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ASX Announcements

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EARNINGS GUIDANCE COMMENTARY FOR FY22

Finexia Financial Group (Finexia) wishes to provide its earning guidance for the 2022 financial year. Given the backdrop of COVID-19, recent hostilities in the Ukraine, rising inflationary indicators, amongst other global challenges, financial markets are being viewed by most analysts as uncertain. As a result, your board considers it prudent to keep shareholders informed of Finexia's positive financial position, including anticipated Gross Revenue and EBIT for FY22.

Following on from a strong first half to 31 December 2021 (NPAT A$2.56M), the second half is anticipated to be marginally restrained as a result of possible reduced equities trading volumes.

In summary, Finexia's Executive estimates gross revenue of circa A$9.5M for FY22 (A$5.9M in 2021 > 61% increase on the previous corresponding period). Gross revenue of A$9.5M is expected to result in EBIT of A$3.8M for FY22. This is a significant improvement on the previous year (EBIT A$1.093M > 248% increase on the previous corresponding period).

These estimates may be impacted by events outside of its control including an upward shift in domestic interest rates and a 'risk off' background being played out in global investment markets as geopolitical aggression heightens in Ukraine. The Company's businesses have been unaffected to date, however, management continues to closely monitor any impacts and will advise the market accordingly.

The robust financial performance year to date and strong recurring revenue growth across the business units have further strengthened the group's cash position of A$4.6M as disclosed in the half year accounts at 31 December 2021. It is anticipated that the Group's cash position will be utilised across a number of projects, investments and further debt reduction in the run to 30 June 2022.

The Group's priorities for the medium term are anchored in four strategic pillars:

1. **Lowering the Group's Cost of Capital**. Management is seeking to lower the Company's risk adjusted cost of capital by securing a wholesale funding line that is both flexible and commercially competitive. The funding facility will afford the Company an opportunity to accelerate growth in the loan book and to substantially increase the overall loan book size whilst improving margins. The Company is currently pursuing several options and will likely have this funding line available by the end of Q2 2022.

2. **Product development, origination and innovation.** It is the Company's intention to continue reinvesting in further product development through a focused two-pronged approach. We remain steadfastly committed to accelerating the AUM growth of our flagship wholesale fund, *Finexia Direct Accommodation Income Fund (FDAIF)*. The business is currently working through a planned material increase of the asset base via the acquisition of several complementary accommodation businesses. Moreover, there are plans in place to convert the Fund to a 'retail' registered scheme, broadening the investor base.
   Following on from the success of the Group's Accommodation managed fund, the launch of a second specialised retail fund operating in the Childcare Operations lending sector is slated to commence in the current quarter.
   The Group's funds management operation intends to limit its investment expertise and focus to two main thematics, namely accommodation businesses and childcare operations.

3. **Acquisitions.** In order to enhance the sustainability of the Company's current revenue and profit trajectory, the Board intends to employ a strategy of acquiring complementary, but not overlapping, existing businesses. These businesses would be well-established, have a track record of success and be led by an experienced team that could remain operationally independent. Ideally, targets would offer exposure to another market segment, either by the type of lending or location, further diversifying the Company's current revenue and exposures. The approach to be adopted for such acquisitions would most likely be staged with milestone targets, to reduce the overall risk exposure.

4. **Investment in systems and people**. With growth plans in place, the Board is acutely conscious of the need to adequately resource the business for success. In order to scale up, the Company continues to invest in the systemisation across the underlying business units including the current implementation of a state-of-the-art loan management system (LMS). The new LMS will give the business the confidence to scale up the lending book with features including enhanced risk management functions, improved customer due diligence modules, CRM and a comprehensive suite of management reporting tools.
   Concurrent with systems enhancements, the Group continues to expand and grow its knowledge base and skills within the organisation. Investing in our people is a key tenant in the Company achieving its strategic objectives.
   The investment in our People and technology is designed to improve operational efficiency and reduce costs across the Group.

The earnings estimate contained within this guidance release is not conditional on the Group achieving points 1-4.

These stated priorities are in step with the overarching Group mission, to deliver long-term sustainable value for the Company's stakeholders. The Board and our People are committed to delivering on this objective.

In adherence with the Continuous Disclosure provisions of the ASX Listing Rules (LR3.1), the Company advises it will continue to keep the market apprised of any matter that it becomes aware of, materially diverges from the information contained within this release.

Approved for Release by the Board of Directors

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