CML Group

(ASX: CGR)

FY'17 Investor Presentation

Daniel Riley – CEO

August 2017

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Executive Summary

FY'17 Highlights

- Revenue up 48% to $40.0m
- Group EBITDA up 146% to $13.1m[1]
- Group NPATA up 305% to $3.8m[1,2]
- Final Dividend up 50% to 0.75cps (FY'17 dividend 1.25cps vs 1.00cps in FY'16)
- Underlying EPS up 197% to 2.92cps[1,2]

FY'18 Outlook

- Double-digit EBITDA growth expected, based on current run-rate

Y/E 30 Jun ($m)	FY'16 A	FY'17 A	*Δ pcp*
Finance	11.4	26.0	129%
Other[2]	15.7	14.0	-11%
Revenue[2]	**27.1**	**40.0**	48%
Finance	5.4	13.4	144%
Other[2]	1.6	1.3	-21%
Corporate	(1.6)	(1.5)	-6%
EBITDA[2]	**5.3**	**13.1**	146%
NPAT[2]	1.0	2.5	162%
NPATA[1,2]	**1.0**	**3.8**	305%
EPS[1,2]	**0.98c**	**2.92c**	197%
DPS	**1.0c**	**1.25c**	25%

1. *FY'17 adjusted to underlying to exclude impact of $1.4m amortisation expenses*
2. *Excluding discontinued operations*

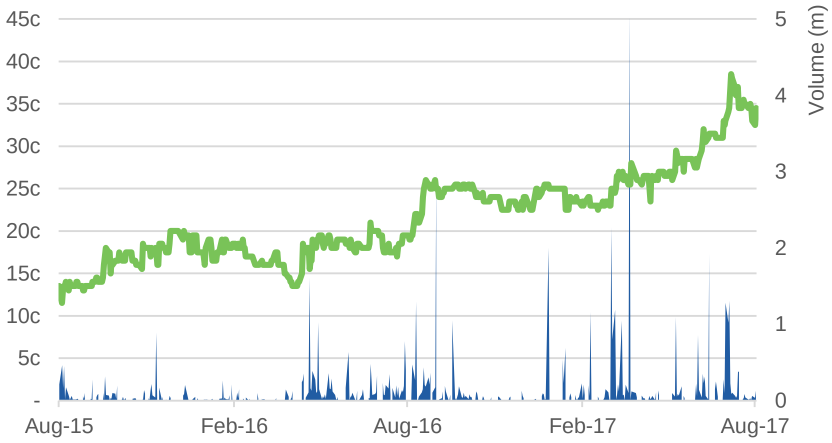
Overview

Key Stats

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

Capital Structure *(22nd of Aug 17)*	
Share Price	$0.34
Shares on Issue	133m
Market Capitalisation	**$45.9m**
Convertible Note	$10.4m
Net Debt[1]	$73.1m
Enterprise Value[1]	**$119.0m**

Price & Volume Trading History



Capital Table

- Board own ~16.6% with an additional 10m performance options issued

Board		Shareholding
Greg Riley	Non-Executive Chairman	17,011,163
Daniel Riley	MD & CEO	3,179,761
Sue Healy	Non-Executive Chairman	391,287
Geoff Sam	Non-Executive Chairman	1,547,600

- Institutions own +50%
  - Naos Asset Management (~18%)
  - First Samuel (~20%)

