

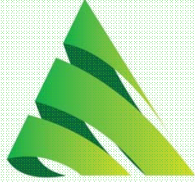


Armida Investment

C O R P O R A T I O N (AIK)

AIK AGM 2016

21 November 2016



Investment Objective

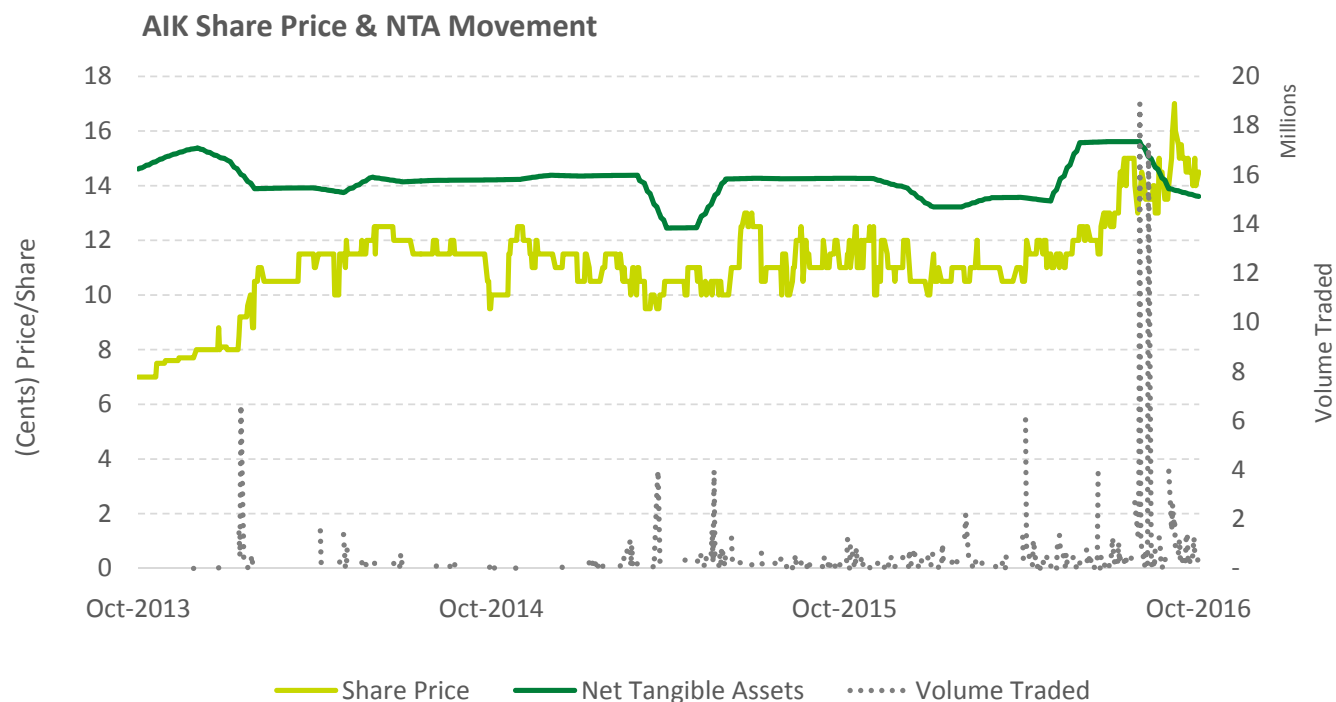
To grow AIK's Earnings Per Share from complementary businesses that specialise in:

- ▶ Finance broking for equipment and motor vehicles
- ▶ Finance broker aggregation
- ▶ Operating leases for essential business assets



Share Price and NTA History

Description	
Share Price (Cents)	14.50
▪ 52 Week High	17.00
▪ 52 Week Low	10.00
NTA / Share (Cents)	13.61
Market Capitalisation	\$145.83m
No. of Shares on Issue	1,005.73m
As at 31 October 2016	



	3 Month	6 Month	1 Year	3 Year p.a.
Share Price Performance	12%	32%	32%	27%
As at 31 October 2016				

Source: S&P Capital IQ
AIK Management



AIK's Financial Information

Statement of profit or loss - Year ended 30 June (\$m)

	2016	2015
Revenue	2.9	3.0
Unrealised gain on investments	13.4	6.7
Profit before income tax	14.3	8.1
Income tax expense	(0.1)	(0.3)
Profit after income tax	14.2	7.8

Statement of financial position - Year ended 30 June (\$m)

	2016	2015
Cash	0.01	10.8
Financial assets	92.7	46.1
Intangible assets	-	0.4
Total assets	93.2	57.5
Other liabilities	(4.5)	(0.7)
Net Assets	88.7	56.8

