

19 January 2022

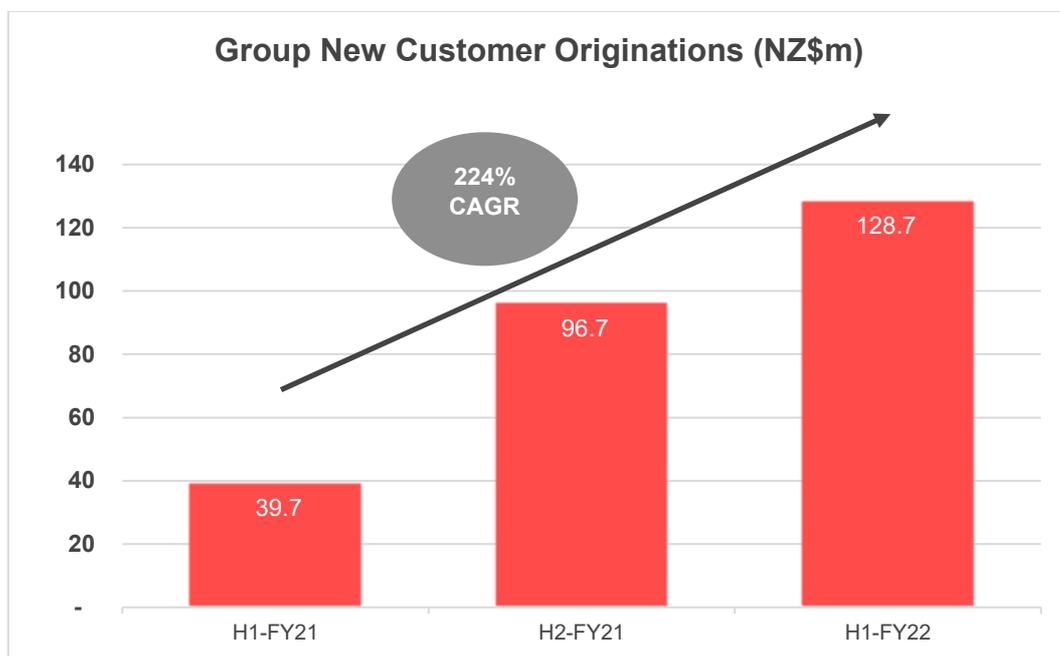
ASX / NZX RELEASE

HARMONEY ACHIEVES CASH NPAT PROFITABILITY WHILST DELIVERING RECORD GROWTH IN NEW ORIGINATIONS

Harmoney Corp Limited (ASX/NZX: HMY; “Harmoney” or “the Company”) is pleased to provide an update on its performance for the half year ended 31 December 2021 (1H FY22).

Key 1HFY22 highlights:

- Group proforma loan book reaches **\$557 million, up 19% on pcp**
- Achieved **profitability on proforma Cash NPAT** demonstrating superior economics of Harmoney’s 100% consumer-direct business model
- Australian new customer originations **grow to A\$71.4 million, up 452% on pcp** and up 53% on the prior half
- Australian receivables book grows to **A\$185 million, up 83% on pcp** and up 37% on the prior half
- Key lead indicators of increased account acquisition, new loan originations and net lending margin **set to drive increases in receivables and revenue growth** in current and future financial years as existing customers return for future needs with minimal additional customer acquisition cost
- High quality receivables book with **90+ days arrears at 44 bps**, down from 58bps pcp
- Australian new originations have surpassed NZ new originations, proving the success of a 100% consumer-direct model in the larger Australian market



Commenting on a record half year, David Stevens, Harmoney's CEO & Managing Director said: "Harmoney continues to deliver on its growth strategy with an outstanding half year. Harmoney Australia's loan book grew by 83%.

"Our loan book, is just over half a billion dollars, and the business is already Cash NPAT profitable on a proforma basis which demonstrates the power of a 100% consumer-direct business model. The Company's 100% consumer-direct model and innovative Stellare® lending platform, which uses data from over \$8 billion in assessed lending, coupled with its high levels of automation creates operational leverage which drives profitability as our income grows significantly faster than our cost base."

"Our team, composed largely of data scientists and engineers, continually impress with their drive to deliver on our purpose of helping more Aussies and Kiwis achieve their life goals through financial products that are friendly, fair and simple to use. Harmoney's consumer-direct marketing technology is world class and consistently generates over 10,000 new customer accounts per month across Australia and New Zealand. This consistent high level of new customer demand enables our team to be solely focused on developing lending and product enhancements that will broaden our ability to provide financial products to more Aussies and Kiwis with no additional customer acquisition cost."

Total originations for the half years are outlined in the table below. Please note we have restated our "existing customer originations" to only include the "incremental loan origination" taken by existing customers to reflect the originations growth being added to the book. We have provided a table in the appendix that shows this adjustment on prior periods. This change has no impact on the Loan Book size.

	Dec 21	Jun 21	Dec 20	Half on Half Growth	PCP Growth
AUSTRALIA (A\$m)					
New customer originations	71.4	46.6	12.9	53%	452%
Existing customer originations	19.1	13.6	7.6	41%	151%
Total	90.5	60.2	20.5	50%	341%
NEW ZEALAND (NZ\$m)					
New customer originations	53.6	46.8	25.9	14%	107%
Existing customer originations	56.4	51.1	45.2	10%	25%
Total	110.0	97.9	71.1	12%	55%
Total New customer originations	128.7	96.7	39.7	33%	224%
Total Existing customer originations	76.5	65.6	53.4	17%	43%
Total Group originations (NZ\$m)	205.2	162.3	93.1	26%	120%

Harmoney's data-driven marketing program leads to a significant increase in new customer originations at a reducing customer acquisition cost. Growth in new customers, attracted to Harmoney's simplicity, convenience and competitively priced interest rates, typically provide a six-to-twelve-month lead indicator for future existing customer originations. This is due to Harmoney's unique 100% consumer-direct lending model, which allows Harmoney to support and enhance a customer's growing borrowing needs without having to pay any customer acquisition cost for those customers like some other models.

