

Latitude 1H22 Results 19 August 2022

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Important notice and disclaimer

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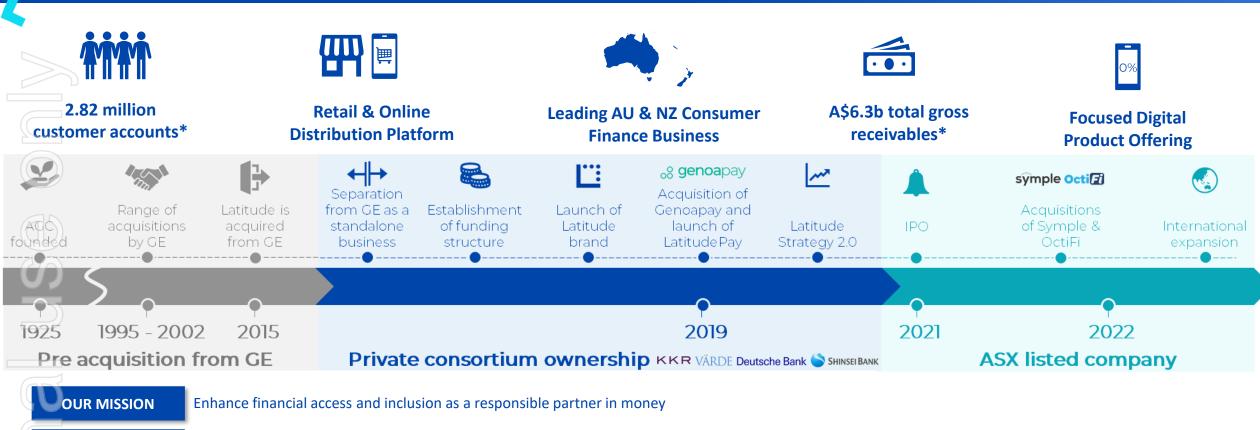
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Ahmed Fahour Managing Director & CEO

Who we are

Leading consumer finance & personal lending business





OUR AMBITION

Grow our value and global addressable market, transform our organisation's capability to adapt and earn admiration from stakeholders with renown for our innovative support of financial inclusion, diversity and the environment

OUR STRATEGY

Lead in sales finance, lead in personal lending, expand in Asia, transform operations, fortress balance sheet, enhance customer-led culture

OUR VALUES

Act Right, Show Care, Be Curious

Our Senior Leaders

...



Ahmed Fahour
Managing Director and CEO



Paul Varro
CFO & EGM, Finance & Risk



Andrew Walduck
EGM Group COO



Bob Belan EGM Money



David Gelbak
EGM Pay & Instalments



Eva ZileliGroup Treasurer



Bec Supierz GM, People



Mark Brudenell
Chief Risk Officer

Our Strategic Priorities



Lead in Pay / Instalments	Lead in Money	Divest Insurance	Expand in Asia
 Deliver next gen instore apply experience (QR code at scale) to offset experience headwinds and drive pull through Deliver graduation at scale via always-on data driven program Commercialise new verticals via deploying right instalment product offering and merchant experience 	 Broaden TAM with new features (variable rate), capabilities (redraw) and enhanced fulfillment (time to cash) Optimise graduation and funding Explore consolidation & other partnerships 	• Announced (8-August-22)	 Launched in Singapore and Malaysia around key partners Identify priority markets within Asia (beyond SE Asia) for growth at scale Deploy merchant strategy to drive higher pull-through and conversion via value added differentiators (eg: upgrade programs)
Transform operations	Enhance customer led culture	Sustain balance sheet & risk strength	Enhance stakeholder reputation
 Digitally transform & consolidate Transition legacy technology to cloud based platforms Optimise credit & fraud loss rates using progressive technology 	 Shift to portfolio operating model Recruitment and development to fill leadership and capability gaps Be flexible in where & how people work 	 Continued funding & risk management discipline & innovation Strong & resilient balance sheet structure supporting growth Effective management of market risk exposures 	 Demonstrate our responsible approach Enhance our programs to support financial access, inclusion and diversity Launch lending offers to support energy transition (eg: loans for electric cars, solar etc.)

Our Strengths



History

Profitable heritage business with 100-yrs of pedigree in consumer finance

Talent

Significant depth & breadth of expertise & experience across the enterprise

Credit & Risk Competence

Through the cycle credit track record. Prudent risk mgmt. process underpinned by risk based pricing

Merchant Partnership Relationship / Capability

Longstanding deep relationships with merchant partners including Harvey Norman, JB Hi-Fi, The Good Guys, Apple and Samsung

Funding

7+ yrs in global debt markets
offering scarce ABS. Diverse
sources (50+), programmatic, at
size with excess capacity

Product Features

Range of instalment & lending products providing payment options for consumers & partners

