

22 February 2022

hummgroup announces half year 2022 results

- 1H22 Cash Net Profit After Tax ("Cash NPAT")¹ of \$27.8m
- Recommended dividend, with a fully franked interim dividend determined of 1.7 cents per share
- Binding agreement for sale of hummgroup Consumer Finance ("HCF")² to Latitude (subject to shareholder approval) announced 18 February 2022 for aggregate consideration of \$335m
- 1H22 statutory net loss after tax of \$168.3m including a non-cash impairment of intangible assets of \$181.2m
- HCF Cash NPAT of \$12.5m down 57% on prior comparative period ("pcp"), with volume momentum - including Buy Now Pay Later ("BNPL") volume up 37% on pcp - offset by increased investment in international expansion, new products and partnerships with **bundll** and **hummpo**
- Record Commercial and Leasing volume of \$432.8m up 101% on pcp, with segment Cash NPAT of \$15.3m up 2.7% on pcp
- Group net loss³ / average net receivables ("ANR") of 2.8%, a 40bps improvement on pcp (1H21: 3.2%)
- Total hummgroup customers of 2.75m as at 31 December 2021, up 5% on pcp including an increase of 13% in BNPL customers offset by a decrease in customers from grandfathered products
- Strong unrestricted net cash position of \$132m, up 149% with no corporate debt

humm group limited (ASX: HUM) ("**hummgroup**" or "the Company") today reports its results for the half-year ended 31 December 2021 ("1H22").

hummgroup Chief Executive Officer Rebecca James said:

"hummgroup delivered Cash NPAT of \$27.8m for 1H22. Following a period of recovery experienced in 1Q22, Omicron resulted in more subdued activity in 2Q22 as a result of reduced consumer confidence and a delayed return to in-store spending.

We continued executing our planned investment in overseas expansion, new products and partnerships with bundll and hummpo. The ongoing impact of COVID-19 resulted in softer segmental Cash NPAT, reflecting changes in receivables mix, accelerated paydowns across our cards portfolio, and the investment necessary to position HCF for the future.

Our Commercial and Leasing segment performed strongly during the half. Following the successful shift in strategic focus towards SME lending via the broker channel, it was pleasing to see volumes up over 100% on the prior comparable period, resulting in double digit Cash NPAT growth.

¹ 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.

² Consisting of BNPL, Australia Cards and New Zealand Cards

³ Net loss comprises gross write offs less bad debt recoveries.

The Board has recommended dividends and has determined to pay a fully franked interim dividend of 1.7 cents per share."

GROUP PERFORMANCE

Segment	1H22	1H21	1H20	1H22 vs 1H21
Volume (A\$m)				
BNPL	651.1	473.0	415.8	37.7%
Australia Cards	223.9	\$200.8	353.6	11.5%
New Zealand Cards	359.2	359.2	434.2	0.0%
Consumer Finance	1,234.2	1,033.0	1,203.6	19.5%
Commercial and Leasing	432.8	215.7	146.8	100.6%
hummgroupp	1,667.0	1,248.7	1,350.4	33.5%
Cash NPAT (A\$m)⁴				
BNPL	(9.7)	2.6	5.1	(12.3)
Australia Cards	4.7	12.2	6.5	(7.5)
New Zealand Cards	17.5	14.5	13.5	3.0
Consumer Finance	12.5	29.3	25.1	(16.8)
Commercial and Leasing	15.3	14.9	9.4	0.4
hummgroupp	27.8	44.2	34.5	(16.4)
Net loss⁵				
BNPL				
Big Ticket ⁶ (Net loss/ANR)	2.5%	2.7%	2.3%	(20bps)
Small Ticket ⁷ (Net loss/Volume)	4.0%	3.6%	2.2%	40bps
Australia Cards	2.9%	3.8%	4.2%	(90bps)
New Zealand Cards	3.1%	3.6%	2.6%	(50bps)
Consumer Finance	4.1%	3.8%	3.9%	30bps
Commercial and Leasing	0.6%	1.4%	1.5%	(80bps)
hummgroupp	2.8%	3.2%	3.3%	(40bps)

The Company delivered 1H22 Cash NPAT of \$27.8m, down 37.1% on pcp (1H21: \$44.2m). Strong performance in Commercial and Leasing was offset by a lower HCF contribution due to higher operating expenses relating to planned international expansion and new products **bundll** and **hummp**, coupled with lower income during the period as a result of reduced income from discontinued products and lower receivables in cards.

