



Australian Bond Exchange Holdings Ltd.
Level 19, 15 Castlereagh Street,
Sydney NSW 2000
P.O. Box R445, Royal Exchange NSW 1225
ABN 11 629 543 193 | AFSL 484 453

Telephone: (02) 8076 9343
support@bondexchange.com.au
www.bondexchange.com.au

Australian Bond Exchange Q4 FY23 Quarterly Activity Report

31 July 2023

Australian Bond Exchange Holdings Limited (ASX: ABE) (“Australian Bond Exchange” or “ABE” or “the company”) releases its Appendix 4C Quarterly Cash Flow Report and Business Update for the quarter ended 30 June 2023 (Q4 FY23).

Highlights

- Revenue for the quarter was \$1.3 million, a 56% increase compared to the same period last year and in line with the prior quarter.
- Launched Rakuten and Flight Centre AUD denominated Credit Linked Securities further adding to ABE’s suite of unique products.
- Client numbers increased 10% over the quarter and 77% over the 2023 financial year.
- Positive net operating cash flow of \$0.9m for the quarter.
- Strong debt-free balance sheet with available net cash of \$5.9 million.

Australian Bond Exchange, an innovative financial technology and services company providing access to the OTC bond market for private investors, funds and financial institutions, is pleased to report another quarter of strong revenue growth for Q4 FY23. ABE continues on its path to make bonds more accessible to Australian private investors and service this largely untapped market in Australia.

Australian Bond Exchange CEO Bradley McCosker said “We are pleased to report that this is the 4th consecutive quarter where our revenue exceeded \$1million. Our business continues to grow with client number growth up 77% over the 2023 financial year compared to the prior year. Over the quarter we launched another two credit linked securities that reflect the increased popularity of this unique product.”

During the quarter, ABE was pleased to host an investor update presentation which provided an overview of ABE’s business and highlighted the company’s immediate and longer-term strategic priorities. Importantly, bond trading remains the foundation of ABE’s business driving a stable and growing revenue source. ABE was excited to talk about its longer-term strategic priorities which include its AI credit analysis and T+0 transaction technologies both which help to deliver on the company’s mission to provide all investors with equal access to financial markets with efficiency and

transparency at the core. A recording of the presentation and a copy of the slide deck are both available on ABE's website.

Financial performance

Revenue of \$1.3 million was achieved for the quarter and represented a 56% increase on the prior corresponding quarter driven by ongoing successful execution of the company's client acquisition strategy and product offerings that meet client demand.

Net operating cash flow for the quarter was positive \$0.9m compared to an operating cash outflow of \$1.32m in the previous quarter. This turnaround in net operating cash flow was largely driven by timing differentials with pre-payment of inventory last quarter and an increased demand for inventory this quarter. As previously signalled to the market, ABE manages its cash position in conjunction with the inventory holdings, receivables and payables.

Australian Bond Exchange CEO Bradley McCosker said "We will continue to execute on our growth strategy in FY2024 and seeing a positive cash flow for the reporting period is reflective of great work performed by the team during this time."

Operational Activities

During the period ABE launched and delivered to market \$5 million of Rakuten, a Japanese technology conglomerate and online retail marketplace, AUD denominated 6.50% Credit Linked Security and \$5 million of Flight Centre, an Australian based international travel agency, AUD denominated 6.25% Credit Linked Security. Due to high client demand for the previously launched Jaguar Credit Linked Security issue was increased by \$3 million, taking the total value of the issuance to a record \$40 million.

ABE has continued to increase its sales and marketing activities to support its client acquisition strategy. During the quarter ABE invested in increased online marketing and advertising campaigns and has employed additional experienced personnel into its sales team and client services team to support the growth in client numbers.

Use of Funds

In accordance with ASX Listing Rule 4.7C.2, Australian Bond Exchange Holdings Limited provides the following update on its use of funds (unaudited) below.

Use of Funds	Use of funds as per Prospectus (\$AUD'000)	Expenditure Quarter ended 30 Jun 2023 (\$AUD'000)	Total Actual Expenditure (\$AUD'000)
Sales and Marketing	6,592	1,185	6,908
Further Development of ABE technology and Intellectual Property protection	450	168	1,032
Operational Expenses	700	458	1,419
Working Capital	2,000	0	0
Inventory and Liquidity Funding	4,347	0	4,347
Expenses of the Offer	1,583	0	1,804
Total	15,672	1,810	15,510

Related party payments

In accordance with ASX Listing Rule 4.7C.3, and as noted in Item 6 of the Appendix 4C, Australian Bond Exchange Holdings Limited notes that \$55,959 was paid to related parties during the quarter ended 30 June 2023. These payments related to payments to BGA Capital Pty Ltd and Lannali Pty Ltd, whose advisers are related parties.

Steve Alperstein

Company Secretary

Investor Relations

GRACosway

Contact: Eleonora de Vos (+61 450 930 010)

Email: shareholders@thebondexchange.com.au

Media Enquiries

GRACosway

Contact: Max Hewett (+61 432 335 215)

Email: mhewett@gracosway.com.au

Registered office: Level 19, 15 Castlereagh Street, Sydney 2000

Contact address: Level 19, 15 Castlereagh Street, Sydney 2000

Phone: +61 2 8076 9343

Website address: www.bondexchange.com.au

About Australian Bond Exchange Holdings

Australian Bond Exchange Holdings (ASX: ABE) is an Australian financial services company that uses its proprietary technology to provide Australian Investors with access to the global financial markets. ABE has developed a direct, efficient and cost-effective system and method for facilitating the transaction and settlement of financial instruments, providing a transparent trading experience for investors, brokers and advisers. This is coupled with advanced investor protections, providing an attractive venue for private investors, financial advisers, and investment professionals to access the global financial markets.

Through our innovative technology, we're eliminating barriers to entry to the bond market, providing improved access, more efficient trading, lower transaction costs, and introducing new levels of transparency.

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Appendix 4C

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

Name of entity

Australian Bond Exchange Holdings Limited

ABN

11 629 543 193

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	41,113	156,047
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(37,929)	(150,054)
(c) advertising and marketing	(208)	(726)
(d) leased assets	(42)	(185)
(e) staff costs	(1,554)	(4,933)
(f) administration and corporate costs	(554)	(2,917)
1.3 Dividends received (see note 3)		
1.4 Interest received	80	243
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	906	(2,525)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(10)	(38)
(d) investments	-	-
(e) intellectual property	(168)	(607)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(178)	(645)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(0)	(14)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	(0)	(14)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,135	9,047
4.2	Net cash from / (used in) operating activities (item 1.9 above)	906	(2,525)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(178)	(645)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(0)	(14)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,863	5,863

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	5,863	5,135
5.2	Call deposits	-	-
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)	5,863	5,135

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	56
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Payments in 6.1 relate to payments to BGA Capital Pty Ltd and Lannali Pty Ltd, whose advisers are related parties.

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.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	906
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,863
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,863
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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?	
Answer: N/A	
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?	
Answer: N/A	
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?	
Answer: N/A	
<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>	

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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.

Date: 31 July 2023

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.