Customer Experience

Constantly developing & enhancing the customer & partner digital experience

Graduation

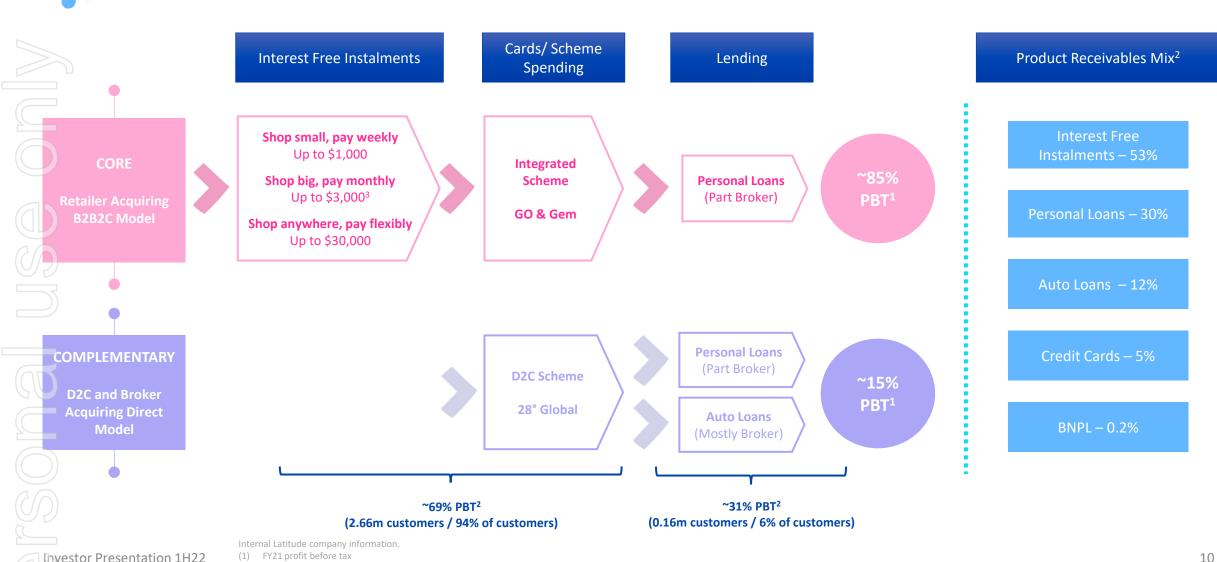
B2B2C business model is a competitive advantage providing well established graduation

Our B2B2C business model

(2) Proportion of group gross loan receivables as at 30 June 2022

(3) Up to \$10,000 for new growth segments

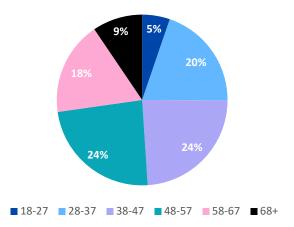




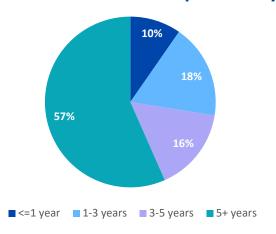
Our Customers



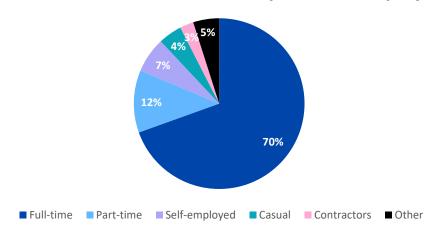
Diverse range of customers across generations¹ —



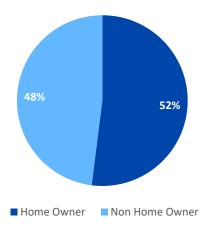
57% of customer relationships are 5+ years1 -



32% of customers are full-time and part-time employees²—



52% of customers are homeowners³



1H22 Result Highlights

1H22 Highlights



Strengths:

- \$93m cash NPAT1 with dividend maintained at 7.85c 100% franked
- Organic focus with strong competitive / customer positioning
- Volume of \$3.7bn
- Bulwark balance sheet to navigate economic uncertainty
 - Surplus TER 9.2% (vs. 6-7% target range)
 - Prudent provisioning: 1.6x NCO (vs. 1.3x pre-covid)
 - **Conservative funding**: \$2bn headroom/ 12-months capacity (2 refi's executed at a tighter spread in the half)
- Strong net cash position
- High margin with re-pricing room (11.3%) & cost discipline

Symple transformation of the PL / auto platform on track

Australian PL volume up 16% HoH, up 30% YoY

Travel & credit card scheme starting to grow again

• 28° Global volume up 23% HoH, up 29% YoY to \$779m

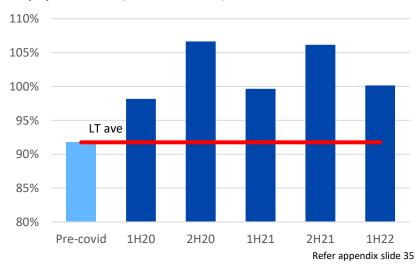
Demonstrated M&A discipline & patience

- Positioned for opportunities that may emerge
- Capital optimised with divestment of insurance

Challenges:

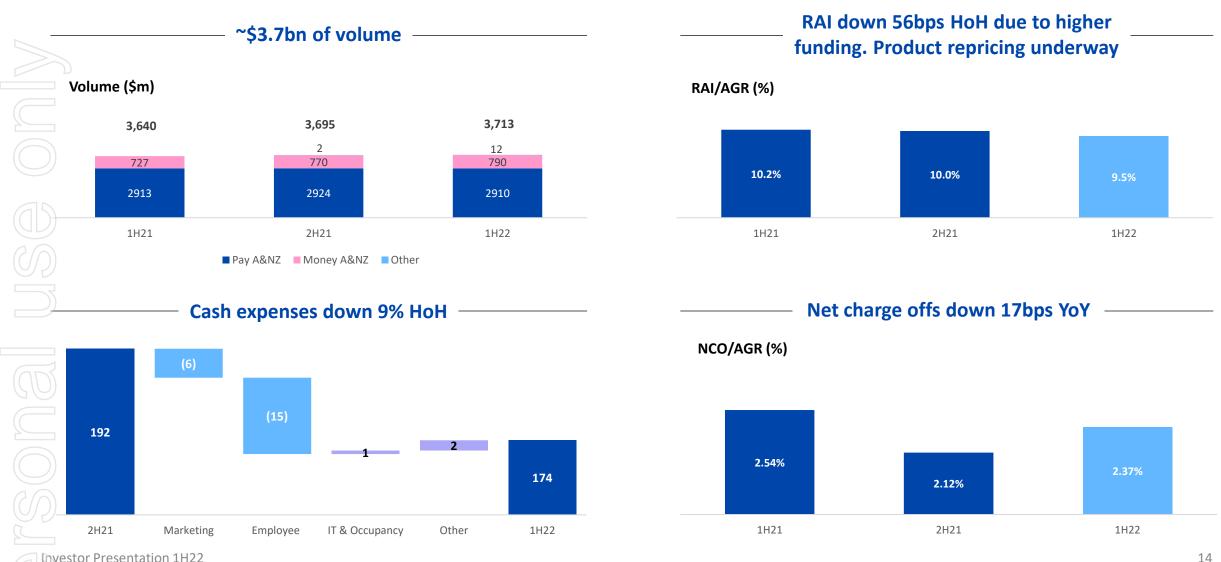
- Elevated repayment rates driving flat receivables
- Underlying growth in Pay remains subdued with excess consumer savings
- Steep yield curve means funding costs rise before asset yields

