

16 November 2020

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

### **Annual General Meeting – Chair Presentation (Updated)**

Consolidated Operations Group Limited (**COG**) attaches an updated CEO Presentation.

The change made from the original version is on Page 12 of the Presentation, relating to Commercial Equipment Finance (CEF), and specifically to provide further information on the goodwill accounting treatment and non-cash item.

*Announcement authorised by: Andrew Bennett, Chief Executive Officer*

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#### **Who We Are**

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 Finance (CEF). Through our extensive broker distribution network, COG provides own-funded equipment finance to SMEs.

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



# Group CEO's 2020 AGM Presentation

Group CEO – Andrew Bennett

13 NOV 2020



**Consolidated**  
Operations Group  
*Finance and Leasing*



# 01

Overview



# COG Is Australia's Biggest Asset Finance Broking Group

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Australia's biggest asset finance broker and aggregator  
and trusted leader in SME and auto finance

**Westlawn**

Westlawn Finance Ltd (51% owned)  
Debentures and Managed Investment Schemes

Banks, Non-Banks,  
Insurance Companies



BORROWERS / ASSETS FINANCED

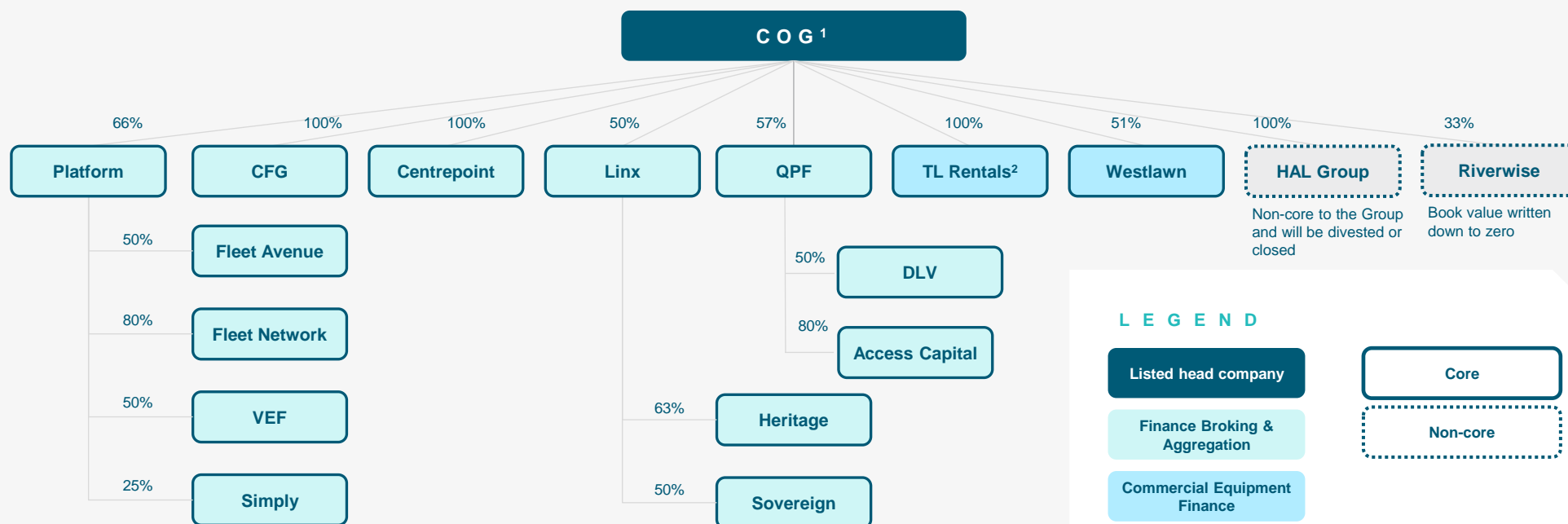


Note: 1. Finance and operating leases, chattel mortgages, invoice financing and unsecured

# COG Group Structure

COG has acquired full ownership or majority stakes in a number of asset finance broking businesses over the last 4 ½ half year.

Group structure diagram including key subsidiaries



Notes: 1. Head office expenses are reported in the "Other" segment.

