CML Group

(ASX: CGR)

Investor Presentation

Presented by Daniel Riley – CEO

October 2014

CML Group

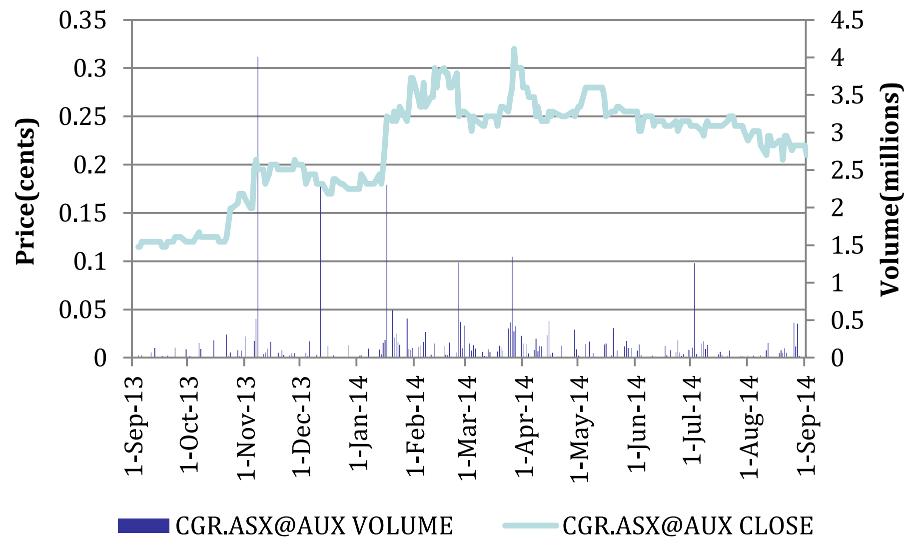
Payroll & Finance

Corporate Snapshot

Capital Structure	
Share price	$0.20
Shares on issue	90,302,694
Market cap	~$18m
NPAT (underlying)	$1.27m

Register	
Board and Management	28%
Institutional Shareholdings	29%

Recent share price performance



Business Overview

"CML Group delivers payroll, finance & employment solutions, enabling our clients to focus on and succeed in their core activities"

Finance

- Refers to 'factoring' or 'receivables finance' which provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from the customer (often 30 to 60 days).
- This is a flexible line of credit that is utilized in line with sales volume.

