



6 June 2024

**ASX ANNOUNCEMENT**  
**MST FINANCIAL - CONFERENCE PRESENTATION**

Please find the attached presentation to be given by David Stevens, CEO of Harmony Corp Limited (ASX:HMY) ("Harmony" or "the Company"), to investors and shareholders at the MST Financial 'Forging the Future' Financial Services webinar on Thursday 6 June 2024 at 11am AEST.

To join the presentation, please [click the webinar link here](#).

This release was approved by the CEO of Harmony Corp Limited.

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**For Corporate / Investor queries please contact us via:**

**Harmony Investor Hub**

Investors are encouraged to lodge questions at the Harmony Investor Hub.

<https://investorhub.harmony.com.au/>

Please see sign up instructions below.

**David Stevens**

CEO & Managing Director

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# Forging the Future

Financial Services Webinar

MST Financial

6 June 2024

**David Stevens CEO**

**All values in \$AUD unless stated otherwise**

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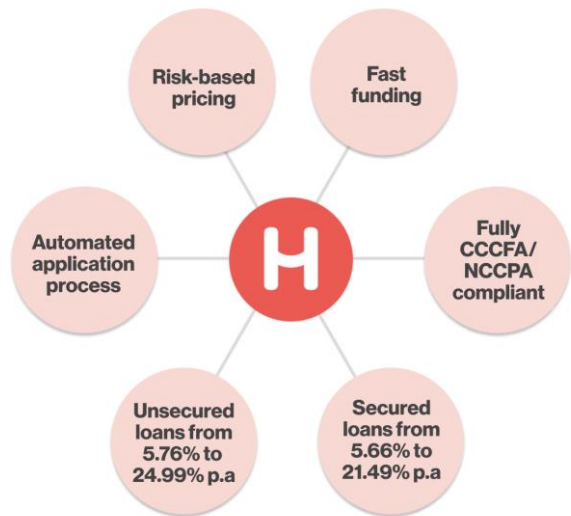
The financial information in this presentation has not been audited.

This presentation contains certain non-IFRS measures that Harmony believes are relevant and appropriate to understanding its business. Investors should refer to the FY24 Half Year Report for further details.

All values are expressed in Australian currency unless otherwise stated. All intellectual property rights in this presentation are owned by Harmony.

# Customer value proposition

## Delivering faster, fairer loans through our smart technology



- Personalised fixed rates based on customer credit characteristics.
- Loans up to \$70,000 with terms of 3, 5 and 7 years.
- Average new loan size \$20,000.
- Dispersal to customers in minutes.
- One upfront loan establishment fee. No other fees.
- Loans fully compliant with consumer lending codes in AU/NZ.

## Use of funds



Renovation Loans



Debt Consolidation



Car Loans



Education Loans



Travel Loans



Wedding Loans

# Data + AI + Automation

Every month, over **10,000 new customer applications** help us improve our AI and automation

2021 & 2023  
— FINANCIAL REVIEW BOSS —  
**MOST** INNOVATIVE  
COMPANIES  
S T E L L A R E

High volumes of up-to-the-moment consumer financial data — combined with our 9+ years of historic data — supercharges training of our AI models, helping us optimise for:

- Highly efficient marketing with Google producing high volumes of desirable customers at low cost.
- Risk Adjusted Income of 5% through more accurate assessment of customers.

Quality, first-party, consumer-direct data (e.g. bank statements, credit file, ID) to fuel our AI models has been a core feature of Harmoney since our inception.



# The Harmony business model maximises customer lifetime value

## Right customer

- Build reliable target customer model through AI and high quality first-party consumer data.
- Partner with large-scale platforms (e.g. Google, Microsoft Ads, Facebook) to implement cost-effective customer acquisition channels.
- Use direct relationship and customer segment fit to devise and offer new products and services.



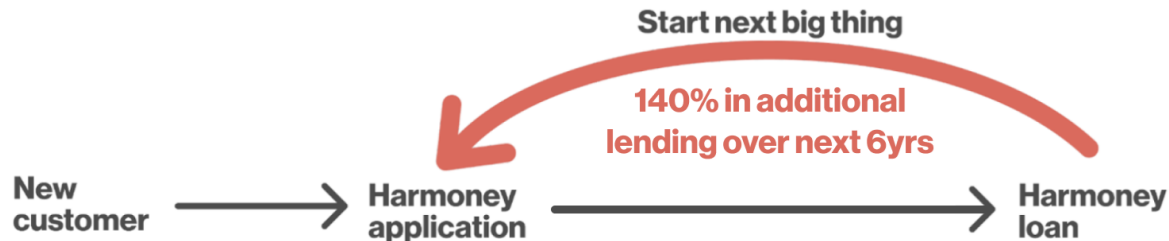
4.8/5 overall rating >55,000 reviews

## Great experience

- First-class customer experience creates annuity revenue as customers return with minimal customer acquisition cost (CAC).
- Highly automated simple and streamlined 100% online process.

