

CML Group

Acquisition of Skippr Invoice Finance

28th July 2020

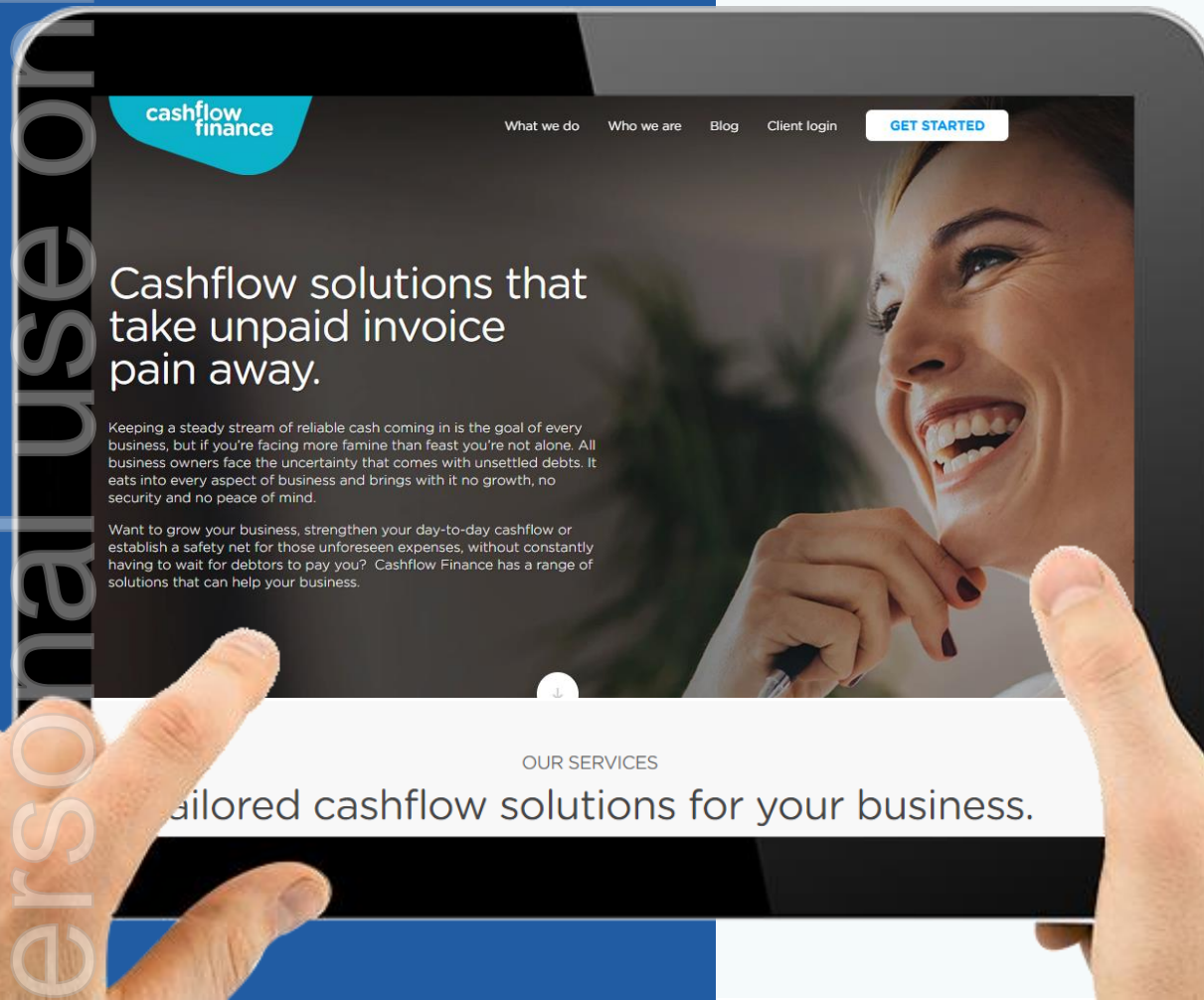
CEO Daniel Riley

cashflow
finance

classic
funding group

skippr

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Executive Summary

CML has executed a Heads of Agreement for the strategic acquisition of Skippr Invoice Finance

