



Armida Investment

C O R P O R A T I O N (AIK)

Investor Presentation

Presented by

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Joint Managing Director
Joint Managing Director
Chief Operating Officer
Chief Financial Officer



Investment Objective

To grow the maintainable earnings per share

- ▶ Increase size of annual TL Rentals lease origination
- ▶ Investments in Equipment Finance Brokers
- ▶ Organic growth and synergies from new and existing Equipment Finance Brokers



Market Capitalisation

Market capital growth	28 Feb 2017	28 Feb 2016	28 Feb 2014
Market capitalisation	\$164.6m	\$59.6m	\$24.2m

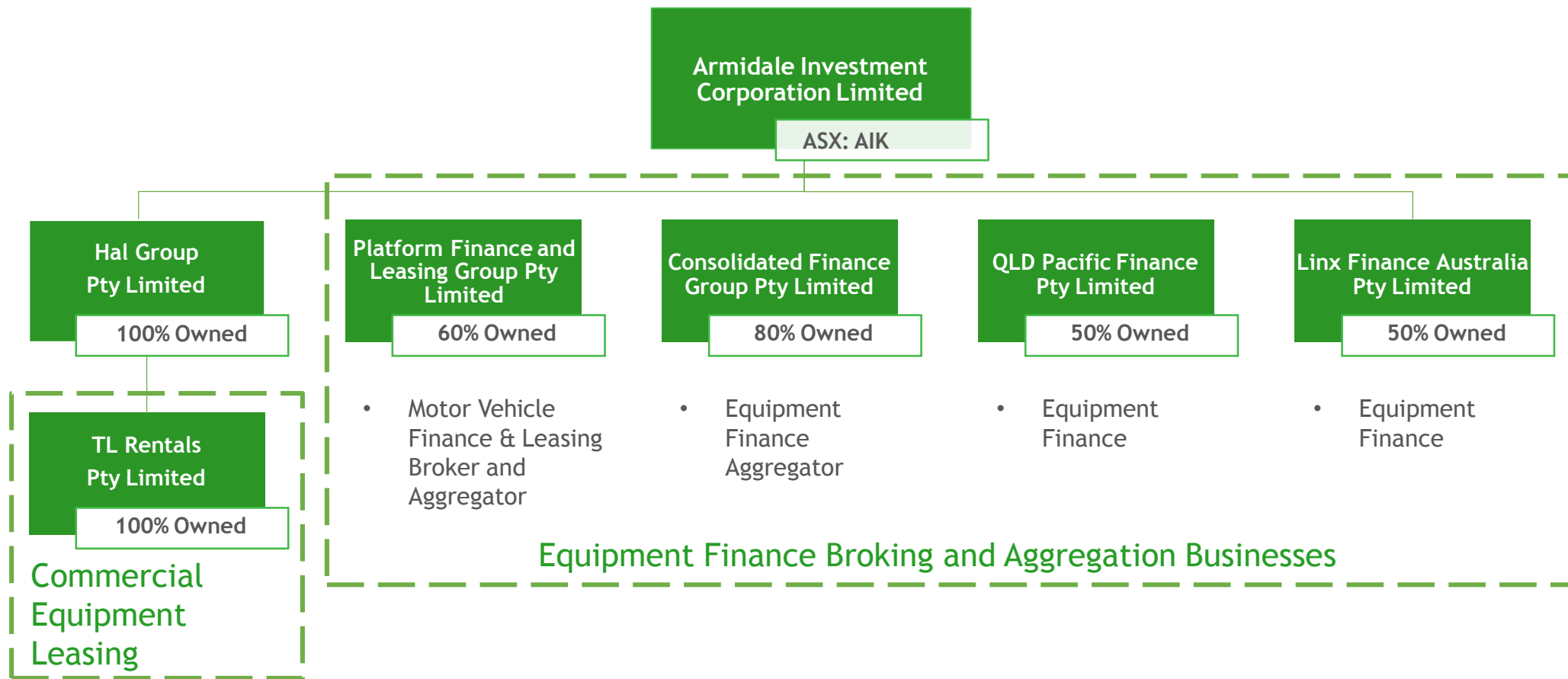
Using the current normalised EBITDA on which recent acquisitions were conducted, AIK has the following put/call options in place to acquire more equity in subsidiaries (earliest dates are used):

