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ASX Announcement
27 February 2025

CY2024 Results Announcement

Originations up 16% 2H 2024 vs 1H 2024.
Net Interest Margin[1] up 12bps on PCP[2] - closed at 1.97%.
CY2024 Profit pre-Tax and Loan loss expense up 9% year on year.
7.1 cps fully franked final dividend and total fully franked dividends of 12.1 cps (equating to an annualised yield of 8.6%).

Result Highlights[3]

- **Profit pre-Tax and Loan loss expense** of $209.2 million, up 9% on CY2023[4].
- **Statutory NPAT**[5] of $98.2 million, down (10)%[6] on CY2023. **Pro-forma NPAT**[7] of $98.2 million, (12)% below CY2023.
- **2H 2024 Originations** of $3.8 billion grew 16% on 1H 2024. **Full year Originations** of $7.0 billion, down (3)% on the prior corresponding period (PCP):
  - **Mortgage** Originations 2H 2024 up 27% on 1H 2024. Full year Originations $4.1 billion up **5% on PCP**.
  - **Asset Finance** Originations 2H 2024 up 3% on 1H 2024. Full year Originations $2.9 billion down **(13)% on PCP**.
- **Total AUM** closed the year at $19.1 billion:
  - **Mortgage AUM** closed CY2024 at $10.2 billion.
  - **Asset Finance** AUM closed CY2024 at $5.6 billion.
  - **Servicing AUM** closed CY2024 at $3.3 billion, up from $1.4 billion at December CY2023.
- **Total NIM** of 1.97% for CY2024 increased 12bps on a like-for-like basis, improving across both Mortgages and Asset Finance.
- **Operating income pre–Loan loss expense** at $455.9 million grew 6% on PCP[8] (CY2023: $430.0 million).
- **Loan loss expense** increased by $(29.4) million on CY2023, driven by late-stage arrears and increased insolvencies in the first half of the year, impacting Asset Finance.
- **Loan loss provisions as a percentage of Lending AUM** (Coverage Ratio) increased from 0.65% PCP to 0.74% CY2024 close:
  - **Mortgage** loss experience continues to be very low in line with market resilience, with the Coverage Ratio closing the year at 0.21% (0.24% PCP).
  - **Asset Finance** Coverage Ratio was increased to 1.70% (CY2023: 1.56%), inclusive of Post Model Overlay, which Management nominated to increase to $8.0 million.

- **Total operating income** of $386.6 million decreased by (1)% on PCP.
  - **Mortgage** Total operating income of $233.7 million, up 9% on PCP, reflecting volume and NIM flow through and low Loan loss experience.
  - **Asset Finance** Total operating income of $139.2 million, down from $166.2 million in CY2023, reflecting the impact of increased Specific loss expense.
  - **Loan & Other Servicing** Total operating income was $11.0 million, up from $7.3 million in CY2023, reflecting the flow through of Whole Loan Sales.
- **Operating expenses**[9]**, pre-Impairments**[10]**,** at $186.8 million were largely flat on CY2023 ($186.6 million).
- 35% residual share in Stratton Finance Pty Ltd acquired for $41.7 million, funded from cash reserves.
- Three **Public Term securitisations** of $2.7 billion and seven **Whole Loan Sales** of $2.5 billion were completed in CY2024, raising over **$5.2 billion in total.**
- $10.8 billion in **Warehouse capacity**[11] at 31 December 2024, an increase of $1.5 billion on CY2023 close.
- $55.0 million in **debt retired**.
- **Fully franked final dividend** of 7.1 cents per share declared, representing a payout ratio of 60.0%[12]. **Total** fully **franked dividends of 12.1 cents per share for CY2024**[13]**,** equating to an **annualised yield** of 8.6%, up from 6.4% PCP.
- Pepper Money remains **well funded to support future growth** with **unrestricted cash of $124.0 million** at year end.

	CY2024	CY2023	Movement
Statutory NPAT	$98.2 m	$108.7 m	(10)%
Pro-forma NPAT	$98.2 m	$111.1 m	(12)%
Profit pre-Tax and Loan loss expense	$209.2 m	$192.0 m	+9%
Originations	$7.0 bn	$7.3 bn	(3)%
Lending AUM	$15.9 bn	$18.3 bn	(13)%
Total AUM	$19.1 bn	$19.7 bn	(3)%
Net Interest Margin (NIM)	1.97%	1.85[1]%	+12bps
Loan loss provision coverage ratio[14]	0.74%	0.65%	(9)bps
Total operating income	$386.6 m	$390.1 m	(1)%
Operating expenses excluding Impairments	$186.8 m	$186.6 m	flat
Total operating expenses	$198.1 m	$191.4 m	(4)%
Final dividend (per share)	7.1 cents	5.0 cents	+41%
Final dividend payout ratio	60.0%	37.5%	+60%
Full year dividend[15]	$53.2 m	$37.8 m	+41%
Full year dividend (per share)	12.1 cents	8.6 cents	+41%
Annualised dividend yield	8.6%	6.4%	+34%

Pepper Money Limited (ASX: PPM) today announced its full year results for the 12-month period ending 31 December 2024 (CY2024). The Company reported Statutory and Pro-forma Net Profit After Tax (NPAT) of $98.2 million for the year, versus $108.7 million Statutory NPAT and $111.1 million Pro-forma NPAT in CY2023.