Transaction Details

- CML has executed a binding agreement to acquire Skippr Invoice Finance (“**Skippr**”)
- Initial payment of \$2.25m via a mix of cash and scrip at CML’s election, with earn-out structure over next 2.5 years
 - Maximum transaction price of \$6.5m if all earn-out hurdles (a substantial multiple of current funding volumes) are achieved
- Will be funded by cash on hand
- Target completion date by mid August 2020

Skippr Overview

- Skippr is an easy-to use online platform providing invoice finance solutions to SME’s
- Platform integrates seamlessly with Xero, MYOB, etc. to monitor, approve and reconcile invoices

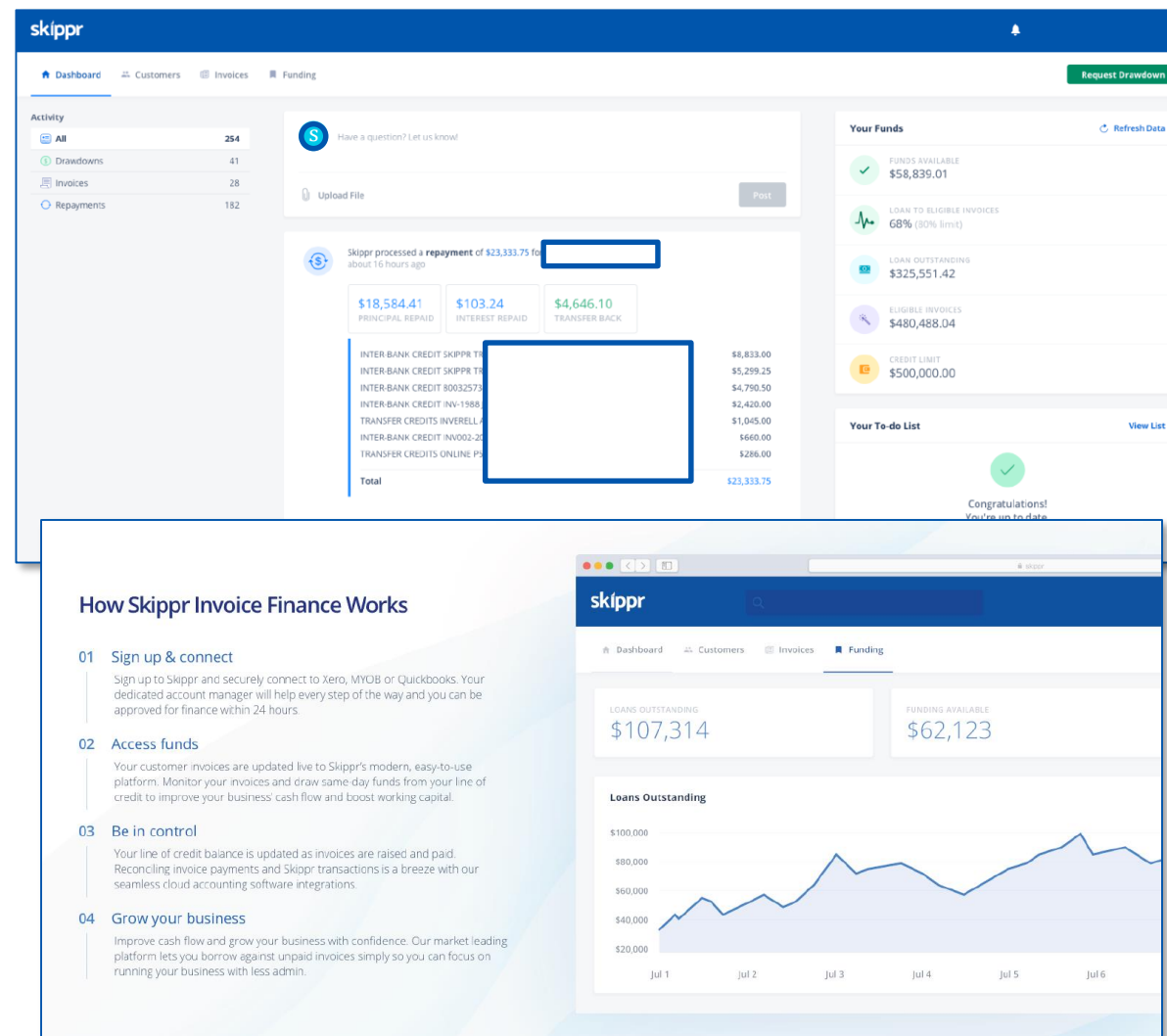
Strategic Rationale

- The utilisation of invoice financing has traditionally been limited by the costs involved in processing, however the advent of cloud accounting technology now enables streamlined and automated operations
- CML has historically not actively targeted smaller clients (receivables book sub \$200k), as they did not have an easily accessible online, largely automated, platform to profitably service these customers
- Skippr platform now provides CML with this capability, and over time CML will leverage the offering to improve client retention through a better and more automated user experience for CML’s larger existing and new clients
- This acquisition brings forward CML’s planned technology enhancement roadmap and development by approximately two years
- By improving the online accessibility of our invoice finance solutions, CML is increasing its exposure to a broader range of SME clients
- Going forward CML will combine Skippr with its current offerings (Cashflow Finance & Classic Funding) to launch a unified and expanded product offering

Skippr Platform

Founded in 2016, Skippr is a proprietary online platform, providing invoice financing solutions to SME clients

- Established in 2016, but following an ownership change in April 2019, the platform was redesigned and rebuilt to deliver an end to end invoice finance solution
- The beta version of the new platform was rolled out in October 2019
- Since beta version launch, Skippr have onboarded 25 clients without a dedicated salesperson and a marketing spend of less than \$50k
 - Implied cost of client acquisition of \$2k, compares favourably with CML's historical cost of acquisition of ~\$20k+
- Leveraging cloud accounting technology (Xero, MYOB, QuickBooks), Skippr seamlessly integrates with a client receivables book, enabling:
 - Transparency over new invoices and efficient approval for funding
 - Simple and automated invoice payment reconciliation
 - Real-time oversight of account transactions
- Technology platform provides key credit risk assessment features:
 - Monitoring of financial performance
 - Electronic identity verification through platform integration with Cloudcheck



Skippr – Streamlining the process

Automates several previously manual tasks, leading to a more streamlined process for CML customers

	Key Processes	CML Group	skippr	Comments
1	Client Acquisition	Manual	Automated	<ul style="list-style-type: none"> • CML: Prospective business client typically applies for funding via a finance broker, manually collating information required for initial assessment • Skippr: Prospective clients apply directly through Skippr app, with info required for assessment automatically extracted from cloud accounting software, facilitating quick credit decisioning
2	Onboarding of clients	Manual	Automated	<ul style="list-style-type: none"> • Skippr onboarding process is managed within the app, providing an industry leading customer experience, to efficiently onboard more clients, faster. <ul style="list-style-type: none"> ✓ ID check ✓ Credit reporting ✓ Debtor setup ✓ Documentation
3	Funding of eligible invoices	Manual	Automated	<ul style="list-style-type: none"> • Skippr app facilitates fast & flexible funding for clients; <ul style="list-style-type: none"> ✓ Clients select which invoices they want funded ✓ The 'live ledger' updates funding availability as invoices are raised & paid • To further enhance customer experience, communication is managed within the app, including queries on invoices, notes to clients and debtors, funding requests etc.
4	Payments monitored and reconciled	Manual	Automated	<ul style="list-style-type: none"> • Real-time sync of financial data supports the rapid identification and allocation of payments to reconcile balances and provide up-to-date funding availability to clients.
5	Reporting	Manual	Automated	<ul style="list-style-type: none"> • Skippr app provides many reports to assist clients monitor and manage their funding requests, including a full history of invoices financed, debtor payments received, funding requests & fees. • Reporting will assist CML with operational risk oversight, with a full history of financial performance available within the app, reports on trends including debt turn, ageing etc.

