

2 September 2015

Dear Shareholder,

On behalf of your Board, I would like to update you on the progress of Money3 Corporation Limited (Money3) and also respond to misleading statements made by our previous Managing Director in the lead-up to the shareholder meeting he has requisitioned in an attempt to remove three of your Directors and replace them with himself.

The 2015 financial year just ended was another record for Money3, underpinned by strong profitable growth in the company's secured loan business. Net Profit After Tax (NPAT) was up 78.2% to \$13.9 million. Given the company's increased profitability, strong balance sheet and attractive growth outlook, the final dividend was increased to 2.75 cents per share fully franked.

Even with some of the challenges currently being faced by all small amount unsecured lenders, none of which your company has not previously dealt with, the 2016 financial year has started strongly, again underpinned by the performance of our secured loan business. As a consequence, Money3 has guided the market to a 2016 NPAT of \$18.0 million, up 30% on the record set in 2015.

As you may be aware, your Board recently made a decision to part ways with the previous Managing Director, Mr Robert Bryant. Simply put, this was because of a difference in opinion on strategy.

In response to your Board's decision to part ways with Mr Bryant, he (as a shareholder) has decided to requisition a shareholder meeting at great expense to your company, to try to remove three members of your Board and have himself appointed a non-executive director. Mr Bryant's other nominated non-executive director has withdrawn his nomination.

In attempting to achieve his objective, we are aware that Mr Bryant has circulated (to some shareholders) incorrect and misleading information about the financial position of Money3 and the intentions of your Board. There are three areas that require clarification:

1. Mr Bryant claims that the Money3 share price has fallen as a consequence of his departure. It is acknowledged that Money3's share price has fallen over the recent period. However in fact, your company's share price actually increased following the announcement of his departure. **The data clearly shows that Mr Bryant was in charge through the majority of the share price decline since the recent high in February 2015.**
2. Mr Bryant claims that the unsecured loans business is a significant contributor to the company's profitability. It is true that the unsecured loans business continues to be important but its significance has been substantially reduced by the growth of the secured business. Further it is clear that the sub \$500 loans make no contribution to company profitability. **Mr Bryant's claims about the significance of the unsecured business and the contribution from the sub \$500 unsecured loan business are simply not correct.**

3. Mr Bryant claims that the Board is planning to cease unsecured lending. On 11 August, Money3 announced that it was undertaking a review of its products and that it was likely that a decision to cease to offer some unsecured loan products might be made. The review is underway as is the identification of new products that we can offer to our customers. **Mr Bryant's claim is simply untrue!**

Your Board is very excited about the future of Money3. The Acting CEO/MD Scott Baldwin is 100% committed to supporting the actions of your Board.

The actions of a disgruntled ex-Managing Director are an unnecessary distraction to your Board and management team, and also disruptive to the business.

We ask you, our shareholders, to support your current Board which is stable and committed to the future of Money3.

**Vote against the resolutions that will be put to shareholders at the general meeting on 21 September 2015.**

We have attached to this letter:

- further information in relation to the points raised above
- a newspaper article regarding Money3. The two investors quoted in the article – Thorney and PIE Funds Management who between them account for approximately 15% of the shares in the company – have indicated that they will support your Board and vote against the resolutions
- a pre-completed proxy form.

We encourage you to carefully read all the information as it is important that you are fully and properly informed of the facts.

Should you have any questions please contact Acting CEO / MD Scott Baldwin or myself.

Yours sincerely,



Vaughan Webber  
Non-Executive Chairman

**Annexure to letter.**

**Financial results**

The financial result of Money3 Corporation Limited (Money3) for the year ended 30 June 2015 was another record. Driven by continued growth in our secured loan business, the company reported a Net Profit After Tax of \$13.9 million, an increase of 78.2% on the 2014 financial year.

As a consequence of Money3's increased profitability, strong balance sheet and attractive growth outlook, your Board was pleased to increase the final dividend to 2.75 cents per share fully franked, which will be payable on 23 October 2015.

The 2016 financial year has started strongly, again underpinned by the performance of our secured loan business. As a consequence, your Board was pleased to provide full year guidance for the 2016 financial year of \$18.0 million Net Profit After Tax, an increase of 30% on the record set in 2015.

