

22 February 2024

Earlypay Limited (ASX:EPY)

H1'24 Financial Results & Outlook

Earlypay Limited (“EPY” or the “Company”) today announces its financial results for the six-month period ending 31 December 2023 (H1'24) and provides a business update including an outlook for the remainder of FY24. Further detailed results & reconciliations outlined in the presentation and 4D accounts lodged with the ASX today.

H1'24 Financial Highlights

- Reported Net Revenue of \$18.2m, down 19% (H1'23: \$22.3m)
- Reported Profit (Loss) After Tax of \$2.0m vs a loss of (\$5.4m) in H1'23 including:
 - \$0.8m recovery costs associated with the resolution of RevRoof process
 - \$0.4m transaction costs associated with Timelio acquisition
- Underlying Proforma¹ Funds in Use (FIU) decreased by 15% to \$273m due to:
 - a more cautious risk appetite
 - greater than normal client attrition due to financial stress
 - lower Equipment finance originations
- Underlying Proforma¹ NPAT of \$2.9m, up 76% (H1'23: \$1.6m)
- NTA of \$42.9m, equating to NTA per share of 14.8cps

H1'24 Operational Highlights

- November 2023: completed the acquisition of selected assets from Timelio, a specialist Invoice Finance (IF) and Trade Finance (TF) provider adding ~\$33m of IF and \$5m of TF receivables.
- December 2023: resolved RevRoof recovery process receiving proceeds of \$8.4m cash from the sale of the business that was held in trust pending resolution of a legal dispute.
- February 2024: settled new \$220m IF/TF warehouse facility:
 - Expected reduction in overall cost of funds by 1.0% compared to prior IF/TF facilities.
- Refinancing of equipment finance (EF) facility under review given limited financial benefits.
- Ongoing improvements to corporate governance, underwriting, documentation & settlements and risk management practices.

FY24 Outlook

Throughout H1, FIU reduced as result of IF clients exiting due to EPY risk assessment decisions or attrition due to financial stress. Whilst this was somewhat offset by FIU from the Timelio acquisition, the Timelio client portfolio (due to high quality clients) is at a lower average margin compared to the reduced FIU from EPY clients. This lower average margin will offset most of the interest savings from the new IF/TF warehouse in the short-term.

1. Underlying Proforma NPAT is Reported NPAT after adding back “one off” RevRoof costs, notably recovery costs, and transaction costs related to the Timelio transaction

EPY reaffirms FY24 Underlying proforma NPAT is expected to exceed FY23's Underlying proforma NPAT of \$4.8m.

Upside to FY24 guidance based on delivering on the following key drivers:

- Growth in Invoice Finance FIU
 - Strong demand from SMEs for Invoice Financing
 - Organic growth in new business with a focus on product innovation and improving the client and referrer experience making our product simpler to buy
 - Improved tech capability from the Timelio acquisition enables Earlypay to now target non-traditional distribution channels including embedded finance and platform integrations.
 - Potential inorganic opportunities to augment organic growth.
 - Less attrition
- Net Revenue margin expansion
 - Benefits of the scale, flexibility and cost savings from the new IT/TF warehouse
- Significant Opex savings
 - Increased automation and streamlined processes to drive significant Opex reductions.

Capital Management

Following the acquisition of Timelio and new warehouse refinancing, the business expects to have c.\$10m of cash available for corporate management initiatives, noting that currently the corporate bond is notionally funding the mezzanine tranche for the new IF/TF warehouse.

The Board continues to consider EPS accretive capital management initiatives that may include **Additional bolt-on acquisitions, Repayment of corporate debt, and / or share buy-back.**

The Board also intends to reinstate the Company's Ordinary Dividend in FY24 as retained earnings are rebuilt.

This release was authorised by the Board of Earlypay Limited.

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* Underlying Proforma is Reported earnings after adding back "one-off" costs including RevRoof Credit loss and recovery costs, and the Trademark Impairment

For further information, please contact:

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Earlypay is a leading provider of working capital finance to Australian SMEs with its Invoice, Equipment and Trade Financing products.

Invoice Financing helps SMEs bridge the gap between issuing invoices and receiving payment from customers by providing early payment of up to 80% of the invoice value. Accessing cash flow against unpaid invoices is simple and accessible with Earlypay's proprietary online platform that integrates seamlessly with the major accounting software providers.

Equipment Finance is available to SMEs to assist with capital expenditure and Trade Finance is provided to selected clients looking to close the cash flow gap between paying suppliers and receiving payment from customers.

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