

AFG LODGES PROSPECTUS WITH ASIC

4 May 2015

Australian Finance Group Ltd (**AFG** or the **Company**) today lodged a prospectus (the **Prospectus**) with the Australian Securities and Investments Commission (**ASIC**) for an initial public offer (**IPO**) and listing on the Australian Securities Exchange (**ASX**). The IPO is expected to raise between A\$121.3 million and A\$140.1 million, based on an indicative price range of A\$1.20 to A\$1.38 per share. Based on the mid-point of this range of A\$1.29 per share, approximately A\$35 million will be raised by the issue of new shares by AFG (before costs) and approximately A\$95.9 million will be raised by the sale of shares by existing shareholders.

Defined terms in this release have the same meaning as in the Prospectus.

The IPO includes an institutional offer, a broker firm offer and a A\$10 million priority allocation to AFG staff, mortgage brokers and others. Macquarie Capital (Australia) Limited (**Macquarie Capital**) is the Lead Manager and Morgans Corporate Limited is the Co-manager to the IPO.

AFG was founded in 1994 and has grown to become one of the biggest mortgage broking groups in Australia¹, with more than 2,300 AFG Brokers distributing over 1,400 mortgage products supplied by AFG's panel of over 30 lenders. The AFG Loan Book currently sits at more than \$100 billion, the largest Australian loan book outside the major banks.

AFG co-founder and managing director Mr Brett McKeon said funds raised in the IPO would be used to purchase the equity of certain existing shareholders and to provide funding for operations and growth. Existing shareholders will continue to own approximately 52.7% of AFG, with shares owned by the co-founders and certain other existing shareholders escrowed until the release of the Company's FY2016 results.

"We have received a number of offers for the company since we started operations more than 20 years ago, but we believe listing on the ASX is the best avenue to ensure AFG's sustainable growth and to retain and attract brokers to our network," Mr McKeon said.

"We are a significant player in a growing market and we are confident of delivering long term returns to shareholders."

"We have shown a consistent ability to generate profits through the residential property cycle and with almost 50 per cent of our revenues being generated through trail commission on the existing AFG Loan Book, we believe we have an attractive mix of recurrent earnings and growth."



100 Havelock Street
West Perth WA 6005

PO Box 710
West Perth WA 6872

Phone 08 9420 7888

Fax 08 9420 7856

www.afgonline.com.au

¹ By value of the aggregate of the outstanding loans that have been originated by AFG Brokers and by market share of residential mortgage originations in 2014.

Mr McKeon said AFG would continue to nurture and grow its broker network and further develop the product offerings within the AFG Home Loans business, such as the recently launched AFG Edge product.

Mr McKeon will remain as managing director of AFG upon listing on the ASX. Co-founder Malcolm Watkins also remains on the Board in an executive function, with Kevin Matthews becoming a non-executive director. Tony Gill will remain as independent non-executive Chairman with independent non-executive directors John Atkins, Jim Minto and Craig Carter completing the Board.

AFG shares are currently expected to begin trading on the ASX on a deferred settlement basis on or around 22 May 2015, under the ticker code 'AFG'.



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Key offer statistics²

Indicative Price Range ³	A\$1.20 – A\$1.38 per Share
Shares available under the Offer	101,500,096
Total cash proceeds from the Offer ⁴	A\$121.8 million – A\$140.1 million
Shares retained by Existing Shareholders upon completion of the Offer	113,312,575
Total issued Shares on completion of the Offer	214,812,671
Indicative market capitalisation ⁵	A\$257.8 million – A\$296.4 million
Pro forma Net Debt/(Cash) ⁶	(A\$40.2) million
Indicative enterprise value ⁷	A\$217.6 million – A\$256.3 million
FY2014 pro forma NPAT	A\$16.1 million
FY2015 forecast pro forma NPAT	A\$17.8 million
FY2016 forecast pro forma NPAT	A\$19.7 million
Indicative Price Range/Pro forma FY2015 forecast NPAT per Share (times)	14.4x – 16.6x
Indicative Price Range/Pro forma FY2016 forecast NPAT per Share (times)	13.1x – 15.1x
Indicative FY2016 forecast dividend yield ⁸	4.6% – 5.3%

² Key Offer statistics contain Forecast Financial Information. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A of the Prospectus, and is subject to the key risks set out in Section 5 of the Prospectus. There is no guarantee that the forecasts will be achieved. This table contains a non-AAS financial measure, which is discussed in Section 4.5.2 of the Prospectus.

