unaudited net assets at 30 June 2021 has been reflected as a single Pro Forma Adjustment to the "intangible assets" line. Following implementation, the actual determination of the fair values of goodwill, and identifiable assets and liabilities acquired, may differ to those

values presented in the Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position.

As the purchase price allocation exercise has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise, which has not been reflected in the Combined Group Unaudited Pro Forma Historical Consolidated Income Statement. The quantum of any additional amortisation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation exercise.

For the purpose of preparing the Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position, it has been assumed that there will be no resetting of the Combined Group's tax cost bases following the acquisition. However, it is likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position.

***Items not reflected in the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information***

As detailed above, the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information is provided for illustrative purposes only.

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information presented in this Section 7.7 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Combined Group.

It is likely that the actual financial performance, financial position and cash flows of the Combined Group in future periods will differ from the Combined Group Pro Forma Unaudited Historical Consolidated Financial Information presented in this Section 7.7. The factors which may impact the actual financial performance, financial position or cash flows of the Combined Group include but are not limited to:

- trading performance of Class and HUB24 after 30 June 2021, which is not reflected in the Class audited statutory historical consolidated financial information or the HUB24 audited statutory historical consolidated financial information;
- risk factors set out in Section 8.4, including any financial impact of the COVID-19 pandemic;
- ultimate timing of implementation;
- finalisation of the acquisition accounting, including determining appropriate purchase price allocation, including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards;
- finalisation of the resetting of the tax cost bases of Class after implementation, including the recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards;
- ultimate timing and realisation of synergies, business improvements and implementation (and associated costs) arising from the combination of Class and HUB24; and

- current and future changes to accounting standards (see below).

### **Changes to Accounting Standards**

Three new accounting standards have recently been implemented by Class and HUB24 as follows:

- AASB 15 *Revenue from Contracts with Customers* (**AASB 15**), was adopted by Class and HUB24 from 1 July 2018;
- AASB 9 *Financial Instruments* (**AASB 9**), effective for Class and HUB24 from 1 July 2018; and
- AASB 16 *Leases* (**AASB 16**), was adopted by Class and HUB24 from 1 July 2019.

Accordingly, the Class and HUB24 audited statutory historical consolidated financial information, upon which the Combined Group Pro Forma Historical Consolidated Financial Information is based, have been consistently prepared after the adoption of AASB 15, AASB 9 and AASB 16.

### (c) **Consolidated historical income statements**

The Combined Group Unaudited Pro Forma Historical Consolidated Income Statement is presented in the table below.

For the year ended 30 June 2021	Class Audited FY2021 \$'000	HUB Audited FY2021 \$'000	Pro forma adjustments \$'000	Combined Group Pro Forma Unaudited FY2021 \$'000
<b>Income</b>				
Revenue	54,784	107,957	-	162,741
Fair value gain on contingent consideration	-	1,568	-	1,568
Interest and other income	164	856	-	1,020
Share of profit from associates	-	473	-	473
	<b>54,948</b>	<b>110,853</b>	-	<b>165,801</b>
<b>Expenses</b>				
Platform and custody fees	(3,253)	(10,567)	-	(13,820)
Employee benefits expense	(24,008)	(57,241)	-	(81,249)
Property and occupancy costs	(335)	(311)	-	(646)
Depreciation and amortisation expense	(11,348)	(6,957)	-	(18,395)
Administrative expenses	(6,389)	(20,218)	-	(26,607)
Net loss on financial assets at FVTPL	(3,242)	0	-	(3,242)
Interest expense	(451)	(211)	-	(662)
	<b>(49,116)</b>	<b>(95,505)</b>	-	<b>(144,621)</b>

For the year ended 30 June 2021	Class Audited FY2021 \$'000	HUB Audited FY2021 \$'000	Pro forma adjustments \$'000	Combined Group Pro Forma Unaudited FY2021 \$'000
<b>Profit before income tax from continuing operations</b>	<b>5,832</b>	<b>15,348</b>	-	<b>21,180</b>
<b>Profit before income tax from discontinuing operations</b>	-	823	-	823
Income tax expense	(2,166)	(6,402)	-	(8,568)
<b>Profit after income tax for the year</b>	<b>3,666</b>	<b>9,770</b>	-	<b>13,436</b>
				<b>0</b>
<b>Total comprehensive income for the year</b>	<b>3,666</b>	<b>9,770</b>	-	<b>13,436</b>

Source: Class and HUB24 Historical Financial Information set out in sections 5.8 and 6.9 respectively.

***Items not reflected in the Combined Group Unaudited Pro Forma Historical Consolidated Income Statement***

The Combined Group Unaudited Pro Forma Historical Consolidated Income Statement has not been adjusted to reflect:

- trading performance of Class or HUB24 after 30 June 2021;
- ultimate timing and realisation of any potential synergies or business improvements (and associated costs) arising from the combination of Class and HUB24;
- additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of implementation of the Scheme and the finalisation of the purchase price allocation exercise;
- any potential tax impact which may arise as a result of implementation of the Scheme including finalisation of resetting of tax cost bases of assets and the finalisation of the accounting for the Transaction;
- the full year impact of HUB24's acquisitions of Ord Minnett's PARS, and Xplore, as outlined in HUB24's Annual Report for FY21. Refer to Section 6.2 for further details; and
- the full year impact of Class' acquisitions of Assuritiy Pty Ltd ("Smartcorp"), the Reckon Docs business, and the TopDocs business, as outlined in Class' Annual Report for FY21. Refer to Section 5.2(d) for further details.

**(d) Combined Group Unaudited Statutory and Pro Forma Historical Statement of Financial Position**

The Combined Group Unaudited Statutory and Pro Forma Historical Statement of Financial Position is presented in the table below.

\$'000	Class Audited As at 30 June 2021	HUB Audited As at 30 June 2021	Transaction costs <sup>(A)</sup>	Acquisition of Class <sup>(B)</sup>	Combined Group Pro Forma Unaudited As at 30 June 2021
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	10,363	63,461	(12,635)	(15,727)	45,463
Trade and other receivables	5,042	16,633	-	-	21,675
Other current assets	1,661	2,570	-	-	4,231
<b>Total current assets</b>	<b>17,066</b>	<b>82,664</b>	<b>(12,635)</b>	<b>(15,727)</b>	<b>71,369</b>
<b>Non-current assets</b>					
Convertible notes	175	0	-	-	175
Investment in associates	-	14,519	-	-	14,519
Intangible assets	58,899	103,976	-	352,766	515,641
Loans	-	7,550	-	-	7,550
Right-of-use asset	6,757	6,093	-	-	12,850
Deferred tax assets (net of deferred tax liability)	(7,511)	12,761	-	-	5,250
Office equipment	858	1,455	-	-	2,313
Contract assets	1,847	0	-	-	1,847
<b>Total non-current assets</b>	<b>61,025</b>	<b>146,354</b>	<b>-</b>	<b>352,766</b>	<b>560,146</b>
<b>Total assets</b>	<b>78,091</b>	<b>229,019</b>	<b>(12,635)</b>	<b>337,040</b>	<b>631,515</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Provisions	247	(16,118)	-	-	(15,871)
Trade and other payables	(9,013)	(9,096)	-	-	(18,109)
Borrowings	(4,932)	(3,125)	-	-	(8,057)
Lease liabilities	(1,110)	(2,204)	-	-	(3,314)
Deferred income	(235)	(316)	-	-	(551)
<b>Total current liabilities</b>	<b>(15,043)</b>	<b>(30,859)</b>	<b>-</b>	<b>-</b>	<b>(45,902)</b>
<b>Non-current liabilities</b>					
Borrowings – NC	(15,215)	(9,375)	-	-	(24,590)

\$'000	Class Audited As at 30 June 2021	HUB Audited As at 30 June 2021	Transaction costs <sup>(A)</sup>	Acquisition of Class <sup>(B)</sup>	Combined Group Pro Forma Unaudited As at 30 June 2021
Lease liabilities – NC	(5,341)	(4,550)	-	-	(9,891)
Provisions – NC	(850)	(2,348)	-	-	(3,198)
Deferred income – NC	-	(776)	-	-	(776)
Other non-current liabilities	-	(41)	-	-	(41)
<b>Total non-current liabilities</b>	<b>(21,406)</b>	<b>(17,090)</b>	-	-	<b>(38,496)</b>
<b>Total liabilities</b>	<b>(36,449)</b>	<b>(47,948)</b>	-	-	<b>(84,397)</b>
<b>Net assets</b>	<b>41,642</b>	<b>181,070</b>	<b>(12,635)</b>	<b>337,040</b>	<b>547,117</b>
<b>Equity</b>					
Issued capital	36,513	199,214	3,870	337,742	577,339
Profit reserve	3,207	45,342	-	(3,207)	45,342
Reserves	1,922	11,507	(1,220)	(702)	11,507
Accumulated losses	-	(74,993)	(15,285)	3,207	(87,071)
<b>Total equity</b>	<b>41,642</b>	<b>181,070</b>	<b>(12,635)</b>	<b>337,040</b>	<b>547,117</b>

Source: Class and HUB24 Historical Financial Information set out in sections 5.8 and 6.9 respectively.

### ***Pro Forma Adjustments – Combined Group Unaudited Pro Forma Historical Statement of Financial Position***

- Adjustment (A): Transaction costs expected to be incurred from 1 July 2021 in connection with the Scheme amount to \$15.3 million (excluding GST and disbursements and based on estimates as at 13 December 2021). Certain of these costs are conditional on the Scheme proceeding, and if the Scheme is implemented, these will effectively be borne by HUB24 who will have acquired Class from implementation. Included in transaction costs is \$4.2 million in relation to share based payment expense for the vesting of the Performance Rights and Deferred Rights. The total cost for the Performance Rights and Deferred Rights vesting is \$5.4 million with \$1.2 million previously recognised in the Class Income Statement prior to 30 June 2021 (see Section 10.3 for further details). See Section 10.15 for further detail regarding transaction costs, including if the Scheme is not implemented.
- Adjustment (B): The impact of the acquisition of Class by HUB24 under the Scheme assumed as cash consideration of \$0.125 per Class Share and the remainder as Scrip Consideration (assuming the HUB24 share price of \$33.06, being the HUB24 share price on 15 October 2021, being the last practicable trading day prior to the initial announcement of the Scheme on Monday, 18 October 2021).

**Items not reflected in the Combined Group Unaudited Pro Forma Historical Statement of Financial Position**

The Combined Group Unaudited Pro Forma Historical Statement of Financial Position has not been adjusted to reflect:

- the trading performance of Class or HUB24 after 30 June 2021;
- finalisation of the acquisition accounting, including determining appropriate purchase price allocation, including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards;
- resetting of the tax cost bases of Class following implementation, including recognition of the associated deferred tax assets and liabilities in accordance with the relevant accounting standards; and
- payment of any dividends to either Class Shareholders or HUB24 Shareholders after 30 June 2021.

**(e) Combined Group unaudited Statutory and Pro Forma Historical Statement of Cash Flows**

The Combined Group Unaudited Statutory and Pro Forma Historical Statement of Cash Flows is presented in the table below.

\$'000	Class Audited FY2021	HUB Audited FY2021	Transaction costs <sup>(A)</sup>	Acquisition of Class <sup>(B)</sup>	Combined Group Pro Forma Unaudited FY2021
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of GST)	58,734	129,176	-	-	187,910
Payments to suppliers and employees (inclusive of GST)	(35,381)	(101,034)	-	-	(136,415)
Interest received	7	850	-	-	857
Other revenue	16	-	-	-	16
Interest and other finance costs paid	(451)	(211)	-	-	(662)
Short term lease payments	-	(187)	-	-	(187)
Strategic transaction and due diligence costs	-	(7,167)	(12,635)	-	(19,802)
Income tax payments	(3,949)	(2,262)	-	-	(6,211)
<b>Net cash inflow from operating activities</b>	<b>18,976</b>	<b>19,165</b>	<b>(12,635)</b>	<b>-</b>	<b>25,506</b>
<b>Cash flows from investing activities</b>					
Payments for acquisitions (net of cash acquired)	(15,497)	(47,930)	-	(15,727)	(78,953)
Payments for office equipment	(486)	(588)	-	-	(1,074)
Payments for intangible assets	(11,447)	(5,458)	-	-	(16,905)
Payments for security deposits	(92)	-	-	-	(92)
Proceeds from disposal of controlled entities, net of cash disposed	-	(1,332)	-	-	(1,332)

\$'000	Class Audited FY2021	HUB Audited FY2021	Transaction costs <sup>(A)</sup>	Acquisition of Class <sup>(B)</sup>	Combined Group Pro Forma Unaudited FY2021
<b>Net cash (outflow) from investing activities</b>	<b>(27,522)</b>	<b>(55,108)</b>	-	<b>(15,727)</b>	<b>(98,356)</b>
<b>Cash flows from financing activities</b>					
ORFR loan facility advance settlement proceeds	-	(7,550)	-	-	(7,550)
Payments for capital raising costs	-	(1,315)	-	-	(1,315)
Proceeds from capital raising	-	70,000	-	-	70,000
Proceeds from issues of shares and other equity securities	174	3,636	-	-	3,810
Proceeds from borrowing	10,147	13,200	-	-	23,347
Payments for treasury share buy-backs	(769)	(5,012)	-	-	(5,781)
Repayment of borrowings	-	-	-	-	-
Repayment of lease principal payments	(943)	(2,088)	-	-	(3,031)
Dividend paid	(6,188)	(5,275)	-	-	(11,463)
<b>Net cash inflow (outflow) from financial activities</b>	<b>2,421</b>	<b>65,595</b>	-	-	<b>68,016</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(6,125)</b>	<b>29,652</b>	<b>(12,635)</b>	<b>(15,727)</b>	<b>(4,835)</b>
Cash and cash equivalents at the beginning of the financial year	16,488	33,809	-	-	50,297
<b>Cash and cash equivalents at end of year</b>	<b>10,363</b>	<b>63,461</b>	<b>(12,635)</b>	<b>(15,727)</b>	<b>45,463</b>

Source: Class and HUB24 Historical Financial Information set out in sections 5.8 and 6.9 respectively.

### ***Pro Forma Adjustments – Combined Group Unaudited Pro Forma Historical Statement of Cash Flows***

See Section 7.7(d) above for a description of the Pro Forma Adjustments applied to the Combined Group Unaudited Pro Forma Historical Statement of Cash Flows.

#### **(f) Items not reflected in the Combined Group Unaudited Pro Forma Historical Statement of Cash Flows**

The Combined Group Unaudited Pro Forma Historical Statement of Cash Flows has not been adjusted to reflect:

- the operating cash flows of Class or HUB24 after 30 June 2021;
- the cash outflows relating to the payment of dividends paid since 30 June 2021 or future dividends following implementation of the Scheme; and
- any potential tax impact which may arise as a result of implementation of the Scheme and the finalisation of the accounting for the acquisition.

## **8 Risks**

### **8.1 Overview of risks**

The Scheme presents a number of potential risks that Class Shareholders should consider when deciding how to vote on the Scheme.

There are a range of factors (which are both specific to the Combined Group and of a general nature) which may, either individually or in combination, affect the future operating performance, financial position, regulation, legal position, implementation of strategy or reputation of the Combined Group.

This Section 8 outlines:

- (a) general investment risks;
- (b) specific risk factors that arise from the Scheme; and
- (c) specific risk factors relating to HUB24 following implementation of the Scheme and HUB24 Shares.

Some of these risks are, or will be, risks that Class Shareholders may already be exposed to whether or not the Scheme is implemented. However, as the business of the Combined Group is different to the status of the standalone business of Class, Class Shareholders will potentially be exposed to additional risks in respect of the Combined Group. Many of the circumstances giving rise to these risks are beyond the control of the Combined Group, its directors and management.

Class Shareholders who are Ineligible Foreign Shareholders, will not be exposed to the risks set out in Sections 8.3, and will instead receive cash under the Sale Facility in respect of those HUB24 Shares that would otherwise have been issued to them (less any applicable taxes, brokerage and other charges incurred by HUB24 or the Sale Agent in connection with the sale under the Sale Facility).

This Section 8 is a summary only and does not purport to list every risk that may be associated with an investment in the Combined Group now or in the future, and the occurrence or consequences of some of the risks set out in this Section 8 may be partially or completely outside the control of Class or HUB24 or their respective directors and management. There may be additional risks and uncertainties not currently known to Class which may also have a material adverse effect on Class' financial and operational performance now or in the future.

Class Shareholders should carefully consider the risk factors discussed in this Section 8, as well as other information contained in this Scheme Booklet before voting on the Scheme. The risks set out in this Section 8 are general in nature only and have been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Class Shareholder or any other person.

You should carefully consider the risk factors discussed in this Section 8, as well as other information contained in this Scheme Booklet before voting on the Scheme.

### **8.2 General investment risks**

Like many listed companies, the market price of Class Shares or HUB24 Shares and the potential for any future dividends to Class Shareholders or HUB24 Shareholders are influenced by a number of factors, including the following:

- (a) changes in investor sentiment and overall performance of the Australian and international stock markets;
- (b) changes in sentiment in credit markets;

- (c) changes in general economic and business conditions, including levels of consumer spending, business demand, inflation, interest rates and exchange rates, access to debt and capital markets;
- (d) changes in government fiscal, monetary, taxation and regulatory policies, including foreign investment, financial services and superannuation policies;
- (e) governmental or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- (f) changes to the rate of company income tax or the tax arrangements between Australia and other jurisdictions in which Class or HUB24 (as relevant) operates;
- (g) weather conditions, natural disasters, wars or catastrophes (including pandemics), whether in global, regional or local scale;
- (h) changes to accounting standards and reporting standards; and
- (i) loss of key personnel.

### 8.3 Risks relating to the Scheme

#### (a) Value of Scrip Consideration is not certain

Scheme Shareholders will be offered new HUB24 Shares as Scrip Consideration under the Scheme. In addition, the Sale Agent will be issued new HUB24 Shares attributable to Ineligible Foreign Shareholders in respect of their relevant Scrip Consideration, and will be seeking to sell those securities on ASX as soon as practicable after the Implementation Date.

As such, the value of the Scrip Consideration will fluctuate and may significantly vary from the market value of HUB24 Shares on the date of this Scheme Booklet or the Scheme Meeting.

There is no guarantee regarding the market price that will be realised by the Sale Agent or the future market price of new HUB24 Shares. Future market prices may be either above or below current or historical market prices.

#### (b) Court delays

There is a risk that some or all of the aspects of the court approval process required for the Scheme to be implemented may be delayed by any requests by the Court, the nature of the Court's orders (for example the Court requires certain steps to be taken) or the timing for provision of the orders.

Court approval of the Scheme is a Condition Precedent to the Scheme under the Scheme Implementation Deed. In the event of any delay, the Scheme would not be able to proceed to implementation unless Court approval of the Scheme occurs. If the Conditions Precedent are not satisfied or waived (where capable of waiver) by the End Date, the Scheme Implementation Deed will terminate and the Scheme will not proceed unless the parties agree to extend the End Date.

#### (c) Implementation of the Scheme is subject to certain Conditions Precedent

The implementation of the Scheme is subject to the satisfaction or waiver of applicable Conditions Precedent (which are summarised in Section 4.2 of this Scheme Booklet). The Schemes will not proceed if the relevant Conditions Precedent are not satisfied or waived (where capable of waiver) before the End Date.

There can be no certainty, nor can Class provide any assurance, that these Conditions Precedent will be satisfied or waived (where capable of waiver), or if satisfied or waived (where capable of waiver), when that will occur. There are a number of conditions that are outside of the control of Class, including, but not limited to, approval of the Scheme by the Requisite Majorities and the receipt of the required regulatory consents. Additionally, it is a Condition Precedent that no Class Material Adverse Change or HUB24 Material Adverse Change occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.

**(d) Transaction Costs**

If the Scheme is implemented, Class estimates its aggregate transaction costs and equity instrument payments to be approximately \$9.98 million (excluding GST and disbursements) in connection with the Scheme. If the Scheme is not implemented, Class expects that transaction costs will be approximately \$1.675 million (excluding GST and disbursements) and there will be no related equity instrument payments.

These transaction costs do not include any Break Fee that may be payable by Class (see Section 10.5(d) for information on the circumstances in which a Break Fee may be payable by Class).

**(e) Tax consequences for Class Shareholders**

If the Scheme is implemented, there may be tax consequences for Scheme Shareholders. Scheme Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme applicable to them.

**8.4 Risks relating to the business of the Combined Group and HUB24 Shares following implementation of the Scheme**

**(a) Integration risk and realisation of synergies**

There is a risk that the Combined Group's success and profitability could be adversely affected if Class' business is not integrated effectively into the HUB24 Group. The integration of Class and HUB24 into the Combined Group may encounter unexpected challenges or issues.

There is a risk that integration could take longer or cost more than anticipated, including as a result of the COVID-19 pandemic and applicable physical separation requirements, or that the expected benefits may be less than expected, although any integration risk may potentially be mitigated by the intention that Class will operate as a business unit within the HUB24 Group.

There is a risk that the synergies of the combination of Class and HUB24 may be less than expected. Any failure to achieve expected synergies may impact on the financial performance and position of the Combined Group and the future price of HUB24 Shares although any such impact may not be material given that cost synergies are expected to be circa \$2 million per annum.

**(b) Acquisition risk**

There is an inherent risk that any information will not be complete or true which may result in the acquisition and investment being less favourable than desired or planned by HUB24. There is a risk that the accounting methodology used does not accurately reflect the value of any businesses which HUB24 may choose to acquire or invest in.

Although HUB24 has taken all reasonable precautions to determine the value of such acquisitions or investments, there remains an inherent risk that any acquisition or

investment is not as favourable as desired which may be as a result of HUB24's accounting methodology or due to the figures and accounting standards used by these businesses.

In making the proposed acquisition of Class, HUB24 may be liable for historical liabilities of these businesses which may affect future profitability and reputation.

HUB24 has taken all reasonable steps to ensure that it is aware of and taken into account all historical liabilities, however, there remains a risk of undisclosed historical liabilities including those associated with tax and intellectual property which may substantially affect the value of any acquisitions.

**(c) Contract risk**

Some contracts to which Class is a party may contain 'change of control' provisions (or equivalent) that could be triggered by implementation of the Scheme, or by entry into the Scheme Implementation Deed, allowing the counterparty to renegotiate or terminate the contract. If a counterparty to any such contract were to terminate or seek to renegotiate the contract this may have an adverse effect on the Combined Group, depending on the relevant contract.

**(d) Competitive industry**

The Combined Group operates in a competitive market, with the Combined Group's expectations and market research indicating that this market will remain competitive. The Combined Group's position in the market is subject to change and is dependent on the actions, investments and position of its competitors as well as its clients.

Increased or improved competition may adversely affect the Combined Group's financial performance and key business.

Factors that may impact Combined Group's performance include:

- investment market volatility;
- ongoing impact of the COVID-19 pandemic on the global economy and the ability of individuals, businesses and governments to operate;
- general uncertainty around the global economy and its impact on markets in which the Combined Group operates and invests
- new or improved products made available by its competitors;
- the Combined Group's pricing and competitiveness;
- technological, political and regulatory change impacting financial services participants;
- ability to respond to changing preferences of the Combined Group's clients and their underlying investor client; and
- operational risk.

**(e) Key personnel**

The Combined Group will be heavily reliant on the skills and services offered by its personnel. An ongoing and continuous risk of the industry that the Combined Group operates within is key employees leaving the business to join competitors or to exit the industry entirely. Employees also play a key role in retaining and maintaining client relationships.

There is also a risk of not being able to replace key employees if they have left the business. The competitive environment, the Combined Group's ongoing reputation and that of its competitors will be key in ensuring the Combined Group may retain and as necessary, replace employees.

**(f) Reputation**

The Combined Group will be reliant on its reputation in respect to all aspects of its business, including in engaging and retaining client relationships, internal key personnel including hiring and retaining talent, engagement with staff and third party suppliers and engaging with the wider public.

There is a continuing risk of the Combined Group's good corporate standing and reputation being affected by regulatory action, poor performance, failure by third parties or key personnel exiting the business.

**(g) Regulatory matters**

The Combined Group's business is governed by a range of legislation and regulations in Australia. This is a complex and constantly changing environment which is subject to the prevailing political climate. In addition to this, the regulatory environment for financial services in Australia is complex and regulation has over recent times continued to increase, resulting in an increased burden on the business as well as risks and direct costs associated with compliance.

Future changes to legislation, regulation, standards or policies may require the Combined Group to modify its product offerings or incur additional costs to ensure compliance, which may increase the costs of operations, affect profitability, the viability of some operations or adversely affect the Combined Group's ability to conduct its operations.

Whilst the Combined Group has in place sophisticated compliance protocols, there is a risk that the Combined Group's processes and systems may not be adequate to detect and prevent all potential breaches. Serious breaches could have significant consequences, including the suspension or cancellation of the Combined Group's AFSLs and other regulatory licences. The cancellation of the AFSLs and other licences may result in the Combined Group being unable to operate the combined business, being issued with fines or other penalties arising from regulatory action and reputational damage.

The Combined Group is subject to privacy laws in Australia. These laws regulate the handling of personal information and data collection. Such laws impact the way the Combined Group can collect, use, analyse, transfer and share personal and other information. Any actual or perceived failure by the Combined Group to comply with relevant privacy laws and regulations may result in the imposition of fines or other penalties, client losses, a reduction in existing services, and limitations on the use and development of technology requiring the input of such data. Any of these events could adversely impact the combined business, financial condition and financial performance.

**(h) Litigation and claims**

As with any business in financial services and other heavily regulated industries, the Combined Group faces a risk of litigation (including litigation instigated by regulators and plaintiffs in representative proceedings otherwise known as 'class actions') and disputes arising in the ordinary course of its business which has the potential to affect its financial standing or its reputation and to divert the attention of staff from the ordinary business of the Combined Group.

Litigation and disputes may arise from a regulator, by the Combined Group originating these or by a third party (including an applicant in a representative proceeding) originating these, with such events having the potential to affect the value of any investments made as well as the reputation and standing of the Combined Group.

**(i) Future earnings**

The forecast earnings of the Combined Group are subject to a number of risk factors including clients' appetite for the services of the Combined Group, competitors' pricing, percentage of recoverable revenue, the ongoing COVID-19 pandemic and the quality of the service offerings provided by the Combined Group.

Future earnings will also be affected by expenses incurred by the Combined Group which are subject to staff costs, regulatory and compliance costs as well as other costs such as software and third party services.

**(j) Growth strategy**

The Combined Group's growth strategy and objectives may not be met. There is a risk that expected revenue will not meet targets while expenses may increase disproportionate to revenue.

There are ongoing risks with the growth of a business which include the costs associated with staffing, third party services, regulatory and compliance.

An ongoing risk is maintaining current client relationships while also building new client relationships which has the potential to strain the time and efforts of employees. This may also increase costing pressures.

**(k) Liquidity**

Any investment in the Combined Group is subject to the liquidity of HUB24 Shares on the ASX and is dependent on market appetite, the size of the shareholding and the price sought for any HUB24 Shares. There is a risk that any HUB24 Shares owned by an investor will not be able to be sold at a desired price.

**(l) Technology and cyber-security risks**

The Combined Group engages a range of third-party suppliers, which include IT suppliers, that are necessary for the effective performance, reliability and availability of its services.

The Combined Group faces risks of business disruption and reputational risk if there is any failure of these parties to perform and undertake their contracted obligations.

The Combined Group has robust measures in place to protect its technology, systems and information from unauthorised access. However, there is a risk of cyber-security breaches which could lead to loss, theft or corruption of data.

**(m) Disruption of IT infrastructure**

As the Combined Group's services are heavily IT dependent, there is a risk of disruption of the business due to an inability of any systems used, which includes the Combined Group's systems and third-party systems, to handle increases in the volume of clients, transactions, errors or omissions that may occur.

**(n) Inability to pay dividends or make distributions**

The payment of dividends (if any) by HUB24 will be determined by the HUB24 Board from time to time at its discretion. Due regard is given to relevant factors, which include available profits, cashflow, financial condition, operating results, future capital

requirements, covenants in relation to financing agreements, as well as economic conditions more broadly. There is no guarantee that a dividend will be paid or, if paid, paid at historical levels.

**(o) Equity dilution**

HUB24 may undertake offerings of equities in the future. Factors including the increase in the number of fully paid shares issued, the ability of an individual shareholder to participate in the equity offer, the issue price and the possibility of selling such equities may have an adverse effect on the financial position or voting power of any individual shareholder.

**(p) Securities market fluctuations**

There are various risks associated with investing in any form of business and with investing in listed entities generally. As with any entity listed on the ASX, the value of HUB24 Shares is influenced by a variety of factors, including macroeconomic factors and broader social occurrences which are beyond HUB24's ability to control or predict. The events relating to the COVID-19 pandemic have recently resulted in significant market falls and volatility including in the prices of securities trading on the ASX. The value of HUB24 Shares following implementation of the Scheme will depend upon general share market and economic conditions, which are uncertain and subject to fluctuation, as well as the specific performance of the Combined Group. There is no guarantee of profitability, dividends, return of capital, or the price at which HUB24 Shares will trade on the ASX. The past performance of HUB24 Shares is not necessarily an indication as to future performance as the trading price of HUB24 Shares can go down or up in value.

**(q) General economic conditions**

The financial performance of the Combined Group and the value of the HUB24 Shares may fluctuate due to various factors, including movements in the Australian and international capital markets, recommendations by brokers and analysts, interest rates, exchange rates, inflation, Australian and international economic conditions, change in international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities, global health pandemics, acts of terrorism, investor perceptions and various other factors which may affect the Combined Group's financial position and earnings. In the future, these factors may affect the Combined Group and may cause the price of HUB24 Shares to fluctuate and trade below current prices.

In light of recent global macroeconomic events, including the impact of the COVID-19 pandemic, Australia may experience an economic recession or downturn of uncertain severity and duration which could impact the Combined Group's ability to attract and retain customers and to invest sufficiently in its technology. These economic disruptions may adversely impact the Combined Group's earnings and assets, as well as the value of the HUB24 Shares.

**(r) COVID-19**

The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously developing. The global economic outlook continues to remain uncertain due to the COVID-19 pandemic which has had and may continue to have significant impact on capital markets and share prices.

Many of the operational and general risks relating to the Combined Group highlighted in this section are likely to be heightened due to the ongoing impacts of the COVID-19 pandemic. To date, the COVID-19 pandemic has affected, amongst other things,

economic conditions, employment markets, equity markets, regulatory policy and caused governmental action including mandatory quarantine, self-isolations and other travel related restrictions.

**(s) Tax**

A change to the current tax regime may affect Class, HUB24 or the Combined Group, and Class Shareholders.

Any changes to the current rate of company income tax may impact shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and shareholder returns. Personal tax liabilities are the responsibility of each individual Scheme Shareholder. Class, HUB24 and the Combined Group are not responsible for tax or penalties incurred by Class Shareholders.

**(t) Change in accounting or financial reporting standards**

AAS are set by the AASB and are outside the control of Class, HUB24 or the Combined Group. Changes to accounting standards issued by the AASB could materially adversely affect the financial performance and position reported in the financial statements of Class, HUB24 or the Combined Group.

**(u) Force majeure events**

Events may occur within or outside Australia that could impact upon the global or Australian economy, the operations of the Combined Group and the price of the HUB24 Shares. These events include, but are not limited to, acts of terrorism, a global health pandemic such as the current COVID-19 pandemic, an outbreak of international hostilities, acts of terrorism, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for the Combined Group's services and its ability to conduct business. The Combined Group has only a limited ability to insure against some of these risks.

**(v) Other**

There are a range of other general risks, which may impact on Combined Group's business or HUB24 Shares, which include but are not limited to:

- industrial action impacting the business directly or indirectly;
- litigation disputes brought by third parties, including but not limited to customers, suppliers, business partners, employees and government bodies; and
- government regulation and policies generally (in addition to wealth management, taxation and those regulations and policies noted above).

**(w) Additional risks and uncertainties**

Additional risks and uncertainties not currently known to Class or HUB24 may also have a materially adverse effect on Class, HUB24 or the Combined Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Class, HUB24 or the Combined Group.

## 9 Australian taxation implications

### 9.1 Introduction

The following is a general summary of the Australian income tax, goods and services tax (**GST**), and stamp duty implications for Class Shareholders relating to their disposal of Class Shares under the Scheme.

This summary is general in nature only, should be read in conjunction with the rest of this Scheme Booklet, and is not intended to be an authoritative or complete analysis of the tax consequences arising from the Scheme. Class Shareholders are advised to seek professional tax advice in relation to their particular circumstances.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**) and the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) as at the date of this Scheme Booklet. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities.

The information provided below is not applicable to all Class Shareholders. This tax summary applies to Australian tax resident and non-resident shareholders who hold their shares on capital account. This summary will not apply to Class Shareholders who:

- hold their Class Shares on 'revenue account' (such as share trading entities or entities who acquired their Class Shares for the purposes of resale at a profit) or as 'trading stock';
- hold their Class Shares under an employee share scheme offered by Class or otherwise hold Class Performance Rights that will vest if the Scheme becomes effective where those rights or shares remain subject to deferred taxation under Division 83A of the ITAA 1997;
- may be subject to special tax rules, such as partnerships, tax exempt organisations, insurance companies, dealers in securities or shareholders who change their tax residency while holding their Class Shares;
- have a functional currency for Australian tax purposes other than an Australian functional currency; and/or
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Class Shares.

### 9.2 Class Ruling

Class has lodged a class ruling application with the ATO to obtain the Commissioner of Taxation's views on specific Australian income tax implications for certain Class Shareholders in relation to their disposal of Class Shares under the Scheme (**Class Ruling**).

The Scheme is not conditional on the receipt of the Class Ruling.

The Class Ruling has not been issued by the ATO as at the date of this Scheme Booklet. It is not expected to be issued until after the implementation of the Scheme. Class Shareholders should refer to the Class Ruling once it is published. The Class Ruling will be available at [www.ato.gov.au](http://www.ato.gov.au).

It is expected that the Class Ruling will be issued by the Commissioner of Taxation on the basis of a view which is broadly consistent with this summary. It is important that Class Shareholders be aware that the Commissioner of Taxation may reach an alternative view. This summary should be considered in light of that possibility and read together with the Class Ruling once it is available.

### 9.3 Disposal of Class Shares (Australian tax residents)

Under the proposed Scheme, Class Shareholders will dispose of their Class Shares to HUB24 in exchange for the Scheme Consideration. This disposal will trigger capital gains tax (**CGT**) event A1.

The CGT event should occur when the change of ownership of the Class Shares occurs. Under the Scheme, the change of ownership will occur on the Implementation Date.

Broadly, a Class Shareholder will:

- make a 'capital gain' if the capital proceeds from the disposal of their Class Shares exceeds the cost base of their Class Shares; or
- make a 'capital loss' if the capital proceeds from the disposal of their Class Shares are less than the reduced cost base of their Class Shares.

Subject to the CGT roll-over (discussed below), a Class Shareholder who makes a capital gain on the disposal of their Class Shares will be required to include in their assessable income any 'net capital gain' after the application of capital losses (if any) and the CGT discount (if available, see below).

A capital loss realised on the disposal of the Class Shares may be used to offset other capital gains derived by a Class Shareholder in the income year in which the capital loss is realised, or may be carried forward to offset capital gains derived by the shareholder in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Class Shareholders should obtain their own tax advice in relation to the operation of these rules.

#### (a) Capital proceeds

The capital proceeds for the CGT event arising from the disposal of the Class Shares under the Scheme is expected to include the Scheme Consideration received by a Class Shareholder, which for each Class Share will comprise Scrip Consideration (being, 0.09090909 HUB24 Shares per Class Share) and the Cash Consideration (being, \$0.125 per Class Share).

In working out the amount that should be included in the capital proceeds in respect of the HUB24 Shares component of the Scheme Consideration, the market value of the HUB24 Shares should be determined at the Implementation Date.

#### (b) Cost base

The cost base and reduced cost base of the Class Shares will generally include the amount paid, or the market value of any property given, to acquire the Class Shares, plus any incidental costs of acquisition (eg, brokerage fees and stamp duty) that are not otherwise deductible to the Class Shareholders. The cost base of each Class Share will depend on the individual circumstances of each Class Shareholder.

Class Shares acquired in different transactions may have different cost bases and therefore capital gains may arise in respect of some Class Shares while capital losses may arise in respect of other Class Shares.

#### (c) CGT discount

Generally, Australian resident Class Shareholders who are individuals, trusts and complying superannuation funds that have held Class Shares for at least 12 months at the time of disposal should be entitled to a CGT discount in calculating the amount of the capital gain on disposal of their Class Shares.

The CGT discount is applied after any available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which would reduce a capital gain arising from the disposal of Class Shares is 50% in the case of individuals and trusts, and 33⅓% in the case of Australian complying superannuation entities. The CGT discount is not available for Class Shareholders that are companies.

As the rules relating to discount capital gains for trusts are complex, Class Shareholders who are trustees should seek their own independent advice on how the CGT discount provisions will apply to them and the trust's beneficiaries.

#### **9.4 CGT scrip for scrip roll-over relief**

It is expected that the availability of CGT scrip for scrip roll-over relief for Class Shareholders will be addressed in the Class Ruling. Class Shareholders should refer to the Class Ruling once published. The commentary below is subject to the Commissioner of Taxation's determination in respect of these matters.

An Australian resident Class Shareholder who disposes of their Class Shares in exchange for the Scrip Consideration, and who would otherwise make a capital gain in respect of the disposal of their Class Shares, may choose to obtain CGT scrip for scrip roll-over relief under Subdivision 124-M of the ITAA 1997. Roll-over is not available if a Class Shareholder realises a capital loss on the disposal of their Class Shares. Roll-over relief will not be available for the amount of the capital gain which is reasonably attributable to receipt of the Cash Consideration.

As noted below, the Cash Consideration included in the capital proceeds received by a Class Shareholder from the disposal of their Class Shares is likely to constitute 'ineligible proceeds' for which no CGT roll-over will be available.

HUB24 will not make a choice under section 124-795(4) of the ITAA 1997 to deny Class Shareholders scrip for scrip roll-over relief.

