

15 November 2023

## ASX RELEASE

### ANNUAL MEETING OF SHAREHOLDERS - CHAIR AND CEO ADDRESSES

Harmony Corp Limited (ASX/NZX: HMY; "Harmony" or "the Company") is pleased to provide copies of the following addresses for its 2023 annual meeting of shareholders, to be held online at [meetings.linkgroup.com/HMY23](https://meetings.linkgroup.com/HMY23) on **Wednesday 15 November 2023** at 12:00pm AEDT / 2:00pm NZDT.

#### Chairman's Address

Good morning and thank you for joining Harmony's 2023 Annual General meeting. My name is Paul Lahiff, and I am the Chair of Harmony.

I would like to start by introducing my fellow board members - Tracey Jones (Independent Director and Chair of the Audit and Risk Committee), who will be retiring at this AGM after nine years' service on the Harmony Board; Neil Roberts (Director & Founder); David Stevens (Managing Director and Chief Executive Officer); John Quirk (Independent Director), who will assume the role of Chair of the Audit and Risk Committee; and Monique Cairns (Independent Director and Chair of the Nomination and Remuneration Committee). We also have Simon Ward (Chief Financial Officer) and John Kensington (Audit Partner, KPMG) present with us this morning.

This year has been another impressive year for Harmony, with continued growth in the business and reaching the important milestone of Cash NPAT profitability in FY23. We have set further ambitious targets for the coming years, expecting to generate an ROE of 20% in the medium term, a target that is unique among our peer group. Further progress was also made with significant funding facilities, evidence of the strong support we receive from three of the four largest banks in Australia and New Zealand. I will get David to share more detail on these shortly.

We continue to have complete confidence in Harmony's executive team who are strongly aligned with the strategic pathway taken. It is clear that the market is yet to recognise the value being created within the business, but I expect that in time, with further progress towards our return goals, that this will change materially. Our diverse funding drives significant growth options for our business, our loan book continues to perform inline with expectations and our cost of customer acquisition is peer leading. Combined with the strong growth we expect to achieve this year, the drivers of shareholder value are evident and in time I truly believe will be recognised by the market. In the meantime, David and his team remain focused on execution of our strategy.

On behalf of the Board, I would like to thank my fellow board members, our CEO, David Stevens, and all our Harmony employees for their contributions. I also wanted to wish my fellow board member Tracey Jones all the best in her retirement from Harmony. Tracey's contributions have been significant as Chair of the Audit and Risk committee and a Member of the Nomination and Remuneration Committee. We will all miss your wise counsel and calm head.

Finally, I would also like to thank you, our shareholders and our fellow stakeholders, for your continuing support of Harmony. We look forward to further growth and achieving new milestones in 2024.

Let me now pass over to David who can talk in more detail about our operational achievements.

## CEO's Address

Thank you, Paul and thank you everyone for attending our 2023 Annual General Meeting.

As Paul mentioned, we have continued to make progress on our strategic plan this year, delivering strong growth and profitability, as we begin to see the benefits from our scale and the efficiency of running a 100% direct to consumer business model. Our product solutions are fast, easy to understand and 100% accessible online. As we continue to grow, the benefits of having a highly automated platform underpins our confidence in our ability to achieve our target 20% ROE run rate in FY25.

In summary, for the 12 months to 30 June 2023 we delivered a Cash NPAT of \$4.7 million and a Cash ROE of 8.4%, finishing the year with a loan book of \$744m, up 28% on the prior year, with the largest segment of the book now in Australia. Given the size of the Australian market opportunity at \$140bn and being a small player, the opportunity to take share from the larger banks and traditional lenders is significant. Encouragingly, an important customer trend is emerging in the Australian market, seen previously in New Zealand, where existing customers return for new loans. The value of these customers is greatly enhanced, given the minimal cost of acquisition. As a result of this we have seen overall customer acquisition costs fall dramatically in the last year, down 41% in FY23.

I have shared with you previously the unique position Harmony is in with our data-driven Stellare® platform, and our highly targeted and efficient marketing with Google. In August this year we launched Stellare® 2.0 to select customers in Australia and expect to see even more sophistication as this is rolled out fully across Australia and New Zealand in FY24.

Turning our attention to macro events, the central banks in our key markets, concerned about inflationary pressures, aggressively increased cash rates. As a result of this our funding costs have been rising faster than the average lending rate in our portfolio. However, with the combination of an efficient hedging strategy and an ability to pass on rate increases, we were able to minimise the impact on our financial performance. Overall, our average funding rate increased by just 150bps in FY23, substantially lower than the 325bps increase in the Australian cash rate over the same period. Further, we benefited from reduced levels of early repayments given a reduction in mortgage refinancing activity across both markets. Finally, the quality of our loan book has seen impairments well within our target range at 3.6% and 90+ day arrears are well below the personal loan market average.

We finished the year with over \$27 million in unrestricted cash and have sufficient capacity for lending growth with total warehousing facilities of over \$900 million from multiple high-quality lenders, including three of the 'Big-4' banks in Australia and New Zealand, a significant endorsement of the strength and quality of Harmony's lending platform. After year end, in August 2023, we also priced our inaugural New Zealand asset-backed securitisation of NZ\$200 million. This was rated by Moody's and placed with several new and existing investors, setting us up for further securitisations in both Australia and New Zealand as we continue to grow in the coming year.

In the first quarter of the financial year, as reported, our loan book increased slightly to \$747 million, up from \$744 million at 30 June. In this first quarter we further moderated marketing spend, continuing to prioritise profitability over loan book growth in the short term, as we focus on the roll out of Stellare® 2.0 and the closure of our retail peer-to-peer platform.

Looking ahead, in terms of the profile of FY24, as the focus in this half has been on the Stellare 2.0 rollout and closure of our retail peer-to-peer platform, 1H24 is expected to deliver a Cash NPAT of approximately \$0.5million, however these investments set us up for significant growth, particularly in future financial years.

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 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 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. 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/>.