

# CEO LETTER LAURENT TOUSSAINT



24 February 2022

**ASX announcement**

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

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**CountPlus Limited**

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## Dear Shareholder

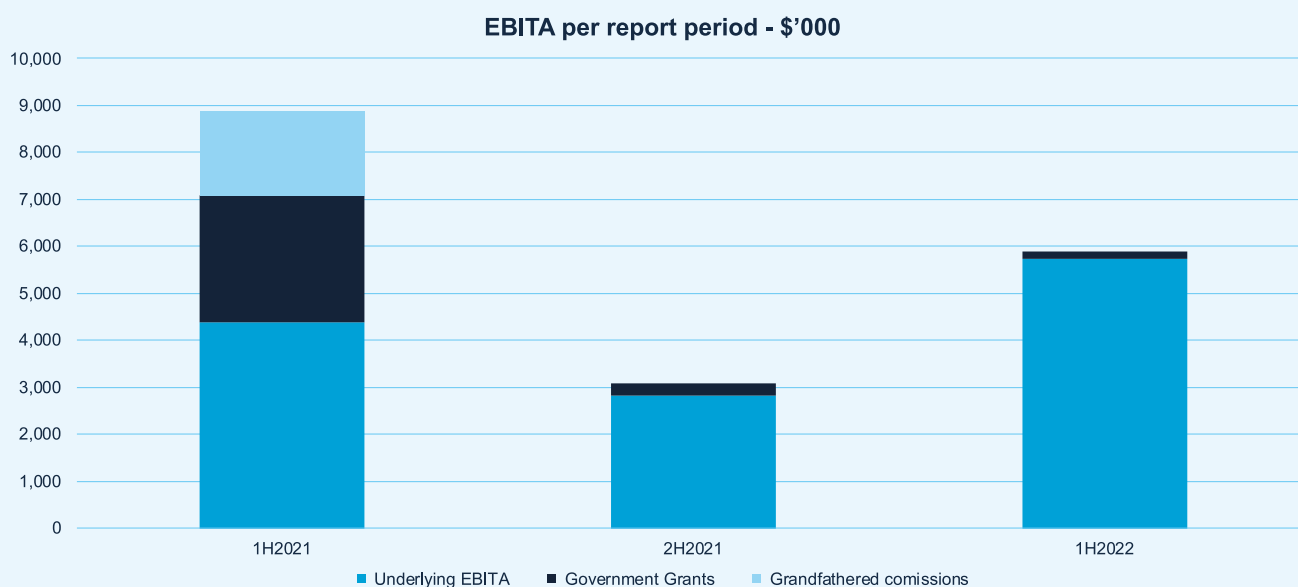
In the first half of 2022 we continued to operate in a challenging environment, namely:

- ▶ The continuing impact of Covid-19 restrictions on the small business sector in which we primarily operate.
- ▶ Changes in the education and examination requirements for financial advisers corresponded with a significant reduction in the number of participants in the advice profession.
- ▶ Continued uncertainty within the Financial Advice segment given regulatory change and the new economics of Financial Advice placing legacy business models under significant pressure.
- ▶ Disruption in our operating activities with state border closures and our people and firms continuing to work from home. This environment is sub-optimal given our Core Firms are “people and talent” businesses.

CountPlus remains well placed to see out these challenges and I thank our member firms and team for continuing to assist many families, small and medium sized businesses, and other clients around Australia during this difficult time.

## Financial Update

CountPlus reported EBITA of \$5.90M for 1H2022, compared to \$8.88M in 1H2021. It is important to provide context for this comparison, in the 1H2021 period \$1.78M of grandfathered revenue was received and \$2.70M in government grants were paid to firms being small businesses impacted by Covid-19 (1H2022 of \$0.17M).



Underlying EBITA	1H2021	2H2021	1H2022	Movement – 1H2022 vs 1H2021	
	\$'000	\$'000	\$'000	\$	%
<b>EBITA – Reported</b>	8,875	3,071	5,901	(2,974)	(34)
<b>Government Grants</b>	(2,699)	(255)	(170)	2,529	94
<b>Grandfathered Commissions</b>	(1,784)	–	–	1,784	100
<b>Underlying EBITA</b>	4,392	2,816	5,731	1,339	30

After investing \$12.96M in new business partnerships, we retained a net cash position of \$11.48M at 31 December 2021. We have renegotiated our bank facility with Westpac for a further four years. Our cash and debt position provides capacity to fund further strategic growth.

CountPlus is pleased to announce a 1.50 cent per share fully franked dividend payable for the half-year ended 31 December 2021.

## Core Firm – segment update

Our core firm segment consists of 18 OD-P™ partner accounting firms. The analysis (below) is prepared by aggregating all CountPlus OD-P™ partner firm entities at 100% including associates to reflect the underlying performance of all partner firms, ignoring the impact of shareholding to facilitate a year-on-year “same firm” comparison.

