

25 February 2020

Moelis Australia Expand its Residential Mortgage Origination Activities

Today, Moelis Australia (ASX:MOE) is pleased to announce that it has entered into an agreement to acquire residential mortgage lending business **MKM Capital (MKM)**. The key consideration terms are:

- \$5.2m for an initial 47.5% interest;
- provision of a \$4.3m subordinated loan as part of MKM's capital structure;
- a commitment to provide up to \$20m of future mezzanine funding to facilitate mortgage lending growth;
- purchase a further 25% interest in June 2023; and
- moving to 100% ownership in June 2025 with the purchase of the remaining 27.5%.

Pricing terms for the June 2023 and June 2025 settlements are based on the profitability of the business leading into these future dates.

MKM Capital's founding executives and its other existing investors will retain 52.5% of the business and progressively sell-down as indicated above.

All staff of MKM will remain with the business as we work together in growing its platform.

MKM was established in 2004 and has offices in Sydney and Melbourne. It has a strong track-record of providing bespoke solutions to borrowers, secured against residential property. MKM has grown its loan portfolio solidly since inception and has a loan book of approximately \$120 million. We are confident that, following our investment, we can assist management in increasing the size and velocity of growth of the loan book by providing access to additional and more diversified funding sources. It is also our intention to invest strongly in marketing, systems and loan product development.

Completion of the transaction is subject to satisfaction of certain conditions precedent. Settlement of the initial investment is expected to occur mid 2020. The MKM Capital transaction is not expected to have a material impact on Moelis Australia's FY20 financial results.

Moelis Australia has been active in the residential lending market for some time. MKM adds to our residential lending activities with investment in a long established mortgage origination and management platform. MKM has operated successfully for over 15 years through various market cycles. MKM's development has been driven by its founders and experienced staff.

The Australian residential mortgage market size is in excess of \$1.8 trillion. Moelis Australia believes that partnering with MKM represents an important strategic step in growing its activities in this significant and growing market.

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Authorised for release by CEO Moelis Australia.

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