

## CHALLENGER CAPITAL NOTES MANDATORY CONVERSION

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**Challenger Limited (ASX: CGF)** (Challenger) today released a letter to holders of Challenger Capital Notes (ASX: CGFPA) (Notes) to outline some important information regarding the upcoming mandatory conversion of any outstanding Notes into Challenger ordinary shares, on or after 25 May 2022 (subject to the mandatory conversion conditions, as defined in the Notes terms).

A copy of the letter is attached to this release.

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This release had been authorised by Challenger's Continuous Disclosure Committee.

### **About Challenger**

Challenger is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates three core investment businesses – a fiduciary Funds Management division, an APRA-regulated Life division and an APRA regulated authorised deposit-taking institution. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

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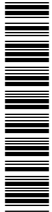
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14 April 2022

Dear Noteholder,

## CHALLENGER CAPITAL NOTES – MANDATORY CONVERSION

As a valued holder of Challenger Capital Notes (ASX: CGFPA) (**Challenger Capital Notes 1** or **CCN1**), I am writing to you to outline some important information regarding the upcoming mandatory conversion of any outstanding Challenger Capital Notes 1 into Challenger Limited (**Challenger**) ordinary shares (**Ordinary Shares**), on or after 25 May 2022<sup>i</sup>.

A final fully franked distribution of \$0.59 per Challenger Capital Note 1 is expected to be paid on 25 May 2022<sup>ii</sup> to those persons who are registered holders of Challenger Capital Notes 1 on the record date of 17 May 2022.

Please note that any capitalised words and expressions which are not defined in this letter have defined meanings that are given to them in the Replacement Prospectus relating to Challenger Capital Notes 1 dated 4 September 2014 (**Prospectus**) (see website below for access to the Prospectus).

### Mandatory Conversion

In accordance with the Challenger Capital Notes 1 terms, Challenger must convert any Challenger Capital Notes 1 that are outstanding on 25 May 2022 into Ordinary Shares, provided the mandatory conversion conditions are satisfied on that date. If any of the mandatory conversion conditions are not satisfied on that date, then mandatory conversion will occur on the next quarterly Distribution Payment Date on which the mandatory conversion conditions are satisfied.

The mandatory conversion conditions and associated conversion calculations are designed to ensure the Challenger Capital Note 1 holders (**CCN1 Holders**) receive approximately \$101 worth of Ordinary Shares for each Challenger Capital Note 1 they hold, and that the Ordinary Shares they receive following conversion are capable of being sold on the Australian Securities Exchange (**ASX**).

Upon mandatory conversion, CCN1 Holders will receive approximately \$101 (per Challenger Capital Note 1) worth of Ordinary Shares based on the volume weighted average price of Ordinary Shares (**VWAP**) during a period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding (but not including) 25 May 2022 (or the next quarterly Distribution Payment Date if the mandatory conversion conditions are not satisfied on that date).

It should be noted that the VWAP used to calculate the number of Ordinary Shares that CCN1 Holders receive will most likely differ from the Ordinary Share price on or after the mandatory conversion date.

This means that the value of Ordinary Shares received may be more or less than approximately \$101 per Challenger Capital Note 1 when they are issued or at any time after that.

For further information on the mandatory conversion process including an illustrative example of the number of Ordinary Shares you can expect to receive, please refer to Section 2.2 (Mandatory Conversion) of the Prospectus – which can be found at [www.challenger.com.au/shareholder/debt-instruments/challenger-capital-notes-cgfp](http://www.challenger.com.au/shareholder/debt-instruments/challenger-capital-notes-cgfp).

### **What this means for you**

As a result of mandatory conversion of Challenger Capital Notes 1 to Ordinary Shares, CCN1 Holders will own Ordinary Shares in the capital of Challenger, which rank equally with existing fully paid Ordinary Shares from the date of issue. Holders of Ordinary Shares will have voting rights at general meetings of Challenger. Dividends on Ordinary Shares are discretionary and non-cumulative.

