HUMM GROUP LIMITED
ACN 122 574 583

LATITUDE GROUP HOLDINGS LIMITED
ACN 604 747 391

HUMM GROUP EXPLANATORY BOOKLET


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TUSH
humm

humm group

HUMM GROUP LIMITED
ACN 122 574 583

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EXPLANATORY BOOKLET.

The Majority Directors recommend that Humm Shareholders

VOTE IN FAVOUR

of the HCF Sale, the Capital Return and all other associated resolutions at the General Meeting as well as the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to the conclude that the HCF Sale is in the best interests of Humm Shareholders.

The General Meeting and the Scheme Meeting (**Meetings**) are to be held commencing at 10.00am (AEST) on Thursday 23 June 2022 as hybrid meetings. Full details of how to participate in the hybrid Meetings are set out in this Explanatory Booklet.

The Independent Expert has concluded that the HCF Sale is in the best interests of Humm Shareholders, in the absence of a superior proposal.

Legal adviser to Humm Group

MinterEllison

Financial adviser to Humm Group

FLAGSTAFF

OVERVIEW OF THIS EXPLANATORY BOOKLET

WHAT IS THIS EXPLANATORY BOOKLET FOR?

This Explanatory Booklet has been sent to you to help you make an informed decision on how to vote at the General Meeting and the Scheme Meeting (collectively **Meetings**) scheduled to be held on Thursday, 23 June 2022, commencing at 10.00am, in relation to the proposed:

- sale of the Humm consumer finance business (**HCF**) (**HCF Sale**), comprising its buy now pay later, instalments and credit card operations, to Latitude Group Holdings Limited (**Latitude**); and
- distribution of the sale proceeds comprising cash and Latitude Shares to Humm Shareholders via a proposed Capital Return (**HCF Distribution**).

The HCF Sale is subject to Humm shareholders' approval at the General Meeting. In addition, at the General Meeting, Humm shareholders will also be asked to consider approving the Capital Return, as well as passing ancillary resolutions relating to benefits to be provided to Humm Group's CEO, Rebecca James as well as the change of Humm's name to 'Flexi Capital Group Limited'.

The Scheme, which is a scheme of arrangement between Humm and its shareholders, has been proposed to facilitate the distribution and transfer of the Latitude Shares to eligible Humm Shareholders. Humm shareholders will be asked to consider approving the Scheme at the Scheme Meeting.

For the purpose of this Explanatory Booklet, the HCF Sale, the Capital Return and the other associated resolutions to be considered at the General Meeting as well as the Scheme are referred to collectively as the **Overall Proposal**.

WHY SHOULD YOU VOTE?

For the Overall Proposal to proceed, it is necessary that the requisite majorities of Humm Shareholders vote in favour of each Resolution. This is your opportunity to play a role in deciding the future of your investment in Humm.

WHAT IS THE HUMM BOARD'S RECOMMENDATION?

The Majority Directors (being all Humm directors other than Andrew Abercrombie) recommend that you **VOTE IN FAVOUR** of the Resolutions to approve the Overall Proposal, 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.

Each of the Majority Directors intends to vote all Humm Shares held or controlled by them in favour of the Overall Proposal at the Meetings in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the HCF Sale is in the best interest of Humm Shareholders. As at the date of this Explanatory Booklet, the Majority Directors hold or control in aggregate approximately 5.66% of Humm Shares on issue.

Subject to the observations and qualifications set out by Andrew Abercrombie in Sections 1.7 and 3.12, Andrew Abercrombie, founder, director and former chairman of Humm, recommends for the reasons given in those Sections that you vote against the HCF Sale. Subject to those same observations and qualifications, he intends voting all of the Humm Shares in which he has a relevant interest against the Chapter 11 Resolution to approve the HCF Sale. If the Chapter 11 Resolution is passed by Humm Shareholders, Andrew Abercrombie reserves the right to vote those Humm Shares in favour of or against the remaining Resolutions, including the Scheme Resolution, based on the relevant circumstances at the time. He makes no recommendation to Humm Shareholders in relation to the remaining Resolutions. As at the date of this Explanatory Booklet, Andrew Abercrombie has a relevant interest in approximately 20.2% of Humm Shares on issue.

WHAT IS THE BASIS OF THE HUMM BOARD'S RECOMMENDATION?

In reaching their recommendation to **VOTE IN FAVOUR**, the Majority Directors have had regard to a range of factors including those set out below:

- ✓ The price offered for HCF by Latitude is attractive relative to the future opportunities, risks and challenges for HCF as a standalone business wholly owned by Humm.
- ✓ Humm Shareholders could further benefit from the increased scale and synergies of the combined HCF and Latitude businesses through receiving Latitude Shares via the HCF Distribution.
- ✓ The Independent Expert, Kroll Australia Pty Ltd (**Kroll**), has assessed the equity value of HCF on a controlling interest basis to be in the range of $260 million to $308 million. The Independent Expert has also assessed the value of the consideration offered by Latitude to be in the range of $290 million to $320 million. Accordingly, as the value of the consideration overlaps with the range of equity value for HCF, Kroll has concluded that the HCF Sale is fair and reasonable and therefore in the best interests of Humm Shareholders in the absence of a superior proposal.
- ✓ Humm Shareholders will retain full ownership of the **flexicommercial** business, which the Humm Board considers is well positioned for continued growth.
- ✓ Following the HCF Sale, the HCF Distribution and proposed retirement of the perpetual note, Humm is expected to have meaningful unrestricted cash that will be allocated in a disciplined manner between investing further in the accelerated growth of **flexicommercial** and capital management initiatives.
- ✓ The distribution of the HCF Sale proceeds to eligible Humm Shareholders will be effected in a tax efficient manner.
- ✓ The Humm Board has not been made aware of an alternative offer for HCF, or for any other part of the Humm Group, that would impact the sale of HCF, and as at the date of this Explanatory Booklet is not aware of any Superior Proposal that is likely to emerge.

There are also potential reasons why Humm Shareholders may decide to vote against the Resolutions, some of which are set out in Section 1.7 of the Explanatory Booklet. While the Humm Board recommends you vote in favour of the Resolutions, it encourages you to consider these potential reasons in making your decision.

WHAT SHOULD YOU DO NEXT?

As a Humm Shareholder, you have a number of decisions to make in relation to the Overall Proposal. The key decisions for you to make are outlined in the steps below.

STEP 1: READ THIS EXPLANATORY BOOKLET

You should carefully read this Explanatory Booklet in its entirety before making a decision on how to vote on the Overall Proposal.

If after reading this Explanatory Booklet you have any questions about the Overall Proposal, please 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 and 5pm.

If you are in any doubt as to how to deal with this Explanatory Booklet, please consult your financial or other professional adviser immediately.

STEP 2: VOTE ON THE RESOLUTIONS AT THE MEETINGS

(a) Your vote is important

For the Overall Proposal to proceed, it is necessary that the requisite majorities of Humm Shareholders vote in favour of each Resolution.

Important: you should vote on all of the Resolutions to be considered at the Meetings. Please refer to Sections 1.4 (in particular the table in Section 1.4.1) and 3.10 for details on the inter relationship between each of the Resolutions and the implications if certain Resolutions are not passed.

(b) Who is entitled to vote?

You may vote at the Meetings if you are registered on the Humm Share Register as the holder of Humm Shares as at 7.00pm on Tuesday, 21 June 2022.

Certain voting restrictions will apply in relation to the Chapter 11 Resolution and the Section 200C Resolution. Refer to the Notices of Meeting for further details.

(c) How to vote?

Both Meetings will be hybrid meetings with each Meeting being conducted in two parts simultaneously with the physical venue of each Meeting at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney and on the online platform at https://meetings.linkgroup.com/HUMGENERAL22 for the General Meeting and https://meetings.linkgroup.com/HUMSCHEME22 for the Scheme Meeting that allows for remote participation.

You can vote by either attending the physical venue of the Meetings or by logging into the online platform at https://meetings.linkgroup.com/HUMGENERAL22 for the General Meeting and https://meetings.linkgroup.com/HUMSCHEME22 for the Scheme Meeting.

If you cannot attend the Meetings either at the physical venue or online, you can still vote (if you are eligible to vote) on the Resolutions by appointing an attorney or corporate representative or by appointing a proxy by completing, signing and returning your Proxy Forms, which accompany this Explanatory Booklet, in accordance with the instructions on the form and the relevant Notice of Meeting.

Proxy Forms must be received by the Humm Share Registry by no later than 10.00am on Tuesday, 21 June 2022 (being 48 hours before the commencement of the General Meeting).

WHAT IF YOU HAVE QUESTIONS?

If you have questions in relation to the Overall Proposal, you should refer to the Key Questions Answered in Section 2 or 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 and 5pm (AEST). Alternatively, you may consult your financial or other professional adviser.

IMPORTANT NOTICE

IMPORTANT INFORMATION

This Explanatory Booklet (incorporating the Notice of General Meeting, Notice of Scheme Meeting, Independent Expert's Report), Proxy Forms and Election Form are all important documents and require your immediate attention. They should be read carefully in their entirety before you make a decision on how to vote at the respective Meetings. If you are in any doubt as to what you should do, please consult your financial or other professional adviser. If you have recently sold all of your Humm Shares, please disregard this and all enclosed documents.

PURPOSE OF EXPLANATORY BOOKLET

This Explanatory Booklet contains an explanation of, and information about, the HCF Sale, the Capital Return and other associated resolutions to be considered at the General Meeting of Humm to be held on 23 June 2022. The Explanatory Booklet also contains an explanation of, and information about, the Scheme to be considered at the Scheme Meeting of Humm, also to be held on the same date.

It is given to Humm Shareholders to provide them with information that is prescribed by the Corporations Act, the Corporations Regulations or the Listing Rules or is otherwise information that the Humm Directors believe to be material to Humm Shareholders in deciding whether and how to vote on the Resolutions. Humm Shareholders should read the Explanatory Booklet in full because individual sections do not give a comprehensive review of the HCF Sale, Capital Return and the Scheme. If you are in doubt about what to do in relation to the HCF Sale, Capital Return and the Scheme, you should consult your financial or other professional adviser.

The Explanatory Booklet also constitutes the explanatory statement for the Scheme as required by section 412(1) of the Corporations Act and the explanatory statement and information for the General Meeting Resolutions as required by each of Division 2 of Part 2D.2 of the Corporations Act (Termination Payments) and Listing Rule 11.2.

The information contained in this Explanatory Booklet is not financial product or investment advice. The Explanatory Booklet does not take into account the individual investment objectives, financial situation or needs of individual Humm Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions. Neither Humm nor Latitude are licensed to provide financial product advice in relation to Humm Shares, Latitude Shares or any other financial products. No cooling-off period applies to the acquisition of Latitude Shares under the Capital Return or the Scheme.

To the extent (if at all) any part of this Explanatory Booklet includes financial product advice given by Latitude, the advice has been prepared without taking into account anyone's (whether a recipient of the Explanatory Booklet or otherwise), objectives, financial situation or needs. Accordingly, before acting on any such advice, you should consider the appropriateness of the advice having regard to your objectives, financial situation or needs.

The Explanatory Booklet is not a disclosure document required by Chapter 6D or Part 7.9 of the Corporations Act.

INVESTMENT DECISIONS AND FORWARD-LOOKING STATEMENTS

The Explanatory Booklet contains forward-looking statements which have been based on current expectations about future events. Forward looking statements can be identified by the use of forward-looking words such as "may", "should", "expect", "anticipate", "estimate", "scheduled", "believe", or "continue", their negative equivalent or comparable terminology. Similarly, statements that describe Humm's or Latitude's objectives, plans, goals or expectations are or may be forward looking statements. The statements contained in the Explanatory Booklet about the impact that the HCF Sale may have on the results of Humm's or Latitude's operations and the advantages and disadvantages anticipated to result from the HCF Sale are also forward looking statements.

These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements of Humm or Latitude to differ materially from the expected future results, performance or achievements expressed, projected, described or implied in such forward-looking statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. The risk factors described in Sections 4.10 (in relation to Humm) and 5.9 (in relation to Latitude) of the Explanatory Booklet could affect actual events or results causing these results to differ materially from the events or results expressed, projected or implied in any forward looking statement. Other unknown or unpredictable factors could also have a material adverse effect on future results of Humm or Latitude.

None of Humm, Latitude, nor any of their respective officers or any person named in the Explanatory Booklet or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward looking statement, and Humm Shareholders are cautioned not to place reliance on those statements. You should note that the historical performance of Humm or Latitude is no assurance of its future financial performance.

The forward-looking statements in the Explanatory Booklet reflect views held only as at the date of the Explanatory Booklet.

Subject to any obligations under law or the Listing Rules, Humm, Latitude and their related entities and directors disclaim any obligation or undertaking to disseminate, after the date of the Explanatory Booklet, any updates or revisions to any forward-looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

ROUNDING OF NUMERICAL INFORMATION

Any discrepancies between totals in tables and sums of components contained in the Explanatory Booklet and between those figures and figures referred to in other parts of the Explanatory Booklet are due to rounding. All rounded numbers have been rounded either to one decimal place or to the nearest whole number.

FOREIGN JURISDICTIONS

The release, publication or distribution of this Explanatory Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. To the maximum extent permitted by law, Humm disclaims all liabilities to such persons.

Humm Shareholders who are nominees, trustees or custodians in respect of beneficial owners who are based in foreign jurisdictions are encouraged to obtain independent advice as to how they should proceed.

This Explanatory Booklet has been prepared in accordance with Australian law and the information contained in this Explanatory Booklet may not be the same as that which would have been disclosed if this Explanatory Booklet had been prepared in accordance with the laws and regulations of jurisdictions other than Australia. No action has been taken to register or qualify this Explanatory Booklet or any aspect of the Scheme in any jurisdiction outside Australia.

ASIC AND ASX

A draft of this Explanatory Booklet was provided to ASIC for the purpose of section 411(2) of the Corporations Act and a copy of this Explanatory Booklet has been registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Explanatory Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Booklet.

A draft of this Explanatory Booklet has also been provided to ASX for its review in accordance with the Listing Rules. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDERS UNDER SECTION 411(1) OF THE CORPORATIONS ACT

A copy of this Explanatory Booklet was submitted to the Court to obtain orders of the Court under section 411(1) of the Corporations Act directing Humm to convene the Scheme Meeting. Those orders were obtained at the First Court Hearing on 17 May 2022.

The fact that under section 411(1) of the Corporations Act the Court has ordered that a meeting of Humm Shareholders be convened by Humm to consider and vote on the Scheme and has directed that this Explanatory Booklet accompany the Notice of Scheme Meeting does not mean that the Court:

(a) has formed any view as to the merits of the Scheme or how Humm Shareholders should vote on the Scheme (on this matter Humm Shareholders must reach their own decision);

(b) has prepared, or is responsible for, the content of this Explanatory Booklet; or

(c) has approved or will approve the terms of the Scheme.

NOTICE REGARDING SECOND COURT HEARING AND IF ANY HUMM SHAREHOLDERS WISHES TO OPPOSE THE SCHEME

The date of the Second Court Hearing to approve the Scheme is scheduled for 19 July 2022.

The hearing will be at 2.15pm (AEST) in the Federal Court of Australia.

A Humm Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. It is possible that the Second Court Hearing will be held either virtually (online only) or by telephone conference, or it may be held as a conventional physical hearing. Details on how to attend the Second Court Hearing will be released by Humm to ASX if the Scheme has been approved by Humm Shareholders at the Scheme Meeting and the General Meeting Resolutions have been passed at the General Meeting. Humm Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of developments relating to the COVID-19 global pandemic. Any such change will be announced by Humm to ASX.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you must file with the Court, and serve on Humm, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Humm at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Level 20, Collins Arch, 447 Collins Street, Melbourne VIC 3000, Attention: Bart Oude-Vrielink. The notice of appearance and affidavit must also be sent by email to bart.oude-vrielink@minterellison.com.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the HCF Sale which is not contained in this Explanatory Booklet. Any information or representation not contained in the Explanatory Booklet must not be relied on as having been authorised by Humm or the Humm Board in connection with the HCF Sale.

RESPONSIBILITY FOR INFORMATION

The information contained in the Explanatory Booklet (except for the Independent Expert's Report and the Latitude Information) has been prepared by Humm (**Humm Information**) and is the responsibility of Humm. No other person assumes any responsibility for the accuracy or completeness of any information contained in the Explanatory Booklet.

The recommendations of the Majority Directors and reasons for those recommendations have been prepared by and are the responsibility of the Majority Directors. To the maximum extent permitted by law, Director, Andrew Abercrombie (who has separate recommendations and reasons to the Majority Directors) does not assume any responsibility over the accuracy or completeness of any information contained in the Explanatory Booklet which relates to the opinions or belief of the Majority Directors or the recommendations of the Majority Directors and reasons for those recommendations.

Similarly, the recommendations of Andrew Abercrombie and the reasons for his recommendations have been prepared by and are the responsibility of Andrew Abercrombie. To the maximum extent permitted by law, the Majority Directors do not assume any responsibility over the accuracy or completeness of any information contained in the Explanatory Booklet which relates to the opinions or belief of Andrew Abercrombie or the recommendations of Andrew Abercrombie and reasons for those recommendations.

Kroll has prepared the Independent Expert's Report and has given, and has not withdrawn, as at the date of the Explanatory Booklet, its written consent to the inclusion of the Independent Expert's Report, and the references to that report, in the form and context in which they are included in the Explanatory Booklet. Kroll takes responsibility for that report but is not responsible for any other information contained in the Explanatory Booklet. Neither Humm nor any of its related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. Humm Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

The Latitude Information contained in this Explanatory Booklet has been prepared by and is the responsibility of Latitude. Humm has not independently verified any of the Latitude Information and does not make any representation or warranty (express or implied) as to, and do not assume any responsibility for, the accuracy, relevance or completeness of, the Latitude Information.

PRIVACY STATEMENT

Humm collects personal information about its shareholders' holdings of Humm in accordance with the Corporations Act. Humm will share that personal information with its advisers and service providers in connection with the HCF Sale. Shareholders can contact the Humm Share Registry, Link Market Services Limited at 1800 881 432 (within Australia) or +61 2 9287 7927 (outside Australia) if they have questions about their personal information.

Relevant Humm Shareholders' information will be provided to Latitude's share registry to enable registration of the holdings, including holder name, address, email address and number of securities, in respect of the Latitude Shares distributed and transferred to those Humm Shareholders under the Capital Return and the Scheme. Other shareholding information will not be provided. In particular, legislation prevents the provision of Humm Shareholder Tax File Numbers to Latitude's share registry.

DEFINITIONS

Defined terms are used in this Explanatory Booklet. The defined terms are in the Glossary set out in Section 7.

NO INTERNET SITE IS PART OF THE EXPLANATORY BOOKLET

Humm and Latitude maintain internet sites at www.shophumm.com/humm-group and www.latitudefinancial.com.au respectively. Any references in the Explanatory Booklet to an internet site are textual references for information only and no information in any internet site forms part of the Explanatory Booklet.

TIME

All references to time in the Explanatory Booklet are references to Sydney, Australia time, unless otherwise stated.

CURRENCY

All references in the Explanatory Booklet to "$", "A$" and "cents" are references to Australian currency, unless otherwise specified.

DATE

This Explanatory Booklet is dated 18 May 2022.

KEY DATES

First Court Hearing at which the Court made orders convening the Scheme Meeting	17 May 2022
Deadline for returning Proxy Forms	10.00am on Tuesday, 21 June 2022
Voting Entitlement Date: Time and date for determining Humm Shareholders' entitlement to vote at the Meetings	7.00pm on Tuesday, 21 June 2022
Trading halt pending the outcome of the General Meeting Resolutions and Scheme Resolution	Thursday, 23 June 2022
General Meeting to be conducted as a hybrid meeting to vote on the General Meeting Resolutions	10.00am on Thursday, 23 June 2022
Scheme Meeting to be conducted as a hybrid meeting to vote on the Scheme Resolution	10.30am on Thursday, 23 June 2022 or as soon as reasonably practicable after the General Meeting has concluded or been adjourned (whichever time is later)
Completion of the HCF Sale	30 June 2022
Second Court Hearing to obtain orders approving the Scheme	19 July 2022
Effective Date	20 July 2022
Humm Shares trade 'ex' entitlement to the Capital Return	To be separately announced to ASX following the Completion Date
Capital Return Record Date*	To be separately announced to ASX following the Completion Date
Scheme Record Date*	To be separately announced to ASX following the Completion Date
Distribution Date and Implementation Date	To be separately announced to ASX following the Completion Date

The key dates (other than the date of the First Court Hearing) above (and the references to those dates through this document) are indicative only and are subject to any changes that may be agreed between Humm and Latitude, or in consultation with the ASX. Humm will update Humm Shareholders via the ASX Market Announcements Platform and Humm's website as appropriate when the relevant events are reached or changed, or decisions made.

*Note:
If the Scheme becomes Effective, the Scheme Record Date will be the same as the Capital Return Record Date.

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LETTER FROM THE CHAIR

18 May 2022

Dear Fellow Humm Shareholder,

The Humm Board of Directors is pleased to provide you with this Explanatory Booklet in relation to the proposed sale of the Humm consumer finance business (**HCF**), comprising its buy now pay later, instalments and credit card operations, to Latitude (**HCF Sale**) and the distribution of the sale proceeds comprising cash and Latitude Shares to Humm Shareholders via a proposed Capital Return (**HCF Distribution**).

This Explanatory Booklet contains important information to help you make an informed decision about how to vote at the General Meeting and the Scheme Meeting (collectively **Meetings**) to be held on Thursday, 23 June 2022. These materials include:

- a description of the HCF Sale, the HCF Distribution and the ancillary resolutions to be considered at the General Meeting, as well as the Scheme (collectively, **Overall Proposal**);
- information on the Latitude Group, including the rights and liabilities attaching to Latitude Shares and the risks of an investment in Latitude;
- the reasons why the Majority Directors recommend that you should **VOTE IN FAVOUR** of the Overall Proposal;
- a review of potential reasons why you may not want to vote in favour of the Overall Proposal; and
- the Independent Expert's Report from Kroll Australia Pty Ltd, commissioned by the Humm Board, that concludes the HCF Sale is fair and reasonable and accordingly in the best interests of all Humm Shareholders.

The Majority Directors, comprising all of the Humm directors other than Andrew Abercrombie, believe that the Overall Proposal represents a compelling value proposition for Humm and its shareholders and recommend you **VOTE IN FAVOUR** of the Overall Proposal in the absence of a superior proposal.

I urge you to read the Explanatory Booklet (including the Independent Expert's Report) in its entirety.

A. SUMMARY OF THE OVERALL PROPOSAL

On 20 December 2021, Humm announced to the ASX that it had received third party proposals to acquire all or part of Humm. Approximately three weeks later, on 6 January 2022 Humm and Latitude entered into a non-binding heads of agreement regarding the potential sale of HCF. The heads of agreement included exclusivity provisions, put in place to progress due diligence and negotiation of a proposal that the Humm Board believed warranted further consideration. Those exclusivity provisions were subject to customary 'fiduciary carve-outs' to allow the Humm Board to consider and engage with proponents of demonstrably superior proposals.

On 18 February 2022, Humm announced it had entered into a legal binding Share Sale Agreement with Latitude for the HCF Sale, conditional upon, amongst other things, approval by resolution of Humm Shareholders. The Share Sale Agreement does not prohibit the Board from changing its recommendation to Humm Shareholders or engaging with a third party should a superior proposal for HCF emerge.

The consideration for HCF comprises 150 million Latitude shares[1] (**Consideration Shares**) and $35 million cash[2], with an aggregate value of $335 million[3], all of which is intended to pass directly to Humm Shareholders via the HCF Distribution. If the Overall Proposal is approved by Humm Shareholders, you will receive approximately $0.68 per Humm Share[4], consisting of approximately 0.303 Latitude shares and $0.07 cash for every one Humm share owned.

Humm, and therefore Humm Shareholders, will retain full ownership of **flexicommercial**, the second largest non-bank provider of commercial asset finance in Australia and New Zealand with over $1 billion in receivables. After Completion of the HCF Sale, Humm will be a pure play ASX-listed commercial asset finance business. The Humm Board is currently conducting an independent search for a new CEO of the commercial business, anticipating that an appointment will be made in the near future.

One of the Resolutions being put to the General Meeting for approval – and supported by the Humm Board – is the change of the name of Humm to Flexi Capital Group Limited to reflect its pure-play commercial asset finance operations. The "humm" brand forms part of the assets included in the HCF Sale and would be transferred to Latitude upon Completion of the HCF Sale.

After completing the HCF Sale and distributing the share and cash consideration to eligible Humm Shareholders[5], Humm expects that it will have a meaningful amount of unrestricted cash, which will be first applied to the retirement of its perpetual note[6] (c. $55 million)[7]. Thereafter, the Humm Board will take a disciplined approach to allocating the remaining unrestricted cash between investing further in the accelerated growth of **flexicommercial** and capital management initiatives.

The Overall Proposal, including the HCF Sale, is described in detail in Section 3 of the Explanatory Booklet. Various risks associated with the HCF Sale, the Scheme, Humm and Latitude, are summarised in Sections 4.10 and 5.9.

1. At Latitude's AGM held on 27 April 2022, Latitude obtained approval from its shareholders under Listing Rule 7.1 for the 150 million Latitude shares to be issued to Humm.
2. Subject to adjustments based on the level of net tangible assets of HCF at Completion – see Section 3.13.1.
3. Assuming a value of $2.00 per Latitude Share.
4. Assuming a value of $2.00 per Latitude Share.
5. Eligible Humm Shareholders are Humm Shareholders registered as such on the Capital Return Record Date.
6. If not already retired.
7. Expected outstanding balance of the perpetual note as at 30 June 2022.

B. INDEPENDENT EXPERT'S REPORT

While not legally required to do so, the Humm Board of Directors has commissioned Kroll Australia Pty Ltd to prepare an Independent Expert's Report on the merits of the HCF Sale. A copy of the Independent Expert's Report is at Annexure 3 to this Explanatory Booklet.

Kroll has assessed the equity value of HCF on a controlling interest basis to be in the range of $260 million to $308 million. The Independent Expert has also assessed the value of the consideration offered by Latitude to be in the range of $290 million to $320 million. Accordingly, as the value of the consideration overlaps with the range of equity value for HCF, the Independent Expert has concluded that the HCF Sale is fair and reasonable and therefore in the best interests of Humm Shareholders in the absence of a superior proposal.

C. DIRECTORS' RECOMMENDATION

For the reasons set out in Section 1.6 of the Explanatory Booklet, the Majority Directors (being all Humm directors other than Andrew Abercrombie) recommend that you **VOTE IN FAVOUR** of the Overall Proposal, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the HCF Sale is fair and reasonable and therefore in the best interests of Humm Shareholders. The Majority Directors note the recommendation of Andrew Abercrombie in relation to the HCF Sale which is different to that of the Majority Directors.

In reaching their recommendation, the Majority Directors have had regard to a range of factors including those set out below:

- ✓ The price offered for HCF by Latitude is attractive relative to the future opportunities, risks and challenges for HCF as a standalone business wholly owned by Humm.
- ✓ Humm Shareholders could further benefit from the increased scale and synergies of the combined HCF and Latitude businesses through receiving Latitude Shares via the HCF Distribution.
- ✓ The Independent Expert, Kroll, has assessed the equity value of HCF on a controlling interest basis to be in the range of $260 million to $308 million. The Independent Expert has also assessed the value of the consideration offered by Latitude to be in the range of $290 million to $320 million. Accordingly, as the value of the consideration overlaps with the range of equity value for HCF, Kroll has concluded that the HCF Sale is fair and reasonable and therefore in the best interests of Humm Shareholders in the absence of a superior proposal.
- ✓ Humm Shareholders will retain full ownership of the **flexicommercial** business, which the Humm Board considers is well positioned for continued growth.
- ✓ Following the HCF Sale, the HCF Distribution and proposed retirement of the perpetual note, Humm is expected to have meaningful unrestricted cash that will be allocated in a disciplined manner between investing further in the accelerated growth of **flexicommercial** and capital management initiatives.
- ✓ The distribution of the HCF Sale proceeds to eligible Humm Shareholders will be effected in a tax efficient manner.
- ✓ The Humm Board has not been made aware of an alternative offer for HCF, or for any other part of the Humm Group that would impact the sale of HCF and, as at the date of this Explanatory Booklet, is not aware of any superior proposal that is likely to emerge.

Having regard to all of these factors, the Majority Directors believe that the Overall Proposal will create materially more value for Humm Shareholders than the status quo. The Majority Directors also believe that there would be a material risk of the Humm Share price declining significantly if the HCF Sale is not approved by Humm Shareholders, having regard to in particular to the conclusions of the Independent Expert and the combination of sector headwinds for consumer finance (which the Majority Directors believe are likely to continue) and the impact on BNPL products and credit as consumers return to post COVID-19 pandemic normalised consumer spending. See Section 1.6 of the Explanatory Booklet for further details.

Each of the Majority Directors intends to vote all Humm Shares held or controlled by them in favour of the Overall Proposal subject to the Independent Expert continuing to conclude that the HCF Sale is in the best interests of Humm Shareholders and in the absence of a superior proposal. As at the date of this Explanatory Booklet, the Majority Directors hold or control in aggregate approximately 5.66% of Humm Shares on issue.

There are also reasons why Humm Shareholders may decide to vote against the Resolutions. Some of these reasons are set out in Sections 1.7 and 3.12 of the Explanatory Booklet and include:

- Contrary to the assessment of both the Majority Directors and the Independent Expert, you may take the position that the price offered by Latitude for HCF does not reflect your view of the underlying value of HCF.
- Despite no alternative offers for HCF having been received by Humm since the announcement on 20 December 2021 advising that Humm had received third party proposals to acquire all or part of Humm, you may consider there is still potential for a superior proposal to emerge.
- You may wish to maintain your current investment profile.
- The tax consequences of the HCF Distribution may not suit your individual financial position.
- You may be supportive of the HCF Sale but not the HCF Distribution.

Andrew Abercrombie, founder, director and former chairman of Humm, has a relevant interest in approximately 20.2% of Humm Shares on issue. Andrew Abercrombie believes that the terms of the HCF Sale undervalue HCF and that a better approach for the future of HCF is not to sell HCF to Latitude on the current terms, but for Humm to remain listed in its current form, to execute on its previous plan for organic growth and to be an opportunistic consolidator in the sector.

Subject to the observations and qualifications set out by Andrew Abercrombie in Sections 1.7 and 3.12, Andrew Abercrombie recommends for the reasons given in those Sections that you vote against the HCF Sale. Subject to those same observations and qualifications, he intends voting all of the Humm Shares in which he has a relevant interest against the Chapter 11 Resolution to approve the HCF Sale. If the Chapter 11 Resolution is passed by Humm Shareholders, Andrew Abercrombie reserves the right to vote those Humm Shares in favour of or against the remaining Resolutions, including the Scheme Resolution, based on the relevant circumstances at the time. For that reason, he makes no recommendation to Humm Shareholders in relation to the remaining Resolutions. For further details, see Sections 1.7 and 3.12 of the Explanatory Booklet.

D. ANCILLARY RESOLUTIONS AND SCHEME

In addition to approving the HCF Sale at the General Meeting, Humm Shareholders will also be asked to consider approving the following ancillary resolutions at the General Meeting:

- the Capital Return (which will effect the HCF Distribution);
- as required by section 200C of the Corporations Act, remuneration arrangements for Rebecca James, CEO of the Humm Group, who will be invited to join the Latitude Group if the HCF Sale proceeds to Completion; and
- the change of name of Humm to Flexi Capital Group Limited.

At the Scheme Meeting, Humm Shareholders will be asked to consider a resolution to approve the Scheme. 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 which comprises part of the HCF Distribution.

E. INTERCONDITIONALITY OF RESOLUTIONS

The HCF Sale is subject to the passing of a resolution by Humm Shareholders in a general meeting under Listing Rule 11.2. If this resolution passes, then the HCF Sale will proceed (subject to the satisfaction or waiver of the other conditions precedent to the HCF Sale) whether or not any of the other Resolutions are passed. This means, among other things, the HCF Sale is not conditional on the HCF Distribution or the Scheme proceeding.

However, the HCF Distribution will only proceed if the HCF Sale proceeds to Completion.

If the Scheme is not approved by the requisite majorities of Humm Shareholders or by the Court, alternative arrangements (detailed in Section 3.4) will apply to facilitate the distribution and transfer of Consideration Shares to Humm Shareholders if the Capital Return is approved. The Capital Return is not conditional on the Scheme proceeding.

If Completion of the HCF Sale occurs but the Capital Return Resolution is not passed by Humm Shareholders, then in this case, the Capital Return and the Scheme will also not proceed. Humm will then look to other means of distributing to its shareholders the cash consideration it receives from the HCF Sale and realising the Consideration Shares and exploring other means of returning the Consideration Shares through alternative capital management initiatives.

F. VOTING AT THE MEETINGS

For the Overall Proposal to proceed, it is necessary that the requisite majorities of Humm Shareholders vote in favour of each Resolution. This is your opportunity to play a role in deciding the future of your investment in Humm.

Both Meetings will be hybrid meetings and each Meeting will be conducted in two parts simultaneously with the physical venue of each Meeting at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney and via the online platform at https://meetings.linkgroup.com/HUMGENERAL22 for the General Meeting and https://meetings.linkgroup.com/HUMSCHEME22 for the Scheme Meeting that allows for remote participation.

The Explanatory Booklet is accompanied by two proxy forms, one of each Meeting, as well as an Election Form and two reply paid envelopes, one envelope for the return of the two proxy forms and the other for the Election Form. If you are unable to attend the Meetings in person either at the physical venue or online, please complete the Proxy Forms (refer to the Notices of Meeting) and return them in accordance with the instructions.

Refer to Section 3.4 of the Explanatory Booklet for an explanation of the purpose and effect of the Election Form.

G. FURTHER INFORMATION

Please read all parts of this Explanatory Booklet before making your decision on how to vote on the Resolutions at the Meetings. If you have any questions in relation to the Overall Proposal or the Explanatory Booklet, please call 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 and 5pm.

I would also encourage you to seek independent financial, legal and taxation advice before making any investment decision.

Yours sincerely

Christine Christian AO
Chair
Humm Group Limited

1. SUMMARY OF THE OVERALL PROPOSAL

1.1 BACKGROUND

On Friday 18 February 2022, Humm announced it had entered into the Share Sale Agreement with Latitude for the HCF Sale under which the Humm consumer finance (**HCF**) business, comprising its buy now pay later (**BNPL**), instalments and credit card operations would be sold to Latitude. Further details are provided in Section 3 of this Explanatory Booklet.

The HCF Sale is subject to Humm Shareholder approval. Separate approvals are being sought, conditional on the passing of the resolution to approve the HCF Sale, to approve the Capital Return and the Scheme. There are also ancillary resolutions to approve the change of name of Humm to Flexi Capital Group Limited and to approve, under section 200E of the Corporations Act, the provision of certain remuneration arrangements to Humm's current CEO, Rebecca James, who has been invited to join the Latitude Group if the HCF Sale proceeds to Completion.

The Humm Directors are committed to maximising value for all Humm Shareholders. The HCF Sale to Latitude is expected by the Majority Directors to provide immediate financial and other benefits to Humm and Humm Shareholders, and to create materially more value for Humm Shareholders than the status quo. Therefore, the Majority Directors consider it to be in the best interests of Humm Shareholders and recommend that Humm Shareholders vote in favour of the Overall Proposal. The Majority Directors note that Andrew Abercrombie has a different recommendation in relation to the HCF Sale, subject to the observations and qualifications set out in more detail in Section 3.12.

1.2 OVERVIEW OF THE HCF SALE

The HCF Sale is to be effected through the Transaction Documents, and involves Latitude acquiring Humm SPV, a newly formed wholly owned subsidiary of Humm, which at the time of Completion of the HCF Sale will be the holding company for the corporate entities holding and operating HCF.

Humm will retain ownership of the various controlled entities operating Humm's commercial business, **flexicommercial**, and will operate as a pure play commercial finance ASX-listed company. It is proposed that the ASX-listed company will be renamed Flexi Capital Group Limited, subject to shareholder approval.

1.3 PROPOSED USE OF PROCEEDS OF FUNDS AND OVERVIEW OF THE CAPITAL RETURN AND SCHEME

The consideration for HCF comprises 150 million Latitude Shares (**Consideration Shares**)[8] and $35 million cash. Humm intends to distribute all of the sale proceeds[9] to Humm Shareholders, who will receive approximately $0.68 per share[10], consisting of 0.303 Latitude shares and $0.07 cash via the HCF Distribution.

Eligible Shareholders, being Humm Shareholders registered as such on the Capital Return Record Date (expected to be on or around 25 July 2022, following completion of the HCF Sale) will be entitled to participate in the HCF Distribution.

The Scheme, which will be a scheme of arrangement between Humm and its shareholders, is being proposed to facilitate the distribution[11] and transfer of Consideration Shares to Humm Shareholders under the Capital Return. On implementation of the Scheme, each eligible Humm Shareholder registered as such on the Scheme Record Date[12] by operation of the Scheme, will be deemed to have consented to becoming a shareholder of Latitude and to receiving the transfer of Consideration Shares to be distributed and transferred to them under the Capital Return.

By receiving the Consideration Shares as part of the HCF Distribution, Eligible Shareholders could further benefit from any potential enhanced scale and efficiencies of Latitude's enlarged consumer finance platform. Latitude has indicated it expects significant synergies to arise from the combination.

After Completing the HCF Sale and distributing the share and cash consideration to Eligible Shareholders[13], Humm expects that it will have meaningful unrestricted cash, which will be first applied to the retirement of its perpetual note[14] (c. $55 million)[15]. Thereafter, the Humm Board will take a disciplined approach in allocating the remaining unrestricted cash between investing further in the accelerated growth of the Commercial business and capital management initiatives.

Humm Shareholders should note that if Humm Shareholders do not approve the HCF Sale, or the Sale does not proceed for any other reason, the Humm Board does not intend to proceed with any other elements of the Overall Proposal.

The Overall Proposal is discussed in further detail in Section 3.

1.4 RELATIONSHIP BETWEEN THE HCF SALE, CAPITAL RETURN AND THE SCHEME

1.4.1 OVERVIEW

The HCF Sale is only subject to the passing of the resolution approving the HCF Sale (**Chapter 11 Resolution**), together with the satisfaction or waiver of the remaining conditions precedent for the HCF Sale.

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8. At Latitude's AGM held on 27 April 2022, Latitude obtained approval from its shareholders under Listing Rule 7.1 for the 150 million Latitude shares to be issued to Humm.
9. Subject to adjustments based on the level of net tangible assets of HCF at Completion – see Section 3.13.1.
10. Assuming a value of $2.00 per Latitude Share.
11. Dividend and capital component parts of the distribution to be determined. Scheme requires the approval of 75% of the votes cast and a simple majority of shareholders by number at the Scheme Meeting, being a separate meeting of Humm Shareholders convened by order of the Court.
12. The Scheme Record Date will be the same date as the record date proposed for the HCF Distribution.
13. Eligible Humm Shareholders are Humm Shareholders registered as such on the Capital Return Record Date.
14. If not retired earlier.
15. Expected outstanding balance of the perpetual note as at 30 June 2022.

The HCF Distribution is subject to Completion of the HCF Sale. If Completion of the HCF Sale occurs but the Capital Return Resolution is not passed by Humm Shareholders, then in this case, the Capital Return and the Scheme will also not proceed. Humm will then look to realising the Consideration Shares and exploring other means of returning the net proceeds of the HCF Sale through alternative capital management initiatives.

A summary of outcomes is included below:

RESOLUTION			OUTCOME[(a)]	
SALE	CAPITAL RETURN	SCHEME	HCF SALE	HCF DISTRIBUTION
✓	✓	✓	✓	✓
✓	✓	✗	✓	✓ Election Form or online election required from Eligible Shareholders to receive Latitude Shares, otherwise Latitude Shares sold at prevailing market price and net cash proceeds distributed
✓	✗	No vote	✓	? Neither the Capital Return nor the Scheme will proceed. Humm will look to realising the Consideration Shares and exploring other means of returning the net proceeds of the HCF Sale through alternative capital management initiatives
✗	No vote	No vote	✗	✗

Note:
(a) Assumes all conditions precedent to HCF Sale either satisfied or waived.

1.4.2 IF THE HCF SALE PROCEEDS BUT THE CAPITAL RETURN IS NOT APPROVED

If Completion of the HCF Sale occurs but the Capital Return Resolution is not passed by Humm Shareholders, then in this case, the Capital Return and the Scheme will also not proceed. Humm will then look to other means of distributing to its shareholders the cash consideration it receives from the HCF Sale and realising the Consideration Shares and exploring other means of returning the net proceeds of the Consideration Shares through alternative capital management initiatives.

1.4.3 IF THE HCF SALE PROCEEDS AND THE CAPITAL RETURN IS APPROVED BUT THE SCHEME IS NOT APPROVED OR DOES NOT PROCEED

If Completion of the HCF Sale occurs and the Capital Return Resolution is passed by Humm Shareholders, but the Scheme is not approved by the requisite majorities of Humm Shareholders or by the Court, then the Capital Return will still proceed. However, in those circumstances, Eligible Shareholders will only receive a transfer of their Consideration Shares if they have signed and returned the Election Form which accompanies this Explanatory Booklet (or is subsequently provided) or have completed an Election Form online at https://events.miraqle.com/hum-scheme. Refer to Section 3.4 for further details.

1.5 INDEPENDENT EXPERT'S CONCLUSION

In order to better assist shareholders on how to make an informed decision regarding the HCF Sale, the Humm Board have appointed Kroll as the Independent Expert to prepare a report on the merits of the HCF Sale.[16] The Independent Expert has concluded that the HCF Sale is fair and reasonable and therefore in the best interests of Humm Shareholders.

The Independent Expert's Report is included in full in Annexure 3 to this Explanatory Booklet.

1.6 REASONS TO VOTE IN FAVOUR OF THE OVERALL PROPOSAL

A summary of the Majority Directors' reasons to vote in favour of the Overall Proposal are set out below.

✓ The price offered for HCF by Latitude is attractive relative to the future opportunities, risks and challenges for HCF as a standalone business wholly owned by Humm

HCF has a track record of building award winning credit products across its BNPL and credit cards offering. Following an extensive turnaround and significant investment, HCF has developed significant technology and credit capabilities, established an attractive customer (consumer and merchant) base, and built a strong brand presence.

16. ASX has provided written conditional confirmation that Listing Rule 10.1 does not apply to the participation of the entities controlled by and associated with Andrew Abercrombie in the distribution and transfer of Latitude Shares under the Capital Return.

However, the consumer finance sector as a whole is experiencing rapid structural change as a result of increasing competition, the ongoing investment requirements to support changing consumer preferences and larger companies entering the BNPL sector, lower margins, increased business costs, and an evolving regulatory environment, which may result in increased compliance costs. Consequently, HCF is no longer competing only with standalone BNPL providers but with larger, diversified global payments companies.

As a result of these changes in the consumer finance sector, the macro environment, market dynamics, and the cost and execution risks of the strategic initiatives viewed as necessary to support HCF, the Majority Directors believe the Overall Proposal will create materially more value for Humm Shareholders than the status quo. The Majority Directors do not have a reasonable basis to believe that HCF's earnings will significantly increase in the medium-term on a standalone basis.

Further, the Majority Directors believe that, absent the proposed transaction with Latitude, the market's valuation assessment of Humm would be significantly less than what is implied by Latitude's offer price for HCF without factoring the benefit of any synergy realisation.

The Majority Directors believe that HCF has a viable future as a standalone business wholly owned by Humm, however they consider that the price offered by Latitude of $335 million[17] is compelling for Humm Shareholders when compared to the risk-adjusted value and future growth potential of HCF.

HCF Earnings Trajectory

HCF's earnings power, as represented by underlying cash NPAT, has declined in recent periods due to a combination of factors including sector headwinds and COVID-19.

$m	FY18	FY19	FY20	FY21	1H22
Headline CNPAT[(a)]	63.7	63.7	26.7	46.1	12.5
Underlying CNPAT[(b)]	63.7	63.7	48.2	34.6	6.6

Notes:
(a) Represents the aggregate of reported segment CNPAT for each of BNPL, Cards AU, and Cards NZ.
(b) Underlying CNPAT adjusted for the after tax impact of the COVID-19 overlay, assuming a 30% corporate tax rate.

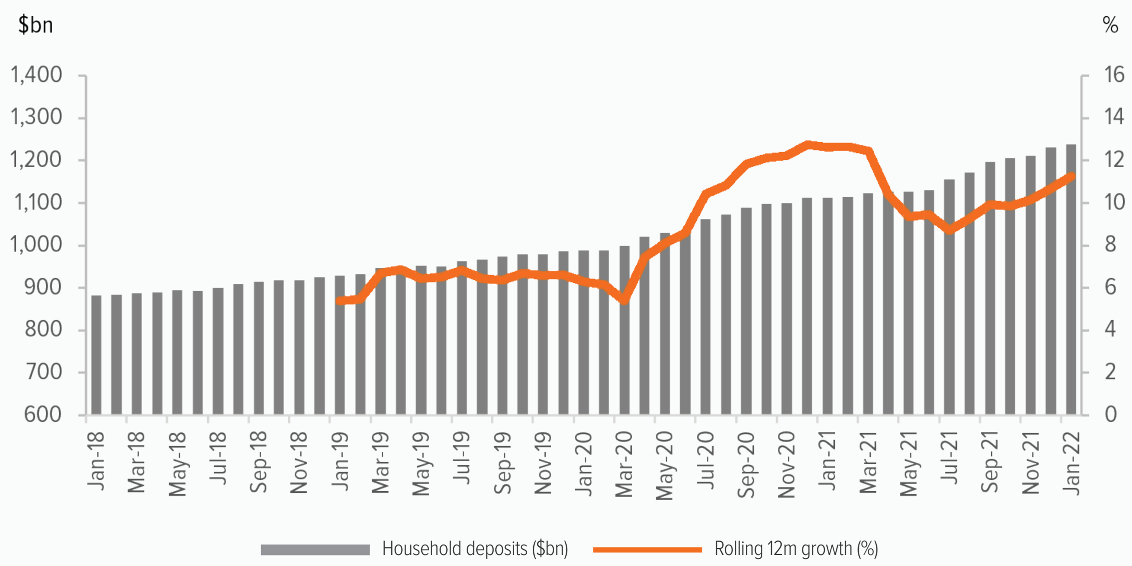
The Majority Directors believe the sector headwinds for consumer finance are likely to continue, and accordingly that scale and customer relevance are critical to sustainable, long-term profitability. To this end, in recent years Humm has embarked on a strategy to invest in domestic (bundll, hummpro, humm New Zealand) and international (Ireland, United Kingdom, Canada) expansion to drive scale, efficiencies, and customer connectivity.

Collectively, these growth initiatives are currently loss making and there is uncertainty as to whether and when they may become earnings positive, and further if they will deliver the targeted scale and customer relevancy benefits.

The Majority Directors are also mindful that exiting the growth products may create an earnings drag on the remaining HCF operations, with unavoidable shared costs borne by a smaller ongoing product set and possible customer attrition, and Humm would incur significant exit costs.

The COVID-19 pandemic has had a significant impact on the global economy and the behaviours of consumers and merchants, and on HCF's earnings. Consumers have accrued significant amounts of cash during the pandemic, with household deposits at record levels, suggesting consumers may be less likely to use BNPL products or credit as they return to more normalised consumer spending. In addition, consumer confidence has been impacted by a range of global macro-economic factors that have reduced people's appetite for spending.

HOUSEHOLD DEPOSIT GROWTH



Source: APRA Monthly ADI Statistics.

17. Assuming a value of $2.00 per Latitude share.

While some of this impact may be transitory, it is unclear when there may be a positive change and further whether spending patterns and behaviours will return to pre-COVID-19 levels. It is the view of the Majority Directors that the combination of continued COVID-19 headwinds, and macro-economic factors will mean that the trading environment for HCF will remain challenging for some time.

In light of these considerations, the Majority Directors believe HCF's current underlying cash NPAT is the most appropriate measure of its medium-term earnings potential, while recognising that there are a range of positive and negative risks.

Market Valuation

On 17 December 2021, the trading day immediately before the Company announced the receipt of indicative proposals for all or part of the businesses, Humm had a market capitalisation of $367 million[18].

$m	HUM market capitalisation – 17 December 2021	HCF price	Implied value of flexicommercial and net unrestricted cash
Value	$367 million	$335 million[(a)]	$32 million

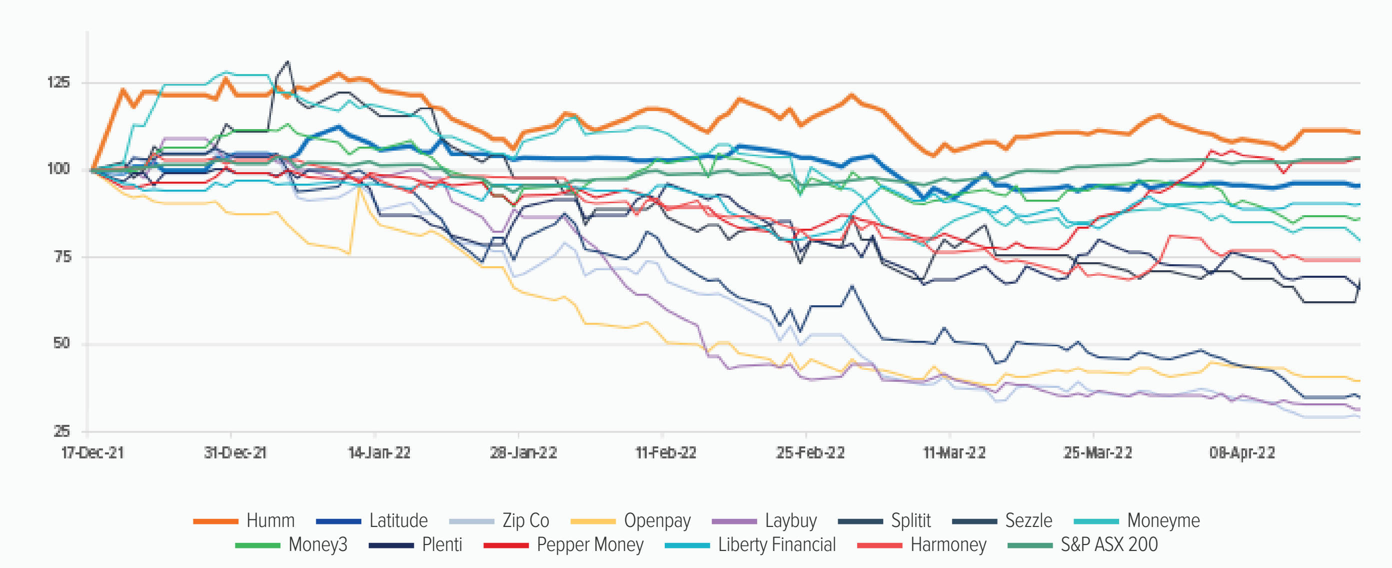
Note:
(a) Assuming a value of $2.00 per Latitude Share.

Based on a price of $335 million[19] for HCF, this market capitalisation implies a "look through" value of $32 million for **flexicommercial** and Humm's unrestricted cash (net of the perpetual note[20]).

By way of reference, on a pro forma basis, **flexicommercial** generated $15.3 million of cash NPAT for the six months ended 31 December 2021.

Since 17 December 2021, a broad set of ASX listed consumer finance companies has experienced a significant fall in their share prices. The Majority Directors believe that (i) had the Latitude proposal not been announced, Humm's share price would likely have fallen significantly, in line with sector peers and (ii) there is a material risk that Humm's share price may fall significantly if the HCF Sale is not approved by shareholders, and the status quo maintained.

SHARE PRICE PERFORMANCE



Note:
Market data from IRESS as at 27-Apr-22, rebased to 100 at 17-Dec-21.

✓ Humm Shareholders could further benefit from the increased scale and synergies of the combined HCF and Latitude businesses through receiving Latitude shares via the HCF Distribution

Together, Latitude and HCF is expected to be the leading non-bank consumer lender in Australia and New Zealand, a larger and profitable business, being able to compete at scale. The Majority Directors believe the combined HCF and Latitude businesses should be in a significantly better position to compete, achieve and maintain the scale and relevance to its customers as is required to achieve sustainable, long-term profitability.

As part of Latitude, the Majority Directors expect that HCF will be in a stronger position to accelerate the delivery of its strategy, pursue further international growth, diversify risk, maintain access to capital markets and optimise value for shareholders, both Humm Shareholders who will receive Latitude shares and existing Latitude investors.

18. Based on closing share price of Humm Shares of $0.74 and outstanding Humm Shares of 495.3 million.
19. Assuming a value of $2.00 per Latitude Share.
20. Based on perpetual note value of circa $55 million.

Latitude has stated it expects to generate $55 million of annual synergies from duplicate costs, technology rationalisation and funding benefits. This is expected to be fully realised by the end of 2023 following full integration. In addition, Latitude has observed that it expects HCF to generate $35 million of pre-tax cash earnings for the full year 2023. The combination is expected to deliver incremental pre-tax cash earnings of $90 million on a run-rate basis by the end of full year 2023, excluding $10 million of revenue synergies. The transaction is expected to deliver double digit cash earnings per share (**EPS**) accretion assuming full run rate synergies.[21]

By receiving Latitude Shares via the HCF Distribution, Humm Shareholders will be able to directly participate in any additional value creation flowing from these scale and synergy benefits.

✓ The Independent Expert, Kroll, has concluded that the HCF Sale is fair and reasonable and therefore in the best interests of all Humm shareholders, in the absence of a superior proposal. Kroll has assessed the equity value of HCF on a controlling interest basis to be in the range of $260 million to $308 million. The Independent Expert has also assessed the value of the consideration offered by Latitude to be in the range of $290 million to $320 million

In order to better assist shareholders on how to make an informed decision regarding the HCF Sale, the Humm Board commissioned Kroll to prepare an Independent Expert's Report (in accordance with ASIC Regulatory Guide 111) considering whether the HCF Sale is in the best interests of all Humm Shareholders. Kroll has assessed the equity value of HCF on a controlling interest basis to be in the range of $260 million to $308 million. Kroll has also assessed the value of the consideration offered by Latitude to be in the range of $290 million to $320 million. Accordingly, as the value of the consideration overlaps with the range of equity value for HCF, Kroll has concluded that the HCF Sale is fair and reasonable and therefore in the best interests of all Humm Shareholders in the absence of a superior proposal.

The Independent Expert specifically further notes the following:

- *"In forming our view as to the equity value of HCF, we have considered a range of factors including the growth in the BNPL sector in recent years and expectations for the future, including the impact of increased competition, rising interest rates and inflation, the maturing regulatory environment and the long-term structural changes impacting credit cards.*
- *In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the HCF Sale to be fair, it is also reasonable. Regardless of this requirement, we have considered a range of other factors that are relevant to an assessment of the reasonableness of the HCF Sale, including:*
  - *the Humm Group share price will likely fall in the absence of the HCF Sale;*
  - *the change in Humm Shareholders' investment profile;*
  - *Humm Shareholders' continued exposure to the commercial finance business; and*
  - *the likelihood of a superior proposal."*[22]

The Majority Directors strongly encourage you to read the Independent Expert's Report in full, which is set out in Annexure 3 to this Explanatory Booklet.

✓ Humm Shareholders will retain full ownership of the flexicommercial business, which the Humm Board considers is well positioned for continued growth, with a strong balance sheet to fund this growth

If the HCF Sale proceeds to Completion, Humm will continue to fully own the **flexicommercial** business, which will remain an ASX listed entity.

flexicommercial is the second largest non-bank provider of asset finance in Australia and New Zealand with over $1 billion in receivables, and has delivered significant asset and earnings growth in recent periods.

$m	FY18	FY19	FY20	FY21	1H22
Volume	336.3	349.8	347.2	540.3	432.8
Net receivables[(a)]	592.6	584.5	649.4	885.1	1,122.5
Headline CNPAT	22.3	12.4	4.2	22.3	15.3
Underlying CNPAT[(b)]	22.3	12.4	13.0	18.7	17.2

Notes:
(a) Closing net receivables at end of period.
(b) Underlying CNPAT adjusted for the after tax impact of the COVID overlay, assuming a 30% corporate tax rate.

flexicommercial is focused on the broker channel and primarily offers equipment finance to growing small-to-medium enterprises to fund the purchase of revenue-generating assets. Its key differentiators compared to competitors include speed to reach credit decisions and fund applications, and its specialist offering for capital intensive clients. The Humm Board considers that **flexicommercial** is well positioned for continued strong growth, with a range of actionable organic and inorganic opportunities.

flexicommercial will be well capitalised as an independent business, with a long tenured and deeply experienced management team, to be led by a new CEO. For further details on Humm following completion of the HCF Sale refer to Section 4.9.

✓ Following the HCF Sale, the HCF Distribution and proposed retirement of the perpetual note, Humm is expected to have meaningful unrestricted cash that will be allocated in a disciplined manner between investing further in the accelerated growth of flexicommercial and capital management initiatives

After Completing the HCF Sale and the HCF Distribution, Humm expects that it will have meaningful unrestricted cash on a pro forma basis[23], which will be first applied to the retirement of its perpetual note (approximately $55 million).

21. Latitude's ASX announcement dated 18 February 2022.
22. Section 3.2 of the Independent Expert's Report.
23. Before transaction and separation costs.

Thereafter, the Humm Board will take a disciplined approach in allocating the remaining unrestricted cash between investing further in the accelerated growth of **flexicommercial** and capital management initiatives.

The Humm Board anticipates finalising the preferred approach to the commercial business' capital structure and allocation during the second half of calendar year 2022. It will take into account factors such as prevailing cost of funds, organic and inorganic opportunities in commercial finance (including an assessment of risk-adjusted returns), shareholder feedback, and the state of debt and equity capital markets.

✓ The distribution of the HCF Sale proceeds to eligible Humm Shareholders will be effected in a tax efficient manner

The distribution of sale proceeds is expected to be effected by way of the HCF Distribution. Humm is currently in the process of seeking an ATO Class Ruling to confirm the taxation treatment of the proposed HCF Distribution. The HCF Distribution will proceed by way of the Capital Return.

It is a condition precedent to Completion of the HCF Sale that a draft class ruling is received in relation to the Capital Return from the ATO which accords with principles agreed between Humm and Latitude as set out in the Share Sale Agreement.

In respect of the portion of the Capital Return which consists of a capital component, this should be non-assessable and not included in Humm Shareholders' assessable income in the year of receipt. If the tax base of Humm Shareholders in their Humm Shares is less than the capital component of the Capital Return then a capital gain should arise in respect of the difference.

For Humm Shareholders who are Australian tax resident individuals who have held their Humm Shares for at least 12 months, then they may be eligible for a 50% discount on any capital gain that may arise.

For Humm Shareholders who are not Australian tax resident individuals and hold their Humm Shares on capital account, no Australian income tax liability should arise on any capital gain.

More detail in respect of the Australian income tax treatment is provided at Section 6.1.

✓ The Humm Board has not been made aware of an alternative offer for HCF, or for any other part of Humm that would impact the sale of HCF, as at the date of this Explanatory Booklet and is not aware of any Superior Proposal that is likely to emerge

The Humm Board has not been approached with any alternative offer for HCF or the whole of Humm Group since December 2021.

Further, the Humm Board is not aware of any Superior Proposal, whether for HCF, the whole of Humm or otherwise, that is likely to emerge.

The Humm Board has been, and is, committed to ensuring that Humm Shareholders have the opportunity to consider any and all superior offers for HCF. As such, Humm:

- publicly announced on 20 December 2021 that it had received third party proposals to acquire all or part of the Company;
- ensured that the exclusivity provisions of the subsequent non-binding heads of agreement between Humm and Latitude, put in place to facilitate reciprocal due diligence and negotiation, were subject to customary 'fiduciary carve-outs' to allow the Board to consider and engage with proponents of demonstrably superior proposals; and
- only signed the Share Sale Agreement with Latitude on the basis that and the Share Sale Agreement does not prohibit the Board from changing its recommendation to Humm Shareholders or engaging with third parties should a Superior Proposal for HCF emerge.

1.7 DETAILED REASONS WHY YOU MAY CHOOSE TO VOTE AGAINST THE OVERALL PROPOSAL

? Contrary to the assessment of both the Majority Directors and the Independent Expert, you may take the position that the price offered by Latitude for HCF does not reflect your view of the underlying value of HCF

In recommending that you vote in favour of the HCF Sale, the Majority Directors have made judgements regarding the profitability of HCF, the appropriate valuation approach, the outlook for HCF under continued Humm ownership, and the outlook for the broader consumer finance sector. None of these judgements can be made with certainty and any predictions may prove inaccurate. The Independent Expert has also made certain judgements in reaching its conclusion.

You may hold a different view and are not obliged to follow the recommendation of the Majority Directors or agree with the conclusion of the Independent Expert that the HCF Sale is fair and reasonable and therefore in the best interest of Humm Shareholders, in the absence of a superior proposal.

You may agree with the views and separate recommendations of Andrew Abercrombie who the Majority Directors note has a different recommendation with respect to the HCF Sale. Mr Abercrombie believes that the terms of the HCF Sale undervalue HCF and that a better approach for the future of HCF is not to sell HCF to Latitude on the current terms, but for Humm to remain listed in its current form, to execute on its previous plan for organic growth and to be an opportunistic consolidator in the sector.

See further Section 3.12 for his recommendations and reasons as well as relevant observations and qualifications.

? Despite no alternative offers for HCF having been received by Humm since the announcement of potential interest in the Company and its business on 20 December 2021 and the announcement of the Overall Proposal on 18 February 2022, you may consider there is still potential for a Superior Proposal to emerge

You may consider that it is possible that a proposal superior to Latitude's offer for HCF (be it an alternative offer for HCF, the whole of Humm, or otherwise) could materialise in the future. Andrew Abercrombie is of the view that the BNPL sector has become a truly global industry, especially over the last few years. He believes that a proactive global sale process for HCF could potentially lead to a Superior Proposal.

While a Superior Proposal is theoretically possible and the Board of Humm would be in a position to engage with any Superior Proposal, as noted in Section 1.6 above, Humm has not been approached with any alternative offer for HCF since 20 December 2021 or since 18 February 2022. Further, the Humm Board is not aware of any Superior Proposal, whether for HCF or the whole of Humm or otherwise, that is likely to emerge.

? You may wish to maintain your current investment profile

If the HCF Sale proceeds to Completion, your investment profile will change. You will continue to be a shareholder of Humm, which will have one main business undertaking as a pure play commercial asset finance business, **flexicommercial**.

In addition, you will also become shareholder of Latitude, which will own HCF along with Latitude's existing consumer finance operations.

The investment profile of Humm without HCF will be different to its current position. The Company will be solely exposed to the opportunities and risks relating to the commercial finance market.

An investment in Latitude is not the same as an investment in Humm as it is currently constituted. In holding Latitude shares, you will be exposed to risk factors relating to its portfolio of businesses including HCF, which may be different from or additional to those related to Humm under the status quo. Additionally, there is no guarantee that Latitude will achieve its stated synergies estimate and your voting power in Latitude will be lower relative to your ownership percentage in Humm.

Importantly, there is no requirement that you maintain your shareholding in Humm or Latitude following the HCF Sale. You are free to sell your shares in Humm or Latitude at any time.

? The tax consequences of the Capital Return may not suit your financial position

Depending on your individual tax profile you may be required to pay income tax on a portion of the Capital Return.

For Humm Shareholders that are Australian resident tax individuals the Capital Return may trigger a taxable capital gain depending on their historical tax cost base in their Humm shares. This may occur to the extent the Capital Return exceeds the cost base in their Humm shares. Additionally, any dividend component of the Capital Return should be taxable as ordinary income in accordance with the ATO class ruling request.

For Humm Shareholders who are not Australian tax resident individuals any dividend component of the Capital Return (in accordance with the ATO class ruling request) should be subject to a final Australian dividend withholding tax. The base dividend withholding tax rate is 30%, however depending on the jurisdiction in which the non-resident Humm Shareholder is tax resident in, this rate may be reduced by any applicable Double Tax Treaty. In the event the dividend component of the Capital Return is fully franked by Humm, withholding tax should not apply. More detail in respect of the Australian income tax treatment is provided at Section 6.1.

Humm Shareholders should obtain their own independent professional tax advice in respect of how the Capital Return will impact their personal circumstances.

? You may be supportive of the HCF Sale but not the Capital Return

You may consider that the proceeds from the HCF Sale should be retained by Humm to fund future growth in **flexicommercial** instead of being distributed to shareholders.

The Humm Board believes that following the HCF Sale, **flexicommercial** should be appropriately capitalised for its current book of business and to support future growth. Further, Humm is expected to have meaningful unrestricted cash that will be allocated in a disciplined manner between investing further in the accelerated growth of **flexicommercial** and capital management initiatives.

1.8 TAX CONSEQUENCES

Refer to Section 6.1 for further information.

Section 6.1 is a general statement as to the likely Australian tax consequences for Humm Shareholders. However, it is not intended to provide taxation advice in respect of the particular circumstances of any individual Humm Shareholder. We strongly recommend that Humm Shareholders should obtain their own taxation advice with respect to the HCF Sale and the proposed Capital Return.

2. KEY QUESTIONS ANSWERED

Set out below are summary answers to some questions that Humm Shareholders may have in relation to the HCF Sale, the HCF Distribution and the Scheme. This information is a summary only and should be read in conjunction with the remainder of this Explanatory Booklet.

QUESTION	ANSWER
A. QUESTIONS ABOUT THE HCF SALE	
Why have I received this Explanatory Booklet?	You have received this booklet to provide you with information to make an informed decision on how to vote at the General Meeting and the Scheme Meeting (collectively **Meetings**) scheduled to be held on Thursday, 23 June 2022, commencing at 10.00am, in relation to: • the proposed sale of the Humm consumer finance business (HCF), comprising its buy now pay later, instalments and credit card operations, to Latitude (**HCF Sale**); and • the distribution of the sale proceeds comprising cash and Latitude Shares to Humm Shareholders via a proposed Capital Return (**HCF Distribution**). In this Explanatory Booklet, the HCF Sale, the Capital Return and the other associated resolutions to be considered at the General Meeting, as well as the Scheme, are referred to collectively as the **Overall Proposal**.
What is the HCF Sale?	The HCF Sale will involve Latitude acquiring a wholly owned subsidiary of Humm, Humm SPV, which will, immediately before Completion, be the holding company for the corporate entities holding and operating HCF. Humm will retain ownership of the various controlled entities operating Humm's commercial finance business.
Who is Latitude?	Latitude is an ASX listed company and operates a digital payments, instalments and lending platform. Latitude offers its customers in Australia and New Zealand instalments and BNPL products (**L-Pay**) and lending products (such as credit cards and personal loans) through direct and indirect channels (**L-Money**). Its Business-to-Business-to-Consumer (**B2B2C**) and Direct-to-Consumer (**D2C**) distribution model enables customers to transact through Latitude's established network of commercial partners, as well as with Latitude directly, online and by phone. Latitude is also a provider of consumer credit insurance. The Latitude Group has also recently commenced operations in Canada and Singapore. Headquartered in Melbourne, Australia, Latitude employs approximately 1,300 full-time equivalent staff. For further details, please refer to Section 5.
What has the Independent Expert said?	The Independent Expert has assessed the equity value of HCF on a controlling interest basis to be in the range of $260 million to $308 million. The Independent Expert has also assessed the value of the consideration offered by Latitude to be in the range of $290 million to $320 million. Accordingly, as the value of the consideration overlaps with the range of equity value for HCF, the Independent Expert has concluded that the HCF Sale is fair and reasonable and therefore in the best interests of Humm Shareholders in the absence of a superior proposal. The report of the Independent Expert is set out in full in Annexure 3 to this Explanatory Booklet.
When will the HCF Sale be Completed?	If the Chapter 11 Resolution is passed, then the Board of Humm expects the HCF Sale to be completed on 30 June 2022, subject to the remaining conditions precedent to the HCF Sale being satisfied or waived.
What will be the effect of Completion of the HCF Sale?	If the HCF Sale and the HCF Distribution proceed, then Humm will receive cash and shares in Latitude as consideration for the sale of HCF. It is proposed that the consideration will be distributed and transferred to Eligible Shareholders but this requires the passing (at the least) of the Capital Return Resolution. Subject to the passing of the Change of Name Resolution, Humm will be renamed Flexi Capital Group Limited as a standalone listed company, owning **flexicommercial**.
Will Humm remain listed on the ASX?	Yes, Humm will remain listed on the ASX, whether the HCF Sale is Completed or not and whether the Capital Return is approved or not.
Are there any potential disadvantages associated with the HCF Sale?	While the Majority Directors recommend that you vote in favour of the Resolutions for the reasons described in Section 1.6, Humm Shareholders should be aware of the potential reasons to vote against the Resolutions and risks associated with the HCF Sale and Humm described in Sections 1.7 and 4.10, respectively. Humm Shareholders should also be aware of the recommendation of Andrew Abercrombie to vote against the Chapter 11 Resolution to approve the HCF Sale and the reasons for his recommendations, including his observations and qualifications. Please refer to Section 3.12.

QUESTION	ANSWER
Are there any risks for me if the HCF Sale proceeds?	The risks you are exposed to will change if the HCF Sale proceeds to Completion: • There will also be additional risks associated with the change in risk profile of Humm as a result of no longer operating HCF. These are set out in Section 4.10. • To the extent that you will be receiving Consideration Shares as part of the Capital Return (if approved), you will also be exposed to the risks of an investment in Latitude Shares. Refer to Section 5.9.
What will happen if the HCF Sale does not proceed?	If the Chapter 11 Resolution is not passed by Humm Shareholders, the HCF Sale will not be Completed and the Capital Return will not proceed, and Humm will continue to own and operate HCF, in line with the status quo. See Section 3.9 for further details.
Under what scenarios can Latitude or Humm terminate the HCF Sale?	The Share Sale Agreement provides for various circumstances where either Latitude or Humm has the right to terminate that agreement and thereby withdraw from the HCF Sale prior to its Completion. These include if any of the conditions precedent is not satisfied or waived, or if any party is in material default under the Share Sale Agreement and fails to remedy the default by the earlier of 10 business days of a request to do so and Completion. Refer to Section 3.13.1 for further information. Neither Humm nor Latitude can terminate the Share Sale Agreement simply for convenience.
Has Humm received an alternative proposal from another party?	No. As at the date of this Explanatory Booklet Humm has not received an alternative proposal to the HCF Sale from another party.
B. QUESTIONS ABOUT THE CAPITAL RETURN	
What is the Capital Return?	Subject to Completion of the HCF Sale occurring and the Capital Return being approved by Humm Shareholders, Humm intends to distribute all of the proceeds of the HCF Sale to Humm Shareholders by way of the Capital Return. It is proposed that eligible Humm Shareholders will receive approximately $0.68 per Humm share, consisting of 0.303 Consideration Shares (valued at $2.00 per Consideration Share) and $0.07 cash through the Capital Return.
How will the Capital Return be effected?	The Capital Return will be effected by Humm undertaking an equal capital reduction under section 256B of the Corporations Act reducing its share capital by the Capital Reduction Amount. No Humm Shares will be cancelled in connection with the Capital Return. Accordingly, the Capital Return will not affect the number of Humm Shares held by each Humm Shareholder. The Capital Return will not affect the status of Humm Shares as fully paid shares.
What are the conditions for the Capital Return to proceed?	The Capital Return requires the separate approval of Humm Shareholders that will be sought at the General Meeting and is also conditional on Completion of the HCF Sale occurring.
What happens if the Capital Return is not approved?	In this case, the Capital Return will not proceed. In those circumstances, the Scheme will also not proceed. Humm will look to other means of distributing to its shareholders the cash consideration it receives from the HCF Sale and realising the Consideration Shares and exploring other means of returning the Consideration Shares to Humm Shareholders through alternative capital management initiatives.
Am I eligible to receive the Capital Return?	Subject to Completion occurring and the Capital Return Resolution being passed, you will be eligible to receive the Capital Return for each Humm Share that you hold at 7.00pm on 25 July 2022, being the currently expected Capital Return Record Date.
When will I receive the Capital Return?	Subject to Completion occurring and the Capital Return Resolution being passed, the Capital Return will be paid on the Distribution Date, currently expected to be 1 August 2022.

QUESTION	ANSWER
C. QUESTIONS ABOUT THE SCHEME	
What is the purpose of the Scheme?	The Scheme is being proposed to facilitate the distribution and transfer of the Consideration Shares under the Capital Return. The Scheme will be between Humm and its shareholders and requires a vote of Humm Shareholders at the separately convened Scheme Meeting. If Humm Shareholders approve the Scheme, the Scheme will facilitate Humm distributing and transferring directly to Humm Shareholders the Latitude Shares received by Humm as consideration for the HCF Sale.
What will happen if the Scheme becomes legally effective?	If the Scheme becomes legally Effective, each Scheme Shareholder, by operation of the Scheme, will, for the purposes of section 231(b) of the Corporations Act, consent to become a member of Latitude, to have their name and address entered into the Latitude Register and to be bound by the constitution of Latitude on and from the Implementation Date and to receive a distribution and transfer of Consideration Shares under the Capital Return, without the need for any further act by a Scheme Shareholder.
What if the Scheme is not approved by the requisite majorities of Humm Shareholders or by the Court?	If the Capital Return Resolution is passed by Humm Shareholders but the Scheme is not approved by the requisite majorities of Humm Shareholders or by the Court, then the Capital Return will still proceed. However, in those circumstances, Eligible Shareholders will only receive a transfer of their Consideration Shares if they have signed and returned an Election Form in the form which accompanies this Explanatory Booklet (or is subsequently provided) or completed an online Election Form. Refer to Section 3.4. Additional Election Forms are available from the Humm Share Registry.
What will happen if I don't complete and return an Election Form?	**Humm Shareholders are strongly encouraged to complete and return the Election Form or complete an Election Form online** so that, if the Capital Return Resolution is passed but the Scheme does not proceed, they can enjoy the benefit of direct investment in Latitude, including any immediate receipt of distributions, direct receipt of Latitude correspondence, such as annual reports and notices of meeting, and without the inconvenience of having their Consideration Shares under the Capital Return subject to the Trust Arrangements. If you do not complete and return an Election Form or complete an Election Form online, then you will not receive a transfer of the Consideration Shares to which you are entitled under the Capital Return. Rather, Humm will hold the relevant Consideration Shares on trust for you in accordance with the Trust Arrangements under the Trust Deed. After 1 month from the Capital Return Record Date, Humm will procure in accordance with the Trust Deed the sale of the remaining Consideration Shares not distributed and transferred to Eligible Shareholders and will then pay the relevant Eligible Shareholders the net sale proceeds (less any taxes and other costs, brokerage, fees and charges incurred as a result of the sale process).
Can I be bound by the Scheme if I did not vote or if I vote against its approval?	Yes. If the Scheme becomes Effective and you hold any Humm Shares on the Scheme Record Date (currently expected to be 7.00pm on 25 July 2022), you will be bound by the Scheme, even if you were not present at the Scheme Meeting, you did not vote or you voted against the Scheme.
What is the record date of the Scheme?	The Scheme Record Date is currently expected to be 7.00pm on 25 July 2022, which is also the same date as the Capital Return Record Date.
D. QUESTIONS ABOUT THE ANCILLARY RESOLUTIONS	
What are the proposed Ancillary Resolutions?	The Ancillary Resolutions are the Section 200C Resolution and the Change of Name Resolution. **Section 200C Resolution** If the HCF Sale proceeds to Completion, Latitude has proposed that Humm's CEO, Rebecca James, will be invited to join the Latitude Group after Completion. Rebecca James' exit arrangements from the Humm Group in connection with the HCF Sale will involve the payment or provision of certain remuneration to Ms James by Humm and Latitude that could be construed as such a "benefit" in connection with the transfer of part of the undertaking or property of Humm and as such, Humm is seeking, in accordance with section 200C(3), shareholder approval under section 200E of the Corporations Act at the General Meeting. This resolution is subject to Completion. **Change of Name Resolution** If the HCF Sale proceeds, then it is also proposed the name of the Company will be changed to Flexi Capital Group Limited. A special resolution of Humm Shareholders will be sought for this change of name at the General Meeting. This resolution is also subject to Completion. While each of the Ancillary Resolutions is subject to Completion, the passing of the Ancillary Resolutions is not a condition of the HCF Sale.

QUESTION	ANSWER
What will happen if the Ancillary Resolutions are not passed?	If the Section 200C Resolution is not passed by Humm Shareholders, this will impact Rebecca James' ability to join the Latitude Group or to receive any benefits under her existing employment agreement with Humm to the extent that this is in connection with the HCF Sale. If the Change of Name Resolution is not passed by Humm Shareholders, Humm will retain its existing name. However, under the Share Sale Agreement, Humm has agreed that subject to Completion occurring, Humm will not use any name containing the word 'humm' as a trading name, except as permitted under the Share Sale Agreement. In order to give Humm time to transition out of the use of the 'humm' name as a trading name, Latitude will grant a worldwide, royalty free, non-exclusive, non-transferrable licence for Humm Group to use the 'humm' name for 3 months after Completion, solely as it was used prior to Completion.
E. QUESTIONS ABOUT HUMM DIRECTORS' RECOMMENDATIONS AND INTENTIONS	
Does the Humm Board of Directors recommend the Overall Proposal?	Yes, the Majority Directors recommend that Humm Shareholders vote in favour of the Overall Proposal, in the absence of a superior proposal. Their reasons for those recommendations, are set out in Sections 1.6 and 3.11.
How do the Majority Directors intend to vote in respect of their own shares?	All Majority Directors intend to vote in favour of all the Resolutions, in respect of all Humm Shares held by them or in which they otherwise have a relevant interest, in the absence of a superior proposal. Refer to Section 3.11.
What are Andrew Abercrombie's recommendations and intentions?	Andrew Abercrombie, founder, director and former Chairman of Humm, has a relevant interest in approximately 20.2% of Humm Shares. Subject to the observations and qualifications set out by Andrew Abercrombie in Sections 1.7 and 3.12, Andrew Abercrombie recommends for the reasons given in those Sections that you vote against the HCF Sale. Subject to those same observations and qualifications, he intends voting all of the Humm Shares in which he has a relevant interest against the Chapter 11 Resolution to approve the HCF Sale. If the Chapter 11 Resolution is passed by Humm Shareholders, Andrew Abercrombie reserves the right to vote those Humm Shares in favour of or against the remaining Resolutions, including the Scheme Resolution, based on the relevant circumstances at the time. For that reason he makes no recommendation to Humm Shareholders in relation to the remaining Resolutions.
Why is Andrew Abercrombie not recommending the HCF Sale?	Please refer to Section 3.12 for Andrew Abercrombie's reasons for not recommending that Humm Shareholders vote in favour of the HCF Sale, as well as his observations and qualifications to those reasons.
F. QUESTIONS ABOUT VOTING AND THE MEETINGS	
What specifically are Humm Shareholders voting on?	Humm Shareholders will be voting to pass the Resolutions as set out in the Notice of General Meeting in Annexure 1 to this Explanatory Booklet and the Notice of Scheme Meeting in Annexure 2 to this Explanatory Booklet. At the General Meeting, Humm Shareholders will be voting on the following resolutions: • Chapter 11 Resolution – on the HCF Sale; • Capital Return Resolution – on the proposed equal reduction of the share capital of Humm in order to return cash and Latitude Shares (comprising the consideration for the HCF Sale) to Humm Shareholders; • Section 200C Resolution – on payment or provision of remuneration to CEO Rebecca James; and • Change of Name Resolution – to re-name Humm following the sale of HCF. At the Scheme Meeting, Humm Shareholders will be voting on the Scheme Resolution to approve the Scheme and to facilitate the distribution to Humm Shareholders of the Latitude Shares received as consideration of the HCF Sale.
When and where will be Meetings be held?	Both Meetings will be held on Thursday, 23 June 2022 with the first meeting, being the General Meeting, commencing at 10.00am. The Scheme Meeting will follow at 10.30am or immediately after the conclusion or adjournment of the General Meeting, whichever occurs later. Both Meetings will be hybrid meetings with each Meeting being conducted in two parts simultaneously with the physical venue of the meeting at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney and the online platform at https://meetings.linkgroup.com/HUMGENERAL22 for the General Meeting and https://meetings.linkgroup.com/HUMSCHEME22 for the Scheme Meeting that allows for remote participation. You are welcome to attend the Meetings either in person at the physical venue or online. If you cannot attend online, you can still vote (if you are eligible to vote) on the Resolutions by appointing an attorney or corporate representative or by appointing a proxy by completing, signing and returning your Proxy Forms or lodging your proxy online, which accompany this Explanatory Booklet, in accordance with the instructions on the form and the relevant Notice of Meeting.

QUESTION	ANSWER
What is required for the Resolutions to be approved?	The Chapter 11 Resolution, the Capital Return Resolution and the Section 200C Resolution are ordinary resolutions. For those Resolutions to be passed, a simple majority of eligible votes cast (being over 50%) will need to be cast at the General Meeting (online or by proxy, corporate representative or attorney) in favour of those Resolutions. The Change of Name Resolution is a special resolution which requires 75% or more of eligible votes to be cast at the General Meeting (online or by proxy, corporate representative or attorney) in favour of that Resolution. The Scheme Resolution requires approval from: • (unless the Court orders otherwise) a majority in number (more than 50%) of Humm Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, attorney or, in the case of corporate Humm Shareholders or proxies, by corporate representative) (**Headcount Test**); and • Humm Shareholders whose Humm Shares in aggregate account for at least 75% of the votes cast on the resolution (whether in person, by proxy, attorney or, in the case of corporate Humm Shareholders or proxies, by corporate representative). Voting restrictions apply in relation to the Chapter 11 Resolution and the Section 200C Resolution. Refer to the Notice of General Meeting for further details. All voting on the Resolutions will be by way of a poll.
If I wish to support the Overall Proposal, what should I do?	If you wish to support the Overall Proposal, you should vote in favour of all the Resolutions, by attending the Meetings in person at the physical venue or online or appointing a corporate representative, attorney, or proxy to attend on your behalf. Further details on how to vote are provided in the relevant Notices of Meeting.
What should I do if I wish to oppose the Overall Proposal?	If you do not support the Overall Proposal, you should attend the Meetings or appoint a proxy, attorney or corporate representative to attend on your behalf, and vote against the General Meeting Resolutions and the Scheme Resolution. Alternatively, if you support the HCF Sale but do not support the Capital Return, you should vote in favour of the Chapter 11 Resolution but vote against the Capital Return Resolution at the General Meeting and vote against the Scheme at the Scheme Meeting. You may also wish to support the HCF Sale and the Capital Return but not the Scheme. If Humm Shareholders pass General Meeting Resolutions at the General Meeting and the Scheme Resolution at the Scheme Meeting, you may wish to oppose the approval of the Scheme by filing and serving a notice of opposition and any other supporting documents on Humm by at least one day before the Second Court Date and attending the Second Court Hearing. Opposing the approval of the Scheme will not however affect the efficacy of any of the General Meeting Resolutions if those Resolutions have been passed at the General Meeting.
What if I cannot attend the Meetings?	If you cannot attend the Meetings in person either at the physical venue or online, you can still vote (if you are eligible to vote) on the Resolutions by appointing an attorney or corporate representative or by appointing a proxy by completing, signing and returning your Proxy Forms, which accompany this Explanatory Booklet, in accordance with the instructions on the form and the relevant Notice of Meeting. Proxy Forms must be received by the Humm Share Registry by no later than 10.00am on Tuesday, 21 June 2022 (being 48 hours before the commencement of the General Meeting).
When will the results of the Meetings be known?	The results of the Meetings will be available during the Meetings and will be announced to the ASX after the conclusion of the Meetings.
Is voting compulsory?	No, voting is not compulsory. However, the HCF Sale, the Capital Return and the Scheme can only proceed if the Chapter 11 Resolution, the Capital Return Resolution and the Scheme Resolution are respectively passed by the requisite majorities of Humm Shareholders at the relevant Meeting. Therefore, voting is important and the Majority Directors strongly encourage you to vote.
What are my options?	As a Humm Shareholder who is eligible to vote on of the Resolutions your options are to: • vote (in person at the physical venue or online, by attorney or corporate representative or by proxy) in favour of some or all the Resolutions at the Meetings to be held on Thursday, 23 June 2022; or • vote (in person at the physical venue or online, by attorney or corporate representative or by proxy) against or abstain from voting, in respect of some or all of the Resolutions at the Meetings to be held on Thursday, 23 June 2022; or • do nothing.

QUESTION	ANSWER
How do I know if I am eligible to vote on the Resolutions?	You may vote at the Meetings if you are registered on the Humm Share Register as the holder of Humm Shares as at 7.00pm on Tuesday, 21 June 2022. Certain voting restrictions will apply in relation to the Chapter 11 Resolution and the Section 200C Resolution. Refer to the Notices of Meeting for further details.
What do I do if I have decided to attend the Meetings online but have incorrectly logged in as a guest instead of a Humm Shareholder or a proxy holder?	Guests attending a Meeting will not be able to ask questions or vote. Humm Shareholders are encouraged to follow the instructions to ensure that they log in to the online platform correctly and are able to participate at each Meeting. For any technical difficulties for those wishing to attend online, please contact the Humm Share Registry by telephone. Emails sent to the Humm Share Registry may not be read until after the Meetings.
Can I be bound by the Scheme if I do not vote or if I vote against its approval?	Yes. If the Scheme becomes Effective and you hold any Humm Shares on the Scheme Record Date (currently expected to be 7.00pm on 25 July 2022), you will be bound by the Scheme, even if you were not present at the Scheme Meeting, you did not vote, or you voted against the Scheme.
G. GENERAL QUESTIONS	
What are the tax implications of the HCF Sale and the Capital Return for existing Humm Shareholders?	A general description of the tax implications of the HCF Sale and the Capital Return is included in Section 6.1.
What is the Class Ruling?	Humm has requested the ATO to issue a Class Ruling to confirm the key taxation implications of the Capital Return for Humm Shareholders, including the proportion of the distribution of the in-specie Consideration Shares that will be treated as a dividend or as a capital return. It is a condition to Completion of the HCF Sale that a draft Class Ruling is received from the ATO which accords with principles agreed between Humm and Latitude as set out in the Share Sale Agreement. The ATO has not issued the Class Ruling as at the date of this Explanatory Booklet. The final form of Class Ruling is not expected to be received until after Completion. Humm will make an announcement when the Class Ruling is published by way of an announcement on ASX. The Class Ruling will also be available on the ATO website at www.ato.gov.au. A general description of the tax implications of the HCF Sale and the Capital Return is included in Section 6.1.
What are the tax implications of the HCF Sale and the Capital Return for Humm?	The Humm Group does not expect to incur a tax liability arising from the HCF Sale, the Capital Return or the Scheme.
Can I sell my Humm Shares now?	You can sell your Humm Shares at any time. However, if you sell your Humm Shares on market so that you are no longer a Humm Shareholder at 7.00pm on 21 June 2022: • you will not be eligible to vote on the HCF Sale; • you will not be eligible to receive the HCF Distribution; and • there will be different tax consequences for you compared to those that would arise after the Completion of the HCF Sale.
What should I do now?	You should: • read this Explanatory Booklet, including the Independent Expert's Report, in full before making any decision on the HCF Sale, the other associated resolutions at the General Meeting and the Scheme; • if necessary, obtain professional financial or legal advice, as this Explanatory Booklet does not take into account the financial situation, investment objectives or particular needs of any individual Humm Shareholder; • determine whether and how you wish to vote on the Resolutions; and • if you wish to vote on the Resolutions, vote at the General Meeting and Scheme Meeting in person at the physical venue or online, or by attorney, corporate representative or proxy.

QUESTION	ANSWER
Further questions?	If you have any questions about the HCF Sale, the Capital Return or the Scheme, or you would like additional copies of this Explanatory Booklet, Proxy Forms or an Election Form, please 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. For information about your individual circumstances, please consult your financial, legal, taxation or other professional adviser.

3. HCF SALE, CAPITAL RETURN AND SCHEME

3.1 OVERVIEW OF THE HCF SALE

On Friday 18 February 2022, Humm announced it had entered into the Share Sale Agreement with Latitude to implement the HCF Sale under which Humm's consumer finance (**HCF**) business, comprising its BNPL, instalments and credit card operations would be sold to Latitude.

The HCF Sale is to be effected through the Transaction Documents and involves Latitude acquiring all the shares in Humm SPV which will at Completion be the holding company for the corporate entities holding and operating HCF. Humm will retain ownership of the various controlled entities operating Humm's commercial finance business, **flexicommercial**, and will continue to operate as a pure play commercial finance company and an appropriately capitalised ASX-listed company.

The HCF Sale is subject to the passing of the Chapter 11 Resolution. It will proceed to Completion (subject to the satisfaction or waiver of the other conditions precedent) whether or not any of the other Resolutions are passed.

3.2 USE OF PROCEEDS FROM THE HCF SALE AND OVERVIEW OF CAPITAL RETURN

Subject to Completion of the HCF Sale and the passing of the Capital Return Resolution, Humm intends to distribute all of the sale proceeds to Humm Shareholders. It is proposed that Eligible Shareholders will receive approximately $0.68 per Humm share, consisting of 0.303 Consideration Shares (valued at $2.00 per Consideration Share) and $0.07 cash through the Capital Return.

Eligible Shareholders, being Humm Shareholders registered as such on the Capital Return Record Date (expected to be 7.00pm on 25 July 2022 and following Completion of the HCF Sale), will be entitled to participate in the Capital Return.

The Capital Return will be effected by Humm undertaking an equal capital reduction under section 256B of the Corporations Act reducing Humm's share capital (less any dividend component) by the Capital Reduction Amount.

No Humm Shares will be cancelled in connection with the Capital Return. Accordingly, the Capital Return will not affect the number of Humm Shares held by each Humm Shareholder. The Capital Return will not affect the status of Humm Shares as fully paid shares.

