

Beforepay Group Limited

ASX Announcement (ASX: B4P)

28 February 2022

Beforepay Half-Year Results to 31 December 2021

(All currency figures in Australian dollars. Certain financial metrics and information included throughout this presentation are not recognised under the Australian Accounting Standards and are classified as 'non-IFRS financial information'. See Glossary at the end of this document for definitions. Non-IFRS figures are unaudited. Change percentages are calculated using unrounded figures and may differ slightly from a number calculated using rounded figures.)

Beforepay Group Limited (Beforepay or the Company) (ASX: B4P) has released its results for the half year ended 31 December 2021 (H1 FY22).

Beforepay improved across all key metrics in H1 FY22. Highlights include:

- Growth momentum continues with Pay advances of \$132.0m up 563% relative to the half year ended 31 December 2020 ("prior corresponding period" or "pcp").
- Net transaction loss % declined to 2.9% from 7.4% in pcp, driven by improvements in our proprietary, real time approval algorithms and enhanced limit management.
- Net transaction margin % turned positive at 6.0% from -103.6%. This was achieved within 18 months of launch and proves the profitability of the model at the Net transaction margin line.
- Strong adjusted balance sheet position to support continued growth with a cash position plus net IPO proceeds equalling \$37.6m of cash.

Strong top line momentum and the achievement of positive Net transaction margin in H1 FY22 provide support for continued investment in growth and steadily improving economics.

Beforepay CEO, Jamie Twiss, said, "Beforepay has delivered a strong performance for the first half of the year across all key metrics. In particular, I'm very pleased with our strong customer growth, our sharp decline in defaults relative to our half year in the 2021 fiscal year, and our positive unit economics."

Overview

\$ (unless otherwise stated)	H1 FY22	H1 FY21	Change
Platform metrics			
Pay advances (\$m)	132.0	19.9	563.3%
Average pay advance (\$)	241	124	94.3%
Active users (no. users)	139,071	46,486	199.2%
Platform metrics			

Beforepay income	5,954,893	973,806	511.5%
Gross transaction loss % (of Pay advances inclusive of fees)	(3.3%)	(7.4%)	(56.0%)
Net transaction loss % (of Pay advances inclusive of fees)	(2.9%)	(7.4%)	(61.3%)
Net transaction margin (\$)	360,169	(1,008,537)	N/A
Net transaction margin % (of revenue)	6.0%	(103.6%)	N/A
EBITDA (excluding one-off and significant items) (\$)	(11,191,439)	(3,165,350)	(253.6%)

	31 Dec 2021 plus impact of IPO ¹	31 Dec 2020	Change
Balance sheet			
Cash position	\$37,628,915	\$5,507,787	583.2%
Equity position	\$41,878,987	\$2,007,774	1985.8%

Financial performance

- Pay advances increased by 563% to \$132.0m in H1 FY22 from \$19.9m in H1 FY21 driven by new customer acquisition and continued usage by existing customers.
- Growth in Pay advances accelerated during H1 FY22 with \$55m Pay advances in Q1 FY22 and \$77m in Q2 FY22.
- Active users up by 199% from pcg to 139,071 in H1 FY22 as the platform continues to appeal to a growing customer base.
- Strong growth in Beforepay income, from \$1.0m to \$6.0m in H1 FY22, reflecting top-line Pay advance growth.
- Net transaction loss % declined sharply to 2.9% from 7.4%, reflecting continued investment in, and improvement of, Beforepay's risk decision engine and Pay advance limit management, as well as a higher proportion of customers who had previously repaid their Pay advance(s).
- Direct service costs as a percentage of Pay advances declined from 2.2% to 0.7% in H1 FY22 as a result of renegotiated vendor rates, volume discounts and a shift to lower cost vendors.
- Net transaction margin% turned positive to 6.0%, up from (103.6%), reflecting the abovementioned improvement in losses and direct service costs. Turning the Net transaction margin positive is a significant milestone for the business and shows positive unit economics.
- Excluding One off and/or significant items, total Operating expenses were \$12.8m in H1 FY22 from \$2.2m in H1 FY21. Within these numbers, advertising and marketing expense to drive customer acquisition was \$6.8m in H1 FY22 from \$0.6m in H1 FY21. The much faster rate of revenue growth than underlying cost growth shows the operating leverage of the business.
- EBITDA excluding One-off and/or significant items was (\$11.2m) in H1 FY22 from (\$3.2m) H1 FY22 due to the investment in fixed costs to support long-term, sustainable growth.
- Our customer base shows continued high levels of loyalty, with 95% of customers who have successfully repaid their first Pay advance having taken out a second Pay advance.²

¹ See explanation of how this is derived in the Glossary.

