

**Company:** Class Limited  
**Title:** Annual General Meeting  
**Date:** 19 October 2020  
**Time:** 15:00 AEDT

### Start of Transcript

Matthew Quinn: Good afternoon ladies and gentlemen. I'm Matthew Quinn and I'm the Chairman of Class Limited and it's my pleasure to welcome you to our 2020 AGM. It's now 3pm and as the necessary quorum is present, I declare the meeting open.

I would like to begin by welcoming our two new Directors, Simon Martin, and Rob Bazzani, and to introduce my fellow Directors, Kathryn Foster, Nicolette Rubinsztein and Andrew Russell, who is also our CEO. I would also like to welcome Conor Farley from Grant Thornton, our auditors, who will be available to answer any questions you have on the audit.

Information about how to use the online platform, including how to vote and how to ask questions online during the AGM, is available in the online platform guide available on our website. If you haven't already done so, please register to vote now. Once you have registered, your voting card will appear onscreen with all the resolutions to be voted on by shareholders at this meeting. You may cast your votes at any time from now until the close of the online poll.

We will take questions from shareholders on all resolutions in general business later on in the meeting and in the formal part using the online platform and you can ask a question after you have registered to vote. Questions submitted prior to this meeting are already on the online platform. Not all questions are guaranteed to be answered during the AGM, but we will do our best to answer as many as possible. If your question has been answered and you would like to exercise your right of reply, you can do so by submitting another question via the online platform.

Firstly, I will give a short overview of the FY20 financial year and then hand over to Andrew Russell. I am pleased to report that FY20 was a successful and transformational year for Class. The three-year reimagination strategy launched in 2019 by Andrew is taking shape and the Board is very satisfied with progress in its first year. In FY20, Class delivered strong revenue growth of 15% and a record EBITDA result, while investing heavily in product development and improved technology.

With the development of our new product, Class Trust, launched last week, and our move into the document automation market facilitated by the acquisition of NowInfinity, our total addressable market has expanded considerably, positioning the business for accelerated growth in the coming years. Furthermore, even with the increased investment in the business, we are able to maintain payment of a dividend of \$0.05 per share.

The NowInfinity acquisition was the first step in evolving Class to an integrated multiproduct offering to our professional service customers, thus reducing our sole reliance on the self-managed superannuation fund market. The business has now been integrated well into Class and we look forward to growing NowInfinity into a market-leading position in this segment. We have further strengthened our position since the end of the financial year with the acquisition of Smartcorp.

During FY20 we appointed two new independent Non-Executive Directors, Rob Bazzani and Simon Martin, who both bring a wealth of experience and expertise. Rob was formerly a partner with KPMG where he served in multiple leadership roles, including as a member of its national executive committee. Simon has more than 30 years' experience in finance, including as the CFO of MYOB as well as significant operational experience in software companies in Australia and internationally. The Board recommends that shareholders vote in favour of their election. This year,

Nicolette Rubinsztein is standing for re-election and the Board unanimously recommends that you vote in favour. We will be screening a short presentation from each Director standing for election and re-election later on.

Chris Cuffe and Raj Ray retired as Directors in FY20 and on behalf of the Board, I would like to thank them for their contribution to Class.

I would like to thank all Class employees and my fellow Board members for what we have achieved together in FY20, particularly given the challenges of remote working during COVID. Class is well positioned to create sustainable revenue and earnings growth as a leading Australian technology business. I would like to thank our shareholders for your ongoing support, and we look forward to creating value for you in coming years.

I will now invite Andrew to provide an overview of our FY20 performance and some insights into our progress so far in FY21. Thank you.

Andrew Russell: Thank you, Matthew. Good afternoon, ladies and gentlemen and thank you for joining us for the 2020 AGM. I am now just 17 months into my role of CEO of Class and I'm very satisfied to see the speed of progress we are making in our transformation. Just over a year ago, we announced our three-year reimagination strategy to transform Class to a multiproduct software-as-a-service provider with the ambition to become a world-class technology solutions business.

