CountPlus
Quality Partnerships, Leading Advice

CEO Letter
Matthew Rowe

Persistent, strategic focus

Dear **Shareholder,**

The 2021 financial year saw headwinds across many aspects of the CountPlus business. The ongoing impact of COVID-19 on our core clients in the small business sector has continued to offer new challenges. Regulatory reform has also impacted financial advice, fundamentally changing the way existing financial advisers operate and lifting the education requirements of new entrants. Finally, there has been the economic impact of the transition of Count Financial to its new "clean" user pays model without grandfathered rebate revenue.

Our team demonstrated resolve and persistence in the face of these headwinds. We maintained a strategic focus on growth, with nine acquisitions made in 2021, and 56 new advisers joining Count Financial.

CountPlus has carefully managed its balance sheet to remain in a solid position for future opportunities in the dislocating financial advice sector.

We continue to operate with the uncertainties of the COVID-19 pandemic. Disruption created by the health and economic impacts of the virus remains tangible and we are cautious about the impact that lockdowns will have on the small business clients we serve.

CountPlus firms demonstrated resilience during these difficult times, and we saw Converged Accounting Firm EBITA margin lift to 21.50% from 19.80% last year. Converged Accounting Firm aggregate revenue grew by 5% and Converged Accounting Firm EBITA at an aggregate level lifted by 14%.

Our balance sheet remains strong with net cash of $21.911M. Working capital "lock-up" reduced to 79 days (83 days in FY2020). Our cash conversion rate stands at 81% in 2021, returning to our normal conversion rate. In 2020 the cash conversion rate was increased as a result of the acquisition of Count Financial , a transaction that included a gain on bargain purchase of $10.952M.

My thanks go to our Member firms and team members for their significant efforts in assisting the many families, small and medium sized businesses, and other clients around Australia during this difficult time.

Financial Highlights

Financial Results summary	FY21	FY20	Movement – FY21 vs FY20	
	$'000	$'000	$'000	%
Revenue from operating activities	80,521	82,607	(2,086)	(3)
Adjusted Earnings before interest, tax and amortisation ("EBITA")	11,946	12,391	(445)	(4)
Adjusted Net profit after tax ("NPAT")	7,444	7,684	(240)	(3)
Adjusted Net profit attributable to CountPlus shareholders	5,298	5,950	(652)	(11)
Adjusted Net profit after tax before amortisation ("NPATA")	8,821	9,086	(265)	(3)
Share of associates earnings	2,498	2,179	319	15
Cash at bank	26,239	25,842	397	2
Reported earnings per share – cents	4.43	14.30	(9.88)	(69)
Adjusted earnings per share – cents	4.75	5.37	(0.62)	(12)
Net tangible assets per share – cents	37.50	35.78	1.72	5

CountPlus posted a net profit after tax (NPAT) attributable to shareholders of $5.30M for the 12 months to 30 June 2021 compared to $5.95M for the previous year.

The cessation of grandfathered rebate revenue negatively impacted our NPAT result compared to last year. This change moves Count Financial away from reliance on such payments, as illustrated below:

$'000	$'000	$'000	$'000	$'000
82,607	↑ 1,287	↓ (300)	↓ (3,073)	80,521
FY2020 Consolidated Revenue	CountPlus Subsidiary Firms Revenue Growth	CountPlus Subsidiary Firms Grandfathered Revenue	AFSL Grandfathered Revenue	FY2021 Consolidated Revenue

Corporate Overheads increased to $7.195M in FY2021 compared to $6.388M in FY2020. Most of this increase was headcount related as we built out our team, particularly our internal M&A capability, People and Culture and Risk Management functions. In FY2021 M&A activities contributed $0.442M of NPAT attributable to CountPlus shareholders.

The Company held net cash of $21.911M on 30 June 2021, up from $21.111M in the year prior period. In addition, CountPlus has a bank debt facility of $25.0M that can be used for acquisitions.

CountPlus is pleased to announce that it will pay a 1.50 cent per share fully franked dividend for year end 30th June 2021. This represents a 20% increase in dividend payment on the previous period in FY2020 and is based on the underlying profit of the company excluding any government assistance paid to member firms.

