

# Market Briefing

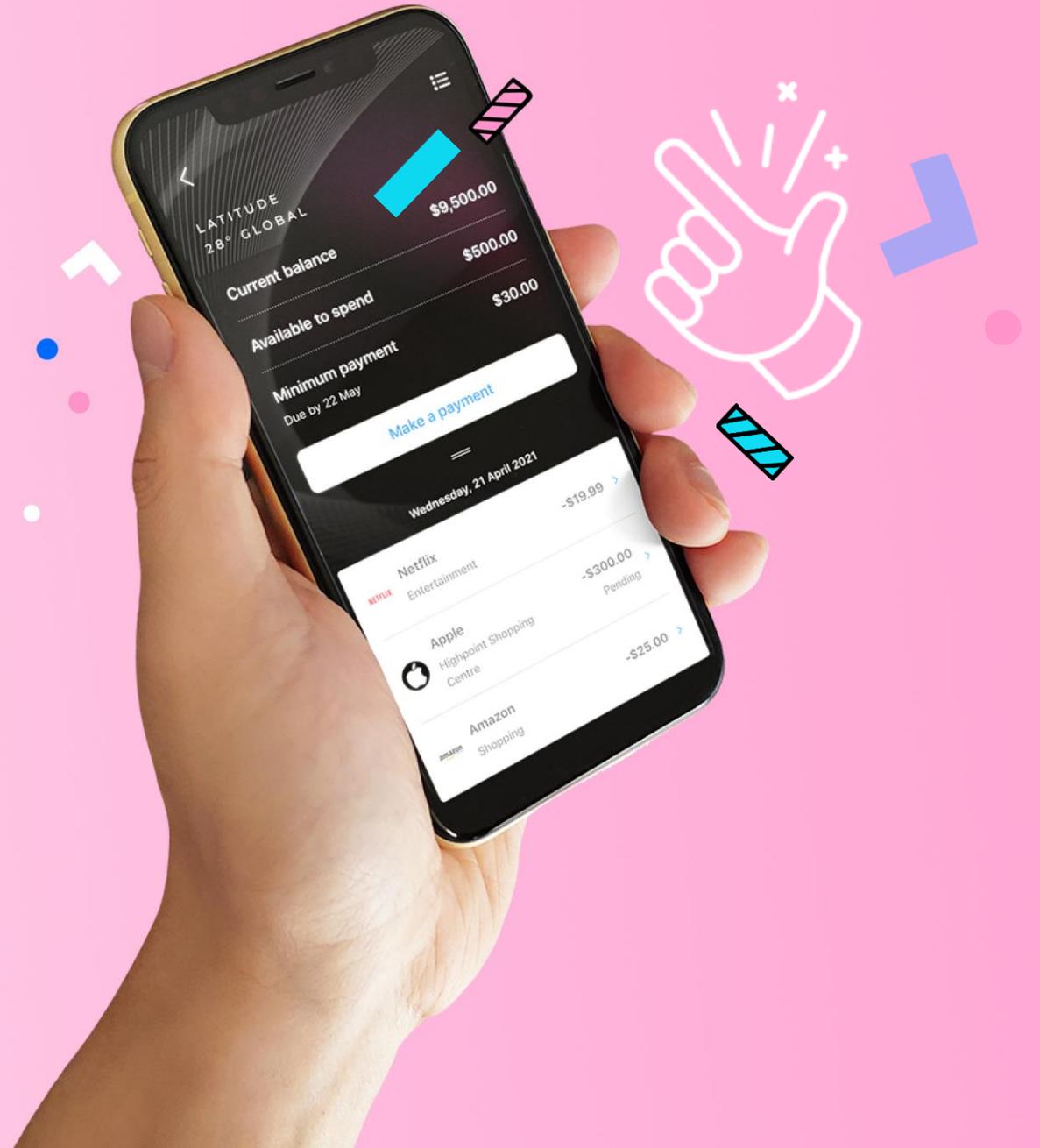
Latitude accelerates its growth strategy  
with the acquisition of the Humm  
Consumer Business

LATITUDE GROUP  
HOLDINGS LIMITED  
ACN 604 747 391



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# A compelling acquisition with substantial strategic and economic benefits