The Capital Return requires the separate approval of Humm Shareholders that will be sought at the General Meeting and is also conditional on Completion occurring. Humm Shareholders should note that if the above conditions are not met, the Humm Board does not intend to proceed with the Capital Return.

3.3 OVERVIEW OF SCHEME

3.3.1 PURPOSE

The Scheme, which will be a scheme of arrangement between Humm and its shareholders, is being proposed to facilitate the distribution and transfer of the Latitude Shares under the Capital Return. On 18 February 2022, Humm and Latitude entered into the Scheme Implementation Deed in order to govern the implementation of the Scheme. A summary of the terms of the Scheme Implementation Deed as amended is set out in Section 3.13.6 and the terms of the Scheme are set out in full in Annexure 4 to this Explanatory Booklet.

Neither the HCF Sale nor the Capital Return is subject to the Scheme proceeding.

3.3.2 LEGAL EFFECT

If the Scheme becomes Effective, it will constitute a binding arrangement between Humm and each Scheme Shareholder under which on implementation of the Scheme,

- each Scheme Shareholder, by operation of the Scheme, will, for the purposes of section 231(b) of the Corporations Act, consent to become a member of Latitude, to have their name and address entered into the Latitude Register and to be bound by the constitution of Latitude on and from the Implementation Date and to receive a distribution and transfer of Consideration Shares under the Capital Return, without the need for any further act by a Scheme Shareholder; and
- each Scheme Shareholder who will receive a distribution and transfer of Consideration Shares, without the need for any further act by that Scheme Shareholder, irrevocably appoints Humm and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing an agreement under section 231(b) of the Corporations Act to become a member of Latitude, to have their name and address entered into the Latitude Register and to be bound by the constitution of Latitude on and from the Implementation Date and to receive a distribution and transfer of Consideration Shares under the Capital Return.

The Scheme will also regulate the treatment of Ineligible Shareholders in the manner as set out in Section 3.5.

3.3.3 SCHEME MEETING

At the First Court Hearing on 17 May 2022, the Court ordered Humm to convene a meeting of Humm Shareholders to consider and vote on the Scheme.

The notice convening the Scheme Meeting is set out in Annexure 2 to this Explanatory Booklet. The fact that the Court has ordered that the Scheme Meeting be convened is no indication that the Court has a view as to the merits of the Scheme or as to how Humm Shareholders should vote. On these matters, Humm Shareholders must reach their own decision.

3.3.4 APPLY TO COURT FOR APPROVAL OF THE SCHEME

At the Second Court Hearing, Humm will apply to the Court for orders approving the Scheme. It is proposed that the Second Court Date will be on 19 July 2022. Any change to this date will be announced through ASX and will be available on ASX's website, www.asx.com.au.

The Court has a wide, overriding discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

If the Scheme is approved by the requisite majorities of Humm Shareholders at the Scheme Meeting, but is not subsequently approved by the Court, the Scheme will not proceed to be implemented.

3.3.5 OPPOSING THE SCHEME

The date for the Second Court Hearing to approve the Scheme is currently scheduled to be 19 July 2022.

The hearing is proposed to be at 2.15pm in the Federal Court of Australia. In response to the COVID-19 global pandemic and government restrictions on physical gatherings, it is possible that the Second Court Hearing will be held either virtually or by telephone conference, or it may be held as a conventional physical hearing. Further details on how to attend the Second Court Hearing will be released on ASX if the Scheme is approved by Humm Shareholders at the Scheme Meeting. Humm Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of developments relating to the COVID-19 global pandemic. Any such change will be announced by Humm to ASX.

If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you must file with the Court, and serve on Humm, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Humm at its address for service at least one day before the Second Court Date.

Note that opposition of the Scheme will not affect the efficacy of the General Meeting Resolutions, including the Chapter 11 Resolution, if passed.

The address for service is: c/o MinterEllison, Level 20, Collins Arch, 447 Collins Street, Melbourne VIC 3000, Attention: Bart Oude-Vrielink. The notice of appearance and affidavit must also be sent by email to bart.oude-vrielink@minterellison.com.

3.3.6 RECEIPT OF COURT ORDERS

If the Court approves the Scheme:

- Humm will make an announcement to ASX notifying the market of receipt of Court approval, with that announcement proposed to be made on the day on which the Court approves the Scheme;
- that announcement will specify the Scheme Record Date, which will be the same as the Capital Return Record Date; and
- as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves the Scheme, Humm will lodge an office copy of the Court's orders with ASIC under section 411(10) of the Corporations Act. On that date (currently proposed to be 20 July 2022), the Scheme will become Effective.

If the Scheme becomes Effective, Humm will become bound to implement the Scheme in accordance with the terms of the Scheme Implementation Deed and the Scheme. Only those persons who are registered as the holders of Humm Shares on the Scheme Record Date will be Scheme Shareholders, being the only persons who will be bound by, and have the benefit of, the Scheme.

If the Scheme does not become Effective before the End Date, the Scheme will lapse.

3.4 IMPLICATIONS IF THE SCHEME IS NOT APPROVED

If Completion of the HCF Sale occurs and the Capital Return Resolution is passed by Humm Shareholders but the Scheme is not approved by the requisite majorities of Humm Shareholders or by the Court, then the Capital Return will still proceed. However, in those circumstances, Eligible Shareholders will only receive a transfer of the Consideration Shares to which they would have been entitled under the Capital Return if they have signed and returned an Election Form in the form which accompanies this Explanatory Booklet (or is subsequently provided) or completed an Election Form online at https://events.miraqle.com/hum-scheme.

By signing and returning an Election Form or completing an on-line Election Form, an Eligible Shareholder confirms that they agree to become a member of Latitude and that they authorise Humm to execute on their behalf a transfer of Consideration Shares to be distributed and transferred to that Eligible Shareholder under the Capital Return. A separate reply paid envelope is enclosed for the return of the Election Form. Alternatively the Election Form may be completed online at https://events.miraqle.com/hum-scheme. Additional Election Forms can be obtained by contacting the Share Registry at 1800 881 432 (+61 2 8280 7927 if overseas).

If an Eligible Shareholder does not complete and return an Election Form or complete an Election Form online, then that Eligible Shareholder will not receive a transfer of the Consideration Shares to which they are entitled under the Capital Return. Rather, Humm will hold the relevant Consideration Shares on trust for each such Eligible Shareholder in accordance with the Trust Arrangements under the Trust Deed. After 1 month from the Capital Return Record Date, Humm will procure in accordance with the Trust Deed the sale of the remaining Consideration Shares not distributed and transferred to Eligible Shareholders and will then pay the relevant Eligible Shareholders the net sale proceeds (less any taxes and other costs, brokerage, fees and charges incurred as a result of the sale process).

The Election Form is only relevant if the proposed Scheme is not approved by either the requisite majorities of Humm Shareholders or the Court. If the Scheme is approved and becomes legally Effective, the Election Form is irrelevant and will have no effect, whether or not you sign or complete the Election Form. Accordingly, there is no need yet to sign and return the Election Form, which you should retain pending further ASX announcement by Humm that the Scheme will not be proceeding. For completeness, if the Capital Return does not take place, the Election Form will also be irrelevant and will have no effect.

Humm Shareholders are strongly encouraged to complete and return the Election Form or complete an Election Form online so that, if the Capital Return Resolution is passed but the Scheme does not proceed, they can enjoy the benefit of direct investment in Latitude, including any immediate receipt of distributions, direct receipt of Latitude correspondence, such as annual reports and notices of meeting, and without the inconvenience of having their Consideration Shares under the Capital Return subject to the Trust Arrangements. If a Humm Shareholder's Consideration Shares to which they are entitled under the Capital Return are subject to the Trust Arrangements, that Humm Shareholder will only be able to exercise its rights to vote those Consideration Shares by giving Humm instructions as to how to vote and there will be a delay in that Humm Shareholder receiving payments (including distribution payments) and communications from Latitude. That is because those payments and communications will first go to Humm and then Humm will pass those payments and communications through to the Humm Shareholders.

Humm Shareholders participating in the Trust Arrangements and who do not return an Election Form will have the Consideration Shares to which they are entitled sold at a time of Humm's choosing (which will be after the end of 1 month from the Capital Return Record Date). This timing may not suit all Humm Shareholders and they will receive the net proceeds of sale after deduction of brokerage and other applicable charges.

The Trust Arrangements have been put in place to ensure that legal title in the Consideration Shares to be distributed and transferred under the Capital Return is only transferred to those persons who agree to become members of Latitude for the purposes of section 231 of the Corporations Act.

Under the Trust Arrangements, Humm will hold in accordance with the Trust Deed the Consideration Shares transferred to it on behalf of and subject to the instructions of Eligible Shareholders who have not completed and returned an Election Form or completed an Election Form online (**Non-Electing Shareholder**). Upon a Non-Electing Shareholder returning an Election Form or completing an on-line Election Form, Humm will transfer to that person legal title to the Consideration Shares held on trust for the Non-Electing Shareholder for them.

On 7 March 2022, ASIC executed an exemption and declaration under sections 741(1)(a) and (b) of the Corporations Act. Under the declaration, section 708(17) of the Corporations Act is modified so that any offer of Latitude Shares constituted by the issue to Humm Shareholders of this Explanatory Booklet or any of the accompanying documents does not need a prospectus or other formal disclosure document for the purposes of Part 6D.2 of the Corporations Act on the basis that the dispatch of the Explanatory Booklet and accompanying documents to Humm Shareholders convening the General and Scheme Meetings comprises an offer of Consideration Shares to Humm Shareholders. Under the exemption, Eligible Shareholders receiving Consideration Shares under the Capital Return and subsequent purchasers of Consideration Shares will not be required to comply with the prospectus and disclosure provisions in Parts 6D.2 and 6D.3 of the Corporations Act in respect of any subsequent sale offer of Consideration Shares that they might make.

Also on 7 March 2022, ASIC executed an exemption under section 1020F(1)(b) of the Corporations Act exempting the Consideration Shares from the short selling prohibition in section 1020B(2) of that Act in so far as the dispatch of this Explanatory Booklet and accompanying documents to Humm Shareholders convening the General and Scheme Meetings comprises an offer of the Consideration Shares to Humm Shareholders at a point in time (i.e., before Completion) that Humm does not have a presently exercisable and unconditional right to vest the Consideration Shares in the Humm Shareholders. Any offer of Consideration Shares constituted by the dispatch of this Explanatory Booklet to Humm Shareholders is conditional on Completion of the HCF Sale and the passing of the Capital Return Resolution approving the Capital Return.

For further details of the Trust Arrangements, please refer to the summary of the Trust Deed at Section 3.13.5.

3.5 TREATMENT OF INELIGIBLE SHAREHOLDERS

Under both the Capital Return and the Scheme, Ineligible Shareholders, being Foreign Scheme Shareholders and Small Shareholders, will not receive any Consideration Shares. Instead, the Consideration Shares that would otherwise be transferred to Ineligible Shareholders will be sold pursuant to a Sale Facility.

A Scheme Shareholder will be a Foreign Scheme Shareholder if their address, as shown in the Share Register as at the Scheme Record Date, is located outside of Australia and its external territories, New Zealand and any other jurisdictions agreed by Humm and Latitude.

Scheme Shareholders who will be entitled to receive less than a marketable parcel of Consideration Shares under the Capital Return will be classified as a Small Shareholder. A marketable parcel of Consideration Shares is generally a holding equal to a value (calculated at $2 per Consideration Share) of less than $500 on the Capital Return Record Date.

Under the Sale Facility, Humm must procure that as soon as reasonably practicable after the Implementation Date, the Sale Agent sells the Consideration Shares transferred to it on-market in such manner, at such price and on such other terms as the Sale Agent determines in good faith.

Promptly after the last sale of those Consideration Shares and receipt of the Sale Proceeds by Humm, Humm must procure that the Humm Share Registry pays to each Ineligible Shareholder the amount calculated in accordance with the following formula, rounded down to the nearest cent:

A = (B/C) x D

where:

A is the amount to be paid to the relevant Ineligible Shareholder;

B is the number of Latitude Shares attributable to, and that would otherwise have been transferred to, that Ineligible Shareholder (subject to the Ineligible Shareholder being an Electing Shareholder) had it not been an Ineligible Shareholder;

C is the total number of Consideration Shares attributable to all Ineligible Shareholders collectively; and

D is the Sale Proceeds.

Each Ineligible Shareholder acknowledges that Humm does not give any assurance as to the price that will be achieved for the sale of the relevant Consideration Shares. The sale of Consideration Shares by the Sale Agent will be at the risk of the Ineligible Shareholders.

As the market price of Consideration Shares will be subject to change from time to time, the sale price of those Consideration Shares sold through the Sale Facility and the proceeds of that sale cannot be guaranteed. The proceeds received by Ineligible Shareholders who participate in the Sale Facility will depend on the price at which the Consideration Shares can be sold under the Sale Facility at the relevant time, applicable exchange rates (if sales are made in a currency other than Australian dollars) and the amount of any applicable taxes, duty, brokerage or other costs and charges incurred by Humm in connection with sales under the Sale Facility. An Ineligible Shareholder's share of the Sale Proceeds under the Sale Facility may be more or less than the value of the Consideration Shares that the Humm Shareholder would have received had they not been an Ineligible Shareholder.

Any Sale Agent who is appointed, together with its affiliates, will be a full service financial institution engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

3.6 CONDITIONS

3.6.1 HCF SALE

Completion of the HCF Sale is subject to the following conditions precedent in the Share Sale Agreement being either satisfied or waived.

CONDITION	DESCRIPTION	STATUS AS AT THE DATE OF THIS EXPLANATORY BOOKLET
CONDITION 1: RESTRUCTURE COMPLETION	The Restructure has occurred in accordance with the Restructure Deed. For further details, please refer for the summary of the Restructure Deed at Section 3.13.3.	This will only be satisfied shortly before Completion.
CONDITIONS 2 & 3: COMPETITION APPROVALS	ACCC ACCC has stated in writing that it does not object to, or does not intend to intervene in, or does not intend to conduct a public review in relation to, the HCF Sale for the purposes of section 50 of the *Competition and Consumer Act 2010* (Cth), either without conditions or subject only to conditions or requirements that are reasonably acceptable to Latitude and Humm. New Zealand Commerce Commission Latitude receiving either a no action letter or a clearance from the New Zealand Commerce Commission (**NZCC**) in relation to the HCF Sale, in a form which is acceptable to Latitude and Humm (each acting reasonably).	Satisfied in relation to the ACCC Outstanding in relation to the NZCC
CONDITION 4: HUMM SHAREHOLDER APPROVALS	The Chapter 11 Resolution is passed at the General Meeting.	Outstanding – to be sought at the General Meeting
CONDITION 5: DRAFT ATO RULING	Humm receiving a draft ruling from the ATO confirming the proportion of the distribution of the in-specie Consideration Shares that will be treated as a dividend or as a capital return.	Outstanding
CONDITIONS 6 & 7: FOREIGN INVESTMENT APPROVALS	Australian Foreign Investment Review Board The approval of FIRB is obtained in relation to the HCF Sale. New Zealand Overseas Information Office The New Zealand Overseas Investment Office has consented to the implementation of the HCF Sale.	Outstanding
CONDITION 8: FCA APPROVAL	The UK Financial Conduct Authority consents to the change in control of a UK subsidiary of the Humm Group which will occur as a result of the Restructure and completion of the HCF Sale.	Outstanding
CONDITION 9: RESERVE BANK OF NEW ZEALAND APPROVAL	Notice is received from the Reserve Bank of New Zealand in relation to a subsidiary of Humm that is a provider of insurance policies and is regulated by Reserve Bank of New Zealand that certain matters under the New Zealand *Insurance (Prudential Supervision) Act 2010* would still be satisfied following the implementation of the Restructure and completion of the HCF Sale.	Outstanding
CONDITION 10: SECURITISATIONS (AUSTRALIA)	Various arrangements are put in place in form and substance satisfactory to Latitude and Humm (each acting reasonably) in relation to the transfer of the legal and economic benefit and burden of the Australian consumer securitisation funding arrangements to Latitude.	Outstanding
CONDITION 11: SECURITISATIONS (NEW ZEALAND)	Various arrangements are put in place in form and substance satisfactory to Latitude and Humm (each acting reasonably) in relation to the transfer of the legal and economic benefit and burden of the New Zealand consumer securitisation funding arrangements to Latitude.	Outstanding
CONDITION 12: CORPORATE FINANCE FACILITY	All required consents and waivers in connection with the Restructure or the HCF Sale under the terms of the existing corporate finance facilities of the Humm Group are obtained.	Outstanding

CONDITION	DESCRIPTION	STATUS AS AT THE DATE OF THIS EXPLANATORY BOOKLET
CONDITION 13: SECURITISATIONS (IRELAND)	Various arrangements are put in place in form and substance satisfactory to Latitude and Humm (each acting reasonably) in relation to the transfer of the legal and economic benefit and burden of the Irish consumer securitisation funding arrangements to Latitude.	Outstanding
CONDITION 14: INDEPENDENT EXPERT	The Independent Expert opining that the HCF Sale is in the best interests of, and is either fair and reasonable or not fair but reasonable to, Humm Shareholders.	Satisfied

3.6.2 CAPITAL RETURN

The Capital Return is only conditional on the Capital Return Resolution being passed by Humm Shareholders and Completion of the HCF Sale occurring.

The Capital Return is not conditional on the Scheme proceeding. If the Scheme is not approved by the requisite majorities of Humm Shareholders or by the Court, the alternative arrangements described in Section 3.4 will apply.

3.6.3 SCHEME

The Scheme is subject to the conditions noted below, all of which (other than Court approval) must be satisfied or waived (as applicable) by 8.00 am on the Second Court Hearing Date:

- (**Scheme Shareholder approval**) the Scheme is approved by Humm Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- (**Humm Capital Return Resolution**) the Capital Return Resolution has been passed by the requisite majority at the General Meeting;
- (**Completion under Share Sale Agreement**) Completion has occurred; and
- (**Court approval**) the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either Humm or Latitude (acting reasonably).

3.7 FINANCIAL EFFECT OF THE HCF SALE ON HUMM

The HCF Sale, if Completed, may have the following effect (using the consolidated financial statements of the Company as at 31 December 2021):

Measure $m	Before the effect of the HCF Sale (A)	Pro forma position without HCF (B)	Percentage change (B-A)/A
Consolidated total assets	3,431.8	1,343.9	(61%)
Consolidated total equity interests	610.4	268.3	(56%)
Consolidated revenue (6 months to 31 December 2021)	220.7	57.1	(74%)
Consolidated profit before tax and impairment of intangibles (6 months to 31 December 2021)	18.1	8.9	(51%)
Consolidated profit before tax (6 months to 31 December 2021)	(163.1)	8.9	(105%)

An unaudited pro forma balance sheet following implementation of the HCF Sale and distribution of the Capital Return is set out in Section 4.9.4 below.

3.8 IMPLICATIONS OF THE HCF SALE PROCEEDING

If the HCF Sale proceeds to Completion, Humm will be entitled to the proceeds of the HCF Sale, which will be used as set out in Section 3.2 above. Further information on the profile of Humm post-Completion of the HCF Sale is set out in Section 4.9.

In addition, under the Capital Return (if separately approved), eligible Humm Shareholders will receive Consideration Shares and in doing so, will be entitled to the benefits of an investment in Latitude as an ASX listed entity, and will continue to be exposed to the risks presently associated with that investment. These risks include general risks of holding shares and risks that are specific to Latitude's business as described in Section 5.9.

3.9 IMPLICATIONS OF HCF SALE NOT PROCEEDING

If the HCF Sale does not proceed (including as a result of the Chapter 11 Resolution not being passed by Humm Shareholders), Humm will retain ownership of the various controlled entities operating Humm's commercial finance business and will continue to operate HCF.

If the HCF Sale does not proceed, neither the advantages of the HCF Sale outlined in Section 1.6, nor the potential reasons to vote against the HCF Sale outlined in Section 1.7, will be relevant to Humm Shareholders. In particular, the Humm Board will not proceed with the Capital Return if the HCF Sale does not proceed.

Since 17 December 2021, a broad set of ASX listed consumer finance companies has experienced a significant fall in their share prices. The Majority Directors believe that (i) had the Latitude proposal not been announced, Humm's share price would likely have been impacted more strongly, in line with sector peers and (ii) there is a material risk that Humm's share price may fall significantly if the HCF Sale is not approved by shareholders and the status quo maintained.

3.10 LEGAL AND REGULATORY REQUIREMENTS

The Meetings referred to in this Explanatory Booklet are being held so that Humm Shareholders can consider the following Resolutions.

At the General Meeting, Humm Shareholders will be asked to consider:

- approving the HCF Sale for the purposes of Listing Rule 11.2 by passing the Chapter 11 Resolution;
- approving the Capital Return by passing the Capital Return Resolution;
- in the context of Rebecca James, Humm's Chief Executive Officer, approving the provision of a benefit to a person who has held managerial or executive office for the purposes of section 200C of the Corporations Act in connection with the transfer of property of Humm (being the shares in Humm SPV), by passing the Section 200C Resolution; and
- approving the change of name of Humm to Flexi Capital Group Limited under section 157 of the Corporations Act by passing the Change of Name Resolution.

At the Scheme Meeting, Humm Shareholders will be asked to consider approving the Scheme.

3.10.1 CHAPTER 11 RESOLUTION

Listing Rule 11.2

Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The HCF Sale constitutes a disposal of Humm's main undertaking for these purposes.

The Chapter 11 Resolution seeks the required shareholder approval to the HCF Sale under and for the purposes of Listing Rule 11.2.

If the Chapter 11 Resolution is passed, Humm will be able to proceed with the HCF Sale and the consequences outlined in Section 3.8 will follow.

If the Chapter 11 Resolution is not passed, Humm will not be able to proceed with the HCF Sale and the consequences outlined in Section 3.9 will follow.

Listing Rule 11.1.2

Listing Rule 11.1.2 requires a listed company to obtain the approval of its shareholders to make a significant change, either directly or indirectly, to the nature or scale of its activities. Although the Majority Directors consider the HCF Sale to be a significant change to the scale of Humm's activities for these purposes, shareholder approval for the purpose of Listing Rule 11.1.2 is not required to be sought in circumstances where shareholder approval is already being sought for the purposes of Listing Rule 11.2.

Listing Rule 11.1.3

Listing Rule 11.1.3 (which is a subset of Listing Rule 11.1) provides that where an entity proposes to make a significant change to the nature or scale of its activities, the ASX may require the entity to meet the requirements of the Listing Rules as if it were applying for admission to the official list.

Based on information available to ASX, the ASX has determined that Listing Rule 11.1.3 does not apply to the HCF Sale.

Voting exclusion

In accordance with Listing Rules 11.2 and 14.11, the Company will disregard any votes cast in favour of the Chapter 11 Resolution by or on behalf of:

- Latitude or any other person who will obtain a material benefit as a result of the disposal of HCF (except a benefit solely by reason of being a Humm shareholder); or
- any of their associates.

Please refer to the voting exclusion statement set out in the Notice of General Meeting.

3.10.2 CAPITAL RETURN RESOLUTION

The Capital Return Resolution requires the approval of a simple majority (more than 50%) of the votes cast by Humm Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Humm Shareholder or proxy, by a corporate representative.

In addition to Shareholder approval as described above, the Corporations Act requires that the Capital Return:

- be fair and reasonable to Humm Shareholders as a whole; and
- not materially prejudice Humm's ability to pay its creditors.

Fair and reasonable

As the Capital Return would:

- apply to each holder of Humm Shares in proportion to the number of Shares they hold at the Capital Return Record Date;
- have the same terms and conditions for each person who holds Humm Shares as at the Capital Return Record Date;
- not involve the cancellation of any Humm Shares; and
- not create or increase any unpaid amount on any Humm Shares,

the Majority Directors consider that the Capital Return is fair and reasonable to Humm's Shareholders as a whole.

No material prejudice for Humm's creditors

The Majority Directors consider that the Capital Return will not materially prejudice Humm's ability to pay its creditors because it involves the distribution of the proceeds of the HCF Sale in circumstances where Humm as vendor has limited its exposure to post-Completion warranty claims (see Section 3.13.1 for a summary of the Share Sale

Agreement), noting that if Humm Shareholders do not approve the HCF Sale, or the HCF Sale does not proceed, the Humm Board does not intend to proceed with the Capital Return.

No voting exclusion

There are no relevant voting exclusions that apply to the Capital Return Resolution.

3.10.3 SECTION 200C RESOLUTION

Under section 200C of the Corporations Act, no person may give a benefit to a person who is or was a person who holds a managerial or executive office in Humm in connection with the transfer of the whole or any part of the undertaking or property of Humm unless the giving of the benefit is approved by Humm Shareholders. The person is also prohibited from receiving a benefit where s200C applies.

Under the Corporations Act, "benefits" are widely defined. If member approval under section 200E is given, the prohibition under section 200C of the Corporations Act will not apply.

Benefits that may be payable to Rebecca James

Latitude Employment Offer

The Latitude Group is proposing to make an employment offer to Rebecca James (Humm's current CEO) to join the Latitude Group immediately following Completion reporting to the Managing Director and CEO of the Latitude Group (**Latitude Employment Offer**).

Latitude Remuneration Package

The Latitude Employment Offer includes a remuneration package which comprises:

- a total fixed remuneration;
- target short term incentive (Latitude STI); and
- long-term incentive (Latitude LTI),

(together, the Latitude Remuneration Package).

The value of the benefit to be provided to Ms James under the Latitude Remuneration Package would be:

Total fixed remuneration	Latitude STI	Latitude LTI	Total target remuneration
$850,000	$637,500	$637,500	$2,125,000
40%	30%	30%	100%

Notes:
The Latitude STI and Latitude LTI arrangements will be for the performance period commencing 1 January 2022 and will be effective from Ms James' commencement date on a pro rata basis.
The total fixed remuneration to be paid to Ms James is inclusive of base salary and statutory superannuation contributions.

Latitude Incentive Performance Rights

In addition to the Latitude Remuneration Package, under the terms of the Latitude Employment Offer, Rebecca James would also be entitled to a sign-on incentive of 500,000 performance rights in respect of shares in Latitude in accordance with the Latitude LTI plan for FY22 (**Latitude Incentive Performance Rights**). The Latitude Incentive Performance Rights will be granted to Ms James as and when she accepts the Latitude Employment Offer (and, in any event, no later than 6 months from Completion) and for nil consideration.

The Latitude Incentive Performance Rights will:

- only vest if certain performance conditions are met during a performance period commencing on 1 January 2022 and concluding on 31 December 2024 (**Latitude Incentive Performance Period**);
- have no dividend or voting rights, but any Latitude Shares provided to Ms James on vesting of the Latitude Incentive Performance Rights (**Latitude Incentive Performance Shares**) will carry those rights and rank equally with other Latitude Shares; and
- be subject to the usual terms and conditions of the Latitude LTI plan for FY22 and Latitude's Trading Policy.

In addition, the Latitude Board will retain the right to satisfy any Latitude Incentive Performance Rights that vest through the payment of a cash amount equivalent to the value of the Latitude Incentive Performance Shares that would otherwise have been provided to Ms James.

As the value of the benefit that Rebecca James will receive in respect of the Latitude Incentive Performance Rights cannot be ascertained at the date of this Explanatory Booklet, section 200E of the Corporations Act requires this Explanatory Booklet to set out *"any matter, event or circumstance that will, or is likely to, affect the calculation"* of the value. Key matters, events or circumstances which will, or are likely to affect the calculation of the value to be obtained by Ms James in relation to the Latitude Incentive Performance Rights are:

- the number of Latitude Incentive Performance Rights that may vest;
- the prevailing market price of Latitude Incentive Performance Shares at the vesting date for the relevant Latitude Incentive Performance Rights;
- the level of dividends, if any, that Latitude declares and pays after any Latitude Incentive Performance Shares have been issued to Ms James; and
- whether Ms James remains an employee of the Latitude Group at all times during the Latitude Incentive Performance Period and, where she ceases to be an employee of the Latitude Group, the circumstances in which she ceases to be an employee of the Latitude Group.

Each of the:

- Latitude Remuneration Package; and
- Latitude Incentive Performance Rights,

could be construed as a "benefit" in connection with the transfer of part of the undertaking or property of Humm (i.e., the HCF Sale) and as such, Humm is seeking in accordance with section 200C(3), shareholder approval under section 200E of the Corporations Act at the General Meeting. This resolution is subject to Completion.

The Section 200C Resolution requires the approval of a simple majority (more than 50%) of the votes cast by Humm Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Humm Shareholder or proxy, by a representative.

If the Section 200C Resolution is not passed by Humm Shareholders, this will impact Rebecca James' ability to join the Latitude Group or to receive any benefits under her existing employment agreement with Humm to the extent that this is in connection with the HCF Sale.

Voting exclusion

As at the Last Practicable Date, Humm's CEO, Rebecca James, has a relevant interest in approximately 0.05% of Humm Shares.

In accordance with section 200E(2A) of the Corporations Act, Rebecca James and her associates will not cast a vote (whether in favour or against) on the Section 200C Resolution. Please refer to the voting exclusion statement set out in the Notice of General Meeting.

3.10.4 CHANGE OF NAME RESOLUTION

Under section 157(1) of the Corporations Act, a company may change its name by a special resolution passed at a general meeting. The Change of Name Resolution seeks shareholder approval to change the name of Humm to 'Flexi Capital Group Limited'. The change of name will take effect from, and will be subject to, Completion.

Humm has received confirmation from the ASX that, subject to Humm Shareholders approving a name change, Humm's ASX listing code will be amended to 'FCG'.

The Change of Name Resolution is a special resolution and will require the approval of at least 75% of the votes cast on the resolution at the General Meeting (whether in person, by proxy, attorney or, in the case of corporate Humm Shareholders or proxies, by corporate representative).

If the Change of Name Resolution is not passed by Humm Shareholders, Humm will retain its existing name. However, under the Share Sale Agreement, Humm has agreed that subject to Completion occurring, Humm will not use any name containing the word 'humm' as a trading name, except as permitted under the Share Sale Agreement. In order to give Humm time to transition off the use of the 'humm' name as a trading name, Latitude will grant a worldwide, royalty free, non-exclusive, non-transferrable licence for Humm Group to use the 'humm' name for 3 months after Completion, solely as it was used prior to Completion.

No voting exclusion

There are no relevant voting exclusions that apply to the Change of Name Resolution.

3.10.5 SCHEME RESOLUTION

The resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act. The Scheme Resolution must be approved by:

- (unless the Court orders otherwise) a majority in number (more than 50%) of Humm Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, attorney or, in the case of corporate Humm Shareholders or proxies, by corporate representative) (**Headcount Test**); and
- Humm Shareholders whose Humm Shares in aggregate account for at least 75% of the votes cast on the resolution (whether in person, by proxy, attorney or, in the case of corporate Humm Shareholders or proxies, by corporate representative).

The Court has the power to approve the Scheme even if the Headcount Test has not been satisfied. For example, the Court may do so if there is evidence that the result of the vote has been unfairly influenced by activities such as share splitting.

No voting exclusion

There are no relevant voting exclusions that apply to the Scheme Resolution.

3.11 MAJORITY DIRECTORS' RECOMMENDATION AND VOTING INTENTIONS

The Majority Directors recommend, after carefully considering each of the advantages and disadvantages of, and risks associated with, the HCF Sale and having regard to the conclusion of the Independent Expert, that Humm Shareholders should vote in favour of the HCF Sale, all other associated resolutions at the General Meeting and the Scheme at the Scheme Meeting, 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.

In reaching their recommendation, the Majority Directors have had regard to a range of factors including those set out in Section 1.6 above.

The Majority Directors recommend that all Humm Shareholders read and carefully consider all the material set out in this Explanatory Booklet before deciding how they will vote.

All Majority Directors intend to vote in favour of the HCF Sale, all other associated resolutions at the General Meeting and the Scheme at the Scheme Meeting, in respect of all Humm Shares held by them or in which they otherwise have a relevant interest, 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. The Majority Directors do not have any material personal interest in the outcome of any Resolution other than as a result of their interest arising solely in the capacity of Humm Shareholders, as set out in Section 4.8.3. As at the date of this Explanatory Booklet, the Majority Directors hold or control in aggregate approximately 5.66% of Humm Shares on issue.

3.12 ANDREW ABERCROMBIE'S RECOMMENDATIONS AND VOTING INTENTIONS

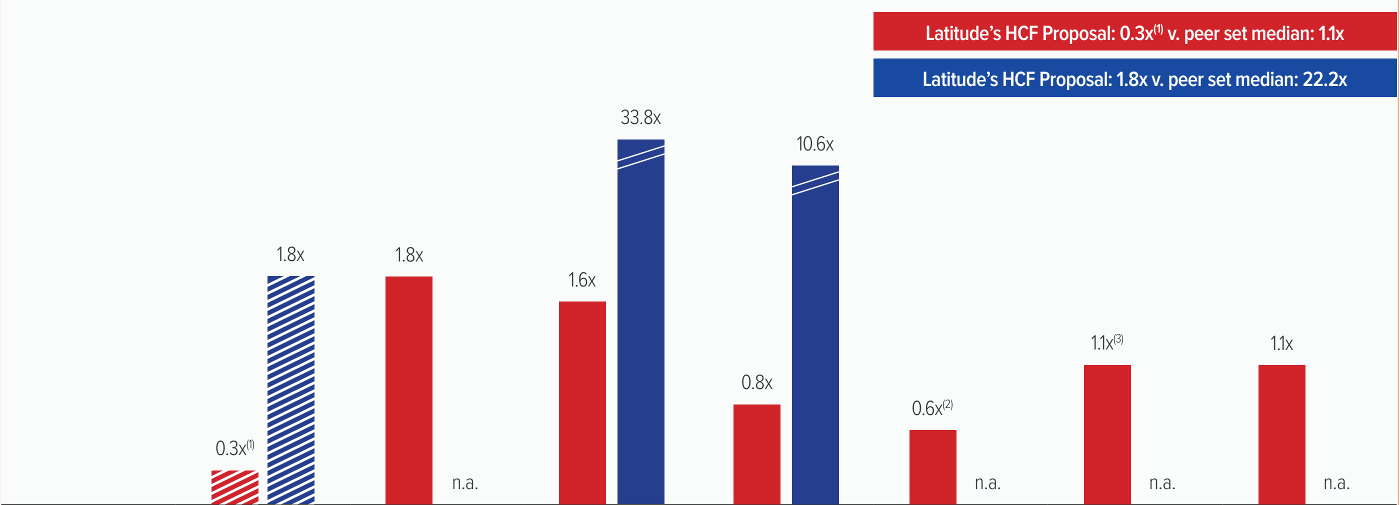
Subject to the observations and qualifications set out below, Andrew Abercrombie recommends that you vote against the HCF Sale. Subject to those same observations and qualifications, he intends voting all of the Humm Shares in which he has a relevant interest against the Chapter 11 Resolution to approve the HCF Sale. If the Chapter 11 Resolution is passed by Humm Shareholders, Andrew Abercrombie reserves the right to vote the Humm Shares in which he has a relevant interest in favour of or against the remaining Resolutions, including the Scheme Resolution but makes no recommendation to Humm Shareholders in relation to the remaining Resolutions, including the Scheme Resolution, based on the relevant circumstances at the time. As at the date of this Explanatory Booklet, Andrew Abercrombie holds or controls in aggregate approximately 20.2% of Humm Shares on issue Andrew Abercrombie makes these recommendations after carefully considering each of the advantages and disadvantages of, and risks associated with, the HCF Sale and having regard to the conclusion of the Independent Expert. A summary of Andrew Abercrombie's reasons, observations and qualifications is set out below:

* ***The terms of the HCF Sale undervalue HCF***

Andrew Abercrombie believes that:

- the proposal by Latitude to acquire HCF was opportunistically timed following a period of COVID-19 affected operations and does not adequately reflect the value of HCF nor adequately pay for growth or synergies;
- HCF's earnings have been materially impacted by the effect on supply chains and physical retail of the COVID-19 pandemic;
- HCF's 1H 22 results specifically highlight temporary financial impacts affecting Humm – a softer market environment (subdued and volume growth and lower larger ticket BNPL) and investment expense related to international expansion and new product development has affected cash NPAT performance superficially inflating the multiple implied by the terms of the HCF Sale;
- under the terms of the HCF Sale, the main undertaking of Humm is being sold at its market low point without a discernible control premium;
- Latitude expects (see Sections 5.8.1 and 5.8.6) approximately $65 million of pre-tax annualised run-rate synergies:
  - at Latitude's current price earnings multiple of 7.4 times (as at 7 April 2022), these are worth approximately $337 million (post tax);
  - Humm has not been fairly compensated for these synergies; and
  - while Humm will receive 150 million Latitude Shares as part consideration for the HCF Sale, it will only own (pre Capital Return) 13% of Latitude on a pro forma basis and therefore Humm Shareholders (post Capital Return) will participate in 13% of the synergy value creation (i.e., approximately $43 million of the synergy value creation) post Completion;
- the future direction of the Latitude Share price is uncertain, particularly having regard to its share price performance in the period from its ASX listing in April 2021 (following media reports of two prior deferred listing attempts) to the date of this Booklet. See Section 5.10 for details;
- the terms of the HCF Sale represent a significant discount to what Andrew Abercrombie believes to be precedent transactions in the sector as follows:

PRECEDENT TRANSACTIONS



TARGET	humm	paidy	afterpay	sezzle	Klarna.	afterpay US OPERATIONS	quadpay
ACQUIRER	Latitude	PayPal	Square	DISCOVER	n.a.	afterpay	zip
EV (A$bn)	0.3	2.7	39.0	1.4	45.6	8.5	0.7
NTA (A$bn)	0.2	n.a.	1.1	0.2	n.a.	n.a.	n.a.
TARGET COUNTRY	Australia	Japan	Australia	US	Europe	US	US
DATE	Jan-22	Sep-21	Aug-21	Jul-21	Jun-21	Feb-21	Aug-20

KEY: EV/Annualised Gross Merchandise Volumes; P/NTA

Source: Afterpay Scheme Booklet, company filings.

Notes:
(1) 1H22 BNPL GMV annualised. Analysis excludes non-BNPL volumes, which would further lower the multiple.
(2) Valuation based on private funding round.
(3) Afterpay noted that the valuation took into account that they were buying an illiquid minority interest in Afterpay US from Matrix.

; and

- the terms of the HCF Sale of $0.68 per Humm Share (cash and taking the assumed value of Latitude Shares at $2.00 per Latitude Share – compared to a market value as at the close of trading on the Last Practicable Date of $1.815) represent no discernible control premium, which Andrew Abercrombie believes is typically in the range of 30% to 45%. While the HCF Sale is not a 100% takeover, Humm's main undertaking is being acquired and will be controlled by Latitude post Completion and as such a premium should, in Andrew Abercrombie's opinion, be captured in the valuation.
- ***Humm retaining HCF and consolidating should deliver a superior outcome***

  Andrew Abercrombie believes that a better approach for the future of HCF is not to sell HCF to Latitude on the current terms, and for Humm to remain listed in its current form, to execute on its previous plan for organic growth and to be an opportunistic consolidator in the sector. Andrew Abercrombie believes that:

  Unfavourable time to sell

  - there is clear delineation in the market between profitable and loss making consumer finance players; and
  - loss making consumer finance players have dropped significantly in market value since the announcement of the Overall Proposal while profitable players have not suffered such significant decline over the same period – which Andrew Abercrombie believes supports his view that profitable players will enjoy organic growth.

  Sector organic growth and consolidation opportunities

  - Humm has a strong record in obtaining wholesale finance with significant warehouse funding facilities with major Australian banks, securitising interest free receivables for over five years and other receivables for up to 15 years. Humm has been offering an interest free instalment product since acquiring Certegy Ezi-Pay in 2008;
  - receivables funded under the warehouse facilities are typically refinanced under Humm's well established public capital markets securitisation programme (public term securitisation) which offers funding security to HCF beyond many players in the sector;
  - over the last 5 years, Humm has completed public capital market issuances of over $1.8 billion of receivables. Humm has also obtained warehouse funding facilities dating back to inception in 1988, with the business borrowing and repaying tens of billions of dollars flawlessly; and
  - it appears that other participants in the sector are struggling to fund growth with less clear paths to profitability – many of the smaller participants in the sector may find it more difficult to continue on a stand alone basis, which Andrew Abercrombie believes could provide Humm with opportunities to consolidate.

Andrew Abercrombie recognises that the BNPL sector is going through significant and systemic structural change. He sees this as both a challenge and an opportunity for Humm. Whilst he recognises that this is occurring at a time of global uncertainty and volatility in financial markets and economic and geopolitical conditions, his current view is reflected in his recommendation supported by the reasons above. However, he also recognises that all of these factors need to be carefully and continually monitored and assessed in the context of Humm's ongoing performance and the macro variables referred to above. Andrew Abercrombie intends to monitor these matters in the context of his current recommendation and voting intention in respect of the HCF Sale and the other remaining Resolutions. Andrew Abercrombie reserves the right to change his recommendation and/or voting intention based on the relevant circumstances at the time of the Meetings and will notify the market should his recommendation or voting intention change.

If the Chapter 11 Resolution to approve the HCF Sale is passed by Humm Shareholders, Andrew Abercrombie reserves the right to vote those Humm Shares in which he has a relevant interest in favour of or against the remaining Resolutions, including the Scheme Resolution, based on the relevant circumstances at the time. For that reason, he makes no recommendation to Humm Shareholders in relation to the remaining Resolutions.

If a Humm Shareholder supports Andrew Abercrombie's views with respect to the Resolutions (including subject to his observations and qualifications above) but is not in a position to attend a Meeting in person, Andrew Abercrombie recommends that the Humm Shareholder appoint him as their proxy for the Meeting, with or without a voting instruction as the Humm Shareholder decides.

3.13 SUMMARY OF TRANSACTION DOCUMENTS

The Transaction Documents for the HCF Sale are summarised below. It should be noted that these are only the principal documents for the HCF Sale and there are or will be a number of ancillary or additional documents necessary to Complete the HCF Sale.

3.13.1 SHARE SALE AGREEMENT

The key terms of the Share Sale Agreement are as follows:

- (**Seller**) Humm.
- (**Purchaser**) Latitude.
- (**Securities being acquired**) The HCF Sale relates to the acquisition of all the shares in Humm SPV (**Shares**) by Latitude from Humm. Humm SPV will, at the time of completion of the HCF Sale hold the subsidiaries that operate HCF, comprising its buy now pay later, instalments and credit card operations (**Sale Businesses**).
- (**Consideration**) The consideration will be $335 million comprising 150 million Latitude shares provided at an assumed price of $2 per share and $35 million in cash. The consideration amount will be subject to adjustment to the extent the net tangible assets of the Target Group at Completion fluctuates around a base amount set at $190 million.
- (**Net tangible assets adjustment mechanism**) The consideration has been set with reference to a specific net tangible asset level of HCF of $190 million. To the extent the net tangible assets of HCF are different to this reference amount at Completion, the adjustment mechanism operates such that any net increase/(decrease) results in a dollar-for-dollar cash payment (to the extent above $190 million, cash payment to Humm; to extent below $190 million, cash payment to Latitude). The completion accounts will be prepared in accordance with the agreed completion accounts policies and procedures. Certain movements in specific assets and liabilities (e.g. fixed assets) will be ignored for the purposes of calculating the completion accounts.
- (**Conditions Precedent**) The HCF Sale is conditional on, among other things, the conditions precedent summarised in Section 3.6.1 (which if not fulfilled or waived where applicable, means the HCF Sale will not proceed).
- (**Conduct of business prior to Completion**) The Sale Businesses are to be conducted in the ordinary course pending Completion, subject to customary specific restrictions and exceptions.

- (**Scheduled Completion Date**) Completion timing is linked to the satisfaction or waiver (as applicable) of all conditions precedent (noting that the Restructure Condition and each other condition precedent which by its nature is incapable of fulfilment until immediately prior to Completion are disregarded for the purpose of scheduling the Completion Date). Completion must occur on the last 'Business Day' (as defined in the Share Sale Agreement) of the month in which the Condition Satisfaction Date occurs, provided the Condition Satisfaction Date is at least 10 'Business Days' before the last 'Business Day' of the month (if it is not, Completion must occur on the last 'Business Day' of the next month).
- (**Humm warranties**) Humm provides warranties in respect of title and capacity and operational matters related to the Sale Businesses. The warranty suite is more confined than would typically be the case in a private M&A transaction. The warranties are subject to customary liability qualifications, acknowledgements and limitations, including in respect of minimum claim amounts, claim time limitations, maximum claim cap, no consequential loss and third-party payment reimbursements.
- (**Tax indemnity**) Humm provides a tax indemnity in respect of pre-Completion tax liabilities of the Target Group.
- (**Warranty and Indemnity Insurance**) Subject to Latitude successfully obtaining a Warranty and Indemnity (**W&I**) insurance policy, the warranties and tax indemnity will be backed by the W&I insurance policy up to the policy limit. The Share Sale Agreement specifies that irrespective of whether a W&I insurance policy is obtained, the Humm warranties and tax indemnity are non-recourse to Humm except in the case of fraud.
- (**Latitude warranties**) Latitude provides a confined suite of warranties in respect of the Consideration Shares, title and capacity and certain operational business matters. The Latitude warranty suite is generally consistent with market practice for a placement of a size similar to the issue of the Consideration Shares.
- (**Non-compete**) For up to 2 years after Completion, Humm and its 'Related Bodies Corporate' (as defined in the Share Sale Agreement) must not conduct a business that is the same as or similar to the Sale Businesses and competes with the Sale Businesses anywhere in Australia, New Zealand, Ireland, the United Kingdom or Canada. There are a number of express carve outs to the restraint, including to permit the conduct of existing businesses (other than the Sale Businesses), the Commercial Business and providing:
  - 'buy now pay later' services to a person other than a Retail Customer;
  - 'point of sale' leasing services to any person;
  - credit cards to Commercial Customers; and
  - credit card insurance products to Commercial Customers.

3.13.2 TRANSITIONAL SERVICES AGREEMENT

Under the Transitional Services Agreement, it is intended that:

- Humm will provide (or procure the provision of) certain 'Transitional Services' to Latitude, for a specified period following Completion; and
- Latitude will provide (or procure the provision of) certain 'Reverse Services' to Humm, for a specified period following Completion.

The objective of the Transitional Services Agreement will be to ensure the continuity of the Sale Businesses and the Commercial Business, and the continued provision of the services of those businesses, during the transition period.

Each of Humm and Latitude may exercise an option to extend the provision of the 'Reverse Services' (in the case of Humm) or the 'Transitional Services' (in the case of Latitude), for one or more option periods as specified in the Transitional Services Agreement. However, the overarching objective is for the parties to complete the transition of the businesses as soon as reasonably practicable after Completion, with a view to minimising the length of the transition period. To this end, each of Humm and Latitude may reduce the scope of the services they are then receiving by giving one months' notice to the other party.

Each of the services (other than general access to personnel and their know-how) will be subject to fees payable by Latitude (in the case of the 'Transitional Services') and by Humm (in the case of the 'Reverse Services'). The fee structure varies across the services, comprising either monthly/weekly 'lump sum' fees or 'time and materials' fees. General access to personnel and their know-how will be provided at no additional cost.

It is intended that the Transitional Services Agreement will reflect customary terms for agreement of this nature, including provisions:

- requiring each party to provide their respective services with due care, skill and diligence, in accordance with all applicable laws, and using personnel with appropriate expertise;
- addressing the ownership and licensing of intellectual property rights and the protection of confidential information;
- imposing obligations in relation to information and data security;
- setting out a process by which the parties can agree changes to the scope of the services;
- establishing contract governance processes (via a 'Joint Transition Committee');
- allowing each party to terminate the agreement for cause in certain circumstances; and
- excluding each party's liability to the other for consequential loss, and otherwise limiting each party's liability to the other party to an amount yet to be agreed as at the date of this summary (other than death, personal injury, damage to tangible property, and breach of confidentiality and privacy, in respect of which no exclusion or limitation of liability applies).

In addition, neither party is required to provide any service to the extent that a third party consent is required for the provision of those services, and the relevant third party refuses to give, withdraws, or delays in giving, that consent. In such circumstances, the service provider must take all reasonable steps to procure the supply to the service recipient of a reasonably equivalent service, or if this is not feasible, the service provider must propose a workaround which avoids the need for the third party consent. Any incremental costs incurred in connection with implementing any such workaround must be reimbursed by the service recipient to the service provider. If the service provider is unable to propose a workaround or procure a reasonably equivalent service, then the relevant service will be deemed to be terminated.

3.13.3 RESTRUCTURE DEED

The Restructure Deed sets out the legal mechanics for the restructure steps necessary to separate the Sale Businesses from the Commercial Business such that, with effect on Restructure Completion:

- the Commercial Entities will own all of the assets used in, and assume the liabilities relating to, the Commercial Business and employ all employees engaged in that business;
- the Target Group will own all of the assets used in, and assume the liabilities relating to, the Sale Businesses and employ all employees engaged in those businesses; and
- the Humm SPV will own the shares in each Target Group member.

Restructure Completion is scheduled to occur on the date before the Completion Date and in the same financial year as Completion under the Share Sale Agreement.

To effect the necessary legal transfers, the parties to the Restructure Deed comprise of the Humm SPV and those Commercial Entities transferring consumer assets, liabilities and employees to, and/or receiving transfers of commercial assets, liabilities and employees from, the relevant members of the Target Group, which are also party to the Restructure Deed. Companies transferring assets and liabilities are parties to the Restructure Deed as 'sellers' (in respect of each such asset and liability), while companies acquiring assets and liabilities are parties to the deed as 'buyers' (in respect of each such asset and liability).

The effect of the liability and indemnity regimes under the Restructure Deed is such that, from Restructure Completion:

- each 'buyer' company assumes all liabilities in relation to the relevant assets as if that company had continuously owned those assets since they were first created or acquired, while each company receiving a transfer of employees assumes all liabilities in relation to the relevant transferring employees as if that company had continuously employed those employees from the date of their initial engagement by the existing company; and
- the Target Group members indemnify the Commercial Entities (and Humm 'Affiliates') against liabilities relating to any consumer asset (including arising under business contracts) or consumer employee transferred to the Target Group, whether such liabilities arise before, on or after Restructure Completion. The Commercial Entities provide reciprocal indemnities in favour of the Target Group (and Latitude and its 'Affiliates') relating to the relevant commercial assets and employees.

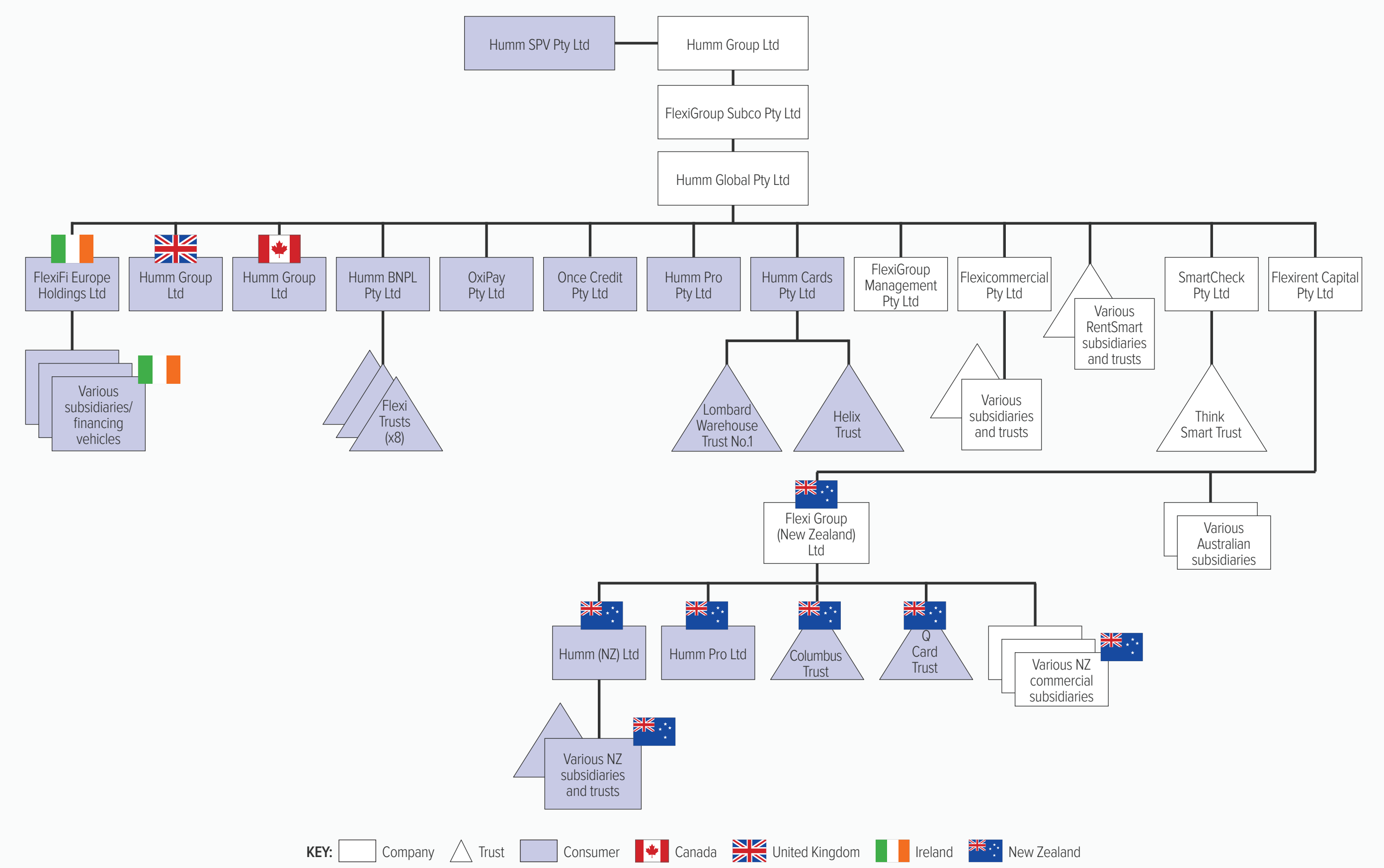
Subject to the conditions precedent under the Share Sale Agreement being satisfied or validly waived, on Restructure Completion, the following restructure steps will occur:

- each relevant 'seller' company will transfer to each relevant 'buyer' company the ownership of the assets used in the Sale Businesses or Commercial Business (as applicable), including business contracts, intellectual property, records, data and plant and equipment;
- each relevant existing employer company will 'transfer' commercial and consumer employees (as applicable) to each relevant new employer company;
- for book value consideration, the relevant 'seller' Commercial Entities will transfer the ownership of the shares in each Target Group member to Humm SPV;
- commercial customer receivables of approximately €4.5 million originated in the Ireland business will be excluded from the restructure to the Consumer Entities. The Restructure Deed provides for Flexicommercial Pty Limited (a Commercial Entity) (or its nominee) to be assigned the rights under, benefits of and interests in the receivables; and
- in relation to contracts of the Commercial Entities which are 'shared' with Target Group members for use in the Sale Businesses, such contracts will either, at the election of the relevant Commercial Entity:
  - be assigned to a Target Group member; or
  - replaced with two stand-alone contracts for each of the Commercial Business and the Sale Businesses.

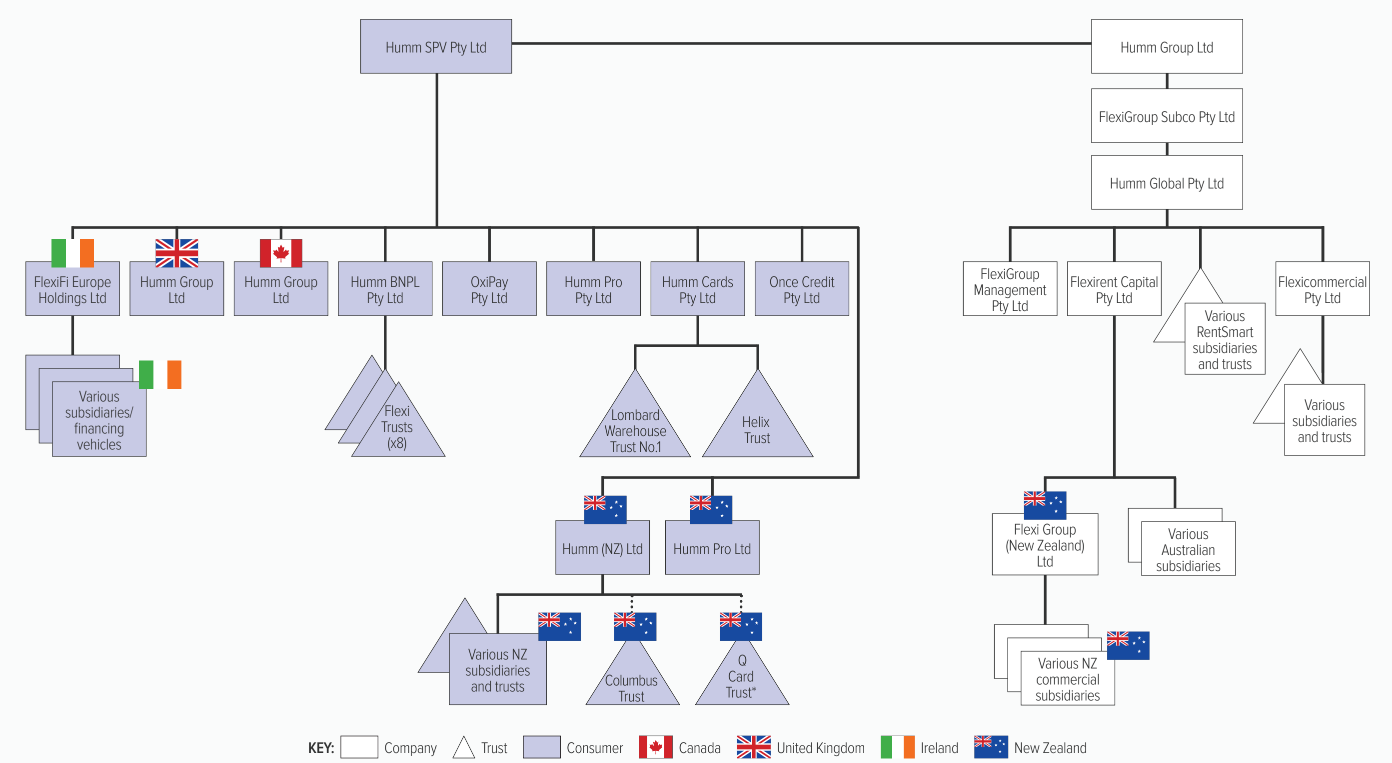
Assets will be transferred under the Restructure Deed at their book value.

A corporate structure diagram showing the Humm group prior to Restructure Completion and immediately following Restructure Completion is set out below.

HUMM GROUP CORPORATE STRUCTURE PRIOR TO RESTRUCTURE COMPLETION



HUMM GROUP CORPORATE STRUCTURE IMMEDIATELY FOLLOWING RESTRUCTURE COMPLETION



* New unitholder is being confirmed.

3.13.4 CLEAN EXIT DEED OF RELEASE

This document provides for various releases designed to ensure there is a 'clean exit' which minimises ongoing liability between the Target Group and the Commercial Entities on and from Completion.

3.13.5 TRUST DEED

The Trust Arrangements under the Trust Deed will only apply if Completion of the HCF Sale occurs and the Capital Return Resolution is passed by Humm Shareholders but the Scheme is not approved by the requisite majorities of Humm Shareholders or by the Court.

In those circumstances, eligible Humm Shareholders who have not signed and returned an Election Form in the form which accompanies this Explanatory Booklet (or is subsequently provided) or completed an online Election Form (**Non-Electing Shareholders**) will be subject to the Trust Arrangements under the Trust Deed. In addition, the Trust Deed will also regulate the treatment of ineligible Humm Shareholders (being Foreign Shareholders and Small Shareholders) where the Scheme does not proceed.

The Trust Arrangements have been put in place to ensure that legal title in the Consideration Shares to be distributed and transferred under the Capital Return is only transferred to those persons who agree to become members of Latitude for the purposes of section 231 of the Corporations Act.

The key terms of the Trust Arrangements under the Trust Deed are as follows:

- The Non-Electing Shareholders will be beneficial holders in relation to Consideration Shares held by Humm as trustee on each of their behalf.
- Upon a Non-Electing Shareholder returning an Election Form or completing an on-line Election Form, Humm will transfer to that Non-Electing Shareholder legal title to the Consideration Shares held on trust for the Non-Electing Shareholder for that Non-Electing Shareholder.
- Each Non-Electing Shareholders will be able to instruct Humm to exercise voting rights or take other steps as the registered holder of Consideration Shares on its behalf. Humm will not exercise any voting rights attaching to Consideration Shares in the absence of a direction from the relevant Non-Electing Shareholder.
- Humm will procure that any notices or information it receives from Latitude (in its capacity as the registered holder of the Consideration Shares) is given, made available or despatched all to beneficial holders who have provided contact details for the receipt of electronic communications.
- If Latitude makes or pays any distribution or dividend of any kind to its shareholders, Humm will procure that the distribution or dividend is made or paid to the relevant beneficial holder in proportion to the number of Consideration Shares that are held on trust for the beneficial holder, unless the distribution or dividend constitutes of shares in Latitude or another corporation, in which case Humm will procure that the distribution or dividend is held as an accretion under the Trust Deed.
- Each Non-Electing Shareholder who is a beneficial holder under the Trust Deed cannot dispose of its beneficial interest in the Consideration Shares in any way.
- Nothing in the Trust Deed affects any equitable obligation of each Non-Electing Shareholder who is a beneficial holder under the Trust Deed to indemnify Humm against any loss that may be incurred by Humm in respect of liabilities which are properly incurred and which relate to the administration of the relevant separate trust for the benefit of the Non-Electing Shareholder as the beneficiary of the separate trust, except as a result of Humm's negligence, fraud and wilful default.

After the end of 1 month after the Capital Return Record Date (Cut-Off Date), Humm will procure the sale or other disposal of the Consideration Shares held under the Trust Arrangements on the basis that the net proceeds would then be remitted to the relevant beneficiaries.

Under these arrangements, Humm will instruct the Sale Agent to sell the Consideration Shares pursuant to a Sale Facility.

Under the Sale Facility, the Sale Agent will sell the Consideration Shares on-market in such manner, at such price and on such other terms as the Sale Agent determines in good faith.

Promptly after the last sale of those Consideration Shares and upon receipt of the Sale Proceeds from the Sale Agent, Humm must procure that the Sale Agent pays to each Non-Electing Shareholder the amount calculated in accordance with the following formula, rounded down to the nearest cent:

A = (B/C) x D

where:

A is the amount to be paid to the relevant Non-Electing Shareholder;

B is the number of Consideration Shares attributable to that Non-Electing Shareholder;

C is the total number of Consideration Shares attributable to all Non-Electing Shareholders collectively; and

D is the Sale Proceeds.

Each Non-Electing Shareholder acknowledges that Humm does not give any assurance as to the price that will be achieved for the sale of the relevant Consideration Shares. The sale of Consideration Shares will be at the risk of the Non-Electing Shareholder.

As the market price of Consideration Shares will be subject to change from time to time, the sale price of those Consideration Shares sold through the Sale Facility and the proceeds of that sale cannot be guaranteed. The proceeds received by Non-Electing Shareholders who participate in the Sale Facility will depend on the price at which the Consideration Shares can be sold under the Sale Facility at the relevant time, applicable exchange rates (if sales are made in a currency other than Australian dollars) and the amount of any applicable taxes, duty or other costs and charges incurred by Humm in connection with sales under the Sale Facility. A Non-Electing Shareholder's share of the Sale Proceeds under the Sale Facility may be more or less than the value of the Consideration Shares that the Non-Electing Shareholder would have received had they not been a Non-Electing Shareholder.

Any Sale Agent who is appointed, together with its affiliates, will be a full service financial institution engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

The Consideration Shares that would otherwise have been issued to Ineligible Shareholders will also be subject to the sale process outlined above with the difference being that the sale process for Ineligible Shareholders will commence as soon as practicable after the record date for the Capital Return (as opposed to only after the Cut-Off Date for Non-Electing Shareholders).

To the extent that the Trust Arrangements are applicable, a copy of the Trust Deed will be provided or made available free of charge to each Non-Electing Shareholder and Ineligible Shareholder as soon as practicable after the Capital Return is implemented or upon request from a Humm Shareholder.

3.13.6 SCHEME IMPLEMENTATION DEED

The Scheme Implementation Deed provides the contractual framework for proposing and implementing the Scheme. The key terms of the Scheme Implementation Deed are set out below. This summary does not cover procedural obligations of the parties in respect of the Scheme.

- (**Conditions**) The conditions for the Scheme are set out in Section 3.6.3.
- (**Termination rights**) Latitude or Humm may terminate the Scheme Implementation Deed in the following circumstances:
  - where the other party is in material breach of its obligations under the Scheme Implementation Deed and has failed to remedy that breach within 5 business days after being notified of the breach;
  - where a condition for a Scheme is not satisfied or waived before the End Date and Humm and Latitude are unable to agree in accordance with the Scheme Implementation Date to amend the transaction or extend the End Date;
  - if at any time prior to 8.00am on the Second Court Date, the Share Sale Agreement is terminated;
  - the Court refuses to make an order directing Humm to convene the Scheme Meeting;
  - if the other party becomes insolvent; or
  - if the Scheme has not become Effective on or before the End Date.

4. PROFILE OF HUMM GROUP

4.1 INTRODUCTION

Humm Group Limited (ASX: HUM) is a diversified financial services group offering BNPL, credit cards, and business financing products designed to meet the core needs of today's shoppers, retailers, and small and medium enterprises. Humm serves more than 2.7 million customers and 73,000 merchants throughout Australia, New Zealand, the United Kingdom, Ireland and Canada, building success through a team of highly engaged and high performing people, all intent on revolutionising the way people pay.

Humm's product ecosystem now helps people access everything from the basics, such as bus passes and groceries, right through to significant life purchases in verticals such as home renovation, dental, automotive and fertility. With a long history in consumer and SME finance, Humm is able to offer virtually instant credit provisioning of up to $30K for its instalment payment products.

Humm's commercial customers have access to asset financing options to support them in building their businesses and driving the economy, with **flexicommercial** differentiated from its competitors by the speed at which it is able to make credit decisions.

4.2 HISTORY

YEAR	ACTIVITY
January 2022	**flexicommercial** reaches $1billion in receivables
December 2021	**humm** BNPL launched in Canada
November 2021	Announced 10-year strategic partnership with Air New Zealand
September 2021	**humm** awarded five-star Canstar Outstanding Value Award
August 2021	Partnerships with Mitre 10 and Velocity
June 2021	**humm** BNPL launched in United Kingdom
March 2021	**humm**pro launched in Australia and New Zealand // Record pricing of ABS transaction
November 2020	FlexiGroup rebranded to **humm**group // Entered strategic partnership with Mastercard®
September 2020	**humm** BNPL launched in NZ
February 2020	"Buy now pay anywhere" bundll launched in Australia
March 2019	**humm** BNPL launched in Australia // Credit card partnership with Farmers in New Zealand
October 2018	Rebecca James appointed **humm**group's CEO
August 2016	Flight Centre partnership in Australia
March 2016	Fisher & Paykel NZ acquired, becomes **humm**group NZ
October 2008	Certegy Ezi-Pay acquired
2008	Launched in Ireland
December 2006	**Humm** (then FlexiGroup) is listed on the ASX

4.3 OVERVIEW OF OPERATIONS

4.3.1 HCF

HCF is the:

- market leader in **BNPL transactions over $500** in value in Australia and New Zealand
- number one BNPL financier in **private audiology and dental** in Australia and New Zealand
- leading Non-Bank Financial Institution issuer of **new credit cards** in New Zealand with 33% of the market in Q4 2021

HCF PRODUCT OVERVIEW

PRODUCT	PRODUCT DESCRIPTION	AU	NZ	IE	CA	UK	TOTAL ADDRESSABLE MARKET (A$M)
humm	• Buy Now Pay Later • The product going global • Our traditional BNPL product allowing for purchases of up to A$30,000 to be paid in instalments	✓	✓	✓	✓	✓	$500b+ opportunity in 'Big things' key verticals
bundll	• Buy Now. Pay Later. Anywhere • The debit card replacement • Everyday purchases with no minimum spend • Consumer pays a fee for additional repayment time • No merchant services fees	✓	✓	✗	✗	✗	$450b
Cards (humm90/ NZ Cards)	• Credit card with instalment payment features for purchases above $250 • 90+ days interest free • Up to 60 months interest free with selected retail partners	✓	✓	✗	✗	✗	$297b
hummpro	• Business credit card replacement • Buy now pay later for small business • Consumer pays model	✓	✓	✗	✗	✗	$30b

4.3.2 HCF'S STRATEGY

HCF has identified four areas where it will focus its growth in order to fulfil its purpose to help customers and their families afford and live their best lives with confidence:

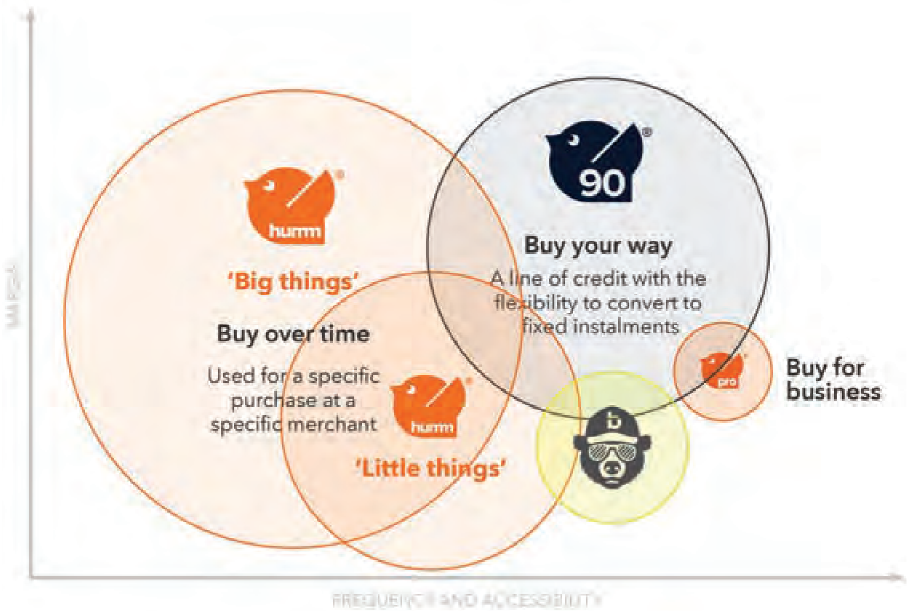
1. **New audiences, products and partners:** Find new audiences through partnerships for our innovative products.
2. **Expand the reach of instalment payments:** Drive customer engagement and transaction frequency in products that are loved and used every day.
3. **Drive Customer Engagement:** Expand reach of instalment payment core by attracting new merchants and platforms.
4. **International Expansion:** Expand into new markets internationally through a considered and differentiated strategy that will appeal to a broader range of retailers and customers than traditional BNPL players.

HCF drives customer engagement and transaction frequency by providing payment solutions across the entire shopping journey, covering purchases from $1 through to $30,000. Customers take advantage of this with 25% of Humm customers making both a Big Things and Little Things transaction and 35% of bundll customers also using a Humm account.

In the first half of FY22, HCF announced the planned addition of Air New Zealand to its blue-chip partners with a ten-year multi-product financial services partnership.

MEDIUM-TERM CROSS-SELL TARGETS BETWEEN HCF PRODUCTS

MEDIUM-TERM CROSS-SELL OVERLAPS (ILLUSTRATIVE)



FY21

CURRENT CROSS-SELL

18%	overlap between **humm** ('Big things' and 'Little things')
25%	of **bundll** customers have **humm**
3%	overlap between **Cards** and **humm**

MEDIUM-TERM TARGETS

EXPECTED ECO-SYSTEM CROSS-SELL

30%+	overlap between **humm** ('Big things' and 'Little things')
35%+	of **bundll** customers have **humm**
15%+	overlap between **Cards** and **humm**

HCF has continued to add new merchants and platforms in the core market and launched Humm Marketplace significantly increasing the number of merchants and products available online via its **humm**tapp offering.

With its successful launch in Canada and regulatory approval to provide for big ticket items in the UK, HCF is now focused on rapidly scaling in those markets targeting merchants in the home and home improvement, health, automotive and luxury retail verticals.

4.3.3 COMMERCIAL BUSINESS

Humm's commercial business is a leading provider of specialist asset finance in Australia and New Zealand ranking as the second largest non-bank financial institution in Australia. The business has grown strongly in recent years to $1 billion in receivables and is set up for ongoing growth with an experienced team who have a credible track record of delivering finance solutions to SMEs. **flexicommercial**'s key differentiator is the speed at which it is able to reach lending decisions and fund applications.

flexicommercial operates in a large, under-served addressable market of $49 billion across Australia and New Zealand within a broader $430 billion SME lending market.

The business primarily offers equipment finance to capital intensive SMEs to purchase revenue-generating assets with the top three being transport, construction and light commercial vehicles. In Australia, 73% of SME asset finance is sold through brokers. The Australian business distributes products exclusively through the broker channel and the New Zealand business is replicating this approach.

FLEXICOMMERCIAL VALUE PROPOSITION FOR CUSTOMERS

1.	2.	3.	4.	5.
2nd largest NBFI in asset finance in Australia and New Zealand Products are exclusively distributed through the broker channel (73% of SME assert finance sold through brokers)	Primarily offers equipment to growing SMEs to fund the purchase of revenue-generating assets. >600K SMEs within the target customer segment	Key differentiators include speed to reach decisions and fund applications, and specialist offering for capital intensive businesses	Large, under-served addressable market of $49 billion across Australia and New Zealand within a broader $430 billion SME lending market	Profitable, growing business with strategy to build a scaled financial services business through organic and inorganic growth

4.3.4 FUNDING AND LIQUIDITY

Humm Group has a well established funding structure across the Consumer and Commercial businesses, with a range of wholesale and public funding facilities, supported by a (currently undrawn) corporate debt facility.

During 2021 Humm issued a record $1.4b of asset backed securities (**ABS**) delivering funding efficiencies, and maintaining its role as an issuer of green ABS notes. (Humm has issued over $540m of green ABS notes across seven BNPL ABS transactions since 2016.) In addition, NZ$240m of notes were issued under the NZ Cards program during 1H22 at record low pricing, and mezzanine funding of up to $82.5m was introduced for Australia Commercial in December 2021.

flexicommercial has continued to improve its capital efficiency, with capital deployed as a proportion of portfolio declining over 2021 including through the introduction of mezzanine funding.

Humm's corporate debt facility was secured in June 2021 and is a committed three year syndicated revolving corporate debt facility of $110m, currently undrawn.

Humm had, as at 31 December 2021, unrestricted cash of $131.9m, which is a material increase on the prior comparative period.

4.4 HUMM BOARD

As at the date of this Explanatory Booklet, the Humm Board comprises the persons noted below.

- Christine Christian AO (Independent Non-Executive Director, Chair);
- Andrew Abercrombie (Non-Executive Director);
- Carole Campbell (Independent Non-Executive Director);
- Rajeev Dhawan (Independent Non-Executive Director);
- Alistair Muir (Independent Non-Executive Director);
- John Wylie AC (Non-Executive Director).

The biographies of the Humm Board as at the date of this Explanatory Booklet are as follows:

Christine Christian AO	**Chair of Board** **Chair of the Risk an Compliance Committee** **Chair of the Nomination Committee** **Member of the Audit Committee** Christine has more than 35 years' experience in senior executive roles in Australia and overseas, primarily in financial services, credit risk, private equity, investment, Government and media including 14 years as CEO of Dun & Bradstreet Australia and New Zealand, Chair of D&B Consumer Credit Bureau, and Executive Director of Dun & Bradstreet India. Christine is Chair of Auctus Investment Group Limited (ASX: AVC), Independent Chair of Tanarra Credit Partners and currently holds non-executive director roles with Lonsec Financial Group and MaxCap Group. She is President of the Library Board of Victoria and Council member of La Trobe University.
Andrew Abercrombie	**Member of the Nomination Committee** **Member of the Technology Committee** Andrew became a founding director of the original FlexiRent business in 1991, and was the CEO until 2003, and thereafter the Executive Chairman and majority shareholder until the IPO of the business in December 2006 when he became a Non-Executive Director. He became Chairman in 2015 until stepping down in December 2021. Andrew is an experienced commercial and tax lawyer and was a founding partner in a legal firm operating in both Sydney and Melbourne. Andrew left the law to complete an MBA at IMD in Switzerland. Following time abroad he returned to Australia and became involved in property investment and tax consulting. Andrew is currently involved in several philanthropic and think-tank ventures, together with private interests.
Carole Campbell	**Chair of the Audit Committee** **Member of the People and Remuneration Committee** Carole has over 30 years' financial executive experience in a range of industries including professional services, financial services, media, mining and industrial services. Carole commenced her career with KPMG and has held executive roles with Macquarie Group, Westpac Institutional Bank, Seven West Media, Bis Industries and Merivale. Carole is a Non-Executive Director of Southern Cross Media Group Limited (ASX:SXL, from September 2020), G.U.D. Holdings Limited (ASX:GUD, from March 2021) and is Deputy Chair of Council of the Australian Film Television and Radio School. Carole was previously a Non-Executive Director of IVE Group Ltd (ASX: IGL, October 2018 – November 2020).
Rajeev Dhawan	**Chair of the People and Remuneration Committee** **Member of the Risk and Compliance Committee** **Member of the Nomination Committee** Rajeev is currently a partner of Equity Partners. Rajeev has over 23 years' venture capital and private equity experience (through Hambro-Grantham; Colonial First State Private Equity and currently Equity Partners) with a particular focus on the mid-market segment and has been a director of a number of listed and unlisted portfolio companies.
Alistair Muir	**Chair of the Technology Committee** Alistair is an experienced digital executive and entrepreneur with a focus on growing and scaling digital businesses. He has worked with a broad range of ASX50 and Fortune 500 companies to successfully launch new digital products and ventures. This includes launching what is now Apple Music in Australia through to supporting the creation of more than 30 new companies from world-class science and technology from Commonwealth Scientific and Industrial Research Organisation (CSIRO) and other publicly funded research institutes. Alistair holds a first-class honours degree in computer science and postgraduate qualifications from both Harvard Business School and Massachusetts Institute of Technology (MIT). Alistair is a Non-Executive Director of Genworth Mortgage Insurance Australia Limited (Genworth) (ASX:GMA).

John Wylie AC	John is the founder of investment firm Tanarra Group which invests in venture capital, private equity, private credit and selected public companies. John was previously CEO of the Australian business of global financial services firm Lazard. He co-founded advisory and investment firm Carnegie Wylie & Company in 2000 which was acquired by Lazard in 2007, and before that was Chair of investment bank Credit Suisse First Boston in Australia. John is former Chair of the Australian Sports Commission, the State Library Victoria and the Melbourne Cricket Ground Trust. John is an Emeritus Trustee of the Rhodes Scholarship Trust. John holds a Master of Philosophy degree from Oxford University and a Bachelor of Commerce with First Class Honours from the University of Queensland.

4.5 HUMM'S KEY MANAGEMENT

Brief profiles of the key members of Humm's management team as at the date of this Explanatory Booklet are as follows:

Rebecca James	**Chief Executive Officer** Rebecca joined Humm in October 2018 as CEO, from her role as Chief Marketing and Enterprise Officer for Prospa. Prior to that Rebecca was Chief Marketing Officer for ME Bank where she led the product and customer experience teams and was voted #12 in the top 50 CMOs in Australia. Prior to joining ME Bank, Rebecca had a successful career at customer experience agency Lavender, including seven years as Managing Director.
Adrian Fisk	**Chief Financial Officer** Adrian joined Humm in July 2021. Prior to joining Humm, Adrian was CFO and Head of Partnerships at Willow, a data technology business and a non-executive director at 86 400, a Neobank. Prior to Willow, Adrian was a partner and the National Leader for KPMG's Financial Services practice, working with Banks, FinTech, Wealth, Insurance and PE firms. Adrian was a partner at KPMG for 17 years and during that time he led KPMG's Risk, Strategy and Technology and Accounting Advisory businesses and practised as an consultant and auditor.
Vaughan Dixon	**Chief Information Officer** Vaughan joined Humm in February 2021 as Chief Information Officer, bringing over 25 years' industry experience with credit risk, decisioning, technology and credit bureaus. Prior to joining Humm, Vaughan spent over a decade at Dun & Bradstreet and the rebranded Illion business in a number of leadership roles including Chief Technology Officer. He was also one the founders that successfully launched the Decision Intellect fintech, and guided that business from its infancy through high growth into a profitable provider of credit technology processing millions of mission critical credit decisions annually. Most recently, Vaughan was a principal for Comprehensive Credit Decisions, a consultancy specialising in credit and technology and prior to that was a product consultant for ANZi, the corporate venture capital arm of ANZ, where he led the product strategy, direction and build for a new venture they were incubating. He is a specialist in applying technology, analytics and innovation within corporate environments.
Tim Lord	**Chief Credit Officer** Tim has an extensive background in credit and collections having spent 20 years with Dun & Bradstreet (D&B) where he held a number of leadership roles, including President Australia/New Zealand. After finishing with D&B in 2014, Tim formed Anteris Consulting, a specialist agency with a primary focus on credit risk. During his time consulting, Tim undertook numerous assignments for publicly listed companies and Government Agencies. He joined Humm in July 2018.
Andrew Murrell	**Chief Operations Officer** Andrew has more than 20 years' experience in financial services and government sectors in Australia and New Zealand including digital, brand and communications roles at Bank of Queensland, Commonwealth Bank and within the New Zealand Government. With significant experience in leading strategic projects – particularly those focused on customer experience and digital innovation – Andrew joined Humm in 2019 and is responsible for customer contact centre operations, including IT environments and application systems across the business.
Natalie Nicholson	**Chief People & Corporate Affairs Officer** Natalie joined Humm in May 2019 in the role of Chief People & Culture Officer. With 20+ years of international, regional and local expertise in HR and strategic commercial roles, Natalie was previously on the Executive teams at Challenger, CBA and ING. In 2017, she joined the Department of Prime Minister and Cabinet on a six-month secondment through Chief Executive Women and CBA. Natalie was on the Sydney council for United Way. In 2022 Natalie was included in HRD's top 40 Hot List of HR practitioners across Australia.

Christina Seppelt	**Group General Counsel and Group Head of Operational Risk & Compliance** Christina joined Humm in March 2022 as Group General Counsel and Group Head of Operational Risk & Compliance. Christina has extensive experience in financial services and other highly regulated industries, having worked in managed investment schemes, regulated capital raising, retail banking and secured credit facilities during her career. She has also successfully built strong and productive working relationships with regulators and public agencies including ASX, ASIC and APRA. Christina joined Humm from 86 400 Group, Australia's newest retail bank, where she was part of the Executive Leadership Team and responsible for the legal, HR and company secretarial functions. Christina's background also includes senior leadership roles at ASX listed financial services companies and a leading commercial law practice.
Robert Wright	**Group Executive International and Commercial Australia & New Zealand** Robert has led Humm's Irish business since 2016 during which time he has rebuilt, stabilised and grown the existing business while launching a fully digital point-of-sale business. With a career that spans the international banking sector, Robert held senior management roles at St George Banking Group, National Australia Bank, Commonwealth Bank of Australia and Westpac prior to joining Humm. He is a fellow of the Australian Institute of Banking and Finance, Australian Institute of Management and Institute of Public Accountants.

4.6 HISTORICAL FINANCIAL INFORMATION

This Section sets out a summary of historical financial information for the purposes of this Explanatory Booklet. For the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021 Humm Group's external auditor was PricewaterhouseCoopers, which issued an unmodified audit opinion in respect of the annual financial statements for each of those financial years. For the financial year ending 30 June 2022 Humm Group's external auditor is Ernst & Young. Ernst & Young conducted a review of the interim financial report for the half year ended 31 December 2021, and issued an unmodified conclusion.

The financial statements of Humm Group for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021 as well as the financial half year ended 31 December 2021, including all notes to those accounts, can be found in full:

- 2019 Humm Group Annual Report (released to ASX on 27 August 2019)
- 2020 Humm Group Annual Report (released to ASX on 27 August 2020)
- 2021 Humm Group Annual Report (released to ASX on 19 October 2021)
- 2022 Humm Interim Financial Report for the half year ended 31 December 2021 (released to ASX on 22 February 2022)

These documents can be found on the Humm Group website at: www.shophumm.com/humm-group

4.6.1 SUMMARY P&L FOR FY19, FY20, FY21 AND 1H FY22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

A$m	1H 2022	2021	2020 Restated[1]	2019[2]
Interest income	169.8	340.6	364.0	352.8
Fee and other income	50.9	103.3	114.9	119.9
Gross income	**220.7**	**443.9**	**478.9**	**472.7**
Cost of origination	(13.7)	(26.8)	(28.6)	–
Interest expense	(37.6)	(74.2)	(89.3)	(100.6)
Gross profit	**169.4**	**342.9**	**361.0**	**372.1**
Marketing expense	(16.8)	(30.0)	(23.7)	(14.7)
Operating expenses	(109.7)	(169.4)	(160.3)	(168.5)
Receivables and customer loan impairment expenses	(23.6)	(58.7)	(145.2)	(87.5)
Amortisation of acquired intangible assets	(1.2)	(2.9)	(3.3)	–
Impairment of other intangible assets	(181.2)	–	(1.5)	(10.5)
Profit before income tax	**(163.1)**	**81.9**	**27.1**	**90.9**
Income tax expense	(5.2)	(21.8)	(4.0)	(29.2)
Statutory profit for the year	**(168.3)**	**60.1**	**23.1**	**61.7**
Non-cash adjustments:				
Amortisation of acquired intangible assets	0.9	2.1	3.3	2.9
Redundancy and restructure	0.5	1.6	3.5	–
Investment impairment and sales price adjustment to discontinuing operation	181.2	3.9	1.1	7.5
Sale of Think Office Technology	–	–	–	(2.2)
Other	13.5	0.7	(0.1)	6.2
Cash net profit after tax	**27.8**	**68.4**	**30.9**	**76.1**

Notes:

(1) 2020 Restatement: In the current reporting period Humm has amended the presentation of Consolidated statement of comprehensive income by adding the sub-totals gross income and net operating income. Gross income comprises of interest and fee and other income and net operating income comprises of gross income less cost of origination and interest expense. Cost of origination, previously referred to as cost of sales, was disclosed as part of fee and other income. This expands and better defines profitability of the Group. Marketing expenses have also been shown separately on the face of the Consolidated Statement of Comprehensive Income. Prior comparative figures have been updated in line with new disclosure line items.

(2) 2019 has not been restated.

4.6.2 BALANCE SHEET AT 30 JUNE 2019, 2020, 2021 AND 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A$m	31-Dec-21	30-Jun-21	30 June 2020 Restated	30-Jun-19
Assets				
Cash and cash equivalents	272.1	218.2	157.5	143.1
Receivables	107.4	870.0	638.2	596.0
Chattel loans	1,021.0	–	–	–
Customer loans	1,791.6	1,783.1	1,814.4	1,981.4
Inventories	1.5	1.0	1.9	1.8
Current tax receivable	–	–	1.7	14.0
Assets classified as held for sale	–	8.5	–	–
Investment in associate and other investments	0.8	1.1	14.3	13.7
Plant and equipment	5.0	5.2	7.4	8.7
Right-of-use assets	14.3	15.9	12.5	–
Goodwill	105.9	239.2	239.9	244.3
Other intangible assets	61.1	110.9	102.3	102.0
Deferred tax asset	45.7	46.3	48.2	12.3
Derivative financial instruments	5.4	–	–	–
Total assets	**3,431.8**	**3,299.4**	**3,038.3**	**3,117.3**
Liabilities				
Trade and other payables	54.0	56.2	67.3	58.0
Contract liabilities	9.1	7.8	7.5	10.9
Lease liabilities	17.4	18.6	16.5	–
Borrowings	2,699.3	2,406.5	2,295.1	2,387.7
Current tax liabilities	1.6	6.4	14.8	4.1
Provisions	34.5	21.8	20.5	22.9
Derivative financial instruments	–	18.3	38.2	17.6
Deferred tax liabilities	5.5	4.7	–	–
Total liabilities	**2,821.4**	**2,540.3**	**2,459.9**	**2,501.2**
Net assets	**610.4**	**759.1**	**578.4**	**616.1**
Equity				
Contributed equity	507.6	507.6	393.1	390.1
Reserves	12.2	(7.4)	(17.8)	2.8
Retained earnings	90.6	258.9	203.1	223.2
Total equity	**610.4**	**759.1**	**578.4**	**616.1**

4.7 MATERIAL CHANGES TO HUMM'S FINANCIAL POSITION

To the knowledge of the Humm Directors, the financial position of Humm as at the Last Practicable Date has not materially changed since 31 December 2021, being the date of Humm's interim financial report for the half year ended 31 December 2021 (released to ASX on 22 February 2022), other than:

- the accumulation of earnings and payment of outgoings in the ordinary course of trading;
- ongoing impacts of the COVID-19 pandemic;
- as disclosed elsewhere in this Explanatory Booklet; or
- as disclosed to the ASX by Humm. This includes the legal provision relating to the Forum Finance historical exposure.

4.8 CAPITAL STRUCTURE

4.8.1 CAPITAL STRUCTURE

As at the Last Practicable Date, the total securities of Humm on issue are as follows:

Security	Number
Humm Performance Rights[1]	602,886
Humm Options	15,128,816
Humm Shares	495,268,318

Note:
1. See Section 4.9.3 for how these securities will be dealt with under the HCF Sale.

4.8.2 SUBSTANTIAL SHAREHOLDERS

The details of Humm's substantial shareholders as at the Last Practicable Date (based on substantial shareholder and director's interest notice filings to the ASX and information in Humm's register of beneficial ownership of Humm Shares) are set out below.

