

# Latitude 1H21 Results

23 August 2021



Latitude Group Holdings Limited  
ACN 604 747 391

# Important notice and disclaimers

## Important notice and disclaimer

The following important notice and disclaimer applies to this presentation (“**Presentation**”) and you are therefore advised to read this carefully before reading or making any other use of this Presentation or any information contained in this Presentation.

This Presentation has been prepared by Latitude Group Holdings Limited (“**LFS**”). The distribution of this Presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## Summary information

This Presentation contains summary information about the current activities of LFS and its subsidiaries as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete. This Presentation should be read in conjunction with LFS’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (“**ASX**”), which are available at [www.asx.com.au](http://www.asx.com.au). No member of LFS gives any warranties in relation to the statements and information in this Presentation.

## Financial information

The financial information in this Presentation is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by the Australian Accounting Standards (“**AAS**”) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. You should consider the basis of preparation and assumptions underlying the financial information contained in this Presentation.

All dollar values are in Australian dollars (“**A\$**” or “**\$**”). A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation. Unless stated otherwise 2020 numbers are shown on a proforma basis consistent with the IPO Prospectus dated 30 March 2021.

## Past performance

Past performance and historical information in this Presentation is given for illustrative purposes only and should not be relied upon (and is not) an indication of future performance including future share price information.

## Forward looking statements

This Presentation contains certain “forward-looking statements”. The words “forecast”, “estimate”, “likely”, “anticipate”, “believe”, “expect”, “project”, “opinion”, “predict”, “outlook”, “guidance”, “intend”, “should”, “could”, “may”, “target”, “plan”, “project”, “consider”, “foresee”, “aim”, “will”, “seek” and other similar expressions are intended to identify forward-looking statements.

Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of LFS and its related bodies corporate and affiliates and each of their respective directors, securityholders, officers, employees, partners, agents, advisers and management.

**Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.**

Nothing in this Presentation is a promise or representation as to the future. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may vary materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based. These statements may assume the success of LFS’s business strategies and the integration of Symple following completion of the Acquisition, the success of which may not be realised within the period for which the forward-looking statements may have been prepared, or at all.

No guarantee, representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns, statements or tax treatment in relation to future matters contained in this Presentation. The forward-looking statements are based only on information available to LFS as at the date of this Presentation. Except as required by applicable laws or regulations, none of LFS, its representatives or advisers undertake any obligation to provide any additional or updated information or revise the forward-looking statements or other statements in this Presentation, whether as a result of a change in expectations or assumptions, new information, future events, results or circumstances.

# Important notice and disclaimers (cont'd)



## Information and liability

To the maximum extent permitted by law, LFS and its respective affiliates and related bodies corporate and each of their respective directors, officers, partners, employees, agents and advisers (together, the “Beneficiaries”) exclude and expressly disclaim:

- all duty and liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any expenses, losses, damage or costs (whether foreseeable or not) incurred by you as a result of the information in this Presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise;
- any obligations or undertaking to release any updates or revisions to the information in this Presentation to reflect any change in expectations or assumptions; and
- all liabilities in respect of, and make no representation or warranty, express or implied, as to the fairness, currency, accuracy, reliability or completeness of information in this Presentation or any constituent or associated presentation, information or material, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns (or any event or results expressed or implied in any forward looking statement) contained in, implied by, the information in this Presentation or any part of it, or that this Presentation contains all material information about LFS or which a prospective investor or purchaser may require in evaluating a possible investment in LFS or acquisition of securities in LFS.

## Not an offer, advice or recommendation

This Presentation is for information purposes only and should not be read or understood as an offer, invitation, solicitation, inducement or recommendation to subscribe, buy or sell LFS shares or any other financial products in any jurisdiction.

Nothing contained in this Presentation constitutes financial product, investment, legal, tax or other advice or any recommendation. It does not take into account the investment objectives, financial situation or needs of any particular investor. Before making an investment decision, prospective investors should consider the appropriateness of the information in this Presentation having regard to their own investment objectives, financial situation and needs and with their own professional advice.

Each recipient of this Presentation should make its own enquiries and investigations regarding all information included in this Presentation including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of LFS and the values and the impact that different future outcomes may have on LFS.

## Market and industry data and other information

Certain market and industry data and other information used in this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither LFS nor its representatives or its advisers have independently verified, or can assure investors as to the accuracy of, any market or industry data or other information provided by third parties or industry or general publications.

Photographs and diagrams used in this Presentation that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Presentation or its contents or that the assets shown in them are owned by LFS. Diagrams used in this Presentation are illustrative only and may not be drawn to scale.

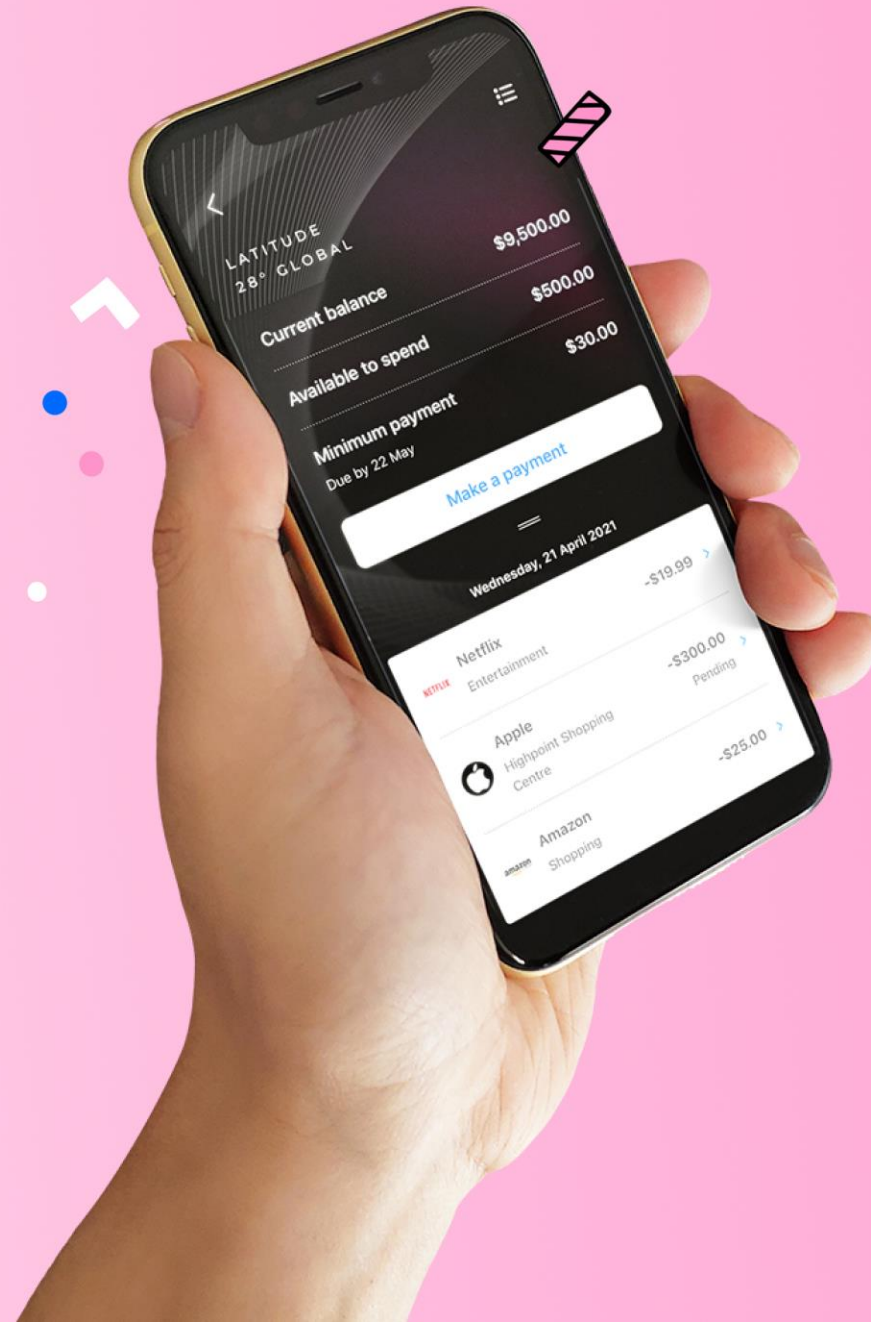
## General

In this Presentation references to ‘LFS’, ‘we’, ‘us’ and ‘our’ are to Latitude Group Holdings Limited and (where applicable) its controlled subsidiaries.

