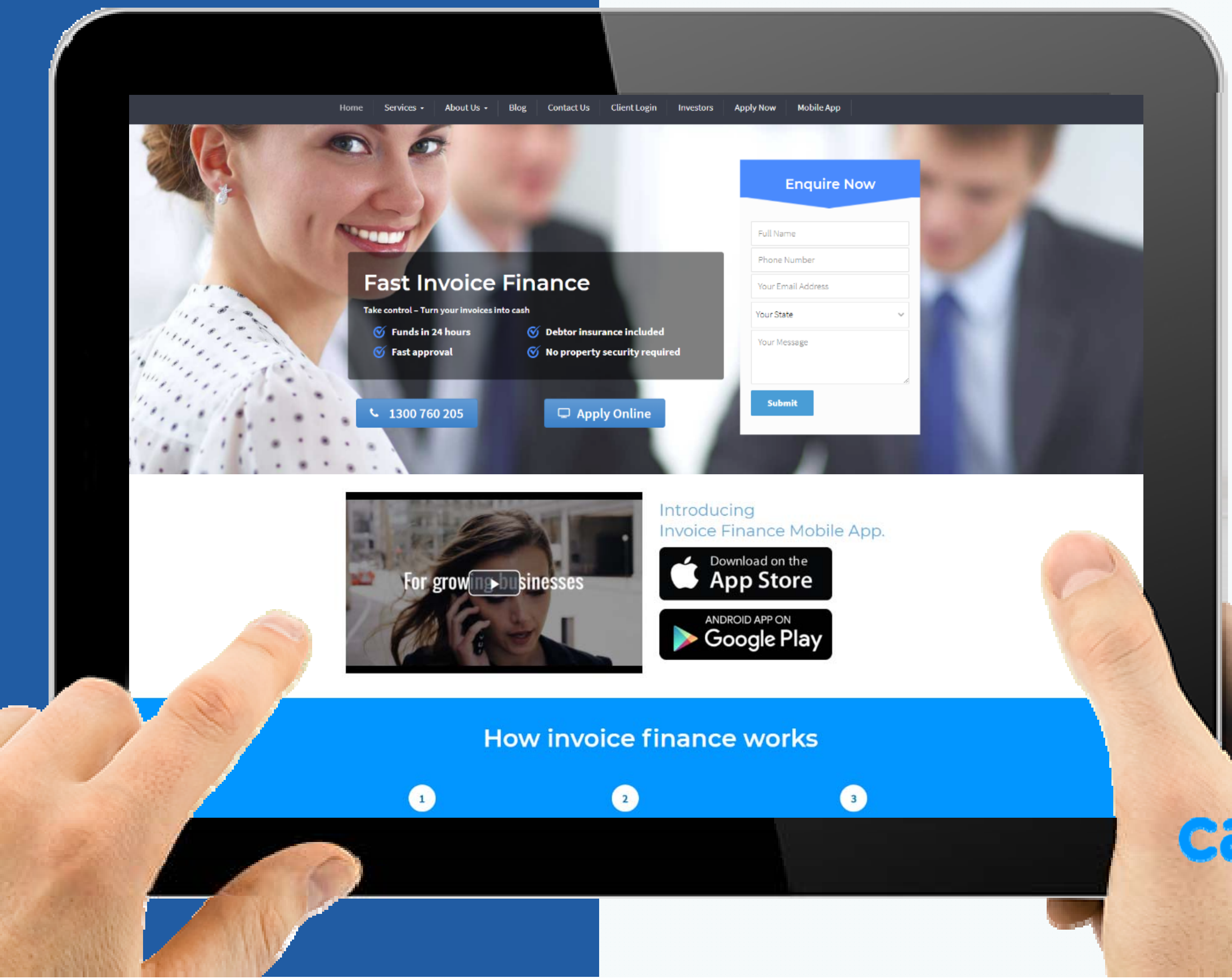


# CML Group

## Interim 2019 Results

**CEO** Daniel Riley
**CFO** Steve Shin

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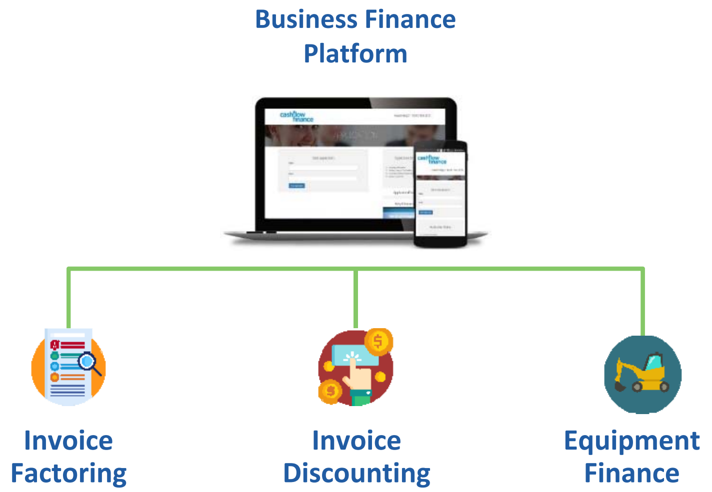
# About CML

- CML Group is an established provider of Business Finance solutions, offering Invoice Factoring, Invoice Discounting and Equipment Finance, operating under the name Cashflow Finance

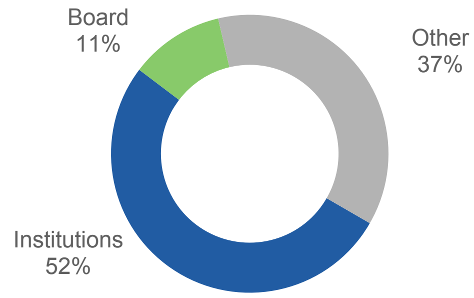



- CML is the clear number two non-bank invoice factoring business in Australia

- CML employs an experienced team of ~80 people and services clients nationally from offices in Brisbane, Sydney, Melbourne and Perth

| **Capital Structure** *(21st of Feb '19)* | |
|---|---|
| Share Price | $0.58 |
| Shares on Issue (m) | 201.2 |
| **Market Capitalisation (m)** | **$116.7** |
| NTA / Share (cents) | 13.14c |

**Register**




**Price & Volume Trading History**

# Executive Summary

**+44%**
**Invoices Funded**

**+26%**
**Finance Revenue Growth**

**+30%**
**Group EBITDA Growth**

**+71%**
**Group NPATA Growth**

**+45%**
**Underlying EPS Growth**[1]

**1.00c**
**Interim Dividend**

## 1H’19 Results

CML reported a strong Half Year 2019 result compared to the PCP, with key highlights as follows;

- Invoices funded up 44% to $838m, EBITDA up 30% to $10.1m
- Average cost of funds for half 6.1% compared to 9.3% in 1H’18
- NPATA up 71% to $4.4m on 1H’18
- NPAT up 162% to $4.4m on 1H’18
- Underlying EPS (based on NPATA) up 45% to 2.2cps
- Interim Dividend up 33% to 1.00cps

## FY’19 Outlook

- CML reconfirms FY’19 guidance of:
  - Underlying EBITDA of $21m+ on the prior corresponding period (“**PCP**”)[2]
  - Underlying NPATA is expected to be $9m+ up 38%+ on PCP
- Guidance based on:
  1) Organic growth
  2) Full-year contribution from TDF Acquisition
  3) Improved earnings from Equipment Finance Division

*[1] 1H’18 Underlying EPS is based on Underlying NPATA, including $0.6m for Amortisation of Acquired Entities and $0.3m for early conversion to equity of Convertible Note*
*[2] 1H’18 Underlying EBITDA excludes the pre-tax impact of penalty component for early redemption of bond #2*

# Financials

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# Comprehensive Income Statement

**Earnings improvement has continued, driven by growth within the Finance division, new products & improved funding structure**

