

# Count Financial Limited

## Half Yearly Results

22 February 2011

**Contacts:**

**Barry Lambert, Founder, Executive Chairman**  
barry.lambert@count.com.au or (02) 8272 0212

**Andrew Gale, Managing Director, CEO**  
andrew.gale@count.com.au or (02) 8272 0215



# Today's Presentation:

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- Introduction and high level results
- Detailed results
- **Business Outlook & Commentary**
- Q&A

# Results in brief:

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- Record Net Profit After Tax: \$42.88m, up 212% pcp
- Diluted Earnings Per Share (EPS): 16.44 cents, up 208% pcp
- EBIT \$12.20m – unchanged
- Dividends
  - Second interim “Easter” dividend: 2 cents, payable 15/4/2011, totalling 4 cents YTD
- One-off pre-tax gains: Countplus revaluation gain of \$34.12m, plus \$2.96m on consolidation of Countplus entities
- Strong ongoing Countplus contribution up 149% pcp
- Excluding Countplus one-off effects – NPAT up 23%

# Financially Strong 31 December 2010

	30/6/2010	31/12/2010
Total Cash/Investments/Loans	\$61.71m	\$127.83m
Less loan balance	\$11.82m	\$ 18.51m
Net Value	\$49.89m	\$109.32m

countplus 

39.8%

 MORTGAGE  
CHOICE®

17.3%

 Centrepoint  
Alliance  
Your finance partner

8.25%

 DKN  
Financial Group

7.4%

 CLASS | SUPER  
the super connector

6%

Count 

# Countplus Strategy Post Listing

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- Target 15% pa EPS growth – 10% organic and 5% acquisitive growth.
- Investees individually managed, measured and incentivised.
- Referral arrangements between each other and Count Group – as appropriate.
- Acquisitions will be along similar lines to pre-float acquisitions.

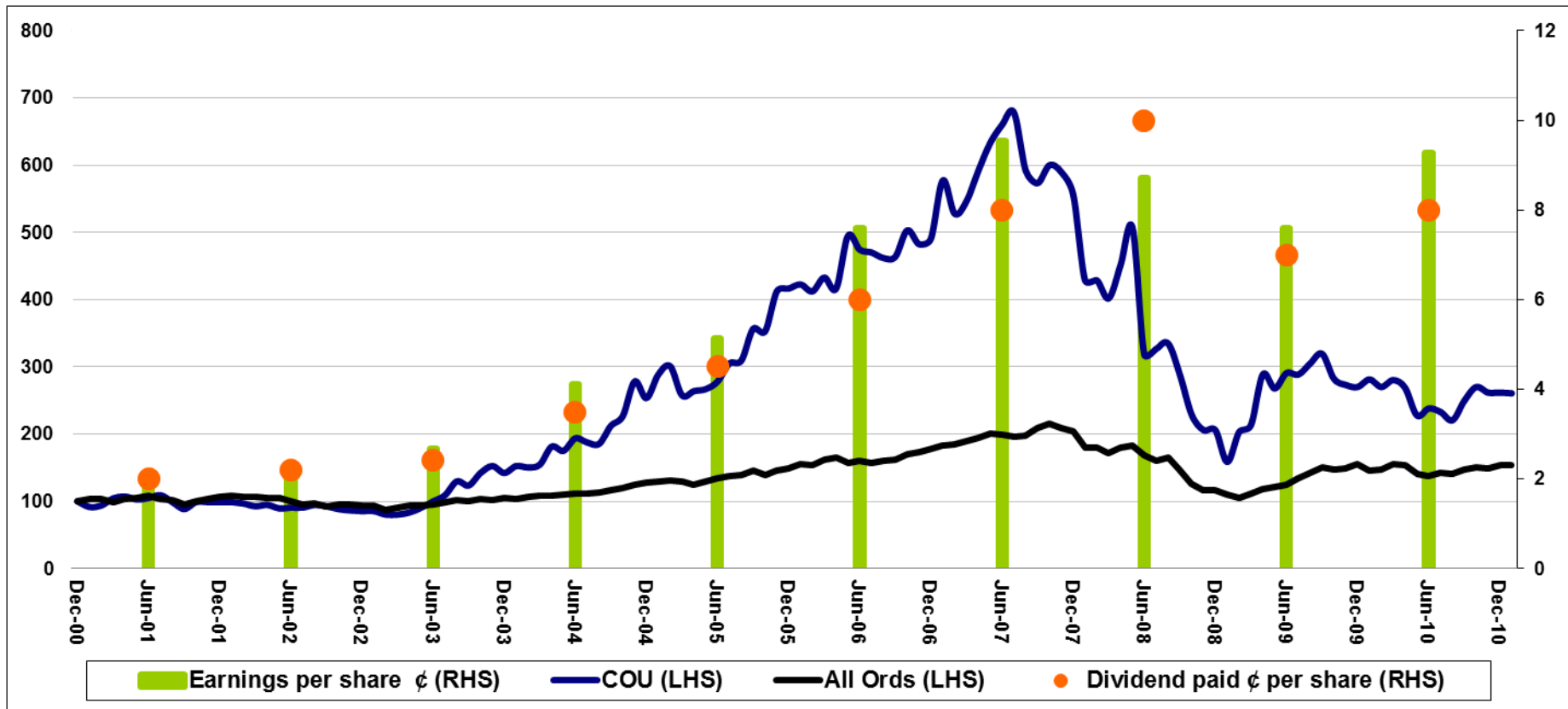
# Countplus Strategy Post Listing

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- Countplus accounting franchise to be launched using Countplus and COU intellectual property and systems.
- COU franchisees expected to remain source of new acquisitions.
- Ongoing acquisitions financed by: IPO raising; retained earnings (dividend payout no more than 70%); borrowings; and 50% equity on each purchase for retention.
- Consideration for future tuck-in acquisitions will be payable in cash.

