



FY21 Results Presentation

CEO Daniel Riley

26 August 2021

CFO Steve Shin

COO James Beeson

Business Finance made simple.

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



About Earlypay

Employing ~90 people in Brisbane, Sydney and Melbourne, Earlypay provides secured finance to SME businesses in the form of:

Invoice Finance

Line of credit, secured by client's invoices. It is an ongoing, flexible working capital solution that is utilised in line with sales volume.

Online platform facilitates fast onboarding and automation to profitably service a large range of clients. Funding is available from \$20,000, with the scale, experience and warehouse funding structure to increase facility size up to \$15,000,000.

In conjunction with Invoice Finance, Earlypay provides:

Trade Finance enabling Australian SMEs that import and purchase product within Australia the ability to pay suppliers upfront without having to utilise their own working capital.

Foreign Exchange (to support Trade Finance clients) through a partnership with Ebury to manage FX payments in over 130 currencies on one simple to use platform.

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.

FY21 Highlights

Record earnings in H2'21 with guidance of 40%+ growth in FY22

Exceeded FY21 guidance

Despite Covid - Default rate <0.1%

Servicing 3,000+ SMEs (0.1%+ of total SMEs)

Avg. Cost of Debt 4.24% down from 5.24% in FY20 and 6.38% in FY19

New technology platform driving growth – 80% of new clients in FY21

\$6bn+ invoices funded since 2015 (\$1.8bn+ in FY21)

FY22 guidance representing 40%+ NPATA growth on FY21

\$8.7m

(up 13% on pcp)

Underlying NPATA¹

\$21.0m

(up 11% on pcp)

Adjusted EBITDA¹

2.3c

(up 31% on pcp)

DPS (Fully Franked)

3.84c

(up 0.1% on pcp)

Underlying EPS¹

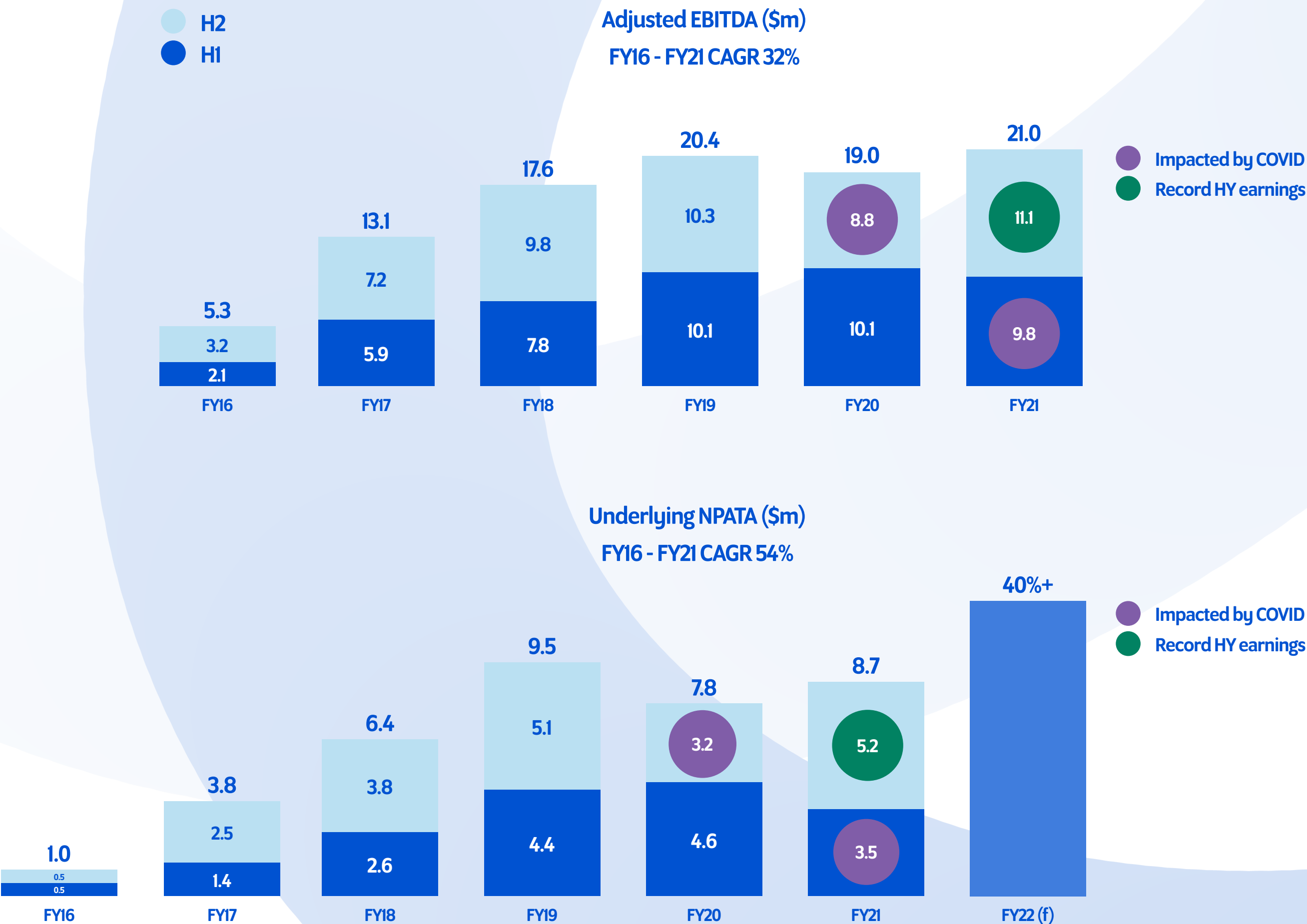
Growth resumed in H2'21 – post-COVID

Growth has resumed with consistent trading above pre-COVID levels

- Earlypay has achieved substantial growth over the 9 halves to H1'21 which was impacted by the introduction of government stimulus to SMEs as a result of COVID (H2'20 & H1'21)
- Growth has now resumed with consistent trading above pre-COVID levels resulting in record H2'21 earnings, with the majority of government stimulus now withdrawn
- Cost savings have been achieved through investment in technology and recent improvements to all three funding facilities

FY22 Outlook

- Current trading momentum coupled with a leaner operating structure is expected to translate into NPATA growth of 40%+ in FY22 versus pcp



Growth Drivers

Earlypay's online platform and expanded sales capability are driving growth in lending volume

Assessment

- Online sales are driving overall growth in the core Invoice Finance product, lifting Earlypay's organic growth rate and transaction volumes to record levels.
- Earlypay's digital transformation has improved accessibility for SME's to Earlypay's invoice finance products by:
 - Providing market leading onboarding times for SME lending
 - Expanding the addressable market, through automation in service delivery allowing smaller facilities to be serviced profitably

Onboarding

- SME lending expected to grow strongly with reduced Government stimulus available through FY22
- Payment timeframes are likely to extend as more SMEs experience cash flow pressure
- Government infrastructure projects and SME asset write-offs expected to support a period of sustained growth for the equipment finance product

New Products

- Earlypay is gaining traction with the new Trade Finance product, which supports SME's with purchase of inventory. Offered in conjunction with Invoice Finance, the Trade loan converts to Invoice Finance at point of sale.
- 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

