

# CML AGM Presentation

**CML Group**

earlypay<sup>e</sup>

## Chairmans Report 2020

I don't need to remind our shareholders of the challenges that CML has faced during the last 12 months. However, in spite of, and because of these challenges CML has responded in ways that have made our company more resilient, more responsive to our customers, and ultimately, more profitable.

### **The initiatives our executive team have put in place, in just 6 months, include the following:**

- Restructuring for a leaner and more customer focused organisation. In particular, a layer of management has been removed and some routine tasks outsourced. The expected annual savings are of the order of \$2.5m.
- Responsibility for sales performance and customer retention have been devolved to State Managers and increased activity is already evident.
- Our costs will reduce by \$1.5m annually on retirement of \$25m of FIIG bonds on 18th December, to be replaced with more cost effective warehouse funding and replacement of mezzanine funding across its warehouse facilities, with AOFM providing up to \$36m via the Structured Finance Support Fund (SFSF).
- We have acquired and integrated an online platform to facilitate access for our core invoice finance product for an expanded segment of the SME market
- The platform provides a fabulous interface with our customers to manage their invoices directly online. It streamlines the take-on of new customers from several weeks to less than 1 day.
- It also enhances the visibility of our customers finances by directly linking to their cloud accounting system (MYOB, Zero and Quickbooks). This automates many previous manual processes and enhances our risk management of customer accounts.
- Loan documentation has been streamlined to facilitate a more rapid take-on of new business
- We have entered into a distribution agreement with COG Financial Services Limited (ASX: COG), Australia's biggest asset finance broker and aggregator, to facilitate access to this group of brokers for product education and marketing activity – providing a much expanded broker channel for CML. CML has appointed Stephen White, a COG Director, to our board who will facilitate our working relationship with COG.
- To facilitate the marketing of our products and digital transformation of the business CML is undergoing rebranding to Earlypay. The rebranding exercise has been underway for several months and, with our shareholders' approval at our AGM, our new name will be in place practically immediately. The CEO's presentation at our AGM will allow our shareholders to see our new branding first hand.

The early signs from these initiatives are tremendous. Over the last 2 months, we have materially increased total transaction volume (TTV) from new business and our sales pipeline is strong and growing daily.

There remains margin pressure on TTV when compared to FY'20, primarily due to reduced interest income as clients draw less than they have historically from funding. This is considered temporary, demand for funds is expected to increase beyond historical levels in coming months, as SME's consider their working capital requirements to manage the costs associated with recent business disruption and reduced availability of Government stimulus. I am enthusiastic about the opportunities ahead for our business and thank our valued shareholders for their continued support.

Our executive team have performed outstandingly to maintain our business and set it up for the growth ahead. Special thanks to the CML Board as well – they have remained steadfast in their support of the business throughout.

**Greg Riley**

Chairman

CML is an ASX listed (ASX: CGR) provider of secured finance to SME businesses in the form of Invoice and Equipment Finance.

<0.1%

Default rate

3000+

Servicing 3000+ SMEs (0.1%+ of total SMEs)