Repayment rate (ex credit cards)



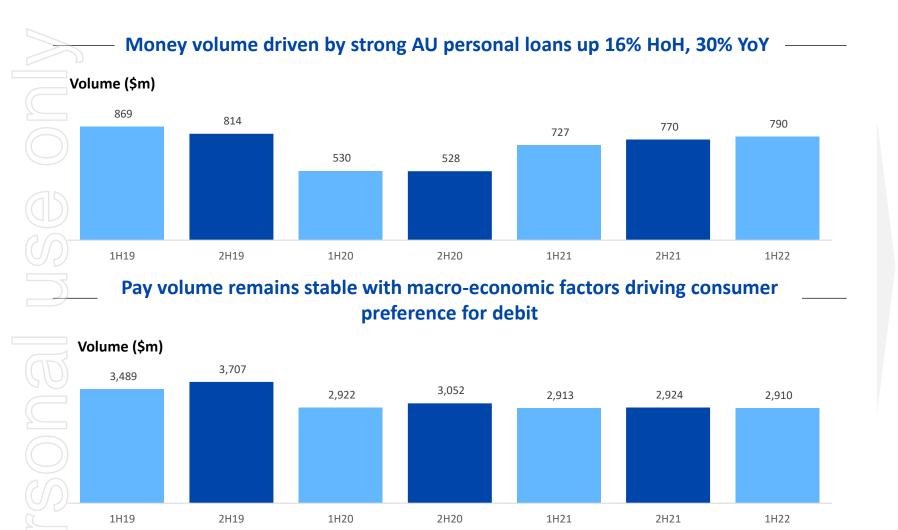
Strong volume maintained with continued cost discipline & risk management





Money & Pay volume growth





Money volume drivers:

- Money volume up 3%
 HoH, up 9% YoY
- AU Money receivables up 3% HoH, up 9% YoY
- Auto pricing criteria managed for risk adjusted returns

Pay volume drivers:

- Low interest rates, excess liquidity and in-store sales remain below pre-covid levels
- 28° Global up 23% HoH, up 29% YoY

Symple transformation on track



NEED TO KNOW

- Money Platform (AU) have been delivered over a 10-month period since acquisition of Symple.
- The Symple platform has been further enhanced with new capabilities required for scale & business optimisation. Including: Salesforce Marketing Cloud, Vonage integrated cloud telephony, and digitisation of the broker onboarding process.
 - Delivery is now focused on the **NZ** platform build, integrating with the **enterprise collections** platform, and **back-book customer migration.**
- Launch of **ongoing enhancements** remains a key business focus (continuous delivery model).

COMPLETED

Loans Application Portal enhanced & rebranded



Marketing Cloud integration & launch



New Zealand Platform
Q2 Cloud Lending Build

IN PROGRESS

(To be completed by 2Q23)

Australian Personal Loans front book migration (all channels)

Broker Portal

enhanced & rebranded



Telesales Enablement

integrated cloud platform



Enterprise Collections
Power Curve Collections (PCC) integration

Group Cyber Security

security event monitoring



Auto Loans ProductBuild/Integration for Broker

Broker Accreditation digital onboarding process



Data & Analytics

Latitude data architecture integration



Platform Optimisation
Q2 platform business optimisation

Broker Relationship
Management
new salesforce platform



Securitisation
onboarding to ABS suite



Australia Back-Book
back book customer migration

Latitude Integrations interfaces to key group systems



Credit Reporting
comprehensive credit reporting
(CCR) uplift



New Zealand Back-Book back book customer migration

Legacy IT Decommissioning
ICBS & Genesis decommissioning

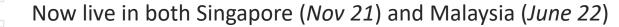
Back-office Operations enhanced digital workflow



