Class Limited

Half Year Results Presentation
to 31 December 2016

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9 February 2017

Class

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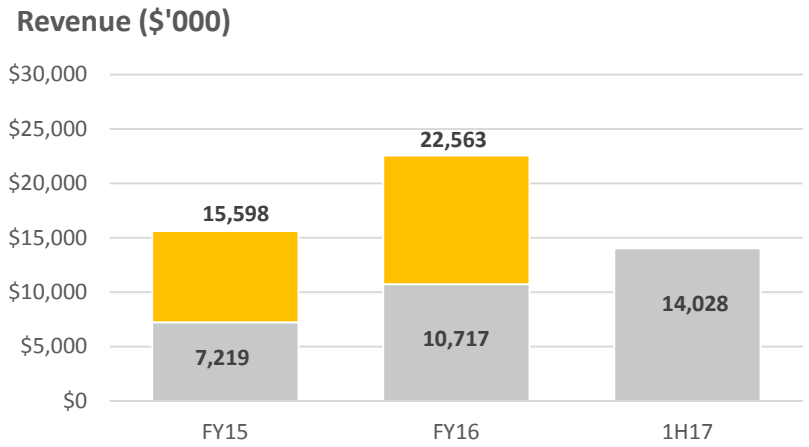
Financial Highlights

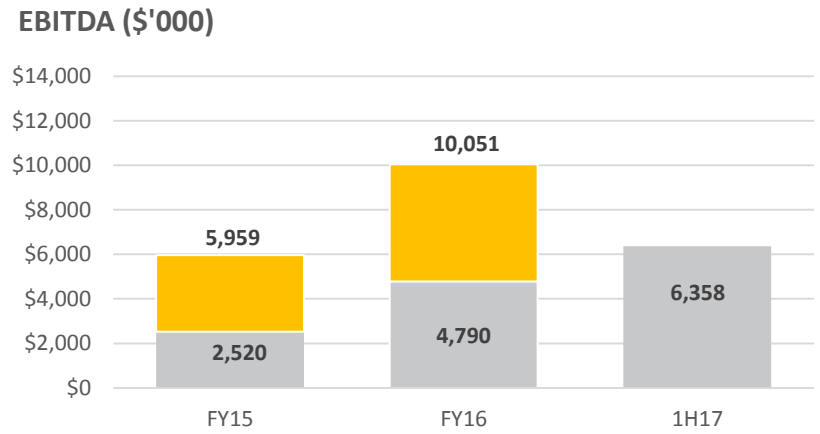
$'000	1H16	1H17	% Change
Sales Revenue	10,717	14,028	31%
EBITDA[1]	4,787	6,358	33%
NPBT[1]	4,147	5,331	29%
NPAT[1]	2,814	3,606	28%
Basic EPS[1,2] (cents)	2.61	3.09	18%
Diluted EPS[1,2] (cents)	2.59	3.03	17%

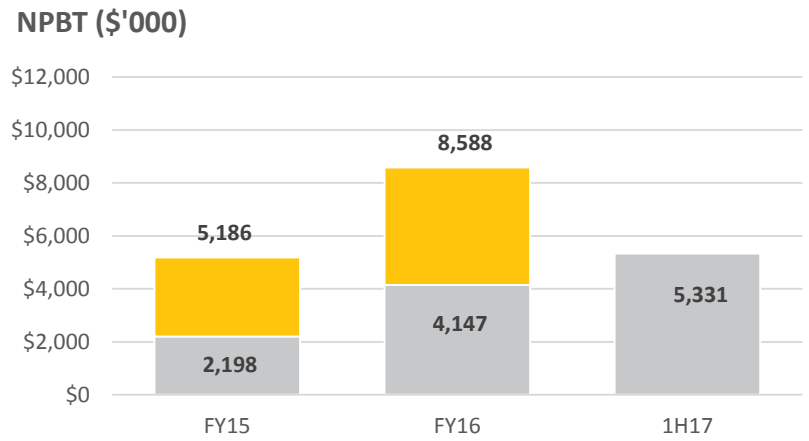
1. All references for FY16 are before one-off initial public offering ('IPO') expense. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from the FY16 financial report.
2. EPS growth lower than NPAT growth due to shares issued at time of IPO.

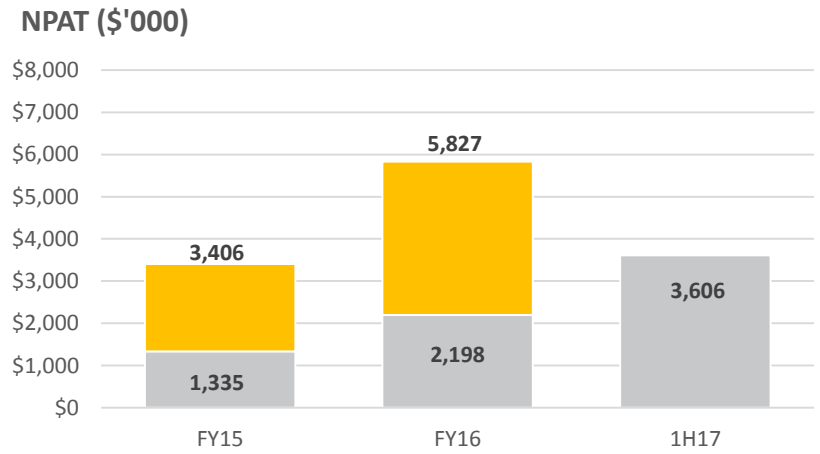
- Record increase in billable portfolios.
- Continued strong top line revenue growth.

