Harmoney

FY22 Investor Presentation

David Stevens CEO and Managing Director
Simon Ward CFO

All values in $NZD unless stated otherwise

Important notice and disclaimer

The material in this presentation is provided for general information purposes only and is current as at the date of this presentation. It is not a prospectus or product disclosure statement, financial product or investment advice or a recommendation or offer to acquire Harmoney shares or other securities. It is not intended to be relied upon as advice to investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should assess their own financial circumstances and seek professional legal, tax, business and/or financial advice before making any investment decision. The information in this presentation does not purport to be complete. It should be read in conjunction with Harmoney's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange and New Zealand's Exchange, which are available at www.asx.com.au and www.nzx.com respectively.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Harmoney Group's business and operations, market conditions, results of operations and financial condition, specific provisions and risk management practices. Such forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Harmoney Group and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date thereof. Past performance is not indicative of future performance.

No representation or warranty, express or implied, is made as to the fairness, completeness, accuracy, adequacy or reliability of information, opinions or conclusions in this presentation, including the financial information. To the maximum extent permitted by law, none of Harmoney or its related bodies corporate or their respective, its directors, officers, employees or contractors or agents do not accept liability or responsibility for any loss or damage resulting from the use or reliance on this presentation or its contents or otherwise arising in connection with it by any person, including, without limitation, any liability from fault or negligence.

The financial information in this presentation has not been audited in accordance with Australian Auditing Standards.

This presentation contains certain non-IFRS measures that Harmoney believes are relevant and appropriate to understanding its business. Investors should refer to the FY22 Results for further details.

All values are expressed in New Zealand currency unless otherwise stated. All intellectual property rights in this presentation are owned by Harmoney.

Contents

Delivering results FY22

Harmoney FY22 actual pro forma performance compared to market guidance

	FY21 Actual[1]	FY22 Guidance[1]	FY22 Actual[1]	Change vs. PCP
Loan book	$501m	> $650m	$685m	37%
Revenue	$79m	> $92m	$91m	15%
Net lending margin	6.8%	> 8.3%	8.4%	160bps
Cash NPAT	($0.4m)	Profitable	$1.5m	$1.9m
Warehouse funding	61%	> 90%	94%	54%

Exceeded 90% target warehouse funding, reaching 94% with one-off targeted borrower rate discounting to drive this impacting revenue - 1% below guidance.

[1]FY21 Actual, FY22 Guidance and FY22 Actual based on pro forma financials.

9 key points you should know about us

Cash NPAT profitable and positive cash flow from operating activities. Unrestricted cash $35m.

Attractive 11.7% net interest margin. Ability to easily adjust rates due to consumer-direct model.

Quality portfolio. >40% Homeowners. 0.45% 90+ day arrears.

Diversified funding from 3 of the “Big 4” banks + securitisation program.

73% of floating rate borrowings hedged to mitigate impact of interest rate market movements.

Risk based pricing. Targeted >100 bps increase from April with no drop in demand.

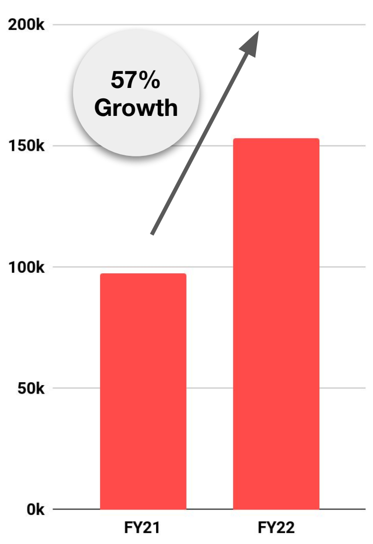
Australia now 70% of new customer originations.

Customers rate us! Google & Shopper Approved of 4.7/5 from >45,000 reviews.

Existing customers return for future borrowings creating annuity stream (at near zero CAC).

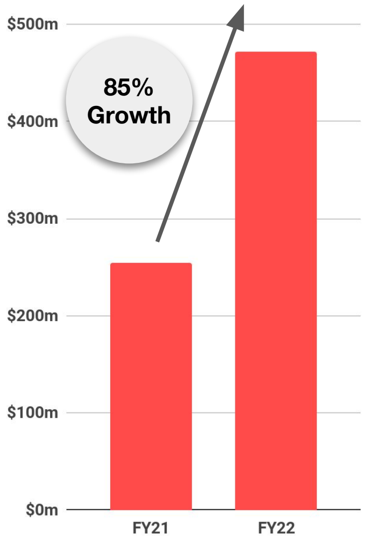
Rapid growth across all key business metrics

1. Account acquisition



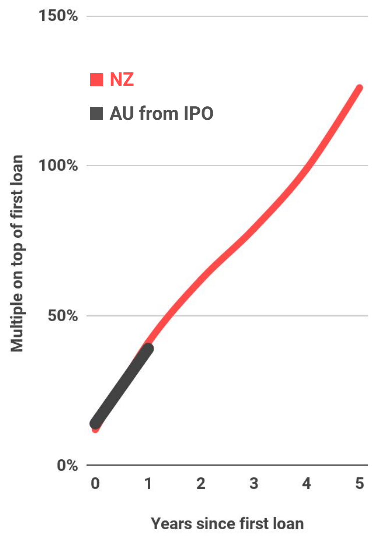
AU expansion powering rapid account growth.