HIGHLIGHTS

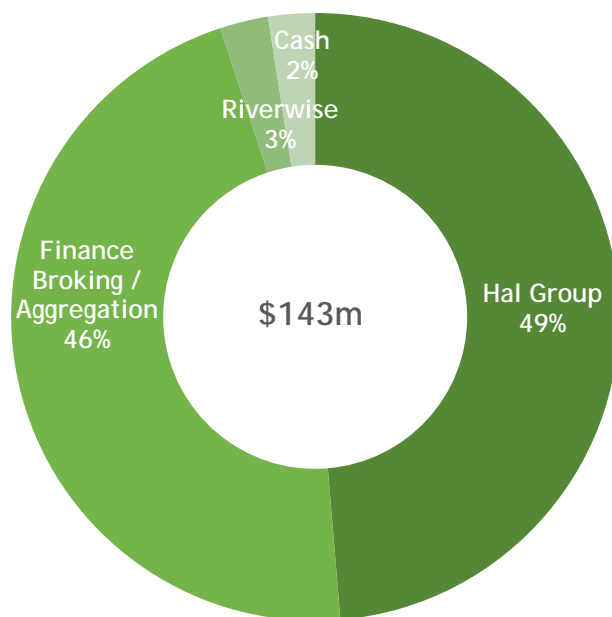
The increase in the unrealised gains on AIK's investment portfolio was largely attributable to the significant increases in the value of the Hal Group due to the strong lease origination.

This valuation uplift contributed to the overall increase in the net assets of AIK, along with the acquisition of Platform in the year ended 30 June 2016



AIK Investment Portfolio – 31 October 2016

Balanced towards business equipment finance.



**Assumes the total cash payments and share issues for CFG, Linx and QPF (completion 85% and settlement 15%)*

Hal Group/TL Rentals (100% Owned)

- Valuation at 31 October 2016 is \$69.6m (inclusive of debt and equity).
- This valuation is driven by a business in growth mode which provides corporate financing solutions for essential business equipment.

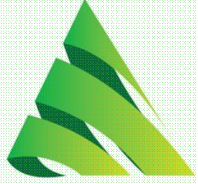
Finance Broking and Aggregation

Platform (60% Owned)

- Valuation is \$22.9m (valued at original acquisition price) at AIK's ownership interest.
- The valuation performed and announced to the ASX indicated a low to high valuation range of \$23.1m to \$26.0m
- Platform provides motor vehicle and general business equipment finance.

CFG (80% Owned)/Linx and QPF (each 50% Owned)

- Combined valuation is \$43.1m (CFG \$12.6m, Linx \$12.0m and QPF \$18.5m) for the respective ownership interests.
- The valuation is based on the acquisition price of the newly acquired entities and assumes that all completion (85%) and settlement (15%) cash payments/share issues have been made.



Business Update as at 31 October 2016

- ▶ TL Rentals has achieved a 29% increase in YTD origination to \$11.1m (\$8.6m in prior period)
- ▶ Detailed activity by ASIC focussed primarily on compliance within the consumer lending space has been occurring for some time. This has led to a reduction in the turnaround times with a financier of Platform and approval rates of transactions for that financier. Platform have been working closely with the financier to return to normal levels and are involved in a pilot roll out of the new responsible lending practices
- ▶ The \$15 million bank facility has been credit approved and documentation has been agreed and is now in the process of execution. It is expected the first drawdown of \$10 million will occur within the next 3 weeks. The funds will be available as and when required for the completion of recent acquisitions, future acquisitions and continued development of the TL Rentals lease portfolio



Company Overview

Armidale Investment Corporation Ltd is an ASX-listed Investment Company focused on the asset and equipment finance sectors

Armidale Investment Corporation has 2 existing core business segments:

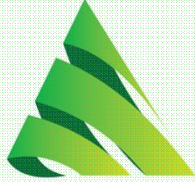
1. TL Rentals Pty Limited (a wholly owned subsidiary of Hal Group Limited)

- ▶ Currently has an equipment finance loan book of \$88.6 million at Original Equipment Cost (OEC)
- ▶ Origination of leases FY17 is forecast to be \$40 million at OEC (compared to \$33.4m in FY16 - up ~20%)
- ▶ A nimble credit provider to commercial customers with low losses due to delinquencies (under 2%)

2. Finance Broking and Aggregation Businesses

Platform Finance & Leasing Group Pty Limited (Platform)