Shareholder	Number of Humm Shares	Percentage
The Abercrombie Group Pty Ltd ATF the Philadelphia Trust (entity controlled or associated with Andrew Abercrombie)	66,683,314	13.46%
Tefig Pty Ltd ATF AJ Abercrombie Superannuation Fund (entity controlled or associated with Andrew Abercrombie)	33,316,686	6.73%
Tanarra Capital Australia Pty Ltd (entity controlled or associated with John Wylie AC)	27,321,525	5.52%
Total	**127,321,525**	**25.71%**

4.8.3 MARKETABLE SECURITIES OF HUMM HELD BY OR ON BEHALF OF DIRECTORS

The details of marketable securities of Humm held by or on behalf of Directors as at the Last Practicable Date are set out below.

Director's name	Humm Shares held by or on behalf of the Director	Humm Performance Rights held by or on behalf of the Director	Humm Options held by or on behalf of the Director
Andrew Abercrombie	100,000,000	Nil	Nil
John Wylie AC	27,321,525	Nil	Nil
Rajeev Dhawan	369,371	Nil	Nil
Christine Christian AO	195,000	Nil	Nil
Carole Campbell	107,187	Nil	Nil
Alistair Muir	29,644	Nil	Nil
Total	**128,022,727**		

4.9 PROFILE OF HUMM FOLLOWING THE HCF SALE

4.9.1 DETAILS OF DIRECTORS' INTENTIONS REGARDING CHANGES TO HUMM'S BUSINESS MODEL FOLLOWING THE HCF SALE

Following Completion of the HCF Sale, Humm will focus on its **flexicommercial** business, offering a differentiated approach to small to medium enterprise lending. Largely using the broker channel to reach its customer base, **flexicommercial** will specialise in lending to capital intensive businesses. The strongly experienced team will utilise its skills and deep market knowledge to provide credibility in its lending, maintaining its speed to decision and payment, while containing defaults.

1. Prepare the business for scale

- Right people – Setup the standalone business with an experienced team.
- Right platform – Replatform the business to deliver scale and efficiency.
- Right funding – Enhancing the existing warehousing and capital markets programme, supported by the corporate debt facility.

2. Drive organic growth

- Australia – Continue the momentum by increasing the business development team size and locations.
- New Zealand – Continue the transition to brokers and shift the team mix to suit.

3. Scale through acquisitions

- Short-term – Equity roll-up focused on receivables books and industry-specific asset finance products.
- Medium-term – Build a longer-term acquisition strategy.
- Criteria – Accretive, synergies, complementary.

4.9.2 DETAILS OF CHANGES TO HUMM BOARD AND SENIOR MANAGEMENT

The Humm Board does not currently anticipate any changes in board composition immediately following the HCF Sale.

Subject to and following implementation of the HCF Sale, changes will be made to reflect the size and operations of the Humm commercial business moving forwards, including:

- Rebecca James will exit her role as Chief Executive Officer of Humm (**CEO**) and, subject to accepting the Latitude Employment Offer, will join the Latitude Group.
- A 'flatter' organisational structure will be implemented, with the following senior leadership roles reporting to the new Humm CEO. These roles will ensure appropriate representation from the key areas of focus for the Humm commercial business:
  - Robert Wright will be Acting CEO while a formal search for a permanent CEO is conducted. On the appointment of the new CEO Robert will continue to sit on the Executive team as Head of Sales.
  - Adrian Fisk will remain as Chief Financial Officer, and will assume responsibility for human resources and, on an interim basis while a formal search for a Chief Technology Officer is conducted, information technology.
  - Christina Seppelt will be Group General Counsel and Head of Operational Risk and Compliance, and Company Secretary.
  - Andrew Stead will be Director Strategy & Corporate Development.
  - Michael Ortolan will remain as Chief Risk Officer.
  - A search is underway for a Chief Technology Officer.
- The above changes will be effective from Completion of the HCF Sale.
- It is also contemplated that other current Humm executives in HCF may move to Latitude after Completion of the HCF Sale.

4.9.3 CAPITAL STRUCTURE

There will be no change to the capital structure of Humm detailed in Section 4.8.1, as a result of the HCF Sale, other than in respect of the Humm Performance Rights and Humm Options.

As at the Last Practicable Date, Humm has 602,886 Humm Performance Rights and 15,128,816 Options on issue, issued to eligible key management personnel and other selected employees under the Humm LTIPs. As a result of the reshaping of the business that will occur following the implementation of the HCF Sale, the likelihood of performance thresholds being met has been assessed as significantly low. As a result, it is the Humm Board's present intention to seek to cancel all Humm Performance Rights and Options on issue for no consideration, subject to the Completion of the HCF Sale.

Additionally, any Humm Performance Rights held by key personnel who leave their key management role as a result of the HCF Sale, will lapse upon their exit.

The Humm Board will consider the appropriateness of a future long-term incentive plan for the ongoing Humm Group Executive Team and will seek any required shareholder approval of any new plan once the detail of the new plan is known.

4.9.4 PRO FORMA HISTORICAL FINANCIAL STATEMENTS

This Section contains pro forma historical financial information of Humm consisting of an unaudited historical pro forma statement of financial performance for the six months ended 31 December 2021 and an unaudited historical pro forma statement of financial position as at 31 December 2021, following the Completion of the HCF Sale.

The pro forma historical financial information has been derived from the interim financial report of Humm for the six months ended 31 December 2021, adjusted to reflect the transactions directly related to, or arising as a result of the HCF Sale. The interim financial report was reviewed by Ernst & Young (Humm's auditors) who issued an unmodified conclusion.

The pro forma historical financial information is presented in an abbreviated form and does not contain all of the presentation and disclosures that are usually provided in an annual financial report prepared in accordance with International Financial Reporting Standards and the Corporations Act.

Pro forma Statement of Financial Performance for the six months ended 31 December 2021

The pro forma historical statement of financial performance of Humm for the six months ended 31 December 2021, adjusted for the HCF Sale, is provided below.

The pro forma historical statement of financial performance does not purport to represent Humm's performance had the business operated as a standalone entity during the above period.

The pro forma historical statement of financial performance has been prepared assuming:

- the HCF Sale occurred on 1 July 2021;
- the inclusion of the profit and loss relating to the discontinued consumer leasing business, for which the origination of new business was discontinued in December 2019 and the product has since been in run-off. Consumer leasing is a retail consumer business offering leasing finance at the point of sale. The consumer leasing Cash NPAT contribution for the six months to 31 December 2021 was $1.1 million with net operating income of $4.3 million, operating expenses (including allocation of Group overhead) of $2.7 million, and tax expense of $0.5 million; and
- no adjustment has been made for estimated transaction costs to be incurred after 1 January 2022.

A$m	Six months ended 31 December 2021 pro forma (Unaudited)
Interest income	42.3
Fee and other income	14.8
Gross income	**57.1**
Interest expense	(11.7)
Net operating income	**45.4**
Marketing expense	(0.2)
Operating expenses	(30.5)
Credit impairment (charge)/benefits	(5.8)
Statutory (loss)/profit before income tax	**8.9**
Income benefit/(tax expense)	(3.0)
Statutory profit/(loss) for the year	**5.9**
Non-cash adjustments:	
Redundancy and restructure	0.1
Other[(a)]	9.3
Cash net profit/(loss) after tax	**15.3**

Note:
(a) Other includes costs associated with the sale of HCF and Forum Finance provision.

Operating expenses

The Humm Commercial & Leasing segment had allocated costs of $30.5 million in the six months to 31 December 2021, including non-recurring costs of $1.3 million (pre-tax) relating to the sale of HCF and $12.0 million (pre-tax) relating to the Group's current exposure to the Forum Finance matter ($13.3 million in aggregate (pre-tax), $9.3 million in aggregate (post-tax)). Following the HCF Sale, Humm may incur different costs relative to those historically allocated for segment reporting purposes. Changes to costs may include, but are not limited to, certain corporate functions, services and internal management systems that have previously been provided across the Humm group, such as information technology, insurance, accounting, treasury, investor relations, legal, human resources and marketing. Overall, it is estimated that the standalone costs of Humm post HCF Sale will be in the range of $32.0 million to $34.0 million on an annual basis as compared to the allocated costs noted above. These costs do not include one-off costs relating to the set up of new systems and processes to allow the Commercial business to operate as a standalone entity. The effect of these standalone costs has not been included within the Humm pro forma historical financial information disclosed above, but should be taken into account when assessing the Commercial business' future earnings. Refer also to the risk factor described in Section 4.10.3(i).

Pro forma Statement of Financial Position as at 31 December 2021

The pro forma consolidated historical statement of financial position of Humm as at 31 December 2021, adjusted for the HCF Sale, is provided below.

The pro forma historical statement of financial position has been prepared assuming:

- the HCF Sale occurred on 31 December 2021;
- the consideration for HCF comprises 150 million Latitude shares (assuming a value of $2 per share, the Latitude share price as at 31 December 2021) and $35 million cash, with an aggregate value of $335 million; and
- the inclusion of consumer leasing net assets, for which the sale of new business was discontinued in December 2019 and the product has since been in run-off. As at 31 December 2021, consumer leasing receivables were $3.3 million.

A$m	Humm 31 December 2021	HCF balance sheet[a]	Transaction consideration[b]	Transaction costs[c]	Humm pro forma (pre HCF Distribution) 31 December 2021 (Unaudited)	HCF Distribution[d]	Humm pro forma (post HCF Distribution) 31 December 2021 (Unaudited)
Assets							
Cash and cash equivalents[e]	272.1	(106.2)	35.0	–	200.9	(35.0)	165.9
Receivables	107.4	–	–	–	107.4	–	107.4
Chattel loans[f]	1,021.0	–	–	–	1,021.0	–	1,021.0
Customer loans	1,791.6	(1,791.6)	–	–	–	–	–
Inventories	1.5	–	–	–	1.5	–	1.5
Equity investment	0.8	(0.8)	300.0	–	300.0	(300.0)	–
Plant and equipment	5.0	(4.8)	–	–	0.2	–	0.2
Right-of-use assets	14.3	(14.3)	–	–	–	–	–
Other intangible assets	61.1	(58.6)	–	–	2.5	–	2.5
Goodwill	105.9	(87.8)	–	–	18.1	–	18.1
Deferred tax assets	45.7	(24.2)	–	2.4	23.9	–	23.9
Derivative financial instruments	5.4	(2.0)	–	–	3.4	–	3.4
Total Assets	**3,431.8**	**(2,090.3)**	**335.0**	**2.4**	**1,678.9**	**(335.0)**	**1,343.9**
Liabilities							
Trade and other payables	54.0	(22.8)	–	8.0	39.2	–	39.2
Contract liabilities	9.1	(7.8)	–	–	1.3	–	1.3
Lease liabilities	17.4	(17.4)	–	–	–	–	–
Borrowings	2,699.3	(1,683.3)	–	–	1,016.0	–	1,016.0
Current tax liabilities	1.6	(0.1)	–	–	1.5	–	1.5
Provisions	34.5	(21.4)	–	–	13.1	–	13.1
Deferred tax liabilities	5.5	(1.0)	–	–	4.5	–	4.5
Total Liabilities	**2,821.4**	**(1,753.8)**	**–**	**8.0**	**1,075.6**	**–**	**1,075.6**
Net Assets	**610.4**	**(336.5)**	**335.0**	**(5.6)**	**603.3**	**(335.0)**	**268.3**
Total Equity	**610.4**	**(336.5)**	**335.0**	**(5.6)**	**603.3**	**(335.0)**	**268.3**

Notes:

(a) Represents the HCF assets and liabilities held as at 31 December 2021 and as agreed with Latitude in the Share Sale Agreement, reflecting net tangible assets of $190 million. The assets and liabilities are derived from the financial information directly relating to HCF from the accounting records of Humm.

(b) Transaction consideration for HCF comprises 150 million Latitude shares (assuming a value of $2 per share, the Latitude share price as at 31 December 2021) and $35 million cash, with an aggregate value of $335 million. The value of the Latitude shares to be received as consideration at Completion of the HCF Sale will be based on the Latitude share price as of that date.

(c) Relates to the one-off transaction and execution costs expected to have been incurred by Humm in relation to the HCF Sale after 31 December 2021. The adjustment excludes an additional $5 million of transaction costs which were accrued as at 31 December 2021 and therefore reflected in the Humm historical balance sheet.

(d) The distribution of sale proceeds to Humm Shareholders is intended to comprise cash and Latitude Shares via a proposed Capital Return, subject to shareholder and Court approvals.

(e) Pro forma (after distribution) cash and cash equivalents includes unrestricted cash of $131.8 million and restricted cash of $34.1 million as at 31 December 2021. Humm's cash position will change due to cash flows from operating, investing and financing activities from 1 January 2022 to the Completion of the HCF Sale.

(f) Included in pro forma receivables are amounts related to finance leases, unearned fees and other receivables which were included in the Commercial & Leasing segment receivables of $1,122.5 million disclosed in the 31 December 2021 interim financial report.

4.10 RISK FACTORS

Humm Shareholders are currently exposed to various risks as a result of their investment in Humm.

If the HCF Sale proceeds to Completion, there will be a change in the risk profile to which Humm Shareholders will be exposed as a result of the disposal of HCF and Humm's operations being focused on the Humm commercial business.

As with all investments, investors should be aware that the market price of Humm Shares may fall as well as rise. The potential returns of Humm will be dependent on risks specific to Humm and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the potential risks discussed in this Section.

Humm Shareholders are encouraged to read this Section in its entirety.

The risks identified in this Section 4.10 are not exhaustive, and no assurances or guarantees of future performance of, profitability of, or payment of dividends by, Humm are given.

4.10.1 GENERAL RISKS RELATING TO HOLDING TO HUMM SHARES

(a) The price of shares may fluctuate

As an ASX-listed company, Humm is subject to general market risks that are inherent in all securities listed for quotation on a financial market.

The price at which Humm Shares are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of the Company's control and are not attributable to the underlying operations and activities specific to the Company. These factors may cause the Humm Shares to trade at prices below the levels as at the date of this Explanatory Booklet. It is also likely that the price of the Humm Shares will decrease following the Completion of the HCF Sale as a result of the disposal of HCF and payment of the Capital Return.

Some of the factors which may affect the price of the Humm Shares in addition to the Company's financial position and performance include fluctuations in the domestic and international market for listed stocks, general economic conditions (including interest rates, inflation rates, exchange rates), the ongoing impacts of the COVID-19 pandemic, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Company operates, force majeure events and general operational and business risks.

(b) Force majeure events may occur

Events may occur within or outside Australia that could impact upon the Australian economy, the operations of the Company and the price of Humm Shares. The events include but are not limited to acts of terrorism, an outbreak or escalation of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease (such as COVID-19) or other natural or man-made events or occurrences that can have an adverse effect on Humm's commercial business. The Company has only a limited ability to insure against some of these risks.

(c) Domestic and global economic conditions

Any deterioration in the global economy or the jurisdictions in which Humm operates may have a material adverse effect on the performance of the Humm business, particularly matters which adversely affect the key indicators of consumer sentiment, economic growth, inflation, and unemployment rates. In addition, the risk of rising inflation and other economic factors may result in an increase in interest rates.

A higher interest rate environment will adversely impact the Humm business, increasing funding costs and expenses, thus creating pressure on margins. Higher interest rates may also impact the underlying customer and SME business spending which drives demand for Humm's products, as well as customers' ability to repay their liabilities.

Due to the enduring impact of the COVID-19 pandemic and recent geopolitical developments, many of these economic factors are in a state of volatility and may have an adverse impact on the financial position and prospects of Humm in the future. There is continuing uncertainty surrounding the extent to which prevailing economic conditions will endure. To the extent that market trends continue, and external factors create pressure on consumer spending and business costs, this could have a material impact on the operations, financial performance and financial position of Humm.

(d) Exchange rates

Humm operates internationally and is exposed to exchange risk arising from movements in exchange rates.

Humm's financial statements are expressed and maintained in Australian dollars. Exchange rate movements affecting currencies in the different jurisdictions in which Humm operates may impact the profit and loss account or assets and liabilities of Humm, to the extent the foreign exchange rate risk is not hedged or not appropriately hedged.

Humm consolidates results of overseas businesses into Humm Group results and the performance of overseas businesses in Australian dollars when reported in Humm Group financial statements may vary due to the movement of foreign exchange rates. This could have an adverse effect on Humm's financial performance.

(e) Taxation

Future changes in taxation law in Australia and New Zealand (and in the case of HCF, Ireland, the United Kingdom, Canada) and in other jurisdictions, including changes in interpretation or application of the law by the courts or taxation authorities in Australia or other jurisdictions, may impact the future tax liabilities of Humm or may affect taxation treatment of an investment in Humm Shares, or the holding or disposal of those shares. Tax liabilities are the responsibility of each individual shareholder.

(f) Accounting standards

Humm prepares its general purpose financial statements in accordance with Australian Equivalents to International Financial Reporting Standards and with the Corporations Act. Australian Accounting Standards are subject to amendment from time to time, and any such changes may impact on Humm's statement of financial position or statement of financial performance.

(g) Liquidity risk

Humm may be unable to meet its financial commitments when they fall due, as a result of mismatches in its cash flows from financial transactions. The availability of funding from uncertain financial markets may increase liquidity risks.

(h) Business strategy implementation risk

There is a risk that the Humm business (both HCF or commercial) is unable to execute its business strategy of organic and acquisitive growth. Any delay in implementation of, failure to successfully implement, or unintended consequences of implementing any or all of the Company's growth strategies may have an adverse effect on the future financial performance and growth prospects of the Humm business (both HCF or commercial).

(i) Intellectual property

Unauthorised use or copying of Humm's software, data, specialised technology, or platforms may occur, and the validity, ownership, or authorised use of intellectual property relevant to Humm's business may be successfully challenged by third parties. This could result in disputes or litigation which could require Humm to incur significant expenses, even if it is able to successfully defend or settle such claims. It could also result in the inability to use the intellectual property in question, which may materially and adversely impact Humm's operations, profitability, and prospects.

(j) Dependence on key personnel

The successful operation of Humm's business is reliant on its ability to retain and attract experienced, skilled and high performing key personnel. While Humm makes every effort to retain key personnel, there can be no guarantee that it will be able to do so. Failure to attract and retain such personnel may adversely affect operations and the ability to execute its business strategy.

(k) Technology security breaches

Humm's operations are heavily dependent on technology and systems, both internal and those of its third-party service providers. If Humm is unable to protect against security breaches, it may experience technology failures that create delays in various business processes and activities, or data breaches leading to the unauthorised disclosure of confidential information of its customers, or be the subject of ransomware attacks. Any of these contingencies may lead to both financial and reputational damages for Humm, or penalties arising from the unauthorised disclosure of confidential information.

(l) Litigation, claims, and disputes

Humm is exposed to potential legal and other claims and disputes in the course of its ordinary business, including but not limited to contractual disputes, work health and safety claims, and indemnity claims in relation to the services that it provides. Humm receives legal advice in respect of such claims, and, where relevant, makes provisions and disclosures regarding such claims in its consolidated financial statements or pursuant to its continuous disclosure obligations.

(m) Future payment of dividends

The payment of dividends on Humm's Shares is dependent on a range of factors including the profitability of the group, the availability of cash, capital requirements of the business and obligations under debt instruments. Any future dividend levels will be determined by the Humm Board having regard to Humm's operating results and financial position at the relevant time. That said, there is no guarantee that any dividend will be paid by Humm or, if paid, that the dividend will be paid or franked at previous levels.

4.10.2 GENERAL RISKS RELATING TO THE FINANCE SECTOR

(a) Funding risk

Access to capital and funding is a fundamental requirement to achieve Humm's business objectives and to meet its financial obligations when they fall due. There are a variety of funding risks inherent in Humm's financing sources which are particularly heightened in the current economic environment. A dispute, or a breakdown in the relationship, between Humm and its financiers, a failure to reach a suitable arrangement with a particular financier, or the failure of a financier to pay or otherwise satisfy its contractual obligations (including as a result of insolvency, financial stress or the impacts of the COVID-19 pandemic), could have an adverse effect on the reputation and/or the financial performance of Humm.

Humm's funding comprises a mix of financing sources. Across the various markets in which Humm operates, it depends upon these sources to fund its operations and therefore faces funding risks. A loss of or adverse impact on or in relation to one or more of its funding sources, or if it is unable to access alternative sources of funding on equivalent terms or at all, could limit Humm's ability to write new business or to write business on terms which are competitive, or to refinance existing facilities, all of which could materially adversely affect Humm's business, operating and/or financial performance. A breach of any of these could also result in fines, penalties, the payment of compensation and/or the cancellation or suspension of existing facilities.

(b) Industry competition

There is substantial competition within the consumer and commercial finance sectors in which the Humm business operates. The effect of competitive market conditions may adversely impact the earnings and assets of the Humm business. In particular, any reduction in fees or interest rate margins in line with, or to remain competitive with, the finance sector in which Humm operates, could materially adversely affect Humm's financial performance. Aggressive customer acquisition campaigns, superior technology offerings or enhanced scale benefits of competitors may materially erode Humm's market share and revenue, or prevent or limit its growth in new markets, and may materially and adversely impact Humm's operations, profitability and prospects.

(c) Brand or reputational damage

Humm's ability to maintain the reputation of its consumer and commercial finance businesses is critical to customer perceptions of its offerings. A number of factors as set out in this Section may adversely impact Humm's commercial business brand, related intellectual property and general reputation.

(d) Loss of key contracts and relationships

Humm relies on the continuation and success of its contracts and relationships with its customers, brokers, and merchant partners. There is no guarantee of the continuation or continued success of such contracts and relationships. Any failure to retain these relationships, or renew contracts on favourable terms, may materially and adversely impact the financial and operational performance of Humm.

(e) Exposure to customer bad debts

A significant portion of Humm's operations and financial performance is dependent on Humm's ability to recoup the purchase value of its services and optimise its credit decision-making processes and systems which drives its financial and operating performance.

Bad debts are a major component of Humm's expenses, and Humm is exposed to bad debts as a normal part of its operations. Humm's products rely on technology to assess end-customers' repayment capability for each transaction. Prolonged miscalculation of customers' repayment ability or a material increase in repayment failures due to events outside of Humm's control may cause the business to be materially exposed to bad debts where end customers are unable to meet their repayment obligations. This will materially and adversely impact Humm's financial and operational performance, as well as its prospects.

(f) Fraudulent activity

Humm may be exposed to fraud attempts, including risks from collusion, or circumvention of its credit or repayment systems/processes. Fraudulent activity may result in increased losses, damage to Humm's reputation, or increased costs related to rectification which may materially and adversely impact Humm's financial and operational performance.

(g) Regulatory risk

Humm operates in a highly regulated environment, particularly in its consumer business. Changes in law or regulation in a market in which Humm operates could materially impact its business, operating, and financial performance.

There exists a risk that changes to law, regulations, or industry standards in any jurisdiction in which Humm operates may impose significant compliance costs, or even make it infeasible for Humm to continue to operate in its markets. This may materially and adversely impact Humm's ability to achieve its strategic goals, and negatively impact its revenue and profitability by preventing its business from reaching sufficient scale in particular markets.

(h) AML/CTF laws

There has been increased supervisory, regulatory, and enforcement focus in Australia on compliance with anti-money laundering, counter-terrorism financing, anti-bribery and corruption, and sanctions laws (**AML/CTF laws**). Any ineffective implementation, monitoring, or remediation of any of Humm's relevant policies, systems, or controls, could lead to future compliance issues associated with AML/CTF laws with the potential in turn to lead to significant reputational and financial damage to the group.

(i) Financial product regulation

Humm's business, operating or financial performance may also be adversely affected by the impact of laws on the enforceability of their loans (or related securities). For example, changes in the law of penalties (including the interpretation of those laws by the Courts) could result in contractual provisions such as late payment, dishonour and over-limit fees being unenforceable, and further changes in the unfair contracts legislation could affect Humm's arrangements with its SME customers. In addition, Humm could be adversely affected in other ways by non-compliance with laws or regulatory requirements. Such events or circumstances may materially adversely affect Humm's business, operating or financial performance either directly or indirectly (for example through liabilities it may have to respective third-party funders or funding vehicles) in connection with the origination and servicing of loans.

Humm's business activities in Australia are primarily regulated by ASIC under the Corporations Act, the *Australian Securities and Investments Commission Act 2001* (Cth), and in relation to HCF the *National Consumer Credit Protection Act 2009* (Cth) (**National Credit Act**) and the National Credit Code. There is a risk that Humm could face legal or regulatory sanctions or reputational damage as a result of any failure to comply with applicable laws, regulations, codes of conduct and applicable standards, including the roll out of costly remediation programs being enforced by regulators, which may increase Humm's financial exposure. A breach of any of these could also result in fines, penalties, the payment of compensation or the cancellation or suspension of Humm's ability to carry on certain of its activities or businesses. This could adversely affect Humm's business, operating and financial performance.

As noted, Humm is regulated by the National Credit Act and the National Credit Code in relation to its Australian credit cards business and discontinued consumer leasing business. The National Credit Act imposes a number of obligations on Humm. For example, Humm is required to comply with statutory obligations in relation to responsible lending, disclosure and enforcement. If responsible lending obligations are imposed on other segments of Humm's business, the associated increased costs may adversely affect Humm's operating and financial performance. ASIC has regulatory oversight and the ability to intervene in relation to financial and credit products where it identifies a risk of significant detriment to consumers, enabling it to make orders prohibiting certain conduct related to products offered to consumers. Any regulatory action may adversely affect Humm's operating or financial performance.

(j) Model risks

Humm relies on a range of proprietary models in the ordinary operation of its business. In particular, models are regularly used to manage the treasury, funding, forecasting, receivables management, pricing, and credit assessment functions across both HCF and commercial businesses. The predictive outputs of Humm's models depend on their configuration, as well as a variety of inputs, and are subject to errors and inaccuracies. Reliance on model outputs which prove to be inaccurate or erroneous may result in an adverse impact on Humm's financial and operational performance.

4.10.3 SPECIFIC RISKS IF THE HCF SALE PROCEEDS

(a) Commercial Finance sector risks

Humm's commercial business is reliant on lending to small and medium enterprises (**SMEs**) and dependent on the robustness of business sentiment and spending. Any reduction in business confidence or spending in the commercial finance and leasing sector could adversely impact the revenue, profitability, and credit quality of Humm's commercial business.

(b) Future capital requirements

Humm's commercial business will require continued access to capital to fund its growth. The ability of Humm's commercial business to raise sufficient further capital within an acceptable time frame and on terms acceptable to it, will vary according to a number of factors including (without limitation) the prospects of new acquisition opportunities, the results of its operations and broader industry and stock market conditions.

(c) Senior management team

Humm's commercial business has a standalone, dedicated executive team, however there are currently a number of group-level executives with responsibilities that span both HCF and commercial, particularly in regard to shared services functions. If the HCF Sale proceeds to Completion, a number of the group-level executives are likely to transfer to Latitude, including the current Humm CEO.

While the Company believes the ongoing commercial executive group collectively has the necessary skills and experience to manage the business, there may be a need to supplement the team and there is no guarantee that it will be able to do so. Further the ability of Humm's commercial business to execute on its growth strategies depends on the performance and expertise of its senior leadership team. The market for experienced and capable leadership in the finance sector is extremely competitive. A loss of skilled leadership, or any delay in their appointment, may inhibit the growth of Humm's commercial business and adversely impact its financial and operational performance.

(d) Risks associated with the Transaction Documents

Humm has entered into the Share Sale Agreement in respect of the HCF Sale which is summarised in Section 3.13.1. Under the Share Sale Agreement, Humm has agreed to provide certain warranties and indemnities. While Latitude's primary recourse will in most cases be to warranty and indemnity insurance, it is possible that payments for breach of certain warranties not covered by insurance may need to be made to Latitude.

(e) Conditions precedent

The HCF Sale is subject to certain conditions precedent in the Share Sale Agreement being either satisfied or waived (as outlined in Section 3.6). These conditions include, inter alia, competition approvals, Humm Shareholder approvals, ATO ruling, and other regulatory approvals which are beyond the control of Humm.

The HCF Sale will not be implemented unless all of the conditions precedent have been satisfied or waived. As such, a failure to satisfy any of the conditions precedent, or a delay in satisfaction of the conditions precedent could result in the prevention or delay in completion of the HCF Sale which may adversely impact the price or value of Humm Shares.

(f) Uncertainty about the market value and trading of Latitude Shares after the HCF Sale is completed and the Capital Return is paid

Eligible Humm Shareholders will receive Consideration Shares if the HCF Sale is completed and the HCF Distribution is provided. It is not possible to predict the value of the Consideration Shares. The exchange ratio for Consideration Shares in the Share Sale Agreement will not be adjusted in the event of changes in the market price of Latitude Shares or the implied value of the Consideration Shares, which changes may be material. Following the Completion of the HCF Sale and the provision of the HCF Distribution, there is a risk that the market value of the Consideration Shares may be less than their market value prior to the Completion of the HCF Sale and the provision of the HCF Distribution.

(g) Change in risk and investment profile

If the HCF Sale is Completed and the HCF Distribution is provided, eligible Humm Shareholders receiving Consideration Shares will be exposed to risks relating to Latitude, which include risks relating to the integration of HCF within Latitude's existing businesses. These risks may be different to those associated with holding Humm Shares. Whilst the HCF and Latitude businesses are operationally similar, the combined business mix, funding profile, customer and client portfolio, credit risk profile, and capital structure of the combined businesses will be different than that of HCF or Latitude at present. Please refer to Section 5.9 for further details on the risks of holding Latitude Shares.

(h) Potential for delays and unexpected costs in relation to the services provided under the Transitional Services Agreement

As part of the Sale of the HCF Sale, Humm and Latitude propose to enter into a Transitional Services Agreement to replace corporate office and support services currently provided by the other, including a range of functions and IT services.

Despite the provision of services under the Transitional Services Agreement, during the transitional period, either Latitude or Humm may incur increased costs to procure and implement the relevant systems and processes, and ensure that all required systems and processes are operating fully and efficiently. There is a risk that the establishment of these systems and processes may take longer than expected or may involve greater costs than anticipated.

(i) The historical financial information of Humm's commercial business may not reflect the results of a standalone, ASX-listed company

Humm's commercial business does not have an operating history as a standalone, ASX-listed company. The unaudited pro forma financial information presented in Section 4.9.4 has been adjusted to reflect the financial position of Humm's commercial business as if the HCF Sale had occurred for the full historical period covered by the financial information. This may not, however, represent the actual financial condition and performance that Humm's commercial business would have achieved as a standalone, ASX-listed company during the periods presented or that it will achieve in the future, due to the following factors:

- Humm's commercial business has benefited from Humm's size, reputation, and funding relationships, and may no longer be able to access some of these benefits as a standalone, ASX-listed company.
- Humm's commercial business has been operated by Humm as part of its broader corporate organisation and has been supported by Humm's corporate infrastructure (including group treasury, accounting, legal, investor relations, human resources, and other). The unaudited pro forma historical information as presented in Section

4.9.4 reflects allocations of corporate expenses from Humm for these and similar functions. These allocations may be more or less than the comparable expenses that Humm's commercial business would have incurred as a standalone, ASX-listed company during the relevant periods.

4.10.4 SPECIFIC RISKS ASSOCIATED WITH HUMM IF THE HCF SALE DOES NOT PROCEED

Humm Shareholders should be aware that if the HCF Sale does not proceed, they will retain their Humm Shares, however the Humm Board will not proceed with the Capital Return in those circumstances.

If the HCF Sale does not proceed, Humm Shareholders will continue to be exposed to the risk factors relating to holding Humm Shares and the Humm commercial business described in Sections 4.10.1, 4.10.2 and 4.10.3, respectively, above as well as the following risk factors relating to the current profile of Humm.

(a) Consumer Finance sector risks

HCF operates in a rapidly changing sector. A significant portion of HCF's operations is dependent on the conditions in the BNPL sector which is experiencing rapid changes as a result of higher household deposits, increasing competition, lower margins, and higher operational expenses, as well as the general state of the retail sector. A deterioration in conditions could negatively impact HCF's operational and financial performance.

(b) Consumer trends and preferences

The performance of HCF is subject to rapidly changing consumer preferences in both the BNPL and credit card sectors across the many jurisdictions in which HCF operates. The BNPL industry in Australia is well developed but still has considerable growth opportunities and potential for significant change. Internationally, the BNPL industry is also rapidly accelerating. Whilst the credit card industry is comparatively mature, it is currently experiencing a shift in consumer purchasing preferences toward debit transactions. A failure to anticipate future changes in consumer trends and address the changing consumer preferences (i.e., by commercialising suitable products) may result in an adverse impact in Humm's profitability and growth prospects.

(c) Diminution of end-customer satisfaction and loyalty

Humm is dependent on end-customer satisfaction and loyalty. The operational and financial challenges associated with the COVID-19 pandemic, the associated impact on the BNPL, credit card, and SME lending sectors and Humm's response to these challenges, could impact upon customer satisfaction and loyalty, the reputation of Humm and its ability to attract customers in the future. Any adverse effect on these measures may negatively impact the operating and financial performance and position of Humm.

(d) Failure to achieve scale in international markets

HCF is in the early stages of establishing its presence in several international BNPL markets. Increased transaction volumes and scale are critical in achieving profitability and optimal credit decision making. Inability to achieve economies of scale and sufficient volumes to optimise credit systems and processes may materially and adversely impact HCF's performance and growth prospects.

(e) BNPL regulation

HCF's BNPL products are currently lightly regulated compared to other credit products, as BNPL arrangements do not currently meet the definition of credit under the National Credit Act in Australia, or "consumer credit contracts" as defined by the CCCFA in New Zealand. There have been increasing calls for increased scrutiny of BNPL products in both jurisdictions, which may potentially lead to more onerous regulatory obligations noting that Humm has voluntarily committed to the BNPL code of practice which imposes some "quasi regulated" obligations on Humm in relation to the product. If these obligations are imposed on HCF, the associated costs may adversely impact Humm's operating and financial performance. Similarly, a failure to comply with more stringent regulation, and the resulting regulatory action may impact Humm's ability to carry on certain of its activities or businesses.

(f) Humm will have incurred substantial costs and expended management time and resources for the HCF Sale

If the HCF Sale does not proceed, Humm will have incurred substantial costs in respect of a transaction that does not eventuate of approximately $18 million. This includes a significant proportion of management's time (approximately six months) as well as legal and other advisory fees.

4.11 PUBLICLY AVAILABLE INFORMATION

Humm is a disclosing entity for the purposes of the Corporations Act and as such it is subject to regular reporting and disclosure obligations. As a company listed on the ASX, Humm is also subject to the ASX Listing Rules which require continuous disclosure (with some exceptions) of any information which a reasonable person would expect to have a material effect on the price or value of Humm Shares. In addition, Humm is required to maintain periodic disclosure (including yearly and half-yearly financial statements) with ASIC in accordance with the Corporations Act and the ASX in accordance with the ASX Listing Rules.

The information disclosed to the ASX is available from the ASX's website (www.asx.com.au) as well as Humm's website. Copies of the documents lodged with ASIC by Humm may be obtained from or inspected at any ASIC office or www.asic.gov.au.

5. PROFILE OF LATITUDE GROUP

5.1 INTRODUCTION

Latitude is a leading Payment and Instalments and Lending business, with 2.8 million customer accounts and more than 5,500 merchant partners (with over 10,600 outlets) in Australia and New Zealand.

Latitude's merchant partners include major retailers across a wide range of living and lifestyle categories, including Apple, Harvey Norman, JB Hi-Fi, Cotton On, The Good Guys, Samsung and Luxury Escapes. Latitude's lending products are also distributed by a network of over 5,800 accredited brokers in Australia and Kiwibank's branch network in New Zealand.

5.2 HISTORY

Latitude has a long history dating back to the 1920s when Australian Guarantee Corporation (**AGC**), one of Latitude's predecessor businesses, was founded to provide finance for the purchasing of household items. Other predecessor businesses which now form part of Latitude include Nissan Finance, AVCO Financial (including Hallmark Insurance) and GE Money.

In 2015, a consortium of investors led by KKR, Värde Partners and Deutsche Bank acquired the Latitude business. From that time, Latitude has operated as a standalone business, combining the risk management processes and long-standing customer relationships with substantial investment to create a unified brand and experience for its partners and customers.

On 20 April 2021, Latitude was listed on the ASX. Since listing, Latitude has acquired the Symple Loans Group, successfully raised $150 million through the issue of capital notes and launched LatitudePay in Singapore.

5.3 OVERVIEW OF OPERATIONS

5.3.1 PRINCIPAL ACTIVITIES OF LATITUDE

The Latitude Group offers customers in Australia and New Zealand the following products (as shown in the figure below):

- **Payments and Instalments:** where the Latitude Group provides payment and finance solutions to merchants and their customers wanting to purchase goods or services. The Latitude Group provides choice and flexibility to customers, ranging from weekly instalment plans (BNPL) for small purchases to monthly or flexible payment plans for bigger purchases (**Payments and Instalments**); and
- **Lending:** where customers are directly seeking support with payments and financing needs, including personal loans, motor loans and travel credit cards (**Lending**).

In addition, Hallmark Insurance provides insurance in connection with the Latitude Group's instalments and Lending products, covering price protection, merchandise protection, stolen cards and adverse life events (including death, disability and unemployment).

During the final quarter of 2021, the Latitude Group commenced operations in Canada and Asia.

LATITUDE'S PRODUCTS ACROSS INSTALMENTS AND LENDING

INSTALMENTS Disrupting consumer payments and credit card balances	Shop small, pay weekly **BNPL** LatitudePay growing rapidly as BNPL disrupts traditional payments Up to $3,000, 10 weekly payments **539k open accounts and growing**	Shop big, pay monthly **BIG TICKET** LatitudePay+ Bigger Buys pilot, launched in 2021, disrupting traditional credit cards Up to $10,000 and 24 months	Shop anywhere, pay flexibly **GO & GEM** Latitude GO/Gem being refreshed making it easier to shop interest free Up to $30,000 and 60 months **1.3m customer accounts**
LENDING Leveraging graduation and funding advantages to drive growth	Home, holiday, wedding **PERSONAL LOANS** Latitude personal loans providing competitive rates and flexible packaging SYMPLE ACQUISITION WILL ENABLE ADDITIONAL GROWTH OPPORTUNITIES Direct, Broker and Kiwibank white label	Car, boat, caravan **MOTOR LOANS** Latitude motor loans well suited to growing focus on domestic tourism Direct and Broker	International travel and shopping **28° GLOBAL** Latitude 28° Global travel and shopping card highly relevant as borders reopen Launched comprehensive travel insurance offer **Strong customer advocacy**

5.3.2 LATITUDE'S STRATEGY

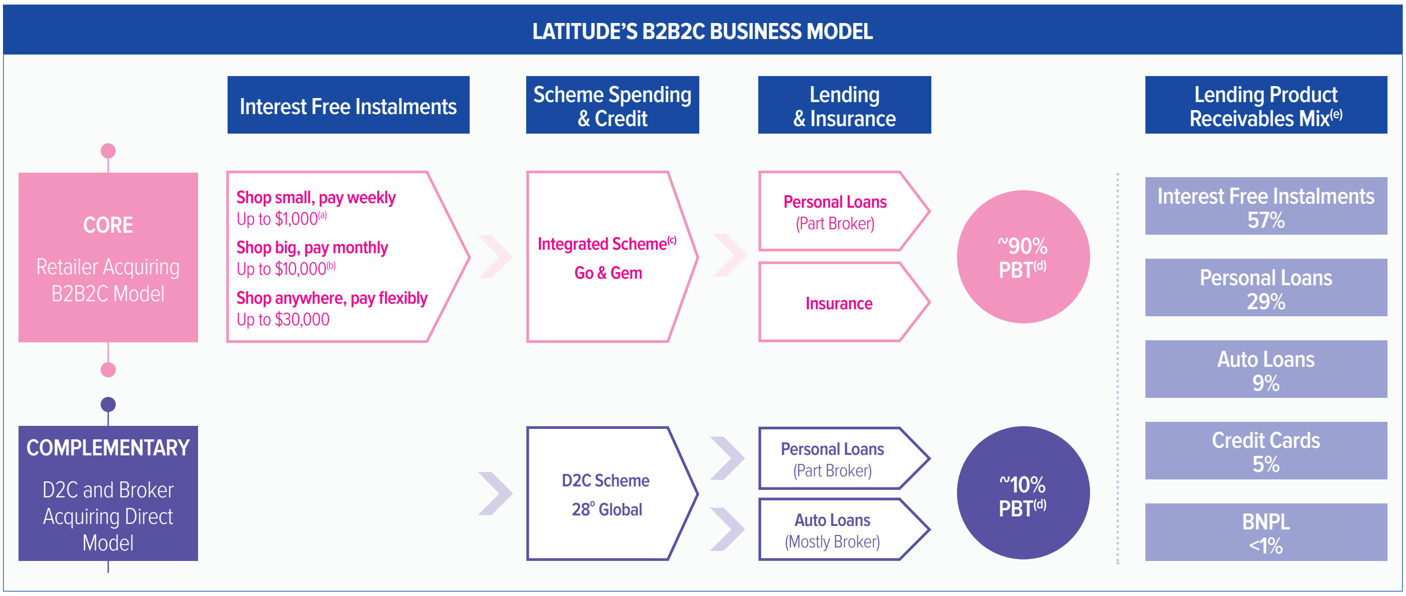
Latitude has an established mission to be the preferred partner helping businesses grow and people shop and finance their lives. Integral to Latitude's strategy is to embed a culture conscious of responsibility with credit that values actions and conduct in accordance with Latitude's values of Act right, Be curious, Show care.

Latitude's strategy remains focussed on the following current priorities:

1. **Lead in Payments and Instalments:** Latitude is already the leader in this segment. With product enhancements through Latitude's Future of Interest Free program and the launch of LatitudePay+ Bigger Buys, Latitude's strategy is to deliver a unique proposition for its customers across small and large purchases and reach new segments while providing added value to its merchant partners;
2. **Disrupt lending:** the acquisition of Symple Loans has provided Latitude with a lending platform that will enable it to expand its product range, including into variable rate loans, while enhancing the customer experience and improving partner sales. In 2021, Latitude maintained its 12% market share in personal loans in Australia and is looking to increase that share in the coming years;
3. **Expand internationally:** Latitude launched LatitudePay into Southeast Asia, including with Harvey Norman in Singapore in the final months of 2021 and has already identified additional priority markets in Asia for growth at scale;
4. **Reinvent insurance:** insurance has traditionally been an important part of the Latitude business but now Latitude is re-launching its insurance offering with new digital products to grow customers and support partners;
5. **Transform operations:** Latitude will continue to invest to digitally transform and consolidate legacy operations and transition legacy technology to cloud-based platforms, using its rich data to benefit customers and investing in artificial intelligence to enhance its decision making;
6. **Continue balance sheet and risk strength:** the success of Latitude's $150 million capital notes issue in September 2021, which increased in size due to strong investor demand, illustrated continued funding and risk management innovation. Latitude has a strong and resilient balance sheet structure to support its growth plans;
7. **Continue to build upon a customer-led culture:** Latitude continues to evolve its platform operating model where the customer is at the core of everything Latitude does. Latitude is enhancing where and how work is done in teams, a transition accelerated by the changes made necessary from remote working over the past two years; and
8. **Build stakeholder reputation:** Latitude is continuing to display a responsible approach to inclusive lending, supporting diversity.

At the same time, Latitude is now setting the path to transform to a portfolio of digital platform businesses in the medium term, with the aspiration to lead and/or disrupt the payments, lending and insurance segments and accelerate its growth. Within these three business segments, new opportunities are also emerging for international expansion, new products, new market segments like health and small businesses, and the evolution of the 28° Global travel card.

Latitude's competitive advantage is its B2B2C business model (outlined in the figure below), which focuses on supporting its partners to acquire customers combined with direct customer engagement aimed at increasing product utilisation and graduation to other products.



Notes:

(a) Initial limit maximum is $1,000. Incremental increases up to a limit of $1,500 are possible on the successful completion of payment plans.
(b) Available at select partners only.
(c) Scheme-enabled refers to Latitude's instalments products that can be used anywhere Mastercard and Visa are accepted. Latitude currently has a suite of Scheme-enabled cards including Latitude GO (in Australia only) and Latitude Gem Visa (in Australia and New Zealand) for L-Pay, and 28° Global (in Australia only) and Gem Essentials (in New Zealand only) for L-Money.
(d) FY20 profit before tax.
(e) Proportion of group Gross Loan Receivables as at 31 December 2020.

5.3.3 REGULATORY ENVIRONMENT IN WHICH LATITUDE OPERATES

Latitude is subject to, and complies with, a range of regulatory and compliance requirements in Australia and New Zealand (as well as in other jurisdictions in which operations have recently commenced such as Canada and certain jurisdictions in Asia) as a licensed credit and insurance provider conducting business, including those specific to the provision of Payments and Instalments and Lending, and insurance products.

Latitude's instalments and Lending activities are primarily regulated:

- in Australia, by ASIC as an Australian Credit Licensee under the National Credit Act and the National Credit Code. The Corporations Act and the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**) also regulate these areas; and
- in New Zealand, by the Commerce Commission under the *Credit Contracts and Consumer Finance Act 2003* (NZ) (**CCCFA**) and the Responsible Lending Code.

Latitude's insurance activities (being the issuance of insurance by Hallmark Insurance) are primarily regulated:

- in Australia, by ASIC, as an Australian Financial Services Licence holder and issuer of financial products under the Corporations Act and the *Insurance Contracts Act 1984* (Cth), which regulates contracts on insurance, as well as by APRA as an insurer under the *Insurance Act 1973* (Cth) and the *Life Insurance Act 1995* (Cth), which provide the prudential framework for licensed general and life insurers respectively; and
- in New Zealand, by the Reserve Bank of New Zealand, as insurers licensed under the *Insurance (Prudential Supervision) Act 2010* (NZ) and the Financial Markets Authority under the *Financial Advisers Act 2008* (NZ). The *Insurance (Prudential Supervision) Act 2010* (NZ) provides a prudential framework for licensed insurers under the supervision of the Reserve Bank of New Zealand.

Latitude is also subject to legislation in Australia common across similar businesses including (but not limited to) the *Privacy Act 1988* (Cth), the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth), the *Competition and Consumer Act 2010* (Cth), the ASIC Act, as well as corresponding legislation in New Zealand.

Latitude continually monitors the regulatory environments in Australia, New Zealand and in the other jurisdictions in which it operates to identify regulatory changes that may impact Latitude's business to understand the risks and its approach to managing them. Some recent significant regulatory developments relevant to Latitude and Hallmark Insurance include:

- **Product design and distribution:** Design and distribution obligations for issuers and distributors of financial products came into effect on 5 October 2021. These obligations apply to Latitude's regulated and unregulated credit products and insurance products. Under these obligations, Latitude and Hallmark Insurance must formally identify the target customers for each affected product in a target market determination. Latitude and Hallmark Insurance (and distributors such as merchant partners or brokers) must then take reasonable steps to ensure that the distribution of the product is consistent with the determination. With the release of ASIC's final detailed regulatory guide, it is apparent that these obligations will require financial services and consumer credit providers to engage in significant work to ensure compliance. ASIC also appears to have high expectations as to the degree of review, reporting and record keeping required in connection with these obligations;
- **New breach reporting obligations:** The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) has increased breach reporting obligations for financial services, and has introduced breach reporting obligations for consumer credit, together with statutory obligations to carry out remediation for both. These changes came into effect on 1 October 2021. The obligation to report no longer relies on a self-assessment of the significance of the breach. Instead, certain breaches that could potentially involve offences, civil penalty provisions or misleading and deceptive conduct are reportable without regard to the number, frequency or impact of the breaches. There are also new prescribed timeframes within which reporting to ASIC is required;
- **Product intervention power:** The Corporations Act and the National Credit Act have been amended to provide ASIC with the power to make product intervention orders that regulate specific financial products. These include Latitude's National Credit Act, regulated and unregulated credit products and insurance products. ASIC has used this power to regulate credit that is subject to exemptions under the National Credit Act, and it is possible that it may issue product intervention orders that regulate LatitudePay or other Latitude products;
- **Financial Accountability Regime:** The Australian government has released draft legislation to implement the proposed extension of provisions modelled on the Banking Executive Accountability Regime to registrable superannuation entity licensees and insurers regulated by APRA. The proposed Financial Accountability Regime (**FAR**) is designed to improve the risk and governance cultures of financial institutions by imposing a strengthened responsibility and accountability framework for those institutions and the directors and the most senior and influential executives of those institutions. FAR will apply from 1 July 2023 or 18 months after commencement of the regime.
- **New Zealand financial services and conduct regulation:**
  - Changes have been made to the CCCFA in New Zealand, which came into effect on 1 December 2021. The amendments and new regulations are intended to ensure creditors lend to consumers and manage consumer credit contracts responsibly, vulnerable consumers are protected, and financial markets are fair, efficient, and transparent. Consumer protection has been elevated to the primary purpose of the CCCFA and a principle of responsible lending, consistent with aspects of the National Credit Act, has been introduced. Lenders are required to exercise the care, diligence, and skill of a responsible lender before and after providing consumer credit.
  - The New Zealand government is also looking to introduce legislation in relation to the conduct of registered banks, insurers and non-bank deposit takers. Amongst other things, the Financial Markets (Conduct of Institutions) Amendment Bill will require financial institutions to establish, implement and maintain effective fair conduct programmes throughout their businesses to ensure they meet the requirement to treat consumers fairly. Latitude is not expected to be impacted by the requirements of the legislation because it is not a prescribed entity under the legislation.
- **BNPL regulation in Singapore and Malaysia:**
  - The BNPL market is currently unregulated in both Singapore and Malaysia.
  - In Singapore, Latitude has been invited by the Singapore Fintech Association to be a founding member of a BNPL working group to establish a framework that will include enforcement measures, to safeguard consumer interests and prevent risks of "over-indebtedness". In addition, Latitude has also applied for a Major Payments Institution Licence with the Monetary Authority of Singapore that will allow Latitude to operate payment services such as account issuance and merchant acquisition.
  - In Malaysia, the Bank Negara Malaysia has announced that it is working together with the Ministry of Finance and Securities Commission Malaysia to enact the Consumer Credit Act in 2022 to strengthen regulatory arrangements for all consumer credit activities including BNPL schemes offered by non-bank operators.

Latitude has either completed implementation projects or has projects underway in relation to these regulatory developments to the extent required.

Further details in relation to these (as well as other) significant regulatory developments that are relevant to Latitude are set out in Section 5.9.3(a).

5.3.4 RISK MANAGEMENT

Risk management is fundamental to the success of Latitude. Latitude is continually developing and enhancing its risk management capabilities to cater for changes to its strategy, developments in the external environment and expectations, as well as the enduring focus of achieving the best customer outcomes. Latitude's enterprise risk management framework, risk appetite statement and supporting principles, policies and processes are designed to ensure that relevant risks in business activities are effectively identified, measured, monitored and managed.

Latitude's operating model for risk management is intended to:

- maintain an effective system of internal controls commensurate with the scale and complexity of the business and consistent with the "three lines" approach. This incorporates management and staff taking primary responsibility for identifying and managing risks; and
- support the business in enabling growth and productivity while ensuring operational reliability and resilience.

The risk appetite statement articulates the nature and quantum of risk that Latitude is willing and targeting to accept in pursuit of its strategic objectives and business plan. The risk appetite statement is reviewed and approved by the Latitude Board on a regular basis.

Latitude sees its broad risk management capabilities as a core source of competitive advantage.

Leadership and oversight of risk management in Latitude are executed and formalised through an established governance structure, risk assessment program and risk appetite metrics. Alignment and adherence to policies and procedures are monitored by management committees, board committees, and the Latitude Board.

Each executive leads and attests to the appropriateness of their risk and control environment through completion of bi-annual risk and control self-assessments. The results and observations are presented to the Enterprise Risk Management Committee, with material results reported to the Risk Committee of the Latitude Board.

Latitude undertakes business unit testing of controls, second line oversight and review, and independent third line audits to help ensure appropriate risk management and oversight.

Hallmark Insurance also maintains a risk management framework that is designed to be compliant with APRA's Prudential Standards and is aligned with Latitude's risk management approach. This includes both Hallmark Insurance-specific and Latitude Group enterprise-wide policies, procedures and controls noting that Latitude owns and manages a number of processes and risks for Hallmark Insurance. The Hallmark Insurance risk appetite statement is aligned with the Latitude Group's risk appetite statement to the extent that it is practicable and reasonable to do so. Hallmark Insurance maintains a separate board and committee governance structure operating in parallel to that of Latitude.

Latitude also manages risk in the following areas:

- **Technology enabled risk management:** Latitude uses data and technology to enhance risk management. This includes leveraging Internal Bureau and customer data through a proprietary tool that combines customer data on repayment behaviour and transactional history, and using technology to enhance risk management that includes partnering with third parties to build efficient and effective processes to assist in enhancing credit management and conduct;
- **Enterprise risks:** Latitude operates an enterprise risk management framework and is prioritising efforts in a number of areas to enhance management and monitoring of key operational risks. Latitude's risk appetite for compliance risks is low and it strives to create and maintain a strong culture whereby compliance obligations and risks are understood and demonstrably managed across the organisation. This is reinforced through values, code of conduct and policy framework, and includes compliance training and management and reinforcing a culture of good conduct;
- **Operational and technology risk:** Latitude is progressing efforts in a number of areas to enhance management and monitoring of key operational risks including business resilience, cybersecurity, fraud, operational processes and human resources;
- **Credit risk management:** Credit risk management is a core feature of Latitude's capability. It manages credit according to customer segments and product types across the credit risk lifecycle and makes credit approval decisions in accordance with applicable regulatory credit risk and underwriting procedures. Latitude is also a participant in both Australia and New Zealand of Comprehensive Credit Reporting and engages in ongoing customer account management and an in-house collections function;
- **Asset quality:** When a Latitude customer does not meet their minimum monthly payment requirements, they are deemed by Latitude to be delinquent on their contractual terms. Latitude makes provision for expected losses from the time of origination and thereafter each account is re-assessed monthly;
- **Funding and liquidity:** Latitude's funding strategy aims to provide the business with funding diversity across multiple financiers, markets and facilities, and provides the business with scalability and stability with a balanced maturity profile. The key features of Latitude's funding strategy include maintaining a diversified funding platform with a broad base of financiers and staggered durations, managing incremental receivables funding capacity and maturity profiles and managing foreign exchange risk; and
- **Regulatory and legislative reform:** The industry in which Latitude operates is subject to a range of laws and regulations across multiple jurisdictions. Whilst these laws and regulations are complex and subject to change, we maintain an appropriately skilled and experienced workforce as well as relationships with specialist advisers to minimise the risk of non-compliance.

5.3.5 FUNDING AND LIQUIDITY

Latitude's funding strategy aims to provide its business with diversity across multiple financiers, markets and facilities, and to provide its business with scalability and stability with a balanced maturity profile. Latitude's principal funding facilities are securitisation arrangements which comprise:

- **Warehouse Facilities:** where financial assets (i.e. receivables) are originated in the name of, or sold to, a funding vehicle which funds those financial assets through a limited recourse facility provided by funding banks and/or other investors (**Warehouse Facilities**); and
- **Asset-Backed Securities (ABS):** where a pool of financial assets (i.e. receivables) is sold to a funding vehicle which funds those financial assets in the capital markets through an issue of limited-recourse debt securities either with a defined maturity or having a legal final maturity similar to the expected term of the financial assets in the pool.

As at 31 December 2021, Latitude has total committed securitisation facilities of $8.2 billion, with total unutilised capacity at $2.4 billion to support future receivable growth.[24] The funding programme has established Latitude's brand in the public securitisation markets, with over 50 financiers across its funding programmes, providing flexibility to scale the business and support future receivables growth.

The key features of Latitude's funding strategy are to:

- maintain a diversified funding platform with a broad base of financiers and staggered durations, with typical revolving period tenors of three to five years;
- manage incremental receivables funding capacity to have a minimum of 12 months of capacity on a forecast receivables growth basis;[25]
- actively manage the maturity profile and average tenor to reduce maturity concentrations in the future and continue to smooth the maturity profile as the portfolio funding programme matures; and
- manage foreign exchange rate risk by raising funds in the same currency as its loans to customers.

5.3.6 FUNDING AND LIQUIDITY FRAMEWORK

Latitude's principal sources of funding for the financing of its products as at 31 December 2021 comprise five Australian Warehouse Facilities,[26] an Australian credit card and sales finance master trust (ABS), two New Zealand Warehouse Facilities, six outstanding Australian ABS issuances (three under the Australian master trust) and one outstanding New Zealand ABS issuance under the New Zealand master trust. Funding is diversified over a broad base of well-recognised and experienced financiers including major Australian banks, a number of international banks, along with a number of large Australian and offshore fund managers.

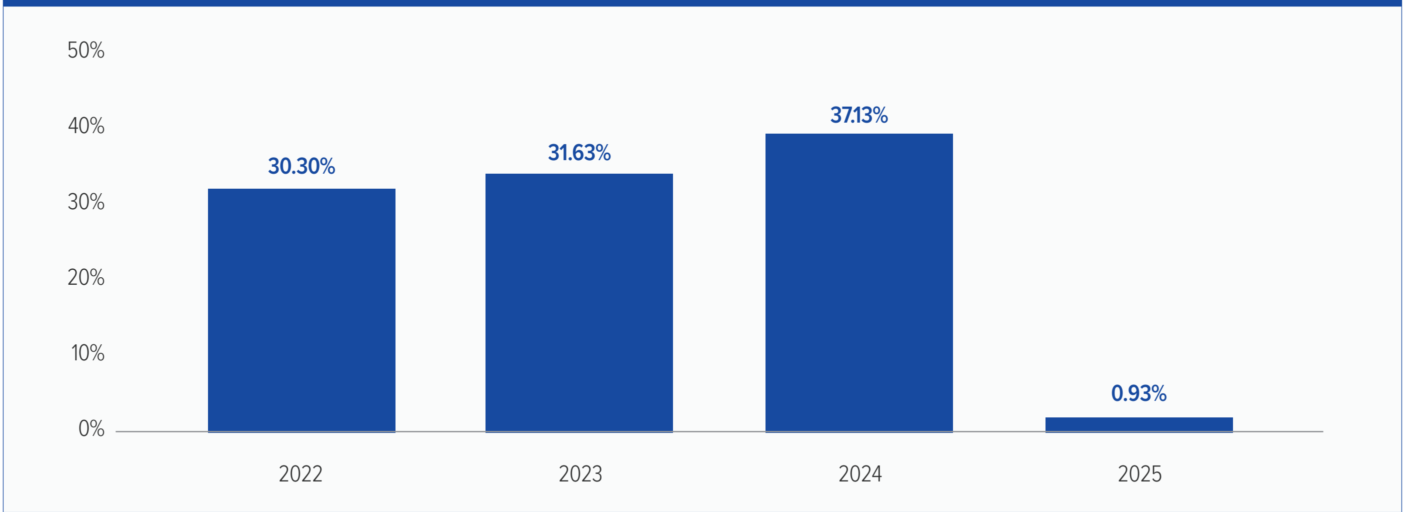
In addition to these securitisation facilities, Latitude has a multi-currency (AUD/NZD/USD) corporate borrowing facility with a committed limit of $160 million which also includes a further USD tranche of US$41 million. The facility is currently utilised to support letters of credit (US$41 million) for access to schemes and additional guarantees of $7.5 million. The remaining $152.5 million capacity provides Latitude with additional liquidity and flexibility.

Latitude's sources of liquidity include its borrowing capacity in its funding facilities (including undrawn commitments within each Warehouse Facility), capacity under the corporate borrowing facility and its surplus cash including cashflow generated from operations. Latitude believes it has sufficient liquidity across these sources to meet its growth targets and business needs in the ordinary course of operations.

5.3.7 DEBT MATURITY PROFILE

Across its Warehouse Facilities and ABS issuance Latitude targets no more than 50% of funding maturities in any given year and no more than 40% of funding maturities within the next 12 months. The figure below shows Latitude's debt maturity profile as at 31 December 2021.

LATITUDE WAREHOUSE FACILITY AND ABS ISSUANCE DEBT MATURITY PROFILE AS AT 31 DECEMBER 2021



24. Includes $0.1 billion capacity from Variable Funding Notes in ABS issuances.
25. Funding capacity is defined as the average number of months of planned receivables growth (based on Latitude's latest forecast) until the full utilisation of its debt facilities.
26. In October 2021, Latitude completed the acquisition of Symple and added the Symple Warehouse Trust 2019-1 to its funding portfolio.

5.3.8 WAREHOUSE FACILITY FINANCING

Warehouse Facilities comprise the majority of Latitude's funding sources. Latitude's Warehouse Facilities are based on receivables within specific product types and geographies. The size of Latitude's Warehouse Facilities is summarised in the table below.

Summary of Warehouse Facilities as at 31 December 2021

(All amounts million)	Australia Sales Finance and Credit Cards Trust	Australia Sales Finance and Credit Cards Trust No.3	Australia Personal Loans Trust	Australia Auto Loans Trust	Symple Warehouse Trust 2019-1	New Zealand Sales Finance and Credit Cards Trust	New Zealand Personal Loans Trust
Limit[(a)]	$930.0	$1055.6	$1,037.6	$926.3	$90.0	NZ$864.1	NZ$610.0
Drawn	$416.9	$475.3	$517.9	$709.6	$59.7	NZ$622.0	NZ$443.1
Headroom[(b)]	$513.2	$580.3	$519.7	$216.6	$30.3	NZ$242.1	NZ$166.9
Revolving period end date	22 Dec 2022	22 Apr 2024	17 Jan 2024	19 Sep 2023	31 Mar 2022	23 Sep 2022	17 Sep 2023

Notes:
(a) Limit excludes the seller note (i.e. the equity position contributed by Latitude).
(b) Total headroom of $2.3 billion includes $0.1bn of Variable Funding Note (**VFN**) capacity for Australia and New Zealand as outlined in footnote (24) in Section 5.3.5.

5.3.9 ABS ISSUANCE

Since April 2017, Latitude has issued a number of ABS transactions for Australian credit cards and personal loan receivables, and two ABS transactions for New Zealand credit cards.[27] Latitude has established itself as, and intends to remain, a programmatic issuer of ABS. The size and key terms of Latitude's outstanding ABS issuances are summarised in the table below.

Summary of ABS Issuances as at 31 December 2021[(a)]

(All amounts million)	Latitude Australia Credit Card Loan Note Trust – Series 2017-2	Latitude Australia Personal Loan Series 2017-1 Trust	Latitude Australia Credit Card Loan Note Trust – Series 2018-1	Latitude Australia Credit Card Loan Note Trust Series 2019-1	Latitude Australia Personal Loan – Series 2020-1 Trust	Latitude New Zealand Credit Card Loan Note Trust Series 2021-1	Latitude Australia Loan Trust Series 2021-1
Underlying segment receivables	Sales finance & credit card receivables	Personal loans	Sales finance & credit card receivables	Sales finance & credit card receivables	Personal loans	Sales finance & credit card receivables	Personal loans
Notes issued	$500	$600	$500	$750	$500	NZ$250	$500
Issue date	7 Sep 2017	29 Nov 2017	27 Mar 2018	13 Sep 2019	26 Feb 2020	17 Aug 2021	24 Nov 2021
Revolving period end date	22 Aug 2022	17 Jan 2019	22 Mar 2023	22 Sep 2024	N.A.	22 Aug 2024	N.A.
Expected call date[(b)]	22 Aug 2022	19 Mar 2022	22 Mar 2023	22 Sep 2024	19 Aug 2023	22 Aug 2024	17 Aug 2025
Outstanding Notes at 31 December 2021	**$500**	**$57.3**	**$500**	**$750**	**$152.2**	**NZ$250**	**$471.5**

Notes:
(a) Table 2 excludes VFNs. The VFN is a revolving facility available to the trust to provide the ability to fund fluctuations in the underlying cards balances and can move from month to month. At 31 December 2021 the VFN for the Latitude Australia Credit Card Loan Note Trust – Series 2018 VFN was $16.4 million ($100 million at 31 December 2020) and VFN for the Latitude New Zealand Credit Card Loan Note Trust – Series 2021-VFN was NZ$9.4 million (NZ$20 million at 31 December 2020).
(b) Series issued by Latitude Australia Credit Card Loan Note Trust are expected to be called at the issue amount; the Latitude Australia Personal Loans Series 2017-1, Series 2020-1 and Series 2021-1 Trusts are expected to be called at their expected 10% clean-up call date.

5.4 LATITUDE BOARD

As at the date of this Explanatory Booklet, the Latitude Board comprises the persons noted below.

- Michael Tilley (Independent Non-Executive Chairman);
- Ahmed Fahour (Managing Director and Chief Executive Officer);
- Mark Joiner (Independent Non-Executive Director);
- Alison Ledger (Independent Non-Executive Director);
- Scott Bookmyer (Non-Executive Director, Shareholder Representative Director – KKR);
- James Corcoran (Non-Executive Director, Shareholder Representative Director – Varde);

27. During 2021, Latitude completed a New Zealand credit cards ABS, the Latitude New Zealand Credit Card Master Trust Series 2021-1 and fully redeemed the outstanding notes of the New Zealand Credit Card Master Trust Series 2018-1.

- Beaux Pontak (Non-Executive Director, Shareholder Representative Director – Deutsche Bank); and
- Andrew Hoshino (Non-Executive Director, Shareholder Representative Director – Shinsei Bank).

The biographies of the Latitude Board as at the date of this Explanatory Booklet are as follows:

Michael Tilley	**Chair of Board** Michael served as CEO of Challenger Financial Services from 2004 to 2008, having previously been Deputy Chairman. Prior to Challenger, Michael was Chairman and CEO of Merrill Lynch Australasia and Chairman of Mergers & Acquisitions for the Asia Pacific Region. Michael was a Non-Executive Director of ASX listed Orica from 2003 to 2013 and has also served as Chairman of ASX listed Hotel Property Investments and Tubi. Michael holds a Post Graduate Diploma in Business Administration from Swinburne University and is a Fellow of The Australian Institute of Company Directors.
Ahmed Fahour	**Managing Director and Chief Executive Officer** Ahmed Fahour was appointed Managing Director and CEO of Latitude Financial Services in October 2018. Throughout his 30-year career, Ahmed has served in senior executive roles across banking and financial services, management consulting and postal services, including as Managing Director and CEO of Australia Post, Managing Director and CEO of the National Australia Bank Australia, CEO of Citigroup Alternative Investments in New York and as a Partner at Boston Consulting Group. Ahmed is also Chairman of the Hairhouse Group. Ahmed was appointed an Officer of the Order of Australia in January 2017. He holds a Bachelor of Economics and Honorary Doctorate from La Trobe University and an MBA from Melbourne Business School.
Mark Joiner	**Chair of Audit Committee** **Chair of Risk Committee** Mark was the CFO of National Australia Bank from 2008 to 2013, having previously worked for Citigroup in the United States and as a management consultant with Boston Consulting Group in Australia and the United States. Mark is also currently a Director of Insignia Financial Limited's ex-National Australia Bank's asset management business, QBE Group's Australian and New Zealand subsidiaries and Chairman of Pexa Limited. He is a Chartered Accountant and holds an MBA from the Melbourne Business School.
Alison Ledger	**Chair of Remuneration and People Committee** **Chair of Technology Committee** **Member of Audit Committee** Alison spent eight years with Insurance Australia Group in senior strategic and operational roles. As EGM for Product, Pricing & eBusiness and COO of online only The Buzz Insurance, Alison led the digital transformation of the direct-to-consumer business. Prior to this, Alison was a Partner with McKinsey & Company in the United Kingdom and Australia and a banker with Chase Investment Bank and Bankers Trust. Alison is currently also a Director of ASX-listed entities, Audinate Group Limited (ASX:AD8) (since May 2017) and CountPlus Limited (ASX: CUP) (since October 2016). She received her MBA from Harvard Business School and graduated magna cum laude, with a BA degree in Economics from Boston College. She is a Graduate and Member of the Australian Institute of Company Directors.
Scott Bookmyer	**Member of Remuneration and People Committee** Scott joined KKR in 2002 and is a Partner and the Head of KKR Australia. He serves on KKR's Asia Private Equity Investment Committee and the KKR Asia Portfolio Management Committee. Scott's other board roles include MYOB, the Australian Venue Company and Laser Clinics Australia. Scott's previous employers include Procter & Gamble and Boston Consulting Group. Scott holds a BA with honours from Indiana University and an MBA from The University of Chicago's Booth School of Business.
James Corcoran	**Member of Audit Committee** **Member of Risk Committee** Prior to being appointed to Latitude's Board of Directors, James was the CEO of NewDay in the United Kingdom. James also previously served in various senior management roles with Washington Mutual, HBOS, Bank One and Citibank. James is currently a Director on the Board of NewDay and Mercury Financial in the United States.
Beaux Pontak	**Member of Risk Committee** **Member of People and Remuneration Committee** **Member of Technology Committee** Beaux currently serves as a Managing Director and the Co Head for Deutsche Bank's Global Finance & Credit Trading business in Asia Pacific. Prior to joining Deutsche Bank in 2005, Beaux worked with Ernst & Young as a Senior Manager in Management Consulting. He has a BA Economics and a BA in International studies.

Andrew Hoshino	**Member of Technology Committee** Andrew currently serves as a Director and CEO of EasyLend Finance Company Limited, a Hong Kong based online personal loan company. Prior to taking his current role, Andrew has served in various leadership roles for Shinsei Bank group including GM to lead consumer finance business unit. Andrew has over 30 years' work experience in consumer finance business in Japan, United States, and Hong Kong with companies such as GE Capital. He holds a Bachelor of Arts from University of Delaware.

5.5 LATITUDE'S KEY MANAGEMENT

Brief profiles of the key members of Latitude's management team as at the date of this Explanatory Booklet are as follows:

Paul Varro	**Chief Financial Officer and Executive General Manager, Risk and Finance** As Latitude's Chief Commercial Officer in 2021, Paul Varro held end-to-end responsibility for all Payments and Instalments, Lending and insurance products. Paul's career includes experience in financial services across Australia, United Kingdom, Ireland and United States. A chartered accountant, he began his career with Deloitte and holds a Bachelor of Business degree in Accounting and Business Law. Paul's first role at Latitude was as the CFO Insurance. He has since held a range of senior positions such as Group Treasurer, Executive General Manager, Product, and Executive General Manager, LatitudePay and Insurance. In January 2022, Paul became Latitude's Chief Financial Officer and Executive General Manager, Risk and Finance.
Andrew Walduck	**Chief Operating Officer** Andrew joined Latitude in 2019 as Chief Operating Officer. He is an entrepreneurial executive with deep experience in building domestic and global organisations. His career spans more than 25 years in multiple disciplines including sales, marketing, product management, digital, innovation and technology leadership roles. Andrew has held executive roles in major Australian and global corporations including leading Australia Post's digital transformation and as a partner in the Communications and High-tech Practice at Accenture. He has also filled marketing leadership roles in small growing businesses. Andrew and his partner Jane are strong advocates of community empowerment and actively work to strengthen how communities work and live. In January 2022, Andrew became Executive General Manager, Pay, to lead Latitude's Pay strategic business unit.
Bob Belan	**Executive General Manager, Money** Bob is responsible for the growth of Latitude Money, Latitude's personal loans lending business unit. He is the cofounder of Symple loans which was acquired by Latitude in 2021. Bob brings 20 years of experience to the team. He has held senior roles at global financial services firms in North America and Australia including American Express, JPMorgan Chase & Co and ANZ Banking Group, leading large scale consumer and business lending teams and divisions. Prior to co-founding Symple, Bob was Managing Director of Retail, Corporate & Commercial Products for ANZ in Australia.
Jo Mikleus	**Executive General Manager, Insurance** Jo joined Latitude as Chief Risk Officer in 2019. With more than 30 years' global experience in business and financial services, Jo has led a range of large businesses at ANZ, is co-founder of the machine learning company CorticAi, and was CEO of fast-growing data firm RUBIX. Across a diverse career in public, private and PE-backed companies she has developed a track record for innovating and successfully leading people through structural, technology, social and regulatory change. Jo is a keen supporter of entrepreneurialism, growth, disruptive innovation, business leadership, global expansion, customer and employee experience, as well as culture, inclusion, diversity and wellbeing. In January 2022, Jo moved to the role of Executive General Manager, Insurance, to lead the reinvigoration of Latitude's Insurance business.
David Gelbak	**Executive General Manager, Pay and Group Development** David has responsibility across Latitude's Payments and Instalments business of cards, BNPL (big and small ticket) in Australia and New Zealand. He is also responsible for driving Latitude's international expansion through Latitude's Asian business. David was previously Chief Country Officer for New Zealand, with responsibility for all New Zealand business operations and customer experience, as well as Latitude's product portfolio including Sales Finance, Credit Cards, Personal Loans and Genoapay (BNPL). Prior to that David held the role of Managing Director – Commercial in Australia with P&L responsibilities across Credit Cards, Personal Loans and instalments with functional responsibilities across Product, Marketing, Digital and Customer Experience. David has 22 years' experience in General Management, Digital, Product, Business Development and Marketing roles and attended Monash University, graduating with a Bachelor of Business Marketing. He also has a Diploma in Advanced Market Research from The Market Research Society of Australia. In January 2022, David moved to the role of Executive General Manager, Group Development, with responsibility for driving Latitude's international expansion, continuing to lead Latitude's important New Zealand operations and the reinvention of Latitude's successful 28° travel card.

Chris Blake	**Executive General Manager, Corporate Services**	

Chris joined Latitude as Executive General Manager, Corporate Services, in 2019. He is a proven transformation leader who has designed and led successful enterprise-wide change connecting Strategy, Brand and Culture.

Chris and his Corporate Services team have responsibility for developing and implementing a refreshed strategy, brand and culture to capture the growth opportunities that exist in the rapidly changing financial services landscape.

After a successful consulting career as a Partner at PwC, Chris built and led high performing teams to design and implement business and cultural change in Financial Services and more recently with Australia Post.

Chris is a Board Member of the Florey Institute of Neuroscience and Mental Health where he is also a member of the Commercialisation Committee. Chris is a member of the Australian Epilepsy Project's Advisory Committee and has been a past Chairman of the Brain Research Institute, a past Director of the Australian American Leadership Dialogue and has served on a number of Federal Government advisory panels.

5.6 HISTORICAL FINANCIAL INFORMATION

This Section sets out a summary of historical financial information of Latitude for the purposes of this Explanatory Booklet. Included in this Section are:

- Summary statutory income statement of Latitude Group Holdings Limited for the year ended 31 December 2021 (**Latitude Statutory Income Statement**);
- Summary pro forma income statement of Latitude Group Holdings Limited for the year ended 31 December 2020 (**Latitude Pro Forma Income Statement**) along with a reconciliation of the Latitude Pro Forma Income Statement to the statutory net profit after tax for the same period;
- Summary reconciliation of the FY21 Latitude Statutory Income Statement and the FY20 Latitude Pro Forma Income Statement to cash NPAT for each period (**Cash NPAT Reconciliation**);
- Summary statutory balance sheet of Latitude Group Holdings Limited as at 31 December 2021 (**Latitude Statutory Balance Sheet**); and
- Summary capital information of Latitude as at 31 December 2021 (**Latitude Capital Information**).

The Latitude Statutory Income Statement and Latitude Statutory Balance Sheet has been extracted from the financial statements of Latitude Group Holdings Limited for the financial year ended 31 December 2021 (**Latitude Statutory Financial Statements**). These financial statements (including comparative financial information for the year ended 31 December 2020 and all notes to those accounts), can be found in full in the 2021 Annual Report (issued to the ASX on 25 March 2022). The financial statements for the year ended 31 December 2021 have been audited by KPMG who issued an unqualified audit report in respect of those financial statements.

The Latitude Pro Forma Income Statement for the financial year ended 31 December 2020 has been extracted from the Latitude Group Holdings Limited IPO prospectus dated 30 March 2021 (**Latitude IPO Prospectus**). The Pro Forma Income Statement included in the Latitude IPO Prospectus has been reviewed by KPMG Transaction Services in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. Investors should note the scope and limitations of KPMG's Limited Assurance Historical Investigating Accountant's Report included in section 8 of the Latitude IPO Prospectus.

The Pro Forma Income Statement includes adjustments to remove the effect of changes in Latitude's group structure and other non-recurring transactions that have taken place as a result of Latitude's initial public offering (**Latitude IPO**). It is Latitude's belief that the Pro Forma Income Statement included in the Latitude IPO Prospectus provides a more useful and representative basis of the Latitude Group's underlying performance for the year ended 31 December 2020 than the statutory income statement for that period. As a result, the comparative information for the year ended 31 December 2020 within the table below has been presented to align to the Latitude IPO Prospectus pro forma information rather than the statutory income statement contained within the Latitude Statutory Financial Statements. A summary reconciliation of the Pro Forma Income Statement to the statutory net profit after tax for the year ended 31 December 2020 has been presented in the table below. Further information on the reconciliation of the Pro Forma Income Statement and reconciliation to statutory net profit after tax is included in section B of the Latitude Group Holdings Limited Management Discussion and Analysis (dated 22 February 2022).

Further information on Latitude's historical financial information can be found in the Latitude Statutory Financial Statements and the Latitude IPO Prospectus.

The Latitude Statutory Financial Statements and the Latitude IPO Prospectus can be found on the Latitude Group website at: www.latitudefinancial.com.au.

The financial information presented in this Section has been presented in abbreviated form. It does not contain all of the disclosures usually provided in an annual report or full year financial report prepared in accordance with the Corporations Act. In particular, the Latitude Statutory Income Statement and Latitude Statutory Balance Sheet have been extracted from the Latitude Statutory Financial Statements (with comparative financial information). As a result, this Explanatory Booklet should be read in conjunction with the aforementioned documents and any public announcements made in the period by Latitude in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules.

Latitude's historical financial information has been prepared and presented in accordance with the recognition and measurement requirements of the Australian Accounting Standards which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The presentation currency of the financial and capital information is Australian dollars.

Investors should note that past performance is not a reliable indicator of future performance.

5.6.1 SUMMARY INCOME STATEMENT FOR FY21 AND FY20

A$ million	Latitude Pro Forma Income Statement 2020	Latitude Pro Forma Income Statement 2021
Interest income	1,058.10	932.4
Interest expense	(202.8)	(169.7)
Net interest income	855.3	762.7
Other operating income	21.4	25.1
Net insurance income	22.5	30.4
Total other operating income	43.9	55.5
Total operating income	899.2	818.2
Loan impairment expense	(208.8)	(116.2)
Operating expenses		
Employee benefit expense	(184.7)	(175.0)
Depreciation and amortisation expense	(92.9)	(92.9)
Other expenses	(226.0)	(208.2)
Total operating expenses	(503.6)	(476.1)
Distribution to trust beneficiaries	–	(3.2)
Profit before income tax	186.7	222.7
Income tax expense	(58.6)	(62.4)
Profit from continuing operations	128.1	160.3
Net loss after tax from discontinued operations	–	–
Profit for the year	128.1	160.3
Profit/(loss) is attributable to:		
Owners of Latitude Group Holdings Limited	–	160.9
Non-controlling interests	–	(0.6)
Profit for the year	**128.1**	**160.3**

During the year ended 31 December 2021 Latitude completed an internal restructure (**Latitude pre-IPO Restructure**) and was listed onto the ASX by way of the Latitude IPO. Further information regarding these activities can be found in the Latitude IPO Prospectus.

5.6.2 RECONCILIATION OF NET PROFIT AFTER TAX TO CASH NPAT

The table below sets out Latitude's Cash NPAT for the year ending 31 December 2021 along with a reconciliation of Cash NPAT to Latitude's statutory net profit after tax from continuing operations for the same period (along with a comparative reconciliation from Cash NPAT to pro forma net profit after tax for the year ended 31 December 2020). Cash NPAT is measured by Latitude to evaluate the underlying operating performance of the business without the impact of expenditure associated with the non-cash expenses from the amortisation of acquisition intangibles, amortisation of legacy transaction costs and Significant Items.

Further details on Latitude's Cash NPAT are set out in Latitude's results announcements and the Latitude IPO Prospectus.

A$ million	2020	2021
Profit for the year	128.1	160.3
Amortisation of Acquisition Intangibles	48.3	48.3
Amortisation of Legacy Transaction Costs	24.8	9.4
Significant Items	62.7	43.0
Tax effect of adjustments	(40.1)	(28.8)
Cash NPAT	**223.9**	**232.2**

Further information on both amortisation of acquisition intangibles and amortisation of legacy transaction costs is contained in section B.4 of the Latitude Group Holding Limited Management Discussion and Analysis for the year ending 31 December 2021.

Latitude excludes from Cash NPAT certain items that are included in the statutory profit after tax that Latitude believes should be separately identified due to their significant nature (**Significant Items**). Latitude believes these items are outside the ordinary course of business and temporary in nature or relate to the costs associated with entering new segments and markets where the associated revenues or benefits from that investment will not evolve during the reporting period and where the costs have not been capitalised.

Further information regarding Significant Items is contained in section A.11 of the of the Latitude Group Holding Limited Management Discussion and Analysis for the year ending 31 December 2021 and the Latitude IPO Prospectus.

5.6.3 RECONCILIATION OF STATUTORY NET PROFIT AFTER TAX TO PRO FORMA NET PROFIT AFTER TAX FOR FY20

The table below sets out the reconciliation between the statutory net profit after tax to the pro forma net profit after tax for the year ended 31 December 2020 as per the Latitude Pro Forma Income Statement included in the table above.

A$ million	2020
Pro forma profit for the year	128.1
Changes in Capital Structure	(80.3)
Transaction and historical IPO costs	(19.8)
Tax effect of adjustments	18.7
Statutory Profit/(Loss) after tax from continuing operations	46.7
Profit/(Loss) on Discontinued Operations after tax	(1.5)
Statutory Profit/(Loss) after tax	**45.2**

The Latitude Pro Forma Income Statement for 31 December 2020 reflects the completion of the Latitude IPO and changes in the capital structure which took place in the year ended 31 December 2021. Accordingly, there are no differences between the Latitude Statutory Income Statement and the pro forma income statement for that period.

Further details on the pro forma adjustments are contained in note 1.1(c) to the Financial Statements for the year ended 31 December 2021 and the Latitude IPO Prospectus.

5.6.4 BALANCE SHEET AS AT 31 DECEMBER 2021

The table below contains the Latitude Statutory Balance Sheet as extracted from the Latitude Statutory Financial Statements for the year ended 31 December 2021.

A$ million	2021
Assets	
Cash and cash equivalents	605.7
Investments	83.6
Assets classified as held for sale	0.2
Derivative financial instruments	12.3
Loans and other receivables	6,008.1
Other assets	8.2
Deferred tax assets	178.3
Other financial assets	1.6
Property, plant and equipment	69.2
Intangible assets	1,047.9
Total assets	**8,015.1**
Liabilities	
Trade and other liabilities	380.7
Current tax liabilities	36.8
Derivative financial instruments	1.0
Provisions	74.5
Gross insurance policy liabilities	19.2
Deferred tax liabilities	72.2
Borrowings	5,865.2
Total liabilities	**6,449.6**
Net assets	**1,565.5**
Equity	
Contributed equity	2,221.0
Reserves	(667.2)
Retained profits/(Accumulated losses)	7.2
Capital and reserves attributable to owners of Latitude Group Holdings Limited	1,561.0
Non-controlling interests	4.5
Total equity	**1,565.5**

Note:
No pro forma adjustment has been made for the impact of the payment of the final dividend for the year ended 31 December 2021 of 7.85 cents per Latitude Share amounting to $81.5 million.

5.6.5 CAPITAL INFORMATION AT 31 DECEMBER 2021

The table below sets out the information on Latitude's capital position as at 31 December 2021.

A$ million	2021
Total Equity	1,565.5
Tangible Equity	517.6
Tangible Equity to Net Receivables	8.7%

5.7 CAPITAL STRUCTURE

5.7.1 CAPITAL STRUCTURE

As at the date of this Explanatory Booklet, the total securities of Latitude on issue are as follows:

Security	Number
Latitude Performance Rights	2,133,626
Latitude Capital Notes	1,500,000
Latitude Shares	1,038,461,538

5.7.2 SUBSTANTIAL SHAREHOLDERS

The details of Latitude's substantial shareholders as at the date of this Explanatory Booklet are set out below.

Shareholder	Number of Latitude Shares	Percentage
KVD Singapore Pte Ltd	662,534,273	63.80
Shinsei Bank Limited	103,847,000	10
Total	**766,381,273**	**73.80**

5.7.3 MARKETABLE SECURITIES OF LATITUDE HELD BY OR ON BEHALF OF LATITUDE DIRECTORS

The details of marketable securities of Latitude held by or on behalf of Latitude Directors as at the date of this Explanatory Booklet are as follows.

Director's name	Latitude Shares held by or on behalf of the Director	Latitude Performance Rights held by or on behalf of the Director
Michael Tilley	3,737,266	–
Ahmed Fahour	3,197,514*	1,222,052
Mark Joiner	514,322	–
Alison Ledger	98,760	-
Scott Bookmyer	–	–
James Corcoran	–	–
Beaux Pontak	–	–
Andrew Hoshino	–	–
Total	**7,547,862**	**1,222,052**

Note:
* Of the total number of Latitude Shares held by Mr Ahmed Fahour, 2,692,308 Latitude Shares are held subject to voluntary escrow until 1 November 2022.

5.7.4 CALL OPTIONS HELD BY MR AHMED FAHOUR

In addition to the above securities, Mr Ahmed Fahour also holds 16,500,000 call options exercisable between 1 March 2023 and 31 March 2023 in three tranches on the terms set out in section 6.2.2.5 Part B of the prospectus issued by Latitude on 30 March 2021.

5.8 PROFILE OF LATITUDE FOLLOWING THE HCF SALE

5.8.1 DETAILS OF CHANGES TO LATITUDE'S BUSINESS MODEL AND EXPECTED SYNERGIES

The following changes are anticipated to occur to Latitude's business and its business model as a result of the Completion of the HCF Sale:

- **Latitude will increase its customer base and its merchant and industry distribution capability**
  - Customers – increase to approximately 5 million customers across Australia and New Zealand with access to a new segment of younger customers acquired via Humm's BNPL portfolio.
  - Merchant – increase distribution to approximately 60,000 merchant stores and ecommerce sites that will, in turn, accelerate penetration into new growth industries such as health, solar, and travel.
- **Completion of the HCF Sale will give rise to cross-sell and customer monetisation opportunities for Latitude**
  - New cross sell opportunities for instalment interest free and Lending products to the expanded customer base. This will leverage Latitude's existing cross-sell experience, capability and business model.
- **Latitude will undertake further technology consolidation and rationalisation**
  - Latitude anticipates attaining a $32 million synergy benefit associated with the consolidation of five core platforms to two, the rationalisation of products and the removal of duplicate platforms and systems (including finance and human resources systems).
  - The anticipated synergy gains will come from three key actions namely:
    i. Migration of Humm's card products, customers and receivables to Latitude's cards ecosystem and platform. This migration will enable the decommissioning of Humm's card systems and operations.
    ii. Migration of Latitude's BNPL products, customers and receivables to Humm's global BNPL platform that is scheduled for implementation in Australia. This migration will enable the decommissioning of Latitude's BNPL systems and operations.
    iii. Transition and removal of duplicate enterprise platforms in finance, treasury, human resources, enterprise technology and risk.
- **Latitude will rationalise duplicate functions**
  - In addition to the technology related synergies noted above, Latitude anticipates attaining a further $20 million in synergies associated with the rationalisation of duplicate enterprise functions across several areas including sales, marketing, product, operations, finance, human resources and risk.
  - Latitude intends to combine best in class talent capability across BNPL and cards markets.

5.8.2 DETAILS OF DIRECTORS' INTENTIONS REGARDING LATITUDE FOLLOWING HCF SALE

This Section 5.8.2 sets out the Latitude Board's present intention only and is based on the information concerning Humm and HCF (including certain non-public information made available by Humm to Latitude) and the general business environment which is known to Latitude at the time of preparation of this Explanatory Booklet. Latitude does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, commercial, taxation and financial implications of its present intentions.

The Latitude Board's present intentions concerning HCF are to:

- consolidate its LatitudePay BNPL product in Australia under the Humm brand utilising, in combination with Salesforce, the Q2 Cloud Lending platform. Q2 Cloud Lending is a leading cloud-based platform currently used by parts of HCF and Latitude's consumer finance business. Latitude will also move Humm's credit card business onto Latitude's VisionPlus platform. Consolidating across the portfolios from multiple receivables platforms to two will enable Latitude to deliver against its strategy for scale and speed to market; and
- otherwise to continue to operate HCF in substantially the same manner as it is currently operating.

If Completion of the HCF Sale occurs, Latitude intends to undertake a detailed review of HCF, including to evaluate its performance, prospects and strategic relevance. Latitude will only make final decisions following the completion of its review of HCF and based on the facts and circumstances at the relevant time. Accordingly, the statements set out in this Section 5.8.2 are statements of present intention and may change as new information becomes available or as circumstances change.

5.8.3 DETAILS OF CHANGES TO LATITUDE BOARD AND SENIOR MANAGEMENT

Latitude Board

Following Completion, Latitude intends to invite two current independent directors of Humm to join the Latitude Board. As at the date of this Explanatory Booklet, no agreements, arrangements or understandings have been reached between Latitude or any of the current independent directors of Humm.

Senior management

The Latitude Group is proposing to make an employment offer to Rebecca James (Humm's current CEO) to join the Latitude Group immediately following Completion. Further details of the proposed employment offer from the Latitude Group to Ms James are described in Section 3.10.3.

5.8.4 CAPITAL STRUCTURE

The total securities of Latitude on issue will be as follows upon Completion of the HCF Sale:[28]

Security	Number
Latitude Performance Rights	5,533,201[(a) (b)]
Latitude Capital Notes	1,500,000
Latitude Shares	1,188,461,538[(c)]

Notes:

(a) At Latitude's AGM held on 27 April 2022, Latitude obtained approval from its shareholders under Listing Rule 10.14 for 625,479 Latitude Performance Rights to be issued to Mr Ahmed Fahour.