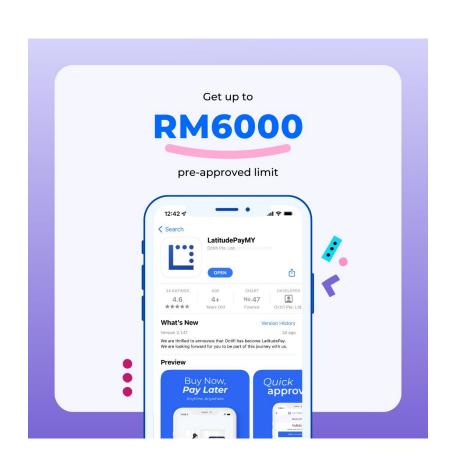
International

<u>"</u>



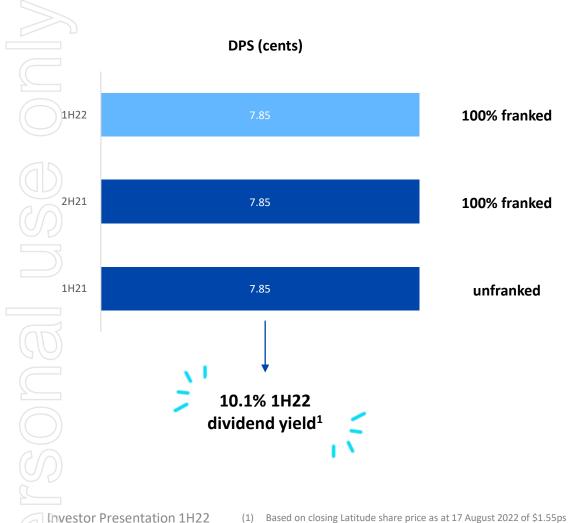


- 30,000 customers
 - ~465 merchants signed up including Harvey Norman, Gain City, Osim, Ogawa, Jai Yoga, Switch, M1 and iStudio
 - Our deep partnership with Harvey Norman is a key platform for growth: E-commerce in Singapore (13) and Malaysia (4; +17 to come)
 - Two significant partners in contract phase representing ~200 stores combined
 - On track to launch big-ticket instalments in 3Q22



Consistent Dividends







Dividend information:

Ex dividend date: 23/09/2022

Record date: 26/09/2022

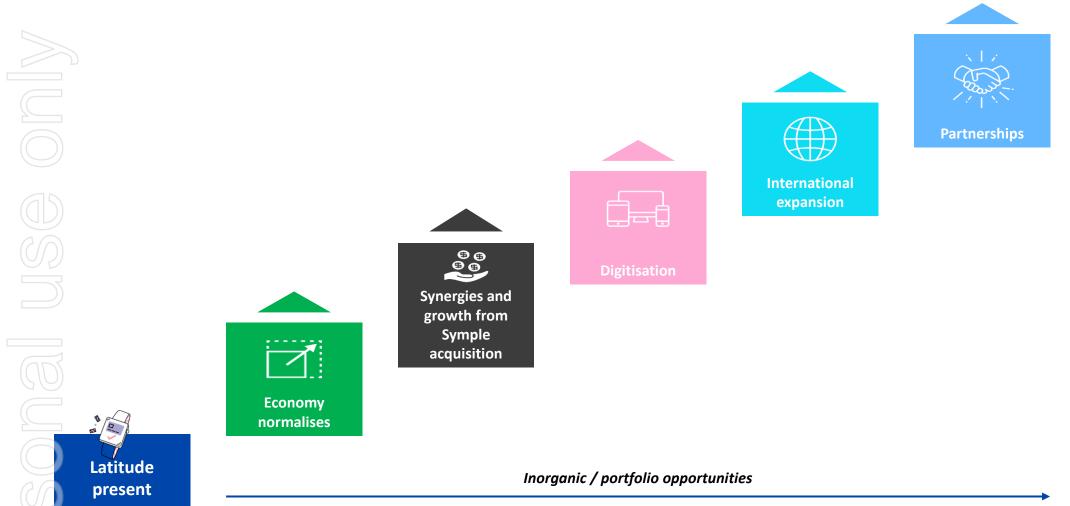
Dividend payment date: 26/10/2022

Dividend reinvestment plan (DRP) to be offered with the 1H22 dividend

Drivers of Growth to Ambition

Investor Presentation 1H22







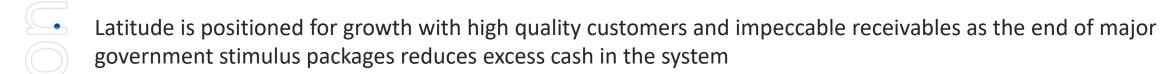
19

Outlook



20

Forward outlook:



Recent growth is at good margins. However, Latitude was an early mover on significant repricing actions which slowed volume growth. NZ was also impacted by regulatory changes (CCCFA) which are starting to normalise

Latitude is ready and primed with the appetite, the products, the distribution and the capital to grow rapidly and capitalise on changing conditions



Paul Varro
Chief Financial Officer

1H22 Financial Update



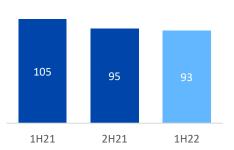


opex discipline

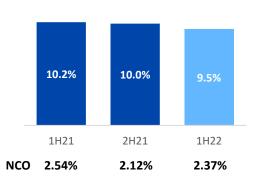
Strong Balance sheet & stable returns

Consistent DPS & EPS

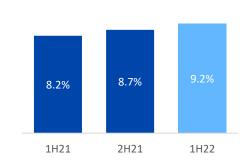
Cash NPAT (\$m)



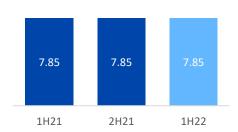




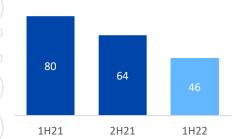
TER (%)



Cash DPS (cents)

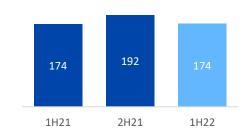


Statutory NPAT (\$m)

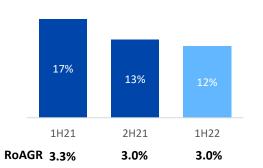


Investor Presentation 1H22

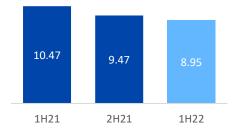
Cash Opex (\$m)



ROE (%)



Cash EPS (cents)



Risk Adjusted Income yield

Continuing operations, see appendix for reconciliation between statutory NPAT and cash NPAT

