



The confidence to look ahead

# Proposed acquisition of Diverger Limited

22 September 2023

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# Transaction highlights

<p><b>Transaction overview</b></p>	<ul style="list-style-type: none"> <li>Count Limited (ASX: CUP) (<b>Count</b>) and Diverger Limited (ASX: DVR) (<b>Diverger</b>) have entered into a binding Scheme Implementation Agreement under which Count will acquire 100% of the shares in Diverger by way of scheme of arrangement for total cash and scrip consideration of \$45.3m</li> <li>Scheme consideration comprises 1.38 Count ordinary shares plus \$0.367 in cash per Diverger ordinary share which implies a value of \$1.14 per Diverger ordinary share based on the last closing share price of Count as at 21 September 2023 of \$0.56</li> <li>Cash consideration will be funded through a new Count debt facility</li> <li>Total consideration implies a 31.0% premium to Diverger’s 3 month VWAP of \$0.87 as at 21 September 2023</li> <li>Diverger’s major shareholder, HUB24, has issued a statement of support for the transaction, and, in the absence of a superior proposal, intends to vote all of the Diverger shares it holds or controls in favour of the scheme</li> </ul>
<p><b>Strategic rationale</b></p>	<ul style="list-style-type: none"> <li>Consistent with Count’s strategic pillars to scale Wealth through M&amp;A and equity investments, and expand the Services segment</li> <li>Highly complementary business with aligned culture</li> <li>Material increase in scale and diversification of revenue and earnings             <ul style="list-style-type: none"> <li>FUMA up 71%, advisers up 53%, revenue up 40%</li> <li>increased contribution from Services</li> </ul> </li> <li>Count well placed to achieve meaningful operating cost synergies</li> </ul>
<p><b>Financial impact</b></p>	<ul style="list-style-type: none"> <li>Expected to deliver compelling shareholder value</li> <li>Anticipated to be EPS accretive after completion and 25%+ EPS accretive after realisation of the expected full run-rate cost synergies (excluding revenue synergies and one-off costs)</li> <li>Pre-tax cost synergies of approximately \$3m targeted in the first full financial year post completion</li> <li>Utilises Count gearing capacity with gearing remaining well within Count’s policy settings</li> <li>No impact to existing Count remediation program and outcomes</li> </ul>
<p><b>Timing and conditions</b></p>	<ul style="list-style-type: none"> <li>Completion is expected for 1H CY24             <ul style="list-style-type: none"> <li>scheme is subject to Diverger shareholder approval</li> <li>transaction is on the basis of the Diverger Board unanimously recommending shareholders vote in favour of the transaction<sup>1</sup></li> <li>SID has customary conditions including exclusivity and other deal protections in favour of Count</li> </ul> </li> <li>Substantive integration process expected to be completed in 1H CY25 with full integration by the end of CY25             <ul style="list-style-type: none"> <li>ability to leverage Count’s expertise given recent successful Affinia integration</li> </ul> </li> </ul>

Note:

1. In the absence of a superior proposal and subject to the independent expert concluding (and continuing to conclude) that the transaction is in the best interests of Diverger shareholders