If CGT roll-over relief under Subdivision 124-M of the ITAA 1997 is available, and a Class Shareholder chooses to apply roll-over relief, then:

- a capital gain that the Class Shareholder makes from the disposal of their Class Shares under the Scheme, to the extent that the capital gain is attributable to the Scrip Consideration, should be disregarded and deferred until a subsequent taxable event occurs in respect of the HUB24 Shares;
- no roll-over should be available to the extent that the capital gain is attributable to the Cash Consideration paid by HUB24 which is included in the capital proceeds from the disposal of the Class Shares on the basis that it will constitute 'ineligible proceeds'. For the purpose of determining any capital gain that is attributable to the Cash Consideration, the CGT cost base of the Class Shares that is attributable to the Cash Consideration is that part of the cost base of the Class Shares as is reasonably attributable to the Cash Consideration. For these purposes, a reasonable basis for apportionment may be to calculate the cost base of the Class Shares attributable to the Cash Consideration by multiplying that cost base by the proportion that is equal to the Cash Consideration divided by the sum of the Cash Consideration and the market value of the Scrip Consideration (comprising the HUB24 Shares); and
- for the purpose of determining the CGT cost base and reduced cost base of the HUB24 Shares, the sum of the CGT cost base and the reduced cost base of the Class Shareholder's Class Shares will be reasonably apportioned between the HUB24 shares issued to the Class Shareholder. The cost base of the Class Shares must first be reduced

by so much of it that is reasonably attributable to the Cash Consideration paid by HUB24 (as described above).

The example below provides a hypothetical example of how the first element of a Class Shareholder's cost base in the HUB24 share may be calculated.

### Example of partial roll-over

For the purposes of this example, assume that:

- Regina acquires 1,000 Class Shares for \$100 in 2016;
- under the Scheme, Regina receives 90 HUB24 Shares in exchange for her Class Shares;
- HUB24 pays Regina the Cash Consideration of \$0.125 per Class Share; and
- on the Implementation Date, the market value of each HUB24 Share held by Regina is \$29.64.

The Commissioner rules that Class Shareholders are entitled to CGT roll-over relief, and Regina chooses to apply the roll-over.

The first element of the cost base of Regina's HUB24 shares may be determined as follows:

<b>Cost base attributable to ineligible proceeds</b>	
Cost base attributable to ineligible proceeds	= Cost base of Class Shares x (Cash Consideration/(market value of HUB24 shares + Cash Consideration))
	= \$100 x (\$125/(\$2,668 + \$125))
	= \$100 x (\$125/\$2,793)
	= \$4.48
<b>Cost base of HUB24 Shares</b>	
Cost base of Class Shares	= \$100
Cost base attributable to ineligible proceeds	= \$4.48
First element of cost base of each HUB24 Share	= (cost base of Class Shares – cost base of ineligible proceeds)/number of HUB24 shares
	= (\$100 - \$4.48)/90
	= \$1.061

In these circumstances, the Class Shareholder should be taken to have acquired the HUB24 Shares under the Scheme:

- for general CGT purposes, on the Implementation Date; and
- for the purposes of applying the CGT discount to any future dealings in the HUB24 Shares, on the date they acquired the relevant Class Shares.

The Class Shareholder must make a choice to apply CGT roll-over relief by the day they lodge an income tax return for the income year in which the Implementation Date occurs, which choice can be evidenced by excluding the disregarded capital gain from assessable income in the Class Shareholder's income tax return. There is no need to lodge a separate notice with the ATO.

## 9.5 Where scrip for scrip roll-over is not chosen or available

Where a Class Shareholder is not eligible for, or does not choose, CGT roll-over relief:

- any capital gain or capital loss made by the Class Shareholder from the disposal of their Class Shares will be taken into account in calculating the shareholder's 'net capital gain' for the income year ending 30 June 2022; and

- the first element of the cost base and reduced cost base of each HUB24 share that the Class Shareholder receives should be equal to the market value of the Class Shares disposed of on the Implementation Date that is attributable to the Scrip Consideration, but not the Cash Consideration.

The 'acquisition date' of the HUB24 shares should be the Implementation Date. This will be relevant for the purposes of determining whether the Class Shareholder can be eligible for the CGT discount in relation to a subsequent disposal of the HUB24 shares.

## 9.6 Non-Australian tax resident Class Shareholders

For a Class Shareholder who:

- is a foreign resident, or the trustee of a foreign trust for CGT purposes; and
- has not used their Class Shares at any time in carrying on a business through a permanent establishment in Australia,

disposal of the Class Shares will generally only result in Australian CGT implications if in broad terms:

- that Class Shareholder together with their associates held an interest of 10% or more in Class at the time of disposal or for a 12 month period within the 24 month period preceding the disposal (referred to as a 'non-portfolio interest'); and
- more than 50% of the market value of Class' assets is attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation) (referred to as the 'principal asset test').

On the basis that less than 50% of the market value of Class' assets is, and will be on the Implementation Date, attributable to direct or indirect interests in 'taxable Australian real property' (as defined in the income tax legislation), Class Shareholders that are non-Australian tax residents should generally be able to disregard any Australian capital gain or loss arising as a result of the disposal of the Class Shares.

However, a non-resident individual Class Shareholder who has previously been an Australian tax resident and chose to disregard a capital gain or loss in respect of their Class Shares from CGT event A1 on ceasing to be an Australian tax resident, or a Class Shareholder who used their Class Shares at any time in carrying on a business through a permanent establishment in Australia, may be subject to Australian CGT consequences on disposal of their Class Shares.

Class Shareholders who are non-Australian tax residents should seek independent tax advice as to the tax implications of the Scheme, including tax implications in their country of residence.

## 9.7 Foreign Resident Capital Gains Withholding

The foreign resident capital gains withholding regime may impose a 12.5% 'withholding obligation' (calculated by reference to the Scheme Consideration) on HUB24 if:

- HUB24 considers, or reasonably believes that, a Class Shareholder is a foreign resident; and
- the disposal of the Class Shares satisfies both the principal asset test and the non-portfolio interest test (discussed above in Section 9.6).

HUB24 is not expected to withhold any amount from the Scheme Consideration.

## 9.8 GST

There should be no GST payable in respect of the sale of Class Shares under the Scheme.

Where a Class Shareholder is not registered or required to be registered for GST, the sale will be

outside the scope of GST. Otherwise, the sale of the Class Shares will be an input taxed financial supply. Where this is the case, Class Shareholders should obtain independent advice in relation to whether there is an ability to claim any input tax credits for the costs (such as legal or professional fees) associated with the disposal of the Class Shares.

## **9.9 Stamp Duty**

No stamp duty should be payable by Class Shareholders on the disposal of Class Shares in accordance with the Scheme.

Any stamp duty in connection with the transfer of the Class Shares to HUB24 must be paid by HUB24.

## 10 Additional Information

### 10.1 Interests of Class Directors in Class Shares

As at the date of this Scheme Booklet, the Class Directors have the following Relevant Interests in Class Shares.

Class Director	Position	Relevant Interest in Class Shares
Matthew Quinn	Non-Executive Director	400,000
Andrew Russell	Managing Director	1,251,155 <sup>39</sup>
Robert Bazzani	Non-Executive Director	50,000
Nicolette Rubinsztein	Non-Executive Director	102,000

Class Directors who hold Class Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration along with the other eligible Class Shareholders.

Each Class Director intends to vote (or procure the voting of) all Class Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.

### 10.2 Interests of Class Directors in HUB24 Shares

As at the date of this Scheme Booklet, no Class Director has a Relevant Interest in any HUB24 Shares and no such persons are otherwise entitled to such Shares, other than to the extent that a Class Director may hold HUB24 Shares as part of a diversified portfolio of shares (such as through independently managed funds or accounts).

No Class Director has acquired or disposed of a Relevant Interest in any HUB24 Shares in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

### 10.3 Class employee incentive arrangements

#### (a) Class Performance Rights

As set out in Class' 2021 Annual Report, Class operates the Long-Term Incentive Program (**LTIP**) to reward execution against longer-term strategy and shareholder value creation. In FY21, the LTIP comprised of Performance Rights with a three-year vesting period, and is subject to meeting performance criteria in connection with targets for roll-forward revenue and earnings before interest, tax, depreciation and amortisation which align to Class' strategic plan.

Additionally, Class operated a one-off Long-Term Incentive Program (Special Allocation) (**LTIP – TSR**), to align executive key management personnel and senior executives to long-term value creation for shareholders. The LTIP-TSR comprises of Performance Rights, and is subject to meeting performance criteria in connections with targets for annual total shareholder return.

On satisfaction of the applicable performance criteria, each Performance Right will convert into one Performance Share which will be held by the trustee of LTI Plan. The Performance Share may subsequently vest in the LTI Plan participants personally.

As at the Last Practicable Date, Class had 2,333,973 Performance Rights on issue granted pursuant to the LTI Plan. The Performance Rights on issue have been granted pursuant to four tranches:

<sup>39</sup> Andrew Russell's Relevant Interest in Class Shares is comprised of 198,084 Class Shares, 971,457 Performance Rights and 81,614 Deferred Rights which he holds or controls.

- Tranche 3 LTIP-TSR in respect of FY19 (**Tranche 3 Performance Rights**);
- Tranche 4 LTIP in respect of FY19 (**Tranche 4 Performance Rights**);
- Tranche 5 LTIP in respect of FY20 (**Tranche 5 Performance Rights**); and
- Tranche 6 LTIP in respect of FY21 (**Tranche 6 Performance Rights**).

The key management personnel of Class who hold the Performance Rights as at the date of this Scheme Booklet are set out below. No Class Director (other than Mr Russell) holds any Performance Rights as at the date of this Scheme Booklet.

Key Management Personnel	Position	Number of Performance Rights
Andrew John Russell	Chief Executive Officer and Managing Director	971,457

**(b) Class Deferred Rights**

As set out in Class' 2021 Annual Report, Class operates the Short-Term Incentive Program (**STIP**) to drive both individual and team performance in delivering annual business objectives, revenue growth, profitability and shareholder value. In FY21, the STIP was based 50% on company financial metrics and 50% on individual performance metrics. STIP incentives comprise 75% cash and 25% Deferred Rights issued under the LTI Plan.

On satisfaction of the applicable performance criteria, each Deferred Right will convert into one Performance Share which will be held by the trustee of LTI Plan. The Performance Share may subsequently vest in the LTI Plan participants personally.

As at the Last Practicable Date, Class had 278,116 Deferred Rights on issue granted pursuant to the LTI Plan.

The key management personnel of Class who hold the Deferred Rights as at the date of this Scheme Booklet are set out below. No Class Director (other than Mr Russell) holds any Deferred Rights as at the date of this Scheme Booklet.

Key Management Personnel	Position	Number of Deferred Rights
Andrew John Russell	Chief Executive Officer and Managing Director	81,614

**(c) Other Employee Incentive Arrangements**

As set out in Class' 2021 Annual Report, Class operates the Tax-Exempt Employee Share Plan (**Tax-Exempt ESP**). Under the Tax-Exempt ESP, qualifying employees are offered an opportunity to subscribe for Class Shares on a non-discriminatory basis. Class Shares are issued under the Tax-Exempt ESP in accordance with Section 83A-35 of the ITAA 1997.

**(d) Class Options**

Class historically operated the Class Employee Share Option Plan (**ESOP**), which was replaced by the LTI Plan on 15 October 2018. Options were granted under the ESOP (**Options**), which were subject to service requirements and performance vesting criteria

over a three-year period requiring 10% compounding annual share price growth to the last vesting date. All Options granted by Class have now vested.

As at the Last Practicable Date, Class had 844,663 Options on issue granted pursuant to the ESOP.

No Class Director holds any Options as at the date of this Scheme Booklet.

**(e) Intended Treatment of Deferred Rights, Performance Rights and Options**

Under the Scheme Implementation Deed, Class is required to ensure that, by no later than the Scheme Record Date, there are no outstanding Deferred Rights, Performance Rights or Options on issue.

Having regard to a range of considerations, including HUB24's intentions with regard to management and employees, the fact that Class will no longer be an ASX-listed company following the implementation of the Scheme, the extent to which the vesting periods applicable to the Deferred Rights and Performance Rights have elapsed, and existing performance against the relevant vesting metrics, Class Directors have resolved to treat the existing Deferred Rights, Performance Rights and Options as detailed below.

Discussions regarding the treatment of Deferred Rights, Performance Rights and Options occurred after the price that HUB24 would offer to acquire Class Shares was determined. Accordingly, the outcome for holders of Deferred Rights, Performance Rights and Options has not impacted the outcome for Class Shareholders.

**(i) Performance Rights and Deferred Rights**

Under the terms of the LTI Plan, once a 'Control Event' has occurred, the Class Directors have discretion over the treatment of any unvested Performance Rights and Deferred Rights and the timing of such treatment (including the extent to which such Performance Rights and Deferred Rights will vest).

In accordance with, and as permitted by the terms of the LTI Plan, the Class Board proposes to exercise its discretion and determine that a 'Control Event' will occur upon the Scheme becoming Effective.<sup>40</sup>

Consistent with the terms of the LTI Plan, the extent to which the vesting periods applicable to the Deferred Rights and Performance Rights have elapsed, and existing performance against the relevant vesting metrics, the Class Board proposes to exercise its discretion and determine that the Performance Rights and Deferred Rights will, subject to the Scheme becoming Effective, automatically convert into Performance Shares and vest in the LTI Plan participant on the Scheme Effective Date in the manner set out below:

- (A) all Tranche 3 Performance Rights will automatically convert and vest and the participant will receive a cash settlement payment in lieu of the Performance Rights in accordance with the LTI Plan;
- (B) all Tranche 4 Performance Rights will automatically convert and vest;
- (C) two-thirds of the Tranche 5 Performance Rights will automatically convert and vest;
- (D) one-third of the Tranche 6 Performance Rights will automatically convert and vest; and
- (E) all Deferred Rights will automatically convert and vest.

<sup>40</sup> The exercise of discretion of the Class Board would be approved by the Class Directors other than Andrew Russell given his interest in the subject matter of the resolution.

Accordingly, it is proposed that subject to the Scheme becoming Effective, a total of 1,701,385 Performance Rights and 278,116 Deferred Rights will vest (and the relevant Class Shares will either be issued or transferred (from treasury shares) to the relevant participant, or the equivalent cash settlement payment will be paid to the relevant participant). The value of those vested Performance Rights and Deferred Rights are expected to be approximately \$5.4 million (based on the HUB24 share price as at the Last Practicable Date). Subject to the Scheme becoming Effective, it is intended that the remaining 632,588 Performance Rights that do not vest will be forfeited on the Scheme Effective Date.

(ii) **Options**

In accordance with the terms of the ESOP, the Class Board intends to bring forward the last exercise date of the Options to the Scheme Effective Date (expected to be 7 February 2022), so that the Options will automatically lapse if not exercised prior to this time. This will ensure that there is sufficient time for the relevant holders of the Options to, if they seek to exercise their Options, participate in the Scheme as a Scheme Shareholder.

#### 10.4 No pre-transaction benefits

(a) **Benefits in connection with retirement from office**

Except as disclosed below, and as set out in Section 10.1, no payment or other benefit is proposed to be made or given to any Class Director, company secretary or executive officer of Class (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from office in Class or any of its Related Bodies Corporate in connection with the Scheme.

(b) **Class Directors' interests in agreements or arrangements relating to the Scheme**

Except as disclosed in this Scheme Booklet:

- (i) no Class Director has any other interest in a contract entered into by HUB24;
- (ii) there are no contracts or arrangements between a Class Director and any person in connection with or conditional upon the outcome of the Scheme; and
- (iii) no Class Director has a material interest in relation to the Scheme other than in their capacity as a holder of Class Shares, being their entitlement to receive the Scheme Consideration for the Class Shares they hold.

#### 10.5 Summary of the Scheme Implementation Deed

(a) **Conditions**

- (i) **(Class Shareholder approval)** Class Shareholders must approve the Scheme by the Requisite Majorities under section 411(4)(a)(ii) of the Corporations Act;
- (ii) **(Independent Expert's Report)** the Independent Expert provides the Independent Expert's Report to Class, stating that in its opinion the Scheme is in the best interests of Class Shareholders, and the Independent Expert does not change its conclusion or withdraw the Independent Expert's Report by notice in writing to Class before 8:00am on the Second Court Date;
- (iii) **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;

- (iv) **(No restraints)** no applicable law shall have been enacted and no order shall be in effect as at 8:00am on the Second Court Date that prevents, makes illegal or prohibits the implementation of the Scheme;
- (v) **(No Class Prescribed Occurrence)** no Class Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date;
- (vi) **(No Class Material Adverse Change)** no Class Material Adverse Change occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date;
- (vii) **(No HUB24 Prescribed Occurrence)** no HUB24 Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date;
- (viii) **(No HUB24 Material Adverse Change)** no HUB24 Material Adverse Change occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date;
- (ix) **(Regulatory Approvals):**
  - (A) **(ASIC and ASX)** ASIC and ASX issue or provide such consents or approvals as are necessary or which Class and HUB24 agree are necessary or desirable to implement the Scheme and such consent, approval or other act has not been withdrawn or revoked before the 8:00am on the Second Court Date; and
  - (B) **(Other Government Agencies)** Each other relevant Government Agency issue or provide such consents, waivers, approvals which HUB24 and Class consider are necessary or desirable to implement the Scheme (noting that if such consents waivers/and/or approvals are subject to conditions those conditions must be acceptable to the parties (each acting reasonably)) and such consent, approval or other act has not been withdrawn or revoked before 8:00am on the Second Court Date;
- (x) **(No Regulatory Intervention)** before 8:00am on the Second Court Date, there is no intervention by ASIC in respect of the AFSL held by the Class Group that is reasonably likely to result in:
  - (A) the Class Group or any member of the Class Group being unable to carry out its business in all material respects; or
  - (B) any material financial impact on the Class Group;
- (xi) **(No change of Class Board recommendation)** between the date of the Scheme Implementation Deed and the date of the Scheme Meeting, none of the members of the Class Board change, qualify or withdraw his or her unanimous Recommendation, other than a qualification or withdrawal of a Recommendation as permitted under the Scheme Implementation Deed (including in circumstances where the Independent Expert concludes that the Scheme is not in the best interest of Class Shareholders, Class receives a Superior Proposal, or where a Class Director has determined that he or she is required to change, withdraw, qualify or modify their voting recommendation by virtue of his or her fiduciary or statutory duties);

- (xii) **(No Material Breach)** before 8:00am on the Second Court Date, Class has not breached any provision of the Scheme Implementation Deed to a material extent in the context of the Transaction taken as a whole; and
- (xiii) **(Performance Rights, Deferred Rights and Options)** before 8:00am on the Second Court Date, legally binding arrangements have been put in place so that, by no later than the Scheme Record Date, there are no outstanding Deferred Rights, Performance Rights or Options on issue.

**(b) Obligation to recommend the Scheme**

Class must use reasonable endeavours to ensure that:

- (i) the Class Board unanimously recommends that Class Shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude at all times prior to the Second Court Date to the effect that the Scheme is in the best interests of Class Shareholders (the **Recommendation**);
- (ii) this Scheme Booklet includes a statement by the Class Board to that effect, and to the effect that each Class Director will, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude at all times prior to the Second Court Date to the effect that the Scheme is in the best interests of Class Shareholders, and vote (or procure the voting of) all Class Shares held or controlled by him or her in favour of the Scheme at the Scheme Meeting (the **Voting Statement**); and
- (iii) no member of the Class Board changes, withdraws, modifies or qualifies their Recommendation or Voting Statement.

These obligations do not apply in certain circumstances, including where:

- (iv) the Independent Expert concludes in the Independent Expert's Report (or any update of, or any revision, amendment or supplement to, the Independent Expert's Report) that the Scheme is not in the best interests of Class Shareholders; or
- (v) the Class Board has determined (after the matching right process described in the sub-section below has been complied with) that Class has received a Superior Proposal.

**(c) Exclusivity**

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of HUB24. These obligations are summarised as follows:

- (i) **(No current discussions)** Class represents and warrants that as at the date of the Scheme Implementation Deed, it is not in negotiations or discussions in respect of any Competing Proposal with any Third Party.
- (ii) **(No shop)** Class must not, and must ensure that each of its Representatives do not, directly or indirectly, solicit, invite, or initiate any Competing Proposal, or any enquiries, proposal, negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to encourage or lead to, any actual, proposed or potential Competing Proposal or which may otherwise lead to the Transaction not being completed.
- (iii) **(No talk)** Class must not, and must ensure that each of its Representatives do not, directly or indirectly, enter into, continue or participate in negotiations or

discussions with, or negotiate or enter any agreement, arrangement or understanding with, any Third Party in relation to, or which may reasonably be expected to encourage or lead to, a Competing Proposal.

- (iv) **(No due diligence)** Class must not, and must ensure that each of its Representatives do not, directly or indirectly, disclose or otherwise make available to any Third Party, any material non-public information relating to Class for the purposes of such Third Party formulating, developing or finalising any Competing Proposal or assisting such Third Party to do so, except in limited circumstances.
- (v) **(Notification)** During the Exclusivity Period, Class must notify HUB24 in writing of any approach, inquiry or request to initiate any negotiations in respect of any Competing Proposal which is received by Class or its Representatives, as soon as reasonably practicable and in any event within two Business Days of becoming aware of such matter.
- (vi) **(Matching right)** During the Exclusivity Period, Class must not enter into any legally binding agreement under which Class agrees to implement a Competing Proposal or pay a break fee or any cost reimbursement fee to a third party unless:
  - (A) the Class Board determines that the Competing Proposal would be or would be reasonably likely to be an actual, proposed or potential Superior Proposal;
  - (B) Class has provided HUB24 with all material terms of the actual, proposed or potential Competing Proposal, including the price and identity of the Third Party making the Competing Proposal;
  - (C) Class has given HUB24 at least five Business Days from the date Class notifies HUB24 for the purposes of HUB24's matching right to provide Class a counter proposal to the actual, proposed or potential Competing Proposal (a **Counterproposal**); and
  - (D) HUB24 has not announced or otherwise proposed in writing to Class a Counterproposal, within five Business Days, that the Class Board, acting reasonably and in good faith, determines to be superior to the terms of the actual, proposed or potential Competing Proposal.
- (vii) **(Counterproposal)** If HUB24 does submit a Counterproposal within five Business Days and the Class Board, acting reasonably and in good faith, determines the Counterproposal provides a superior outcome for Class Shareholders as a whole compared with the Competing Proposal, taking into account all of the material terms and conditions of the Counterproposal, then:
  - (A) Class and HUB24 must use their reasonable endeavours to agree the amendments to the Scheme Implementation Deed and the Scheme that are reasonably necessary to reflect the Counterproposal and to implement the Counterproposal, in each case as soon as reasonably practicable; and
  - (B) Class must use its reasonable endeavours to procure that each Class Director continues to recommend the Scheme (as modified by the Counterproposal) to Class Shareholders.

The 'No talk' and 'No due diligence' obligations do not apply to a bona fide Competing Proposal made by or on behalf of a person that the Class Board considers is of sufficient commercial standing, provided that the Class Board determines (after consulting with relevant advisers) that the Competing Proposal is, or could reasonably be expected to lead to, a Superior Proposal, failing to respond to such Competing Proposal would reasonably likely to be contrary to the fiduciary or statutory duties of any Class Director, and Class notifies HUB24 promptly of each action or inaction by Class or the Class Board in reliance on this exception.

**(d) Break Fee**

Class has agreed to pay HUB24 a Break Fee of \$3,500,000 (inclusive of GST) in certain circumstances. These are summarised below:

- (i) **(Change in recommendation)** Any Class Director makes a public statement:
  - (A) withdrawing or adversely changing or modifying their Recommendation or Voting Statement; or
  - (B) supporting or endorsing a Competing Proposal,  
and HUB24 has terminated the Scheme Implementation Deed, other than:
    - (C) where the Independent Expert concludes that the Scheme is not in the best interests of Class Shareholders (except in circumstances where the sole or predominate reason for that conclusion is the announcement of a Superior Proposal);
    - (D) where the withdrawal or adverse change or modification is permitted by under the Scheme Implementation Deed;
    - (E) where Class is entitled to terminate the Scheme Implementation Deed due to a material breach by HUB24 and it is not remedied within the requisite timeframe or due to the Scheme Resolution to approve the Scheme is not passed by the Requisite Majorities at the Scheme Meeting.
- (ii) **(Competing Proposal announced and transaction subsequently completed)** A Competing Proposal is announced by a Third Party and, within three months after that occurring, the Third Party or any of its Associates:
  - (A) complete in all material respects a transaction of the kind referred to in the definition of Competing Proposal; or
  - (B) has a Relevant Interest in at least 50% of Class Shares under a transaction that is or has become wholly unconditional or has otherwise come to control Class or acquire substantially all of the assets of Class.
- (iii) **(Competing Proposal executed)** Class enters into any agreement with a Third Party in respect of a Competing Proposal under which that Third Party and Class agree to undertake or give effect to such Competing Proposal (which, for the avoidance of doubt, does not include Class entering into a confidentiality agreement or like agreement for the purpose of providing non-public information in relation to an actual, proposed or potential Competing Proposal).
- (iv) **(Material Breach)** HUB24 validly terminates the Scheme Implementation Deed due to a material breach by Class and it is not remedied within the requisite timeframe.

However, the Break Fee is not payable if the Scheme nevertheless becomes Effective. The details of the Break Fee are set out in full in clause 12 of the Scheme Implementation Deed. In addition, the Break Fee will not be payable merely because the Scheme Resolution is not approved at the Scheme Meeting.

**(e) Termination**

The Scheme Implementation Deed may be terminated, before 8:00am on the Second Court Date, in certain circumstances. These are summarised below.

- (i) **(Termination by Class or HUB24)** Either Class or HUB24 may terminate the Scheme Implementation Deed by written notice at any time before 8.00am on the Second Court Date if:
  - (A) the other party materially breaches the Scheme Implementation Deed (including a representation and warranty given by either Class or HUB24 where such breach is material in the context of the Transaction as a whole) and the breach is not remedied within five Business Days;
  - (B) there a breach or non-satisfaction of a Condition Precedent and the Condition Precedent is not waived by the relevant time, a Condition Precedent is prevented from being satisfied, or it becomes more likely than not that a Condition Precedent will not be satisfied by the End Date, and Class and HUB24 are unable to agree on a course of action to implement the Scheme within five Business Days of either Class or HUB24 serving a written notice; or
  - (C) agreed in writing by Class and HUB24.
- (ii) **(Termination by HUB24)** HUB24 may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date if any Class Director:
  - (A) has changed, withdrawn or adversely modified or qualified, or made a public statement that is inconsistent with, their Recommendation or Voting Statement; or
  - (B) has recommended or made a statement that they no longer support the Transaction or is recommending, supporting or endorsing a Competing Proposal.
- (iii) **(Termination by Class)** Class may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date if a majority of the Class Board withdraws its recommendation that Class Shareholders vote in favour of the Scheme at the Scheme Meeting, and, if required to pay the Class Break Fee as a result of such withdrawal, Class has paid HUB24 the Class Break Fee.
- (iv) **(Automatic Termination)** The Scheme Implementation Deed will terminate automatically if, at the Scheme Meeting, the resolution to approve the Scheme is not passed by the Requisite Majorities of Class Shareholders.

## 10.6 Suspension of trading of Class Shares

If the Court approves the Scheme, Class will notify the ASX and apply to be suspended from official quotation on the ASX. It is expected that suspension of trading on the ASX in Class Shares will occur from close of trading on the Scheme Effective Date. This is expected to occur on 7 February 2022.

## 10.7 Warranties by Class Shareholders

Under clause 8.4 of the Scheme, each Scheme Shareholder is deemed to have warranted to HUB24, and, to the extent enforceable, to have appointed and authorised Class as that Scheme Shareholder's agent and attorney to warrant to HUB24, that:

- (a) all of their Class Scheme Shares (including all rights and entitlements attaching to those Class Scheme Shares) will, at the time of the transfer of them to HUB24 pursuant to this Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including "security interest" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Class Scheme Shares (together with any rights and entitlements attaching to those Class Scheme Shares) to HUB24 pursuant to this Scheme.

Class undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to HUB24 on behalf of that Scheme Shareholder.

## 10.8 ASX relief

The ASX has granted Class a waiver of ASX Listing Rule 6.23.4 to the extent necessary to permit the treatment of the Performance Rights, Deferred Rights and Options as set out in Section 10.3.

## 10.9 Consents and disclosures

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
  - (i) UBS as financial advisers to Class;
  - (ii) Link Market Services as the manager of the Class Share Register; and
  - (iii) Allens as legal adviser and taxation adviser to Class Group in relation to the Scheme.
- (b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Annexure A and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) HUB24 has given, and has not withdrawn, its consent to be named in this Scheme Booklet and in relation to the inclusion of HUB24 Information in this Scheme Booklet in the form and context in which that information is included.
- (d) Spheria Asset Management Pty Ltd (ACN 611 081 326) has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of its voting intention statement in this Scheme Booklet in the form and context in which that information is included.
- (e) Each person named in this Section 10.9:
  - (i) has not authorised or caused the issue of this Scheme Booklet;
  - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this Section 10.9; and

- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 10.9.

#### **10.10 No unacceptable circumstances**

Class believes that the Scheme does not involve any circumstances in relation to the affairs of Class that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

#### **10.11 No other information material to the making of a decision in relation to the Scheme**

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Annexures, there is no other information that is material to the making of a decision by a Class Shareholder whether or not to vote in favour of the Scheme Resolution to approve the Scheme, being information that is known to any Class Director and which has not previously been disclosed to Class Shareholders.

#### **10.12 Deed Poll**

HUB24 has executed the Deed Poll pursuant to which it has undertaken in favour of each Scheme Shareholder to procure that each Scheme Shareholder is provided the Scheme Consideration to which they are entitled under the Scheme, in accordance with the terms of the Scheme and subject to the Scheme becoming Effective.

A copy of the Deed Poll is set out in Annexure C.

#### **10.13 Formula for entitlement to HUB24 Shares**

The formula to be applied with respect to the HUB24 Shares to be issued as Scrip Consideration is set out in the Scheme in Annexure B, and described in the definition of Scrip Consideration in the Scheme (being 0.09090909 HUB24 Consideration Shares for each Class Scheme Share held by a Scheme Shareholder). The formula was agreed through negotiations between Class and HUB24.

#### **10.14 Supplementary information**

If Class becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Second Court Date:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Class may circulate and publish any supplementary document by:

- (e) making an announcement to ASX;
- (f) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (g) posting the supplementary document to Class Shareholders at their registered address as shown on the Class Share Register; or

(h) posting a statement on the Company Website,  
as Class in its absolute discretion considers appropriate.

#### **10.15 Transaction costs**

Class will incur transaction costs and equity instrument payments in connection with the Scheme. Certain of these costs are conditional on the Scheme proceeding, and if the Scheme is implemented, these will effectively be borne by HUB24 who will have acquired Class from implementation. If the Scheme is implemented, Class estimates its aggregate transaction costs to be approximately \$9.98 million (excluding GST and disbursements) in connection with the Scheme. If the Scheme is not implemented, Class expects that transaction costs will be approximately \$1.675 million (excluding GST and disbursements) and there will be no related equity instrument payments. These transaction costs are primarily payable to Class' financial, legal and tax advisors, the Independent Expert and Class Share Registry.

These transaction costs do not include any Break Fee that may be payable by Class (see Section 10.5(d) for information on the circumstances in which a Break Fee may be payable by Class).

## 11 Glossary and interpretation

### 11.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below.

Term	Meaning
<b>2021 Annual Report</b>	Class' Appendix 4E and Financial Report for the year ended 30 June 2021 as announced to the ASX on 17 August 2021.
<b>AAS</b>	Australian Accounting Standards.
<b>AASB</b>	Australian Accounting Standards Board.
<b>AASB 3</b>	Accounting Standard AASB 3 <i>Business Combinations</i> .
<b>AASB 9</b>	Accounting Standard AASB 9 <i>Financial Instruments</i> .
<b>AASB 15</b>	Accounting Standard AASB 15 <i>Revenue from Contracts with Customers</i> .
<b>AASB 16</b>	Accounting Standard AASB 16 <i>Leases</i> .
<b>Adviser</b>	in relation to an entity, a financial, corporate, legal, or other technical or expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Transaction by the entity.
<b>AFSL</b>	Australian financial services licence.
<b>Agility</b>	Agility Applications Pty Ltd (ACN 124 078 315).
<b>ASIC</b>	Australia Securities and Investments Commission.
<b>Associate</b>	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if the 'designated body' is Class or HUB24 as applicable.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
<b>ASX Listing Rules</b>	the official listing rules of ASX.
<b>ATO</b>	Australian Taxation Office.
<b>Break Fee</b>	\$3,500,000 (inclusive of GST).
<b>Business Day</b>	means any day that is each of the following: <ul style="list-style-type: none"><li>(a) a Business Day within the meaning given in the ASX Listing Rules; and</li><li>(b) a day on which banks are open for business in Sydney, Australia.</li></ul>
<b>CAGR</b>	compound annual growth rate.
<b>Cash Consideration</b>	the cash amount of \$0.125 for each Class Scheme Share held by a Scheme Shareholder.
<b>CGT</b>	capital gains tax.

Term	Meaning
<b>Claim</b>	in relation to a person, a demand, claim, action or proceeding made or brought by or against the person, however arising and whether present, unascertained, immediate, future or contingent.
<b>Class</b>	Class Limited (ACN 116 802 058).
<b>Class Board</b>	the board of directors of Class.
<b>Class Director</b>	a member of the Class Board.
<b>Class Group</b>	Class and each of its Subsidiaries.
<b>Class Information</b>	all information in the Scheme Booklet, including, but not limited to information regarding the Class Group prepared by Class for inclusion in this Scheme Booklet that explains the effect of the Scheme and sets out the information prescribed by the Corporations Act and the Corporations Regulations but excluding the HUB24 Information, the Independent Expert's Report or any description of the taxation effect of the Transaction on Scheme Shareholders prepared by an external adviser to Class.
<b>Class Material Adverse Change</b>	<p>any event, occurrence or matter occurring after the date of the Scheme Implementation Deed, which has resulted in, or is reasonably likely to result in, either individually or when aggregated with all such events, occurrences or matters of a like kind:</p> <ul style="list-style-type: none"> <li>(a) a diminution in the consolidated net assets of the Class Group excluding cash and cash equivalents by an amount equal to \$8.3 million or more as compared to what the consolidated net assets of the HUB24 Group was as at 30 June 2021; or</li> <li>(b) a diminution in the consolidated Class Underlying EBITDA for the financial year ending 30 June 2022 of the Class Group being reduced by an amount of \$4 million or more as compared to what the consolidated Class Underlying EBITDA for the financial year ending 30 June 2022 could reasonably be expected to have been but for the relevant event(s), occurrence(s) or matter(s),</li> </ul> <p>in each case:</p> <ul style="list-style-type: none"> <li>(c) as calculated in a manner consistent with the Class Group's annual accounts;</li> <li>(d) as calculated after taking into account any events, occurrences or matters after the date of the Scheme Implementation Deed that has or could reasonably be expected to have a positive effect on consolidated net assets or</li> </ul>

Term	Meaning
	<p>consolidated Class Underlying EBITDA (as applicable);</p> <p>other than any event, occurrence or matter:</p> <ul style="list-style-type: none"> <li>(e) required or expressly permitted by the Scheme Implementation Deed or the Scheme;</li> <li>(f) which HUB24 has previously approved or requested in writing;</li> <li>(g) to the extent that it was Fairly Disclosed in: <ul style="list-style-type: none"> <li>(i) the Due Diligence Material or the Disclosure Letter;</li> <li>(ii) public announcements by Class to ASX made at any time in the three years prior to the date of the Scheme Implementation Deed; or</li> <li>(iii) public filings of Class with ASIC filed at any time in the three years prior to the date of the Scheme Implementation Deed;</li> </ul> </li> <li>(h) that is within the actual knowledge of HUB24 on or before the date of the Scheme Implementation Deed;</li> <li>(i) arising from any actual or proposed change in any law, regulation, rule, generally accepted accounting standards or principles or the interpretation of any such standards or principles or other change in accounting standards;</li> <li>(j) arising from general economic, business, financial or political conditions or changes in those conditions (including financial market fluctuations, changes in interest rates, commodity prices, foreign currency exchange rates, commodity prices or markets (including domestic or international financial markets)) that impact Australian businesses generally and does not disproportionately impact Class;</li> <li>(k) arising from an act of terrorism, war (whether or not declared), natural disaster, epidemic, pandemic or adverse weather conditions, cyber security incident or the like after the date of the Scheme Implementation Deed; or</li> <li>(l) arising from the Coronavirus or COVID-19 pandemic (or any mutation, variation or derivative), including the outbreak, escalation or any impact of, or recovery from, the Coronavirus</li> </ul>

Term	Meaning
	or COVID-19 pandemic, including as a result of lockdowns, travel restrictions, social distancing and restrictions of and on activities, venues and gatherings.
<b>Class Option Share Plan</b>	the Employee Share Option Plan dated 16 July 2017.
<b>Class Prescribed Occurrence</b>	<p>any of the following occurrences:</p> <ul style="list-style-type: none"> <li>(a) Class converts all or any of its shares into a larger or smaller number of shares.</li> <li>(b) Any member of the Class Group resolves to reduce its share capital in any way.</li> <li>(c) Any member of the Class Group: <ul style="list-style-type: none"> <li>(i) enters into a buy-back agreement; or</li> <li>(ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act.</li> </ul> </li> <li>(d) Any member of the Class Group issues shares or other securities to a person, or grants an option over or a right to receive its shares or other securities, or agrees to make such an issue or grant such an option or right, other than the issue of Class Shares upon the exercise or vesting of Performance Rights, Deferred Rights or Options which are on issue as at the date of the Scheme Implementation Deed.</li> <li>(e) Any member of the Class Group making any change to its constitution or other constituent documents.</li> <li>(f) Any member of the Class Group issues, or agrees to issue, convertible notes or any other instrument or security convertible into shares or securities in or of any member of the Class Group.</li> <li>(g) Any member of the Class Group disposes, or agrees to dispose, of the whole or a substantial part of the business or property of the Class Group.</li> <li>(h) Any member of the Class Group grants, or agrees to grant, a security interest in or over the whole or a substantial part of the business or property of the Class Group other than any security interest that arises by operation of law or in the ordinary course of business.</li> </ul>

Term	Meaning
	<ul style="list-style-type: none"> <li>(i) Any member of the Class Group resolves to be wound up.</li> <li>(j) Any disposal of shares or securities by a member of the Class Group in any member of the Class Group (other than to another member of the Class Group).</li> <li>(k) An Insolvency Event occurs in relation to a member of the Class Group.</li> <li>(l) Class ceases to be admitted to the official list of ASX or Class Shares cease to be quoted by ASX or Class is suspended from trading by ASX for a consecutive period of more than two weeks.</li> <li>(m) Class resolving to pay or paying any dividend, distribution or share of its profits or assets or returning or agreeing to return any capital to its shareholders (whether in cash or in specie).</li> <li>(n) Any member of the Class Group directly or indirectly authorises, commits or agrees to take or announces any of the actions referred to in paragraphs (a) to (m) inclusive above insofar as it applies to the member of the Class Group the subject of such direct or indirect authorisation, commitment, agreement or announcement.</li> </ul> <p>However, it does not include an occurrence:</p> <ul style="list-style-type: none"> <li>(a) expressly required or expressly permitted by the Scheme Implementation Deed or the Scheme;</li> <li>(b) to the extent that it was Fairly Disclosed in: <ul style="list-style-type: none"> <li>(i) the Due Diligence Material or the Disclosure Letter;</li> <li>(ii) public announcements by Class to ASX made at any time in the three years prior to the date of the Scheme Implementation Deed; or</li> <li>(iii) public filings of Class with ASIC filed at any time in the three years prior to the date of the Scheme Implementation Deed; or</li> </ul> </li> <li>(c) to the extent consented to in writing by HUB24.</li> </ul>
<b>Class Ruling</b>	the ruling from the Commission of Taxation sought in relation to specific Australian income tax implications for certain Class Shareholders in relation to their disposal of Class Shares under the Scheme.

