

18 February 2022

Sale of hummmgroup Consumer Finance to Latitude

- Entry into binding, definitive agreement to sell **hummmgroup** consumer finance (HCF) to Latitude Group for aggregate consideration of \$335 million¹
 - **hummmgroup** intends to distribute and transfer the entire HCF consideration of 150 million Latitude shares and \$35 million cash to shareholders
 - Combination of HCF with Latitude will create a leading and profitable pure-play consumer finance business
 - Sale and distribution of proceeds subject to **hummmgroup** shareholder and regulatory approvals
- **hummmgroup** will continue to fully own **hummmgroup's** strongly performing Commercial business, flexicommercial, which will remain an ASX-listed company with a strong balance sheet to fund its continued growth
- Compelling value proposition for **hummmgroup** and its shareholders with ongoing exposure to the separate future growth of HCF through Latitude shares, and **hummmgroup's** Commercial business
- The Board of **hummmgroup** recommends shareholders vote in favour of the Latitude transaction in the absence of a superior proposal and subject to an independent expert concluding that the Latitude transaction is in the best interests of shareholders

Further to its previous announcements, Humm Group Limited (**HUM**, **hummmgroup** or the **Company**) (ASX: HUM) announces that it has entered into a binding agreement with Latitude Group Holdings Limited (**Latitude Group**, **Latitude** or **LFS**) (ASX: LFS) with respect to the sale of HUM Consumer Finance (**HCF**), comprising its buy now pay later (**BNPL**), instalment and credit card operations, to Latitude.

Overview

The consideration for HCF comprises 150 million Latitude shares² and \$35 million cash. The aggregate value of \$335 million represents a multiple of 13.4x HCF run rate Cash NPAT³ and 1.8x HCF net tangible assets⁴.

¹ Based on share price of \$2.00 per Latitude share. Consideration subject to customary completion adjustments.

² Latitude will seek approval from its shareholders under Listing Rules 7.1 and/or 7.4 for the issue of the 150 million Latitude shares payable to HUM. If Latitude is unable to secure the requisite shareholder approval, then the consideration for HCF will comprise 45 million Latitude shares and \$245 million cash

³ Based on HCF 1H22 Cash NPAT of \$12.5 million annualised.

⁴ Based on HCF net tangible assets of \$190 million as at 31 December 2021.

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HUM Chairman Christine Christian AO said:

*"This is a transformational transaction for **hum**group that represents compelling value for shareholders.*

It is proposed that HUM shareholders will receive the consideration for the sale of HCF, comprising shares in Latitude - which will provide HUM shareholders with the opportunity to participate in the growth benefits and synergies arising from the combination - and cash.

HUM will continue to fully own HUM's strongly performing commercial business, flexicommercial, which will continue as a pure play ASX-listed company owned by its existing shareholders. HUM will have the capital and liquidity to support its continued growth as a leading non-bank provider of asset finance in Australia and New Zealand.

This is an attractive outcome for HUM shareholders."

HUM intends to distribute the sale proceeds⁵ to shareholders, who will receive approximately \$0.68 per share, consisting of 0.30 Latitude shares and \$0.07 cash. A scheme of arrangement between HUM and its shareholders will be entered into to facilitate the distribution⁶ of the Latitude Shares. By receiving a distribution of the Latitude shares which HUM will receive as part consideration for the sale of HCF, HUM shareholders could further benefit from any potential enhanced scale and efficiencies of Latitude's enlarged consumer finance platform. Latitude has indicated it expects significant synergies to arise from the combination.

HUM will retain full ownership of the flexicommercial business, and will continue as an appropriately capitalised ASX-listed company owned by HUM's existing shareholders. The Board of HUM believes the Commercial business has significant organic and strategic growth potential, with a 1H22 expected (unaudited) CNPAT of \$15.3 million in the Commercial and Leasing segment.

After completing the sale of HCF and distributing the share and cash consideration to shareholders, HUM expects that it will have unrestricted cash, which will be first applied to the retirement of its perpetual note (c. \$55 million⁷). Thereafter, the HUM Board will take a disciplined approach in allocating the remaining unrestricted cash between investing further in the accelerated growth of the Commercial business and capital management initiatives.

