



23 February 2023

hummgroupp announces half year 2023 results

- hummgroupp total volumes of \$2.0b, up 20%, following return to growth in Big Ticket core products:
 - Commercial volume of \$744.8m, up 72% on pcp
 - Consumer Credit Card volume of \$647.1m, up 11.0% on pcp
 - Consumer Big Ticket AU Point of Sale Payment Plan (PosPP) volume of \$297.4m, up 8% on pcp
- hummgroupp receivables of \$3.8b, up 27% on pcp
- 1H23 Normalised Cash Profit After Tax ("Normalised CPAT")¹ of \$38.5m, up 2% on pcp
- 1H23 Cash Net Profit After Tax ("NPAT")² of \$16.7m down \$11.1m on pcp, impacted by a \$14.6m increase in non-cash AASB9 provisions
- 1H23 Statutory Net Profit After Tax of \$7.5m up from a pcp loss of \$168.3m
- Group net loss³ / average net receivables ("ANR") of 1.95%, a 90bps improvement on pcp
- Strong balance sheet with \$103m in unrestricted cash and \$1.1bn of warehouse headroom
- 1H23 fully franked dividend of 1.0 cps

hummgroupp limited (ASX: HUM) ("hummgroupp" or "the Company") today reports its unaudited results for the six months ended 31 December 2022 ("1H23").

hummgroupp Chief Executive Officer Rebecca James said:

"hummgroupp's strategy of focusing on our core strength as a bigger ticket financier, has resulted in a return to growth across all areas of the business, with receivables at \$3.8b, up 27%, improved credit quality with a record low net loss/ANR of 1.95%, and strengthened balance sheet position.

"The Commercial business has seen remarkable growth, with a 72% increase in volumes on pcp and outstanding credit performance. While the Commercial business experienced margin pressure in the first half due to rising funding costs, we expect to see an improvement in the coming periods following repricing initiatives with front book NIM now higher than prior 12 month period.

"The Consumer business has pleasingly returned to growth with Credit Card volumes up 11% and Big Ticket Point of Sale Payment Plan volumes up 8% pcp, reflecting a rebound in travel spend and a focus on Big Ticket verticals. The playing field is starting to level with competitors who relied on unsustainable merchant pricing in a low interest rate environment now struggling to adapt. We are confident that with the sustainability of our business model, humm will be a beneficiary, selecting merchant opportunities that align with our core strategy of financing bigger ticket items. This is evidenced by the growth in distribution over the last two months, adding over 600 new points of presence to our platform and an improvement in our front book yield.

"The actions taken over the last 12 months has ensured that we are a significantly different company today, with a focus on our core Big Ticket products, a strong balance sheet and a commitment to efficiency which will deliver value to shareholders. As we look to the second half, we remain focused on managing our margin and are on track to achieve our goal of \$15-\$20 million in cost savings, ensuring we continue to grow our core business in a profitable and competitive manner."

¹ Normalised Cash Profit (after tax) is a non-statutory measure of profit and is calculated as statutory profit after tax adjusted for material infrequent items (such as legal provision, one-off transaction costs, restructure, and redundancy costs) that were previously adjusted for in Cash net profit after tax and operating losses of suspended products Also excluded from Normalised cash profit (after tax) is AASB9 provisioning for credit losses, with actual credit losses remaining in the result.

² 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.

³ Net loss comprises gross write offs less bad debt recoveries.

GROUP PERFORMANCE

Segment	1H23	1H22	1H23 vs 1H22
Volume (A\$m)			
Point of Sale Payment Plans	604.6	651.2	(7%)
<i>Big Things AU</i>	297.4	275.7	8%
<i>Little Things AU</i>	137.1	149.2	(8%)
<i>Other PosPP⁴</i>	170.1	226.3	(25%)
Australia Cards	266.0	223.9	19%
New Zealand Cards	381.1	359.2	6%
Consumer Finance	1,251.7	1,234.3	1%
Commercial	744.8	432.8	72%
hummgrou	1,996.5	1,667.1	20%

Segment	1H23	1H22	1H23 vs 1H22
Normalised CPAT (A\$m)			
Point of Sale Payment Plans	4.0	3.1	29%
<i>Big Things AU</i>	8.2	9.6	(15%)
<i>Little Things AU</i>	(4.0)	(5.8)	31%
<i>Other PosPP⁴</i>	(0.2)	(0.7)	71%
Australia Cards	2.7	0.7	286%
New Zealand Cards	12.5	16.9	(26%)
Consumer Finance	19.2	20.7	(7%)
Commercial	19.3	17.2	12%
hummgrou	38.5	37.9	2%

Segment	1H23	1H22	1H23 vs 1H22
Cash NPAT (A\$m)			
Point of Sale Payment Plans	(8.1)	(9.7)	16%
<i>Big Things AU</i>	7.1	12.3	(42%)
<i>Little Things AU</i>	(3.2)	(6.5)	51%
<i>Other PosPP⁴</i>	(12.0)	(15.5)	23%
Australia Cards	1.2	4.7	(74%)
New Zealand Cards	9.0	17.5	(49%)
Consumer Finance	2.1	12.5	(83%)
Commercial	14.6	15.3	(5%)
hummgrou	16.7	27.8	(40%)