⁴ 1H21 Cash NPAT were restated due to the impacts of International Financial Reporting Interpretation Committee ("IFRIC") guidance on cloud computing costs which reduced software amortisation by \$0.8m (after tax).

⁵ Net loss comprises gross write offs less bad debt recoveries as a proportion of net receivables unless otherwise stated.

⁶ Comprising of humm 'Big things' AU and Ireland

⁷ Comprising of humm 'Little things' AU and NZ, bundll and hummp

SEGMENT PERFORMANCE

Buy Now Pay Later

BNPL segment volumes of \$651.1m, up 37.7% on pcp (1H21: \$473.0m), reflect strong performance in **hum** AU (particularly in 'Little things'), **hum** Ireland, and the increasing contribution from **bundll**.

In particular, **hum** 'Little things' volume of \$194.1m, up 73.0% on pcp, was driven by strong customer and merchant acquisition. New products **bundll** and **hummp** contributed volume of \$106.3m (1H21: \$33.5m). **hum** 'Big things' volume was flat on pcp with Omicron impacting the recovery of in-store spend.

Cash NPAT of -\$9.7m (1H21: \$2.4m), reflects the planned increased investment in international expansion and continued investment in **bundll** and **hummp**, which are designed to strengthen **hum**'s merchant, retailer and customer proposition.

Australia Cards

Australia Cards volumes were \$223.9m, up 11.5% on pcp (1H21: \$200.8m), noting that 2021 was heavily impacted by exposure to the travel industry and the impacts of COVID-19.

1H22 Cash NPAT of \$4.7m was down from \$12.2m in the pcp as a result of strong household savings, debt paydown and lower interest-bearing balances.

New Zealand Cards

New Zealand Cards volume of \$359.2m was flat on pcp (1H21: \$359.2m), with everyday spend offsetting the continuing impact of COVID-19 on long term interest free travel merchant activity. Cash NPAT for 1H22 of \$17.5m was up 21% on pcp reflecting the resilience of this portfolio despite the impacts of COVID-19 on receivables. Lower operating income was offset by a decline in losses and impairment provisions.

Commercial and Leasing

Commercial and Leasing volume of \$432.8m was up 100.6% on pcp (1H21: \$215.7m) driven by continued momentum in Australia following the strategic shift in focus towards small to medium enterprise ("SME") lending via the broker channel.

The rebuilt and refocused business is continuing to deliver strong results and notably, while volume increased, credit quality improved with net loss / ANR of 0.6%, a decrease of 80bps on pcp. Cash NPAT of \$15.3m was up 3% on pcp driven by volume related growth in income, partly offset by associated impairment provisions related to growth.

STRATEGY UPDATE - HUMMGROUP CONSUMER FINANCE (HCF)

New audiences, new products, new partnerships

humgroup has focused on continuing to grow its customer base and distribution reach through partnerships for its innovative products.

Whilst still at an early stage, and against the backdrop of subdued consumer confidence and the remaining pandemic restrictions, the benefits of partnering with blue chip partners is apparent in the latest cohort of customers. Early data from the new partnerships indicates a lower cost of customer acquisition and lower loss rates than **hum**group's broader BNPL portfolio.

Driving customer engagement

humgroup provides payment solutions across the entire shopping journey covering purchases from \$1 through to \$30,000 and this gives us confidence that our customers will benefit greatly from using more than one **hum**group product.

At 31 December 2021, 25% of **hum** customers have made both a Big Things and Little Things

transaction (June 21: 18%) and 35% of our **bundll** customers also have a **hummm** account (June 2021: 25%). While the overlap in Cards and **hummm** is small at present, there exists an opportunity to grow this number given the **hummm90** rebrand in November 2021, which allows **hummmgroup** to actively promote its combined product suite.