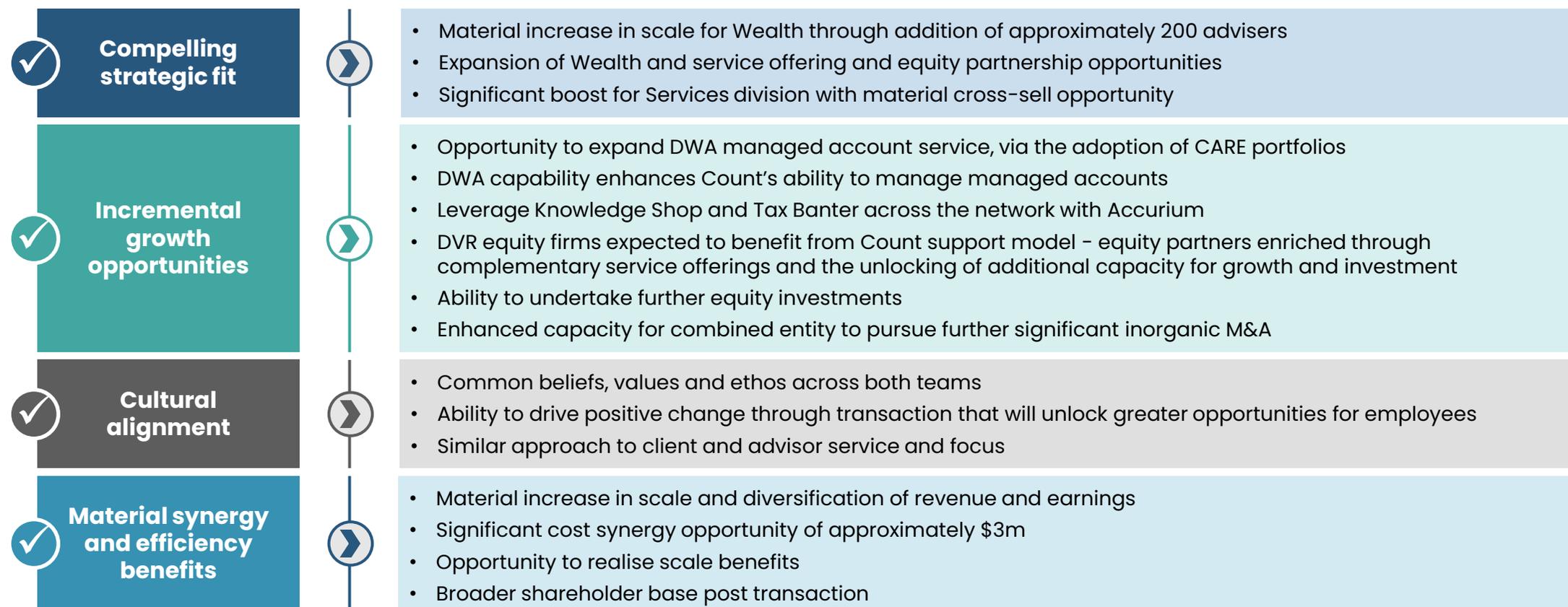
# Overview of Diverger

Diverger is a collective of accounting and advice brands that leverage the infrastructure and capability that Diverger brings. Diverger has a highly complementary business to Count.

Business unit	Wealth Solutions			Accounting Solutions
	Licensing	Priority Networking	SMA / MAS	Accounting
<b>Overview</b>	<ul style="list-style-type: none"> <li>Provision of advice &amp; coaching, technology, technical &amp; operations support, professional development &amp; education and other services to advice firm clients through GPS Wealth, Paragem and Merit Wealth brands under fixed fee or hybrid (fixed &amp; variable) fee structures</li> <li>Also offers AFSL compliance services and support</li> </ul>	<ul style="list-style-type: none"> <li>Provision of secure network infrastructure and technology services such as IT maintenance, cloud services and cyber security assessment for advice &amp; accounting firms, mortgage brokers and other non-financial service businesses of all sizes</li> </ul>	<ul style="list-style-type: none"> <li>CARE delivers portfolio services for advice firms</li> <li>Consists of a set of scalable, efficient SMAs operating on market leading platforms</li> <li>Based on the CAREphilosophy® (core, active, reserves, enhanced) – an advice philosophy which addresses behavioural and sequencing risk</li> <li>DWA provides wholesale investment advice to REs &amp; RSEs</li> </ul>	<ul style="list-style-type: none"> <li>Provision of services including technical support, Q&amp;A and knowledge database, CPD training &amp; management, in-house training, technical &amp; market news and updates, and other services under membership / subscription/ per-session fee model</li> </ul>
<b>Brands</b>	   		 	 
<b>Key metrics (FY23)</b>	<ul style="list-style-type: none"> <li>Approximately 200 advisers</li> <li>\$19.8m total revenue</li> </ul>	<ul style="list-style-type: none"> <li>\$2.7m total revenue</li> </ul>	<ul style="list-style-type: none"> <li>FUM of \$2.7bn as at 30 June 2023</li> <li>Over 80 firms using CARE</li> <li>\$6.6m total revenue</li> </ul>	<ul style="list-style-type: none"> <li>1,379 accounting firm members</li> <li>\$6.5m membership fees</li> <li>\$8.6m training fees</li> </ul>

# Strategic rationale

The transaction is well aligned to Count’s current operations and strategic priorities – the combination is expected to unlock material benefits for all stakeholders.