Strong Revenue and Profit Growth





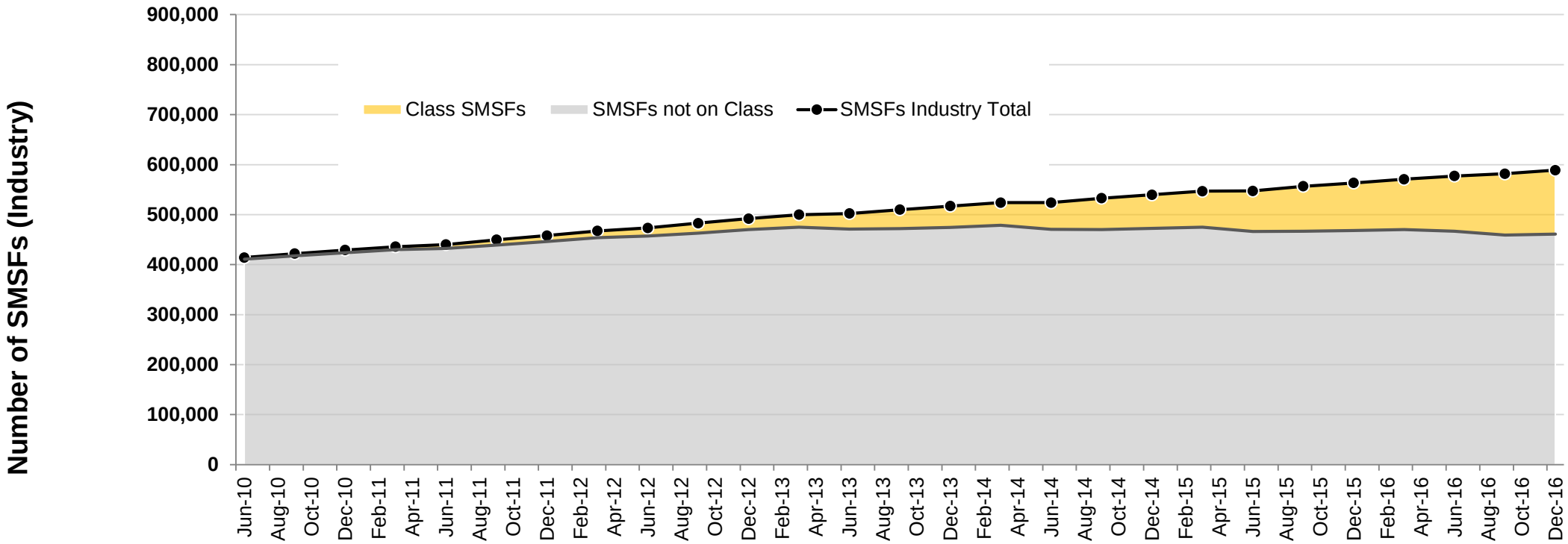




Full Year
Half Year

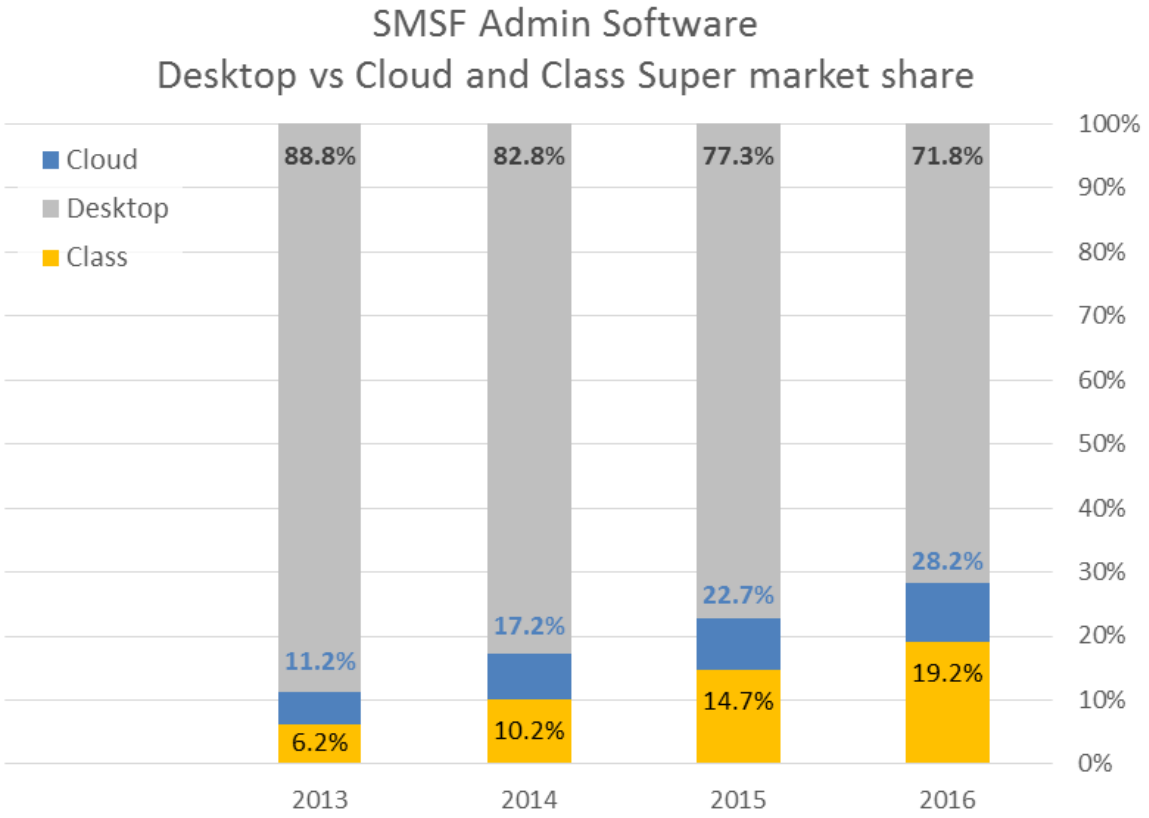
1. All references for FY16 are before one-off initial public offering ('IPO') expense. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from the FY16 financial report.