2. Loan originations



Highly automated Stellare® platform converting more accounts into loans.

3. Customer annuity



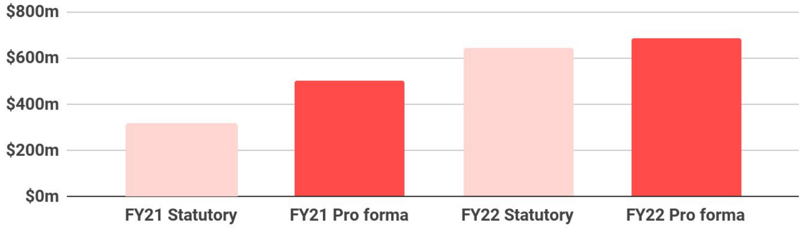
Subsequent originations ~130% of first loan over 5 yrs, AU replicating NZ in 9x larger market.

Australian expansion powering loan book growth

113% growth in Australian loan book

- Record year end $685m pro forma Group loan book, representing 37% growth on pcp.
- Loan book now 94% funded by warehouses, allowing move to statutory only reporting from 1 July 2022 onwards.
- Growth driven by 207% growth on pcp in Australian loan originations, coming from both new customers and building annuity of existing customers.
- NZ book growth restrained due to significant regulatory changes applied to all consumer lenders in Dec 2021, which are now being partially relaxed.

Group loan book



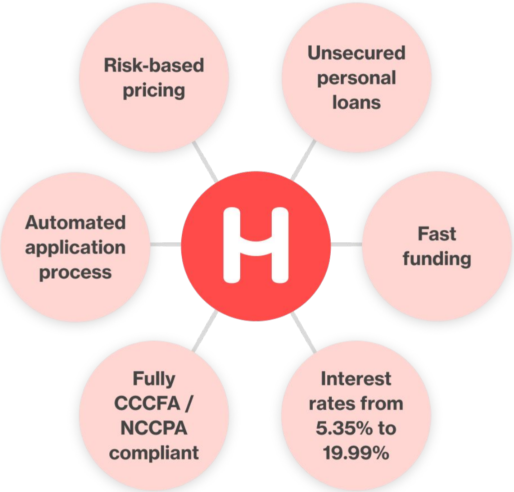
Group loan originations

Harmoney

Overview of business model

Customer value proposition

Delivering faster, fairer loans through our smart technology



- Personalised fixed rates based on customer credit characteristics.
- Loans up to $70k in AU/NZ with loan terms of 3, 5 and 7 years.
- Average new loan size ~$22,000.
- Funding within 24 hours.
- One simple upfront loan establishment fee. No other fees.
- Loans are fully compliant with consumer lending codes in AU/NZ.

Use of funds

- Renovation Loans
- Debt Consolidation
- Car Loans
- Education Loans
- Business Loans
- Medical Loans
- Travel Loans
- Wedding Loans

Harmoney's strategy: 100% consumer-direct

Deep Consumer Data + Machine Learning + Automation = Lower CAC + Lower Losses + Lower Funding Costs + Fixed Opex = High Shareholder Returns

Growth opportunities of consumer-direct model

Personal loan → **Other financial products** (e.g. line of credit, secured, home loans)

Data + ML + Automation

Deep Consumer Data + Machine Learning + Automation = Lower CAC + Lower Losses + Lower Funding Costs + Fixed Opex = High Shareholder Returns

Every month, over 12,000 new customer accounts help us train our machine learning and automation

FINANCIAL REVIEW BOSS
MOST INNOVATIVE COMPANIES

STELLΛRE

High volumes of up-to-the-moment consumer financial data – combined with our 7+ years of historic data – “supercharges” training of our machine learning models, helping us optimise for:

- High efficacy marketing with Google producing high volumes of desirable customers at low cost.
- A leading Net Lending Margin of 9.3% through more accurate risk assessment of customers.

Quality, first-party, consumer-direct data to fuel machine learning has been a core feature of Harmoney since our inception.

The Harmoney business model maximises customer lifetime value

Right customer

- Build reliable target consumer model through machine learning and high quality first-party consumer data.
- Partner with large-scale platforms (e.g. Google, LinkedIn, Facebook) to implement cost-effective customer acquisition channels.
- Use direct relationship and customer segment fit to devise and offer new products and services.

Google 4.7/5 overall rating

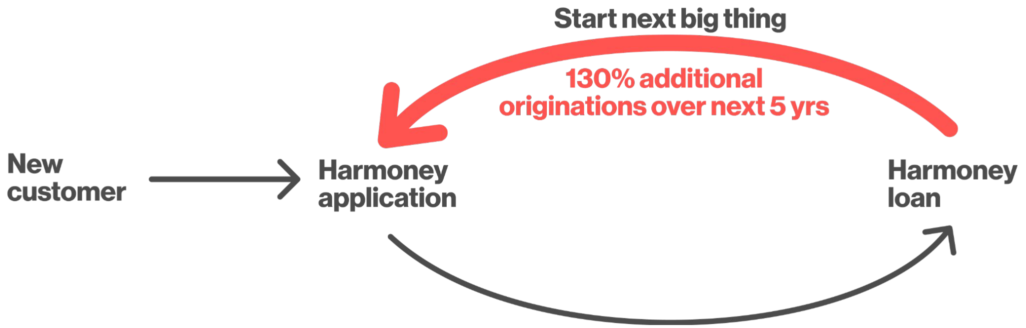
Shopper Approved >45,000 reviews

Great experience

- First-class customer experience creates annuity revenue as customers return with minimal cost of acquisition (CAC).
- Highly automated simple and streamlined 100% online process.