² Unaudited figure

- Our customer base also shows continued excellent advocacy for our service, with an average 4.8-star rating (out of 5) across the Google Play Store and Apple App Store.³
- Strong top-line momentum and the achievement of positive Net transaction margin in H1 FY22 provides support for continued growth.

Balance sheet

- When incorporating the post balance date impact of funds raised via IPO, the Group's balance sheet and liquidity position are significantly strengthened. Accordingly, had the IPO occurred on 31 December 2021, the Group's adjusted cash position would have been \$37.6m as of 31 December 2021, incorporating the impact of net cash proceeds raised in the IPO. This proforma cash position includes \$35m of IPO gross proceeds received on 10 January 2022, reduced by IPO costs paid subsequent to 31 December 2021 of \$3.4m.
- As at 31 December 2021, Beforepay had drawn \$13.7m under its third-party debt facility. Third-party debt-facility capacity increases to \$45.0m by December 2022.
- Beforepay has a highly capital efficient model with an average Duration of less than 20 days⁴. As a result, the third-party funding cost of the Average pay advance is c. 0.52% of the amount advanced, based on a 20-day loan duration. A 1% increase in interest rates would increase this to c. 0.56%.⁵
- Beforepay had an equity position of \$41.9m when the impact of the IPO is added to the 31 December 2021 position.

Growth strategy

- Beforepay's top line revenue momentum, the achievement of a positive Net transaction margin and high levels of customer engagement in H1 FY22 provide increased confidence in the market opportunity and investment strategy outlined in the Beforepay prospectus.
- It is intended that H2 FY22 will be primarily directed to customer growth (including through marketing, referrals, partnerships and potential new products) as well as increased platform capacity needed to support that growth, whilst striving to improve Net transaction margin.
- Beforepay is actively exploring international expansion opportunities, particularly in the United States, consistent with the growth strategy outlined in the prospectus.
- Trading momentum into 2022 is good. January 2022 Pay advances totaled \$26.9m, down slightly in December 2021 due to seasonal effects, a COVID-19-related decline in consumer spending, and a less favorable days-of-week pattern. Pay advances in February 2022 month-to-date are at significantly higher run rate than any previous month, at \$24.7m from 1 to 24 February 2022, the first time the Company has averaged more than \$1m in Pay advances per day. New-user trends in January and February 2022 have been consistent with those in November and December 2021.⁶

³ Unaudited figure

⁴ Unaudited figures

⁵ Unaudited figures

⁶ Unaudited figures

People

- Our Board and executive team were strengthened with the appointment of a new Chair (Brian Hartzer)⁷, a new Non-Executive Director (Luke Bortoli⁸), as well as a new Chief Product Officer, Chief Technology Officer, and Chief Risk Officer and General Counsel.
- Beforepay continues to attract high quality talent, with several new hires across areas such as engineering, data science, risk, compliance and legal.
- The Company has supported employees through COVID-19 disruption during H1 FY22, including through the use of remote and hybrid working arrangements.

Our model

- Beforepay strives to be an ethical, customer-friendly way of helping working Australians manage their cashflow for unforeseen challenges and opportunities. The Company supports individuals in managing their monthly cashflow by providing immediate access to upcoming pay.
- The Beforepay product is designed to provide customers with transparency over their costs. It charges a fixed fee of \$5 for every \$100 advanced with no additional interest or fees. Average pay advances are small (average of ~\$260 in Q2 FY22⁹) and once a repayment is overdue the service is suspended.
- Beforepay is committed to providing its product in a responsible manner, with ongoing enhancements to eligibility criteria and risk assessments.
- The Company's service is being received positively with an average 4.8-star rating (out of 5)¹⁰ across the Google Play Store and Apple App Store.

This announcement has been authorised for release to the ASX by the Board.