1. Net debt calculated from June 30 figure

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Consolidated Financials

Comprehensive Income Statement

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

Y/E 30 Jun ($m)	FY'16 A	FY'17 A	Δ pcp	Comments
Finance Revenue	11.4	26.0	128%	Revenue growth driven by increase in Invoices Purchased
Other Revenue	15.7	14.0	-11%	
Group Revenue	**27.1**	**40.0**	48%	
Finance EBITDA	5.4	13.4	149%	Finance earnings growth in excess of revenue growth
Other EBITDA	1.6	1.3	-21%	Winding down of recruitment division & lower margin due to min. wage increase
Corporate Overhead	(1.6)	(1.5)	6%	
EBITDA	**5.3**	**13.1**	146%	
D&A	(0.1)	(0.2)	100%	
Net Interest	(3.8)	(7.9)	108%	
Tax	(0.5)	(1.3)	100%	
NPATA[1,2]	**1.0**	**3.8**	305%	
Adjustments	(0.9)	(1.4)	45%	
NPAT Reported	**0.0**	**2.5**	6555%	
EPS Underlying [1,2]	0.98	2.92	197%	
EPS Reported	0.98	1.92	113%	
DPS	1.00	1.25	25%	0.75cps Final Dividend (FY'17 dividend of 1.25cps)
Key Metrics				
Invoices Funded	406.5	1,000.7	146%	
GP Margin	20.2%	29.8%		
EBITDA Margin	47.3%	51.5%	4.2%	

Finance Cost	FY'16	FY'17
Utilised funds	$2.6m	$5.9m
Unutilised funds*	$1.4m	$2.1m
Interest Income	$0.1m	$0.1m

*Increase in unutilised funds is due to full year of FIIG bond utilization, compared to FY'16

Adjustments	FY'16	FY'17
Amortisation (acquired entities)	-	(1.4)
Discontinued Operations	(0.9)	0.0

1. FY'17 adjusted to underlying to exclude impact of $1.4m amortisation expense
2. Excluding discontinued operations

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Comprehensive Financial Position

Balance sheet positioned to fund organic loan book growth

Y/E 30 Jun ($m)	FY 16	FY 17	Comments
Cash	14.7	14.9	Cash available to lend
Trade Receivables	114.6	130.2	Reflects Finance division Loan Book growth
Other	10.1	2.2	FY'16 Includes $9.6m Lester assets held for sale
Current Assets	**139.4**	**147.3**	
Property & Equipment	0.2	0.4	
Deferred Tax Assets	1.6	1.3	
Intangibles	15.4	12.5	Includes goodwill of CA and 180 acquisitions, reduction relates to sale of Lester and amortization of customer contracts
Non-Current Assets	**17.1**	**14.2**	
Total Assets	**156.5**	**161.5**	
Trade Payables	50.0	55.6	Equity component of receivables, reflecting ~60% of LVR
Provisions	1.5	1.9	Increased provision from bad debts
Borrowings	7.2	14.3	Unsecured loan (FY'16 & '17) and ANZ facility and credit insurance funding (FY'17)
Other	6.2	0.0	FY'16 Includes $6.2m associated with Lester business held for sale
Current Liabilities	**64.9**	**71.9**	
Borrowings	77.0	73.0	Primarily borrowings of Corporate Bond and Convertible Note
Non-Current Liabilities	**77.1**	**73.1**	
Total Liabilities	**142.0**	**145.0**	
Net Equity	**14.5**	**16.4**	

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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)	FY 16	FY 17	Comments
Receipts from Customers	450.2	1,038.1	Both increase with growth in Invoices Purchased / Loan Book
Payments to Suppliers & Staff	(483.5)	(1,041.6)	
Net Finance Costs	(4.0)	(7.2)	Interest on debt funding
Income Tax	(0.6)	(0.2)	
Net Operating Activities	**(37.8)**	**(10.8)**	
Purchase of PP&E & IT	(0.1)	(0.3)	
Payments for subsidiary	(8.9)	(0.0)	FY'16 Acquisition of Cashflow Advantage and 180 Group
Sale of Investment	0.0	1.8	Sale of Lester
Net Investing Activities	**(8.9)**	**1.5**	
Net Proceeds from Issue of Shares	5.1	0.7	FY'16 includes $5.2m Placement and Rights Issue completed during 2H16
Net Borrowings	43.3	9.7	FY'16 includes Corporate Bond #2, Extension and Unsecured Loan
Dividends Paid	(0.5)	(1.3)	
Net Financing Activities	**47.9**	**9.0**	
Cash at Beginning of Year	14.1	15.3	
Net Cash Movement	1.1	(0.4)	
Cash at end of Year	**15.3**	**14.9**	