Statements made in this Presentation are made only as at the date of this Presentation. The information in this Presentation remains subject to change without notice. LFS may in its absolute discretion, but without being under any obligation to do so, update or supplement this Presentation. Any further information will be provided subject to the terms and conditions contained in this Important Notice and Disclaimer.

# Table of contents

1H21 key highlights	05
Business performance	09
2H21 outlook and growth initiatives	14
Financial update	18
Outlook	26
Appendices	28

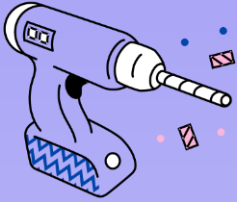


# 01 | 1H21 key highlights





# Executive summary: strong volume growth and positive strategic developments despite continuing COVID-19 affected industry challenges



## What went well:

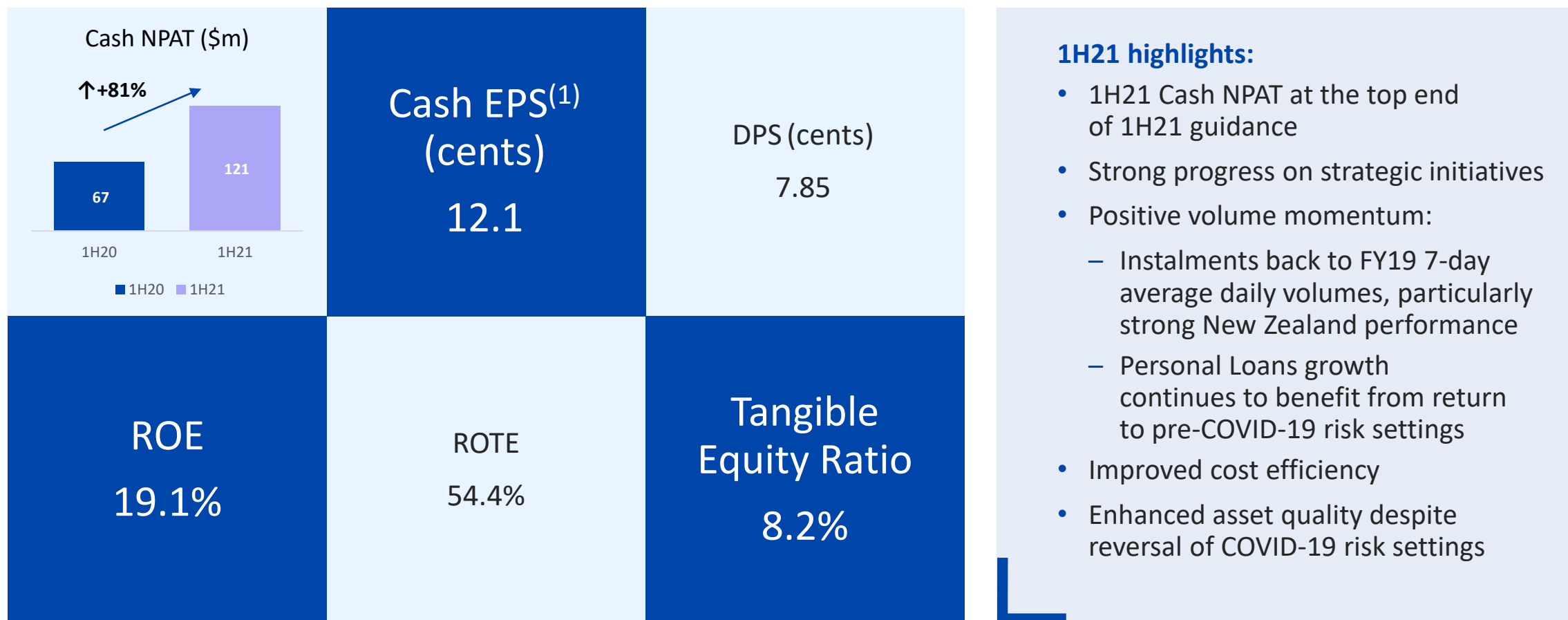
- Total volume up 5.4% vs PCP, excluding international and travel it is up 10.9%
- Market share gains across the portfolio in the front book with major highlights:
  - New Zealand all products
  - Personal & Auto Lending
- Cost discipline and efficiency gains
- Strong capital position and funding
- Positive developments with Symple, LatitudePay+ Big Ticket release, customer/broker satisfaction

## Challenges:

- Continued lockdowns in Australia impacting international and travel spend
- Elevated levels of customer repayments reducing receivables
- Small ticket BNPL pricing is competitive and supply is saturated in Australia



# Latitude delivers strong first half 2021 profit at the top end of guidance with strong volume momentum

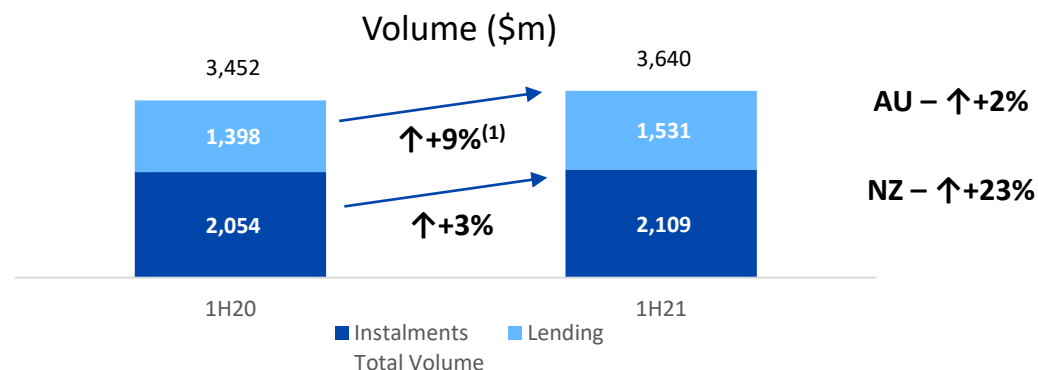


(1) Shown on a proforma basis for the number of shares on issue at the end of the period, which reflects the number of shares on issue as a listed company

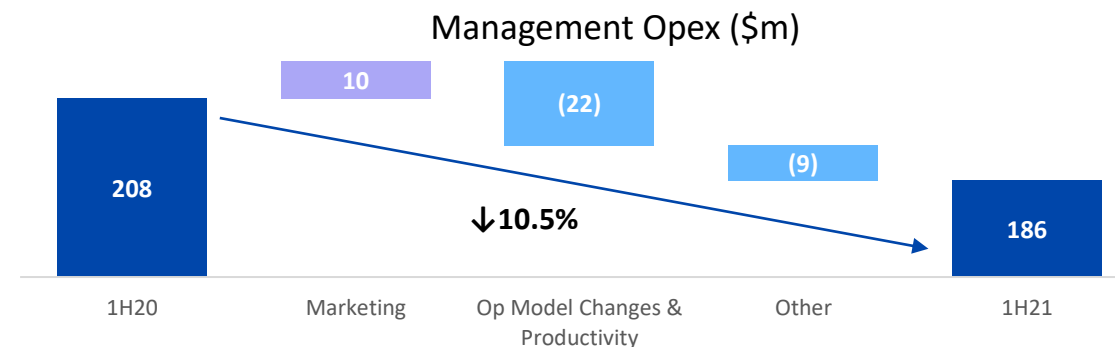
# Solid 1H21 operational performance in mixed conditions



