



Class Limited

1H20 Results Presentation

18 February 2020

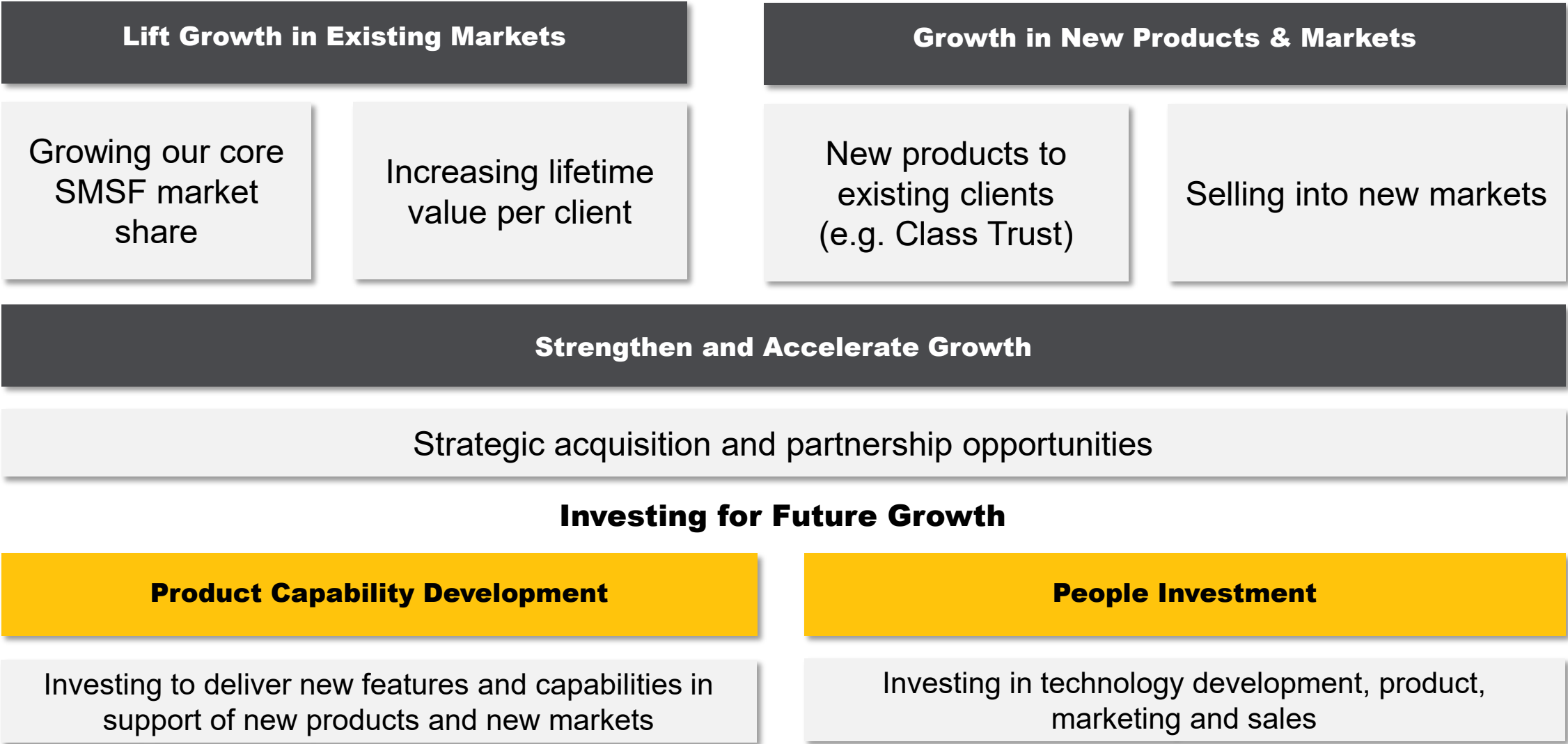




Agenda

1. Business Update & Half Year Results Summary
2. Key Takeaways
3. Q&A

Recap on our Reimagination Strategy

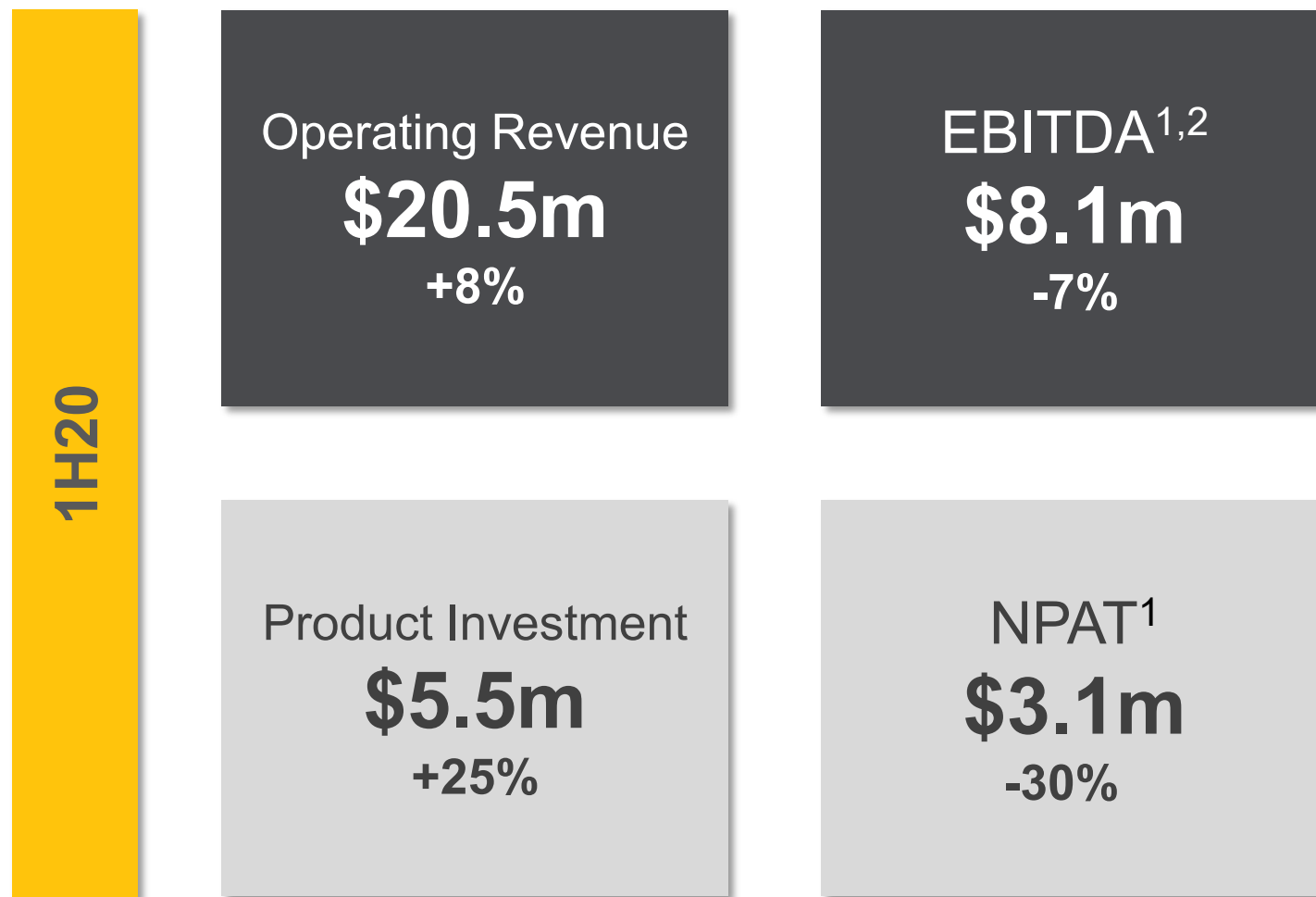


We are delivering on our Reimagination Strategy

1. We have **strong revenue growth** and momentum as we continue to invest
2. We are continuing to **grow market share** in existing products – Super and Portfolio
