

16 October 2024

To:

Yellow Brick Road Holdings Limited Shareholders
Australian Securities & Investment Commission

RE: RESTRUCTURE ARRANGEMENTS

Yellow Brick Road Holdings Limited (**YBR**), on behalf of its group of companies (**YBR Group**) and its associate Resi Wholesale Funding Pty Ltd (**RWF**), is pleased to announce that they have entered into several agreements between each other which are designed to further enhance the growth and evolution of the RWF business.

Items 2, 3, 4 and 6 described below remain subject to the satisfaction or waiver of conditions precedent, which conditions the board of YBR expect to be satisfied by 18 October 2024.

As YBR shareholders will recall, RWF was a “start-up” when established by YBR in 2019 and has since grown its own warehouse-funded mortgage loan portfolio size to approximately \$400m, despite numerous regulatory changes and industry headwinds. This achievement reflects the resilience and strategic direction of RWF and, with the continued support of its foundation partner, Magnetar, and its warehouse funding providers, serves as a reminder of the importance of having essential structural backing.

Moving past these achievements, the latest agreements are designed to transition RWF into its next era as its own standalone business. These include the following multi-faceted matters:

1. Employing its 1st full-time dedicated CEO, being Campbell Smyth, the former CEO of Bluestone Home Loans. Campbell comes to RWF with an enormous reputation and depth of experience across financial markets, having most recently rebuilt Bluestone to become one of the major non-bank residential mortgage lenders with a balance sheet in excess of \$5bn and over \$14bn of assets under management.

Campbell’s initial focus will be to build the sales function and increase the penetration of the RWF product into the YBR’s franchise and independent broker networks. In due course, he will then seek 3rd party distribution and product expansion to further increase RWF volumes and drive RWF to become a leading independent non-bank lender in the Australian mortgage market.

2. RWF taking over the employment of its direct Resi Sales, Credit and Support teams from the YBR Group. This will allow Campbell direct control, direction and accountability of this dedicated and experienced resource;
3. A formalisation of YBR Group’s other indirect Corporate Services for RWF, including cost allocation, recharging, reviewing, in-sourcing/out-sourcing and/or offshoring processes for

numerous staffing and systems services including accounting, audit, payroll, administration, legal, HR and on/off-boarding, office space, marketing, etc;

4. Sharing of other revenue streams and cost items relating to existing and future Resi white-label and sponsorship product arrangements;
5. YBR and Magnetar re-capitalising the RWF business by:
 - (a) each injecting new capital of \$2.1m cash (total \$4.2m) into RWF, to give it a forecast circa 2 year working capital runway; and
 - (b) each converting its existing \$1.5m shareholder loan (total \$3.0m) into RWF equity, to improve the RWF balance sheet metrics.
6. The YBR Group granting RWF a 5 year call option to acquire, amongst other things, the “Resi” brand and related IP assets and other direct systems and assets related to it (but not including any Back-Book entitlements) for a price equal to \$8.0m less any payments that have been made by RWF under the white-label sharing and sponsorship arrangements.

Adrian Bouris, chairman of RWF, said “The actions we are taking represent several significant and complex structural initiatives, achieved through thoughtful planning and collaboration by YBR and its partners. We anticipate they will greatly boost RWF’s growth and positioning in the market”.

Mark Bouris, executive chairman of YBR, said “This is a key initiative and important milestone in the strategic review of the YBR Group we announced in 2023, being to restructure the YBR Group’s efficiencies and value. We expect these matters to save cost to YBR, but more importantly deliver better outcomes and direct control to RWF. YBR Group’s distribution, operational and marketing teams are fully behind these initiatives”.

Campbell Smyth, the new CEO for RWF, said he is “very eager to drive these initiatives forward and appreciates the support of the YBR Group and Magnetar. It’s a huge opportunity for us!”.

Approved and authorised by YBR

Mark Bouris
Executive Chairman

ENDS