

# Class Limited

**Full Year Results Presentation**

**30 June 2016**

**Kevin Bungard**  
**16 August 2016**

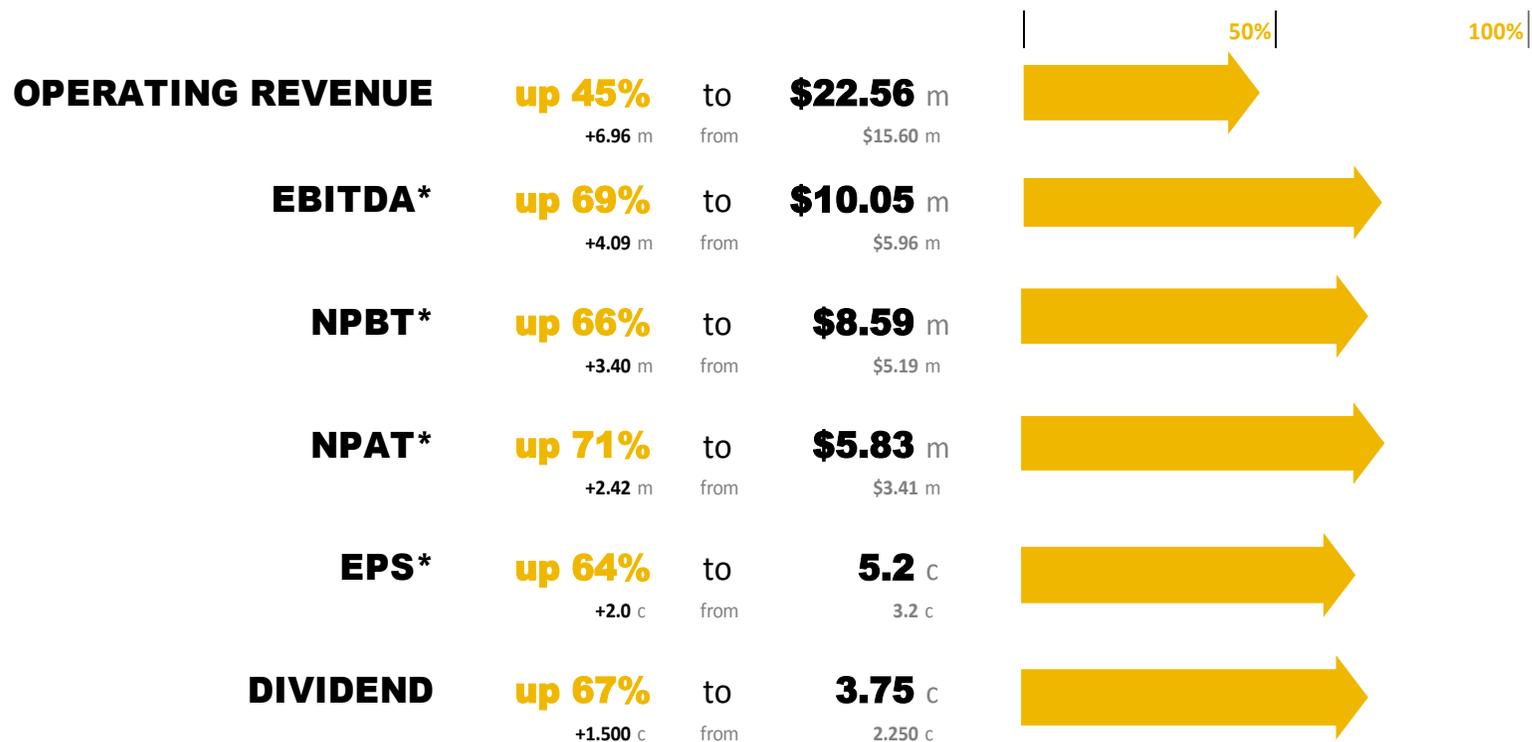


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- This presentation contains non-IFRS measures which are used internally by management to assess the performance of the business and have been extracted or derived from the FY16 financial report.
- All currency amounts are in AUD unless otherwise stated.

