

**CML Group Limited**

(ASX: CGR)

Annual General Meeting

18<sup>th</sup> November 2014

Thankyou Mr Chairman and welcome to all shareholders and key stakeholders.

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**CML Group**

*Payroll & Finance*

As Greg commented, I would now like to take you through a brief update on the business, including our financial performance during the year before addressing the first quarter trading performance and full-year outlook.

# 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.

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*Payroll & Finance*

CML Group has combined its operations into two principal divisions, Finance and Payroll & Other.

**Finance** – refers to 'factoring' or 'receivables finance', which provides an advance payment of up to 80% of a client's invoice value to help their business overcome the cash pressure of delivering goods or services in advance of payment from the customer, a period of 30 to 60 days. This is a flexible line of credit that is utilized in line with sales volume.

**Payroll & Other** – refers to '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. The Payroll & Other division has the ability to sponsor and 'on-hire' foreign workers on 457 visas through a Labour Agreement negotiated with Department of Immigration and Border Protection (DIBP). This division also includes labour sourcing through recruitment agency panel management, project management, a migration practice and more recently has commenced an outsourced payroll offering to small businesses, which is quickly gaining traction.

## Group Performance

Y/E 30 Jun (\$m)	FY'13 A	FY'14 A	Δ
Finance Revenue	18.91	64.28	240%
Payroll & Other Revenue	81.76	75.07	(8)%
<b>Group Revenue</b>	<b>100.82</b>	<b>139.37</b>	<b>38%</b>
Finance EBITDA	0.46	1.60	250%
Payroll & Other EBITDA	1.51	1.65	10%
<b>Group EBITDA</b>	<b>1.72</b>	<b>2.43</b>	<b>51%</b>
<b>Reported NPAT</b>	<b>0.77</b>	<b>1.11</b>	<b>45%</b>
One-off costs		0.16	
<b>Underlying NPAT</b>	<b>0.77</b>	<b>1.27</b>	<b>66%</b>
<i>Earnings per share</i>	<i>1.23c</i>	<i>1.55c</i>	<i>26%</i>
<i>Earnings per share (adjusted for one-offs)</i>	<i>1.23c</i>	<i>1.78c</i>	<i>44%</i>
<i>Dividends per share</i>	<i>1.0c</i>	<i>1.1c</i>	<i>10%</i>

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Your company has reported substantial growth during FY'14 over the previous year with Group Revenue, EBITDA and NPAT (adjusted for one-offs) up 38%, 51% and 66%, respectively.

This growth was predominantly driven by the Finance division, which saw the loan book grow by 200% from \$4m to \$12m in the 12 months to 30 June 2014 and subsequent full-year revenue grow by 240% to \$64.3m

To fund this growth, the company undertook equity raisings during the year, which resulted in more sustainable growth in EPS reported and adjusted of 26% and 44%, respectively.

The dividend of 1.1 cents per share, fully franked, is up 10% on the previous corresponding period.

During FY'14, we also refined our processes and installed industry-leading software into both the Finance and Payroll & Other divisions, which will build efficiencies into our service delivery. We therefore anticipate further cost control during FY'15 and subsequent improvement to the profit margin.

# Balance Sheet

Y/E 30 Jun (\$m)	FY'13 A	FY'14 A	Comments
<b>Current Assets</b>	<b>11.1</b>	<b>25.7</b>	
Cash	1.5	0.5	
Receivables & Other	9.6	25.3	Reflects Finance division loan book growth
<b>Non-Current Assets</b>	<b>6.1</b>	<b>6.4</b>	
Property & Equipment	0.2	0.2	Primarily associated with software & office equipment
Deferred Tax Assets	0.7	0.9	
Intangibles	5.2	5.4	
<b>Total Assets</b>	<b>17.3</b>	<b>32.2</b>	
<b>Current Liabilities</b>	<b>13.1</b>	<b>21.9</b>	
Trade & Other	5.7	13.4	Greensill facility of \$5m opened in Jun '14, now expanded to \$10m
Borrowings	5.9	6.7	Corporate debt now zero; debt only funds loan book
Provisions	1.4	1.8	Tax liability & employee benefits
<b>Non-Current Liabilities</b>	<b>0.0</b>	<b>0.0</b>	
<b>Total Liabilities</b>	<b>13.1</b>	<b>21.9</b>	
<b>Net Equity</b>	<b>4.2</b>	<b>10.3</b>	Aided by \$5.75m capital raising

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We substantially strengthened our balance sheet, with net equity increasing from \$4.2m in FY'13 to \$10.3m at 30 June 2014.

