



Armida Investment

C O R P O R A T I O N (AIK)

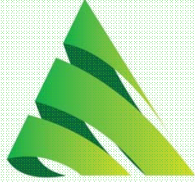
Investor Presentation

Presented by

Andrew Grant
Cameron McCullagh

Managing Director
Executive Director

ASX: AIK



Investment Objective

To grow the NPAT of AIK's complementary businesses that specialise in:

- ▶ Operating leases for essential business assets
- ▶ Finance broking focussed on motor vehicle & equipment finance
- ▶ Aggregation of the finance broking industry in Australia

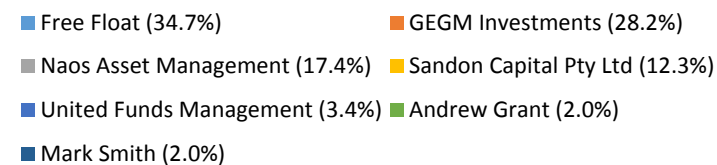
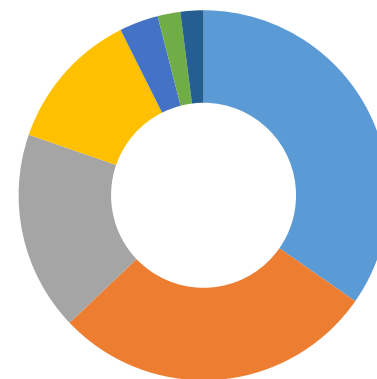


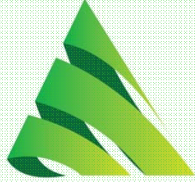
Capital Structure

Company Overview

ASX Code	AIK
Existing Shares on Issue	567,846,198
Share Price (21/7)	\$0.14/share
Market Capitalisation	\$79.5 million
Options	Nil
Top 20 Shareholders	83.5%

Shareholder Ownership





Company Overview

Armidale Investment Corporation Ltd is an ASX-listed investment Company focused on the asset and equipment finance sectors

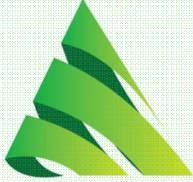
Armidale Investment Corporation has 2 existing businesses:

TL Rentals

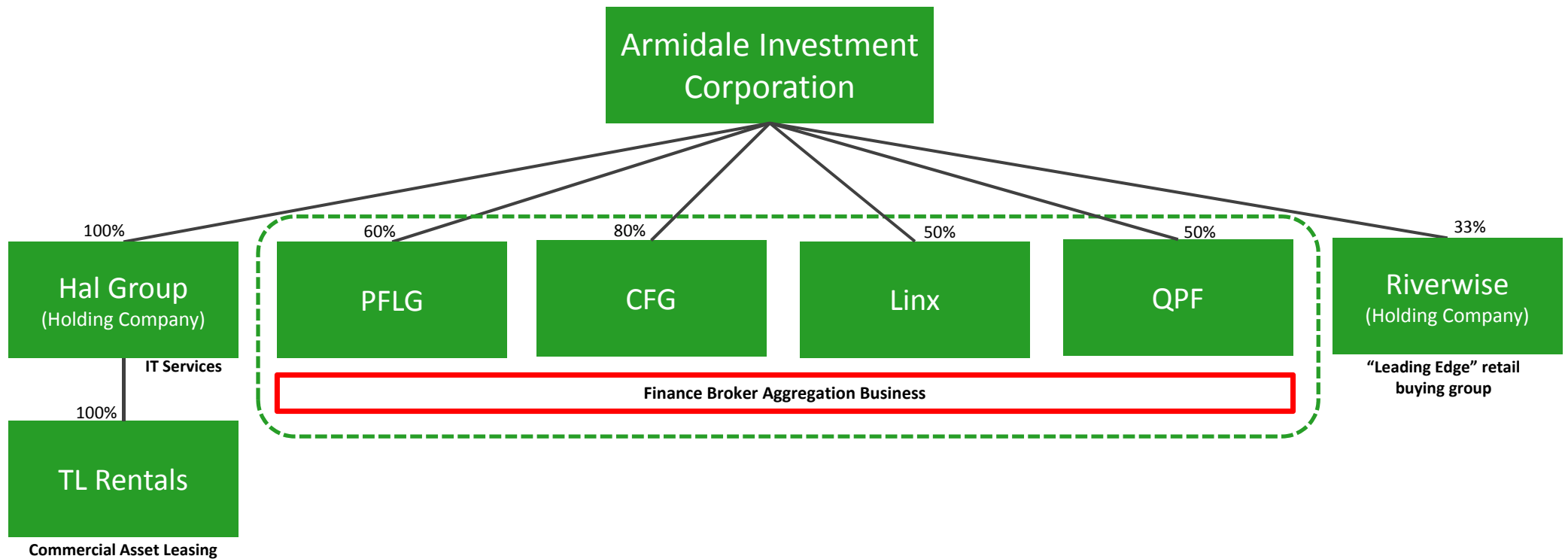
- ▶ Currently has an equipment finance loan book of \$85 million at Original Equipment Cost ("OEC"); and
- ▶ Origination of leases FY17 is forecast to be \$40 million at OEC (compared to \$33.4m in FY16 - up ~20%)
- ▶ A nimble credit provider to commercial customers with low write offs (under 2%)

