

Lodged to the ASX Online

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The Manager
Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

ACQUISITION OF LOAN AVENUE

- YBR agrees to acquire South Australia-based mortgage manager, securing previously under-represented territory
- The purchase will increase scale and importance with key lenders, adds a new lender to YBR panel, and adds additional broker distribution via new third party aggregators
- On the ground product sales team now extended beyond Sydney to Victoria and South Australia

Yellow Brick Road Holdings Limited (ASX:YBR) (“**YBR**” or the “**company**”) announces that its wholly-owned subsidiary, Loan Avenue Holdings Pty Ltd, has today entered into an agreement to acquire the business and assets of privately-owned non-bank lender Loan Avenue Pty Ltd (“**Loan Avenue**”).

Loan Avenue will provide the national company a strong distribution footprint in South Australia, diversifying the mortgage book geographically and diluting reliance on Sydney and Melbourne mortgage markets.

Executive Chairman Mark Bouris said the acquisition of Loan Avenue, an established and profitable business, continues the company’s drive for scale.

“Loan Avenue is a respected B2B brand and has been in operation for ten years with a significant footprint, made up of more than 100 brokers in South Australia and Victoria. This acquisition allows us to quickly build more scale in South Australia, diversify and deepen our distribution network and funding relationships and increase our management capability,” Mr Bouris said.

“Paul and Michelle Collins have done an incredible job founding and building this company into one of South Australia’s top three non-bank lenders. They are highly regarded within South Australia by their funders and distributors and bring a wealth of experience to YBR.”

“Loan Avenue brings us some other talented product managers and credit experts with stronger delegated lending authorities, boosting our credit capacity. Importantly, this acquisition strengthens our relationship with existing funders and gives us access to an additional funder.”

Loan Avenue’s mortgage product compatibility with YBR’s own mortgage manager (YBR Group Lending, formerly RESI Mortgage Corporation acquired in FY2014) affords simple integration minus the complexity that often comes with a scale acquisition.

Loan Avenue founders and vendors Paul and Michelle Collins have agreed to stay on following the acquisition to assist in maintaining and driving existing aggregator and broker relationships as well as supporting integration.

Paul Collins said “We are delighted to join such a fast growing and diversified group as YBR. Our focus will be to enhance our broker relationships and drive further product initiatives with YBR, whilst maintaining the high service levels for which we are renowned.”

The maximum aggregate consideration agreed to be paid for Loan Avenue is \$4.100 million, made up as follows:

- \$2.6 million payable in cash on completion;
- The issue on completion of 2,596,153 fully paid ordinary shares in YBR (“**YBR Shares**”) at an agreed issue price of \$0.26 each, representing \$0.675 million in value;
- Deferred cash consideration of \$0.450 million, payable in 3 instalments over the first 12 months after completion; and
- Subject to satisfying certain earn-out conditions during the period ending on the first anniversary of completion, an additional amount of up to \$0.300 million in cash and up to \$0.075 million in YBR Shares (to be issued at the same agreed issue price of \$0.26 each), payable as soon as Loan Avenue’s relevant performance against the earn-out conditions is agreed or determined.

All YBR Shares to be issued will be subject to a voluntary 12 months escrow period from the dates of their issue. No shareholder approval is required for the issue of the YBR Shares.

The acquisition of Loan Avenue remains subject to a number of conditions precedent and, assuming the conditions are satisfied, completion of the acquisition is expected to occur on 31 May 2016.

The cash components of the acquisition will be funded out of the company’s existing cash reserves and undrawn portions of its CBA facility.

ENDS

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