



LATITUDE

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ASX ANNOUNCEMENT

Latitude to acquire fintech Symple to fast-track consumer lending growth

Latitude Group Holdings Limited (ASX: LFS) has today agreed to acquire Symple Loans for \$200 million in Latitude shares and cash, subject to regulatory approval.¹

Symple is a Melbourne-based personal lending fintech using state-of-the-art global technologies, advanced analytics and proprietary risk-based pricing techniques to deliver simple digital experiences to customers and brokers, fast approvals and same-day settlements.

Symple will become the lending platform for all Latitude personal and auto loans, approximately 160,000 customers and a \$2.5 billion loan portfolio. Latitude will leverage Symple's platform to support its existing business, launch new products and build partnerships with other lenders. Latitude will also expand its auto loans business into New Zealand and personal loans into Canada through Symple's established North American operations.

The purchase of Symple is expected to accelerate growth in Latitude's loan portfolio and reduce costs, with anticipated in-year synergies starting in 2HFY22 and growing to \$32 million before tax* in FY23. This equates to an in-year 9% cash NPAT* accretion on the average of equity analyst forecasts for FY23.

The transaction is intended to be funded by the issue or delivery of 38.46 million Latitude shares at \$2.60 per share and \$100 million in cash. Assuming a share issue, in-year cash EPS* accretion is expected to be 5% higher in FY23 compared to the average of equity analyst forecasts. Symple's founders will receive 23.5 million of the shares, escrowed for 2 years.

Strategic Rationale and Benefits

Symple is one of Australia's fastest growing fintech companies. Its specialist digital consumer lending business is based upon the Q2 Cloud Lending platform which is contemporary, global and scalable, and enables quick loan approvals and settlements.

Symple was founded in 2018 by Bob Belan and Paul Byrne who previously led the consumer finance businesses at ANZ Bank and have extensive retail banking experience in Australia, Asia and North America. Symple has generated \$53 million in loan receivables in two years in Australia and will commence writing personal loans in Canada next month.

The acquisition is expected to deliver a range of benefits for Latitude customers and shareholders, including:

1. Better customer experiences including more flexible lending products, faster loan applications, approvals and settlements, an improved portal to support broker partners and the systems necessary to enter the auto loan market in New Zealand.
2. An agile, scalable, global platform that will enable the launch of new products and features in Australia and New Zealand, as well as support Latitude's international expansion plans in Asia and Canada.
3. A fit-for-purpose and proven digital platform that will enable Latitude to reduce costs materially by decommissioning legacy technology systems.
4. \$32 million of pre-tax* in-year synergies in FY23 made up of:

¹ Transaction is subject to regulatory approval, execution by Symple of internal restructuring steps, and completion adjustments for cash and cash like balances. Integration costs (c.\$31m) and potential earnout (c.\$8m) are excluded from the purchase price.

- \$8 million² in operating income from volume growth through new products and segments, as well as improved conversion of applications to loans; and
- \$24 million in savings from reduced labour costs and the decommissioning of systems

Benefits will start in 2H22, growing to annualised benefits of \$41 million pre-tax* by the end of 2023.

5. In-year 9% cash NPAT* accretion in FY23, with in-year cash EPS* accretion of 5% in FY23.
6. Symple's management team comprised of consumer lending strategy, analytics, technology, credit risk and operational management specialists with deep subject-matter expertise in Australia and internationally.

Latitude Managing Director and CEO Ahmed Fahour said: "This is an exciting and important opportunity for Latitude that will accelerate our growth plans. Symple's scalable platform will enable Latitude to offer a wider range of products and product features in Australia and New Zealand, enter new geographies and significantly reduce costs while delivering superior customer and partner experiences.

"Latitude will enhance its existing strengths, including its 2.8 million customers in Australia and New Zealand, rich data, risk capabilities and funding capacity, by adding Symple's digital expertise, agility and proven technology. The addition of Symple's founders Bob Belan and Paul Byrne will further strengthen our management team."

Symple CEO Bob Belan said: "When we founded Symple in 2018, our ambition was to play a role in modernising and improving the personal lending experience for Australian consumers. Through a focus on innovation, continuous improvement and the use of leading-edge global technologies, we've demonstrated the capabilities and robustness of our platform.

"Latitude is a great fit for us as we look to take our business to the next level and we are aligned in our vision. The opportunities locally and globally are significant and we're looking forward to supporting what is already a very profitable and successful business in Latitude."

Latitude chairman Mike Tilley said: "The board has a strong, ongoing focus on improving customer experiences. The decision to fast-track access to the opportunities available now in personal lending, rather than take several years to build them internally, was taken carefully. Consumer behaviours are changing rapidly and disrupting traditional providers."

Upon completion Bob Belan will remain CEO of Symple, reporting to Ahmed Fahour.

Latitude will announce its half-year 2021 results to the market on 23 August 2021.

Latitude is being advised on the transaction by Bank of America as financial adviser and King & Wood Mallesons as legal adviser.

Latitude Managing Director and CEO Ahmed Fahour will lead a briefing for investors on the Symple acquisition via a live webcast:

Date: Monday, 9 August 2021

Time: 9am AEST

Webcast details: <https://webcast.openbriefing.com/7734/>

Conference call details: To participate in the call, please pre-register for dial in details using the link <https://s1.c-conf.com/diamondpass/10015757-1a4fv6.html>

Authorised for release to the ASX by the Board.

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* Excludes IFRS9 non-cash provision impact

²Volume related revenue and funding cost synergies, offset by incremental interest associated with cash consideration, variable and integration costs and charge offs. Excludes potential investment that may be required to expand the Canadian business.

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This announcement contains statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, including the terms “believe”, “estimate”, “plan”, “project”, “anticipate”, “expect”, “target”, “intend”, “likely”, “may”, “will”, “could” or “should” or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. You are cautioned not to place undue reliance on such forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the group, which may cause actual results to differ materially from these statements.

There are many factors that could cause actual results to differ materially from those projected in such statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, changes to the Australian, New Zealand and global economic environment and capital market conditions, changes to the operating and regulatory environment of the group and changes to the financial position or performance of the group.