Job Keeper payments were received by subsidiary firms to the amount of $2.144M, while associate firms received $1.260M. Corporate office received $0.245M. Job Keeper payments received by these entities achieved the purpose of supporting the small businesses that CountPlus has invested in, and keeping people employed where their jobs may otherwise have been at risk.

Firms

CountPlus consists of 18 partner firms (excluding Count Financial and Total Financial Solutions).

The analysis (below) is prepared by aggregating all CountPlus entities at 100% including associates, excluding Count Financial, Total Financial Solutions and Corporate Office in order to ensure comparability.

This analysis reflects the underlying performance of all partner firms, ignoring the impact of shareholding to facilitate a year-on-year "same firm" comparison.

Financial Results summary	**FY21**	**FY20**	**FY19**	**FY18**
No. of firms	**18**	**18**	**17**	**15**
	$'000	$'000	$'000	$'000
Total Revenue from operating activities	**107,017**	**102,263**	**89,852**	**88,456**
Operational Salaries	(57,667)	(56,793)	(48,322)	(52,081)
Contribution margin	**49,350**	**45,470**	**41,530**	**36,375**
Other income	4,859	2,859	1,255	851
Operating expenses	(31,177)	(28,132)	(25,093)	(25,944)
Firm EBITA	**23,032**	**20,197**	**17,692**	**11,282**
Interest income	13	27	28	99
Amortisation	(821)	(642)	(815)	(1,297)
Interest expense	(1,241)	(1,052)	(491)	(766)
Profit before tax	20,983	18,530	16,414	9,318
Income tax expense	(6,394)	(5,546)	(5,194)	(3,007)
Net profit after tax	**14,589**	**12,984**	**11,220**	**6,311**
Lock-up days	79 days	83 days	82 days	94 days

Since late 2017, CountPlus has reduced the number of wholly owned firms from 11 to 4 via OD-P™ transactions, with ongoing plans in place to assist these remaining 4 firms to allow them to undertake an OD-P™ equity transaction with key management personnel based on certain performance criteria being met.

The following key data points show the positive impact the change to our OD-P™ model has made:

	Prior to OD-P™ Strategy	**FY2021**
Working Capital Lock-Up Days	107 days	79 days
Average Firm EBITA/Revenue Margin	12.00%	21.50%
Firm capital loan owed to CountPlus	$15.489M	$0.396M
Consolidated net cash/(net debt) position	($19.30M)	$21.911M

We still have room to improve our key performance measures across our firms.

Earnings from Associate Firms under the OD-P™ model rose to an encouraging $2.498M, representing a 15% increase on the same period for 2020.

CountPlus seeks to enhance the success of the firms we partner with in our OD-P™ model, without loss of drive, identity, or management control. This partnership allows firms to better meet current and future challenges by providing best practice governance, strategic support, funding, scale benefits and succession planning, as well as access to a professional community who want to protect and grow what they have worked so hard to build.

Our OD-P™ value proposition includes:

- Best practice governance and stewardship measures with a strategic planning overlay, risk management focus, quality assurance program and accountability framework that separates governance, practice management and shareholder matters.
- Capital available for acquisitions/tuck-ins with disciplined M&A capability.
- Access to low interest debt facility with senior banking team. Support funding available for key staff into equity partnerships.
- Provide liquidity in shareholding of firms, reduce key person risk.
- Sharing of best practice capabilities amongst firms.
- Benchmarking on key measures and tools to assist improvement.
- Consistent and disciplined approach to practice management.
- Ability to leverage cost efficiencies with service providers.
- Revenue opportunities with aligned service providers.
- Access to General Counsel Services, Human Resources, Business Development and Marketing, Corporate Finance and M&A.

"We can better track and drive our firm's performance with benchmarks and accountability set by our Board and independent chair. Prior to CountPlus, our process for performance and measurement was quite loose. CountPlus has brought a transparent and cohesive process. Better knowing our purpose, accountability and culture brings many benefits to our people and clients."