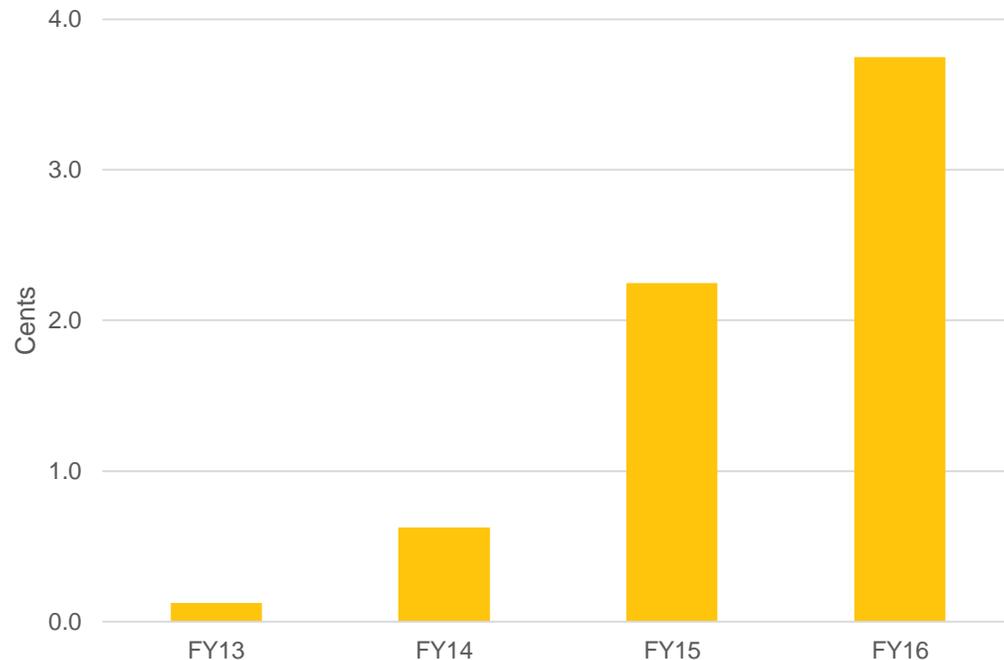
# Financial Highlights

Year end 30 June 2016



\* All results above are before one-off transaction costs associated with Class' Initial Public Offering. They are non-IFRS measures and are used internally by management to assess the performance of the business.

# Dividends

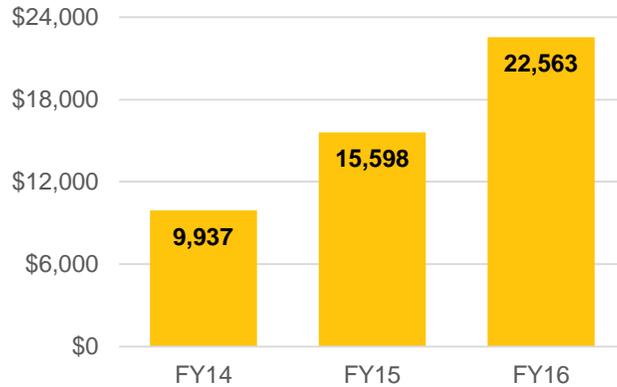


The dividends are presented based on the FY to which they relate, not the day they were declared or paid.

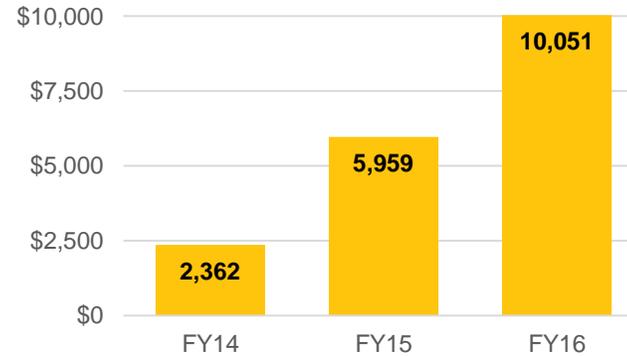
- Final FY16 unfranked dividend of one cent declared on 18 July 2016, and paid on 12 August 2016.
- Quarterly dividends commenced in December 2014 and have continued since. It is expected that fully franked dividends will commence from December 2016.
- The Directors intend to target a Dividend Payout Ratio of 50-80% of NPAT (before significant items), commencing 1 July 2017.

