

Beforepay Group Limited

ASX Announcement (ASX: B4P)

27 February 2023

Beforepay Half Year Results to 31 December 2022

Beforepay delivers significant increases in active users, volume of pay advances and net transaction margin, making steady progress towards profitability.

Beforepay Group Limited (Beforepay or the Company) (ASX: B4P) has released its results for the half year ended 31 December 2022 (H1 FY23).

Beforepay continues improvement across key metrics in H1 FY23. Highlights include:

- Continued strong growth, with pay advances of \$303.9m, up 130% from H1 FY22 (year-on-year or YoY).
- Net transaction margin (NTM) was \$5.06m, up from \$0.36m or 1306% on H1 FY22. The half-year result was driven by increases in pay-advance volumes and margin expansion.
- EBITDA loss (excluding one-off and significant items) was \$(2.73m) in H1 FY23, down 76% from (\$11.19m) in H1 FY22, the variance driven by higher non-recurring IPO and investment related expenses in the prior period as well as improved NTM.
- Balance-sheet strength with \$18.7m in cash on hand as at 31 December 2022.

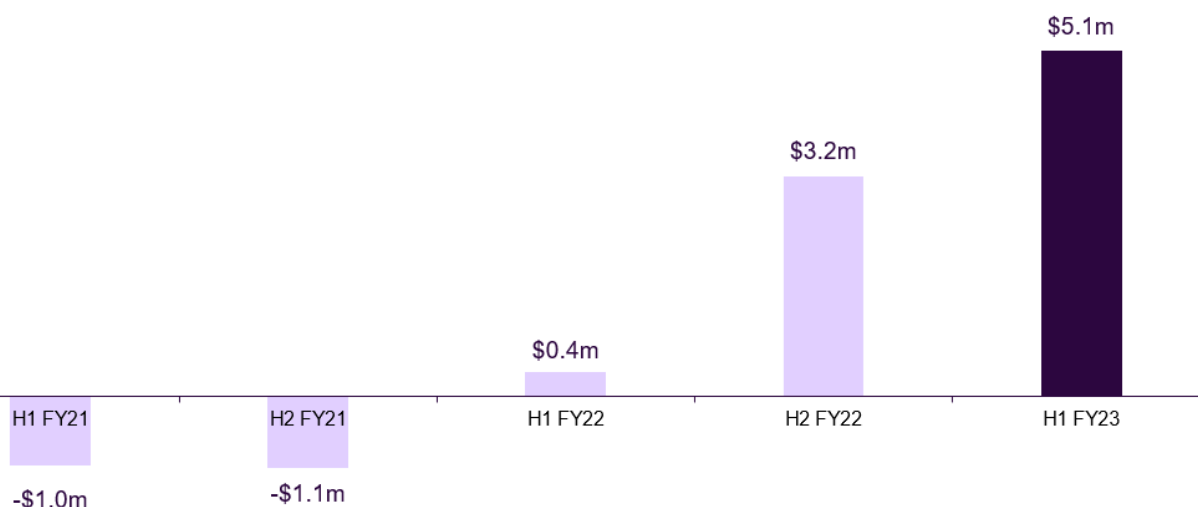
Beforepay CEO Jamie Twiss, said, "Beforepay has continued to grow and perform strongly, with total volume of pay advances up 130% year-on-year and a significant expansion in net transaction margin. With more than 200,000 active users, continued strong underlying growth, and flat or declining operating costs, we continue to execute our strategy of moving quickly on our pathway towards profitability."

Overview

	H1 FY23	H1 FY22	YoY Change %
Platform metrics			
Pay advances	\$303.9m	\$132.0m	130%
Average pay advance	\$391	\$241	62%
Active users (no. users) ¹	203,937	139,071	47%
Financial metrics			
Beforepay income	\$14.57m	\$5.95m	145%
Net transaction loss % (of pay advances plus fees)	(2.3%)	(2.9%)	(21%)
Net transaction margin	\$5.06m	\$0.36m	1306%
Net transaction margin % (of pay advances)	1.7%	0.3%	467%
EBITDA (excluding one-off and significant items)	\$(2.73m)	\$(11.19m)	(76%)

¹ Customers of Beforepay who have taken out a pay advance in the previous 12 months from the relevant date. This includes customers who have not yet repaid their most recent pay advance and are not eligible to re-borrow until they have done so.

Net Transaction Margin by Half Year



	H1 FY23	FY22	Change
Balance sheet			
Cash position	\$18,710,523 ²	\$28,367,245	\$(9,656,722)
Equity position	\$28,508,336	\$32,627,696	\$(4,119,360)

Financial Performance – H1 FY23

- Total pay advances grew by 130% YoY to \$303.9m driven by both new customer acquisition and continued usage by existing customers.
- Active users grew to 203,937, up 47% YoY on H1 FY22 (139,071).
- Beforepay income increased by 145% YoY from \$5.95m to \$14.57m in H1 FY23. Beforepay generates its revenue through charging users a fixed fee of 5% per pay advance received which is recognised over the period in which the pay advance is repaid.
- Net transaction loss % declined to 2.3% in H1 FY23, down 21% YoY from 2.9% in H1 FY22. This is driven by continued refinements to Beforepay's credit risk model and pay advance limit management. The net transaction loss was partially offset by recoveries which continued to perform well during the half year.
- Direct service costs as a percentage of pay advances declined to 0.3% in H1 FY23 (previously 0.7% in H1 FY22). Our direct service costs generally do not vary with the size of the pay advance.
- Net transaction margin % (of pay advances) increased 467% to 1.7% in H1 FY23 compared to 0.3% in H1 FY22, driven primarily by lower net transaction losses.
- Total operating expenses (excluding one off and/or significant items) were \$10.56m in H1 FY23, which decreased 17% from \$12.76m in H1 FY22 due to reduced advertising costs, non-recurrence of some one-off expenses and lower employee costs.

