

24 August 2023

hummm®group announces full year 2023 results

- FY23 Normalised cash profit (after tax)¹ ("Normalised Cash Profit") of \$75.0m, down 2% on pcp
- FY23 Cash Net Profit After Tax ("Cash NPAT")² of \$24.1m, down 53% on pcp
- FY23 Statutory Net Profit After Tax of \$2.9m (FY22: (\$170.3m))
- **hummm**group total receivables of \$4.2b, up 28% on pcp
- Commercial Finance receivables of \$2.4b, up 57% on pcp
- Consumer Finance receivables of \$1.8b and Volumes of \$2.4b, flat on pcp despite closure of non-core products
- Group net loss/Average Net Receivables ("ANR") of 1.8%, a 60bps improvement on pcp (FY22: 2.4%)
- Executed \$18.6m in cost savings during FY23
- Strong balance sheet with \$112m in unrestricted cash and \$983m of warehouse headroom
- \$760.7m Private Placement ABS executed in August 2023 providing increased funding capacity for Commercial growth
- Fully franked final dividend proposed of 1.0 cent per share bringing the FY23 full year dividend to 2.0 cents per share
- An on-market share buy-back of up to \$10.0m in FY24, subject to market conditions, and will be purchasing shares on market to satisfy FY23 equity grants and executive long-term incentive plans

hummm Group Limited (ASX: HUM) ("**hummm**group" or "the Company") today reports its audited results for the year ended 30 June 2023 ("FY23").

hummmgroup Chief Executive Officer Stuart Grimshaw said:

*"**hummm**group made great progress this year in executing its strategy to rationalise products and reduce costs, while maintaining profitability and deliver growth in its core businesses. The Group has removed \$18.6m in costs this year and is on track to deliver \$20m-\$25m in annualised cost savings."*

"Our Commercial business delivered a strong performance, producing record volume growth while improving its credit quality, with net loss/ANR of 0.5%. This business continues to demonstrate impressive operating leverage, with 57% receivables growth delivered with less than a 2% increase in operating costs. In FY23 front book net interest margins for Commercial increased along with the growth in volume and receivables."

¹ "Normalised cash profit (after tax)" is a non-statutory measure of profit and is calculated as statutory profit after tax adjusted for material infrequent items (such as legal provision, one-off transaction costs, restructure, and redundancy costs) that were previously adjusted for in Cash net profit after tax and operating losses of suspended products Also excluded from Normalised Cash Profit (after tax) is AASB9 provisioning for credit losses, with actual credit losses remaining in the result.

² Cash NPAT is a non-statutory measure of profit and is defined as statutory profit after tax, adjusted for the after-tax effect of material infrequent items and the amortisation of acquired intangible assets.

"The last twelve months have seen the Group successfully reposition its Consumer Finance business to focus on profitable growth, with the majority of costs associated with exiting non-core, lower value transaction products removed this financial year. In the fourth quarter our Cards portfolio saw an acceleration in volumes in Long-Term Interest Free, indicating signs of a return to growth in this segment."

"The Company has also focused on an efficient and effective use of capital to drive returns. This includes optimising hummgroup's capital structure to include increased mezzanine funding to support growth in receivables, re-commitment to a dividend payout ratio of 30%–40% of Free Cash Flow, and the initiation of a \$10.0m share buyback reflecting the Directors' views of the long-term value of the Company."

