

LODGED WITH ASX ONLINE

18 September 2023

The Manager
Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

YBR VOLUNTARY DELISTING FROM ASX

Yellow Brick Road Holdings Limited (ASX: YBR) (**YBR** or the **Company**) announces that it has formally applied to the Australian Securities Exchange (**ASX**) requesting its removal from the official list of ASX (**Official List**) in accordance with ASX Listing Rule 17.11 (**Delist** or the **Delisting**). This application follows the Company obtaining in-principle advice from ASX to the effect that ASX is likely to agree to remove the Company from the Official List, subject to the satisfaction of certain conditions outlined below, including the Company obtaining shareholder approval for the Delisting.

The proposed Delisting will be put forward for shareholder approval at a general meeting to be held on or around 24 October 2023.

1. Reasons for seeking removal from the Official List

The board of directors of the Company (**Board**) considers the Delisting to be in the best interests of the Company and its shareholders for a number of reasons, including the following:

(a) Trading price does not reflect underlying value

The Board believes that the prices at which YBR shares are trading on ASX are materially lower than the underlying value of its net tangible assets (**NTA**), and have been for several years.

In recent years, YBR has reported NTA per share as set out in Table 1 below:

Table 1 – YBR NTA per share vs share price			
As at financial report date	NTA per share (after consolidation of 50% of NTA of Resi Wholesale Funding Pty Ltd)	Share price (closing price on ASX end of month of release of financial report)	Share price discount to NTA per share
30 June 2020	16.01 cents	7.8 cents	51.3%
30 June 2021	15.54 cents	8.5 cents	45.3%
30 June 2022	14.77 cents	9.0 cents	39.1%
30 June 2023	13.86 cents	6.0 cents	56.7%

As the above table shows, the persistent discount of YBR's share trading price to its NTA per share is significant. This discount could be attributable to matters including:

- The significant size, volatility and misunderstood nature of the movements over the last few years in the net present value of YBR's future trail commissions receivable and payable (**NPV**) from its "book" of underlying mortgage loans originated by its existing and past YBR, Vow, Resi and Loan Avenue brokers. In order to comply with Australian accounting standards, these movements have resulted in substantial non-cash adjustments to YBR's reported earnings and assets.
- Low trading volumes and liquidity in YBR shares on ASX have resulted in very limited trading opportunities for shareholders to exit their positions and for new investors to gain stock. Accordingly, micro/small cap fund managers and other significant investors are unlikely to invest or trade in YBR shares.
- With a current market capitalisation of circa \$18-20m, there is very little to no interest from stockbroking firms and financial analysts to do research on YBR, let alone recommend YBR as "undervalued" or a "buy" to their clients.

(b) Limited trading and liquidity

The Board believes that the current spread of shareholders is not sufficient to maintain an orderly and liquid market for trading in YBR shares, and does not believe that there will be a significant increase in shareholder spread or liquidity in the foreseeable future.

There are 326,381,450 YBR shares currently on issue. The volumes and \$ values of YBR shares traded on ASX for the last 4 calendar months were as set out in Table 2 below:

Month	Actual days traded / Available trading days (#)	Monthly volume (#)	Monthly volume /Total issued shares (%)	Average daily volume traded in month (#)	Average daily \$value traded in month (\$)
August 2023	6/23	782,894	0.24%	130,482	\$7,275
July 2023	15/21	2,367,382	0.73%	157,825	\$8,928
June 2023	15/21	1,425,116	0.44%	95,008	\$5,430
May 2023	16/23	1,550,700	0.48%	96,919	\$6,740

The percentage of YBR's issued capital held by the Top 20 YBR shareholders in each year since YBR was re-listed on the ASX in 2011 has been between 78 - 82%. A significant percentage of these holdings have not changed during that time. The current Top 4 YBR shareholders hold in aggregate approximately 62% of YBR's issued capital. This represents a large concentration of shareholdings in a few hands.

In the past, major offers of holdings of YBR shares on the ASX have led to significant reductions in the YBR share price. Between 30 June 2014 – 2016, YBR's share price fell from circa \$0.65 to \$0.18, approximately \$0.47 per share. Furthermore, in recent times, given the tiny volume of YBR shares being traded as shown in Table 2 above, the effect of trading even tiny parcels of YBR shares on the YBR share price has become disproportionately significant. There are examples of trades of as little as \$7,000 of YBR shares in a day where the share price has closed down by 1 cent, which results in a reduction of YBR's market cap by circa \$3.3m.

