



25 August 2022

hummgroupp announces full year 2022 results

- FY22 Cash Net Profit After Tax ("NPAT")¹ of \$51.1m
- FY22 Statutory Net Loss After Tax of \$170.3m, including non-cash reduction of \$162.8m in intangibles and \$39.3m in capitalised software
- **hummgroupp** total receivables of \$3.3b, up 20.6% on pcp
- Consumer Finance volume of \$2.4b, up 12.9% on pcp
- Commercial and Leasing volume of \$1.1b, up 102.9% on pcp
- Group net loss² / average net receivables ("ANR") of 2.8%, a 70bps improvement on pcp
- Closure of non-core small ticket BNPL products to improve BNPL segment performance in FY23
- Strong balance sheet with \$112.7m in unrestricted cash and \$895.8m of warehouse headroom
- Fully franked final dividend proposed of 1.4cps bringing the FY22 full year dividend to 3.1cps

hummgroupp limited (ASX: HUM) ("**hummgroupp**" or "the Company") today reports its unaudited results for the year ended 30 June 2022 ("FY22").

hummgroupp Chief Executive Officer Rebecca James said:

*"**hummgroupp** delivered a year of pleasing financial and operational performance with Cash NPAT of \$51.1m, supported by volume growth in core businesses as well as sound credit quality. At the group level we are focused on our core business as a bigger ticket instalment financier across both our businesses. We have taken a disciplined approach and prioritised our strategic initiatives resulting in the closure of certain products and a focus on margin to ensure that we are in the strongest position to continue to grow our business in a profitable and competitive manner.*

*The Commercial business has achieved an outstanding result with volume growth of 103% and CNPAT of \$28.7m, up 29% on last year, while also delivering a 90bps improvement in net loss/ANR. The Consumer Finance business has achieved a solid result with volume growth of 12.9% and Cash NPAT of \$22.4m, all while investing \$26.0m in growth. We have taken steps to rationalise our products to align with our vision of being the favoured way to pay for bigger purchases, resulting in the closure of **bundll** and **hummgroupp in** NZ and **hummgroupp pro**. These products combined contributed to a Cash NPAT drag of \$17.0m in FY22.*

*"**hummgroupp** is focused on margin management, already repricing portfolios to offset rising funding costs. Enhancing operational leverage, during the second half **hummgroupp** reduced marketing spend and lowered the number of people employed in the business by 10%.*

"As a diversified business with \$112.7m in unrestricted cash, no drawn corporate debt and \$895.8m of undrawn warehouse headroom, we have built a solid foundation to deliver value for our shareholders."

¹ Cash NPAT is a non-statutory measure of profit and is defined as statutory profit after tax, adjusted for the after-tax effect of material infrequent items and the amortisation of acquired intangible assets.

² Net loss comprises gross write offs less bad debt recoveries.

GROUP PERFORMANCE

Segment	FY22	FY21	FY20	FY22 vs FY21
Volume (A\$m)				
BNPL	1,252.7	1,034.9	788.4	21.0%
<i>Big Things AU</i>	513.5	553.4	553.4	(7.2%)
<i>Little Things AU</i>	301.8	178.7	90.9	68.9%
<i>Other BNPL</i> ³	437.4	302.8	144.1	44.5%
Australia Cards	478.3	416.9	596.5	14.7%
New Zealand Cards	693.8	695.4	750.6	(0.2%)
Consumer Finance	2,424.8	2,147.2	2,135.5	12.9%
Commercial & Leasing	1,096.3	540.3	347.2	102.9%
hummgrou	3,521.1	2,687.5	2,482.7	31.0%
CASH NPAT (A\$m)				
BNPL	(17.3)	1.2	5.7	LRG
<i>Big Things AU</i>	21.3	29.3	N/A	(27.3%)
<i>Little Things AU</i>	(12.5)	(8.0)	N/A	(56.3%)
<i>Big Things UK and Canada</i>	(9.1)	(1.3)	N/A	LRG
<i>Other BNPL</i> ³	(17.0)	(18.8)	N/A	9.6%
Australia Cards	8.9	16.8	1.5	(47.0%)
New Zealand Cards	30.8	28.1	19.8	9.6%
Consumer Finance	22.4	46.1	27.0	(51.4%)
Commercial & Leasing	28.7	22.3	2.2	28.7%
hummgrou	51.1	68.4	29.2	(25.3%)
Net Loss/ANR⁴				
	<i>Denominator</i>			
BNPL Big Ticket ^{5 6}	ANR	2.7%	2.8%	N/A (10bps)
BNPL Small Ticket ^{5 7}	Volume	4.0%	3.2%	N/A 80bps
Australia Cards	ANR	2.4%	4.3%	4.5% (190bps)
New Zealand Cards	ANR	3.2%	4.0%	3.2% (80bps)
Consumer Finance		4.1%	4.2%	4.6% (10bps)
Commercial & Leasing	ANR	0.7%	1.6%	2.5% (90bps)
hummgrou		2.8%	3.5%	4.1% (70bps)

