



CML Group Limited (ASX:CGR)

25 August 2016

Full Year 2016 Results Announcement

Highlights

- Achieved strong Full Year 2016 result from continuing operations:
 - Revenue up 16% to \$27.1 million
 - EBITDA up 1,353% to \$5.3 million
 - Continuing NPAT of \$1.0 million
- Acquisition of Cashflow Advantage and 180 Group completed
- Loan Book Growth from \$21.5 million to \$69.9 million
- Raised \$45.2 million of new capital funding
- Final Dividend of 0.50 cents per share declared (Total FY'16 dividend of 1.0 cents per share)
- FY'17 Group EBITDA Guidance of \$10.6m+ reaffirmed

Full Year 2016 Result

CML Group ("CML" or the "Company") is pleased to announce its Full Year 2016 result, a summary of which is tabled below

\$m	Note	FY'15 A	FY'16 A	pcp Δ
Invoices Purchased		94.7	406.5	329%
Finance Revenue	1	3.5	11.4	226%
Other Revenue	2	19.8	15.7	(21)%
Group Revenue		23.3	27.1	16%
Finance EBITDA		1.0	5.4	440%
Other EBITDA		1.7	1.6	(5)%
Corporate	3	(1.2)	(1.6)	35%
Underlying Group EBITDA		1.5	5.3	263%
One-off costs	4	(1.1)	-	
Reported Group EBITDA		0.4	5.3	1,353%
D&A		(0.1)	(0.1)	15%
Net Interest	5	(1.2)	(3.8)	225%
Tax		0.2	(0.5)	
NPAT (Continuing Operations)		(0.7)	1.0	
Discontinued Operations	6	0.8	(0.9)	
NPAT		0.02	0.04	
EPS (cents per share)		0.02	0.04	
DPS (cents per share)		0.50	1.00	

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Notes to Table

1	The strong result and substantial uplift in earnings compared to FY'15 was primarily driven by continued growth in the Finance division. The amount of Invoices Purchased rose by 329% to \$406.5 million, a result of both organic and acquisitive growth, which subsequently drove higher fees.
2	The Other division recorded a 21% decline in revenues, however divisional EBITDA only declined by 5% to \$1.6 million as a result of increased cost management.
3	Increased Corporate costs are associated with integrating the acquisitions completed over the last 18 months.
4	There were no one-off costs associated with bad debts during FY'16, reflecting success of continued focus and improvement in risk management.
5	Net interest increased with the greater level of debt issued by CML to finance the growth in the Loan Book.
6	The discontinued Lester business generated EBITDA of \$0.4 million, however this was precluded by an impairment on re-measurement to fair value on the sale of the business.

Acquisitions

CML completed the acquisitions of two key competitors during the year:

- Cashflow Advantage (**CA**) was acquired in March 2016 and added \$10 million to the Loan Book; and
- 180 Group (**180**) was acquired in May 2016 from ASX-listed FSA Group and added \$24 million to the Loan Book.

Due to the timing of the two acquisitions, contribution to FY'16 earnings for CA and 180 were only three months and one month, respectively. The acquired businesses have since been fully integrated into CML. It is expected that the benefit of cost saving synergies will be realised in FY'17, in addition to a full 12-month contribution from both acquisitions.

