



CHAIRMAN'S ADDRESS
2016 ANNUAL GENERAL MEETING OF CLASS LIMITED
17 OCTOBER 2016 AT GRANT THORNTON AUSTRALIA, SYDNEY

Introduction

Good morning ladies and gentlemen. I am Barry Lambert, Chairman of Class and associated companies, and it is my pleasure to welcome you all to our 2016 AGM.

It is now 10:00, and as the necessary quorum is present, I declare the meeting open.

Welcome

I would like to begin by introducing the other Directors who are here today - Roderick Kibble, Rajarshi Ray, Kathryn Foster, Matthew Quinn, Tony Fenning and Kevin Bungard who is also the CEO.

Kathryn, Matthew and Tony all joined the board last year in preparation for the IPO.

Members of the Class executive management team are also here

Glenn Day, Company Secretary and Chief Financial Officer;
Panos Alexandratos, Chief Operating Officer;
Richard Barber, Sales Director Class Portfolio;
Joel Smith, Sales Director; and
Lilian Keaty, Marketing Director

In addition to asking questions at the meeting, you will also have a chance to meet and talk to the Directors and our CEO in a more informal environment following the meeting.

Joining us today are Jeff Mansfield and Li-Jean Chew from our lawyers, Addisons. Jeff will assist us with any queries of a technical legal nature and any of the proposed resolutions that Shareholders will be voting on at today's meeting.

I would also like to welcome Matthew Leivesley from Grant Thornton, our Auditors, and thank them for the use of their premises for the meeting today.

Results

Our CEO, Kevin Bungard, will cover, in detail, the financial and operational results of Class in his presentation. However, I would like to highlight a few recent developments.

As reported in our September Shareholder Update, Billable funds passed 124,000 last quarter and today exceed 125,000. We will continue to release quarterly updates to keep shareholders informed.

Class relaunched our non-super product Class Portfolio in October and it is experiencing steady growth, similar to that of Class Super in the early days. We now have more than 2,000 funds on the platform. Richard Barber, our Sales Director, Class Portfolio, is driving this result.

Excluding one off IPO costs, Class achieved a 71% NPAT increase to just over \$5.83 million for the year to 30 June 2016.

Later today, the Directors are expected to declare the next quarterly dividend of 1c per share, payable on 15 November 2016.

Current Share Price

You will have noticed the recent share price decline. As I noted once before, we have no control over market movements. We will, however, continue to manage the business to achieve sound long term results.

The Future

Our primary aim is to continue to grow market share in both the cloud based SMSF space and the non-SMSF wealth accounting software space via Class Portfolio.

We will also continue to partner with the various participants in the SMSF and wealth accounting industry to enhance the efficiency and experience for our clients which will assist profit growth.

We will look to, but not rush in to, partnering and/or acquiring an interest in complementary businesses.

I would like to thank shareholders for their support through the IPO and look forward to your continued support in the future. It's also important to recognise and thank our staff, as well as, our valuable stakeholders, our clients, who continue to choose Class above our competitors and are the driving force behind these positive results.

Resolutions

I now turn to the formal business of the meeting.



CEO'S UPDATE
2016 ANNUAL GENERAL MEETING OF CLASS LIMITED
17 OCTOBER 2016 AT GRANT THORNTON AUSTRALIA, SYDNEY

Welcome

I'd like to start by extending my own welcome and thanks to the shareholders present today.

We've used the term milestone a lot this year and it has truly been a year of records for Class. We celebrated our 10th anniversary, completed a successful IPO, passed 100,000 billable portfolios and achieved a record result at year end.

Financial Highlights

The highlights from this year's accounts reflect the continued strong growth of your business.

Total revenue grew by 45% primarily driven by an increase in the number of billable portfolios, which grew by a record 30,618 in the year ending 30 June 2016.

Licence fees accounted for 95% of revenue with the additional five percent coming from partners, a modest increase on last year, and an area that we are working on growing further in the future.

Importantly, management of the growth of expenses allowed 69% of the increased revenue to be passed through to the EBITDA and profit lines.

The increase in profits and EPS has allowed the business to increase the dividend payments and positions the business well for our stated target FY18 dividend payout ratio of 50-80%

Portfolios

As noted earlier, billable portfolio growth is the primary driver of our revenue numbers and that growth has continued at a steady pace throughout the last financial year.

We had over 112,000 billable portfolios at the end of FY16. The majority of those portfolios were SMSFs but the last financial year's official launch of our non-Super product, Class Portfolio, has seen an increase in the number of non-SMSF portfolios.