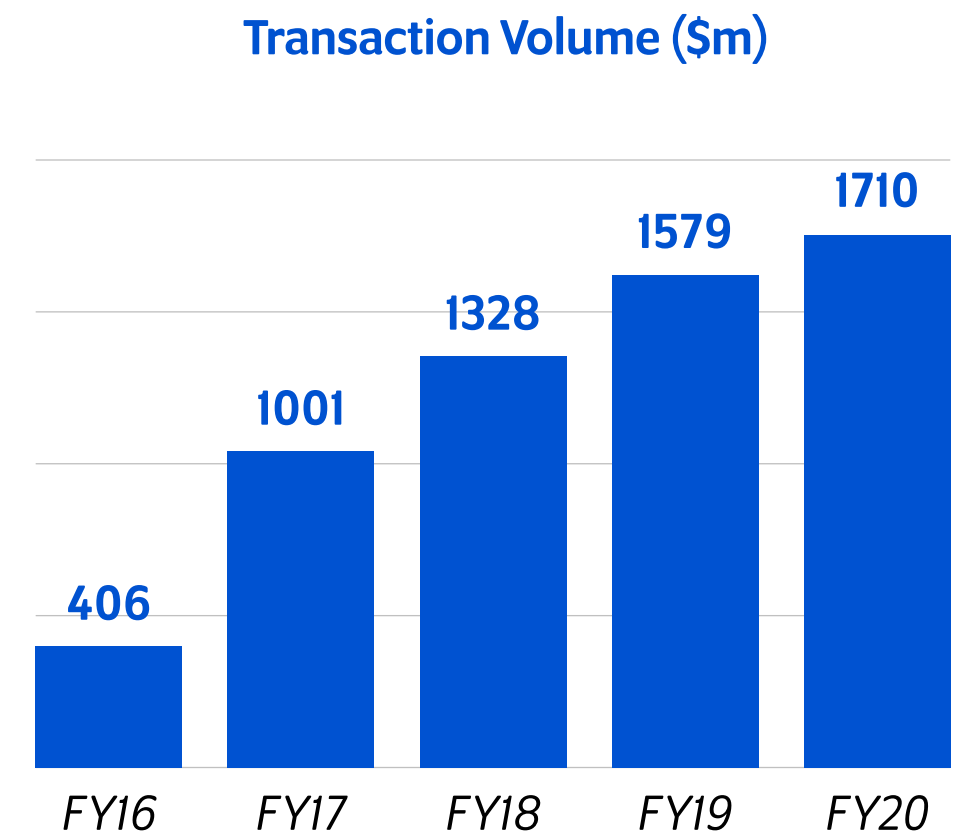
100+

Employees in offices nationally

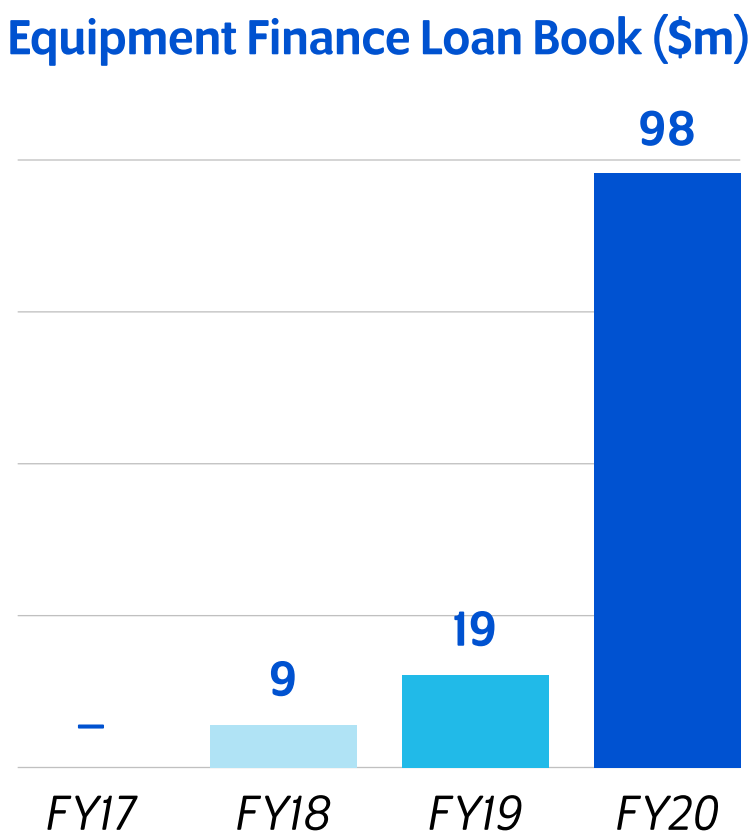
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New technology platform to drive growth

\$6bn+ Invoices Funded Since 2015 (\$1.7bn in FY20)



c.\$100m Equipment Loan Book



FY'20 Highlights

Despite challenging environment CML produced strong results.

EBITDA (adjusted)

\$19.8m

(\$20.4m pcp)

Underlying NPATA

\$8.4m

(\$9.5m pcp)

