



21 June 2022

hummmgroup Consumer Finance Update

Please find attached to this announcement a letter from the Majority Directors to hummm group limited (ASX: HUM) (**Hummm**) shareholders.

-ENDS-

Authorised for release by the Majority Directors.

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ABOUT HUMMMGROUP

hummmgroup is revolutionising the way people pay. hummmgroup has developed some of Australia and New Zealand's most exciting and accessible consumer finance products including **hummm**, **bundll**, **hummm90** and **hummmpro**. hummmgroup continues to design products around the core needs of financially savvy consumers spanning millennial spenders through to young families and SMEs. hummmgroup facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland and the United Kingdom.

21 June 2022

Dear Fellow Shareholder

Humm Consumer Finance

On behalf of the Majority Directors, I want to provide you with further background on our difficult decision to terminate the proposed sale of Humm Consumer Finance (**HCF**) to Latitude (**Latitude**).

The Majority Directors believed and still believe that there was significant strategic merit in the transaction. This view has not changed.

As you will be aware, Andrew Abercrombie undertook a strident campaign against the proposed sale, strongly encouraging shareholders to vote against the transaction. Much of the commentary he published was emotion-driven, inflammatory, and provided little clarity on what precise future strategy he envisages for HCF, or on what basis he believed Latitude were going to pay more for HCF. There is still essentially no clarity on the future strategy he envisages for HCF. Some of the information he published was false and misleading, which we instructed him to take down from his website. He persisted in telling shareholders to vote against the transaction.

During the extended period of preparation of sale documentation since key terms were agreed in early January 2022, Latitude's share price declined by approximately 30%. In a largely scrip-based transaction, this meant the implied value of the sale consideration was considerably lower by the time of the vote than at the time we made the initial decision to recommend the transaction.

Given this, the Majority Directors asked Latitude to improve the terms of its offer, which it refused to do. Public pressure from Humm shareholders threatening to side with Andrew Abercrombie and vote down the transaction had no impact on Latitude's position, which was unsurprising given the deteriorating economic environment, crashing sector stock prices and lack of any alternative bidding interest.

The Majority Directors believe Andrew Abercrombie overplayed his hand quite fundamentally in a transaction that could have been very beneficial for shareholders. The near 30% increase in the Humm share price to 93c when the transaction was first announced underscores the initial very positive market assessment of this deal before his negative campaign began.

The HCF group of businesses experienced highly challenging trading conditions for the five months to 31 May 2022, due to lower receivables, margin compression and expenses being incurred in its new product and international growth strategies - strategies which were embarked

upon in a better economic and sector environment. Underneath the reported weakness in earnings there remain profitable and valuable businesses such as NZ cards. The Majority Directors formed the view that quality businesses should not be sold at a discounted price in adverse circumstances, and we are fully comfortable with this decision.

In light of these factors and the current major disruption in financial markets, the Majority Directors therefore formed the view that it was in the Company's best interests to withdraw our recommendation which would have led to the transaction not gaining requisite shareholder support. The natural consequence of that was to terminate the transaction agreement.

This has undoubtedly been a difficult period for the Company, its shareholders and employees. I want to assure you however that the Majority Directors have acted in the best interests of shareholders at all times and sought to secure outcomes which would improve shareholder value which has diminished substantially in this Company over the past ten years - all of which time Andrew Abercrombie has been on the board, the Company's largest shareholder, and for a substantial period of which also the Chair.

I am proud the Majority Directors have been prepared to act to secure these outcomes despite multiple aggressively worded private threats of legal action against us personally from Andrew Abercrombie. Shareholders should be aware that one such letter included an instruction that the Latitude offer should be withdrawn from being put to shareholders for a vote, which would have denied shareholders the democratic right to vote on a transaction, essentially because he alone disagreed with it. Even the label "Majority Directors" - one chosen by the Company's lawyers - downplays the significance of the decision making in this situation: this was the entire board of highly experienced people acting unanimously in all these decisions, excluding one lone dissenting director.

As I have said, HCF contains a number of high-quality businesses. While the past 24 months have been characterised by the pursuit of growth in BNPL, the focus - across Humm - is now firmly on profitability under the Board as presently comprised.

Humm has a portfolio of world class businesses and a fantastic team of passionate and committed employees. The Company is in a strongly capitalised position with surplus unrestricted cash and no drawn corporate debt. In HCF, we have the pioneering "big ticket" instalment product and a leading credit card franchise. In flexicommercial, we are the second largest non-bank provider of commercial asset finance in Australia and New Zealand, with over \$1 billion in receivables. We believe our loan books will prove resilient in these more difficult economic times.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'C. Christian', written in a cursive style.

Christine Christian AO, Chairman