# COU EPS & Dividends vs. Share Price

As at 31 January 2011



# High Level Earnings Guidance

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- NPAT and EPS growth for the 2011 financial year, before one-off Countplus items, are expected to exceed 25%
- NPAT and EPS growth for the 2011 financial year, including one-off Countplus items, are expected to exceed 130%
- Operating profit/EBIT is expected to be up around 10% in the second half vs. pcp and up around 5% for the full year
- 2011 guidance assumes long term average market returns for the remainder of the 2011 financial year and the investment portfolio remaining at current levels

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# Our Track Record

- Average EBIT growth last 7 years 21% pa

30 June \$M	2004	2005	2006	2007	2008	2009	2010	2011
EBIT	10.85	15.60	23.18	28.92	33.42	23.43	26.24	~ 5% *
Change %	32%	44%	49%	25%	16%	(30%)	12%	Guidance

- Average annual dividend increase last 7 years 21% pa

Per Share	2004	2005	2006	2007	2008	2009	2010	2011
Dividend (cents)	3.5	4.5	6.0	8.0	10	7	8	8
Change %	45%	28%	33%	33%	25%	(30)%	14%	Guidance

\* Subject to market returns being in line with long term averages

# Breakdown of results: Revenue

	08/09	09/10	1H10	1H11	
	\$M	\$M	\$M	\$M	%
Net Fees & Retail Revenue	14.29	14.59	7.43	6.85	(8%)

Note: Breakdown of results excludes Countplus consolidated revenue and expenses and fair value gains and therefore differs from the half year report.

# Breakdown of results: Revenue

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- **Business split:**
  - **Super/Pension Investment 30%**
  - **Non-Super Investments 26%**
  - **Residential/Commercial Lending 20%**
  - **Insurance 15%**
  - **Asset Finance 7%**
  - **Shares 1%**
  - **Margin Lending 1%**
  
- **December 2010:**
  - **Gross Commissions & Fees \$24.89m (down 0.4%)**
  - **Brokerage Paid: \$18.03m (up 2.7%)**

# Breakdown of results: Revenue

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- **Wealth Protection:**
  - **New Business \$5.05m up 22% on pcp**
  - **In Force: mid teens growth rate**
- **Lending/Finconnect**
  - **LUM static at around \$3.9 billion**
  - **Net commissions down 13%**

# Breakdown of results: Revenue

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<b>Operating Profit</b>	<b>08/09</b>	<b>09/10</b>	<b>1H10</b>	<b>1H11</b>	<b>Change</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>%</b>
<b>Net Fees and Retail Revenue</b>	<b>14.29</b>	<b>14.59</b>	<b>7.43</b>	<b>6.85</b>	<b>(8%)</b>
<b>Asset-based Revenue</b>	<b>25.13</b>	<b>27.58</b>	<b>13.62</b>	<b>13.95</b>	<b>2%</b>

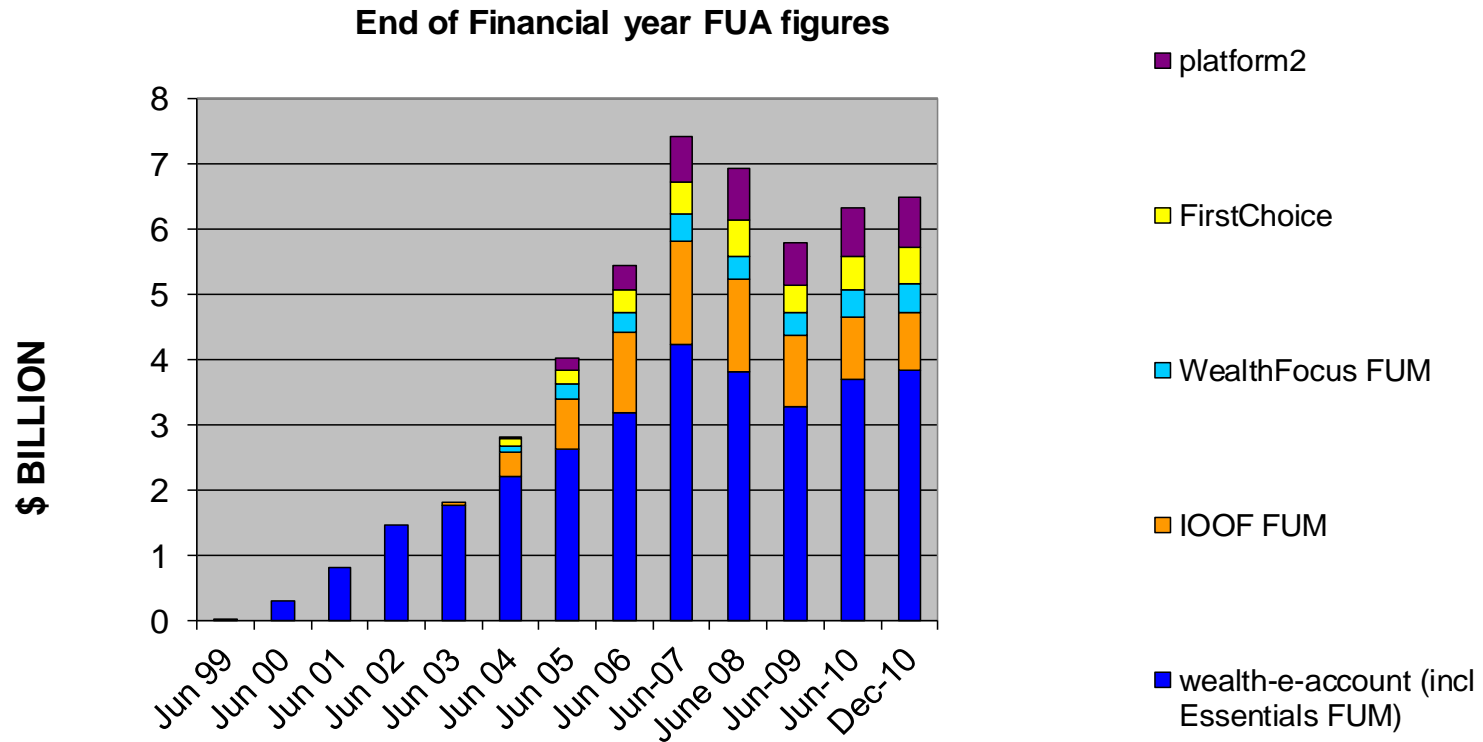
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# Key Performance Indicators