Commenting on CY2024 performance, **Pepper Money's CEO, Mario Rehayem**, said: "*We closed CY2024 delivering strong performance across all key drivers with the second half of the year showing clear signs of ongoing improvement in performance. In light of this, the Board has declared a fully franked final dividend of 7.1 cents per share, taking the total CY2024 dividend to 12.1 cents per share (fully franked) which equates to an annualised yield of 8.6%, up from 6.4% PCP.*

"Our Mortgage Originations grew 27% second half 2024 versus first half, supporting an annualised Originations growth for Mortgages of 5% on PCP. Our Asset Finance business also delivered 3% higher Originations growth in 2H versus 1H 2024. While Asset Finance Originations were down (13)% on PCP, this was due in part to soft market conditions, and ongoing cost of living pressure suppressing demand, as well as our continued focus on the right balance of risk and returns on assets originated."

"Most pleasing is this growth did not come at the expense of Net Interest Margin. NIM improved across both Mortgages and Asset Finance – with Total NIM for CY2024 at 1.97%, up 12bps on a like-for-like basis on PCP. Mortgage NIM increased 8bps and Asset Finance improved 5bps when comparing CY2024 to CY2023. NIM growth was supported by improved funding margins, new products, and our ability to balance volume growth and mix – whether that be mix between products, between business segments or countries."

"The resilience of the mortgage market was clearly seen in our credit performance for this segment, with Loan loss expense benefiting from lower Collective, only partially offset by a $(1.8) million increase in Specific loss expense. Given the ongoing resilience of the mortgage market, we released $6.0 million in Mortgage Post Model Overlays. We remain well provisioned in Mortgages – with total provisions at $21.2 million, giving Mortgages a Coverage Ratio of 0.21% (PCP: 0.24%)."

"Across the Asset Finance industry there has been a deterioration in credit performance – as customers in this segment are *being impacted by the ongoing pressures of cost of living and high interest rates, which is seeing late-stage arrears increase. Further, there continues to be heightened levels of insolvencies which impact performance, as the Government protections under COVID-19 have been fully removed. While we saw these trends particularly over the second half of 2023 and into the first half of 2024, we addressed them in part through shifting our Asset Finance Originations mix towards credit risk Tier A customers who, at year end, accounted for 64% of Asset Finance AUM. These customers attract lower losses over time. Our Asset Finance Loan loss expense for the full year, pre-Post Model Overlay, increased $(17.5) million on CY2023, with increased Specifics offset by lower Collective through a shift in customer mix and provision release following Whole Loan Sales. We increased the Post Model Overlay by $(7.3) million in Asset Finance, to ensure we continue to have strong provision cover, until market and macro conditions stabilise. It is worthwhile noting that, since we commenced our Asset Finance business in 2014, only 1.4% of cumulative Originations – of $16.6 billion – have resulted in an actual loss for the business."*

Originations

The Company delivered $7.0 billion in **Originations** over CY2024:

- **Mortgage** Originations **grew 5%** on PCP to $4.1 billion, 2H 2024 Originations at $2.3 billion grew 27% on 1H 2024. Mortgage Origination mix for the full year was split 52% Non-conforming, 48% Prime (versus 63% and 37% respectively in CY2023).
- **Asset Finance** delivered Originations of $2.9 billion for CY2024, down (13)% on PCP, however 2H 2024 Originations grew 3% over 1H 2024. Novated Leasing Originations grew nearly three-fold on CY2023. Tier A customers contributed 70% of the Originations mix (63% PCP), Tier B 25% (28% PCP) and Tier C 5% (9% PCP).

Assets Under Management (AUM)

Total AUM closed December 2024 at $19.1 billion, down (3)% on December 2023. **Total Lending AUM** closed the year at $15.9 billion, with **Servicing AUM** increasing to $3.3 billion, following the $2.5 billion in Whole Loan Sales executed over 2024 (Mortgages: $1.5 billion, Asset Finance $1.0 billion):

- **Mortgage** AUM closed at $10.2 billion, down from $12.6 billion in CY2023. The reduction in AUM was driven by the Whole Loan Sales, where the AUM sold is transferred to Servicing AUM, lower Origination volume over the first half coupled with high customer attrition in New Zealand.
- **Asset Finance** AUM closed CY2024 at $5.6 billion, versus $5.7 billion CY2023 close. $1.0 billion in Whole Loan Sales were completed for Asset Finance over CY2024.