(b) The number of Latitude Performance Rights contemplates (i) Latitude granting 500,000 Latitude Incentive Performance Rights to Ms Rebecca James post Completion in accordance with the Latitude Employment Offer and (ii) Latitude Performance Rights being issued to other persons in accordance with the Latitude LTI plan since its inception in FY21.

(c) At Latitude's AGM held on 27 April 2022, Latitude obtained approval from its shareholders under Listing Rule 7.1 for the 150 million Latitude Shares to be issued to Humm.

5.8.5 PRO FORMA FINANCIAL INFORMATION OF LATITUDE FOLLOWING THE ACQUISITION OF HCF

This Section sets out the following summary pro forma information of Latitude adjusted to reflect the acquisition of HCF:

- summary pro forma consolidated income statement of Latitude and HCF for the year ended 31 December 2021, as if HCF had been acquired on 1 January 2021 (**Pro Forma Income Statement**);
- a reconciliation of the pro forma net profit after tax of Latitude and HCF to the pro forma Cash NPAT of Latitude and HCF for the year ended 31 December 2021;
- summary consolidated pro forma balance sheet of Latitude and HCF as at 31 December 2021, as if HCF had been acquired on 31 December 2021 (**Latitude Pro Forma Balance Sheet**); and
- summary pro forma capital information of Latitude and HCF as at 31 December 2021, adjusted to reflect the impact of the acquisition of HCF as at that date.

Basis of Preparation

The Pro Forma Income Statement has been extracted from the audited statutory income statement of Latitude for the year ended 31 December 2021, adjusted to reflect:

- the addition of the unaudited income statement of the HCF for the 12 months ended 31 December 2021. The unaudited income statement of HCF for the 12 months ended 31 December 2021 reflects a mathematical aggregation of the segment information of HCF as extracted from the reviewed interim financial statements of Humm Group for the 6 months ended 31 December 2021 and the financial information of HCF for the 6 months ended 30 June 2021 (as extracted and derived from the segment information for HCF set out in the Humm Group audited financial statements for the 12 months to June 2021 and reviewed interim financial statements for the 6 months to 31 December 2020); and
- the removal of the effect of impairment losses on intangible assets recognised in the Humm Group interim financial statements for the 6 months ended 31 December 2021. Goodwill and intangible assets will be recognised at fair value in the financial statements of Latitude post acquisition in line with AASB 3 Business Combinations. Latitude has not yet completed a purchase price allocation exercise. In line with Accounting Standards, Latitude will complete a purchase price allocation exercise on the date of completion and has 12 months from that date to finalise its purchase price accounting, which may give rise to new intangible assets and amortisation charges once the purchase price accounting is finalised.

The Latitude Pro Forma Balance Sheet has been extracted from the audited statutory balance sheet of Latitude as at 31 December 2021, adjusted to reflect:

- the addition of the unaudited balance sheet of HCF (as extracted from the reviewed balance sheet and underlying accounting records of Humm Group with adjustments to remove the assets and liabilities that are not part of the transaction perimeter);
- the impact of the new equity issued and cash payment made by Latitude to Humm Group in order to acquire HCF; and
- the settlement of costs incurred directly associated with the HCF Sale.

28. This capital structure table assumes that Completion will occur on or about 30 June 2022.

5.8.6 PRO FORMA HISTORICAL INCOME STATEMENT

A$ million	Latitude Statutory income statement Year ended 31 December 2021 (Statutory Audited)	Humm Consumer Finance (HCF) pro forma income statement 12 months to December 2021 (Unaudited)[(a)]	Remove impairment of Humm's earnings[(b)]	Latitude and HCF Pro Forma Income Statement Year ended 31 December 2021 (Unaudited)
Interest income	932.4	254.3	–	1,186.7
Interest expense	(169.7)	(52.2)	–	(221.9)
Net interest income	**762.7**	**202.1**	**–**	**964.8**
Other operating income	25.1	54.7	–	79.8
Net insurance income	30.4	–	–	30.4
Total other operating income	**55.5**	**54.7**	**–**	**110.2**
Total operating income	**818.2**	**256.8**	**–**	**1,075.0**
Loan impairment expense	(116.2)	(48.2)	–	(164.4)
Operating expenses				
Employee benefit expense	(175.0)	(66.6)	–	(241.6)
Depreciation and amortisation expense	(92.9)	(24.8)	–	(117.7)
Other expenses	(208.2)	(268.2)	181.2	(295.2)
Total operating expenses	**(476.1)**	**(359.6)**	**181.2**	**(654.5)**
Distribution to trust beneficiaries	(3.2)	–	–	(3.2)
Profit/(loss) before income tax	**222.7**	**(151.0)**	**181.2**	**252.9**
Income tax (expense)/benefit	(62.4)	(11.5)	–	(73.9)
Profit/(loss) from continuing operations	**160.3**	**(162.5)**	**181.2**	**179.0**
Profit/(loss) is attributable to:				
Owners of Latitude Group Holdings Limited	160.9	(162.5)	181.2	179.6
Non controlling interest	(0.6)	–	–	(0.6)
Profit/(loss) for the period	**160.3**	**(162.5)**	**181.2**	**179.0**

Notes:
(a) Reflects the unaudited income statement of HCF on a 12 month basis to December 2021, based on a mathematical aggregation of the segment information of HCF. Refer Basis of Preparation set out in Section 5.8.5.
(b) Reflects the removal of $181.2 million in impairment charges related to goodwill and intangible software assets recognised in the HCF segment information for the 6 months ended 31 December 2021. Refer Basis of Preparation set out in Section 5.8.5.

The Latitude Pro Forma Income Statement has not been adjusted to reflect changes to operating costs as a result of the finalisation assets and resources that will be transferred to Latitude as part of the transaction perimeter, nor synergies associated with the acquisition. Latitude and Humm have estimated additional in perimeter pre-tax operating costs of $5.1 million, (related to additional costs of corporate functions, and shared resources and contracts previously provided and allocated across the Humm Group but which are expected to transfer to Latitude following the acquisition). Latitude has separately estimated in year pre-tax synergies of $20 million available to Latitude by financial year 2023 ($65 million on an annualised basis) consisting of $55 million of technology, duplicate cost and funding synergies and $10 million of revenue synergies.

Latitude has estimated $90 million of non-recurring pre-tax integration costs, including $60 million for integration and migration of HCF and $30 million for Latitude write off expenses and rationalisation costs.

5.8.7 RECONCILIATION OF NET PROFIT AFTER TAX TO CASH NPAT

A$ million	Latitude Statutory income statement Year ended 31 December 2021 (Statutory Audited)[a]	Humm Consumer Finance (HCF) pro forma income statement 12 months to December 2021 (Unaudited)[b]	Remove impairment of Humm's earnings[b]	Latitude and HCF Pro Forma Income Statement Year ended 31 December 2021 (Unaudited)
Profit/(loss) for the period	**160.3**	**(162.5)**	**181.2**	**179.0**
Amortisation of Acquisition Intangibles	48.3	2.6	–	50.9
Amortisation of Legacy Transaction Costs	9.4	–	–	9.4
Significant Items	43.0	181.2	(181.2)	43.0
Other	–	8.7	–	8.7
Tax effect of adjustments	(28.8)	(0.7)	–	(29.5)
Cash NPAT	**232.2**	**29.3**	**–**	**261.5**

Notes:

(a) Details of the adjustments from Latitude's statutory net profit after tax to Cash NPAT are set out in Section 5.6.2.

(b) HCF Cash NPAT reflects (i) the removal of costs associated with amortisation charges associated with intangible assets from previous business acquisitions; (ii) the removal of expenses associated with the impairment of goodwill and software related intangible assets recognised in December 2021 following the announcement of the acquisition of HCF by Latitude (removed from the Latitude Pro Forma Income Statement); and (iii) the removal of costs associated with the Humm Group FY20 Transformation Incentive Plan which was cancelled in FY21 (with a corresponding expense recognised in FY21) and third party costs incurred by HCF associated with the acquisition of HCF by Latitude.

5.8.8 PRO FORMA BALANCE SHEET AS AT 31 DECEMBER 2021

A$ million	Latitude Statutory Balance Sheet Year ended 31 December 2021 (Statutory Audited)	Impact of settlement of the purchase price for HCF[(a)]	Pro forma consolidation of the unaudited HCF Balance Sheet at 31 December 2021[(b)]	Transaction costs[(c)]	Pro Forma Balance Sheet (Unaudited)
Cash and cash equivalents	605.7	(35.0)	106.1	(7.2)	669.6
Investments	83.6	335.0	(335.0)	–	83.6
Assets held for sale	0.2	–	–	–	0.2
Derivative financial instruments	12.3	–	–	–	12.3
Net loans and other receivables)	6,008.1	–	1,770.7	–	7,778.8
Other assets	8.2	–	–	–	8.2
Deferred tax assets	178.3	–	24.2	–	202.5
Other financial assets	1.6	–	–	–	1.6
Property, plant and equipment	69.2	–	19.1	–	88.3
Intangible assets	1,047.9	–	58.0	–	1,105.9
Provisional goodwill	–	–	87.0	–	87.0
Total assets	**8,015.1**	**300.0**	**1,730.1**	**(7.2)**	**10,038.0**
Trade and other liabilities	380.7	–	40.2	–	420.9
Current tax liabilities	36.8	–	0.1	(2.2)	34.7
Derivative financial instruments	1.0	–	(2.0)	–	(1.0)
Provisions	74.5	–	7.6	–	82.1
Gross insurance policy liabilities	19.2	–	–	–	19.2
Deferred tax liabilities	72.2	–	1.0	–	73.2
Borrowings	5,865.2	–	1,683.3	–	7,548.5
Total liabilities	**6,449.6**	**–**	**1,730.1**	**(2.2)**	**8,177.5**
Net assets	**1,565.5**	**300.0**	**–**	**(5.0)**	**1,860.5**
Contributed Equity	2,221.0	300.0	–	–	2,521.0
Reserves	(667.2)	–	–	–	(667.2)
Retained earnings	7.2	–	–	(5.0)	2.2
Capital and reserves attributable to owners of the Latitude Group	**1,561.0**	**300.0**	**–**	**(5.0)**	**1,856.0**
Non-controlling interests	4.5	–	–	–	4.5
Total equity	**1,565.5**	**300.0**	**–**	**(5.0)**	**1,860.5**

Notes:

(a) Reflects the impact of new equity of $300 million to be issued by Latitude (150 million Latitude Shares assumed to be issued at $2.00 per share) and cash paid of $35 million to Humm in order to acquire HCF. The final purchase price will be subject to customary adjustments for changes in the tangible net assets of HCF at the date of completion and the market price of Latitude's Shares as at that date.[29]

(b) Reflects the consolidation of the unaudited balance sheet of HCF as at 31 December 2021, as extracted from the reviewed interim balance sheet of Humm Group as at that date, adjusted to remove assets and liabilities that will not be part of the transaction perimeter. In accounting for the acquisition in the Latitude Pro Forma Balance Sheet, the difference between the assumed scrip and cash acquisition payment of $335 million and the identifiable net assets of HCF has been allocated to goodwill on a preliminary basis. Latitude has not performed a purchase price allocation exercise to reflect the fair value of the assets and liabilities of HCF acquired. Latitude will undertake a formal fair value assessment of the fair value of assets and liabilities post Completion and in line with Accounting Standards, has 12 months from the date of completion to finalise its purchase price accounting. This may give rise to a materially different fair value allocation than that used for the purposes of the Latitude Pro Forma Balance Sheet. This may result in a reallocation of intangible assets from goodwill to other assets and liabilities (including other intangible assets) and also an increase or decrease in depreciation and amortisation charges in the combined income statement of Latitude and HCF.

(c) Reflects the settlement of transaction costs incurred by Latitude directly related to the acquisition of HCF.

29. At Latitude's AGM held on 27 April 2022, Latitude obtained approval from its shareholders under Listing Rule 7.1 for the 150 million Latitude shares to be issued to Humm.

No pro forma adjustment has been made for the impact of the payment of Latitude's final dividend for the year ended 31 December 2021 of 7.85 cents per Latitude Share amounting to $81.5 million.

5.8.9 PRO FORMA CAPITAL INFORMATION AT 31 DECEMBER 2021

The table below sets out the information on Latitude's pro forma capital position as at 31 December 2021.

A$ million	31 December 2021
Pro Forma Total Equity	1,860.5
Pro Forma Tangible Equity	667.6
Pro Forma Tangible Equity to Pro Forma Net Receivables	8.6%

5.9 RISK FACTORS

If the Capital Return proceeds, Humm Shareholders will be exposed to the risks of having an investment in Latitude through their receipt of Latitude Shares.

As with all investments, investors should be aware that the market price of Latitude Shares may fall as well as rise. The potential returns of Latitude will be dependent on risks specific to Latitude and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the potential risks discussed in this Section 5.9.

Humm Shareholders are encouraged to read this Section in its entirety.

The risks identified in this Section 5.9 are not exhaustive, and no assurances or guarantees of future performance of, profitability of, or payment of dividends by, Latitude are given.

5.9.1 GENERAL INVESTMENT RISKS

Like many companies listed on ASX, the market price of Latitude Shares and the potential for any future dividends to Latitude Shareholders are influenced by a number of factors, including the following:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in sentiment in credit markets;
- changes in general economic and business conditions, including levels of consumer spending, business demand;
- changes in government fiscal, monetary, taxation and regulatory policies, including foreign investment policies;
- inflation, interest rates and exchange rates, access to debt and capital markets;
- governmental or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- changes to the rate of company income tax or the tax arrangements between Australia and other jurisdictions in which the Latitude Group operates;
- natural disasters, catastrophes and disease or pandemic and other macroeconomic occurrences, including but not limited to geopolitical events such as an outbreak of hostilities, acts of terrorism and declarations of war; and
- changes to accounting standards and reporting standards.

5.9.2 GENERAL RISKS RELATING TO HOLDING LATITUDE SHARES

(a) Impact of COVID-19

Events related to COVID-19 resulted in economic and financial disruption in the principal markets in which Latitude operates which, in turn, impacted aspects of Latitude's operations during FY20 and FY21. The effects of COVID-19 may continue to impact Latitude's business in the future, however, the extent of these effects will depend on future developments, which cannot be predicted.

There is continued uncertainty as to the ongoing and future response of governments and authorities globally as well as existing and continued risk of disruption to domestic and global supply chains. This, along with the likelihood of an Australian and New Zealand economic downturn of unknown duration or severity may impact Latitude and its merchant partners. There is also an ongoing risk that the economic consequences of COVID-19 may become more severe across the economy, leading to a more widespread downturn in economic and business activity. Even after COVID-19 subsides, the Australian and New Zealand economies, as well as most other major economies, may experience a recession and unemployment may rise. A prolonged recession may potentially negatively impact lending volume and balances, debt servicing levels and consumer spending levels, may increase customer defaults, Hallmark Insurance's claims experience and investment returns, and may adversely impact Latitude's financial performance and position.

The Federal and State Governments in Australia, and the New Zealand Government, have established welfare and economic support and stimulus packages in response to COVID-19 aimed at reducing the severity of the social and economic impact on the population. The extent to which these packages may mitigate and/or defer the economic impact, including any credit losses Latitude may incur, is uncertain. There is also a risk that these packages (or any reforms and measures introduced as the packages are unwound) will create longer-term risks to the economy. This may also negatively impact consumer sentiment and may reduce demand for Latitude's products and services.

(b) COVID-19 Australian and New Zealand government travel and other restrictions

The Federal and State Governments in Australia, and the New Zealand Government, have from time to time imposed various measures to control the spread of COVID-19, such as social-distancing, public gathering restrictions, lockdowns, business closures and travel and trade restrictions (including border restrictions). The measures that were introduced, have had, and may continue to have, a significant impact on economic and business activity. Certain sectors of the Australian and New Zealand economies, including discretionary retail, hospitality, air travel, and tourism (both domestic and international), have experienced disproportionately significant financial stress. There is a risk that Latitude's business may be impacted by the measures imposed by the Australian and New Zealand governments; however, it is not possible to predict the impact (or the magnitude of such impact) of these trends on Latitude's business.

(c) Changing consumer preferences and competitive threats

The industry in which Latitude operates is subject to changing consumer trends, demands and preferences. Responding to new market trends can require significant investment. A failure by Latitude to anticipate, identify and react to these changes in a timely manner could lead to reduced demand and price reductions for Latitude's products.

In this respect, there has been an increased preference of customers for debit over credit products and a decline in demand for unsecured personal lending and a growing preference for online vs in-store transactions. It is therefore key that Latitude focuses on developing new, and enhancing existing, products to provide an attractive payment offering to its existing and new merchants, as well as customers. However, there is no certainty that these initiatives will be successful in achieving their goals. Accordingly, should the trend away from credit to debit and other payment products increase exponentially or faster than Latitude anticipates, there could be adverse impacts on Latitude's business and financial performance.

A key part of Latitude's continuing financial success will depend on its ability to develop and commercialise new products and services or enhancements to existing products and services. Latitude's ability to develop, acquire or commercialise competitive technologies, products, services or new commercial agreements on acceptable terms or at all may also be limited by intellectual property rights that third parties, including competitors and potential competitors, may assert. In addition, success is dependent on factors such as partner and customer acceptance, adoption and usage, competition, effectiveness of marketing programmes, availability of appropriate technologies and business processes and regulatory approvals, none of which can be guaranteed.

The financial services and payments industry is competitive. Actions by existing competitors or new entrants to the market could result in reductions in Latitude's lending volumes, reduced margins and/or loss of market share. The entry of new external providers of consumer finance or payments technology into the Australian or New Zealand market, or the introduction of new credit or payment products or more aggressive credit, premium rates or other competitive behaviour by competitors has increased and could potentially further increase competition in the industry, which may result in Latitude having to reduce its rates, see its market share decrease and/or have an adverse impact on Latitude's profitability or financial condition.

(d) Macroeconomic conditions

Macroeconomic factors such as unemployment, underemployment, interest rates, lack of income growth, the amount of consumer spending, business investment, government spending, government policy, the volatility and strength of the global and Australian and New Zealand capital markets, currency value, exchange rates and inflation (particularly of essential items) all affect the business and economic environment and, ultimately, the volume and profitability of Latitude's business.

Global factors such as the impacts of COVID-19, slowing global growth and recessionary concerns, and capital market volatility, all have the potential to lead to extended periods of economic uncertainty and volatility in financial markets. Given the concentration of Latitude's business in Australia and New Zealand, it is particularly exposed to changes in macroeconomic conditions in those countries.

Further, a deterioration in Australian and New Zealand economic conditions (including interest rate or inflationary environment) resulting from the impacts of COVID-19, macro political or economic events or otherwise, may increase the likelihood that borrowers will become unemployed or have insufficient income to pay their debts. It may also decrease underlying consumer spending that drives demand for Latitude's products. Further, consumer confidence and spending may not necessarily correspond with levels of unemployment or inflation, as consumer confidence and spending has waned even in the absence of such conditions against the backdrop of COVID-19 and the associated global uncertainty and slowdown.

5.9.3 SPECIFIC RISKS ASSOCIATED WITH HOLDING LATITUDE SHARES

(a) Regulatory compliance risks

As discussed in Section 5.3.3 Latitude is subject to a range of laws and regulations in Australia and New Zealand, the primary jurisdictions in which it currently conducts its business. Failure to comply with laws or regulations in these jurisdictions (or in other jurisdictions in which Latitude has recently commenced operations or may operate in the future) could adversely impact Latitude's business.

In both Australia and New Zealand (as well as in other jurisdictions in which operations have recently commenced such as Canada and Singapore), Latitude must comply with statutory obligations in relation to licensing and registration, responsible lending, design and distribution, insurance, mis-selling, Anti Money Laundering, privacy and disclosure. If Latitude does not comply with its licences or regulatory obligations, there is a risk that Latitude may cease to be authorised or licensed to undertake its business, may be subject to penalties, may be unable to recover fees, charges or interest or may have to refund funds lent, funds repaid to it by customers under loan contracts, insurance premiums, amounts representing an overcharging of fees, interest payments or other amounts.

Latitude has received various notices and requests for information from its regulators (including ASIC and the Australian Financial Complaints Authority) as part of both industry-wide and Latitude-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, regulated lending requirements, product suitability and marketing, and product distribution, interest and fees and the entitlement to charge them, customer remediation and insurance distribution. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain and there is a risk that they could be materially higher or lower than the provision or any contingent liability recognised by Latitude.

Latitude adopts a proactive approach to ensure that it appropriately remediates any issues identified. It has been undertaking several remediation processes consistent with this approach that are now materially complete. Other market participants have also been subject to class actions related to Credit Card Insurance (**CCI**) matters, and there remains a residual risk that Latitude could be subject to a class action in relation to its historical CCI activities.

There is a risk that a regulator may conduct other reviews or investigations in relation to Latitude's regulatory compliance or operations more generally. There is a risk that, arising from existing or future reviews, surveillances, investigations, enforcement actions and formal or informal inquiries or otherwise, Latitude could face legal or regulatory sanctions or reputational damage as a result of any failure (or purported failure) to comply with (or comply with developing interpretations of) applicable laws, regulations, codes of practice and standards of good conduct. Any non-compliance by Latitude could result in a negative impact on customers and other stakeholders' trust in Latitude, fines, penalties, payment of compensation, remediation orders, cancellation or suspension of Latitude's ability to carry on certain activities or businesses, or class actions from customers. There is also a risk that non-compliance may negatively impact Latitude's distribution channels and product development opportunities.

There are a number of recent regulatory changes or public announcements on regulator expectations which have been made which may impact Latitude's business, where the consequences of these changes for Latitude's business may not yet be fully known or realised. There are also a number of legislative initiatives and regulatory reviews which have recently been completed or are underway in the key markets in which Latitude operates which may lead to legislative changes impacting Latitude's business. These include:

- **Responsible lending:** Simplification of the current responsible lending rules in Australia, and developments in relation to responsible lending in New Zealand which have mirrored previous developments in Australia;
- **Insurance:** Latitude suspended offering insurance on credit cards and personal loan products in both Australia and New Zealand. Latitude has since recommenced sales through a new pilot CCI product called Repayment Protection Insurance on personal loans in Australia. The new product construct and distribution model has been informed by the regulatory expectations detailed in ASIC Report 622, the New Zealand Life Insurer Review as well as the recent and expected legislative changes noted in Section 5.3.4. Depending on the results of the pilot over the remainder of 2021, the Repayment Protection Insurance offering may also be extended to New Zealand;
- **BNPL:** LatitudePay and Genoapay are not subject to regulation by the National Credit Code in Australia, and in New Zealand are only subject to the aspects of the CCCFA that relate to "credit contracts" generally (namely, restrictions relating to oppressive terms and oppressive conduct), as opposed to the more onerous provisions that apply to "consumer credit contracts". In New Zealand, various submissions (particularly from consumer advocacy groups, but also from banks) have also raised concerns about BNPL products and have sought to have these brought within the ambit of the CCCFA. While it is difficult to predict if, and when, the New Zealand Government may seek to exercise its power to do so, if it were to declare BNPL products "consumer credit contracts", the regulatory obligations which apply to them would be considerably more onerous;
- **BNPL regulation in Asia:** In the key markets in which Latitude operates in Asia the BNPL sectors are currently unregulated. However, as discussed in Section 5.3.3, there are initiatives now underway in both Singapore and Malaysia that may impact the BNPL sector in both those markets. The Singapore Fintech Association has announced that its BNPL working group (to which Latitude is a founding member) is seeking to develop a BNPL framework that will address behavioural guidelines and enforcement mechanisms for organisations offering BNPL solutions in Singapore. In Malaysia, the Bank Negara Malaysia has announced that it is working together with the Ministry of Finance and the Securities Commission Malaysia to enact the Consumer Credit Act in 2022 to strengthen regulatory arrangements for all consumer credit activities including BNPL schemes offered by non-bank operators;
- **Recommendations of the Banking Royal Commission:** Various initiatives related to recommendations arising from the Banking Royal Commission remain under consideration. In addition to those related to insurance discussed above, these include the following (and the potential for follow-on changes in New Zealand):
  - The abolition of the Point of Sale Exemption: The Australian Government has indicated that it accepts this recommendation, however, it seems that implementation has been delayed because of COVID-19 and the government's plans are currently unclear. In particular, there is a lack of clarity as to the form the implementation of this recommendation will take, including whether the Point of Sale Exemption will be retained in part, and when the reform will be enacted or come into force. It is also not clear if the related exemption for co-branded credit cards (which Latitude also uses) will be affected. These exemptions facilitate the sale of Latitude's products at the stores of its merchant partners without the need for those merchant partners to be licensed. If these exemptions are cancelled or restricted, the manner in which, and the cost at which, Latitude distributes its products could be negatively impacted. While Latitude is exploring a number of options to mitigate the impact of any change, until the precise form of the reform or abolition of the Point of Sale Exemption is confirmed, the impact of any change remains uncertain; and
  - Development of the Financial Accountability Regime (**FAR**): This will extend the existing Banking Executive Accountability Regime to APRA regulated insurers and potentially other licence holders. This will impact Hallmark Insurance from 1 July 2023. Work has commenced to prepare for the new regime; however, there is uncertainty about the manner and timing in which FAR will be implemented for non-authorised deposit-taking institutions, and until the final form of FAR is known, there remains uncertainty about its impact on Latitude;
- **Product design and distribution obligations:** As discussed in Section 5.3.3, the Corporations Act has been amended to introduce design and distribution obligations for issuers and distributors of financial products. These will apply to Latitude's regulated and unregulated (National Credit Act only) credit products and to Hallmark Insurance products. These requirements commenced in October 2021. ASIC appears to have high expectations as to the degree of review, reporting and record keeping required in connection with these obligations;
- **Product intervention power:** ASIC now has a product intervention power to make specific new regulations for specific products. This allows ASIC considerable power to introduce new regulations for specific credit and insurance products;
- **Breach reporting:** The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* (Cth) has increased breach reporting obligations for financial services, and has introduced breach reporting obligations for consumer credit, together with statutory obligations to carry out remediation for both. These changes came into effect on 1 October 2021. The obligation to report no longer relies on a self-assessment of the significance of the breach. Instead, certain breaches that could potentially involve offences, civil penalty provisions or misleading and deceptive conduct are reportable without regard to the number, frequency or impact of the breaches. There are also new prescribed timeframes within which reporting to ASIC is required;
- **New Zealand CCCFA:** As discussed in Section 5.3.3, changes have been made to the CCCFA in New Zealand, which came into effect on 1 December 2021. The amendments and new regulations are intended to ensure creditors lend to consumers and manage consumer credit contracts responsibly, vulnerable consumers are protected, and financial markets are fair, efficient, and transparent. Consumer protection has been elevated to the primary purpose of the CCCFA and a principle of responsible lending, consistent with aspects of the National Credit Act, has been introduced. Lenders are required to exercise the care, diligence, and skill of a responsible lender in respect of credit advertising, and before and after providing consumer credit;
- **New Zealand Financial Markets (Conduct of Institutions) Amendment Bill:** The New Zealand Government is looking to introduce legislation in relation to the conduct of registered banks, insurers and non-bank deposit takers. Amongst other things, financial institutions will be required to establish, implement and maintain effective fair conduct programmes throughout their businesses to ensure they meet the requirement to treat consumers fairly; and
- **Privacy:** The Australian Attorney-General is conducting a review of the *Privacy Act 1988* (Cth), which may result in significant reforms, including changes to how and when consents must be obtained and an expanded definition of "personal information".

As is evident from the above, the legislative and regulatory environment in which Latitude operates is subject to change, which may impact Latitude's business model. Even when changes are unlikely to significantly impact Latitude's business model, where regulatory standards are adopted which are more stringent than those which Latitude's systems are currently designed to comply with, then this could lead to additional costs and negatively impact Latitude's financial performance. Each of the above initiatives has, either in themselves or through their potential consequences or effects, the potential to adversely affect Latitude's business. Further, Latitude cannot predict what legislative or regulatory changes may be made in the future or the impact on its business. Additional and increasingly complex new regulation may increase the cost of compliance (and the risk of non-compliance) for Latitude or compel Latitude to prioritise the implementation of systems or processes for compliance reasons, thereby delaying or impeding the implementation of other customer oriented or revenue generating initiatives. Pricing changes could also be necessary due to regulatory changes.

(b) Information technology and cybersecurity

The financial services industry as a whole relies heavily on information technology and Latitude's ability to provide reliable services, pricing and accurate and timely reporting for its customers is dependent upon the ongoing performance of its information systems, software and telecommunications equipment which include specialised and proprietary software systems, third-party suppliers (including of software), IT infrastructure and back-end data processing systems. Latitude's technology platform may be disrupted, become outdated or cease to function efficiently for both Latitude and its customers. Latitude currently has aged technology platforms and assets which carry a risk of sub-optimal function or system failure. This, in turn, places a high degree of importance on Latitude's disaster recovery capability which at this stage is still developing.

Latitude expects that new technologies and business processes applicable to the financial services industry will continue to emerge, and these new technologies and business processes may be better than those Latitude currently uses. Latitude's future success will depend, in part, on the effective use of technology to increase efficiency and to enable Latitude to better serve customers and reduce costs. The pace of technological change is high, and the financial services industry is intensely competitive. To manage this risk, a key focus of Latitude's strategy is substantial investment in enhancing its technology, digital platforms and tools to improve its resilience, products and customer experience, and lower its costs. Oversight of the execution of this strategy is and will receive significant focus of Latitude's resources.

Latitude devotes significant resources and management focus to ensuring the integrity of its systems through information security and business continuity programmes. Notwithstanding this, Latitude's facilities and systems, and those of its partners and third-party service providers, are subject to the risk of external or internal security breaches, cyber-attacks, data theft, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. It is possible that the measures taken by Latitude (including firewalls, encryption of client data, privacy policy, employee training and policies to restrict access to data to authorised employees) will not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent. While Latitude maintains insurance policies in respect of such risks, cyber-attacks and other security breach events could interrupt Latitude's business or operations, and have an adverse impact on Latitude's reputation.

(c) Execution risk on initiatives and strategies

There is no guarantee that any of Latitude's growth initiatives will be successfully implemented or that Latitude will deliver the expected returns arising from those initiatives. Latitude has implemented a number of significant initiatives designed to improve Latitude's risk management systems, enhance its services and new products provided to customers, and improve the efficiency of its business, including investing in technology to achieve its strategic objectives, meet changing customer expectations and respond to competitive pressures.

There is a risk that the benefits of any initiatives currently being pursued may be subject to unexpected delays, that costs may overrun or that the initiatives, such as new product launches or potential acquisitions, may not generate the financial returns that are intended or that the failure to adequately execute these changes, particularly in an environment of intense change across Latitude's business, may increase operational and compliance risks or adversely impact customers.

Latitude will also continue to consider, and may pursue, options with respect to inorganic growth, including by way of potential acquisitions by Latitude of other businesses. However, there is no certainty that any future acquisitions will be successful or will not expose Latitude's business to additional risk. By way of example, the integration of an acquired business can be costly and complex, and there can also be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired businesses will remain post-acquisition. In addition, there is a risk that completion of an agreed transaction may not occur whether in the form originally agreed or at all, including due to the failure of the counterparty to satisfy its completion conditions or because other completion conditions (such as obtaining relevant regulatory approvals) are not satisfied. Any of these factors may affect Latitude's ability to conduct its business and impact Latitude's operations or results.

(d) Access to, and cost of, funding

Latitude's funding platform currently comprises a mix of Warehouse Facilities, ABS, corporate debt facilities and cash deposits. Latitude depends on these sources to fund originations and for the funding of receivables and therefore may face funding risks. A loss of, or adverse impact on or in relation to, one or more of Latitude's funding sources (including the terms of such a funding arrangement), without access to alternative funding sources on comparable terms, could limit Latitude's ability to write new business or to write business on favourable terms, or to refinance expiring Warehouse Facilities and other facilities or meet additional requirements of capital to grow its business and invest in new product lines.

Some of the key risks in relation to funding to which Latitude is subject include:

- **Warehouse Facilities and ABS:** There is a risk that a default or other event under Latitude's Warehouse Facilities and ABS may impact the profitability, financial position and prospects of Latitude. By way of example, a default or other event may arise from Latitude's breach of its servicing or management obligations or representations that Latitude gives in connection with the origination of assets (such as in relation to Latitude's compliance with its responsible lending obligations and other laws). These may also arise from factors outside Latitude's control, such as a deterioration in the credit quality or performance of the pool of loans funded under the relevant Warehouse Facility or ABS. Latitude's business is heavily reliant on securitised funding, and if a major disruption occurs in the capital markets or if financial institutions become less willing or unable to provide Warehouse Facilities, Latitude may experience difficulties financing its business. Latitude's business may also be similarly impacted by a fall in demand for its ABS;
- **Corporate debt facilities:** There is a risk that, due to an event of default or a review event, Latitude's corporate debt providers may either demand repayment of or cancel the facility provided by them, fail to renew their facility following its maturity, or renew the facility only in part or on less favourable terms; and
- **Increased cost of funding:** Latitude earns interest income and associated revenue from providing gross loan receivables (e.g. interest income from customers, merchant services fees received from respective retailers, and other fixed rate fees), offset by funding costs relating to the funding of those receivables through its Warehouse Facilities and ABS. If wholesale market interest rates rise, then Latitude's cost of borrowing will similarly rise. Any material increases in market funding costs and an inability to pass these increased costs on to customers and merchants may have a material impact on Latitude's future funding costs, adversely affecting Latitude's financial performance, net earnings and/or new sales volumes.

(e) Risk management failures and operational factors

Latitude's risk management processes and procedures seek to appropriately balance risk and return and mitigate risks. Latitude has established processes and procedures intended to identify, measure, monitor and control the types of risk to which Latitude is subject, including strategic, financial market, insurance, credit, liquidity, compliance, HR resourcing (quality and quantity), workplace, health and safety, information security and cybersecurity, business disruption, processing errors, conduct and product development risk. There may also be risks that exist, or that develop in the future, that Latitude has not appropriately anticipated, identified or mitigated including when processes are changed, or new products and services are introduced. If Latitude's risk management framework does not effectively identify and control these risks, Latitude could suffer unexpected losses or be adversely affected.

Some of the key relevant risks to which Latitude is subject to include:

- **Operations and conduct:** Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which affect Latitude's business. Latitude is exposed to operational risks including process error, internal and external fraud, failure of information technology and information security and physical protection systems. Latitude also faces conduct risk – being the risk to the delivery of fair customer outcomes, or to market integrity. Loss from operational risk events could adversely affect Latitude's financial results, as well as divert staff away from their core roles to remediation activity;
- **Credit:** Latitude is exposed to its customers' ability and willingness to meet their payment obligations during the term of their contracts. Latitude's business model recognises that a certain proportion of its customers will default on their payments, and Latitude has systems in place to monitor credit risk and likelihood of default, as well as collections processes. If Latitude's exposure to credit loss as a result of Latitude's customers failing to repay their obligations to Latitude is higher than expected, it will have a material adverse effect on Latitude's funding, profitability and regulatory compliance;
- **Fraud:** Latitude is exposed to the risk that customers, employees, partners, individual borrowers and other third parties may seek to commit fraud against Latitude or in connection with the products and services that Latitude provides. Latitude relies on its systems and processes, as well as certain external providers and processes, to identify fraud and minimise its impact should it occur. Failure of these controls and the subsequent underwriting of fraudulent loans could result in damage to Latitude's reputation, profitability or standing with funding providers; and
- **Reliance on models:** Latitude relies extensively on models in managing many aspects of its business, including stress testing, forecasting, liquidity management, customer selection, credit, pricing and collections management. Models may prove in practice to be less predictive than Latitude expects for a variety of reasons. The errors or inaccuracies in Latitude's models may be material, and could lead Latitude to make wrong or suboptimal decisions in managing Latitude's business.

(f) Reliance on commercial partnerships

Latitude distributes its products through a number of channels and intermediaries, including merchant partners for its Payments and Instalments products and brokers and white-label arrangements for its credit card and personal loan products. As a result, Latitude's future financial performance, prospects and financial condition depend in part on its ability to retain existing commercial partners, and attract new commercial partners, on acceptable terms.

The terms of the distribution agreements with each of its merchants and other commercial partners vary, and there is no guarantee that Latitude will be able to negotiate new distribution agreements with any of its current merchants or other commercial partners on terms acceptable to Latitude upon expiry of those terms. If one or more merchants or other commercial partners were to terminate their agreements for any reason, if their agreements were renewed on terms less favourable to Latitude, or if one or more merchants or other commercial partners were to default on their agreement, become insolvent, lose market share or cease to sell or broker products financed by Latitude (reducing the Latitude distribution network), Latitude's financial performance, prospects and financial condition could be adversely impacted.

If Latitude fails to retain a number of its existing merchants or other commercial partner relationships and does not acquire new merchants or other commercial partners of similar size and profitability or otherwise grow Latitude's business, this could have a material adverse effect on the results of Latitude's operations (including growth rates) and financial condition.

(g) Brands and reputation

Latitude's business relies, to a large extent, on relationships and its reputation to attract and retain customers and merchants and other commercial partners. Maintaining the Latitude brand and reputation is important to attracting and expanding Latitude's customer base, solidifying Latitude's business relationships and reputation and implementing Latitude's business strategy. Risks relating to legal and regulatory requirements, compliance matters and standards of good conduct may cause harm to Latitude's reputation. Any adverse perception of Latitude's reputation or image (or of others engaged in a similar business or activities) on the part of customers, partners, funding providers, rating agencies, regulators, investors and other counterparties, whether or not accurate, could adversely affect Latitude's business, operating and financial performance, and financial condition.

(h) Litigation

Latitude is not currently involved in any material litigation as a defendant and is not aware of any facts or circumstances that may give rise to any material litigation commenced against it. However, given the nature and scope of Latitude's activities and the wide range of parties it deals with, Latitude may be exposed to potential claims or litigation from third parties such as customers, regulators, employees and business associates, including merchant partners. In addition, to the extent that these risks are not covered by Latitude's insurance policies, litigation and the costs of responding to any threats of legal action or investigation may have an adverse impact on the financial performance or prospects of Latitude.

(i) Illiquid trading in Latitude Shares

As is outlined in Section 5.7.2, as at the date of this Explanatory Booklet, Latitude's two substantial shareholders currently hold, in aggregate, 73.80% of Latitude's share capital resulting in a 'free float' of Latitude Shares of approximately 26.2%. If the HCF Sale proceeds to Completion and the Capital Return Resolution is passed (resulting in the distribution of the Consideration Shares to Eligible Shareholders in the manner described in Section 3.2), the "free float" in Latitude Shares will increase to approximately 34% however the two substantial shareholders in Latitude Shares will continue to hold approximately 66% of Latitude's share capital. The size of this holding may continue to impact the liquidity of trading in the Latitude Shares (albeit to a lesser degree than would be the case if the distribution of the Consideration Shares to Eligible Shareholders did not occur). There may be relatively few potential buyers or sellers of Latitude Shares on the ASX at any time. This may increase the volatility of the market price of Latitude Shares which may, in turn, affect the prevailing market price at which shareholders are able to sell their Latitude Shares.

5.10 LATITUDE SHARE PRICE PERFORMANCE

Latitude Shares are listed on ASX under the trading symbol "LFS".

On 6 January 2022, Latitude announced that it had entered into a non-binding heads of agreement with Humm in respect of the HCF Sale. The closing share price of Latitude Shares on 5 January 2022, being the last trading day prior to the announcement of the non-binding heads of agreement, was $1.965 per Latitude Share.

On 18 February 2022, Latitude announced that it had entered into the Share Sale Agreement with Humm, under which Latitude agreed to acquire HCF. The closing price of Latitude Shares on 17 February 2022 (being the last trading day prior to the announcement of Latitude and Humm's entry into the Share Sale Agreement) was $1.995 per Latitude Share.

The graph below shows the closing Latitude Share Price during the three month period ended 5 January 2022:

TRADING ACTIVITY DURING PRICING PERIOD

Up to and including 5 January 2022:

- the last recorded Latitude Share Price on 5 January 2022 was $1.965;
- the one month VWAP of the Latitude Shares was $1.9698;
- the three month VWAP of the Latitude Shares was $2.0695; and
- the lowest and highest Latitude Share Prices during the preceding three months were $1.89 and $2.25, respectively.

5.11 RIGHTS AND LIABILITIES ATTACHING TO LATITUDE SHARES

The rights and liabilities attaching to the ownership of Latitude Shares arise from a combination of the Latitude Constitution, statute, the Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to Latitude Shares and a description of other material provisions of the Latitude Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of holders of Latitude Shares.

(a) Voting at a general meeting

At a general meeting, every Latitude Shareholder who is eligible to vote and is present in person or by proxy, representative or attorney has, on a poll, one vote for each Latitude Share held by the Latitude Shareholder and one vote on a show of hands.

(b) Meetings of members

Each Latitude Shareholder is entitled to receive notice of, attend, and vote at, Latitude's general meetings and to receive all notices, accounts and other documents required to be sent to Latitude Shareholders under the Latitude Constitution, the Corporations Act and the Listing Rules.

(c) Dividends

The Latitude Board may determine or declare that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by Latitude to, or at the direction of, each Latitude Shareholder entitled to that dividend. Refer to Section 5.12 for further information in respect of Latitude's dividend policy.

(d) Transfer of Latitude Shares

Subject to the Latitude Constitution and the Listing Rules, Latitude Shares may be transferred by a proper transfer effected in accordance with the operating rules of a relevant clearing and settlement facility or by any other method of transfer which is required or permitted by the Corporations Act and the ASX. If permitted by the Listing Rules, the Latitude Board may request the operator of a relevant clearing and settlement facility to apply a holding lock to prevent transfer of Latitude Shares from being registered, or otherwise refuse to register a transfer of shares. The Latitude Board must refuse to register a transfer of shares when required to do so by the Listing Rules or where the transfer is in breach of the Listing Rules or a restriction agreement.

(e) Issue of further Latitude Shares

Subject to the Corporations Act, the Listing Rules and any special rights conferred on holders of any shares or class of shares, Latitude's directors may issue, allot and cancel, or dispose of, Latitude Shares on terms determined from time to time by the directors. The directors' power under the Latitude Constitution includes the power to grant options over unissued Latitude Shares. Latitude may also issue preference shares, and convert issued shares into preference shares, provided certain rights of preference shareholders are as set out in the Latitude Constitution or as otherwise approved by a resolution in accordance with the Corporations Act.

(f) Winding up

Without prejudice to the rights of the holders of shares issued on special terms and conditions, if Latitude is wound up, the liquidator may, with the sanction of a special resolution of Latitude Shareholders, divide among Latitude Shareholders in kind the whole or any part of Latitude's property, and for that purpose, set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between shareholders or different classes of Latitude Shareholders.

(g) Non marketable parcels

Where Latitude complies with the relevant procedure outlined in the Latitude Constitution, Latitude may sell the Latitude Shares of a Latitude Shareholder who holds less than a marketable parcel of Latitude Shares.

(h) Share buy backs

Subject to the Corporations Act and Listing Rules, Latitude may buy shares in the Company on terms and at times determined by the Latitude Board.

(i) Variation of class rights

The rights attached to any class of Latitude Shares may be varied in accordance with the Corporations Act.

(j) Dividend reinvestment programme

Subject to the Listing Rules, the Latitude Board may establish a plan under which Latitude Shareholders may elect to reinvest cash dividends paid by Latitude on such terms and conditions as the Latitude Board think fit. The Latitude Board has no current intention to establish a dividend reinvestment programme.

(k) Directors – appointment and rotation

Under the Latitude Constitution, the minimum number of directors that may comprise the Latitude Board is three and the maximum number of directors is 10 unless determined otherwise by Latitude in a general meeting. Latitude Directors are elected at general meetings of Latitude Shareholders. Retirement will occur on a rotational basis so that no director (excluding a Managing Director) holds office without re election beyond the third annual general meeting following the meeting at which the director was last elected or three years, whichever is longer. Latitude Directors may also appoint a director to fill a casual vacancy on the Latitude Board or in addition to the existing directors, provided the total number of directors does not exceed the prescribed maximum, who will then hold office until the conclusion of the next annual general meeting.

(l) Directors – voting

Questions arising at a meeting of the Latitude Board will be decided by a majority of votes of the directors present at the meeting and entitled to vote on the matter. Subject to the Listing Rules, in the case of an equality of votes on a resolution, the chairperson of the meeting does not have a casting vote in addition to a deliberative vote. Latitude Directors may pass a resolution without a directors' meeting being held if all of the Latitude Directors entitled to vote on the resolution have consented to the resolution by signing a document that sets out the terms of the resolution and contains a statement to the effect that the director is in favour of the resolution.

(m) Directors – remuneration

Latitude Directors, other than a Managing or Executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time in a general meeting. The current maximum aggregate sum is $2.2 million per annum. Any change to that maximum aggregate sum needs to be approved by Latitude Shareholders. Pursuant to the Latitude Constitution, Latitude Directors may also be paid all reasonable travelling, accommodation and other expenses incurred by them when travelling to or from meetings of the directors or any committee of the Directors or when otherwise engaged on Latitude's business.

(n) Indemnities

Latitude, to the extent permitted by law, will indemnify any person who is or has been a director, and may indemnify any person who is or has been an officer, of that Latitude Group any liability incurred by that person in that capacity (including liabilities incurred by that person as a director or officer of a subsidiary of Latitude), and legal costs incurred by that person in that capacity (including such legal costs incurred by that person as a director or officer of a subsidiary of Latitude). Latitude may enter into an agreement with any of its director or officer to give effect to those matters outlined in this paragraph. Latitude, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a director or officer of Latitude or its subsidiary against liability incurred by that person in that role.

(o) Amendment

The Latitude Constitution may be amended only by special resolution passed by at least three quarters of the votes cast by Latitude Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting.

5.12 DIVIDEND POLICY

In the financial year ended on 31 December 2021, Latitude declared and paid an unfranked interim dividend of 7.85 cents per qualifying Latitude Share. On 21 February 2022, the Latitude Board declared a final dividend of 7.85 cents per qualifying Latitude Share, fully franked, taking the full year dividend distribution to 15.70 cents per Latitude Share.

Subject to future business conditions, available profits and franking credits and the financial position of Latitude, Latitude may continue to pay a progressive dividend.

In assessing the dividend payment in future periods, Latitude Directors at their discretion may consider a number of factors, including the general business environment, the operating results and financial condition of Latitude, future funding requirements, capital management initiatives, tax considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Latitude, and any other factors the directors may consider relevant. Latitude may contemplate the inclusion of a dividend reinvestment programme.

No assurances can be given by any person, including Latitude Directors, about the payment of any dividend and the level of franking on such dividends.

Investors who are not tax residents of Australia and who acquire Latitude Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Latitude Shares. Such investors should consult with their own tax advisers regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of Latitude Shares.

5.13 EMPLOYEE INCENTIVE PLANS

On 1 January 2021, Latitude established the Latitude Equity Plan (**LEP**) to assist in the motivation, retention and reward of key management personnel and other senior leaders. The LEP is designed to align participants' interests with the interests of Latitude Shareholders by providing participants the opportunity to receive Latitude Shares through the granting of Restricted Shares and Rights in respect of the short-term incentive and long-term incentive components of remuneration. The key terms of the LEP are set out in the following tables.

Feature	Key terms of the FY2022 Restricted Share (STI Shares) granted under the LEP
Eligibility	Managing Director and CEO and other eligible executives as approved by the Latitude Board, awarded an STI outcome for FY22. An Executive Director may participate in the LEP. Non-Executive Directors will not be eligible to participate in the LEP.
Offer	The number of restricted shares (**STI Shares**) is 50% of a participant's FY2022 STI outcome, divided by the 5-day Volume Weighted Average Price (**VWAP**) from the second trading day following the release of the FY2022 results.
Grant	In or around April 2023: 50% of each participant's STI awarded is delivered as STI Shares that are purchased on market.
Restriction period	February 2024: 50% of STI Shares are released from restriction following the FY23 results announcement. February 2025: the remaining 50% STI Shares are released from restriction following the FY24 results announcement.
Treatment of restricted STI shares during restricted period	Participants who depart Latitude prior to the restriction end date, are generally treated as follows, although the Latitude Board retains discretion to determine a different treatment: • Misconduct or summary dismissal for cause: lapse. • All other circumstances: remain on foot, subject to the original performance conditions and restriction period.
Restrictions on dealing	STI Shares rank equally with other Latitude Shares and participants have dividend and voting rights including while subject to the restricted period and restrictions on disposal. Participants must not sell, transfer, encumber, hedge or otherwise deal with restricted STI Shares except with prior approval of the Latitude Board or in certain circumstances by force of law. Following the restriction end date, the disposal restrictions cease and Latitude Shares are held subject to restrictions under Latitude's share trading policy.

Feature	Key terms of the FY2022 LTI Performance Rights granted under the LEP
Eligibility	Managing Director and CEO, eligible Executive KMP and selected Senior Leaders as approved by the Latitude Board.
Performance period[30]	1 January 2022 to 31 December 2024.
Offer	• Rights to acquire Latitude Shares at no cost (**Performance Rights**), subject to the satisfaction of specific vesting conditions over the Performance Period. • The LTI opportunity offered is a percentage of Fixed Remuneration. • Performance Rights have no dividend or voting rights prior to vesting. • At vesting, the rights are exercised into Latitude Shares, although in certain circumstances, participants may receive a Cash Equivalent Value of the vested element after testing.
Grants	The number of Performance Rights granted to-date in FY22 were calculated based on the 5-day VWAP for the period 22 to 28 February 2022 (aligned to the open period commencing on the second trading day following the release of Latitude's FY21 full year results). The Board will determine an appropriate grant price to be used in the calculation of the number of Performance Rights for any subsequent grants occurring in FY22.

30. It is expected that future deferred LTI grants will have three year performance/vesting periods.

<table>
<tr><th>Feature</th><th>Key terms of the FY2022 LTI Performance Rights granted under the LEP</th></tr>
<tr><td>Vesting conditions</td><td>

Return on equity (ROE): 50% of Performance Rights may vest subject to a performance condition based on Latitude's average ROE performance achieved over the performance period, relative to the average of the annual ROE targets set by the Latitude Board; and
Earnings per share (EPS): 50% of Performance Rights may vest subject to a performance condition based on Latitude's aggregate cash EPS achieved over the performance period, relative to the aggregate of the annual cash EPS targets set by the Latitude Board.

Cessation of employment
Participants who depart Latitude prior to the vesting date, are generally treated as follows, although the Latitude Board retains discretion to determine a different treatment:

Misconduct or summary dismissal for cause: lapse.
Resignation: The Latitude Board will typically lapse the Performance Rights.

All other circumstances: remain on foot, subject to the original performance conditions and vesting period. The Latitude Board may elect to pro-rata the original grant based on time served during the Performance period.
Rights that vest at the end of the original vesting period are automatically exercised at that date for ex-employees.
</td></tr>
<tr><td>Testing outcomes</td><td>
Following the release of the FY24 results in March 2025, the Performance Rights will be tested equally against each measure and the number that vest will be calculated as follows:
<table>
<tr><th>ROE/EPS performance level achieved over the period</th><th>% of Performance Rights subject to the ROE/EPS hurdles that will vest</th></tr>
<tr><td>At or above maximum targets</td><td>100%</td></tr>
<tr><td>Between threshold and maximum targets</td><td>Straight-line pro-rata vesting between 50% and 100%</td></tr>
<tr><td>At threshold targets</td><td>50%</td></tr>
<tr><td>Below threshold targets</td><td>0%</td></tr>
</table>

Performance Rights that vest are exercised into Latitude Shares.
Performance Rights that don't vest will lapse and are not re-tested.
In certain circumstances, participants may receive a Cash Equivalent Value of the vested element, after testing.
The FY22 LTI outcome will be reported in the 2025 remuneration report.

</td></tr>
<tr><td>Restrictions on dealing</td><td>
Performance Rights are subject to restrictions and participants cannot sell, transfer, encumber, hedge or otherwise deal with unvested Performance Rights without prior approval of the Latitude Board or in certain circumstances by force of law.
Following vesting, 50% of the Latitude Shares allocated in respect to vested and automatically exercised Performance Rights will have no disposal restrictions and participants will be able to deal with them subject to Latitude's share trading policy.
The remaining 50% of the allocated Latitude Shares will be subject to an additional 1-year trading restriction period, on the transfer and disposal of the Latitude Shares, during which participants will not be able to deal with them. Participants will be free to deal with those Latitude Shares one year from the vesting date, subject to Latitude's share trading policy.
</td></tr>
</table>

5.14 INTERESTS OF LATITUDE IN HUMM SHARES

5.14.1 RELEVANT INTERESTS IN HUMM SHARES

As at the date of this Explanatory Booklet, neither Latitude nor any of its Associates have any Relevant Interests or voting power in any Humm Shares.

5.14.2 DEALING IN HUMM SHARES IN THE PREVIOUS FOUR MONTHS

Neither Latitude nor its Associates has provided or agreed to provide any consideration for any Humm Shares under any transaction or agreement during the period of four months before the date of Explanatory Booklet, except for the consideration which Latitude has agreed to provide under the terms of the Share Sale Agreement.

5.14.3 INTEREST OF LATITUDE DIRECTORS IN HUMM SHARES

As at the date of this Explanatory Booklet, none of the Latitude Directors has a Relevant Interest in any Humm Shares.

5.15 NO COLLATERAL BENEFITS OFFERED BY LATITUDE IN THE LAST FOUR MONTHS

Except as disclosed in Section 3.10.3 in relation to Rebecca James, during the four-month period before the date of this Explanatory Booklet, neither Latitude, a Latitude Director or any Associate of Latitude gave, or offered to give or agreed to give a benefit to another person which was likely to induce the other person or an Associate of the other person to:

- vote in favour of the Scheme; or
- dispose of any Latitude Shares,

which benefit was not offered to all Humm Shareholders.

5.16 PUBLICLY AVAILABLE INFORMATION

Latitude is a disclosing entity for the purposes of the Corporations Act and as such it is subject to regular reporting and disclosure obligations. As a company listed on ASX, Latitude is also subject to the Listing Rules which require continuous disclosure (with some exceptions) of any information which a reasonable person would expect to have a material effect on the price or value of Latitude Shares. In addition, Latitude is required to maintain periodic disclosure (including yearly and half-yearly financial statements) with ASIC in accordance with the Corporations Act and ASX in accordance with the Listing Rules.

The information disclosed to the ASX is available from ASX's website (www.asx.com.au) as well as Latitude's website. Copies of the documents lodged with ASIC by Latitude may be obtained from or inspected at any ASIC office or www.asic.gov.au.

5.17 NO OTHER MATERIAL INFORMATION KNOWN TO LATITUDE

Except as set out in this Section, as far as Latitude aware, there is no information relating to Latitude or Latitude Shares or its intentions regarding Latitude or the business, assets or operations of Latitude, material to the decision of a Humm Shareholder in relation to the Scheme or in respect of the resolutions of which approval is sought at the General Meeting, being information that is within the knowledge of any director of Latitude at the time of lodgment of this Explanatory Booklet with ASIC, which is not disclosed in this Section or elsewhere in this Explanatory Booklet.

6. ADDITIONAL INFORMATION

6.1 SUMMARY OF AUSTRALIAN TAX ISSUES FOR AUSTRALIAN HUMM SHAREHOLDERS

This Section sets out a general summary of the key Australian income tax consequences of the HCF Sale and the receipt of the Capital Return by Humm Shareholders. The purpose of the summary is to assist Humm Shareholders understand the potential Australian tax consequences of the proposed Capital Return. The summary is intended as a general guide and is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this Explanatory Booklet. Humm Shareholders should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws, regulations or administrative practices may affect the taxation treatment to the Humm Shareholders as described in this summary. This summary is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Humm Shareholder, and is not intended to be advice and should not be relied on as such. The tax consequences arising to Humm Shareholders will vary depending on their specific profile, characteristics and circumstances. Accordingly, Humm Shareholders should obtain independent professional advice in relation to their own particular circumstances and should not rely upon the comments contained in this summary. The Australian tax consequences outlined below are relevant to Humm Shareholders who are individuals, companies, trusts and complying superannuation funds that hold their Humm Shares on capital account for Australian income tax purposes. This summary does not cover Humm Shareholders who:

- hold their Humm Shares as trading stock, as part of a profit-making undertaking or scheme, under an arrangement which qualifies as an employee share or rights plan for Australian tax purposes, or otherwise on revenue account;
- may be subject to special rules, such as banks, insurance companies, tax exempt organisations, certain trusts, superannuation funds (unless otherwise stated) or dealers in securities;
- are 'temporary residents' as that term is defined in section 995-1(1) of the *Income Tax Assessment Act 1997* (Cth);
- change their tax residence whilst holding Humm Shares;
- are non-residents for Australian income tax purposes and who hold their Humm Shares as an asset of a permanent establishment in Australia;
- are non-residents for Australian income tax purposes who, together with their associates, hold 10% or more of Humm Shares;
- are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Humm Shares; or
- are subject to the Investment Manager Regime under Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth) in relation to their Humm Shares.

Humm Shareholders should also note that this summary does not extend to the tax consequences in any jurisdiction outside Australia. Any persons who may be subject to tax in any jurisdiction outside Australia should obtain their own independent professional advice on their particular circumstances.

6.1.1 AUSTRALIAN INCOME TAX TREATMENT OF CAPITAL RETURN

(a) ATO Class ruling

Humm is currently in the process of seeking an ATO Class Ruling to confirm the taxation treatment of the proposed Capital Return. Depending on the outcome of the ATO Class Ruling a proportion of the Capital Return should be capital in nature, with the remainder comprising a dividend component. Once the transaction has completed the ATO Class Ruling should be available to provide Humm Shareholders with more detailed information in respect of the Australian income tax treatment of the Capital Return. Should the ATO through the Class Ruling deem a portion of the Capital Return to be a dividend, Humm expects to pay a fully franked dividend to the fullest extent possible. Where this occurs, it follows that any dividend component will require a proportionate reduction in retained earnings rather than share capital as proposed.

(b) Capital component

The capital component should represent a non-assessable amount not included in the Humm Shareholders' assessable income. Humm Shareholders should reduce the tax cost base in their Humm Shares in respect of the value of the return of capital. To the extent that the return of capital exceeds the tax cost base in their shares in Humm then the Humm Shareholders should make a capital gain equivalent to the difference.

For Humm Shareholders who are tax resident individuals who have held their Humm Shares for at least 12 months, then they may be eligible for a 50% discount on any gain that may arise.

For Humm Shareholders who are not Australian tax resident individuals and hold their Humm Shares on capital account, no Australian income tax consequences should arise on any capital gain (on the basis the Humm Shares do not represent Taxable Australian Property).

(c) Dividend component

Resident shareholders

Humm Shareholders who are Australian tax residents should include the dividend component and the attached franking credits in their assessable income. Generally, a tax offset should be available for franking credits received. However, Humm Shareholders will not be entitled to obtain a tax offset for the franking credits (and will not be required to include this amount in their assessable income) unless the Humm Shareholders are 'qualified persons' in relation to the dividend component of the Capital Return and certain franking integrity measures do not apply.

For a Humm Shareholder to be considered a 'qualified person' in relation to the dividend component of the Capital Return, the Humm Shareholder must have held their Humm Shares 'at risk' for a continuous period (excluding the day of acquisition and the day of disposal) of at least 45 days during a 90-day period (beginning on the 45th day before, and ending on the 45th day after, the day on which the shares become ex-dividend).

A Humm Shareholder will not be considered to have held their Humm Shares 'at risk' where the Humm Shareholder has materially diminished risks of loss or opportunities for gain in respect of the Humm Shares (i.e. the Humm Shareholder's net position in relation to the Humm Shares has less than 30% of those risks and opportunities).

Humm Shareholders should seek independent professional advice regarding the application of the 'qualified person' rule to their particular circumstances.

The franking integrity rules are intended to prevent abuse of the imputation system, e.g. by streaming franking credits. The rules are complex, and Humm Shareholders should seek independent professional advice regarding the application of the franking integrity rules to their particular circumstances.

Non-resident shareholders

Humm Shareholders who are not Australian tax residents should have the dividend component of the Capital Return subject to a final dividend withholding tax, and not otherwise be required to include the dividend component in their Australian assessable income. If the dividend component is fully franked then no dividend withholding tax should be applied. The base dividend withholding tax rate for unfranked dividends is 30%, however depending on the jurisdiction in which the non-resident investor is tax resident in, this rate may be reduced by an applicable Double Tax Agreement.

(d) Cost base in Latitude shares received

Humm Shareholders should have a tax cost base in the Latitude shares received equivalent to the value of the Capital Return less any cash component returned. This broadly should equate to the market value of the Latitude shares at the time of the Capital Return.

This summary is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Humm Shareholder, and is not intended to be advice and should not be relied on as such. The tax consequences arising to Humm Shareholders will vary depending on their specific profile, characteristics and circumstances. Accordingly, Humm Shareholders should obtain independent professional advice in relation to their own particular circumstances and should not rely upon the comments contained in this summary.

6.2 CONSENTS AND DISCLAIMERS

The following parties have given, and have not withdrawn as at the date of this Explanatory Booklet, their written consent to be named in this Explanatory Booklet in the form and context in which they are named:

- MinterEllison as legal adviser to Humm;
- Flagstaff Partners Pty Ltd as financial adviser to Humm;
- Link Market Services Limited as Humm's share registrar; and
- Kroll Australia Pty Ltd as Independent Expert.

Latitude has given, and has not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn its consent to the inclusion of the Latitude Information in this Explanatory Booklet.

Each party referred to in this Section 6.2:

- has not authorised or caused the issue of this Explanatory Booklet;
- does not make, or purport to make, any statement in this Explanatory Booklet or any statement on which a statement in this Explanatory Booklet is based other than a statement included in this Explanatory Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Booklet, other than as described in this Explanatory Booklet with the consent of that party; and
- except for Latitude, does not assume any responsibility for the accuracy, relevance or completeness of the Latitude Information. The Latitude Information has been prepared by, and is the sole responsibility of, Latitude.

6.3 REGULATORY RELIEF

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires the Explanatory Statement to set out whether, within the knowledge of the Humm Directors, the financial position of Humm has materially changed since the date of the last balance sheet laid before a Humm annual general meeting or sent to Humm Shareholders in accordance with section 314 or 317 of the Corporations Act, and if so, full particulars of any change.

ASIC has granted Humm relief from this requirement on the condition that Humm:

- sets out in this Explanatory Booklet whether, within the knowledge of the directors of Humm, the financial position of Humm has materially changed since the financial report for the half year ended 31 December 2021 – in this respect, please refer to the statement in Section 4.7;
- will provide, free of charge, copies of the documents referred to in the preceding bullet point to anyone who requests them prior to the Scheme being approved by the Court;
- has disclosed in this Explanatory Booklet, and in announcements to the ASX, all material changes to Humm's financial position occurring after the balance date of Humm's interim financial report for the half year ended 31 December 2021; and
- discloses all material changes to Humm's financial position that occur after the date of this Explanatory Booklet, but prior to the Scheme being approved by the Court, in announcements to ASX.

On 7 March 2022, ASIC executed an exemption and declaration under sections 741(1)(a) and (b) of the Corporations Act. Under the declaration, section 708(17) is modified so that any offer of Latitude Shares constituted by the issue to Humm Shareholders of this Explanatory Booklet or any of the accompanying documents does not need a prospectus or other formal disclosure document for the purposes of Part 6D.2 of the Corporations Act on the basis that the dispatch of the Explanatory Booklet and accompanying documents to Humm Shareholders convening the General and Scheme Meetings comprises an offer of the Consideration Shares to Humm Shareholders. Under the exemption, Humm Shareholders receiving Consideration Shares under the Capital Return and subsequent purchasers of Consideration Shares will not be required to comply with the prospectus and disclosure provisions in Parts 6D.2 and 6D.3 of the Corporations Act in respect of any subsequent sale offer of Consideration Shares.

On 7 March 2022, ASIC executed an exemption under section 1020F(1)(b) of the Corporations Act exempting the Consideration Shares from the short selling prohibition in section 1020B(2) of that Act in so far as the dispatch of the Explanatory Booklet and accompanying documents to Humm Shareholders convening the General and Scheme Meetings comprises an offer of the Consideration Shares to Humm Shareholders at a point in time (i.e., before Completion) that Humm does not have a presently exercisable and unconditional right to vest the Consideration Shares in the Humm Shareholders. Any offer of Consideration Shares constituted by the dispatch of this

Explanatory Booklet is conditional on Completion and the passing of the Capital Return Resolution approving the Capital Return.

The ASX has provided written confirmation to the effect that Listing Rule 10.1 does not apply to the distribution and transfer of Latitude Shares to any of the persons listed in Listing Rule 10.1 in relation to Humm under the Capital Return, subject to the condition that the Capital Return constitutes an equal reduction of capital approved by Humm Shareholders in accordance with Part 2J.1 of the Corporations Act and is effected by way of a pro rata in specie distribution of Latitude Shares to Humm Shareholders.

6.4 DISCLOSURE OF FEES AND OTHER BENEFITS

No person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to a director or proposed director of Humm:

- to induce them to become or to qualify as a director of Humm; or
- for services provided by that person in connection with the formation or promotion of Humm.

Each of the persons named in this Section as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If the HCF Sale proceeds to Completion, Humm expects to pay an aggregate of approximately $25 million (excluding GST) in transaction costs. These consist of fees and expenses for professional services paid or payable to:

- MinterEllison for acting as legal adviser to Humm;
- Flagstaff Partners for acting as financial advisers to Humm;
- Kroll for acting as the Independent Expert; and
- other adviser fees and transactional costs including general administrative fees, Explanatory Booklet design, printing and distribution costs, expenses associated with convening and holding the Meetings, and Share Registry and other expenses.

None of these transaction costs include amounts to be paid to any director, officer or employee of Humm.

If the HCF Sale does not proceed to Completion, Humm expects to pay an aggregate of approximately $12 million (excluding GST) in transaction costs, being costs that have already been incurred as at the date of this Explanatory Booklet or will be incurred even if the HCF Sale does not proceed to Completion.

6.5 DIRECTORS' INTEREST AND DEALINGS IN LATITUDE

No Latitude Shares are currently held by or on behalf of any Humm Director.

6.6 DIRECTORS' INTERESTS IN ANY CONTRACTS WITH LATITUDE

No Humm Director has any interest in any contract with Latitude.

6.7 RETIREMENT BENEFITS

(a) Directors

No payment or other benefit is proposed to be made or given in connection with the HCF Sale or the Scheme to any Director of Humm Group as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in Humm or in any related body corporate of Humm.

(b) Other officers

Other than as disclosed this Explanatory Booklet, including the proposed payment and benefits to Rebecca James as disclosed in Section 3.10.3, no payment or other benefit is proposed to be made or given in connection with the HCF Sale or the Scheme to any secretary or executive officer of Humm Group as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in Humm or in any related body corporate of Humm.

6.8 DIRECTORS' INTERESTS IN AGREEMENTS CONNECTED WITH OR CONDITIONAL ON THE SCHEME

No Humm Director or any of their associates has entered into, or otherwise has any interest in, any contract that is conditional on the Scheme.

6.9 OTHER MATERIAL INFORMATION

Except as set out in this Explanatory Booklet, in the opinion of the Humm Board, there is no other information material to the making of a voting decision in relation to the Overall Proposal being information that is within the knowledge of any Humm Director or of any related company of Humm Group, which has not been previously disclosed to Humm Shareholders.

Humm will issue a supplementary document to this Explanatory Booklet if it becomes aware of any of the following between the date of lodgment of this Explanatory Booklet for registration by ASIC and the Effective Date:

- a material statement in this Explanatory Booklet that is false or misleading in a material respect;
- a material omission from this Explanatory Booklet;
- a significant change affecting a matter included in this Explanatory Booklet; or
- a significant new matter that has arisen and that would have been required to be included in this Explanatory Booklet if it had arisen before the date of lodgment of this Explanatory Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Humm may circulate and publish any supplementary document by any one or more of the following methods:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Humm Shareholders at their registered address as shown in the Humm Share Register; and/or
- posting a statement on Humm's corporate website,

as Humm in its absolute discretion considers appropriate, subject to any approval that may be required from the Court. In particular, where the matter is not materially adverse to Humm Shareholders such circulation and publication may be only by an announcement to ASX.

7. GLOSSARY

DEFINED TERM	MEANING
$ or A$	Australian dollars.
ABN	an Australian Business Number issued by the Australian Business Register.
ABN Holder	any natural person, partnership, trust, company, body corporate, entity or other person of any kind who holds an ABN, a NZBN, Company Number issued by Companies House (United Kingdom), a Companies Registration Office (**CRO**) number issued by the Companies Registration Office of Ireland or any similar registration or identification number in any other jurisdiction or who is acting for a business or commercial purpose.
ABS	asset-backed securities.
ACCC	Australian Competition and Consumer Commission.
AEST	The legal time in Sydney, Australia.
Affiliate	means, in relation to any entity, any other entity that: • is a Related Body Corporate of the first mentioned entity; or • Controls, is Controlled by, or is under common Control with, the first mentioned entity.
AGC	Australian Guarantee Corporation.
Ancillary Resolutions	means the Section 200C Resolution and the Change of Name Resolution.
APRA	the Australian Prudential Regulation Authority.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given to that term in Listing Rule 19.12.
ASX	ASX Limited ABN 98 008 624 691 or the financial market operated by ASX known as the Australian Securities Exchange, as the context requires.
ATO	Australian Taxation Office.
B2B2C	Business-to-Business-to-Consumer.
BNPL	buy now pay later.
Business Day	has the meaning given in the Listing Rules.
Capital Return	a proposed equal reduction of the share capital of Humm under Part 2J.1 of the Corporations Act in the aggregate amount of the Capital Reduction Amount and not involving the cancellation of any Humm Shares.
Capital Reduction Amount	means the amount of the share capital of Humm that is to be reduced in accordance with Capital Return Resolution, calculated as follows: **A** = LVWAP x NCS + Cash Consideration where: **A** means the Capital Reduction Amount.
Capital Return Resolution	the resolution to approve the Capital Return in the form set out in the Notice of General Meeting at Annexure 1 to this Explanatory Booklet.
Capital Return Record Date	the date for determining entitlements to the Capital Return, which will be: • if the Scheme becomes effective in accordance with section 411(10) of the Corporations Act, the Scheme Record Date; or • if the Scheme does not become effective in accordance with the Corporations Act, a date determined by the Humm Directors and notified by Humm to ASX after the earliest date that all of the conditions of the Capital Return Resolution are satisfied (such earliest date, **Satisfaction Date**), or if no such determination is so made, the first Business Day after the date that is 1 month after the Satisfaction Date.
Cash Consideration	the meaning given in the Share Sale Agreement.

DEFINED TERM	MEANING
Cash Entitlement	in respect of a Scheme Shareholder (or a Relevant Shareholder) means the total amount of the Cash Consideration multiplied by the following factor: NOS/TS, rounded down to the nearest whole cent.
Cash NPAT Reconciliation	has the meaning given to that term in Section 5.6.
CEO	chief executive officer.
Chair	the chairperson of Humm.
Change of Name Resolution	the special resolution to approve the change of the name of the Company to ' Flexi Capital Group Limited' in the form set out in the Notice of General Meeting at Annexure 1 to this Explanatory Booklet.
Chapter 11 Resolution	the resolution to approve the HCF Sale in the form set out in the Notice of General Meeting at Annexure 1 to this Explanatory Booklet.
Class Ruling	the ATO class ruling in respect of the Australian income tax consequences of the Capital Return for Humm Shareholders as described in Section 6.1.
Commercial Business	the Humm commercial business conducted by the Commercial Entities, excluding the Sale Businesses.
Commercial Customer	a person holding operating for a commercial or business purpose, including a sole trader or ABN Holder.
Commercial Entities	Humm and its subsidiaries, excluding the Target Group.
Company or Humm	Humm Group Limited ACN 122 574 583.
Competing Proposal	any offer, expression of interest, proposal, agreement, arrangement or transaction, whether existing before, on or after the date of the Share Sale Agreement, which, if entered into or completed, could mean that the HCF Sale cannot be completed or that a person (either alone or with any of its Affiliates) other than Latitude or its Affiliates would, other than pursuant to the HCF Sale: (a) directly or indirectly acquire a Relevant Interest in or Voting Power of, or have a right to acquire a legal, beneficial or economic interest in, or control of, more than 20% of the securities in any member of the Humm Group; (b) acquire Control of any member of the Humm Group; (c) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire a legal, beneficial or economic interest in, or control of, all or substantially all of a material part of the business or assets of any member of the Humm Group; or (d) otherwise directly or indirectly acquire, be stapled with or merge with any member of the Humm Group, whether by way of a takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale, lease or purchase of shares, other securities or assets, issue of shares or other securities in any member of the Humm Group, assignment of assets or liabilities, joint venture, dual listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.
Completion	Completion of the HCF Sale in accordance with the Share Sale Agreement. **Complete** and **Completed** have a corresponding meaning.
Completion Date	the date for Completion of the HCF Sale, currently expected to be on or around 30 June 2022.
Condition Satisfaction Date	the date on which all conditions precedent under the Share Sale Agreement (other than the Restructure Condition and any other condition precedent which by its nature is incapable of fulfilment until immediately prior to Completion) have been fulfilled (or waived in accordance with the Share Sale Agreement).
Consideration Shares	not more than 150 million Latitude Shares that Humm receives by way of issue under the Share Sale Agreement (or such higher number of Latitude Shares if there is an adjustment to the number of Consideration Shares in accordance with the Share Sale Agreement).
Consideration Share Entitlement	in respect of a Scheme Shareholder (or a Relevant Shareholder) means the total amount of the Consideration Shares multiplied by the following factor: NOS/TS, rounded down to the nearest whole number of Consideration Shares.
Constitution	the constitution of the Company.
Control	the meaning given in the Share Sale Agreement.

DEFINED TERM	MEANING
Corporations Act	the *Corporations Act 2001* (Cth).
Corporations Regulations	the *Corporations Regulations 2001* (Cth).
Court	the Federal Court of Australia.
CCCFA	*Credit Contracts and Consumer Finance Act 2003* (NZ).
D2C	Direct-to-Consumer.
Delivery Time	8:00am on the Second Court Date.
Director	a director of the Company.
Distribution Date	the date for payment of the Capital Return, expected to be 1 August 2022, if the Capital Return Resolution is passed at the General Meeting.
Effective	when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
Effective Date	the date on which the Scheme becomes Effective. The Effective Date is currently expected to be 20 July 2022.
Election Form	the Election Form accompanying this Explanatory Booklet (or is subsequently provided), or the electronic version of the Election Form that may be accessed online at https://events.miraqle.com/hum-scheme, under which an Eligible Shareholder may agree to become a member of Latitude and to authorise Humm to execute a transfer of Consideration Shares to be distributed and transferred to the Eligible Shareholder. An Election Form will only be required if the Scheme does not become Effective for any reason.
Electing Shareholder	means an Eligible Shareholder who has delivered to Humm or the Humm Share Registrar an Election Form or has completed an on-line Election Form including in accordance with the procedures specified in this Explanatory Booklet.
Eligible Jurisdiction	means Australia, New Zealand or any other jurisdiction agreed by Humm and Latitude prior to the Capital Return Record Date.
Eligible Shareholder	a Relevant Shareholder who is not an Ineligible Shareholder.
End Date	30 November 2022 or such other date and time agreed in writing between Latitude and Humm.
EPS	earnings per share.
Explanatory Booklet	this document including the Notice of General Meeting and the Notice of Scheme Meeting.
FAR	the proposed Financial Accountability Regime.
FIRB	Foreign Investment Review Board.
Foreign Scheme Shareholder	a Scheme Shareholder whose Registered Address is a place outside of: • Australian or its external territories; • New Zealand; and • any other jurisdiction as may be agreed in writing by Humm and Latitude.
Foreign Shareholder	a Relevant Shareholder with a registered address as shown in the Humm Share Register in a jurisdiction other than in an Eligible Jurisdiction.
General Meeting	the meeting convened by the Notice of General Meeting and proposed to be held at 10.00am on Thursday, 23 June 2022 as a hybrid meeting.
General Meeting Proxy Form	the Proxy Form for the General Meeting accompanying this Explanatory Booklet or, as the context requires, any replacement or substitute proxy form provided by or on behalf of Humm.
General Meeting Resolutions	the resolutions in the form set out in the Notice of General Meeting being: • the Chapter 11 Resolution; • the Capital Return Resolution; and • the Ancillary Resolutions.
HCF	the Humm consumer finance business.

DEFINED TERM	MEANING
HCF Distribution	the distribution of the sale proceeds comprising cash and Latitude Shares to Humm Shareholders via a proposed Capital Return.
HCF Sale	the acquisition of all the shares in the capital of Humm SPV by Latitude (or its nominated wholly owned subsidiary) from Humm in accordance with the Share Sale Agreement (and other arrangements) summarised in Sections 1.2 and 3.
Humm Board	the board of Directors of Humm.
Humm Directors or Directors	the directors of Humm.
Humm Group or Group or hummgroup	Humm and its subsidiaries.
Humm Information	all information in this Explanatory Booklet other than the Independent Expert's Report and the Latitude Information.
Humm LTIPs	the Humm Long-Term Incentive Plan Rules (adopted by the Humm Board on 4 October 2019) and the Humm Long-Term Incentive Plan Rules dated 20 November 2006 and amended by the Humm Board in December 2014).
Humm Shares or Share	fully paid ordinary shares in the capital of Humm.
Humm Shareholder	a person who is registered in the Humm Share Register as the holder of at least one Humm Share.
Humm Share Register	the register of members of Humm maintained by Humm in accordance with the Corporations Act.
Humm Share Registry, or Share Registry or Link	Link Market Services Limited ACN 083 214 537.
Humm SPV	Humm SPV Pty Ltd ACN 657 375 963.
Independent Expert or Kroll	Kroll Australia Pty Ltd ACN 116 738 535.
Independent Expert's Report	the report prepared by the Independent Expert which is contained in Annexure 3 to this Explanatory Booklet.
Ineligible Shareholder	a Foreign Shareholder or a Small Shareholder.
Ireland	Ireland (excluding Northern Ireland).
L-Money	has the meaning given to that term in Section 2.
L-Pay	has the meaning given to that term in Section 2.
Last Practicable Date	13 May 2022, being the last practicable day before finalising the information to which this definition relates.
Latitude	Latitude Group Holdings Limited ACN 604 747 391.
Latitude Board	the board of directors of Latitude.
Latitude Capital Information	has the meaning given to that term in Section 5.6.
Latitude Constitution	the constitution of Latitude.
Latitude Directors	the directors of Latitude.
Latitude Employment Offer	the meaning given to that term in Section 3.10.3.
Latitude Group	Latitude and its subsidiaries.
Latitude Incentive Performance Period	the meaning given to that term in Section 3.10.3.
Latitude Incentive Performance Rights	the meaning given to that term in Section 3.10.3.
Latitude Incentive Performance Shares	the meaning given to that term in Section 3.10.3.
Latitude Information	information about the Latitude Group provided or approved by Latitude or any of its advisers to Humm in writing for inclusion in the Explanatory Booklet, being: • the information contained in Section 3.10.3 relating to benefits to be paid or provided to Rebecca James by Latitude; • the information contained in Section 5; and • the definitions provided by Latitude in this glossary.
Latitude IPO	the meaning given to that term in Section 5.6.

DEFINED TERM	MEANING
Latitude IPO Prospectus	the meaning given to that term in Section 5.6.
Latitude LTI	the meaning given to that term in Section 3.10.3.
Latitude pre-IPO Restructure	the meaning given to that term in Section 5.6.1.
Latitude Pro Forma Balance Sheet	the meaning given to that term in Section 5.8.5.
Latitude Pro Forma Income Statement	the meaning given to that term in Section 5.6.
Latitude Register	the register of members of Latitude maintained in accordance with the Corporations Act.
Latitude Remuneration Package	the meaning given to that term in Section 3.10.3.
Latitude Share Price	the price of Latitude Shares as quoted on the ASX.
Latitude Shares	fully paid ordinary shares in the capital of Latitude.
Latitude Shareholder	a person who is registered in Latitude Register as the holder of at least one Latitude Share.
Latitude Sign-on Incentives	the meaning given to that term in Section 3.10.3.
Latitude Statutory Balance Sheet	the meaning given to that term in Section 5.6.
Latitude Statutory Financial Statements	the meaning given to that term in Section 5.6.
Latitude Statutory Income Statement	the meaning given to that term in Section 5.6.
Latitude STI	the meaning given to that term in Section 3.10.3.
Lending	the meaning given to that term in Section 5.3.1.
LEP	Latitude Equity Plan.
Listing Rules	the listing rules of the ASX.
LVWAP	the VWAP (as defined in the Listing Rules) of Latitude Shares for the 5 Business Days ending on the last Business Day before the Capital Return Record Date.
Majority Directors	all of the directors of Humm except for Andrew Abercrombie.
Meetings	the General Meeting and the Scheme Meeting.
National Credit Act	*National Consumer Credit Protection Act 2009* (Cth).
NCS	the total number of Consideration Shares or such lesser number of such Consideration Shares as Humm determines.
Non-Electing Shareholder	an Eligible Shareholder who has not delivered to Humm or the Humm Share Registrar an Election Form or completed an on-line Election Form including in accordance with the procedures specified in this Explanatory Booklet.
NOS	in relation to a Scheme Shareholder (or a Relevant Shareholder) means the total number of Scheme Shares (or Humm Shares) held by that Scheme Shareholder (or Relevant Shareholder) as at the Scheme Record Date (or the Capital Return Record Date).
Notice of General Meeting	the notice of General Meeting included in Annexure 1 to this Explanatory Booklet.
Notice of Scheme Meeting	the notice of Scheme Meeting included in Annexure 2 to this Explanatory Booklet.
NPAT	net profit after tax.
NZBN	a New Zealand Business Number allocated under the *New Zealand Business Number Act 2016* (NZ).
Overall Proposal	the HCF Sale, the Capital Return and the other associated resolutions to be considered at the General Meeting as well as the Scheme.
Payments and Instalments	the meaning given to that term in Section 5.3.1.
Performance Rights	the meaning given to that term in Section 5.13.
Proxy Forms	the General Meeting Proxy Form and the Scheme Meeting Proxy Form.

DEFINED TERM	MEANING
Registered Address	the address shown in the Humm Share Register as at the Scheme Record Date.
Related Body Corporate	the meaning given to that term in the Corporations Act, but, for the avoidance of doubt, disregarding section 48(2) of the Corporations Act in respect of shares held or powers exercisable by any body corporate acting as trustee of a trust where those unitholders or beneficiaries of that trust that are (in aggregate) entitled to a majority of the distributions from the trust together Control the corporate trustee.
Relevant Interest	the meaning given in the Corporations Act.
Relevant Shareholder	a holder of Humm Shares on the 7.00pm on the Capital Return Record Date.
Resolutions	the resolutions set out in the Notice of General Meeting and Notice of Scheme Meeting.
Restructure	the transfer of certain assets, contracts, shares and employees to and from, and the assumption of certain liabilities by, between certain members of the Humm Group on the terms set out in the Restructure Deed.
Restructure Completion	the completion of the Restructure under and in accordance with the Restructure Deed.
Restructure Condition	the condition precedent summarised in the first row of the table in Section 3.6.1.
Restructure Deed	the Restructure Deed between certain members of the Humm Group, in the form agreed between Humm and Latitude and summarised in Section 3.13.3.
Retail Customer	a natural person in their capacity as a retail consumer and, for the avoidance of doubt, who is not a Commercial Customer.
ROE	Return on equity.
Sale Agent	the person appointed by Humm to sell the Sale Shares under clause 4.4(a) of the Scheme or the Trust Deed.
Sale Businesses	HCF, comprising Humm's buy now pay later, instalments and credit card operations.
Sale Facility	the facility established for the sale of Sale Shares by the Sale Agent on behalf of Ineligible Shareholders as described in Section 3.5.
Sale Proceeds	the gross proceeds of sale of the Sale Shares, less any applicable taxes, brokerage and other charges incurred by Humm in connection with the sale of the Sale Shares.
Sale Shares	the Consideration Shares which Ineligible Shareholders would be entitled to receive under the Capital Return and the Scheme but for the operation of either clause 4.4(a) of the Scheme or the terms of the Capital Return.
Scheme Implementation Deed	the Scheme Implementation Deed between Humm and Latitude dated 18 February 2022 (as amended and restated from time to time), summarised in Section 3.13.6.
Scheme Share	a Humm Share as at the Scheme Record Date.
Scheme Meeting	the meeting convened by the Notice of Scheme Meeting and proposed to be held on 10.30am on Thursday, 23 June 2022 as a hybrid meeting.
Scheme Meeting Proxy Form	the Proxy Form for the Scheme Meeting accompanying this Explanatory Booklet or, as the context requires, any replacement or substitute proxy form provided by or on behalf of Humm.
Scheme Record Date	7.00pm on the third Business Day (or such other Business Day as Humm and Latitude agree in writing) following the Effective Date. The Scheme Record Date is currently expected to be 25 July 2022 if the Scheme becomes legally Effective. This date is the same as the Capital Return Record Date.
Scheme Resolution	the resolution to approve the Scheme in the form set out in the Notice of Scheme Meeting at Annexure 2 to this Explanatory Booklet.
Scheme Shareholder	a person who is registered in the Humm Share Register as the holder or one or more Scheme Shares at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, the date on which the adjourned application is heard or scheduled to be heard. This day is currently proposed to be 19 July 2022.
Section	a section in this Explanatory Booklet.

DEFINED TERM	MEANING
Section 200C Resolution	the resolution to approve the provision of a benefit to Rebecca James in connection with the HCF Sale in the form set out in the Notice of General Meeting at Annexure 1 to this Explanatory Booklet. See Section 3.10.3 for particulars of the benefit.
Share Sale Agreement	the Share Sale Agreement between Humm and Latitude in relation to the HCF Sale dated 18 February 2022.
Significant Items	the meaning given to that term in Section 5.6.2.
Small Shareholder	a Relevant Shareholder who is entitled to receive Consideration Shares equal to a value (calculated at $2 per Consideration Share) of less than $500 (or such other amount as may be agreed between Humm and Latitude) on the Capital Return Record Date.
Small Scheme Shareholder	a Scheme Shareholder who is entitled to receive Consideration Shares equal to a value (calculated at $2 per Consideration Share) of less than $500 (or such other amount as may be agreed between Humm and Latitude) on the Scheme Record Date.
SME	small and medium-sized enterprises.
STI Shares	the meaning given to that term in Section 5.13.
Superior Proposal	a bona fide Competing Proposal which the Humm Directors, acting in good faith in the interests of Humm and the Humm Shareholders, and after taking written advice from its external legal and financial advisers, determine: (a) is reasonably capable of being valued and completed taking into account all aspects of the Competing Proposal, including its conditions, whether it is likely to receive the required support from Humm Shareholders to be capable of completing, the identity, reputation and financial credentials of the person making such proposal, and all relevant legal, regulatory and financial matters; and (b) would be likely to be more favourable to Humm Shareholders than the HCF Sale, taking into account all aspects of the Competing Proposal and the HCF Sale, including the identity, reputation and financial credentials of the person making such proposal, legal, regulatory and financial matters, certainty, any delay in paying, or uncertainty regarding the payment of, some or all of the consideration and any other matters affecting the probability of the relevant proposal being completed in accordance with its terms.
Target Group	the Humm SPV and the other Humm subsidiaries that operate the Sale Businesses.
Transaction Documents	the documents described in Section 3.13.
Transitional Services Agreement	the proposed agreement between Latitude and Humm summarised in Section 3.13.2.
Trust Arrangements	the terms on which Humm will hold the Consideration Shares transferred to it on behalf of the Humm Shareholders who do not return completed Election Forms, as summarised in Section 3.13.5. The Trust Arrangements will only apply if the Scheme does not become Effective for any reason.
Trust Deed	the trust deed under which Humm holds Consideration Shares on trust for Eligible Shareholders and Ineligible Shareholders summarised in Section 3.13.5. The Trust Deed will only be executed by Humm if the Scheme does not become Effective for any reason.
TS	the total number of Scheme Shares (or Humm Shares) on issue as at the Scheme Record Date (or Capital Return Record Date).
VFN	Variable Funding Note.
Voting Entitlement Date	the date for determining Humm Shareholders' entitlement to vote at the General Meeting and the Scheme Meeting expected to be 7.00pm on Tuesday, 21 June 2022.
Voting Power	the meaning given in section 610 of the Corporations Act.
VWAP	the meaning given to that term in Section 5.13.
Warehouse Facilities	the meaning given to that term in Section 5.3.5.

ANNEXURE 1: NOTICE OF GENERAL MEETING

Notice is given that a meeting of the holders of fully paid ordinary shares of Humm will be held as a hybrid meeting at 10.00am on Thursday, 23 June 2022 for the purpose of considering, and if thought fit, to approve the General Meeting Resolutions set out below. The hybrid meeting will be conducted in two parts simultaneously with the physical venue of the meeting at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney and the online platform at https://meetings.linkgroup.com/HUMGENERAL22 that allows for remote participation.

The Board has resolved that Christine Christian AO act as Chair of the meeting or, if she is unable or unwilling to participate in the meeting, Carole Campbell, is to act as Chair of the meeting.

A copy of the explanatory statement or information required by each of Division 2 of Part 2D.2 of the Corporations Act (Termination Payments) and Listing Rule 11.2 is contained in the Explanatory Booklet, of which this notice forms part. Additional information about the General Meeting is set out in the explanatory notes that accompany and form part of this notice. Unless otherwise defined, terms used in this Notice of General Meeting have the meaning given in the Explanatory Booklet of which this notice forms part.

RESOLUTION 1: CHAPTER 11 RESOLUTION

To consider and, if thought fit, to pass the following resolution:

'That, under and for the purposes of Listing Rule 11.2, and for all other purposes, Shareholder approval is given for the Company and its subsidiaries to enter into arrangements to give effect to, and to implement, the HCF Sale as described in the explanatory memorandum accompanying the notice of this meeting and any related or connected transaction or arrangement, subject to any non-substantive amendments agreed by the Company.'