³ The Indicative Price Range is the indicative range for the Final Price. The Final Price may be set below, within or above the Indicative Price Range. Shares may trade below the lower end of the Indicative Price Range (refer to Section 7.5.3 of the Prospectus for more details).

⁴ Based on the Indicative Price Range.

⁵ Based on the Indicative Price Range.

⁶ Based on a Final Price of A\$1.29, being the mid-point of the Indicative Price Range. Excludes restricted cash (refer to Section 4.8 of the Prospectus for more details) and liabilities within AFG Securities which are non-recourse to AFG (see Section 4.15 of the Prospectus for more details).

⁷ Based on the Indicative Price Range and pro forma cash calculated as per note 6 above.

⁸ Calculated as the implied dividend per Share divided by the Indicative Price Range.

Important dates

All dates are indicative only and are subject to change at AFG's discretion.

Prospectus lodgement date	4 May 2015
Broker Firm Offer and Priority Offer period opens	12 May 2015
Broker Firm Offer and Priority Offer period closes	18 May 2015
Institutional Bookbuild to determine Final Price	19 May 2015
Final Price announced to the market	19 May 2015
Settlement of the Offer	21 May 2015
Completion of the Offer (Shares acquired by successful Applicants)	(A\$40.2) million
Expected commencement of trading of Shares on the ASX on a deferred settlement basis	22 May 2015
Expected dispatch of holding statements	25 May 2015
Expected commencement of trading of Shares on the ASX on a normal settlement basis	26 May 2015



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Obtaining a Prospectus

The AFG IPO Prospectus is available to Australian residents only in electronic form at www.afgonline.com.au. Offers of shares in connection with the IPO will only be made in, or accompanied by, a copy of the Prospectus. Potential investors must consider the Prospectus in deciding whether to apply for shares under the IPO.

The Prospectus is not available in the United States or other jurisdictions outside Australia.

The retail component of the offer, which will comprise the Broker Firm Offer and the Priority Offer, is scheduled to open on Tuesday, 12 May 2015 and close at 5.00 p.m. (Perth time) on Monday, 18 May 2015. There is no general public offer of shares under the IPO. Investors wishing to apply for shares through the Broker Firm Offer must do so through a broker appointed by the Lead Manager of the IPO, Macquarie Capital. Applications for shares under the Priority Offer may only be made on an online Application Form which will accompany the Prospectus.

The Company's Australian legal adviser is Herbert Smith Freehills. Deloitte Touche Tohmatsu is the Company's auditor.

For more information about AFG, please visit the company's website at <http://www.afgonline.com.au>.

If you are unclear in relation to any matter or are uncertain as to whether AFG is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

Ends

Further information:

Brett McKeon
Managing Director
Australian Finance Group Ltd
+61 8 9420 7555

John Gardner
Managing Director
MAGNUS
+61 413 355 997



100 Havelock Street
West Perth WA 6005

PO Box 710
West Perth WA 6872

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Notes

This announcement may not be released 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 in any other jurisdiction in which such an offer would be illegal. The shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the shares may not be offered or sold, directly or indirectly, in the United States, unless they have been registered under the U.S. Securities Act (which AFG has no obligation to do or procure), or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable state securities laws.

This announcement contains forward-looking statements, which are statements that may be identified by words such as “may,” “forecast,” “expects,” “could,” “believes,” “estimates,” and other similar words. These statements are based on an assessment of present economic and operating conditions and on a number of assumptions regarding future events and actions that, as of the day of this announcement, are expected to take place. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions, and other important factors, many of which are beyond the control of AFG and its directors and management. AFG cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur.

Macquarie Capital (Australia) Limited (**Macquarie Capital**) has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of the Prospectus or this announcement, make or purport to make any statement in the Prospectus or this announcement and there is no statement in the Prospectus or this announcement which is based on any statement made by Macquarie Capital or by any of its affiliates, officers or employees. Macquarie Capital, as well as its affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this announcement.

The information contained in this announcement is not personal advice and does not take into account investors' objectives, financial or tax situation or needs. You should not rely on the information contained in this announcement. AFG is not licensed to provide financial product advice in relation to the shares of AFG. AFG recommends that investors obtain a copy of the Prospectus and read it before making a decision on whether to invest in AFG. There is no cooling off regime in relation to shares in AFG.