On behalf of the Class team, it is pleasing to be here today and make the following comments. Class CL1 continues to generate double-digit growth. Class has materially expanded its total addressable market in a short period of time. Class continues to produce strong free cash flow. Class is profitable. We have a healthy balance sheet which provides optionality for further acquisitions. Class continues to pay a dividend, and Class has resilient and predictable earnings for the year ahead as the country faces uncertain economic headwinds as a result of COVID-19.

Turning to our financial results. The business boldly set our key financial targets for FY20 in August 2019. The business performed well against those financial targets. Our highlights are revenue of \$44.1 million, up 15% on the prior year; annualised recurring revenue of \$46.8 million, up 22%; earnings before interest, tax, depreciation, and amortisation of \$18.2 million, up 1%. Our underlying EBITDA margin was 42% and this exceeded our target of 40%. Class's strong free cash flow of \$9.8 million; our balance sheet strength continues to grow year-on-year and we are in a solid position to fund further acquisitions.

We have invested \$11.7 million over the past year to upgrade our technology and product development capability and to build Class Trust. We have grown our net accounts by 4.6% over the past year as well as grown our customer base impressively to over 2800 unique customers, including NowInfinity. The Board has declared a fully franked dividend of \$0.025 and our annual dividend remains unchanged at \$0.05 per share. In summary, the financial results were solid and as importantly, we are executing well to our three-year plan.

To achieve and drive future sustained growth as per our reimagination strategy, Class must grow its total addressable market, or TAM. Our strategy is to grow through a combination of both new products and acquisitions that will complement our core offerings to create a transformed multiproduct technology business. The acquisitions of NowInfinity and of Smartcorp grow our business into an adjacent market space.

The launch of our Class Trust this month grows Class into a new market segment. Our commission research by Frost & Sullivan indicates that in the past 12 months Class has increased its TAM by over 2.5 times. Prior to our reimagination strategy, our TAM was \$140 million. Class is now a marketplace of over \$365 million. Our expanded addressable market provides Class with an expanded runway to grow revenue and cement leadership positions in super, portfolio, legal documents and corporate compliance and trust products.

The essence of our reimagination strategy is to bring a laser focus to our key priorities, to reenergise the business in terms of culture and innovation, to bring new talent into the organisation and build momentum through accelerated growth in FY21, '22 and beyond. Our commitment for FY20 was to invest in our core technology platform and product development capability to ensure that we can develop customer validated products and deliver them at quality, to seek accretive acquisitions that will complement our core offerings and to invest in people and build a world-class culture. Our progress so far has been positive and fast-paced.

In addition to growing our TAM, there are a number of other important achievements to note for the past year. We have progressed our technology innovation investment. The progress positions the business to begin to realise technology efficiency dividends in the coming year. The pool of talent has grown as our reimagination strategy has excited potential candidates and we have attracted best-in-market talent.

Over the past year, Class has reset the executive leadership team and we now have a good balance of domain specialists as well as operational experience in technology, product and strategy, and people and culture. We continue to grow our market share in our existing products of super in portfolio, we have delivered on our intentions to execute acquisitions to drive growth, and it is pleasing to see NowInfinity already performing well, resonating with our existing customers and consequently will be a key pillar for Class growth in FY21.

The Smartcorp acquisition is meeting our project timelines and we are on track to migrate the Smartcorp customer base successfully onto the NowInfinity platform by the end of November. Our reputation as being a market leader as the SMSF software provider has been once again validated this year by the industry-leading Investment Trends 2020 research report. According to their findings, Class continues to be number 1 in terms of NPS and being the fastest-growing SMSF software provider. We thank our customers for their ongoing support of the Class business.

FY20 investment has focused on upgrading our Class technology platform, maintaining our SMSF product leadership, developing Class Trust, and integrating NowInfinity products deeper into the Class business. There will be further investment in our technology innovation and product development in FY21 of circa \$16 million. This ongoing investment is critical to ensure we continue to innovate our core technology platform and build a product roadmap. Class added 13 new modules in FY20 to our pre-existing product suite. Class is determined to drive new product feature innovation in FY21 and in all our investment we ensure Class is well positioned compared to the competition. Class will continue to invest in all products in FY21.

