

30 May 2022

hummgroup Consumer Finance Update

- The Majority Directors strongly believe the sale of Humm Consumer Finance (**HCF**) is a highly compelling value proposition for all Humm shareholders
- Preliminary financial results indicate HCF has not been profitable in the four months to 30 April 2022
- There is significant risk of Humm's share price declining if shareholders do not approve the HCF Sale
- No alternative proposals for HCF have been received in spite of the Humm Board considering strategic alternatives for an extended period of time, and canvassing potential options
- Neither the HCF Sale nor the Capital Return - including the distribution of Latitude shares - require Scheme approval

Shareholders should by now have received the Explanatory Booklet in relation to the proposed sale of Humm's Consumer Finance business (**HCF** and **HCF Sale**) to Latitude Group Holdings Limited (**Latitude**) and associated resolutions (the **Overall Proposal**).

Humm's Majority Directorsⁱ strongly recommend that all Humm shareholders vote in favour of the HCF Sale and the associated resolutions in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the HCF Sale is in the best interests of Humm shareholders.

HCF Performance and Market Environment Reinforce Highly Compelling Value Proposition

The Board of Humm advises that the Company's unaudited management accounts indicate that HCF has not been profitable in the four months through to 30 April 2022 after adjusting for the reversal of the non-cash macro overlay provision. This is a materially lower result than for the comparable period last year.

While HCF is a high-quality business, the BNPL sector, which has been the focus of HCF's growth plans in recent years, is intensely competitive with margins declining across the industry. The Majority Directors believe the negative effects of this competitive environment on profitability are likely to be amplified by increasingly challenging economic conditions.

Operational scale is vitally important in this sector and macro environment. HCF is a small player relative to its competitors with limited financial resources, which impacts its competitive strength and ability to take advantage of sector consolidation opportunities.

The Majority Directors believe that HCF's current performance, the existing market environment, and the strategic imperative of scale reinforce their view that the HCF Sale is a highly compelling value proposition for all Humm shareholders.

The Commercial business, which will be retained by Humm shareholders, continues to enjoy strong and profitable growth.

Rebecca James to Join Latitude and Lead Combined BNPL Business

Rebecca James, Humm's CEO, has confirmed that she will join Latitude if the HCF Sale proceeds. Ms James will lead the combined HCF and Latitude BNPL business.

Significant Risk of Humm's Share Price Declining if the HCF Sale is Not Approved

Share prices for many ASX-listed consumer finance companies have declined very substantially – some up to ~75% – since Humm and Latitude agreed key commercial terms for the HCF Sale on 6 January 2022, as noted in Section 1.6 of the Explanatory Booklet (refer to page 8 and the Share Price Performance graph).

The Majority Directors believe that had the Latitude proposal not been announced, Humm's share price would likely have fallen significantly. They also believe there is a material risk that Humm's share price will fall significantly if the HCF Sale is not approved by Humm shareholders.

No Alternative Offers for HCF Received

The Humm Board has been considering strategic alternatives for HCF for an extended period of time, including canvassing potential options. The Majority Directors have been and remain open to any superior alternative offer that could optimise value for all Humm shareholders.

The Majority Directors have been very careful to ensure that the opportunity remains for alternative offers to be proposed and advanced, however none have emerged in the five months since the public announcement of indicative interest on 20 December 2021. The agreement with Latitude does not include any exclusivity restrictions, no-shop, no-solicit clauses or break fees that would deter or impede an alternative buyer of HCF. As it currently stands, the Humm Board is not aware of any alternative offers that are likely to emerge.

Independent Expert Has Concluded that the HCF Sale is in Shareholders' Best Interests

The Independent Expert, Kroll Australia Pty Ltd (**Kroll**), has assessed the HCF Sale to be fair and reasonable and as a result concluded that the HCF Sale is in the best interests of Humm shareholders, in the absence of a superior proposal. In forming this view Kroll assessed the value of Latitude's offer to be fair relative to its assessment of the value of HCF on a controlling interest basis.

HCF Sale & Capital Return (inc. Latitude Share Distribution) Do Not Require Scheme Approval

None of the HCF Sale and the Capital Return (including the distribution and transfer of Latitude shares to Humm shareholders) are dependent on the Schemeⁱⁱ being approved by Humm shareholders. The HCF Sale and Capital Return simply require that more than 50% of votes cast are cast in favour of the relevant resolutions.

If the Scheme is not approved, then Humm shareholders who have completed the Election Form provided with the Explanatory Booklet will still receive the distribution of approximately 0.303 Latitude shares and \$0.07 cash for every one Humm share owned.

Those shareholders who do not complete the Election Form will still receive the HCF sale consideration, however the distribution will be entirely in cash (comprising the cash component of the Capital Return and the proceeds of sale of the share component of the Capital Return net of brokerage for realisation of Latitude shares and any other applicable charges)ⁱⁱⁱ. For further details of the implications of not completing and returning an Election Form, please refer to Section 3.4 of the Explanatory Booklet.

In all cases Humm shareholders will also retain their current interest in the flexicommercial business via the proposed re-named ASX-listed Flexi Capital Group Limited.

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The Board urges shareholders to read the Explanatory Booklet carefully. The Board has appointed specialist firm Morrow Sodali to support with shareholder engagement to ensure shareholders are

informed on the proposed transaction. If shareholders have any questions about the HCF Sale, the Capital Return or the Scheme, they can contact the Humm Shareholder Information Line on 1300 237 569 (within Australia) or +61 2 9066 4054 (outside Australia) Monday to Friday (excluding public holidays) between 9am - 5pm. If shareholders would like additional copies of the Explanatory Booklet, Proxy Forms, or an Election Form, they can contact Humm's registry Link Market Services Limited at 1800 881 432 (within Australia) or +61 2 9287 0309 7927 (outside Australia).

-ENDS-

Authorised for release by the **hummg**roup Majority Directors.

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ABOUT HUMMGROUP

hummgroup is revolutionising the way people pay. **hummg**roup has developed some of Australia and New Zealand's most exciting and accessible consumer finance products including **hum**m, **bundll**, **hum**m90 and **hum**pro. **hummg**roup continues to design products around the core needs of financially savvy consumers spanning millennial spenders through to young families and SMEs. **hummg**roup facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland and the United Kingdom.

ⁱ Being all Humm directors other than Andrew Abercrombie.

ⁱⁱ The Scheme, which is proposed between Humm and its shareholders, is intended to facilitate the distribution and transfer of Latitude Shares under the Capital Return.

ⁱⁱⁱ Refer Section 3.4 of the Explanatory Booklet for further detail.