

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

9 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 60% of an equipment finance broker for \$7.38m.

The acquisition is based on the following:

- The agreed multiple is approximately 6 times normalised 30 June 2016 EBITDA;
- 30 June 2016 normalised EBITDA is estimated to be \$2.056m;
- The Purchase Price will be comprised of 50% cash and 50% COG shares;
- COG has also agreed to purchase another 30% of the shares in the business (taking COG to 90% holding) by 30 September 2019. The purchase of the shares would be based on the 6 x normalised EBITDA for the financial year ending 30 June 2019; and
- COG will have a call option after 30 June 2021 to purchase the 10% remaining shares at 6 x normalised EBITDA for the financial year ending 30 June 2021.

Given COG's other businesses in equipment finance broking and aggregation, we expect revenue and cost synergies.

The transaction is expected to be completed around 1 July 2017 and is contingent on matters such as the audit, due diligence, adequate capital raising to fund the acquisition (via the rights issue announced 1 May 2017), 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.

Cameron McCullagh
Managing Director