

23 February 2024

## ASX ANNOUNCEMENT

### HARMONEY CONTINUES TO DELIVER CASH NPAT PROFITABILITY, BOOK GROWTH AND EFFICIENCY IMPROVEMENTS

Harmony Corp Limited (ASX:HMY) (Harmony or the Company), a leading consumer-direct personal lender in Australia and New Zealand, is pleased to provide its half year results for the six-months ended 31 December 2023 ("1H24"). All numbers in this release are in AUD, unless otherwise specified.

#### 1H24 Highlights:

- **Cash NPAT profitability** of \$0.5 million
- **Loan book** growth of 8% on pcip to \$756 million
- **Revenue growth** of 21% on pcip to \$60 million
- **Customer acquisition costs to income** fall to 9% (13% pcip)
- **Cost to Income** improves further to 24% (29% pcip)
- **Stellare 2.0** launched and delivering value to Australian customers
- **Corporate debt** refinanced and upsized with limit now \$30m (\$7.5 currently undrawn)
- **Warehouse capacity** extended, undrawn capacity of ~\$250m
- **\$200m New Zealand ABS**, New Zealand's first ever unsecured personal loan backed ABS
- **Target 20% Cash Return on Equity** run rate in FY25

Financial Highlights	1H24	2H23	1H23
Loan Book (\$m)	756	744	701
Revenue (\$m)	60	57	50
Net Interest margin (%)	9.2	9.4	9.8
Risk Adjusted income (%)	5.0	5.4	6.7
Acquisition costs (\$m)	5	6	7
Cost to income ratio (%)	24	28	29
Statutory NPAT (\$m)	(0.6)	(4.2)	(3.4)
Cash NPAT (\$m)	0.5	2.4	2.3

Commenting on the half year performance, Harmony's CEO and Managing Director David Stevens said:

*"This half it has been particularly pleasing to demonstrate the continuing strength of our consumer-direct business model through this rapid increase phase of the interest rate cycle. We have continued to deliver both loan book growth and Cash NPAT profitability, which we believe sets us apart in the current market."*

*We have maintained healthy net interest margin of 9.2%, and risk adjusted margin of 5.0%, despite the challenges presented by the rapid rise in the official cash rate. Our costs of*

*acquiring customers and our operating costs have continued to fall as a proportion of income, lowering our cost to income ratio to an impressive 24%.*

*With the interest rate cycle nearing its peak, we are confident in our ability to manage interest rate changes and are on track to deliver continued growth in Cash NPAT profitability and reach our target of a 20% Cash Return on Equity run rate during FY25.*

*Our customer-direct model and highly automated Stellare® platform underpin our efficiency, our risk selection and ultimately our financial performance. We have now rolled out our Stellare 2.0 platform to new Australian customers, which we have developed in-house over the past 12-months. This is a significant upgrade to our core operating platform, incorporating a state-of-the-art cloud native core banking system. This will see greater efficiency, automation and flexibility enabling greater targeting of preferred risks and an even superior customer experience than that enjoyed to date. We expect that this will drive positive outcomes for the business throughout this calendar year and beyond, and puts us in a great position to perform well during the next phase of the interest rate cycle.*

*Finally, our funding support from three of the “Big-four” Australian banks has continued, offering the business significant headroom for growth. During the half we completed not only our closure of the legacy retail P2P platform, enabling us to focus on our warehouse funding model with ~\$250 million of capacity, but also establish a \$200 million ABS program in New Zealand. Further, we completed the refinancing and upsizing of our corporate debt facility, with the limit increased by 50% which unlocks our ability to fund up to ~\$200m of additional loan book capacity. These achievements are a further endorsement of our business model from our key stakeholders.”*

## **POSITIVE CASH NPAT FOR THE 4<sup>TH</sup> CONSECUTIVE HALF**

Harmony has reported its 4<sup>th</sup> consecutive half year of positive Cash NPAT and expect this profile to continue. Key drivers include further improvement in our cost of acquiring customers and in our operating cost to income ratio. Importantly, Harmony has been able to navigate a challenging environment with attractive solutions for customers, with active management of customer interest rates underpinned by the consumer-direct model. The net interest margin of 9.2% against the backdrop of the interest rate cycle is evidence of the resilience of the business and the relevance of the product to the company's customer base.

Harmony reported revenue growth of 21% on the prior corresponding period (pcp) to \$60 million from an average interest rate of 16.1% (15.4% in pcp) with group loan book growth to \$756 million (up 8% on pcp). Risk adjusted income (after losses) was 5% and acquisition costs continued to reduce, down 17% on pcp.

The current loan portfolio remains high quality with 74% of customers employed in either professional, office or trades and 87% of these aged over 30 years of age.

Encouragingly, existing customers continue to return for future financial needs, further lowering the cost of acquiring customers for the business. Plus the feedback from customers suggests we are meeting their needs, with a rating of 4.8 out of 5.0 (Google & Shopper Approved) based on a survey of over 55,000 customers.

## CONTINUED GROWTH IN LOAN BOOK WITH SIGNIFICANT CAPACITY FOR GROWTH

With support from three of the “Big-four” Australian banks Harmony has significant capacity for further growth. Current unused capacity includes warehouse capacity of ~\$250 million, corporate debt capacity of \$7.5 million and unrestricted cash of \$20.6 million. Average funding expense for the period was 7.2% (up 150bp on pcp) with hedging action taken reducing the impact of the official interest rate increases. The NIM of 9.2% is within the company’s target range.

## STELLARE 2.0 LAUNCHED

Stellare 2.0 will drive further profitability in the business. From the current low level of cost to income in the business, this highly automated platform will enable the loan book to scale faster than operating expenses underpinning significant operating leverage in the business.

## OUTLOOK

- Continued loan book growth
- Net interest margin of 9%
- Positive Cash NPAT
- 20% Cash ROE run rate during FY25.

## INVESTOR WEBCAST AT 9:00AM AEDT / 11:00AM NZDT TODAY

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 9:00am AEST / 11:00am NZST.

Participants are encouraged to register before the start of the call using the details below. Please note that registered participants will receive their dial-in number upon registration.

The audio webcast and slide presentation registration will be accessible via the following link:  
<https://s1.c-conf.com/diamondpass/10036547-jex6v3.html>

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 and secured 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 a predictive behavioural analytics engine which 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 minimal customer acquisition cost.
- Harmony is comprised of a team of ~75 full-time employees predominantly based in Auckland, New Zealand, approximately 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 Four" banks across Australia and New Zealand. Harmony issued its first asset backed securitisation in 2021, followed up with a \$200m NZ asset backed securitisation in August 2023, both being publicly rated by Moody's.

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