CML Group

(ASX: CGR)

H1'17 Investor Presentation

Daniel Riley – CEO

February 2017

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Executive Summary

HY'17 Highlights

- Invoices purchased $501m v $162m pcp
- Finance Division EBITDA up 210% to $6.2m
- Group EBITDA up 183% to $5.9m
- Group NPAT up 219% to $1.4m
- EPS up 84% to 1.05c

FY'17 Guidance

- Reaffirmed Group EBITDA of $10.6m+
  – Despite loss of earnings post sale of Lester business and reflects improved earnings from Finance Division

Y/E 30 Jun ($m)	H1'16 A	H1'17 A	*Δ pcp*
Finance	4.6	12.0	*161%*
Other	7.5	6.5	*(13%)*
Revenue	**12.1**	**18.5**	***53%***
Finance	2.0	6.2	*210%*
Other	0.8	0.9	*13%*
Corporate	(0.7)	(1.1)	*(58%)*
EBITDA	**2.1**	**5.9**	***183%***
NPAT	0.4	1.4	*219%*
EPS	0.57c	1.05c	*84%*
DPS	0.50c	0.50c	

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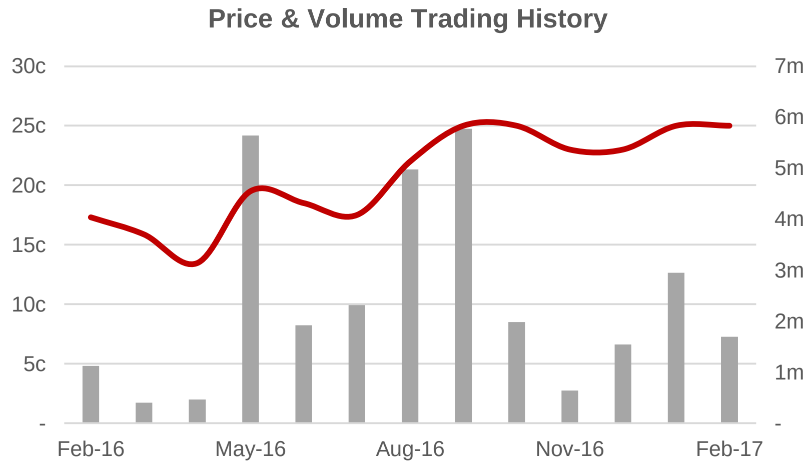
Overview

Key Stats

- CML Group (**CML**) provides a range of business finance solutions to help their clients' businesses

Capital Structure *(As at 24 Feb 17)*	
Share Price	$0.23
Shares on Issue	132,868,131
Market Capitalisation	**$30.6**



Capital Table

- Board own ~20%

Board		Shareholding
Greg Riley	Non-Executive Chairman	22,011,163
Daniel Riley	MD & CEO	3,179,761
Sue Healy	Non-Executive Director	391,287
Geoff Sam	Non-Executive Director	1,228,800

- Institutions own ~40%
  - Naos Asset Management (~20%)
  - First Samuel (~20%)

Consolidated Financials

Comprehensive Income Statement

Strong earnings improvement has continued, driven by growth in the Finance division

Y/E 30 Jun ($m)	H1'16 A	H1'17 A	Δ pcp	Comments
Finance Revenue	4.6	12.0	*161%*	Revenue driven by increase in Invoices Purchased
Other Revenue	7.5	6.5	*(13%)*	
Group Revenue	**12.1**	**18.5**	***53%***	
Finance EBITDA	2.0	6.2	*210%*	Earnings growth in excess of revenue growth
Other EBITDA	0.8	0.9	*13%*	
Corporate Overhead	(0.7)	(1.1)	*(58%)*	Increase in overhead associated with integration of acquisitions
Underlying EBITDA	**2.1**	**5.9**	***183%***	
D&A	(0.1)	(0.1)		
Net Interest	(1.4)	(3.9)	*178%*	Increased with higher debt
Tax	(0.2)	(0.6)		
Continuing NPAT	**0.4**	**1.4**		
EPS	0.57	1.05		
DPS	0.50	0.50		Targeting 50% + payout ratio

Finance Cost	H1'16	H1'17
Utilised funds	$1.0m	$3.4m
Unutilised funds	$0.5m	$0.6m
Interest Income	$0.1m	$0.1m

