

ASX Announcement

7 May 2025

Pepper Money Limited (ASX:PPM) Annual General Meeting – Chair and CEO Address

Attached is the text of the following addresses to be delivered at the Company's Annual General Meeting being held today:

- Address from the Chair, Akiko Jackson; and
- Address from the CEO, Mario Rehayem.

This announcement has been authorised for release by the Company Secretary.

For further information:

John Williams
General Counsel and Company
Secretary (Authorising Officer)

ENDS

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 that were being underserved by traditional lenders. Pepper Money today 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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Pepper Money Limited

ANNUAL GENERAL MEETING
Chair and CEO Address

Wednesday 7 May 2025

Chairs' address to shareholders

Dear Shareholders,

It is my privilege to address you today as the Chair of Pepper Money Limited. This is my first AGM as the Chair following my election in May of 2024. I am grateful for the support of my fellow directors in appointing me to this position following Mike Culhane's resignation.

I am also pleased to welcome Vaibhav Piplapure, known to us all as VP, to his first AGM following his appointment to the Board as a Non-Executive Director and Shareholder Representative in May of 2024. VP brings a wealth of global experience in capital markets, specialist financing, and securitisation.

As you know from our Notice of Meeting, VP and Justine Turnbull are standing for election today. I will ask each of them to say a few words when we come to the formal part of the meeting.

Our Company continues to thrive and deliver ongoing strong performance, thanks to the dedication and expertise of our Management team, our innovative approach to customer and partner experiences, and the disciplined execution of our strategic initiatives.

Pepper Money's mission to "help people succeed" remains at the heart of our strategy. We continue to lead the non-bank sector across Australia and New Zealand, offering a broad range of customer solutions, including residential home loans, mortgages for Self-Managed Super Funds, asset finance, commercial real estate loans, and loan servicing.

Our success is grounded in our investment in people, processes, technology, and data, ensuring we foster the right environment for growth. Our focus on innovation drives positive outcomes for our customers, partners, employees, and shareholders.

Pepper Money's performance in 2024 was strong, despite challenging market conditions, including high-interest rates and cost of living pressures. Overall we delivered a Net Profit After Tax on a Pro-forma basis of \$98.2 million for 2024.

Pre-tax Profit and Loan Loss Provisions increased by 9% versus 2023. Notably, our Mortgage business saw Originations grow by 5% year-on-year to \$4.1 billion. Although Asset Finance Originations decreased to \$2.9 billion from \$3.4 billion in 2023, the market showed signs of stabilisation, with second-half Originations growing by 3% over the first half of 2024.

Our Self Managed Super Fund Mortgage product, launched in the fourth quarter of 2023, contributed 6% of Mortgage Originations in 2024. Our Sharia Lending solution, launched in June 2024, addressed an unmet need and accounted for 2% of Mortgage Originations for 2024. We expect further growth in this area as new partners are on boarded.

We closed the year with Total Assets Under Management of \$19.1 billion, positioning us strongly for 2025. Cost management remained a key discipline, with Operating expenses, excluding impairments, flat year on year.

Pepper Money's strength in funding programs is well-recognised. In 2024, we executed seven Whole Loan Sales, raising \$2.5 billion, complementing the \$2.6 billion from our Public Term Securitisation programs. Our funding diversification included our 40th Non-Conforming Mortgage Public Securitisation, PRS 40, raising \$1.25 billion, the largest all-Australian Dollar Securitisation in our history.

We acquired the remaining 35% shareholding in Stratton Finance funded from cash reserves.

We reduced our indebtedness by \$55.0 million, paying down \$30.0 million from the Corporate Debt Facility and retiring \$25.0 million of Medium-Term Notes. Subsequent to year end we have paid down a further \$27.5 million from the Company's Corporate Debt Facility.

Pepper Money remains committed to providing returns to our shareholders. Following the change to our Dividend Policy, we increased the payout ratio range to 30-60%.

Your Board was pleased to announce a fully franked final dividend of 7.1 cents per share, representing a 60.0% payout ratio for the period from 1 July – 31 December 2024. This brought total dividends for 2024 to 12.1 cents per share, a payout ratio of 54.1%, up from 34.0% for 2023.

We continue to look for ways to deliver additional value to shareholders, including through the recently announced extension of the on-market share buy-back that commenced in 2024.

Sustainability is a core value at Pepper Money. In 2024, we formalised our Environmental, Social, and Governance commitment and established a Board ESG Committee, chaired by Justine Turnbull. Our key focus is on fostering a culture of diversity and inclusion. Women hold 46% of all Senior Leadership positions and 55% of our key talent. Our Employee Engagement Survey highlighted high scores in Inclusion, Fair Treatment, and Equal Opportunity.

In 2025, we will continue to refine our Diversity and Inclusion culture, focusing on Inclusive Leadership, Gender Equity, and Diversity Awareness. Our Corporate Social Responsibility Promise remains strong, and we are dedicated to creating sustainable value for our stakeholders.

I extend my thanks to the exceptional team at Pepper Money, led by Mario Rehayem. Our team's talent and capabilities are widely recognised and are the driving force behind our success.

