

Latitude 1H21 Results

23 August 2021



Latitude Group Holdings Limited
ACN 604 747 391

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Important notice and disclaimer

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General

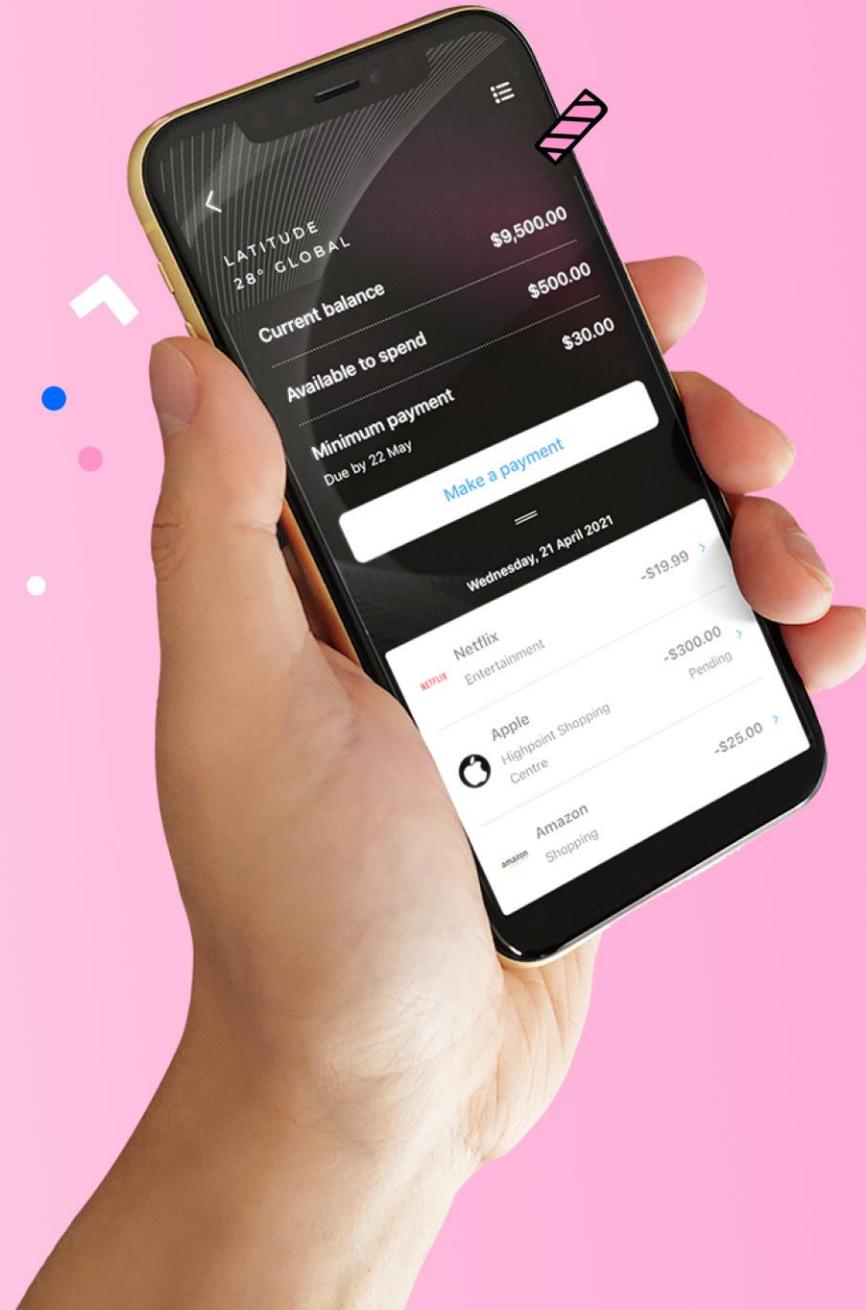
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01 | 1H21 key highlights



Executive summary: strong volume growth and positive strategic developments despite continuing COVID-19 affected industry challenges



What went well:

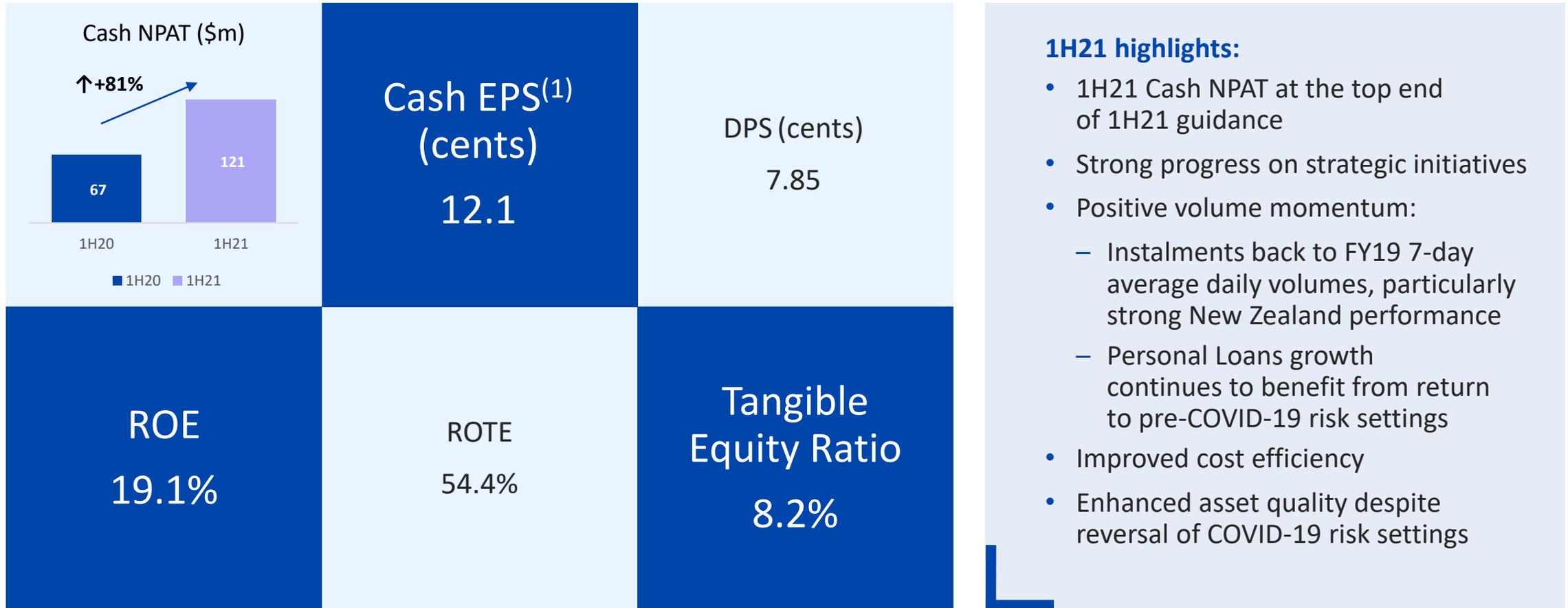
- Total volume up 5.4% vs PCP, excluding international and travel it is up 10.9%
- Market share gains across the portfolio in the front book with major highlights:
 - New Zealand all products
 - Personal & Auto Lending
- Cost discipline and efficiency gains
- Strong capital position and funding
- Positive developments with Symple, LatitudePay+ Big Ticket release, customer/broker satisfaction