The value of any holding of Ordinary Shares will fluctuate in line with the market price of the listed security from time to time. The current market price of Challenger Ordinary Shares is available on the ASX website ([www.asx.com.au](http://www.asx.com.au)), under the code 'CGF'.

A summary of certain income tax consequences of mandatory conversion for Australian tax resident CCN1 Holders is set out in Class Ruling CR 2014/87 issued by the Australian Taxation Office. CCN1 Holders are recommended to seek their own tax advice specific to their own particular facts and circumstances.

### **Option to elect not to receive Ordinary Shares on mandatory conversion**

Under the Challenger Capital Notes 1 terms, CCN1 Holders have the option to notify Challenger of their individual preference not to receive Ordinary Shares as a result of mandatory conversion, as long as notice is provided no less than 15 Business Days prior to the date scheduled for mandatory conversion (i.e. by 4 May 2022). If such notice is provided on or before 4 May 2022, then on the date of mandatory conversion, the number of Ordinary Shares which the relevant CCN1 Holder is obliged to accept will instead be issued to a nominee appointed by Challenger who will sell that number of Ordinary Shares and pay a cash amount equal to the net proceeds received to the relevant CCN1 Holder (**Share Sale Facility**). No guarantee is given in relation to the timing or price at which any sale will occur. Further, no brokerage or stamp duty will be payable by CCN1 Holders under the Share Sale Facility.

The issue of Ordinary Shares to a nominee satisfies Challenger's obligations under the Challenger Capital Notes 1 terms in connection with mandatory conversion. Challenger and the nominee do not owe any duty in relation to the price or terms on which the Ordinary Shares are sold and have no liability for any loss suffered as a result of the sale of such Ordinary Shares under the Share Sale Facility.

If you would like to elect to participate in the Share Sale Facility (as defined above), you must complete the Sale Election Form accompanying this letter and return it to the registry by 5:00pm (Sydney time) on 4 May 2022. Please note, the most efficient way to ensure your Sale Election Form is received by this time is to email it to the registry at [corpactprocessing@computershare.com.au](mailto:corpactprocessing@computershare.com.au).

## Important dates for CCN1 Holders

	Date
Last day to elect to participate in the Share Sale Facility (5:00pm Sydney time)	4 May 2022
Last day of ASX trading of Challenger Capital Notes 1	13 May 2022
Record date for the final Challenger Capital Notes 1 distribution payment	17 May 2022
Scheduled mandatory conversion date of Challenger Capital Notes 1 <sup>i</sup>	25 May 2022
Payment date for the final Challenger Capital Notes 1 distribution <sup>ii</sup>	25 May 2022
Holding statements dispatched by	27 May 2022
Expected payment date of net cash proceeds under the Share Sale Facility <sup>iii</sup>	7 June 2022 to 17 June 2022

While Challenger does not anticipate changing any of the dates and times set out above, Challenger reserves the right to vary them and will notify CCN1 Holders of any such variations.

If you have any questions in relation to the mandatory conversion process or the options available to you, please call the CCN1 Mandatory Conversion Information Line on 1800 780 782 (within Australia) or +61 3 9415 4065 (outside Australia), Monday to Friday 8:30am to 5:00pm (Sydney time).

Should you have any questions in relation to this letter, please seek professional guidance from your stockbroker, solicitor, accountant, or other independent and qualified professional adviser.

On behalf of the Board, I thank you for your support of Challenger.

Yours faithfully,



**Peter Polson**  
Independent Chair  
Challenger Limited

**Important information:** This letter is not financial product advice and has not taken into account your objectives, financial situation or needs.

<sup>i</sup> Subject to the Mandatory Conversion Conditions, as defined in the Challenger Capital Notes 1 terms.

<sup>ii</sup> Subject to no Payment Condition existing in respect of the Distribution Payment Date, in each case as defined in the Challenger Capital Notes 1 terms.

<sup>iii</sup> Only relevant for CCN1 Holders who have elected to participate in the Share Sale Facility. The actual payment date is dependent on the number of CCN1 Holders that elect to participate and the time that the nominee will take to dispose of the relevant Ordinary Shares.