

25 August 2023

ASX ANNOUNCEMENT

HARMONEY DELIVERS ANOTHER YEAR OF PROFITABLE GROWTH

Harmony Corp Limited (ASX:HMY; **Harmony** or the **Company**), a leading consumer-direct personal lender in Australia and New Zealand, is pleased to provide its full year results for the year ended 30 June 2023 (**FY23**). All numbers in this release are in AUD, unless otherwise specified.

FY23 Highlights:

- Delivered **Cash NPAT of \$4.7 million** (FY22: \$0.2 million), underpinned by Harmony's highly scalable platform and operating leverage.
- Annualised **Cash Return on Equity of 8.4%**; expected to reach 20% in the medium term as the Company scales.
- **Revenue of \$107 million, up 47% on pcp**, driven by continued growth in loan book.
- **Group loan book grew 28% to \$744 million**, with the Australian loan book surpassing the New Zealand loan book in size following strong growth in existing customer originations.
- Delivered industry leading net interest margin of 9.6%.
- Strong credit performance **with impairments of 3.6% and 90+ days arrears at 0.58%**.
- **Cost to income ratio of 28%**, down from 37% pcp, demonstrating the benefits of automation and scalability of Harmony's business model.
- Further enhanced funding diversity through a **new \$140m warehouse and inaugural NZ\$200m ABS transaction** to support continued growth in FY24 and beyond.
- Harmony achieves world class **87%** employee engagement score.
- Launched **first phase of Stellare® 2.0** to Australian customers.

Key financial indicators

	FY23	FY22	Change
Loan book	\$744m	\$581m	+28%
Revenue	\$107m	\$73m	+47%
Net interest margin	9.6%	11.8%	On target
Cost to income ratio	28%	37%	900bps
Statutory NPAT	\$(7.6)m	\$(18.8)m	60%
Cash NPAT	\$4.7m	\$0.2m	+2250%
Cash ROE	8.4%	0.3%	810bps

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

"It has been another highly successful year for Harmony, with the Company delivering strong top line and bottom-line growth in FY23. Our loan book has continued to grow rapidly, and Australian customers are continuing to follow the footsteps of our loyal New Zealand customer base and coming back for subsequent loans. These repeat customers require minimal cost to acquire, resulting in a highly profitable annuity stream for the business."

We believe there is a substantial opportunity for us to further increase our share in the Australian unsecured personal loans market, and grow through an expanded range of secured loans and other financial products. We launched an innovative car loan in January 2023, our first secured product, and the early indications are promising, with customers finding our innovative alternative to dealership finance options attractive.

Our customer value proposition is all about delivering personalised loans to our customers through a fast and streamlined process. Last week we were excited to launch Stellare® 2.0 to selected new customers in Australia. The next generation of our automated platform enables even faster speed to market for enhancements and new product launches, and it is calibrated to approve more quality applications for loans below \$15k. The beauty of Stellare® is that it is continuously improving by learning from the ever-growing customer data, enabling more efficient marketing and more accurate assessment of customers.

Harmony has a diverse funding panel, including three of the 'Big-4' Australian banks, and significant capacity for growth. In anticipation of further loan book expansion, we recently added a new \$140 million 'Big-4' bank warehouse which also introduced a new global mezzanine funder. We also last week announced the pricing of our inaugural NZ\$200m ABS transaction, delivering further diversification to Harmony's funding. Our current funding panel provides us a strong platform for growth while also endorsing the quality of our business model."

HARMONEY BENEFITING FROM ITS SCALABLE BUSINESS MODEL AND AUTOMATION

As the Company scales, Harmony is increasingly benefiting from its 100% consumer-direct business model and highly automated Stellare® platform, translating into continued sustainable growth in revenue and profit. Harmony delivered \$107 million in revenue in FY23, up 47% on pcp, driven by strong loan book growth. Cash NPAT increased materially to \$4.7 million (FY22: \$0.2 million) driven by scale benefits and lower customer acquisition costs.

