

# Countplus Limited

## Annual General Meeting

10 November 2016

Contact:

**Barry Lambert, Chairman**

barry.lambert@countplus.com.au or (02) 8488 4500

**Phil Aris, Managing Director & CEO**

phil.aris@countplus.com.au or (02) 8488 4500

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# Chairman's Address



Barry Lambert

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# Executive Directors

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**Phillip Aris**

Managing Director & CEO



**Philip Rix**

Executive Director &  
Bentleys WA Principal

# Non-Executive Director

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**Graeme Fowler**

Independent Non-Executive Director  
Audit & Risk Committee Chair



**Alison Ledger**

Independent Non-Executive Director



**Matthew Rowe**

Non-Executive Director

# Company Secretarial

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**Arlette Jubian**

Company Secretary

## Auditors & Lawyers

**Grant Thornton**

Conor Farley

## **Addisons Lawyers**

Jeff Mansfield

Li Jean Chew

# Financial Results Highlights

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## Financials

**Record Net Profit before Tax: \$21.8 million (↑67%)**

**Record Consolidated Net Profit after Tax:  
\$14 million (↑41%)**

**Earnings per Share: 12.13 cents (↑35%)**

## CUP Dividends

**8 cents (fully franked) declared and paid for 2015/16**

**First quarterly dividend for 2016/17 of 2 cents per share  
fully franked declared (payment date 15/11/2016)**

# AGM Resolutions

Barry Lambert

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## Resolution 1:

To receive and consider the annual financial report of the Company and its controlled entities and the reports of the Directors and of the auditors for the year ended 30 June 2016

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- These Statements & Reports are incorporated in the Directors Report.
- It is not necessary to vote on this resolution.
- Any questions can be addressed to the CEO at the end of his presentation.

## Resolution 2: Adopt Remuneration Report

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- This Report is incorporated in the Directors Report of the Annual Report.
- The vote on this resolution is advisory only and does not bind the Directors of the Company.

| Vote Type     | Voted     | %     | % of all securities |
|---------------|-----------|-------|---------------------|
| For           | 3,862,674 | 57.52 | 3.38                |
| Against       | 2,357,594 | 35.10 | 2.07                |
| Open-Usable   | 495,733   | 7.38  | 0.43                |
| Open Cond     | 0         | 0     | 0                   |
| Open Unusable | 0         | n/a   | 0                   |
| Abstain       | 708,302   | n/a   | 0.62                |
| Excluded      | 4,064,729 | n/a   | 3.56                |

## Resolution 3: Long Term Incentive (LTI) for the Chief Executive Officer and Managing Director

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To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.14 and sections 200B and 200E of the Corporations Act 2001 (Cth) and for all other purposes, approval be given for the grant to the Chief Executive Officer and Managing Director of the Company, Phillip Aris, loan funded shares with a value of \$250,000 under the terms of the Countplus Key Staff Loan Funded Share Plan, as more particularly described in the Explanatory Notes accompanying the Notice of Meeting.”

## Resolution 3: Long Term Incentive (LTI) for the Chief Executive Officer and Managing Director

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| Vote Type     | Voted     | %     | % of all securities |
|---------------|-----------|-------|---------------------|
| For           | 4,408,933 | 60.35 | 3.86                |
| Against       | 2,397,404 | 32.81 | 2.10                |
| Open-Usable   | 499,683   | 6.84  | 0.44                |
| Open Cond     | 0         | 0     | 0                   |
| Open Unusable | 0         | n/a   | 0                   |
| Abstain       | 118,283   | n/a   | 0.10                |
| Excluded      | 4,064,729 | n/a   | 3.56                |

## Resolution 4: Election of Director

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To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That **Alison Ledger** (who, having been appointed by the Board as a Director since the last Annual General Meeting, retires in accordance with the Company’s Constitution and, being eligible, offers herself for election), be elected as a Director of the Company.”



