

19 August 2021

hummgroup announces full year 2021 results

- FY21 Cash Net Profit After Tax ("NPAT")¹ of \$68.4m, up 121.1% on pcp
- FY21 Statutory NPAT of \$60.1m, up 160.2% on pcp
- Group net loss² / average net receivables ("ANR") of 3.5%, a 60bps improvement on pcp (FY20: 4.1%)
- Active customer numbers grew 19.7% on prior comparative period ("pcp") to 2.7m
- Buy Now Pay Later ("BNPL") volume of \$1,034.9m up 31.3% on pcp
- App downloads of 1.2m, up 75.8% on pcp
- Commercial and Leasing volume of \$540.3m, up 55.6% on pcp
- Strong net cash position and balance sheet provide optionality for growth and potential capital returns

humm group limited (ASX: HUM) ("**hummgroup**" or "the Company") today reports its results for the year ended 30 June 2021 ("FY21").

hummgroup Chief Executive Officer Rebecca James said:

"The business continues to perform very strongly, delivering volume growth, and profit up 121% on the prior year. This has been underwritten by our investment in a new fraud and credit decisioning engine that has driven a net loss/ANR position for the group of 3.5% - the lowest under my leadership.

*"**hummgroup** continues to differentiate itself by servicing BNPL transactions from \$1-\$30,000 on its single platform, appealing to everybody from Gen Z and millennial spenders, through to young families and SMEs. In FY21, we've boosted our brand awareness by aligning to a central brand that resonates with customers and retailers.*

*"The benefits of the rebrand are clear. Nearly one in five customers now uses **humm** for both big and little purchases. A quarter of our **bundll** customers also have **humm** to complement their everyday spend. We have created a new digital shopfront of products that caters to a wide shopping spectrum and our Australian customers are now using our products 19 times on average per year.*

*In addition, our revamped **flexicommercial** business grew volume by 56%. Given the strong business momentum and favourable market conditions the Company has decided to invest and grow the **flexicommercial** broker channel, which has been a standout performer this year.*

"We will continue to broaden our customer base and accelerate growth through expansion into the UK and Canada, and by growing our partnership channels as enterprises look to BNPL to help drive customer engagement. As a diversified business with no drawn corporate debt and a strong

¹ Cash NPAT is a non-statutory measure of profit and is defined as statutory profit after tax, adjusted for the after-tax effect of material infrequent items and the amortisation of acquired intangible assets.

² Net loss comprises gross write offs less bad debt recoveries.

balance sheet, we will continue to focus on generating sustainable profit to support the local, international and partnership growth strategy.”

GROUP PERFORMANCE

Segment	FY21	FY20	FY19	FY21 vs FY20
Volume (A\$m)				
BNPL	1,034.9	788.4	658.7	31.3%
Australia Cards	416.9	596.5	421.5 ³	(30.1%)
New Zealand Cards	695.4	750.6	736.3	(7.4%)
Commercial and Leasing	540.3	347.2	349.8	55.6%
hummgrou	2,687.5	2,482.8	2,166.3	8.2%
Net loss / average net receivables				
BNPL	4.4%	6.3%	5.7%	(190bps)
Australia Cards	4.3%	4.5%	5.0%	(20bps)
New Zealand Cards	4.0%	3.2%	2.1%	80bps
Commercial and Leasing	1.6%	2.5%	4.2%	(90bps)
hummgrou	3.5%	4.1%	4.2%	(60bps)

The Company delivered FY21 Cash NPAT of \$68.4m, up 121.1% on pcp (FY20: \$30.9m⁴). Growth in Cash NPAT has been driven by increased profitability of the Commercial and Leasing and Cards segments during the period.

Cash NPAT also benefited from robust credit performance leading to loan impairment expenses⁵ of \$58.7m, down 59.5% on pcp (FY20: \$145.2m). The FY21 Cash NPAT includes a \$21.6m benefit from releasing a proportion of the COVID-19 overlay provision. This reflects the benefit of improvements in the economic outlook, and in portfolio performance from the continued investment in a superior credit decisioning platform.

Total transaction volume of \$2.7b for FY21 was up 8.2% on pcp (FY20: \$2.5b) as strong growth in Commercial and Leasing and BNPL was offset by a decline in Cards, with COVID-19 restrictions impacting key partners, particularly in travel.

hummgrou grew its total active customers 19.7% on pcp to 2.7m as at 30 June 2021 (June 2020: 2.3m) and reflects the continued top line growth in BNPL.

SEGMENT PERFORMANCE

Buy Now Pay Later

BNPL segment volumes of \$1,034.9m, up 31.3% on pcp (FY20: \$788.4m), reflect strong performance in humm AU, particularly in ‘Little things’, humm Ireland, and the increasing contribution from bundll.

In particular, humm ‘Little things’ volume of \$261.2m, up 66.9% on pcp, and the new products bundll and hummpro contributed volume of \$121.9m (FY20: \$13.1m).

³ Excludes Once and Lombard products which ceased in FY19.

⁴ Retrospectively adjusted for the impacts of International Financial Reporting Interpretation Committee guidance on cloud computing costs which reduced software amortisation by \$1.7m (after tax).

⁵ Loan impairment expenses include net loss and expected credit loss (ECL) provision movements.

