

21 July 2021

Shareholder update

Disclosure of ordinary share buyback

A disclosure document has been sent out to all ordinary shareholders yesterday disclosing the Board's intention to make an offer to acquire the company's shares from shareholders of the company who no longer originate finance receivables with MTF Finance under an originator agreement and who have a ledger balance less than \$200,000 (Dry Shareholders).

This follows the successful acquisition of the company's shares from Turners Finance last month.

As non-transacting originators, Dry Shareholders no longer contribute to the growth of the business or generate returns for MTF Finance shareholders. They have contributed capital which MTF Finance is able to utilise, however this comes at a higher cost to the Company. The Board of the Company wishes to address the potential inequity whereby a large group of shareholders (24.2%) in a company with a co-operative business model has ceased contributing as originating shareholders and do not intend to recommence origination in the future.

The Board has a desire to align ordinary shareholder interests with those of originators, to the benefit of all parties, and the current situation highlights the difficulty of managing those interests if they remain misaligned. The Board believes that an orderly sell down cannot be achieved through individual sales to existing MTF Finance ordinary shareholders, as there is an insufficient volume of share transfers to absorb the total dry shareholding in a timely manner.

In essence, there are three primary drivers for this offer:

1. The Board is looking to rebalance MTF Finance's equity structure to better align the interest of shareholders and originators.
2. The company has improved its balance sheet leverage through securitisation warehouse funding and now holds excess capital.
3. The Board have recognised legacy technology debt needs to be addressed in the business and a major generational upgrade of IT systems is now needed. This required spend is likely to have a material effect on dividends in the next two to three years, thus the offer to dry shareholders is an opportunity for exit prior to any imminent reduction of dividend/s.

The Board believes the buyback offer is to the benefit of all shareholders and the consideration offered is fair and reasonable.

The offer is capped at \$5,000,000 or 2,164,502 shares and will be made no earlier than 4 August 2021. Acceptances must be received no later than 30 September 2021. Trading of ordinary shares on the Sharemart platform will be temporarily halted from the disclosure date until the completion of the offer period.

The Board has declared an interim dividend of 2 cents per ordinary share for the quarter ending 30 June 2021. This will not be impacted by the offer and will be payable on 2 August 2021 before this offer will be made.

For further information, contact Glen Todd on 03 474 6370, glen.todd@mtf.co.nz.