	Platform	CFG	Linx	QPF	Total
FY18	\$8.3m	\$3.1m	\$1.2m	\$1.9m	\$14.4m
FY20	\$8.3m	-	\$1.2m	\$1.9m	\$11.3m
FY22	-	-	\$1.2m	\$1.9m	\$3.1m

Total estimated cash consideration	\$14.4m
Total estimated scrip consideration	\$14.4m
Total estimated consideration	\$28.8m



Company Structure



AIK has 3 business sectors: Commercial Equipment Leasing, Finance Broking and Aggregation & 'All Other'

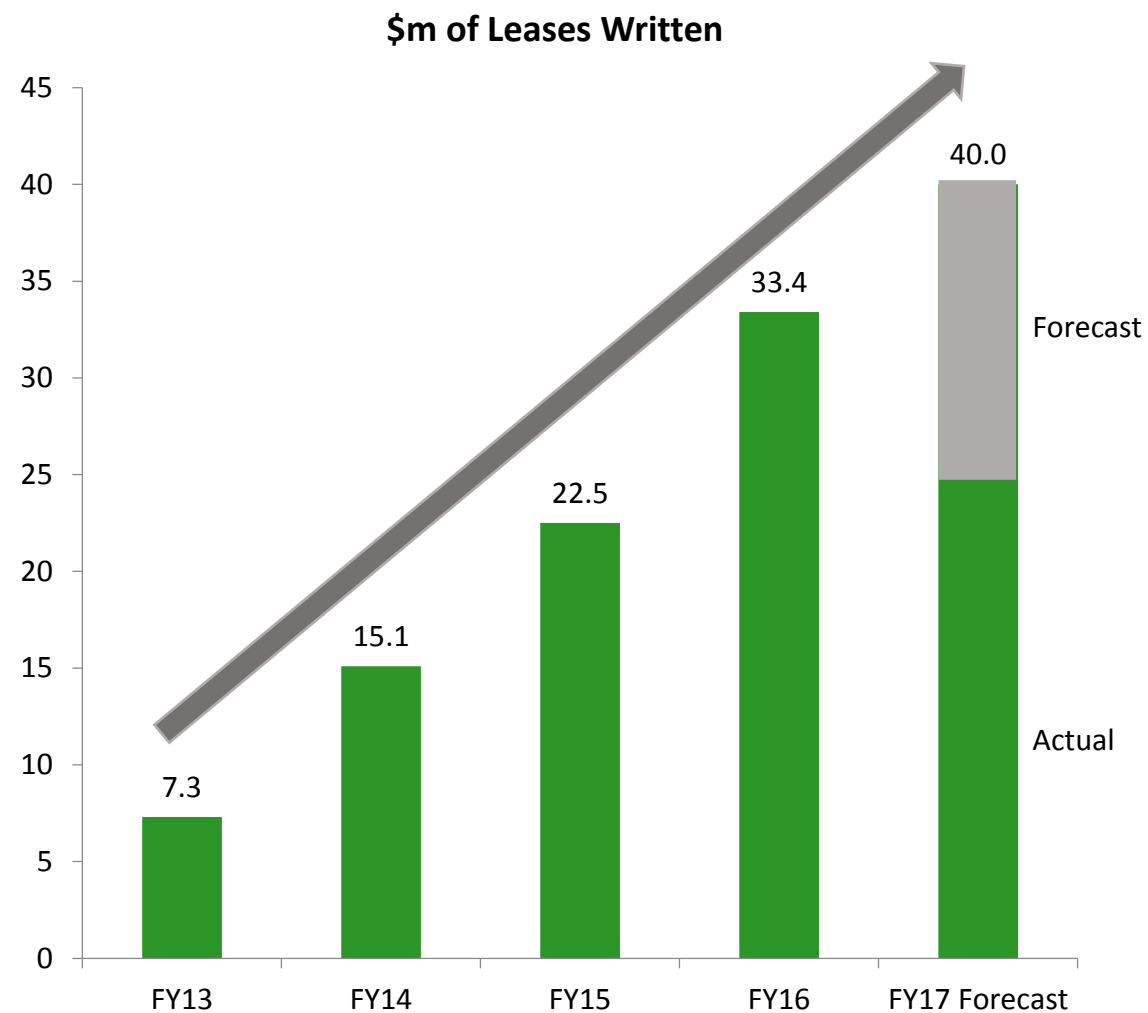


Segment Overview

Commercial Equipment Leasing



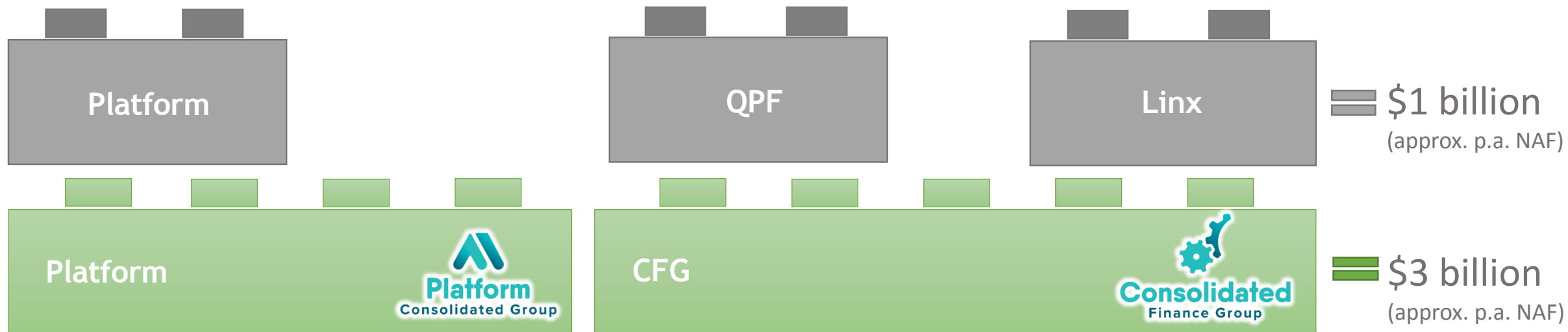
