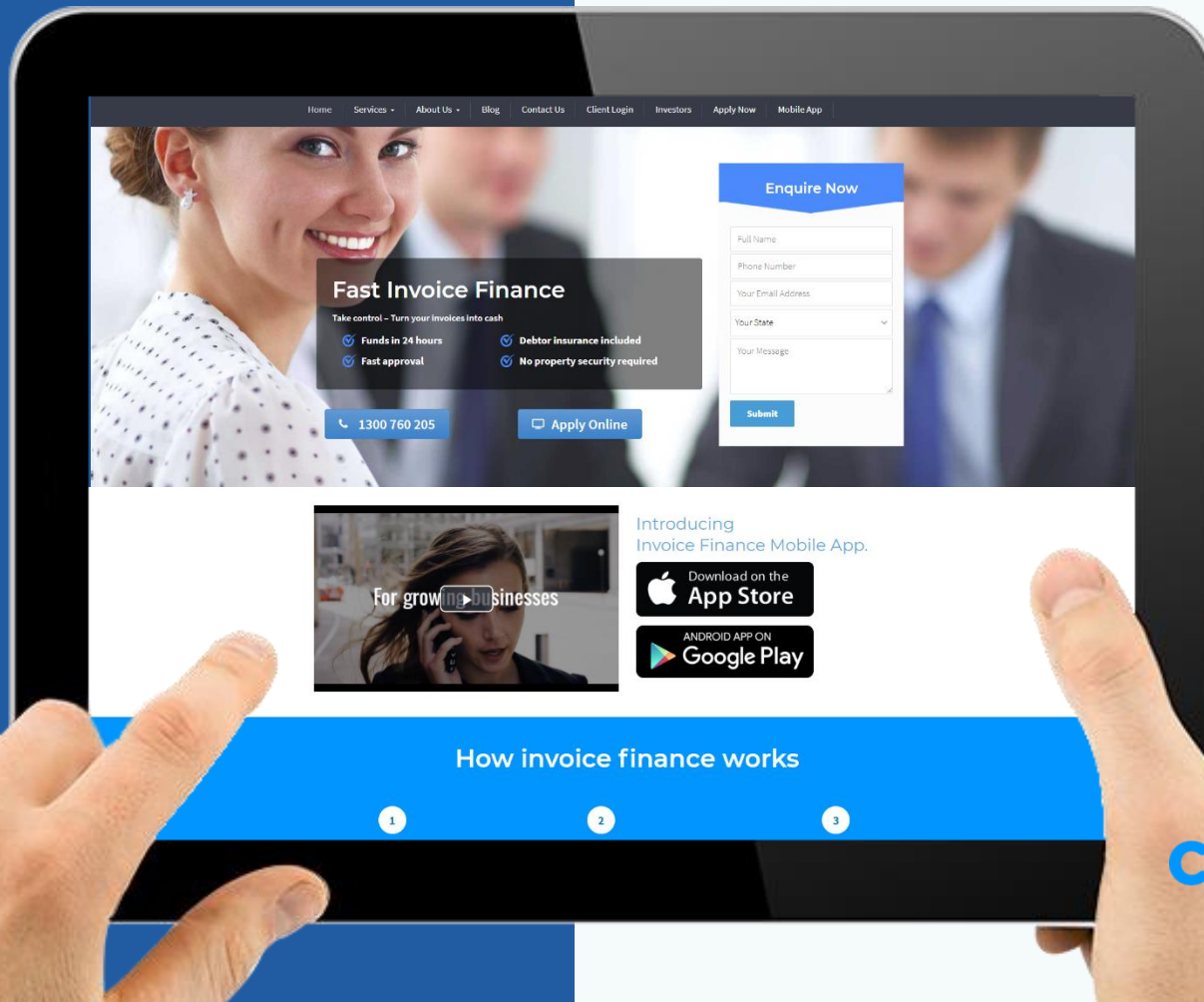


CML Group

Annual General Meeting

CEO Daniel Riley
14th November 2019

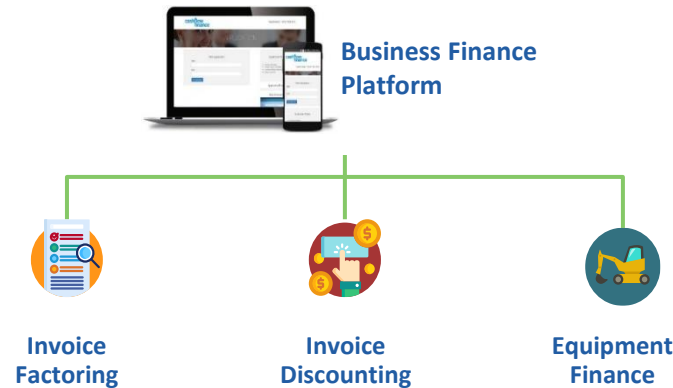


cashflow
finance



About CML

A provider of Business Finance solutions, offering Invoice Finance, Trade Finance and Equipment Finance, operating under the names Cashflow Finance and Classic Funding



Capital Structure (13th November 2019)

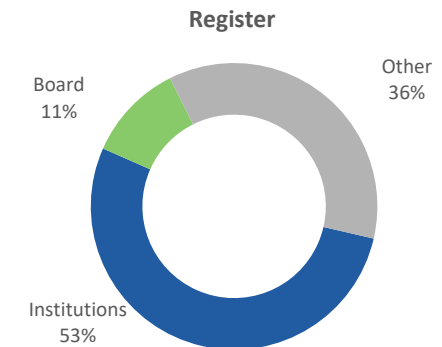
Share Price	\$0.47
Shares on Issue (m)	201.4
Market Capitalisation (m)	94.5

About CML

CML employs an experienced team of ~110 people and services clients nationally from offices in Brisbane, Sydney, Melbourne and Perth.

Operating under the name Cashflow Finance and Classic Funding, CML provides the following services:

- **Invoice Factoring:** CML provides an advance payment of up to 80% of a client's invoice as a flexible line of credit that is utilised in line with sales volume. This service typically includes a receivables management service and is targeted at smaller clients.
- **Invoice Discounting:** Similar to Invoice Factoring, CML provides an advance payment of up to 80% of a client's receivables ledger. Under Invoice Discounting, the client typically manages their receivables function and this service is targeted at larger clients.
- **Equipment Finance:** Loans range from \$20,000 to \$2,000,000 focussing primarily on funding second-hand transport and yellow goods with a strong resale market. All equipment is independently valued and CML lends against the price expected if the equipment was to be sold via auction.



FY'19 Highlights

Results driven by increasing volume across all lending products



+11%

Finance
Revenue