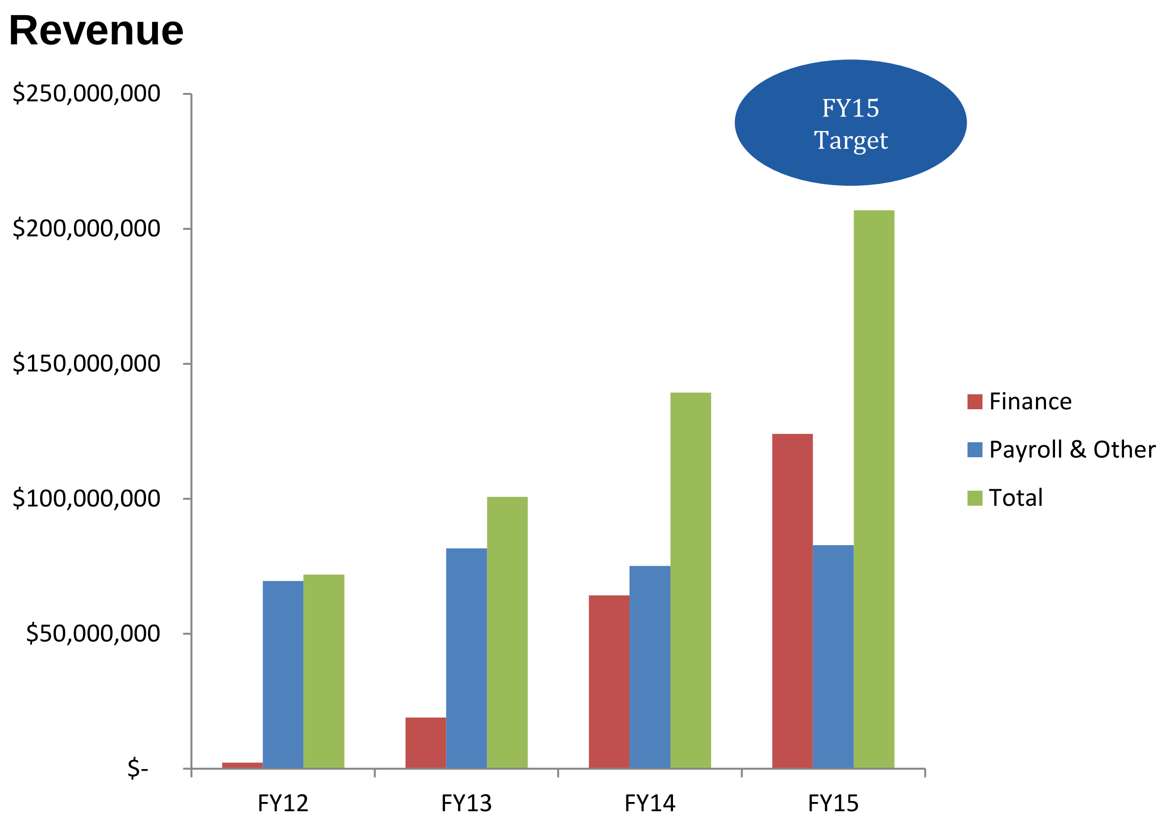
Payroll & Other

- 'Managed employment' of contract workers for clients that do not wish to engage these workers directly, generally as they do not have the processes, systems, insurances or desire to employ directly.
- To sponsor and 'on-hire' foreign workers on 457 visas through a Labour Agreement negotiated with Department of Immigration and Border Protection (DIBP).
- Includes labour sourcing through recruitment agency panel management, project management and a migration practice.

Group Performance

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Actual)	
Revenue	$71.97m	$100.82m	$139.37m	Up 38%
EBITDA	$1.59m	$1.72m	$2.43m	Up 51%