Massive scale

- Exploit tech to build scale, speed, and automation to decouple costs from growth.



Harmoney

Financial results

Key performance indicators

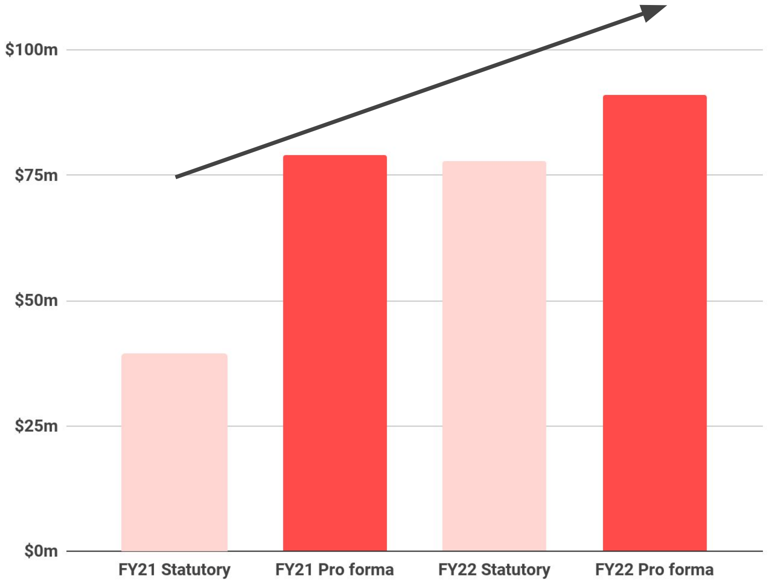
	FY22 Statutory	FY22 Pro Forma	FY21 Pro Forma
Loan book	$642m	$685m	$501m
Revenue	$78m	$91m	$79m
Net interest margin	11.7%	12.1%	10.6%
Net lending margin	9.3%	8.4%	6.8%
Direct opex	$28m	$28m	$20m
Indirect (fixed) opex	$19m	$19m	$17m
Cash NPAT	$0.2m	$1.5m	($0.4m)

Australian expansion delivers strong revenue growth

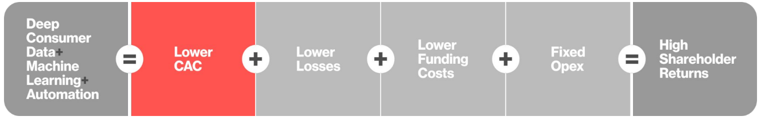
Average customer interest rate 15.9%

- Stellare® lending platform and consumer-direct model delivered 37% group loan book growth, now 94% warehouse funded, driving statutory revenue of $78m up 99% pcp.
- Convenient and quick online process attracting prime borrowers and delivered 15.9% average interest rate.
- Personalised risk-based interest rates enabled passing through >100bps weighted average increase across all originations from April, in response to rising interest rates, without impacting demand.

Group revenue growth



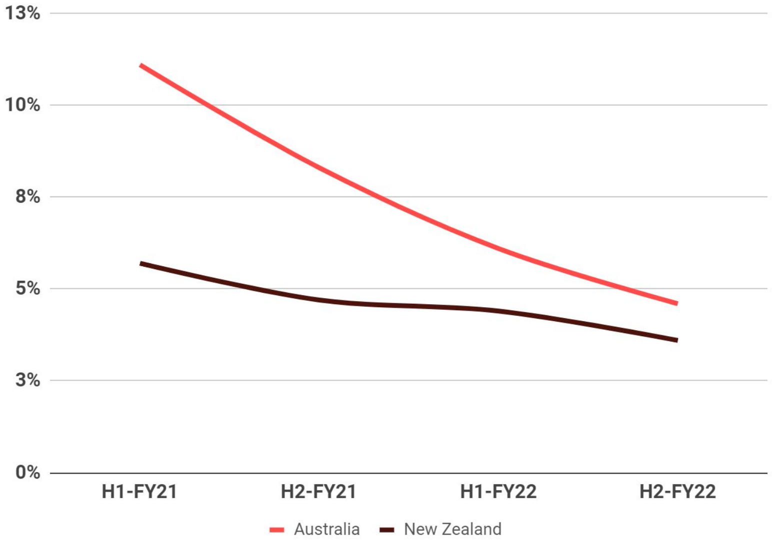
Consumer-direct data and experience delivers lower CAC



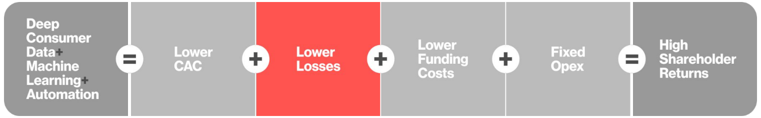
Australian cost to origination ratio improved by 45%

- Stellare® applies continuous machine learning to deep consumer data to focus on desirable, high intent customers, lowering marketing costs.
- Customers enjoy their experience, as shown by exceptional Google and NPS ratings, and return next time they want help to start something new. Unlike other models, our direct relationship means subsequent loans have near zero CAC.
- Group FY22 marketing cost to origination ratio reduced to 4.7% from 6.4% pcp.

