

Beforepay Group Limited

ASX Announcement (ASX: B4P)

28 April 2022

Beforepay Q3 FY22 Quarterly Activities and Appendix 4C Cash Flow Report

Beforepay delivers strong growth and significant uplift in net transaction margin in Q3 FY22

Beforepay Group Limited (Beforepay or the Company) (ASX: B4P) has released its Appendix 4C for the quarter ended 31 March 2022 (Q3 FY22).

Beforepay continues improvement across all key metrics in Q3 FY22. Highlights include:

- Pay advance growth momentum continued with pay advances of \$87.9m, up 213% from Q3 FY21 (Year-on-year or YoY) and up 14% from Q2 FY22 (Quarter-on-quarter or QoQ).
- Net transaction loss% ¹ declined to 2.2%, down 58% YoY and 29% QoQ, driven by ongoing refinements to the risk model, customer limit management, and recoveries, as well as the end of the temporary Q2 FY22 holiday-related increase.
- Net transaction margin² (NTM) increased to \$1.05m, up from \$0.18m or 468% QoQ and up \$1.80m from a loss of (\$0.75m) in Q3 FY21, with increasing profitability largely driven by improvements in net transaction loss.
- Continued balance-sheet strength with \$35.2m in cash on hand as at Q3 FY22.

Beforepay CEO, Jamie Twiss, said, *"Beforepay has delivered another strong quarter of growth, with improvements across all key metrics. Continued momentum in user growth, revenue uplift, and strengthening margins represent another step forward on our path towards profitability."*

Overview

	Q3 FY22	Q3 FY21	Q2 FY22	YoY Change %	QoQ Change %
Platform metrics					
Pay advances	\$87.9m	\$28.1m	\$77.0m	213%	14%
Average pay advance	\$282	\$163	\$260	73%	8%
Active users (no. users) ³	158,269	73,376	139,071	116%	14%
Financial metrics					
Beforepay income	\$4.04m	\$1.35m	\$3.42m	199%	18%
Net transaction loss % (of pay advances plus fees)	2.2%	5.3%	3.1%	(58%)	(29%)

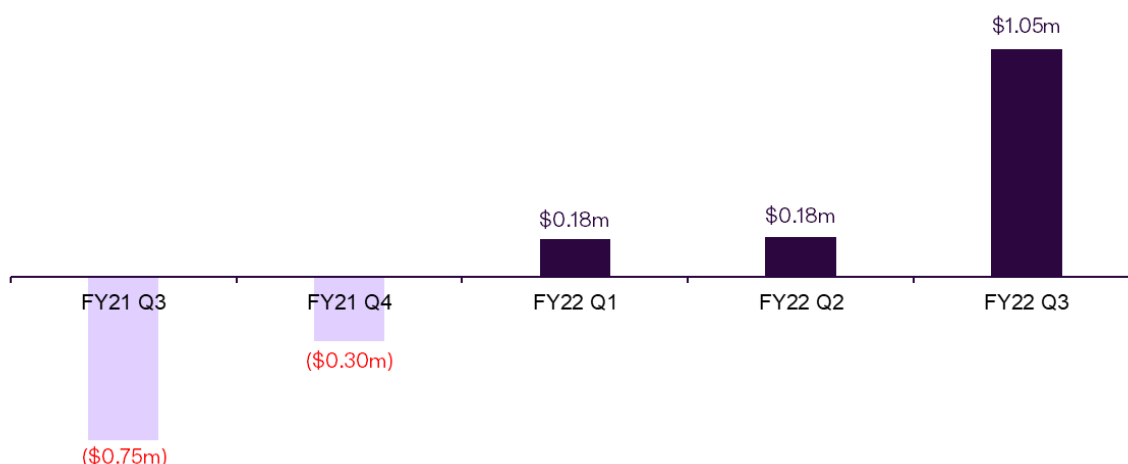
¹ Net transaction loss refers to actual and expected credit losses (net of recoveries). Net transaction loss % is the net transaction loss as a percentage of pay advances plus fees.

