Pepper Money Limited

2025 Half Year Results Presentation

Script

**Results: Thursday 21 August 2025**

**SLIDE 2**

Good morning, everyone and welcome to Pepper Money Limited’s 2025 half year results presentation.

My name is Gordon Livingstone - Investor Relations at Pepper Money

I would like to begin by acknowledging the traditional custodians of the land on which we meet today, the Gadigal people of the Eora Nation. We pay our respects to each of their Elders, past and present.

**Slide number 3**

Today, Pepper Money's CEO - Mario Rehayem - will provide a business update after which Pepper Money’s CFO - Therese McGrath - will take us through the financial performance.

After some closing remarks by Mario - there will be an opportunity to ask questions, which can be either via phone, or submitted via the portal.

I will now pass over to Pepper Money’s CEO – Mario Rehayem.

**slide number 4**

Thank you, Gordon. And thank you everyone who has dialled in, to today’s call.

I will start off with our first half key performance highlights for 2025 – on page 4 of the Investor Presentation.

Without doubt - Pepper Money delivered strong performance across all key drivers, as we continue to execute our strategy:

* Total Originations grew by 38% on PCP to close the half at $4.5 billion.
* The strong growth in Mortgages- which we delivered over the second half of 2024 – has accelerated , and Mortgage Originations at $2.8 billion for the first half of 2025 grew 53% on PCP.
* Our Asset Finance business also continues to deliver growth - with Originations at $1.7 billion, up 19% on PCP.

Total Assets Under Management - which is a key foundation of future profitability – closed 30 June 2025 at $20.1 billion – a new record for Pepper Money:

* Mortgage AUM closed June 2025 at $9.5 billion, following three mortgage Whole Loan Sales totalling $1.7 billion over the first half of 2025.
* Asset Finance AUM closed the half at $6.3 billion, an increase of 11% on PCP; and
* Servicing AUM closed June 2025 at $4.3 billion, up $2.1 billion on PCP, following growth in our Whole Loan Sales program.

We continue to balance volume growth with margin and profitability, given our strategy of managing for value:

* Total Net Interest margin –at 1.98% increased 6 basis points on PCP:
* Mortgages NIM at 1.51% was down (9) basis points on PCP. NIM benefitted from improved funding, stabilisation of BBSW, whilst product mix and pricing strategies, which have supported strong Originations growth, marginally compressed NIM. Our Prime Origination volume grew by 171% on PCP.
* Asset Finance NIM of 2.73% increased 21 basis points on the prior comparable period as the flow through of cost of funds gains and relative stable swap rates improved underlying yield. As noted at the full year, Asset Finance NIM expansion was not at the cost of taking on more risk. Originations over the first half of 2025 continued to be weighted to low credit risk Tier A customers – who accounted for 75 per cent of the first half Originations, and at the end of the period accounted for 67 per cent of Asset Finance AUM.

I have spoken frequently about scaled platforms and processes – and how we are positioned to efficiently capture growth as it returns. Volume has returned and continues to deliver efficiency gains:

* Productivity – being Originations over Settlement FTE – increased by 20% on PCP;
* At the same time, our disciplined cost management resulted in an ongoing reduction in Total Expenses, which at $116.7 million reduced 2% on PCP;
* Our cost to income ratio of 51.7% improved by 1% on PCP.

Our underlying profit, being Profit Pre-Tax and Loan loss Expense, grew to $109.2 million, up 1% on PCP and 8% on the second half of 2024. The strength of Originations, scale gains and our ability to manage expenses has supported Net Profit After Tax at $47.0 million for the half, a growth of 2% on PCP.

The continued demand for our Whole Loan Sales – where we undoubtably lead the market, saw us complete three Mortgage Whole Loan Sales, over the half totalling $1.7 billion. When this is taken with $1.0 billion raised through public securitisations - the business is driving a highly efficient and diverse funding structure. This helps underpin our capital management.

The strength of our capital strategy is a real highlight of the first half of the year – and has seen us deliver material uplift in returns to our Shareholders.