- ▶ Platform represents a collective of specialised finance brokers engaged in plant & equipment and motor vehicle finance to the commercial and consumer finance sectors with no credit risk
- ▶ Net amount financed in 2016 was \$1.01 billion, an increase of 19% on the prior year



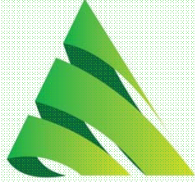
Company Overview

Consolidated Finance Group Pty Limited (CFG)

- ▶ CFG is a membership based group that aggregated approximately \$1.74 billion of asset finance with financial institutions in the 2016 financial year, a 37% increase on the prior year
- ▶ CFG currently provides services to almost 100 independent finance broking firms, which represents over 250 individual brokers
- ▶ CFG is currently the largest independent specialist equipment finance aggregator in Australia. CFG is not a finance broker; it provides its equipment finance broker members access to lenders, product, commission, volume based incentives (VBI's) and services such as credit, documentation and compliance advice

Linx Finance Australia Pty Limited (Linx)

- ▶ Linx has offices in Melbourne and regional New South Wales and provides financial services throughout Australia
- ▶ Linx specialises in the heavy equipment industries with expertise in the transport, bus, coach, logging, civil construction, manufacturing and agricultural sectors. The financial services offered by Linx include asset finance, insurance along with residential and commercial mortgages
- ▶ Linx originated approximately 12% of the CFG net amount financed in the 2016 financial year



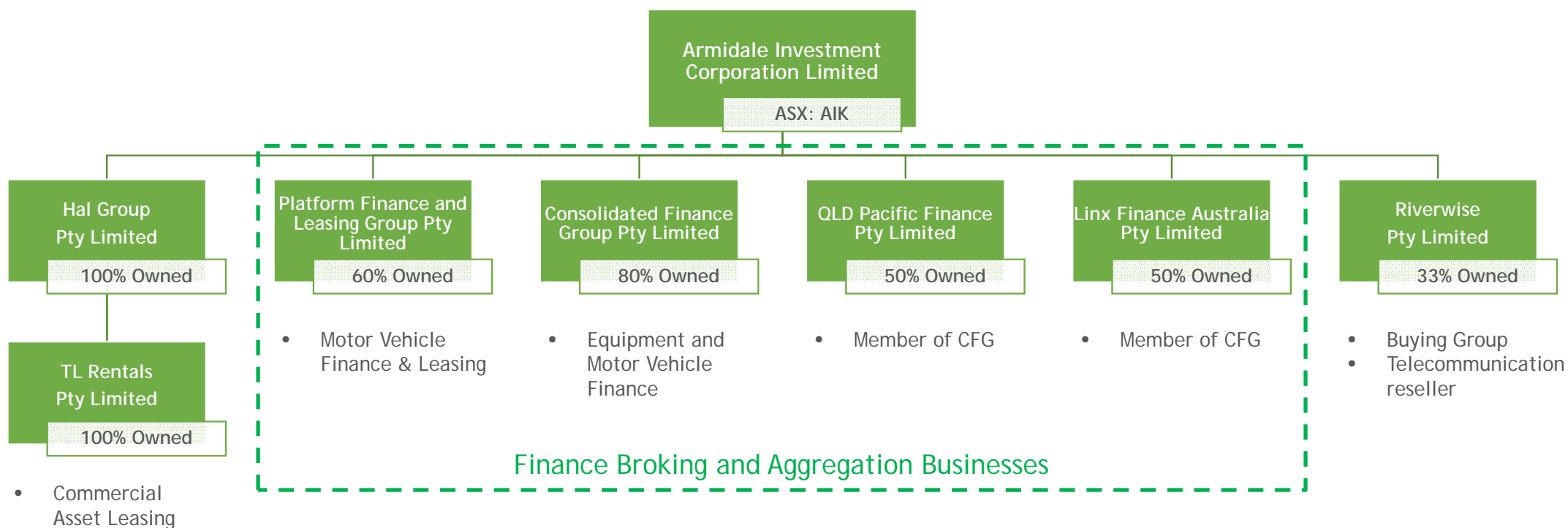
Company Overview

QLD Pacific Finance Pty Limited (QPF)

- ▶ QPF was established in 1977 and is a commercial finance broker with offices in Brisbane, Perth and regional Queensland. QPF provides finance solutions to businesses throughout Australia via partnerships with equipment vendors and a strong online presence on leading internet equipment sales platforms
- ▶ The financial services offered by QPF include asset finance, working capital finance, insurance and both residential and commercial mortgages
- ▶ QPF originated approximately 16% of the CFG net amount financed in the 2016 financial year



