

NZX/ASX release
1 April 2022

Heartland to acquire livestock business in Australia

Heartland Group Holdings Limited (**Heartland**, NZX/ASX: HGH) is pleased to announce that it has signed conditional sale documentation for the acquisition of StockCo Holdings 2 Pty Ltd from its current shareholders StockCo Australia Holdings Limited (70%) and Elders Rural Service Australia Limited (**Elders**, ASX: ELD) (30%). The acquisition also includes Heartland's purchase of 100% of the shares in StockCo Australia Management Pty Limited (together with StockCo Holdings 2 Pty Ltd, **StockCo Australia**).

StockCo Australia is a company specialising in livestock finance for cattle and sheep farmers across Australia (60% cattle/35% sheep)¹ with total assets of A\$341 million² and a leading position in the market, estimated to be A\$7 billion³.

Heartland's strategic vision is to create sustainable growth and differentiation by providing 'best or only' products delivered through scalable digital platforms. This acquisition will extend Heartland's 'best or only' strategy in Australia, by broadening Heartland's Australian offering in an area where it already has expertise.

StockCo Australia's livestock finance business will add to Heartland's existing A\$1.2 billion⁴ Australian Reverse Mortgage business which has the largest market share of active participants⁵. In New Zealand, through Heartland Bank Limited, Heartland currently provides various rural loan options, including online finance for sheep and cattle farmers, and livestock finance similar to that of StockCo Australia.

As part of the acquisition, Elders will divest its 30% equity stake in StockCo Holdings 2 Pty Ltd, but will continue as a key distribution partner, entering into a new exclusive distribution agreement commencing on completion of the share sale, pursuant to which it will continue to distribute StockCo Australia products to Elders' clients. That agreement has an initial term of five years on substantially equivalent key commercial terms.

The completion of the acquisition remains subject to execution of a new operational funding facility and other conditions which are customary for a transaction of this size and nature. The sale is expected to complete by the end of May 2022.

The total acquisition cost is A\$143 million, plus a potential top-up of A\$11 million (based on specific performance metrics being achieved in relation to the new operational funding facility). Heartland's intention is to fund the total acquisition cost in the short term through new debt facilities provided by a major Australasian financial institution.

Heartland will provide a further update upon completion of the transaction, or if any other material information occurs prior to that time.

¹ Percentage of total value of livestock as at June 2021.

² As at 28 February 2022.

³ Based on Australia Bureau of Statistics total rural debt and StockCo Australia data.

⁴ As at 28 February 2022.

⁵ Based on APRA ADI Property Exposure and Heartland Reverse Mortgages data.

The transaction is expected to contribute additional annual net profit after tax of A\$10 million to A\$12 million, before any ongoing cost of acquisition debt funding. At this stage, given timing of the acquisition and the transaction costs, there is no change to Heartland's market guidance for the financial year ending 30 June 2022 (**FY2022**).

About StockCo Australia

StockCo Australia was founded in Australia in 2014, but has origins in New Zealand dating back to 1995. The company provides livestock finance for cattle and sheep farmers across Australia, primarily through its direct channel.

Like Heartland's livestock lending solutions in New Zealand, StockCo Australia provides cashflow solutions to customers who are typically asset rich, allowing them to purchase livestock, maximise returns, and run their business more effectively.

About Heartland

Heartland is a financial services group with operations in Australia and New Zealand. Heartland has a long history with roots stretching back to 1875, and is listed on the New Zealand and Australian stock exchanges (NZX/ASX: HGH) with a market cap of approximately NZ\$1.3 billion. In Australia, Heartland's main business is in reverse mortgages where it is a market leader.

Heartland is focused on delivering financial solutions through speed and simplicity, particularly via digital platforms which reduce the cost of onboarding and make it easier for customers to open accounts or apply for funds when they need it.

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