Growth



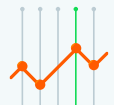
+16%

Group EBITDA
Growth



+46%

Group NPATA
Growth



+25%

Underlying EPS
Growth¹



+60%

Full Year
Dividend
Growth



+30%

Reduction in
Average Cost of
Funding

FY'19 Results

Operational Highlights

- Continued strong performance in core Factoring business, facilitating investment into business expansion initiatives
- Commencement of expansion into Invoice Discounting, targeting larger clients and expanding CML's addressable market
- Equipment Finance volumes growing while helping CML to win and retain clients
- Sales and marketing initiatives introduced in 2H'19 demonstrating early traction and providing strong momentum into FY'20

Funding Costs

- Material reduction in funding costs, allowing CML to compete on similar terms with leading non-bank competitors

¹FY'19 Underlying EPS is based on NPATA, which excludes \$1.1m non-cash Amortisation of Acquired Entities

Operational Update

- a) Acquisition of Classic Funding Group
- b) Funding Structure
- c) Growth Strategy
- d) Merger with Consolidated Operations Group (COG)

Recent acquisition

CML has recently completed the acquisition of Classic Funding Group, which will double CML's loan book



Transaction Details

- Transaction price of \$11m (~\$6m Goodwill)
- Funded by a new facility and CML's existing equity
- Acquisition completion 4th November 2019



Strategic Rationale

- Brings forward CML's growth aspirations by providing additional scale and funding lines for 2 service lines;
 - **Invoice Discounting**
 - **Equipment Finance**



Financial Impacts

- Substantial synergies identified both operationally and through optimizing funding structures