Company Structure







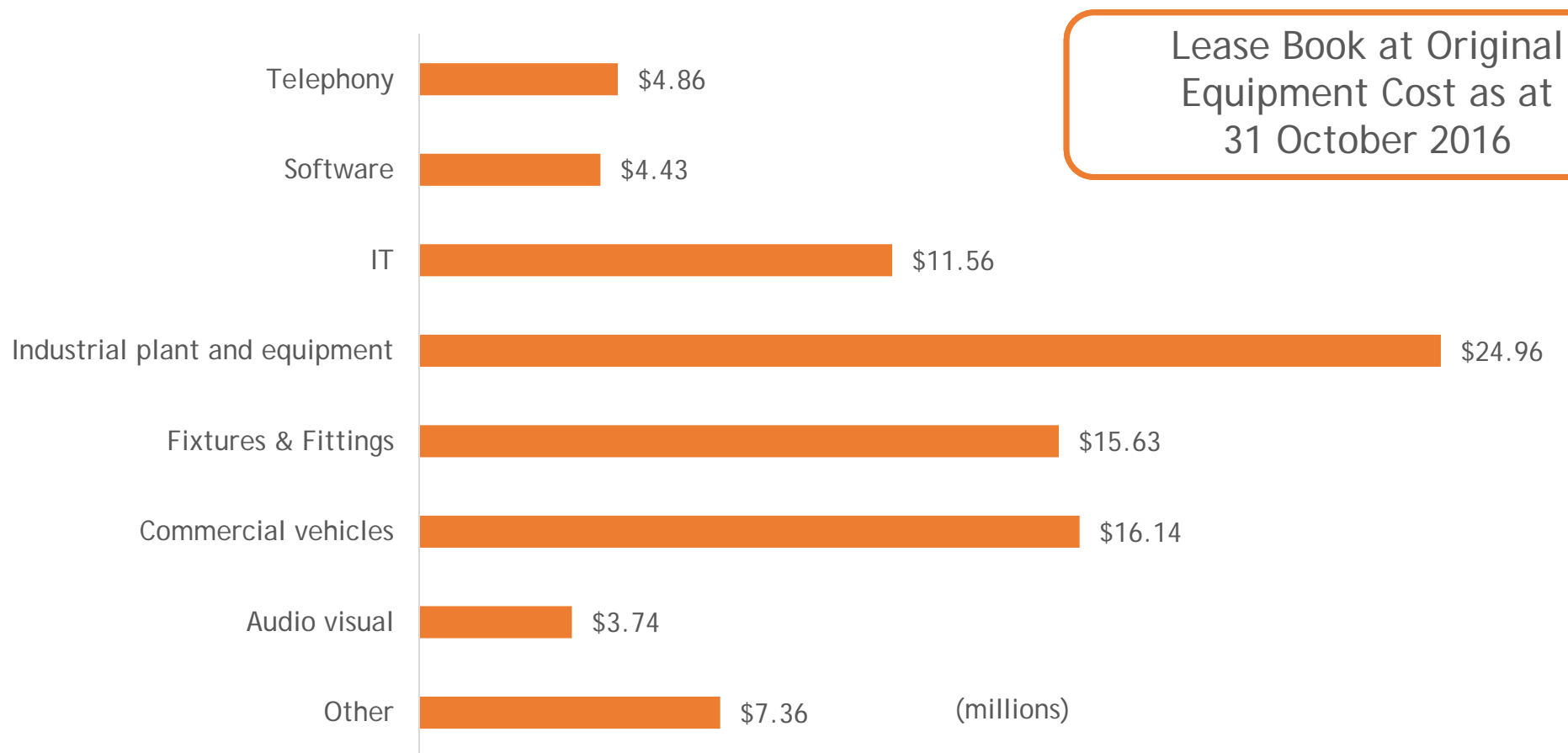
STRATEGY

*Provide equipment
financing solutions for
essential business assets*

HIGHLIGHTS

- ▶ Originated \$33.4m in FY16, \$11.1m originated YTD to 31 October 2016 (\$8.6m in prior period)
- ▶ Lease Book at Original Equipment Cost (OEC) is \$88.6m at 31 October 2016
- ▶ Funders: working capital, debenture, AIK debt, 4 external parties
- ▶ 24 Staff
- ▶ Average equipment rental deal size is approx. \$87k