² Net transaction margin comprises Beforepay income (being Beforepay pay advance fee income) less the variable costs associated with facilitating pay advance transactions (net of recoveries). 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 loss comprises customer defaults plus current advances provisioned during the period.

³ Customers of Beforepay who have taken out a pay advance in the previous 12 months from the relevant date. This includes customers who have not yet repaid their most recent cash out and are not eligible to re-borrow until they have done so.

Net transaction margin	\$1.05m	(\$0.75)	\$0.18m	N/A	468%
Net transaction margin % (of pay advances)	1.2%	(2.7%)	0.2%	N/A	397%

Net transaction margin walk by quarter - continues to grow strongly



	31 Mar 2022	31 Dec 2021 (plus impact of IPO ⁴)	Change
Pro-forma balance sheet			
Cash position	\$35,225,230 ⁵	\$40,429,626 ⁶	(\$5,204,396)
Equity position	\$36,575,099	\$41,878,987	(\$5,303,888)

Financial performance

- Pay advances grew by 213% YoY driven by new customer acquisition and continued usage by existing customers. January pay advances decreased slightly from December as previously released, but February and March grew strongly.
- Active users grew by 116% YoY.
- Beforepay income increased by 199% YoY to \$4.04m in Q3 FY22.
- Net transaction loss % declined to 2.2% from 3.1% in Q2 FY22. This reflected ongoing improvements to the risk model, advanced limit management, a reversal of the Q2 FY22 seasonal increase seen in defaults, and higher than expected recoveries in March 2022.
- Direct service costs as a percentage of pay advances remained stable at 0.5% in both Q2 FY22 and Q3 FY22.
- Net transaction margin % increased by 397% QoQ to 1.2% of pay advances in Q3 FY22 driven primarily by lower net transaction losses.
- Total operating expenses (excluding one off and/or significant items) were (\$6.40m) in Q3 FY22, up by 47% QoQ. Within these numbers, advertising and marketing expense to drive customer acquisition was (\$3.37m) in Q3 FY22, up from (\$2.41m) in Q2 FY22. This increase was primarily driven by the timing of a

⁴ "31 Dec 2021 (plus impact of IPO)" means 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

⁵ Cash position as at 31 March 2022 represents all statutory cash and cash equivalents (including held by third parties).

⁶ Proforma Cash position of \$40,429,626 comprises; statutory cash of \$8,790,767 (inclusive of cash held with third party suppliers); plus the proforma net impact of IPO of \$31,638,859,

higher level of above-the-line advertising spend in Q3 FY22 compared to Q2 FY22. Employee, general and administration and other costs were (\$3.03m) Q3 2022, up from (\$2.49m) in Q2 2022 primarily driven by an increase in insurance premiums.

- EBITDA (excluding one-off and/or significant items) was (\$4.89m) in Q3 FY22 up from (\$3.83m) in Q2 FY22.
- Month to date trading for April 2022 has been consistent with recent months.

Balance sheet

- Cash on hand as at 31 March 2022 was \$35.2m. This compares to proforma cash on hand of \$40.4m as at 31 December 2021 (including the net proceeds IPO in January 2022). Excluding this, the cash balance as at 31 December 2021 was \$8.8m.
- As at 31 March 2022, Beforepay had drawn \$15.7m under its third-party debt facility, up from \$13.7m on 31 December 2021 to fund the growth in pay advances. The facility has a capacity which increases to \$45m by December 2022 and expires in June 2023.
- Beforepay had a total equity position of \$36.6m as at 31 March 2022. This compares to \$41.9m when the impact of the IPO is added to the 31 December 2021 equity position.
- Beforepay has a highly capital efficient model with an average pay advance duration⁷ of less than 20 days. As a result, the third-party funding cost of the average pay advance⁸ approximates 0.52% of the amount advanced, based on a 20-day loan duration. A 1% increase in interest rate would increase this to approximately 0.56%.