2. Legally owned by HAL Group but reported in the Commercial Equipment Finance segment.



02

## **Asset Finance Broking Overview**

# A Strong Proprietary Platform

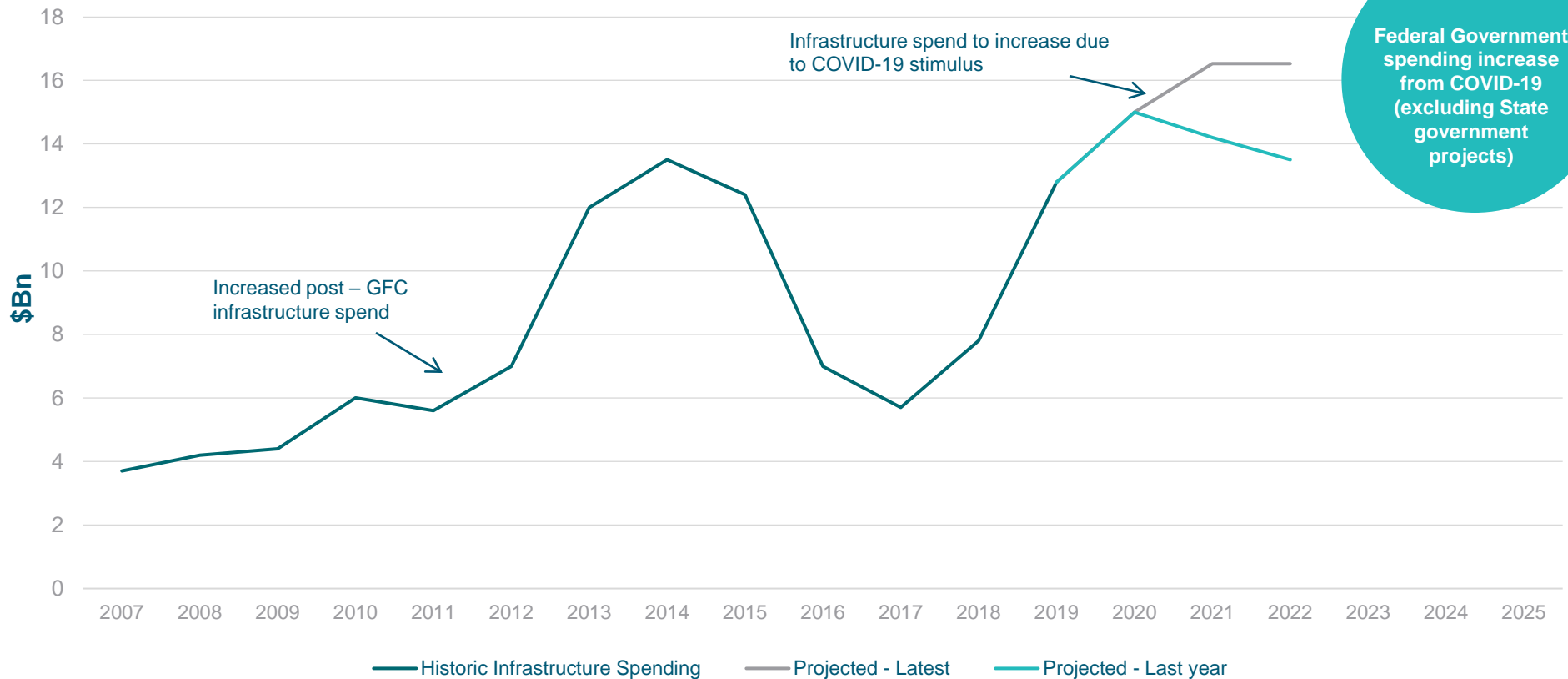
**COG has developed its own proprietary software system to assist asset finance brokers:**

- ✓ **Manage their clients**
- ✓ **Capture borrower data**
- ✓ **Provide real-time quotes**
- ✓ **Submit finance applications to funders electronically**
- ✓ **Deliver end of month reporting**
- ✓ **Monitor broker budgets against actual income**

COG's proprietary system has been built with the latest technology ensuring its foundational build was developed to allow for future growth and expansion. It will continue to be a point of difference for COG from its competitors and increased future spend on system functionality will see COG cement its position as the largest asset finance broking group in Australia.

