

24th June 2021

Earlypay raises \$18.857m via an institutional placement to fund product expansion

Highlights

- Commitments received to raise \$18.857m to fund new Trade Finance product expansion
- New Trade Finance product to enhance Earlypay's offering and support SMEs with a financing option for purchasing inventory.
- Earlypay expects to generate a pre-tax return of 20%+ on the \$18.857m raised which would be earnings accretive
- Earlypay anticipates the commencement of a new \$50m warehouse facility in the near term, to further support the expansion of this product
- The expansion into Trade Finance builds on the record lending volumes Earlypay is experiencing in its established products
- Reconfirms FY'21 guidance of NPATA of \$8.5m+ and expects NPATA of circa \$12m in FY'22, before the net returns on the new Trade Finance product

Earlypay ("EPY" or the "Company") is pleased to announce the expanded product range and strengthening of the balance sheet following a \$18.857m institutional placement.

Earlypay CEO Daniel Riley commented...

"Earlypay has continued its strong momentum in CY'2021, with our new Trade Finance product garnering significant demand from new and existing clients. Importantly, we expect the capital raise and product expansion to be earnings accretive in FY'22.

The performance of the new Trade Finance product, combined with our record business lending volumes in established products, has provided strong validation for the Board to endorse a capital raising to support the new business pipeline while a proposed \$50m warehouse facility to support the Trade Finance product is established. "

Capital Raise

Earlypay is pleased to announce it has received commitments to raise \$18.857m via a placement of new fully paid ordinary shares to new and existing institutional and professional investors.

The proceeds of the raise will be used as follows:

- Fund expansion of new Trade Finance product while the Company puts in place a new warehouse facility. Once the proposed warehouse facility is complete, Earlypay expects the majority of cash to be released back onto the balance sheet
- Cash released onto the balance sheet post implementation of new warehouse will be used for:
 - Repayment of remaining expensive bonds (current balance approximately \$20m @ 8% interest), and /or
 - Potential acquisition opportunities

The institutional placement will result in the issue of 44,897,846 shares at an issue price of \$0.42, representing:

- 12.5% discount to the last close price on 21 June 2021 of \$0.48; and
- 10.5% discount to the 30-day VWAP of \$0.469

Shares issued under the institutional placement will rank equally with existing shares on issue and are expected to be allotted on 1 July 2021. The institutional placement was conducted utilising the Company's available placement capacity pursuant to ASX Listing Rule 7.1A and therefore does not require shareholder approval.

Henslow Pty Ltd and Morgans Corporate Limited acted as Joint Lead Managers to the raise.

New Trade Finance Product

Over the last 12 months, Earlypay has developed and trialled a new Trade Finance product that supports SME clients in purchasing inventory. When the clients sell the final product to their customers, the loan converts to our established Invoice Finance product. Throughout this trial, the Trade Finance product has been funded on Earlypay's balance sheet.

The new Trade Finance product is strategically important for Earlypay as it will support client retention, increase revenue and margin from existing clients, plus enhance Earlypay's competitive market position for new business.

From limited sales and marketing efforts, the new product has generated significant interest from new and existing SME customers as they optimise the management of working capital. The strong demand for the product has now exhausted Earlypay's balance sheet capacity and the funds from today's placement will allow Earlypay to grow the product without funding constraints.

Earlypay will continue to fund the Trade Finance product on balance sheet until establishment of an anticipated new \$50m warehouse facility to fund Trade Finance and Invoice Finance products.

The new warehouse facility is expected to commence in three months, at which time Earlypay will transition its Trade Finance clients into the warehouse. This will release cash that will be used to repay remaining bonds, optimise warehouse funding structures and explore potential acquisition opportunities.

Outlook

Earlypay is well placed for substantial growth above current run rate lending volumes with a strong pipeline of new business and \$100m of headroom in existing Invoice and Equipment Finance facilities. The new funding for Trade Finance, and the expansion of that product to new and existing clients, will further strengthen the outlook for the business.

Earlypay expects the net proceeds of capital raised to be fully deployed within the next three months after which Earlypay expects to generate a pre-tax return of 20%+ on those Funds, which will be earnings accretive.

Earlypay CEO Daniel Riley commented “ New initiatives are well advanced and include expansion of Trade Finance and broader promotion of Equipment Finance. The new initiatives leverage existing staff and technology capability and have the potential to contribute substantially to top-line growth during FY’22 and beyond with little corresponding cost.

The Company is pleased to reconfirm its FY’21 Guidance of NPATA of \$8.5m+ and as previously noted expects a material improvement in FY’22. Based on the current run-rate of \$2.2bn of transaction volume, with an expectation of margins normalising to FY’20 levels and a stable equipment finance book, EPY would expect NPATA of circa \$12m in FY’22, before the net returns it expects on the new Trade Finance product.”

This release was authorised by the Chief Executive Officer of Earlypay, Daniel Riley.

Sincerely,

Daniel Riley
Chief Executive Officer

For further information, please contact:



Daniel Riley
Chief Executive Officer

+61 411 883 427

For media enquiries, please contact:



Ben Wilson
Joint Managing Partner

+61 407 966 083

About Earlypay

Earlypay provides finance to SME businesses in the form of secured invoice financing and equipment financing.

Through the Earlypay online platform, SME's receive an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from their customers (often 30 to 60 days). This is a flexible line of credit that is utilised in line with sales volume. Earlypay will consider an additional advance to a client (above the usual 80%) on occasion, for an additional fee and when there is adequate security from the client to cover the position.

Other services include trade finance to assist clients finance purchases, as well as equipment finance to assist SME's with capital expenditure on items required to operate their business.