Latitude Group Holdings Limited
ACN 604 747 391

Level 18, 130 Lonsdale St,
Melbourne VIC 3000

latitudefinancial.com

26 April 2023

ASX ANNOUNCEMENT

2023 Annual General Meeting – Managing Director and CEO's Address

Good morning everyone, thank you for joining us at today's Annual General Meeting.

I'd like to begin today with a summary of our 2022 financial results, offer some commentary on what contributed to last year's performance and, importantly, share my thoughts on what's needed in the months and years ahead for Latitude to realise its full commercial potential.

Last year, your Company earned a Cash NPAT of $153.5 million that was down $47 million, or 23%, from the prior year.

While this result was clearly below our own expectations, there were a number of positive trends and notable highlights that are important to call out and that will ultimately help support the growth of your Company in future years.

Firstly, demand for our products remained very strong. We generated roughly $8 billion in new volume last year across our Pay and Money Divisions, that's up 8% versus 2021.

Volume growth in our Money Division was a particular standout generating record new originations of $1.7 billion, a 12% annual increase. Volumes in our Pay Division reached $6.3 billion, that's growth of 7% year-on-year.

These volume results helped increase our receivables balance by 2% to reach $6.5 billion. For context, this represents our highest receivables balance in 18 months going back to June 2021.

The quality of our loan book also remained strong, with charge offs at a historical low of 2.35%. Cost discipline was another key stand out. Our Cash Operating Expense was down $34 million, or 9%, a function of in year management actions and the roll through of productivity benefits from investments made in prior years.

Our most significant challenge in 2022 was, of course, the rapid change in monetary policy in both Australia and New Zealand, the fastest and most abrupt tightening cycle since the 1980's. The impact of this on our business was profound resulting in a $54 million increase in our funding costs which clearly had a direct and negative impact on last year's earnings.

While aggressive pricing action was taken throughout the year to offset these costs, we simply could not keep up with the speed of the changes that were passed through.

Very pleasingly, however, your Company's balance sheet remains robust and is well structured to support our future growth:

LATITUDE

- We ended the year with Tangible Equity Ratio (the key measure of capital adequacy) of 8.5% which is above our target range of 6-7%;

- We continue to take a prudent approach to credit loss provisioning – reserving at 1.6 times Net Credit Losses versus 1.3 times during the pre-Covid period; and

- Very importantly, we have strong relationships with a broad set of finance partners that provide access to the capital we need to underpin our future lending growth.

So what's ahead for 2023?

To be clear, Latitude's business model is unquestionably strong and the strategy of focusing on our core Retail Finance, Credit Card and Personal Lending segments will remain our priority.

What is required, however, is that we take steps to ensure your Company's capital is invested into a smaller set of high yielding growth opportunities.

To that end, we will soon complete the sale of our Insurance business which is expected to return approximately $90 million in company capital upon completion next month.

We are also in the process of closing down our small ticket Buy Now Pay Later platform which will result in roughly $10 million in annual operating expense reduction.

In addition, we will soon launch a new set of strategic revenue and cost optimisation initiatives aimed at improving our operating leverage. While expense management has been a key highlight in our results over the past few years, there is still more opportunity in my opinion to run our businesses more efficiently going forward.

We will continue to seek out new partnerships, new distribution channels and new revenue streams to help drive incremental profit growth. This includes our exciting new credit card partnership with David Jones launching later this year.

As debt markets settle in the coming months, we intend to leverage the deep and broad relationships with both local and international finance partners to further optimise our balance sheet and reduce capital costs.

We also remain open minded about inorganic growth opportunities (specifically acquisitions) but only when the economics of those deals are short-term earnings accretive for Latitude shareholders.

Before I close, I wanted to say a few words about the cyber-attack that was committed against your Company last month.

As we've stated publicly, a few days prior to our announcement on 16 March 2023, our security monitoring detected unauthorised access to our technology environment.

We made the difficult but necessary decision to shut down certain platforms and cease normal business operations in order to purge the attacker from our systems.

As the Chairman stated, this criminal attack is under investigation by the Australian Federal Police and the full set of facts are still emerging as part of the forensic review that's underway.

This incident is deeply regrettable and I apologise sincerely for the concern and distress it has caused those that have been impacted.

We can't undo what has happened but we can take responsibility for supporting customers through this and to take the appropriate steps to safeguard our business from an incident like this happening in the future.

We remain resolute in our focus on continuing to service the financial needs of our customers, while taking the actions necessary to generate better and sustained financial returns for you, our shareholders.

Thank you again for joining us here today. I'll now pass back to our Chairman, Mike Tilley.

Authorised for release to the ASX by the Company Secretary.

For further information:

Media
Mark Gardy
+61 412 376 817

Investor Relations
Matthew Wilson
+61 401 454 621