



CML Group Limited (ASX:CGR)

14 November 2017

CML GROUP LIMITED 2017 ANNUAL GENERAL MEETING ADDRESSES TO SHAREHOLDERS

CML Group Limited (ASX:CGR) will address shareholders today at its Annual General Meeting to be held at 3.00pm on Tuesday 14th November at the Kirribilli Club, 11 Harbourview Crescent, Lavender Bay, NSW.

In accordance with Listing Rule 3.13.3, attached is a copy of the Chairman's address, CEO's presentation that will be delivered at the Meeting.

Sincerely,

Steve Shin
Company Secretary

ABOUT CML GROUP

CML provides cash flow and integrated business solutions, to help its clients focus on their core business.

CML's primary business is 'factoring' or 'receivables finance'. Through the factoring facility CML provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. CML will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position.



Chairman's address to the AGM of CML Group Limited

Welcome to the 2017 Annual General Meeting of CML Group.

Since 2014 CML Group has undergone significant transformation.

The finance division was just emerging, with approximately \$10m lent to factoring customers, an immature business model, inexperienced staff and an emerging strategy.

Just on three years ago, management embarked on a path to growth, realising that a loan book of over \$50m was a key requirement to attracting competitive finance and ensuring strong growth in profitability.

The growth during the 2015 financial year was strong, but the significant change was in the structure of the business. The board was renewed with addition of two new board members and a change in the chair. We have recently strengthened the board again with the addition of Ilkka Tales who has a very strong background in business growth – especially growing small listed companies – as well as a strong background and current involvement within financial markets. We support Ilkka's addition to the Board and encourage you to confirm his election at our AGM.

Sue Healy has been on the Board since 2011 and her insight into the critical drivers of business success coupled with sage advice on all matters of employee engagement, performance and welfare have continued to add great value to our business.

Geoff Sam has the depth of experience our board needs to ensure strategy is well aligned, the Board is focused on what is important, and our position within the finance industry remains well respected.

CEO Daniel Riley has continued to focus our employees on the value-adding parts of the business and drives strategy strongly throughout the business. His strong communication skills have ensured our shareholders and financiers remain well-informed about our business resulting in a strong relationship with both.

Our team of staff and management with strong factoring experience has settled into the business and we see strong organic growth as a result. We will continue our focus on strong organic growth of the factoring business with a focus on the bottom line in the 2018 financial year.

This will be assisted as we commence our move from our historically high interest borrowings to wholesale banking finance. The conversion of \$10.4m convertible notes to equity has helped provide our financiers with added security.

Also on the topic of growth, CML Group embarked on a new product line – Equipment Finance – during the latter part of the 2017 financial year. It is showing all the signs of being a very successful product, and continues our strategy of high margin products. We expect a contribution from this product during the 2019 financial year.



In summary, 2017 was positive year for growth, through both capitalising on our acquisitions and organic growth. A year in which we consolidated our mission to deliver strong profitability now and into the future. Once again, thank you to the staff within our business for their outstanding contribution, and thank you to our shareholders and finance providers for enabling our outstanding business growth.

Greg Riley
Chairman

CML Group

(ASX: CGR)

Annual General Meeting

Daniel Riley – CEO

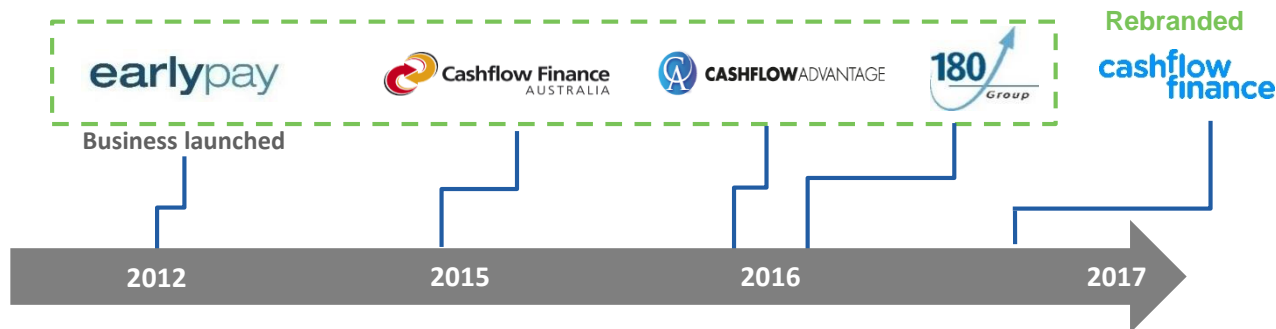
14 November 2017

About CML Group

Operating under the name Cashflow Finance, CML's primary service is 'invoice factoring' or 'debtor finance'.