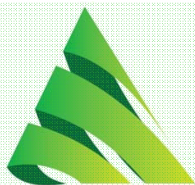
Platform Finance & Leasing Group ("PFLG")

- ▶ PFLG represents a collective of specialised finance brokers engaged in plant & equipment and motor vehicle finance to the commercial and consumer finance sectors with no credit risk



Company Structure





Senior Management



Andrew Grant
Managing Director

- ▶ 30 years' experience in the finance sector
- ▶ B.Bus, Chartered Management Accountant
- ▶ One of the Hal Group founders when founded in 1993
- ▶ Non-executive Director of Employers Mutual Ltd since 2002
- ▶ Director of Leading Edge Group



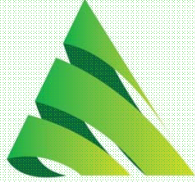
Cameron McCullagh
Executive Director

- ▶ Over 30 years' experience in the finance sector
- ▶ Started White Outsourcing and grew to an entity with >A\$30 billion in back office administration
- ▶ CEO of Employers Mutual and grew from A\$30m to >\$1Bn of annual premium under management
- ▶ Previously COO of Steadfast Group Ltd - the ASX-listed insurance broking accumulator



Raylee Carruthers
Chief Financial Officer

- ▶ 24 years' experience in the finance sector, including audit and corporate advisory
- ▶ B.Com, Chartered Accountant and Masters in Management
- ▶ CEO of Leading Edge Group for three years until 2015
- ▶ 11 years experience with Hal Group



Finance Broking Market

- ▶ The Australian asset finance market (including Plant & Equipment and Motor Vehicle finance) is \$42.1 billion on annual origination;
- ▶ The market is very fragmented. AIK will be a significant aggregator upon completion of the CFG acquisition with ~\$2.8 billion in annual transactions when working with the banks;
- ▶ The existing aggregation brands and service offerings will remain in place;
- ▶ The Mortgage Brokers intermediate up to 52% of new mortgages compared with 15% approximately in 1992 - AIK consider that the finance broking market has been experiencing similar growth;
- ▶ In complex markets where the product manufacturer pays a commission, the incentive for consumers is to use a broker;
- ▶ Brokers offer a customer benefit by being able to offer a wide product choice, quality service and customer experience; and
- ▶ Asset Finance Brokers represent approximately 60% of the market or \$25 billion.



Platform Finance & Lease Group (PFLG)

- ▶ AIK acquired a 60% interest in PFLG for \$24 million in December 2015 (comprising of 75% cash and 25% scrip) and is able to acquire the remaining 40% in two separate 20% acquisitions at July 2018 and July 2020;
- ▶ PFLG was acquired on a trailing 12 month EBITDA multiple of 7.66 times (at November 2015);
- ▶ There are significant referral benefits, with PFLG able to refer operating lease finance to TL Rentals; and
- ▶ Significant revenue and expense synergies can be achieved through merging smaller brokers into brokers such as PFLG, Linx and QPF.



