

ASX announcement: (ASX: PYR)

5 April 2022

Payright secures funding to accelerate growth and reduce costs

*\$125 million¹ warehouse facility to fund growth and reduce funding costs
\$9.5 million capital raising via placement & convertible notes*

Payright Limited (ASX: PYR) ('Payright' or 'the Company'), is pleased to announce it has entered into a milestone funding package consisting of a new \$125 million warehouse facility and a \$9.5 million capital raise via equity placement and unsecured convertible notes

Key highlights

- \$125 million warehouse facility signed with senior lender Goldman Sachs and mezzanine arranger iPartners
 - Provides balance sheet flexibility and release of equity capital to scale toward profitability
 - Lowers average cost of funds by approximately 5.5%, improving cash flow by an estimated \$4.4 million annually (based on current receivables balance and existing funding programme)
 - Provides funding for \$125 million of receivables, and can be drawn down to 95% of the eligible receivables balance
 - Potential for Facility to be expanded to meet Payright's future growth needs (subject to lender consent)
- Warehouse facility supported by \$9.5 million capital raising consisting of:
 - \$1.5 million Placement at \$0.18 to strategic investor Fincap Australia Pty Ltd (Fincap)
 - \$8.0 million Unsecured Convertible Notes with \$0.225 Conversion Price
 - Placement and Convertible Note issue represents a 20% and 50% premium, respectively, to the Payright share price as of 31 March 2022 (\$0.15)
- Fincap, welcomed as strategic cornerstone investor in Payright
 - Fincap are investing \$5.5 million via the Placement and Unsecured Convertible note
 - Fincap representative, Christian Ryan, to be appointed to the Board on settlement of the capital raising
- Proposed settlement in early May 2022, with binding agreements signed for all elements of the funding package
- The Company intends to offer a Share Purchase Plan to eligible shareholders in the near future.

¹ The aggregate \$125 million in warehouse funding is made up of \$100 million committed from Goldman Sachs as the senior lender, \$18.75 million committed from iPartners as the mezz arranger, with Payright retaining the remaining 5% as an equity note.



New \$125 million warehouse facility with Goldman Sachs & iPartners

Payright has finalised documentation for a new \$125 million warehouse facility to help further scale the business and progress the Company towards profitability. Following six consecutive quarters of record loan book origination, the new facility will provide the funding platform to accelerate growth, and substantially reduce the Company's cost of funds.

The warehouse facility, signed with Goldman Sachs as the senior lender and iPartners as a mezzanine arranger, will provide funding for \$125 million of receivables, and is eligible to be drawn down to 95% of the receivables balance with Payright retaining the remaining 5% as an equity note.

The increase in Payright's LVR also releases an additional \$4 million of cash from the current loan book which will be used for working and growth capital, while lowering the average cost of funds by approximately 5.5% and improving cash flow by an estimated \$4.4 million annually (based on current receivables balance and existing funding programme).

Drawdown under the warehouse facility is conditional upon financiers being satisfied as to conditions precedent, settlement of capital raising proceeds and successful refinancing of existing funding arrangements (including receipt of necessary approvals).

It is anticipated that the facility will be expanded in the future to meet the Company's growth needs, subject to the agreement of the lenders.

Capital raise of \$9.5 million via an equity placement and unsecured convertible notes

Payright has confirmed commitments for a total \$9.5 million capital raise via an equity placement and unsecured convertible notes offering.

Funds raised will be used to facilitate the transition to the new warehouse facility, inclusive of one-off related costs, in addition to working capital and further investments in the business that will allow for future growth.

Use of Funds	Approx. allocation
Warehouse establishment & transition costs	\$4.9 million
Restricted & unencumbered cash requirements, and liquidity reserves	\$2.3 million
Working Capital & Growth	\$2.3 million
TOTAL	\$9.5 million

The increase in Payright's LVR will release an additional ~\$4 million of cash from the current loan book which will also be used for working capital and growth.

A placement of 8.33 million shares at \$0.18 to raise \$1.5 million has been agreed and is conditional on the completion of the funding package. The placement price represents a 20% premium to the last close of \$0.15 and 36% premium to the 5-day VWAP. Settlement of the Placement is expected to occur in early May 2022.

The Company is proposing to issue approximately 35.6 million unsecured convertible notes with an issue price of \$0.225 per Note, and an aggregate face value of \$8.0 million. The Notes have a term of 4 years (48 months), with interest paid semi-annually at 9% per annum.

Further details on the terms of the convertible notes are included in Appendix 1.

The convertible note issue is subject to shareholder approval proposed to be sought at an Extraordinary General Meeting (EGM) expected to be held on or around 5 May 2022, with settlement of the Placement and Convertible Note offer occurring thereafter.

The Company recognises the support of all shareholders and intends to offer a Share Purchase Plan in the future.

Henslow Pty Ltd and MST Financial Services Pty Ltd acted as joint lead managers to the capital raise.

Strategic Investment

Payright is pleased to welcome experienced private capital investment manager Fincap as a substantial investor in Payright. Fincap are investing \$5.5 million via a combination of Placement (\$1.5 million) and Convertible Notes (\$4.0 million). If all Notes were converted to fully paid ordinary shares, Fincap would hold a 19.6% interest in the Company.

Fincap Chairman, Christian Ryan, is to be appointed to the Board on settlement of the investment.

Commenting on the new warehouse facility and strategic investor, Payright Chairman Peter McCluskey said: "This funding package represents a transformational period for Payright, positioning the business to become a profitable provider of embedded point of sale consumer financing solutions. Since taking on the Chair role in November 2021, it has been an exceptionally busy period for the Company, and I would like to congratulate the team on solidifying this funding package which now provides us with clear line of sight to profitability.