Acquisition Rationale

Skippr acquisition is advancing CML's technology roadmap, improving product accessibility and broadening the potential client base

- Skippr has onboarded approximately 25 clients without any dedicated salespeople and minimal marketing spend – providing a proven ability to profitably service customers with smaller loan books (sub \$200k)
- CML has historically not actively targeted smaller clients (receivables book below \$200k), as they have not been able to profitably service them
- Skippr platform now provides CML with the capability to:
 - Service smaller clients
 - Access smaller clients that will become larger clients (a successful previous acquisition strategy)
 - Improve client retention through a better and more automated user experience for existing and new clients
- This acquisition brings forward CML's planned technology enhancement roadmap and development by approximately two years
- By improving the online accessibility of our invoice finance solutions, we increase exposure to a broader range of SME clients – significantly increasing current target market

Following completion of the acquisition, CML will combine the online Skippr platform with its current offerings (Cashflow Finance & Classic Funding Group) to launch an expanded product offering

Current



New

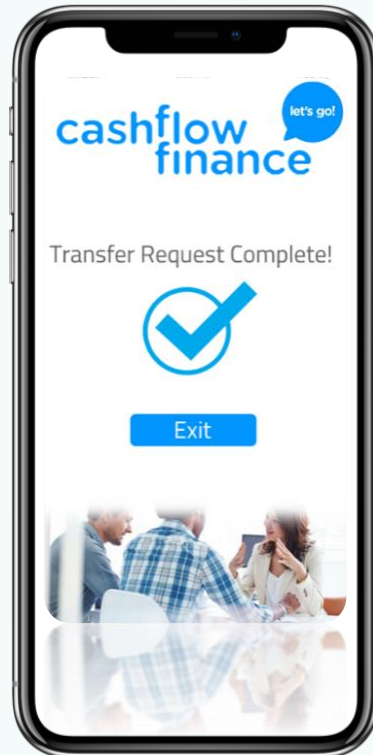
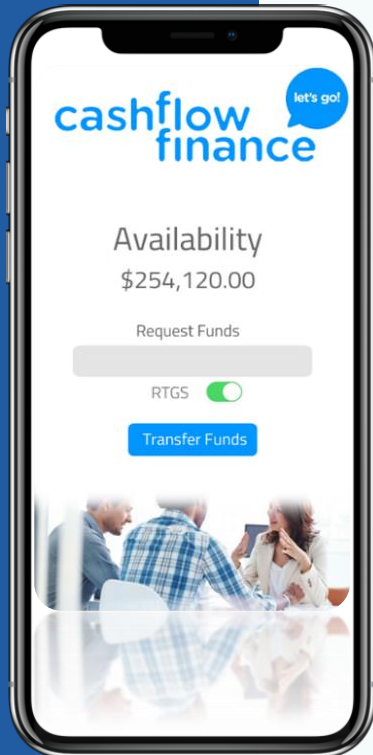
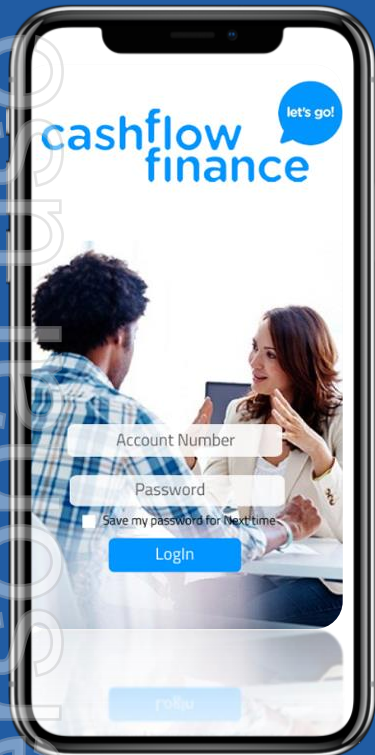
***Brand strategy
being reviewed***

Business Update & Outlook

Early Signs of a Rebound

- Expected FY'20 EBITDA of \$19.5m - \$20.5m and NPATA of \$7.5m - \$8m
- Anticipate paying a full year dividend in the range 1.75 – 2 cents per share, fully franked
- FY'21 outlook positive:
 - **Invoice Finance**
 - Strong growth in June (per announcement on 7 July 2020) has continued into July and expected to continue as business restrictions ease
 - Reduction in cost base of \$2.5m as a result of restructure during COVID-19, albeit offsetting temporary reductions in business volumes from clients who were impacted by COVID-19 along with increased marketing
 - **Equipment Finance**
 - No material defaults or losses due to high quality book
 - During COVID-19, 14.3% of total book by value were offered repayment deferrals, at 7 July 2020 this was down to 7.3%, and at 22 July 2020 this is down to 2.3%
 - **Group**
 - c.\$100m headroom across warehouse & other funding facilities leaving substantial room for expansion
 - Lower interest cost (~\$1m annualised) with retirement and replacement of legacy funding arrangements expected in Q1'21