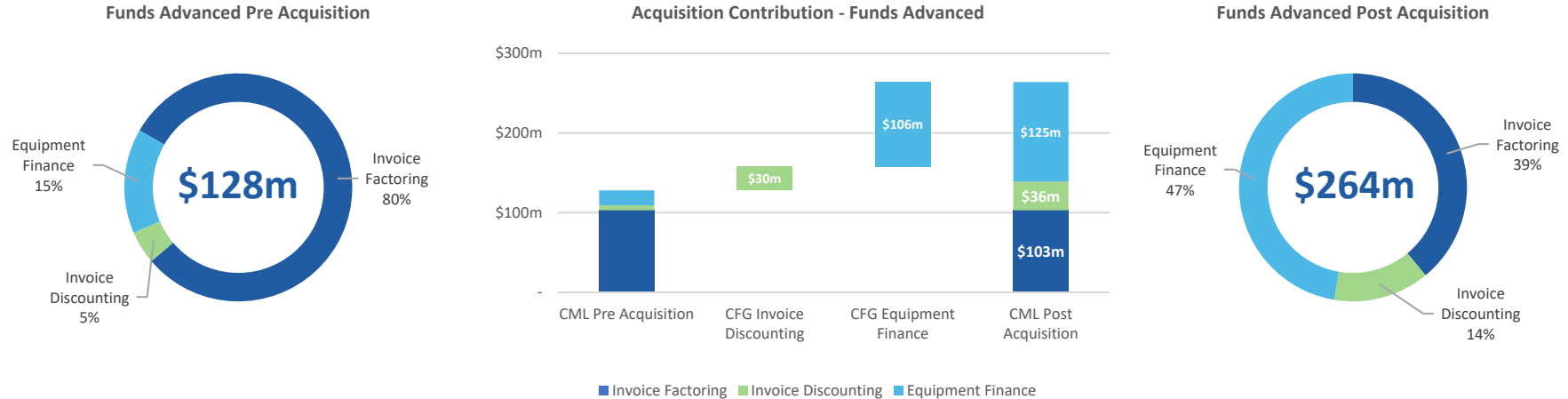


Risk Mitigation

- CML completed extensive due diligence and has a strong level of comfort on:
 - The quality of the respective loan books
 - CML's ability to extract synergies and integrate the CFG business

Combined Group

CML's emerging services, Invoice Discounting and Equipment Finance will gain critical scale on acquisition of CFG



CML's service lines will not change, however it has brought forward scale in Invoice Discounting and Equipment Finance with the acquisition of CFG

- **Invoice Factoring:** an advance payment of up to 80% of a client's invoice as a flexible line with receivables managed by CML
- **Invoice Discounting:** an advance payment of up to 80% of a client's receivables ledger with receivables managed by Client and targeted at larger clients
- **Equipment Finance:** CML's loans currently range from \$20,000 to \$0.5m but will now have the capacity to complete transactions of up to \$2m

Funding to support growth

CML has a Warehouse Facility for each of its 3 key products, Invoice Factoring, Invoice Discounting and Equipment Finance

	Funding	Facility Size	CML Cost	Comment
Invoice Finance				
Warehouse Facility 1	Wholesale Facility	\$140m	Sub-4%	Provided by a major Australian bank, utilised for invoice factoring and discounting
Warehouse Facility 2	Wholesale Facility	\$35m	Sub-4%	Provided by a major Australian bank, utilised for invoice discounting and trade finance
<i>FIIG Bond</i>	Corporate Bond #1	\$25m	BBSW + 5.4%	FIIG Bond, matures May 2020 and will be replaced with cheaper funding
Equipment Finance				
Warehouse Facility 3	Wholesale Facility	\$100m	Sub-4%	Provided by a major Australian bank
<i>Mezzanine</i>	Mezzanine Debt	\$22m	8.25%	B Notes within the Equipment Finance Warehouse Facility 3
<i>New facility</i>	Alternative Finance Provider	\$25m	Sub-6.5%	New Facility, commenced early November 2019
Corporate				
<i>Bond</i>	Corporate Bond #2	\$20m	7.95%	Corporate debt, currently utilised to support funding of all product types
<i>CML balance sheet</i>	Equity	\$30m	n/a	
Total Funds Available		\$397m		
Current headroom		~\$100m		