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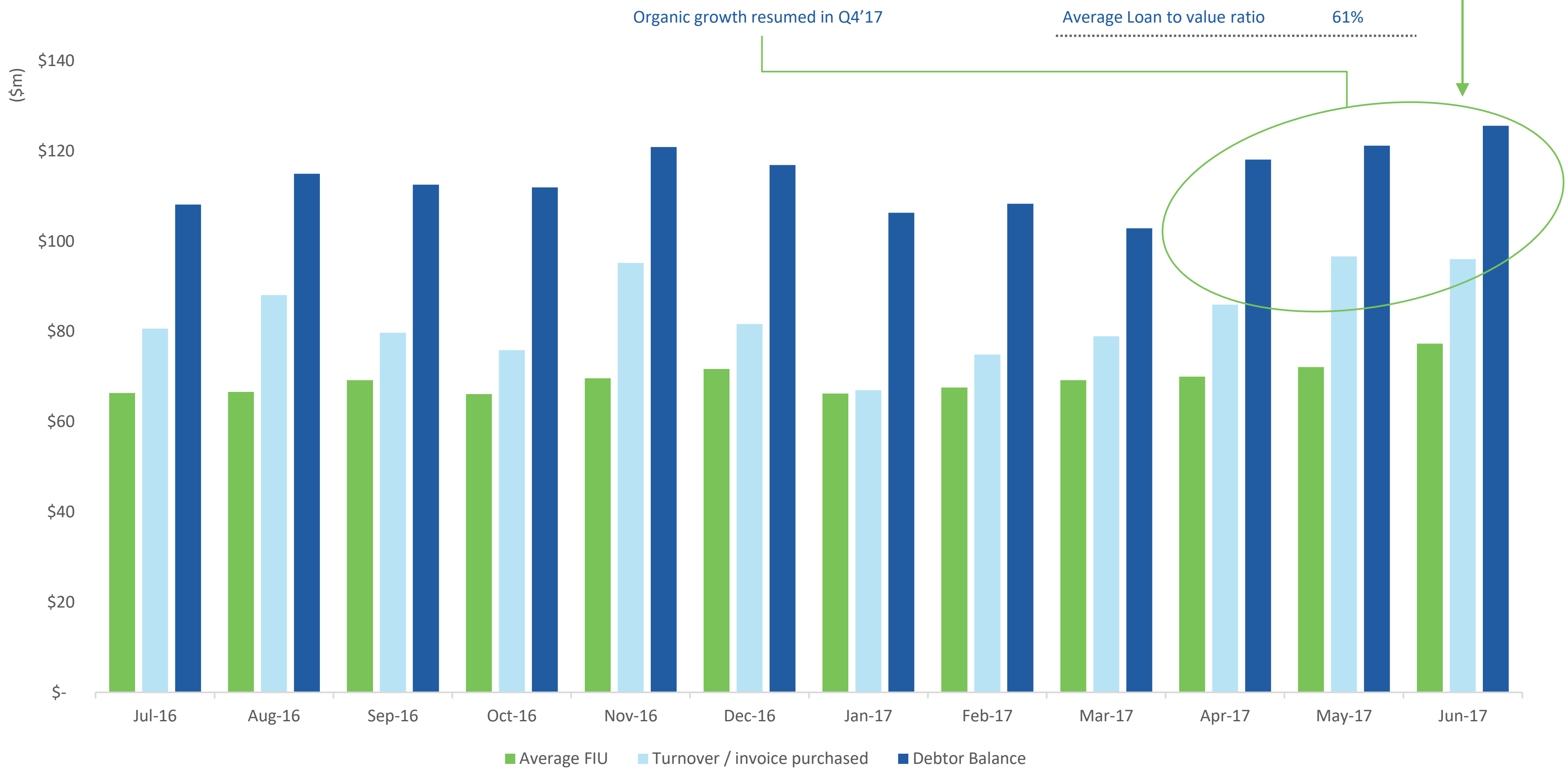
Finance Division