**Alison Ledger**

Independent Non-Executive Director

## Resolution 5: Election of Director

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To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That **Matthew Rowe** (who, having been appointed by the Board as a Director since the last Annual General Meeting, retires in accordance with the Company’s Constitution and, being eligible, offers himself for election), be elected as a Director of the Company.”



**Matthew Rowe**

Non-Executive Director

## Resolution 6: Re-election of Director

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To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That **Graeme Fowler** (who retires by rotation in accordance with the Constitution of the Company and, being eligible, offers himself for re-election), be re-elected as a Director of the Company.”



**Graeme Fowler**

Independent Non-Executive Director  
Audit & Risk Committee Chair

## Resolution 7: Renewal of Proportional Takeover Provisions in Constitution

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To consider and, if thought fit, to pass the following resolution as a special resolution:

“That, pursuant to section 648G of the Corporations Act 2001 (Cth), the proportional takeover approval provisions in clause 22 of the Constitution of the Company are renewed for a period of three years from the date of this meeting.”

# Chief Executive Officer Address



Phillip Aris

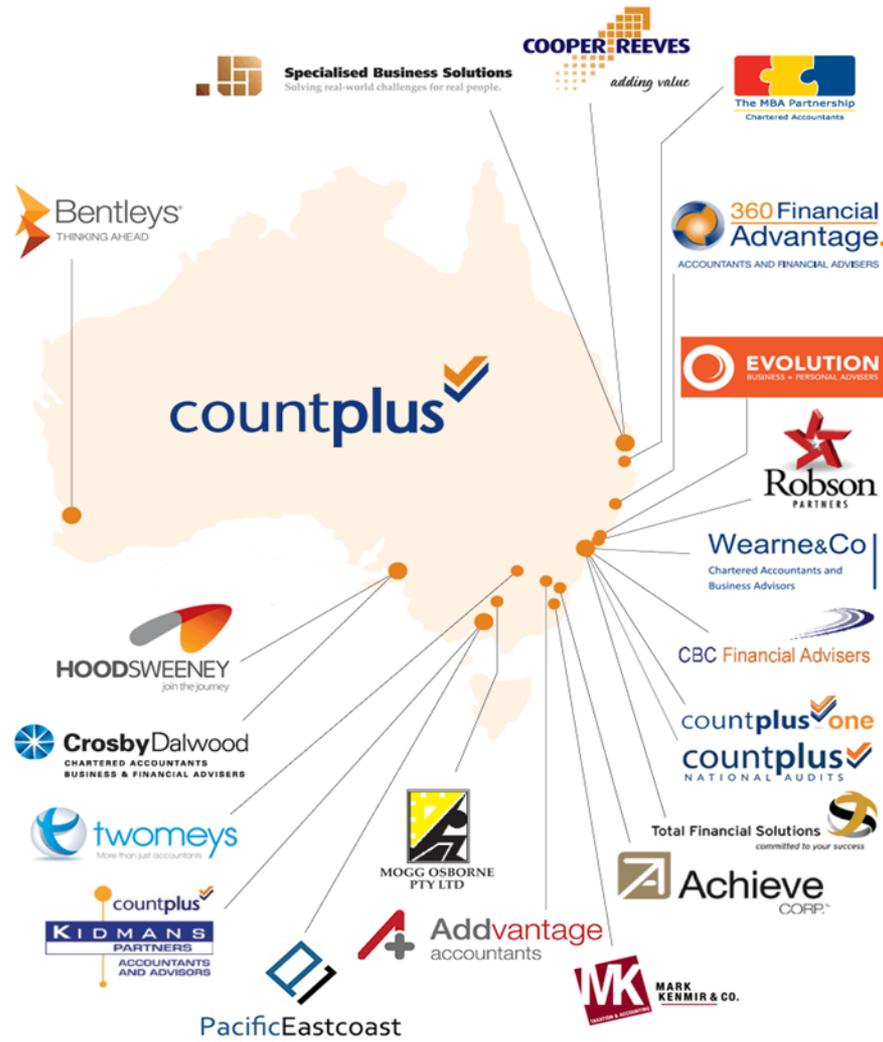
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# Results Overview

