Just getting started

To say that Harmoney's 1HFY22 was result is impressive is an understatement. To use a sporting analogy, the company knocked it out of the park with rapid growth across all key business metrics, while credit quality remains strong. Furthermore, it has significantly upgraded its guidance for FY22 in respect of its loan book and let lending margin, and expects to become profitable this year having generated a small profit on a pro-forma basis in 1H22.

Earnings and valuation upgrades

Following HMY's 1H22 we lift our reported EPS estimates: FY22E: 33%, FY23E: 214%, FY24E: 78% and our cash EPS estimates: FY22E: 99%, FY23E: 17%, FY24E: 24%.

We value Harmoney at A$3.40. using a General Residual Income Model with a revised cost of equity of 11.0% (up from 8.0%) referencing peer multiples to validate for reasonableness. Full details are within.

Rapid profit growth ahead

With its upgraded guidance, rapid lending growth and continued transition to warehouse and securitised funding improving its net lending margin, at the current share price, we estimate HMY is trading on a PE ratio of 16.3x FY23E, falling to just 8.1x FY24E as the company transitions from around break even currently to a double-digit ROE in FY24. Our revised forecasts might even be too cautious with the company also experimenting with the potential to market its products on Facebook in addition to Google.

Market far too pessimistic on the stock

Highlighting the potential pessimism currently reflected in the share price, the stock trades between 1.5x to 2.5x its current pro-forma book and NTA, yet peer ASX listed pure play personal lenders are trading on between 5x and 10x.

We believe the stock is overdue a re-rating, something that may come if it is included in the ASX All Ordinaries next year.

However, should the market continue to significantly undervalue the company, the recent M&A activity in the consumer finance space, including in BNPL and instalments could spread to Harmoney, as we think it represents a highly attractive acquisition target for larger lenders with inferior systems.

Glen Wellham, Senior Research Analyst

Harmoney's purpose is to help people achieve their goals through financial products that are fair, friendly, and simple to use.

Harmoney is an online direct personal lender that operates across Australia and New Zealand providing customers with unsecured personal loans that are easy to access, competitively priced (using risk-adjusted interest rates) and accessed 100% online.

Harmoney's proprietary digital lending platform, Stellare™, facilitates its personalised loan product with applications processed and loans typically funded within 24 hours of acceptance by the customer. Stellare™ applies a customer's individual circumstance to its data-driven, machine learning credit scorecard to deliver automated credit decisioning and accurate risk-based pricing.

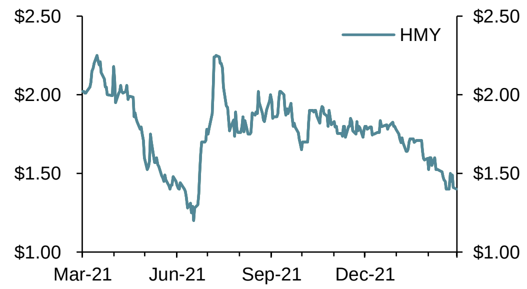
Stock	HMY.ASX
Market cap	A$141m
Price	A$1.40
Valuation	A$3.40

Company data	
Shares on issue:	101.0m

Recent Events	
AGM	29 November 2021
1H22 interim result	28 February 2022

Next steps	
FY22 result	August 2022

HMY Share Price (ASX)



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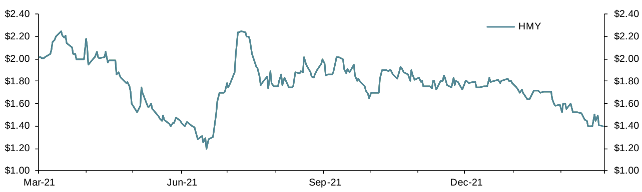
Financials

HARMONEY CORP LIMITED — HMY-AX

Year end 30 June, NZ$ unless otherwise noted

MARKET DATA				
Spot exchange rate	x		AUDNZD	1.07
Price	A$	$1.40	NZ$	$1.50
Valuation	A$	$3.40	NZ$	$3.64
52 week low - high	A$	1.20 - 2.46		
Market capitalisation	A$m	141.4	NZ$m	152.0
Shares on issue (basic)	m			101.0
Options / rights (currently antidilutive)	m			0.0
Other equity	m			0.0
Shares on issue (fully diluted)	m			101.0

