



17 November 2022

humm group limited (ASX: HUM) 2022 Annual General Meeting Chairman's address

On behalf of the Directors of **humm**group, I am pleased to welcome you all today to the 2022 Annual General Meeting.

I'd like to start by taking you through some highlights of the financial year, before handing over to our Chief Executive Officer Rebecca James.

We will then move to the business being put to the meeting for decision which will include any questions you might have for the Board, management, or our auditors Ernst & Young.

The 2022 financial year has seen **humm**group remain profitable and resilient, as we recover from the dramatic impact of COVID-19 lockdowns and closed borders, and a failed transaction with Latitude which incurred meaningful cost in terms of management time, skills, losses and cash.

In addition, significant macroeconomic headwinds are blowing - but having been in the industry for more than 30 years and having seen the business through many changing rate and economic environments, I am acutely aware of the importance of managing costs and driving profit. All players in the sector are facing the same headwinds, and as the short lived generic small ticket BNPL sector struggles to fund their survival, **humm**group's 34 years of commercial success and continued profitability augers well, as competitors battle with credit defaults and extremely limited access to capital by way of equity and wholesale funding.

Performance

The Company delivered a Cash Net Profit After Tax (Cash NPAT) of \$51.1m. Whilst the impact of COVID-19 and investment in new geographies and products pushed this down 25%, it demonstrates our ability to respond to the current environment and remain profitable by cutting costs, repricing portfolios to offset rising funding costs, consolidating products and streamlining our processes.

Key drivers of the Cash NPAT performance in FY22 were a dramatic reduction in cards origination, lower yield across the portfolio, as well as investment in new products and markets. New products and markets is a counter cyclical strategy which we believe is justified by unprecedented market conditions.

There is ongoing momentum in the business with total transaction volume of \$3.5b for FY22, an increase of 31% on FY21, which has largely been driven by the easing of COVID-19 restrictions and strong growth in our Commercial business.

This year we also saw the termination of **hummg**roup's Consumer Finance sale, as the large majority of shareholders saw the merits of keeping the business intact and not selling a great business at its lowest value point since the global financial crisis. However, the proposed transaction did inform management of advantages arising by separating **hummg**roup into two separate businesses - Consumer Finance and Commercial. Both businesses lend money for a profit, but they are very different in terms of how to successfully execute. **hummg**roup's results in these tumultuous times speak for themselves in a very positive way.

Capital management

hummgroup declared a fully franked final dividend of 1.4 cents per share for the 2022 financial year. We will continue to pay dividends when there is sufficient capital and liquidity to fund growth, and the target range remains 30-40% of Cash NPAT.

Our strong balance sheet is an important competitive advantage in a rapidly evolving consumer finance sector, with access to \$4.5b of wholesale debt funding, and our record securitising \$6.5b of receivables since 2010.

We are also passing on the rising cost of funds to merchants and customers, and we have introduced mezzanine funding across our Australian Commercial Warehouse facilities thus reducing capital requirements.

There has also been solid support for the flexicommercial and **hum**m BNPL brands across public capital markets, with \$390m of SME and \$250m of BNPL asset-backed securities issued in support of the portfolio across two successful ABS transactions, executed in October 2021 and March 2022.

We also priced another A\$250 million ABS, supported by a pool of commercial receivables originated in Australia under its flexicommercial offering. The successful completion of this pricing reflects the strength of the **hummg**roup and flexicommercial brands and businesses.

We continue to actively manage our capital, retaining the necessary capital on our balance sheet to support our growth. This year we've put in place a dividend reinvestment plan so that our shareholders can benefit from the upside in this growth.

Board changes

There were a number of changes to the board in FY22. Following the termination of the HCF business sale, Ms Christian, Mr Wylie, Mr Muir, Mr Dhawan and Ms Campbell retired from the board. I would like to thank them all for their important contributions to the Company over their tenure.

Since June 2022 we have welcomed four new board members - Mr Stuart Grimshaw, Ms Teresa Fleming, Mr Anthony Thomson and Mr Robert Hines who between them bring the key skills required as the Company navigates a challenging macroeconomic environment.

Mr Grimshaw brings years of experience in the banking and financial services industry, including as CEO of Bank of Queensland.

Ms Fleming was appointed as a Non-Executive Director of the Company and chair's the Company's Irish business. Her background is in corporate taxation with PricewaterhouseCoopers Ireland, and she has extensive experience in a diverse range of industries including financial services, publicly traded companies and the State sector.

Mr Thomson has a deep and extensive background in financial services in both Australia and the United Kingdom, most notably as Co-Founder and Chairman of neo bank 86 400 which was acquired by National Australia Bank in 2021.

Mr Hines brings over 35 years' experience in banking, (including as CFO of BOQ) finance and funds management services, agriculture and energy sectors with senior executive roles focusing on finance, retail and operations.

Following the appointment of Stuart Grimshaw, Teresa Fleming, Anthony Thomson and Robert Hines to the Board, I am confident that we now have in place a strong and accomplished Board to support our Company. I look forward to working closely with all new Board members to deliver long lasting value for our shareholders.

Key Priorities

Our CEO, Rebecca James and her management team have identified core priorities to guide the business for the next year in a disruptive environment, which she will discuss in more detail shortly. Importantly, the priorities are practical and achievable to ensure the business remains profitable and competitive and with a strong balance sheet.

A number of key priorities have already been actioned in FY22 including product alignment to big ticket, switching off unprofitable merchants and reviewing our geographic footprint.

In FY23, Rebecca and her team will focus on a number of priority actions including growing the flexicommercial team and simplifying our technology platform.

I am confident this approach will result in positive outcomes for shareholders which is why I increased my interest in the Company by more than 3% in the 2022 financial year. As such, I am looking forward to working with Rebecca and her team in executing these short-term priorities.

Outlook

On behalf of the Board, I would like to thank shareholders for their support in FY22. There has been significant disruption to the sector and we appreciate your commitment to the Company. I acknowledge that the share price is far below where it should be and am certain that the business's underlying asset value, combined with growth and returns, will speak for themselves in terms of future value.

I would also like to acknowledge the **hummg**roup team who have worked tirelessly to ensure we remain profitable and continue to be the leading payment instalment Company for merchants and customers. Rebecca James and Adrian Fisk were under immense pressure during the six-month period that the LFS deal was live, and I thank them for their perseverance, resilience, and leadership.

I firmly believe, we have the right team in place and a solid foundation to have a productive and successful FY23.

As Chairman of **hummg**roup and also its largest shareholder I believe that our current strategy, coupled with continued strong momentum within both business units will drive improved shareholder returns.

I will now hand over to Rebecca James for her Chief Executive presentation.

-ENDS-

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

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ABOUT hummgroup

hummgroup is revolutionising the way people pay. **hummgroup** has developed some of Australia and New Zealand's most exciting and accessible consumer finance products including **humm**, **bundll**, **humm90** and **hummpro**. **hummgroup** continues to design products around the core needs of financially savvy consumers spanning millennial spenders through to young families and SMEs. **hummgroup** facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland and the United Kingdom.