

31 JANUARY 2023

ASX ANNOUNCEMENT

1H23 CASH NPAT OF \$2.3 MILLION AUSTRALIAN LOAN BOOK SURPASSES NEW ZEALAND

All numbers in this release are on a statutory basis and denominated in Australian dollars unless otherwise stated

Harmony Corp Limited (ASX: HMY; "Harmony" or "the Company") is pleased to provide an update on its performance for the half year ended 31 December 2022 ("1H23").

KEY HIGHLIGHTS (compared to prior corresponding period "pcp"):

Financial Performance

- Group originations up **23% to \$240 million**, with a **36% reduction in marketing spend**.
- **Australian originations up 57% to \$141 million**.
- Existing customer loan originations growth of **84% in Australia demonstrating the annuity stream** from Harmony's 100% consumer-direct model now translating to the Australian market.
- **Revenue over \$50 million** for the 6 months.
- **Net interest margin of ~10%**.
- Annualised losses of **3.1% of loan book**.
- Indirect cost to income ratio **22%**, down from 36%.
- **Cash NPAT of \$2.3 million** (unaudited); second consecutive half with a positive Cash NPAT.

Loan book

- **Group loan book of \$701 million, up 21% in the 6 months to 31 December 2022**.
- Australian loan book of \$351 million, now over 50% of the Group loan book.
- **90+ days arrears of 0.46%** in line with pcp, and significantly lower than peers and the personal loan market average of 1.2%¹.

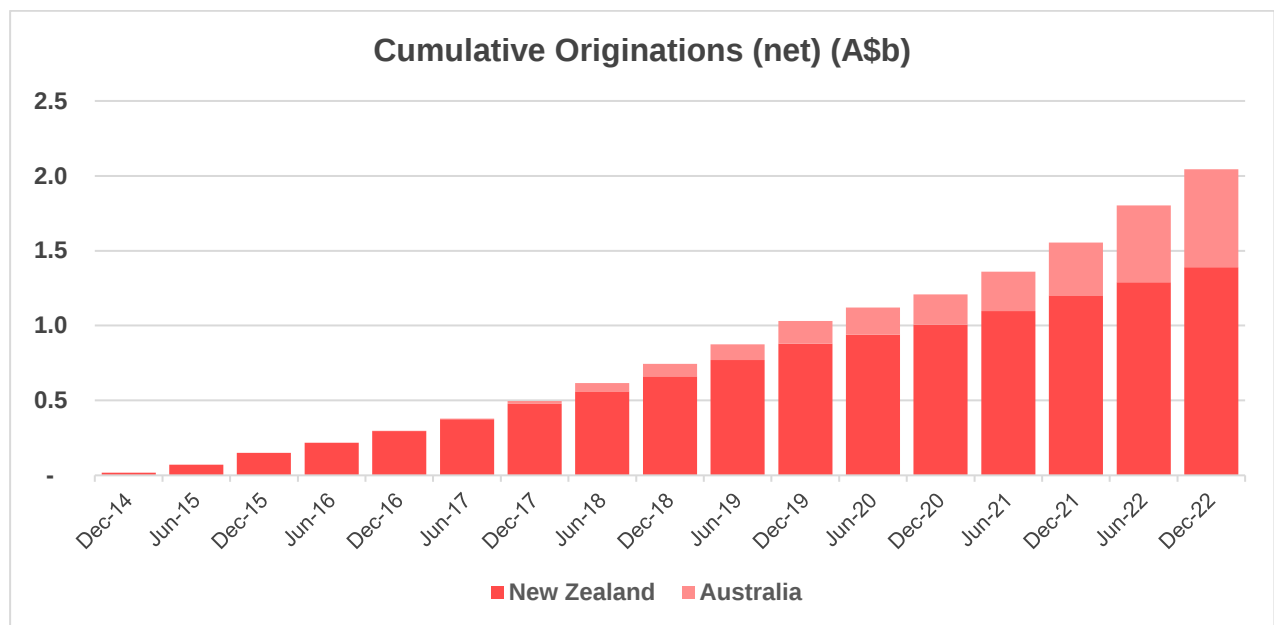
Funding, cash at bank and liquidity

- **\$220 million in undrawn bank warehouse funding** at 31 December 2022, provided by three of the "Big 4" banks.
- Unrestricted cash at bank of **over \$30 million**.
- Plans to access public securitisation markets in 2023 in Australia and NZ.