Class Growth > SMSF Industry Growth



- The growth of SMSF portfolios added to the Class system exceeds that of the industry and has led to an overall increase in market share to 21.7%.
- The above chart shows that since March 2013, funds exceeding the total SMSF industry growth have moved to Class, while other providers and systems have collectively stood still in terms of absolute numbers and they continue to lose market share relative to Class.

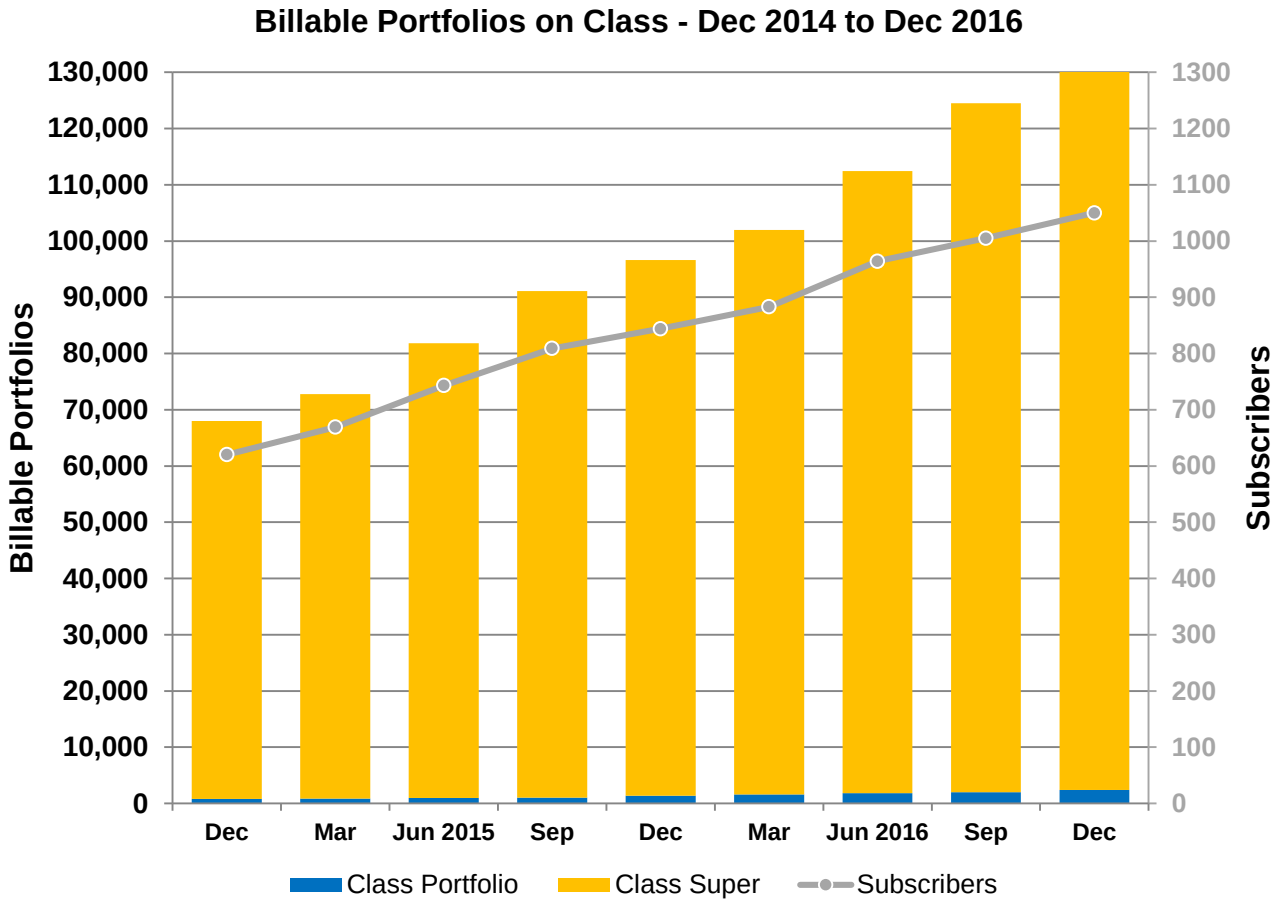
Winning the Move to the Cloud



- 23% of accountants intend or say they are very likely to change to the cloud this year*.
- Approx. 5.5% - 6% p.a. moved to the cloud over the previous 3 years with the cloud market having increased to 28.2% at 30 June 16.
- Class' share of the cloud market has been increasing and was 68% at 30 June 16.
- Class' growth in FY16 accounted for over 80% of the increase in the cloud market.