Growth Targets



Growth in customers for finance business continues

CML Group

Payroll & Finance

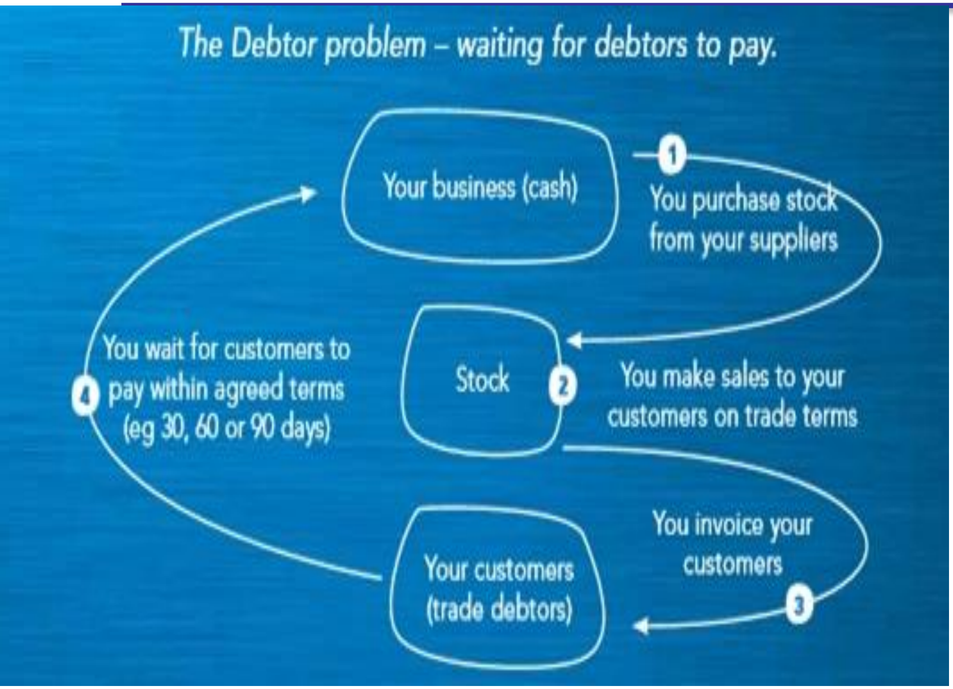
Q1 Trading Update

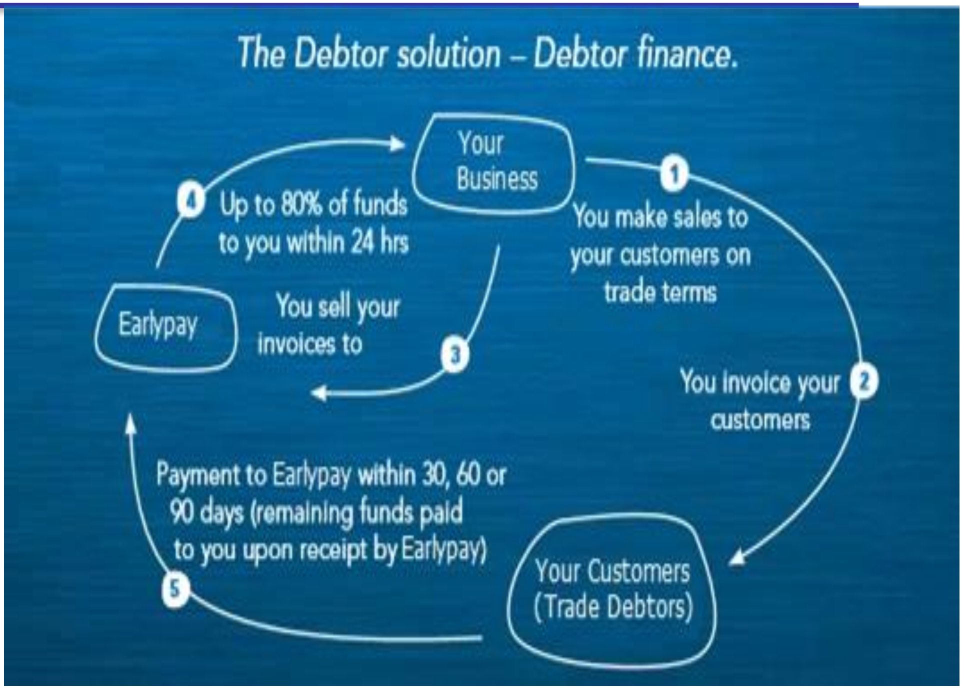
	Q1FY14 (Actual)	Q1FY15* (Actual)	
Revenue	$28.3m	$45.1m	Up 59%
EBITDA	$0.5m	$0.9m	Up 64%

