Consolidated Operations Group
Finance and Leasing

Investor Presentation

FY**17** Results
August 2017

Presenters
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Positioned for Strong Growth

We are well positioned for strong growth in 2018:

- Surplus Assets of $52 million; supporting acquisitions
- Commercial equipment leases; delayed accounting for value from strong growth in lease origination
- Representing $3.2 billion of NAF, we are the largest group in an industry of over $42 billion
- A full year of recent acquisitions in 2017/18

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Objective

To grow the EPS of COG's complementary businesses that specialises in:

- Finance broking focussed on motor vehicle & equipment finance
- Commercial equipment leases for essential business assets
- Aggregation of the asset finance broking industry in Australia

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Overview

- > **Group Overview**
- > **Pro Forma Result**
- > **TL Rentals**
  - > *Significant 'baked-in' profits for the next four years as a result of consistent increases in origination*
- > **Asset Finance Broking and Aggregation**
  - > *Recovery to maintain purchased EBITDA*
- > **Financial Information**
- > **Future direction**

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Group Overview - Performance

- **TL Rentals** has continued to perform well, increasing origination by 27% in FY17, FY16 48% increase and 49% in FY15. the two prior years. We expect to continue this expansion for the foreseeable future.
  - The first consolidated accounting has resulted in the delayed recognition of the value from lease origination –that value being recognised over the term of the lease.

- The **Broking and Aggregation** operations achieved approximately their purchased EBITDA. The focus of vendors and COG is now moving to ongoing operations and the recovery in volumes with a key financier, as such we are well placed for growth in 2018.

- The growth in the **Aggregation operations** is indicative of the strong base that has been created, growing volumes by
  - 14% increase in Net Asset Financed (NAF) to $3.1 billion; and
  - 17% increase in CFG volumes; 10% being the organic growth.

- As at 30 June 2017, COG has excess assets of $36.4 million* cash and $15.9 million in self funded leases.

*approximately $20 million is planned to be used on possible acquisition previously disclosed to the ASX

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Change in accounting from Investment to Consolidated

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

1 November 2016, COG moved to consolidated accounting.

Investment entity accounting	Consolidation
1 July – 31 October 2016	**1 November – 30 June 2017**

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 – 30 June 2017)

- **COG's controlled entities results are consolidated into the COG 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 COG 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**

Accounting Standard requires the two different accounting outcomes to be added to produce FY17 results

Pro Forma Segment Performance

The information has been prepared in accordance with the operating segment disclosures made in the interim results for 30 June 2017

12 months ended 30 June 2017	Note	Finance Broking & Aggregation $m	Commercial Equipment Leasing $m	All Other / Intersegment $m	Total $m
Revenue		100.98	13.78	3.80	118.56
EBITDA from core operations	**1, 2**	**14.67**	**7.32**	**(3.77)**	**18.23**
Finance income / (costs)	3	0.02	(2.94)	1.01	(1.90)
Depreciation and amortisation		(0.61)	(1.77)	(0.08)	(2.46)
Due diligence costs		(0.03)	0.00	(0.80)	(0.84)
Share of results from Riverwise		0.00	0.00	0.58	0.58
Net profit / (loss) before tax		**14.05**	**2.61**	**(3.06)**	**13.60**
Income tax (expense) / benefit		(4.43)	0.47	(1.22)	(5.18)
Net profit / (loss) after tax		**9.62**	**3.08**	**(4.28)**	**8.42**
Non-controlling interests		(4.14)	0.00	0.00	(4.14)
Net profit /(loss) after tax, attributable to members		**5.48**	**3.08**	**(4.28)**	**4.28**
Other comprehensive income, attributable to members		0.00	0.00	0.05	0.05
Total comprehensive income / (loss), attributable to members		5.48	3.08	(4.23)	4.33
EBITDA from core operations, attributable to members		**8.54**	**7.32**	**(3.77)**	**12.10**

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 COG (included in 'All Other')