Key Performance Indicators	31/12/10	30/6/10	31/12/09	% change
	\$B	\$B	\$B	FYTD
1 Approved Platforms	\$ 6.50	\$ 6.33	\$ 6.64	2.7%
2 Other Funds	\$ 3.72	\$ 3.94	\$ 4.05	-5.6%
3 Total Funds 1&2 (FUA)	\$10.22	\$10.27	\$10.69	-0.5%
4 Loans outstanding	\$ 3.75	\$ 3.76	\$ 3.89	-
5 Total 3&4 (FLUA)	\$13.97	\$14.03	\$14.58	-
	31/12/10	30/6/10	31/12/09	% change
	\$M	\$M	\$M	FYTD
6 Insurance Premiums (in force)	\$42.33	\$40.21	\$36.85	14.87%

# Funds Under Advice: Platforms



Approved Platforms FUA 31 December 2010: \$6.50BN – growth of 2.7%  
over 6 months ending 31 December 2010

# 2010/11 Half Year Results: Revenue

Operating Profit	03/04	04/05	05/06	06/07	07/08	08/09	09/10	1H10	1H11	Change
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	%
Net Fees and Retail Revenue	11.20	12.25	14.10	16.13	17.34	14.29	14.59	7.43	6.85	(8%)
Asset-based Revenue	10.55	13.60	19.87	25.62	31.57	25.13	27.58	13.62	13.95	2%
Other fees	3.53	3.86	3.01	3.24	3.07	3.12	3.20	0.97	1.09	12%
Net Revenue	25.28	29.71	36.98	44.99	51.98	42.54	45.37	22.02	21.89	(1%)

Note: Breakdown of results excludes Countplus consolidated revenue and expenses and fair value gains and therefore differs from the half year report.

# 2010/11 Half Year Results: Expenses

Expenses	03/04	04/05	05/06	06/07	07/08	08/09	09/10	1H10	1H11	Change
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	%
Employment	7.85	7.91	7.70	8.23	8.82	9.06	9.11	4.57	4.72	3%
Other expenses	6.58	5.40	4.61	5.58	6.67	6.51	7.51	3.68	4.55	24%
Share based payments expense	-	0.80	1.49	2.26	3.07	3.54	2.51	1.60	0.42	(74%)
<b>Total Expenses</b>	<b>14.43</b>	<b>14.11</b>	<b>13.80</b>	<b>16.07</b>	<b>18.56</b>	<b>19.11</b>	<b>19.13</b>	<b>9.85</b>	<b>9.69</b>	<b>(2%)</b>

- Share based payments lower due to revaluations

Note: Breakdown of results excludes Countplus consolidated revenue and expenses and fair value gains and therefore differs from the half year report.

# Expenses:

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- Non staff expenses are up in line with budget, with improved performance expected in the second half after the Countplus float
- Staff expenses are up marginally, but include accrual of performance bonus, not accrued in prior periods
- Staff numbers reduced by 12 late in 1H11, with the transfer to Xplan and separate listing of Countplus, full benefit to flow through in 2H11
- Share based payments expense is down due to the revaluation of equity entitlements under the new scheme to be finalised 2H11.

# Summary

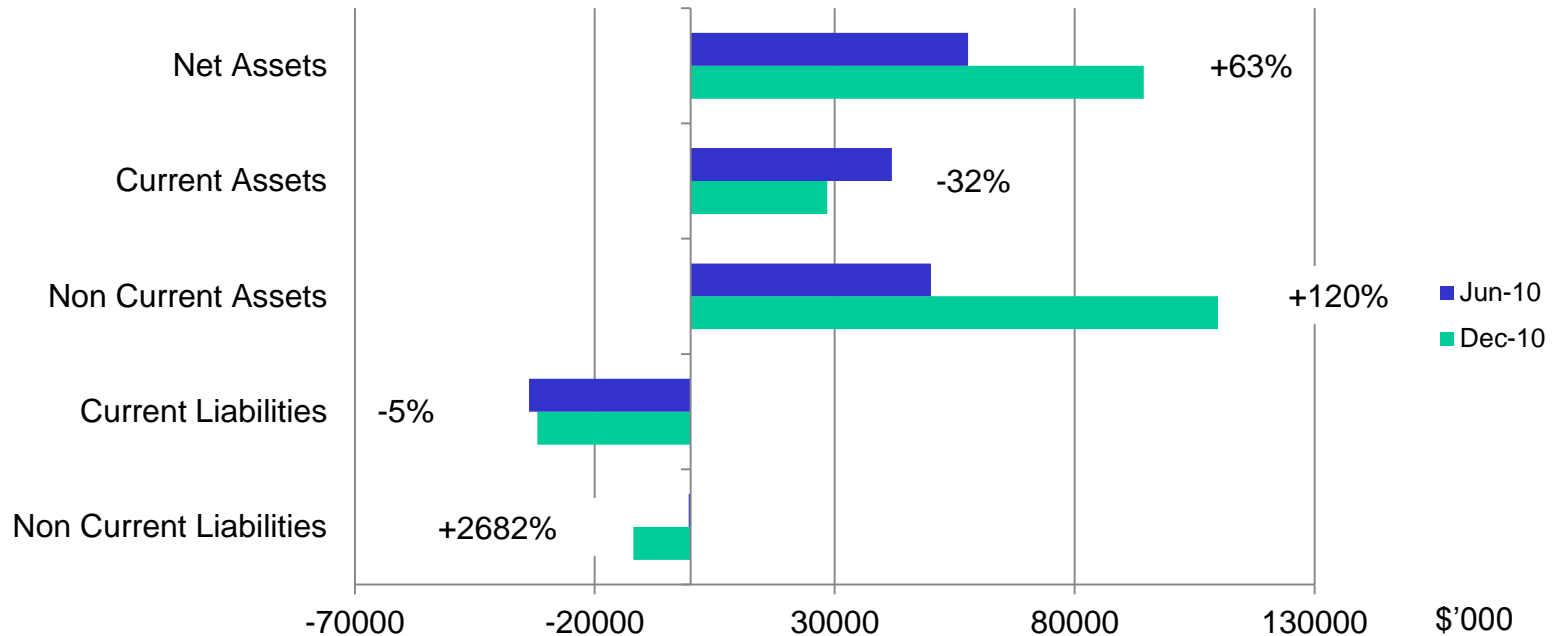
Year ending 30 June	2005	2006	2007	2008	2009	2010	1H10	1H11	Change
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	%
Net Operating Income#	29.71	36.98	44.99	51.98	42.54	45.37	22.02	21.89	(1%)
Expenses	14.11	13.80	16.07	18.56	19.11	19.13	9.85	9.69	(2%)
EBIT	15.60	23.18	28.92	33.42	23.43	26.24	12.17	12.20	0%
Investment income*	1.04	2.37	3.88	(1.72)	4.72	7.49	9.17	55.52	505%
Net profit before tax	16.65	25.55	32.80	31.7	28.1	33.73	19.86	67.72	241%
Net profit after tax^	12.30	17.60	22.69	21.3	19.4	23.96	13.76	42.88	212%