Loan Book

Loan book growth accelerated by acquisitions which have now been fully integrated

Average Loan Book Statistics (June '17)	
Average Funds in use	$77.3m
Average Debtor days	39.2
Average Loan to value ratio	61%



Finance Division – Full Year

Growth in Invoices Purchased has underpinned improved performance in Finance division

Y/E 30 Jun ($m)	FY'16 A	FY'17 A	Δ pcp
Invoices Purchased	406.5	1,000.6	146%
Revenue	11.4	26.0	129%
EBITDA	**5.4**	**13.4**	149%
Gross Margin	*2.8%*	*2.6%*	
EBITDA Margin	*47.3%*	*51.5%*	

Acquisitions	• Full period contribution from Cashflow Advantage and 180 Group • Acquisitions now fully integrated & consolidated under 1 brand – Cashflow Finance
Margins	• Gross Margin decline reflective of recent acquisitions but improved in H2'17 • EBITDA margins continue to improve reflecting leverage against fixed costs
Outlook	• Organic growth to be driven by new marketing and sales initiatives post recent rebranding • Continued focus on margin improvement

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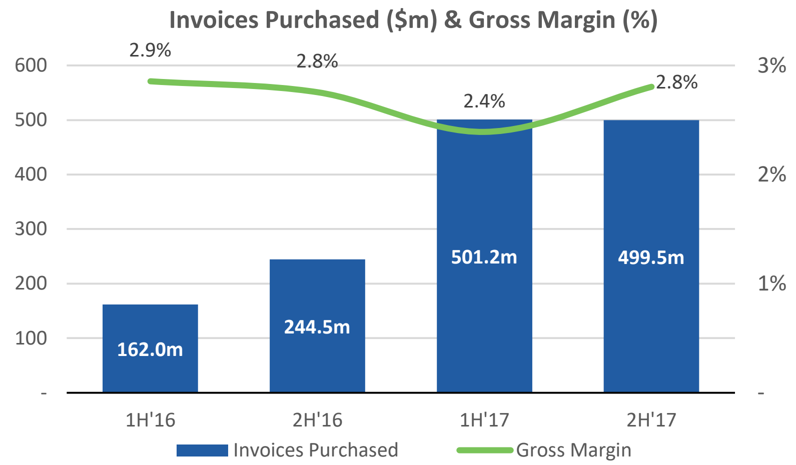
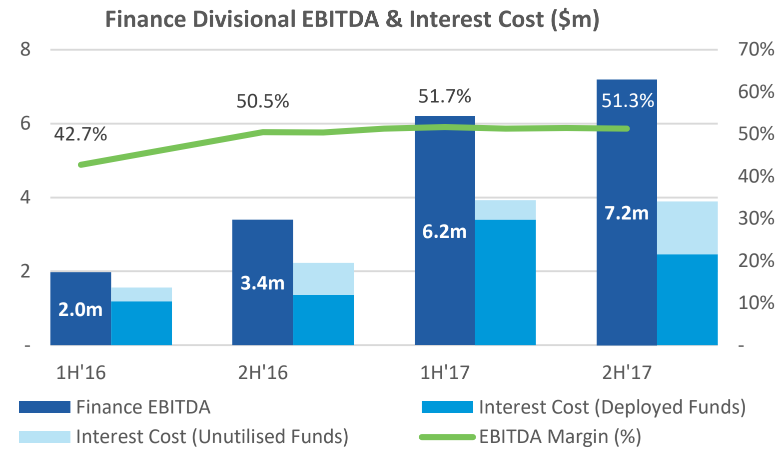
Finance Division – Half Yearly Analysis

Considerable growth in Invoices Purchased and rebound in margin





- Invoices Purchased grew 146% (YoY) and included a full year of contribution of Cashflow Advantage and 180 Group & organic growth
- 1H17 Gross Margin declined as a result of blending lower margin loan books of acquisitions with higher margin CML Loan Book
- Gross Margin in 2H17 increased to 2.8%, resulting in a total FY'17 gross margin of 2.6%, as a result of re-pricing of acquired clients and the take-up of additional service offerings.