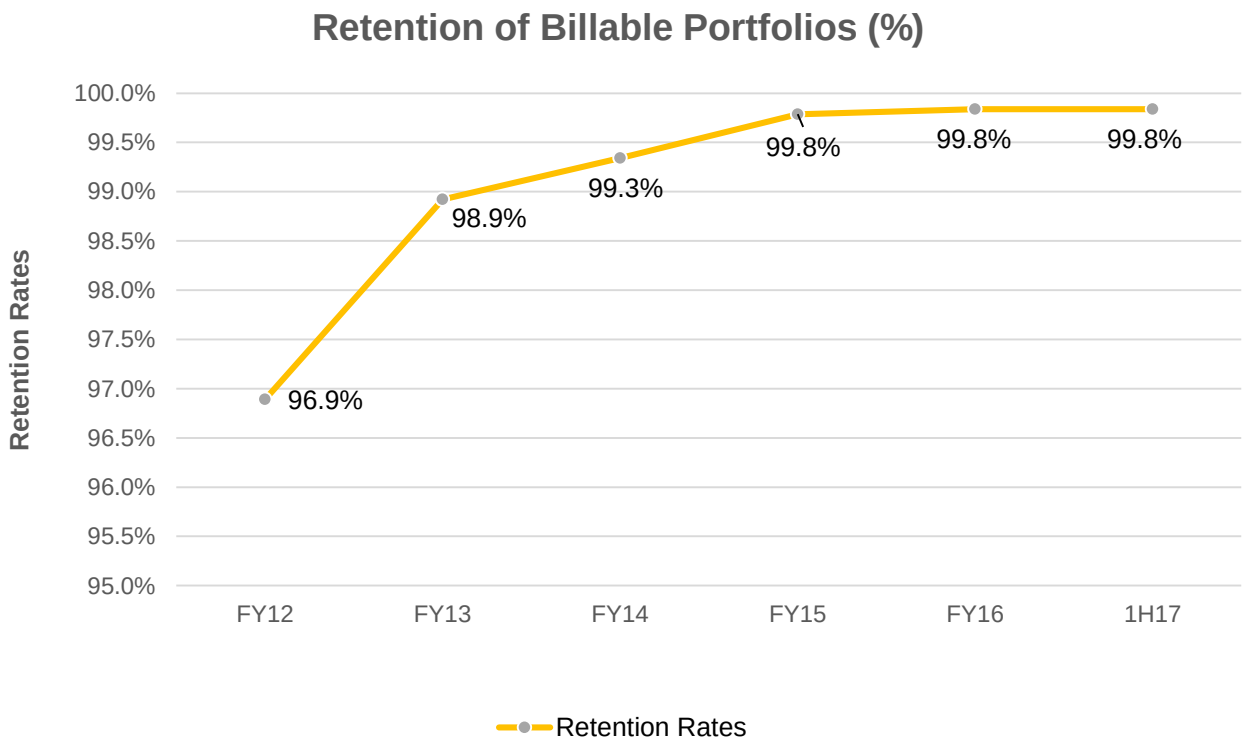
* ***Investment Trends 2016 SMSF Accountant Report***, based on a survey of 1,182 accountants in public practice

Record Increase in Billable Portfolios



- **130,216** Billable Portfolios at 31 Dec 2016, comprising **127,806** on Class Super and **2,410** on Class Portfolio
- Net increase of **5,745**, a record for the December quarter, and this contributed to the record half yearly increase of **17,775**.
- We added **45** new subscribers in the quarter, another December quarter record. Class now has **1,050** subscribers.
- For the third year running, Class won the two major SMSF software industry awards:
  - SMSF Adviser 2016 SMSF Software Provider award.
  - CoreData 2016 SMSF award for SMSF Accounting Software/Administration.