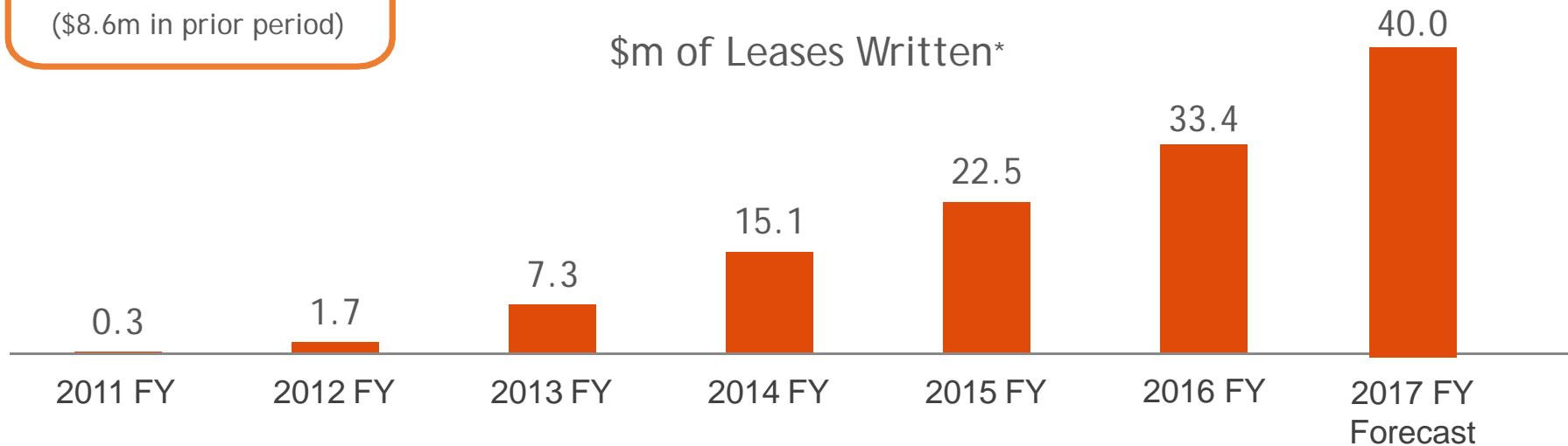
Lease Portfolio by Asset Type





\$11.1m YTD
31 October 2016
(\$8.6m in prior period)

\$m of Leases Written*



**At original equipment cost*

2005 TL Rentals Originated \$83m

Leasing Model Produces Cash Flows



Cash flows for TL Rentals ex GST						
	Day 1	Year 1	Year 2	Year 3	Year 4	Total
Equipment paid for OEC	(100,000)					(100,000)
Brokerage paid	(4,000)					(4,000)
Proceeds from funding	107,432					107,432
Rent received		41,598	41,598	41,598		124,794
Rent paid to funder		(41,598)	(41,598)	(41,598)		(124,794)
Inertia rentals/equipt. sales proceeds					20,000	20,000
Net cash flow for TLR	3,432	-	-	-	20,000	23,432

► Weighted average spread +4%

** Cash flows are the core of the valuation model*

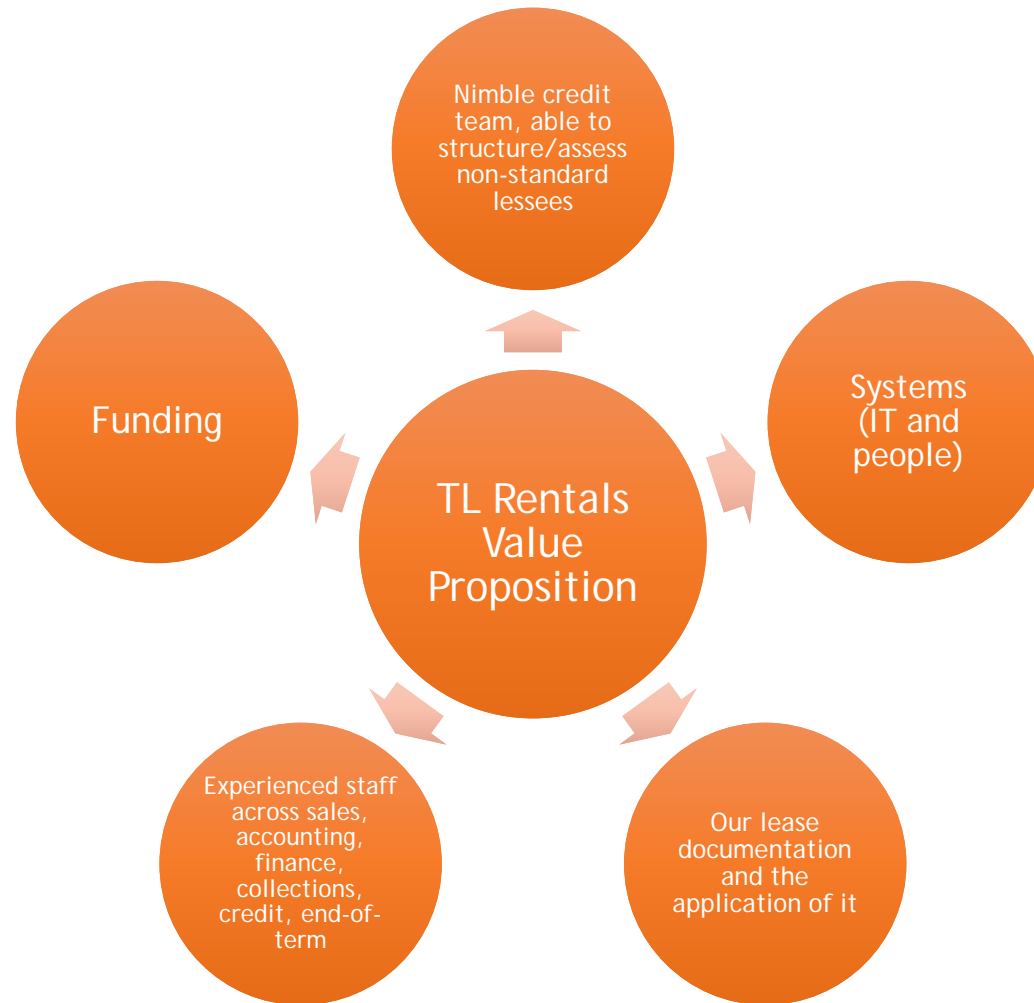
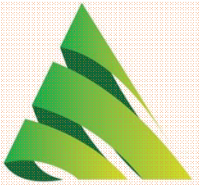
Key Data Lease Performance