Sales and Distribution

- Earlypay has expanded its sales and product development team to 30 and has provided training on sales of all products. This is expected to boost volume in Earlypay's Equipment and Trade Finance products through FY22
- Earlypay has launched a Partner Portal, which allows finance brokers to refer clients and track progress online, in real time, from application to on-boarded and continues to build relationships with key broker groups

Consolidated Profit & Loss

\$m	FY20	FY21	Δ pcip
Invoice Finance	30.8	28.3	-8%
Equipment Finance	11.5	14.0	22%
Underlying Revenue¹	42.2	42.3	0%
Other /Corporate	5.3	1.5	-71%
Group Revenue	47.5	43.9	-8%
Employee Benefits (Direct)	(12.8)	(13.2)	
Bad & Doubtful Debts	(1.5)	0.7	
Trust Expenses	(1.0)	(1.6)	
Commission	(1.9)	(1.9)	
Insurance	(2.1)	(1.7)	
IT Expenses	(1.1)	(1.3)	
Other ²	(13.3)	(5.3)	
Adjustments ³	5.2	1.5	
Adjusted EBITDA	19.0	21.0	11%
D&A	(0.8)	(0.8)	-7%
Interest Cost	(9.4)	(8.5)	-10%
Tax ⁴	(0.9)	(3.1)	
Underlying NPATA	7.8	8.7	13%
EPS	3.84	3.84	
DPS	1.75	2.30	31%
Key Metrics			
EBITDA Margin	40.0%	47.9%	19.7%
NPATA Margin	16.3%	19.9%	22.0%

Earlypay's earnings growth is recognition of investment in the business' technology platform which has reduced the cost base

- Underlying Revenue was flat on pcip with growth in equipment finance offsetting lower invoice finance revenue which was affected by Government stimulus
- A reduction in costs drove higher earnings which included:
 - Bad & Doubtful Debts is positive \$0.7m in FY21 following a reduction in ageing of the loan portfolio in line with AASB9 (combination of ageing and hardship)
 - Net Interest Cost fell \$0.8m on the back of improvements to all Earlypay's Warehouse Facilities
- No material losses or defaults despite challenging conditions and business disruption
- FY21 EBITDA margin of 47.9% and ROE 15%, key margins continue to improve
- DPS of 2.3cps fully franked

¹Underlying revenue excludes legacy recruitment business (FY20 generated \$4.7m revenue with \$4m on-costs)

²Other includes legal, marketing, impairment of goodwill, amortisation – customer relationships, other expenses and on-hire staff costs

³Adjustments include adding back amortisation – customer relationships

⁴Effective tax rate in FY20 was 5% through utilisation of losses from acquired businesses

Consolidated financial position

\$m	FY20	FY21 ¹ Pro Forma
Cash and cash equivalents	38.2	44.8
Receivables - Debtor Finance	167.7	199.7
Trade and other receivables	1.1	0.7
Finance Lease receivables ²	95.1	93.4
Intangible Assets	25.5	31.0
Other	7.4	6.2
Assets	335.0	375.7
Trade payables - Debtor Finance	88.7	81.6
Trade and other payables	7.0	3.1
Borrowings	183.9	206.3
Other	2.9	8.2
Liabilities	282.6	299.1
Net Assets	52.4	76.6
Total Equity	52.4	76.6
Key Metrics		
NTA	26.9	45.5
NTA per share	0.13	0.19
Net Asset Backing per share	0.25	0.28

Earlypay maintains a strong balance sheet with \$44.8m of cash as at 30 June 2021

- \$44.8m cash provides substantial headroom to aid in achieving further organic growth, and positions Earlypay well to pursue further strategic acquisitions
- Material increase in receivables is indicative of the growing loan book
- Borrowings reflects the debt facilities used to finance the loan books
- Net assets have improved by 48% on pcip with NTA improving by 72%

¹Pro forma as at July 1 includes the net impact of recent Capital Raise (44.9m shares issued, ~\$18m moved from Other Liabilities to Equity)

²Receivables - Finance Leases figure combines both the Current and Non-Current balances

³Borrowings figure combines both the Current and Non-Current balances

Consolidated cashflow statement

Earlypay generated positive net operating cash flow of \$4.8m for FY21

- Receipts driven by interest earned on both the invoice and equipment financing loan books
- Finance costs driven by the aggregate interest amount charged on available funding facilities
- \$36.5m payment for client receivable reflects growth in the loan book
- Payment for subsidiary relates to acquisition of Classic Funding (FY20) and Skippr (FY21)

\$m	FY20	FY21 ¹ Pro Forma
Receipts	54.0	53.3
Payments	(40.0)	(38.6)
Income taxes paid	(3.3)	(1.5)
Net Finance Costs	(8.9)	(8.5)
Net cash flows from operating activities	1.8	4.8
Payments for PPE / intangibles	(0.1)	(0.4)
Payment for acquisition of subsidiary	(7.7)	(3.9)
(Payments)/Proceeds from client receivables	56.6	(36.5)
Payments to equipment lease receivables	19.4	3.2
Net cash flows (from) investing activities	68.2	(37.7)
Proceeds from issue of shares	7.8	23.9
Repayment of lease liabilities	(0.2)	(0.6)
Net proceeds from borrowings	(57.6)	22.3
Dividends Paid	(2.8)	(6.2)
Net cash flows (from) financing activities	(52.9)	39.5
Net Change in cash and cash equivalents	17.1	6.6
Cash at beginning of year	21.1	38.2
Cash at end of the year	38.2	44.8



Invoice Finance Division

Invoice Finance – snapshot

Strong recovery in transaction volumes in Q4 from the reduced demand caused by the government's SME stimulus in H1'21

- The business has demonstrated a sharp recovery following the cessation of the government stimulus brought on by COVID, which enabled SME's to use Government funding to support their cashflows
- TTV reached record volumes in Q4 (\$518m), driven by new client acquisition
- Gross Margin remained depressed but there are signs of a turnaround (H2'21 margin of 1.55% compared to low of 1.49% in H1'21).
- Net Interest Margin improved to 25.8% from increased utilisation rate of facilities by SME clients and reduction of funding costs
- Key invoice metrics that influence revenue, including LVR and debtor days, continue to normalise toward long-term historical averages after being impacted by government stimulus, which Earlypay anticipates will further improve margins in FY22
- Current business volume, growth momentum and normalisation of key metrics, indicates continued strong uplift at all levels for Invoice Finance during FY22