**Unaudited results*

Divisional Performance
Finance

The Debtor Solution



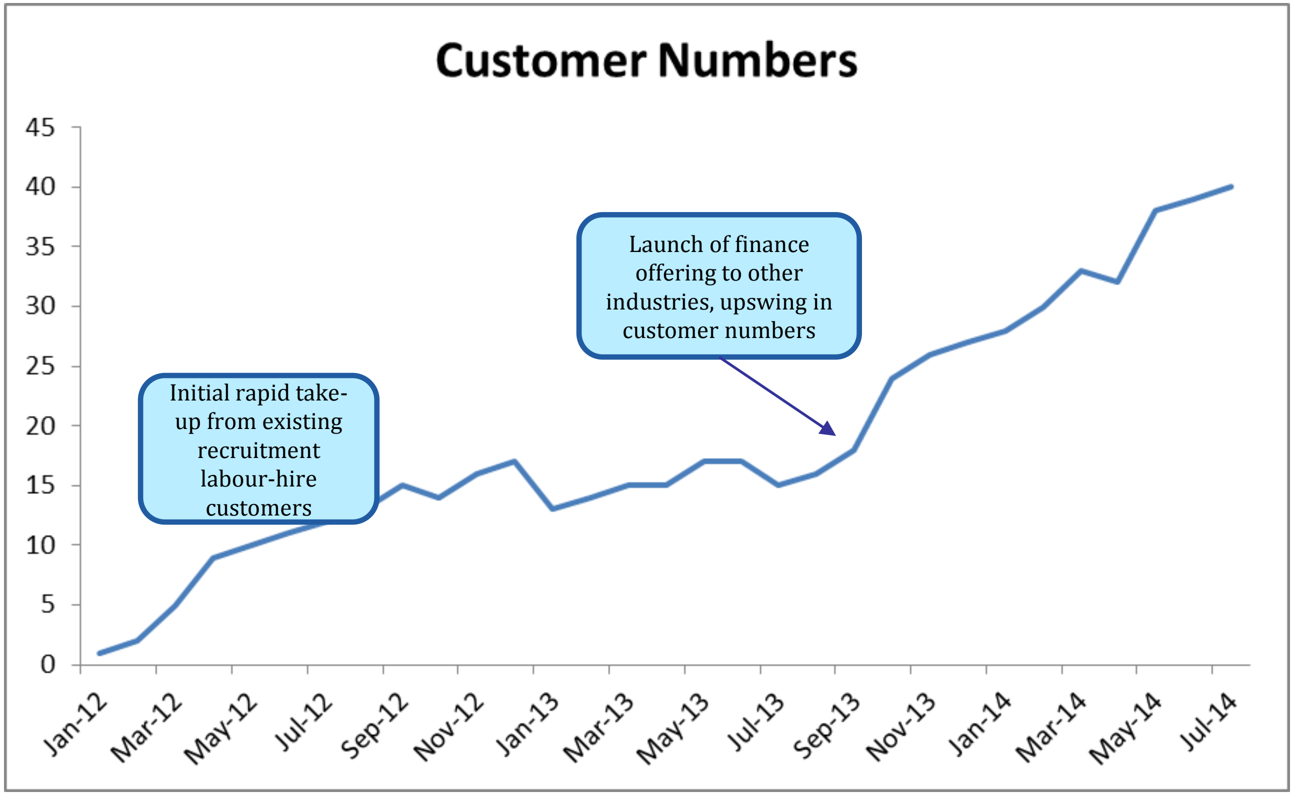


Mitigation of credit risk

- Invoices issued under CML's ABN (disclosed facility)
- 'Managed service' provided, meaning collections and payment allocations managed by CML
- Bad debt protection through trade credit insurance
- Funding against each debtor limited to the endorsed cover provided by the insurer
- We shift the risk from the finance client to the end-users of the finance client (i.e. the finance client's customers)

Customer Growth

"In addition to traditional recruitment labour hire, we are gaining traction with businesses invoicing on a similar labour component, including traffic control & security. We are entering new industries, including transport, wholesale & business services"

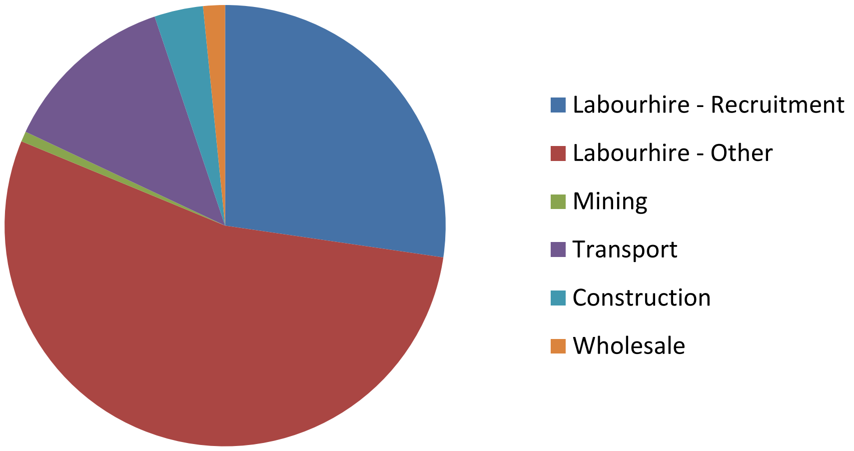


Customer growth has continued throughout FY14

Customer information

Finance Division	
Loan Book Size	$12m
Average Loan Size - Largest loan ($2.5m)	$304,500
Average Weighted LVR (loan v's secured debtors)	74%

FY14 – Finance Customer Industry Split



Labour-hire is attractive to factoring providers as invoice disputes are rare due to the 'proof of debt' being an authorised timesheet or jobsheet from the client & attached to every invoice.

Finance Division - Performance

	H1FY14 $m's	H2FY14 $m's	FY14 $m's	FY13 $m's	Change
Revenue	24.23	40.04	**64.28**	**18.91**	**UP 240%**
Margin	0.94	1.75	**2.69**	**0.74**	**UP 266%**
Margin%	3.89%	4.37%	**4.19%**	**3.89%**	**UP 8%**
EBITDA	0.48	1.13	**1.60**	**0.46**	**UP 250%**

Growth in loan book

- Loan book growth of 200% from 30Jun13 to 30Jun14
- Loan book growth rate in dollar terms is anticipated to increase as the division gains market recognition and broadens access to capital
- Anticipated 'funds out' at 30Jun15 is > $20m

