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Australian Bond Exchange Q2 FY24 Quarterly Activity Report

31 January 2024

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 31 December 2023 (Q2 FY24).

Highlights

- **Revenue and other income for the quarter was \$1.15 million.**
- **Launch of Macy’s Inc and Barclays PLC AUD denominated Market Linked Securities further adding to ABE’s suite of structured products.**
- **Client numbers increased 3% over the quarter, and total client holdings increased 5% showing continued positive growth in both number of clients and size of portfolio.**

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 present its quarterly cash flow report for Q2 FY24.

ABE continues on its path to make bonds more accessible to Australian private investors and service this largely untapped market in Australia. ABE CEO Bradley McCosker said “We are pleased to report another quarter where our total income exceeded \$1 million. Our business continues to grow with active client number growth up 3% over the quarter and up 12% for the year to date. In addition to secondary market trading activity, we continued to see growth in our popular market linked securities with additional products being added.”

During the quarter, ABE continued to focus on cost management that will see a sustained impact in the future. The key priorities for FY24 remain as stated to shareholders previously, to grow revenue and further manage expenses.

During the quarter, ABE was pleased to be the chosen partner of ANZ Bank when it became the first major Australian bank to launch its native PayTo service for billers. This was a significant milestone for one of ABE’s longer-term strategic priorities, T+0 transaction technologies. This transaction was performed on the NPP (New Payments Platform) PayTo technology.

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Financial performance

Revenue and other income of \$1.15 million was achieved for the quarter. Trading volumes transacted out of ABE's Singapore trading desk, which includes institutional trading, continue to make sustained contributions to revenue. Private client brokerage also delivered sustained contributions to revenue with a record setting first and second quarter this year.

Net operating cash flow for the quarter was a shortfall of \$1.63 million compared to an operating cash shortfall of \$1.29 million in the previous quarter. As signalled to the market previously, ABE manages its cash position in conjunction with the inventory holdings, receivables and payables. This fluctuation in net operating cash flow was driven by a temporary increase in inventory holdings, one-off expenses relating to the establishment of the Australian Credit Opportunities Fund (ACOF), and other expenses relating to the costs reduction program such as one off payments required to end contractual arrangements.

In relation to its costs reduction program, ABE has made progress, having achieved \$1.5 million in savings for the year to date out of its \$2.0 million target reduction for FY24.

In relation to revenue growth, ABE continues to pursue sales volumes for both existing and new clients, and through multiple channels. Income from business development activities often lags, with client engagement and integration into various partner firms not as quick as anticipated. As signalled to the market previously, these channels are a key priority for revenue growth in FY24.

Operational Activities

During the quarter, ABE continued with its product innovation with two new Market Linked Instruments introduced to the Australian market Macy's Inc and Barclays PLC, both examples where ABE sources investment opportunities from around the globe and presents them to Australian investors in Australian dollars. Demand for local corporations was also strong, of note was the \$30 million of MA Financial new Market Linked Instrument issuance.

ABE continues to focus its sales and marketing activities on its client acquisition strategy. During the quarter ABE invested in its online marketing and advertising campaigns to support the growth in client numbers, with client numbers increasing 3% over the quarter and 12% for the year to date. This is also matched by the increase in total client holdings by 5% over the quarter and 23% for the year to date. ABE is pleased to see increasing client numbers and increasing holdings per client continuing.

Launch of PayTo service for Billers

In December 2023, working with ANZ's Institutional division, ABE completed the first successful transaction through ANZ's PayTo[®] Biller service. PayTo is a new digital payment solution that enables businesses to initiate near real-time payments from their clients' bank accounts, giving them better visibility and control over their payments.

ABE is extremely proud to have played a key role in ANZ's first PayTo Biller service transaction marking a significant milestone for both organizations.

ABE CEO, Bradley McCosker, highlights the tremendous benefits for ABE's clients, "with ANZ's PayTo Biller functionality, we empower our clients to confirm and settle transactions in near real time. This not only enhances trust and security in the payments system but underscores our commitment to

empowering Australian investors by providing the tools and information necessary for making excellent financial decisions."

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 \$52,591 was paid to related parties during the quarter ended 31 December 2023. These payments related to payments to Lannali Pty Ltd, whose advisers are related parties.

Authorised by the Board

Steve Alperstein

Company Secretary

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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 direct access to the best of the fixed income asset class in Australia and internationally.

ABE's access and proprietary technology allows "access for all" in a transparent and efficient way. Transparent trading allows investors, brokers and advisers to deliver highly demanded fixed income asset class product to end clients.

This is coupled with an advanced AI driven Product Governance model, which allows greater investor protections, providing a new over the counter venue for private investors, financial advisers, and investment professionals to access the global financial markets.

ABE is eliminating barriers to entry to the bond market, providing access, efficiency, lower cost and transparency.

*PayTo is a registered trade mark of NPP Australia Limited

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")

31 December 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	30,694	83,505
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(30,694)	(81,790)
(c) advertising and marketing	(233)	(450)
(d) leased assets	(135)	(268)
(e) staff costs	(1,158)	(2,704)
(f) administration and corporate costs	(853)	(1,378)
1.3 Dividends received (see note 3)		
1.4 Interest received	40	105
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	(1,695)	(2,980)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(0)	(0)
(d) investments	-	-
(e) intellectual property	(165)	(337)
(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	(165)	(337)

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)	(0)
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)	(0)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,406	5,863
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,695)	(2,980)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(165)	(337)

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)	(0)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,545	2,545

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	2,545	4,406
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)	2,545	4,406

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	53
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>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.</i></p> <p>Payments in 6.1 relate to payments to Lannali Pty Ltd, whose advisers are related parties.</p>		

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(1,695)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,545
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,545
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.5
<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?	
<p>Answer:</p> <p>ABE anticipates that its net operating cash flows will improve due to efficiency measures undertaken across the business, as announced previously to the market in October 2023 as well as further cost management programs undertaken for FY24 across all aspects of the business.</p> <p>Despite the practicalities that certain costs reduction activities require additional short term cash outflows to end contract terms, ABE expects to see improvements in the current level of net operating cash flows in the short term. In relation to the previously announced cost reduction program, ABE has made significant progress, having achieved \$1.5 million in savings for the year to date out of its \$2.0 million target reduction for FY24 (when compared to FY23).</p> <p>Further, ABE also continues to pursue sales volumes for both existing and new clients, and through multiple channels. As signalled to the market previously, these channels are a key priority for revenue growth in FY24.</p>	

- 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:

Proposed by the ABE Board and approved by its shareholders at the AGM on 24 November 2023, ABE has already commenced steps to raise further cash to fund its operations. ABE anticipates, based on investor feedback, that it will be successful in raising further cash to fund its operations.

- 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:

ABE considers that it is in a position to continue operations and meet its business objectives on the basis of the above responses, that ABE is undertaking to reduce operating overheads, increase revenues, improve operating cash flows and raise further cash as required as identified above and as approved by shareholders at the last AGM.

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.

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 January 2024

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.