Shareholder pain 'somewhat necessary'

Edmund Tadros

The chief executive of CountPlus has warned shareholders there is a long road ahead as he attempts to rebuild the troubled listed accounting and financial planning firm.

CEO Matthew Rowe was upbeat about the firm's results but acknowledged he was only three months into a two-year turnaround strategy at the firm.

Shares in the firm have collapsed over the past four years, falling from a peak of $1.94 in March 2013, to reach an all-time low of 48¢ at the start of August.

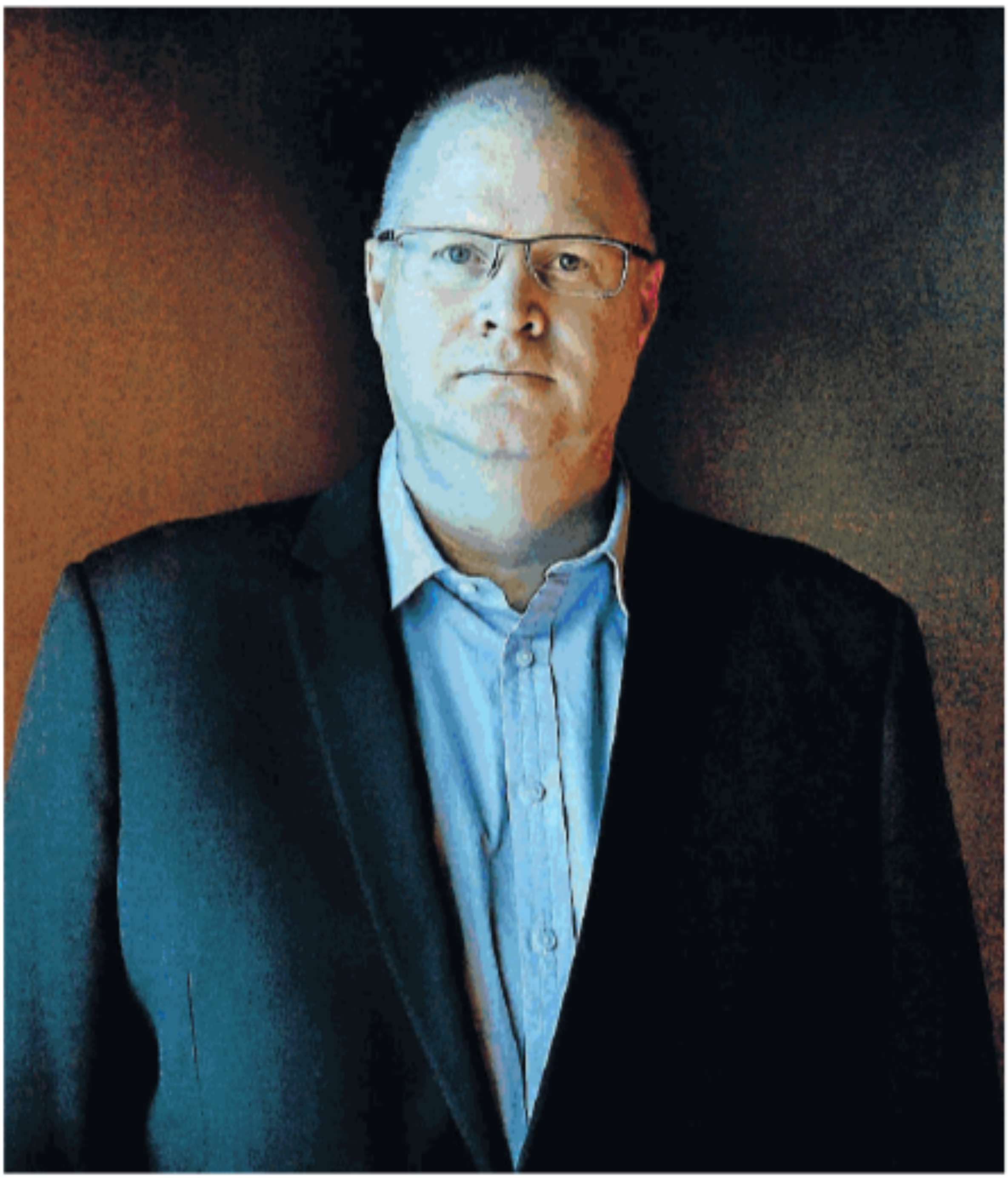
The shares closed at 53¢ yesterday, compared to a 12-month high of 87¢ in January. The firm's total market capitalisation is now at $61.1 million.

"The result is reflective of the task ahead to turn around Countplus," Mr Rowe said. "[The] ASX announcement detailed the precise focus on the company's strategy to execute the turnaround. As part of that detail, the company has announced many positives: the company is carrying far less debt; we are partnering with the right member firms, and we have a pipeline of strong growth prospects, we are focused on our core businesses and the operating performance of our firms."

The firm wants to change its business model from one where the principals of the 20-odd firms are, in effect, employees, to one where principals own the majority of equity in their individual firm. A newly announced direct equity plan is part of this strategy but the principals are also shareholders and have seen the value of their holdings plummet.

"The market's pricing of [CountPlus] has the company trading a significant discount to our peers," Mr Rowe said. "Of course for existing shareholders there clearly has been the pain of the somewhat necessary attention on the TFS remediation and company turnaround. The board is cognisant of this and very much focused on our loyal shareholders, sustainable dividends and the ultimately growth of the company."

The firm's annual results were once again mixed. Total revenue was steady at $87.6 million for the year ending June 30, while underlying operating profit was $8.6 million, up from $8.2 million in the previous year.



It's early days for Matthew Rowe in CountPlus' revival plan. PHOTO: LOUISE KENNERLEY

CountPlus

Full year	2017	2016
Sales ($m)	87.59	87.62
Pre-tax ($m)	2.16	21.81
Net ($m)	0.87	13.98
EPS	-0.10¢	12.13¢
Final div*	Nil	N/A

The firm announced it had settled for $3.2 million with its professional indemnity insurer to fund compensation to clients over the actions of a former planner at member firm Total Financial Solutions Australia (TFS). The Australian Securities and Investments Commission has earlier described the former adviser's actions as a "systemic failure to act in the client's best interest".

CountPlus also sold its holding in superannuation administration platform Class for $15.9 million to slash debt. The sale, along with the exit of some member firms, cut debt from $25.6 million at June 30, 2016, to $13.6 million at June 30, 2017.

Total bank debt stands at $6.7 million as of Monday's results announcement.

Numbers crunched

CountPlus share price, daily ($)

SOURCE: BLOOMBERG