12-MONTH SHARE PRICE PERFORMANCE (A$)



INVESTMENT FUNDAMENTALS		FY20A	FY21A	FY22E	FY23E	FY24E
EPS - diluted reported	cps	-20.6	-27.2	-9.2	2.6	9.7
EPS - diluted cash	**cps**	**-10.0**	**-12.4**	**-0.1**	**9.5**	**19.1**
EPS growth	%	n.a.	24%	-99%	n.a.	101%
PE	x	-15.0	-12.2	-2,308.5	15.8	7.9
DPS	cps	0.0	0.0	0.0	0.0	0.0
Franking	%	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	%	0%	0%	0%	0%	0%
Payout rato	%	0%	0%	0%	0%	0%
Operating cash flow per share	cps	8.3	-1.6	-1.2	12.2	22.8
Free cash flow to equity per share	cps	2.4	-26.9	-24.9	2.3	9.8
FCF yield	%	2%	-18%	-17%	2%	7%
Enterprise value	$m	124.6	107.7	136.5	133.3	122.9
EV/Total Income	x	1.4	1.4	1.5	1.1	0.8
EV/Net lending income	x	5.7	3.2	2.7	2.2	1.7
EV/Net operating margin	x	20.9	8.3	5.8	4.1	2.9
NAV per share	A$	0.29	0.75	0.90	0.93	1.03
Price / NAV	x	5.26	2.01	1.67	1.62	1.47
NTA per share	A$	0.19	0.60	0.76	0.78	0.88
Price / NTA	x	7.85	2.50	1.97	1.92	1.72

KEY RATIOS		FY20A	FY21A	FY22E	FY23E	FY24E
NTA/Net Receivables	%	26%	16%	12%	11%	10%
Proforma ROE - reported	%	-48%	-17%	0%	7%	12%
Proforma ROE - cash	%	20%	-1%	7%	18%	26%
Net corporate debt	**NZ$m**	**-27.4**	**-44.3**	**-15.6**	**-18.7**	**-29.1**
Gross debt / equity	x	459%	385%	583%	769%	891%
Leverage (net debt / invested capital)	x	-1852%	-141%	-21%	-25%	-39%

PRO-FORMA DUPONT ANALYSIS		FY20A	FY21A	FY22E	FY23E	FY24E
Net Profit Margin	%	-8%	-11%	0%	5%	8%
Asset Turnover	x	95%	28%	18%	16%	16%
Return on Assets	%	-8%	-3%	0%	1%	1%
Financial Leverage	x	624%	544%	620%	801%	953%
Return on Equity	%	-48%	-17%	0%	7%	12%

PRO-FORMA HALF YEARLY DATA		2H21A	1H22A	2H22E	1H23E	2H23E
Total income	NZ$m	37.5	42.6	49.9	58.2	63.4
Net lending income	NZ$m	14.4	26.9	23.5	29.3	31.3
Net operating margin	NZ$m	2.5	13.9	9.8	15.4	17.3
Reported NPAT	NZ$m	-6.1	1.2	-1.0	2.8	3.7
Cash NPAT	NZ$m	-1.6	0.8	5.1	7.5	9.1
EPS - diluted cash	**cps**	**-1.6**	**0.8**	**5.0**	**7.5**	**9.0**
EPS - diluted reported	cps	-6.0	1.2	-1.0	2.8	3.7
DPS	cps	0.0	0.0	0.0	0.0	0.0