Project Stirling – Three Separate Businesses

- ▶ AIK has successfully completed due diligence and is negotiating the final terms of the agreements to acquire the following:

80%
CFG

50%
Linx

50%
QPF

- ▶ Total consideration of \$43.1 million (based on an 8 times EBITDA multiple pre synergies) funded through:
 - ▶ New share issued to the vendors - \$17.6m (~40%);
 - ▶ Bank debt - \$15m and
 - ▶ New equity - \$10.5m (37%)
- ▶ The above acquisition will grow the broker aggregation volume to ~\$2.8 billion, increasing the groups significance to financial institutions
- ▶ There is a put and call option over the remaining 20% of CFG two years after the acquisition and 5% in each of Linx and QPF at the 2, 4 and 6 year anniversaries of the acquisition.
- ▶ Considerable referral benefits will flow from CFG, Linx and QPF to TL Rentals as a result of this acquisition and the service relationship that may be developed.



High Historic EBITDA Growth

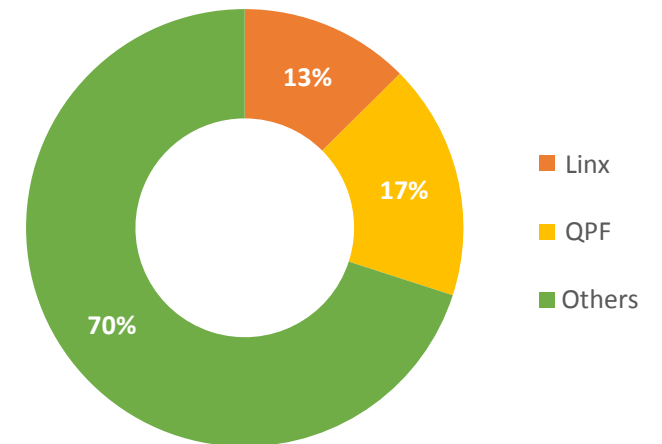
EBITDA ¹	FY13 (\$m)	FY16 (\$m)	Total increase FY13-FY16 (%)	CAGR
PFLG	2.4	4.8	100%	26%
CFG	1.1	1.9	73%	20%
Linx	2.1	3.0	43%	13%
QPF	3.0	4.8	60%	17%
Total	8.6	14.5	67%	19%



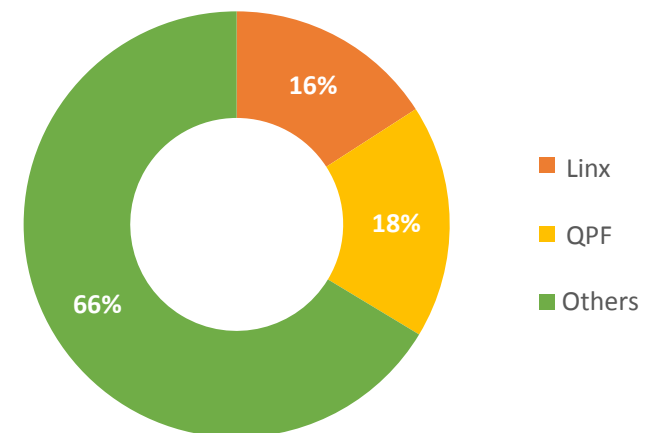
CFG Volume and Membership Growth



CFG Volumes – 2016 \$1.8b



CFG Volumes – 2015 \$1.4b





Acquisition Synergies

- ❑ No expense synergies have been relied upon;
- ❑ Revenue synergies based on the higher Volume Based Incentives (VBI) for CFG & PFLG - through the combined volumes on the best existing rate; and
- ❑ Synergies reduce the EBITDA acquisition multiple to less than 7

