

16 November 2023

hummm Group Limited (ASX: HUM) 2023 Annual General Meeting Chairman's Address

On behalf of the Directors of **hummmgroup**, I am pleased to welcome you all today to the 2023 Annual General Meeting.

I'd like to start by taking you through some highlights of the financial year, before handing over to our Managing Director and Chief Executive Officer Stuart Grimshaw.

We will then move to the business being put to the meeting for decision, which will include any questions you have for the Board, management, or our auditors Ernst & Young.

OVERVIEW

flexicommercial grew receivables 57% to the year ended 30 June 2023, while maintaining a strong net interest margin. Our focus on key industries such as logistics, infrastructure and agriculture has delivered low net losses to average net receivables ("ANR") resulting in just 50 basis points ("bps") across the portfolio; down 20bps from 70bps in the prior year.

hummmgroup is positioned to prosper as we target the strategic shift in the SME sector to "broker originated" asset finance, where our speed to decision and speed to payment takes market share from the major banks.

In the Consumer business, we continue to focus on the profitable larger transaction value point of sale finance, as distinct from the loss-making high volume small value model. This strategy is operating across Australia, New Zealand, Ireland and Canada. Our speed of credit decisioning in this sector is a distinct advantage, and regulation presents opportunities for our business, as the team re-platform our product and simplify our processes.

Our focus on larger transactions in the SME and Consumer sectors has not only set us apart in the market, but it has also enabled us to remain competitive and well positioned for profitable growth, despite significant macroeconomic headwinds.

We continue to receive strong funding support from domestic and global banks as well as investment managers. We have introduced mezzanine debt into the warehouse facilities which enhances ROE and facilitates receivables growth. During first half 24 we successfully executed a number of strategic funding transactions.

PERFORMANCE

Our interim results in February 2023 saw the introduction of normalised cash profit (after tax). The Board and management believe this metric more closely represents cash performance and eliminates volatility from non-cash items, such as depreciation and particularly movement in the AASB9 provision, given the material receivables growth that is occurring.

To ensure transparency and consistency for our investors, we have included a reconciliation to our previous metric, Cash Net Profit After Tax (“Cash NPAT”). Normalised cash profit (after tax) was \$75.0m, with Cash NPAT of \$24.1m, a reduction of 53% to the prior year. Clearly there are substantial write downs arising from previous activities. These costs relate to the past, not the future.

The business has managed rate rises, delivered cost savings, and continued to invest and enhance its credit decision engine during the year, which delivered a net loss to ANR at a Group level of just 1.8% in FY23, a 60bps improvement on the prior year.

CAPITAL MANAGEMENT

hummgroup paid a fully franked final dividend of 1.0 cent per share, bringing the FY23 dividend to 2.0 cents per share. We will continue to pay dividends where there is sufficient capital and liquidity to fund growth, with the target range of 30%–40% of Free Cash Flow.

The Company commenced its on-market share buy-back of up to \$10m in FY24, subject to market conditions and has been actively purchasing shares on a daily basis since commencement in September 2023.

BOARD AND MANAGEMENT CHANGES

After almost five years leading **hummg**roup, Rebecca James advised the Board in May 2023 of her intention to step down as CEO to take up a new opportunity in New Zealand where she could be closer to family. On behalf of the Board, I would like to sincerely thank Rebecca for her significant contribution to the business. I am grateful to her for the leadership, resilience, and strength of character she demonstrated through a period of unprecedented challenge.

In a seamless transition, **hummg**roup appointed Stuart Grimshaw, a non-Executive Director of the Board, to the role of Managing Director and Chief Executive Officer, effective 1 June 2023.

Stuart has been a member of the **hummg**roup Board since June 2022, bringing over 35 years of experience in the financial services sector. He has an impressive track record in the global banking and finance industry, including CEO of the Bank of Queensland from 2012 to 2014 and Executive Chairman (and then Managing Director and Chief Executive Officer) of EZCorp. He is ideally positioned to lead **hummg**roup in its next phase of growth and development.

During the first quarter of FY23 we completed a successful reset of the Board. At the 2022 AGM Mr Anthony Thomson, Mr Robert Hines and Ms Terry Fleming were voted in as independent Non-Executive Directors. They each bring extensive experience within the global financial sector that ensures we are well-supported for the next phase of growth.

OUTLOOK

hummgroup is well positioned to navigate the current economic storm, with a strong balance sheet, profitable products, and leading credit and funding capabilities. Providing finance in both regulated and unregulated segments, **hummg**roup has recovered its industry leadership status.

hummgroup does not participate in the so called BNPL sector. Huge volumes of tiny transactions we know empirically are not profitable. **hummg**roup offers a variety of point of sale payment plans (PoSPP). These include interest free instalment plans which will be regulated in the near future. **hummg**roup is fully prepared for new regulation and is a leading industry participant lobbying government.

As the industry consolidation rolls out across the fintech and interest free instalment sector, we are constantly monitoring opportunities for the acquisition of cheap assets. For example, when OpenPay collapsed we were able to take most of their merchant channel at no cost.

As Chairman of **hummg**roup and its largest shareholder I am resolute in my belief that the foundations laid over prior years have positioned the Company to grow profitably for FY24 and onwards. This confidence is reflected in my increased shareholding in **hummg**roup, which has grown by 1.8% in the last 12 months to 25.0%. Competitors in the sector are struggling and only the strong and experienced will weather the economic storm.

The elephant in the room is our undervalued share price. We cannot change market sentiment, and we note that all the listed players that could be considered as competitors are in the same malaise. The difference with **hummg**roup is that we have runs on the board, and are confident that the quantitative fundamentals are there for all to see.

On behalf of the Board, I would like to thank our shareholders for their continued support, and our people for their ongoing hard work and commitment. With a reinvigorated Board and management team, we enter FY24 with a clear focus on improving total shareholder returns and delivering sustainable, profitable growth in the years ahead.

I will now hand over to Stuart Grimshaw for his Chief Executive presentation.

– ENDS –

Authorised for release by the **hummg**roup Board of Directors.

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ABOUT HUMMGROUP

humm Group Limited ACN 122 574 583 (ASX: HUM) (“Company”, and with its other group and consolidated entities “**hummg**roup” or “Group”) is a diversified financial services company that provides instalment plans which enable businesses and consumers to make large purchases. **hummg**roup operates in Australia, New Zealand, Ireland, Canada, and the United Kingdom. Its principal activities include the provision of Commercial Lending in Australia and New Zealand; Point of Sale Payment Plans; Australia Cards (**hum**m[®]90, Lombard and Once); and New Zealand Cards (including Farmers Finance Card, Farmers Mastercard[®], Q Card, Q Mastercard[®] and Flight Centre Mastercard[®]).