Mathew Johns, Managing Principal
DMG Financial
CountPlus Member Firm since 2019

"Working with CountPlus was like having access to an in-house corporate advisory when we made an acquisition recently. The rigour is quite affirming and helped us to set our growth mindset on practical and achievable goals."

Peter Mogg, Managing Principal and Founder
Moggs Accounting + Advisory
CountPlus Member Firm since 2010

"The HR support is fantastic; we are a mid-sized firm and don't carry expertise like that in-house. Being able to 'dial it in' from CountPlus makes a difference and gives us confidence that our people are treated well. The feeling of inclusion and respect are important to gain the buy-in of our team."

Victoria Studley, Managing Principal
Unite Advisory
CountPlus Member Firm since 2010

Count Financial Limited

	2021	2020
Count Financial NPAT	$1.091M	$1.787M

	1H2021	2H2020
Count Financial EBT	$1.302M	$0.272M
add back insurance trail accounting adjustment[1]	$0.327M	$0.224M
Adjusted Count Financial EBT	$1.629M	$0.496M

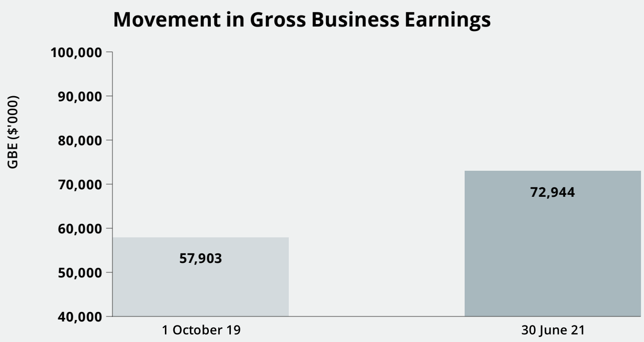
The second half (2H2021) results show the short-term impact on earnings of the change in the Count Financial business model, namely:

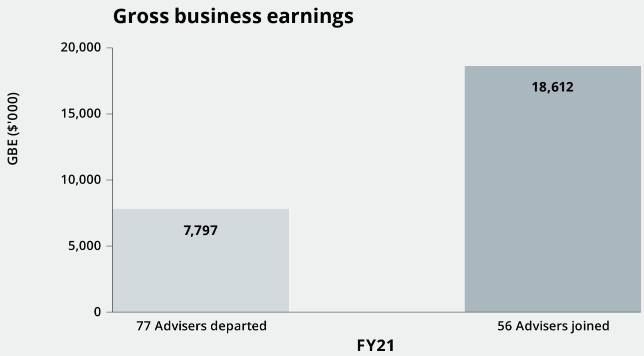
- Grandfathered rebate revenue reduced from $3.200M in FY2020 to $1.560M in 1H 2021 and then reduced to $0.130M in 2H 2021.
- The impact of regulatory reform and our repositioned business model saw 76 advisers leave Count Financial in FY2021, of which 42 left during the first half and 10 retired in the month of June 2021.
- Count Financial onboarded 56 new advisers in FY2021, of which 12 joined in 1H 2021 and 44 joined in 2H 2021, noting 31 joined in the last four months of the financial year and as a result their impact on revenue did not mitigate against the impact of those advisers that left in 1H 2021.
- Competition by some players to recruit quality advisers has included significant fee discounts and other incentives. To effectively compete in the current dynamic market, fee discounts ranging from $10k to $15k per recruited adviser for 6-12 months have been provided. Given the short-term nature of these fee discounts we have made this trade-off against short-term earnings to build a stronger cohort of quality advisers with a medium and longer term perspective.
- The number and timing of offboarding advisers in 1H FY2021, onboarding advisers late in H2 FY2021 and tapering market driven fee discounts, and the cessation of grandfathered revenue in 2H FY2021 make meaningful comparisons with the previous reporting period extremely difficult. A clear picture of the earnings ‘run rate’ of Count Financial will likely not be seen until 2H2022 or possibly 1H2023.