Improving margins

- Broadening the customer base in FY14 beyond labour-hire has provided improved margin opportunities
- Modifying the fee structure to charge at take-on and exit has bolstered margin
- 4.19% - average margin on invoices FY13 v's 3.89% for FY13

Profit improvement on scale

- Fixed operating costs, including staff, is being diluted as the division gains scale
- Completion of software implementation in Jul14 will build efficiencies into service delivery and will allow growth without the need to employ at historical rates
- H2FY14 EBITDA margin 2.8% on invoices v's 2.0% H1FY14

Business Model - Finance Division

Gross return generated from loan book

- The gross return generated from the loan book is 35% annually (pre-tax and before any costs)

(based on 3.5% average fee on invoice value & 45 day debtor collection timeframe)

Costs

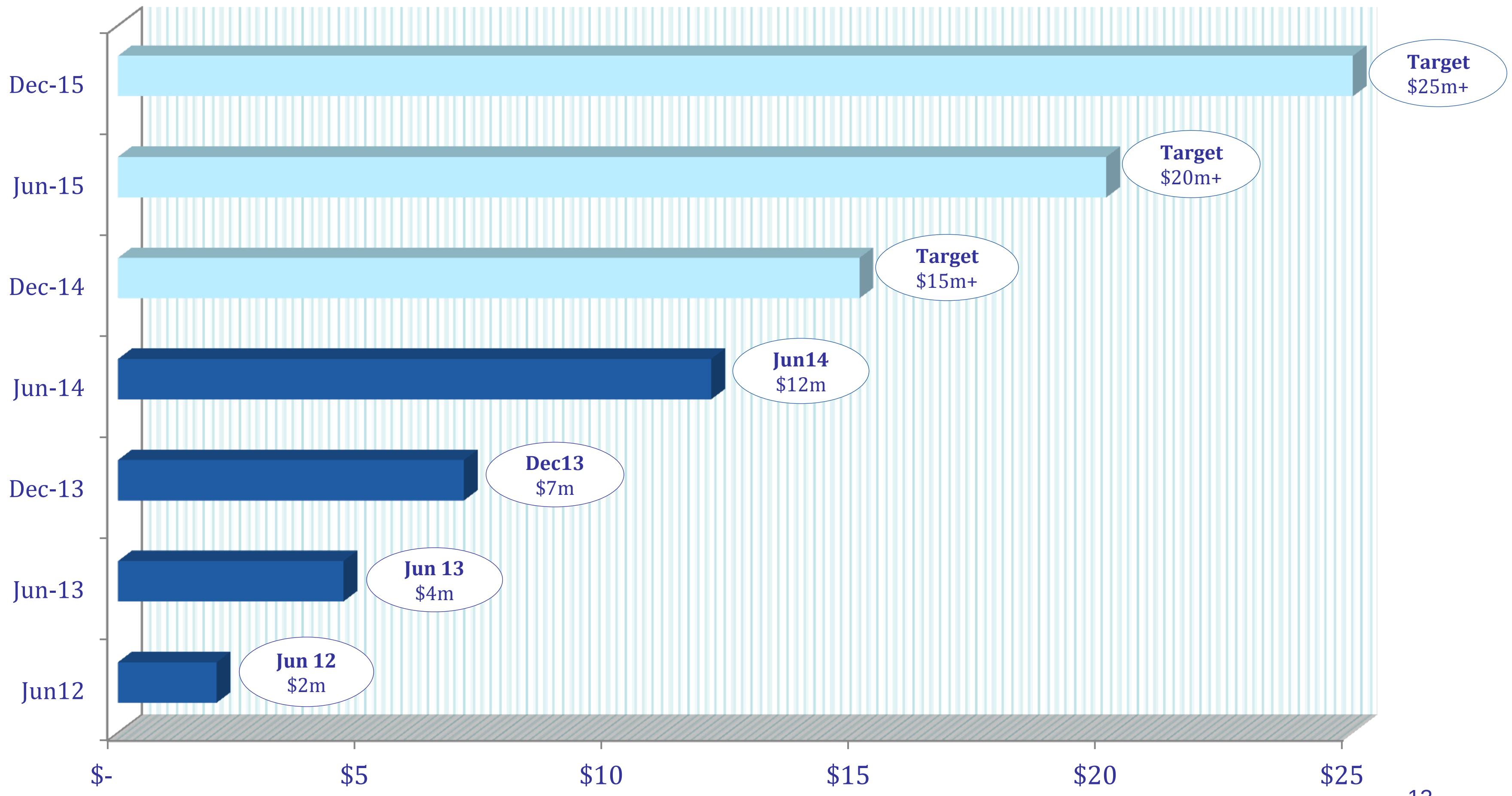
- Cost of funds is between 9% and 10% (unsecured facility)
- Cost of service delivery on new business is 5%