Appendix



CML Group

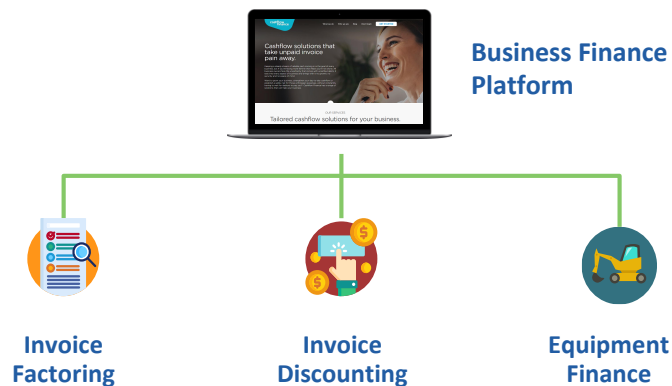
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About CML

A provider of Business Finance solutions, offering Invoice Finance & Equipment Finance, operating under the names Cashflow Finance & Classic Funding Group



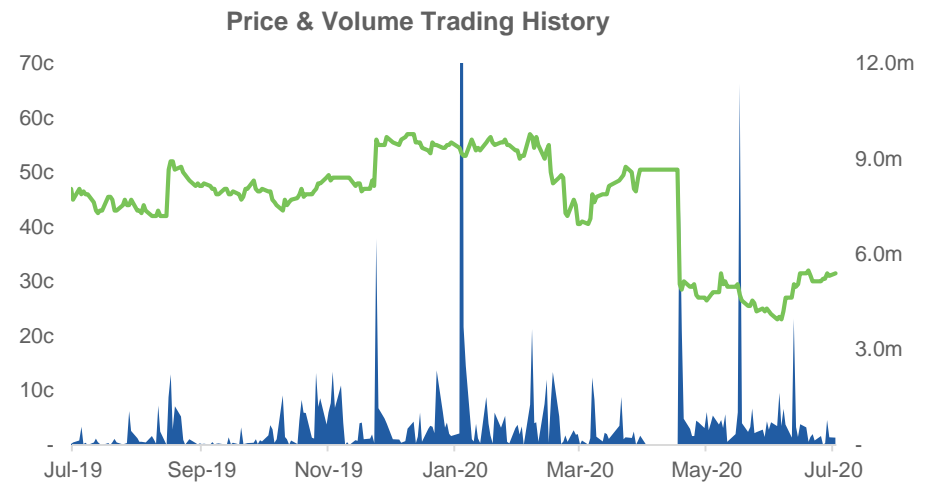
About CML

CML employs an experienced team of ~105 people and services clients nationally from offices in Brisbane, Sydney, Melbourne and Perth.

Operating under the name Cashflow Finance and Classic Funding Group, CML provides the following services:

- Invoice Factoring:** CML provides an advance payment of up to 80% of a client's invoice as a flexible line of credit that is utilised in line with sales volume. This service typically includes a receivables management service and is targeted at smaller clients.
- Invoice Discounting:** Similar to Invoice Factoring, CML provides an advance payment of up to 80% of a client's receivables ledger. Under Invoice Discounting, the client typically manages their receivables function and this service is targeted at larger clients.
- Equipment Finance:** Focussing primarily on funding new and second-hand transport and yellow goods with a strong resale market. All equipment is independently valued and CML lends against the price expected if the equipment was to be sold via auction.

