

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

23 July 2018

FY18 LEASE ORIGINATIONS ABOVE GUIDANCE

COG MOVES TO FULL OWNERSHIP OF FINANCE BROKER MEMBERSHIP SUBSIDIARY, CONSOLIDATED FINANCE GROUP (CFG)

1. FY18 Lease Originations Above Guidance

Consolidated Operations Group Limited (ASX: COG) provides operating leases (rentals) to the SME market through its wholly owned subsidiary TL Rentals. TL Rentals lease originations in financial year 2018 exceeded forecast originations for a third consecutive year, with \$58.7 million achieved versus guidance of \$55 million. This origination result represents a 38% increase over financial year 2017.

COG expects continued growth in lease originations in financial year 2019, with a target of \$70 million.

2. Exercise of Call Options to Acquire Outstanding 20% Equity interest in CFG

COG will move to 100% ownership of its subsidiary Consolidated Finance Group (CFG) following the exercise of call options it held with the minority holders of CFG.

COG acquired an 80% equity interest in CFG in October 2016 for consideration of \$14.7 million satisfied in 60% cash and 40% COG shares at 11.11 cents. The acquisition agreement included put and call options over the outstanding 20% that could be exercised in July 2018 on a price of 8 times financial year 2018 EBITDA.

The consideration for the outstanding 20% interest is expected to be \$4.1 million cash and the issue of \$15,290 of new COG shares, subject to finalisation of normalised EBITDA calculations. The effective date for the acquisition of the minority interests is 1 July 2018.

The cash component will be funded from COG cash reserves. COG is confident it will continue to apply surplus cash to acquisitions over the next few months.

CFG is an important part of the COG Group. CFG is not a finance broker; it is a member-based finance broker group that provides its equipment finance broker members access to lenders, product and services such as compliance advice to support their client needs. CFG aggregated approximately \$2.4 billion of net asset finance (NAF) with financial institutions in the financial year 2018 (33% growth from \$1.8 billion in financial year 2016). It provides services to 126 independent finance broking firms and is the largest equipment finance broker aggregator in Australia.

With 100% ownership of CFG, COG will now be able to include CFG in its tax consolidation group, enabling CFG to utilise COG's carried forward tax losses, resulting in a reduction of CFG tax expense to zero in the financial year 2019

The acquisition of the minority interests in CFG, will not impact COG's financial year 2018 results, with the move from 80% to 100% ownership of CFG being effective from the start of financial year 2019.

3. Expected FY18 Results Release Date

Financial year 2018 results are anticipated to be announced on 28 August, 2018.

Cameron McCullagh

Managing Director

0439998818

Andrew Bennett

Executive Director

0405380241

Who We Are

Consolidated Operations Group (COG) has two complementary businesses:

1. Asset Finance Broking. Through our membership group serving independent brokers and COG's equity owned brokers (brokers in which we have invested), we are Australia's largest asset finance group, representing over \$3 billion per annum of Net Asset Finance (NAF). We will grow NAF through organic growth and further equity investment in brokers.
2. Product. Through broker distribution, TL Rentals provide equipment finance to SMEs. We have grown annual lease origination organically by 27% and 36% in the last two financial years.

In both businesses we are small parts of large markets, with growth opportunities through consolidation and organic growth.