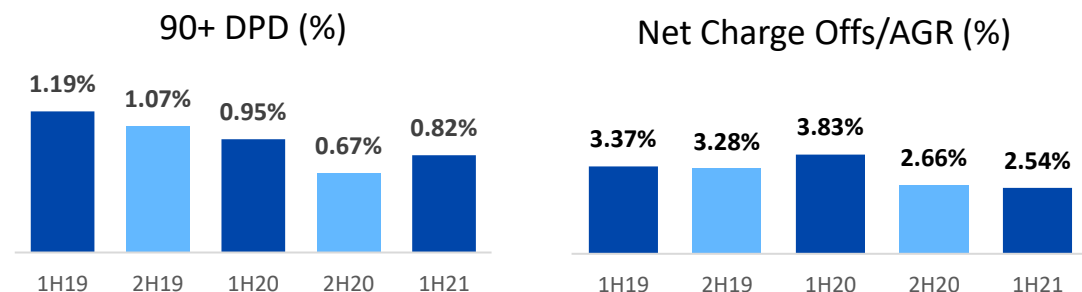
Strong volume recovery with group volumes up 5.4%, excluding international and travel volume is up 10.9%



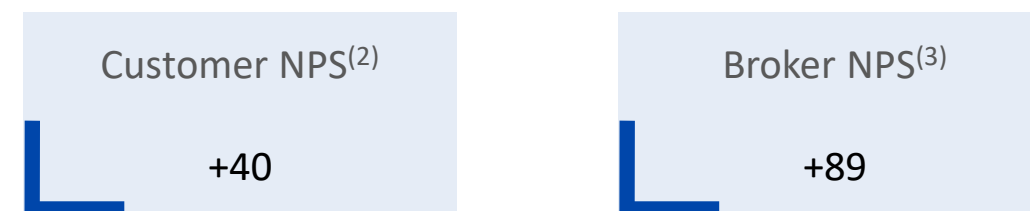
Improved cost efficiency whilst maintaining investments



Asset quality continues to improve



Strong customer experience



- (1) Personal and Auto Loans (excluding 28 Degrees and other runoff credit cards) is up 37% vs PCP  
 (2) Customer NPS – blended NPS score is the weighted average based on # interactions per channel/segment.  
 (3) Broker BDM Relationship NPS survey.

Note: 2020 numbers are shown on a proforma basis consistent with the IPO Prospectus



## 02 | Business performance



# Home economy spending continues to drive Instalments performance



## Delivery on volume growth initiatives

### Unwinding COVID-19 actions



- Successfully returned underwriting settings and restarted marketing and sponsorships including sponsorship of the Richmond Football Club

### Continue to capture opportunities in the 'home economy'



- Home economy segment continued to perform strongly during the half

### Launching new products and growing new industry segments



- MVP launch of LatitudePay+ into big ticket BNPL
- Commenced the future of interest free program to deliver instalments anywhere with personalised card linked offers on Latitude GO Mastercard/Gem Visa
- Multiple partnerships signed across verticals including telco, home improvement and healthcare, with many new merchants to come online with the full launch of LatitudePay+ in 2H21

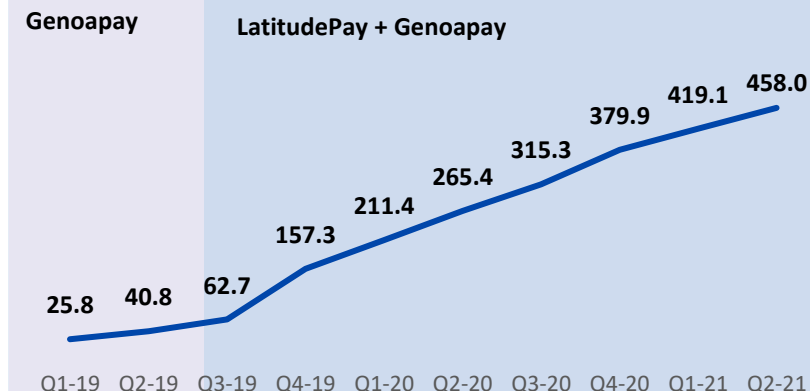
### With further upside in recovering sectors



- Although consumer confidence improved during the half, international travel has not resumed and domestic travel was impacted by border closures with recovery pushed into 2022

## Other 1H21 highlights

- BNPL customer base continued to grow during 1H21 up 73% vs PCP to 458k open accounts



- Increased customer engagement on Latitude GO Mastercard/Gem Visa with percentage of scheme active customers up 220bps compared to 2019
- Commenced development of six-month interest free shopping on Latitude GO Mastercard as part of the Future of Interest Free program

# Volumes returning to 2019 levels, except international and travel



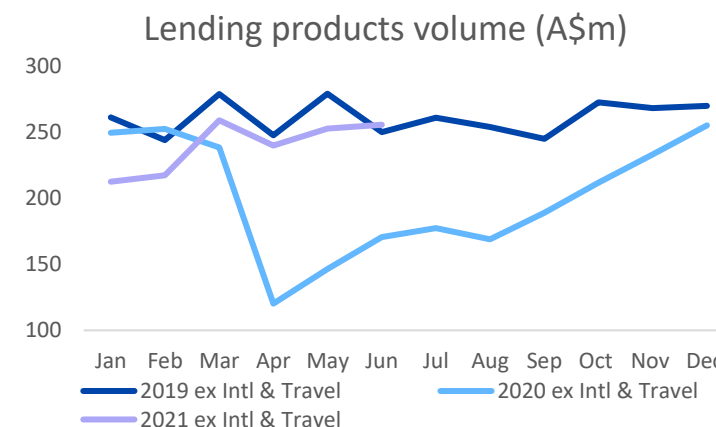
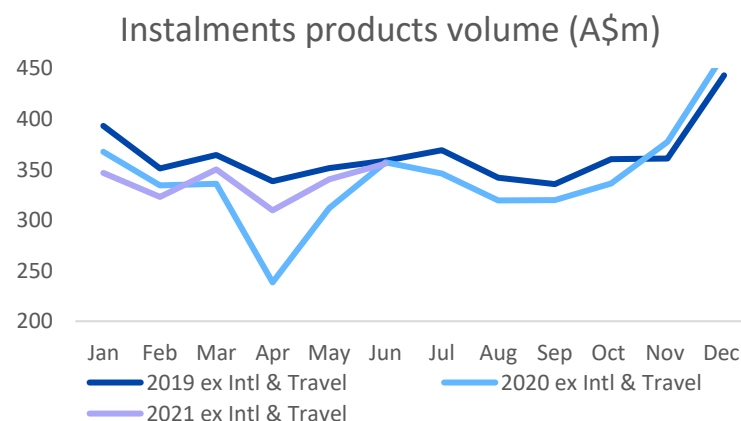
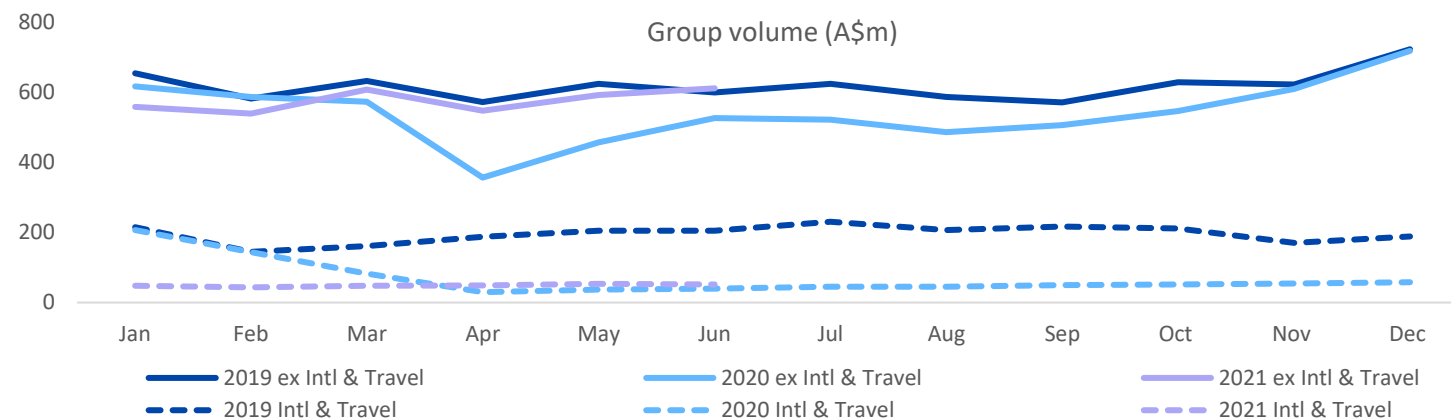
## Instalments