**Business operations**

Money3, like other companies in the unsecured small amount loan sector, is facing some challenging headwinds in terms of increasing regulatory focus and public scrutiny on our unsecured loan business. In addition, your Board has also been working through Westpac's decision to cease over time its corporate funding and transactional banking support for the Company given its activity in the small unsecured loan market.

These particular issues are not new. Money3 has faced similar challenges in the past. Your Board is addressing these significant matters in a considered manner and will update shareholders in due course.

**Previous Managing Director**

Recently, your Board made a decision to part ways with its previous Managing Director, Mr Robert Bryant.

Simply put, this was because of a difference in opinion on strategy. The previous Managing Director did not want to engage in a broad based consideration of strategy and his attempts at putting a strategy to your Board were simplistic and ill defined.

Money3 needs a leader that can think clearly, and not emotionally, about the future while working collaboratively with your Board and senior management to chart a pathway forward.

Mr Bryant, as a shareholder, has decided to requisition a shareholder meeting at great expense to your company, to try to remove three members of your Board and have himself appointed a non-executive director. Mr Bryant's other nominated non-executive director has withdrawn his nomination.

In attempting to achieve his objective, we are aware that he has circulated (to some shareholders) mischievous and misleading information about the financial position of Money3 and the intentions of your Board.

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There are three areas that require clarification:

### 1. Share price movement

Mr Bryant has asserted that Money3's share price has fallen as a consequence of his departure.

The facts are:

- Money3's share price declined by 28.7% from its high in February 2015 to the date of departure of Mr Bryant on 22 July 2015,
- the share price actually appreciated 4.7% immediately following the announcement of Mr Bryant's departure,
- on the 29 July 2015 an article appeared in the Australian Financial Review stating that Westpac would be finalising its review into payday lenders,
- on the 31 July Mr Bryant sold 1.5 million shares at \$1.15,
- Since then the share price has fallen to a low of \$0.94, but has recovered, closing at \$1.055 per share on 31 August 2015.

The data above clearly shows that Mr Bryant was in charge through the majority of the share price decline.

Your Board is acutely aware of the company's share price performance and is working hard with senior management to address the matters where we can have an impact.

***There are many factors that influence a listed company's share price, but in suggesting as Mr Bryant has that Money3's share price has fallen as a consequence of his departure is misleading.***

### 2. Financial position

Mr Bryant has made a number of assertions about the relative importance of the unsecured business to Money3.

Money3 has for some time reported the segmental results of its two principal divisions – secured and unsecured loan divisions. The company has reported this split at a revenue line as well as a contribution line. We have not reported the performance of each underlying business at an EBIT line.

However, to clarify the misleading statements made by Mr Bryant, if indirect overheads were allocated to each business division to determine EBIT, then the split between the businesses over the last two years would be as follows:

EBIT	Total	Secured	Branch	Cash Train
FY2015	\$23,442,257	\$ 17,365,853	\$ 5,737,809	\$ 338,595
FY2014	\$11,816,746	\$ 7,196,634	\$ 4,620,112	NA

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The increased profitability has clearly been driven by the growth of secured loan business.

While Mr Bryant correctly stated that the unsecured business did not require debt funding, his statement only painted part of the picture. The unsecured loan business does however require significant equity funding as evidenced by the company's capital raising in November 2014 to fund the acquisition of the Cash Train business and loan book.

Mr Bryant's claim that 30% of leads are generated from the unsecured loan business is irrelevant. While leads are generated in the unsecured business, very few move to settlement due to insufficient capacity to service a large secured loan.

Lastly, Mr Bryant made incorrect and misleading statements regarding the profitability of sub \$500 loans. For clarification, in the 2015 financial year, Money3 wrote 85,797 loans with revenue of \$4.5 million, making no contribution to profit.

Unfortunately, Mr Bryant, does not have and continues not to have a thorough understanding of the detailed financial elements of the unsecured business.

***The unsecured loan business is no longer the dominant contributor to the overall performance of Money3 and any capital released by ceasing to offer some unsecured loan products can be effectively redeployed in helping us grow the secured business.***

### 3. Strategy

Mr Bryant makes a number of assertions about the future strategy at Money3. In particular he claims that the Board are planning to cease unsecured lending.

