

ASX Release

STRATEGIC UPDATE

23 July 2024

Solvar Limited (ASX: "SVR" or "Solvar" or "Group"), the leading provider of automotive finance, announces a strategic update in relation to its operations. The Group will continue to grow its consumer lending business and add a focus on commercial lending by creating a dedicated commercial lending business unit in Australia. The Group will cease new lending in New Zealand from August 2024.

Solvar also announces it will release results for the full year ended 30 June 2024 (FY24) on Tuesday 20 August 2024.

Ahead of the formal results release Solvar is pleased to announce that:

- The Group revises up the lower end of its guidance range for normalised Net Profit after Tax (NPAT) to between \$27-\$30 million*; and
- The intention to declare a final dividend of 5.0 cents per share, fully franked.

**Normalised NPAT adjusts for legal and professional fees associated with the regulatory related legal action, the impairment of goodwill and intangibles associated with Go Car Finance, and any other one-off items.*

The Board announces that Solvar will focus on growing its Australian operations, including expanding commercial lending by separating it out into a dedicated business unit. The Group will also cease offering new loans in New Zealand, directing capital returned from New Zealand into the expansion of its Australian operations.

Solvar has been growing its commercial lending book originated through Automotive Financial Services ("AFS"), with commercial lending now representing \$54 million or 28% of AFS's overall loan book (on 30 June 2024). Given the Groups' skills and experience in vehicle finance; by targeting key industry segments with a large addressable market and strong demand, a dedicated focus is congruous with the Group's strategy.

New Zealand

Go Car Finance ("GCF") has been an EPS accretive business for the Group and has contributed more than \$90 million in cumulative EBITDA since its acquisition in 2019. The acquisition price for GCF was \$21.6 million. GCF has positively contributed to the Group's current robust financial position. However, macroeconomic conditions in New Zealand have been challenging for an extended period which has created uncertainty for the foreseeable future.



Solvar's view is that there are now substantially better growth opportunities in the Australian market. This coupled with the subdued outlook for the NZ economy and the higher relative funding costs has led the Board to make the decision to cease new lending in GCF from August 2024.

Whilst ceasing to write new loans, GCF will continue to collect and service outstanding loans from customers and seek to minimise disruption to customers and staff. As a result of the decision to cease new lending, it is expected the \$9.2 million of goodwill and intangibles associated with GCF will be impaired and written down. The write down represents a noncash item.

Solvar anticipates GCF will contribute positively to Group earnings during FY25. As at 30 June 2024, the GCF loan book was \$139.2 million with associated drawn wholesale funding of \$73.0 million.

Regulatory Action

There are no material developments regarding ongoing legal action with Australian Securities and Investments Commission and the Commerce Commission of New Zealand. An update will be provided on regulatory matters when a material change in the state of affairs occurs.

All figures in the above announcement are in Australian dollars, preliminary and subject to audit review.

Approved for release by the Board of Directors of Solvar.

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For further information please contact:

Managing Director & CEO

Scott Baldwin

+61 3 7031 6035

s.baldwin@solvar.com.au

Chief Financial Officer

Siva Subramani

+61 3 7031 6018

s.subramani@solvar.com.au

Investor Relations

Tom Ng

+61 3 7031 6075

t.ng@solvar.com.au

ABOUT SOLVAR LIMITED (ASX: SVR)

Solvar is a market leading Consumer and Commercial finance company with over 20 years' experience in Australia and New Zealand, having funded over \$2 billion of vehicles and personal loans. Dominating the used-vehicle finance market and delivering a unique customer experience from loan application to the final loan payment the Group leverages technology to provide a seamless application process from a broker, online or directly to the Group.