

23 August 2024

ASX ANNOUNCEMENT

Latitude 1H24 profit rises on the back of strong volumes, increasing margins

Latitude Group Holdings Limited (ASX: LFS) today announced its Half Year results to 30 June 2024, reporting a statutory profit after tax from continuing operations of \$9.0m, up \$101.4m on 1H23 and up \$19.3m half on half.

First Half Cash NPAT of \$27.4m rose 140% compared to 1H23 and 69% half on half.

1H24 Financial and Operating Highlights

- Volumes rose to \$4.1bn, up 14% YoY and 2% HoH
- Receivables of \$6.4bn, up 3% YoY and 2% HoH, on the back of 10 months of consecutive growth
- Net interest margin of 10.1%, up 31bps YoY and 31bps HoH, as considered pricing initiatives continued to gain traction, offsetting higher funding costs. Further margin improvement is expected in 2H24
- 128,000 new Latitude customers, up 26% YoY and 10% HoH, led by the strong rebound in personal lending post last year's cyber incident
- Money Division volumes surged to a record \$1.0bn, up 60% YoY and 25% HoH, growing to hold the #2 segment share position for personal loans in Australia (based on receivable by brand)
- Pay Division adds Officeworks, Amazon and Mighty Ape (NZ) as major new signings to further extend Latitude's growing retail network
- Pay Division credit card spending grew to \$2.4bn, up 6% YoY, above system growth
- Total net charge-offs of 3.52% of AGR, up 21bps YoY and down 2bps HoH, as charge-off rates normalise following historical lows
- Secured \$1.1bn in funding from new overseas and domestic investors after successfully completing 3 strongly subscribed public securitisation transactions, ensuring funding certainty and headroom for growth
- Cost discipline maintained, with cash operating expenses of \$165m as Latitude realised benefits from an operating model restructure and continued tight cost control, while investing in strategic growth initiatives

Managing Director and CEO Bob Belan said: "We are pleased with this solid first half result and the overall acceleration in momentum across Latitude reflecting the strategic choices made to sharpen our focus on the fundamentals in our core markets and segments.

"Origination volumes grew strongly through 1H24, up 14% YoY, as we began realising the benefits of actions to streamline and strengthen Latitude after a challenging 2023. This has flowed through to our interest-bearing receivables balances which increased by 4% HoH, having now grown for 10 consecutive months.

"Money Division volumes have surged to record levels supported by the contemporary lending technology that came with the acquisition of Symple in late 2021. As a result, Latitude's Australian personal loans book has taken over the #2 segment share position in the country (based on receivables by brand).

"Latitude customers will also be able to access our market leading Interest Free payment plans through several new marquee partnerships, including Officeworks and online retailers Amazon and Mighty Ape. We have also recently completed the migration of David Jones credit card customers from American Express with plans to further

grow this portfolio in the months and years ahead.

“Revenue yields also expanded in 1H24 with considered pricing initiatives offsetting increased funding costs that flowed through from prior year interest rate hikes. Operating model changes made in late 2023 and ongoing expense management discipline have allowed for incremental investment in growth initiatives and a material improvement in operating leverage and cost to income.

“This resulted in a Cash NPAT of \$27 million for 1H24, up 69% half on half and 140% year on year. While there is much work still to be done, the pace and scale of our rebound has been strong and we are well placed to take advantage of further growth opportunities ahead of us.”

Latitude will not declare a 1H24 dividend.

Outlook

With the emergence of more favourable macro-economic settings for Latitude’s business model, we expect that elevated consumer demand for our products will drive sustained volume and receivables growth.

We also anticipate growth to be further supported by management’s focus on new partnerships, marketing optimisation and customer/retailer experience enhancements.

Margins are expected to expand as we benefit from the flow through effect of pricing and funding initiatives and as the interest rate cycle pivots.

While we expect employment to remain resilient and supportive of credit performance, cost of living pressures will continue to see delinquencies slowly but steadily trend upward to long term historical levels

Cost discipline remains a key priority to manage inflationary pressures and support investments in both strategic and growth initiatives.

Latitude has the balance sheet strength, funding flexibility and risk settings to capitalise on opportunities as they arise.

Latitude Managing Director and CEO Bob Belan and CFO Paul Varro will host a briefing on the First Half 2024 results at 10.00am today (AEST):

Date: 23 August 2024

Time: 10.00am (AEST)

Webcast: Participants can register for the webcast [here](#)

Conference call: Pre-registration link is available [here](#)

Authorised for release to the ASX by the Board.

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