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ASX ANNOUNCEMENT

Latitude releases its FY23 results in line with guidance

Latitude Group Holdings (ASX: LFS) today announced its Full Year results to 31 December 2023, reporting a Statutory NPAT loss of $137.9m from continuing operations and $158.5m, including discontinued operations, which includes $68.3m in cyber related costs and provisions.

FY23 Cash NPAT of $18.4m, in line with guidance.

FY23 Financial and Operational Highlights

- Volumes of $7.6bn: while down 4% YoY, there was a strong post-cyber recovery in 2H23 with growth of 11% HoH, including Australian Personal Loans up 26% HoH and 3% YoY and 28° Global Platinum Mastercard® FY volume of $2.1bn, up 17% YoY, exceeding pre-Covid levels
- Receivables of $6.2bn: down 4% YoY but up 0.3% HoH as volumes rebounded
- Net interest margin of 9.8%, holding flat HoH: pricing actions in 2H offsetting rate rises
- Strong post-cyber recovery in delinquencies: 90+ dpd declined 35bps HoH to 0.92%
- Balance sheet strength maintained:
  - Prudent funding program: $1.3bn of headroom and a diverse debt investor base
  - Tangible Equity Ratio: 6.8% (within 6-7% target range)
  - Prudent loss provisioning: credit loss coverage of 4.23%
- Retail distribution expanded via major new partners David Jones (launch of private label credit card March 2024), Fantastic Furniture and Betta (BSR Group) in Australia. Re-signed key partners Amart in Australia and JB Hi-Fi and Noel Leeming (TWG) in New Zealand
- Sold Hallmark Insurance and Symple Loans Canada portfolio and exited the Buy Now Pay Later sector in Australia and New Zealand
- Maintained Opex discipline and improved organisational focus and simplicity via an operating model restructure that reduced headcount by 16% in 2H23

Managing Director and CEO Bob Belan said: “2023 was undoubtedly the most challenging year in Latitude’s history. Macro conditions led to lower consumer lending demand and higher funding costs, and inflationary pressures have impacted our ability to deliver profit growth for our shareholders.

“Our financial performance was further impacted by the criminal cyber-attack on Latitude in March which disrupted core operations, halted new lending and debt collection and delayed management actions to offset margin compression.

“In line with guidance, this resulted in an FY23 Cash NPAT of $18.4 million.

“Despite the challenges, Latitude made considerable progress in 2023 to build a stronger, more resilient business focussed on our core sales finance and personal lending segments in our core markets of Australia and New Zealand.

"We successfully completed the integration of Symple's contemporary cloud lending platform, enabling Latitude to offer consumers both fixed and variable rate loans, digitise the customer experience and decommission legacy technology. Variable rate personal loans grew to half of all originations in 2023.

"We completed the sale of our insurance business and the assets of our Canadian operations and exited the Buy Now Pay Later sector, freeing up valuable capital to be redirected into our higher yielding core businesses.

"We also delivered a number of performance optimisation initiatives under Latitude's new *Path to Full Potential* strategy, including implementing a more efficient operating model, signing major new partners such as David Jones and enhancing the way we leverage our retail distribution network.

"This work resulted in strong momentum in the second half of 2023, evident in the robust metrics in the final few months of year and into January 2024, where sales finance and personal lending volumes and receivables growth were much stronger.

"We are optimistic about Latitude's growth potential as economic conditions pivot in our favour and as the benefits of the management actions taken and planned for 2024 roll through."

Outlook

Latitude has emerged from 2023 as a more focused business, positioned to capitalise on macroeconomic conditions that are conducive to Latitude's core strengths.

Interest rate increases appear to have peaked, with potential cuts to the cash rate forecast in the next 12 months, while continued low unemployment supports a positive turnaround in credit demand, helping to offset softer retail conditions.

Latitude expects repayment rates to continue to reduce in line with household savings, ensuring the positive volume momentum in 2H23 is reflected in future receivables. These lower repayment rates are expected to result in the normalisation of loss outcomes in line with long term averages.

With net interest margins stabilising at 9.8%, further pricing initiatives to be deployed in FY24 are expected to expand margins despite our funding costs increasing year on year. Productivity measures under *Latitude's Path to Full Potential* strategy and the deployment of capital to the highest growth areas will support Latitude's continued cost management.

Latitude Financial Managing Director and CEO Bob Belan and CFO Paul Varro will host a briefing on the FY23 results at 10.30am today (AEDT).

Details:	10.30am (AEDT), 23 February 2024
Webcast:	register for the webcast here.
Conference call:	pre-registration link here.

Authorised for release to the ASX by the Latitude Board.

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