

28 FEBRUARY 2022

ASX / NZX RELEASE

## HARMONEY INCREASES FY22 GUIDANCE OFF THE BACK OF STRONG INTERIM RESULTS

Harmony Corp Limited (ASX/NZX: HMY; "Harmony" or "the Company") is pleased to provide its results for the half year ended 31 December 2021 (1HFY22).

### 1HFY22 highlights:

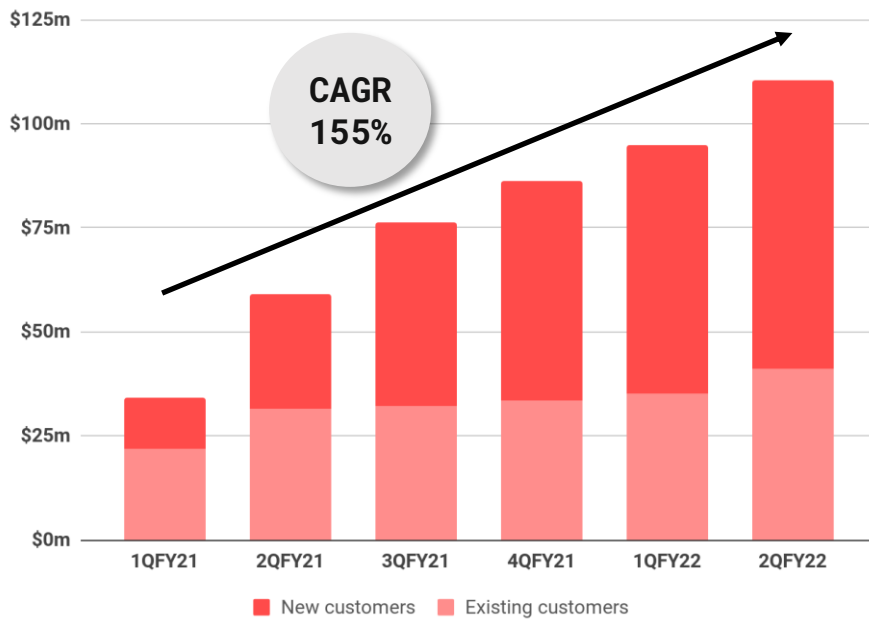
- New customer originations increased 224% to \$129 million on the prior corresponding period (pcp), demonstrating the ongoing success of Harmony's unique 100% consumer-direct (B2C) model
- Record Period end **loan book of \$557 million**; further accelerates to over \$600m at the end of February 2022
- **Increased guidance** on pro-forma loan book to greater than \$650m (30% increase on pcp) and now guiding to Cash NPAT profitability at 30 June 2022
- **Australian book grows to A\$185 million**, up 83% on pcp and up 37% on the prior half
- Group 90+ days arrears at 0.46% and losses at 3.8% of principal, remaining at historic lows
- Added funding diversity with four warehouses (incl. 3 of "Big 4" banks) and asset back securitisation, **reducing cost of funds by 330bps** on pcp.
- Significant **undrawn funding capacity of NZ\$304 million** across Australian and New Zealand warehouse facilities
- Achieved **profitability on pro forma Cash NPAT** demonstrating superior economics of Harmony's business model
- Key lead indicators of increased account acquisition, new loan originations (+224%) and net lending margin **set to drive increases in receivables and revenue growth** in current and future financial years through Harmony's 100% consumer-direct model, with growing numbers of new customers later returning for subsequent needs

### Strong increase in new originations off strategic marketing initiatives

Harmony delivered an impressive set of results for the first half of financial year 2022. New originations increased 224% on the back of dedicated marketing expenditure, delivering scale and increasing customer awareness in the larger Australian market. The loan book continued its growth trajectory, increasing to NZ\$557 million and delivering 19% growth on pcp, predominantly driven by an 83% growth in the Australian book. The Company continues to deliver superior net interest margin and net lending margin, demonstrating the quality of its portfolio and the benefit of its 100% consumer-direct business model.

Harmony introduced Stellare's® Libra™ 1.7 lending model in Australia in February 2021, following the introduction of which new customer originations have increased substantially, while arrears rates have remained steady at historic lows, demonstrating Stellare's® strength in identifying credit-worthy customers through Harmony's consumer-direct data. This ability to consistently identify credit worthy customers, at scale, has underpinned the net interest margin of 13.1% (+220bps on pcp) and net lending margin of 9.3% (+210bps on pcp) delivered this half.

## GROUP LOAN ORIGINATIONS



**Commenting on the Company’s 1HFY22 results, Harmony CEO and Managing Director David Stevens said:**

*“The first half of FY22 has demonstrated the successful execution of our Australian strategy, delivering strong results and positioning us well to exceed our previous market guidance as we demonstrate improvements across all key metrics. Our loan book at the end of February 2022 now exceeds \$600 million which is being driven by exceptional growth in our Australian business - a testament to our 100% consumer-direct model and the significant opportunity which exists for Harmony to provide a quality solution to new and existing customers.*”

*“The Australian market opportunity is nine times larger than the New Zealand market and we are only at the beginning of our entry into this market. As our 100% consumer-direct Stellare® platform continues to adapt and learn within the Australian market we are confident that we will continue to see strong growth in new customer originations and high demand from our existing customers. Australian new customer originations accounted for greater than 50% of the total new originations for the period and it is anticipated that, given the current trajectory, the overall Australian book is set to exceed the New Zealand book in the next year.”*

### First half demonstrates continued acceleration and growth across key metrics

Harmony delivered a profitable first half with pro forma NPAT of \$1.2 million and pro forma Cash NPAT of \$0.8 million. These results were driven predominantly by a large increase in net interest income off the back of a growing book and significantly decreased funding costs.