Annual Finance Transactions

CFG	\$1.8 billion
PFLG	\$1.0 billion ¹
Total	\$2.8 billion

¹ An increase of 17% on FY15



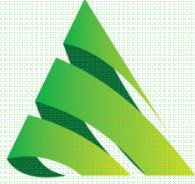
TL Rentals

STRATEGY

*Provide equipment
financing solutions for
essential business
assets*

HIGHLIGHTS

- ▶ Originated \$33.4 million in FY16 at Original Equipment Cost
- ▶ Lease Book at OEC is \$85 million
- ▶ Funders include:
 - ▶ AIK debt facilities
 - ▶ Debenture
 - ▶ Working capital
 - ▶ Four external parties
- ▶ Average deal size of approximately \$40K
- ▶ 25 staff in total



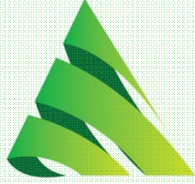
TL Rentals Points of Difference

- ▶ Wide choice of funding sources to cover most market segments & asset types;
- ▶ Experienced staff across; Sales, Accounting, Finance, Collections & Credit – Average employment tenure 6 years;
- ▶ Nimble Credit Team able to structure & assess non-standard transactions accurately and faster than larger lenders; and
- ▶ Low delinquency due to credit structure and in-house collections and recovery department.



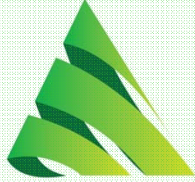
TL Rentals Business Growth

- ▶ FY 2017 addition of first tier lender with \$20m facility;
 - ▶ Certainty of business ➡ Broker referrals
 - ▶ Improved cost of funds ➡ Growth in lease volume through new market segment
- ▶ Referrals from PFLG and CFG
- ▶ Increased recycling of AIK capital for self-funded leases
- ▶ Arrears continue to track at 1.0% or less
- ▶ Write offs tracking at 2.0% or less



TL Rentals Risk Mitigation

- ▶ TL Rentals established in 1996, has weathered the GFC and continues to refine credit & funding processes
- ▶ Key risk is credit
 - ▶ Credit criteria developed with 20 years experience
 - ▶ Enhancement of credit risk through
 - ▶ Personal guarantees
 - ▶ Cross guarantees from other sources
 - ▶ Over collateralisation of assets funded
 - ▶ Registered mortgages
 - ▶ Property caveats
 - ▶ Structured payments / upfront deposits
 - ▶ Pricing & term



TL Rentals Risk Mitigation

- ▶ Secondary risk is funding, mitigated as follows
 - ▶ External funding term the same as the contracted rental term
 - ▶ External funding cost fixed for the rental term
 - ▶ Choice of funding options
 - ▶ Sufficient capital available to “season” contracts before they are externally funded