KEY PERFORMANCE INDICATORS		FY20A	FY21A	FY22E	FY23E	FY24E
Group originations	NZ$m	259.4	255.4	544.8	784.6	949.4
Number of originations	#	17,008	18,164	26,527	31,386	37,977
Warehouse funded % of book (average)	%	20%	44%	79%	94%	99%
Pro-forma gross loan receivables	NZ$m	499.3	500.8	669.4	830.0	1,018.3
Average gross loan receivables (AGR)	NZ$m	505.9	480.6	568.0	748.2	922.2
Growth in AGR	%	n.a.	-5%	18%	32%	23%
Interest income / AGR	%	16.8%	16.3%	16.2%	16.0%	15.9%
Interest expense / AGR	%	-6.2%	-5.7%	-3.0%	-3.1%	-3.3%
Net interest margin	%	10.6%	10.6%	13.1%	13.0%	12.6%
Credit losses as a % of receivables	%	25%	6%	4%	5%	5%
Net lending margin / AGR	%	5.80%	6.80%	8.88%	8.10%	7.74%
Cost to net lending income ratio	%	144%	137%	99%	85%	77%
New business expenses / total costs	%	51%	45%	53%	54%	52%

PROFORMA PROFIT AND LOSS		FY20A	FY21A	FY22E	FY23E	FY24E
Interest income	NZ$m	85.2	78.6	91.9	120.0	146.5
Fee income	NZ$m	0.0	0.0	0.0	0.0	0.0
Other income	NZ$m	0.8	0.5	0.7	1.6	1.9
Total income	**NZ$m**	**86.0**	**79.1**	**92.5**	**121.6**	**148.4**
Interest expense	NZ$m	-31.4	-27.4	-17.2	-22.9	-30.4
Incurred credit losses	NZ$m	-24.4	-18.6	-22.4	-30.7	-37.9
Movement in ECL provision	NZ$m	-8.3	0.4	-2.5	-7.4	-8.7
Net lending income	**NZ$m**	**22.0**	**33.5**	**50.4**	**60.6**	**71.4**
Marketing expenses	NZ$m	-12.6	-16.5	-21.9	-22.7	-23.2
Verification and servicing expenses	NZ$m	-3.4	-4.0	-4.8	-5.1	-5.5
Net operating margin	**NZ$m**	**6.0**	**13.0**	**23.7**	**32.7**	**42.8**
Personnel expenses	NZ$m	-6.5	-9.2	-10.3	-10.6	-10.9
Share based payments	NZ$m	-0.8	-4.1	-1.5	0.0	0.0
Technology expenses	NZ$m	-3.3	-3.2	-4.1	-4.2	-4.3
General and administrative expenses	NZ$m	-3.5	-7.7	-6.0	-6.1	-6.3
Depreciation and amortisation expenses	NZ$m	-1.6	-1.0	-1.6	-2.8	-4.7
Profit before income tax	**NZ$m**	**-9.7**	**-12.4**	**0.3**	**9.0**	**16.6**
Income tax expense	NZ$m	2.7	3.5	-0.2	-2.5	-4.6
Reported NPAT	**NZ$m**	**-7.0**	**-8.9**	**0.1**	**6.5**	**11.9**
Adjustments	NZ$m	9.8	8.5	5.7	10.2	13.4
Cash NPAT	NZ$m	2.8	-0.4	5.9	16.7	25.3
Weighted average diluted shares	m	74.6	99.4	101.0	101.0	101.0

BALANCE SHEET		FY20A	FY21A	FY22E	FY23E	FY24E
Unrestricted cash	NZ$m	27.4	44.3	25.8	28.9	39.4
Finance receivables	NZ$m	129.2	294.8	574.7	768.1	971.5
Property, plant and equipment	NZ$m	1.4	0.6	0.1	0.1	0.2
Goodwill and other intangibles	NZ$m	0.0	3.5	2.3	3.2	3.6
Other assets	NZ$m	22.1	45.5	43.0	35.1	31.2
Total Assets	**NZ$m**	**180.2**	**388.8**	**646.0**	**835.4**	**1,045.8**
Trade and other liabilities	NZ$m	5.9	8.1	9.3	9.3	9.3
Borrowings - receivables funding	NZ$m	132.6	291.5	530.9	720.8	922.8
Borrowings - corporate debt	NZ$m	0.0	0.0	10.2	10.2	10.2
Provisions	NZ$m	12.8	13.4	4.5	1.3	0.0
Total Liabilities	**NZ$m**	**151.3**	**313.1**	**554.9**	**741.7**	**942.3**
Net assets	**NZ$m**	**28.9**	**75.7**	**91.1**	**93.7**	**103.6**
Net tangible assets	**NZ$m**	**19.3**	**60.7**	**77.3**	**79.1**	**88.4**
Invested capital	**NZ$m**	**1.5**	**31.4**	**75.5**	**75.0**	**74.4**
Tangible invested capital	**NZ$m**	**-8.1**	**16.4**	**61.7**	**60.4**	**59.3**
Contributed equity	NZ$m	56.7	131.4	131.6	131.6	131.6
Treasury shares	NZ$m	0.0	0.0	0.0	0.0	0.0
Reserves	NZ$m	1.6	0.7	1.5	1.5	1.5
Retained earnings/accumulated losses	NZ$m	-29.4	-56.4	-65.7	-63.1	-53.3
Non-controlling interests	NZ$m	0.0	0.0	0.0	0.0	0.0
Total equity	**NZ$m**	**28.9**	**75.7**	**67.3**	**70.0**	**79.8**
Basic shares on issue	m	100.9	100.9	101.0	101.0	101.0