Voting exclusion statement

In accordance with Listing Rules 11.2 and 14.11, the Company will disregard any votes cast in favour of the Chapter 11 Resolution by or on behalf of:

- Latitude or any other person who will obtain a material benefit as a result of the disposal of HCF (except a benefit solely by reason of being a Humm shareholder); or
- any of their Associates.

However, this does not apply to a vote cast in favour of the Chapter 11 Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the Chapter 11 Resolution, in accordance with directions given to the proxy or attorney to vote on the Chapter 11 Resolution in that way; or
- the Chair as proxy or attorney for a person who is entitled to vote on the Chapter 11 Resolution, in accordance with a direction given to the Chair to vote on the Chapter 11 Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  – the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Chapter 11 Resolution; and
  – the holder votes on the Chapter 11 Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 2: CAPITAL RETURN RESOLUTION

To consider and, if thought fit, to pass the following resolution:

'Subject to Completion occurring, the following reduction of the share capital of Humm is approved as an equal reduction for the purposes of Division 1 of Part 2J.1 of the Corporations Act and for all other purposes:

*That with effect on and from 7.00pm (Sydney Australia time) on the Capital Return Record Date (**Record Time**), the Company reduce its share capital without:*

(a) cancelling any Shares; or

(b) creating or increasing any unpaid amount in respect of any Shares,

by an amount equal to the Capital Reduction Amount as follows:

*(c) creating a debt due by Humm to each person holding Shares as at the Record Time (**Relevant Shareholder**) equal to the Capital Reduction Amount multiplied by the following fraction:*

__NOS/TS__,

where:

__NOS__ means the number of Humm Shares held by that Relevant Shareholder as at the Record Time;

__TS__ means the total number of Humm Shares on issue as at the Record Time; and

(d) satisfying that debt in full as follows:

(i) if the Scheme becomes effective in accordance with section 411(10) of the Corporations Act:

(A) if the Relevant Shareholder is an Eligible Shareholder, distributing and transferring to the Relevant Shareholder; or

(B) if the Relevant Shareholder is an Ineligible Shareholder, distributing and transferring for the benefit of the Relevant Shareholder,

in each case in accordance with the Scheme; or

(ii) if the Scheme does not become effective in accordance with section 411(10) of the Corporations Act, either:

(A) the Company distributing and transferring to each Relevant Shareholder who is an Eligible Shareholder and who has returned an Election Form to the Company (including by way of completing an on-line Election Form);

(B) the Company or its nominee holding on trust for each Relevant Shareholder who is an Eligible Shareholder who has not returned an Election Form (including by way of completing an on-line Election Form) to the Company, in accordance with the Trust Deed; or

(C) in the case of Ineligible Shareholders, the Company holding and dealing with, in accordance with the Trust Deed,

a number of Consideration Shares equal to that Relevant Shareholder's Consideration Share Entitlement, and paying to the Relevant Shareholder, in the manner provided in the constitution of Humm for the payment of dividends, cash equal to that Relevant Shareholder's Cash Entitlement.

There are no relevant voting exclusions that apply to the Capital Return Resolution.

RESOLUTION 3: SECTION 200C RESOLUTION

To consider and, if thought fit, to pass the following resolution:

'That, under and for the purposes of sections 200C and 200E of the Corporations Act 2001 (Cth), and for all other purposes, Shareholder approval is given for the Company and its subsidiaries to enter into arrangements to give effect to, and to implement, arrangements relating to Rebecca James as described in the explanatory memorandum accompanying the notice of this meeting and any related or connected transaction or arrangement, subject to any non-substantive amendments agreed by the Company.'

Voting exclusion statement

In accordance with section 200E(2A) of the Corporations Act, no votes may be cast (in any capacity) on the Section 200C Resolution by or on behalf of Rebecca James or any of her associates.

However, this does not prevent the casting of a vote if:

- it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the Section 200C Resolution; and
- it is not cast on behalf of Rebecca James or any of her associates.

RESOLUTION 4: CHANGE OF NAME RESOLUTION

To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

'That, with effect on and from but subject to Completion of the Share Sale Agreement, the name of the Company be changed to 'Flexi Capital Group Limited'.'

There are no relevant voting exclusions that apply to the Change of Name Resolution.

GENERAL MEETING FORMAT

Humm Shareholders and their proxies, attorneys and corporate representatives may participate in the General Meeting by attending the physical venue or via the online platform at https://meetings.linkgroup.com/HUMGENERAL22 or via telephone.

Further details on how to participate in the General Meeting are set out in the explanatory notes that accompany and form part of this Notice of General Meeting and in the Meetings Online Guide which has been released to the ASX and will be available on Humm's website.

Humm Shareholders who are unable to, or do not wish to, participate in the General Meeting by attending the physical venue, or will not have access to a device or the internet, are encouraged to appoint a proxy by either completing the General Meeting Proxy Form enclosed with this Explanatory Booklet or by appointing a proxy online at www.linkmarketservices.com.au in accordance with the instructions there (as applicable) so that it is received by no later than 10.00am on Tuesday, 21 June 2022.

By Order of the Humm Board

Belinda Hannover
Company Secretary
Humm Group Limited

EXPLANATORY NOTES TO THE NOTICE OF GENERAL MEETING

These explanatory notes relate to the General Meeting Resolutions and should be read in conjunction with the Notice of General Meeting and the information in the Explanatory Booklet of which that notice forms part. The Explanatory Booklet contains important information to assist you in determining how to vote on the General Meeting Resolutions.

1. REQUISITE MAJORITIES

The Chapter 11 Resolution, Capital Return Resolution and Section 200C Resolutions are resolutions of Humm, and therefore require a simple majority (more than 50%) of the votes cast by Humm Shareholders present and voting at the meeting, whether in person, by proxy or attorney or, in the case of a corporate Humm Shareholder or proxy, by a representative to pass.

The Change of Name Resolution is a special resolution of Humm, and therefore requires a majority of 75% or more of the votes cast by Humm Shareholders present and voting at the meeting, whether in person, by proxy or attorney or, in the case of a corporate Humm Shareholder or proxy, by a representative to pass.

2. ENTITLEMENT TO VOTE

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7.00pm on Tuesday, 21 June 2022 (being the **Voting Entitlement Date**). Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

3. PARTICIPATION IN THE GENERAL MEETING

Humm Shareholders and their proxies, attorneys and duly appointed corporate representatives can participate in and vote at the General Meeting by attending the physical venue of the meeting at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney or via the online platform at https://meetings.linkgroup.com/HUMGENERAL22. A telephone line will also be available to listen to the meeting and ask oral questions.

The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow Humm Shareholders and their proxies, attorneys and duly appointed corporate representatives to listen to the General Meeting, cast an online vote and ask questions online.

To participate and vote online, Humm Shareholders will need their Shareholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) (which is shown on the front of their holding statement or General Meeting Proxy Form), and their postcode (or country code if outside Australia). The Humm Share Registry will email proxyholders their login details 24 hours prior to the General Meeting.

Humm Shareholders and their proxies, attorneys and corporate representatives who would prefer to attend the General Meeting by telephone can do so by dialling 1800 798 110 (+61 2 7201 7093 if overseas). For verification purposes, Humm Shareholders will require a unique PIN. To obtain this unique PIN, please contact Link Market Services on 1800 990 363 (+61 1800 990 363 if overseas).

It is recommended that Humm Shareholders login to the online platform at least 15 minutes prior to the scheduled start time for the General Meeting. The Meetings Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The Meetings Online Guide has been released to the ASX and will be available on Humm's website.

Humm Shareholders, their proxies, attorneys and corporate representatives that wish to attend the physical venue of the meeting should note that the protocols for attendance at the physical venue may change at short notice in response to lockdowns or border closures that may from time to time be imposed in response to the COVID-19 global pandemic. Any change will be announced by Humm via the ASX. Humm Shareholders, their proxies, attorneys and corporate representatives that wish to attend the physical venue of the General Meeting are also strongly encouraged to contact the Humm Shareholder Information Line no later than 7 days prior to the date of the General Meeting to inform Humm of their intention to attend the physical venue of the General Meeting and to provide their contact details (email address or mobile telephone number or both) so that representatives of Humm can notify them of any changes to the protocols for attending the physical venue of the General Meeting.

Please note that, given the concerns noted above, food and refreshments will not be served at the General Meeting. Other restrictions and precautionary measures may also be imposed on attendance, including limiting or refusing entry to visitors.

Please monitor Humm's website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the General Meeting.

4. HOW TO VOTE

Voting at the General Meeting will be conducted by poll.

If you are a Humm Shareholder entitled to vote at the meeting, you may vote:

- at the physical meeting by completing a voting card;
- online, by participating and voting via the virtual meeting online platform at https://meetings.linkgroup.com/HUMGENERAL22;
- by proxy, by lodging the General Meeting Proxy Form online at www.linkmarketservices.com.au or by completing and submitting the General Meeting Proxy Form in

accordance with the instructions on that form. To be effective, your proxy appointment must be received by the Humm Share Registry by 10.00am on Tuesday, 21 June 2022;

- by attorney, by appointing an attorney to participate in and vote at the General Meeting on your behalf and providing a duly executed power of attorney or a certified copy of the duly executed power of attorney to the Humm Share Registry prior to the commencement of the General Meeting; or
- by corporate representative, in the case of a body corporate, by appointing a body corporate representative to participate in and vote at the General Meeting on your behalf, and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the commencement of the General Meeting in accordance with Section 6.4 below.

Please note that Humm Shareholders do not have the option to vote at the General Meeting by telephone.

Even if you plan to participate in the meeting online, you are still encouraged to submit a directed proxy in advance of the meeting so that your votes can still be counted if, for any reason, you cannot participate online on the day.

5. JOINTLY HELD SECURITIES

If you hold Humm Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote at the meeting, only the vote of the holder whose name appears first on the Humm Share Register will be counted.

See also the comments in Section 6.2 below regarding the appointment of a proxy by persons who jointly hold Humm Shares.

6. VOTING

6.1 Voting at the physical meeting or online

To vote at the physical meeting, you will need to complete your voting card.

To vote online, you must participate in the General Meeting via the virtual meeting online platform at https://meetings.linkgroup.com/HUMGENERAL22. Online voting will be open between the start of the General Meeting and the closing of voting as announced by the chair during the General Meeting.

6.2 Voting by proxy

A Humm Shareholder entitled to participate in and vote at the General Meeting may appoint a person to participate in and vote at the General Meeting as their proxy. To do so, either they should mark the box 'Appoint a Proxy' in step 1 of the General Meeting Proxy Form to appoint the chair of the General Meeting as their proxy, or insert the name and email address of their alternative proxy in the space provided. Please refer to Section 6.5 of this Notice of General Meeting below for further details in relation to how to submit the General Meeting Proxy Form.

The following applies to proxy appointments:

- a proxy need not be another Humm Shareholder, and may be an individual or a body corporate. If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with sections 250D and 253B of the Corporations Act to exercise its powers as proxy at the General Meeting;
- a Humm Shareholder who is entitled to cast two or more votes at the General Meeting may appoint one or two proxies. If you wish to appoint a second proxy, a second hard copy General Meeting Proxy Form should be used and you should clearly indicate on the second General Meeting Proxy Form that it is a second proxy and not a revocation of your first proxy. Both General Meeting Proxy Forms should be returned together in the same envelope. If you wish to appoint two proxies using hard copy General Meeting Proxy Forms, you will need to obtain a General Meeting Proxy Form. Please contact the Humm Share Registry on 1800 881 432 (+61 2 8280 7927 if overseas) to obtain an additional General Meeting Proxy Form. You cannot appoint a second proxy using the online platform. Where two proxies are appointed, each proxy should be appointed to represent a specified proportion of the Humm Shareholder's voting rights. If a Humm Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Humm Shareholder's votes, each proxy may exercise half of that Humm Shareholder's votes with any fractions of votes disregarded;
- if you hold Humm Shares jointly with one or more other persons, in order for your proxy appointment to be valid, either Humm Shareholder may sign the General Meeting Proxy Form; and
- each proxy will have the right to vote on the poll and also to ask questions at the meeting.

A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority. If you have appointed a proxy and you subsequently decide to attend the physical venue or log in to the live webcast of the General Meeting as a Humm Shareholder, your proxy's authority to speak and vote for you at the General Meeting will be suspended while you are present at the General Meeting.

A vote given in accordance with the terms of a proxy appointment is valid unless the shareholder revokes the proxy by that shareholder logging into the General Meeting or attending the physical venue for the General Meeting, or provides written notice of the revocation of that appointment to the Humm Share Registry, and such notice has been received by the Humm Share Registry before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways in Section 6.5 below.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, each of the General Meeting Resolutions, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on each of the General Meeting Resolutions, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your General Meeting Proxy Form:

- without identifying a proxy on it, you will be taken to have appointed the chair of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not participate in the meeting, the chair of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your General Meeting Proxy Form. The chair of the meeting intends to vote all available undirected proxies in favour of each of the General Meeting 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.

6.3 Voting by attorney

You may appoint an attorney to participate in and vote at the meeting on your behalf. Your attorney need not be another Humm Shareholder. Each attorney will have the right to vote on the poll and also to speak at the General Meeting.

The power of attorney appointing your attorney to participate in and vote at the meeting must be duly executed by you and specify your name, the company (that is, Humm), details of the holding the power of attorney is representing and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the Humm Share Registry before the commencement of the General Meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways specified for the General Meeting Proxy Form in Section 6.5 below, except that the power of attorney or a certified copy of the power of attorney cannot be lodged online or by mobile device.

A validly appointed attorney wishing to participate in and vote at the General Meeting via the online platform will require the appointing Humm Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

6.4 Voting by corporate representative

A body corporate that is a Humm Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D and 253B of the Corporations Act. A form of certificate may be downloaded via www.linkmarketservices.com.au or obtained from the Humm Share Registry by calling 1800 881 432 (+61 2 8280 7927 if overseas) between 9.00am to 5.00pm (Sydney time) Monday to Friday (excluding public holidays). The certificate of appointment may set out restrictions on the representative's powers.

The certificate must be received by the Humm Share Registry before the commencement of the General Meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting).

Humm Shareholders may submit the certificate:

- via email, by sending it to vote@linkmarketservices.com.au; or
- in any of the ways specified for General Meeting Proxy Form in Section 6.5 of this Notice of General Meeting, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Humm Share Registry.

A validly appointed corporate representative wishing to participate in and vote at the General Meeting via the online platform will require the appointing Humm Shareholder's name and postcode and the SRN/HIN of the holding in order to access the online platform.

6.5 How to submit a General Meeting Proxy Form

To appoint a proxy, you should complete and submit the General Meeting Proxy Form in accordance with the instructions on that form or lodge your proxy online at www.linkmarketservices.com.au in accordance with the instructions there (as applicable).

To be effective, proxy appointments must be received by way of completed General Meeting Proxy Form by the Humm Share Registry by 10.00am on Tuesday, 21 June 2022 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways.

- **Online:** at www.linkmarketservices.com.au and follow the prompts.
- **By mobile device:** If you have a smart phone, you can now lodge your vote via the Link website www.linkmarketservices.com.au or by scanning the QR code on the General Meeting Proxy Form. To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device. Log-in using the SRN/HIN and postcode for your shareholding.
- **By post in the provided reply paid envelope to the Humm Share Registry at the following address:**

  Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia

- **By hand delivery (during normal business hours) to the Humm Share Registry at the following address:**
  Level 12, 680 George Street, Sydney NSW 2000
- **By fax to the Humm Share Registry on:** +61 2 9287 0309.

General Meeting Proxy Forms received after this time will be invalid.

If a General Meeting Proxy Form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed General Meeting Proxy Form unless the power of attorney or other authority has previously been received by the Humm Share Registry.

For more information concerning the appointment of proxies and ways to lodge the General Meeting Proxy Form, please refer to the General Meeting Proxy Form.

7. QUESTIONS

Humm Shareholders and proxyholders will have a reasonable opportunity to ask questions during the General Meeting at the physical venue, via the online platform (in writing) or via telephone.

If you are attending the General Meeting via telephone, when the chair of the General Meeting calls for questions, you will receive instructions on how to raise your virtual hand to ask a question during the General Meeting. The call moderator will then introduce themselves to ask you what item of business your question relates to, and will assist with submitting the question to the meeting at the appropriate time.

Further instructions on how to participate during the General Meeting, online and by telephone, are provided in the Meeting Online Guide which has been released to the ASX and will be available on Humm's website.

Humm Shareholders who prefer to register questions in advance of the General Meeting are also invited to do so by submitting questions online at www.linkmarketservices.com.au.

The chair of the General Meeting will endeavour to address as many of the questions as possible during the course of the General Meeting. However, there may not be sufficient time available during the General Meeting to address all of the questions raised. Please note that individual responses may not be sent to Humm Shareholders.

Questions must be submitted to the Humm Share Registry by 5pm on Thursday, 16 June 2022.

8. TECHNICAL DIFFICULTIES

Technical difficulties may arise during the course of the General Meeting. The chair has discretion as to whether and how the General Meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the chair will have regard to the number of Humm Shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the chair considers it appropriate, the chair may continue to hold the General Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

ANNEXURE 2: NOTICE OF SCHEME MEETING

Notice is given that, by an Order of the Federal Court of Australia (Court) made on 17 May 2022 under section 411(1) of the Corporations Act, the Court has directed that a meeting of the holders of fully paid ordinary shares of Humm be held as a hybrid meeting at 10.30am on Thursday, 23 June 2022 or as soon as reasonably practicable after the General Meeting has concluded or been adjourned (whichever time is later) for the purpose of considering, and if thought fit, to agree (with or without any alterations or conditions agreed to in writing between Humm and Latitude or any alterations or conditions required by the Court to which Humm and Latitude agree) to a scheme of arrangement proposed to be made between Humm and the holders of its ordinary shares. The hybrid meeting will be conducted in two parts simultaneously with the physical venue of the meeting at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney and the online platform at https://meetings.linkgroup.com/HUMSCHEME22 that allows for remote participation.

The Court has also directed that Christine Christian AO act as Chair of the meeting or, if she is unable or unwilling to participate in the meeting, Carole Campbell, is to act as Chair of the meeting.

An overview of the Scheme is given in Section 3.3 of the Explanatory Booklet, of which this notice forms part. A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are also contained in the Explanatory Booklet. Additional information about the Scheme Meeting is set out in the explanatory notes that accompany and form part of this notice. Unless otherwise defined, terms used in this Notice of Scheme Meeting have the meaning given in the Explanatory Booklet of which this notice forms part.

SCHEME RESOLUTION

To consider and, if thought fit, to pass the following resolution:

> *'That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between Humm and the holders of its fully paid ordinary shares, designated the **Scheme**, as contained in and more particularly described in the Explanatory Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of Humm is authorised to implement the Scheme with any such alterations or conditions.'*

There are no relevant voting exclusions that apply to the Scheme Meeting.

SCHEME MEETING FORMAT

Humm Shareholders and their proxies, attorneys and corporate representatives may participate in the Scheme Meeting by attending the physical venue or via the online platform at https://meetings.linkgroup.com/HUMSCHEME22 or via telephone.

Further details on how to participate in the Scheme Meeting are set out in the explanatory notes that accompany and form part of this Notice of Scheme Meeting and in the Meetings Online Guide which has been released to the ASX and will be available on Humm's website.

Humm Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting by attending the physical venue, or will not have access to a device or the internet, are encouraged to appoint a proxy by either completing the Scheme Meeting Proxy Form enclosed with this Explanatory Booklet or by appointing a proxy online at www.linkmarketservices.com.au in accordance with the instructions there (as applicable) so that it is received by no later than 10.00am on Tuesday, 21 June 2022.

By Order of the Court

Belinda Hannover
Company Secretary
Humm Group Limited

EXPLANATORY NOTES TO THE NOTICE OF SCHEME MEETING

These explanatory notes relate to the Scheme and should be read in conjunction with the Notice of Scheme Meeting and the information in the Explanatory Booklet of which that notice forms part. The Explanatory Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

1. REQUISITE MAJORITIES

For the Scheme to proceed, the Scheme Resolution must be approved by the requisite majorities, being:

(i) at least 75% of the total number of votes cast on the Scheme Resolution by eligible Humm Shareholders present and voting at the Scheme Meeting (whether in person, by proxy or attorney or, in the case of a corporate Humm Shareholder or proxy, by a representative); and

(ii) unless the Court orders otherwise, a majority in number (more than 50%) of eligible Humm Shareholders present and voting at the Scheme Meeting (whether in person, by proxy or attorney or, in the case of a corporate Humm Shareholder or proxy, by a representative).

The Court has the power to waive the requirement set out in sub-paragraph (ii).

2. COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme (with or without any alterations or conditions) must be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Scheme Resolution put to the Scheme Meeting is passed by the requisite majorities and all conditions precedent for the Scheme (other than the Court approval of the Scheme) have been satisfied or waived (where capable of waiver), Humm intends to apply to the Court on or around 19 July 2022 for approval of the Scheme.

3. ENTITLEMENT TO VOTE

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7.00pm on Tuesday, 21 June 2022 (being the Voting Entitlement Date). Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

4. PARTICIPATION IN THE SCHEME MEETING

Humm Shareholders and their proxies, attorneys and duly appointed corporate representatives can participate in and vote at the Scheme Meeting by attending the physical venue of the meeting at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney or via the online platform at https://meetings.linkgroup.com/HUMSCHEME22. A telephone line will also be available to listen to the meeting and ask oral questions.

The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow Humm Shareholders and their proxies, attorneys and duly appointed corporate representatives to listen to the Scheme Meeting, cast an online vote and ask questions online.

To participate and vote online, Humm Shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of their holding statement or Scheme Meeting Proxy Form), and their postcode (or country code if outside Australia). The Humm Share Registry will email proxyholders their login details 24 hours prior to the General Meeting.

Humm Shareholders and their proxies, attorneys and corporate representatives who would prefer to attend the Scheme Meeting by telephone can do so by dialling 1800 798 110 (+61 2 7201 7093 if overseas). For verification purposes, Humm Shareholders will require a unique PIN. To obtain this unique PIN, please contact Link Market Services on 1800 990 363 (+61 1800 990 363 if overseas).

It is recommended that Humm Shareholders login to the online platform at least 15 minutes prior to the scheduled start time for the Scheme Meeting. The Meetings Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The Meetings Online Guide has been released to the ASX and will be available on Humm's website.

Humm Shareholders, their proxies, attorneys and corporate representatives that wish to attend the physical venue of the meeting should note that the protocols for attendance the physical venue of the meeting may change at short notice in response to lockdowns or border closures that may from time to time be imposed in response to the COVID-19 global pandemic. Any change will be announced by Humm via the ASX. Humm Shareholders, their proxies, attorneys and corporate representatives that wish to attend the physical venue of the Scheme Meeting are also strongly encouraged to contact the Humm Shareholder Information Line no later than 7 days prior to the date of the Scheme Meeting to inform Humm of their intention to attend the physical venue of the Scheme Meeting and to provide their contact details (email address or mobile telephone number or both) so that representatives of Humm can notify them of any changes to the protocols for attending the physical venue of the Scheme Meeting.

Please note that, given the concerns noted above, food and refreshments will not be served at the Scheme Meeting. Other restrictions and precautionary measures may also be imposed on attendance, including limiting or refusing entry to visitors.

Please monitor Humm's website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meeting.

5. HOW TO VOTE

Voting at the Scheme Meeting will be conducted by poll.

If you are a Humm Shareholder entitled to vote at the meeting, you may vote:

- at the physical meeting by completing a voting card;
- online, by participating and voting via the virtual meeting online platform at https://meetings.linkgroup.com/HUMSCHEME22;
- by proxy, by lodging the Scheme Meeting Proxy Form online at www.linkmarketservices.com.au or by completing and submitting the Scheme Meeting Proxy Form in accordance with the instructions on that form. To be effective, your proxy appointment must be received by the Humm Share Registry by 10.00am on Tuesday, 21 June 2022;
- by attorney, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney or a certified copy of the duly executed power of attorney to the Humm Share Registry prior to the commencement of the Scheme Meeting; or
- by corporate representative, in the case of a body corporate, by appointing a body corporate representative to participate in and vote at the Scheme Meeting on your behalf, and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the commencement of the Scheme Meeting in accordance with Section 7.4 below.

Please note that Humm Shareholders do not have the option to vote at the Scheme Meeting by telephone.

Even if you plan to participate in the meeting online, you are still encouraged to submit a directed proxy in advance of the meeting so that your votes can still be counted if, for any reason, you cannot participate online on the day.

6. JOINTLY HELD SECURITIES

If you hold Humm Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote at the meeting, only the vote of the holder whose name appears first on the Humm Share Register will be counted.

See also the comments in Section 7.2 below regarding the appointment of a proxy by persons who jointly hold Humm Shares.

7. VOTING

7.1 Voting at the physical meeting or online

To vote at the physical meeting, you will need to complete your voting card.

To vote online, you must participate in the Scheme Meeting via the virtual meeting online platform at https://meetings.linkgroup.com/HUMSCHEME22. Online voting will be open between the start of the Scheme Meeting and the closing of voting as announced by the chair during the Scheme Meeting.

7.2 Voting by proxy

A Humm Shareholder entitled to participate in and vote at the Scheme Meeting may appoint a person to participate in and vote at the Scheme Meeting as their proxy. To do so, either they should mark the box 'Appoint a Proxy' in step 1 of the Scheme Meeting Proxy Form to appoint the chair of the Scheme Meeting as their proxy, or insert the name and email address of their alternative proxy in the space provided. Please refer to Section 7.5 of this Notice of Scheme Meeting below for further details in relation to how to submit the Scheme Meeting Proxy Form.

The following applies to proxy appointments:

- a proxy need not be another Humm Shareholder, and may be an individual or a body corporate. If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with sections 250D and 253B of the Corporations Act to exercise its powers as proxy at the Scheme Meeting;
- a Humm Shareholder who is entitled to cast two or more votes at the Scheme Meeting may appoint one or two proxies. If you wish to appoint a second proxy, a second hard copy Scheme Meeting Proxy Form should be used and you should clearly indicate on the second Scheme Meeting Proxy Form that it is a second proxy and not a revocation of your first proxy. Both Scheme Meeting Proxy Forms should be returned together in the same envelope. If you wish to appoint two proxies using hard copy Scheme Meeting Proxy Forms, you will need to obtain a Scheme Meeting Proxy Form. Please contact the Humm Share Registry on 1800 881 432 (+61 2 8280 7927 if overseas) to obtain an additional Scheme Meeting Proxy Form. You cannot appoint a second proxy using the online platform. Where two proxies are appointed, each proxy should be appointed to represent a specified proportion of the Humm Shareholder's voting rights. If a Humm Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Humm Shareholder's votes, each proxy may exercise half of that Humm Shareholder's votes with any fractions of votes disregarded;
- if you hold Humm Shares jointly with one or more other persons, in order for your proxy appointment to be valid, either Humm Shareholder may sign the Scheme Meeting Proxy Form; and
- each proxy will have the right to vote on the poll and also to ask questions at the meeting.

A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority. If you have appointed a proxy and you subsequently decide to attend the physical venue or log in to the live webcast of the Scheme Meeting as a Humm Shareholder, your proxy's authority to speak and vote for you at the Scheme Meeting will be suspended while you are present at the Scheme Meeting.

A vote given in accordance with the terms of a proxy appointment is valid unless the shareholder revokes the proxy by that shareholder logging into the Scheme Meeting, or attending the physical venue for the Scheme Meeting, or provides written notice of the revocation of that appointment to the Humm Share Registry, and such notice has been received by the Humm Share Registry before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways in Section 7.5 below.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on the Scheme Resolution, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your Scheme Meeting Proxy Form:

- without identifying a proxy on it, you will be taken to have appointed the chair of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not participate in the meeting, the chair of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your Scheme Meeting Proxy Form. The chair of the meeting intends to vote all available undirected proxies in favour of the Scheme Resolution, 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.

7.3 Voting by attorney

You may appoint an attorney to participate in and vote at the meeting on your behalf. Your attorney need not be another Humm Shareholder. Each attorney will have the right to vote on the poll and also to speak at the Scheme Meeting.

The power of attorney appointing your attorney to participate in and vote at the meeting must be duly executed by you and specify your name, the company (that is, Humm), details of the holding the power of attorney is representing and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the Humm Share Registry before the commencement of the Scheme Meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways specified for the Scheme Meeting Proxy Form in Section 7.5 below, except that the power of attorney or a certified copy of the power of attorney cannot be lodged online or by mobile device.

A validly appointed attorney wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Humm Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

7.4 Voting by corporate representative

A body corporate that is a Humm Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D and 253B of the Corporations Act. A form of certificate may be downloaded via www.linkmarketservices.com.au or obtained from the Humm Share Registry by calling 1800 881 432 (+61 2 8280 7927 if overseas) between 9.00am to 5.00pm (Sydney time) Monday to Friday (excluding public holidays). The certificate of appointment may set out restrictions on the representative's powers.

The certificate must be received by the Humm Share Registry before the commencement of the Scheme Meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting).

Humm Shareholders may submit the certificate:

- via email, by sending it to vote@linkmarketservices.com.au; or
- in any of the ways specified for the Scheme Meeting Proxy Form in Section 7.5 of this Notice of Scheme Meeting, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Humm Share Registry.

A validly appointed corporate representative wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Humm Shareholder's name and postcode and the SRN/HIN of the holding in order to access the online platform.

7.5 How to submit the Scheme Meeting Proxy Form

To appoint a proxy, you should complete and submit the Scheme Meeting Proxy Form in accordance with the instructions on that form or lodge your proxy online at www.linkmarketservices.com.au in accordance with the instructions there (as applicable).

To be effective, proxy appointments must be received by way of completed Scheme Meeting Proxy Forms by the Humm Share Registry by 10.00am on Tuesday, 21 June 2022 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways.

- **Online:** at www.linkmarketservices.com.au and follow the prompts.
- **By mobile device:** If you have a smart phone, you can now lodge your vote via the Link website www.linkmarketservices.com.au or by scanning the QR code on the Scheme Meeting Proxy Form. To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device. Log-in using the SRN/HIN and postcode for your shareholding.
- **By post in the provided reply paid envelope to the Humm Share Registry at the following address:**
  Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia
- **By hand delivery (during normal business hours) to the Humm Share Registry at the following address:**
  Level 12, 680 George Street, Sydney NSW 2000
- **By fax to the Humm Share Registry on:** +61 2 9287 0309.

Scheme Meeting Proxy Forms received after this time will be invalid.

If a Scheme Meeting Proxy Form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed Scheme Meeting Proxy Form unless the power of attorney or other authority has previously been received by the Humm Share Registry.

For more information concerning the appointment of proxies and ways to lodge the Scheme Meeting Proxy Form, please refer to the Scheme Meeting Proxy Form.

8. QUESTIONS

Humm Shareholders and proxyholders will have a reasonable opportunity to ask questions during the Scheme Meeting at the physical venue, via the online platform (in writing) or via telephone.

If you are attending the Scheme Meeting via telephone, when the chair of the Scheme Meeting calls for questions, you will receive instructions on how to raise your virtual hand to ask a question during the Scheme Meeting. The call moderator will then introduce themselves to ask you what item of business your question relates to, and will assist with submitting the question to the meeting at the appropriate time.

Further instructions on how to participate during the Scheme Meeting, online and by telephone, are provided in the Meeting Online Guide which has been released to the ASX and will be available on Humm's website.

Humm Shareholders who prefer to register questions in advance of the Scheme Meeting are also invited to do so by submitting questions online at www.linkmarketservices.com.au.

The chair of the Scheme Meeting will endeavour to address as many of the questions as possible during the course of the Scheme Meeting. However, there may not be sufficient time available during the Scheme Meeting to address all of the questions raised. Please note that individual responses may not be sent to Humm Shareholders.

Questions must be submitted to the Humm Share Registry by 5pm on Thursday, 16 June 2022.

9. TECHNICAL DIFFICULTIES

Technical difficulties may arise during the course of the Scheme Meeting. The chair has discretion as to whether and how the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the chair will have regard to the number of Humm Shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the chair considers it appropriate, the chair may continue to hold the Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

ANNEXURE 3:
INDEPENDENT EXPERT'S REPORT

Kroll Australia Pty Ltd
Level 32, 85 Castlereagh St
Sydney NSW 2000
www.kroll.com

Ph: (02) 8286 7200
PO Box: Q113, Queen Victoria Building 1230
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The Directors
Humm Group Limited
Level 1
121 Harrington Street
Sydney NSW 2000

17 May 2022

Dear Directors

Part One – Independent Expert's Report

1 Introduction

On 18 February 2022, Humm Group Limited (**Humm Group**) announced that it had entered into certain Transaction Documents[1] to sell Humm Group Consumer Finance (**HCF**) comprising its buy now pay later (**BNPL**), instalment and credit card operations, to Latitude Group Holdings Limited (**Latitude**) (**HCF Sale**). The HCF Sale involves Latitude acquiring all of the shares in Humm SPV Pty Ltd (**Humm SPV**), a newly formed wholly owned subsidiary of Humm Group, which at the time of the completion of the sale will be the holding company for the corporate entities holding and operating HCF.

The consideration for the HCF Sale comprises 150 million Latitude Shares (**Consideration Shares**) and $35 million in cash, all of which is intended to be distributed to Humm Group shareholders (**Humm Shareholders**). It is proposed that Humm Shareholders will receive 0.303 Latitude Shares and $0.07 in cash via an equal capital reduction (**Capital Return**) for each Humm Group share (**Humm Share**) held on the record date.

A scheme of arrangement (**Scheme**) is being proposed to facilitate the distribution and transfer of the Consideration Shares to Humm Shareholders under the Capital Return.[2]

The HCF Sale, Capital Return, and Scheme are subject to Humm Shareholder approval. At a general meeting of Humm Shareholders (**General Meeting**), Humm Shareholders will be asked to approve the following resolutions (**General Meeting Resolutions**) including the following ordinary resolutions which must be passed by a simple majority (more than 50%) of votes cast by Humm Shareholders present (in person or by proxy):

- a resolution to approve the sale of the main undertaking (i.e. HCF) to Latitude under Australian Securities Exchange (**ASX**) Listing Rule 11.2 (**Chapter 11 Resolution**);
- a resolution to approve the Capital Return (**Capital Return Resolution**);
- in the context of Rebecca James, Humm Group's Chief Executive Officer, who will be invited to join the Latitude Group if the HCF Sale proceeds to completion, a resolution approving the provision of benefits to Ms James, being a person who has held managerial or executive office in Humm Group for the purposes of section 200C of the Corporations Act, in connection with the transfer of property of Humm Group (being the shares in Humm SPV) (**Section 200C Resolution**); and

[1] Includes Share Sale Agreement and Scheme Implementation Deed (as amended). Refer to Section 3.13 of the Explanatory Booklet for further details.
[2] Except for any Ineligible Shareholders.

as well as a special resolution (75% of votes cast of shareholders present and voting) to approve a change of name of Humm Group to Flexi Capital Group Limited (**Change of Name Resolution**).

In addition, at the scheme meeting (**Scheme Meeting**), Humm Shareholders will be asked to pass the Scheme by the requisite majorities (being more than 75% of votes cast and more than 50% of shareholders present and voting) to facilitate the distribution and transfer of Latitude Shares under the Capital Return.[3]

The HCF Sale, the Capital Return and other resolutions to be considered at the General Meeting as well as the Scheme are collectively referred to as the **Overall Proposal**.

The General Meeting and Scheme Meeting (collectively **Meetings**) will be hybrid meetings with both a physical presence and online on Thursday, 23 June 2022.

Humm Group is an ASX listed consumer and commercial finance business. HCF offers big ticket[4] and small ticket[4] BNPL, instalments and cards in Australia and New Zealand (**ANZ**), as well as BNPL in Ireland, United Kingdom and Canada. As at 31 December 2021, HCF had gross receivables of $1.9 billion, over 2.7 million customers and a significant merchant base of around 82,000. As at 17 December 2021, the last trading day prior to the announcement that it had received approaches from third parties to acquire all or part of Humm Group, it had a market capitalisation of $366.2 million.[5]

Latitude is an ASX listed consumer finance business. It provides a range of instalment and lending products (as well as minor insurance products) to around 2.8 million customers in ANZ and has relationships with around 5,500 merchants. Its BNPL business is focused on small ticket items. As at 31 December 2021, it had gross receivables of $6.5 billion. As at 11 May 2022, it had a market capitalisation of approximately $1.9 billion.[6]

The HCF Sale is subject to a number of conditions as set out in Section 5.3.

Implementation of the HCF Sale will result in HCF becoming part of Latitude to form a pure play consumer finance business (the **Combined HCF and Latitude businesses**). The Combined HCF and Latitude businesses will be the largest consumer finance business in Australia and will have gross receivables of $8.4 billion, over 5.0 million customers and relationships with around 82,000 merchants.[7] Humm Shareholders will receive the Consideration Shares and will, therefore, have an interest in the Combined HCF and Latitude businesses in addition to their existing Humm Shares.

Humm Group will retain ownership of the flexicommercial business and will continue as an ASX-listed company owned by existing Humm Shareholders. The company will be renamed Flexi Capital Group Limited (pending the passing of the Change of Name Resolution).

In order to assist Humm Shareholders in assessing the HCF Sale, the Directors of Humm Group (**Humm Directors**) have appointed Kroll Australia Pty Ltd (**Kroll**), to prepare an independent expert's report setting out whether, in our opinion, the HCF Sale is in the best interests of Humm Shareholders.

This report sets out Kroll's opinion as to the merits or otherwise of the HCF Sale and will be included with the Explanatory Booklet, incorporating the Notice of General Meeting and the Notice of Scheme Meeting (**Explanatory Booklet**) to be sent to Humm Shareholders.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1.

Kroll's Financial Services Guide is contained in Part Two of this report.

[3] If the Scheme is not approved by Humm Shareholders, Humm Group will provide each eligible shareholder with an individual election form which eligible shareholders will need to sign and return in order to receive the Latitude Shares to which they are entitled under the Capital Return. If an election form is not signed and returned by an eligible shareholder, their shares will be held by Humm Group on trust and then sold after a period with the net sale proceeds returned to the shareholder.

[4] The limit for big ticket and small ticket purchases is different for each country. In Australia, big ticket purchases are purchases above $2,000 and small ticket purchases is purchases below $2,000.

[5] Calculated as closing price on 17 December 2021 of $0.74 multiplied by 494,863,968 shares.

[6] Calculated as closing price on 11 May 2022 of $1.81 multiplied by 1,038,461,538 shares.

[7] Source: Latitude Market Briefing, 18 February 2022.

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2 Scope of report

We understand that the HCF Sale is subject to the requirements of ASX Listing Rule 11.2. Listing Rule 11.2 requires a listed company to obtain approval of its shareholders to dispose of its main undertaking. The ASX has confirmed to Humm Group that the HCF Sale constitutes a disposal of Humm Group's main undertaking for these purposes. An independent expert's report is not required for these purposes, however, it is not uncommon for companies to engage an independent expert in such circumstances.

The HCF Sale forms only part of the Overall Proposal. In considering whether the HCF Sale in the best interests of Humm Shareholders it is, in our view, appropriate to consider the impact of the Overall Proposal in its entirety, noting that the Capital Return is conditional on the HCF Sale while the Scheme is conditional on both the HCF Sale and the Capital Return.

The ASX Listing Rules do not provide guidance as to the content of independent expert's reports. Accordingly, in preparing the independent expert's report, Kroll has had regard to the relevant Regulatory Guides issued by the Australian Securities & Investments Commission (**ASIC**), being Regulatory Guide 111: Contents of expert reports (**RG 111**) and Regulatory Guide 112: Independence of experts (**RG 112**).

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6.

3 Summary of opinion

3.1 Background

Humm Group provides consumer finance products through its HCF business, primarily BNPL and credit cards, and commercial financing products. In recent years, BNPL products (of which non-bank lenders have the major share) have shown exponential growth as younger generations have turned away from credit cards and as e-commerce has grown, however, they are now facing increased and significant competition from incumbent payment operators and are potentially subject to greater regulatory oversight in Australia. In comparison, credit card growth has remained subdued over the last 10 years due to the growth in alternative financing products, such as BNPL and debit cards, primarily due to concerns around budgeting and high interest rates.

The COVID-19 pandemic has also impacted the consumer finance sector as the level of household savings increased due to government stimulus (e.g. JobKeeper) and government-imposed lockdowns and border closures, which reduced discretionary and travel expenditure. As the impacts resulting from the COVID-19 pandemic reduce, discretionary and travel expenditure is expected to increase, although it is not clear how quickly this may occur and what impact other issues will have on the timing of increased expenditure. This includes uncertainty in relation to the impact of higher interest rates, which will lift funding costs, as well as the potential impact of rising inflation on consumer confidence. There is also increased uncertainty due to current global geopolitical tensions arising from the Russian invasion of Ukraine and its impact on financial markets and economic conditions.

In addition, the HCF business operates in a highly competitive environment where participants with scale, customer relevance, and an established brand have an advantage over smaller and less established players, primarily as a result of their ability to leverage technology costs, obtain greater reach, and typically obtain lower funding costs.

Notwithstanding these headwinds, the HCF business has remained profitable, before significant items, through the COVID-19 pandemic. The HCF business' profits are, however, not growing and there is evidence of a decline in both volumes and margins on certain products. Humm Group has sought to gain scale by investing in growth initiatives, however, these carry significant risks as they are at an early stage and as yet, they are not profitable. Further investment is required before this is likely to be achieved.

It is within this environment that we have evaluated the offer from Latitude.

We note that this uncertainty has been reflected in the views of the majority of Directors of Humm Group (**Majority Directors**)[8] who have indicated that they do not have a reasonable basis to believe that HCF's earnings will significantly improve in the medium-term.[9] In contrast, one of the Directors, Andrew

[8] Each of the Humm Directors other than Andrew Abercrombie.

[9] See Section 1.6 of the Explanatory Booklet for further details on the Majority Directors' views on the Overall Proposal.

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Abercrombie, believes that HCF's earnings will materially improve once the impact of the COVID-19 pandemic on supply chains, physical retail and travel abates.

3.2 Summary of opinion

In our opinion, the HCF Sale is in the best interests of Humm Shareholders, in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the HCF Sale is:

- **fair**, by comparing the value of the consideration on a minority interest basis to our assessed equity value of HCF on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111; and
- **reasonable**, by assessing the implications of the HCF Sale for Humm Shareholders, the alternatives to the HCF Sale that are available to Humm Group, and the consequences for Humm Shareholders of not approving the HCF Sale, the Capital Reduction and the Scheme.

We have assessed the HCF Sale to be fair and reasonable. Consequently, consistent with RG 111, we have concluded that the HCF Sale is in the best interests of Humm Shareholders, in the absence of a superior proposal.

We have assessed the equity value of HCF on a controlling interest basis to be in the range of $260 million to $308 million. As the consideration of $290 million to $320 million overlaps with our assessed value range, we consider the HCF Sale to be fair.

In forming our view as to the equity value of HCF, we have considered a range of factors including the growth in the BNPL sector in recent years and expectations for the future, including the impact of increased competition, rising interest rates and inflation, the maturing regulatory environment and the long-term structural changes impacting credit cards.

Our analysis of the fairness of the HCF Sale is detailed further in Section 3.3.

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the HCF Sale to be fair, it is also reasonable. Regardless of this requirement, we have considered a range of other factors that are relevant to an assessment of the reasonableness of the HCF Sale, including:

- the Humm Group share price will likely fall in the absence of the HCF Sale;
- the change in Humm Shareholders' investment profile;
- Humm Shareholders' continued exposure to the commercial finance business; and
- the likelihood of a superior proposal.

Other matters which Humm Shareholders should consider in assessing the HCF Sale include:

- the views of the Directors;
- transaction costs associated with the HCF Sale process;
- the HCF Sale is subject to certain conditions;
- the tax implications of the HCF Sale; and
- the consequences, if any, if the resolutions to effect the HCF Sale, the Capital Return or the Scheme are not approved.

Our analysis of the reasonableness of the HCF Sale is detailed further in Section 3.4.

The decision to approve the HCF Sale is a matter for individual Humm Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances including investment strategy and portfolio, risk profile and tax position. If in doubt, Humm Shareholders should consult their own professional adviser regarding the action they should take in relation to the HCF Sale.

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3.3 The Offer is fair

3.3.1 HCF equity value

Kroll has assessed the value of equity of HCF to be in the range of $260 million to $308 million. Our range of assessed values reflects 100% ownership of HCF and, therefore, incorporates a control premium. The value attributed to HCF's equity is an overall judgement as to the opportunities and risks associated with the business, having regard to a Capitalised Earnings methodology. The valuation is summarised as follows.

HCF Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	Valuation Range High
Maintainable earnings (Cash NPAT[1])	11.3.2	26.0	28.0
Capitalisation multiple	11.3.3	10.0	11.0
Equity value of HCF (controlling basis)		**260.0**	**308.0**

Source: Kroll analysis.

Note 1: Cash net profit after tax.

It should be noted that a valuation of HCF in the current macroeconomic and geopolitical environment is complex and requires judgement of the duration and impact of current headwinds impacting the consumer finance sector.

In forming our view as to the value of HCF's equity, we have sought to balance both the strengths, weaknesses, risks and opportunities of an investment in HCF including:

- HCF's position as a market leader in BNPL in the ANZ region;
- through-the-cycle performance and resilience of HCF's credit card segments in ANZ during the COVID-19 pandemic;
- HCF's integrated operating model across complementary segments of specialist consumer finance solutions, which is scalable within a market and replicable across markets;
- the move to globally diversify HCF's operations and opportunity to gain scale in relatively immature BNPL markets, however, we note that growth is not without risk in terms of timing and the ability to achieve positive cash net profit after tax (**NPAT**);
- HCF's track record of performance across risk management, funding and treasury functions through the economic cycle;
- a diversified and capital efficient funding model, with a track record of successfully securitising assets;
- HCF's exposure to:
  - relatively higher risk consumer loans and financing solutions;
  - competitive markets and recent trends of competitive behaviour placing pressure on fees and margins for certain products. Despite a recent reduction in the number of market participants through consolidation, the Australian BNPL market remains saturated;
  - macroeconomic conditions in the countries where it operates, in particular, the potential impact of higher inflation on consumer confidence and rising interest rates on HCF's ability to source low-cost funding; and
  - a maturing regulatory environment for BNPL in Australia;
- the positive short to medium term outlook for the credit cards and Big Things BNPL businesses as a result of consumer spending recovering from the impacts of the COVID-19 pandemic, in particular, a return to in-store shopping, and increase in travel related expenditure;
- the recent decline in investor confidence in BNPL, resulting in large negative movements in the valuations of HCF's BNPL listed peers (e.g. Zip Co Limited's (**Zip**) share price declined by 32.6% during March 2022). Diminishing confidence has been driven by the following factors:
  - a recent accumulation of bad debts in listed BNPL peers. Zip's bad debts were equal to 9.7% of closing receivables owed by customers as at 31 December 2021, while the balance sheet of

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Affirm Holdings, Inc. (**Affirm**) shows its allowance for credit losses grew to 6.5% of loans held for investment as at 31 December 2021, versus 5.8% as at 30 June 2021;

  - fears that increasing interest rates will lift funding costs, while the higher inflationary environment will reduce consumer savings and ultimately increase credit losses;
  - an increasing hesitancy of debt market participants to provide credit to the BNPL companies, with a recent ABS sale halted by Affirm after a major investor withdrew their order at the last minute over concerns on market volatility;[10]
  - increasing scrutiny of the BNPL sector from regulators, including the US Consumer Financial Protection Bureau who are investigating the sector over concerns around the accumulation of excessive debt, adequate disclosure and consumer protections, and data harvesting;[11]
- the recent negative market re-rating of BNPL participants as a result of the aforementioned issues, as reflected in a decline in their multiples; and
- Humm Group's relatively minor earnings contribution from BNPL (approximately 2% of FY21 cash net profit after tax (**Cash NPAT**)), relative to credit cards, meaning that the most comparable companies and transactions involve broader consumer finance companies, rather than BNPL participants. The multiples for non-bank lenders are significantly lower than those for pure BNPL participants and they have also been negatively re-rated since mid to late February 2022.

3.3.2 Valuation of the consideration

The consideration for HCF comprises 150 million Consideration Shares and $35 million in cash. Based on a value range of $1.70 to $1.90 per Latitude Share, the consideration has been valued in the range of $290.0 million to $320.0 million as follows.

Value of the Consideration

	Consideration	
	Low	High
Value per Latitude Share	$1.70	$1.90
Number of Consideration Shares (millions)	150.0	150.0
Value of Consideration Shares ($ million)	**255.0**	**285.0**
Add: cash component ($ million)	35.0	35.0
Value of consideration ($ million)	**290.0**	**320.0**

Source: Kroll analysis

The Consideration Shares to be received by Humm Shareholders will represent minority interests in Latitude. In such circumstances, RG 111 requires the value of the scrip component of the consideration to be assessed on a minority interest basis. In a transaction with a scrip component it is common practice to utilise the post announcement market price as a basis for estimating the value of the scrip component.

Taking into account the relatively illiquid trading in Latitude Shares, we have cross-checked our value of a Latitude Share as follows:

- compared the forecast Cash NPAT multiple and price to book ratio implied by our selected value range for Latitude Shares to market evidence derived from listed consumer finance companies and transactions involving consumer finance businesses; and
- compared our selected value range for Latitude Shares to brokers' target prices.

The value of Latitude Shares is below the assumed share price of $2.00 referenced in the announcement of the HCF Sale on 6 January 2022 and the update to the market on 18 February 2022. This is not unexpected as subsequent to these announcements:

- Latitude Shares are trading ex-distribution (from 28 February 2022);
- the BNPL sector has been negatively re-rated; and
- the share prices of other recently listed non-bank lenders (e.g. Pepper Money Limited (**Pepper Money**), Liberty Financial Group Ltd (**Liberty Financial**) and Judo Capital Holdings Limited (**Judo**))

[10] For more information, refer to https://www.bloomberg.com/news/articles/2022-03-11/-buy-now-pay-later-lender-affirm-delays-asset-backed-bond-sale

[11] https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-opens-inquiry-into-buy-now-pay-later-credit/

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have declined, potentially reflecting concern as to their ability to weather the rising interest rate and inflationary environment.

As a portion of the consideration is in the form of Consideration Shares, the value of the consideration will vary with movements in the Latitude share price. Accordingly, until the Consideration Shares are distributed to Humm Shareholders, Humm Shareholders are exposed to changes in overall equity market conditions, the non-bank financial sector and company specific events that may affect the Latitude share price.

Furthermore, as most of the consideration is in the form of Consideration Shares, with the cash component being relatively minor, the value of the consideration is particularly sensitive to movements in the Latitude share price. The following table illustrates the sensitivity of the implied value of the consideration to changes in the Latitude share price.

Sensitivity of the Consideration to Changes in the Latitude Share Price

Latitude Share price	$1.50	$1.60	$1.70	$1.80	$1.90	$2.00*	$2.10
Number of Consideration Shares (millions)	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Value of Consideration Shares ($ million)	**225.0**	**240.0**	**255.0**	**270.0**	**285.0**	**300.0**	**315.0**
Add: cash component ($ million)	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Value of consideration ($ million)	**260.0**	**275.0**	**290.0**	**305.0**	**320.0**	**335.0**	**350.0**

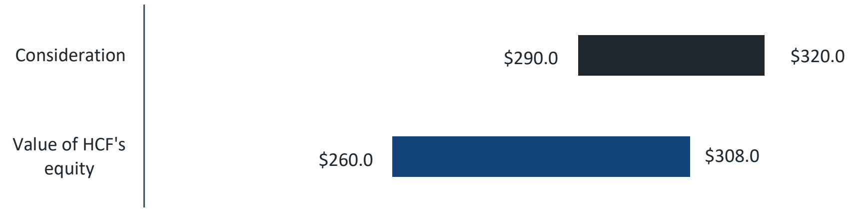
Source: Kroll analysis

Note *: Per announcement.

3.3.3 Assessment of fairness

A comparison of our assessed equity value of HCF, on a control basis, to the value of the consideration is illustrated in the following chart.

Fairness Assessment



Source: Kroll analysis

As the consideration overlaps with the range of equity value for HCF, **the HCF Sale is fair to Humm Shareholders.**

3.4 The HCF Sale is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. **As we have assessed the HCF Sale to be fair, it is also reasonable.** However, irrespective of the requirement to conclude the HCF Sale is reasonable, we have also considered a range of other factors that are relevant to an assessment of the reasonableness of the HCF Sale.

3.4.1 Humm Group's share price will likely fall in the absence of the HCF Sale

The Humm Group share price increased 23.0% on 20 December 2021 to close at $0.91 following confirmation of the receipt of approaches from third parties to acquire all or part of Humm Group. As such, in the absence of the HCF Sale, a superior proposal, or speculation concerning a superior proposal, the Humm Group share price is likely to fall below the trading prior to the announcement of the receipt of approaches, due to the following:

- as part of Humm Group's 1H22 trading results, a fully franked interim dividend of 1.7 cents per ordinary share was declared. Since the release of these results, Humm Shares are trading ex-distribution (from a record date of 1 March 2022);

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- the trading price of Humm Shares has declined since the release of the disappointing 1H22 results. Humm Group was trading at $0.87 immediately prior to the release of the results, and as at 11 May 2022 was trading at $0.74;
- the increasingly competitive and maturing regulatory environment facing the consumer finance industry;
- the uncertainty surrounding future interest rates (specifically, to what extent they will increase), which will likely impact funding costs;
- negative re-rating of non-bank lenders since the announcement of the receipt of approaches. From then until 11 May 2022, the share prices of Judo, Liberty Financial and Pepper Money declined by 26.1%, 12.9% and 12.4%, respectively; and
- continued negative re-rating of the BNPL sector since the announcement of the receipt of approaches. For example, from then until 11 May 2022, the Zip share price declined by 76.1%.

3.4.2 Change in investment profile

If the Overall Proposal is completed as intended, existing Humm Shareholders will hold an investment in Latitude, which will include the HCF business, and an investment in Humm Group, which will comprise only the commercial finance business.

This will result in a change to the current investment profile of Humm Shareholders as they will be exposed to the opportunities and risks associated with the broader Latitude business. Humm Shareholders will have an opportunity to participate in the synergies arising from the HCF Sale, which Latitude has estimated to be $65 million on a pre-tax basis.[12] On the other hand, the key risks of an investment in Latitude are:

- risk of achieving anticipated synergies; and
- risk that a sell down of Latitude Shares by majority shareholders will temporarily depress the Latitude share price.

As the remaining Humm Group business will only comprise the commercial finance business, it will be a considerably smaller business than that which currently exists.

As part of these changes there is also likely to be an impact on the liquidity and trading of each company's shares as investors rebalance their portfolios. Furthermore, Humm Shareholders will experience an effective reduction in voting power as collectively they will hold only 12.6% of the Combined HCF and Latitude business' shares.

3.4.3 Continued exposure to commercial business

Humm Shareholders will retain an investment in Humm Group's commercial finance business in ANZ.

The board of Directors of Humm Group (**Humm Board**) considers that the commercial business is well positioned for the future. It will be well capitalised post the Overall Proposal, as Humm Group expects that it will have meaningful unrestricted cash on a pro forma basis,[13] and will retain a long tenured and experienced management team. The business has invested significantly in prior years in its credit application process and systems, which is key to on-going operating performance, as this drives the speed with which funding application and decisions can be made. The operating model for sales is exclusively through broker networks in Australia and is moving to this model in New Zealand. This allows a leaner operating model but requires quality systems as the speed of funding decisions is critical for brokers.

Humm Group will, however, be a significantly smaller business with less diversification in its earnings and potentially reduced liquidity in its share trading. For further details on Humm Group following completion of the Overall Proposal refer to Section 4.9 of the Explanatory Booklet.

3.4.4 Likelihood of a superior proposal

Since the confirmation 20 December 2021 of the receipt of approaches from third parties to acquire all or part of Humm Group, no alternative bidder has emerged for the HCF business or Humm Group. Whilst the

[12] Source: Latitude Market Briefing, 18 February 2022.
[13] Before transaction and separation costs.

opportunity for a superior proposal remains, at this point in time, we consider the likelihood of a superior proposal to be impacted by the following:

- Latitude has announced that it expects to achieve pre-tax, full run rate synergies of approximately $65 million, consisting of $55 million in technology, duplicate cost and funding synergies and $10 million in revenue synergies. It is unlikely that other parties could necessarily achieve such significant synergies;
- the current global geopolitical tensions arising from the Russian invasion of Ukraine and its future impact on financial markets and economic conditions;
- Humm Group has not received any approaches from third parties since the initial announcement on 20 December 2021;
- the HCF Sale consideration represents, in our view, a fair value for the business. This is likely to limit the range of potential acquirers, given the need for a competing bid to exceed this offer price; and
- the mixed nature of Humm Group's product offering (consumer and commercial) may not be attractive to alternative bidders.

3.4.5 Other considerations

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these factors to impact our assessment of the reasonableness of the HCF Sale, we have addressed them as follows.

Directors' views

Each of the Majority Directors intends to vote all Humm Shares held or controlled by them in favour of the Overall Proposal at the Meetings in the absence of a Superior Proposal. As at the date of this report, the Majority Directors hold or control in aggregate approximately 5.66% of Humm Shares on issue.

Andrew Abercrombie, who has a relevant interest in approximately 20.2% of Humm Shares on issue at the date of this report, currently intends to vote against the Resolution to approve the HCF Sale. His reasons include that he believes the terms of the HCF Sale undervalue HCF, and that retaining HCF and participating in sector consolidation would deliver a superior outcome. If, however, the HCF Sale is approved by Humm Shareholders, Andrew Abercrombie reserves the right to vote those Humm Shares in favour of or against the remaining Resolutions, including the Scheme Resolution, based on the relevant circumstances at the time. He makes no recommendation to Humm Shareholders in relation to the remaining Resolutions. We note that Andrew Abercrombie intends to continue to monitor his position having regard to Humm Group's ongoing performance, the global uncertainty and volatility in financial markets, and macroeconomic and geopolitical conditions.

For further details as to Andrew Abercrombie's reasons refer to Section 3.12 of the Explanatory Booklet.

One-off transaction costs

If the Overall Proposal is implemented, an estimated $21.1 million (excluding GST) of one-off transaction costs is expected to be paid by Humm Group, of which approximately $6.0 million (excluding GST) will have been paid prior to the Meetings. In addition, Latitude expects to occur transaction costs of $7.2 million in relation to the HCF Sale (refer to Section 5.8.8 of the Explanatory Booklet).

The HCF Sale is subject to the satisfaction of certain conditions

There are certain conditions which, if not satisfied, will result in the HCF Sale not being implemented. In particular, approval is required from Australian Foreign Investment Review Board (**FIRB**), New Zealand Commerce Commission, Reserve Bank of New Zealand and New Zealand Overseas Investments Office and other licensing related approvals in certain offshore jurisdictions. If any conditions prevent the HCF Sale from being implemented, the Humm Group will continue to retain its interest in the consumer finance business.

For further details as to conditions precedent, refer to Section 5.3 of this report and Section 3.6 of the Explanatory Booklet.

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Ineligible Shareholders

Ineligible Shareholders include Foreign Scheme Shareholders[14] and Small Shareholders[15]. They will not receive any shares under the Overall Proposal but instead their shares will be sold pursuant to a Sale Facility.

For further details as to ineligible Shareholders refer to Section 3.5 of the Explanatory Booklet.

Taxation implications for Humm Shareholders

General tax implications for Australian tax resident Humm Shareholders resulting from the Overall Proposal and the receipt of the Capital Return is set out in Section 6.1 of the Explanatory Booklet.

Section 6.1 of the Explanatory Booklet specifically considers the implications of the Capital Return noting that Humm Group is in the process of seeking an Australian Taxation Office (**ATO**) Class Ruling to confirm the appropriate treatment and that depending on the outcome a proportion of the Capital Return should be considered capital in nature with the component remaining considered a dividend. To the extent the capital component of the Capital Return is greater than a Humm Shareholder's tax cost base then a capital gain will arise. Humm Shareholders should also have a tax cost base in the Latitude Shares received equivalent to the value of the Capital Return. This broadly should equate to the market value of the Latitude Shares at the time of the Capital Return.

We note that Humm Shareholders should consider their individual taxation circumstances, review Section 6.1 of the Explanatory Booklet for further information where it applies to their circumstances and seek the advice of their own professional advisor. Further, no advice is provided in Section 6.1 for any person who may be subject to tax in any jurisdiction outside Australia.

3.4.6 Consequences if the HCF Sale does not proceed

In the event that the HCF Sale is not approved, or any conditions precedent prevent the HCF Sale from being implemented, Humm Group will continue to operate in its current form and remain listed on the ASX. As a consequence:

- Humm Shareholders will continue to be exposed to the risks and benefits associated with an investment in HCF, including risks associated with the increasingly competitive environment, offshore expansion and a maturing regulatory environment. Given Humm Group's stable financial position, should the opportunity arise, Humm Group would be well placed to consolidate smaller participants in the BNPL sector who are performing poorly. However, this remains highly uncertain given it would require such opportunities to arise and an appropriate transaction price to be agreed;
- the Humm Group share price will likely fall. The current price of Humm Group Shares reflects the terms of the HCF Sale which, in our view, includes the expected benefit to Humm Shareholders from the synergies expected to be achieved by Latitude and potential de-risking from any adverse consequences from the risks associated with an investment in Humm Group. It is unlikely that an alternative bidder would be able to achieve synergies of the scale anticipated by Latitude; and
- Humm Group will incur an estimated $6.0 million (excluding GST) of one-off transaction costs in relation to the Overall Proposal.

3.4.7 Consequences if the Capital Return or Scheme Resolutions are not approved

If Completion of the HCF Sale occurs but the Capital Return Resolution is not passed by Humm Shareholders, then the Capital Return and the Scheme will also not proceed. Humm Group will then look to other means of distributing to its shareholders the cash consideration it receives from the HCF Sale and realising the Consideration Shares and exploring other means of returning the net proceeds of the Consideration Shares through alternative capital management initiatives.

Where the HCF Sale occurs and the Capital Return Resolution is also passed by Humm Shareholders, but the Scheme is not approved by the requisite majority of Humm Shareholders or the Court, then the Capital

[14] A Scheme Shareholder will be a Foreign Scheme Shareholder if their address, as shown in the Share Register as at the Scheme Record Date, is located outside of Australia and its external territories, New Zealand and any other jurisdictions agreed by Humm and Latitude.

[15] Small Shareholders are those Scheme Shareholders who will be entitled to receive less than a marketable parcel of Consideration Shares under the Share Scheme, equal to a value of less than $500 on the Capital Return Record Date, calculated at $2 per Consideration Share.

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Return will still proceed. However, in those circumstances, eligible Humm Shareholders will only receive the Consideration Shares that they would have received under the Capital Return if they have signed and returned the Election Form. If an election form is not signed and returned by an eligible shareholder, or they do not complete an online election, their shares will be held by Humm Group on trust and then sold after a period with the net sale proceeds returned to the shareholder.

4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the *Corporations Act 2001 (Cth)* (the **Corporations Act**) and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Humm Shareholders in considering the HCF Sale. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Humm Shareholders. This advice therefore does not consider the financial situation, objectives or needs of individual Humm Shareholders.

The decision of Humm Shareholders as to whether or not to approve the HCF Sale is a matter for individual shareholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the proposed resolutions in relation to the HCF Sale may be influenced by their particular circumstances, we recommend that individual Humm Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to an Australian financial year (i.e. the 12 months to 30 June) have been abbreviated to FY, references to calendar years have been abbreviated to CY and references to half years have been abbreviated to H.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information section, are set out in Appendix 2. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin	Celeste Oakley
Authorised Representative	Managing Director

Independent Expert's Report
and
Financial Services Guide

In relation to the proposed sale of the Humm Group consumer finance business to Latitude Group Holdings Limited

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5 The Overall Proposal

5.1 Overview

On 20 December 2021, Humm Group advised the ASX that it had received approaches from third parties to acquire all or part of Humm Group.

On 6 January 2022, Humm Group announced that it had received a non-binding proposal from Latitude for the purchase of HCF and had entered into a non-binding heads of agreement to facilitate reciprocal due diligence on an exclusive basis and negotiation of a definitive agreement. The proposed consideration for HCF was 150 million Consideration Shares which, as at the date of the announcement, was based on an assumed price of $2.00 per Latitude Share and $35 million cash. HCF would be combined with Latitude's existing BNPL and instalments business and Humm Shareholders would fully retain the commercial business.

On 18 February 2022, Humm Group announced that it had entered into Transaction Documents[16] with Latitude with respect to the sale of HCF to Latitude (or its nominee). The HCF Sale involves Latitude acquiring all the shares in Humm SPV, which at the time of the completion of the sale will be the holding company for the corporate entities holding and operating HCF.

The consideration for HCF comprises 150 million Consideration Shares and $35 million in cash. Humm Group has stated that it intends to distribute all of the sale proceeds to Humm Shareholders. For each Humm Share held, Humm Shareholders will receive 0.303 Latitude Shares and $0.07 in cash under the Capital Return.

The Scheme is being proposed to facilitate the distribution and transfer of the Consideration Shares to Humm Shareholders under the Capital Return.

Ineligible Shareholders, being Foreign Shareholders and Small Shareholders,[17] will not receive the Consideration Shares. Instead, the Consideration Shares that would have otherwise been distributed and transferred to all Ineligible Shareholders will be sold, and each Ineligible Shareholder will receive a proportion of the net proceeds from such sale that corresponds to the Consideration Shares they would have otherwise been entitled to.

Humm Group will retain ownership of the various controlled entities operating the Humm Group's commercial business 'flexicommercial' and will be owned by Humm Group's existing shareholders. It will continue to operate as a pure play commercial finance company and an appropriately capitalised ASX-listed company. flexicommercial is the second largest non-bank provider of asset finance in ANZ with over $1 billion in receivables.

After completing the HCF Sale and distributing the share and cash consideration to Humm Shareholders, Humm Group expects that it will have meaningful unrestricted cash, which it proposes will be first applied to the retirement of a perpetual note (approximately $55 million) if not already retired. Thereafter, the Humm Board will take a disciplined approach in allocating the remaining unrestricted cash between investing further in growth of the Commercial business and capital management initiatives.

5.2 Resolutions

The HCF Sale, Capital Return, and Scheme are subject to Humm Shareholder approval. At the General Meeting, Humm Shareholders will be asked to pass the following ordinary resolutions which must be passed by a simple majority (more than 50%) of votes cast by Humm Shareholders present (in person or by proxy) and voting:

- **Chapter 11 Resolution:** a resolution to approve the sale of a main undertaking (i.e. HCF) to Latitude under ASX Listing Rule 11.2;

[16] Includes Share Sale Agreement and Scheme Implementation Deed (as amended). Refer to Section 3.13 of the Explanatory Booklet for further details.

[17] Small Shareholders are those Scheme Shareholders who will be entitled to receive less than a marketable parcel of Consideration Shares under the Share Scheme, equal to a value of less than $500 on the Capital Return Record Date, calculated at $2 per Consideration Share.

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- **Capital Return Resolution:** a resolution to approve the equal reduction of share capital to facilitate the distribution and transfer of the consideration to Humm Shareholders;[18]
- **Section 200C Resolution:** a resolution approving the provision of benefits to Ms James, being a person who has held managerial or executive office in Humm Group for the purposes of section 200C of the Corporations Act, in connection with the transfer of property of Humm Group (being the shares in Humm SPV); and
- **Change of Name Resolution:** a special resolution (which must be passed by 75% or more of votes cast) to approve the change of name of Humm Group to Flexi Capital Group Limited.

In addition, Humm Shareholders will be asked to approve the Scheme by the requisite majorities (being more than 75% of votes cast and more than 50% of shareholders present and voting) to facilitate the distribution and transfer of Latitude Shares under the Capital Return.

The Majority Directors recommend that shareholders vote in favour of the Resolutions to approve the HCF Sale, the Capital Return and other resolutions at the General Meeting as well as the Scheme at the Scheme Meeting, 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.

The Overall Proposal is described more fully in Section 3 of the Explanatory Booklet.

5.3 Conditions of the HCF Sale

Completion of the HCF Sale is subject to the following conditions precedent, amongst others:

- completion of the restructure by Humm Group to separate HCF in preparation for the sale to Latitude;
- Humm Shareholder approval under ASX Listing Rule 11.2 (requiring simple majority approval by the Humm Shareholders);
- Humm Group receiving a draft ATO ruling confirming the proportion of the distribution of the in-specie consideration shares that will be treated as a dividend or as a capital return;
- regulatory approvals from FIRB, New Zealand Commerce Commission, Reserve Bank of New Zealand and New Zealand Overseas Investments Office and other licensing related approvals in certain offshore jurisdictions; and
- the independent expert opining that the HCF Sale is in the best interests of Humm Shareholders.

Latitude Shareholder approval is required under Listing Rule 7.1 to issue 150 Consideration Shares to Humm Group. This approval was obtained from Latitude Shareholders at the Latitude Annual General Meeting which occurred on 27 April 2022.

The Capital Return is conditional on the Capital Return Resolution being passed by Humm Shareholders and the HCF Sale completing. The Capital Return is not conditional on the Scheme proceeding.

If the HCF Sale occurs but the Capital Return Resolution is not passed, the Scheme will also not proceed. Humm Group would then look to realise the Consideration Shares and explore other means of returning the net proceeds of the HCF Sale through alternative capital management initiatives.

The Scheme is conditional on the Capital Return Resolution being passed and Completion under the Share Sale Agreement and requires Humm Shareholder and Court approval.

If the Scheme is not approved by Humm Shareholders, Humm Group will provide each eligible shareholder with an individual election form which eligible shareholders will need to sign and return in order to receive the Latitude Shares to which they are entitled under the Capital Return. If an election form is not signed and returned by an eligible shareholder, or they do not complete an online election, their shares will be held by Humm Group on trust and then sold after a period with the net sale proceeds returned to the shareholder.

Section 3.6 of the Explanatory Booklet sets out the conditions precedent in more detail.

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[18] The ASX has provided written conditional confirmation to the effect that Listing Rule 10.1 does not apply to the distribution and transfer of Latitude Shares to any of the persons listed in Listing Rule 10.1 in relation to Humm under the Capital Return.

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6 Scope of the report

6.1 Purpose

We understand that the Proposed Transaction is subject to the requirements of ASX Listing Rule 11.2.

Listing Rule 11.2 requires a listed company to obtain approval of its shareholders to dispose of its main undertaking. The HCF Sale constitutes a disposal of Humm Group's main undertaking for these purposes.

An independent expert's report is not required for these purposes, however, it is not uncommon for companies to engage an independent expert in such circumstances.

The HCF Sale forms only part of the Overall Proposal as it relates only to the sale of HCF to Latitude. In considering whether the HCF Sale is in the best interests of Humm Shareholders, it is in our view appropriate to consider the impact of the Proposal in its entirety, noting that the Capital Return is conditional on the HCF Sale while the Scheme is conditional on both the HCF Sale and the Capital Return.

ASX Listing Rules do not provide guidance as to the content of expert reports. Accordingly, in preparing the independent expert's report, Kroll has had regard to the relevant Regulatory Guides issued by ASIC, RG 111 and RG 112.

6.2 Basis of assessment

In evaluating the HCF Sale, Kroll has considered the following:

- the rationale for the HCF Sale, the Overall Proposal and their terms;
- in accordance with RG 111, when assessing whether the HCF Sale is fair, a comparison needs to be made between:
  - the equity value of HCF on a 100% controlling basis, and
  - the value of the consideration having regard to the cash component of the consideration and share price performance and liquidity of Latitude Shares (including the impact of the transaction) and considering other appropriate valuation methodologies;
- the premium of the consideration relative to the implied equity value of HCF based on trading prices of Humm Group shares pre-announcement and the contribution of HCF to Humm Group's total earnings;
- the impact of the transaction for shareholders in relation to the retained business, its size, financial strength, opportunities, liquidity, etc;
- a comparison of alternatives available to Humm Group;
- likelihood of a superior alternative proposal;
- the implications, if any, if the HCF Sale, the Capital Return and the Scheme are not approved;
- any other advantages and disadvantages that would have an impact on Humm Shareholders;
- any potential taxation risks and/or consequences for existing Humm Shareholders; and
- any other potential issues associated with the HCF Sale and /or the Proposal.

7 Industry

7.1 Consumer finance industry

The consumer finance industry provides finance to individuals for personal, non-business use, and covers a broad range of finance products such as consumer loans (including personal and automotive loans), credit cards, instalment products, and more recently, BNPL. The industry has experienced significant evolution over the last decade, with changing customer preferences and ongoing digital transformation disrupting the consumer payments and personal loans markets that have traditionally been served by banks. Consumers have embraced new payment options, including BNPL, payday lending, and other interest-free instalment products, which have taken market share from traditional products such as credit cards and personal loans.

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In Australia, consumer credit is a small segment of total credit (approximately 5%).[19] Estimates on the size of the industry in Australia range considerably given the variance in available data, however, most indicate gross loan receivables of $500-600 billion.[20] The following industry statistics are also useful in determining the addressable market for consumer finance products:

- the total value of personal credit card transactions in Australia in 2021 was $259.7 billion. As at 31 December 2021, the total value of personal credit card balances was $32.8 billion, and the value of these balances that were accruing interest was $17.2 billion;[21]
- the value of loans to households (excluding residential mortgages) by Authorised Deposit-taking Institutions (**ADIs**) as at 31 December 2021 was $76.7 billion, while the value of credit card balances at ADIs was an additional $28.8 billion;[22]
- in 2021, the total value of new fixed term loan commitments, excluding refinancing, totalled $23.1 billion, including $14.1 billion for the purchase of road vehicles (automotive loans);[21] and
- the total transaction value (**TTV**) market opportunity for retail market BNPL in Australia is estimated to be $349 billion. This estimate includes the disruption of credit card, personal loan, and other consumer finance products. In addition, the market opportunity for personal loan alternatives is approximately $100 billion across higher value product categories including health, automotive and home improvements.[23]

The exponential growth of the BNPL industry has been supported by the rise of e-commerce, as well as the light regulation of BNPL products compared to other forms of credit. In Australia, because BNPL arrangements do not currently meet the definition of credit under the *National Consumer Credit Protection Act 2009* (Cth) (**National Credit Act**), BNPL providers face less regulation than credit providers (particularly in respect of lender responsibility obligations and unforeseen hardship protections). Calls for increased regulatory scrutiny are growing, as it has been found that lower income households tend to be the biggest users of BNPL products, with 61% of financial counsellors reporting that clients using BNPL were struggling to pay other living expenses.[24]

The consumer finance industry has also changed markedly since the outbreak of the novel coronavirus (COVID-19) in 2020, which caused an unprecedented reaction in both global financial markets and the real economy. As a result of Government imposed lockdowns and travel restrictions, many Australians experienced almost two years of enforced savings, with households saving an average of 16.7% of income since the pandemic started, compared with an average of 6.3% for the two years prior to the pandemic.[25] Consumer credit demand eased over this time as factors including supply chain issues and a resurgence in COVID-19 cases in Australia during 2021 impacted spending behaviour. Increased uncertainty also exists in relation to the impact of higher interest rates, which is likely to increase interest costs for consumer credit, as well as rising inflation on consumer confidence.[26] In addition, tensions between Russia and Ukraine culminated in Russia's invasion of Ukraine on 24 February 2022, which has only added to inflationary pressures, magnified supply chain issues, and further diminished consumer confidence.

As a consequence, the profitability of numerous consumer finance companies has been materially impacted by the effect on supply chains and physical retail of the COVID-19 pandemic and the Russian invasion of Ukraine.

7.1.1 Demographic trends in consumer finance[27]

Approximately two-thirds of Australian consumers own a credit card, with ownership levels lowest amongst younger generations. Excluding credit card, housing, and student debt, use of consumer finance products was highest amongst millennials, with 54% indicating some form of consumer finance debt, compared to

[19] Source: Macquarie Research.
[20] For example, Euromonitor estimates the Australian consumer finance market to be approximately US$450 billion in size in 2021.
[21] Source: Reserve Bank of Australia (**RBA**) Lending indicators.
[22] Source: Australian Prudential Regulation Authority (**APRA**) Monthly ADI Statistics.
[23] Australian Bureau of Statistics (**ABS**), Humm management estimates.
[24] AFR, 11 March 2022, "BNPL, pay-on-demand are 'recipes for disaster', counsellors warn".
[25] Australian Bureau of Statistics. Australian National Accounts: National Income, Expenditure and Product.
[26] ANZ-Roy Morgan Australian Consumer Confidence April 2022
[27] Statistics according to a Frost & Sullivan, Australian consumer survey, June 2021.

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51% of Generation Z and 34% of Generation X.[28] Aside from credit cards, the most used consumer finance products were personal loans (secured at 19% and unsecured at 12%), followed by consumer leases at 13%. Younger generations (i.e. Millennials and Generation Z) were more likely to use personal loans as they had low levels of savings, fewer assets, and lower incomes. The use of consumer finance products by age cohort is shown in the following table.

Use of Consumer Finance Products in Australia by Age Cohort

Product	Generation X	Millennials	Generation Z	All Ages
Credit card	80%	73%	46%	**65%**
BNPL	39%	64%	72%	**62%**
Secured Personal Loan	10%	22%	18%	**19%**
Consumer leases	9%	17%	8%	**13%**
Unsecured Personal Loan	10%	14%	11%	**12%**
Bank overdraft / line of credit	9%	16%	9%	**12%**

Source: Frost & Sullivan Consumer Survey, June 2021

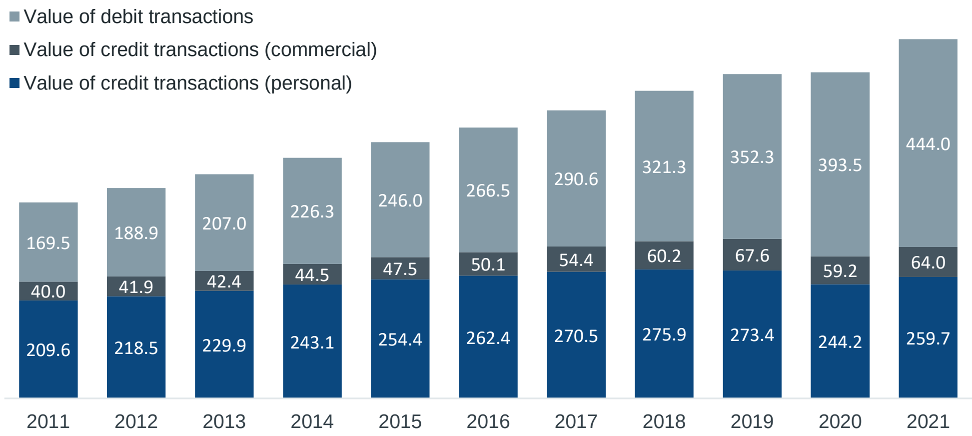
7.2 Credit cards

7.2.1 Credit cards in Australia

In Australia, credit cards have historically been favoured by consumers as a means of obtaining short-term finance. However, younger generations are increasingly turning away from credit cards in favour of other financing approaches, primarily due to concerns around budgeting and high interest rates. These trends, combined with the increasing availability and usage of mortgage offset balances and redraw facilities to fund personal expenses, has resulted in declining use of personal credit cards since 2018. The number of personal credit cards on issue decreased by almost 29% between December 2016 and December 2021, with the number of credit cards in Australia per adult now at its lowest level since data was published in 2002, at 0.86 cards per adult.[29]

Growth in credit card transaction volumes has lagged the growth in debit card transaction volumes over the 10 years to 2021. The annual value of debit card purchases overtook the value of credit card purchases (including charge cards and commercial credit cards) in 2019 as illustrated in the following chart.

Australian Credit and Debit Card Transaction Value ($ billions) [30]



Source: Reserve Bank of Australia (**RBA**)

[28] Generation X is defined as individuals born between 1965 and 1980, Millennials between 1981 and 1996, and Generation Z born after 1997 with a minimum age of 18.
[29] Calculated based on RBA credit and charge card lending indicators, and ABS national population data. Data as of June 2021.
[30] Credit card statistics include personal and commercial credit cards and charge cards.

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Over the last decade, total transaction value by credit cards has grown at a compound average growth rate (**CAGR**) of 2.6% to total $323.7 billion in 2021, with personal transaction growth lagging commercial transaction growth (10-year CAGR of 2.2% and 4.8% respectively). The trend of credit card growth trailing debit card growth has become more pronounced in the past five years, with total credit card transaction value increasing by a CAGR of only 0.7%, compared to 10.8% for debit cards. The decrease in volumes by credit card was marked during the COVID-19 pandemic, as the level of household savings grew due to government-imposed lockdowns and closed borders, reducing discretionary and travel spend. As instalments on BNPL payments are typically made by debit cards, debit card transaction value substantially includes those purchases originated by BNPL products.[31]

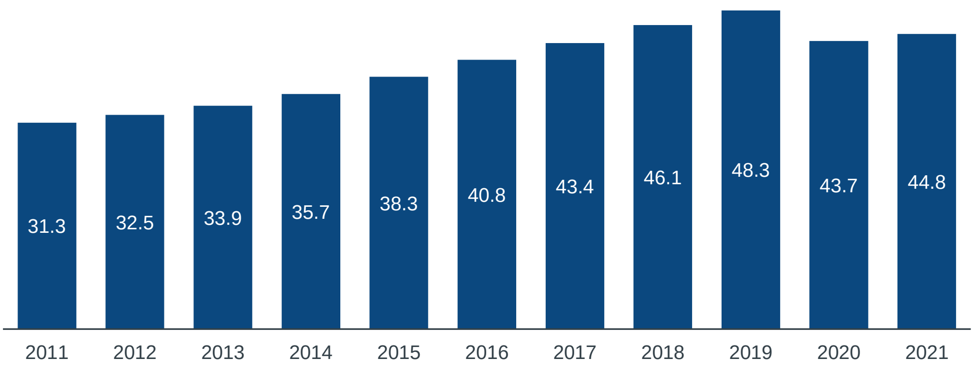
In 2019, debit cards accounted for 44% of consumer payments in Australia compared to 30% in 2016, while credit card usage declined from 22% to 19% over the same period.[32]

The credit card industry is interest rate sensitive, and any increases to wholesale funding costs are likely to compress margins. Since the RBA's cash rate target last peaked at 4.75% in 2011, credit card providers have been beneficiaries of the declining interest rate environment by leaving their rates virtually unchanged whilst funding costs have declined. Rising interest rates are likely to reduce margins, as credit card issuers now have limited scope to raise lending rates to offset higher funding costs, particularly considering rising competition from BNPL providers.

7.2.2 Credit cards in New Zealand

The annual value of credit card transactions in New Zealand is illustrated in the following chart.

New Zealand Credit Card Transaction Value (NZ$ billions)



Source: Reserve Bank of New Zealand (**RBNZ**)

The value of credit card transactions in New Zealand has grown at a faster rate than Australia. Over the 10 years to 2021, the number of credit card transactions grew by a CAGR of 3.6% (compared to 2.6% for Australia). The value of credit card transactions in New Zealand decelerated in the past five years, growing by a CAGR of 1.9% (compared to 0.7% for Australia).

7.3 Traditional instalment products

Traditional instalment products have had a long history in Australia, having initially been pioneered by retailers who sought to promote sales by extending credit to customers. Instalment products allow customers to purchase items from a network of merchant partners on interest-free credit, with an interest-free period typically longer than that offered by a credit card. These products are often seen as the predecessor to the BNPL model.

When a customer makes a purchase through an instalment product, the customer receives the purchased goods or services at the time of sale and pays the instalment provider over time based upon the terms of the instalment product (for example, via equal monthly payments, minimum monthly payments, or flexible payments). Instalment products generate customer and merchant-based revenues through account fees

[31] RBA, March 2021, Developments in the Buy Now, Pay Later Market.
[32] RBA, March 2020, Consumer Payment Behaviour in Australia.

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and merchant service fees (**MSFs**), while the instalment finance provider is responsible for the loss related to unpaid accounts. Complete credit checks are typically required for instalment products.

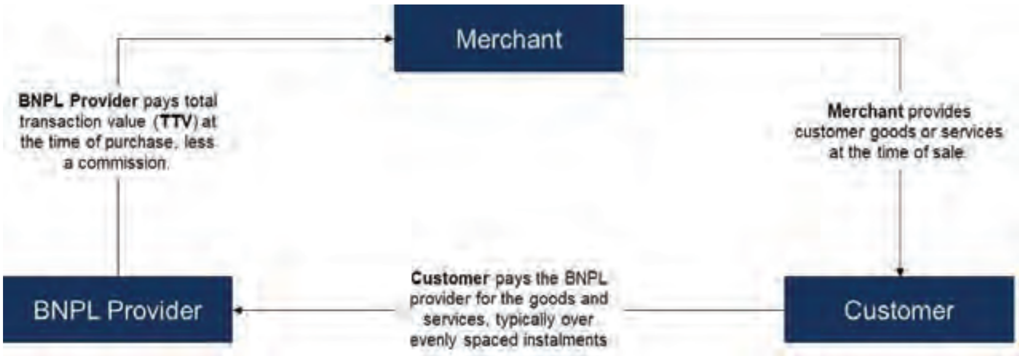
Latitude is the clear market leader in the Australian traditional instalment product market and has extensive relationships with established Australian retailers, including The Good Guys Discount Warehouses (Australia) Pty Ltd, JB Hi-Fi Limited, and Harvey Norman Holdings Limited (**Harvey Norman**). Under Latitude's instalment model, identity verifications and credit checks are required before customers can complete the purchase.

There is material overlap between the value proposition of traditional instalment products and BNPL products for consumers and retailers (in particular, Humm Group's Big Things product) given that BNPL consumers pay in instalments and do not pay interest on purchases. Consequently, providers of traditional instalment products face competition from "new" market participants offering BNPL products such as Humm Group, Afterpay Limited (**Afterpay**), Zip, and Brighte Capital Pty Ltd (**Brighte**).

7.4 Buy now pay later

A BNPL arrangement involves transactions between a customer, the merchant, and BNPL provider. A high-level and simplified flow of these transactions (excluding any fees paid by customers for use of the service) is illustrated in the following diagram.

Transactions in a BNPL Arrangement



Source: Laybuy Prospectus

When a customer makes a purchase through the BNPL provider, the customer receives the purchased goods or services at the time of sale and then pays the BNPL provider for the goods and services, typically over evenly spaced instalments. The BNPL provider pays the merchant the total transaction value (**TTV**), less a merchant fee.

The BNPL and traditional instalment business models have strong similarities but differ in transaction value limits, payment periods, and the strength of credit checks, with BNPL transactions typically having smaller account limits, shorter payment periods, and more lenient credit checks (and in some cases, no credit checks). For instance, the Australian BNPL market leader Afterpay offers a transaction limit of $1,500, with payments being made over a maximum of 8 weeks, compared to up to $3,000 for Latitude's big ticket instalment product, which can be paid over up to 24 months. BNPL threatens to displace instalment financing options, with some BNPL providers offering products with larger account limits.

BNPL products benefit both customers and merchants who offer BNPL as a payment option. Benefits to customers include convenience and the ability to receive goods and services immediately, a fast and easy set-up and approval process, interest-free terms, zero upfront fees, and flexible payment plans. Benefits to merchants include increased customer conversion rates, higher average order values, higher repeat sales, and access to customers on integrated BNPL shopping apps and websites.

The most common BNPL business model involves a direct agreement between the merchant and the BNPL provider, whereby providers 'onboard' merchants so that consumers may use their BNPL products in the merchant's stores or on their websites. An alternative model is emerging whereby the BNPL provider gives customers a 'virtual card' which allows them to make BNPL purchases at merchants that have not necessarily entered into direct agreements with the BNPL provider. Under this model, the BNPL provider earns revenue from interchange fees (fees paid by the merchant's bank to the card issuer) on virtual card payments. Interchange revenues are normally lower than bilateral merchant agreements and therefore are normally supplemented with customer fees.

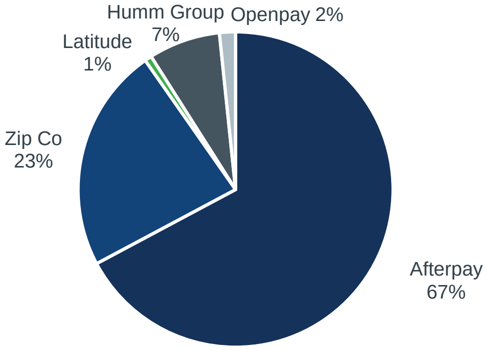
BNPL is well developed in Australia due to the relatively early establishment of several BNPL operators including Afterpay, which had 3.6 million active customers in the Asia Pacific region by 2021 (predominantly in ANZ. Reports released by Australian BNPL providers indicate the value of BNPL transactions grew by approximately 55% in FY20, to account for approximately $10 billion in purchases in ANZ.[31] BNPL has considerable growth potential, with BNPL volumes estimated to represent less than 2% of total debit and credit card transaction volumes in 2021.

BNPL has been a beneficiary of growing e-commerce sales as a proportion of total retail volume. Although competitors such as Afterpay have pursued omni-channel approaches targeting both online and in-store purchase channels, BNPL as a proportion of e-commerce sales is much greater than BNPL as a proportion of overall consumer transactions, at around 3% of e-commerce sales compared to less than 1% of overall consumer transactions in 2019.[31]

7.4.1 BNPL competitive landscape in ANZ

Small ticket BNPL (typically categorised as BNPL transactions with less than $2,000 in transaction value) has relatively few barriers to entry, which has led to the establishment of a significant number of BNPL operators in Australia, including Afterpay, Zip, Klarna Bank AB (**Klarna**), Humm Group, Latitude, and Openpay Group Limited. As at 30 June 2021, of the ASX-listed BNPL peers, Afterpay commanded approximately two-thirds of ANZ market share by TTV, followed by Zip (23%), and Humm Group (7%). Klarna is likely to be a significant competitor in the region.

