

FY23 Q1 Update & Appendix 4C

- **Continued growth in customers and lending originations**
 - Customers on Platform grew 360% on PCP and 10% QoQ
 - Lending originations up 36% on PCP
 - Average loan size up 175% on PCP
- **Solid financial result**
 - Receipts from customers up 64% on PCP and 48% QoQ
 - Advertising costs down 63% on PCP and 46% QoQ
 - While Staff costs increased QoQ due to one-off redundancy expenses, costs will significantly decrease in future quarters
- **Streamlined business with a focus on growth and profitability**
 - Undertook equity convertible note raising in quarter, resolutions approved by shareholders at EGM 24th August
 - Increased wholesale loan facility from \$5m to \$7.5m while also increasing net margin on new lending as a result of a 24% increase in weighted average rates and decreasing borrowing cost from 13% to 11.5%
 - Refocus of resources delivers 43% reduction in payroll employees with no loss of operating capability
 - Further changes planned for current quarter to continue focus on most effective allocation of available resources

Leading SME-focused finance platform, **Propell Holdings Limited (ASX:PHL)**, Propell or the Company) is pleased to provide a summary of its activities for the quarter ended 30 September 2022.

Overview

Propell is Australia's first and only all-in-one finance platform providing SMEs with lending solutions that are faster to access, easier to use and simpler to manage using a digital-first approach. Driven by a vision to revolutionise how small businesses manage their finances, Propell centralises access to what those businesses need; deep insights into their financial health, and direct access to a suite of finance tools, including payments and lending, to enable them to operate and grow.

The future of finance is digital. Small businesses, left underserved by traditional providers, are searching for alternative solutions to their finance needs. Propell is positioned for this accelerating shift and disruption of traditional service providers and their business models.

The Company has delivered many significant accomplishments during the September quarter as set out below.

Update for Q1 FY23

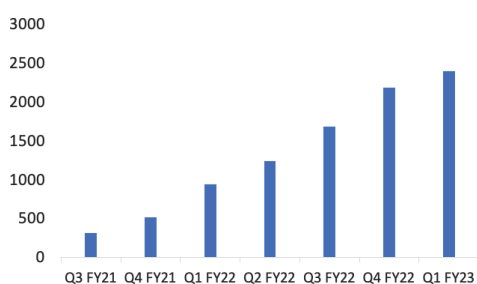
The Company's focus during the quarter was on fund-raising activities and optimisation of the cost structure, to ensure it is well positioned moving forward.

The business embarked on a cost-cutting initiative, leading to reductions across a number of areas, including local teams. These changes have led to a 43% reduction in full-time headcount, ensuring a significant reduction of staffing cost and a more sustainable structure moving forward.

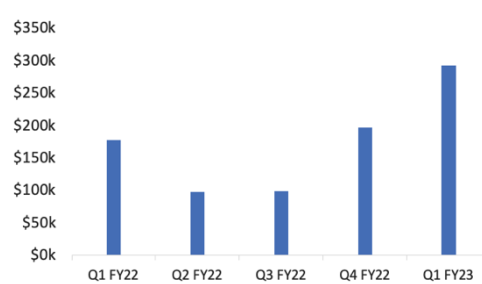
As previously outlined, due to the Company reaching the limit of its wholesale facility as at 30 June 2022, Propell's focus during the quarter was also on seeking an extension to its wholesale facility (from \$5m to \$7.5m), which it obtained at its EGM on 24 August. As such, loan book growth has been limited during the quarter due to the constraint in wholesale funding availability. Despite this, customers have continued to join the Platform, with strong growth in customer numbers and improved credit quality of new customers. Platform customers increased 10% during the quarter to more than 2,400. Further, Q1 saw the highest average drawdown to date of almost \$22,000.

During the quarter, the business continued to improve its lending margins by reducing its wholesale borrowing cost (1.5% point reduction from 13% to 11.5%) and recording a 24% increase in its weighted average customer pricing. Our efforts in improving marketing and loan processing have also seen improving cost per new customer acquired.

10% growth in Platform customers



Cash receipts from customers up 48% QoQ



Financial Result

Propell held cash on hand of approximately \$1,049,000 at 30 September 2022.

Receipts from customers significantly increased quarter-on-quarter from \$197,000 in FY22 Q4 to \$291,000 in FY23 Q1 (+48%).

Research and development costs were lower than previous quarters but these costs are no longer capitalised, resulting in an increase in the recognised cost during the period.

The business continues to focus on managing customer acquisition and marketing costs, which decreased by 46% quarter-on-quarter, while delivering an improvement in the cost per new customer acquired.