Comprehensive Financial Position

Balance sheet positioned to fund organic loan book growth

Y/E 30 Jun ($m)	As at 30 Jun. 16	As at 31 Dec. 16	Comments
Cash	14.7	19.6	Cash available for lending
Trade Receivables	114.6	122.2	Reflect growth in the Loan Book
Other Receivables	10.1	-	Previously Included Assets classified as held for sale
Current Assets	**139.4**	**141.8**	
Property & Equipment	0.1	0.4	Primarily associated with software & office equipment
Deferred Tax Assets	1.6	1.2	
Intangibles	15.4	13.6	Goodwill & Trademarks
Non-Current Assets	**17.1**	**15.2**	
Total Assets	**156.5**	**157.0**	
Trade & Other	50.0	51.3	Moves in line the loan book
Borrowings	7.2	10.7	Unsecured funds to support loan book growth
Tax Liabilities	1.1	1.0	
Provisions	0.4	0.4	Relates to employee entitlements
Liabilities of assets held for sale	6.2	-	
Current Liabilities	**64.9**	**63.4**	
Non-Current Liabilities	**77.1**	**77.7**	Primarily convertible note & corporate bond used to fund loan book
Total Liabilities	**142.0**	**141.1**	
Net Equity	**14.6**	**15.9**	

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Statement of Cash Flows

Cash flows reflect growth in loan book, driven by rising volume of Invoices Purchased

Y/E 30 Jun ($m)	As at 31 Dec. 15	As at 31 Dec. 16	Comments
Receipts from Customers	202.4	525.0	Both increase with growth in Invoices Funded, driven by Loan Book size
Payments to Suppliers & Staff	(204.0)	(528.6)	
Net Finance Costs	(1.4)	(3.9)	Interest on funding: Convertible Note, Corporate Bond & Unsecured
Income Tax Paid	(0.1)	(0.4)	
Net Operating Activities	(3.1)	(8.0)	
Sales of Investment	-	1.8	Lester divestment
Purchase of PP&E	(0.0)	(0.3)	
Payments for IT Development	(0.0)	-	
Net Investing Activities	**(0.0)**	**1.5**	
Proceeds from Issue of Shares	-	0.7	DRP
Net Borrowings	(0.0)	10.7	Unsecured Borrowing to support loan book growth
Dividends Paid	-	(0.7)	
Costs of Capital Raising	-	-	
Net Financing Activities	**(0.0)**	**10.7**	All financing structures put into place during FY'15
Cash at Beginning of Half Year	14.1	15.3	
Net Cash Movement	(3.1)	4.3	
Cash at end of Half Year	**11.0**	**19.6**	Reflects unutilized funds available for loan book growth

