

FY
23

ANNUAL
GENERAL
MEETING

Andrew Abercrombie | Chairman
Stuart Grimshaw | CEO
16 November 2023

Authorised for release by the **hummg**roup Board of Directors
hummg Group Limited, ACN 122 574 583
Level 1, 121 Harrington Street, The Rocks, Sydney NSW 2000



WELCOME

CHAIRMAN'S ADDRESS

ANDREW ABERCROMBIE

CEO'S ADDRESS

STUART GRIMSHAW

FY23 HIGHLIGHTS

CREATING SHAREHOLDER VALUE

\$75.0m

Normalised cash profit (after tax) in FY23 2% down on pcp

2.0c

1.0c fully franked final dividend

\$10.0m

share buy-back¹

ROBUST CREDIT PERFORMANCE

1.8%

Net Loss/ANR²

Historical low for the Group down from 2.4% in FY22

COST OUT EXECUTION

\$18.6m

costs removed in FY23

STRONG BALANCE SHEET POSITION

\$112m

of unrestricted cash

~\$1.0b

warehouse headroom

'LARGER' TRANSACTION VALUE FINANCIER

\$4.2b

in receivables +28% on pcp

<1%

in lower transaction value Point of Sale Payment Plans ("PosPP")

COMMERCIAL HIGHLIGHTS

- 20% growth in Normalised cash profit (after tax), 57% increase in receivables over pcp
- Operating expenses increased by 1.6%, reinforcing the business operating leverage
- Net loss to ANR of 0.5%
- Low broker, sector and geographical concentration, driving record low credit losses across the portfolio
- Market leader on 'speed to yes' and 'speed to settlement'

CONSUMER HIGHLIGHTS

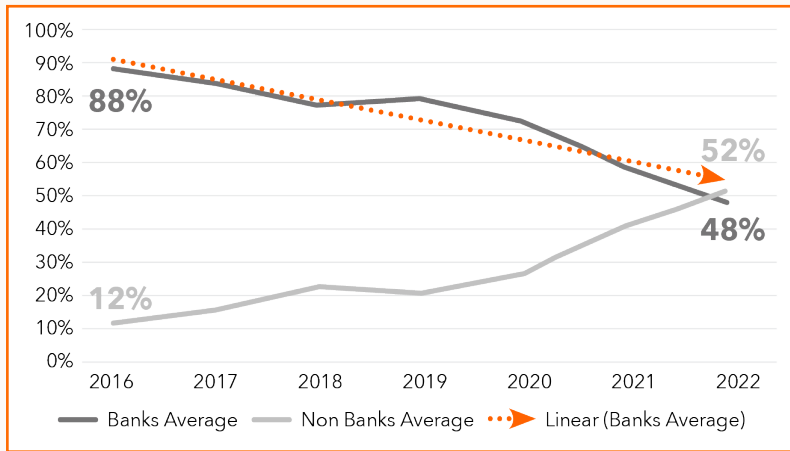
- Repositioned business to primarily focus on large transactions by closing non-core products. FY23 volumes totalling \$2.4b
- Focused on capital allocation and unit economics across products, vertical and merchants
- Executed first phase of the cost transformation of Consumer, \$18.6m of cost out
- Continued strong credit underwriting with Net Loss to ANR of 3.5%



CONTINUED GROWTH FROM COMMERCIAL BUSINESS

NON-BANK LENDERS OVERTAKE BANKS AS PROVIDERS OF SME LENDING

Equipment finance TAM¹ \$45b (AU) and \$8b (NZ)



BROKER CHANNEL LOW COST OF SALE

- » 73% of AU asset loans are sold through brokers
- » Brokers used for their convenience, advocacy and customer service
- » 15-20k brokers in AU, NZ a growing market

AU AND NZ'S LEADING PROVIDER OF SPECIALIST ASSET FINANCE

delivered solely through the broker channel

~\$100k average loan size	4.8 years average loan life
+23% growth in brokers with 1+ deals in FY23	~15,363 deals settled FY23

TOP 3 ASSETS FINANCED



Transport

Civil Engineering

Light Commercial Vehicles

SPEED TO DECISION AND SETTLEMENT, WITH SPECIALIST OFFERING A KEY DIFFERENTIATOR

80% of deals are approved same day	39% of approved deals are automated
~16% improvement in processing times	~91% broker satisfaction score