Pro Forma Segment Performance

Contribution	$m
Finance broking and aggregation	8.54
Commercial equipment leasing	7.32
Other including COG corporate overheads	*(1.86)
	14.00
Due diligence costs	(0.84)
Executive long term incentive	**(0.38)
Hal Group (excluding TL Rentals)	***(0.69)
Total	**12.10**

*COG corporate overheads exclude impact of acquisition due diligence costs

**Impact of executive long term incentive for the 12 month period

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

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Pro Forma Segment Performance

Contribution	$m	$m	$m
	1 Half Year	2 Half Year	Full year
Finance broking and aggregation	3.71	4.83	8.54
Commercial equipment leasing	3.32	4.00	7.32
COG corporate overheads	(1.11)	(0.75)	(1.86)
	5.92	8.08	14.00
Due diligence costs	(0.53)	(0.31)	(0.84)
Hal Group (excluding TL Rentals)	(0.77)	0.08	(0.69)
Executive long term incentive	(0.26)	(0.12)	(0.38)
Total	**4.89**	**7.21**	**12.10**

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Solid Growth in TL Rentals

Solid growth in lease origination

- As at 30 June 2017 the TL Rentals was $101 million at Original Equipment Cost (OEC)
- 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)
- Average transaction size - $42,157

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Indicative Value Creation on Lease Origination

		2017 $m	2018 Forecast $m
Lease Volume at Original Equipment Cost (OEC)		42	55
Upfront net income	4.25%	1.79	2.34
End of term earnings (received approx. 3.5 years from lease inception)	21%	8.82	11.55
Write off rate	-2%	(0.84)	(1.10)
Overheads	Mainly fixed	(3.35)	(3.43)
Attributable NPBT		**6.42**	**9.36**

For simplicity we have not discounted the end of term earnings to current values using the implied discount in COG's P/E ratio.

	2017 $m	2018 $m
Indicative accounting recognition (refer appendix – slide 29)	2.6	4.3

Alignment within a controlled structure

Consolidated Operations Group Limited (ASX – COG)

- Hal Group Pty Limited — 100% owned
  - TL Rentals Pty Limited — 100% owned
- Platform Consolidated Group Pty Limited — 62% owned
  - Fleet Network Pty Limited — 80% owned
  - Fleet Avenue Pty Limited — 50% owned
- Consolidated Finance Group Pty Limited — 80% owned
- QLD Pacific Finance Group Pty Limited — 50% owned
  - DLV (QLD) Pty Limited — 50% owned
- Linx Finance Australia Pty Limited — 50% owned
  - Linx Insurance Australia Pty Limited — 100% owned

Asset Finance Broking

The Asset Finance industry is $45 billion p.a. of NAF, of which approx. 67% is intermediated. The 2017 focus has been on creating a base to deliver growth.

The positive contributions were:

- A strong growth in CFG membership and volumes – refer following slide
- A strong growth in new Platform membership, recovering lost volumes – refer following slide

The negative contributions were:

- The previously disclosed significant funder issues – ASIC consumer lending review.
  - In late 2017 we have recovered volumes to 2016 pre-issue levels – based on commercial lending
- A slower 2017 in the acquired equipment finance brokers
  - The principals were deeply involved in their sale process

Asset Finance Broking

- Acquisitions in last six months:

	A	B	(A x B)	EBITDA	
Entity	EBITDA	%		Multiple	Date
Fleet Network (80% by Platform)	$1.9m	*50	1.52	4.0	1 April 2017
DLV (50% by QPF)	$0.7m	**25	0.35	4.5	1 July 2017

*80% x 62%

**50% x 50%

- Fleet Network strengthens our Novated Lease offering.
- Strong growth in ancillary business:
  - Mortgage trails in the Asset Finance Brokers
  - Strong growth in Linx Insurance Broking

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Platform Membership Group

Net Asset Finance	**2016**	**2017**	**% increase**
Platform	$1,012m	$1,088m	7.5%
CFG	$1,736m	$2,039m	17.5%
Total	**$2,740m**	**$3,128m**	**14.2%**

The negative contributions to Platform were:

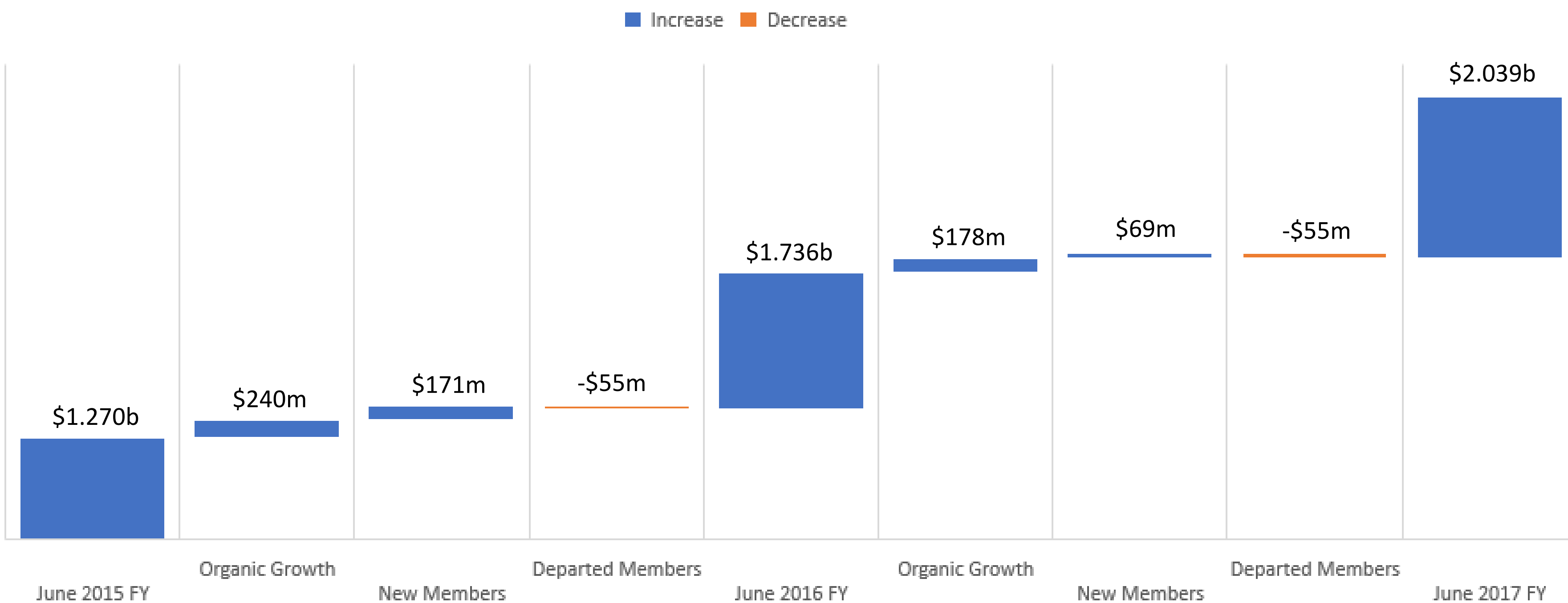
- The departure of a large mortgage aggregation group;
  - This was offset by a significant volume of the NAF remaining with Platform, reflecting their strong IT and back office
- The decreased consumer motor vehicle volume with the aforementioned financier

This was partially offset by Platform's positives:

- A new revenue and cost sharing model with two of the largest mortgage franchises in Australia:
  - One commenced this year
  - The other is commencing in September 2017
  - Increased motor vehicle dealer membership.

CFG Membership Group

Growth and New Members - Volumes



Despite the overall volumes increasing, there were some large shifts in volume between funders on the panel:

- $134 million was redirected to one financier, increasing their annual NAF by 28%; and
- $15 million was directed away from another financier, decreasing their NAF by 8%.