- Volumes up 3% (vs PCP) on strong growth in New Zealand and continued demand in Australia in home segment and domestic scheme, offset by periods of store closures during lockdowns
- Result driven by continued spend on the 'home economy'
- Increased domestic scheme spend across Instalment products supporting AGR's

## Lending

- Strong Personal Loan growth (volume up 30% vs PCP) with direct Personal Loan growth supported by resumption of marketing and outbound activity
- Strong Auto performance (volume up 60% vs PCP) in buoyant segment, with targeted 0-1yr and Recreational Vehicle pricing, and targeted broker engagement
- International and travel volumes remain subdued but significant upside when borders open

Group volume run-rate nearing 2019 levels, excluding international & travel related volume



# Personal and Auto volume growth is up 37% vs PCP



## Delivery on volume growth initiatives

### Increasing activation and penetration of our brokers



- Continued enhancement of broker portal to simplify the quote and application process
- Personal Loans have again topped The Adviser's 2021 Product of Choice survey for Non-Banks

### Improving digital lending experience for customers



- Enhanced quote and application process for customers, broker portal enhancements

### Unwinding COVID-19 actions and benefit from the economic recovery



- Successfully returned new business credit underwriting restrictions to pre-COVID-19 appetite
- Launched 0-1 year auto pricing to capitalise on increased demand in the auto space
- Delay of international travel was a headwind and border restrictions impacted domestic travel

### Improving digital lifecycle marketing for graduation



- BNPL graduation program continues to support growth, with nearly 10,000 BNPL customers taking up another Latitude product in 1H21

### New banking partnerships



- Acquisition of Symple Loans will help to enable this

## Other 1H21 highlights

- Personal Loans performed strongly in both Australia and New Zealand, up 30% in total:
  - Volumes up 23% vs PCP in Australia and 46% vs PCP New Zealand
  - Latitude has grown market share to 12% of total market<sup>(1)</sup> and #2 in total market volume<sup>(2)</sup>
- Auto Loans experienced significant growth in 1H21:
  - Volume up 60% on 1H20 and gross receivables up 28% on 1H20
- Signed a strategic partnership with the Dutton Group to provide direct auto financing across their dealer brands and support their growth agenda
- Launched a new digital SaaS platform for all future insurance products in February 2021

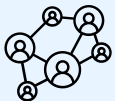
(1) A\$ receivables, internal Latitude data as at 30 June 2021.

(2) Internal Latitude data as at 30 June 2021.

# Repayment levels remain elevated



Repayment rates remained elevated throughout 1H21 due to elevated levels of household deposits, government support and access to superannuation withdrawals



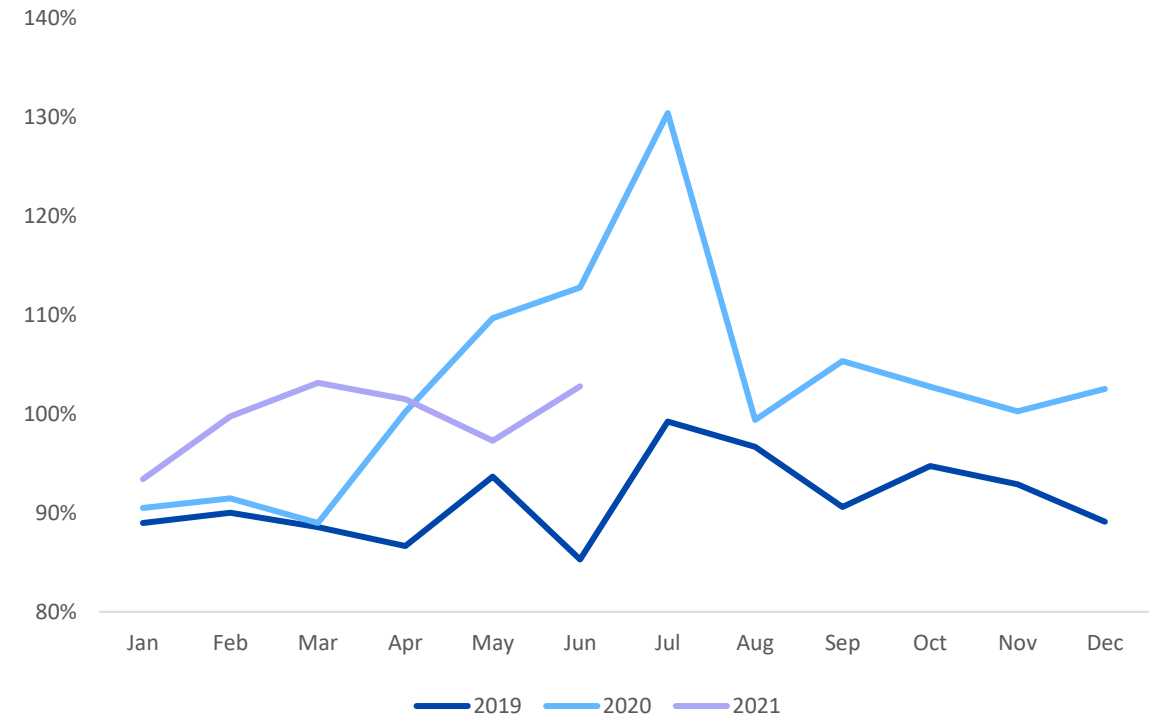
Repayments experienced across the portfolio in both Australia and New Zealand but predominantly in the Instalments portfolio



The trend of elevated repayments was seen across the industry and is expected to remain high during lockdowns<sup>(1)</sup>

(1) Demonstrated by the RBA data on personal credit card balances accruing interest on personal credit cards falling to ~2005 levels across 2H20 and continuing over 1H21.

Repayment % <sup>(2)(3)</sup>



(2) FX normalised at AUD/NZD 0.9419.

(3) Excludes 28 Degrees and other run off Credit Cards due to international impact on Credit Card portfolio repayment rates.

# 03 | 2H21 outlook and growth initiatives





# Latitude is differentiated by its platform model across Instalments and Lending



*A leader in consumer finance disrupting payments and traditional lenders*

## INSTALMENTS

Disrupting consumer payments and credit card balances

Shop small, pay weekly

### BNPL

LatitudePay growing rapidly as BNPL disrupts traditional payments  
Up to \$1,000, 10 weekly payments<sup>(1)</sup>

~460k customers<sup>(2)</sup> and growing

Shop big, pay monthly

### BIG TICKET

LatitudePay big ticket launching 2021 disrupting traditional credit cards  
Up to \$10,000 and 24 months<sup>(3)</sup>

MVP live now... wider release October 2021

Shop anywhere, pay flexibly

### GO & GEM

Latitude GO Mastercard/Gem Visa being refreshed making it easier to shop interest free  
Up to \$30,000 and 60 months

1.8m customers<sup>(2)</sup> spending >\$4bn p.a.<sup>(4)(6)</sup>

## LENDING

Leveraging graduation and funding advantages to drive growth

Home, holiday, wedding..

### PERSONAL LOANS

Latitude Personal Loans providing competitive rates and flexible packaging

Direct, Broker and Kiwibank white label

Car, boat, caravan..

