



**CML Group Limited (ASX: CGR)**

14 April 2015

## **Acquisition, New Funding & Outlook**

### **Highlights**

---

- **CML has signed a contract to purchase Cashflow Finance Australia Pty Ltd ("CFA"), resulting in CML's loan book almost doubling to \$25m, 7 months ahead of our initial guidance.**
- **A mandate has been signed for a \$25m debt funding facility, to enable the acquisition, extend tenor and reduce funding costs, subject to documentation, with expected completion in mid May 2015 and 12 months ahead of expectation.**
- **The acquisition will reduce risk through diversification of clients, wider geographical reach and additional management expertise.**
- **Continuation of CML's organic growth, combined with CFA's earnings and the lower cost of debt is expected to result in substantial EPS accretion in FY'16.**

### **Acquisition**

---

CML Group Limited ("CML", or the "Company") is pleased to announce that it has signed a contract to purchase Cashflow Finance Australia Pty Ltd ("CFA") for a total of \$13.5m on a 'debt-free' basis. The acquisition price includes \$10m of external debt financing which will be replaced and \$3.5m for the 'Business', which includes Goodwill. The contract is binding and only subject to CML's ability to raise the purchase consideration on or before 30<sup>th</sup> June 2015.

Established in 1985, CFA is a receivables financing company and has a strong presence in Queensland, with offices in Brisbane & Townsville. CFA is expected to turnover approximately \$160m in invoices in FY'15 and has a loan book that varies with seasonality in the range \$8m to \$11m. The Business (ex external debt) is being bought on EBITDA multiple of just over 2x pre synergies.

CFA has 110 clients across transport, labour hire, manufacturing, engineering, mining services and wholesale sectors with average funds in use per client of \$100,000 and a maximum exposure of \$550,000 at 28<sup>th</sup> February 2015.

It is CML's intention to retain the CFA identity and separate office location for the benefit of brand presence and market competition, however there is an expectation that some cost synergies will be achieved, primarily from the exit of CFA's current owner from an executive role with CFA and some shared service capacity within CML's existing team. The larger opportunity exists by expanding CFA's geographic reach and improving, over time, the margin generated on the CFA loan book, which is currently lower than the margin generated by CML on its loan book. To assist with this task, CML will appoint its most experienced invoice finance executive and current Queensland State Manager for its Finance Division, Peter Toohey, as General Manager of CFA.

# CML Group

The acquisition will substantially increase CML's Finance Division and brings forward previously stated loan book growth to \$25m by December 2015 to completion before June 2015. The key details of CML's Finance Division on consolidation will be approximately:

- Loan Book \$25m
- Clients 160
- Average Client Loan \$130,000
- LVR 65% - 70%
- Finance Division Annualised Revenue \$250m+

Daniel Riley, CML Managing Director, said of the acquisition, "The addition of CFA will substantially boost the Company's Finance Division loan book and financials. Significantly, the CFA acquisition will assist in diversifying CML's client exposure from both an industry and geographic perspective. Furthermore, we will be adding to our team the expertise of CFA's experienced management, staff and BDMs. Our previously stated growth target of a \$25m debtor loan book by December 2015 will be accomplished immediately with the addition of CFA's loan book."

## New Funding

---

To facilitate the CFA acquisition and consistent with CML's previously stated strategy of reducing its cost of debt, CML has signed a Mandate for a \$25m senior secured debt funding facility ("Facility"). The Facility will also give the Company ~\$11.5m of head room to organically grow both the CFA and current CML loan book.

The proceeds of the Facility will be deployed as tabled below:

Use of Funds	
CFA acquisition	\$13.5m
Working capital for loan book growth	\$11.5m

The full terms and conditions of the Facility are subject to documentation, with expected completion in mid May 2015, at which time they will be lodged with the ASX.

Daniel Riley said, "This senior secured debt funding facility will complement the Convertible Note issued earlier this year in reducing our cost of funding, further progressing our capital strategy to attain wholesale funding rates. The rate, tenor and profile of the Facility compares very favourably to both the existing financing of CFA's loan book and our current external facilities. Funds raised under this debt funding facility will permit us to continue organic growth in our Finance Division debtor loan book.

Upon successful completion of the CFA acquisition, CML will have a debtor loan book of \$25m, and combined with our recent Convertible Note and equity will give the Company sufficient head room to grow the combined loan book to in excess of \$40m."

# CML Group

## Outlook

---

The Company is pleased to have made substantial progress in the last 6 months which has resulted in new Board appointments, strengthening of operational management & procedures and improved capital management strategies.

CML, on a stand-alone basis, has regained momentum in its financing business which slowed for a period in late 2014 and early 2015, prior to completion of the convertible note, due to CML's limited capacity to fund demand. The successful migration during H1'15 of all finance customers onto an industry leading software platform combined with lower funding costs will drive improved margins in future periods

Whilst it is too early to give guidance, the Company is expecting substantial growth in EPS in FY'16, with a full year contribution from the CFA acquisition & new financing facilities reducing weighted average cost of debt adding incrementally to expected growth in the existing business.

Sincerely,



Daniel Riley  
CEO

## ABOUT CML GROUP

The Company delivers finance, payroll & employment solutions, enabling its clients to focus on and succeed in their core activities.

The Finance division undertakes 'factoring' or 'receivables finance'. Through the factoring facility the Company 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 their customer (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. The Company will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position.

The Payroll & Employment division provides 'managed employment' services to clients that do not wish to engage their workforce directly, generally as they do not have the processes, systems, insurances or desire to employ directly. This division also includes labour sourcing through recruitment agency panel management, project management & a migration practice.