We remain focused on delivering our strategy and increasing our value to society. Our scalable platforms and strong funding programs position us to efficiently capture growth and drive ongoing returns to our shareholders.

On behalf of the Board and Management, I thank you for your continued support and confidence in Pepper Money.

CEO's address to shareholders

Thank you, Chair, and good morning, everyone.

Before I turn to provide some comments on 2025 and the operating outlook, I just want to cover some of our key achievements for 2024.

Pepper Money delivered strong performance across all key drivers:

- In total we delivered \$7.0 billion in Originations in calendar year 2024.
- 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 delivered higher Originations growth, with the second half of the year up 3 % versus first half.
- Total AUM – which is a key foundation of future profitability – closed 2024 at \$19.1 billion, placing us in a strong position as we enter 2025.
- Our volume growth did not come at the expense of Margin.
 - Net Interest margin improved across all asset classes, supported by improved funding, product and business mix.
 - Total NIM at 1.97 % increased 12 basis points versus the prior comparable period.
 - Mortgage NIM at 1.65 % increased 8 basis points on PCP, and
 - Asset Finance increased 5 basis points to 2.55 %. Asset Finance NIM expansion was not at the cost of taking on more risk – we did the opposite – and weighted originations over 2024 to low credit risk Tier A customers – who accounted for 70% of calendar year 2024 Originations, and at year end make up 64 % of Asset Finance AUM.
- Our underlying profit, being Profit before Tax and Loan loss expense, grew 9% year on year to \$209.2 million. Given the increase in Loss expense in Asset Finance taken in the first half of 2024, relating to elevated late-stage arrears and increased insolvency, Net Profit After Tax at \$98.2 million closed 12% down on calendar year 2023.
- Our capital management strategy drove material benefits:
 - we led the market in Whole Loan Sales, completing seven transactions over the year totalling \$2.5 billion.
 - when Whole Loan Sales are taken with the \$2.7 billion raised through Public securitisations in 2024, - the business drove a highly efficient and diverse funding structure over 2024.; and
 - we ended the year with \$124.0 million in Unrestricted cash.
- Our strong operating performance and focus on operational excellence and capital efficiency allowed the Board to declare a final fully franked dividend of 7.1 cents per share – **representing a 60% payout ratio on Pro-forma Net Profit after Tax for the second half of 2024.**

- Incorporating the 5.0 cents per share interim dividend paid, **we returned in excess of \$53 million** to our shareholders in fully franked dividends in respect to our performance in 2024, an uplift of 41 % on PCP.
- Our mission is to “help people succeed” which guides our financial performance. Our X Factor program – Customer Experience, Employee Experience and Partner Experience, was launched in 2024 to provide guiding principles to how we operate. Our Net Promoter Score across all product classes materially outperforming the industry. In a time of when customers are facing cost of living pressures and high interest rates – our Mortgage business achieved a Net Promoter score of 16, when the industry had significant net detractors – with a score of minus 5.
- Our employees continue to be highly engaged – we maintained our outstanding engagement score of 75 - over 2024. Our Managers are seen as leading from the front and our employees say they are respected and heard.
- Our focus on our partners is a core competency of Pepper Money. It is why we have such a strong distribution footprint – with 4,804 active Mortgages brokers and 1,480 active Introducers in Asset Finance. Like our customer NPS, our partners continue to call Pepper Money out as the Lender they would most like to work with.

Now turning to 2025 and the operating environment we are facing.

Without doubt, we are facing into a turbulent global environment, and every day we seem to be waking up to new headlines that are generating uncertainty. Given this environment - what we can do in response, is focus on what we are known for – delivering the right customer and partner experience that puts Pepper Money at the forefront for capturing growth as it returns.

On a positive front – as we entered 2025, we have started to see the Mortgage market stabilise and growth returning. This was assisted by the RBA rate cut of 25bps in February.

Over Quarter 1 2025 our Mortgage applications have increased by 66% versus Quarter 1 2024. Given that Equifax reported Mortgage enquiry growth over the same period of 28%, I am encouraged that the initiatives we implemented over the second half of 2024 – including new product development, and modifications and improvement to our credit policies – have gathered traction. As I noted at the time of presenting our full year results, we are seeing a skew towards Prime Mortgages, and in CY2024 Prime accounted for just under half of total Originations – and the move to Prime has continued into Q1 2025.

Growth in Asset Finance Applications is more subdued than Mortgages, but we have still achieved Applications growth of 14%, Quarter 1 2025 over Quarter 1 2024. And while some of the growth was as a result of the removal of FBT exemption on hybrids, which ceased 1 April 2025, the business is tracking ahead of expectations.

While early days, and even given market uncertainty, our start to 2025 has been positive. We continue to pursue the X factor which I spoke about at the full year. We have continued the rollout of our efficiency tools in areas such as our call centre leveraging off our ongoing

investment in AI. Early results are encouraging and exceeding our expectations. We continue to drive down our cost to originate and cost to serve, whilst ensuring we constantly enhance our speed to yes and user experiences for our distribution partners and customers.

So, we are off to a positive start for 2025 – and markets permitting – we remain confident we will deliver to plan.