Harmony achieved an industry-leading net interest margin of 9.6% in FY23 driven by efficient funding and the ability to easily adjust rates in a consumer-direct model.

Harmony's cost to income ratio further improved to 28% as its highly automated Stellare® platform continues to enable the loan book to scale faster than operating expenses.

Harmony held unrestricted cash of \$27.5 million at 30 June 2023 and generated a strong positive cashflow from operating activities as focus was shifted from new customer acquisition to profitability and cash generation in FY23.

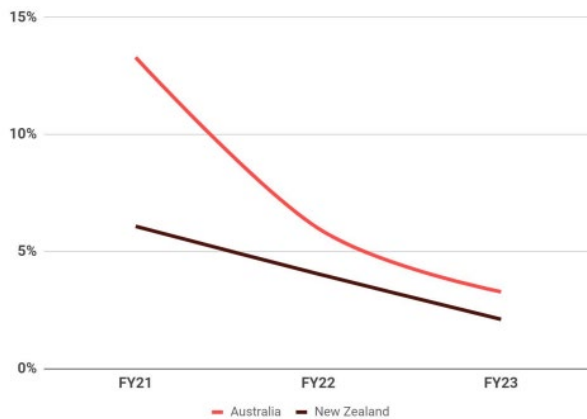
EXISTING CUSTOMER ORIGINATIONS DRIVING HIGHLY PROFITABLE GROWTH

As at 30 June 2023, Harmony's loan book was \$744 million, an increase of \$163 million or 28% on pcp. The Australian loan book grew 39%, driven by strong growth in existing customer originations, with Australia overtaking New Zealand in loan book size. The historically larger New Zealand loan book still grew 18% despite Harmony deciding to focus on profitability over new customer acquisition in the second half.

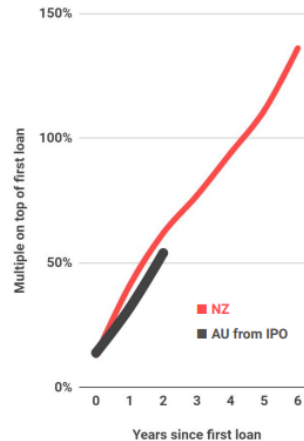
An increasing portion of loan originations are now coming from the existing customer base in both markets, resulting in a low-cost and highly profitable annuity stream for the Company. Total originations fell just 4% despite customer acquisition spend reducing by 41%, as Harmony is increasingly benefiting from its 100% consumer-direct model and marketing efficiency gains.

Harmony believes there is a significant opportunity for the Company to take further share from banks and traditional lenders in the A\$143bn Australian personal loan market. To date, Australia has mirrored the New Zealand performance and is on track for substantial growth in new and repeat lending.

CAC % to originations



AU replicating in 9x market



OUTLOOK

- Continued loan book growth.
- Net interest margin of 9-10% maintained in FY24.
- Lower Cash NPAT expected in 1H24 due to focus on Stellare® 2.0 rollout; significant Cash NPAT growth to follow in 2H24 and beyond.
- Targeting 20% Cash ROE run rate in FY25.

INVESTOR WEBCAST AT 9:00AM AEST / 11:00AM NZST TODAY

CEO and Managing Director, David Stevens, and CFO, Simon Ward, will host an investor conference call and webcast, including a Q&A session today at 9:00am AEST / 11:00am NZST.

Participants are encouraged to register before the start of the call using the details below. Please note that registered participants will receive their dial-in number upon registration.

The audio webcast and slide presentation registration will be accessible via the following link:
<https://s1.c-conf.com/diamondpass/10032301-noupy6.html>

This release was authorised by the Board of Harmony Corp Limited.

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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 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, consumer direct 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. Harmony issued its first asset backed securitisation in 2021, followed up with a \$200m NZ asset backed securitisation in August 2023, both being publicly rated by Moody's.

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