Challenges:

- Continued lockdowns in Australia impacting international and travel spend
- Elevated levels of customer repayments reducing receivables
- Small ticket BNPL pricing is competitive and supply is saturated in Australia



Latitude delivers strong first half 2021 profit at the top end of guidance with strong volume momentum

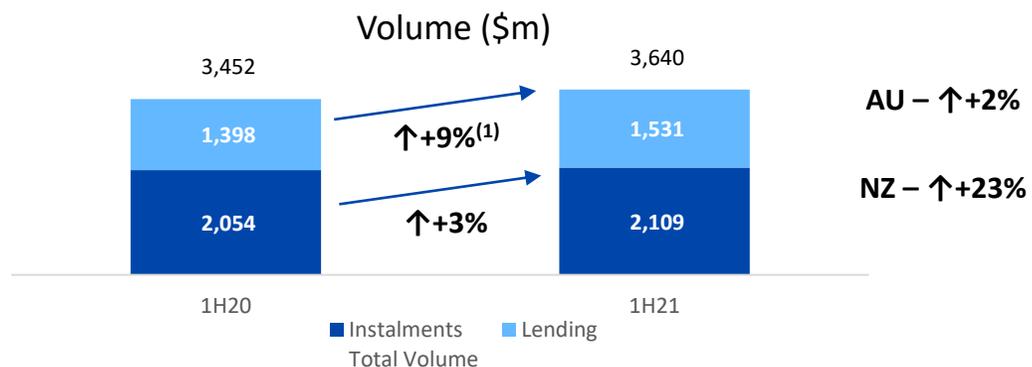


(1) Shown on a proforma basis for the number of shares on issue at the end of the period, which reflects the number of shares on issue as a listed company

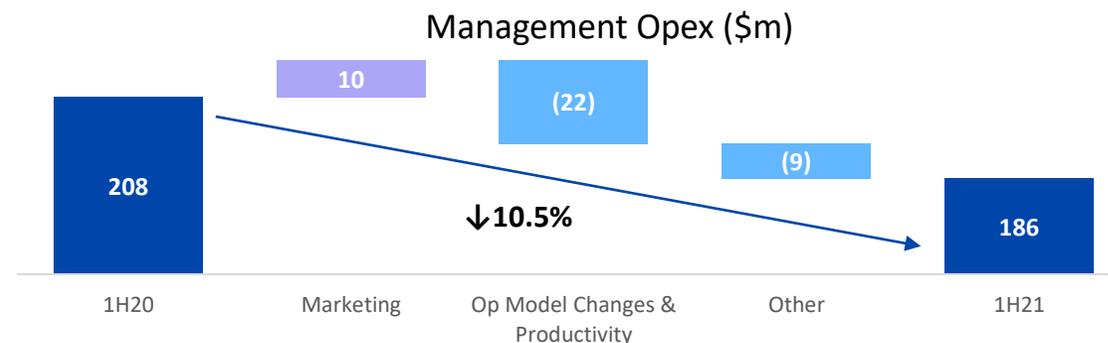
Solid 1H21 operational performance in mixed conditions



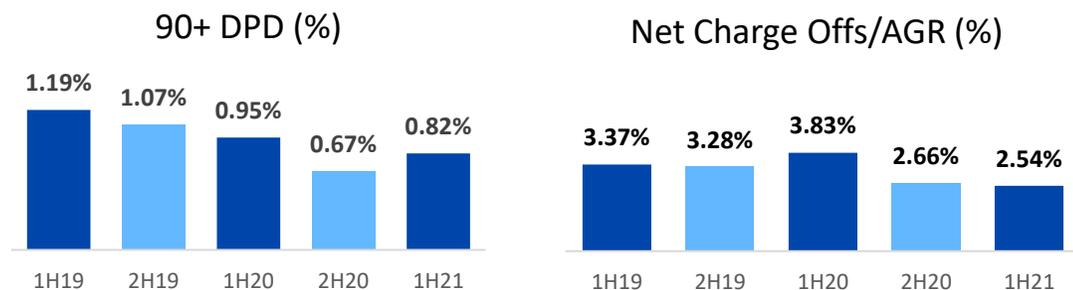
Strong volume recovery with group volumes up 5.4%, excluding international and travel volume is up 10.9%



Improved cost efficiency whilst maintaining investments



Asset quality continues to improve



Strong customer experience



(1) Personal and Auto Loans (excluding 28 Degrees and other runoff credit cards) is up 37% vs PCP
 (2) Customer NPS – blended NPS score is the weighted average based on # interactions per channel/segment.
 (3) Broker BDM Relationship NPS survey.

Note: 2020 numbers are shown on a proforma basis consistent with the IPO Prospectus

02 | Business performance



Home economy spending continues to drive Instalments performance



Delivery on volume growth initiatives

Unwinding COVID-19 actions



- Successfully returned underwriting settings and restarted marketing and sponsorships including sponsorship of the Richmond Football Club

Continue to capture opportunities in the 'home economy'



- Home economy segment continued to perform strongly during the half

Launching new products and growing new industry segments



- MVP launch of LatitudePay+ into big ticket BNPL
- Commenced the future of interest free program to deliver instalments anywhere with personalised card linked offers on Latitude GO Mastercard/Gem Visa
- Multiple partnerships signed across verticals including telco, home improvement and healthcare, with many new merchants to come online with the full launch of LatitudePay+ in 2H21