In the Board's opinion these matters are having an unacceptable effect on YBR shareholder value.

(c) Raising capital is highly dilutive

One of the major reasons for a company to be listed is to facilitate the raising of capital at reasonable prices. However, due to YBR's depressed share price over the last few years, raising a material capital sum at a typical discount to the current YBR share price would be highly dilutive to current shareholders and would further depress the share price. The Board believes that YBR's share price performance on ASX, in both price and liquidity terms, is an impediment to YBR seeking to raise capital while it remains listed.

(d) Removal of daily "mark-to-market" valuation methodology

The Board believes that, by delisting YBR, a valuation of YBR would no longer be distorted by the application of the Company's depressed share price and market capitalisation as the primary valuation methodology, allowing future valuations to be based solely on an appraisal of YBR's business and asset fundamentals and prospects.

In addition, the removal of daily "mark-to-market" pricing of YBR shares would assist those shareholders for whom daily pricing is not relevant or causes unnecessary fluctuations in their portfolio valuations.

(e) Cost savings

The Board believes that the ongoing administrative and compliance obligations and costs associated with maintaining the listing of the Company's shares on ASX are disproportionate to the benefit obtained from being listed. The Company estimates that delisting its shares would save approximately \$350,000 per annum in expenses.¹

(f) Strategic matters

YBR has recently updated the market on its business strategies and initiatives in its FY2023 Investor Presentation.² The Board considers that the Company will have greater flexibility to pursue and execute these strategies and initiatives, as well as other potential value-enhancing strategic opportunities and corporate transactions following a Delisting.

(g) Management time and effort

A significant portion of the Company's management time is currently being dedicated to time-intensive matters relating to the Company's ASX listing. If the Company Delists, management's time will be able to be spent on other value-add matters for the benefit of the Company and its shareholders.

2. **Conditions of ASX's agreement to Delist YBR**

The Company has received notice from ASX of a decision (**ASX In-Principle Decision**) that ASX would be likely to agree to a formal request from the Company for the Delisting, subject to the Company's compliance with the following conditions:

- (a) the request for removal of the Company from the Official List is approved by a special resolution of shareholders of the Company;
- (b) the notice of meeting seeking shareholder approval for the Company's removal from the Official List of ASX must include:

¹ Estimate includes c.\$40,000 in listing fees, c.\$130,000 in accounting and audit fees and c.\$180,000 in other costs.

² Released to ASX on 29 August 2023.

- (i) a timetable of key dates, including the time and date at which the Company will be removed from ASX if that approval is given;
 - (ii) a statement to the effect that the removal of the Company from the Official List will take place no earlier than one month after the shareholder approval has been granted;
 - (iii) a statement to the effect that if shareholders wish to sell their YBR shares on ASX, they will need to do so before the Company is removed from the Official List, and if they don't, details of the processes that will exist after the Company is removed from the Official List to allow shareholders to dispose of their holdings and how they can access those processes; and
 - (iv) the information prescribed in section 2.11 of ASX Guidance Note 33, to ASX's satisfaction; and
- (c) the Company releases the full terms of the ASX's decision to the market upon making a formal application to ASX for its removal from the Official List.

The Company intends to fully comply with the above conditions (together, the **Conditions**).

The full text of the ASX In-Principle Decision is set out in **Annexure B** to this announcement.

The purpose of the Condition that the Delisting must not take place any earlier than one month after shareholder approval has been obtained, is so that shareholders have at least that period to sell their YBR shares on ASX should they wish to do so.

