



CML Group Limited (ASX: CGR)

21st August 2015

Full Year Trading Update

CML Group (“**CML**” or the “**Company**”) is in the process of finalising its audited accounts for the year end June 30, 2015. The unaudited results are in line with previously stated underlying revenue and EBITDA guidance and are tabled below.

\$m	Note	FY'14	FY'15	Δ
Revenue	1	139.37	162.15	16%
Underlying EBITDA (Pre provision)		2.45	2.74	12%
General Provision	2	0.0	0.45	
Underlying EBITDA (Post provision)		2.45	2.29	(7)%
Reported EBITDA	3	2.45	0.92	(63)%
D&A		(0.12)	(0.16)	38%
EBIT		2.34	0.76	(68)%
Interest	4	(0.66)	(1.43)	117%
Tax	5	(0.57)	0.69	
NPAT		1.11	0.02	(98)%

Note 1 - Revenue includes 6 weeks ‘fee income’ from the CFA acquisition of \$472,000. CFA records ‘fee income’ whilst CML reports ‘invoices funded’. If CFA had reported ‘invoices funded’ the contribution to revenue in the 6 week period would have been \$18m.

Note 2 - CML has made a general provision against its loan book. Over the 12 month period to 30 June 2015, CML has provided \$450,000 (\$180,000 in H1 and \$270,000 in H2) or ~2% of the loan book. The Company believes this is a prudent and conservative step.

Note 3 - Reported EBITDA will be affected by the previously stated \$900,000 impairment made at the time of the release of the H1'15 accounts. A further \$500,000+ of several one-off expenses which include a worker's compensation claim, loss of margin due to the previously advised delay in renewing a DIBP labour agreement in the Payroll Division and the one-off costs of the CFA acquisition including redundancy payments to realise staffing synergies in the newly combined CML/CFA operations.

Note 4 - As previously advised, CML has incurred higher interest costs. This reflects the increase in capital funding through the issue of the \$10.4m convertible note at 9% in January and the \$25.0m corporate bond issue at an interest rate of 5.4% over the current 30-day BBSW in May. These funds were not fully utilised in FY15 but will benefit future periods, generating greater earnings as the funds are fully utilised.

Note 5 – CML expects to record a tax benefit for the full year of \$690,000 as a result of accumulative benefits arising from prior year acquisitions realised on tax consolidation.

CML Group

Commenting on the unaudited results CEO Daniel Riley said “whilst we are disappointed in reporting only a small profit for the year we are pleased with the underlying results. The Company has had a significant year in which we have made substantial Board changes, raised over \$35m in hybrid and debt securities and made a quality acquisition that doubles our invoice financing business. The FY’15 results include restructuring costs, the benefits of which are already showing in the first 6 weeks of the FY’16 financial year. The Company is in a strong position to capitalise on the capital funding attained in FY’15 for future growth.”

“Our invoice finance portfolio continues to grow strongly with invoices funded at 30 June 2015 increasing 48%+ and funds deployed increasing 22%+ since June 2014. The improving credit quality of the funds deployed is evidenced by the level of clients in 90-day plus arrears decreasing by almost 50%. This is calculated on a pro-forma basis for the acquisition of CFA.”

The Company will be releasing its preliminary full year results on 27th August at which time it will provide further clarity around FY ’15 and its expectations for FY ’16.

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 utilized 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 and a migration practice.