GROUP PERFORMANCE

SEGMENT	FY23	FY22	FY21	FY23 VS FY22
Volume (A\$m)				
Point of Sale Payment Plans	1,152.9	1,252.7	1,034.9	(8%)
'Big things' AU	614.6	513.5	553.4	20%
'Little things' AU	248.7	301.8	178.7	(18%)
Other PosPP ³	289.6	437.4	302.8	(34%)
Australia Cards	514.9	478.3	416.9	8%
New Zealand Cards	747.6	693.8	695.4	8%
Consumer Finance	2,415.4	2,424.8	2,147.2	-
Commercial Finance	1,564.4	1,096.3	540.3	43%
hummgroup	3,979.8	3,521.1	2,687.5	13%

SEGMENT	FY23	FY22	FY21	FY23 VS FY22
Normalised Cash Profit (A\$m)				
Point of Sale Payment Plans	6.7	7.5	19.8	(11%)
'Big things' AU	14.0	20.1	25.0	(30%)
'Little things' AU	(4.7)	(10.7)	(6.7)	56%
Other PosPP ³	(2.6)	(1.9)	1.5	(37%)
Australia Cards	5.4	4.6	8.3	17%
New Zealand Cards	20.6	29.6	28.9	(30%)
Consumer Finance	32.7	41.7	57.0	(22%)
Commercial Finance	42.3	35.2	15.5	20%
hummgroup	75.0	76.9	72.5	(2%)

³ Other PosPP includes Canada and Ireland

SEGMENT	FY23	FY22	FY21	FY23 VS FY22
Cash NPAT (A\$m)				
Point of Sale Payment Plans ¹	(29.3)	(17.3)	1.2	(69%)
‘Big things’ AU	11.8	21.3	29.3	(45%)
‘Little things’ AU	(5.4)	(12.5)	(8.0)	57%
Other PosPP	(35.7)	(26.1)	(20.1)	(37%)
Australia Cards	2.3	8.9	16.8	(74%)
New Zealand Cards	16.1	30.8	28.1	(48%)
Consumer Finance	(10.9)	22.4	46.1	(149%)
Commercial Finance	35.0	28.7	22.3	22%
hummgrou	24.1	51.1	68.4	(53%)

1. Includes suspended products (BPAY within **hum** AU LT, **bundll**, **hummp** and **hum** NZ).

SEGMENT	DENOMINATOR	FY23	FY22	FY21	FY23 VS FY22
Net Loss/ANR¹					
PosPP ‘Big things’ ^{2,3}	ANR	2.7%	2.7%	2.8%	-
PosPP ‘Little things’ ^{2,4}	Volume	2.2%	2.8%	3.2%	(60bps)
Australia Cards	ANR	3.6%	2.4%	4.3%	120bps
New Zealand Cards	ANR	3.2%	3.2%	4.0%	-
Consumer Finance		3.5%	3.1%	4.2%	40bps
Commercial Finance	ANR	0.5%	0.7%	1.6%	(20bps)
hummgrou		1.8%	2.4%	3.5%	(60bps)

1. Net loss includes bad debts and loss recoveries.

2. PosPP has been split between ‘Big things’ and ‘Little things’ above as shorter dated lower value products are best compared against volume. For information PosPP net loss to ANR is 3.7% for FY23 versus 4.2% for FY22.

3. ‘Big things’ includes **hum** AU BT, Ireland and Canada.

4. ‘Little things’ excludes suspended products (BPAY within **hum** AU LT, **bundll**, **hummp** and **hum** NZ).

The Company delivered Normalised Cash Profit of \$75.0m (FY22: \$76.9m), driven by strong growth in its Commercial business and a focus on profitability in its core Consumer business. FY23 Cash NPAT of \$24.1m, down 53% on pcp (FY22: \$51.1m), reflecting the impact of operating losses of exited products, movements in AASB9 provisioning for credit losses and depreciation.

Group net loss/ANR of 1.8%, was a 60bps improvement on pcp (FY22: 2.4%). The improved net loss position represents the strong credit quality, tight credit control processes and settings, and portfolio diversification of the underlying business.

Operating expenses on a Cash NPAT basis were down 6% on pcp due to lower marketing spend (\$7.5m), lower employment costs (\$4.0m) and lower depreciation of (\$7.9m). In order to streamline the business and drive operational leverage in the Consumer Finance business, **hummgrou** achieved \$18.6m of cost savings in FY23, reflecting annualised saving of \$20m-\$25m.