3. Consequences of Delisting for the Company and its shareholders

The consequences of the Delisting for the Company and its shareholders would include:

- (a) The Company's shares would cease to be quoted and traded on the ASX and shareholders will have their CHESS holdings converted to the certificated sub-register on the Company's register. No action will be required by shareholders to effect this conversion.
- (b) The Company's shares will only be capable of sale via off-market private transactions which will require the Company's shareholders to identify and agree terms with potential purchasers of the Company's shares in accordance with the Company's constitution and the Corporations Act 2001 (Cth) (**Corporations Act**). The Company does not have any present intention to list any securities of the Company on any securities exchange. The Company can provide no assurances or guarantees that a liquid market for the Company's securities will exist.
- (c) As an unlisted public company, the Company will no longer be able to raise capital from the issue of securities to the public by means of a limited disclosure fundraising document. Should the Company seek to raise capital following Delisting, it will be required to offer shares pursuant to a full prospectus or by way of a disclosure-exempt placement under section 708 of the Corporations Act, such as to sophisticated and institutional investors or for a "small scale offering", for which prospectus disclosure is not required.
- (d) The Company will no longer have to comply with the ASX Listing Rules nor adopt the ASX Corporate Governance Principles and Recommendations. However, the Company will still be governed by the Corporations Act, including:
 - (i) Section 675

The Company will become an "unlisted disclosing entity" under section 111AL of the Corporations Act. As such, following its removal from the Official List and for as long as

it has at least 100 members, the Company will be subject to the continuous disclosure obligations set out in section 675 of the Corporations Act.

(ii) Chapter 6

For as long as the Company has more than 50 members, it will continue to be subject to the "takeover" provisions in Chapter 6 of the Corporations Act (**Chapter 6**) and, as such, increases in voting power in the Company will continue to be regulated by Chapter 6 for shareholders who hold between 20% and 90% of the voting power in the Company.

- (e) the Company's constitution will remain unchanged immediately following the Delisting, such that its shareholders will continue to have the right to:
- (i) exercise their voting rights attached to shares;
 - (ii) receive notices of meetings and other notices issued by the Company; and
 - (iii) receive any dividends that may be paid by the Company from time to time.

4. Arrangements for shareholders to sell shares

The Company intends to undertake a minimum holding share buy-back under section 257A of the Corporations Act, for shareholdings of less than a marketable parcel as defined by ASX. This will be the subject of a separate announcement to ASX. It will proceed regardless of whether the Delisting occurs.

The Company does not intend to undertake any other share buy-back for its shareholders either in the lead up to, or after its removal from the Official List. If shareholders wish to sell their shares, they may do so on the ASX prior to the removal of the Company from the Official List, or after removal of the Company from the Official List through an off-market private transaction, as described above.

For shareholders who retain their shares after the Delisting, the Company will consider engaging a third party private share trading platform service, to facilitate periodic off-market sale and purchase transactions in YBR shares, by matching buyers and sellers who register their interest on the platform. However, there is no assurance or guarantee that there will be sufficient demand from buyers registered on any such private share trading platform to allow shareholders to sell their shares on the platform.

5. Arrangements for shareholders to buy more shares

In order to give shareholders a choice to "top-up" their shareholding in YBR, albeit in a potentially unlisted entity, the Company intends to undertake a share purchase plan (**SPP**) whereby shareholders, irrespective of the size of their holding, have the choice to subscribe for up to a maximum \$30,000 of new stock in YBR shares per shareholder, subject to a cap of \$2,000,000 total capital raised. This will be the subject of a separate announcement to ASX. The SPP will be designed to comply with Exception 5 under ASX Listing Rule 7.2. The record date for eligibility to participate in the SPP will be 7.00pm (Sydney time) on Friday, 15 September 2023. It will proceed regardless of whether the Delisting occurs.

6. Timetable

Annexure A to this announcement sets out the proposed timetable for completion of the Delisting (including the satisfaction of the Conditions and the expected date for the Company's removal from the Official List).

The Delisting would not take place any earlier than one month after shareholder approval has been obtained. Shares may continue to be traded on ASX up until close of trade on the date that is 2 trading days prior to the proposed Delisting date, after which trading will be suspended until the Delisting.

7. Remedies shareholders may pursue

(a) Part 2F.1 of the Corporations Act

In circumstances where a shareholder of the Company considers the Delisting to be contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to or discriminatory against, a shareholder or shareholders, that shareholder may apply to the court for an order under Part 2F.1 of the Corporations Act.

The court can make any order under section 233 of the Corporations Act that it considers appropriate in relation to the Company. This may include an order that the Company be wound up or an order regulating the conduct of the Company's affairs in the future.

