

# Harmoney Corp Ltd

## It pays to be in tune with your customers

Harmoney Corp Ltd (ASX:HMY) is one of the largest online direct lenders operating in Australia and New Zealand providing easy to access, unsecured personal loans at competitive interest rates. Its proprietary digital lending platform, Stellare™, automatically applies a customer's individual circumstance to its data-driven machine learning credit scorecard to approve and then deliver loans at competitive, risk-based prices within 24-hours. Since 2014, Harmoney has originated more than NZ\$1.9b in personal loans and has served more than 48,000 customers. Its current loan book is NZ\$469m. Harmoney listed on the ASX in November 2020 with a foreign exempt listing on the NZX following an IPO raise of A\$92.5m priced at A\$3.50/share, giving it a market capitalisation at raise of A\$353.2m. The IPO proceeds will fund growth in Harmoney's loan originations. Harmoney has announced that it had exceeded its prospectus forecasts for loan originations for the six months to 31 December 2020 by 2% delivering total loan originations of NZ\$194m for H1 FY21. The company also has total warehousing capacity to NZ\$476m (NZ\$353m and A\$115m) following a second New Zealand warehouse funding facility established with M&G Investments of up to NZ\$200m. Funding capacity is at NZ\$290m.

### Business model

Harmoney generates its income from interest payments on loans and from transaction fees. With a fully online business, not reliant on a broker model, Harmoney's proprietary digital lending platform, Stellare™, facilitates the lending process. Two-thirds of applications require no human involvement and this provides Harmoney with operating leverage. Harmoney offers loan sizes up to \$70,000 at interest rates ranging from 6.99% to 25.7% depending on the customer's credit score calculated by Stellare. Harmoney charges one-off establishment fees ranging from NZ\$200 to NZ\$450 in New Zealand and A\$275 to \$575 in Australia depending on the loan size. The majority of Harmoney's customers are homeowners, borrowing predominantly to consolidate debt or for home improvements. Harmoney created NZ's first peer-to-peer loans marketplace, but has since transitioned to a 100% warehouse funding model. This has delivered access to deeper and liquid wholesale funding markets enabling rapid expansion of the loan book at higher margins and generating better returns to Harmoney.

### Interim result reflects improved lending margin

Harmoney has reported a pro forma cash net profit of NZ\$1.24m for H1 FY21 compared with a pro forma cash net loss of \$2.7m a year before. This excludes non-cash charges including share based payments, depreciation and amortisation and movement in the expected credit loss provision. The proforma net loss for H1 FY21 was NZ\$2.83m, an improvement on the NZ\$5.1m reported in H1 FY20. The statutory net loss for the period was NZ\$10.5m, a 20% improvement on H1 FY20. The net lending margin on the portfolio lifted to 7.2% from 5.4% in the prior period, reflecting the benefit of the move to the wholesale funding model.

### Trading below the lower end of the EV/Income range for peers

Harmoney competes with traditional bank and non-bank lenders for market share. Excluding the BNPL category in non-bank lending, we see Harmoney's main peers as Moneyme (ASX:MME), Plenti Group (ASX:PLT) and Wisr (ASX:WZR). Wisr and Plenti, like Harmoney, have transitioned away from peer to peer lending to warehouse funding. The median EV/sales multiple for this group is 13.9x based on last reported full year income. Harmoney at 1.4x FY20 pro forma income is trading well below its peers.

#### Pro Forma Historical earnings and ratios (in NZ\$m unless otherwise stated)

Year end	Loan Originations	Impairment to loans %	Total Income	EBITDA	PBT	NPAT	Cash NPAT	EV/Sales (x)
06/18a	357.540	4.5%	59.286	(0.792)	(8.886)	(6.398)	(2.031)	n.a.
06/19a	435.825	4.1%	74.101	(1.023)	(8.475)	(6.102)	(2.193)	n.a.
06/20a	420.107	4.8%	86.026	(2.515)	(9.712)	(6.993)	0.671	1.4

Source: Company data \*EBITDA and NPAT adj for one-time, non-cash items

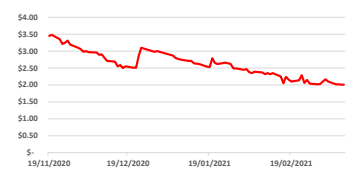
## Financial Services

12<sup>th</sup> March 2021

### Share details

ASX/NZX Code	HMY
Share price (AUD/NZD)	A\$2.01/NZ\$2.25
Market Capitalisation	A\$202.8M
Shares on issue	100.91M
Net cash post IPO	~A\$83.1M
Free float	~26%

### Share performance (since listing)



### Upside Case

- One of AU/NZ's largest online personal lenders
- High level of repeat customers, reducing customer acquisition costs
- Automated platform allows the business to achieve scale at speed

### Downside Case

- Operating in a competitive space for personal loan products
- Macro factors could lead to an increase in loan defaults
- Still loss-making

### Catalysts/upcoming events

Cumulative loan book hits NZ\$2b; AU origination growth; ongoing margin expansion from wholesale funding model.

### Comparable companies (Aust/NZ)

MoneyMe (ASX:MME), Plenti Group (ASX:PLT), Wisr (ASX:WZR)

### Top 5 shareholders

Neil Roberts (founder)	18.44%
Lookman Family	8.99%
Kirkwood Corp	8.65%
Heartland Bank	8.44%
Trade Me	7.55%

### Company contacts

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### RaaS Advisory contacts

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# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

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**of**

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**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 26<sup>th</sup> November 2018**

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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