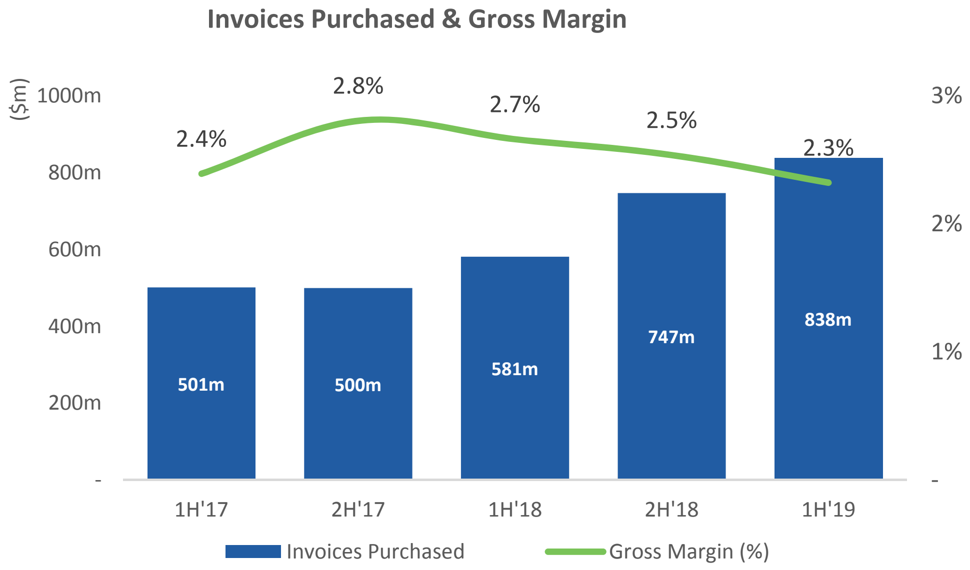
| $m | H1'18 A | H1'19 A | *Δ pcp* | Comments |
|---|---|---|---|---|
| Finance | 15.5 | 19.5 | *26%* | Revenue growth driven by increase in Invoices Purchased |
| Equipment Finance | 0.3 | 1.4 | *457%* | Division launched July 2017 |
| Other | 8.6 | 4.2 | *-51%* | Reduced revenue reflects exit of marginally profitable contracts from historic recruitment services business |
| **Group Revenue** | **24.3** | **25.1** | *3%* | |
| Finance | 8.3 | 10.1 | *22%* | Includes expensing of Invoice Discounting establishment costs of ~$0.4m |
| Equipment Finance | (0.1) | 0.4 | *669%* | $1.5m expected for FY'19 as client numbers build through the year |
| Other | (0.5) | (0.4) | *-12%* | |
| **EBITDA** | **7.8** | **10.1** | *30%* | |
| D&A | (0.1) | (0.1) | *59%* | |
| Net Interest | (4.1) | (3.7) | *-11%* | Warehouse funding arrangements driving reduction in net interest, on significantly higher business volume |
| Tax | (1.0) | (1.9) | *92%* | |
| **NPATA**[1,2] | **2.6** | **4.4** | *71%* | |
| Adjustments | (0.9) | - | *n/m* | |
| **NPAT Reported** | **1.7** | **4.4** | ***162%*** | |
| **EPS Underlying** [1,2] | **1.5** | **2.2** | ***45%*** | |
| **EPS Reported** | **1.1** | **2.2** | ***97%*** | |
| **DPS** | **0.75c** | **1.00c** | ***33%*** | Conservative payout ratio |

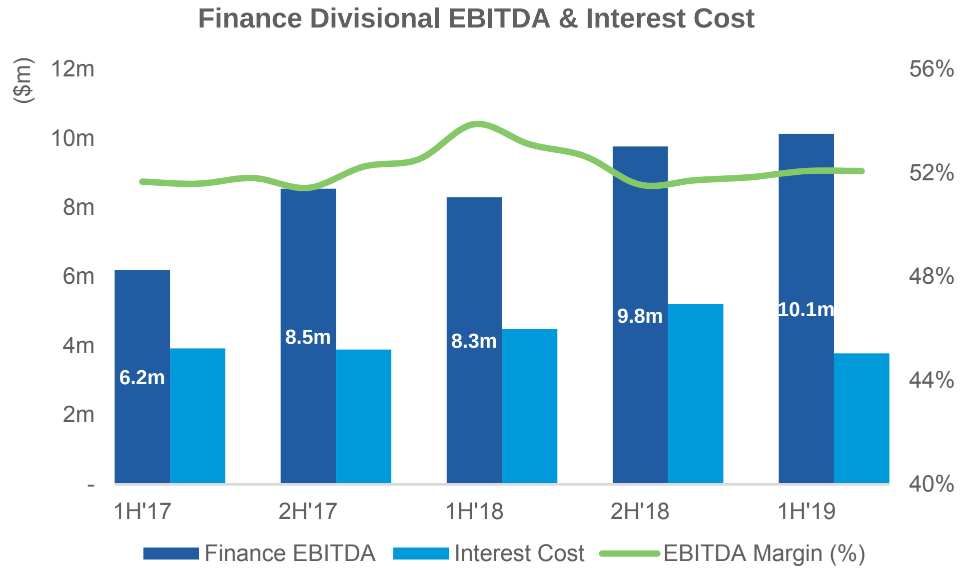
[1] *H1'18 excludes $0.3m post-tax impact of write off of Convertible note*
[2] *H1'18 adjusted to exclude impact of $0.6m amortisation expense & unamortised costs of $0.3m associated with write-off of 5-year convertible note*

