

21 August 2024

hummm®group announces full year 2024 results

SOUND FINANCIAL PERFORMANCE BASED ON SECOND HALF RECOVERY

Strong balance sheet fundamentals

- hummmgroup total receivables of \$5.0b, up 18%
 - Commercial receivables of \$3.0b, up 26%
 - Consumer Finance receivables of \$2.0b, up 11%.
- Strong balance sheet with \$125.1m in unrestricted cash and \$0.7b of warehouse headroom.
- Fully franked final dividend of 1.25 cents per share bringing dividends for the year to 2.0 cents per share on a fully franked basis, representing a return to shareholders of 6.02%.

Improving returns from core businesses

- Statutory net profit (after tax) of \$7.1m was up 145%. The second half Statutory net profit (after tax) of \$13.1m represented a turnaround of \$19.1m from the first half loss of (\$6.0m).
- Normalised cash profit (after tax)¹ of \$60.6m was down 19% with positive second half performance from core businesses.
- Normalised cash profit (after tax)¹ of \$32.5m in 2H24 was up 16% on 1H24 mainly driven by a 4% increase in Net operating income and a 14% decrease in costs from the first half.
- Net Interest Margin ("NIM") stabilised across FY24 at 5.5% with an exit NIM of 5.5% improving by 40bps from June 2023.
- Group Net Credit Loss/Average Net Receivables ("ANR") was maintained at 1.8%.
- Management executed \$13.2m in cost savings during FY24.

Executing on the customer

- Volume from continuing products of \$3.8b, up 6%.
- Gross yield² of 11.6%, up 50bps.
- Launch of hummm Hybrid Loan Product in 1H25.

Note: All comparative rates for the year ended 30 June 2024 are against the year ended 30 June 2023 (the prior corresponding period or pcpr) unless otherwise stated.

1. Normalised cash profit (after tax) is calculated as statutory profit after tax adjusted for non-cash items (including amortisation and impairment of intangibles, movements in AASB9 accounting provisions and depreciation) and other non-recurring material or infrequent items (such as restructure costs and suspended product and related costs).
2. Interest income as a percentage of Average Net Receivables.

hummm Group Limited (ASX: HUM) ("hummmgroup" or "the Company") today reported its results for the twelve months ended 30 June 2024 ("FY24").

Strong growth in receivables balances have contributed to a Statutory net profit (after tax) of \$7.1m, an increase of 145% along with Normalised cash profit (after tax) of \$60.6m, down 19%. This result is underpinned by NIM stability, significant ongoing cost savings, historically low credit losses and a strong balance sheet.

hummmgroup Chief Executive Officer and Managing Director Stuart Grimshaw said:

"Through 1H24 we refocused the business around our customers, executed strategic pricing initiatives and delivered cost efficiencies that allowed us to reinvest in growing the business. This resulted in a pleasing turnaround in 2H24 as we saw Normalised cash profit (after tax) increase 16% on the first half. Contributing to the strong second half performance was NIM stabilisation as a result of improvements to gross yields and more stable base interest rates while net loss remained at historic lows as we continue to be prudent with our risk decisioning.

Our Commercial business continues to demonstrate impressive operating leverage, with receivables growing by 26% with only a 4% increase in normalised operating costs.

We have made progress in transforming our Consumer businesses in New Zealand and Australia delivering a better customer experience while at the same time improving unit economics and merchant profitability.

In Australia, we will be launching a regulated hybrid loan product which provides an opportunity to expand tailored merchant specific offerings, open new channels and create greater merchant opportunities, while improving return metrics and delivering increased profitability for the Consumer business.

Our global businesses continue to perform as planned with hummm Ireland improving profitability and hummm Canada growing receivables.

We remain committed to a dividend payout ratio of 30%–40% of Free Cash Flow which has resulted in a 1.25 cent per share fully franked proposed final dividend for the year, bringing dividends for the year to 2.0 cents per share on a fully franked basis. Additionally, a total of 31.2m shares representing 6% of total equity has been purchased on market with 20.0m shares purchased as part of the share buy-back program and 11.2m shares purchased to satisfy grants under the executive long-term incentive program, which is non-dilutive to shareholders."

