ASX RELEASE

24 May 2024

HMC CAPITAL ESTABLISHES PRIVATE CREDIT PLATFORM AND EQUITY RAISING

HMC Capital Limited (**ASX: HMC**) today announces key initiatives which support its strategy to establish a $5bn+ diversified Private Credit asset management platform over the medium-term spanning real estate, corporate, mezzanine and infrastructure loans. The first step in this strategy includes the acquisition of Commercial Real Estate (**CRE**) Private Credit fund manager, Payton Capital Limited (**Payton**) (**Acquisition**) and the appointment of Matt Lancaster as Chair of HMC's Private Credit platform.

To support the Acquisition, HMC is undertaking a $100m fully underwritten institutional placement (**Placement**) and a non-underwritten Security Purchase Plan to raise up to approximately $30m (**SPP**)[1]. HMC has also realised $50m from an on-market sell-down of its co-investment in the HomeCo Daily Needs REIT (ASX: **HDN**) from 14.0% to 12.1% (collectively **Acquisition Funding**). The package of funding measures are consistent with HMC's strategy to maintain a strong balance sheet with no core debt and actively recycle capital to over time achieve group wide ROE of 20%+.

KEY HIGHLIGHTS

- Acquisition of CRE Private Credit fund manager Payton provides attractive entry into new sector
  - Acquisition is expected to be immediately earnings accretive
  - Upfront consideration of $127.5m[2] in cash and scrip implies a multiple of ~6x FY24 EBITDA[3]
  - Highly profitable and scalable platform with $1.5bn of AUM[4]
  - $500m of new credit approved fund financing lines from leading global investment banks supports continued AUM growth in Payton's established funds
- Appointment of Matt Lancaster as Chair of HMC's Private Credit platform
  - Matt previously led Macquarie Group's US Principal Finance business where he was responsible for over $14bn of private credit principal investments[5]
  - Matt will assist HMC to organically build internal capability in new areas of Private Credit

GUIDANCE

- In May-24, HMC updated the market and flagged that due to continued outperformance of HMC Capital Partners Fund I, FY24 Operating EPS (pre-tax) was tracking at 40 cents[6], 21% above the 33 cents guidance provided in Feb-24 based on the same methodology
  - On a 12-month pro-forma basis, the Acquisition and Acquisition Funding is estimated to be 10% accretive to the Feb-24 FY24 Operating EPS (pre-tax) guidance of 33 cents, 7% accretive to the upgraded FY24 Operating EPS (pre-tax) outlook of 40 cents, and significantly increases the level of recurring earnings in the business[7]
- FY24 DPS guidance of 12 cents reaffirmed

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[1] HMC may decide to accept applications (in whole or in part) that result in the SPP raising more or less than this amount in its absolute discretion.
[2] Refer to page 3 for detailed breakdown of upfront consideration. HMC has also agreed to pay an additional $16.5m of contingent consideration in cash (payable in FY26), subject to business performance thresholds and other conditions.
[3] FY24 EBITDA based on actuals to 30 April 2024 and 2 months forecast to 30 June 2024.
[4] As at 30 April 2024. AUM includes total invested capital plus undrawn tranches of committed loans. Undrawn tranches of committed loans balance of $0.4bn at 30 April 2024.
[5] Matt Lancaster Macquarie investment track record from 2009-2019.
[6] As at 06 May 2024.
[7] Accretion adjusts for the forgone income on the ~2% sale of HDN units but excludes any statutory capital loss from the sale of HDN units.

HMC Managing Director and CEO, David Di Pilla, said "*Following over 12 months of due diligence and planning, we are excited to announce the establishment of our private credit platform. We see the growth opportunity in this sector as too big to ignore with private credit asset managers playing an increasingly larger role in Australia's $1.2 trillion credit market."*

"The acquisition of Payton provides HMC with an attractive entry into the private credit sector via a highly profitable and scalable platform. This will enable HMC to take advantage of attractive industry fundamentals and investor appetite for CRE private credit. Non-bank CRE is experiencing strong growth which is supported by the growing role of private credit asset managers in Australia and the significant need for new housing supply to address Australia's strong population growth and lack of affordable housing."