Term	Meaning
<b>Class Scheme Shares</b>	the Class Shares on issue as at the Scheme Record Date.
<b>Class Share</b>	a fully paid ordinary shares issued in the capital of Class.
<b>Class Share Register</b>	the register of members of Class maintained in accordance with section 168(1) of the Corporations Act.
<b>Class Share Registry</b>	Link Market Services Limited (ACN 083 214 537).
<b>Class Shareholder</b>	a person who is registered on the Class Share Register as a holder of Class Shares from time to time.
<b>Class Shareholder Information Line</b>	1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia).
<b>Class Underlying EBITDA</b>	earnings before interest, tax, depreciation and amortisation, expenses relating to share based payments and discount on consideration and for the avoidance of doubt excluding any fees and costs payable to advisers or third party service providers in connection with the Transaction.
<b>Combined Group</b>	HUB24 Group, immediately after implementation of the Transaction (which, for the avoidance of doubt, will include Class Group).
<b>Combined Group Unaudited Pro Forma Historical Consolidated Financial Information</b>	the: <ul style="list-style-type: none"> <li>(a) Combined Group Unaudited Pro Forma Historical Income Statement;</li> <li>(b) Combined Group Unaudited Pro Forma Historical Statement of Financial Position; and</li> <li>(c) Combined Group Unaudited Pro Forma Historical Statement of Cash Flows.</li> </ul>
<b>Combined Group Unaudited Pro Forma Historical Income Statement</b>	the unaudited pro forma historical consolidated income statement of the Combined Group.
<b>Combined Group Unaudited Pro Forma Historical Statement of Cash Flows</b>	the unaudited pro forma historical consolidated statement of cash flows of the Combined Group.
<b>Combined Group Unaudited Pro Forma Historical Statement of Financial Position</b>	the unaudited pro forma historical consolidated statement of financial position of the Combined Group.
<b>Company Website</b>	<a href="http://www.class.com.au">www.class.com.au</a> .
<b>Competing Proposal</b>	any proposal, offer, expression of interest, arrangement or transaction, which, if entered into or completed substantially in accordance with its terms, would result in a Third Party (either alone or together with any Associate):

Term	Meaning
	<p>(a) directly or indirectly acquiring or having the right to acquire:</p> <p>(i) a Relevant Interest in;</p> <p>(ii) a legal, beneficial or economic interest (including by way of an equity swap, contract for difference or similar transaction or arrangement) in; or</p> <p>(iii) control of, 15% or more of the Class Shares;</p> <p>(b) acquiring control (as determined in accordance with section 50AA of the Corporations Act, but disregarding sub-section 50AA(4)) of Class;</p> <p>(c) directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of a party's business or assets otherwise directly or indirectly acquiring or merging with Class; or</p> <p>(d) requires HUB24 to abandon, or otherwise fail to proceed with, the Transaction,</p> <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing or other transaction or arrangement.</p>
<b>Conditions Precedent</b>	the conditions set out in clause 3.1 of the Scheme Implementation Deed.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.
<b>Corporations Regulations</b>	the <i>Corporations Regulations 2001</i> (Cth).
<b>Counterproposal</b>	a superior proposal to the terms of a written Competing Proposal as provided by HUB24 to Class within five Business Days of the material terms and conditions of the written Competing Proposal (including price and the identity of the Third Party making the written Competing Proposal).
<b>Court</b>	the Supreme Court of New South Wales.
<b>Data Room</b>	the electronic data room hosted by Ansarada, prior to 5.00pm (Sydney time) on 16 October 2021, the index for which has been initialled for identification by each party's Advisers on execution of the Scheme Implementation Deed.

<b>Term</b>	<b>Meaning</b>
<b>Deed Poll</b>	the Deed Poll dated 9 December 2021 executed by HUB24 relating to the Scheme, a copy of which is set out in Annexure C.
<b>Deferred Right</b>	a deferred share right granted by Class under the LTI Plan which entitles the holder to receive a Class Share in certain circumstances.
<b>Disclosure Letter</b>	a letter identified as such provided by Class to HUB24 and countersigned by or on behalf of HUB24 on or prior to the date of the Scheme Implementation Deed or any document identified in that letter as having been disclosed to HUB24 subject to such document having been Fairly Disclosed in the Data Room.
<b>Diverger Limited</b>	Diverger Limited (ACN 111 695 357).
<b>Due Diligence Material</b>	the information disclosed by or on behalf of the Class Group (including in response to requests for information) to any member of the HUB24 Group or any officer, employee or Adviser of any of them through: <ul style="list-style-type: none"> <li>(a) the Data Room; and</li> <li>(b) the Disclosure Letter.</li> </ul>
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation.
<b>Effective</b>	when used in relation to this Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to this Scheme.
<b>End Date</b>	the date that is six months after the date of the Scheme Implementation Deed or such other date as may be agreed in writing between Class and HUB24.
<b>Exclusivity Period</b>	the period from and including the date of the Scheme Implementation Deed to the earliest of: <ul style="list-style-type: none"> <li>(a) the termination of the Scheme Implementation Deed in accordance with its terms;</li> <li>(b) the Implementation Date; and</li> <li>(c) the End Date.</li> </ul>
<b>Fairly Disclosed</b>	in relation to a matter, event or circumstance, that information about the matter, event or circumstance is disclosed to a sufficient extent and in sufficient detail to enable a reasonable person experienced in the industries in which the Class Group and the HUB24 Group operate or transactions similar to the Transaction to identify the nature and scope of the relevant matter, event or circumstance.
<b>First Court Date</b>	the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened is heard or, if the application is

<b>Term</b>	<b>Meaning</b>
	adjourned for any reason, the day on which the adjourned application is heard.
<b>FUA</b>	funds under administration.
<b>FY21</b>	the 2021 financial year (and the same rule applies for other financial years referred to in this Scheme Booklet).
<b>Government Agency</b>	any Australian or foreign government or governmental, semigovernmental or judicial entity or authority. It also includes any government minister (and his or her delegate), any self-regulatory organisation established under statute or any securities exchange and, for the avoidance of doubt, includes ASIC, ASX and the Australian Foreign Investment Review Board.
<b>GST</b>	Australian goods and services tax.
<b>HUB24</b>	HUB24 Limited (ACN 124 891 685).
<b>HUB24 Board</b>	the board of directors of HUB24, or any committee of the board of directors of HUB24 constituted to consider the Transaction on behalf of HUB24.
<b>HUB24 Custodial Services</b>	HUB24 Custodial Services Pty Ltd (ACN 073 633 664).
<b>HUB24 Directors</b>	a member of the HUB24 Board.
<b>HUB24 Due Diligence Material</b>	<ul style="list-style-type: none"> <li>(a) the written responses to the due diligence questionnaire dated 29 September 2021 provided by or on behalf of HUB24 to Class and its Representatives on 13 October 2021; and</li> <li>(b) any other documents, information, responses or disclosures agreed in writing by the parties to comprise the HUB24 Due Diligence Material.</li> </ul>
<b>HUB24 Group</b>	HUB24 and each of its Subsidiaries, Related Bodies Corporate (excluding, at any time, Class and its Subsidiaries to the extent that Class and its Subsidiaries are subsidiaries of HUB24 at that time). A reference to a member of the HUB24 Group or a HUB24 Group Member is a reference to HUB24 or any such Subsidiary.
<b>HUB24 Group Member</b>	a member of HUB24 Group.
<b>HUB24 Incentive Rights</b>	performance rights, options and shares issued in accordance with the HUB24's existing 'Performance Rights Plan', 'Employee Share Option Plan' and 'Employee Share Plan'.
<b>HUB24 Information</b>	<p>information about the HUB24 Group provided or approved by HUB24 or any of its Advisers to Class in writing for inclusion in the Scheme Booklet, being:</p> <ul style="list-style-type: none"> <li>(a) the letter from the Chairman of HUB24:</li> </ul>

Term	Meaning
	<ul style="list-style-type: none"> <li>(b) the information contained in the '<i>HUB24 and the Combined Group</i>' subsection in the 'Frequently Asked Questions' section;</li> <li>(c) the information contained in Sections 6, 7 and 8.4 of this Scheme Booklet except to the extent it pertains to Class or Class' contribution to the information regarding the Combined Group; and</li> <li>(d) the definitions provided by HUB24 in this Section 11.</li> </ul>
<b>HUB24 Material Adverse Change</b>	<p>any event, occurrence or matter occurring after the date of the Scheme Implementation Deed, which has resulted in, or is reasonably likely to result in, either individually or when aggregated with all such events, occurrences or matters of a like kind, a diminution in:</p> <ul style="list-style-type: none"> <li>(a) the consolidated net assets of the HUB24 Group excluding cash and cash equivalents by an amount equal to \$36.2 million or more as compared to what the consolidated net assets of the HUB24 Group was as at 30 June 2021; or</li> <li>(b) the consolidated HUB24 Underlying EBITDA for the financial year ending 30 June 2022 of the HUB24 Group being reduced by an amount of \$9.28 million or more as compared to what the consolidated HUB24 Underlying EBITDA for the financial year ending 30 June 2022 could reasonably be expected to have been but for the relevant event(s), occurrence(s) or matter(s),</li> </ul> <p>in each case:</p> <ul style="list-style-type: none"> <li>(c) as calculated in a manner consistent with the HUB24 Group's annual accounts;</li> <li>(d) as calculated after taking into account any events, occurrences or matters after the date of the Scheme Implementation Deed that has or could reasonably be expected to have a positive effect on consolidated net assets or consolidated HUB24 Underlying EBITDA (as applicable),</li> </ul> <p>other than any event, occurrence or matter:</p> <ul style="list-style-type: none"> <li>(e) required or expressly permitted by the Scheme Implementation Deed or the Scheme;</li> <li>(f) which Class has previously approved or requested in writing;</li> <li>(g) to the extent that it was Fairly Disclosed in: <ul style="list-style-type: none"> <li>(i) the Due Diligence Material;</li> </ul> </li> </ul>

Term	Meaning
	<ul style="list-style-type: none"> <li data-bbox="778 241 1361 387">(ii) public announcements by HUB24 to ASX made at any time in the three years prior to the date of the Scheme Implementation Deed; or</li> <li data-bbox="778 405 1361 551">(iii) public filings of HUB24 with ASIC filed at any time in the three years prior to the date of the Scheme Implementation Deed;</li> <li data-bbox="683 568 1361 674">(h) that is within the actual knowledge of Class on or before the date of the Scheme Implementation Deed;</li> <li data-bbox="683 692 1361 869">(i) arising from any actual or proposed change in any law, regulation, rule, generally accepted accounting standards or principles or the interpretation of any such standards or principles or other change in accounting standards;</li> <li data-bbox="683 887 1361 1211">(j) arising from general economic, business, financial or political conditions or changes in those conditions (including financial market fluctuations, changes in interest rates, commodity prices, foreign currency exchange rates, commodity prices or markets (including domestic or international financial markets)) that impact Australian businesses generally and does not disproportionately impact HUB24;</li> <li data-bbox="683 1229 1361 1406">(k) arising from an act of terrorism, war (whether or not declared), natural disaster, epidemic, pandemic or adverse weather conditions, cyber security incident or the like after the date of the Scheme Implementation Deed; or</li> <li data-bbox="683 1424 1361 1709">(l) arising from the Coronavirus or COVID-19 pandemic (or any mutation, variation or derivative), including the outbreak, escalation or any impact of, or recovery from, the Coronavirus or COVID-19 pandemic, including as a result of lockdowns, travel restrictions, social distancing and restrictions of and on activities, venues and gatherings.</li> </ul>
<b>HUB24 PAR</b>	a performance award right in HUB24.
<b>HUB24 Prescribed Occurrences</b>	any of the following occurrences: <ul style="list-style-type: none"> <li data-bbox="683 1832 1361 1906">(a) HUB24 converts all or any of its shares into a larger or smaller number of shares.</li> <li data-bbox="683 1924 1361 1989">(b) Any member of the HUB24 Group resolves to reduce its share capital in any way.</li> </ul>

Term	Meaning
	<p>(c) Any member of the HUB24 Group:</p> <ul style="list-style-type: none"> <li>(i) enters into a buy-back agreement; or</li> <li>(ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act,</li> </ul> <p>other than any buy-back for the purpose of treasury shares held by the HUB24 Employee Share Ownership Trust.</p> <p>(d) Any member of the HUB24 Group issues shares or other securities to a person, or grants an option over or a right to receive its shares or other securities, or agrees to make such an issue or grant such an option or right, other than:</p> <ul style="list-style-type: none"> <li>(i) where the shares or other securities are issued, or where the options are granted, by a member of the HUB24 Group (other than the HUB24) to another member of the HUB24 Group;</li> <li>(ii) where the shares or other securities are issued upon exercise or vesting of HUB24 Incentive Rights which are on issue as at the date of the Scheme Implementation Deed; or</li> <li>(iii) an issue or grant of HUB24 Incentive Rights under an employment contract or employee incentive scheme in place as at the date of the Scheme Implementation Deed which has been Fairly Disclosed in the HUB24 Due Diligence Material.</li> </ul> <p>(e) Any member of the HUB24 Group making any change to its constitution or other constituent documents.</p> <p>(f) Any member of the HUB24 Group issues, or agrees to issue, convertible notes or any other instrument or security convertible into shares or securities in or of any member of the HUB24 Group, other than to another member of the HUB24 Group.</p> <p>(g) Any member of the HUB24 Group disposes, or agrees to dispose, of the whole or a substantial part of the business or property of the HUB24 Group.</p>

Term	Meaning
	<p>(h) Any member of the HUB24 Group grants, or agrees to grant, a security interest in or over the whole or a substantial part of the business or property of the HUB24 Group other than any security interest that arises by operation of law or in the ordinary course of business.</p> <p>(i) Any member of the HUB24 Group resolves to be wound up.</p> <p>(j) Any disposal of shares or securities by a member of the HUB24 Group in any member of the HUB24 Group (other than to another member of the HUB24 Group).</p> <p>(k) An Insolvency Event occurs in relation to a member of the HUB24 Group.</p> <p>(l) The HUB24 ceases to be admitted to the official list of ASX or HUB24 Shares cease to be quoted by ASX or the HUB24 is suspended from trading by ASX for a consecutive period of more than two weeks.</p> <p>(m) HUB24 resolving to pay or paying any dividend, distribution or share of its profits or assets or returning or agreeing to return any capital to its shareholders (whether in cash or in specie) other than an interim dividend in respect of first half financial year 2022 and a final dividend in respect of second half financial year 2022, provided that any such dividends are each declared and paid in the ordinary course and in accordance with HUB24's existing dividend policy as at the date of the Scheme Implementation Deed.</p> <p>(n) Any member of the HUB24 Group directly or indirectly authorises, commits or agrees to take or announces any of the actions referred to in paragraphs (a) to (m) inclusive above insofar as it applies to the member of the HUB24 Group the subject of such direct or indirect authorisation, commitment, agreement or announcement.</p> <p>However, it does not include an occurrence:</p> <p>(a) expressly required or expressly permitted by the Scheme Implementation Deed or the Scheme;</p> <p>(b) to the extent that it was Fairly Disclosed in:</p> <p>(i) the HUB24 Due Diligence Material;</p>

Term	Meaning
	<ul style="list-style-type: none"> <li>(ii) public announcements by HUB24 to ASX made at any time in the three years prior to the date of the Scheme Implementation Deed; or</li> <li>(iii) public filings of HUB24 with ASIC filed at any time in the three years prior to the date of the Scheme Implementation Deed; or</li> <li>(c) to the extent consented to in writing by Class.</li> </ul>
<b>HUB24 Share</b>	a fully paid ordinary share issued in the capital of HUB24.
<b>HUB24 Shareholder</b>	a person who is registered on the HUB24 Share Register as a holder of HUB24 Shares from time to time.
<b>HUB24 Share Register</b>	the register of members of HUB24 maintained in accordance with section 168(1) of the Corporations Act.
<b>HUB24 Underlying EBITDA</b>	earnings before interest, tax, depreciation and amortisation, expenses relating to share based payments and discount on consideration and for the avoidance of doubt excluding any fees and costs payable to advisers or third party service providers in connection with the Transaction.
<b>HUB24 Website</b>	www.hub24.com.au.
<b>HUBconnect</b>	HUBconnect Pty Ltd (ACN 140 899 252).
<b>IASB</b>	International Accounting Standards Board.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Implementation Date</b>	the fifth Business Day after the Scheme Record Date, or such other date as Class and HUB24 may agree in writing.
<b>Independent Expert</b>	the independent expert, being Leadenhall Corporate Advisory Pty Ltd (ACN 114 534 619).
<b>Independent Expert's Report</b>	a report (including any written updates to such report) of the Independent Expert stating whether or not in its opinion the Scheme is in the best interests of Class Shareholders.
<b>Ineligible Foreign Shareholder</b>	<p>a Scheme Shareholder whose address, as shown on the Class Share Register (as at the Scheme Record Date), is in a place outside of:</p> <ul style="list-style-type: none"> <li>(a) Australia and its external territories;</li> <li>(b) New Zealand; and</li> <li>(c) any other jurisdiction as may be agreed in writing by the HUB24 and Class,</li> </ul> <p>unless the HUB24 determines (acting reasonably), that the laws of that place permit the allotment and issue of HUB24 Shares to that Scheme Shareholder pursuant to the Scheme, either unconditionally or after compliance with conditions that HUB24</p>

Term	Meaning
	in its sole discretion regards as acceptable and not unduly onerous or impracticable.
<b>Insolvency Event</b>	<p>in the case of any entity:</p> <ul style="list-style-type: none"> <li>(a) it ceases, suspends, or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of all or a substantial part of its assets;</li> <li>(b) it stops or suspends, or threatens to stop or suspend, payment of all or a class of its debts;</li> <li>(c) it is, or under legislation is presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or Claim the subject of a good faith dispute);</li> <li>(d) it has an administrator, controller or similar officer appointed, or any step preliminary to the appointment of such an officer is taken;</li> <li>(e) an application or an order is made, proceedings are commenced, or a resolution is passed (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days) for: <ul style="list-style-type: none"> <li>(i) its winding up, dissolution or administration; or</li> <li>(ii) it entering into an arrangement, compromise or composition with, or assignment for, the benefit of its creditors or a class of them;</li> </ul> </li> <li>(f) a: <ul style="list-style-type: none"> <li>(i) receiver, receiver and manager, administrative receiver or similar officer is appointed to;</li> <li>(ii) security interest becomes enforceable or is enforced over; or</li> <li>(iii) distress, attachment or other execution is levied or enforced or applied for over,</li> <li>(iv) all or a substantial part of its assets; or</li> </ul> </li> <li>(g) anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurs with respect to it.</li> </ul>
<b>ITAA 1936</b>	<i>Income Tax Assessment Act 1936 (Cth).</i>
<b>ITAA 1997</b>	<i>Income Tax Assessment Act 1997 (Cth).</i>
<b>Last Practicable Date</b>	13 December 2021, being the last practicable date before the finalisation of this Scheme Booklet.

<b>Term</b>	<b>Meaning</b>
<b>Link Market Services</b>	Link Market Services Limited (ACN 083 214 537).
<b>LTIP</b>	Long-Term Incentive Program.
<b>LTIP - TSR</b>	Long-Term Incentive Program (Special Allocation).
<b>LTI Plan</b>	the Class Limited Performance Rights and Deferred Rights Plan adopted on 15 October 2018.
<b>Managed Accounts</b>	a portfolio of investments that are managed on an investor's behalf by a professional manager. While assets within the portfolio are managed professionally, each individual investor beneficially owns the assets they have bought in their managed account.
<b>Notice of Scheme Meeting</b>	the notice of meeting relating to the Scheme Meeting which is contained in Annexure D.
<b>Option</b>	an option granted by Class under the Class Employee Share Option Plan which entitles the holder to receive a Class Share in certain circumstances.
<b>Ord Minnett</b>	Ord Minnett Limited (ACN 002 733 048).
<b>PARS</b>	HUB24's Portfolio Administration & Reporting Services.
<b>Performance Right</b>	a performance right granted by Class under the LTI Plan which entitles the holder to receive a Class Share in certain circumstances.
<b>Performance Share</b>	a Class Share granted under the LTI Plan.
<b>Pro Forma Adjustments</b>	the pro forma adjustments described in Section 7.7.
<b>Recommendation</b>	in respect of a Class Director, a recommendation that Class Shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude at all times prior to the Second Court Date (including in any update of, or any revision, amendment or supplement to, the Independent Expert's Report) to the effect that the Scheme is in the best interests of Class Shareholders.
<b>Related Body Corporate</b>	has the meaning given in the Corporations Act.
<b>Relevant Interest</b>	has the meaning given in the Corporations Act.
<b>Representatives</b>	in relation to HUB24 or Class: <ul style="list-style-type: none"> <li>(a) each other member of the HUB24 Group or Class Group (as applicable);</li> <li>(b) an officer or employee of a member of the HUB24 Group or Class Group (as applicable); or</li> <li>(c) an Adviser to a member of the HUB24 Group or Class Group (as applicable).</li> </ul>
<b>Requisite Majority</b>	in relation to the Scheme Resolution, a resolution passed by:

Term	Meaning
	<p>(a) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by eligible Class Shareholders present and voting at the Scheme Meeting (whether in person or by duly appointed proxy, attorney or corporate representative); and</p> <p>(b) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Class Shareholders present and voting at the Scheme Meeting (whether in person or by duly appointed proxy, attorney or corporate representative).</p> <p>A reference to the <b>Requisite Majorities</b> is a reference to both of the above majorities.</p>
<b>Sale Agent</b>	a person appointed by HUB24, in consultation with Class, to sell the Sale Shares in accordance with the Scheme.
<b>Sale Facility</b>	the facility established for the sale of Sale Shares by the Sale Agent on behalf of Ineligible Foreign Shareholders as described in Section 4.3(c).
<b>Sale Proceeds</b>	the gross proceeds of the sale of the Sale Shares, less any applicable taxes, brokerage and other charges incurred by HUB24 or the Sale Agent in connection with the sale.
<b>Sale Shares</b>	the HUB24 Shares to which Ineligible Foreign Shareholders would have been entitled under this Scheme but for the operation of clause 4.4 of the Scheme Implementation Deed relating to the treatment of Ineligible Foreign Shareholders.
<b>Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between Class and the Scheme Shareholders in the form set out in Annexure B (or such other form agreed to in writing between Class and HUB24).
<b>Scheme Booklet</b>	this document.
<b>Scheme Consideration</b>	<p>the consideration to be provided to Scheme Shareholders under the terms of the Scheme for the transfer to HUB24 of their Class Scheme Shares, being:</p> <p>(a) the Cash Consideration; and</p> <p>(b) the Scrip Consideration.</p>
<b>Scheme Effective Date</b>	the date on which the Scheme becomes Effective.
<b>Scheme Implementation Deed</b>	the Scheme Implementation Deed between Class and HUB dated 18 October 2021 (as amended and restated from time to time). A summary is set out in section 10.5 and a full copy can be obtained from the Company Website.
<b>Scheme Meeting</b>	the meeting of Class Shareholders ordered by the Court to be convened under sections 411(1) and 1319 of the Corporations Act.

<b>Term</b>	<b>Meaning</b>
<b>Scheme Meeting Record Date</b>	7:00pm (Sydney time) on 29 January 2022.
<b>Scheme Record Date</b>	7:00pm on the fifth Business Day after the Scheme Effective Date or such other time and date agreed to in writing between the parties.
<b>Scheme Resolution</b>	a resolution of eligible Class Shareholders to approve the Scheme, the form of which is set out in the Notice of Scheme Meeting in Annexure D.
<b>Scheme Shareholder</b>	a person registered in the Class Share Register as the holder of one or more Class Scheme Shares at the Scheme Record Date.
<b>Scrip Consideration</b>	0.09090909 HUB24 Shares for each Class Scheme Share held by a Scheme Shareholder.
<b>Section</b>	a section of this Scheme Booklet.
<b>Second Court Hearing or Second Court Date</b>	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the day on which the adjourned application is heard.
<b>SPP</b>	specialist platform provider.
<b>STIP</b>	Short-Term Incentive Program.
<b>Subsidiary</b>	<p>has the meaning given in the Corporations Act, provided that an entity will also be taken to be a Subsidiary of another entity if it is controlled by that entity (as 'control' is defined in section 50AA of the Corporations Act) and, without limitation:</p> <ul style="list-style-type: none"> <li>(a) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;</li> <li>(b) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and</li> <li>(c) an entity will also be deemed to be a Subsidiary of an entity if that entity is required by the accounting standards to be consolidated with that entity.</li> </ul>
<b>Superior Proposal</b>	<p>a bona fide Competing Proposal received by Class after the date of the Scheme Implementation Deed that the Class Board considers, in order to satisfy what the Class Board considers to be its fiduciary or statutory obligations (after having consulted with their external legal and financial advisers):</p> <ul style="list-style-type: none"> <li>(a) is reasonably likely to be completed in accordance with its terms, taking into account relevant financial, regulatory and other matters with respect to such proposal, including the ability of the proposing party to consummate the</li> </ul>

Term	Meaning
	<p>transactions contemplated by the Competing Proposal; and</p> <p>(b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction that is more favourable to Class Shareholders as a whole than the terms of the Transaction (as completed), taking into account all material terms and conditions of the Competing Proposal, including consideration (including the value, nature, liquidity and attractiveness of any scrip based consideration), the identity of the proponent and any other matters affecting the attractiveness of the Competing Proposal for Class Shareholders.</p>
<b>Tax-Exempt ESP</b>	the Tax-Exempt Employee Share Plan dated 21 September 2015.
<b>Third Party</b>	a person other than a member of the HUB24 Group.
<b>Tranche 3 Performance Rights</b>	Performance Rights granted in respect of the LTIP – TSR for FY19.
<b>Tranche 4 Performance Rights</b>	Performance Rights granted in respect of the LTIP for FY19 (and the same rules apply for the Tranche 5 Performance Rights and Tranche 6 Performance Rights for FY20 and FY21 respectively).
<b>Transaction</b>	the acquisition of the Class Scheme Shares by HUB24 through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed.
<b>Voting Statement</b>	a statement by the Class Board to that effect, and to the effect that each Class Director will, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude at all times prior to the Second Court Date (including in any update of, or any revision, amendment or supplement to, the Independent Expert's Report) to the effect that the Scheme is in the best interests of Class Shareholders, vote (or procure the voting of) all Class Shares held or controlled by him or her in favour of the Scheme at the Scheme Meeting.
<b>VWAP</b>	volume weighted average price.
<b>Xplore Wealth</b>	Xplore Wealth Pty Limited (ACN 128 316 441).

## 11.2 Interpretation

In this Scheme Booklet:

- (a) words of any gender include all genders;
- (b) words importing the singular include the plural and vice versa;
- (c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

- (d) a reference to a section or annexure, is a reference to a section of or annexure of, this Scheme Booklet as relevant;
- (e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (g) a reference to time is a reference to Sydney, Australia time unless otherwise specified;
- (h) a reference to dollars and \$ is to Australian currency;
- (i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

# Annexure A

Independent Expert's Report





# CLASS LIMITED

TAKEOVER OFFER FROM HUB24 LIMITED BY SCHEME OF ARRANGEMENT

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE  
14 DECEMBER 2021



14 December 2021

The Directors  
Class Limited  
Level 20, 580 George Street  
Sydney NSW 2000

Dear Directors,

## Independent Expert's Report for Class Limited

### 1. Introduction

Class Limited ("**Class**") is a public company listed on the Australian Securities Exchange ("**ASX**") that provides software and services to the wealth accounting industry. As at 15 October 2021, Class had a market capitalisation of approximately \$225 million.

HUB24 Limited ("**HUB24**") is an ASX-listed specialist platform service provider engaging in the provision of investment and superannuation portfolio administration services, licensee services to financial advisers and information technology consulting services. On 15 October 2021, HUB24 had a market capitalisation of approximately \$2.3 billion.

On 18 October 2021, Class and HUB24 entered into a Scheme Implementation Deed under which HUB24 proposes to acquire all of the issued share capital in Class by way of a scheme of arrangement ("**Proposed Transaction**"). The consideration for the shares is a combination of \$0.125 in cash and 0.09090909 HUB24 shares per Class share.

Further details of the Proposed Transaction are set out in Section 1 of our detailed report.

### 2. Purpose of the report

In order to assist shareholders evaluate the Proposed Transaction, the directors of Class have engaged Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is in the best interests of Class' shareholders ("**Shareholders**"). This report is to be included in the scheme booklet regarding the Proposed Transaction.

Further information regarding our scope and purpose is set out in Section 2 of our detailed report.

### 3. Basis of evaluation

In order to assess whether the Proposed Transaction is in the best interests of Shareholders, we have:

- ◆ Assessed the fairness and reasonableness of the Proposed Transaction
- ◆ Assessed it as fair if the value of the consideration offered is greater than or equal to the value of a Class share on a control basis
- ◆ Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Shareholders outweigh the disadvantages
- ◆ Assessed the Proposed Transaction as in the best interests of Shareholders if it is either *fair and reasonable* or *not fair but reasonable*.

Further details of the basis of evaluation are provided in Section 2 of this report.

ADELAIDE Level 4, 33 Franklin St, Adelaide SA 5000  
SYDNEY Level 6, 111 Elizabeth St, Sydney NSW 2000

ABN 11 114 534 619 AFSL 293586

[leadenhall.com.au](https://www.leadenhall.com.au)

[office@leadenhall.com.au](mailto:office@leadenhall.com.au)

#### 4. The Proposed Transaction is fair

##### *Assessed value of Class*

We have assessed the fair market value of a Class share using a capitalisation of maintainable earnings method. In adopting this approach, we have selected a maintainable EBITDA level of \$26.0 million to \$27.0 million and a maintainable EBIT level of \$15.5 million to \$16.5 million. This range was primarily selected with reference to recent historical earnings of Class, the budget for FY22, earnings guidance released to the market by Class and adjustments for the full-year impact of recent acquisitions by Class.

We applied an EBITDA multiple of 12.0 to 13.0 times and an EBIT multiple of 20.0 to 21.0 times the selected maintainable earnings. These multiple ranges were based on the trading of listed companies with similar businesses to Class and prices paid in recent transactions for businesses comparable to Class.

This analysis led to an assessed value of \$2.25 to \$2.57 per Class share, on a control basis.

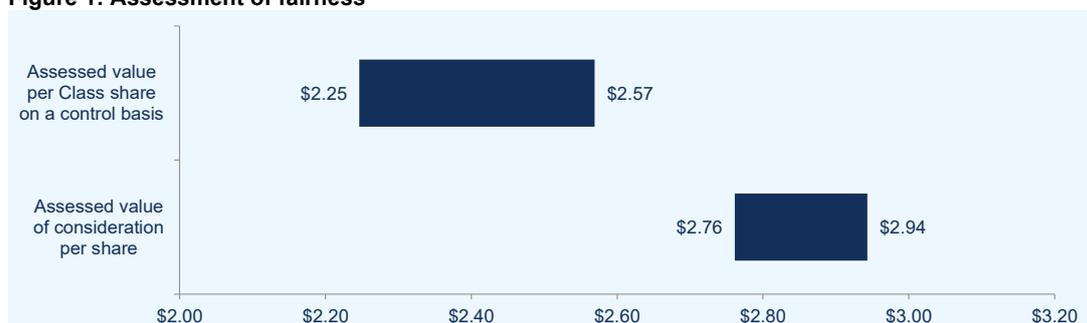
##### *Assessed value of consideration*

We have assessed the value of the scrip consideration based on a price range of \$29.00 to \$31.00 for a HUB24 share. This assessment was primarily based on recent trading in HUB24 shares. To the extent Shareholders receive HUB24 shares as consideration, in the near term, we anticipate that those shares could be sold at, or close to, the prevailing market price. If a Shareholder chooses to hold HUB24 shares longer term, that is a separate investment decision that is not the subject of this report. We cross checked this conclusion with the earnings multiples this implies for the combined Class and HUB24.

##### *Comparison to consideration*

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Class share (on a control basis) with the consideration offered. This comparison is set out in the table below.

**Figure 1: Assessment of fairness**



Source: Leadenhall analysis

Since the consideration offered exceeds the assessed range of values of a Class share, the Proposed Transaction is fair to Shareholders.

Further details of our valuation of Class are provided in Section 8 of our detailed report.

#### 5. The Proposed Transaction is reasonable

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to the Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

##### *Advantages*

The main advantages of the Proposed Transaction are:

- ◆ **Share price:** In the absence of the Proposed Transaction, it is likely that the Class share price will trade below its recent trading range.

- ◆ **Increased scale and potential for growth:** The Scrip Consideration allows for Class shareholders to benefit from exposure to a larger business with greater scale and access to capital, more diversified revenue and the potential for accelerated growth over the medium term.
- ◆ **Retained exposure to sector:** The Scrip Consideration allows for Class shareholders to retain exposure to the sector if they wish to do so.

#### *Disadvantages*

The main disadvantages of the Proposed Transaction are:

- ◆ **Integration risks:** The process of integrating the two businesses is risky. However, Shareholders can choose to limit their exposure to this risk by divesting their shares in HUB24.
- ◆ **Risks of achieving growth:** There is a risk that the growth envisaged for the combined businesses will not materialise. However, recent declines in the HUB24 share price may indicate that the market is placing limited value on these potential growth opportunities (as reflected in the low end of our valuation of the consideration, i.e. the combined Class and HUB24), creating the potential for upside should they be achieved.

#### *Conclusion on reasonableness*

As the Proposed Transaction is fair, it is also reasonable. Further details of our considerations of the reasonableness of the Proposed Transaction are set out in Section 10 of our detailed report.

## **6. Opinion**

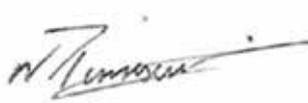
As we have concluded that the Proposed Transaction is fair and reasonable to Shareholders, it is therefore in their best interests.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Richard Norris  
**Director**



Nathan Timosevski  
**Director**

*Note: All amounts stated in this report are in Australian dollars unless otherwise stated.  
Tables in this report may not add due to rounding.*

**LEADENHALL CORPORATE ADVISORY PTY LTD**

ABN 11 114 534 619

**Australian Financial Services Licence No: 293586**

## ***FINANCIAL SERVICES GUIDE***

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

### **Financial Services Guide**

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

### **Financial Services We are Licensed to Provide**

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

### **General Financial Product Advice**

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### **Benefits that We May Receive**

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$65,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

### **Remuneration or Other Benefits Received by our Employees, Directors and Consultants**

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

### **Independence**

In the previous two years we have provided a small number of compliance related valuations for each of Class and HUB24, one of which is ongoing and is unrelated to the Proposed Transaction. This work did not involve Leadenhall participating in setting the terms of, or any negotiations leading to, the Proposed Transaction. Leadenhall's relationship director for HUB24 has not been involved in the preparation of this report and has not had access to the working papers supporting this report. We therefore consider ourselves to be independent for the purpose of this engagement, in accordance with *Regulatory Guide 112: Independence of Experts*.

### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

### **Complaints Resolution**

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd  
GPO Box 1572  
Adelaide SA 5001

Email: [office@leadenhall.com.au](mailto:office@leadenhall.com.au)

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you may lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution services that are free to consumers and can be contacted as follows:

Website: [www.afca.org.au](http://www.afca.org.au)

By post: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

### **Compensation Arrangements**

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

14 December 2021

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## 1 THE PROPOSED TRANSACTION

### 1.1 Background

Class is an ASX listed company that provides software and services predominantly to the wealth accounting industry. Further details of Class' operations are provided in Section 4 of this report. HUB24 is an ASX listed financial services company which is a provider of wealth management superannuation platforms, technology and data solutions to the Australian market. Further details of HUB24's operations are provided in Section 5 of this report.

On 18 October 2021, Class and HUB24 entered into a Scheme Implementation Deed, under which HUB24 proposes to acquire all of the issued share capital in Class by way of a scheme of arrangement.

### 1.2 Consideration

The agreed consideration for the acquisition of Class shares is:

- ◆ \$0.125 in cash for each Class share held on the scheme record date ("**Cash Consideration**"); and
- ◆ 0.09090909 HUB24 shares for every Class share held on the scheme record date ("**Scrip Consideration**"), which is approximately equivalent to 1 HUB24 share for every 11 Class shares.

If the above formula results in a fractional number of HUB24 shares to be issued, the fraction will be rounded up or down to nearest whole number. Rounded down fractions will be made up in cash, rounded down to nearest whole cent.

### 1.3 Conditions

For the Proposed Transaction to become effective the following conditions need to be met:

- ◆ Shareholder approval which requires both a majority by number of Shareholders and 75% of the votes cast, at the scheme meeting due to be held on 31 January 2022, to be in favour of the Proposed Transaction
- ◆ Approval by the Supreme Court of New South Wales
- ◆ Various other customary conditions precedent (regulatory approvals, no adverse changes etc.).

### 1.4 Other considerations

Performance shares, options and similar rights over Class shares will either be vested, lapsed or forfeited before completion of the Proposed Transaction. We understand that the Directors of Class will determine, in their discretion, that a portion of these shares and rights will vest and convert to Class shares (or be paid out in cash), subject to the Proposed Transaction becoming effective, and that all remaining unvested performance rights will be forfeited on the effective date of the Proposed Transaction. Further information on the vesting of these rights is provided in Section 10 of the scheme booklet.

## 2 SCOPE

### 2.1 Purpose of the report

The Proposed Transaction is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act 2001 (“s411”). Under s411 the scheme must be approved by shareholders as described in section 1.3 above.

Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) (“Part 3”) prescribes the information to be provided to shareholders in relation to schemes of arrangement. Part 3 requires an independent expert’s report stating whether a proposed scheme is in the best interests of shareholders of the company subject to the scheme if either:

- ◆ Prior to the scheme, the other party to the scheme is entitled to more than 30% of the voting shares in the company which is subject to the scheme; or
- ◆ A director of the corporation that is the other party to the scheme is also a director of the company that is the subject of the scheme.

As Class and HUB24 do not have any directors in common and HUB24 does not currently have any voting power in Class, there is no formal requirement for an independent expert’s report in relation to the Proposed Transaction. However, the directors of Class have engaged Leadenhall to prepare an independent expert’s report as if it was required under Part 3, to assist Shareholders to evaluate the Proposed Transaction.

### 2.2 Basis of evaluation

#### Introduction

There is no legal definition of the expression ‘in the best interests’. However, *Regulatory Guide 111: Content of Expert Reports* (“RG111”) issued by ASIC provides guidance on its meaning. RG111.19 requires an expert to assess whether a scheme of arrangement involving a change of control is ‘fair and reasonable’. A transaction would be ‘in the best interests’ of shareholders if it is either ‘fair and reasonable’ or ‘not fair but reasonable’. As the Proposed Transaction is a control transaction, we have adopted this approach.

RG111 requires a separate assessment of whether a control transaction is ‘fair’ and whether it is ‘reasonable’. We have therefore considered the concepts of ‘fairness’ and ‘reasonableness’ separately. The basis of assessment selected and the reasons for that basis are discussed below.

#### Fairness

In accordance with RG111.11, we have assessed the Proposed Transaction as fair if the consideration offered to Shareholders is equal to, or greater than, the value of a Class share. The value of a Class share has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

We have assessed the values of a Class share and the consideration offered at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

*The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm’s length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.*

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with the basis of value described at RG111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Special value is typically not considered in forming an opinion on the fair market value of an asset. Our valuation Class does not include any special value.

### **Reasonableness**

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- ◆ HUB24 has no pre-existing voting power in Class
- ◆ The size of existing shareholding blocks in Class
- ◆ The liquidity of the market in Class' shares
- ◆ Taxation losses, cash flow or other benefits through achieving 100% ownership of Class
- ◆ Any special value of Class to HUB24
- ◆ The likely market price of Class shares if the Proposed Transaction is rejected
- ◆ The value of Class to an alternative bidder and the likelihood of an alternative offer.

We have also considered other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

### **2.3 Individual circumstances**

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is in the best interests of Shareholders. If in doubt investors should consult an independent financial adviser about the impact of the Proposed Transaction on their specific financial circumstances.

## 3 INDUSTRY ANALYSIS

### 3.1 Introduction

HUB24 and Class are focussed on the delivery of technological solutions that support financial professionals to implement investment, tax and strategic advice. Class in particular, is heavily focussed on the provision of accounting and administration software for self-managed superannuation funds ("**SMSFs**"). The SMSF sector also represents a driver of growth in the use of independent platforms such as HUB24. We have therefore focussed our analysis on the specialist platform industry in Australia, with an overview of the SMSF sector and a brief analysis of the regulatory technology ("**RegTech**") industry.

### 3.2 Overview of the specialist platform industry

Specialist platform providers offer independent wealth management platforms primarily used by independent financial advisers. Wealth management platforms offer an integrated solution where financial advisers and their clients can view and manage their investments with access to a range of investment options. Historically, the majority of financial advisers in Australia were aligned with large financial institutions and managed client investments through platforms administered by those institutions. However, the Future of Financial Advice ("**FOFA**") reforms implemented in July 2013 significantly changed the structure of the financial advice industry resulting in many financial advisers severing ties with larger institutions and offering independent advice. This move led to increased demand for independent wealth management platforms.

The trend of advisers severing ties with large financial institutions is expected to continue which is leading those institutions to consider selling off their wealth management divisions. This provides an opportunity for unaffiliated advisers and specialist platform providers to continue to grow market share as investors and advisers are cautious of the uncertainty surrounding the future of institutional wealth management divisions. Specialist platform providers generate income from fees levied on client accounts, usually a percentage of Funds Under Administration ("**FUA**"). For some products, platform providers also earn a margin on client cash accounts, being the difference between the interest earned on client funds and interest paid to the client. Fees are also charged to execute trades as directed by the client or their financial adviser.

### 3.3 General characteristics

The specialist platform provider industry exhibits the following key characteristics:

- ◆ Highly competitive with competition primarily based on fees, ease of platform use and diversity of product offerings.
- ◆ Providers benefit greatly from economies of scale as technology allows for a large number of advisers/clients to be provided services without a significant increase in costs.
- ◆ Moderate capital intensity which can attract new providers in times of growth. However, new entrants need to develop advanced technology as well as generate scale to become competitive.
- ◆ The industry is highly regulated, and the level of regulation and scrutiny is increasing.
- ◆ Industry participants are susceptible to local and international shocks which affect share markets as income is predominantly dependent on the value of clients' investments.

### 3.4 Specialist platform industry participants

There has been significant consolidation within the industry with transactions involving Powerwrap, OneVue and Xplore Wealth over the 2020-2021 period. This was expected after a period of rapid growth as competing platforms seek the benefits of further economies of scale. As a result, there are currently three listed specialist platform providers in Australia. A summary of the major players in the specialist platform industry is set out in the table below.

**Table 1: Major specialist platform providers' metrics**

	Netwealth	HUB24 <sup>1</sup>	Praemium <sup>2</sup>
FUA Sep 2020 (\$ billion)	34.0	19.1	Custodial: 18.5 Non-custodial: 12.8
FUA Sep 2021 (\$ billion)	52.0	45.4	Custodial: 25.4 Non-custodial: 20.2
Revenue FY20 (\$ million)	121.3	74.3	51.2
Revenue FY21 (\$ million)	142.0	101.1	65.8
EBITDA FY20 <sup>3</sup> (\$ million)	64.8	28.7	14.2
EBITDA FY21 <sup>3</sup> (\$ million)	79.4	37.9	14.0
Market share June 2021	4.9%	4.3% <sup>4</sup>	1.9%

Source: Annual reports, Strategic Insights, Jarden Australia and ASX announcements

Notes:

1. In relation to HUB24's platform segment only.
2. Praemium does not separately disclose EBITDA by custodial (platform) and non-custodial assets.
3. Reported underlying EBITDA.
4. Combined market share of HUB24, Xplore Wealth and Ord Minnett PARS as at 30 June 2021 (latest available).

On 2 November 2021, Netwealth submitted a proposal to acquire Praemium which would make the merged entity the biggest independent wealth management platform in Australia by net flows with about \$16 billion in net inflows in the year to 30 September and a market share of approximately 7% across the broader wealth management industry in Australia. At this stage, the board of Praemium has concluded that the proposal is not in the best interests of Praemium shareholders.

### 3.5 Changes to the regulatory environment

#### 3.5.1 FOFA

An important factor in the growth of the specialist platform provider industry over the last ten years was the introduction of the FOFA reforms in 2013 in response to increasing complaints of poor financial advice leading to significant client losses. The FOFA reforms came about as a response to the Ripoll Report released by the Parliamentary Joint Committee on Corporations and Financial Services after the conduct of their inquiry into financial products and services in Australia. This report identified conflicted remuneration as the leading cause of poor financial advice provided to clients. The Ripoll Report made 11 recommendations that were designed to enhance professionalism in the financial advice sector and enhance consumer confidence and protection. Key aspects of the FOFA reforms are summarised below.

#### Best interests duty

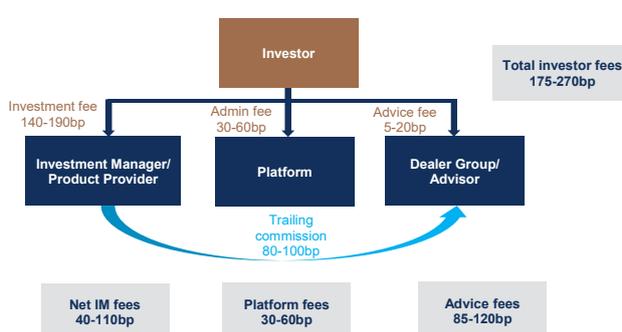
The FOFA reforms introduced a best interests duty, a statutory duty requiring financial advisers to act in the best interests of their client. Prior to this change there was no requirement that a financial adviser give priority to the interests of their client when providing advice, meaning as long as the advice met the standard of being appropriate and the necessary disclosures had been made, they were not prohibited from giving advice that benefited the adviser rather than, and in preference to, the client.

### Ban on conflicted remuneration

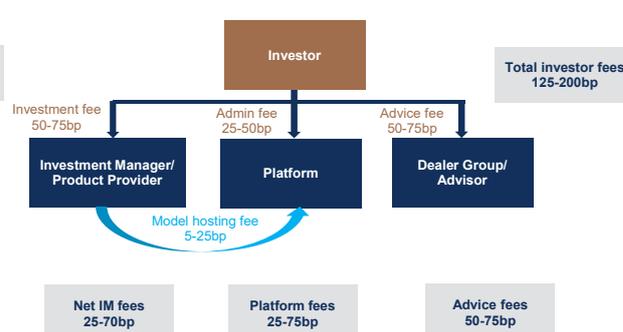
Traditionally financial advisers were remunerated by way of commission paid by the providers of financial products. Concerns that commissions increased an adviser's incentive to recommend products, regardless of the client's best interest, underpinned the ban on conflicted remuneration, which applied to both general advice and personal financial advice. The conflicted remuneration changes were aimed at creating a market-based incentive for advisers to act in the interest of their clients by ensuring an adviser's main source of remuneration was from clients, rather than from third parties. The conflicted remuneration provisions ban all payments that could reasonably be expected to influence advice provided.

The estimated impact of the FOFA changes on the income structure of the industry is set out in the figures below.

**Figure 2: Pre-FOFA fee structure**



**Figure 3: Current fee structure**



Source: HUB24

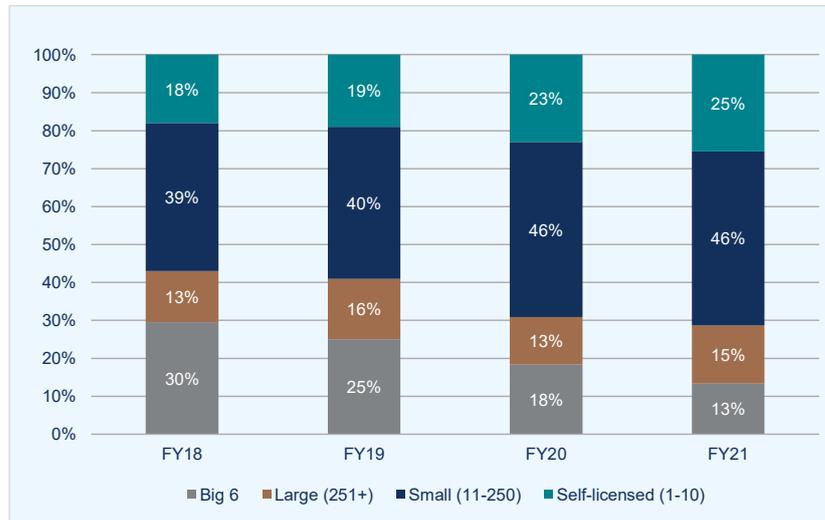
As shown in the figure above it is estimated that investors are paying less overall under the new structure. This reduction is primarily from fees generated by investment managers/product providers and financial advisers, while platform providers have the potential to earn an increased fee.

Changes have also meant that larger diversified financial institutions are exiting the wealth management sector as evidenced by:

- ◆ The sale of ANZ's OnePath pensions and investments business to IOOF in October 2019.
- ◆ NAB entered into a transaction agreement with IOOF to divest 100% of its MLC wealth management business in August 2020. The transaction was completed on 30 May 2021.
- ◆ Commonwealth Bank announcing the sale of 55% of its wealth management division, Colonial First State, to Kohlberg Kravis Roberts in May 2020. The transaction is expected complete before the end of the 2021 calendar year.
- ◆ Westpac initiated a process to sell its BT wealth management arm in May 2020 which has since been temporarily paused following a recent system outage.

The impact of these changes on the financial advice industry has been significant. Most importantly, with respect to the specialist platform provider industry, the changes have resulted in a steady flow of advisers and corresponding FUA leaving institutionally linked wealth management teams to establish independent practices. Independent financial advisers generally prefer to use independent platforms. This trend away from institutionally aligned financial advisers and corresponding increase in market share of independent platform providers is demonstrated in the figures below:

**Figure 4: Proportion of licenced financial advisers by business size from FY18 to FY21**



Source: Centrepont Alliance

This trend is reflected in flow of FUM over this period with most large institutional platforms losing market share in the 12 months leading up to March 2021. The biggest institutional outflows have been at Suncorp (12.5% down) and AMP (5.7% down). The only large institutional platform to gain market share was Macquarie Group which was up 7.4%.

### 3.5.2 Professional standards of financial advisers

Further to the FOFA reforms, subsequent inquiries have reviewed and made recommendations on additional changes to the financial advice industry. In particular, changes to the professional standards of financial advisers have had a significant impact on the industry.

Prior to the introduction of these reforms, the financial services industry, consumer groups and ASIC raised concerns about the education and training requirements applicable to financial advisers. The Parliamentary Joint Committee Inquiry and Financial System Inquiry identified that the existing professional standards for financial advisers were too low and did not ensure that all advisers had the skills to provide quality advice.

In response, the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017 introduced several new measures including requiring:

- ◆ New financial advisers to have a degree, pass an exam and undertake a professional year to be authorised to provide unsupervised personal advice to a retail client
- ◆ Existing advisers to bring their qualifications up to degree or equivalent level, through bridging courses or other education-based programs and pass an exam
- ◆ All advisers, both new and existing, to undertake continuing professional development and be party to a code of ethics monitored by an ASIC approved compliance scheme
- ◆ Australian financial services licensees to ensure that their financial advisers comply with the new education standards.

Provisions for new advisers applied from 1 January 2019 whilst existing advisers had until 1 January 2020 to meet the degree equivalent requirement and have until 31 December 2021 to pass the exam. The increased regulation of professional standards has had a noticeable impact on industry participation with adviser numbers dropping from 27,959 in the December 2018 quarter to 18,950 by June 2021 (a 32.2% decline).

### 3.6 Key external drivers

The summary below sets out the key external drivers of specialist platform provider performance.

#### Number of financial advisers

The primary users of wealth management platforms are financial advisers. Financial advisers use these platforms to manage investments on behalf of their clients. As set out above, there has been a significant decline in the total number of financial advisers in Australia since the introduction of more rigorous professional standards requirements. However, the performance of independent wealth management platforms is more closely aligned with the number of independent financial advisers. As set out in Figure 4 above, the percentage of independent financial advisers has grown rapidly since the introduction of the FOFA reforms. This trend towards independence has benefited the specialist independent platform industry as independent financial advisers prefer to use independent platforms. The flow of funds from the large institutional wealth management platforms to independent platforms is expected to continue due to increased scrutiny of large financial services corporations, investor wariness of institutionally aligned advisers and structural industry change as large institutional players seek to sell or otherwise separate themselves from their wealth management businesses.

#### Superannuation funds flow

Increases in superannuation contributions provide an increased pool for funds for specialist platform providers to target. In particular, funds flow into SMSFs is an important external factor affecting the performance of independent specialist platform providers as these funds are more likely to use an independent platform than industry or institutionally aligned funds. Over the last five years growth of superannuation contributions has been supported by the increase in minimum compulsory employer superannuation contributions from 9.5% to 10.0% in July 2021. The figure below shows the increase in quarterly superannuation contributions over the last ten years.

**Figure 5: Quarterly superannuation contributions in Australia over the last 10 years**



Source: APRA quarterly superannuation statistics

Note 1: Spikes in contributions in the June quarter primarily relate to additional salary sacrifice and personal member contributions made at the end of each financial year. Around June 2020, this trend was moderated by the COVID-19 early release of super measure.

As shown above, quarterly superannuation contributions have increased significantly in the last ten years from \$19.9 billion in the September 2011 quarter to \$40.8 billion in the June 2021 quarter. Furthermore, according to the Australian Taxation Office the number of SMSFs has also grown over the last ten years from 449,804 in the September 2011 quarter to 597,900 in the June 2021 quarter. According to an IBISWorld report, SMSFs currently hold just under 40% of the value of all superannuation funds.

Superannuation contributions are expected to continue to grow over the next five years with compulsory employer superannuation contributions set to increase at 0.5% per annum until the contribution rate reaches 12% in FY26. This will be partially offset by funds outflows as a greater number of members reach retirement age. Outside of the increase in compulsory contributions, SMSF balances are expected to grow at a slower rate due to the greater proportion in the retirement phase and the effect of regulatory changes that have reduced caps on concessional and non-concessional contributions made directly by members.

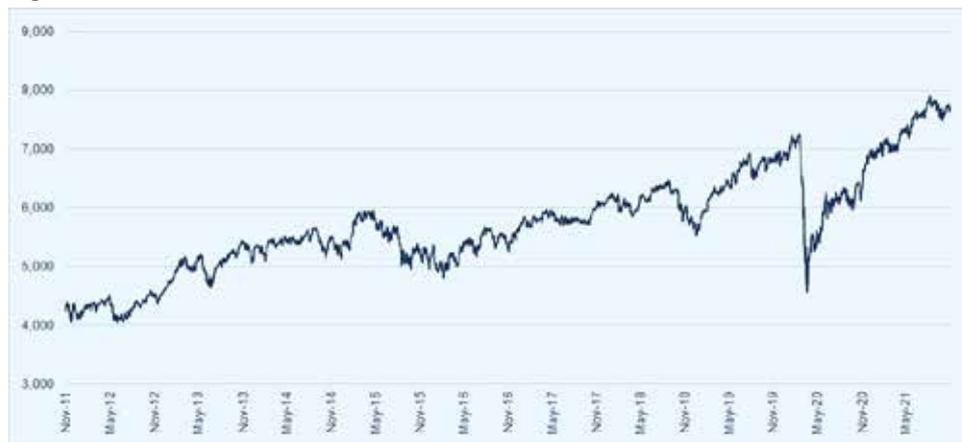
### High net wealth individuals

High net wealth individuals often have complicated financial affairs with significant wealth outside of superannuation and often seek advice from financial advisers. Furthermore, a growing number of households are looking to secure their financial future by investing disposable income outside of superannuation. These types of retail investors also often seek guidance from financial advisers.

### Stock market levels

Specialist platform providers generate a significant proportion of revenue as a percentage of FUA. Therefore, market movements affecting the value of FUA have an impact on industry revenue. A broad measure of market movement and performance is the Australian All Ordinaries Index ("**All Ords**"). Consistent cuts to the cash rate by the Reserve Bank of Australia ("**RBA**") and the rise of the technology sector, have contributed to the recent growth in the All Ords as shown below.

**Figure 6: Movements in All Ords**



Source: S&P Capital IQ

The figure above shows a period of sustained growth in the All Ords until the onset of the COVID-19 epidemic in Australia. The first wave of COVID-19 caused the All Ords to plummet 37% in March 2020 before a partial recovery on the back of a significant government economic stimulus program. The economic impact of COVID-19 is expected to extend into FY22 particularly for the tourism and hospitality sectors. With higher vaccination rates, economic recovery is likely to be underway with an expected boost to employment as more businesses resume operations. However, rising bond yields and inflation may constrain growth of the All Ords in the next twelve months.

### Cash rate

Movements in the cash rate often affect asset prices. Lower cash rates usually increase the value of equity markets as fixed income securities become a less appealing investment. This relationship does not necessarily hold in times of crisis, like the current COVID-19 epidemic, where a flight to the safety of cash is often seen. For platform managers the cash rate affects asset prices and subsequently revenue generated as a percentage of FUA. It also affects the margin earned on cash accounts as platform providers provide a lower interest rate to investors than they receive on cash held across client accounts. The Australian cash rate is currently at an historic low of 0.1% which is squeezing platform provider margins on cash accounts.

In reducing the official cash rate to 0.1% on November 3, the RBA stated that it would not consider increasing the cash rate from this level until actual inflation is sustainably within the 2% to 3% target range. This will require significant gains in employment and a return to a tight labour market. Given the outlook on these factors and recent increase in core inflation to 2.1% in the September 2021 quarter, economists have widely speculated that the RBA may increase cash rate before 2024.

### 3.7 Overview of the SMSF industry

#### Introduction

An SMSF is a private superannuation fund with a maximum of six beneficiaries (as of 1 July 2021). Unlike other superannuation funds, the trustees of an SMSF are typically also the beneficiaries. Members are therefore able to control the fund, subject to compliance with relevant superannuation and taxation laws. The funds derive revenue from investments made on behalf of their beneficiaries, including income from investments and capital gains or losses.

There are significant compliance requirements surrounding SMSFs, with the ATO being the main body overseeing the industry and ASIC regulating financial planners who provide SMSF advice. The level of regulation and compliance required can result in the cost of running an SMSF being significantly higher per member in comparison to utilising a retail fund. Thus, smaller SMSFs (sub-\$500,000 in assets) tend to underperform large institutional funds. Data released by the ATO indicates that, as at 30 June 2020, approximately 63.5% of SMSFs held assets in excess of \$500,000.

#### SMSF market growth

The SMSF sector has experienced modest growth in the five-year period from June 2016 to June 2021, with a CAGR of 6.8% on average assets per fund and the number of funds increasing by 1.7% per annum on average over the same period to just under 600,000 funds. This growth is predominantly driven by the appeal of SMSFs in comparison to retail funds, primarily the ability to control the investment decisions of the fund, the potential to invest directly in property and the accompanying tax benefits associated with this (if set up appropriately) and the ability to borrow funds to purchase certain investments as well as the potential to access limited recourse borrowing to fund property purchases. The industry is also benefitting from Australia's ageing population and increased compulsory super contributions for employers. However, growth in the sector is expected to slow going forward due to increasing regulation and the associated costs of compliance.

#### Competitive landscape

Software providers to the SMSF sector have benefited from the sector's growth. As regulatory compliance becomes more stringent, software that can reduce the administrative costs of SMSFs will continue to be adopted by the industry. However, the SMSF software market is considered to be mature with an estimated 86% penetration rate. Class is estimated to be the second largest player within the SMSF software market by market share (between 28% and 34% depending on the source), gaining market share over the last four years whereas its key competitors' shares of the market have remained steady. The remaining two key players within the space are:

- ◆ **BGL Corporate Solutions ("BGL"):** The incumbent market leader within the SMSF software space. BGL offers two main products, Simple Fund, a desktop-based software, and Simple Fund 360, an updated, cloud-based application.
- ◆ **AMP Limited's SuperMate:** The third largest player within the SMSF software market. SuperMate serves as a cheaper alternative to Class and BGL.

Given the maturity of the market and the potential limitations on volume growth, there is a risk of price discounting exacerbating competition in the market, with BGL currently offering its newer product at heavily discounted prices.

## 3.8 Overview of the RegTech industry

### Introduction

RegTech relates to the use of new technology in regulatory monitoring, reporting and compliance. RegTech companies typically use a software-as-a-service model to help businesses comply with regulations in an efficient and cost-effective manner.

According to the Global RegTech Industry Benchmark Report 2019 prepared by the Cambridge Centre for Alternative Finance (“CCAF”), the global RegTech industry is estimated to have employed 44,000 people and generated USD 4.9 billion in revenue in 2018. It is a highly globalised industry with fewer than a third of RegTech vendors active in just a single market based on a survey of over a hundred RegTech firms. Approximately two-thirds of RegTech vendors have a physical presence in the United Kingdom, nearly half in the United States and almost a quarter in Australia.

### Market segments

The main uses of RegTech solutions can be divided into five segments as below:

**Table 2: RegTech market segments**

Segment	Activity of vendors in the segment	Percentage of firms by activity volume	Percentage of firms by funds raised
<b>Profiling and due diligence</b>	Collect or integrate data from multiple sources to build a profile of a person, entity or counterparty, confirm their identity, or categorise them according to regulatory requirements or business rules.	21%	31%
<b>Reporting and dashboards</b>	Collect information from multiple sources within a firm in order to build standardised reports for management or compliance purposes.	25%	6%
<b>Risk analytics</b>	Use big data to assess the risk of fraud, market abuse or other misconduct at the transaction level.	20%	14%
<b>Dynamic compliance</b>	Facilitate and monitor regulatory change, ensuring that policies and controls adapt flexibly to changing requirements.	18%	41%
<b>Market monitoring</b>	Match market-level adverse outcomes to regulatory or business rules, including poor product performance, adverse market conditions or market manipulation, by sourcing data from diverse external sources.	16%	8%

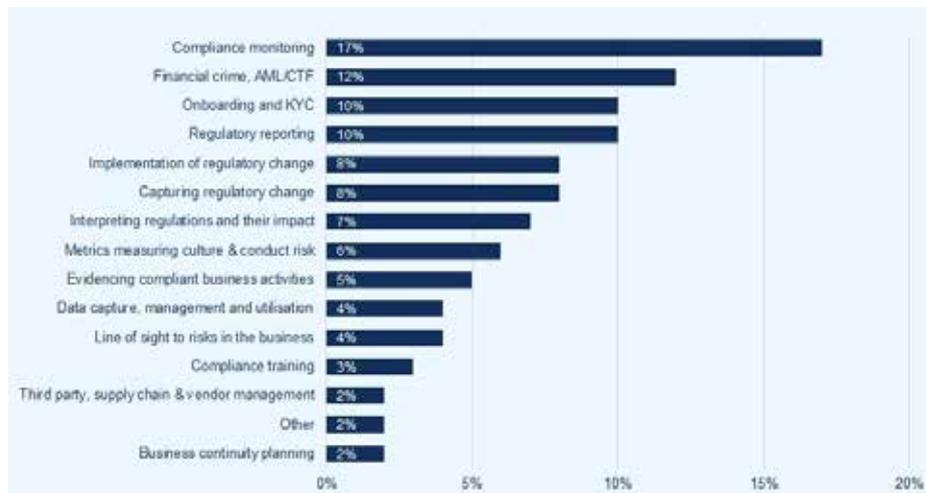
Source: CCAF Global RegTech Survey

The bulk of investor funds flowing into the RegTech industry are attracted to activities associated with profiling and due diligence (31%) and dynamic compliance applications (41%). Both segments benefit from stringent regulatory requirements around anti-money laundering or data protection which have significant costs for non-adherence hence leading to an increased demand for compliance technology.

The financial services sector, in particular banks and insurers, dominates demand for RegTech solutions with currently between 89% and 94% of the surveyed vendors offering solutions tailored to the needs of the banking sector. However, the focus of RegTech firms is gradually expanding towards non-financial services industries (i.e. real estate, software, governments, and utilities). Product offerings targeted at the non-financial services industries use a significantly wider range of technologies than that of the financial services sector, with emphasis on image recognition, deep learning, privacy and data protection.

In a similar survey conducted by Thomson Reuters Regulatory Intelligence in 2021 (“**Thomson Reuters Survey**”), respondents indicated that compliance monitoring, financial crime, anti-money laundering/counter-terrorism financing and regulatory reporting were areas most likely to be affected by RegTech. The focus on these areas was particularly pronounced in the period of uncertainty caused by the COVID-19 pandemic. The results of the survey are as follows:

**Figure 7: Compliance and regulatory risk management functions most likely impacted by RegTech**



Source: Thomson Reuters Regulatory Intelligence 2021

### Opportunities and challenges

RegTech services a wide variety of industries from government organisations to financial institutions and retail. With this level of outreach, RegTech has the ability to:

- ◆ **Restore trust and bring financial resilience:** RegTech enables corporations to automatically monitor and respond to changing regulation hence allowing them to become more flexible and customer centric. In addition, RegTech enables regulators to keep up with the growing threat of financial crime, systemic risks, financial and non-financial risks and in monitoring corporate activities. Therefore, consumers and governments benefit from the increased financial resilience and meeting their expectations for trust.
- ◆ **Bring widespread economic benefits:** RegTech supports the transformation of all regulated industries through a facilitation of transparency, productivity and in reducing compliance-related costs. Accordingly, this allows corporations to invest in growing their business, creating more jobs and developing new products and markets.
- ◆ **Underpin a significant export opportunity for Australia:** The RegTech Association believes there is a significant opportunity for economic growth driven by the high export potential of RegTech. The abundant and diverse RegTech sector in Australia has been nurtured by Australia's strong regulatory track record and consistent efforts in RegTech product development and innovation. Therefore, Australia can capitalise on its strategic advantage to act as a pivot for the evolution of global regulation.

Key challenges facing the RegTech industry include:

- ◆ **Lack of capital and cash flow:** RegTech is currently inhibited by a subdued investment capital environment and a long sales cycle of an average of approximately 14 months (and in some cases, depending on the complexity of the technology deployment, can reach up to two years). The RegTech Association conducted research which found that the bulk of RegTech founder-led members are self-funded with minimal investments from venture capitalists. It is understood that venture capitalists prefer speedier returns and RegTech by its nature requires a more patient style of investment. In the Thomson Reuters Survey, the lack of budget for investment was cited as the main reason why most firms have failed to deploy RegTech solutions.
- ◆ **Focus on remediation rather than transformation:** The commitment in financial services to prioritise remediation over transformation is limiting RegTech's potential. There has been a focus within the financial services industry on addressing past issues as opposed to reimagining the way businesses can be transformed. This notion was alluded to by the Australian Banking Association which has conceded capacity constraints as a result of remediation work associated with the Banking Royal Commission.

## 3.9 Outlook

### Specialist platform industry

The outlook for specialist platform providers is generally positive with net inflows and organic growth in FUA expected to continue in the near-term along with the trend of FUA flowing out of institutionally aligned platforms into independent platforms. However, expectations of rising bond yields might create additional volatility in equity markets which could negatively impact FUA. Consolidation within the industry is expected to continue which may lead to increased margins as a result of economies of scale. However, these margins may be eroded from price competition between the remaining players in order to increase market share.

### SMSF industry

The current outlook shows slowing but positive growth rates over the next five years in both the number of SMSFs (0.8% per annum) and industry assets (3.0% per annum). This is primarily attributable to increasing regulatory scrutiny as SMSF assets continue to grow, with the ATO likely to dedicate additional resources to SMSF audits and ASIC continuing to exert pressure on financial planners and SMSF advisers. These factors will have a flow-through impact on software providers to the sector, compounding potential competition in the sector given the relative maturity of the SMSF software market.

### RegTech industry

According to Juniper Research, global RegTech spending is forecast to exceed USD 130 billion by 2025 driven by a significant increase in the automation of resource-intensive tasks, e.g. know-your-customer checks and the use of artificial intelligence in transaction monitoring. In the near-term however, there is an increasing level of scrutiny around the proper use of artificial intelligence and how it could be used to augment (and not replace) the decision-making process of management.

The COVID-19 pandemic has accelerated the adoption of technology and hastened digital transformation. Consequently, digital onboarding in banking is expected to grow significantly with nearly 330 million new bank accounts to be opened via digital onboarding in 2025 compared to 184 million in 2020. According to the RegTech Association, the outlook for adopting RegTech remains strong, but investment is needed for it to reach its full potential. There was a similar sentiment expressed by respondents in the Thomson Reuters Survey.

## 4 PROFILE OF CLASS

### 4.1 Background

Class is a developer and distributor of cloud-based software for the wealth accounting and administration industry with a strong focus on providing the tools required to manage and administer SMSFs. The company was founded in 2005 to develop an efficient solution for SMSF administration culminating in the launch of its flagship Class Super product in 2009. Since then, the company has grown to be a leading provider of SMSF solutions (with an estimated 29% share of the addressable SMSF administration market<sup>1</sup>) as well as expanding into related industries, both organically through new product development, and through business acquisitions.

### 4.2 History

A brief history of Class is set out in the table below:

Year	Event
2005	<ul style="list-style-type: none"> <li>◆ Incorporation of Class.</li> </ul>
2009	<ul style="list-style-type: none"> <li>◆ Launch of the Class Super product.</li> </ul>
2015	<ul style="list-style-type: none"> <li>◆ Launch of Class' second product, Class Portfolio.</li> <li>◆ 90,000 accounts on Class Super.</li> <li>◆ Listing of Class on the ASX.</li> </ul>
2019	<ul style="list-style-type: none"> <li>◆ 170,000 accounts on Class Super.</li> <li>◆ Launch of Reimagination Strategy.</li> </ul>
2020	<ul style="list-style-type: none"> <li>◆ Acquisition of NowInfinity 3505 Pty Ltd ("<b>NowInfinity</b>") for \$24.1 million on 31 January 2020.</li> <li>◆ Acquisition of Assuriti Pty Ltd ("<b>Smartcorp</b>") for \$4.8 million on 20 August 2020.</li> <li>◆ Launch of Class' third product, Class Trust.</li> </ul>
2021	<ul style="list-style-type: none"> <li>◆ Acquisition of the business assets of the ReckonDocs business from Reckon Limited for \$12.5 million on 1 March 2021.</li> <li>◆ Acquisition of the Topdocs platform and customer base on 1 September 2021 for \$13.6 million, comprising \$12.3 million in cash and \$1.3 million in Class shares escrowed for 18 months.</li> </ul>

Source: Class

### 4.3 Recent acquisitions

Over the last two years and as part of a three-year transformation strategy initiated in FY20, Class has expanded rapidly through the acquisitions of NowInfinity, Smartcorp, ReckonDocs and Topdocs. These transactions have largely been debt-funded with a total of \$33.5 million of debt drawn to fund the acquisitions.

NowInfinity is a fintech business which operates a cloud-based platform that produces legal documentation for the professional services industry including accountants, financial planners and lawyers. At acquisition, the platform was used by approximately 2,000 accounting firms to manage compliance of their corporate, trust and SMSF clients as well as the establishment and formation of new companies, trusts and SMSFs.

<sup>1</sup> As estimated by Class

The initial acquisition of NowInfinity served as Class' entry into a new (but closely related) market; the legal document and corporate compliance market. Subsequent acquisitions have served to provide scale to the NowInfinity platform, with the customers of both Smartcorp and ReckonDocs (approximately 1,500 and 2,000 clients respectively) now integrated into the NowInfinity platform and their respective brands retired. Similarly, Class intends on integrating the acquired Topdocs' customers (approximately 1,600) into its NowInfinity business. Class estimates that the expanded NowInfinity business holds approximately 18% of the document management and corporate compliance market.

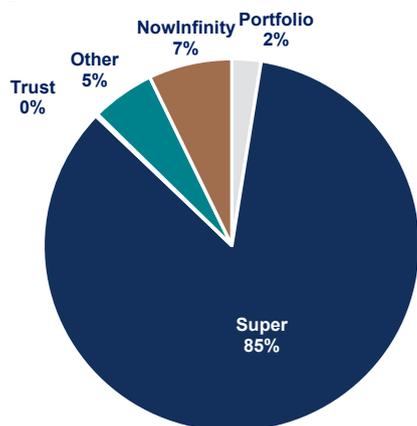
#### 4.4 Products

Class' four main offerings are Class Super, Class Portfolio, Class Trust and NowInfinity, with a key feature shared by these products being the automation of workflows and streamlining/simplification of complex and manual processes.

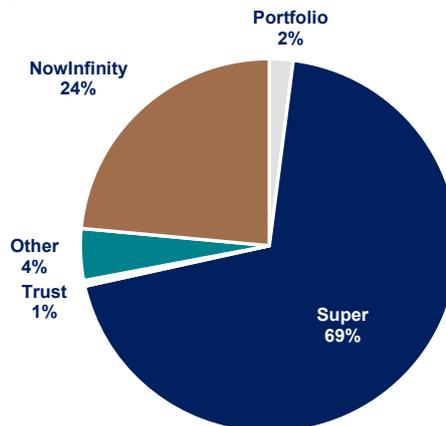
Customers using the suite of Class products are generally considered to be 'sticky' with retention rates of between 98% and 99%. The vast majority of revenue from Class' products is generated through monthly subscriptions on a per account basis.

The breakdown of FY20 and FY21 revenue is as follows:

**Figure 7: FY20 revenue breakdown**



**Figure 8: FY21 revenue breakdown**



Source: Class

Each of these offerings is described briefly below.

##### Class Super

Class Super is a cloud-based software to support the accounting and administration of SMSFs. The product was launched in 2009 and streamlines all aspects of SMSF administration from setup to tax lodgement. It is marketed as an automated, scalable and cost-effective solution intended for practices of all sizes. Typically, Class Super customers are made up of SMSF accountants, administrators, financial advisers, auditors and trustees. As at 30 June 2021, there were over 1,600 customers using Class Super, representing 176,888 individual accounts (i.e. superannuation funds).

##### Class Portfolio

Class Portfolio is a cloud-based investment portfolio administration and reporting solution for companies, trusts and individuals. The product was launched in 2015 and streamlines investment portfolio accounting, reporting and administration. Class Portfolio users include accountants, financial advisers and investors (companies and individuals). As at 30 June 2021, there were over 1,000 customers using Class Portfolio, representing 10,307 accounts.

### Class Trust

Class Trust, which was launched in October 2020, is a trust accounting product which enables accountants, financial advisers and administration professionals to automate significant parts of the trust administration process. As at 30 June 2021, Class Trust had over 300 customers, representing 3,271 accounts with the number of accounts growing by 94% over a 12 month period from a relatively low base of 1,683 accounts during the pilot phase.

Class consider the trust market to be a significant growth area as trusts are a significant vehicle for wealth outside of SMSFs in Australia and current accounting solutions in the market are manual, time consuming and inefficient. The market for trust software is considered to be in its infancy with the total addressable market for Class Trust estimated to be approximately \$117 million (based on a market research report commissioned by Class). As part of its strategy to grow this product, Class expects to cross-sell Class Trust to its existing customer base. However, we understand that BGL (Class' key competitor in the SMSF space), is piloting a competing software for the Trust market.

### NowInfinity

NowInfinity is a compliance and documentation platform composed of a suite of four services:

- ◆ **Corporate Messenger:** A corporate compliance tool for managing ASIC documentation
- ◆ **Documentation Suite:** A store of over 70 legal documents for entity creation and establishment (such as trusts, companies and SMSFs)
- ◆ **Super Comply:** An SMSF compliance management tool and register
- ◆ **Trust Register:** A tool for managing trust documentation including for trust establishment, new issues, cancellations, appointment/removal of trustees and other trust administration processes.

Revenue is generated from a combination of subscriptions (62% of NowInfinity revenue in FY21) and transactional document sales (38% of NowInfinity revenue in FY21).

As at 30 June 2021, NowInfinity had over 6,000 customers managing over 500,000 entities, growing significantly since its acquisition due to the acquired Smartcorp and ReckonDocs customers as well as cross-sales from Class users. The total addressable market is estimated to be approximately \$108 million.

