

ASX Announcement | 27 August 2020
Consolidated Operations Group Limited (ASX:COG)

Consolidated Operations Group achieves 6% NPATA growth
Declares maiden dividend of 0.152 cents per share
This release has been authorised by the COG Board

Investment Highlights

- Consolidated Operations Group Limited achieved 6% Net Profit After Tax Adjusted (NPATA)¹ growth in FY20, demonstrating pleasing resilience despite challenging COVID-19 trading conditions
- Declared maiden FY20 fully franked final dividend of 0.152 cents per share
- Revenue up \$5m (2%) to \$222.2m, primarily due to organic growth in fee and commission income
- Settled Net Asset Finance (NAF) up 7% to \$4.52bn, giving the Group an estimated 17% market share of broker originated NAF
- Strengthened its market-leading position as Australia's largest asset finance broking & aggregation group through further follow on equity investments
- Acquiring an additional 19.18% controlling interest in Westlawn Finance Limited (1st September 2020), providing access to more capital-efficient funding to support future distribution of COG-branded products via its extensive national broker network

Sydney, 27 August 2020: **Consolidated Operations Group Limited (ASX:COG)**, Australia's largest asset finance broking & aggregation group, and a trusted leader in SME and auto finance solutions, is pleased to announce growth of 6% in Net Profit After Tax Adjusted (NPATA) to \$8.4m during the financial year ended 30 June 2020 (FY20) and a fully-franked maiden dividend of 0.152 cents per share.

FY20 final audited financial results

COG delivered revenue growth of \$5.0m (2%) to \$222.2m, primarily comprising organic growth in annuity-style fee and commission income. Underlying EBITDA to shareholders was \$21.3m (FY19: \$21.8m) with EBITDA margin up to 14.0% (FY19: 13.8%), and underlying NPATA attributable to shareholders up 6% to \$8.4m (FY19: \$7.9m).

FY20 statutory net loss from continuing operations after tax attributable to shareholders was \$(10.0)m² (FY19: \$4.3m profit), however this was after adjusting for significant one-off, largely non-cash items, attributable to repositioning COG's Commercial Equipment Financing (CEF) business segment in response to COVID-19 and future strategic objectives.

FY20 Net Asset Finance (NAF) settled up 7% to \$4.52bn giving COG an estimated 17% Australian market share of broker originated NAF.

COG's core Finance Broking & Aggregation (FB&A) business segment achieved underlying EBITDA to shareholders of \$11.1m (FY19: \$11.3m) underpinned by revenue growth of \$9.6m (up 5%) and EBITDA margin up to 10.9% (FY19: 10.5%).

¹ Excludes amortisation in relation to intangibles recognised as part of business combinations.

² Statutory net loss includes one-off CEF goodwill and other impairment charges (FY20: \$12.0m), non-cash change in CEF accounting estimate adjustment (FY20: \$3.9m), COVID-related redundancy and restructuring costs (FY20: \$0.9m) and transaction costs (FY20: \$0.7m).

COG's Commercial Equipment Financing (CEF) business segment achieved underlying EBITDA to shareholders of \$12.1m (FY19: \$13.6m) which is a pleasing result when considering the impact of the COVID-19 pandemic on 2H20 trading conditions and related loan origination volumes. It is also testament to management's decisive response to the risks posed by COVID-19, with a core focus on employee well-being, cashflow and liquidity, cost management and ongoing customer support.

Maiden dividend

COG's Board has declared a final dividend of \$2.386m (0.152 cents per fully paid ordinary share). This dividend will be paid on 23 October 2020 out of the Company's profit reserve at 30 June 2020 to all shareholders registered on the record date of 24 September 2020 and will be 100% franked. The ex-dividend date for entitlement will be 23 September 2020.

COG's strategic focus

During FY20, the Group continued to make follow-on equity investments in controlled entities, including Platform Consolidated Group (PCG) and Fleet Network (FN), further consolidating its position as Australia's largest asset finance broking & aggregation network. Supporting these additional investments, management has continued to focus on the delivery of cost synergies and coordinated Group support to enhance the delivery of services across COG's finance broker network.

COG has also entered into a term sheet to acquire a further 19.18% controlling interest in Westlawn Finance Limited (Westlawn), in addition to the 32% stake acquired in October 2018. This transaction will be debt funded and is due to complete on 1 September 2020. Westlawn is a highly-credentialled and experienced non-bank financier of both SME and consumer loan receivables and will give COG direct access to a managed funds business capable of delivering more capital-efficient loan products to the Group's national broking distribution network.

Buoyed by these positive results, COG looks to build on its strong FY20 performance in FY21 and beyond. The Company will continue to opportunistically acquire asset finance brokers, focus on the funding opportunities provided by its Westlawn investment, and continue to expand insurance broking operations through its broker network. Moving into FY21, July 2020's monthly financial performance has been very strong with Group profit before tax up by more than 10% when compared with the prior corresponding period.

Consolidated Operations Group CEO Andrew Bennett said: "These results are very pleasing. COG's businesses have proven to be remarkably resilient and robust, particularly over the last COVID-19 impacted quarter of the financial year. The performance of our Finance Broking & Aggregation (FB&A) business validates COG's geographically diverse SME business model. We see continued growth over the near future as the Federal and State Governments increase infrastructure spending to further stimulate the economy".

He added: "Cashflows from Secondary Income on our operating lease portfolio are also currently exceeding expectations and we expect that total Secondary Income receipts will be around \$22m over the next 4 years compared to the Balance Sheet carrying value of \$17m."

About Consolidated Operations Group Consolidated Operations Group (COG) has two complementary businesses:

1. **Finance Broking & Aggregation (FB&A).** 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 \$4.5 billion per annum of Net Asset Finance (NAF). We will grow NAF through organic growth and further equity investment in brokers.

2. **Commercial Equipment Financing (CEF).** Through our extensive broker distribution network, COG provides own-funded equipment finance to SMEs.

In both businesses there are significant future growth opportunities available to COG through further consolidation and organic growth.

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