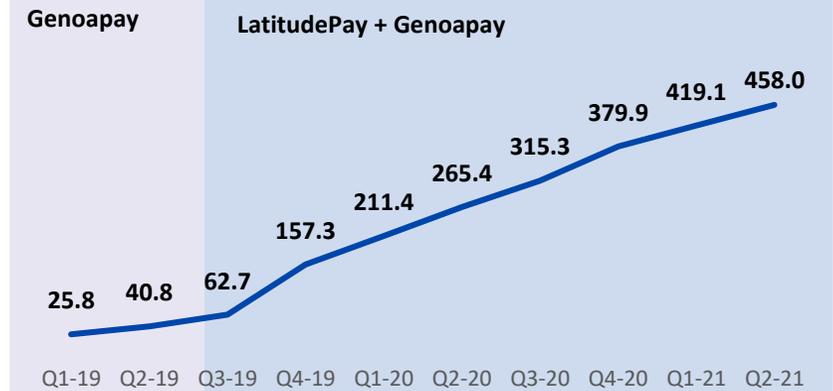
With further upside in recovering sectors



- Although consumer confidence improved during the half, international travel has not resumed and domestic travel was impacted by border closures with recovery pushed into 2022

Other 1H21 highlights

- BNPL customer base continued to grow during 1H21 up 73% vs PCP to 458k open accounts



- Increased customer engagement on Latitude GO Mastercard/Gem Visa with percentage of scheme active customers up 220bps compared to 2019
- Commenced development of six-month interest free shopping on Latitude GO Mastercard as part of the Future of Interest Free program

Volumes returning to 2019 levels, except international and travel



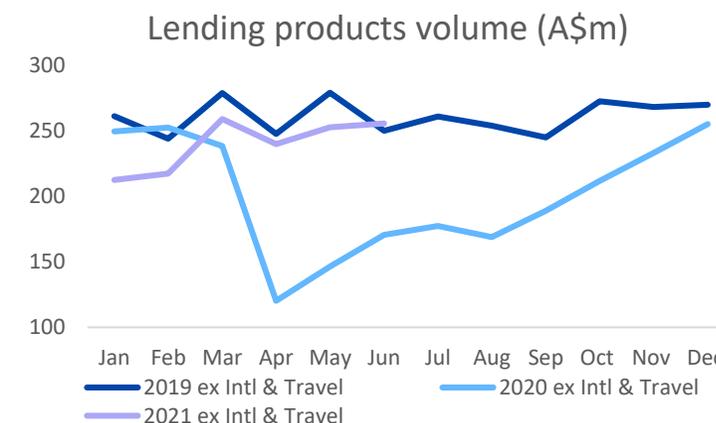
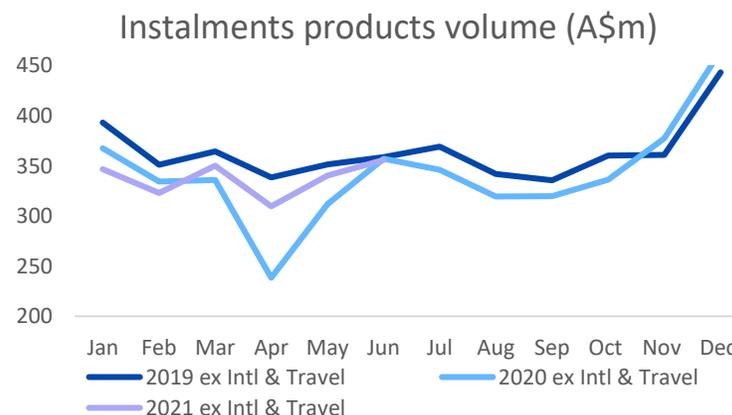
Instalments

- Volumes up 3% (vs PCP) on strong growth in New Zealand and continued demand in Australia in home segment and domestic scheme, offset by periods of store closures during lockdowns
- Result driven by continued spend on the 'home economy'
- Increased domestic scheme spend across Instalment products supporting AGR's

Lending

- Strong Personal Loan growth (volume up 30% vs PCP) with direct Personal Loan growth supported by resumption of marketing and outbound activity
- Strong Auto performance (volume up 60% vs PCP) in buoyant segment, with targeted 0-1yr and Recreational Vehicle pricing, and targeted broker engagement
- International and travel volumes remain subdued but significant upside when borders open

Group volume run-rate nearing 2019 levels, excluding international & travel related volume



Personal and Auto volume growth is up 37% vs PCP



Delivery on volume growth initiatives

Increasing activation and penetration of our brokers



- Continued enhancement of broker portal to simplify the quote and application process
- Personal Loans have again topped The Adviser's 2021 Product of Choice survey for Non-Banks

Improving digital lending experience for customers



- Enhanced quote and application process for customers, broker portal enhancements

Unwinding COVID-19 actions and benefit from the economic recovery



- Successfully returned new business credit underwriting restrictions to pre-COVID-19 appetite
- Launched 0-1 year auto pricing to capitalise on increased demand in the auto space
- Delay of international travel was a headwind and border restrictions impacted domestic travel

Improving digital lifecycle marketing for graduation



- BNPL graduation program continues to support growth, with nearly 10,000 BNPL customers taking up another Latitude product in 1H21

New banking partnerships



- Acquisition of Symple Loans will help to enable this

Other 1H21 highlights

- Personal Loans performed strongly in both Australia and New Zealand, up 30% in total:
 - Volumes up 23% vs PCP in Australia and 46% vs PCP New Zealand
 - Latitude has grown market share to 12% of total market⁽¹⁾ and #2 in total market volume⁽²⁾
- Auto Loans experienced significant growth in 1H21:
 - Volume up 60% on 1H20 and gross receivables up 28% on 1H20
- Signed a strategic partnership with the Dutton Group to provide direct auto financing across their dealer brands and support their growth agenda
- Launched a new digital SaaS platform for all future insurance products in February 2021

(1) A\$ receivables, internal Latitude data as at 30 June 2021.

(2) Internal Latitude data as at 30 June 2021.