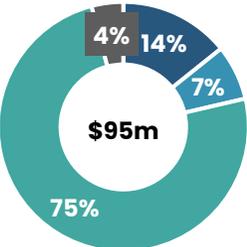
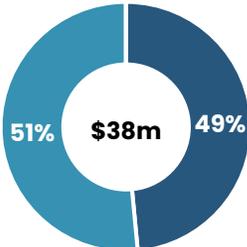
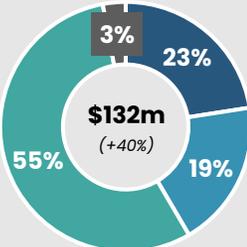
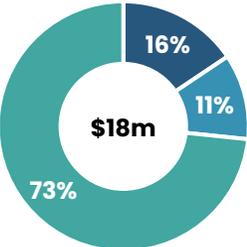
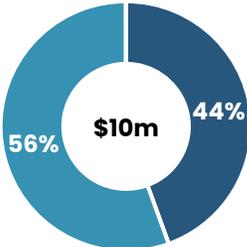
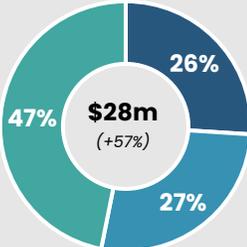
# Compelling strategic fit – combined operating model

The Diverger business has a natural fit with Count.



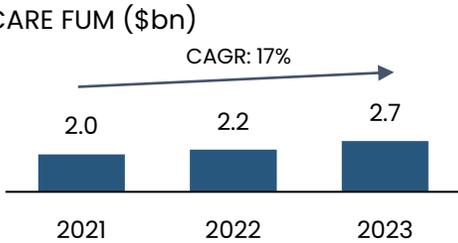
# Complementary businesses

The transaction will increase Count's scale and earnings diversification.

	 Count	 diverger	Combined
<b>FUMA (A\$bn)</b>	\$17bn	\$12bn	\$29bn
<b>Advisers (#)</b>	379	~200	~579
<b>FY23 net revenue</b>			
<b>FY23 EBITA (ex Corporate and synergies)</b>			

# Incremental growth opportunities

The proposed transaction is expected to unlock several incremental growth opportunities for the combined business.