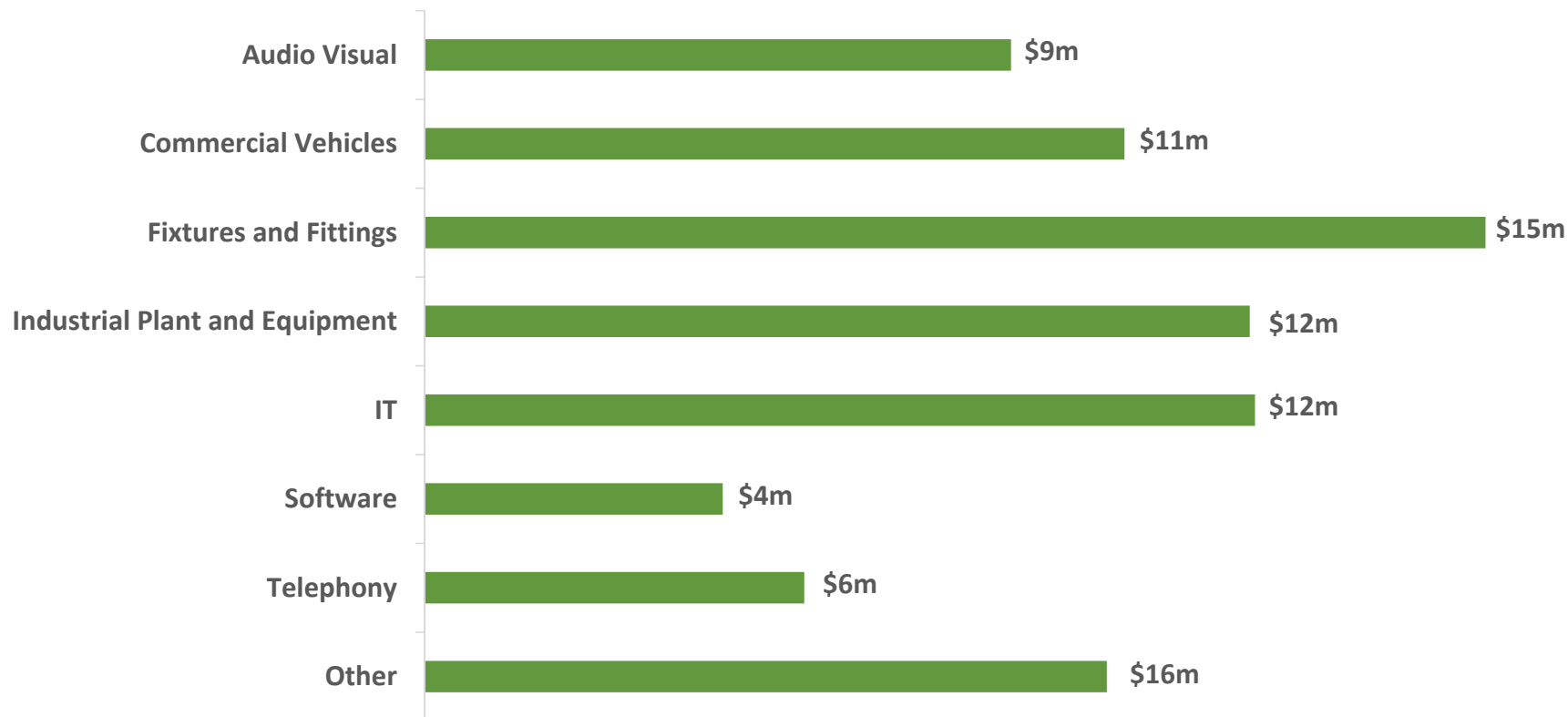


Indicative Profit to Original Cost on Lease Origination Growth

Indicative TL Rentals Lease Profitability		FY16 Profit \$m		FY17F Profit \$m	Marginal Profit increase \$m
Example Lease Volume \$ million		33		43	10
Cash Positive and Cash Investment					
Upfront net income	9%	2.97	9%	3.87	0.9
End of term earnings	20%	6.60	20%	8.60	2.0
Write off rate	-2%	-0.66	-2%	-0.86	-0.20
Overheads		-2.90		-2.90	0
Interest on Working Capital		-1.20		-1.70	-0.5
Profit before tax		4.81		7.01	2.2
Return on Original Cost		14%		16%	22%



