

ASX ANNOUNCEMENT: CUP

14, July 2017



STRATEGIC REVIEW AND REVISED DIVIDEND POLICY

The Board of Countplus Limited (ASX: CUP) provides the following update in relation to the company's extensive strategic review and subsequent changes to the company's dividend policy.

TRANSFORMATION

The Board remains focused on the transformation of Countplus, under the executive leadership of Chief Executive Officer Matthew Rowe. In the 16 weeks since his appointment in late February 2017, Mr Rowe has conducted an extensive strategic review of each of the 19 member firms within the Countplus network.

Firms that offer little or no capacity for strategic value enhancement by Countplus will not form part of the company's two-year renewal, debt reduction and working capital management program, being implemented by Mr Rowe and a refreshed Countplus Board.

In recent weeks, this has resulted in:

- The sale of three (3) member firms; and
- The merger of two (2) member firms

The sold member firms, together generated an aggregate operating loss for the 2017 financial year of around \$160,000.

As previously announced, the company is in advanced discussions with several Countplus member firms regarding the rollout of its direct equity plan and buyback terms.

The company is in due diligence stage with prospective acquisitions. Other prospective firms are in earlier stages of review. The pipeline of potential firm acquisitions is the strongest it has been since 2012. Future acquisitions must fit the company's new disciplined and specific quality framework.

The Board is confident in the growth opportunities that reside in the Accounting and Financial Advice market in Australia, and in its repositioning of the company to achieve future growth in core business.

DEBT REDUCTION & CAPITAL MANAGEMENT

Prudent fiscal management has helped Countplus to achieve a significant reduction in debt and the ability to recycle capital in support of the company's growth strategy. The company's net debt position, as at 31 December 2016 represented interest bearing debt of \$25.4m. As at 13 July 2017, the company debt position had reduced to \$11.63m.

The reduction was achieved through the sale of substantially all of the company's investment in Class shares, the sale of member firms and a more methodical approach to working capital management.

BOARD RENEWAL

The founder of Countplus and former Chairman Barry Lambert has indicated his intention to retire from the Board on or before the next Annual General Meeting. Longstanding Independent Non-Executive Director and Chair of the Audit and Risk Committee Graeme Fowler will also be retiring from the Board on 30 September 2017.

Under the new Non-Executive Chairmanship of Ray Kellerman, the Board recently welcomed new Non-Executive Director Kate Hill to the Board. Ms Hill was appointed to the Board on 26 June 2017. Kate brings a deep knowledge of the professional services sector to the Board, having been a practitioner and leader in Deloitte for over 30 years.

TFSA GOVERNANCE & BOARD RENEWAL

Total Financial Solutions Australia (TFSA), a wholly owned subsidiary of Countplus, is well advanced in its Governance and Compliance review and execution. It has also accelerated the *Dobinson* client remediation program.

Over the last six months, TFSA has appointed an Independent Chair, Mark Rantall, and a further Independent Director, Bruce Foy, together with a new CEO and senior management team.

During 2018, TFSA will conclude its rebuilding program and turn its focus to quality growth.

Mr Rantall, the former Chief Executive of the Financial Planning Association of Australia, was appointed Non-Executive Chair of TFSA on 10 January, 2017.

Mr Foy is a senior and accomplished non-executive director, currently serving on several public and private boards. He has spent over 30 years in senior positions in the financial services industry, also serving as a non-executive director since 2005.

He is also a:

- former Chairman of Transgrid Corporation;
- non-executive director of First State Superannuation Trustee Corporation;
- former Chairman of State Water Corporation; and
- former Chairman of SMSF Owners' Alliance Limited.

Mr Foy was an independent, non-executive director on the Board of The Financial Planning Association of Australia for 10 years until 2015.

TFSA CLIENT REMEDIATION, PROFESSIONAL INDEMNITY COVER AND JUNE QUARTER DIVIDEND

As previously advised, the inappropriate behaviour of a former TFSA adviser has given rise to uncertainty around the quantum of the potential claim against TFSA by the adviser's former clients.

TFSA has professional indemnity insurance cover in place with a major insurance company.

TFSA is in current disagreement with its insurer regarding both indemnity, and the extent of coverage, for the TFSA client remediation program under its policy. Due to this uncertainty, Countplus, as the owner of TFSA, has determined it would not be prudent to pay a dividend for the 30 June 2017 quarter. TFSA and its legal advisers consider that the company holds a strong position in relation to its coverage under the insurance policy.

REVISED DIVIDEND POLICY

The Board of Countplus believes it prudent and consistent with its renewed and disciplined approach to capital management to revise its dividend policy to move from quarterly to half-yearly dividend payments, which will also coincide with the company's bi-annual financial reporting periods.

It is intended that dividends would be declared in the range of between 40% to 70% of maintainable net profit after tax and minority interests, subject to market conditions and company performance. The declaration would be made after Board approval of the reporting results of Countplus.

SHAREHOLDER COMMUNICATIONS

Upon completion of the 2017 financial year accounts, due in late August 2017, the Board has committed to write to all shareholders outlining a detailed update on the basis and nature of the company's strategic review and the progress on its two-year renewal program.

The company sees a continuing positive environment for Countplus, and the Board is confident that its transformation progress will strengthen further the company's position within the burgeoning professional financial services arena.

For further information please contact:

Ray Kellerman
Chairman
Telephone: 02 8488 4500
Email:
ray.kellerman@countplus.com.au

Matthew Rowe
Chief Executive Officer
Telephone: 02 8488 4500
Email: matthew.rowe@countplus.com.au
www.countplus.com.au