(including trade credit insurance)

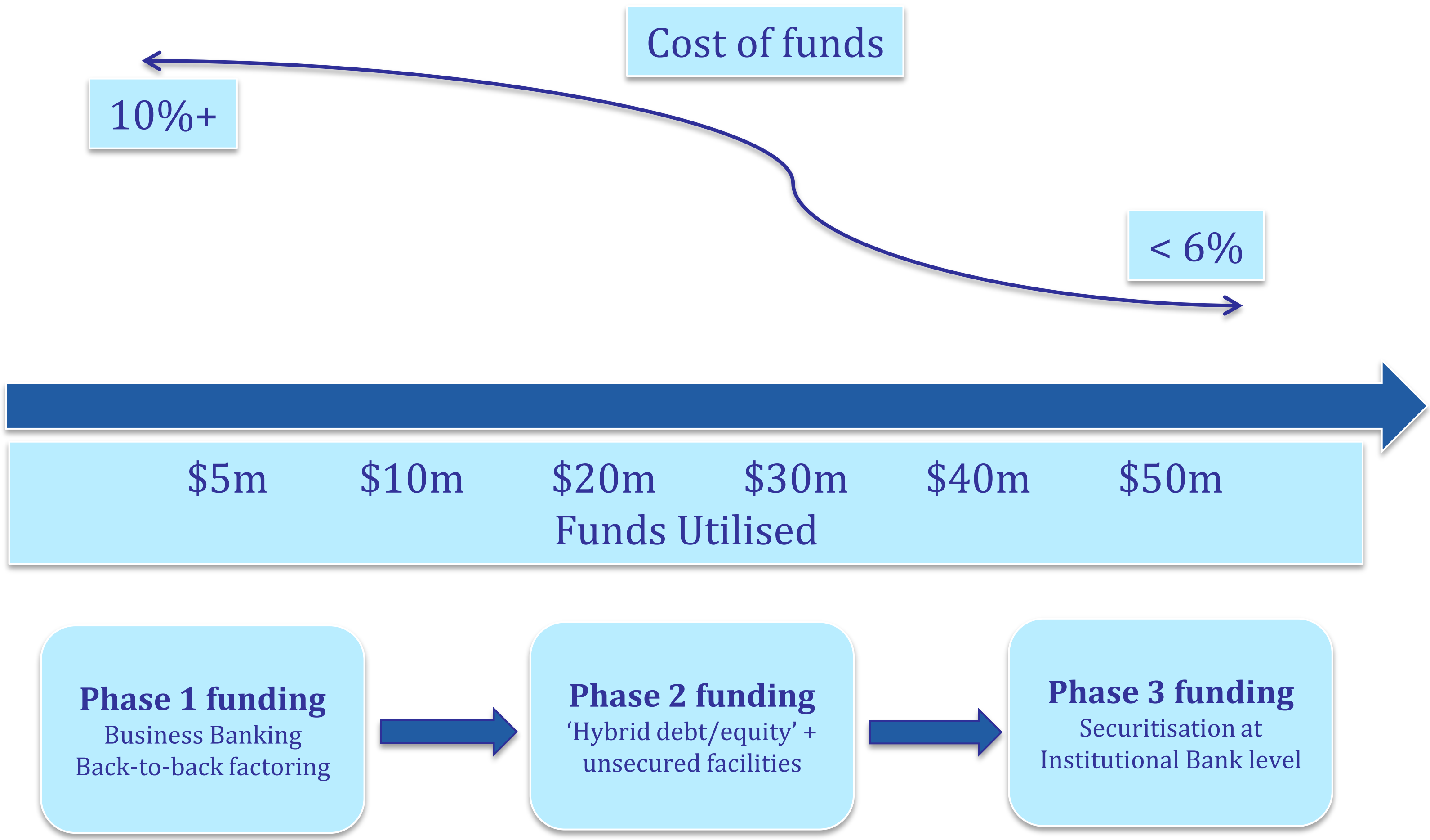
Size of loan book

Date	Funds in use
June 2013	$4.5m
June 2014	$12m
June 2015	$20m+ (target)

