

ASX Announcement

3 June 2024

gendevdevelopmentgroup.com.au

Generation Development Group Limited to acquire the remaining 61.9% of Lonsec's fully diluted share capital for \$197.4m, to be funded by a Conditional Placement of \$49.2m to Lonsec shareholders and an Equity Raising of approximately \$155.4m

- Generation Development Group Limited (ASX:GDG) ('**GDG**') has entered into a binding agreement to acquire the remaining 61.9%¹ of Lonsec Holdings Pty Ltd's ('**Lonsec**') fully diluted share capital not already owned by GDG for \$197.4m up-front consideration ('**Acquisition**')
- Following GDG's highly successful investment in Lonsec in 2020, a move to 100% ownership provides an opportunity for GDG to take full control of a familiar asset with further expected significant growth upside
- GDG intends to raise approximately \$155.4m through a fully underwritten Institutional Placement and Accelerated Non-Renounceable Entitlement Offer ('**Equity Raising**')
- Proceeds of the Equity Raising will be used to fund the Acquisition plus associated transaction costs
- Remaining up-front consideration will be funded through a Conditional Placement to Lonsec shareholders who have elected to receive scrip in GDG in exchange for their equity in Lonsec
- Lonsec is well known to GDG through its existing investment, with strong knowledge of its operations and management team, having made the initial investment in 2020
- Lonsec has performed well since the initial investment, has been a strong contributor to GDG performance, and is expected to have a strong future growth outlook supported by regulatory tailwinds
- Increases scope for GDG to further capitalise on growth opportunity in managed accounts, a high growth market which has seen major structural change in recent years (market size growth of 25.7% p.a. to \$195b between 2018 and 2023, forecast to maintain ~17% growth CAGR to 2028)²
- Equity Raising is expected to significantly broaden GDG's share register and increase institutional representation and interest, supporting a higher free float and potential for improved liquidity
- The acquisition of Lonsec is expected to be high single digit to low double-digit EPS accretive in FY25 on a full-year pro forma basis³

Commenting on the transaction, Generation Life Chief Executive Officer Grant Hackett OAM said, "I am excited to announce today that Generation Development Group is embarking on a significant step in progressing its growth strategy through the acquisition of the residual equity interests in Lonsec".

"We have entered into binding agreement to acquire the remaining 61.9% interest in Lonsec, a market leading qualitative investment and fund research and ratings provider with a very high quality client base. Lonsec is well known and respected in the financial services sector, with its clients comprising a significant proportion of Australia's leading fund managers, superannuation funds, advisory groups and wealth platforms. This acquisition of Lonsec will provide GDG with full ownership of a highly strategic asset in an attractive segment of the wealth management sector. We believe that Lonsec is

¹ Assumes 6.9m additional Lonsec shares issued through vesting options, diluted Lonsec share count of 30.4m.

² IMAP data, December 2023

³ Accretion calculated applying the shares to be issued in the Conditional Placement and Equity Raising pro-rata for acquisition of remaining stake in Lonsec plus transaction costs. Illustratively assumes twelve-month impact of the transaction as though the transaction had occurred on 1 July 2024. Earnings exclude impact of one-off transaction costs. EPS accretion is calculated in accordance with AASB 133.

well positioned for future growth supported by strong industry and regulatory tailwinds and is expected to provide access to resilient recurring revenue streams from its core research offering. The Lonsec acquisition is expected to be immediately accretive to our earnings.”

“Further, we believe the acquisition will allow GDG to utilise the Lonsec Investment Solutions business as a base to consolidate other managed account businesses and deliver significant growth”.