Underlying EPS<sup>1</sup>

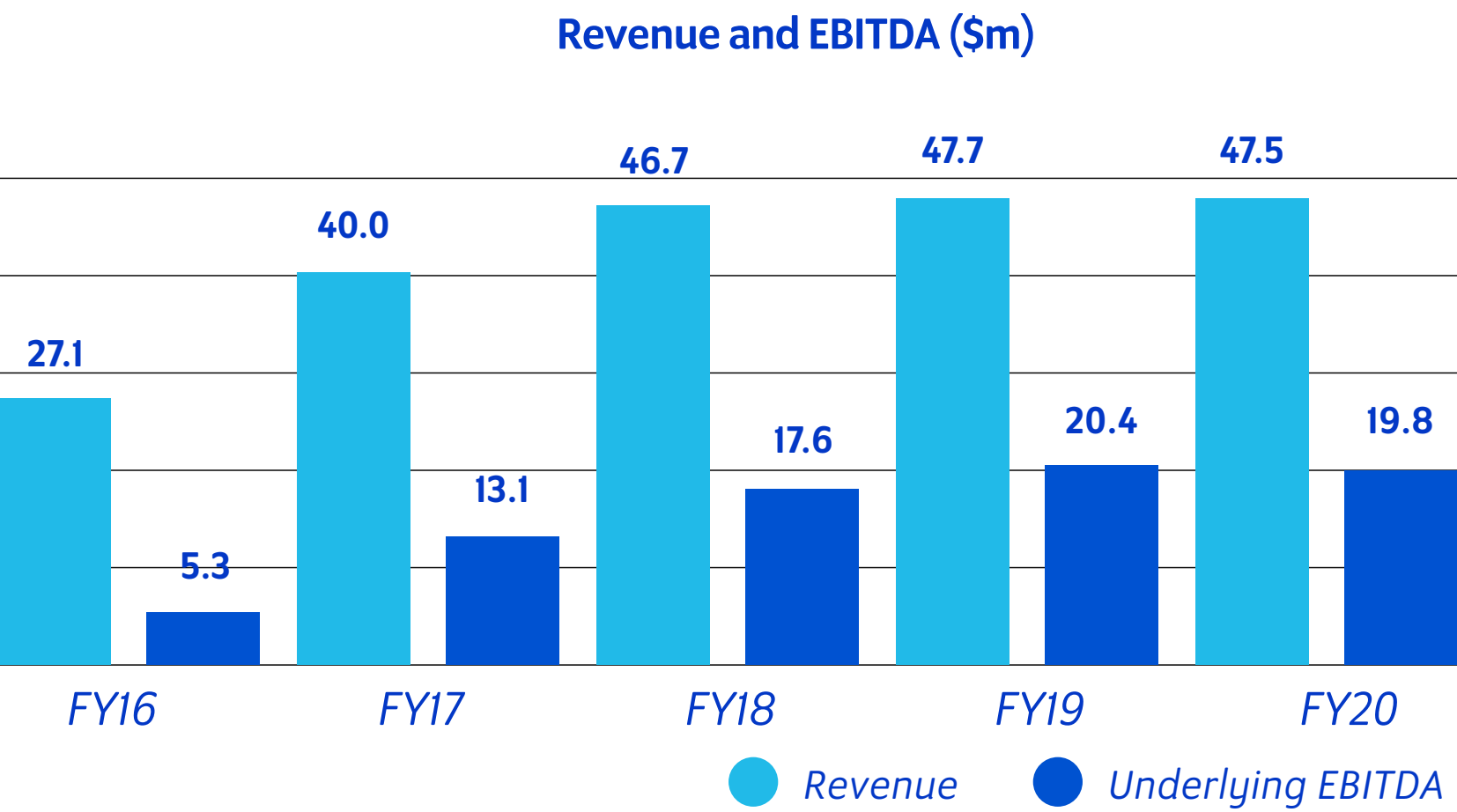
4.0c

(4.7c pcp)

DPS (Fully Franked)

1.75c

(2.4c pcp)