Marketing cost to origination %



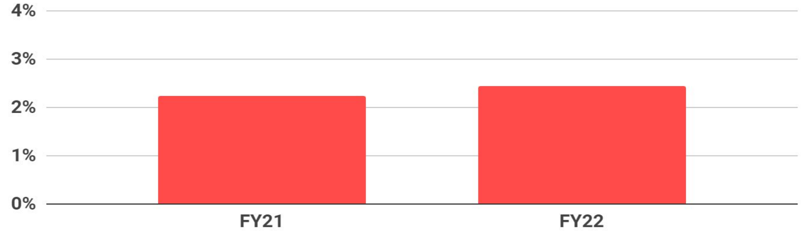
Deep data and machine learning deliver prime loan book



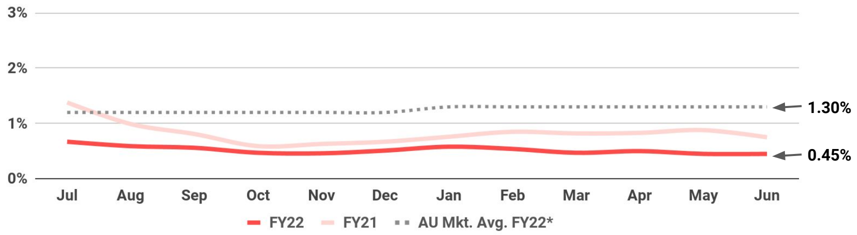
9.3% Net Lending Margin (after losses)

- Convenient online consumer-direct model provides deep data, powering machine learning and automation to deliver resilient prime borrowers at scale.
- Loan book comprised of more than 40% homeowners, 99% in regular employment or self-employed, and among those at least 74% employed in either professional, office or trades roles and 86% aged 30+.
- Statutory credit losses 2.5% FY22 and 90+ day arrears at 30 June 2022 0.45%.
- Ultimately delivering a Net Lending Margin (after losses) of 9.3%.

Credit losses

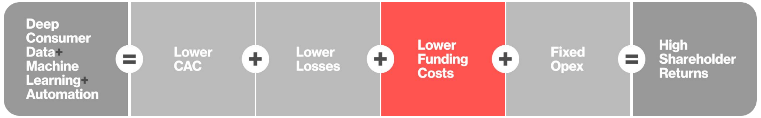


Low 90+ day arrears



*Source: Equifax Australian Consumer Credit Demand Index 2022 Q2, Personal Loan series.

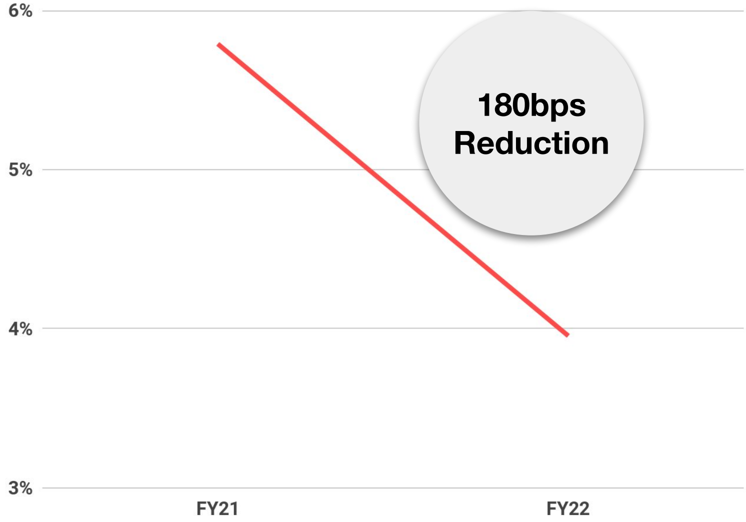
Leading funding model delivers efficient cost of funds and use of capital



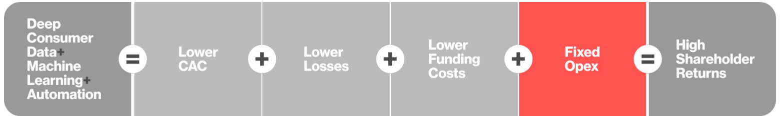
Diversified funding model delivers

- Funding from 3 of the "Big 4" banks, securitisation program and transition to warehouse funding 94% complete, reduced pro forma cost of funds by 180bps.
- Floating rate borrowings 73% hedged.
- Capital efficient with borrowings 93% of loan book (incl. restricted cash).
- Warehouse unused capacity $323m to support portfolio growth.
- Unrestricted cash $35m, A$5m undrawn corporate debt and positive cash from operating activities.