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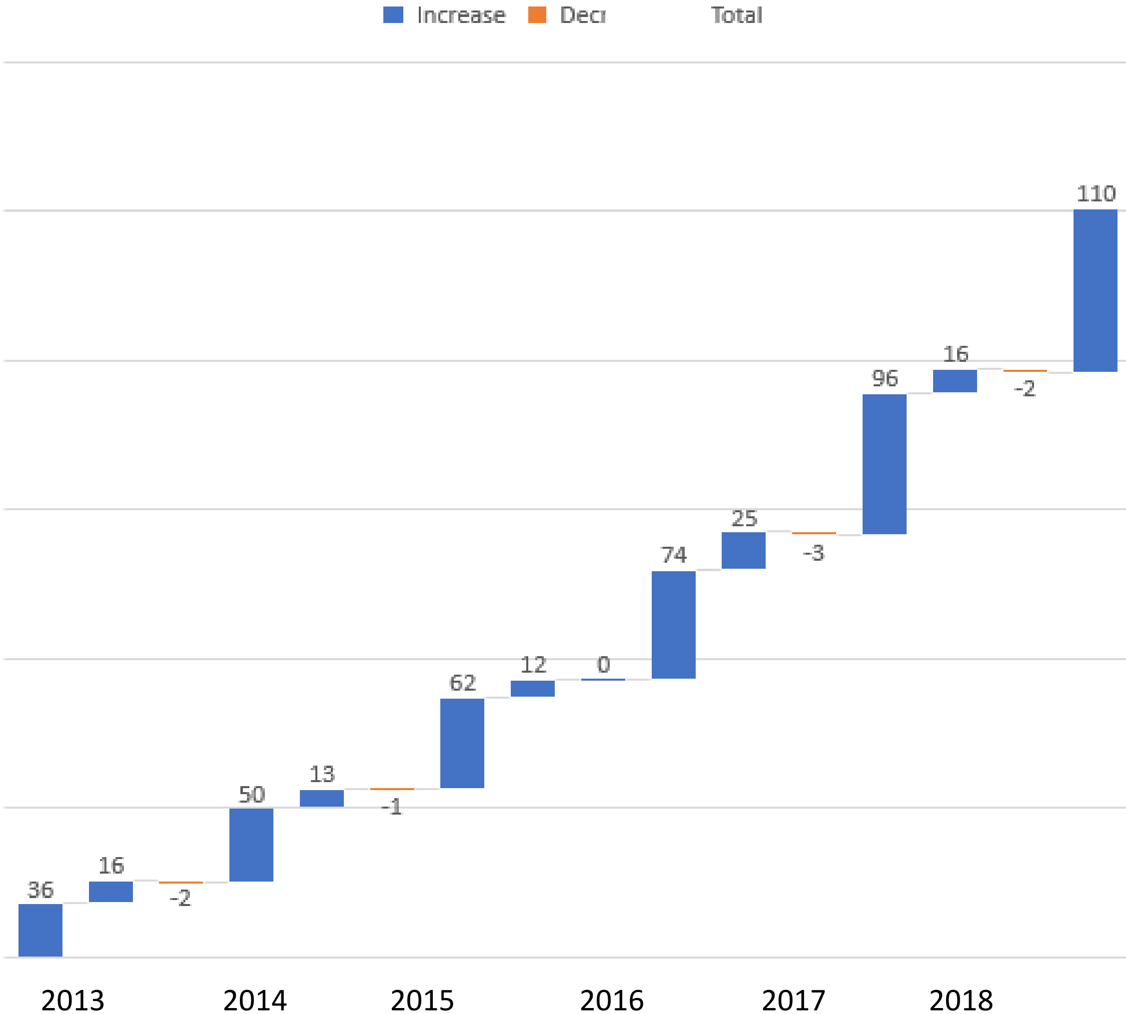
CFG Membership Group