# Profitable and Growing

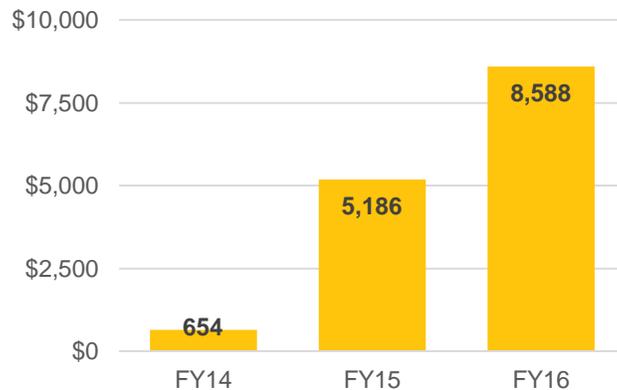
Operating Revenue (\$'000)



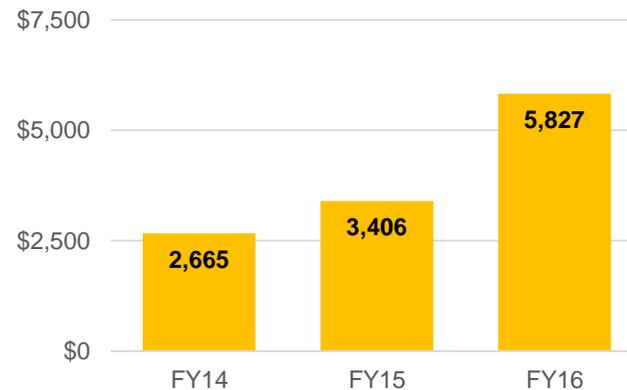
EBITDA (\$'000)



NPBT (\$'000)



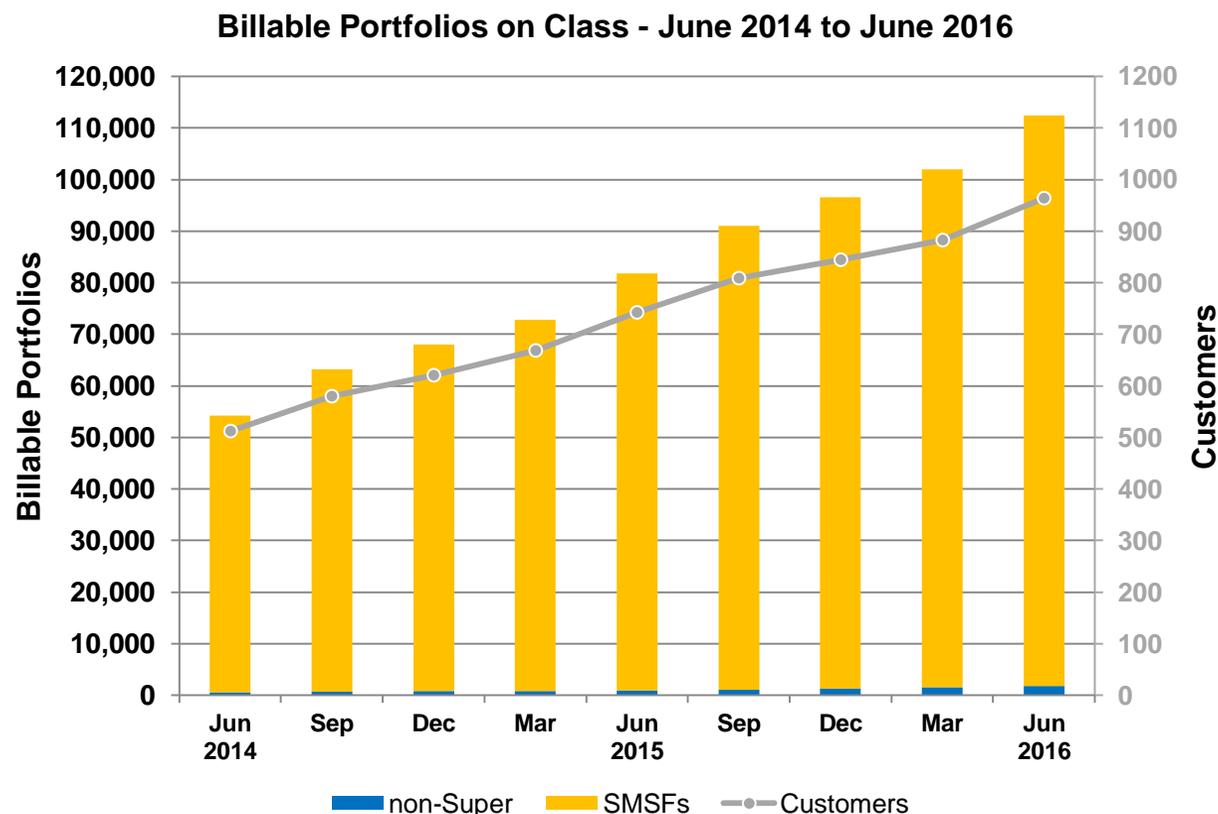
NPAT (\$'000)