Acquisition of Lonsec

- Founded in 1994, Lonsec has grown to become one of Australia’s pre-eminent providers of investment research, product ratings and managed account solutions
- Lonsec enjoys a strong market position and has a highly resilient revenue model with 99% recurring revenue
- \$340.0m up-front enterprise value / \$318.7 million up-front equity value (on a 100% basis), subject to customary completion adjustments
 - Up-front value reflects implied valuation of EV / FY24F EBITDA of 14.5x and P / FY24F NPAT of 25.1x
 - Up-front value reflects implied valuation of EV / FY25F EBITDA of 12.4x and P / FY25F NPAT of 20.2x
- Potential Earn Out of up to \$90.0m (on a 100% basis; maximum payable by GDG of \$55.7m if Lonsec outperforms its FY25F threshold EBITDA by 29%, implying required FY25 EBITDA of \$34.7m) in two tranches:
 - FY25F EBITDA of \$27.0m to \$30.8m, Earn Out of \$6.9m per \$1m of incremental EBITDA (maximum payable by GDG of \$26.3m)
 - FY25F EBITDA of \$30.8m to \$34.7m, Earn Out of \$7.6m per \$1m of incremental EBITDA (maximum payable by GDG of \$29.4m)
- 2.0 million GDG shares to be provided to Lonsec shareholders (post the earn out period) who elect to receive scrip consideration, and will be distributed on a pro rata basis if FY25F EBITDA is achieved
- Lonsec will continue to operate as a standalone entity with management continuing to implement the business plan and financial and operating strategies it had in place prior to the Acquisition
- Completion expected in August 2024, subject to customary closing conditions and related GDG shareholder approvals

K&L Gates is acting as legal adviser to GDG in relation to the acquisition of Lonsec. Baker McKenzie is acting as legal adviser to Lonsec in relation to the sale of Lonsec.

Details of the Conditional Placement

- GDG intends to issue 25.2 million additional fully paid ordinary shares in GDG (**‘New Shares’**) for \$49.2m as part of a placement to Lonsec shareholders which is subject to GDG shareholder approval (**‘Conditional Placement’**)
 - Includes \$3.8m (1.9m GDG shares) to be issued to GDG insiders in exchange for their direct equity interest in Lonsec (reflecting 73% scrip rollover)
 - Includes a scrip take-up from significant Lonsec shareholder M. H. Carnegie & Co of \$29.6m, which will represent a 5.1% ownership in GDG post completion of the Acquisition, Conditional Placement and Equity Raising
- The issue price for the Conditional Placement will be equal to the Offer Price under the Equity Raising (as outlined below), or \$1.95 per New Share;
- The Conditional Placement is subject to GDG shareholder approval at an Extraordinary General Meeting scheduled for Tuesday, 23 July 2024.

Details of the Equity Raising

GDG intends to conduct an Equity Raising to raise approximately \$155.4m through a:

- fully underwritten placement to institutional investors to raise approximately \$62.0m (**'Institutional Placement'**); and
- fully underwritten 1 for 3.98 accelerated non-renounceable entitlement offer of New Shares to raise approximately \$93.4m (**'Entitlement Offer'**)

Proceeds from the Equity Raising will be applied to fund the cash portion of the Acquisition and associated transaction costs.

The offer price for the Institutional Placement and the Entitlement Offer will be \$1.95 per New Share (**'Offer Price'**). The Offer Price represents:

- a 13.3% discount to the last traded price of GDG shares; and
- a 9.0% discount to the theoretical ex-rights price (**'TERP'**)⁴.

Under the Entitlement Offer, eligible shareholders will be able to subscribe for one New Share for every 3.98 existing GDG shares held at 7.00pm (Sydney time) on Wednesday 5 June 2024 (**'Record Date'**) at the Offer Price (**'Entitlements'**).

Jefferies (Australia) Pty Ltd is acting as sole financial adviser to GDG in relation to the Acquisition and as sole lead manager, underwriter and bookrunner of the Equity Raising. MinterEllison is acting as legal adviser to GDG in relation to the Equity Raising.

The Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value for those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value for the Entitlements they would have received had they been eligible.

It is expected that up to 79.7 million New Shares will be issued as part of the Equity Raising. New Shares issued under the Institutional Placement do not participate in the Entitlement Offer. New Shares issued under the Equity Raising will rank equally in all respects with existing shares including for dividends subsequently declared or paid.

