



24 February 2021

hummgroup announces half-year 2021 results

- **humm** to enter United Kingdom ("UK") and Canada in 2H21
- Active customer numbers grew 40.4% on prior comparative period ("pcp") to 2.6m, with 1.3m total app downloads
- Buy Now Pay Later ("BNPL") transactions of 1.5m in 1H21 (1H20: 384k)
- Total BNPL volumes of \$473.0m, up 13.8% on pcp, with **humm** 'Little things' volumes up 46.5% on pcp
- Strong balance sheet to fund local and international growth
- 1H21 Statutory Net Profit After Tax ("NPAT") of \$38.6m, up 15.9% on pcp
- 1H21 Cash NPAT¹ of \$43.4m, 25.8% up on pcp

humm group limited (ASX: HUM) ("hummgroup" or "the Company") today reports its results for the half-year ended 31 December 2020 ("1H21").

hummgroup Chief Executive Officer Rebecca James said:

*"As the only BNPL provider facilitating transactions of up to \$30k with payment terms ranging from five fortnights to five years, we believe our offering is the most flexible offering in the world. With the launch of **hummpro**, our BNPL product for SMEs, we now have four clear digitally-led product propositions, that enable seamless approvals for big, small or business-related purchases. It's our mission now to take that offering global and to encourage people the world over to consider **humm** for personal and business finance so they can buy on their terms.*

*"With substantial capital at our disposal, our ability to service large ticket items a key differentiator, and a significant international market opportunity, we have a strong platform for future growth. With BNPL adoption still in its infancy, **humm** will continue to challenge traditional and outdated point of sale finance products.*

*"Locally, we're pleased to see solid growth in our BNPL product **humm**. New and existing customers are using our product more frequently, especially online and for smaller ticket items, helping to create customer engagement in the **humm** ecosystem. This growth was achieved while we continued to take a prudent approach to credit risk and approvals in the first half of the financial year.*

"Today's result is a credit to the hummgroup team; the substantial work undertaken to improve both our customer engagement and our credit decisioning platform has directly benefitted the underlying performance of our business. At a time when we've needed to respond to the impacts of COVID-19 on both our business and our customers, these improvements have given us the agility to do so and come out of the pandemic in the strongest possible position."

¹ Cash NPAT reflects the reported net profit after tax adjusted for material infrequent items and the amortisation of acquired intangibles.

GROUP PERFORMANCE

The Company delivered 1H21 Cash NPAT of \$43.4m, up 25.8% on pcp (1H20: \$34.5m). Growth in Cash NPAT has been driven by increased profitability of the Commercial and Leasing and Cards segments and management's focus on reducing underlying costs within the business.

Cash NPAT also benefited from robust credit performance leading to impairment losses of \$25.0m, down 35.2% on pcp (1H20: \$38.6m). The 1H21 Cash NPAT includes a \$4.3m benefit from the part reversal of the COVID-19 macro overlay provision booked in FY20 of \$30.9m. This reflects the benefit of continued investment in a superior credit decisioning platform and adopting a customer-centric approach to managing hardships and collections during the pandemic.

The other driver of Cash NPAT performance in 1H21 was a reduction in operating expenses, including marketing and depreciation, down 11.1% to \$87.2m (1H20: \$98.1m). This was achieved through a continued focus on reducing underlying costs and simplifying the business, including the removal of duplicate roles and functions.

Total transaction volumes of \$1.25b for 1H21 were down 7.4% on pcp (1H20: \$1.35b) as strong growth in Commercial and Leasing was offset by a decline in Cards, with COVID-19 restrictions impacting key partners, particularly in travel (including refunds) and hospitality.

humm group grew its total active customers 40.4% on pcp to 2.62m as at 31 December 2020 (31 December 2019: 1.87m) which reflects the continued top line growth in BNPL.

SEGMENT PERFORMANCE

Buy Now Pay Later

humm 'Little things'² volumes across Australia, New Zealand and Ireland were \$112.2m, up 46.5% on pcp. The robust growth was also reflected in eCommerce transactions with online volume of \$89.6m, up 147.0% on pcp, in line with the shift to online spending during and following the pandemic.

Overall, BNPL segment volumes of \$473.0m, up 13.8% on pcp (1H20: \$415.8m), reflect strong performance in **humm** Ireland, 'Little things' in **humm** Australia, and the increasing contribution from **bundll**.

Australia Cards

Australia Cards volumes of \$200.8m, down 43.2% on pcp (1H20: \$353.6m), reflected COVID-19 impacts on merchant activity, particularly in travel and hospitality. Excluding key travel partner volume (and the refunds related to travel cancellations), volume decreased by only 2.4%, representing an outperformance against the credit card industry.

New Zealand Cards

New Zealand Cards volumes of \$359.2m, down 17.3% on pcp (1H20: \$434.2m), were largely attributable to the impact of COVID-19 on spending. Despite lower volume, gross profit of \$54.6m was up 2.8% on pcp due to higher net interest margins and lower direct cost of sales.