- 95% of operating revenue is derived from Class licence fees.
- Average revenue per portfolio for the year ended 30 June 2016 was \$233 p.a.

1. All results above are before one-off transaction costs associated with Class' Initial Public Offering. They are non-IFRS measures and are used internally by management to assess the performance of the business.

# Portfolios



- As at 30 June 2016, Class had 112,441 Billable Portfolios. Between 1 July 2015 and 30 June 2016, Class grew its Billable Portfolios by 30,618. An increase of 37%.
- Class increased its number of customers by 202 over the twelve months to 30 June 2016, bringing the total number to 964.
- Class was the top rated SMSF software provider among accountants in terms of overall customer satisfaction, for the second year running.<sup>1</sup>

Notes:

- Investment Trends 2016 Accountant Report, based on a survey of 1,182 accountants in public practice.

# Summary P&L and Key Operating Metrics

\$'000	FY14	FY15	FY16
<b>Operating Revenue</b>	<b>9,937</b>	<b>15,598</b>	<b>22,563</b>
Costs of undertaking business	(7,575)	(9,639)	(12,512)
<b>EBITDA<sup>1</sup></b>	<b>2,362</b>	<b>5,959</b>	<b>10,051</b>
Depreciation	(81)	(161)	(194)
Amortisation	(1,676)	(698)	(1,437)
Net interest benefit	49	86	168
<b>NPBT<sup>1</sup></b>	<b>654</b>	<b>5,186</b>	<b>8,588</b>
Income tax (expense) / benefit	2,011	(1,780)	(2,761)
<b>NPAT<sup>1</sup></b>	<b>2,665</b>	<b>3,406</b>	<b>5,827</b>
One-off IPO expenses	-	-	(617)
<b>STATUTORY NPAT</b>	<b>2,665</b>	<b>3,406</b>	<b>5,210</b>
	FY14	FY15	FY16
No. of customers	528	762	964
No. of billable portfolios at end of period	54,280	81,823	112,441
EBITDA margin (% of revenue) <sup>2</sup>	23.8%	38.2%	44.5%
NPAT margin (% of revenue) <sup>3</sup>	26.8%	21.8%	25.8%
Total annualised licence fees (\$'000) <sup>4</sup>	12,490	17,984	24,541
Client acquisition costs (% of revenue)			28.2%

- Employee-related expenses totalled \$9.81 million, representing 78.4% of costs of undertaking business.
- The costs attributable to the acquisition of additional funds amount to approximately \$213 per unit.
- Increased amortisation expenses in 2016 represent the increased investment in the development of the products from FY14 onward. Amortisation for FY17 based on the intangibles balance at 30 June 2016 is expected to be \$1.74 million.
- One-off IPO expenses of \$0.617 million net consisting of \$0.882 million less a \$0.265 million income tax benefit.

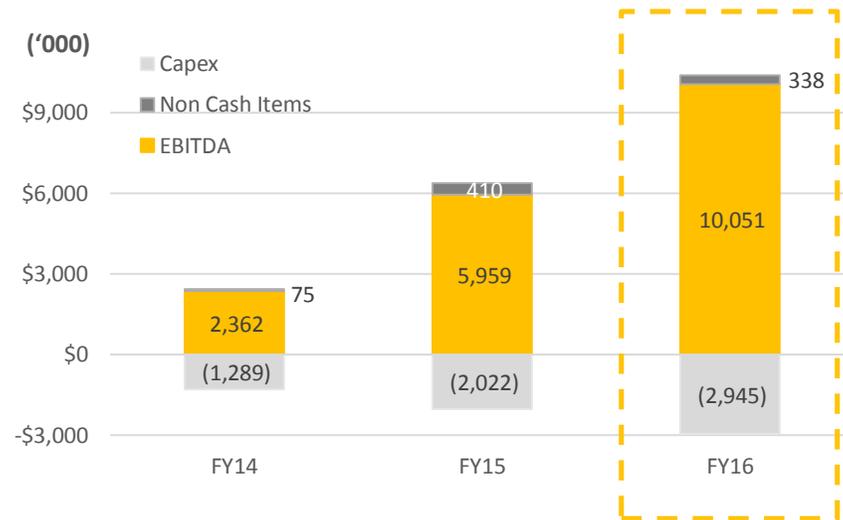
#### Notes:

- All references are before one-off initial public offering ('IPO') expense. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from the FY16 financial report.
- EBITDA margin has been calculated by dividing EBITDA by revenue
- NPAT margin has been calculated by dividing NPAT before IPO expenses by revenue
- Based on number of Billable Portfolios at the end of each period

# Cash Flow and CAPEX

## Cash flow before Financing and Taxation

Historical cash flows since FY14



\$'000	FY14	FY15	FY16
Net free cash flow	1,148	4,347	7,444
% of EBITDA	48.6%	72.9%	74.1%

- Non cash items**
- Primarily share based payments expensed over the vesting period FY16 \$465k (2015: \$153k).
  - Includes amortisation of lease incentives in relation to tenancy of business premises.

## R&D and Total CAPEX

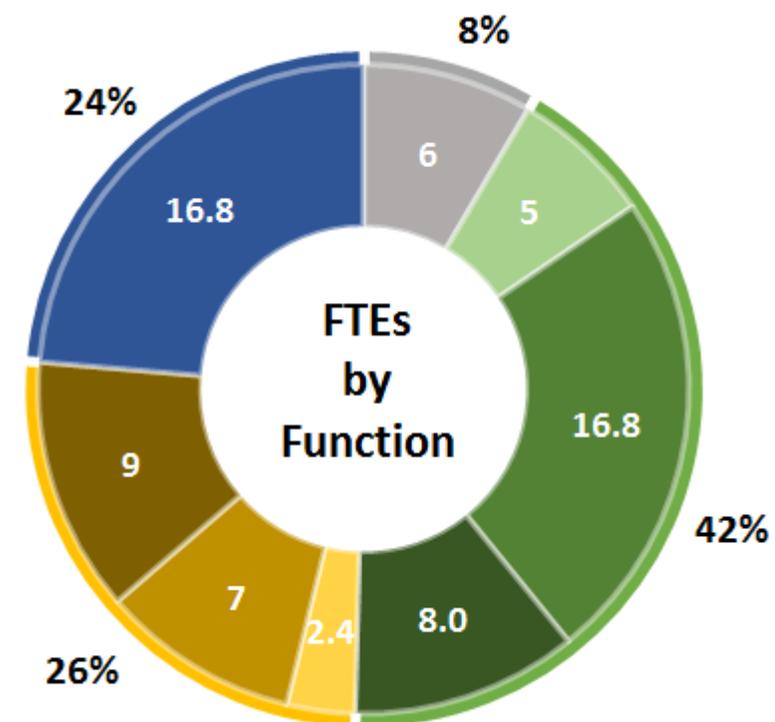
\$'000	FY14	FY15	FY16
Total Development Costs	2,503	3,256	4,448
<i>Development costs / Operating Revenue</i>	25.2%	20.9%	19.7%
Less: Development recognised as expenditure	(1,518)	(1,453)	(1,831)
<b>Capitalised Development Costs</b>	<b>985</b>	<b>1,803</b>	<b>2,617</b>
<i>Capitalised development / Operating Revenue</i>	9.9%	11.6%	11.6%
Fixed Asset Expenditure	268	169	318
Computer Software	36	32	10
Trademarks	-	18	-
<b>Total Capital Expenditure</b>	<b>1,289</b>	<b>2,022</b>	<b>2,945</b>
<i>CAPEX / Operating Revenue</i>	13.0%	13.0%	13.1%
<i>CAPEX / EBITDA</i>	54.6%	33.9%	29.3%