The Board of HUM recommends that shareholders vote in favour of the Latitude transaction, and associated resolutions, including the proposed scheme of arrangement, in the absence of a superior proposal and subject to an independent expert concluding that the Latitude transaction is in the best interests of shareholders.

In addition to HUM shareholder approval for the sale of HCF via an ordinary resolution, the implementation of the sale transaction is subject to customary terms and conditions as well as approval by various regulatory bodies, including the Australian Foreign Investment Review Board and New Zealand Overseas Investment Office. The proposed scheme of arrangement to facilitate the distribution of Latitude shares requires the approval of HUM shareholders and the Court. HUM intends to distribute the sale proceeds in a tax efficient manner and has sought a ruling from the Australian Taxation Office, which HUM expects will be issued after completion of the Latitude transaction.

⁵ Which will be subject to customary completion adjustments.

⁶ Dividend and capital component parts of the distribution to be determined. Scheme requires the approval of 75% of the votes cast and 50% of shareholders by number at a separate scheme meeting convened by order of the Court.

⁷ Expected outstanding balance of the perpetual note as at 30 June 2022.

HUM will announce its financial results for the six months to 31 December 2021 on Tuesday 22 February. Based upon the unaudited accounts, HUM expects to report a 31 December 2021, half-year CNPAT of \$27.8 million and a statutory loss of \$168.3 million with the key differences relating to the impairment of software and goodwill of \$181.2 million and a legal provision of \$8.4 million post-tax related to our previous contingent liability disclosure of Forum Finance.

Strategic rationale for the HCF transaction

The HUM Board considers the price offered by Latitude for HCF to be attractive and by receiving Latitude shares as consideration HUM shareholders could further benefit from any potential enhanced scale and efficiencies, including synergies, of the enlarged consumer finance business.

Latitude and HCF together will create the #1 non-bank consumer lender in Australia and New Zealand, a significant and profitable company able to compete at scale. As part of Latitude, the HUM Board expects that HCF will be in a stronger position to accelerate the delivery of its strategy, pursue further international growth, diversify risk, and optimise value for shareholders - both HUM shareholders who will receive Latitude shares and existing Latitude investors.

HCF is focused on providing customers with a great experience, allowing them a better way to finance life's little luxuries through to significant purchases. HCF's products, customer experience expertise, and technology capability will benefit Latitude and become Latitude's BNPL business. This enlarged group is expected to benefit from enhanced access to capital, and further combination benefits including synergies, access to a significantly expanded customer base, diversified market risk, and additional cross-selling potential.

The combined business should build on HCF's track record of building award winning products and experiences that customers love, to make an even more compelling proposition for merchants, retailers and customers. HCF should be in a position to offer its fully integrated omni-channel products and services to Latitude's existing 5,000+ merchant relationships and 2.8 million customers so that they can benefit from HCF's seamless approvals for big and small purchases.

HUM's Commercial business

Should the Latitude transaction proceed, HUM will continue to fully own HUM's commercial business, flexicommercial, and will remain ASX-listed owned by existing shareholders.

flexicommercial is the 2nd largest non-bank provider of asset finance in Australia and New Zealand with over \$1 billion in receivables. flexicommercial primarily offers - through the broker channel - equipment finance to growing SMEs to fund the purchase of revenue-generating assets.

HUM will change its name to reflect its ownership and operation of flexicommercial and will be headquartered in Sydney, Australia with offices in Auckland and other key regional areas.

Next steps

HUM shareholders do not need to take any action in response to this announcement. HUM shareholders will be asked to vote on the HCF transaction, the proposed scheme of arrangement and associated resolutions at a date to be determined.

A comprehensive package of information, including notices for the general and scheme meetings, explanatory memorandum (incorporating an independent expert's report) and associated documentation, is expected to be provided to shareholders in approximately two months.

HUM is being advised by Flagstaff Partners and MinterEllison.

-ENDS-

Authorised for release by the **hummg**roup Board of Directors.

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ABOUT HUMMGROUP

humgroup is revolutionising the way people pay. **hum**group has developed some of Australia and New Zealand's most exciting and accessible consumer finance products including **hum**, **bundll**, **hum**90 and **hum**pro. **hum**group continues to design products around the core needs of financially savvy consumers spanning millennial spenders through to young families and SMEs. **hum**group facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland and the United Kingdom.

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