

1 August 2023

ASX ANNOUNCEMENT

\$4.7m CASH NPAT, CASH ROE 9%, 28% LOAN BOOK GROWTH & NEW \$140M FUNDING WAREHOUSE ADDED **Scale benefits and improved marketing efficiency driving profitability**

All numbers in this release are preliminary, unaudited and denominated in Australian dollars

Harmony Corp Limited (ASX: HMY; “Harmony” or the “Company”), a leading consumer-direct personal lender in Australia and New Zealand, is pleased to provide an update on its performance for the year ended 30 June 2023 (“FY23”).

FY23 highlights (vs. pcg):

- **Record Cash NPAT of \$4.7 million and Cash ROE of 9%.**
- **Group loan book grew 28% to \$744 million** with Australia representing 51% of total.
- **Revenue grew 47% to \$107 million** driven by loan book growth.
- Existing customer loan originations in Australia increased 28%, highlighting the strength of Harmony’s 100% customer-direct annuity stream model.
- **Net interest margin in line with the Company’s target level, at 9.6%.**
- Strong credit performance with **impairments of 3.6% and 90+ days arrears at 0.58%.**
- **Cost to income ratio of 28%**, demonstrating the benefits of automation and scalability of Harmony’s business model.
- Increased capacity for growth with **a new \$140 million facility** from a “Big-4” Bank and a new global mezzanine funder, further enhancing funding diversity.

Key performance indicators

	FY23	FY22	Change
Loan book	\$744m	\$581m	+28%
Revenue	\$107m	\$73m	+47%
Net Interest Margin (NIM)	9.6%	11.8%	On target
Cost to income ratio	28%	37%	(900)bps
Cash NPAT	\$4.7m	\$0.2m	+2250%
Cash ROE	9%	0.3%	870bps

HARMONEY DELIVERS RECORD CASH NPAT RESULT AND RETURNS, BENEFITING FROM SCALE AND TECHNOLOGY

In the 12 months to 30 June 2023, Harmony delivered a record Cash NPAT of \$4.7 million and Cash ROE of 9%. The standout cash profit in FY23 can be attributed to continued growth in existing customer originations, operational leverage, as well as a shift in focus from loan book growth to profitability. Harmony is underpinned by its 100% consumer-direct model, combined with the growing efficiency of its highly sophisticated and targeted marketing spend.

The Company believes that a ROE of 20% in the medium term is achievable as it continues to benefit from economies of scale, further technology enhancements through Stellare 2.0, continued improvements in marketing efficiency, as well as the launch of new innovative financial products.

CONTINUED LOAN BOOK GROWTH ACHIEVED WITH LOWER ACQUISITION COSTS

At 30 June 2023, Harmony's loan book was at \$744m, up 28% from \$581m a year earlier. The Australian loan book now represents 51% of total at \$382m, while the New Zealand loan book finished the year at \$362m.

Total originations were \$426m, a decline of just 3.6% despite a 41% reduction in customer acquisition costs and a deliberate decision to shift focus from new customer acquisition to profitability. Pleasingly, existing customer originations in Australia increased 28%, following the trend experienced in New Zealand, where more than half of originations come from existing customers with near zero acquisition costs due to the existing direct relationship, thereby creating an attractive lower cost driver of growth.

Harmony maintained its solid credit performance with impairments within its target range at 3.6%. 90+ day arrears at 30 June were 0.58%, well below the personal loan market average of 1.4%¹.

At 30 June 2023, 76% of Harmony's floating rate borrowings were hedged to offset the impact from interest rate movements.

NEW \$140M AUSTRALIAN WAREHOUSE ADDED, EXPANDING GROWTH CAPACITY AND ENDORSING CREDIT QUALITY

This month Harmony has added a third Australian warehouse facility to its funding panel. The new \$140m facility is provided by one of the "Big-4" Australian banks and introduces a new global mezzanine funder, further diversifying Harmony's funding panel and providing further endorsement of the quality of loans originated through Harmony's Stellare® platform.

The new facility is committed for two years for secured and unsecured Australian loans and extends Harmony's total warehousing facilities to over \$900m. Being funded by three of the "Big-4" Banks in Australia and NZ, alongside a further three warehouse mezzanine lenders, provides a highly diversified and cost-effective base for continued growth.

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

"We have grown our business profitably and without compromising on the quality of our loan book. Achieving a record \$4.7m in Cash NPAT is a stellar result and one the entire Harmony team can be proud of. Our credit performance remains strong thanks to our loan book comprising prime borrowers who are typically aged over 30 and employed in a professional, office or trade roles.

Over the past 12 months central banks around the world, including Australia and New Zealand, have hiked cash rates in an effort to contain the surge in inflation. Despite interest rates rising rapidly, we have continued to experience strong loan book growth across both our markets with our total loan book growing 28% on pcp to \$744m. As a result of continued growth in existing customer originations in Australia, our 'newer' market now represents just over half of the total loan book. Whilst we continue to attract new customers to build our book in Australia, a market where we see great potential to take significant share from banks and traditional lenders, we are also now

¹ Source: Equifax Australia Quarterly Consumer Credit Insights Report 2023 Q2, Personal Loans.

benefiting from existing customers re-engaging. This highly profitable driver is following similar trends we saw in New Zealand, with minimal to no cost to originate these customers.

Achieving a net interest margin of 9.6% in FY23 was a commendable effort, particularly in light of the current environment. Our strong NIM performance is a testament to the efficiency at which we have successfully passed on rate increases, our highly diversified panel of funders, as well as the hedging program which protects our margin from adverse interest rate movements.

Today, we also announced the addition of new warehouse funding which increases our warehouse facilities to over \$900m and adds materially to our growth plans. I am encouraged by the continuing support from high quality lenders, seeing this as further endorsement of the strength of our underwriting platform and consumer-direct business model.

Harmony is in a strong position heading into FY24 with \$27.5m in unrestricted cash and further funding facility expansion, creating significant capacity to continue to grow our loan book in Australia and New Zealand. Unrivalled automation and machine learning, which are utilised throughout the lending process from targeted online marketing to loan approvals, enables the Company to scale profitably and without a material increase in operational costs. We are also actively working with Google on opportunities to apply the latest developments in artificial intelligence to further augment and enhance automation within our Stellare® platform.

I look forward to giving you a further update on our FY23 performance and outlook for the coming year in late August."

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 a predictive behavioural analytics engine which 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 no 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/>