

15 June 2022

hummmgroup Consumer Finance Sale

hummm group limited (ASX: HUM) (**Humm** or **hummmgroup**) Chair Christine Christian AO said:

*"The Majority Directorsⁱ are aware of a number of public statements made by Andrew Abercrombieⁱⁱ relating to the proposed Humm Consumer Finance (**HCF**) sale (**HCF Sale**). The Majority Directors believe that several of those statements are misleading and that therefore it is vital that Humm shareholders are provided with the facts in order to make an informed decision about how to vote at next week's General Meeting on Thursday, 23 June 2022.*

"Put simply, the value of the offer for HCF from Latitude represents a compelling value proposition and Latitude is paying a control premium. Other potential buyers have been given ample opportunity to put forward a higher offer but have not.

"The Majority Directors continue to believe that this is a compelling deal for shareholders. The combined Humm Consumer Finance and Latitude will be stronger together, with the benefit of enhanced scale and significant synergies.

"There is a material risk that Humm's share price will fall significantly if the HCF Sale is not approved by Humm shareholders at next week's General Meeting. Mr. Abercrombie has not referenced this material risk. The Majority Directors also believe that the strong performance of Humm's Commercial business could be negatively impacted if the HCF Sale does not proceed. The stakes here are extremely high and Humm shareholders deserve the facts in order to make an informed decision about how to vote at next week's General Meeting.

"We strongly recommend 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."

Statement: "hummm is 1 of only 2 profitable BNPL players in Australia ... HCF is going well. It is growing as [it emerges] from covid"

Fact: Humm's BNPL business is not profitable and HCF is not growing. As a standalone, sub-scale business, the Majority Directors believe that HCF faces significant macro and structural headwinds, and the entire BNPL sector is under pressure.

As disclosed in its 1H22 accounts, for the six months ended 31 December 2021, Humm's buy now pay later (**BNPL**) business reported a cash NPAT loss of \$9.7 million.

The Majority Directors believe the negative effects of the competitive BNPL environment on profitability are likely to be amplified by increasingly challenging economic conditions and HCF's current lack of scale.

Statement: "As part of the deal, Latitude is getting \$106 million of our own cash on our balance sheet"

Fact: *Latitude is not getting \$106 million of Humm shareholder cash as part of the HCF sale.*

As of 31 December 2021, HCF had \$106m of restricted cash. Restricted cash is not available to Humm or its shareholders, rather it is tied to receivables and debt financing, for example providing minimum liquidity for Humm's lenders.

The restricted cash will not be available to Latitude either.

Statement: Humm did not conduct a "public auction sale process" and the Latitude agreement "discouraged interested parties coming forward that might have attracted a higher offer".

Fact: *Humm and its advisers have had active dialogue with a range of market participants to encourage a superior proposal for HCF. Despite these efforts and the absence of any exclusivity arrangements with Latitude in the sale agreement, there have been no other parties with interest in HCF.*

The Humm Board has been considering strategic alternatives for HCF for an extended period of time, including canvassing potential options and publicly announcing its willingness to consider proposals that would maximise value for all shareholders.

The Majority Directors would welcome a superior proposal and the sale agreement with Latitude does not include exclusivity or any restrictions that would deter or impede an alternative buyer of HCF. However, given the lack of interest to date, the Majority Directors do not believe there is any reasonable basis to expect a superior proposal will emerge, either prior to the vote on the HCF Sale at the General Meeting next week or in the medium term if Humm shareholders do not approve the HCF Sale.

Statement: Latitude's offer "grossly undervalues HCF".

Fact: *The Independent Expertⁱⁱⁱ is unambiguous: Latitude's offer does not undervalue HCF.*

The Humm Board commissioned Kroll, a leading global valuation firm, to provide shareholders with an objective and independent assessment of value.

Under ASIC guidance, an Independent Expert can only conclude a proposal is "fair" if its assessment is that the offer does not undervalue the target business^{iv}.

Kroll valued HCF on a 100% control basis, including a control premium^v and assuming a 47% increase in HCF's profitability compared to actual 1H22 earnings^{vi}, and concluded that Latitude's offer is "fair".

-ENDS-

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

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- i Being all Humm directors other than Andrew Abercrombie.
 - ii Quotes sourced from Mr. Abercrombie's website and his letter to Humm shareholders.
 - iii Please refer to Annexure 3 to the Explanatory Booklet. Shareholders should read the Explanatory Booklet in full before deciding how they to vote
 - iv See ASIC Regulatory Guide 111 'Content of Expert Reports'. RG 111.11: "...[An] offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."
 - v See Section 11.2.3 Control Premium of the Independent Expert's Report (contained in Annexure 3 to the Explanatory Booklet)
 - vi See Section 11.3.2 Maintainable Earnings of the Independent Expert's Report (contained in Annexure 3 to the Explanatory Booklet)