Through our capital strategy, we announced in June 2025 a fully franked Special Dividend of 12.5 cents per share – at an annualised yield of 13.9%.

We ended the half year with $142.9 million in Unrestricted cash, with the Special Dividend of $55.5 million paid in July.

Our exceptional performance has seen the Board declare an Interim fully franked dividend of 6.4 cents per share – representing a 60% payout ratio on Net Profit after Tax for the six months to June 2025.

Incorporating the 6.4 cents per share Interim dividend to the 12.5 cents per share Special Dividend, we will return in excess of $83 million to our shareholders in fully franked dividends in respect to our performance to date in 2025

Turning now to slide 5.

**slide number 5**

We entered 2025 with clear evidence that the Mortgage market had stabilised and growth returning. This has been assisted by the RBA rate cut of 25 basis points in February, May and August.

Likewise, as interest rates reduce and inflation trims, Asset Finance is also starting to see upward trends in applications and originations.

Over the first half of the year, total Applications have increased by 30% versus PCP, and 10% over the second half of 2024. I am more than encouraged by how the initiatives we implemented over the second half of 2024 and into 2025 – including new product development, modifications and improvement to our credit policies – all have gathered traction. Mortgage applications have grown 64% on PCP and 24% on second half 2024 – supporting Originations growth of 53% on PCP and 21% on second half 2024. As I noted at the time of presenting our full year results, we are seeing a skew towards Prime Mortgages, and in the first half of 2025 Prime accounted for 70% of Originations. Our strategies have seen our Mortgage business grow 3.6 times system compared to second half of 2024.

Growth in Asset Finance Applications is more subdued than Mortgages, but we have still achieved Originations growth of 19%, half one 2025 over half one 2024. And while some of the growth was as a result of the removal of the FBT exemption on hybrids, which ceased 1 April 2025, the business is tracking ahead of expectations. Our Asset Finance business has achieved more than 21 times system growth over the first half of 2025 compared to second half of 2024.

Our start to the year has been very strong. We continue to pursue the X factor which I spoke about at the full year. We have continued to rollout our efficiency enhancements in areas such as our call centre leveraging off our ongoing investment in AI. We continue to drive down our cost to originate and cost to serve, whilst ensuring we consistently enhance our speed to yes and user experience for our distribution partners and customers.

So, we are off to a positive start for 2025 – and markets permitting – we remain confident for a strong finish to the year.

I will now turn to run through business segment performance on slide 6.

**slide number 6**

Our Mortgage business is seeing the return to growth. Volumes have benefited from a range of strategies – from new products launched in Australia, to pricing initiatives and expansion in credit policies.

Originations for the first half of 2025 grew by 53% on PCP to $2.8 billion. Growth was driven by Prime – both Residential and Commercial - with Originations of $1.9 billion increasing 171% on PCP. Originations mix for the first half of 2025 was 70% Prime, 30% Non-conforming, versus PCP of 40% and 60% respectively.

Our Self-Managed Super Fund mortgage solution – launched, Q4 2023, grew to contribute 6% of Mortgage Originations in the first half of 2025. Our Sharia lending solution, which was launched in June 2024, is tapping an unmet need, and accounted for 2% of Mortgage Originations for the first half of 2025.

Alongside new product development, we continue to review, modify and improve our credit policies - as this is a proven way to drive accretive growth.

Over the first half of 2025 we executed three Mortgage Whole Loan Sales – two Prime and one Non Conforming, totalling $1.7 billion. Whole Loan Sales see the equitable notes in loans sold to a third party, with Pepper Money retaining the servicing of the loans. AUM therefore transfers from Lending to Servicing. As Pepper Money continues to service these loans, we benefit from the generation of a capital light annuity-style income.

Mortgage Lending AUM dropped by 16 per cent on PCP to $9.5 billion. Other than the $1.7 billion transferred under Whole Loan Sales, as expected, we also experienced high attrition in New Zealand – mainly from the HSBC portfolio acquired end of 2023.

