



Henry Morgan

Announcement

Henry Morgan Limited

ACN 602 041 770

28 February 2017

Business update – Proposed pre-IPO capital raising and in-specie distribution

Henry Morgan Limited (ASX:HML) makes reference to previous market announcements made during December 2016 and January 2017 regarding its investment in JB Financial Group Ltd (JB Financial Group).

As previously advised to the market, JB Financial Group is an unlisted financial services company with established and profitable broking and foreign exchange arms. It raised \$2 million in early January 2017, and advised at that time it was considering three potential acquisitions in the FinTech space.

JB Financial Group today announced a further \$8 to 10 million capital raising for the purposes of implementing a potential acquisition currently under negotiation. Henry Morgan Limited has previously invested \$6.25 million, being 12.8% of the fully diluted capital of the company, into JB Financial Group, and intends to participate in the current capital raising to maintain its current 35.5% interest in that entity as the Board believes acquisitions will be earnings accretive and enhance the value of JB Financial Group.

The Board of JB Financial Group also confirmed its intention previously announced to the market, to apply for an ASX listing by mid-2017, offering stock at a multiple of 14.9 times forecast earnings, considered by management to be conservative compared to the average multiple of global peers at 25 times earnings. Management of JB Financial Group further confirmed their internal forecast net profit of \$5.579 million for the fiscal year 2017 and estimated market valuation of \$83 million. An announcement will be made to the market if these forecasts are further revised.

While the planned IPO of JB Financial Group will provide an opportunity for new investors to participate, the other current shareholders in JB Financial Group have indicated they are likely to retain their shareholding in the company in the proposed initial public offering (IPO) considering the anticipated growth prospects.

The Board of Henry Morgan Limited believes that the proposed listing of JB Financial Group will provide value to shareholders for various reasons, including:

- increased valuation transparency: generally, a listing enables the market to price a company on future expectations. JB Financial Group acquisitions began in mid-2016 when financial stock indices had fallen to lows. Given the subsequent dramatic turn upwards in equity prices, long term interest rates and inflation expectations, the timing of these acquisitions was one of the investment manager's most successful decisions;
- access to a larger pool of capital: this may allow JB Financial Group to make larger acquisitions and enable international expansion;
- higher public and investor profile: a listing will generally increase awareness of products and services offered by the company.

In these circumstances, the Board of Henry Morgan Limited proposes to distribute part of its shareholdings in JB Financial Group prior to the IPO of that company, to holders of shares in Henry Morgan Limited by way of an in-specie distribution in proportion to their shareholdings.

The Board believes this initiative is the most effective means of:

- returning value to shareholders while building the company's investment business;
- providing shareholders in Henry Morgan Limited with greater choice through a direct investment in JB Financial Group; and
- maximising shareholder value.



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It is the intention of the Board that, subject to final advice, the in-specie distribution will comprise a return of capital of a minimum of 30 cents per share, being a total capital return of at least \$10.2 million.

As the proposed in-specie distribution will involve an equal reduction of share capital under the Corporations Act, the approval of Henry Morgan Limited shareholders is required. The Board anticipates the Notice of General Meeting and Explanatory Memorandum containing all relevant information will be lodged with the ASX and ASIC shortly, with the aim of holding the General Meeting on or around 14 July 2017.

The Board believes the financial impact of the proposed in-specie distribution on Henry Morgan Limited will be modest, and the company will continue to have a strong balance sheet post the distribution. Further information will be provided with the meeting material to be distributed to shareholders.

Managing Director, Stuart McAuliffe, said, "It is pleasing to see our investment in the unlisted FinTech space yield such opportunities for value creation with the proposed listing of JB Financial Group. Henry Morgan Limited will continue to explore similar opportunities with a view to maximising shareholder value."

There is no guarantee that JB Financial Group will list successfully on ASX, nor that the in-specie distribution will be implemented, as shareholder approval is required. However, the Board of Henry Morgan Limited believes it is appropriate for disclosure to be made at this time to keep the market informed of the proposed transactions.

Further disclosure will be made as the details become more certain. For further information, please contact:

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