

ASX Announcement

17 September 2020

Generation Development Group to acquire a strategic 37% investment in Lonsec Holdings Pty Ltd and the development of a new annuity product – to be funded with an equity raising of up to \$35 million

- Generation Development Group (ASX: GDG) (**GDG** or the **Company**) to raise up to \$35 million via an institutional placement and accelerated non-renounceable entitlement offer
- \$20.1 million will be used to acquire a 37% stake in Lonsec Holdings Pty Ltd (**Lonsec**) (the **Acquisition**), a leading qualitative research firm providing ratings to fund managers, superannuation funds, advisory groups, and platforms
- Up to \$10 million will be applied to the development of a new annuity product and the regulatory capital required for this¹
- The remainder will be used for general working capital and transaction costs

Commenting on the transaction, GDG's Chairman, Rob Coombe said "I am excited to announce today that Generation Development Group is embarking on a significant step in progressing its growth strategy through the combination of organic and inorganic growth initiatives which are expected to deliver future growth and value for our shareholders."

"We have entered into agreements that will result in GDG acquiring a 37% interest in Lonsec, a market leading qualitative investment and fund research and ratings provider with a very high-quality client base. Lonsec is well known and respected in the financial services sector, with its clients comprising a significant proportion of Australia's leading fund managers, superannuation funds, advisory groups and wealth platforms. This investment in Lonsec will provide GDG with a highly strategic foothold in an attractive market niche of the financial services and wealth management market. We believe that Lonsec is well positioned for future growth supported by strong industry and regulatory tailwinds and will provide access to resilient recurring revenue streams from its core research offering. The Lonsec investment is expected to be immediately accretive to our earnings."

Generation Life Chief Executive Officer Grant Hackett, said "We are also excited to announce today our intention to invest in the development of a new annuity product. This product is designed to solve longevity risk while providing an attractive income for our clients. We believe that the product has the potential to deliver very attractive returns for GDG in a market substantially larger than investment bonds. We are thrilled to share the next phase of our journey with our investors as we look beyond our existing investment bond offering."

Investment in Lonsec

- Lonsec is a leading qualitative research firm providing ratings to fund managers, superannuation funds, advisory groups, and platforms
- An acquisition of a 37% stake in Lonsec expands GDG's addressable market with a highly complementary offering that strengthens its existing core capabilities

¹ The first \$2.6m of the Retail Entitlement Offer Proceeds will be applied towards the New Annuity Product development costs and the balance of up to \$2.4m to working capital.

- Lonsec provides GDG with leverage to strong industry and regulatory tailwinds, as well as access to diversified revenue streams that are well positioned to benefit from changes in the financial services landscape
- The Acquisition is expected to be mid to high single digit EPS accretive²
- Total up-front Acquisition consideration of \$20.1 million for a 37% stake in Lonsec will be subject to customary adjustments, paid in cash
- Up to \$6.6 million (\$3.3m assumed base case) deferred scrip consideration to be issued at the Offer Price of \$0.70 (contingent on Lonsec's FY21 EBITDA performance)
- Completion of the Acquisition is expected in mid-October 2020 subject to satisfaction of closing conditions

Investment in organic growth initiatives via development of a new annuity product

- GDG is a licensed Pooled Development Fund (PDF) specialising in providing development capital to businesses within the financial sector. Its status as a PDF provides favourable tax benefits to the Group and its shareholders.
- With an aging population demographic, GDG has identified the opportunity for a product to address longevity risk (the risk that someone outlives their savings)
- GDG is developing an annuity product to capitalise on the market opportunity to solve longevity risk
- GDG has identified an indicative capital requirement of \$10.0 million for this initiative (\$5m for the development of the annuity product and \$5m of regulatory capital)
- Additional amounts raised would go towards working capital purposes and to fund other growth initiatives, including the development of additional income producing investment bond products to complement our core investment bond offering

Details of the Equity Raising:

Generation Development Group Limited ACN 087 334 370 (ASX: GDG) intends to conduct an Equity Raising to raise at least \$30 million and up to \$35 million via a:

- fully underwritten placement to institutional investors to raise approximately \$21.9 million (**Institutional Placement**); and
- partially underwritten 1 for 6.7 accelerated non-renounceable entitlement offer of fully paid ordinary shares in GDG (**New Shares**) to raise up to \$13.1 million, partially underwritten to \$8.1 million (**Entitlement Offer**),

(together, the **Equity Raising**).

The offer price for the Institutional Placement and the Entitlement Offer will be \$0.70 per share (**Offer Price**). The Offer Price represents:

- a 16.7% discount to the last traded price of GDG shares; and
- a 12.5% discount to the theoretical ex-rights price (TERP).³

² Accretion calculated applying the shares issued in the capital raising pro-rata for cost of Lonsec investment plus transaction costs. Incorporates impact of potential issuance of deferred scrip consideration. Illustratively assumes twelve month impact of the transaction as though the transaction had occurred on 1 July 2020, including any fees received. Earnings exclude impact of one-off transaction costs. EPS accretion is calculated in accordance with AASB 133.

³ The Theoretical Ex-Rights Price ("TERP") is the theoretical price at which GDG shares should trade immediately after the ex-date of the Entitlement Offer and Placement, and is calculated based on the maximum size of the Entitlement Offer of \$13.1 million and underwritten Placement of \$21.9 million. TERP is a theoretical calculation only and the actual price at which GDG shares will trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not

Under the Entitlement Offer, eligible shareholders will be able to subscribe for one new ordinary share in GDG for every 6.7 existing shares held at 7.00pm (Melbourne time) on Monday, 21 September 2020 (**Record Date**) at the Offer Price (**Entitlements**).