In terms of our new product Trust, our market research indicated that there is a pain point for trust administration as there was for self-managed superannuation for our customers. As with the SMSF space, to simplify and automate the trust administration process requires complex rules-based coding to develop a software solution. This is our core capability. We believe the market is underserved. Combining the learnings from our portfolio product entry with our new product development capability, the feedback from the 12-month customer pilot group has been invaluable and the product has taken great shape to deliver material costs and efficiency savings for our customers.

Consequently, we launched the Class product to our customers on 14 October, last week, many months ahead of schedule. The response from our customer network has been positive. All the Class team contributed to the successful launch of the product launch and the team are now busy demonstrating the new product and highlighting the results of the yearlong pilot and the benefits realised in the pilot customers' businesses.

In terms of the outlook for FY21, we are mindful of the dynamic COVID-19 environment. Class transitioned quickly and efficiently to remote working before 23 March this year. Productivity, development velocity and customer service metrics remain or are above our long-term business averages. With the recent restrictions affecting our Victorian customers in addition to the potential ongoing economic headwinds across Australia, Class continues to monitor the impacts on our customers in the coming months and indeed the financial year. Undoubtedly, the sales cycle is longer, and businesses are prudently monitoring their technology investment spend to their cash flow.

Notwithstanding the unknowns of COVID, we continue to stand by the FY21 outlook we provided the market at our FY20 results in August. The Class revenue for FY21 is a combination of our ongoing existing customer revenue plus roll-forward revenue derived from the growth in our new customers, including our NowInfinity acquisition, and our Smartcorp acquisition revenue. Smartcorp will contribute part revenue of \$1.5 million in FY21 with the full year contributions in FY22.

We refer to our revenue as embedded, given 95% of the revenue is derived from the roll-forward revenue and the Smartcorp acquisition. We would like to reiterate our previous comments. We are not forecasting any material contribution for revenue from Class Trust in FY21. Notwithstanding, based on our reasonable expectation of additional organic revenue growth, we are targeting FY21 revenue of \$53 million, which is 20% uplift from our FY20 results announced in August. We will continue to target an underlying EBITDA margin of 40% plus.

In summary, I would like to state the following. The FY20 financial results were solid and as importantly, we are executing well to our reimagination strategy. We achieved 15% revenue growth which was above our target and we have expanded our total addressable market by 2.5 times from \$140 million to \$365 million in the past year.

Our outlook for FY21: we are targeting revenue growth of 20% with more than 95% of that target already embedded. We will continue to manage our technology, product investment and other expenses astutely to an underlying EBITDA margin of 40% plus in FY21, and we have successfully launched our new Class Trust product ahead of schedule adding to our growing suite of Class products.

In closing, I would like to say Class is well positioned for accelerated growth. We have built a mode of earning resilience and have strong roll-forward revenue. We will continue at speed successfully executing our reimagination strategy. I would like to thank the Chair Matthew Quinn and the Board for their ongoing support, guidance, and excellent counsel. I would like to thank you, the shareholders, for your ongoing support and interest in Class. The future is very exciting, and our vision comes alive and we deliver accelerated results in FY21.

Thank you and I will now hand back to Matthew Quinn for the formal business part of the meeting and Q&A.

Matthew Quinn: Thanks, Andrew, and well done to you and your team for a fabulous year and we have achieved a lot.

Now for the formal part of the meeting. The items of business to be considered at this meeting are set out in the Notice of Meeting. There are four ordinary and three special resolutions which are clearly spelled out and I don't propose to read them out in detail as you can see them in the Notice on our website.

I'm now going to put on the screen the proxy votes received prior to the meeting and I would ask those who haven't yet voted to please use the online registration to vote before the end of the meeting. The final votes, including votes cast during the meeting, will be lodged with the ASX and on our website as soon as is practicable after the meeting.

I would now like to play a video by each of the Directors standing for election: Rob and Simon, our new Directors, who will be voted for election at this meeting for the first time, and Nicolette, who is standing for re-election having served on the Board for the past three years. If you could play those videos, please.

Robert Bazzani: Good morning ladies and gentlemen. I'm Robert Bazzani and I'm honoured and excited to be nominated for the Class Board. Class is a Company whose products and services I know well from my time as a managing partner at KPMG where we used Class super for all the superannuation funds we administered on behalf of our clients.

