

16 October 2024

ASX ANNOUNCEMENT

STELLARE 2.0 DRIVES +50% INCREASE IN AUSTRALIAN ORIGINATIONS THROUGH Q1 FY25

Harmoney Corp Limited (ASX:HMY) (“Harmoney” or “the Company”), a leading consumer-direct personal lender in Australia and New Zealand, is pleased to provide an update on its performance for the 3 months ended 30 September 2024 (“Q1FY25”).

To watch a short video from our CEO David Stevens, and ask any questions of management about this announcement, please [click here](#).

Q1FY25 Highlights:

- Australian new customer loan originations **grew more than 50%** on the prior comparative period (“pcp”), driven by Stellare® 2.0.
- On track for **achieving 20% Cash Return on Equity** run rate in H2FY25.
- Net interest margin on the loan book (“NIM”) rose to 8.9% (Q4FY24: 8.8%), with **new lending NIM continuing above 10%**.
- **Credit losses continued to decline** to 3.7%, down from 4.5% pcp and 4.1% for FY24.
- **Risk-adjusted income increased to 5.1%**, up from 4.6% pcp and 4.8% in FY24, reflecting both higher NIM and lower credit losses.
- 90+ day **arrears remain low** at 53bps (54bps pcp).
- **Cost to income ratio further improved to 21%**, down from 24% in FY24, highlighting ongoing operational scalability.
- Harmoney remains **well capitalised** with total warehouse capacity over \$900m, \$20m in available cash, plus \$7.5m in undrawn corporate debt.

Financial Highlights	Q1FY25	Q1FY24 (pcp)	Change (pcp)
Loan Book (\$m)	769	747	+3%
Australian Loan Book (\$m)	426	382	+12%
New Zealand Loan Book (NZ\$m)	373	395	(6%)
Net Interest Margin (%)	8.9	9.0	(10bps)
Credit Loss (%)	3.7	4.5	(80bps)
Risk Adjusted Income (%)	5.1	4.6	50bps
90+ day Arrears (%)	0.53	0.54	(1bps)
Cost to Income (%)	21	25	(400bps)

Commenting on Q1FY25, Harmoney’s CEO & Managing Director David Stevens said:

"We have had a strong start to FY25 and remain on track for achieving our target of 20% cash return on equity run rate in H2FY25, with Stellare® 2.0 driving a 50%+ increase in Australian new customer originations through the entire quarter, compared with the same quarter last year (pcp). This quarter we have continued focus on the Australian opportunity for Stellare® 2.0 and elected to move New Zealand’s transition into H2FY25.

With New Zealand continuing to operate on Stellare® 1.0 during the quarter, loan originations in that market were down on the pcp, but notably up on the prior quarter. We have updated Stellare® 1.0 in response to the recent government repeal of overly-prescriptive affordability regulations, which are expected to improve New Zealand originations from Q2FY25. Stellare® 2.0's roll out in New Zealand from H2FY25 is then expected to further support origination growth going forward.

Loan book growth is up over 1% from last quarter to \$769m, with the Australian loan book up 4% from last quarter, partly offset by a 2% reduction in the New Zealand book in local currency. Australian loans now comprise over 55% of the entire loan book.

Pleasingly, this growth has been achieved while also increasing our risk adjusted income to 5.1%, up from 4.6% in the pcp and 4.8% for FY24. This is a key measure of profitability and reflects the higher net interest income and lower credit losses we are achieving.

New business NIM for Q1FY25 continues to be above 10%, driving the loan book NIM up to 8.9% (Q4FY24: 8.8%), as higher new customer lending rates make up a growing proportion of the loan book and as funding costs begin to decline. Credit losses continue to decline to 3.7%, down from 4.5% in the pcp and 4.1% for FY24.

Our cost to income ratio also continues to improve, down to 21% from an already low 24% for FY24, as Harmony's high levels of automation continue to grow revenue faster than operating costs.

These strong and improving key business metrics combined with accelerating originations driven by Stellare® 2.0, provide high levels of confidence in our FY25 outlook and beyond."

Outlook FY25

- Significant acceleration in loan book growth in H2FY25
- Stellare® 2.0 New Zealand rollout planned for H2FY25
- Net interest margin on the loan book to return to 9%
- Cash NPAT growth
- 20% Cash Return on Equity run rate in H2FY25

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

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For Corporate / Investor queries please contact us via:

Investor Relations

Investors are encouraged to lodge questions at the Harmony Investor Hub.

<https://investorhub.harmony.com.au/link/dRLaWP>

Please see sign up instructions below.

David Stevens

CEO & Managing Director

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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 loan applications within minutes. 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.

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

BUSINESS FUNDAMENTALS

- Harmony provides risk based priced unsecured and secured personal loans of up to \$70,000 to consumers across Australia and New Zealand.
- 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 4" banks across Australia and New Zealand. Harmony issued its first asset backed securitisation in 2021, followed up with a \$200m New Zealand asset backed securitisation in August 2023, both being publicly rated by Moody's.

INVESTOR HUB

Harmony's Investor Hub is a dedicated platform for investors to learn more about the Company and engage directly with Harmony's leadership team. The Company will regularly post new content to the Investor Hub, including videos accompanying our ASX announcements, interviews, research reports, and webinars.

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