

13 November 2024

USX ANNOUNCEMENT GENEVA FINANCE

Quarterly trading update: September 2024 half year result.

Group Financial Performance

Geneva reports a Pretax Profit of \$3.7 million for the 6 months to 30 September 2024, up \$1.1 million (+45.07%) on last year.

NZ Lending Operations

NZ Lending operations reports a pretax loss of \$1.3 million for the period, being a \$0.2 million improvement from the previous year. The result also included one-off costs totalling \$0.5 million related to the delist and subsequent relist from the NZX to the USX. Funding costs were up \$0.6m compared to last year, with \$0.3m of that increase attributed to higher costs of funds.

Loan impairment charges of \$1.2 million were an increase of \$0.4 million from the prior year, primarily driven by increased arrears in a particular sector during the second quarter.

On a positive note, second quarter lending performance picked up strongly. First quarter was down 21% on previous year but a big second quarter resulted in total lending of \$29.5 million for the six months which closed slightly ahead of last year. In the Floorplan segment, lending decreased by \$0.8 million year-on-year, totalling \$7.3 million for the six months. The net receivables ledger increased to \$105.8 million, up by \$2.9 million from last year. This also marked a significant milestone as the company securitized receivables surpassed the \$100 million mark for the first time in July 2024.

Quest Insurance

Quest's Pretax Profit of \$3.9 million was up \$0.8m on last year. Earned premiums of \$24m were up by \$4.7m, 24.3%, on last year. Quest has also maintained strong solvency surpluses over this period.

Quest is currently in the process of applying for its COFI licence which all licensed Insurers must obtain before 31 March 2025 to continue in operation. Progress is going well, and we expect our application to be filed during November 2024. The RBNZ has now completed its investigation into Quest's potential breaches of the Insurance Prudential Supervision Act 2010. The outcome is that Quest has received a warning in respect of these potential breaches, but no penalty has been imposed. Quest has cooperated with the RBNZ throughout the investigation and had self-reported two potential breaches to the RBNZ.

On 11 October 2024, AM Best reaffirmed Quest's credit ratings, maintaining a Financial Strength Rating of B (Fair) and a Long-Term Issuer Credit Rating of bb+ (Fair), with both ratings carrying a stable outlook.

Tonga Lending operations (FPF Tonga)

The Tonga operations continue to perform well and reported a pretax profit of \$1.0m, up \$0.2m on last year.

Funding

Due to strong lending demand, the drawn Westpac drawn facility increased to \$85.3 million, a \$5.2 million increase on last year. The group has a \$100m facility with Westpac. The Kiwi Bank facility is in the process of being repaid, with the current outstanding balance at \$1.4 million, paid down \$1.7 million from the previous year. Wholesale investors of \$17.1 million was up \$1.3 million on last year.

Summary

The Group has shown continued improvement in the second quarter, although a rise in loan book arrears has increased impairment provisioning, impacting the half-year results. Current lending market indicators show arrears levels are increasing and any flow on effect would mean possible increases in our provisioning levels within the remainder of this financial year.

The recent reductions in the OCR are already lowering funding costs, these will positively flow into our Q3 and Q4 profit performance. The implementation of the new lending onboarding software “Credisense” will have its initial test runs November with full go-live targeted early 2025. The new core system implementation for Quest “Insured-HQ” remains on track to be completed by the end of March 2025.

Quarterly featured executive profile:

For our Q2 executive profile we feature Sylvester Riddell, Group Chief Technology Officer.

Sylvester is at the forefront of Geneva’s drive to upgrade technology and automate our core processes and essential operational systems. These will ultimately increase productivity and reduce costs throughout the business.



Regarding the role of IT in business, Sylvester commented:

“My interest in computing started very early. At that time, we programmed using punch cards, and personal computers were just a novelty. No one knew back then just how pervading technology would become. Computers and mobile phones have fundamentally changed both the business and social landscape. Looking forward, the future looks both exciting and concerning. The still nascent Artificial Intelligence and machine learning industry promises much, but there is a risk we will lose control of it much like has happened with social media, and AI-driven threats will become harder to detect.”

Sylvester commenced with Geneva Finance in January 2024

Sylvester grew up on a farm in Waimauku, north of Auckland, descending from George Riddell who owned the Glendowie Farm in the early 1900s, and Thomas William Deacon who owned the Riverhead pub and tavern from the 1860s. After gaining degrees in Accounting and Law from the University of Auckland, Sylvester began work as a Patent Attorney for five years before furthering his commerce interests as a Company Accountant, then Systems Analyst and Planning Manager at Countrywide Bank. He then went on to hold various senior roles at the State Bank of South Australia, and as the IT Manager at Toyota Financial Services.

Sylvester had previously worked with Geneva Finance in 2016, for about 12 months performing the implementation of Geneva's lending system. Late last year he was offered a contract role to work on system automation and then in January 2024 accepted the newly created Chief Technology Officer role.