³ Other BNPL includes humm NZ, Ireland, bundll and hummpro

⁴ Net loss includes bad debts and loss recoveries

⁵ BNPL has been split between 'Big Ticket' and 'Small Ticket' above as shorter dated 'small ticket' products are best compared against volume

⁶ 'Big Ticket' includes humm AU BT and Ireland

⁷ 'Small Ticket' includes humm AU LT, humm NZ and hummpro

The Company delivered FY22 Cash NPAT of \$51.1m, down 25.3% on pcp (FY21: \$68.4m). This was driven by margin compression from competition, higher provisioning charges as a result of growth in receivables and increased operating expenses. A reduction in interest and fee income was due to the impact of the run-off of legacy portfolios, including Lombard and Once in AU Cards and the consumer leasing and insurance businesses. Higher expenditure predominantly related to investments in new product development and overseas expansion.

Total transaction volume of \$3.5b for FY22 was up 30.9% on pcp (FY21: \$2.7b) and was driven by strong growth in Commercial and Leasing and BNPL.

hummgroup total active customers of 2.7m as at 30 June 2022 is flat to FY21 with customer attrition in legacy products offset by continued growth in the BNPL segment.

During the second half, **hummg**roup reduced marketing spend by \$9.0m and lowered the number of people in the business (excluding offshore) by 10%.

Having gone through the process of financially and operationally separating Consumer Finance (comprising of the Cards and BNPL businesses) and its Commercial businesses for the purposes of the proposed transaction with Latitude, **hummg**roup now aligns its reporting to each of these business units.

CONSUMER FINANCE

Consumer Finance delivered total volumes of \$2.4bn for FY22, up 12.9% on pcp (FY21: \$2.1bn). Cash NPAT of \$22.4m was down 51.4% on pcp (FY21: \$46.1m), a result of investment in growth and expansion of the Big Things product into new markets.

BNPL

hummgroup Big Things business in Australia is profitable with Cash NPAT of \$21.3m. This was offset by losses in Little Things AU (-\$12.5m) and other BNPL products **bundll**, **hummp**ro and **hum**m NZ (-\$17.0m), along with investment in the UK and Canada (-\$9.1m). This resulted in a BNPL Cash NPAT loss of \$17.3m (FY21: \$1.2m).

BNPL segment volumes of \$1,252.7m, up 21.0% on pcp (FY21: \$1,034.9m), reflects strong customer engagement with smaller ticket e-commerce purchases. Big Things growth was subdued by COVID-19 given the importance of in-store decision making for larger purchases.

Australia Cards

Our Australian Cards business remained heavily impacted by the reduction in local and international travel over FY22 and is well positioned for recovery in travel spend.

Australia Cards volumes were \$478.3m, up 14.7% on pcp (FY21: \$416.9m), following a year where COVID-19 impacts on long term interest free merchant activity in travel materially impacted AU card activity.

FY22 Cash NPAT of \$8.9m, down 47.0%, was driven by a reduction in gross income due to the impact of COVID on consumer activity through FY21 and FY22 resulting in a reduction in receivables.

New Zealand Cards

hummgroup is a leading issuer of new credit cards in New Zealand, where one in every three new cards issued is a **hum**m product⁸.

New Zealand Cards volume of \$693.8m was relatively flat on pcp (FY22: \$695.4m), largely attributable to the ongoing impacts of COVID-19, uncertainty in the economic environment and regulatory changes in NZ.

⁸ Centrix credit bureau NZ - May 2022

Cash NPAT for FY22 of \$30.8m was up 9.6% on pcp (FY21: \$28.1m) driven by improved credit performance.

Consumer Finance Priorities

In response to the changing macro environment, the Consumer Finance business will re-focus on its core products, platforms and systems that deliver the greatest customer experience and opportunities for profitable growth. **hummg**roup has reprioritised its focus on its core strength – partnerships across its cards and point of sale businesses, in particular, in its larger ticket point of sale instalment offerings.

As a result, two of its non-core products **bundll** NZ (including the Red Bird joint venture) and **hummp**ro were decommissioned in 2HFY22 and **hum**m NZ will close in Q1FY23. These products combined contributed to a Cash NPAT loss of \$17.0m in FY22. In addition, Little Things, the 'pay in 5' instalment feature, part of **hum**m AU will be repositioned as a companion product to Big Things, rather than a high growth customer acquisition vehicle, reducing marketing costs and credit impairment costs.