- EBITDA growth has been driven by increasing invoices purchased & greater earnings leverage on existing cost base
- FY'17 EBITDA margin improved to 51% (47.3% PCP).
- Interest costs on unutilised and deployed funds will reduce significantly as ANZ wholesale facility is utilised

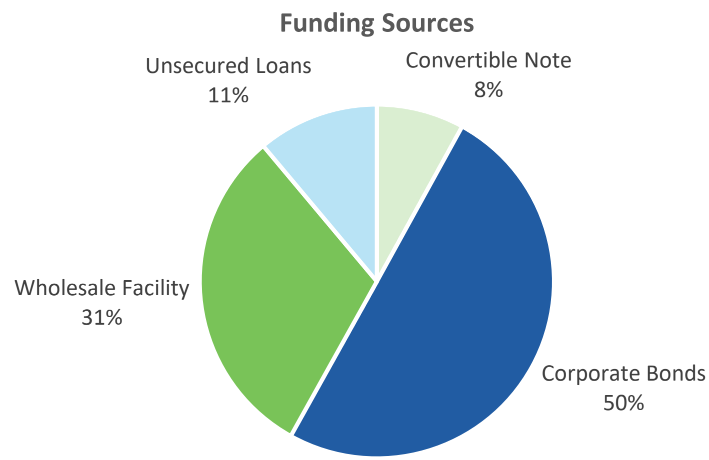
Finance Division – Funding

- Loan Book growth has required debt funding
- Note & Bonds are permanent structures on which interest is payable on the entirety of funding available
- Having achieved scale in Finance division CML has now entered into an agreement with ANZ for a warehouse debt facility
- This facility charges 0.65% p.a. on unutilised funds and ~4.5% on funds drawn, resulting in the cost of funding being reduced by ~50% on average
- At balance date CML had ~$37m headroom on its wholesale facility

Funding	Quantum	Cost	Issue
Convertible Note	$10.4m	9.0%	Feb '15
Corporate Bond #1	$25.0m	BBSW[1] + 5.4%	May '15
Corporate Bond #2	$25.0m	8.0%	Mar '16
Corporate Bond #2 Extension	$15.0m	8.0%	May '16
Unsecured Loans	$10.0m	9.0% to 10.0%	Oct '16
Wholesale Facility	$40.0m	0.65% on Undrawn funds & ~4.5% on Drawn funds	Mar '17
Total Available / Average Cost	**$125m**	**8.9%**	
Total Drawn	**$88m**		

Convertible Note – right to convert achieved

- CGR 20 day VWAP to Monday the 21st of August was $0.351055.
- Subsequently CML has right to convert the Convertible Notes to fully paid ordinary shares.
- CML is reviewing its capital structure and if Notes were converted it would represent an increase in shares on issue from 133.1m to 174.6m and result in annualised reduction in interest of $936,000.



1. 1 month BBSW as at 31 July 2017 was 1.6%
2. 1 month BBSY as at 31 July 2017 was 1.8%

Other & Corporate Divisions

Other & Corporate Divisional Performance

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

Y/E 30 Jun ($m)	FY'16 A	FY'17 A	*Δ pcp*
Other Revenue	15.7	14.0	*-10.8%*
Other EBITDA	**1.6**	**1.2**	*-25.0%*
Other EBITDA Margin	*10.2%*	*9.0%*	
Corporate EBITDA	**(1.6)**	**(1.5)**	*6.3%*

Corporate	• Increased cost containment despite growth in business
Outlook	• Other division is expected to remain profitable, delivering steady earnings

