



Armidale Investment CORPORATION

ASX Company Announcements

7 October 2016

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

UPDATE ON PARTIAL ACQUISITION OF ASSET BROKING BUSINESSES

Further to recent ASX announcements, Armidale Investment Corporation Limited (ASX: AIK) and the Vendors of:

- Linx Finance Australia Pty Ltd (Linx); and
- QPF Holdings Pty Ltd (QPF).

have today executed all documents for the 50% acquisition by AIK of the issued capital of Linx and QPF.

Linx (established in 1999) has its headquarters in Melbourne and offers equipment finance, insurance and mortgage solutions to business and individuals throughout Australia.

QPF (established in 1977) has its headquarters in Brisbane and has offices in Queensland and Western Australia. QPF offers equipment finance, vendor finance facilities and finance products for large equipment, commercial and residential property throughout Australia.

This acquisition is a very good fit for AIK, including:

- Linx and QPF operate in the same market as Platform Finance and Leasing Group (PFLG) owned 60% by AIK and the Hal Group, an equipment finance specialist and 100% owned by AIK;
- AIK management are experienced in the finance industry;
- A number of the financiers used by PFLG also have relationships with Linx, QPF and the Hal Group; and
- Suitable equipment finance opportunities received by Linx and QPF will be referred to the Hal Group creating another channel to market.

The following information sets out the material components of the transaction:

- AIK to take a 50% equity interest in Linx and QPF;
- The purchase consideration will be a mix of cash and AIK scrip in a 60:40 ratio for both partial acquisitions;
- The effective date of the transaction is 1 July 2016 which is the deemed date for the purpose of determining AIK's entitlement to profits of Linx and QPF;
- \$15.6 million of the cash component will be paid today representing 85% of the total cash component for the two entities (15% or \$2.7m (expected) to be withheld until settlement of completion accounts);
- 93,498,984 ordinary shares in AIK based on a share value of \$0.1111 per share will be issued to the Vendors today representing 85% of the total scrip component for the two entities (15% or 16,499,821 (expected) ordinary shares withheld until settlement of completion accounts). The allotment of shares are further to the shareholder approval obtained on 26 September 2016;



- Each of the key employees has entered into employment contracts and will continue on in their key positions in Linx and QPF;
- Each Vendor has provided non-compete covenants for periods of 1 to 7 years depending on their key positions in Linx and QPF;
- The Share Purchase Agreement includes warranties and indemnities suitable for a transaction of this value and nature;
- There is a dividend policy in place which requires Linx and QPF to distribute 85% of profits (after tax) as dividends every 2 calendar months (with the first dividend to be declared 3 calendar months following the date of completion);
- The Linx and QPF boards have 4 directors, 2 appointed by AIK and 2 appointed by the Vendors. The chairperson selected by AIK has a casting vote, except for matters which require support of at least 3 directors; and
- The Shareholders Agreement provides a mechanism whereby each Vendor is provided a put option to require AIK to purchase 10% of its shares by notice to AIK between 1 July 2018 and 31 July 2018. If a Vendor exercises this option, AIK must purchase the shares held by that Vendor based on the 8 x normalised EBITDA for the financial year ending 30 June 2018 (less outstanding debt). The Vendors may also defer the sale of their shares for 12 months by notice in writing to AIK. If the Vendor exercises this right of deferral, the purchase price will be based on the normalised EBITDA for the following financial year (less outstanding debt); and
- AIK will have a call option to purchase the shares of the Vendors on similar terms as the put option (at the same price and time frames described above). Equivalent rights for both the Vendors and AIK will arise in the period between 1 July 2020 and 31 July 2020 and the period between 1 July 2022 and 31 July 2022.

The proposed 80% acquisition of Consolidated Finance Group Pty Ltd (CFG), an equipment finance aggregator has been delayed pending the finalisation of a \$15 million bank facility and its documentation.

For further information, please contact:

Andrew Grant

Joint Managing Director

0415 166 090

David Franks

Company Secretary

02 9299 9690