

13 August 2020

ASX announcement

Class FY20 results; announces acquisition of Smartcorp

Today, Class Limited (ASX: CL1) has released its FY20 full year results, which are available on the ASX website.

Key insights include:

- Operating revenue and other income of \$44.1 million, up 15% on FY19
- Annualised Recurring Revenue as at 30 June 2020 of \$46.8 million, up 22%
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$18.2 million, up 1%
- Underlying EBITDA margin of 42% achieved which exceeded our target
- Operating cashflow of \$17.4 million, up from \$12.9 million.

All comparisons are to the year ended 30 June 2019 unless otherwise stated.

Strategic update

The first year of the Class Reimagination strategy has been completed with our strategic goal of building momentum underway. As we begin FY21, the business now moves into our second year 'accelerate' phase. This includes investment in our existing technology stack and new features for our existing products, growing and scaling into new markets, and the launch of Class Trust ahead of schedule in October 2020.

NowInfinity

This year, Class completed its first acquisition of documentation platform, NowInfinity. Despite the COVID-19 pandemic, Class completed the NowInfinity integration ahead of schedule and is now functioning within the Class product suite. Since the acquisition, more than 25,000 entities have transitioned to NowInfinity, and it has passed more than 500,000 entities on its platform.

Smartcorp acquisition

Class has announced the execution of an agreement to buy 100% of the shares in Assuriti Pty Ltd (Smartcorp) for \$4.2m, adjusted for net assets. The transaction comprises an upfront cash payment of \$2.73m on completion, plus \$1.47m in Class shares escrowed for 18 months.

The transaction is expected to complete in August and be earnings accretive in FY21.



Smartcorp was founded in 1979 and in 2003 launched Australia's first online company ordering and ASIC compliance system. It operates a platform that has delivered more than 500,000 documents to accounting, professional services firms and financial advice networks.

Smartcorp services more than 1500 businesses, primarily in the accounting space, including two of the Big 4 accounting firms. Smartcorp enjoys long-term partnerships with its clients, with the average relationship standing at more than a decade.

Smartcorp will complement Class' NowInfinity business and will help in growing Class' footprint in the document and corporate compliance market.

"Smartcorp is one of the pioneers in this segment, and when combined with NowInfinity will see Class with approximately 10% market share by revenue," Class' Chief Executive Officer, Andrew Russell, said. "Acquiring Smartcorp accelerates the role Class will play in the documentation and corporate compliance space.

"Combined with NowInfinity, we will continue to build our capabilities and compelling value proposition to ensure we help all our customers manage their clients' businesses more effectively through a comprehensive suite of services. This acquisition will also offer Smartcorp clients a broader range of products and services," Russell said.

Accelerate phase

"Class has successfully completed the first year of its Reimagination strategy and has now entered its second year 'accelerate' phase," Class CEO, Andrew Russell, said. "The business is executing to plan, and our results continue to deliver to our Reimagination targets we set ourselves.

"Class is positioned well for accelerated growth in FY21 and beyond. We are laser focused on continuing to execute to the plan we have set ourselves to transform the Class business and extend our leadership position in all the markets we operate in."

Announcement of dividend

Class today declared a final fully franked dividend for FY20 of 2.5 cents, payable 18 September 2020.

Further Information

More detailed information is available in the Appendix 4E, Annual Report for the year ended 30 June 2020, and the Investor Presentation lodged with the ASX.

Authorised for release to the ASX by the Board of Class Limited.

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Further information:

Glenn Day
CFO and Company Secretary
glenn.day@class.com.au

Zoe Wise
Investor Relations Assistant
zoe.wise@class.com.au