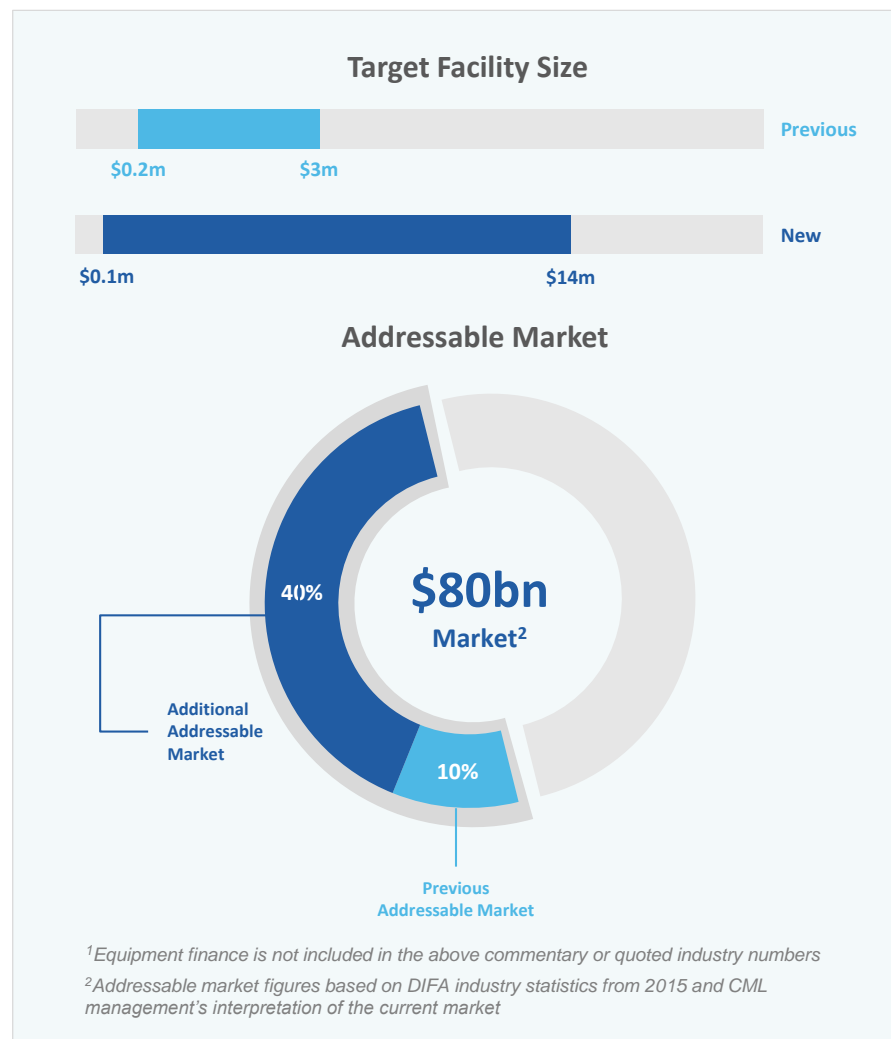
- CML anticipates replacing the \$25m FIIG Bond with cheaper funding in May 2020, with an expectation of an annualised \$750k cost reduction
- CML has approximately \$100m of headroom for growth

Growth Strategy – Invoice Finance

FY'19 represented a period of investment in the future of the overall CML business, establishing the foundations for the next leg of the Company's growth

