



LATITUDE

Latitude Group Holdings Limited
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ASX ANNOUNCEMENT

Latitude to acquire Humm's consumer business (BNPL, Instalments and Cards) for 150 million Latitude shares and \$35 million in cash representing ~\$335m¹ total consideration

Latitude Group Holdings Limited (ASX:LFS) today announced it has executed binding agreements to acquire Humm Group Limited's (ASX:HUM) consumer business (BNPL, Instalments and Cards) ("Humm Consumer") for 150 million Latitude shares¹ and \$35 million in cash representing a total consideration of approximately \$335m ("Transaction"). This acquisition implies normalised FY23 pre synergies price-to-earnings of ~13x. On completion, Humm Consumer will have net tangible assets of \$190 million.²

Latitude expects to generate \$55 million of annual synergies from duplicate costs, technology rationalisation and funding benefits. This is expected to be fully realised by the end of 2023 following full integration. In addition, Humm Consumer is expected to generate \$35 million of pre-tax cash earnings for the full year 2023. The combination is expected to deliver incremental pre-tax cash earnings of \$90 million on a run-rate basis by the end of full year 2023, excluding \$10 million of revenue synergies. The transaction is expected to deliver double digit cash EPS accretion assuming full run rate synergies.

Strategic Rationale and Benefits

Humm Consumer is a leading BNPL, Instalments and Cards provider in Australia and New Zealand with net receivables of \$1.8 billion³, over 2.6 million customers, relationships with ~60,000 merchants and an established and reputable brand. The acquisition adds significant additional scale to Latitude's business, supporting growth and consolidating its position as Australia and New Zealand's leading non-bank consumer lender. Post-acquisition, the business will have more than \$8 billion of gross receivables, ~\$9.5 billion of transaction volume and over five million customers.

The acquisition will deliver a range of strategic benefits to Latitude shareholders by:

- Accelerating our BNPL strategy to win customers and merchants and grow into adjacent verticals with minimal investment by leveraging Humm's reputable brand and established scale in BNPL;
- Providing significant scale and opportunities to monetise Latitude and Humm products across more than five million customers;
- Substantial synergies, capital investment savings and improved operating leverage through material systems rationalisation; and
- Combining best-in-class talent with extensive experience in building and growing an instalments business

The transaction will enable Latitude to consolidate five receivables platforms into two, including consolidating Latitude's BNPL business under Humm's brand and SFQ2 Cloud Lending. Q2 Cloud Lending is the platform used by Latitude's lending business, recently acquired through the purchase of Symple Loans.

Humm has committed to undertake a pro rata in specie distribution of the Latitude scrip consideration issued to its ~18,000 shareholders as part of the consideration for the Transaction subject to an ATO ruling and Humm shareholder approval. If this in specie distribution does occur, it will further diversify Latitude's shareholder base, delivering improved free float and enhanced liquidity to Latitude shareholders.

Latitude's Managing Director and CEO Ahmed Fahour said: "The acquisition of Humm's consumer business is a great outcome for both Latitude and Humm shareholders. The Transaction will deliver significant synergies and shareholder

¹ Total value of Latitude scrip component assumes share price of \$2.00 per share.

² Compared to \$152m net tangible assets per Latitude's ASX announcement on 6 January 2022.

³ As at 31 December 2021.

value, cementing our position as the leading instalments and consumer lending business in Australia and New Zealand and accelerate our international expansion. Humm's consumer business is a great fit for Latitude given Humm's capability in big and small ticket BNPL and its merchant base, providing additional scale to Latitude at minimal marginal cost."

"Upon completion, it is proposed that Humm Group CEO Rebecca James will be invited by Latitude to lead the combined group's BNPL business. Latitude also intends to invite two Humm independent directors to join the Latitude Board."

Humm Chairman Christine Christian AO said: "This is a transformational transaction for Humm group. The combination of Humm Consumer and Latitude will create a leading pure-play consumer finance business, a significant and profitable company able to compete at scale and build on Humm Consumer's track record of building award winning products and experiences that customers love."

"This will create an even more compelling proposition for merchants, retailers and customers. The combined business will create significant value, both for Humm shareholders who receive Latitude shares and existing Latitude investors, and we look forward to working with Latitude to complete the transaction."

Completion of the Transaction is subject to satisfaction of certain conditions including regulatory approvals (in particular from ACCC, NZCC, FIRB, OIO, RBNZ), Humm shareholder approval, completion of internal restructuring by Humm to separate the Humm Consumer business in preparation for the sale to Latitude, draft ATO tax ruling in respect of certain aspects of the distribution of Latitude shares by Humm to Humm shareholders. Latitude shareholder approval is required to issue the 150 million Latitude shares as part of the consideration to Humm.

Latitude is being advised on the transaction by Jarden, King & Wood Mallesons and KPMG.

Latitude Managing Director and CEO Ahmed Fahour will be leading a brief for investors on the Humm Consumer acquisition via a live conference call:

Date: Friday, 18 February 2022

Time: 12 noon AEDT

Conference call details: To participate in the call, please pre-register for dial in details using the link: <https://s1.c-conf.com/diamondpass/10020070-l34tahr.html>

Latitude will release its FY21 results to the ASX on Monday 21 February 2022.

Authorised for release to the ASX by the Company Secretary.

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