CASH FLOW		FY20A	FY21A	FY22E	FY23E	FY24E
Operating						
Net operating cashflow	**NZ$m**	**6.2**	**-1.6**	**-1.2**	**12.3**	**23.0**
Investment						
Capital expenditure	NZ$m	0.0	-3.7	-6.2	-8.9	-12.0
Acquisitions and divestments	NZ$m	-99.2	-180.0	-262.3	-160.6	-188.3
Net investment cashflow	**NZ$m**	**-99.2**	**-183.7**	**-268.5**	**-169.5**	**-200.3**
Financing						
Equity	NZ$m	23.5	67.6	0.0	0.0	0.0
Debt	NZ$m	95.0	159.5	245.7	160.6	188.3
Leases	NZ$m	-0.2	-1.0	-1.1	-1.1	-1.1
Net financing cashflow	**NZ$m**	**118.3**	**226.1**	**244.6**	**159.5**	**187.2**
Net cash flow	**NZ$m**	**25.2**	**40.8**	**-25.1**	**2.3**	**9.9**
Free cash flow to equity	NZ$m	1.8	-26.8	-25.1	2.3	9.9

Source: HMY reports, MST Access estimates

Source: Company reports and MST Access estimates

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Result Analysis

Upgraded outlook commentary highlights improvement in credit quality

Figure 1 – Upgraded FY22 guidance

Harmoney upgrades FY22 market guidance

	FY21A	1HFY22A	FY22F	Change v pcp
Loan book	$501m	$557m	>$650m prev. >600m	>30%
Revenue	$79m	$43m	>$92m	>16%
Net lending margin	6.8%	9.3%	>8.3% prev. >7.0%	>150bps
Cash NPAT	($0.4m)	$0.7m	Profitable	

Harmoney forecasts its transition to warehouse funding to be ~90% complete by 30 June 2022 (83% at 31 January 2022).

FY21A, 1HFY22A and FY22F based on pro-forma financials.
FY22F assumes COVID-19 lockdown restrictions in Australia and New Zealand do not have a material impact on originations or repayments, and a 1.07 AUD/NZD exchange rate.

H HARMONEY ©2022 HALF YEAR FY22 RESULTS 28 FEBRUARY 2022 7

Source: Company reports, MST Access estimates

Harmoney has significantly upgraded its FY22 market guidance, with a $50m or 8% upgraded to its loan book guidance vs prior guidance and a 19% upgrade (or 130bps) to its net lending margin guidance. Yet despite having a larger loan book, and earning a higher margin on it, Harmoney has not lifted its group revenue guidance from $92m.

We think that a large part of the reason for revenue not being upgraded is due to the way that lenders earn their income off average balances, thus the upgrades to loan book guidance support FY23 earnings growth, while the improvement in expected net lending margin highlights the improvement in funding efficiency and credit quality occurring in Harmoney's rapidly growing Australian loan book.

