

13 May 2021

hummmgroup 3Q21 business update

- Record transaction volume for BNPL segment in March 2021 of \$100.8m, with 3Q21 volume of \$255.3m, up 33.0% on pcp
- Cards (Australia and New Zealand) volume of \$264.8m, down 26.5% on pcp although spend returning to key volume categories
- Commercial and Leasing volume of \$142.2m, up 61.7% on pcp
- Total **hummm**group customers of 2.7m as at 31 March 2021, up 40.0% on pcp
- Greater digital penetration with 303.9k app downloads in 3Q21 (3Q20: 215.4k)
- Improved net loss (gross write offs net of recoveries) of \$18.7m, down 31.4% on pcp
- 1,111 merchants integrated in 3Q21 including strong growth in key verticals of health, luxury retail, home improvement, and automotive
- Market launch into the United Kingdom on track for this financial year
- Appointment of Canada Country Head, Mr Tim Moulton, and launch in 1H22

hummm group limited (ASX: HUM) ("**hummm**group" or the "Company") today provides an update in relation to its unaudited financial results for the quarter ended 31 March 2021 ("3Q21" or the "Period") and progress against its strategy.

hummmgroup Chief Executive Officer Rebecca James said:

"hummmgroup has performed strongly with our bigger Buy Now Pay Later product - and the ability to finance larger ticket items over longer terms - continuing to be a key point of differentiation. The business delivered record transaction volume for our BNPL segment in March of \$100.8m, eclipsing peak seasonal trade, normally reserved for December. The strong growth coincided with an improvement in net transaction margin driven by strong loss performance and low cost of funds.

"The Commercial and Leasing segment is growing rapidly, up 61.7% on pcp, driven by a superior service proposition which has the business gaining market share from the major banks. Credit performance has also improved materially from the previous period. The business is significantly more capital efficient following the successful completion of a \$450m Australian asset-backed securities transaction. Mezzanine warehouse funding is planned to further improve return on equity, in line with the initial recommendation of the strategic review."

SEGMENT PERFORMANCE

Segment	3Q21	3Q20	v PCP%
Volumes (A\$m)			
BNPL	255.3	191.9	33.0%
Australia Cards	104.8	169.0	(38.0%)
New Zealand Cards	160.0	191.1	(16.3%)
Commercial and Leasing	142.2	87.9	61.7%
hummgrou	662.3	639.9	3.5%

Segment	FYTD MAR-21	FYTD MAR-20	v PCP%
Net loss / average net receivables			
BNPL	3.6%	5.7%	(210bps)
Australia Cards	3.9%	4.2%	(30bps)
New Zealand Cards	3.8%	2.7%	110bps
Commercial and Leasing	1.3%	1.7%	(40bps)
hummgrou	3.1%	3.6%	(50bps)

hummgrou

hummgrou total transaction volume of \$662.3m in 3Q21, up 3.5% (3Q20: \$639.9m), reflecting the benefits of a diversified portfolio of products that resonate with customers and merchants. Credit performance remains strong with net loss (gross write offs net of recoveries) of \$18.7m, improved by 31.4% (3Q20: \$27.2m) as the Company benefits from investments made to develop its credit decisioning platform.

BNPL

BNPL, comprising humm and bundll, volume of \$255.3m in 3Q21, was up 33.0% (3Q20: \$191.9m) with strong growth across humm in Australia, New Zealand and Ireland.

humm Australia is benefitting from increased usage with 82.0% of transactions made by repeat customers as at March 2021, up from 75.2% in November 2020¹.

Monthly account keeping fees increased 11.8% in 3Q21 on pcp, with the blended customer and merchant revenue model supporting strong and sustainable unit economics.

bundll, the 'buy now pay anywhere' product, had a record period, for the first time surpassing 1 million transactions in a quarter (3Q21: 1.1m transactions).

Cards

Australia Cards volume of \$104.8m in 3Q21 was down 38.0% due to travel sector exposure (3Q20: \$169.0m). Importantly, at the end of 3Q21, humm90 volumes have returned to positive with its key travel partner. For the 10 months to April 2021, everyday card spend volume was up 6.4%. In addition, 3Q21 maintained the strong credit performance from prior periods.

The benefits of the humm90 rebrand in November 2020 have started to materialise, with direct customer acquisition costs reducing by over 40% across the Period.

New Zealand Cards volume of \$160.0m, down 16.3% (3Q20: \$191.1m) with the portfolio remaining profitable and volume beginning to stabilise. In March 2021, 23.4% of all new credit cards opened in New Zealand were a hummgrou product². For the 10 months to April 2021, everyday card spend was flat.

¹ Repeat transactions over a 12-month period.

² Centrix.