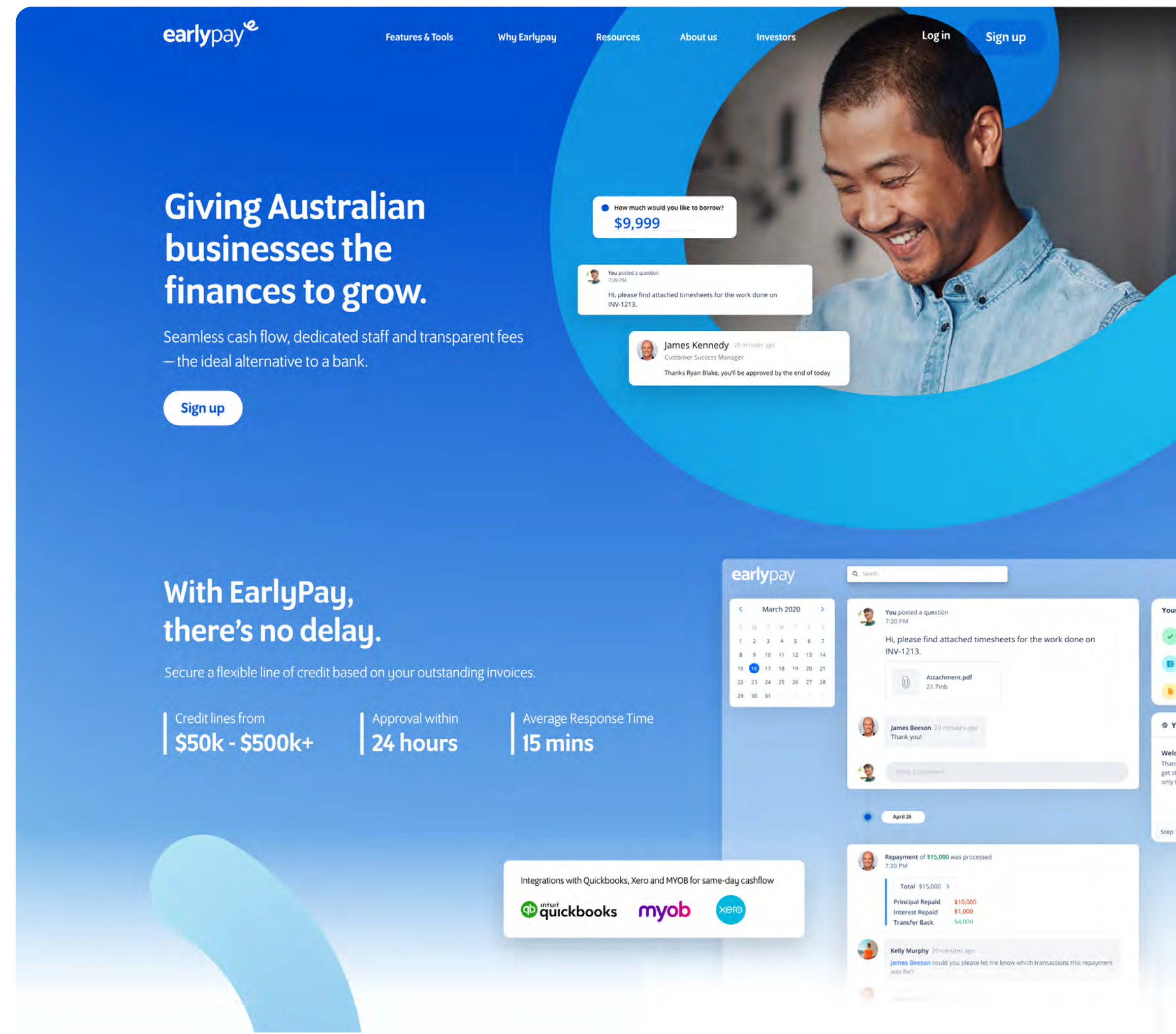


1. FY'20 Underlying EPS is based on Underlying NPATA, which excludes non-cash \$2.4m impairment of goodwill, \$0.5m amortisation of intangibles, hardship adjustment of \$0.9m and \$0.8m for corporate activity



# Business Update

- Rebrand to Earlypay
- Digital transformation
- Trading update



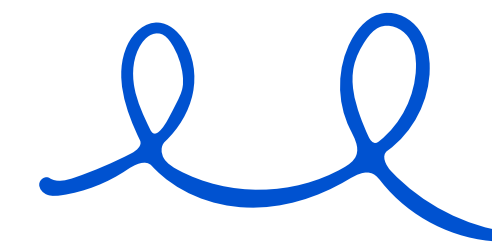
# Business finance made simple.

At Earlypay, our mission  
is to provide Australian  
businesses with the cash  
flow they need to grow.

**Play Video**



An 'e' for Earlypay



Loops for  
connection



Happy and loyal  
customers

# Client acquisition

## Reduced on boarding of clients from 2 weeks to 24 hours

Following the acquisition in August of online invoice finance platform, Skippr, CML has worked quickly to redesign business processes to leverage automation and access to data.

This has facilitated faster access to its core invoice finance product for an expanded segment of the SME market as well as operational efficiencies to drive profit margin.

