

Market update & FY24 trading conditions

Solvar Limited (ASX: "SVR" or "Group" or "We") the automotive finance specialist, is pleased to advise that the Company's unaudited result for **Net Profit After Tax (NPAT) for financial year 2023 is \$47.6m**. Subject to finalising the audit, the Board anticipates declaring a **final dividend of 9.0 cents per share, fully franked**. Revenue across the Group increased 11.4% from \$187.9m to \$209.3m and Earnings Before Interest Tax Depreciation Amortisation (EBITDA) increased 11.9% from \$99.0m to \$110.8m.

Scott Baldwin, CEO & Managing Director said: "I am pleased to report that, subject to audit, our FY23 results are in line with guidance. The Australian operations continue to perform well, with pleasing loan book growth of 31%. A total dividend for FY23 of 16.5 cents per share, fully franked, would equate to a payout ratio of 86% of the second half earnings."

We anticipate FY23 financials will be released on 15 August 2023 and further details on the results and outlook.

FY23 Update

During FY23, the Group's total loan book increased by 24.1% to \$910.1m, which continues year-on-year loan book growth. In addition, the Group continued to execute its strategy of improving credit quality by focusing on lower credit risk customer profiles.

Interest expense of \$41.9m (FY22: \$23.1m) increased by 81.1%, driven by rising central bank interest rates and increased utilisation of balance sheet leverage. The Group's total debt position of \$617.0m represented a leverage ratio (net of cash) of 51.8% (FY22: 47.0%) of the loan book.

FY23 bad debt expense was stable at 3.7% and well within the Group's target range of 3.5% - 4.5% of loan book.

The Group's Go Car Finance (GCF) business unit has been highly accretive since acquisition. For FY23, macroeconomic conditions in New Zealand, including one-off extreme weather events and an economic recession resulted in a reduced contribution to the Group. Profit Before Tax from GCF fell 39.1% to \$13.0m for the year.

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Outlook

Looking forward to FY24, we anticipate continued growth of the loan book to in excess of \$1b. The Group expects EBITDA to be broadly consistent with FY23, having committed to invest in additional one-off cyber security and risk management resources.

Group bad debt performance is anticipated to remain in the target range of 3.5%-4.5%, which given the macroeconomic headwinds and one-off weather events in New Zealand is a testament to the Group's improving credit quality and customer care functions.

The Group has responded to macroeconomic headwinds by taking the following actions:

- Temporarily slowing loan book growth in New Zealand with an increasing focus on servicing existing customers' loans;
- Increasing the Group's front book margin;
- Continuing the upward trajectory of the credit quality across the Group; and
- Productivity initiatives that will significantly improve efficiency ratios.

The Group regularly reviews its approach to borrowing costs and entering hedging arrangements that we believe appropriately manages the risks. Consistent with this approach, the Group generally hedges the lower credit risk loan portfolio due to higher leverage and the lower risk adjusted margins.

FY24 NPAT will be impacted by the full year cost of central banks rate rise cycle. Increases in funding costs are being passed through on new loans written, however it reduces the profit contribution from the back book. After adjusting for this, with EBITDA expected to remain consistent with FY23, the Group anticipates a full-year normalised NPAT of \$24m-\$30m.

Management expects profitability to exceed historical levels beyond FY24, as we continue to maintain and expand yield on new loan originations.

Approved for release by the Board of Directors of Solvar.

-ENDS-

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For further information please contact:

Managing Director & CEO

Scott Baldwin

+61 3 9093 8255

s.baldwin@solvar.com.au

Chief Financial Officer

Siva Subramani

+61 3 9093 8246

s.subramani@solvar.com.au

Investor Relations

Simon Hinsley

+61 401 809 653

simon@nwrcommunications.com.au

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.