Average funding rate



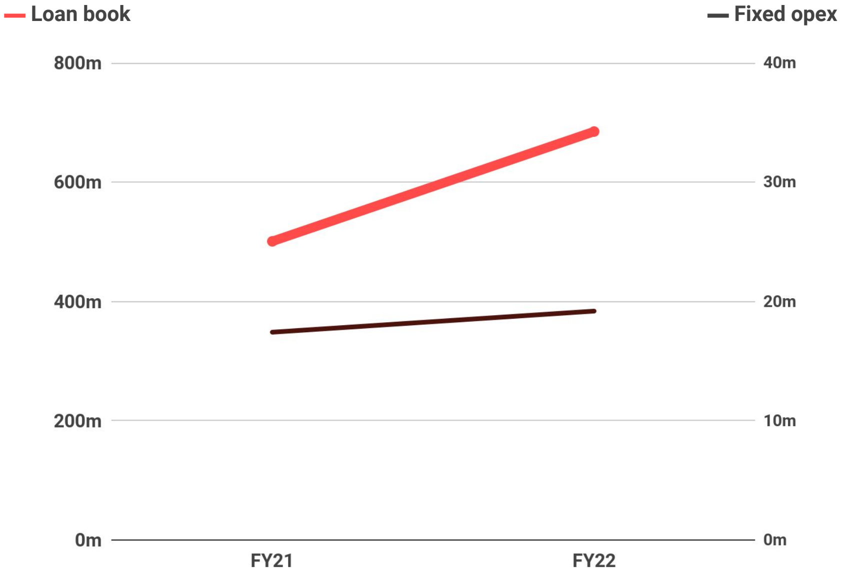
Stellare® automation powers scalability



Scalability drives profitability

- Highly automated Stellare® platform enables loan book to scale faster than opex, with total loan book growing 37% while indirect (fixed) opex grew 10%.
- Loan book growth contributes partially to current year revenue growth but delivers multi-year annuity due to consumer-direct model.
- Opex growth on full year of increased investment in engineering and platform post IPO.
- Scaleable Stellare® platform has delivered pro forma and statutory Cash NPAT profitability in FY22.

Loan book to opex growth

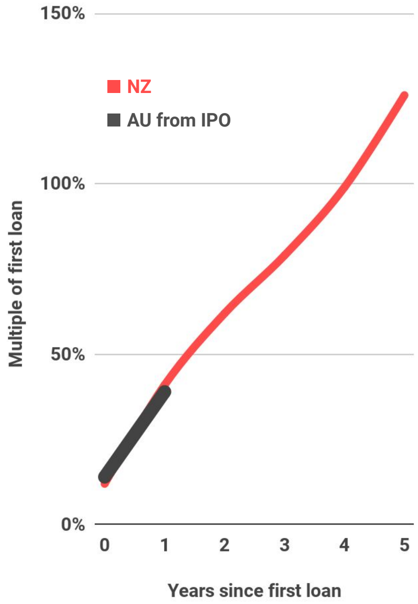


Harmoney

Strategy, ESG and Outlook

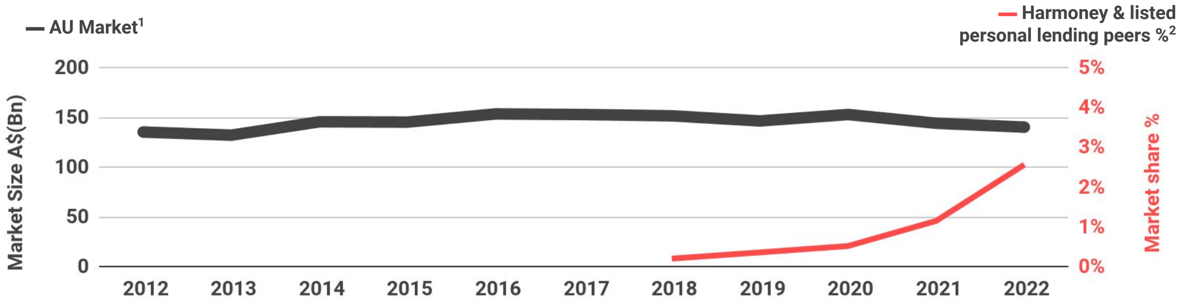
Strategic growth initiative 1: Continue AU expansion

AU replicating in 9x market



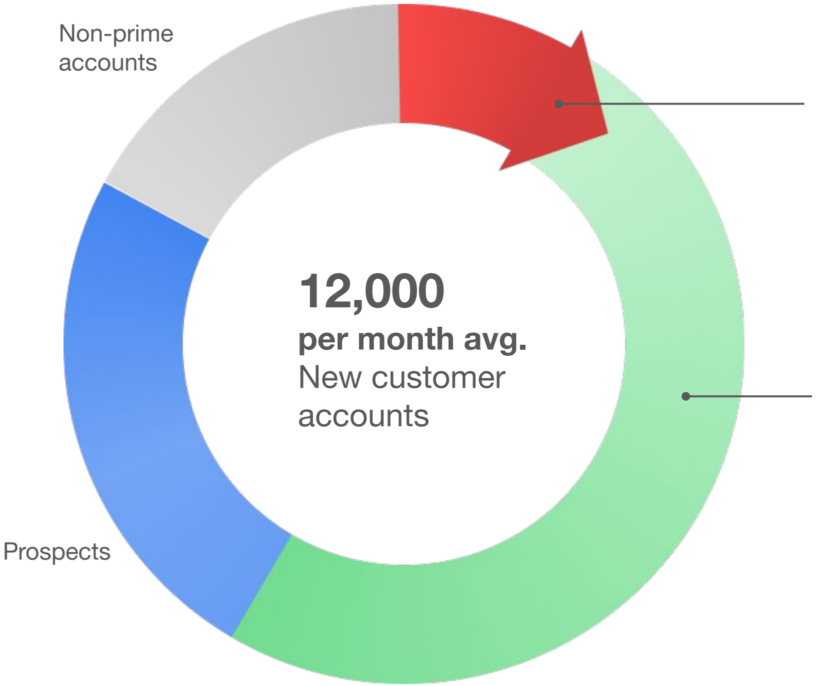
Huge potential for Harmoney in A$140bn market[1]