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Commercial and Leasing

Commercial and Leasing volume of \$142.2m was up 61.7% (3Q20: \$87.9m) with the rebuilt and transformed operations continuing to deliver strong results as the Australian business gains further market share. The strong top line growth has been achieved while maintaining credit quality, with net loss/ANR to March 2021 of 1.3%. This is significantly lower against pcp while increasing receivables.

Following the successful **flexicommercial** asset-backed securities transaction of \$450m, direct capital employed in Australia Commercial has reduced to 13.8% as at 31 March 2021 (31 December 2020: 24.8%). This should reduce further following a mezzanine funding placement planned in the coming months.

A further update on the **flexicommercial** strategic review will be provided at the FY21 results in August 2021.

OUTLOOK

While **humgroup'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 **humgroup** will continue to make new investments in platforms, marketing, and people as it enters the UK and Canada markets. Consistent with the outlook provided at the 1H21 results, the Company expects 2H21 Cash NPAT to be lower than 1H21.

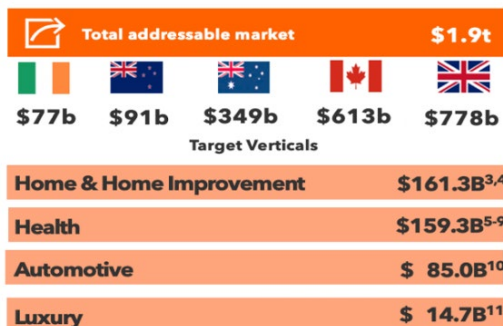
RETAILERS

hum has made significant progress in signing and onboarding merchants to build its point of sale instalment payment network across Australia, New Zealand, and Ireland. In 3Q21, **hum** Australia and New Zealand integrated 1,111 new merchants. The breakdown across our key target verticals in Australia is as follows:

- **Health and wellbeing:** 428 merchants including 122 dental practices (53 from the Maven Dental Group); 42 Good Price Pharmacy stores; 19 Priceline Pharmacy stores; Roche Pharmaceuticals; and 140 Connect Hearing audiology clinics.
- **Luxury retail:** 20 leading luxury merchants including Incu; Toni Maticevski; Mode Sportif; and Pal Kingdom.
- **Home and home improvement:** 201 merchants including 47 Sydney Tools stores; Sleeping Duck; and MCM House.
- **Automotive:** 68 merchants including Auto Guru - enabling **hum** to be offered to its network of over 1,700 auto retailers through integration as a payment option on its car servicing and repair quotes.
- **Retail:** 260 merchants including Toys R Us and Babies R Us.

INTERNATIONAL EXPANSION

The United Kingdom ("UK") and Canada represent significant opportunities for **hum's** differentiated offering in bigger ticket, longer term instalment plans. Bank issued white label retail store credit cards are contracting quickly in these markets. Major merchants are involuntarily having to identify alternatives to white label point of sale finance. Increasingly, digital and customer-centric solutions that offer fixed term instalments like **hum** are being considered and utilised by retailers for financing.



hum will enter the UK and Canadian markets with a focus on home and home improvement, health care, automotive, and luxury retail.

The addressable market opportunity of each target vertical across **hum**group's key markets is shown in the table to the left, and will be captured via a number of strategic software partnerships and integrations as follows:³

- **home and home improvement:** targeting trade platforms combined with a superior customer experience around in home sales
- **health:** global practice management software integrations in dental and veterinary
- **automotive:** quoting engines for automotive repairs and servicing

These partnerships provide the ability to scale rapidly with minimal investment and represent a key pillar of **hum**group's growth strategy.

Mr Tim Moulton has been appointed as Country Head of the Canadian business. Mr Moulton has more than 20 years' experience growing businesses in Canada across the point of sale finance, payments, and loyalty sectors.

He has led merchant payment solutions and rewards for the Royal Bank of Canada where he acquired numerous merchant partnerships including Home Depot, Walmart, Apple, and Saks 5th Avenue.

hum Canada Country Head Tim Moulton said:

*"I'm excited to be joining such an impressive organisation right at the point of its international expansion. Canadians are at an early stage of buy now pay later adoption compared to markets like Australia and **hum**, with its powerful credit decisioning tool and world-class customer experience, will appeal widely to Canadians and partners. I'm very much looking forward to sharing the benefits of **hum** with our future retail partners here in Canada."*

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

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ABOUT HUMMGROUP

humgroup 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 2.7 million customers.

³. Statista. ⁴. Ibis ⁵. Statistics Canada. ⁶. United Kingdom Office of Statistics. ⁷. PWC ⁸. PWC ⁹. Central Statistics Office, Ireland, ¹⁰. Ibis, ¹¹. Statista

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