20 February 2024

hummgroup **announces half year 2024 results**

- **humm**group total receivables of $4.65b, up 23% on pcp
    - Commercial receivables of $2.70b, up 39% on pcp
    - Consumer Finance receivables of $1.95b, up 6% on pcp
- 1H24 Normalised Cash Profit (after tax)[1] "Normalised Cash Profit"of $28.1m, was only down 27% on pcp, despite material increase in interest rates, and the rebuilding our PosPP offering. This profit was underpinned by another strong performance from Commercial
- Normalised Cash Profit was impacted by an interest expense increase of $61.7m from increases in receivables, base rates (offset by hedge benefits), credit spreads and improved efficiency in our funding structures
- 1H24 Statutory Net Loss (after tax) of $6.0m (1H23 Statutory Net Profit (after tax) of $7.5m)
- Group Net Credit Loss/Average Net Receivables ("ANR") was 1.68%, a 27bps improvement on pcp
- Management executed $7.5m in further cost savings during 1H24 bringing the total savings to $26.1m since commencement of the program in 1H23, which offset some of the necessary reinvestment into customer facing roles and the overall inflationary environment
- Strong balance sheet with $4.65b in receivables, $159.4m in unrestricted cash, and $1.14b of warehouse headroom
- Fully franked interim dividend proposed of 0.75 cent per share
- A total of 20.9m shares (approximately 4.0% of shares on issue) purchased through buy back and share plan as at the date of this report

hummgroup Limited (ASX: HUM) ("**humm**group" or "the Company") today reported its results for the six months ended 31 December 2023 ("1H24").

hummgroup Chief Executive Officer and Managing Director Stuart Grimshaw said:

*"**humm**group continued to deliver strong double digit increases in loan volumes and receivables balances by initiatives to lift gross yield and improve efficiency, to offset the material increases in interest expense experienced through the period. Prudent cost management delivered $7.5m in savings for the period and has contributed to total cost savings of $26.1m since commencement of the program in 1H23."*

"Our performance for the period was materially impacted by a $61.7m increase in interest expense, an 88% increase over the prior corresponding period, the result of increases to base interest rates, widening of credit spreads, increased leverage from additional mezzanine funding and higher receivables balances. Management responded with increases to customer interest rates and fees where possible, cost reductions across the business coupled with benefits from our hedging program. Despite the $61.7m increased funding costs, the Company was able to deliver a commendable $28.1m in Normalised Cash Profit for the period."

[1] Normalised Cash Profit (after tax) is calculated as statutory profit after tax adjusted for non-cash items (including amortisation and impairment of intangibles, movements in AASB 9 accounting provisions and depreciation) and other non-recurring material or infrequent items (such as restructure costs and suspended product and related costs).

"Our Commercial business delivered another period of stellar growth, increasing receivables by 39% over the same time last year, underpinned by stable credit quality, with Net Credit Loss/ANR remaining at historic lows of 0.5%. This business continues to demonstrate impressive operating leverage, with the strong receivables growth which was delivered with a 6% increase in normalised operating costs. Return on Cash Equity increased from 18.9% in the prior corresponding period to 25.2% for the current period."

"We are also refocusing and rebuilding our Consumer businesses in New Zealand and Australia with the aim of delivering a better customer experience while at the same time improving unit economics and merchant profitability. In Australia, we are preparing for the introduction of personal loans and a regulated PosPP product."

"We remain committed to a dividend payout ratio of 30%–40% of Free Cash Flow which has resulted in a 0.75 cent per share fully franked proposed interim dividend for 1H24. In addition, a total of 20.9m shares representing c4% of total equity has been purchased on market as part of the share buy-back program and to satisfy grants under the executive long-term incentive program (as at the date of this report)."