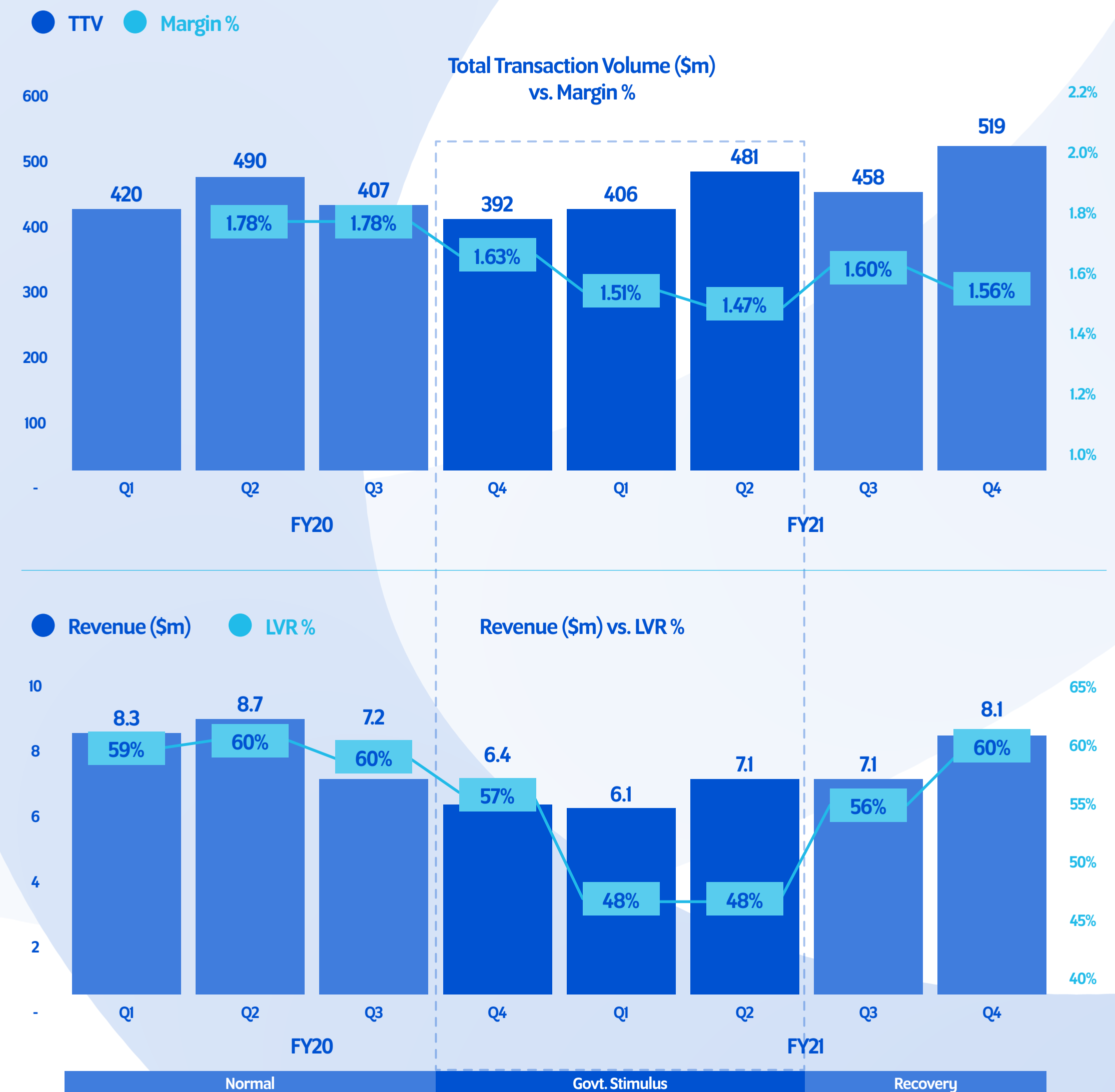
\$m	FY20	FY21 ¹ Pro Forma	Δ pcg
Key Metrics			
Total Transaction Volume (TTV)	1,709	1,864	9%
Margin % (Avg. over year)	1.79%	1.54%	-14%
Revenue (\$m)	30.8	29.4	-5%
Interest Cost (\$m)	9.2	8.4	-9%
Net Interest Margin (NIM) %	22.2%	25.8%	16%
EBITDA (\$m)	14.0	14.2	1%
Key Volume & Margin Drivers			
Invoice Receivables	173.0	203.5	18%
Funds in Use (\$m)	84.2	121.9	45%
LVR % (Utilisation Rate)	48.7%	59.9%	23%
Avg. Debtor Days	42.4	36.7	-13%
Active Customers	399	450	13%

Invoice Finance – TTV, Revenue and Margin

Transaction volume uplift is driving revenue growth, improving margins expected to drive further growth

- Transaction volumes in Q4'21 exceeded previous quarterly records and is up 28% on Q1, driven primarily through organic growth in client numbers
- Revenue followed a similar trend with strong momentum in Q4 resulting in a 33% uplift on Q1
- Margins fell from 1.78% post Government stimulus, although improvement is evident in H2
- Earlypay is targeting a return to margin that was generated immediately following the acquisition of Classic in Q2'20 of circa 1.8%
- Contributing to margin improvement is the utilisation rate (LVR) of client facilities, which quickly rebounded to historical levels as Government stimulus reduced for SME's and increased their reliance on working capital finance

$$\text{TTV} \times \text{Margin} = \text{Revenue}$$



Invoice Finance – Net Interest Margin improving

Recent improvements across all three funding facilities have improved Earlypay’s Net Interest Margin (NIM)

- Net Interest Margin improved through FY21, from increased utilisation rate of facilities by SME clients and reduction of funding costs
- NIM has fluctuated between 21% - 31% across FY21
- Government stimulus temporarily adversely affected margin as was evident by average debtor days dropping from the long-term historical average of 43 days to 35 days in Q4
 - This reduces the time period over which Earlypay can generate interest income on funding
- Earlypay expects this trend to normalise back to 40+ days through time and support margin improvement

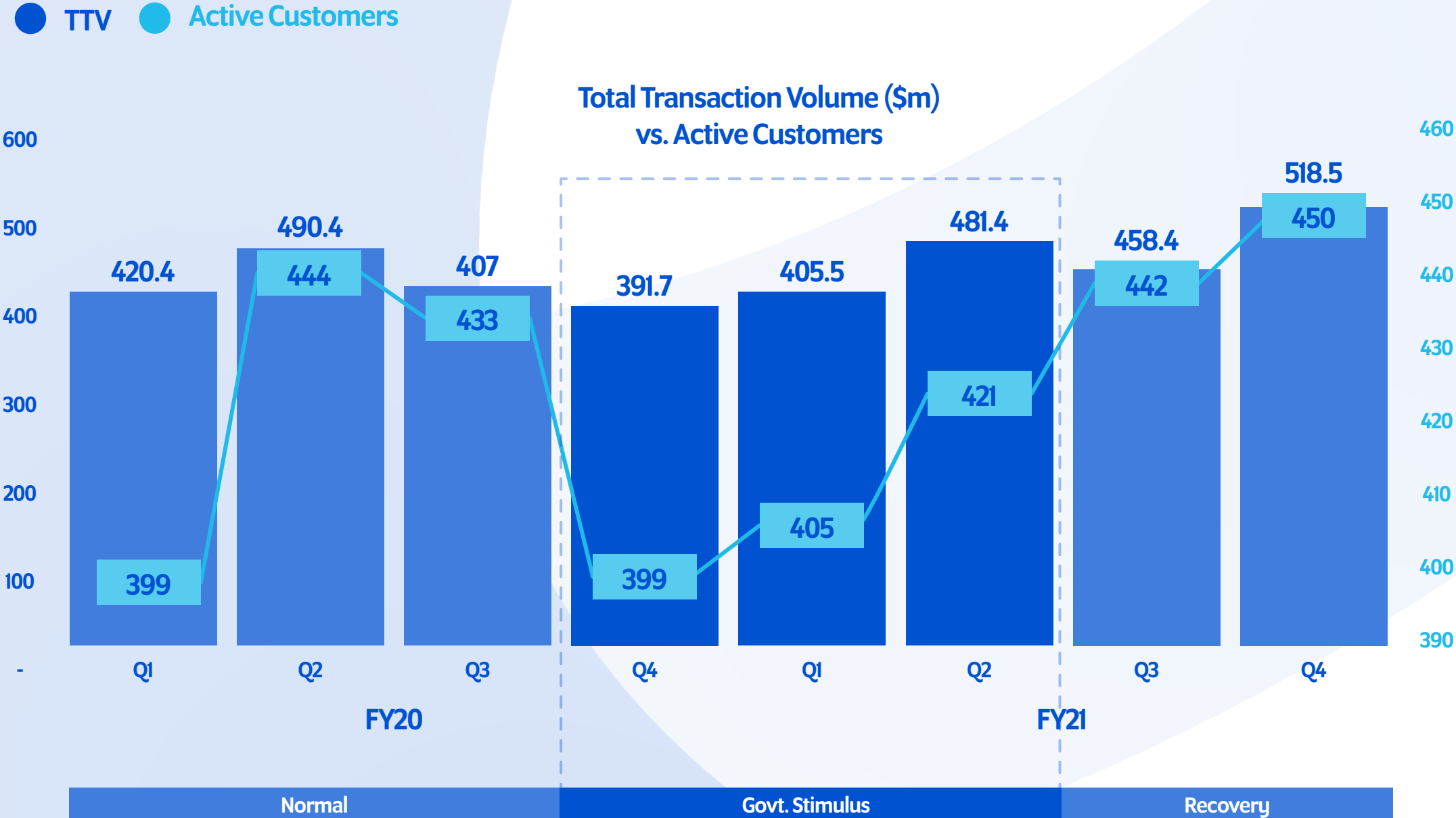
*Product Return includes interest income and facility administration fees



