

19 July 2022

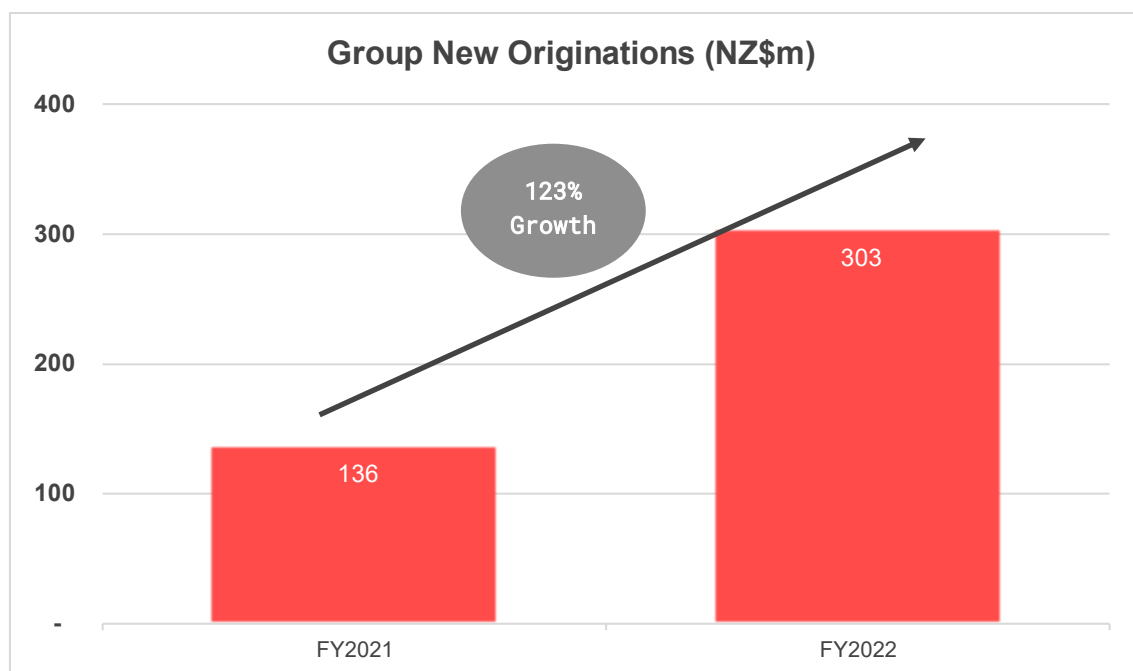
ASX / NZX RELEASE

## HARMONEY DELIVERS FY22 CASH NPAT PROFITABILITY AND EXCEEDS LOAN BOOK GUIDANCE

Harmoney Corp Limited (ASX/NZX: HMY; "Harmoney" or "the Company") is pleased to provide an update on its performance for the year ended 30 June 2022 ("FY22").

### Key FY22 highlights:

- Achieved **profitability in FY22 on proforma Cash NPAT** demonstrating superior economics of Harmoney's 100% consumer-direct business model
- Group proforma loan book reaches **\$685 million, up 37% on pcp**
- Australian loan book grows to **A\$287 million, up 113% on pcp**
- Key lead indicators of increased account acquisition, new loan originations and net lending margin **set to drive Cash NPAT growth in FY23** as existing customers return for future needs with minimal customer acquisition cost
- High quality loan book with **90+ days arrears at 45 bps**, down from 58bps pcp
- Australian loan book expected to surpass New Zealand loan book in H1FY23
- 94% of loan book now funded by warehouses (guidance of >90%); given this faster transition Harmoney to report only statutory financials from 1 July 2022 onwards



Commenting on a record year, David Stevens, Harmony's CEO & Managing Director said:

"Harmony continues to deliver on its high margin, consumer-direct growth strategy, with its Australian loan book growing by 113%, whilst achieving an enviable Net Interest Margin of 12%, Net Lending Margin (after losses) of 8.4% and delivering proforma Cash NPAT profitability.

"Our platform is currently attracting over 12,000 new customer accounts per month, with over 8,000 per month providing bank statement information. These statements allow Harmony to gain access to deep customer data about the Australian and New Zealand consumer. Importantly, this is all achieved without any above the line brand advertising through our 100% consumer-direct/B2C channel.