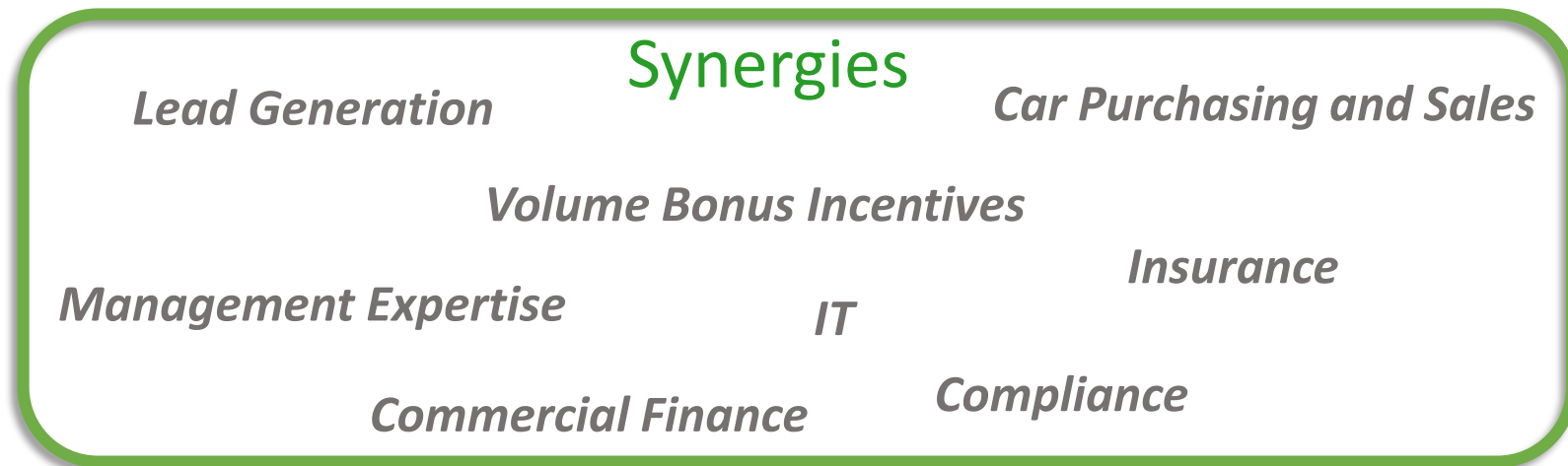
- ▶ As at 28 February 2017 the equipment finance lease book was \$91 million at Original Equipment Cost (OEC)
- ▶ YTD to 28 February 2017 leases written at EOC= \$24m (YTD 28 February 2016 = \$17.3m)
- ▶ A niche finance provider on small to mid sized transactions which require **fast turnaround** and **bespoke structuring** for commercial customers
- ▶ End of term earnings - 22% (data since 1996)
- ▶ End of term earnings FY17 YTD to 28 February 2017 = 25%