Lease Portfolio by Asset Type

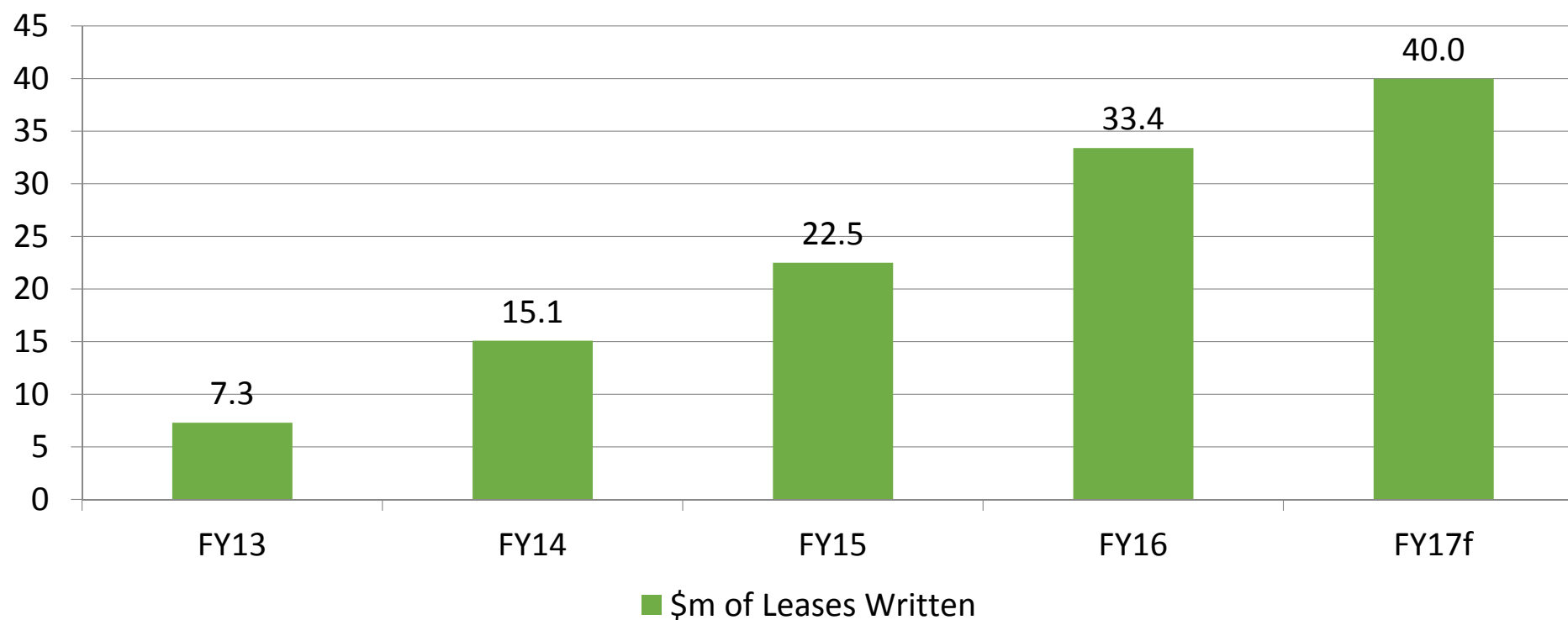


- \$85 million lease book at Original Equipment Cost as at 30 June 2016
- The business aims to maintain asset diversity to avoid concentrated risks



Leasing Origination Continues to Grow

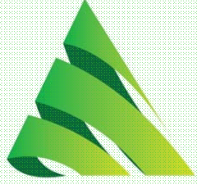
\$m of Leases Written at original equipment cost





Leasing Model Produces Positive Cash Flows

Cash flows for TL Rentals (excl. GST)						
	Day 1	Year 1	Year 2	Year 3	Year 4	Total
Equipment paid for OEC	(100,000)					(100,000)
Brokerage paid	(4,000)					(4,000)
Proceeds from Funding	107,432					107,432
Rent received		41,598	41,598	41,598		124,794
Rent paid to Funder		(41,598)	(41,598)	(41,598)		(124,794)
Inertia rentals/equipment sales proceeds					20,000	20,000
Net cash flows for TLR	3,432	-	-	-	20,000	23,432



Areas of Strategic Emphasis

- ▶ Continued growth in the lease portfolio
- ▶ Capital accumulation of asset finance brokers



Board Members

Bruce Hatchman Non-Executive Chairman

- ▶ Former Chief Executive of Crowe Horwath with 40 years experience in audit and assurance services
- ▶ Chartered Accountant
- ▶ Member of Australian Institute of Company Directors

Mark Smith Non-Executive Director

- ▶ Long term investor who has established a number of successful small businesses in NSW.
- ▶ Part time owner-builder, farmer and apiarist.

Stephen White Non-Executive Director

- ▶ Principal and director of Noah's Rule, a specialist risk advisory firm.
- ▶ 22 years experience in banking including Barclays, Rothschild and HSBC.
- ▶ Graduate Member of the Australian Institute of Company Directors
- ▶ Masters of Management from MGSM



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