² Cash position as at 31 December 2022 represents statutory cash and cash equivalents (including held by third parties).

- Within these operating expense numbers, advertising and marketing expenses attributable to customer acquisition were \$3.46m in H1 FY23 or 49% lower than H1 FY22 (\$6.76m). This was primarily driven by the reduction in above-the-line advertising and additional focus on optimising performance marketing expenditure during H1 FY23 resulting in average customer acquisition cost (CAC) declining 54% to \$59 in H1 FY23 from \$129 in H1 FY22. Employee, general and administration and other costs were \$7.10m in H1 FY23 or 11% lower than H1 FY22 (\$7.98m), reflecting lower headcount and cost management initiatives.
- EBITDA loss (excluding one-off and significant items) was (\$2.73m), down 76% from (\$11.19m) in H1 FY22, driven by the increase in net transaction margin, lower net transaction losses and reduced operating expenses during the current half year period. The prior half year period included higher non-recurring IPO and investment related expenses.

Outlook

- Consistent with previous years, management expects that defaults will stabilise in line with normal seasonal trends.
- Q3 FY23 year-to-date growth in new user numbers and pay advance numbers have been consistent with the prior quarter.

Balance sheet

- Reported cash on hand as at H1 FY23 was \$18.7m compared to \$28.4m at FY22, reflecting the growth in customer pay advances and loss after income tax for the half year period. Cash utilisation of \$9.7m during the half year comprised cash from operating activities (\$18.2m), cash from investment activities (\$ Nil) less cash from financing activities (\$8.5m). Cash from operating activities includes the growth of the loan book due to issuing more advances. Cash on hand as at H1 FY21 was \$8.8m reflecting the cash position prior to the IPO capital raising in January 2022.
- As at H1 FY23, Beforepay had drawn \$29.5m under its third-party debt facility (\$15.5m undrawn), up from \$20.7m in FY22 to fund the net growth in pay advances during the half. The third-party debt facility has a capacity which increases to \$45.0m by December 2023 and expires in January 2024.
- Beforepay had a total equity position of \$28.5m as at H1 FY23. This compares to \$32.6m as at FY22.
- Beforepay retains a highly capital efficient model with an average pay advance duration³ of approximately 25 days. As a result, the third-party funding cost of the average pay advance⁴ is c. 0.64% of the amount advanced, based on a 25-day loan duration. A 1% increase in interest rate would increase this to approximately 0.69%.

Growth strategy

- Beforepay's growth strategy through new customer acquisition and customer retention remains unchanged. The momentum of growth in both revenue and user numbers combined with a positive net transaction margin demonstrates that the Company is successfully executing its strategy.

³ The average time required across all pay advances in a period to fully repay the pay advance. Pay advances which default and remain unsettled are removed.

⁴ The total dollar value of pay advances in a period divided by the number of pay advances in that period.

- The Company remains focused on continuing to grow without adding significant cost to the current operating expense base.
- Beforepay has launched a partnership with Western Union, which allows Western Union customers in Australia to access Beforepay and provides offers to Beforepay customers to use Western Union.
- Beforepay will continue to explore new growth opportunities, however, maintains a current focus on its path to profitability by managing costs and delivering on growth in its current products and geographies.

Our business

- Beforepay is committed to providing an ethical, customer-friendly product to help working Australians manage temporary cash-flow challenges.
- Our product advances people small sums of money (H1 FY 23 average of \$391) against their future wages over short periods of time, which helps them get through short-term challenges whilst not living beyond their means. Beforepay makes ongoing enhancements to customers' eligibility criteria and risk assessments.
- Our fee model is simple, transparent, and affordable, and gives our customers total control, charging only a small transaction fee, zero interest, and never any late fees.
- If a customer does not pay back within the required time, the only penalty is that the service is suspended.
- Beforepay's service remains well regarded by customers, with an average 4.8 star rating (out of 5) across the Google Play Store and Apple App Store.

Our customers

- During December 2022, 72% of our customers were in full-time employment, 13% were part-time, 12% were in casual employment, and 2.3% were other⁵. The average age of our customers was 34.
- The average annual individual customer gross income was \$58,145 during December 2022 (counting only the main source of income)⁶. This is compared to the ABS's individual median income of \$63,000 (as of August 2022)⁷.
- The four largest employment industries for our customers were construction at 13%, retail trade at 11%, hospitality and restaurant services at 11% and healthcare and social services at 10%.

⁵ Customer employment type in customers who took out a pay advance in December 2022. Employment type is derived from customer disclosures only.

⁶ The average annual individual customer gross income has been derived from all customers who borrowed in December 2022. The average annual individual customer gross income is derived using the annualised net income identified by Beforepay's pay cycle detection tool, which is then grossed up using the ATO tax tables. Therefore, Beforepay's average annual individual customer gross income figure may be understated due to ignoring any secondary sources of income.

⁷ <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/aug-2022>

This announcement has been authorised for release to the ASX by the Board.

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About Beforepay

Beforepay was founded in 2019 to support working Australians who have not been well-served by the traditional financial-services industry. The product is an ethical, customer-friendly way to help people manage temporary cash-flow challenges. We provide our customers with early access to a portion of their pay, on-demand, in exchange for a single fixed fee, which helps them to get through short-term challenges whilst not living beyond their means. For more information visit www.beforepay.com.au.

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