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Glossary of non-IFRS terms

Terms	Definitions
Active Users	Customers of Beforepay who have taken out an advance in the previous 12 months from the relevant date. This includes customers who have not repaid their most recent Cash Out, and are not eligible to re-borrow until they have

⁷ Appointment effective 5 July 2021

⁸ Appointment effective 1 February 2022

⁹ Unaudited figure

¹⁰ Unaudited figure

	done so.
Average pay advance	Total dollar volume of Pay advances in a period divided by the number of Pay advances in that period.
Cash position or adjusted cash position	“Cash at bank” from the half-year statutory financial statements, which may be adjusted to account for the IPO as may be indicated on the relevant slide. When adjusted to account for the IPO, it includes IPO proceeds (\$35.0m), less IPO costs paid subsequent to 31 December 2021 (\$3.4m).
31 Dec 2021 plus impact of IPO	The statutory balance sheet figures for 31 December 2021, with cash balances increased by the net proceeds of the IPO, and liabilities reduced to reflect the conversion of convertible notes resulting from the IPO.
Duration	The average across all Pay advances of the time required to repay the Pay advance, weighted by the dollar size of each Pay advance. A Pay advance that is not repaid within 62 days is assumed to have a duration of 62 days.
EBITDA, excluding One-off and/or significant items	Earnings before interest, tax, and depreciation and amortisation expense (adjusted), less One-off and/or significant items. Depreciation and amortisation expense is adjusted to remove \$182,307 cost related to lease liabilities that the Company considers effectively to be a part of occupancy costs. “One-off and/or significant items” are IPO related expenses, Fair value loss on convertible notes, Convertible note issuance expenses, Settlement expense, and the portion of the Share-based payment expense (\$402,389) for the half year ended 31 December 2021 that relates to accelerated vesting of options linked to the IPO of the Group.
Equity position or adjusted equity position	“Total liabilities” from the half-year statutory financial statements minus “Total assets” from the half-year statutory financial statements, which may be adjusted to account for the IPO as may be indicated on the relevant slide. When adjusted to account for the IPO, it includes the adjustments to Cash position, as well as a decrease in liabilities driven by a reduction in convertible notes balance (\$41.4m), other liabilities (\$1.5m), and a decrease in other assets (\$0.4m).
Gross transaction loss	“Expected credit losses expense” from the half-year statutory financial statements, excluding Recoveries.
Gross transaction loss %	Gross transaction loss (inclusive of fees) divided by Pay advances (inclusive of fees).
Net transaction	“Expected credit losses expense” from the half-year statutory financial

loss	statements.
Net transaction loss %	Net transaction loss (inclusive of fees) divided by Pay advances (inclusive of fees).
Net transaction margin	Beforepay income less the variable costs associated with facilitating Pay advance transactions. These variable costs include Net transaction loss, third party funding costs, and direct service costs. Net transaction margin is a management metric used to measure the gross margin earned on Pay advances.
Net transaction margin %	Net transaction margin divided by Beforepay income.
Operating expenses	The sum of all expenses from the half-year statutory financial statements less One-off and / or significant items, Net transaction loss, Direct costs, Finance costs, and Depreciation and amortisation expense (adjusted in H1 FY22 to remove \$182,307 in depreciation and amortisation expenses related to lease liabilities that the Company considers effectively to be a part of occupancy costs).
Pay advance	An advance made or offered by Beforepay to a user.
Pay advances or Total pay advances	The total dollar value of all Pay advances made in the period as set out in “Advances to customers” from the half-year statutory financial statements.

About Beforepay

Beforepay was founded in 2019 to offer consumers a better way to manage their personal finances by enabling early access to a portion of their pay, on-demand, in exchange for a single fixed fee. For more information visit www.beforepay.com.au.

Important notice

This announcement contains selected summary information only and is provided for general information purposes only. It is not a prospectus, product disclosure statement, pathfinder document or any other disclosure document for the purposes of the Corporations Act and has not been, and is not required to be, lodged with the Australian Securities & Investments Commission. Nothing in this announcement constitutes investment, legal, tax, accounting or other advice and it is not to be relied upon in substitution for the recipient's own exercise of independent judgment with regard to the operations, financial condition and prospects of Beforepay or the Beforepay Group. The information contained in this announcement does not constitute financial product advice. Before making an investment decision, the recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessment of the contents of this announcement, including obtaining investment, legal, tax, accounting and such other advice as it considers necessary or appropriate.

This announcement has been prepared without taking account of any person's individual investment

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Investors should note that certain financial data included in this announcement is not recognised under the Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' ('RG 230'). Beforepay considers that non-IFRS information provides useful information to users in measuring the financial performance and position of the Beforepay. The non-IFRS financial measures do not have standardized meanings under Australian Accounting Standards and therefore may not be comparable to similarly titled measures determined in accordance with Australian Accounting Standards. Readers are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios in this announcement. All dollar values are in Australian dollars (\$ or A\$) unless stated otherwise.