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AUSTRALIAN FINANCE GROUP ACQUIRES STRATEGIC INTEREST IN THINKTANK

Australian Finance Group Limited (ASX: AFG) is pleased to announce that it has entered into a binding agreement to make a strategic investment of 30.4% (fully diluted) of Think Tank Group Pty Ltd (“Thinktank”) for \$10.9 million in cash consideration. In connection with the investment, AFG will distribute a white label Commercial Property product through its network of brokers.

Thinktank operates primarily as a small ticket (sub \$3m) commercial property lender and was established in 2005. Thinktank operates nationally and has a loan book in excess of \$750 million. It has established itself as a viable and competitive non-major commercial property lender in a sector that has been bereft of competition and choice for too long.

AFG Chief Executive Officer David Bailey explained the decision: “Our strategic investment in Thinktank represents the next evolutionary step for AFG to diversify its earnings base. The ongoing success of AFG Home Loans and the introduction of AFG Business are important contributors to the future growth of AFG. It makes sense to participate further in an asset class that we are comfortable with - both directly through the white label opportunity and indirectly through our shareholding to generate further earnings for AFG.

“The opportunity to blend Thinktank’s commercial property lending expertise with our own distribution and securitisation capability will benefit both businesses. It will also enable us to deliver further competition and choice to the small to medium enterprise (SME) market place at a time when it is most needed. AFG aims to bring the same disciplines to this white label proposition as we have successfully demonstrated with our own residential white label programme,” added Mr Bailey.

Thinktank CEO, Jonathan Street, commented: “The agreement reached with AFG marks a further significant step forward for our business and serves to further enhance our capacity to best service the finance needs of borrowers over the breadth of the Australian commercial property market.

In coming together, we see considerable opportunity to not only combine our efforts to great effect across the AFG network but equally in extending the same emerging advantages and benefits to our wider base of aggregation and broker relationships.”

Investment highlights:

- Investment of 30.4% (fully diluted) of Thinktank Group Pty Ltd (“Thinktank”) for \$10.9 million in cash consideration
- Addition of a white label commercial property mortgage to AFG’s product offering with a strategic alignment with AFG’s commercial broking platform, AFG Business
- Opportunity to increase Thinktank’s penetration of the market through AFG’s 2,900 strong broker network
- Thinktank is expected to achieve profit after tax in FY18 of approximately \$3.2 million
- AFG has the right to appoint two directors to the Thinktank board and they will take up those positions immediately
- Completion is expected to occur today following the transfer and confirmed receipt of consideration.

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