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- Core investment in Class Limited has been an outstanding investment following its successful IPO
- Continued challenging conditions for accounting division
- Impairments in two of our accounting businesses
- Financial planning continues to grow with planning business Total Financial Solutions one of the group's largest profit contributors
- Acquisition by ADVICE389 of 40% of inaugural firm Hunter Financial Planning
- Increased shareholding in our largest associate Hood Sweeney (26% to 32%) following share buyback
- Achieved first 3 transactions in the Direct Equity plan
- Divestment of one small accounting firm due to the focus not been aligned

# Countplus Member Firms



# Group Performance

| 2016<br>\$ '000 | 2016<br>% of Total<br>Revenue | % Change |
|-----------------|-------------------------------|----------|
|-----------------|-------------------------------|----------|

Accounting revenue  
66.2% of net  
member revenue

## Revenue:

|                                |               |              |               |
|--------------------------------|---------------|--------------|---------------|
| <b>Accounting</b>              | <b>58,022</b> | <b>66.2%</b> | <b>-0.4%</b>  |
| <b>Financial Planning</b>      | <b>20,340</b> | <b>23.2%</b> | <b>1.3%</b>   |
| <b>Property Services</b>       | <b>4,703</b>  | <b>5.4 %</b> | <b>-12.8%</b> |
| <b>Other Operating Revenue</b> | <b>4,552</b>  | <b>5.2%</b>  | <b>-2.7%</b>  |
| <b>Total Net Revenue</b>       | <b>87,617</b> | <b>100%</b>  | <b>-0.9%</b>  |

Financial planning  
revenue up 1.3%

Property & related  
services revenue  
5.4% of net member  
revenue

# Group Performance

|  | 2016<br>\$ '000 | % Change      |
|--|-----------------|---------------|
| <b>Total Net Revenue</b>               | <b>87,617</b>   | <b>(0.9%)</b> |
| Non-cash Fair Value gain               | 16,294          | N/A           |
| <b>Other income</b>                    | <b>2,396</b>    | <b>(5.5%)</b> |
| <b>Expenses:</b>                       |                 |               |
| Salaries & employment (member firms)   | (57,095)        | 4.4%          |
| Salaries & employment (HO)             | (2,405)         | 37.4%         |
| Premises                               | (5,423)         | 6.4%          |
| Depreciation                           | (948)           | (19.3%)       |
| Impairment expense*                    | (2,672)         | N/A           |
| Other Expenses                         | (13,098)        | 9.3%          |
| <b>Total Expenses</b>                  | <b>(81,641)</b> | <b>9.3%</b>   |
| <b>Share of Profit from Associates</b> | <b>1,111</b>    | <b>24.4%</b>  |
| <b>Operating Profit (EBITA)</b>        | <b>25,777</b>   | <b>50.4%</b>  |

Non-cash fair value gain relates to Class Limited shares which listed in December 2015. The shares have been valued at the closing price as at 30 June 2016 of \$3.30

Increase in expenses due to investment in headcount and set up costs for ADVICE389 & BLUE789, lease renegotiations and relocations and higher professional fees and marketing expenses

\* Impairment of two accounting practices.

# Group Performance

|  | 2016<br>\$ '000 | % Change     |
|--|-----------------|--------------|
| Interest Expense (net)                   | (1,293)         | 0.9%         |
| Amortisation Expense                     | (2,673)         | (4.7%)       |
| Net Profit before Tax                    | 21,811          | 67.1%        |
| Income Tax Expense                       | (7,831)         | 151.2%       |
| <b>Consolidated Net Profit after Tax</b> | <b>13,980</b>   | <b>40.7%</b> |

Largest component of non-cash amortisation expense relates to acquired client relationships arising on acquisitions. Reducing over time.