Actual result vs prior estimates

Figure 2 –Actual result vs prior estimates

HALF YEARLY PROFORMA DATA		1H21A	2H21A	1H22E	1H22A	AvE $	AvE %	Change %
Total income	**$m**	41.6	37.5	44.4	42.6	-1.8	-4%	3%
Net lending income	$m	19.0	14.4	17.1	26.9	9.9	58%	42%
Net operating margin	$m	10.5	2.5	4.0	13.9	9.8	243%	32%
Reported NPAT	**$m**	**-2.8**	**-6.1**	**-4.7**	**1.2**	**5.9**	**125%**	**141%**
Cash NPAT	$m	1.2	-1.6	1.1	0.8	-0.3	-27%	-38%
	$m							
EPS - diluted cash	**$m**	**1.1**	**-1.6**	**1.0**	**0.8**	**-0.3**	**-27%**	**-30%**
EPS - diluted reported	$m	-2.8	-6.0	-4.7	1.2	5.8	125%	141%
DPS	$m	0.0	0.0	0.0	0.0	0.0	n.a.	n.a

Source: Company reports, MST Access estimates

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Earnings estimate changes

Following today's announcement, we make the following changes to our earnings estimates for HMY:

Figure 3 –Earnings estimates for Harmoney Limited

		FY22E			FY23E			FY24E		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Interest income	NZ$m	93.9	91.9	-2%	119.3	120.0	1%	139.2	146.5	5%
Total income	NZ$m	95.1	92.5	-3%	120.8	121.6	1%	141.1	148.4	5%
Interest expense	NZ$m	-22.1	-17.2	22%	-26.9	-22.9	15%	-31.5	-30.4	3%
Net lending income	NZ$m	38.3	50.4	32%	54.8	60.6	11%	62.1	71.4	15%
Net operating margin	NZ$m	12.1	23.7	97%	27.8	32.7	17%	34.4	42.8	24%
Profit before income tax	NZ$m	-8.1	0.3	104%	6.1	9.0	48%	10.4	16.6	59%
Reported NPAT	NZ$m	-6.5	0.1	102%	4.4	6.5	48%	7.5	11.9	59%
Cash NPAT	NZ$m	4.9	5.9	20%	15.2	16.7	10%	21.6	25.3	17%
EPS diluted reported	cps	-13.7	-9.2	33%	0.8	2.6	214%	5.5	9.7	78%
EPS diluted cash	cps	-6.4	-0.1	99%	8.2	9.5	17%	15.5	19.1	24%
DPS	cps	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.

Source: Company reports, MST Access estimates

Our key assumptions underlying the growth in HMY's income over the next few years are listed below. We believe that, on balance these assumptions are on the conservative side of potential growth outcomes.

These changes reflect:

- Incorporating HMY's 1H22 result into our model.
- Lifting our net interest margin assumptions in future periods
- Lowering our credit impairment assumptions given Harmoney's upgraded net lending margin guidance.
- Reflecting guidance that the company expects to be profitable in 2H22.

Full details of our revised earnings appear in the financial summary on page 2.

Valuation

We use a blend of valuation approaches to estimate Harmoney valuation, considering:

- peer multiples and growth rates,
- intrinsic valuation scenarios of its potential future growth profiles

Other equity market considerations such as short sales; any likely forthcoming changes in index inclusion; depth of stock research coverage; composition of and change in the mix of investors (such as founders, board and staff, domestic institutions, foreign institutions, and retail investors) are not incorporated in our valuation; however investors should consider such factors if they seek to develop a price target for the company.

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Figure 4 – MST Access General Residual Income Model (GRIM) valuation of Harmoney Corp Limited

Current date		8-Mar-22									
Last balance date		31-Dec-21									
		Dec-21	Jun-22	Dec-22	Jun-23	Dec-23	Jun-24	Dec-24	Jun-25	Dec-25	Jun-26
Book value per share	NZ$	0.71	0.90	0.91	0.93	0.97	1.03	1.10	1.18	1.31	1.31
Equity charge	NZ$		-0.04	-0.05	-0.05	-0.05	-0.05	-0.06	-0.06	-0.06	-0.07
Cash EPS	NZ$	0.00	0.00	0.04	0.06	0.09	0.11	0.13	0.15	0.26	0.26
Residual income	NZ$	**0.00**	**-0.04**	**-0.01**	**0.01**	**0.03**	**0.05**	**0.07**	**0.09**	**0.19**	**0.18**
Discounted cash flow	NZ$	**0.00**	**-0.04**	**-0.01**	**0.01**	**0.03**	**0.04**	**0.06**	**0.06**	**0.13**	**0.12**