ANZ Small Ticket BNPL Market Share (By FY21 TTV, ASX-listed peers only)



Source: Company reports, Kroll analysis

Note: Data is not available for Klarna

BNPL providers are facing increasing competition from incumbent payment operators, including PayPal Holdings, Inc. (**Paypal**) which launched a "Pay in 4" product in August 2020, Mastercard Incorporated (**Mastercard**) which launched a BNPL product specifically for small and medium businesses in November 2021, and Apple Inc. which is developing a BNPL offering integrated into its payment service, Apple Pay (**Apple**). Traditional banks are also launching BNPL products and platforms, with the Commonwealth Bank of Australia launching StepPay in March 2021.

Providers seek to differentiate themselves though variations in their offerings, including account limits, repayment terms, maximum allowable transaction value, partnerships, interest-free terms, and increasingly, through integration with other consumer finance and payment products. Many consumer finance providers now view BNPL as a feature which can support their existing product offerings, rather than as a standalone product. For example, Paypal has integrated Pay in 4 into its existing Paypal product by including it as an option when customers checkout using the standard Paypal 'button'. Similarly, following Block Inc.'s (**Block**) acquisition of Afterpay, Block stated that it intended to integrate Afterpay into its existing digital payments ecosystem known as Cash App.

Internationally, the BNPL industry is more mature in the United States of America, Europe, and ANZ, due to the early establishment and growth of BNPL providers. BNPL in Ireland, the United Kingdom, and

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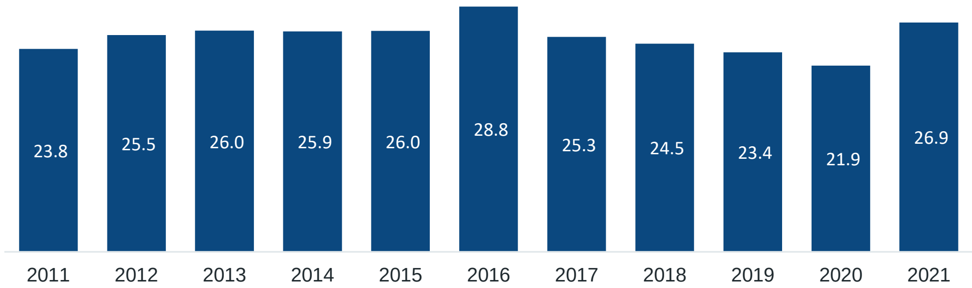
Canada is relatively immature compared to these markets, however, BNPL volume growth in these jurisdictions is rapidly accelerating. For example, transaction volumes were estimated to have grown by between 60% and 70% in the United Kingdom in 2020.[33] Klarna is the market leader in the United Kingdom's BNPL industry, holding approximately 15 million registered users in 2021.[34]

7.5 Personal loans

Personal loan volumes in Australia have been relatively flat, with the annual volume of fixed personal loans, including automotive loans, having grown at a CAGR of 1.2% over the 10 years to 2021, with significant growth in 2021, as illustrated in the following chart.

Australian Fixed Term Personal Loan New Commitments ($ billion)



Source: Australian Bureau of Statistics (**ABS**)

In recent years, non-bank lenders including Latitude, Money3 Corporation Limited (**Money3**), Moneyme Financial Group Pty Ltd (**Moneyme**) and Wisr Finance Pty Ltd (**Wisr**) have taken market share from larger banks in providing personal lending.

7.5.1 Automotive loans

Automotive loans comprised around 39% of all personal loan volumes in Australia in 2021. However, volumes have declined considerably over the last 5 years, following significant volume growth in the five years prior. Demand for vehicle financing is driven by the sale of new and used motor vehicles, which in turn is driven by numerous macroeconomic factors including GDP growth, employment indicators, and consumer confidence.

7.6 Regulatory risks

The BNPL industry has remained relatively unregulated to date due to proactive measures by BNPL providers to self-regulate under the Buy Now Pay Later Code of Practice (**BNPL Code**). The BNPL Code was developed by the Australian Financial Industry Association (**AFIA**), imposing nine key commitments on its members, including a cap on late fees, and a requirement to undertake suitability assessments before providing BNPL products. More recently, amendments to the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**) have included BNPL products within the definition of a 'credit facility', meaning that BNPL providers are subject to the unfair contract terms, unconscionable conduct, and misleading or deceptive conduct regimes within the ASIC Act.

BNPL products continue to remain unbound by Australia's credit and responsible lending laws as they do not charge interest. Were BNPL arrangements to fall under the scope of a credit product, BNPL providers would face additional compliance obligations including lender responsibility principles and unforeseen hardship protections, which could increase compliance cost and threaten margins, business models and future expansion of BNPL players. The costs incurred to comply with regulation would ultimately depend on each BNPL provider's current level of scrutiny on these issues and the level of regulation applied by

[33] Source: Bain, Buy Now Pay Later in the UK, 2021.
[34] Source: British Broadcasting Corporation (**BBC**).

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regulators. A 2019 survey conducted by the RBA found that users of BNPL would switch to an alternative payment method if faced with additional surcharges on BNPL payments.[35]

Regulatory scrutiny arises from concerns regarding the impact of the widespread availability of BNPL products on consumer spending behaviour. An ASIC report published in 2018 highlighted that approximately 55% of BNPL users increased spending when using these products, and that lower income users were most likely to have multiple accounts.[36] The report also found instances where consumers were authorised to use a BNPL service despite having limited or no income and substantial existing debt, and examples of consumers taking out additional loans in order to make BNPL repayments on time.

In New Zealand, BNPL products have not been placed under local credit regulations. This means that BNPL providers are not required to comply with the *Credit Contracts and Consumer Finance Act 2003* (**CCCFA**). The New Zealand Government opened a consultation process regarding the relative benefits and costs of BNPL. As part of the consultation process, the New Zealand Government identified three options for the industry, including retaining the status quo regulatory state, establishing incentives to BNPL providers to develop an industry code which addresses the triggers of financial hardship, or apply CCCFA to regulate BNPL products. Were the latter option to be adopted, BNPL providers in New Zealand would face significantly regulatory burdens such as needing to run affordability and suitability checks before lending.

In the United Kingdom, the government is currently seeking input into policy options to regulate BNPL products. Possible elements of regulation were suggested as part of a review of the sector made by the Financial Conduct Authority include requiring BNPL providers to undertake affordability checks before lending, and also increasing obligations around BNPL compliance with financial promotion laws and regulations.

8 Profile of Humm Group

8.1 Background

Humm Group is an ASX listed diversified financial services group which provides a product suite consisting of consumer finance products, primarily BNPL and credit cards, and commercial financing products. Products are provided both directly to the customer and through an extensive network of merchants and brokers. Humm Group offers financial solutions across many industries to over 2.7 million customers in Australia, New Zealand, Ireland, Canada, and the United Kingdom. Immediately prior to the announcement that Humm Group had received approaches from third parties to acquire all or part of Humm Group on 20 December 2021, the company had a market capitalisation of $366.2 million.[37]

Humm Group originated from FlexiGroup Limited (**FlexiGroup**), which was established in 1998 as a vendor finance company that partnered with office equipment companies such as Mitsui & Co., Ltd., Ricoh Company, Ltd., and Toshiba Corporation. In response to the falling prices of personal computers and electronic devices during the 1990's, which made these products more affordable to a wider consumer base, FlexiGroup began providing point-of-sale finance for IT products, signing its first distribution agreement with Harvey Norman in 1995.

FlexiGroup's original product, Flexirent, was an innovative operating lease option at the point-of-sale, offering an alternative to cash or credit card payments, allowing customers to take immediate possession of goods without having to pay the full amount upfront, with payment by regular monthly instalments. In 2004, FlexiGroup introduced Ezyway to diversify its product offering and expand into the electrical appliance market (including items such as televisions, fridges, and washing machines).

By the time FlexiGroup listed in December 2006, the business was a leading provider in the growing lease and rental retail finance market, heavily focussed on the provision of point-of-sale lease finance products for IT equipment and electrical appliances. Over the following decade, through both organic product development and business acquisitions, FlexiGroup developed into a more diversified operation in terms of its finance products, the range of end products and services it financed, and its distribution and vendor partnerships. Some notable developments include:

[35] RBA Review of Retail Payments Regulation: Issues Paper, November 2019.

[36] For more information, see ASIC's Review of BNPL arrangements, 2018.

[37] Calculated as HUM's closing price on 17 December 2021 of $0.74 multiplied by 494,863,968 securities on issue.

- in 2008, FlexiGroup acquired Certegy Australia, best known for its Certegy EziPay interest-free payment plan products, which provided entry into the Australian interest-free market;
- in 2010, it launched Flexicommercial, which provided commercial leases through original equipment manufacturer (**OEM**) and vendor programs, as well as directly to medium and large businesses;
- in 2012, FlexiGroup acquired Lombard, a retail point-of-sale financier offering interest-free period loans through retail partners and cross selling customers a Visa card. The transaction extended FlexiGroup's reach in the interest-free market and marked its entry into the credit card market; and
- in 2015, FlexiGroup acquired Fisher & Paykel Finance, a leading provider of non-bank consumer credit in New Zealand, for $275 million.

On 8 April 2019 FlexiGroup launched humm, a BNPL product that marked the first step for the company into the era of digital payments, by consolidating two legacy platforms in Certegy EziPay (effectively now 'Big Things') and Oxipay ('Little Things') into a single brand enabling customers to spend from $1 up to $30,000 interest free. This was shortly followed by the launch of bundll in February 2020 (a BNPL product that enables consumers to bundle their weekly transactions and repay in two weeks), that could be used at any merchant that accepts Mastercard transactions, a clear differentiator to many other BNPL products which require merchants to be onboarded and integrated into networks to accept payments.

In November 2020, it was resolved to change the name of the company from FlexiGroup to Humm Group. Alongside the name change, Humm Group also undertook to rebrand and simplify some of its key product offerings, reducing the number of brands from 21 to 4. In February 2021, Humm Group launched a pioneering product called hummpro, a BNPL offering for SMEs that can be used anywhere Mastercard is accepted in ANZ.

8.1.1 Strategy

Since the consolidation of Certegy EziPay and Oxpipay into humm in 2019, Humm Group has focused on a core product range which includes BNPL, credit cards, and consumer and SME equipment financing, with the objective to be the preferred issuer of digital spending power in the ANZ region. To achieve this objective, in February 2019 Humm Group outlined a four-pillar transformation program focused on:

- **simplifying the company's offering** to build profitability and brand strength, focusing on three key market segments: BNPL, Credit Cards, and consumer and SME equipment leasing;
- **growing the BNPL segment** to be the market leader through its newly consolidated consumer facing brand, humm. humm is the only product in the market that offers instant finance for purchases up to $30,000, interest free;
- **streamlining originations** with instant credit decisions and transition to one credit origination platform that is scalable for growth; and
- **expanding the brand's reach, the target market, audience, and relevance.** Through new products including bundll and hummpro. Humm Group also expanded internationally, entering new markets including Canada in December 2021, and the United Kingdom where it was granted its credit licence in February 2022. The intent of the international expansion strategy was to provide scale and allow for integration with global platforms.

Humm Group's current strategy is now focused on continuing to grow its customer base and distribution reach through partnerships with blue chip merchants, international expansion, and through greater customer engagement and transaction frequency.

The company has also recently launched the Humm marketplace, an online marketplace operated by Humm Group which offers a broader range of merchants and products without incurring the cost and time of onboarding in-store merchants. The online marketplace is intended to benefit the company by providing consumers with a curated shopping experience, strengthening consumer engagement, and by initiating a new revenue stream, affiliate revenue, by directing customers to selected merchant sites, creating transaction volume growth and increasing transaction frequencies.

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8.2 Operations

Humm Group offers products in two broad consumer finance areas, namely instalments (BNPL and credit cards) and commercial leasing and SME financing services. The company has a multi-channel distribution model consisting of over 48,000 merchant partners and e-commerce channels, as well as direct to the customer channels. As at 31 December 2021, Humm Group held almost $3.0 billion in gross loan receivables.

8.2.1 Products

BNPL Solutions (online and instore)

Payment Solution	Maximum Limit	Product Description
humm	Little Things: < $2,000 Big Things: < $30,000	**BNPL** Little Things: ▪ Fortnightly repayments in 5 or 10 slices Big Things: ▪ 6 to 60 months repayment period

bundll	< $1,000	**BNPL – Anywhere (Direct-to-Customer D2C)**
		▪ Debit card replacement
		▪ Everyday purchases with no minimum spend
		▪ No merchant service fees
		▪ Flexible repayment schedules
		  ▪ 2 weeks to repay, snooze for an extra 2 weeks
		  ▪ Ability to repay over 12 weeks with superbundll

hummpro	$30,000	**BNPL for business (Business-to-Business B2B)** ▪ Business credit card replacement ▪ Buy now pay later for small business ▪ Partnerships include Mitre10 and Home Hardware

Credit Card Solutions

Payment Solution	Maximum Limit	Product Description
Credit Cards (humm90 / NZ Cards)	< $50,000	**Cards** ▪ Credit card with instalment payment features for purchases above $250 ▪ 90+ days interest free ▪ Up to 60 months interest free with selected retail partners

Commercial and Leasing Solutions

Payment Solution	Product Description
flexicommercial	**Equipment Finance** ▪ Primarily comprising of chattel mortgages to fund the purchase of revenue generating assets for small to medium sized businesses.

8.2.2 Segments

Humm Group considers the operations of the business from a product perspective and has divided the business into four reporting segments:

- **BNPL:** a consolidation of humm ANZ, Ireland FlexiFi, the legacy Ireland commercial, bundll, hummpro, and the new UK and Canadian operations;

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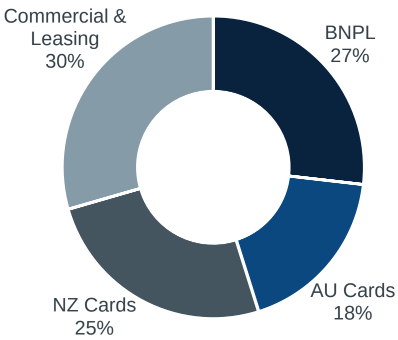
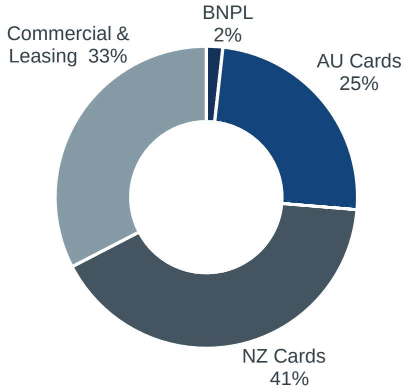
- **Australia Cards (AU Cards):** includes humm90, Lombard, and Once;
- **New Zealand Cards (NZ Cards):** includes Farmers Card, Farmers Mastercard, Q Card, Q Mastercard, and Flight Centre Mastercard; and
- **Commercial and Leasing:** ANZ Commercial lending and the legacy Consumer leasing product.

FY21 Average Net Receivables by Segment



FY21 Cash NPAT by Segment



Source: Humm Group

While in FY21 the BNPL segment comprised 27% of Humm Group's average net receivables, it contributed just 2% of Cash NPAT due to investment in new products in Australia and international expansion, and higher net losses, predominantly as a result of strong volume growth in Humm Little Things, and the addition of bundll, the newer short-term product which continues to mature. NZ Cards is more profitable than other segments by generating higher revenue yields, contributing proportionally more to Cash NPAT due to the maturity of the book and strong pre-COVID growth.

BNPL

In 2019, Humm Group consolidated its two legacy BNPL platforms into a single platform to create humm. humm is the only BNPL product in the market that can service transactions up to $30,000 interest free, making it the leader in financing interest free instalment transactions over $500. Other BNPL products include bundll and hummpro. While Humm Group's Big Things product mostly derives revenues through merchant service fees, which are charged as a percentage of the transaction value plus a transaction fee, Little Things generates a higher proportion of its revenues through monthly accounting keeping fees, establishment fees, and late payment fees indicative of those in the following table. bundll generates 100% of its revenues through consumer and interchange fees.

Indicative humm BNPL Australia Consumer Fees[38]

Fee Type	Amount	Description
Monthly Fee	$8	The monthly fee applies to payment plans 5 months or greater. Only a single fee will be charged regardless of the number of active payment plans a consumer has. Fee is waived if no balance owing.
Establishment Fee	$35-$90 $2	For Big Things purchases, an establishment fee of $35-$90 applies if the consumer is new to humm. humm Little Things requires a $2 establishment fee to enable BPAY payments.
Repeat Purchase Fee	$22	For Big Things purchases, a repeat purchase fee of $22 applies if the consumer has used humm previously.
Late payment Fee	$6 or 18% capped	For purchases less than or equal to $65, Humm Group's late fees are capped at $6. For purchases greater than $65:

[38] Note that the fee structure varies by BNPL product and jurisdiction.

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Fee Type	Amount	Description
		▪ for Little Things purchases, humm's late fees are capped at 18% of the purchase or up to $48, whichever is lower; and ▪ for Big Things purchases, humm's late fees are capped at 18% of the purchase or up to $78, whichever is lower.

Source: Humm Group

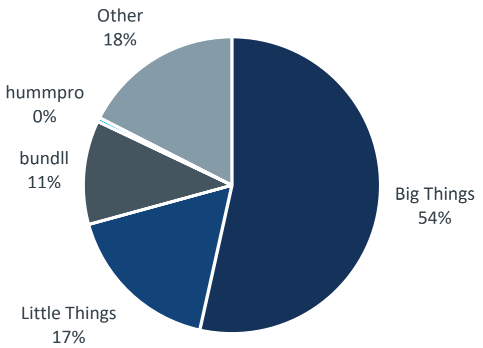
The flagship product in the segment is humm, a BNPL style financing solution which is separated into 'Big Things' and 'Little Things' according to the size of the spend, with transactions less than $2,000 categorised as Little Things, and transactions greater than $2,000 categorised as Big Things. humm can be used to finance a broad spectrum of goods, with a focus on big ticket items such as automotive, home improvements, health, and luxury goods. Little Things is a Pay-in-5 product with comparable features to other popular BNPL products such as those offered by Afterpay and Zip, whilst Big Things is more uniquely differentiated from competitors and offers virtually instant credit provisioning for transactions up to $30,000, repayable up to 60 months interest free.

As Humm Group's Big Things product is used to fund purchases of greater value, it tends to generate a higher proportion of transactions through in-store purchases where consumers can interact directly with the product before making their purchase. Consequently, the Big Things product has been materially impacted by the closure of physical retail and disruptions to supply chains arising from the COVID-19 pandemic, particularly during 1H22.

bundll is a new BNPL solution, pitched as a direct-to-customer debit card replacement product, allowing customers to bundll payments so they can spend up to $1,000 with at least 14 days to pay, and are able to use it everywhere that Mastercard is accepted, without the need to have the merchant onboarded. It differentiates itself from the Little Things BNPL product by charging the merchant lower service fees, creating a more attractive proposition to high-volume, low margin retailers. Humm Group also has a pioneering product called hummpro, a business-to-business (**B2B**) BNPL offering for Australian and New Zealand SMEs that can also be used anywhere Mastercard is accepted.

As at 30 June 2021, humm accounted for approximately 7.4% of the market share of BNPL transaction volume in Australia, with over 1.9 million customers shopping at more than 25,000 merchant locations and e-commerce platforms. In New Zealand, Humm Group has over 230,000 BNPL customers who can shop at over 3,000 merchant locations. It is also available in Ireland, Canada, and the UK. humm drives high value sales with an average transaction value of $4,041 with its Big Things wallet and over $242 for Little Things online, levels which are higher than its peers. humm's merchant base is diversified away from retailers (e.g. Myer) which comprise only 47% of merchants. Merchants include home improvement operators like IKEA or Mitre 10, healthcare operators, car service and repair. The BNPL segment generates revenues from account keeping fees, establishment fees, late fees, and merchant fees.

FY21 BNPL Volumes by Division



Source: Humm Group

BNPL Key Metrics

	Little Things	Big Things	bundll	hummpro
Volume (2021)	$257.3m	$552.7m	$178.2m	$16.5m
Volume as % of BNPL volume	25.6%	55.0%	17.7%	1.6%
Product yield[39,40] (1H22)	15.4%	15.4%	3.3%	4.6%
Net loss[41] (1H22)	2.7%	3.3%	7.0%	0.0%
Cost of funding/borrowings[40] (1H22)	2.3%	2.3%	n/a[42]	n/a[42]

Australia Cards and New Zealand Cards

Humm Group issues general purpose credit cards in ANZ, allowing consumers to purchase goods and services on short-term revolving credit. The value proposition for the credit cards aims to be different to bank issued cards and their attached loyalty programs. The humm90 Mastercard, offered in Australia, differs by providing longer interest free periods, which can be up to 60 months interest free, when customers purchase items from Humm Group's network of merchant retailers. The humm90WRAP feature gives customers the ability to convert credit card purchases over $250 into an interest free instalment plan. Humm Group provides other similar credit card products in New Zealand, with brands spanning Q Mastercard, Farmers Mastercard, and Flight Centre Mastercard.

The humm90 Australian cards product differs from BNPL in that the customer pays for the finance, through an annual $99 fee and interest payable after the interest free period, rather than higher merchant service fees.

In New Zealand, Humm Group is the leading Non-Bank Financial Institution (**NBFI**) issuer of new credit cards, with approximately 33% of the market as of 4Q21.

Credit Card Segments' Key Metrics

	Australia	New Zealand
Volume (2021)	$440.0m	$695.4m
Interest bearing balances (31-Dec-21)	58.5%	61.2%
Product yield (1H22)	18.0%	20.1%
Cost of funding/borrowings (1H22)	4.1%	3.1%
Net loss / ANR (1H22)	2.9%	3.1%

Commercial and Leasing

The commercial and leasing business, which operates under the brand flexicommercial, focuses on equipment financing for SMEs and distributes its services through a network of specialised equipment brokers, who presently distribute 100% of asset finance sold by Humm Group in Australia. It is the second largest NBFI provider of asset finance in the ANZ region. It aims to differentiate itself based on regular and fast approvals, with finance applications normally decisioned and settled within 24 to 48 hours. Humm Group's commercial business has a large and under-served addressable market of $49 billion across ANZ, within a broader $430 billion SME lending market.

The segment primarily offers equipment finance to SMEs to purchase revenue-producing assets, with the top assets financed including transport, construction, and light commercial vehicles.

flexicommercial Key Metrics

	Australia	New Zealand
Volume (2021)	$680.1m	$77.3m
Number of transactions (2021)	7,739	4,681
Product yield (1H22)	10.4%	16.2%
Average receivables (1H22)	$855m	$139m
Cost of fundings/borrowings (1H22)	2.7%	3.0%
Net loss / ANR (1H22)	0.7%	0.2%

[39] Product yield is calculated as Gross Income / Average Net Receivables
[40] Yield on a blended basis across both 'Little Things' and 'Big Things'
[41] Net loss comprises gross write offs less bad debt recoveries as a proportion of net receivables for 'Big Things', and as a proportion of volumes for 'Little Things', bundll, and hummpro.
[42] Receivables funded on balance sheet.

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8.3 Financial performance

8.3.1 Consolidated Financial Performance

The consolidated financial performance for Humm Group in FY18, FY19, FY20, FY21 and 1H22 is summarised as follows.

Humm Group Consolidated Financial Performance ($ millions)

	FY18 Audited	FY19 Audited	FY20 Audited	FY21 Audited	1H22 Reviewed[1]
Gross income - BNPL	114.0	125.1	121.7	120.6	61.6
Gross income - AU Cards	88.4	114.2	114.8	91.1	37.9
Gross income - NZ Cards	128.9	134.1	146.1	135.4	64.1
Gross income - Commercial and Leasing	147.6	118.9	96.3	96.8	57.1
Gross income	**478.9**	**492.3**	**478.9**	**443.9**	**220.7**
Cost of origination[2]	(20.4)	(19.6)	(28.6)	(26.8)	(13.7)
Interest expense	(94.6)	(100.6)	(89.3)	(74.2)	(37.6)
Net operating income (NOI)	**363.9**	**372.1**	**361.0**	**342.9**	**169.4**
Marketing expense[3]	-	-	(23.7)	(30.0)	(16.8)
Operating expenses	(174.1)	(179.1)	(152.8)	(156.9)	(91.4)
Operating profit	**189.8**	**193.0**	**184.5**	**156.0**	**61.2**
COVID-19 macro provision overlay release/(charge)	-	-	(43.3)	21.6[4]	5.8
Impairment losses on customer loans (excluding movement in COVID-19 macro provision overlay)	(66.5)	(87.5)	(101.9)	(80.3)	(29.4)
Profit before tax and significant items	**123.3**	**105.5**	**39.3**	**97.3**	**37.6**
Income tax expense	(37.3)	(29.4)	(8.4)	(28.9)	(8.9)
Cash NPAT	**86.0**	**76.1**	**30.9**	**68.4**	**28.7**
Significant items after income tax	(95.1)	(14.4)	(7.8)	(8.3)	(196.1)
Statutory profit after income tax	**(9.1)**	**61.7**	**23.1**	**60.1**	**(167.4)**
Operating					
Volume	*2,283.6*	*2,556.1*	*2,482.7*	*2,687.5*	*1,667.1*
Closing customer loans	*2,416.1*	*2,640.2*	*2,562.4*	*2,742.6*	*2,978.6*
*Average net receivables (**ANR**)*[5]	*2,291.1*	*2,528.2*	*2,601.3*	*2,652.5*	*2,775.2*
Financial					
*Risk adjusted income (**RAI**)*[6]	*297.4*	*284.6*	*259.1*	*262.6*	*140.0*
NOI growth/(decline)	*0.9%*	*2.3%*	*(3.0%)*	*(5.0%)*	*(4.1%)*
RAI growth/(decline)	*(0.2%)*	*(4.3%)*	*(9.0%)*	*1.4%*	*na*
Operating profit growth/(decline)	*(0.2%)*	*1.7%*	*(4.4%)*	*(15.4%)*	*(30.5%)*
Cash NPAT growth/(decline)	*(7.3%)*	*(11.5%)*	*(59.4%)*	*121.4%*	*(35.1%)*
Profitability					
Gross income yield[7]	*20.9%*	*19.5%*	*18.4%*	*16.7%*	*15.9%*
NOI yield[7]	*15.9%*	*14.7%*	*13.9%*	*12.9%*	*12.2%*
RAI yield[7]	*13.0%*	*11.3%*	*10.0%*	*9.9%*	*10.1%*
Impairment losses/ANR[7]	*(2.9%)*	*(3.5%)*	*(3.9%)*	*(3.0%)*	*(2.1%)*

Source: Humm Group Annual Reports and Results Presentations, Kroll Analysis.

1. 1H22 growth metrics based on prior corresponding period of 1H21.
2. In FY18 and FY19, cost of origination was disclosed as cost of sales within other portfolio income.
3. In FY18 and FY19, marketing expense was included in operating expense.
4. Differs from FY21 COVID-19 macro provision overlay release due to the reclassification of the Irish Leasing business from the Commercial and Leasing Segment to the BNPL Segment.
5. Calculated as the average of opening customer loans and closing customer loans for the period.
6. Calculated as NOI less impairment losses on customer loans.
7. Gross income yield, NOI yield and risk adjusted income (**RAI**) yield calculated as gross income divided by average net receivables (**ANR**), NOI divided by ANR and RAI divided by ANR, respectively.

In relation to Humm Group's consolidated financial performance for FY18 to 1H22, we note:

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- gross income fluctuated between FY18 and 1H22. In FY21, gross income decreased by 7.3% due to subdued volumes resulting from the impact of COVID-19 lockdowns and travel restrictions on consumer spending. In 1H22, annualised gross income declined by 1.4% compared to the prior comparable period (**pcp**) of 1H21 due to lower gross income from AU and NZ Cards, partially offset by higher gross income from Commercial and Leasing;
- movements in NOI were aligned to movements in gross income. In FY21, NOI declined by 5.0% (compared to 7.3% for gross income) because of significant reductions in cost of origination and interest expense;
- Cash NPAT declined by 64.1% from FY18 to FY20 primarily due to increases in impairment losses on customer loans, which peaked at $145.2 million due to the impact of Humm Group instituting a COVID-19 macro-overlay provision (of $43.3 million across the group) to reflect higher expected credit losses (**ECLs**) due to the COVID-19 pandemic. Cash NPAT increased by 121.4% in FY21 as the provision was partially released. Cash NPAT declined 37.1% in 1H22 compared to 1H21 due to lower NOI and higher operating expenses, partially offset by lower income tax expense; and
- Statutory profit after tax was lower than Cash NPAT in all years due to the impact of significant items after income tax. Significant items after income tax were negative $95.1 million in FY18 because of an impairment in goodwill and intangible assets related to Humm Group's consumer leasing business. Significant items after income tax were negative $196.1 million in 1H22, primarily because Humm Group recognised an impairment of intangible assets of $181.2 million (including $135.4 million of goodwill and $45.8 million of software) in the BNPL, AU Cards and NZ Cards segments during the period. Reasons for the impairment included an assessment of the offer from Latitude, structural shifts in consumer finance away from credit cards to debit cards, a decline in the market capitalisations of comparable fintech and BNPL companies, and the reduction of interest-bearing balances caused by the COVID-19 pandemic.

8.3.2 Reconciliation of Cash NPAT and Statutory Profit or Loss After Tax

The reconciliation of Cash NPAT with statutory profit or loss after tax for Humm Group in FY18, FY19, FY20, FY21 and 1H22 is provided as follows.

Humm Group Reconciliation of Cash NPAT and Statutory Profit or Loss After Tax ($ millions)

	FY18 Audited	FY19 Audited	FY20 Audited	FY21 Audited	1H22 Reviewed
Cash NPAT	**86.0**	**76.1**	**30.9**	**68.4**	**27.8**
Amortisation of acquired intangible assets	(4.5)	(2.9)	(3.3)	(2.1)	(0.9)
Impairment of other intangible assets	(89.1)	(7.5)	(1.1)	-	(181.2)
Redundancy and restructure	-	-	(3.5)	(1.6)	(0.5)
Impairment and initial profit on sale adjustment to held for sale investment in associate	-	-	-	(3.9)	-
Sale of Think Office Technology	-	2.2	-	-	-
Historical tax and accounting matters	-	(6.2)	-	-	-
Customer remediation program	(4.9)	-	-	-	-
Other	3.4	-	0.1	(0.7)	(13.5)
Statutory profit/(loss) after income tax	**(9.1)**	**61.8**	**23.1**	**60.1**	**(168.3)**

Source: Humm Group Financial Statements, Kroll Analysis.

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8.3.3 BNPL

The segment financial performance of Humm Group's BNPL segment for FY18, FY19, FY20, FY21 and 1H22 is summarised as follows.

Humm Group's BNPL Segment Financial Performance ($ millions)

	FY18 Audited[1]	FY19 Audited[2]	FY20 Audited[3]	FY21 Audited	1H22 Reviewed
Interest income	80.8	89.2	93.9	91.2	44.5
Other income[4]	33.2	35.9	27.8	29.4	17.1
Gross income	**114.0**	**125.1**	**121.7**	**120.6**	**61.6**
Cost of origination	(2.3)	(1.3)	(6.6)	(10.9)	(4.9)
Interest expense	(18.8)	(20.0)	(20.3)	(18.9)	(8.0)
Net operating income (NOI)	**92.9**	**103.8**	**94.8**	**90.8**	**48.7**
Marketing expense	-	-	(11.3)	(13.9)	(9.3)
Operating expenses	(29.8)	(35.8)	(37.6)	(41.9)	(36.2)
Operating profit	**63.1**	**68.0**	**45.9**	**35.0**	**3.2**
COVID-19 macro provision overlay release/(charge)	-	-	(7.8)	(0.1)	2.6
Impairment losses on customer loans (excluding movement in COVID-19 macro provision overlay)	(18.0)	(29.8)	(42.7)	(33.1)	(19.2)
Profit before tax and significant items	**45.1**	**38.2**	**(4.6)**	**1.8**	**(13.4)**
Income tax expense	(13.5)	(10.1)	1.9	(0.6)	3.7
Cash NPAT	**31.6**	**28.1**	**(2.7)**	**1.2**	**(9.7)**
Significant items after income tax	(0.8)	(1.4)	(1.7)	(1.1)	(65.7)
Statutory profit/(loss) after income tax	**30.8**	**26.7**	**(4.4)**	**0.1**	**(75.4)**
Operating					
Volume	*541.0*	*658.7*	*788.4*	*1,034.9*	*651.2*
Closing customer loans	*525.9*	*572.4*	*633.9*	*762.7*	*799.2*
*Average net receivables (**ANR**)*	*504.5*	*549.2*	*603.2*	*698.3*	*749.3*
Financial					
*Risk adjusted income (**RAI**)*	*74.9*	*74.0*	*52.1*	*57.7*	*29.5*
NOI growth/(decline)	*(1.6%)*	*11.7%*	*(8.7%)*	*(4.2%)*	*7.0%*
RAI growth/(decline)	*0.1%*	*(1.2%)*	*(29.6%)*	*10.7%*	*na*
Operating profit growth/(decline)	*(6.9%)*	*7.8%*	*(32.5%)*	*(23.7%)*	*(80.8%)*
Cash NPAT growth/(decline)	*(5.4%)*	*(11.1%)*	*nmf[4]*	*nmf*	*nmf*
Profitability					
Gross income yield	*22.6%*	*22.8%*	*20.2%*	*17.3%*	*16.4%*
NOI yield	*18.4%*	*18.9%*	*15.7%*	*13.0%*	*13.0%*
RAI yield	*14.8%*	*13.5%*	*8.6%*	*8.3%*	*7.9%*
Impairment losses/ANR	*(3.6%)*	*(5.4%)*	*(7.1%)*	*(4.7%)*	*(5.1%)*

Source: Humm Group Annual Reports and Results Presentations, Kroll Analysis.

Notes:

1. FY18 segment results includes humm only. humm was formed in FY19 following the consolidation of Certegy Ezi-pay and Oxipay into one segment.
2. FY19 segment results includes the BNPL segment following the consolidation of humm, Oxipay New Zealand, Ireland FlexiFi into the BNPL segment in FY20. Oxipay New Zealand had previously been represented in the NZ Cards segment and Ireland FlexiFi had previously been represented in the Consumer Leasing segment.
3. FY20 segment results includes the incorporation of bundll and hummpro into the BNPL segment. bundll had previously been represented in AU Cards and NZ Cards whilst hummpro was previously represented in Commercial and Leasing.
4. Other income was disclosed as other portfolio income in FY18 and FY19 and fee and other income in FY20 and FY21.

In relation to Humm Group's BNPL segment financial performance for FY18 to 1H22, we note:

- from FY18 to FY21, transaction volume increased significantly by 91.3% (CAGR of 24.1%) and ANR increased significantly by 38.4% (CAGR of 11.5%). This increase occurred despite Big Things volumes being negatively impacted by COVID-19 pandemic lockdowns (as Big Things transactions

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are typically made in-store). However, gross income yield declined from 22.6% to 17.3% over the period, reflecting merchant service fee compression from increased competition and reduced fee income from the run-off in older Certegy contracts. In 1H22 annualised transaction volume and ANR increased compared to FY21 (at 25.8% and 12.4% respectively) but gross income yield continued to decline, reaching 16.4%;

- gross income remained relatively flat over the period as lower gross income yield offset higher transaction volumes and ANR. Gross income increased by 5.8% between FY18 and FY21, and 4.8% in 1H22 compared to the pcp. Gross income over the period was impacted by the inclusion of humm, Oxipay New Zealand, and Ireland FlexiFi businesses into the BNPL segment in FY20 and the inclusion of bundll and hummpro into the BNPL segment in FY21;
- NOI fluctuated together with gross income over the period but grew by more than gross income on an annualised basis in 1H22 due to lower cost of origination and interest expense;
- operating profit has markedly declined since FY19, attributable to increased marketing expenditure, origination costs, and operating expenses attributable to overseas expansion initiatives, together with the impacts of the COVID-19 pandemic. Operating profit declined 80.8% in 1H22 compared to the pcp primarily because of higher investment in overseas expansion and increased depreciation from investment in new products. In 1H22, operating and marketing expenses increased markedly again to fund overseas expansion and product development;
- impairment losses on customer loans peaked at $50.5 million in FY20 due to the initiation of the COVID-19 macro-overlay provision (Section 8.3.1); and
- Cash NPAT fell from $31.6 million to $1.2 million between FY18 and FY21 due to the decline in operating profit over the period and the impact of investment in new products and offshore markets. Cash NPAT reached a loss of $9.7 million in 1H22 because impairment losses on customer loans exceeded operating profit during the period.

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8.3.4 AU Cards Financial Performance

The financial performance for Humm Group's AU Cards segment for FY18, FY19, FY20, FY21 and 1H22 is summarised as follows.

Humm Group's AU Cards Segment Financial Performance ($ millions)

	FY18 Audited[1]	FY19 Audited[1]	FY20 Audited[2]	FY21 Audited	1H22 Reviewed
Interest income	61.4	81.4	86.9	70.4	29.6
Other income	27.0	32.8	27.9	20.7	8.3
Gross income	**88.4**	**114.2**	**114.8**	**91.1**	**37.9**
Cost of origination	(10.7)	(11.6)	(11.8)	(8.0)	(5.2)
Interest expense	(20.4)	(24.1)	(20.1)	(14.4)	(8.2)
Net operating income (NOI)	**57.3**	**78.5**	**82.9**	**68.7**	**24.5**
Marketing expense	-	-	(3.2)	(5.2)	(2.4)
Operating expenses	(25.2)	(40.1)	(36.2)	(35.5)	(18.7)
Operating profit	**32.1**	**38.4**	**43.5**	**28.0**	**3.4**
COVID-19 macro provision overlay release/(charge)	-	-	(15.2)	11.7	3.1
Impairment losses on customer loans (excluding movement in COVID-19 macro provision overlay)	(25.8)	(26.9)	(18.7)	(13.6)	(0.1)
Profit before tax and significant items	**6.3**	**11.5**	**9.6**	**26.1**	**6.4**
Income tax expense	(1.9)	(4.0)	(2.0)	(9.3)	(1.7)
Cash NPAT	**4.4**	**7.5**	**7.6**	**16.8**	**4.7**
Significant items after income tax	(0.3)	(0.1)	(1.4)	(3.7)	(32.5)
Statutory profit/(loss) after income tax	**4.1**	**7.4**	**6.2**	**13.1**	**(27.8)**
Operating					
Volume	*740.1*	*811.3*	*596.5*	*416.9*	*223.9*
Closing customer loans	*647.8*	*738.9*	*578.4*	*454.9*	*428.0*
*Average net receivables (**ANR**)*	*556.9*	*693.4*	*658.7*	*516.7*	*451.6*
Financial					
*Risk adjusted income (**RAI**)*	*31.5*	*51.6*	*64.2*	*55.1*	*24.4*
NOI growth/(decline)	*28.8%*	*37.0%*	*5.6%*	*(17.1%)*	*(34.7%)*
RAI growth/(decline)	*(0.9%)*	*63.8%*	*24.4%*	*(14.2%)*	*na*
Operating profit growth/(decline)	*20.7%*	*19.6%*	*13.3%*	*(35.6%)*	*(79.5%)*
Cash NPAT growth/(decline)	*(54.6%)*	*70.5%*	*1.3%*	*121.1%*	*(61.5%)*
Profitability					
Gross income yield	*15.9%*	*16.5%*	*17.4%*	*17.6%*	*16.8%*
NOI yield	*10.3%*	*11.3%*	*12.6%*	*13.3%*	*10.9%*
RAI yield	*5.7%*	*7.4%*	*9.7%*	*10.7%*	*10.8%*
Impairment losses/ANR	*(4.6%)*	*(3.9%)*	*(2.8%)*	*(2.6%)*	*(0.0%)*

Source: Humm Group Annual Reports and Results Presentations, Kroll Analysis

Notes:

1. FY18 and FY19 segment results includes Skye, Lombard, Once and bundll.
2. FY20 segment results includes humm90 (formerly Skye), Lombard and Once. bundll and hummpro were moved to the BNPL segment in FY21. bundll was previously represented in the AU Cards and NZ Cards segments and hummpro was previously represented in the Commercial and Leasing segment.

In relation to Humm Group's AU Cards segment financial performance for FY18 to 1H22, we note:

- following significant growth in FY19, transaction volume and ANR decreased from FY19 to FY21. By 30 June 2021, transaction volume had fallen 48.6% and ANR by 25.5% compared to 30 June 2019. In 1H22, annualised transaction volume recovered 7.4% but ANR fell 12.6% compared to FY21. The overall downward trend in transaction volumes and ANR since FY19 is largely attributable to the discontinuation of Lombard and Once, higher customer repayments in FY21, and lower volume from merchants in the travel sector as a result of the COVID-19 pandemic. AU Cards has significant exposure to the travel sector because Humm Group offers credit cards in partnership with travel agency Flight Centre Travel Group Limited (**Flight Centre**). Humm Group's AU Cards business has

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also operated in an environment of declining credit card usage in Australia, as described in Section 7.2.1. However, gross income yield improved slightly between FY19 and 1H22 (16.5% to 16.8%);

- gross income increased by 29.2% in FY19, as strong growth in receivables and credit card usage contributed to growth in both interest and fee income. Gross income was flat in FY20 and declined by 20.6% in FY21, reflecting lower ANR, partially offset by higher gross income yield. In 1H22, gross income declined by 19.7% compared to the pcp due to a combination of lower ANR and lower gross income yield;
- NOI increased by 44.7% from FY18 to FY20 because due to the increase in gross income in FY19 and a decline in interest expense in FY20 due to lower receivables and improved cost of funds. NOI declined by 17.1% in FY21 due to lower gross income, partially offset by lower cost of origination and interest expense, and 34.7% in 1H22 (compared to pcp) due to lower gross income and higher cost of origination and interest expenses;
- impairment losses on customer loans increased by 31.4% from FY18 to FY20, partially due to the COVID-19 macro-overlay provision (Section 8.3.1) but declined in FY21 as the COVID-19 macro-overlay provision implemented in FY20 began to be released. Continued provision release and lower arrears resulted in a credit impairment benefit of $3.0 million in 1H22; and
- Cash NPAT increased each year from FY18 to FY21. The growth in Cash NPAT in FY21 despite lower NOI that year resulted from the sharp decline in impairment losses on customer loans. In 1H22, Cash NPAT declined significantly by 61.5% compared to the pcp. Cash NPAT fell by more than NOI due to the impact of operating leverage as operating expenses stayed flat despite lower NOI.

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8.3.5 NZ Cards Financial Performance

The financial performance for Humm Group's NZ Cards segment for FY18, FY19, FY20, FY21 and 1H22 is summarised as follows.

Humm Group's NZ Cards Segment Financial Performance (A$ millions)

	FY18 Audited[1]	FY19 Audited[2]	FY20 Audited	FY21 Audited	1H22 Reviewed
Interest income	105.9	109.6	120.8	113.1	53.4
Other income	23.0	24.5	25.3	22.3	10.7
Gross income	**128.9**	**134.1**	**146.1**	**135.4**	**64.1**
Cost of origination	(7.4)	(6.7)	(10.2)	(7.9)	(3.6)
Interest expense	(29.9)	(30.9)	(27.7)	(20.2)	(9.7)
Net operating income (NOI)	**91.6**	**96.5**	**108.2**	**107.3**	**50.8**
Marketing expense	-	-	(8.0)	(8.5)	(4.9)
Operating expenses	(35.3)	(47.0)	(37.5)	(39.3)	(21.9)
Operating profit	**56.3**	**49.5**	**62.7**	**59.5**	**24.0**
COVID-19 macro provision overlay release/(charge)	-	-	(7.7)	4.9	2.8
Impairment losses on customer loans (excluding movement in COVID-19 macro provision overlay)	(14.3)	(10.9)	(26.1)	(24.3)	(7.0)
Profit before tax and significant items	**42.0**	**38.6**	**28.9**	**40.1**	**19.8**
Income tax expense	(14.3)	(10.5)	(7.1)	(12.0)	(5.0)
Cash NPAT	**27.7**	**28.1**	**21.8**	**28.1**	**14.8**
Significant items after income tax	1.7	(4.6)	(2.7)	(3.3)	(85.8)
Statutory profit/(loss) after income tax	**29.4**	**23.5**	**19.1**	**24.8**	**(71.0)**
Operating					
Volume	*666.2*	*736.3*	*750.6*	*695.4*	*359.2*
Closing customer loans	*649.8*	*744.4*	*700.7*	*639.9*	*628.9*
*Average net receivables (**ANR**)*	*633.4*	*697.1*	*722.6*	*670.3*	*653.3*
Financial					
*Risk adjusted income (**RAI**)*	*77.3*	*85.6*	*82.1*	*83.0*	*43.8*
NOI growth/(decline)	*(2.4%)*	*5.3%*	*12.1%*	*(0.8%)*	*(7.1%)*
RAI growth/(decline)	*(4.9%)*	*10.7%*	*(4.1%)*	*1.1%*	*na*
Operating profit growth/(decline)	*9.7%*	*(12.1%)*	*26.7%*	*(5.1%)*	*(22.8%)*
Cash NPAT growth/(decline)	*(0.4%)*	*1.4%*	*(22.4%)*	*28.9%*	*2.1%*
Profitability					
Gross income yield	*20.4%*	*19.2%*	*20.2%*	*20.2%*	*19.6%*
NOI yield	*14.5%*	*13.8%*	*15.0%*	*16.0%*	*15.6%*
RAI yield	*12.2%*	*12.3%*	*11.4%*	*12.4%*	*13.4%*
Impairment losses/ANR	*(2.3%)*	*(1.6%)*	*(3.6%)*	*(3.6%)*	*(2.1%)*

Source: Humm Group Annual Reports and Results Presentations, Kroll Analysis.

Notes:

1. FY18 segment results includes Farmers, Q Card, Flight Centre Mastercard and Oxipay NZ.
2. FY19 segment results includes Farmers, Q Card, Flight Centre Mastercard and Farmers Mastercard. Oxipay New Zealand was moved to the BNPL segment in FY20.

In relation to Humm Group's NZ Cards segment financial performance for FY18 to 1H22, we note:

- volume and ANR broadly increased between FY18 and FY20 but declined in FY21 due to lower travel activity. In 1H22, annualised transaction volume increased slightly compared to FY21 but ANR declined by 2.5%, partially because of a legacy receivables run-off;
- gross income increased by 13.3% from FY18 to FY20 driven by higher ANR and a stable gross income yield. However, it declined by 7.3% in FY21 due to lower transaction volumes, the paydown of customer loans and lower insurance income. Gross income decreased 7.4% in 1H22 compared to the pcp due to reduced ANR.

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- NOI increased by 18.1% from FY18 to FY20 but declined slightly in FY21. NOI over this period benefited from higher gross income and improved cost of funds. NOI declined 7.1% in 1H22 compared to the pcp;
- impairment losses on customer loans increased from $10.9 million in FY18 to $33.8 million in FY20 due to the COVID-19 macro-overlay provision (Section 8.3.1) in FY20; and
- Cash NPAT declined by 21.3% between FY18 and FY20 reflecting a rise in marketing and origination costs, and impairment losses on customer loans. In FY21, Cash NPAT increased to $28.1 million as impairment losses on customer loans subsided. In 1H22, Cash NPAT increased by 20.7% compared to 1H21 despite lower NOI due to lower impairment losses on customer loans.

8.3.6 Commercial and Leasing Financial Performance

The financial performance for Humm Group's commercial and leasing segment for FY18, FY19, FY20, FY21 and 1H22 is summarised as follows.

Humm Group's Commercial and Leasing Segment Financial Performance ($ millions)

	FY18 Audited[1]	FY19 Audited	FY20 Audited	FY21 Audited	1H22 Reviewed
Interest income	91.3	72.6	62.4	65.9	42.3
Other income	56.3	46.3	33.9	30.9	14.8
Gross income	**147.6**	**118.9**	**96.3**	**96.8**	**57.1**
Cost of origination	-	-	-	-	-
Interest expense	(25.5)	(25.6)	(21.2)	(20.7)	(11.7)
Net operating income (NOI)	**122.1**	**93.3**	**75.1**	**76.1**	**45.4**
Marketing expense	-	-	(1.2)	(2.4)	(0.3)
Operating expenses	(83.8)	(56.2)	(41.5)	(40.2)	(18.1)
Operating profit	**38.3**	**37.1**	**32.4**	**33.5**	**27.0**
COVID-19 macro provision overlay release/(charge)	-	-	(12.6)	5.1	(2.7)
Impairment losses on customer loans (excluding movement in COVID-19 macro provision overlay)	(8.4)	(19.9)	(14.4)	(9.3)	(3.1)
Profit before tax and significant items	**29.9**	**17.2**	**5.4**	**29.3**	**21.2**
Income tax expense	(7.6)	(4.8)	(1.2)	(7.0)	(5.9)
Cash NPAT	**22.3**	**12.4**	**4.2**	**22.3**	**15.3**
Significant items after income tax	(95.7)	(8.3)	(2.0)	(0.2)	(9.4)
Statutory profit/(loss) after income tax	**(73.4)**	**4.1**	**2.2**	**22.1**	**5.9**
Operating					
Volume	*336.3*	*349.8*	*347.2*	*540.3*	*432.8*
Closing customer loans	*592.6*	*584.5*	*649.4*	*885.1*	*1,122.5*
*Average net receivables (**ANR**)*	*596.3*	*588.6*	*617.0*	*767.3*	*921.1*
Financial					
*Risk adjusted income (**RAI**)*	*113.7*	*73.4*	*60.7*	*66.8*	*42.3*
NOI growth/(decline)	*(11.1%)*	*(23.6%)*	*(19.5%)*	*1.3%*	*16.4%*
RAI growth/(decline)	*(4.9%)*	*(35.4%)*	*(17.3%)*	*10.0%*	*na*
Operating profit growth/(decline)	*(28.8%)*	*(3.1%)*	*(12.7%)*	*3.4%*	*13.9%*
Cash NPAT growth/(decline)	*(21.5%)*	*(44.4%)*	*(66.1%)*	*431.0%*	*2.7%*
Profitability					
Gross income yield	*24.8%*	*20.2%*	*15.6%*	*12.6%*	*12.4%*
NOI yield	*20.5%*	*15.9%*	*12.2%*	*9.9%*	*9.9%*
RAI yield	*19.1%*	*12.5%*	*9.8%*	*8.7%*	*9.2%*
Impairment losses/ANR	*(1.4%)*	*(3.4%)*	*(2.3%)*	*(1.2%)*	*(0.7%)*

Source: Humm Group Annual Reports and Results Presentations, Kroll Analysis

Note 1: FY18 results include the NZ Leasing, Consumer Leasing and Commercial Leasing segments, which were reported separately.

In relation to Humm Group's Commercial and Leasing segment financial performance for FY18 to 1H22, we note:

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- ANR increased significantly by 54.5% over the period, reflecting strong origination growth, partially offset by the run-off of the Australian consumer leasing portfolio. Gross income yield fell by 50.0% for the same period reflecting a competitive market environment, a changing business mix and potentially the impact of a declining interest rate environment. Gross income yield steadied in 1H22, with gross income yield decreasing slightly compared to FY21 (12.4% compared to 12.6%);
- gross income fell 34.8% between FY18 and FY19 primarily due to lower gross income yield. Gross income began to recover in FY21 as a significant increase in ANR outweighed the impact of lower gross income yield. 1H22 gross income rose by 17.5% compared to the pcp as ANR and gross income yield both increased;
- NOI performed better than gross income, declining between FY18 and FY21 (by 12.5%) but recovering in 1H22 (by 16.4% compared to the prior corresponding period). Operating profit declined by less than gross income because of significant reductions in operating expenses over the period as Humm Group simplified the Commercial business and ran-down certain leasing portfolios; and
- Cash NPAT declined in FY19 and FY20 due to the impact of rising impairment losses on customer loans but recovered to reach $22.3 million in FY21 as impairment losses fell sharply during the year.

8.3.7 Outlook

Humm Group has not released earnings guidance for 2022 or beyond. As far as Kroll is aware, Humm Group is followed by three brokers, each of which has published reports following the announcement of the financial impact of the HCF acquisition on 6 January 2022 and release of Humm Group's 1H22 results on 22 February 2022. Kroll has considered these forecasts in order to provide an indication of the brokers' expected future financial performance of Humm Group.

Humm Group Broker Consensus

	Actual	Broker consensus		
	FY21	FY22	FY23	FY24
Revenue				
Total income	**443.9**	**473.9**	**560.4**	**622.5**
Operating expenses[1]	(362.0)	(409.9)	(478.3)	(521.4)
EBIT	**81.9**	**64.0**	**82.1**	**101.1**
Tax expense	(21.8)	(17.6)	(25.4)	(30.5)
NPAT	**60.1**	**46.5**	**56.7**	**70.6**
Non-recurring items after tax	8.3	1.7	5.5	6.9
Cash NPAT	**68.4**	**48.1**	**62.2**	**77.4**
Financial				
Total income growth	*(7.3%)*	*6.7%*	*18.3%*	*11.1%*
Cash NPAT growth	*121.4%*	*(29.7%)*	*29.3%*	*24.4%*
Cash Earnings per share (¢)	*13.8*	*10.0*	*13.0*	*16.3*
Dividends per share (¢)	-	*3.2*	*3.7*	*5.0*
Payout ratio[2]	*nmf*	*32.0%*	*28.5%*	*30.4%*
Net debt/equity[3]	*2.9x*	*4.1x*	*4.7x*	*4.9x*
Profitability				
EBIT margin	*18.5%*	*13.5%*	*14.6%*	*16.2%*
Cash NPAT margin	*15.4%*	*10.2%*	*11.1%*	*12.4%*
Return				
Cash ROE[4]	*10.2%*	*6.8%*	*7.8%*	*9.3%*
Cash ROA[5]	*2.2%*	*1.4%*	*1.5%*	*1.7%*

Source: Humm Group broker reports

Notes:
1. Operating expenses include net interest expense and depreciation and amortisation.
2. Payout ratio is calculated as dividends per share divided by earnings per share.
3. Net Debt / Equity is calculated as total debt less cash and cash equivalents divided by total shareholders' equity.
4. Cash ROE is Return on Equity, calculated as total Cash NPAT generated in the period divided by total shareholders' equity.
5. Cash ROA is Return on Assets, calculated as Cash NPAT divided by total assets.

Brokers have made projections for the Humm Group in its existing form and have not separated the business into the post-transaction HCF and Commercial structure.

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With regards to HCF, brokers have assumed that pre-COVID-19 pandemic shopping and travel activity will recover from FY23, leading to robust growth in revenue and profit over the presented forecast period. Higher in-store traffic is expected to drive a strong increase in volume growth and NPAT in the Big Things BNPL segment, while the AU Cards and NZ Cards segments are expected to recover alongside increasing travel activity and improved consumer confidence, benefitting from external partnerships with Flight Centre, Velocity Frequent Flyer, and Air New Zealand. Expansions into the larger U.K and Canadian markets also present through small, but accretive earnings upside.

With regard to Humm Group's commercial and leasing segment, brokers believe that the segment can continue to increase volumes and reach its target of $1 billion in volume around FY24. Brokers expect the segment to benefit by the exit of major banks from the equipment financing segment. Further details of the broker estimates are included in Appendix 3.

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8.4 Financial position

The financial position for Humm Group as at 30 June 2018, 2019, 2020, 2021 and 31 December 2021 is summarised as follows.

	Year ending 30 June				31 December
	2018 Audited	2019 Audited	2020 Audited	2021 Audited	2021 Reviewed
Cash and cash equivalents	125.3	143.1	157.5	218.2	272.1
Receivables	599.9	596.0	638.2	870.0	107.4
Chattel loans[1]	-	-	-	-	1,021.0
Customer loans	1,752.3	1,981.4	1,814.4	1,783.1	1,791.6
Inventories	2.6	1.8	1.9	1.0	1.5
Current tax receivable	0.5	14.0	1.7	-	-
Assets classified as held to sale	-	-	-	8.5	-
Investment in associate and other investments	-	13.7	14.3	1.1	0.8
Plant and equipment	8.3	8.7	7.4	5.2	5.0
Right-of-use asset	-	-	12.5	15.9	14.3
Other intangible assets	100.4	102.0	102.3	110.9	61.1
Goodwill	236.5	244.3	239.9	239.2	105.9
Deferred tax assets	-	12.3	48.2	46.3	45.7
Assets of disposal group held for sale	12.5	-	-	-	-
Derivative financial instruments	-	-	-	-	5.4
Total assets	**2,838.3**	**3,117.3**	**3,038.3**	**3,299.4**	**3,431.8**
Trade and other payables	51.7	58.0	67.3	56.2	54.0
Contract liabilities	-	10.9	7.5	7.8	9.1
Lease liabilities	-	-	16.5	18.6	17.4
Borrowings	2,124.7	2,387.7	2,295.1	2,406.5	2,699.3
Current tax liabilities	12.7	4.1	14.8	6.4	1.6
Derivative financial instruments	6.4	17.6	38.2	18.3	-
Provisions	14.6	22.9	20.5	21.8	34.5
Liabilities of disposal groups held for sale	2.4	-	-	-	-
Deferred tax liabilities	8.3	-	-	4.7	5.5
Deferred/contingent consideration	1.0	-	-	-	-
Total liabilities	**2,221.8**	**2,501.2**	**2,459.9**	**2,540.3**	**2,821.4**
Net assets	**616.5**	**616.1**	**578.4**	**759.1**	**610.4**
Common Stock - Par Value	362.8	390.1	393.1	507.6	507.6
Retained Earnings	251.6	223.2	203.1	258.9	90.6
Reserves	2.1	2.8	(17.8)	(7.4)	12.2
Equity	**616.5**	**616.1**	**578.4**	**759.1**	**610.4**
Statistics					
Number of ordinary shares (m)	*374.1*	*394.3*	*394.3*	*495.2*	*494.9*
Number of subordinated perpetual notes (m)	*49.1*	*49.1*	*49.1*	*49.1*	*49.1*
*Net tangible assets (**NTA**)*	*279.6*	*269.8*	*236.2*	*409.0*	*443.4*
NTA per ordinary share ($)	*0.75*	*0.68*	*0.60*	*0.83*	*0.90*

Source: Humm Group Annual Reports and Results Presentations, Kroll Analysis

Note 1: Prior to 1H22 chattel loans were included in receivables and customer loans.

In relation to the financial position of Humm Group as at 31 December 2021, we note:

- cash and cash equivalents includes $131.9 million of unrestricted cash and $140.2 million of restricted cash. Restricted cash relates $34.1 million to Commercial and $106.2 million to HCF;

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- the majority of Humm Group's assets are interest bearing balances including receivables, chattel loans and customer loans.[43] The net value of Humm Group's interest-bearing balances have grown since 30 June 2018. Interest bearing balances grew 10.1% over 1H22 and as at 31 December 2021 stood at $2,876.4 million on a net basis.[44] This represents a gross value of $2,988.0 million less ECL allowance of $111.6 million;
- goodwill and intangible assets declined substantially as at 31 December 2021 compared to 30 June 2021 due to the aforementioned impairment of goodwill and intangible assets during the period (Section 8.3.1);
- the majority of Humm Group's liabilities is comprised of borrowings. Borrowings have grown since FY18, in line with growth in Humm Group's interest-bearing balances. Borrowings grew significantly in the half year to 31 December 2021 by 12.2%, reaching a fair value of $2,699.3 million. Almost the entirety of Humm Group's borrowings is floating rate interest debt, secured by assets;
- Humm Group's net tangible assets grew at a CAGR of 13.5% between FY18 and FY21; and
- the number of ordinary shares on issue grew 32.3% between FY18 to 2021 to reach 494.9 million on 31 December 2021, primarily because Humm Group undertook a $115 million equity raising in FY21. Consequently, NTA per share grew significantly slower than NTA, at a CAGR of 3.4% from FY18 to FY21.

8.4.1 Sources of funding and capital

Humm Group has a well-established, mature funding platform focused on retaining committed, cost and capital efficient funding for all existing products, and securing cost effective funding to support new products and markets. The company has a strong presence across the ANZ debt capital markets, and strong banking and investor relationships in all geographies where it operates.

Humm Group also has strong support from institutional investors who participate in its public capital markets asset-backed securities (**ABS**) programs in both Australia and New Zealand. As at 31 December 2021, Humm Group had, excluding its corporate debt facilities and a minor managed services contract funding facility, $3,496.4 million of wholesale debt facilities, with $797.1 million of facilities undrawn. These facilities include both public and private debt facilities, which are all secured against underlying pools of receivables originated by Humm Group including from BNPL products, credit cards, chattel mortgages and leases. Humm Group is approximately 58% funded by public ABS facilities and 42% by warehouse facilities. Funding comprises of seven warehouse trusts (four in Australia, two in New Zealand, and one in Ireland), and six current public capital markets transactions in Australia and a master trust programme in New Zealand.

8.5 Capital structure and ownership

Humm Group currently has 495,268,318 ordinary shares on issue. As at 11 May 2022, Humm Group had 16,586 registered shareholders including 3,720 holders of less than a marketable parcel of ordinary shares. The top 20 registered shareholders accounted for 56.7% of shares on issue and mainly included institutional nominees and custodians. Retail investors (investors holding less than 70,000 securities) accounted for 96.8% of holders and 21.7% of shares on issue.

Humm Group has received notices from the following substantial shareholders.

Shareholder	Number of shares	Percentage
The Abercrombie Group Pty Ltd ATF the Philadelphia Trust[1]	66,683,314[2]	13.46%[2]
Tefig Pty Ltd ATF AJ Abercrombie Superannuation Fund[1]	33,316,686	6.73%
Tanarra Capital Australia Pty Ltd[2]	27,321,525	5.52%

Source: Humm Group supplied

[43] Receivables, chattel loans and customer loans are included in the consolidated financial position for Humm Group as receivables and customer loans.
[44] This differs from $2,920.0 million per the Statement of Financial Position due to the exclusion of receivables from other debtors of $29.8 million.

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Notes:

1. The Abercrombie Group Pty Ltd and Tefig Pty Ltd are entities controlled by or associated with Andrew Abercrombie. Andrew Abercrombie is a director of Humm Group and was formerly Chairman until his resignation on 20 December 2021. As of the date of this report, Andrew Abercrombie has a relevant interest in approximately 20.2% of Humm Shares on issue.
2. Updated to reflect the latest share registry provided by Humm Group.
3. Tanarra Capital Australia Pty Ltd is an entity controlled by or associated with John Wylie AC. John Wylie AC is a director of Humm Group.

Humm Group operates a Long-term Incentive Plan (**LTIP**) through which share options or performance rights are granted to executives. The LTIP is designed to provide relevant employees with an incentive for future performance, with options (rights to acquire shares at a specified price) or performance rights vesting over a performance period provided hurdles are achieved. In FY18 and FY19, performance rights were issued to key management personnel subject to meeting certain Cash EPS and Total Shareholder Return (**TSR**) during the FY21 and FY22 periods. Upon successfully meeting these targets, each right would subsequently convert to a Humm Group share. In FY21, options were issued to key executives which vested over a two-year performance, subject to the share price reaching certain hurdles following the FY22 annual results announcement. In the case of a change of control, unvested options or performance rights may, at the discretion of the Board, vest, lapse, or a pro-rata number of options will vest and become exercisable based on the extent to which the performance conditions have been achieved or are likely to be achieved.

As at 11 May 2022, Humm Group has the following performance rights and share options on issue.

Humm Group Performance Rights and Share Options

Series	Grant Date	Number Unvested	Total
Tranche 6 Performance Rights	November 2018, May 2019	602,886	602,886
2021 LTIP Share Options	November 2020	6,503,895	6,503,895
2022 LTIP Share Options	November 2021	8,624,921	8,624,921
Total		**15,731,702**	**15,731,702**

Source: Humm Group

The Humm Group Board's current intention is that all unvested share options will be tested against the relevant plan metrics to determine if they should vest or not.

8.6 Share price performance

8.6.1 Recent share market trading

We have considered Humm Group's share price performance both prior to the COVID-19 pandemic as well as including the COVID-19 pandemic. We have also considered the period encompassing FlexiGroup's rebranding to Humm Group and the transformation plan which commenced in 2019. The trading price and volume of Humm Group shares since 2 January 2019 are set out as follows.

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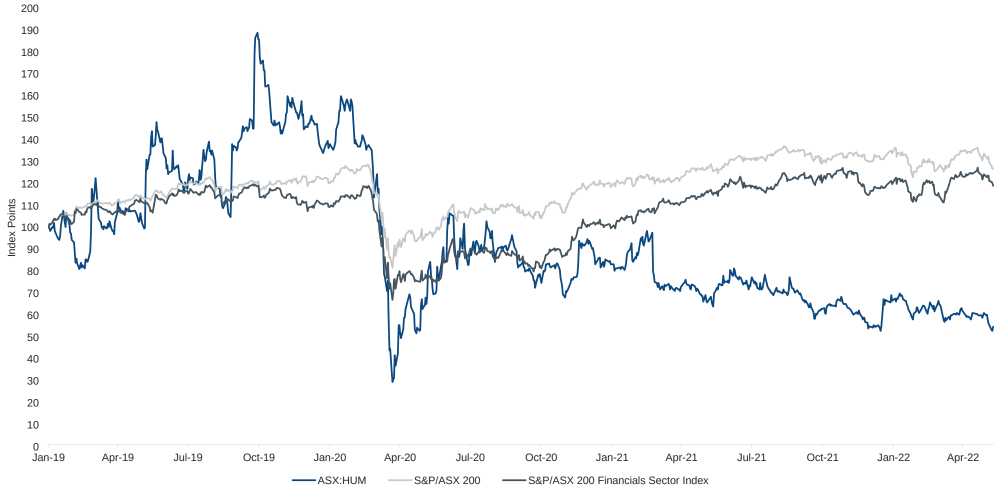
Humm Group Trading Price and Volume from 2 January 2019



Source: S&P Capital IQ and Kroll analysis.

Humm Group shares performed strongly from 2 January 2019, increasing by 88.9% to close at $2.55 on 30 September 2019, albeit displaying considerable volatility on low volume. Outperformance can be attributed to improving business performance in the lead up to FY19 results, following the earnings downgrade on 5 February 2019, and the announcement of the transformation plan on 26 February 2019. Performance was subsequently particularly strong following the release of the FY19 results on 26 August 2019, and positive updates regarding transaction growth and retailer uptake in its BNPL business on 26 September 2019.

Following the FY19 results, Humm Group shares traded in a range between $1.80 and $2.10. On 31 January 2020, shares closed at a relative peak price of $2.10, however, subsequently declined 11.0% to close at $1.87 on 3 February 2020 following a trading update which indicated growth in transaction volumes was below market expectations. By 26 February 2020, a market-wide sell-off in response to the COVID-19 pandemic had begun, resulting in Humm Group shares declining to a low of $0.40 on 23 March 2020. Humm Group, together with the broader BNPL sector, possibly reflecting investor beliefs that the BNPL business model would be highly sensitive to a COVID-19 pandemic driven economic downturn.

Following the sharp market downturn in March 2020, Humm Group shares recovered strongly in line with its BNPL peers, outperforming the ASX 200 Index recovery to reach a high of $1.44 on 5 June 2020. This was in response to a reversal in investor sentiment towards the BNPL sector and risk assets more generally. The recovery was also helped by Australian government stimulus measures, including JobKeeper payments to support employees affected by COVID-19 pandemic business shutdowns, an important measure which would prevent significant credit losses. The sharp recovery likely also anticipated that the BNPL sector would be a beneficiary from the growth in e-commerce driven by the COVID-19 pandemic.

From 5 June 2020 Humm Group shares commenced a slow downward trend. This decline coincided with gross income decreasing 7.3% and net operating income decreasing 5.0% during FY21 due to declining performance from the AU and NZ credit cards. Notably, Humm Group shares fell 18.2% on high volume to close at $1.08 on 24 February 2021, immediately following the release of Humm Group's half-year report for 1H20, which announced a 6% decline in revenue against the prior period.

Humm Group shares continued their gradual decline throughout 2021 to close at a low of $0.72 on 16 December 2021. On 20 December 2021, Humm Group shares increased 23.0% to close at $0.91 following confirmation of the receipt of approaches from third parties to acquire all or part of Humm Group.

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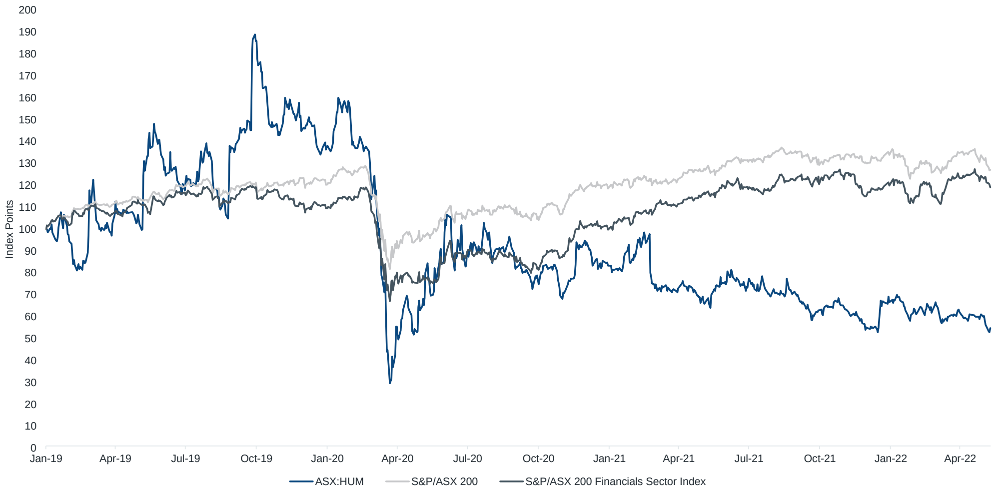
8.6.2 Relative share price performance

A description of Humm Group's share trading performance against relevant indices and relevant comparable companies are set out as follows.

Share price performance compared to indices

Since August 2021, Humm Group has not been a member of any major indices. As a result, the relevant indices chosen for comparative purposes are the ASX 200 Index and the ASX 200 Financials Index. The following chart sets out the relative performance of Humm Group shares against these indices over the period from 2 January 2019 to 11 May 2022.

Humm Group Share Price Performance Compared to Indices



Source: S&P Capital IQ and Kroll analysis.

Humm Group shares declined more steeply than the indices in response to the COVID-19 pandemic, reflecting investor perceptions that the BNPL industry was more susceptible to an economic downturn than other sectors. However, when markets rebounded, Humm Group shares recovered more robustly than the indices, suggesting a positive shift in investor sentiment towards the BNPL sector and Humm Group. From June 2020, Humm Group significantly underperformed the indices, likely as a result of declining investor sentiment to the BNPL sector and the aforementioned weakness in gross income and net operating income over FY21.

Share price performance compared to selected BNPL companies

The BNPL companies chosen for comparison are Afterpay and Zip because they are both Australian-listed companies operating in the BNPL industry.

The following chart sets out the relative performance of Humm Group shares against Afterpay and Zip over the period from 2 January 2019 to 11 May 2022.

Humm Group Share Price Performance Compared to Selected BNPL Companies

Source: S&P Capital IQ and Kroll analysis.

Overall, Humm Group shares declined 45.2% over the period from 2 January 2019 to 11 May 2022 compared to Afterpay shares which increased by over 450% over the period prior to its suspension on trading on 19 January 2022 and Zip shares which increased by 45% over the period to 11 May 2022.

Humm Group significantly underperformed its two BNPL peers, Afterpay and Zip, from January 2019 until approximately mid-February 2021, at which point Humm Group, Afterpay and Zip all began to see significant share price declines.

The divergent relative price performance until mid-February 2021 attests to a lack of comparability between Humm Group and Afterpay and Zip. Afterpay and Zip, unlike Humm Group, are BNPL-focused companies with minor exposure to other consumer finance businesses, whilst Humm Group is a consumer finance company with significant exposure to the credit card and commercial and consumer leasing industries. It demonstrates that investors have not historically valued the prospects of Humm Group's BNPL product the same way as they have valued the prospects of other BNPL companies. Additionally, Humm Group's BNPL segment differs from Afterpay and Zip's BNPL products due to its much smaller scale and exposure to higher ticket purchases via Humm Group's Big Things product, which offers a credit limit of up to $30,000.

Additionally, Afterpay and Zip have historically had much higher revenue growth rates compared to Humm Group, partially as a consequence of their greater focus on BNPL. Afterpay's revenue increased by 152.1% from FY17 to and Zip's revenue increased by 121.7% from FY17 FY21. In comparison, Humm Group's consolidated revenues decreased by 4.1% over the same period.

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Humm Group Share Price Performance Compared to Selected BNPL Companies

Source: S&P Capital IQ and Kroll analysis.

All three companies have underperformed the ASX 200 Financials Index since February 2021, indicating deteriorating investor perceptions towards the industry. Possible explanations for this include concerns regarding heightened industry valuations, increasing competition from both BNPL companies and incumbent payment operators, and the potential impact of a rising interest rate environment on credit quality, funding costs and the valuations of high growth companies.

Humm Group has outperformed Afterpay and Zip following the announcement on 17 December 2021 that it had received proposals from third parties regarding the acquisition of its consumer segment.

8.6.3 Liquidity

An analysis of the volume of trading in Humm Group shares, including the VWAP for various periods up to 17 December 2021 (when Humm Group announced that it had received proposals from third parties) is set out as follows.

Humm Group Liquidity

Period	Price ($)			Cumulative value ($ million)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
1 day	0.72	0.74	0.73	0.6	0.8	0.2%
1 week	0.72	0.76	0.73	4.8	6.5	1.3%
1 month	0.72	0.84	0.76	25.5	33.6	6.8%
3 months	0.72	0.95	0.82	94.8	115.7	23.4%
6 months	0.72	1.08	0.90	224.9	251.2	50.7%
12 months	0.72	1.36	0.98	484.4	492.2	99.4%

Source: S&P Capital IQ and Kroll analysis

In the 12 months to 17 December 2021, 99.4% of Humm Group shares were traded (138.1% of free float). This level of trading indicates that Humm Group shares are liquid.

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9 Profile of Latitude

9.1 Background

Latitude is a consumer finance business that was listed on the ASX on 20 April 2021 at $2.60 per share. The business provides a range of instalment and lending products (as well as minor insurance products) to around 2.8 million customers in ANZ and has relationships with around 5,500 merchants. As at 11 May 2022, it had a market capitalisation of approximately $1.9 billion.[45]

Latitude's history dates back to the 1920s when Australian Guarantee Corporation (**AGC**), one of Latitude's predecessor businesses, was founded to provide finance for the purchasing of household items. AGC was acquired by the General Electric Company (**GE**) in 2002 which had earlier made several acquisitions in ANZ, including Nissan Finance in 1998 and AVCO Financial (including Hallmark Insurance) in 1999.

In 2015, a consortium of investors led by KKR & Co. Inc., Varde Partners, Inc. and Deutsche Bank Aktiengesellschaft (together, **KVDS**) acquired the business from GE and it was subsequently renamed "Latitude Financial Services".

In 2018, Latitude acquired Genoapay in New Zealand to bolster its payments capabilities and in 2019, it launched LatitudePay in Australia.

In March 2021, Latitude undertook a restructure in preparation for the ASX Listing. On 25 March 2021, it acquired control of Latitude Financial Services Limited (and its controlled entities), the top operating entity of the Latitude New Zealand operations, an entity under the control of Latitude's ultimate parent entity KVD Singapore Pte Ltd (**KVDS**). Additionally, it entered into agreements to acquire the legal and beneficial interests in the Australian warehouse trusts from the original shareholders (or related entities of those parties), together with an assignment right to the income (and associated distribution entitlements) attaching to those interests from and after 1 January 2021. Completion of this sale was conditional on FIRB approval which was obtained on 21 July 2021 and the restructure steps were completed on 1 August 2021.

On 10 March 2021, Shinsei Bank Limited agreed to acquire a 10% interest in Latitude from shareholders.

In April 2021, following its initial public offering, 77.7 million Latitude Shares were transferred to new shareholders at $2.60 per share.

In October 2021, Latitude acquired Symple Loans Pty Ltd (**Symple Loans**) for $100 million in cash and 38.46 million shares. Symple Loans is expected to become the lending platform for all of Latitude's personal and automotive loans and enables Latitude to enter the variable loan market segment. In late 2021, Latitude acquired the business and assets of OctiFi Pte Ltd (**OctiFi**), a Singapore based instalments business.

Strategy

Latitude's strategy is focused on four key operational priorities to continue its momentum and drive growth:

- **lead in payments and instalments:** take advantage of growth opportunities arising from ongoing disruption in the payments industry and strong demand from merchants and consumers for easy and convenient mobile experiences. Opportunity to acquire new partners in home and health segments as a result of the launch of LatitudePay+ Bigger Buys;
- **lead in lending:** grow lending as a specialist consumer finance business with scale, specialised risk and funding capabilities, ongoing digital lending development and the ability to offer loans to Latitude's large base of instalments and payments customers. Integration of the Symple Loans platform is expected to unlock more potential and establish Latitude's position by offering a superior customer and partner experience with its personal and auto loan products.
- **reinvent insurance:** following the launch in 2021 of Repayment Protection Insurance in Australia as a premium add-on for Latitude's personal loans customers, continue to design and launch new standalone products in 2022 to meet the needs of its customers and partners, supported by a new insurance platform; and
- **expand in Asia and Canada:** expansion into payments and instalments in South East Asia to extend Latitude's customer base and build a presence in new markets whilst also supporting Latitude's global partners.

[45] Calculated as closing price on 11 May 2022 of $1.81 multiplied by 1,038,461,538 shares.

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These four priorities are underpinned by the transformation and optimisation of Latitude's operations and operating model structure, centred around three portfolio businesses – Pay, Money and Insurance.

9.2 Operations

Latitude is a consumer finance company operating in ANZ. As at 31 December 2021, it had gross receivables of $6.4 billion. Latitude offers instalment products through a network of 5,500 merchant partners operating over 10,600 outlets and e-commerce channels across ANZ. It has a network of over 5,800 accredited brokers in Australia to distribute personal and motor loans in Australia. In New Zealand, it has a white label arrangement with Kiwibank to distribute Latitude lending products. It also offers lending products through direct channels. Direct channels are supported by a digital platform and call centre.

Latitude offers customers in ANZ the following products:

Instalments

Payment Solution		Maximum Limit	Product Description
LatitudePay Genoapay	LATITUDE PAY genoapay	< $1,000	**BNPL** ▪ ANZ ▪ Branded LatitudePay in Australia and Genoapay in New Zealand ▪ interest free ▪ 10 weekly repayments ▪ No account fees ▪ Latitude generates fees from merchant service fees and late fees paid by the customer
Big-ticket	LATITUDE PAY	< $10,000	**BNPL** ▪ Interest free ▪ 6-24 monthly repayments ▪ $10 per month account fee ▪ Launched in March 2021, with wider release in October 2021
GO and GEM		< $30,000	**Latitude GO Mastercard, Gem Visa** ▪ Latitude Gem is issued in Australia and New Zealand whilst Latitude Go is issued in Australia only ▪ 3 - 60 months interest free at Latitude's merchant partners ▪ Latitude Go is issued exclusively to customers of Harvey Norman Australia both instore and online ▪ Latitude Gem is issued through affiliated retailers across a range of outlets, online stores and direct online via Latitude's website ▪ Six months interest free for general purpose purchases over A$250/NZ$250 on Latitude Gem ▪ Ability to opt in for six months interest free for general purpose purchases over A$250 on Latitude Go ▪ Online and instore

Source: Latitude website

In addition, there are a legacy instalment products (e.g. CreditLine and Buyer's Edge) that are no longer originated by Latitude but can continue to be utilised by existing customers for instalment purchases.

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Lending

Payment Solution	Product Description
28° Global	▪ International travel and shopping card ▪ Monthly or per statement interest free period, with balances unpaid or accruing after this time subject to interest ▪ No annual fee and no international transaction fees on purchases, no currency conversion fees ▪ Australia only ▪ Distributed direct to consumer (online)
Personal loans	▪ Personal purposes (other than secured housing purposes) e.g. consolidating or refinancing debts and major purchases e.g. holiday, wedding ▪ Direct, broker and Kiwibank white label
Auto loans	▪ Issued in Australia only (E.g. car, boat, caravan) with the vehicle being used as security for the loan ▪ Direct and broker

Source: Latitude website

Latitude has a 12% share of the $11 billion personal loan market segment[46] and is the second largest participant in total volume behind Commonwealth Bank of Australia.[47] Latitude currently has a 26% share of the Australian fixed loan market segment. The acquisition of Symple Loans enables Latitude to enter the $6 billion variable loan market segment. The acquisition is expected to deliver $4 million synergies in FY22 ($26 million annualised) and $32 million synergies in 2023 ($41 million annualised). 2023 annualised synergies include $28 million of cost synergies and $13 million of operating income synergies arising from volume related revenue and funding synergies, offset by incremental interest associated with cash consideration, variable and integration costs. At the 2021 results release on 21 February 2022, Latitude management advised that integration of Symple Loans is on track.

In addition, Hallmark Insurance historically provided insurance in connection with Latitude's Instalments and Lending products. The insurance for personal loans covered life, disability, involuntary unemployment and some variants of critical illness. Insurance available for Latitude's credit card eligible customers also included additional coverage for price protection, merchandise protection and stolen cards as well as life, disability and involuntary unemployment, whereby eligible customers can claim up to A$15,200 of benefits under these heads of cover. Issuing of new Hallmark Insurance products was ceased for credit cards from September 2019 and for personal loans from April 2020 (in Australia) and December 2020 (in New Zealand). Latitude has recently launched a new repayment protection insurance product in Australia for personal loans.

9.2.1 Operating statistics

Customers

As at 31 December 2021, Latitude had 2.8 million customers including 1.3 million GO and GEM customers, 0.5 million Latitude Pay customers, 0.3 million 28° Global customers and 0.2 million Personal & Auto loan customers. Latitude entered the big ticket BNPL market segment in October 2021.

The Latitude Pay BNPL customer base has grown strongly. In 2021, the customer base increased by 42% to 539,000.

[46] A$ receivables, internal Latitude data as at 31 December 2021. Source: Latitude 2021 Results Presentation.
[47] Internal Latitude data as at 31 December 2021. Source: Latitude 2021 Results Presentation.

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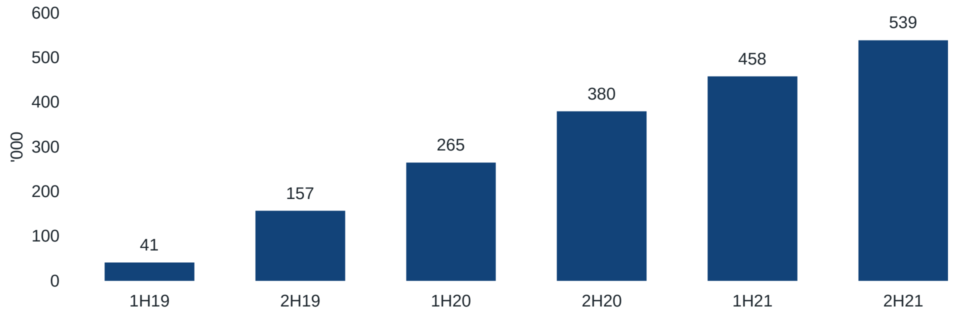
Latitude BNPL Customer Base ('000)

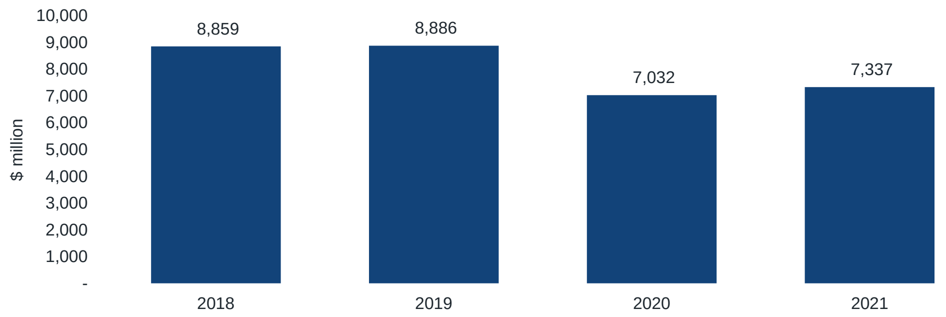


Source: Latitude 2021 results presentation

Volume

Latitude's volume for 2018 to 2021 are presented as follows.

Latitude Volume ($ million)



Source: Latitude 2021 results presentation and Prospectus

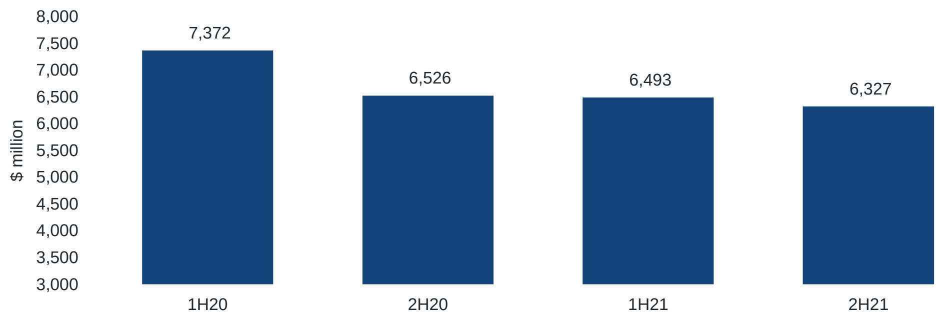
After increasing slightly in 2019, volume declined by 20.9% in 2020 as the COVID-19 pandemic reduced credit demand, particularly in travel (partially offset by growth in "home economy" spending) and further constrained lending volumes due to tightened underwriting standards.

Volume increased by 4.3% in 2021, led by growth in personal loans and automotive, with volumes for 28° Global and instalments declining as the COVID-19 pandemic continued to result in rolling lockdowns, reduced foot traffic and weak consumer confidence.

Average Gross Receivables (AGR)

Latitude's AGR over the last four financial half years is presented as follows.

Latitude AGR ($ million)



Source: Latitude 2021 results presentation

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In 2020, the aforementioned 20.9% decline in volume and an increase in repayments from 91% (expressed a percentage of opening gross receivables) in 2019 to 103% in 2020 as a result of external factors (i.e. Government stimulus and access to superannuation withdrawals in Australia) resulted in an 8.1% decline in AGR. In 2021, the 1H21 and 2H21 AGR stabilised despite continued elevated repayments (103%) offset by volume increasing by 4.3%.

9.3 Financial performance

9.3.1 Historical financial performance

Latitude's pro forma financial performance for 2018 to 2020 (including the impact of the Restructure and completion of the Listing as if they had taken place on 1 January 2018 along with other pro forma adjustments) and audited financial performance for 2021 is summarised as follows.

Latitude financial performance ($ millions)

	2018 Pro forma	2019 Pro forma	2020 Pro forma	2021 Audited
Interest income	1,151.3	1,205.6	1,058.1	932.4
Interest expense	(271.8)	(258.2)	(178.0)	(160.3)
Net interest income	**879.5**	**947.4**	**880.1**	**772.1**
Total other operating income	104.6	87.6	54.1	54.6
Total operating income	**984.1**	**1,035.0**	**934.2**	**826.6**
Net charge offs	(242.2)	(251.7)	(227.6)	(149.5)
Risk adjusted income (RAI)[1]	**741.9**	**783.3**	**706.7**	**677.1**
Operating expenses	(394.5)	(406.3)	(402.9)	(387.1)
Operating profit	**347.4**	**377.0**	**303.8**	**290.0**
Provision movement	(13.4)	2.6	20.0	33.1
Foreign exchange rate impact	2.6	0.3	(1.2)	0.2
Profit before tax and significant items	**336.7**	**379.8**	**322.6**	**323.3**
Income tax expense	(93.0)	(105.6)	(98.7)	(91.1)
Cash NPAT	**243.7**	**274.2**	**223.9**	**232.2**
Operating				
Volume	*8,859.4*	*8,886.0*	*7,032.0*	*7,337.0*
Gross loan receivables	*7,533.2*	*7,636.7*	*6,521.6*	*6,352.1*
*Average gross receivables (**AGR**)*	*7,206.1*	*7,568.6*	*6,955.0*	*6,405.1*
Financial				
Operating income growth	*na*	*5.2%*	*(9.7%)*	*(11.5%)*
RAI growth	*na*	*5.6%*	*(9.8%)*	*(4.2%)*
Operating profit growth	*na*	*8.5%*	*(19.4%)*	*(4.5%)*
Cash NPAT growth	*na*	*12.5%*	*(18.4%)*	*3.7%*
Profitability				
Interest income/AGR	*16.0%*	*15.9%*	*15.2%*	*14.6%*
Interest expense/AGR	*(3.8%)*	*(3.4%)*	*(2.6%)*	*(2.5%)*
Net interest margin[2]	*12.2%*	*12.5%*	*12.7%*	*12.1%*
Operating income margin[3]	*13.7%*	*13.7%*	*13.4%*	*12.9%*
RAI yield[4]	*10.3%*	*10.4%*	*10.2%*	*10.6%*
Net charge offs/AGR	*3.4%*	*3.3%*	*3.3%*	*2.3%*
Cost to income ratio[5]	*40.1%*	*39.3%*	*43.1%*	*46.8%*
Return				
ROE[6]	*na*	*na*	*18.2%*	*16.6%*
ROTE[7]	*na*	*na*	*56.7%*	*50.9%*

Source: Latitude IPO Prospectus and 2021 Appendix 4E.

Notes:

1. RAI is total operating income less net charge offs.
2. Net interest margin is net interest divided by AGR.
3. Operating income margin is operating income divided by AGR.
4. RAI yield is RAI divided by AGR.

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Notes continued:

5. Cost to income ratio is the ratio of operating expenses to operating income, excluding net fair value unwind, amortisation of transaction costs and changes in capital structure and accounting standards.
6. Return on equity (**ROE**) is Cash NPAT divided by the average total equity for the relevant period.
7. Return on tangible equity (**ROTE**) is Cash NPAT divided by the average tangible equity for the relevant period.