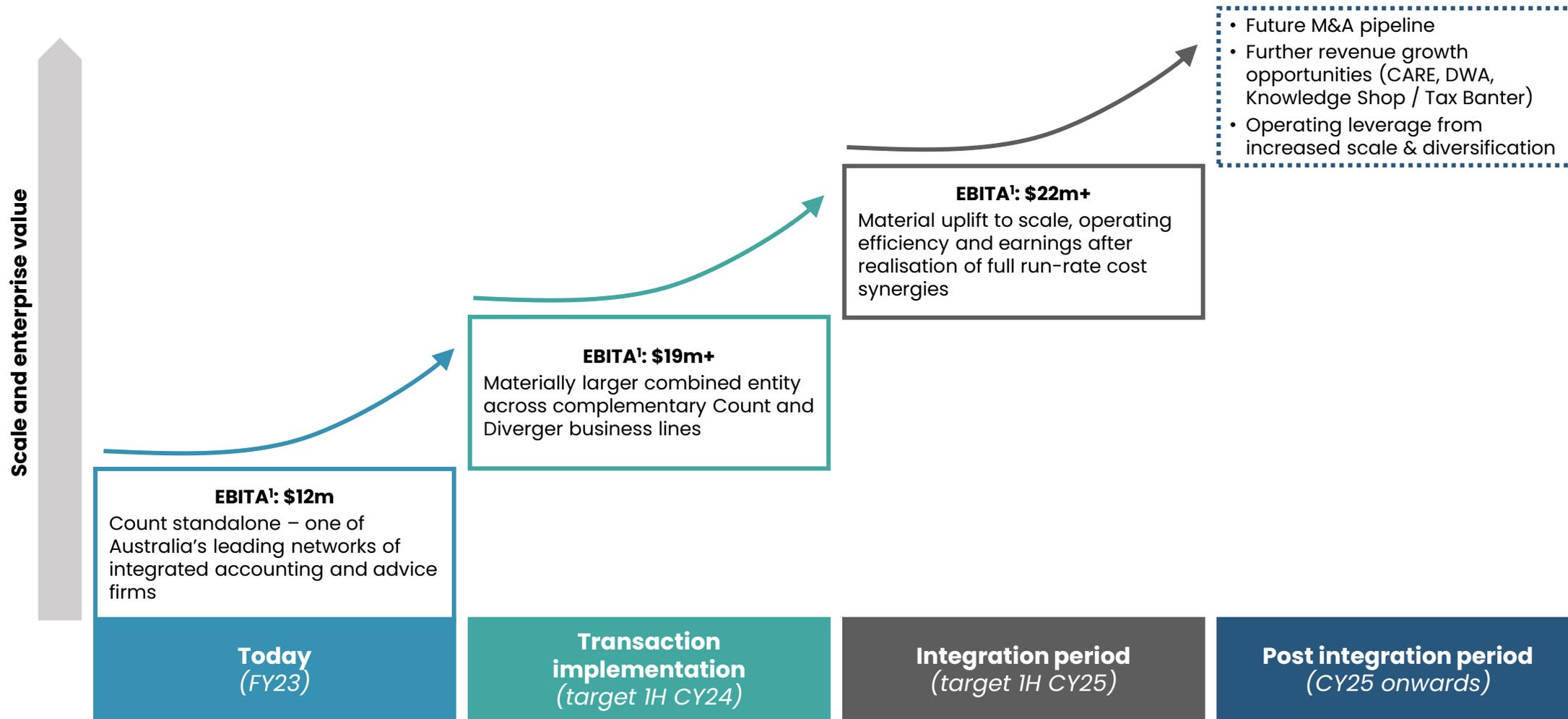
<p><b>CARE managed accounts</b></p> <p>CARE FUM (\$bn)</p>  <ul style="list-style-type: none"> <li>• Scope to expand take-up of CARE portfolios</li> </ul>	<p><b>Count managed accounts</b></p> <ul style="list-style-type: none"> <li>• DWA managed account capability enhances Count's ability to manage managed accounts</li> <li>• Leverage additional investment capabilities to deliver better outcomes for clients</li> </ul>	<p><b>Future equity investments</b></p> <ul style="list-style-type: none"> <li>• Potential for new equity partnership opportunities with the expanded network of firms across wealth, accounting and services segments</li> </ul>
<p><b>Knowledge Shop / Tax Banter integration</b></p> <ul style="list-style-type: none"> <li>• Leverage Knowledge Shop and Tax Banter capabilities in combination with Accurium to deliver greater penetration (including across the Count network) and accelerate existing initiatives around training platforms             <ul style="list-style-type: none"> <li>– accounting and training offering (including helpdesk) expected to be highly attractive to equity partner and licensed firms</li> </ul> </li> </ul>	<p><b>Count support model</b></p> <ul style="list-style-type: none"> <li>• Diverger equity firms expected to benefit from Count support model             <ul style="list-style-type: none"> <li>– equity partners enriched through complementary service offerings and the unlocking of additional capacity for growth and investment</li> </ul> </li> <li>• Ability to improve licensee economics through enhanced offering</li> </ul>	<p><b>Further inorganic initiatives</b></p> <ul style="list-style-type: none"> <li>• Merged entity better positioned to undertake further inorganic initiatives to deliver material uplifts in scale capability and operating efficiency</li> <li>• Count has a healthy pipeline of significant acquisitions to continue to pursue scale</li> <li>• Financial capacity to make additional inorganic investments</li> </ul>