### AUTO LOANS

Latitude Auto Loans well suited to growing focus on domestic tourism

Direct and Broker

International travel & shopping

### 28° GLOBAL

Latitude 28° Global travel and shopping card highly relevant when borders reopen

~385k customers<sup>(2)(5)</sup>, strong advocacy

*Symple acquisition will enable additional growth opportunities*

# Future growth opportunities

## 12 month focus

### Variable rate and new product constructs

Launch new products (redraw/LoC, variable products) in Australia & New Zealand

New products to support industry verticals



### South East Asia international expansion

Major Payments Institution License application submitted in Singapore

Employees being recruited and supporting the establishment of our Singapore regional headquarters



## Long term 12 months+

### Expanded industry growth opportunities

Complement international Instalments and Lending strategies

Enhance B2B2C partner opportunities

Significant opportunity in Canada

### LatitudePay+ launch

Successful pilot in 1H21 with wider release scheduled for October 2021

Big ticket BNPL will enable growth in verticals such as health, home and telecommunications

### New Zealand Auto Loans

Launch post decommission of legacy Auto Loans platform

# BNPL Big Ticket opportunity

## LatitudePay+ highlights:

- A single provider that enables a wider buying audience
- Point of difference in the industry with BNPL (6-24 months available)
- Competitive pricing model
- Partnering with major OEMs such as Samsung Electronics Australia to co-develop new propositions including 'Samsung Upgrade'
- Weekly/monthly pricing gives more consumers the opportunity to take up services & recommendations
- Access to attractive new segments (eg, health, telecommunications)

## Latitude Pay+



### Pay over 6-24 months

Low friction customer experience

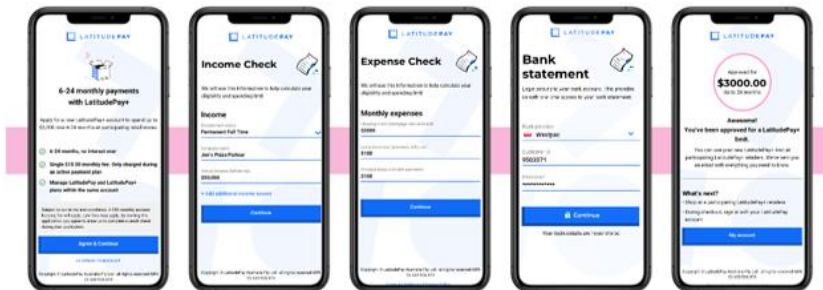
#### Consumer benefits:

- Up to ~\$10,000 limit<sup>(1)</sup>
- Pay over 6–24 months
- No establishment fee
- Simple and fast onboarding process with instant decision
- \$10 monthly fee
- No interest, ever
- No hidden fees
- Monthly direct debit

#### Key merchant benefits:

- Promote monthly instalment amounts up to 24 months
- Easy integration, increases ticket sizes and simple customer experience
- Merchants can choose terms they want to offer. If multiple are offered customers can select the term they want