## 4.5 Key personnel

The Board of Directors of Class comprise:

**Table 3: Board of Directors of Class**

Directors	Experience
<b>Andrew Russell</b> Chief Executive Officer and Managing Director	Mr Russell has been the Chief Executive Officer of Class since 2019 and has many years of experience in international institutional and retail financial services organisations in both Australia and the United Kingdom.
<b>Matthew Quinn</b> Non-executive Chairman	Mr Quinn has been a board member since 2015, prior to this he was the managing director of Stockland. He also holds positions at CSR Limited, Elders Limited, and Regis Healthcare Limited and is Chairman of TSA Management Group Holdings Pty Ltd.
<b>Robert Bazzani</b> Non-executive Director	Mr Bazzani has been a non-executive director of Class since January 2020. Prior to this he was a partner at KPMG and served in multiple leadership roles within the organisation. He also holds positions at Mach7 Technologies, Keypath Education International Inc, and ORDE Financial.

Directors	Experience
<b>Nicolette Rubinsztein</b>  Non-executive Director	Ms Rubinsztein joined the board in 2017 and has extensive experience within the financial services and insurance industries. She is currently a Non-executive Director of Zurich Australia Limited/OnePath Insurance, UniSuper, SuperED, Greenpeace Australia Pacific Limited and CBHS Health Fund Ltd.

Source: Class

## 4.6 Financial performance

The audited statements of financial performance for the financial years ("FY") ended 30 June 2019, 30 June 2020 and 30 June 2021 are set out in the table below.

**Table 4: Class' financial performance**

\$'000	FY19	FY20	FY21
Revenue	38,283	43,904	54,784
Other income	28	148	157
<b>Total revenue</b>	<b>38,311</b>	<b>44,052</b>	<b>54,941</b>
<b>Operating expenses</b>			
Employee benefits	(14,419)	(18,503)	(24,008)
Selling and marketing	(1,801)	(1,542)	(1,132)
Occupancy	(797)	(112)	(335)
Technology, product and data costs	(1,265)	(1,876)	(3,253)
Other	(2,084)	(3,022)	(4,309)
<b>Total operating expenses</b>	<b>(20,366)</b>	<b>(25,055)</b>	<b>(33,037)</b>
<b>EBITDA</b>	<b>17,945</b>	<b>18,997</b>	<b>21,904</b>
Depreciation	(452)	(1,268)	(1,780)
Amortisation	(5,292)	(6,804)	(9,658)
<b>EBIT</b>	<b>12,201</b>	<b>10,925</b>	<b>10,466</b>
Finance costs	-	(140)	(451)
Interest revenue	338	119	7
Net loss on financial assets	-	-	(3,242)
Acquisition related expenses	-	(827)	(948)
<b>Profit before tax</b>	<b>12,539</b>	<b>10,077</b>	<b>5,832</b>
Income tax benefit / (expense)	(3,564)	(3,237)	(2,166)
<b>Profit after tax</b>	<b>8,975</b>	<b>6,840</b>	<b>3,666</b>
<u>Other metrics:</u>			
Revenue growth	12.8%	15.0%	24.7%
EBITDA margin	46.8%	43.1%	39.9%

Source: Class

In relation to the historical financial performance of Class set out above, we note the following:

- ◆ The growth in Class' revenue since FY19 is largely attributable to the acquisitions and integration of NowInfinity, Smartcorp and ReckonDocs into the Class business over the last two years.
- ◆ Other income is comprised almost entirely of fair value gains on an investment in Philo Capital Advisers ("Philo"), a service provider to the managed discretionary account sector.

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- ◆ Generally, operating expenses have increased due to the expansion of the business as a result of the various acquisitions. However, occupancy expenses appear to have declined from FY20 due to the adoption of AASB 16 Leases (“**AASB 16**”) from 1 July 2019. The small increase in FY21 is attributable to additional premises from Class’ acquisitions. Excluding the impact of AASB 16, occupancy expenses for FY20 and FY21 would have been \$0.8 million and \$1.2 million respectively.
- ◆ Similarly, depreciation expenses increased in FY20 largely due to the impact of adopting AASB 16, and in FY21 largely due to the impact of the acquisitions.
- ◆ Amortisation mainly relates to the amortisation of capitalised software development. The increase in amortisation is due to a combination of increased expenditure on product development and integration, and the amortisation of intangibles acquired as part of the business acquisitions over the last two years.
- ◆ Finance costs relate to interest on borrowings and lease liabilities recognised under AASB 16.
- ◆ In FY21, Class wrote-off the majority of its investment in Philo, resulting in a \$3.2 million net loss on financial assets in that year.
- ◆ With the acquisitions undertaken in FY20 and FY21, Class incurred transaction and implementation costs of \$0.8 million and \$0.9 million respectively in those years.
- ◆ Class’ results above exclude the acquisition of Topdocs which occurred after 30 June 2021. Topdocs is expected to contribute annualised revenue of approximately \$4.0 million to the Class business.

## 4.7 Financial position

The audited statements of financial position as at 30 June 2019, 30 June 2020 and 30 June 2021 are set out in the table below.

**Table 5: Class' financial position**

\$'000	30-Jun-19	30-Jun-20	30-Jun-21
<b>Current assets</b>			
Cash	17,464	16,488	10,363
Trade and other receivables	3,697	4,018	5,042
Other assets	697	1,107	1,661
Income tax receivable	773	-	2,012
<b>Total current assets</b>	<b>22,631</b>	<b>21,613</b>	<b>19,078</b>
<b>Non-current assets</b>			
Investments	2,028	3,276	175
Property, plant and equipment	779	1,004	858
Intangibles	8,552	35,133	58,899
Right-of-use assets	-	973	6,757
Customer acquisition assets	1,852	2,078	1,847
<b>Total non-current assets</b>	<b>13,211</b>	<b>42,464</b>	<b>68,536</b>
<b>Total assets</b>	<b>35,842</b>	<b>64,077</b>	<b>87,614</b>
<b>Current liabilities</b>			
Trade and other payables	(3,446)	(4,897)	(9,013)
Contract liabilities	(408)	(610)	(235)
Borrowings	-	(1,000)	(4,932)
Lease liabilities	-	(832)	(1,110)
Provisions	(805)	(1,345)	(1,765)
Income tax provision	-	(735)	-
Deferred consideration	-	(500)	-
<b>Total current liabilities</b>	<b>(4,659)</b>	<b>(9,919)</b>	<b>(17,055)</b>
<b>Non-current liabilities</b>			
Borrowings	-	(9,000)	(15,215)
Lease liabilities	-	(97)	(5,341)
Provisions	(360)	(425)	(850)
Deferred tax	(1,926)	(2,971)	(7,511)
<b>Total non-current liabilities</b>	<b>(2,286)</b>	<b>(12,493)</b>	<b>(28,917)</b>
<b>Total liabilities</b>	<b>(6,945)</b>	<b>(22,412)</b>	<b>(45,972)</b>
<b>Net assets</b>	<b>28,897</b>	<b>41,665</b>	<b>41,642</b>

Source: Class

In relation to the historical financial position of Class set out above, we note the following:

- ◆ The increase in trade receivables and trade payables is consistent with the expansion of the business. A portion of the increase in trade payables in FY21 is related to bonus accruals which have increased with the growth in the number of employees and the strong performance of the business during the year.
- ◆ In FY19 and FY21, Class' PAYG tax instalments exceeded the final tax payable for those financial years, resulting in income tax receivables.

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- ◆ In March 2019, Class made an investment in Philo by way of convertible note. By FY21, Class had invested \$3.4 million in Philo, including capitalised interest on the convertible note. During the year, Class undertook a strategic review of this investment and concluded that it was not in line with its existing strategy. The majority of the investment has therefore been written-off with the remaining value on the balance sheet of \$175,000 being the consideration received for the sale of the convertible note after the year-end, on 2 August 2021.
- ◆ Intangible assets consist of capitalised software development, computer software, contractual rights, customer relationships and goodwill. The increase in intangibles is mainly related to the acquisitions completed since FY19 and, to a lesser extent, an increase in software development expenditure.
- ◆ Class adopted AASB 16 from 1 July 2019. As a result, right-of-use assets and corresponding lease liabilities are recognised for business premises.
- ◆ Customer acquisition assets are capitalised incremental costs of obtaining a contract with a customer, which are amortised over an estimated contract life of five years.
- ◆ Contract liabilities represent customer payments received (or receivable) in advance of the provision of services by Class.
- ◆ In order to fund its acquisitions, Class drew \$21.8 million in bank loans through three facilities. After 30 June 2021, a further \$11.7 million was drawn to fund the acquisition of Topdocs.
- ◆ Provisions predominantly relate to employee leave liabilities. The increase is in line with the growth of the business.
- ◆ Deferred tax liabilities relate mainly to intangible assets acquired and software development expenditure.

## 4.8 Cash flows

The audited statements of cash flows for the periods ended 30 June 2019, 30 June 2020 and 30 June 2021 are set out in the table below.

**Table 6: Class' cash flows**

<b>\$'000</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
Receipts from customers (inclusive of GST)	41,526	48,219	58,734
Payments to suppliers and employees (inclusive of GST)	(24,146)	(29,284)	(35,381)
Other revenue	-	-	16
Income taxes paid	(4,825)	(1,580)	(3,949)
<b>Net cash from operating activities</b>	<b>12,555</b>	<b>17,355</b>	<b>19,420</b>
Interest received	369	147	7
Payments for business acquisitions, net of cash acquired	-	(12,867)	(14,997)
Payments for prior year business combinations	-	-	(500)
Payments for investments	(2,000)	(1,100)	-
Payments for property, plant and equipment	(309)	(414)	(486)
Payments for intangibles	(6,653)	(7,976)	(11,447)
Payments for security deposits	3	-	(92)
<b>Net cash used in investing activities</b>	<b>(8,590)</b>	<b>(22,210)</b>	<b>(27,515)</b>
Proceeds received on exercise of employee share options	193	808	174
Payments for share purchase by employees share trust-treasury shares	(3,475)	-	(769)
Proceeds from borrowings	-	10,000	11,830
Repayment of borrowings	-	-	(1,683)
Interest and other finance costs paid	-	(140)	(451)
Repayment of lease liabilities	-	(778)	(943)
Dividends paid	(5,876)	(6,011)	(6,188)
<b>Net cash from financing activities</b>	<b>(9,158)</b>	<b>3,879</b>	<b>1,970</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,193)</b>	<b>(976)</b>	<b>(6,125)</b>
Cash and cash equivalents at the beginning of the financial year	22,657	17,464	16,488
<b>Cash and cash equivalents at the end of year</b>	<b>17,464</b>	<b>16,488</b>	<b>10,363</b>

Source: Class

In relation to the historical cash flows of Class set out above, we note the following:

- ◆ Class has generated positive operating cash flows over the past three financial years with recent growth attributable to its completed acquisitions.
- ◆ The acquisitions have also resulted in a significant increase in cash utilised for investing activities offset in part by proceeds from borrowings.
- ◆ Payments for intangibles is comprised almost entirely of software development expenditure.
- ◆ Consistent dividends have been paid by Class over the past three financial years.
- ◆ Net of its investments and dividends, Class' cash position has declined over the past three financial years.

## 4.9 Capital structure and shareholders

As at 13 December 2021, Class had a total of 124,423,456 ordinary shares on issue. The following table sets out details of Class' substantial shareholders as at that date:

**Table 7: Class' substantial shareholders**

Shareholder	No. of shares held	% substantial ownership
Spheria Asset Management Ltd	24,875,902	20.0%
Kibble Family <sup>1</sup>	18,239,216	14.7%
Microequities Asset Management Ltd	8,660,591	7.0%
Perennial Value Management Ltd	8,579,595	6.9%
Pinnacle Investment Management Group Ltd	7,737,515	6.2%
<b>Substantial Shareholders</b>	<b>68,092,819</b>	<b>54.7%</b>
Other shareholders	56,330,637	45.3%
<b>Total</b>	<b>124,423,456</b>	<b>100.0%</b>

Source: Class

Note:

1. Includes several holdings held by related individuals and entities.

As at 13 December 2021, Class also had the following securities on issue:

- ◆ 844,663 options over ordinary shares on issue. The options relate to a discontinued employee share options plan. The options have an exercise price of \$3.99 and an exercise period ending on 15 March 2022.
- ◆ 2,333,973 performance rights ("**Performance Rights**") on issue. The Performance Rights were issued under Class' Performance Rights and Deferred Rights Plan, a remuneration scheme for its employees and executive team. Each Performance Right converts into one fully paid ordinary share subject to satisfaction of performance criteria and terms of the plan. There are multiple tranches of Performance Rights on issue with performance criteria being a combination of market and non-market conditions.
- ◆ 278,116 deferred rights ("**Deferred Rights**") on issue. Each Deferred Right converts to an ordinary share in Class subject to a two-year vesting period. The Deferred Rights vest annually in equal instalments over the vesting period. There are two tranches of Deferred Rights on issue as part of management remuneration for FY20 and FY21. These tranches vest across July 2022 and July 2023.

## 4.10 Share trading

The following chart shows the market trading of Class shares, for the 12 months to 13 December 2021:

**Figure 9: Class' share trading over the last 12 months**



Source: S&P Capital IQ

In relation to the trading of Class shares over the past 12 months, we note the following:

- ◆ Shares were somewhat liquid, with an average daily value traded of approximately \$0.5 million at a volume weighted average price ("**VWAP**") of \$2.19 over the period. The average daily volume represents approximately 0.18% of ordinary shares on issue.
- ◆ The share price climbed to \$2.21 on 16 February 2021 after Class' release of its results for the first half of FY21, a declaration of dividends and announcement of the acquisition of ReckonDocs.
- ◆ A surge in trading volume in April 2021 was attributable to institutional trading with Perennial Value Management increasing its stake from 5.5% to 7.1% and Microequities Asset Management increasing its stake from 5.5% to 7.0%.
- ◆ Between June 2021 and October 2021, Class shares traded between \$1.50 and \$2.00 with a brief surge in August 2021 upon announcement of the Topdocs acquisition.
- ◆ On 18 October 2021, Class and Hub24 announced their entry into a Scheme Implementation Deed, under which HUB24 proposes to acquire all of the issued share capital in Class. This resulted in a spike in trading volume and an increase in the share price to \$2.92. Since then, the share price has declined, generally in line with the decline in HUB24s share price and the implied offer value.

## 5 PROFILE OF HUB24

As part of the consideration under the Proposed Transaction is HUB24 shares, we have provided an analysis of HUB24. HUB24 has a market capitalisation of \$2.3 billion as at 15 October 2021, compared to Class of only \$0.2 billion (prior to the announcement of the Proposed Transaction). Accordingly, the impact of the Proposed Transaction on HUB24's share price is likely to be limited. HUB24 shares are also relatively liquid, thus a Shareholder should be able to realise the HUB24 consideration shares in the near term at a price similar to current trading in HUB24 shares, all else being equal. Whether to continue to hold HUB24 shares received as consideration is a separate investment decision for Shareholders and is not the subject of this report. Therefore, the intrinsic value of HUB24 shares, to the extent it may differ from the market price, is of limited relevance. As a result, our analysis of HUB24 is relatively brief.

### 5.1 Background

Founded in 2007, HUB24 is an ASX-listed investment and superannuation platform service provider based in Sydney, NSW. The company, together with its subsidiaries, provides a range of wealth management solutions to the financial services industry. This includes providing online portfolio administration services through its specialist investment platforms which have been recently expanded to include the Xplore Wealth investment and superannuation platform that was acquired in March 2021 and the servicing rights to Ord Minnett's Portfolio Administration and Reporting Services ("PARS") acquired in November 2020.

HUB24 also provides technology and data services through services provided by its subsidiaries HUBconnect Pty Ltd ("HUBconnect") and Agility Applications Pty Ltd ("Agility"). In February 2021, HUB24 divested its dealer licensee services business Paragem Pty Ltd ("Paragem") to Diverger (formerly known as Easton Investments Limited) ("Diverger"). HUB24 is a strategic shareholder in Diverger.

### 5.2 Overview of operations

HUB24 operates through two core revenue generating segments, Platform and Tech Solutions. The Platform segment accounts for the largest portion of total revenue (FY20: 92% and FY21: 94%).

The breakdown of FY20 and FY21 revenue is as follows:

Figure 10: FY20 revenue breakdown<sup>1</sup>

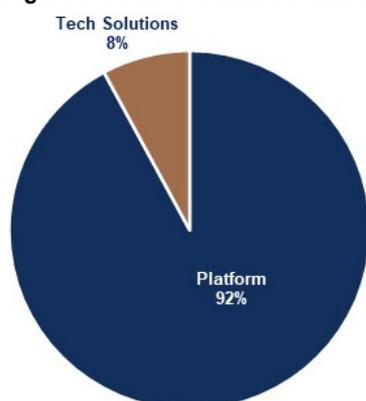
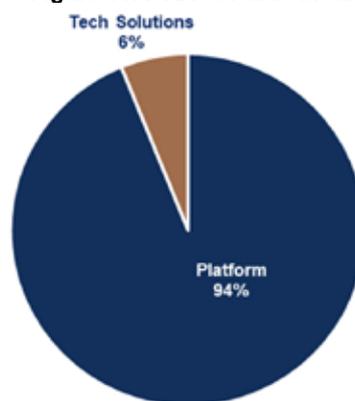


Figure 11: FY21 revenue breakdown<sup>1</sup>



Source: HUB24

Note 1: Excludes revenue in relation to the recently divested licensee business, Paragem.

Further information in respect of each of HUB24's core revenue generating segments is set out below:

- ◆ **Platform:** HUB24 provides investment portfolio and superannuation administration services to financial advisers through its online platforms. The platforms allow advisers to serve their clients with access to diverse investment options, cost-effective trading and comprehensive reporting. As at 30 June 2021, HUB24 had FUA of \$58.6 billion, including PARS FUA of \$17.2 billion. This represented an increase of \$41.2 billion from 30 June 2020. The increase was contributed by strong organic growth as well as the acquisition of Xplore Wealth which had FUA of \$11.2 billion at completion. In addition, in March 2020, HUB24 entered a strategic partnership with Clearview Wealth Ltd ("**Clearview**") to include Clearview's managed portfolio and insurance products on HUB24's platforms. As part of this agreement, over \$1.4 billion in FUA were migrated from Clearview to HUB24 in FY21.
- ◆ **Tech Solutions:** Through its subsidiaries, Agility and HUBconnect, HUB24 provides business application and technology products to the financial services industry. It delivers various data management and reporting solutions via a proprietary web-based application platform, with an aim to improve organisations' performance through efficiency in business process and data capacity.

### 5.3 Key personnel

The Board of Directors and company secretaries of HUB24 comprises:

**Table 8: Board of Directors of HUB24**

Directors	Experience
<b>Bruce Higgins</b> Executive Chairman	Appointed as Chairman in October 2012, Mr Higgins has over 20 years' experience as a senior executive or CEO in various companies including listed technology companies.
<b>Andrew Alcock</b> Managing Director	Mr Alcock has over 25 years' experience across wealth management encompassing advice, platforms, industry superannuation, insurance and information technology. Previously, he served as CEO of Australian Administration Services, a subsidiary of Link Market Services.
<b>Paul Rogan</b> Non-executive Director	Mr Rogan is a senior financial services executive with over 27 years' experience serving on entity boards and industry groups. He has been on the HUB24 Board since 2017 and appointed as Chair of the Audit, Risk and Compliance Committee in March 2018.
<b>Anthony McDonald</b> Non-executive Director	Mr McDonald was appointed to the HUB24 Board in September 2015. He was the co-founder of financial planning firm Snowball Group Ltd which merged with Shadforth in 2011. He is currently a non-executive director of Diverger and Chairman of a not-for-profit organisation and a private RegTech company, Fourth Line Pty Ltd.
<b>Ruth Stringer</b> Non-executive Director	Ms Stringer was appointed to the HUB24 Board in February 2020. She is an experienced financial services lawyer, particularly in funds management, superannuation, life insurance and financial planning. She also serves on the Audit, Risk and Compliance Committee.
<b>Catherine Kovacs</b> Non-executive Director	Ms Kovacs was appointed to the HUB24 Board in July 2021. She is an experienced Non-Executive Director, serving on the Board of ASX-listed OFX Group Ltd, Universities Admission Centre, and Equitise. She has over 30 years' experience in the financial services industry, having held senior executive leadership roles at Westpac Banking Group, Ellerston Capital, Macquarie Group and BT Financial Group.

Directors	Experience
<b>Kitrina Shanahan</b> Chief Financial Officer and Company Secretary	Ms Shanahan has over 20 years of experience in finance, governance, and risk. She also has extensive experience in platforms, advice and broader financial services. Prior to HUB24, she was CFO at Westpac Insurance.
<b>Andrew Brown</b> Company Secretary	Andrew has over 25 years' experience in the financial services industry. Prior to joining HUB24, Andrew held senior governance and compliance management positions at Challenger Limited. Andrew was appointed Company Secretary in April 2021.

Source: HUB24

## 5.4 Financial performance

The audited statements of financial performance for the periods ended 30 June 2019, 30 June 2020 and 30 June 2021 are set out in the table below.

**Table 9: HUB24's financial performance**

\$'000	FY19 <sup>1</sup>	FY20	FY21
<b>Revenue</b>			
Platform	54,145	74,355	101,323
IT Services	6,977	6,360	6,634
Licensee	35,236	-	-
<b>Total revenue</b>	<b>96,358</b>	<b>80,715</b>	<b>107,957</b>
Other income	1,145	851	1,568
Direct costs for providing services	(39,921)	(7,689)	(10,567)
Employee benefits expense	(32,351)	(40,778)	(57,241)
Property and occupancy costs <sup>2</sup>	(2,203)	(348)	(311)
Administrative expenses	(10,772)	(13,794)	(20,218)
<b>EBITDA</b>	<b>12,256</b>	<b>18,957</b>	<b>21,188</b>
Depreciation and amortisation expense <sup>2</sup>	(2,574)	(5,280)	(6,957)
Impairment	-	(1,000)	-
<b>EBIT</b>	<b>9,682</b>	<b>12,677</b>	<b>14,231</b>
Finance income	1,164	945	856
Finance expenses	-	(204)	(211)
Share of profit from associates	-	-	473
<b>Profit before tax (continuing operations)</b>	<b>10,846</b>	<b>13,417</b>	<b>15,348</b>
Profit before tax (discontinued operations)	-	(590)	823
Income tax expense	(3,682)	(4,599)	(6,402)
<b>Profit after tax</b>	<b>7,164</b>	<b>8,228</b>	<b>9,769</b>
<b>Other metrics</b>			
Revenue growth	14.7%	-16.2%	33.8%
Gross margin %	58.6%	90.5%	90.2%
EBITDA margin %	12.7%	23.5%	19.6%

Source: HUB24

Notes:

- The discontinued operations of HUB24 are not disclosed separately in FY19.
- Prior to FY20 and with the introduction of AASB 16 on 1 July 2019, property and occupancy costs included operating lease expenses which are now separately recognised as depreciation expenses and interest expenses for right-of-use assets and liabilities.

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In relation to the historical financial performance of HUB24 set out above, we note the following:

- ◆ HUB24 has experienced significant growth in revenue between FY19 and FY21. In particular, the increase in FY21 platform revenue was due to the significant organic growth in FUA and from the acquisitions of Xplore Wealth and PARS. Xplore Wealth and PARS contributed a total of approximately \$10 million in revenue since being acquired.
- ◆ Other income represents the fair value adjustment for the deferred consideration in relation to the acquisition of Agility in 2017.
- ◆ Direct costs of providing services pertain to platform and custody fees, which has increased in line with the growth in platform revenue.
- ◆ Employee benefit expenses form the largest cost for HUB24. These costs have increased significantly in FY20 and FY21 due to an increase in headcount as part of HUB24's investment in growth as well as from the acquisitions of Xplore Wealth and PARS.
- ◆ The significant increase in administrative costs in FY21 was predominantly due to consultancy fees and transaction costs incurred in relation to the acquisitions of Xplore Wealth and PARS.
- ◆ Impairment losses recognised in FY20 related to the impairment of customer relationships and software acquired in FY17 as part of the acquisition of Agility. The impairment of software followed a decision to cease providing Agility technology hosting services to new clients going forward.

## 5.5 Financial position

The audited statements of financial position as at 30 June 2019, 30 June 2020 and 30 June 2021 are set out in the table below.

**Table 10: HUB24's financial position**

\$'000	30-Jun-19 <sup>1</sup>	30-Jun-20	30-Jun-21
<b>Current assets</b>			
Cash and bank balances	18,466	33,809	63,461
Trade and other receivables	7,565	10,046	16,633
Other current assets	781	1,799	2,570
<b>Total current assets</b>	<b>26,812</b>	<b>45,655</b>	<b>82,664</b>
<b>Non-current assets</b>			
Investment in associates	-	-	14,519
Loans and receivables	2,000	-	7,550
Office equipment	1,956	1,662	1,455
Right of use asset	-	5,437	6,093
Intangible assets	37,069	39,963	103,976
Deferred tax assets	9,685	5,101	12,761
<b>Total non-current assets</b>	<b>50,709</b>	<b>52,163</b>	<b>146,354</b>
<b>Total assets</b>	<b>77,522</b>	<b>97,818</b>	<b>229,019</b>
<b>Current liabilities</b>			
Trade and other payables	(3,363)	(5,370)	(9,096)
Provisions	(5,053)	(7,811)	(16,118)
Borrowings	-	-	(3,125)
Deferred income	(259)	(89)	(316)
Lease liabilities	-	(1,670)	(2,204)
<b>Total current liabilities</b>	<b>(8,676)</b>	<b>(14,940)</b>	<b>(30,859)</b>
<b>Non-current liabilities</b>			
Borrowings	-	-	(9,375)
Provisions	(1,001)	(1,514)	(2,348)
Deferred income	(775)	(587)	(776)
Lease liabilities	-	(4,385)	(4,550)
Other liabilities	(2,146)	(1,568)	(41)
<b>Total non-current liabilities</b>	<b>(3,923)</b>	<b>(8,054)</b>	<b>(17,090)</b>
<b>Total liabilities</b>	<b>(12,598)</b>	<b>(22,994)</b>	<b>(47,948)</b>
<b>Net assets</b>	<b>64,924</b>	<b>74,823</b>	<b>181,070</b>

Source: HUB24

Note 1: Assets and liabilities associated with the discontinued operations of HUB24 are not separately excluded in FY19.

In relation to the historical financial position of HUB24 set out above, we note the following:

- ◆ The increase in trade and other receivables over the period is in line with revenue growth.
- ◆ Investment in associates pertains to HUB24's 31.5% equity interest in Easton.
- ◆ Loans and receivables pertain to the loan arrangement with the trustee for the HUB24 Superfund for the purpose of meeting the Operational Risk Financial Requirement ("ORFR") in accordance with APRA Prudential Standard SPS114. The loan is entered into on an arm's length basis and on commercial terms at an interest rate of 10% per annum.
- ◆ Intangible assets largely consist of capitalised platform development costs, goodwill, customer relationships and software acquired with the Agility, Xplore Wealth and PARS transactions. The acquired customer relationships and software of Agility were impaired in FY20.

- ◆ Trade and other payables mainly include liabilities for goods and services received by HUB24 that remain unpaid at the end of the reporting period. The significant increase in FY21 pertains to working capital at Xplore Wealth and growth in platform and other fees associated with the growth in revenue.
- ◆ Provisions predominately relate to employee benefits. The increase in provision in FY21 is due to a tax provision of \$5.2 million.
- ◆ The borrowings of \$12.5 million as at 30 June 2021 pertain to an amortising bank loan facility provided by the Australia and New Zealand Banking Group which was secured specifically for the strategic acquisitions. The facility has been fully drawn down with principal repayments of \$3.125 million payable every calendar year in February and the amount outstanding at the termination date of 23 November 2023. The facility may not be redrawn once repaid. A commitment fee of 0.40% per annum is charged to maintain the loan facility with an interest rate of 1-month Bank Bill Swap Bid Rate plus 1.95% applied to any drawn balances and paid quarterly.

## 5.6 Cash flows

The audited statements of cash flows for the periods ended 30 June 2019, 30 June 2020 and 30 June 2021 are set out in the table below.

**Table 11: HUB24's cash flow statements**

\$'000	30-Jun-19	30-Jun-20	30-Jun-21
Receipts from customers (inclusive of GST)	102,184	116,811	129,176
Payments to suppliers and employees (inclusive of GST)	(91,198)	(91,768)	(101,034)
Interest received	645	633	850
Interest paid on lease liability	-	(204)	(211)
Short term lease payments	-	(213)	(187)
Strategic transaction and due diligence costs	-	-	(7,167)
Income tax payment	-	-	(2,262)
<b>Net cash inflow from operating activities</b>	<b>11,631</b>	<b>25,258</b>	<b>19,165</b>
Payments for acquisitions (net of cash acquired)	(411)	(475)	(47,730)
Payments for office equipment	(458)	(498)	(588)
Payments for intangible assets	(6,905)	(6,727)	(5,458)
Proceeds from disposal of controlled entities, net of cash	-	-	(1,332)
<b>Net cash (outflow) from investing activities</b>	<b>(7,774)</b>	<b>(7,700)</b>	<b>(55,108)</b>
ORFR loan facility advance settlement proceeds	-	2,000	(7,550)
Proceeds from capital raising	-	-	70,000
Proceeds from issues of shares and other equity securities	1,093	1,242	3,636
Proceeds from borrowing	-	-	13,200
Payments for treasury share buy-backs	-	-	(5,012)
Dividends paid	(3,423)	(3,827)	(5,275)
Payments for capital raising costs	(19)	(16)	(1,315)
Lease principal payments	-	(1,614)	(2,088)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(2,350)</b>	<b>(2,215)</b>	<b>65,595</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,507</b>	<b>15,343</b>	<b>29,652</b>
Cash and cash equivalents at the beginning of the financial year	16,959	18,466	33,809
<b>Cash and cash equivalents at end of year</b>	<b>18,466</b>	<b>33,809</b>	<b>63,461</b>

Source: HUB24

In relation to the historical cash flows position of HUB24 set out above, we note the following:

- ◆ HUB24 has generated net cash inflows in each of the periods presented above.
- ◆ The significant increase in net cash inflow in FY21 was driven by strong organic growth in FUA leading to an increase in revenue as well as capital raisings and borrowings for the strategic acquisitions and to support broader capital management plans.

## 5.7 Capital structure and shareholders

As at 13 December 2021, HUB24 had a total of 68,624,619 ordinary shares on issue. The following table sets out details of HUB24's substantial shareholders as at that date:

**Table 12: HUB24's substantial shareholders**

Shareholder	No. of shares held	% Total interest
Bennelong Australian Equity Partners Pty Ltd	6,051,803	8.8%
Thorney Investments	5,779,078	8.4%
ECP Asset Management Pty Ltd	5,281,108	7.7%
Hyperion Asset Management Limited	4,279,609	6.2%
Pinnacle Investment Management Group	4,034,685	5.9%
Other shareholders	43,198,336	62.9%
<b>Total</b>	<b>68,624,619</b>	<b>100.0%</b>

Source: HUB24

In addition, there are a total of 0.8 million share options on issue with exercise prices between \$4.46 and \$14.29, expiring between November 2021 and February 2026 and 2.0 million performance award rights expiring between June 2025 and February 2036.

## 5.8 Share trading

The following chart shows the market trading of HUB24 shares, for the 12 months to 13 December 2021:

**Figure 12: HUB24's share performance**



Source: S&P Capital IQ

Note 1: Actual volume traded on 19 March 2021 was 2.3 million shares.

In relation to the trading of HUB24 shares over the past 12 months, we note the following:

- ◆ Shares were relatively liquid, with an average daily value traded of approximately \$7.1 million at a VWAP of \$25.97 over the period. The average daily volume represents approximately 0.4% of ordinary shares on issue.
- ◆ On 28 October 2020, the company announced a \$70 million equity raising for the acquisitions of Xplore Wealth and PARS which led to an increase in share price from \$20.97 to \$22.72 the following day. Between October 2020 and January 2021, the share price largely traded within the narrow band of \$20 and \$22 before a sharp increase to \$26.62 on 20 January 2021. The increase was likely related to the announcements of favourable quarterly results and HUB24's acquisition of equity interests in Diverger.

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- ◆ The share price subsequently fell from \$26.86 around mid-February 2021 to \$19.48 in early-March 2021. On 12 March 2021, HUB24 was re-included into the S&P/ASX 200 index which led to an increase in trading volumes and the share price rising to \$25.45 by 17 March 2021. Since then, the share price has generally been trending upwards due in part to favourable result updates as well as the general ASX market movements. Since the Proposed Transaction was announced on 18 October 2021, the share price has declined, trading at a VWAP of \$30.29 over the period.

## 6 PROFILE OF PROPOSED MERGED ENTITY

### 6.1 Introduction

The Proposed Merged Entity will consist of the enlarged group comprising HUB24 and Class following the Proposed Transaction and will remain listed on the ASX. The businesses are highly complementary with both businesses focussed on the provision of solutions for financial professionals. Whilst only \$2.0 million of annual cost synergies have been identified at this stage, we understand that the combined businesses and product capabilities are expected to provide greater efficiency and value to both new and existing customers over the medium term. Approximately \$4.0 million to \$5.0 million in implementation costs are expected in FY22 with a further \$6.0 million expected to be incurred over FY22 and FY23.

### 6.2 Overview of Operations

The Proposed Transaction is expected to increase the scale of operations and provide the Proposed Merged Entity with added capabilities, distribution reach and technology resources, delivering a more comprehensive set of products for new and existing customers. The Class business is expected to operate as a business unit within HUB24 with its own leadership team and continue under the Class brands.

### 6.3 Rationale for Proposed Transaction

The Proposed Transaction is supported by the complementary nature of HUB24 and Class. The strategic rationale for the Proposed Transaction according to HUB24 management includes that the Proposed Transaction:

- ◆ Aligns with HUB24's strategy to build a 'platform of the future' and achieve market leadership in the wealth industry.
- ◆ Creates growth opportunities by leveraging combined capabilities to increase value and efficiency for existing customers and new customers.
- ◆ Provides increased scale, diversification of revenue and opportunities for growth for both businesses.
- ◆ Combines market leading businesses and teams with a track record for innovation and provides greater capacity for ongoing investment in technology and innovation.

### 6.4 Key Personnel

The proposed board of the Proposed Merged Entity is expected to be comprised of HUB24's existing board with the potential for a director from Class to join the board. The composition of the senior management team is subject to a review of Class' operations by HUB24.

### 6.5 Post-merger Capital Structure

If the Proposed Transaction is approved, up to 11,439,663 HUB24 shares will be issued as Scrip Consideration, depending on the treatment of Performance Rights, Deferred Rights and options. This will result in the number of HUB24 shares on issue increasing up to 80,064,282, with Class Shareholders expected to own approximately 14.3% of the Proposed Merged Entity. There is expected to be limited impact on the substantial shareholders of HUB24.

## 6.6 Pro forma Financial Performance

The pro forma, historical statement of financial performance for the Proposed Merged Entity for the year ended 30 June 2021, as prepared by HUB24 management, is as follows:

**Table 13: Pro forma statement of FY21 financial performance of the Proposed Merged Entity**

<b>\$'000</b>	<b>Class</b>	<b>HUB24</b>	<b>Proposed Merged Entity</b>
Revenue	54,784	107,957	162,741
Other income	157	-	157
Fair value gain on contingent consideration	-	1,568	1,568
<b>Total revenue</b>	<b>54,941</b>	<b>109,525</b>	<b>164,466</b>
<b>Operating expenses</b>			
Platform and custody fees	(3,253)	(10,567)	(13,820)
Employee benefits expense	(24,008)	(57,241)	(81,249)
Property and occupancy costs	(335)	(311)	(646)
Administrative expenses	(6,389)	(20,218)	(26,607)
<b>Total operating expenses</b>	<b>(33,985)</b>	<b>(88,337)</b>	<b>(122,322)</b>
<b>EBITDA</b>	<b>20,956</b>	<b>21,188</b>	<b>42,144</b>
Depreciation and amortisation expense	(11,438)	(6,957)	(18,395)
<b>EBIT</b>	<b>9,518</b>	<b>14,231</b>	<b>23,749</b>
Share of profit from associates	-	473	473
Interest income	7	856	863
Interest expense	(451)	(211)	(662)
Net loss on financial assets at FVTPL	(3,242)	-	(3,242)
<b>Profit before tax (continuing operations)</b>	<b>5,832</b>	<b>15,348</b>	<b>21,180</b>
Profit before tax (discontinued operations)	-	823	823
Income tax expense	(2,166)	(6,402)	(8,568)
<b>Net profit after tax</b>	<b>3,666</b>	<b>9,769</b>	<b>13,435</b>

Source: Section 7 of the scheme booklet

The above pro forma statement of financial performance does not include transaction costs expected to arise from implementation of the Proposed Transaction.

## 6.7 Pro forma Financial Position

The pro forma, historical statement of financial position for the Proposed Merged Entity as at 30 June 2021, as prepared by HUB24 management, is set out below:

**Table 14: Pro forma 30 June 2021 statement of financial position of the Proposed Merged Entity**

\$'000	Class	HUB24	Acquisition of Class	Transaction costs	Proposed Merged Entity
<b>Current assets</b>					
Cash and cash equivalents	10,363	63,461	(15,727)	(12,635)	45,462
Trade and other receivables	5,042	16,633	-	-	21,675
Other current assets	1,661	2,570	-	-	4,231
<b>Total current assets</b>	<b>17,066</b>	<b>82,664</b>	<b>(15,727)</b>	<b>(12,635)</b>	<b>71,368</b>
<b>Non-current assets</b>					
Convertible notes	175	-	-	-	175
Investment in associates	-	14,519	-	-	14,519
Intangible assets	58,899	103,976	352,766	-	515,641
Loans	-	7,550	-	-	7,550
Right-of-use asset	6,757	6,093	-	-	12,850
Deferred tax asset (net of deferred tax liability)	(7,511)	12,761	-	-	5,250
Office equipment	858	1,455	-	-	2,313
Contract assets	1,847	-	-	-	1,847
<b>Total non-current assets</b>	<b>61,025</b>	<b>146,354</b>	<b>352,766</b>	<b>-</b>	<b>560,145</b>
<b>Total assets</b>	<b>78,091</b>	<b>229,019</b>	<b>337,039</b>	<b>(12,635)</b>	<b>631,514</b>
<b>Current liabilities</b>					
Trade and other payables	(9,013)	(9,096)	-	-	(18,109)
Provisions	247	(16,118)	-	-	(15,871)
Borrowings	(4,932)	(3,125)	-	-	(8,057)
Lease liabilities	(1,110)	(2,204)	-	-	(3,314)
Deferred income	(235)	(316)	-	-	(551)
<b>Total current liabilities</b>	<b>(15,043)</b>	<b>(30,859)</b>	<b>-</b>	<b>-</b>	<b>(45,902)</b>
<b>Non-current liabilities</b>					
Borrowings	(15,215)	(9,375)	-	-	(24,590)
Lease liabilities	(5,341)	(4,550)	-	-	(9,891)
Provisions	(850)	(2,348)	-	-	(3,198)
Deferred income	-	(776)	-	-	(776)
Other non-current liabilities	-	(41)	-	-	(41)
<b>Total non-current liabilities</b>	<b>(21,406)</b>	<b>(17,090)</b>	<b>-</b>	<b>-</b>	<b>(38,496)</b>
<b>Total liabilities</b>	<b>(36,449)</b>	<b>(47,948)</b>	<b>-</b>	<b>-</b>	<b>(84,397)</b>
<b>Net assets</b>	<b>41,642</b>	<b>181,070</b>	<b>337,039</b>	<b>(12,635)</b>	<b>547,116</b>

Source: Section 7 of the scheme booklet

The above adjustments relate to:

- ◆ \$15.7 million in expected Cash Consideration for the acquisition of Class.
- ◆ \$352.8 million of goodwill implied by the transaction (before identification of any separately identifiable intangible assets).
- ◆ \$12.6 million in transaction costs arising from the acquisition.