# excludes interest, dividends and profits from sale of assets

\*including unrealised gains and losses, dividends from investment portfolio, interest income from loans to franchisees and associates, share of profits from associates (FY10) and consolidated profits and revaluation gain from Countplus (FY11)

^ Excluding non-controlling interests

# Capital Management – strong position



- Net Assets up 63% for 1H11
- Investments in Associates up 290% (Revaluation of Countplus investment on deconsolidation)
- Non-current listed Investment portfolio (MOC & DKN revaluation, purchase of CAF stake) up 51%
- Repayment of loan portfolio to Countplus associates by Countplus during year, reducing current assets
- Total debt at 31 Dec was \$18.5m (up 57%) due to final Countplus acquisitions and purchase of CAF stake
- Debt to equity ratio is 20% and net interest cover is 23 times

# Today's Presentation:

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- **Introduction and high level results**
- **Detailed results**
- **Business Outlook & Commentary**
- **Q&A**

# Key Messages

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- Strong underlying fundamentals for Wealth Management, especially Superannuation & Retirement Incomes
- Count has an over-weighting to high growth sectors (SMSF, post retirement) i.e. momentum play
- Notwithstanding equity markets being slightly below PCP, and appreciating \$A, achieved small revenue growth and flat EBIT
- Maintenance of current market levels, or moderate growth, translates into earnings growth (rising tide)
- In addition, Count has a range of growth initiatives, both announced & planned, which are focussed on further EPS growth
- Tight expense control provides earnings leverage from revenue growth
- Count is well positioned for regulatory change
- Also well positioned for likely consolidation in independent, non-aligned advice sector
- Successful Countplus IPO – with ongoing benefits

# Business Outlook & Management Commentary

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- Business Growth
- Regulatory Change and Implications
- The Management Team
- Industry Dynamics and Consolidation
- Earnings Guidance

# Major Earnings Growth Drivers

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- **Short Term**

- Market performance (especially equities)
- Margin on FUA
- Expense management

- **Medium Term:**

- **Organic:**

- As above, PLUS
- Growing diversified revenue streams – e.g. Lending, Wealth Protection, share of earnings of associated entities
- Competitiveness of platform offerings & franchisee model
- Network expansion & productivity

- **Non Organic – Corporate Development/M&A**

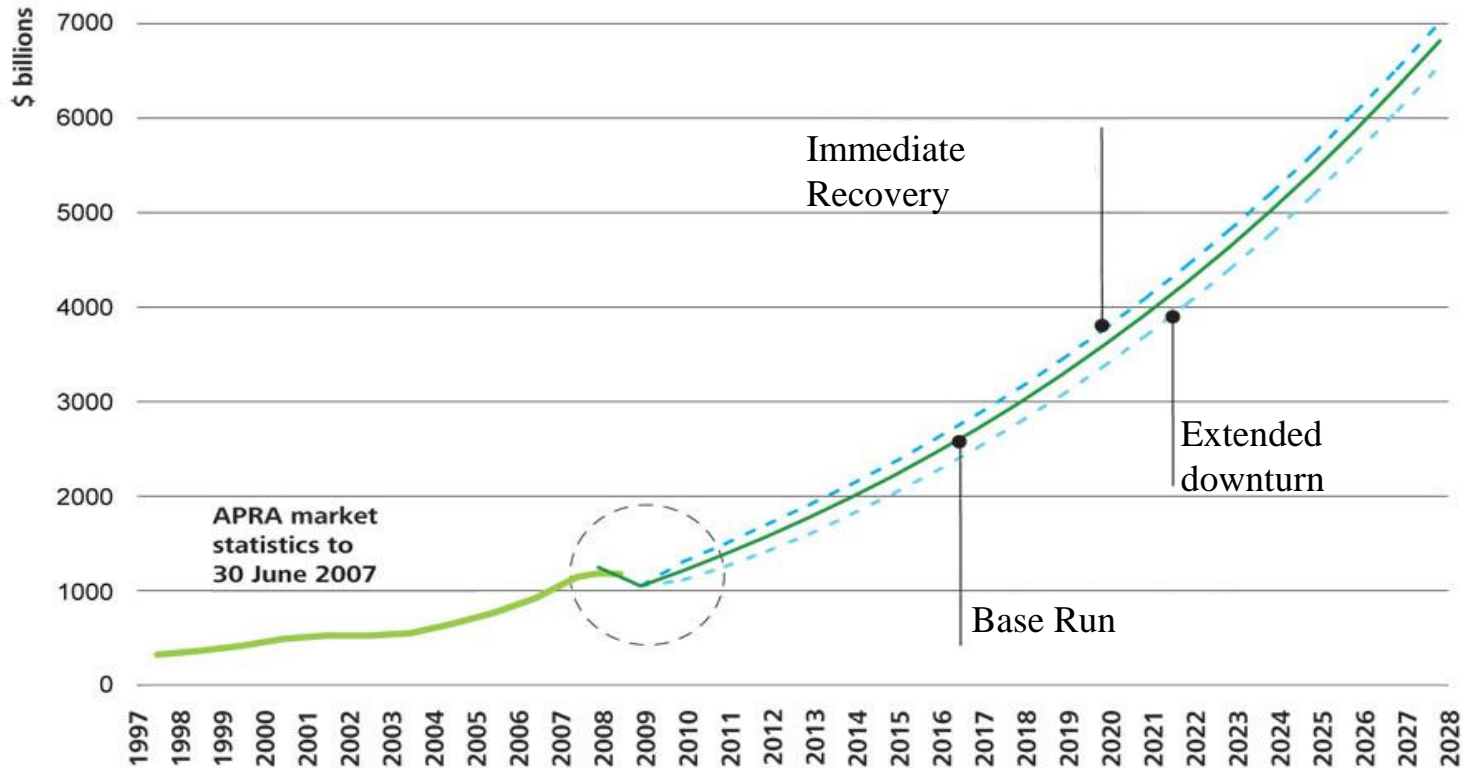
# Organic Growth: Commentary & Initiatives