We have just over 2,000 non-SMSFs portfolios today ...it is still early days for the Class Portfolio product ...it is at the point where Class Super was about 5 years ago. We are working closely with the Class Portfolio early subscribers, as we did with early subscribers of Class Super, to refine our sales, marketing and product development plans.

The recent addition of Trust Beneficiary Accounting to Class Portfolio was a much requested feature from subscribers and off the back of that release we have seen an unprecedented level of interest ...we anticipate that marketing of upcoming features, especially Combined Wealth Reporting across super and non-super portfolios, will drive an increase in the uptake of Class Portfolio in coming months.

As Barry noted we have over 125,000 billable portfolios today. During the September quarter we added a further 12,030 portfolios, which is a significant uplift on the same period last year but, as has been noted, this is an outlier attributable to the rapid loading of funds by Findex

(a major new client signed toward the end of last financial year). We expect to see next quarter's portfolio growth revert in-line with the seasonally adjusted trends seen over the last few years.

Market Growth

The steady growth in our SMSF market share is reflected in the rate of cloud adoption by accountants. Investment Trends asks SMSF accountants, each year, if they are "likely" or "very likely" to change software in the next twelve months. As can be seen in this graph, those that say they are "very likely" to change, has been steady at 8-9% for the last 4 years – our analysis indicates that those that actually do switch, has been steady at 5-6% of the overall market.

Class Super has been very effective at capturing those switching. Our SMSF market share increases over the last three years have been steady seeing us gain 4% of the market in FY14 and 4.5% of the market in both FY15 and 16.

It is reasonable to expect that at some point the industry will reach a "tipping point" where we see a more rapid adoption of cloud software. You will note that the number of accountants who say they are "likely" to switch is steadily increasing; we anticipate that this build-up will help drive an acceleration of cloud adoption within the next couple of years.

We also expect that announcements by the last two desktop providers that they will, within two years:

- terminate the product entirely, in one case; and
 - terminate support for tax lodgments, in the other;
- will act as a further catalyst for the move to the cloud.

We are winning most of the SMSF accountants that are moving to the cloud now, we are actively promoting cloud adoption and we are well positioned for when cloud adoption accelerates.

Client Retention

Winning new subscribers is critical to our success but, as a recurring revenue business, retention of those subscribers is just as important.

Continued investment in support, training and IT services remains a priority for us as our subscriber base grows. Along with continuous improvement of processes, system and tools this investment has allowed us, with the noted exception of AMP, to continue to retain over 99% of billable portfolios.

Staffing

Delivery of excellent services to current subscribers underpins our high retention rates and the Service Delivery and Corporate Services staff represent 50% of our investment in people.

The other 50% of the team is focused on growth; winning new clients and developing new product features.

From an expenditure controls perspective, the delivery side of the business is about delivering the best software service in the industry as efficiently as possible. Last financial

year our billable portfolios grew by 37% and scale and productivity improvements meant we expanded the delivery side of the business by only 26%.

On the growth side of the business the 32% increase in staff represents an investment in future revenues and it has allowed us to:

- A. add acquisition capacity - to:
 - maintain the current SMSF sales rates,
 - to drive sales of Class Portfolio via cross-sales to current clients and new sales in new markets and
 - to be well positioned for any acceleration of cloud uptakeLast quarter's hiring of a new executive, Joel Smith as Sales Director, has allowed us to restructure the sales team to this end.
- B. establish a Class Portfolio development team – to build out the new features needed by the Class Portfolio product (...without detracting from the development of new SMSF features and additional data feeds).

We will continue to spend money on delivery where needed but we will always look for efficiencies whilst doing so.

We will continue to invest in growth where we see the opportunity to win clients faster or to expand our offerings via new products, new partnerships or into new markets but, as Barry noted, we will not rush to do so.

Year in Review

In achieving this year's results, Class has successfully completed a number of key and strategically important product development projects across both Class Portfolio and Class Super

Class now has a significant profile in the industry and we continue to be recognised for our innovation and service. We are very proud to have won the three major SMSF software awards again this year. Receiving this industry recognition is a testament to the hard work and dedication of our team in continuing to deliver the leading cloud SMSF solution in the market.

I would like to take this opportunity to thank our staff, some of whom are here today, who continue to go above and beyond to make Class successful.

It's been a really fantastic year, a milestone year by any standard, and I look forward to another great year in 2016-17.

Thank again to you our shareholders, old and new, and I look forward to your continued support.

I'll now hand you back to the Chairman for Q & A.