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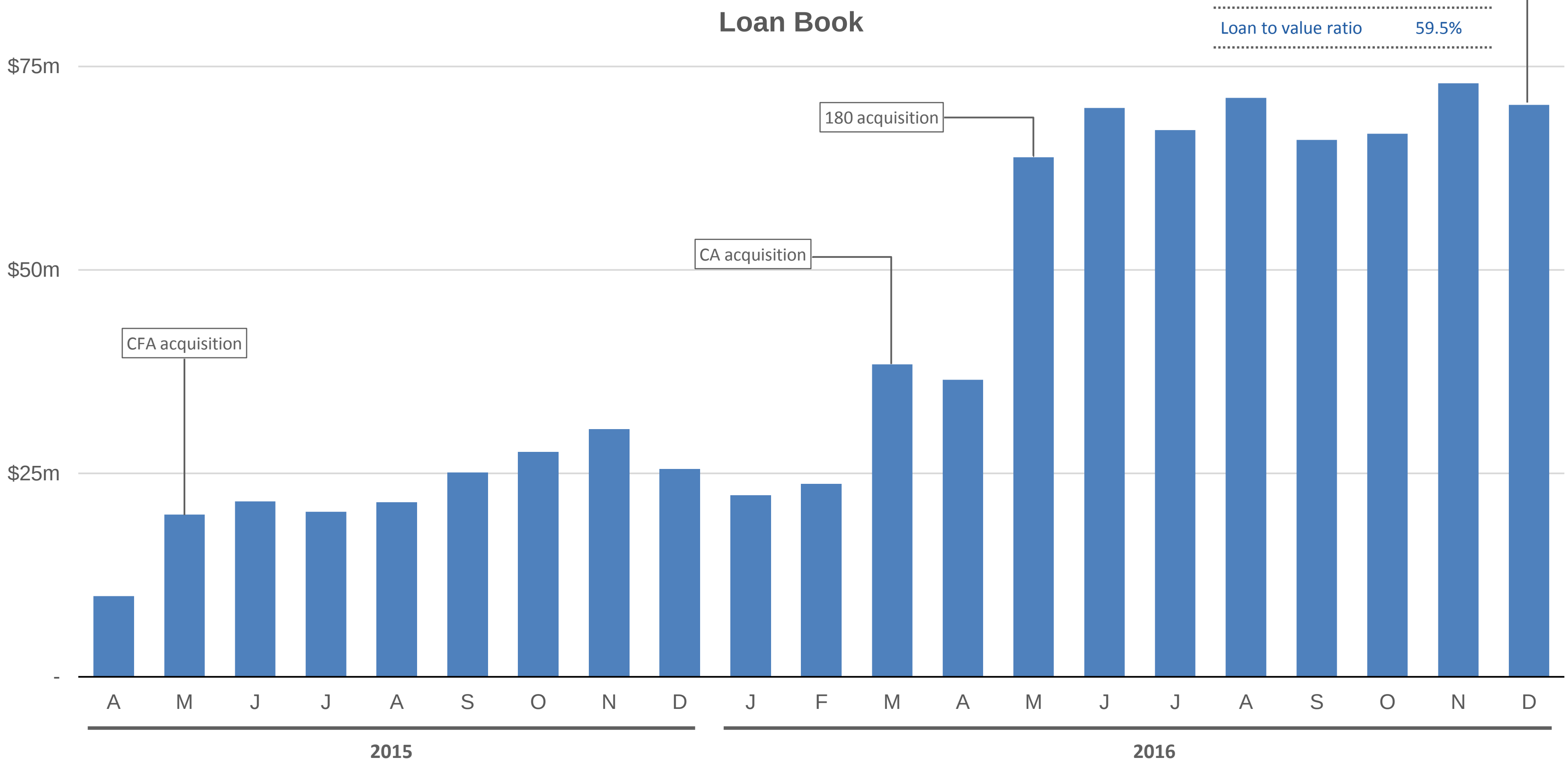
Finance Division

Loan Book

Loan book growth accelerated by acquisitions

- Recent acquisitions now fully integrated

Loan Book Statistics (Dec 16)	
Funds in use	$70.3m
Debtor days	41.2
Loan to value ratio	59.5%



**Loan book is impacted annually by business slow-down and holiday period during December and January*

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Finance Divisional Performance

Growth in Invoices Purchased has underpinned improved performance in Finance division

Y/E 30 Jun ($m)	H1'16 A	H1'17 A	*Δ pcp*
Invoices Purchased	162.0	501.2	209%
Revenue	4.6	12.0	159%
Gross Margin	*2.9%*	*2.4%*	
EBITDA	**2.0**	**6.2**	**213%**
EBITDA Margin	*42.7%*	*51.7%*	

Acquisitions	• Full period contribution from Cashflow Advantage and 180 Group • Acquisitions now fully integrated & consolidated under 1 brand – Cashflow Finance
Margins	• Gross Margin declined / diluted by recent acquisitions • EBITDA margins continue to improve
Outlook	• Organic growth to be driven by new marketing and sales initiatives post recent rebranding • Continued focus on margin improvement