STRATEGIC RATIONALE

Why Private Credit?

- Current environment of high risk-free rates plus strong credit risk premia creating so called "golden period" for private credit
- Addressable market opportunity expected to double over the next 5 years to ~$350bn in Australia alone[8]
- Domestic & offshore super / pension funds and insurance companies are allocating more capital to private credit in Australia & globally[9]

Why CRE Private Credit?

- Highly favourable investment landscape supported by reduced competition from traditional capital sources (i.e banks due to Basel III) combined with significant structural demand for credit to address Australia's chronic undersupply of residential housing stock
- Industry expected to consolidate to best-in-class operators with ability to scale as industry grows from $76bn in 2023 to $182bn by 2028[10]
- Attractive funds management fee opportunity due to the high touch / high velocity nature of CRE private credit asset management

Why Payton?

- Acquisition provides attractive entry into private credit asset class following over 12 months of screening potential opportunities
- Highly profitable business which has been operating for over 10 years supported by experienced management team with track record
- Opportunity to institutionalise Payton platform and investor base which is primarily wholesale investors today and significantly grow CRE private credit market share from ~2% currently in a sector which is forecast to grow by ~19% p.a from 2023 to 2028[11]

HMC Value Add

- Potential to enhance Payton's investment process through HMC's broader real estate equity ownership and operational lens
- Natural organic growth opportunity for Payton in HMC Capital's areas of expertise including retail, healthcare & last mile logistics
- Ability as an ASX-listed group to provide equity alignment to attract & retain best talent
- Natural integration & synergy benefits across HMC platform – wholesale / HNW fund raising & distribution, marketing & corporate costs

[8] EY Annual Australian private debt market update for 2024.
[9] Preqin investor survey as of November 2022.
[10] Estimated CRE private credit market according to Foresight Analytics (Aug-23).
[11] EY. Foresight Analytics (Aug-23) & EY CRE Debt Update (Jun-23).

PAYTON ACQUISITION

HMC has agreed terms to acquire 100% of Payton for upfront consideration of $127.5m which represents ~6x FY24 proforma EBITDA. The transaction is expected to reach financial close in July 2024.

The upfront consideration of $127.5m includes three components:

- $70.5m cash to be paid at financial close
- $28.5m of consideration which will be invested in the Payton Pooled Investment Fund (**PPIF**) for a minimum of 2 years; and
- $28.5m to be paid in the form of HMC shares issued at or around financial close, with the shares escrowed over 12-24 months and subject to certain conditions[12]

HMC has also agreed to pay up to $16.5m of contingent consideration in cash (payable in FY26), subject to business performance thresholds and other conditions.

Overview of Payton

Payton is a specialist Australian commercial real estate private credit fund manager with approximately $1.5bn[13] of assets under management (**AUM**) and over 70 employees based in Payton's Melbourne, Sydney and Brisbane offices. Payton has deep in-house expertise and capability in asset origination, fundraising and asset management which has driven attractive risk-adjusted returns for its fund investors. Payton has also significantly invested in its systems, processes and people over recent years to support growth whilst also maintaining strong risk management and governance practices.

Payton operates a high margin and capital light funds management business model which earns management fees as a percentage of AUM in contrast to balance sheet lenders (i.e. traditional banks) which look to earn a spread over their funding costs. The segment of the market in which Payton operates sees it predominantly compete with other specialist private credit asset managers with high touch asset management capabilities. The high touch model enables Payton to capture attractive management fees via active management of relatively short tenor / high velocity loan assets which are less commoditised and deliver attractive risk adjusted returns for investors.