## Massive scale

- Exploit tech to build scale, speed, and automation to decouple costs from growth - Harmony has a market leading 24% cost to income ratio which continues to reduce.



# 1H24 key achievements



ACHIEVED

## Cash NPAT Profitable

4th consecutive half of Cash NPAT profitability



GROWTH

## Loan book growth

Loan book continued to grow profitably despite higher interest rate environment



ACHIEVED

## \$200m NZ ABS

Successfully completed New Zealand's first ever unsecured personal loan backed ABS



GROWTH

## Warehouse capacity extended

New \$140m warehouse added and three existing facilities extended for two years each, creating growth capacity of ~\$250m



ACHIEVED

## New platform launched

Stellare® 2.0 developed in-house, unlocks 25x faster release cadence and incorporates state of the art cloud native core banking system (used by Global Tier 1 banks).



ACHIEVED

## Peer-to-peer closed

Remaining retail peer-to-peer lenders repaid, enabling the retirement of legacy peer-to-peer infrastructure.



MARKET LEADING

## Cost to income %

Automation drove continued efficiency gains with cost to income down to 24%. Further gains from new platform now being realised.



GROWTH

## Corporate debt upsized

Refinanced corporate debt with limit increased 50% providing junior note capacity for up to ~\$200m additional loan book growth.

# Profitability continues through rising interest rate cycle

	1H24	2H23	1H23
<b>Loan book</b>	\$756m	\$744m	\$701m
<b>Revenue</b>	\$60.4m	\$57.0m	\$50.1m
<b>Net Interest Margin</b>	9.2%	9.4%	9.8%
<b>Credit losses</b>	4.2%	4.0%	3.1%
<b>90+ day arrears</b>	65bps	58bps	46bps
<b>Cost to income ratio</b>	24%	28%	29%
<b>Cash NPAT</b>	\$0.5m	\$2.4m	\$2.3m



# Key points you should know about Harmoney

## Financial

- Cash NPAT profitable.
- Cost to income ratio of 24%.
- Unrestricted cash of \$21m.
- Undrawn warehouse capacity of ~\$250m.



Attractive 9.2% net interest margin.  
Ability to easily adjust rates due to consumer-direct model.



Target of Cash Return on Equity of 20% during FY25.



## Customer value

Customers rate us!  
Google & Shopper Approved 4.8/5 overall rating from >55,000 reviews.



Existing customers return for future loans creating annuity stream - at minimal Customer Acquisition Cost (CAC).



Trans-Tasman appeal with Australia now 52% of loan book.



## Risk management

Quality portfolio.  
~40% Homeowners.  
4.2% losses.  
0.65% 90+ day arrears.



Diversified funding from 3 of the "Big 4" Australian banks  
+ securitisation programs in AU and NZ.



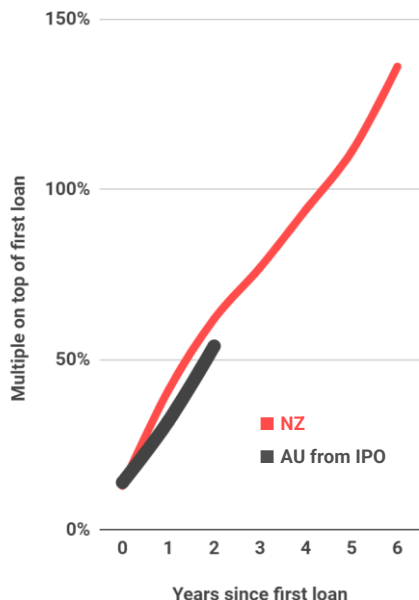
89% of borrowings hedged to mitigate impact of interest rate movements.



# Strategy and outlook

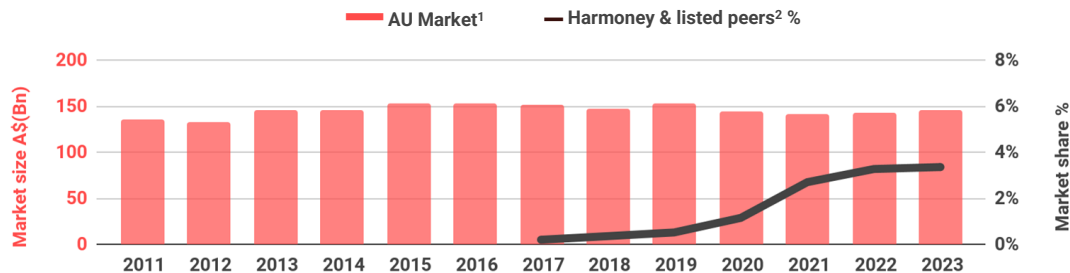
# Continue AU expansion, a large addressable market

## AU replicating in 9x market



## Huge potential for Harmoney in \$145bn market<sup>1</sup>

- Stable market and an enormous growth opportunity for Harmoney as consumers gravitate online, with the vast majority of personal lending still provided by banks and traditional lenders.
- Harmoney's Australian new customer lending in FY23 was \$177m. Australia is mirroring New Zealand performance and is on track for these new customers to add ~140% in repeat lending over the next six years, at minimal CAC.