# Attractive financial outcomes

Financially attractive transaction	
<b>Attractive valuation</b>	<ul style="list-style-type: none"> <li>Attractive acquisition multiples               <ul style="list-style-type: none"> <li>EBITA multiple of 6.6x based on FY23 EBITA (4.6x including anticipated run-rate cost synergies)</li> </ul> </li> </ul>
<b>Significant synergies</b>	<ul style="list-style-type: none"> <li>Pre-tax cost synergies of approximately \$3m targeted in the first full financial year post completion, reflecting the highly complementary Count and Diverger businesses</li> <li>Potential incremental revenue opportunities after integration of businesses</li> <li>Count will increase its investment into its Business Integration function to ensure delivery of synergy benefits</li> </ul>
<b>Highly accretive to EPS</b>	<ul style="list-style-type: none"> <li>Expected to be EPS accretive after completion and 25%+ EPS accretive after realisation of full run-rate cost synergies</li> </ul>
<b>Maintains financial flexibility</b>	<ul style="list-style-type: none"> <li>Utilises Count gearing capacity with modest gearing of ~1.7x gross debt to combined FY23 EBITDA (excluding synergies)</li> <li>Increased liquidity and broader shareholder base post transaction</li> </ul>

Sources and uses	
<ul style="list-style-type: none"> <li>Purchase price for Diverger of \$45.3m</li> <li>The transaction will be funded through a combination of scrip and cash from a new Count debt facility               <ul style="list-style-type: none"> <li>new debt facility will be used to fund the acquisition and refinance Diverger's existing debt</li> <li>Count's existing debt facility will remain in place</li> </ul> </li> <li>Estimated significant one-off transaction and integration costs of approximately \$8m over 12 months to be funded from existing debt capacity</li> </ul>	
<b>Sources</b>	<b>\$m</b>
Count scrip	30.7
Debt / existing cash	22.4
<b>Total sources</b>	<b>53.1</b>
<b>Uses</b>	<b>\$m</b>
Purchase price	45.3
One-off costs including transaction & integration costs (post-tax)	7.8
<b>Total uses</b>	<b>53.1</b>
<ul style="list-style-type: none"> <li>As an alternative, Diverger shareholders will have the option to elect to receive more shares or \$1.10 per share in cash for their consideration mix, subject to a scale-back mechanism that will cap the total amount of cash consideration to be paid to Diverger shareholders at \$14.6 million and the number of new Count ordinary shares issued to 54.9 million</li> </ul>	

# Expected value realisation profile



Note:  
1. Excluding significant one-off items

# Indicative timeline



<b>First Court Hearing</b>	➔	Mid December 2023
<b>Diverger to dispatch Scheme Booklet to shareholders</b>	➔	Mid December 2023
<b>Diverger Shareholder Scheme Meeting</b>	➔	Early February 2024
<b>Second Court Hearing</b>	➔	Early February 2024
<b>Effective Date</b>	➔	Mid February 2024
<b>Record Date</b>	➔	Mid February 2024
<b>Implementation Date</b>	➔	Late February 2024
<b>Integration period</b> (including rationalisation of duplicated functions and services e.g. in direct support, corporate functions, IT and other operating activities)	➔	12-24 months

*Note: timings are indicative only and subject to change*

# Conclusion



Accelerates Count's execution of its strategic pillars including scaling Wealth through M&A and accelerate Services division growth opportunities



Highly complementary business with ability to drive positive change



Expected to be EPS accretive after completion and 25%+ EPS accretive after material cost synergies are realised



Common beliefs, values & ethos across both teams, with transaction able to unlock greater opportunities for employees



Material scale and diversification benefits that better positions Count as a larger business for further significant inorganic M&A