Investorfirst Ltd
ABN 87 124 891 685

ASX Release

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INQ Proposal to Acquire 100% of HUB24 Pty Ltd; & Contingent Placement of A$12.5 million

Investorfirst Limited (ASX: INQ) is pleased to announce that it has entered into a Share Sale Agreement for the Proposed Acquisition of 100% of the shares of HUB24 Pty Ltd and its two fully-owned subsidiaries (HUB24). The Proposed Acquisition, which is subject to shareholder approval at the Annual General Meeting (AGM), is to be undertaken as a 100% Scrip for Scrip Acquisition, with HUB24 being notionally valued at A$20 million.

As a consequence, INQ intends to issue to HUB24 Shareholders a total of 266,666,667 New Shares in INQ at a notional value of 7.5 cents per share (cps), which will be subject to voluntary escrow up to 24 months, based upon varying time periods or performance. Contingent upon INQ Shareholders approving the acquisition of HUB24, INQ has entered into an agreement with Southern Cross Equities for a new capital raising, totaling A$12.5 million. This will be achieved by a further placement of 166,666,667 New Shares in INQ, again at a value of 7.5 cps. Both INQ and HUB24 Directors and Executives intend to subscribe to this issue for up to A$2.82 million (23% of the total new issue).

About HUB24

HUB24's Portfolio Service is an advanced trading and reporting system that enables clients to benefit from cost effective executions and management of trades whilst retaining the full beneficial ownership of securities for improved tax efficiency. HUB24 acts as a 24 hour accessible hub between an Investor and their Adviser, the Model Manager recommending the Model Portfolio, the Broker performing the trades, and the Sub-Custodians who provide the custodial and depository services in respect of the Portfolio Service. This system can be used for managing and administering Managed Discretionary Accounts (MDA's), such as Separately Managed Accounts (SMA's) and Individually Managed Accounts (IMA's). This has the benefit of simplifying the administration of investing in shares for investors, including Self-Managed Superannuation Funds (SMSF's).

HUB24 Strengths

- ✓ Provides **DIRECT** "Investor Control" and "Ownership" over investable funds;
- ✓ Proven Executive and IT Development Team, well known to INQ and whom have founded, developed and sold IT-related financial services businesses for in excess of A$120 million over the past 10 years;
- ✓ Latest in web-based platform technologies and sophistication that is a combination of a Wrap Platform and Managed Discretionary Account Service;
- ✓ 100% Ownership of Intellectual Property through proprietary software development;
- ✓ Currently 23 model managers making HUB24 the largest offering of SMA managers in Australia;

- ✓ Over 1,000 investment options comprising SMA, managed funds, ETFs, listed securities, direct fixed, margin lending and SMSF capabilities;
- ✓ Independent and designed to cater for the new paradigm in financial advice;
- ✓ Fully integrated direct equities, non-unitised models, managed funds and cash trading and reporting; and
- ✓ Strong potential to build a substantial footprint in the well established and strongly growing Investment Platform marketplace.

Benefits to Investorfirst Shareholders

The Proposed Acquisition will not result in a change to the nature of Investorfirst's activities, as Investorfirst is already strategically committed to and does provide portfolio solutions for clients. However, given the magnitude of the acquisition, it is a major change to the scale of Investorfirst's activities and as such, shareholder approval of the Proposed Acquisition is being sought.

Through the acquisition of HUB24, Investorfirst will:

- ✓ markedly alter its investment proposition to investors from being a boutique Independent Stockbroker, which executes, clears and settles to becoming an Integrated Financial Services House, with an embedded early-growth stage, investment platform with unique, 100% owned intellectual property capable of delivering attractive medium to long-term annuity style revenues, capable of catapulting INQ's current market capitalisation by a number of multiples;
- ✓ be the first non-institutional integrated platform & broking financial services utility;
- ✓ gain a potential discount on the acquisition price of around 33% to what the HUB24 Board had been seeking from private equity investors;
- ✓ own 100% of what it believes to be the current "best-of-breed" and "first in market" investment platform / administration service allowing investors to gain the benefits of a wrap platform and an MDA service in one hybrid Unified Managed Account Service (UMA);
- ✓ strengthen its capital base, with a proposed, Contingent Placement totalling A$12.5 million;
- ✓ inherit a strong internal IT team, capable of further extending Investorfirst's own front-end stockbroking platforms;
- ✓ obtain a new Managing Director, with Mr. Darren Pettiona (current Non-Executive Director of Investorfirst and Managing Director of HUB24), being offered the position of Managing Director of Investorfirst on a low fixed base salary of A$150,000 per annum for the first three-years;
- ✓ obtain a new Non-Executive Director, with HUB24 director Mr. Jason Entwistle being offered a board seat. Mr. Entwistle is an experienced investment platform entrepreneur having been the co-founder of Avanteos, now owned by CBA;
- ✓ combine a team of proven entrepreneurs whom have built and sold financial services businesses for approximately A$0.5 billion over the past 10 years;
- ✓ be at the forefront of new investment choice development, as fund managers seek alternate methods outside of managed funds to source investable dollars, such as ETF's and separately managed accounts;

- ✓ have the ability to potentially export technology and know-how to international markets seeking to replicate Australia's successful financial services marketplace; and
- ✓ likely become a potential future target for acquisition, particularly following full integration, given Full ASX Market Participants which execute, clear and settle are dwindling in number and many of HUB24's competitor platforms rely partly on 3rd party solutions, legacy technology and functionally constrained, let alone not necessarily cost competitive or in the investor's best interests.

Effect of the HUB24 Transaction on Investorfirst Shareholders

Following the issue of New INQ Shares for the acquisition of HUB24 and the A$12.5m capital raising, incoming HUB24 Shareholders will hold approximately 39% of Investorfirst shares.

The New INQ Shares issued to HUB24 vendors will be subject to a voluntary escrow restricting the sale of these Scrip Consideration Shares for a period up to 24 months after completion of the Proposed Acquisition. The following describes the composition of the voluntary escrow periods:

i) 25% of the New INQ Shares issued will be escrowed for 12 months;

ii) 25% of the New INQ Shares issued will be escrowed for 18 months; and

iii) 50% of the New INQ Shares issued will be escrowed for 24 months.

These escrow periods may be varied by the independent non-HUB24 directors of the INQ Board upon certain circumstances and at its sole discretion and in any case will be extinguished either on the anniversary of 24 months, a change of control of INQ, or HUB24 achieving A$1.75 billion in funds under advice.

Mr. Ian Litster, a director of HUB24, currently owns 485,906 INQ Shares and hence will be entitled to a slightly greater percentage of INQ as a result of the acquisition.

About the Placement / The Effect on Investorfirst Shareholders

Contingent upon the HUB24 acquisition being approved by Investorfirst Shareholders, the Underwriting Agreements Investorfirst has entered into with various parties, including Directors of Investorfirst and HUB24, to raise an additional A$12.5 million in new equity capital will become immediately operative.

Hence, it is envisaged that a further 166,666,667 New Shares in INQ will be issued at 7.5 cps, thereby diluting current Investorfirst Shareholders from circa 49%, following the HUB24 acquisition, to 37%.

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