% return of end of term income (inertia)	
<i>Year</i>	<i>% inertia*</i>
2011	19%
2012	21%
2013	21%
2014	23%
2015	23%
2016	23%

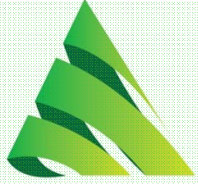
**As a percentage of OEC*

- ▶ Arrears track at 0.7% or less
- ▶ Net write offs track at 2% or less



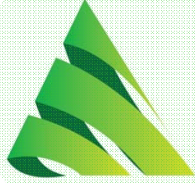


- ▶ Maintain credit quality and low delinquency
- ▶ Grow the lease book (aim is 20% per annum)
- ▶ Broaden funding sources (reduce risk, lower cost of funding, more leases can be written)
- ▶ Generate referrals from recent acquisitions
- ▶ Vendor partners to become their preferred financier



Finance Broking Market

- ▶ The Australian asset finance market (including Plant & Equipment and Motor Vehicle finance) is approximately \$42.1 billion on annual origination (Source: East & Partners)
- ▶ Asset Finance Brokers represent approximately 60% of the market or \$25 billion
- ▶ The market is very fragmented. AIK is a significant aggregator with the completion of the CFG acquisition with ~\$2.75 billion in annual transactions when working with financiers
- ▶ The existing aggregation service offerings will remain in place
- ▶ Mortgage brokers intermediate up to 52% of new mortgages compared with 15% approximately in 1992 - the finance broking market has been experiencing similar growth
- ▶ There is an incentive for consumers to use a broker in complex markets where the product manufacturer pays a commission
- ▶ Brokers offer a customer benefit by being able to offer a wide product choice, quality service and customer experience



Platform Finance & Lease Group (Platform)

- ▶ AIK acquired a 60% interest in Platform for \$24 million in December 2015 (comprising of 75% cash and 25% scrip) and is able to acquire the remaining 40% in two separate 20% acquisitions at July 2018 and July 2020
- ▶ Platform was acquired on a trailing 12 month EBITDA multiple of 7.66 times (at November 2015)
- ▶ There are also referral benefits, with Platform able to refer operating lease finance to TL Rentals
- ▶ Revenue and expense synergies can be achieved through merging smaller brokers into brokers such as Platform, Linx and QPF



CFG, Linx and QPF

- ▶ AIK has successfully completed the deals and acquired a percentage of CFG, Linx and QPF as announced to the ASX
- ▶ Total consideration of \$43.1 million (based on an 8 times historical EBITDA multiple pre synergies) funded through cash (60%) and AIK script (40%)