<b>Underlying EBITA</b>	<b>1H2020</b>	<b>1H2021</b>	<b>1H2022</b>
<b>Number of Firms</b>	<b>18</b>	<b>17</b>	<b>18</b>
<b>Acquisitions/Mergers</b>	1	0	2
<b>Tuck-ins</b>	1	7	1
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue from operating activities	50,898	54,714	61,761
Firm EBITA	10,184	15,184	13,620
Firm Net profit after tax	6,370	10,327	9,551
Lock up days	80	81	78

On this aggregation basis, some \$3.73M in government grants was paid to our small business firms in 1H2021 compared to \$0.36M in 1H2022 and this is reported as other income.

Pleasingly, EBITA margin improved to 22% in 1H2022 (20% 1H2021) and earnings from Associate Firms under the OD-P™ model rose to \$1.78M, a 2% increase on the same period for 2021.

## Count Financial – Financial Advice segment update

The first stage of our ownership of Count Financial involved a “lift and shift” of the existing business model including structure, processes, and transition from CBA. One example of this was the moving of a complex system and data environment that contained some 14 million documents/files.

After this first stage, our focus was on repurposing the business model, our service proposition and our quality assurance systems and processes. Also achieved was the resetting of risk management processes and building of a professional services mindset/culture within our team. With any acquisition the cultural transition is key, and this was complicated in a covid environment that corresponded with some 75% of the time we have owned Count Financial being in a remote-work-from-home environment. I would like to recognise our team and advisers for undertaking significant change whilst working remotely. It speaks to an alignment of purpose within our team and financial adviser community that so much has been achieved in such a challenging environment.

In parallel, our planning was alert to the end of grandfathered revenue which represented some 47% of Count Financial revenue. In FY2021, we implemented a significant change program and repurposed the economic model for Count Financial and member firms.

Count Financial now operates a “**professional services model**” – clients are engaged in a fee for service arrangement - there is an underlying “user pays” approach as product distribution subsidies do not exist. The Count Financial management team has a strong focus on process improvement to create efficiencies and positive client outcomes, promote quality assurance and manage risk.

As the Count Financial revenue model has now transitioned, key success factors will be a growing cohort of advisers and growing gross business earnings of the underlying firm. This aligns Count Financial with the needs of our adviser community, and as we continue to improve productivity and utilisation within the firm’s, they can service more clients and lift revenue.

We have started to see the results of this change program:

	1H2020	1H2021	1H2022
<b>Total Funds Under Advice</b>	\$7.8 Bn	\$8.4 Bn	\$11.6 Bn
<b>Total Adviser Gross Business Earnings</b>	\$29.67M	\$32.53M	\$39.44M
<b>Number of Advisers (at the end of period)</b>	284	238	248
<b>Number of engaged clients during six-month period</b>	15,343	15,033	17,567
<b>Average fee per client per annum</b>	\$2,386	\$2,644	\$3,075

Count Financial invested heavily in 1H2022 in a range of transformational programs to increase advice production efficiency, improve quality assurance controls and enhance the overall customer experience. A key program delivered in 1H2022 has reduced the overall time and staff utilisation to produce advice documents. As a result, the average number of advice documents issued in 1H2022 per adviser has increased by 48% relative to the previous period.

The Count Financial adviser community is committed to lifting professional standards and over 99% of our Advisers have successfully completed the FASEA examination, with 3 advisers left to sit the examination being eligible for a 1 October 2022 extension.

Count Financial retains a strong pipeline of recruitment opportunities, and selection and recruitment standards for new firm entrants remain high. Count Financial has established a pipeline of 49 firms and 162 advisers.

The indemnity in place between CBA and Count Financial remains at \$300 million for certain pre and post completion conduct of Count Financial arising from when Count Financial was owned by CBA. The provision for remediation of historical conduct is \$273.21 million and the total payment against the CBA indemnity was \$5.60 million at 31 December 2021.



## Core-Related segment update

With the acquisition of Accurium and Wealth Axis a new segment, the Core-Related Segment, is now being reported on to shareholders.

### Accurium

The Accurium transaction completed 1st November 2021 and the business EBITA in the previous financial year (FY2021) was \$2.8 million. The transition of Accurium from Challenger's ownership and management to CountPlus is on track. Accurium has made a \$0.72M contribution to EBITA in 1H2022.

### Wealth Axis

Wealth Axis on a stand alone basis achieved EBITA of \$0.07M in the first half, consistent with our expectations. This business unit has been investing for growth, with the team growing from 22 to 36 FTE as we onboarded 22 Count Financial firms as clients from a standing start of nil on acquisition. Significant investment has been made in quality assurance processes so we can continue to scale and onboard more Count Financial firms as well as external firms/licenseses. There has been an overall 85% increase in monthly recurring revenue since 30th June 2021.

Thank you for your support as a shareholder in CountPlus.



**Laurent Toussaint**  
Interim CEO and CFO

