

CASE STUDY



COMPANY SPOTLIGHT



Market capitalisation at time of purchase \$167m	Market capitalisation at time of sale \$286m	Industry Sector Software Services
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CLASS LIMITED (ASX: CL1)

Class Ltd is a leading provider of cloud-based administration software for the Australian wealth accounting market. Its flagship product, Class Super, is used by thousands of accountants and administrators to manage Self-Managed Super Funds (SMSFs). The company also offers solutions for portfolio administration (Class Portfolio) and trust accounting (Class Trust).

WHY DID WE INVEST?

- **Recurring Revenue & Market Leadership:** Class generated over 90% of its revenue from recurring software subscriptions. It held a dominant circa 30% market share in the SMSF administration segment with high customer retention rates.
- **Favourable Industry Tailwinds:** The ongoing growth in SMSFs, increasing compliance complexity, and continued migration from manual processes to digital platforms underpinned structural demand for Class's solutions.
- **Scalable SaaS Model:** Class operated a highly scalable cloud-based platform with strong gross margins and significant operating leverage as new clients were onboarded.

ENTRY PRICE

- Began initially purchasing shares in mid-September 2019 at \$1.29 and continued to purchase over time with an average purchase price of \$1.68.

*Past performance is not indicative of future performance. This is general information only and should not be construed or relied upon as legal, financial or professional advice. Accordingly, the recipient should seek independent professional advice as to the risk, financial, taxation and other implications of investing.

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Class Limited (ASX:CL1) - Share Price



Source: S&P Capital IQ

WHY DID WE SELL – Acquisition by HUB24 Limited (ASX: HUB)

- In October 2021, Class Ltd entered into a Scheme of Arrangement to be acquired by HUB24 Limited (ASX: HUB), a major platform provider in the wealth management industry.
- Class shareholders received 1 HUB share for every 11 Class shares held, plus \$0.125 in cash per share, a 52.8% premium to the 1-month VWAP.
- With a full valuation realised through the acquisition and limited further upside, we exited the position and redeployed capital into other high-conviction opportunities.

INVESTMENT OUTCOME

- Began purchasing in mid-September 2019, and over time purchased at an average purchase price of \$1.68.
- Received circa \$0.12 in dividends per share over the investment period.
- Sold at an average sale price of \$2.44 (based on sale of HUB) with the last sale in July 2022.
- Gain (including dividends received) of 52.5% on our investment over the period, equating to an IRR of approximately 27.5%.

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