Growth strategy

- Beforepay's growth strategy through new customer acquisition, customer retention and potential international expansion remains unchanged. The momentum of growth in both revenue and user numbers combined with an improvement in net transaction margin demonstrate that the Company is successfully executing on its strategy.
- The Company remains focused on continuing to grow without adding significant cost to the current operating expense base.
- Beforepay will continue to explore international expansion opportunities, however maintains a current focus on its path to profitability by managing costs and delivering on growth domestically. The timing of any international expansion will be reviewed by the Board accordingly.

Our business

- Beforepay is an ethical, customer-friendly way to help working Australians manage temporary cash-flow challenges.
- Our product advances people small sums of money over short periods of time, which helps them get through short-term challenges whilst not living beyond their means.
- Our fee model is simple, transparent, and inexpensive, and gives our customers total control, charging only a small transaction fee, zero interest, and never any late fees.

⁷ The average time required across all pay advances in a period to fully repay the pay advance. Pay advances which default and remain unsettled are removed.

⁸ The total dollar value of pay advances in a period divided by the number of pay advances in that period.

- Average pay advances are small (average of ~\$282 in Q3 FY22), and if a customer does not pay back within the required time, the only penalty is that 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 well regarded by customers, with an average 4.8-star rating (out of 5) across the Google Play Store and Apple App Store.

Our customers

- During March 2022, 82% of our customers were in full time employment, 8% part-time employment, 8% casual employment, and 2% other.⁹
- The average annual gross income of our customers¹⁰ has shown a steady increase, up to an average of \$56,182 per annum during March 2022 (counting the main source of income) as compared to \$44,458 per annum during March 2021.
- The top four employment industries for our customers were construction (13%), retail trade (11%), healthcare and social services (10%), and hospitality and restaurant services (10%).¹¹

Appendix 1: Use of Funds

Pursuant to Listing Rule 4.7C.2, the Company confirms that, in the months since listing on the ASX, it has incurred expenditure largely in line with the Use of Proceeds set out in its Replacement Prospectus dated 29 November 2021, as detailed below. The Company is well funded to achieve its strategic objectives and planned activities.

Intended Use of Funds \$m	Replacement Prospectus	Actual Spend Since IPO (Jan-Mar 2022)	Commentary
Funding increase in cash outs	\$5.9m	\$1.1m	Funding the growth in the equity funded portion of the loan book
Marketing and customer acquisition	\$16.9m	\$3.4m	Direct digital customer acquisition and above the line marketing costs to further increase brand awareness
Overseas expansion focused on the US	\$7.6m	\$0.2m	Costs in exploring opportunities for future growth expansion in the US
Costs related to the IPO offer	\$4.6m	\$4.7m	Advisor fees (legal, compliance, tax and accounting advisors) under the Underwriting Agreement, ASX listing costs and Prospectus insurance.
Total	\$35.0m	\$9.4m	

⁹ Customer employment type is based on customers who took out a pay advance in March 2022. Employment type is derived from customer disclosures only.

¹⁰ The average annualised gross customer income has been derived from all customers who borrowed in March 2022. Annualised gross income is derived using the annualised net income identified by Beforepay's pay cycle detection tool, which is then grossed up using the ATO tax tables. Therefore, Beforepay's average annualised gross income figure may be understated due to ignoring any secondary sources of income.

¹¹ Employment industry type is derived from customer disclosures only.



In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C was A\$246,000 that comprised of payments made to Executive and Non-Executive Directors relating to salary and wages, (inclusive of superannuation and applicable taxes withheld) and Director fees on standard terms.

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

For more information, please contact:

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About Beforepay

Beforepay was founded in 2019 to support working Australians who have not been well-served by the traditional financial-services industry. The product is an ethical, customer-friendly way to help people manage temporary cash-flow challenges. We provide our customers with early access to a portion of their pay, on-demand, in exchange for a single fixed fee, which helps them to get through short-term challenges whilst not living beyond their means. 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 should be read in conjunction with Beforepay's continuous disclosure announcements available at www.beforepay.com.au/investor-hub/asx-announcements. Nothing in this announcement constitutes financial product, 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 regarding the operations, financial condition and prospects of the Beforepay Group. 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 objectives, financial situation or particular needs. The information in this announcement has been obtained from and based on sources believed by Beforepay to be reliable. To the maximum extent permitted by law, no member of the Beforepay Group make a representation or warranty, express or implied, as to the accuracy, completeness, timeliness or reliability of the contents of this announcement. To the maximum extent permitted by law, no member of the Beforepay Group accepts any liability (including, without limitation, any liability arising from fault or negligence) for any loss whatsoever arising from the use of this announcement or its contents or otherwise arising in connection with it.