Other items to note over the last 12 months are:

- Corporate debt has decreased from \$2.5m to nil at 30 June 2014
- Borrowings to fund the growth in the Finance division's loan book increased from \$3.4m to \$6.7m. This is essentially borrowings for the purpose of lending, with the clients invoices taken as security

We introduced a Dividend Reinvestment Plan (DRP) for the FY'14 dividend. In order to continue to fund the growth in our business through a combination of debt, which I will come to shortly, and equity, we have today placed the shortfall of the DRP. Halcyon Corporate acted as placing agent for the shortfall.

## Q1 Trading Update

Y/E 30 Jun (\$m)	Q1 FY'14 A	Q1 FY'15 A*	Δ
Revenue	28.31	45.06	59%
EBITDA	0.53	0.87	64%
<i>EBITDA Margin</i>	<i>1.87%</i>	<i>1.93%</i>	

*\*Unaudited results*

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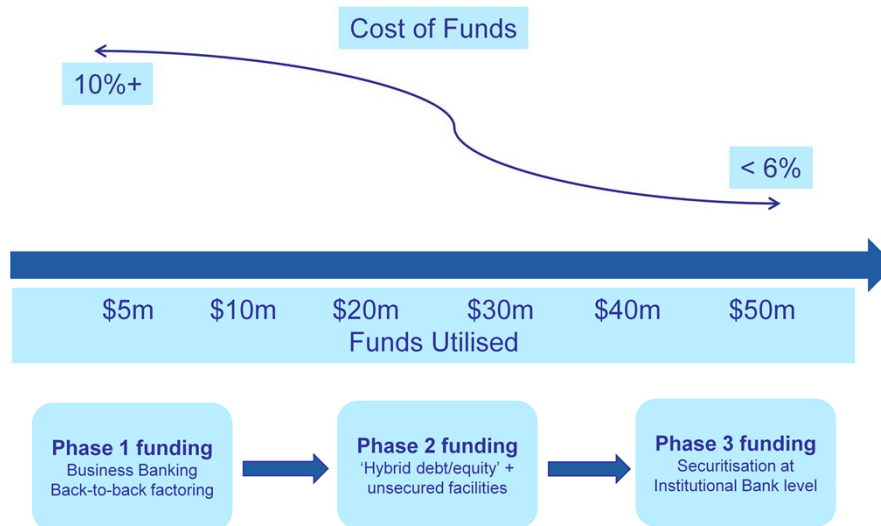
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Before I go into the full-year 2015 outlook, I would like to address our first quarter trading results.

I am pleased to announced today that the growth achieved last year has continued, with first quarter FY'15 Group Revenue and EBITDA up 59% and 64%, respectively, on the previous corresponding period.

Also most pleasing is the improvement in margin which demonstrates the success of new systems implemented over the last 12 months.