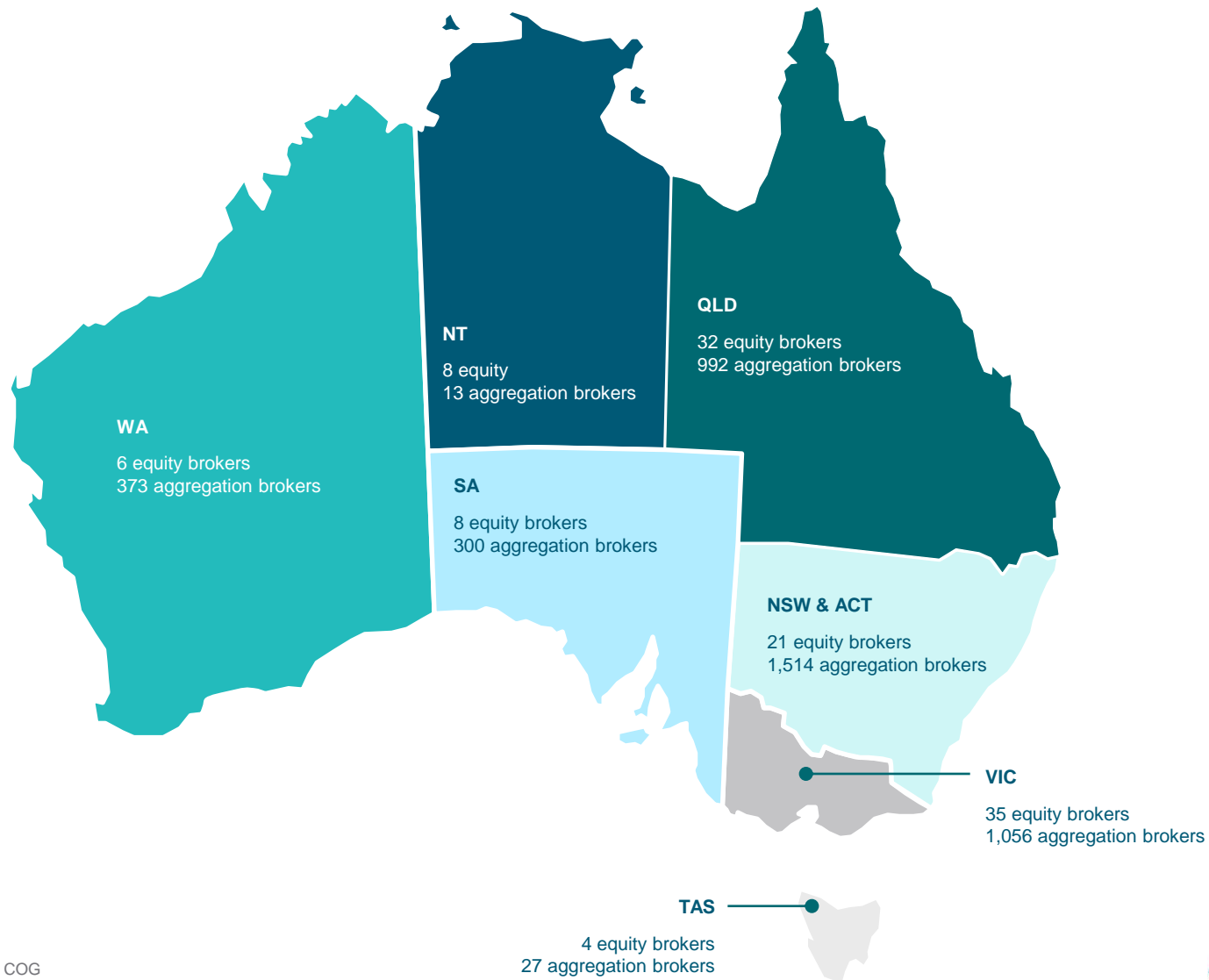
# COG Exposed to the coming Infrastructure COVID Stimulus

## Major Transport Infrastructure Projects in Australia





# National Asset Finance Broking Network - Broker Footprint



**Notes:** 1. Equity brokers are owned by COG  
2. Aggregation brokers are members of COG's aggregation buying group

# COG is Australia's Largest Asset Finance Broking Group

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Estimated 17% market share of broker intermediated finance

## SMALL MEDIUM ENTERPRISES (SMEs)

- Asset/equipment/auto finance
- Insurance
- Invoice financing
- Unsecured lending
- Secured lending
- Commercial property mortgages

## CONSUMER BORROWERS

- Auto loans
- Novated leasing
- Residential mortgages
- Insurance



**C O G**  
**Finance Broking  
& Aggregation Segment**

## BANKS / NON-BANKS

## INSURANCE COMPANIES

## WESTLAWN

Debentures And Managed Investment Scheme<sup>1</sup>  
CEF Segment

Notes: 1. Management Investment Scheme is expected to be implemented during the first half of FY21