- Stable market and an enormous growth opportunity for Harmoney as consumers gravitate online, with the vast majority of personal lending still provided by banks and traditional lenders.
- Harmoney's Australian new customer lending grew 227% to A$196m. Australia is mirroring New Zealand performance and is on track for these new customers to add ~130% in repeat lending over the next five years, at near zero CAC.



1. Source RBA, 'D2 Lending And Credit Aggregates - Credit; Other personal', which covers all personal credit (non-business, non-housing/mortgage), incl. e.g. personal loans, car loans and credit cards.
2. Listed personal lending peers comprise Wisr, MoneyMe & Plenti with loan balances sourced from 2022 market trading updates.

Strategic growth initiative 2: Expand product offering



1,000 / **per month avg.**
New customers funded by Harmoney.

6,000 / **per month avg. - Harmoney Opportunity**
"Prime" accounts - bureau qualified people each month that are not served by our current product offering, which represents an opportunity to meet their needs with new features (e.g. always-on line of credit, interest only) or new products beyond the personal loan (e.g. auto, SME products, financial tools).

- **Increasing conversion** through a better user experience and new credit and affordability models.
- **Higher retention** as Harmoney's relationship with customers moves beyond the personal loan to a wider range of financial products.

Environment, Social & Governance (ESG) at Harmoney

Harmoney is pleased to include our inaugural ESG summary, providing an opportunity to highlight our achievements this year, and set out our commitment to advancing ESG principles at Harmoney, and reporting on progress.

Environment

- Net zero emissions FY22.
- Fully offset very low measured up/downstream emissions - being online only with extensive work from home and electronic conferencing practices.
- Commitment to complying with upcoming climate related disclosure standards as published.

Social

- Provide ease of access to financial services across consumer segments by applying technology to reliably sourced financial data and designing for simplicity.
- Maintain stringent measures to secure and protect financial and credit-related customer data.
- Committed to developing products and features delivering positive customer outcomes, including support through periods of financial difficulty.

Governance

- Compliant with ASX "Corporate Governance Principles and Recommendations (4th edition)".
- Compliance Manager role established to enhance risk & compliance program.

Outlook

Interest rates and pricing response

- Ability to pass through targeted borrower interest rate increases through sophisticated risk based pricing model, >100bps average increase passed though in April 2022 without impacting demand.
- Funding costs protected with a diversified funding panel and >70% of floating rate borrowings hedged.

Asset quality

- High quality diversified loan book >40% home ownership, 99% regular employment / self employed (see Appendix for more detail). Low arrears rate.

Growth expected to remain strong due to large TAM

- Harmoney consumer-direct model, focused on customer experience is taking market share from banks, plenty of room to grow in $140bn+ market.

FY23 outlook

- Origination growth ✓
- Loan book growth ✓
- Net Interest Margin >10% ✓
- Cash NPAT growth ✓