Segment Overview

Finance Broking & Aggregation



Net Amount Financed (NAF) YTD to 31 January 2017 for CFG and Platform aggregation combined is \$1.7 billion (YTD to 31 January 2016 \$1.5 billion)

NAF YTD to 31 January 2017 for AIK controlled businesses is \$629m (YTD to 31 January 2016 - \$583m)



Segment Overview

All Other

Hal Group Pty Limited



- ▶ Hal Group provides information technology services and IT equipment to the SME and large corporates and government sector

Riverwise Pty Limited



- ▶ Trading as Leading Edge Group (LEG). LEG operates sales channels for telecommunication partners in Australia, NZ and the U.K. and is also one of Australia's largest retail buying groups



Change in accounting from Investment to Consolidated

AIK previously reported as an Investment Entity. Under the accounting standards, investments were measured at fair value rather than consolidated.

1 November 2016, AIK moved to consolidated accounting.

Investment entity accounting

1 July – 31 October 2016

- Interest income and dividends received from subsidiaries are recorded in the profit and loss
- Investments were recorded on the balance sheet at fair value
- No intra-group transactions were eliminated

Consolidation

1 November – 31 December 2016

- AIK's controlled entities results are consolidated into the AIK Group for the two month period
- Interest income and dividends received (and any other intra-group transactions) from subsidiaries are eliminated on consolidation
- The identifiable assets/liabilities of controlled entities and associates are consolidated into the AIK Group (with a resulting goodwill balance being recognised)
- Non-controlling interests represent the share of profits / equity attributable to outside equity holders in the Finance Broking & Aggregation segment

Statement of profit or loss	6 Months to	
	Dec 2015 \$'m	Dec 2016 \$'m
Revenue	-	18.26
Interest income	0.80	0.96
Dividend income	-	1.06
Other income	0.30	0.12
Cost of sales	-	(1.16)
Commissions paid	-	(8.07)
Employee benefits expense	(0.59)	(5.01)
Administration and occupancy expenses	(0.33)	(2.85)
Finance costs	-	(0.33)
Depreciation and amortisation	(0.10)	(0.30)
Other expenses	-	(0.23)
Share of results from Riverwise	-	0.33
Profit before income tax	0.08	2.79
Income tax expense	(0.07)	(1.12)
Profit after tax for the half year	0.02	1.67
Non-controlling interests	-	(0.58)
Profit after tax for the half year, attributable to members	0.02	1.09