Outlook

- Reaffirm FY23 outlook, including **significant growth in Cash NPAT**.

¹ Source: Equifax Australian Consumer Credit Demand Index Nov 2022, Personal Loan series.



Commenting on Harmony's 1H23 performance, CEO & Managing Director David Stevens said:

"The business continues to deliver on the goals we set at the time of listing in November 2020. In this period, we have reached yet another milestone with our Australian loan book now larger than our New Zealand loan book. I am particularly pleased with this being achieved in around a quarter of the time we initially expected, with most of this growth occurring since listing. This demonstrates the successful translation of our data-driven, targeted online marketing to the much larger Australian market. We have delivered record numbers of new customers with our consumer-direct relationship, whilst at the same time have also seen a significant increase in lending to existing customers, further lowering the cost of acquisition.

"Further, this milestone builds on our successful transition to warehouse funding, with Harmony having facilities from 3 of the "Big 4" Australian banks and a corresponding securitisation program. During the December half warehouse facilities were extended and increased, leaving undrawn capacity of \$220 million to support further growth.

"In this recent half the Australian central bank increased official cash rates from 0.85% at June 2022 to 3.1% at December 2022. In this period we passed on targeted borrower interest rate increases and due to our unique 100% consumer-direct business model, together with efficient warehouse funding and an associated hedging program, we managed to deliver an enviable net interest margin of ~10%.

"Encouragingly credit losses and arrears remain at very low levels, with 90+ days arrears at 0.46%, well below our peers and the market average of 1.2%.

"Finally, we made a \$2.3 million cash profit for the 6 months on revenue of over \$50 million at an outstanding indirect cost to income ratio of 22%, demonstrating the significant operating leverage we are now starting to see in our business."

LOAN BOOK AND ORIGINATION GROWTH REMAINS STRONG

At 31 December 2022, Harmony's loan book was \$701 million, following growth of 21% from 30 June 2022. The New Zealand book grew to NZ\$375 million, while the Australian loan book grew to A\$351 million, overtaking the New Zealand book for the first time in like for like currency.

Loan book growth was driven by continuing strong Australian origination growth and from New Zealand existing customer growth. Harmony also experienced lower early repayments as mortgage refinancing becomes less attractive to consumers.

Harmony's loan book is comprised of prime borrowers, with more than 40% being homeowners, and 86% being over 30 years of age. Furthermore, 99% of our borrowers have regular employment or are self-employed and of those at least 73% are employed in either professional, office or trade roles.

Originations for 1H23 and the prior corresponding period are outlined in the table below.

ORIGINATIONS	1H23	1H22	Change
Australia (A\$m)			
New customers	106	71	49%
Existing customers	35	19	84%
Total	141	90	57%
New Zealand (NZ\$m)			
New customers	44	54	(19%)
Existing customers	66	57	16%
Total	110	111	(1%)
Total New customers	146	122	20%
Total Existing customers	94	73	29%
Total Group originations (A\$m)	240	195	23%
Marketing spend	6.5	10.1	(36%)

During 1H23 Harmony deliberately reduced its marketing spend on new customers and is forecasting a lower level of spend in future years due to two main factors. Firstly, improved technology and products are resulting in higher conversion rates of new accounts to new customer originations. Secondly, existing customer originations now make up a larger percentage of the customer base, having minimal marketing costs associated with them. These two initiatives combined are expected to drive significant cash profit growth in FY23 and future financial years.

FY23 OUTLOOK REAFFIRMED

- Origination Growth
- Loan book Growth
- Net interest margin greater than 10%
- Cash NPAT Growth

HALF-YEAR RESULTS

Harmony expects to release its half year financial results for the 6 months to 31 December 2022 at 10am Sydney time on Tuesday 28 February 2023.

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

For any questions please contact:

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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 and secured personal loans of up to \$70,000 to consumers across Australia and NZ.
- 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 ~85 full-time employees predominantly based in Auckland, New Zealand, 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 and Harmony also issued its first asset backed securitisation in 2021 which was publicly rated by Moody's.

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