The Entitlement Offer includes an institutional component (**'Institutional Entitlement Offer'**) and a retail component (**'Retail Entitlement Offer'**).

Under the Institutional Entitlement Offer, eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place on from Monday 3 June to Wednesday 5 June 2024. Eligible institutional shareholders can choose to take up all, part or none of their Entitlements. Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer and Entitlements that would otherwise have been offered to ineligible

⁴ TERP is the theoretical price at which GDG shares should trade immediately after the ex-date of the Conditional Placement, Entitlement Offer and Institutional Placement, and is calculated based on the Entitlement Offer of \$93.4 million, Institutional Placement of \$62.0 million, and Conditional Placement of \$49.2 million. TERP is a theoretical calculation only and the actual price at which GDG shares will trade on the ASX immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the TERP. TERP is calculated by reference to the closing price of GDG shares as traded on the ASX on the last trading day prior to the announcement of the Entitlement Offer of \$1.95.

institutional shareholders, will be sold through an institutional shortfall bookbuild at the Offer Price from 3 June to 4 June 2024.

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Friday 7 June 2024 and close at 5.00pm (Sydney time) on Friday 21 June 2024.

The Retail Entitlement Offer will include a top-up facility under which eligible retail shareholders who take up their full Entitlement may apply for additional shares in the Retail Entitlement Offer (subject to a cap of 100% of their Entitlements) from a pool of shares not taken up by other eligible retail shareholders. There is no guarantee that applicants under this top-up facility will receive all or any of the New Shares they apply for under the top-up facility. Further details on the allocation of New Shares under the top-up facility will be set out in the Retail Offer Booklet.

GDG will notify retail shareholders as to whether they are eligible to participate in the Retail Entitlement Offer. Eligible retail shareholders will be sent, on or about Friday 7 June 2024, the Retail Offer Booklet, including a personalised entitlement and acceptance form, which will provide further details of how to participate in the Retail Entitlement Offer. A copy of the Retail Offer Booklet will also be lodged with ASX on or about Friday 7 June 2024.

Those shareholders who GDG determines to be ineligible shareholders will also be notified.

A presentation on the Acquisition and Equity Raising has been lodged with ASX today and is able to be downloaded from ASX's website (www.asx.com.au).

Proposed timetable

GDG expects that the Equity Raising will be conducted according to the following timetable:

Event	Date
Announcement of Acquisition and Equity Raising	Monday 3 June 2024
Announcement of results of the Institutional Entitlement Offer, trading resumes on an ex-entitlement basis	Wednesday 5 June 2024
Record date for Retail Entitlement Offer (7.00pm (Sydney time)) (Record Date)	Wednesday 5 June 2024
Retail Entitlement Offer opens	Friday 7 June 2024
Offer Booklet and entitlement and acceptance form despatched, and announcement of despatch	Friday 7 June 2024
Settlement of the Institutional Placement and the Institutional Entitlement Offer	Friday 7 June 2024
Allotment of New Shares under the Institutional Placement and the Institutional Entitlement Offer	Tuesday 11 June 2024
Quotation of New Shares issued under the Institutional Placement and the Institutional Entitlement Offer	Tuesday 11 June 2024
Normal trading for New Shares issued under the Institutional Placement and the Institutional Entitlement Offer commences	Tuesday 11 June 2024
Closing date for acceptances under the Retail Entitlement Offer (5.00pm (Sydney time)) (Closing Date)	Friday 21 June 2024
Announcement of results of Retail Entitlement Offer	Tuesday 25 June 2024
Settlement of the Retail Entitlement Offer	Thursday 27 June 2024
Allotment of New Shares issued under the Retail Entitlement Offer	Friday 28 June 2024
Normal trading for New Shares issued under the Retail Entitlement Offer commences	Monday 1 July 2024
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Tuesday 2 July 2024

Notes:

All times are Sydney time.