Repayment levels remain elevated



Repayment rates remained elevated throughout 1H21 due to elevated levels of household deposits, government support and access to superannuation withdrawals



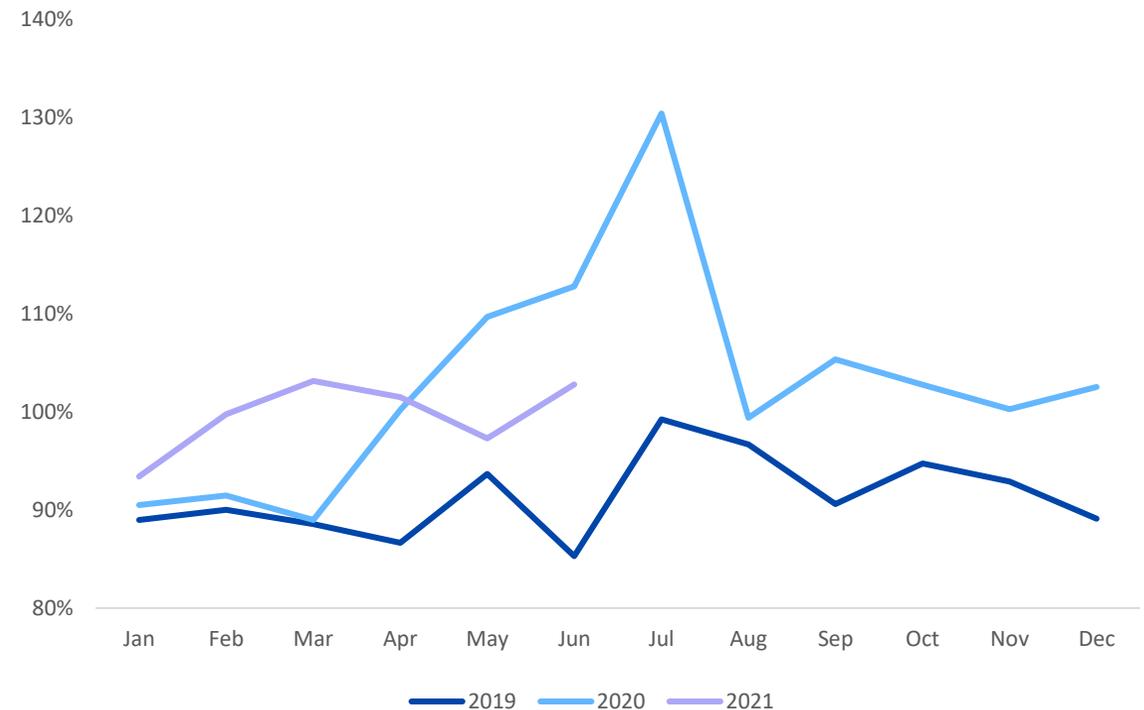
Repayments experienced across the portfolio in both Australia and New Zealand but predominantly in the Instalments portfolio



The trend of elevated repayments was seen across the industry and is expected to remain high during lockdowns⁽¹⁾

(1) Demonstrated by the RBA data on personal credit card balances accruing interest on personal credit cards falling to ~2005 levels across 2H20 and continuing over 1H21.

Repayment % ⁽²⁾⁽³⁾



(2) FX normalised at AUD/NZD 0.9419.

(3) Excludes 28 Degrees and other run off Credit Cards due to international impact on Credit Card portfolio repayment rates.

03 | 2H21 outlook and growth initiatives



Latitude is differentiated by its platform model across Instalments and Lending



A leader in consumer finance disrupting payments and traditional lenders

INSTALMENTS

Disrupting consumer payments and credit card balances

Shop small, pay weekly

BNPL

LatitudePay growing rapidly as BNPL disrupts traditional payments
Up to \$1,000, 10 weekly payments⁽¹⁾

~460k customers⁽²⁾ and growing

Shop big, pay monthly

BIG TICKET

LatitudePay big ticket launching 2021 disrupting traditional credit cards
Up to \$10,000 and 24 months⁽³⁾

MVP live now... wider release October 2021

Shop anywhere, pay flexibly

GO & GEM

Latitude GO Mastercard/Gem Visa being refreshed making it easier to shop interest free
Up to \$30,000 and 60 months

1.8m customers⁽²⁾ spending >\$4bn p.a.⁽⁴⁾⁽⁶⁾

LENDING

Leveraging graduation and funding advantages to drive growth

Home, holiday, wedding..

PERSONAL LOANS

Latitude Personal Loans providing competitive rates and flexible packaging

Direct, Broker and Kiwibank white label

Car, boat, caravan..

AUTO LOANS

Latitude Auto Loans well suited to growing focus on domestic tourism

Direct and Broker

International travel & shopping

28° GLOBAL

Latitude 28° Global travel and shopping card highly relevant when borders reopen

~385k customers⁽²⁾⁽⁵⁾, strong advocacy

Symples acquisition will enable additional growth opportunities

Future growth opportunities



12 month focus

Variable rate and new product constructs

Launch new products (redraw/LoC, variable products) in Australia & New Zealand

New products to support industry verticals



South East Asia international expansion

Major Payments Institution License application submitted in Singapore

Employees being recruited and supporting the establishment of our Singapore regional headquarters



Long term 12 months+

Expanded industry growth opportunities

Complement international Instalments and Lending strategies

Enhance B2B2C partner opportunities

Significant opportunity in Canada

LatitudePay+ launch

Successful pilot in 1H21 with wider release scheduled for October 2021

Big ticket BNPL will enable growth in verticals such as health, home and telecommunications

New Zealand Auto Loans

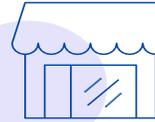
Launch post decommission of legacy Auto Loans platform

BNPL Big Ticket opportunity

LatitudePay+ highlights:

- A single provider that enables a wider buying audience
- Point of difference in the industry with BNPL (6-24 months available)
- Competitive pricing model
- Partnering with major OEMs such as Samsung Electronics Australia to co-develop new propositions including 'Samsung Upgrade'
- Weekly/monthly pricing gives more consumers the opportunity to take up services & recommendations
- Access to attractive new segments (eg, health, telecommunications)

Latitude Pay+



Pay over 6-24 months

Low friction customer experience

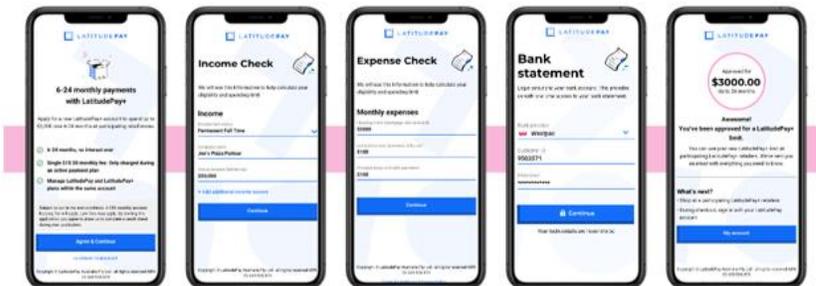
Consumer benefits:

- Up to ~\$10,000 limit⁽¹⁾
- Pay over 6–24 months
- No establishment fee
- Simple and fast onboarding process with instant decision
- \$10 monthly fee
- No interest, ever
- No hidden fees
- Monthly direct debit

Key merchant benefits:

- Promote monthly instalment amounts up to 24 months
- Easy integration, increases ticket sizes and simple customer experience
- Merchants can choose terms they want to offer. If multiple are offered customers can select the term they want