3. Our development capability is building. The **Trust MVP is currently in pilot** to be ready for full launch in FY21
4. We have **acquired NowInfinity** to further extend our product set around the professional services ecosystem
5. Executive **recruitment** is complete and we have attracted top talent across all levels of the business

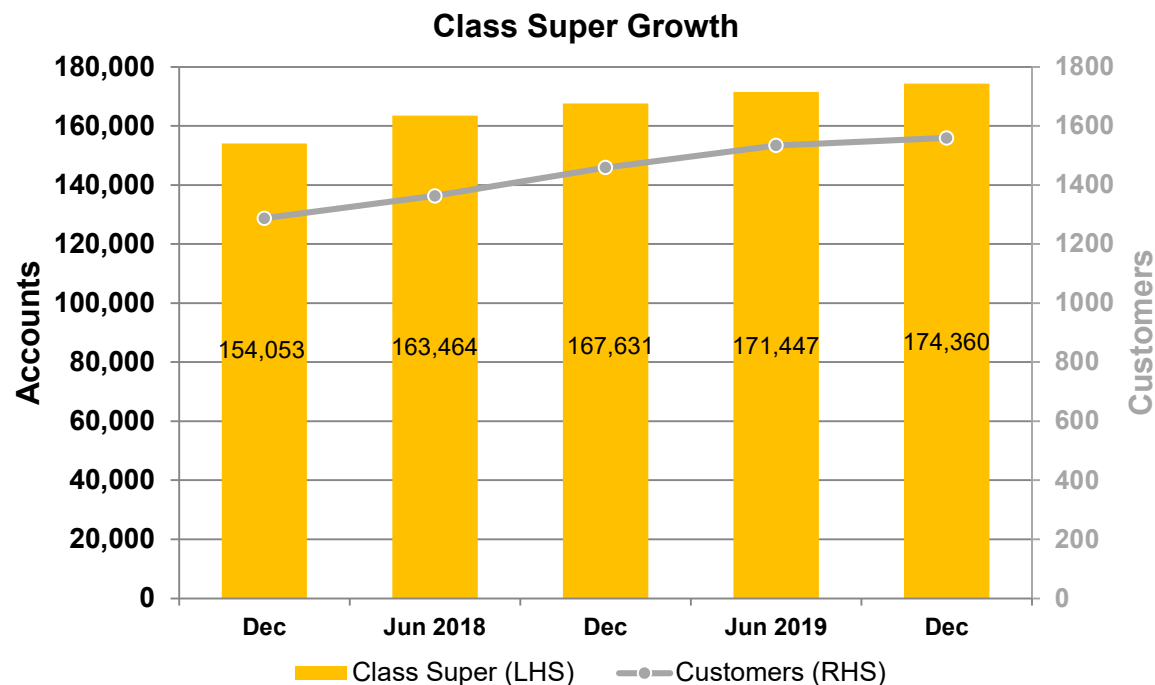


1H20 Results Summary



¹ Includes \$509k (\$369K net of tax) in acquisition and corporate advisory costs associated with the NowInfinity acquisition and exploring other opportunities

