

Countplus Limited secures new credit facility

Countplus Limited (CUP) has secured a new banking facility with Macquarie Bank. This includes an increased line of credit of \$30M, replacing the existing facility, as well as providing funding for Principals and senior employees to participate in the previously announced (20 August 2014) Direct Equity Plan (DEP). The DEP is the partial buy back of existing CUP businesses by Member Firm Principals and approved employees. The increased line of credit, along with proceeds from the DEP will assist the funding of our businesses: CUP's "Tuck-ins" or full acquisitions by existing Member Firms at the subsidiary level; Blue789; and Advice389 in the near term.

The DEP is being spread over 3 years so as to manage the impact on our profits pending reinvestment of proceeds in our new initiatives.



Blue789 Pty Ltd

Blue789 is our larger accounting & business advisory firm aggregation business, previously known by the project name C2. We believe there is a demand for this service from larger firms. We announced to the market on 26 February 2015 that Chartered Accountant (Fellow) Barry McGee is heading up this business.



Advice389 Pty Ltd

This is a new business headed up by Pierre Kraft, a Certified Practicing Accountant (Fellow) and Certified Financial Planner, who has spent most of the last 20 years in the financial planning industry and his last 7 years as Managing Director and Partner of Aon Hewitt Wealth Management. Advice389 will acquire a partial stake in quality financial planning businesses. CUP's wholly owned subsidiary and well performing AFSL, Total Financial Solutions (TFS) will be the cornerstone of Advice389 investment going forward.

Mr Kraft has also been appointed as Executive Chairman of TFS. TFS has made small partial acquisitions from within its network, however Advice389 will be looking to also attract larger firms outside of TFS.

The financial planning industry has suffered severe reputational damage and continues to undergo regulatory change. Good firms are looking to move away from institutional ownership and associate with other quality advice firms. Advice389 is looking to aggregate those quality likeminded advice firms over the next five years.

The business ownership structure for Blue789 and Advice389 will essentially be the same. Through these two companies, CUP will acquire a target of 30% of quality businesses for cash consideration. This may facilitate the retirement of a Principal, fund an acquisition, pay down business debt or simply allow existing Principals to take some cash off the table. If the acquired part owned firms meet performance expectations, and should the Principals be so inclined, we will consider a new listing before 30 June 2020. This potential listing will involve CUP's initial 30% interest, along with a further sell down by Principals (target of 21% to 30%), leaving the remaining 40% - 49% interest in the hands of the Principals and key staff. This shared equity model is what CUP is also working towards via the previously announced DEP.

Future funding plans will be very much influenced by the:

- rate of new acquisitions by the new businesses;
- profitability growth of new businesses as well as existing CUP businesses; and
- rate of equity buy back by the existing CUP businesses.

Our future funding for the above growth strategies could be financed by a combination of the following:

- increased banking facilities;
- retained earnings from new and existing businesses;
- partial sell down of acquired shared equity businesses in an IPO; and /or
- other capital management initiatives such as a possible future Dividend Reinvestment Plan which would be considered in the above funding mix in due course, if the above non-dilutive measure cannot keep up with the rate of growth.

Countplus is an aggregation of 20 businesses and their subsidiaries across Australia; 17 accounting/business advisory firms, one financial planning specialist, a property broking group and a financial planning dealer group. The Company listed on the ASX on 22 December 2010.

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