<b>Transaction overview</b>	<ul style="list-style-type: none"> <li>Acquisition of Humm Consumer for consideration of \$335 million, comprising 150 million Latitude shares<sup>1,2</sup> and \$35 million cash<sup>3</sup></li> <li>Cements Latitude’s position as the leading non-bank consumer lender in Australia and New Zealand across Payments, Instalments and Cards</li> </ul>
<b>Humm Consumer overview</b>	<ul style="list-style-type: none"> <li>A leading consumer finance provider in Australia and New Zealand operating across BNPL (Small and Big Ticket) and Cards</li> <li>Humm Consumer has established scale with 2.6m customers<sup>4</sup>, ~60k merchants<sup>5</sup> and \$1.8b of net receivables<sup>6</sup></li> <li>Leading position in solar, home improvement and health verticals</li> </ul>
<b>Strategic rationale</b>	<ul style="list-style-type: none"> <li>Accelerates Latitude’s growth strategy</li> <li>Complementary technology and product strategy, consolidating five receivables platforms into two<sup>7</sup></li> <li>Adds significant scale and customer monetisation opportunities</li> <li>Synergies will drive strong value accretion for shareholders</li> <li>Additional enterprise benefits including acquiring best-in-class talent and enhanced liquidity and free float for Latitude shareholders</li> </ul>
<b>Financial impact</b>	<ul style="list-style-type: none"> <li>Humm Consumer on completion, will have net tangible assets of \$190 million<sup>8</sup></li> <li>Humm Consumer is expected to generate \$35 million of pre-tax cash earnings for the full year 2023</li> <li>\$65 million pre-tax full run rate synergies consisting of \$55 million technology, duplicate costs and funding synergies and \$10 million of revenue synergies</li> <li>The Transaction is expected to deliver incremental “in year” 2023 pre-tax cash earnings of \$55 million and pre-tax cash earnings of \$90 million on an annualised run-rate basis by the end of full year 2023, excluding \$10 million of revenue synergies</li> <li>Full run-rate synergies underpin double digit cash EPS accretion<sup>9</sup></li> </ul>

(1) Assumes Latitude obtains approval under Listing Rule 7.1 Placement Capacity to issue 150 million Latitude shares to Humm; (2) Latitude scrip assumed at \$2.00 per share; (3) Subject to completion adjustments for cash and cash-like balances at completion; (4) Humm Consumer customers based on active accounts as at 31 December 2021; (5) Humm Consumer Australia and New Zealand merchants; (6) Receivables net of unearned income and provisions for bad and doubtful debts as at 31 December 2021; (7) Instalments and lending receivables platforms only; (8) Compared to \$152m as indicated in Latitude’s ASX announcement on 6 January 2022; (9) Excluding integration costs of \$90m (pre-tax) including \$60m for integration and migration of Humm Consumer and \$30m for Latitude write-off and rationalisation of costs

# The acquisition of Humm Consumer accelerates our growth strategy and consolidates our position as ANZ's leading non-bank consumer lender



#1	<b>ACCELERATED GROWTH STRATEGY</b>	<ul style="list-style-type: none"> <li>Rapidly accelerates Latitude's strategy to win customers and merchants across Australia and internationally</li> <li>Leverage and grow in Humm's established presence in adjacent verticals with minimal investment</li> </ul>	<b>~60k Combined Merchants<sup>1</sup></b>	<b>+5m Combined Customers<sup>2</sup></b>
#2	<b>SIGNIFICANT SCALE AND MONETISATION OPPORTUNITIES</b>	<ul style="list-style-type: none"> <li>Consolidation of Humm's ~\$1b Cards receivables<sup>3</sup> onto Latitude's VisionPlus platform at minimal marginal cost</li> <li>Monetise Latitude and Humm products across the combined +5m customer base</li> <li>Leading scale across Payments and Instalments and non-mortgage consumer lending</li> </ul>	<b>\$5.5b Combined Instalments Receivables<sup>3</sup></b>	<b>38% Personal Loans Volume from Instalments<sup>4</sup></b>
#3	<b>ENHANCED ECONOMICS</b>	<ul style="list-style-type: none"> <li>Double digit cash EPS accretion assuming full run rate synergies<sup>5</sup></li> <li>\$65m of pre-tax full run rate synergies consisting of \$55m technology, duplicate cost and funding synergies and \$10m of revenue synergies</li> <li>Additional capital investment savings in Latitude's existing projects</li> <li>Enhanced scale driven operating leverage</li> </ul>	<b>\$65m Full Run Rate Synergies</b>	<b>Double Digit Cash EPS Accretion<sup>5</sup></b>
#4	<b>ADDITIONAL ENTERPRISE BENEFITS</b>	<ul style="list-style-type: none"> <li>Combining best-in-class talent with extensive experience in building and growing an instalments business</li> <li>Distribution of Latitude scrip consideration to Humm shareholders delivering improved free float and enhanced liquidity to Latitude shareholders</li> </ul>	<b>Improved Pro-Forma Free Float</b>	<b>600+ Humm FTE Acquired</b>

(1) Humm Consumer Australia and New Zealand merchants; (2) As at 31 December 2021. Latitude customers based on open accounts and Humm Consumer customers based on active accounts; (3) Latitude gross receivables as at 30 June 2021 and is gross of unearned income. Humm Consumer gross receivables as at 30 June 2021 is net of unearned income; (4) Refers to the proportion of personal loan volume that comes from instalments products customers that have migrated to Latitude personal loan products in Australia for the 12 months to 31 December 2020; (5) Excluding integration costs of \$90m (pre-tax) including \$60m for integration and migration of Humm Consumer and \$30m for Latitude write-off and rationalisation of costs

# Latitude is differentiated by its platform model across Instalments and Lending – Humm Consumer enhances our position across multiple areas



*The leader in consumer finance disrupting payments and traditional lenders*

## INSTALMENTS

Disrupting consumer payments and credit card balances

Shop small, pay weekly

### BNPL

Up to \$1,000, 10 weekly payments<sup>1</sup>



*Humm enables additional growth opportunities - additional ~1,900k customers<sup>3</sup>*

~540k customers<sup>4</sup> and growing

Shop big, pay monthly

### BIG TICKET

Up to \$10,000 and 24 months<sup>2</sup>

Successful launch with merchant partners

Shop anywhere, pay flexibly

### GO & GEM

Up to \$30,000 and 60 months



*Consolidation of Cards plus whitelabel opportunities - ~730k customers<sup>3</sup>*

~1.7m customers<sup>4</sup> spending >\$4bn p.a.<sup>5,6</sup>

## LENDING

Leveraging graduation and funding advantages to drive growth

Home, holiday, wedding..