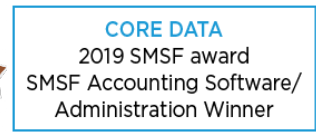
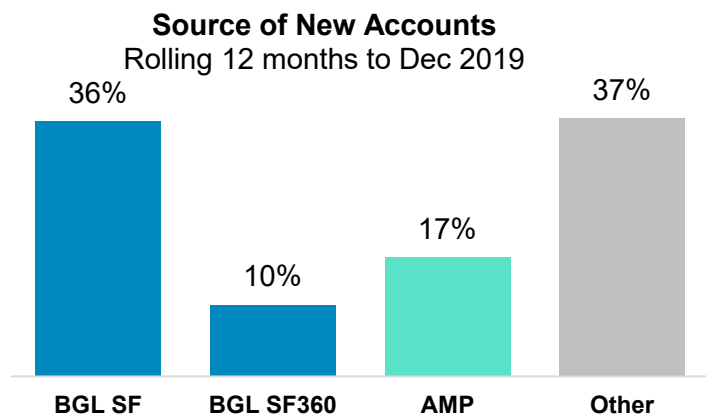
² Comparative prior period is not restated for the impact of the new Leasing Standard AASB16. 1H20 EBITDA impact ~\$373k increase.

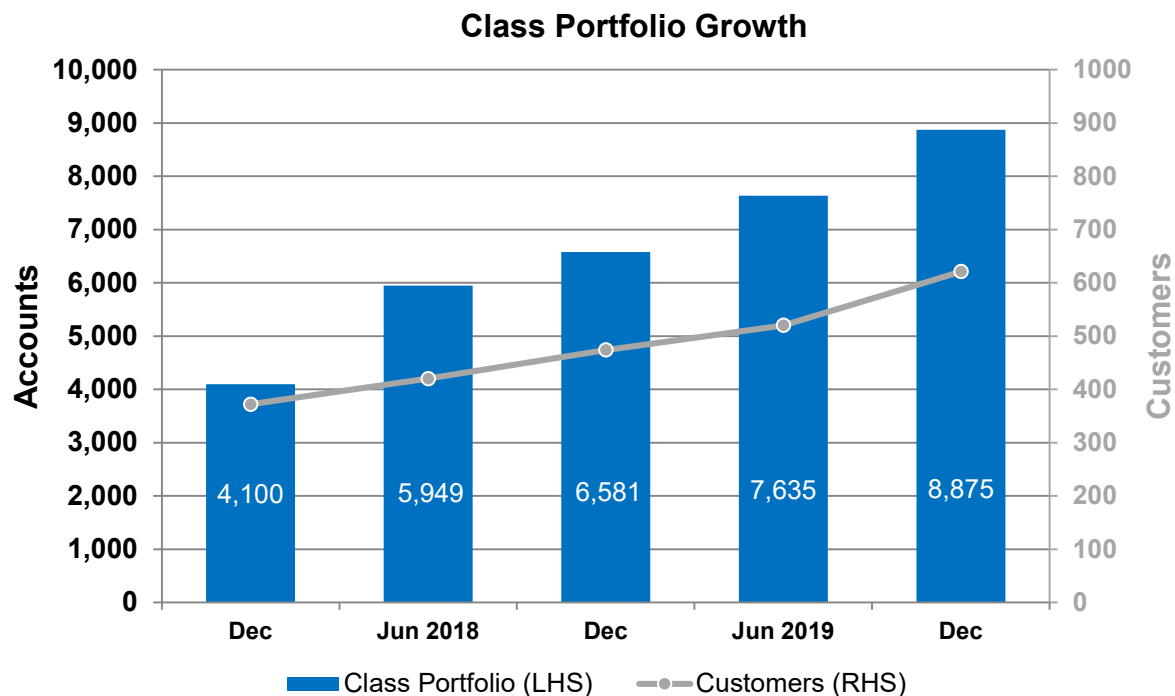


- Our data driven approach to sales is to target areas where we are underweight in comparable market share
- We continue to outgrow the market with **28.4%** market share (**+3.1%¹** on PCP)
- Customer retention by accounts remains high at **98.9%²** (rolling 12 months)

1. Representing an increase of 0.85 percentage points
2. Rate is ex-AMP who had ~4,000 funds on Class; if AMP's ~2,100 suspensions over the last 12 months were included retention rate would be ~97.7%