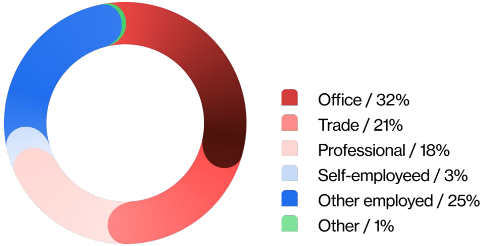
Harmoney

Appendix

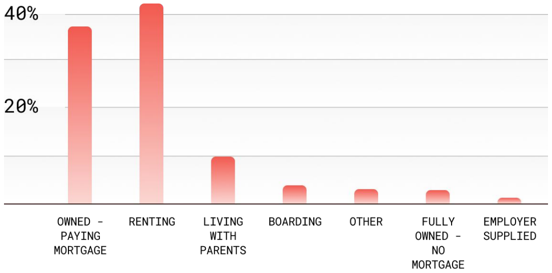
A$274m Australian Loan Book

Building a high skill, high value customer base

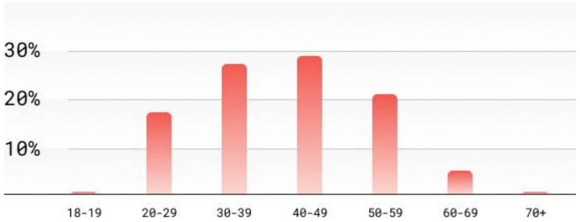
Employment status



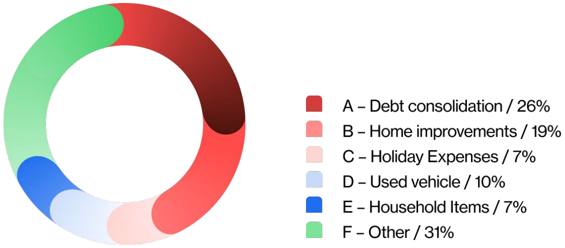
Property ownership



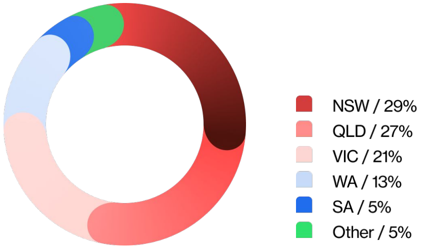
Age of borrowers



Loan purpose



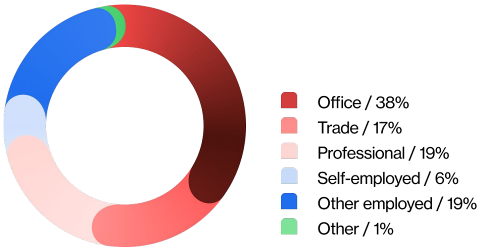
Region



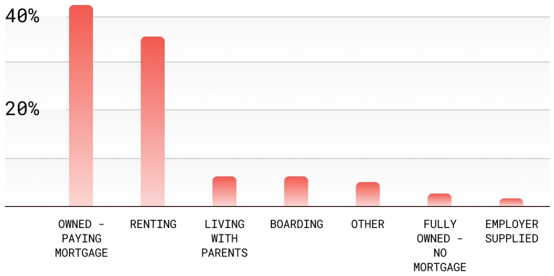
NZ$339m New Zealand Loan Book

Building a high skill, high value customer base

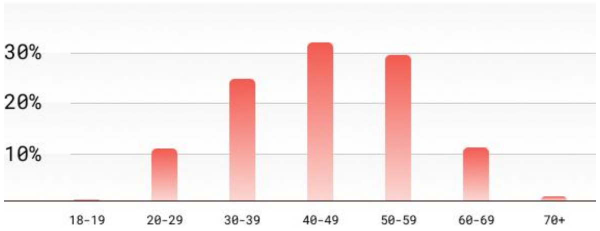
Employment status



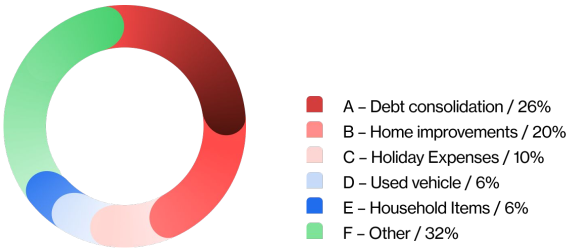
Property ownership



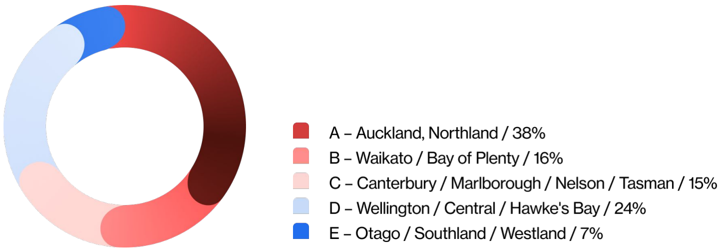
Age of borrowers



Loan purpose



Region



Profit and loss (pro forma and statutory)

	Year ended 30 June 2022			Year ended 30 June 2021		
	Statutory	Pro forma Adjustments	Pro forma	Statutory	Pro forma Adjustments	Pro forma
	$'000	$'000	$'000	$'000	$'000	$'000
Interest income	73,624	16,966	90,590	37,643	40,917	78,560
Other income	4,121	(3,638)	483	1,504	(999)	505
Total income	**77,745**	**13,328**	**91,073**	**39,147**	**39,918**	**79,065**
Interest expense	19,408	1,957	21,365	9,647	17,763	27,410
Incurred credit losses	11,354	9,512	20,866	4,787	13,839	18,626
Net lending margin	**46,983**	**1,859**	**48,842**	**24,713**	**8,316**	**33,029**
Movement in expected credit loss provision	16,023	(8,093)	7,930	8,285	(8,721)	(436)
Net lending margin after loss provision	**30,960**	**9,952**	**40,912**	**16,428**	**17,037**	**33,465**
Marketing expenses	22,067	0	22,067	16,475	0	16,475
Verification and servicing expenses	5,514	0	5,514	4,006	0	4,006
Net operating margin	**3,379**	**9,952**	**13,331**	**(4,053)**	**17,037**	**12,984**
Personnel expenses	10,450	0	10,450	9,170	71	9,241
Share based payment expenses	2,930	0	2,930	4,078	0	4,078
Technology expenses	4,459	0	4,459	3,245	0	3,245
General and administrative expenses	4,281	0	4,281	7,728	0	7,728
Depreciation and amortisation expenses	1,438	0	1,438	1,046	0	1,046
Total indirect expenses	**23,558**	**0**	**23,558**	**25,267**	**71**	**25,338**
Profit / (Loss) before income tax	**(20,179)**	**9,952**	**(10,227)**	**(29,320)**	**16,966**	**(12,354)**
Income tax (expense) / benefit	0	2,864	2,864	2,286	1,173	3,459
Profit / (Loss) after income tax	**(20,179)**	**12,816**	**(7,363)**	**(27,034)**	**18,139**	**(8,895)**
*Non-cash and other normalisation adjustments**						
Movement in expected credit loss provision	16,023	(8,093)	7,930	8,285	(8,721)	(436)
Share based payment expenses	2,930	0	2,930	4,078	0	4,078
Depreciation and amortisation expenses	1,438	0	1,438	1,046	0	1,046
Borrower establishment fee rebate	0	0	0	4,000	0	4,000
IPO Expenses	0	0	0	3,172	0	3,172
Income tax impact of adjustments	0	(3,444)	(3,444)	(5,822)	2,501	(3,321)
Cash NPAT	**212**	**1,279**	**1,491**	**(12,275)**	**11,919**	**(356)**