Sum of discount streams	NZ$	0.4	**CAPM**	
Future value into perpetuity	NZ$	4.0	Risk free rate	2.00%
NPV of terminal value	NZ$	2.5	Equity beta	1.5
add net assets	NZ$	0.71	Equity risk premium	6.00%
Residual income value per share	**NZ$**	**3.64**	Cost of equity	11.0%
P/B multiple implied by GRIM valuation	x	5.1	Terminal growth	1.5%
AUDNZD FX rate	x	1.07		
Residual income value per share	**A$**	**3.40**		
Upside/downside	%	142%		

Source: Company reports, MST Access estimates

Many analysts use some form of residual income or value-added valuation approach for lenders, due to the complexities and uncertainties involved in forecasting cashflow, in part due to regulatory capital requirements. Some of the advantages of this approach are that:

- the bulk of the valuation is generally recognized upfront, in the net asset value providing greater certainty around a large component of the valuation;
- uses profit, rather than cashflow, forecasts.

We use a two-stage model, using our explicit forecasts over the next five years, followed by a terminal value, to which we add current net assets per share. We assume a risk free rate of 2.0% and have increased our equity risk premium assumption to 6.0%, an increase from our previously assumed 3.0% given rising inflation and interest rate expectations, plus increased uncertainty as a result of the current Ukraine War). However, partly offsetting this increase in the cost of equity, we have reduced our estimate HMY's equity beta from 2 to 1.5. This leads to a revised estimate HMY's cost of equity of 11.0%, up from 8.0%. We maintain our terminal growth assumption of 1.5%. Combined with our strong earnings upgrades detailed above, this produces a valuation of NZ$4.482 or A$4.50 per share, a sizeable increase from our prior valuation of NZ$3.27 or A$3.10 per share.

Figure 5 – Peer comparative multiples for Harmoney (based on consensus FY1 (i.e. FY22) forecasts)

Identifier (RIC)	Company Name	PE	P/CF	Dividend Yield %	P/BVPS	P/NTA	ROE %
Pure play personal lenders							
PLT.AX	Plenti Group Ltd	n.a.	n.a.	0.0%	5.1	n.a.	-35.4%
MME.AX	Moneyme Ltd	n.a.	9.3	0.0%	9.3	n.a.	26.8%
Diversified personal lending peers							
LFS.AX	Latitude Group Holdings Ltd	9.3	n.a.	8.2%	1.3	n.a.	14.5%
MNY.AX	Money3 Corp Ltd	13.1	8.1	4.0%	1.9	2.0	14.8%

Source: Refinitiv, IBES

With Harmoney trading at under 1x FY22 P/B and P/NTA, it trades at a material discount to its personal lending peers on these ratios, despite becoming profitable in FY22. If we were to use a subset of pure-play personal lending peers, using only the peers MoneyMe and Plenti, an even higher multiple would be applicable.

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Updated Investment thesis

Harmoney is a leading 100% online direct personal lender that operates across Australia and New Zealand, which is set to again become profitable in FY22 following is expansion into Australia, displaying strong growth and earnings momentum.

A combination of superior technology, direct business model, and effective marketing strategies gives Harmoney a clear edge over its peers, as well enabling it to achieve strong credit quality for its loan book. Harmoney's highly automated Stellare™ technology ensures the businesses expenses are largely fixed, thus delivering strong operational leverage. Stellare's™ risk selection was strong from the outset and has continued to improve over time.

Harmoney uses multiple funding sources and is transitioning to 100% warehouse funding. The company's already attractive NIMs will be further enhanced by this transition. It is anticipated that the transition will be largely complete by the end of the current financial year (>90%), with the final <10% perhaps taking another couple of years.

Harmoney's current funding consists of:

- Warehouse facilities: made up 83% of Harmoney's receivables (31 January 2022)
- Institutional peer-to-peer lenders make up a decreasing proportion of funding, having fallen to 17% at 31 January 2022
- Harmoney holds non-restricted cash of $32.1m in cash (31 Dec 2021)

Risks and sensitivities

We elaborate on Harmoney's risks and sensitivities in our initiation report. In summary, they can be categorised under strategic, financial and operational risks summarised as:

Strategic

Harmoney operates in a dynamic and changing market, which sees competitors providing new and innovative offerings in a bid to capture market share.