The Class Super product remains the clear market leader





Class Portfolio

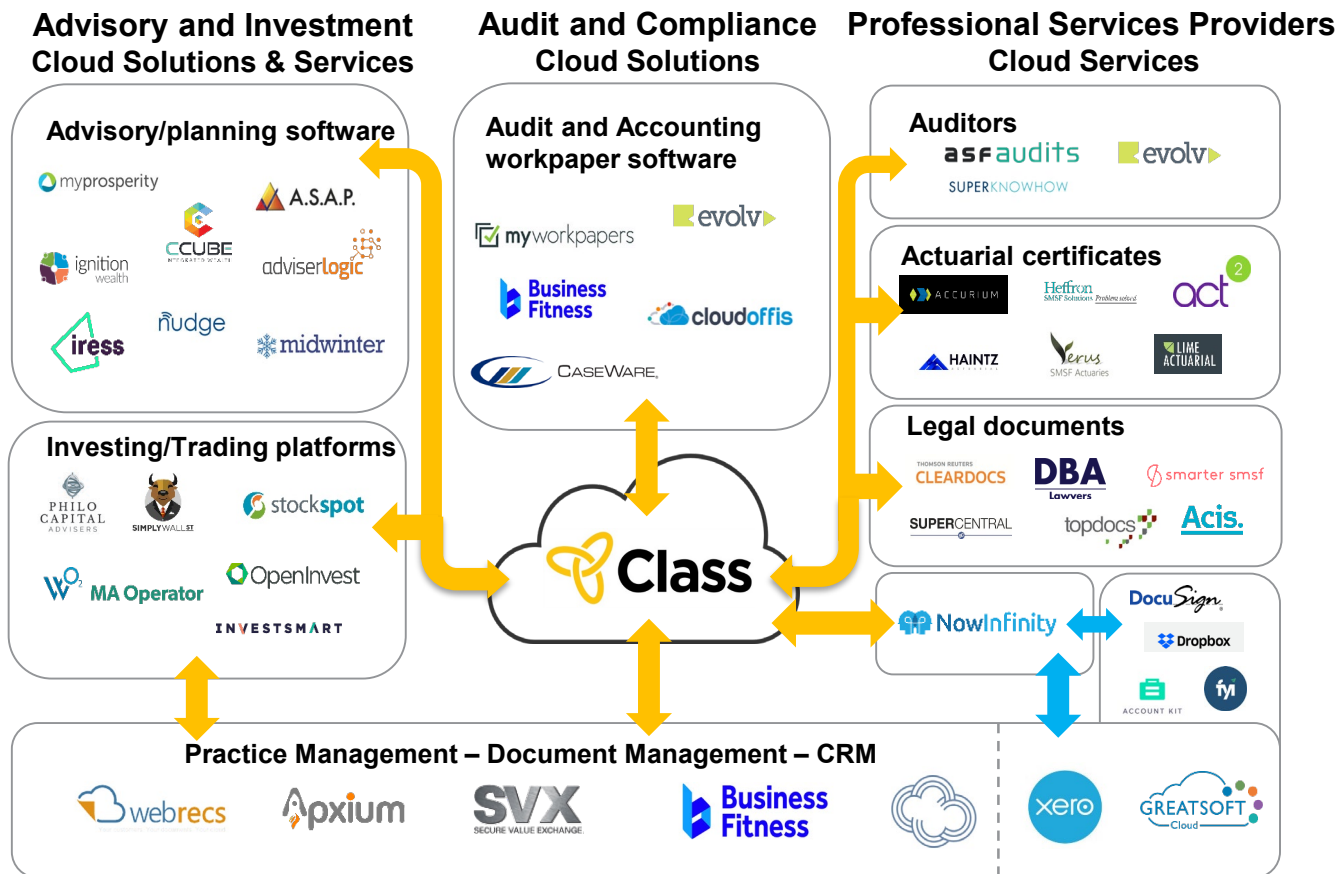
- We have achieved product clarity and functionality requirements in product & sales roadmap
- The uplift in account growth is due to increased demand from existing adviser/planning firms
- Overall growth in 1H20 is **16%**, with growth across all entity types

Class Trust

- Internal & external research confirms the Trust opportunity
- Positive progress on pilot with **~700** trusts, product development is meeting timeline expectations
- More insight will be provided at Investor Day, 13 March

Customer research indicates an exciting opportunity for Class Trust

Partner & Strategic Alliances Program



- **40+** integration partners meeting customers' needs across key categories
- Cloudoffis audit service launched in Nov 2019
- We continue to work with a number of document providers, giving clients choice
- Philo Capital investment is meeting expectations
- Partner fee revenue increased to \$0.9m **+19%**

We continue to explore opportunities to build our partner and alliances program to align with our Reimagination Strategy

- The business was founded in 2012
- It is now a leading platform in the fintech space
 - Document Suite
 - Corporate Messenger
 - Trust Register
 - Super Comply
 - Partner Integrations inc Class Super
- Acquisition has a max enterprise value of \$25m
- We expect circa \$7m revenue in FY20
- Opportunity to scale business & sell through

NowInfinity delivers important capabilities to extend our product set and market place beyond SMSF



Key Takeaways

1. The 1H20 **results are solid** and we are delivering to our Reimagination Strategy
2. Class Trust is in pilot and will be ready for full launch in **FY21**
3. Our investment in core product development and technical capabilities increased by 25% PCP to **\$5.5m** in 1H20
4. We are targeting a **40% EBITDA margin** in the underlying business
5. The setting of the Class platform for growth is well underway and our continuing investment in people will drive **accelerated results in FY21** and beyond
6. We are now targeting **14% revenue growth** in FY20 including NowInfinity
7. We will **continue to evolve our Reimagination Strategy** through a combination of “Build, Acquire and Partner”