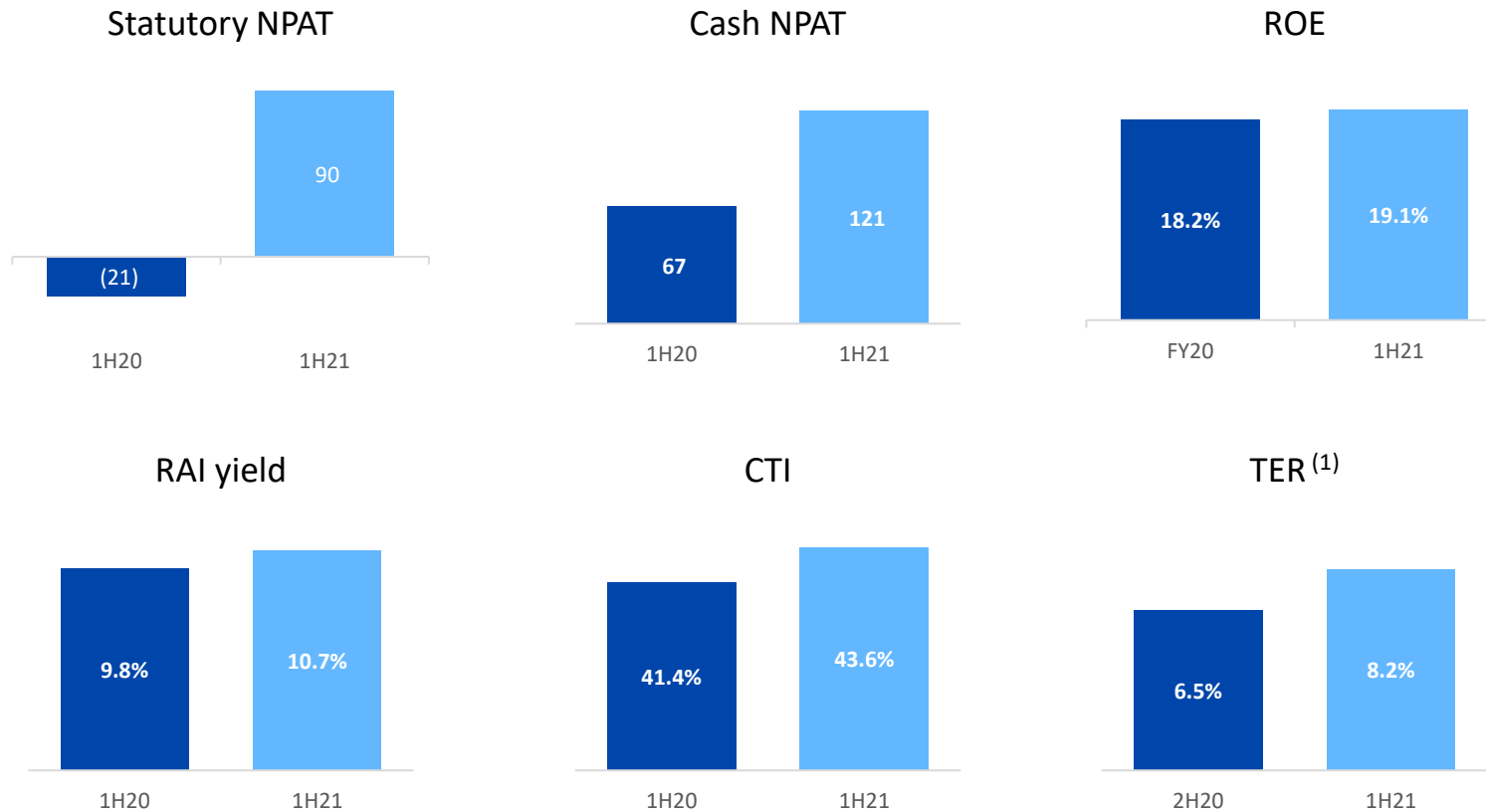
### LatitudePay+ – Shop Big application



## 04 | Financial update



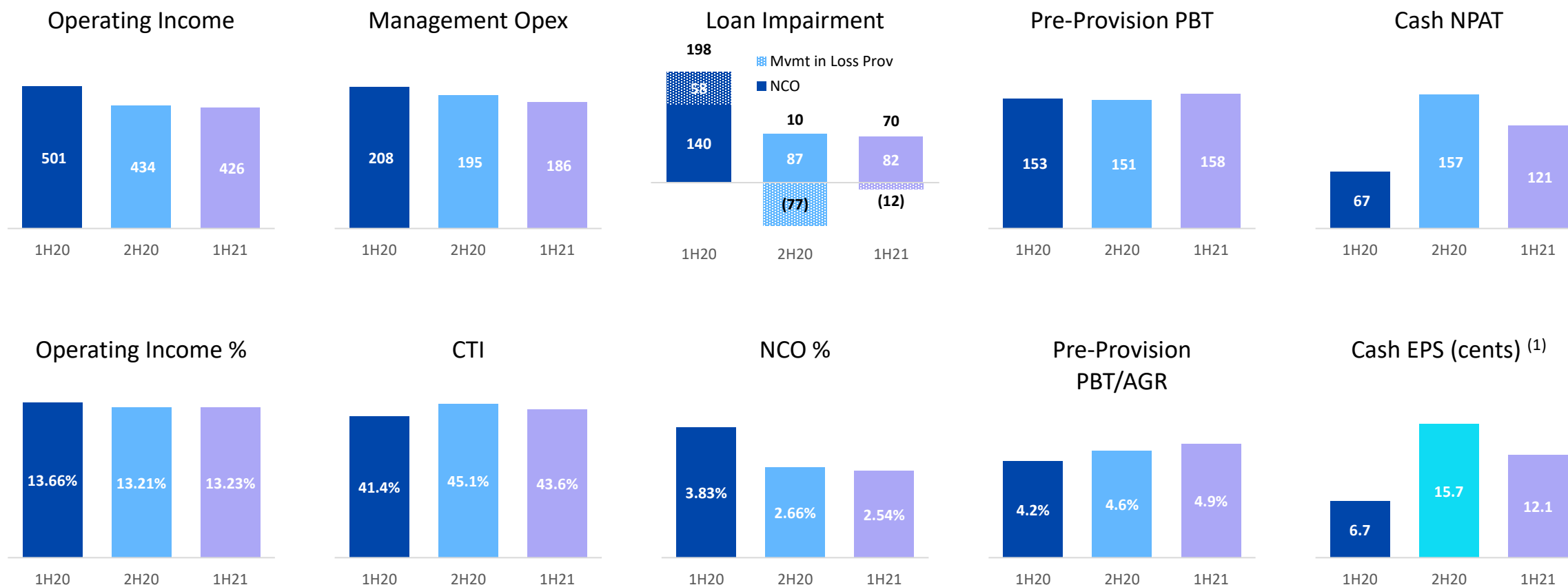
# 1H21 Financial highlights



## 1H21 highlights:

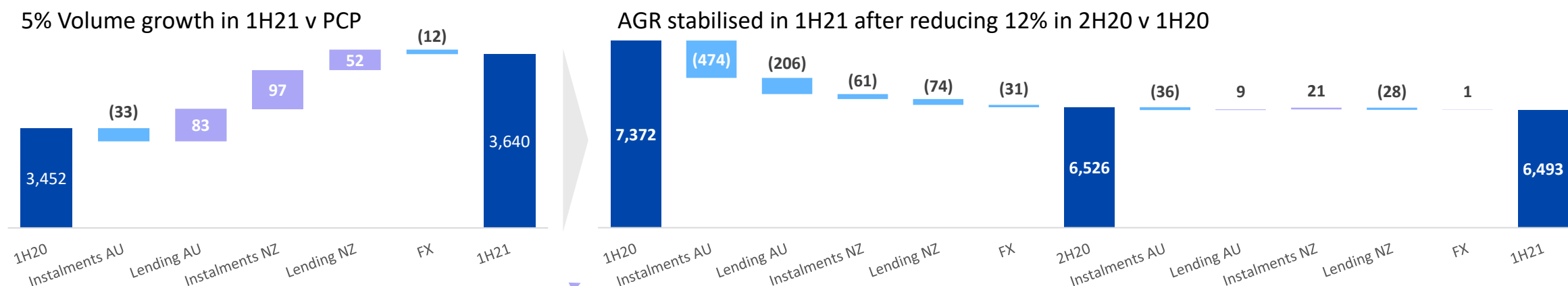
- Strong Cash NPAT and volume momentum
- AGR below 1H20 driving lower Operating Income, but similar to 2H20:
  - Volume growth offset by elevated repayment rates
- Operating Expenses down 10.5% vs pcip but CTI impacted by lower Operating Income

# 1H21 Cash NPAT up 81% on PCP

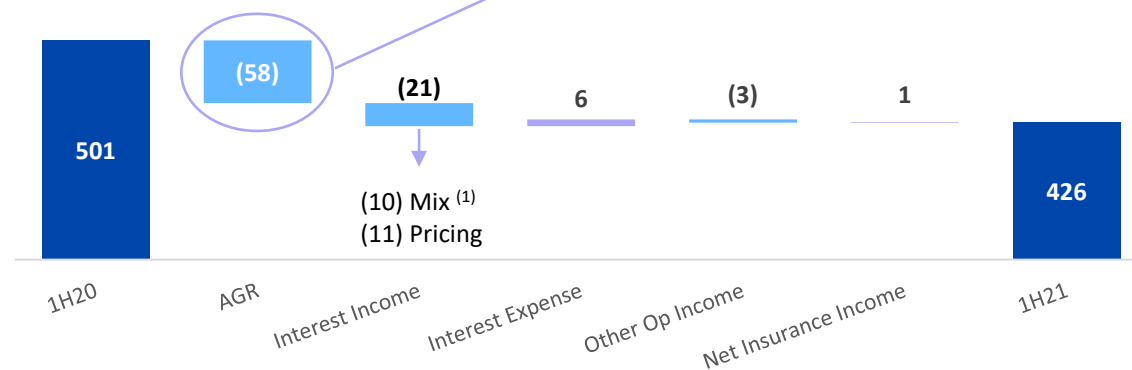




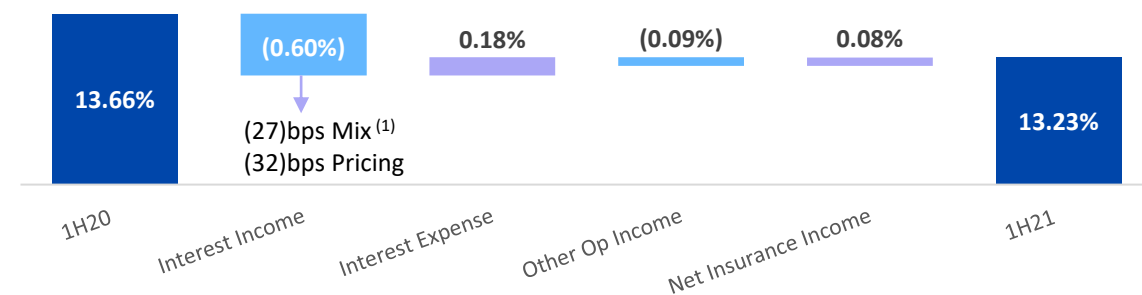
# Lower 1H21 Operating Income largely driven by lower receivables from FY20