* Cash NPAT provides a more accurate representation of the underlying profitability of the business, adjusting for the impact of non-cash and abnormal items, most significantly the movement in expected credit loss provision of $16m in FY22, which is a non-cash provision for credit losses that may occur in future financial years from the existing loan book. With GAAP requiring recognition of an expected credit loss provision expense immediately on origination of a new loan, without any indication of loan impairment and significantly ahead of recognition of the interest income priced to compensate for the expected level of credit loss risk, the expected credit loss provision expense will suppress statutory net profit during periods of loan book growth, all other things being equal.

Key operating and financial metrics

	Statutory Year ended 30 June 2022	Pro Forma Year ended 30 June 2022	Pro Forma Year ended 30 June 2021	Pro Forma Change %
Loan book value and growth				
Total originations ($'000)	472,364	472,364	255,457	85%
New customer originations ($'000)	302,831	302,831	136,381	122%
Existing customer originations ($'000)	169,533	169,533	119,076	42%
Loan book (period end) ($'000)	641,744	684,992	500,831	37%
Loan book (average) ($'000)	462,904	573,814	480,623	19%
Average interest rate (%)	15.9%	15.8%	16.3%	(50bps)
Average funding rate (%)	4.5%	4.0%	5.8%	(180bps)
Net interest margin (%)	11.7%	12.1%	10.6%	150bps
Net lending margin (%)	9.3%	8.4%	6.8%	160bps
Loan book quality				
Incurred credit loss ($'000)	11,354	20,866	18,626	12%
Incurred credit loss to average gross loans (%)	2.5%	3.6%	3.9%	(30bps)
Provision rate (%)	4.9%	5.3%	5.6%	(30bps)
Productivity metrics				
Marketing to origination ratio	4.7%	4.7%	6.4%	(170bps)
Verification & servicing to origination ratio	1.2%	1.2%	1.4%	(20bps)
Personnel to income ratio	13.4%	11.5%	11.7%	(20bps)
Technology to income ratio	5.7%	4.9%	4.1%	80bps
General and administrative to income ratio	5.5%	4.7%	6.2%	(150bps)

Cash Flow

	Year ended 30 June 2022 $'000	Year ended 30 June 2021 $'000
Cash flows from operating activities		
Interest received	73,829	38,231
Interest paid	(18,611)	(10,295)
Fee income (rebated) / received	(2,265)	5,338
Payments to suppliers and employees	(47,577)	(34,862)
Net cash generated / (used in) by operating activities	**5,376**	**(1,588)**
Cash flows from investing activities		
Net advances to customers	(342,414)	(180,044)
Payments for software intangibles and equipment	(6,744)	(3,694)
Net cash used in investing activities	**(349,158)**	**(183,738)**
Cash flows from financing activities		
Net proceeds from finance receivables borrowings	314,121	170,227
Net proceeds from / (repayment of) debt financing	16,569	(10,694)
Net proceeds from share issue, net of transaction costs	-	67,550
Principal element of lease payments	(881)	(969)
Net cash generated by financing activities	**329,809**	**226,114**
Cash and cash equivalents at the beginning of the period	76,464	34,779
Net (decrease) / increase in cash and cash equivalents	**(13,973)**	**40,788**
Effects of exchange rate changes on cash and cash equivalents	256	897
Cash and cash equivalents at the end of the period	**62,747**	**76,464**

Balance Sheet

	30 June 2022 $'000	30 June 2021 $'000
Cash and cash equivalents	62,747	76,464
Trade and other assets	1,839	1,894
Finance Receivables [1]	641,013	310,196
Expected credit loss provision	(31,881)	(15,375)
Property and equipment	389	642
Intangible assets	9,416	3,455
Deferred tax assets	9,134	11,490
Derivative financial instruments	8,669	-
Total assets	**701,326**	**388,766**
Payables and accruals	6,846	7,324
Borrowings	623,231	291,541
Provisions	5,700	13,405
Lease liability	238	717
Derivative financial instruments	-	85
Total liabilities	**636,015**	**313,072**
Net assets	**65,311**	**75,694**
Share capital	131,559	131,399
Foreign currency translation reserve	820	564
Share based payment reserve	3,368	216
Cash flow hedge reserve	6,143	(85)
Accumulated losses	(76,579)	(56,400)
Equity	**65,311**	**75,694**
Total group loan book [2]	684,992	500,831

[1] Includes warehouse funded loans only

[2] Includes warehouse and peer-to-peer funded loans