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- **Medium term outlook strong:** around 85% of Wealth Management is Super and Retirement Income with prospective 10% CAGR over next decade.
- **“Trusted Adviser” network:** well positioned for regulatory change
- **Momentum play**
  - SMSF
  - Post Retirement (40% of prospective fund flows from SMSF)

# Superannuation & Retirement Income Market – Robust Growth:

Total superannuation assets

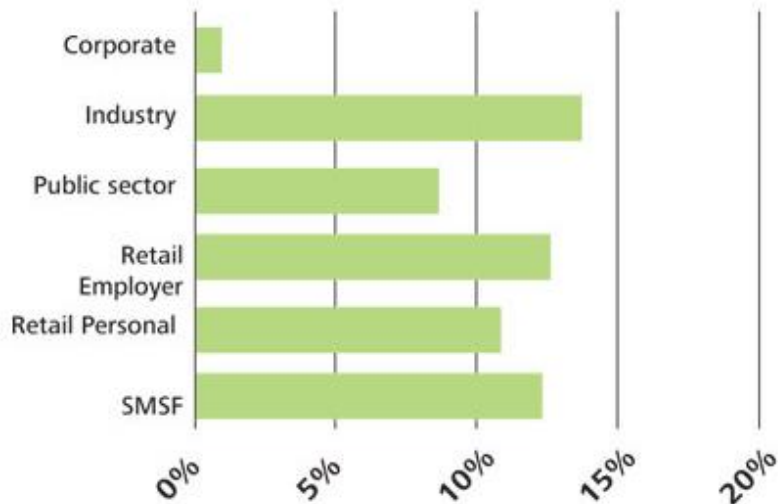


Medium term growth & fund flows driven by industry fundamentals  
Short term cyclical fund flows influenced by fund returns with 6-9 month lag

