



Capital Raise Presentation

CEO Daniel Riley

24 June 2021

Executive Summary

Capital raising to support the growth of Earlypay's new Trade Finance product

Placement Overview

Placement to raise \$18.857m @\$0.42 per new share, representing a discount of 12.5% to the last close price on 21 June 2021 of \$0.48;

Rationale

Fund expansion of new Trade Finance product while the Company puts in place a new warehouse facility within 3-4 months

Earlypay is currently funding \$10m+ of Trade Finance facilities on its own balance sheet and has a pipeline of new business exceeding the current portfolio. The capital raised will facilitate conversion of the pipeline and support immediate active promotion of Trade Finance to existing pre-qualified clients, which Earlypay has identified as a client retention strategy that will also boost returns.

Earlypay will transition its Trade Finance clients into the warehouse and utilise the cash released for:

- Potential acquisition opportunities
- Equity/first-loss contribution (10%) for volume growth in the new and existing warehouse facilities, and /or
- Repayment of remaining expensive bonds (currently ~\$20m @ 8% interest), and /or

Investment Highlights

New Trade Finance product to be provided in conjunction with core Invoice Finance product and offered to new and existing SME clients

Earlypay expects to generate a pre-tax return of 20%+ on the capital raised, with net proceeds to be deployed within 2-4 months

Well placed for substantial growth with:

- Core business lending volumes ahead of expectations;
- Expansion into Trade Finance expected to be earnings accretive; and
- Reconfirms FY'21 guidance of NPATA of \$8.5m+ and expects NPATA of circa \$12m in FY'22, before the net returns it expects on the new Trade Finance products

Vision Statement

Business Finance made simple.

At Earlypay, our mission is to provide Australian businesses with the cash flow they need to grow.

EPY Positioning

The ongoing digital transformation is positioning Earlypay as a market-leading SME lender with a unique offering and significant competitive edge

Uniquely Positioned

- Loans ranging from \$20k to \$15m+
- Service small borrowers profitably with online platform
- Supporting borrowers as they grow to be a big business
- Scale, funding and experience to service large borrowers
- Robust lending model: <0.1% defaults based on TTV
- Wide range of services: Small facilities for start-ups to funding lines for large national businesses
- Flexible Offering: Borrowers don't need long trading history – invoice strength is the focus
- Offering is agnostic to accounting software used by borrower
- Market-leading online lending platform

Benefits of online platform

- Streamlined applications and onboarding
- Market-leading borrower experience
- Efficient and profitable client management
- Improved risk oversight by leveraging client data
- Fast and flexible finance – can now compete in large business loan market (Addressable market of 2.4m¹ SMEs)
- Online Partner Portal to boost origination via referrer channel

With a long history of profitable growth and dividends, Earlypay is experiencing its next growth phase, supported by the rebranding, digital transformation and product expansion.

About Earlypay

Earlypay provides secured finance to SME businesses in the form of Invoice Finance, Equipment Finance and Trade Finance

- Earlypay employs an experienced team of ~90 people and services clients nationally from offices in Brisbane, Sydney and Melbourne
- Earlypay is experiencing strong organic growth, has a long history as a listed business of earnings growth and has a strong dividend yield

Equipment Finance

Loans range from \$20,000 to \$1,500,000 focussing primarily on funding transport and yellow goods with a strong resale market. All equipment is independently valued and Earlypay lends against the price expected if the equipment was to be sold via auction.

Invoice Factoring

Earlypay's core service offering is a line of credit, secured by its clients invoices. It is an ongoing, flexible working capital solution that is utilised in line with sales volume.

Earlypay's online platform facilitates fast onboarding and automation to profitably service small clients, with funding requirements as small as \$20,000.

Earlypay's scale, experience and warehouse funding structure enables Earlypay to service large clients, with facility size up to \$15,000,000.

Trade Finance

Trade Finance gives businesses that import products from overseas and businesses that purchase product within Australia the ability to pay suppliers upfront without having to spend their own working capital.

The trade finance product works in conjunction with Earlypay's invoice finance product so that when the customer raises an invoice, the trade finance loan converts to an invoice finance loan.