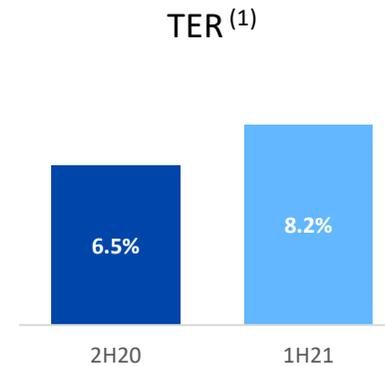
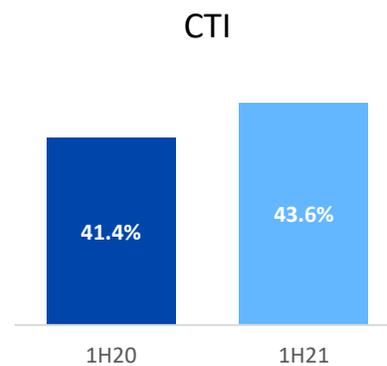
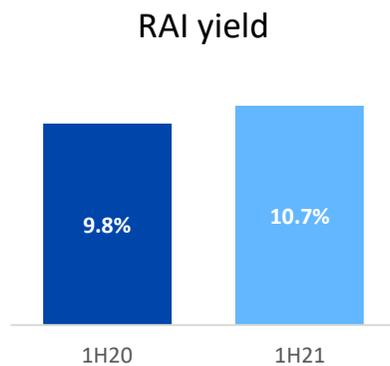
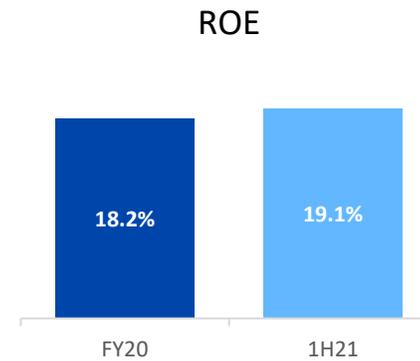
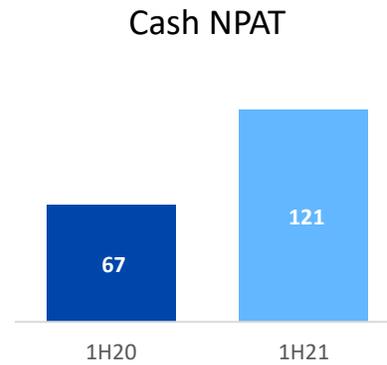
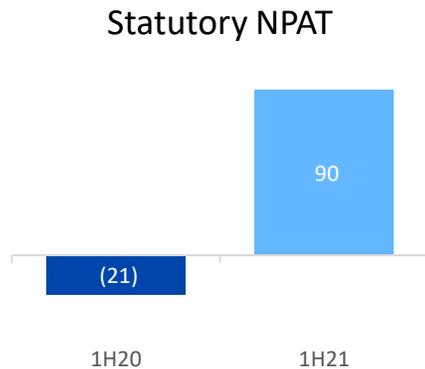
LatitudePay+ – Shop Big application