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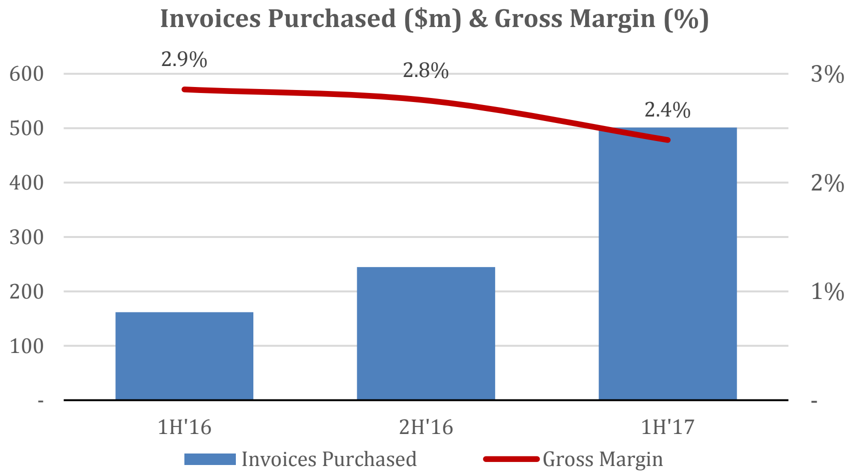
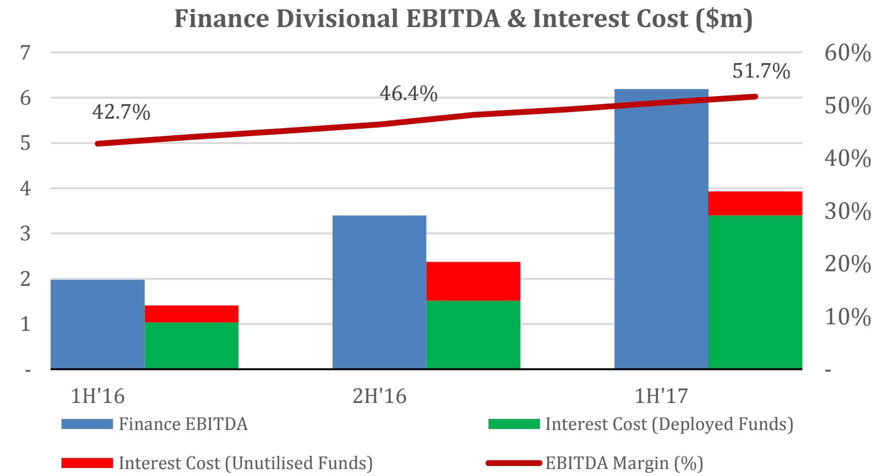
Finance Division – Key Drivers

Growth in Invoices Purchased and expansion of EBITDA margin continues





- Invoices Purchased grew to $501m on the back of:
  - A full period contribution from Cashflow Advantage and 180 Group; &
  - Organic growth
- Invoices Purchased converted to Revenue at 2.4% Gross Margin
  - Gross Margin has declined as a result of blending lower margin 180 loan book with higher margin CML Loan Book
- Gross Margin is improving as new fee structures are introduced to acquired clients

- EBITDA growth has been driven by increasing Invoices Purchased & greater earnings leverage on previously installed cost base
- Interest cost on unutilised funds has reduced but at circa $500k net remains a significant impost

Other & Corporate Divisions

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Other & Corporate Divisional Performance

CML completed the divestment of non-core Lester Associates business; remaining businesses remain profitable

Y/E 30 Jun ($m)	H1'16 A	H1'17 A	Δ pcp
Other Revenue	7.4	6.5	*(13)%*
Other EBITDA	**0.8**	**0.9**	*13%*
Other EBITDA Margin	*11.2%*	*13.5%*	
Corporate EBITDA	**(0.7)**	**(1.1)**	***(58%)***

Lester Associates	• Sold after 30 June releasing $3.5m in capital, which includes $1.8m of goodwill • Sale is part of the business simplification program aimed at exiting non-core business • Lester earnings contribution not included in table above
Corporate	• Increased costs resulting from acquisitions made during FY16
Outlook	• Other division is expected to remain profitable, delivering steady earnings

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Outlook

Outlook

Guidance of $10.6m+ in FY'17

- Reaffirmation of previously stated guidance of EBITDA of $10.6m+ and despite loss of earnings from sale of Lester

$m	H1'17 A	FY'17 Guidance	*Δ pcp*
Group EBITDA	5.9	10.6+	*98%+*

- FY'17 earnings to be driven by:

Scale

— Full year contribution from CA and 180, which only contributed one and three months, respectively, to FY'16 earnings

Margin Improvement

— Expected take-up of additional value-add services from clients of acquired Loan Book will drive greater margin generation

Rebranding

— The recent rebranding of acquired businesses to "cashflow finance" will streamline marketing initiatives which are expected to drive organic growth