~77% of Operating Income reduction driven by AGR



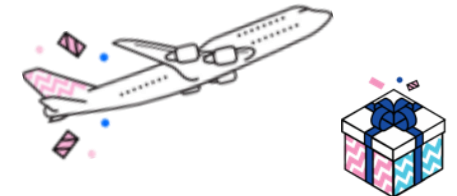
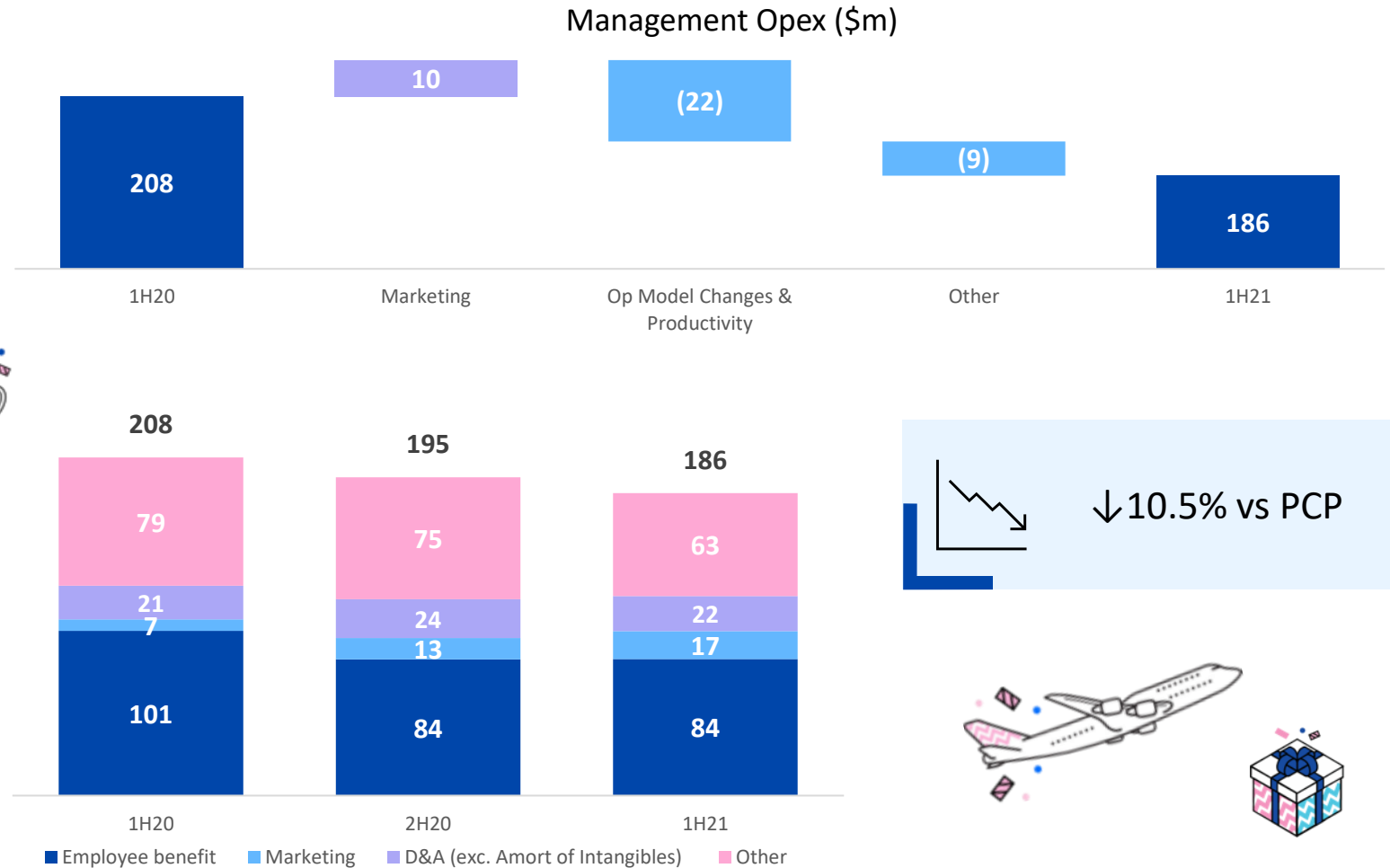
Operating Income yield ↓43bps reflecting changes to new business pricing driving growth & attracting higher quality customers



# 1H21 Operating Expenses down 10.5% on PCP



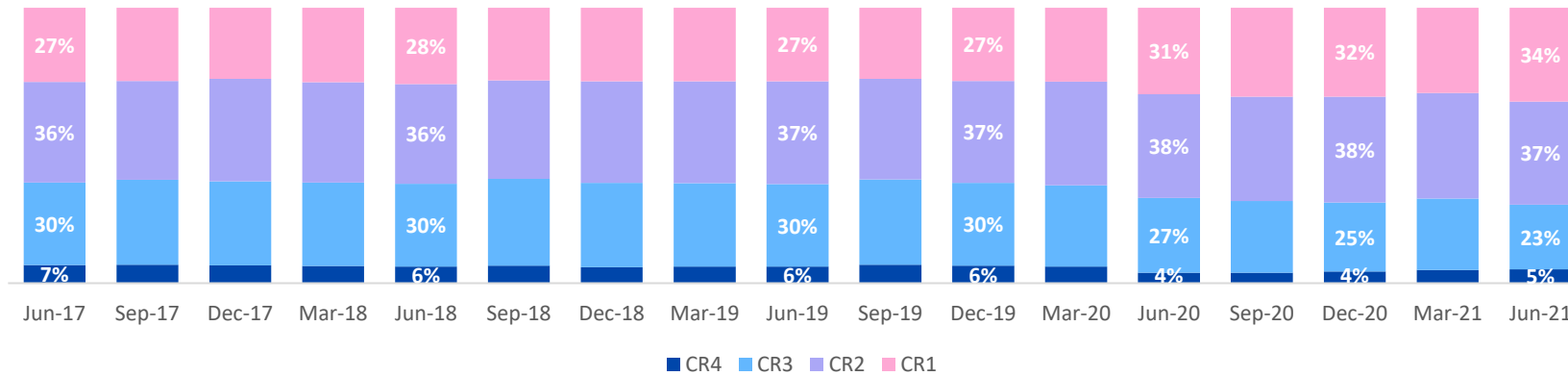
- 10.5% reduction in operating expenses in 1H21 compared to PCP driven by:
- Reduced employee expense due to operating model changes and simplification agenda delivered
- Other productivity benefits from property and outside services initiatives
- Advertising returned in 1H21 after being paused during FY20 due to COVID-19 response



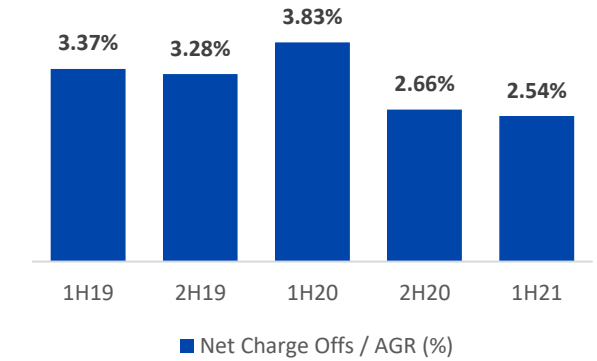
# 1H21 Asset quality strengthens



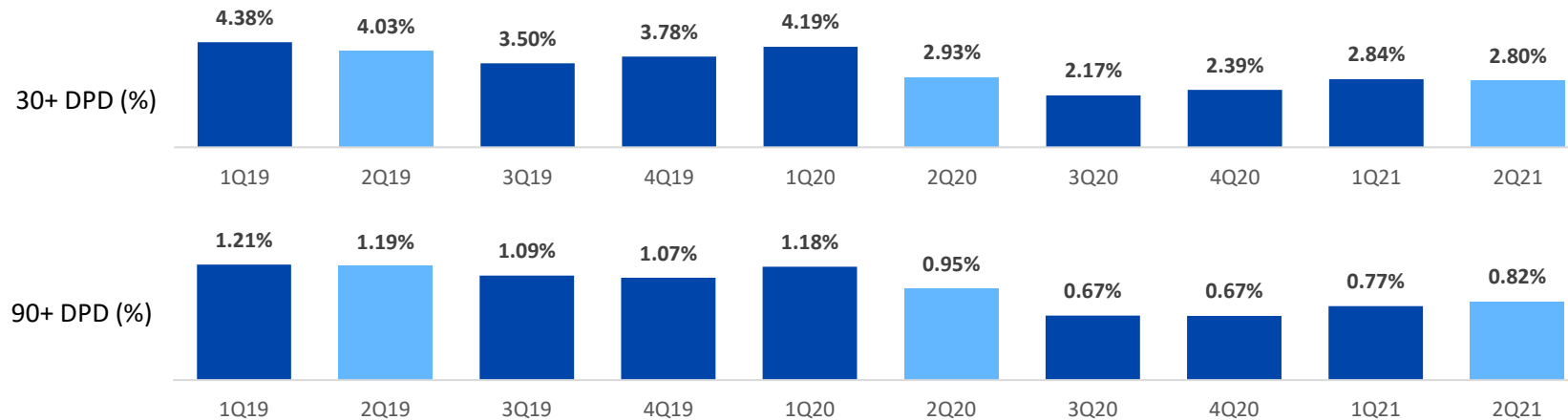
## Credit quality of new customer originations continues to improve with 72% of customers rated CR1-2<sup>(1)</sup>



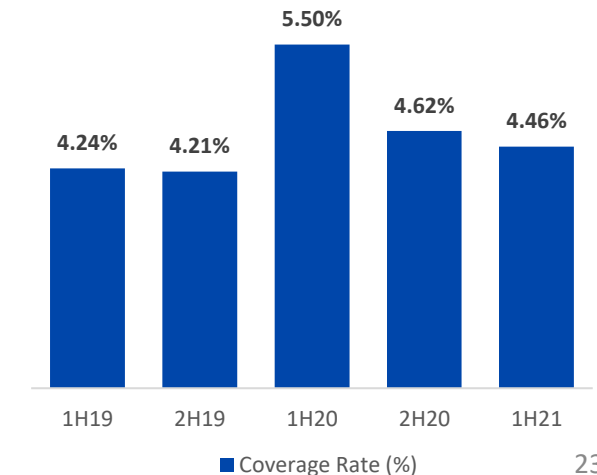
## Improved net charge off ratios ...