Commercial and Leasing

Commercial and Leasing volumes of \$215.7m, up 46.9% on pcp (1H20: \$146.8m), were driven by the continued momentum in Australia Commercial following the successful shift in strategic focus

² 'Little things' includes transactions less than \$2,000 (local currency) for **humm** AU & NZ and less than €500 for **humm** IE.

towards small to medium enterprise ("SME") lending. Notably, while volume increased, credit quality of SME lending remained strong and in line with 2H20. The rebuilt and transformed business is delivering strong results.

The flexicommercial strategic review is in progress with the initial recommendation to increase capital efficiency underway via the expected launch of an asset-backed securities transaction in March 2021, and the proposed introduction of mezzanine debt into the warehouse facility, both of which will increase return on equity.

STRATEGY FOR GROWTH

With no drawn corporate debt and a strong balance sheet, the Company is now ready to invest in the following areas that will support its long-term growth.

New products for new audiences

Following beta testing in December 2020, the Company is now proudly promoting **hummpro** - a BNPL product designed to meet the needs of SME owners. The new product has been designed to give business owners more options and greater flexibility when financing their business, and follows demand from SMEs who are looking to invest and grow as trading conditions return to pre-pandemic levels.

With close to three million SMEs in Australia and New Zealand, there is a significant opportunity for **hummpro** to disrupt a \$30b business credit card and line of credit market. **hummgroup** will leverage its considerable experience in responsible credit decisioning and building customer-centric experiences as it rolls this new product out to its business customers.

hummgroup's other new product designed to drive growth is **bundll**, its nascent Buy Now Pay Anywhere product, which has already attracted over 50,000 customers. Using the Mastercard® network, **bundll** customers can shop anywhere, anytime, online and in store, interest free, with no minimum spend.

Driving customer engagement

hummgroup has become synonymous with easy, digital, interest free finance and key to this is a focus on driving customer engagement. There have been over 1.3m app downloads across the **hummgroup** ecosystem including 120k **humm** BNPL app downloads in December 2020.

Experiences such as instant card provisioning, marketplace for seamless two click shopping at leading retailers, and the ability to BPAY bills in interest free instalments are driving increased customer usage. As at 31 December 2020, **hummgroup** customers are transacting 14 times per year³.

Expanding the instalment payment core

hummgroup continues to focus on expanding its core by signing new merchants and platforms in our existing markets. During the period, **hummgroup's** ability to attract new merchants shows the strength of the product and our differentiated customer proposition across all our markets. In the last 12 months, the Company added over 9,300 new retailers.

International expansion

Today, **hummgroup** is announcing the launch of its BNPL product **humm** into the UK and Canada in the second half of the financial year 2021. A significant opportunity exists to displace outdated traditional point of sale finance and capture higher value purchases in both markets.

³ Includes all products in BNPL and Cards segment excluding **hummpro**.

The UK market provides **humm** with an attractive opportunity to grow its business, with BNPL adoption in the UK in its infancy and only representing ~1% of the total credit market⁴.

With a market opportunity of A\$778b and as the only player servicing both the UK and Ireland, **humm** clearly has a differentiated offering for merchants and customers.

Strong progress has already been made with over 200 retailers signed including Pamela Scott; instasmile; McGuirks Golf; River Medical; and Therapie Clinic.

The rapid progress in growing BNPL customers, volumes and retailers in Ireland clearly demonstrates **hummgroup's** ability to pivot and scale internationally. The UK expansion will be led by the same team responsible for the success in Ireland being Patrick Joseph Byrne, CEO of **humm** UK & Ireland and Ross Gould, Head of Credit & Risk, UK & Ireland.

humm Canada will launch in 2H21 with a market opportunity of \$613b. The Company is well progressed with the appointment of the Board and senior executives imminent. The Canadian market is attractive with strong existing relationships and a complementary regulatory framework.

DIVIDENDS

To support the Company's investment for growth, the Board has decided not to pay an interim dividend for 1H21 and will continue to review the dividend policy each half year period.

OUTLOOK

While **hummgroup's** credit performance remains robust, the Company continues to take a prudent approach by monitoring the potential impact on arrears and losses from changes to government stimulus, and remains well provisioned for the future.

In 2H21 **hummgroup** will be making new investments in platforms, marketing and people as it enters two international markets. As a result, the Company expects 2H21 Cash NPAT to be lower than 1H21.

WEBCAST

hummgroup's CEO, Rebecca James and CFO, Jason Murray will host a webcast at 10.30am on Wednesday 24 February 2021.

Details of the webcast: <https://webcast.openbriefing.com/7005/>

Authorised for release by the **hummgroup** Board of Directors.

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ABOUT HUMMGROUP

hummgroup is a diversified full service payments company with leading offerings in buy now pay later, revolving credit and SME finance. Serving a broad footprint of millennial spenders, through to young families and small and medium businesses, it facilitates purchases for over 2.6 million customers.

⁴ Woolard Review, Financial Conduct Authority.