EXCEPTIONAL SME EXPERIENCE

- » 24hr approval and same day settlement leveraging NPP²
- » Full spectrum of lending from low doc to full credit assessment
- » Specialist offering for capital intensive businesses

CONSUMER BUSINESS REPOSITIONED FOR GROWTH



NON-CORE PRODUCTS REMOVED

Focus on capital allocation and unit economics

FY23

- ✓ **hum**m NZ, **bundll**®, **hum**m®pro in run-off
- ✓ BPAY turned off in 2H23
- ✓ Reduced **hum**m 'Little things' volume and lower losses
- ✓ 20% volume growth in larger transaction value products

FY24+

- Operating costs from suspended products largely removed
- Complete exit of discontinued products
- Remove unprofitable merchants, primarily in 'Little things'



COST OUT INITIATIVES

\$18.6m in costs removed in FY23

- ✓ \$4.0m net reduction in AU and NZ people costs
- ✓ \$7.5m reduction in marketing
- ✓ \$7.1m reduction in other operating costs
- ✓ \$3.7m to re-platform core systems (duplicate costs excluded from savings above)

- Replatforming PosPP business to single global tech stack with expected operating and cost benefits
- Technology and operating model review to improve customer experience and drive profitability



MARGIN MANAGEMENT

Consumer repricing improving

- ✓ Consumer repricing commenced and will continue into FY24
- ✓ 2020-22 BT competitive pricing reflected in back book yield
- ✓ Mix shift to Solar and Tier 1 merchants affecting yield
- ✓ Pricing now based off ROE targets and not volume

- Focused on unit economics and profitable growth
- Margin improvement across Health, Solar, Automotive and Home Improvement
- Discontinue unprofitable merchants and relationships, where appropriate



PROFITABLE GROWTH

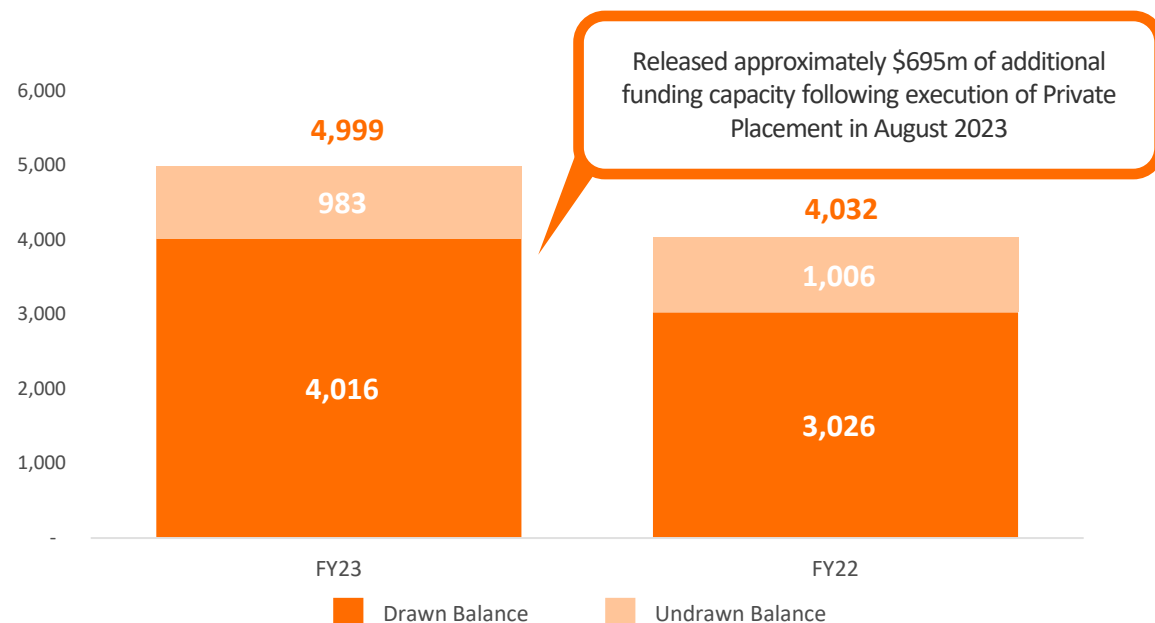
Growth in core 'larger transaction value' volumes and cards receivables

- ✓ **hum**m 'Big things' back to growth in Solar and Health (Dentistry and Veterinary)
- ✓ Expanded distribution as competition eases
- ✓ Return to growth in AU Cards from increased travel spend