This timetable is indicative only and subject to change. The board of directors of GDG may vary these dates, in consultation with the Underwriter, subject to the ASX Listing Rules. An extension of the closing date for acceptances under the Retail Entitlement Offer will delay the anticipated date for

issue of the New Shares. The board of directors of GDG also reserve the right not to proceed with the whole or part of the Entitlement Offer any time before the allotment and issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to applicants.

Update on PDF status

- GDG has applied to have its Pooled Development Fund (**PDF**) registration revoked. This revocation is a condition to completion of the Acquisition under the SOSA, as a PDF cannot acquire 'preowned' shares without regulatory approvals
- GDG has outgrown its PDF status and it is difficult for GDG to continue to maintain its PDF status regardless of the Acquisition having regard to various PDF restrictions. This revocation will allow GDG to continue to invest and support the growth of its subsidiary companies as well as remove limitations on GDG's ability to grow by acquisition
- GDG's operational activities and other regulatory licences are not impacted by this revocation. GDG will cease to be entitled to a concessional tax rate on its income and gains with effect from the start of the current financial year. GDG shareholders will from the time its PDF registration is revoked be subject to the usual dividend rules for taxation purposes and any previous PDF dividend tax concessions will no longer be available. GDG shareholders will be taken to have acquired shares in GDG for capital gains tax purposes at the time of revocation. Any subsequent disposal by shareholders of their GDG shares will have potential taxation consequences having regard to this cost base.⁵

Trading update and outlook

- Record sales momentum to be maintained. After a record third quarter, and with the current sales pipeline, we believe the record sales result will continue into the end of the financial year. Continue to build sales momentum and capitalise on recent MetLife strategic relationship
- Continue to innovate our investment bond offering and tax optimised options on GDG's investment menu

Focus on supporting Lonsec's existing Accelerated Growth Plan and developing next phase of GDG growth with consolidated Lonsec ownership

Authorised by the board of Generation Development Group Limited and contact for further information:

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CFO

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⁵ This is only general advice and not intended to constitute tax advice. Shareholders should seek their own tax advice from an appropriately qualified professional adviser which relates to their specific circumstances.

IMPORTANT NOTICES

Important Notices

Not for release or distribution in the United States

This announcement has been prepared for publication in Australia and may not be released to U.S. wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

Forward-Looking Statements

This announcement contains certain "forward-looking statements", including but not limited to projections and guidance on future financial performance, potential synergies and estimates, the timing and outcome of the Reconstruction Experts acquisition, the outcome and effects of the Equity Raising and the use of proceeds, and the future performance of GDG post-acquisition.

The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and certainties and other factors which are beyond the control of GDG, its directors and management.

Forward-looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumption on which these statements are based. These statements may assume the success of GDG's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue credence on forward-looking statements and, except as required by law or regulation, none of GDG, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to GDG as at the date of this announcement.

None of GDG or any of its subsidiaries, representatives, advisers, or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance, or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements.

Financial data

Readers should be aware that the pro forma financial information included in this announcement is for illustrative purposes and does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the United States Securities and Exchange Commission. Readers should be aware that certain financial data included in this announcement is "non-IFRS financial information" under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC and also "non-GAAP financial measures" within the meaning of Regulation G under the U.S. Securities

Exchange Act of 1934. Non-IFRS/non-GAAP measures in this announcement include the pro-forma financial information, EBITDA and EBIT. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS/non-GAAP financial information and ratios included in this announcement.

Information about Lonsec

Certain information in this announcement has been sourced from Lonsec, its representatives or associates. While steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. Certain market and industry data used in connection with this announcement may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither GDG nor its representatives have independently verified any such market or industry data provided by third parties or industry or general publications.

The financial information for Lonsec is based on financial and operating data provided by Lonsec.

GDG has performed due diligence on the financial records of Lonsec however this does not constitute an independent verification of the information provided by Lonsec. Investors are cautioned that they should not place reliance on this information as if it were audited financial information.