Volume up 2% offset by elevated repayments driving lower receivables

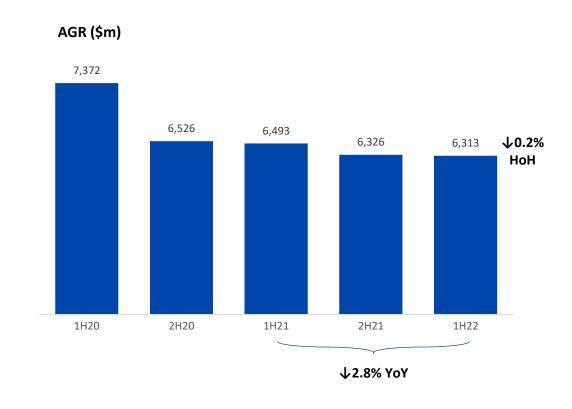






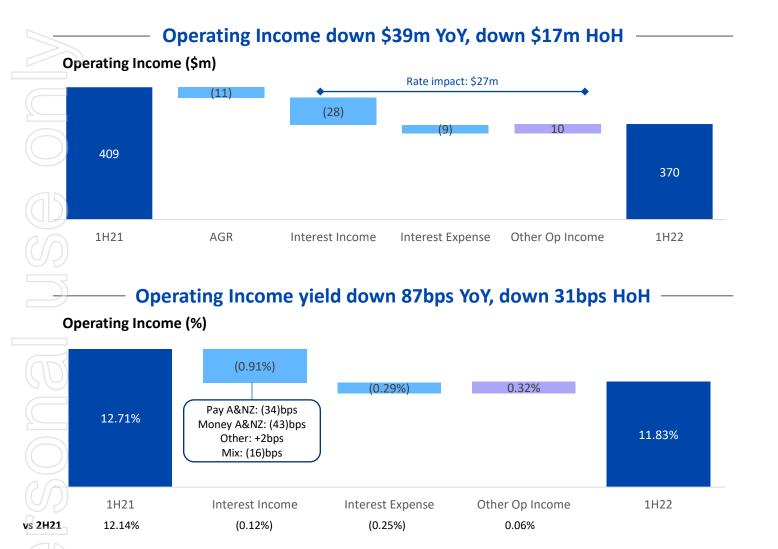
Investor Presentation 1H22

Moderate volumes & elevated repayments have impacted receivables growth



Increased funding costs and residual pricing driving margin compression. Product repricing underway





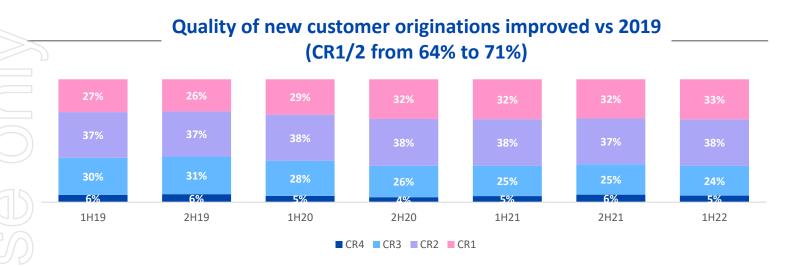
Key drivers:

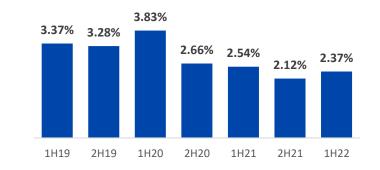
- AGR ↓ 2.8% driving \$11m Op income reduction
- Rate: (87)bps of operating income compression:
 - (91)bps interest income risk mix
 4 1H21 re-pricing strategies
 - higher funding (29)bps ahead of pricing actions
 - offset by 32bps loyalty & interchange
- Pricing actions taken during the half with capacity for further increases to match yield curves
- vs. 2H21, 3 fewer days translates to \$6m less in income in the half

24

Credit Quality continues to improve







Net charge off rates remain

historically low...



...with appropriate provisioning levels

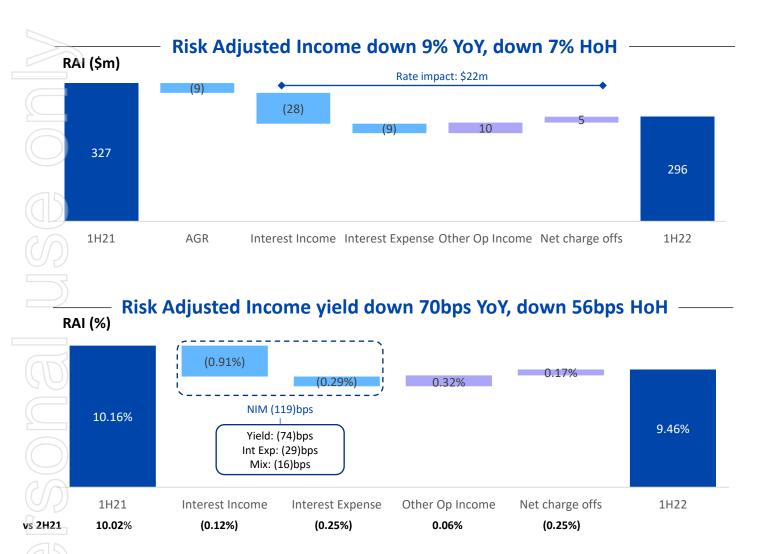




Coverage ratio to net charge offs remains adequate (1.6x vs 1.3x pre-covid)