Mortgage NIM stabilised over 2024. As we entered 2025, and given ongoing improved funding markets, reduced inflation and stable employment – all key macro variables in determining credit –we were able to use pricing strategies to support accelerated Origination growth, which has seen NIM compress (9) basis points on the first half of 2024

The Mortgage NIM walk and credit performance will be covered by Therese in the Financials. I will note however our Mortgage customers have been highly resilient – and as such our credit performance remains well within historic averages.

Turning to Asset Finance on slide 7.

slide number 7

Our Asset Finance business delivered Originations growth of 19% .

Tier A Customer Originations at $1.3 billion grew 32% on PCP. Tier A Originations accounted for 75% of first half of 2025, with Tier B at 22% and Tier C at 3%.

Novated Lease, which is predominately Tier A Customers, continued to perform strongly with Originations at $800 million increasing 23% on PCP.

Asset Finance AUM grew by $600 million on PCP to close 30 June 2025 at $6.3 billion. Novated Lease accounted for 38% of closing AUM, up from 25% PCP, with Consumer accounting for 30% and Commercial 32%. Whilst demand was there, we nominated not to execute any Whole Loan Sales for Asset Finance over the period.

Asset Finance business reported a sequential increase in NIM of 15 basis points on the second half of 2024 and a 21 basis points increase on PCP. Asset Finance NIM benefited from:

* improved cost of funds; and
* relatively stable swap rates

Again, Therese with cover the NIM walk and credit performance in the Financials.

Now turning to slide 8.

**slide number 8**

We continue to see the benefits of our business diversification strategy –and the Loan and Other Servicing segment continues to report strong growth.

The Loan and Other Servicing business is the provision of independent loan servicing to the market, and includes:

* our Whole Loan Sales servicing program;
* servicing for non-operational owners of loan portfolios; and
* loan portfolio acquisition.

Given the ongoing strong market demand for our Whole Loan Sale program, which supported $1.7 billion in Mortgage Whole Loan Sales over the first half of 2025, Servicing AUM closed at $4.3 billion – up 90% versus 30 June 2024 and 33% on December 2024 close.

Servicing and Other Operating Income closed the first half of 2025 at $8.4 million – an increase of 57% on the first half of 2024 as the flow through of our Whole Loan Sales continues to deliver capital light service income growth.

As I have said - building our Loan and Other Servicing business, via Whole Loan Sales, is part of our overall capital management strategy, as:

* it is capital light. Whole Loan Sales allow us to recycle capital against growth opportunities;
* it provides an annuity style income, and no incremental cost to the business given the loans are already being serviced; and
* it provides us with a defensive earnings stream across the credit cycle.

Turning to funding on slide 9.

**slide number 9**

Our funding position remains strong.

Total Warehouse capacity at 30 June 2025 was $11.5 billion, an increase of $600 million on 31 December 2024 and an increase of $2.3 billion on PCP.

As always – we take a balanced approach to funding - we maintain around 4 to 6 months of warehouse funding headroom. This allows us to continue to originate if markets lock up, and importantly, we are also able to fund growth opportunities as they emerge.

Over the first half of 2025 we completed an Asset-Backed Securities transaction - SPARKZ 9 - raising $1.0 billion from public markets. As previously noted, we complemented our Public Term securitisations, with a further $1.7 billion raised from Whole Loan Sales, bringing our total funds raised to $2.8 billion.

We have now raised more than $42 billion from debt markets across 65 transactions since 2003. We have long, strong relationships with investors – with over 100 investors always supporting the business, and our reputation and performance is exemplary.

Before turning over to Therese to run through the financials I would like to just spend some time on our productivity and efficiency performance.

Turning to slide 10.

**slide number 10**

We have always made constant investment in our technology platform and processes. Our approach is to ensure that the full potential is reached. Our efficient and scaled technology platform, our focus on process improvement and our digital capabilities are all key factors enabling the business to manage and fulfil Originations growth on reduced cost to acquire and serve.

