

ASX / NZX RELEASE
MEDIA RELEASE: 31 AUGUST 2021

HARMONEY'S LOANS TO NEW AUSTRALIAN CUSTOMERS GROW 260%, ANNOUNCES NEW CHAIR

THE FUTURE IS CONSUMER-DIRECT.

FY21 highlights:

- Harmony's unique 100% consumer-direct model resonates with new customer originations in Australia up 260% in H2 over H1
- Customer growth across Australia and New Zealand quickly approaching 700,000 account profiles
- Direct relationship with consumers continues to build "3Rs™" growth
- Loan book grows to new \$NZ501m record
- Continued growth in total loan originations up 6%, despite H1 COVID impact
 - Post period end, July 2021 originations of NZ\$54 million surpassed prior monthly record
 - Cumulative direct loan originations of over NZ\$2.1 billion since 2014
- Group 90+ arrears at 0.69% and losses at 3.9% of principal at historic lows
- Significant undrawn funding capacity of NZ\$205 million across Australian and New Zealand warehouse facilities
- H1 COVID impact receding:
 - Due to H1 impact, pro forma Group Revenue down 8% to NZ\$79 million overall, but H2 rebound sets strong trajectory for FY22
 - Break even pro forma cash net profit after tax, with a pro forma loss after tax of \$8.9 million before non-cash items and normalisation adjustments
- Growth in new customers reflects strong marketing and high levels of returning customers ("3Rs™"), setting the business model on its strong growth trajectory
- **Growth in new loan originations, low arrears and strong margins are significant lead indicators for receivables and revenue growth in FY22**

Resilient FY21 as growth bounces back

Harmony Corp Limited (ASX/NZX: HMY) ('Harmony' or 'the Company'), Australia and New Zealand's largest online consumer-direct personal lender, is pleased to release its results for the 12 months ended 30 June 2021 (FY21). Harmony reported resilient results despite COVID-19 impacts for FY21, with record period end receivables book at NZ\$501 million and continued improvements across new loan originations, net lending margin and stable group arrears.

Following the introduction of Stellare's® Libra™ 1.7 in Australia, new customer originations were up 260% half on half demonstrating the strength of the platform to identify creditworthy customers through Harmony's consumer-direct data. This tech-based quality account acquisition has been further demonstrated with stability in the 90+ days group arrears to 0.69% and continued improvements in net lending margin of 6.8% and net interest margin of 10.6%.

Commenting on the Company's FY21 results, Harmony CEO and Managing Director David Stevens said:

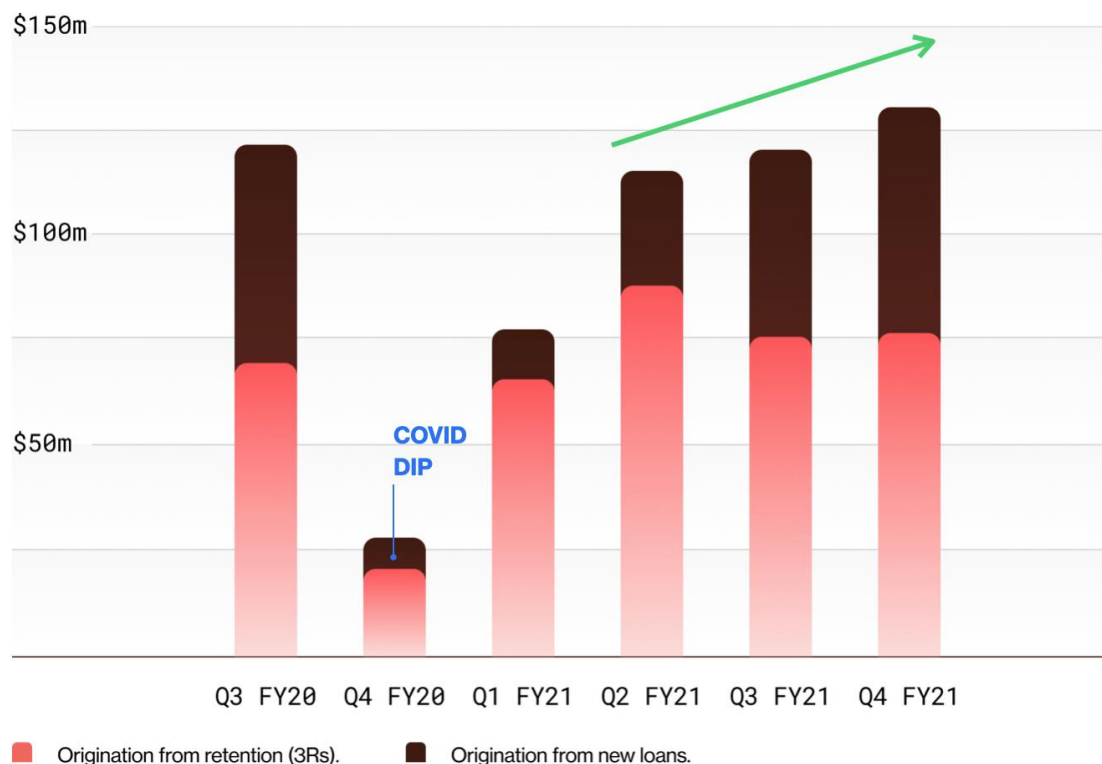
"During FY21, we successfully listed on the ASX and NZX, launched Libra™ 1.7 in Australia and Libra™ 1.8 in New Zealand, grew our loan book to over NZ\$500 million and continued to deliver a quality end product to our customers."