Strong asset quality supporting Risk Adjusted Income





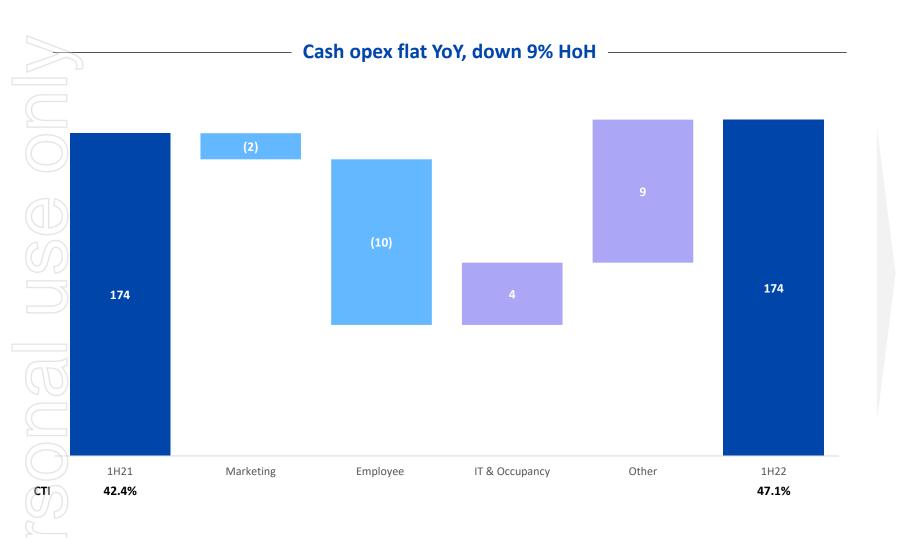
Key drivers:

- Risk based pricing delivering a higher quality book and lower net charge offs
- High quality portfolio providing a solid foundation for future returns
- Strong credit quality driving
 17bps improvement in NCO yield
- RAI impacted by Op income:
 - Better risk mix & strategic pricing
 - Lower receivables
 - Higher funding costs

26

Disciplined cost control... flat YoY



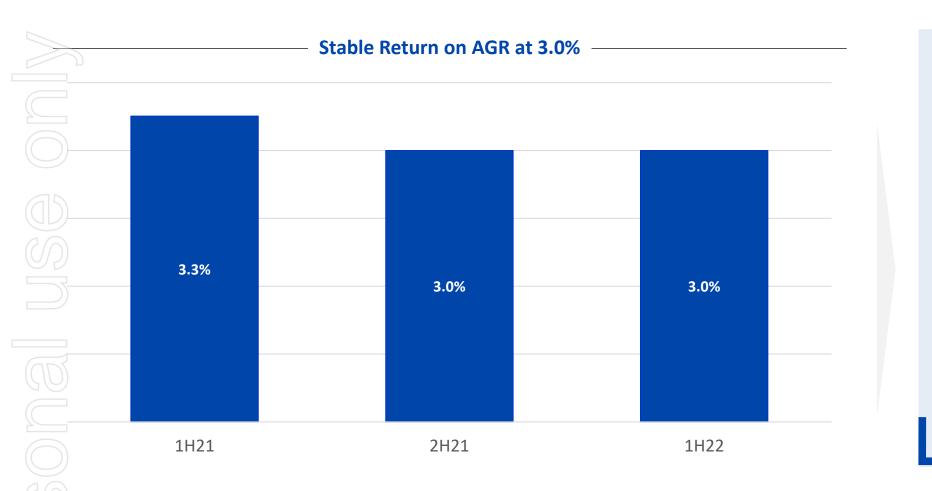


Key drivers:

- Disciplined cost control absorbing listed company costs, acquisitions and international
- Employee costs down 17%
 HoH with a simplified
 operating structure and
 continued investment in IT
 & automation
- Marketing was calibrated to the environment
- Other cost increases include listing costs, international & 个 investments (SaaS)

RoAGR... excess spread





Key drivers:

Return on AGR (*RoAGR*) remains stable at ~3.0% due to focus on:

- Risk based pricing & prudent funding
- Cost discipline

Creating a sizable buffer for any credit cycle

Diverse, resilient & cost-effective funding, underpinned by prudent capital management





Diverse Funding Platform

Cost Effective 50+ Investors

48% Investors
Offshore to A&NZ

Programmatic issuance and diverse investor base

1H22 – 4 transactions completed delivering flexibility and certainty to the funding programme

~\$2bn of warehouse headroom

Active IRRM with 38% of receivables hedged

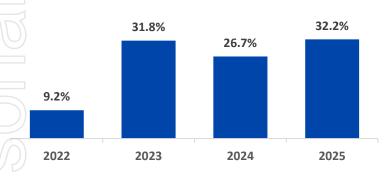
Balanced maturity profile, no requirement to access funding for 12 months

Warehouse Financing

A\$5.3bn Total Limits 7 Active Facilities

Australia and New Zealand, 30 June 2022

Securitised Debt Maturity Profile





ABS Issuance

A\$4.8bn Total Issued

6 Active Issuances

Australia and New Zealand, 30 June 2022

Prudent capital management approach

- Capital strength provides a buffer and an ability to act opportunistically
- 9.2% TER at 30 June 2022

A\$ million	30 June 2022
Total equity	1,540
Intangible assets	994
TE	546
Net Receivables ¹	5,939
TER	9.2%

29



Results summary



	1H22	2H21	1H21	НоН	YoY
Volume (\$m)	3,713	3,695	3,640	0%	2%
AGR (\$m)	6,313	6,326	6,493	(0%)	(3%)
Gross receivables (\$m)	6,257	6,349	6,474	(1%)	(3%)
Statutory NPAT (\$m)	31	71	89	(57%)	(66%)
Cash NPAT (\$m)	93	95	105	(2%)	(11%)
Cash EPS (cents)	8.95	9.47	10.47	(5%)	(15%)
Dividend per share (cents)	7.85	7.85	7.85	0%	0%
RAI (%)	9.5	10.0	10.2	(0.6)	(0.7)
RoAGR (%)	3.0	3.0	3.3	(0.0)	(0.3)
RoE (%)	12.1	13.1	16.6	(1.0)	(4.5)
Tangible Equity Ratio (%)	9.2	8.7	8.2	0.5	1.0

Cash NPAT to Statutory NPAT (continuing operations)...