Payton currently operates two unlisted funds which have grown significantly since inception. Payton's two investment vehicles give investors the opportunity to customise their investment portfolio through active asset allocation (PSIF) or into an open-ended pooled fund which invests in a diversified portfolio of CRE loans (PPIF). Payton specialises in loans across the development lifecycle ranging from loans for development sites (i.e. land banking) through to residual stock loans.

Payton's funds management platform includes over 500 wholesale investors spanning independent financial advisors, HNW investors, small institutions, not-for-profit investors and major family offices in Australia.

Payton has recently obtained credit approvals from leading global investment banks to establish new fund financing facilities which will provide up to $500m of additional investment capacity for its funds. Going forward, HMC sees a major opportunity to accelerate Payton's growth by establishing new fund products and securing larger institutional clients.

[12] $28.5m of HMC shares issued at $7.00 per share.
[13] As at 30 April 2024. Assets Under Management includes total invested capital (FUM) plus undrawn tranches of committed loans. Undrawn tranches of committed loans balance of $0.4bn at 30 April 2024.

Payton generates multiple revenue streams from originating and managing CRE loans in addition to ongoing management fees. In FY24, total management revenues are expected to represent ~3.0% of AUM and the business is expected to achieve a ~45% EBITDA margin[14].

Payton has an established loan origination model supported by a deep existing client base, internal resources focused on direct origination, in addition to strong relationships with third party brokers.

Appointment of Matthew Lancaster

HMC is pleased to announce the appointment of Matt Lancaster as Chair of HMC's Private Credit platform. Matt is a highly experienced investor with over 25 years' experience in finance and investment in the United States, Australia and internationally.

Matt was previously a Senior Managing Director at Macquarie Group, where he was employed from 2002 to 2020. During his time at Macquarie, Matt served as the US Head of Principal Finance and was a member of Macquarie's Management Committee in the United States. At Macquarie, Matt was responsible for over $14bn of principal balance sheet investments in private credit, which realised an unlevered net return of LIBOR + 9.5% p.a.[15].

As Chair of HMC's Private Credit platform, Matt will play a key role assisting HMC establish a $5bn+ diversified private credit platform spanning multiple credit strategies.

With Matt's support, HMC will move in larger and more complex areas of private credit market including; corporate loans, private equity/ LBOs, infrastructure / renewable and structured lending.

These areas are well suited to HMC Capital's investment banking and deal making capabilities across; M&A, complex structured transactions and business origination / relationships across broader Australian corporate sector. HMC has already started the process of recruiting a high calibre investment team to expand into new areas of private credit.

For additional information on the Payton acquisition, refer to the separately released investor presentation.

TRANSACTION FUNDING & EQUITY RAISING

HMC is undertaking a $100m fully underwritten institutional placement (**Placement**) and a non-underwritten share purchase plan to raise up to approximately $30m[16] (**SPP**) (collectively the **Offer**).

The Offer will be conducted at an issue price of $6.50 per share which represents a:
- 6.1% discount to the last traded price of $6.92 on Thursday, 23 May 2024
- 7.1% discount to the 5-day VWAP[17] of $7.00 up to and including Thursday, 23 May 2024

HMC has also realised $50m from an on-market partial sell-down of its co-investment in the HomeCo Daily Needs REIT (ASX: **HDN**) from 14.0% to 12.1%, and collectively with the Offer is referred to as **Acquisition Funding**.

The Placement will result in the issue of approximately 15.4m new fully paid ordinary shares (**New Shares**) representing approximately 4.4% of HMC's existing shares on issue. New Shares will rank equally in all

[14] FY24 EBITDA based on adjusted actuals to 30 April 2024 and 2 month forecast to 30 June 2024.
[15] Matt Lancaster Macquarie investment track record from 2009-2019.
[16] The SPP will not be underwritten, nor will the Joint Lead Managers have any role in relation to the SPP. HMC may decide to accept applications (in whole or in part) that result in the SPP raising more or less than this amount in its absolute discretion.
[17] Volume Weighted Average Price.

respects with HMC's existing ordinary shares and will be entitled to the final FY24 dividend. No shareholder approval is required given the Placement is within existing placement capacity under the ASX Listing Rules.