Q & A

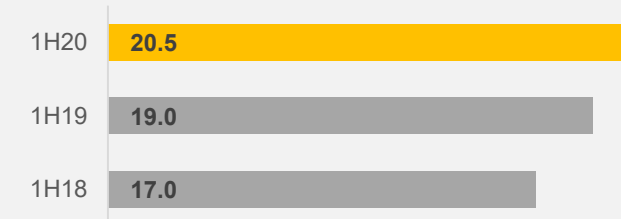
Appendix

Financial Operating Results

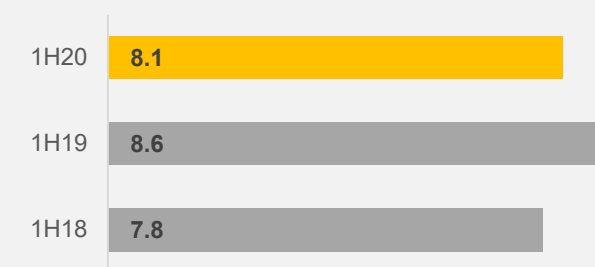
\$m	1H19 ¹	1H20	
Operating Revenue	19.0	20.5	+8%
Employee costs	(7.4)	(9.1)	
Other costs of undertaking business	(3.0)	(2.8)	
Acquisition and corporate advisory costs	-	(0.5)	
EBITDA	8.6	8.1	-7%
Depreciation	(0.2)	(0.6)	
Amortisation	(2.5)	(3.1)	
Net interest benefit	0.2	0.1	
NPBT	6.1	4.5	
Income tax (expense) / benefit	(1.7)	(1.4)	
NPAT	4.4	3.1	-30%
Basic EPS (cents)	3.7	2.6	
Diluted EPS (cents)	3.7	2.6	
Dividend per share (cents)	2.5	2.5	

¹ Comparative prior period is not restated for the impact of the new Leasing Standard AASB16

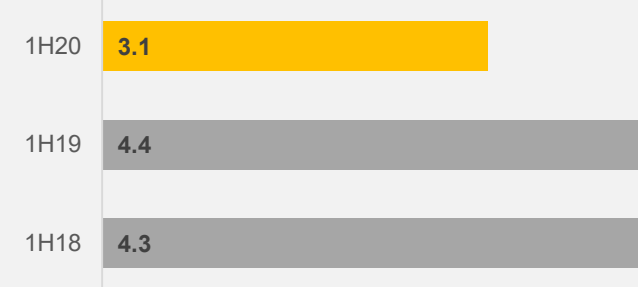
Operating Revenue (\$'Mil)



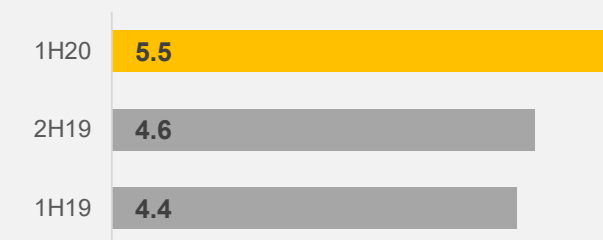
EBITDA (\$'Mil)



NPAT (\$'Mil)



Product Investment (\$'Mil)



Investing in Product

\$m	1H19 ¹	1H20
Total Development Costs	4.4	5.5
<i>Development costs / Operating Revenue</i>	<i>23.1%</i>	<i>26.8%</i>
Less: Development recognised as operating expenditure	(1.1)	(2.2)
Capitalised Development Costs	3.3	3.3
<i>Capitalised development / Operating Revenue</i>	<i>17.3%</i>	<i>16.2%</i>
Other Intangibles and Capitalised Development	0.4	0.3
Property, Plant & Equipment (PPE)	0.2	0.2
Capitalised Acquisition Costs	0.4	0.4
Total Capital Expenditure	4.3	4.2
<i>Less: Leasehold Improvements & Fit-out/Furniture</i>	<i>(0.1)</i>	<i>-</i>
Adjusted Capital Expenditure	4.2	4.2
<i>Capex / Operating Revenue</i>	<i>22.2%</i>	<i>20.6%</i>
<i>Capex / EBITDA</i>	<i>48.9%</i>	<i>52.3%</i>
Depreciation & Amortisation	2.3	2.9
Depreciation & Amortisation - AASB15	0.4	0.4
Depreciation & Amortisation - AASB16	N/A	0.4

¹ Comparative prior period is not restated for the impact of the new Leasing Standard AASB16

FY20 Product Investment:

- ~\$12m investment in core Class products for FY20
- ~\$0.7m investment in NowInfinity product development for period 1 Feb – 30 June 2020

FY20 Depreciation and Amortisation expense (including NowInfinity) is expected to be:

- ~\$5.7m Product Development
- ~\$0.8m AASB 15 Customer Acquisition
- ~\$0.7m AASB 16 Depreciation (effective 1 July 2019)
- ~\$0.4m Depreciation
- **TOTAL ~\$7.6m**