## 7 VALUATION METHODOLOGY

### 7.1 Available Valuation Methodologies

To estimate the fair market value of Class and the Scrip Consideration payable by HUB24, we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method
- ◆ The capitalisation of future maintainable earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

### 7.2 Selected Methodology - Class

In selecting an appropriate valuation methodology for Class, we have considered the following:

**Table 15: Consideration of methodologies**

Method	Considerations	Approach
<b>Capitalisation of earnings</b>	<ul style="list-style-type: none"> <li>◆ There are a number of comparable listed companies for which there is sufficient data available to calculate comparable earnings multiples. There have also been a number of recent M&amp;A transactions involving software providers to the wealth management sector.</li> <li>◆ We have been provided with a detailed budget for FY22 and have had discussions with management regarding recent financial performance.</li> <li>◆ Whilst Class expects growth in both revenue and earnings in the short-term, a large portion of this growth is attributable to the integration and synergies from recently completed acquisitions which are expected to be realised in the short-term and can be reliably incorporated in an estimation of maintainable earnings.</li> <li>◆ The longer term growth expectations implied in the multiples of comparable companies are broadly consistent with growth expectations for Class.</li> </ul>	Selected
<b>Discounted cash flow</b>	<ul style="list-style-type: none"> <li>◆ Class has prepared short-term projections to FY24 for the business for budgeting purposes. These projections do not reliably capture the further growth that Class expects for the Class Trust and NowInfinity products beyond FY24. Therefore, a discounted cash flow approach is no more reliable than the capitalisation of earnings method.</li> <li>◆ We consider that growth expectations for Class can be adequately captured by a CFME analysis.</li> </ul>	Cross-check
<b>Share trading</b>	<ul style="list-style-type: none"> <li>◆ Share market trading in Class' shares has been moderately liquid, although there have been periods with low trading volume and value. Therefore, an analysis of share market trading is not as reliable as the capitalisation of earnings method as a primary valuation methodology in assessing the intrinsic value of a Class share.</li> </ul>	Cross-check

Method	Considerations	Approach
Asset based methods	<ul style="list-style-type: none"> <li>Class is neither an asset-based business nor an investment holding company. Asset based methods are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets.</li> <li>We consider Class to be a going concern as the business is currently profitable and is expected to continue to generate positive earnings. Therefore, an asset method is not appropriate.</li> </ul>	Not considered

### 7.3 Selected Methodology – Scrip Consideration

In selecting an appropriate valuation methodology for the valuation of the Scrip Consideration, we have considered the following:

**Table 16: Consideration of methodologies**

Method	Considerations	Approach
Share trading	<ul style="list-style-type: none"> <li>Share market trading in HUB24 shares is relatively liquid, indicating that the share price is likely to adequately reflect expectations of future performance.</li> <li>HUB24 provides quarterly market updates of FUA, a key driver of performance, and other significant matters.</li> <li>HUB24 is much larger than Class and a limited level of synergies has been quantified to date. As such the Proposed Transaction is not expected to have a significant effect on the HUB24 share price in the short-term.</li> <li>To the extent Shareholders receive HUB24 shares as consideration, in the near term, those shares could be sold at, or close to, the prevailing market price. If a Shareholder chose to hold HUB24 shares longer term, that is a separate investment decision that is not the subject of this report.</li> </ul>	Selected
Capitalisation of earnings	<ul style="list-style-type: none"> <li>In the short-term, we do not anticipate that the Proposed Transaction will have a material impact on the price of HUB24 shares. Thus, the capitalisation of earnings approach is less relevant to a Shareholder's decision about the Proposed Transaction than the analysis of share trading.</li> <li>There is limited analyst coverage of HUB24. However, FY22 earnings estimates are available.</li> <li>There are a number of comparable listed companies for which there is sufficient analyst coverage to determine market multiples.</li> </ul>	Cross-check
Discounted cash flow	<ul style="list-style-type: none"> <li>As with the capitalisation of earnings approach, we consider the analysis of share trading to be more relevant to a shareholders' decision than a discounted cash flow analysis.</li> <li>We do not have access to projections for HUB24 other than FY22 earnings estimates.</li> </ul>	Not considered
Asset based methods	<ul style="list-style-type: none"> <li>HUB24 is neither an asset-based business nor an investment holding company. Asset based methods are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets.</li> <li>We consider HUB24 to be a going concern as the business is currently profitable and is expected to continue to generate positive earnings. Therefore, an asset method is not appropriate.</li> </ul>	Not considered

## 8 VALUATION OF CLASS

We have assessed the fair market value of Class using the CFME method which requires consideration of the following factors:

- ◆ An appropriate level of maintainable earnings
- ◆ An appropriate earnings multiple
- ◆ The value of any non-operating assets and liabilities
- ◆ Relevant cross-checks.

These considerations are discussed in more detail below.

### 8.1 Maintainable earnings

#### Earnings base

The following measures of earnings are often used for business valuations:

- ◆ **Revenue:** mostly used for companies that do not make positive earnings or as a cross-check of a valuation conclusion derived using another method.
- ◆ **EBITDA:** most appropriate where depreciation distorts earnings, for example, a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.
- ◆ **EBITA:** in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.
- ◆ **EBIT:** while commonly used in practice, multiples of EBITA are usually more reliable than EBIT multiples as they remove the impact of amortisation which is a non-cash accounting entry that may not reflect a need for future capital investment (unlike depreciation).
- ◆ **NPAT:** relevant in valuing businesses where interest is a major part of the overall earnings (e.g. financial services businesses such as banks).

The selection of an appropriate earnings multiple also takes into consideration available comparable data and industry metrics.

Multiples of EBITDA, EBITA and EBIT are commonly used to value a business for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing a minority interest in a company as the investor has no control over the level of debt.

We have selected EBITDA and EBIT as appropriate measures for Class because:

- ◆ Earnings multiples based on EBITDA, EBITA and EBIT are not affected by different financing structures which impact multiples of NPAT.
- ◆ EBITDA is a commonly adopted metric in the industry and removes the impact of varying capital and asset structures across comparable companies.
- ◆ Comparable companies have significantly varying investments in intangible assets, particularly capitalised software assets and/or customer relationships acquired through business combinations. This results in large differences in amortisation costs across the comparable companies that are not necessarily reflective of ongoing investment requirements. Using a multiple of EBITDA eliminates the impact of this variance in amortisation expense.
- ◆ On the other hand, multiples of EBIT allow for differences in capital intensity between otherwise similar companies which are ignored by multiples of EBITDA. Therefore, an analysis of EBIT is often a preferred measure to EBITDA. In this instance, as there is less comparable EBIT data relative to EBITDA data, an analysis of EBITDA multiples is also relevant.
- ◆ The adoption of AASB 16 has resulted in an increase in EBITDA due to the de-recognition of rental payments as expenses, with a corresponding increase in depreciation and interest. Multiples of EBIT are less affected by this change in accounting standards than multiples of EBITDA.
- ◆ Third party forecasts of EBITA for comparable companies are not readily available, making EBITA multiples difficult to apply.

When considering an appropriate level of future maintainable earnings, it is important to adjust for any non-recurring items, as these items will not impact the ongoing earnings of the business.

### Maintainable EBITDA

The table below sets out Class' FY21 EBITDA and EBIT, including adjustments to incorporate the earnings impact of the recent acquisition of Topdocs and the annualised impact of the ReckonDocs acquisition:

**Table 17: EBITDA build up**

Description (\$m)	FY21
<b>Unadjusted EBITDA</b>	<b>21.9</b>
Topdocs acquisition	2.0
ReckonDocs full-year impact	1.8
<b>Adjusted EBITDA</b>	<b>25.7</b>
Depreciation	(1.8)
<b>Adjusted EBITA</b>	<b>23.9</b>
Amortisation <sup>1</sup>	(8.3)
<b>Adjusted EBIT</b>	<b>15.6</b>

Source: Class and Leadenhall analysis

Notes:

1. Excludes amortisation of acquired customer relationships which is a non-cash accounting entry and does not reflect an ongoing need for investment.

In considering an appropriate level of maintainable EBITDA and EBIT, we have focussed on the following key factors:

- ◆ **FY21 earnings:** As set out in Section 4.6, the EBITDA and EBIT for Class in FY21 was \$21.9 million and \$10.5 million respectively. These results do not reflect the full-year contribution from the acquisition of ReckonDocs or the acquisition of Topdocs, which occurred in September 2021. We have therefore made the following adjustments to Class' earnings to reflect the expected earnings of the business going forward:
  - Annual EBITDA contribution of \$2.0 million from the Topdocs business (on revenue of \$4.0 million per annum), including cost-related synergies expected to be realised from the acquisition.
  - Annualised EBITDA contribution of \$2.9 million from the ReckonDocs acquisition, assuming a 60% EBITDA margin on revenue of \$4.8 million per annum (being full-year revenue disclosed in Class' 2021 annual report). As ReckonDocs was acquired in March 2021, a portion of the earnings contribution (\$1.1 million) is reflected in FY21 earnings.
- ◆ **FY22 budget:** We have reviewed Class' budget for FY22. Meaningful revenue and earnings growth is expected from full-year contributions from new accounts added in FY21, continuing growth from the Class Trust product, cross-selling of the NowInfinity products to existing users of the Class product suite and ongoing changes to the pricing structure of NowInfinity products. These growth areas are in addition to the contributions from acquisitions.
- ◆ **Earnings guidance:** Class have announced a target revenue and EBITDA for FY22 of \$65.0 million and \$25.0 million respectively. We consider these targets to be slightly conservative given the short-term growth opportunities described above and year to date results.
- ◆ **Medium-term outlook:** Class have provided us with high-level forecasts to FY24. These forecasts incorporate a substantial level of growth in Class Trust (similar to the historical growth of Class Super) and NowInfinity revenue (assuming growth in transaction volumes and opportunities to optimise pricing).
- ◆ **Maintainable amortisation:** Class expect that in the medium-term, software expenditure will normalise to approximately 20% of revenue per annum. Over the past five years, Class have capitalised between 62% and 71% of its software expenditure. Based on our assessment of maintainable revenue, we have assumed maintainable amortisation of approximately \$10.5 million per annum, which includes \$1.3 million in amortisation of contractual rights and capitalised customer acquisition costs.

Based the above analysis, we have selected a future maintainable EBITDA of \$26.0 million to \$27.0 million and EBIT of \$15.5 million to \$16.5 million.

## 8.2 Earnings multiple

### Overview

The multiples selected to apply to maintainable earnings implicitly reflect expectations about future growth, risk and the time value of money all compensated for in a single number. Multiples can be derived from three main sources:

- ◆ Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX.
- ◆ Transactions involving companies engaged in the same or similar lines of business.
- ◆ It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations. This approach is generally used when the first two are not possible. We have not considered this approach in valuing Class.

### Trading multiples

In respect of public company trading multiples, we have considered publicly listed companies that operate businesses with similar industry exposure to Class. We have taken into account two sets of comparable companies. The first set includes software providers to the wealth management and administration sector in Australia while the second set includes independent platform providers in Australia. The following table sets out the historical and forecast trading EBITDA and EBIT multiples for the selected comparable companies:

**Table 18: Trading multiples of comparable companies**

Company	EV (\$'m)	EBITDA growth		EBITDA margin		EBITDA multiple		EBIT growth		EBIT margin		EBIT multiple	
		Current	Forecast	Current	Forecast	Current	Forecast	Current	Forecast	Current	Forecast	Current	Forecast
<b>Wealth management and administration</b>													
Link Administration Holdings Limited	2,922.0	1%	13%	22%	24%	11.3x	10.1x	-1%	26%	12%	15%	20.8x	16.5x
IRESS Limited	2,540.8	33%	3%	24%	24%	17.7x	17.2x	9%	6%	17%	17%	25.3x	23.8x
Bravura Solutions Limited	653.6	-3%	9%	23%	23%	10.7x	9.8x	-4%	10%	17%	18%	14.3x	13.0x
<b>Average</b>		<b>10%</b>	<b>8%</b>	<b>23%</b>	<b>24%</b>	<b>13.2x</b>	<b>12.3x</b>	<b>2%</b>	<b>14%</b>	<b>15%</b>	<b>16%</b>	<b>20.1x</b>	<b>17.8x</b>
<b>Median</b>		<b>1%</b>	<b>9%</b>	<b>23%</b>	<b>24%</b>	<b>11.3x</b>	<b>10.1x</b>	<b>-1%</b>	<b>10%</b>	<b>17%</b>	<b>17%</b>	<b>20.8x</b>	<b>16.5x</b>
<b>Platform providers</b>													
Netwealth Group Limited	4,148.4	22%	18%	54%	54%	43.4x	36.7x	19%	18%	52%	53%	45.0x	38.0x
HUB24 Limited	2,140.5	75%	40%	37%	39%	33.3x	23.8x	72%	42%	29%	31%	41.7x	29.4x
Praemium Limited	591.8	136%	31%	26%	29%	27.9x	21.4x	383%	50%	15%	19%	47.6x	31.7x
<b>Average</b>		<b>77%</b>	<b>30%</b>	<b>39%</b>	<b>41%</b>	<b>34.9x</b>	<b>27.3x</b>	<b>158%</b>	<b>37%</b>	<b>32%</b>	<b>34%</b>	<b>44.8x</b>	<b>33.0x</b>
<b>Median</b>		<b>75%</b>	<b>31%</b>	<b>37%</b>	<b>39%</b>	<b>33.3x</b>	<b>23.8x</b>	<b>72%</b>	<b>42%</b>	<b>29%</b>	<b>31%</b>	<b>45.0x</b>	<b>31.7x</b>
Class Limited	240.8	15%	9%	39%	39%	9.6x	8.8x	-1%	14%	16%	16%	23.7x	20.7x

Source: S&P Capital IQ, company announcements and Leadenhall analysis as at 29 October 2021, except for Class Limited which was conducted as at 15 October 2021, prior to the announcement of the Proposed Transaction.

It should be noted that these multiples are based on trading of minority shareholders. In contrast, we are considering the value of a Class share on a control basis. Therefore, consideration must be given to observed control premiums in the Australian market and the impact on the minority trading multiples, of the comparable companies, if applied. Further information on control premiums is provided in Appendix 3.

In addition to considering the differences between minority and control multiples, we have also considered the following factors in determining an appropriate earnings multiple to apply to the valuation of Class:

- ◆ Class is smaller than the comparable listed companies set out above. All other things being equal, smaller companies trade on lower multiples.
- ◆ Platform providers are less comparable to Class given their FUA-based business model, with strong growth expected from all three major platform providers driven by a combination of M&A activity in the sector and industry fundamentals. Of these, Netwealth and HUB24 in particular have higher EBIT margins than Class. All other things being equal, higher growth and higher margin companies tend to trade on higher multiples. We therefore expect Class to trade on a lower multiple than the listed platform providers.

- ◆ Bravura Solutions Limited ("**Bravura**"), a provider of wealth management and funds administration software, has experienced a recent decline in earnings with consensus forecasts indicating a further decline in FY22. Bravura's revenue consists of both recurring, contracted SaaS revenue, professional services revenue and one-off licence fees. FY21 has seen COVID-19 impacting the professional services segment of the business with a decline from 51.4% of total revenue in FY20 to 41.7% in FY21. Given Class' core recurring (less volatile) revenue base, stronger growth and higher margins, we would expect Class to trade at a higher multiple than Bravura.
- ◆ IRESS Limited ("**IRESS**") is a diverse fintech business which provides software to a range of financial sectors including wealth management, financial advice, funds management, portfolio administration, trading and funds administration. Over 90% of its revenue is recurring with a 99% retention rate over the last three years (as disclosed by IRESS). By contrast, Class' level of transactional revenue is increasing due to the acquisitions of NowInfinity and its related businesses. IRESS has released guidance to the market indicating a base level of revenue growth of 7% to 8% per annum is expected from FY20 to FY25, with an upside case of 10% to 11% revenue growth per annum over the same period. These growth rates exceed current consensus estimates for the business over the same period. Given the quality of IRESS' earnings, its significantly larger size and comparable growth and EBIT margins to Class, we consider that Class would attract a lower multiple than IRESS.
- ◆ Link Administration Holdings Limited ("**Link**") provides technology-driven administrative services to superannuation funds, trustees, companies, investment managers/funds and banks, among others. Its services include (but are not limited to) superannuation administration and other support services, trustee services, registry services, investor relations, company secretarial services, funds administration, and banking and credit management. Link is a relatively mature business with low growth expected in the short-term, due in part to the impact of COVID-19 and the current low interest rate environment. Between 22% and 25% of Link's revenue is non-recurring. Link's poor recent performance is reflected in recent impairment losses recognised in FY21 in relation to its banking and credit management segment. Whilst Class is much smaller than Link, Class produces higher margins with substantial earnings growth expected to continue into the medium term. Accordingly, we would expect Class to trade at a higher multiple than Link.

### Transaction multiples

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples in Australia. The table below shows the historical and forecast (where available) EBITDA and EBIT multiples from relevant transactions with publicly available data.

**Table 19: Transaction multiples**

Target	Acquirer	Target location	Date	Implied EV (\$'m)	EBITDA multiple Historical	EBITDA multiple Forecast	EBIT multiple Historical	EBIT multiple Forecast	
<b>Australian wealth management software</b>									
Xplore Wealth Limited	HUB24 Limited	Australia	19/02/2021	59.5	22.9x	11.9x to 13.2x	n/m	n/a	
OneVue Holdings	IRESS Limited	Australia	6/11/2020	112.7	17.1x	13.7x to 14.5x	n/a	n/a	
GBST Holdings Limited	FNZ (UK) Ltd	Australia	5/11/2019	225.9	14.1x	11.5x	15.8x	16.7x	
FinoComp Pty Ltd	Bravura Solutions Limited	Australia	31/10/2019	25.0	n/a	20.8x	n/a	n/a	
Rubik Financial Limited	Temenos Solutions Aust. Pty Ltd	Australia	22/05/2017	77.8	12.0x	8.6x to 11.1x	n/m	n/a	
Agility Applications	HUB24	Australia	3/01/2017	6.2	12.8x	n/a	n/m	n/a	
Financial Synergy Pty Ltd	IRESS Limited	Australia	26/09/2016	87.8	11.0x	n/a	n/a	n/a	
<b>Average</b>						<b>15.0x</b>	<b>13.8x</b>	<b>15.8x</b>	<b>16.7x</b>

Source: S&P Capital IQ, company announcements and Leadenhall analysis

**Notes:**

1. All transaction multiples except the OneVue Holdings and Xplore Wealth Limited multiples are calculated pre-AASB 16. Pre-implementation of AASB 16, EBITDA would have been lower as lease costs were included as an operating expense. As such, pre-AASB 16 multiples would be higher than post-AASB 16 multiples all other things being equal.
2. The range of forecast EBITDA for OneVue Holdings is derived from the mid-point of the selected maintainable earnings of the independent expert who provided an opinion on the transaction and the consensus analyst EBITDA at the time the transaction was announced. The forecast EBITDA for Xplore Wealth Limited and Rubik Financial Limited are derived from the respective independent expert reports prepared for those transactions.
3. The average forecast multiple includes the mid-points of the Xplore Wealth Limited, OneVue Holdings and Rubik Financial Limited forecast multiples.

The observed multiples from comparable transactions are control multiples and include any premium paid for control. Therefore, no adjustment for a control premium is required. These multiples also include any value paid for synergies, including any special value.

We have considered the following factors in relation to the above transaction multiples in determining an appropriate earnings multiple to apply to the valuation of Class:

- ◆ There is limited EBIT data available for the comparable transactions. We have therefore placed more reliance on EBITDA multiples in our evaluation of these transaction multiples.
- ◆ Class' EBITDA margins exceed all of the comparable target businesses. The lowest observed EBITDA margin was for Agility Applications at 6.1% (noting that this was based on the historical results for a single period) while the highest observed EBITDA margin was for Financial Synergy Pty Ltd ("**Financial Synergy**") which recorded an EBITDA margin of 29.1% for the 12 months to 30 June 2016. The EBITDA margins for the other comparable target companies ranged between 10.8% and 19.3%. All other things being equal, businesses with higher margins attract higher multiples.
- ◆ Class is also larger than all of the comparable target business. All other things being equal, larger companies trade on higher multiples than smaller companies.
- ◆ Whilst all of the companies have exposure to the wealth management industry, OneVue Holdings ("**OneVue**") and Financial Synergy have the largest exposure to the superannuation sector (relative to the rest of their respective product offerings).
  - OneVue operates through its fund services and platform services segments, with the fund services segment offering superannuation administration services. From FY15 to FY20, OneVue experienced strong growth in revenue at a CAGR of 14.2%, with recurring revenue of over 90% in FY20. Furthermore, OneVue's EBITDA grew from \$4.5 million in FY19 to \$6.6 million in FY20, representing 42% growth on the prior year. Overall, due to the higher levels of recurring revenue and growth prospects of OneVue, we expect that Class would trade on a slightly lower multiple.
  - Financial Synergy was an established provider of fund administration software to the superannuation and wealth management industries. No data is available on Financial Synergy's historical or expected growth.
- ◆ The highest observed forecast EBITDA multiple relates to the acquisition of FinoComp Pty Ltd ("**FinoComp**") by Bravura. FinoComp was a relatively early-stage company founded in 2015 which had grown rapidly until its acquisition. Its revenue grew by 27% from FY18 to FY19 and had been expected to continue growing at a similar rate for the next three years whilst EBITDA had been expected to grow at 50% per annum over the same period. Class would likely trade at a lower multiple than FinoComp.
- ◆ GBST Holdings Limited ("**GBST**") operates in the capital markets and wealth management industries in Australia and the UK, offering funds administration and management software to the wealth management industry. The company's exposure to the Australian wealth management industry was comparatively small at only 18.5% of total revenue in the financial year prior to completion of the transaction, and approximately 68% of GBST's total revenue was recurring, licensing revenue. At the time of the transaction, GBST had experienced 6.8% year-on-year growth in revenue on the back of two relatively poor financial years (declining revenues and lower margins). We consider that Class would attract a higher multiple than GBST given its stable revenue base, strong growth, larger size and higher margins.

## Conclusion

We have selected a forecast EBITDA multiple of 12.0x to 13.0x and a forecast EBIT multiple of 20.0x to 21.0x to value Class on a control basis.

### 8.3 Non-operating assets and liabilities

In order to assess the value of Class shares, it is necessary to identify any other assets and liabilities not included in the enterprise value calculated. These can be:

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other assets not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent / dividends) is excluded from the business value.
- ◆ **Non-operating liabilities:** liabilities of a company not directly related to its current business operations, although they may relate to previous business activities, for example claims against the entity.
- ◆ **Net debt:** comprising of debt used to fund a business, less surplus cash held by the company.

Each of these factors are considered below.

#### Surplus assets

We have not identified any surplus assets of Class.

#### Non-operating liabilities

There is an ongoing legal claim by View Legal Pty Ltd (a former supplier of NowInfinity) against NowInfinity. We understand that the Class board and management team consider the probability of any financial loss to Class resulting from this claim to be remote as there are legal protections in place through the seller's warranties and indemnities under the Share Sale and Purchase Agreement for the NowInfinity acquisition.

Furthermore, the consideration shares issued as part of the NowInfinity acquisition are held under escrow. We understand that Class may recover potential losses suffered as a result of this claim through these escrowed shares. Shareholders will have a smaller exposure to any potential loss arising from this claim, that is not recoverable from the vendors, as part of the Proposed Merged Entity.

#### Net debt

The net debt position for Class as at 30 September 2021 is \$24.8 million. We understand that there has been no material change in net debt since then.

### 8.4 Value allocated to options

Class currently has 844,663 options on issue as set out in Section 4.9 above. Given the options are significantly out of the money and there is a short time remaining to exercise them (less than six months), we have allocated no value to the options.

## 8.5 Performance rights and deferred rights

As set out in Section 4.9, Class currently has 2,333,973 Performance Rights and 278,116 Deferred Rights on issue. For the purpose of our valuation, we have assumed a portion of these rights will vest and have included the vested rights in the total number of shares on issue, for the purpose of assessing the value of a Class share. There are four tranches of Performance Rights on issue, set out below:

- ◆ **Tranche 3:** 566,667 Performance Rights subject to achieving at least a 25% CAGR in total shareholder return ("TSR") from 14 May 2019 to 13 May 2022. For every 500 basis point outperformance of the TSR hurdle, an additional 140,000 shares will be granted. The transaction price implies that the 25% TSR hurdle has been met as of the current date.
- ◆ **Tranche 4:** 524,059 Performance Rights subject to achieving independent EBITDA and revenue targets for FY22, each linked to the vesting of one half of the Performance Rights. There is a linear sliding scale in relation to each of the hurdles, with achievement of the low end of the scale resulting in 80% of the Performance Rights vesting. Class' FY22 budget indicates that the high end of the hurdles is expected to be exceeded by over 12%.
- ◆ **Tranche 5:** 588,729 Performance Rights subject to achieving independent EBITDA and revenue targets for FY23, each linked to the vesting of one half of the Performance Rights. There is a linear sliding scale in relation to each of the hurdles, with achievement of the low end of the scale resulting in 80% of the Performance Rights vesting. Class' forecasts to FY24 indicate that the high end of the hurdles is expected to be exceeded by over 5% for EBITDA and over 6% for revenue.
- ◆ **Tranche 6:** 654,518 Performance Rights subject to achieving independent EBITDA and revenue targets for FY24, each linked to the vesting of one half of the Performance Rights. There is a linear sliding scale in relation to each of the hurdles, with achievement of the low end of the scale resulting in 80.5% of the Performance Rights vesting. Class' forecasts to FY24 indicate that the high end of the hurdles is expected to be met (not exceeded).

We have assumed that Tranche 3, Tranche 4 and Tranche 5 of the Performance Rights vest in full, as the performance criteria has been or is expected to be met. For Tranche 6, we have assumed that 90% of the Performance Rights vest.

We have also included 100% of the Deferred Rights in the number of shares on issue as there are no vesting conditions attached to these rights other than employment.

The number of shares on issue, including the assumed vested Performance Rights and Deferred Rights is set out below:

**Table 20: Shares on issue**

Description	'000
Ordinary shares on issue	124,423
Vesting Performance Rights	2,269
Deferred Rights	278
<b>Total shares on issue</b>	<b>126,970</b>

Source: Class and Leadenhall analysis

## 8.6 Valuation summary

Based on the analysis set out above, the value of a Class share (on a control basis) is as set out in the table below:

**Table 21: Valuation summary**

	Equity Value (\$m)			
	EBITDA		EBIT	
	Low	High	Low	High
Maintainable earnings	26.0	27.0	15.5	16.5
Multiple	12.0x	13.0x	20.0x	21.0x
<b>Enterprise value</b>	<b>312</b>	<b>351</b>	<b>310</b>	<b>347</b>
Net debt	(24.8)	(24.8)	(24.8)	(24.8)
<b>Equity value</b>	<b>287.2</b>	<b>326.2</b>	<b>285.2</b>	<b>321.7</b>
Allocation to options	-	-	-	-
<b>Value allocated to ordinary shares</b>	<b>287.2</b>	<b>326.2</b>	<b>285.2</b>	<b>321.7</b>
Shares on issue ('000)	126,970	126,970	126,970	126,970
<b>Assessed value per ordinary share (\$)</b>	<b>2.262</b>	<b>2.569</b>	<b>2.246</b>	<b>2.534</b>

Source: Leadenhall analysis

## 8.7 High-level DCF cross-check

We have conducted a high level DCF analysis based on the forecasts to FY24 provided by Class and our assessed discount rate. Due to the commercially sensitive nature of these forecasts, we have not presented the precise assumptions which underpin the forecasts. In order to capture the value of the medium-term growth in Class' new products, we have extended the forecast to FY31 based on our review of the available information on Class, the industry it operates in and discussions with Class. The key inputs to this analysis are summarised below:

### Revenue

- ◆ Class Super is expected to grow at (or close to inflation) to FY24. We have assumed inflationary growth of 2.5% per annum beyond that.
- ◆ Moderate growth is expected for Class Portfolio and NowInfinity to FY24 (other than the annualised contributions from acquisitions). We have assumed growth tapers to 2.5% per annum by FY30.
- ◆ Substantial growth is forecast for Class Trust to FY24. We have assumed continuing but reduced growth to FY31 at which point Class Trust would have an approximate 29% share of the market, assuming inflationary growth in the trust market.
- ◆ The assumptions above produce a CAGR of 9.6% for Class' total revenue from FY21 to FY31.

### Expenses

- ◆ We have modified the forecast capitalisation of software development expenses to align it with the forecasts of capital expenditure. After this modification, Class' EBITDA margins are expected to remain at approximately 40% in the short-term, consistent with recent historical underlying EBITDA and short-term targets.
- ◆ Beyond FY24, we have assumed that growth in hosting, data and other costs of sales is consistent with overall revenue growth. Growth in other costs has been assumed to taper towards inflation over a period of three to five years.
- ◆ EBIT margins are expected to increase towards 38% over the forecast period. Whilst this exceeds recent performance, Class achieved EBIT margins of between 36% and 39% between FY17 and FY18, when its revenue consisted almost entirely of its mature Class Super product.

### Other items

- ◆ We understand that Class is undertaking substantial software development work in the near-term. We have assumed that software development costs normalise to 20% of revenue by FY27, consistent with announcements made by Class.
- ◆ Capital expenditure and depreciation on fixed assets is assumed to grow at 2.5% per annum.
- ◆ We have adopted a discount rate in the range of 10.5% to 11.0%
- ◆ The adopted terminal growth rate is 2.5%.

Based on the above inputs, the enterprise value for Class is in the range of \$296.5 million to \$317.7 million or \$2.17 to \$2.34 per share, which is broadly consistent with our assessed value. Thus, we consider the high-level DCF to be broadly supportive of the value derived from our primary valuation methodology.

## 8.8 Share trading analysis (cross-check)

Market trading in Class shares provides an indication of the market's assessment of the value of Class on a minority basis. We have presented an analysis of recent trading in Class shares in Section 4.10 above. When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- ◆ Class is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities.
- ◆ Class shares are reasonably widely held. In the 12 months leading up to the announcement of the Proposed Transaction, Class shares traded with an average daily volume of approximately 0.17 million with an average daily traded value of \$0.3 million. We consider this to be reasonably liquid and the level of trading to be attractive to small or mid-cap institutional investors.

As a result of these factors, we consider the market trading to be moderately well-informed and relatively liquid. We have therefore undertaken a high-level analysis of share market trading by assessing the level of control premium implied by our mid-point valuation range compared to the VWAP of a Class share over various periods leading up to the announcement of the Proposed Transaction on 18 October 2021, as set out in the following figure.

**Figure 8: Implied control premium to market trading prices**



Source: S&P CapIQ and Leadenhall analysis.

**Class Limited**

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The generally observed range for control premiums is between 20% and 40%. In addition, the average takeover premium observed for transactions in the information technology sector in Australia between 2007 and 2017 ranged from 1% to 100% (excluding outliers) with an interquartile range of 11.7% to 45.3% and an average of 33.8%. Further information on observed control premiums and takeover premiums is included in Appendix 3.

The control premium for Class is at the high end of the generally observed range and within the range of premiums observed in the information technology sector. We consider this to be reasonable since:

- ◆ The software sector generally attracts premiums towards the mid to high end of the range.
- ◆ Class is likely to be trading close to its intrinsic value given the liquidity of its shares, the interest shown by institutional investors and coverage by sell-side analysts.

This provides support for our primary CFME valuation of Class, on a control basis.

## 9 VALUATION OF CONSIDERATION

### 9.1 Introduction

Shareholders will receive their consideration (per Class share) as follows:

- ◆ Cash Consideration - \$0.125
- ◆ Scrip Consideration - 0.09090909 HUB24 shares

We have valued the cash component at face value which is typical unless there is a delay between completion and payment, or funds are received in tranches which is not the case for the Proposed Transaction.

We have determined the fair market value of the scrip component using an analysis of share market trading in HUB24 shares. We have cross-checked HUB24's implied earnings multiples on this basis against the trading multiples of comparable companies. This assessment has been made on a minority interest basis (i.e. excluding a control premium) as Class' existing shareholders would be minority shareholders in HUB24 if the Proposed Transaction proceeds.

### 9.2 Analysis of share market trading

As set out in Section 5.8, market trading in HUB24 shares is well informed and liquid with an average daily traded value of \$7.1 million, average daily volume of 0.27 million and a wide spread of shareholders. We consider this level of trading and liquidity to be appealing to institutional investors. We therefore consider an analysis of recent share market trading to be a reasonable basis to determine the fair market value of a HUB24 share.

The consideration is comprised of post-transaction shares. As such we have primarily analysed trading in HUB24 shares since the announcement of the Proposed Transaction on 18 October 2021. Since the announcement of the Proposed Transaction, HUB24 shares have traded in the range of \$26.38 on 6 December 2021 to \$33.13 on 19 October 2021, with a VWAP of \$30.29 and average daily volume and value of 0.27 million and \$8.3 million respectively. The latest share price as at 13 December 2021 is \$28.75.

Based on recent share market trading after the announcement of the Proposed Transaction, we have assessed the value of a HUB24 share to be in the range of \$29.00 and \$31.00.

### 9.3 Cross-check

Based on the selected value of a HUB24 share of between \$29.00 and \$31.00, the enterprise value and forecast EBITDA and EBIT multiples for HUB24 are set out in the table below.

**Table 22: Implied HUB24 EBITDA and EBIT multiples**

Implied EBITDA multiples		
(\$'m)	Low	High
Selected share price (\$)	29.00	31.00
Number of shares on issue (millions) <sup>1</sup>	70.0	70.0
<b>Notional market capitalisation</b>	<b>2,031.4</b>	<b>2,171.5</b>
Add: Net debt	(51.0)	(51.0)
Less: Cash from exercise of options <sup>2</sup>	(3.8)	(3.8)
Add: Transaction costs <sup>3</sup>	12.6	12.6
<b>Implied enterprise value</b>	<b>1,989.3</b>	<b>2,129.4</b>
<b>EBITDA multiples<sup>4</sup></b>		
Current - FY22	30.9x	33.1x
Forecast - FY23	22.1x	23.7x
<b>EBIT multiples<sup>4</sup></b>		
Current - FY22	38.7x	41.5x
Forecast - FY23	27.4x	29.3x

Source: Leadenhall analysis

Notes:

1. We do not have access to detailed information on each tranche of HUB24's options and performance award rights on issue. We have therefore assumed that 50% of the options and performance award rights will vest and have included them in the number of shares on issue. Assuming either all, or none, of these potential shares will vest does not result in a substantial change in the implied multiples and will not alter our assessment of the Proposed Transaction.
2. As the options are in the money, we have deducted the cash from the exercise of the vested options from the notional market capitalisation of HUB24. In making this assessment, we have assumed a weighted average exercise price based on the midpoint of the options' exercise prices, as set out in Section 5.7.
3. We have added back transaction costs of \$12.6 million to the implied enterprise value as expected transaction costs would be priced into the trading of HUB24 shares post-announcement.
4. EBITDA and EBIT multiples are calculated based on the consensus forecasts available prior to the Proposed Transaction.

Forecast multiples for companies that operate in the same or similar sectors to HUB24 are set out in the platform providers section of Table 18. The calculated HUB24 EBITDA multiples are within the range of the comparable companies. Overall, we consider that the cross-check provides support for the selected value of a HUB24 share.

### 9.4 Assessed value of consideration

Based on the analysis above, the assessed value of the consideration is set out in the table below.

**Table 23: Assessed value of consideration**

(\$)	Low	High
Number of HUB24 shares per Class share	0.09090909	0.09090909
Assessed value of a HUB24 share	29.00	31.00
<b>Assessed value of Scrip Consideration</b>	<b>2.64</b>	<b>2.82</b>
Cash Consideration	0.125	0.125
<b>Total value of consideration</b>	<b>2.76</b>	<b>2.94</b>

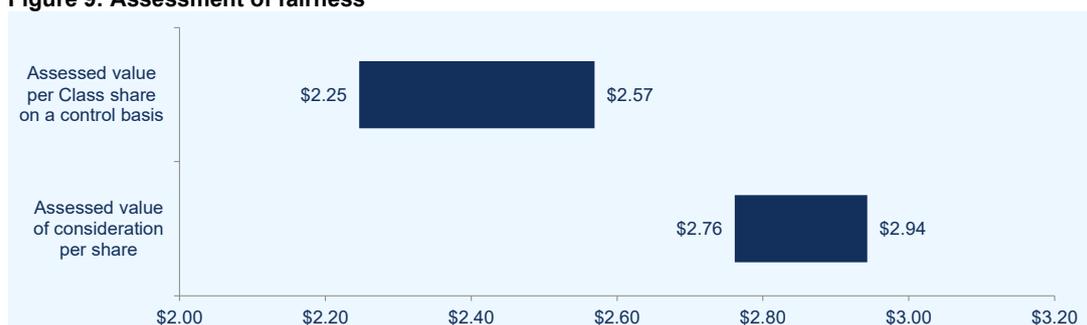
Source: Leadenhall analysis

## 10 EVALUATION

### 10.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Class share on a control basis (i.e. including a control premium) with the consideration offered (which includes cash and shares in HUB24 which have been valued without a control premium). This comparison is set out in the table below.

**Figure 9: Assessment of fairness**



Source: Leadenhall analysis

Since the consideration offered exceeds the value of a Class share, the Proposed Transaction is fair to Shareholders.

### 10.2 Reasonableness

In accordance with ASIC guidelines, we have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered the advantages and disadvantages of the Proposed Transaction below.