### PERSONAL LOANS



*Humm provides additional cross sell opportunities for Personal + Auto Loans*

Direct, Broker and Kiwibank white label<sup>7</sup>

Car, boat, caravan..

### AUTO LOANS

Direct and Broker<sup>7</sup>

International travel & shopping

### 28° GLOBAL

Well positioned for border reopening

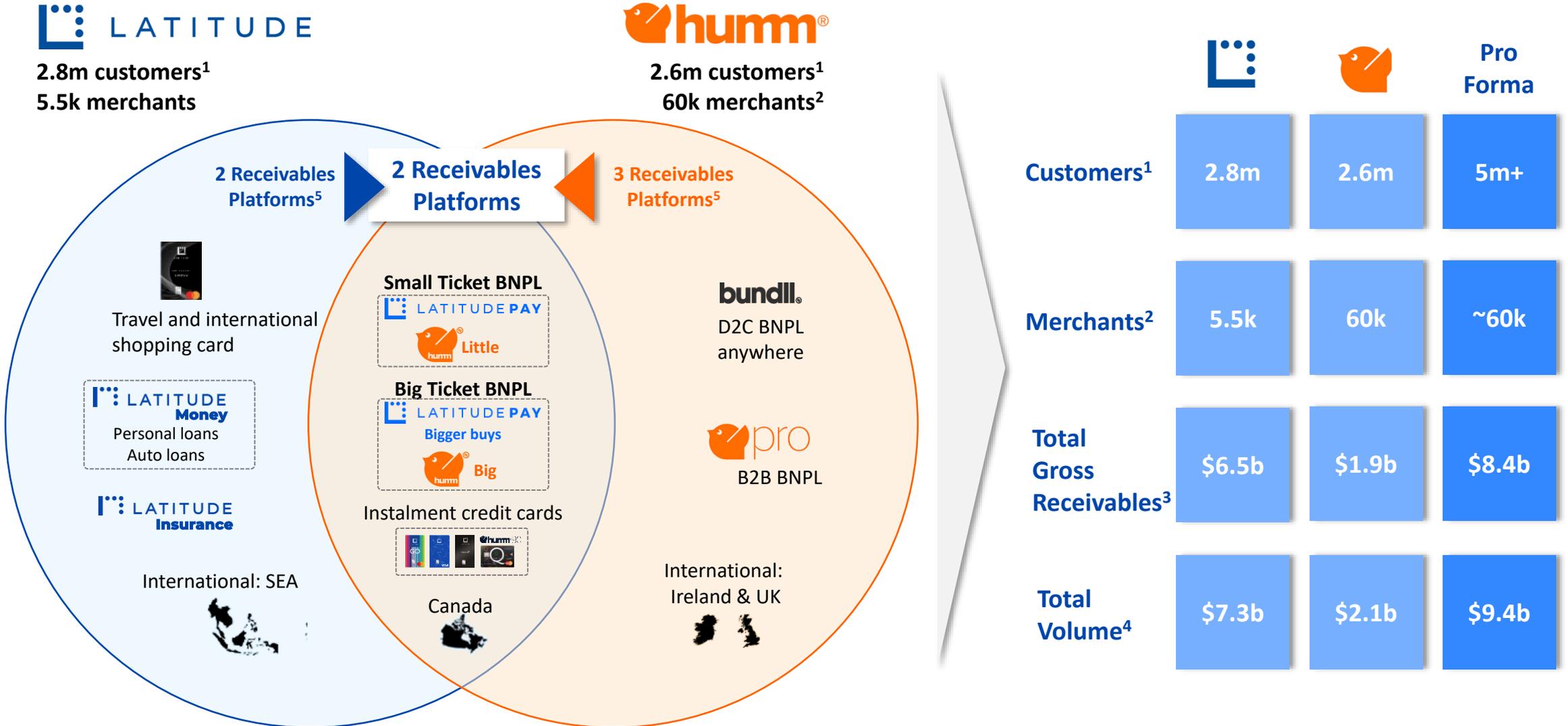
~370k customers<sup>4,8</sup>, strong advocacy

(1) Initial limit maximum is A\$1,000. Incremental increases up to a limit of A\$1,500 are possible on the successful completion of payment plans; (2) Available at select partners only; (3) Humm Consumer customers based on active accounts as at 31 December 2021; (4) Open accounts as at 31 December 2021, for BNPL and 28° Global rounded to nearest 10,000, for Latitude GO Mastercard, and Gem Visa rounded to the nearest 100,000; (5) Volume for 1 July 2020 to 30 June 2021; (6) Includes AFS Creditline and run off portfolios; (7) Personal loans and Auto loans have ~160k customers combined; (8) Includes run off portfolios.



