

# Market Announcement

20 July 2016 10:00

## RESIMAC Limited enters into a Scheme Implementation Agreement with Homeloans Limited to create one of Australia's largest non-bank lenders

RESIMAC Limited ("RESIMAC") is pleased to announce it has today entered into a Scheme Implementation Agreement ("SIA") with Homeloans Limited ("Homeloans") which provides for the implementation of a scheme of arrangement under which Homeloans will merge with RESIMAC.

RESIMAC is a non-bank financial institution which has been operating in the Australian market for 31 years and more recently within New Zealand. RESIMAC provides branded and third-party lending products through a variety of distribution channels and has a loan book in excess of \$5 billion as at 30 June 2016. RESIMAC reported a NPAT in FY15 of \$7.5m and is expected to report a NPAT for FY16 of approximately \$12.5m<sup>1</sup>.

Under the Transaction, RESIMAC shareholders will receive all scrip consideration, through the issue of 285,380,042 new ordinary Homeloans shares.

It is expected that upon completion of the transaction, existing **RESIMAC shareholders will hold 72.5% of the merged entity** and existing Homeloans shareholders will hold 27.5% of the merged entity.

### Key Highlights

- RESIMAC has entered into a Scheme Implementation Agreement with Homeloans, under which Homeloans will merge with RESIMAC through the issue of new Homeloans shares to RESIMAC shareholders and the acquisition by Homeloans of all of the shares in RESIMAC (the "Transaction") (together, the "Merged Group")
- The Transaction creates a leading non-bank lending and multi-channel distribution business in Australia and New Zealand with a combined loan portfolio in excess of \$12 billion, including \$5 billion in funded assets, and combined new annual originations exceeding \$3 billion in the 12 months to 30 June 2016
- Through the combination of a combined strong funding platform and expanded retail channel and third party channel distribution model, the Transaction will result in a vertically integrated business model for the Merged Group
- Mr. Warren McLeland (current Executive Chairman and Chief Executive Officer of RESIMAC) to be appointed as Managing Director of the Merged Group with Mr. Scott McWilliam (current Chief Executive Officer of Homeloans) to be appointed Joint Deputy Managing Director along with Ms Mary Ploughman (RESIMAC's Executive Director of Securitisation)

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<sup>1</sup> Pro forma earnings estimate is unaudited

### **Strategic Rationale for the Transaction**

The RESIMAC Board believes that there is a strong commercial and strategic rationale for the proposed merger. Specifically, the Board believes that the Transaction will provide RESIMAC with:

- The merger with Homeloans gives RESIMAC the tools to make a paradigm shift in its growth profile that could not be achieved organically in the same timeframe
- The listed environment will attract investment over time
- The merger is propitious in the non-bank sector and they expect will translate into multiple opportunities and benefits for RESIMAC, its funding platform, debt investors and shareholders
- A key objective of the merger will be to ensure book growth opportunities whilst simultaneously realising cost synergies

RESIMAC's Board commented "this allows the Merged Group to have both a strong and diversified distribution and funding capability which will allow it to pursue additional growth opportunities in the Australian and New Zealand markets and be in a more robust position to manage any future changes to the regulatory environment."

### **Board and Management**

The Merged Group will benefit from a highly experienced Board and senior executive team that draws upon the collective skills and expertise of RESIMAC and Homeloans.

The Board of the Merged Group will comprise two directors appointed by Homeloans and three directors appointed by RESIMAC.

Further, it is proposed that a new independent Chairman will be appointed soon after completion.

Mr Warren McLeland, RESIMAC's existing CEO, will be appointed as Managing Director of the Merged Group. Warren joined the Board of RESIMAC in 1999 and was appointed CEO in mid-2000. He has over 30 years' experience in domestic and international financial services. He is a director of a number of public and private companies including: Capel Finance Ltd, Utilico Limited, Wilson HTM Investment Group Ltd, Ellect Holdings Ltd and formerly of The Trust Company Ltd.

Warren McLeland said "we are delighted to be merging with Homeloans and the Transaction will create significant value for shareholders through combining RESIMAC's funding capabilities with Homeloans distribution expertise, as well as providing synergies through the integration of the businesses' operations."

Upon completion of the Transaction, it is proposed that the Board of the Merged Group will be composed as follows:

- Independent Chairperson (to be appointed);
- Mr Warren McLeland, Managing Director;
- Mr Robert Scott, Non-Executive Director;
- Mr Robert Salmon, Non-Executive Director;
- Mrs Susan Hansen, Non-Executive Director; and
- Mr Michael Jefferies, Non-Executive Director.

Mr Scott McWilliam and Ms Mary Ploughman will be appointed Joint Deputy Managing Directors.

### **Key Shareholders upon Transaction completion**

RESIMAC's major shareholder, Ingot Capital Management Ltd ("Ingot"), will hold 57.3% of the Merged Group upon completion with existing RESIMAC shareholders owning 72.5% of the new entity.

### **Media Contact:**

**Danielle Corcoran**

[danielle.corcoran@resimac.com.au](mailto:danielle.corcoran@resimac.com.au)

02 9248 6530

0419 211 785

### **Investor and Banking Contacts:**

**Warren McLeland**

[warren.mcleland@resimac.com.au](mailto:warren.mcleland@resimac.com.au)

02 9248 0300

**Mary Ploughman**

[mary.ploughman@resimac.com.au](mailto:mary.ploughman@resimac.com.au)

02 9248 0308

**Andrew Marsden**

[andrew.marsden@resimac.com.au](mailto:andrew.marsden@resimac.com.au)

02 9248 6507