Invoice Finance – client acquisition

Earlypay’s online strategy driving a sharp increase in customer numbers and transaction volume

- Earlypay’s online strategy continues to drive growth with over 90% of all new Invoice Financing clients onboarded and managed using Earlypay’s online platform
- This is the combined result of investment into the Earlypay platform to improve client acquisition opportunities and the client experience, plus expansion of the sales team during FY21





Equipment Finance Division

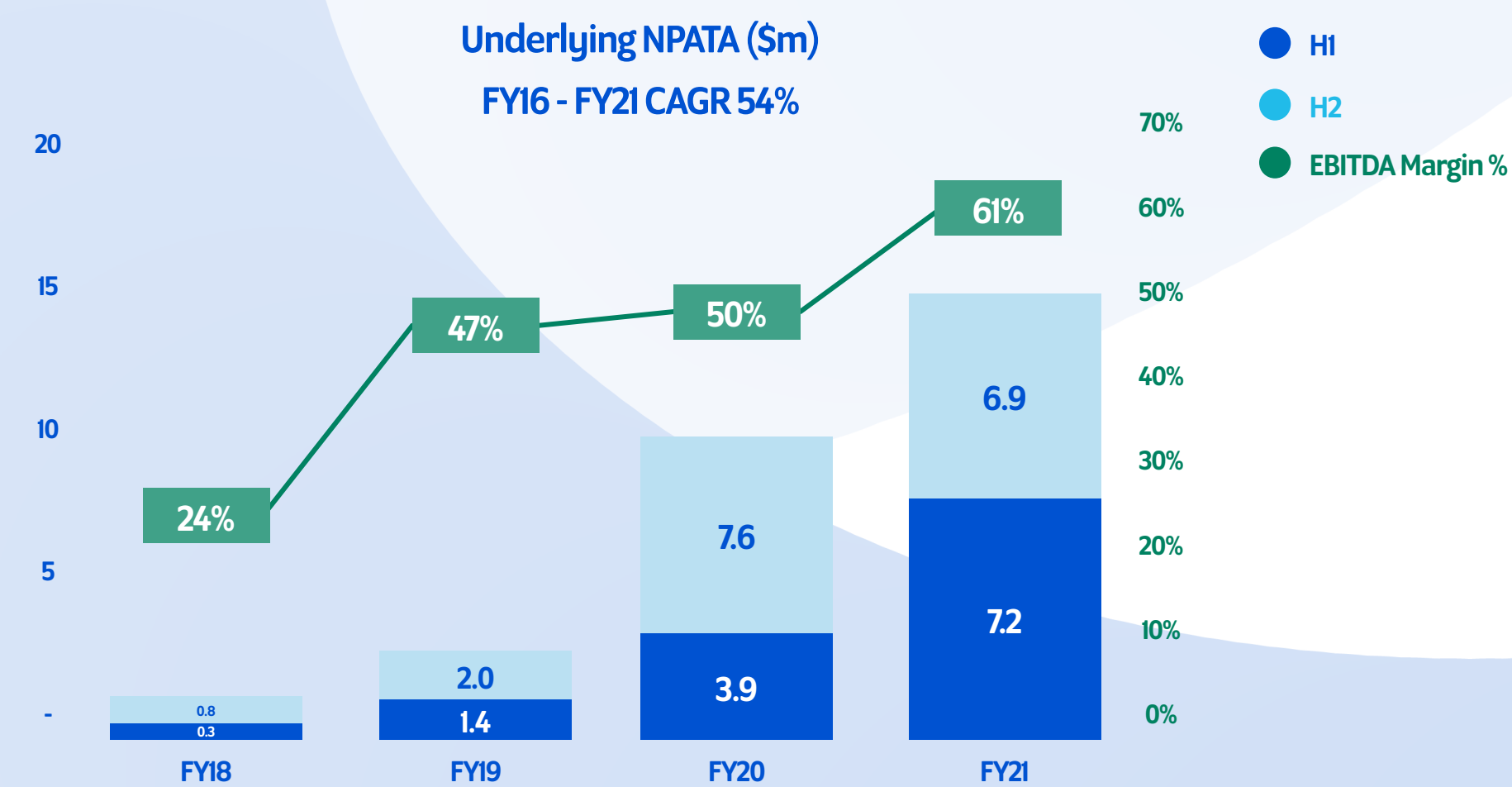


Equipment Finance – snapshot

The Equipment Finance Division now generates an EBITDA margin in excess of 60%

- Revenue up 23% on pcp following the Classic Finance acquisition in FY20, with the added scale assisting EBITDA margin improvement to 61%
- No material defaults or losses throughout the peak of COVID and ageing in 30+ days is less than 1% at 30 Jun'21 reflecting Earlypay's limited exposure to industries and assets impacted by COVID

