

18 August 2023

ASX ANNOUNCEMENT

Latitude 1H23 results in line with guidance post cyber incident

Latitude Group Holdings Limited (ASX: LFS) announces its Half Year results to 30 June 2023.

1H23 Financial Highlights

- Statutory loss after tax of \$98.2 million from continuing operations, including \$76 million of pre-tax costs and provisions relating to the March cyber incident
- Discontinued operations loss of \$18.7m from the sale of Hallmark Insurance, releasing \$99 million of capital
- Cash NPAT of \$7 million in line with guidance, down \$86 million YoY
- Cash Operating expenses of \$173 million, down 1% YoY despite strong inflationary pressures
- Balance Sheet strength retained:
 - TER 7% at top of target range
 - Prudent loss provisioning, with credit loss cost coverage of 4.22%
 - \$1.4 billion of funding headroom
- In line with guidance, the Board has not declared a dividend for the six months to 30 June 2023

1H23 Key Operating Metrics

- Despite a strong start to the year with Jan/Feb new origination volume up 12.5% YoY, 1H23 volume was \$3.6 billion, down 3% YoY due to the business disruption related to the cyber incident & 15% on 2H22 including seasonality
- Gross receivables \$6.2 billion were flat YoY, down 4% on 2H22, reflecting cyber impacted volumes. Repayment rates remained above pre-Covid levels despite reducing by 400bps to 94%
- Interest income yield of 15.01% increase of 97bps YoY and 73bps on 2H22, driven by pricing actions. Pricing actions were delayed in Mar-Apr as systems were restored post cyber incident
- NIM of 9.80% in line with guidance, contracting 147 bps YoY and 43bps versus 2H22 driven by the unprecedented speed and quantum of central bank tightening
- Net charge-offs of 3.31%, up 94bps, due to delayed collections activity during the cyber incident and the expected reversion to historical norms. Delinquencies also elevated primarily due to delayed collections activities during the cyber incident, moderating with July 30+dpd reverting towards pre-cyber levels.
- Risk Adjusted Income \$228 million down 23% YoY and 15% from 2H22 due to delayed price changes, increased cost of funds and higher net charge-offs
- Cash operating expenses of \$173 million down 1% despite inflationary pressures, with normalisation of one offs offset by continued efficiencies and FTE reductions

1H23 Operational Highlights

- Pay Division A&NZ origination volumes of \$2.96 billion, up 2% YoY and down 11% versus 2H22 including seasonality impacts
 - Sales Finance A&NZ (including GO Mastercard and Gem Visa) volumes of \$1.8bn down 6% YOY and down 14% versus 2H22, reflecting the impact of inflationary and cost of living pressures on consumers, lower retail sales and origination system disruptions through the cyber incident.
 - Scheme volume was flat YoY, while Interest Free was down 17% YoY. New originations were paused during the cyber incident, impacting interest free volume for the half.
 - The 28° Global Platinum Mastercard® continues to benefit from the strong demand for international travel, with volumes of \$1 billion up 29% YoY and down 1% versus 1H22, which is on track with pre-Covid full-year volumes of circa \$2 billion.

- New merchants signed including JB Hi-Fi New Zealand (online and instore), BSR Group (online and 200 stores in Australia). Strong pipeline of potential new merchants in place. David Jones strategic partnership is on track to go live in early 2024.
- Money Division A&NZ volumes of \$637 million were significantly impacted by the business system shut down during the cyber incident, down 19% YoY and 28% versus 1H22.
 - The Australian and New Zealand personal loan books are now successfully migrated onto the consumer-friendly Symple Loans technology platform, with the full integration of the platform expected to be completed in 2H23. The platform enables Latitude to offer both variable loans and fixed loans and an enhanced digital application experience powered by contemporary lending technology. Across Australia and New Zealand, 1H23 variable rate personal loans represented 60% of new volume for Money.
- Completed the sale of the Hallmark Insurance business to St Andrew's in line with strategy to simplify our business and focus on core sales finance and consumer lending arms (Pay and Money), while releasing approximately \$99 million of capital for use by Latitude.
- Latitude continues to work co-operatively with regulators as they review Latitude's information handling practices and with the Company's insurers on claims which may mitigate some or all of the \$76 pre-tax costs and provisions made for costs arising from the cyber incident.

Managing Director and CEO Bob Belan said: "While the first six months of 2023 have been amongst the most challenging in Latitude's history. That said, I am proud of the extraordinary resilience and response of my colleagues and pleased with the strength of the rebound we are now beginning to see."

"Latitude's half year result reflect what has been a persistently difficult macro environment for financial services businesses and of course, the operational disruptions caused by the March cyber attack on our company."

"We have and will continue to work diligently to continuously review and enhance the security of our systems and importantly, accelerate the delivery of our refreshed strategy focused on improving the experience for our customers and elevating the financial performance in our core Pay and Money divisions."

"In addition to further progressing the integration of our new Symple lending platform, a clear highlight was the completion of the sale of Hallmark Insurance that resulted in the release of approximately \$99 million of capital which has bolstered our balance sheet."

"As we continue to simplify our operations, we expect to generate further operating efficiencies, creating capacity to incrementally invest in our capabilities and high yielding growth opportunities."

Outlook

Latitude reconfirms its guidance of full year cash NPAT of \$15-25 million.

Latitude Managing Director and CEO Bob Belan and CFO Paul Varro will host a briefing on the 1H23 results at 10.30am today (AEST):

Date: 18 August 2023

Time: 10.30am (AEST)

Webcast: Participants can access the webcast here: <https://webcast.openbriefing.com/lfs-hyr-2023/>

Conference call pre-registration link: <https://s1.c-conf.com/diamondpass/10031509-jq867q.html>

Authorised for release to the ASX by the Board.

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