1. Source RBA, 'D2 Lending And Credit Aggregates - Credit; Other personal', which covers all personal credit (non-business, non-housing/mortgage), incl. e.g. personal loans, car loans and credit cards.

2. Listed personal lending peers comprise Wisr, MoneyMe & Plenti with loan balances sourced from their latest market trading updates.

# Stellare<sup>®</sup> 2.0

## Core banking + Automation = Market opportunity

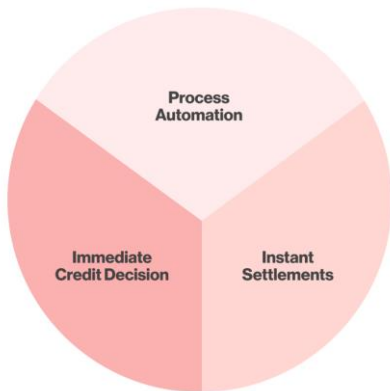
### Core banking - Cloud native

Implemented a Tier 1 cloud native core banking suite, used by Global Banks.



### 100% Process automation

Automated platform enabling scale, speed and a superior customer experience, making the complex feel simple.



### Market Opportunity

Core banking platform plus process automation reduces implementation time, complexity and risk - growing market opportunities.



# Outlook - Targeting 20% Cash RoE

## Interest rates & asset quality

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Ability to pass through targeted interest rate increases to maintain 9-10% net interest margin.

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Funding costs managed with a diversified funding panel of three Big 4 banks and three mezzanine funders with 89% of borrowings hedged.

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High quality diversified loan book 74% employed in either professional, office or trades roles. Low arrears rate.

## Growth outlook

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Harmony's consumer-direct model is taking market share from banks in \$145bn Australian market.

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Working with Google to implement leading AI technology to further enhance customer experience, lowering CAC and further reducing cost to income ratio.

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Stellare® 2.0 rollout across entire business (AU & NZ) set to increase revenue, lower costs and drive higher profitability.

## FY24/FY25 outlook

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### FY24 Outlook

- Continued loan book growth
- Net interest margin of 9%
- Positive Cash NPAT

### FY25 Outlook

- Targeting a 20% Cash Return on Equity run rate in FY25 (Cash NPAT/Equity).

# Outlook continued:

## 20% Cash RoE run rate in FY25

### Pathways to 20% Cash RoE

- At the current equity of ~\$45m, Cash NPAT of \$9m delivers 20% Cash RoE.
- 20% Cash RoE run rate in FY25 is in reach through loan book and/or risk adjusted income<sup>1</sup> growth.
- Table shows historically achieved risk adjusted income % and loan book growth pathways to reaching 20% Cash RoE.<sup>2</sup>
- Acquisition and operating expenses include a 5% inflation buffer, although historically stable or falling due to efficiency gains.<sup>3</sup>

### Average loan book required at RAI%

Risk adjusted income	6.0%	5.5%	5.0%
Required average loan book (\$m)	783	855	940
<i>Required growth from current loan book</i>	<i>4%</i>	<i>13%</i>	<i>24%</i>
Risk adjusted income (\$m)	47	47	47
Customer acquisition expenses (\$m)	(11)	(11)	(11)
Cash operating expenses (\$m)	(27)	(27)	(27)
Cash NPAT	9	9	9
Average equity	45	45	45
Cash RoE	20%	20%	20%

1. Risk adjusted income (RAI) is income after funding costs and incurred credit losses.

2. Risk adjusted income %: 1H24: 5%, FY23: 6%. Loan book: Two year cumulative annual growth rate (CAGR) 33%.

3. Customer acquisition expenses reduced in each of 1H24 and FY23. Cash operating expenses have remained flat in 1H24 on FY23.

Disclaimer: This is an indicative model of Harmony's business. It is not a forecast but instead represents an illustrative model extrapolating costs and historically achieved risk adjusted income levels to various average loan book scenarios and may vary due to changes in a range of underlying assumptions or economic factors.



## ABOUT HARMONEY

Harmony is the only 100% consumer-direct personal lender operating across Australia and New Zealand. Harmony provides customers with unsecured and secured 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.

For further information visit <https://www.harmony.co.nz/> or <https://www.harmony.com.au/>

## BUSINESS FUNDAMENTALS

- Harmony provides risk based priced unsecured and secured personal loans of up to \$70,000 to consumers across Australia and New Zealand.
- 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 ~75 full-time employees predominantly based in Auckland, New Zealand, approximately 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 New Zealand asset backed securitisation in August 2023, both being publicly rated by Moody's.

## INVESTOR HUB

Harmony's Investor Hub is a dedicated platform for investors to learn more about the Company and engage directly with Harmony's leadership team. The Company will regularly post new content to the Investor Hub, including videos accompanying our ASX announcements, interviews, research reports, and webinars.

1. Visit <https://investorhub.harmony.com.au/auth/signup>
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