Loan book size



Capital Strategy



Growth Strategy on track

Feb 2014 Strategy	Achieved	Comment
Extend service offering into new industry segments	✓	Current monthly sales at Group level include approximately 35% from recruitment labour-hire companies, compared to approximately 55% 12 months ago. While lrecruitment firms will continue to be an important customer base, it is a competitive environment for our Payroll and Finance service offerings and broadening the customer base is facilitating growth in volume as well as margin.
Expand broker referral network	✓	The strategy's success is reflected in an increase in new business referred from finance brokers, from whom earlypay is now generating 70% of its new business. This exceeds expectations formed at the beginning of the financial year of 50% of new business to be generated from finance brokers by June 2014.
Leverage existing finance division infrastructure	✓	Profit is rising in the division as we begin to experience the benefit of scale, where the substantial investment in start-up and staffing is being absorbed by business volume. The positive impact of scale is evident in the increase in H2FY14 EBITDA margin 2.8% on invoices v's 2.0% H1FY14
Broaden CML's funding base	✓	The Group has secured additional funding since the December 2013 half yearly results.

Divisional Performance
Payroll and Other

Growth Opportunity

Established Services 'Steady'	Growth from Emerging Service	Focus on cost management
• Managed employment for Australian residents typically engaged on a contracted term • Managed employment for skilled foreign residents • Recruitment contract procurement & management	• Outsourced payroll for corporate clients, typically for their permanent workforce • Optional 'payroll finance' where clients are offered payment terms on payroll reimbursement for an additional fee, dependent on trade credit insurance coverage	• Staffing & services realignment completed in H2FY13 has provided a significant reduction in employment costs in FY14 • New payroll software installed during FY14 anticipated to provide further ongoing efficiency gains
Revenue; FY13 - \$81.8m FY14 - \$75.1m **EBITDA;** FY13 - \$1.5m FY14 - \$1.7m	**Contribution to revenue;** FY13 - \$0.2m FY14 - \$7.7m	

Payroll & Other - Performance

	FY14 $m's	FY13 $m's	Change
Revenue	75.07	81.76	Down 8%
Margin	5.57	7.39	Down 25%
Margin%	7.42%	9.04%	Down 18%*
EBITDA	1.65	1.51	UP 10%

**FY14 margin was affected by a change to Government legislation in H1FY13 that significantly reduced the availability of Living Away From Home Allowance (LAFHA) for skilled foreign workers on 457 visas. This reduced the payroll divisions ability to offer salary packaging and with it a margin generating opportunity. The Company has adjusted for the change, reducing its cost base in H2FY13 and successfully launching a new outsourced payroll service offering for corporate clients.*

Summary

Divisional breakdown

	FY14 NPAT $m
Finance division EBITDA	1.60
Payroll and Other division EBITDA	1.65
Divisional EBITDA	**3.25**
Corporate costs	(0.76)
Interest costs	(0.66)
Tax costs	(0.57)
Depreciation & Amortisation	(0.12)
Reported NPAT	**1.11**
One offs; • Bank transition & review fees • Prior period international tax	 (0.10) (0.06)
Underlying NPAT	**1.27**

CML Group Payroll & Finance

Outlook

- Revenue expected to reach $200m in FY15 (2014: $139m)
- The benefit of scale is anticipated to boost NPAT margin in the Finance division, as relatively fixed costs are diluted on business volume
- Growth in the Payroll division is anticipated as the push continues into the SME market of the recently developed outsourced payroll & finance offering

Dividend Policy

- Target payout ratio: A minimum 50% of NPAT to be paid as dividends
- It is anticipated that dividends will continue to be fully franked
- DRP introduced for the full year dividend 2014

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Although CML Group believes that its expectations are based on reasonable assumptions, it can give no assurances that its goals will be achieved.

Important factors that could cause results to differ materially from those included in the forward-looking statements include timing and extent of changes in the employment cycle, government regulation, changes to the number of preferred supplier agreements, reduction in franchise partner numbers and the ability of CML Group to meet its stated goals.

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