



Henry Morgan

Announcement

Henry Morgan Limited

ACN 602 041 770

15 August 2017

JB Financial update – agreement for the acquisition of Genesis Proprietary Trading

Henry Morgan Limited (ASX: HML) (**Company**) refers to its previous market announcement of 23 June 2017 regarding JB Financial Group Ltd (**JB Financial**) and Genesis Proprietary Trading Pty Ltd (**Genesis**).

JB Financial has advised that it entered into an unconditional agreement for the acquisition of Genesis Proprietary Trading Pty Ltd (**Genesis**), one of Australia's largest proprietary trading companies with offices in Sydney, Melbourne, Manly and Warriewood (**Genesis Acquisition**).

Complementary acquisition

Founded in 2016 and headquartered in Sydney, Genesis is a profitable business which trains, develops and supports proprietary traders.

JB Financial believes the Genesis business is highly complementary to JB Financial's existing broking operations, and will deliver immediate scale to JB Financial Group's broking division.

The Genesis Acquisition is scheduled to complete on 7 September 2017. If the acquisition completes, it is anticipated Genesis' current management team will continue to operate the Genesis business. In addition, several individuals within the Genesis management team, including Nick Scarf, Ben Gregory and Justin Williams, will join JB Financial's management ranks to capitalize on the growth opportunities that the acquisition of Genesis is anticipated to deliver.

Terms of acquisition and financial impact

The terms of the transaction are contained in an unconditional share sale agreement between JB Financial and the shareholders of Genesis.

Based on internal management accounts, Genesis' expected EBITDA for FY2016/17 is approximately \$0.7 million on revenue of approximately \$22.1 million. Significant synergies are expected to be achieved post-acquisition, including reduced dealing, operational and management costs through scale. It is anticipated that these cost savings will increase the EBITDA attributable to the Genesis business to a forecast \$1.7 million for FY2017/18.

The consideration for the acquisition of Genesis is \$11 million, half of which is payable by way of shares in JB Financial issued at \$6.14 per share, based on an internal management company valuation of \$93 million. The balance of the consideration will be paid in cash from a combination of existing JB Financial resources, and sources of funding available to the company.

The Company notes that the agreement for the Genesis Acquisition is unconditional, and is scheduled to complete on or about 7 September 2017. The Company knows of no reason why the Genesis Acquisition will not complete as planned. The Company further notes that it is informed by JB Financial that JB Financial knows of no reason why the Genesis Acquisition will not complete as planned. However, the Company also notes that every transaction is subject to some degree of completion risk. If the Genesis Acquisition does not complete, the Company will update the market accordingly.

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Management commentary

JB Financial's Group CEO, Stuart McAuliffe, said, "If completed, this transaction will significantly increase the scale of our market operations. We believe it will put JB Financial in a market-leading position in bonds and bank bills, and will open up multiple opportunities to expand our important foreign exchange trading division as well."

Further disclosure will be made as details become more certain.

ENDS

Stuart McAuliffe
Managing Director
Henry Morgan Limited

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