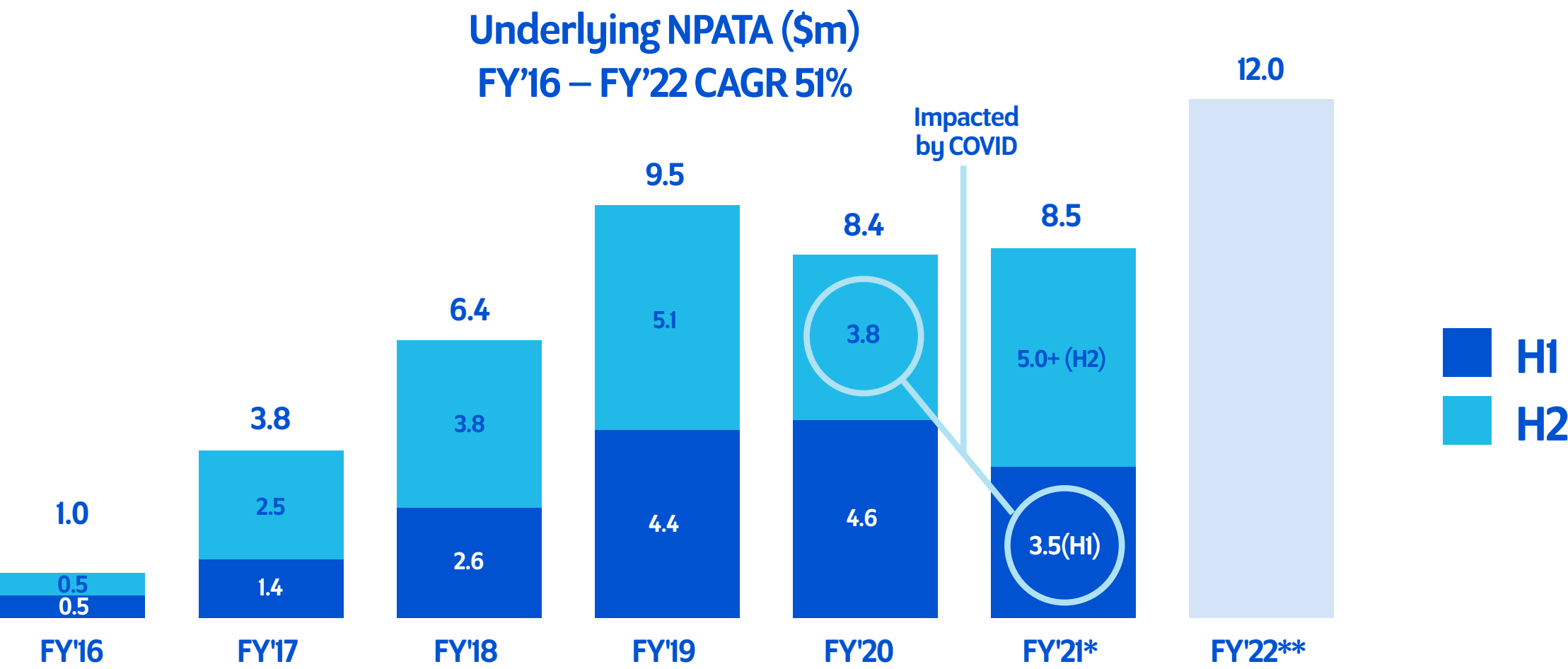
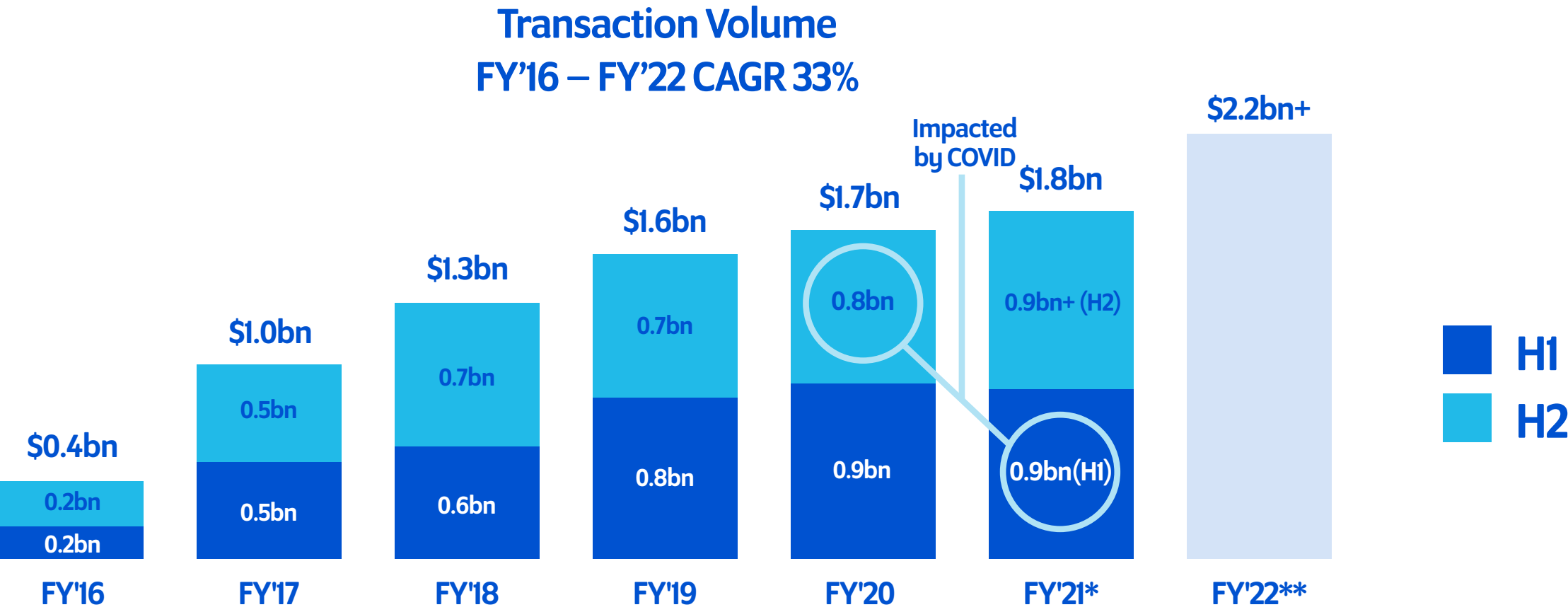
Historical Growth