#### Advantages

##### Share price

Since the announcement of the Proposed Transaction, Class shares have traded approximately in line with the proposed consideration. This is considerably higher than trading prices before the announcement. If the Proposed Transaction is not approved, it is likely the trading price will fall, at least in the short-term.

##### Increased scale and potential for growth

The scrip component of the consideration allows for Class shareholders to benefit from exposure to a combined business with increased scale, greater access to capital, more diversified revenue and the potential for accelerated growth over the medium term through the combined capabilities of the two businesses.

##### Retained exposure to sector

The scrip component of the consideration also allows for Class shareholders to retain exposure to the sector if they wish to do so.

##### Control premium

The assessed value of the Proposed Consideration represents a control premium of between 55% and 66% compared to the one-week VWAP prior to the announcement of the Proposed Transaction. This is at the higher end of the observed range of control premiums as set out in Appendix 3.

#### *No superior alternative offer*

We are not aware of any competing proposals to acquire Class by any third party. However, we note that there would be an opportunity for any other interested party to put forward a competing offer prior to the scheme meeting being held. In these circumstances Shareholders would need to consider the competing offer before concluding on the Proposed Transaction.

#### **Disadvantages**

##### *Integration risks*

There is a risk that the process of integrating the two businesses may result in further costs not envisaged at this time. This risk is limited by the intention to operate Class as a standalone business unit within the HUB24 group, with its own leadership team and brands. Furthermore, Shareholders can choose to limit their exposure to this risk by divesting their shares in HUB24.

##### *Risks of achieving growth*

There is a risk that the growth opportunities envisaged for the combined businesses will not be realised, in which case the value of the Proposed Merged Entity may decline. However, recent declines in the HUB24 share price (since the announcement of the Proposed Transaction) may indicate that the market is placing limited value on these potential growth opportunities (as reflected in the low end of our valuation of the consideration, i.e. the combined Class and HUB24), creating the potential for upside should they be achieved.

##### *Loss of control*

If the Proposed Transaction is approved, Shareholders will lose control of Class. However, the Proposed Merged Entity will have multiple substantial shareholders with no one holder being able to exert significant influence over the company, making it less likely that any individual holder could implement decisions in its own favour at the expense of other investors.

##### *Tax implications*

The acceptance of the Proposed Transaction may have varying tax implications for individual shareholders, which could result in immediate tax leakage that would otherwise be deferred in other transaction structures or in the absence of the Proposed Transaction. Since this may impact the net cash consideration received, it may be a disadvantage for those shareholders that incur a taxation liability as a result of the Proposed Transaction. Shareholders should seek their own independent advice as to any potential tax implications of the Proposed Transaction.

#### **Conclusion on reasonableness**

As the Proposed Transaction is fair it is also reasonable.

### **10.3 Opinion**

As the Proposed Transaction is fair and reasonable, it is also in the best interests of Shareholders.

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is in their best interests. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

## APPENDIX 1: GLOSSARY

Term	Meaning
AASB 16	AASB 16 Leases
Agility	Agility Applications Pty Ltd
AIFRS	Australian equivalent to international financial reporting
All Ords	Australian All Ordinaries Index
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian Dollar
Banking Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
Bravura	Bravura Solutions Limited
Cash Consideration	\$0.125 in cash for each Class share held on the scheme record date
CCAF	Cambridge Centre for Alternative Finance
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
CFME	Capitalisation of Future Maintainable Earnings
Class	Class Limited
Clearview	Clearview Wealth Limited
Corporations Act	The Corporations Act 2001
DCF	Discounted cash flow
Deferred Rights	Deferred rights on issue under Class' Performance Rights and Deferred Rights Plan
Diverger	Diverger (formerly known as Easton Investments Limited)
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, taxes and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
Financial Synergy	Financial Synergy Pty Ltd
FinoComp	FinoComp Pty Ltd
FOFA	Future of Financial Advice
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FUA	Funds Under Administration
FUM	Funds Under Management
FY	Financial year
GBST	GBST Holdings Limited
HUBconnect	HUBconnect Pty Ltd
HUB24	HUB24 Limited
IPO	Initial public offering
IRESS	IRESS Limited
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
Link	Link Administration Holdings Limited
NowInfinity	NowInfinity 3505 Pty Ltd
NPAT	Net profit after tax
OneVue	OneVue Holdings

**Class Limited**

Independent Expert's Report and Financial Services Guide  
14 December 2021



Ord Minnett PARS	Ord Minnett's Portfolio Administration & Reporting Service
ORFR	Operational Risk Financial Requirement
P / E	Price to Earnings
Part 3	Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth)
Paragem	Paragem Pty Ltd
PBT	Profit before tax
Performance Rights	Performance rights issued under Class' Performance Rights and Deferred Rights Plan
Philo	Philo Capital Advisers
Proposed Merged Entity	The enlarged group comprising HUB24 and Class following the Proposed Transaction
Proposed Transaction	The proposed acquisition of all of the issued share capital in Class by HUB24 by way of a scheme of arrangement
RBA	Reserve Bank of Australia
RegTech	Regulatory technology
RG111	Regulatory Guide 111: Content of Expert Reports
Scrip Consideration	0.09090909 HUB24 shares for every Class share held on scheme record date
s411	Section 411 of the Corporations Act 2001
Shareholders	Current shareholders of Class
Smartcorp	Assuriti Pty Ltd
SMSF	Self-managed superannuation fund
Thomson Reuters Survey	Thomson Reuters Regulatory Intelligence in 2021
TSR	Total shareholder return
US	United States of America
USD	US Dollar
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital

## APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

### Discounted Cash Flow Method

#### Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

#### Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

### Capitalisation of Earnings Method

#### Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow,

where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

**Revenue** – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

**EBITDA** - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

**EBITA** - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

**EBIT** - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

**NPAT** - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

#### **Use of the Capitalisation of Earnings Method**

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

## **Asset Based Methods**

### **Description**

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter

time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

#### **Use of Asset Based Methods**

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

#### **Analysis of Share Trading**

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

#### **Industry Specific Rules of Thumb**

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

## APPENDIX 3: CONTROL PREMIUM

The outbreak of COVID-19 and the consequential general decline in share prices is likely to have an impact on implied control premiums in the current environment. Although there is anecdotal evidence from previous economic downturns of control premiums being higher than the long-term average in times of economic distress, it is difficult to quantify the impact of the current environment on long-term estimates based on currently available data. We have therefore presented our analysis of control premiums prior to the outbreak of COVID-19 noting that any reasonable range of control premiums does not impact our conclusion on the Proposed Transaction.

### Background

As discussed above, the difference between the control value and the liquid minority value of a security is the control premium. The inverse of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including the ability to:

- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner's remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

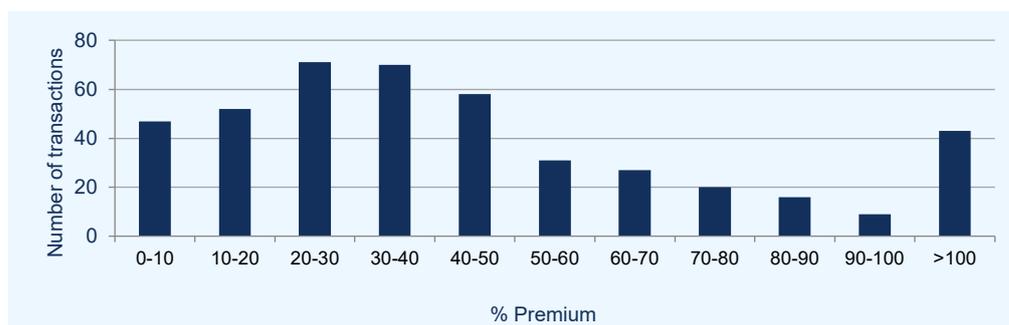
The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

### Takeover Premiums

#### Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2007 and 2017. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

Figure 10: Takeover premium by size



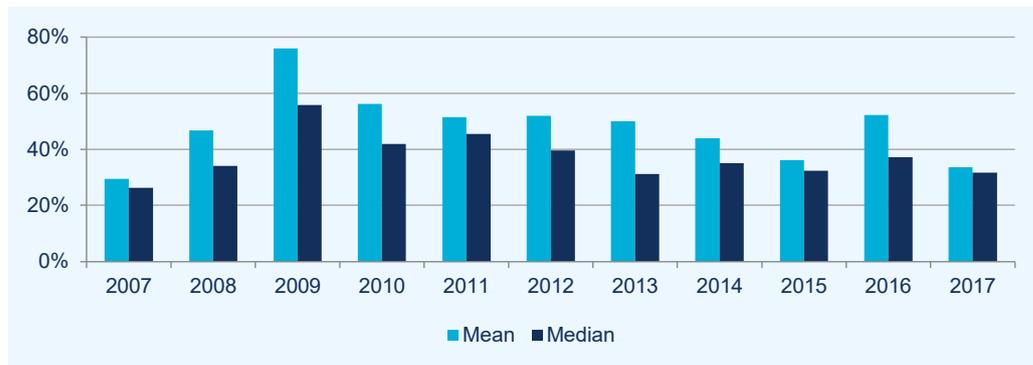
Sources: S&P Capital IQ, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premiums are in the range of 20% to 40%, with approximately 65% of all premiums falling in the range of 0% to 50%.

### Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

**Figure 11: Average takeover premium (1 month)**



Sources: S&P Capital IQ, Leadenhall analysis

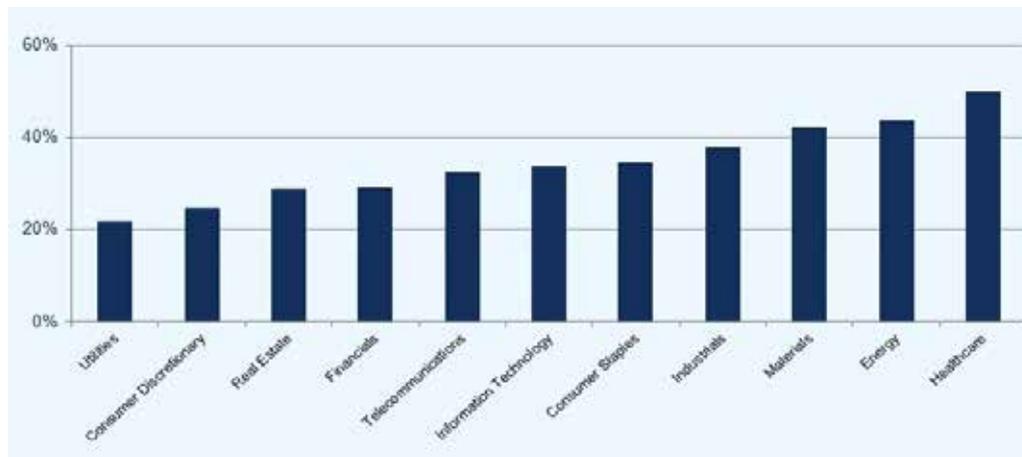
Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

### Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 40%.

**Figure 12: Average takeover premium (2007 to 2017)**



Sources: S&P Capital IQ, Leadenhall analysis

Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

Key factors that generally lead to higher premiums being observed include:

- ◆ Competitive tension arising from more than one party presenting a takeover offer.
- ◆ Favourable trading conditions in certain industries (e.g. recent mining and tech booms).
- ◆ Significant synergistic special or strategic value.
- ◆ Scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

## Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 35%
- ◆ Lonergan Edwards - 30 to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature on the topic.

## Alternative View

Whilst common practice is to accept the existence of a control premium in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate viewpoint to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. Those practitioners agree that the reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well run company and the company being run as it is.

## Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

### Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

### Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

### Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

## Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ 25% - ability to block a special resolution
- ◆ 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

### **50%**

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares is listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

### **20% to 50%**

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

### **<20%**

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

### **Key Factors in Determining a Reasonable Control Premium**

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – Generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a high dividend pay-out generally leads to a low premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders' agreement** - the existence and contents of a shareholder's agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium.

## APPENDIX 4: QUALIFICATIONS, DECLARATIONS AND CONSENTS

### Responsibility and purpose

This report has been prepared for Class' shareholders for the purpose of assessing whether the Proposed Transaction is in their best interests. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

### Reliance on information

In preparing this report we relied on the information provided to us by Class and HUB24 being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Class and HUB24's management for confirmation of factual accuracy.

### Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of Class' and HUB24's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for Class, when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of Class referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

### Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range

### Indemnities

In recognition that Leadenhall may rely on information provided by Class and HUB24 and their officers, employees, agents or advisors, Class has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Class and HUB24 and their officers, employees, agents or advisors or the failure by Class and HUB24 and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

### Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Nathan Timosevski, BBus, Grad Dip App Fin, BV Specialist, CA, A.FINSIA, Simon Dalgarno, B.Ec, FCA, F.FINSIA and Chern Fung Yee, BCom, CPA, Grad Dip App Fin (BV Specialisation).

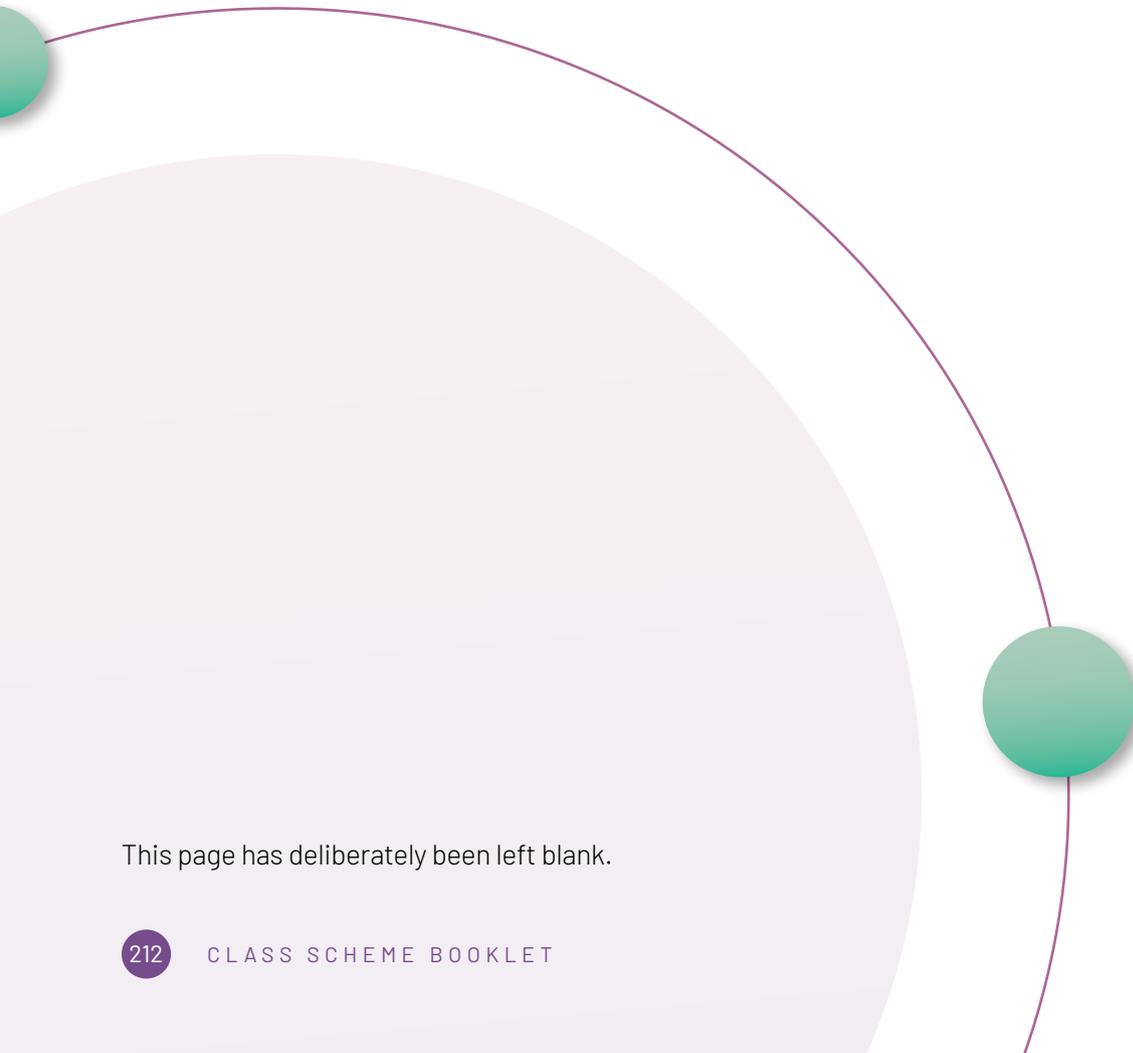
This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

**Class Limited**  
Independent Expert's Report and Financial Services Guide  
14 December 2021



### **Independence**

Leadenhall has acted independently of Class and HUB24. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.



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# Annexure B

Scheme of Arrangement



## **Scheme of Arrangement pursuant to section 411 of the *Corporations Act 2001* (Cth)**

### **Between**

**Class Limited** (ACN 116 802 058) of Level 20, 580 George St Sydney NSW 2000 (**Class**).

### **And**

**Each holder of Class Shares recorded in the Class Share Register as at the Scheme Record Date** (each a **Scheme Shareholder** and, together, the **Scheme Shareholders**).

### **Recitals**

- A Class is an Australian public company limited by shares, registered under the Corporations Act, and has been admitted to the official list of the ASX. Class Shares are quoted for trading on the ASX.
- B Bidder is an Australian public company limited by shares, registered under the Corporations Act, and has been admitted to the official list of the ASX. Bidder Shares are quoted for trading on the ASX.
- C Class and Bidder have entered into a Scheme Implementation Deed dated 18 October 2021 as amended from time to time (the **Scheme Implementation Deed**) pursuant to which:
- (a) Class has agreed to propose this Scheme to Class Shareholders; and
  - (b) Class and Bidder have agreed to take certain steps to give effect to this Scheme.
- D If this Scheme becomes Effective, then:
- (c) all of the Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to Bidder; and
  - (d) the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
  - (e) Class will enter the name and address of Bidder in the Class Share Register as the holder of all of the Scheme Shares.
- E Bidder has entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that Bidder will observe and perform the obligations contemplated of it under this Scheme.

**It is agreed** as follows.

## **1 Definitions and interpretation**

### **1.1 Definitions**

In this document, unless the context requires otherwise:

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**ASX Listing Rules** means the official listing rules of ASX.

**Bidder Share Registry** means Link Market Services Limited or any replacement provider of share registry services to Bidder.

**Business Day** means any day that is each of the following:

- (a) a Business Day within the meaning given in the ASX Listing Rules; and
- (b) a day on which banks are open for business in Sydney, Australia.

**Cash Consideration** means the cash amount of \$0.125 for each Scheme Share held by a Scheme Shareholder.

**Class Share** means a fully paid ordinary shares issued in the capital of Class.

**Class Share Register** means the register of members of Class maintained by or on behalf of Class in accordance with section 168(1) of the Corporations Act.

**Class Share Registry** means Link Market Services Limited or any replacement provider of share registry services to Class.

**Class Shareholder** means a person who is registered in the Class Share Register as a holder of Class Shares.

**CHESS** means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

**Constitution** means the constitution of Class, as amended from time to time.

**Corporations Act** means the *Corporations Act 2001* (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.

**Court** means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing between Class and Bidder.

**Deed Poll** means the deed poll executed on 9 December 2021 by Bidder in favour of the Scheme Shareholders.

**Effective** means, when used in relation to this Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to this Scheme.

**Effective Date** means the date on which this Scheme becomes Effective.

**Encumbrance** has the meaning given to that term in the Scheme Implementation Deed.

**End Date** means the date which is six months after the date of the Scheme Implementation Deed, subject to any extension under clause **Error! Reference source not found.** of the Scheme Implementation Deed.

**Implementation Date** means the fifth Business Day after the Scheme Record Date, or such other date as Class and Bidder may agree in writing.

**Ineligible Foreign Shareholder** means an Scheme Shareholder whose address, as shown in the Class Share Register (as at the Scheme Record Date), is in a place outside:

- (a) Australia and its external territories;
- (b) New Zealand; and
- (c) any other jurisdiction as may be agreed in writing by the Bidder and Class,

unless the Bidder determines (acting reasonably), that the laws of that place permit the allotment and issue of Bidder Shares to that Scheme Shareholder pursuant to the Scheme, either unconditionally or after compliance with conditions that the Bidder in its sole discretion regards as acceptable and not unduly onerous or impracticable.

**Registered Address** means, in relation to a Scheme Shareholder, the address of that Scheme Shareholder shown in the Class Share Register as at the Scheme Record Date.

**Sale Agent** means a person appointed by Bidder, in consultation with Class, to sell the Sale Shares under clause Schedule5.1(b).

**Sale Proceeds** means the gross proceeds of sale of the Sale Shares under clause Schedule5.1(b), less any applicable taxes and charges incurred by Bidder or the Sale Agent in connection with the sale.

**Sale Shares** means the Bidder Shares to which Ineligible Foreign Shareholders would have been entitled under this Scheme but for the operation of clause Schedule5.1(b).

**Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between Class and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court and agreed to by Bidder and Class (such agreement not to be unreasonably withheld or delayed) made or required by the Court under section 411(6) of the Corporations Act and agreed to by Class and Bidder.

**Scheme Consideration** means the consideration to be provided to Scheme Shareholders under the terms of the Scheme for the transfer to the Bidder of their Scheme Shares, being:

- (a) the Cash Consideration; and
- (b) the Scrip Consideration.

**Scheme Meeting** means the meeting of Class Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to this Scheme, and includes any adjournment or postponement of that meeting.

**Scheme Orders** means the orders of the Court made under section 411(4)(b) of the Corporations Act (and if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

**Scheme Record Date** means 7:00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between Class and Bidder, which may be a master transfer of all or part of all of the Scheme Shares.

**Scheme Shares** means the Class Shares on issue as at the Scheme Record Date.

**Scheme Transfer** means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the Corporations Act.

**Scrip Consideration** means 0.09090909 Bidder Shares for each Scheme Share held by a Scheme Shareholder.

**Second Court Date** means the first day of hearing of an application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving this Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

**Trust Account** means an Australian dollar denominated trust account held with an Australian bank operated by Class (or by the Class Share Registry on behalf of Class) as trustee for the Scheme Shareholders.

## 1.2 Interpretation

- (a) Headings are for convenience only and do not affect interpretation.
- (b) Mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included.
- (c) The following rules apply unless the context requires otherwise.

- (i) The singular includes the plural, and the converse also applies.
- (ii) A gender includes all genders.
- (iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (v) A reference to a clause is a reference to a clause of this Scheme.
- (vi) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (vii) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.
- (viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).
- (ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (x) A reference to *dollars* or \$ is to Australian currency.
- (xi) Words and phrases not specifically defined in this Scheme have the same meanings (if any) given to them in the Corporations Act.
- (xii) A reference to time is to Sydney, Australia time.
- (xiii) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.

## 2 Conditions

### 2.1 Conditions Precedent

This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8:00am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed (other than the condition precedent relating to the approval of the Court set out in clause **Error! Reference source not found.** of the Scheme Implementation Deed) has been satisfied or waived in accordance with the Scheme Implementation Deed;
- (b) as at 8:00am on the Second Court Date, neither the Scheme Implementation Deed nor the Deed Poll has been terminated in accordance with its terms;
- (c) the Court makes orders approving this Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act and that are agreed to Class and Bidder (such agreement not to be unreasonably withheld or delayed);

- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and that are agreed to Class and Bidder (such agreement not to be unreasonably withheld or delayed); and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme come into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

## **2.2 Lapsing**

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Class and Bidder otherwise agree in writing.

## **3 Scheme becoming Effective**

Subject to clause 2, this Scheme will take effect on and from the Effective Date.

## **4 Implementation of Scheme**

- (a) If the conditions precedent in clause 2.1 are satisfied or waived (other than the condition precedent in clause 2.1(e)), Class must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Scheme Orders as soon as possible and in any event before 5.00pm on the Business Day immediately following the day on which the Scheme Orders are entered, or such other date as agreed by Class and Bidder.

- (b) On the Implementation Date, subject to:

- (i) the payment by Class of the Cash Consideration in the manner contemplated by clause 5.3; and
- (ii) the Bidder having satisfied its obligation to provide the Scrip Consideration in the manner contemplated by clause 5.4,

all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Class or any of its directors and officers as attorney and agent for Scheme Shareholders under this Scheme), by:

- (iii) Class delivering to Bidder for execution duly completed Scheme Transfers to transfer all of the Scheme Shares to Bidder (and one or more Scheme Transfers can be a master transfer of all or part of all of the Scheme Shares), duly executed by Class (or any of its directors and officers) as the attorney and agent of each Scheme Shareholder as transferor under clause 8.3;
- (iv) Bidder executing the Scheme Transfers as transferee and delivering them to Class for registration; and
- (v) Class, immediately after receipt of the Scheme Transfers under clause 4(b)(iv), entering, or procuring the entry of, the name and address of Bidder in the Class Share Register as the holder of all of the Scheme Shares.

## 5 Scheme Consideration

### 5.1 Entitlement to Scheme Consideration

- (a) The Scheme Consideration in respect of each Scheme Share is:
- (i) the Scrip Consideration; and
  - (ii) the Cash Consideration.
- (b) Bidder will be under no obligation under this Scheme to issue, and will not issue, any Bidder Shares to any Ineligible Foreign Shareholder as part of the Scheme Consideration. Instead, unless Class and Bidder agree:
- (i) Bidder must issue the Bidder Shares that would otherwise have been issued to the Ineligible Foreign Shareholder be issued to the Sale Agent on the Implementation Date (rounded up or down, in the case of fractional entitlements, to the nearest whole number, in accordance with clause 5.7);
  - (ii) Bidder must procure that as soon as reasonably practicable after the Implementation Date, the Sale Agent sells the Bidder Shares issued to it on-market in such manner, at such price and on such other terms as the Sale Agent determines in good faith;
  - (iii) promptly after the last sale of those Bidder Shares, Bidder will procure that the Sale Agent pays to each Ineligible Foreign Shareholder (in accordance with clause 5.1(e)) the amount calculated in accordance with the following formula, rounded down to the nearest cent:

$$A = (B/C) \times D$$

where:

- A** is the amount to be paid to the Ineligible Foreign Shareholder;
  - B** is the number of Bidder Shares attributable to, and that would otherwise have been issued to, that Ineligible Foreign Shareholder had it not been a Ineligible Foreign Shareholder and which were instead issued to the Sale Agent;
  - C** is the total number of Bidder Shares attributable to, and which would otherwise have been issued to, all Ineligible Foreign Shareholders collectively and which were instead issued to the Sale Agent; and
  - D** is the Sales Proceeds.
- (c) Each Ineligible Foreign Shareholder acknowledges that the Bidder, Class or the Sale Agent do not give any assurance as to the price that will be achieved for the sale of the Sale Shares by the Sale Agent. The sale of Sale Shares by the Sale Agent will be at the risk of the Ineligible Foreign Shareholders.
- (d) Each Ineligible Foreign Shareholder appoints Class as its agent to receive on its behalf any financial services or other notices (including any update of those documents) that the Sale Agent is required to provide to the Ineligible Foreign Shareholder under the Corporations Act.
- (e) The Sale Proceeds may be paid by Bidder in the following manner:
- (i) where the Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Class Share Registry to receive dividend payments from Class by electronic funds transfer to

a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

- (ii) otherwise, whether or not the Ineligible Foreign Shareholder has made an election referred to in clause 5.1(e)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.5).

## **5.2 Deposit of Scheme Consideration**

Bidder must, by no later than 12.00pm on the date that is one Business Day before the Implementation Date:

- (a) deposit (or procure the deposit) in cleared funds into the Trust Account an amount at least equal to the aggregate amount of the Cash Consideration payable to each Scheme Shareholder provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account; and
- (b) provide written confirmation to Class as soon as reasonably practicable after making such deposit.

## **5.3 Provision of Cash Consideration**

- (a) On the Implementation Date, subject to Bidder having satisfied its obligations in clause 5.2, Class must pay or procure the payment, from the Trust Account, to each Scheme Shareholder the Cash Consideration where the Scheme Shareholder is entitled under this clause 5.
- (b) The obligations of Class under clause 5.3(a) will be satisfied by Class (in its absolute discretion):
  - (i) where a Scheme Shareholder who is entitled under this clause 5 to receive the Cash Consideration has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Class Share Registry to receive dividend payments from Class by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
  - (ii) otherwise, whether or not the Scheme Shareholder who is entitled under this clause 5 to receive the Cash Consideration has made an election referred to in clause 5.3(b)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.5).
- (c) If:
  - (i) a Scheme Shareholder does not have a Registered Address and no account has been notified in accordance with clause 5.3(b)(i) or a deposit into such an account is rejected or refunded; or

- (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.8(b),

Class as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Class (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with under the *Unclaimed Money Act 1995* (NSW). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with under *Unclaimed Money Act 1995* (NSW). Until such time as the amount is dealt with under *Unclaimed Money Act 1995* (NSW), Class must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of the Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Class must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amounts.

#### 5.4 Provision of Scrip Consideration

Bidder must, subject to clauses 5.5 and 5.7:

- (a) procure that on the Implementation Date:
  - (i) Bidder issues the Bidder Shares to each Scheme Shareholder who is entitled under this clause 5 to receive the Scrip Consideration in respect of that Scheme Shareholder's Scheme Shares; and
  - (ii) the name and address of each such Scheme Shareholder is entered in the Bidder Share Registry as the holder of the Bidder Shares issued to that Scheme Shareholder on the Implementation Date;
- (b) procure that on or before the date that is five Business Days after the Implementation Date, a holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder to whom Bidder Shares are provided in accordance with clause 5.4(a) representing the number of Bidder Shares provided to that Scheme Shareholder pursuant to this Scheme; and
- (c) ensure that the Bidder Shares issued, at the time they are issued:
  - (i) have the rights set out in the Bidder constitution;
  - (ii) rank equally in all respects among themselves and with all other Bidder Shares on issue in Bidder; and
  - (iii) are fully paid and free from any Encumbrance.

#### 5.5 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any amount comprising the Cash Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under the Schemes will be made payable to the joint holders and sent to either, at the sole discretion of Class, the holder whose name appears first in the Class Share Register as at the Scheme Record Date or to the joint holders;
- (b) any Bidder Shares to be provided under the Scheme must be provided to and registered in the names of the joint holders; and

- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Class, the holder whose name appears first in the Class Share Register as at the Scheme Record Date or to the joint holders.

#### 5.6 Foreign resident capital gains withholding

- (a) If Bidder determines, having regard to legal advice, that Bidder is either:
  - (i) required by law to withhold any amount from a payment or an issue of Bidder Shares (or a combination) to a Scheme Shareholder; or
  - (ii) liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from a Scheme Shareholder,  
(either of the above being the **Relevant Amount**), then Bidder is entitled to:
    - (iii) withhold the Relevant Amount before making the payment or issuing the Bidder Shares to the Scheme Shareholder (as applicable); and
    - (iv) where the Scheme Consideration consist of only Bidder Shares (i.e. there is no Cash Consideration), reduce the number of Bidder Shares issued by a number calculated by the following factor, RA/VS, rounded up to the nearest whole number of Bidder Shares, where:
      - (A) **RA** means the Relevant Amount; and
      - (B) **VS** means the value (as reasonably assessed by Bidder) of one Bidder Share; and
    - (v) where the Scheme Consideration is a combination of Cash Consideration and Bidder Shares, first withhold the Relevant Amount from any Cash Consideration, and payment of the reduced amount or issue of the reduced number of Bidder Shares (or a combination) and payment of the Relevant Amount to the relevant taxation authority pursuant to clause 5.6(b) will be taken to be full payment of the Relevant Amount for the purposes of this Scheme, including clauses 5.3 and 5.4.
- (b) Bidder must pay any Relevant Amount so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Shareholder.

#### 5.7 Fractional entitlements

- (a) If the number of Scheme Shares held by an Scheme Shareholder as at the Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration:
  - (i) includes a fractional entitlement to a Bidder Share; and/or
  - (ii) includes a fractional entitlement to a cent,then the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of Bidder Shares or cents (as applicable), and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of Bidder Shares or cents (as applicable).
- (b) Any fraction of a Bidder Share arising as a result of a rounding down under clause 5.7(a) will be paid in cash of an amount equal to the fraction multiplied by the issue price of one

Bidder Share (calculated as the closing price per share of Bidder Shares on ASX as at the Scheme Record Date) and rounded down to the nearest whole cent.

- (c) If Class and Bidder are of the reasonable opinion that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 5.7(a)) have, before the Scheme Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding or shareholding splitting or division, then Class and Bidder must consult in good faith to determine whether such matters have arisen and if agreement is reached between Class and Bidder following such consultation, Bidder may give notice to those Scheme Shareholders:
- (i) setting out their names and Registered Addresses;
  - (ii) stating that opinion; and
  - (iii) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the other provisions of this Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and Registered Addresses are set out in the notice will, for the purposes of the other provisions of this Scheme, be taken to hold no Scheme Shares. Bidder, in complying with the other provisions of this Share Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of this Scheme.

## **5.8 Unclaimed monies**

- (a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes "unclaimed money" (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (b) Class may cancel a cheque issued under this clause 5 if the cheque:
- (i) is returned to Class; or
  - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (c) During the period of six years commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Class (or the Class Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Class must reissue a cheque that was previously cancelled under this clause 5.8.

## **5.9 Remaining monies (if any) in Trust Account**

To the extent that, following satisfaction of Class' obligations under the other provisions of this clause 5, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of this Scheme, the Deed Poll and the Scheme Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by Class (or the Class Share Registry on Class' behalf) to Bidder.

## **5.10 Orders of a court**

- (a) If written notice is given to Class (or the Class Share Registry) of an order or direction made by a court that:
  - (i) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Class in accordance with this clause 5, then Class shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
  - (ii) prevents Class from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibitive by applicable law, Class shall be entitled to (as applicable):
    - (A) retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration; or
    - (B) direct Bidder not to issue, or to issue to a trustee or nominee, such number of Bidder Shares as that Scheme Shareholder would otherwise be entitled to under this clause,(as applicable), until such time as payment in accordance with this clause 5 is permitted by that (or another) court or direction or otherwise by law.
- (b) To the extent that amounts are so deducted or withheld in accordance with clause 5.10(a), such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction and withholding was made, provided that such deducted or withheld amounts are actually remitted as required.

## **6 Dealings in Class Shares**

### **6.1 Dealings in Class Shares by Scheme Shareholders**

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Class Shares will be recognised by Class provided that:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Class Share Register as the holder of the relevant Class Shares by the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Class Share Registry by 5.00pm on the day which is the Scheme Record Date at the place where the Class Share Register is located (in which case Class must register such transfers or transmission applications before 7.00pm on that day),

and Class will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders nor for any other purpose (other than to transfer to Bidder pursuant to this Scheme and any subsequent transfers by Bidder and its successors in title), any transfer or transmission application in respect of Class Shares received after such times, or received prior to such times but not in actionable or registrable form (as appropriate).

## **6.2 Class Share Register**

- (a) Class will, until the Scheme Consideration has been provided and the name and address of Bidder has been entered in the Class Share Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Class Share Register in accordance with this clause 6, and the Class Share Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.
- (b) As from the Scheme Record Date (and other than for Bidder following the Implementation Date), each entry in the Class Share Register as at the Scheme Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.
- (c) As soon as possible on or after the Scheme Record Date, and in any event within two Business Days after the Scheme Record Date, Class will ensure that details of the names, Registered Addresses and holdings of Class Shares for each Scheme Shareholder as shown in the Class Share Register are available to Bidder.

## **6.3 Effect of share certificates and holding statements**

As from the Scheme Record Date (and other than for Bidder following the Implementation Date), all share certificates and holding statements for Scheme Shares (other than statements of holding in favour of Bidder) will cease to have effect as documents of title in respect of those Scheme Shares.

## **6.4 No disposals after Scheme Record Date**

If this Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after 5.00pm on the Scheme Record Date (other than to Bidder in accordance with this Scheme and any subsequent transfers by Bidder and its successors in title), and any attempt to do so will have no effect and Class shall be entitled to disregard any such disposal, purported disposal or agreement.

## **7 Suspension and termination of quotation of Class Shares**

- (a) Class must use best endeavours to ensure that ASX suspends trading of the Class Shares on ASX with effect from the close of business on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Bidder, Class must apply to ASX for termination of official quotation of the Class Shares on ASX and the removal of Class from the official list of ASX.

## **8 General provisions**

### **8.1 Further assurances**

- (a) Each Scheme Shareholder and Class will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it.
- (b) Without limiting Class' other powers under this Scheme, Class has power to do all things that it considers necessary or desirable to give effect to this Scheme, the Scheme Implementation Deed and the transactions contemplated by them.

## 8.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

- (a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of this Scheme;
- (b) agrees to the modification or variation (if any) of the rights attaching to their Scheme Shares constituted by or resulting from the Scheme;
- (c) who receives Bidder Shares as the Scheme Consideration, agrees:
  - (i) to become a shareholder of Bidder and be bound by the terms of the Bidder constitution; and
  - (ii) to have their name registered in the register on which Bidder Shares are recorded as a holder of Bidder Shares (in respect of the Bidder Shares which they are issued pursuant to the Schemes);
- (d) acknowledges and agrees that this Scheme binds Class and all Scheme Shareholders (including those that did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting) and, to the extent of any inconsistency, overrides the Constitution; and
- (e) irrevocably consents to Class and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder.

## 8.3 Appointment of Class as attorney for implementation of Scheme

Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Class as that Scheme Shareholder's agent and attorney for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4(b)(iii); and
- (b) enforcing the Deed Poll against Bidder,

and Class accepts such appointment. Class, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 8.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

## 8.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidder, and, to the extent enforceable, to have appointed and authorised Class as that Scheme Shareholder's agent and attorney to warrant to Bidder, that all of their Scheme Shares (including all rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidder pursuant to this Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidder pursuant to this Scheme. Class undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidder on

behalf of that Scheme Shareholder.

#### **8.5 Title to and rights in Scheme Shares**

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder will, at the time of transfer of them to Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including "security interests" within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.3 and 5.4, Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Class of the name and address of Bidder in the Class Share Register as the holder of the Scheme Shares.