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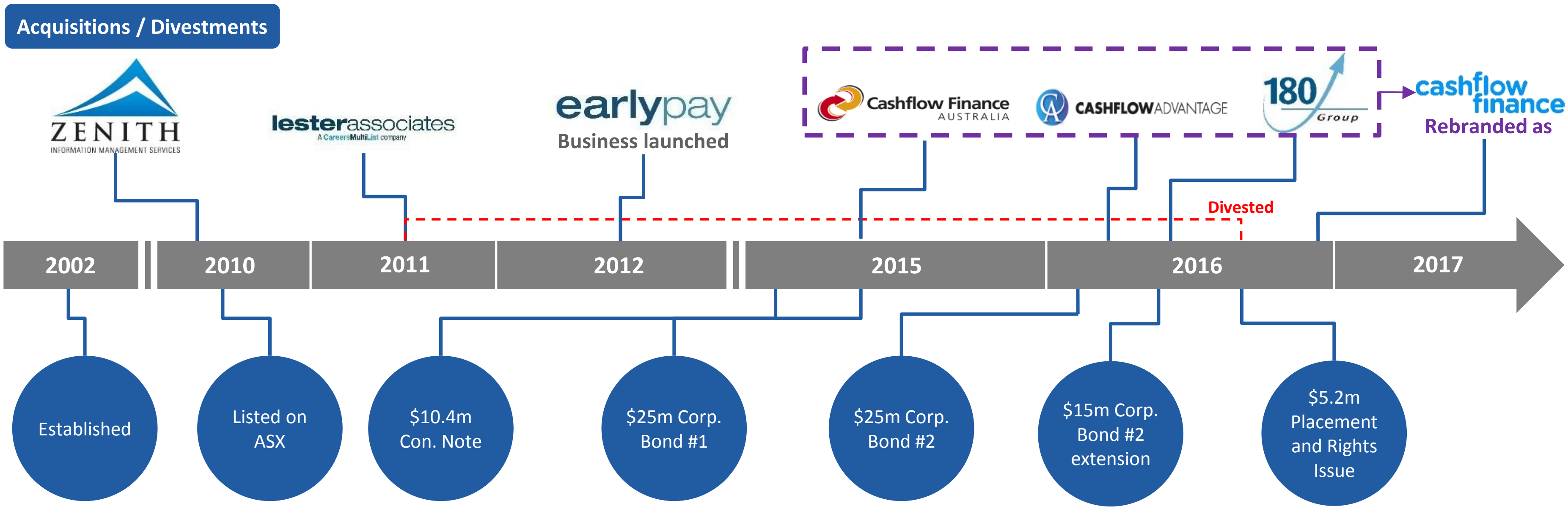
Appendix

Group History

Organic and acquisitive growth has built CML into a significant player in the invoice financing market



	Cashflow Finance Australia	Cashflow Advantage	180 Group
Loan book	$10m	$10m	$24m
Clients	110	65	116
Avg. funds in use	$100,000	$154,000	$247,000
Loan to value	55%	70%	52%
Acquisition date	May '15	Mar. '16	May '16
FY'16 contribution	12 months	3 months	1 month

Finance Revenue Model

CML is targeting a Gross Margin of 2.8%+ on total Invoices Purchased

There are 4 key drivers to Finance division:

1. **Invoices Purchased**
   - The gross amount of cash flow against which CML provides working capital assistance
   - CML will provide up to 80% in funds of the face value of an invoice
   - The amount of Invoices Purchased and LVR drives the size of the Loan Book

2. **Gross Margin**
   - The fees which CML generates for providing finance services; this is accounted as divisional Revenue

3. **EBITDA Margin**
   - The costs of operating the Finance business

4. **Interest Costs**
   - The costs of funds required to provide financing

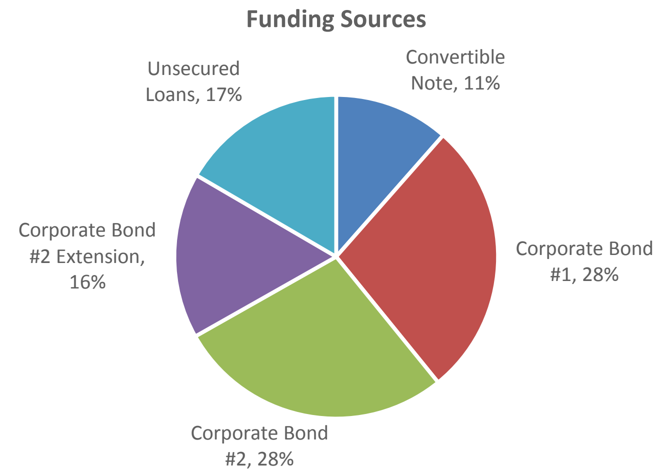
Finance Divisional Earnings Model		
Invoices Purchased	$100	
Revenue	$2.8	Targeting 2.8%+ Gross Margin
EBITDA	$1.4	Targeting 50%+ EBITDA Margin
PBT	$0.56	Targeting 20%+ PBT Margin

Funding Strategy

CML has secured appropriate funding with sufficient headroom for organic growth to $90+ million of funds in use