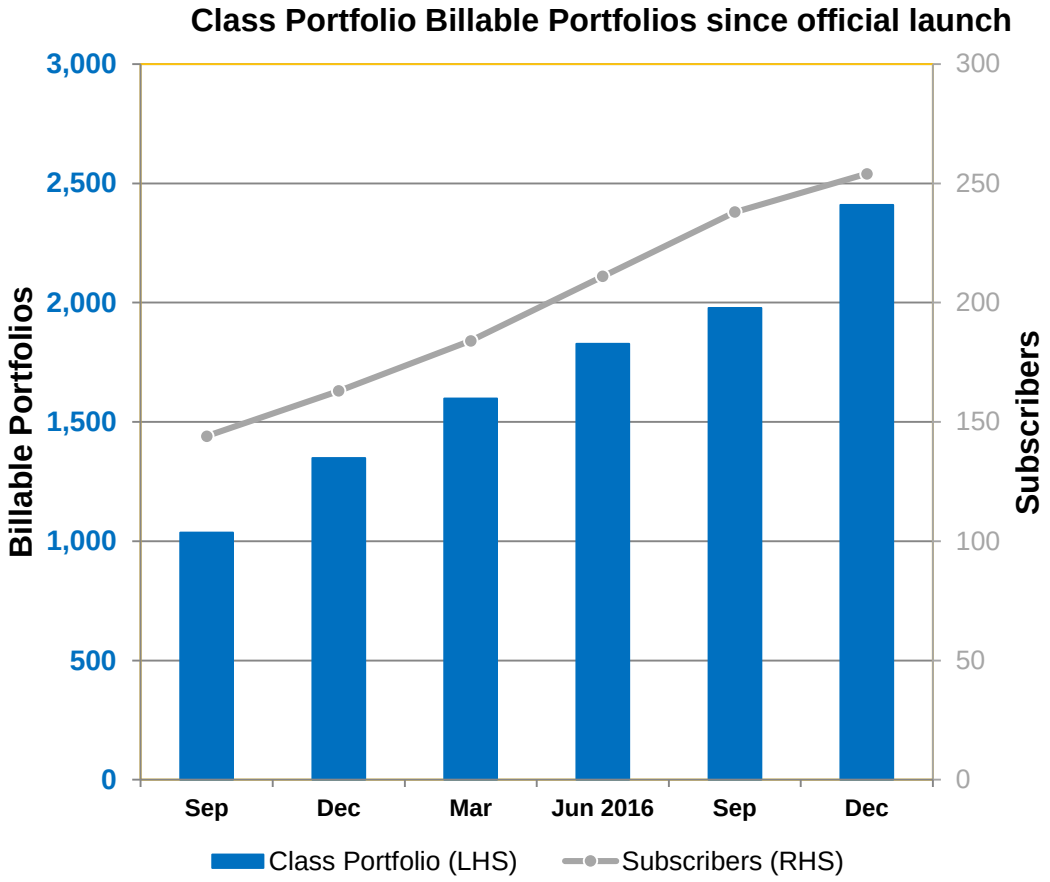
Client Retention



- High retention rate underpins the strong recurring revenue stream.
- ACMR at 31 December 2016 of $28.249 million.
- AMP entities[1] make up 7.2% of ACMR.

[1] As previously noted in the supplementary prospectus and subsequent reporting, these AMP administered funds are expected to be migrated off Class within the next 12 months.

Strong Growth of Class Portfolio



- Strongest quarterly growth on record with 433 new Class Portfolios added, a 22% increase.
- Trust beneficiary accounting and consolidated portfolio functionality launched.
- Almost 70% of existing clients surveyed are potential Class Portfolio users.
- 24% of SMSF subscribers have started using the software.
- Significant investment in a dedicated development team and increased Sales team for Class Portfolio.

Summary P&L and Key Operating Metrics

$'000	FY15	FY16	1H17
Operating Revenue	**15,598**	**22,563**	**14,028**
Costs of undertaking business	(9,639)	(12,512)	(7,670)
EBITDA[1]	**5,959**	**10,051**	**6,358**
Depreciation	(161)	(194)	(139)
Amortisation	(698)	(1,437)	(1,029)
Net interest benefit	86	168	141
NPBT[1]	**5,186**	**8,588**	**5,331**
Income tax (expense) / benefit	(1,780)	(2,761)	(1,725)
NPAT[1]	**3,406**	**5,827**	**3,606**
One-off IPO expenses	-	(617)	-
STATUTORY NPAT	**3,406**	**5,210**	**3,606**

	FY15	FY16	1H17
No. of customers	762	964	1,050
No. of billable portfolios at end of period	81,823	112,441	130,216
EBITDA margin (% of revenue)	38.2%	44.5%	45.3%
NPAT margin (% of revenue)	21.8%	25.8%	25.7%
ACMR ($'000)	17,984	24,541	28,249

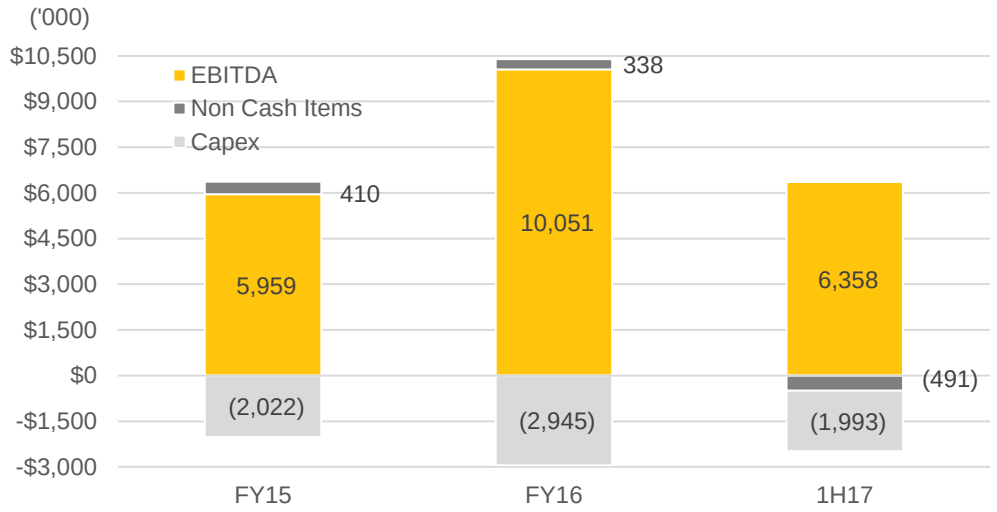
- ARPU for the period ended 31 December 2016 was Class Super $218, Class Portfolio $147
- CAC for the period averaged $112 per fund, or 6 months to recover, based on current ARPU.
- Employee-related expenses were $5.92 million (77.2% of costs of undertaking business).
- Total Depreciation and Amortisation expense for FY17 will be at least $2.52 million based on the asset balances at 31 December 2016. This excludes any additions from 1 January 2017.