# Accelerated growth strategy

**#1** Rapidly accelerates Latitude's strategy to win customers and merchants across Australia and internationally



(1) As at 31 December 2021. Latitude customers based on open accounts and Humm Consumer customers based on active accounts; (2) Humm Consumer Australia and New Zealand merchants; (3) Latitude gross receivables as at 30 June 2021 including Symple and is gross of unearned income. Humm Consumer gross receivables as at 30 June 2021 is net of unearned income; (4) LTM to 30-June-21; (5) Instalments and lending receivable platforms only.



# Accelerated growth strategy

#1 Rapidly accelerates Latitude's strategy to win customers and merchants across Australia and internationally

Leverage Humm's established presence in adjacent verticals with minimal investment

**Latitude Today**

Total ~5.5k Merchants<sup>1</sup>

**Humm Consumer Verticals**

Total ~60k Merchants<sup>1</sup>

(1) Logos reflect select merchants only. Humm Consumer Australia and New Zealand merchants.

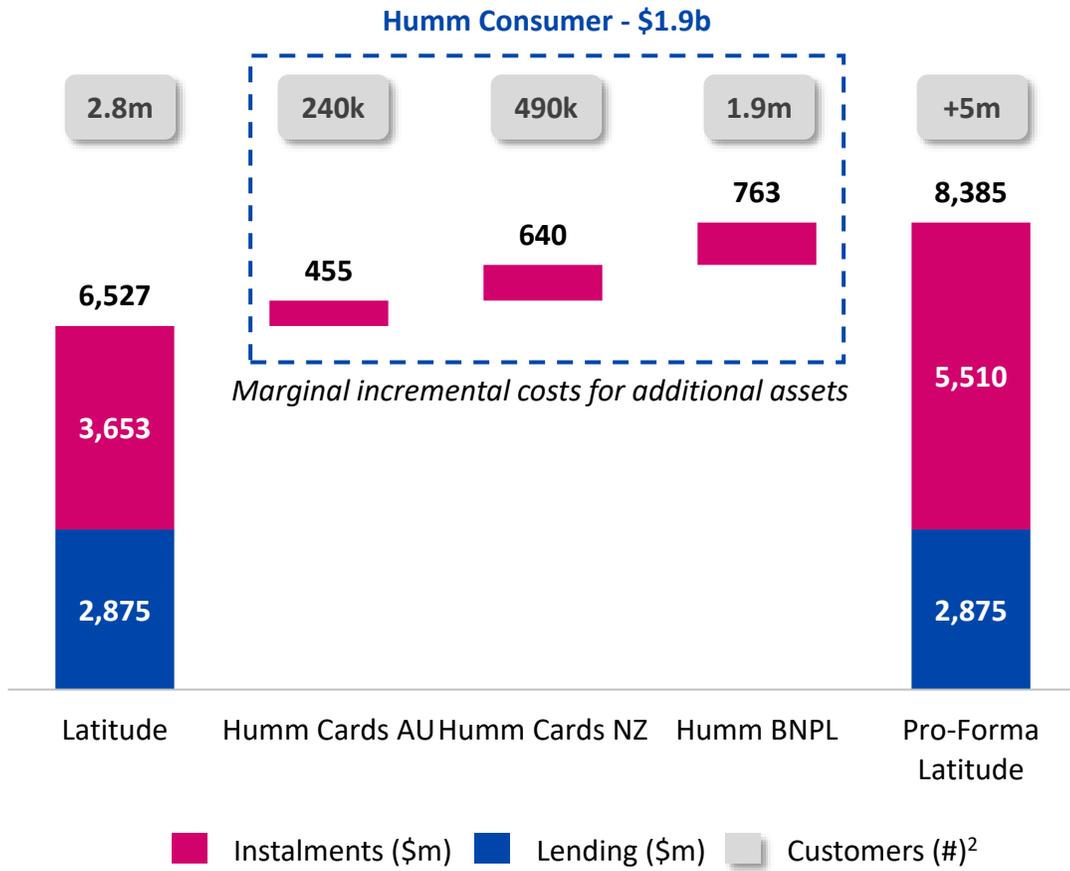


#2

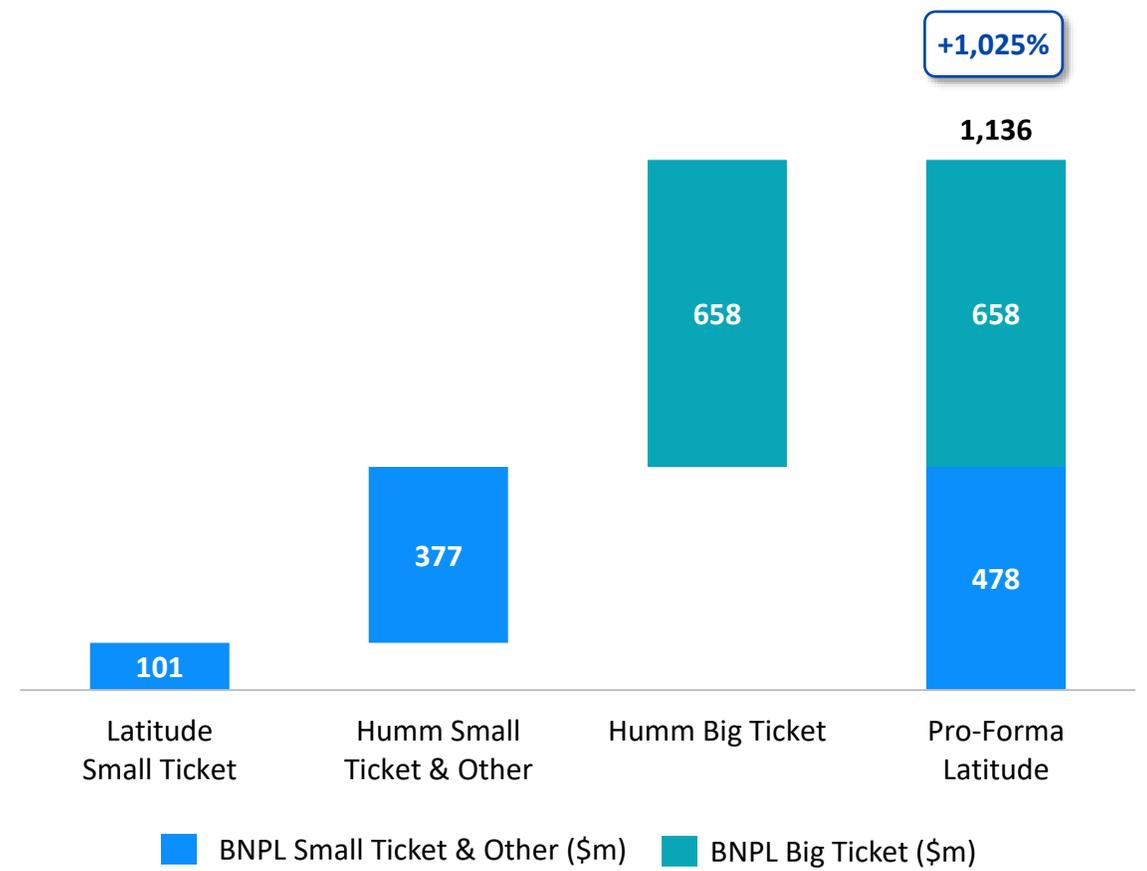
# Significant scale and monetisation opportunities

## Consolidation of ~\$1.9b of BNPL and Cards receivables and expansion into Big Things

### Gross Receivables (\$m) and Customers (m) (Jun-21)<sup>1</sup>



### Immediate scale in BNPL; Volume (\$m, Jun-21 LTM)<sup>3</sup>



(1) Latitude gross receivables as at 30 June 2021 including Symple and is gross of unearned income. Humm Consumer gross receivables as at 30 June 2021 is net of unearned income; (2) As at 31 December 2021. Latitude customers based on open accounts and Humm Consumer customers based on active accounts; (3) Latitude BNPL Volume for Australia only.