(b) Part 6.10 Division 2 Subdivision B of the Corporations Act

In circumstances where a shareholder of the Company considers that the Delisting involves "unacceptable circumstances", that shareholder may apply to the Takeovers Panel to make a declaration of unacceptable circumstances and orders under Part 6.10 Division 2 Subdivision B of the Corporations Act (see also Guidance Note 1: Unacceptable Circumstances issued by the Takeovers Panel).

Pursuant to section 657D of the Corporations Act, if the Takeovers Panel has declared circumstances to be unacceptable under section 657A of the Corporations Act, it may make any order (except for an order directing any person to comply with a requirement of Chapter 6, 6A, 6B or 6C of the Corporations Act) that it thinks appropriate to (among others) protect the rights or interests of any person or group of persons, where it is satisfied that those rights or interests have been or are being affected, or will be or are likely to be affected, by the circumstances.

This announcement has been authorised for ASX release by the YBR Board of Directors.

Yours faithfully
Yellow Brick Road Holdings Limited



Mark Bouris
Executive Chairman

Annexure A – Timetable

Key Event	Key Dates
Formal application submitted to ASX to Delist	Thursday, 14 September 2023
Announcement to ASX of proposal to Delist	Monday, 18 September 2023
Notice of General Meeting dispatched to Company shareholders together with Explanatory Statement	Monday, 25 September 2023
General Meeting held to approve the Delisting	Tuesday, 24 October 2023
Suspension from quotation	Thursday, 23 November 2023
Removal of the Company from the Official List	Monday, 27 November 2023

The above timetable is indicative only and may be subject to change by the Company or ASX without notice.

Annexure B – Full text of ASX In-Principle Decision

DECISION

Confirmation Decision

1. Subject to resolution 2 and based solely on the information provided, on receipt of an application for the removal of Yellow Brick Road Holdings Limited ('YBR' or the 'Company') from the official list of ASX Limited ('ASX') pursuant to Listing Rule 17.11, ASX would be likely to remove YBR from the official list, on a date to be determined by ASX in consultation with YBR, subject to compliance with the following conditions:
 - 1.1. The request for removal of YBR's from the Official List of ASX is approved by a special resolution of ordinary security holders of YBR.
 - 1.2. The notice of meeting seeking security holder approval for YBR's removal from the official list must include a statement, in form and substance satisfactory to ASX, setting out:
 - 1.2.1. a timetable of key dates, including the time and date at which YBR will be removed from ASX if that approval is given;
 - 1.2.2. include a statement to the effect that the removal will take place no earlier than one month after approval is granted;
 - 1.2.3. include a statement to the effect that if holders wish to sell their securities on ASX, they will need to do so before the entity is removed from the official list; and if they do not, details of the processes that will exist after YBR is removed from the Official List to allow security holders to dispose of their holdings and how they can access those processes; and
 - 1.2.4. include, to ASX's satisfaction, the information prescribed in section 2.11 of ASX Guidance Note 33.
 - 1.3. YBR releases the full terms of this decision to the market upon making a formal application to ASX to remove YBR from the official list of ASX.
2. Resolution 1 only applies to 30 November 2023 and is subject to any amendments to the Listing Rules or changes in the interpretation or administration of the Listing Rules and policies of ASX.

Basis for Confirmation Decision Listing Rule 17.11

3. ASX may remove an entity from the official list of ASX at the request of an entity. Removal from the official list at an entity's request recognises that remaining listed may no longer be suitable for a listed entity at a particular stage in its existence. There is no requirement for ASX to act on the request. ASX's power not to agree to requests for delisting enables it to ensure that delisting is not sought for inappropriate reasons or conducted in a way that is clearly harmful to the market or to security holders' legitimate interests. ASX may impose conditions on granting the request. The power to impose conditions enables ASX to ensure that an orderly market is maintained in the period leading up to the delisting, and that the listed entity makes appropriate arrangements in connection with its delisting. These conditions may include: (i) seeking security holder approval for delisting by way of a special resolution; (ii) giving advanced notice of an amount of time which is adequate to the particular circumstances; or (iii) providing alternative arrangements for security holders to exit their investment before or after delisting.

Facts/Reasons for granting the Confirmation

4. The circumstances faced by the Company are those to which section 2.7 of Guidance Note 33 applies.

ASX's power to vary or revoke decision

It should be noted that under ASX Listing Rule 18.3, ASX may vary or revoke this decision at any time.

END