On 11 August, Money3 announced that it was undertaking a review of its products and that it was likely that a decision to cease to offer some unsecured loan products might be made. This process requires time and a detailed analysis of our business as well as engagement with important stakeholders. The review is underway as is the identification of new products that we can offer to our customers.

We will only adjust our product mix after detailed consideration of all of the options and will only make changes where they are in the best interests of the company, its shareholders and other stakeholders.

***Mr Bryant's assertion that the Board intends to cease to offer unsecured loans is incorrect.***

## Ousted Money3 chief Rob Bryant set to lose board battle

Carrie LaFrenz

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The ousted chief of payday lender Money3 Corp, Rob Bryant, is facing an uphill battle in his quest to roll the board, with several major shareholders endorsing his exit from the business he co-founded.

Mr Bryant, who was surprisingly forced out on July 22, is hoping to replace chairman Vaughan Webber, as well as non-executive directors Miles Hampton and Bettina Evert, with himself and Patrick Tapper. Mr Tapper is the former chief executive of broadband internet company Internode. Kang Tan, who co-founded Money3, would remain on the board.

An extraordinary general meeting is set for September 21, but several shareholders – including Alex Waislitz's Thorney Opportunities Fund, New Zealand's Pie Funds and veteran Wilson HTM broker Hugh Robertson – are backing the board.

"It was a board initiative and we remain supportive of the board," said a spokesman for Thorney, which holds a 9 per cent stake.

Mr Waislitz did not agitate for Mr Bryant's removal, the spokesman added, while fellow major shareholder Pie Funds also said it did not push for the leadership change.

"There was conflict on the direction and the majority of shareholders want to expand the division of secured loans, which is very profitable," portfolio manager Mark Devcich told Fairfax Media. "We are not on bad terms with Rob ... but we won't be supporting him in any EGM."

After a review of its involvement in payday lending, which has this year come under fire from the corporate watchdog, Westpac Banking Corp said it had made a "commercial decision" to cut ties with the industry earlier in August. Money3 is believed to be looking to debt markets to shore up its funding needs. Despite the funding troubles, the company recently confirmed its 2015 full-year guidance for net profit before tax of \$20 million.

Wilson HTM's Mr Robertson, who is a shareholder and placed about half the Money3 register, said: "You don't have to be a genius to see that the winds are blowing aggressively against the lending by banks to payday lenders, or the unsecured business. This is the business Rob was tied to; it was part of his DNA. You can't fight the inevitable.

"The company was pursuing the policy that was going to be damaging to shareholders and the company. There is no way I will support [Rob] in his attempt to change the board."

But not all shareholders agreed. Greg Sutherland, who was an original seed investor, backed Mr Bryant.

"I don't agree with [the board] shafting Rob," he said. "He's done a marvellous job. I would support him getting back into the company."

Mr Bryant, who controls 6.18 per cent of Money3, said he remains supportive of acting CEO Scott Baldwin but strongly disagrees with shuttering the unsecured loan business.

He said he was "shocked" when given two options: to resign, or to be terminated on July 20 by Mr Webber and Ms Evert. Mr Tan, who owns 3 per cent of the company, declined to comment. However, it is believed he pushed for mediation with Mr Bryant, which did not occur.

Mr Bryant revealed there were "robust" board meetings held in March and June to discuss strategy. At a three-day executive strategy planning meeting, management talked about splitting Money3 into unsecured and secured units, with the view to grow both, but consider a spin-off of the unsecured business if value for shareholders could be improved, he

said.

"This plan was delivered to the board meeting on June 25 and agreed in principle," he said. "The approach now being pushed by the board of running off the unsecured loan books and selling the unsecured branch network into a weak market is a knee-jerk reaction, is left-field, irresponsible regarding staff and customers, and unnecessary in reducing shareholder value."

Under Mr Bryant's leadership, Money3 grew the unsecured lending business from nine branches to 66, and gained a strong online presence through Cash Train, while also establishing the secured loan division. The company has been profitable every year since its incorporation. Money3 shares have tumbled from a \$1.80 high in February, ending 1¢ lower at 99¢ on Wednesday.

*This story was found at: <http://www.smh.com.au/business/ousted-money3-chief-rob-bryant-set-to-lose-board-battle-20150820-gj2fls.html>*

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