In both our Mortgage and Asset Finance Origination platforms – called Sage and Solana respectively - our cost to originate is seeing the benefit – with Mortgage Credit productivity up 74%, and Settlements productivity improving 109% over 2 years

Asset Finance is seeing similar productivity gains with Credit up 3% on Settlement efficiency improving 16% over the same period. Our Solana originations platform continues to support our partners and customers alike. Automation and API connection direct to our partner’s CRMs has delivered auto approvals for over 57% of Tier A customers and greater than 73% for Novated Lease customers over the first half of 2025. Our “speed to yes” is a key driver of customer and partner satisfaction and is strengthened further by our ability to provide “real time payments” – an area where we lead versus the competition.

Our servicing platform, Apollo, continued to deliver enhanced customer self-help options and materially reduce customer effort post settlement – as well as reducing our cost to serve. Servicing productivity has grown 33% from the first half of 2023.

We continue to leverage our technology stack, creating capacity and efficiencies to accommodate future growth. We are listening to our customers and partners - designing solutions to give them more ways to engage and interact with us.

I will now hand over to Therese to run through the financials, after which I will make some closing comments before opening to questions.

**slide number 11**

Thank you, Mario, and good morning, everyone.

Slide 11 provides the summary of the key financial measures of our business. As Mario has covered volume in detail, today I will on focus on Net Interest Margin, Credit performance, Expense management and returns.

Turning to Net Interest Margin, on slide 12.

**slide number 12**

Following the volatility seen in recent years, Net Interest Margin performance is stabilising. NIM for the first half of 2025 at 1.98% improved 6 basis points on PCP but was down (5) basis points on the second half of 2024 - due to the mix impact from the accelerated growth in Prime Mortgage Originations.

The improvement, versus the first half of 2024, in Net Interest Margin was delivered by:

* the benefit of business diversification – given our scale in Asset Finance, where NIM is more than 100 basis points higher than Mortgages – it delivers positive NIM impact through mix;
* through improved funding margins; and
* the stabilisation BBSW.

Turning to Mortgages

Mortgage NIM, at 1.51%, experienced a (9) basis points compression on PCP, and (21) basis points versus the second half of last year. This was, however, following three consecutive period on period improvements in Mortgage NIM.

Mortgage NIM compression was down to product mix; as the benefits from

* Through improved market conditions;
* the strengthening in consumer confidence;
* stable BBSW;
* and improved funding margins

allowed us to implement pricing strategies that deliver strong Prime Mortgage volume growth. Prime Mortgage Originations were $1.9 billion and accounted for 70% of total first half Mortgage Originations. I should also note we passed all RBA rate reductions onto our customers.

Now turning to Asset Finance:

Asset Finance NIM improved versus both the first and second half of 2024.

We closed the half at 2.73% - up 21 basis points on PCP. The growth in NIM versus PCP was driven by:

* improved funding margins - which added 22 basis points to NIM, and by the
  + the product mix and pricing initiatives that improved the average Customer Rates by 30 basis points, versus PCP. Our Asset Finance customers and partners value our speed to yes and our ease of doing business.
  + These two factors were marginally offset by swap rates – while these are definitely stabilising - the geopolitical instability over the half, created periods of short-term volatility in swap rates, which impacted NIM by (31) basis points when compared to PCP.

Now to credit performance, starting on slide 13.

**slide number 13**

Starting with Loan Loss provisions - Total Provisions at $124.7 million increased by $3.9 million versus PCP

As we commented at the time of our full year results in February - the mortgage market has proven to be very resilient. Our Mortgage customers continue to manage extremely well, and some customers are using RBA rate cuts as a way to get ahead – by not adjusting their loan repayments – as we pass through OCR reductions.

The increase in Loan Loss Provisions of 3% over June 2024 was largely following the movement in Asset Finance AUM.