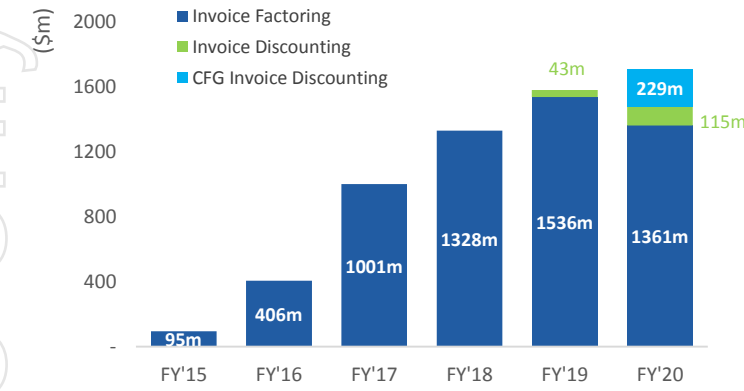
Capital Structure (27 July 2020)	
Share Price	\$0.315
Shares on Issue (m)	217.6
Market Capitalisation (m)	\$68.5m



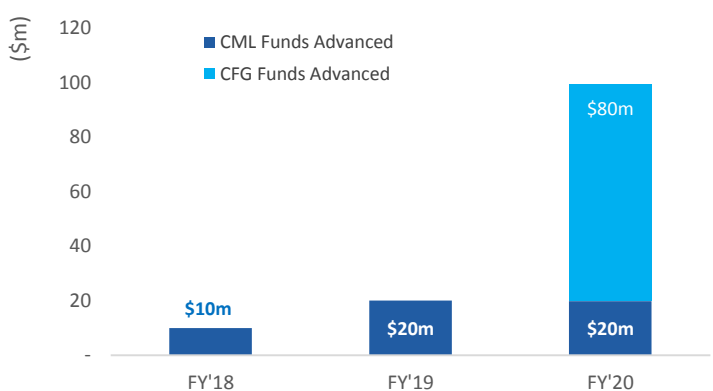
Historical Growth

CML has delivered consistent year-on-year growth in invoices funded, a key metric to ongoing growth in shareholder returns