COMMERCIAL FINANCE

hummgroup's Commercial business is the leading provider of specialist asset finance in the market, with continued strong growth driven by market demand, differentiated service proposition, speed to decision and speed to cash settlement. Our business is well placed to capture the structural opportunity as asset finance origination shifts from the banks to the broker channel.

Commercial receivables of \$2.4b was up 57% on pcp (FY22: \$1.5b) driven by AU Commercial as the business continued to win share from larger competitors. The business experienced lower losses across the portfolio, a result of **hummg**roup's superior credit decisioning, diversification and processes resulting in a net loss/ANR of 0.5%, a 20bps improvement on pcp (FY22: 0.7%).

Operating expenses were up 1.6% demonstrating the operating leverage of the business, evidenced by a relatively flat cost structure as volumes continue to grow during a period of higher cost inflation.

Normalised Cash Profit of \$42.3m, up 20% (FY22: \$35.2m), was driven by continued growth in operating income as the business has seen significant volume and receivables growth which was offset by higher cost of funds.

Commercial Priorities

Commercial's focus in FY24 will take advantage of the structural shift to broker origination in asset finance by expanding its broker presence and leveraging its robust market standing in key industries such as logistics, engineering and construction and agriculture. To facilitate this expansion, **hummg**roup will allocate resources towards scalable infrastructure and a technology platform tailored to the demands of its rapidly growing operations. We have expanded our capacity to grow this business with a \$760.7m asset-backed securities transaction, in private placement format, transaction executed in August 2023.

Given the impressive performance of the Commercial business sector in Australia, **hummg**roup has focused on duplicating the broker-centric approach in the New Zealand market. In FY24, the Group will focus on improving its local credit decisioning engine and speed to yes, which will in turn drive its competitive advantage and volumes in the region.

CONSUMER FINANCE

Consumer Finance delivered total volumes of \$2.4b for FY23, flat on pcp (FY22: \$2.4b), with receivables also flat at \$1.8b. Normalised Cash Profit of \$32.7m was down 22% on pcp (FY22: \$41.7m), a result of competitive pricing pressures in the PosPP business, lower average receivables balances due to higher paydowns impacting gross income in the Cards businesses, and higher borrowing costs.

Point of Sale Payment Plans ("PosPP")

PosPP segment volumes of \$1,152.9m (FY22: \$1,252.7m), reflect continued focus and leadership in larger transactions particularly in Solar, Home Improvement and Health verticals with Big Things up 20% on pcp. This growth was offset by the run-off of the decommissioned non-core, predominantly lower transaction value products **hum**m NZ, **bundll** AU and NZ, **hummp**ro and BPAY, with PosPP receivables of \$820.2m up 6% on pcp.

Normalised Cash Profit of \$6.7m (FY22: \$7.5m) was 11% lower as a result of competitive market pricing pressures impacting gross income, higher funding costs which were progressively passed on to merchants throughout the year and higher costs associated with investment in the Canadian and Irish businesses.

Australia Cards

Australia Cards volumes were \$514.9m, up 8% on pcp (FY22: \$478.3m), a result of increased card spend particularly in the travel sector which has seen spend increase as the sector returns to more normal levels. Receivables were flat on pcp as a result of continued repayments and run-off of legacy receivables across the portfolio.

Normalised Cash Profit of \$5.4m was up 17% on pcp (FY22: \$4.6m), the result of increased gross income and lower marketing and operating expenses being partially offset by higher funding costs during the year.

New Zealand Cards

New Zealand Cards volume of \$747.6m was up 8% on pcp (FY22: \$693.8m), with closing customer loan balances up 4% on pcp with growth increasing in the final quarter of the year following lower receivables throughout the year.

