

27 April 2023

## ASX ANNOUNCEMENT

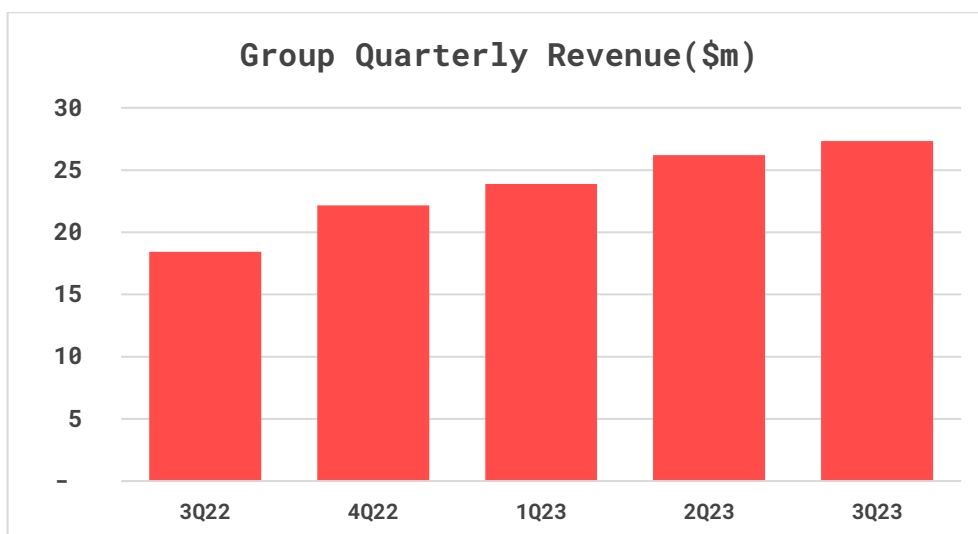
### 53% REVENUE GROWTH, 10% NET INTEREST MARGIN DELIVERS \$3.6M CASH NPAT

*All numbers in this release are denominated in Australian dollars unless otherwise stated*

Harmony Corp Limited (ASX: HMY; “Harmony” or “the Company”) is pleased to provide an update on its performance for the 9 months ended 31 March 2023 (“YTD”).

#### Key YTD highlights (vs. YTD to 31 March 2022):

- **Group loan book of \$728 million, up 42%** and with Australia now representing 51% of total loan book.
- **Australian existing customer loan originations increased 46%**, demonstrating Harmony’s customer direct annuity stream replicating in Australia.
- **Revenue growth of 53% to \$77.4 million** driven by growth in loan book.
- **Net interest margin in line with the Company’s target level of ~10%.**
- **Impairments of 3.4% with 90+ days arrears at 0.52%**, well below the Australian market average of 1.4%<sup>1</sup>.
- **Market leading cost to income ratio of 28%** demonstrating Harmony’s scalability and automation capabilities.
- **Cash NPAT of \$3.6 million and Cash ROE (annualised) of 9%.**
- **Unrestricted cash available to the Group of over \$30 million at 31 March 2023.**
- **On track to deliver FY23 outlook.**



<sup>1</sup> Source: Equifax Australian Consumer Credit Demand Index 2023 Q1, Personal Loan series.

## Commenting on Harmony's performance, CEO & Managing Director David Stevens said:

"With our loan book now at \$728 million we are already demonstrating our ability to deliver consistent profitability, with a record Cash NPAT of \$3.6 million and Cash ROE (annualised) of 9% in the 9-month period to 31 March 2023.

In the current economic climate, we have exercised the flexibility inherent in our consumer-direct marketing model to ease back on growth, focusing instead on profitability. In the 9-month period to 31 March 2023 we have reduced acquisition costs by 42% compared to the same period last year with only a 3% reduction in new customer originations. Loan book growth remains a key medium term focus, however even at our current level we are delivering growth in profitability, due to the power of our consumer-direct model and the efficiency of our highly automated Stellare platform. We believe that a Cash ROE of 20% is achievable in the medium term as we release innovative new product offerings.

"In late January, we launched our new secured car product, empowering customers with cash buyer confidence so they are not reliant on dealership finance options. Secured car loans have not previously been a focus for us and early signs are promising, with a 25% increase in car lending in the two months since launch over the two prior months. Development is continuing on our Stellare 2.0 enhancement to our proprietary software platform, remaining on track for launch during July – September 2023, with expanded capability to serve more of the 12,000 new customers who create an account with us every month.

"Harmony has the systems in place to continue to scale the business sustainably and profitably across Australia and New Zealand. Our highly automated data-driven online platform is generating new customer originations at a lower cost, and excitingly an increasing number of our existing customers are coming back to use our services again. I'm pleased to see originations from existing Australian customers grow by 46% over the period as this reflects a high level of customer satisfaction, also evidenced by the consistently high ratings on online review platforms. What makes existing customer originations particularly attractive is the fact that it creates an annuity stream for the business at minimal customer acquisition cost, making this group of customers very profitable. In New Zealand, more than half of originations come from existing customers and we are now aiming to repeat our success in the Australian market."

### **INCREMENTAL ORIGINATIONS FROM REPEAT CUSTOMERS DRIVING SUSTAINABLE LOAN BOOK GROWTH**

At 31 March 2023, Harmony's loan book was at \$728m, up from \$511m at 31 March 2022. The Australian loan book now represents 51% of total at \$370m while the New Zealand loan book finished the period at \$358m.

Harmony maintained its strong credit performance with annualised net losses for the YTD of 3.4% and 90+ day arrears at 31 March 2023 of 0.52%, well below the personal loan market average of 1.4% in Australia.

At 31 March 2023, 78% of Harmony's floating rate borrowings were hedged to mitigate any impact from interest rate movements.

## HARMONEY ON TRACK TO DELIVER OUTLOOK FOR FY23

- Origination and loan book growth
- Net interest margin to be maintained at ~10%
- Cash NPAT Growth
- Targeting 20% Cash ROE in the medium term

*All numbers in this release are unaudited. This release was authorised by the Board of Harmony Corp Limited.*

### For any questions 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 and secured 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 ~85 full-time employees predominantly based in Auckland, New Zealand, half of whom comprise engineering, data science and product professionals.
- Harmony has a highly diversified funding panel with warehouses being provided by three of the "Big-4" banks across Australia and New Zealand and Harmony also issued its first asset backed securitisation in 2021 which was publicly rated by Moody's.

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