⁴ Other PosPP includes humm NZ, UK, Canada, Ireland, bundll and hummpro

Segment		1H23	1H22	1H23 vs 1H22
Net Loss/ANR⁵	<i>Denominator</i>			
PosPP Big Ticket ^{6 7}	ANR	2.5%	2.5%	-
PosPP Small Ticket ^{5 8}	Volume	2.7%	4.0%	130bps
Australia Cards	ANR	2.6%	2.9%	30bps
New Zealand Cards	ANR	3.0%	3.1%	10bps
Consumer Finance		3.3%	4.1%	80bps
Commercial	ANR	0.5%	0.6%	10 bps
hummgrou		1.95%	2.85%	90bps

Normalised CPAT of \$38.5m was 2% up on pcp (1H22 \$37.9m) which reflects growth in **hummgrou**'s core businesses within Commercial, Consumer Point of Sale Payment Plans and the Australia Cards business, offset by a period of reduced income from the New Zealand Cards business.

Total transaction volume of \$2.0b for 1H23 was up 20% on pcp (1H22: \$1.7b) and was driven by strong growth in Commercial and in core Big Things AU and in the Cards businesses within the Consumer segment.

During the half, **hummgrou** implemented a range of cost savings initiatives resulting in reductions in marketing spend on decommissioned products of \$6.9m and net reductions in employment costs totalling \$3.0m with the reductions in the number of people in the Consumer Finance Business of 12%.

COMMERCIAL

The Commercial business performed strongly during the half. Margin pressure seen in the first quarter of the year has now normalised, following the successful pass through of rate increases to broker partners. The front book NIM is now at a higher level than the prior 12 month period.

Commercial volume of \$744.8m was up 72% on pcp (1H22: \$432.8m) driven by AU Commercial as the business continued to win market share from larger competitors. This has driven a 73% increase in receivables to over \$1.9b at 31 December 2022. Pleasingly, volume has risen while credit quality has improved by 10 bps to at a net loss/ANR of 0.5%.

Normalised CPAT of \$19.3m was up 12% (1H22: \$17.2m) a result of strong volume growth against a backdrop of higher funding costs and a stable cost base.

During the period, **hummgrou** also completed significant funding milestones for its Commercial business, securing 2 warehouse facilities alongside a new growth facility to meet the strong originations growth in the business.

Commercial Priorities

Having completed various funding initiatives during the half, **hummgrou**'s Commercial business aims to achieve double digit organic growth by expanding its broker network and leveraging its strong market presence in growing sectors, verticals, and regions. Despite the standout credit performance, **hummgrou** remains cautious in balancing growth within the Commercial business and maintaining prudent risk levels.

⁵ Net loss includes bad debts and loss recoveries

⁶ BNPL has been split between 'Big Ticket' and 'Small Ticket' above as shorter dated 'small ticket' products are best compared against volume

⁷ 'Big Ticket' includes humm AU BT and Ireland

⁸ 'Small Ticket' includes humm AU LT, humm NZ, bundll and hummpro

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

CONSUMER FINANCE

Consumer Finance delivered total volumes of \$1.25bn for 1H23, up 1% on pcp. Growth in 'Big Ticket' core products across each area of the business was offset by the planned closure of non-core products and reductions in their associated volume.

Normalised CPAT of \$19.2m was down 7% (1H22: \$20.7m) a result of margin compression from higher funding costs, combined with higher paydowns across the Australian and New Zealand Cards businesses which have now started to stabilise.

hummgroup expects margin pressure on its Consumer Finance products to ease following a series of repricing initiatives with merchants that will flow through the front book and interest free volumes converting into interest bearing accounts in its cards portfolios.

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 **hummg**roup product⁹.

New Zealand Cards volume of \$381.1m grew on pcp by 6% (1H22: \$359.2m), largely attributable to system growth in the NZ market. 1H23 Normalised CPAT of \$12.5m was down 26% (1H22: \$16.9m) a result of lower gross income due to accelerated paydowns in interest bearing balances across the market. This consumer behaviour has since normalised with receivables returning to growth in the last three months. The reduction in Normalised CPAT was offset by lower operating costs in response to the prevailing market conditions.

Australian Cards

hummgroup's Australian Cards business is well positioned for recovery in travel spend, with volumes of \$266.0m, up 19% on pcp (1H22: \$223.9m), following a year where COVID-19 impacted long term interest free merchant activity in the travel sector and reductions in interest-bearing balances across the AU Cards market.

1H23 Normalised CPAT of \$2.7m was up \$2.0m on pcp (1H22: \$0.7m). Lower operating income, from lower interest-bearing balances and marginally higher funding costs, were more than offset by reduced operating costs in response to the prevailing market conditions. Volume growth in long term interest free travel in 1H23 will translate into income in future periods, typically 12 months from origination.

