28 February 2020

CML Group Limited (ASX:CGR)
(“CML” or the **“Company)**

Half Year 2020 Results Announcement

1H’20 Highlights

CML is pleased to report its Half Year 2020 result, with key highlights as follows;

- Invoices funded up 9% to $912m
- EBITDA (adjusted) up 1% to $10.2m
- NPATA up 5% to $4.6m
- EPS (underlying) up 4% to 2.26 cents per share

The result for the period has been achieved through improved new business momentum in invoice finance and continued growth in equipment finance. In addition, CML completed the acquisition of Classic Funding Group (‘**CFG**’) in November 2019, with approximately $0.2m contribution to NPATA for the period.

On an adjusted basis, after adding back M&A related expenses for the period ($0.3m) and non-cash amortization and impairment of intangibles ($2.8m), net profit after tax for the period is $4.6m, up 5% on the previous corresponding period (1H’18: $4.4m).

Volume growth has returned in CML’s core invoice finance business, following a flat 2H’19. Volume is up 23% on 2H’19 and up 9% on the same period last year. The reported volume of $912m includes $64m from Classic Funding Group, acquired in November 2019.

The acquisition of CFG adds significant scale to the Equipment Finance division and adds further to scale in Invoice Finance. Pleasingly, CFG contributed approximately $0.2m to NPATA for the period and is expected to contribute at a higher rate in future periods as integration work is finalised and cost synergies fully realised.

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Financials

A summary of CML's Half Year result is tabled below:

$m	1H'19	1H'20	pcp ∆	Commentary
Invoices Purchased	***838***	***912***	*9%*	1
Finance	19.5	17.1	*-12%*	2
Equipment Finance	1.4	3.9	*178%*	3
Other	4.1	3.7	*-10%*	4
Group Revenue	**25.1**	**24.9**	***-1%***	
Finance	10.1	8.6	*-15%*	
Equipment Finance	0.4	2.0	*387%*	
Other	0.4	0.5	*12%*	
Corporate	(0.9)	(0.9)	*3%*	
Underlying EBITDA	**10.1**	**10.2**	***1%***	
D&A	(0.1)	(0.4)	*150%*	
Net Interest	(3.7)	(4.1)	*12%*	
Tax	(1.9)	(1.1)	*-58%*	
Non-recurring items (post-tax)	(0.4)	(3.1)		5
NPATA	**4.4**	**4.6**	***5%***	
Underlying EPS*	2.17	2.26	*4%*	
DPS (cents per share)	1	-		6

** Underlying EPS is based on NPATA*

Financial Commentary

1. Higher volume with return to growth following a flat 2H'19. Volume is up 23% on 2H'19 and up 9% on the same period last year. The reported volume of $912m includes $64m from CFG, acquired in November 2019.
2. As CML progresses to larger, high credit quality clients, margin on invoice volume has reduced from prior periods. However, CML anticipates continued volume growth will compensate for margin reduction in the near-term, with reduced client attrition and larger average client size also expected to contribute to future earnings growth.
3. Income from equipment finance is progressively building following the launch of this service offering in July 2017. The addition of CFG in November 2019 has added significant scale to this division, taking the equipment finance loan book from $21m to $115m at 31 December 2019.
4. Revenue from other divisions reduced as CML's legacy recruitment business is wound down. The contract for the primary project in this division completes in 2H'20 and will not be continued. As a result, CML has fully impaired the $2.4m of goodwill in its balance sheet that relates to the legacy business and all clients will be discontinued by 30 June 2020.
5. Adjustment to NPAT includes non-cash $2.4m goodwill impairment on wind-down of CML's legacy recruitment business, non-cash $0.4m in amortization of acquired intangibles and $0.3m after tax in M&A related costs relating to the delayed scheme of arrangement with Consolidated Operations Group ('**COG**') and Non-binding Indicative Proposal from Scottish Pacific ('**Scotpac**')
6. If CML proceeds with a Scheme of Arrangement with either COG or Scotpac, the terms will include a 3 cents per share fully franked dividend, payable prior to Scheme implementation. To preserve cash for this scenario, CML will not pay an interim dividend relating to the 6 months ended 31 December 2019.

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Corporate activity

Please note that the company will make a separate announcement to update on corporate activity.

Dividend

If CML proceeds with a Scheme of Arrangement with either Consolidated Operations Group (COG) or Scottish Pacific Limited (Scotpac), the proposed terms will include a 3 cents per share fully franked dividend, payable prior to Scheme implementation.

To preserve cash for this scenario, CML will not pay an interim dividend.

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 customers (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 equipment finance to assist SME's with capital expenditure on items required to operate their business.

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