Earlypay has delivered strong and stable growth, translating into consistent shareholder returns

- EPY had achieved substantial growth year on year and half on half which was halted by COVID
- Growth has resumed post COVID and is expected to continue into FY'22
- Based on the current run-rate of \$2.2bn of transaction volume, with 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

* H2 FY'21 based on guidance

** FY'22 based on current run-rate (excludes expected returns from the Trade Finance product)



Outlook

Expected to report record earnings in H2'21 - FY'21 Full Year guidance of \$21m+ EBITDA and NPATA of \$8.5m+

Continued trading above pre-covid levels with

- Current volumes indicate that Earlypay is now back trading in excess of \$2.2bn TTV on an annualised basis
- Seeing an acceleration in Equipment Finance origination volumes as it mobilises its broader sales team of 30 – historically only 3 sales staff focused on Equipment Finance

Earlypay re-confirms FY'21 guidance of:

- EBITDA \$21m+ and
- NPATA \$8.5m+ (\$5m+ in H2'21)
- Final dividend of 1.3cps+ fully-franked (2.3cps for FY)

FY'22 Growth Outlook

- Improvements to all Warehouse Facilities, providing \$100m headroom to support continued growth of loan book, together with cost savings
- New Trade Finance has already garnered significant demand from new and existing client and \$18.857m expected to be fully deployed within the next 2-4 months
- Earlypay expects to generate a pre-tax return of 20%+ on new funds, which will be earnings accretive on top of the current improvement in the run-rate for Invoice and Equipment Finance
- Based on the current run-rate of \$2.2bn of transaction volume, with margins normalising to FY'20 levels and a stable equipment finance book, Earlypay would expect NPATA of circa \$12m in FY'22 before the net returns it expects on the new Trade Finance product