Interim Financial Information

Commentary

4 months of 'investment entity' accounting before the change in accounting policy plus 2 months of consolidated results for the AIK Group

December 2015 information is for investment entity accounting only

Interest and dividend income for the current half year include transactions with subsidiaries up until 31 October 2016

Non-controlling interests relates to profit from the consolidated entities which is attributable to outside equity holders in the Finance Broking & Aggregation segment



Interim Financial Information

Statement of financial position

	June 2016 \$'m	Dec 2016 \$'m
Cash and cash equivalents	0.01	20.00
Trade and other receivables	0.51	9.39
Financial assets – lease receivables	-	11.20
Inventories	-	0.37
Current tax assets	-	0.03
Other assets	4.07	1.90
Total current assets	4.59	42.89
Financial assets – lease receivables	-	25.24
Financial assets at FVTPL	69.36	0.14
Other financial assets	19.27	-
Equity accounted associates	-	4.03
Property, plant and equipment	-	3.06
Intangible assets and goodwill	-	115.49
Total non-current assets	88.63	147.97
Total assets	93.22	190.86
Trade and other payables	4.08	14.70
Interest bearing liabilities	-	13.70
Current tax liabilities	-	1.62
Provisions	0.32	1.46
Total current liabilities	4.41	31.47
Provisions	0.12	0.89
Interest bearing liabilities	-	9.88
Deferred tax liabilities	-	2.20
Total non-current liabilities	0.12	12.97
Total liabilities	4.52	44.44
Net assets	88.69	146.42

Commentary

The increase in the net asset position of the Group is attributable to the capital raising of \$33.65m and scrip issue as consideration for the recent acquisitions (CFG, Linx and QPF) of \$22.75m.

The balance of intangibles and goodwill represents the effect of the change in accounting policy during the period with the deemed acquisition of controlled entities as at 31 October 2016.

Finance lease receivables are attributable to the Commercial Equipment Leasing segment of the Group (TL Rentals).

Interest bearing liabilities as at 31 December 2016 relate to the Bendigo Bank facility of \$10m, in addition to secured loans and debentures which are secured against finance lease receivables of the Group (where the Group is the lessor).



Pro Forma Segment Performance

Unaudited six month pro-forma interim results

- Assumption: AIK had consolidated its controlled entities from 1 July 2016
- The information has been prepared in accordance with the operating segment disclosures made in the interim results for 31 December 2016

6 months ended 31 December 2016	Note	Finance Broking & Aggregation \$m	Commercial Equipment Leasing \$m	All Other / Intersegment \$m	Total \$m
Revenue		45.82	6.58	2.12	54.52
EBITDA from core operations	1, 2	6.37	3.32	(2.14)	7.55
Finance income / (costs)	3	(0.02)	(0.60)	0.17	(0.46)
Depreciation and amortisation		(0.18)	(0.88)	(0.04)	(1.10)
Due diligence costs		-	-	(0.53)	(0.53)
Share of results from Riverwise		-	-	0.51	0.51
Net profit / (loss) before tax		6.16	1.85	(2.04)	5.97
Income tax (expense) / benefit		(1.90)	(0.76)	0.17	(2.49)
Net profit / (loss) after tax		4.26	1.09	(1.86)	3.49
Non-controlling interests		(1.81)	-	-	(1.81)
Net profit /(loss) after tax, attributable to members		2.46	1.09	(1.86)	1.68
Other comprehensive income, attributable to members		-	-	0.09	0.09
Total comprehensive income / (loss), attributable to members		2.46	1.09	(1.78)	1.77
EBITDA from core operations, attributable to members		3.71	3.32	(2.14)	4.89

1 Earnings before interest, taxation, depreciation and amortisation (EBITDA)

2 Excludes impact of due diligence costs

3 Commercial Equipment Leasing segment has been adjusted to reflect the impact of intercompany eliminations for Finance Costs with the parent entity AIK (included in 'All Other')