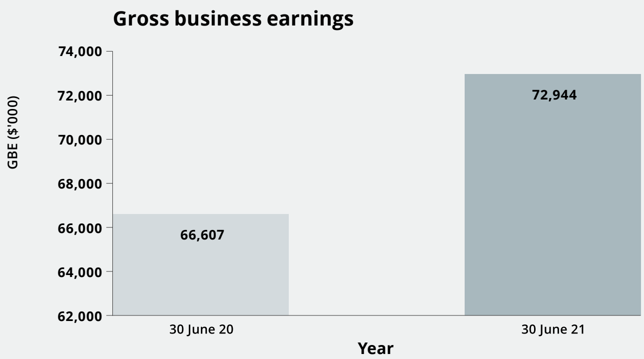
1 The accounting adjustment relates to the movement in the net asset value of ongoing insurance trail commission. This is an adjustment that arose due to a change in the retention rate (Count Financials’ share of earnings) in response to the change in the fee model implemented in FY2021. An additional factor was the reduction due to adviser departures during the year. Both of these factors are expected to have stabilised due to growth expectations in adviser numbers and their gross business earnings. In FY2021 the negative adjustment totalled $0.551M. This is in comparison to a FY2020 positive adjustment of $0.688M which was due to the transfer of advisers from Total Financial Solutions to Count Financial.

89%

of Count Finacial advisers would recommend Count Financial to Peers







As a business, team, and community of financial advisers, Count Financial has undertaken significant change since its acquisition from the CBA on 1 October 2019.

Count Financial now operates wholly as a fee-based, user-pays licensee supported by a leading, client-centric value proposition. This new "clean" model is resonating with those financial advisers that have stayed the course with us as well as those looking to join Count Financial. We are not subsidised through product distribution as our "product" is financial advice.

Under CBA ownership the last surveyed financial adviser net promoter score for Count Financial was -29. In June 2021 the same net promoter score assessment saw a significant improvement to +14. Importantly, 89% of Count Financial Advisers would recommend Count Financial as a licensee for a firm or adviser looking to change licensees.

Several leading financial advisory firms sought to join Count Financial based on its reputation as a quality home for fee-based financial advice, supported by technology resourcing, robust systems and processes, open architecture approach to "best of breed" product selection, our strong community of advisers and an ASX-listed parent with a robust balance sheet.

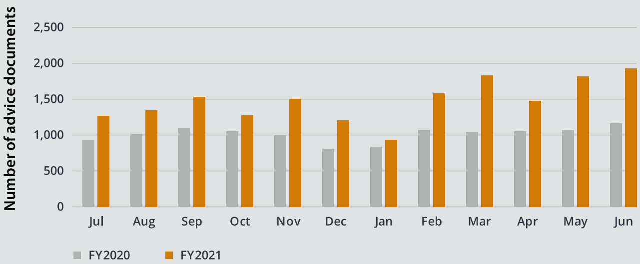
The alternative for these quality advice practices was to remain with institutional product aligned owners, or to self-license. There are two case studies in this shareholder letter that explain some of the reasons why quality firms are seeking a new direction in their licensee offer that aligns with their values, culture, professional standards and client needs.

On 11 August 2021, the Company reported that CBA, as former owner of Count Financial, had increased from $252M to $260M its provision for the remediation of historical conduct of Count Financial advisers. This is within the $300 million limit of the indemnity provided by the CBA for certain post and pre completion conduct of Count Financial arising from when Count Financial was owned by CBA.

As at FY2021 actual remediation paid against this provision was $5.18M.

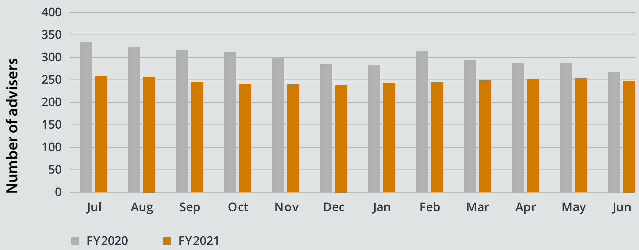
A significant investment has been made by Count Financial to repurpose our technology stack and user systems. This has made a positive impact on Count Financial firms measured by cost-reduction, efficiency and productivity improvements, simpler administration processes, and better quality assurance outcomes.