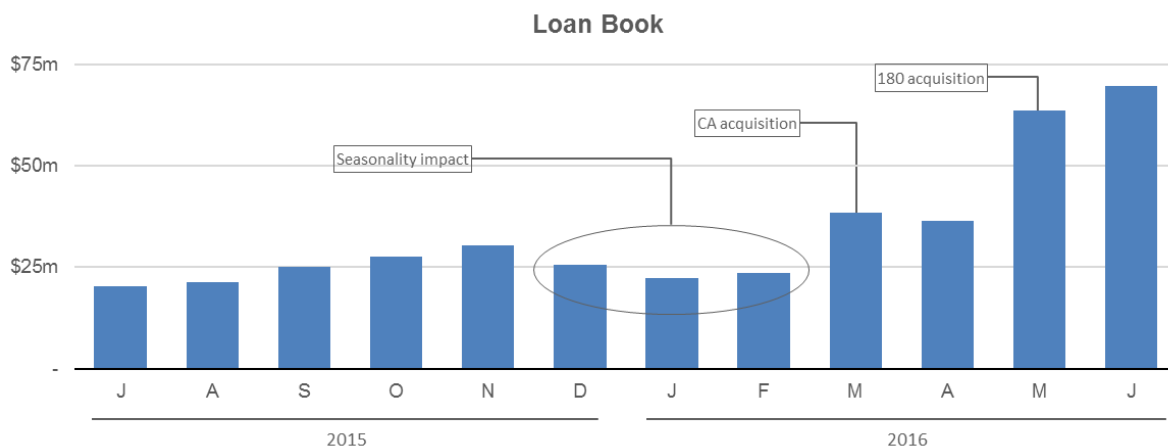
Loan Book Growth

The Loan Book grew by 225% during the year to \$69.9 million from \$21.5 million. This was driven by both organic growth and the acquisitions of CA and 180.

Organic growth of 63% contributed ~\$14.5 million to the expansion of the Loan Book. This was the result of CML enacting a number of sales and marketing initiatives. Most significantly, CML has built a high performance sales team of 12, each with a significant level of experience within the industry and a strong network of referral partners.

Client attrition declined in FY'16 and average client tenure continues to lengthen. It is anticipated that the combination of sales, marketing and client retention will drive continued strong organic growth in FY'17.

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Funding and Capital Raised

To fund the growth in the Loan Book, CML raised \$40.0 million of new debt during FY'16:

- \$25.0 million Corporate Bond #2; and
- \$15.0m Corporate Bond #2 Extension.

CML also raised \$5.2 million through the issue of new equity in the Company by way of a Placement and Rights Issue in June 2016.

During the year, CML at times carried funding capacity significantly greater than the Loan Book. CML paid interest costs on these unutilised funds, which adversely impacted earnings. The interest costs of these unutilised funds was approximately \$1.4 million in FY'16. It is expected that these funds will be more appropriately utilised in FY'17.

Business Sale

Subsequent to 30 June, CML completed the sale of its non-core payroll services business, Lester Associates. The business was sold for \$1.8 million excluding working capital, which on release, will generate a total of \$3.5 million in cash to CML. The sale allows management to focus on the growth of CML's Finance business.

Final Dividend

CML will pay a Final Dividend of 0.50 cents per share, bring the Total Dividend for FY'16 to 1.00 cents per share. CML has a Dividend Reinvestment Plan (**DRP**) in place, in which eligible shareholders may participate.

Outlook

CML has cemented its position as the second largest listed non-bank invoice finance provider in Australia, behind Scottish Pacific. CML expects to realise continued growth and deliver a boost to earnings in FY'17, driven by three key drivers:

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1. Revenue – A full year's contribution from the acquired CA and 180 businesses, combined with organic growth is expected to drive substantially higher revenue in FY'17.
2. Margin Improvement – Clients have continued to show strong take-up for CML's additional services offered. These services are expected to boost earnings as they are rolled out to newly acquired and existing clients, which have demonstrated a high take-up rate.
3. Cost Synergies – Cost synergies as result of merging the operations of acquired businesses are expected to reduce costs by in excess of \$1.0 million per annum.

In addition, CML expects that over the long term, it will be able to transition from its current funding arrangements to institutional bank funding. This will result in a lower cost of funds relative to the current blended rate of 8.9%.

Commenting on the result, CML Managing Director Daniel Riley commented, "CML has undergone a significant level of transformation over the last 18 months. We have boosted the scale of our Finance business through organic and acquisitive growth. As the business further matures, we expect that our scale will permit us to significantly reduce the cost of accessing capital to fund further expansion in the Loan Book.

We are highly confident in our ability to deliver on our clear growth plan that is focussed on scale and profitability. Based upon constant margins, a static Loan Book within the Finance division and steady earnings within the Other division, the Board is comfortable in advising that it expects to achieve the previously provided FY'17 EBITDA Guidance of greater than \$10.6 million. This will be achieved despite the loss of earnings contribution following the sale of the Lester business and represents an upgrade in Finance division earnings."

Sincerely,



Daniel Riley
CEO

ABOUT CML GROUP

CML provides finance to SME businesses.

CML's primary service is 'factoring' or 'receivables finance'. Through the factoring facility CML 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. CML 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.

Other services include trade finance to assist clients finance purchases, as well as labour sourcing, project management and direct recruitment.