# Finance Division

# Invoice Finance

**Continued growth in invoices purchased & EBITDA growth, with substantial reduction in comparative interest costs**



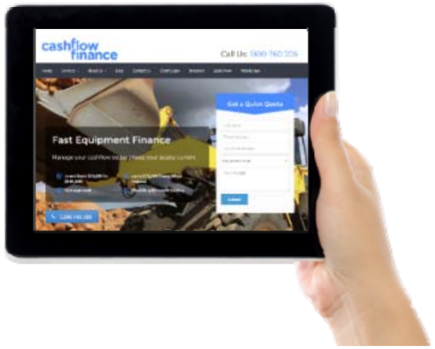



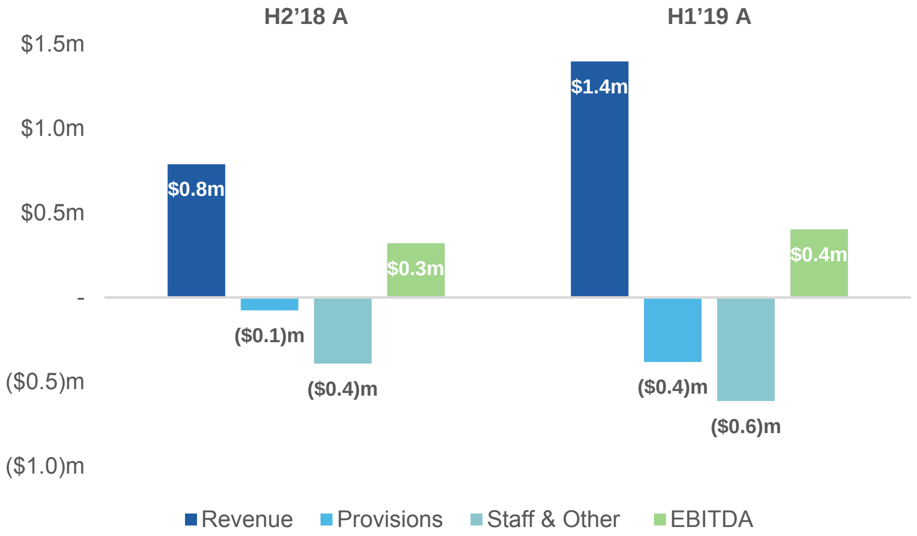

- Achieved 44% growth on PCP in invoices purchased and 12% growth on 2H'18, a combination of TDF acquisition and ongoing organic growth
- CML anticipates an opportunity over time to improve on current Gross Margin of 2.3%, which is below prior periods following the acquisition of lower margin TDF business in Feb'18
- Finance EBITDA totalled $10.1m, up 30% on PCP, includes expensing of Invoice Discounting establishment costs of $0.4m
- EBITDA margins remained stable at 52%
- Total funding costs down 16% on PCP following transition to warehouse funding facility

# Equipment Finance

## Reaching scale & expected to contribute ~$1.5m EBITDA for FY'19

- Loans range from $20,000 to $500,000, strong synergies with Invoice Finance in terms of cross-sell and client retention




- December end $21m in receivables on funds advanced of $15m (compared to $14m in receivables on funds advanced of $10m at end of FY'18)

- Experienced team of 7, sourcing opportunities through accredited arrangements, with long standing broker relationships

- Equipment Finance is a complimentary product to Invoice Financing in terms of cross-selling and client retention

- EBITDA margin affected by increased investment in resources and conservative (upfront) provisioning methodology

