

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

UPDATE ON PARTIAL ACQUISITION OF EQUIPMENT FINANCE AGGREGATOR

28 October 2016 - Further to recent ASX announcements, Armidale Investment Corporation Limited (AIK) and the Vendors of Consolidated Finance Group Pty Ltd (CFG) have today executed all documents for the 80% acquisition by AIK of the issued capital of CFG.

CFG has its headquarters in Melbourne and is an asset finance aggregator for approximately \$1.8 billion of asset finance in the 2016 financial year. Its members are independent asset finance brokers. CFG provides services to its members such as access to finance sources, enhanced commissions and other income and operational and finance support for its member brokers.

This acquisition is a very good fit for AIK:

- CFG operates in the same market as Platform Finance and Leasing Group Pty Limited (PFLG) which is 60% owned by AIK, bringing total aggregated finance for the AIK controlled group to close to \$3 billion; and Hal Group Pty Limited an equipment finance specialist operating under TL Rentals and 100% owned by AIK;
- CFG derives approximately 28% of their volume from Linx Finance Australia Group Pty Ltd (Linx) and QLD Pacific Finance Pty Ltd (QPF), the two entities partially (50%) acquired by AIK on 7 October 2016;
- AIK management are experienced in the finance industry;
- A number of the financiers CFG work with are also working with PFLG, Linx, QPF and the Hal Group; and
- Hal Group, as a financier on the panel for CFG, will receive referrals for specific equipment finance opportunities in Hal Group's niche, creating another channel to market.

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

- AIK has taken an 80% equity interest in CFG;
- The purchase consideration will be a mix of cash and AIK scrip in a 60:40 ratio;
- The effective date of the transaction for profit sharing for AIK is 1 July 2016;
- \$6.4 million of the cash component will be paid today representing 85% of the total cash component (15% or \$1.1 million (expected) to be withheld until settlement of completion accounts in the next couple of months);
- 38,474,098 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 (15% or 6,789,547 (expected) ordinary shares withheld until settlement of completion accounts in the next couple of months). The allotment of shares are further to the shareholder approval obtained on 26 September 2016;
- Each of the key employees have entered into employment contracts and will continue on in their key positions in CFG;



Armidale Investment CORPORATION

- Each Vendor has provided non-compete covenants for periods of 1 to 7 years depending on their key positions in CFG;
- 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 CFG 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 CFG board has 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;
- The Shareholders Agreement provides a mechanism whereby each Vendor is provided a put option to require AIK to purchase all 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 frame described above). Equivalent rights for both the Vendors and AIK will arise in subsequent years (with 9 months' written notice) if no option is exercised by either party during the stated period above.

Update on the \$15 million Bank Facility

- A binding Offer Letter for the facility has been executed;
- AIK are in the process of finalising the suite of documentation for the facility and do not foresee any issues arising; and
- AIK anticipate settlement of the facility in mid to late November with drawdowns thereafter as and when required.

AIK's Ongoing Strategy

The CFG partial acquisition (80%) completes the three most recent AIK acquisitions in the asset finance broking market. AIK intends to continue on the path of acquiring part or all of asset finance broking entities where there is seen to be a strategic, cultural and commercial fit. AIK do not intend to do any more than 3-5 such acquisitions over the next 18 months.

For further information please contact:

Andrew Grant

Joint Managing Director

0415 166 090

David Franks

Company Secretary

02 9299 9690