GROUP PERFORMANCE

SEGMENT	1H24	1H23	1H22	1H24 VS 1H23
Normalised Cash Profit (A$m)				
Commercial Finance	**21.6**	**19.3**	**17.2**	**12%**
New Zealand Cards	7.8	12.5	16.9	(38%)
Australia Cards	3.7	2.7	0.7	37%
Point of Sale Payment Plans	(5.0)	4.0	3.1	LRG
***humm**AU*[1,4]	*(2.5)*	*4.2*	*5.6*	*(160%)*
Other PosPP[2]	*(2.5)*	*(0.2)*	*(2.5)*	*LRG*
Consumer Finance	**6.5**	**19.2**	**20.7**	**(66%)**
hummgroup	**28.1**	**38.5**	**37.9**	**(27%)**

SEGMENT	1H24	1H23	1H22	1H24 VS 1H23
Volume (A$m)				
Commercial Finance	**761.5**	**744.8**	**432.8**	**2%**
New Zealand Cards	432.0	381.1	359.2	13%
Australia Cards	254.0	266.0	223.9	(5%)
Point of Sale Payment Plans	461.5	369.1	337.1	25%
***humm**AU*[1,4]	*354.8*	*297.3*	*275.7*	*19%*
Ireland and Canada	*106.7*	*71.8*	*61.4*	*49%*
Consumer Finance	**1,147.5**	**1,016.2**	**920.2**	**13%**
Continuing Products	**1,909.0**	**1,761.0**	**1,353.0**	**8%**
Suspended Products[4]	*50.9*	*235.5*	*314.1*	*(78%)*
hummgroup	**1,959.9**	**1,996.5**	**1,667.1**	**(2%)**

SEGMENT	DENOMINATOR	1H24	1H23	1H22	1H24 VS 1H23
Net Credit Loss/ANR[3]					
Commercial Finance	**ANR**	**0.5%**	**0.5%**	**0.6%**	**-**
New Zealand Cards	ANR	2.9%	3.0%	3.1%	(10bps)
Australia Cards	ANR	4.1%	2.6%	2.9%	150bps
PosPP	ANR	3.1%	3.9%	5.5%	(80bps)
Consumer Finance	**ANR**	**3.3%**	**3.3%**	**4.1%**	**-**
hummgroup	**ANR**	**1.68%**	**1.95%**	**2.85%**	**(27bps)**

1. humm AU includes both 'Big things' and 'Little things'.
2. 'Other PosPP' includes, Ireland and Canada.
3. Net Credit Loss includes bad debts and loss recoveries.
4. humm AU excludes suspended products (BPAY within **humm** AU LT, **bundll**, **humm**pro and **humm** NZ).

COMMERCIAL

hummgroup's Commercial business remains a leading provider of specialist asset finance, with continued strong growth driven by market demand, a differentiated service proposition, speed to decision and speed to cash settlement.

Commercial receivables of $2.70b were up 39% on pcp (1H23: $1.95b) driven by the singular focus on meeting the needs of our customers better than our competitors. Low losses across the portfolio were the result of robust and proven credit decisioning systems and diversification in origination sources which were supported by rigorous credit assessment and collection processes. These processes resulted in a Net Credit Loss/ANR of 0.5% (1H23: 0.5%).

Gross income grew 56%, with normalised operating expenses up only 6% over the same period, demonstrating the operating leverage of the business as the portfolio continues to grow during a period of higher cost inflation.

Normalised Cash Profit of $21.6m, up 12% (1H23: $19.3m), was driven by continued growth in operating income from receivables growth and pricing changes which was offset by higher cost of funds from base rates, credit spreads and higher leverage through the use of mezzanine finance.

CONSUMER FINANCE

Consumer Finance volumes from continuing products were $1.15b in 1H24 up 13% on pcp (1H23: $1.02b), and total receivables of $1.95b up 6% on pcp (1H23: $1.84b). Volume from suspended products reduced by $185.0m while the collection and run-off of receivables on these products is now nearly complete.

Normalised Cash Profit of $6.5m was down 66% on pcp (1H23: $19.2m) due to rising interest rates and competitive pricing pressures in the PosPP business which were offset by cost savings initiatives across the business.