Through the factoring facility CML provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume.

- Following strong organic growth and the acquisition of 3 competitors within 18mths, CML is the clear number 2 non-bank invoice factoring business in Australia
- Invoice turnover for FY'17 exceeded \$1 Billion, representing 15% market share
- CML employs an experienced team of 60 people across 3 locations, Brisbane, Sydney and Melbourne. 40% of the team has greater than 10yrs invoice factoring experience and 65% of the team have at least 5yrs invoice factoring experience



Improving the Foundations

A year of consolidating acquisitions, rebranding & refocussing on organic growth

FY'17 Highlights

- Revenue up 48% to \$40.0m
- Group EBITDA up 146% to \$13.1m¹
- 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}

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%
Revenue²	27.1	40.0	48%
Finance	5.4	13.4	144%
Other ²	1.6	1.3	-21%
Corporate	(1.6)	(1.5)	-6%
EBITDA²	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

Financial Results

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%	
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

0.75cps Final Dividend (FY'17 dividend of 1.25cps)

1. FY'17 adjusted to underlying to exclude impact of \$1.4m amortisation expense

2. Excluding discontinued operations

Initiatives

Initiatives undertaken & ongoing will drive sustainable growth

Completed in FY'17

- i) Integration of acquired businesses, executing on CML's business plan of leveraging scale to improve earnings through cost synergies and margin improvement by successful roll-out of CML's service suite to the acquired customer base.
- ii) Development of CML's finance brand "cashflow finance" to build awareness, client loyalty and increase new business enquiries
- iii) Business simplification through divestment and wind-down of non-core operations

FY'18 & Beyond

- i) Continued growth in client numbers through sales, marketing and partnerships
- ii) Promotion of the Equipment Finance business, launched in July 2017
- iii) Transition to lower cost funding

Growth Opportunities

Strong growth expected in FY'18 through Sales, Marketing and Partnerships



Sales;

- ✓ Experienced sales team
- ✓ Trainee BDM program
- ✓ Leveraging the Equipment Finance client base

Marketing;

- ✓ Volume of new business enquiries increasing
- ✓ 30% of new business expected from marketing by the end of FY18

Strengthening relationships with referral partners;

- ✓ Brokers
- ✓ Accountants
- ✓ Banks

- Net of attrition, 70+ new clients
 - with average annual t/o of circa \$3m
 - by the end of FY'18, will increase our invoices purchased run-rate by approximately 20%