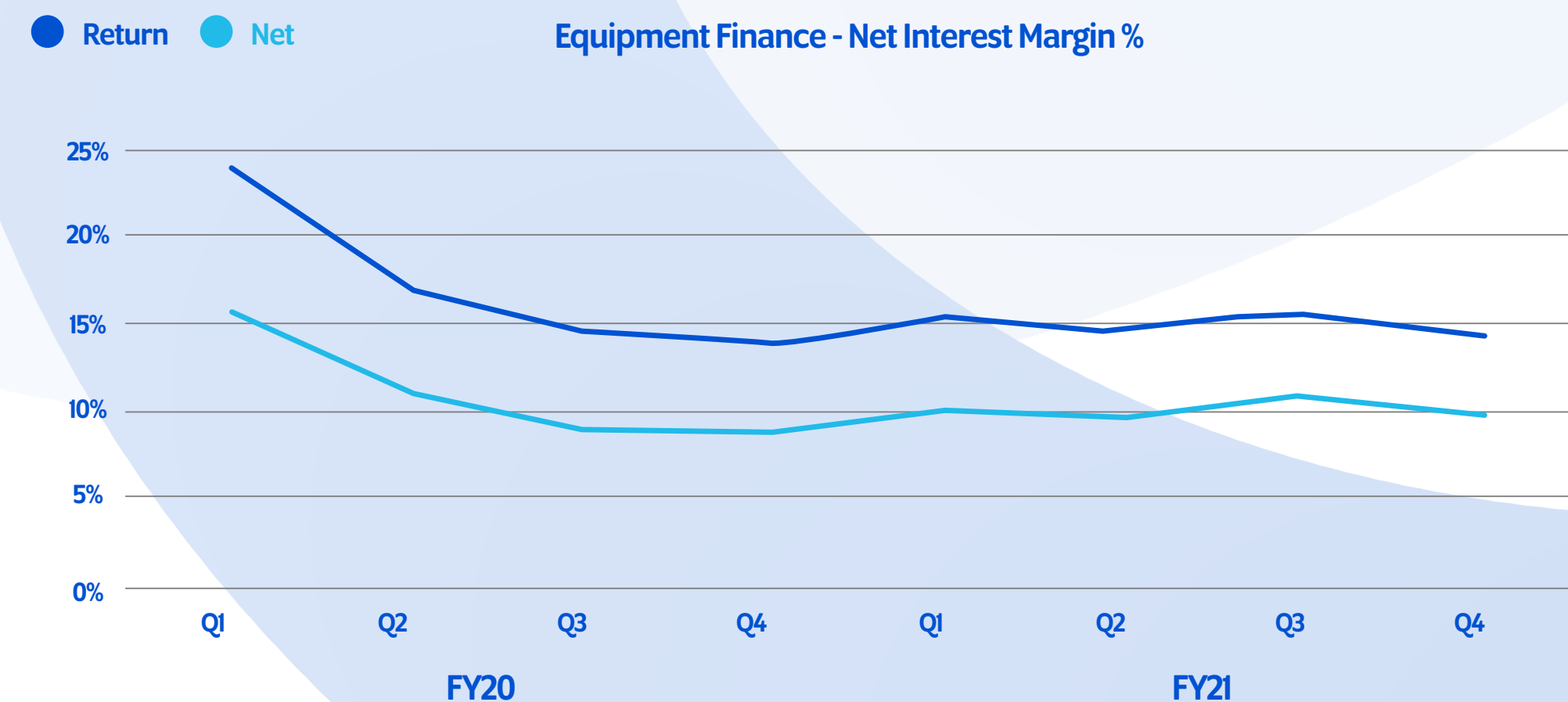
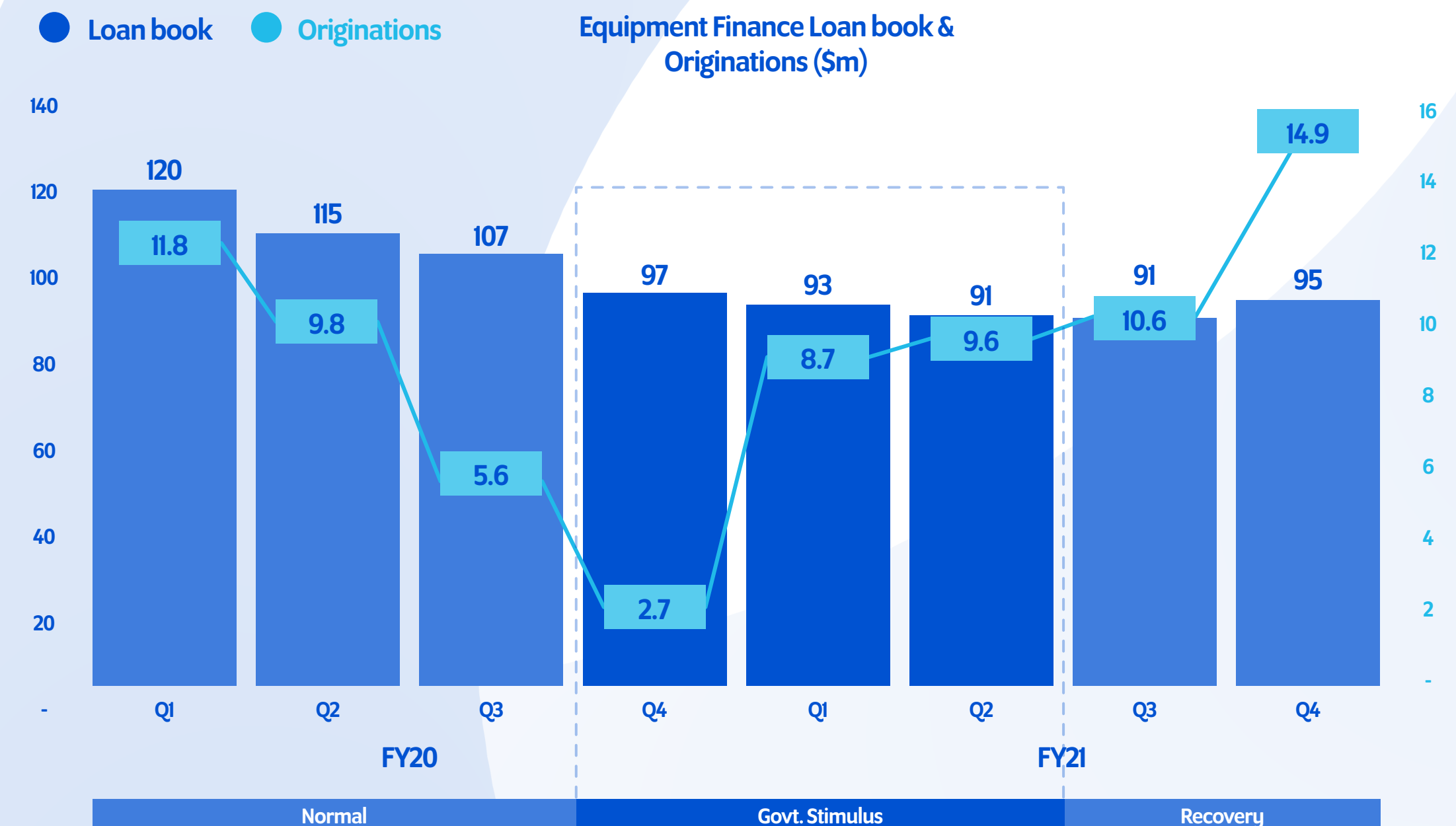
\$m	FY18	FY19	FY20	FY21
Key Metrics				
Revenue (\$m)	1.1	3.4	11.5	14.1
Net Interest Margin (NIM) %	NM	NM	11.3%	10.3%
EBITDA (\$m)	0.3	1.6	5.7	8.6
EBITDA Margin %	24%	47%	50%	61%
Key Drivers				
Receivables (\$m)	14.0	27	117.1	114.1
Funds Advanced (\$m)	10.0	18.8	95.1	93.4
Originations (\$m)	11.2	35.9	29.9	43.7



Equipment Finance – originations & NIM

Earlypay is positioned for growth in origination volumes, with increased sales resourcing and funding capacity