Notes:

1. All references for FY16 are before one-off initial public offering ('IPO') expense. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from the FY16 financial report.

Investing in Product

Cash flow before Financing and Taxation
Historical cash flows since FY15



$'000	FY15	FY16	1H17
EBITDA	5,959	10,051	6,358
Non-Cash Items	410	338	(491)
CAPEX	(2,022)	(2,945)	(1,993)
Net free cash flow	4,347	7,444	3,874
% of EBITDA	72.9%	74.1%	60.9%

R&D and Total CAPEX

$'000	FY15	FY16	1H17
Total Development Costs	3,256	4,448	2,531
Development costs / Operating Revenue	*20.9%*	*19.7%*	*18.0%*
Less: Development recognised as expenditure	(1,453)	(1,831)	(1,021)
Capitalised Development Costs	**1,803**	**2,617**	**1,510**
Capitalised development / Operating Revenue	*11.6%*	*11.6%*	*10.8%*
Computer and Office Equipment & Other	219	328	483
Total Capital Expenditure	**2,022**	**2,945**	**1,993**
Less: Leasehold Improvements & Fitout/Furniture	*0*	*0*	*317*
Adjusted Capital Expenditure	***2,022***	***2,945***	***1,676***
CAPEX / Operating Revenue	*13.0%*	*13.1%*	*11.9%*
CAPEX / EBITDA	33.9%	29.3%	26.4%

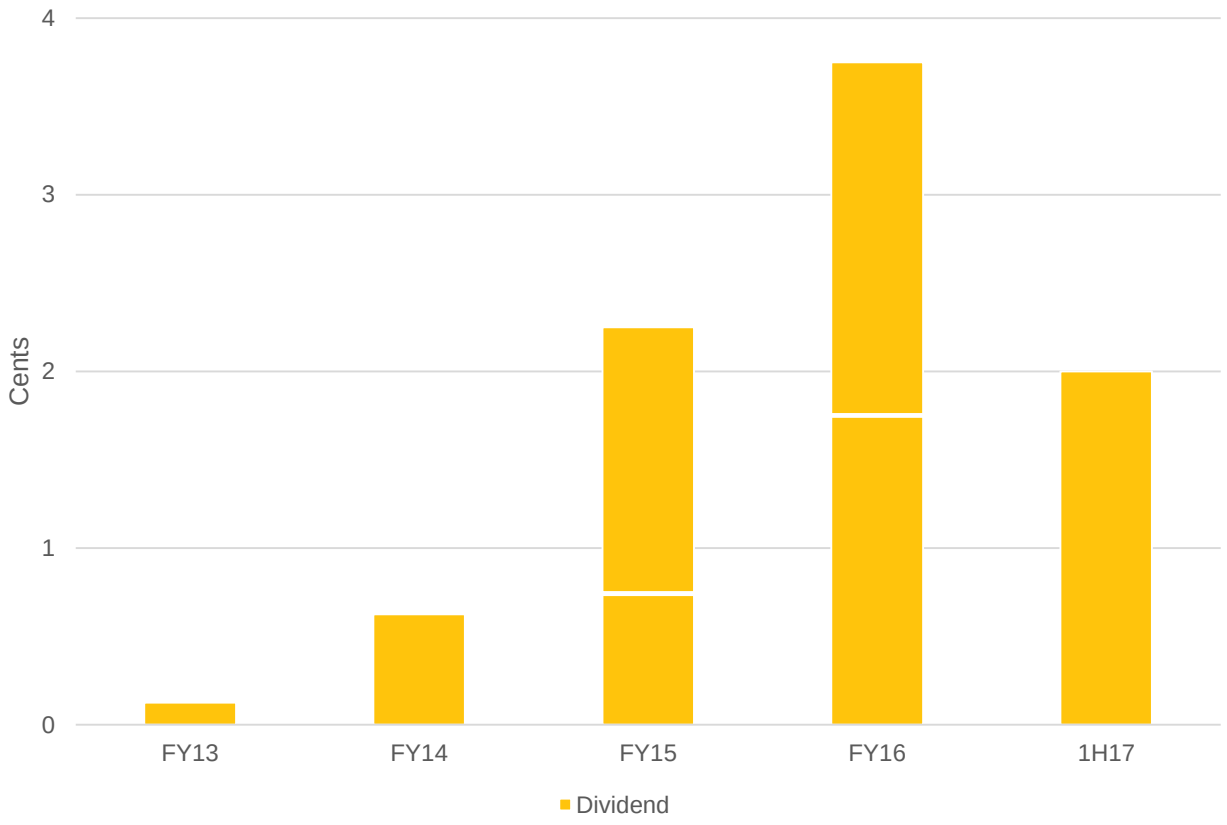
- 1H17 CAPEX was primarily focused on competitive new product features for Class Super and significant investment in Class Portfolio, totalling $1.1m of the total development costs.
- Capitalised software costs are amortised over a period of 3 years.
- After adjusting for costs associated with additional premises, net free cash flow as a percentage of EBITDA increases to 66% compared to 69% in 1H16.

