

2 November 2023

ASX ANNOUNCEMENT

HARMONEY REMAINS ON TRACK TO DELIVER FY24 OUTLOOK

Harmony Corp Limited (ASX:HMY; **Harmony** or the **Company**), a leading consumer-direct personal lender in Australia and New Zealand, is pleased to provide an update on its performance for the 3 months ended 30 September 2023 (**1Q24**).

1Q24 Highlights:

- Loan book \$747 million, up from \$744 million at 30 June 23.
- Revenue \$30 million, in line with 4Q23 (\$30 million).
- Net interest margin of 9.0%, down slightly on 4Q23 (9.2%).
- 90+ day arrears 0.54%, down from 4Q23 (0.58%).
- Cost to income ratio of 27% further improves from 28% in FY23, as operating leverage continues to build.
- Stellare® 2.0 successfully launched to selected new customers in August, with broader roll out continuing through FY24.
- Profitability prioritised over growth while the Stellare® 2.0 rollout is progressed.
- Growth and profitability predicted to accelerate from 2H24 as the benefits of the Stellare® 2.0 customer experience take hold.
- Inaugural NZ\$200 million ABS transaction provides further endorsement of credit quality, diversification of funding sources, and capacity for future growth.
- Transition to warehouse funding model completed with the closure of legacy peer-to-peer platform.
- FY24 outlook reaffirmed.

Commenting on the quarter, Harmony's CEO & Managing Director David Stevens said:

"As a leading direct-to-consumer lender, we have a tremendous opportunity to grow our business by continuing to take further share from banks and other traditional lenders in Australia and New Zealand. We have proven the benefits of our business model, evidenced by profitable growth and high customer satisfaction, and are confident we can take Harmony to another level of growth with our next generation platform, Stellare® 2.0, which was launched with selected customers in August."

Stellare® 2.0 will facilitate an even more accurate and efficient loan approval process, resulting in a streamlined experience for our ever-growing customer base. The new platform will also enable us to make improvements and launch new financial products to market significantly faster than before. We expect the platform to deliver accelerated growth and improved profitability from 2H24 onwards as the platform is rolled out across Australia and New Zealand."

Our approach in the short term is to prioritise profitability over loan book growth whilst we are focused on ensuring a successful roll out of Stellare® 2.0 to all our customers. With this in mind, I am satisfied that we have been able to grow our loan book moderately while further reducing our marketing spend and improving our cost to income ratio."

HARMONEY CLOSES ITS LEGACY P2P PLATFORM

In October, Harmony completed its transition to a warehouse funding model with the closure of its legacy peer-to-peer (**P2P**) platform. The Company started its business as a P2P lending platform in 2014, before transitioning to a more efficient and profitable way of operating through a warehouse funding model. Harmony ceased its P2P loan funding in March 2020, but has continued to manage existing loan balances through the platform.

This project has been an area of focus for Harmony through 1Q24, consuming some resources that would otherwise have been directed to growth and the Stellare 2.0 transition; however, it was important to invest this effort and bring this chapter to a satisfactory close for the near 10,000 lenders who had invested through the platform over the past nine years, earning on average a realised annual return of 11.6%.

Closing out the P2P platform also enables Harmony to retire legacy complexity from its technology stack and to reduce data storage costs arising from the fractionalisation of P2P loans.

HARMONEY GEARING UP FOR ACCELERATED GROWTH

Harmony increased its loan book slightly to \$747 million, up from \$744 million at 30 June, while further moderating marketing spend, continuing to prioritise profitability over loan book growth in the short term, and focusing on the roll out of Stellare® 2.0.

The Company is expecting significant Cash NPAT growth from 2H24 onwards, driven by scale and benefits from the new platform.

Harmony's credit quality remains high among its peers with 90+ days arrears at 0.54%, well below the Australian market average of 1.40%¹.

HARMONEY ACHIEVES RECOGNITION FOR ITS INNOVATION

In September, Harmony was recognised as a finalist in the 2023 Australian Financial Review BOSS Most Innovative Companies list for its new car loan product. The secured car loan product, launched in January 2023, provides buyers with an attractive alternative to the traditional dealership finance options and is an example of Harmony bringing product innovation to its 100% consumer-direct model.

OUTLOOK MAINTAINED

- Continued origination and loan book growth
- Net interest margin of 9-10% maintained in FY24
- Lower Cash NPAT expected in 1H24 due to focus on Stellare 2.0 rollout; significant Cash NPAT growth to follow in 2H24 and beyond
- Targeting 20% ROE run rate in FY25

This release was authorised by the Board of Harmony Corp Limited

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¹ Source: Equifax Australian Consumer Credit Demand Index 2023 Q2, Personal Loan series.

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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 a predictive behavioural analytics engine which 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 and secured 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 minimal customer acquisition cost.
- Harmony is comprised of a team of ~85 full-time employees predominantly based in Auckland, New Zealand, half of whom comprise engineering, data science and product professionals.
- Harmony has a highly diversified funding panel with warehouses being provided by three of the "Big-4" banks across Australia and New Zealand. Harmony issued its first asset backed securitisation in 2021, followed up with a \$200m NZ asset backed securitisation in August 2023, both being publicly rated by Moody's.

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