

## CREDIT CLEAR RELEASES Q2 FY21 QUARTERLY UPDATE (Incl. APPENDIX 4C)

### COVID-19 recovery has begun and clients continue to embrace Credit Clear's digital platform rapidly, opening up new markets

Digital receivables management provider Credit Clear Limited (ASX: CCR) ("Credit Clear" or the "Company") is pleased to present an update on business activities in the quarter ended 31 December 2020 (Q2 FY21), in line with ASX requirements.

#### Q2 FY21 Highlights

- Successful debut on the Australian Securities Exchange (ASX) on 27 October 2020.
- As anticipated, revenues (unaudited) were impacted by a slowdown in collection activity by some clients in response to COVID-19 interruptions.
- Collection activity is now resuming strongly among both Government and non-Government clients, with Credit Clear well placed to capitalise on the significant accumulation of receivables during COVID-19.
- Overall cash inflows from operations (unaudited) for Q2 FY21 was \$2.2m bringing total cash inflows from operations for the six month period to \$4.9m.
- Number of digital communications sent was up 108% to 4.9 million in the six months to 30 December 2020.
- Revenue (unaudited) from digital collections in Q2 FY21 was up 63% on previous corresponding quarter.
- Revenue share of Digital Collections for the H1 FY21 was 26% of total revenue, up from 15% in the previous half, reflecting the rapid digital transformation of the company.
- 52% of the Top 25 customers are now using Credit Clear's digital platform, up from 42% in November 2020, reflecting the ongoing success of the Credit Solutions acquisition.
- Eighteen new clients were added during the quarter. An additional four contracts are expected to be signed in January 2021. No contracts were lost.
- Cornerstone client Transurban extended its contract for a further two years.
- The Company achieved industry leading Net Promoter Score (NPS) of +44.5, reflecting the superiority of the digital platform in collections and payments when compared to traditional methods, such as phone calls and postal mail.
- Experienced company director Christine Christian AO was appointed to the Credit Clear board as an Independent, Non-Executive Director.

## Revenue dynamics

Revenue (unaudited) for Q2 FY21 was \$2.1 million, taking total revenues (unaudited) for the half year to \$4.9 million – a decrease of 5% over the previous half-year period which is in line with expectations due to COVID-19.

Normal debt recovery activities are now resuming strongly and Credit Clear is well placed to capitalise on the significant accumulation of receivables that were amassed during COVID-19 by its clients.

Credit Clear is also well positioned to benefit from the rapid shift to electronic collection services with its expanding products and service offerings designed to make collecting receivables easier and more effective.

Credit Clear's excellent track record of retaining long-term client contracts, increasing spend and recontracting has continued in the first half of FY21 with zero loss of clients. Successful pilots and late stage prospects across the government, insurance, telco, healthcare, utility and financial services sectors will underpin revenue growth in the second half of FY21.

## Business performance

Despite the economic uncertainty created by COVID-19, Credit Clear made good progress along its growth and digitisation path during the quarter. Throughout the pandemic, Credit Clear has worked closely with both its government and enterprise customers to ensure optimal use of the Company's digital billing and technology platforms. 52% of Credit Clear's top 25 customers are now using the digital platform, up from 42% in November. More than 2.2 million digital communications were sent in the December quarter bringing total digital communications for the half-year to 4.9 million – an increase of 108% over the previous corresponding period.

January is seeing a return to "business as usual" for many of Credit Clear's government clients. For example, a number of major metropolitan councils recommenced their rate recovery work following an extended pause during 2020 and two major State Government water utilities recommenced contacting their customers in January 2021. Digitally driven recoveries from the water vertical alone has exceeded \$1m in January 2021 to date.

A major electricity and gas client recommenced activity with Credit Clear in December, whilst a new gas producer and retailer is expected to sign within weeks with further referrals expected in Q3 FY21.

The benefits of these trends is expected to be reflected in the second half FY21 results.

## Key metrics H1 FY21

Credit Clear is a smart data-driven enterprise SaaS offering that improves the effectiveness of collecting receivables, reduces associated costs and enhances the customer experience. Key metrics focus on communications sent, invoice value, successful transactions and individual debtors.

The consumer experience is central to Credit Clear's offering and growth agenda. In Q2 FY21, Credit Clear has continued to achieve exceptional Net Promoter Scores (NPS). The NPS typically predicts company growth and customer lifetime value. Credit Clear's current NPS is +44.5 reflecting a high level of customer loyalty. In comparison, the Big Four Australian banks have recorded NPS scores of +8.5 or below in 2020.

Conversion of clients to digital communications continues at pace, with digital communications almost doubling to 2.2m in the last quarter compared to the corresponding quarter in 2019 of 1.1m. This is despite the significant impact of COVID-19. In the latter stages of Q2 FY21, business activity has been returning to pre-COVID levels and the Company has recorded increases in business activity for both government and private sector clients since the commencement of Q3 FY21.