### Capital expenditure

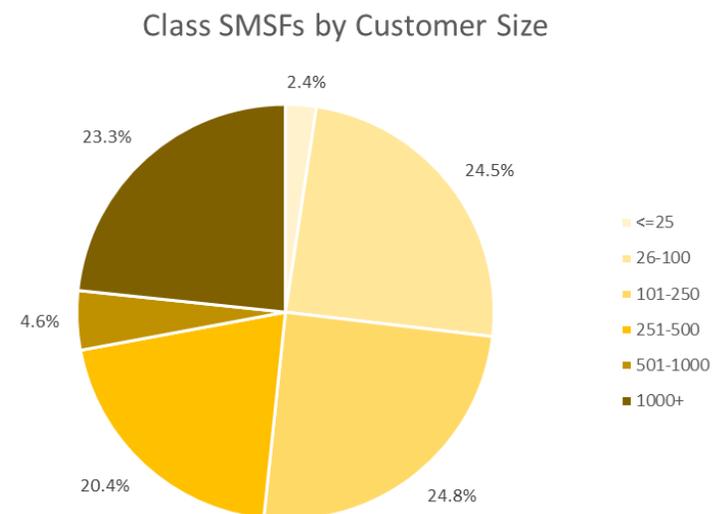
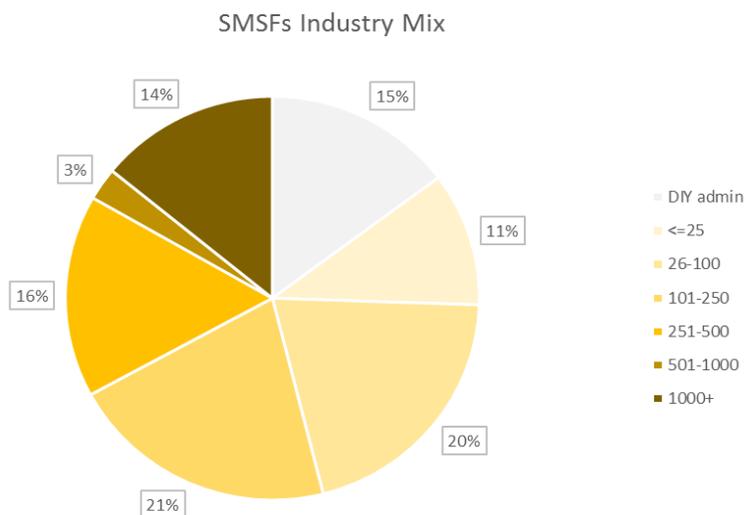
- A majority of capex was in relation to R&D, but also includes additional property, plant and equipment.
- In the 2016 financial year, Class spent a total of \$4.448 million, primarily focused on delivering competitive new product features, integrated services and operational efficiencies but also included maintenance work to improve the existing functionalities of our systems.
- Total R&D expenditure is apportioned between capital expenditure and operating expenditure. Capitalised costs are amortised over a period of 3 years.

# Full Time Equivalent Staff

	30 June 2016		30 June 2015	
	FTE	%	FTE	%
<b>CEO, Finance and Company Secretarial</b>	6.0	8%	5.0	9%
<b>Service Delivery (Cost of Revenue)</b>	29.8	42%	23.5	43%
Operations - IT, Data and Hosting	5.0	7%	4.0	7%
Operations - Support and Training	16.8	24%	12.1	22%
Product - Maintenance	8.0	11%	7.4	13%
<b>Customer Acquisition (Cost of Sales)</b>	18.4	26%	15.6	28%
Marketing	2.4	3%	2.6	5%
Sales	7.0	10%	7.0	13%
Operations - Implementations	9.0	13%	6.0	11%
<b>Product R&amp;D</b>	16.8	24%	11.0	20%
<b>Total</b>	71.0		55.1	