Number of New Members



Notes

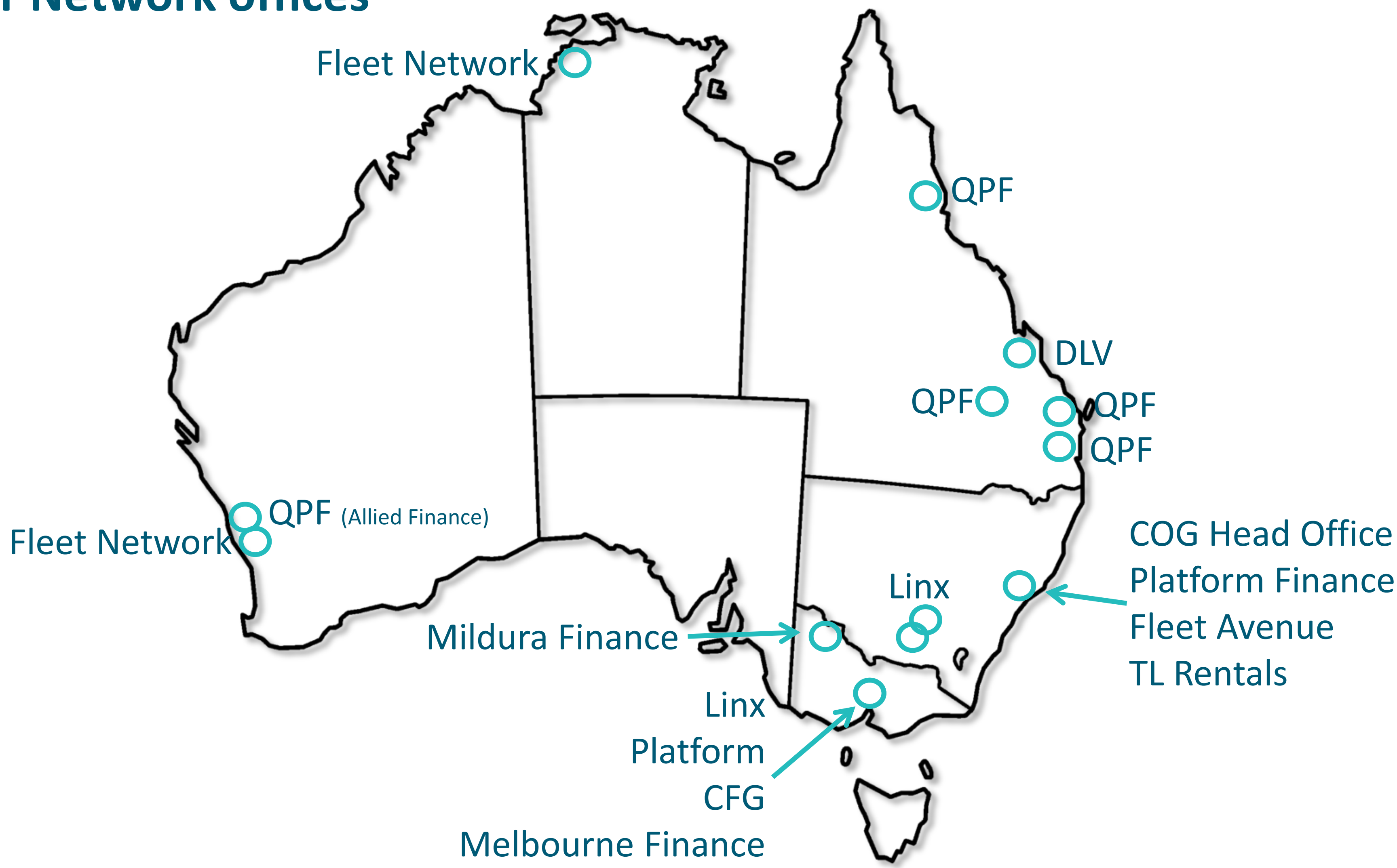
Members have increased by 15% in 2017

Members have increased by 200% since 2013

Industry dynamics and IT are encouraging increased membership.

COG Network

Broker Network offices



Membership offering

We offer our Members -

- > Best commission and Volume Based Incentives
- > Workflow and CRM software
- > Compliance
- > Conferences
- > Succession planning
- > Revenue synergies

Financial Information

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Excess Assets

Self funded leases	**30 June 2017**	**$15.9m**
Cash balances*	**30 June 2017**	**$36.4m**

> We plan to sell the self-funded leases to a new funder in October

> We expect to have two new ongoing funders commencing the calendar year

> Strong positive cashflow from operations

*Excluding NCI

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Statement of Financial Position