04 | Financial update



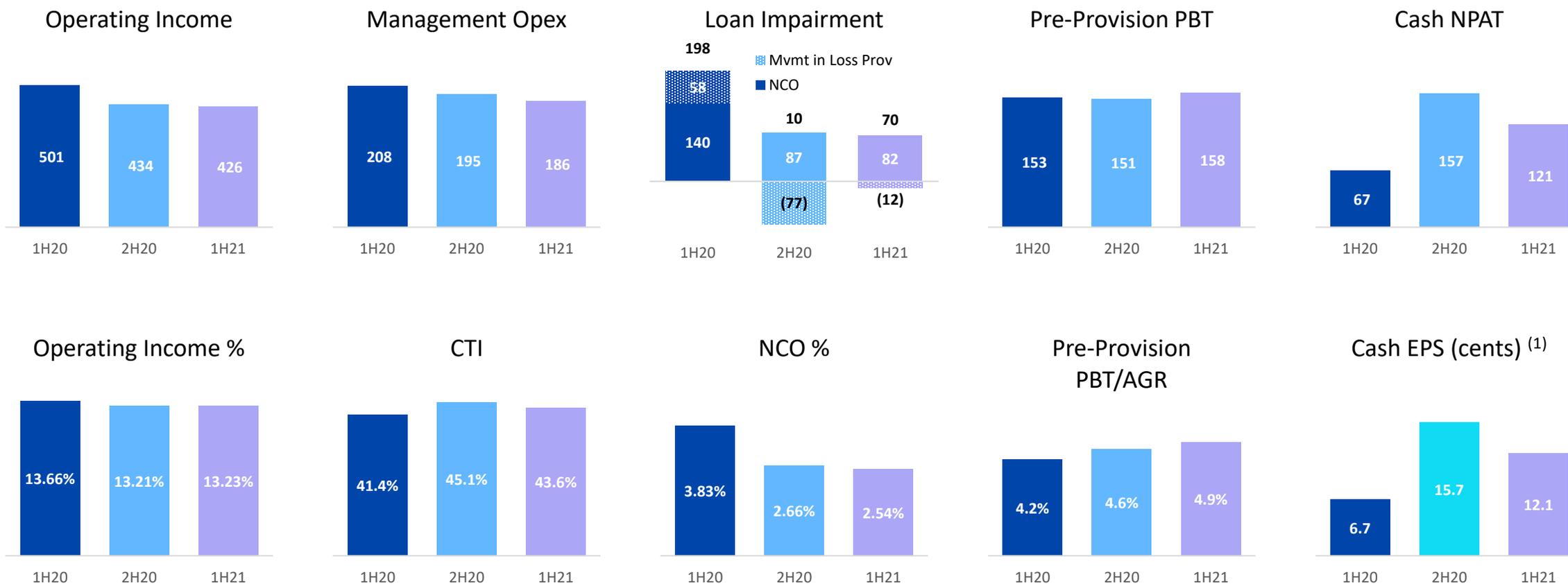
1H21 Financial highlights



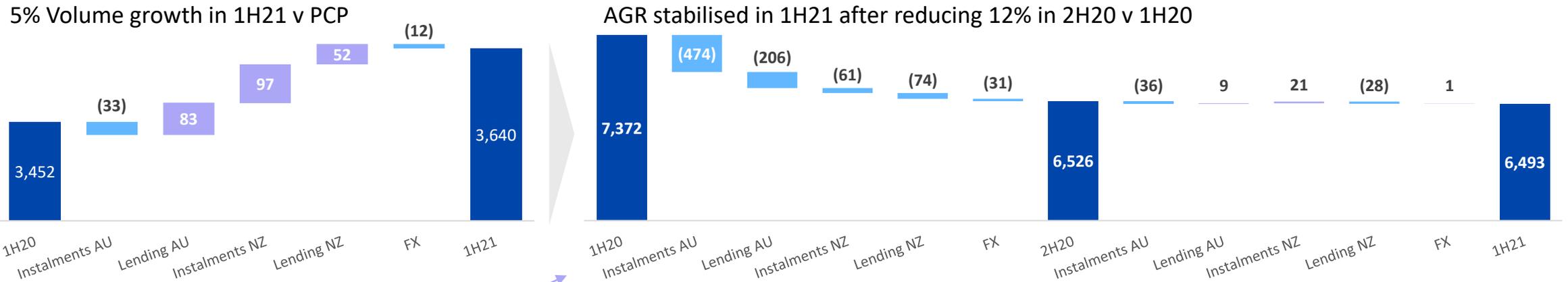
1H21 highlights:

- Strong Cash NPAT and volume momentum
- AGR below 1H20 driving lower Operating Income, but similar to 2H20:
 - Volume growth offset by elevated repayment rates
- Operating Expenses down 10.5% vs pcp but CTI impacted by lower Operating Income

1H21 Cash NPAT up 81% on PCP



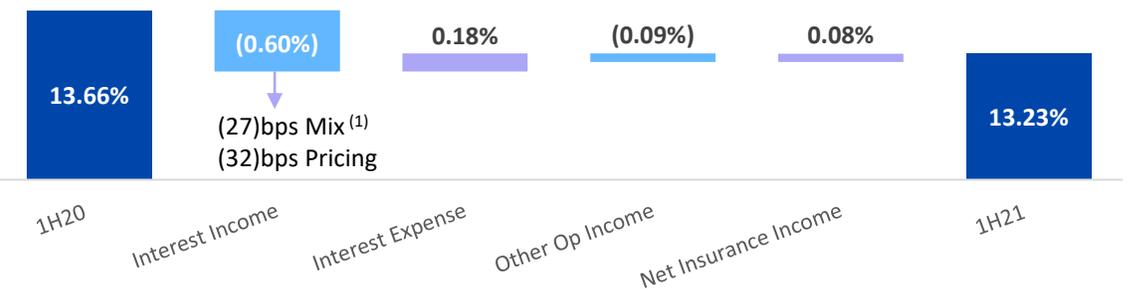
Lower 1H21 Operating Income largely driven by lower receivables from FY20



~77% of Operating Income reduction driven by AGR



Operating Income yield ↓43bps reflecting changes to new business pricing driving growth & attracting higher quality customers



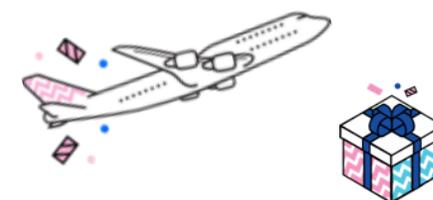
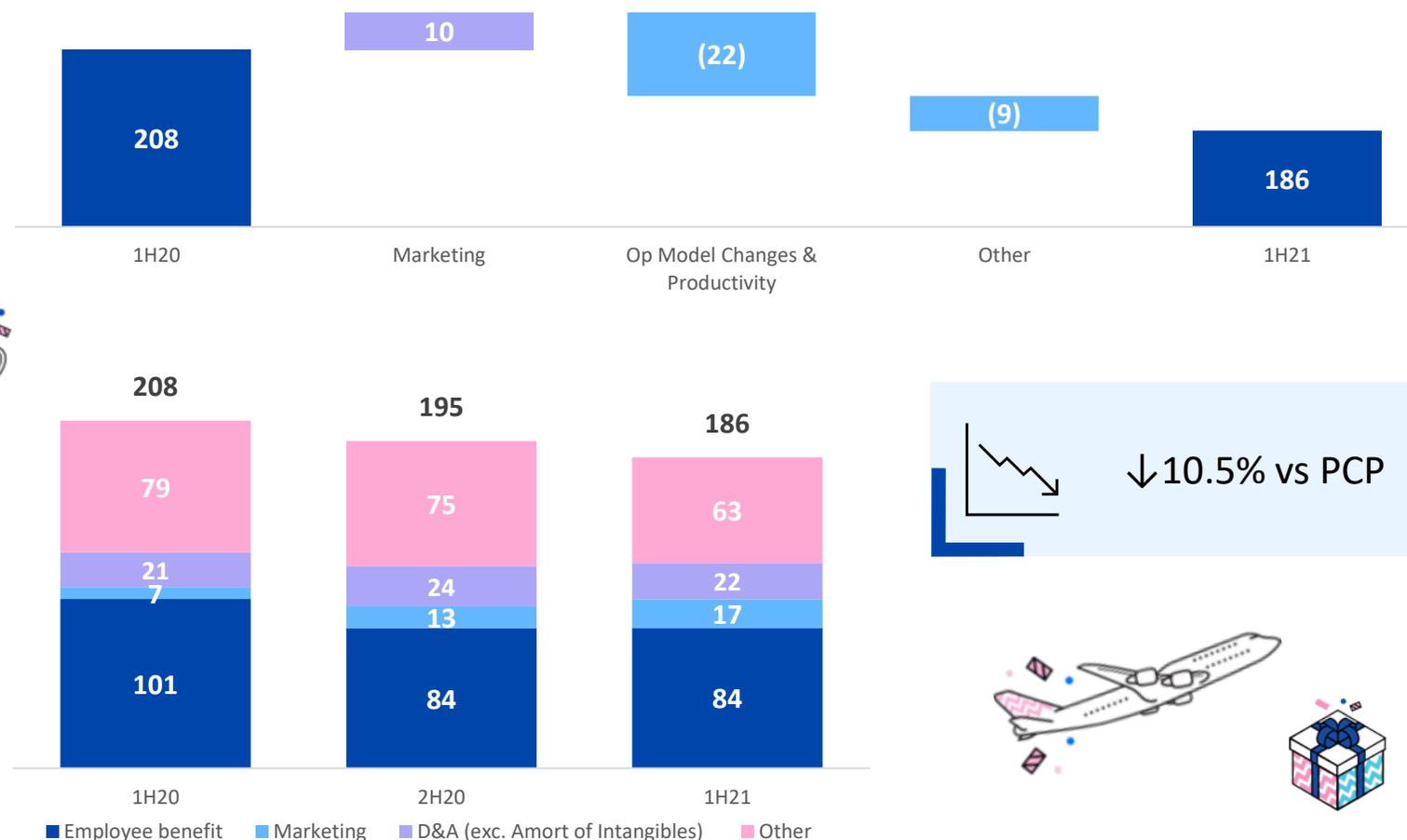
1H21 Operating Expenses down 10.5% on PCP



