

19 August 2022

ASX ANNOUNCEMENT

Latitude releases its 1H22 results, with strong balance sheet to navigate economic conditions and support growth

Latitude Group Holdings Limited (ASX: LFS) is pleased to announce its Half Year results to 30 June 2022.

1H22 Financial Highlights

- Statutory NPAT of \$30.6 million, down 57% on 2H21 and down 66% on 1H21
- Cash NPAT of \$93 million, above consensus forecast of \$90 million, down 2% on 2H21 and down 11% on 1H21
- 1H22 dividend of 7.85 cents per share fully franked, unchanged from 2H21 and 1H21, including a dividend reinvestment plan
- Strong Balance Sheet: Surplus TER of 9.2% ahead of 6-7% target range; prudent provisioning with loss coverage at 3.74%; \$2 billion of funding headroom and no requirement to access debt markets for the next 12 months; high margins (NIM 11.3%) and room for product re-pricing
- Operating expenses of \$174 million, down 9% on 2H21 and flat against 1H21 despite additional costs of being publicly listed and Symple Loans integration

1H22 Key Operating Metrics

- Volumes \$3.7 billion, flat against 2H21 and up 2% on 1H21, led by Money (Personal & Auto Loans) up 3% on 2H21 and up 9% on 1H21. Pay (Instalments & Credit Cards) remained flat against both 2H21 and 1H21
- Gross receivables of \$6.3 billion stabilising, down 1% on 2H21 and down 3% on 1H21 due to ongoing elevated repayments from excess household liquidity
- Net charge-offs of 2.37% of average gross receivables remain historically low due to strict credit management, up 25bps on 2H21 but down 17bps on 1H21
- Risk adjusted income yield of 9.46%, down 56bps on 2H21 and down 70bps on 1H21 due to lower product pricing and higher funding costs
- Return on average gross receivables of 3%, stable on 2H21 and down 28bps on 1H21

1H22 Operational Highlights

- Money volume-growth driven by Personal Loans in Australia up 16% on 2H21 and 30% on 1H21, with the consumer-friendly Symple Loans technology integration proceeding to plan in 1H22, allowing the introduction of digital variable rate personal and auto loan products.
- The 28° Global Platinum Mastercard rebounded strongly on resumption of international travel, with volumes of \$779 million, up 23% on 2H21 and 29% on 1H21.
- Sustained cost discipline, simplified operating structure, technology and productivity benefits resulting in operating expenses of \$174 million declining 9% on 2H21 and flat against 1H21, despite the additional impact of the Symple Loans integration and meeting listed company obligations.
- Negotiated four-year extension of sales finance agreement with major partners JB Hi-Fi and The Good Guys, emphasising the value of long-term relationships in a time of economic uncertainty
- Further establishment of Singapore sales finance operations, growing to more than 460 merchants and 30,000 customers, and entry into Malaysia to support our major retail partners.

- Successfully refinanced the NZ\$934 million New Zealand Sales Finance and Credit Cards Trust warehouse facility, the \$850 million Australian Sales Finance and Credit Cards Trust warehouse facility, the \$186 million Symple Warehouse Trust, and the \$1.177 billion Australian PL Trust warehouse facility. All were completed ahead of their maturity dates, creating funding certainty in line with our conservative management strategy

Managing Director and CEO Ahmed Fahour said: “The Cash NPAT result of \$93 million, which is above consensus forecast, and our strong underlying balance sheet highlight Latitude’s competitive and strategic advantage at a time of economic uncertainty. We have positioned the business to take advantage of the growth opportunities that we believe will emerge in the next 12-18 months.

“Our Money business continued to perform strongly through the first half of 2022, in particular personal loans in Australia, as we successfully integrated Symple Loans. The recovery in volumes in the international and travel sectors gives us further encouragement, especially with our important 28°Global Platinum Mastercard.

“The growth in our Money business in Australia came at strong margins. While volumes slowed after we acted early to offset the impact of interest rate rises by repricing our products, we are now well positioned as demand returns. The New Zealand business is also showing signs of normalising after regulatory changes impacted the lending segment.

“Illustrating the strength of our loan portfolio, delinquencies remained low and we continued to reduce our costs and improve productivity, while we further invested in the business.”

“Our strong profitability has allowed Latitude to declare a 1H22 dividend of 7.85 cents per share, which is fully franked.”

Outlook

Latitude has the capability, balance sheet strength and quality of loan book to navigate the future economic environment.

Despite increased funding costs with the sharp rise in official interest rates in Australia and New Zealand, product re-pricing and other implemented measures will help offset the impact on margins. Latitude will gain further benefits from the full integration of Symple Loans, the growth in travel, cost discipline and productivity increases.

While unemployment remains low, Latitude anticipates delinquencies to stay below historical levels and it will persist with a prudent approach to credit underwriting. Receivables growth should be less affected by elevated repayments as higher cash rates erode excess consumer savings and governments end COVID-related financial assistance. Latitude’s instalments business will also benefit as the higher cash rate adds to the attraction of its ‘interest free’ proposition.

Latitude Managing Director and CEO Ahmed Fahour and CFO Paul Varro will host a briefing on the First Half 2022 results at 9.30am today (AEST):

Date: 19 August 2022

Time: 9.30am (AEST)

Webcast: Participants can register for the webcast here: <https://webcast.openbriefing.com/8831/>

Conference call pre-registration link: <https://s1.c-conf.com/diamondpass/10022863-3mfh61.html>

Authorised for release to the ASX by the Board.

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