Normalised Cash Profit of \$20.6m was down 30% on pcp (FY22: \$29.6m) predominantly due to reduced gross income attached to a lower average receivables balance, higher borrowing costs following rate rises during the year, and inflationary increases on expenses. Net losses for FY23 were flat on pcp at 3.2% demonstrating the overall strong quality of the receivables book.

Consumer Finance Priorities

Significant work has been completed to remove non-core products and associated costs, with receivables in run-down for the last 12 months and the majority of costs associated with the repositioning of this business removed within the year. **hummg**roup will continue to focus on both operating and funding costs to maintain headline profitability growth in Consumer Finance. This includes transitioning its global PosPP business onto a unified technological platform which will deliver revenue growth, operational leverage and cost reductions. By consolidating the diverse technology systems into a singular, cohesive framework, the Group anticipates streamlined processes, enhanced synergies, and improved resource allocation.

hummgroup will focus on growing its successful Irish business and has maintained its UK credit licence to service merchants in Northern Ireland. Combined with its Canadian business, **hummg**roup's international operations have grown volumes by 26% on pcp.

Additionally, **hummg**roup will continue to improve its margin in Consumer Finance by optimising profitability through a disciplined management of merchant return profiles. **hummg**roup will capitalise on opportunities to grow merchant and customer numbers as smaller, less well capitalised competitors cease to operate in the ANZ market.

BALANCE SHEET AND CAPITAL MANAGEMENT

Over the course of FY23 **hummg**roup has strengthened its capital and funding platform, creating additional capacity through capital markets issuance and warehouse funding facilities to grow the business, allowing it to continue to deliver returns to its shareholders. The Group's warehouse funding platform has been materially expanded to support future growth, with over \$1.0b of new committed warehouse funding introduced over the year.

In particular:

- **hummg**roup has \$112m of unrestricted cash as at 30 June 2023
- **hummg**roup has drawn corporate debt of \$75.7m with an unutilised facility of \$75.0m as at 30 June 2023

- **hummg**roup has \$983m of undrawn headroom as at 30 June 2023 following the extension and addition of \$1,357.1m in senior warehouse funding and \$132.6m of mezzanine warehouse funding
- **hummg**roup completed a \$760.7m Private Placement asset-backed securities transaction post year end (August 2023) creating further headroom in addition to the undrawn balance of \$983m above.

As a result, the Board has proposed a fully franked final dividend of 1.0 cent per share bringing the FY23 total dividend to 2.0 cents per share.

The company has also announced an on-market share buy-back of up to \$10m to be completed during FY24, subject to market conditions, and will be buying shares on market to satisfy the FY23 equity grant and executive long-term incentive plans.

OUTLOOK

hummgroup will focus on driving profitable growth across its operations, supported by its strong balance sheet position and resilient credit performance together with ensuring improvements in unit economics and capital allocation. **hummg**roup will continue to review and remove unnecessary cost and complexity from the business and execute on its strategic capital initiatives to deliver shareholder value in the year ahead.

WEBCAST

hummgroup's CEO, Stuart Grimshaw and CFO, Adrian Fisk will host a webcast at 11.00am on Thursday 24 August 2023.

Details of the webcast: <https://edge.media-server.com/mmc/p/u5ze23h9>

Authorised for release by the **hummg**roup Board of Directors.

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ABOUT HUMMGROUP

humm Group Limited ACN 122 574 583 (ASX: HUM) ("Company", and with its other group and consolidated entities "**hummg**roup" or "Group") is a diversified financial services company that provides instalment plans which enable businesses and consumers to make large purchases. **hummg**roup operates in Australia, New Zealand, Ireland, Canada, and the United Kingdom. Its principal activities include the provision of Commercial Lending in Australia and New Zealand; Point of Sale Payment Plans; Australia Cards (**hum**m®90, Lombard and Once); and New Zealand Cards (including Farmers Finance Card, Farmers Mastercard®, Q Card, Q Mastercard® and Flight Centre Mastercard®).