Furthermore, there is a significant number of regulatory requirements, and could suffer from adverse changes to the requirements, including in Australia:

- Anti-money laundering and counter terrorist financing requirements administered by Austrac and autonomous Magnitsky style sanctions administered by the Department of Foreign Affairs and Trade;
- Privacy requirements administered by the Privacy Commissioner;
- Financial Service licencing and Credit licencing administered by the Australian Securities and Investments Commission (ASIC);
- Australian Consumer Law and unfair contract terms contained in the Corporations Act administered by the Australian Competition and Consumer Commission (ACCC);
- Taxation legislation administered by the Australian Taxation Office (ATO).
- Accounting standards required under the Corporations Act administered by the Australian Accounting Standards Board (AASB) and ASIC;
- Design and distribution obligations, several of which will be governed by contract law.

Financial

Being a finance company, Harmoney has a range of risks and sensitivities applicable to most companies in the financial sector. These include:

- Macroeconomic conditions
- Liquidity and funding risks
- Credit risk
- Fraud
- Compliance risks

Operational

Most companies, including Harmoney, have a range of operational risks. These include:

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- Governance
- Key personnel
- Information technology
- Cybersecurity and data protection
- Force majeure events
- Litigation, claims and disputes

Company Description

Founded in 2014, Harmoney was created to capitalise on the early trend of disintermediated lending. After originating over $1.7 billion in total lending volume, the Company listed on the ASX in November 2020.

Harmoney is the largest 100% consumer-direct money platform in Australia and New Zealand. The Company provides customers with unsecured personal loans that are easy to access, competitively priced (using risk-adjusted interest rates) and accessed 100% online. By effectively combining superior data, superior technology, and superior marketing, Harmoney creates direct relationships with consumers, at scale.

It's direct-to-consumer automated loan approval system is underpinned by Harmoney's scalable Stellare™ proprietary technology platform. Stellare™ efficiently facilitates its personalised loan product with applications processed and loans typically funded within 24 hours of acceptance by the customer. The 100% consumer-direct aspect of Harmoney's business model allows the Company to gain access to deep data from consumers. The Stellare™ technology utilises deep consumer data and applies customer's individual circumstances to its machine learning credit scorecard to deliver automated credit decisioning and accurate risk-based pricing. Harmoney have continually improved their credit scoring technology, with the latest Stellare™ Libra algorithms delivering high performance.

A large percentage of Harmoney's originations come from existing or past customers. The minimal cost of marketing to its existing customer base proved a stable source of quality originations through COVID for the business and remain intrinsic to the business going forward.

Harmoney is funded by a number of sources including three of the big 4 Australian banks as well as issuing ABS. The company continues to transition to a 100% (currently over 83%) warehouse funding model.

Harmoney hold an Australian Credit Licence (ACL) which allows the company to conduct business as a consumer lender in Australia. Despite the Company ceasing retail peer-to-peer loans in New Zealand, they maintain their FMCA licence in relation to the existing portfolio. Harmoney also hold an Australian Financial Services Licence (AFSL), which is regulated by ASIC.

The Harmoney offering:

- All loans are unsecured
- Rates from 5.35% (comparison rate 6.14%) in Australia and 6.99% in New Zealand
- Rate is fixed for life of loan
- In Australia, an establishment fee of $275 for loans under $5,000, or $575 for loans $5,000 and over
- In New Zealand, an establishment fee of $150
- No monthly account keeping or early repayment fees
- You can repay weekly, fortnightly, or monthly

Figure 6 – Loan offerings

	Australia	New Zealand
Loan limits	$2k - $70k ($50k cap for new loans, $70k for repeat loans)	$2k - $70k
Loan terms	3,5 or 7 years	3, 5 or years
Establishment fee	$275 for <$5000, otherwise $575	$150
Interest rate from (p.a.)	5.35%	6.99%
Early repayment fee	$0	$0

Source: Company websites

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