Capital Raising

Capital Raising - Details

Transaction Overview

Offer size

\$18.857 million , reflecting the issue of approximately 44.9 million shares

Offer Type

Placement to raise approximately \$18.857m (“Placement”); via the issue of approximately 44,897,846 million fully paid ordinary shares (“Placement Shares”);

Offer Price

\$0.42 per new share, representing a discount of:
12.5% to the last close price on 21 June 2021 of \$0.48;
12.6% to 5-day VWAP of \$0.48; and
12.3% to 10-day VWAP of \$0.48

Ranking

All new shares issued under the Offer will rank equally with existing Earlypay shares

Use of Funds

Fund the growth of new Trade Finance product in the near term and then to retire expensive legacy bond facility and provide appropriate working capital to support future growth/M&A plans

Joint Lead Managers

Henslow Pty Ltd & Morgans Corporate Limited

Capital Raising – Indicative Timetable

Key Events

<u>Trading Halt</u>	<u>Tuesday, 22 June 2021</u>
<u>Firm Bids Due (3:00pm AEST)</u>	<u>22 June 2021</u>
<u>Commitment Letters Due (12:00pm AEST)</u>	<u>Wednesday, 23 June 2021</u>
<u>Announcement of Placement</u>	<u>Thursday, 24 June 2021</u>
<u>Settlement of Placement</u>	<u>Wednesday, 30 June 2021</u>
<u>Allotment of Shares under Placement</u>	<u>Thursday, 1 July 2021</u>

Key Risks

1) Share market

On completion of the Placement, the New Shares may trade on ASX at higher or lower prices than the issue price. Investors who decide to sell their New Shares after the Placement may not receive the amount of their original investment. The price at which the New Shares trade on ASX may be affected by the financial performance of Earlypay and by external factors over which the Directors and Earlypay have no control.

These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

Investors should consider the historical volatility of Australian and overseas share markets.

The Directors make no forecast regarding the strength of the equity and share markets in Australia and throughout the world.

2) Dependence on general economic conditions

The operating and financial performance of Earlypay is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions could be expected to have a materially adverse impact on Earlypay's business or financial condition. Changes to laws and regulations or accounting standards which apply to Earlypay from time to time could adversely impact Earlypay's earnings and financial performance. The Directors make no forecast in regard to the future demand for Earlypay's products and services.

3) Regulatory risk

The Company operates in a highly regulated market in Australia. Success can be impacted by changes to the regulatory environment. The Company continues to monitor changes and proposed changes to the regulatory environment to which it is exposed. Changes to government policy, law or regulations, or the introduction of new regulatory regimes may lead to an increase in operational costs and may have a materially adverse effect on the operations, financial performance and prospects of the Company.

4) Litigation Risk

Earlypay may in the ordinary course of business become involved in litigation, claims and disputes (for example, with suppliers or customers). Any litigation, claim or dispute could be costly and damaging to Earlypay's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

Key Risks

5) Competition and new technologies

The industry in which Earlypay is involved is subject to increasing competition which is fast-paced and fast-changing. While Earlypay undertakes all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities of its competitors, whose activities or actions may positively, or negatively affect the operating and financial performance of its business.

6) Risk of shareholder dilution

Earlypay may in the future elect to issue new shares or engage in capital raising to fund ongoing working capital requirements of Earlypay or acquisitions that Earlypay may decide to make. While Earlypay will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period, Shareholders at the time may be diluted as a result of such issues of shares and capital raisings.

7) Ability to retain or attract key personnel

The loss of key members of the management team or members of the sales and development teams, or any delay in their replacement, may adversely affect Earlypay's ability to implement its strategies and may also adversely affect Earlypay's future financial performance. Earlypay's performance and future success depends on its continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of the organisation. Competition for qualified employees in Earlypay's industry is intense.

8) Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by Earlypay or by investors in Earlypay. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Earlypay and the value of the securities offered under the Placement. Therefore, the shares to be issued pursuant to the Placement carry no guarantee

with respect to the payment of dividends, returns of capital or the market value of those securities. Potential investors should consider that an investment in Earlypay is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to the Placement.

Disclaimer

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