For any high-growth company, client retention is a critical metric. Credit Clear has successfully extended its existing contract with one of its major clients, Transurban. Having first signed with Credit Clear in 2016, Transurban has now extended its contract for a minimum of two years (2+1 option). As part of the extension, Credit Clear has pledged to expand the digital communication services offered beyond those currently provided to Transurban.

Credit Clear has not lost any client in the first half of FY21.

The Company's sales pipeline is strong across many of its target sectors, and tender activity has increased significantly with at least 12 tenders coming to market in the second half of FY21.

## Product & technology development

Essential to Credit Clear's market leadership is the rapid development of its technology platform. In Q2 FY21, Credit Clear finalised the development of its extension into WhatsApp (due for release in Q3 FY21) as well as progressing its Apple Pay offering. 7m Australians use WhatsApp regularly (according to [www.socialmedianews.com.au](http://www.socialmedianews.com.au)). These new channels will enable Credit Clear to engage with more customers through their preferred communication channel and payment method.

In addition, Credit Clear is adding further new features to its platform such as Negotiation (Make an Offer), Dispute Management and Hardship functions to be released over the next few months to cater for those in difficult financial situations in a post-COVID-19 stimulus environment.

Credit Clear is currently expanding its in-house technology team, with 11 new roles in active recruitment. The Company has also appointed additional experienced technology sales executives in key markets (Sydney and Melbourne), which is expected to further boost Credit Clear's customer base in these cities.

## Regulatory landscape

In March 2020, the Australian Government announced a series of changes to bankruptcy law, as part of the wider economic response to the COVID-19 including an insolvency suspension. The temporary measures introduced in the Coronavirus Economic Response Package Omnibus Act 2020 that increased statutory demand and bankruptcy notice thresholds to \$20,000 and extended compliance periods from 21 days to six months, expired on 21 December 2020. There was only a moderate permanent increase in the bankruptcy notice minimum to \$10,000 introduced in late 2020. As a consequence of the temporary measure expiring, it is anticipated collection activity and recoveries will significantly increase.

## CORPORATE

### Board appointment

Credit Clear announced the appointment of prominent Australian businesswoman Christine Christian AO to its Board on 24 November 2020. Ms Christian was elected deputy Chair and Chair of the Risk and Audit Committee by the Board.

Ms Christian is a leading business executive with more than 30 years of experience in financial services, investment, private equity, credit risk and digital media across executive and advisory roles in Australia, the US, China and India.

For more information please contact:

Simon Hinsley

**Investor Relations**

[simon@nwrcommunications.com.au](mailto:simon@nwrcommunications.com.au)

+61 401 809 653

Tony Gray

**Media**

[tony@tonygray.org](mailto:tony@tonygray.org)

+61 418 530 378

### About Credit Clear

Founded in 2015, Credit Clear Limited is an Australian receivables management solution provider that has developed a proprietary digital billing and communication technology platform which helps businesses improve financial outcomes by changing the way customers manage their payments.

Credit Clear manages over 350,000 active customer accounts across a range of industries including transport, financial services, government and utilities. The Company is based in Australia with headquarters in Melbourne and offices in Sydney, Brisbane, Adelaide, Perth and Geelong.

[www.creditclear.com.au](http://www.creditclear.com.au)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Credit Clear Limited

**ABN**

48 604 797 033

**Quarter ended ("current quarter")**

December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,224	4,880
1.2 Payments for		
(a) research and development	(48)	(48)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(43)	(66)
(d) leased assets	(308)	(581)
(e) staff costs	(2,090)	(4,113)
(f) administration and corporate costs	(2,308)	(3,591)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(6)	(6)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	435	823
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,141)</b>	<b>(2,699)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(9)	(33)
(b) businesses (see item 10)		
(c) investments		

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(9)</b>	<b>(33)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	15,000	15,000
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(1,334)	(1,530)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(84)	(84)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>13,582</b>	<b>13,386</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,387	2,165
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,141)	(2,699)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(9)	(33)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	13,582	13,386

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>12,819</b>	<b>12,819</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	12,819	1,387
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>12,819</b>	<b>1,387</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

45

Executive directors of the board receive a salary for their services.

**7. Payments to related entities of the entity and their associates**

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

38

Consulting and service fees are paid to an entity of which one of the Credit Clear directors is also a director of the related company.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other – Credit Card Facility	100	43
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

ANZ Bank provides a \$50,000 credit card facility which is unsecured.  
Nab also provides a \$50,000 unsecured credit card facility.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	1,100
9.2 Product manufacturing and operating costs	0
9.3 Advertising and marketing	86
9.4 Leased assets	192
9.5 Staff costs	2,158
9.6 Administration and corporate costs	1,261
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>4,797</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  ..... Date: ..... 29/1/21 .....

(Director/~~Company secretary~~)

Print name: ..... Lewis Romano .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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