Q1 FY'18 Update

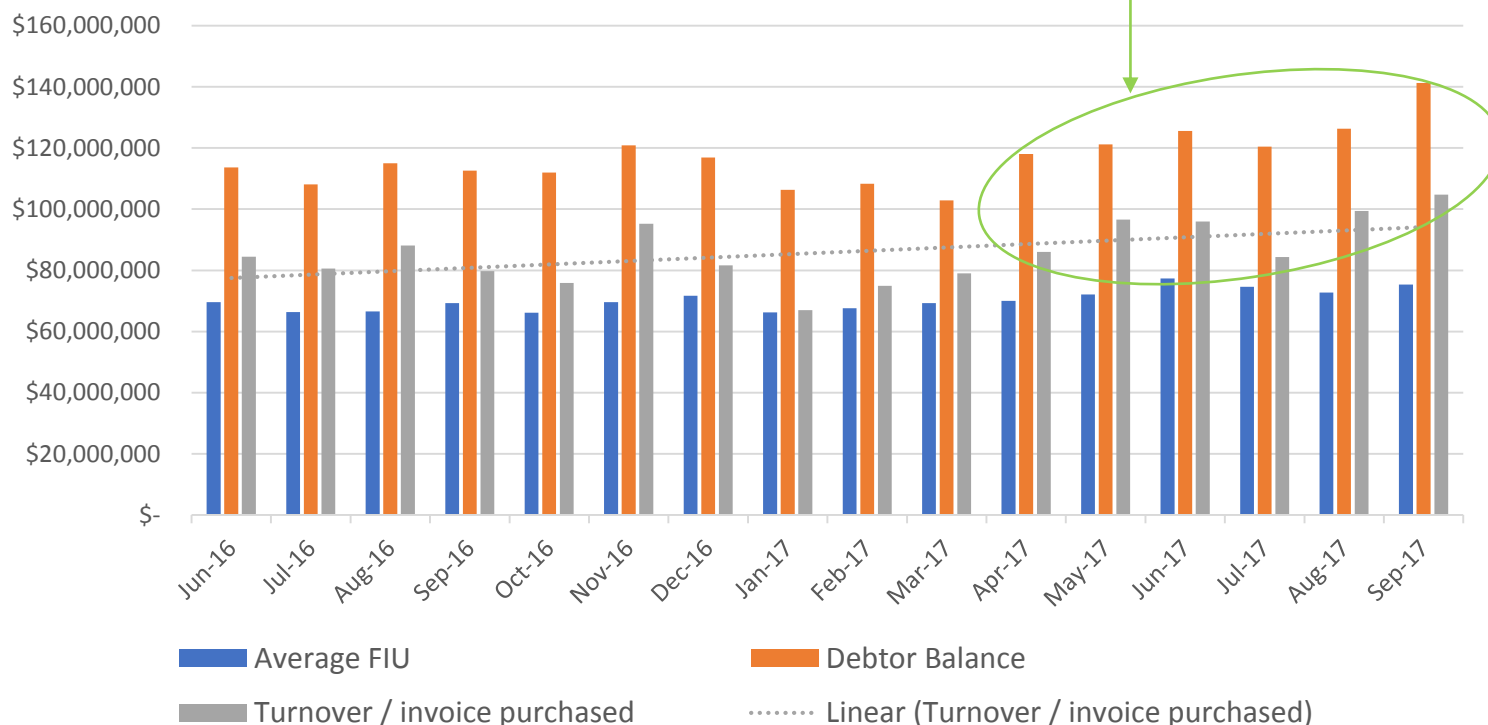


Key Statistics

Growth momentum continues, following completion of acquisition integration in March 2017

Key Statistics	Q1FY17	Q1FY18	Change
Invoice turnover	\$248.4m	\$288.6m	+16%
Margin on invoice turnover	2.49%	2.80%	+13%
Revenue	\$6.2m	\$8.1m	+33%

Organic growth resumed in Q4'17 and has continued into FY'18



Q1 Earnings and FY'18 Profit Guidance

Earnings increasing on higher business volume and improved margins

	Q1FY'17 \$m	Q1FY'18 \$m	Change %	Comments
<i>Invoices purchased</i>	248.4	288.6	16%	<i>Higher volume at improved margin is the driver of earnings growth</i>
Finance	6.1	8.1	33%	Revenue improvement on increased business volume and improved margin
Other	6.2	4.0	-36%	Continuing revenue from other divisions, expected to reduce by 30% to 40% on prior year following wind-down of some business units
Revenue	12.3	12.0	-2%	
Finance	3.1	4.3	37%	Increased scale and improved gross profit is driving EBITDA margin above 50% of revenue
Other	0.3	0.2	-16%	Continuing earnings from other divisions, expected to reduce by 30% to 40% on prior year following wind-down of some business units
Corporate	(0.4)	(0.4)	-2%	Corporate costs are stable and consistent with prior year
EBITDA	2.9	4.0	38%	

Guidance - CML expects earnings at EBITDA level for FY'18 to exceed \$15.5m

Outlook

Strong growth to continue in FY'18 & FY'19

FY'18

CML expects to deliver strong growth in earnings with:

- Continued growth from sales and marketing initiatives
- A full 12 months operating on higher margins as a result of initiatives introduced during FY'17
- A reduction in interest costs from October 2017 following the conversion to equity of a \$10.4m convertible note, on which the annual interest was 9% (\$936k per annum)

CML provides earnings guidance for FY'18 for EBITDA in excess of \$15.5m.

FY'19

In May 2018 CML anticipates transitioning up to \$40m of its 8%p.a fixed rate bonds to funding that is more favourable.

A full year benefit from this funding transition will reduce interest costs in FY'19 by ~\$3m, as a result of;

- 1) A lower interest rate and;
- 2) An improved funding structure, where we draw funds as required rather than in advance, thus reducing the need to hold unutilised funds and the corresponding cost, which was over \$2m in FY17.

Disclaimer

The information presented herein contains predictions, estimates and other forward looking statements that are subject to risk factors that are associated with the human resource management sector. The persons involved in or responsible for the production and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions conclusions or recommendations are reasonably held at the time of compilation.

Although CML Group believes that its expectations are based on reasonable assumptions, it can give no assurances that its goals will be achieved.

Important factors that could cause results to differ materially from those included in the forward-looking statements include timing and extent of changes in the economy, government regulation, changes to funding arrangements and the ability of CML Group to meet its stated goals.

The purpose of this presentation is to provide background information to assist in obtaining a general understanding of CML Group's proposals and objectives. This presentation is not to be considered as a recommendation by CML Group or any of its subsidiaries, directors, officers, affiliates, associates or representatives that any person invest in its securities. It does not take into account the investment objectives, financial situation and particular needs of each potential investor. If you are unclear in relation to any matter or you have any questions, you should seek advice from an accountant or financial adviser.

cashflow finance

let's go!