While staff costs increased for the quarter, this was due to one-off restructuring cost of approximately \$183,000. Headcount has decreased during the quarter, which will yield savings in future quarters.

Administration and Corporate costs were up quarter-on-quarter due to the seasonality of payments and were in line with the prior year Q1 spend.

The cash loss in FY23 Q1 was \$894,000, which, after adjusting for one-off restructuring costs, was a 10% improvement compared to FY22 Q4. The loss was a result of continued investment in customer growth, ongoing product development and operating costs.

Payments to related parties of the entity and their associates detailed in Section 6 of the Appendix 4C relate to the directors' fees paid during the quarter.

Outlook

Recent strong revenue growth without increases in corresponding cost reflects Propell's strategic investment in technology that allows the business to scale up without adding significant resources. The reduction in headcount during FY23 Q1 reflects a shift in focus from development of the technology platform, which is largely complete, to growing the customer base and increasing revenue.

One of the initiatives that the Company embarked on during the end of the quarter was to establish relationships with lending brokers in order to generate new customer leads from broker channels outside of our digital channels. The Company achieved strong initial results in October from its newly established broker channels, and we anticipate this will result in significant future customer and lending growth. This potential customer growth coupled with improving net interest margins places Propell in a strong position over the coming quarters.

Focus areas for the coming quarter include:

- Customer growth through direct acquisition and partnerships
- Lending growth through ongoing expansion of the customer base
- Broadening the lending product offering
- Pipeline of initiatives for H2 FY23

The Board's strategic focus remains on becoming the go-to finance solution for small businesses – a single place where businesses can live their entire financial life in a simple, convenient and 100% digital way, free from the constraints of old fashioned banks – with the long-term goal of reaching 100,000 clients within five years.

This announcement was authorised for release to the market by the board of Propell Holdings Limited.

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About Propell

Propell Holdings Limited (ASX:PHL) is Australia's first and only all-in-one finance platform providing SMEs with lending solutions that are faster to access, easier to use and simpler to manage using a digital-first approach.

Australia's 2.3 million small and medium enterprises (SMEs) aren't satisfied with lending solutions provided by banks and are frustrated with their slow and difficult processes and paperwork. 38% of SMEs have indicated they are actively looking for new solutions in a market comprising \$423 billion in SME loans.

Propell's digital platform is aimed at improving the cashflow and financial wellbeing of small businesses by aggregating a range of finance products and services including lending, payments and cashflow forecasting tools. The Company leverages its extensive customer data with an artificial intelligence (AI) based engine to deliver its products in an entirely digital manner.

Propell launched the platform in mid-2020 and is focused on further customer growth and development of its product suite.

To stay up to date on company news and announcements, register your details on the [Propell Holdings investor portal](#).

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Propell Holdings Limited

ABN

62 614 837 099

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	291	291
1.2 Payments for		
(a) research and development	(92)	(92)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(167)	(167)
(d) leased assets	(23)	(23)
(e) staff costs	(585)	(585)
(f) administration and corporate costs	(306)	(306)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(13)	(13)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide detail if material)	-	-
1.9 Net cash from / (used in) operating activities	(894)	(894)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	2	2
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (net customer receivable disbursements)	477	477
2.6	Net cash from / (used in) investing activities	479	479

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(182)	(182)
3.2	Proceeds from issue of convertible debt securities	1,760	1,760
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(500)	(500)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,078	1,078

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	386	386
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(894)	(894)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	479	479

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,078	1,078
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,049	1,049

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	994	331
5.2	Call deposits	55	55
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,049	386

Item 5.2 Call Deposits relates to a term deposit used to secure a bank guarantee provided to a lessor.

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	125
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Item 6.1 Includes Directors fees, Salaries and related payment paid to the Directors and / or their associated entities. This includes salary payments to Michael Davidson as Propell's CEO.

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	8,034	5,034
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	8,034	5,034
7.5	Unused financing facilities available at quarter end		3,000
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>i) The Company has a \$7.5m wholesale facility with a private investment firm, Altor Capital Management Pty Ltd ("Altor"). The facility has an interest rate of 11.5% and a maturity date of 30 March 2023. The facility is secured over Propell's Loans and Advances.</p> <p>ii) The Company owes \$0.534m on a fully drawn working capital facility from Altor AltFi Income Fund. This loan has an interest rate of 15% and is secured over current and future amounts to be received from the Australian Tax Office for Development Tax Incentives for approved R&D activities.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	894
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,049
8.3	Unused finance facilities available at quarter end (item 7.5)	3,000
8.4	Total available funding (item 8.2 + item 8.3)	4,049
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.5
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: Monday, 31 October 2022

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.