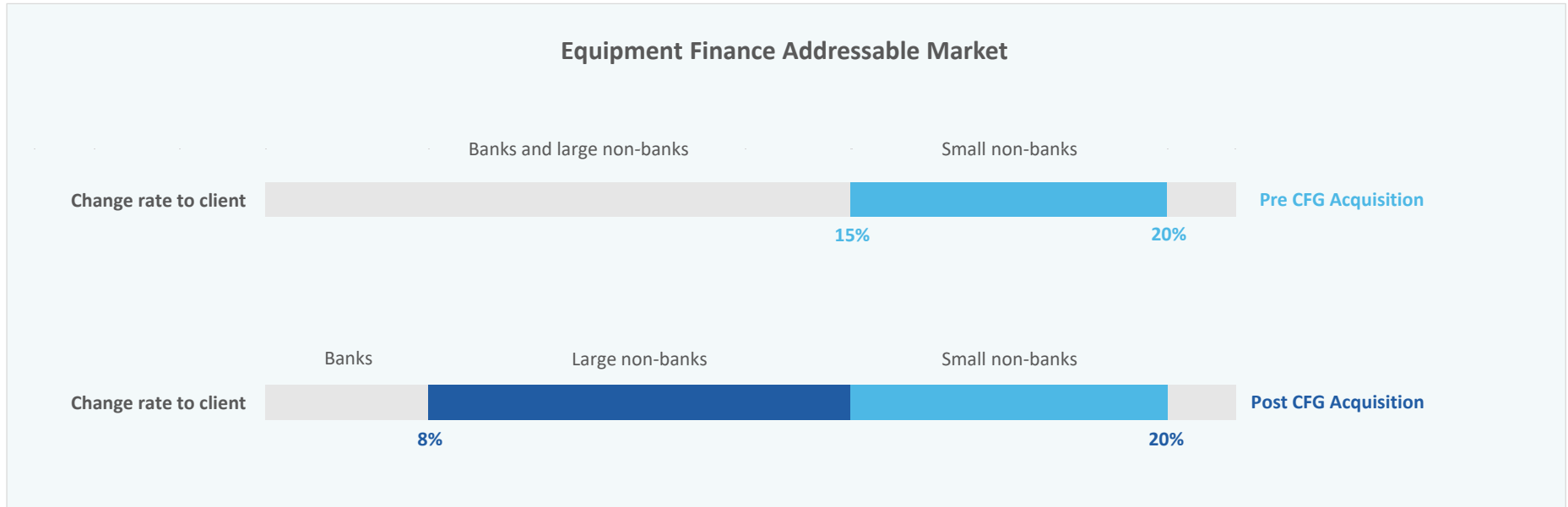
New Product Strategy

- CML is targeting additional larger clients with invoice discounting, with facilities as large \$14m, assisting in increasing addressable Invoice Finance Market from 10% to +40% by volume
- Moving up the credit curve to target larger clients will increase the average facility size, earnings per client and extend average client tenure



Growth Strategy – Equipment Finance

Over the last 3 years, CML has developed a robust, profitable Equipment Finance business. The acquisition of CFG adds scale, expertise and funding that will allow CML to compete for a broader segment of the market



Improved funding, expertise and channels to market will drive growth

- The improved funding structure gained with the purchase of CFG will allow CML to service a much broader segment of the market that it is currently locked out of due to pricing – a result of relatively expensive early stage funding.
- The acquisition of CFG adds immediate scale, expertise, market/brand awareness and additional channels to market, including broker, direct sales and cross-sell

FY'20 & Outlook

The acquisition of CFG further improves CML's growth outlook



Business Outlook

- CML anticipates continued volume growth during FY'20 on existing and expanded products
- The acquisition of Classic Funding Group immediately provides this improved funding structure, which will allow CML to improve margins and increase competitiveness for Equipment Finance transactions
- In addition CML has replaced expensive Mezzanine Debt with cheaper funding



Merger with COG & Capital raising

- On 13th November CML announced an agreement to merge with Consolidated Operations Group (COG), to create a leading financial services group specialising in servicing SME businesses
- The merged entity will operate under a new name and brand, to be announced
- Significant revenue synergies anticipated to be achieved through cross-selling CML's established finance products through COG's extensive broking network
- Equity raising of up to \$14.5 million at \$0.48 per share via a 3 for 20 pro rata non-renounceable entitlement offer

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This presentation ("this Presentation") has been prepared by CML Group Limited [ACN 098 952 277] ("CML" or the "Company") and is dated 14 November 2019.

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CML Group Limited (ASX:CGR) & Consolidated Operations Group Limited (ASX:COG)

Merger of Equals
13 November 2019

Link to presentation document

<https://wcsecure.weblink.com.au/pdf/CGR/02172213.pdf>