Summary Balance Sheet

$'000	30 June 2016	31 December 2016
Current Assets		
Cash and cash equivalents	15,179	15,605
Trade and other receivables	2,318	2,757
Other current assets	496	750
Total Current Assets	**17,993**	**19,112**
Property, plant and equipment	604	945
Intangibles	3,571	4,055
Deferred tax asset	307	-
Total Non Current Assets	**4,482**	**5,000**
Total Assets	**22,475**	**24,112**
Current Liabilities		
Trade and other payables	2,268	1,871
Provisions	434	482
Income tax provision	666	462
Total Current Liabilities	**3,370**	**2,815**
Provisions	313	378
Deferred tax liability	-	430
Total Non Current Liabilities	**313**	**808**
Total Liabilities	**3,681**	**3,623**
Net Assets	**18,794**	**20,489**
Shareholders Equity		
Issued capital	24,260	24,260
Retained earnings	(6,025)	(4,755)
Reserves	559	984
Total Shareholders Equity	**18,794**	**20,489**

- Class continues to increase its strong cash position and balance sheet.
- Continued investment in product and nil reliance on debt.
- The business is in a strong position to continue organic growth and take advantage of acquisition opportunities.

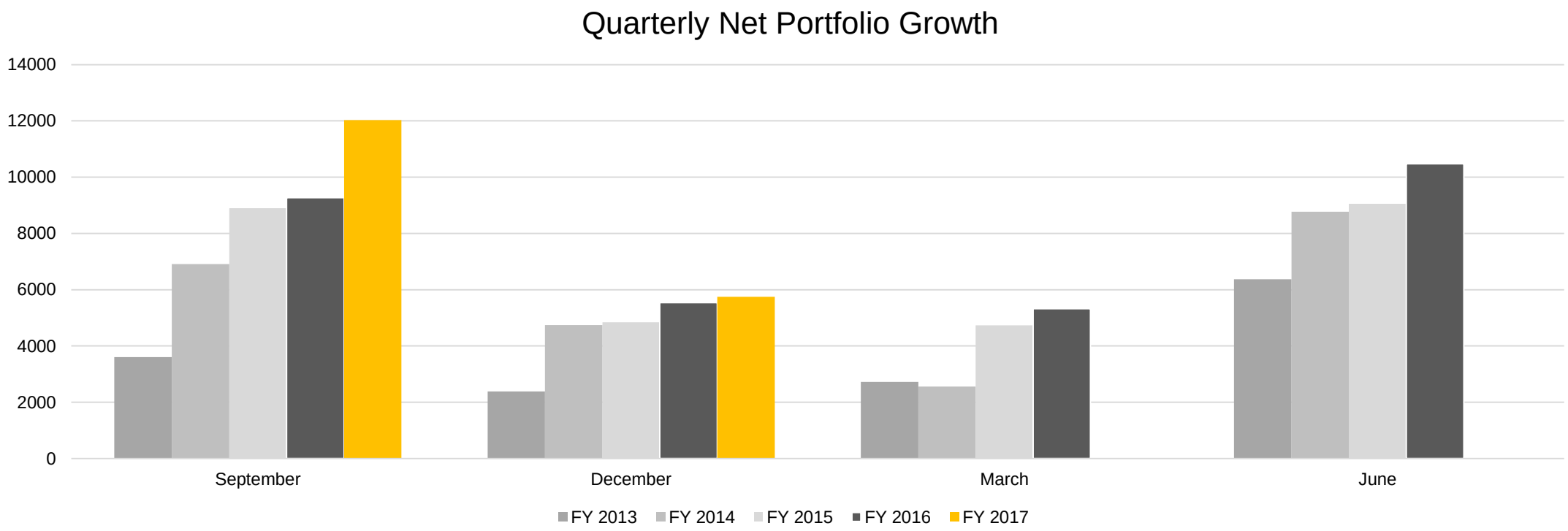
Dividends Now Franked



- Interim fully franked dividend of 1 cent declared 9 February 2017
- Fully franked dividends commenced the quarter ending 31 December 2016
- Current Dividend Payout Ratio of 65%
- Dividend Payout Ratio policy of 50-80% of NPAT.

The dividends are presented based on the period to which they relate, not the day they were declared or paid.