#2

# Significant scale and monetisation opportunities

*Opportunity to monetise Latitude and Humm products across the combined 5m+ customer base*

**Humm Consumer's ~\$2b BNPL and Cards volume<sup>1</sup> and ~2.6m customers<sup>2</sup> flowing through Latitude's ecosystem**

## Interest free instalments

84%

*of interest free instalments products volume was generated from repeat purchases<sup>3</sup>*

43%

*of Instalments products customers made at least one repeat instalment purchase<sup>4</sup>*



## Scheme spending and credit

50%

*of instalments products customers reused their card as a general purpose credit card<sup>4</sup>*

## Lending

38%

*of personal loan volume comes from instalments and credit card customers<sup>5</sup>*

100% of insurance from existing customers<sup>6</sup>

(1) 30 June 2021 LTM; (2) Humm Consumer customers based on active accounts as at 31 December 2021; (3) Based on Australian Latitude GO, Latitude Gem, CreditLine and Buyer's Edge interest free volume for the 12 months to 31 December 2020; (4) Repeat interest free, Scheme credit card purchases, cash withdrawals are based on Latitude GO and Latitude Gem instalments products originated in each month of 2018 and whose customers within 24 months acquired another Latitude product or undertook repeat engagement with Latitude; (5) Refers to the proportion of personal loan volume that comes from instalments products customers that have migrated to Latitude personal loan products in Australia for the 12 months to 31 December 2020; (6) Latitude's insurance business is still servicing a small number of run-off insurance policies not tied to current Latitude credit card customers.