From the customers' perspective, I was always impressed with the business, the support we received and the market-leading capabilities of the Class technology. So, when the opportunity arose to join the Board, I was very happy to do so. I have a varied background across accounting, law, and corporate finance, and I am keen to bring these skills and

my experience to the Board to challenge and to support our initiatives so as to ensure the business continues to grow profitably. Thank you for your support.

Simon Martin: Simon Martin. I am a Director of Class since November 2019. I am pleased to be able to present to you my credentials today. I have a long background in software companies, principally business-to-business software and a large part of my career was working as CFO in a company called MYOB Limited that serviced interestingly accounts in practice as well as small businesses, so I have some extensive experience in companies working with the types of customers that Class has today.

I've also spent the last five years building a portfolio of investments in principally software and technology companies and sit on boards of a number of other companies, predominantly private or private equity backed. I'm really pleased to be able to represent the shareholders as an independent Director and thank you for the opportunity.

Nicolette Rubinsztein: Good afternoon, everyone. In terms of why I'd like to be part of the Class business going forward, I have long admired the Class business and fundamentally that's because Class has an incredibly strong value proposition. In terms of the value that we add to our customers' businesses relative to the quite modest fixed-dollar fees that they pay per annum, I think that is very strong. I am also very excited about the future for Class. I think we've got a very strong management team and I see a lot of opportunities to broaden the services that we offer to our target market.

In terms of the skills that I personally bring to the Board table, I'd probably say there's three. The first thing is knowledge of our market. I spent my career in superannuation, initially as a consulting actuary and then I went and worked at BT and Colonial First State and I spent eight years on the board of ASFA and I'm currently also on the board of UniSuper.

The second thing that I bring to the table is financial skills. I'm a qualified actuary and last year I was actually president of the Actuaries Institute, and I sit on three audit and risk committees and I chair two of those, including Class. Finally, I think that I bring strategic thinking to the Board. I've got an executive MBA from the AGSM and I actually spent more than 10 years as the general manager strategy at Colonial First State. So, thank you for your consideration.

Matthew Quinn: Thank you to Rob, Simon and Nicolette, and as you can see from the proxy results, there is resounding support for their election and re-election and I really commend shareholders for giving that support and thank you very much, they all deserve it and make a great contribution to this Company.

I'm now going to open it up for questions, both for those that have already been lodged and any fresh questions that you have that you would like to ask based on anything that you've heard today. Please lodge those through the online platform. If you just give me a moment while we put the questions up on the screen and I will read them and then provide the answer.

Okay. There are no new questions. We did have one question that was lodged with us prior to the meeting and that was in regard to the dividend that we pay of \$0.05 per share which has been steady now for a couple of years. The question was are we going to contemplate increasing the dividend at some stage. We listed on the ASX in 2015 and at that point in time we were a profitable Company and to demonstrate that profitability and the resilience of our profit streams, we decided to commence on the ASX as a dividend-paying company paying a dividend of \$0.03 per share.

We increased that to \$0.05 per share after a couple of years, progressively, and at that point we believed that we were providing shareholders with the right balance of retaining cash for further investment in the business but also giving them some return on their investment, and that \$0.05 was the appropriate level. We are profitable. We pay tax and at that level it is a very good means for us to distribute our franking credit to shareholders but also retain capital within the business. As Andrew has pointed out, our reimagination strategy does involve a significant investment in new product development and potentially an historically growth through acquisition.

Bearing all of that in mind, we believe that \$0.05 per share is the right dividend level for us to be paying for the foreseeable future. In the long term, when this is a much larger Company with much greater profits, which we fully envisage that it will be then there will be scope to increase that, but for the foreseeable future we believe that \$0.05 per share is the appropriate level. Thank you for that question. It was very opportune and something that we discuss on a regular basis.

Are there any further questions? There aren't. I'm just making sure that's because there aren't and not because of any technical issues. No. Okay, there are no further questions. Thank you for joining us today. As I said, we really appreciate the support that you've given us, which comes through in the percentage votes in favour of all of the resolutions and particularly to the three Directors who are standing for election and re-election today. The final votes will be put on our website and lodged with the ASX as soon as possible after the meeting and we thank you for your support. At that point, I will declare the meeting closed. Thank you.

**End of Transcript**