* Asset Finance Loan Loss Provisions increased by $18.6 million in total versus June 2024. Key movement was in the Collective provision - inclusive of Post Model Overlay - which increased over PCP, given the writeback - in the first half of 2024 - of Collective provisions following the execution of a half a billion Whole Loan Sale which settled May 2024. The increase in Collective was partially offset by Specifics as late-stage arrears continue to improve following the spike in insolvencies experienced in late 2023 and into the first half of 2024. The net changes in Provisions resulted in our Coverage Ratio for Asset Finance increasing to 1.71 per cent up from 1.57 per cent June 2024 and up from 1.70 per cent as at December year end. Over the same periods, Asset Finance AUM has increased by 11% and 12% respectively.
* Mortgage Loan Loss Provisions decreased by $14.7 million versus June 2024, given provision releases following the Whole Loan Sales executed – which over the twelve months to the 30th of June 2025 totalled $2.6 billion – $900 million in the second half 2024 and $1.7 billion first half 2025 – as well as the product mix shift towards Prime lending. In total our Coverage Ratio for Mortgages remains strong, and at 0.18% at June 2025 remains in line with the long-term average.

As always, we remain well provisioned with Total Coverage Ratio at 0.79% and we continue to hold $11.2 million in Post Model Overlays - $9.2 million against Asset Finance and $2 million against Mortgages.

To close out on Credit performance, let’s turn now to slide 14.

**slide number 14**

We have largely covered movement in Loan Loss expense when running through provision movements, however for completeness:

**Loan Loss Expense** - including Post Model Overlay - reduced by $0.7 million on PCP. The movement was driven by:

* **Asset Finance Loan Loss Expense** at $(43.6) million increased by $(4.7) million, or 12%, on PCP in line AUM which grew by +11% on PCP. As covered, the main movement in Asset Finance Loan Loss Expense has been the Collective Provision, inclusive of Post Model Overlay, which increased over PCP, given the writeback in first half of 2024 of Collective Provisions following the execution of half a billion Whole Loan Sale. The increase in Collective was partially offset by Specifics as late-stage arrears continue to improve following the spike in insolvencies which I have already touched on.
* **Mortgage Loan Loss Expense** decreased by $5.4 million versus 1H 2024. Collective decreased by $4.9 million driven by Whole Loan Sales net of Originations. Specific decreased by $0.5 million reflecting normal portfolio movement.

As always, 90+ days arrears are a strong indicator of future losses:

* Mortgages closed June 2025 at 1.89 per cent. If you restate for the impact of Whole Loan Sales, given the $1.7 billion executed over the first half, 90+ arrears closed June 2025 at 1.47 per cent - in line with December 2024 and marginally down from June last year. As previously noted, our Mortgage customers have remained very resilient.
* Likewise, Asset Finance 90+ days arrears at 0.32 per cent of AUM at June 2025 are in line with December 2024 and marginally down versus June 2024. As noted, this is due to the Origination profile for Asset Finance being weighted to Novated Lease and Tier A customers

Turning to expenses on slide 15.

**slide number 15**

We continue to demonstrate how disciplined we are in our approach to cost management. Our focus on driving efficiencies through scaled platforms and process improvements, continues to deliver benefits.

**Total expenses, at $116.7 million, reduced by $2.9 million, or 2%, on PCP**

* Employee benefit expense decreased 3% on PCP, as ongoing scale and process efficiencies deliver benefits over and above wage inflation.
* Marketing expense, reduced by 11% on PCP, given the initial impact of the new sponsorship with West Tigers - was reported in the second half of 2024.
* Fair value loss in equity investments were $(0.8) million adverse versus PCP reflecting mark to market.
* Technology expense increased (15%), on PCP - expenses shifting in part from capitalised to operating. This is reflected through Depreciation and amortisation expense which declined 7% over the same period.
* Corporate Interest expense improved by $1.6 million on PCP reflecting the $57.5 million reduction in the drawn balance of the Corporate Debt Facility, and $25.0 million of Subordinated Debt retirement in the second half of 2024.

Turning to slide 16.

**slide number 16**

I have covered most of the key movements already in the P&L so to summarise the movement versus PCP:

Total Operating Income at $185.0 million was marginally down (1)% on PCP.

Net Interest Income declined (8)% on PCP. This was driven in part by mix – as Mortgage Originations and AUM shifted to Prime, and in part as a result of the Whole Loan Sales executed, where income shifts from Net Interest Income to Other Operating Income.

Whole Loan Sale gain increased on PCP, as we executed $1.7 billion in Mortgage Whole Loans Sales over the first half of 2025 up from $1.1 billion for the first half of 2024.