GROUP PERFORMANCE

Normalised cash profit (after tax) (A\$m)

SEGMENT	1H24	2H24	CHANGE %	FY23	FY24	CHANGE %
Commercial Finance	21.6	21.2	(2%)	42.3	42.8	1%
Australia Cards	3.7	1.8	(51%)	5.4	5.5	2%
New Zealand Cards	7.8	8.8	13%	20.6	16.6	(19%)
Point of Sale Payment Plans ("PosPP")	(5.0)	0.7	114%	6.7	(4.3)	(164%)
hummm AU¹	(2.5)	(1.4)	44%	9.3	(3.9)	142%
Other PosPP ²	(2.5)	2.1	184%	(2.6)	(0.4)	85%
Consumer Finance	6.5	11.3	74%	32.7	17.8	(46%)
hummmgroup	28.1	32.5	16%	75.0	60.6	(19%)

1. Includes \$2.2m investment in hummm Hybrid Loan Product.

2. Other PosPP includes Ireland and Canada.

Volumes (A\$m)

SEGMENT	1H24	2H24	CHANGE %	FY23	FY24	CHANGE %
Commercial Finance	761.5	772.9	1%	1,564.4	1,534.4	(2%)
Australia Cards	254.0	241.5	(5%)	514.9	495.5	(4%)
New Zealand Cards	432.0	385.8	(11%)	747.6	817.8	9%
Point of Sale Payment Plans	461.5	489.8	6%	763.3	951.3	25%
<i>humm AU^{1,3}</i>	354.8	365.7	3%	614.6	720.5	17%
<i>Other PosPP²</i>	106.7	124.1	16%	148.7	230.8	55%
Consumer Finance	1,147.5	1,117.1	(3%)	2,025.8	2,264.6	12%
Continuing Products	1,909.0	1,890.0	(1%)	3,588.8	3,799.0	6%
<i>Suspended Products³</i>	50.9	7.8	(85%)	391.0	58.7	(85%)
hummgroup	1,959.9	1,897.8	(3%)	3,979.8	3,857.7	(3%)

1. **humm AU** includes 'Big Things'.
2. Other PosPP includes Ireland and Canada.
3. **humm AU** excludes suspended products ('Little Things', BPAY within **humm**[®] AU 'Little Things', **bundll**[®], **humm**[®]pro, **humm**[®] UK and **humm**[®] NZ).

Net credit loss/ANR¹

SEGMENT	1H24 ²	2H24 ²	CHANGE %	FY23	FY24	CHANGE %
Commercial Finance	0.5%	0.7%	20bps	0.5%	0.7%	20bps
Australia Cards	4.3%	4.0%	(30bps)	3.6%	4.0%	40bps
New Zealand Cards	3.1%	3.3%	20bps	3.2%	3.3%	10bps
Point of Sale Payment Plans	3.3%	3.1%	(20bps)	3.7%	3.1%	(60bps)
Consumer Finance	3.3%	3.1%	20bps	3.5%	3.3%	(20bps)
hummgroup	1.8%	1.8%	-	1.8%	1.8%	-

1. Net Credit Loss includes bad debts and loss recoveries.
2. 1H24 and 2H24 Net credit loss/ANR is presented on a 12 month rolling basis that takes into consideration loss seasonality.

COMMERCIAL

hummgroup's Commercial business remains a leading provider of specialist asset finance, with continued strong growth driven by broker demand, a differentiated service proposition that embodies speed to decision and speed to cash settlement.

Commercial receivables of \$3.0b were up 26% (FY23: \$2.4b). Consistently low loss rates across the portfolio were the result of robust credit decisioning and strong asset diversification, delivering Net Credit Loss/ANR of 0.7%, a 20bps increase. Noting that credit losses increased as a result of the expected catch up from high growth in 2022/23 and remained inside expectation.

Volumes for Commercial AU increased by \$45.6m for FY24, after record volumes in FY23 due to changes in the Government supported instant asset write-off. As expected, volumes for Commercial NZ reduced by \$75.6m following the decision to refocus the New Zealand business onto a broker led model consistent with the Commercial AU business.

Gross income¹ grew 45%, with normalised operating expenses up only 4% over the same period, demonstrating the operating leverage of the Commercial business.

Continued growth in receivables along with pricing changes helped to offset increased base rates, credit spreads and higher leverage to deliver Normalised cash profit (after tax) of \$42.8m, up 1% (FY23: \$42.3m).

CONSUMER FINANCE

Driven by growth in **hum** AU and our global businesses, the Consumer business delivered volumes of \$2.3b in FY24 up 12%. Total receivables of \$2.0b were up 11% from \$1.8b and were impacted by the wind-down of unprofitable products and higher repayments in the Consumer NZ business.

Volume from suspended products reduced by \$391.0m to \$58.7m for the year with the collection and run-off of receivables on these products now complete.

Normalised cash profit (after tax) was \$17.8m, down 46%, however, a strong 2H24 saw Normalised cash profit (after tax) of \$11.3m a 74% improvement on the first half, the result of pricing initiatives executed in 1H24, lower credit losses and efficient cost management.

New Zealand Cards

New Zealand Cards volume of \$817.8m grew 9% (FY23: \$747.6m), with closing customer loan balances up 3%, driven by higher transaction volumes which were partially offset by higher repayment rates.

2H24 delivered Normalised cash profit (after tax) of \$8.8m, a 13% improvement on 1H24, driven by the full year impact of higher customer interest rates, higher revolve rates, stabilised NIM and lower operating expenses, partially offset by the maturity of favourable hedging positions.