- 10.5% reduction in operating expenses in 1H21 compared to PCP driven by:
- Reduced employee expense due to operating model changes and simplification agenda delivered
- Other productivity benefits from property and outside services initiatives
- Advertising returned in 1H21 after being paused during FY20 due to COVID-19 response



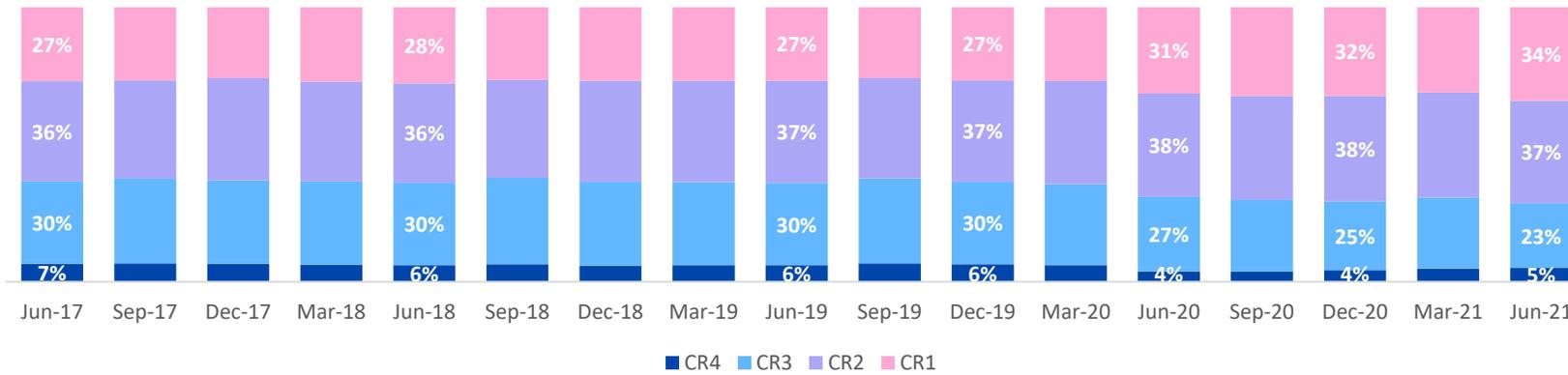
Management Opex (\$m)



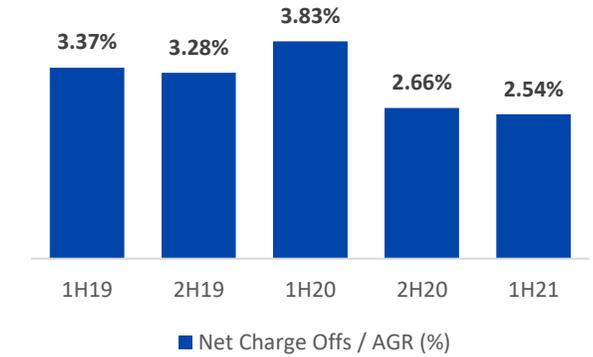
1H21 Asset quality strengthens



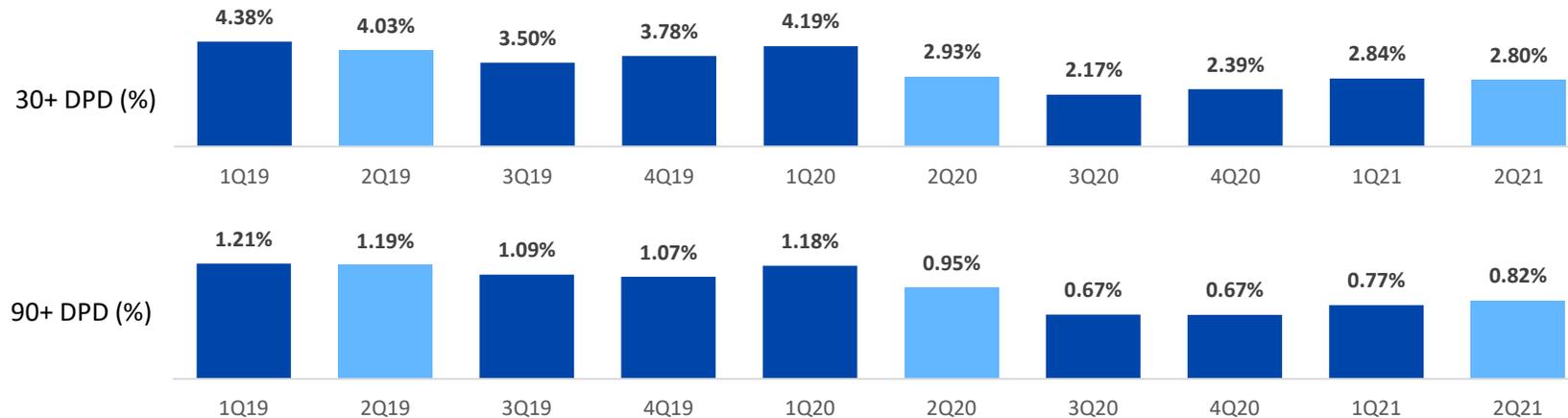
Credit quality of new customer originations continues to improve with 72% of customers rated CR1-2⁽¹⁾



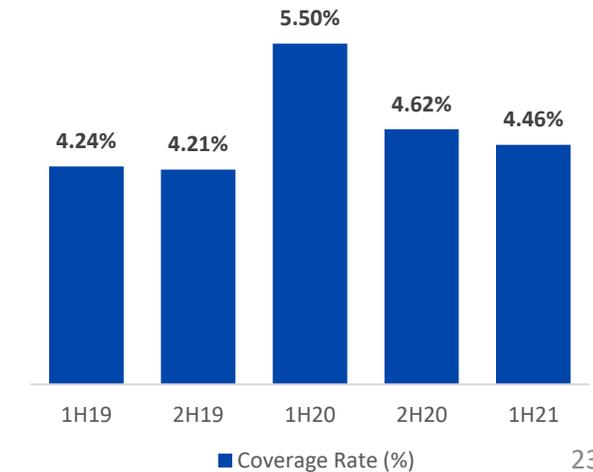
Improved net charge off ratios ...