"Overall, FY21 was a tale of two halves, with a significant recovery in originations in the second half from the impacts of COVID-19 in the first half. This recovery is expected to drive a strong uplift in revenue and receivables growth in FY22. In addition, we are now well-positioned with close to 700,000 direct consumer accounts representing a 51% cumulative annual growth rate over the past six years."

"As Australia and New Zealand's largest 100% consumer-direct personal lending platform, we have just begun to see the results of the investments and benefits of our approach to consumer lending. With the ability to access rich insights through our data, we are able to offer our customers tailored solutions to meet their needs while reducing lending risk and delivering strong results for our shareholders."

Momentum grows post-COVID

Growth trend has returned.



H2 accelerates following tech and marketing investment

Harmony achieved (when rounded) break-even pro forma cash net profit after tax in FY21. While pro forma total income was down to \$79 million, on a lower average loan book due to the impacts of COVID-19 in H2 FY20 and H1 FY21, this was more than offset by lower funding costs and credit losses as net lending margin increased by 9% to \$33 million.

Marketing costs, which are fully expensed as incurred, increased to \$16.5 million driven by Harmony's rapid post-IPO scale up in the Australian market, with these costs remaining steady as a percentage of originations. Personnel costs also increased post IPO as Harmony expanded its development capability in relation to its proprietary Stellare® platform.

	FY21	FY20	Change
Total Income (NZ\$m)	79.1	86.0	(8%)
Cash NPAT (NZ\$m)	(0.4)	2.8	n/a
Net Interest margin (%)	10.6	10.6	0 bps
Net lending margin (%)	6.8	5.8	100bps

Harmony's direct model and proprietary technology work together to create real cost efficiencies (Fixed opex/Rev: FY21: 22%). Thanks to Stellare's® end-to-end automation of the loan application and approvals process, revenue can grow rapidly without needing to increase staff or operating expenses as more traditional lenders do. This creates highly scalable growth opportunities for Harmony. Additionally, Stellare's® straight-through processing provides further benefits, with the ability to temporarily moderate the automated settings to take macro conditions into consideration.

Harmony's transition to warehouse funding remains on track with 61% of the book warehouse-funded at 30 June 2021, and undrawn committed warehouse funding lines of NZ\$205 million.

Paul Lahiff appointed Chair

Harmony advises that Paul Lahiff will be stepping into the role of Chair of the Board effective today, following the decision by David Flacks to step down.

David has been instrumental in assisting management in guiding the direction and strategy of the Company from its early days as a peer-to-peer lending start-up to the recent listing on the ASX and NZX. David helped establish Harmony as one of Australasia's leading personal lenders and, following the appointment of Paul Lahiff to the Board earlier this year, felt that it was an appropriate time to transition from the role of Chair, and to have the Board appoint Paul as his replacement. Paul has significant governance experience in the Australian financial services sector and has the requisite skills to guide management as they grow the business.

David will remain an Independent Director while a suitable replacement is identified to ensure a smooth transition and continuity of Board oversight.

Scaling for growth

Harmony's unique consumer-direct lending model provides a scalable platform for growth. The Company is forecasting a year of growth in FY22, with:

- Growth of at least 20% in the Group loan book;
- Group pro forma revenue growth of at least 16%;
- Net lending margin to increase by at least 0.2%;
- Fixed operating expenditure-to-pro forma revenue ratio to decrease by ~2%; and
- Transition to warehouse funding to be ~90% complete by June 2022.

Growth is forecast to be predominantly driven by Libra™ 1.7 in Australia (released in February 2021) and Libra™ 1.8 in New Zealand (released in June 2021), alongside 3Rs™ customer originations growth off the back of higher Australian and New Zealand new customer originations.

Commenting on the outlook, Mr Stevens said:

"We value the support of our employees, shareholders and customers over this transformational and challenging year. Harmony is positioned to execute on a clear strategy of growing high margin receivables across Australia and New Zealand, where the total addressable market continues to expand as traditional financiers are contracting and more customers are going online for their financial services. In FY22, this strategy will lead to additional revenue for the Group and add to our existing scale as we further grow our Australian and New Zealand businesses."

Investor Webinar at 9:30am AEST / 11:30am NZST 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 9:30am AEST / 11:30am NZST.

Participants are encouraged to register before the start of the call using:

<https://services.choruscall.com.au/webcast/harmony-210831.html>

Registered participants will receive their dial in number upon registration.

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 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 personal loans of up to \$70,000 to consumers across Australia and NZ
- Its direct-to-consumer and automated loan approval system is underpinned by Harmony's scalable Stellare® proprietary technology and direct consumer data platform
- A large percentage of Harmony's originations come from 3R™ (repeat) customers
- Harmony is comprised of a team of ~80 full-time employees predominantly based in NZ, half of whom comprise engineering, data science and product professionals
- Harmony is funded by a number of sources including two "Big-4" bank warehouse programs across Australia and New Zealand.

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