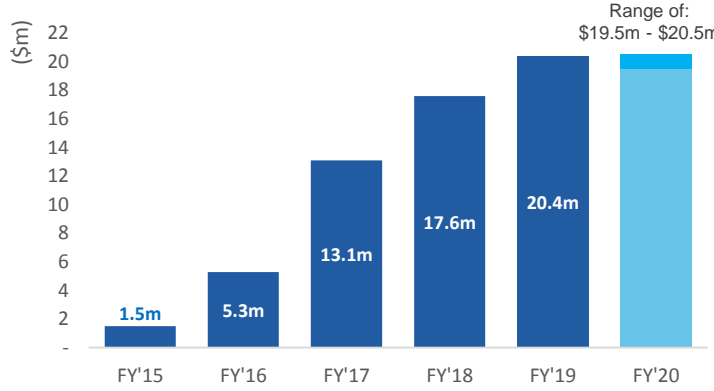
Invoices Funded



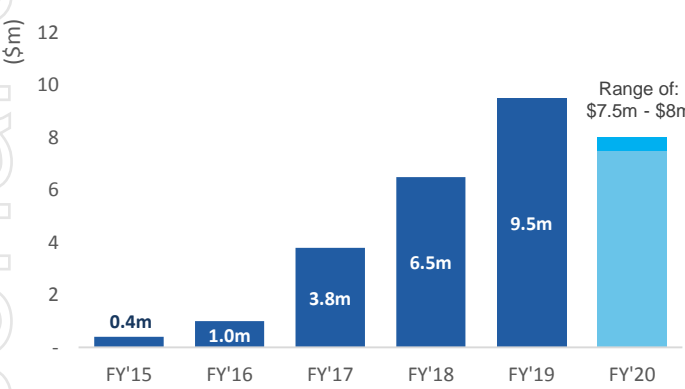
Equipment Finance - Funds Advanced



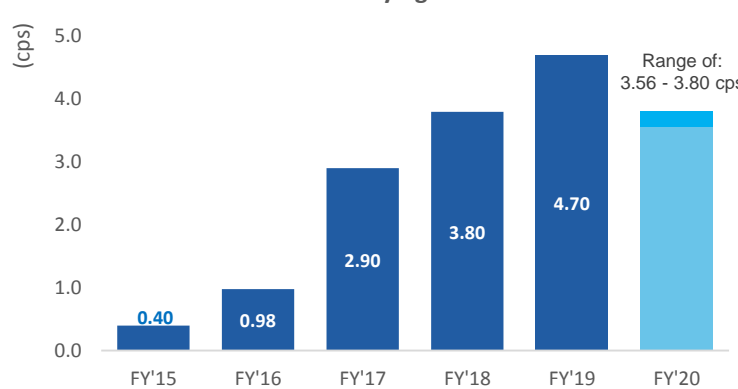
Underlying EBITDA



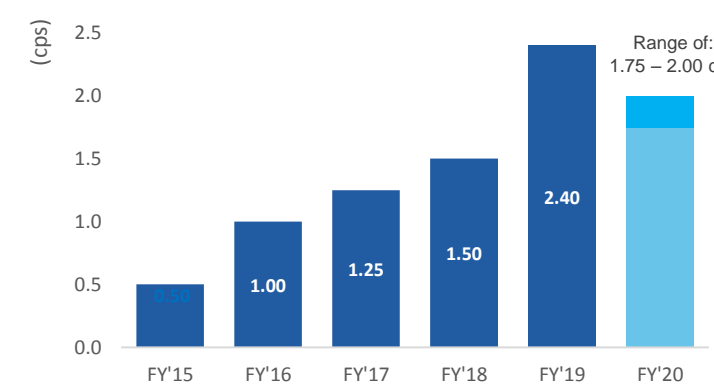
Underlying NPATA



Underlying EPS



DPS



Funding to support growth

CML has a Warehouse Facility for each of its 3 key products, Invoice Factoring, Invoice Discounting and Equipment Finance

	Funding	Facility Size	CML Cost	Comment
Invoice Finance				
Warehouse Facility 1	Wholesale Facility	\$60m	Sub-3%	Provided by a major Australian bank, utilised for invoice factoring and discounting
Warehouse Facility 2	Wholesale Facility	\$35m	Sub-3%	Provided by a major Australian bank, utilised for invoice discounting and trade finance
Overdraft Facility	Overdraft Facility	\$4m	Sub-3%	Provided by a major Australian bank, utilised for invoice discounting and trade finance
<i>FIIG Bond</i>	Corporate Bond #1	\$25m	BBSW + 7%	FIIG Bond, expected to refinance in Q1'FY21
<i>Mezzanine</i>	Mezzanine Debt	\$4.8m	10.25%	B Notes within the Invoice Finance Warehouse Facility 2. Expect to refinance in Q1'FY21
Equipment Finance				
Warehouse Facility 3	Wholesale Facility	\$100m	Sub-4%	Provided by a major Australian bank
<i>Mezzanine</i>	Mezzanine Debt	\$24.8m	10.25%	B Notes within the Equipment Finance Warehouse Facility 3. Expect to refinance in Q1'FY21
<i>New facility</i>	Alternative Finance Provider	\$25m	Sub-6.5%	New Facility, commenced early November 2019
Corporate				
<i>Bond</i>	Corporate Bond #2	\$20m	7.95%	Corporate debt, currently utilised to support funding of all product types
<i>CML balance sheet</i>	Equity	\$30m	n/a	
Total Funds Available		\$329m		
Current headroom at Jul-20		~\$100m		

- CML anticipates replacing the \$25m FIIG Bond and Mezzanine debt with cheaper funding in Q1'FY21, with an expectation of an annualised \$1m+ cost reduction
- Funding structure now rationalised post CFG acquisition:
 - CML's average cost of funds is now below 6%, positioning CML well to compete for large, high credit quality clients
 - Sufficient headroom for growth in all products

Senior Management



Daniel Riley
CEO CML Group

- Daniel commenced with CML in 2002 and has been CEO since 2010.
- Daniel launched the Invoice Finance business in 2012 and transitioned CML from a recruitment services firm to a finance business, managing an accelerated growth program, including the acquisition of five key finance competitors, which in combination with strong demand for CML's service offering, has made CML a large player in the non-bank finance industry.



