

Board of Directors
OFX Limited
Level 19, 60 Margaret Street
Sydney NSW 2000

Dear Directors and fellow OFX shareholders,

Forager's position on takeover

Forager Funds Management is the manager of funds owning approximately 6.92% of OFX Limited. We note OFX's announcement of 26 October 2026 ("Strategic Review Update and 2Q27 Trading Update") and wish to make our views public for the benefit of the board and our fellow shareholders.

1. Logic of industry consolidation remains compelling

We would first like to reiterate our support for the strategic review that commenced earlier this year and led to the receipt in July of a bid for OFX at \$1.00 per share (Equals Bid). We have long held the view that OFX's full value was unlikely to be realised as a listed entity and that it is worth considerably more to another industry player.

If anything, the structural challenges facing the small cap market of the ASX have increased and OFX's operational performance has shown that it is unlikely to grow out of its small-cap status. Selling the business remains the best path to value realisation for shareholders.

2. A valuable asset

OFX's customer base, cash, licences and almost \$200m of annual net operating income (NOI) are all valuable assets. Shareholders should be appropriately compensated in any transaction that takes place. We would classify the \$1.00 per share offer made by Equals as appropriate compensation but note that the total value implied—\$233m based on the latest number of shares outstanding—leaves plenty of room for Equals (or any other bidder with existing customers and infrastructure) to make an excellent return on their investment.

Accounts lodged for the 2025 year for Alakazam Holdings BidCo Limited, the parent of Equals, show a business roughly the same size as OFX. It generated £65m of gross margin (the equivalent metric to OFX's NOI) but only owned its two acquired businesses for eight months. A full 12 months would equate to £98m, roughly the same as OFX's A\$199m of NOI for the year ended 30 June 2026.

The question is how much of OFX's \$200m cost base is required in a combined business? The reason these businesses change hands for revenue multiples rather than earnings multiples is that the answer is: not much. The private equity companies that own Alakazam are possibly modelling some \$50m or more of cost reductions from OFX, leaving the \$200m purchase price (net of cash) looking attractive relative to a business contributing \$40m of pre-tax profit a year (OFX's half-year run rate seems to be a \$5-10m loss). In our view, that is considerably more attractive than the £410m (roughly A\$780m) they paid for the first two acquisitions combined.

3. Deed termination

Despite this compelling logic, OFX announced on 26 October that Equals has not reconfirmed its bid and that, as a result, the Transaction Process Deed and exclusivity with Equals have been terminated.

This may be because Equals could not arrange the requisite funding or wants to negotiate the price lower. The latter would not be surprising given the current macroeconomic environment and OFX's share price trading at a near 50% discount to the bid price. If that is the case, we fully support the board terminating the existing deed and re-engaging with the rest of the "multiple credible parties" who participated in the original process. While we think this business will be sold at some point, we do not support a sale at any price.

4. A credible fall back plan is the best path to value realisation

The main problem OFX shareholders face is that the company has been a shrinking ice cube for the past 18 months. NOI has fallen, costs have increased significantly and the company's cash balance has dwindled. Any potential bidder knows that the longer they wait, the less they need to pay.

This needs to be rectified immediately. To give shareholders the best chance of achieving an appropriate valuation, OFX needs to show them (and potential bidders) a viable standalone business that provides the option of saying no to an offer that is too low.

OFX's latest quarterly update showed some promising signs of stabilisation in the form of a second consecutive quarter of modest sequential growth. Already-implemented opex reductions are welcome. But that only takes the business to a position of roughly breaking even. The cost reductions need to be double the \$15m recently announced.

A business making \$15m-\$20m of pre-tax profits, paying dividends or buying back shares is one that allows shareholders to wait for a more credible bidder or a better environment in which to sell.

Whilst there is every chance we won't need it, the lack of a viable alternative path for the business leaves frustrated shareholders vulnerable to a low-ball bid. It's a vulnerability private equity will want to take advantage of, and one that needs to be removed.

Kind regards,



Steve Johnson
Chief Investment Officer
Forager Funds Management