# Funding is in place to support growth

**New funding structure delivers material reduction in cost of debt and improves CML's competitiveness**

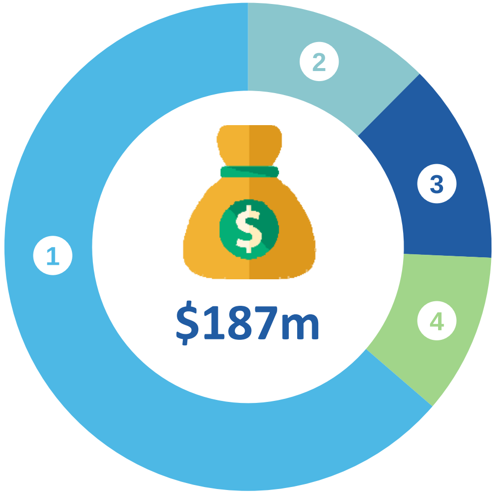
- CML's average cost of funds, excluding equity, is below 6%
- This allows CML to compete on similar terms with the leading non-bank Debtor Finance provider for market share
- Wholesale Facility now driving considerable cost savings
- Sufficient headroom to increase invoice volumes by ~30%

| Funding ($m) | 1H'19 | Cost | Issued |
|---|---|---|---|
| 1 Wholesale Facility | $120m | Sub-5% | Mar '17 |
| 2 Corporate Bond #1 | $25m | BBSW + 5.4% | May '15 |
| 3 Equipment Finance Bond | $20m | 7.95% | May '18 |
| 4 Equity | $22m+ | n/a | n/a |
| **Total Funds Available** | **$187m** | | |
| **Current headroom** | **~$40m** | | |

| Finance Division | 1H'19 A |
|---|---|
| Trade Receivables | 193.6 |
| Funds Advanced | 123.6 |
| Average Funds in Use | 64% |

| Equipment Finance | 1H'19 A |
|---|---|
| Gross Receivables | 20.8 |
| Principal Component | 14.1 |

**Funding Sources**



# Outlook

# FY’19 Outlook

## FY’19 guidance reiterated

**Increasing Volume**

- Continued organic growth from Factoring business and the roll-out of Invoice Discounting product

**Equipment Finance**

- New division is performing well-ahead of expectations, expected to deliver ~$1.5m in EBITDA

**Funding Costs**

- Restructured funding arrangements delivering ongoing cost-savings

**Guidance**

- CML reiterates FY’19 Underlying EBITDA guidance to $21m+ up 20%+ on PCP[1].
- Underlying NPATA in FY’19 is expected to be $9m+, up 38%+ on PCP[2]

*[1]FY’18 Underlying EBITDA excludes the pre-tax impact of penalty component for early redemption of bond #2*
*[2]FY’18 Underlying NPATA excludes the Post-tax impact of penalty and interest component for early redemption of Bond #2 and early conversion to equity of Convertible Note*

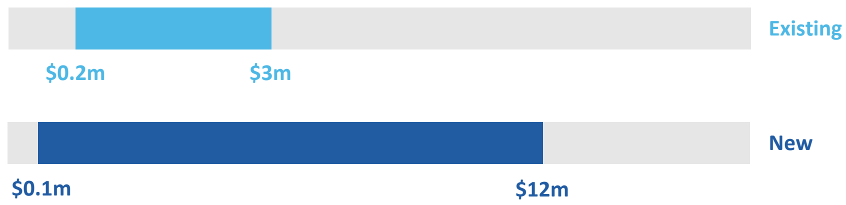
# Long-term Outlook

**Scale, technology, expertise & funding now in place to allow CML to execute on the next leg of its growth strategy**

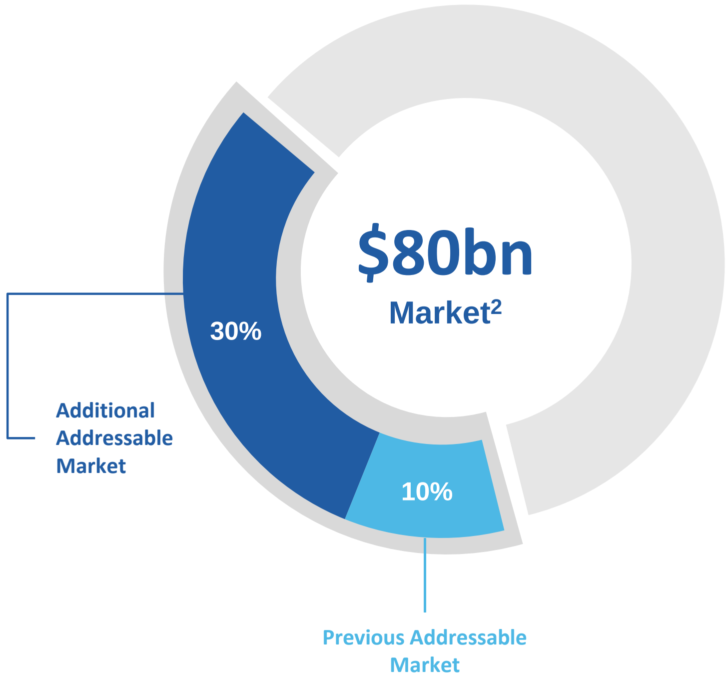
**CML has now built an integrated Business Finance Platform that services both small and large clients, with substantial growth expected in the coming years**