- Earlypay maintained a stable equipment finance book throughout the impacts of COVID in FY21, increasing origination volumes in Q4 to return to growth as trading conditions stabilised
- Earlypay is prepared for an acceleration in origination volumes in FY22 as it mobilises its growing sales team of 30 (versus 5 historically) to promote the product, noting demand for Equipment Finance is currently subdued in NSW/VIC due to lock-down restrictions
- Net Interest Margin improved through FY21, from increased utilisation rate of facilities by SME clients and reduction of funding costs

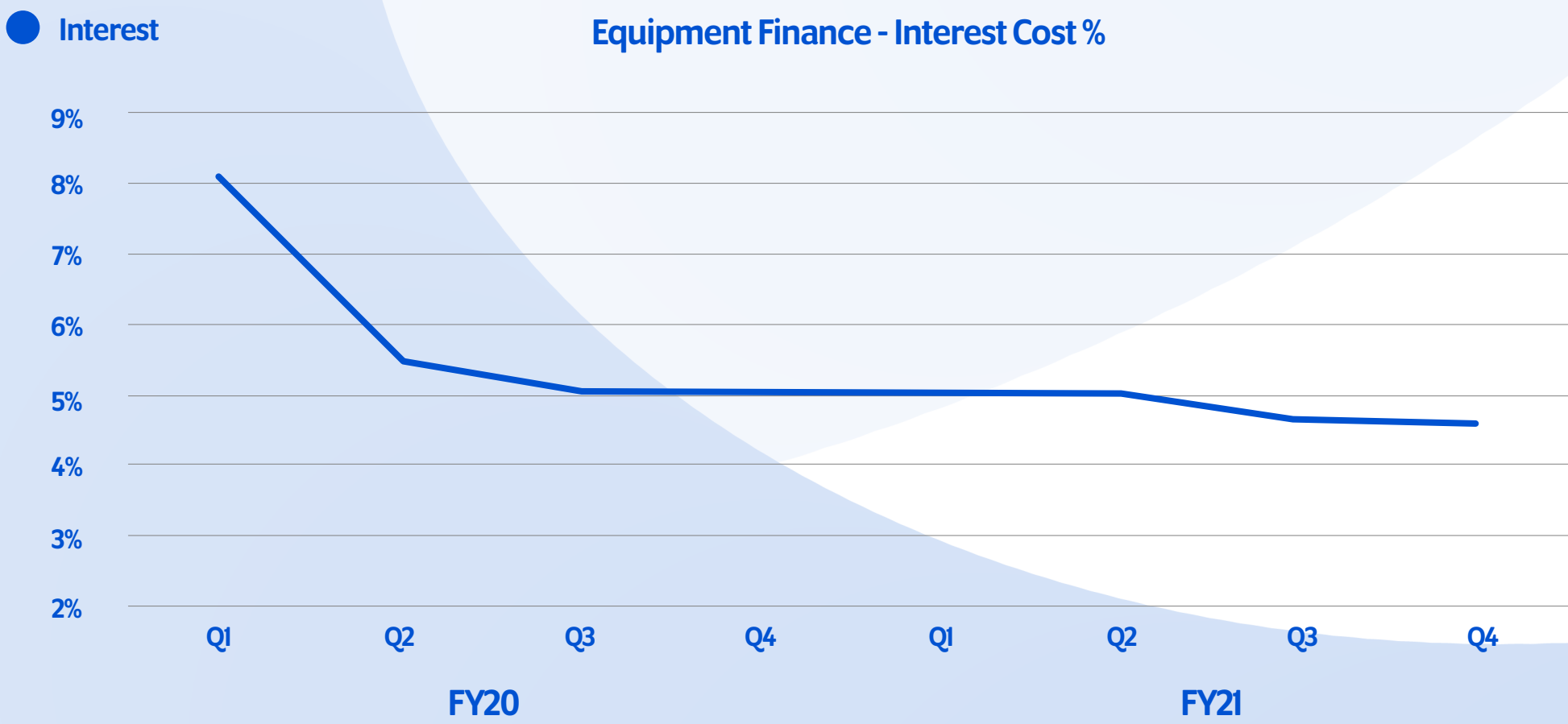
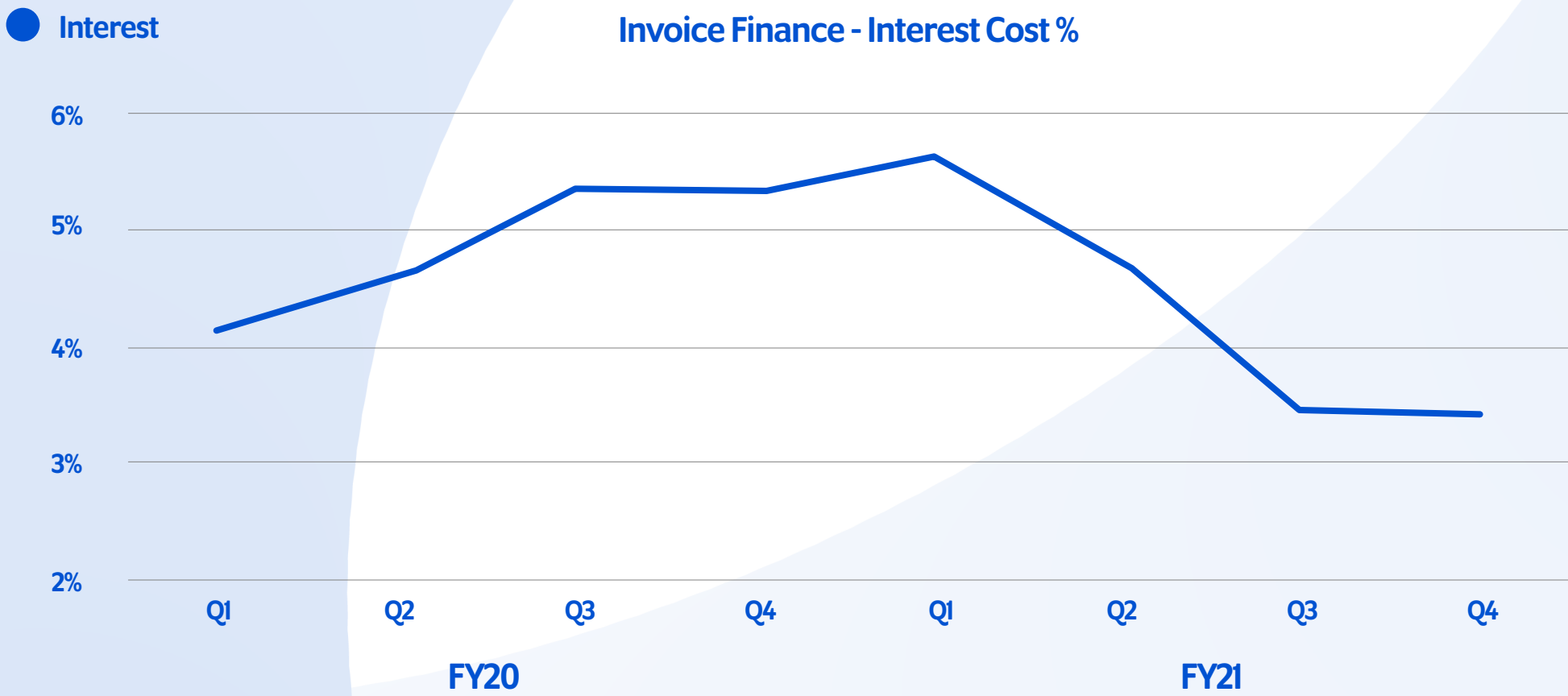