Jun-22 (\$m)	Cash NPAT	Amortisation of acquisition intangibles	Amortisation of legacy transaction costs	Symple Integration	Restructuring Costs & International Investment	Acquisition Related Expenditure	Fixed Assets Impairment	Discontinued Facilities	Stat NPAT
Net interest income	352.7		(2.4)					(0.2)	350.2
Other income	17.7							0.6	18.3
Total operating income	370.4	-	(2.4)	-	-	-	-	0.4	368.5
Net charge offs	(74.2)								(74.2)
Risk adjusted income	296.2	-	(2.4)	-	-	-	-	0.4	294.3
Cash Opex	(174.3)			(8.9)	(7.2)	(6.9)	(15.3)	(1.5)	(214.2)
Cash PBT	121.9	-	(2.4)	(8.9)	(7.2)	(6.9)	(15.3)	(1.2)	80.1
Movement in provision	35.3								35.3
D&A (excluding leases)	(22.1)	(24.1)						(0.5)	(46.8)
Profit before tax and notable	135.1	(24.1)	(2.4)	(8.9)	(7.2)	(6.9)	(15.3)	(1.6)	68.6
items									
Income tax expense	(42.1)	7.1	0.7	2.6		2.0	4.5	0.5	(22.7)
NPAT (continuing operations)	93.0	(17.0)	(1.7)	(6.3)	(5.2)	(4.9)	(10.8)	(1.2)	45.9

Well established stress testing programme...



- Several scenarios run as part of a well established annual scenario (formerly Fed requirement)
- Severe scenario using unemployment at 10/10/8pc over 3 yrs
- Under stress scenarios:
 - No breaches of rapid amortisation triggers
 - No breach of debt covenants for the corporate facility
 - RoAGR remains positive and close to break even at peak stress
 - Assumes management action is undertaken to preserve capital (manage growth/ modify dividend payout), tighten underwriting standards and exercise cost discipline (marketing, projects, resources)
 - Unemployment outlook remains strong

	Base	Severe downside			
	0	1	2	3	
GDP growth %	3.4%	(11.0%)	(2.0%)	7.5%	
Unemployment %	3.5%	10.0%	10.0%	8.0%	
Real cash interest rate %	(3.4%)	(0.2%)	(0.4%)	(1.0%)	
House price change YoY %	24%	(6.5%)	(9.0%)	(1.0%)	
Rapid amortisation trigger breaches (se					
- net yield	No	No	No		
- net charge offs		No	No	No	
Debt covenant breaches (lease & schem					
- net leverage ratio		No	No	No	
- interest coverage ratio		No	No	No	

Source: Company modelling, ABS, RBA

Funding: higher cash rate scenario sensitivity



Group cash rate sensitivity analysis



+100bps rates = -ve \$40m interest expense (pre-tax, annualised)



1H22 ave cash rate = 24bps/ 2H22 to date ave = 135bps



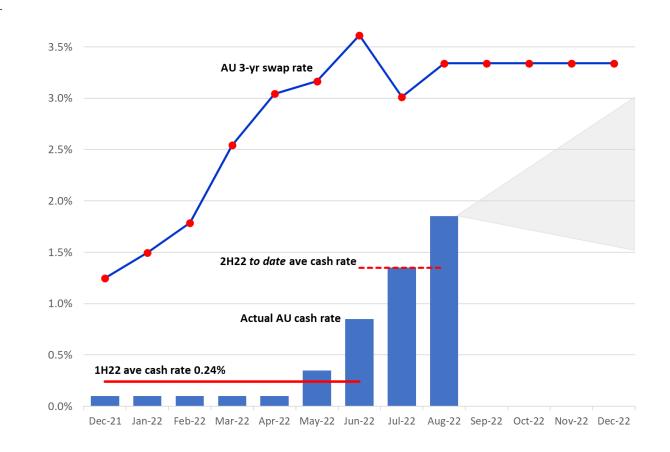
Ave HoH rate delta is already 111bps (cash)/ 76bps (3-yr swap)



This analysis shows the impact of shifts in interest rates on the Group's profit over a year assuming all other things remain equal at the end of the reporting period



The above impacts excludes any management action

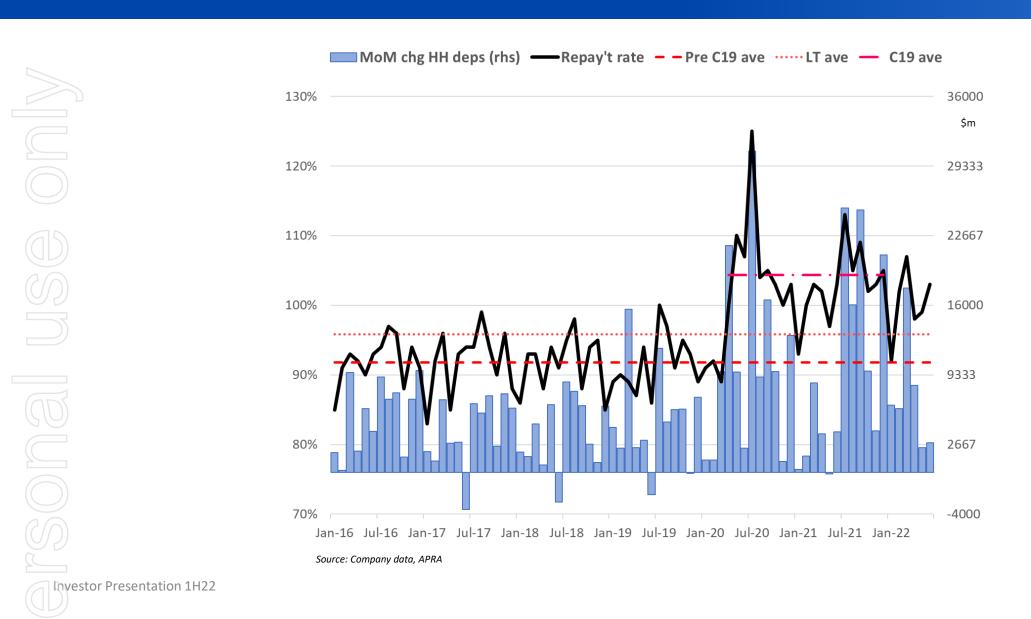


Source: Company data, RBA

Repayment rate and excess household liquidity...