Summary Cash Flow Reconciliation

\$m	1H19 ¹	1H20	Movement
EBITDA	8.6	8.1	(0.5)
Non-Cash Items & changes in working capital	(0.8)	(0.3)	0.5
Capitalised product related development & PPE	(3.9)	(3.9)	-
Capitalised customer acquisition costs	(0.4)	(0.4)	-
Lease (AASB16 effective 1/7/19)	-	(0.4)	(0.4)
Free cash flow (excl. Financing & tax)	3.5	3.1	(0.4)
Taxes Paid	(2.9)	(0.8)	2.1
Net Interest Received	0.2	0.1	(0.1)
Investment in Philo	(0.1)	(0.8)	(0.7)
Dividends	(2.9)	(2.9)	-
Share-related proceeds/on-market acquisitions	(1.2)	0.8	2.0
Net cashflow	(3.4)	(0.5)	2.9

¹ Comparative prior period is not restated for the impact of the new Leasing Standard AASB16

Key Operating Metrics & Bal. Sheet

	1H19 ¹	1H20
No. of customers	1,470	1,576
Class Super accounts	167,631	174,360
Class Portfolio accounts	6,581	8,875
Class Trust accounts	-	720
Total accounts	174,212	183,955
EBITDA margin (% of revenue)	45.9%	39.4%
NPBT margin (% of revenue)	32.6%	22.1%
NPAT margin (% of revenue)	23.2%	16.8%
ARR (\$m) (License fees only, excl. partner revenue)	37.1	39.0
ARPU – Super (\$) – Licence Fee	216	216
ARPU – Portfolio (\$) – Licence Fee	136	136
CAC (\$)	177	213

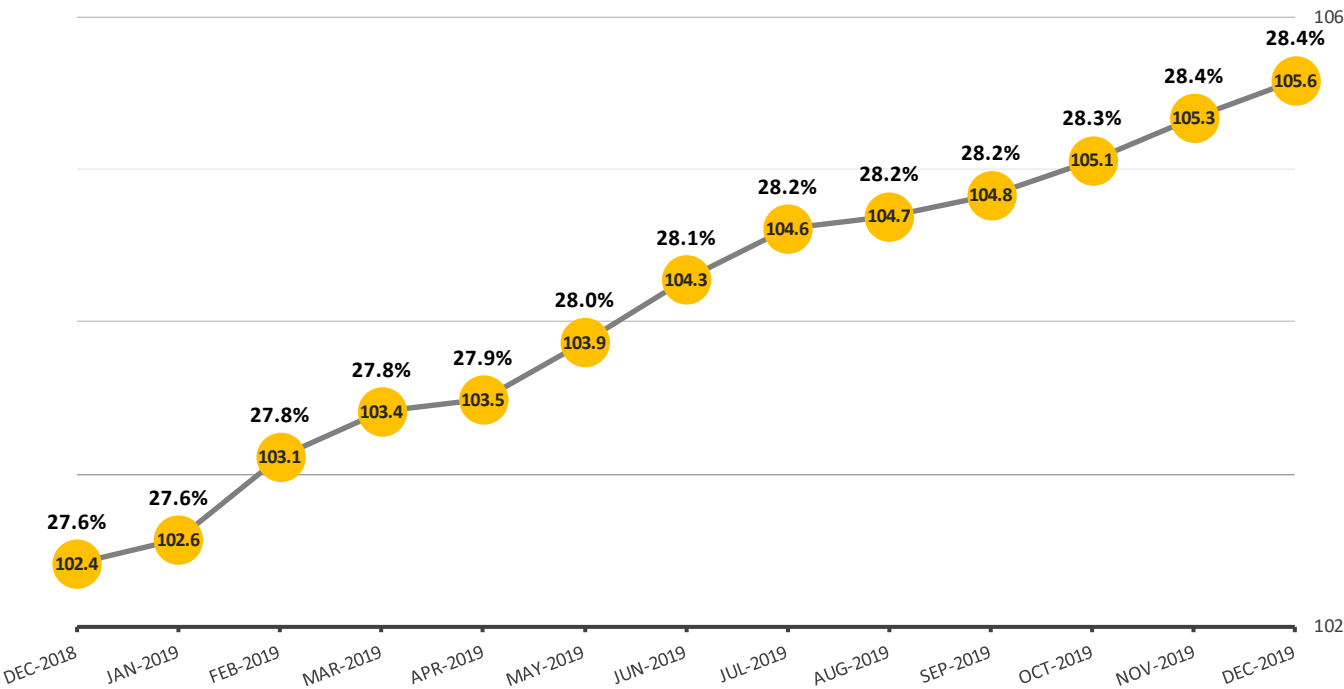
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Balance Sheet (\$m)	30-Jun-19	31-Dec-19
Current Assets		
Cash and cash equivalents	17.5	17.0
Trade and other receivables	3.7	3.9
Income tax receivable	0.7	0.4
Other current assets	0.7	1.2
Total Current Assets	22.6	22.5
Investments	2.0	3.2
Property and equipment	0.8	0.8
Right-of-use assets	-	1.1
Intangible assets	8.6	9.5
Customer acquisition costs	1.8	1.9
Total Non Current Assets	13.2	16.5
Total Assets	35.8	39.0
Current Liabilities		
Trade and other payables	3.4	3.4
Contract liabilities	0.4	0.4
Lease Liabilities	-	0.4
Provisions	0.8	0.9
Tax liabilities	-	-
Total Current Liabilities	4.6	5.1
Lease Liabilities	-	0.7
Deferred Tax	1.9	2.1
Provisions	0.4	0.5
Total Non Current Liabilities	2.3	3.3
Total Liabilities	6.9	8.4
Net Assets	28.9	30.6