LOAN BOOK GROWTH ACCELERATES

At 31 December 2021, Group loan book was \$557 million, an increase of 19% on pcp. The Australian loan book grew by 83% to A\$185 million, an A\$84 million increase on pcp. The New Zealand receivables book was flat as it was temporarily impacted by strict COVID-19 lockdowns in New Zealand in 1HFY22.

	Dec 21	Jun 21	Dec 20	Half on Half Growth	PCP Growth
AUSTRALIA (A\$m)					
Loan Book	185	135	101	37%	83%
NEW ZEALAND (NZ\$m)					
Loan Book	363	358	362	2%	0%
Total Loan Book (NZ\$m)	557	501	468	11%	19%

HARMONEY IS CASH NPAT PROFITABLE

Harmony's unrivalled automation continues to deliver an attractive net lending margin, with personal risk-based interest rates to prime borrowers, low arrears and credit losses and reducing cost of funds as we diversify our funding sources and continue to transition to warehouse funding.

This net lending margin, in conjunction with the economies of scale from automation, are already delivering Cash NPAT profitability on a proforma basis. This is achieved even with full marketing costs expensed as incurred as opposed to being amortised over the life of the loan such as in broker-based origination models.

Additionally, a strong credit performance was maintained due to Harmony's high-quality loan book, with Group 90+ day arrears at 31 December 2021 of 44bps, down from 58bps pcp.

HARMONEY REAFFIRMS ITS FY22 MARKET GUIDANCE

- Group pro-forma loan book of **at least \$600 million (20%+ growth on FY21)**
- Group pro-forma revenue of **at least \$92 million (16%+ growth on FY21)**
- Net lending margin of **at least 7% (0.2%+ growth on FY21)**
- Indirect opex to income ratio of **<20% (2%+ reduction on FY21)**
- Transition to warehouse funding expected to be **~90% complete by 30 June 2022**, (81% complete at 31 December 21)

The above market guidance assumes COVID-19 restrictions in Australia and New Zealand do not have a material impact on originations or customer repayments.

All numbers in this release are preliminary and are unaudited. This release was authorised by the Board of Harmony Corp Limited.

-END-

For queries please contact:

Corporate/Investors

David Stevens

CEO & Managing Director
investors@harmony.co.nz

Investors

Stephanie Ottens

Investor Relations
stephanie.ottens@marketeye.com.au

+61 434 405 400

ABOUT HARMONEY

Harmony is the only 100% consumer-direct personal lender operating across Australia and New Zealand. Harmony provides customers with unsecured personal loans that are fast, easy, competitively priced (using risk-adjusted interest rates) and accessed 100% online.

Harmony's purpose is to help people achieve their goals through financial products that are fair, friendly, and simple to use.

Harmony's proprietary digital lending platform, Stellare[®] is the power behind the platform. Stellare[®] can process, approve and fund most loan applications within 24 hours. Stellare[®] also replaces the traditional industry credit scorecard with Libra[™], our predictive behavioural analytics engine. Libra[™] uses machine learning to analyse our rich, direct consumer data to deliver automated credit decisioning and superior risk-based pricing.

BUSINESS FUNDAMENTALS

- Harmony provides risk based priced unsecured personal loans of up to \$70,000 to consumers across Australia and NZ
- Its 100% consumer-direct model and automated loan approval system is underpinned by Harmony's scalable Stellare[®] proprietary technology platform
- A large percentage of Harmony's originations come from existing customers with no customer acquisition cost
- Harmony is comprised of a team of ~75 full-time employees predominantly based in NZ, half of whom comprise engineering, data science and product professionals
- Harmony is funded by a number of sources including two "Big-4" bank warehouse programs across Australia and New Zealand and in addition in October 2021 has issued its first asset backed securitisation which was publicly rated by Moody's.

For further information visit <https://www.harmony.co.nz/> or <https://www.harmony.com.au/>

APPENDIX – RECONCILIATION OF ORIGINATIONS TO GROSS ORIGINATIONS

	Dec 21	Jun 21	Dec 20	FY21	FY20	FY19
AUSTRALIA (A\$m)						
New customer originations	71.4	46.6	12.9	59.5	61.2	48.1
Existing customer originations	19.1	13.6	7.6	21.2	17.2	1.1
Total	90.5	60.2	20.5	80.7	78.4	49.2
Rewritten existing customer originations	23.4	17.0	19.3	36.3	18.4	-
Gross Originations	113.9	77.2	39.8	117.0	96.8	49.2
NEW ZEALAND (NZ\$m)						
New customer originations	53.6	46.8	25.9	72.7	83.5	109.2
Existing customer originations	56.4	51.1	45.2	96.4	93.3	114.3
Total	110.0	97.9	71.1	169.1	176.8	223.5
Rewritten existing customer originations	78.3	70.0	79.8	149.8	141.3	159.6
Gross Originations	188.3	167.9	150.9	318.9	318.1	383.1
Total New customer originations	128.7	96.7	39.7	136.4	147.9	160.8
Total Existing customer originations	76.5	65.6	53.4	119.0	111.5	115.4
Total Group originations (NZ\$m)	205.2	162.3	93.1	255.4	259.4	276.2
Rewritten existing customer originations	102.9	88.1	100.6	188.6	160.7	159.6
Group Gross Originations	308.1	250.4	193.7	444.0	420.1	435.8