Higher tax expense primarily relates to the fair value on Class Limited shares, the tax deconsolidation of 3 member firms under our Direct Equity Plan and disposal of one member firm

# Balance Sheet

|                             | 2016<br>\$ '000 | 2015<br>\$ '000 | % Change |
|-----------------------------|-----------------|-----------------|----------|
| Current Assets              | 29,061          | 33,766          | (13.9%)  |
| Current Liabilities         | 19,293          | 18,892          | 2.1%     |
| <b>Current Ratio</b>        | 1.51            | 1.79            |          |
| Non-Current Assets          | 90,456          | 71,672          | 26.2%    |
| Non-Current Liabilities     | 37,469          | 33,296          | 12.5%    |
| <b>Net Assets</b>           | 62,755          | 53,250          | 17.8%    |
| <b>Loans and Borrowings</b> |                 |                 |          |
| <b>Net Debt</b>             | 19,277          | 20,287          | (5%)     |

Interest bearing loans reduced by \$767K (3%) due to settlement of commercial property sale and funds from the DEP

Current assets declined due to settlement of commercial property sale post 30 June 15

\* Non-current assets increased due to the fair value gain on the Class Limited Shares.

\* Non-current liabilities include the group's loan facility with Macquarie Bank with a limit of \$30m (balance of \$25.6m at 30.6.16) which is a 3 year facility due to expire in May 2018.

# Progressive Restructuring

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- As previously advised, we are restructuring our business model over a 3 year period
- May negatively impact earnings and EPS in short term
- Committed to a better and more enduring structure which aligns the interest of Principals & Shareholders
- Restructure has impacted profits pending the reinvestment of proceeds from DEP with new investments

# Recent Acquisitions / Investments

| Date     | Acquirer                               | Purchase Cost | Acquisition / "Tuck-In"   |
|----------|--|---------------|---|
| Aug 2015 | Hunter Financial                       | \$2.75m       | Financial planning firm in Newcastle, NSW. 40% interest acquired by ADVICE389.                          |
| Aug 2015 | Australian Superannuation & Compliance | \$0.5m        | Specialist SMSF administrator in West Perth, WA. 100% interest acquired by Bentleys (WA).               |
| Oct 2015 | HWC Accountants                        | \$2m          | Accounting & Financial planning firm in Gold Coast. 100% interest acquired by The MBA Partnership.      |
| Jan 2016 | Cummings West                          | \$0.4m        | Accounting & Financial planning firm in Tweed Heads, NSW. 51% interest acquired by The MBA Partnership. |
| Mar 2016 | HyperTax                               | \$0.4m        | Accounting & tax firm based in NSW Central Coast. 100% interest acquired by Robson Partners.            |
| Jun 2016 | Robert Jan & Associates                | \$0.6m        | Accounting firm in Melbourne. 100% interest acquired by Kidmans Partners.                               |
| Jul 2016 | McPherson Financial Solutions          | \$0.6m        | Accounting firm in Melbourne. 100% interest acquired by Kidmans Partners.                               |
| Nov 2016 | Brooks Accountants                     | \$0.9m        | Accounting firm in Cobram, Victoria. 100% interest acquired by Mogg Osborne.                            |