	30 June 2017	30 June 2016
	$m	$m
Cash and cash equivalents	**39.84**	**0.01**
Trade and other receivables	13.02	0.51
Financial assets – lease receivables	12.17	-
Inventories	0.51	-
Other assets	3.72	4.07
Total current assets	**69.24**	**4.59**
Trade and other receivables	3.63	-
Financial assets – lease receivables	34.69	-
Financial assets at FVTPL	-	69.36
Other financial assets	1.94	19.27
Equity accounted associates	3.99	-
Property, plant and equipment	2.34	-
Intangible assets and goodwill	123.68	-
Total non-current assets	**170.27**	**88.63**
Total assets	**239.52**	**93.22**
Trade and other payables	17.31	4.08
Interest baring liabilities	16.61	-
Current tax liabilities	2.54	-
Provisions	2.46	0.32
Total current liabilities	**38.92**	**4.41**
Provisions	0.30	0.12
Interest bearing liabilities	12.41	-
Deferred tax liabilities	2.58	-
Total non-current liabilities	15.29	0.12
Total liabilities	**54.21**	**4.52**
Net assets	**185.31**	**88.69**

Cash Flows

	30 June 2017
	$m
Cash flows from operating activities	**6.69**
Investing activities	
Payments for investments in subsidiaries	(32.67)
Payments for equipment - finance leases	(17.14)
Payments for plant & equipment	(0.88)
Proceeds from sale of plant & equipment	0.27
Receipts from redemption of term deposit	1.50
Net cash acquired on acqn on controlled entities	7.40
Other investment cash flows	0.04
Net cash outflows from investment activities	**(46.63)**
Financing activities	
Proceeds from issue of shares	63.00
Proceeds from interest bearing liabilities	19.69
Repayments of interest bearing liabilities	(1.14)
Dividends paid by subsidiaries to non-controlling interests	(1.78)
Net cash flows from financing activities	**79.77**
Net increase in cash and cash equivalents	**39.83**
Opening cash balance	**0.01**
Closing cash balance	**39.84**

Strategy and outlook

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Business Strategy

Clear strategy to grow

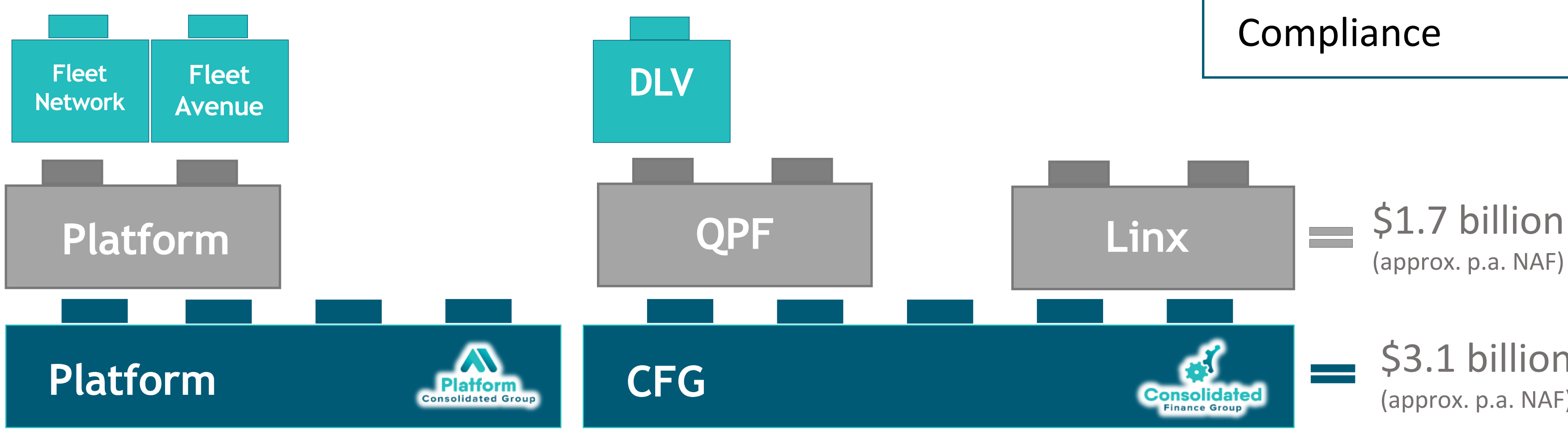
- > Organic growth in commercial equipment leasing
  - > Consideration of additional product
    - > Consumer finance
    - > Warehouse facility or syndication of commercial lending
- > Organic growth in asset finance broking
- > Organic growth in membership
- > Revenue synergies