Harmony’s unrivalled automation continues to deliver an attractive net lending margin, with personal risk-based interest rates to prime borrowers, low arrears and credit losses and reducing cost of funds. The Company continues to diversify funding sources with funding from three of the Big 4 banks. It is expected that this will drive further efficiencies in costs as Harmony benefits from a lower cost of funds, economies of scale from automation, and a growing loan book.

As planned, the Company has increased marketing expenditure costs, which are fully expensed as incurred, to \$10.7 million driven by Harmony's rapid scale-up in the Australian market. These costs are forecast to reduce as a percentage of originations over time, as lending to existing customers becomes a greater share of Australian lending. Personnel costs also increased as Harmony continued to expand its development capability post its IPO in November 2020; however the 1HFY22 staffing levels are expected to be relatively stable in future periods.

	1H22	1H21	Change
Total Income	\$43m	\$42m	2.5%
Cash NPAT	\$1m	\$1m	-
Net Interest margin	13.1%	10.9%	+220bps
Net lending margin	9.3%	7.2%	+210bps
Group 90+ days arrears	0.44%	0.60%	-16bps

Harmony's direct model and proprietary technology work together to create real cost efficiencies. Through its Stellare® end-to-end automation of the loan application and approvals process, the Company can significantly scale revenue without the need to increase operating expenses or staff costs. Harmony has a stable level of credit officers within the business who are able to service the growing customer base. This creates highly scalable growth opportunities for Harmony. Additionally, Stellare®'s straight through processing provides further benefits, with the ability to temporarily moderate the automated settings to take into consideration macro conditions.

Harmony's transition to warehouse funding remains on track with 83% of the book warehouse-funded at 31 January 2022, and undrawn committed warehouse funding lines of NZ\$304 million, inclusive of the \$150 million facility announced on 7 February 2022.

## HARMONEY INCREASES ITS FY22 MARKET GUIDANCE

- Group pro-forma loan book now greater than \$650 million (30%+ growth on FY21)
- Group pro-forma revenue of at least \$92 million (16%+ growth on FY21)
- Net lending margin of at least 8.3% (150bps+ growth on FY21)
- Pro-forma Cash NPAT profitable as at 30 June 2022
- Transition to warehouse funding expected to be ~90% complete by 30 June 2022 (83% complete at 31 January 2022)

### Commenting on the outlook, Mr Stevens said:

*"We appreciate the continued support of our shareholders, customers and most importantly our employees over the period. We have continued to execute on strategy and deliver growing high margin receivables across Australia and New Zealand. We are focused on our three key areas of growth, including continued expansion in Australia, improving conversion rates across Australia and New Zealand, and leveraging our deep data insights to drive innovation in new and enhanced product initiatives."*

# Harmony

## Investor Webinar at 9:30am AEDT / 11:30am NZST today, Monday 28 February 2022

CEO and Managing Director, David Stevens, and CFO, Simon Ward will host an investor conference call and webcast including a Q&A Session today at 9:30am AEDT / 11:30am NZST.

Participants are encouraged to register before the start of the call using:

<https://s1.c-conf.com/diamondpass/10018942-amgh261.html>

Registered participants will receive their dial in number upon registration.

*This release was authorised by the Board of Harmony Corp Limited.*

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## ABOUT HARMONEY

Harmony is the only 100% consumer-direct personal lender operating across Australia and New Zealand. Harmony provides customers with unsecured personal loans that are fast, easy, competitively priced (using risk-adjusted interest rates) and accessed 100% online.

Harmony's purpose is to help people achieve their goals through financial products that are fair, friendly, and simple to use.

Harmony's proprietary digital lending platform, Stellare® is the power behind the platform. Stellare® can process, approve and fund most loan applications within 24 hours. Stellare® also replaces the traditional industry credit scorecard with Libra™, our predictive behavioural analytics engine. Libra™ uses machine learning to analyse our rich, direct consumer data to deliver automated credit decisioning and superior risk-based pricing.

## BUSINESS FUNDAMENTALS

- Harmony provides risk based priced unsecured personal loans of up to \$70,000 to consumers across Australia and NZ
- Its 100% consumer-direct model and automated loan approval system is underpinned by Harmony's scalable Stellare® proprietary technology platform
- A large percentage of Harmony's originations come from meeting the evolving needs of existing or returning customers
- Harmony is comprised of a team of ~80 full-time employees predominantly based in NZ, half of whom comprise engineering, data science and product professionals
- Harmony is funded by a number of sources including three "Big-4" bank warehouse programs across Australia and New Zealand. In addition, in October 2021 Harmony issued its first asset backed securitisation which was publicly rated by Moody's.

For further information visit <https://www.harmony.co.nz/> or <https://www.harmony.com.au/>