Record Quarterly Growth

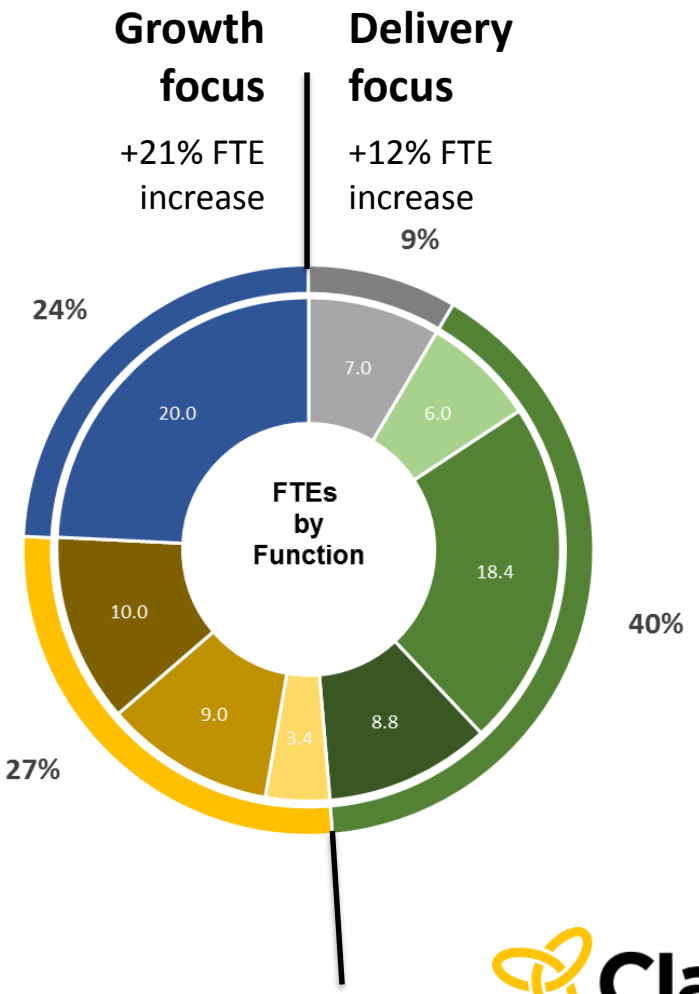


- The loading of funds is exceptionally seasonal, but has continued to trend upwards in each period.

Scalable Business, Investing for Growth

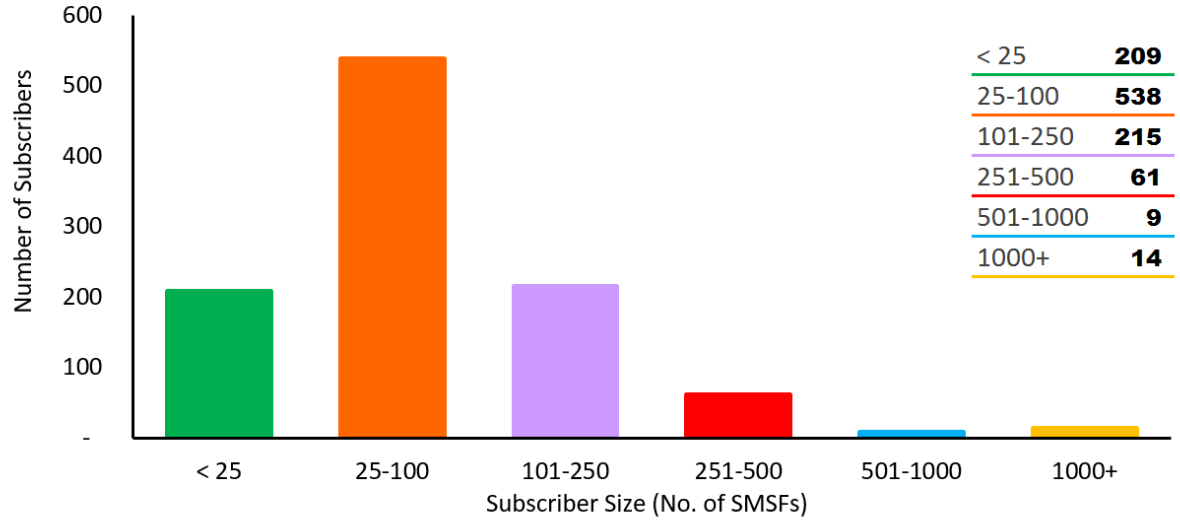
Deployment of FTE (Full Time Equivalent) staff by function.

	31 December 2016		30 June 2016	
	FTE	**%**	**FTE**	**%**
CEO, Finance and Company Secretarial	7.0	9%	6.0	8%
Service Delivery (Cost of Revenue)	**33.2**	40%	**29.8**	42%
Operations - IT, Data and Hosting	6.0	7%	5.0	7%
Operations - Support and Training	18.4	22%	16.8	24%
Product - Maintenance	8.8	11%	8.0	11%
Customer Acquisition (Cost of Sales)	**22.4**	27%	**18.4**	26%
Marketing	3.4	4%	2.4	3%
Sales	9.0	11%	7.0	10%
Operations - Implementations	10.0	12%	9.0	13%
Product R&D	20.0	24%	16.8	24%
Total	**82.6**		**71.0**	



Diversified Customer Base

Distribution of Class Subscribers by Size



Size (No. SMSFs)	Number of Subscribers	Percent of Subscribers	Number of SMSFs	Percent of SMSFs	Average (No. SMSFs)	Administrator Type
< 25	209	20.0%	2,341	1.8%	11	General Accounting Practice
25-100	538	51.4%	29,442	23.0%	55	Small SMSF Practice
101-250	215	20.6%	32,393	25.3%	151	Medium SMSF Practice
251-500	61	5.8%	21,633	16.9%	355	Large SMSF Practice
501-1000	9	0.9%	5,578	4.4%	620	Emerging Administrator
1000+	14	1.3%	36,419	28.5%	2,601	Major Administrator

- Distributed client base.
- Top 10 subscribers account for 20.2% of ACMR
- 72% of subscribers are accounting practices with between 25 – 250 SMSFs and account for over 50% of ACMR.

For further information on Class' subscriber mix and industry practice sizes, download a copy of the Class SMSF Benchmark report from **https://www.class.com.au/about/class-smsf-report/**

Appendix

ARPU (Average Revenue Per Unit) assuming any sales promotions have ended and other factors such as pricing remain unchanged.

ACMR (Annualised Committed Monthly Revenue) based on number of Billable Portfolios at the end of period multiplied by ARPU.

CAC (Customer Acquisition Costs) expenses incurred by the sales, marketing and implementations teams divided by the gross loaded billable portfolios in the period.

EBITDA margin has been calculated by dividing EBITDA by revenue.

NPAT margin has been calculated by dividing NPAT by revenue.