Low delinquency rates continued to improve PCP with seasonal increases since Dec'20



... with adequate Coverage



(1) Dec-20 data has been restated compared to IPO due to a minor update of settled data

Note: 2019-20 numbers are shown on a proforma basis consistent with the IPO Prospectus

Investment & significant items

(\$m)	1H21 Opex	1H21 Capex ⁽¹⁾	1H21 Total
Investment-related expense			
Technology Investment and Simplification	6.9	18.7	25.5
BNPL – Big Ticket	1.8	6.4	8.3
International	1.3	–	1.3
Total Investment-related Significant items	10.0	25.1	35.1
Other Significant items			
Restructuring ⁽²⁾	0.9		
Remediation and Other provisions	-		
Asset/work in progress impairment	1.7		
Discontinued Facilities (net of sub-lease revenue)	2.2		
Total other Significant items	4.8		
Total Significant items	14.8		

(1) Excludes Business as usual opex and capex: Latitude invests in capex required to support ongoing operations of the business (the opex related to this investment is included in the core operating expenses and is not identified separately).

(2) Restructuring includes Management Equity Plan (contains final trust distributions) and IPO transaction cost reversal.



Diverse, cost-effective funding underpinned by prudent capital management



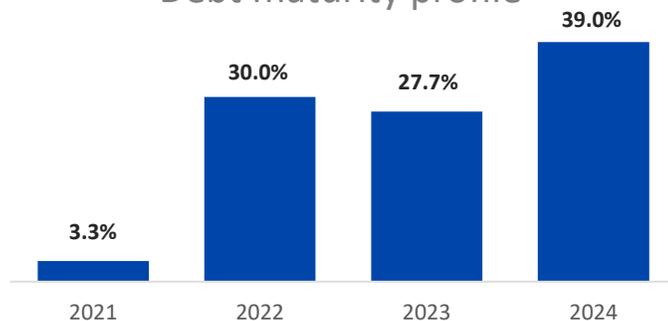
Diverse Funding Platform

Cost Effective

50+ Investors

- Settled refinancing of its \$1,038 million Australian Personal Loans Warehouse Facility
- Increased the limit of the Australian Auto Loans Trust to \$926 million
- Established limits for the Australia Sales Finance and Credit Cards Warehouse No. 3 of \$1,056 million following the repayment of funding and termination of limits from an existing cards warehouse facility

Debt maturity profile



Warehouse Financing

A\$5.3bn
Limits

A\$1.7bn
Total Headroom



ABS Issuance ⁽¹⁾

A\$2.3bn
Total Outstanding

6 Current
Issuances

Prudent capital management approach

- Appropriate capital strength to protect against adverse scenarios
- TER at 30 Jun'21 at 8.2%, above target range of 6% and 7%

A\$ million	30 June 2021
Total equity	1,319.8
Intangible assets	825.0
TE	494.8
Net Loans and other receivables	6,061.0
TER	8.2%

- Whilst capital levels remain strong, Latitude continues to explore further diversification of its funding and capital sources in the near to medium term to support its growth aspirations

05 | Outlook



Outlook



While the current Australian and New Zealand lockdowns have temporarily slowed economic activity, based on last year's experience Latitude anticipates spending will recover quickly once restrictions are eased

Pent-up demand led to a 43% increase in Latitude's Victorian volumes in November last year, when restrictions eased in that state, compared to the monthly average for the previous three months of lockdown

Management's focus on cost containment will continue and net charge offs will remain subdued

Strong risk management capabilities and investments in simplification and digitisation will enable Latitude to quickly respond to changing external circumstances

Travel and international related spending is expected to remain at current low levels for the remainder of FY21 and higher repayments currently (due to lockdown) holding receivables flat for the full year

The board expects the 2H21 dividend to remain in the 60-70% payout range at 7.85 cents fully franked per share, subject to any unforeseen significant economic shocks from COVID-19 or other factors

Note: Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.



06 | Appendix



Cash NPAT to Statutory NPAT reconciliation



(\$m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Net interest income	400.9	408.2	471.9	(1.8)%	(15.0)%
Total other operating income	25.1	25.3	28.8	(0.8)%	(12.6)%
Total Operating Income	426.0	433.5	500.7	(1.7)%	(14.9)%
Management Operating Expenses	(185.7)	(195.3)	(207.5)	(4.9)%	(10.5)%
Operating Profit	240.3	238.2	293.2	0.9%	(18.0)%
Net Charge Offs	(81.9)	(87.2)	(140.4)	(6.0)%	(41.7)%
Pre-provision Profit	158.4	151.0	152.8	4.9%	3.7%
Provision movement	12.3	76.7	(57.9)	(84.0)%	(121.2)%
Profit before Tax & Significant Items	170.7	227.7	94.8	(25.0)%	80.1%
Income tax expense	(49.8)	(70.6)	(28.1)	(29.4)%	77.0%
Cash NPAT	120.9	157.2	66.7	(23.1)%	81.4%
Amortisation of Acquisition Intangibles	(24.1)	(24.1)	(24.2)	0.0%	(0.3)%
Amortisation of Legacy Transaction Costs	(5.6)	(10.6)	(14.2)	(47.1)%	(60.5)%
Significant Items	(14.8)	(18.2)	(44.5)	(18.8)%	(66.7)%
Tax effect of adjustments	13.1	15.6	24.4	(15.9)%	(46.2)%
Pro forma NPAT	89.5	119.8	8.2	(25.3)%	985.7%
Changes in Capital Structure	-	(39.9)	(40.4)		
Transaction and historical IPO costs	-	(10.0)	(0.1)		
Public company LTI plans	-	3.9	3.9		
Historic Management Equity Plan and related expenses	-	(27.3)	(0.2)		
Discontinued operations (pre-tax)	-	-	(3.0)		
Incremental public company costs	-	4.8	5.2		
Tax effect of adjustments	-	15.0	5.1		
Statutory Profit / (Loss) after tax	89.5	66.3	(21.1)	34.9%	524.5%
Discontinued operations	-	(0.7)	2.1		
Statutory Profit / (Loss) after tax from continuing operations	89.5	65.7	(19.0)	36.3%	570.1%
Pro forma EPS Cash - Basic (cents) ⁽¹⁾	12.1	15.7	6.7	(23.1)%	81.4%
Pro forma EPS Statutory - Basic (cents) ⁽¹⁾	9.0	12.0	0.8	(25.3)%	985.7%
EPS Statutory from continuing operations - Basic (cents)	11.3	10.1	(2.9)	11.9%	489.7%

Thank you

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