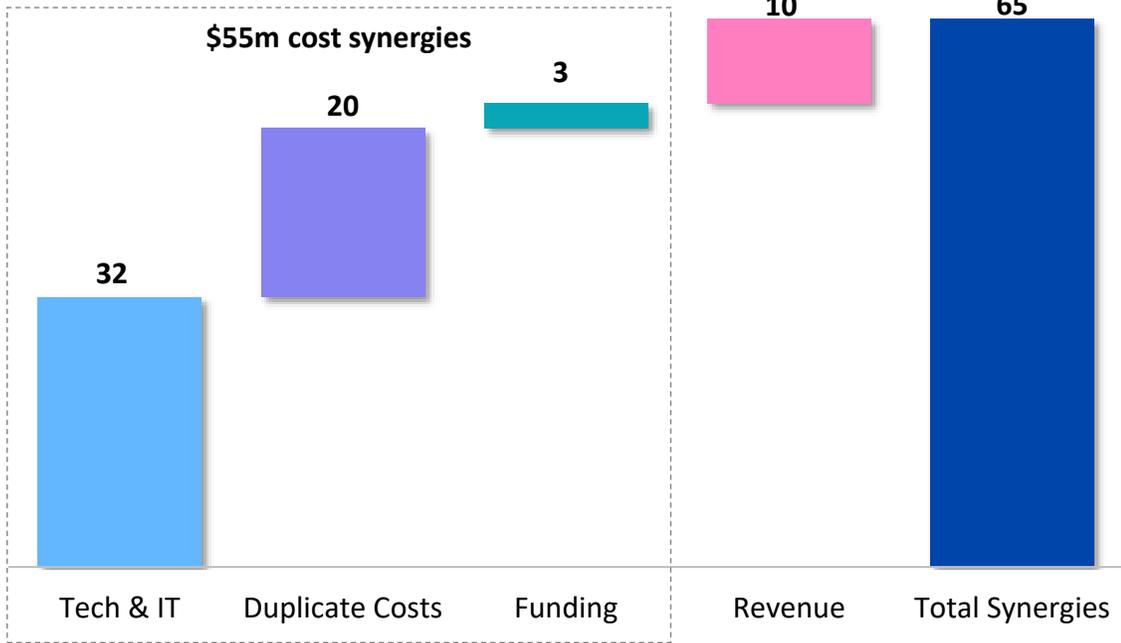
# #3 Enhanced economics

*\$65m full run rate synergies with \$55m from cost and funding synergies*

## \$65 million (pre-tax) of expected full run rate synergies

## Synergies estimates are conservative and executable

Conservative ~9% of combined cost base<sup>1</sup> fully realised by the end of 2023 following migration<sup>2</sup>



### Technology and IT

- Technology and operations cost benefits from rationalising the technology suite from a combined 5 receivables platforms down to 2<sup>3</sup>
- Removal of LPay BAU and investment opex

### Duplicate Costs

- Rationalising duplicate costs across operations, collections, sales, marketing and head office functions (finance, legal, risk)
- Extension of Latitude's lower cost to serve across Humm Consumer

### Funding

- Leverage Latitude's pricing advantage and treasury experience
- Utilising existing capacity in Latitude's warehouse funding vehicles, saving annual fees and costs

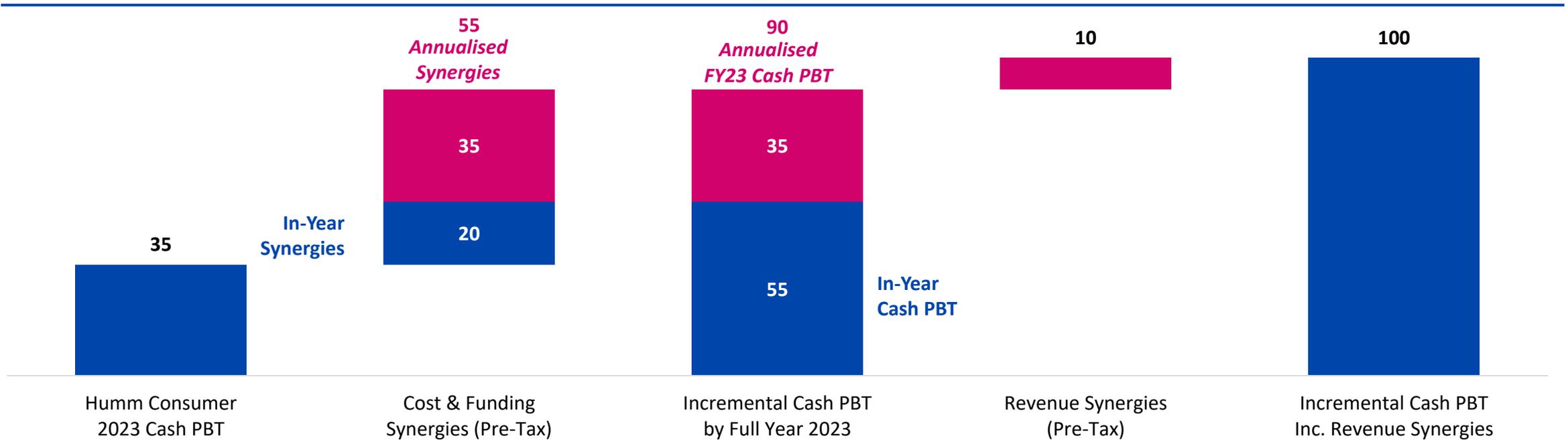
### Net Revenue Synergies

- Distributing personal loan products to Humm Cards and BNPL customers
- Net of account attrition and equalisation of interest rates and fee differences between Humm and Latitude Cards products

(1) Excludes funding synergies. Based on Latitude 30 June 2021 LTM operating expenses and Humm Consumer's perimeter cost base as provided by Humm; (2) Assuming Transaction completion of 30 June 2022. Transaction completion is subject to a number of conditions as outlined on page 13; (3) Instalments and lending receivables platforms only.