Debt Profiling

Warehouse Facilities position Earlypay for solid growth

\$m	FY18	FY19	FY20
Invoice Finance			
Warehouse Facility 1	\$100m	\$90m	Sub-3%
Warehouse Facility 2	\$35m	\$4m	Sub-3%
Mezzanine	\$9m	\$2m	Sub-8%
Equipment Finance			
Warehouse Facility 3	\$120m	\$54m	Sub-3%
Mezzanine	\$27m	\$13m	Sub-8%
Corporate			
Bond	\$20m	\$20m	7.95%
Equity	\$40m	\$34m	n/a
Total Funds Available	\$351m	\$217m	Avg. Sub 4.5%
Current headroom		\$134m	

- Improvements to all three Warehouse Facilities provides significant cost savings , with average cost of debt reducing to 4.24% in FY21, compared to 5.24% in FY20 and 6.38% in FY19
- EPY's average cost of debt is <4.5% with \$134m headroom, positioning the Company well to compete for large, high credit quality clients, with sufficient room for growth across all products

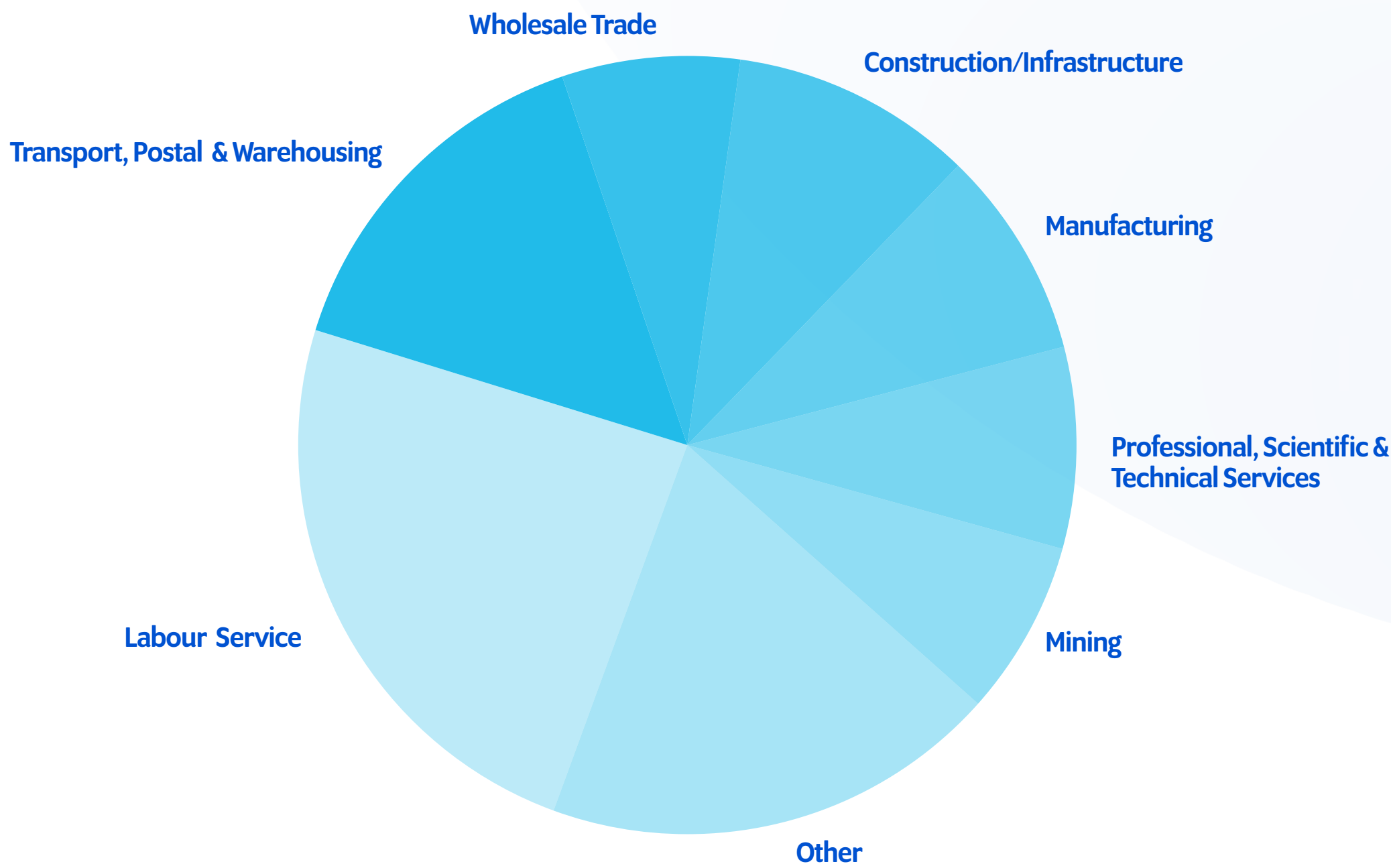


Sector exposure

Earlypay supports a wide variety of Aussie businesses and has had a default rate of less than 0.1%