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Outlook

Outlook

Strong growth expected in FY'18 & beyond

CML is confident of continued earnings growth based on the following three drivers:

1. Loan book growth

— Sales team has now established a proven track-record of success

— This team will continue to be developed and will be complemented by increased marketing

2. Margin improvement

— The work completed on margin during FY'17, including promotion of additional services, will flow-on to FY'18

— CML will receive a full 12 months of improved income from the current client portfolio

3. Funding costs

— Over the next 12 to 24 months CML will transition from its current funding arrangements, to majority institutional bank funding

— This will result in lower cost of funds, relative to the current blended rate of 8.9%, reducing its funding cost by circa 3 – 4%

Equipment Finance

— During H2'17 CML has developed an equipment finance product that will be offered to new customers

— CML does not expect equipment finance to make a material contribution to earnings in FY'18

Appendix

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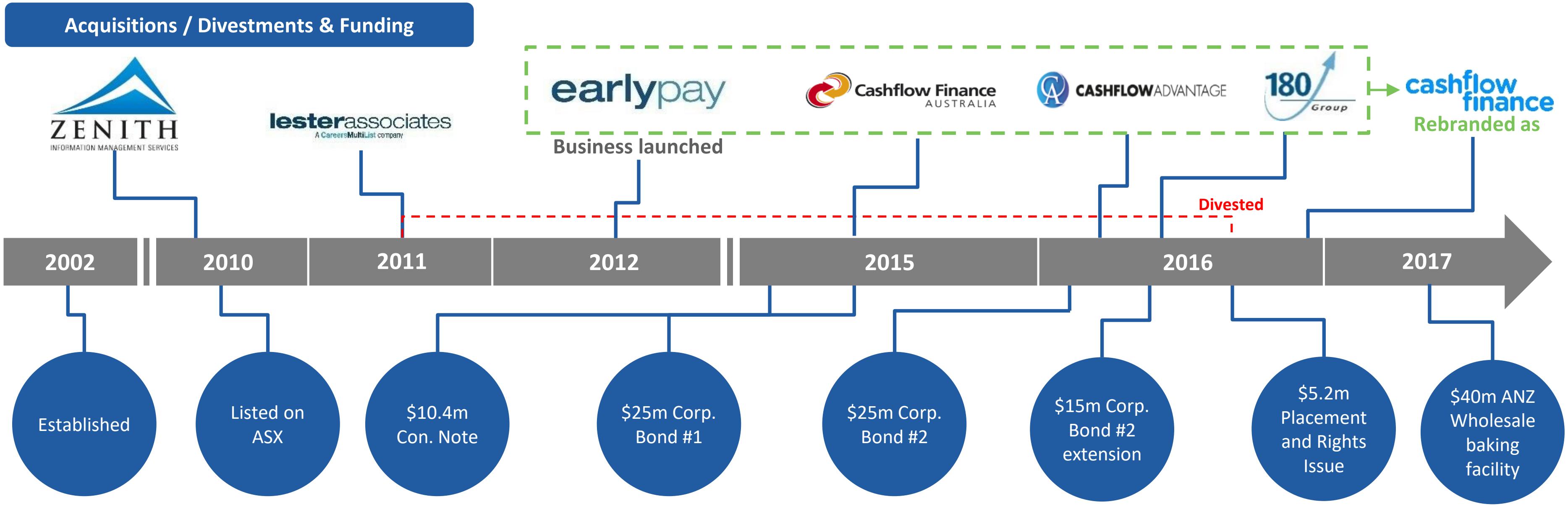
Group History

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

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History

CML has transformed into a significant player in the invoice financing market

- Loan Book has grown to ~$77.3m (since the establishment of the Finance business in February 2012), of which ~$44m has been acquired

