

2019 FY Chairman's Report

This has been an excellent year, once again, for CML Group (CML).

Our NPATA of \$9.5m was a 46% increase over the previous year. EBITA increased by 16% and our dividend to shareholders increased by 60% to 2.4c per share.

At our AGM last year, I flagged a number of initiatives we were aiming to achieve during the 2019 financial year and I'm happy to report significant progress in all areas.

Our technology initiatives are now running live and we're seeing increased business flowing through this channel – both as a result of initiations and back office efficiencies.

In addition, our Equipment Finance Division is continuing its strong growth with a 400%+ growth off a small base – this growth continues into the current financial year. Our Invoice Finance division showed a more modest revenue growth of 7% during the year. However, the first four months of the current financial year are showing the results of our re-focusing the division to include Confidential Invoice Discounting (ID) with our traditional Factoring product.

Although percentage margins are lower with ID the transactions are larger and the client risk profile is improved. And the size of the market is more than 4 times as large as the factoring market. Progress during the current financial year has been encouraging and we expect a strong contributor to our bottom line in the current financial year.

We recently completed the acquisition of Classic Finance Group. This was a strategic acquisition aimed at bolstering our footprint in both Equipment Finance and Confidential Invoice Discounting. As you are aware, the early stages of growth of any new product can be slow. By bolstering these two critical areas, CML Group has acquired a stronger platform for growth, new distribution channels and additional expertise. The acquisition and our existing finance sources also provide in excess of \$100m of headroom for further growth of CML Group's portfolio.

Of course, the significant contribution to our bottom line was also a contributing factor to our decision to acquire Classic.

Just yesterday shareholders would have seen our ASX announcement of a strategic merger with COG (Consolidated Operations Group). This is an outstanding opportunity for both COG and CML Group.

While there is a significant process in front of us with this merger, and there is no certainty of its success, the Boards of both companies are fully supportive of the merger.

If successful, COG will provide the merged group with a new, strong and proven distribution channel. COG has around 17% of Australia's broker-sourced asset finance market and provides a large distribution channel for CML Group's Equipment Finance, Factoring and Invoice Discounting products.

Further, CML Group will provide the merged group with a proven suite of finance products, additional distribution and a strong platform for growth across all product areas.

Along with the merger proposal, both CML Group and COG are undertaking a Rights Issue to existing shareholders.

Please be sure to read all the documentation relating to these initiatives as they will have a significant impact on our business.

There is no doubt that the 2020 financial year is a year of tremendous opportunity for our company and I look forward to a highly successful and exciting 12 months.

Our employees are the key to our continued success and together with our Board, CEO and executive team, have worked tirelessly towards the success of our company and deserve thanks from all of us.

As always, I would like to thank our shareholders, long term shareholders who have remained loyal during the ups and downs and new shareholders who have recognised the potential of our company. With your support, anything is possible.



Greg Riley
Chairman

ABOUT CML GROUP

CML provides finance to SME businesses.

CML's primary service 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 customers (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.

Other services include trade finance to assist clients finance purchases, as well as equipment finance to assist SME's with capital expenditure on items required to operate their business.