Loan loss expense decreased by $0.7 million which I have already covered and our strong cost management, and efficiency gains more than offset the increase in impairments, and Total Expenses reduced 2% on PCP.

These factors delivered EBITDA of $89.5 million.

Our Net Profit After Tax, on both a Statutory and Pro forma basis, at $47.0 million for the half year, was up 2% on PCP, and our underlying profit – measure by Profit pre- Tax and Loan Loss Expense – of $109.2 million also improved by 1 per cent on PCP.

For completeness I have provided our Core Operating metrics on slide 17, so before handing back to Mario I would like to touch on how we continue to successfully execute on our capital management strategy which is **covered on slide 18.**

**slide number 18**

Our capital management strategy is supported by our efficient scaled funding model, including how we have led the market in Whole Loan Sales – demonstrating the embedded value of our back book – coupled with how we approach liquidity which includes consistent year on year investment behind processes, technology and marketing.

Given the level of cash that the business generates we have, over the first half of 2025 alone

* Repaid $27.5 million of the Corporate Debt Facility – and in total $57.5 million of Corporate Debt has been repaid since June 2024. Over and above the CDF repayments, we have also retired a $25.0 million Subordinated Debt in the latter half of 2024.
* We continue to execute our On Market Share Buy Back – acquiring 10% of traded shares during the period we were in market.
* We closed the half with Unrestricted cash at $142.9 million from which we declared an interim dividend – fully franked – of $28.2 million and
* Paid a fully franked Special Dividend of $55.5 million in July, which we declared in June. As this is redistributing retained earnings to shareholders it has delivered an 86-basis points improvement in Return on Equity.

Sources and Uses of Cash has been provided on slide 19 so turning to close out on our Balance Sheet on slide 20.

**slide number 20**

The main movement has been in Loans and Advances which, at $15.9 billion at June 2025, have followed the movement in AUM, including Whole Loan Sales, net of loan loss provisions.

We originated $4.5 billion in new financial assets over the half – asset growth financed by the issuance of a Public Term securitisations of $1.0 billion, and a further $1.7 billion of Whole Loan Sales.

Given the increase in Mortgage Originations, we increased warehouse capacity to $11.5 billion over the period, up $600 million from December 2024.

Net Assets closed the half at $777 million down from $856 million at December 2024, given the movement in Loans and Advances, and after the provision of the Special Dividend which was paid following June close on the 16th of July 2025.

Retained earnings reflect the profit delivered by the business, net of dividends paid, including the $55.5 million Special Dividend.

Thank you and I will now hand back to Mario for closing comments.

**slide number 21**

Thanks Therese

We have had an amazing start to the year. We have identified and captured opportunities to grow, as market conditions improved. We have also achieved a new milestone for the business, with Total AUM breaking through $20 billion, to close 30 June 2025 at $20.1 billion, up 4% on PCP.

We have just seen the RBA start the rate reduction cycle – with 3 cuts now delivered in 2025 and there is expectation of further interest rate reductions to come.

Inflation has moderated. Consumer confidence continues to improve.

Funding markets have weathered the storms of the last few years, and we are managing the challenging geopolitical environment exceptionally well

I am confident as we move through 2025, that we will continue to capture more opportunities as they become available.

* We continue to identify and launch new products and policies.
* Our constant investment has delivered scaled technology and process efficiencies.
* We are gaining on-going benefits from improved customer experience and reducing our cost to serve from our AI and automated process and decisioning strategy.
* We have sufficient funding headroom available. We have shown how we are positioned to capitalise on growth as it returns.
* We are diversified, both in terms of the scale from our two-core lending businesses - Mortgages and Asset Finance, as well as the growth from our Loan and Other Servicing business which delivers a capital light annuity style income stream from our Whole Loan Sales strategy.
* We are disciplined: whether it be how we manage credit, expenses or capital. We remain, as always, well provisioned.

With continued appetite for profitable growth in originations and $20 billion in Assets under Management, I am confident that we are well positioned for a strong finish to 2025 and fast start to 2026.

Thank you and I will now hand back to the operator for questions.