

EUROZ HARTLEYS GROUP

ABN 53 000 364 465

14 September 2022

Special Dividend and Equal Capital Reduction

Euroz Hartleys Group Limited (**Euroz Hartleys Group** or the **Company**) (ASX: EZL) is pleased to announce our proposed capital management initiative.

Following the successful completion of the Schemes of Arrangement for Westoz Investment Company Limited (ASX: WIC) and Ozgrowth Limited (ASX: OZG), our investment in WAM Capital Limited (ASX: WAM) was subsequently sold for ~\$103.9 million. The Board then resolved and announced that the Company would return up to \$80 million of excess capital to shareholders. After significant analysis and external advice, the Board believes it has determined the optimum structure for this return of capital that strikes a balance between EPS accretion to the Company (through a proposed cancellation of shares) and a tax efficient distribution of a fully franked dividend.

It is proposed that this strategic capital management initiative will consist of two components: a fully franked special dividend and return of capital by way of an equal capital reduction.

Special Dividend

The Board has resolved to pay a fully franked special dividend of \$0.2027 per share. This represents a return of approximately \$40 million fully franked to shareholders. The timetable for the special dividend will follow this announcement.

Equal Capital Reduction

The Board proposes to provide a return of capital of approximately \$40 million by way of an equal capital reduction and share cancellation in accordance with Sections 256B and 256C of the Corporations Act 2001 (Cth) (**Corporations Act**).

An equal capital reduction is a pro rata reduction of a company's share capital by returning part of the share capital to its shareholders. The Corporations Act requires the Company to obtain shareholder approval by ordinary resolution for the equal capital reduction, which will be sought at the Company's Annual General Meeting on 17 November 2022.

If the capital reduction is approved by shareholders, eligible shareholders will each receive a cash payment equal to the pro rata amount of the capital reduction relative to their shareholding in the Company with a corresponding equivalent value of shares to be subject to the share cancellation. The number of shares to be cancelled for each shareholder will be based on the pro rata amount of the capital return divided by the 4-day volume weighted average price (**VWAP**) of the Company's shares traded on ASX up to and including the last day of trading on a 'cum capital reduction' basis prior to the record date for the capital return, rounded down to the nearest whole share.

An example of the effect of the proposed equal capital reduction and share cancellation on a hypothetical shareholding in the Company is as follows:

Assuming the total amount of the proposed equal capital reduction is \$40 million and the Company currently has a total number of shares on issue of 197,297,073.

The pro-rata amount of the equal capital reduction for a shareholder holding 10,000 shares would be \$2,027.40 (being 10,000 multiplied by \$0.20274). Assuming the calculated VWAP on the record date is \$1.33 per share, then 1,524 shares (\$2,027.40 divided by \$1.33 rounded down to the nearest share) would be subject to cancellation such that the post the cancellation the shareholder would hold 8,476 shares and have received a payment of \$2,027.40.

The Company cannot with any certainty, predict what the VWAP will be calculated as on the record date. For the purposes of the above example the Company has utilised the last traded price of its securities on the Australian Securities Exchange (**ASX**) on 13 September 2022, being \$1.53 less the value (per share) of the special dividend (excluding franking credits) rounded up to the nearest whole cent.

If the equal capital reduction is not approved by shareholders then the capital reduction will not be undertaken and shareholders will not receive the cash payment for the capital reduction and no shares will be cancelled.

Further information regarding the equal capital reduction and cancellation of shares including the proposed timetable for the return of capital will be detailed in the Euroz Hartleys Group Notice of Annual General Meeting which will be announced in due course.

Summary

Executive Chairman Andrew McKenzie commented: "Following the payment of this special dividend we will have paid \$327 million in fully franked dividends to shareholders in the past 23 years. Our track record of delivering strong shareholder returns will be further enhanced if the proposed \$40 million capital return is approved by shareholders at our upcoming AGM."

"This proposed capital management initiative will cancel approximately \$40 million dollars of our current issued capital, complete our strategic objective of simplifying our corporate structure while retaining a strong and efficient balance sheet to support Western Australia's leading financial services business."

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This announcement is authorised for release by the Board of Euroz Hartleys Group Limited.