Revenue Synergies

Volume bonus incentives
Lead generation
Car purchasing
Mortgage broking
Management expertise

Other Synergies

Management expertise
IT
Compliance



eVOLVED

an asset finance evolution

Our new IT platform:

- Funded through increased volume based incentives (VBI's)
- Built on Salesforce
- Will be rolled out in stages – commencing September 2017
- Will increase sales and processing efficiency and management of the sales process
- Designed to interface with financiers

FY 18 Dividend

- The Company's directors will consider a dividend strategy following the completion of the existing proposed acquisition and the planned sales of the self funded leases
- The policy being considered is a payout of up to 60% of NPAT commencing May 2018 with a discounted dividend reinvestment plan (DRP)

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Priorities and Growth Initiatives

> Aggregation membership growth and improved service offering

> Organic growth of brokers

> Organic growth of TL Rentals

> Equipment finance broker acquisitions

> Over mid-term expand in-house funding offering to CFG and Platform members

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Appendix

Consolidated Operations Group Finance and Leasing

Delayed accounting recognition of lease value created

- If a lease is funded via a 'sale of receivables' arrangement, there is an upfront recognition of:
  - the sale proceeds (the difference between the present value of the lease payments discounted at the financiers interest rate; and the equipment cost)
- Approximately 30% of leases were funded under this method in FY17
- If a lease is self-funded or debt funded. The value of the 'spread' on the leases is recognised over the period of the lease
- The accounting profit of $2.6m for 2017 relates to leases written from 2013 to 2017
- The 'value created' in 2017 on origination of $42 million represents a profit before tax of around $6.4 million
- The difference is explained on the following pages -

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Demonstration of Delayed Profit Recognition on Leases

Assumptions (the model) -

> Costs in TL Rentals increase each year at 2.5% from FY17 to FY21

> Bad debts are at or below 2%

> End of term earnings are at 21%

> Average lease term is 4 years

> Average spread between cost of funds and implicit rate in the lease is 4%

> Origination is $55m in FY18 and stays at that level through to FY21

> 30% of lease origination is under a Sale of Receivables arrangement (rather than debt funded)

> Model smooths revenue over the 4 years where as there is slightly higher income and interest in earlier years (as based on reducing principal)

> Early payouts or refinancing are not built into the model and bring forward profits

Demonstration of Delayed Profit Recognition on Leases

Combined Total Year	OEC $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m
2014	15		0.5	0.3			
2015	22		0.9	0.9	0.5		
2016	33		1.5	1.5	1.5	0.8	
2017	42		1.1	2.1	2.1	2.1	1.0
2018	55			1.6	2.9	2.9	2.9
2019	55				1.6	2.8	2.8
2020	55					1.6	2.8
2021	55						1.6
Non-Direct Costs			-2.1	-2.1	-2.2	-2.3	-2.4
Earlier Years and Early Terminations			0.6				
Attributable NPAT			**2.6**	**4.3**	**6.3**	**7.9**	**8.7**

Demonstration of Delayed Profit Recognition on Leases

Combined Total Year	OEC $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m
2014	15		0.5	0.3			
2015	22		0.9	0.9	0.5		
2016	33		1.5	1.5	1.5	0.8	
2017	42		1.1	2.1	2.1	2.1	1.0
2018	55			1.6	2.9	2.9	2.9
2019	65				1.9	3.4	3.4
2020	75					2.2	4.0
2021	85						2.5
Non-Direct Costs			-2.1	-2.1	-2.2	-2.3	-2.4
Earlier Years and Early Terminations			0.6				
Attributable NPAT			**2.6**	**4.3**	**6.6**	**9.0**	**11.3**