"Star" advice firms* that represent 12% of the industry adopt technology to improve their businesses. However, more than two-thirds are classified as "underperformers", demonstrating that the industry is still in the early stages of technology adoption.



Advice documents

	Total	Avg. per adviser
FY2020	12,158	45
FY2021	17,690	71
Increase	46%	57%



No. of Advisers

FY2020	268
FY2021	248

* Netwealth survey

Count 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 69 firms and 199 advisers with total potential gross business earnings of $88.785M.

89% of Count Financial advisers have passed the FASEA exam. In addition to the FASEA exam, existing financial advisers must complete additional education requirements to meet FASEA standards prior to 1 January 2026. Over 46% of Count Financial advisers have 2 or fewer units to complete before 1 January 2026 to complete their financial adviser education requirements.

Investments in **Core-Related Activities**

Announced to shareholders on 31 May 2021, the strategic 51% investment by CountPlus of Wealth Axis, is the first core-related business to join the CountPlus community.

Wealth Axis provides additional support with technology, administration and paraplanning services to Count Financial and other licensees. Data, innovation, and productivity comprise key areas of strategic focus for CountPlus, and the Wealth Axis investment adds depth of services to our advisers and clients.

We have already had a pleasing take up of the Wealth Axis offer within Count Financial, and to date have had 15 firms engaged in services provided that alone will deliver a 40% increase in recurring revenue to Wealth Axis in FY2022. As we build out the Wealth Axis offer and strategically scale up, we can see significant opportunities within the Count Financial network and external licensees.

Outlook

Industry analyst Adviser Ratings estimates that at least 40% of consumers can afford a financial adviser, yet only 11% of the population are advised clients. This is especially prevalent amongst the “Baby Boomer” population within Australia, as it seeks assistance to transfer a projected $3.9 trillion[2] in wealth to the next generation over the next two decades.

Financial Adviser numbers reduced by a further 11% in FY2021 and in 2026 are estimated to have reduce by 53% since the Hayne Royal Commission.

There is a “supply-side” constraint in financial advice, but we believe there is a growing unmet need for quality financial advice in Australia. A repurposed Count Financial stands ready to take advantage of the increase in consumer demand for high-quality financial advice in Australia.

The changes we have made to Count Financial are not easily seen in our FY2021 results. Timing of adviser departures weighted to the first half, short-term onboarding fee discounts and the cessation of grandfathered rebate revenue all show a business in transition, but with a persistent focus on longer-term strategic growth objectives. As we move beyond this transition, we will see the impact of the new Count Financial operating model, likely in 2H2022 or possibly 1H2023. It is our view that Count Financial has the potential to become a significant contributor to the earnings of CountPlus in the medium term.

The future growth in our business is underpinned by the performance of our core CountPlus partner firms, the ability to deploy capital (cash and debt) to make the right acquisitions, the ability to grow Count Financial, our focus on values and culture, and most importantly making a positive, enduring difference in the lives of our clients.

Thank you for being a fellow shareholder in CountPlus.

Matthew Rowe
CEO & Managing Director

2 (Source: Griffith University/Perpetual)

dmca advisory Director Tania Tonkin and Adam Griffiths moved to Count Financial in June 2021

Best interest focus sparks a new direction for dmca advisory

Acting in the best interest of your client doesn't always mean uprooting your business, the team, and your clients to join a new licensee. But, if you are Tania Tonkin, a Director and Strategic Adviser of the Adelaide-based dmca advisory, that is exactly the level of client commitment and integrity required to uphold your obligations.

Tania, together with business partner and Director Adam Griffiths, moved the accounting and financial advisory firm across to the Count Financial license under CountPlus in June 2021.

Tania is adamant that the benefits outweigh the potential disruption of shifting the firm. She is convinced of being better off than operating under the 'compliance-heavy' focus of her former licensee. The decision to choose Count Financial was based on due diligence and being resoundingly impressed by its approach to valuing the client experience and advice delivery.

"I saw a partnership with Count Financial being a positive move to sit within a culture that values the client. We have strong personal relationships and so take client service standards and our duty to the client very seriously. The move across in June was a considered one," she says.