In relation to the financial performance for Latitude from 2018 to 2021, we note:

- in 2019, interest income increased by 4.7% as a result of:
  - higher volumes and an increase in scheme volume per account, facilitated by customer awareness and the introduction of digital payment methods e.g. Apple Pay;
  - growth in personal loans AGR, driven by increased investment in marketing and a review of pricing structures to attract high quality customers;
  - continuation of the automotive loan growth strategy in Australia; and
  - the full year impact of select fee increases in 4Q18;
- in 2020, interest income decreased by 12.2% as the COVID-19 pandemic resulted in:
  - lower AGR, with volume declining and repayments increasing; and
  - a rise in hardship inventory levels where interest charges are either frozen or a significantly reduced rate is applied as well as customer fees being suspended during the arrangement period;
- in 2021, interest income declined by 11.9% due to the compounding effect of the COVID-19 pandemic on volumes through 2020 and 2021, elevated customer repayment rates reducing AGRs, as well as the impact of interest rates;
- other operating income has declined from 2018 to 2020 and reflects a reduction in customer fees as more customers moved to accessing online statements and fee free payment channels and in 2020, the decline also reflects lower interchange revenue from lower volumes. The net insurance income component of other operating income has declined significantly over the 2018 to 2020 period as the issuance of new Hallmark Insurance products was ceased for credit cards from September 2019 and for personal loans from April 2020 (in Australia) and December 2020 (in New Zealand). The decline also reflects higher claims due to the COVID-19 pandemic recognised in 2020. Total other operating income stabilised in 2021;
- net charge offs declined in 2020 and 2021 as a result of the COVID-19 tightening of underwriting standards in 2020 resulting in a higher quality receivables portfolio, the continued level of elevated customer repayments, particularly among more vulnerable customer cohorts, and associated improvements in hardship metrics;
- RAI yield increased in 2021 primarily as a result of the significant reductions in net charge offs experiences in 2021 discussed previously.;
- operating expenses decreased by 0.8% in 2020 as advertising was paused in 2Q20 in response to the COVID-19 pandemic and as a result of reduced employee expenses in 2H20 due to operating model changes and delivery against the simplification agenda. In 2021, operating expenses decreased by 3.9%, reflecting lower employee expenses due to the 2021 benefits of the operating model changes, productivity initiatives and the ongoing delivery against the simplification program. In addition, other operating expenses were lower due to other efficiency initiatives, reduced premise occupancy costs and continued improvement in fraud losses. These benefits were partially offset by an increase in marketing to support volume growth following the pause in 2020 during the significant lockdown periods due to the COVID-19 pandemic;
- operating profit declined in 2020 and 2021 as the fall in total operating income exceeded the reduction in operating expenses; and
- Cash NPAT declined in 2020 as the decline in total operating income exceeded the benefit of lower net charge offs. In 2021, Cash NPAT increased by 3.7%, reflecting the reduction in coverage rates required due to the improvement in the underlying asset quality (similar to net charge offs discussed above) and lower taxes.

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Latitude has presented 2018, 2019 and 2020 pro forma NPAT in the IPO Prospectus dated 30 March 2021. Adjustments have been made to reflect the impact of the restructure arrangements entered into prior to the listing on the ASX.

A reconciliation of Latitude's Cash NPAT to statutory profit/(loss) after tax for 2018 to 2021 is summarised as follows.

Latitude Reconciliation of Cash NPAT to Statutory Profit/(loss) after Tax ($ millions)

	2018 Pro forma	2019 Pro forma	2020 Pro forma	2021 Audited
Cash NPAT	**243.7**	**274.2**	**223.9**	**232.2**
Significant items	(24.4)	(91.2)	(62.7)	(43.0)
Amortisation of acquisition intangibles and legacy transaction costs	(80.0)	(73.1)	(73.1)	(57.7)
Tax effect of adjustments	30.9	48.4	40.1	28.8
Pro forma NPAT	**170.1**	**158.4**	**128.1**	**160.3**
Changes in capital structure	(161.8)	(189.1)	(80.3)	-
Changes in accounting standards	3.8	-	-	-
Transaction and historical IPO costs	(28.2)	(11.8)	(19.8)	-
Employee remuneration plans	7.9	7.9	-	-
MEP and related expenses	(2.3)	(10.0)	-	-
Discontinued operations (pre tax)	2.3	2.8	(1.5)	-
Other discontinued arrangements	(6.4)	-	-	-
Incremental public company costs	10.1	10.1	-	-
Tax effect of adjustments	48.9	51.2	18.7	-
Statutory profit/(loss) after tax	**44.3**	**19.4**	**45.2**	**160.3**
Profit/(loss) from non-controlling interest	-	-	-	(0.6)
Statutory profit/(loss) attributable to Latitude shareholders	**44.3**	**19.4**	**45.2**	**160.9**

Source: Latitude IPO Prospectus and 2021 Appendix 4E.

Latitude's significant items for 2018 to 2021 are set out as follows.

Latitude Significant Items ($ millions)

	2018 Pro forma	2019 Pro forma	2020 Pro forma	2021 Audited
Investment-related expense - Closed				
Transition and Replatorming	(5.7)	(3.1)	-	-
Latitude 2.0 - Strategy Reset	(0.5)	(0.6)	-	-
Latitude 2.0 - Technology investment	-	(16.3)	(7.5)	-
Latitude 2.0 - Strategy Execution/Brand unification	-	(15.0)	(12.2)	-
COVID-19 Response - Operations digitisation	-	-	(3.9)	-
Total Investment-related expense - Closed	**(6.2)**	**(35.0)**	**(23.5)**	**-**
Investment-related expense - Ongoing				
Technology Investment and Simplification	-	-	(3.5)	(19.4)
BNPL - Big Ticket	-	-	(0.9)	(3.1)
International	-	-	-	(2.5)
Corporate development (acquisition and integration)	-	-	-	(9.5)
Total Investment-related expense - Ongoing	**-**	**-**	**(4.3)**	**(34.5)**
Total Investment-related expense	**(6.2)**	**(35.0)**	**(27.9)**	**(34.5)**
Remediation and other Significant items				
Restructuring	-	(6.2)	(11.7)	(2.1)
Remediation and Other provisions	(11.0)	(28.3)	(5.1)	-
Asset/work in progress impairment	(7.2)	(21.5)	(7.8)	(2.5)
Insurance Provision COVID-19	-	-	(10.3)	-
Discontinued Facilities (net of sub-lease revenue)	-	-	-	(3.8)
Total Remediation and other Significant items	**(18.2)**	**(56.1)**	**(34.9)**	**(8.4)**
Total Significant items (pre-tax)	**(24.4)**	**(91.2)**	**(62.7)**	**(43.0)**

Source: Latitude IPO Prospectus and 2021 Appendix 4E.

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9.3.2 Dividends

Latitude's dividend policy is to pay out 60% to 70% of Cash NPAT. Latitude commenced paying dividends for the 1H21 interim period. Aggregate 2021 dividends of 15.70 cents represents a cash payout ratio of 68.9% of Cash NPAT. The 1H21 interim dividend was unfranked and the 2H21 final dividend was fully franked.

9.3.3 Outlook

Latitude has not released earnings guidance for 2022 or beyond. In order to provide an indication of the expected future financial performance of Latitude, Kroll has considered broker forecasts. As far as Kroll is aware, Latitude is followed by two brokers, each of which has published reports following the announcement of the financial impact of the HCF acquisition on 6 January 2022 and release of the 2021 financial results on 21 February 2022.

Latitude Financial Group Broker Consensus

	Actual	Broker consensus[1]			
	2021	2022	2023	2024	2025[2]
Revenue					
Net interest income	772.1	871.5	1,015.5	1,052.5	1,186.0
Non-Interest Income	54.6	62.0	64.0	63.5	86.0
Total operating Income	**826.6**	**933.5**	**1,079.5**	**1,116.0**	**1,272.0**
Net charge offs[2]	(149.5)	(177.0)	(211.3)	(230.4)	(289.0)
Risk adjusted income (RAI)	**677.1**	**756.5**	**868.2**	**885.6**	**983.0**
Operating expenses[2]	(387.1)	(466.7)	(472.4)	(423.9)	(486.0)
Operating profit (after net charge offs)	**290.0**	**289.8**	**395.9**	**461.7**	**497.0**
Provision movement[2]	33.3	(8.8)	(16.3)	(27.8)	(40.0)
Profit before tax and significant items	**323.3**	**281.0**	**379.5**	**434.0**	**457.0**
Income tax expense[2]	(91.1)	(72.5)	(100.5)	(116.5)	(124.0)
Cash NPAT	**232.2**	**208.5**	**279.0**	**317.5**	**333.0**
Operating					
Volume	*7,337.0*	*8,907.0*	*11,079.0*	*11,980.0*	*12,494.0*
Gross loan receivables	*6,352.1*	*8,242.5*	*8,497.5*	*8,837.5*	*10,105.0*
AGR	*6,405.1*	*7,405.0*	*8,367.0*	*8,666.5*	*9,791.0*
Financial					
Total operating income growth	*(11.5%)*	*12.9%*	*15.6%*	*3.4%*	*14.0%*
RAI growth	*(4.2%)*	*11.7%*	*14.8%*	*2.0%*	*11.0%*
Operating profit (after net charge offs) growth	*(4.5%)*	*(0.1%)*	*36.6%*	*16.6%*	*7.6%*
Cash NPAT growth	*3.7%*	*(10.2%)*	*33.8%*	*13.8%*	*4.9%*
Profitability					
Net interest margin	*12.1%*	*11.8%*	*12.1%*	*12.1%*	*12.1%*
Operating income margin	*12.9%*	*12.6%*	*12.9%*	*12.9%*	*13.0%*
RAI yield	*10.6%*	*10.2%*	*10.4%*	*10.2%*	*10.0%*
Net charge offs/AGR	*2.3%*	*2.4%*	*2.5%*	*2.7%*	*3.0%*
Cost to income ratio	*46.8%*	*52.6%*	*45.5%*	*40.7%*	*37.7%*
Return					
ROE	*16.6%*	*12.9%*	*16.6%*	*18.4%*	*17.7%*
ROTE	*50.9%*	*38.8%*	*49.2%*	*53.1%*	*48.4%*

Source: Latitude broker reports

Notes:

1. Median broker estimates. Includes consolidation of HCF.
2. Calculated as residual.

Each broker has included $100 million in synergies and cash earnings arising from the HCF acquisition in 2023. In 2022, however, brokers expect EPS to be weaker, partly due to share price dilution and weaker than expected 1H22 results. In 2022, it is expected that the impact of the COVID-19 pandemic abates, consumer spending normalises and travel activity gains momentum, resulting in a recovery of volumes. Further details of the broker estimates are included in Appendix 3.

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9.4 Financial position

Latitude's financial position as at 31 December 2020 and 2021 is summarised as follows.

Latitude Financial Position ($ millions)

	As at 31 December	
	2020 Pro forma	2021 Audited
Cash and cash equivalents	507.6	605.7
Investments	-	83.6
Assets classified as held for sale	2.2	0.2
Derivative financial instruments	0.2	12.3
Loans and other receivables	6,089.6	6,008.1
Other assets	9.1	8.2
Deferred tax assets	208.9	178.3
Other financial assets	1.6	1.6
Property, plant and equipment	81.7	69.2
Intangible assets	834.8	1,047.9
Total assets	**7,735.7**	**8,015.1**
Trade and other payables	(355.0)	(380.7)
Current tax liabilities	(5.2)	(36.8)
Derivatives	(13.8)	(1.0)
Provisions	(81.4)	(74.5)
Gross insurance policy liabilities	(40.4)	(19.2)
Deferred tax liabilities	(84.3)	(72.2)
Borrowings	(5,926.0)	(5,865.2)
Total liabilities	**(6,506.1)**	**(6,449.6)**
Total equity	**1,229.6**	**1,565.5**
Non-controlling interests	-	(4.5)
Equity attributable to Latitude shareholders	**1,229.6**	**1,561.0**
Statistics		
Number of shares at period end (million)	*650.2*	*1,038.5*
Net assets per ordinary share	*$1.89*	*$1.51*
NTA[1] per ordinary share	*$0.61*	*$0.50*

Source: Latitude IPO Prospectus and 2021 Appendix 4E

Notes:

1. NTA is net tangible assets.

In relation to the financial position of Latitude as at 31 December 2021, we note:

- loans and other receivables of $6,008.1 million comprised $6,352.1 million loans and advances, net of $100.2 million unearned income and $271.6 million provision for impairment loss, as well as $27.8 million of trade and other receivables;
- intangible assets of $1,047.9 million mainly includes goodwill as well as distribution agreements, customer contracts, software, capital works in progress and trademark. Intangible assets increased in FY21 mainly as a result of the acquisition of Symple Loans and OctFi;
- provisions includes employee benefit obligations and customer remediation (i.e. provisions for expected refunds to customers, related customer claims and remediation project costs) and other provisions; and
- the final distribution for 2021 has not been provided for and is payable to Latitude Shareholders on 22 April 2022.

9.4.1 Funding sources

Latitude has diverse, cost effective funding sources, including $5.4 billion of warehouse financing ($3.1 billion drawn) and $2.7 billion ABS Issuances.

Latitude maintains a balanced medium-term debt maturity profile as illustrated as follows.

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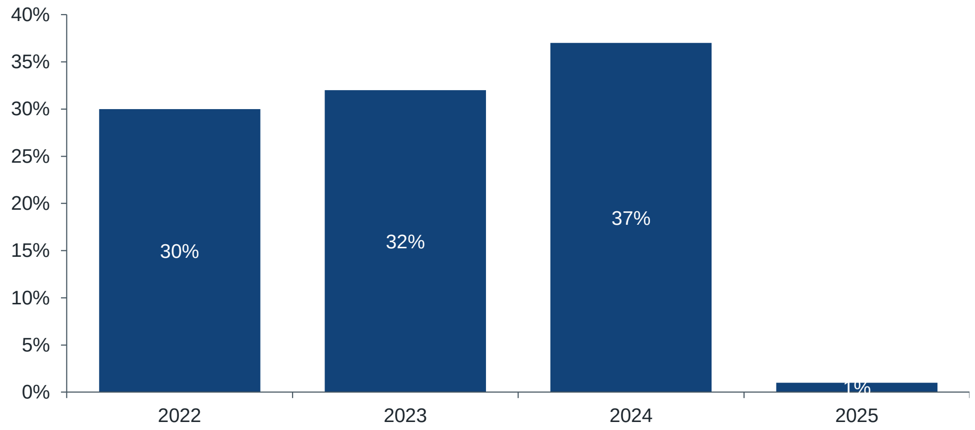
Latitude Debt Maturity Profile as at 31 December 2021



Source: Latitude 2021 Results Presentation

9.4.2 Capital adequacy

Latitude has capital strength to protect against adverse scenarios. Tangible equity to net receivables (**TER**) at 31 December 2021 was 8.7%, above the target range of 6.0% to 7.0%.

Latitude Capital Adequacy as at 31 December 2021

	As at 31 December 2021
Total equity	1,565.5
Intangible assets	1,047.9
TE	**517.6**
Net loans and other receivables	5,980.3
TER	**8.7%**

Source: Latitude 2021 Results Presentation

9.5 Capital structure and ownership

As at 11 May 2022, Latitude had 1,038,461,538 shares[48] on issue.

Latitude has received notices from the following substantial shareholders.

Latitude Substantial Shareholders

Substantial shareholder	Date of notice	Number of shares[1]	Percentage[1]
KVDS	25 October 2021	662,534,273	63.8%
Shinsei Bank, Limited	20 April 2021	103,847,000	10.0%

Source: Substantial shareholder notices, ASX Limited, Latitude 2021 Annual Report

Note 1: Number of shares and percentage holding updated based on Latitude 2021 Annual Report.

In April 2021, 77.7 million Latitude Shares were transferred to new shareholders at $2.60 per share under the initial public offering. The issue price implies a multiple of approximately 11.6 times 2020 Cash NPAT and a dividend yield of 6.0%. Approximately 67.0% of Latitude Shares on issue at completion were subject to escrow arrangements.

Certain shares held by KVDS, an entity owned by KKR & Co. Inc., Varde Partners, Inc. and Deutsche Bank Aktiengesellschaft, were subject to escrow conditions as outlined in Latitude's prospectus dated 30 March

[48] Excludes non-marketable parcels of 7,611 shares.

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2021. On 23 February 2022, 431,267,136 shares were released from escrow. A further 231,267,137 shares remain subject to escrow conditions and will be released from escrow on the second trading day after the release of the 1H22 results.

On 26 October 2021, Latitude issued 38.5 million shares as part of the consideration for the acquisition of Symple Loans.

Latitude also launched a capital note offer on 2 September 2021 for 1.5 million securities with a $100 face value for an additional $150 million equity. The securities were issued on 28 September 2021 under the ASX code 'LFSPA'.

9.6 Share price performance

9.6.1 Recent share market trading

The trading price and volume of Latitude Shares since listing on 20 April 2021 is set out as follows.

Latitude Trading Price and Volume per share

Source: S&P Capital IQ; Kroll analysis

The Latitude share price has generally declined since listing at $2.60 and closed at a low of $1.89 on 20 December 2021, a 27.3% decline. Kroll believes that the decline over this period likely reflects:

- the decline in net interest income as a result of the compounding effect of the COVID-19 pandemic on volumes through 2020 and 2021 combined with an elevated level of customer repayments as a result of external factors; and
- a re-rating of non-bank lenders, particularly those such as Latitude, which have relatively low liquidity and a limited free float, in an uncertain environment (i.e. geopolitical risks and an expectation of rising in inflation and interest rates).

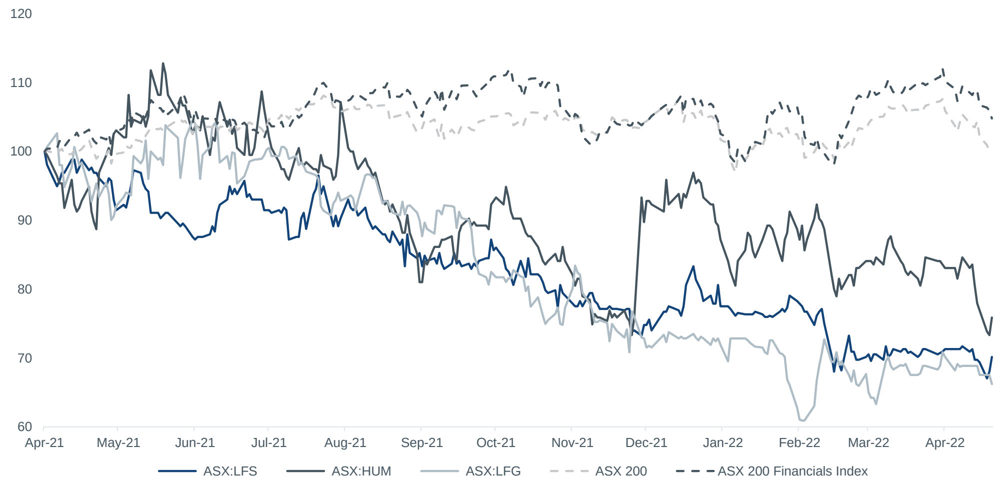
The Latitude share price stabilised at around $2.00 from January 2022 until the ex-distribution date on 28 February 2022, coinciding with the stabilisation of receivables and announcement on 6 January 2022 of the HCF Sale and associated synergies.

Since 3 March 2022, the Latitude share price has declined by 9.0% from $1.99 to close at $1.81 on 11 May 2022, potentially reflecting concerns as to the ability of non-bank lenders to weather inflationary pressures and a rising interest rate environment. The performance of Latitude Shares since the announcement on 6 January 2022 of the HCF Sale is discussed further in Sections 12.3.1 and 12.3.2.

9.6.2 Relative share price performance

Latitude is not a member of any major indices. As a result, the relevant indices chosen for comparative purposes are the ASX 200 Index and the ASX 200 Financials Index. The performance of Latitude Shares since listing on 20 April 2021, relative to the ASX 200 Index, ASX 200 Financials Index, Humm Group and non-bank lender, Liberty Financial (rebased to 100) is illustrated as follows.

Latitude Relative Share Price Performance



Source: S&P Capital IQ; Kroll analysis

From April 2021 until December 2021, the Latitude, Humm Group and Liberty Financial share prices generally declined, underperforming the ASX 200 Financials Index and ASX 200 Index. The Humm Group share price increased strongly on the announcement of a potential transaction on 21 December 2021.

The Latitude share price declined from February 2022, potentially reflecting:

- the negative re-rating of BNPL companies (e.g. the share price of Zip declined by 61.1% from 18 February 2022 to 11 May 2022); and
- the decline in the share price of other non-bank lenders from mid to late February 2022 (e.g. Liberty Financial, 8.8%, Judo, 18.8%[49] and the Pepper Money share price declined by 13.1% to late March 2022, although has it subsequently increased, potentially reflecting anticipated benefits from the acquisition of Stratton Finance announced on 4 April 2022) amid concerns as to their ability to weather the rising interest rate and inflationary environment and, potentially, the impact of the Russian invasion of Ukraine.

The performance of Latitude Shares relative to other recently listed non-bank lenders since the announcement of the HCF Sale on 6 January 2022 is discussed in Section 12.3.2.

[49] Represents share price as at 11 May 2022 relative to the peak in mid to late February 2022 which for Pepper Money was on 15 February 2022, Liberty Financial was on 11 February 2022 and for Judo was 23 February 2022.

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9.6.3 Liquidity

An analysis of the volume of trading in the Latitude Shares, including the VWAP for various periods up to 11 May 2022 is set out as follows.

Latitude Liquidity

Period	Price ($) Low	Price ($) High	VWAP	Cumulative value ($ million)	Cumulative volume ($ million)	Percentage of issued capital
1 day	1.76	1.82	1.77	0.1	0.0	0.0%
1 week	1.73	1.84	1.79	0.9	0.5	0.0%
1 month	1.73	1.86	1.81	2.1	1.1	0.1%
3 months	1.71	2.15	1.92	13.7	7.1	0.7%
6 months	1.71	2.20	1.97	23.2	11.8	1.1%
12 months	1.71	2.54	2.16	67.9	31.5	3.1%

Source: S&P Capital IQ; Kroll analysis

In the 12 months to 11 May 22, 3.1% of Latitude Shares were traded (11.6% of free float[50]). This level of trading indicates that Latitude Shares are relatively illiquid.

10 Profile of the Combined HCF and Latitude Businesses

10.1 Overview

The completion of the HCF Sale will result in HCF being acquired by Latitude. Following the acquisition of HCF, Latitude, will be the leading non-bank consumer lender operating in Australia and New Zealand across the payments, instalments, cards, and lending segments.[51]

Should the Overall Proposal be implemented and all Consideration Shares distributed to Humm Shareholders as intended, Humm Shareholders will collectively hold 12.6% of Latitude and existing Latitude Shareholders will collectively hold 87.4% of Latitude (Section 10.10). To the extent that Humm Shareholders receive the Consideration Shares, they will gain exposure to the investment characteristics of the Combined HCF and Latitude businesses such as enhanced scale and efficiencies, including synergies, access to a significantly expanded customer base, diversified market risk, and additional cross-selling opportunities.

A detailed description of the profile of Latitude following the HCF Sale is set out in Section 5.8 of the Explanatory Booklet.

10.2 Strategy

The strategy of the Combined HCF and Latitude businesses will be consistent with that employed by Latitude in relation to its existing consumer finance business. The Combined HCF and Latitude businesses will seek to grow in ANZ, and internationally, through a complementary technology and product strategy which adds significant scale and customer monetisation opportunities.

Key strategic benefits of the Combined HCF and Latitude businesses include:

- rapid acceleration of Latitude's strategy to grow scale, immediately winning customers and merchants in key geographies and adjacent product verticals with minimal investment;
- adding significant scale and monetisation opportunities through the consolidation of HCF's approximately $1 billion Cards AU and Cards NZ receivables onto Latitude's VisionPlus platform at minimum marginal cost;
- further monetisation of Latitude and HCF products across the enlarged customer base of the Combined HCF and Latitude businesses;
- increased scale and synergies of the Combined HCF and Latitude businesses, driving enhanced economics including an estimated double digit cash EPS accretion, with approximately $65 million of

[50] Excludes KFDS' 63.8% interest and Sensei's 10.0% interest

[51] Source: Latitude, February 2022, Market Briefing.

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pre-tax full run rate synergies consisting of $55 million in technology, duplicate cost and funding synergies, as well as $10 million in revenue synergies;

- additional enterprise benefits including an ability to acquire best-in-class talent with extensive experience in growing an instalments business; and
- improved free float and enhanced liquidity of Latitude Shares.

10.3 Scale and diversification

The scale and diversification of the Combined HCF and Latitude businesses as compared to HCF and Latitude on a stand-alone basis as at 31 December 2021 is summarised in the following table.

Entity	HCF Only	Latitude Only	Combined
Customers	2.7 million	2.8 million	5.0+ million
Merchants	82.0k	5.5k	~73.0k
Total Gross Receivables[52]	$1.9 billion	$6.4 billion	~$8.3 billion
Total Volume	$2.3 billion	$7.3 billion	~$9.6 billion
Product Categories	▪ Small Ticket BNPL ▪ Big Ticket BNPL ▪ BNPL anywhere ▪ Business to business BNPL ▪ Credit cards	▪ Small Ticket BNPL ▪ Big Ticket BNPL ▪ Credit cards ▪ Travel and international shopping cards ▪ Personal loans ▪ Auto loans ▪ Insurance	▪ Small Ticket BNPL ▪ Big Ticket BNPL ▪ BNPL anywhere ▪ Business to business BNPL ▪ Credit cards ▪ Travel and international shopping cards ▪ Personal loans ▪ Auto loans ▪ Insurance
Geographies	▪ ANZ ▪ Ireland ▪ Canada ▪ UK	▪ ANZ ▪ South-East Asia	▪ ANZ ▪ Ireland ▪ Canada ▪ UK ▪ South-East Asia

The Combined HCF and Latitude businesses will have larger scale as measured by merchant and customer count, total gross receivables, and total volume. Compared to HCF as a stand-alone business, the Combined HCF and Latitude businesses will have additional product offerings including travel and international shopping cards, personal loans, auto loans and insurance products, and deeper presence in the solar, health, fashion and travel consumer verticals.

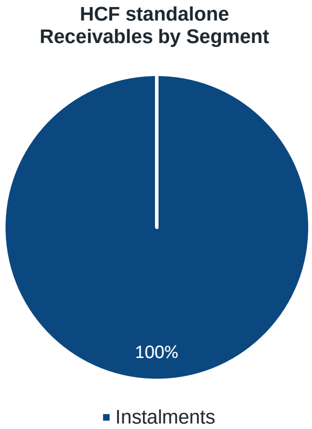
In addition to operating in Humm Group's existing jurisdictions (Australia, New Zealand, Canada, Ireland and the UK) the Combined HCF and Latitude businesses will also operate in South-East Asia.

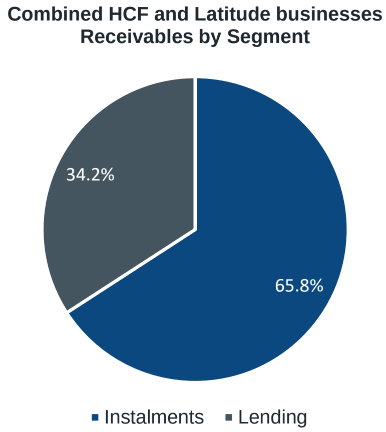
10.3.1 Contribution by segment for HCF and the Combined HCF and Latitude businesses

The contribution by segment[53] to closing customer loans, revenues and volumes for HCF and proforma gross receivables, proforma revenues and volumes for the Combined HCF and Latitude businesses for the twelve months ended 31 December 2021 is as follows.

[52] Latitude gross receivables including Symple and gross of unearned income. Humm Group consumer gross receivables net of unearned income.
[53] For the purpose of this comparison, instalments includes BNPL, traditional instalments and credit cards. Lending includes personal and automotive loans.

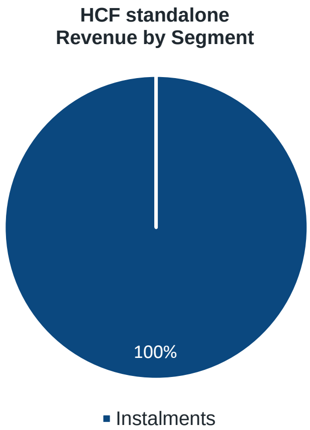
Proportion of Gross Receivables by Segment

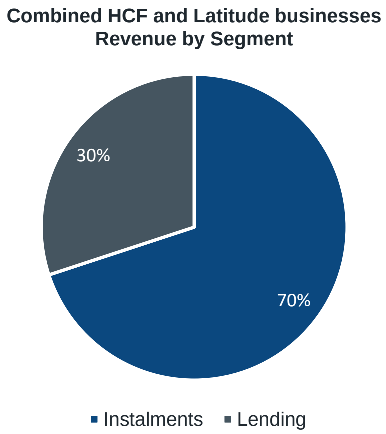




Source: Company announcements, Kroll analysis

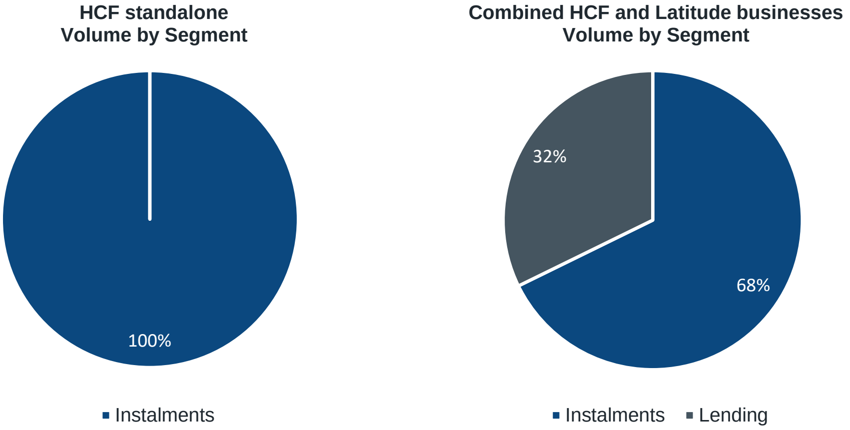
Proportion of Revenue by Segment





Source: Company announcements, Kroll analysis

Proportion of Volume by Segment



Source: Company announcements, Kroll analysis

Compared to HCF as a standalone business, the Combined HCF and Latitude businesses will have contribution from both instalment products (including BNPL, traditional instalments and credit cards) and lending products.

10.4 Synergies[54]

Latitude has stated that the synergies of the Combined HCF and Latitude businesses may include:

- rationalisation of technology and IT operations from a combined five receivables platforms down to two, providing cost benefits. There is also the removal of Latitude Pay business-as-usual and investment operating expenditure;
- removal of duplicated costs through the rationalisation of operations, collections, sales, marketing and head office functions (finance, legal, and risk);
- funding synergies by leveraging Latitude's pricing advantage and treasury experience across the Combined HCF and Latitude businesses, and utilising existing capacity in Latitude's warehouse funding vehicles, saving annual fees and costs; and
- net revenue synergies through distribution of personal loan products to HCF customers are net of account attrition and equalisation of interest rates and fee differences between Humm Group and Latitude Cards products.

Latitude estimates pre-tax full run rate synergies to be approximately $65 million, including $55 million in technology, duplicate costs and funding synergies, and $10 million in revenue synergies, as follows.

[54] See Latitude Market Briefing, ASX announcement 18 February 2022

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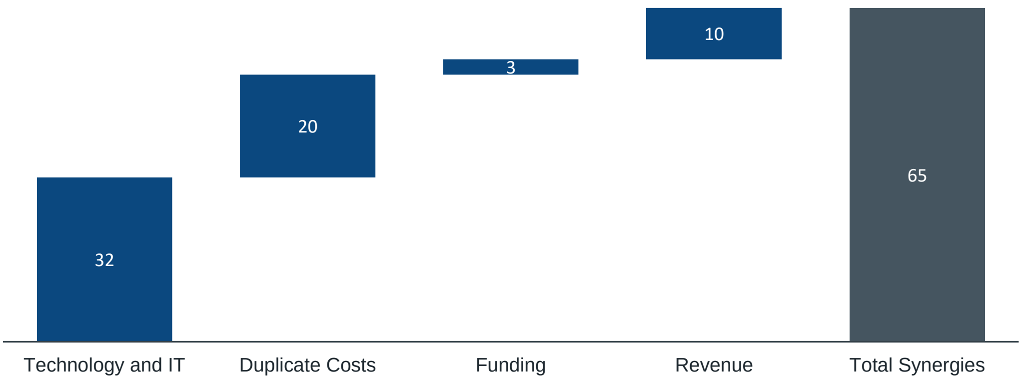
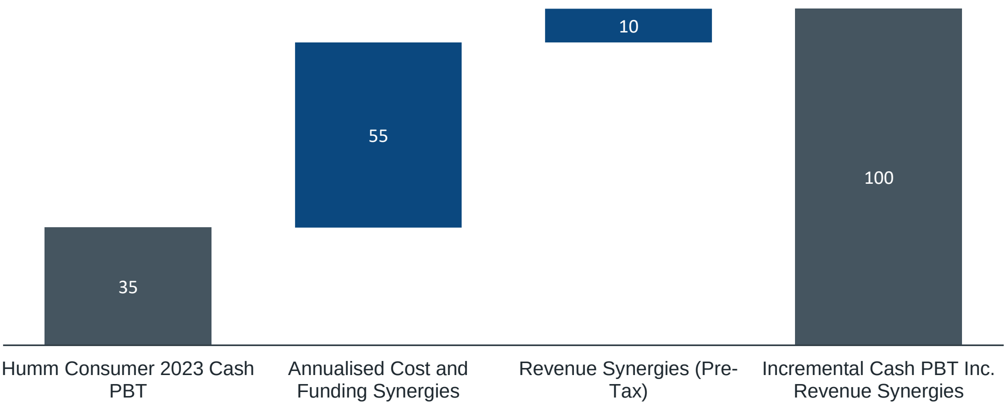
Expected Full Run Synergies ($ millions)



Source: Latitude Market Briefing, ASX announcement 18 February 2022

Latitude estimates HCF 2023 cash profit before tax to be approximately $35 million. When including annualised cost, funding, and revenue synergies from the transaction, indicative annualised cash profit before tax would likely increase to $100 million as follows.

Incremental Cash Profit Before Tax ($ millions)



Source: Latitude Market Briefing, ASX announcement 18 February 2022

Latitude expects annualised cost and funding synergies (including technology synergies) to be $55 million, with $20 million of this being in-year synergies expected to be realised in FY23. FY23 in-year synergies are less than total annualised synergies because full realisation is expected in the fourth quarter of FY23 following an 18-month integration and migration period starting from target transaction completion of 30 June 2022.

10.5 Transaction and one-off costs

The forecast financial Cash NPAT per share for the Combined HCF and Latitude businesses excludes Latitude's assumed $7.2 million in transaction costs in relation to the HCF Sale. These transaction costs are, however, included in Net Assets for the Combined HCF and Latitude businesses.

In addition, Latitude estimates additional one-off costs associated with the transaction to be approximately $90 million (pre-tax) consisting of:[55]

[55] Source: Latitude Market Briefing, ASX announcement 18 February 2022.

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- $60 million (pre-tax) to support HCF integration and synergy realisation work incurred evenly over 2022 and 2023; and
- $30 million (pre-tax) of Latitude write off expenses and rationalisation costs.

Key integration activities include:

- Consolidation of HCF corporate and enterprise infrastructure;
- Migrating Humm Group's Cards AU and Cards NZ onto Latitude's global cards platform; and
- Migrating Latitude's BNPL customers and merchants to Humm Group's global BNPL platform.

10.6 Pro forma financial performance

The pro forma financial performance of the Combined HCF and Latitude businesses is set out in Section 5.8.6 of the Explanatory Booklet. It has been prepared by Latitude and is presented in the following table.[56]

Combined HCF and Latitude businesses Pro Forma Financial Performance ($ millions)

	Latitude Year ended 31 December 2021 (Statutory Audited)	HCF pro forma 12 months to 31 December 2021 (Unaudited)[1]	Removal of impairment from HCF's earnings[2]	Combined Pro Forma year ended 31 December 2021 (Unaudited)
Interest income	932.4	254.3	-	1,186.7
Interest expense	(169.7)	(52.2)	-	(221.9)
Net interest income	**762.7**	**202.1**	**-**	**964.8**
Other operating income	25.1	54.7	-	79.8
Net insurance income	30.4	-	-	30.4
Total other operating income	**55.5**	**54.7**	**-**	**110.2**
Total operating income	**818.2**	**256.8**	**-**	**1,075.0**
Loan impairment expense	(116.2)	(48.2)	-	(164.4)
Operating expenses			**-**	
Employee benefit expense	(175.0)	(66.6)	-	(241.6)
Depreciation and amortisation expense	(92.9)	(24.8)	-	(117.7)
Other expenses	(208.2)	(268.2)	181.2	(295.2)
Total operating expenses	**(476.1)**	**(359.6)**	**181.2**	**(654.5)**
Distribution to trust beneficiaries	(3.2)	-	-	(3.2)
Profit/(loss) before income tax	**222.7**	**(151.0)**	**181.2**	**252.9**
Income tax (expense)/benefit	(62.4)	(11.5)	-	(73.9)
Profit/(loss) from continuing operations	**160.3**	**(162.5)**	**181.2**	**179.0**

Notes:

1. Reflects the unaudited income statement of HCF for the 12 months to 31 December 2021, based on the aggregation of HCF segments. Refer to Section 5.8.5 in the Explanatory Booklet for further information.
2. Reflects the removal of $181.2 million in impairment charges related to goodwill and intangible software assets recognised in the HCF segment information for the 1H22 Humm Group results. Refer to Section 5.8.5 in the Explanatory Booklet for further information.

The Combined HCF and Latitude business' pro forma income statement represents the aggregation of Latitude's pro forma FY21 financial performance (Section 9.3.1) and HCF's financial performance on a 12 month basis to 31 December 2021.

[56] The information was prepared by Humm Group, for which Humm Group takes responsibility.

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It includes the removal of $181.2 million in impairment charges related to goodwill and intangible software assets recognised in the HCF segment information for the six months ended 31 December 2021.

It has not been adjusted to reflect changes to operating costs as a result of the finalisation assets and resources that will be transferred to Latitude as part of the transaction perimeter. It does not reflect any synergies which are expected to be realised upon implementation of the merger or any integration costs incurred, any transaction costs incurred and any impact on income tax expense that may occur from the merger.

As the transaction is expected to be completed in the second half of calendar year 2022 it will have a material impact on Latitude's FY22 earnings, albeit HCF will only be owned for six months or less in FY22.[57]

[57] Based on an expected date of completion of transaction of 30 June 2022 as per Latitude's acquisition Market Briefing.

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10.7 Pro forma financial position

The pro forma financial position of the Combined HCF and Latitude businesses is set out in Section 5.8.8 of the Explanatory Booklet. It has been prepared by Latitude and is presented in the following table.

Pro Forma Statement of Financial Position ($ millions)

	Latitude Year ended 31 December 2021 Audited	Impact of settlement of the purchase price for HCF	HCF at 31 December 2021 Unaudited	Transaction costs	Pro Forma Year ended 31 December 2021 Unaudited
Cash and cash equivalents	605.7	(35.0)	106.1	(7.2)	669.6
Investments	83.6	335.0	(335.0)	-	83.6
Assets held for sale	0.2	-	-	-	0.2
Derivative financial instruments	12.3	-	-	-	12.3
Net loans and other receivables	6,008.1	-	1,770.7	-	7,778.8
Other assets	8.2	-	-	-	8.2
Deferred tax assets	178.3	-	24.2	-	202.5
Other financial assets	1.6	-	-	-	1.6
Property, plant and equipment	69.2	-	19.1	-	88.3
Intangible assets	1,047.9	-	58.0	-	1,105.9
Provisional goodwill	-	-	87.0	-	87.0
Total assets	**8,015.1**	**300.0**	**1,730.1**	**(7.2)**	**10,038.0**
Trade and other liabilities	380.7	-	40.2	-	420.9
Current tax liabilities	36.8	-	0.1	(2.2)	34.7
Derivative financial instruments	1.0	-	(2.0)	-	(1.0)
Provisions	74.5	-	7.6	-	82.1
Gross insurance policy liabilities	19.2	-	-	-	19.2
Deferred tax liabilities	72.2	-	1.0	-	73.2
Borrowings	5,865.2	-	1,683.3	-	7,548.5
Total liabilities	**6,449.6**	**-**	**1,730.2**	**(2.2)**	**8,177.6**
Net assets	**1,565.5**	**300.0**	**-**	**(5.0)**	**1,860.4**
Contributed equity	2,221.0	300.0	-	-	2,521.0
Reserves	(667.2)	-	-	-	(667.2)
Retained earnings	7.2	-	-	(5.0)	2.2
Capital and reserves attributable to owners of the Group	**1,561.0**	**300.0**	**-**	**(5.0)**	**1,856.0**
Non-controlling interests	4.5	-	-	-	4.5
Total equity	**1,565.5**	**300.0**	**-**	**(5.0)**	**1,860.5**

Notes:

1. Reflects the impact of new equity of $300 million to be issued by Latitude (150 million Consideration Shares assumed to be issued at $2.00 per share) and cash paid of $35 million to Humm Group in order to acquire HCF. The final purchase price will be subject to customary adjustments for changes in the tangible net assets of HCF at the date of completion and the market price of Latitude's shares as at that date.[58]

[58] At Latitude's AGM held on 27 April 2022, Latitude obtained approval from its shareholders under Listing Rule 7.1 for the 150 million Consideration Shares to be issued to Humm Group.

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Notes continued:

2. Reflects the consolidation of the unaudited balance sheet of HCF as at 31 December 2021, as extracted from the reviewed interim balance sheet of Humm Group as at that date, adjusted to remove assets and liabilities that will not be part of the transaction perimeter. In accounting for the acquisition in the Latitude Pro Forma Balance Sheet, the difference between the assumed scrip and cash acquisition payment of $335 million and the identifiable net assets of HCF has been allocated to Goodwill on a preliminary basis. Latitude has not performed a purchase price allocation exercise to reflect the fair value of the assets and liabilities of HCF acquired. Latitude will undertake a formal fair value assessment of the fair value of assets and liabilities post Completion and in line with Accounting Standards, has 12 months from the date of completion to finalise its purchase price accounting. This may give rise to a materially different fair value allocation than that used for the purposes of the Latitude Pro Forma Balance Sheet. This may result in a reallocation of intangible assets from Goodwill to other assets and liabilities (including other intangible assets) and also an increase or decrease in depreciation and amortisation charges in the combined income statement of Latitude and HCF.
3. Reflects the settlement of transaction costs incurred by Latitude directly related to the acquisition of HCF.

The Combined HCF and Latitude businesses pro forma financial position represents the aggregation of the Latitude financial position (Section 9.4) and the HCF pro forma financial position as at 31 December 2021.

It includes the impacts of the following transaction adjustments:

- the acquisition of HCF by the issue of 150 million Consideration Shares and payment of $35 million cash to Humm Group, which will be distributed to Humm Shareholders via a Capital Return;
- The removal of assets and liabilities that will not be part of the transaction perimeter;
- The acquisition of the difference between the assumed scrip and cash payment of $335 million and the identifiable net assets of HCF to Goodwill on a preliminary basis. Latitude has not performed a purchase price allocation exercise to reflect the fair value of the assets and liabilities of HCF acquired; and
- The settlement of transaction costs incurred by Latitude directly related to the acquisition of HCF.

The pro forma financial position shows that the Combined HCF and Latitude businesses will have net borrowings of $6,878.9 million.

10.8 Cost of debt

Latitude presently has a lower weighted average cost of debt than Humm Group and this is likely to be extended to the Combined HCF and Latitude businesses. Because of their greater size, the Combined HCF and Latitude businesses is also expected to have greater financial flexibility and access to a broader range of debt financing sources than is available to Humm Group on a stand-alone basis.

Latitude estimates that extending its lower cost of debt to Humm Group's consumer businesses will generate approximately $3 million of full run rate synergies for the Combined HCF and Latitude businesses.

10.9 Board of Directors and management

The board of the Combined HCF and Latitude businesses is proposed to comprise 10 directors of whom 8 will be current directors of Latitude and two will be current Humm Directors.

The Combined HCF and Latitude businesses will be led by Latitude's current Managing Director and Group Chief Executive Officer, Ahmed Fahour. It is proposed that the Chief Executive Officer of Humm Group, Rebecca James, will lead the Combined HCF and Latitude businesses BNPL business and report to the Group Chief Executive Officer.

10.10 Capital structure and ownership

Should the proposed transaction be approved, Latitude will transfer 150 million Consideration Shares to Humm Group, which will be distributed to Humm Shareholders as Consideration Shares.

The total number of shares assumed to be on issue in the Combined HCF and Latitude businesses following the proposed transaction is set out in the following table.

Shares on Issue Post-Transaction (millions)

	Number of Latitude Shares
Existing Latitude Shares	1,038.5
Consideration Shares	150.0
Total Combined HCF and Latitude Shares	**1,188.5**

Source: Humm Group, Kroll analysis

Following the completion of the Overall Proposal, the Combined HCF and Latitude businesses will have approximately 1,188.5 million shares on issue. Former Latitude Shareholders will collectively hold 87.4% of the shares on issue and, if all shares paid to Humm Group are distributed to its shareholders, Humm Shareholders will collectively hold approximately 12.6%.

10.11 Liquidity and share market rating

The Combined HCF and Latitude businesses are likely to have greater relevance to equity investors through increased scale relative to Humm Group. Based on the closing price of Latitude Shares as at 11 May 2022 of $1.81 and the number of Latitude Shares to be on issue if the Schemes are implemented, the Combined HCF and Latitude businesses will have a market capitalisation of approximately $2.2 billion.

Presently, Humm Group shares are liquid whilst Latitude Shares are relatively illiquid. The larger market capitalisation of the Combined HCF and Latitude businesses is expected to result in an increased daily trading volume for the Combined HCF and Latitude businesses in comparison to Humm Group. The increased daily trading volume will potentially allow Humm Shareholders wishing to exit Latitude Shares issued to them to do so with minimal impact on the Latitude share price.

Additionally, the transaction increases the free float and liquidity of the Combined HCF and Latitude businesses, and should accelerate its path to inclusion within the S&P/ASX 300 Index. If included, shares in the Combined HCF and Latitude businesses may benefit from interest by index funds tracking the index. The larger size of the Combined HCF and Latitude businesses may also increase coverage by brokers, attracting the interest of institutional shareholders.

10.12 Changes in risk profile for Humm Shareholders

The risk profile for Humm Shareholders is likely to change should they become Latitude Shareholders in the Combined HCF and Latitude businesses. The key changes in the risk profile for Humm Shareholders include:

- **product composition**: the Combined HCF and Latitude businesses will be exposed to risks associated with Latitude's wider product portfolio which differs from that of Humm Group. Unlike Humm, Latitude has a significant traditional instalments business and significant consumer and auto loans businesses and these will be retained by the Combined HCF and Latitude businesses.
- **greater diversification**: the Combined HCF and Latitude businesses will be a more diversified business with operations across a large full spectrum of the consumer finance industry, including BNPL, traditional instalments, consumer and auto lending and credit cards. This will reduce risks specific to particular consumer finance product lines. However, greater diversification may discourage investment by some investors who seek more focused exposure to particular product lines such as BNPL;
- **geographic composition**: whilst the Combined HCF and Latitude businesses will continue to be primarily focused on the ANZ market and retain exposure to the UK and Canada, it will additionally gain minor exposure to South-East Asia through Latitude's existing operations.
- **strategy:** the management of the Combined HCF and Latitude businesses may pursue a different strategy from the existing management for Humm, for example, in relation to the approach taken to international expansion and the degree of emphasis placed by management on particular product lines;
- **integration and migration risks:** the Combined HCF and Latitude businesses will face higher integration risks due to the need to integrate HCF with Latitude. This includes risks associated with consolidating Humm's and Latitudes' respective technology platforms, risks associated with

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integrating the workforces of Humm and Latitude and retaining employees, and risks associated with achieving Latitude's expected cost and revenue synergies;

- **interest rate and funding risks:** the Combined HCF and Latitude businesses will continue to face funding risks associated with a rising interest rate environment. However, this will be reduced if HCF can benefit from the enhanced access to capital of the Combined HCF and Latitude businesses; and
- **risks associated with Humm's commercial business**:
  - Future capital requirements - Humm will require additional capital to fund growth of its commercial business. Humm's ability to raise sufficient further capital within an acceptable time frame and on terms acceptable to it, will vary according to a number of factors including (without limitation) the prospects of new acquisition opportunities, the results of its operations and broader industry and stock market conditions.
  - Risks associated with the Transaction Documents - Humm has entered into the Transaction Documents in respect of the Sale of the Humm Consumer Business which are summarised in Section 3.13 of the Explanatory Booklet. As part of the Transaction Documents, Humm has agreed to provide certain warranties and indemnities. While Latitude's primary recourse will in most cases be to warranty & indemnity Insurance, it is possible that payments for breach may need to be made to Latitude.
- **major shareholder:** as noted in Section 9.5, certain shares held by KVDS were subject to escrow conditions as outlined in Latitude's prospectus dated 30 March 2021. On 23 February 2022, 431,267,136 shares were released from escrow. A further 231,267,137 shares remain subject to escrow conditions and will be released from escrow on the second trading day after the release of the 1H22 results. There is risk that a sell down of Latitude Shares by KDVS will temporarily depress the Latitude share price.

A detailed discussion of the risk factors of holding Latitude Shares is set out in Section 5.9 of the Explanatory Booklet.

11 Valuation of HCF

11.1 Summary

Kroll has assessed the value of the equity of HCF to be in the range of $260.0 million to $308.0 million. Our range of assessed values represents 100% ownership of HCF and, therefore, incorporates a control premium. The value attributed to HCF's equity is an overall judgement as to the opportunities and risks associated with the business, having regard to a Capitalised Earnings methodology. Our rationale for the selection of this methodology is set out in Section 11.2.2 of this report.

The valuation is summarised as follows.

HCF Valuation Summary ($ millions)

	Section	Valuation Range	
	Reference	Low	High
Maintainable earnings (Cash NPAT)	11.3.2	26.0	28.0
Capitalisation multiple	11.3.3	10.0	11.0
Equity value of HCF (controlling basis)		**260.0**	**308.0**

Source: Kroll analysis

The value of HCF's equity has been assessed on the basis of market value, that is, the value that should be negotiated between a knowledgeable and willing, but not anxious buyer, and a knowledgeable and willing, but not anxious seller, acting in an arm's length transaction, where both buyer and seller are fully informed. Our range of assessed values for HCF excludes the value attributable to cost savings and other benefits that Latitude may realise in completing the acquisition of HCF which are unique to Latitude, however, takes into consideration the synergies and benefits available to a pool of potential purchasers (refer to Section 11.2.3 of this report).

It should be noted that a valuation of HCF in the current economic and geopolitical environment is complex and requires judgement of the duration and impact of current headwinds impacting the consumer finance sector.

In forming our view as to the value of HCF's equity, we have considered a range of factors including:

- HCF's position as a market leader in big ticket BNPL in the ANZ region;
- the period of COVID-19 affected operations, including the impacts of disrupted supply chains and closures of physical retail, with consideration to the through-the-cycle performance and resilience of the credit card segments in Australia and New Zealand amidst the COVID-19 pandemic;
- HCF's integrated operating model across complementary segments of specialist consumer finance solutions, which is scalable within a market and replicable across markets;
- HCF's track record of performance across risk management, funding and treasury functions through the economic cycle;
- the move to globally diversify HCF's operations and opportunity to gain scale in relatively immature BNPL markets, however, we note growth is not without risk in terms of timing and the ability to achieve positive Cash NPAT;
- a diversified and capital efficient funding model, with a track record of successfully securitising assets;
- HCF's exposure to:
  - relatively higher risk consumer loans and financing solutions;
  - competitive markets and recent trends of competitive behaviour placing pressure on fees and margins for certain products;
  - macroeconomic conditions in the countries where it operates, in particular, the impact of higher inflation and rising interest rates impacting HCF's ability to source low-cost funding. These risks have only increased since the Russian invasion of Ukraine;
- the positive short to medium term outlook for the credit cards and Big Things BNPL businesses as a result of consumer spending recovering from the impacts of the COVID-19 pandemic, in particular, a return to in-store shopping, and increase in travel related expenditure; and
- the recent decline in investor confidence in BNPL culminating in a large negative movement in valuations of HCF's BNPL listed peers (e.g. Zip's market value declined by 32.6% during March 2022). Diminishing confidence has been driven by the following factors:
  - a recent accumulation of bad debts in listed BNPL peers. Zip's bad debts were equal to 9.7% of closing receivables owed by customers as at 31 December 2021, while Affirm's balance sheet shows its allowance for credit losses grew to 6.5% of loans held for investment as at 31 December 2021, versus 5.8% as at 30 June 2021;
  - fears that increasing interest rates will lift funding costs, while the higher inflationary environment will reduce consumer savings and ultimately increase credit losses;
  - an increasing hesitancy of debt market participants to provide credit to the BNPL companies, with a recent ABS sale halted by Affirm after a major investor withdrew their order at the last minute over concerns on market volatility;[59]
  - increasing scrutiny of the BNPL sector from regulators, including the US Consumer Financial Protection Bureau who are investigating the sector over concerns around the accumulation of excessive debt, adequate disclosure and consumer protections, and data harvesting.[60]
- the recent negative market re-rating of BNPL participants as a result of the aforementioned issues, as reflected in a decline in their multiples; and
- Humm Group's relatively minor earnings from BNPL (approximately 2% of FY21 Cash NPAT), relative to credit cards, meaning that the most comparable companies and transactions involve broader consumer finance companies, rather than BNPL participants. The multiples for non-bank lenders are significantly lower than those for pure BNPL participants and they have also been negatively re-rated since mid to late February.

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[59] For more information, refer to https://www.bloomberg.com/news/articles/2022-03-11/-buy-now-pay-later-lender-affirm-delays-asset-backed-bond-sale

[60] https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-opens-inquiry-into-buy-now-pay-later-credit/

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11.2 Approach

11.2.1 Overview

Our valuation of HCF has been prepared on the basis of 'fair value'. The generally accepted definition of fair value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Fair value excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

In the absence of market distortions, the most reliable evidence for the value of a business is the price at which the business, or a comparable business, has been bought and sold in an arm's length transaction. Where direct market evidence is unavailable, estimates of value are made using methodologies that infer value from other available evidence. Some of the commonly used valuation methodologies for estimating the value of a business include:

- the market approach
- income approach
- cost approach.

The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved. A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is typically adopted as there tends to be minimal goodwill, if any.

11.2.2 Selection of valuation methodology

A discussion of the rationale for the selection of the valuation methodologies is set out below.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (market comparable methodology);
- there are frequent and/or observable transactions in comparable assets or businesses (comparable transactions methodology); and
- there is substantial operating history and a consistent earnings trend.

HCF has established a track-record of through-the-cycle profitable earnings and there is no basis to expect that the business will be unable to continue indefinitely. In addition, there are a number of publicly traded consumer finance companies and transactions involving consumer finance companies from which to calculate meaningful multiples. Consequently, a market approach has been used as the primary valuation approach.

Application of this approach involves the capitalisation of the cash flows or earnings of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. This methodology requires an element of professional judgement as to:

- the level of earnings or cash flows that are expected to be maintainable indefinitely, notwithstanding the impact of COVID-19 pandemic factors on short-term results, adjusted for non-recurring items and other known factors likely to impact on future operating performance; and

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- an appropriate capitalisation multiple that reflects the risk and growth prospects associated with the level of earnings being capitalised. The capitalisation multiple is usually determined having regard to market evidence derived from comparable transactions and sharemarket prices for comparable companies, whilst also considering the specific characteristics of the business being valued.

The earnings bases to which a multiple is commonly applied include revenue, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result. We note that Cash NPAT is commonly used in valuing consumer finance businesses, and so have utilised a price-to-earnings (**P/E**) multiple as the metrics for our earnings capitalisation method.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them. Investors will often use multiples of NTA when valuing consumer finance businesses. Furthermore, BNPL businesses are often valued on unconventional metrics relating to transaction volumes, merchant revenue, and customers (e.g. underlying sales to total transaction value, enterprise value per active customer) given the non-profitable nature of these businesses,

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset has a finite life.

The most common application of the income approach is the DCF methodology. This methodology allows for cash flows to reflect the recovery from the COVID-19 pandemic and allows for a range of scenarios to be modelled.

Utilising the DCF methodology requires estimation of cash flows for a number of years and discounting those cash flows back to present value. Humm Group has provided certain HCF forecast metrics, including volumes, average receivables, merchant and customer fees, loss rates and provisions, however, has not prepared long term cash flow forecasts. We note that forecasting long term cash flows in the consumer finance industry at present is challenging as a result of the impacts of the COVID-19 pandemic on household savings and consumer spending, the uncertainty in operational and financial performance of the relatively immature BNPL segment, and rising funding costs in a rising interest rate environment. Therefore, we do not consider there to be a reasonable basis for relying on long term cash flows for HCF at present.

Cost approach

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Whilst multiples of NTA are often used as a rule-of-thumb valuation approach for consumer finance companies, such an approach does not capture growth potential or internally generated intangible value associated with HCF and are better used as across check.

11.2.3 Control Premium

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing HCF and, therefore, our valuation is inclusive of a control premium.

Successful acquisition transactions are commonly completed with an implied acquisition premium in the order of 25% to 40% to the pre-trading equity price of the target depending on the individual circumstances.[61] In considering the evidence provided by actual transactions, it is important to recognise that the observed premium for control is an outcome of the valuation process, not a determinant of value,

[61] 2021 Mergerstat Review. Range represents median premium from 2011 to 2020. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

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and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- the acquirer's capacity to realise full control over the strategy and cash flows of the target entity;
- the magnitude of synergies available to all acquirers, for example, the rationalisation of costs related to duplicated functions, or the removal of costs associated with the target being a listed entity;
- uncertainties related to the timing of full realisation of target synergies;
- the expected costs to migrate and integrate the business;
- the nature of the bidder (i.e. whether the acquirer is a financial investor or a trade participant);
- synergistic or special value that may be unique to a particular acquirer;
- the interest acquired in the transaction with consideration to the bidder's pre-existing shareholding in the target;
- the prevailing conditions of the economy and capital markets at the time of the transaction with consideration to the position in the overall market cycle;
- desire (or anxiety) for the acquirer to complete the transaction;
- whether the acquisition is competitive; and
- the extent the target company's share price already reflects a degree of takeover speculation.

The premium that is ultimately applied must have regard to the circumstances of each case. In some situations, it may be appropriate to apply no premium for control, for example, there are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering. Accordingly, an assessment as to an appropriate control premium, if any, is essentially a matter of judgement.

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing HCF and, therefore, our valuation is inclusive of a control premium. The multiples derived for listed comparable companies generally reflect prices at which portfolio interests (i.e. minority interests) are traded and consequently, do not include a control premium. They may also be impacted by the level of liquidity in trading of the particular security. Accordingly, when valuing a business as a whole (i.e. on a 100% basis), or when valuing the main undertaking of a business (i.e. HCF), it is appropriate to reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

In the case of HCF, it is not clear whether any financial services companies in Australia or overseas, other than Latitude, which would likely consider that an acquisition of HCF, at this point in time, would provide equivalent strategic value. Additionally, we note that no other potential buyers have expressed interest in acquiring HCF's consumer finance businesses since the announcement of the Overall Proposal by Latitude on 6 January 2022. However, we consider that there would likely be some strategic value for other financial services companies to acquire HCF in part or in whole, for reasons which include:

- as a means of immediate customer acquisition to increase the scale of an existing consumer finance business;
- incorporating an established BNPL product into its portfolio of product offerings; and
- a means of generating revenue synergies from cross-selling existing products to HCF's consumer finance customers.

Therefore, we consider it possible that an alternative buyer may be able to achieve limited cost synergies, funding synergies, or generate limited revenue synergies from cross-selling to HCF's consumer finance customers. Consequently, we consider a control premium could reasonably be expected to be paid by a hypothetical acquirer.

Several of the benefits that may be available to a potential acquirer are not easily quantifiable. We have not adjusted HCF's maintainable earnings to reflect the total direct and indirect cost savings and benefits available to a pool of purchasers, but rather, we have included a control premium by applying a control multiple based on recent transaction evidence. Adding both an adjustment for synergies and a control multiple for the valuation would result in an overstatement of the benefits of the transaction.

11.3 Market Approach

11.3.1 Summary

Kroll has determined the value of HCF's equity on a controlling basis to be in the range of $260.0 million to $308.0 million. The selected value range takes into consideration the value of HCF's equity based on capitalising an assessed maintainable Cash NPAT.

Value of HCF's Equity on a Controlling Basis ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable earnings (Cash NPAT)	11.3.2	26.0	28.0
Capitalisation multiple (controlling basis)	11.3.3	10.0	11.0
Equity value of HCF (controlling basis)		**260.0**	**308.0**

Source: Kroll analysis

11.3.2 Maintainable earnings

Maintainable earnings should reflect the earnings that can be achieved in the future for the business on an ongoing basis. In this respect, we have considered FY21 actual, 1H22 annualised, and future earnings estimates with various adjustments made to HCF's Cash NPAT which we consider appropriate in order to provide an estimate of maintainable earnings.

HCF Cash NPAT ($ millions)

	FY21 Actual	1H22 Annualised	FY23 Estimates
Cash NPAT[1]	**46.2**	**25.0**[2]	**24.6 – 26.0**[3]
Less: Release of macro provision overlay (post-tax)	(12.1)	(7.0)[4]	-
Cash NPAT pre-release of macro provision overlay	**34.1**	**18.0**	**24.6 – 26.0**
Less: COVID-19 government subsidies[5]	(4.3)	-	-
Add: earnings normalisation	-	8.5[6]	-
Adjusted Cash NPAT	**29.8**	**26.5**	**24.6 – 26.0**

Source: Kroll analysis

Notes:

1. Humm Directors believe that Cash NPAT is the most appropriate measure of maintainable earnings of the Group. Cash NPAT is a non-statutory measure of profit defined as statutory profit after tax, adjusted for the after-tax effect of amortisation of acquired intangible assets and other material infrequent items including redundancy and other restructure costs, customer remediation costs, historical tax matters, and gains on sale of subsidiaries.
2. Given there is minimal seasonality in HCF's results, 1H22 annualised Cash NPAT is calculated by assuming actual 1H22 HCF Cash NPAT of $12.5 million will be replicated in 2H22.
3. Latitude provides a FY23 Cash PBT forecast for HCF of $35 million. A single broker provides a FY23 Cash PBT forecast for HCF of $37 million. These figures have been adjusted to Cash NPAT at Humm Group's FY21 effective tax rate of 29.7%.
4. Includes the 1H22 macro provision overlay reversal of $5.8 million (pre-tax), and in 2H22 we have estimated a further $4.1 million (pre-tax) reversal as per guidance received from Humm Group.
5. Government subsidies include JobKeeper government incentive payments of $6.1 million in FY21 (pre-tax). No such subsidies were received in 1H22.
6. Refer to considerations outlined below.

In assessing maintainable earnings for HCF, the following factors have been considered:

- **material infrequent items:** in the statutory accounts, there are several material but infrequent items that do not reflect recurring income or expense items for HCF. Adjustments for these items are made by Humm Group in the calculation of Cash NPAT, which provides a more appropriate measure of maintainable earnings and best reflects the core drivers and ongoing influences upon the business' earnings. Material infrequent items have included, but are not limited to, impairment of other intangibles, legal provisions, redundancy and other restructuring costs, profit on sale of associate,

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share based payment cancellation expenses, and transaction costs. These items are summarised in Section 8.3.2 of the report;

- **macro provision overlay release:** during FY20, Humm Group recognised a $43.3 million COVID-19 macro overlay provision for projected higher net losses[62] in anticipation of deteriorating economic conditions and rising unemployment, translating to higher expected credit losses. The macro provision overlay has since been progressively unwound following improved unemployment forecasts. During FY21 there was a $21.6 million (pre-tax) release from the provision, with a $21.6 million macro overlay balance remaining as at 30 June 2021. Since then, a $5.8 million (pre-tax) benefit was realised from the partial release of the macro overlay in 1H22;
- **government subsidies:** the Australian federal government introduced a number of subsidies for businesses significantly impacted by the COVID-19 pandemic. In FY21, Humm Group received JobKeeper incentive payments of $6.1 million (pre-tax) to assist in covering the cost of wages. No further subsidies were received in 1H22, nor are they expected to be received in 2H22 as the scheme is due to end on 31 March 2022;
- **earnings normalisation:** Kroll has applied an upward adjustment to 1H22 annualised earnings to better reflect the level of earnings that could be expected to be generated in an "average" year in a normal business environment. The adjustment was based on an overall judgement, taking into account the following:
  - the negative impacts of the COVID-19 pandemic on consumer spending, particularly in-store and travel expenditure, is expected to subside in FY23. Lower transaction volume in the AU Cards and Cards NZ segments has resulted in a decline in average receivables, notably a 10% decrease in AU Cards receivables and a 7% decrease in NZ Cards receivables in 1H22, due to an accelerated paydown by consumers. Cards AU 1H22 Cash NPAT was 61% lower than 1H21 as interest bearing balances fell and fee income reduced alongside the decrease in activity and volume. Similarly, 1H22 annualised Cash NPAT for BNPL Big Things was down approximately 31% compared to FY21, a result of flat volumes from Omicron restrictions reducing in-store spend (Big Things is largely used for in-store purchases), and also from competitive pressure on merchant service fees in the Big Things space. Management and brokers have indicated that they anticipate a rebound in consumer spending resulting in higher transaction volumes and receivables from FY23, particularly in BNPL Big Things and AU Cards, as consumers return to in-store experiences and international travel resumes;[63]
  - a stabilisation of loss rates and overall improvement in the small ticket Little Things BNPL product, which resulted in volume growth of 112% in 1H22 compared to 1H21, reflecting strong customer engagement with the product across e-Commerce purchases. Little Things contributed a Cash NPAT loss of $3.0 million in 1H22, and management anticipates that income from this product will continue to grow as revenue diversifies across merchant service fees, affiliate income, and consumer fees.[64] Net losses for this product should also improve over the medium term as repeat customers drive further transactions; and
  - investment in growth opportunities was high in 1H22, which should reduce as new products mature (i.e. bundll and hummpro), and as volume begins to flow in newly established markets in the UK and Canada. In 1H22 there were $6.1 million in costs incurred in setting up offshore expansion in the UK and Canada.

Kroll has assessed an earnings normalisation adjustment of $8.5 million to the annualised 1H22 Cash NPAT of the HCF business to be appropriate. This figure is an overall judgement based on the anticipated recovery of in-store and travel consumer spending driving higher transaction volume and restoring Cash NPAT to FY21 levels in the Big Things BNPL product and AU Cards segment, as well as a stabilisation of loss rates and improvement in Little Things BNPL Cash NPAT.

Having regard to the historical, annualised, and estimated FY23 Cash NPAT results for HCF, and after taking into account the various adjustments outlined previously, we have selected a maintainable Cash NPAT for HCF in the range of $26.0 million to $28.0 million.

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[62] Net losses are defined as gross bad debt write-offs less recoveries post write-off.
[63] See Humm Group 1H22 Results ASX Announcement dated 22 February 2022.
[64] See Humm Group 1H22 Results Presentation dated 22 February 2022.

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11.3.3 Capitalisation multiples

In determining an appropriate range of capitalisation multiples to apply to HCF's maintainable earnings, we have considered the following:

- multiples implied by recent transactions involving consumer finance companies;
- trading multiples of comparable listed consumer finance companies; and
- the specific attributes of HCF.

On balance, we consider that a multiple of 10.0 to 11.0 times Cash NPAT is reasonable for HCF. The concluded range of values is at a premium to the most comparable transaction, the acquisition of Fisher & Paykel Finance (which was concluded at 9.9 times and includes a premium for control), and also includes a premium for greater product diversification, higher exposure to growth products and markets, as well as advantages in funding and treasury functions. The selected multiple range is also at a premium to the trading multiples of the most comparable company, Latitude (post-transaction), which trades at a historical multiple of 8.2 times and forward multiple of 10.3 times.

Further details regarding the identified comparable transactions and companies are included in Appendix 4.

Multiples implied by recent transactions involving consumer finance companies

The following table sets out a summary of transactions involving businesses in the Australian and New Zealand consumer finance industry since 2015.

Transaction Evidence: Consumer Finance Companies

Date	Target	Consideration (millions)[1]	P/E Multiple (times)[2] Historical	P/E Multiple (times)[2] Forward	NTA Multiple[3]
9 Aug 21	Citigroup's Australian consumer business	$1,200.0	8.3	n/a[4]	1.3
3 Nov 21	Judo (IPO)	$2,317.0	nmf[5]	nmf	1.7
25 May 21	Pepper Money (IPO)	$1,270.2	11.9	10.5	2.8
22 Apr 21	Latitude (IPO)	$2,600.0	11.6	n/a	4.1
2 Jun 20	UDC Finance	NZ$762.0	10.7	12.2	1.2
5 Jul 17	Pepper Money	$675.9	10.4	9.7	1.7
27 Oct 15	Fisher & Paykel Finance	$275.0	9.9	9.8	3.2
Consumer finance (mean)			**10.5**	**10.6**	**2.3**
Consumer finance (median)			**10.6**	**10.2**	**1.7**

Source: S&P Capital IQ, Company Announcements, Kroll analysis

Notes:

1. Implied equity value if 100% of the company had been acquired.
2. Price-to-earnings multiple is defined as gross considerations divided by earnings. See notes 6 to 11 for definition of earnings, which vary slightly per transaction. Historical P/E multiples are based on last FY earnings, while the forward P/E multiples are based on estimated next FY earnings.
3. Represents gross consideration divided by net tangible assets (net assets minus intangible assets) as at latest balance date.
4. n/a= not available.
5. nmf = not meaningful.
6. Citigroup P/E multiple is based on pro-forma Cash NPAT excluding significant items.
7. Pepper Money Initial Public Offering (**IPO**) P/E multiples are based on net profit from continuing operations and exclude significant items.
8. Latitude IPO P/E multiple is pro-forma FY20 Cash NPAT and excludes significant items and amortisation of intangibles.
9. UDC P/E multiple is based on net income.
10. Pepper Money P/E multiple is based on adjusted NPAT which excludes significant items. Adjusted NPAT for year ending 31 December 2017 was a broker median forecast.
11. Fisher & Paykel Finance based on historical FY15 Cash NPAT excluding amortisation of acquired intangibles and deal acquisition costs.

None of the transactions are directly comparable to HCF's operations in terms of breadth of product offering or scale, however, they are useful for considering appropriate valuation parameters for HCF's underlying business activities. Kroll notes the following in relation to these transactions:

- transactions involving consumer finance companies operating outside of Australia and New Zealand have not been considered comparable as they are subject to different rates of economic growth, demographic trends, consumer trends, competitive environments and regulatory frameworks, which significantly affect their prospects for growth and profitability margins;
- transactions involving BNPL focused companies are not considered comparable given these companies are high growth and unprofitable, whereas HCF has a well-diversified consumer finance business model comprised of established segments in Big Things BNPL, Cards AU and Cards NZ, which each have a demonstrated history of profitability;
  - HCF's relatively minor earnings from BNPL (approximately 2.4% of FY21 Cash NPAT), relative to credit cards, results in the most comparable companies and transactions being in our view, broader consumer finance companies, rather than BNPL participants. The multiples for non-bank lenders are significantly lower than those for pure BNPL participants and they have also been negatively re-rated since mid to late February 2022 (see Section 12.3.2);
  - BNPL transactions are valued on unconventional metrics relating to transaction volumes, merchant revenue, and customers (e.g. underlying sales to total transaction value, enterprise value per active customer) given the non-profitable nature of these businesses, and so are not applicable to the wider HCF business;
  - the range of precedent BNPL transactions were conducted in 2021 or earlier, at multiples that are not reflective of the current valuations in the sector. For example, Discover Financial Services invested US$30 million into Sezzle on 15 July 2021 based on a per share purchase price of A$8.83. At the time, Sezzle had an enterprise value of approximately $1.6 billion. As at 11 May 2022, the Sezzle share price was $0.77, with an enterprise value of approximately $161.1 million;
- historical P/E multiples for the listed consumer finance precedent transactions ranged from the Citi transaction at 8.3 times, to the Pepper Money initial public offering at 11.9 times. The average and median historical P/E multiples of listed transactions were 10.5 times and 10.6 times respectively;
- transactions, with the exception of the Judo initial public offering, Pepper Money initial public offering and Latitude initial public offering, involved the acquisition of 100% of the business and, therefore, implicitly incorporate a control premium. In comparison, the initial public offering transactions reflect the acquisition of minority interests and so exclude a control premium. The P/E multiples for these initial public offerings are higher than other transactions, which is a result of strong earnings growth being forecast in each prospectus. We also note that since listing, the multiples for these companies have significantly declined as follows:
  - since the Latitude initial public offering at $2.60 on 22 April 2021, Latitude's share price has declined 30.4% to close at $1.81 as at 11 May 2022, which implies a pro forma 2021 P/E multiple of 8.2 times (after allowing for the impact of the HCF acquisition);
  - since the Pepper Money initial public offering at $2.89 on 25 May 2021, its share price has declined 33.9% to close at $1.91 as at 11 May 2022, which implies a pro forma 2021 P/E multiple of 5.9 times. Additionally, Pepper Money's CY21 pro forma NPAT increased 33.5% compared to CY20; and
  - since the Judo initial public offering at $2.10 on 1 November 2021, its share price has declined 22.6% to close at $1.63 as at 11 May 2022. Considering Judo made a pro forma profit before tax of $2.3 million, and a statutory net loss after tax of $14.2 million in 2021, its P/E multiples are not meaningful.
- the acquisition of Citigroup Pty Ltd's (**Citi**) Australian consumer business by NAB in 2021 for $1.2 billion represented a multiple of 8.3 times pro forma NPAT. This multiple is lower than other transactions and reflects Citi's exposure to $7.9 billion of home loan receivables, while unsecured lending made up just $4.3 billion of receivables. We would expect this transaction to occur at a lower multiple compared to that which is appropriate for HCF given Citi's consumer business is inherently lower risk with a significantly different business model, and is subject to tighter regulatory and capital maintenance requirements;

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- excluding the initial public offerings and Citi transactions, the remaining transactions were in a reasonably narrow range of 9.9 times to 10.7 times historical earnings;
  - ANZ Bank New Zealand Limited (**ANZ NZ**) agreed to sell its asset finance business, UDC Finance, to Japanese Bank Shinsei Bank Limited (**Shinsei Bank**) in June 2020. UDC Finance at the time was New Zealand's largest non-bank lending institution, providing vehicle lending loans to consumers. It is, however, arguably less relevant to HCF given it also had quite a large asset finance business, which is more comparable to Humm Group's Commercial and Leasing segment. UDC Finance had approximately NZ$3,437.0 million in net loans at the time of acquisition, broadly similar in size to HCF;
  - the acquisition of Pepper Money by KKR was at higher implied PE multiples. It is an Australian consumer lender with a diversified suite of products and a similar customer base and size as HCF. It also utilises a similar funding platform. However, Pepper Money's operations are primarily focused on finance for residential loans, which comprises 68% of total operating income, while consumer and commercial asset finance comprise approximately 15% of total operating income individually; and
  - Fisher & Paykel Finance Limited was acquired by Flexigroup in 2015 and now largely forms the Cards NZ segment of HCF. Flexigroup, similar to Latitude, was expected to generate substantial synergies through rationalisation of costs, leveraging collection processes, and integrating parts of the business with its existing commercial leasing business in New Zealand.

Recent Transaction Multiple Summary

In the absence of a single direct transaction comparable, we consider the acquisition of Fisher & Paykel Finance by Flexigroup to be the most relevant, which was completed at a historical P/E multiple of 9.9x. Considering that the Fisher & Paykel Finance business now forms the Cards NZ segment of HCF, we believe that the HCF business commands a higher multiple given the greater diversification of the business, advantages in funding and treasury functions, and the potential for stronger earnings from growth products and geographical markets. Assigning a higher multiple for the growth opportunities is also tempered by the possibility of a managed exit from what are currently loss-making platforms, which would be positive for earnings.

Based on all of these factors, and with an overall regard to multiples of listed transactions which include a premium for control, we consider the selected P/E multiple 10.0x to 11.0x to be appropriate.

Trading multiples of comparable listed consumer finance companies

The following table sets out the implied P/E multiples for comparable listed consumer finance companies operating in Australia and globally.

Sharemarket Evidence: Comparable Listed Consumer Finance Companies

Consumer Finance Companies	Market Capitalisation ($ millions)	P/E multiple (times)[1]			NTA
		CY21a	CY22e	CY23e	multiple[2]
Latitude (pre)	2,040.6	8.8	8.9	7.9	3.9
Latitude (post)	2,151.1	8.2	10.3	7.7	3.0
Judo	1,796.5	nmf[3]	48.5	19.5	1.3
Liberty Financial	1,518.0	6.6	6.5	6.5	1.9
Pepper Money	839.8	5.9	5.6	5.2	1.5
Resimac	590.9	5.5	5.7	4.9	1.9
Money3 Corporation	513.0	11.4	9.1	8.4	1.6
Consumer finance (mean)		**7.7**	**13.5**	**8.6**	**2.2**
Consumer finance (median)		**7.4**	**8.9**	**7.7**	**1.9**

Source: S&P Capital IQ, Company Announcements, Kroll analysis

Notes:

1. Price-to-earnings multiple is defined as market capitalisation as at 11 May 2022 divided by earnings. See notes 4 to 9 for definition of earnings, which vary slightly per company.
2. Represents latest share price divided by net tangible assets per security as at 31 December 2021.
3. nmf = not meaningful.

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Notes continued:

4. Latitude (pre) P/E multiples are based on Cash NPAT pre amortisation of acquisition intangibles, legacy transaction costs, significant items, and tax effect of adjustments. Market capitalisation and Cash NPAT estimates (broker median estimates) as at 5 January 2022.
5. Latitude (post) P/E multiples are based on Cash NPAT pre amortisation of acquisition intangibles, legacy transaction costs, significant items, and tax effect of adjustments. Market capitalisation has been adjusted for the transaction, including the issue of 150 million Consideration Shares as consideration. Cash NPAT for CY21 is aggregate of Latitude and HCF and exclude Latitude estimated annualised synergies adjusted for tax. Cash NPAT estimates (broker median estimates) include HCF acquisition.
6. Liberty Financial P/E multiples are based on net profit after tax and amortisation.
7. Pepper Money P/E multiples are based on pro-forma NPAT excluding significant and non-recurring items.
8. Resimac P/E multiples are based on normalised NPAT excluding significant and non-recurring items.
9. Money3 Corporation P/E multiples are based on NPAT. There were no significant items in CY21.

In relation to the table above, we note the following:

- the multiples are based on sharemarket prices and do not typically include a control premium;
- CY21 multiples are reflective of the 12 months ended 31 December 2021, and forecast year multiples are reflective of calendar years;
- with regard to the reasoning previously outlined in the comparable transactions section, our comparable company analysis excludes consumer finance companies operating outside of Australia and New Zealand, and also excludes companies focused on BNPL;
- Judo, Latitude, Liberty Financial, Money3 Corporation, Pepper Money, and Resimac are Australian diversified consumer finance companies. In relation to these companies, we note:
  - Judo is a newly listed challenger bank and is Australia's only bank solely dedicated to lending to SMEs. Judo's high multiples imply that the company is priced for strong future growth, with the company expected to benefit from favourable macro dynamics, improving margin trajectories, and operational leverage improvements as its loan book reaches scale. Its focus on SMEs means it is less comparable to HCF;
  - Latitude is a well-diversified consumer finance company with a focus on traditional instalment products (including credit cards) and consumer lending. Latitude has a comparable exposure to instalment products (including BNPL and Credit Cards) which contributed approximately 57% to gross receivables as at 31 December 2020. Although Latitude's BNPL operation is relatively small compared to HCF's, the traditional instalments business is relatively comparable to HCF's Big Things BNPL business, as both provide interest-free financing for big ticket purchases, with a large portion of these financings originated in-store. Both HCF and Latitude have operations concentrated in Australia and New Zealand, with smaller operations globally;
  - Liberty Financial provides consumer finance through a diversified range of lending products including residential mortgages, automotive and personal loans, and business loans to small and medium enterprises, however, it does not offer instalment products (i.e. credit cards or BNPL). In 1H22, approximately 36% of Liberty Financial's net revenue was from residential loans, 30% from secured loans including motor vehicles and commercial property loans, and 24% from financial services including personal loans, small and medium business loans and insurance products. Operations are focused on Australia and New Zealand. Although broadly comparable, we would expect HCF to trade on higher multiples given Liberty Financial's exposure to the residential mortgage market;
  - Money3 Corporation provides a range of consumer loans including personal loans and motor vehicle loans in Australia and New Zealand. Money3 is comparable to HCF because of its focus on financing large ticket consumer purchases in Australia and New Zealand. Compared to HCF, Money3 has also displayed higher historical growth (8.5% CAGR revenue growth between FY16 and FY21). Considering the high growth rates in loans receivables book in recent years in FY21, which was up 38.5% on FY20, we would expect Money3 to trade on a higher multiple than the HCF business;
  - Pepper Money similarly provides residential mortgages and asset finance loans, including motor vehicle and commercial equipment loans. Pepper Money's business is concentrated in providing residential mortgages (representing 72.2% of net interest income in FY21), which have a different

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risk profile to consumer instalment products. Its lower multiples relative to diversified consumer finance companies likely reflect this lower risk; and

- Resimac similarly provides residential mortgages and asset finance loans. Resimac's primary business is providing residential mortgages and as at 31 December 2021 it held approximately $14.6 billion in residential mortgage assets under management. Similar to Pepper Money, the concentration of Resimac's business in providing residential mortgages results in a lower earnings multiple.

Trading Multiples Summary

Latitude (post-transaction) is the most directly comparable company, as an Australian consumer lender with a diversified suite of products and customer base similar to HCF. It also utilises a similar funding platform and has a complementary growth strategy to HCF. As at 11 May 2022 the company traded at a P/E multiple of 8.2 times pro forma 2021 Cash NPAT, exclusive of expected synergies of $65.0 million profit before tax, which has the effect of overstating the multiple. Inclusive of the synergies, the company traded at a P/E multiple of 7.0 times. This multiple is lower than what we would anticipate for HCF as it does not include a premium for control. With regards to these factors, we consider the selected P/E multiple of 10.0 times to 11.0 times as appropriate for HCF as it implies a premium for control of 42.7% to 56.9%.

Consumer finance specific considerations

Whilst multiples implied by recent transactions and trading on share markets provide a useful benchmark in determining an appropriate P/E multiple for HCF, it is also necessary to consider the specific attributes of HCF.

HCF has a number of characteristics that would justify higher multiples than its Australian consumer finance peers:

- holding the leading market position in BNPL in the ANZ region, a higher growth market segment which can generate higher risk-adjusted returns;
- through-the-cycle profitability and resilience of the Big Things BNPL and credits card segments in Australia and New Zealand;
- an integrated operating model across complementary segments of specialist consumer finance solutions, which is scalable within a market and replicable across markets;
- a track record of performance across risk management and funding through the economic cycle;
- a move to have global diversification of operations, with opportunity to gain scale in relatively immature BNPL markets;
- a diversified and capital efficient funding model, with a track record of successfully securitising assets; and
- the positive short to medium term outlook for the business as new products and markets begin to contribute to earnings.

However, exposure to the following factors may constrain multiples:

- relatively higher risk consumer loans and financing solutions in BNPL and credit cards;
- competitive markets and recent trends of competitive behaviour placing pressure on fees and margins for certain products;
- the BNPL market segment has relatively light regulation, and changes to regulation would have a significant impact on business operations; and
- the business is exposed to changes in economic conditions in Australia, in particular, higher inflation and rising interest rates which can impact sources of funding and pressure margins.

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11.3.4 Cross-check

The multiples of NTA implied by the value of HCF's business are set out in the following.

Implied Valuation Parameters

	Variable ($ million)	Range of Parameters Low	High
Multiple of assets as at 31 December 2021			
NTA	**190.0**	**1.4**	**1.6**

The median NTA shown in recent transactions involving consumer finance companies is 1.7 times as described in Section 11.3.3. Furthermore, the median NTA of comparable companies is 1.6 times when excluding Latitude, which trades on a higher multiple due to the existence of $1,047.9 million in intangibles, mainly comprised of goodwill (Latitude (post-transaction) presently trades on a 1.2x price to book ratio).[65] Based on these results we consider the range of implied multiples of NTA for HCF to appear reasonable

12 Valuation of the Consideration

12.1 Summary

The consideration for HCF comprises 150 million Consideration Shares and $35 million in cash. Based on a value range of $1.70 to $1.90 per Latitude Share, the consideration has been valued in the range of $290.0 million to $320.0 million as follows.

Value of the Consideration

	Consideration Low	High
Value per Latitude Share	$1.70	$1.90
Number of Consideration Shares (millions)	150.0	150.0
Value of Consideration Shares ($ million)	**255.0**	**285.0**
Add: cash component ($ million)	35.0	35.0
Value of consideration ($ million)	**290.0**	**320.0**

Source: Kroll analysis

The value of Latitude Shares is below the assumed share price of $2.00 referenced in the announcement of the HCF Sale on 6 January 2022 and the update to the market on 18 February 2022. This is not unexpected as subsequent to these announcements:

- Latitude Shares are trading ex-distribution (from 28 February 2022);
- the BNPL sector has been negatively re-rated; and
- the share prices of other recently listed non-bank lenders (e.g. Pepper Money, Liberty Financial and Judo) have declined, potentially reflecting concern as to their ability to weather the rising interest rate environment.

As a portion of the consideration is in the form of Consideration Shares, the value of the consideration will vary with movements in the Latitude share price. Accordingly, until the Consideration Shares are distributed to Humm Shareholders, Humm Shareholders are exposed to changes in overall equity market conditions and company specific events that may affect the Latitude share price.

Furthermore, as the majority of the consideration is in the form of Consideration Shares, with the cash component being relatively minor, the value of the consideration is particularly sensitive to movements in the Latitude share price. The following table illustrates the sensitivity of the implied value of the consideration to changes in the Latitude share price.

[65] Calculated as Latitude 31 December 2021 equity of $1,565.5 million plus HCF net tangible assets of $190 million.

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Sensitivity of the Consideration to Changes in the Latitude Share Price

Latitude Share price	$1.50	$1.60	$1.70	$1.80	$1.90	$2.00*	$2.10
Number of Consideration Shares (millions)	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Value of Consideration Shares ($ million)	**225.0**	**240.0**	**255.0**	**270.0**	**285.0**	**300.0**	**315.0**
Add: cash component ($ million)	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Value of consideration ($ million)	**260.0**	**275.0**	**290.0**	**305.0**	**320.0**	**335.0**	**350.0**

Source: Kroll analysis

Note *: Per announcement.

12.2 Approach

The consideration comprises both scrip and cash components. In determining our valuation range for the consideration it is, therefore, necessary to estimate the trading price for Latitude Shares after the Consideration Shares are distributed to Humm Shareholders (rather than a pre-bid price) as that represents the value at which Humm Shareholders can realise their interest post implementation.

The Consideration Shares received by Humm Shareholders will represent minority interests in Latitude. In such circumstances, RG 111 requires the value of the scrip component of the consideration to be assessed on a minority interest basis. In a transaction with a scrip component it is common practice to utilise the post announcement market price as a basis for estimating the value of the scrip component. We consider this approach to be appropriate for determining our valuation range for the scrip component of the consideration due to the following:

- although Latitude Shares are relatively illiquid, there is still sufficient trading to provide a market in the shares and to suggest that recent performance and expectations are reflected in current trading prices;
- the trading price of Latitude Shares reflects the value of portfolio interests and is commonly assumed to exclude a premium for control;
- the disclosure requirements associated with being publicly listed suggest that any information in relation to Latitude's business that would have a material impact on its share price should have been disclosed to the market;
- Latitude is a transparent entity and is followed by two brokers. There has been sufficient time and information available (including in relation to synergies) for the market to assess the impact of the Overall Proposal. Therefore, the current trading in Latitude Shares should reflect the estimated impacts associated with the Overall Proposal, albeit the market may also take into account the implementation risks associated with the Overall Proposal; and
- an alternative approach is to undertake a fundamental valuation of the Combined HCF and Latitude businesses and then to apply a discount to reflect a portfolio interest. However, we have not had access to non-public information for Latitude that would be required to support a fundamental analysis. In any event, the consensus view of a liquid market is likely to be a more reliable indication of value that a Humm Shareholder can obtain than a valuation undertaken by a single valuer.

Taking into account the relatively illiquid trading in Latitude Shares, we have cross-checked our value of a Latitude Share as follows:

- compared the forecast Cash NPAT multiple and price to book ratio implied by our selected value range for Latitude Shares to market evidence derived from listed consumer finance companies and transactions involving consumer finance businesses; and
- compared our selected value range for Latitude Shares to brokers' target prices.