Moelis Australia Advisory Pty Limited ACN 142 008 446 and Morgans Corporate Limited ACN 010 539 607 are acting as joint lead managers and underwriters to the Equity Raising.

The Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value for those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value for the Entitlements they would have received had they been eligible.

It is expected that up to 50.0 million new ordinary shares in GDG will be issued as part of the Equity Raising. Shares issued under the Institutional Placement do not participate in the Entitlement Offer. Shares issued under the Equity Raising will rank equally with existing shares.

The Entitlement Offer includes an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**).

Under the Institutional Entitlement Offer, eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place on 17 September 2020. Eligible institutional shareholders can choose to take up all, part or none of their Entitlements. Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be sold through an institutional shortfall bookbuild at the Offer Price on 18 September 2020.

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on 23 September 2020 and close at 5.00pm (Melbourne time) on 5 October 2020.

The Retail Entitlement Offer will include a top-up facility under which eligible retail shareholders who take up their full Entitlement will be invited to apply for additional shares in the Retail Entitlement Offer from a pool of those not taken up by other eligible retail shareholders. There is no guarantee that applicants under this top-up facility will receive all or any of the shares they apply for under the top-up facility. Further details on the allocation of shares under the top-up facility will be set out in the Retail Entitlement Offer information booklet.

GDG will notify shareholders as to whether they are eligible to participate in the Retail Entitlement Offer. Eligible retail shareholders will be sent, on or about 23 September 2020, an information booklet including a personalised entitlement and acceptance form, which will provide further details of how to participate in the Retail Entitlement Offer. A copy of the information booklet will also be lodged with ASX on or about 23 September 2020.

Those shareholders who GDG determines to be ineligible shareholders will also be notified.

be equal to the TERP. TERP is calculated by reference to the dividend adjusted closing price of GDG shares as traded on the ASX on the last trading day prior to the announcement of the Entitlement Offer of \$0.84.

A presentation on the Equity Raising has been lodged with ASX today and is able to be downloaded from ASX's website (www.asx.com.au).

Proposed timetable

GDG expects that the Equity Raising will be conducted according to the following timetable:

Event	Date
Announcement of the Capital Raising (including moving into trading halt and giving a completed Appendix 3B to ASX)	Thursday 17 September 2020
Announcement of results of the Institutional Entitlement Offer, trading resumes on an ex-entitlement basis	Monday 21 September 2020
Record date for Retail Entitlement Offer (7.00pm (Melbourne time)) (Record Date)	Monday 21 September 2020
Retail Entitlement Offer opens	Wednesday 23 September 2020
Offer Booklet and entitlement and acceptance form despatched, and announcement of despatch	Wednesday 23 September 2020
Settlement of the Institutional Placement and the Institutional Entitlement Offer	Friday 25 September 2020
Allotment of new shares under the Institutional Placement and the Institutional Entitlement Offer	Monday 28 September 2020
Quotation of new shares issued under the Institutional Placement and the Institutional Entitlement Offer	Monday 28 September 2020
Normal trading for New Shares issued under the Institutional Placement and the Institutional Entitlement Offer commences	Tuesday, 29 September 2020
Closing date for acceptances under the Retail Entitlement Offer (5.00pm (Melbourne time)) (Closing Date)	Monday 5 October 2020
Announcement of results of Retail Entitlement Offer	Thursday 8 October 2020
Settlement of the Retail Entitlement Offer	Friday 9 October 2020
Allotment of New Shares issued under the Retail Entitlement Offer	Monday 12 October 2020
Normal trading on the Australian Securities Exchange (ASX) for New Shares issued under the Retail Entitlement Offer commences	Tuesday 13 October 2020
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Tuesday 13 October 2020

Notes:

All times are Melbourne time.

This timetable is indicative only and subject to change. The board of directors of GDG may vary these dates, in consultation with the Underwriter, subject to the ASX Listing Rules. An extension of the closing date for acceptances under the Retail Entitlement Offer will delay the anticipated date for issue of the New Shares. The board of directors of GDG also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants.

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IMPORTANT NOTICES

FORWARD-LOOKING STATEMENTS

This announcement may contain certain forward-looking statements, forecasts, estimates, projections, beliefs and opinions (Forward Statements). Forward Statements can be identified by the use of 'forward-looking' terminology, including, without limitation, the terms 'believes', 'estimates', 'anticipates', 'expects', 'projects', 'predicts', 'intends', 'plans', 'propose', 'goals', 'targets', 'aims', 'outlook', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology, and include financial outlook information as defined below.

Forward Statements involve elements of subjective judgment and analysis, and are subject to known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future, assumptions which may or may not prove correct, and may be beyond the Company's ability to control or predict.

You are strongly cautioned not to place undue reliance on Forward Statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward Statements including projections, guidance on future earnings and estimates are by their very nature subject to significant uncertainties and contingencies and are not reliably predictable. They are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve known and unknown risks, uncertainties and other factors, many of which are outside the control of GDG. No representation or guarantee is made by the Company or any other person that any of these Forward Statements (including the financial outlook information) will be achieved or proved to be correct. Readers are cautioned not to place undue reliance on Forward Statements and the Company assumes no obligation to update such statements (except as required by applicable regulations or by law).

This announcement is not financial product advice and has not taken into account your objectives, financial situation or needs.

OTHER

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