## Australia's largest asset finance broking and aggregation group

### COG PROVIDES AGGREGATION SERVICES TO:

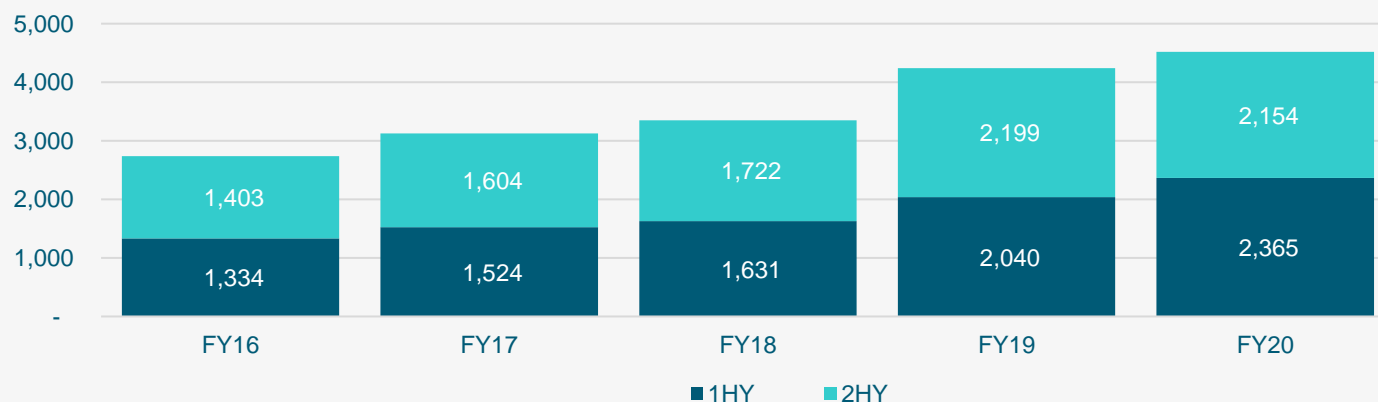
- Independent network member finance brokers
- COG equity owned finance brokers

Total net asset financed (NAF) settled increased by 7% to \$4.52bn

### COG OFFERS FINANCE BROKERS

- Access to wider panel of financiers and volume-based incentives
- Improved service offering and profitability
- Compliance and processing services
- Credit workflow and CRM software 1
- Annual asset finance broker conference
- Succession planning

Group Net Asset Financed \$'m



### Aggregation & Broker Brands



100% OWNED



100% OWNED



70% OWNED



50% OWNED



57% OWNED



03

**Commercial  
Equipment Finance**

# COG's CEF Segment has Evolved

## Old Model

- COG borrowed from Westlawn and others, added a margin and on lent funds
- Duplication of credit and servicing functions – inefficient



## New Model

- New product (chattel mortgage) – less risky than operating leasing
- Direct origination from Westlawn to brokers – COG out of the process
- Scalable as capital light compared to other non-banks



## New Model Consequence

Less risk, more efficient but the carrying value TL Commercial legacy operating lease operations (including goodwill of \$36m recognised in FY17 due to an accounting policy change, rather than a cash outflow from a purchase transaction) maybe revised down. This is a non-cash item.



# What are debentures and Managed Investment Schemes



Debentures to retail investors are regulated by ASIC (not APRA), have a quasi regulatory capital regime and set out in Regulatory Guide 69 and are a debt instrument.



Managed Investment Schemes are also regulated by ASIC but there is no required minimum mandated capital support. There are a variety of structures, from peer to peer arrangements where the unit holder has security over particular loans or receivables owned by the fund and investor is repaid from the cashflows of these specific loans. Alternatively, the loan or receivable assets of the fund might be pooled where all investors in a particular fund share the collateral and the cashflows of the pool collectively support the repayment of capital and income to the investors.



Credit enhancement (or loss absorbing capital) is provided to investors by reserving a portion of the investment returns earned from the collateral and carrying it forward to meet the portfolio future expected losses. This is a critical difference to other non-bank funding models which require the sponsor raise credit enhancement or loss absorbing capital ahead of growing originations.

## RISKS



Trend lower as funding model transitions to Managed Investment Scheme.

## ORIGINATIONS



To increase as the economy recovers from COVID – 19.

## CAPITAL LEVELS



Sufficient to significantly grow originations because Managed Investment Schemes have a lower requirement for capital.

## ROE



To increase, off lower relative capital requirements.