

Company announcement:

7 June 2024

Navalo announces capital raising of up to \$10 million through pro rata entitlement offer

Navalo Financial Services Group Limited (Company or Navalo) is pleased to announce a capital raising to raise up to approximately \$10 million via a pro rata non-renounceable entitlement offer.

Key highlights

- The Company is seeking to raise up to approximately \$10 million via a pro rata non-renounceable entitlement offer, at a ratio of 5.87 new fully paid ordinary shares in the Company (**Shares** and such Shares, **New Shares**) for every 1 Share held at 7:00pm (Sydney time) on Thursday 13 June 2024 (the **Record Date**) (the **Offer**).
- An independent board committee (comprised of independent non-executive directors) has overseen the proposed capital raising the subject of the Offer.
- All New Shares will be issued at a fixed price of \$0.194 per New Share (**Offer Price**). The independent board committee commissioned RSM Corporate Australia Pty Ltd as an independent expert (**Independent Expert**) to prepare a valuation of the Company's Shares for the purposes of the Offer. The Independent Expert concluded that the fair value of a Share in the Company (on a minority interest basis) is in the range of \$0 to \$0.481. The Independent Expert has adopted a preferred fair value (on a minority interest basis) per Share of \$0.194. Having reviewed the Independent Expert's report, the IBC determined to adopt the expert's preferred fair value (on a minority interest basis) of \$0.194 as the Offer Price.
- Each of MCH Investment Management Services Pty Ltd ACN 630 333 649 as trustee for MCP Credit Trust 1 (**Metrics**) and Metrics Business Finance Holdings Pty Limited ACN 638 490 776 (**MBFH**), at the request of the Company, have irrevocably committed to subscribe for all of the New Shares they are entitled to under the Offer. Metrics and MBFH are related bodies corporate and together hold 88.79% of the total Navalo shares on issue. Their commitment to subscribe for 100% of their entitlement under the Offer is equal to a subscription amount of approximately \$8.88 million.
- If Metrics' voting power in Navalo increases to above 90% as a result of the Offer, Metrics or any of its related bodies corporate may be entitled to compulsorily acquire all of the remaining Shares pursuant to the general compulsory acquisition power in Chapter 6A of the *Corporations Act 2001* (Cth) (**Corporations Act**). Metrics has advised the Company that it has not currently made any determination in relation to any further dealings in Company shares including a potential exercise of the general compulsory acquisition power in Chapter 6A of the Corporations Act.

Capital Raising – Pro Rata, Non-Renounceable Entitlement Offer

The Offer is being undertaken via a pro rata non-renounceable entitlement offer at a ratio of 5.87 New Shares for every 1 Share held on the Record Date.

Independent expert's report and Offer Price

All New Shares will be issued at a fixed price of \$0.194 per New Share (**Offer Price**).

The Company's independent board committee commissioned RSM Corporate Australia Pty Ltd as an independent expert (**Independent Expert**) to prepare a valuation of the Company's shares for the purposes of the Offer. There is no requirement (legal, regulatory or otherwise) for the Company to obtain an opinion from an independent expert in relation to the Entitlement Offer, however the IBC commissioned the report to assist the IBC in determining the Offer Price and to provide shareholders with sufficient information in relation to the value of the Company's shares to make an informed decision whether to participate in the Entitlement Offer.

The Independent Expert has concluded that the fair value of a Share in the Company (on a minority interest basis) is in the range of \$0 to \$0.481. The Independent Expert has adopted a preferred fair value per Share on a minority interest basis) of \$0.194. In determining its preferred fair value, the Independent Expert applied a discount to the fair value of the Company's equity on a control basis, and a further discount to take into account the lack of marketability of the Shares (given the Company is unlisted).

Having reviewed the Independent Expert's report, the IBC determined to adopt the expert's preferred value (on a minority interest basis) of \$0.194 as the Offer Price. The IBC considers it is appropriate to adopt this price as the Offer Price, noting the following:

- the preferred fair value determined by the Independent Expert has already been discounted by the expert for the matters described above, and applying a further discount may be unnecessarily dilutive;
- the Offer Price should sufficiently incentivise Shareholders to participate in the Entitlement Offer; and
- applying a premium to the Independent Expert's preferred fair value of the Shares would likely disincentivise Shareholders from participating in the Entitlement Offer.

A copy of the Independent Expert's report is included in the Offer Information Statement to be dispatched to shareholders in relation to the Offer. Shareholders should read the Independent Expert's report prior to applying for New Shares under the Entitlement Offer.