Point of Sale Payment Plans (previously BNPL)

As the market definition of Buy Now Pay Later is attributed to small ticket 'Pay in 4' financing, which is less than 1.2% of total receivables, **hummg**roup has renamed its Buy Now Pay Later business to Point of Sale Payment Plans ("PosPP") to more accurately reflect its products and services.

PosPP segment volumes of \$604.6m was down 7% on pcp (1H22: \$651.2m). This was driven by a return to growth in 'Big Ticket' core and reflects the runoff of the decommissioned non-core, predominantly small ticket products **hum**m NZ, **bundll** and **hummp**ro. It also reflects reduced marketing and customer acquisition in **hum**m Little Things AU which has been repositioned as a companion product to Big Things AU, rather than a high growth customer acquisition vehicle.

This resulted in 1H23 Normalised CPAT of \$4.0m up 29% on pcp (1H22: \$3.1m).

⁹ Centrix credit bureau NZ - May 2022

Consumer Finance Priorities

hummmgroup is concentrating on leveraging its core competencies, particularly in its card and point-of-sale partnerships, to drive growth in its large-ticket point of sale payment plan offerings.

Legacy non-core smaller ticket products ceased origination in June 2022, with receivables run off. As announced at the AGM, **hummmgroup** has ceased promotion and business development activity in England, instead focusing on growing the successful Irish business and has maintained the credit licence to service merchants in Northern Ireland. This focus has seen volumes in the Irish business grow by 15% on pcp.

In Canada the business has come to commercial terms with more than 1,250 locations across, Veterinary, Dental, Auto, Hardware and Home; plus an additional 2,600 contractors within the Home Improvement industry. Speed-to-scale has also been a focus with software integrations providing access to an additional 6,500 dental practices and 2,000 veterinary clinics.

Finally, **hummmgroup** will continue to improve its margin in Consumer Finance by optimising profitability through a disciplined management of merchant return profiles. **hummmgroup** also sees significant near-term opportunities to grow merchant and customer numbers as smaller, less well capitalised competitors cease to operate in the ANZ market.

RESPONSIBLE LENDING - TREASURY REVIEW

hummmgroup supports bringing BNPL within the application of the National Credit Code to require BNPL providers to comply with responsible lending requirements which are calibrated to the level of risk of BNPL products and services (Option 2). Unlike other BNPL players, because **hummmgroup** already provides finance in both regulated and unregulated segments, the business is well placed to adapt and have appropriate systems and procedures at the ready for implementation.

BALANCE SHEET AND CAPITAL MANAGEMENT

hummmgroup has made strategic decisions to ensure its continued strength in capital and funding. In challenging funding markets, a further two term deals totalling \$460m were placed in market with two new warehouse facilities being added to its funding portfolio during 1H23. In December 2022, a syndicated revolving debt facility of \$110m was replaced with a new facility that provides up to \$150m of growth capital funding that could be used to fund a growing book of receivables, chattel loans and customer loans.

In particular:

- **hummmgroup** has \$103m of unrestricted cash as at 31 December 2022
- **hummmgroup** has drawn corporate debt of \$50m with an unutilised facility of \$100m as at 31 December 2022
- **hummmgroup** has \$1.1bn of undrawn headroom as at 31 December 2022 following the addition of two new warehouse facilities in the Commercial business

On 23 February 2023, the Group determined a fully franked interim ordinary dividend of 1.0 cent per share totalling \$5.0m, which will be paid on 11 April 2023. **hummmgroup's** dividend reinvestment plan will apply.

The dividend amount is consistent with the previous guidance of 30-40% of CNPAT and we will transition this measure to Normalised Cash Profit, following discussions with our Board in April and we will update the market at our full year results announcement in August 2023.

OUTLOOK

hummmgroup continues to take a prudent approach to credit management and growth across the business, as dampened consumer sentiment and rising interest rates puts downward pressure on disposable income. Despite the changing economic environment, early credit indicators are showing resilience across receivables portfolios, a result of historically low losses in the portfolio, with seasonal increases resulting from the Black Friday and Christmas period likely to occur in the second half.

With appropriate funding capacity in place to execute its strategy, **hummmgroup** anticipates that it will deliver profitable growth across all products in FY23, with gross income increasing as volume and yield initiatives gain traction in the second half. Hedging gains are expected to partially offset cost of funds which will rise in line with base rate and credit cost increases. The combination of these factors is expected to lead to a second half normalised cash profit that is higher than the first half of the financial year.

WEBCAST

hummmgroup's CEO, Rebecca James and CFO, Adrian Fisk will host a webcast at 11:00am on 23 February 2023.

Details of the webcast: <https://edge.media-server.com/mmc/p/t5buki3p>

Authorised for release by the **hummmgroup** Board of Directors.

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ABOUT HUMMMGROUP

hummmgroup is a diversified financial services group providing, directly and through a network of 89,000 retailers and brokers, an ecosystem, designed to help people buy everything, everywhere, and every day. These products include Point of Sale Payment Plans ("PosPP") products, asset finance, leasing, credit cards and other finance solutions. **hummmgroup** operates in Australia ("AU"), New Zealand ("NZ"), Ireland and Canada, serving almost 2.6 million customers.