# SMSFs and Industry Funds growing fastest:

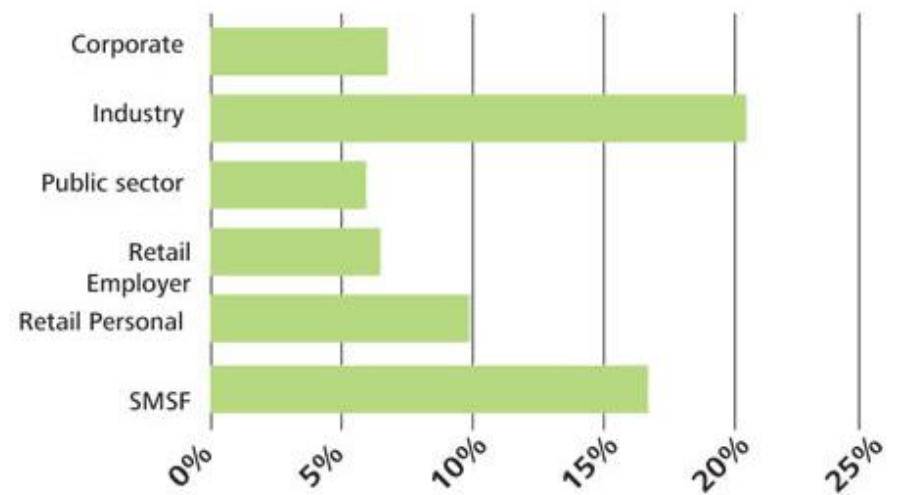
## Projected: pre-retirement assets

### Pre-retirement 2009-2019



## Projected: post-retirement assets

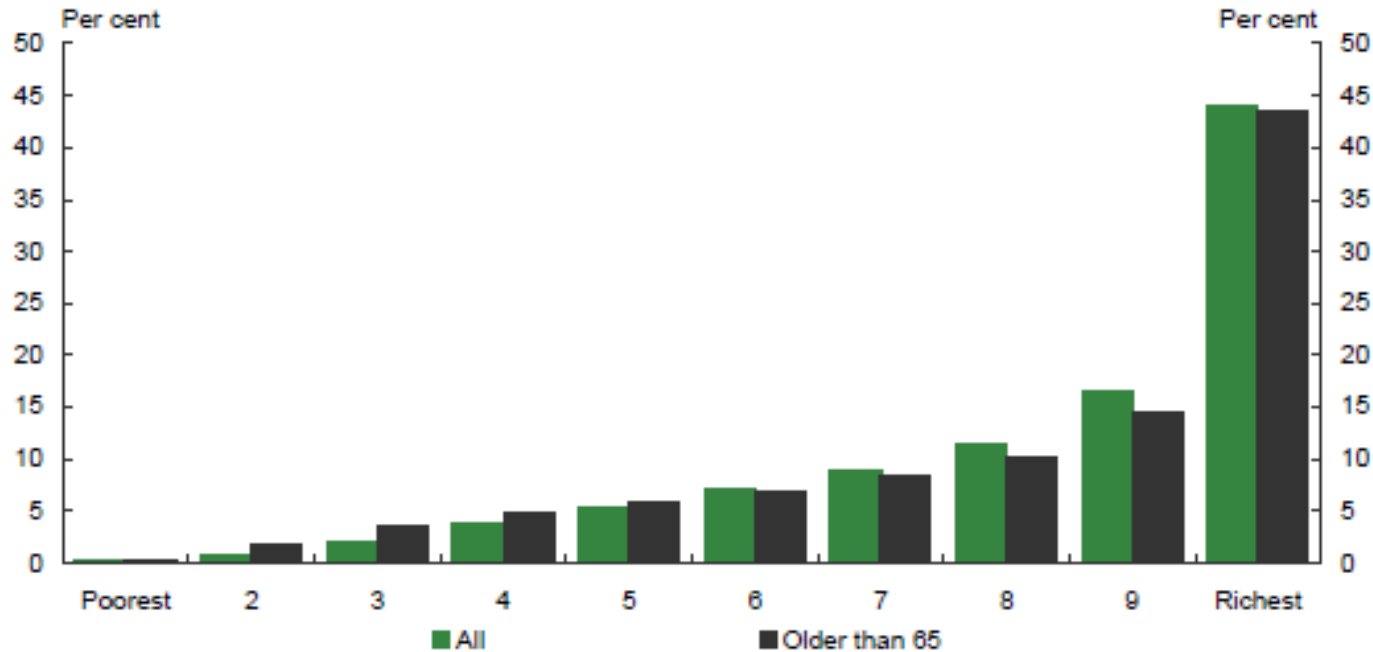
### Post-retirement 2009-2019



Key sectors for Count: SMSF and Retail;  
Post Retirement of increasing importance

# Significant inequality in household wealth

Chart A3-1: Percentage of total household wealth by wealth decile, Australia, 2005-06



Note: 'Older than 65' denotes households headed by a person at least 65 years old. 'Older than 65' figures show the distribution of wealth held by older households.

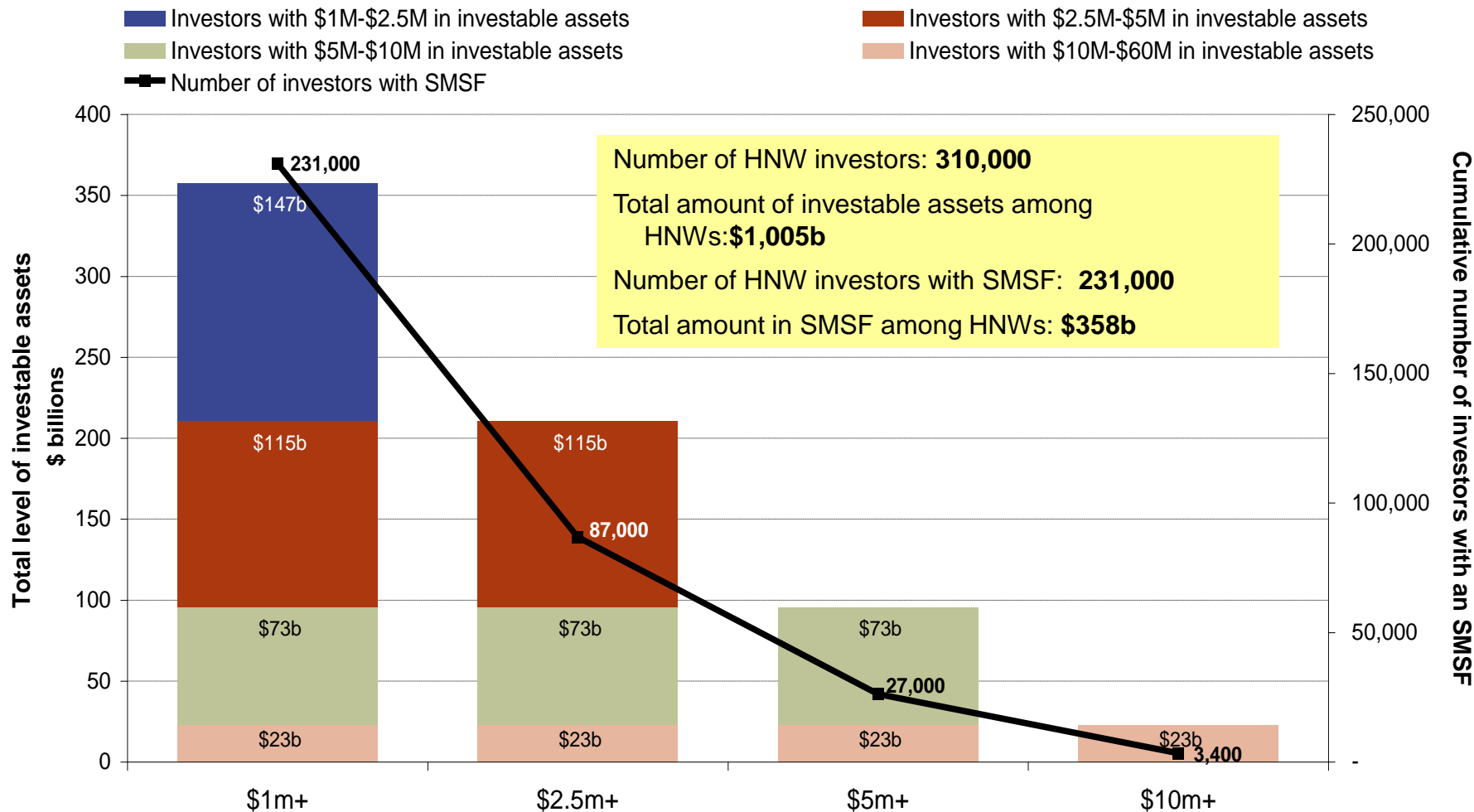
Source: ABS 2007, unpublished data.