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Cash NPAT of \$1.2m, up 144.4% (FY20: \$-2.7m) reflects the planned investment costs in new products and new markets of \$21.6m in FY21.

Australia Cards

Australia Cards volumes of \$416.9m, down 30.1% on pcp (FY20: \$596.5m), reflected COVID-19 impacts on merchant activity, particularly in travel. FY21 Cash NPAT of \$16.8m, up 121.1%, was driven by the partial release of the COVID-19 provision from significant reduction in customers in hardship and lower net loss of \$9.1m.

New Zealand Cards

New Zealand Cards volume of \$695.4m was down 7.4% on pcp (FY21: \$750.6m), largely attributable to the impact of COVID-19 on long term interest free travel merchant activity, with everyday spend up. New customer acquisition continues to perform well, with **hummg**roup accounting for over 33% of all new cards issued in New Zealand during 4Q21. Cash NPAT for FY21 of \$28.1m, was up 28.9% on pcp (FY20: \$21.8m) and was driven by the partial release of the COVID-19 provision.

Commercial and Leasing

Commercial and Leasing volume of \$540.3m was up 55.6% on pcp (FY20: \$347.2m) driven by the continued momentum in Australia following the successful shift in strategic focus towards small to medium enterprise ("SME") lending via the broker channel. The rebuilt and refocused business is continuing to deliver strong results and notably, while volume increased, credit quality of SME lending remained strong and in line with 1H21. Cash NPAT of \$22.3m, up 431.0% (FY20: \$4.2m).

The **flexicommercial** strategic review has been completed with the recommendation to invest and grow the **flexicommercial** broker channel following the successful refocusing of the business, favourable market conditions and strong business momentum.

STRATEGY

New audiences, new products, new partnerships

In FY21, **hummg**roup has focused on further growing its customer base and distribution reach through partnerships for its innovative products. Accordingly, **hummg**roup has entered into a number of strategic partnerships with a major bank (Redbird Ventures, a subsidiary of Westpac New Zealand), loyalty program (Velocity Frequent Flyer), retailers (Mitre10 and Home Hardware) and issuer (Mastercard). The Company expects the partnership channel to be a significant contributor to customer numbers, with a target of delivering 250k additional customers by FY22.

Driving customer engagement

hummgroup continues to be synonymous with easy, digital, interest free finance and key to this is a focus on driving customer engagement. There have been over 1.9m app downloads to date across the **hummg**roup platform.

hummgroup's ability to attract new merchants shows the strength of the product and our differentiated customer proposition across all our markets. In the last 12 months, the Company added 9k new retailers (June 2021: 82,000).

Expanding the reach of instalment payments

Consistent with our strategy of growing instalment payments, **hummg**roup's BNPL volume has grown 31.3% on pcp. This growth was particularly driven by **hummm** 'Little things' which continues to benefit from the customer shift to online shopping, with **hummm** online volume increasing by 184.8% on pcp. Our 'new products' **bundll** and **hummp**ro also contributed volume of \$121.9m in FY21.

International expansion

In 4Q21, **hummg**roup launched its BNPL offering **hummm** in the United Kingdom, with the ability to perform full credit and serviceability checks and a UK Board in place. **hummm** UK will be focused on partnering with merchants in the home and home improvement, health, automotive and luxury retail verticals where current annual spend is estimated to be just under A\$200b. The Company has signed

over 300 retailers to date including The Hut Group which consists of 200 brands including ESPA, GLOSSYBOX, Grow Gorgeous and lookfantastic and 800 retail locations.

hummm Canada will launch in 1H22. The Company is well progressed, with Tim Moulton appointed as Country Head of the Canadian business in 3Q21. The Canadian market is attractive with strong existing relationships and a complementary regulatory framework.

Subject to achieving the relevant regulatory approvals, **hummmgroup** estimates that these new geographies will add ~\$150m in volumes in FY22. Growth is being managed within prudent credit and fraud risk controls set by the Company.

DIVIDENDS

hummmgroup's strong balance sheet is an important competitive asset in the rapidly evolving consumer finance sector. While the Board has determined not to pay a final dividend for FY21, it continues to review the position on dividends and capital management. Strong profitability, cash generation and continued successful securitisations mean that the business can balance the competing objectives of growth and shareholder distributions in the future, recognising the different priorities of investors.

OUTLOOK

hummmgroup has numerous growth initiatives underway including international expansion, new product growth and new partnerships.

hummmgroup will be holding an investor day on 27 October 2021 where it will provide a full strategic update alongside volume and other measures for FY22.

WEBCAST

hummmgroup's CEO, Rebecca James and CFO, Adrian Fisk will host a webcast at 10.30am on Thursday 19 August 2021.

Details of the webcast: <https://webcast.openbriefing.com/7549/>

Authorised for release by the **hummmgroup** Board of Directors.

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ABOUT HUMMMGROUP

hummmgroup is revolutionising the way people pay. **hummmgroup** has developed some of Australia and New Zealand's most exciting and accessible consumer finance products including **hummm**, **bundll**, **hummm90** and **hummmpro**. **hummmgroup** continues to design products around the core needs of financially savvy consumers spanning millennial spenders through to young families and SMEs. **hummmgroup** facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland and the United Kingdom.