- Investment in additional people, processes and operating systems has been made and absorbed
- New technology to streamline applications and client on-boarding built out and operating
- CML now has the scale, funding and expertise to offer finance to a broader size of business both small and large
  - Smaller clients can now be serviced profitably by CML with reliance on its digital platform for loan application, credit submission and documentation
  - CML has commenced services to larger clients under an Invoice Discounting model and with the Equipment Finance division in place
  - Historically focussed on clients requiring facilities between $150k and $3m, addressable market now extends below $100k and up to $12m, representing an increase in addressable Invoice Finance Market from 10% to 40%+ by volume[1,2]

**Target Facility Size**




**Addressable Market**




*[1]Equipment finance is not included in the above commentary or quoted industry numbers*

*[2]Addressable market figures based on DIFA industry statistics from 2015 and CML management's interpretation of the current market*

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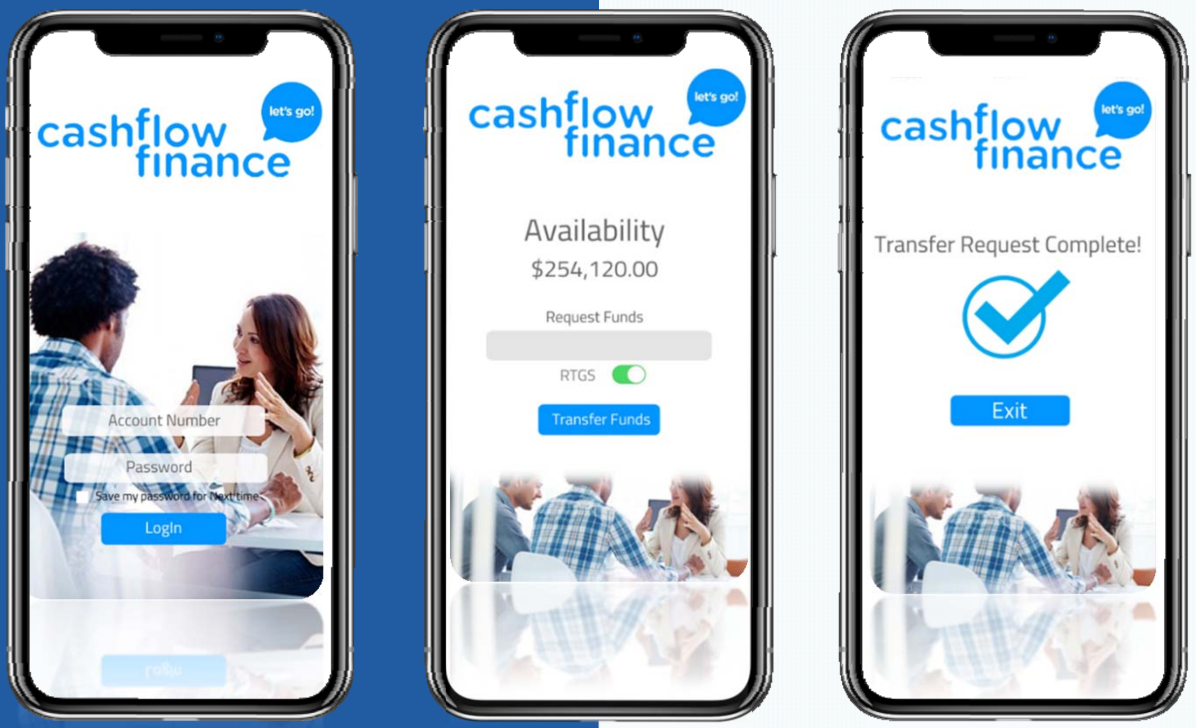
# CML Group

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