# Our Customers

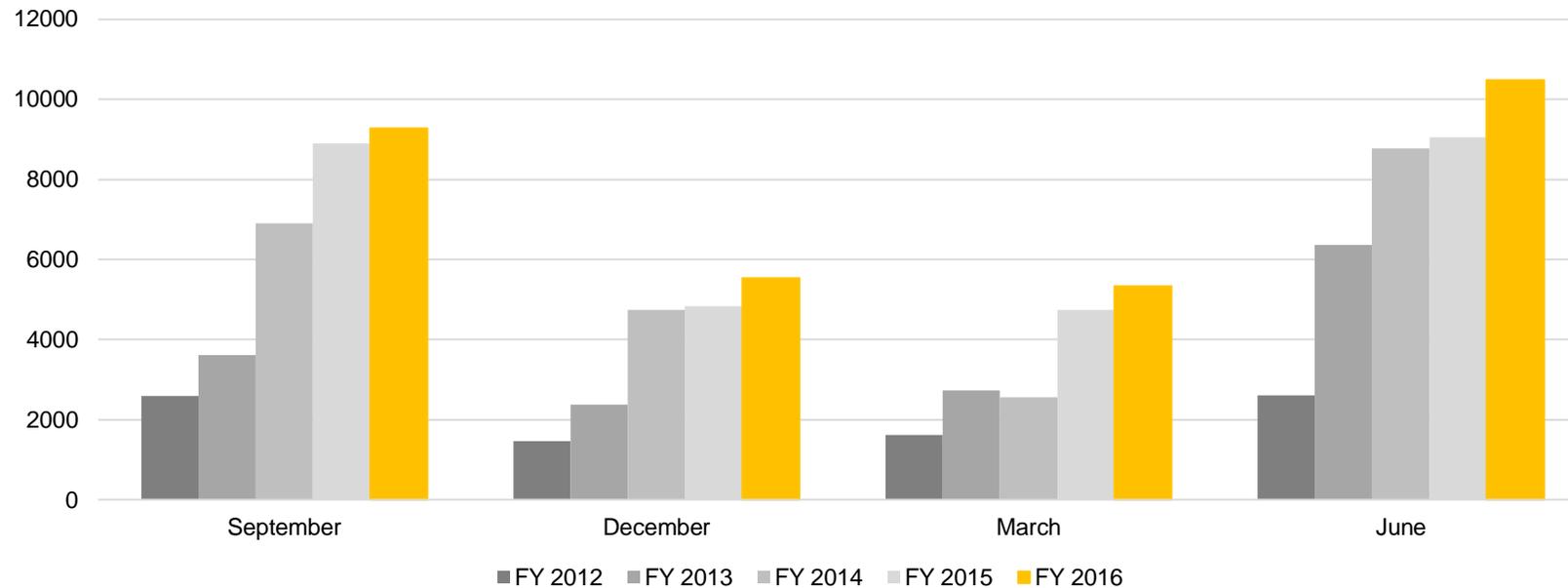


Annualised licence fees at 30 June 2016 from:  
 Top 10 clients- 19.64%  
 AMP entities- 7.34%

Over the year our market share of the estimated 576,000 SMSF's increased from 14.7% to 19.2%.