- Growth in Consumer finance receivables and income
- Benefits of repricing initiatives executed in FY23 will flow through in FY24
- Co-branded distribution arrangements across Cards business

CAPACITY TO FUND GROWTH

WHOLESALE FUNDING AND CORPORATE DEBT FACILITIES



DEBT DEALS EXECUTED IN FY23	\$M
Capital markets transactions	1,059.9
Senior warehouse capacity added and extended	1,357.1
Mezzanine warehouse capacity added	132.6
Total	2,549.6

WHOLESALE FUNDING FACILITIES

- Over \$1b of public asset-backed securities issuance during FY23 despite challenging funding markets, with strong support across a diverse investor base
- Warehouse funding platform materially expanded to support growth, with over \$1b of new committed funding introduced
- Continued improvement in balance sheet efficiency through extension of mezzanine warehouse funding
- Diversified funding sources with committed facilities held with domestic and international banks and fund managers
- \$760.7m **flexicommercial** Private Placement ABS transaction executed in August 2023, **hummgrou**'s largest ABS transaction to date – representing a significant funding milestone and adding increased funding capacity to support growth

CORPORATE DEBT FACILITY

- Retired \$110m syndicated revolving corporate debt facility in December 2022
- Replaced with a new \$150m 'growth' facility which can be applied to higher growth capital requirements stemming from a growing book of receivables, chattel loans and customer loans and for working capital purposes
- Growth facility drawn to \$75.7m as at 30 June 2023

CASH

- Unrestricted cash of \$112m with improved capital efficiency across portfolios

EFFICIENT AND EFFECTIVE USE OF CAPITAL TO DRIVE RETURNS

STRONG AND STABLE BALANCE SHEET

- » Receivables grown to \$4.2b in FY23
- » Capital structure has been optimised to include increased mezzanine funding
- » Warehouse capacity in place to support FY24 growth targets

FULLY FRANKED PRE-TAX DIVIDEND RETURN OF 6.2%¹

- » Fully franked FY23 dividends totaling 2.0cps
- » Expect to pay dividends of between 30% – 40% of Free Cash Flow²
- » \$38.1m in franking credits at 30 June 2023

CAPITAL INITIATIVES

- » Board approved share buy-back of up to \$10m in ordinary share capital over the next 12 months³
- » Deliver marginal shareholder returns that remain above the cost of capital

Q1FY24 UPDATE

CONTINUED VOLUME AND RECEIVABLE GROWTH

- » 8% growth in volumes across continuing products compared to pcp
- » Consistent volumes in Commercial with receivables up 46% on pcp
- » 9% growth in Cards volumes across AU and NZ driving 6% growth in receivables balances on pcp
- » 30% growth in PosPP volumes across our continuing products in **hum** AU 'Big things', Canada and Ireland driving 15% growth in receivables balances on pcp

RECORD LOW LOSS RATES ACROSS THE GROUP

- » 10 bps reduction in net loss to ANR to 1.6% compared to pcp across the total portfolio
- » 30 bps reduction in net loss to ANR to 0.4% compared to pcp for Commercial AU and NZ
- » 3.5% net loss to ANR for Cards AU and NZ in line with pcp but expect to improve into FY24
- » 60bps increase in net loss to ANR in **hum** AU ('Big things') to 3.5% due to seasonality impacts on the portfolio, with targeted credit initiatives to reduce losses over the course of FY24

RECEIVABLES DRIVING NET INCOME¹ GROWTH

- » 16% growth in net income for Commercial compared to pcp
- » 3% growth in net income for Cards business across AU and NZ
- » 10% reduction in net income from PosPP, the result of higher funding costs and mix to better credit but lower yield Solar and Health (with the benefits of lower losses to come in future periods)

COMPETITIVE ADVANTAGE AND FY24+ PRIORITIES

<p>COMPETITIVE ADVANTAGE</p>	<ul style="list-style-type: none"> • Strong franchise with excellent brands and track record of growth • Origination and management of the customer via merchant/broker network and direct • Capital management and funding relationships • Superior risk management delivering consistently lower net loss rates • Financial discipline 		
<p>FY24+ PRIORITIES</p>	<p>COMMERCIAL</p> <ul style="list-style-type: none"> • Technology investment to retain leading position on “speed to yes” and “speed to settlement” and improve broker and customer experience in NZ business • Continued focus on credit management to target low loss rates across commercial book • Expanding business to focus on new asset classes 	<p>CONSUMER</p> <ul style="list-style-type: none"> • Discontinue unprofitable merchant relationships to improve returns • Replatforming to a single global tech stack to improve stability and deliver scalable growth • New regulated personal lending products • Expanded card offerings through enhanced white label and distribution arrangements • Global expansion with growth in Canada and Ireland 	<p>GROUP</p> <ul style="list-style-type: none"> • Focus on cost management • ROE and Yield focus, and not just volume growth • Technology led initiatives to deliver improved operating and service model • Optimise funding sources • Effective and improved capital efficiency and allocation • Inorganic growth opportunities to deliver capability and achieve scale

