

1 February 2024

ASX ANNOUNCEMENT

- **POSITIVE CASH NPAT AND BOOK GROWTH CONTINUE**
- **STELLARE® 2.0 POSITIONING HARMONEY FOR SIGNIFICANT GROWTH IN FY25 AND BEYOND**
- **AUTOMATION REDUCES COST TO INCOME RATIO TO 24%**

Harmoney Corp Limited (ASX:HMY) (“Harmoney” or “the Company”), a leading consumer-direct personal lender in Australia and New Zealand, is pleased to provide an update on its performance for the half year ended 31 December 2023 (“1H24”).

1H24 Highlights:

- Harmoney’s model continued to deliver both loan book growth and Cash NPAT profitability despite a higher interest rate environment.
- Corporate debt refinanced and upsized to a \$30m facility (\$22.5m drawn), endorsing the strength of the business and providing capacity for up to ~\$200m additional loan book growth.
- Issued inaugural New Zealand NZ\$200m asset backed securitisation (“ABS”), complementing earlier Australian ABS and delivering further funding capacity and diversification, combined with ongoing warehouse funding support from 3 of the ‘Big 4’ Australian banks.
- Stellare® 2.0 rolled-out to new customers in Australia, with improved processes delivering higher application day conversion.
- Cash ROE remains on track to reach 20% run rate in FY25.

Financial Highlights - \$AUD	1H24	2H23	1H23
Loan Book (\$m)	756	744	701
Revenue (\$m)	60	57	50
Net Interest Margin (%)	9.2	9.4	9.8
Credit Losses (%)	4.2	4.0	3.1
90 day arrears (%)	65bps	58bps	46bps
Cost to Income (%)	24	28	29
Cash NPAT (\$m)	0.5	2.4	2.3

Commenting on 1H24, Harmoney’s CEO & Managing Director David Stevens said:

"Harmoney has demonstrated its ability to continue to grow its loan book and deliver Cash NPAT profitability through this rapid increase phase of the interest rate cycle. Higher interest rates have constrained both the appetite and capacity for consumer borrowing, as well as increasing our funding costs, however our consumer-direct model has continued to attract prime borrowers at competitive interest rates enabling us to grow our loan book while maintaining a net interest margin within our 9% - 10% target.

Loan book growth has been at a more moderated pace in the face of these headwinds, however with the interest rate cycle appearing to have peaked, plenty of funding capacity, and the continued roll out of Stellare® 2.0, we are well placed to accelerate growth in the second half of the year and particularly in future financial years.

A less accurate, early Australian credit scorecard, (replaced over 18 months ago), combined with the moderation in loan book growth, with a lower proportion of new loans joining the book, has led to a small increase in annualised credit losses to 4.2%, up from 4.0% in 2H23. However, we expect this trend to reverse in the second half of the year with the better-performing current scorecard. 90+ day arrears remain low at 65bps.

During the first half of the financial year we carefully rolled out Stellare® 2.0 and are already beginning to see its positive impacts on application conversion. We have been deliberate in the rollout, prioritising profitability over growth, to ensure we executed on this important initiative. With the Australian rollout nearing completion we are excited about doing the same in New Zealand and maximising the incredible competitive advantages we expect this platform to drive.

Harmony's cost to income ratio continues to improve, now an enviable 24%, down from an already low 29% in the prior comparative period ("pcp"). This is testament to the high level of automation in the Stellare® platform, enabling Harmony to grow its loan book and revenues at a significantly faster pace than operating costs. We expect this trend to continue.

Finally, it was also pleasing to have completed not only the closure of the legacy P2P platform, enabling us to focus on our warehouse funding model supported by three of the four major Australian banks and an ABS program now in both Australia and New Zealand, but also to have completed the refinancing and upsizing of our corporate debt facility, which seeds a further ~\$200m of additional loan book growth."

STELLARE® 2.0 ROLLOUT

Stellare® 2.0 is now in use by new Australian customers, providing an even more accurate and efficient loan approval process. The platform will soon see the launch of new products and features, plus these will come to market significantly faster than the release of previous products. The benefits will be immediate for the business with the financial rewards expected to be seen with accelerated growth in 2H24 and significant growth in future financial years.

COST TO INCOME RATIO CONTINUES TO REDUCE

Harmony's cost to income ratio is market leading for a financial services business and continues to further reduce, now at 24%, a reduction from 29% in 1H23 and this is expected to improve further in the coming years with the rollout of Stellare® 2.0, Harmony can efficiently originate, service and generate superior returns.

CORPORATE DEBT REFINANCED AND UPSIZED

In December 2023, Harmony announced the refinancing and upsizing of its corporate debt facility, increasing from \$20m to \$30m capacity, with \$7.5m as yet undrawn. This increase in facility is equivalent to funding up to ~\$200m of additional loan book growth and combined with the existing warehouse funding facility capacity secures a significant pathway for growth in the coming years. As at 31 December 2023 Harmony held \$21m of unrestricted cash and undrawn warehouse capacity of \$247m.

OUTLOOK

- Continued loan book growth in FY24
- Net interest margin of 9% in FY24
- Positive Cash NPAT in FY24 and significant Cash NPAT growth in FY25 and beyond
- Targeting 20% Cash ROE run rate in FY25.

This release was approved by the Board of Harmoney Corp Limited. All numbers are unaudited.

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ABOUT HARMONEY

Harmoney is the only 100% consumer-direct personal lender operating across Australia and New Zealand. Harmoney provides customers with unsecured personal loans that are fast, easy, competitively priced (using risk-adjusted interest rates) and accessed 100% online. Harmoney's purpose is to help people achieve their goals through financial products that are fair, friendly, and simple to use.

Harmoney'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

- Harmoney 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 Harmoney's scalable Stellare® proprietary technology platform.
- A large percentage of Harmoney's originations come from existing customers with minimal customer acquisition cost.
- Harmoney is comprised of a team of ~75 full-time employees predominantly based in Auckland, New Zealand, approximately half of whom comprise engineering, data science and product professionals.
- Harmoney has a highly diversified funding panel with warehouses being provided by three of the "Big 4" banks across Australia and New Zealand. Harmoney 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.harmoney.co.nz/> or <https://www.harmoney.com.au/>.