80%
CFG

50%
Linx

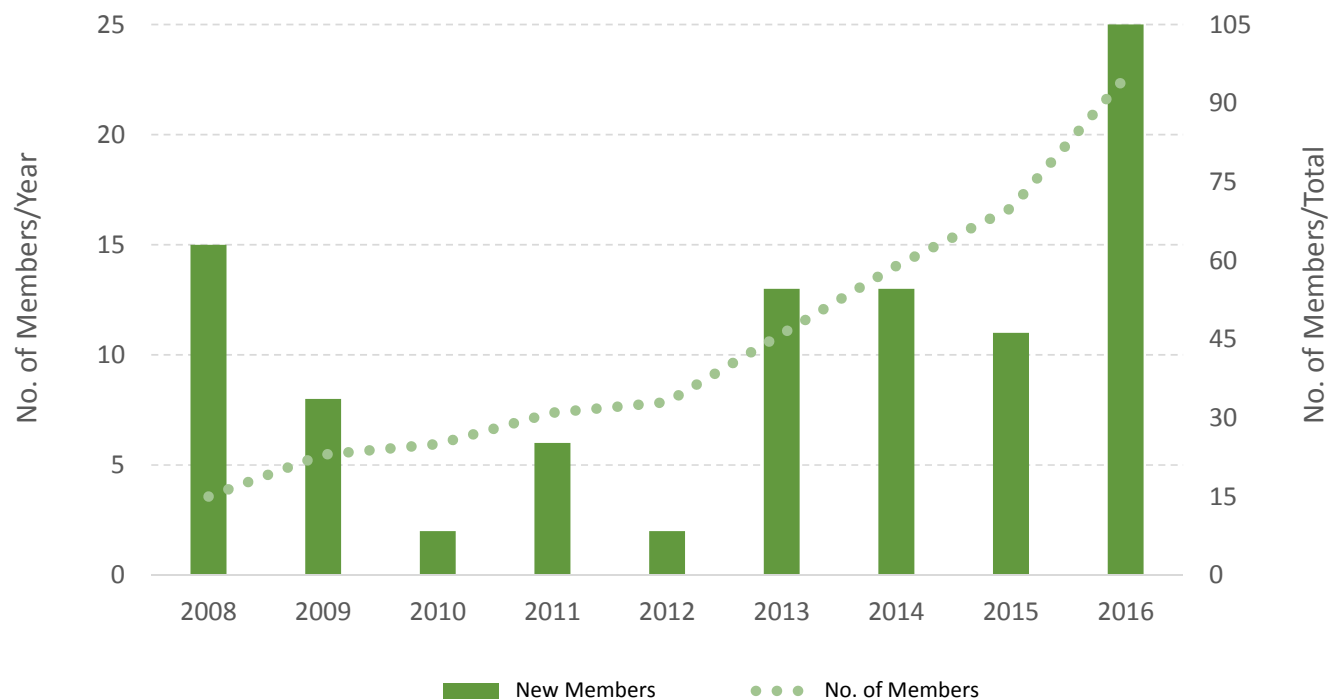
50%
QPF

- ▶ The above acquisition will grow the broker aggregation volume to ~\$2.75 billion, increasing the groups significance to financial institutions
- ▶ There is a put and call option over the remaining 20% of CFG two years after the acquisition and 10% in each of Linx and QPF at the 2, 4 and 6 year anniversaries of the acquisition
- ▶ Considerable referral benefits are expected to flow from CFG, Linx and QPF to TL Rentals as a result of this acquisition and the service relationship that may be developed

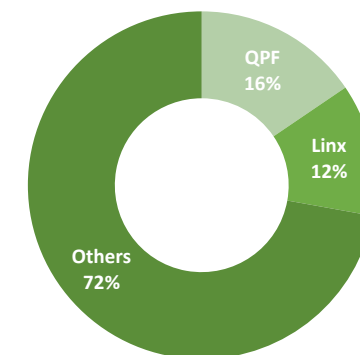


CFG Volume and Membership Growth

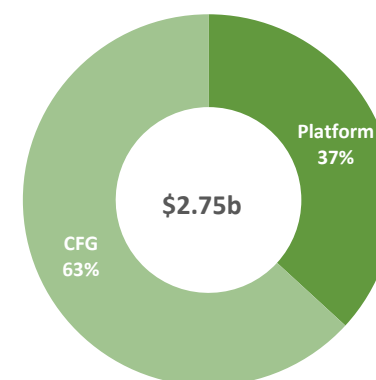
CFG Membership Growth

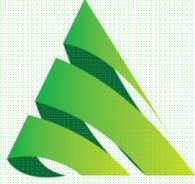


CFG Volume 2016



2016 Net Amount Financed





Areas of Strategic Emphasis

- ▶ Continued growth in the lease portfolio
- ▶ Capital accumulation of asset finance brokers
- ▶ Improve efficiencies in aggregation businesses through:
 - IT systems and streamlining processes
 - compliance excellence
 - working closely with financiers to improve and share in efficiencies created