## Incremental Cash Profit Before Tax (A\$m)



- Humm Consumer is expected to generate \$35 million of pre-tax cash earnings for the full year 2023
- Technology, duplicate cost and funding synergies of \$55 million (pre-tax) are expected to reach full run rate following full integration in 4Q23 with \$20 million (pre-tax) realised in 2023
- This delivers an incremental \$55 million cash PBT in the year 2023 and \$90 million on a run-rate basis by the end of full year 2023, excluding \$10 million of revenue synergies
- Double digit cash EPS accretion assuming full run rate synergies and excluding integration costs<sup>1</sup>

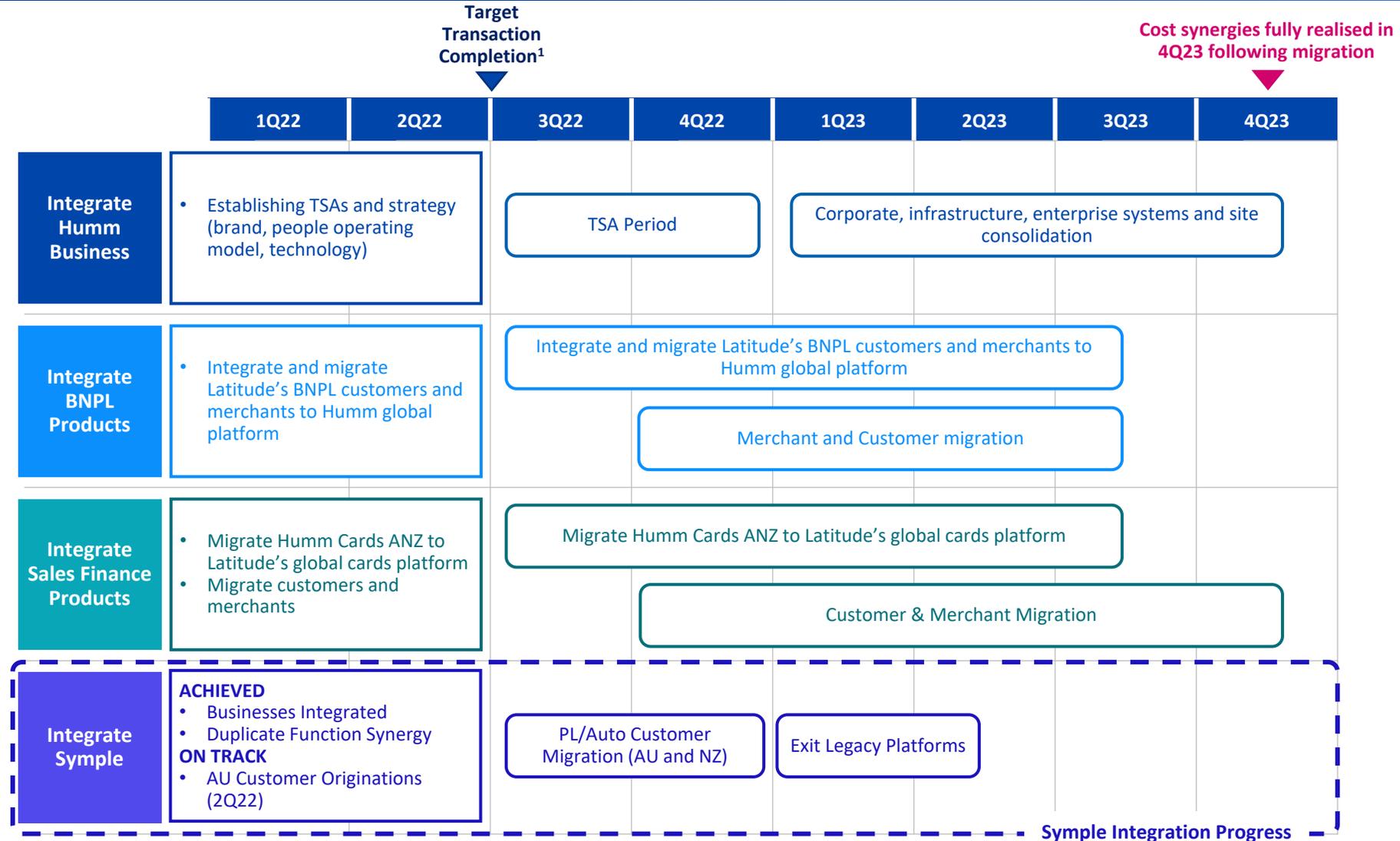
(1) Excluding integration costs of \$90m (pre-tax) including \$60m for integration and migration of Humm Consumer and \$30m for Latitude write-off and rationalisation of costs

# Integration plan

*Symple integration on track, exemplifying Latitude's ability to integrate, migrate and realise synergies*



- Latitude has experience in scale transformation and has developed a robust integration plan utilising a dedicated team of experts
- One-off costs associated with the Transaction are ~\$90m (pre-tax) consisting of:
  - \$60m (pre-tax) to support Humm integration and synergy realisation work incurred evenly over 2022 and 2023
  - \$30m (pre-tax) of Latitude write-offs and rationalisation costs
- Key integration activities include:
  - Consolidation of Humm corporate and enterprise infrastructure
  - Migrating Humm Cards Australia and New Zealand onto Latitude's global cards platform
  - Migrating Latitude's BNPL customers and merchants to Humm's global BNPL platform
- The Symple integration is on track:
  - ✓ Business leadership and operation fully integrated
  - ✓ Duplicate function synergy realised



(1) Transaction completion is subject to a number of conditions as outlined on page 13.