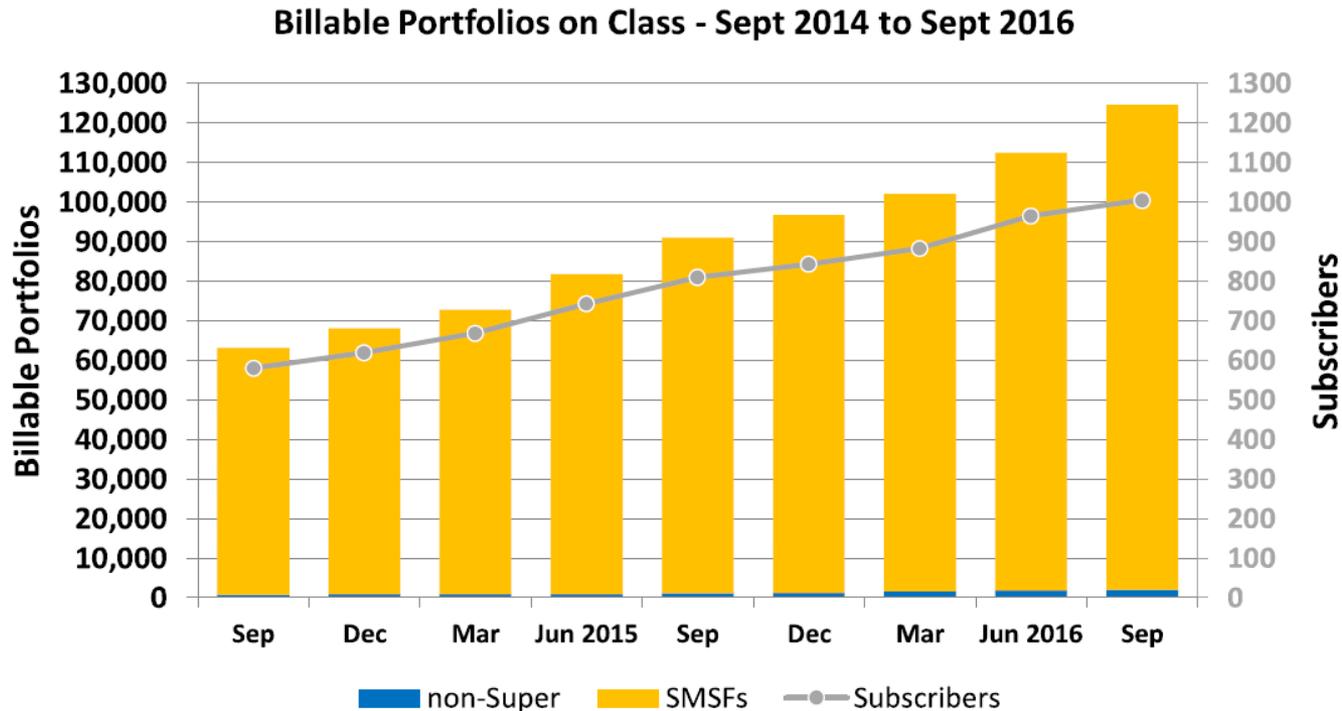
# Benefits of Joining Countplus

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**What are the benefits to accountants and other financial services businesses in being a part of the Countplus network?**

- Learning from Member Firms & gaining cross referrals; cash buyer and/or diversification; and growing business value at a listed multiple
- Funding for business growth
- Long-term succession
- Enhanced client services
- Aligned ownership and incentive models to attract and retain quality employees

- Technology business servicing the SMSF sector with 124,471 billable SMSF's on its administration platform
- First investment in Class made in October 2013



# Growth Acquisition Strategy

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- Organic growth has been disappointing but remains our priority and best prospect of delivering strong EPS growth
- Funding of acquisitions will predominately be funded from profits & borrowings
- CUP acquisitions will be:
  - Low risk tuck-ins: 100% acquisitions of small firms incorporated into existing CUP businesses
  - Minority to majority interests (but not 100%) of firms that don't qualify for BLUE789 or ADVICE389
  - BLUE789: larger accounting firms
  - ADVICE389: larger financial planning firms
  - Selected investments: in financial service businesses (e.g. Class)

# Direct Equity Plan (DEP)

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- Direct equity plan previously announced to the market
- Opportunity to acquire equity directly in business
- Countplus to retain controlling share
- Designed to:
  - Promote retention of key employees
  - Facilitate succession for Principals
- Provide direct performance alignment
- First three transactions completed in the first half:
  - MBA Partnership, Kidmans & SBS

# Outlook

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Our success will come from:

- Improved performance by existing investments (our core focus)
- Selective acquisitions by CUP, BLUE789 & ADVICE389 which will initially absorb our increased earnings and consume more debt (offset in part by our progressive DEP initiative)

# Question Time

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# Countplus Limited

## Annual General Meeting

10 November 2016

*Contact:*

**Barry Lambert, Chairman**

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**Phil Aris, Managing Director & CEO**

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