"In response to rising interest rates this year, in April we passed through a weighted average interest rate increase of more than 100bps on new lending, with no reduction in demand. In fact, in June, we delivered our second highest month of originations in what is typically a seasonally quiet month.

"Our credit performance has remained strong with losses and arrears at historic lows. The group loan book comprises a diverse group of borrowers with more than 40% being homeowners and 99% in regular employment or self-employed, and among those at least 74% employed in either professional, office or trades roles.

"With the second half of the year and the likelihood of increasing central bank rates putting upward pressure on funding costs, Harmony's hedging program, with around 73% of floating rate borrowings hedged, dampens this impact over the course of the year. Overall funding rates have reduced from the prior year with the near completion of the transition to warehouse funding and continued improvements to our funding facilities.

"As signalled, we are now seeing strong growth (152% on pcp) in our Australian existing customer originations, which typically accelerate from twelve months following the new customer origination. We expect Australia to follow the same trend as we have experienced in New Zealand, where we have been operating for several more years, and where existing customer originations are more than half of all originations. The Australian business is now building the same large annuity stream from existing customers, but in a nine times larger market. Importantly, these originations have a minimal (if any) customer acquisition cost due to our consumer-direct relationship and high customer approval ratings."

Total originations for years are outlined in the table below.

	FY22	FY21	Growth
<b>AUSTRALIA (A\$m)</b>			
New customer originations	196	60	227%
Existing customer originations	53	21	152%
<b>Total</b>	<b>249</b>	<b>81</b>	<b>207%</b>
<b>NEW ZEALAND (NZ\$m)</b>			
New customer originations	93	73	27%
Existing customer originations	113	96	18%
<b>Total</b>	<b>206</b>	<b>169</b>	<b>22%</b>
Group new customer originations	<b>303</b>	<b>136</b>	<b>123%</b>
Group existing customer originations	<b>169</b>	<b>119</b>	<b>42%</b>
<b>Total Group originations (NZ\$m)</b>	<b>472</b>	<b>255</b>	<b>85%</b>

## HARMONEY IS CASH NPAT PROFITABLE

Harmoney'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 as funding sources are diversified, now being funded by three of the Big 4 banks and an ABS program.

Additionally, a strong credit performance was maintained due to Harmoney's high-quality loan book, with Group 90+ day arrears at 30 June 2022 of 45bps, down from 58bps pcp.

This net lending margin, in conjunction with the economies of scale from automation, has delivered FY22 Cash NPAT profitability on a proforma basis.

Harmoney also operates with a positive statutory cash flow from operations. Harmoney also holds unrestricted cash at bank of \$35m at 30 June 2022, up \$3m from 31 December 2021.

## LOAN BOOK GROWTH ACCELERATES FURTHER

At 30 June 2022, the group proforma loan book was \$685 million, an increase of 37% on pcp. The Australian loan book grew by 113% to A\$287 million, an A\$152 million increase on pcp. The New Zealand loan book grew by 3%, impacted by the strict COVID-19 lockdowns in the first half of the financial year and subsequent new lending regulations applied to all consumer lenders in December 2021.

	June 22 Statutory	June 22 Pro- forma	June 21 Pro- forma	Growth Pro- forma
<b>AUSTRALIA (A\$m)</b>				
Loan Book	274	287	135	113%
<b>NEW ZEALAND (NZ\$m)</b>				
Loan Book	339	370	358	3%
<b>Group Loan Book (NZ\$m)</b>	<b>642</b>	<b>685</b>	<b>501</b>	<b>37%</b>

## FY22 Results Announcement

Harmoney intends to present its full year FY22 results to the market on Wednesday 31 August 2022 at 10am AEST and 12pm NZST.

All numbers in this release are preliminary and are unaudited. This release was authorised by the Board of Harmoney Corp Limited.

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## For queries please contact:

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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 existing customers with no customer acquisition cost
- 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 has a highly diversified funding panel which includes warehouses being provided by three of the "Big-4" bank banks across Australia and New Zealand and in addition in October 2021 has 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/>