Net Interest Margin (NIM)

Net Interest Margin of 1.97% for CY2024 was 12bps ahead of PCP on a like-for-like basis.

- **Mortgage** NIM increased 8bps to close CY2024 at 1.65% versus 1.57% PCP. NIM was assisted by the stabilisation in the BBSW, and lower customer attrition in Australia given the RBA held rates stable over the year, coupled with delivery of business funding and product strategies. Mortgage NIM benefited marginally from the acceleration in customer attrition of the acquired HSBC New Zealand portfolio.
- **Asset Finance** NIM improved by 5bps versus PCP to 2.55%. The increase in NIM was driven by improved cost of funds, coupled with the positive flow through of pricing initiatives implemented.

Credit performance

Loan loss expense increased $(29.4) million on CY2023. Total **Specific** expense increased by $(21.6) million to $(72.9) million. Total **Collective** expense in CY2024 was a release f $3.6 million (CY2023: release $11.4 million). The movement in Collective was primarily due to the release of provisions on the execution of Whole Loan Sales, as the loans they relate to are sold to a third party.

- **Mortgages:** CY2024 Loan loss expense was a release of $5.8 million in total. **Specific** expense increased by $(1.8) million to $(4.2) million. Provision releases following Whole Loan Sales, as well as positive portfolio mix (higher Prime Originations) resulted in **Collective** expense closing at $4.0 million (CY2023: $1.6 million). A further $6.0 million in **Post Model Overlays** was released from Collective, given the ongoing resilience of the mortgage market.
- **Asset Finance:** Loan loss expense at $(75.1) million increased by $(30.9) million over PCP. **Specific** expense closed CY2024 at $(68.7) million (CY2023: $(49.0) million) driven by late-stage arrears and insolvencies, most notably in the first half of 2024. **Collective** expense, before Post Model Overlay, benefited from releases following the two Whole Loan Sales executed over CY2024, to close at $0.9 million. With the continued pressure of macro and market conditions given interest rates and cost of living, Asset Finance **Post Model Overlay** was increased by $(7.3) million during the year. Total Collective expense for the year was $(6.4) million.

Cost management

Operating expenses, pre-Impairments, were largely flat year-on-year at $186.8 million (CY2023: $186.6 million) as the business continues to benefit from process and automation efficiencies as well as the ongoing disciplined approach taken to cost management.

- **Employee benefit expense** decreased 2% on PCP, with wage inflation and higher bonus provisions offset by lower FTE (down 8% on December 2023 close) as benefits continue to accrue from process improvements and automation initiatives.
- **Marketing expense** included the timing impact of a new sponsorship arrangement. Excluding the timing variance, Marketing expense at $(14.9) million was flat year-on-year.
- **Technology expense** grew by inflation, (3%) year-on-year, from $(23.8) million CY2023 to $(24.6) million CY2024.

Impairments / Fair value adjustments increased to $(11.3) million in CY2024, up from $(4.8) million PCP, as equity investments made in prior periods were re-valued and the adjustment taken through profit and loss.

Total Expenses increased (4)% on PCP to $246.7 million, given higher impairments and Corporate Interest expense.

Profit

Underlying profit increased year-on-year. **Profit pre-Tax and Loan loss expense** of $209.2 million was up 9% on CY2023, supported by volume growth at appropriate risk / return, coupled with the Company's ongoing disciplined approach to cost management and efficiency gains.

Net Profit After Tax was (12)% below CY2023 Pro-forma, and (10)% under CY2023 Statutory, closing the year at $98.2 million, due to the increase in Loan losses in Asset Finance as a result of increased late-stage arrears and heightened insolvencies experienced predominantly in 1H 2024.

Funding and capital

Total Warehouse capacity at 31 December 2024 was $10.8 billion, 16% higher than 31 December 2023 reflecting increased Origination volume in Mortgages and Asset Finance over the second half of 2024. The Company continues to take a prudent approach to funding, maintaining a ~4 months of warehouse funding headroom. Over CY2024 Pepper Money completed three **Public Term securitisations** – two Residential Mortgage-Backed Securities (RMBS) transactions and one Asset-Backed Securities (ABS) transaction, raising $2.7 billion from public markets. This included our 40th Non-Conforming Mortgage Public securitisation – PRS 40 – which at $1.25 billion was the largest Australian Dollar securitisation in Pepper Money's history. In addition to Public Term securitisations, a further $2.5 billion was raised from seven **Whole Loan Sales**, including two Asset Finance ($1.0 billion), two Non-Conforming mortgage ($0.9 billion) and three Prime mortgage ($0.6 billion).