Senior Management



Andrew Grant
Joint Managing Director

- ▶ 30 years' experience in the finance sector
- ▶ B.Bus, Chartered Management Accountant
- ▶ One of the Hal Group founders when founded in 1993
- ▶ Non-executive Director of Employers Mutual Ltd since 2002
- ▶ Director of Leading Edge Group



Cameron McCullagh
Joint Managing Director

- ▶ Over 30 years' experience in the finance sector
- ▶ Started White Outsourcing and grew to an entity with >A\$30 billion in back office administration
- ▶ CEO of Employers Mutual and grew from A\$30m to >\$1Bn of annual premium under management
- ▶ Previously COO of Steadfast Group Ltd - the ASX-listed insurance broking accumulator



Raylee Carruthers
Chief Operating Officer

- ▶ 24 years' experience in the finance sector, including audit and corporate advisory
- ▶ B.Com, Chartered Accountant and Masters in Management
- ▶ CEO of Leading Edge Group for three years until 2015
- ▶ 11 years experience with Hal Group



Jesse Hamilton
Chief Financial Officer

- ▶ Previously worked for Pitcher Partners Business Advisory and Assurance as Manager with over 8 years experience in the assurance and advisory sector
- ▶ B.Com, Chartered Accountant
- ▶ Specialises in valuations, audit and financial risk analysis / assessments, financial due diligence and capital raising



Non-Executive Board Members

Bruce Hatchman Non-Executive Chairman

- ▶ Former Chief Executive of Crowe Horwath with 40 years experience in audit and assurance services
- ▶ Chartered Accountant
- ▶ Member of Australian Institute of Company Directors

Mark Smith Non-Executive Director

- ▶ Long term investor who has established a number of successful small businesses in NSW.
- ▶ Part time owner-builder, farmer and apiarist.

Stephen White Non-Executive Director

- ▶ Principal and director of Noah's Rule, a specialist risk advisory firm.
- ▶ 22 years experience in banking including Barclays, Rothschild and HSBC.
- ▶ Graduate Member of the Australian Institute of Company Directors
- ▶ Masters of Management from MGSM

Following the completion of the recent transaction, two additional AIK Directors will be appointed to enhance the Board and Executive Team:

- A director to be recommended by the Vendors of CFG; and
- Mike Nicholls, the Managing Director of Platform. Mike brings a wealth of business experience and in particular, in the asset finance broking industry.

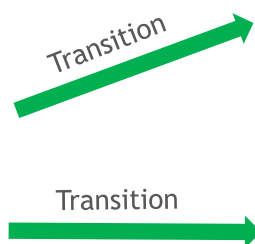


Investment Entity Accounting

- ▶ AIK had previously determined that it falls within the definition of Investment Entity as set out in the Australian Accounting Standards Board (AASB) AASB 2013-5 *Amendment to Australian Accounting Standards - Investment Entities*. In accordance with this accounting standard, AIK's interests in its investments are measured at fair value through the statement of profit or loss (FVTPL)
- ▶ Effective 1 November 2016 and as a consequence of the recent acquisitions, AIK has determined that it ceases to be an Investment Entity which results in a status change and a move to consolidated accounting. The change will be accounted for prospectively from the date of the change in status as prescribed by the accounting standards
- ▶ Any difference between the identifiable assets and liabilities of the controlled entities and their fair value (carrying amounts) on the date of the change in status is expected to be recognised as goodwill in the consolidated statement of financial position
- ▶ It is noted that AIK's accounting treatment is a separate exercise and unrelated to the requirements and definition of an Investment Entity (or LIC) under Chapter 19 of the ASX Listing Rules
- ▶ AIK has concluded that it no longer fits the definition under Chapter 19 of the ASX Listing Rules and therefore should not be classified as an investment entity. The ASX has confirmed this position. The final NTA reporting obligation will be for the month ending 30 November 2016
- ▶ The AIK parent entity (only) will continue to fair value its holdings in its investments going forward

Overview of change

Description	Current Treatment
Investments in controlled entities (HaI, Platform, CFG, QPF, Linx)	FVTPL
Investment in Riverwise	FVTPL



Investment in subsidiaries

The investments in controlled entities will no longer be recognised as individual investments in the financial statements.

AIK will recognise the assets and liabilities of each controlled entity in the consolidated statement of financial position in addition to the operating results within the consolidated statement of profit or loss, adjusted for outside equity interests.

Investment in associates

AIK will recognise its share of profit or loss from Riverwise under the equity accounting method.