

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

1 May 2017

BUSINESS UPDATE: TERMS SHEET SIGNED FOR PARTIAL ACQUISITION OF EQUIPMENT FINANCE BROKER

Consolidated Operations Group Limited (COG) has executed a Terms Sheet to purchase 95% of an equipment finance broker for \$21.98m.

The acquisition is based on the following:

- Acquiring specialised software developed over several years at a total cost of over \$4m;
- The agreed multiple is approximately 7 times maintainable EBITDA;
- The Equipment Finance Broker's existing management will remain in the business; and
- The consideration will be \$21.48m cash on settlement with \$500k payable 2 years after settlement subject to certain conditions.

Given COG's other businesses in equipment finance broking and aggregation, we expect revenue and cost synergies. In addition, the specialised software will broaden the suite of service offering across the COG businesses.

The transaction is expected to be completed around 1 July 2017 and is contingent on matters such as the audit, due diligence, no objection from the ACCC and bank approval.

The acquisition is seen to be a good, cultural, strategic and geographical fit with the COG group and the target has a consistent financial history.

The partial acquisition is consistent with COG's strategy to buy brokers where the subsidiary's management has depth and experience to continue operating the business independently.

NON-RENOUCEABLE RIGHTS ISSUE AT \$0.12 PER SHARE TO RAISE UP TO \$31M

To support acquisitions and continuing growth in lease origination, COG will undertake a pro rata 1 for 4 non-renounceable rights offer of new fully paid ordinary shares in the Company (New Shares), at \$0.12 per New Share (Offer Price) raising up to \$31m in new capital (Rights Issue).

Entitlements not taken up may become available as additional shares. Eligible Shareholders may, in addition to their entitlements, apply for New Shares over and above their entitlements at the Offer Price (Additional Shares) regardless of the size of their present holding.

It is the intention of the directors to conduct a subsequent shortfall placement to sophisticated investors for any New Shares not taken up under existing shareholders entitlements.

The Rights Issue is being conducted under section 708AA of the Corporations Act 2001 (Cth) (Corporations Act) and does not require a prospectus. Eligible shareholders will be sent a short form offer document relating to the Rights Issue (Offer Document) and a personalised Entitlement and Acceptance Form. The timetable for the Rights Issue and associated documents will be released to the ASX in due course.

The Rights Issue is non-renounceable and is not underwritten. Blue Ocean Equities Pty Limited has however been appointed as the lead manager to the Rights Issue and will manage any shortfall placement.

Cameron McCullagh

Managing Director