	Key Milestones – Acquisitions / Divestments		Acquired Loan Book	Debt / Hybrid Funding	Year End – Loan Book	Year End – Debt Funding
2002	Established					
2010	Acquisition ASX Listing	ZENITH INFORMATION MANAGEMENT SERVICES				
2012	Acquisition **Launched Invoice Financing**	lesterassociates A CareersMultiList company earlypay			$2m	-
2015	Acquisition (May 15)	Cashflow Finance AUSTRALIA	$10m	$10.4m Con Note (Jan 15) $25m Corporate Bond (May 15)	$21.5	~$35m
2016	Acquisition (Mar 16) Acquisition (May 16) Divestment (Jun 16)	CASHFLOWADVANTAGE 180 Group lesterassociates A CareersMultiList company	$10m $24m	$25m Corporate Bond (Mar 16) $15m Corporate Bond (May 16)	$70m	~$75m
2017	Finance Division Rebranded	cashflow finance		$40m ANZ Wholesale Banking Facility Introduced	$77.3m	~$126m

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

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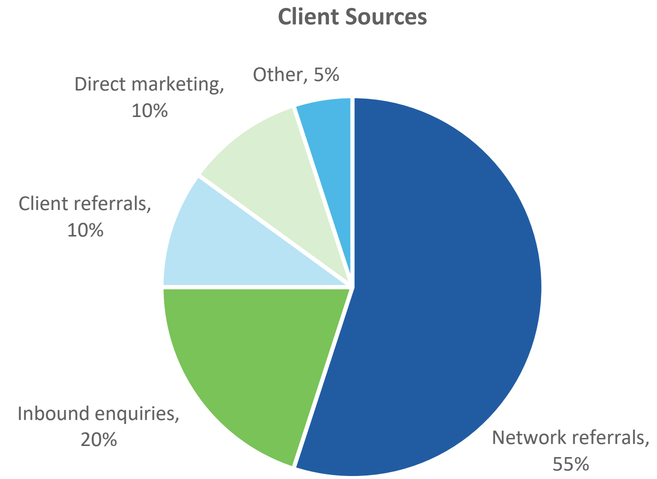
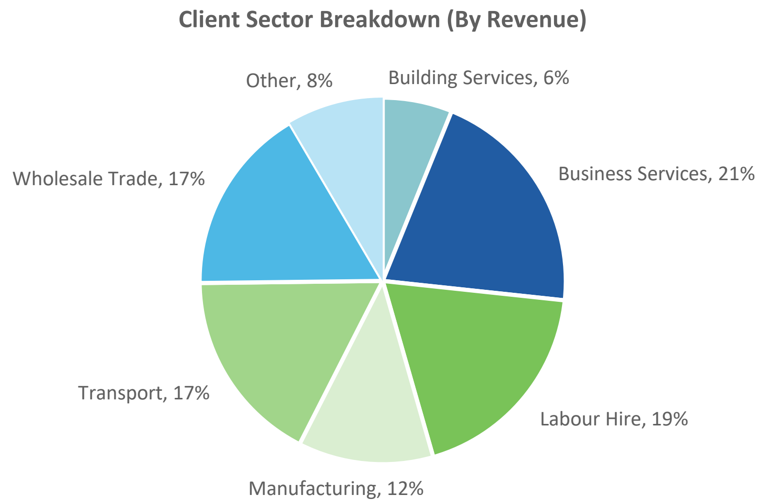
Clients

CML has 360+ clients, covering 13 industries

- CML has a portfolio 360+ clients
  - Clients are spread across 13 industries
  - Average client tenure of 4+ years
- CML has a focus on growth, with 20% of 60 FTEs employed in sales and marketing roles
- Clients generated through network of 2,500+ referrers
- The integration of both 2016 acquisitions in 1H17 resulted in a higher than normal client attrition rate attributed to:
  - Clients being transferred to a new software platform
  - Repricing of contracts
  - Managing out clients that did not meet CMLs risk criteria
- Organic growth realised through improved margins and a new sales team compensated for this churn, which returned to historical levels in 2H17.





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let's go!