# Capital Strategy



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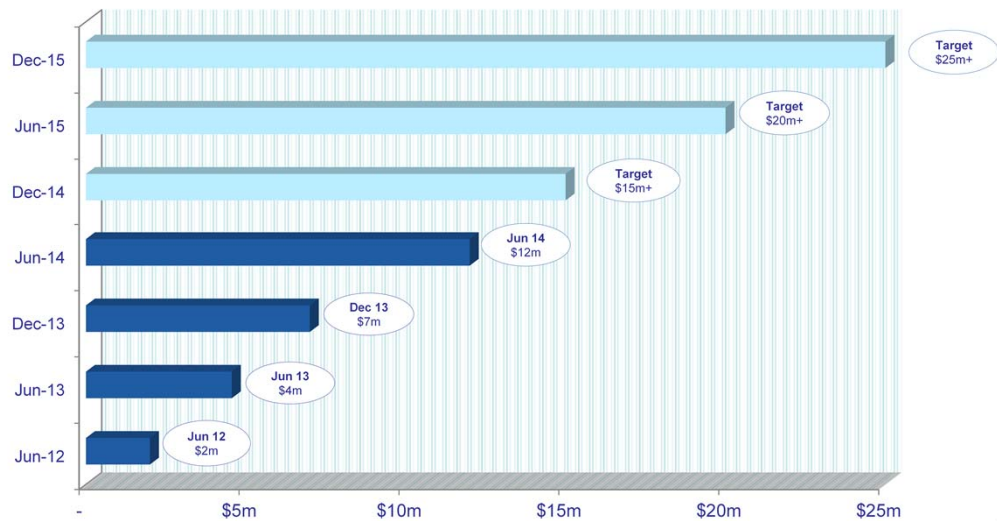
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Whilst we have a sales pipeline that is full of opportunities, our greatest challenge to growth is not sales, but ensuring that we have continued access to appropriate funding.

Our goal is to reach the scale that would make us attractive to a wholesale funder offering sub 6% cost of funds, which we consider to be a loan book of \$40m+. We are taking a 3 phased approach to the Company's capital requirements, with current efforts firmly on phase 2, which requires a combination of unsecured debt facilities and debt/equity instruments.

## Loan book size – Finance division



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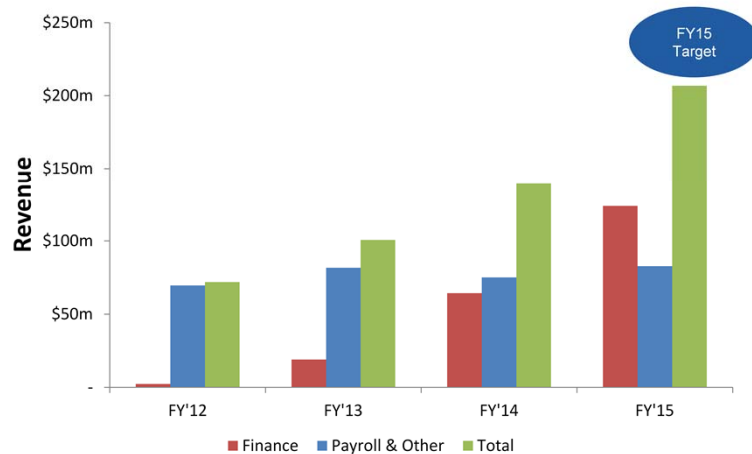
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With consideration to the Company's ability to secure appropriate funding, we expect continued growth in the Finance division's loan book from \$12m at 30 June 2014 to \$20m by 30 June 2015.

# Growth Targets

*"Growth in customers for finance business continues..."*



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With momentum building behind our 2 key income streams, we anticipate continued strong growth through FY'15, with revenue to reach \$200m and the Finance division to become the leading income stream for the Group.

Also, we expect that continued improvement in EBITDA margin, as seen in the first quarter, will prevail for the full year and particularly as growth in the loan book dilutes the relatively fixed cost base of the sales team and senior staff in this division.

# Disclaimer

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The information presented herein contains predictions, estimates and other forward looking statements that are subject to risk factors that are associated with the human resource management sector. The persons involved in or responsible for the production and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions conclusions or recommendations are reasonably held at the time of compilation.

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.

The purpose of this presentation is to provide background information to assist in obtaining a general understanding of CML Group's proposals and objectives. This presentation is not to be considered as a recommendation by CML Group or any of its subsidiaries, directors, officers, affiliates, associates or representatives that any person invest in its securities. It does not take into account the investment objectives, financial situation and particular needs of each potential investor. If you are unclear in relation to any matter or you have any questions, you should seek advice from an accountant or financial adviser.

November 2014

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