This announcement may contain forward-looking statements, guidance, forecasts, estimates, prospects, projections or statements in relation to future matters ('Forward Statements'). Forward Statements can generally be identified by the use of forward looking words such as "anticipate", "estimates", "will", "should", "could", "may", "expects", "plans", "forecast", "target" or similar expressions. Forward Statements including indications, guidance or outlook on future revenues, distributions or financial position and performance or return or growth in underlying investments are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No independent third party has reviewed the reasonableness of any such statements or assumptions. No member of the Beforepay Group represents or warrants that such Forward Statements will be achieved or will prove to be correct or gives any warranty, express or implied, as to the accuracy, completeness, likelihood of achievement or reasonableness of any Forward Statement

contained in this presentation. Except as required by law or regulation, Beforepay assumes no obligation to release updates or revisions to Forward Statements to reflect any changes. This announcement includes information regarding past performance of Beforepay and investors should be aware that past performance is not and should not be relied upon as being indicative of future performance.

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. All figures are unaudited. Change percentages are calculated using unrounded figures and may differ slightly from a number calculated using rounded figures.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Beforepay Group Limited

ABN

63 633 925 505

Quarter ended ("current quarter")

31st March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers ¹	86,792	213,467
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(463)	(1,449)
(c) advertising and marketing	(3,366)	(10,126)
(d) leased assets		
(e) staff costs	(1,715)	(4,888)
(f) administration and corporate costs	(146)	(1,013)
1.3 Dividends received		
1.4 Interest received		34
1.5 Interest and other costs of finance paid ²	(357)	(824)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	545	556
1.8 Other – Payments to customers ³	(87,927)	(219,930)
1.9 Net cash from / (used in) operating activities	(6,637)	(24,173)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities		
(h) businesses		
(i) property, plant and equipment	(3)	(115)

¹ Receipts from customers comprises repayment of customer advances, inclusive of Beforepay fee income

² Interest associated with the Debt Facility which funds customer pay advances

³ Payments to customers comprises cash outs (Pay Advances) to customers

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		(30)
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(3)	(145)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	35,000	35,000
3.2	Proceeds from issue of convertible debt securities		11,658
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(3,767)	(5,027)
3.5	Proceeds from borrowings ⁴	2,012	8,661
3.6	Repayment of borrowings		(247)
3.7	Transaction costs related to loans and borrowings	(94)	(282)
3.8	Dividends paid		
3.9	Other (provide details if material)	(76)	(232)
3.10	Net cash from / (used in) financing activities	33,075	49,531

⁴ Borrowings from the debt facility to fund customers cash outs (Pay Advances)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,791	10,012
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,637)	(24,173)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(145)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	33,075	49,531
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	35,225	35,225

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	35,225	8,791
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	35,225	8,791

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	\$246
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
The company made payments to Executive & Non-Executive Directors relating to Salaries & Wages (inclusive of superannuation and applicable taxes withheld) and Directors Fees on normal commercial terms. Not included any none – cash items (I.e., Convertible note interest)		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	45,000	15,665
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	45,000	15,665
7.5	Unused financing facilities available at quarter end		29,335
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>No change in the debt facility terms from details provided in the HY22 Financial Report. The facility is provided by Longreach Credit Investors; Interest rate 9.50% (fixed); maturity date Jun-23. Unused financing facilities available at quarter end is subject to meeting the Eligible Receivable test under the facility agreement.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(6,637)
8.2	Cash and cash equivalents at quarter end (item 4.6)	35,225
8.3	Unused finance facilities available at quarter end (item 7.5)	29,335
8.4	Total available funding (item 8.2 + item 8.3)	64,560
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	9.7
Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A		
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A		
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A		
Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:28 April 2022.....

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.