#### **8.6 Appointment of Bidder as attorney and agent for Scheme Shares**

- (a) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.3 and 5.4 until Bidder is registered in the Class Share Register as the holder of all Scheme Shares, each Class Shareholder:
  - (i) without the need for any further act by that Class Shareholder, irrevocably appoints Bidder as its proxy to (and irrevocably appoints Bidder as its agent and attorney for the purpose of appointing any director or officer of Bidder as that Class Shareholder's proxy and, where appropriate, its corporate representative to):
    - (A) attend shareholders' meetings of Class;
    - (B) exercise the votes attaching to the Class Shares registered in the name of the Class Shareholder; and
    - (C) sign any Class Shareholders' resolution;
  - (ii) must take all other action in the capacity of a Class Shareholder as Bidder reasonably directs; and
  - (iii) acknowledges and agrees that in exercising the powers referred to in clause 8.6(a), Bidder and any person nominated by Bidder under clause 8.6(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.3 and 5.4 until Bidder is registered in the Class Share Register as the holder of all Scheme Shares, no Class Shareholder may attend or vote at any meetings of Class Shareholders or sign any Class Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 8.6.

#### **8.7 Alterations and conditions to Scheme**

If the Court proposes to approve this Scheme subject to any alterations or conditions, Class may, by its counsel or solicitors, and with the prior written consent of Bidder:

- (a) consent on behalf of all persons concerned, including each Class Shareholder, to those alterations or conditions; and

- (b) each Scheme Shareholder agrees to any such alterations or conditions which Class has consented to.

#### **8.8 Enforcement of Deed Poll**

Class undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Shareholders.

#### **8.9 Consent**

Each of the Scheme Shareholders consents to Class doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Class or otherwise.

#### **8.10 Notices**

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Class, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Class' registered office or by the Class Share Registry, as the case may be.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Class Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

#### **8.11 Duty**

Bidder will:

- (a) pay all duty (including stamp duty and any related fines, penalties and interest) payable on the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to this Scheme; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 8.11(a).

#### **8.12 No liability when acting in good faith**

Each Scheme Shareholder agrees that none of Class and Bidder nor any director, officer, secretary or employee of Class or Bidder shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

#### **8.13 Governing law and jurisdiction**

This document is governed by the laws of New South Wales. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and courts of appeal from them in connection with matters concerning this document. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

# Annexure C

Deed Poll



## **Deed Poll**

**This Deed Poll** is made on 9 December 2021

### **By**

**HUB24 Limited** (ACN 124 891 685) of Level 2, 7 Macquarie Place Sydney NSW 2000 (**Bidder**)

### **In favour of**

**Each Scheme Shareholder**

### **Recitals**

- A Bidder and Class Limited (ACN 116 802 058) of Level 20, 580 George St Sydney NSW 2000 (**Class**) have entered into a Scheme Implementation Deed dated 18 October 2021 (the **Scheme Implementation Deed**).
- B Class has agreed in the Scheme Implementation Deed to propose the Scheme, pursuant to which, subject to the satisfaction or waiver of certain conditions precedent, Bidder will acquire all of the Scheme Shares from Scheme Shareholders for the payment of the Scheme Consideration.
- C In accordance with the Scheme Implementation Deed, Bidder is entering into this Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that Bidder will observe and perform the obligations attributed to it under the Scheme.

**It is agreed** as follows.

## **1 Definitions and interpretation**

### **1.1 Definitions**

Terms defined in the Scheme Implementation Deed have the same meaning in this Deed Poll, unless the context requires otherwise.

### **1.2 Interpretation**

The provisions of clause 1.2 of the Scheme Implementation Deed form part of this Deed Poll as if set out in full in this Deed Poll, and on the basis that references to 'this deed' in that clause are references to 'this Deed Poll'.

## **2 Nature of Deed Poll**

Bidder acknowledges that:

- (a) this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms, even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Class as its agent and attorney to enforce this Deed Poll against Bidder on behalf of that Scheme Shareholder.

## **3 Condition precedent and termination**

### **3.1 Condition precedent**

The obligations of Bidder under this Deed Poll are subject to the Scheme becoming Effective.

### 3.2 Termination

If the Scheme Implementation Deed is terminated in accordance with its terms before the Effective Date or the Scheme does not become Effective on or before the End Date, the obligations of Bidder under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless Class and Bidder otherwise agree in writing.

### 3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder is released from its obligations under this Deed Poll, except those obligations under clause 8.6; and
- (b) each Scheme Shareholder retains any rights, powers or remedies that Scheme Shareholder has against Bidder in respect of any breach of Bidder's obligations under this Deed Poll that occurred before termination of this Deed Poll.

## 4 Compliance with Scheme obligations

### 4.1 Obligations of Bidder

Subject to clause 3, Bidder covenants in favour of each Scheme Shareholder that it will duly and punctually observe and perform all actions attributed to Bidder under the Scheme, including the relevant obligations relating to the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.

## 5 Representations and warranties

Bidder represents and warranties in respect of itself that each of the following representations and warranties is true and correct.

- (a) **(Status)** It is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.
- (b) **(Power)** It has the power to enter into and perform its obligations under this Deed Poll, and to carry out the transactions contemplated by this Deed Poll.
- (c) **(Corporate authorisations)** It has taken all necessary corporate action to authorise the entry into and performance of this Deed Poll by it and to carry out the transactions contemplated by this Deed Poll.
- (d) **(Document binding)** This Deed Poll is its valid and binding obligation enforceable in accordance with its terms.
- (e) **(Transactions permitted)** The execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:
  - (i) a law or treaty or a judgment, ruling, order or decree binding on it; or
  - (ii) its constitution or other constituent documents.
- (f) **(Insolvency)** It is not subject to an Insolvency Event.

## 6 Continuing obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Bidder having fully performed its obligations under this Deed Poll; and

- (a) termination of this Deed Poll under clause 3.

## 7 Further assurances

Bidder will, on its own behalf and, to the extent authorised by the Scheme, on behalf of each Scheme Shareholder, do all things and execute all deeds, instruments, transfers or other documents as may be necessary to give full effect to the provisions of this Deed Poll and the transactions contemplated by it.

## 8 General

### 8.1 Notices

Any notice, demand, consent or other communication (a **Notice**) given or made under this Deed Poll:

- (a) must be in writing and signed by the sender or a person duly authorised by the sender;
- (b) must be sent by regular ordinary post (airmail if appropriate) to the addresses referred to below, or sent by email to the addresses referred to below:

- (i) to Bidder:
- |            |   |
|------------|---|
| Address:   | Level 2, 7 Macquarie Place<br>Sydney NSW 2000                 |
| Email:     | aalcock@hub24.com.au  |
| Attention: | Andrew Alcock, Chief Executive<br>Officer & Managing Director |

- (c) will be conclusively taken to be duly given or made:
- (i) in the case of delivery in person, when delivered;
- (ii) in the case of delivery by post, six Business Days after the date of posting (if posted to an address in the same country) or ten Business Days after the date of posting (if posted to an address in another country); and
- (iii) in the case of email, at the earliest of:
- (A) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;
- (B) the time that the intended recipient confirms receipt of the email by reply email; and
- (C) two hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives, within that two hour period, an automated message that the email has not been delivered,

but if the result is that a Notice would be taken to be given or made:

- (iv) in the case of delivery by hand or post, at a time that is later than 5pm;
- (v) in the case of delivery by email, at a time that is later than 7pm; or
- (vi) on a day that is not a business day,

in the place specified by the intended recipient as its postal address under clause 8.1(b), it will be conclusively taken to have been duly given or made at the start of business on the next business day in that place.

## **8.2 No waiver**

No failure to exercise nor any delay in exercising any right, power or remedy by Bidder or by any Scheme Shareholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

## **8.3 Remedies cumulative**

The rights, powers and remedies of Bidder and of each Scheme Shareholder under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

## **8.4 Amendment**

No amendment or variation of this Deed Poll is valid or binding unless:

- (a) either:
  - (i) before the Second Court Date, the amendment or variation is agreed to in writing by Class and Bidder (which such agreement may be given or withheld without reference to or approval by any Scheme Shareholder); or
  - (ii) on or after the Second Court Date, the amendment or variation is agreed to in writing by Class and Bidder (which such agreement may be given or withheld without reference to or approval by any Scheme Shareholder), and is approved by the Court; and
- (b) Bidder enters into a further deed poll in favour of the Scheme Shareholders giving effect to that amendment or variation.

## **8.5 Assignment**

The rights and obligations of Bidder and of each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior consent of Bidder and Class.

## **8.6 Duty**

Bidder will:

- (a) pay all duty (including stamp duty and any related fines, penalties and interest) payable on the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 8.6(a).

## **8.7 Governing law and jurisdiction**

This document is governed by the laws of New South Wales. Bidder submits to the non-exclusive jurisdiction of courts exercising jurisdiction there and courts of appeal from them in connection with matters concerning this document. Bidder irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

**Executed and delivered as a Deed Poll.**

**Executed** as a deed in accordance with section 127 of the *Corporations Act 2001* (Cth) by **HUB24 Limited**:



Director Signature



~~Director~~ Secretary Signature

Andrew Alcock

Print Name

Kitrina Shanahan

Print Name

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

Execution Page to Deed Poll

# Annexure D

Notice of Scheme Meeting



## Annexure D

### Notice of Scheme Meeting

#### Notice of Meeting

##### Class Limited

#### **NOTICE OF MEETING OF REGISTERED HOLDERS OF FULLY PAID ORDINARY SHARES IN CLASS.**

NOTICE IS HEREBY GIVEN, that a Scheme Meeting of Class Shareholders will be held virtually at 10:00am (Sydney time) on 31 January 2022.

As a result of the potential health risks associated with large gatherings and the ongoing COVID-19 pandemic, the Scheme Meeting will be a virtual (online only) meeting. The health of Class Shareholders, employees and other meeting attendees is of paramount importance and, therefore, there will not be a physical meeting where Class Shareholders or their proxies, attorneys or corporate representatives can attend in person.

Instead, Class Shareholders are invited to participate in the Scheme Meeting using an online platform or via telephone. This online platform will enable participants to view the Scheme Meeting live, ask questions online (in writing or verbally) or via telephone and vote on the Scheme Resolution in real time.

Further details on how to participate in the Scheme Meeting via the online platform are set out in the explanatory note that accompany and form part of this Notice of Scheme Meeting and in the Scheme Meeting Online Guide.

#### **BUSINESS**

The purpose of the Scheme Meeting to be held pursuant to this Notice of Scheme Meeting is to consider, and if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between Class and the Class Shareholders.

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part. Additional information about the Scheme Meeting is set out in the explanatory notes that accompany and form part of this notice.

#### **SCHEME RESOLUTION**

To consider and, if thought fit, to pass the following resolution:

*'That, under and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Class Limited (**Class**) and the holders of its fully paid ordinary shares, the terms of which are contained in and more particularly described in the Scheme Booklet of which the notice convening the Scheme Meeting forms part, is approved (with or without any alteration or conditions as approved by the Supreme Court of New South Wales and agreed to by Class and HUB24) and, subject to approval of the Scheme by the Court, the Class Board is authorised to implement the Scheme with any such alterations or conditions.'*

There are no relevant voting exclusions that apply to this Scheme Meeting.

#### **CHAIRMAN**

The Court has directed that Matthew Quinn is to act as chair of the Scheme Meeting (and that, if Mr Quinn is unable or unwilling to attend, Nicolette Rubinzstein is to act as chair of the Scheme Meeting) and has directed the chair to report the result of the meeting to the Court.

## **SCHEME MEETING FORMAT**

Class Shareholders and their proxies, attorneys and corporate representatives may participate in the Scheme Meeting via the online platform at <https://meetings.linkgroup.com/CL122> or via telephone.

Further details on how to participate in the Scheme Meeting are set out in the explanatory notes that accompany and form part of this Notice of Scheme Meeting and in the Scheme Meeting Online Guide which has been released to the ASX and will be available on the Company Website.

Class Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting, or will not have access to a device or the internet, are encouraged to lodge a direct vote or appoint a proxy by either completing the voting/proxy form enclosed with this Scheme Booklet or by lodging a direct vote or appointing a proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) in accordance with the instructions there (as applicable) so that it is received by no later than 10:00am (Sydney time) on 29 January 2022.

## **WEBCASTING**

In addition to the above, an archived recording of the webcast will also be available after the Scheme Meeting at <https://investors.class.com.au/Investors/>. You do not need to be a Class Shareholder to view the webcast.

**By order of the Court**

**Ms Jasmin Chew**

**Company Secretary**

**Class Limited**

## **EXPLANATORY NOTES TO THE NOTICE OF SCHEME MEETING**

These explanatory notes relate to the Scheme and should be read in conjunction with the Notice of Scheme Meeting and the information in the Scheme Booklet of which that notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

Unless the context requires otherwise, terms used in the Notice of Scheme Meeting and in these notes have the same meaning as set out in section 11 (Glossary and interpretation) of the Scheme Booklet.

### **1 Requisite Majorities**

For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majorities, being:

- (i) at least 75% of the total number of votes cast on the Scheme Resolution by eligible Class Shareholders present and voting at the Scheme Meeting; and
- (ii) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Class Shareholders present and voting at the Scheme Meeting.

The Court has the power to waive the requirement set out in sub-paragraph (ii).

### **2 Court approval**

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme (with or without any alterations or conditions) must be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Scheme Resolution put to this Scheme Meeting is passed by the Requisite Majorities and all Conditions Precedent (other than the Court approval of the Scheme) have been satisfied or waived (where capable of waiver), Class intends to apply to the Court on or around 4 February 2022 for approval of the Scheme.

### **3 Entitlement to vote**

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7:00pm (Sydney time) on 29 January 2022 (being the Scheme Meeting Record Date).

Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

### **4 Participation in the Scheme Meeting**

Class Shareholders and their proxies, attorneys and duly appointed corporate representatives can participate in and vote at the Scheme Meeting via the online platform at <https://meetings.linkgroup.com/CL122>.

The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow Class Shareholders and their proxies, attorneys and duly appointed corporate representatives to listen to the Scheme Meeting, cast an online vote and ask questions online (either in writing or verbally).

To participate and vote online, Class Shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of their holding statement or voting/proxy form), and their postcode (or country code if outside Australia). The Class Share Registry will email proxyholders their login details 24 hours prior to the Scheme Meeting. Attorneys and duly appointed corporate representatives can obtain an online voting card, or ask questions via the telephone line, by entering the SRN/HIN and postcode of the relevant Class Shareholder.

Class Shareholders and their proxies, attorneys and corporate representatives who would prefer to attend the Scheme Meeting by telephone can do so by dialling +61 1800 798 067 or +61 2 9189 5793 (outside of Australia). For verification purposes, Class Shareholders will require a unique PIN. To obtain this

unique PIN, please contact Link Market Services on 1800 990 363 or +61 1800 990 363 (outside of Australia) by 5:00pm (Sydney time) on 28 January 2022.

It is recommended that Class Shareholders login to the online platform at least 15 minutes prior to the scheduled start time for the Scheme Meeting. The Scheme Meeting Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The Scheme Meeting Online Guide has been released to the ASX and will be available on the Company Website.

Please monitor the Company Website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meeting.

## 5 How to vote

Voting at the Scheme Meeting will be conducted by poll.

If you are a Class Shareholder entitled to vote at the meeting, you may vote:

- online, by participating and voting via the virtual meeting online platform at <https://meetings.linkgroup.com/CL122> or by submitting a direct vote online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by completing and submitting the voting/proxy form in accordance with the instructions on that form;
- by proxy, by lodging a voting/proxy form online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by completing and submitting the voting/proxy form in accordance with the instructions on that form. To be effective, your proxy appointment must be received by the Class Share Registry by 10:00am (Sydney time) on 29 January 2022;
- by attorney, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Class Share Registry by 10:00am (Sydney time) on 29 January 2022; or
- by corporate representative, in the case of a body corporate, appointing a body corporate representative to participate in and vote at the Scheme Meeting on your behalf, and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) by 10:00am (Sydney time) on 29 January 2022 in accordance with section 7.4 below.

Please note that Class Shareholders do not have the option to vote at the Scheme Meeting by telephone.

Even if you plan to participate in the meeting online, you are still encouraged to cast a direct vote or submit a directed proxy in advance of the meeting so that your votes can still be counted if, for any reason, you cannot participate online on the day. To cast a direct vote, you should mark the box 'Vote Directly' in step 1 of the voting/proxy form and lodge the voting/proxy form online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or submit the voting/proxy form in accordance with the instructions on that form.

If you cast a direct vote prior to the Scheme Meeting you may still attend the Scheme Meeting online. If you attend the Scheme Meeting online, your direct vote will not be cancelled unless you cast a direct vote live during the Scheme Meeting. If a Class Shareholder casts a direct vote live during the Scheme Meeting, they are taken to have revoked the authority of a proxy, attorney or representative to vote on their behalf on that resolution under an instrument of appointment received by Class before registering online for direct voting.

## 6 Jointly held securities

If you hold Class Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote at the meeting, only the vote of the holder whose name appears first on the Class Share Register will be counted.

See also the comments in section 7.2 below regarding the appointment of a proxy by persons who jointly hold Class Shares.

## 7 Voting

### 7.1 Voting online

To vote online, you must participate in the Scheme Meeting via the virtual meeting online platform at <https://meetings.linkgroup.com/CL122>.

Online voting will be open between the start of the Scheme Meeting and the closing of voting as announced by the chair during the Scheme Meeting.

### 7.2 Voting by proxy

A Class Shareholder entitled to participate in and vote at the Scheme Meeting may appoint a person to participate in and vote at the Scheme Meeting as their proxy. To do so, either they should mark the box 'Appoint a Proxy' in step 1 of the voting/proxy form to appoint the chair of the Scheme Meeting as their proxy, or insert the name and email address of their alternative proxy in the space provided. Please refer to section 7.5 of this Notice of Scheme Meeting below for further details in relation to how to submit a voting/proxy form.

The following applies to proxy appointments:

- a proxy need not be another Class Shareholder, and may be an individual or a body corporate. If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with sections 250D and 253B of the Corporations Act to exercise its powers as proxy at the Scheme Meeting;
- a Class Shareholder who is entitled to cast two or more votes at the Scheme Meeting may appoint one or two proxies. If you wish to appoint a second proxy, a second hard copy voting/proxy form should be used and you should clearly indicate on the second voting/proxy form that it is a second proxy and not a revocation of your first proxy. Both voting/proxy forms should be returned together in the same envelope. If you wish to appoint two proxies using hard copy voting/proxy forms, you will need to obtain a second voting/proxy form. Please contact the Class Share Registry on 1300 306 413 (within Australia) or +61 1300 306 413 (outside Australia) to obtain an additional voting/proxy form. You cannot appoint a second proxy using the online platform. Where two proxies are appointed, each proxy should be appointed to represent a specified proportion of the Class Shareholder's voting rights. If a Class Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Class Shareholder's votes, each proxy may exercise half of that Class Shareholder's votes with any fractions of votes disregarded;
- if you hold Class Shares jointly with one or more other persons, in order for your proxy appointment to be valid, either Class Shareholder may sign the voting/proxy form; and
- each proxy will have the right to vote on the poll and also to ask questions at the meeting.

A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority.

If you have appointed a proxy, when logging in to the live webcast of the Scheme Meeting, you will have the option to either revoke your proxy or view the Scheme Meeting as a 'visitor'. If you revoke your proxy when logging in, you will be able to participate in and vote at the Scheme Meeting. However, if you do not

revoke your proxy, then you will only be able to view the live webcast of the Scheme Meeting, and will not be able to vote on the resolutions.

A vote given in accordance with the terms of a proxy appointment is valid unless the shareholder revokes the proxy when logging into the Scheme Meeting, or provides written notice of the revocation of that appointment to the Class Share Registry, and such notice has been received by the Class Share Registry before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways in section 7.5 below.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on the Scheme Resolution, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your voting/proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chair of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not participate in the meeting, the chair of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your voting/proxy form. The chair of the meeting intends to vote all available undirected proxies in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.

### **7.3 Voting by attorney**

You may appoint an attorney to participate in and vote at the meeting on your behalf. Your attorney need not be another Class Shareholder. Each attorney will have the right to vote on the poll and also to speak at the Scheme Meeting.

The power of attorney appointing your attorney to participate in and vote at the meeting must be duly executed by you and specify your name, the company (that is, Class), details of the holding the power of attorney is representing and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the Class Share Registry before 10:00am (Sydney time) on 29 January 2022 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of ways specified for voting/proxy forms in section 7.5 below, except that the power of attorney or a certified copy of the power of attorney cannot be lodged online or by mobile device.

A validly appointed attorney wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Class Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

### **7.4 Voting by corporate representative**

A body corporate that is a Class Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D and 253B of the Corporations Act. A form of certificate may be downloaded via [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or obtained from the Class Share Registry by calling 1300 306 413

between 9.00am to 5.00pm (Sydney time) (excluding public holidays). The certificate of appointment may set out restrictions on the representative's powers.

The certificate must be received the Class Share Registry by before 10:00am (Sydney time) on 29 January 2022. Class Shareholders may submit the certificate:

- via email, by sending it to [vote@linkmarketservices.com.au](mailto:vote@linkmarketservices.com.au); or
- in any of the ways specified for voting/proxy forms in section 7.5 of this Notice of Scheme Meeting, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Class Share Registry.

A validly appointed corporate representative wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Class Shareholder's name and postcode and the SRN/HIN of the holding in order to access the online platform.

### 7.5 How to submit a voting/proxy form

To appoint a proxy, you should complete and submit the voting/proxy form in accordance with the instructions on that form or lodge your proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) in accordance with the instructions there (as applicable).

To be effective, proxy appointments must be received by way of completed voting/proxy forms by the Class Share Registry by 10:00am (Sydney time) on 29 January 2022 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways.

- **Online:** at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and follow the prompts.
- **By mobile device:** If you have a smart phone, you can now lodge your vote via the Link website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by scanning the QR code on the voting/proxy form. To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device. Log-in using the SRN/HIN and postcode for your shareholding.
- **By post in the provided reply paid envelope to the Class Share Registry at the following address:** Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia.
- **By hand delivery (during normal business hours) to the Class Share Registry at the following address:**  
Level 12, 680 George Street  
Sydney NSW 2000
- **By fax to the Class Share Registry on:** +61 2 9287 0309.

Proxy forms received after this time will be invalid.

If a voting/proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other

authority, must accompany the completed voting/proxy form unless the power of attorney or other authority has previously been received by the Class Share Registry.

For more information concerning the appointment of proxies and ways to lodge the voting/proxy form, please refer to the voting/proxy form.

## **8 Questions**

Class Shareholders and proxyholders will have a reasonable opportunity to ask questions during the Scheme Meeting via the online platform (in writing or verbally) or via telephone.

When the chair of the Scheme Meeting calls for questions, you will receive instructions on how to raise your virtual hand to ask a question during the Scheme Meeting. The call moderator will then introduce themselves to ask you what item of business your question relates to, and will assist with submitting the question to the meeting at the appropriate time.

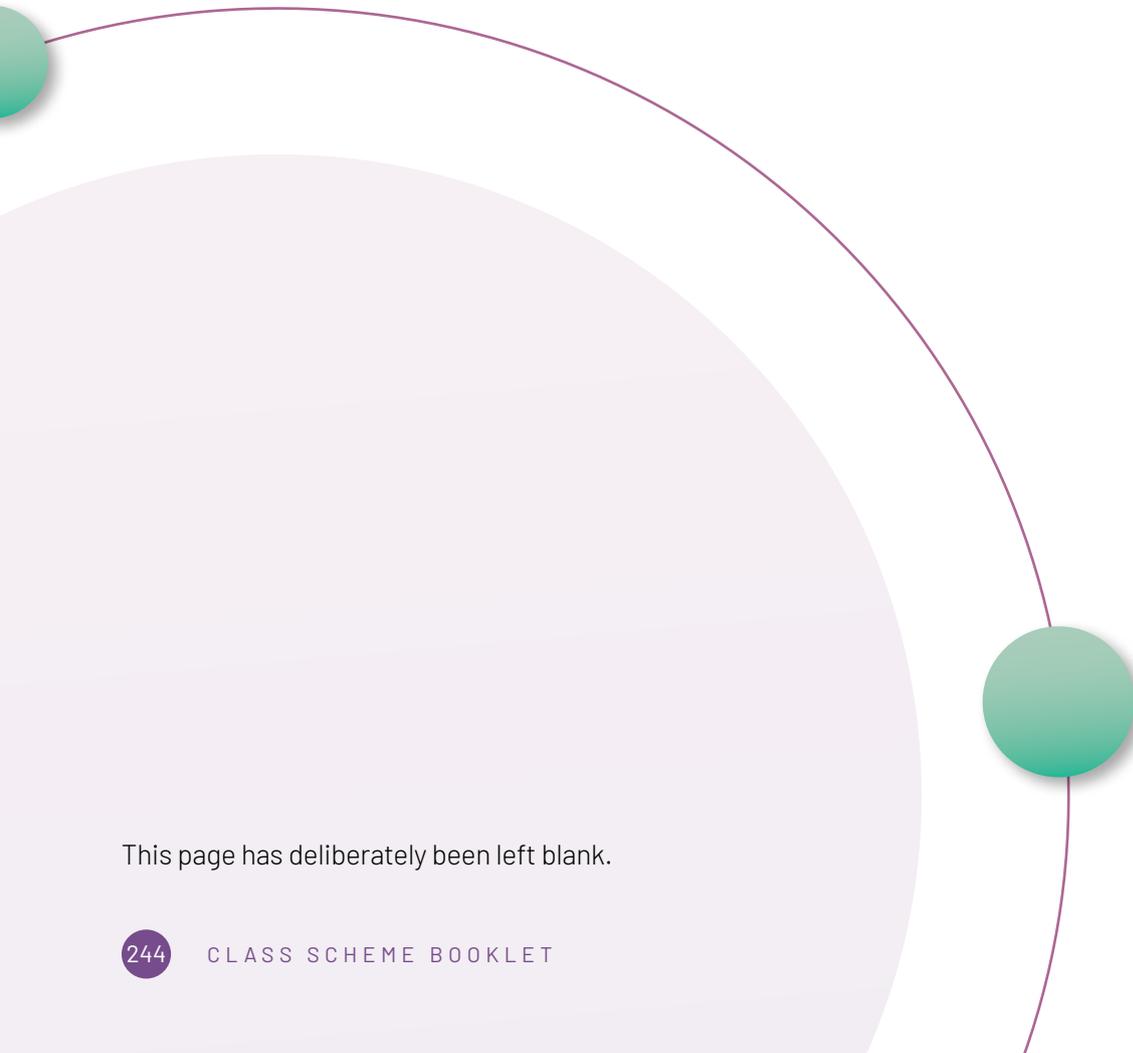
Class Shareholders who prefer to register questions in advance of the Scheme Meeting are also invited to do so by submitting questions online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

The chair of the Scheme Meeting will endeavour to address as many of the questions as possible during the course of the Scheme Meeting. However, there may not be sufficient time available during the Scheme Meeting to address all of the questions raised. Please note that individual responses may not be sent to Class Shareholders.

Questions must be submitted to the Class Share Registry by 10:00am (Sydney time) on 29 January 2022.

## **9 Technical difficulties**

Technical difficulties may arise during the course of the Scheme Meeting. The chair has discretion as to whether and how the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the chair will have regard to the number of Class Shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the chair considers it appropriate, the chair may continue to hold the Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.



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# Corporate Directory

## Registered office and principal place of business

Class Limited  
Level 20, 580 George Street  
Sydney NSW 2000

## Legal adviser

Allens  
Level 28, Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000

## Financial adviser

UBS AG, Australia Branch  
Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## Independent Expert

Leadenhall Corporate Advisory Pty Ltd  
Level 6, 111 Elizabeth Street  
Sydney NSW 2000

## Class Share Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
Class Shareholder Information Line: 1300 306 413  
(within Australia) or +61 1300 306 413 (outside Australia)

## Stock exchange listing

Class Shares are listed on the Australian Securities Exchange (ASX Code:CL1)

## Company Website

[www.class.com.au](http://www.class.com.au)

## Investor Website

[investors.class.com.au/Investors/](http://investors.class.com.au/Investors/)



**Class Ltd** ACN 116 802 058

**Address** Level 20, 580 George Street  
Sydney NSW 2000

**Phone** 1300 851 058

**Email** [media@class.com.au](mailto:media@class.com.au)

**LODGE YOUR VOTE**
 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)
 **BY MAIL**  
 Class Limited  
 C/- Link Market Services Limited  
 Locked Bag A14  
 Sydney South NSW 1235 Australia

 **BY FAX**  
 +61 2 9287 0309

 **BY HAND**  
 Link Market Services Limited  
 Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**  
 Telephone: +61 1300 554 474

**X99999999999**
**VOTING/PROXY FORM**

I/We being a member(s) of Class Limited and entitled to attend and vote hereby appoint:

**STEP 1** Please mark either A or B

**A VOTE DIRECTLY**
 **elect to lodge my/our vote(s) directly (mark box)**
 in relation to the Scheme Meeting of the Company to be held at **10:00am on Monday, 31 January 2022**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

**OR**
**B APPOINT A PROXY**
 **the Chairman of the Meeting (mark box)**
**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

 Name 

 Email 

 Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10:00am, Monday 31 January 2022** (the **Meeting**) and at any postponement or adjournment of the Meeting.

 The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://meetings.linkgroup.com/CL122> (refer to details in the Virtual Scheme Meeting Online Guide). You can view and download the **Notice of Scheme Meeting and Explanatory Memorandum** at the Company's website at <https://investors.class.com.au/Investors/>
**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**
**VOTING DIRECTIONS**
**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.**
**Please read the voting instructions overleaf before marking any boxes with an** 
**Resolutions**
**For    Against    Abstain\***

- 1** 'That, under and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Class Limited (**Class**) and the holders of its fully paid ordinary shares, the terms of which are contained in and more particularly described in the Scheme Booklet of which the notice convening the Scheme Meeting forms part, is approved (with or without any alteration or conditions as approved by the Supreme Court of New South Wales and agreed to by Class and HUB24) and, subject to approval of the Scheme by the Court, the Class Board is authorised to implement the Scheme with any such alterations or conditions.'


\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED**

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)




Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

 This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

**CL1 PRX2201N**


## HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### VOTING UNDER BOX A – VOTE DIRECTLY

If you mark the box in Box A you are indicating that you wish to vote directly. Please only mark either "For" or "Against" for each item. Do not mark the "Abstain" box. If you mark the "Abstain" box for an item, your vote for that item will be invalid.

If you mark the boxes in both Box A and Box B, you will be taken to have voted directly and any instructions given in relation of the appointment of a proxy will have no effect.

If you do not mark a box in Box A or Box B, you will be taken to have appointed the person named in the form as proxy. If no person is named, the Chairman of the Meeting will be deemed your appointed proxy.

If you have lodged a direct vote, and then attend and vote at the Meeting, your direct vote will be cancelled.

Custodians and nominees may, with the share registry's consent, identify on the Voting Form the total number of votes in each of the categories "For" and "Against" and their votes will be valid.

The Chairman's decision as to whether a direct vote is valid is conclusive.

### VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. If you leave this Box Blank, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

The Chairman of the Scheme Meeting intends to vote all available undirected proxies in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Class Shareholders.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting Virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at [vote@linkmarketservices.com.au](mailto:vote@linkmarketservices.com.au) prior to admission in accordance with the Notice of Scheme Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Saturday, 29 January 2022**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent to the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Class Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
Level 12  
680 George Street  
Sydney NSW 2000

\*During business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions

# Virtual Meeting Online Guide

## Before you begin

Ensure your browser is compatible. Check your current browser by going to the website: **[whatismybrowser.com](http://whatismybrowser.com)**

---

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up
- Microsoft Edge - 92.0 and after

**To attend and vote you must have your security holder number and postcode.**

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

**Please make sure you have this information before proceeding.**

# Virtual Meeting Online Guide



Welcome to the Link Meeting 2021

**LINK**Group

Please register your details to participate

Full Name

Mobile (e.g. 022 123 1234)

Email

I am a...

I have read and accept the [Terms & Conditions](#)

**REGISTER AND WATCH AGM**

Help Number: 1800 990 363

## Step 1

Open your web browser and go to <https://meetings.linkgroup.com/CL122>

## Step 2

Log in to the portal using your full name, mobile number, email address, and participant type.

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

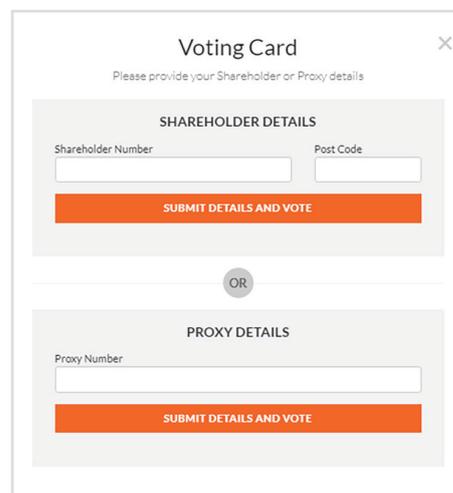
- On the left – a live audio webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

**Note:** If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

## 1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.



Voting Card

Please provide your Shareholder or Proxy details

**SHAREHOLDER DETAILS**

Shareholder Number

Post Code

**SUBMIT DETAILS AND VOTE**

OR

**PROXY DETAILS**

Proxy Number

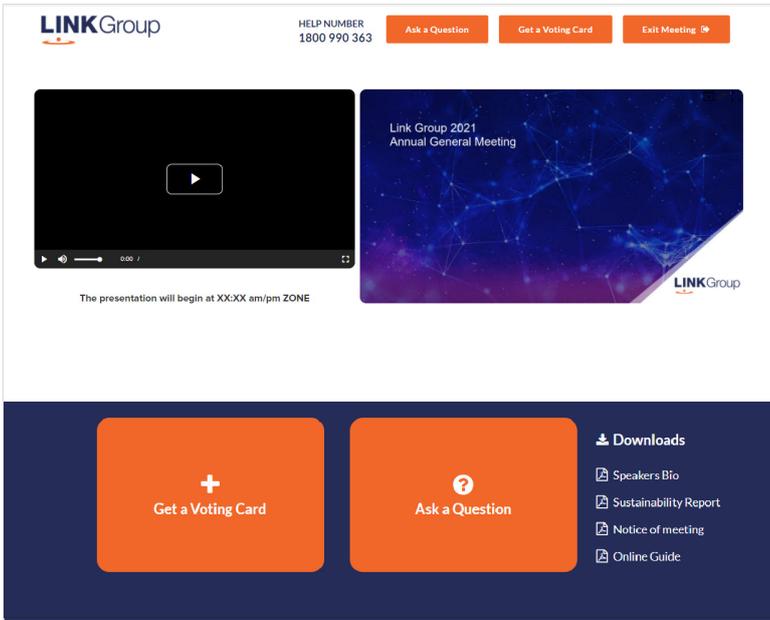
**SUBMIT DETAILS AND VOTE**

If you are an individual or joint security holder you will need to register and provide validation by entering your security holder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by security holders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Security holders and proxies can either submit a Full Vote or Partial Vote.



ABC COMPANY PTY LTD
X123456789 ✕

### Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the the Unitholder's voting instructions.

Full Vote
Partial Vote

**Resolution 2B**  For  Against  Abstain

RE-ELECTION OF MR. ABC AS A DIRECTOR

**Resolution 2C**  For  Against  Abstain

RE-ELECTION OF MS XYZ AS A DIRECTOR

**Resolution 3**  For  Against  Abstain

INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT

**Resolution 4**  For  Against  Abstain

ADOPTION OF REMUNERATION REPORT

SUBMIT VOTE

## Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

## Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

**Note:** If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

**Note:** You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

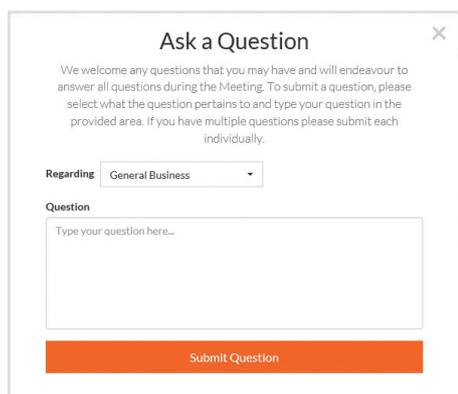
Once voting has been closed all submitted voting cards cannot be changed.

## 2. How to ask a question

**Note:** Only security holders and proxy holders are eligible to ask questions.

If you have yet to obtain a voting card, you will be prompted to enter your security holder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The 'Ask a Question' box will then pop up with two sections for completion.



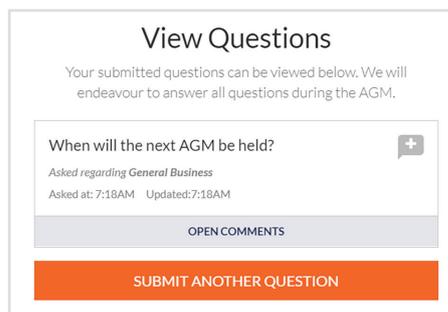
In the 'Regarding' section click on the drop down arrow and select the category/resolution for your question.

Click in the 'Question' section and type your question and click on 'Submit'.

A 'View Questions' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.



## 3. Downloads

View relevant documentation in the Downloads section.

## 4. Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

## 5. Phone Participation

### What you will need

- a) Land line or mobile phone
- b) The name and security holder number of your holding/s
- c) To obtain your unique PIN, please contact Link Market Services on 1800 990 363 or +61 1800 990 363 (outside of Australia) by 5:00pm (Sydney time) on 28 January 2022.

### Joining the Meeting via Phone

#### Step 1

From your land line or mobile device, call:  
Conference Call Number: 1800 798 067  
International Number: +61 2 9189 5793

#### Step 2

You will be greeted with a welcome message and provided with instructions on how to participate in the Meeting. Please listen to the instructions carefully.

At the end of the welcome message you will be asked to provide your PIN by the moderator. This will verify you as a security holder and allow you to ask a question.

#### Step 3

Once the moderator has verified your details you will be placed into a waiting room where you will hear music playing.

Note: If your holding cannot be verified by the moderator, you will attend the Meeting as a visitor and will not be able to ask a question.

#### Step 4

At the commencement of the Meeting, you will be admitted to the Meeting where you will be able to listen to proceedings.

### Asking a Question

#### Step 1

When the Chairman calls for questions on each resolution, you will be asked to **press \*1** on your keypad if you wish to raise your hand to ask a question.

#### Step 2

Please advise if your question relates to an item of business or General Business. The moderator will make a note and ask if you have any additional questions.

#### Step 3

When it is time to ask your question, the moderator will introduce you to the meeting, your line will be unmuted and you can then start speaking.

Note: If at any time you no longer wish to ask your question, you can lower your hand by **pressing \*2** on your key pad. If you have also joined the Meeting Online, we ask that you mute your laptop, desktop, tablet or mobile device while you ask your question.

#### Step 4

Your line will be muted once your question has been answered.

### Contact us

#### Australia

T +61 1800 819 755

E [dexus@linkmarketservices.com.au](mailto:dexus@linkmarketservices.com.au)