- **Accounts:** Class Super funds, Class Trust and Class Portfolio entities
- **Accounts Lost:** the maximum number of Accounts the customer had in the 12 months prior to terminating
- **API:** Application programming interface
- **ARPU:** Average Revenue Per Unit: licence fee assuming any sales promotions have ended and other factors such as pricing remain unchanged
- **ARR:** Annualised Recurring Revenue: number of Accounts at the end of period multiplied by ARPU
- **CAC:** Customer Acquisition Costs: sales, marketing & implementations expenses divided by gross new Accounts added (rolling 12 month basis)
- **Customer Retention Rate:** (average Accounts for the period less Accounts Lost) / average Accounts for the period
- **EBITDA margin:** calculated by dividing EBITDA by operating revenue
- **Established Customers:** practices that have been using Class for over 12 months
- **NPAT margin:** calculated by dividing Net profit after tax by operating revenue
- **NPBT margin:** calculated by dividing Net profit before tax by operating revenue
- **MVP:** Minimum Viable Product: version of a product with just enough features to satisfy early customers and provide feedback for future product development

Class Market Share Index LTM, by Accounts¹

One year growth in market share: 3.1% or 0.85 percentage points



Our market share continues to grow

- 28.4% market share (3.1% growth over the 27.6% market share twelve months ago)
- Estimated industry growth in the 12 months ending 31/12/2019: 1.7%²

1. Methodology: See Appendices for details
2. Based on an estimated 600,000 SMSFs as at 31/12/2019 vs the most recently reported figure from the ATO for 31/12/2018 (589,988)

Class Market Share Calculation

- Numerator to be based on total Class Super accounts LESS the following:
 - Duplicate ABNs (i.e. only one SMSF will be counted per ABN)
 - SMSFs with cancelled, non-complying, or indeterminate status
 - ABNs (including blanks) not validated as belonging to an SMSF
- Denominator to be based on ATO SMSF first-release figures for the end of quarter (i.e. no back-revision for subsequent ATO releases)
 - Prior to first-release figures being available, estimates will be used
 - After first-release figures become available, actuals will be used (with interpolation for intra-quarter months)

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Class Limited – 1H20 Results Presentation – CEO Commentary

Good morning, thank you for joining us for the presentation of the Class Limited Half Year Results for 2020.

My Name is Andrew Russell and I am the CEO of Class. I am joined today by CFO – Glenn Day, Chief Strategy Officer – Glenn Poynton and our Investor Relations Manager and Assistant Company Secretary – Ebby Carson.

Today I will present to the following agenda

Re-cap on our Reimagination Strategy

1. A summary of our half year results and strategy progress to date
2. Key takeaways
3. Questions and Answers

Recap on our Reimagination Strategy

Simply put, our Reimagination Strategy is to deliver the repositioning of Class Limited as a world class technology solutions business by focusing on three key areas;

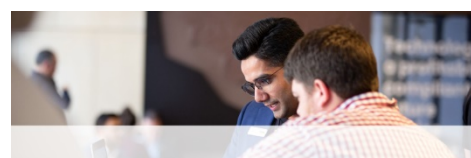
1. Ensure we keep focus on the core with ongoing faster feature improvement and development to ensure market share growth;
2. Grow our market place outside of SMSF through new products and new markets; and
3. Actively explore both strategic acquisitions and partnering opportunities to build our product suite and expand our market place.

For Class to deliver to the strategy in FY20 we are focused on building momentum. As announced at our FY19 results, we are investing \$12m over the full year in new people, product and technology development. We are targeting an EBITDA margin in the underlying business of 40% excluding acquisition & corporate advisory costs. We are challenging ourselves to a revenue growth target of 10% for the full year.



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Recap on our Reimagination Strategy



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We forecast that the reimagination investment in the business is building capability momentum in FY20 to then position Class well for accelerated growth in FY21 and beyond.

It is pleasing to note that we are already delivering on our Reimagination Strategy since announcing to the business and market in August 2019. The delivery is evidenced by:

We are delivering on our Reimagination Strategy

1. We have **strong revenue growth** and momentum as we continue to invest
2. We are continuing to **grow market share** in existing products – Super and Portfolio
3. Our development capability is building. The **Trust MVP is currently in pilot** and to be ready for full launch in FY21
4. We have **acquired NowInfinity** to further extend our product set around the professional services ecosystem
5. Executive **recruitment** is complete and we have attracted top talent across all levels of the business

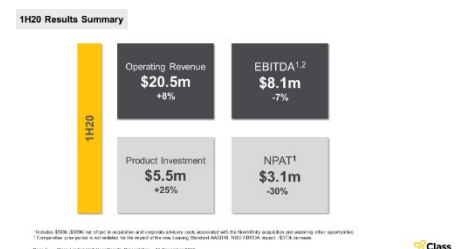
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- We are growing market share in our existing products – Super and Portfolio. Our Class Super market share growth has been 1.8 x system growth;
- The Trust MVP is currently in pilot and will be ready for full launch in FY21;
- We have acquired NowInfinity to further extend our product set around the professional services ecosystem and grow our market place; and
- We have completed our executive recruitment and have also successfully attracted new talent right across the business in product, technology, sales, marketing and operations.

