



27 February 2017

CML Group Limited (ASX:CGR)

Half Year 2017 Results Announcement

Highlights

- Achieved strong Half Year 2017 result from continuing operations:
 - Revenue up 53% to \$18.5m
 - EBITDA up 183% to \$5.9m
 - NPAT up 213% to \$1.4m
- Successful integration of Cashflow Advantage and 180 Group acquisitions
- Brand consolidation to a single trading name, "Cashflow Finance"
- Dividend of 0.5 cents per share declared
- FY'17 Group EBITDA Guidance of \$10.6m+ reaffirmed

Half Year 2017 Result

CML Group ("CML" or the "Company") is pleased to announce its Half Year 2017 result, a summary of which is tabled below:

\$m	Note	H1'16 A	H1'17 A	pcp Δ
Invoices Purchased		162.0	501.2	209%
Finance Revenue	1	4.6	12.0	159%
Other Revenue		7.5	6.5	(13)%
Group Revenue		12.1	18.5	53%
Finance EBITDA	2	2.0	6.2	213%
Other EBITDA		0.8	0.9	4%
Corporate	3	(0.7)	(1.1)	(58)%
Group EBITDA		2.1	5.9	183%
D&A		(0.1)	(0.1)	3%
Net Interest	4	(1.4)	(3.9)	178%
Tax		(0.2)	(0.6)	
NPAT (Continuing Operations)		0.4	1.5	
Discontinued Operations		0.1	0.0	
NPAT		0.5	1.5	213%
EPS (cents per share)		0.57	1.05	
DPS (cents per share)		0.50	0.50	

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Notes to Table

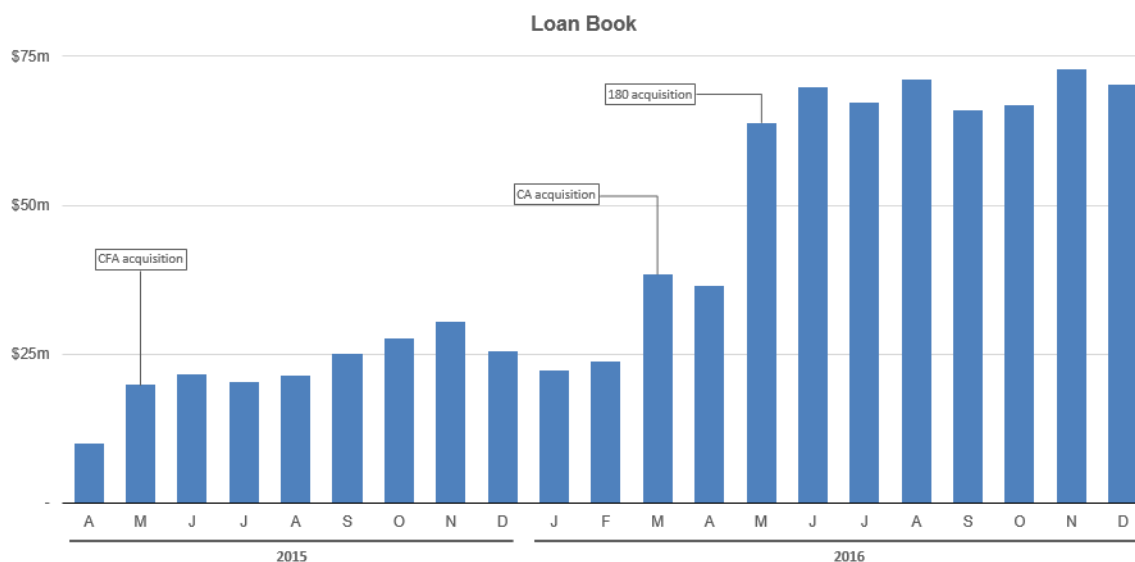
1	The strong result and substantial uplift in earnings compared to H1'16 was driven by continued growth in the Finance division. The growth in the value of Invoices Purchased reflect a full period contribution from the Cashflow Advantage & 180 Group acquisitions.
2	Finance Division EBITDA margin rose to 51.7%.
3	Increased Corporate costs reflect the integration of acquisitions completed over the last 12 months.
4	Net interest increased with the greater level of debt issued by CML to finance the growth in the Loan Book.

Invoices Purchased and Loan Book Growth

Invoices purchased during the period rose 209% to \$501m reflecting full period contributions from the CashFlow Advantage and 180 Group acquisitions which were completed in March 2016 and May 2016 respectively. The acquisitions have been successfully integrated and recently rebranded under "Cashflow Finance" which will allow a more effective & cohesive marketing strategy to be applied going forward.

The Loan Book was steady during the half at approximately \$70m, with new sales compensating for acquisition related client churn.

It is anticipated that the combination of sales, marketing and client retention will drive organic growth in H2'17.



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Funding

At balance date CML had \$19.6m of cash on balance sheet to fund growth in the loan book – a function of fund raising initiatives undertaken in FY16.

CML at times carries funding capacity significantly greater than the Loan Book requires. CML pays interest costs on these unutilised funds, which adversely impacts earnings. The interest costs of these unutilised funds were approximately \$0.5m in 1H'17.

CML remains in active discussion with potential providers regarding a more cost effective institutional funding facility

Dividend

CML has declared an Interim Dividend of 0.50 cents per share, fully franked. CML has a Dividend Reinvestment Plan (**DRP**) in place, in which eligible shareholders may participate.

Outlook

With in excess of \$500m of invoices purchased in 1H'17, CML has cemented its position as the second largest listed non-bank invoice finance provider in Australia, behind Scottish Pacific.

CML reaffirms its previously stated guidance for FY17 of Group EBITDA of \$10.6m+ driven by three key drivers:

1. Revenue – A full year's contribution from the acquired CA and 180 businesses, combined with organic growth is expected to drive substantially higher revenue in FY'17.
2. Margin Improvement – Clients have continued to show strong take-up for CML's additional services offered. These services are expected to boost earnings as they are rolled out to newly acquired and existing clients, which have demonstrated a high take-up rate.
3. Cost Dilution – As CML grows, the increased scale is diluting the relatively fixed operating cost base and improving profit margins.

In addition, CML expects that over the long term, it will be able to transition from its current funding arrangements to institutional bank funding. This will result in a lower cost of funds relative to the current blended rate of 8.9%.

CML Managing Director Daniel Riley commented, "CML has achieved strong growth over the last 18 months, through both acquisitions and organic means. As the business further matures, we expect that our scale will permit us to significantly reduce the cost of accessing capital to fund further expansion in the Loan Book.

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We are highly confident in our ability to deliver on our clear growth plan that is focussed on scale and profitability, and reiterate previously provided guidance of FY'17 EBITDA of greater than \$10.6m".

Sincerely,



Daniel Riley
CEO

ABOUT CML GROUP

CML provides finance to SME businesses.

CML's primary service is 'factoring' or 'receivables finance'. Through the factoring facility CML provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. CML will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position.

Other services include trade finance to assist clients finance purchases, as well as labour sourcing, project management and direct recruitment.

cashflow
finance