Australian Cards

Management contained growth and tightened credit settings in the Australian cards business while the rebuild of the Consumer AU business takes effect. These changes resulted in a 22% reduction to credit impairment charges for the second half of the year. Volumes of \$495.5m for the current year were down 4% (FY23: \$514.9m), as the business plans to commence re-platforming the underlying card system in FY25.

The combination of higher gross yield¹, increases to revolve rates² and significant reductions to cost of origination, offset by higher cost of funds and a lower receivables balance resulted in a 6% improvement in Net operating income ("NOI"). Normalised cash profit (after tax) of \$5.5m was up 2% (FY23: \$5.4m).

Point of Sale Payment Plans ("PosPP")

Volumes from continuing products grew by 25% for the year. This was driven by **hum** AU volumes of \$720.5m being up by 17% (FY23: \$614.6m), across the key verticals of solar, home improvement and health along with 55% volume growth in the global businesses (Ireland and Canada).

2H24 highlighted a turnaround with the business delivering Normalised cash profit (after tax) of \$0.7m, a \$5.7m improvement on 1H24 after taking into consideration \$2.2m in operating costs relating to the forthcoming launch of the **hum** Hybrid Loan Product.

The launch of the **hum** Hybrid Loan Product will provide an opportunity to improve return metrics and higher profitability for the business.

1. Gross income is interest income plus fee and other income.
2. Gross yield is calculated by interest income divided by Average Net Receivables.
3. Revolve rate represents percent of interest-bearing balances.

BALANCE SHEET AND CAPITAL MANAGEMENT

hummgroup has a differentiated and diversified funding platform supported by local and global banks and investment managers. This platform has allowed **hummg**roup to maintain growth while driving efficiency in its capital structure.

At 30 June 2024 **hummg**roup has:

- \$125.1m of unrestricted cash as at 30 June 2024.
- \$0.7b of undrawn warehouse headroom at 30 June 2024, following the funding transactions executed during the period.
- Issued over \$2.0b of ABS during FY24, in both public and private placements.

Partnership agreement for the origination and servicing of new loans

Today **hummg**roup announces a Forward Flow Program to fund the next phase of growth for the Commercial business. Under the program, the Company will originate and service loans and advances using a funding platform sponsored by MA Financial Group.

This enhancement to our funding platform is a new structure to the Australian market and differentiates **hummg**roup from its competitors by allowing **flexicommercial** to continue to originate, credit assess and service receivables through its existing broker network with no capital requirements.

Under the terms of the agreement, **flexicommercial** is not expected to recognise assets funded by the program on its balance sheet, instead receiving a reimbursement of origination fees, together with a servicing fee and a share of the excess spread from the Forward Flow Program. **hummg**roup will not be exposed to credit losses.

This innovative program not only provides a funding facility, it introduces a new fee proposition for the business, removes the requirement for equity from **hummg**roup to fund these assets and provides a platform for future growth.

Fully franked final dividend of 1.25 cents per share

The Board has declared a fully franked final dividend of 1.25 cents per share and have made the Dividend Reinvestment Plan available for this distribution. The Company also completed its \$10.0m on-market share buy-back and further purchased \$6.0m shares to satisfy grants under the LTI share plan, which has been non-dilutive to the shareholders.

Shares purchased represent approximately 6% of outstanding shares on issue. Further shares are likely to be purchased on market to support the FY24 grants.

OUTLOOK

hummgroup will continue to drive profitable growth across its operations, as it grows and expands the Commercial and international businesses while continuing to rebuild the domestic Consumer business. The Company will leverage its merchant and customer relationships, credit decisioning capability and funding platform to grow the existing business as it invests in technology and platforms to deliver better customer and merchant outcomes.

There will be a continued focus on removing unnecessary cost and complexity from the businesses in order to execute on strategic capital initiatives that will deliver shareholder value in the year ahead.

WEBCAST

hummgrou’s Chief Executive Officer and Managing Director, Stuart Grimshaw and Chief Financial Officer, Adrian Fisk will host a webcast at 11.00am on Wednesday 21 August 2024.

Details of the webcast: <https://edge.media-server.com/mmc/p/dg6u7575>

Authorised for release by the hummgrou Board of Directors.

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ABOUT HUMMGROUP

hummm Group Limited ACN 122 574 583 (ASX: HUM) (“Company”, and with its other group and consolidated entities “hummgrou” or “Group”) is a diversified financial services company that provides instalment plans which enable businesses and consumers to make large purchases. hummgrou 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 (hummm[®]90, Lombard and Once); and New Zealand Cards (including Farmers Finance Card, Farmers Mastercard[®], Q Card, Q Mastercard[®] and Flight Centre Mastercard[®]).

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