# Other Transaction details

## Other Transaction Matters

- Completion of the Transaction is subject to satisfaction of a number of conditions including :
  - Humm shareholder approval under ASX Listing Rule 11.1.2 and 11.2 (requiring simple majority approval by the Humm shareholders);
  - Humm receiving a draft ATO ruling in respect of certain aspects of the distribution of Latitude shares by Humm to Humm shareholders;
  - Regulatory approvals from the Australian Foreign Investment Review Board, Australian Competition and Consumer Commission, New Zealand Commerce Commission, Reserve Bank of New Zealand and New Zealand Overseas Investments Office and other licensing related approvals in certain offshore jurisdictions;
  - Completion of restructure by Humm to separate the Humm Consumer business in preparation for the sale to Latitude;
- Latitude shareholder approval is required under Listing Rule 7.1 to issue 150 million Latitude shares to Humm. If this approval is not obtained, Humm is to be issued with 45 million Latitude shares and \$245 million in cash (for a total value of \$335 million assuming \$2.00 per Latitude share)
- Humm will seek approval to distribute the Latitude shares received as part of the Transaction to its shareholders by way of a scheme of arrangement, which requires approval from Humm shareholders holding more than 75% of voting shares and from more than 50% of the Humm shareholders that vote, as well as Court approval
- If the scheme of arrangement is not approved, Humm will seek shareholder approval to distribute the Latitude shares by way of capital return. In this case:
  - Eligible Humm shareholders will be given the election to receive a transfer of Latitude shares directly; and
  - If a Humm shareholder does not make such election, Humm or its nominee will hold their relevant Latitude shares on trust for those shareholders and will not vote those Latitude shares while they are held on trust

## Board and Shareholders

- Should the Transaction proceed, it is proposed that Humm Group CEO Rebecca James will be invited by Latitude to lead the combined group's BNPL business, reporting to Managing Director and Group CEO Ahmed Fahour
- Latitude also intends to invite two Humm nominated independent directors to join the Latitude Board

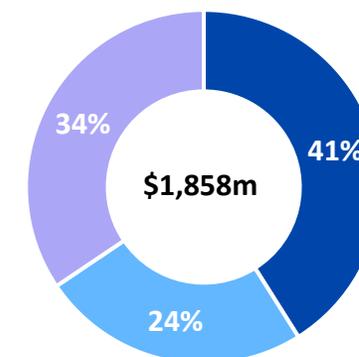
# Appendix: About Humm Consumer



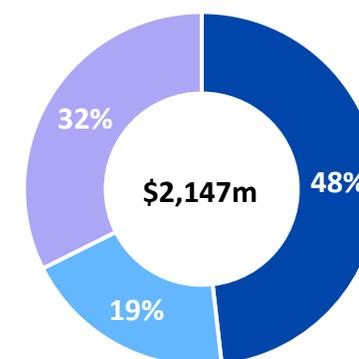
# Humm Consumer is a leading consumer finance provider in Australia and New Zealand

Division	Products	Gross Receivables <sup>1</sup> (Jun-21)	Volume (Jun-21 LTM)	Customers <sup>2</sup> (Dec-21)
BNPL	  	\$763m	\$1,035m	1.9m
AU Cards		\$455m	\$417m	240k
NZ Cards		\$640m	\$695m	490k
Humm Consumer		\$1,858m	\$2,147m	2.6m

Segment Gross Receivables Contribution (%)<sup>1,3</sup>



Segment Volume Contribution (%)<sup>3,4</sup>



■ BNPL ■ Cards AU ■ Cards NZ

(1) Humm Consumer gross receivables as at 30 June 2021 is net of unearned income; (2) Humm Consumer customers based on active accounts as at 31 December 2021; (3) Charts do not sum to 100% due to rounding; (4) 30 June 2021 LTM volume.



# Humm Consumer financials under Latitude ownership

## Humm Consumer Run Rate KPIs (Pre-Synergies)

Net Operating Income Margin <sup>1,2</sup>	~14%
Net Charge Offs <sup>1</sup>	~4%
Risk Adjusted Income Yield <sup>1,3</sup>	~10%
Cost-to-Income Ratio <sup>4</sup>	~60%
Cash Profit Before Tax	\$35 million

## Post-Synergies

**\$90 million cash profit before tax  
excluding revenue synergies<sup>5</sup>**

**\$100 million cash profit before tax  
including revenue synergies<sup>5</sup>**



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