### From our clients

" Joining the Earlypay family has given the group the peace of mind and ability to know that funds will always be available to achieve the agreed terms and favourable rates. "

- Anthony

" Exceptional service , transparent honest fees, a fantastic cashflow solution as we look to scale our business. "

- Matt

" Refreshingly engaging and accommodating throughout our application and on boarding process which has been a breath of fresh air when compared with my previous financing experiences. "

- Graeme

" An amazing service for businesses looking to ease up their invoicing and cash flow process. "

- Andi



# Client acquisition

Key Processes	Previous	earlypay <sup>e</sup>	Comments	Advantage
Assessment	Manual	Automated	<p>Easy referral process for brokers with application via a link, and all data required for credit decisioning automatically extracted from the client's cloud accounting software and other data sources. Broker paid a referral fee on settlement.</p> <p>New SME clients can also apply directly via the app.</p> <p>Automation facilitates quick credit decisioning to profitably service smaller facilities, starting at \$20k (previously \$200k), increasing the addressable market by 140%+</p> <p>Data downloaded directly from clients cloud accounting software (MYOB, Xero, Quickbooks).</p>	<ul style="list-style-type: none"><li>• Expanded broker distribution</li><li>• Same day credit decisioning</li><li>• Broader target market</li></ul>
Onboarding	Manual	Automated	<p>The Earlypay onboarding process is managed within the app, providing an industry leading customer experience, to efficiently onboard more clients, faster.</p> <ul style="list-style-type: none"><li>• ID check</li><li>• Credit reporting</li><li>• Debtor setup</li><li>• Documentation</li></ul>	<ul style="list-style-type: none"><li>• On-boarding of new clients completed within 24 to 48hrs (previously 1 to 2 weeks)</li><li>• Client acquisition costs materially lower</li></ul>



# Client management

Operational efficiencies to drive profit margin

Key Processes	Previous	earlypay <sup>e</sup>	Comments	Advantage
Funding	Manual	Automated	Earlypay app facilitates fast & flexible funding for clients; <ul style="list-style-type: none"><li>The 'live ledger' updates funding availability as invoices are raised &amp; paid</li><li>Client communication is managed within the app, facilitating quick response on funding requests.</li></ul>	<ul style="list-style-type: none"><li>Reduced processing time</li><li>Enhanced communication</li></ul>
Payments	Manual	Automated	Real-time sync of financial data supports easy identification and allocation of payments to reconcile balances and provide up-to-date funding availability to clients.	<ul style="list-style-type: none"><li>Reduced admin time</li></ul>
Reporting	Manual	Automated	Earlypay provides reports to assist clients manage funding requests, view payments etc. Data assists earlypay with risk oversight, with a full history of financial performance available within the app, reports on trends including debt turn, ageing etc.	<ul style="list-style-type: none"><li>Comprehensive reports for clients</li><li>Enhanced risk management.</li></ul>

Integrations with Quickbooks, Xero and MYOB for same-day cashflow

 **quickbooks**

 **myob**



# Trading update

## Growth has resumed

### Invoice Finance

- Total transaction volume (TTV) above FY'20 levels (FY'20: \$1.7B) on a run rate basis – driven by New business + rebound in volume from existing clients
- In last 2 months have settled 24 new facilities with anticipated combined annual transaction volume of \$200m+.
- New business pipeline is very strong and CML anticipates continued growth through FY'21.
- Margin (interest income) on TTV remains subdued but is expected to improve over the year with a reduction in Government stimulus (particularly Jobkeeper) likely to result in clients drawing more against their available funding.
- Successful integration of the acquired online platform and rebrand to Earlypay is facilitating efficiencies in on-boarding and client management, with the majority of new facilities being managed through the platform.

### Equipment Finance

- Originations have increased beyond historical volumes (October was \$4m) which is material against a starting loan book of \$98m as at 30 June 2020.
- Strong new business pipeline.

## Funding costs reducing

- Have notified FIIG it will be repaying \$25m bond on 18th December 2020 which will now be funded through existing lower cost warehouse facilities.
- Have now refinanced mezzanine funding across its warehouse facilities, with AOFM providing up to \$36m via the Structured Finance Support Fund (SFSF).
- In combination, this will reduce CML's funding costs by approximately \$1.5m per annum.
- Still have over \$100m headroom across facilities leaving ample room for expansion