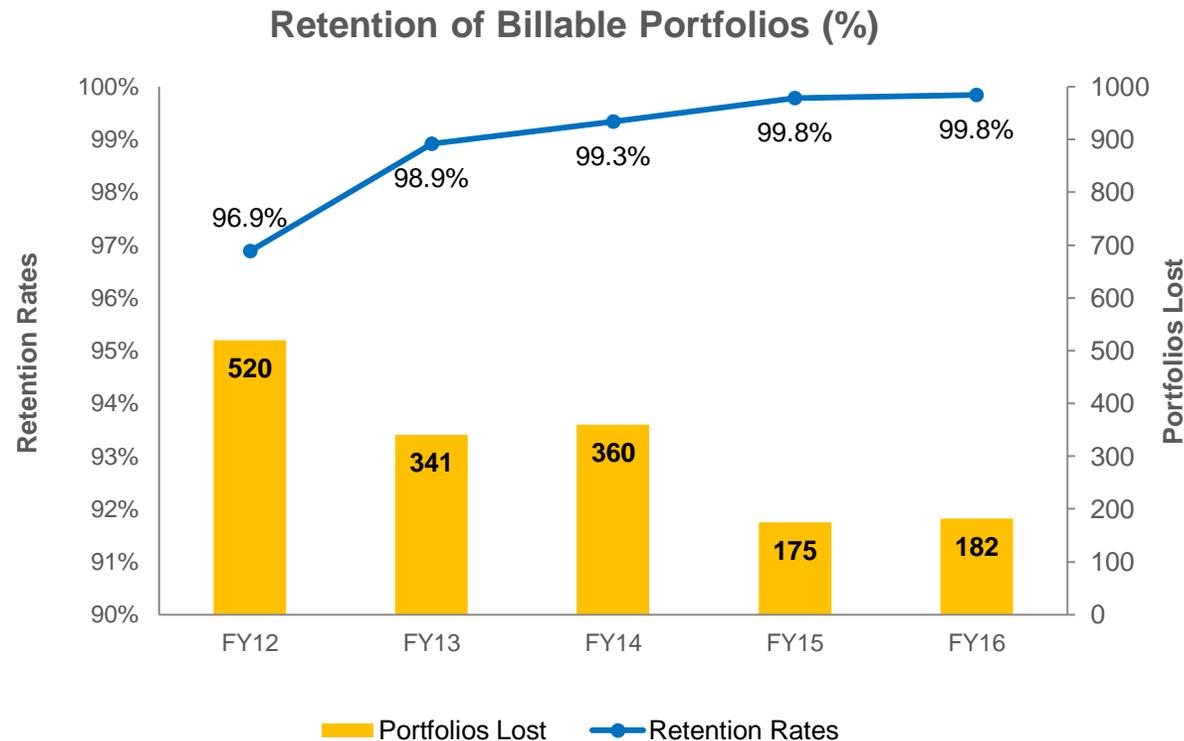
# Quarterly Growth

Quarterly Net Portfolio Growth



- The loading of funds can be seen to be exceptionally seasonal, but continuing to trend upwards in each period.
- The growth of portfolios added to the Class system exceed that of the industry and has led to an overall increase in market share to 19.2%.

# Client Retention



- These high ratings are reflected in our client retention rate, which has remained about 99% in terms of billable portfolios.
- With the exception of AMP, our subscribers continue to choose Class and this high retention rate underpins the strong recurring revenue stream of our business, with annualised licence fees having increased to \$24.5 million at 30 June 2016.

# Class Portfolio

- Launched: October 2015.
- Billable Portfolios as at 30 June 2016: 1,827
- A survey of existing Class Super subscribers showed that 70% also administer trusts and other non-SMSF investment structures on behalf of their clients.
- Class has made significant investment in the business to allocate dedicated development, sales and implementation resources to build this business line.
- Additional functionality to be expected in coming months include: trust beneficiary accounting, improved reporting and consolidated portfolio view.

# Summary Balance Sheet

\$'000	30 June 2015	30 June 2016
<b>Current Assets</b>		
Cash and cash equivalents	5,950	15,179
Trade and other receivables	1,667	2,318
Other current assets	265	496
<b>Total Current Assets</b>	<b>7,882</b>	<b>17,993</b>
Property and equipment	480	604
Intangible assets	2,381	3,571
Deferred tax assets	1,111	307
<b>Total Non Current Assets</b>	<b>3,972</b>	<b>4,482</b>
<b>Total Assets</b>	<b>11,854</b>	<b>22,475</b>
<b>Current Liabilities</b>		
Trade and other payables	1,615	2,268
Provisions	402	434
Tax liabilities	523	666
<b>Total Current Liabilities</b>	<b>2,540</b>	<b>3,370</b>
Provisions	297	313
<b>Total Non Current Liabilities</b>	<b>297</b>	<b>313</b>
<b>Total Liabilities</b>	<b>2,837</b>	<b>3,681</b>
<b>Net Assets</b>	<b>9,017</b>	<b>18,794</b>
<b>Shareholders Equity</b>		
Issued capital	16,152	24,260
Retained losses	(9,782)	(6,025)
Other reserves	2,647	559
<b>Total Shareholders Equity</b>	<b>9,017</b>	<b>18,794</b>

- The strong cash position and Balance Sheet underpins the expectation for further growth and the ability to take advantage of future opportunities as they are presented.
- The minimal increase in liabilities indicates the significant up-side to scaling and the ability of the business to do so without increasing exposure.
  - A. IPO raised \$5.43 million through the issue of new fully paid ordinary shares at \$1 per share.
  - B. Of the expenses associated with the Offer, approximately \$0.3 million has been attributed to contributed equity and \$0.882 million to retained losses. This included \$0.237 million of stamp duty payable on transfer and on-sale of shares from existing shareholders into the IPO.
  - C. Proceeds of \$2.943 million were received from the repayment of full recourse loans granted to executives under the terminated loan funded share plan.

