

Company announcement:

29 February 2024

SETTLEMENT OF FUNDING PACKAGE, PROPOSED BUY-BACK AND BOARD CHANGES

Navalo Financial Services Group Limited (Company) is pleased to announce the settlement of a funding package of approximately \$5 million obtained from its major shareholder, MCH Investment Management Services Pty Ltd as trustee for MCP Credit Trust 1 (**Metrics**).

Funding package

The funding package is comprised of:

- a placement of \$508,005.97 through the issue of 1,790,014 ordinary shares to Metrics Business Finance Holdings Pty Ltd (a related party of Metrics) (**MBFH**) at a price per share of \$0.2838 (**Placement**); and
- a short term loan facility from Metrics of up to \$4,493,000 (**Loan**).

As outlined in the notice of meeting provided to shareholders in December 2023 (**NOM**) in relation to the proposed acquisition of Metrics Business Finance (**MBF**), one of the consequences of that acquisition not completing is that the Company requires urgent funding to ensure its solvency. Following the decision of shareholders not to approve the acquisition of MBF at the General Meeting held on 17 January 2024, the Company has considered options to meet its immediate funding requirements. The funding package announced today and provided by Metrics and MBFH addresses the Company's immediate funding needs in the short term.

The Loan facility has been provided on an unsecured, and interest-free basis. Any funds drawn down under the Loan are repayable within 3 months.

The Placement of shares to MBFH has been undertaken in reliance on the exception in item 9 of section 611 of the *Corporations Act 2001* (Cth), pursuant to which Metrics (together with its associates, including MBFH) is entitled to increase its shareholding by no more than 3% from its shareholding percentage as at the date 6 months prior to the issue of shares. Following completion of the placement on 29 February, Metrics' shareholding in the Company (together with MBFH) is now approximately 88.2%.

Funds raised from the Placement and Loan will be used to fund the Company's short-term working capital requirements and a share buy-back (refer below). As with previous transactions involving Metrics, the Company has established an independent board committee (**IBC**) comprised of Mr Matthew Pringle and Mr Mark Licciardo in relation to the proposed funding package. The IBC has also been advised by independent board adviser Mr Peter McCluskey and Mills Oakley Lawyers.

The IBC determined to proceed with the Metrics and MBFH funding package based on a range of factors including the following:

- the Company requires additional funding immediately to continue to fund its operations. In the absence of such funding, it is likely that the Company would need to consider entering administration;
- as outlined in the Notice of Meeting (**NOM**) for the January General Meeting, the acquisition of MBF would have provided an immediate injection of \$5m in working capital. As that transaction did not proceed due to insufficient shareholder support, the urgency of the Company's funding need has increased; and
- given the urgent need for funding, in the time available, the IBC does not expect that the Company would have been able to finalise a funding package on terms that are more favourable to the Company than the Metrics and MBFH funding package. In this regard, it is again noted that the Loan provided by Metrics is unsecured and interest-free.

The price per share of the Placement was determined based on a valuation of the Company of approximately \$2 million. This represents a discount of approximately 36% to the Company's market capitalisation of approximately \$3.1 million in March 2023 when the Company last undertook a capital raising. The IBC notes the following in relation to the pricing of the Placement.

- the discount of approximately 36% is a lower discount than the discount applied in the rights issue undertaken by the Company in March 2023 (which was priced at a 58.9% discount to the 15-day volume weighted average price of the Company's shares); and
- although the Company is no longer listed, the IBC does not have reason to believe that the share price would be materially higher now than it was in March 2023, having regard to the Company's delisting, the current financial position of the Company and the performance of its business.

For completeness, the Company also notes that the recent valuation of the Company determined by RSM Australia in relation to the proposed acquisition of Metrics Business Finance was prepared on the assumption that the Company would have access to sufficient working capital available to meet the forecasts prepared by management. This could have been achieved with the acquisition of MBF and the consequential injection of cash from MBF. The IBC does not consider that the RSM Australia valuation is supportable in the present circumstances including imminent risk of insolvency without the Placement and Loan.

Proposed buy-back

As the Company is now unlisted and shares in the Company have limited sources of liquidity, some shareholders have enquired about options to realise their investment in the Company. As a result, the Company also intends to use part of the funding package to fund a buy-back scheme, pursuant to which the Company will offer shareholders the opportunity to have shares

in the Company bought back at the same price per share as the Placement, being \$0.2838 per share. Further information in relation to the proposed buy-back will be provided to shareholders shortly.

BOARD CHANGES

Appointment of Andrew Lockhart as Chair

Mr Andrew Lockhart has been appointed to the role of Chair replacing Mr Allan Griffiths who will remain on the Navalo Board as a Non-Executive Director. In assuming the role of Chair, Andrew thanks Allan for his support and contribution to the Company and the broader Board during his time as Chair.

New Director Appointment – Lisa Davis

The Company is also pleased to advise that Ms Lisa Davis has joined the board of Navalo effective from 6th February 2024.

Lisa has an extensive background in Business Performance Optimisation including the transformation and leadership of large-scale teams to drive customer outcomes. Lisa built her early career with GE Australia in key transformation leadership roles, before moving to a COO role. She has held P&L responsibility in both financial services and consumer products. Lisa has spent 6 years at Equifax, a global Data, Analytics and Tech business, as COO, and has extensive knowledge in leading local teams within a global context and in-depth knowledge of digital, customer experience design and operational risk management.

In commenting on her appointment, Lisa said: “I am delighted to be joining the Board of Navalo and working with the other Directors and management as Navalo begins to execute on its strategic vision of expanding its suite of financial products and continuing to growth and strengthen its consumer loan book on its path to become a profitable non-bank lender.”

Mr Andrew Lockhart, Navalo Chair said: “We warmly welcome Lisa to the Board of Navalo. Her experience across the consumer finance and financial services space brings further strength and diversity to our Board. I look forward to working closely with Lisa as we progress the next stage of the Navalo journey.”

Authorised for release by the Company’s Independent Board Committee.

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