Pro Forma Segment Performance

Unaudited six month pro-forma - EBITDA from core operations attributable to AIK Members:

Contribution	\$m
Finance broking and aggregation	3.71
Commercial equipment leasing	3.32
AIK corporate overheads	*(1.11)
	5.92
Executive long term incentive	** (0.26)
Hal Group (excluding TL Rentals)	*** (0.77)
Total	4.89

*AIK Corporate overheads exclude impact of acquisition due diligence costs

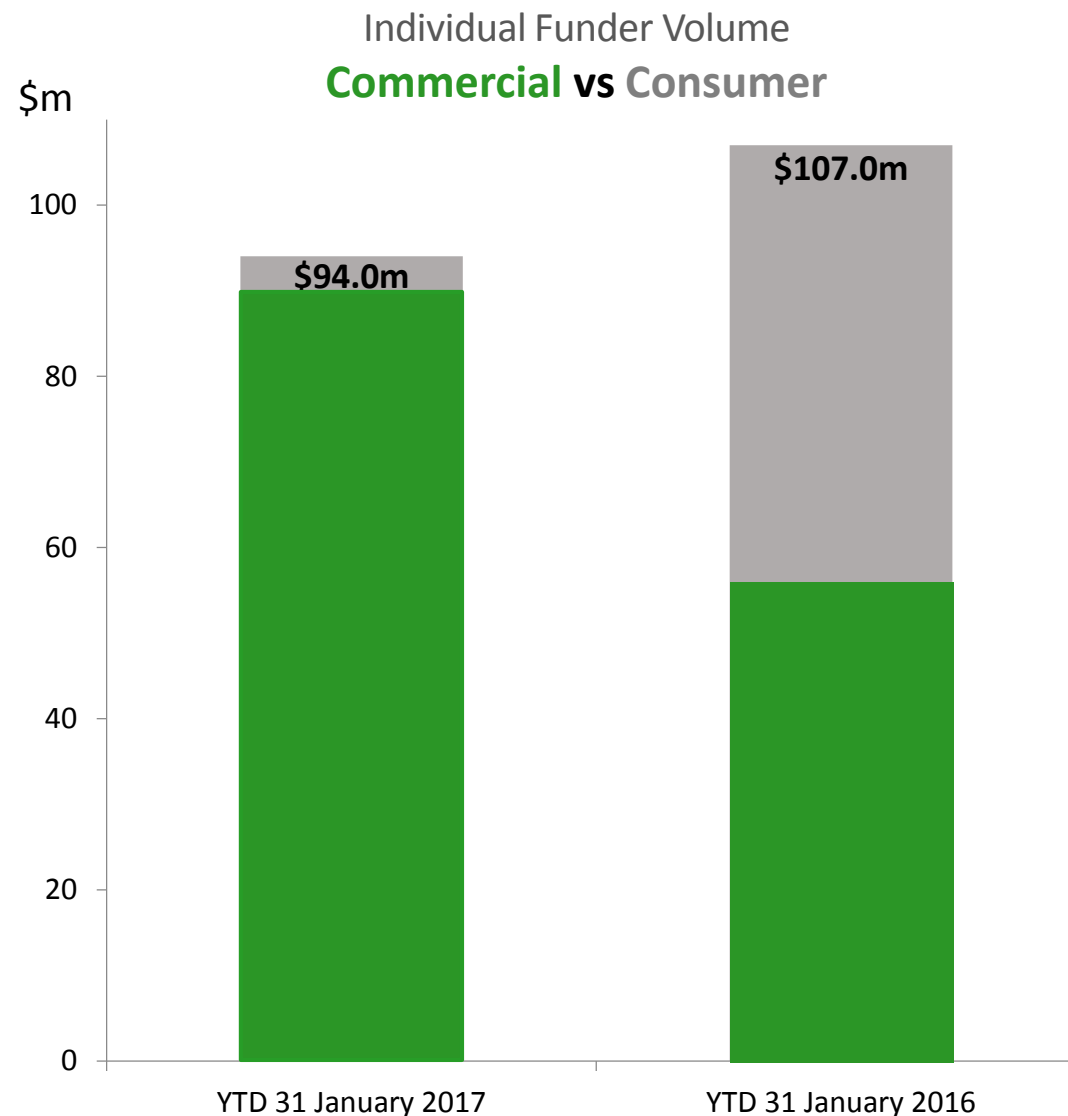
**Impact of executive long term incentive for the six month period