"Additionally, I'd like to welcome Christian Ryan to the Payright Board. Christian has over 20 years financial services experience, most notably within private wealth and asset management, where he is a director of Choice Capital and is the Chairman of Fincap Australia.

"Christian is aligned with our growth strategy and will add valuable expertise to the Payright board to ensure that we are best positioned to maximise value for our shareholders."

Co-CEO Myles Redward added: "We are excited to secure a significant and favourable new warehouse facility that will, in conjunction with the equity raise, substantially reduce the cost of funding, further strengthen our balance sheet, and enable Payright to accelerate our growth strategy and fast track our path to profitability. The additional capital also provides the ability to onboard larger merchants that will assist in growing our key metrics of gross receivables, loan book origination and customer numbers over the coming years.

"We continue to execute on our strategy to move towards profitability and to expanding our payments ecosystem. We remain focused on offering our merchants and clients simple, affordable and responsible payment options in the underserved high-value point-of-sale interest free finance sector, and to establish ourselves as a leader in the industry."

Positioned for Growth toward Profitability

Payright continues to achieve solid growth in our embedded point-of-sale consumer finance business delivering strong growth across all key operational metrics in 1H FY22:

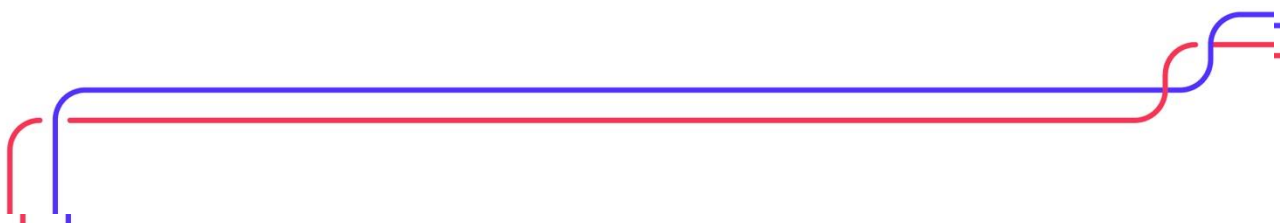
- Gross Receivables grew 64% vs. pcp to \$89.9 million
- 1H FY22 revenue of \$7.9 million, up 36% vs. pcp
- Unearned but contracted future revenue (as of 31 December 2021) of \$16.8 million
- Total merchant stores up 26% vs. pcp to 3,617 reflecting the deeper vertical diversification and sector focused onboarding
- Gross Merchandise Value (GMV) grew 69% vs. pcp to \$61.9 million

-ENDS-

Authorised by:

This announcement was approved for release by the Board.

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About Payright

Payright is an Australian payment plan provider developed for merchants to accelerate return-on-effort and for making things more affordable to consumers, by spreading the cost of purchases over time. Payright provides merchants a buy-now, pay later flexible payment option to offer their customers, intended for bigger ticket items that are more considered purchases rather than smaller impulse-driven buys.

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Appendix 1: convertible note terms

All figures presented in Australian dollars (A\$).

Issuer	Payright Limited (ACN 605 753 535) Level 2, 789 Toorak Road, Hawthorn East, Victoria 3123
Joint Lead Managers	Henslow Pty Ltd (Henslow) & MST Financial Services Pty Ltd (MST)
Instrument	Unsecured Convertible Note (the ' Notes ')
Issue Size	A\$8,000,000 of Notes The Notes issue will be undertaken concurrently with a \$1.5m Placement of ordinary shares at \$0.18 per share Total capital raise of \$9.5m (\$8m Notes + \$1.5m Placement)
Interest Rate	9.00% per annum, accrued daily and paid semi-annually in cash.
Term	4 years (48 months) from the issue date of the Notes.
Ranking	Unsecured obligations of the Issuer.
Issue Price per Note	\$0.225 per Note
Conversion Right	A Conversion Right may be exercised by a Noteholder: (a) if a Material Event occurs within 6 months after the date of issue, by giving the Company a notice no later than 15 Business Days following the announcement of the Material Event. (b) After 6-months from the date of issue, Notes are convertible at the election of the Noteholder, by giving the Company at least 20 business days' notice. Material Event is defined as lodgement of a notice of extraordinary general meeting with the ASX in relation to a scheme of arrangement, an issue of equity securities under Listing Rule 7.1 or the acquisition of a relevant interest in Payright under section 611(7) of the Corporations Act or receipt of a bidders statement under Chapter 6 of the Corporations Act regarding a takeover offer for all of the ordinary shares in the Company. The coupon payment would be calculated on a pro-rata basis as at the date of conversion.
Conversion Price	The Conversion Price is equal to the Issue Price per Note (being 1 fully paid ordinary share per 1 Note).
Redemption by Issuer	After 2-year anniversary of the Notes, and semi-annually thereafter, the Issuer may issue a Redemption Notice. Upon receipt of a Redemption Notice, the Noteholder may elect to redeem at the Issue Price or convert to fully paid ordinary shares at the Conversion Price.
Redemption at Maturity	If the Noteholder has not converted at maturity, the Issuer must redeem the Notes at the Issue Price.
Conversion Price Adjustment	Standard anti-dilutive adjustments.
Approval process	Require shareholder approval as >15% of issued capital under LR7.1.
Listing	Notes are proposed to be un-listed instrument.
Governing Law	Victoria, Australia