12.3 Analysis of trading in Latitude Shares

In utilising the post announcement market price of Latitude Shares as a basis for estimating the value of the consideration, we have considered the following:

- recent trading in Latitude Shares both before and after the announcement of the HCF Sale on 6 January 2022;
- the performance of Latitude Shares relative to the market and relative to comparable companies;

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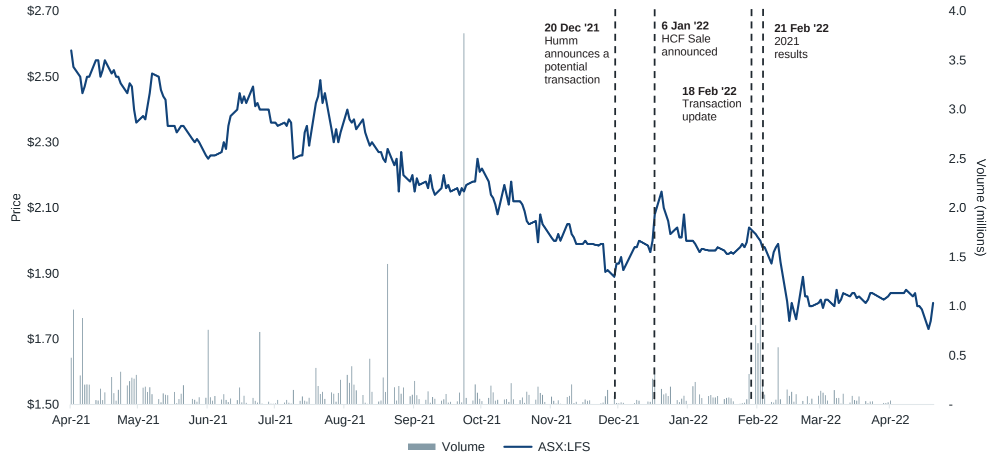
- the liquidity of Latitude Shares;
- publicly available information in relation to Latitude and the Overall Proposal; and
- the impact on Latitude of implementing the Overall Proposal.

Our analysis of each of these factors is outlined in the following sections.

12.3.1 Recent trading in Latitude Shares

Latitude's share price declined since listing in April 2021, consistent with the negative re-rating of many companies in the BNPL sector and recently listed non-bank lenders.

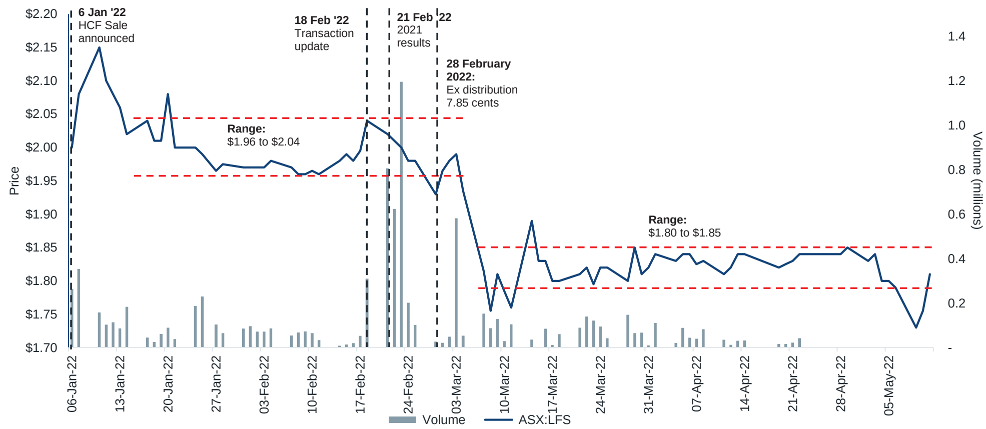
Trading in Latitude Shares since Initial Public Offering



Source: Kroll analysis; S&P Capital IQ

The trading price and volume of Latitude Shares since Latitude announced the HCF Sale on 6 January 2022 is illustrated as follows.

Performance of Latitude Shares since 6 January 2022



Source: Kroll analysis; S&P Capital IQ

The Latitude share price increased by 9.1% in the three trading days following the announcement of the HCF Sale and associated synergies on 6 January 2022, before declining to trade broadly in the range of $1.96 to $2.04. It should be noted that trading during this period reflects the 2H21 distribution of 7.85 cents. On 28 February 2022, the ex-distribution date, the Latitude share price declined by approximately the amount of the distribution to close at $1.73, before recovering to close at $1.99 on 3 March 2022. The

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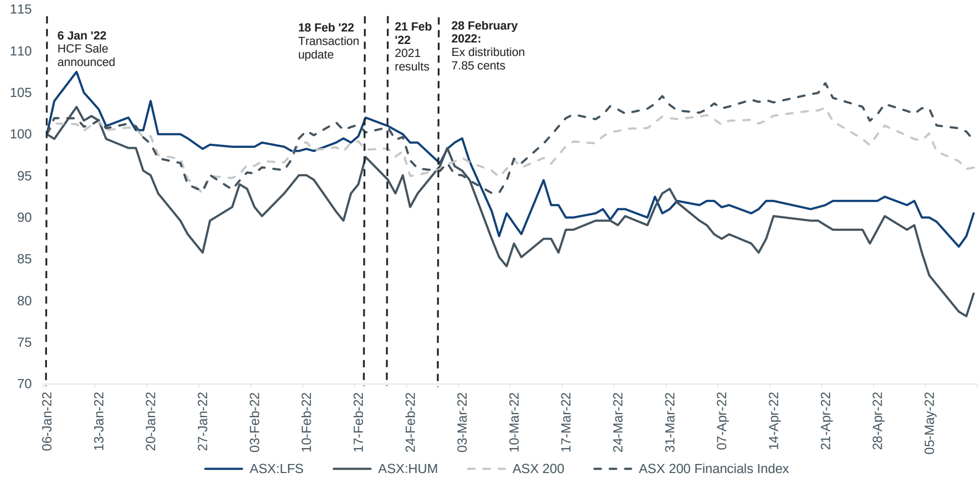
Latitude share price then declined steeply and traded mostly in the range of $1.80 to $1.85 before closing at $1.81 on 11 May 2022.

12.3.2 Performance of Latitude Shares relative to the market

The performance of Latitude Shares relative to the ASX 200 Index, ASX 200 Financials Index and Humm Group since 6 January 2022 is illustrated as follows.

Performance of Latitude Shares relative to indices and Humm Group since 6 January 2022

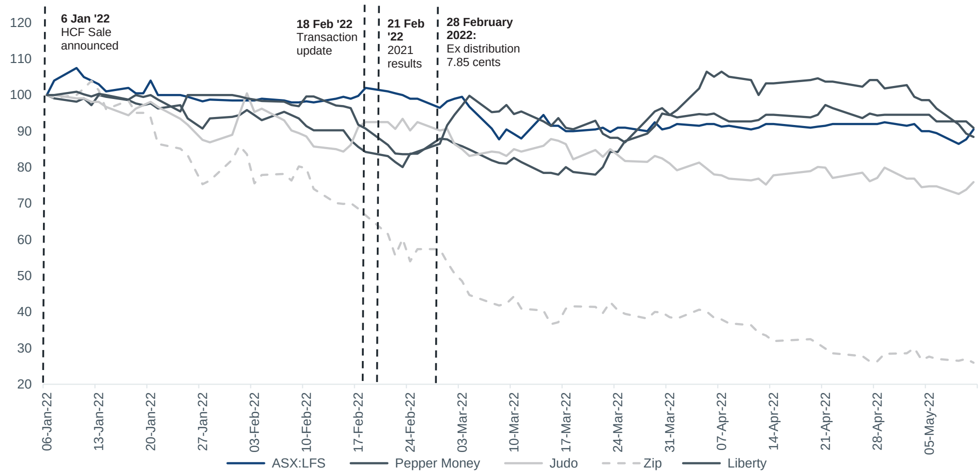


Source: Kroll analysis; S&P Capital IQ

The Latitude share price outperformed the indices on the announcement of the HCF Sale, then broadly mirrored the ASX 200 index, before underperforming the indices from 3 March 2022.

The performance of the Latitude share price relative to Zip and other recently listed non-bank lenders (i.e. Pepper Money, Judo) since 6 January 2022 is illustrated as follows.

Performance of Latitude Shares relative to Peers since 6 January 2022



Source: Kroll analysis; S&P Capital IQ

Since 3 March 2022, the Latitude share price has declined by 9.0% to close at $1.81 on 11 May 2022. This decline potentially reflects the negative re-rating of BNPL companies (e.g. the share price of Zip declined by 61.1% from 18 February 2022 to 11 May 2022) as well as the decline in the share price of other recently

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listed non-bank lenders from mid to late February 2022 (e.g. the share price of Liberty Financial declined by 8.8%, the Judo share price declined by 18.8%[66] and the Pepper Money share price declined by 13.1% to late March 2022, although it has subsequently increased, potentially reflecting anticipated benefits from the acquisition of Stratton Finance announced on 4 April 2022) amid concerns as to their ability to weather the rising interest rate environment and, potentially, the impact of the Russian invasion of Ukraine.

12.3.3 Latitude liquidity

An analysis of the volume of trading in Latitude Shares for various periods from the announcement of the HCF Sale on 6 January 2022 until 11 May 2022 is summarised as follows.

Latitude Liquidity

Period	Price ($) Low	Price ($) High	VWAP	Cumulative value ($ million)	Cumulative volume ($ million)	Percentage of issued capital
Period to 11 May '22						
1 week	1.73	1.84	1.79	0.9	0.5	0.0%
28 Feb '22 to 11 May '22 (ex distribution)	1.71	2.01	1.85	7.0	3.8	0.4%
6 Jan '22 to 27 Feb '22 (cum distribution)	1.94	2.20	2.02	12.4	6.1	0.6%
6 Jan '22 to 11 May '22	1.71	2.20	1.96	19.4	9.9	1.0%

Source: Capital IQ; Kroll analysis

Since the announcement of the HCF Sale on 6 January 2022, 1.0% of shares have traded (4.6% of free float). On an annualised basis, this represents 13.6% of free float.[67] Although Latitude Shares are relatively illiquid, we consider that liquidity is sufficient to suggest that recent performance and expectations are reflected in current trading prices.

12.3.4 Publicly available information in relation to Latitude and the Overall Proposal

Under ASX Listing Rules, Latitude is required to keep the market informed of events and developments in a timely manner as they occur. Once Latitude becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its shares, it must inform the market of that information.

Latitude released its 2021 results on 21 February 2022. Consequently, there is no reason to consider that any information relating to Latitude's existing business that would have a material impact on its share price has not been publicly disclosed.

It also released a presentation to the market on 18 February 2022 outlining the profile of the Combined HCF and Latitude businesses and the potential synergies arising from the HCF Sale. Brokers have also updated their forecasts to reflect the impact of the HCF Sale. As such, we consider it reasonable to assume that the current trading in Latitude Shares reflects the estimated impacts of the HCF Sale and associated synergies.

[66] Represents share price as at 11 May 2022 relative to the peak in mid to late February 2022 which for Pepper Money was on 15 February 2022, Liberty Financial was on 11 February 2022 and for Judo was 23 February 2022.
[67] Based on 253 trading days in the 12 months to 11 May 2022.

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12.4 Impact of the Proposal on Latitude

The profile of the Combined HCF and Latitude businesses is set out in detail in Section 10 of this report and Section 5.8 of the Explanatory Booklet and is summarised as follows.

Impact of the Proposal on Latitude

	Latitude	Combined Group Pro Forma
Statistics		
Customers[1]	2.8 million	5.0+ million
Merchants[1]	5.5k	~73.0k
Total gross receivables[2]	$6.4 billion	$8.3 billion
Total volume[3]	$7.3 billion	$9.6 billion
FY21 earnings metrics		
Cash NPAT per share (excluding synergies)	23.1 cents	22.6 cents
Cash NPAT per share (including full run rate synergies)	23.1 cents	26.6 cents
Dividends per share	15.7 cents	
Financial position as at 31 December 2021		
Total assets	$8.0 billion	$10.0 billion
Total liabilities	$6.4 billion	$8.2 billion
Net assets	$1.6 billion	$1.9 billion
Number of Latitude shares on issue	1,038.5 million	1,188.5 million
NTA per Latitude share	$0.50	$0.56

Source: Explanatory Booklet and Kroll analysis

The Overall Proposal has a material, but not transformative, impact in that it expands but does not fundamentally change Latitude's operations. It provides a number of strategic benefits including:

- accelerates Latitude's growth strategy;
- adds significant scale and cross selling opportunities;
- contributes an estimated $35 million in pre-tax cash earnings in 2023 and an estimated $65 million in pre-tax full run rate synergies;[68]
- increases Latitude's exposure to the BNPL market;
- on a per share basis, including full run rate synergies, results in double digit cash EPS accretion;[69]
- increases Latitude's free float and liquidity; and
- results in NTA accretion.

[68] Source: Latitude Market Briefing, 18 February 2022

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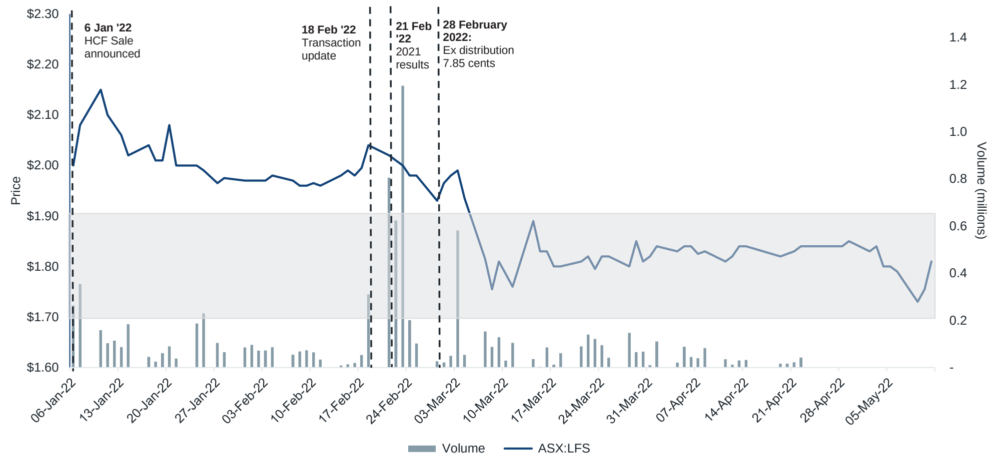
12.5 Conclusion on value of a Latitude Share

Kroll has assessed that a Latitude share price of $1.70 to $1.90 is an appropriate estimate in current market conditions. This range takes into account the recent performance of Latitude Shares, the financial impact of the HCF Sale and the impact of the Latitude 2H21 distribution.

The selected value range relative to recent Latitude share prices is illustrated in the following chart.

Latitude Selected Value Range per Share



Source: Kroll analysis; S&P Capital IQ

In Kroll's opinion, the value range of $1.70 to $1.90 is appropriate as it reflects the range of trading prices since the announcement of the Proposal and, in particular, a majority of trading from the ex-distribution date of 28 February 2022 until 11 May 2022 of $1.71 to $2.01, at a VWAP of $1.85.

We note that while Latitude Shares have traded above this range, trading during this period included the 2H21 final distribution of 7.85 cents. Furthermore, the selected range is below the assumed share price of $2.00 referenced in the announcement of the HFC Sale on 6 January 2022 and market update on 18 February 2022. This is not unexpected as since these announcements, Latitude Shares are trading ex-distribution (from 28 February 2022), the BNPL sector has been negatively re-rated and the share prices of recently listed non-bank financial lenders have declined, potentially reflecting concern as to their ability to weather the rising interest rate and inflationary environment. The Latitude share price is currently trading within the selected value range and closed at $1.81 on 11 May 2022.

12.6 Valuation cross-check

12.6.1 Comparison to listed consumer finance companies

Overview

In order to cross-check our selected valuation range for Latitude Shares, we have compared the implied valuation metrics (in terms of Cash NPAT multiples and price to book ratios) to market evidence derived from listed consumer finance companies.

Combined HCF and Latitude businesses implied multiples

The implied valuation metrics are presented as follows.

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Latitude Implied Multiples Cross-check

	Parameter ($ million)	Consideration Low	Consideration High
Value per Combined Group share		$1.70	$1.90
Diluted number of Combined Group shares (million)[1]		1,188.5	1,188.5
Value of Combined Group equity attributable to shareholders		$2,020.4	$2,258.1
Add back: non controlling interest		$4.5	$4.5
Value of Combined Group equity		$2,024.9	$2,262.6
Multiple of pro forma 2021 cash NPAT - Combined Group[2]	261.5	7.7x	8.7x
Multiple of 2022 cash NPAT - broker consensus[3]	208.5	9.7x	10.9x
Multiple of 2023 cash NPAT - broker consensus[3]	279.0	7.3x	8.1x
Multiple of 2024 cash NPAT - broker consensus[3]	317.5	6.4x	7.1x
Price to book ratio - Combined Group[4]	1,860.5	1.1x	1.2x

Source: Kroll analysis

Notes:

1. Calculated as 1,038,461,538 Latitude Shares plus 150 million Consideration Shares.
2. Calculated as Latitude 2021 Cash NPAT of $232.2 million plus HCF normalised FY21 Cash NPAT of $29.3 million and excludes synergies.
3. It appears that brokers have included the HCF Cash NPAT and pre-tax cost synergies advised by Latitude management, being $55 million HCF Cash NPAT synergies in 2023 and $100 million in HCF Cash NPAT, pre-tax cost synergies and revenue synergies in 2024.
4. Calculated as Latitude 31 December 2021 equity of $1,565.5 million plus $300 million impact of settlement of the purchase price for HCF less $5.0 million transaction costs.

The implied multiples for the Combined HCF and Latitude businesses are considered to be reasonable, taking account the multiples at which listed consumer finance companies are trading, since:

- the implied multiples for Latitude and the multiples at which listed consumer finance companies are trading do not include a control premium;
- the multiple of pro forma 2021 Cash NPAT for the Combined HCF and Latitude businesses (including earnings from HCF but excluding synergies) of 7.7 to 8.7 times overlaps with the median multiple of FY21 Cash NPAT for the listed consumer finance companies of 8.2 times;
- the implied multiple of 2023 and 2024 Cash NPAT for the Combined HCF and Latitude businesses is consistent with the median multiples for the listed consumer finance companies for FY23 and FY24; and
- the price to book ratio for the Combined HCF and Latitude businesses as at 31 December 2021 in the range of 1.1 to 1.2 times is slightly below the median price to book ratio for the comparable companies of 1.3 times.

Market evidence

The Combined HCF and Latitude businesses will be focused on consumer finance. Receivables will include a mix of instalments (65.7%) and lending (34.3%). It is expected that significant synergies will flow through incrementally, with 2024 being the first full year of synergies.

The valuation metrics implied by our selected valuation range for Latitude Shares are consistent with (or below) the range of multiples observed for listed consumer finance companies and are illustrated as follows:

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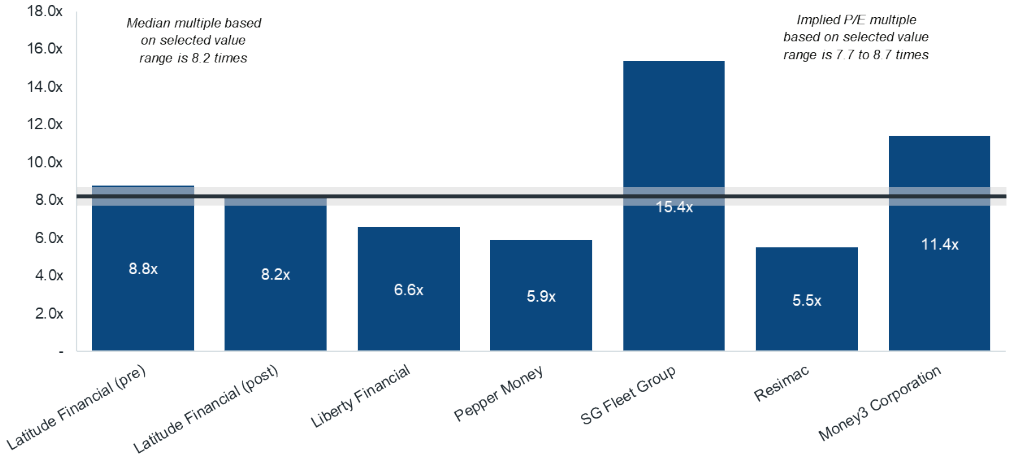
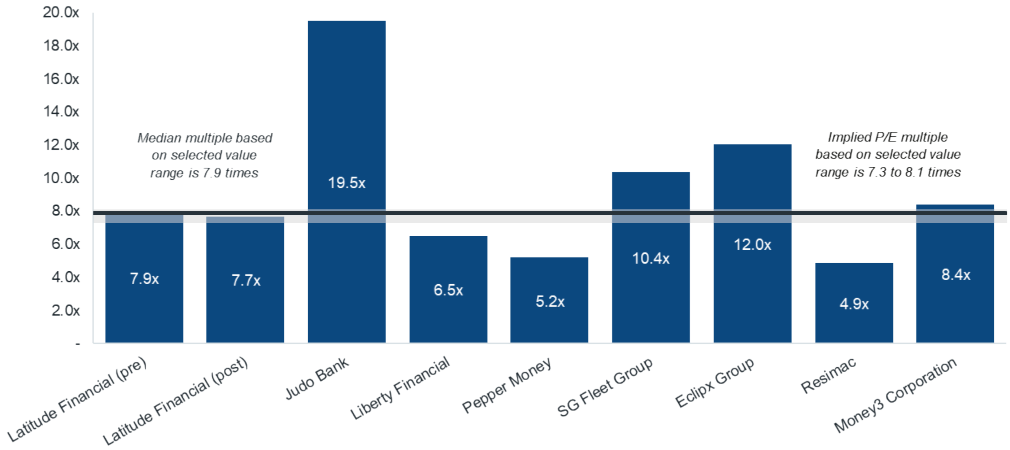
CY21 Cash NPAT Multiple



Source: Kroll analysis; S&P Capital IQ

Note: The multiple for Judo is not included as they are not meaningful for CY21. CY21 NPAT is not available for Eclipx Group Limited (**Eclipx Group**).

FY23 Cash NPAT Multiple



Source: Kroll analysis; S&P Capital IQ

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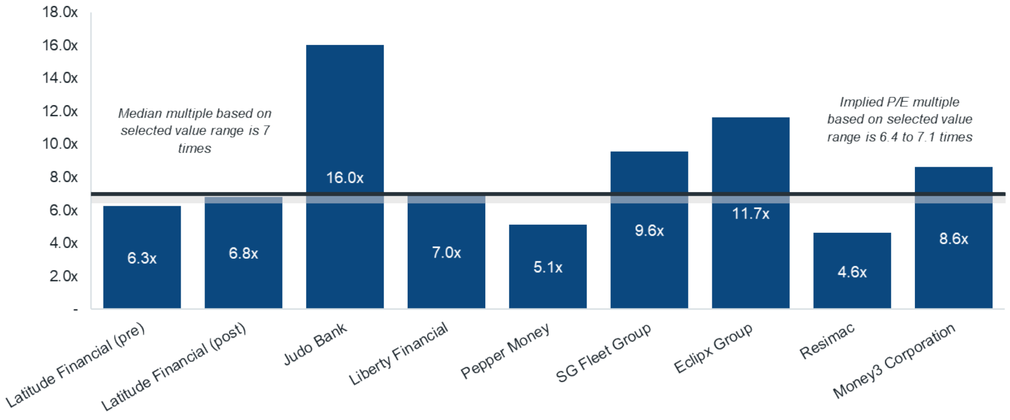
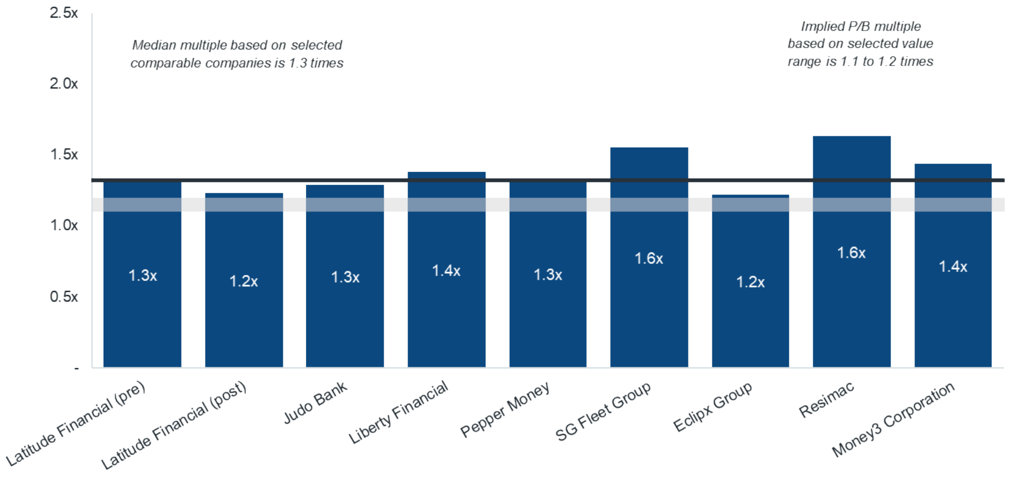
FY24 Cash NPAT Multiple



Source: Kroll analysis; S&P Capital IQ

31 December 2021 Price to Book Ratio



Source: Kroll analysis; S&P Capital IQ

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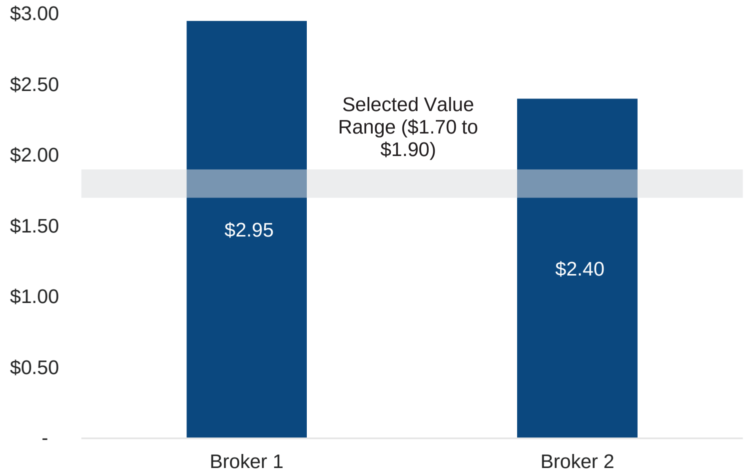
12.6.2 Comparison to broker target prices

As a final valuation cross-check, we have compared our selected valuation range for Latitude Shares to current broker target prices.

Latitude Broker Target Prices



Source: Broker reports; Kroll Corporate Finance analysis

With regard to the above comparison, we note:

- as far as Kroll is aware, Latitude is followed by two brokers, each of which have published reports following the announcement of the HCF Sale on 6 January 2022, update on the HCF Sale on 18 February 2022 and release of the 2021 financial results on 21 February 2022 and are not restricted. Therefore, we consider that these target prices would reflect the most recent publicly available information for Latitude;
- the broker target prices range from $2.40 to $2.95. Our selected valuation range falls below the range of broker target prices, which is appropriate given that target prices represent forward looking 12-month targets; and
- it appears that brokers have reflected the estimated impacts of the HCF Sale in their target prices.

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Appendix 1 – Kroll disclosures

Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Shares Institute of Australia and holds a Master of Commerce from the University of New South Wales. He is also a member of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics and Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert's reports. James Wheatley BBus (Hons) and Edward Yu BEng (Hons) assisted in the preparation of this report.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the HCF Sale is in the best interests of Humm Shareholders. Kroll expressly disclaims any liability to any Humm Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Explanatory Booklet or any other document prepared in respect of the Overall Proposal. As such, Kroll takes no responsibility for the content of the Explanatory Booklet as a whole or other documents prepared in respect of the Overall Proposal (other than this report).

Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by the ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Humm Group or Latitude or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion for Humm Shareholders. Kroll's only role with respect to the Overall Proposal has been the preparation of this report.

Kroll will receive a fixed fee of $275,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Meetings. Kroll will receive no other benefit for the preparation of this report.

Declarations

Humm Group has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Humm Group for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services License no. 284336, to provide the following financial services as their Corporate Authorised Representative: provide financial product advice in respect of the following classes of financial products; interests in managed investment schemes including investor directed portfolio services; and shares with respect to retail clients and wholesale clients.

Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Explanatory Booklet to be issued to Humm Shareholders. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

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Appendix 2 – Limitations and reliance on information

Limitations and Reliance on Information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report and corresponds with a period of continued uncertainty associated with the COVID-19 pandemic. To the extent possible, we have reflected these conditions in our opinion. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report is also based on financial and other information provided by Humm Group and its advisers. Humm Group has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. Humm Group has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Humm Group or Latitude for the purposes of this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Humm Group in relation to the nature of the business operations, specific risks and opportunities, historical results of Humm Group and prospects for the foreseeable future of Humm Group. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. Humm Group has requested Kroll limit the disclosure of certain information relating to Humm Group. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Humm Group. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Humm Group.

Sources of Information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- Explanatory Booklet
- results presentations and annual reports for Humm Group for FY18, FY19, FY20, FY21 and 1H22
- ASX announcements, press releases, media and analyst presentations and other public filings by Humm Group including information available on its website

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- broker reports and recent press articles regarding Humm Group
- information sourced from S&P Capital IQ.

Latitude information used has been based on publicly available information including:

- results presentations and annual reports for Latitude for 2018, 2019, 2020 and 2021
- ASX announcements, press releases, media and analyst presentations and other public filings by Latitude including information available on its website
- broker reports and recent press articles regarding Latitude
- information sourced from S&P Capital IQ.

Non-public information

- Humm Group Board papers and other internal briefing papers prepared by Humm Group in relation to the Overall Proposal
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Humm Group.

Appendix 3 – Broker Consensus

Latitude Group Holdings

Latitude has not released earnings guidance for 2022 or beyond. In order to provide an indication of the expected future financial performance of Latitude (including the impact of the HCF Sale and associated synergies), Kroll has considered broker forecasts. As far as Kroll is aware, Latitude is followed by two brokers, each of which has published reports following the announcement of the financial impact of the HCF acquisition on 6 January 2022, update on the transaction on 18 February 2022 and release of the 2021 financial results on 21 February 2022.

The level of disclosure differs between brokers. Of the two brokers:

- only one broker has provided 2025 forecasts;
- both brokers have included earnings from HCF and associated synergies in Latitude's earnings forecasts;
- both brokers have reported operating profit exclusive of net charge offs. Kroll has made adjustments to include net charge offs in operating profit; and
- one broker has not disclosed the breakdown of bad and doubtful debts, comprised of net charge offs and provision movements. As such, Kroll has used the proportions of each that the alternative broker has assumed in order to infer the break down for the other broker.

A summary of the broker forecasts for Latitude Financial Group as at 11 May 2022 is provided as follows.

Latitude Broker Forecast Net Interest Income, Non-Interest Income, Total Operating Income ($ million)

		Net Interest Income					Non-Interest Income					Total Operating Income				
Broker	Date of report	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Broker 1	27-Apr-22	772.1	869.0	1,063.0	1,126.0	1,186.0	54.6	69.0	78.0	82.0	86.0	826.6	938.0	1,141.0	1,208.0	1,272.0
Broker 2	27-Apr-22	772.1	874.0	968.0	979.0		54.6	55.0	50.0	45.0		826.6	929.0	1,018.0	1,024.0	
Low		**772.1**	**869.0**	**968.0**	**979.0**	**1,186.0**	**54.6**	**55.0**	**50.0**	**45.0**	**86.0**	**826.6**	**929.0**	**1,018.0**	**1,024.0**	**1,272.0**
High		**772.1**	**874.0**	**1,063.0**	**1,126.0**	**1,186.0**	**54.6**	**69.0**	**78.0**	**82.0**	**86.0**	**826.6**	**938.0**	**1,141.0**	**1,208.0**	**1,272.0**
Median		**772.1**	**871.5**	**1,015.5**	**1,052.5**	**1,186.0**	**54.6**	**62.0**	**64.0**	**63.5**	**86.0**	**826.6**	**933.5**	**1,079.5**	**1,116.0**	**1,272.0**
Mean		**772.1**	**871.5**	**1,015.5**	**1,052.5**	**1,186.0**	**54.6**	**62.0**	**64.0**	**63.5**	**86.0**	**826.6**	**933.5**	**1,079.5**	**1,116.0**	**1,272.0**

Source: Brokers' reports, Kroll analysis.

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Latitude Broker Forecast Risk Adjusted Income (RAI), Operating Profit (after Net Charge Offs), Profit Before Tax ($ million)

Broker	Date of report	Risk adjusted income (RAI) 2021	2022	2023	2024	2025	Operating profit (after net charge offs) 2021	2022	2023	2024	2025	Profit before tax (after provisions) 2021	2022	2023	2024	2025
Broker 1	27-Apr-22	677.1	766.0	920.0	951.0	983.0	290.0	291.0	399.0	465.0	497.0	323.3	282.0	381.0	432.0	457.0
Broker 2	27-Apr-22	677.1	747.0	816.4	820.2		290.0	288.6	392.7	458.5		323.3	280.0	378.0	435.9	
Low		**677.1**	**747.0**	**816.4**	**820.2**	**983.0**	**290.0**	**288.6**	**392.7**	**458.5**	**497.0**	**323.3**	**280.0**	**378.0**	**432.0**	**457.0**
High		**677.1**	**766.0**	**920.0**	**951.0**	**983.0**	**290.0**	**291.0**	**399.0**	**465.0**	**497.0**	**323.3**	**282.0**	**381.0**	**435.9**	**457.0**
Median		**677.1**	**756.5**	**868.2**	**885.6**	**983.0**	**290.0**	**289.8**	**395.9**	**461.7**	**497.0**	**323.3**	**281.0**	**379.5**	**434.0**	**457.0**
Mean		**677.1**	**756.5**	**868.2**	**885.6**	**983.0**	**290.0**	**289.8**	**395.9**	**461.7**	**497.0**	**323.3**	**281.0**	**379.5**	**434.0**	**457.0**

Source: Brokers' reports, Kroll analysis.

Latitude Broker Forecast Income Tax Expense and Cash NPAT ($ million)

Broker	Date of report	Income Tax Expense 2021	2022	2023	2024	2025	Cash NPAT 2021	2022	2023	2024	2025
Broker 1	27-Apr-22	(91.1)	(76.0)	(103.0)	(117.0)	(124.0)	232.2	206.0	278.0	315.0	333.0
Broker 2	27-Apr-22	(91.1)	(69.0)	(98.0)	(115.9)		232.2	211.0	280.0	320.0	
Low		**(91.1)**	**(76.0)**	**(103.0)**	**(117.0)**	**(124.0)**	**232.2**	**206.0**	**278.0**	**315.0**	**333.0**
High		**(91.1)**	**(69.0)**	**(98.0)**	**(115.9)**	**(124.0)**	**232.2**	**211.0**	**280.0**	**320.0**	**333.0**
Median		**(91.1)**	**(72.5)**	**(100.5)**	**(116.5)**	**(124.0)**	**232.2**	**208.5**	**279.0**	**317.5**	**333.0**
Mean		**(91.1)**	**(72.5)**	**(100.5)**	**(116.5)**	**(124.0)**	**232.2**	**208.5**	**279.0**	**317.5**	**333.0**

Source: Brokers' reports, Kroll analysis.

Latitude Broker Forecast Volume, Gross Loan Receivables, Average Gross Receivables (AGR)

Broker	Date of report	Volume 2021	2022	2023	2024	2025	Gross Loan Receivables 2021	2022	2023	2024	2025	Average Gross Receivables (AGR) 2021	2022	2023	2024	2025
Broker 1	27-Apr-22	7,337.0	8,907.0	11,079.0	11,980.0	12,494.0	6,352.1	8,492.0	8,881.0	9,480.0	10,105.0	6,405.1	7,381.0	8,670.0	9,179.0	9,791.0
Broker 2	27-Apr-22						6,352.1	7,993.0	8,114.0	8,195.0		6,405.1	7,429.0	8,064.0	8,154.0	
Low		**7,337.0**	**8,907.0**	**11,079.0**	**11,980.0**	**12,494.0**	**6,352.1**	**7,993.0**	**8,114.0**	**8,195.0**	**10,105.0**	**6,405.1**	**7,381.0**	**8,064.0**	**8,154.0**	**9,791.0**
High		**7,337.0**	**8,907.0**	**11,079.0**	**11,980.0**	**12,494.0**	**6,352.1**	**8,492.0**	**8,881.0**	**9,480.0**	**10,105.0**	**6,405.1**	**7,429.0**	**8,670.0**	**9,179.0**	**9,791.0**
Median		**7,337.0**	**8,907.0**	**11,079.0**	**11,980.0**	**12,494.0**	**6,352.1**	**8,242.5**	**8,497.5**	**8,837.5**	**10,105.0**	**6,405.1**	**7,405.0**	**8,367.0**	**8,666.5**	**9,791.0**
Mean		**7,337.0**	**8,907.0**	**11,079.0**	**11,980.0**	**12,494.0**	**6,352.1**	**8,242.5**	**8,497.5**	**8,837.5**	**10,105.0**	**6,405.1**	**7,405.0**	**8,367.0**	**8,666.5**	**9,791.0**

Source: Brokers' reports, Kroll analysis.

Latitude Broker Forecast Cost-to-income Ratio, ROE and ROTE

Broker	Date of report	Cost-to-income Ratio 2021	2022	2023	2024	2025	ROE 2021	2022	2023	2024	2025	ROTE 2021	2022	2023	2024	2025
Broker 1	27-Apr-22	46.8%	48.6%	42.4%	38.4%	37.7%	24.1%	12.1%	15.1%	16.9%	17.7%	50.9%	35.8%	42.7%	47.3%	48.4%
Broker 2	27-Apr-22	46.8%	56.6%	48.6%	43.0%		24.1%	13.7%	18.0%	19.9%		50.9%	41.8%	55.6%	58.8%	
Low		**46.8%**	**48.6%**	**42.4%**	**38.4%**	**37.7%**	**24.1%**	**12.1%**	**15.1%**	**16.9%**	**17.7%**	**50.9%**	**35.8%**	**42.7%**	**47.3%**	**48.4%**
High		**46.8%**	**56.6%**	**48.6%**	**43.0%**	**37.7%**	**24.1%**	**13.7%**	**18.0%**	**19.9%**	**17.7%**	**50.9%**	**41.8%**	**55.6%**	**58.8%**	**48.4%**
Median		**46.8%**	**52.6%**	**45.5%**	**40.7%**	**37.7%**	**24.1%**	**12.9%**	**16.6%**	**18.4%**	**17.7%**	**50.9%**	**38.8%**	**49.2%**	**53.1%**	**48.4%**
Mean		**46.8%**	**52.6%**	**45.5%**	**40.7%**	**37.7%**	**24.1%**	**12.9%**	**16.6%**	**18.4%**	**17.7%**	**50.9%**	**38.8%**	**49.2%**	**53.1%**	**48.4%**

Source: Brokers' reports, Kroll analysis.

Humm Group

Humm Group has also not released earnings guidance. In order to provide an indication of the expected future financial performance of Humm Group, Kroll has also considered broker forecasts. As far as Kroll is aware, Humm Group is followed by four brokers. The four brokers included have published reports following the release of the 1H22 financial results.

Of the four brokers that have published forecasts since the release of the 1H22 financial results:

- two brokers have provided forecasts for FY25, whilst only one broker has provided forecasts for FY26;
- two brokers have included the $181.2 million impairment of intangible assets in its EBIT measures, arising from the structural shift from credit cards to debit cards and the reduction of interest-bearing balances caused by COVID-19. Kroll has therefore excluded the impairment of intangible assets impacts on the respective brokers; and
- one of the four brokers reported EBIT estimates on a cash basis, whilst also disclosing Total Revenue to be net of origination expenses. As such, Kroll has respectively made the corresponding adjustment to account for a statutory EBIT and to also exclude origination expenses to account for Gross Revenue earned.

A summary of the broker forecasts for Humm Group as at 11 May 2022 is provided as follows.

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Humm Group Broker Forecast Total Income, and Reported NPAT ($ million)

	Date of report	Total Revenue				Reported NPAT				Cash NPAT			
		FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
Broker 1	21-Feb-22	443.9	491.8	558.5	607.5	60.1	51.8	65.2	74.0	68.4	55.2	68.6	77.4
Broker 2	7-Mar-22	443.9	463.0	537.0	614.0	60.1	46.9	44.3	55.1	68.4	46.9	46.9	57.7
Broker 3	22-Feb-22	443.9	484.0	614.0	730.0	60.1	46.0	60.1	83.9	68.4	48.1	62.2	86.0
Broker 4	29-Mar-22	443.9	463.7	562.2	630.9	60.1	45.8	53.3	67.1				
Low		**443.9**	**463.0**	**537.0**	**607.5**	**60.1**	**45.8**	**44.3**	**55.1**	**68.4**	**46.9**	**46.9**	**57.7**
High		**443.9**	**491.8**	**614.0**	**730.0**	**60.1**	**51.8**	**65.2**	**83.9**	**68.4**	**55.2**	**68.6**	**86.0**
Median		**443.9**	**473.9**	**560.4**	**622.5**	**60.1**	**46.5**	**56.7**	**70.6**	**68.4**	**48.1**	**62.2**	**77.4**
Mean		**443.9**	**475.6**	**567.9**	**645.6**	**60.1**	**47.6**	**55.7**	**70.0**	**68.4**	**50.1**	**59.2**	**73.7**

Source: Brokers' reports, Kroll analysis.

Humm Group Broker Forecast Net Debt / Equity, Cash NPAT Margin , and Cash ROE

	Date of report	Net Debt / Equity				Cash NPAT Margin				Cash ROE			
		FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
Broker 1	21-Feb-22	2.9x	3.7x	4.0x	4.3x	15.4%	11.2%	12.3%	12.7%	10.2%	7.2%	8.6%	9.3%
Broker 2	7-Mar-22	2.9x	4.3x	4.6x	4.8x	15.4%	10.1%	8.7%	9.4%	10.2%	6.8%	6.9%	8.6%
Broker 3	22-Feb-22	2.9x	3.8x	4.7x	5.0x	15.4%	9.9%	10.1%	11.8%	10.2%	6.2%	7.8%	10.2%
Broker 4	29-Mar-22	2.9x	5.1x	5.6x	5.6x								
Low		**2.9x**	**3.7x**	**4.0x**	**4.3x**	**15.4%**	**9.9%**	**8.7%**	**9.4%**	**10.2%**	**6.2%**	**6.9%**	**8.6%**
High		**2.9x**	**5.1x**	**5.6x**	**5.6x**	**15.4%**	**11.2%**	**12.3%**	**12.7%**	**10.2%**	**7.2%**	**8.6%**	**10.2%**
Median		**2.9x**	**4.1x**	**4.7x**	**4.9x**	**15.4%**	**10.1%**	**10.1%**	**11.8%**	**10.2%**	**6.8%**	**7.8%**	**9.3%**
Mean		**2.9x**	**4.2x**	**4.8x**	**4.9x**	**15.4%**	**10.4%**	**10.4%**	**11.3%**	**10.2%**	**6.7%**	**7.8%**	**9.4%**

Source: Brokers' reports, Kroll analysis.

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Humm Group Broker Forecast Cash ROA, Cash EPS, and DPS

	Date of report	Cash ROA				Cash EPS (¢)				DPS (¢)			
		FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
Broker 1	21-Feb-22	2.2%	1.5%	1.6%	1.7%	13.8	11.2	13.9	15.6	-	5.7	7.0	7.9
Broker 2	7-Mar-22	2.2%	1.4%	1.3%	1.5%	13.8	9.5	9.3		-	3.4	3.3	3.9
Broker 3	22-Feb-22	2.2%	1.3%	1.5%	1.7%	13.8	10.0	13.0	17.0	-	3.0	4.0	6.0
Broker 4	29-Mar-22									-	1.7	3.4	3.4
Low		**2.2%**	**1.3%**	**1.3%**	**1.5%**	**13.8**	**9.5**	**9.3**	**15.6**	**-**	**1.7**	**3.3**	**3.4**
High		**2.2%**	**1.5%**	**1.6%**	**1.7%**	**13.8**	**11.2**	**13.9**	**17.0**	**-**	**5.7**	**7.0**	**7.9**
Median		**2.2%**	**1.4%**	**1.5%**	**1.7%**	**13.8**	**10.0**	**13.0**	**16.3**	**-**	**3.2**	**3.7**	**5.0**
Mean		**2.2%**	**1.4%**	**1.5%**	**1.6%**	**13.8**	**10.2**	**12.1**	**16.3**	**-**	**3.5**	**4.4**	**5.3**

Source: Brokers' reports, Kroll analysis.

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Appendix 4 – Market Evidence

Comparable companies

The following table sets out the trading multiples for the comparable companies to Humm Group and Latitude, as at 11 May 2022.

Comparable Consumer Finance Companies Analysis[1]

Company Name	Market Cap[2] (A$ millions)	Free Float (%)	Price / Earnings Multiples (times)[3] 2021	2022	2023	2024	Price / Book Multiples (times) 2021	2022	2023	2024	Return on Equity (%)[4]	NTA Multiple (times)[5]
ANZ												
Latitude Financial (pre)	2,040.6	27.9	8.8	8.9	7.9	6.3	1.3	1.4	-	-	24.2	3.9
Latitude Financial (post)	2,294.3	27.9	8.2	10.3	7.7	6.8	1.2	1.2	1.2	1.1	32.0	3.0
Judo	1,796.5	59.8	na	48.5	19.5	16.0	1.3	1.3	1.2	1.1	nmf	1.3
Liberty Financial	1,518.0	15.4	6.6	6.5	6.5	7.0	1.4	1.3	1.2	1.2	21.8	1.9
Pepper Money	839.8	37.3	5.9	5.6	5.2	5.1	1.3	1.1	1.0	0.9	20.7	1.5
Eclipx Group	800.5	99.0	-	11.2	12.0	11.7	1.2	1.2	1.1	1.0	-	nmf
SG Fleet Group	820.8	30.5	15.4	11.1	10.4	9.6	1.6	1.7	1.6	1.5	13.0	nmf
Resimac	590.9	26.9	5.5	5.7	4.9	4.6	1.6	1.5	1.2	1.0	33.3	1.9
Money3 Corporation	513.0	82.4	11.4	9.1	8.4	8.6	1.4	-	-	-	13.6	1.6

Source: S&P Capital IQ, Bloomberg, Refinitiv, Company financial statements; Kroll analysis

Note:

1. The companies presented report on multiple year-ends, and therefore, the data presented for each company is the most recent historical annual result for the most previous year and three subsequent financial years.
2. Market capitalisation as at 11 May 2022. Calculated as share price in A$ multiplied by the diluted number of shares outstanding.
3. Price / Earnings is defined as the price-to-earnings ratio, calculated as the share price as of 11 May 2022 divided by the total Cash NPAT.
4. Return on Equity is calculated as the total Cash NPAT as at 31 December 2021, divided by the average shareholders' equity over the historical two year period.
5. Represents latest share price divided by net tangible assets per security as at 31 December 2021.

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The following tables sets out the key descriptive information and operating metrics for BNPL and consumer finance groups.

Consumer Finance Group Descriptions

Company Name	Geographies Serviced	Products	Account Limit
ANZ			
Latitude Financial (pre)	ANZ, Canada and Singapore	BNPL, loans, credit cards	>A$3,000
Latitude Financial (post)	ANZ, Singapore, Ireland, Canada and the UK	BNPL, loans, credit cards	A$30,000
Judo	Australia	Business loans, asset finance, home loans, lines of credit	-
Liberty Financial	ANZ	Personal loans, home Loans, car loans, commercial and business loans, SMSF loans	A$80,000
Pepper Money	ANZ	Vehicle finance, mortgage finance, personal loans	A$5,000
Eclipx Group	Australia	Vehicle fleet management, vehicle leasing, commercial vehicle commissioning and management, salary packagin	-
SG Fleet Group	ANZ and the UK	Vehicle fleet management, vehicle leasing, short-term hire, consumer vehicle finance, salary packaging services	-
Resimac	ANZ	SME commercial finance product, home loans and car loans	A$5,000
Money3 Corporation	ANZ	Consumer vehicle finance, personal loans (Money3, Automotive Financial Services, Go Car Finance)	A$12,000

Source: S&P Capital IQ, company financial statements; Kroll analysis

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Australia & New Zealand

Latitude Financial Group Holdings Limited

Latitude provides personal loans, new and used car loans, credit cards and insurance within Australia and New Zealand region. Consisting of 2.8 million customers accounts and 3,400 merchant partners in FY21, Latitude Financial aims to grow its core consumer finance business by scale, whilst also growing its BNPL and interest-free instalment products for consumers and partners.

Judo Capital Holdings Limited

Judo is Australia's only bank dedicated to lending to Small and Medium Enterprises (SMEs). Operating as a relationship-centric model, Judo operates as a relationship banking service to the SME economy, boasting its highly capable and personalised relationship banker services. Judo's lending products are originated and distributed to SME customers via a broker, through direct and third-party channels.

Liberty Financial Group Limited

Liberty Financial provides specialty lending, finance and insurance brokering, receivables servicing, consumer insurance underwriting, real estate and funds management services within the Australian and New Zealand region. During FY21, Liberty Financial experienced a 17% increase in new assets originated, whilst also experiencing an 18% growth in net revenue to $600 million.

Pepper Money Limited

Pepper Money is one of Australia and New Zealand's largest non-bank lenders, operating within the mortgage and asset finance markets in Australia and New Zealand. Serving underserved segments within the market, Pepper Money provides Mortgages, Asset Finance and ongoing management and administration for loan portfolios owned by third parties (Non-Bank Lenders and ADIs). As of CY2021, Pepper Money experienced its highest pro-forma NPAT of $141.9m, implying a 34% growth to the previous period. Customer growth of approximately 48% for the CY2021 period, along with mortgage origination and asset finance growth of 89% and 70% compared to the previous period. Pepper Money also serves to be the largest electric vehicle lender within the Australian market.

SG Fleet Group Limited

SG Fleet Group Limited (**SG Fleet Group**) provides motor vehicle fleet management, vehicle leasing, short-term hire, consumer vehicle finance, and salary packaging services in Australia, New Zealand, and the United Kingdom. On September 2021, the company announced it had acquired LeasePlan Australia and New Zealand (LeasePlan ANZ), which also provides vehicle leasing and fleet management services in Australia. The acquisition significantly expanded the company, bringing SG Fleet Group's vehicles under management to approximately 250,000. LeasePlan ANZ contributed 38.3% of total revenues and 27.3% of reported net profit after tax in 1H22. The contribution from LeasePlan ANZ is not reflected in SG Fleet Group's EV/EBITDA and P/E multiples for FY21. The relatively high P/E multiple for SG Fleet Group may be reflective of significant annuity-style income from the company's lease portfolio (representing 45.5% of net income in 1H22) and a strong order pipeline which almost doubled in FY21. Due to its high focus on vehicle leasing and management services, it is a poor peer comparison to HCF and Latitude.

Eclipx Group Limited

Eclipx Group provides motor vehicle fleet leasing and management services and novated leasing services in Australia and New Zealand. The company operates in three segments: Australia Commercial, Novated, and New Zealand Commercial. The company provides its services under the FleetPlus, FleetPartners, and FleetChoice brands. The company performed strongly in FY21, experiencing 32.0% growth in net operating income including provisions and end-of-lease income, largely driven by margin expansion and growth in end-of-lease income. Similar to SG Fleet Group, Eclipx Group's relatively high P/E multiple to the presented peers may reflect significant annuity-style income and a strong order pipeline, which as of 30 September 2021 was over two times pre-COVID levels in the company's novated and corporate segments. Due to its high focus on vehicle leasing and management services, it is a poor peer comparison to HCF and Latitude.

Resimac Group Limited

Resimac (formerly known as Homeloans Limited) is a non-bank financial institution which provides residential mortgage and asset finance lending solutions in Australia and New Zealand. Resimac provides its products and services through brokers and white-label partners, as well as direct-to-customer consumer channel primarily under the Resimac and State Custodians brands. Resimac grew AUM

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significantly by 13.0% in 1H22, however, growth in interest income was subdued at 1.8% due to lower net interest margins due to the run-off of its higher yield back book and a competitive pricing environment for new loans, partially offset by lower funding costs.

Money3 Corporation Limited

Money3 Corporation provides vehicle loans, personal loans and commercial lending to both individuals and SMEs within the ANZ region. Money3 has experienced a robust 38.5% growth in its loan book during FY21, potentially arising from its recent acquisition of Automotive Financial Services. Money 3 also experienced FY21 EBITDA and Net Profit After Tax growth of 64.8% and 76.6% respectively, likely justifying its high price to earnings multiple. High consumer demand for financing the purchase of new or used vehicles and leisure products such as caravans is also likely embedded in forecast multiples presented. Money3 Corporation also boasts a revenue CAGR of 26% from the periods FY16 to FY21.

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Comparable Transactions

The following two tables set out the key comparable BNPL and consumer finance transactions.

The follow table sets out key comparable consumer finance transactions.

Comparable Consumer Finance Transactions

`	Target	Acquirer	Percentage Acquired	Total Transaction Value[1] (A$ million)	Price / Earnings[2] (times)	Price / NTA[3] (times)
Dec-21	SocietyOne Australia Pty. Ltd.	MoneyMe Limited	100.0%	144.5	48.2	5.2
Nov-21	Judo Bank (IPO)	-	-	653.0	nmf	1.7
Aug-21	Symple Loans Pty Ltd	Latitude Group Holdings Limited	100.0%	188.1	-	9.7
Aug-21	Consumer business of Citigroup Pty Ltd	National Australia Bank Limited	100.0%	1,200.0	8.3	1.3
Apr-21	Latitude Group Holdings (IPO)	-	-	200.0	11.6	4.1
May-21	Pepper Money Limited (IPO)	-	-	500.1	11.9	2.8
Jun-20	UDC Finance Limited	Shinsei	100.0%	609.1	10.7	1.2
Jul-17	Pepper Money Limited	KKR	100.0%	635.1	10.4	1.7
Oct-15	Fisher & Paykel Finance Limited	FlexiGroup Limited[4]	100.0%	296.6	9.9	3.2

Source: S&P Capital IQ, Company financial statements; Kroll analysis

Notes:

1. Defined as the total consideration transferred. Foreign currency transactions are translated to A$ at the predefined exchange rate as at the time of the transaction announcement.
2. Price-to-earnings multiple is defined as gross considerations divided by earnings. The definition of earnings varies slightly per transaction, but generally excludes amortisation of intangibles and significant items. Historical P/E multiples are based on last FY earnings, while the forward P/E multiples are based on estimated next FY earnings.
3. Price / NTA is defined as Price-to-Net Tangible Assets.
4. Currently trading as Humm Group Limited.

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The following table sets out key comparable BNPL transactions.

Comparable BNPL Transactions

Announcement Date	Target	Acquirer	Percentage Acquired	Total Transaction Value (A$ million)	Price / NTA (times)	EV / Annualised GMV[1] (times)
Sep-21	Paidy Inc.	PayPal Holdings Inc.	100.0%	3,528.9	-	1.8
Aug-21	Afterpay Limited	Square Inc[2]	100.0%	37,346.4	33.8	1.6
Jul-21	Sezzle Inc.	Discover Financial Services	2.2%	40.3	10.6	0.8
Jun-21	Klarna Bank AB	Various investors	1.4%	825.0	46.7	0.6
Feb-21	Afterpay US, Inc.	Afterpay Limited	13.0%	1,212.1	-	1.1
Dec-20	PayBright Inc.	Affirm Canada Holdings Ltd.	100.0%	354.8	-	-
Jun-20	Quadpay Inc.	Zip Co Limited	86.0%	403.4	-	1.1

Source: S&P Capital IQ, Company financial statements; Afterpay Scheme Booklet; Kroll analysis

Notes:

1. EV / Annualised GMV is defined as enterprise value divided by gross merchandise value (**GMV**) calculated on an annualised basis.
2. Currently trading as Block Inc.

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Consumer Finance

SocietyOne Australia Pty Ltd. / MoneyMe Limited

On 17 December 2021, MoneyMe Limited (**MoneyMe**) entered into a merger implementation agreement to acquire a 100% stake in SocietyOne Australia Pty Ltd. (**SocietyOne**) for A$130 million. SocietyOne operates as an online lending marketplace that connects borrowers and investors for loans in Australia. SocietyOne's differentiated customer base with approximately 25,000 active loan customers as of the time of the transaction complements MoneyMe's lending base, to be the leading digital consumer lenders in Australia. The acquisition's implied price-to-earnings of 48.6 times likely reflects a 72% increase in Gross Receivables as of November 2021, and an approximate 145% increase in the number of loan and credit score customers in the merged entity, from approximately 60,000 customers on a standalone basis for MoneyMe to a total of approximately 147,000 customers on a post-acquisition basis.

Judo Bank Initial Public Offering

On 1 November 2021, Judo had officially listed on the ASX by way of an initial public offering, raising approximately A$653 million (313.5 million shares at an offer price of $2.10 per share). In the three months to 30 September 2021, Judo Bank' lending portfolio grew by 17.9% on an aggregate basis, suggesting robust growth underpinned by its relationship-centric model.

Symple Loans Pty Ltd / Latitude Group Holdings Limited

On 9 August 2021, Latitude Group Holdings Limited (**Latitude**) agreed to acquire 100% of Symple Loans Pty Ltd for approximately A$190 million. The transaction rationale was to allow Latitude to tap into the $11 billion personal loan market, with an already 12% share of the market and the fourth-largest personal lender at the time of the transaction. An estimated A$28 million cost synergies are to arise from Latitude decommissioning its old technology systems and leveraging Symple's technology for its existing car loan and personal loan business.

The acquisition suggests a price multiple of 37 times to Symple's 2021 revenue, and price-to-book of 9.7 times, potentially to be explained by the growth upside in Symple's loan book.

Australian consumer business of Citigroup Pty Ltd / National Australia Bank Limited

On 9 August 2021, National Australia Bank Limited (**NAB**) entered into a sale and purchase agreement to acquire a 100% stake in Citigroup Pty Ltd's (**Citi**) Australian consumer business for A$1.2 billion. Citi's Australian consumer business consists of 1.4m customers and A$7.9 billion of home loans, consisting of 47% of the estimated 400,000 mortgage customers to be within the mature and affluent suburbs category, suggesting a high quality and low mortgage book. The transaction rationale at the time was to support NAB's strategic ambition to build a robust personal bank with the opportunity to offer cross-selling opportunity to Citi's consumer business customers.

Latitude Group Holdings Initial Public Offering

On 22 April 2021, Latitude Financial had officially listed on the ASX by way of an initial public offering, raising approximately A$200 million (76.9 million shares at an offer price of $2.60 per share). Positioning itself to grow as a disruptor in both instalments and lending, Latitude's presence within markets outside of the ANZ region pose as an opportunity to scale, developing its instalments offerings in Asian markets whilst also penetrating BNPL and Interest-free instalment financings via Latitude Pay and Latitude GO at the time of the transaction.

Pepper Money Initial Public Offering

On 25 May 2021, Pepper Money had officially listed on the ASX by way of an initial public offering, raising approximately A$500.1 million (73.2 million shares at an offer price of $2.89 per share). At the time of the transaction, Pepper Money Finance favoured itself to be one of the largest Non-Bank lenders in the ANZ Mortgage and Asset Finance markets, boasting assets under management and Pro Forma NPAT growth of 10% and 82% respectively from CY18 to CY20. Of the $2.16 trillion total addressable lending market within the ANZ mortgage market, Pepper Money holds a market share of approximately 0.5%, with ample

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headroom to target underserved customers by leveraging its 20+ years of customer and transactional insights.

UDC Finance Limited / Shinsei Bank Limited

On 2 June 2020, ANZ Bank New Zealand Limited agreed to sell a 100% stake of its asset finance business, UDC Finance Limited (**UDC Finance**), to Shinsei Bank Limited (**Shinsei Bank**) for A$609.1 million. Shinsei Bank's acquisition of UDC Finance directly complements Shinsei Bank's overseas strategy of targeting the Asia Pacific Oceania region, to be reasoned under expectations of steady economic growth. UDC Finance was the Number 1 non-bank in New Zealand by loan assets (a loan asset book of NZ$3.35b, 1.98 times its second competitor Latitude, of approximately NZ$1.7b). The acquisition is expected to additionally provide Shinsei Bank with geographical diversification benefits.

Pepper Money Finance / KKR Credit Advisors (US) LLC

On 10 August 2017, KKR Credit Advisors (US) LLC (**KKR**) entered into a scheme implementation deed to acquire a 100% stake in Pepper Group Limited (now known as Pepper Money Finance) for $624.2 million. Shareholders at the time of the transaction were entitled to choose either a $3.60 per share cash payment, or enter into a scrip transaction whereby existing shareholders retained equity interest in the bidding vehicle. KKR's strategic rationale at the time of the transaction was to gain further exposure to Australia's $1.7 trillion mortgage market, supported by low delinquency rates and robust commissions on financing.

Fisher & Paykel Finance Limited / Flexigroup limited

On 27 October 2015, Flexigroup Limited (now known as hummgroup) entered into an agreement to acquire 100% of Fisher & Paykel Finance Limited (**FPF**) for approximately A$315 million (A$250 million cash upfront and a further $65 million in preferred notes). FPF is a leading provider of non-bank consumer credit in New Zealand, with 430,000 active carderholders and receivables worth NZ$662 million as of the time of the transaction. Flexigroup's brand ownership of Q Card and Farmers Finance card comprises 21% of New Zealand credit card holders, accepted by greater than 12,000 merchants across New Zealand.

Flexigroup's offer of A$2.20 per share suggests a 13.5% discount to the last closing price of $2.55 per share. The transaction implies a price-to-earnings multiple of 9.9 times and a price-to-NTA of 3.2 times.

BNPL

Paidy Inc. / PayPal Holdings Inc.

On 8 September 2021, PayPal agreed to acquire Paidy Inc. (**Paidy**) from Lee Smith, Russell Cummer and MUFG Bank, Ltd. for approximately $3.5 billion. The consideration will include payment in cash and assumed restricted stock and restricted stock units. PayPal's acquisition of Paidy enables direct exposure into the Japanese BNPL market, whilst providing the option to explore further capabilities in Japan.

Paidy's payment services allow Japanese shoppers to make purchases online, and then pay for them each month in a consolidated bill at a convenience store or via bank transfer. Paidy's 3-Pay monthly instalment offering has driven strong engagement with its more than 6 million registered users at the time of the transaction, helping establish strategic relationships with leading global brands and online marketplaces.

Afterpay Limited / Square Inc

On 2 August 2021, Square Inc. (**Square**) entered into a scheme implementation deed to acquire Afterpay for approximately A$39 billion. Consisting of 3.4 million customers in the ANZ region, Afterpay had penetrated roughly 14% of the ANZ market. The high price / NTA and EV / Annualised GMV multiples implied by the transaction reflects Afterpay's position as a leading BNPL provider in ANZ and globally, Afterpay's very high growth rates, potential synergies with Square's Cash App payments product and high valuations placed on high growth BNPL companies generally at the time of the acquisition.

Sezzle Inc. / Discover Financial Services

On 15 July 2021, Discover Financial Services (**Discover Financial**) entered into a purchase agreement to acquire 2.2% of Sezzle Inc. Sezzle is a BNPL company operating in the United States and Canada. At the

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time of acquisition, Sezzle had 40,274 active merchants, representing year on year growth of 150% compared to the pcp.

Klarna / Various Investors

On 10 June 2021, Klarna announced that it had received US$639 million (A$825 million) in equity funding investors led by SoftBank Vision Fund 2, implying a post-money valuation of US$45.6 billion (A$55.7 billion). The high price / NTA multiple of 46.7x reflects a very high annualised GMV (A$97.6 billion) relative to net tangible assets of A$1.2 billion.

Afterpay U.S. / Afterpay

On 25 February 2021, Afterpay entered into an agreement with Matrix Partners X, L.P and Weston & Co X LLC and launched a tender offer to increase its interest in Afterpay US, Inc. (**Afterpay US**) from 80% to approximately 93%. The transaction implied an acquisition price that valued Afterpay US at 28% of Afterpay's total market capitalisation at the time, being A$33.3 billion.

PayBright Inc. / Affirm Canada Holdings Ltd.

On 3 December 2020, Affirm entered into a definitive agreement to acquire PayBright Inc. (**Paybright**) from goeasy Ltd for $354.8 million in cash and 6.2 million class A common stock, which includes 2.5 million shares issued in escrow and subject to forfeiture if certain revenue milestones are not met.

Paybright is one of Canada's leading BNPL providers of instalment payment plans for e-commerce and in-store purchases, with greater than 7,000 merchant partnerships. Paybright's instalment plans range from four bi-weekly interest-free payments for smaller purchases, and up to 60 months for larger purchases. The strategic rationale for the acquisition arises from the unity of two innovators with complementary merchant relationships, ultimately creating a payment solutions platform with better scale and reach. Paybright's first-mover advantage in Canada provides Affirm with the opportunity to expand.

Quadpay Inc. / Zip Co Limited

On 2 June 2020, Zip entered into an agreement to acquire the remaining 86% stake in Quadpay, Inc. (**Quadpay**) for a maximum of 119 million Zip shares (representing a consideration of A$403.4 million based on Zip's 15-day VWAP of $3.39 as of 29 May 2020), implying an enterprise value for QuadPay of A$469.1 million. Zip's acquisition of Quadpay allows for an acceleration to Zip's global expansion strategy in the U.S. via Quadpay, a leading and high growth U.S. instalment provider at the time of the transaction. Quadpay experienced a monthly CAGR of 16% and 17% respectively for its customer numbers and monthly total transaction value respectively, with 1.5 million customers on the platform and over 3,500 merchants live or signed at the time of the transaction.

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Part Two – Financial Services Guide

What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;
- how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and
- details of how you can make a complaint about us or the financial services we provide.

Who we are?

Kroll Australia Pty Ltd. (ACN 116 738 535) ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Humm Group Limited ('Client") to prepare an independent expert's report ("Report") in connection with the proposed sale of Client's consumer finance business to Latitude Group Holdings Limited. Humm Group will provide our Report to you.

Our details

Kroll Australia Pty Ltd
Level 32, 85 Castlereagh St
SYDNEY
NSW 2000
www.kroll.com
Ph: 02 8286 7200

Our Authorised Representative

Ian Jedlin
ASIC authorised representative: No. 000404117
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
  - interests in managed investment schemes including investor directed portfolio services; and
  - shares,
  - with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll $275,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial

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creditor of, the Client or has other material financial interests in the transaction.

Complaint Redressal

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer
Millinium Capital Managers Limited
GPO Box 615
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:

https://www.afca.org.au/make-a-complaint
Telephone
1300 56 55 62 (local call rate)
Email
info@afca.orga.au
Website
www.afca.org.au

Please note that AFCA can currently only deal with claims for compensation up to $1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

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ANNEXURE 4: SCHEME

Scheme of Arrangement

—

Humm Group Limited ACN 122 574 583
Scheme Shareholders

—

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Melbourne Vic 3000 Australia DX 204 Melbourne
T +61 3 8608 2000 F +61 3 8608 1000
minterellison.com

MinterEllison.

ME_197622776_1

Scheme of Arrangement

Humm Group Limited ACN 122 574 583

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Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

Humm Group Limited ACN 122 574 583 of Level 1, 121-127 Harrington Street, The Rocks NSW 2000 (**Humm**)

and

Each Scheme Shareholder

Agreed terms

1. Defined terms & interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Business Day means a day that is not a Saturday, Sunday, public holiday or bank holiday in Victoria or New South Wales, Australia.

Capital Reduction Amount means the amount of the share capital of Humm that is to be reduced in accordance with the Humm Capital Reduction Resolution, calculated as follows:

A = [LVWAP x NCS] + Cash Consideration

where:

(a) 'A' means the Capital Reduction Amount;

(b) 'Business Day' (for the purpose of this definition only) has the meaning given in the Listing Rules;

(c) 'LVWAP' means the VWAP (as defined in the Listing Rules) of Latitude Shares for the 5 Business Days ending on the last Business Day before the Scheme Record Date;

(d) 'NCS' means the total number of Consideration Shares or such lesser number of such Consideration Shares as Humm determines; and

(e) 'Cash Consideration' has the meaning given in the Share Sale Agreement.

Cash Entitlement in respect of a Scheme Shareholder means the total amount of the Cash Consideration multiplied by the following factor:

NOS/TS,

rounded down to the nearest whole cent.

Consideration Shares means not more than 150 million Latitude Shares that Humm receives by way of issue under the Share Sale Agreement (or such higher number of Latitude Shares if there is an adjustment to the number of Consideration Shares in accordance with the Share Sale Agreement).

Consideration Share Entitlement in respect of a Scheme Shareholder means the total number of Consideration Shares multiplied by the following factor:

NOS/TS,

rounded down the nearest whole number of Consideration Shares.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed in writing between Humm and Latitude.

Delivery Time means 8.00am on the Second Court Date.

Distribution Entitlement means, in respect of a Scheme Shareholder (other than an Ineligible Shareholder), an amount equal to the Capital Reduction Amount multiplied by the following factor:

NOS/TS.

Effective means the coming into effect under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act, in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme become Effective.

Foreign Scheme Shareholder means a Scheme Shareholder whose Registered Address is a place outside of:

(a) Australia or its external territories;

(b) New Zealand; and

(c) any other jurisdictions as may be agreed in writing by Humm and Latitude.

Humm Capital Reduction has the meaning given to it in the Scheme Implementation Deed.

Humm Capital Reduction Resolution has the meaning given to it in the Scheme Implementation Deed.

Humm Holder means the holder of the Consideration Shares on the Implementation Date immediately prior to implementation of the Scheme (being Humm, an Australian incorporated wholly-owned subsidiary of Humm or another entity which has been agreed in writing between Humm and Latitude).

Humm Share Register means the register of members of Humm maintained by or on behalf of Humm in accordance with the Corporations Act.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other Business Day after the Scheme Record Date agreed to in writing between the relevant parties to the Scheme Implementation Deed.

Ineligible Shareholder means either a Foreign Scheme Shareholder or a Small Shareholder.

Latitude means Latitude Group Holdings Limited ACN 604 747 391.

Latitude Register means the register of members of Latitude maintained in accordance with the Corporations Act.

Latitude Share means a fully paid ordinary share in the capital of Latitude.

Listing Rules means the official listing rules of ASX.

NOS in relation to a Scheme Shareholder means the total number of Scheme Shares held by that Scheme Shareholder as at the Scheme Record Date.

Registered Address means the address shown in the Share Register as at the Scheme Record Date.

Related Body Corporate has the meaning given to that term in the Corporations Act, but, for the avoidance of doubt, disregarding section 48(2) of the Corporations Act in respect of shares held or powers exercisable by any body corporate acting as trustee of a trust where those unitholders or beneficiaries of that trust that are (in aggregate) entitled to a majority of the distributions from the trust together Control the corporate trustee.

Sale Agent means a person appointed by Humm to sell the Sale Shares under clause 4.4(a).

Sale Proceeds means the gross proceeds of sale of the Sale Shares under clause 4.4(a), less any applicable taxes, brokerage and other charges incurred by Humm in connection with the sale of the Sale Shares.

Sale Shares means the Consideration Shares which Ineligible Shareholders would have been entitled to receive under the Humm Capital Reduction and this Scheme but for the operation of clause 4.4(a).

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Humm and the Scheme Shareholders, subject to any alterations or conditions that are:

(a) agreed to in writing by Humm and Latitude, and approved by the Court; or

(b) made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by Humm and Latitude.

Scheme Implementation Deed means the document titled Scheme Implementation Deed entered into between Humm and Latitude dated 18 February 2022.

Scheme Meeting means the meeting of shareholders of Humm ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Record Date means 7.00pm (Melbourne time) on the third Business Day after the Effective Date, or such other Business Day (after the Effective Date) agreed to in writing by Humm and Latitude.

Scheme Share means a Share as at the Scheme Record Date.

Scheme Shareholder means a person who is registered in the Humm Share Register as the holder of one or more Scheme Shares at the Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Share means a fully paid ordinary share in the capital of Humm.

Share Registry means Link Market Services Limited ACN 083 214 537.

Small Shareholder means a Scheme Shareholder who is entitled to receive Consideration Shares equal to a value (calculated at $2 per Consideration Share) of less than $500 (or such other amount as may be agreed between Humm and Latitude) on the Scheme Record Date.

TS means the total number of Scheme Shares on issue as at the Scheme Record Date.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. In this Scheme, the following rules apply unless the context requires otherwise.

(a) The singular includes the plural, and the converse also applies.

(b) A gender includes all genders.

(c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

(e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.

(f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.

(g) A reference to a party to this Scheme, an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).

(h) A reference to legislation including the Listing Rules or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.

(j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

(k) A reference to **dollars, A$** or **$** is to Australian currency.

(l) A reference to time is to Melbourne, Australia time.

(m) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.

(n) A reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a market integrity rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 Humm

Humm is:

(a) a public company limited by shares, registered in Victoria, Australia; and

(b) included in the official list of ASX and its Shares are officially quoted on ASX.

2.2 Latitude

Latitude is:

(a) a public company limited by shares, registered in Victoria, Australia; and

(b) included in the official list of ASX and Latitude Shares are officially quoted on ASX.

2.3 Scheme Implementation Deed

Humm and Latitude have agreed to implement the terms of this Scheme by executing the Scheme Implementation Deed in order to facilitate the distribution and transfer of Consideration Shares under the Humm Capital Reduction and this Scheme.

3. Conditions and Effectiveness

3.1 Conditions precedent

This Scheme is conditional on, and will not become Effective until, the satisfaction of each of the following conditions precedent:

(a) all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(b) (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by no later than the Delivery Time;

(b) the Scheme Implementation Deed not having been terminated in accordance with its terms by the Delivery Time;

(c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act and agreed or consented to in writing by Humm and Latitude (such agreement or consent not to be unreasonably withheld or delayed by either Humm or Latitude);

(d) such other conditions imposed by the Court under section 411(6) of the Corporations Act in relation to this Scheme, as are agreed or consented to in writing by Humm and Latitude, having been satisfied; and

(e) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving the Scheme coming into effect, under section 411(10) of the Corporations Act.

3.2 Effect of conditions precedent

The satisfaction of the conditions referred to in clause 3.1 is a condition precedent to the operation of clause 4.2 and the binding effect of this Scheme.

3.3 Certificates in relation to conditions precedent

(a) Humm and Latitude must provide to the Court on the Second Court Date a joint certificate confirming whether or not:

(i) for the purposes of the condition precedent set out in clause 3.1(a) of this Scheme, the condition precedent set out in clause 3.1(c) (Completion under Share Sale Agreement) of the Scheme Implementation Deed has been satisfied in accordance with the terms of the Scheme Implementation Deed as at the Delivery Time; and

(ii) the condition precedent set out in clause 3.1(b) of this Scheme has been satisfied or waived as at the Delivery Time.

(b) Humm must provide to the Court on the Second Court Date a certificate confirming whether or not, for the purposes of the condition precedent set out in clause 3.1(a) of this Scheme, the conditions precedent set out in clauses 3.1(a) (Shareholder approval) and 3.1(d) (Humm Capital Reduction Resolutions) of the Scheme Implementation Deed have been satisfied in accordance with the terms of the Scheme Implementation Deed as at the Delivery Time.

(c) The certificates referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c), clause 3.1(d) and clause 3.1(e) of this Scheme) have been satisfied or waived as at the Delivery Time.

3.4 Effective Date

Subject to clause 3.5, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

3.5 Effect of termination of the Scheme Implementation Deed

This Scheme will lapse and be of no further force or effect if the Scheme Implementation Deed is validly terminated in accordance with its terms.

4. Implementation of this Scheme

4.1 Lodgement of Court orders

If the conditions set out in clause 3.1 (other than the condition precedent in clause 3.1(e)) are satisfied, Humm must lodge with ASIC an office copy of the orders made by the Court under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme, and in any event no later than by 5.00pm (Melbourne time) on the first Business Day after the Court approves this Scheme or such other Business Day as Humm and Latitude agree in writing.

4.2 Consent and authority given to Humm

Subject to the Scheme becoming Effective:

(a) each Scheme Shareholder who will receive a transfer of Consideration Shares, by force of this clause consents, for the purposes of section 231(b) of the Corporations Act, to become a member of Latitude, to have their name and address entered into the Latitude Register and to be bound by the constitution of Latitude on and from the Implementation Date and to receive a distribution and transfer of Consideration Shares under the Humm Capital Reduction, without the need for any further act by a Scheme Shareholder;

(b) each Scheme Shareholder who will receive a transfer of Consideration Shares, without the need for any further act by that Scheme Shareholder, irrevocably appoints Humm and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing an agreement under section 231(b) of the Corporations Act to become a member of Latitude, to have their name and address entered into the Latitude Register and to be bound by the constitution of Latitude on and from the Implementation Date and to receive a distribution and transfer of Consideration Shares under the Humm Capital Reduction;

(c) each Scheme Shareholder will be deemed to have authorised Humm to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme; and

(d) without limiting the generality of clause 4.2(c), each Scheme Shareholder appoints Humm or any of its directors (as nominated by Humm) as the Scheme Shareholder' agent to execute and deliver to Latitude or its share registry any transfer of Consideration Shares to be distributed and transferred to the Scheme Shareholder as provided in the Humm Capital Reduction.

4.3 Implementation

On the Implementation Date, Humm must, without the need for any further act by a Scheme Shareholder other than acts performed as attorney and agent for the relevant Scheme Shareholder by Humm under clause 4.2:

(a) reduce its share capital by the Capital Reduction Amount in accordance with the Humm Capital Reduction Resolutions;

(b) for each Scheme Shareholder (other than an Ineligible Shareholder), apply the Distribution Entitlement of that Scheme Shareholder as follows:

(i) first, as consideration for the distribution and transfer by the Humm Holder to that Scheme Shareholder of a number of Consideration Shares equal to that Scheme Shareholder's Consideration Share Entitlement; and

(ii) second, by paying that Scheme Shareholder, in the manner provided in the constitution of Humm for the payment of dividends, cash equal to that Scheme Shareholder's Cash Entitlement;

(c) execute (or if Humm is not the Humm Holder, cause the Humm Holder to execute) as transferor transfers (which may be a master transfer to the Scheme Shareholders as transferees) of all of the Consideration Shares to the Scheme Shareholders in the numbers determined in accordance with clause 4.3(b)(i) (or in the case of Ineligible Shareholders, clause 4.4) and otherwise in accordance with the Humm Capital Reduction and this Scheme;

(d) as agent for each Scheme Shareholder execute the transfers referred to in clause 4.3(c) as transferees of those Consideration Shares; and

(e) deliver the transfers referred to in clause 4.3(c) and clause 4.3(d) to Latitude or its share registry for registration.

4.4 Ineligible Shareholders

(a) Ineligible Shareholders will not receive the transfer of Consideration Shares in accordance with the Humm Capital Reduction and this Scheme. Instead:

(i) Humm must procure that as soon as reasonably practicable after the Implementation Date, the Sale Agent sells the Consideration Shares that would otherwise have been transferred to Ineligible Shareholders on-market in such manner, at such price and on such other terms as the Sale Agent determined in good faith;

(ii) promptly after the last sale of those Consideration Shares and the receipt by Humm of the Sale Proceeds, Humm must procure that the Share Registry pays to each Ineligible Shareholder in accordance with clause 4.4(c) the amount calculated in accordance with the following formula, rounded down to the nearest cent:

A = (B/C) x D

where:

A is the amount to be paid to the relevant Ineligible Shareholder;

B is the number of Consideration Shares attributable to, and that would otherwise have been transferred to, that Ineligible Shareholder (subject to the Ineligible Shareholder being an Electing Shareholder) had it not been an Ineligible Shareholder;

C is the total number of Consideration Shares attributable to all Ineligible Shareholders collectively; and

D is the Sale Proceeds.

(b) Each Ineligible Shareholder acknowledges and agrees that neither Humm, Latitude nor the Sale Agent give any assurance as to the price that will be achieved for the sale of the relevant Consideration Shares. The sale of Consideration Shares will be at the risk of the Ineligible Shareholders.

(c) The Sale Proceeds may be paid by Humm in the following manner:

(i) where the Ineligible Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Share Registry to receive dividend payments from Humm by electronic funds transfer to a bank account nominated by the Ineligible Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

(ii) otherwise, whether or not the Ineligible Shareholder has made an election referred to in clause 4.4(c)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Ineligible Shareholder (or in the case of joint holders, in accordance with the constitution of Humm).

5. General Scheme provisions

5.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

(a) Humm may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions; and

(b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for Humm has consented.

5.2 Further action by Humm

Each Scheme Participant irrevocably consents to Humm doing all things (on its own behalf and on behalf of each Scheme Shareholder) necessary or incidental to give full effect to the implementation of this Scheme and the transactions contemplated by it.

5.3 Binding effect of Scheme

This Scheme binds Humm and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides and applies notwithstanding anything contained in, the constitution of Humm.

6. General

6.1 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Humm (or the Share Registry), it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Humm's registered office or at the office of the Share Registry.

(b) An accidental omission to give notice of the Scheme Meeting to any Humm shareholder, or the non-receipt of such a notice by any Humm shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

6.2 Further assurances

(a) Humm must do (and, if Humm is not the Humm Holder, must procure that the Humm Holder does) anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

(b) Each Scheme Shareholder consents to Humm doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

6.3 Governing law and jurisdiction

(a) This Scheme is governed by the laws of New South Wales.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

6.4 No liability when acting in good faith

None of Humm or Latitude, nor any of their respective directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

How to complete the Election Form

Before completing and returning this form, please read carefully the Explanatory Booklet. If you do not understand what the Booklet says about the Election or if you have any doubts about what to do, please consult your financial or other professional adviser.

Important document

This is an important document. If you are in doubt about how to deal with this Form, please contact your financial or other professional adviser. If you have any queries, please 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 9:00am and 5:00pm.

If you have already sold all of your Humm Shares do not complete or return this Form.

Signing Instructions

Joint holders – all holders must sign.

Power of Attorney – if not already noted by the Humm Group Share Registry, a certified copy of the Power of Attorney must accompany this form. If this Election Form is signed under power of attorney, the attorney declares that they have no notice of revocation of that power.

Deceased Estate – all executors must sign and, if not already noted by the Humm Group Share Registry, a certified copy of Probate or Letters of Administration must accompany this form.

Company – this form must be signed by 2 directors or a director and the company secretary. For companies with a sole director and sole company secretary, a single signature only suffices. Titles of all signatories should be indicated and inapplicable titles be deleted.

Lodgement Instructions

The completed Election Form must be forwarded to the Humm Group Share Registry at the below address.

POSTAL DELIVERY
Humm Group Limited – Election Form
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

If you require information on how to complete this form please contact the Shareholder Information Line on 1300 237 569 (within Australia) or +61 2 9066 4054 (outside Australia).

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001.* For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORPORATE DIRECTORY

> COMPANY

Humm Group Limited

Level 1
121-127 Harrington Street
The Rocks NSW 2000
Australia

Website: shophumm.com/humm-group/

> COMPANY SECRETARY

Belinda Hannover

Email: company.secretary@humm-group.com

> COMPANY SHARE REGISTRY

Phone: 1800 881 432 (+61 2 8280 7927 if overseas)

Fax: +61 2 9287 0309

Email: registrars@linkmarketservices.com.au

Post: Locked Bag A14, Sydney South NSW 1235

Website: linkmarketservicesc.om.au

> LEGAL ADVISER

MinterEllison

Level 20, Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia

> FINANCIAL ADVISER

Flagstaff Partners Pty Ltd

Level 20
101 Collins Street
Melbourne VIC 3000
Australia

> INDEPENDENT EXPERT

Kroll Australia Pty Ltd

Level 32
85 Castlereagh Street
Sydney NSW 2000
Australia

shophumm.com

hummgroup

hummgroup Limited
ACN 122 574 583

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
hummgroup Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1800 881 432 Overseas: +61 1800 881 432

X99999999999

PROXY FORM - GENERAL MEETING

I/We being a member(s) of hummgroup Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the hybrid Meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company (**Meeting**), to be held at **10:00am (AEST) on Thursday, 23 June 2022** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as hybrid meeting. You can participate by attending in person at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney or logging in online at https://meetings.linkgroup.com/HUMGeneral22 (refer to details in the Meeting Online Guide). A copy of the Explanatory Booklet for the Meeting (incorporating the Notice of General Meeting) can be viewed and downloaded at the Company's website at **https://www.shophumm.com/humm-group/**.

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business 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.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the commencement of the General Meeting.
Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions	**For**	**Against**	**Abstain***
1 Chapter 11 Resolution			
2 Capital Return Resolution			
3 Section 200C Resolution			
4 Change of name to Flexi Capital Group Limited			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (AEST) on Tuesday 21 June 2022,** being not later than 48 hours before the commencement of the General Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE
www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

BY MOBILE DEVICE — **QR Code**

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL
hummgroup Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX
+61 2 9287 0309

BY HAND
delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

humm group

hummgroup Limited
ACN 122 574 583

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
hummgroup Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
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Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1800 881 432 Overseas: +61 1800 881 432

X99999999999

PROXY FORM - SCHEME MEETING

I/We being a member(s) of hummgroup Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chair of the Meeting (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the hybrid Meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company (**Meeting**), to be held at **10.30am (AEST) on Thursday, 23 June 2022** or as soon as reasonably practicable after the General Meeting has concluded or been adjourned (whichever time is later) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as hybrid meeting. You can participate by attending in person at MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney or logging in online at https://meetings.linkgroup.com/HUMScheme22 (refer to details in the Meeting Online Guide). A copy of the Explanatory Booklet for the Meeting (incorporating the Notice of Scheme Meeting) can be viewed and downloaded at the Company's website at **https://www.shophumm.com/humm-group/**.

The Chair of the Meeting intends to vote undirected proxies in favour of the Scheme Resolution in the absence of a Superior Proposal and subjectto the Independent Expert continuing to conclude that the HCF Sale is in the best interests of Humm Shareholders.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the commencement of the General Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolution	For	Against	Abstain*
1 That under and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the members agree to the arrangement proposed between Humm and the holders of its fully paid ordinary shares, designated the **Scheme**, as contained in and more particularly described in the Explanatory Booklet accompanying the notice convening this Meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of Humm is authorised to implement the Scheme with any such alterations or conditions.			

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Scheme Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (AEST) on Tuesday 21 June 2022,** being not later than 48 hours before the commencement of the General Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE
www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

BY MOBILE DEVICE — **QR Code**

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL
hummgroup Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX
+61 2 9287 0309

BY HAND
delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

hummgroup Limited
ACN 122 574 583

Lodge your form:
Online:
https://events.miraqle.com/hum-scheme
By Mail:
Humm Group Limited - Election Form
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
For all enquiries:
Phone:
(within Australia) 1800 881 432
(international) +61 1800 881 432

ID:
SRN/HIN:
I9999999999
Mailing Date: Tuesday, 24 May 2022
Number of Shares
held at Tuesday 17 May 2022: [XXX]

ELECTION FORM

Purpose: This Election Form (**Form**) relates to Humm's proposed Capital Return under which Humm will distribute and transfer the Latitude shares received as part of the consideration for sale of the Humm Consumer Business (**Consideration Shares**) to eligible Humm shareholders. All defined terms used in this Form have the same meaning as set out in the Explanatory Booklet dated 18 May 2022.
Note: This Form is only relevant if the proposed Scheme is **not** approved by either the requisite majorities of Humm Shareholders or the Court. If the Scheme is approved and becomes legally Effective, this Form is irrelevant and will have no effect, whether or not you sign or complete the Form. Accordingly, there is no need yet to sign and return this Form, which you should retain pending further ASX announcement by Humm that the Scheme will not be proceeding. For completeness, if the Capital Return does not take place, this Form will also be irrelevant and will have no effect.
If Completion of the HCF Sale occurs and the Capital Return Resolution is passed by Humm Shareholders but the Scheme is not approved by the requisite majorities of Humm Shareholders or the Court, then the Capital Return will still proceed. However, in those circumstances, eligible Humm Shareholders will only receive a transfer of the Consideration Shares that they would have received under the Capital Return if they have signed and returned this Form or completed an election online at https://events.miraqle.com/hum-scheme.
Accordingly, in order to have the Consideration Shares registered in your name, please sign and return this Form or complete an election online at https://events.miraqle.com/hum-scheme.
Humm Shareholders are strongly encouraged to complete and return this Form or complete an election online so that, if the Scheme does not proceed, they can enjoy the benefit of direct investment in Latitude, including immediate receipt of distributions, direct receipt of Latitude correspondence, such as annual reports and notices of meeting, and without the inconvenience of having their Consideration Shares under the Capital Return subject to the Trust Arrangements.
Shareholders should carefully read the Explanatory Booklet (including the Independent Expert's Report) which explains why this Form is required and the implications of not completing and returning this Form.

A Make an Election

By ticking the box and by signing and returning this Form, I/we confirm, for the purposes of section 231(b) of the Corporations Act, that I/we agree to become a member of Latitude Group Holdings Limited ACN 604 747 391, to have my/our name and address entered into the Latitude Register, to be bound by the constitution of Latitude and to receive a distribution and transfer of the Consideration Shares to which I am/we are entitled under the Capital Return (if any).

☐ I/We authorise Humm to execute on my/our behalf a transfer of the Consideration Shares to be distributed and transferred to me/us under the Capital Return

Important note: In the circumstances outlined above where this Form becomes relevant, if you do not sign and return your Form, or otherwise complete an election online, you will not receive your Consideration Shares and the Consideration Shares that would otherwise have been distributed and transferred to you will be registered in the name of Humm and the Trust Arrangements set out in Sections 3.4 and 3.13.5 of the Explanatory Booklet will apply.

B Contact Details

Please provide a daytime telephone number where we can contact you if we have any questions about this form.

Daytime telephone number: ( )

Contact name (PRINT)

C Shareholder Signature(s)

By signing and returning this form you confirm that you have read and understood the terms of the Explanatory Booklet; understand in the circumstances outlined above where this Form becomes relevant, if you do not sign and return your Form, or otherwise complete an election online, you will not receive your Consideration Shares and the Consideration Shares that would otherwise have been distributed and transferred to you will be registered in the name of Humm and the Trust Arrangements set out in Sections 3.4 and 3.13.5 of the Explanatory Booklet will apply

Shareholder 1	Shareholder 2	Shareholder 3
Individual or Sole Director and Sole Company Secretary	Director	Director\Company Secretary

Date
/ /