***Loss attributable to Hal Group (excl. TL Rentals) for the period



ASIC Consumer Financing Review of Funder

- ▶ A funder has been under ASIC review (per AIK ASX announcement 21 November 2016)
- ▶ Our experience has been a reduction of consumer financing to this funder
- ▶ Ongoing impact on AIK's maintainable earnings is not material and compensated by revenue synergies being captured
- ▶ Impact on FY17 is likely to reduce growth in EBITDA, the variables are –
 - ▶ May and June 2017 NAF (largest months)
 - ▶ CFG volume:
 - ▶ New members to Dec 2016 = 10 (total 104)
 - ▶ New member expected NAF = \$110m pa
 - ▶ Half year Dec 2016 increase in NAF = 15%
 - ▶ Increase in NAF from AIK controlled entities; \$583m at YTD from 31 January 2016 to \$629m YTD at January 2017





Indicative Value Creation on Lease Origination

Indicative TL Rentals Lease Value Creation			\$m
Forecast Lease Volume at Original Equipment Cost (OEC)			40
Upfront net income	3.9%		1.56
End of term earnings (received approx. 3.5 years from lease inception)	21%		8.40
Write off rate	-2%		-0.80
Overheads	Mainly fixed		-3.10
Total			6.06
For simplicity this assumes all leases contracted rental streams are “sold off” at inception, if leases are held on own book or debt funded then there would be interest income and an interest expense over the 3 year lease term meaning the ‘spread’ is received over the lease term rather than on inception.			



Rebranding

To unify the Group, we are looking to rebrand. These changes include;

- ▶ Armidale investment Corporation (**ASX - AIK**) name to change to Consolidated Operations Group (**ASX – COG**)
- ▶ CFG and Platform logo change to align to Consolidated Operations Group logo
- ▶ EGM to be held 13 April 2017 for Shareholders to approve the change

Current



Armidale Investment
CORPORATION



Group Platform Unit Trust



Proposed New





Board Members

Bruce Hatchman Non-Executive Chairman

- ▶ Former Chief Executive of Crowe Horwath with 40 years experience in audit and assurance services
- ▶ Chartered Accountant
- ▶ Member of Australian Institute of Company Directors

Cameron McCullagh Joint Managing Director

- ▶ Former Steadfast COO - responsible for broker accumulation and listing
- ▶ 30 years experience in the finance sector
- ▶ Former CEO of Employers Mutual and grew from A\$30m to >\$1Bn of annual premium under management

Andrew Grant Joint Managing Director

- ▶ 30 years experience in the finance sector
- ▶ One of the Hal Group founders when founded in 1993
- ▶ B.Bus, Chartered Management Accountant

Steve White Non-Executive Chairman

- ▶ 22 years experience in banking including Barclays, Rothschild and HSBC.
- ▶ Graduate Member of the Australian Institute of Company Directors
- ▶ Masters of Management from MGSM

David Gray* Non-Executive Chairman

- ▶ Former Managing Director Head of Equity Capital Markets for JP Morgan
- ▶ 25 years experience in the finance sector
- ▶ Founder, CEO and Managing Director of Insight Capital Advisors

Rohan Ford* Non-Executive Chairman

- ▶ Founder and CEO of Linx Finance
- ▶ 25 years experience in the finance sector
- ▶ B.Bus in Accounting



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