The acquisition of the 35% residual shareholder in Stratton Finance Pty Ltd was completed in March 2024, for a consideration of $41.7 million, funded from cash reserves. In May 2024, following the maturity and repayment of our Corporate Debt Facility (CDF), we entered a new syndicated 3-year revolving credit facility. At the time of establishment, the facility was drawn to $155.0 million. Given the cash released from Whole Loan Sales, $30.0 million of the facility was repaid over the second half of 2024. Debt was further reduced with the repayment of a $25.0 million Medium Term Notes in December 2024, with the drawn amount of this facility now at $90.0 million.

The business closed 2024 with **Unrestricted Cash** of $124.0 million.

CY2024 final dividend

Following the change to the Company's Dividend Policy announced 29 February 2024[16], the dividend payout ratio was increased to a payout range of 30-60% (versus 30-40% in prior years).

Given the strength of the business performance over CY2024, the Board has declared a **fully franked final dividend of 7.1 cents per share**[17]**,** representing a **payout ratio of 60.0% on Pro-forma NPAT** for the period 1 July to 31 December 2024. This brings **total dividends** paid or payable in relation to CY2024 to $53.2 million and equates to total fully franked dividends declared in respect to CY2024 of **12.1 cents per share, representing an annualised yield of 8.6%**.

Outlook

Mario Rehayem, said, "*As we enter 2025, Pepper Money is in a strong position to capitalise on sustainable and profitable growth opportunities as macro-economic conditions improve and pressure from high interest rates start to ease. Our performance, particularly over the second half of 2024, clearly shows how, as a business, we can balance origination growth and margins to deliver improved returns. We have a strong track record, over 24 years of managing the business through economic cycles. We demonstrated this again in 2024, leveraging our scaled platforms and processes, coupled with our disciplined risk and cost management, to deliver sustainable growth supported by cost efficiencies. The strength of our capabilities in funding, when coupled with our exemplary reputation, saw us lead the market in Whole Loan Sales, as part of our funding diversification and capital management. This has seen us deliver strong capital returns – with dividends to shareholders increasing 41% year-on-year. As always, we remain focused on identifying opportunities to diversify our revenue streams, whether through new products, increased servicing or new business activities".*

ENDS

This announcement was authorised for release by the Board.

About Pepper Money

Pepper Money is one of Australia and New Zealand's leading non-bank lenders. It was established in 2000 as a specialist residential home loan lender in Australia with a focus on providing innovative home loan solutions to customers. Today, Pepper Money has a broad product offering of residential home loans, asset finance, commercial real estate and novated leases in Australia and residential home loans in New Zealand. For more information visit **www.peppermoney.com.au**

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1. CY2023 Net interest income for Total and Mortgages adjusted to reflect the change in the accounting for trail commission, effective 1 January 2024. Net interest income impact $(24.8) million with a corresponding offset in Lending expense.
2. PCP: prior comparable period being the 12 months to 31 December 2023.
3. Numbers presented are subject to rounding.
4. Profit Pre-Tax and Loan loss expense is on a Pro-forma basis. CY2023 $192.0 million.
5. Net Profit After Tax (NPAT).
6. Unless otherwise stated, all % movements are compared to the year ending 31 December 2023 (CY2023).
7. CY2024 Pro-forma adjustments: Nil. CY2023 Pro-forma pre-tax adjustments of $(3.3) million are one-off in nature as they related to the acquisition of the HSBC New Zealand mortgage portfolio completed 1 December 2023.
8. All references to CY2023 Operating income are Pro-forma as per footnote 7.
9. Operating expenses: Employee benefits, Marketing, Technology and General and Admin expenses.
10. Impairments/Fair value adjustments increased from $(4.8) million in CY2023 to $(11.3) million in CY2024 relating to the annual re-valuation of equity investments, with adjustments taken through profit and loss.
11. Committed and uncommitted facility limits. Includes Pepper Money Notes.
12. Payout ratio of 60.0% of the Pro-forma NPAT for the period 1 July to 31 December 2024.
13. The interim and final dividend paid in respect to Pro-forma NPAT for the period 1 January to 31 December.
14. Loan loss provisions, including Post Model Overlay, as a percentage of Lending AUM (Coverage Ratio).
15. Being the interim and final dividend paid in respect to Pro-forma NPAT for the period 1 January to 31 December.
16. Refer Pepper Money Limited Annual Report 2023, page 42, released 29 February 2024 and Pepper Money Limited Prospectus – Initial Public Offering of Ordinary Shares. Section 4.10 page 181.
17. Final dividend payable on Pro-forma NPAT for the period 1 July to 31 December 2024.

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