



18 November 2021

humm group limited (ASX: HUM) 2021 Annual General Meeting Chairman's address

On behalf of the Directors of **humm**group ("the Company"), I am pleased to again welcome you all to the 2021 Annual General Meeting.

It is with a sense of achievement that I am addressing you today as the Chairman of **humm**group following our name change and rebrand in November 2020, and pleasing growth across the board.

Together with Rebecca and the management team, I will be sharing positive news about **humm**group's achievements. However, as the largest investor in **humm**group myself, I would like to make a couple of opening remarks about our share price.

Like many others in the buy now pay later ("BNPL") space, our share price has been impacted over the last 12 months.

But if we leave aside macro market factors and focus on our own experience, one of the primary reasons has been the COVID-19 pandemic and the associated impacts. We experienced significant reductions in volume as a consequence of COVID-19 lockdowns especially in some of our largest origination areas of Melbourne, Sydney and Auckland.

In addition, our travel partners were impacted severely as state and international borders remained closed during FY21.

The lockdown impact was amplified as one of the Company's advantages has and continues to be its presence at the physical point of sale where we have offered BNPL since 2008.

It is clear that COVID-19 impacted in-store origination as purchasing moved online. And while our ecommerce growth did benefit from this channel shift, the headwinds from COVID-19 on **humm**group were probably more severe than many of our competitors. Particularly because our strength is in financing larger purchases which are typically purchased in-store.

We have navigated through the COVID-19 storm with conservative and astute judgement. As we exit the lockdown period, the growth story that Rebecca will share with you is self-evident.

I am very confident that Rebecca and the management team will leverage the growth opportunities inherent in the business. We remain committed to growing shareholder value and the Board will balance returns and investment for growth.

Performance

Turning to our performance during FY21, **hummg**roup added 450,000 new customers, up 20% on FY20, taking total customers for the Company to over 2.7m.

The Company delivered FY21 Cash Net Profit After Tax ("NPAT") of \$68.4m, up 121.1% on the prior year. Growth in Cash NPAT has been driven by increased profitability of the Cards segment, above system growth in Commercial and Leasing, together with management focus on cutting underlying costs within the business.

The other driver of Cash NPAT performance in FY21 was a \$21.6m pre-tax benefit from releasing a proportion of the COVID-19 overlay provision. This reflects the benefit of improvements in the economic outlook, and portfolio performance from ongoing investment in an improving credit decisioning platform.

Total transaction volume of \$2.7b for FY21 was up 8.2% (FY20: \$2.5b) as growth in Commercial and Leasing and BNPL was offset by a decline in Cards, with COVID-19 restrictions impacting travel.

International expansion

In February 2021, **hummg**roup announced plans to launch its BNPL product **hummm** into the United Kingdom and Canada. A significant opportunity exists to displace outdated traditional point of sale finance and capture higher value purchases in both markets.

hummgroup launched in the United Kingdom in FY21 where we have a head start with merchants we already partner with via our successful Irish BNPL business. We will be live imminently in Canada. When comparing **hummm** to competitors in the market, I have no doubt that we will be delivering a solution that is superior for the merchant in increasing transaction values and conversions and being fairer for the consumer.

Capital management

I would like to reiterate my thanks to participating shareholders for their support of **hummg**roup's equity raising that completed in September 2020. The issue of \$115m in new shares via an Accelerated Non Renounceable Entitlement Offer has provided the Company with greater financial flexibility and the opportunity to pursue new growth initiatives including international expansion.

I participated in the capital raise to the value of \$7.5m and have increased my stake in the Company since then to 100m shares. The Board is aware of the significant responsibility for the capital invested by new and existing shareholders in **hummg**roup. We are confident the strategy outlined at our October 2021 investor day is the optimal use of capital to provide attractive long-term returns for our shareholders.

We also demonstrated continued success in the public securitisation market, with over \$1b of asset-backed securities ("ABS") issued during FY21. In the first five months of FY22, we have already issued over \$600m in ABS which continues to support our capital efficiency.

At 30 June 2021, **hummg**roup had substantially deleveraged with nil net corporate gearing and a strong balance sheet to fund local and international growth.

We also announced at our investor day held in October 2021 that the Board had confirmed an intention to return to dividend payments from 1H22, with an expected payout ratio of 30%-40%.

Regulatory

During the period, **hummg**roup was named as one of the founding accredited members of the Australian Finance Industry Association's BNPL Code of Practice.

hummgroup called on the industry to come together and establish the Code back in 2019 and proudly supports the high industry standards of service for customers that the Code endorses, along with building best practice across the BNPL sector.

hummgroup continuously works to improve consumer outcomes. This is demonstrated by low arrears rates, and less than 2% of BNPL revenue in Australia being earned from late fees, substantially less than other industry players. Our focus has been and always will be to act in the best interest of customers.

With Australia at the forefront of the instalment payment revolution, regulatory changes continue to be a constant theme. In October 2021, the Reserve Bank of Australia announced that it would allow merchants to surcharge fees for BNPL transactions. While these changes will continue to shape the industry both locally and globally, we know that our pedigree in consumer finance will allow the business to thrive in the face of change.

Board and management

As you will have observed in the Notice of Meeting, three directors including myself are up for election or re-election. In particular, we were pleased to announce the appointment of Mr Alistair Muir as an independent Non-Executive Director of the Company in FY21.

Mr Muir has a strong background in data and digital innovation, as demonstrated in roles with Insurance Australia Group, Telstra Digital Media and through his work with CSIRO's Entrepreneurship Program. We are already benefitting from his proven experience in guiding digital innovation and development as Chairman of the new Technology Committee. This skill set is critical for expansive transformation and growth and I thank him for his contribution.

In July 2021, Mr Adrian Fisk was appointed as Chief Financial Officer of **hummg**roup. Mr Fisk joined **hummg**roup from Willow, a data technology business, where he was Chief Financial Officer and Head of Partnerships.

Prior to this role, Mr Fisk was a partner and the National Leader for KPMG's Financial Services practice, working with banks, fintechs, wealth, insurance and private equity firms, providing strategic direction, financial performance, risk and cultural transformation advice to clients. I would also like to thank Mr Jason Murray, the outgoing CFO for his contributions to **hummg**roup.

Outlook

FY21 has been one of the most pivotal years in **hummg**roup's 30-year history. We're seeing a structural shift towards fixed term instalments - rather than revolving credit - which started in Australia and is now spreading across the world. Notwithstanding that, our Commercial and Leasing group remains as a safe, self-contained business with a predictable and significant Cash NPAT.

The Company hosted an investor day in October 2021 where management provided financial analysis of our products as well as a detailed roadmap of the growth strategy. As we enter into the next phase of **hummg**roup's evolution, I am confident the right team and strategy are in place to navigate and win in the rapidly changing payments landscape.

In conclusion, and on behalf of the Board, I would like to thank our shareholders for their continued support, and I would also like to thank all employees across Australia, Canada, Ireland, New Zealand and the United Kingdom for their hard work during FY21.

I will now hand over to Rebecca James for her Chief Executive presentation.

-ENDS-

Authorised for release by Belinda Hannover, Company Secretary.

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ABOUT HUMMGROUP

hummgroup is revolutionising the way people pay. **hummg**roup has developed some of Australia and New Zealand's most exciting and accessible consumer finance products including **hum**m, **bundll**, **hum**m90 and **hum**mpro. **hummg**roup continues to design products around the core needs of financially savvy consumers spanning millennial spenders through to young families and SMEs. **hummg**roup facilitates purchases for over 2.7 million customers and operates in Australia, New Zealand, Ireland and the United Kingdom.