- Loan Book growth has required debt funding:
  - $10.4m Convertible Note (February 2015)
  - $25m Corporate Bond #1 (May 2015)
  - $25m Corporate Bond #2 (March 2016)
  - $15m Corporate Bond #2 Extension (May 2016)
- Note & Bonds are permanent structures on which interest is payable on the entirety of funding available
- Temporary funding is available using Unsecured Loans, on which interest is only payable on drawn funds
  - Temporary funding is used when headroom on permanent structures is exceeded
- Having achieved scale in Finance division the next phase is to secure future funding at lower cost – discussions with potential providers are ongoing

Funding	Quantum	Cost
Convertible Note	$10.4m	9.0%
Corporate Bond #1	$25.0m	BBSW* + 5.4%
Corporate Bond #2	$25.0m	8.0%
Corporate Bond #2 Extension	$15.0m	8.0%
Unsecured Loans	$15.0m	9.0% to 10.0%
Total Available	**$90.4m**	

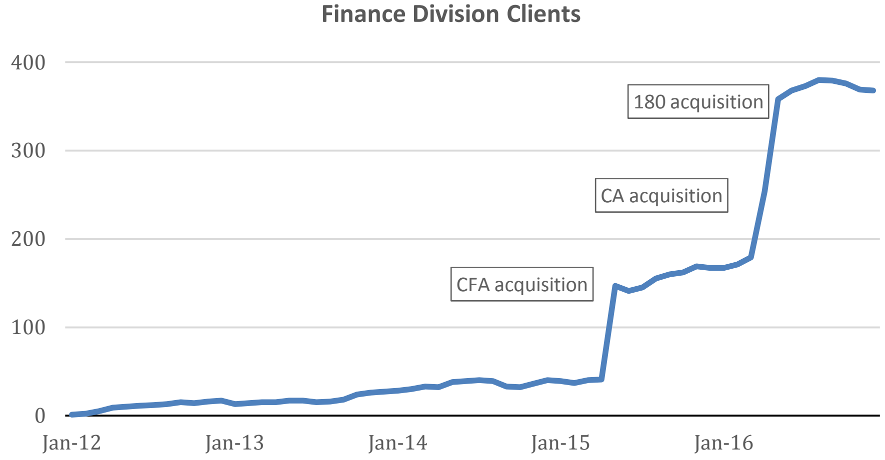


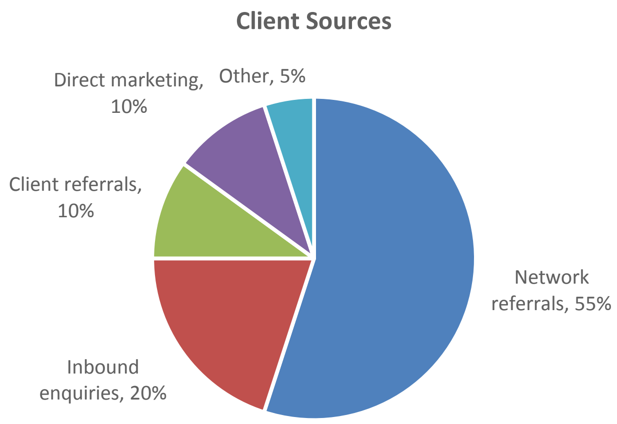
**1 month BBSW as at 22 August 2016 was 1.7%*

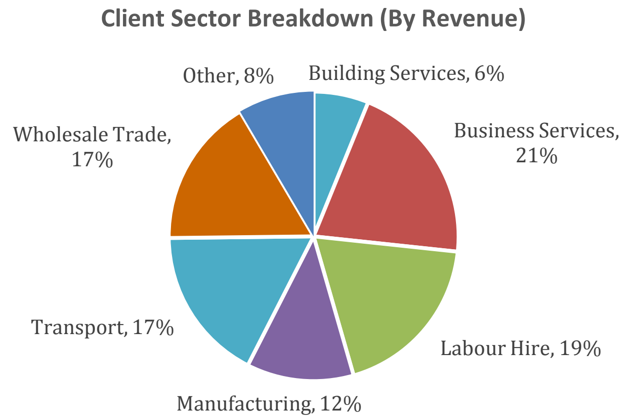
Clients

CML has 350+ clients, covering 13 industries

- CML has a portfolio 350+ clients
  - Clients are spread across 13 industries
  - Average client tenure of 4+ years
- CML has built a sales and business development team of 12
  - Seeking to drive organic growth, with targeted growth of ~15 new clients per month
- Clients generated through network of 2,500+ referrers







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let's go!