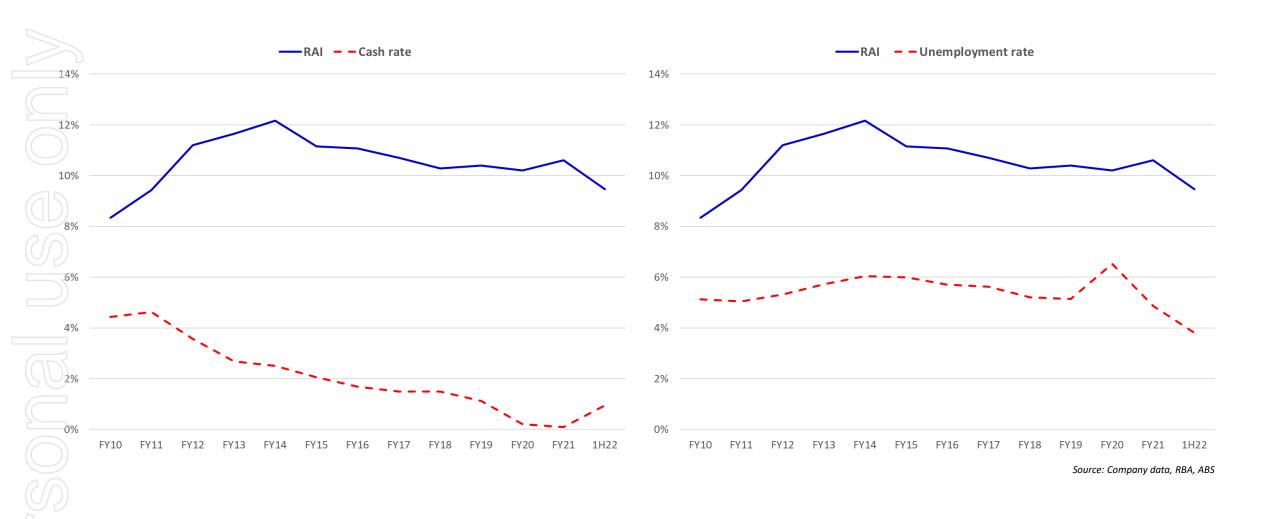


35



Longer term LFS experience: RAI range of 8-12%...



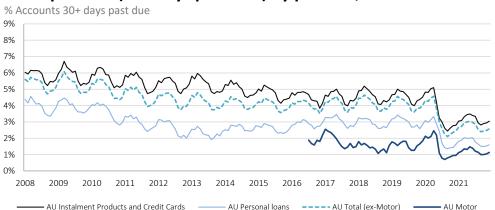


Delinquency performance over time



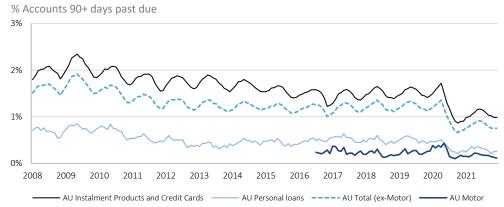


Delinquencies (30+ days past due) by product, Australia



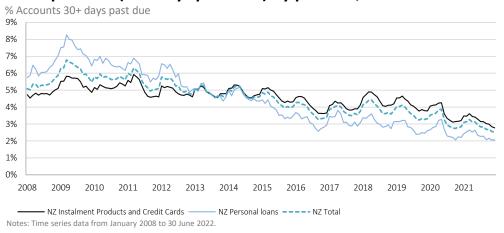
Notes: Time series data from January 2008 to 30 June 2022. Motor loans delinquency history captured from July 2016 which was when Latitude relaunched its motor loan product.

Delinquencies (90+ days past due) by product, Australia

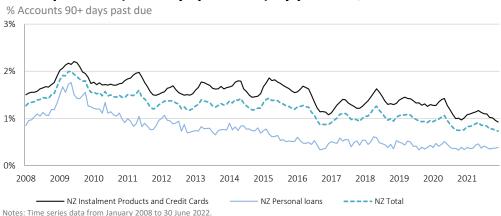


Notes: Time series data from January 2008 to 30 June 2022. Motor loans delinquency history captured from July 2016 which was when Latitude relaunched its motor loan product.

Delinquencies (30+ days past due) by product, New Zealand



Delinquencies (90+ days past due) by product, New Zealand



otes: Time series data from January 2008 to 30 June 202.

37

ESG 1H22 highlights



BETTER GIVING

Since Aug 2017 we have collectively donated

\$865,099

to our nine charity partners via workplace giving.

COMMUNITY PARTNERSHIPS





Ardoch (AU)

Duffy Books in Home (NZ)

empowering our communities and children through education

FINANCIAL CAPABILITY

Supporting employees financial wellbeing through online courses and tools



GOVERNANCE

- Diversity Objectives
- Modern Slavery Statement update
- Code of Conduct update



Supporting Vulnerable Customers

Our dedicated Hardship Care team is guided by the standards and principals set out in Latitude's Vulnerable Customer Policy





ENVIRONMENT

- Our Melbourne Head Office is certified 5.5 star NABERS energy rating
- Developing sustainability commitments
- Exploring measurable objectives to reduce environmental footprint



Thank you

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