## Low delinquency rates continued to improve PCP with seasonal increases since Dec'20



## ... with adequate Coverage



# Investment & significant items

(\$m)	1H21 Opex	1H21 Capex <sup>(1)</sup>	1H21 Total
<b>Investment-related expense</b>			
Technology Investment and Simplification	6.9	18.7	25.5
BNPL – Big Ticket	1.8	6.4	8.3
International	1.3	–	1.3
<b>Total Investment-related Significant items</b>	<b>10.0</b>	<b>25.1</b>	<b>35.1</b>
<b>Other Significant items</b>			
Restructuring <sup>(2)</sup>	0.9		
Remediation and Other provisions	-		
Asset/work in progress impairment	1.7		
Discontinued Facilities (net of sub-lease revenue)	2.2		
<b>Total other Significant items</b>	<b>4.8</b>		
<b>Total Significant items</b>	<b>14.8</b>		

(1) Excludes Business as usual opex and capex: Latitude invests in capex required to support ongoing operations of the business (the opex related to this investment is included in the core operating expenses and is not identified separately).

(2) Restructuring includes Management Equity Plan (contains final trust distributions) and IPO transaction cost reversal.



# Diverse, cost-effective funding underpinned by prudent capital management



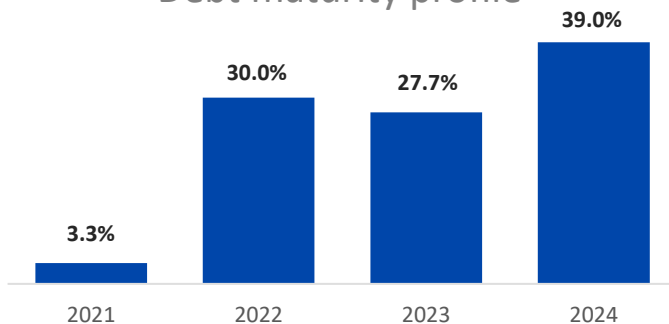
## Diverse Funding Platform

Cost Effective

50+ Investors

- Settled refinancing of its \$1,038 million Australian Personal Loans Warehouse Facility
- Increased the limit of the Australian Auto Loans Trust to \$926 million
- Established limits for the Australia Sales Finance and Credit Cards Warehouse No. 3 of \$1,056 million following the repayment of funding and termination of limits from an existing cards warehouse facility

Debt maturity profile



## Warehouse Financing

A\$5.3bn  
Limits

A\$1.7bn  
Total Headroom



## ABS Issuance <sup>(1)</sup>

A\$2.3bn  
Total Outstanding

6 Current  
Issuances

## Prudent capital management approach

- Appropriate capital strength to protect against adverse scenarios
- TER at 30 Jun'21 at 8.2%, above target range of 6% and 7%

A\$ million	30 June 2021
Total equity	1,319.8
Intangible assets	825.0
<b>TE</b>	<b>394.8</b>
Net Loans and other receivables	6,061.1
<b>TER</b>	<b>8.2%</b>

- Whilst capital levels remain strong, Latitude continues to explore further diversification of its funding and capital sources in the near to medium term to support its growth aspirations

# 05 | Outlook





# Outlook

While the current Australian and New Zealand lockdowns have temporarily slowed economic activity, based on last year's experience Latitude anticipates spending will recover quickly once restrictions are eased

Pent-up demand led to a 43% increase in Latitude's Victorian volumes in November last year, when restrictions eased in that state, compared to the monthly average for the previous three months of lockdown

Management's focus on cost containment will continue and net charge offs will remain subdued

Strong risk management capabilities and investments in simplification and digitisation will enable Latitude to quickly respond to changing external circumstances

Travel and international related spending is expected to remain at current low levels for the remainder of FY21 and higher repayments currently (due to lockdown) holding receivables flat for the full year

The board expects the 2H21 dividend to remain in the 60-70% payout range at 7.85 cents fully franked per share, subject to any unforeseen significant economic shocks from COVID-19 or other factors

Note: Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.



## 06 | Appendix



# Cash NPAT to Statutory NPAT reconciliation



(\$m)	1H21	Pro forma 2H20	Pro forma 1H20	Change % 1H21 vs 2H20	Change % 1H21 vs 1H20
Net interest income	400.9	408.2	471.9	(1.8)%	(15.0)%
Total other operating income	25.1	25.3	28.8	(0.8)%	(12.6)%
<b>Total Operating Income</b>	<b>426.0</b>	<b>433.5</b>	<b>500.7</b>	<b>(1.7)%</b>	<b>(14.9)%</b>
Management Operating Expenses	(185.7)	(195.3)	(207.5)	(4.9)%	(10.5)%
<b>Operating Profit</b>	<b>240.3</b>	<b>238.2</b>	<b>293.2</b>	<b>0.9%</b>	<b>(18.0)%</b>
Net Charge Offs	(81.9)	(87.2)	(140.4)	(6.0)%	(41.7)%
<b>Pre-provision Profit</b>	<b>158.4</b>	<b>151.0</b>	<b>152.8</b>	<b>4.9%</b>	<b>3.7%</b>
Provision movement	12.3	76.7	(57.9)	(84.0)%	(121.2)%
Profit before Tax & Significant Items	170.7	227.7	94.8	(25.0)%	80.1%
Income tax expense	(49.8)	(70.6)	(28.1)	(29.4)%	77.0%
<b>Cash NPAT</b>	<b>120.9</b>	<b>157.2</b>	<b>66.7</b>	<b>(23.1)%</b>	<b>81.4%</b>
Amortisation of Acquisition Intangibles	(24.1)	(24.1)	(24.2)	0.0%	(0.3)%
Amortisation of Legacy Transaction Costs	(5.6)	(10.6)	(14.2)	(47.1)%	(60.5)%
Significant Items	(14.8)	(18.2)	(44.5)	(18.8)%	(66.7)%
Tax effect of adjustments	13.1	15.6	24.4	(15.9)%	(46.2)%
<b>Pro forma NPAT</b>	<b>89.5</b>	<b>119.8</b>	<b>8.2</b>	<b>(25.3)%</b>	<b>985.7%</b>
Changes in Capital Structure	-	(39.9)	(40.4)		
Transaction and historical IPO costs	-	(10.0)	(0.1)		
Public company LTI plans	-	3.9	3.9		
Historic Management Equity Plan and related expenses	-	(27.3)	(0.2)		
Discontinued operations (pre-tax)	-	-	(3.0)		
Incremental public company costs	-	4.8	5.2		
Tax effect of adjustments	-	15.0	5.1		
<b>Statutory Profit / (Loss) after tax</b>	<b>89.5</b>	<b>66.3</b>	<b>(21.1)</b>	<b>34.9%</b>	<b>524.5%</b>
Discontinued operations	-	(0.7)	2.1		
<b>Statutory Profit / (Loss) after tax from continuing operations</b>	<b>89.5</b>	<b>65.7</b>	<b>(19.0)</b>	<b>36.3%</b>	<b>570.1%</b>
Pro forma EPS Cash - Basic (cents) <sup>(1)</sup>	12.1	15.7	6.7	(23.1)%	81.4%
Pro forma EPS Statutory - Basic (cents) <sup>(1)</sup>	9.0	12.0	0.8	(25.3)%	985.7%
EPS Statutory from continuing operations - Basic (cents)	11.3	10.1	(2.9)	11.9%	489.7%

# Thank you

Investor Relations

Nehemiah Richardson

+61 476 834 478

Media

Mark Gardy

+61 412 376 817