Count FUA oriented to Deciles 8-10; MySuper of prime relevance to Deciles 3-6

# 231,000 HNW investors had an SMSF. Together they had \$358b in their SMSFs

Excerpt from the  
Dec 2010  
Investment Trends  
HNW Investor Report

## Total amount of SMSF assets Among HNW investors (excl. BRW Rich 200 List)



Investors split by level of investable  
assets (excl. own home but incl. SMSF)



# Organic Growth: Commentary & Initiatives (Cont'd)

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## ■ Platform & Product Initiatives

### ■ Platforms

- Repricing wealth-e-account and increasing competitiveness
- Sharper pricing on incremental FUA – including 'direct'
- Additional strategic Wrap Platform

### ■ New Service Offerings:

- New SMSF offerings: targeted at direct investments (85%+ of SMSF) – shares, ETFs, IMAs/SMAs, cash & property - H2 Project
- Investigating Multi-Manager – H2 Project

### ■ Advice Offerings

- SMSF Solutions
- Portfolio Construction
- Post Retirement solutions
- Estate Planning

# Organic Growth: Commentary & Initiatives (Cont'd)

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- **Network Productivity & Effectiveness**

- **Voyager implementation (Xplan)**

- Significant productivity uplift
    - Implementation March – Oct 2011

- **Network Expansion**

- Focus is on quality productive franchisees
    - Targeting accounting practices with established financial planning/FUA (\$20m-\$40m FUA)
    - SMSF Licensing solution ... and some other ideas!

- **Finconnect** – obtained credit licence; direct writer/referrer mix is roughly 20%/80%; authorised circa 150 representatives; expanded panel; ‘work in progress’

# Franchisee Model - Financial

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Dealer Group Fee comparison survey: prepared by independent consultant, Dealer Group Advisers (Andrew Wheeler) on 1 July 2010 – compared 25 Licensees

Revenue Level	Fees Position (1 <sup>st</sup> is lowest)
\$100k	Equal 2 <sup>nd</sup>
\$300k	Equal 1 <sup>st</sup>
\$500k	Equal 1 <sup>st</sup>
\$750k	Equal 1 <sup>st</sup>
\$1m	Equal 1 <sup>st</sup>

Assumptions: Split of 80% platforms / 20% retail

**Franchisee model is very competitive**

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# Future of Financial Advice Reforms – Implications – Count well positioned

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- **Fees to Commissions, and Opt-In:**
  - Commission to Fees – advisers largely transitioned already (old news)
  - Advisers migrate to higher value segments – Count's already there
  - Middle Australia: disenfranchised for independent holistic advice
  - Growth of stratified advice (industry funds, banks)
- **Volume Based Payments:**
  - Pragmatic and Purist models
  - Pragmatic Model prohibit conflicted structures, permit non-conflicted – only very minor tweaking to Count model
  - Purist: prohibit all payments from fund managers or platforms to licensees based on FUA – disruptive; accelerates consolidation. Count would become platform RE and one of the consolidators
- **Fiduciary Duty:** Real impact to be felt by Fund Managers (core/satellite; cheap beta)
- **SMSF Licensing:** Expand financial advice to SMSFs - Count well positioned

# Implications for Count and strategic response

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- Vast majority of franchisees/advisers are accountancy firm based, professional and already provide majority of services on fee for service basis.
- Approximately two-thirds of platform business is already fee based advice, and an even higher percentage of new funds is fee based advice
- Possibility that public policy makers will differentiate between volume payments which conflict advice and those which don't (product neutral)
- Range of outcomes re platform offerings – 'Pragmatic' and 'Purist' models – share of "value chain" not expected to be adversely affected.
- Likely consolidation impact – Count should be a beneficiary
- SMSF licensing (streamlined): Count well positioned
- MySuper: primarily of relevance to the low account balance, low contribution. 'disengaged' end of the market – this is not Count's target client base or source of FUA/revenue

# Organisation:

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- New appointments:



**Stephen Aguilera-Mendoza**



**Anna Smith**



**Brendan Irwin**

- Focus on quality & performance: staffing has reduced from 77 at June 2010 to 63 at Dec 2010; performance bonuses made more performance based (and accrued)
  - Outsource where logical- software development; paraplanning
  - Areas for additional resourcing – Network expansion; SMSF Centre; and software implementation/productivity
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# Industry Dynamics & Consolidation:

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- Continued growth in SMSFs, especially in the post retirement sector
  - Adviser shift to higher value segments; Possible disenfranchisement of 'Middle Australia'; Industry funds and bank advice channels to dominate 'Middle Australia'
  - Shift to direct investments and cash/TDs – cyclical or systemic? Bit of both. Cash/TDs to reverse. Growth in ETFs and IMAs/SMAs.
  - Fiduciary Duty to accelerate growth in Core/Satellite strategies with advisers and investors seeking cheap beta in Core
  - Unintended Consequences: Depending on form, regulatory changes could benefit the vertically integrated and accelerate consolidation
  - Count added to business portfolio – strategic investment: 8.25% interest in Centrepoint Alliance (PIH)
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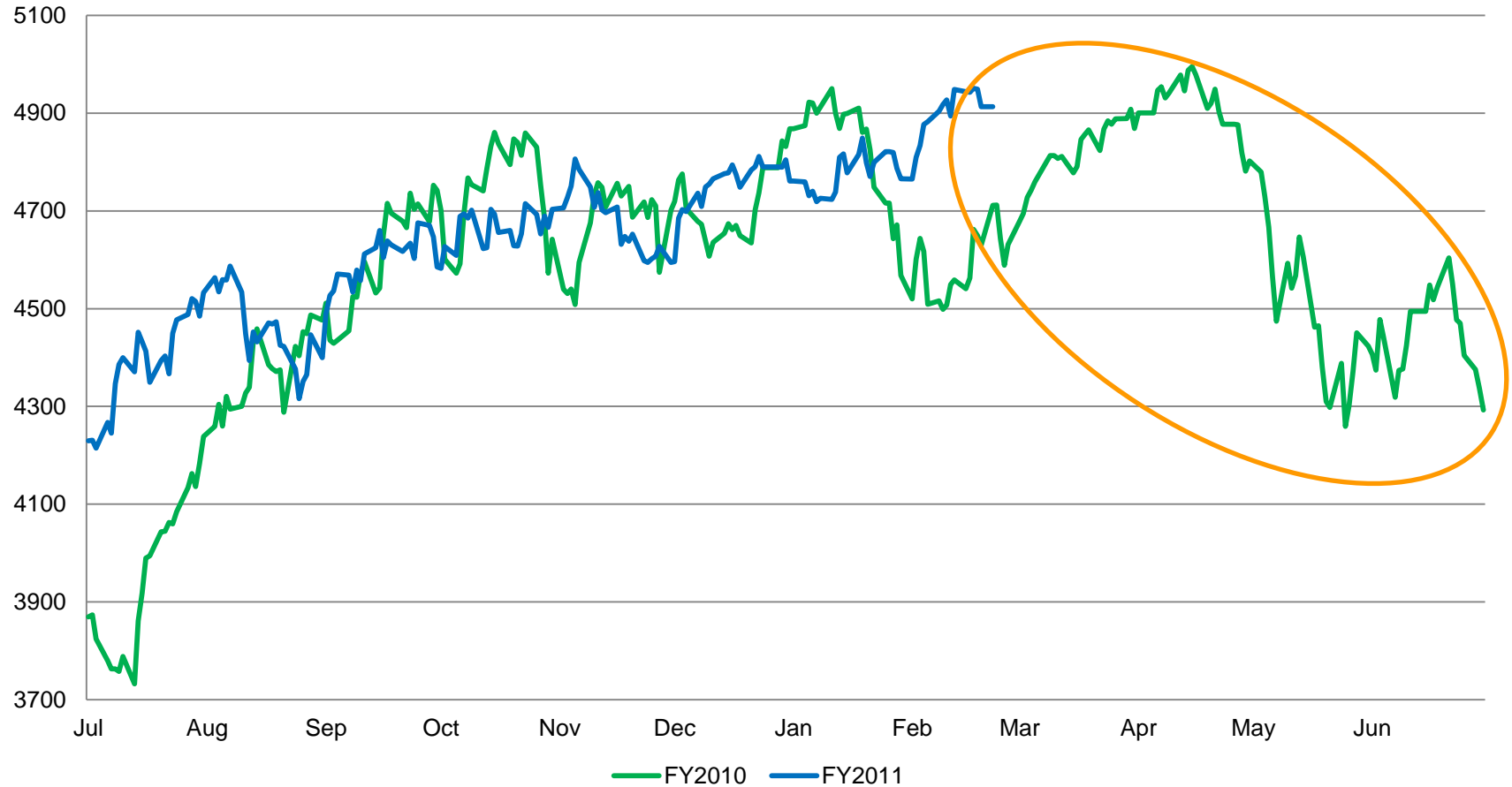
- Countplus targeting 15% pa EPS growth in medium term – 10% organic and 5% acquisitive growth.
- Countplus guidance issued February 21, 2010 and half year results announced Feb 28
- Count has a 39.8% interest in Countplus – equity account results
- Count advised intention in Countplus Prospectus to sell up to one-sixth of its shares (pre underwriting allotment) in 12 months following IPO.
- Strengthens value proposition for attracting accounting firms with financial planning practices

# Earnings Guidance:

2011 H1 Profit	\$M	Growth on PCP
EBIT	12.20	-
PBT	67.72	241%
<b>“Part” normalisation adjustment</b>		
- Revaluation on consolidation of Countplus entities	2.96	N/A
- Revaluation of Count interest in Countplus at time of IPO	34.19	N/A
- Grossed up minority interest in profit	6.49	N/A
Adjusted PBT	24.08	21%
NPAT	42.88	212%
Adjusted NPAT on above basis	16.86	23%

# Market Effects

## FY10 vs FY11 (ASX 200)



Source: IRESS

# Earnings Guidance – Key Assumptions

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- Long term average market growth for the remainder of the year
- Improvement in industry fund flows in second half
- Expenses to decrease marginally compared to 2010
- Investment portfolio to remain at current levels

# 2011 – H2 and Full Year Guidance

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	H2 Relative to PCP	Full Year
EBIT	+ 10%	+ 5%
NPAT	+ more than 30%	+ more than 130%
“Partly” adjusted/normalised NPAT *	+ more than 30%	+ more than 25%

\* Adjusted for Countplus one-off effects

# Question Time

# Disclaimers & Notice

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- This presentation is not an offer or commitment of any kind and does not create any legally binding obligations on Count Financial Limited or any of its related companies including Countplus Pty Ltd.
- This presentation is not investment or financial product advice and is of a general nature only as it was prepared without taking your objectives, financial situation or needs into account. You should seek your own advice. Before you make any decision on the basis of this presentation, you should consider the appropriateness of the content to your particular needs, objectives and financial circumstances.
- It is the present intention of Countplus Pty Ltd and Count Financial Limited to make the following offers of securities at a future point in time:
  - - issue of ordinary shares as consideration to acquire equity interests in investee companies; and
  - - issue of options over ordinary shares to employees (including former Principals) of investee companies.
  - - issue of Count options pursuant to its Franchisee Investment Option Plan.
- Where necessary a disclosure document for each of these offers will be made available when the securities are offered. Anyone who is eligible and who wishes to acquire the relevant securities will need to complete an application form that will be in or will accompany the relevant disclosure document.

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22 February 2011

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**Barry Lambert, Founder, Executive Chairman**

barry.lambert@count.com.au or (02) 8272 0212

**Andrew Gale, Managing Director, CEO**

andrew.gale@count.com.au or (02) 8272 0215

