

Solvar 1H FY23 Results

ASX Release
15th February 2023

Solvar Limited (ASX: SVR, "Solvar" or the "Group"), the leading provider of automotive finance, is pleased to announce its strong financial performance for the half year ended 31 December 2022, confirming total revenue of \$103.6 million, a Net Profit After Tax of \$25.7 million and a 7.5 cent fully franked dividend payable on the 13th of April 2023.

Key Highlights

- 25.0% increase in interim dividend to 7.5 cents per share (fully franked);
- 20.1% increase in gross loan book to **\$829.7 million** compared to the prior corresponding period (pcp), and a 13.2% increase on 30 June 2022;
- 13.5% increase in 1H Revenue to \$103.6 million;
- A Net Profit After Tax (NPAT) of **\$25.7 million** for the 6-month period;
- Earnings per share of 12.07 cents;
- ~\$450.0 million in available funds, including \$110.4 million in unrestricted cash to grow loan book and undertake other capital management initiatives;
- Share buyback of 3.8 million shares for \$7.4 million as part of a capital management program;
- 10.9% increase in cash collections to \$243.8 million over pcp;
- 7.2% increase in new lending to \$269.5 million over pcp;
- Annualised bad debts were 3.5% of the loan book, demonstrating continual improvement in loan book quality.

The Group is delighted with the continued growth in the loan book, with new lending increasing 38.4% in Q2 over Q1. This accelerated new lending will drive further revenue growth in future periods.

Funding costs in 1H FY23 increased as the Group drew down on the Mezzanine debt facility announced in June 2022. This will have an impact on the current year's NPAT until funds are deployed into the loan book. When fully deployed, it will result in revenue benefit of ~\$12 million in FY24.

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Mr Scott Baldwin, CEO & Managing Director of Solvar Limited, said: "I am pleased that the Group has continued to grow, adding nearly \$100 million to the loan book over the last half year. This growth will set the company up for strong revenue growth into the following financial year."

"Credit quality has been as forecasted over the first half with bad debts trending to the bottom end of our target range. With an average outstanding balance of \$11,500 per customer, we are confident consumers are well placed to manage their commitments over changing credit cycles."

"Significant progress was made toward improved funding arrangements in New Zealand with the establishment of a warehouse securitisation facility that is expected to improve funding costs by ~100 bps from current arrangements. The cost benefit will come over the coming 12 months as new lending is funded."

Business Outlook

FY23 is on track to be a year of record lending. The Group also anticipates that the withdrawal of covid-related stimuluses will result in a reduction in the early repayment of loans. This is expected to result in an increase in loan book across all segments with a commensurate increase in revenue in future periods.

Despite strategic efforts for loan book growth and improved funding arrangements, that will deliver benefits over the next 12 months and beyond, the extreme weather events in New Zealand, along with increased funding costs associated with the pre-emptive early drawdown of the mezzanine funding facility has resulted in the Group adjusting its guidance from November 2022 to a NPAT of \$48.0 million for FY23.

Solvar continues the expansion of its product portfolio, now offering commercial loans for vehicles. The commercial loan book has more than doubled in the last 12 months.

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The Group forecasts the loan book to be approximately \$900.0 million at the end of FY23. Revenue growth is expected to be above 10%, while bad debts are expected to be in the targeted range of 3.5%-4.5% for the financial year.

Further information related to 1H FY23 results is provided in the Appendix 4D, and investor presentation released on the same date.

Approved for release by the Board of Directors of Solvar Limited.

-ENDS-

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ABOUT SOLVAR LIMITED (ASX: SVR)

Solvar is a market leading Consumer and Commercial finance company with over 20 years' experience in Australia and New Zealand, having funded over \$2 billion of vehicles and personal loans. Dominating the used-vehicle finance market and delivering a unique customer experience from loan application to the final loan payment the group leverages technology to provide a seamless application process from a broker, online or directly to the Group.