Shannon Stelfox
COO

- Shannon has worked in invoice finance for over 26 years and has undertaken every role in both operations and sales. Shannon worked for Scottish Pacific (Scotpac) for 19 years before moving to their new specialist factoring division, FactorONE in 2011.
- At the time of her subsequent resignation from Scotpac in 2015 to join CML, Shannon was Scotpac's longest term employee in Australia. Shannon joined CML for the acquisition phase, and during her 4yr tenure with CML, Shannon has employed and developed an operations, risk and credit team.



Steve Shin
CFO

- Steve joined CML Group as CFO in April 2015 with more than 15 years of experience as key executive in ASX listed companies and top-10 accountancy firm.
- Steve also has 9 years of experience in fin-tech and media companies.



Sandy Fitzgerald
GM Equipment Finance

- Sandy joined CML in early 2017 to establish an Equipment Finance business.
- With 35 years in corporate finance specialising in large scale lending projects, Sandy has deep knowledge of Equipment Finance and has a diverse skill set across general management.
- Sandy believes sustainable growth and profitability flows from happy customers, business partners and employees.



James Beeson
CCO

- James will join CML as Chief Commercial Officer on completion of the transaction with Skippr, responsible for the development and execution of the organisation's commercial strategy through product development and innovation to accelerate business growth and market share.
- Prior to his role as CEO of Skippr, James held senior roles at JP Morgan, Brevan Howard Asset Management and Citigroup.

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Future performance

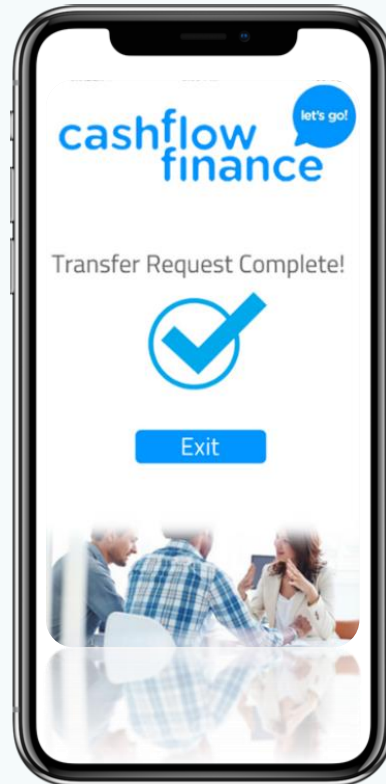
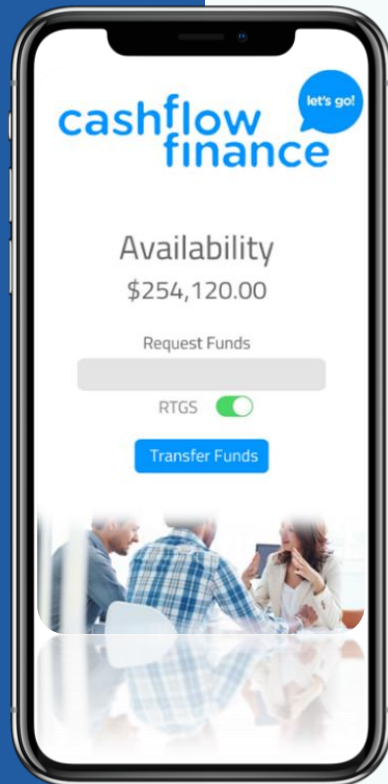
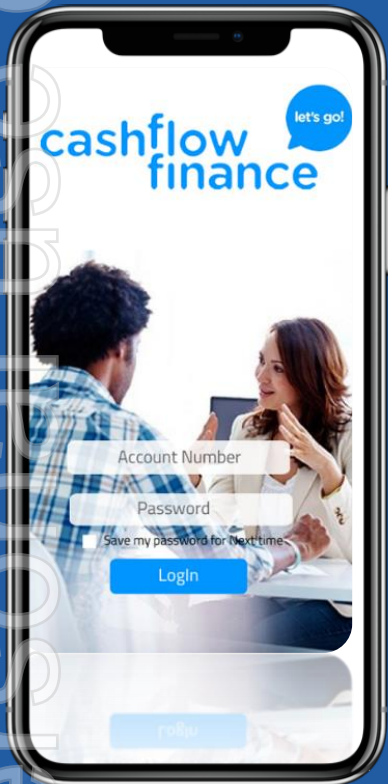
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