"Prior to moving I had good conversations with other business owners that have joined Count Financial, and with the CountPlus executive team. I firmly believe we have moved to a partnership arrangement that will help us to better fulfill our value proposition to our clients."

"Count Financial also brings a strong focus on innovation and technology – and it operates a clean model not aligned to any financial institutions. Their technology focus will improve the advice delivery process, enabling us to also operate more efficiently," she says.

An example she cites is producing a Statement of Advice document – notoriously a hefty, unwieldy document – to a quarter of the size required under her old license. "This simply gives us more time to focus on the client, which is why we are here," she says.

Tania says her ideal client is one that seeks trusted forward planning, personal and business planning services together with regular professional contact. Higher net worth families with multi-generational needs, business clients, including family businesses and retirees and pre-retirees, including self-directed super fund members make up her loyal client base.

The plans for the dmca advisory business are for growth, she says.

"Certainly, to grow the client base and our revenue. We are also focused on the retention and development of our team. We have several long-term employees, and the ability to offer those people a pathway to equity, and to create a succession plan for the business is a definite focus for us."

The future? Tania would like to see more females join the ranks of Australia's financial advice community, a traditionally male-dominated profession. Tania sees a growing number of female clients seeking to do business with other women, and aside from getting the gender balance right, also creates an untapped point of new business.

"We are excited about the future growth for our firm and being part of the Count Financial community. The practical benefits include the financial stability of CountPlus, the non-alignment to financial institutions, and the technology focus."

"We look forward to delivering a greater service to our clients, with efficiency gains and more quality time to spend with our clients."



Left to right
Ascent Private Wealth's Daniel Lunardi, Louisa Huber and Mark O'Toole

Ascent chooses Count Financial

Ascent Private Wealth principal Mark O'Toole brings a respected reputation earned over years serving higher net worth clients and their families to the Count Financial community.

After extensive due diligence, the Melbourne-based Ascent Private Wealth opted to partner with CountPlus under the Count Financial license, in November 2020.

Mark and his Ascent Private Wealth team arrived at Count Financial following an almost 20-year period operating under the Godfrey Pembroke banner, formerly part of the NAB/MLC business. With other licensing offers on the table, Mark says he was determined not to compromise.

"We are on a growth path, so finding the right, supportive home with capacity and scale was important. Also, it was evident that we should avoid licensees operating within the institutional, product manufacturing business model. Our focus was on finding a home with a pure advice approach, without the potential for product conflict.

"This is what I understand to be the 'clean' licensee model of Count Financial which has clear separation between product and advice. The CountPlus group also has a strong balance sheet and has invested in robust compliance and technology systems to enable us to better deliver quality advice to clients."

Mark also highlighted access to the experience in Count Financial's leadership team and the potential to source future capital through the CountPlus 'Owner, Driver – Partner' funding model.

Above all, Mark says his Ascent Private Wealth clients are the ultimate recipients of the benefits he has secured to support his business and its growth aspirations. Ultimately, the premise of operating as a trusted adviser that helps successful families and people to maintain and grow their wealth, requires a stable business base, with strong technology solutions and culture.

"We manage some fairly complex family affairs – wealthy people and families with a business or businesses that are central to their wealth. Next generation family members who also seek a strategy to transfer wealth, protect it and grow it."

"Staying focused on that core aspect of our value to clients is vital, so we appreciate the support and structure of Count Financial and CountPlus".

A former Board member of the Financial Planning Association of Australia, Mark is among a select group of pioneers that has contributed to driving the formation of a financial planning profession in Australia.

Other respected members of the O'Toole family share Mark's reputation for client-centric innovation and professional endeavour.

Mark's late brother Peter was a highly regarded advice professional who, like his younger sibling, gave his time and passion to his profession. Mark's daughter, Louisa Huber has worked in the business since 2014 as the Operations and Communications Manager.

Louisa is a Director of Ascent Private Wealth, has worked for two listed companies and was previously the Executive Officer for Family Business Australia.

Rounding out the Ascent Private Wealth advisory line-up is the next generation of leaders, and a senior adviser at just 31 years of age, Daniel Lunardi.