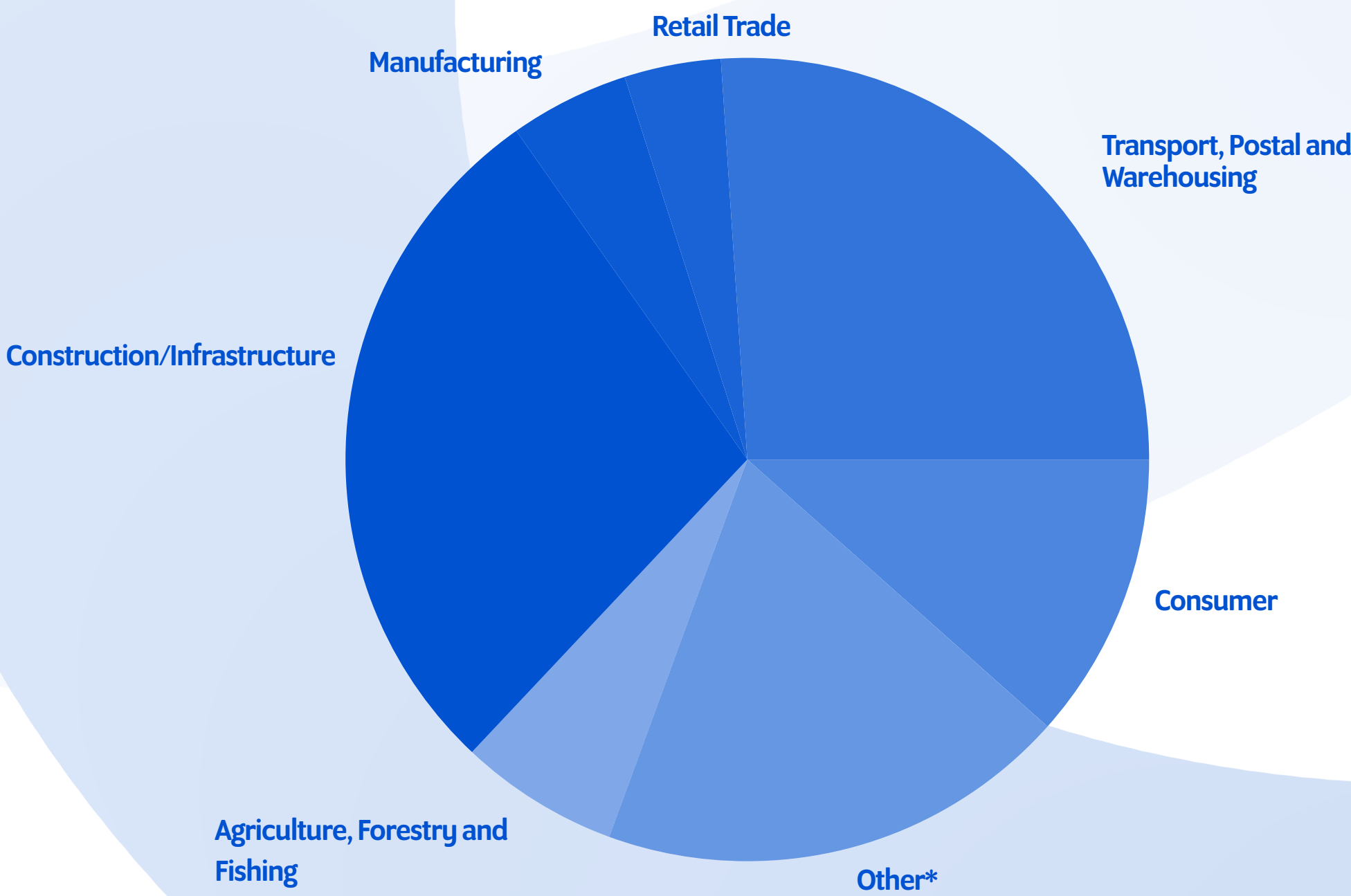
Invoice Finance

Sector Split By TTV



Equipment Finance

Sector Split By Loan Book



19 * Other includes 12 industries all <4% of TTV such as Financial Services, Accommodation & Food Services, Retail Trade, TMT & Utilities

* Other includes 14 industries all <4% of loan book such as Financial Services, Accommodation & Food Services, Mining, Wholesale Trade & Utilities

Outlook

Earlypay expects 40%+ increase in NPATA for FY22, underpinned by Invoice Finance

Invoice Finance

The key driver of earnings growth for FY22 is Invoice Finance, with;

- A significantly improved earnings base compared to the start of FY21
- A strong organic growth profile
- Margin improvement on FY21 is expected, as key invoice metrics that influence revenue, including LVR and debtor days, continue to normalise toward long-term historical averages
- Earlypay is leveraging automation available through the online platform to generate efficiencies in service delivery, supporting growth on a stable cost base. Earlypay expects further improvement to margin as a result.

Equipment Finance

- Earlypay is prepared for an acceleration in origination volumes in FY22 as it mobilises its broader sales team to promote the product. We note, however, that demand for Equipment Finance is likely to remain subdued particularly in NSW/VIC due to extended lock-down restrictions.

Trade Finance Product

- Earlypay is experiencing strong demand for its new Trade Finance product, which supports SME clients in purchasing inventory.
- The Trade Finance product generates gross margin of 20%+ and is currently funded with Earlypay's balance sheet supported by a \$18.9m capital raise completed on 1st July 2021
- Earlypay is progressing with a funding structure for this product

Cost Savings

- Improvements to all Warehouse Facilities, providing \$134m headroom to support continued growth of loan book, together with cost savings

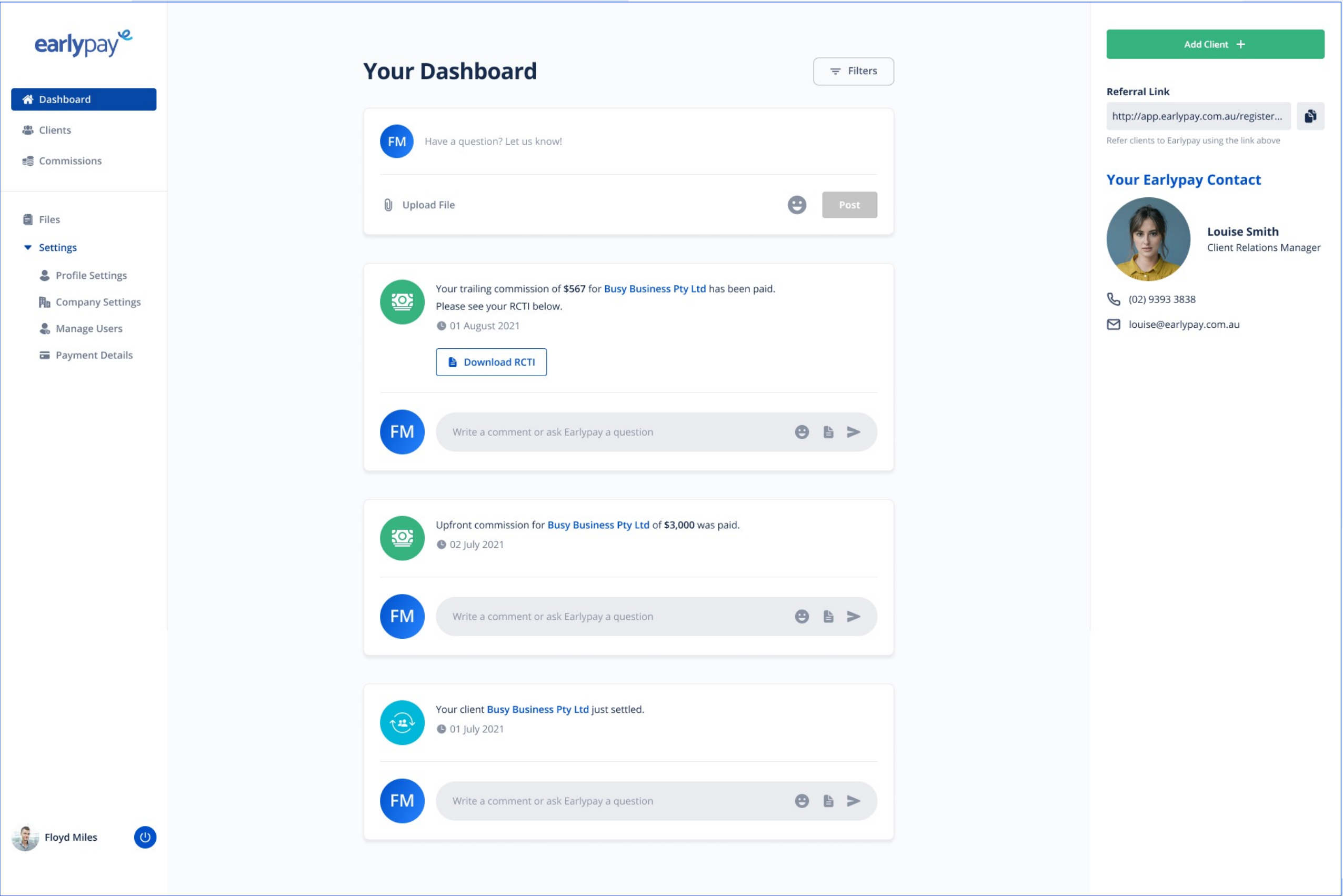
Technology

By embracing innovation and new technologies, Earlypay has streamlined its operations and renewed its ‘customer first’ approach



Technology to expand distribution

Broker portal facilitates client referrals, with transparency on transaction progress and commissions earned



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