In summary the underlying business is very solid as we invest in Class this FY.

- Our Operating Revenue is \$20.5m for the first half. Revenue is up 8%
- Partner revenue is up 19%
- Our market share growth is strong at 1.8 x system growth. Our share has grown by 3.1% annualized.
- The EBITDA is \$8.1m for the first half. This is down 7% on the prior corresponding period. This includes the following items –
 - o \$509k in acquisition and corporate advisory costs associated with the NowInfinity acquisition and exploring other acquisition opportunities.



We would like to note as a matter of transparency the prior corresponding period has not been restated for the impact of the new Leasing Standard AASB16. Consequently, on a like for like basis 1H20 EBITDA is higher to the tune of ~\$373k which is now treated as depreciation.

Our investment in product is \$5.5m which is up 25% on the prior period as we invest to deliver our Reimagination Strategy.

Consequently, and expectedly our NPAT result is down to \$3.1m.

The board has declared a fully franked dividend of 2.5cents and will be paid on 27 March 2020.

Class Super

Our data driven approach to sales is to target areas where we are underweight in comparable market share and firms that are aligned to benefit from our current and future product strategy.



As mentioned in the opening, the Super business is growing 1.8 x system growth. Our Market Share is up 3.1% on the prior comparison period.

We continue to win business from both desktop and Cloud based providers.

We have strategically ensured we have grown market share as well as holding our ARPU to \$216. However, our CAC has increased to \$213 from \$176 driven by lower gross additions given the limited growth runway in the SMSF segment.

Class Portfolio & Class Trust

We have achieved product clarity and functionality requirements in product & sales roadmap.



The overall growth in the period was 16% across all entity types. The uplift in account growth is due to increased demand from existing adviser/planning firms.

In regard to our new Trust product, we are pleased with results of both the independent external & and our internal research supporting the Class Trust opportunity.

We are seeing positive progress on the pilot with over 900 trusts added to date. We expect this to grow over the next pilot period.

Our customers are enthusiastic about the product vision and the potential positive impact on automation it will deliver to their back offices. We are on track for a product launch in FY21. We will be speaking more about the Trust product vision at our investor day on 13 March.

Partner & Strategic Alliances

As you can see from this slide, Class is now at the centre of its own ecosystem given the commercial opportunities for our partners from the Class technology platform.



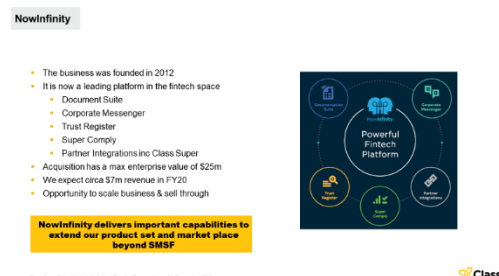
Class has continued its success in exploring opportunities to build our partner and alliances program to align with our Reimagination Strategy. We have been particularly successful in delivering value to our partners and customers in the actuarial certificate space and we have recently launched our partnership with Cloudoffis who provide market leading audit and work paper solutions.

Our Philo Capital investment is meeting our expectations and we believe it is an innovative solution in the growing MDA market place.

A key pillar of our strategy revolves around partnering and acquiring capability. Our acquisition of NowInfinity is example of the potential value to Class by partnering and then acquiring.

NowInfinity

It was exciting milestone for the Class Reimagination Strategy to announce the acquisition of NowInfinity. This is the first acquisition by Class Limited. NowInfinity was acquired for an enterprise value of \$25m, partly funded by \$10m issued class shares and a new \$10m debt facility. There is a staged cash payment of up to \$5m based on successful integration hurdles.



The Nowinfinity business was launched in 2012 to help reduce back-office pain points for accountants by technology automation. They are now the leader in their market place.

The NowInfinity suite of products includes documents, corporate messenger, trust register and Super Comply.

We would like to provide guidance that the NI product revenue for FY20 will be circa \$7m.

We believe the NI acquisition will be highly complimentary to the Class offering. It presents us with great strategic optionality with their impressive

fintech platform. We will now realise the opportunity to leverage Class capability to grow revenue and accelerate the business to scale.

Key Takeaways

I would like to conclude with a number of key takeaways to summarise the first six months' results, following embarking on the Reimagination Strategy:

- The 1H20 results are solid, in line with our guidance and as importantly, we are showing results that we are delivering to our Reimagination Strategy;
- The Trust product opportunity has been well received and validated as an exciting opportunity to progress. The Trust MVP is currently in pilot to be ready for full launch in FY21;
- Our investment in core product development and technical capabilities increased by 25% pcp to \$5.5m in 1H20. The setting of the Class platform for growth is well underway with the continuing investment in capability to drive accelerated results in FY21 and beyond;
- We will continue to target a 40% EBITDA margin in the underlying Class business excluding acquisition & corporate advisory costs;
- We are now targeting 14% revenue growth for FY20 including NowInfinity; and
- We will continue to execute to our Reimagination Strategy through a combination of "Build, Acquire and Partner".

Key Takeaways

1. The 1H20 results are solid and we are delivering to our Reimagination Strategy
2. Class Trust is in pilot and will be ready for full launch in FY21
3. Our investment in core product development and technical capabilities increased by 25% PCP to \$5.5M in 1H20
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