The business obtained its UK credit licence from the Financial Credit Authority in Q3 FY22, enabling it to provide regulated bigger ticket instalment finance at the point of sale. While the business is the first of its ASX listed peers to secure this licence, it was obtained later in the year than anticipated, and as a result volume forecasts for FY22 were not achieved.

hummgroup is currently reviewing international investment levels and return horizons in light of changing macroeconomic conditions. It is anticipated that the Company will provide an update at its AGM in November.

COMMERCIAL

hummgroup's Commercial business continues to grow strongly and has been repositioned over the past two years, with a focus on higher quality business customers, higher quality assets and originations via a network of some 650 brokers. This continued investment has ensured that the business continues to deliver a differentiated service proposition of speed to yes and settlement within 24-48 hours.

Commercial volume of \$1,096.3m was up 102.9% on pcp (FY21: \$540.3m) driven by AU Commercial as the business continued to win market share from larger competitors. This has driven a 72% increase in receivables to over \$1.5b at June 2022.

Cash NPAT of \$28.7m, up 28.7% (FY21: \$22.3m), was driven by continued growth in operating income as the business has seen significant volume and receivables growth, offset by higher impairment provisions due to strong growth.

Commercial Priorities

The business will target organic growth by increasing the broker footprint and capitalising on its strong market position in growth sectors, verticals and geographies. To support this growth, **hummg**roup will invest in infrastructure for scale and a technology platform that is fit for purpose for the high growth business.

hummgroup also sees growth opportunities from targeted strategic acquisitions, initially of smaller receivables books and specialist lenders, with a longer-term strategy that complements the existing business.

Following the success of the broker led Commercial strategy in Australia, **hummg**roup is well progressed in replicating this strategy in New Zealand.

BALANCE SHEET AND CAPITAL MANAGEMENT

hummgroup's continued balance sheet strength and capital position has allowed it to deliver returns to its shareholders. As a result, the Board has proposed a fully franked final dividend of 1.4 cents per share

bringing the FY22 total dividend to 3.1 cents per share after recommencing the payment of dividends in FY22. This dividend is in line with the Group's stated payout ratio of 30-40% of Cash NPAT.

hummgroup has made strategic decisions to ensure its continued strength in capital, funding and liquidity. In particular:

- **hummg**roup has \$112.7m of unrestricted cash as at 30 June 2022
- **hummg**roup has no drawn corporate debt with an unutilised facility of \$110m
- **hummg**roup has \$895.8m of undrawn headroom as at 30 June following the addition of two new warehouse facilities in the Commercial business

In light of its strong balance sheet, the Board and Management remain focused on capital efficiency, to ensure the company continues to grow the business in a sustainable and conservative manner, while balancing capacity for growth with returns to shareholders.

OUTLOOK

hummgroup is well positioned to navigate the changing economic environment, with a strong balance sheet, profitable products, and leading credit capabilities. The business will continue to focus on reducing its cost base and strategically pricing each of its products to ensure growth while managing net interest margin against a backdrop of rising funding costs. In order to right size the consumer business, **hummg**roup is targeting \$15-20m of cost savings in FY23 with \$20-\$25m annualised, and a reduction in CAPEX investment to \$18m from our recent levels of \$30m. **hummg**roup will continue to take a prudent approach to credit management, reassessing our settings when required and investing in data and technology to further enhance operating leverage.

In FY23 **hummg**roup is focussed on driving profitability in its core businesses, funding growth efficiently and delivering returns to shareholders. Consequently, the growth aspirations set out in the investor day in 1H22 are no longer the focus for management given the significantly changed economic and sector environment.

WEBCAST

hummgroup's CEO, Rebecca James and CFO, Adrian Fisk will host a webcast at 10.30am on Thursday 25 August 2022.

Details of the webcast: <https://edge.media-server.com/mmc/p/7fh5h9ph>.

AUDITED FINANCIAL STATEMENTS

As at 25 August 2022 the audit of the Financial Statements by EY is in progress. Due to the termination of the sale of the Consumer business the audit process has taken longer than originally planned. EY has advised the Board that the audit is well progressed, the audit of key areas of judgement is substantially complete and there are no disagreements. The audit is expected to be completed by mid-September 2022.

Authorised for release by the **hummg**roup Board of Directors.

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ABOUT HUMMGROUP

humgroup provides easy instalment plans which enable businesses and consumers to make bigger purchases. **hum**group facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland, Canada and the United Kingdom.