New Shares issued under the Offer

The Offer will result in the issue of up to approximately 51,522,986 New Shares, taking the total number of Shares on issue to a maximum of 60,300,242. As the Offer is non-renounceable, entitlements cannot be sold or transferred to another person. The New Shares will rank equally with existing Shares as at their date of issue.

Use of funds

The Offer is being undertaken to assist the Company to meet its present and ongoing funding needs. Proceeds from the Offer are expected to be used as follows:

- \$4,493,000 (46.11%) – to repay the short-term shareholder loan received from Metrics as part of the funding package announced on 29 February 2024. Following agreement between Navalo and Metrics to extend the loan term, the outstanding balance is payable on 8 July 2024;
- up to approximately \$5,000,000 (51.32%) – to provide additional working capital to cover operating expenses expected to be incurred in the Company's ongoing business operations until approximately December 2024; and
- \$250,000 (2.57%) – to pay for costs associated with the Offer.

Offer dates and eligibility

The Offer is expected to open on Monday 17 June 2024 and close at 5:00pm (Sydney time) on Monday 1 July 2024.

The Offer is open to shareholders who are recorded in the Company's members register as at 7:00pm (Sydney time) on Thursday 13 June 2024 (**Eligible Shareholders**).

Further details of the Offer are set out in the Offer Information Statement also lodged with ASIC today. The Offer Information Statement contains important information including key risks with respect to the Offer.

Participation by Metrics and potential compulsory acquisition following Offer

As noted above, Metrics and MBFH's combined shareholding may increase as a result of the Offer. If this occurs, Metrics and MBFH will rely on an exception to the prohibition in section 606 of the Corporations Act on persons holding in excess of 20% acquiring any further Shares – namely item 10 of section 611 of the Corporations Act (**Rights Issue Exception**).¹

If there is limited participation by eligible shareholders in the Offer other than Metrics and MBFH, then:

- Metrics' voting power (which includes MBFH's shareholding) in the Company could increase from its current 88.79% to up to 98.20%; and
- Metrics and its related bodies corporate would hold full beneficial interests in at least 90% of the Shares.

If Metrics' voting power increases to above 90% following completion of the Offer, any acquisition of further Shares by Metrics or its associates (including MBFH) will no longer be regulated by Chapter 6 of the Corporations Act.

If Metrics and its related bodies corporate hold full beneficial interests in at least 90% of the Shares following completion of the Offer, Metrics or any of its related bodies corporate may be entitled to compulsorily acquire the remaining shares in the Company. Metrics has advised the Company that it has not currently made any determination in relation to any further dealings in Company shares including a potential exercise of the general compulsory acquisition power in Chapter 6A of the Corporations Act.

Further details in relation to the potential impact on the control of the Company of the Entitlement Offer, and the compulsory acquisition process, are set out in the Offer Information Statement.

¹ The Rights Issue Exception provides relief from the prohibition on a shareholder participating in a rights issue or a person acting as an underwriter of a rights issue if the following conditions are satisfied:

- the company offers to issue securities to every person who holds securities in a particular class on a pro rata basis;
- all of those persons have a reasonable opportunity to accept the offers made to them;
- agreements to issue are not entered into until the closing date of the offer; and
- the terms of the offers are all the same.

Key dates

Event	Details	Indicative date
Lodgement Date	Lodgement of the Offer Information Statement with ASIC	Friday 7 June 2024
Record date	The date for determining entitlements of Eligible Shareholders to participate in the Offer	Thursday 13 June 2024, 7:00pm (Sydney time)
Dispatch date	Offer Information Statement with Entitlement and Acceptance Form dispatched to Eligible Shareholders	Monday 17 June 2024
Opening Date	Offer opens	Monday 17 June 2024
Closing Date	Offer closes	Monday, 1 July 2024 5:00pm (Sydney time)
Announcement of results	Announcement of results of Offer published on Navalo's website	Wednesday 3 July 2024
Issue date	Issue of New Shares	Thursday 4 July 2024
Dispatch of holding statements	Dispatch of holding statements in respect of New Shares issued under the Offer	Friday, 5 July 2024

The above dates are subject to change and are indicative only. While the Company does not expect any changes to these dates, it reserves the right to change them without prior notice. Subject to the Corporations Act, any change to these dates and times will be publicly announced on the Company's website as soon as it is reasonably practicable to do so.

The Company also reserves the right to terminate the Offer at any time prior to the Offer date by making an announcement to that effect.

Authorised for release by the Independent Board Committee of the Company.

ENDS