

23 August 2024

ASX ANNOUNCEMENT

STELLARE 2.0 DELIVERS 50% GROWTH IN AUSTRALIA IN JULY FIFTH CONSECUTIVE HALF OF BOOK GROWTH AND POSITIVE CASH NPAT

Harmoney Corp Limited (ASX:HMY) (“Harmoney” or “the Company”), a leading consumer-direct personal lender in Australia and New Zealand, is pleased to provide an update on its performance for the year ended 30 June 2024 (“FY24”).

Operational Highlights:

- Stellare® 2.0 delivers **+50% increase in Australian new customer originations** in July 2024 compared with the same month last year, with July 2024 being the first month all marketing channels were directed to Stellare® 2.0.
- **90% of decisions fully automated** in Stellare® 2.0, for fast, consistent decisioning.
- Stellare® 2.0 **calibrates risk factors to individual applicants**, delivering more, yet safer, offers.
- **Arrears 10% lower** on Stellare 2.0 compared with Stellare 1.0 over the same period.
- **Strong revenue growth**, up +15% on the prior corresponding period (“pcp”) to \$123 million.
- **Credit loss % improves from first half 2024**, down 20bps to 4.0%, as newer Australian scorecard forms a larger proportion of the loan book.
- **Cost to income continues to improve**, down to 24% from an already low 28% in the pcp.
- **Fifth consecutive half of both loan book growth and positive Cash NPAT**, with Cash NPAT of \$0.7 million even while transitioning platforms and navigating a higher interest rate environment.
- Stellare® 2.0 success has **enabled Stellare® 1.0 retirement**, resulting in one-off \$9.5 million non-cash impairment expense this year.
- **Strong funding capacity for growth** with \$30 million corporate debt facility, of which \$7.5 million remains undrawn, \$20.6 million of unrestricted cash on hand, an Asset Backed Securitisation program in Australia and New Zealand, and warehouses from 3 of the “big-4” Australian banks with \$181 million existing growth capacity.

Financial Highlights

	FY24	FY23	Change (pcp)
Loan book	\$758m	\$744m	+2%
Revenue	\$123m	\$107m	+15%
Net interest income %	8.8% <small>10.2% 4Q24 new business</small>	9.6%	(80bps)
Risk adjusted income %	4.8% <small>6.3% 4Q24 new business</small>	6.0%	(120bps)
Acquisition costs	\$10.6m	\$12.3m	(14%)
Cost to income %	24%	28%	(400bps)
Statutory NPAT	\$(13.2m)	\$(7.6m)	(74%)
Statutory NPAT (normalised)	\$(3.7m)	\$(7.6m)	51%
Cash NPAT	\$0.7m	\$4.7m	(85%)

Commenting on FY24, Harmony's CEO & Managing Director David Stevens said:

"We are delighted to have launched our new Stellare® 2.0 platform in Australia this year and to now begin demonstrating its power with a +50% uplift in Australian new customer originations in July 2024 compared with July 2023. We are showcasing July, as this is the first month that all marketing channels have been directed to Stellare® 2.0, following a rigorous period of testing.

Stellare® 2.0 has been able to achieve this uplift through a combination of a simpler and smarter customer experience enabling customers to complete the process faster and more accurately, and through an enhanced decisioning algorithm that is able to automatically and safely tailor attractive, viable offers to more applicants. Safe credit decisioning has been a core focus in our development of Stellare® 2.0, with 100% of offers audited post settlement, creating a fast efficient and comprehensive feedback loop. Stellare® 2.0 arrears are currently 10% lower than Stellare® 1.0 for loans originated over the same period and average Equifax scores are unchanged.

Stellare® 2.0 harnesses the power of automation, machine learning, and artificial intelligence large language models and has been developed in-house by our talented team of engineers and consumer lending experts, building on cloud-native core banking infrastructure employed by Tier 1 global banks. While we're delighted with the early origination gains being delivered, what excites us even more is the development agility it unlocks for our team, enabling us to bring new features, products and partnerships to market at a much faster pace.

Our focus on Stellare® 2.0 has been at the expense of further enhancements to Stellare® 1.0 that would have supported increased FY24 originations, particularly in a year of economic change where consumers have been facing significant economic headwinds brought about by higher market interest rates. However, we believe that investing in Stellare® 2.0 was strategically the better option because of the accelerated growth opportunity it unlocks for the current financial year and beyond.

Even with spending FY24 investing in Stellare® 2.0, and despite a challenging year for consumer lending due to higher market interest rates, Harmony has delivered a further year of both Cash NPAT profitability and loan book growth, marking our fifth consecutive half of doing so, with Cash NPAT of \$0.7 million and a closing loan book of \$758 million.

Revenue grew this year by +15% to \$123 million on a combination of loan book growth and higher average lending rates. While rising market interest rates compressed our net interest margin to 8.8%, this pressure eased in the second half of the year as the average portfolio rate increased, with the 4Q24 new lending margin at 10.2%. Credit losses also reduced in the second half of the year, down to 4.0% from 4.2% in the first half. 90+ day arrears have also fallen, down to 43bps, from 65bps last half and 58bps last year.

Our highly automated platform and the agility of our consumer-direct model responding to market conditions allowed us to reduce acquisition costs by 14% and cash operating expenses by 4%, even in the face of very high annual inflation levels.

The successful launch of Stellare® 2.0 has also enabled us to make the decision to retire Stellare® 1.0, which has resulted in a one-off \$9.5 million impairment expense this year. Normalising for this one-off expense, Statutory NPAT was \$3.7 million loss, down from a \$7.6 million loss last year.

Normalising for that one-off expense, our cost to income ratio also continued to improve from an already low 28% to 24%, with this trend expected to continue as we scale, with Harmony's high levels of automation and as we realise ongoing efficiencies from our Stellare® 2.0 implementation.

We expect to complete the roll out of Stellare® 2.0 across New Zealand in 1H25 and, particularly in 2H25, are looking forward to showcasing what we believe it is capable of, with significant loan book growth. As we get closer, we grow increasingly confident of achieving our goal of achieving 20% Cash Return on Equity run rate in 2H25.”

Outlook FY25

- 1H25 completion of Stellare® 2.0 rollout in both countries to set up for significant loan book growth in 2H25 and beyond
- Net interest margin returning to 9% in 2H25
- Cash NPAT growth
- 20% Cash Return on Equity run rate in 2H25

Investor webcast at 9:00am AEST / 11:00am NZST today

CEO and Managing Director, David Stevens, and CFO, Simon Ward, will host an investor conference call and webcast, including a Q&A session today at 9:00am AEST / 11:00am NZST.

Participants are encouraged to register before the start of the call using the details below. Please note that registered participants will receive their dial-in number upon registration.

The audio webcast and slide presentation registration will be accessible via the following link:

<https://s1.c-conf.com/diamondpass/10041437-6lns0z.html>

This release was authorised by the Board of Harmony Corp Limited.

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For Corporate / Investor queries please contact us via:

Investor Relations

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

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

Please see sign up instructions below.

David Stevens

CEO & Managing Director

investors@harmony.co.nz

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 loan applications within minutes. 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>
2. Follow the prompts to sign up for an Investor Hub account.
3. Complete your account profile. If you are an existing shareholder, you may choose to link your shareholdings to your Investor Hub account (optional).