Expanding the reach of instalment payments

During the period, **hummm** launched **hummm** marketplace which, when combined with **hummm//CARD** functionality, allows **hummm** to offer a broader range of merchants and products in its online marketplace, without incurring the cost and time of onboarding new merchants. **hummm** continues to operate a blend of curated merchants (providing affiliate marketing fees) and closed loop (providing merchant fees) via the revamped online marketplace, further diversifying its revenue streams.

International expansion

In December 2021, **hummmgroup** launched its BNPL offering **hummm** in Canada, with the ability to service both big and small ticket items now operational. In February 2022, **hummmgroup** was granted its UK credit licence, a major milestone in BNPL in that geography: allowing it to finance larger ticket items up to £30,000. **hummm** has now been integrated with 13 software management systems, providing it access to over 7,000 automotive, health and education merchants across the UK.

Due to the delay in receiving its credit licence in the UK and impact of Omicron on in-store shopping, **hummmgroup** is now forecasting that these new geographies will add ~\$40m in volumes in FY22.

STRATEGY UPDATE - HUMMMGROUP COMMERCIAL BUSINESS

The Commercial business continues to execute on its strategy of being the leading provider of specialist asset finance, achieving over \$1 billion in receivables. With 73% of asset finance sold through brokers, products are distributed exclusively via this channel. Key differentiators leading to 35% compound growth over the last three years include the speed in which applications are decided and settled - often within 24-48 hours.

Capital efficiency continued to improve in the half with the capital employed as a % of net receivables reducing to 9% in 1H22 following the introduction of mezzanine funding of up to \$82.5m for the Australian Commercial warehouse.

Following the successful shift of the Australian Commercial business towards SME lending via the broker channel, the business is focused on replicating this shift within New Zealand. **hummmgroup's** commercial business has a large and under-served addressable market of \$49 billion across Australia and New Zealand within a broader \$430 billion SME lending market.

PROPOSED SALE OF HUMMMGROUP CONSUMER FINANCE

hummmgroup announced on 18 February 2022, that it has entered into a binding agreement to sell **hummmgroup** consumer finance to Latitude Group for aggregate consideration of \$335 million, which is intended to be distributed to **hummmgroup** shareholders. **hummmgroup** would remain listed on the ASX and continue to own and operate the Commercial business.

Additional information relating to the proposed sale can be found in **hummmgroup's** 18 February 2022 ASX release. The proposed sale and related initiatives are subject to **hummmgroup** shareholder approval.

DIVIDENDS

The **hummmgroup** Board of Directors have determined to pay an interim dividend of 1.7 cents per share, fully franked. The interim dividend will be paid on 6 April 2022 to ordinary shareholders who are registered on the share register as at the record date on 1 March 2022.

OUTLOOK

In 2H22, **hummm**group expects:

- a rebound in consumer spending on 'Big things' and AU Cards in 4Q22 as consumers return to in-store experiences and international travel resumes;
- continued profitable growth in Commercial following the business repositioning;
- stable loss rates, with an improvement in small ticket BNPL;
- continued investment in international expansion; and
- volume in UK and Canada to begin to flow through as roll out scales up.

WEBCAST

hummmgroup's CEO, Rebecca James and CFO, Adrian Fisk will host a webcast at 10.30am (AEDT) on Tuesday, 22 February 2022.

Details of the webcast: <https://webcast.openbriefing.com/8368/>

-ENDS-

Authorised for release by the **hummm**group Board of Directors.

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ABOUT HUMMGROUP

hummmgroup is revolutionising the way people pay. **hummm**group has developed some of Australia and New Zealand's most exciting and accessible consumer finance products including **hummm**, **bundll**, **hummm90** and **hummmpro**. **hummm**group continues to design products around the core needs of financially savvy consumers spanning millennial spenders through to young families and SMEs. **hummm**group facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland, the United Kingdom and Canada.