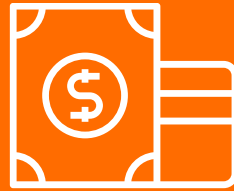
OUTLOOK



PROFITABLE
GROWTH
WITH FY23
COMMERCIAL
VOLUMES
DELIVERING
“LOCKED IN NII¹”
FOR FY24



STRONG CAPITAL
AND BALANCE
SHEET POSITION



POSITIVE CREDIT
PERFORMANCE



EXECUTION OF
COST SAVINGS



CAPITAL INITIATIVES
TO IMPROVE
SHAREHOLDER
VALUE

CEO'S ADDRESS

IN CLOSING

ITEMS OF BUSINESS

- 01** | Consideration of Reports
- 02** | Re-election of Director, Mr Andrew Abercrombie
- 03** | Adoption of the 2023 Remuneration Report
- 04** | Grant of Performance Rights to Mr Stuart Grimshaw
- 05** | Amendment of Constitution

Item 1.

Consideration of Reports



To receive and consider the Company's Financial Report, Directors' Report and the Independent Auditor's Report for the year ended 30 June 2023.

Item 2.

Re-election of Director, Mr Andrew Abercrombie

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“

That Mr Andrew Abercrombie, a Director of humm Group Limited who retires at the close of the AGM in accordance with Article 10.3(c) of the Constitution, and being eligible, and offering himself for re-election, is re-elected as a Director of humm Group Limited .

Item 2.

Re-election of Director, Mr Andrew Abercrombie

Proxy numbers

For	—	217,567,702	96.46%
Against	—	6,684,019	2.96%
Open	—	1,299,856	0.58%
Abstain	—	27,293,731	

Item 3.

Adoption of Remuneration Report

To consider and, if thought fit, to pass the following non-binding resolution of the Company:



That, for the purposes of section 250R(2) of the *Corporations Act 2001 (Cth)*, the Company's Remuneration Report for the financial year ended 30 June 2023, as set out in the Annual Report, be adopted.

Item 3.

Adoption of Remuneration Report

Proxy numbers

For	—	98,133,088	79.37%
Against	—	25,016,953	20.23%
Open	—	493,324	0.40%
Abstain	—	220,548	

Item 4.

Grant of Performance Rights to Mr Stuart Grimshaw

To consider and, if thought fit, to pass the following ordinary resolution of the Company:

“ That, for the purposes of ASX Listing Rule 10.14, sections 200B and 200E of the *Corporations Act 2001* (Cth) and for all other purposes, approval is given for the Company to grant to the Company's Chief Executive Officer and Managing Director, Mr Stuart Grimshaw, short-term incentive performance rights and long-term incentive performance rights (and the issue or acquisition and transfer of ordinary fully paid shares in the Company to him upon the vesting of such performance rights) on the terms set out in the Explanatory Memorandum, and to provide to Mr Grimshaw any or all of the benefits (including on cessation of employment) described in the Explanatory Memorandum.

Item 4.

Grant of Performance Rights to Mr Stuart Grimshaw

Proxy numbers

For	—	196,201,563	77.69%
Against	—	55,050,312	21.80%
Open	—	1,291,489	0.51%
Abstain	—	301,944	

Item 5.

Amendment of Constitution

To consider and, if thought fit, to pass the following special resolution of the Company:

“ That, for the purposes of section 136(2) of the *Corporations Act 2001* (Cth) and for all other purposes, the Constitution of the Company be amended in the form tabled at the Meeting and signed by the Chairman for identification.

Item 5.

Amendment of Constitution

Proxy numbers

For	—	165,358,760	65.76%
Against	—	84,781,603	33.71%
Open	—	1,327,197	0.53%
Abstain	—	1,368,816	

**THANK
YOU**



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