New Zealand Cards

New Zealand Cards volume of $432.0m was up 13% on pcp (1HY23: $381.0m), with closing customer loan balances up 5% on pcp, due to higher transaction volumes than last year which were partially offset by higher repayment rates.

Normalised Cash Profit of $7.8m was down 38% on pcp (1HY23: $12.5m). This can be attributed to increased borrowing costs following rate rises during the year, additional investment into uplifting customer service capability, and inflationary increases on variable expenses, offset by increased interest income and a controlled credit loss rate.

Australian Cards

Australian Cards volumes were $254.0m, down 5% on pcp (1H23: $266.0m), a result of exiting unprofitable merchant relationships, tightening credit settings and lower marketing investment.

Receivables were down on pcp by 2.0% as a result of lower new volumes, higher than normal repayments and the run-off of legacy receivables.

Normalised Cash Profit of $3.7m was up 37% on pcp (1H23: $2.7m), driven by increased gross income, lower costs of origination, and lower marketing spend being partially offset by higher funding costs during the period.

Point of Sale Payment Plans ("PosPP")

A 25% increase in PosPP segment volumes from continuing products to $461.5m (1H23: $369.1m), reflect growth in larger transactions particularly in Solar, Home Improvement and Health verticals. **humm**AU volumes were up 19% on pcp to $354.8m (1H23: $297.3m) with 49% growth in volumes for Ireland and Canada of $106.7m (1H23: $71.8m).

The strategy of rationalising our product portfolio and exiting unprofitable merchants resulted in volumes for suspended products of low transaction value, (**humm**AU 'Little things', **humm** NZ, **bundll** AU and NZ, **humm**pro and BPAY) reducing by 78% to $50.9m.

Normalised Cash Loss of $5.0m for PosPP (1H23: $4.0m profit) was the result of competitive market pricing pressures impacting gross income, higher funding costs, higher costs associated with expanding the Canadian and Irish businesses, and operating costs associated with the development of **humm**group's new personal loan product.

BALANCE SHEET AND CAPITAL MANAGEMENT

The Group's warehouse funding platform has been materially expanded to support future growth, with over $1.80b of asset-backed securities ("ABS") issued during 1H24, in public and private placement format, being met with strong support from global financial institutions and an increasingly diverse investor base.

In particular, **humm**group has:

- $159.4m of unrestricted cash as at 31 December 2023
- $1.14b of undrawn warehouse headroom as at 31 December 2023, following the funding transactions executed during the period.
- Issued over $1.80b of ABS during 1H24, in both public and private placements.

The Company has also completed on-market share and share plan purchases totalling $5.7m during 1H24. Shares purchased to date represent approximately c4% of outstanding shares on issue. The Board has proposed a fully franked interim dividend of 0.75 cent per share.

OUTLOOK

hummgroup will continue to drive profitable growth across its operations, as it continues to grow and expand Commercial, refocus the Consumer NZ operations and rebuild the Consumer Australia business. We will leverage our leading B2B relationships, credit decisioning capability and funding platform to grow the existing business and explore inorganic opportunities.

There will be a continued focus to remove unnecessary cost and complexity from the businesses and execute on its strategic capital initiatives to continue to deliver shareholder value in the year ahead.

WEBCAST

hummgroup's CEO, Stuart Grimshaw and CFO, Adrian Fisk will host a webcast at 11.00am on Tuesday 20 February 2024.

Details of the webcast: https://edge.media-server.com/mmc/p/sneedhrt

Authorised for release by the **humm**group 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 "**humm**group" or "Group") is a diversified financial services company that provides instalment plans which enable businesses and consumers to make large purchases. **humm**group 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 (**humm**®90, Lombard and Once); and New Zealand Cards (including Farmers Finance Card, Farmers Mastercard®, Q Card, Q Mastercard® and Flight Centre Mastercard®).