The Placement is fully underwritten by Goldman Sachs Australia Pty Ltd and UBS Securities Australia Limited (**Joint Lead Managers**).

The non-underwritten SPP will allow eligible shareholders to purchase shares in HMC up to a maximum of $30,000, free of any brokerage, commission and transaction costs, subject to scale back in accordance with the policy set out in the SPP offer booklet. The SPP will be open to shareholders on the register on Thursday, 23 May 2024 (**Record Date**) and who are eligible to participate under the terms of the SPP.

The issue price of New Shares under the SPP will be $6.50 (being the same issue price as the Placement). The SPP will aim to raise up to approximately $30m. As the SPP is not underwritten, the SPP may raise more or less than this amount. HMC may decide in its absolute discretion to accept applications (in whole or in part) that result in the SPP raising more or less than $30m.

Full details of the SPP will be contained in a SPP offer booklet which will be made available to eligible shareholders on or around Friday, 31 May 2024.

Event	Date
Record date to determine eligibility to participate in the SPP	Thursday, 23 May 2024
Trading halt and announcement of Placement	Friday, 24 May 2024
Shares recommence trading on ASX (trading halt lifted and announce completion of Placement)	Monday, 27 May 2024
Settlement of New Shares issued under the Placement	Wednesday, 29 May 2024
Allotment and normal trading of New Shares issued under the Placement	Thursday, 30 May 2024
SPP opens and SPP offer booklet lodged with ASX	Friday, 31 May 2024
SPP closes	Tuesday, 18 June 2024
Announce results of SPP	Friday, 21 June 2024
Allotment of New Shares issued under the SPP	Tuesday, 25 June 2024
Normal trading of New Shares issued under the SPP and dispatch of holding statements	Wednesday, 26 June 2024

All dates and times in the timetable are indicative and HMC reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. All times and dates are in reference to Australian Eastern Standard Time (AEST).

FY24 GUIDANCE

In May-24, HMC noted that due to continued outperformance of HMC Capital Partners Fund I, FY24 Operating EPS (pre-tax) was tracking at 40 cents[4], 21% above the 33 cents guidance provided in Feb-24 based on the same methodology.

- The Payton acquisition is expected to settle in July 2024 and therefore will not contribute to HMC's FY24 results.
- On a 12-month pro-forma basis, the Acquisition and Acquisition Funding is estimated to be 10% accretive to the Feb-24 FY24 Operating EPS (pre-tax) guidance of 33 cents, 7% accretive to the upgraded FY24 Operating EPS (pre-tax) outlook of 40 cents, and significantly increases the level of recurring earnings in the business[18]
- Post the Acquisition and Acquisition Funding, HMC expects to have a net cash balance sheet position

FY24 DPS guidance of 12 cents is reaffirmed.

Market Briefing

HMC will be hosting an investor briefing call at **Friday 24 May 2024 at 10:30am (AEST)**. Investors and analysts wishing to participate can preregister for the call at: https://s1.c-conf.com/diamondpass/10039344-yhd5fv.html

This announcement is approved for release by the HMC Capital Board.

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About HMC Capital
HMC Capital is a leading ASX-listed diversified alternative asset manager focused on real estate, private equity, energy transition, digital infrastructure and private credit. We manage approximately $12.5bn on behalf of institutional, high net worth and retail investors. We have a highly experienced and aligned team with deep investment and operational expertise. Our point of difference is our ability to execute large, complex transactions. This has underpinned our rapid FUM growth and track record of generating outsized returns for our investors. We are well positioned to grow our FUM to over $20bn in the medium term.

[18] Accretion adjusts for the forgone income on the ~2% sale of HDN units but excludes any statutory capital loss from the sale of HDN units.

Important Notice

FORWARD-LOOKING STATEMENTS

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance of HMC and the combined businesses following the Acquisition are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of HMC, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of HMC's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of HMC, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to HMC as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of HMC, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

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